

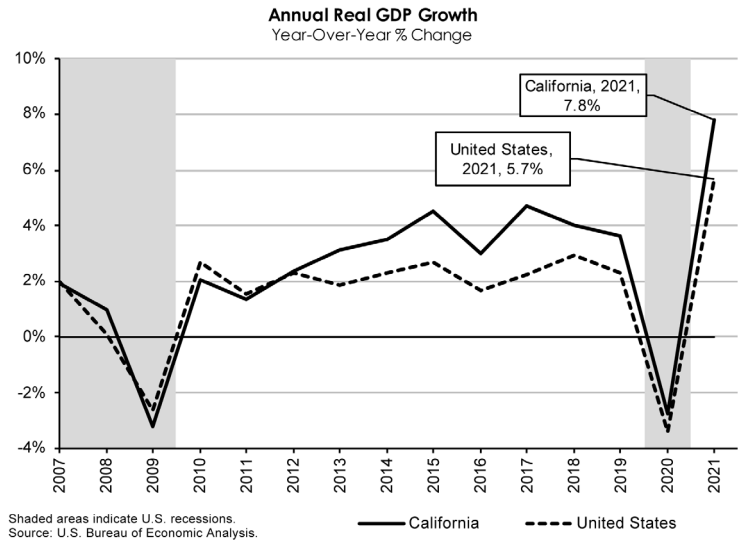


Finance Bulletin

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Economic Update

California real GDP grew by 7.8 percent in 2021—the highest growth rate since 1984—following a decrease of 2.8 percent in 2020 (the largest contraction since 2009). Similarly, U.S. real GDP increased by 5.7 percent in 2021 (also the highest growth rate since 1984) following a decrease of 3.4 percent in 2020 (the largest contraction since 1946). California's share of U.S. real GDP increased to 14.8 percent in 2021, growing from 14.5 percent in 2020 and 14.4 percent in 2019. California personal income increased by 8.5 percent in 2021 following 8.6-percent growth in 2020 while U.S. personal income grew by 7.4 percent in 2021 after 6.5-percent growth in 2020. Total wages and salaries continue to be the main driver of personal income growth for both the state and the nation, with California total wages increasing by 12.5 percent in 2021 (the highest growth rate since 2000) and U.S. total wages increasing by 9.3 percent (the highest growth rate since 1984). California's share of U.S. personal income increased to 14.2 percent in 2021, following growth of 14.1 percent in 2020 and 13.8 percent in 2019.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate fell from 3.8 percent in February 2022 to 3.6 percent in March 2022. The U.S. added 431,000 nonfarm jobs in March 2022, with all major sectors gaining jobs: leisure and hospitality (112,000), professional and business services (102,000), trade, transportation, and utilities (54,000), educational and health services (53,000), manufacturing (38,000), construction (19,000), information (16,000), financial activities (16,000), other services (13,000), government (5,000), and mining and logging (3,000). As of March 2022, the U.S. has recovered more than nine out of every ten (92.8 percent) of the 22 million jobs lost in March and April 2020.
- California's unemployment rate decreased from 5.3 percent in February 2022 to 4.9 percent in March 2022. California added 60,200 nonfarm jobs in March 2022, driven by gains in leisure and hospitality (14,800), followed by professional and business services (10,400), educational and health services (9,000), construction (8,900), trade, transportation, and utilities (5,300), other services (4,900), financial activities (3,600), manufacturing (2,900), information (200), and government (200). The number of jobs in mining and logging remained unchanged. As of March 2022, California has recovered 89.3 percent of the nearly 2.8 million nonfarm jobs lost in March and April 2020.

BUILDING ACTIVITY & REAL ESTATE

- California permitted 136,000 units on a seasonally adjusted annualized rate (SAAR) basis in February 2022, up 27.6 percent from January 2022, and up 17.4 percent from February 2021. February 2022 permits consisted of 72,000 single-family units (up 6.5 percent from January 2022, but down 0.6 percent year-over-year) and 64,000 multi-family units (up 64.6 percent from January 2022 and also up 47.7 percent year-over-year).
- The statewide median price of existing single-family homes reached a new record-high of \$849,080 in March 2022, up 10.1 percent from February 2022 and up 11.9 percent from March 2021. This was 2.6 percent higher than the previous record of \$827,940 set in August 2021. Sales of existing single-family homes in California totaled 426,970 units (SAAR) in March 2022, up 0.5 percent from February 2022, but down 4.4 percent from March 2021. Year-to-date through March, sales volume averaged 432,050 units (SAAR), which was 7 percent lower than in the same period in 2021 but 12.3 percent above the first quarter of 2019.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first nine months of the 2021-22 fiscal year were \$17.35 billion above the 2022-23 Governor's Budget forecast of \$138.348 billion. Cash receipts for the month of March were \$199 million below the forecast of \$21.047 billion.

Of note, \$5.446 billion of the total additional revenue through nine months is due to higher-than-expected Pass-Through Entity (PTE) elective tax payments under the corporation tax, a 2021 state tax change designed to allow some taxpayers to reduce their allowable federal tax liability starting with their 2021 tax returns. Every dollar received from the PTE elective tax paid generates a dollar of personal income tax credit. While the amount of PTE elective tax payments can be tracked in monthly cash reports, the extent to which taxpayers will reduce their personal income tax payments to reflect the elective tax credits cannot be determined until tax return data for 2021 is available next year. Therefore, it is reasonable to assume that a portion of this \$5.4 billion may overstate the amount of overall revenue strength to date.

- Personal income tax cash receipts to the General Fund for the first nine months of the fiscal year were \$10.362 billion above the forecast of \$88.342 billion. Cash receipts for March were \$332 million above the forecast of \$7.18 billion. Withholding receipts were \$83 million above the forecast of \$9.091 billion. Other cash receipts were \$474 million above the forecast of \$1.874 billion. Refunds issued in March were \$219 million above the expected \$3.656 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 \$6 million higher than the forecast of \$129 million.
- Sales and use tax cash receipts for the first nine months of the fiscal year were \$992 million above the forecast of \$23.428 billion. Cash receipts for March were \$311 million below the month's forecast of \$2.791 billion. March cash receipts include the prepayment for first quarter taxable sales.
- Corporation tax cash receipts for the first nine months of the fiscal year were \$8.124 billion above the forecast of \$20.297 billion. Cash receipts for March were \$9 million above the month's forecast of \$9.95 billion. Estimated payments were \$248 million above the forecast of \$950 million, other payments were \$652 million above the \$997 million forecast, and Pass-Through Entity (PTE) elective tax payments were \$819 million below the \$8.19 billion forecast. Despite the lower-than-forecast PTE elective tax payments in March, year-to-date payments are still significantly above forecast due to very high PTE elective tax payments received in December and January. Total refunds for the month were \$72 million higher than the forecast of \$187 million.
- Insurance tax cash receipts for the first nine months of the fiscal year were \$17 million below the forecast of \$2.435 billion. Insurance tax cash receipts for March were \$18 million below the forecast of \$733 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest were \$13 million below the forecast for the first nine months of the fiscal year, and were \$4 million below the forecast of \$51 million for March. "Other" cash receipts were \$2.097 billion below the forecast for the first nine months of the fiscal year, and were \$206 million below the forecast of \$341 million for the month. Approximately \$1.5 billion of the large negative fiscal year-to-date variance in "Other" cash receipts is due to corrections for over-reporting of the Individual Shared Responsibility Penalty.

2021-22 Comparison of Actual and Forecast Agency General Fund Revenues

(Dollars in Millions)

Revenue Source	MARCH 2022				2021-22 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$7,180	\$7,512	\$332	4.6%	\$88,342	\$98,704	\$10,362	11.7%
Sales & Use	2,791	2,479	-311	-11.2%	23,428	24,419	992	4.2%
Corporation	9,950	9,959	9	0.1%	20,297	28,421	8,124	40.0%
Insurance	733	715	-18	-2.5%	2,435	2,418	-17	-0.7%
Pooled Money Interest	19	15	-4	-19.5%	122	109	-13	-10.7%
Alcoholic Beverages	28	28	0	0.0%	320	322	2	0.5%
Tobacco	5	4	0	-8.0%	43	42	-2	-4.2%
Other	341	135	-206	-60.4%	3,360	1,263	-2,097	-62.4%
Total	\$21,047	\$20,848	-\$199	-0.9%	\$138,348	\$155,698	\$17,350	12.5%

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 2022-23 Governor's Budget.