



# FINANCE

## BULLETIN

April 2009

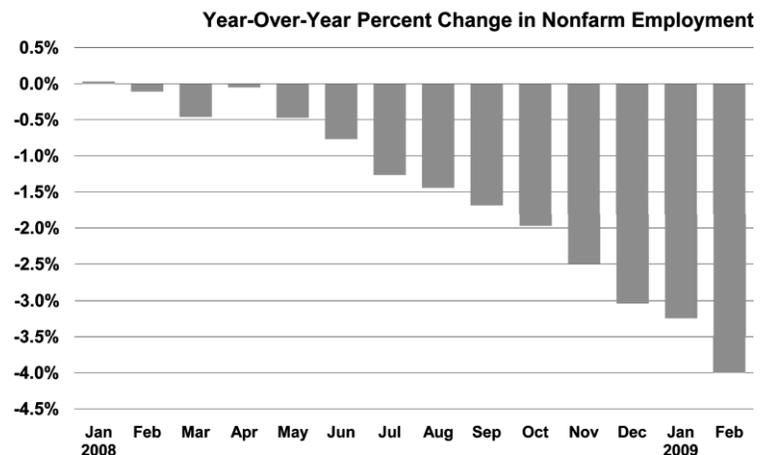
### ECONOMIC UPDATE

The economic downturn appears firmly entrenched. Only one industry sector gained jobs in February and the

unemployment rate rose again. There were more signs in February that the current economic downturn has broadened. Both residential and nonresidential construction activity slowed. On the plus side, both existing home sales and the inventory of unsold homes improved substantially from a year earlier.

- February brought more bad labor market news with deep and widespread job losses. California lost 116,000 nonfarm jobs in February 2009 –the largest job loss in the official employment series, which goes back to January 1990.
- Only one major industry sector, information, added jobs (7,900). There were significant losses across all of the other 10 sectors. Construction lost 30,900 jobs; professional and business services, 29,600; manufacturing, 16,000; trade, transportation, and utilities, 15,900; leisure and hospitality, 14,800; financial activities, 7,200; educational and health services, 4,500; government, 3,200; other services, 1,300; and natural resources and mining, 500.
- On a year-over-year basis, employment losses accelerated considerably in the last few months. Nonfarm payroll employment fell 4 percent, or by 605,900 jobs, from February 2008 to February 2009. In October 2008, the annual loss was only 2 percent. Only two industry sectors grew in February: Employment rose 30,900 in Educational and Health Services, and 100 in Natural Resources and Mining.
- Over the year, employment fell by 159,900 in trade, transportation, and utilities; 155,100 in construction; 101,900 in professional and business services; 89,900 in manufacturing; 52,400 in financial activities; 44,700 in leisure and hospitality; 18,700 in information; 8,200 in government; and 6,100 in other services.
- The state's unemployment rate rose again in February, but by far less than the dramatic rise in January. The February rate, 10.5 percent, was the highest rate since April 1983. While conditions are probably not as bad as these elevated numbers indicate, California's labor market has clearly deteriorated. According to the household employment series, civilian employment fell 46,400 in February, while unemployment rose 79,000.
- New home construction continued to worsen in February. Residential permits were issued at a seasonally adjusted annual rate of 28,847 units, down over 62 percent from a year earlier. Single-family permits were down 48 percent, while multi-family permitting was down 74 percent. New home permitting during the first two months of 2009 was down 60 percent from the same months of 2008 and fell 85 percent below the pace set during the first two months of 2006.
- Nonresidential construction permitting fell 52 percent in February from a year earlier. For the first two months of 2009 as a whole, nonresidential permitting was down 47 percent from the same months of 2008.
- Home sales softened slightly in February but were remained substantially better than last year. Sales of existing, single-family detached homes totaled 620,400 units at a seasonally adjusted annualized rate in February—a 83-percent improvement from a year earlier.
- Home prices also weakened in February. The median price of existing, single-family homes sold in February was \$247,600, down 40.8 percent from a year earlier.
- Other real estate market barometers showed mixed results in February. The unsold inventory index inched down to 6.5 months. Conversely, the median number of days needed to sell a home rose to 51.5 days, but was still an 18-day improvement from a year earlier.

**Dramatic Employment Deceleration**



# MONTHLY CASH REPORT

Preliminary General Fund agency cash for March was \$415 million below the 2009-10 Budget Act forecast of \$3.333 billion as adjusted for the payment of delayed prior month refunds. Year-to-date revenues were \$737 million below the adjusted estimate of \$58.814 billion.

- Personal income tax revenues to the General Fund were \$139 million below the month's adjusted forecast of - \$642 million. Withholding receipts were \$76 million below the estimate of \$2.887 billion and other receipts were \$71 million below the projected level of \$604 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections, net of refunds, be transferred to the Mental Health Services Fund (MHSF). Because March included a large amount of delayed refunds from February, the month's net revenue amount was negative and thus no transfer to the MHSF was made. Year-to-date General Fund income tax revenues were \$4 million below estimate.
- Sales and use tax receipts were \$253 million below the month's forecast of \$1.948 billion. March cash includes the second prepayment for first quarter sales and use tax liabilities. Year-to-date, the sales tax cash was \$647 million below expectations.
- Corporation tax revenues were \$99 million below the month's adjusted estimate of \$1.656 billion. Prepayments were \$95 million above the forecast of \$495 million and other payments, which include the final payments for 2008 calendar year corporations, were \$252 million lower than the \$1.386 billion that was expected. The shortfall in final payments suggests that underlying profits in 2008 were weaker than expected. Total refunds for the month included \$133 million of the \$181 million that were delayed from the prior month and \$33 million in current refunds. It is estimated that the remaining \$48 million in delayed refunds from February will be processed in April. Year-to-date revenues were \$184 million below the adjusted estimate.

- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$92 million above the month's forecast of \$222 million. The remaining revenues—pooled money interest income and "other" revenues—were \$16 million below the month's estimate of \$149 million.

2008-09 Comparison of Actual and Forecast Agency General Fund Revenues						
(Dollars in Millions)						
March 2009						
Revenue Source	Forecast	Settle-up for Feb. Refunds	Forecast Adjusted for Settle-up Refunds	Actual	Change	Percent Change
Personal Income	\$1,290	-\$1,932	-\$642	-\$781	-\$139	-21.7%
Sales & Use	1,948	0	1,948	1,695	-253	-13.0%
Corporation	1,789	-133	1,656	1,557	-99	-6.0%
Insurance	187	0	187	285	98	52.4%
Estate	0	0	0	-2	-2	n/a
Pooled Money Interest	20	0	20	6	-14	-70.0%
Alcoholic Beverages	26	0	26	22	-4	-15.4%
Tobacco	9	0	9	9	0	0.0%
Other	129	0	129	127	-2	-1.6%
<b>Total</b>	<b>\$5,398</b>	<b>-\$2,065</b>	<b>\$3,333</b>	<b>\$2,918</b>	<b>-\$415</b>	<b>-12.5%</b>
2008-09 YEAR-TO-DATE						
Revenue Source	Forecast	Remaining February Refunds	Forecast Adjusted for Remaining Feb. Refunds	Actual	Change	Percent Change
Personal Income	\$29,806	\$0	\$29,806	\$29,802	-\$4	0.0%
Sales & Use	19,287	0	19,287	18,640	-647	-3.4%
Corporation	6,038	48	6,086	5,902	-184	-3.0%
Insurance	1,300	0	1,300	1,409	109	8.4%
Estate	8	0	8	9	1	12.5%
Pooled Money Interest	187	0	187	178	-9	-4.8%
Alcoholic Beverages	262	0	262	246	-16	-6.1%
Tobacco	84	0	84	81	-3	-3.6%
Other	1,794	0	1,794	1,810	16	0.9%
<b>Total</b>	<b>\$58,766</b>	<b>\$48</b>	<b>\$58,814</b>	<b>\$58,077</b>	<b>-\$737</b>	<b>-1.3%</b>

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. The forecast is from the 2009 Budget. The forecast for "other" revenues reflects actual cash for July through January.