



Finance Bulletin

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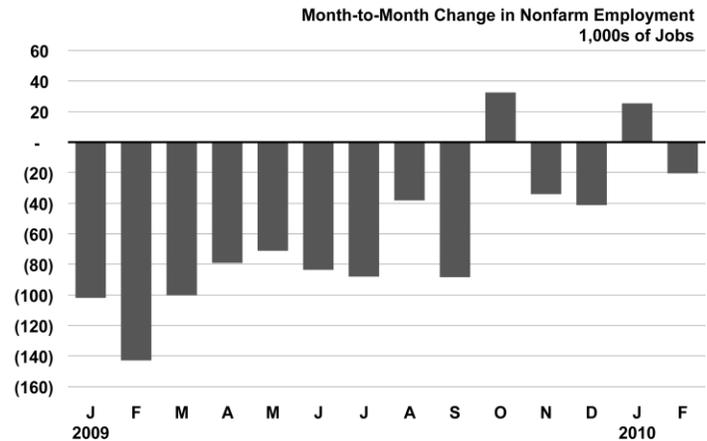
Economic Update

2010 began with better news than 2009 did, but there were no signs of a robust recovery. Housing markets and construction activity appear to have bottomed out. Labor market conditions, though improved, were disappointing. There were offsetting job losses and gains in January and February. The unemployment rate remained elevated in February.

LABOR MARKET CONDITIONS

- California continued along a trend of declining job losses that it has been on for the last year. The state lost 20,400 nonfarm jobs in February—reversing most of January’s revised gain of 25,400. In contrast, 142,400 jobs were lost in February 2009. (Source: EDD)
- Five major industry sectors gained jobs in February and six declined. Professional and business services added 10,000 jobs; trade, transportation, and utilities, 8,200; education and health services, 5,100; other services, 300; and natural resources and mining, 100. On the other hand, construction lost 21,500 jobs; leisure and hospitality, 9,800; government, 7,900; manufacturing, 1,900; information, 1,700; and financial activities, 1,300.
- Nonfarm payroll employment fell by 586,300 from February 2009 to February 2010—a 4.1-percent loss.
- Employment rose in only one major industry sector over that period, education and health services, which added 21,200 jobs.
- Over the year, employment fell by 123,600 in trade, transportation, and utilities; 119,900 in construction; 96,400 in manufacturing; 89,000 in professional and business services; 57,100 in leisure and hospitality; 46,300 in government; 32,600 in financial activities; 24,400 in other services; 15,300 in information; and 2,900 in natural resources and mining.
- The state’s unemployment rate held steady at 12.5 percent in February with offsetting increases in the number of people unemployed—up 5,700—and the number employed—up 34,700.

Monthly Job Losses Moderate but Persist



BUILDING ACTIVITY

- Residential construction exceeded its year-ago level for the second consecutive month in February, even though the pace of residential construction slowed in the month. January was the first year-over-year gain in nearly four years. Residential permits were issued at a seasonally adjusted annual rate of 48,100 units, up over 40 percent from a year earlier. Both single and multi-family construction slowed from January, but were up over the year. Single-family permits were up 33 percent, while multi-family permitting was up 51 percent.
- Total new home permitting during the first two months of 2010 was up 51 percent from the same months of 2009.
- Nonresidential construction continued to lag improvements in the residential sector. Nonresidential permitting fell 4.4 percent in February from a year earlier. For the first two months of 2010, nonresidential permitting was down 11.6 percent from the same months of 2009.

REAL ESTATE

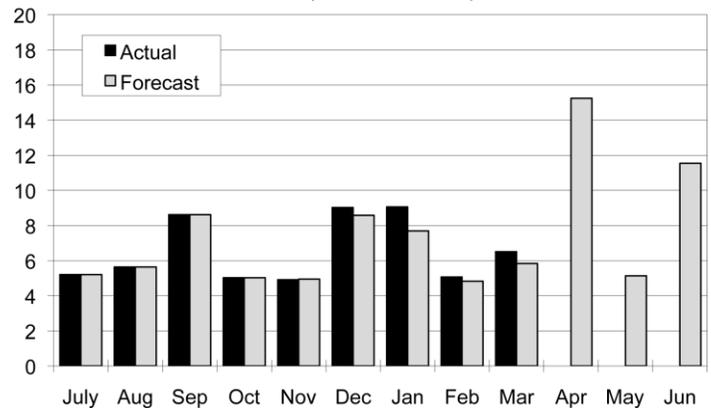
- The market for existing homes slowed for the second consecutive month in February. Sales of existing, single-family detached homes totaled 528,930 units at a seasonally adjusted annualized rate in February—down nearly 2 percent from January. The median price of existing, single-family homes sold in February was \$279,840, down 2.6 percent from January.
- The median number of days needed to sell a home rose to 41.2 days—longer than January, but a 19.8-percent improvement from a year earlier. (Source: [California Association of Realtors](#)).

MONTHLY CASH REPORT

Preliminary General Fund agency cash for March, was \$670 million above the 2010-11 Governor's Budget forecast of \$5.837 billion. Year-to-date revenues were \$2.68 billion above the estimate of \$56.372 billion.

- Personal income tax revenues to the General Fund were \$132 million above the month's forecast of \$2.252 billion. Withholding receipts were \$423 million above the estimate of \$3.112 billion and other receipts were \$137 million higher than the projected level of \$465 million. The gain in receipts was offset by refunds, which came in \$425 million over the estimate of \$1.285 billion; it is not clear how much of this month's refund variance may be due to cash flow. April will be a critical month for this tax as final returns or extension requests for the 2009 tax year are filed. 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 February was \$3 million above the estimate of \$40 million. Year-to-date General Fund income tax revenues were \$1.047 billion above estimate.
- Sales and use tax receipts were \$32 million below the month's forecast of \$2.059 billion. March cash includes the second prepayment for first quarter sales and use tax liabilities. Year-to-date, the sales tax cash was \$583 million above expectations.
- Corporation tax revenues were \$486 million above the month's estimate of \$1.026 billion. Prepayments were \$297 million above the forecast of \$332 million and other payments, which include the final payments for 2009 calendar year corporations, were \$103 million higher than the \$888 million that was anticipated. The gain in final payments suggests that underlying profits in 2009 were stronger than expected. Total refunds for the month were \$86 million lower than the estimate of \$194 million. Year-to-date revenues were \$861 million above estimate.
- Total Vehicle License Fee General Fund revenues reported in March were \$5 million higher than the estimate of \$117 million. Year-to-date revenues were \$9 million below forecast.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$9 million above the month's forecast of \$309 million. It was estimated that the General Fund would not realize any pooled money investment account (PMIA) interest in March. However, the State Controller's Office's March 2010 "Statement of General Fund Cash Receipts and Disbursements" published on April 8, 2010, noted that an adjustment was made in February to reflect the reclassification of the quarterly PMIA interest distribution as an expenditure rather than an offset to PMIA earnings, as previously recorded. Hence, the PMIA earned \$2 million in March; year-to-date, PMIA interest earnings were \$11 million higher than forecast. "Other" revenues were \$68 million above the month's estimate of \$74 million.

General Fund Agency Cash
2010-11 Governor's Budget Forecast
(Dollars in Billions)



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

(Dollars in Millions)

| Revenue Source | MARCH 2010 | | | | 2009-10 YEAR-TO-DATE | | | |
|-----------------------|----------------|----------------|--------------|----------------|----------------------|-----------------|----------------|----------------|
| | Forecast | Actual | Change | Percent Change | Forecast | Actual | Change | Percent Change |
| Personal Income | \$2,252 | \$2,384 | \$132 | 5.9% | \$28,004 | \$29,051 | \$1,047 | 3.7% |
| Sales & Use | 2,059 | 2,027 | -32 | -1.6% | 19,591 | 20,174 | 583 | 3.0% |
| Corporation | 1,026 | 1,512 | 486 | 47.4% | 4,985 | 5,846 | 861 | 17.3% |
| Insurance | 277 | 288 | 11 | 4.0% | 1,348 | 1,372 | 24 | 1.8% |
| Estate | 0 | 1 | 1 | n/a | 2 | 6 | 4 | 200.0% |
| Pooled Money Interest | 0 | 2 | 2 | n/a | 0 | 11 | 11 | 0.0% |
| Alcoholic Beverages | 24 | 21 | -3 | -12.5% | 247 | 240 | -7 | -2.8% |
| Tobacco | 8 | 8 | 0 | 0.0% | 78 | 74 | -4 | -5.1% |
| Vehicle License Fees | 117 | 122 | 5 | 4.3% | 1,028 | 1,019 | -9 | -0.9% |
| Other | 74 | 142 | 68 | 91.9% | 1,089 | 1,259 | 170 | 15.6% |
| Total | \$5,837 | \$6,507 | \$670 | 11.5% | \$56,372 | \$59,052 | \$2,680 | 4.8% |

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 2010-11 Governor's Budget.