



FINANCE

BULLETIN

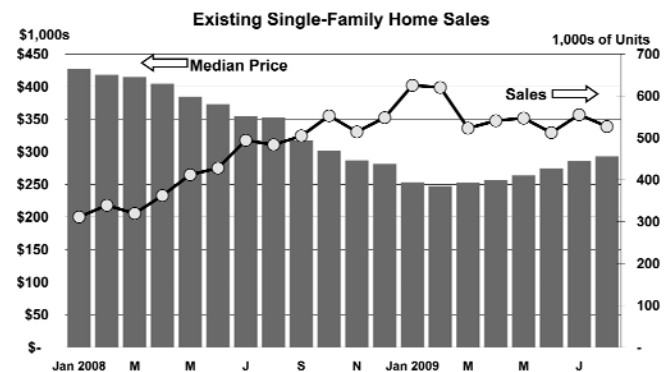
October 2009

ECONOMIC UPDATE

Economic indicators continue to show signs that the economy may have bottomed out. Monthly nonfarm job losses have diminished greatly. The pace of home building appears to have stabilized, albeit at a meager pace. Existing home prices and the median time needed to sell a home improved in August.

- California lost 12,300 nonfarm jobs in August 2009. This was the smallest month-over-month loss in a string of losses that started in May 2008. Monthly losses averaged nearly 74,000 during the first six months of 2009, but only 25,000 during July and August.
- Only three major industry sectors grew in August. Educational and health services added 6,000 jobs; information, 3,400; and government, 2,000.
- Eight sectors declined in August. Trade, transportation, and utilities lost 7,100 jobs; construction, 7,000; other services, 2,900; manufacturing, 2,700; leisure and hospitality, 2,000; financial activities, 1,000; professional and business services, 800; and natural resources and mining, 200. And, on a nonseasonally-adjusted basis, government employment fell by 13,600 in August, including a 3,300 drop in state government.
- Nonfarm payroll employment fell by 741,000, or 4.9 percent, from August 2008 to August 2009. Only one sector, educational and health services, grew over the year, adding 14,200 jobs.
- Employment fell by 190,700 in trade, transportation, and utilities; 142,000 in construction; 133,300 in professional and business services; 121,900 in manufacturing; 57,400 in leisure and hospitality; 42,200 in financial activities; 29,000 in information; 18,400 in other services; 18,300 in government; and 2,000 in natural resources and mining.
- Since the national recession began in December 2007, California has lost 954,700 industry jobs.
- In concert with the nation, the state's unemployment rose to 12.2 percent in August. The number of people unemployed in California was 2,247,990 – up 48,500 over the month and up 850,900 compared with August of last year.
- Home building picked up somewhat in August. Residential permits were issued at a seasonally adjusted annual rate of 35,800 units, an 8-percent increase from September. This pace was still down over 35 percent from a year earlier. Single-family permits were down 7.4 percent (the smallest year-over-year drop since December 2005), while multi-family permitting was down 65.4 percent. New home permitting during the first eight months of 2009 was down 50 percent from the same months of 2008.
- Nonresidential construction permitting fell 47 percent in August from a year earlier. For the first eight months of 2009 as a whole, nonresidential permitting was down 48 percent from the same months of 2008.
- Real estate markets posted mixed signals in August. Statewide home prices rose for the sixth consecutive month. The median price of existing, single-family homes sold in August was \$292,960. The pace of sales—527,000 units at a seasonally adjusted annualized rate—slowed from July, but was up 9 percent from a year earlier. The unsold inventory index inched up to 4.3 months. The median number of days needed to sell a home slid to 35.2 days. At the end of 2008, the median stood at 46 days.

Has Real Estate Bottomed Out?

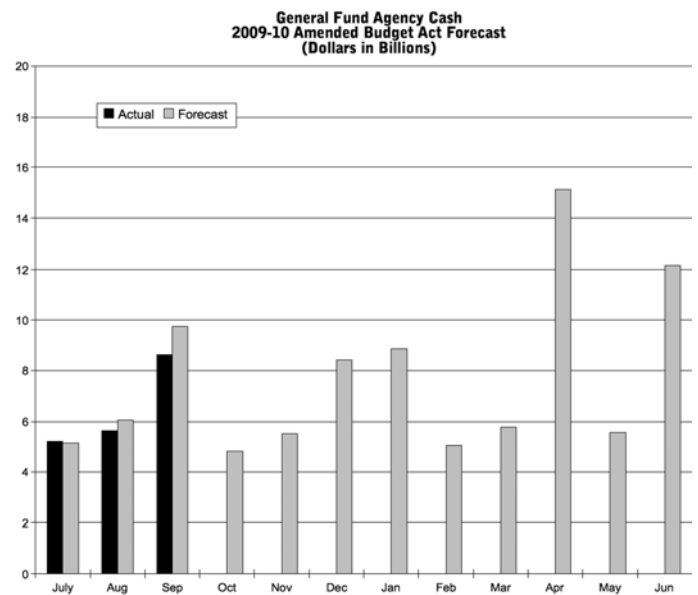


Source: California Association of Realtors

MONTHLY CASH REPORT

As part of the Amended 2009 Budget Act, Finance assumed an unallocated \$3 billion revenue reduction to the 2009-10 May Revision forecast. The revenue reduction was assumed to occur throughout the 2009-10 fiscal year in amounts proportional to current tax collections. For September, the unallocated revenue reduction was calculated at -\$331 million, reducing the total General Fund revenue forecast for September from \$9.755 billion to \$9.424 billion. Preliminary General Fund agency cash for September was \$8.614 billion, or \$810 million below the Amended 2009 Budget Act forecast, which includes the unallocated revenue adjustment. On the same adjusted basis, year-to-date revenues are \$948 million below the expected \$20.415 billion.

- Personal income tax revenues to the General Fund were \$1.043 billion below the month's forecast of \$5.39 billion. Withholding receipts were \$130 million lower than the projected level of \$2.632 billion but the shortfall was primarily due to estimated payments, which came in \$987 million below the expected level of \$2.877 billion. It is likely that most of the estimated payment shortfall is due to lower than forecasted non-wage-income tax liabilities. Other receipts were \$31 million above the anticipated \$224 million and refunds came in \$24 million below the estimate of \$246 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHSF). The amount transferred to the MHSF in September was \$19 million below the month's estimate of \$97 million. Year-to-date General Fund income tax revenues are \$1.202 billion below estimate.
- Sales and use tax receipts were \$53 million below the month's forecast of \$2.22 billion. September represents the second prepayment for third quarter taxable sales. A more complete picture of third quarter sales activity will be available when final payments for the quarter are received in late October and early November. The shortfall in this revenue source can be attributed to the weak economy. Year-to-date, the sales tax cash is \$302 million below forecast.
- Corporation tax revenues were \$189 million below the month's estimate of \$1.748 billion. As with the personal income tax, the shortfall was due to lower-than-expected prepayments. Prepayments were \$339 million lower than the forecast of \$1.718 billion. This loss was partially offset by other payments, which were \$131 million above the \$132 million that was expected and refunds, which came in \$19 million below the projected level of \$102 million. Year-to-date revenues are \$61 million below estimate.
- Total Vehicle License Fee General Fund revenue reported in September was \$12 million lower than the estimate of \$129 million. Year-to-date revenues are \$77 million below forecast.
- Revenues from the insurance tax were \$110 million above the month's estimate of \$135 million, which offset the prior month's shortfall. Estate, alcoholic beverage, and tobacco taxes came in \$3 million below the anticipated level of \$38 million. Pooled money interest income was \$0 compared to the estimated \$9 million for the month because interest earnings for the General Fund were recorded as other revenues. "Other" revenues were \$58 million above the month's estimate of \$86 million.



2009-10 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	SEPTEMBER 2009				2009-10 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$5,390	\$4,347	-\$1,043	-19.4%	\$10,768	\$9,566	-\$1,202	-11.2%
Sales & Use	2,220	2,167	-53	-2.4%	6,732	6,430	-302	-4.5%
Corporation	1,748	1,559	-189	-10.8%	2,040	1,979	-61	-3.0%
Insurance	135	245	110	81.5%	520	526	6	1.2%
Estate	0	0	0	0.0%	0	2	2	n/a
Pooled Money Interest	9	-	-9	-100.0%	27	0	-27	-100.0%
Alcoholic Beverages	29	26	-3	-10.3%	88	84	-4	-4.5%
Tobacco	9	9	0	0.0%	27	27	0	0.0%
Vehicle License Fees	129	117	-12	-9.3%	428	351	-77	-18.0%
Other	86	144	58	67.4%	481	502	21	4.4%
Unallocated Revenue Reduction	-331				-696			
Total	\$9,424	\$8,614	-\$810	-8.6%	\$20,415	\$19,467	-\$948	-4.6%

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller.

Totals may not add due to rounding. The forecast is from the 2009 May Revision updated for the 2009 Budget Amendments.