

COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

January 2024 State Cash Receipts Below Forecast

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State General Fund cash receipts for the month January 2024 were almost 20% below the most recent updated Governor's Budget forecast. The California Department of Finance's (DOF) February 2024 *Finance Bulletin* highlighted that fiscal year-to-date cash receipts are down 4.8% below forecast, as noted in Figure 1 below. As the Governor's Budget forecast was recently updated at the end of November 2023, the year-to-date shortfall to forecast is almost all related to the January 2024 cash receipts.

The bulk of the month's shortfall was due largely to lower-than-expected personal income tax receipts. Withholdings were down by \$1 billion (10.8%) while estimated payments were down by almost \$4 billion (36.1%) for January. Monthly withholdings represent a more real-time indicator of economic activity while estimated payments are often more volatile and tied to stock market compensation as noted in the *Finance Bulletin*.

Both corporation and sales and use tax revenues were down slightly on both a monthly and year-to-date basis by 4.6% and 1.1%, respectively.

Figure 1: 2023-24 Comparison of Actual and Forecast Agency General Fund Revenues (Dollars in Millions) Year-to-Date through January 2024

Revenue Source	Forecast	Actual	Difference	Per
Personal Income	\$76,176	\$71,491	-\$4,685	
Corporation	\$21,506	\$20,527	-\$980	
Sales and Use	\$18,756	\$18,557	-\$199	
Total*	\$121,467	\$115,586	-\$5,882	

*Includes other agency cash receipts

Regarding labor market conditions, the DOF noted that California's unemployment rate rose by 0.2% in December 2023 to 5.1%. Also, 3,600 Californians dropped out of the labor force causing the labor participation rate to fall to 62.0%, a decrease of 0.2% from November 2023. The U.S. unemployment rate remained at 3.7%.

In California, construction is an important economic driver and leading economic indicator. Building activity is slowing down with the number of building permits down 2.0% from November 2023 and down 2.9% from a year ago. December 2023 year-to-date permits of 56,000 single-family homes and 54,000 multi-family units were down 6.0% and up 0.6%, respectively.

With the Governor's Budget forecast barely a month old, January's revenues are not encouraging when compared to the recently revised forecast. While it is too early to tell, we will be monitoring and reporting as we head towards the Governor's May Revision.