



Finance Bulletin

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Economic Update

Regional employment as well as pending home sales information for May indicate that the recovery is on firmer ground than a year ago. Regional employment data show that job growth is spreading inland from the coastal areas. Low mortgage rates and home prices boosted demand for homes and real estate sales have become less dependent on investors and distressed sales.

LABOR MARKET CONDITIONS

- While the pace of job growth during the first five months of 2012 was modest but steady across sectors, the gains were more broadly spread around the state's major metropolitan areas.
- Among California's 13 leading metropolitan statistical areas, all but three saw better job growth during the first five months of 2012 than during all of 2011.
- In four regions, the pace of job growth accelerated by a full percentage point or more. Three of these four—Fresno, Riverside, and Stockton—are inland regions that were some of the areas hardest hit by the recession. Job growth in the Stockton MSA went from negative 1.0 percent year-over-year in 2011 to positive 3.9 percent during the first five months of 2012—a 4.9-percentage point swing.
- In 2011, only 4 of the 13 regions had year-over-year job growth above 1 percent. During the first five months of 2012, eight regions met or exceeded 1 percent growth. Similarly, whereas four areas had negative or no job growth in 2011, only two—Sacramento and Modesto—had no job gains during the first five months of 2012.

Nonfarm Employment in Select MSAs

MSA	2010-2011	Year-to-Date
	% Change	Jan.-May 2011 to 2012 % Change
Stockton	-1.0%	3.9%
San Jose	2.8%	3.2%
San Francisco	1.8%	2.4%
Bakersfield	2.1%	2.1%
Orange	1.1%	1.5%
Riverside	0.3%	1.3%
Fresno	0.2%	1.2%
Oakland	0.0%	1.0%
Los Angeles	0.6%	0.7%
San Diego	0.8%	0.6%
Ventura	0.5%	0.3%
Sacramento	-1.0%	-0.2%
Modesto	-1.5%	-1.4%

REAL ESTATE

- Pending home sales in May appear to indicate improving real estate demand in the near future. Although unchanged from April, pending sales of existing single family homes in California were up substantially from a year earlier, which marked the 13th consecutive month of year-over-year improvement, according to the California Association of Realtors' Pending Home Sales Index.

- Equity, or non-distressed, sales accounted for a much larger share of all home sales in May compared to a year earlier. Equity sales accounted for over 59 percent of all sales, up from 55.8 percent in April and much better than the 51 percent they accounted for in May 2011.

Distressed Home Sales Indicators

Type of Sale	Shares of Single Family Home Sales		
	May 2011	April 2012	May 2012
Equity Sales	51.0%	55.8%	59.3%
Total Distressed Sales	49.0%	44.2%	40.7%
Real Estate Owned	28.4%	23.2%	21.0%
Short Sales	20.3%	20.6%	19.4%
Other Distressed Sales	0.3%	0.4%	0.3%
All Sales	100.0%	100.0%	100.0%

- Distressed sales made up about 41 percent of all sales in May, down from 44.2 percent in April 2012 and 49 percent in May 2011.

- The share of real estate owned sales dropped significantly over the year, from 28.4 percent in May 2011 to 21 percent in May 2012.

Source: California Association of Realtors

Monthly Cash Report

Preliminary General Fund agency cash for June was \$622 million above the 2012-13 Budget Act forecast of \$11.083 billion. Year-to-date revenues, which include revisions to prior months, are \$540 million above the estimate of \$83.681 billion. June represents the second estimated payment of 40 percent of liability due mid-month for personal income tax filers and calendar-year corporations.

- Personal income tax revenues to the General Fund were \$548 million above the month's forecast of \$6.494 billion. Withholding receipts were \$44 million below the estimate of \$3.136 billion and the second quarterly payment for the 2012 tax year came in \$642 million above the projected level of \$3.393 billion. Other receipts were \$98 million lower than the projected level of \$372 million. Refunds issued in June were \$58 million below the anticipated \$291 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 \$9 million above the estimate of \$117 million. Year-to-date General Fund income tax revenues are \$620 million above forecast.
- Sales and use tax receipts were \$10 million below the month's forecast of \$1.851 billion. June represents the second prepayment for second quarter sales and covers taxable sales activity from May 1 to June 15. Year-to-date, the sales tax cash is \$62 million below forecast.
- Corporation tax revenues were \$33 million below the month's estimate of \$1.970 billion. The shortfall in net Corporation Tax receipts in June is due to unexpected high levels of refunds. Total refunds for the month were \$93 million higher than the estimate of \$67 million. Prepayments were \$90 million above the forecast of \$1.872 billion and other payments were \$30 million lower than the \$165 million that was anticipated. Year-to-date revenues are \$316 million below forecast.
- Insurance tax revenues were \$46 million below the month's estimate of \$242 million. The \$46 million shortfall was due to timing of payments made between May and June because of the June 1 quarterly prepayment due date. Year-to-date insurance tax revenues are \$56 million above the forecasted \$2.148 billion.
- Revenues from the estate, alcoholic beverage, tobacco taxes, the vehicle license fee, and pooled money interest were \$16 million above the month's forecast of \$38 million. "Other" revenues were \$147 million above the month's estimate of \$488 million due to, among other items, unclaimed property receipts coming in above forecast by \$81 million as well as the receipt of \$16 million in penalty assessments related to the American International Group (AIG) settlement with the state for allegations of underreported workers' compensation premiums.

2011-12 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	JUNE 2012				2011-12 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$6,494	7,042	\$548	8.4%	\$50,218	\$50,838	\$620	1.2%
Sales & Use	1,851	1,841	-10	-0.5%	20,091	20,029	-62	-0.3%
Corporation	1,970	1,937	-33	-1.7%	8,368	8,052	-316	-3.8%
Insurance	242	196	-46	-19.0%	2,148	2,204	56	2.6%
Estate	0	1	1	n/a	1	3	2	200.0%
Pooled Money Interest	5	5	0	0.0%	25	26	1	4.0%
Alcoholic Beverages	25	38	13	52.0%	331	353	22	6.6%
Tobacco	7	9	2	28.6%	94	99	5	5.3%
Vehicle License Fees	1	1	0	0.0%	70	71	1	1.4%
Other	488	635	147	30.1%	2,335	2,546	211	9.0%
Total	\$11,083	\$11,705	\$622	5.6%	\$83,681	\$84,221	\$540	0.6%

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 2012 May Revision updated for the 2012 Budget Act.