



Finance Bulletin

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Economic Update

The U.S. economic expansion officially peaked in February 2020, ending at a record-long 128 months. After seven months at the record-low 3.9 percent, California's unemployment rate rose to a record-high 16.4 percent in April before decreasing to 16.3 percent in May. The nation's unemployment rate rose to a record-high 14.7 percent in April before decreasing to 13.3 percent in May. There were 22 million fewer employed Americans in May compared to February. From February to May, U.S. nonfarm payrolls fell from 152.5 million to 132.9 million.

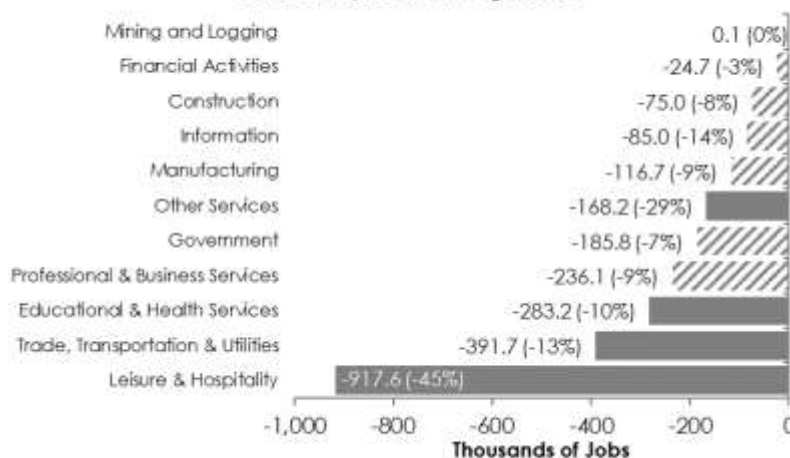
LABOR MARKET CONDITIONS

■ The number of employed Californians decreased for three consecutive months from 18.8 million in February to below 15.5 million in May, its lowest level since April 1999 and a total decline of 3.3 million people. The state's labor force participation dropped to a record low 59.3 percent in May, as the labor force fell by more than 1 million from 19.5 million in February to below 18.5 million in May.

■ In California, nonfarm payrolls fell by a total of 2.6 million jobs over March and April to below 15 million, before increasing by 141,600 in May. The last time nonfarm jobs were below 15 million was in January 2013. During the Great Recession, California lost 1.3 million nonfarm jobs over the 31-month period from July 2007 through February 2010.

In May, 10 out of 11 major industry sectors incurred net job losses since February: leisure and hospitality (917,600 net jobs lost); followed by trade, transportation, and utilities (391,700); educational and health services (283,200); professional and business services (236,100); government (185,800); other services (168,200); manufacturing (116,700); information (85,000); construction (75,000); financial activities (24,700). Mining and logging was the only sector with more jobs in May than in February (100 jobs).

California Jobs by Industry in May 2020
(Jobs and Percentage Changes relative to February 2020)
Solid bars represent low-wage sectors



Source: CA EDD, Labor Market Information Division

BUILDING ACTIVITY

■ California housing units authorized by building permits totaled 60,100 in April, down 52.2 percent from February's 125,800 permits. Over the two-month period, authorized single-family units fell 65.2 percent to 26,800 units while multifamily units dropped 31.5 percent to 33,300 units in April. The total number of permit-authorized housing units in April was the lowest since September 2013. California's nonresidential building valuation in April was \$16.8 billion, down 36.6 percent from February's \$26.5 billion valuation. This was the lowest nonresidential valuation since June 2013.

REAL ESTATE

■ May sales of existing single-family homes in California totaled 238,740 units on a seasonally adjusted annualized basis, a 43.4-percent decline from the 421,670 homes sold in February. The statewide median sales price of an existing, single-family home was \$588,070 in May, an increase of 1.4 percent from February, but down 3.7 percent from May 2019, ending 98 consecutive months of increasing single-family home prices from March 2012 to April 2020.

Monthly Cash Report

Preliminary General Fund agency cash for the first eleven months of the fiscal year is \$793 million above the 2020-21 May Revision forecast of \$122.696 billion. Cash receipts for the month of May were \$785 million above the forecast of \$7.431 billion. Beyond any reduction in cash receipts due to the ongoing economic slowdown, personal income tax receipts, sales tax receipts and corporation tax receipts have all been reduced in March, April and May due to the Franchise Tax Board and the California Department of Tax and Fee Administration delaying due dates for tax payments. The delays were known and accounted for in the May Revision forecast. The 2020-21 Budget Act includes \$793 million in additional revenues, and receipts reported in future Finance Bulletins will use this new baseline.

- Personal income tax cash receipts for the first eleven months of the fiscal year are \$533 million above forecast. Personal income taxes to the General Fund for May were \$521 million above the month's forecast of \$4.111 billion. Withholding receipts were \$354 million above the forecast of \$4.594 billion. Other receipts were \$9 million higher than the forecast of \$797 million. Refunds issued in May were \$167 million below the forecast of \$1.207 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 May was \$9 million higher than the forecast of \$74 million.
- Sales and use tax cash receipts for the first eleven months of the fiscal year are \$40 million below forecast. Revenues for May were \$40 million below the month's forecast of \$2.106 million. 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.
- Corporation tax cash receipts for the first eleven months of the fiscal year are \$21 million below forecast. Cash receipts for May were \$21 million below the month's forecast of \$203 million. Estimated payments were \$21 million below the forecast of \$106 million, and other payments were \$60 million lower than the \$207 million forecast. Total refunds for the month were \$60 million lower than the forecast of \$110 million.
- Insurance tax cash receipts for the first eleven months of the fiscal year are \$32 million above the forecast of \$2.904 billion. Cash receipts for the month of May were \$32 million above the forecast of \$488 million. Cash receipts from alcoholic beverage, tobacco taxes, and pooled money interest are \$6 million below forecast for the first eleven months of the fiscal year, and were \$7 million below forecast for the month of May. "Other" cash receipts are \$295 million above the forecast for the first eleven months of the fiscal year, and were \$300 million above forecast for the month of May.

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

(Dollars in Millions)

Revenue Source	MAY 2020					2019-20 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$4,111	\$4,632	\$521	12.7%		\$75,699	\$76,232	\$533	0.7%
Sales & Use	2,106	\$2,067	-40	-1.9%		23,708	23,668	-40	-0.2%
Corporation	203	182	-21	-10.5%		8,658	8,636	-21	-0.2%
Insurance	488	520	32	6.5%		2,904	2,935	32	1.1%
Estate	0	0	0	0.0%		0	0	0	11.5%
Pooled Money Interest	30	28	-2	-6.4%		555	550	-5	-0.9%
Alcoholic Beverages	31	28	-4	-11.3%		353	353	0	0.0%
Tobacco	5	4	-2	-29.9%		55	54	-1	-1.3%
Other	456	756	300	65.7%		10,765	11,060	295	2.7%
Total	\$7,431	\$8,216	\$785	10.6%		\$122,696	\$123,489	\$793	0.6%

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 May Revision.