



Finance Bulletin

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Economic Update

California has experienced almost four years of steady job growth and the unemployment rate has fallen to its lowest level in over five years. Estimates of US real GDP growth showed a decline of 1 percent in the first quarter of 2014. However, this was due to inventory adjustments, and the trend of positive growth is expected to resume in the second quarter.

LABOR MARKET CONDITIONS

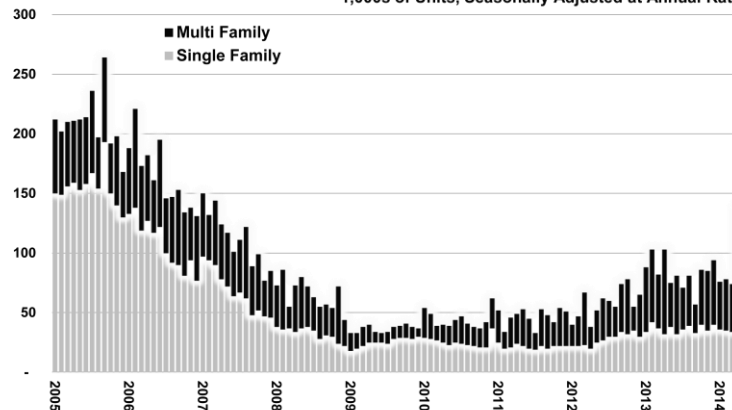
- California's unemployment rate fell 0.3 percentage point to 7.8 percent in April, after remaining at 8.1 percent the first three months of 2014. April's rate is the lowest level since September 2008. This follows roughly the same pattern as the US, which saw a 0.4 percentage point drop in the national unemployment rate to 6.3 percent after remaining at 6.7 percent through the first quarter. The US unemployment rate stayed at 6.3 percent in May. The national trends were attributable both to falling participation rates and jobs being added.
- California added 56,100 nonfarm payroll jobs in April. Notable gains were in educational and health services (19,400), leisure and hospitality (13,400), and professional and business services (11,900). Other growth sectors included construction (7,100), trade, transportation, and utilities (5,800), financial activities (2,800), other services (1,100), and mining and logging (100). The state has now recovered all but 25,200 jobs lost during the recession. Only information and government sectors lost jobs (3,900 and 1,600, respectively). Manufacturing was unchanged.

BUILDING ACTIVITY

- Multifamily home building surged in April to its highest level since March 2007. Total residential unit permits in April increased 88 percent from the previous month due entirely to a 164.5 percent jump in multifamily units. Despite the surge in April, residential permits were down during the first four months of 2014 as a whole, due to lower permits in the first quarter.
- The value of nonresidential building in April increased over 31 percent from the previous month. Nearly half of this growth came from alterations and additions.
- Despite these gains, the total value of all building activity is still 33 percent below the pre-recession peak in 2005.

Multifamily Housing Construction Surges in April

California Residential Units Authorized by Building Permits
1,000s of Units, Seasonally Adjusted at Annual Rate



Sources: Construction Industry Research Board; California Homebuilding Foundation; Department of Finance

REAL ESTATE

- Sales of existing single-family homes increased 7.4 percent in April to 394,070, the largest monthly gain since January 2011. Compared to a year ago, sales were down 7 percent, and April marked the ninth straight monthly decline on a year-over-year basis. The median number of days to sell was 34 days, well below the average of 58 days in 2007.
- The median price of existing single-family homes rose by 3.2 percent in April to \$449,360, reaching its highest level since December 2007.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for May was \$572 million below the 2014-15 May Revision forecast of \$6.349 billion. Year-to-date revenues, which include revisions to prior months, are \$582 million below the forecast of \$88.033 billion. Although May is a significant revenue month, June is more important because the second estimated payment of 40 percent of liability is due mid-month for personal income tax filers and calendar-year corporations. Receipts of \$14.309 billion are forecast for June.

- Personal income tax revenues to the General Fund were \$410 million below the month's forecast of \$3.721 billion. Withholding receipts were \$68 million below the forecast of \$3.639 billion, reflecting the May Revision forecast that the strength seen in withholding through the end of April is related to bonuses tied to 2013 performance and not an ongoing trend. Other receipts were \$317 million lower than the forecast of \$895 million. Refunds issued in May were \$32 million above the forecast of \$746 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 May was \$8 million lower than the forecast of \$67 million. Year-to-date General Fund income tax revenues are \$401 million below forecast.
- Sales and use tax receipts were \$170 million below the month's forecast of \$2.03 billion. May cash includes the remaining portion of the final payment for first quarter taxable sales, which was due April 30, as well as the first prepayment for second quarter sales and use tax liabilities. Year-to-date, sales tax revenues are \$168 million below forecast.
- Corporation tax revenues were \$174 million below the month's forecast of \$170 million. Prepayments were \$13 million above the forecast of \$151 million and other payments were \$29 million lower than the \$144 million that was forecast. Total refunds for the month were \$158 million higher than the forecast of \$126 million. Year-to-date revenues are \$171 million below forecast.
- Insurance tax revenues were \$142 million above the \$305 million forecasted for May. Given that there was a June 1 due date for quarterly insurance payments, it is likely that the majority of this surplus is related to timing and will result in June payments coming in lower than forecast. Year-to-date revenues are \$117 million above the forecasted \$2.16 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$3 million above the \$36 million forecast. "Other" revenues were \$37 million above the month's forecast of \$87 million.

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

Revenue Source	MAY 2014				2013-14 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$3,721	\$3,311	-\$410	-11.0%	\$57,355	\$56,954	-\$401	-0.7%
Sales & Use	2,030	\$1,860	-170	-8.4%	20,714	20,546	-168	-0.8%
Corporation	170	-4	-174	-102.4%	6,191	6,020	-171	-2.8%
Insurance	305	447	142	46.6%	2,160	2,277	117	5.4%
Estate	0	0	0	0.0%	5	5	0	0.0%
Pooled Money Interest	0	0	0	0.0%	19	19	0	0.0%
Alcoholic Beverages	29	31	2	6.9%	323	325	2	0.6%
Tobacco	7	8	1	14.3%	79	80	1	1.3%
Vehicle License Fees	0	0	0	0.0%	0	0	0	0.0%
Other	87	124	37	42.5%	1,187	1,225	38	3.2%
Total	\$6,349	\$5,777	-\$572	-9.0%	\$88,033	\$87,451	-\$582	-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 2014 May Revision.