



# Finance Bulletin

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## Economic Update

California has now more than recovered the jobs it lost during the recession, and the unemployment rate has fallen to its lowest level since July 2008. U.S. real GDP grew by 4 percent in the second quarter of 2014 after a drop of 2.1 percent in the first quarter, reflecting some delayed activity due to winter weather in the first three months of the year.

### LABOR MARKET CONDITIONS

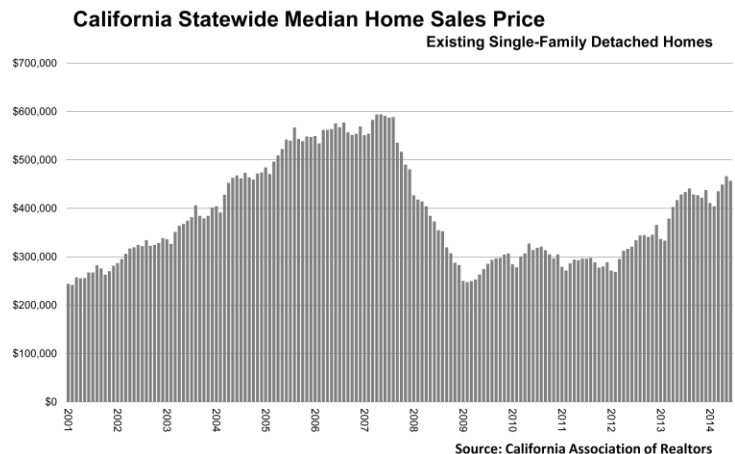
- California's unemployment rate remained steady at 7.4 percent in July. This narrowed the gap with the U.S. to 1.2 percentage points, as the national unemployment rate rose by 0.1 percent to 6.2 percent. However, California's labor force participation rate, at 61.9 percent, is now the lowest it has ever been since records began in 1976. This is in contrast with the U.S. rate, which rose slightly to 62.9 percent in July.
- Nonfarm payroll jobs in California increased by 27,700 in July, following a downwardly revised 16,200 in June. The state has added 323,600 nonfarm jobs since July 2013, an increase of 2.1 percent year over year. Eight California industry sectors gained jobs and three lost jobs. The largest gains were in educational and health services (10,900) and professional and business services (8,200). Leisure and hospitality (6,400), government (6,000), and manufacturing (4,600) also posted strong month-over job gains. Trade, transportation, and utilities (600), other services (500), and mining and logging (100) saw small gains. The largest losses were in construction (6,400). Other sectors with job losses include financial activities (2,400) and information (800).

### BUILDING ACTIVITY

- Residential building permits in June totaled 76,000 on an annualized basis, down by 8.8 percent from May. This number reflected a drop in multi-family units (down by 23.4 percent) and a rise in single-family units (up by 7.9 percent). Single-family permits were more than half the total, a shift from the recent trend of greater strength in multi-family permits. The total number of residential permits was down by 5.2 percent compared to June 2013. The annualized rate of permits in the first half of 2014 was 84,000, only slightly above the 83,000 for 2013.
- The value of June nonresidential permits was up by 16 percent from May, and up by 54.8 percent from the same time last year. For the first half of the year, the annualized value of nonresidential permits was only 1.3 percent above the \$22 billion total for 2013.

### REAL ESTATE

- The median price of an existing single-family detached home was \$457,160 in June, 2 percent lower than in May and 6.6 percent higher than a year ago, the smallest year-over-year price gain in more than two years.
- The number of home sales in June was 394,930, 1.5 percent higher than in May and 4.8 percent lower than in June 2013. The median number of days to sell increased from 31.6 days in May to 33.9 in June 2014.



## MONTHLY CASH REPORT

Preliminary General Fund agency cash for July was \$100 million above the 2014-15 Budget Act forecast of \$6.078 billion.

- Personal income tax revenues to the General Fund were \$210 million above the month's forecast of \$3.81 billion. Withholding receipts were \$189 million above the forecast of \$3.534 billion. Other receipts were \$17 million higher than the forecast of \$582 million. July is not a significant month for income tax estimated or final payments. Refunds issued in July were \$7 million below the forecasted \$238 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 July was \$4 million higher than the forecast of \$68 million.
- Sales and use tax receipts were \$5 million above the month's forecast of \$1.809 billion. July represents the final payment for second quarter taxable sales, which was due July 31. Sales and use tax receipts will be reduced by nearly \$350 million to correct an under-allocation of sales and use tax due to local governments in prior fiscal years. This accounting adjustment is expected to be done before the end of the month and will be reflected in a future Finance Bulletin.
- Corporation tax revenues were \$13 million above the month's forecast of \$282 million. Estimated payments were \$11 million below the forecast of \$270 million and other payments were \$8 million lower than the \$92 million that was forecasted. Total refunds for the month were \$32 million lower than the forecast of \$80 million.
- Insurance tax revenues were \$3 million above the \$13 million forecasted for July. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$1 million below the \$44 million forecast. "Other" revenues were \$130 million below the month's forecast of \$119 million due to higher than expected unclaimed property payments.

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

(Dollars in Millions)

| Revenue Source        | JULY 2014      |                |              |                | 2014-15 YEAR-TO-DATE |                |              |                |
|-----------------------|----------------|----------------|--------------|----------------|----------------------|----------------|--------------|----------------|
|                       | Forecast       | Actual         | Change       | Percent Change | Forecast             | Actual         | Change       | Percent Change |
| Personal Income       | \$3,810        | \$4,020        | \$210        | 5.5%           | \$3,810              | \$4,020        | \$210        | 5.5%           |
| Sales & Use           | 1,809          | 1,814          | 5            | 0.3%           | 1,809                | 1,814          | 5            | 0.3%           |
| Corporation           | 282            | 296            | 13           | 4.7%           | 282                  | 296            | 13           | 4.7%           |
| Insurance             | 13             | 16             | 3            | 22.4%          | 13                   | 16             | 3            | 22.4%          |
| Estate                | 0              | 0              | 0            | n/a            | 0                    | 0              | 0            | n/a            |
| Pooled Money Interest | 2              | 2              | 0            | 8.1%           | 2                    | 2              | 0            | 8.1%           |
| Alcoholic Beverages   | 35             | 34             | -1           | -2.6%          | 35                   | 34             | -1           | -2.6%          |
| Tobacco               | 7              | 7              | -1           | -8.5%          | 7                    | 7              | -1           | -8.5%          |
| Vehicle License Fees  | 0              | 0              | 0            | 0.0%           | 0                    | 0              | 0            | 0.0%           |
| Other                 | 119            | -11            | -130         | -109.0%        | 119                  | -11            | -130         | -109.0%        |
| <b>Total</b>          | <b>\$6,078</b> | <b>\$6,177</b> | <b>\$100</b> | <b>1.6%</b>    | <b>\$6,078</b>       | <b>\$6,177</b> | <b>\$100</b> | <b>1.6%</b>    |

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.