

# Department of Finance June Finance Bulletin

BY ROBERT MCENTIRE, EDD



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General Fund revenues continue to outpace prior years and even beat the 2021–22 May Revision forecast. Year-to-date, state revenues are \$1.6 billion (0.9%) above the most recent projections, while May 2021 revenue collections are \$1.5 billion (7.8%) higher than forecasted. May personal income tax (PIT) receipts are \$642 million above estimates, while sales and use tax and corporation tax receipts are \$181 million and \$627 million over their forecast, respectively. Examination of PIT shows May 2021 payroll tax withholding receipts exceed forecast by \$951 million, while other cash receipts beat the forecast by \$453 million. PIT refunds were \$750 million above expectation.

A cursory review of employment numbers paints a hopeful picture as the U.S. unemployment rate fell from 6.1% in April to 5.8% in May 2021. This is good news; however, while unemployment fell by 496,000 nationally, employment only increased by 444,000. This means 53,000 people left the workforce in May, driving down labor participation rates. While the unemployment rate has recovered, 7.1 million of the 22.4 million people who lost their jobs since the pandemic remain unemployed. California's recent recovery trend is flatter than the nation's, with unemployment rates falling from 8.0% in April to 7.9% in May. Interestingly, the small growth in employment of 39,500 people was the result of 27,100 coming off unemployment and 12,400 rejoining the labor force. Comparing current employment data to pre-pandemic levels, we find that California has 1.2 million fewer people employed and 525,400 fewer people in the labor force, leaving substantial capacity for continued recovery.

In April 2021, California housing units authorized by building permits climbed to 128,000 on a seasonally adjusted annualized rate. While lower than March, volume continues above the 2020 monthly average of 105,000 units. Permitted multifamily units fell 8.8% from March to 52,000 in April. Likewise, single-family units decreased from 79,000 in March to 76,000 in April. Existing single-family home sales totaled 446,000 units on a seasonally adjusted annualized basis for May 2021, up 86.7% from May 2020, but down 2.7% from April. The statewide median price of existing single-family homes exceeded the \$800,000 threshold for a second consecutive month, reaching \$818,260 in May, up 39.1% over May 2020.