



Finance Bulletin

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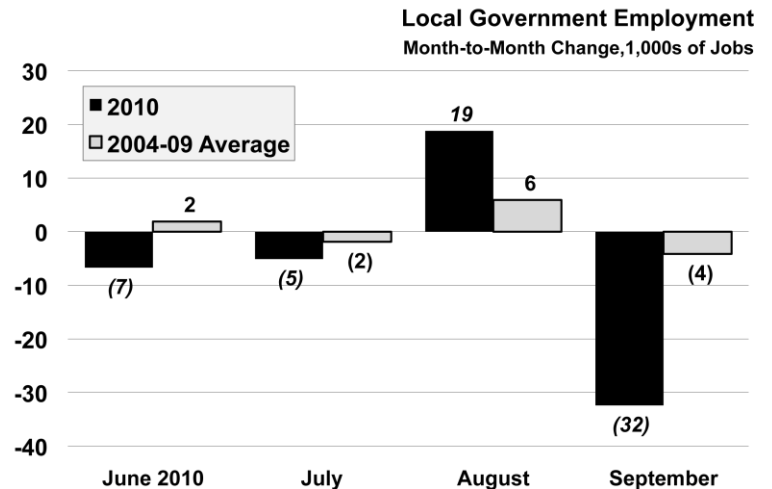
Economic Update

Uncharacteristic 2010 school year hiring led to volatile employment estimates in August and September. Other indicators still pointed to a tepid recovery for the state.

LABOR MARKET CONDITIONS

■ California [lost 63,600 nonfarm jobs in September](#). However, an upward revision to August changed the originally-estimated 33,500-job loss into a 10,700 gain—a net 44,200 job improvement. These gyrations were principally attributable to atypical seasonal hiring in local government education, as a number of schools started the year earlier than in the past. Better-than-usual hiring in August (not reflected in the original estimate) was followed by weaker-than-normal hiring in September. With seasonal adjustments, this resulted in a 32,400 job loss in local government employment in September. (Without seasonal adjustments, local government employment grew by 13,000 in August and 26,400 in September, in contrast to an average loss of about 11,000 jobs in August and a gain of 59,000 jobs in September in prior years). It will likely take one or two more reports before a clearer picture emerges for the August-September period. ([Source: EDD](#))

Unusual Local Government (School) Hiring



■ Four major industry sectors added jobs in September. Leisure and hospitality added 7,400 jobs; financial activities, 5,500; trade, transportation, and utilities, 4,200; and professional and business services, 3,600.

■ The public sector was the leading source of job losses in September. Government lost 37,300 jobs (32,400 in local government); educational and health services, 13,600; construction, 13,300; information, 11,300; other services, 6,600; manufacturing, 1,900; and mining and logging, 200.

■ Nonfarm payroll employment fell by 43,700, or 0.3 percent, from September 2009 to September 2010. Employment rose 58,600 in professional and business services; 15,200 in educational and health services; 8,400 in leisure and hospitality; and 600 in mining and logging. Over the year, employment fell by 50,700 in construction; 28,100 in trade, transportation, and utilities; 23,000 in government; 12,000 in manufacturing; 5,000 in other services; 3,900 in information; and 3,800 in financial activities.

■ The state's unemployment rate in September was unchanged from August—12.4 percent. The national unemployment rate also held steady in September—9.6 percent. The number of employed Californians increased by 7,000 in September, while the number of unemployed increased by 10,000. This was the first month-over-month increase in the state's labor force since May.

BUILDING ACTIVITY

■ New home construction slowed in September, but the year-to-date pace still reflected a significant improvement over last year. Residential permitting overall was down over 15 percent from a year earlier. However, new home permitting during the first nine months of 2010 was up 21.6 percent from the same months of 2009.

■ Nonresidential construction slowed for a second consecutive month in September. However, the value of nonresidential permits issued was up almost 15 percent from a year earlier—the fifth consecutive month of year-over-year improvement.

REAL ESTATE

■ Real estate market readings were conflicted in September—sales improved, prices weakened, and inventories rose. Sales of existing, single-family detached homes totaled 466,580 units at a seasonally adjusted annualized rate in September, up nearly 4 percent from August. Conversely, the median price of existing, single-family homes sold slipped to \$309,900, down 2.7 percent from August.

■ The unsold inventory index inched up to 6.2 months in September. The median number of days needed to sell a home jumped to 52.5 days from 47.1 days in August. ([Source: California Association of Realtors](#))

Monthly Cash Report

Preliminary General Fund agency cash for October, as adjusted for delayed refunds, was \$189 million above the 2010-11 Budget Act forecast of \$5.969 billion. The Budget Act forecast incorporated actual agency cash for July through September.

- Personal income tax revenues to the General Fund were \$91 million above the month's adjusted forecast of \$3.651 billion. Withholding was \$107 million above the estimate of \$3.002 billion and other receipts were \$65 million below the forecast of \$820 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 October was \$11 million above the month's estimate of \$56 million.
- Sales and use tax receipts were \$2 million above the month's forecast of \$1.768 billion. The final payment for third-quarter taxable sales was due at the end of October and a portion of this payment is received in November.
- Corporation tax revenues were \$57 million above the month's adjusted estimate of \$280 million. Prepayments were \$3 million below the forecast of \$188 million and other payments were \$15 million above the \$161 million that was expected.
- Vehicle License Fee General Fund revenues reported in October were \$15 million lower than the estimate of \$119 million.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$8 million above the month's estimate of \$37 million. The remaining revenues—pooled money interest income and "other" revenues—were \$46 million higher than the month's estimate of \$114 million.

2010-11 Comparison of Actual and Forecast Agency General Fund Revenues							
(Dollars in Millions)							
October 2010							
Revenue Source	Forecast	Delayed Refunds	Forecast Adjusted for Delayed Refunds	Actual	Change	Percent Change	
Personal Income	\$ 3,124	\$ 527	\$ 3,651	\$ 3,742	\$ 91	2.5%	
Sales & Use	1,768	-	1,768	1,770	2	0.1%	
Corporation	220	60	280	337	57	20.4%	
Insurance	1	-	1	6	5	500.0%	
Estate	-	-	-	1	1	n/a	
Pooled Money Interest	4	-	4	2	(2)	-50.0%	
Alcoholic Beverages	28	-	28	30	2	7.1%	
Tobacco	8	-	8	8	-	0.0%	
Vehicle License Fees	119	-	119	104	(15)	-12.6%	
Other	110	-	110	158	48	43.6%	
Total	\$ 5,382	\$ 587	\$ 5,969	\$ 6,158	\$ 189	3.2%	
2010-11 YEAR-TO-DATE							
Revenue Source	Forecast	Delayed Refunds	Forecast Adjusted for Delayed Refunds	Actual	Change	Percent Change	
Personal Income	\$ 13,302	\$ 527	\$ 13,829	\$ 13,920	\$ 91	0.7%	
Sales & Use	8,176	-	8,176	8,178	2	0.0%	
Corporation	1,714	60	1,774	1,831	57	3.2%	
Insurance	518	-	518	523	5	1.0%	
Estate	1	-	1	2	1	n/a	
Pooled Money Interest	10	-	10	8	(2)	-20.0%	
Alcoholic Beverages	114	-	114	116	2	1.8%	
Tobacco	32	-	32	32	-	0.0%	
Vehicle License Fees	495	-	495	480	(15)	-3.0%	
Other	546	-	546	594	48	8.8%	
Total	\$ 24,908	\$ 587	\$ 25,495	\$ 25,684	\$ 189	0.7%	

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 2010 Budget. Reflects actual cash July through September