

CITY OF PLACERVILLE

SALES TAX UPDATE

2Q 2025 (APRIL - JUNE)



PLACERVILLE
TOTAL: \$ 1,549,035

1.0%
2Q2025



1.0%
COUNTY

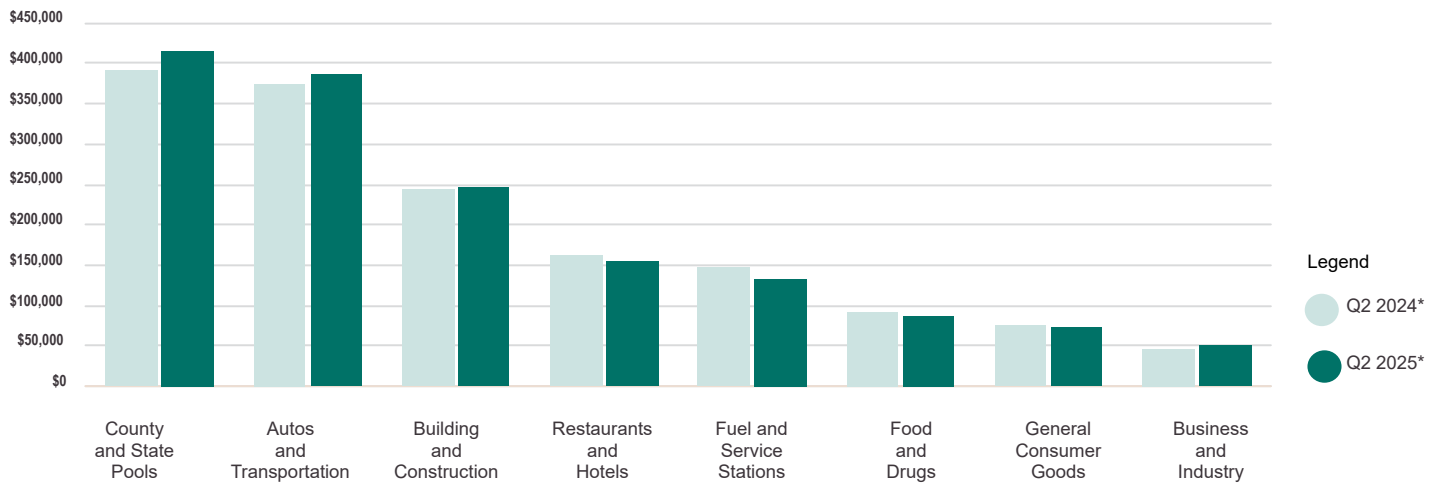


0.5%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure J
TOTAL: \$368,516
5.0%

Measure H
TOTAL: \$368,515
5.0%

Measure L
TOTAL: \$737,731
5.1%



CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from April through June were 3.9% above the second sales period in 2024. Excluding reporting aberrations, actual sales were up 1.0%.

While inflation remains above the Federal Reserve's target level, they took recent actions to cut rates to the lowest level in three years. Consumer confidence is low, economic uncertainty with trade policies remains, but consumers and businesses may have moved to get a jump on higher pricing which helped to boost some key industry groups.

A newer business in auto repair shops helped the automotive group outpace statewide trends for the third consecutive quarter. Shoppers powered e-commerce to solid gains with general merchandise sales along with some business investments for

an improved allocation from the use tax pool.

A majority of diners have reduced their dining frequency influenced by menu price increases, and this is reflected in reduced restaurant receipts. Customers may like the lower gas prices to fill up their vehicle, but it meant a reduction in service station sales.

All transaction taxes posted solid gains from residents purchasing new-used vehicles, visits to quick service restaurants, a bump up in building materials, and higher returns from medical-biotech and garden-ag suppliers.

Net of aberrations, taxable sales for all of El Dorado County grew 1.0% over the comparable time period; the Sacramento region was up 0.8%.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

California's one-cent local sales and use tax receipts rose 0.6% in Q2 compared to the same period last year, after adjusting for accounting anomalies. While only modest growth, it is the second consecutive quarter experiencing positive results following an extended timeline of declines. This period is traditionally met with improved weather with the beginning of summer activity.

Steady gains in both business-industry and countywide use tax pools were driven by strong online sales, reflecting shopper's willingness and ability to spend. Whether pulled from inventory within California or shipped from outside the state, demand for goods by value-conscious shoppers prevailed. Other notable upticks came from purchases of office and electrical equipment.

Increased tax receipts from restaurants also demonstrated diners continued desire to eat out. Even amongst higher menu prices and tip fatigue, casual dining establishments generated the largest lift. While this is a good sign for the coming summer season, underlying data shows that disposal personal income – a key driver of restaurant sales – is growing at a slower pace than prior years, possibly signaling softer tax growth on the horizon.

The two sectors primed to take advantage of upcoming interest rate changes, autos-transportation and building-construction, only experienced lackluster returns this period. New auto sales declined, offsetting gains in used vehicles and leasing, while building material sales remained unchanged from a year ago. However, aging vehicles and deferred home improvements remain a potential catalyst driving demand in the near term.

Balancing the positive results, revenue

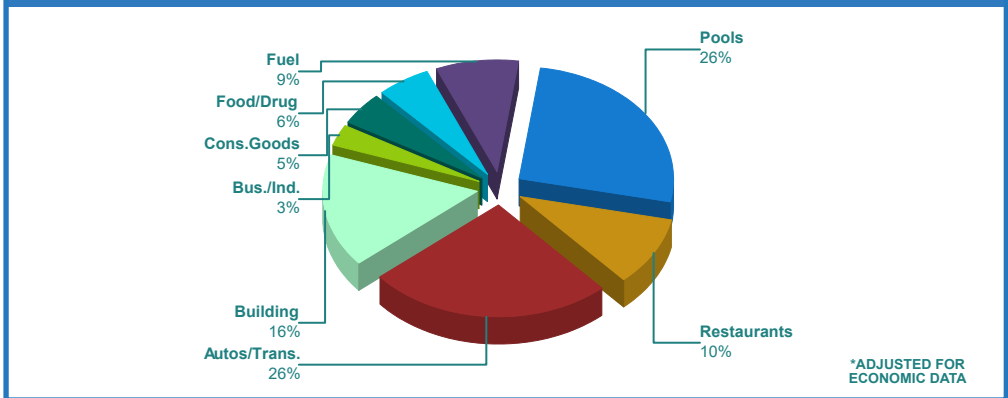
from fuel and service stations declined for the ninth time in ten quarters, primarily due to West Texas Intermediate (WTI) low crude oil prices. As the global economy and development remains tempered, so has the demand for oil, leaving prices relatively low. While this dampens sales taxes, lower fuel costs during peak travel months may boost spending in other segments.

Traditional retailers saw a 1% decline, with specialty, sporting goods, and department stores under performing compared to year ago totals. Inflation and tariffs continue to pressure consumer spending and retailer margins, prompting reevaluation of physical store investments by regional and national

companies alike.

The September reduction in the federal funds rate, noting the possibility of more in early 2026, leaves optimism regarding future financing and accessing equity opportunities for some consumers. However, national tariff/trade talks remain a vital piece of the inflation/higher prices story with the potential of diminishing spending power. So sluggish calendar year 2025 continues with only modest expansion expected braced against the ever-changing larger economic trends.

REVENUE BY BUSINESS GROUP Placerville This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

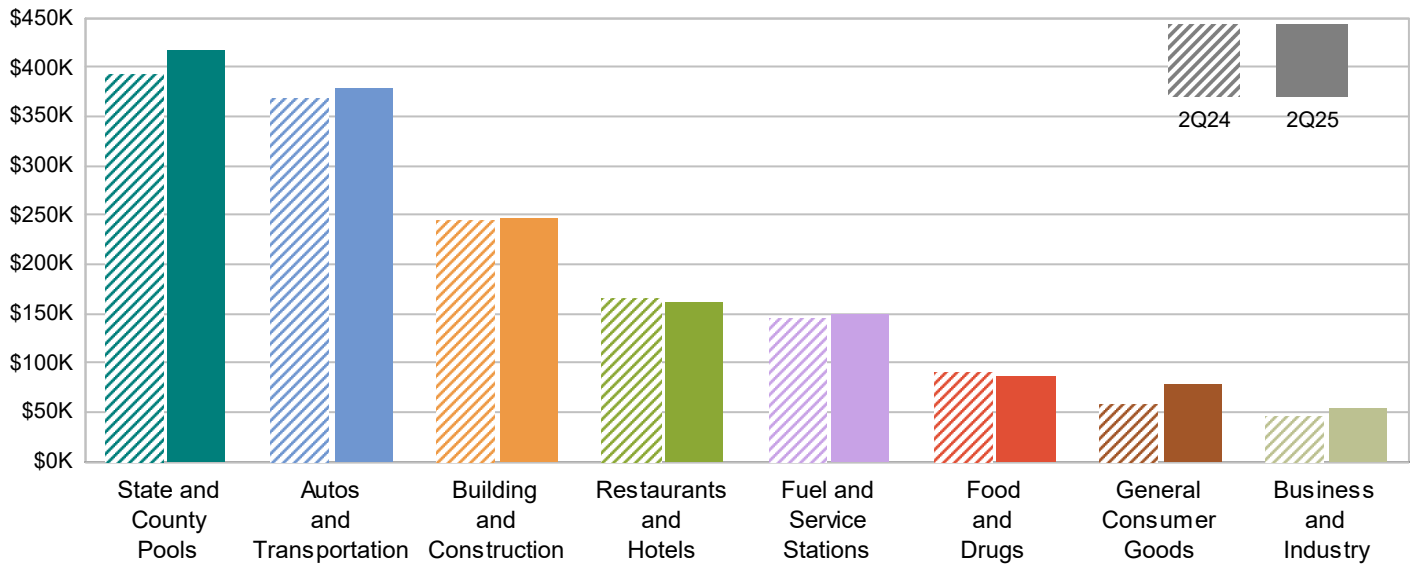
Placerville Business Type	Q2 '25*	Change	County Change	HdL State Change
Building Materials	219.0	2.3% ↑	-5.8% ↓	-0.9% ↓
Service Stations	129.7	-8.9% ↓	-6.8% ↓	-9.4% ↓
Casual Dining	81.2	-2.5% ↓	0.5% ↑	1.4% ↑
Quick-Service Restaurants	66.0	-0.3% ↓	0.0% ↓	-0.7% ↓
Grocery Stores	40.8	-3.3% ↓	-3.4% ↓	-0.1% ↓
Automotive Supply Stores	33.4	-16.2% ↓	2.9% ↑	-3.5% ↓
Auto Repair Shops	28.9	23.9% ↑	9.4% ↑	-8.9% ↓
Garden/Agricultural Supplies	24.8	-1.8% ↓	-3.2% ↓	-8.4% ↓
Cigarette/Cigar Stores	13.9	18.9% ↑	-2.4% ↓	-5.2% ↓
Convenience Stores/Liquor	12.4	0.2% ↑	-0.4% ↓	-2.6% ↓

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

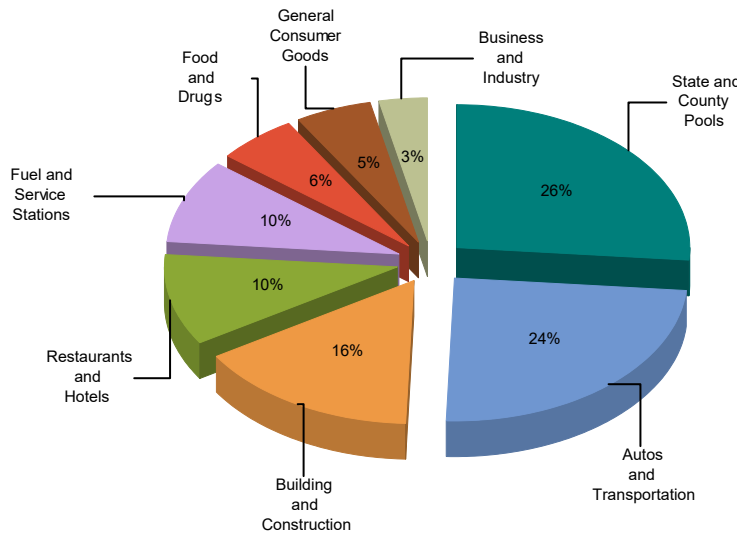


<u>Major Industry Group</u>	<u>Count</u>	<u>2Q25</u>	<u>2Q24</u>	<u>\$ Change</u>	<u>% Change</u>
State and County Pools	-	416,422	393,266	23,157	5.9%
Autos and Transportation	53	378,960	369,550	9,409	2.5%
Building and Construction	16	247,415	244,808	2,607	1.1%
Restaurants and Hotels	99	161,735	166,449	(4,714)	-2.8%
Fuel and Service Stations	15	150,116	146,825	3,291	2.2%
Food and Drugs	19	87,517	91,711	(4,194)	-4.6%
General Consumer Goods	339	79,143	59,573	19,570	32.9%
Business and Industry	142	54,733	47,352	7,381	15.6%
Transfers & Unidentified	66	3,636	782	2,854	365.0%
Total	749	1,579,678	1,520,317	59,361	3.9%

2Q24 Compared To 2Q25

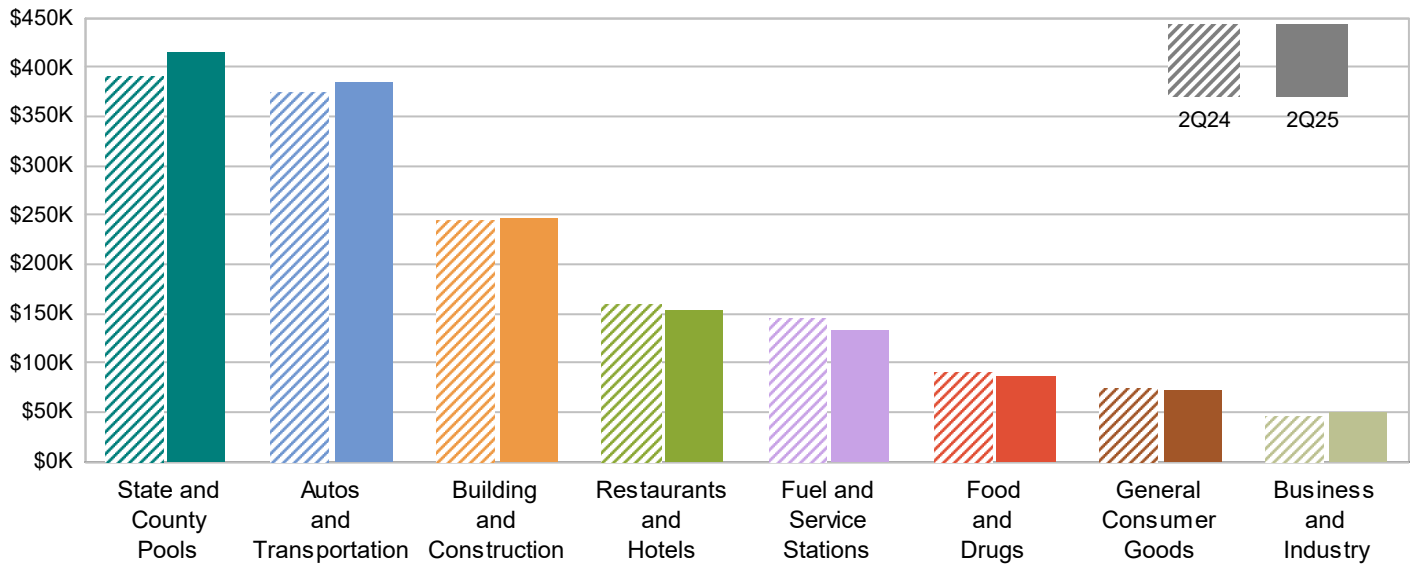


2Q25 Percent of Total

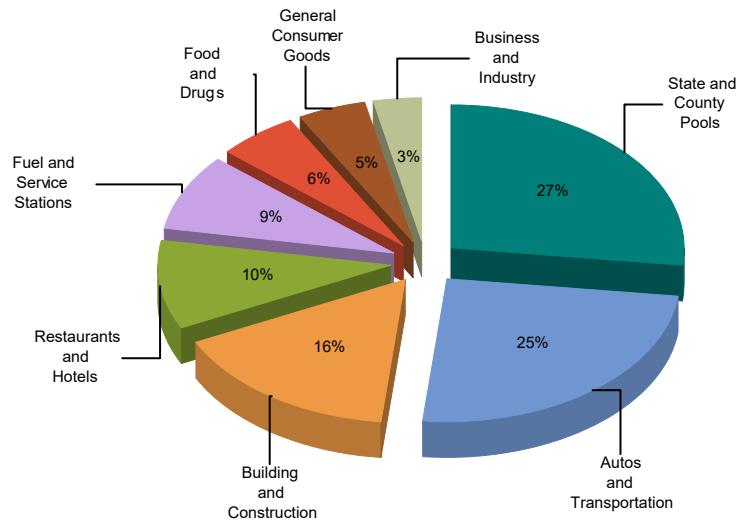


Major Industry Group	Count	2Q25	2Q24	\$ Change	% Change
State and County Pools	-	414,715	390,356	24,359	6.2%
Autos and Transportation	53	385,211	374,505	10,706	2.9%
Building and Construction	16	246,675	244,484	2,190	0.9%
Restaurants and Hotels	99	154,472	161,109	(6,637)	-4.1%
Fuel and Service Stations	15	133,708	146,794	(13,087)	-8.9%
Food and Drugs	19	87,510	91,784	(4,273)	-4.7%
General Consumer Goods	339	73,291	76,330	(3,039)	-4.0%
Business and Industry	142	50,866	46,635	4,231	9.1%
Transfers & Unidentified	66	2,589	1,187	1,401	118.0%
Total	749	1,549,035	1,533,184	15,851	1.0%

2Q24 Compared To 2Q25



2Q25 Percent of Total



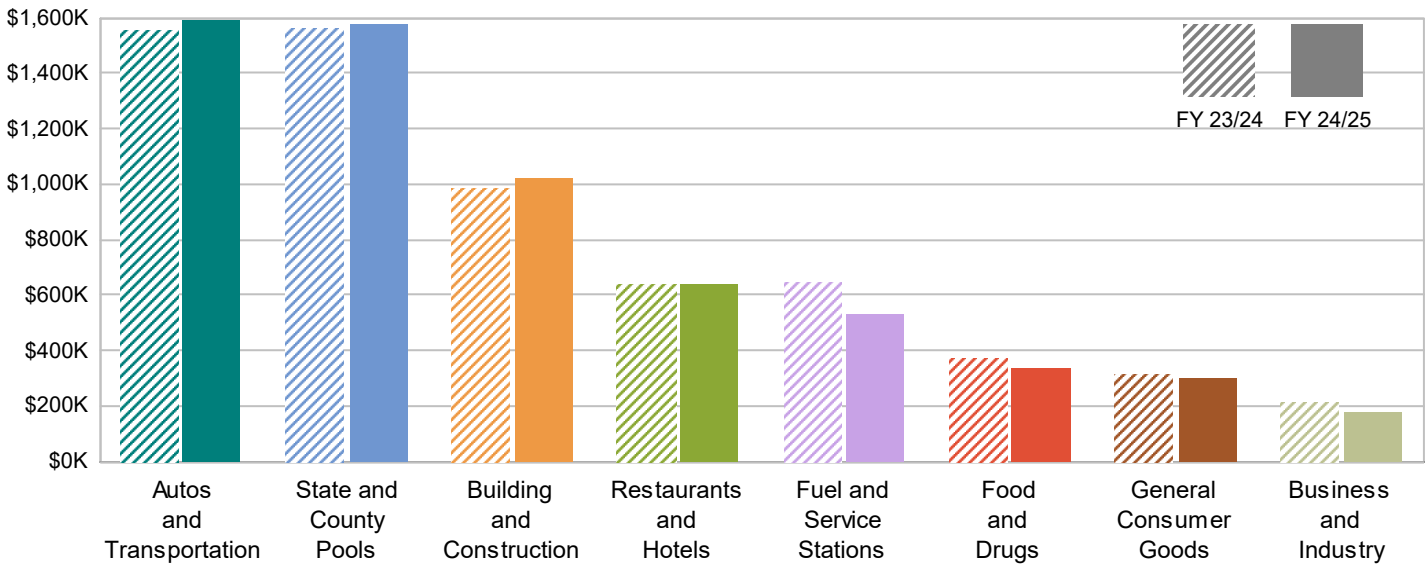


CITY OF PLACERVILLE

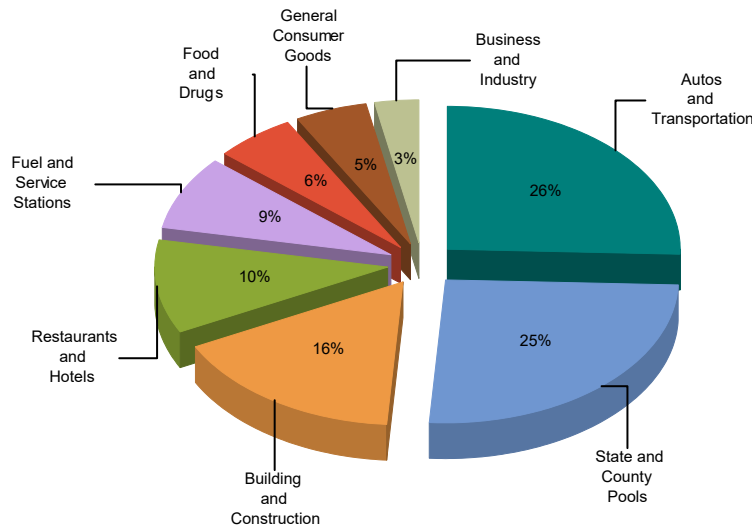
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	FY 24/25	FY 23/24	\$ Change	% Change
Autos and Transportation	53	1,590,038	1,553,964	36,074	2.3%
State and County Pools	-	1,578,213	1,562,507	15,707	1.0%
Building and Construction	16	1,021,771	985,392	36,379	3.7%
Restaurants and Hotels	99	643,073	640,662	2,410	0.4%
Fuel and Service Stations	15	531,850	652,136	(120,287)	-18.4%
Food and Drugs	19	343,335	378,814	(35,479)	-9.4%
General Consumer Goods	339	307,143	319,513	(12,371)	-3.9%
Business and Industry	142	185,943	217,399	(31,455)	-14.5%
Transfers & Unidentified	66	10,661	3,532	7,129	201.8%
Total	749	6,212,026	6,313,919	(101,892)	-1.6%

FY 23/24 Compared To FY 24/25

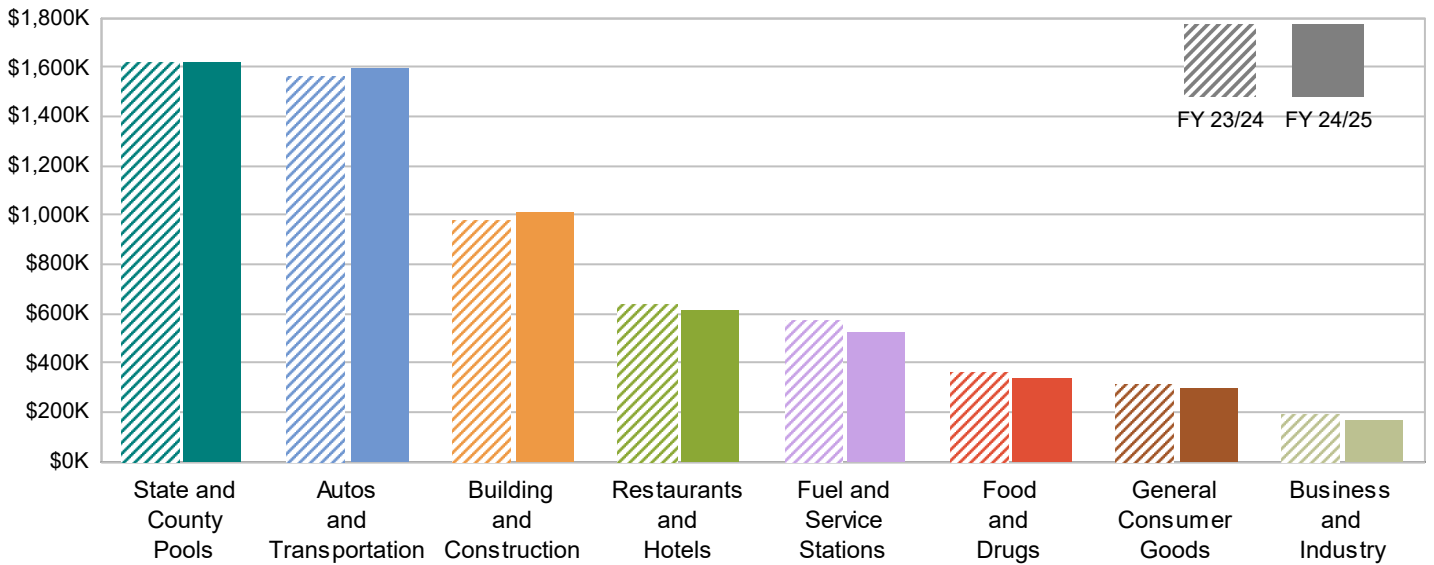


FY 24/25 Percent of Total

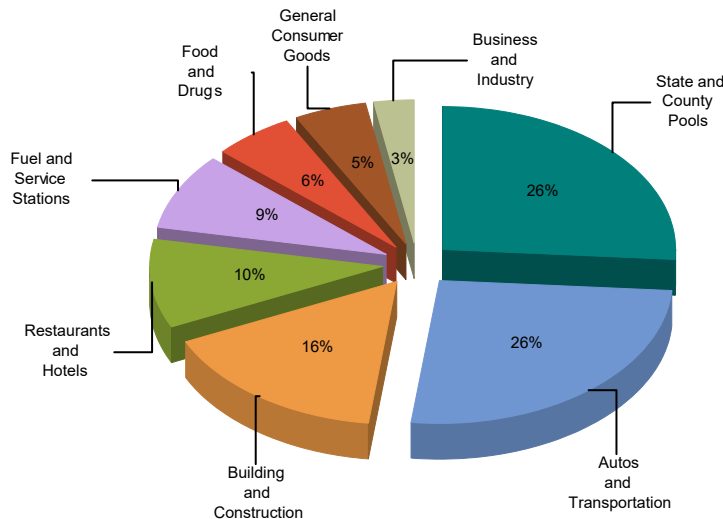


Major Industry Group	Count	FY 24/25	FY 23/24	\$ Change	% Change
State and County Pools	-	1,620,635	1,616,156	4,479	0.3%
Autos and Transportation	53	1,591,944	1,563,838	28,107	1.8%
Building and Construction	16	1,012,929	983,565	29,365	3.0%
Restaurants and Hotels	99	621,084	645,378	(24,294)	-3.8%
Fuel and Service Stations	15	532,580	576,952	(44,372)	-7.7%
Food and Drugs	19	341,920	364,265	(22,345)	-6.1%
General Consumer Goods	339	300,378	317,550	(17,172)	-5.4%
Business and Industry	142	176,662	194,140	(17,478)	-9.0%
Transfers & Unidentified	66	8,153	5,813	2,340	40.3%
Total	749	6,206,287	6,267,657	(61,371)	-1.0%

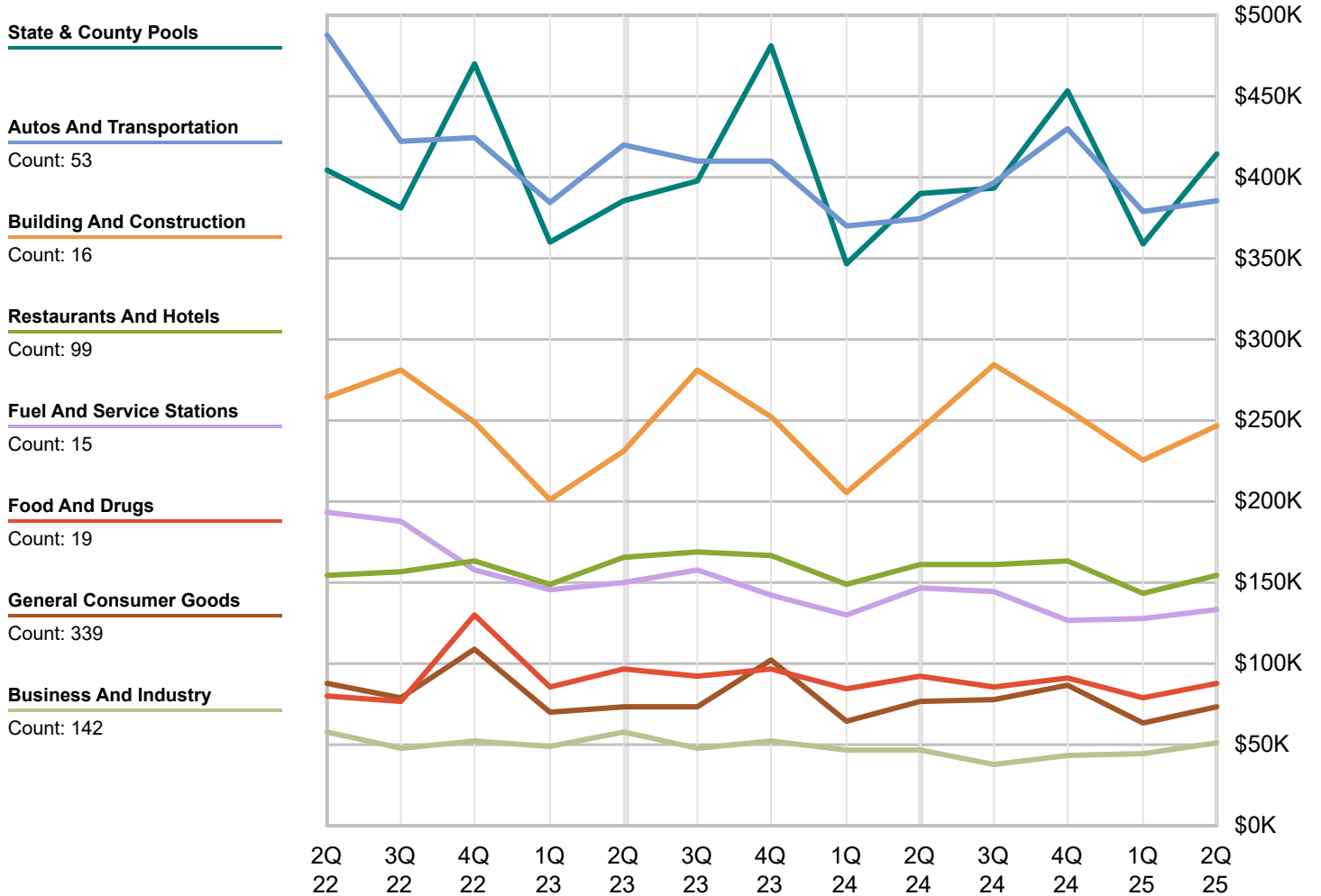
FY 23/24 Compared To FY 24/25



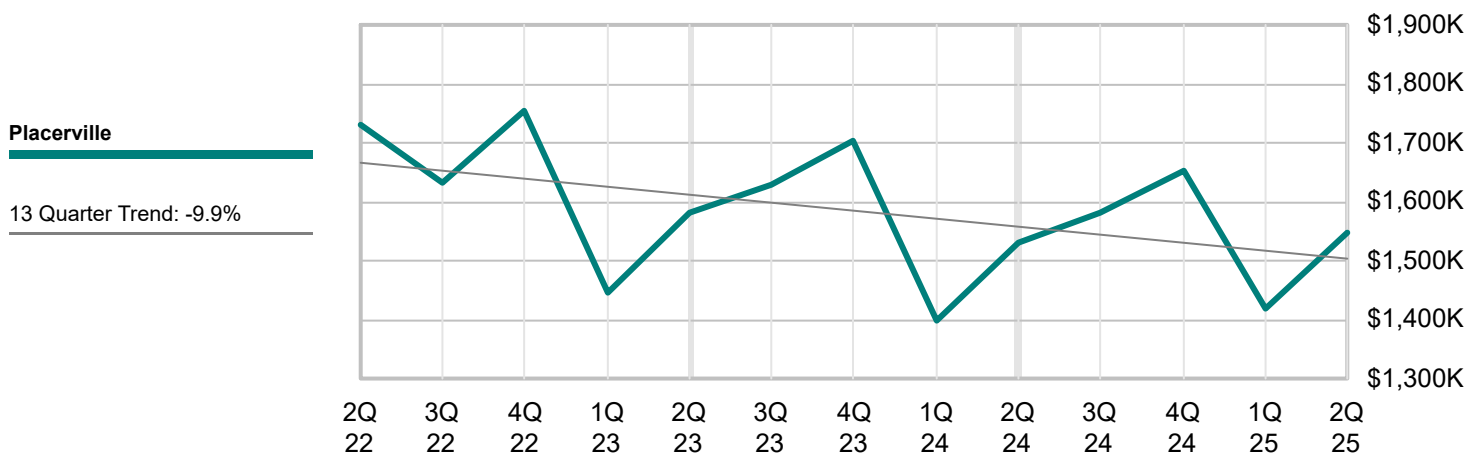
FY 24/25 Percent of Total



Sales Tax by Major Industry Group



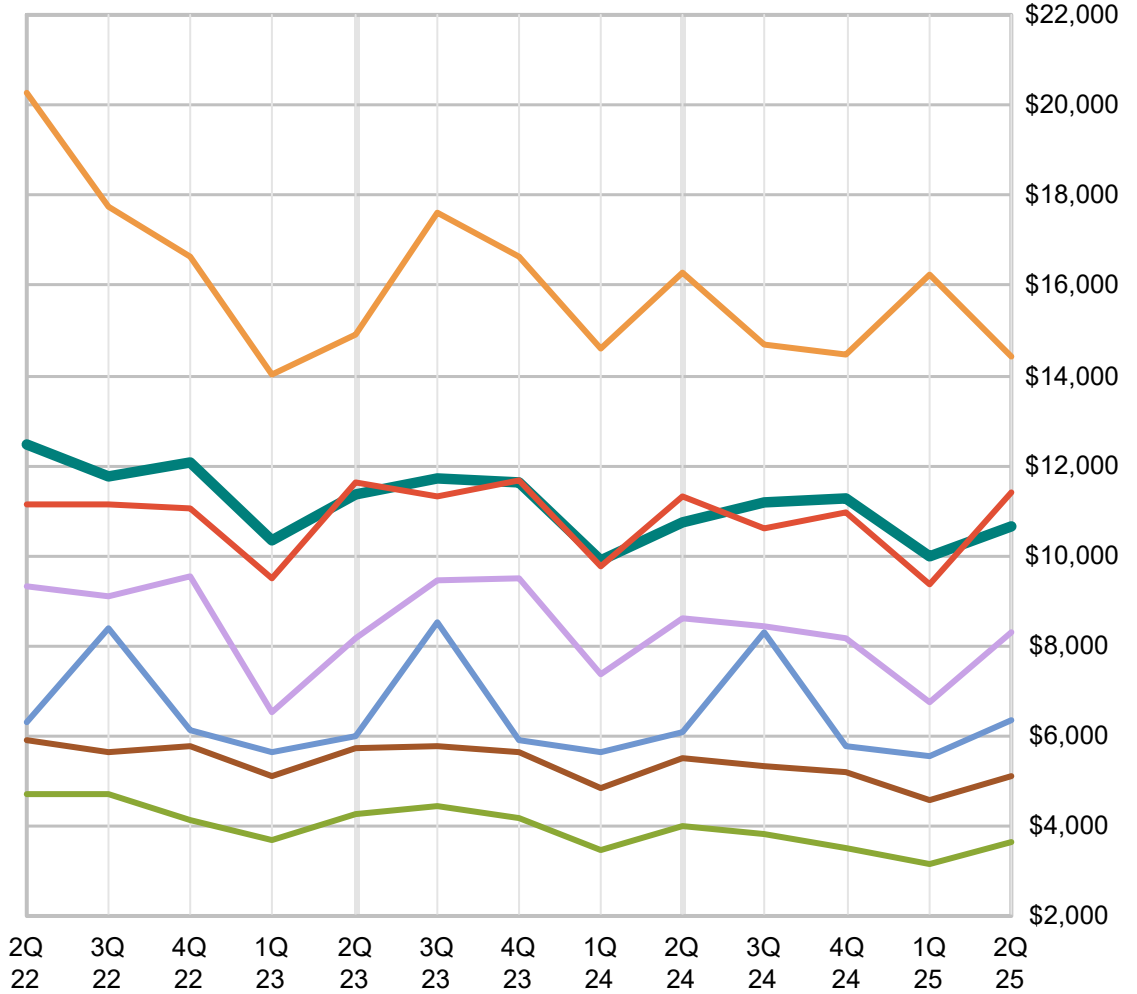
Agency Trend



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

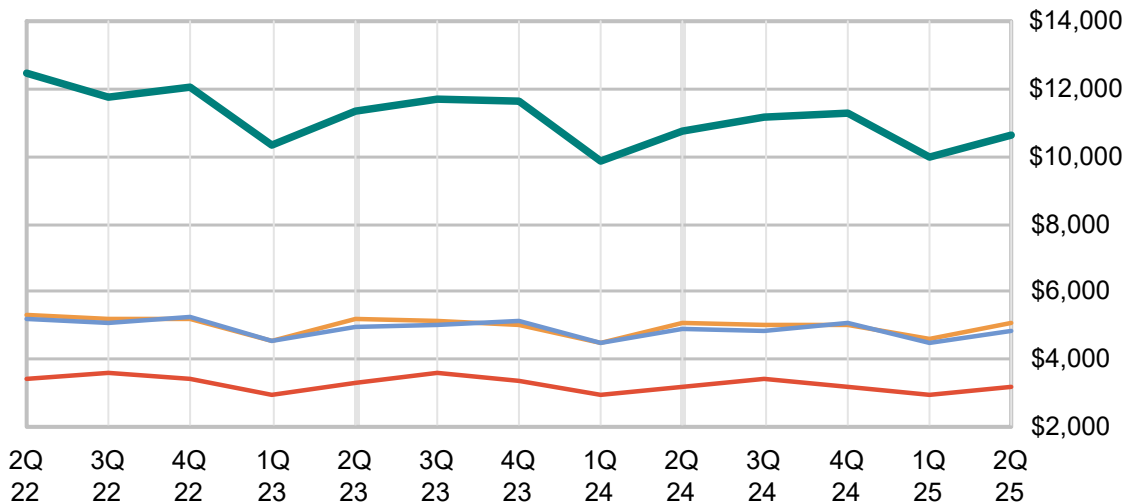
Per Capita Sales

- Placerville**
Count: 749
- South Lake Tahoe**
Count: 1,058
- Auburn**
Count: 970
- Marysville**
Count: 379
- Nevada City**
Count: 474
- Grass Valley**
Count: 1,007
- Yuba City**
Count: 1,989



Per Capita Sales

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

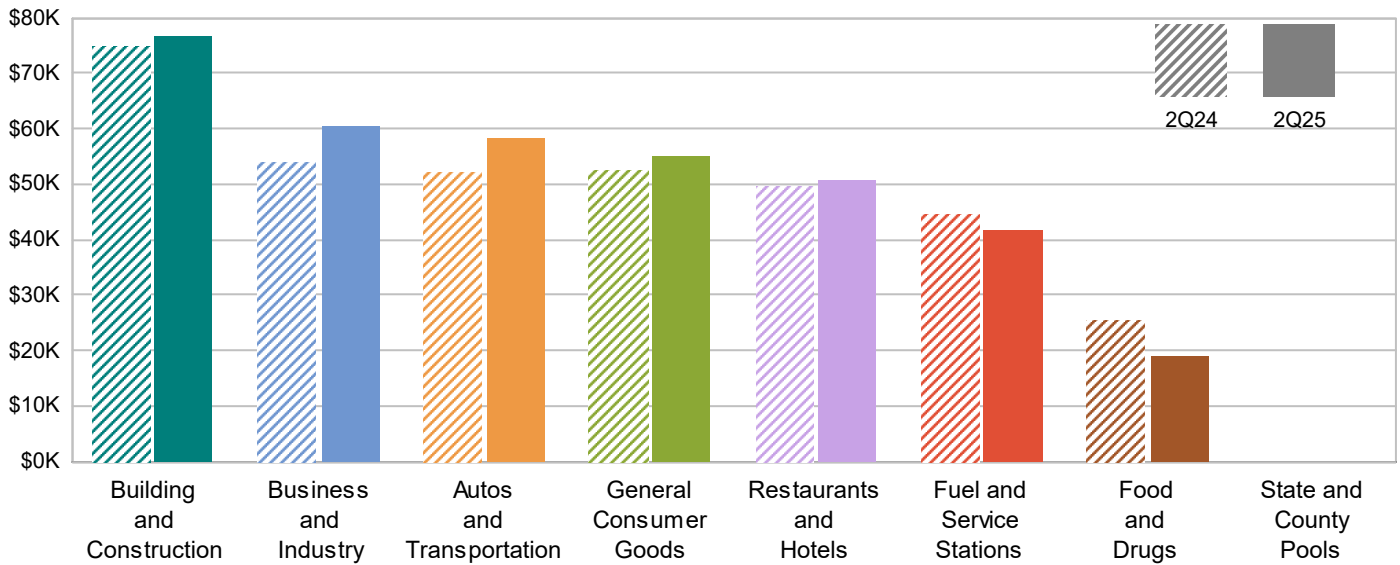


Periods shown reflect the period in which the sales occurred - Point of Sale

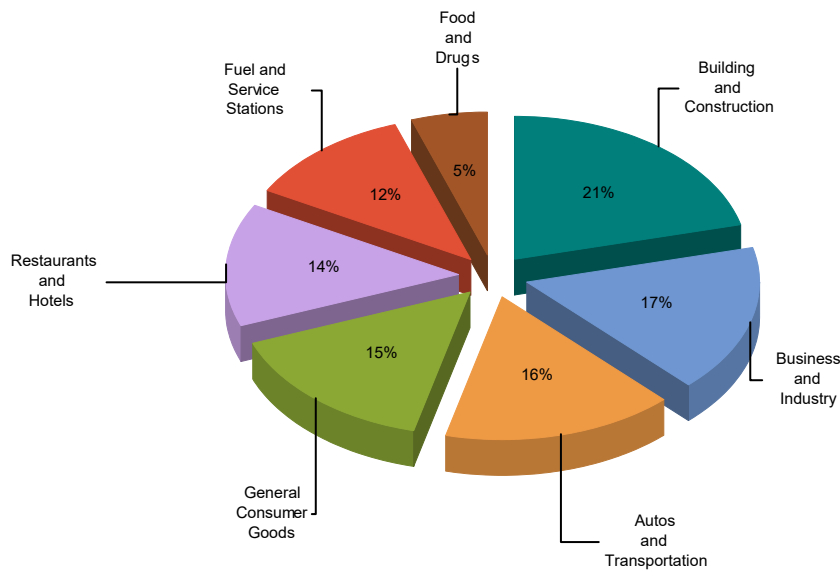


<u>Major Industry Group</u>	<u>Count</u>	<u>2Q25</u>	<u>2Q24</u>	<u>\$ Change</u>	<u>% Change</u>
Building and Construction	494	76,776	74,785	1,991	2.7%
Business and Industry	3,827	60,415	54,142	6,273	11.6%
Autos and Transportation	794	58,526	52,315	6,211	11.9%
General Consumer Goods	2,727	55,049	52,685	2,364	4.5%
Restaurants and Hotels	210	50,700	49,829	870	1.7%
Fuel and Service Stations	54	41,852	44,567	(2,716)	-6.1%
Food and Drugs	113	19,214	25,715	(6,501)	-25.3%
Transfers & Unidentified	1,671	7,420	4,372	3,047	69.7%
State and County Pools	-	0	0	0	-N/A-
Total	9,890	369,951	358,410	11,540	3.2%

2Q24 Compared To 2Q25

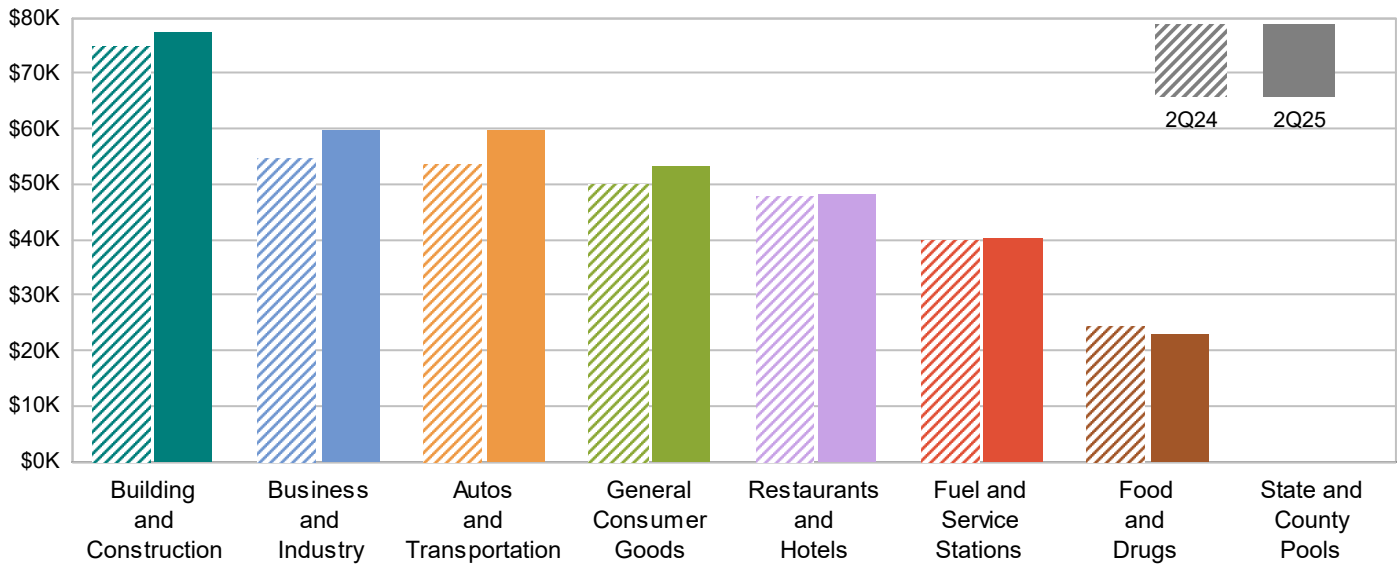


2Q25 Percent of Total

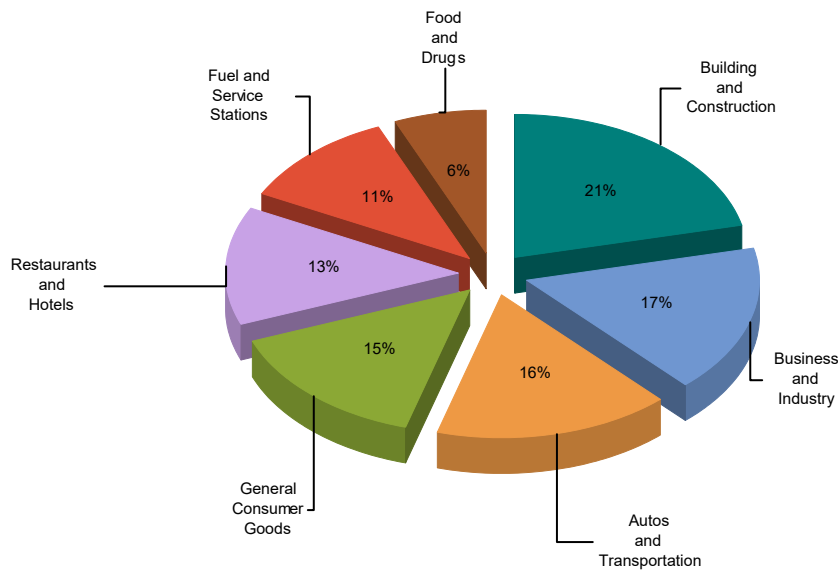


Major Industry Group	Count	2Q25	2Q24	\$ Change	% Change
Building and Construction	494	77,428	75,016	2,412	3.2%
Business and Industry	3,827	59,842	54,720	5,122	9.4%
Autos and Transportation	794	59,649	53,766	5,883	10.9%
General Consumer Goods	2,727	53,166	50,086	3,081	6.2%
Restaurants and Hotels	210	48,255	47,866	390	0.8%
Fuel and Service Stations	54	40,281	40,204	76	0.2%
Food and Drugs	113	23,312	24,724	(1,412)	-5.7%
Transfers & Unidentified	1,671	6,582	4,646	1,937	41.7%
State and County Pools	-	0	0	0	-N/A-
Total	9,890	368,515	351,027	17,488	5.0%

2Q24 Compared To 2Q25

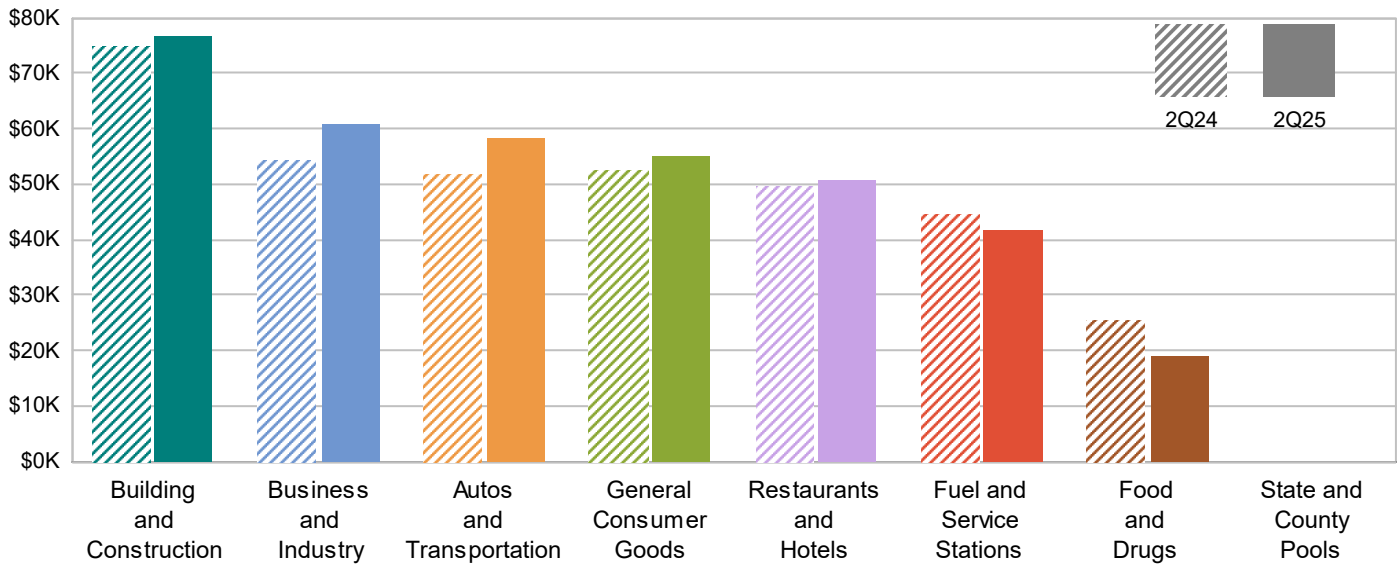


2Q25 Percent of Total

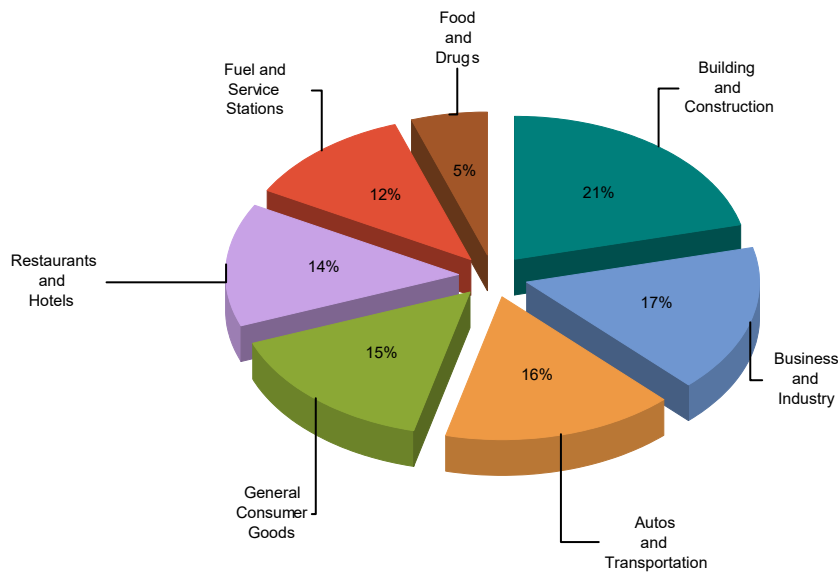


<u>Major Industry Group</u>	<u>Count</u>	<u>2Q25</u>	<u>2Q24</u>	<u>\$ Change</u>	<u>% Change</u>
Building and Construction	491	76,660	74,818	1,842	2.5%
Business and Industry	3,811	60,754	54,360	6,394	11.8%
Autos and Transportation	789	58,247	51,892	6,355	12.2%
General Consumer Goods	2,725	55,066	52,727	2,338	4.4%
Restaurants and Hotels	209	50,715	49,833	882	1.8%
Fuel and Service Stations	54	41,875	44,562	(2,687)	-6.0%
Food and Drugs	115	19,231	25,738	(6,507)	-25.3%
Transfers & Unidentified	1,675	7,420	4,372	3,047	69.7%
State and County Pools	-	0	0	0	-N/A-
Total	9,869	369,968	358,302	11,666	3.3%

2Q24 Compared To 2Q25

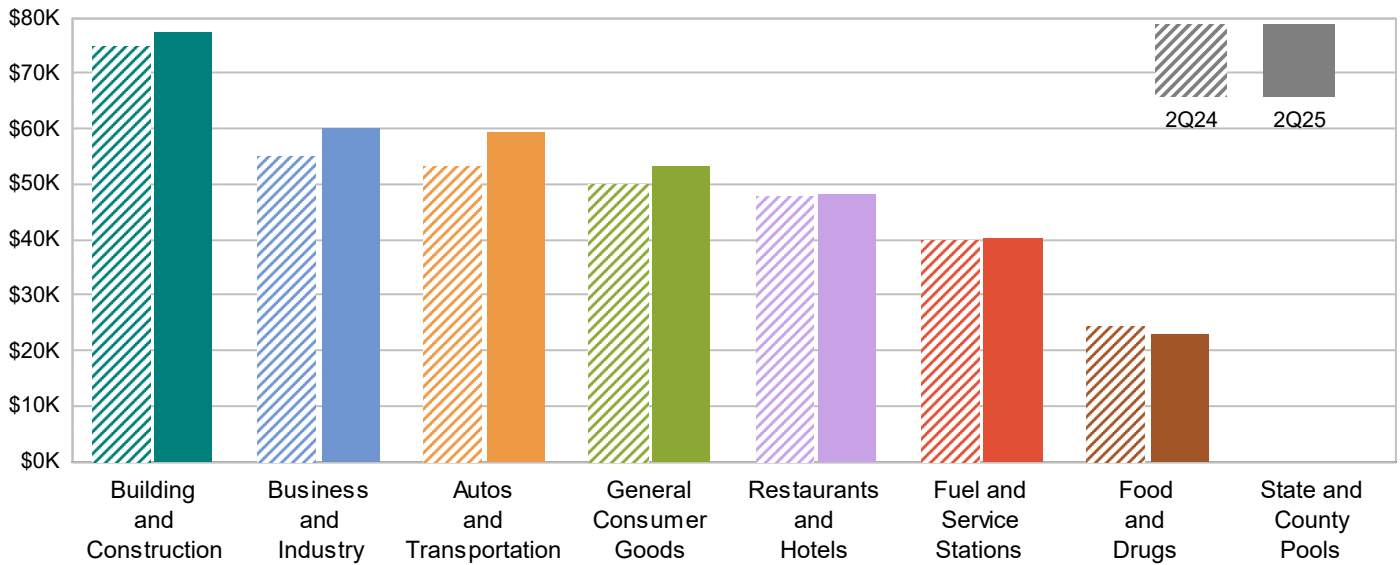


2Q25 Percent of Total

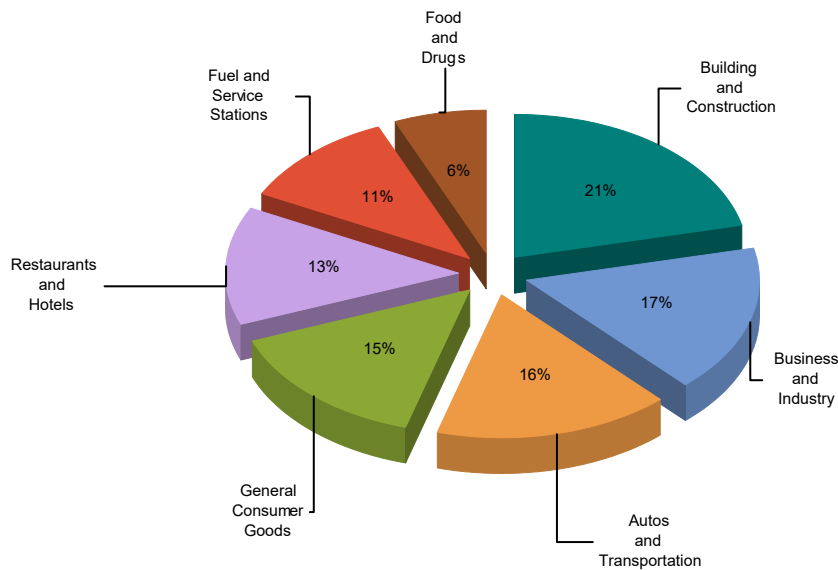


Major Industry Group	Count	2Q25	2Q24	\$ Change	% Change
Building and Construction	491	77,312	75,049	2,263	3.0%
Business and Industry	3,811	60,182	55,011	5,172	9.4%
Autos and Transportation	789	59,369	53,343	6,026	11.3%
General Consumer Goods	2,725	53,182	50,128	3,054	6.1%
Restaurants and Hotels	209	48,255	47,866	390	0.8%
Fuel and Service Stations	54	40,304	40,200	105	0.3%
Food and Drugs	115	23,329	24,747	(1,418)	-5.7%
Transfers & Unidentified	1,675	6,582	4,646	1,937	41.7%
State and County Pools	-	0	0	0	-N/A-
Total	9,869	368,516	350,989	17,527	5.0%

2Q24 Compared To 2Q25



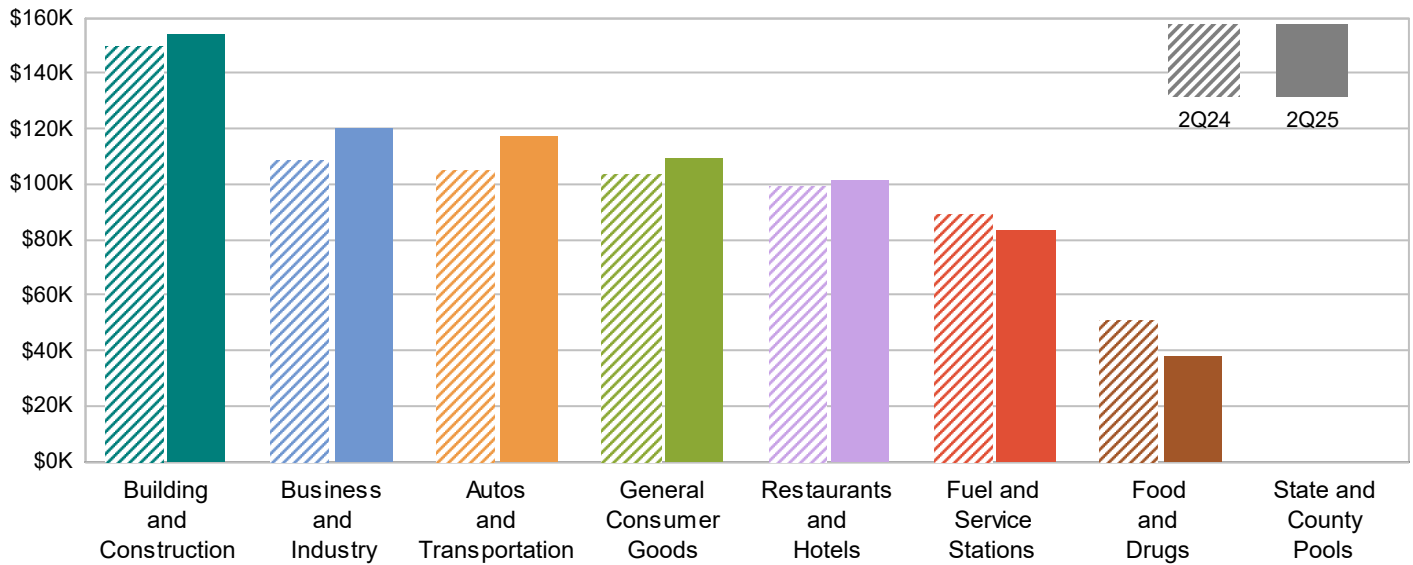
2Q25 Percent of Total



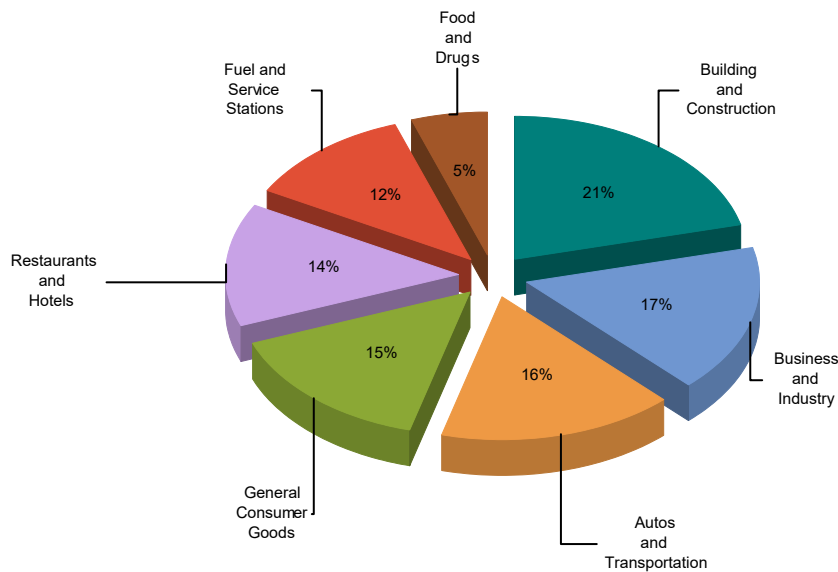


<u>Major Industry Group</u>	<u>Count</u>	<u>2Q25</u>	<u>2Q24</u>	<u>\$ Change</u>	<u>% Change</u>
Building and Construction	523	154,009	150,076	3,933	2.6%
Business and Industry	3,895	120,425	108,898	11,527	10.6%
Autos and Transportation	813	117,540	105,195	12,346	11.7%
General Consumer Goods	2,725	109,702	103,817	5,886	5.7%
Restaurants and Hotels	208	101,399	99,641	1,758	1.8%
Fuel and Service Stations	58	83,703	89,134	(5,431)	-6.1%
Food and Drugs	113	38,427	51,429	(13,002)	-25.3%
Transfers & Unidentified	1,679	14,844	8,746	6,099	69.7%
State and County Pools	-	0	0	0	-N/A-
Total	10,014	740,050	716,934	23,116	3.2%

2Q24 Compared To 2Q25

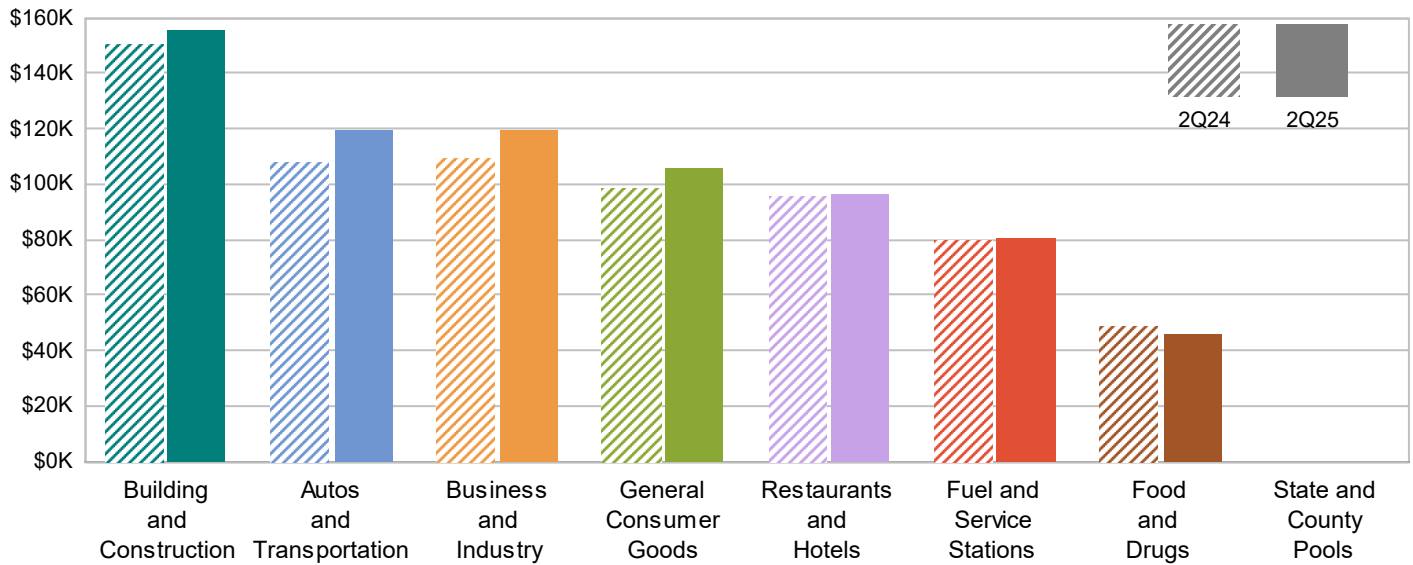


2Q25 Percent of Total

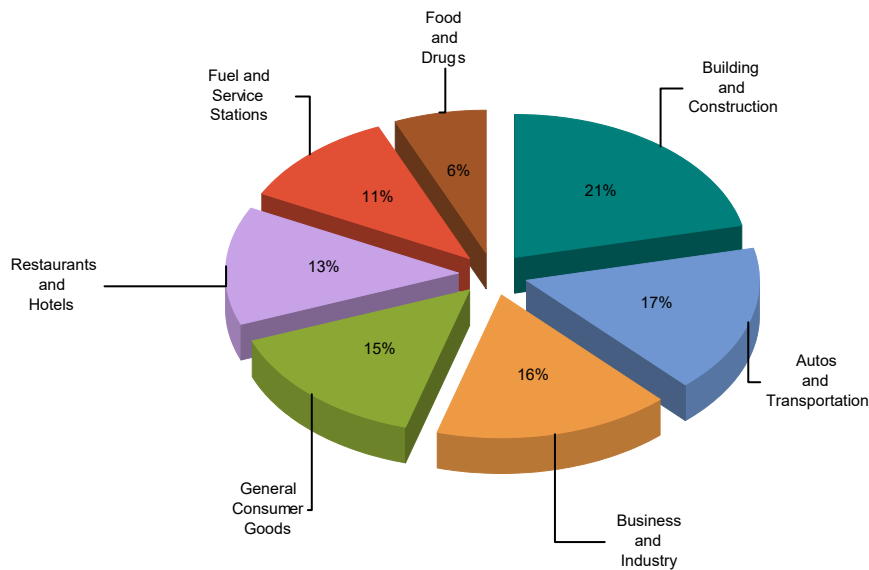


Major Industry Group	Count	2Q25	2Q24	\$ Change	% Change
Building and Construction	523	155,537	150,538	4,999	3.3%
Autos and Transportation	813	119,862	108,027	11,835	11.0%
Business and Industry	3,895	119,496	109,726	9,770	8.9%
General Consumer Goods	2,725	105,912	98,828	7,083	7.2%
Restaurants and Hotels	208	96,510	95,734	777	0.8%
Fuel and Service Stations	58	80,581	80,409	172	0.2%
Food and Drugs	113	46,622	49,446	(2,823)	-5.7%
Transfers & Unidentified	1,679	13,211	9,291	3,920	42.2%
State and County Pools	-	0	0	0	-N/A-
Total	10,014	737,731	701,998	35,733	5.1%

2Q24 Compared To 2Q25



2Q25 Percent of Total



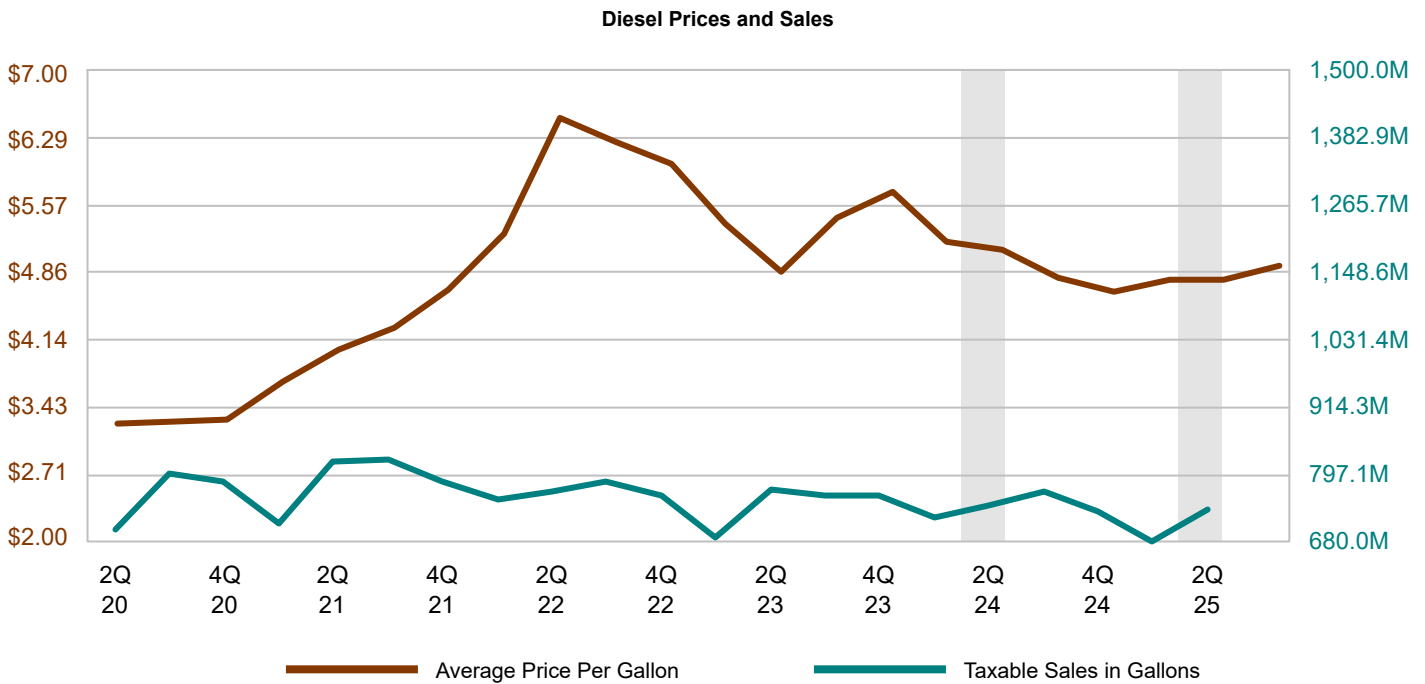
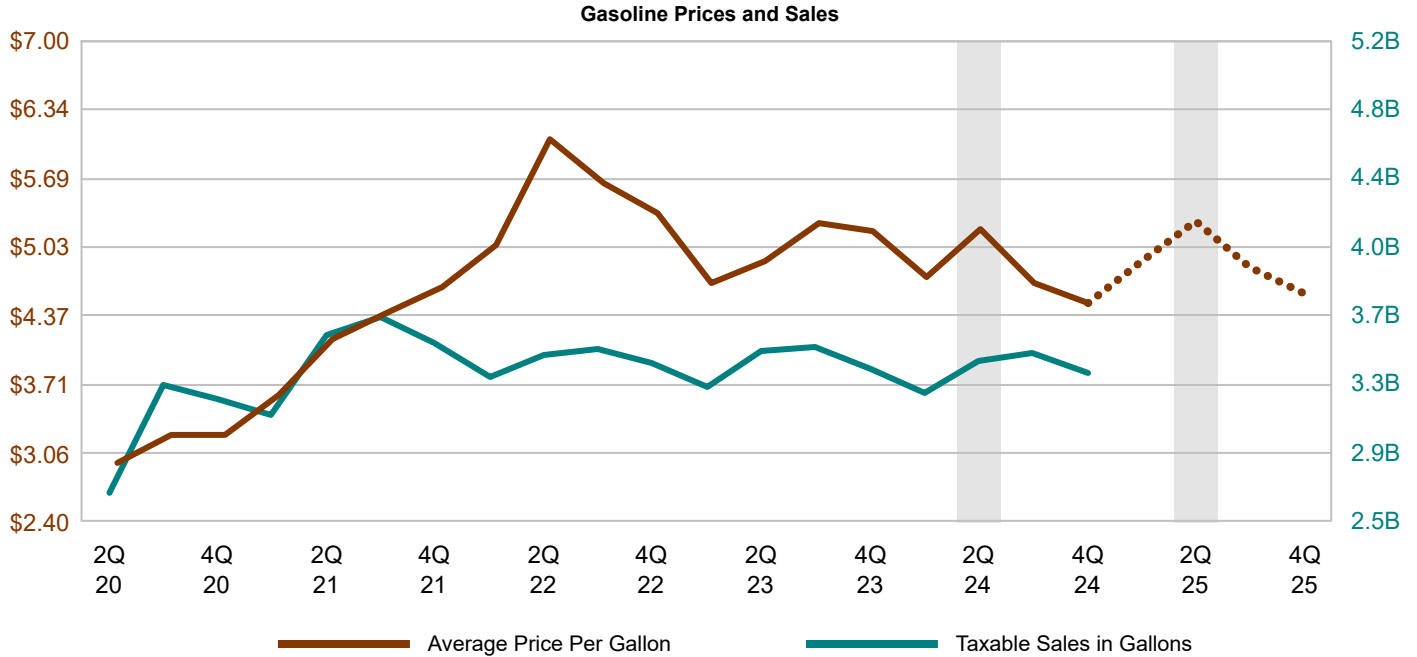


STATE OF CALIFORNIA

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
SEPTEMBER 2025



Napa Valley, CA



HdL Companies

888.861.0220 | solutions@hdlcompanies.com | hdlcompanies.com

Overview: Persistent economic headwinds continue to shape the short-term sales tax outlook. While consumer spending on taxable goods remains steady, recent declines in consumer confidence—driven by inflationary pressures, tariff concerns, and rising unemployment—pose risks to sustained revenue growth. The Federal Reserve’s recent interest rate reduction in September, the first since December 2024, signals a responsive monetary policy aimed at stabilizing economic conditions; this reduction does not alter anticipated spending patterns. Modest increases shown above simply recapture statewide sales tax decreases that occurred in the prior two fiscal years.

Autos/Transportation 2025/26 | 2026/27
0.4% | 3.0%

Forecasts for auto sales tax revenue over the next two years remains cautious as shoppers continue to face elevated vehicle prices, additional upward pressure from tariffs, and restrictive financing conditions, compounded by the September 2025 expiration of the federal \$7,500 tax credit for electric vehicle purchases. While the Federal Reserve took a step to lower short-term interest rates, it is uncertain how much this will affect long-term borrowing costs, which are most relevant for auto lending. At the same time, recent signs of weakness in the labor market raise concerns about consumer demand, leading this quarter’s forecast to be moderated slightly to reflect the risks that a softening job market poses to future auto sales and related sales tax revenues.

Building/Construction -1.5% | 1.8%

Early 2025 saw elevated sales as contractors stockpiled inventory ahead of expected tariff hikes. These purchases tapered off by Q2, except for solar panels, which remained in demand due to the 30% federal credit expiring on December 31. Infrastructure projects contributed less to the tax base, with new developments slow to launch. The forecast assumes the Fed’s September rate cut will make home equity loans and credit lines more appealing, likely prompting a modest rise in home renovations. However, developers are unlikely to respond quickly to lower mortgage rates due to high material costs and ongoing economic uncertainty. Data center projects expected in 2026 will help, but not enough to offset broader declines.

Business/Industry 1.2% | 3.1%

Faced with a variety of economic pressures, the diverse business-industrial group managed a positive result during the spring months of 2025 – expanding 5.7%. Customers heavily favored online shopping; thus, California fulfillment centers propelled revenues higher. Business-to-business benefitted from one-time technology purchases, and energy projects boosted electrical equipment sales. Yet, many categories remained flat or declined with variables such as borrowing costs and tariff fears curtailing growth. Several solar/energy installations concluded – and comparative revenues tumbled. The statewide outlook anticipates low growth for the current fiscal year and modest improvement thereafter, which will vary based on the size and character of local businesses.

Food/Drugs -1.4% | 0.5%

Retail performance in Q2 2025 showed mixed results across key segments. Grocery Stores profits rose 0.05% as retailers enhanced omnichannel experiences and formed cost-saving partnerships to boost profitability. Convenience & Liquor Markets had declined revenues, but stores are evolving into modern convenience hubs by offering fresh food and premium grab-and-go options. Cannabis merchants fell 2.1%; to attract new patrons, retailers are launching cannabis lounges combining entertainment and café-style experiences. Due to store closures and rising costs, shoppers are shifting away from drug stores to discount and big-box retailers. Anticipate fiscal year 2025-26 to drop further as sectors herein struggle to capture sales.

Fuel/Service Stations 2025/26 | 2026/27
3.4% | 4.0%

Fuel prices and consumption were both down again in the second quarter of 2025, with actual results of (-8%) in alignment with a forecasted decline of 7%. Oil barrel prices held fairly steady, but softer statewide demand pushed revenue lower. California’s new Low Carbon Fuel Standards rules, the phased shutdown of Phillips 66, and the planned closure of Valero’s Benicia refinery are all lining up to put pressure on prices starting later this year. While no legislation is currently planned, potential state action to keep the Benicia refinery open would help smooth the impact of that closure. These factors, combined with OPEC supply risks and indicate a slightly better economic outlook. The forecast points to modest recovery in FY 2025–26 with long-term growth settling in the 3–4% range.

General Consumer Goods 0.8% | 1.3%

Consumer spending on general retail categories remained robust in Q2 2025. Absent in-state fulfillment centers and out-of-state retailers, this category contracted 0.7% during the spring. While consumer confidence and sentiment indicators suggest a neutral to less optimistic view of the economy, anticipate a flatter outlook for consumption rather than a large pullback. Rising tariff-related costs continue to pressure household budgets. Looking ahead, payments could see a mild rise in the second half of FY 2024-25. Some expert reports suggest discretionary services spending has diminished, supporting more spending on taxable goods. Wage growth for middle and higher earners should hold up outlays, employment uncertainty remains a potential headwind..

Restaurants/Hotels 2.1% | 3.4%

Restaurants have seen minimal direct impact from tariffs so far. Instead, rising labor and operational costs are driving menu price increases. Many establishments are working hard to limit food and drink hikes, mindful of the fact that lower-income consumers are dining out less frequently. To retain these customers, restaurants are promoting deals and value menus. Meanwhile, Californians spent more of their travel budgets locally this summer, helping to offset the decline in international tourism. Industry closures are primarily affecting underperforming locations while new restaurants continue to open, signaling ongoing resilience and adaptation.

State and County Pools 3.5% | 3.0%

In alignment with HdL expectations, fiscal year 2024-25 saw pool-generated taxes rise 3.2% over prior year totals. Robust investment in online tools and systems such as AI are reshaping shopper experiences, shortening delivery times and optimizing ordering capabilities and supply chain structures. Major brands continue to offer off holiday season ‘events’ over a few days to draw in new website traffic which can boost ecommerce exposure and sales. While the use of technology across demographic segments does vary, the convenience of ordering everything from food delivery to products made internationally is expected to improve pool-based revenues in each of the next two years.



NATIONAL AND STATEWIDE ECONOMIC DRIVERS

2025/26 | 2026/27



U.S. Real GDP Growth

1.9% | 2.2%

The U.S. economy is showing signs of overheating, driven by persistent federal deficits, elevated asset prices, and sustained inflows of foreign capital. These factors suggest that current levels of consumption and investment rely heavily on borrowing and external financing, raising concerns about long-term sustainability. Economists note that when economies expand under such conditions, risks of instability increase if corrective measures are delayed. A prudent long-term approach could include gradual interest rate increases to cool financial markets, while beginning to pay down the national debt through tax increases and spending cuts.

2025/26 | 2026/27



U.S. Unemployment Rate

4.4% | 4.2%

The U.S. economy has been decelerating to a new, steady, lower pace of job growth, around 1% annually, since its post-pandemic recovery, reflecting a structural slowdown despite steady labor demand. Data from the BLS's Job Openings and Labor Turnover Survey show job separations and openings holding within normal ranges, indicating the deceleration of job growth isn't driven by layoffs or weakening demand. Consistent unemployment insurance claims, in the 200,000 - 250,000 range, and the unemployment rate itself remains just above 4%—considered full employment by most economists—further underscore this trend.



CA Unemployment Rate

5.5% | 5.3%

The labor market in California has cooled over the last quarter. Between April and July, the state's unemployment rose to 5.5%, while the rate in the U.S. as a whole held steady at 4.2%. Excluding the pandemic-induced increase in unemployment, the state has not seen unemployment at this level since April 2016. The biggest shift over the past year has been among teenage workers, whose employment-to-population ratio dropped 2.3 percentage points, while their labor force participation fell by 2.8 percentage points year-over-year in July.



CA Residential Building Permits

97,812 | 108,556

Permits in California have held steady at about 100,000 annually for the past 18 months. This pace is roughly one-third of the 310,000 per year needed to meet the state's goal of 2.5 million new homes over eight years. Substantial increases in construction will be required to make meaningful progress on affordability. In 2023, Governor Newsom signed a CEQA reform package aimed at streamlining environmental review, expediting infill and affordable housing projects, and exempting local rezoning from CEQA to accelerate site readiness while maintaining protections for sensitive lands. While these changes may support higher production over time, they have not yet been reflected in permitting data.



CA Total Nonfarm Employment Growth

0.4% | 0.5%

California enters fall 2025 on a slower growth trajectory, short of a downturn but marked by cooling momentum. The state's job market has softened, and inflation is running at a more typical pace, although consumer prices remain high. Housing is steady but tight; home prices are high, sales are flat, and new construction does not meet demand. California's long-term affordability challenge persists, underscoring the need for increased housing supply. Together, these indicators point to a cooling state economy; growth is slower, labor markets are softer, and price pressures have normalized.



CA Median Existing Home Price

\$715,638 | \$763,258

California's housing market is also cooling. In 2020-2021, demand was supercharged by the government's pandemic stimulus and by very low mortgage rates (around 3%). That era is over. Today, rates are holding near 6.5% to 7.5%, mobility has declined, and growth in jobs and incomes has slowed. With fewer new households forming, home sales have weakened and inventory is rising. The interaction between supply and demand determines prices, and with demand cooling and inventory higher, some of the heat has left the market even though prices remain elevated.

Proposition 172

Fiscal year 2024-25 statewide Proposition 172 (P-172) revenues declined 0.3%, which follows the 0.9% drop in fiscal year 2023-24. The current the forecast anticipates a modest growth of 1.2% and 2.7% for fiscal years 2025-26 and 2026-27, respectively. Current county projections include pro-rata factors published by the State Controller's Office in July 2025 (based on updated calendar year 2024 actuals). As the calendar year Bradley-Burns results fluctuate due to taxpayer modifications, audits, economic impacts, etc., pro-rata growth factors and resultant P-172 revenues will vary for many counties.

Watch our webinar
for more details!

