



Finance Bulletin

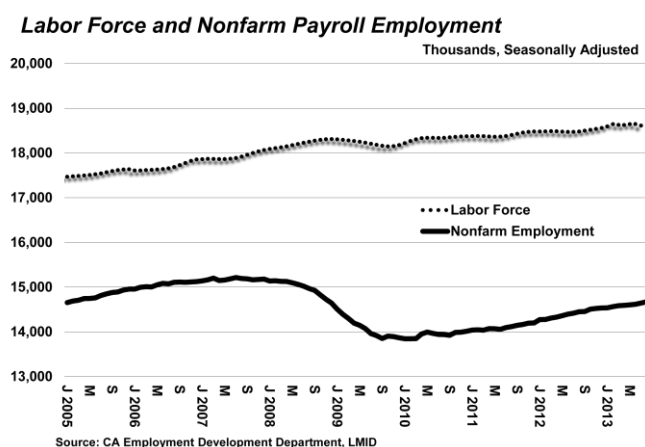
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Economic Update

California continued to see strong job growth in August, though the unemployment rate rose for the second straight month. Permits and sales for multi-family units continued to support recovery in the real estate market.

LABOR MARKET CONDITIONS

- California's unemployment rate rose again to 8.9 percent in August, up 0.2 percentage point from July. The year-over-year drop was 1.5 percent. The rise in the unemployment rate widened the gap with the US unemployment rate of 7.3 percent in August. The labor force participation rate dropped to 62.5 percent after holding steady at around 62.9 percent before starting to decline in July.
- The number of nonfarm payroll jobs increased by 29,100 in August—the highest pace of the year. The year-over-year growth was 223,900 jobs, and August was the 26th consecutive month of adding jobs. The number of jobs added in July was revised down to 27,800, which is still the second-highest number added in a month in 2013. The robust growth contrasts with the rise in the unemployment rate.
- Most sectors continued to add jobs in August. Only trade, transportation, and utilities (down 1,600) and information (down 3,400) lost jobs. The government sector added 1,100 jobs in August, with the federal government adding 600 and the state government adding 500. This follows a 7,900 drop in the sector in July. Construction added the most jobs in August, at 7,700, following a revised July drop of 3,600. With the exception of mining and logging, all the other sectors added more than 3,000 in August, indicating a broad-based employment recovery.



BUILDING ACTIVITY

- Home building improved in August, after slowing somewhat in July, with multi-family permits leading the way. Total residential permits were issued at a seasonally adjusted annual rate of 81,452 units in August, 14.7 percent higher than in July and 46.6 percent higher from a year earlier. On a year-over-year basis, single-family permits were up 30.4 percent, while multi-family permits were up 65.6 percent.
- The value of nonresidential construction permits issued rose sharply in August compared to a year ago. Nonresidential construction permitting grew 125.3 percent from August 2012. The gains were spread across most commercial and industrial building categories.

REAL ESTATE

- Sales of existing single-family homes in August decreased 1.9 percent to a 434,700-unit seasonally adjusted annualized rate compared to the prior month. Sales of multi-family units, however, continued to increase as rising single-family home prices drove buyers to look for a more affordable alternative. Sales of condominiums and townhomes increased almost 8 percent from last August and are up nearly 5 percent year-to-date compared to last year.
- Home prices continued to climb, reaching levels not seen in more than five years. The median price of existing, single-family homes sold in August was \$441,330, an increase of \$104,270 from January 2013, and almost 30 percent higher than August 2012. However, this remains 24 percent below the pre-recession peak.
- Housing inventory levels in August are improving, especially in homes priced below \$750,000. The unsold inventory index of existing homes, which tracks the expected amount of time a home will be on the market before a sale, inched up to 3.1 months.
- The median number of days needed to sell a home increased to 28.8 days in August from 27.8 days in July, but was down from 41.1 days in August 2012.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for September was \$392 million above the 2013-14 Budget Act forecast of \$7.807 billion. Year-to-date revenues are \$136 million above the expected \$19.968 billion.

- Personal income tax revenues to the General Fund were \$458 million above the month's forecast of \$4.844 billion. Withholding receipts were \$62 million below the estimate of \$3.288 billion. Other receipts were \$546 million higher than the projected level of \$1.853 billion. Refunds issued in September were \$18 million above the anticipated \$209 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 September was \$8 million above the estimate of \$87 million. Year-to-date General Fund income tax revenues are \$289 million above estimate.
- Sales and use tax receipts were \$170 million above the month's forecast of \$1.716 billion. September represents the second prepayment for third quarter taxable sales. A more complete picture of third quarter sales activity will be available when final payments for the quarter are received in late October and early November. Year-to-date, the sales tax cash is \$17 million above forecast.
- Corporation tax revenues were \$119 million below the month's estimate of \$892 million. Prepayments were \$119 million below the forecast of \$793 million and other payments were \$42 million lower than the \$230 million that was anticipated. Total refunds for the month were \$41 million lower than the estimate of \$131 million. Year-to-date revenues are \$86 million below estimate.
- Insurance tax revenues were \$93 million below the month's estimate of \$190 million. This is primarily the result of receiving revenue at the end of August that was expected at the beginning of September. Year-to-date insurance tax revenues are \$7 million above the forecasted \$553 million. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$2 million above the \$38 million that was expected. "Other" revenues were \$26 million below the month's estimate of \$127 million.

2013-14 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	SEPTEMBER 2013					2013-14 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,844	\$5,302	\$458	9.5%		\$12,384	\$12,673	\$289	2.3%
Sales & Use	1,716	1,886	170	9.9%		5,279	5,296	17	0.3%
Corporation	892	773	-119	-13.3%		1,139	1,053	-86	-7.6%
Insurance	190	97	-93	-48.9%		553	560	7	1.3%
Estate	0	0	0	0.0%		0	4	4	n/a
Pooled Money Interest	2	2	0	0.0%		8	6	-2	-25.0%
Alcoholic Beverages	28	30	2	7.1%		87	93	6	6.9%
Tobacco	8	8	0	0.0%		24	23	-1	-4.2%
Vehicle License Fees	0	0	0	0.0%		0	0	0	-100.0%
Other	127	101	-26	-20.5%		494	396	-98	-19.8%
Total	\$7,807	\$8,199	\$392	5.0%		\$19,968	\$20,104	\$136	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 2013 May Revision updated for the 2013 Budget Act.