



Finance Bulletin

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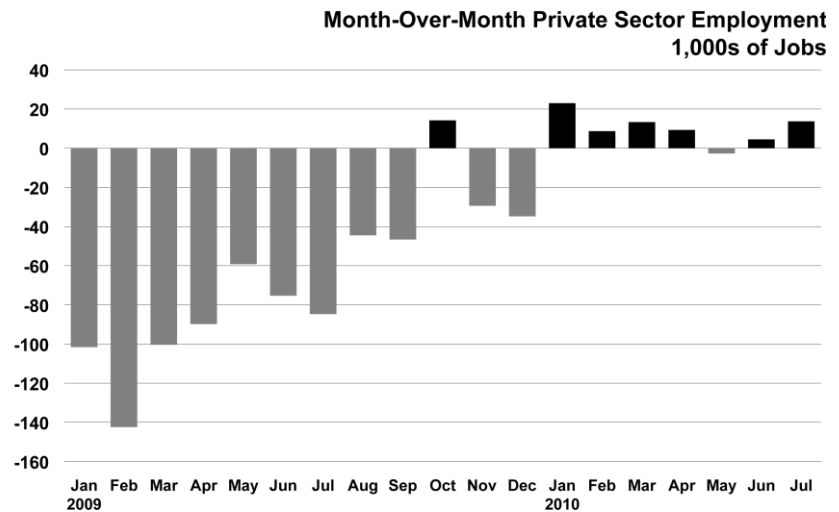
Economic Update

July labor market reports contained good news when one looks beneath the headline numbers. A drop in industry employment was driven by the winding down of temporary U.S. Census work. Private sector employment expanded in six out of the first seven months of 2010, and July's gain was the best since January.

LABOR MARKET CONDITIONS

- Even though California lost 9,400 nonfarm jobs in July, the winding down of temporary Census work was the principal cause. Total private payroll jobs grew by 13,700. (Source: EDD)
- Five industry sectors added jobs in July, with education and health services leading the way, rising 11,600. Other services gained 5,900; trade, transportation, and utilities, 1,400; construction, 1,400; and information, 700.
- Five sectors lost jobs. Reduced employment by the Census accounted for most of the losses. Government employment fell 23,100, with Federal government employment falling 20,100. Professional and business services employment declined 3,000; leisure and hospitality, 2,100; manufacturing, 2,000; and mining and logging, 200. There was no change in financial activities.
- Year-over-year job losses are gradually moderating. Industry employment was down 0.7 percent in July from a year earlier, which was the smallest loss since April 2008.
- On a year-over-year basis, employment rose 35,500 in education and health services; 22,800 in professional and business services; 6,200 in information; 700 in other services; and 100 in mining and logging.
- Over the year, employment fell by 54,300 in construction; 37,200 in trade, transportation, and utilities; 32,600 in government; 21,000 in manufacturing; 12,100 in financial activities; and 12,000 in leisure and hospitality.
- The state's unemployment rate held steady at 12.3 percent in July. The number of people unemployed in California was up 7,600 over the month, and up 100,400 compared to July of last year.

Private Sector Adds Jobs



BUILDING ACTIVITY

- Although home building improved significantly over the year, the July pace was still far below its pre-recession rate. Residential permits were issued at a seasonally adjusted annual rate of 50,250 units, up nearly 45 percent from a year earlier. Single-family permits were down 5 percent, while multi-family permitting was up 150 percent from an exceptionally low pace set in July 2009. New home permitting during the first seven months of 2010 was up nearly 29 percent from the same months of 2009.
- Nonresidential construction permitting rose 8.6 percent in July from a year earlier—its third consecutive year-over-year gain. For the first seven months of 2010 as a whole, nonresidential permitting was down 1.4 percent from the same months of 2009.

REAL ESTATE

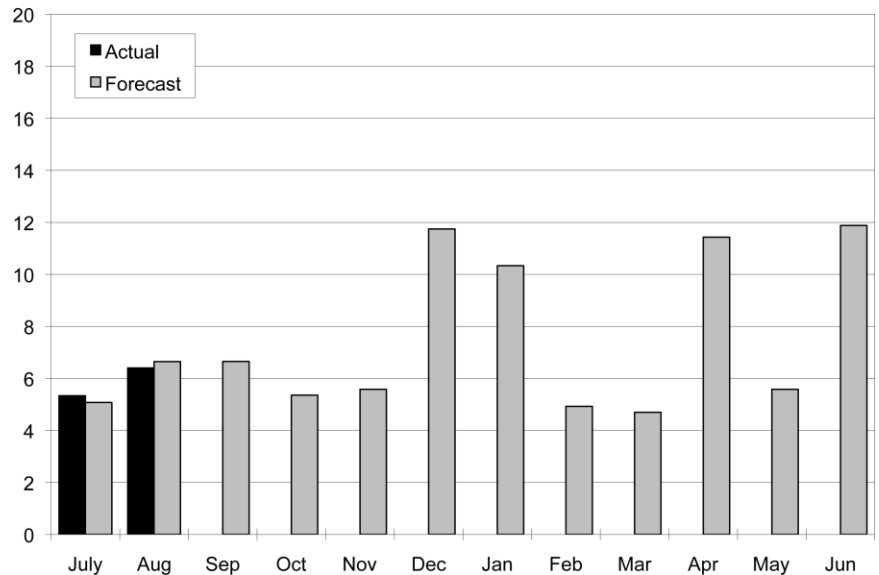
- Existing home sales slowed in July for the second consecutive month in response to the expiration of the Federal home buyers' tax credit at the end of April. Sales of existing, single-family detached homes totaled 440,370 units at a seasonally adjusted annualized rate. Despite the slowdown in sales, home prices held up. The median price of existing, single-family homes sold in July, \$314,850, was 10.4 percent higher than a year earlier.
- As would be expected with the slowdown in sales, the unsold inventory index rose a full point in July to 5.8 months. The median number of days needed to sell a home also lengthened, rising to 44.2 days, an 11 percent increase from a year earlier. (Source: California Association of Realtors)

Monthly Cash Report

Preliminary General Fund agency cash for August was \$245 million below the 2010-11 May Revision forecast of \$6.648 billion. Year-to-date revenues are \$12 million above the expected \$11.725 billion.

- Personal income tax revenues to the General Fund were \$120 million above the month's forecast of \$2.946 billion. Withholding receipts were \$160 million higher than the projected level of \$2.838 billion. Other receipts were \$46 million below the anticipated \$334 million and refunds came in \$8 million under the estimate of \$173 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 August was \$2 million above the month's estimate of \$53 million. Year-to-date General Fund income tax revenues are \$69 million above estimate.
- Sales and use tax receipts were \$209 million below the month's forecast of \$2.875 billion. The shortfall was primarily due to cash flow timing, largely offsetting the July gain, as was expected. Since August cash includes the remaining portion of the final payment for the second quarter sales, which was due July 31, July and August need to be looked at together. August receipts also include the first prepayment for third quarter sales. Year-to-date, the sales tax cash is \$3 million above forecast.
- Corporation tax revenues were \$148 million below the month's estimate of \$129 million. Prepayments were \$24 million lower than the forecast of \$108 million and other payments were \$20 million below the \$102 million that was expected. Refunds were \$104 million above the projected level of \$81 million largely due to cash flow as higher refunds due to audit activity offset refunds which were anticipated in prior months. Year-to-date revenues are \$61 million below estimate.
- Total Vehicle License Fee General Fund revenue reported in August was \$6 million lower than the estimate of \$134 million. Year-to-date revenues are \$9 million below forecast.
- Revenues from the insurance tax were \$94 million below the month's estimate of \$363 million. This shortfall is due to timing and has been recovered in early September collections; the August cash includes the third quarterly prepayment, which was due September 1. Estate, alcoholic beverage, and tobacco taxes came in \$4 million below the \$37 million that was expected. Receipts from pooled money interest income and "other" revenues were \$96 million above the forecast of \$164 million.

General Fund Agency Cash
2010-11 May Revision Forecast
(Dollars in Billions)



2010-11 Comparison of Actual and Forecast Agency General Fund Revenues
(Dollars in Millions)

Revenue Source	AUGUST 2010				2010-11 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$2,946	\$3,066	\$120	4.1%	\$6,058	\$6,127	\$69	1.1%
Sales & Use	2,875	2,666	-209	-7.3%	4,320	4,323	3	0.1%
Corporation	129	-19	-148	-114.7%	358	297	-61	-17.0%
Insurance	363	269	-94	-25.9%	367	280	-87	-23.7%
Estate	0	1	1	n/a	0	1	1	n/a
Pooled Money Interest	4	2	-2	-50.0%	8	2	-6	-75.0%
Alcoholic Beverages	28	24	-4	-14.3%	62	59	-3	-4.8%
Tobacco	9	8	-1	-11.1%	18	16	-2	-11.1%
Vehicle License Fees	134	128	-6	-4.5%	266	257	-9	-3.4%
Other	160	258	98	61.3%	268	375	107	39.9%
Total	\$6,648	\$6,403	-\$245	-3.7%	\$11,725	\$11,737	\$12	0.1%

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 2010 May Revision.