



Finance Bulletin

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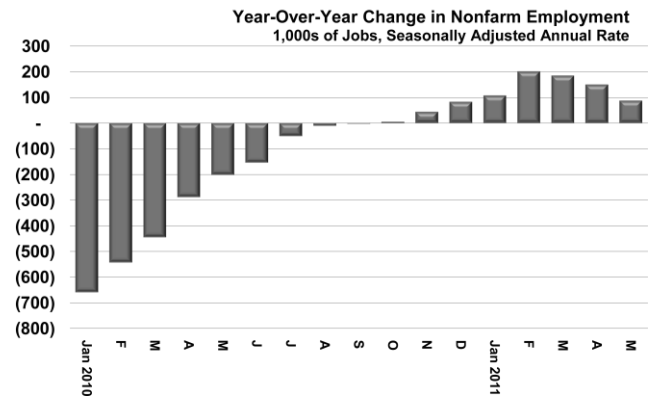
Economic Update

Industry employment in California declined in May—the second month-to-month loss of 2011. There was no clear explanation for the loss, although in May the national economic recovery appeared to stall from factors like tornadoes and floods, high gasoline prices, and manufacturing supply chain disruptions caused by the earthquake and tsunami in Japan.

LABOR MARKET CONDITIONS

- California lost 29,200 nonfarm jobs in May 2011. The losses were broad-based with gains in only two of eleven major industry sectors. Professional and business services (which includes temporary help) suffered a sizable loss—16,300. Gains in this sector were a notable bright spot for the state several months ago.
- Elsewhere, construction lost 5,000 jobs; other services, 4,000; trade, transportation, and utilities, 3,600; manufacturing, 2,100; leisure and hospitality, 1,700; educational and health services, 1,400; and government, 300.
- Only two major industry sectors gained jobs: financial activities added 3,200 jobs and information added 2,000. There was no change in mining and logging employment.
- Nonfarm payroll employment rose by 87,300 (0.6 percent) from May 2010 to May 2011.
- Seven of the state's major industry sectors gained jobs over the year and four lost jobs. Employment rose 43,100 in educational and health services; 42,900 in professional and business services; 35,900 in leisure and hospitality; 30,100 in information; 27,900 in trade, transportation, and utilities; 7,500 in manufacturing; and 2,200 in construction.
- Over the year, employment fell by 95,300 in government; 5,300 in other services; 1,600 in financial activities; and 100 in mining and logging.
- The state's unemployment rate improved again in May, falling to 11.7 percent—the fifth consecutive monthly improvement. As has been the case in preceding months, the improvement was largely due to weakening labor force participation rather than robust job growth. The number of people unemployed in California was 2,117,262—down 24,000 over the month and down 133,700 compared with May of last year. Household employment grew by 8,500 over the month and was up only 2,200 from a year earlier.

Job Gains Moderate at Mid-Year



BUILDING ACTIVITY

- Home building activity continued to fluctuate within a relatively narrow range around a very low level. In May, a drop in single-family permitting was more than offset by a surge of multi-family permitting. Total residential permits were issued at a seasonally adjusted annual rate of 54,504 units, up 40 percent from a year earlier. Single-family permits were down almost 11 percent, while multi-family permitting was up 106 percent.
- The value of nonresidential construction permits issued in May jumped to its strongest pace since December 2009. Nonresidential construction permitting grew 25.5 percent in May from a year earlier. Furthermore, the gains were spread across most commercial and industrial building categories. For the first five months of 2011 as a whole, nonresidential permitting was up 12.4 percent from the same months of 2010.

REAL ESTATE

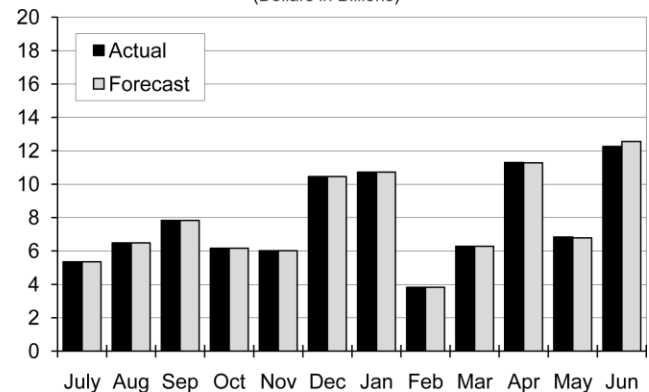
- Existing home markets softened in May with a drop in sales and weaker prices. Sales of existing, single-family detached homes totaled 471,840 units at a seasonally adjusted annualized rate, down 5.6 percent from April and down almost 15 percent from May 2010. The median price of existing, single-family homes sold in May was \$291,760, which while little changed from April was down nearly 11 percent from a year earlier. (Source: [California Association of Realtors](#))

Monthly Cash Report

Preliminary General Fund agency cash exceeded the May Revision forecast by \$499 million for June and by \$970 million for the year-to-date. As noted below, \$145 million of unclaimed property revenues that had been scheduled to be deposited in June will instead be deposited in July. Adjusting for this cash flow delay, revenues would be up \$644 million for the month and up \$1.115 billion on a year-to-date basis, relative to the May Revision forecast. The Budget Act added \$800 million to the May Revision forecast for June revenue and \$400 million to the May Revision forecast for May revenue (for a total of \$1.2 billion) to reflect data through late June indicating revenue was coming in significantly higher than expected at May Revision. Compared to this revised Budget Act forecast, preliminary General Fund agency cash for June was \$301 million below the estimate of \$12.572 billion, and year-to-date revenues are \$230 million below the estimate of \$93.765 billion. Once the delayed deposit of \$145 million of unclaimed property revenues is adjusted for, revenues would be down \$156 million for the month and down \$85 million on a year-to-date basis.

- Personal income tax revenues to the General Fund were \$558 million above the month's forecast of \$5.967 billion. Withholding receipts were \$61 million above the estimate of \$3.010 billion and the second quarterly estimated payment for the 2011 tax year came in \$557 million above the projected level of \$2.953 billion. Other receipts were \$48 million above the month's estimate of \$284 million and refunds were \$104 million above the anticipated \$167 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 June was \$4 million above the month's forecast of \$113 million. Year-to-date General Fund income tax revenues are \$574 million above estimate.
- Sales and use tax receipts were \$135 million below the month's forecast of \$2.794 billion. June represents the second prepayment for second quarter sales and covers taxable sales activity from May 1 to June 15. Year-to-date, the sales tax cash is \$259 million above estimate.
- Corporation tax revenues were \$155 million above the month's estimate of \$2.167 billion. Prepayments were \$211 million higher than the forecast of \$1.997 billion. Other payments came in \$67 million below the estimate of \$247 million and refunds were \$11 million below the projected level of \$77 million. Year-to-date corporation tax revenues are \$149 million above forecast.
- Total Vehicle License Fee General Fund revenues reported in June were \$13 million below the estimate of \$95 million. Year-to-date cash receipts for this revenue source are \$15 million below estimate.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes came in \$53 million above the \$219 million that was expected, and pooled money interest income matched the estimate of \$6 million. "Other" revenues were \$119 million below the forecast of \$514 million due to a delay in depositing \$145 million of unclaimed property receipts, which are expected to be deposited in July.

**General Fund Agency Cash
2011-12 Budget Act
Forecast**
(Dollars in Billions)



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

(Dollars in Millions)

| Revenue Source | JUNE 2011 | | | | 2010-11 YEAR-TO-DATE | | | |
|--------------------------------|-----------------|-----------------|---------------|----------------|----------------------|-----------------|---------------|----------------|
| | Forecast | Actual | Change | Percent Change | Forecast | Actual | Change | Percent Change |
| Personal Income | \$5,967 | 6,525 | \$558 | 9.4% | \$49,931 | \$50,505 | \$574 | 1.1% |
| Sales & Use | 2,794 | 2,659 | -135 | -4.8% | 27,107 | 27,366 | 259 | 1.0% |
| Corporation | 2,167 | 2,322 | 155 | 7.2% | 9,653 | 9,802 | 149 | 1.5% |
| Insurance | 190 | 234 | 44 | 23.2% | 2,015 | 2,070 | 55 | 2.7% |
| Estate | 0 | 0 | 0 | 0.0% | 7 | 7 | 0 | 0.0% |
| Pooled Money Interest | 6 | 6 | 0 | 0.0% | 32 | 38 | 6 | 18.8% |
| Alcoholic Beverages | 23 | 29 | 6 | 26.1% | 317 | 333 | 16 | 5.0% |
| Tobacco | 6 | 9 | 3 | 50.0% | 90 | 95 | 5 | 5.6% |
| Vehicle License Fees | 95 | 82 | -13 | -13.7% | 1,360 | 1,345 | -15 | -1.1% |
| Other | 514 | 395 | -119 | -23.2% | 2,043 | 1,964 | -79 | -3.9% |
| Unallocated Additional Revenue | 800 | | | | 1,200 | | | |
| Total | \$12,562 | \$12,261 | -\$301 | -2.4% | \$93,755 | \$93,525 | -\$230 | -0.2% |

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 May Revision updated for the 2011 Budget Act.