

# CITY OF PLACERVILLE

## SALES TAX UPDATE

### 1Q 2025 (JANUARY - MARCH)



**PLACERVILLE**  
TOTAL: \$ 1,429,277

2.3%  
1Q2025



1.1%  
COUNTY

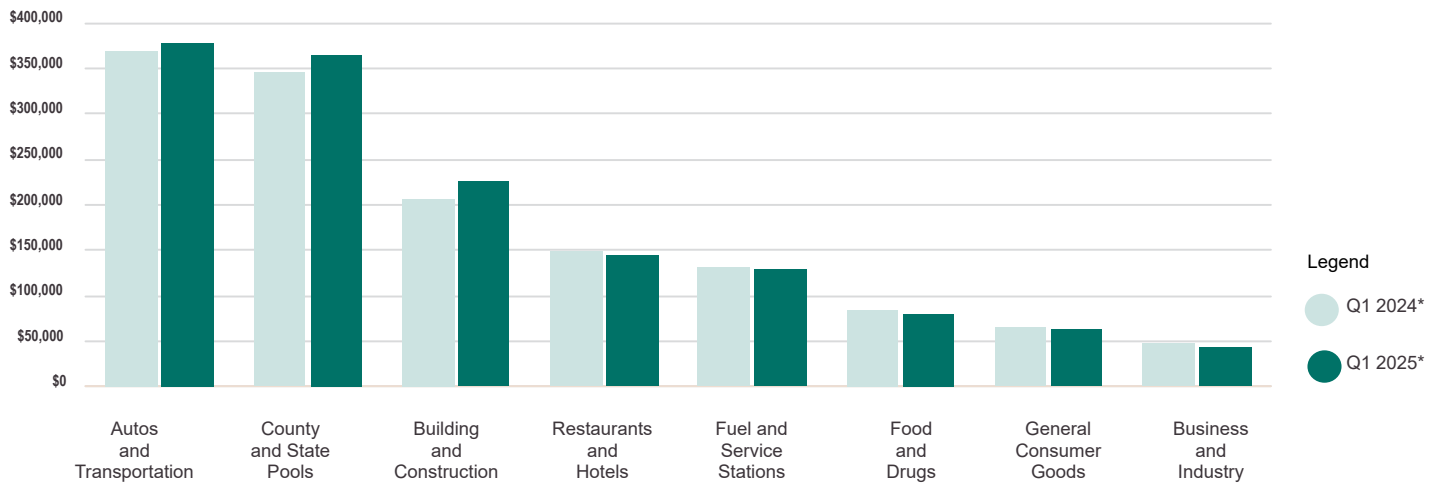


0.3%  
STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

### SALES TAX BY MAJOR BUSINESS GROUP



**Measure J**  
TOTAL: \$329,206  
↑ 2.8%

**Measure H**  
TOTAL: \$329,210  
↑ 2.8%

**Measure L**  
TOTAL: \$658,059  
↑ 2.8%



### CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from January through March were 1.3% above the first sales period in 2024. Excluding reporting aberrations, receipts for the period were up 2.3%.

Most of this period's increase came from the City's payout from the use tax pool, determined by the size of the pool and the City's pro rata share each quarter. This period, the pool grew while the City's share remained unchanged.

This quarter, the autos-transportation group posted a gain along with the construction group, which benefitted from the prior addition of a new retail outlet.

The prior closure of several outlets contributed to the declines reported by the business-industry and general consumer goods groups. The latter was also impacted by the shift in consumer preference to online retailers.

The City's district taxes added to the growth from sales of local building materials by recording numerous payments related to purchases of material imported into the community.

Net of aberrations, taxable sales for all of El Dorado County grew 1.1% over the comparable period while those of the Sacramento region were up 3.4%.



### TOP 25 PRODUCERS

- |                             |                                   |
|-----------------------------|-----------------------------------|
| C & H Motor Parts           | Raley's                           |
| Chuck's Cannabis Collective | Rancho Convenience Center         |
| Diamond Pacific             | Sacred Roots                      |
| Ferguson Enterprises        | Save Mart                         |
| Fuel 4 Less                 | Shell                             |
| Grocery Outlet              | Thompsons Buick GMC               |
| Harbor Freight Tools        | Thompsons Chrysler Dodge Jeep Ram |
| Home Depot                  | Thompson's Toyota                 |
| In N Out Burger             | Tractor Supply                    |
| Kwik Serv                   | Verizon Wireless                  |
| Main Street Tap House       |                                   |
| Marathon                    |                                   |
| McDonald's                  |                                   |
| Mobil                       |                                   |
| Placerville Valero          |                                   |



## STATEWIDE RESULTS

California’s local one-cent sales and use tax receipts for January through March 2025 increased by 0.34% compared to the same quarter in 2024, after adjusting for accounting anomalies. While this modest growth may signal the end of an eight-quarter decline, it could be temporary, as the broader economy remains on the edge between recovery and further slowdown.

The first quarter is traditionally the lowest sales tax-generating period of the year, often influenced by seasonal weather and post-holiday consumer behavior.

Notably, the autos-transportation and building-construction sectors—both of which had been dragging down statewide results over the past two years—showed the strongest rebounds this quarter. In the autos sector, used car sales and leasing activity led the recovery. Consumers are increasingly opting for more affordable vehicles and shorter-term commitments, moving away from high-end purchases. In construction, pent-up demand for repairs and improvements, especially in weather-affected and wildfire-damaged areas like Southern California, drove strong sales for building material suppliers.

Other segments generating modest growth included business-industry and countywide use tax pools, largely due to continued strength in online sales. Sales of goods already in California before purchase are reported under business-industry fulfillment centers. Goods shipped from outside the state are reported under county pools, based on the destination of the out-of-state shipment. Online shopping remains a preferred option for value-conscious consumers, contributing significantly to tax receipts in these categories.

Calendar year 2024 saw a decline in fuel-

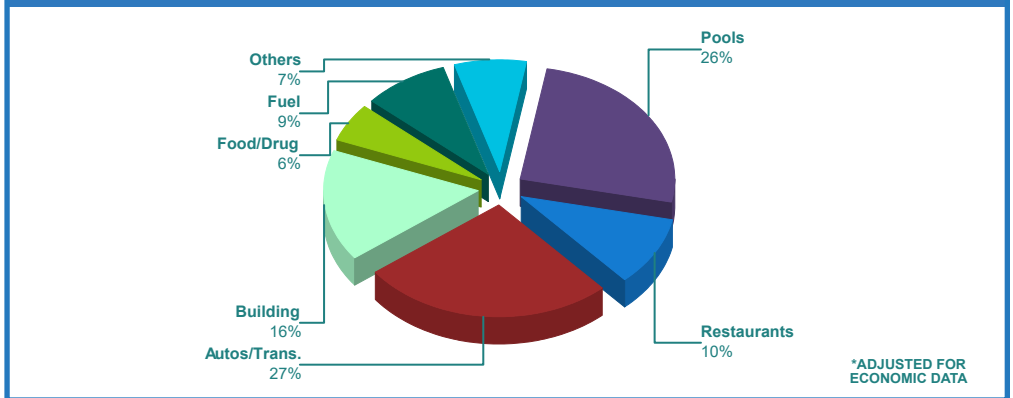
related tax receipts due to lower global crude oil prices—a trend that continued into 1Q 2025. Fuel-related returns dropped by 5%. This decline also affected general consumer goods, as large retailers that sell fuel typically report all sales under a single taxpayer ID. As a result, brick-and-mortar merchants such as post-holiday family apparel stores, winter sporting goods vendors and closures of variety stores contributed to weaker performance.

Although food-drugs is the smallest of the eight tax groupings, it was significant that cannabis returns continued a downturn trend that has been ongoing for over two years. Bankruptcies, customer shopping

alternatives and oversaturation of retail footprint diminished taxes coming from drug stores.

As 2025 begins, sales tax returns remain modest, reflecting broader economic volatility. Key factors influencing our outlook include: ongoing national tariff and trade negotiations and decisions on the federal funds rate - which directly affect consumer interest rates. Recent Middle East conflicts, which temporarily spiked crude oil prices and threatened local gas prices during the summer, will be a short-term concern. In summary, “uncertainty” remains the most accurate descriptor of California’s current and future economic climate.

### REVENUE BY BUSINESS GROUP Placerville This Quarter\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

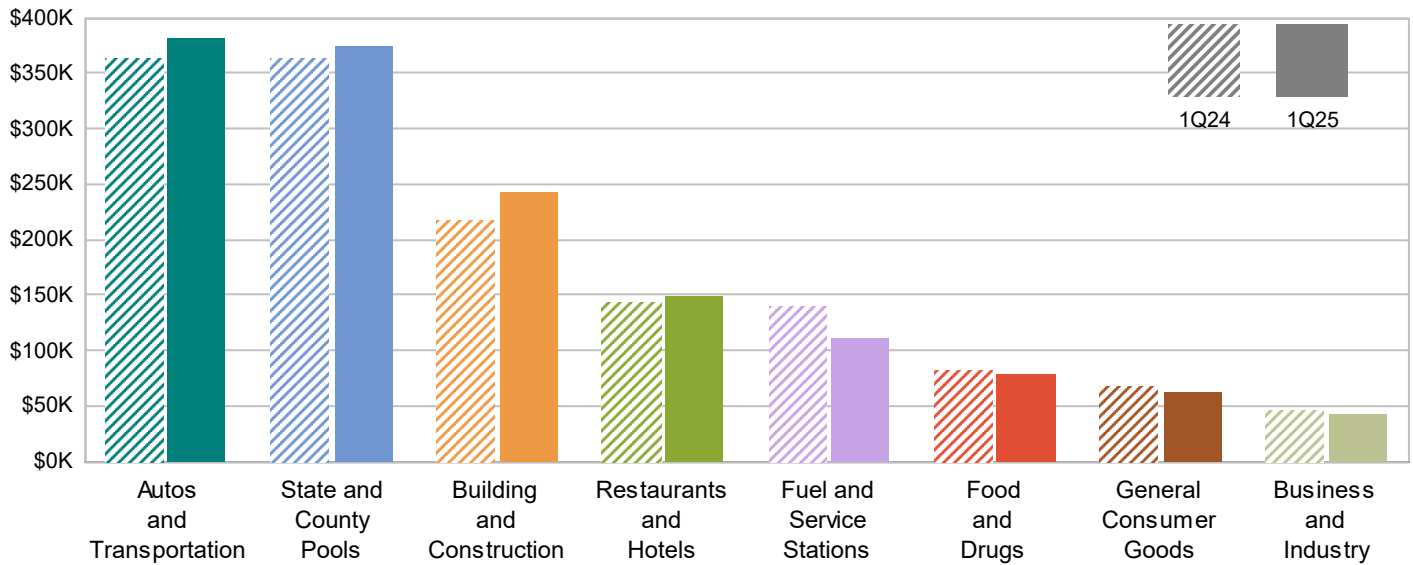
Placerville Business Type	Q1 '25*	Change	County Change	HdL State Change
Service Stations	119.8	-1.0% ↓	-3.6% ↓	-5.8% ↓
Casual Dining	76.3	-4.2% ↓	1.2% ↑	1.3% ↑
Quick-Service Restaurants	60.9	0.9% ↑	-1.7% ↓	-0.9% ↓
Automotive Supply Stores	38.7	3.3% ↑	3.6% ↑	-0.4% ↓
Grocery Stores	36.5	-0.9% ↓	-0.4% ↓	-0.8% ↓
Auto Repair Shops	21.4	-0.9% ↓	-0.5% ↓	-5.1% ↓
Garden/Agricultural Supplies	20.9	-5.0% ↓	-3.9% ↓	0.3% ↑
Cigarette/Cigar Stores	12.0	7.6% ↑	2.3% ↑	-6.5% ↓
Convenience Stores/Liquor	11.4	3.5% ↑	-0.7% ↓	-2.2% ↓
Auto Lease	7.2	28.4% ↑	17.9% ↑	20.6% ↑

\*Allocation aberrations have been adjusted to reflect sales activity      \*In thousands of dollars

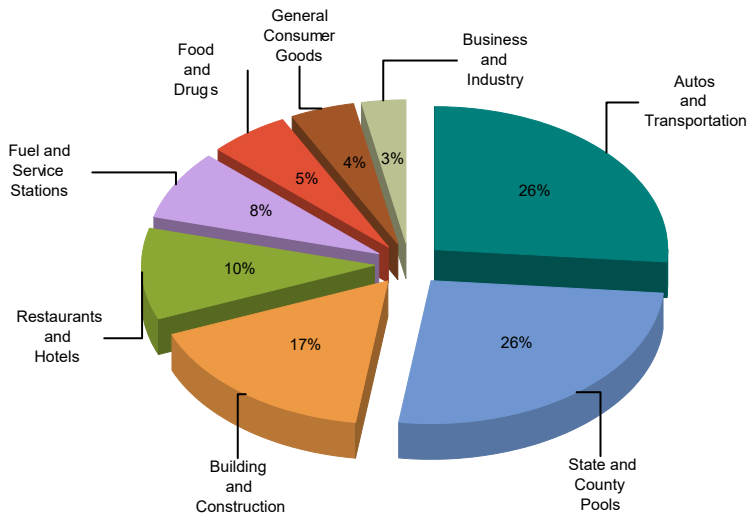


<u>Major Industry Group</u>	<u>Count</u>	<u>1Q25</u>	<u>1Q24</u>	<u>\$ Change</u>	<u>% Change</u>
Autos and Transportation	49	381,467	363,863	17,603	4.8%
State and County Pools	-	373,560	364,447	9,112	2.5%
Building and Construction	16	243,542	217,339	26,202	12.1%
Restaurants and Hotels	97	150,835	145,283	5,552	3.8%
Fuel and Service Stations	17	111,652	141,419	(29,767)	-21.0%
Food and Drugs	20	79,654	84,152	(4,498)	-5.3%
General Consumer Goods	338	64,087	68,584	(4,496)	-6.6%
Business and Industry	144	44,535	47,773	(3,238)	-6.8%
Transfers & Unidentified	54	4,026	1,374	2,652	193.1%
<b>Total</b>	<b>735</b>	<b>1,453,357</b>	<b>1,434,234</b>	<b>19,123</b>	<b>1.3%</b>

**1Q24 Compared To 1Q25**

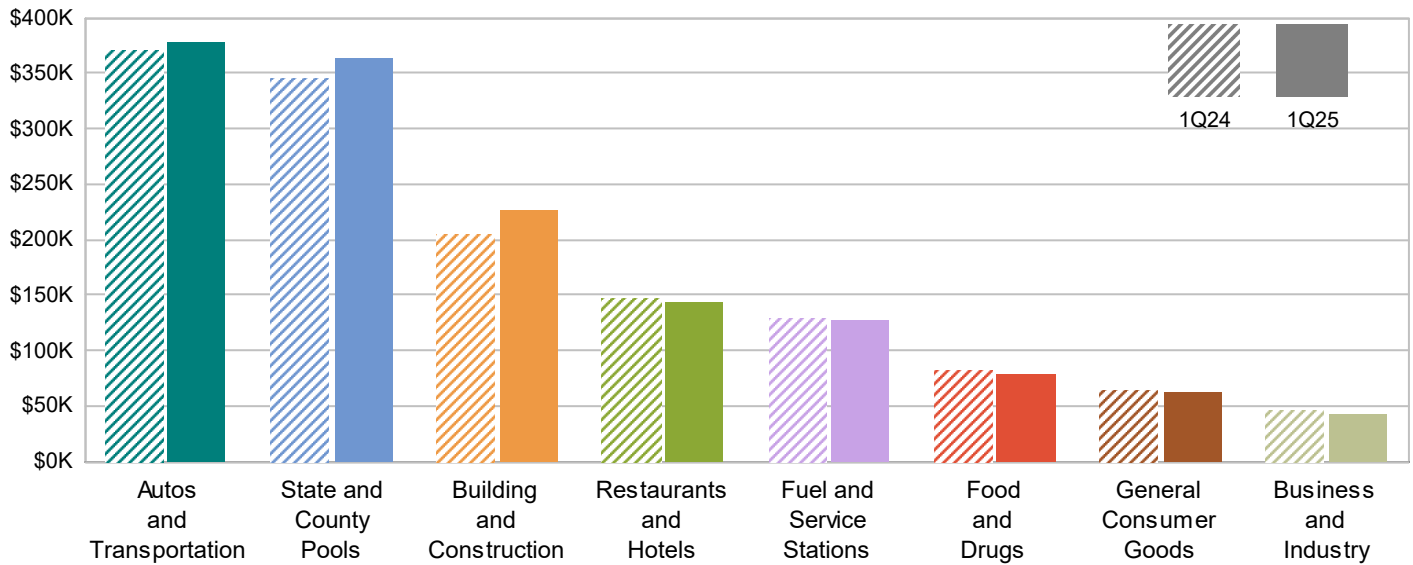


**1Q25 Percent of Total**

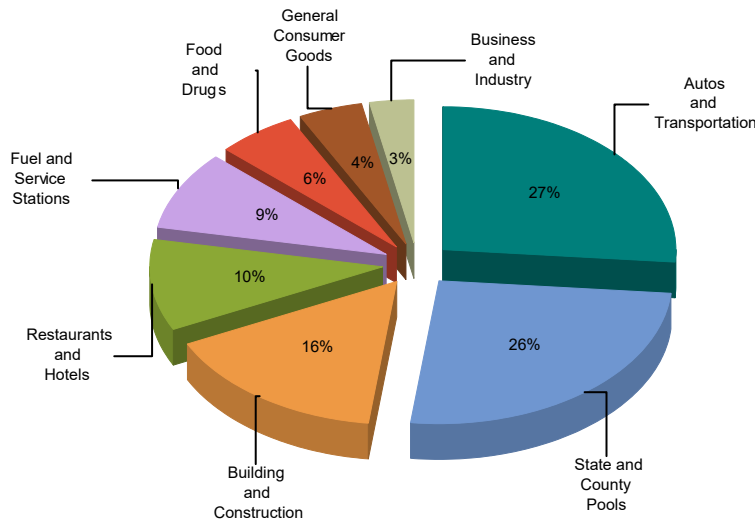


Major Industry Group	Count	1Q25	1Q24	\$ Change	% Change
Autos and Transportation	49	378,680	370,077	8,603	2.3%
State and County Pools	-	364,193	346,483	17,710	5.1%
Building and Construction	16	226,542	205,673	20,869	10.1%
Restaurants and Hotels	97	144,016	148,702	(4,686)	-3.2%
Fuel and Service Stations	17	128,522	130,325	(1,803)	-1.4%
Food and Drugs	20	79,025	84,012	(4,986)	-5.9%
General Consumer Goods	338	63,337	64,937	(1,600)	-2.5%
Business and Industry	144	43,147	46,973	(3,825)	-8.1%
Transfers & Unidentified	54	1,814	592	1,222	206.5%
<b>Total</b>	<b>735</b>	<b>1,429,277</b>	<b>1,397,773</b>	<b>31,504</b>	<b>2.3%</b>

**1Q24 Compared To 1Q25**

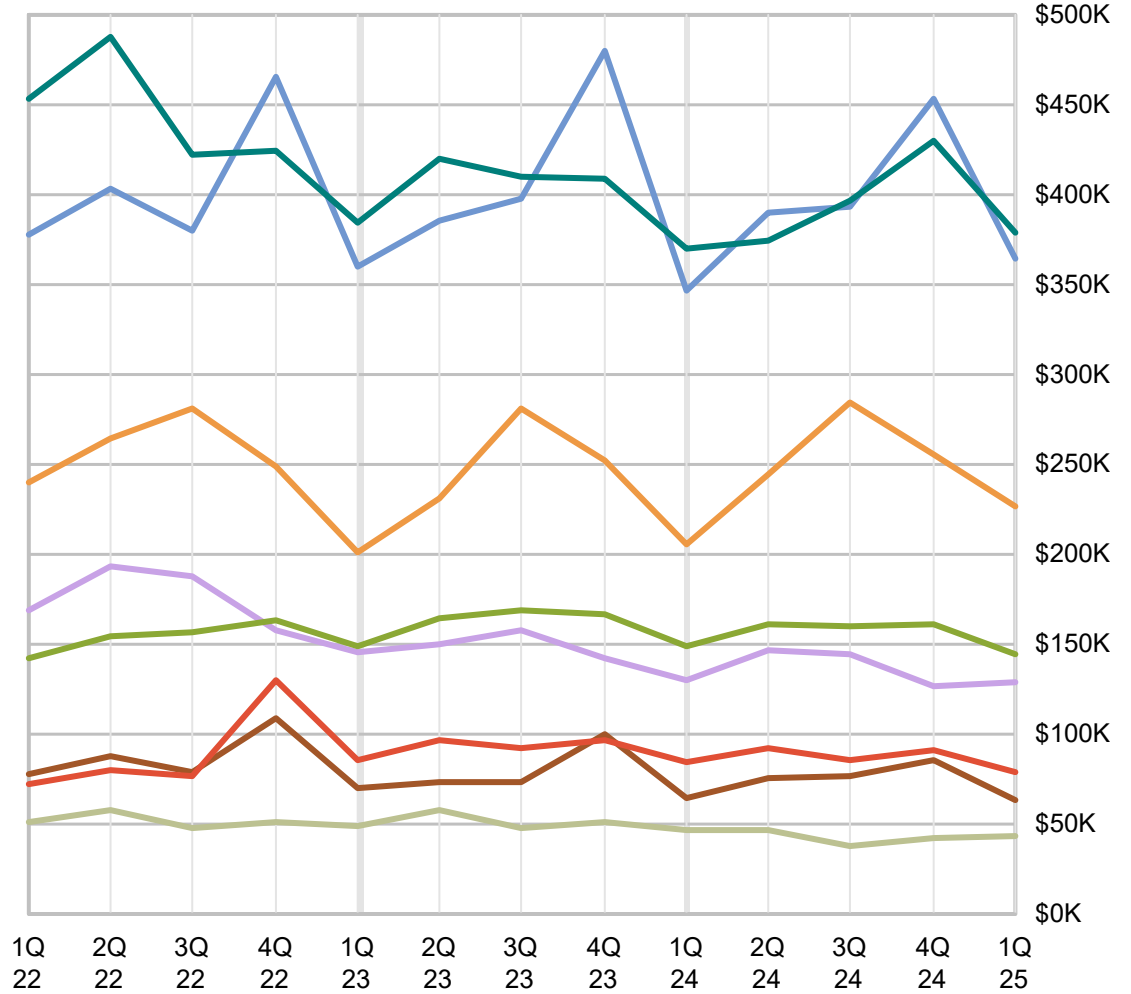


**1Q25 Percent of Total**



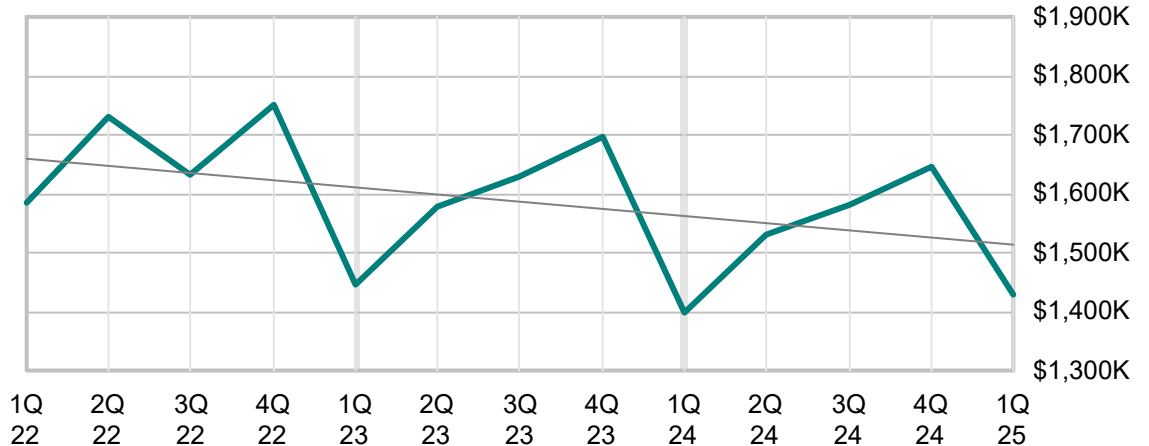
Sales Tax by Major Industry Group

- Autos And Transportation**  
Count: 49
- State & County Pools**
- Building And Construction**  
Count: 16
- Restaurants And Hotels**  
Count: 97
- Fuel And Service Stations**  
Count: 17
- Food And Drugs**  
Count: 20
- General Consumer Goods**  
Count: 338
- Business And Industry**  
Count: 144



Agency Trend

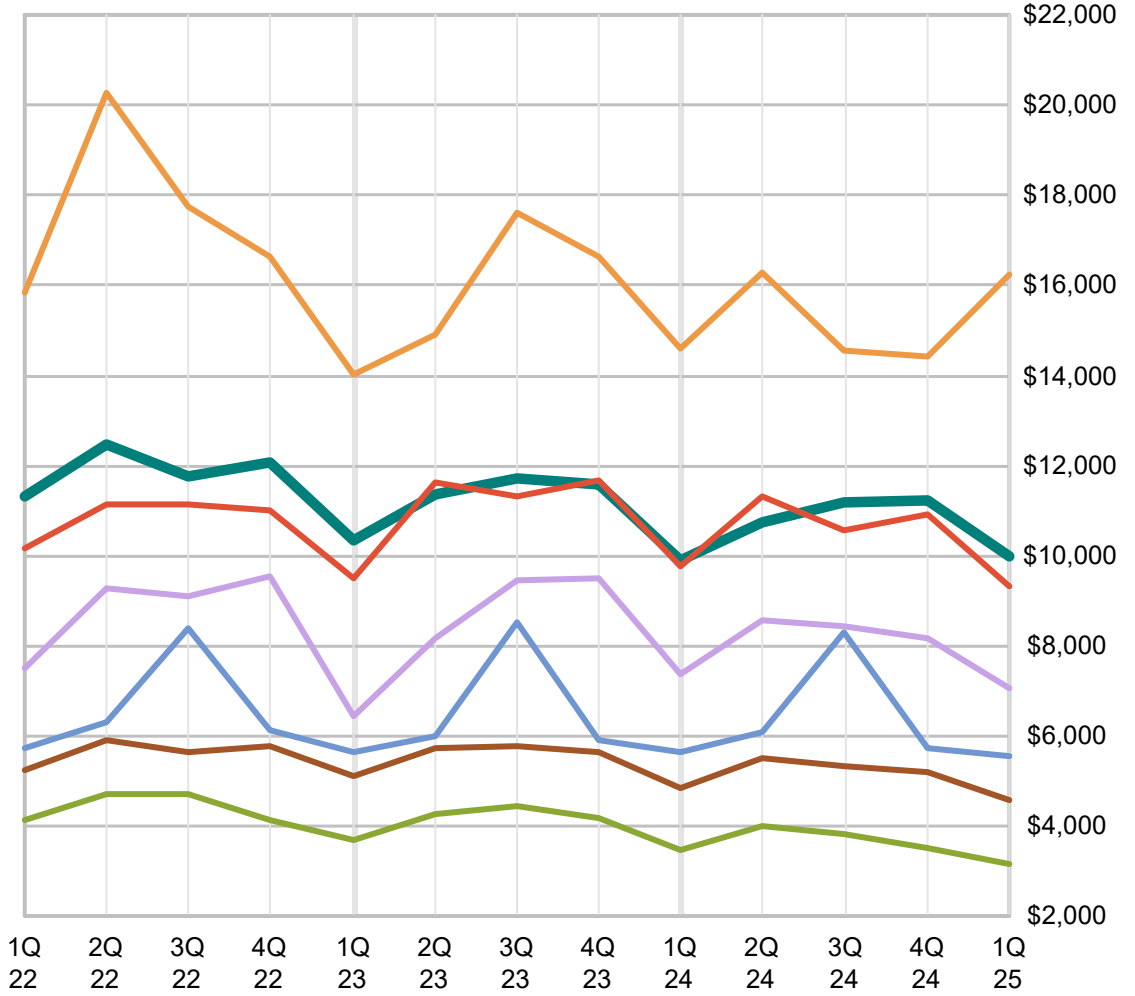
- Placerville**
- 13 Quarter Trend: -8.7%



Periods shown reflect the period in which the sales occurred - Point of Sale

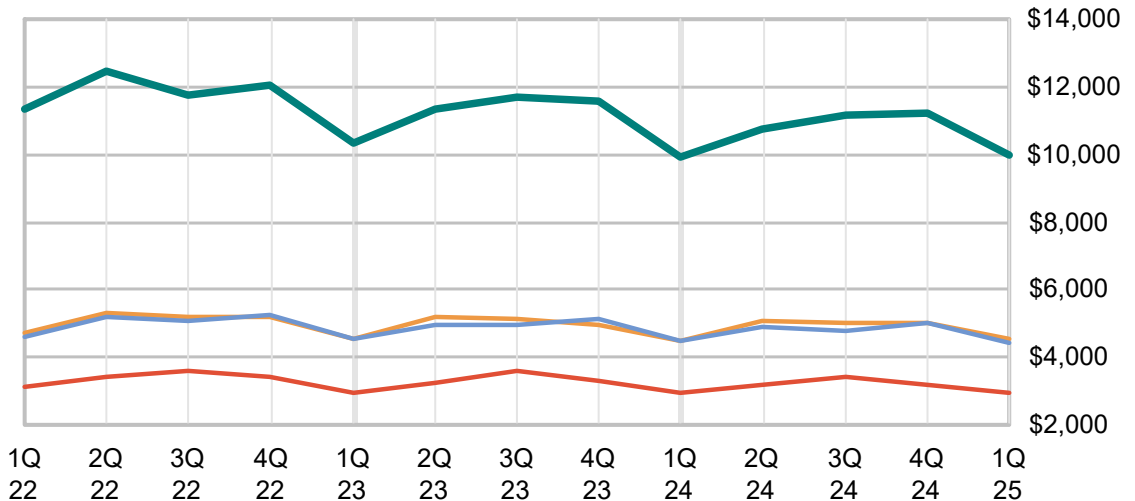
Per Capita Sales

- Placerville**  
Count: 735
- South Lake Tahoe**  
Count: 1,045
- Auburn**  
Count: 968
- Marysville**  
Count: 384
- Nevada City**  
Count: 470
- Grass Valley**  
Count: 996
- Yuba City**  
Count: 1,948



Per Capita Sales

- Placerville**
- El Dorado County**
- Sacramento Region**
- California**



Periods shown reflect the period in which the sales occurred - Point of Sale

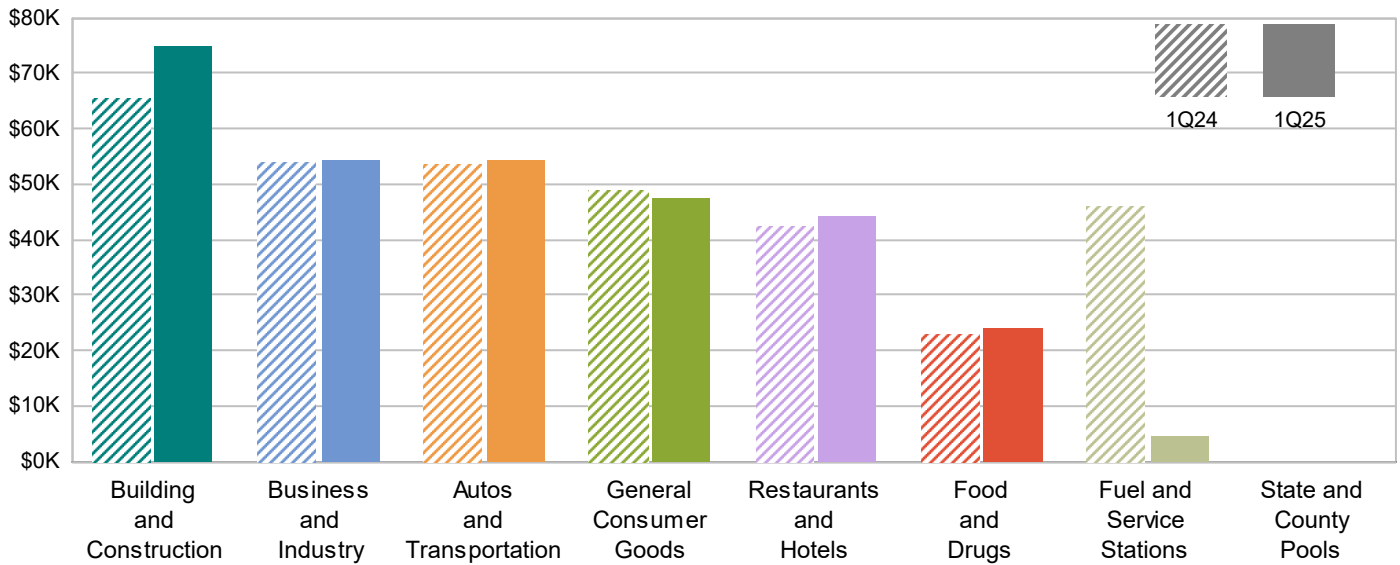


# CITY OF PLACERVILLE MEASURE H

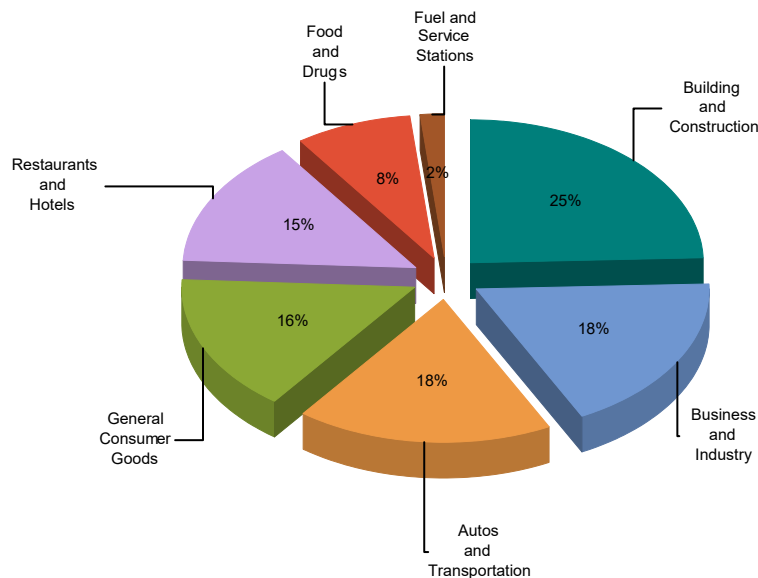
## MAJOR INDUSTRY GROUPS

Major Industry Group	Count	1Q25	1Q24	\$ Change	% Change
Building and Construction	481	74,814	65,673	9,141	13.9%
Business and Industry	3,810	54,412	53,973	439	0.8%
Autos and Transportation	785	54,365	53,705	660	1.2%
General Consumer Goods	2,792	47,407	48,898	(1,491)	-3.0%
Restaurants and Hotels	207	44,373	42,590	1,783	4.2%
Food and Drugs	113	24,371	23,292	1,080	4.6%
Transfers & Unidentified	1,530	5,025	3,679	1,346	36.6%
Fuel and Service Stations	53	5,016	46,277	(41,262)	-89.2%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,771</b>	<b>309,783</b>	<b>338,086</b>	<b>(28,303)</b>	<b>-8.4%</b>

**1Q24 Compared To 1Q25**

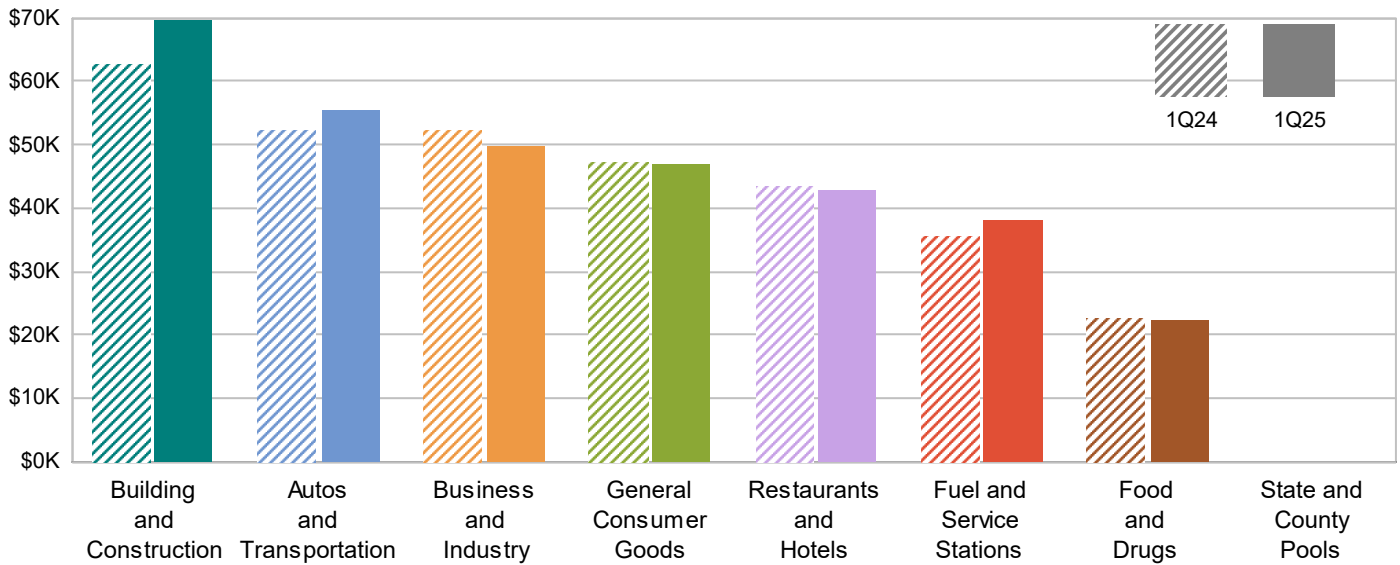


**1Q25 Percent of Total**

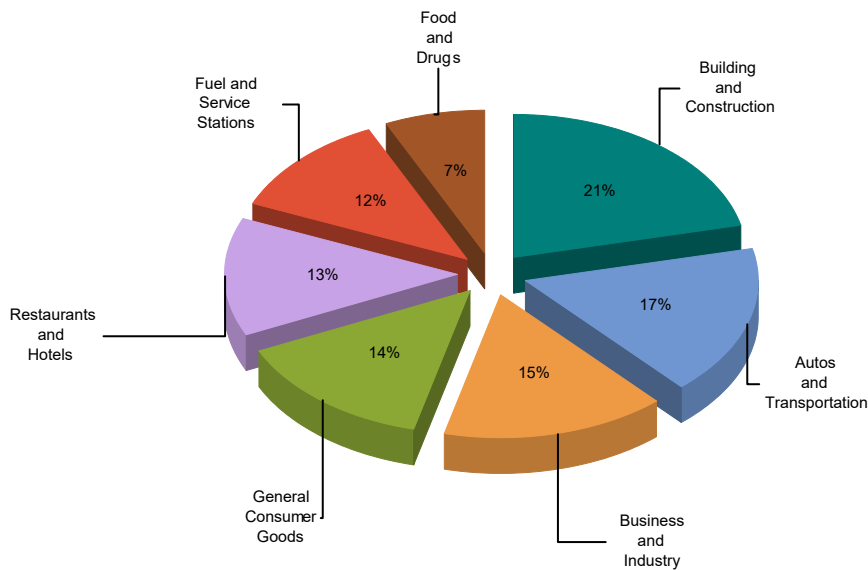


Major Industry Group	Count	1Q25	1Q24	\$ Change	% Change
Building and Construction	481	69,591	62,650	6,941	11.1%
Autos and Transportation	785	55,455	52,438	3,017	5.8%
Business and Industry	3,810	49,883	52,252	(2,369)	-4.5%
General Consumer Goods	2,792	46,857	47,152	(295)	-0.6%
Restaurants and Hotels	207	42,877	43,527	(650)	-1.5%
Fuel and Service Stations	53	38,201	35,587	2,614	7.3%
Food and Drugs	113	22,472	22,820	(348)	-1.5%
Transfers & Unidentified	1,530	3,874	3,679	195	5.3%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,771</b>	<b>329,210</b>	<b>320,105</b>	<b>9,105</b>	<b>2.8%</b>

**1Q24 Compared To 1Q25**



**1Q25 Percent of Total**



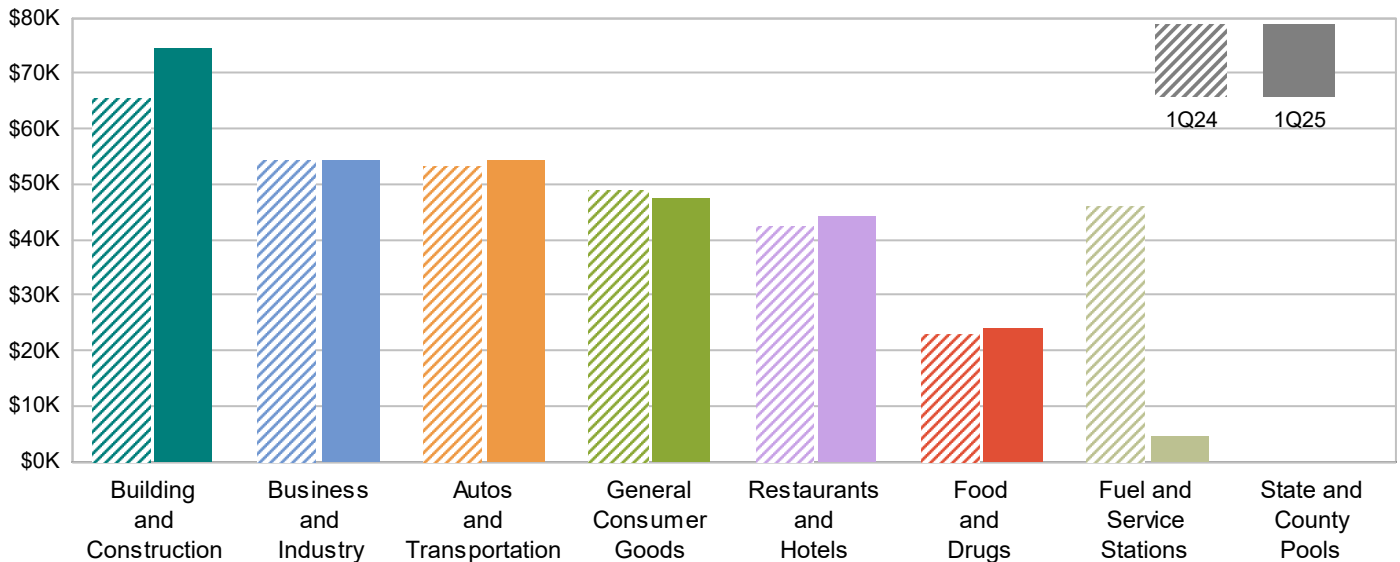


# CITY OF PLACERVILLE MEASURE J

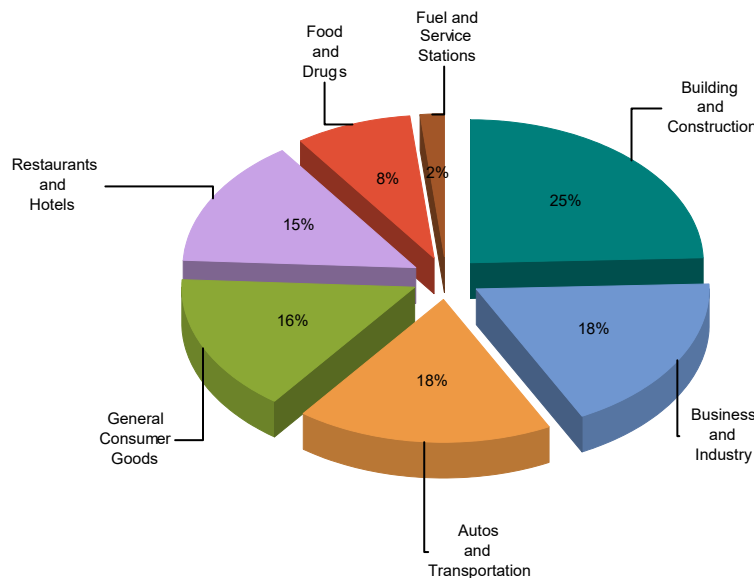
## MAJOR INDUSTRY GROUPS

Major Industry Group	Count	1Q25	1Q24	\$ Change	% Change
Building and Construction	479	74,677	65,678	8,999	13.7%
Business and Industry	3,791	54,543	54,308	235	0.4%
Autos and Transportation	781	54,369	53,353	1,016	1.9%
General Consumer Goods	2,788	47,422	48,927	(1,504)	-3.1%
Restaurants and Hotels	206	44,383	42,590	1,793	4.2%
Food and Drugs	115	24,393	23,321	1,073	4.6%
Transfers & Unidentified	1,533	5,025	3,679	1,346	36.6%
Fuel and Service Stations	53	5,007	46,260	(41,253)	-89.2%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,746</b>	<b>309,819</b>	<b>338,114</b>	<b>(28,296)</b>	<b>-8.4%</b>

**1Q24 Compared To 1Q25**

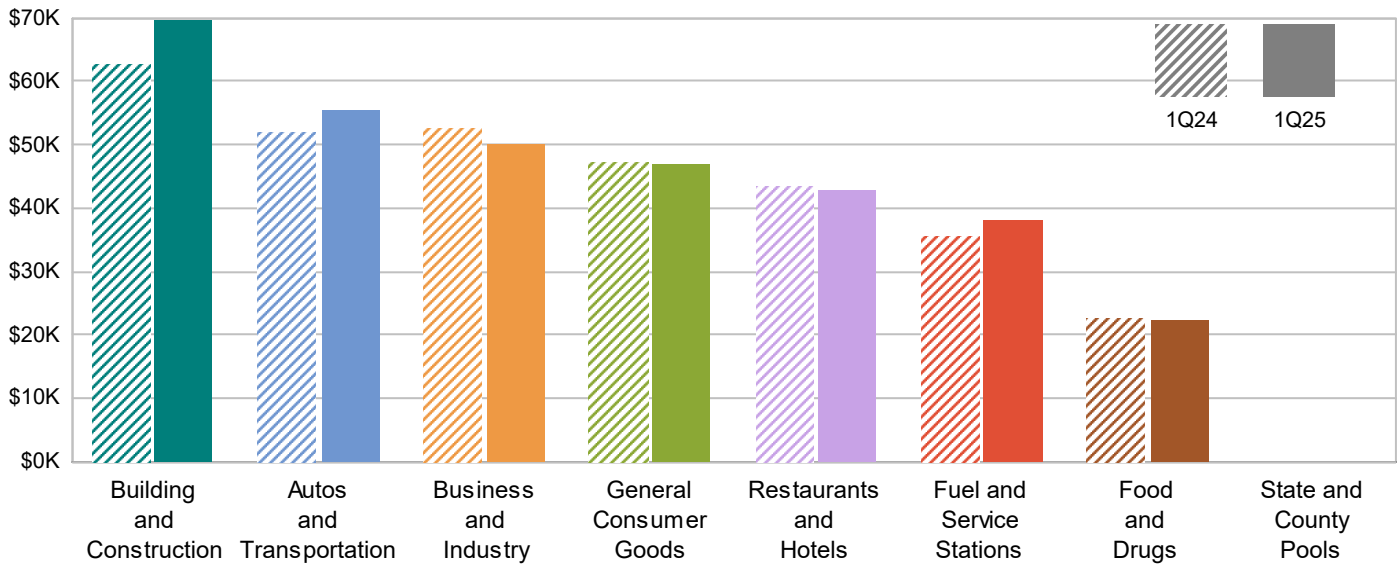


**1Q25 Percent of Total**

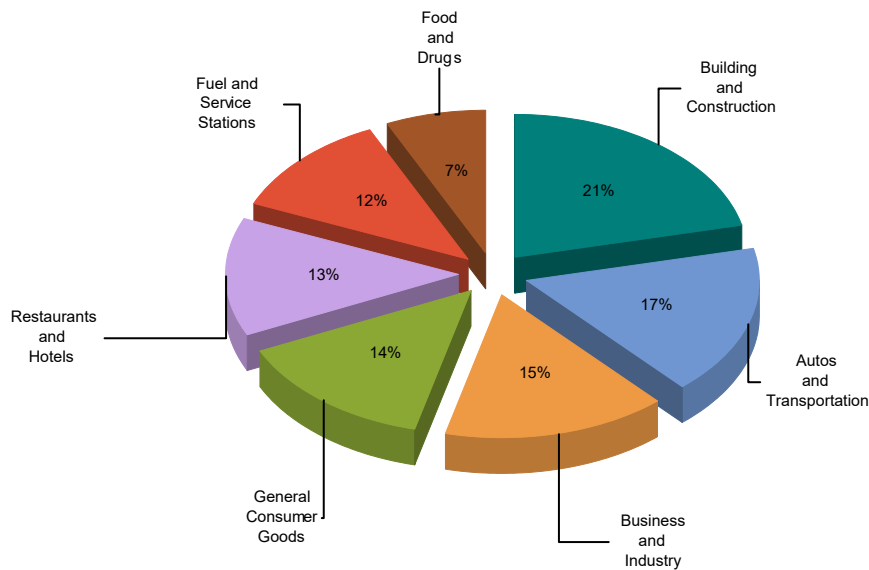


Major Industry Group	Count	1Q25	1Q24	\$ Change	% Change
Building and Construction	479	69,454	62,655	6,799	10.9%
Autos and Transportation	781	55,457	52,058	3,399	6.5%
Business and Industry	3,791	49,976	52,587	(2,611)	-5.0%
General Consumer Goods	2,788	46,882	47,181	(299)	-0.6%
Restaurants and Hotels	206	42,877	43,527	(650)	-1.5%
Fuel and Service Stations	53	38,193	35,570	2,623	7.4%
Food and Drugs	115	22,494	22,849	(355)	-1.6%
Transfers & Unidentified	1,533	3,874	3,679	195	5.3%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,746</b>	<b>329,206</b>	<b>320,105</b>	<b>9,101</b>	<b>2.8%</b>

**1Q24 Compared To 1Q25**

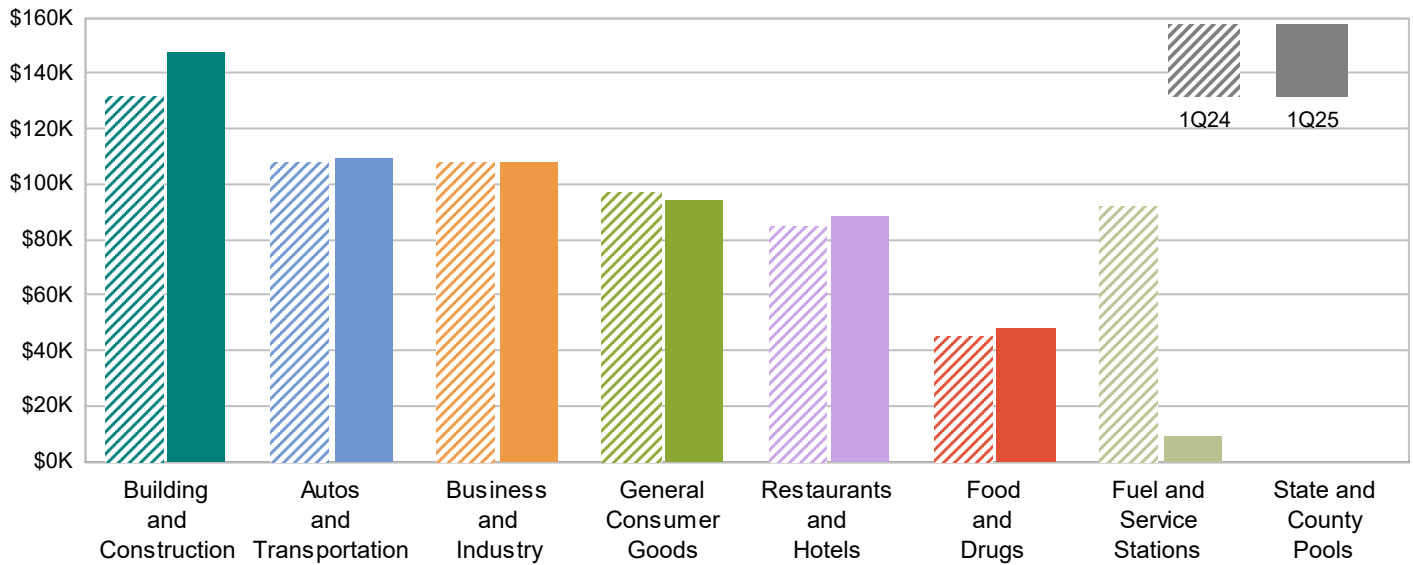


**1Q25 Percent of Total**

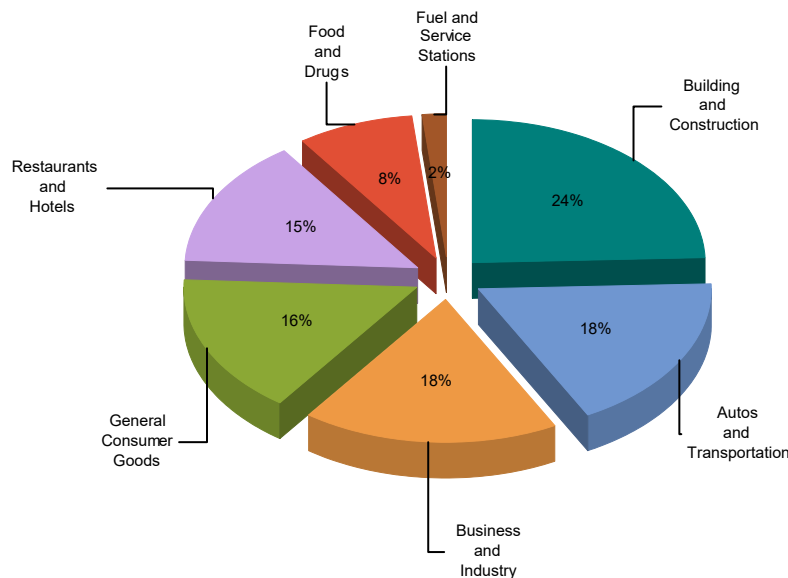


<u>Major Industry Group</u>	<u>Count</u>	<u>1Q25</u>	<u>1Q24</u>	<u>\$ Change</u>	<u>% Change</u>
Building and Construction	513	147,885	131,791	16,094	12.2%
Autos and Transportation	804	109,252	107,769	1,482	1.4%
Business and Industry	3,879	108,085	108,436	(350)	-0.3%
General Consumer Goods	2,790	94,598	96,972	(2,375)	-2.4%
Restaurants and Hotels	206	88,728	85,176	3,552	4.2%
Food and Drugs	113	48,741	45,923	2,818	6.1%
Transfers & Unidentified	1,535	10,054	7,360	2,694	36.6%
Fuel and Service Stations	57	10,032	92,554	(82,522)	-89.2%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,897</b>	<b>617,374</b>	<b>675,981</b>	<b>(58,606)</b>	<b>-8.7%</b>

**1Q24 Compared To 1Q25**

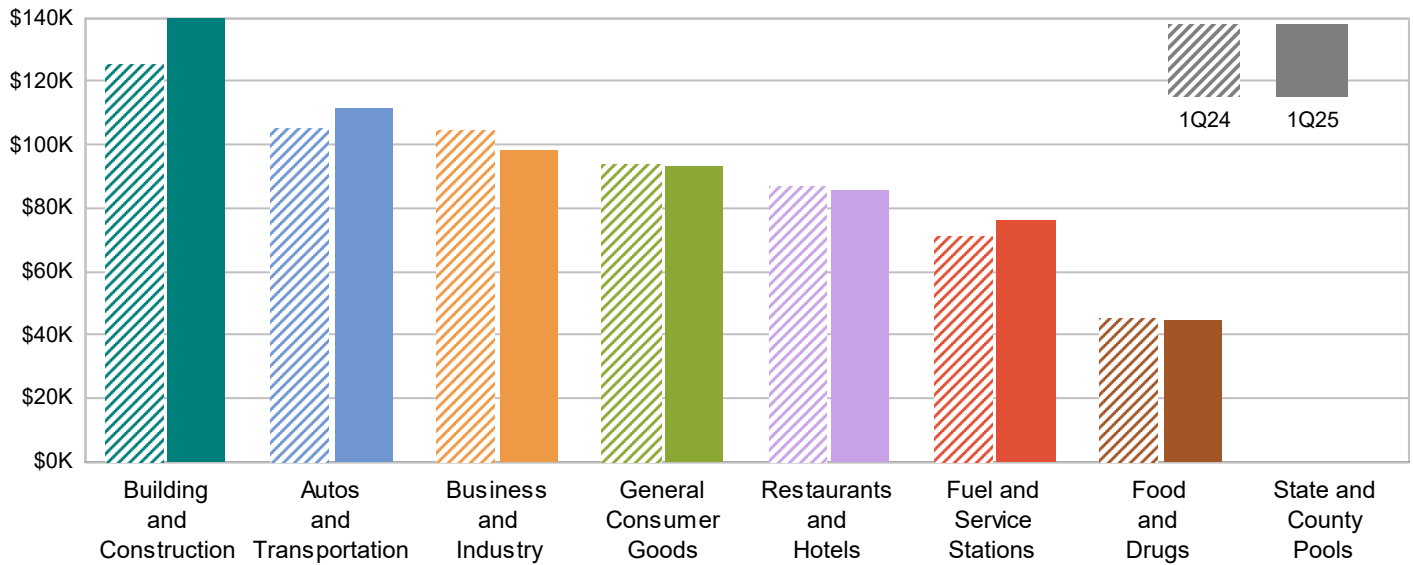


**1Q25 Percent of Total**

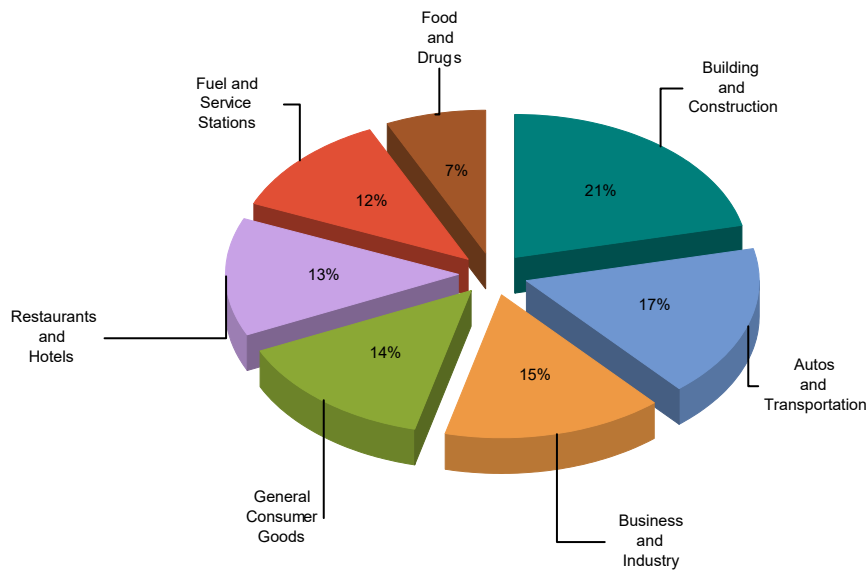


<u>Major Industry Group</u>	<u>Count</u>	<u>1Q25</u>	<u>1Q24</u>	<u>\$ Change</u>	<u>% Change</u>
Building and Construction	513	139,728	125,670	14,058	11.2%
Autos and Transportation	804	111,387	105,346	6,041	5.7%
Business and Industry	3,879	98,347	104,344	(5,997)	-5.7%
General Consumer Goods	2,790	93,573	93,645	(72)	-0.1%
Restaurants and Hotels	206	85,742	87,051	(1,309)	-1.5%
Fuel and Service Stations	57	76,412	71,174	5,238	7.4%
Food and Drugs	113	44,933	45,639	(706)	-1.5%
Transfers & Unidentified	1,535	7,937	7,358	579	7.9%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,897</b>	<b>658,059</b>	<b>640,227</b>	<b>17,832</b>	<b>2.8%</b>

**1Q24 Compared To 1Q25**



**1Q25 Percent of Total**



# HdL<sup>®</sup> Companies

June 30, 2025

For over 40 years now we have had the pleasure of providing local government leaders the revenue solutions they require to build and sustain thriving communities. We remain as passionate as ever about our mission, and are thankful for the opportunity to partner with the City of Placerville through our services.

Attached is an annual summary of the cumulative sales and use tax revenues the City of Placerville has received through calendar year 2024 due to HdL's services. We are happy to report that the recoveries represent a return of 1,059% on all fees paid to HdL since the beginning of its contract with the City. An additional \$15,749 was recovered from ongoing audits of your transaction tax.

At HdL we are always looking for opportunities to add value for our local government partners. Are you receiving all the revenue you are due from all revenue sources? Are you optimally administering your local revenue programs, balancing efficiency and cost with quality service and effective compliance? HdL can help with these questions. For example, we have helped many municipalities modernize their business tax code and rate structure, or stand-up tax administration or rental unit registration programs without incurring software or staffing costs.

We are always interested to know what challenges you are facing, how we are doing, or how we can help. Visit our [website](#) for additional information about our services, or contact us at [solutions@hdlcompanies.com](mailto:solutions@hdlcompanies.com), 714.879.5000, or by talking with your Client Services Representative at your next sales tax meeting.

Thank you for your continued trust in HdL.

Kind regards,

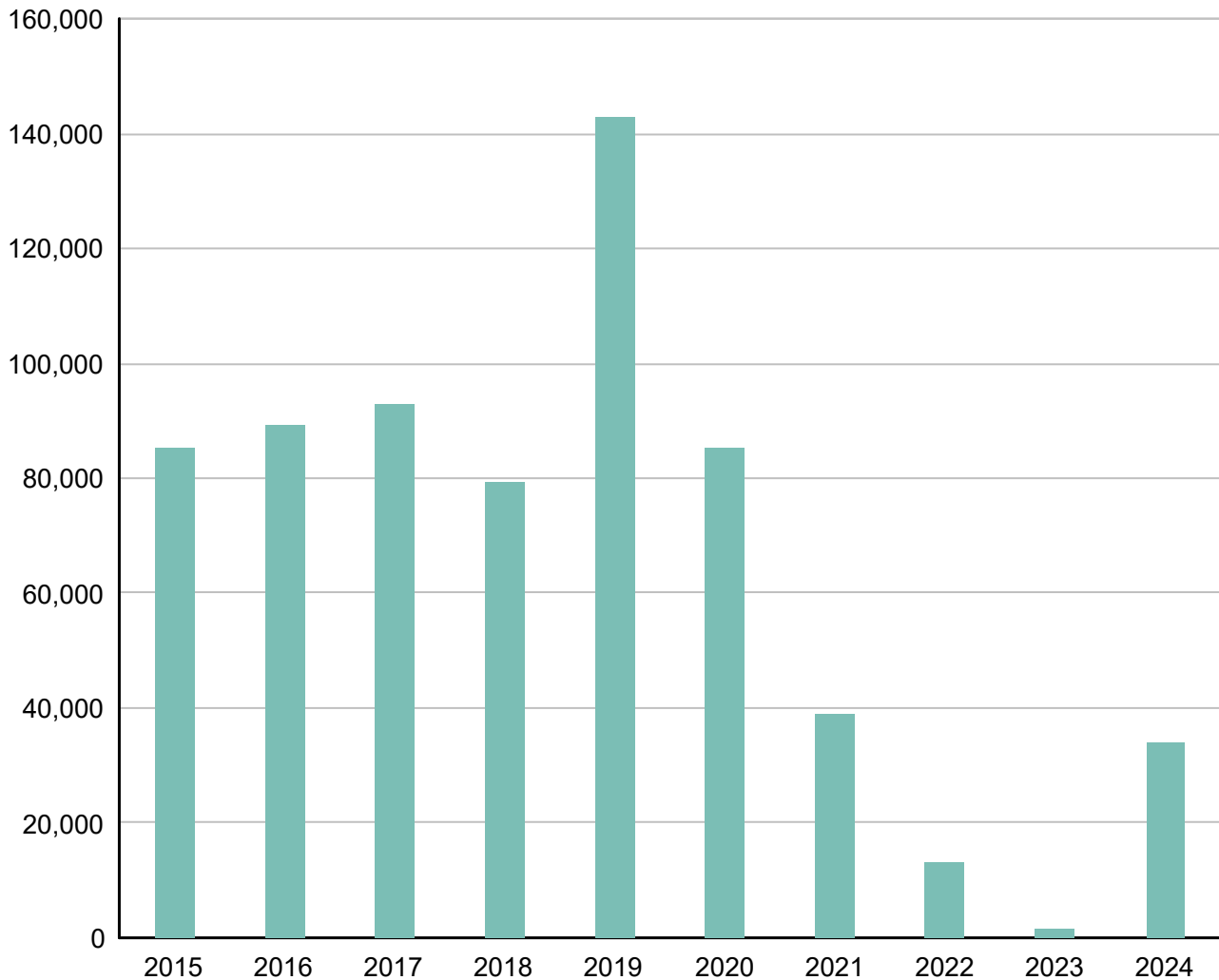


Andy Nickerson  
President/CEO



# CITY OF PLACERVILLE

## ANNUAL SALES TAX RECOVERY



<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
\$85,202	\$89,203	\$92,865	\$79,204	\$142,887
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024*</b>
\$85,176	\$38,997	\$13,051	\$1,691	\$33,883

**Cumulative Recovery Since 1991: \$1,592,189\***

\* 2024 dollars are estimated

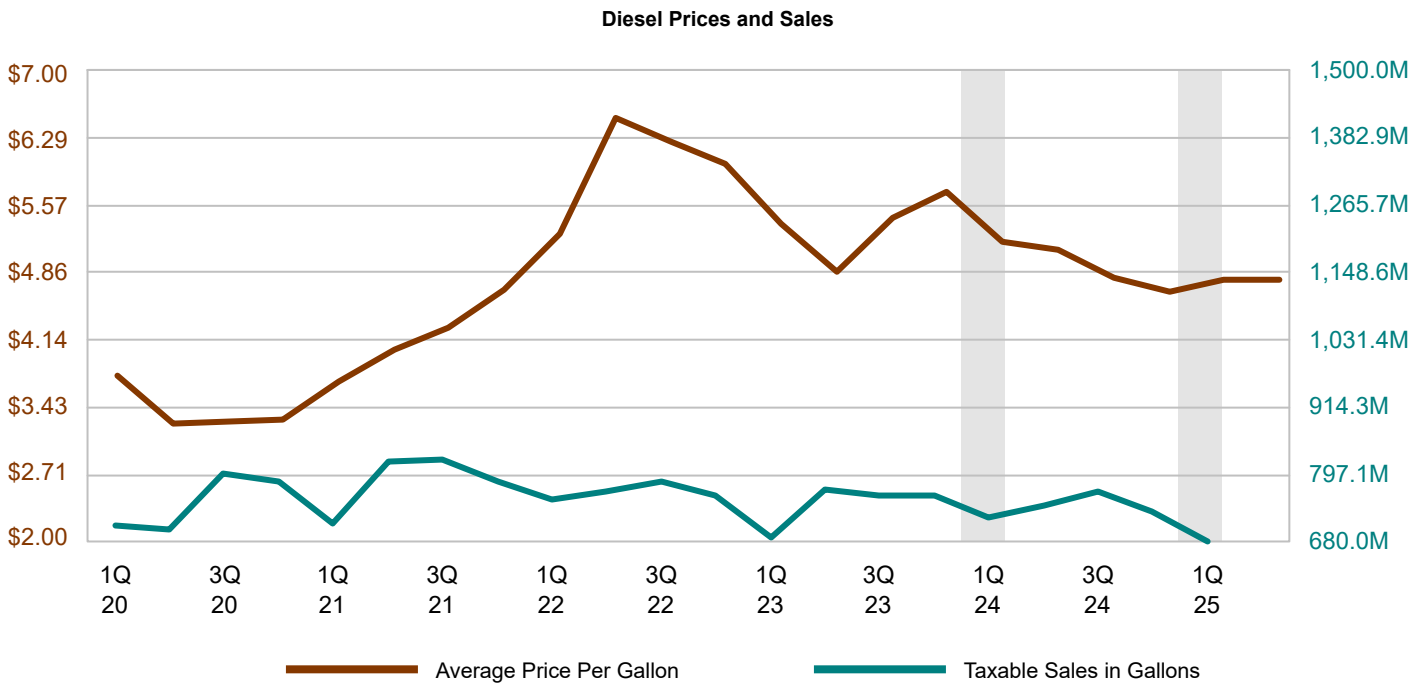
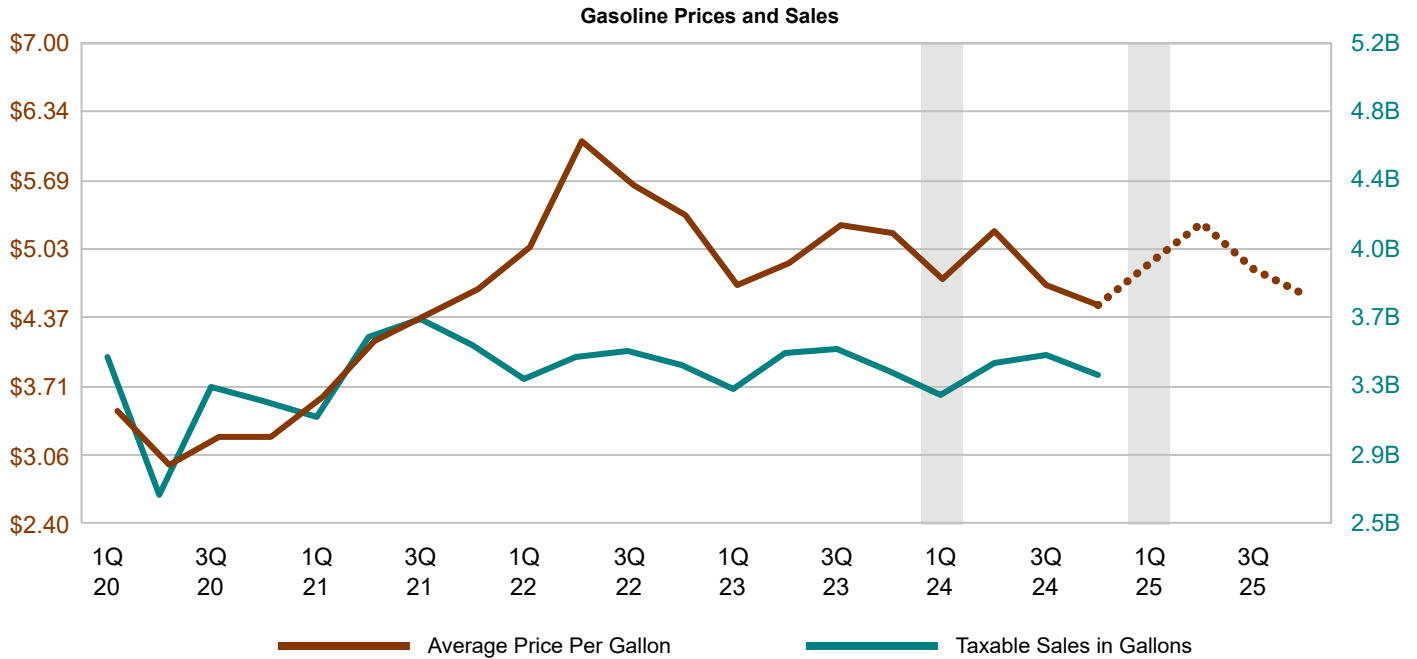


# STATE OF CALIFORNIA

## GASOLINE AND DIESEL TRENDS

Gasoline Data	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25*	2Q25*	3Q25*	4Q25*
Average Price Per Gallon	\$5.19	\$4.74	\$5.20	\$4.69	\$4.51	\$4.91	\$5.29	\$4.84	\$4.59
% Change from Prior Quarter	-1.39%	-8.65%	9.69%	-9.84%	-3.90%	8.90%	7.74%	-8.51%	-5.17%
% Change from Same Qtr Prior Year	-2.98%	1.08%	6.24%	-10.91%	-13.18%	3.50%	1.66%	3.16%	1.80%

\* - Estimate



Sources: Board of Equalization, California Department of Tax and Fee Administration, Energy Information Administration, The HdL Companies

# CALIFORNIA FORECAST

SALES TAX TRENDS & ECONOMIC DRIVERS

JUNE 2025



Long Beach Harbor, CA



**HdL** Companies

888.861.0220 | [solutions@hdlcompanies.com](mailto:solutions@hdlcompanies.com) | [hdlcompanies.com](http://hdlcompanies.com)



**Overview:** Economic volatility persists through 2025. Key stabilizing factors include a resilient labor market and the potential easing of inflation, contingent on the timing and extent of interest rate reductions by the Federal Reserve. Unpredictable national policies—particularly tariff impositions on taxable goods—influence consumer behavior. Many are either accelerating purchases in anticipation of price hikes or delaying spending until greater financial stability emerges. Global instability continues to weigh on the economic outlook. Fiscal Year 2024–25 is projected to underperform compared to the previous year, followed by a modest recovery in FY 2025–26.

2024/25 | 2025/26



**Autos/Transportation**

-0.9% | 1.4%

Receipts posted a modest gain in the first quarter of 2025, partly driven by consumers accelerating purchases ahead of anticipated tariffs which, according to some industry analysts, are expected to raise new car pricing an average 6 percent over the next year. While higher vehicle costs may provide a short-term boost to taxable receipts, this effect is likely to be offset by weakening demand. Some consumers may be priced out of the market or choose to delay purchases. Steady employment levels should support vehicle related taxes near breakeven levels in the near term. However, gains will likely remain modest until the market adjusts to the new pricing environment, with more normalized growth anticipated once the initial effects of the tariffs are absorbed.

2024/25 | 2025/26



**Fuel/Service Stations**

-10% | 5.0%

Retail fuel prices decreased again in 1Q25 as statewide pump prices dropped 2.3% and oil barrel prices trended lower. CDTFA-reported fuel consumption regressed compared to the first two months of 2024. As a result, revenue from this group fell 6%, marking a steeper decline than the price drop alone would suggest. Structural factors unique to California will tighten supply and drive price increases into 2026. Two petroleum refineries — the Phillips 66 in Carson/Wilmington and Valero in Benicia — will likely cease operations by the end of 2025 and April 2026, respectively. Together, they represent 16% of statewide refining capacity. Near-term revenue remains flat, then modest recovery begins in FY 2025–26 as supply constraints emerge and price trends begin to stabilize.



**Building/Construction**

-0.9% | 0.2%

Despite the effects of inflated construction material prices and mortgage rates above 6.5%, sales rose 2.9% this period. The gain captured an extra week of sales realized by one large retailer. The latest forecast assumes the Fed will approve at least one .25% interest rate cut during calendar 2025 which may encourage developers to restore new home construction growth that began in 2024. Tariff impacts as a percentage of total new home cost will be minor. Both infrastructure related spending, DIY centers sales related to smaller-scale home projects should remain stable. Finally, the solar industry could produce at least one more quarter of modest growth as customers commit to new installations ahead of any potential federal tax credit changes.



**General Consumer Goods**

-2.0% | 0.9%

Sales tax expanded 0.7% during 1Q25, yet another reminder to watch what customers do, not what they say. Even with consumer sentiment near historical lows, discretionary spending on taxable goods improved. Lower sales were reported by most retail categories but exacerbated by mass closures due to Chapter 11 filings from multiple merchants. Home furnishings increased for the first time in almost three years, potential evidence of pulled forward demand ahead of perceived price increases from tariffs. HdL's outlook remains steady, although expectations are lowered for the remainder of 2025. Stockpiled inventory holds inflation in check as price increases play out in the third and fourth quarters resulting in a bump in sales tax offset by a drop in consumption.



**Business/Industry**

0.3% | 1.5%

Despite looming uncertainty, business-industrial returns edged up slightly. Ecommerce continued its growth march and local orders filled from CA-based fulfillment centers drove related revenues higher — even with a couple of statewide audits redistributing some payments back into pools and agencies. The industrial segments rose slightly — possibly related to pre-tariff stockpiling. Large, one-time technology purchases impacted business-to-business, and energy projects propelled electrical equipment sales. Still, many categories stayed flat or declined with variables such as interest rates and tariff fears curbing growth. The outlook anticipates low increases for the current fiscal year and modest improvement thereafter.



**Restaurants/Hotels**

1.0% | 2.4%

California's restaurant industry is navigating a turbulent landscape. Restaurants are feeling the pinch of higher operational costs and inflation, prompting a noticeable shift in consumer behavior. More diners are opting for value offerings, leading many establishments to adjust their pricing and menu selections. Tourism, too, presents a mixed portfolio. While the number of tourists is expected to dip, domestic spending is set for a slight boost, even as international spending declines. Regional results vary, painting a picture of an industry in flux. Both the tourism and restaurant sectors are navigating a complex economic landscape, with the outlook remaining cautiously optimistic, hinging on broader economic conditions



**Food/Drugs**

-3.2% | -0.6%

Grocery stores' earnings were meager, falling 1% in 1Q25. Viral products and category trends on social media are translating to in-store sales, most notably for on-the-go meals. Convenience/liquor merchants are beginning to pivot towards better food service prepared onsite with affordable consumer options. The cannabis segment declined for the sixth consecutive quarter (-10%). While more cannabis is being sold, customers are choosing less expensive products. Drug store challenges linger as they face increased competition and shifting consumer behavior, contributing to consolidation and smaller store footprints and as a result, this category must reinvent itself. This group finishes lower at the end of June, fiscal year 2025-26 stays relatively flat.



**State and County Pools**

3.6% | 3.5%

Q1 2025 saw 5% growth, outperforming the 3% forecast, driven by strong sales in medical/biotech, office equipment, and industrial sectors. Taxpayer audits led to reallocated revenues, boosting pool tax contributions from electronics/appliances. Despite inflation and tariff concerns, consumer online spending is expected to rise. Foreign-based firms in the pool's tax base may adjust import and sales strategies to adapt to shifting tariffs while meeting consumer demand. Ecommerce growth remains steady as many orders continue to be fulfilled from inventory held outside California.



# NATIONAL AND STATEWIDE ECONOMIC DRIVERS

2024/25 | 2025/26

2024/25 | 2025/26



## U.S. Real GDP Growth

2.2% | 2.2%

The Trump administration has largely backed away from its most severe tariff threats. This includes withdrawing the 100%+ tariffs levied on imports from China and delaying previously threatened tariff increases on the EU. While uncertainty remains on where this trade war will ultimately lead, the backtracking has caused U.S. equity markets to rally. The small negative growth rate in the first quarter of 2025 is assuredly not the start of a Trump-driven recession. The U.S. economy came into 2025 with good momentum, but concerns remain regarding how the rising instability of the markets will impact chronic problems that have been building in the U.S. economy for years, including overheated asset markets and tremendous federal debt.



## U.S. Unemployment Rate

4.2% | 4.3%

Proposed trade policies may not inflict the level of damage that many analysts formerly believed. If the United States implements a 20% average tariff on all imported goods, it would amount to approximately \$600 billion in trade taxes for the year ahead. This cost would be split between businesses, consumers, and foreign exporters. While these impacts are significant, they are unlikely to cause a U.S. recession, particularly given the strong economic growth trends and low unemployment rate inherited by President Trump. Although conditions have moderated, the U.S. labor market remains relatively tight, which helps support wage growth and household spending.



## CA Unemployment Rate

5.3% | 5.2%

California's unemployment rate held steady at 5.3% in April 2025 and has stayed above 5% since early 2023. One concern has been the increase in long-term unemployment, with the number of people who are jobless for 27 to 51 weeks up 43.6% year-over-year and those unemployed for more than a year up 44.7%. Much of this increase is concentrated among re-entrants to the workforce, whose numbers rose 16.2% year-over-year. Many of these workers face skill mismatches or diminished employability after spending time out of the workforce. At the same time, new entrants are also up 6.4%, highlighting a growing pressure on entry-level hiring.



## CA Residential Building Permits

93,471 | 95,653

Residential permitting in California remains sluggish, stalling efforts to expand the state's housing supply. From 2023 to 2024, total residential permits fell 22% year-over-year, driven by a sharp 43% drop in multifamily permits and reinforcing a persistent slowdown in construction activity. Lengthy approval timelines and high local impact fees, which far exceed national averages, continue to weigh heavily on multifamily development. A typical project in California takes nearly twice as long to permit as one in Texas, adding substantial carrying costs and delays. Without a meaningful acceleration in permitting activity, California is unlikely to build at a scale that would ease housing costs.



## CA Total Nonfarm Employment Growth

0.5% | 0.4%

The California labor market has remained flat with total nonfarm employment increasing by just 38,700 from the first quarter of 2024 to the first quarter of 2025. This marks the lowest single year-over-year change since the first quarter of 2021. In a positive development, the state's labor force expanded by more than 300,000 people from April 2024 to April 2025, pushing the total workforce slightly above its pre-pandemic peak. Even so, California's labor force participation rate remains flat at nearly 62%, or about one percentage point below its pre-pandemic level, due to faster growth in the working-age population.



## CA Median Existing Home Price

\$794,047 | \$820,192

California's housing market shows few signs of momentum, as elevated prices and borrowing costs continue to suppress market activity. Single-family home sales declined 7.4% year-over-year in May 2025, while the median sale price increased 0.1%. Inventory has continued to build, with the number of homes for sale in May 2025 up 8.5% year-over-year. This increase has occurred as more homeowners have adjusted to higher mortgage rates and listed their properties. However, the prospect of further increases in long-term interest rates remains a risk. Demand for long-term Treasuries has weakened amid concerns over U.S. trade policy and the growing federal deficit, putting upward pressure on yields and, in turn, mortgage rates. While higher borrowing costs could weigh on sales, weak construction activity will continue to constrain supply and keep upward pressure on prices.

## Proposition 172

After a 1% decrease in fiscal year 2023-24 statewide Proposition 172 (P-172) revenues, the forecast predicts a 0.7% decline for the FY 2024-25, followed by modest growth of 1.7% and 2.9% for fiscal years 2025-26 and 2026-27, respectively. Current county projections reflect revised pro-rata factors published by the State Controller's Office in April 2025 (based on calendar year 2024 actuals). Pro-rata growth factors and resultant P-172 revenues will vary for many counties as the calendar year Bradley-Burns results fluctuate due to taxpayer modifications, audits, economic impacts, and other factors.

Watch our webinar for more details!

