



FINANCE BULLETIN

March 2009

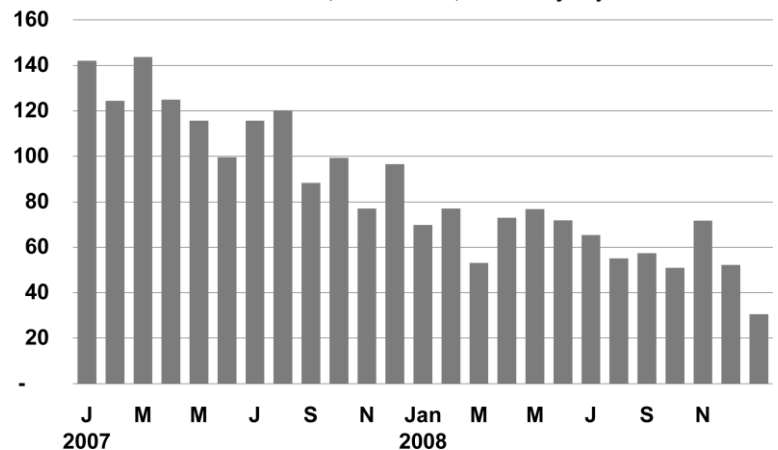
ECONOMIC UPDATE

California's economic troubles clearly broadened during the course of last year. And, not surprisingly, the bad news continued into 2009. During 2008, California's industry job losses spread from housing into the larger economy. This year began with widespread job losses. New home building continued to drop. Nonresidential construction, which served as a buffer to slowing home construction in 2007, also decelerated sharply as 2008 ended and 2009 began. The state economy entered 2009 with little momentum.

- The state's labor markets started off 2009 losing 79,300 nonfarm jobs in January, the third largest monthly job loss in the official series, which began in January 1990. The second largest drop was in December 2008, whose loss, initially estimated at 78,200, was revised up to 84,400. January was also the ninth consecutive month of declining employment.
- Continuing the pattern of recent months, the gains were slight and the losses were widespread and significant. Only four major industry sectors experienced employment gains. Educational and health services added 3,900 jobs; leisure and hospitality, 2,200; government, 1,100; and natural resources and mining, 200. In contrast, there were significant losses in seven sectors and the losses are no longer confined to sectors associated with real estate and home building. Information lost 27,700 jobs; professional and business services, 21,900; manufacturing, 14,400; construction, 10,200; trade, transportation, and utilities, 7,100; financial activities, 3,900; and other services, 1,500.
- Nonfarm payroll employment fell by 494,000 from January 2007 to January 2008, a 3.3-percent drop. Over the year, employment fell by 145,000 in trade, transportation, and utilities; 130,800 in construction; 81,300 in manufacturing; 76,600 in professional and business services; 48,200 in financial activities; 31,500 in leisure and hospitality; 18,900 in information; and 4,700 in other services. Employment rose 39,600 in educational and health services; 2,800 in government; and 600 in natural resources and mining.
- The official estimate of the state's unemployment rate shot up to a dubiously high 10.1 percent in January—the highest rate since May 1983. This increase, though, was largely the result of statistical adjustments—the annual benchmarking, the incorporation of updated population controls, and an adjustment of state unemployment details to ensure they sum to the national total. These adjustments together account for nearly all of January's increase. Unusually large movements in the monthly estimates are typically smoothed out during the following year's revision process. The U.S. unemployment rate rose 0.4 percentage point to 7.6 percent in January.
- New home construction hit a wall in the first month of 2009. Residential permits were issued at a seasonally adjusted annual rate of 30,526 units, down over 56.3 percent from a year earlier. This pace is less than half the annual rate posted in 2008, and only about a quarter of the pace set in 2007. Single-family permits were down 51.6 percent and multi-family permitting 61.6 percent from January 2008.
- Nonresidential building got off to a nearly equally unimpressive start. Only the relatively small hotel/motel, amusement park, and service station sectors did better than in January 2008. Total construction permitting in January fell 42.1 percent from a year earlier.
- Real estate markets continued to post improving sales amid steep price reductions. Sales of existing, single-family detached homes improved substantially in January, totaling 624,940 units at a seasonally adjusted annualized rate—up 101 percent from in January 2007. However, this came at a cost as the median price of existing, single-family homes sold in January fell to \$254,350, down 40.5 percent from a year earlier.

Home Building Collapses

Residential Construction Permitting
1,000s of Units, Seasonally Adjusted Annual Rate



MONTHLY CASH REPORT

Preliminary General Fund agency cash for February, as adjusted for delayed refunds, was \$898 million below the 2009-10 Budget Act forecast of \$4.338 billion. Year-to-date adjusted revenues are \$333 million below the \$53.368 billion that was expected.

- Personal income tax revenues to the General Fund were \$437 million below the month's adjusted forecast of \$3.183 billion. Withholding receipts were \$315 million below the estimate of \$2.826 billion and other receipts were \$4 million above the projected level of \$274 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). The amount transferred to the MHSF in February was \$49 million. Year-to-date General Fund income tax revenues, as adjusted for delayed refunds, are \$134 million above estimate.
- Sales and use tax receipts were \$334 million below the month's forecast of \$2.688 billion. February cash includes the remaining portion of the final payment for fourth quarter 2008 sales, which was due February 2. These receipts were weaker than expected and indicate fourth quarter taxable sales were below forecast. In addition, the first prepayment for first quarter 2009 was due on February 24. Year-to-date, the sales tax cash is \$394 million below expectations.
- Corporation tax revenues were \$138 million below the month's adjusted estimate of \$199 million. Prepayments were \$24 million below the forecast of \$159 million and other payments were \$26 million below the \$133 million that was expected. Year-to-date revenues, as adjusted for delayed refunds, are \$95 million below estimate.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$3 million below the month's forecast of \$54 million. Pooled money interest income was \$4 million below the estimate of \$16 million and "other" revenues were \$18 million higher than the estimate of \$136 million.

2008-09 Comparison of Actual and Forecast Agency General Fund Revenues						
(Dollars in Millions)						
February 2009						
Revenue Source	Forecast	Delayed Refunds	Forecast Adjusted for Delayed Refunds	Actual	Change	Percent Change
Personal Income	\$ 1,245	\$ 1,938	\$ 3,183	\$ 2,746	\$ (437)	-13.7%
Sales & Use	2,688	-	2,688	2,354	(334)	-12.4%
Corporation	199	181	380	242	(138)	-36.3%
Insurance	23	-	23	22	(1)	-4.3%
Estate	-	-	-	1	1	n/a
Pooled Money Interest	16	-	16	12	(4)	-25.0%
Alcoholic Beverages	23	-	23	21	(2)	-8.7%
Tobacco	8	-	8	7	(1)	-12.5%
Other	136	-	136	154	18	13.2%
Total	\$ 4,338	\$ 2,119	\$ 6,457	\$ 5,559	\$ (898)	-13.9%
2008-09 YEAR-TO-DATE						
Revenue Source	Forecast	Delayed Refunds	Forecast Adjusted for Delayed Refunds	Actual	Change	Percent Change
Personal Income	\$ 28,516	\$ 1,938	\$ 30,454	\$ 30,588	\$ 134	0.4%
Sales & Use	17,339	-	17,339	16,945	(394)	-2.3%
Corporation	4,249	181	4,430	4,335	(95)	-2.1%
Insurance	1,113	-	1,113	1,124	11	1.0%
Estate	8	-	8	11	3	n/a
Pooled Money Interest	167	-	167	172	5	3.0%
Alcoholic Beverages	236	-	236	224	(12)	-5.1%
Tobacco	75	-	75	72	(3)	-4.0%
Other	1,665	-	1,665	1,683	18	1.1%
Total	\$ 53,368	\$ 2,119	\$ 55,487	\$ 55,154	\$ (333)	-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 2009 Budget.

The forecast for "other" revenues reflects actual cash for July through January.