



FINANCE BULLETIN

July 2009

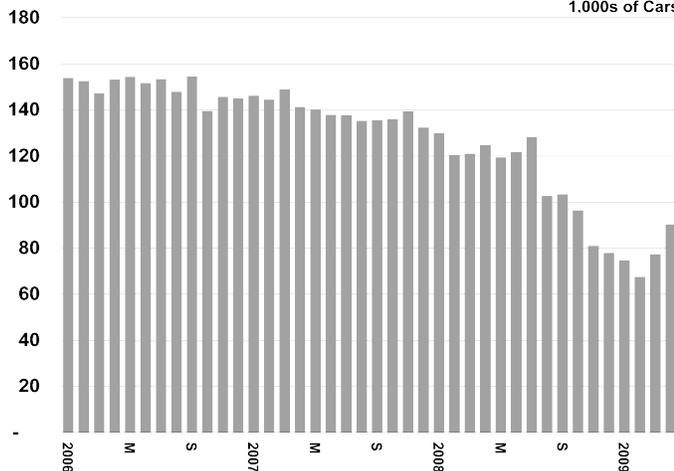
ECONOMIC UPDATE

Even though California was still mired in recessionary conditions in May, there were tentative signs that the bottom may be approaching. Unemployment insurance claims improved slightly in April and May. Car sales also picked up marginally. Existing home sales improved and the inventory situation moderated. Despite these encouraging signs, though, the level of spending and building remained discouraging.

- Claims for unemployment insurance benefits in California dropped for the second consecutive month in May, although they were still at recessionary levels. The total number of claims slipped to 75,300 in May after peaking at 80,800 in March on a seasonally adjusted basis. However, the May level was up over 44 percent from May 2008. For the first five months of 2009 as a whole, unemployment insurance claims were up 54 percent from the same months of 2008.
- Auto sales in California picked up in March and April in contrast to the nation which saw sales drop. There were 90,300 new cars registered in April, a significant improvement from the historic low of 67,500 registrations reached in February. However, for the first four months of 2009 overall, new car registrations were nearly 38 percent lower than during the first four months of 2008. National new car sales through April were off 37 percent from the same months of 2008.
- Taxable sales in California slumped in the first quarter of 2009 according to the most recent estimate from the Board of Equalization. Seasonally adjusted taxable sales dropped nearly 5 percent from the fourth quarter of 2008 and were down over 16 percent from the first quarter of 2008. The drop in new car sales accounts for a large share of this reduction.
- Home construction languished in May, dropping to the second slowest one-month pace on record (second only to February). Residential permits were issued at a seasonally adjusted annual rate of 31,100 units, down nearly 60 percent from a year earlier. Single-family permits were down 37 percent, while multi-family permitting was down 79 percent. New home permitting during the first five months of 2009 was down 52 percent from the same months of 2008.
- Nonresidential construction was also disappointing. The value of permits issued for nonresidential construction fell 45 percent in May from a year earlier. For the first five months of 2009 as a whole, nonresidential permitting was down 46 percent from the same months of 2008.
- May brought more indications that real estate markets are stabilizing. Sales of existing, single-family detached homes totaled 556,590 units at a seasonally adjusted annualized rate, up over 35 percent from a year earlier.
- The median price of existing, single-family homes sold in May was \$267,570. Even though this was down 30 percent from a year earlier, it was the slowest rate of year-over-year loss since March 2008.
- The unsold inventory index dropped to 4.2 months, the lowest reading since the end of 2005. The median number of days needed to sell a home, however, popped up to 54

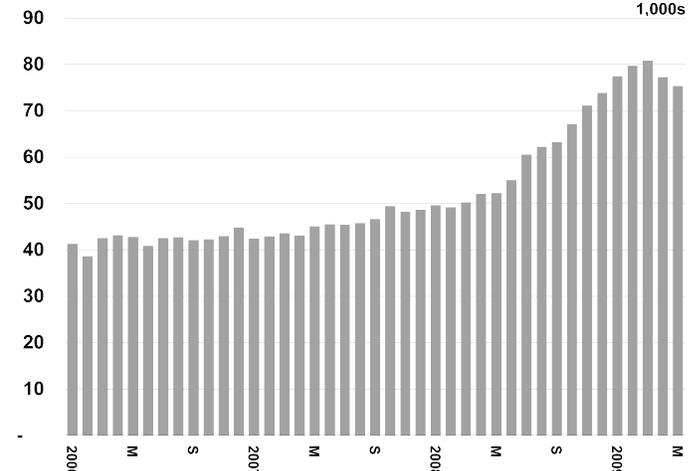
Did car sales hit bottom?

New Automobile Registrations in California
1,000s of Cars



Elevated Unemployment Claims

Weekly Average Claims for Unemployment Insurance Benefits
1,000s



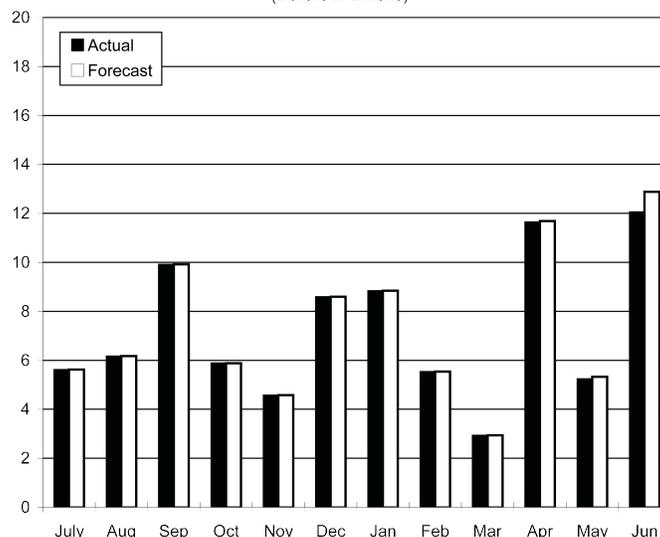
days, a 9 percent increase from a year earlier.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for June was \$821 million below the 2009-10 May Revision forecast of \$12.884 billion. Year-to-date revenues are \$927 million below the \$87.965 billion that was expected. Revisions to prior months are included in the year-to-date figures.

- Personal income tax revenues to the General Fund were \$1.049 billion below the month's forecast of \$5.531 billion. Withholding receipts were \$24 million above the month's estimate of \$2.487 billion and the second quarterly estimated payment for the 2009 tax year came in \$1.131 billion below the projected level of \$3.23 billion. Other receipts were \$96 million above the month's estimate of \$193 million and refunds were \$56 million above the anticipated \$280 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 June was \$19 million below the month's forecast of \$99 million. Year-to-date General Fund income tax revenues are \$1.451 billion below estimate.
- Sales and use tax receipts were \$119 million below the month's forecast of \$2.897 billion. June represents the second prepayment for second quarter sales. A more complete picture of second quarter sales will be available in mid-August, when all of the second quarter receipts have been processed. Year-to-date, the sales tax cash is \$338 million below estimate.
- Corporation tax revenues were \$604 million above the month's estimate of \$3.179 billion. Prepayments were \$304 million higher than the forecast of \$1.497 billion. The 2008 budget trailer bill required taxpayers pay 30 percent of their annual estimated payments in each of their two first prepayments (April and June for calendar year corporations) versus the prior requirement of 25 percent. Other payments, which included receipts related to the 20-percent underpayment penalty imposed pursuant to last year's budget trailer bill, were \$311 million above the \$1.779 billion that was expected. Refunds were \$11 million above the projected level of \$98 million. Year-to-date revenues are \$1.197 billion above estimate. This amount includes \$1.227 billion from the 20-percent underpayment penalty in excess of estimates. This amount will be accounted as a prior year adjustment rather than 2008-09 revenues, since it relates to prior year tax liabilities.
- 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 June was \$63 million lower than the estimate of \$168 million. This shortfall continues to reflect the lower-than-expected early payments associated with the 0.5% VLF increase. Year-to-date reported revenues are \$168 million below forecast.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes came in \$43 million below the \$322 million that was expected. Receipts from the insurance tax alone were \$42 million below the \$287 million expected for the month, thus partially offsetting the cash flow gain in May as expected. Pooled money interest income was \$10 million above the estimate of \$21 million and "other" revenues were \$161 million below the forecast of \$766 million.

General Fund Agency Cash
2009-10 May Revision Forecast
(Dollars in Billions)



2008-09 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	JUNE 2009				2008-09 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$5,531	4,482	-\$1,049	-19.0%	\$45,150	\$43,699	-\$1,451	-3.2%
Sales & Use	2,897	2,778	-119	-4.1%	25,751	25,413	-338	-1.3%
Corporation	3,179	3,783	604	19.0%	11,015	12,212	1,197	10.9%
Insurance	287	245	-42	-14.6%	2,041	2,074	33	1.6%
Estate	0	1	1	n/a	14	20	6	42.9%
Pooled Money Interest	21	31	10	47.6%	222	226	4	1.8%
Alcoholic Beverages	27	25	-2	-7.4%	328	328	0	0.0%
Tobacco	8	8	0	0.0%	103	106	3	2.9%
Vehicle License Fees	168	105	-63	-37.5%	360	192	-168	-46.7%
Other	766	605	-161	-21.0%	2,981	2,768	-213	-7.1%
Total	\$12,884	\$12,063	-\$821	-6.4%	\$87,965	\$87,038	-\$927	-1.1%

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 2009 May Revision.