



Finance Bulletin

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Economic Update

The U.S. unemployment rate rose to 4 percent in June 2018, with the labor force participation rate rising to 62.9 percent. U.S. real GDP in the first quarter of 2018 grew by an annualized 2 percent, down from the previous estimate of 2.2 percent. California's median home price hit a new high of over \$600,000 in May 2018, exceeding the previous high reached in May 2007.

PERSONAL INCOME

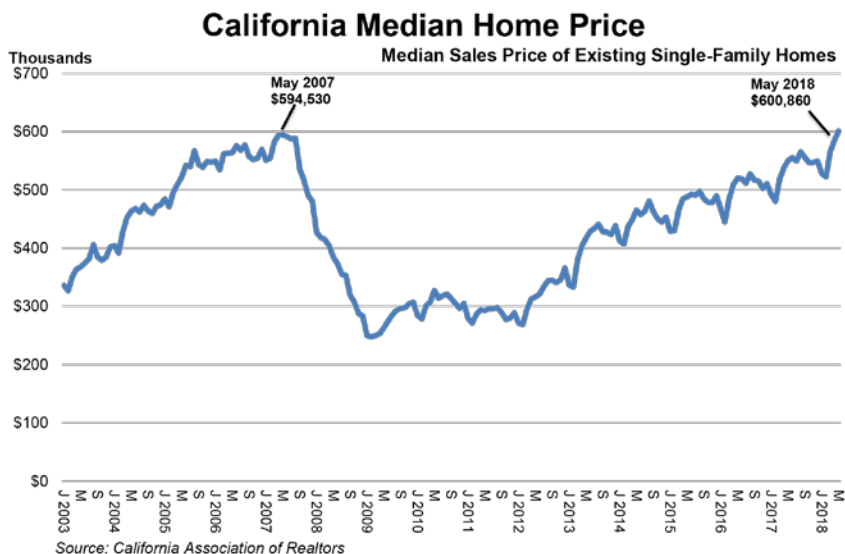
- California's personal income grew 4.5 percent in the first quarter of 2018 while U.S. personal income increased 3.6 percent. Personal income growth for 2017 was 4.1 percent for California and 3.1 percent for the nation. Since 2010, California personal income has grown on average by 5 percent a year, while U.S. personal income has grown on average 3.9 percent a year.
- In California, wages and salaries comprised 51 percent of the total personal income of \$2.37 trillion in the first quarter of 2018. Wages and salaries increased 6.7 percent while supplements to wages and salaries increased 4.6 percent. The other major components of personal income also grew: proprietor's income increased 3.0 percent; dividends, interest, and rent increased 3.5 percent; and transfer receipts increased 1.0 percent.

BUILDING ACTIVITY

- Residential building permits in California were issued at a seasonally adjusted annualized rate of 136,706 units in May, up 22 percent from a year ago. Permits for single-family housing totaled 58,924 and 77,782 for multifamily housing. The 2018 year-to-date average is now 122,470. The average for the same period in 2017 was 105,047. Nonresidential annualized valuation in May was \$42 billion, up almost 60 percent from a year earlier. The 2018 year-to-date average valuation is now \$34 billion, up 17 percent compared to the same period in 2017.

REAL ESTATE

- California's median home price hit a new high of \$600,860 in May, up 2.8 percent from April and 9.2 percent from May 2017. Statewide home sales totaled 409,270 units in May on a seasonally adjusted annualized rate, down on both on a monthly basis (-1.8 percent) and annual basis (-4.6 percent). Mortgage interest rates continued to rise, reaching 4.59 percent on average in May, up from 4.47 percent in April and from 4.01 percent in May 2017.



MONTHLY CASH REPORT

Preliminary General Fund agency cash for June was \$1.601 billion above the 2018-19 Budget Act forecast of \$17.773 billion. Fiscal year 2017-18 revenues were \$1.541 billion higher than the forecast of \$134.502 billion. June cash receipts represent the second estimated payment of 40 percent of liability due mid-month for personal income tax filers and calendar-year corporations.

- Personal income tax cash receipts to the General Fund were \$790 million above the month's forecast of \$11.904 billion. Withholding receipts were \$8 million above the forecast of \$4.834 billion. Other receipts were \$737 million higher than the forecast of \$7.738 billion. Refunds issued in June were \$59 million below the forecasted \$455 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 \$14 million higher than the forecast of \$199 million. Fiscal year 2017-18 General Fund personal income tax cash receipts were \$1.202 billion above forecast.
- Sales and use tax receipts were \$12 million above the month's forecast of \$2.564 billion. June cash includes the second prepayment for second quarter taxable sales, which was due June 24, and covers taxable sales activity from May 1 to June 15. Fiscal year 2017-18 sales tax cash receipts were \$380 million below forecast.
- Corporation tax revenues were \$606 million above the month's forecast of \$2.632 billion. Estimated payments were \$842 million above the forecast of \$2.263 billion, and other payments were \$236 million lower than the \$441 million forecast. Total refunds for the month were equal to the forecast of \$72 million. Fiscal year 2017-18 corporate income tax cash receipts were \$531 million above forecast.
- Insurance tax cash receipts were \$92 million above the \$57 million estimated for June and were \$61 million above forecast for fiscal year 2017-18. Cash receipts from pooled money interest and alcoholic beverage and tobacco taxes came in \$4 million above the month's forecast of \$64 million and were up \$19 million for fiscal year 2017-18. "Other" cash receipts were \$98 million above the month's estimate of \$553 million and were up \$110 million for fiscal year 2017-18.

2017-18 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	JUNE 2018				2017-18 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$11,904	12,694	\$790	6.6%	\$92,314	\$93,516	\$1,202	1.3%
Sales & Use	2,564	2,576	12	0.5%	25,928	25,547	-380	-1.5%
Corporation	2,632	3,238	606	23.0%	11,990	12,521	531	4.4%
Insurance	57	149	92	162.8%	2,514	2,575	61	2.4%
Estate	0	0	0	n/a	1	1	0	4.7%
Pooled Money Interest	30	35	5	15.3%	172	182	10	5.7%
Alcoholic Beverages	28	29	1	4.9%	371	380	9	2.5%
Tobacco	6	4	-2	-34.0%	67	66	-1	-1.2%
Other	553	651	98	17.7%	1,146	1,256	110	9.6%
Total	\$17,773	\$19,374	\$1,601	9.0%	\$134,502	\$136,043	\$1,541	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 2018-19 Budget Act.