



Finance Bulletin

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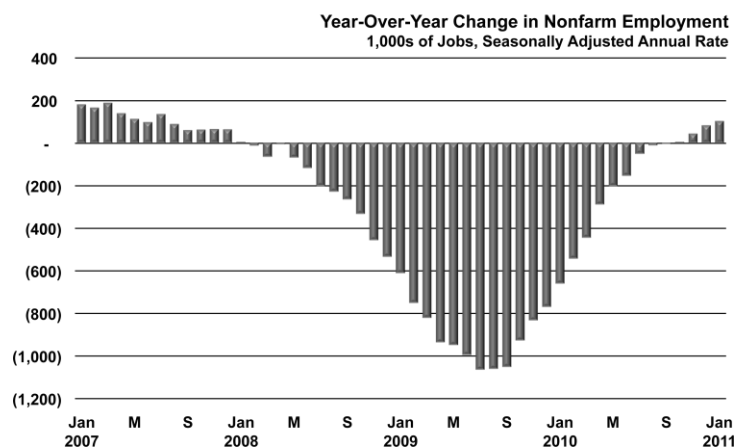
Economic Update

The state's economy was definitely growing in January 2011. California labor markets improved. The unemployment rate fell to 12.4 percent, and nonfarm employment increased for the fourth consecutive month. Commercial construction improved. However, weak real estate markets and disappointing home building are dampening the pace of recovery.

LABOR MARKET CONDITIONS

- California [gained 12,500 nonfarm jobs in January](#)—the fourth in a string of monthly job gains that averaged 30,800. This trend may not persist as January job estimates have historically been volatile.
- Five major industry sectors added jobs in January. Trade, transportation, and utilities added 19,200 jobs; construction, 17,800; government, 3,000; manufacturing, 1,000; and mining and logging, 800.
- Six sectors lost jobs. Information lost 9,600 jobs; professional and business services, 6,900; other services, 5,400; financial activities, 5,100; leisure and hospitality, 1,700; and educational and health services, 600.
- California gained 102,100 jobs from January 2010 to January 2011 (0.7 percent)—the strongest year-over-year job growth since July 2007.
- Employment rose 60,400 in professional and business services; 47,600 in educational and health services; 29,800 in trade, transportation, and utilities; 23,100 in leisure and hospitality; 8,400 in information; 4,700 in manufacturing; and 1,100 in mining and logging.
- Over the year, employment fell 49,700 in government; 10,400 in construction; 7,200 in other services; and 5,700 in financial activities.
- The state's unemployment rate fell to 12.4 percent in January. The number of people unemployed in California was 2,247,600—down 24,900 over the month, but up 7,100 compared with January of last year. The national unemployment rate fell by 0.4 percentage point to 9.0 percent in January.

Best Year-Over Job Gains Since 2007



BUILDING ACTIVITY

- Home building slowed in January following an end-of-the-year surge in December 2010 to beat the imposition of new building codes that took effect at the beginning of 2010. Residential permits were issued at a seasonally adjusted annual rate of 54,215 units, down almost 17 percent from December. Single-family permits fell 35.4 percent, while multi-family permitting was up 10.1 percent.
- On a year-over-year basis, nonresidential construction permitting rose 13.6 percent in January based on strong resurgence in the store, industrial, and other categories.

REAL ESTATE

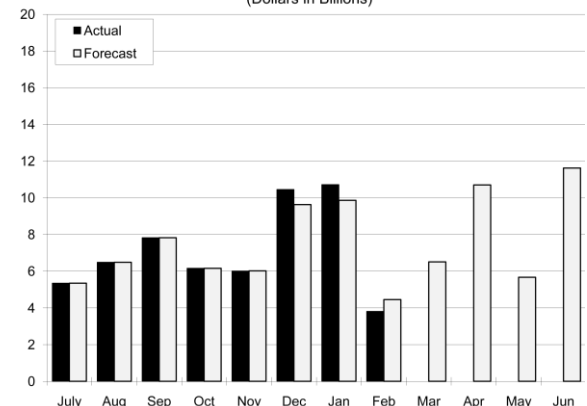
- Sales of existing, single-family detached homes improved for the third consecutive month in January. Sales totaled 546,420 units at a seasonally adjusted annualized rate and were up 2.5 percent from a year earlier.
- Home prices softened considerably in January. The median price of existing, single-family homes sold in January was \$278,900, down 2 percent from January 2010.
- The unsold inventory index rose to 6.7 months in January. The median number of days needed to sell a home rose to 61.8 days—nearly double the time needed a year earlier when federal and state home buyer incentives were in effect. (Source: [California Association of Realtors](#))

Monthly Cash Report

Preliminary General Fund agency cash for February was \$643 million below the 2011-12 Governor's Budget forecast of \$4.457 billion due in large part to adjustments in February sales and use tax receipts. Year-to-date revenues are \$1.024 billion above forecast.

- Personal income tax revenues to the General Fund were \$15 million above the month's forecast of \$1.572 billion. Withholding receipts were \$420 million above the estimate of \$2.841 billion and other receipts were \$44 million above the anticipated \$238 million. The gain in receipts was offset by refunds, which came in \$449 million over the estimate of \$1.479 billion. February is the first month of several significant months for 2010 tax year refunds. 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 matched the estimate of \$28 million. Year-to-date General Fund income tax revenues are \$1.286 billion above estimate.
- Sales and use tax receipts were \$542 million below the month's forecast of \$2.327 billion. February cash reflects a -\$308 million adjustment due to an incorrect allocation of sales taxes on gasoline in August through January. The year-to-date cash reported in last month's Finance Bulletin had been adjusted by -\$300 million of the -\$308 million to reflect the estimated revision due to this issue. In addition, February's cash includes a quarterly allocation adjustment of -\$82 million related to cash receipts received in November through January. Absent these adjustments, February cash would have been \$152 million below forecast. February cash includes the remaining portion of the final payment for fourth quarter 2010 sales, which was due January 31 as well as the first prepayment for first quarter 2011 sales. As mentioned in last month's bulletin, a portion of January's strength in cash receipts was at the expense of early February cash receipts. The cash receipts in February attributed to taxable sales that occurred in January appear roughly in line with expectations. Year-to-date, the sales tax cash is \$76 million below forecast.
- Corporation tax revenues were \$142 below the month's estimate of \$270 million. Prepayments were \$59 million below the forecast of \$180 million, other payments were \$100 million below the \$181 million that was expected, and refunds were \$17 million lower than the estimate of \$90 million. March is a more significant month for this tax as final 2010 tax returns for the calendar year corporations are due March 15. Year-to-date revenues are \$186 million below estimate.
- Total Vehicle License Fee General Fund revenues reported in February were \$18 million lower than the estimate of \$122 million. Year-to-date revenues are \$24 million below forecast.
- Insurance tax revenues were \$22 million above the month's estimate of -\$4 million, primarily due to the revised timeline for finalizing regulations pursuant to a Board of Equalization (BOE) decision in the California Automobile Insurance Company case. The forecast assumed that \$27 million of refunds attributable to the BOE decision would be issued this month; however, recent information indicates that refunds will most likely be delayed until 2011-12. March and April are more significant months for this tax as both 2011 quarterly prepayments and 2010 final returns are due on April 1. Year-to-date insurance tax revenues are \$44 million above forecast. Adjusting for the delayed refunds, year-to-date revenues would be \$6 million above forecast.
- Revenues from the estate, alcoholic beverage, tobacco taxes and pooled money interest came in \$2 million below the \$29 million that was expected. "Other" revenues were \$24 million above the month's estimate of \$141 million.

General Fund Agency Cash
2011-12 Governor's Budget Forecast
(Dollars in Billions)



2010-11 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	FEBRUARY 2011				2010-11 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$1,572	\$1,587	\$15	1.0%	\$30,129	\$31,415	\$1,286	4.3%
Sales & Use (See text above)	2,327	1,785	-542	-23.3%	17,938	17,862	-76	-0.4%
Corporation	270	128	-142	-52.6%	4,329	4,143	-186	-4.3%
Insurance	-4	18	22	-550.0%	1,001	1,045	44	4.4%
Estate	0	0	0	0.0%	5	6	1	20.0%
Pooled Money Interest	2	1	-1	-50.0%	24	21	-3	-12.5%
Alcoholic Beverages	20	20	0	0.0%	221	226	5	2.3%
Tobacco	7	6	-1	-14.3%	63	63	0	0.0%
Vehicle License Fees	122	104	-18	-14.8%	946	922	-24	-2.5%
Other	141	165	24	17.0%	1,148	1,125	-23	-2.0%
Total	\$4,457	\$3,814	-\$643	-14.4%	\$55,804	\$56,828	\$1,024	1.8%

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 2011-12 Governor's Budget.