



Finance Bulletin

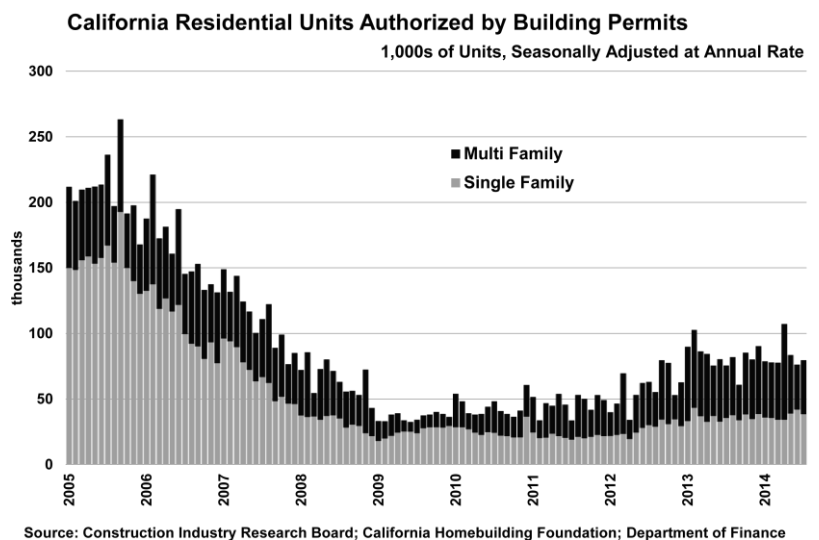
Michael Cohen, Director

Economic Update

While the recovery for the U.S. seems to have slowed in recent months, California has continued to improve. U.S. unemployment has stayed just above 6 percent for the past few months, with August unemployment at 6.1 percent. California unemployment was 7.4 percent in July, although the real estate sector recovery has slowed.

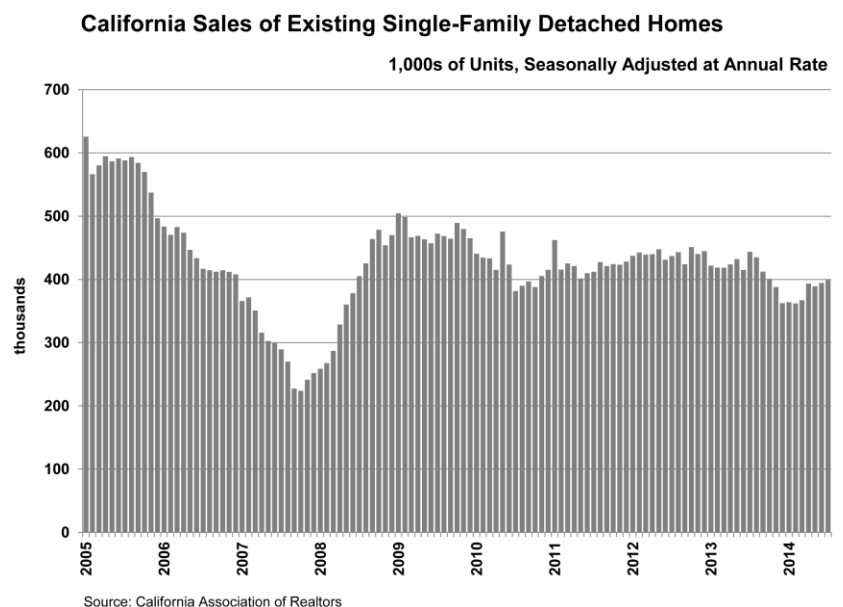
BUILDING ACTIVITY

- In July, residential permits were issued at a seasonally adjusted annual rate of 79,976 units—an increase of 4.7 percent from June. This number reflected a drop in single-family units of 8.4 percent and a rise in multi-family units of 21 percent. The total number of residential permits was up by 5.4 percent from July 2013.
- The average pace of permits over the first seven months of 2014 would be equivalent to an annual pace of 83,000.
- The annualized value of July nonresidential permits was up by 8.2 percent from June, and up by 41.4 percent from the same time last year. For the first seven months of 2014, the value of nonresidential permits was 14 percent above the \$22 billion total for 2013.



REAL ESTATE

- The median price of an existing single-family detached home was \$464,750 in July, 1.6 percent higher than in June and 7.1 percent higher than a year ago.
- The number of homes sold in July increased 1.2 percent from a revised 394,250 in June but was down 10 percent from a revised 443,500 in July 2013.
- In July, there was a 3.8-month supply of unsold homes compared with 2.9 months a year ago. A six to seven-month supply is considered typical in a normal market.
- The median number of days to sell a home rose from 33.9 days in June to 35.7 in July.



MONTHLY CASH REPORT

Preliminary General Fund agency cash for August was \$56 million below the 2014-15 Budget Act forecast of \$6.215 billion. Year-to-date revenues are \$49 million above the forecasted \$12.292 billion.

- Personal income tax revenues to the General Fund were \$32 million above the month's forecast of \$3.913 billion. Withholding receipts were \$46 million above the forecast of \$3.721 billion. Other receipts were \$13 million lower than the projected level of \$471 million. Refunds issued in August were equal to the forecasted \$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 August was \$1 million above the forecast of \$70 million. Year-to-date General Fund income tax revenues are \$240 million above forecast.
- Sales and use tax receipts were \$534 million below the month's forecast of \$2.035 billion. This shortfall is due in large part to a negative \$343 million accounting adjustment to correct an under-allocation of sales taxes to local governments in prior fiscal years. This adjustment is needed to correct an error that affects all eight of the individual elements of the state and local sales tax. Various adjustments will continue to be made to correct the allocation to local governments. The remaining shortfall of \$191 million is due to normal sales tax receipts coming in significantly below forecast. August cash includes the remaining portion of the final payment for the second quarter sales, which was due July 31. August receipts also include the first prepayment for third quarter sales. Year-to-date, the sales tax cash is \$529 million below forecast.
- Corporation tax revenues were \$235 million above the month's forecast of -\$91 million. Prepayments were \$3 million above the forecast of \$81 million and other payments were \$21 million higher than the \$91 million forecast. Total refunds for the month were \$211 million lower than the forecast of \$262 million. Year-to-date revenues are \$255 million above forecast.
- Insurance tax revenues were \$224 million above the month's estimate of \$231 million. Given that there was a September 1 due date for quarterly insurance payments, it is likely that the majority of this surplus is related to timing and will result in September payments coming in lower than forecast. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$2 million above the \$37 million that was forecasted. "Other" revenues were \$16 million below the month's forecast of \$89 million.

2014-15 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	AUGUST 2014				2014-15 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,913	\$3,946	\$32	0.8%	\$7,723	\$7,964	\$240	3.1%
Sales & Use	2,035	1,501	-534	-26.3%	3,844	3,315	-529	-13.8%
Corporation	-91	145	235	n/a	192	447	255	133.1%
Insurance	231	456	224	97.0%	244	471	227	93.1%
Estate	0	1	1	n/a	0	1	1	n/a
Pooled Money Interest	2	0	-1	-84.5%	3	2	-1	-37.4%
Alcoholic Beverages	28	30	2	8.5%	63	65	1	2.3%
Tobacco	7	8	1	7.6%	15	15	0	-0.5%
Vehicle License Fees	0	0	0	n/a	0	0	0	-100.0%
Other	89	73	-16	-17.7%	208	63	-145	-69.9%
Total	\$6,215	\$6,159	-\$56	-0.9%	\$12,292	\$12,341	\$49	0.4%

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 2014 Budget Act.