



Finance Bulletin

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Economic Update

In the second quarter of 2020, California personal income increased by 9.7 percent on a year-over-year basis (up \$254.4 billion) driven by record-high transfer payments of \$355.8 billion, including the \$600 per week in additional Federal unemployment assistance that expired at the end of July, support for independent contractors, regular unemployment insurance, and one-time stimulus checks.

All other major personal income components for California fell on a year-over-year basis in the second quarter of 2020, with a total decline of 4.4 percent (down \$101.4 billion) led by decreases in total wages (down \$59.5 billion), proprietors' income (down \$26.9 billion), and other components (down \$15.0 billion).

U.S. personal income increased by 10.4 percent year-over-year in the second quarter of 2020 (up \$1.9 trillion). Transfers also drove personal income growth, up a record-high \$2.6 trillion. All other major U.S. personal income components also fell on a year-over-year basis.



LABOR MARKET CONDITIONS

- The U.S. unemployment rate fell from 8.4 percent in August to 7.9 percent in September 2020, 4.4 percentage points above the pre-pandemic level of 3.5 percent in February. The U.S. labor force decreased by 695,000 people in September following a 968,000-increase in August, with 4.4 million fewer Americans in the labor force than in February. The U.S. gained 661,000 jobs in September after 1.5 million jobs were added in August.
- California's unemployment rate decreased by 0.2 percentage point to 11.0 percent in September, down from a revised-down 11.2 percent in August and 7.1 percentage points higher than February's pre-pandemic rate of 3.9 percent. California's labor force grew by 19,000 people, with 839,000 fewer Californians in the labor force in September than in February.
- The state gained 96,000 nonfarm payroll jobs in September, after adding a monthly average of around 225,000 jobs since May. Payroll jobs in September totaled 16.0 million, down 9.2 percent from February. In September, seven of California's 11 major industries added jobs: leisure and hospitality (48,400), trade, transportation, and utilities (30,600), professional and business services (15,700), other services (10,900), construction (3,100), manufacturing (2,600), and information (200). Four industries lost jobs: government (14,600), financial activities (600), educational and health services (400), and mining and logging (200).

BUILDING ACTIVITY

- California housing units authorized by building permits totaled 96,300 units in August (seasonally-adjusted annualized rate), down 16.7 percent from July and down 22.1 percent from February's 123,700 units. August's month-over-month drop was due to multi-family units down 32.3 percent to 36,400 units and a decrease in single-family units of 3.1 percent to 59,900 units. Year-to-date, authorized residential housing units averaged 96,000 (down 11.1 percent from the same period in 2019), split into 52,800 single-family units (down 4.2 percent) and 43,200 multi-family units (down 18.3 percent). California's nonresidential building valuation in August was \$21.9 billion, down 21.0 percent from July 2020 and down 19.2 percent from February's \$27.2-billion valuation. Year-to-date, nonresidential building valuation averaged \$23.5 billion, down 31.7 percent from the same period in 2019.

REAL ESTATE

- The existing single-family median home sales price in California set a new record for the fourth consecutive month, reaching \$712,430 in September. The median home sales price is now up 22.9 percent from the pre-pandemic price in February 2020 and up 17.6 percent from September 2019. Statewide sales volume rose by 5.2 percent month-over-month to 489,590 units—the highest sales volume since 498,580 units in February 2009 during the Great Recession and 16.1 percent higher than the pre-pandemic level of 421,670 units in February 2020.

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts for the first three months of the fiscal year were \$8.713 billion above the 2020-21 Budget Act forecast of \$45.41 billion. Cash receipts for the month of September were \$4.164 billion above the 2020-21 Budget Act forecast of \$9.806 billion. Preliminary General Fund agency cash receipts for the entire 2019-20 fiscal year were \$1.135 billion above the 2020-21 Budget Act forecast of \$123.395 billion, or 0.9 percentage point above forecast. Total collections for March through September 2020 were down by 2.3 percent from the same period in 2019.

- Personal income tax cash receipts to the General Fund for the first three months of the fiscal year were \$6.667 billion above forecast. Cash receipts for September were \$3.016 billion above the month's forecast of \$6.262 billion. Withholding cash receipts were \$1.425 billion above the forecast of \$4.225 billion. Other cash receipts were \$1.676 billion above the forecast of \$2.547 billion. Even though California does not have a September estimated payment due, taxpayers often match the federal estimated payment schedule. Refunds issued in September were \$30 million above the expected \$399 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 September was \$55 million higher than the forecast of \$111 million.
- Sales and use tax cash receipts for the first three months of the fiscal year were \$1.641 billion above forecast. Cash receipts for September were \$465 million above the month's forecast of \$1.719 billion. September represents the second prepayment for third quarter taxable sales.
- Corporation tax cash receipts for the first three months of the fiscal year were \$329 million above the forecast of \$6.538 billion. Cash receipts for September were \$504 million above the month's forecast of \$1.509 billion. Estimated payments were \$507 million above the forecast of \$1.262 billion, and other payments were \$69 million higher than the \$365 million forecast. Total refunds for the month were \$72 million higher than the forecast of \$119 million.
- Insurance tax cash receipts for the first three months of the fiscal year were \$109 million above forecast. Insurance tax cash receipts for September were \$140 million above the forecast of \$65 million. Cash receipts from the alcoholic beverage, tobacco taxes, and pooled money interest for the first three months of the fiscal year were \$31 million below forecast, and were \$8 million below the forecast of \$72 million for September. "Other" Cash receipts for the first three months of the fiscal year were \$2 million below forecast, and were \$46 million above the forecast of \$179 million for September.

2020-21 Comparison of Actual and Forecast Agency General Fund Revenues

Revenue Source	(Dollars in Millions)							
	SEPTEMBER 2020				2020-21 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change	Forecast	Actual	Change	Percent Change
Personal Income	\$6,262	\$9,278	\$3,016	48.2%	\$32,265	\$38,932	\$6,667	20.7%
Sales & Use	1,719	2,184	465	27.1%	5,090	6,731	1,641	32.2%
Corporation	1,509	2,013	504	33.4%	6,538	6,867	329	5.0%
Insurance	65	205	140	214.0%	695	804	109	15.7%
Estate	0	0	0	0.0%	0	0	0	0.0%
Pooled Money Interest	36	26	-10	-27.5%	97	59	-38	-39.6%
Alcoholic Beverages	33	33	0	1.5%	102	109	7	6.8%
Tobacco	4	5	2	42.8%	15	16	0	2.1%
Other	179	225	46	25.8%	609	607	-2	-0.3%
Total	\$9,806	\$13,970	\$4,164	42.5%	\$45,410	\$54,123	\$8,713	19.2%

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 Budget Act.