



Finance Bulletin

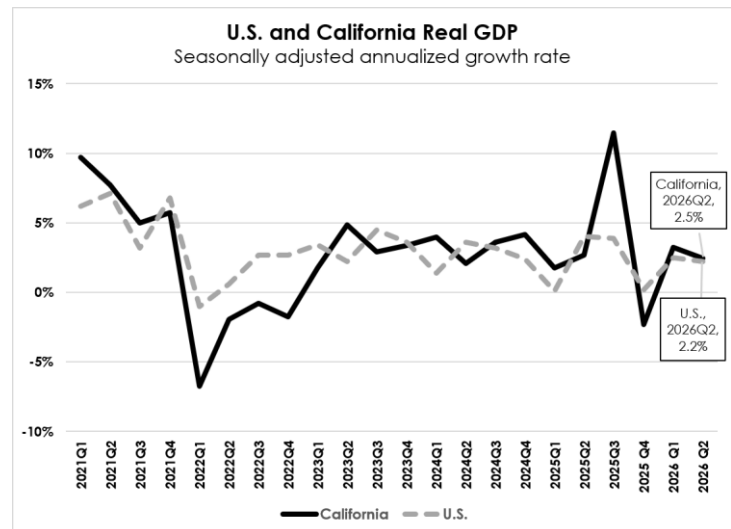
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Economic Update

U.S. real GDP grew at a 2.2-percent seasonally adjusted annualized rate (SAAR) in the second quarter of 2026, slowing from a 2.5-percent growth in the first quarter. Personal consumption (contributing 2.5 percentage points) and fixed investment (1.4 percentage points) were the main contributors to real GDP growth in the second quarter, while imports (1.7 percentage points) were the biggest drag.

In comparison, California real GDP grew by 2.5 percent (SAAR) in the second quarter of 2026, slowing from a 3.2-percent growth in the first quarter. The information sector (contributing 1.1 percentage points), financial activities (0.7 percentage point), and education and health care services (0.3 percentage point) were the main contributors to real GDP growth, while the trade, transportation, warehousing, and utilities sector (-0.2 percentage point) and mining and logging (-0.1 percentage point) were the largest drags.

California personal income increased 4.5 percent year-over-year in the second quarter of 2026, slightly above the national growth rate of 4.4 percent for that same quarter, and following a growth of 3.8 percent in the first quarter of 2026. Wages and salaries increased 5.2 percent year-over-year, while proprietors' income grew by 7.4 percent. California's share of U.S. personal income in the second quarter of 2026 was 13.5 percent, slightly below its 2019 share of 13.8 percent and its 2025 share of 13.6 percent. In the first half of 2026, California personal income increased 4.2 percent year-over-year, slowing from its 2025 annual growth rate of 4.8 percent. U.S. personal income growth also slowed, from 5.1 percent in 2025 to 4.5 percent in the first half of 2026.



LABOR MARKET CONDITIONS

■ In September 2026, the U.S. unemployment rate increased 0.1 percentage point to 4.2 percent. The U.S. labor force increased by 485,000 persons (0.3 percent) as the number of employed persons increased by 406,000 persons (0.2 percent) and the number of unemployed increased by 78,000 persons (1.1 percent). The U.S. added 29,000 nonfarm payroll jobs in September, led by private education and health services (+20,000 jobs), trade, transportation, and utilities (+18,000 jobs), construction (+11,000 jobs), leisure and hospitality (+10,000 jobs), manufacturing (+9,000 jobs), and other services (+6,000 jobs). These gains were partially offset by losses in government (-17,000 jobs), information (-10,000 jobs), professional and business services (-9,000 jobs), financial activities (-7,000 jobs), and mining and logging (-2,000 jobs). Job gains in the two previous months were substantially downgraded, from 21,000 jobs added to 10,000 jobs lost in July, and from 162,000 jobs added to 133,000 jobs added in August. These revisions were driven largely by leisure and hospitality (revised down by 42,000 across the two months) and professional and business services (revised down by 36,000 jobs cumulatively).

BUILDING ACTIVITY

■ Year-to-date through August 2026, 113,300 total housing units (SAAR) were permitted in California, down 0.1 percent from the year-to-date through July 2026, but up 15.5 percent from the year-to-date through August 2025. The year-to-date through August consisted of 56,000 single-family units (down 2.2 percent from the year-to-date through July 2026 and down 0.7 percent from the year-to-date through August 2025) and 57,300 multi-family units (up 2.1 percent from the year-to-date through July and up 37.3 percent year-over-year from the year-to-date through August 2025).

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were \$2.9 billion, or 14.9 percent, above the 2026 Budget Act forecast in September. The September overage was driven mainly by higher corporation tax receipts of \$1.3 billion and higher personal income tax receipts of \$1.1 billion. Pooled money interest receipts were \$384 million above forecast for the month, making up for the incorrect timing of receipts that caused shortfalls in July and August. Although California does not require a September estimated payment, many taxpayers still pay on the federal due date of September 15. Cumulatively since April when the forecast was completed, preliminary General Fund cash receipts were \$5.5 billion above projections, including an overage of \$828 million attributed to cash collected during the 2025-26 fiscal year.

- Personal income tax cash receipts were \$1.1 billion, or 8.5 percent, above forecast in September and \$2.8 billion, or 3.4 percent, above forecast cumulatively since April. The overage in September was due largely to higher estimated payments of \$939 million and higher withholding of \$272 million. The overage since April was due to higher withholding of \$2.8 billion, higher estimated payments of \$1.4 billion, and higher final payments of \$218 million, partially offset by higher refunds of \$802 million and lower other payments of \$762 million.
- Corporation tax cash receipts were \$1.3 billion, or 49.1 percent, above forecast in September and \$2.7 billion, or 11.1 percent, above forecast cumulatively since April. The overage in September was driven by higher estimated payments of \$658 million, lower refunds of \$460 million, and higher other payments of \$184 million. The cumulative overage since April was due to higher estimated payments (+\$985 million), lower refunds (+\$792 million), higher Pass-Through-Entity Elective Tax payments (+\$593 million), and higher other payments (+\$344 million).
- Preliminary sales and use tax receipts were \$159 million, or 5.6 percent, above forecast in September and \$662 million, or 3.7 percent, above forecast cumulatively since April.

2026-27 Comparison of Actual and Forecast Agency General Fund Revenue (Dollars in Millions)

Revenue Source	September 2026					2026-27 YEAR TO DATE			
	Forecast	Actual	Difference	Percent Difference		Forecast	Actual	Difference	Percent Difference
Personal Income	\$13,474	\$14,620	\$1,146	8.5%		\$30,704	\$33,109	\$2,405	7.8%
Withholding	9,220	9,491	272	2.9%		25,730	27,279	1,549	6.0%
Estimated Payments	3,880	4,819	939	24.2%		4,581	5,759	1,178	25.7%
Final Payments	546	448	-99	-18.0%		1,157	1,058	-99	-8.5%
Other Payments	739	801	62	8.4%		1,709	1,570	-139	-8.1%
Refunds	-662	-668	-7	1.0%		-1,884	-1,926	-42	2.2%
BHSF Transfer	-241	-262	-21	8.5%		-550	-593	-43	7.8%
Corporation	\$2,653	\$3,956	\$1,302	49.1%		\$3,976	\$5,770	\$1,794	45.1%
Estimated Payments	2,267	2,924	658	29.0%		3,391	4,381	991	29.2%
PTET Payments	577	578	1	0.1%		837	884	47	5.7%
Other Payments	932	1,116	184	19.7%		1,498	1,727	229	15.3%
Refunds	-1,123	-663	460	-41.0%		-1,750	-1,222	527	-30.1%
Sales & Use	\$2,858	\$3,018	\$159	5.6%		\$8,446	\$8,699	\$252	3.0%
Insurance	\$222	\$233	\$12	5.3%		\$1,117	\$1,169	\$52	4.7%
Pooled Money Interest	\$292	\$676	\$384	131.6%		\$740	\$740	\$0	0.0%
Alcohol	\$34	\$23	-\$11	-31.4%		\$109	\$110	\$2	1.4%
Tobacco	\$3	\$3	\$0	-8.1%		\$9	\$9	\$0	-0.3%
Other	\$125	\$65	-\$60	-48.1%		\$285	\$442	\$158	55.3%
Total	\$19,661	\$22,593	\$2,932	14.9%		\$45,385	\$50,048	\$4,663	10.3%

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. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2026 Budget Act.