

DOF Releases March Finance Bulletin

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The Department of Finance (DOF) issued its March *Finance Bulletin* this week, and it memorializes the financial results for the first eight months of the 2020–21 fiscal year.

The state’s General Fund continues to enjoy robust revenues that outperform the forecasted numbers used in the recently released 2021–22 Governor’s Budget. For the first eight months of the year, state revenues are \$14.3 billion (12.9%) above projections, while revenue collections from January 2021 are \$3.8 billion (76.1%) higher than forecast. Examination of the “Big Three” taxes year-to-date show personal income tax receipts are \$12.8 billion above estimates, while sales and use tax and corporation tax receipts are \$760 million and \$721 million over their forecast, respectively.

A significant portion of the positive data in February—revenues are \$3.8 billion above forecast—was driven by lower tax refunds due to delayed enactment of Governor Gavin Newsom’s Golden State Stimulus. Additionally, the delayed opening of tax filing season by the Internal Revenue Service moved many refunds further into the calendar year. We expect a netting of these revenues in the coming months. The next major marker for tax collections will be May 2021, when taxpayers make their final tax payments for the 2020 calendar year. At that point, the financial landscape will be much clearer.

California housing units authorized by building permits increased 12.5% in January 2021 compared to January 2020. In a reversal from last month’s data, single family home permits for January 2021 were down 2.6% from the prior month and 2.1% from January 2020, while multi-family permits increased 36.2% from the prior month and 30.6% from the previous year. Existing single family home sales volume fell 4.9% from the prior month, but remained up 22.5% over the prior year. The median price of existing single family homes sold in January 2021 was down 2.5% from December to \$699,980, but remains 21.7% above the same month last year.

Continuing to examine the true impact of the recession on 2020, the *Finance Bulletin* highlighted revised statistics, many of which were worse than originally published. California’s labor force size was believed to have contracted by 2.3% in 2020, but updated data shows more people left the labor force and current data places the decline at 2.8%. Similarly, originally published data showed unemployment at the end of December 2020 at 7.0%. More recent data shows that figure was a bit optimistic, and was actually 7.4%. Not all revisions were negative, however, as the peak unemployment rate for the state was revised down from 16.4% to 16.0% for April 2020. State employment figures demonstrate the distance still yet to travel to reach full recovery. As of January 2021, the state had 15.9 million non-farm jobs, 10.2% below the February 2020 pre-pandemic level. These figures recognize combined net job losses for December 2020 and January 2021 of roughly 145,300 non-farm jobs. Industry data shows modest growth in the trade, transportation, and utilities sector of 13,700 jobs, while

professional and business services, and government increased in size by 3,600 each. Leisure and hospitality continues to lead job decline as a sector.