



Finance Bulletin

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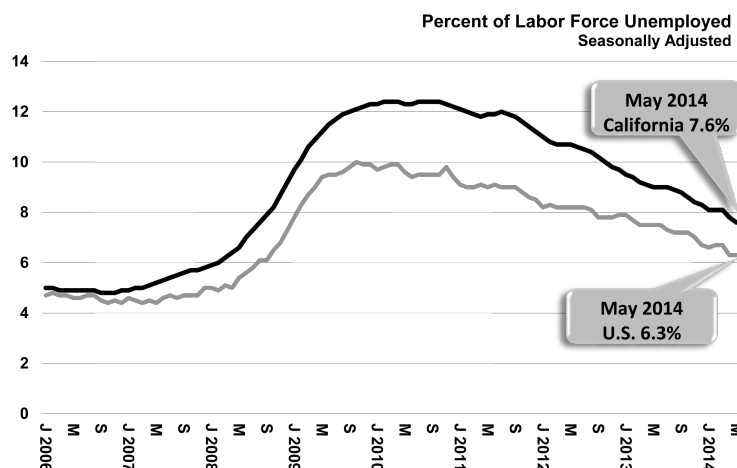
Economic Update

Declines in the unemployment rate in California narrowed the gap with the U.S. unemployment rate in May to 1.3 percent—the lowest since May 2008. U.S. real GDP fell by 2.9 percent in the first quarter of 2014, mainly due to severe weather on the East Coast, inventory adjustments, and the trade deficit.

LABOR MARKET CONDITIONS

- California's unemployment rate fell another 0.2 percentage point to 7.6 percent in May. This narrows the gap with the U.S. to 1.3 percentage points, as the national unemployment rate remained at 6.3 percent in May before falling to 6.1 percent in June.
- Following an upwardly revised gain of 61,200 nonfarm payroll jobs in April, California added an additional 18,300 jobs in May. This brings the state to within 1,800 jobs of the pre-recession peak. Six California sectors gained jobs in May and five lost jobs. The largest gain was in leisure and hospitality (10,300), followed by professional and business services (8,900), educational and health services (6,900), government (3,600), other services (400), and construction (200). The largest job loss was in manufacturing (6,800), followed by trade, transportation, and utilities (2,900), financial activities (1,600, reflecting some insurance and banking consolidations), information (600), and mining and logging (100).

California-U.S. Unemployment Rate Gap Narrowing



BUILDING ACTIVITY

- Residential permits were issued at a seasonally adjusted annual rate of 83,770 units in May, evenly split between single-family and multifamily permits. The total reflects a decrease of 22.1 percent from April. Single-family permits were up 14.3 percent, while multifamily permits were down 39.1 percent from April. Residential permits are 3.2 percent below the year-to-date numbers from 2013.
- The value of nonresidential construction fell by 26.8 percent in May. This was still up 8.6 percent from a year earlier, led by gains in alterations and additions.

REAL ESTATE

- Sales of existing single-family homes decreased 0.6 percent in May to 391,030. Compared to a year ago, sales were down 9.5 percent, and May marked the tenth straight monthly decline on a year-over-year basis. The median number of days to sell was 32 days, well below the average of 58 days in 2007.
- The median price of existing single-family homes rose by 3.7 percent in May to \$465,960, 11.7 percent higher than a year ago, and reaching the highest level since December 2007.

MONTHLY CASH REPORT

Preliminary General Fund agency cash for June was \$958 million above the 2014-15 Budget Act forecast of \$13.894 billion. Year-to-date revenues are \$389 million above the forecast of \$101.926 billion. June cash receipts represent the second estimated payment of 40 percent of liability due mid-month for personal income tax filers and calendar-year corporations.

- Personal income tax revenues to the General Fund were \$500 million above the month's forecast of \$8.778 billion. Withholding receipts were \$149 million above the forecast of \$3.409 billion. Other receipts were \$371 million higher than the forecast of \$5.811 billion. Refunds issued in June were \$12 million above the forecasted \$284 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 \$9 million higher than the forecast of \$157 million. Year-to-date General Fund income tax revenues are \$96 million above forecast.
- Sales and use tax receipts were \$44 million below the month's forecast of \$2.336 billion. June cash includes the second prepayment for second quarter taxable sales, which was due June 24, and covers taxable sales activity from May 1 to June 15. Year-to-date, sales tax revenues are \$205 million below forecast.
- Corporation tax revenues were \$405 million above the month's forecast of \$2.066 billion. Prepayments were \$33 million above the forecast of \$2.305 billion and other payments were \$13 million higher than the \$184 million that was forecast. Total refunds for the month were \$359 million lower than the forecast of \$422 million. Year-to-date revenues are \$243 million above forecast.
- Insurance tax revenues were \$35 million below the \$127 million estimated for June. Year-to-date revenues are \$82 million above the forecasted \$2.287 billion. Revenues from the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$4 million above the \$40 million that was expected. "Other" revenues were \$128 million above the month's estimate of \$547 million.

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

(Dollars in Millions)

Revenue Source	JUNE 2014					2013-14 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$8,778	9,278	\$500	5.7%		\$66,132	\$66,228	\$96	0.1%
Sales & Use	2,336	2,292	-44	-1.9%		23,050	22,845	-205	-0.9%
Corporation	2,066	2,471	405	19.6%		8,257	8,500	243	2.9%
Insurance	127	92	-35	-27.6%		2,287	2,369	82	3.6%
Estate	0	2	2	n/a		5	7	2	40.0%
Pooled Money Interest	3	4	1	33.3%		22	23	1	4.5%
Alcoholic Beverages	30	30	0	0.0%		353	355	2	0.6%
Tobacco	7	8	1	14.3%		86	88	2	2.3%
Vehicle License Fees	0	0	0	0.0%		0	0	0	0.0%
Other	547	675	128	23.4%		1,734	1,900	166	9.6%
Total	\$13,894	\$14,852	\$958	6.9%		\$101,926	\$102,315	\$389	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 May Revision updated for the 2014 Budget Act.