

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

DOF Reports on Projected Revenue Shortfall

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The Department of Finance (DOF) released its most recent *Finance Bulletin* on Friday, December 15, 2023. The December release reflects both national and state economic data through November 2023 and reports out on 2022 tax collections delayed due to multiple extensions of the tax filing deadline. As recently anticipated based on widely reported tax revenue data, the *Finance Bulletin* reports cumulative General Fund cash receipts significantly below the 2023 Budget Act projections.

The December *Finance Bulletin* includes both October and November state revenue data as well as current economic data through November. October and November General Fund revenues fell short of projections by \$25.22 billion (-39.9%), with total actual revenues at \$37.97 billion versus a forecasted \$63.19 billion. The year-to-date 2023-24 General Fund revenues (\$74.75 billion) are well below the forecast of \$99.07 billion by \$24.33 billion (-24.6%).

As noted in the table below, when looking more specifically at the “Big Three” taxes (i.e., personal income tax, corporation tax, and sales and use tax), both personal income tax and corporation tax were significantly below projections on a year-to-date basis, and sales and use tax actual revenue narrowly outpaced forecasted revenue. October and November 2023 revenues show both corporation tax and personal income tax well below projected figures and sales and use tax actual coming in slightly above projections.

Dollars in Millions	October & November 2023				2023-24 Year-to-Date			
	Forecast	Actual	Difference	Percent Diff.	Forecast	Actual	Difference	Percent Diff.
Personal Income Tax	\$42,854	\$24,527	-\$18,327	-42.8%	\$65,447	\$47,093	-\$18,354	-28.0%
Corporation Tax	\$14,107	\$5,994	-\$8,113	-57.5%	\$17,493	\$9,919	-\$7,573	-43.3%
Sales and Use Tax	\$5,091	\$5,879	\$787	15.5%	\$13,262	\$13,960	\$698	5.3%
Total	\$62,052	\$36,400	-\$25,653	-41.3%	\$96,202	\$70,972	-\$25,229	-26.2%

Source: December 2023 [Finance Bulletin](#), DOF

On the economic front, November U.S. unemployment decreased to 3.7%, a reduction of 0.2 percentage points from October’s rate of 3.9%. On the other hand, California unemployment increased slightly from September to October from 4.7% to 4.8%.

Due in large part to a reduction in gas prices, U.S. headline inflation fell to 3.1% in November. U.S. core inflation, which excludes food and energy, increased by 0.1% percentage point from October, bringing annual core inflation to 4.0% in November.

Turning to real estate, housing permits were down 1.7% from September and remain down 7.8% year over year. The median price of single-family homes declined 0.4% from September to \$840,360, while sales of existing single-family homes were up 0.3% from September.

We are following the impact of the shortfall in projected state tax revenues as well as the larger economic indicators reported in the *Finance Bulletin*. We will continue to provide updates on the impact of the U.S and state economy on available resources for education.