



# Finance Bulletin

Ana J. Matosantos, Director

## Economic Update

The New Year began with mixed, but guardedly optimistic, economic news. California added jobs in January and the gains were spread across a broad array of industries. Unfortunately, the unemployment rate reached new heights. Homebuilding picked up in January, even though the level was subdued by historical standards.

### LABOR MARKET CONDITIONS

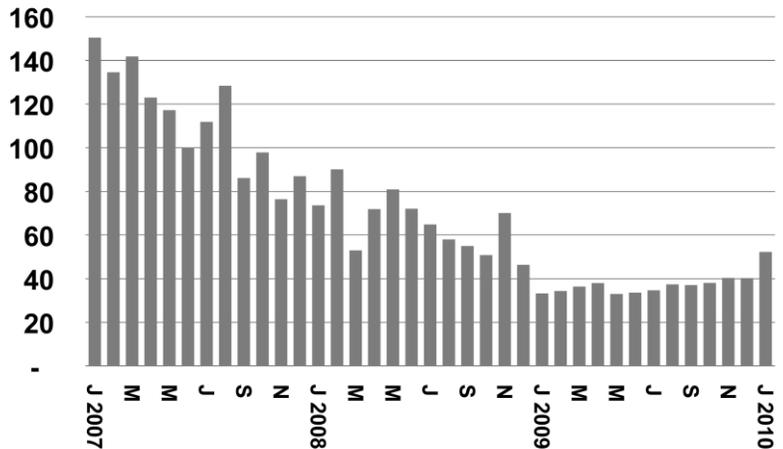
- California gained 32,500 nonfarm jobs in January 2010—a good gain that was widely spread across eight of eleven major industry sectors.
- Construction added 16,200 jobs; manufacturing, 8,900; education and health services, 7,100; trade, transportation, and utilities, 5,500; government, 4,500; leisure and hospitality, 2,000; other services, 1,200; and natural resources and mining, 500. Three industries lost jobs: Financial Activities lost 400 jobs; Professional and Business Services, 900; and Information, 12,100.
- Nonfarm payroll employment fell by 701,700 from January 2009 to January 2010, a 4.8-percent drop. Only one industry sector added jobs over the year. Education and health services employment rose 12,400. Eleven sectors lost jobs over the year, including 148,600 in trade, transportation, and utilities; 135,700 in professional and business services; 128,700 in construction; 119,300 in manufacturing; 59,200 in leisure and hospitality; 39,100 in financial activities; 36,800 in government; 30,000 in other services; 12,800 in information; and 3,600 in natural resources and mining.
- Since the National recession began in December 2007, California has lost 1,339,000 industry jobs.
- The state’s unemployment rate rose 0.2 percentage point to 12.5 percent in January. The number of people unemployed in California was 2,266,500—up 32,600 over the month, and up 488,800 compared with January of last year.

### BUILDING ACTIVITY

- In January, the pace of residential construction improved on a year-over-year basis for the first time in nearly four years. Residential permits were issued at a seasonally adjusted annual rate of 52,242 units, up over 57 percent from a year earlier. The last year-over-year gain was in February 2006. Both single and multi-family construction were up substantially. Despite this gain, the overall level of construction activity is still down over 72 percent from January 2006.
- Nonresidential construction permitting fell 18.4 percent in January from a year earlier. The weakness was widespread with slowing in all building categories except offices and industrial, which were up 3.8 percent and 11.4 percent respectively.

## Home Building Picks Up With New Year

Residential Construction Permitting  
1,000s of Units, Seasonally Adjusted Annual Rate



### REAL ESTATE

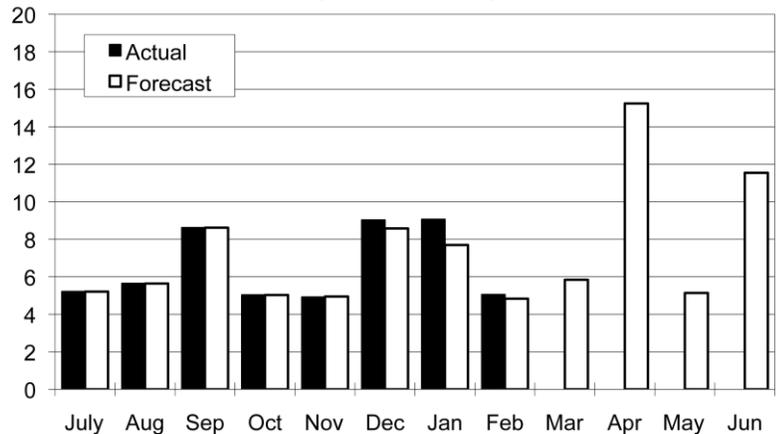
- The pace of home sales and prices dropped at the beginning of 2010. Sales of existing, single-family detached homes totaled 539,040 units at a seasonally adjusted annualized rate [in January](#). This is down nearly 11 percent from a year earlier and down 3.5 percent from December. On the good side, sales remained above the 500,000-unit threshold for the 17th consecutive month.
- The median price of existing, single-family homes sold in January (\$287,440) dipped from December but was up 15 percent from a year earlier.
- The unsold inventory index rose to 5.8 months—a 2-point jump from December. The median number of days needed to sell a home, though, fell 2 days from December to 33.8 days, which is also a 16-day improvement from a year earlier. (Source: [California Association of Realtors](#))

# MONTHLY CASH REPORT

Preliminary General Fund agency cash for February was \$219 million above the 2010-11 Governor's Budget forecast of \$4.829 billion. Year-to-date revenues are \$1.991 billion above forecast.

- Personal income tax revenues to the General Fund were \$202 million below the month's forecast of \$1.884 billion. Withholding receipts were \$121 million above the estimate of \$2.805 billion and other receipts were \$46 million above the anticipated \$223 million. The gain in receipts was offset by refunds, which came in \$373 million over the estimate of \$1.11 billion. February is the first month of several significant months for 2009 tax year refunds. 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 February was \$4 million below the estimate of \$34 million. Year-to-date General Fund income tax revenues are \$911 million above estimate.
- Sales and use tax receipts were \$238 million above the month's forecast of \$2.587 billion. February cash includes the remaining portion of the final payment for fourth quarter 2009 sales, which was due February 1. These receipts were stronger than expected and combined with cash receipts in late November through January indicate fourth quarter taxable sales were above forecast. In addition, the first prepayment for first quarter 2010 was due on February 24. These receipts were also stronger than expected and indicate that taxable sales in January were above expectation. Year-to-date, the sales tax cash is \$615 million above expectation.
- Corporation tax revenues were \$117 million above the month's estimate of \$133 million. Prepayments were \$70 million above the forecast of \$111 million, other payments were \$38 million below the \$166 million that was expected, and refunds were \$85 million lower than the estimate of \$144 million. March is a more significant month for this tax as final 2009 tax returns for the calendar year corporations are due March 15. Year-to-date revenues are \$364 million above estimate.
- Total Vehicle License Fee General Fund revenues reported in February were \$9 million lower than the estimate of \$115 million. Year-to-date revenues are \$18 million below forecast.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes came in \$15 million below the \$57 million that was expected. It was estimated that the General Fund would not realize any pooled money investment account (PMIA) interest in February. However, per the State Controller's Office's February 2010 "Statement of General Fund Cash Receipts and Disbursements" published on March 10, 2010, a \$30 million adjustment was made to reflect the reclassification of the quarterly PMIA interest distribution as an expenditure rather than an offset to PMIA earnings, as previously recorded in December 2009 and January 2010. Year-to-date, PMIA interest earnings are \$9 million above forecast. "Other" revenues were \$60 million above the month's estimate of \$53 million.

**General Fund Agency Cash**  
**2010-11 Governor's Budget Forecast**  
(Dollars in Billions)



**2009-10 Comparison of Actual and Forecast Agency General Fund Revenues**  
(Dollars in Millions)

| Revenue Source        | FEBRUARY 2010  |                |              |                | 2009-10 YEAR-TO-DATE |                 |                |                |
|-----------------------|----------------|----------------|--------------|----------------|----------------------|-----------------|----------------|----------------|
|                       | Forecast       | Actual         | Change       | Percent Change | Forecast             | Actual          | Change         | Percent Change |
| Personal Income       | \$1,884        | \$1,682        | -\$202       | -10.7%         | \$25,752             | \$26,663        | \$911          | 3.5%           |
| Sales & Use           | 2,587          | 2,825          | 238          | 9.2%           | 17,532               | 18,147          | 615            | 3.5%           |
| Corporation           | 133            | 250            | 117          | 88.0%          | 3,959                | 4,323           | 364            | 9.2%           |
| Insurance             | 28             | 15             | -13          | -46.4%         | 1,071                | 1,084           | 13             | 1.2%           |
| Estate                | 0              | 1              | 1            | n/a            | 2                    | 5               | 3              | 150.0%         |
| Pooled Money Interest | 0              | 30             | 30           | n/a            | 0                    | 9               | 9              | 0.0%           |
| Alcoholic Beverages   | 21             | 19             | -2           | -9.5%          | 223                  | 219             | -4             | -1.8%          |
| Tobacco               | 8              | 7              | -1           | -12.5%         | 70                   | 66              | -4             | -5.7%          |
| Vehicle License Fees  | 115            | 106            | -9           | -7.8%          | 911                  | 893             | -18            | -2.0%          |
| Other                 | 53             | 113            | 60           | 113.2%         | 1,015                | 1,117           | 102            | 10.0%          |
| <b>Total</b>          | <b>\$4,829</b> | <b>\$5,048</b> | <b>\$219</b> | <b>4.5%</b>    | <b>\$50,535</b>      | <b>\$52,526</b> | <b>\$1,991</b> | <b>3.9%</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 2010-11 Governor's Budget.