



# Finance Bulletin

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**NOTE: Most data reported in this issue of Finance Bulletin precede—and therefore do not fully reflect—the rapidly changing economic impacts of the COVID-19 pandemic.**

## Economic Update

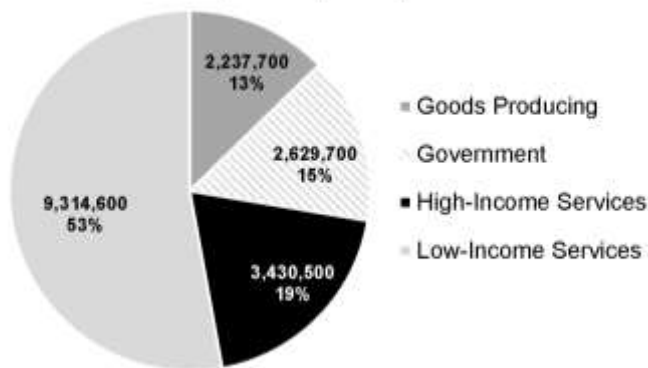
California had a \$3.1 trillion Gross Domestic Product in 2019 in current dollar terms. Adjusted for inflation, California's GDP growth was 2.6 percent in 2019 compared to 2.3 percent for the nation. Personal income in California increased 4.8 percent in 2019 following an increase of 6.1 percent in 2018. U.S. personal income grew 4.4 percent in 2019 following growth of 5.6 percent in 2018.

## LABOR MARKET CONDITIONS

■ The U.S. unemployment rate increased from 3.5 percent in February to 4.4 percent in March; the California rate increased from 3.9 percent to 5.3 percent. In March, the national labor force fell 1.6 million to 162.9 million, while the state labor force fell 252,000 to 19.3 million. The U.S. lost 701,000 nonfarm jobs in March, and California lost 99,500. About two-thirds of U.S. and California job losses were in the leisure and hospitality sectors. The March survey reflects early impacts of COVID-19—but precedes stay-at-home measures implemented in the second half of the month.

■ February 2020 marked the tenth year of job expansion in California since the recessionary low of 14.2 million jobs in February 2010. Since then, California added 3.4 million jobs, with the largest gains in educational and health services (740,000 jobs added), professional and business services (700,000), and leisure and hospitality (580,000). In February 2020, California's nonfarm employment was 2.1 million above its July 2007 pre-recession peak, with more jobs in all sectors except for goods-producing sectors and financial activities. Compared to 2007, California now has a larger proportion of jobs in low-wage service sectors (retail, transportation, warehousing and utilities; real estate; administrative and waste services; educational and health services; and leisure and hospitality at 53 percent versus 49 percent) and fewer jobs in goods-producing sectors (mining, construction, and manufacturing at 13 percent versus 15 percent). The shares of jobs in government (15 percent) and in high-wage services sectors (wholesale trade; information; finance and insurance; professional, scientific and technical; and management of companies at 19 percent) were unchanged.

Distribution of California's Nonfarm Jobs (February 2020)



Source: California Labor Market Information Division

## BUILDING ACTIVITY

■ California housing units authorized by building permits totaled 126,000 in February, down 11.2 percent from January's 142,000 and up 39.3 percent from February 2019. Single-family units were up 6 percent from January to 77,000 housing units, while multifamily units were down 29.5 percent to 49,000 housing units. Nonresidential building valuation dropped from the prior month by 12.5 percent to an annualized valuation of \$26.5 billion.

## REAL ESTATE

■ Sales of existing, single-family homes in California increased 6.6 percent to a seasonally adjusted annualized rate of 421,670 units in February after falling 0.8 percent in January. The statewide median home price was \$579,770 in February, up 0.8 percent from January and up 8.5 percent from February 2019. The 30-year fixed-mortgage rate averaged 3.47 percent in February, its lowest point since October 2016.

## MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first nine months of the fiscal year are \$1.3 billion above the 2020-21 Governor's Budget forecast of \$96.184 billion. Cash receipts for the month of March—which almost entirely reflect activity in February and prior to the impact of COVID-19—were \$84 million above the month's forecast of \$8.58 billion.

- Personal income tax cash receipts for the first nine months of the fiscal year are \$2.056 billion above forecast. Personal income tax cash receipts to the General Fund for March were \$375 million above the month's forecast of \$4.273 billion. Withholding receipts were \$20 million above the forecast of \$6.783 billion, and other receipts were \$228 million higher than the forecast of \$1.371 billion. Refunds issued in March were \$589 million below the expected \$3.805 billion. 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 March was \$7 million higher than the forecast of \$77 million.
- Sales and use tax cash receipts for the first nine months of the fiscal year are \$156 million below forecast. Cash receipts for March were \$147 million below the month's forecast of \$1.907 billion. March cash includes the second prepayment for first quarter sales and use tax liabilities.
- Corporation tax cash receipts for the first nine months of the fiscal year are \$152 million below forecast. Cash receipts for March were \$134 million below the month's forecast of \$1.551 billion. Estimated payments were \$149 million below the forecast of \$756 million, and other payments were \$60 million lower than the \$921 million forecast. Total refunds for the month were \$75 million lower than the forecast of \$126 million.
- Insurance tax cash receipts for the first nine months of the fiscal year are \$72 million above the forecast of \$2.134 billion. Insurance tax cash receipts for the month of March were \$75 million above forecast. Cash receipts from alcoholic beverage, tobacco taxes, and pooled money interest for the first nine months of the year are \$3 million below forecast, and were \$6 million below forecast for the month of March. "Other" cash receipts are \$475 million below forecast for the first nine months of the fiscal year, and were \$79 million below forecast for the month of March.

### 2019-20 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	MARCH 2020					2019-20 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,273	\$4,648	\$375	8.8%		\$63,966	\$66,022	\$2,056	3.2%
Sales & Use	1,907	1,760	-147	-7.7%		20,346	20,189	-156	-0.8%
Corporation	1,551	1,417	-134	-8.6%		7,739	7,587	-152	-2.0%
Insurance	601	677	75	12.5%		2,134	2,206	72	3.4%
Estate	0	0	0	0.0%		0	0	0	68.1%
Pooled Money Interest	51	45	-5	-10.5%		485	484	-1	-0.2%
Alcoholic Beverages	26	25	-1	-5.2%		288	293	5	1.9%
Tobacco	5	4	0	-5.8%		45	44	-1	-1.8%
Other	165	86	-79	-47.7%		1,182	706	-475	-40.2%
<b>Total</b>	<b>\$8,579</b>	<b>\$8,663</b>	<b>\$84</b>	<b>1.0%</b>		<b>\$96,184</b>	<b>\$97,533</b>	<b>\$1,349</b>	<b>1.4%</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 2020-21 Governor's Budget.