



FINANCE

BULLETIN

August 2009

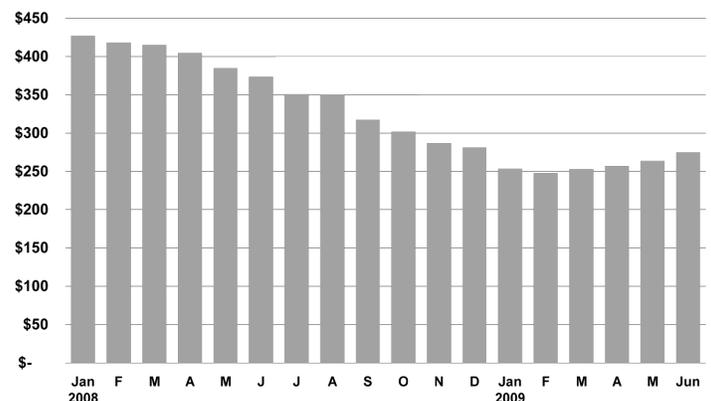
ECONOMIC UPDATE

Labor markets continued to bring disappointing news at midyear but real estate markets improved. Significant job losses continued in June even though the pace slowed considerably from the beginning of the year. The unemployment rate, while not rising, remained elevated. Existing home prices rose for the fourth consecutive month and the inventory of unsold homes and the average number of days needed to sell a home fell.

- California lost 66,500 nonfarm jobs in June 2009, the 14th consecutive month-over-month decline. Job losses moderated a bit though, from the beginning of the year. During the four months ending with June, monthly losses averaged 63,000 jobs compared to an average of 87,500 during the four months ending with February.
- No major industry sectors gained jobs in June. However, professional and business services lost 13,700 jobs; construction, 13,300; trade, transportation, and utilities, 11,400; manufacturing, 8,100; government, 6,700; leisure and hospitality, 4,000; information, 3,300; other services, 2,700; financial activities, 1,800; educational and health services, 900; and natural resources and mining, 600.
- Nonfarm payroll employment fell by 766,300 from June 2008 to June 2009, a 5.1-percent decline.
- Only one industry sector had more jobs compared to the same month in the prior the year. Employment rose 19,500 in educational and health services
- Over the year, employment fell by 190,500 in trade, transportation, and utilities; 147,100 in construction; 130,500 in professional and business services; 124,600 in manufacturing; 64,400 in leisure and hospitality; 49,100 in financial activities; 38,800 in information; 22,500 in government; 16,600 in other services; and 1,700 in natural resources and mining.
- Since the national recession began in December 2007, California has lost 904,300 industry jobs.
- The state's unemployment rate held steady at 11.6 percent in June. The number of people unemployed in California was 2,146,000 – down 7,000 over the month, but up by 850,000 compared with June of last year.
- After sliding dramatically throughout 2006, 2007 and 2008, home building appeared to bottom out during the first six month's of 2009, with at least 30,000 permits issued each month. New home permitting during the first six months of 2009 averaged 33,900 units. In June, residential permits were issued at a seasonally adjusted annual rate of 34,243 units, down over 52 percent from a year earlier. Single-family permits were down 34.3 percent, while multi-family permitting was down 75 percent.
- Commercial construction, by contrast, continued to trend down during the first half of 2009. Nonresidential construction permitting fell 56 percent in June from a year earlier. For the first six months of 2009 as a whole, nonresidential permitting was down 47.6 percent from the same months of 2008.
- Real estate activity showed more signs of stability in June. Sales prices improved for the fourth consecutive month. The median price of existing, single-family homes sold in June was \$274,740, down 26 percent from a year earlier. This was better than the latter half of 2008 when the median price was falling at a 40+ percent year-over-year rate.
- Lower prices boosted sales. Sales of existing, single-family detached homes totaled 514,110 units at a seasonally adjusted annualized rate in June, up over 20 percent from a year earlier. The pace of existing home sales during the first six months of 2009 accelerated over 55 percent from the first half of 2008.
- These trends are also reflected in home inventory readings. The unsold inventory index inched down to 4.1 months. The median number of days needed to sell a home dropped to 44.3 days, nearly a 10-percent improvement from a year earlier.

Have Home Prices Bottomed Out?

Median Sales Price of Existing Single-Family Homes (\$1,000s)



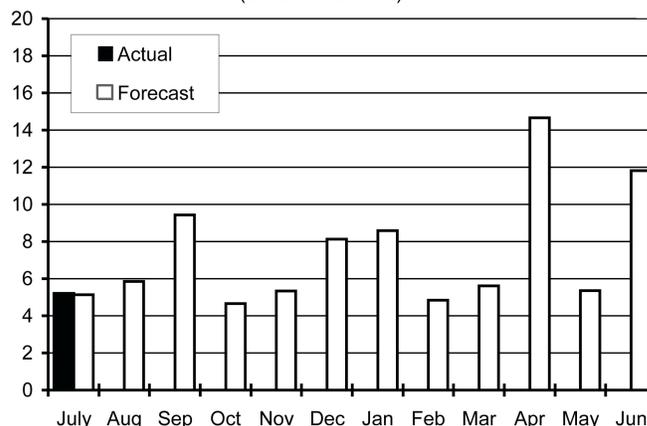
Source: California Association of Realtors

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 an amount proportional to current tax collections. For July, the unallocated revenue reduction was calculated at -\$148 million, reducing the total General Fund revenue forecast for July from \$5.292 billion to \$5.144 billion. Preliminary General Fund agency cash for July was \$5.209 billion, or \$65 million above the Amended 2009 Budget Act forecast, which includes the unallocated revenue adjustment.

- Personal income tax revenues to the General Fund were \$74 million below the month's forecast of \$2.741 billion. Withholding receipts were \$148 million lower than the projected level of \$2.745 billion. Other receipts were \$72 million above the anticipated \$281 million – July is not a significant month for income tax estimated payments or final payments – and refunds came in \$1 million under the estimate of \$236 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 July was \$1 million below the month's estimate of \$49 million.
- Sales and use tax receipts were \$76 million below the month's forecast of \$1.995 billion. July represents the final payment for second quarter taxable sales, which was due on July 31.
- Corporation tax revenues were \$104 million above the month's estimate of \$171 million. Prepayments were \$68 million higher than the forecast of \$157 million and other payments were \$40 million above the \$71 million that was expected. Refunds were \$3 million over the projected level of \$57 million.
- The Vehicle License Fee (VLF) rate increased from 0.65 percent to 1.15 percent from May 19, 2009, to June 30, 2011, with the additional 0.5 percent initially going to the General Fund. Of the additional revenue collected 0.35 percent remains in the General Fund and 0.15 percent is subsequently transferred to local law enforcement (Local Safety and Protection Account). Total VLF General Fund revenue reported in July was \$36 million lower than the estimate of \$148 million. It is estimated that at least an additional \$20 million in VLF General Fund revenue attributed to July will be recorded in August.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes came in \$8 million above the \$51 million that was expected. Pooled money interest income was \$9 million below the estimate of \$9 million, and "other" revenues were as forecast.

**General Fund Agency Cash
2009-10 Amended Budget Forecast**
(Dollars in Billions)



2009-10 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions)

Revenue Source	JULY 2009				2009-10 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$2,741	\$2,667	-\$74	-2.7%	\$2,741	\$2,667	-\$74	-2.7%
Sales & Use	1,995	1,919	-76	-3.8%	1,995	1,919	-76	-3.8%
Corporation	171	275	104	60.8%	171	275	104	60.8%
Insurance	10	15	5	50.0%	10	15	5	50.0%
Estate	0	1	1	n/a	0	1	1	n/a
Pooled Money Interest	9	0	-9	-100.0%	9	0	-9	-100.0%
Alcoholic Beverages	32	33	1	3.1%	32	33	1	3.1%
Tobacco	9	10	1	11.1%	9	10	1	11.1%
Vehicle License Fees	148	112	-36	-24.3%	148	112	-36	-24.3%
Other	177	177	0	0.0%	177	177	0	0.0%
Unallocated Revenue Reduction	-148				-148			
Total	\$5,144	\$5,209	\$65	1.3%	\$5,144	\$5,209	\$65	1.3%

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.

The forecast for "other" revenues reflects actual cash for July 2009.