



FINANCE BULLETIN

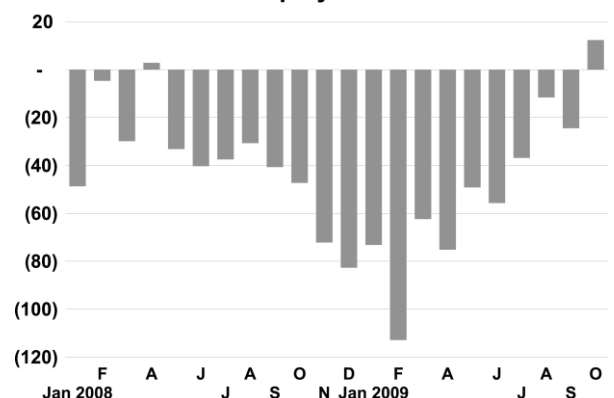
December 2009

ECONOMIC UPDATE

Despite an uptick in California's unemployment rate, October's labor market news was encouraging. Private nonfarm payroll employment increased for the first time in about a year and a half and the gains were relatively broad-based. In the same vein, there were more indications that California's real estate and construction industries may have bottomed out.

- California gained 25,700 nonfarm jobs in October 2009. This was the first month-over-month increase after 17 consecutive monthly losses.
- The good news, though, came with a caveat. More than half of October's estimated job gains came in government, where earlier school year starts and budget-related layoffs have made estimates of educational employment and, in turn, government and total nonfarm payroll employment, more volatile in recent months. October's gain in government employment, 13,400, was preceded by a 41,900 loss in September, for instance. Thus, some of those government job gains could be revised away in the report on labor market conditions in November, which will be released on December 18.
- The best employment news came from the private sector, where jobs increased by 12,300 across five of the ten major industry sectors. Job gains were notably more widespread than in previous months. Only three industries added jobs in September, two in August, one in July, and none in May and June. In October, professional and business services added 12,900 jobs; educational and health services, 12,900; leisure and hospitality, 4,600; financial activities, 2,600; and information, 2,200.
- Manufacturing lost 8,300 jobs; trade, transportation, and utilities, 7,800; other services, 4,100; construction, 2,500; and natural resources and mining, 200.
- On a year-over-year basis, nonfarm payroll employment fell by 687,700 from October 2008. Employment was up only in the educational and health services sector—by 23,500.
- Over the year, employment fell by 160,900 in trade, transportation, and utilities; 136,500 in construction; 124,400 in manufacturing; 106,900 in professional and business services; 49,900 in leisure and hospitality; 43,500 in government; 35,100 in financial activities; 31,800 in information; 20,100 in other services; and 2,100 in natural resources and mining.
- Since the national recession began in December 2007, California has lost 990,300 industry jobs.
- Despite the nonfarm employment gain, the state's unemployment rate—which is estimated from a different and much smaller survey—inched up to 12.5 percent in October. The number of people unemployed in October was 2,293,041—up 36,000 over the month, and up 807,700 compared with October of last year.
- New home construction has been on a modest upward trend since May of this year. In October, residential permits were issued at a seasonally adjusted annual rate of 37,368 units, a slight increase from September and up over 17 percent from May.
- Unfortunately, this construction pace was still down over 26 percent from a year earlier. Over the year, single-family permits were down almost 10 percent, while multi-family permitting was down 51 percent. New home permitting during the first 10 months of 2009 was down 46 percent from the same months of 2008.
- Nonresidential construction also picked up slightly in October and may have at least bottomed out. Nonresidential construction permitting was down 35.3 percent from October 2008, but has been fairly stable since May of this year. For the first 10 months of 2009 as a whole, nonresidential permitting was down 46 percent from the same months of 2008.
- Real estate signs continued to improve in October with accelerating sales and rising prices. Sales of existing, single-family detached homes totaled 562,400 units at a seasonally adjusted annualized rate in October—a 6-percent jump from September.
- The median price of existing, single-family homes sold in October was \$297,500, a small gain from September and down only 3 percent from a year earlier. The unsold inventory index slipped down to 4 months. The median number of days needed to sell a home, though, rose to 34.1 days. In October 2008, the number of days to sell was 45.5.

Private Employment Gains

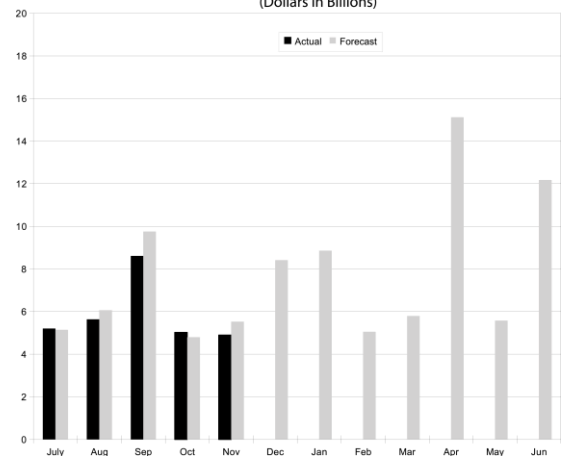


MONTHLY CASH REPORT

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 amounts proportional to current tax collections. For November, the unallocated revenue reduction was calculated at -\$186 million, reducing the total General Fund revenue forecast for November from \$5.525 billion to \$5.339 billion. Preliminary General Fund agency cash for November was \$4.9 billion, or \$439 million below the Amended 2009 Budget Act forecast, which includes the unallocated revenue adjustment. On the same adjusted basis, year-to-date revenues are \$1.035 billion below the expected \$30.414 billion.

- Personal income tax revenues to the General Fund were \$257 million below the month's forecast of \$2.135 billion. Withholding receipts were \$181 million below the estimate of \$2.638 billion. Other receipts were \$28 million above the projected level of \$244 million and refunds came in \$106 million higher than the anticipated \$711 million. Proposition 63 requires that 1.76 percent of total monthly personal income tax collections be transferred to the Mental Health Services Fund (MHS). The amount transferred to the MHSF in November was \$2 million below the estimate of \$36 million. Year-to-date General Fund income tax revenues are \$1.503 billion below estimate.
- Sales and use tax receipts were \$187 million below the month's forecast of \$2.936 billion. November cash includes a portion of the final payment for third quarter sales, as well as the first prepayment for fourth quarter sales. Year-to-date, the sales tax cash is \$490 million below forecast.
- Corporation tax revenues were \$7 million below the month's estimate of -\$225 million. Prepayments were \$17 million higher than the forecast of \$70 million, other payments were \$22 million above the \$80 million that was expected, and refunds were \$46 million above the projected level of \$375 million. Year-to-date revenues are \$186 million above estimate.
- Total Vehicle License Fee General Fund revenues reported in November were \$29 million lower than the estimate of \$128 million. Year-to-date revenues are \$133 million below forecast. The shortfall in these payments appears to be the result of higher than expected amounts of late payments by vehicle owners.
- Revenues from the insurance tax were \$87 million below the \$340 million expected for the month; it is expected that the shortfall will be offset by higher insurance tax receipts in December. Receipts from the estate, alcoholic beverage, and tobacco taxes met the month's forecast of \$38 million. Pooled money interest income was \$0 compared to the estimated \$8 million for the month because some interest earnings for the General Fund were recorded as other revenues and due to a reallocation of some past months' earnings from the General Fund to other pool participants. "Other" revenues were \$50 million below the month's estimate of \$165 million or \$8 million below forecast on a year-to-date basis.

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



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

Revenue Source	NOVEMBER 2009				2009-10 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$2,135	\$1,878	-\$257	-12.0%	\$15,483	\$13,980	-\$1,503	-9.7%
Sales & Use	2,936	2,749	-187	-6.4%	11,479	10,989	-490	-4.3%
Corporation	-225	-232	-7	-3.1%	1,979	2,165	186	9.4%
Insurance	340	253	-87	-25.6%	854	793	-61	-7.1%
Estate	0	1	1	n/a	0	3	3	n/a
Pooled Money Interest	8	0	-8	-100.0%	41	0	-41	-100.0%
Alcoholic Beverages	29	29	0	0.0%	146	140	-6	-4.1%
Tobacco	9	8	-1	-11.1%	45	43	-2	-4.4%
Vehicle License Fees	128	99	-29	-22.6%	693	560	-133	-19.1%
Other	165	115	-50	-30.3%	714	706	-8	-1.1%
Unallocated Revenue Reduction	-186				-1,020			
Total	\$5,339	\$4,900	-\$439	-8.2%	\$30,414	\$29,379	-\$1,035	-3.4%

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.