

# CITY OF PLACERVILLE

## SALES TAX UPDATE

### 4Q 2024 (OCTOBER - DECEMBER)



**PLACERVILLE**  
TOTAL: \$ 1,648,888

-2.7%  
4Q2024



-3.2%  
COUNTY

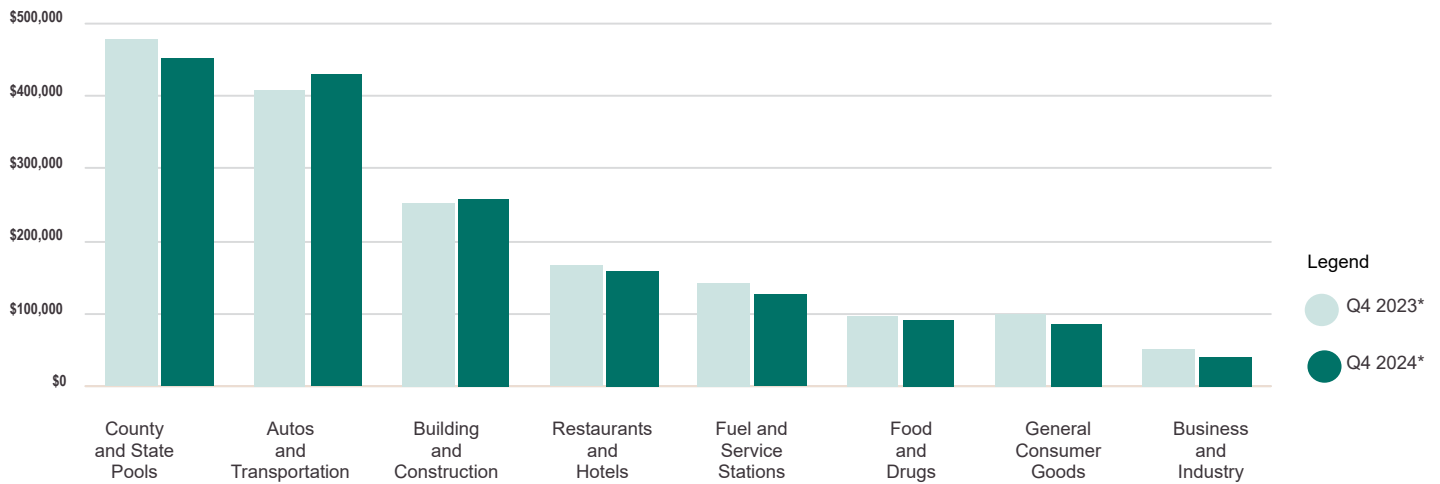


-1.1%  
STATE



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

### SALES TAX BY MAJOR BUSINESS GROUP



**Measure J**  
TOTAL: \$356,555  
-4.9%

**Measure H**  
TOTAL: \$356,555  
-4.9%

**Measure L**  
TOTAL: \$713,224  
-4.9%



### CITY OF PLACERVILLE HIGHLIGHTS

Placerville's gross receipts from October – December 2024 were 2% below the fourth sales period in 2023. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were down 2.7%.

After ten consecutive quarters of decline, autos-transportation grew 5.5%, assisted by auto leases and auto supply stores. The building-construction group also landed in positive territory as folks continued with projects and improvements.

Although quick service dining and leisure/entertainment improved during the busy winter months, a slump in casual dining (due in part to a couple of closed businesses) pulled down restaurant-hotels revenues.

The City's allocation from the countywide use tax pool dipped 5.6% as other agencies in the county realized greater pool share. The price of crude oil fell during the period and directly affected fuel-service station receipts – with revenues sliding 10.6%.

Shoppers were more cautious as general retail declined, with mixed results across the various sectors. Comparison to a large taxpayer payment a year ago skewed down the food-drugs returns.

Voter-approved Measures H, J and L posted slightly lower outcomes, with declines in business-industry and fuel-service stations.

Net of adjustments, taxable sales for all of El Dorado County declined 3.2% and the Sacramento region was up 2.4%



### 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
- Les Schwab Tire Center
- Main Street Tap House
- Marathon
- McDonald's
- Mobil
- Placerville Valero
- Raley's
- Rancho Convenience Center
- Sacred Roots
- Sierra Nevada Tire & Wheel
- Thompsons Buick GMC
- Thompsons Chrysler Dodge Jeep Ram
- Thompson's Toyota
- Tractor Supply
- Verizon Wireless



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating period of the year but exhibited diminished year-over-year returns as consumers struggled with tariff concerns and pulling back on discretionary spending.

For the past eight quarters - two calendar years - statewide results have declined; led mostly by autos-transportation and building-construction suppressed activity due to the sustained high interest rate environment. Specifically, this quarter, as new and used car returns pulled back, only leasing activity improved likely representing buyers willingness to wait for more advantageous economic conditions before committing to long term obligations. Furthermore, building-construction drops spanned multiple categories including building materials, plumbing/electrical and contractors as property owners delay repairs and improvements until they’re more comfortable tapping available equity.

During this holiday shopping period, brick-and-mortar general retailers slumped 2.4%, further hindered by lower gas prices. Recent closures by merchants selling variety/ low priced items and weaker returns from department stores were most impactful. As consumers appeared more interested in value/discounted items vs higher priced/ luxury goods, overall statewide receipts revealed growth from online retailers by way of local returns through fulfillment centers and allocations via each county’s use tax pool demonstrating a desire to spend, just more through different vendors which shifted local tax distributions.

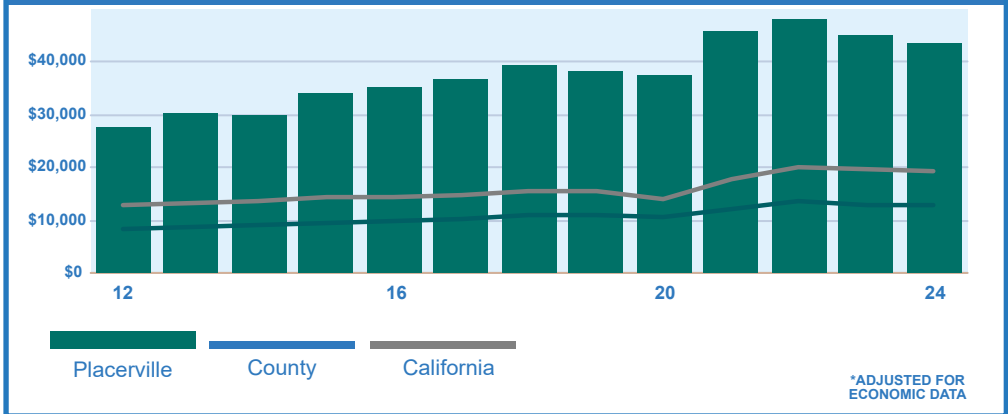
Fuel and service stations experienced a drop of 14% largely due to the decreased price of global crude oil. While this dynamic hurt the sector results, it did allow for more disposable income to be spent in other areas and does not appear to be changing in the near term.

Revenue from restaurants sustained a modest gain of 1.3%, with only a waning from fine dining establishments - consistent with spending trends in other sectors. As eateries try and balance higher menu prices and demand, a ‘return to office’ call by businesses could inspire future increased foot traffic for many venues in metropolitan centers.

The fourth quarter also marks the end of the calendar year. As expected 2024 was 1.2% lower than 2023 with most sectors taking a hit. Only restaurants, business-industry and allocations via the county use tax pools improved.

With national tariff discussions happening at the federal level, consumers start 2025 wondering if higher priced goods and difficult decisions are on the horizon. Also, the Federal Reserve Board hasn’t signified any relief by way of lower interest rates leaving only minimal growth expectations to come. The theme of the current economic outlook is uncertainty.

SALES PER CAPITA\*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Placerville Business Type	Q4 '24*	Change	County Change	HdL State Change
Service Stations	120.7	-10.1% ↓	-13.0% ↓	-13.0% ↓
Casual Dining	85.1	-10.2% ↓	-0.6% ↓	1.9% ↑
Quick-Service Restaurants	62.2	2.3% ↑	-2.5% ↓	1.7% ↑
Automotive Supply Stores	47.0	7.9% ↑	2.9% ↑	1.0% ↑
Grocery Stores	45.5	0.6% ↑	0.4% ↑	-0.9% ↓
Auto Repair Shops	19.6	-4.9% ↓	-6.4% ↓	-5.2% ↓
Convenience Stores/Liquor	12.7	4.3% ↑	-2.7% ↓	-2.4% ↓
Electronics/Appliance Stores	12.1	17.2% ↑	-0.3% ↓	-2.6% ↓
Cigarette/Cigar Stores	12.0	-37.2% ↓	-21.1% ↓	-7.0% ↓
Art/Gift/Novelty Stores	10.0	4.5% ↑	1.2% ↑	1.7% ↑

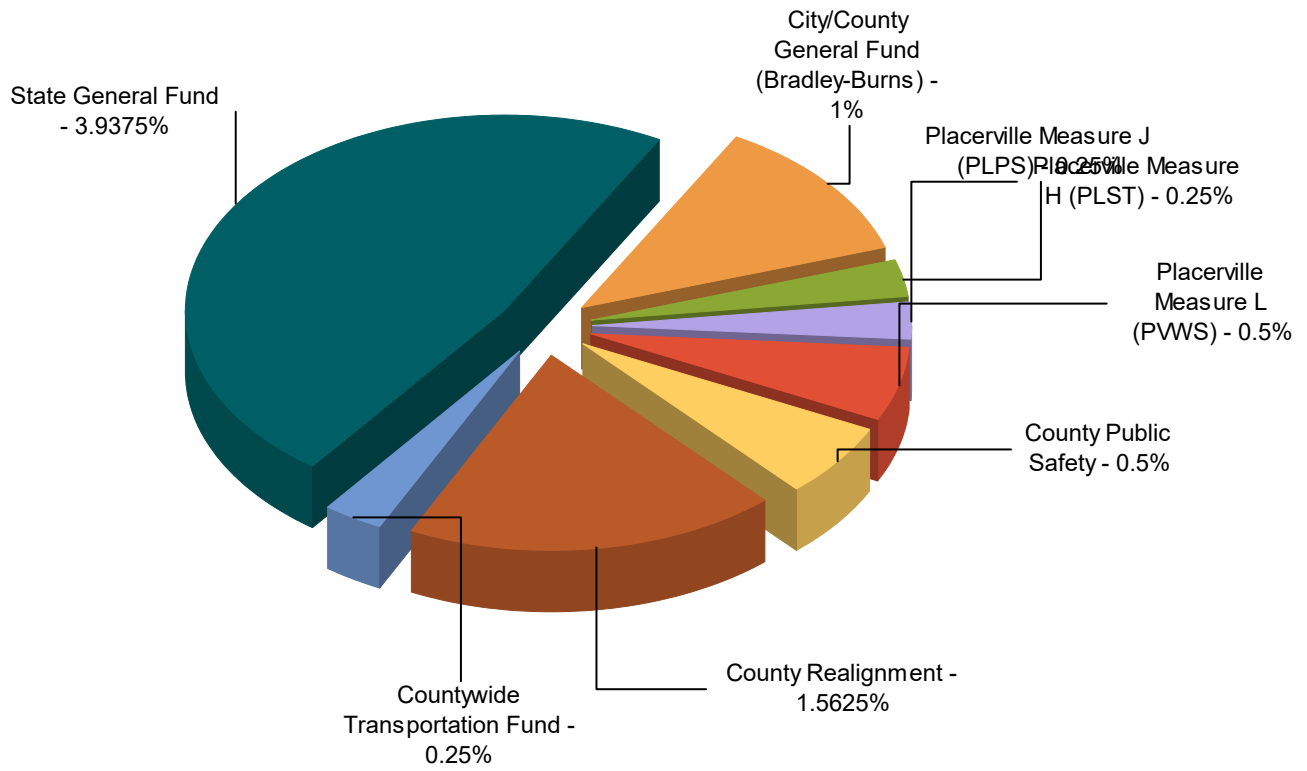
\*Allocation aberrations have been adjusted to reflect sales activity      \*In thousands of dollars



# CITY OF PLACERVILLE

## Breakdown of 8.25% Sales Tax Rate Effective April 1, 2017

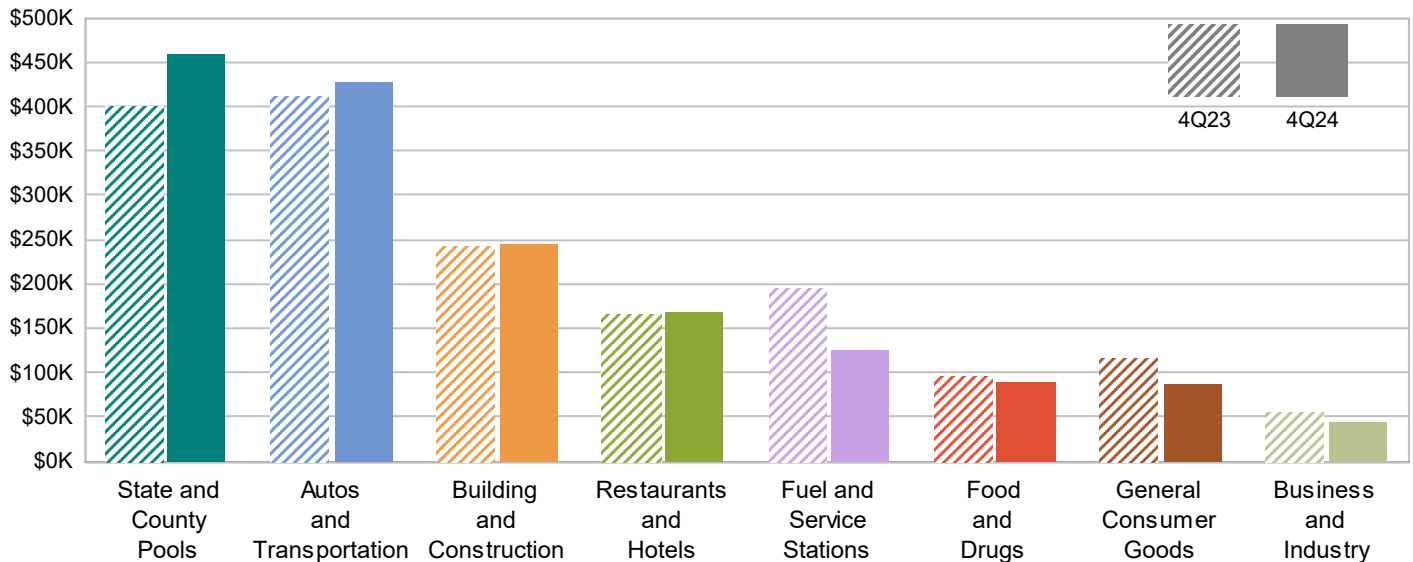
State General Fund	3.9375%
City/County General Fund (Bradley-Burns)	1.0000%
Placerville Measure J (PLPS)	0.2500%
Placerville Measure H (PLST)	0.2500%
Placerville Measure L (PVWS)	0.5000%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
<b>Total Rate</b>	<b>8.2500%</b>



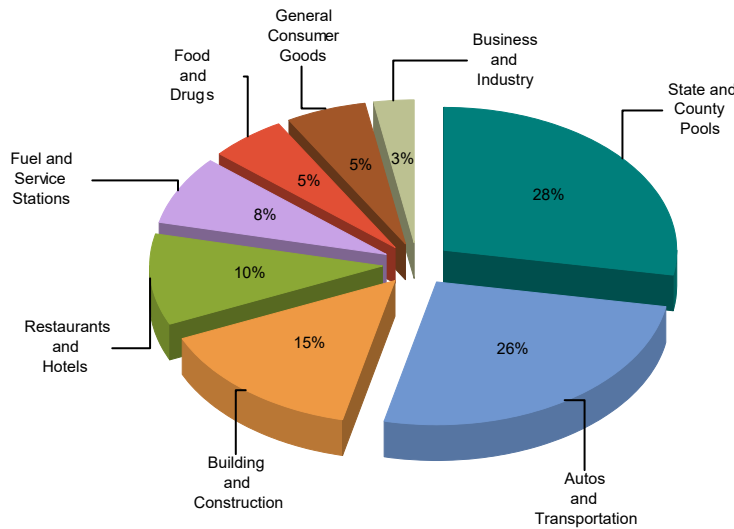


<u>Major Industry Group</u>	<u>Count</u>	<u>4Q24</u>	<u>4Q23</u>	<u>\$ Change</u>	<u>% Change</u>
State and County Pools	-	458,390	399,929	58,462	14.6%
Autos and Transportation	53	428,497	410,870	17,627	4.3%
Building and Construction	17	245,074	243,614	1,460	0.6%
Restaurants and Hotels	96	168,753	166,406	2,347	1.4%
Fuel and Service Stations	17	127,024	195,485	(68,461)	-35.0%
Food and Drugs	21	90,804	97,360	(6,556)	-6.7%
General Consumer Goods	339	89,006	116,815	(27,810)	-23.8%
Business and Industry	143	46,611	58,037	(11,425)	-19.7%
Transfers & Unidentified	49	1,536	906	630	69.5%
<b>Total</b>	<b>735</b>	<b>1,655,696</b>	<b>1,689,422</b>	<b>(33,726)</b>	<b>-2.0%</b>

**4Q23 Compared To 4Q24**

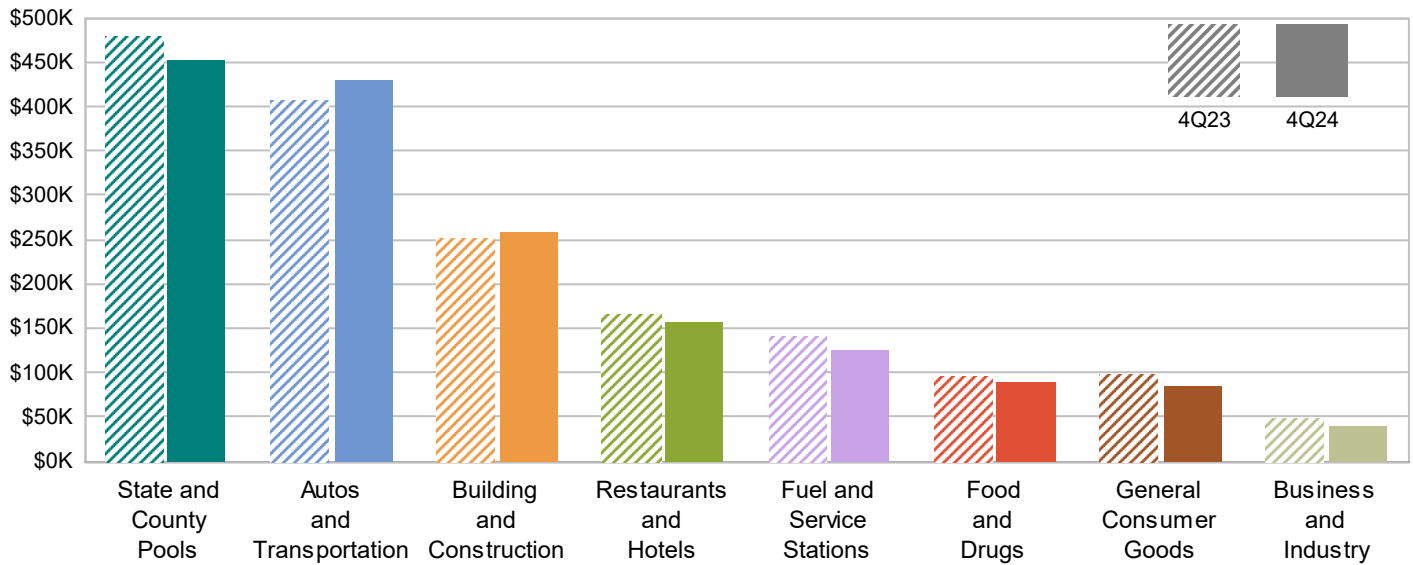


**4Q24 Percent of Total**

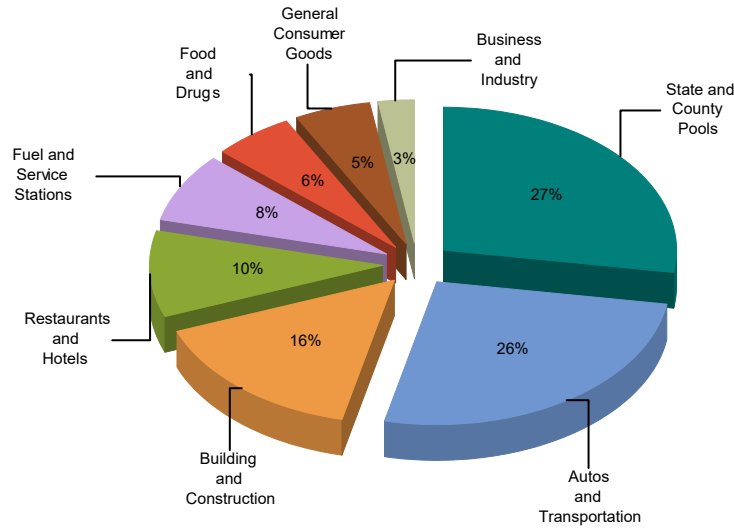


Major Industry Group	Count	4Q24	4Q23	\$ Change	% Change
State and County Pools	-	451,661	478,473	(26,812)	-5.6%
Autos and Transportation	53	430,249	408,349	21,900	5.4%
Building and Construction	17	258,308	251,810	6,498	2.6%
Restaurants and Hotels	96	159,065	166,225	(7,160)	-4.3%
Fuel and Service Stations	17	127,024	142,127	(15,102)	-10.6%
Food and Drugs	21	90,792	96,587	(5,795)	-6.0%
General Consumer Goods	339	87,386	99,527	(12,141)	-12.2%
Business and Industry	143	42,019	50,829	(8,809)	-17.3%
Transfers & Unidentified	49	2,383	597	1,786	299.2%
<b>Total</b>	<b>735</b>	<b>1,648,888</b>	<b>1,694,523</b>	<b>(45,635)</b>	<b>-2.7%</b>

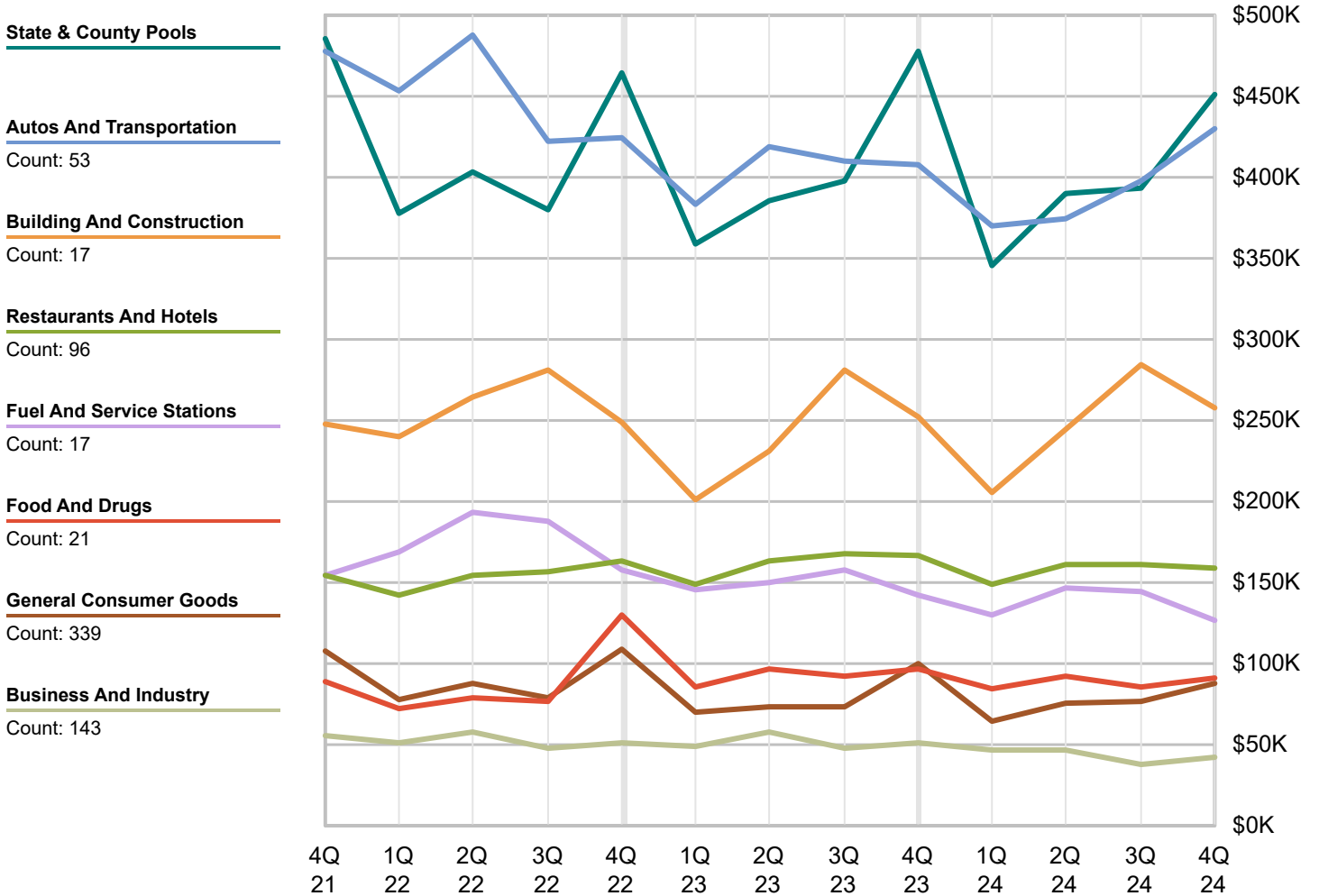
**4Q23 Compared To 4Q24**



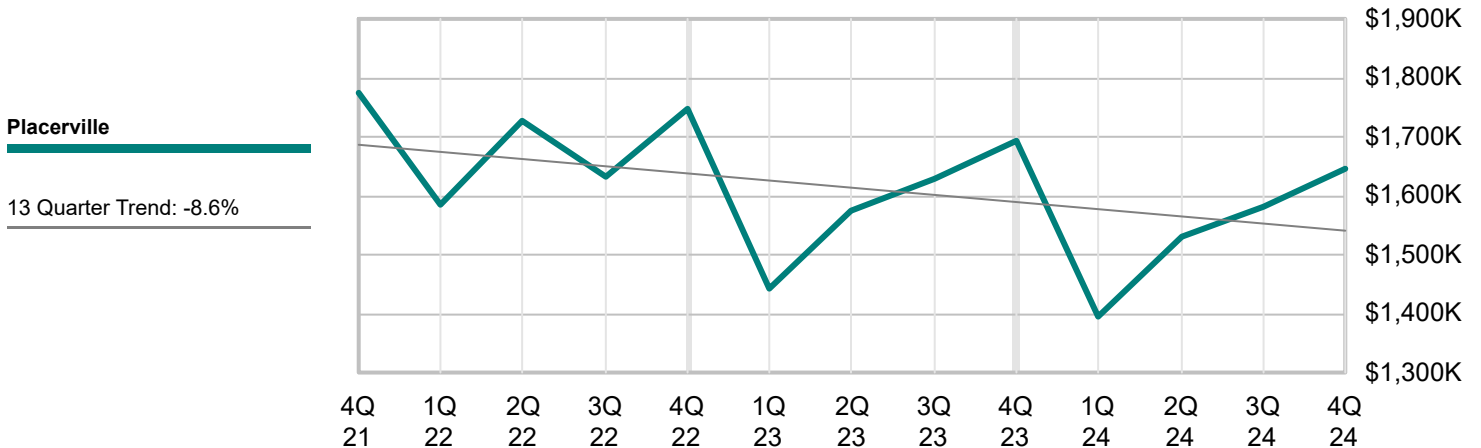
**4Q24 Percent of Total**



Sales Tax by Major Industry Group



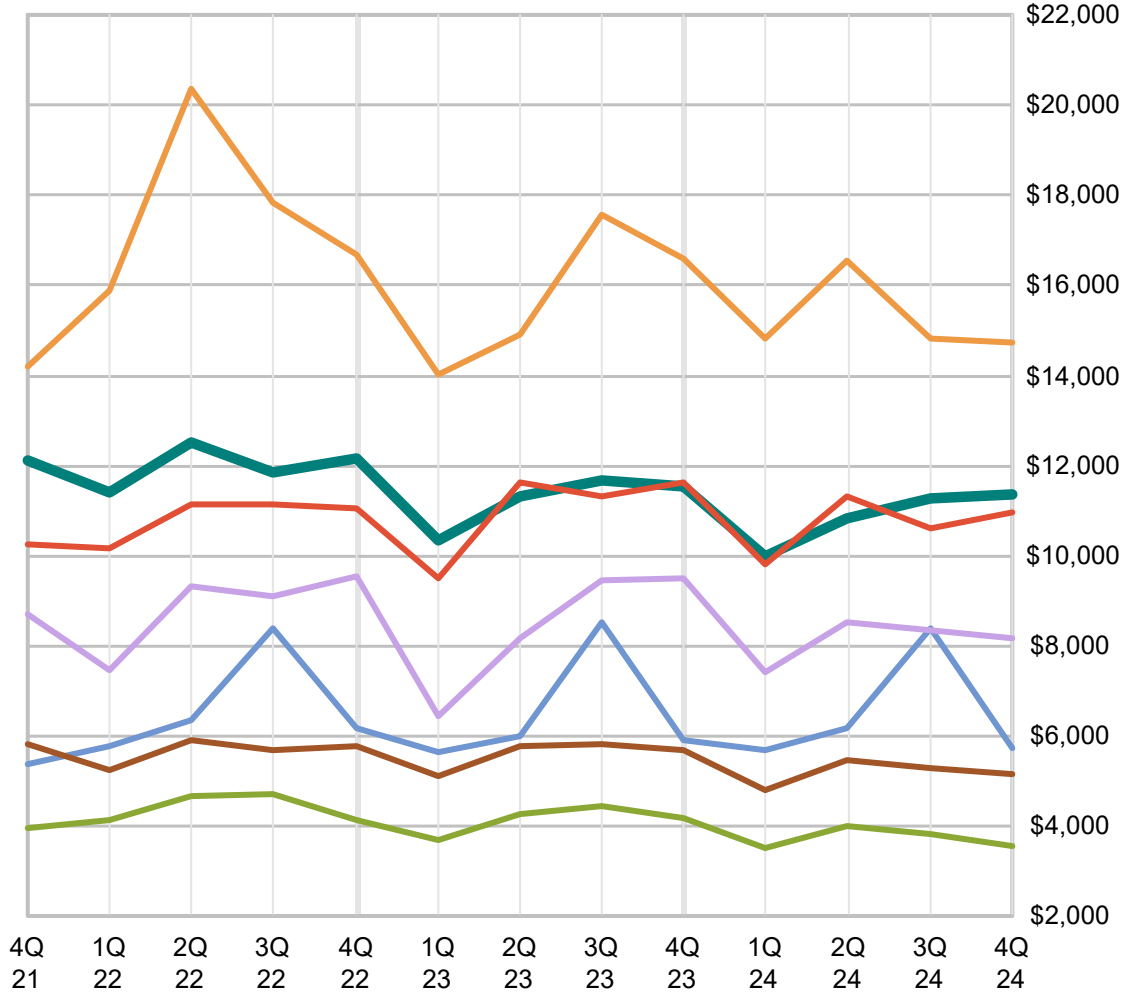
Agency Trend



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

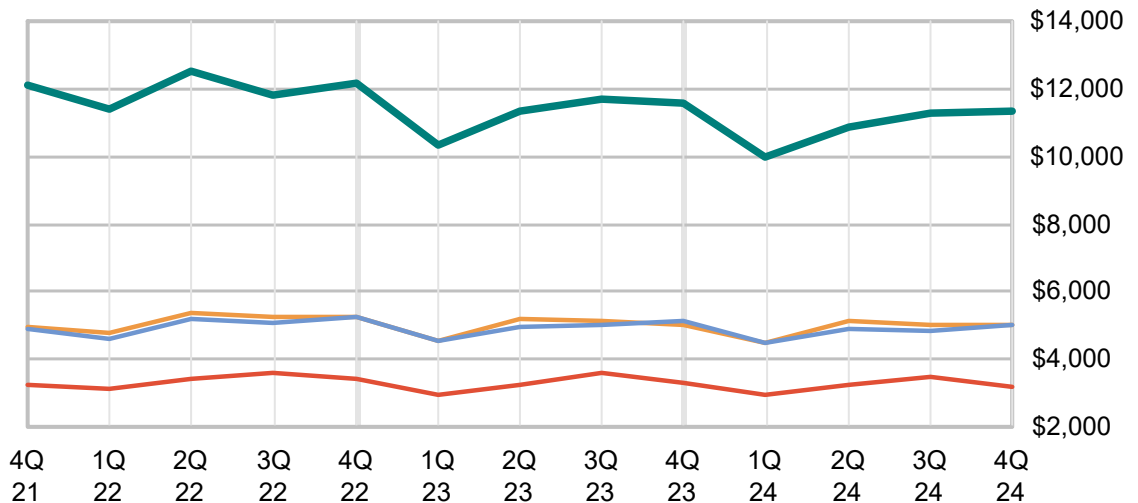
Per Capita Sales

- Placerville**  
Count: 735
- South Lake Tahoe**  
Count: 1,048
- Auburn**  
Count: 967
- Marysville**  
Count: 387
- Nevada City**  
Count: 483
- Grass Valley**  
Count: 1,016
- Yuba City**  
Count: 1,966



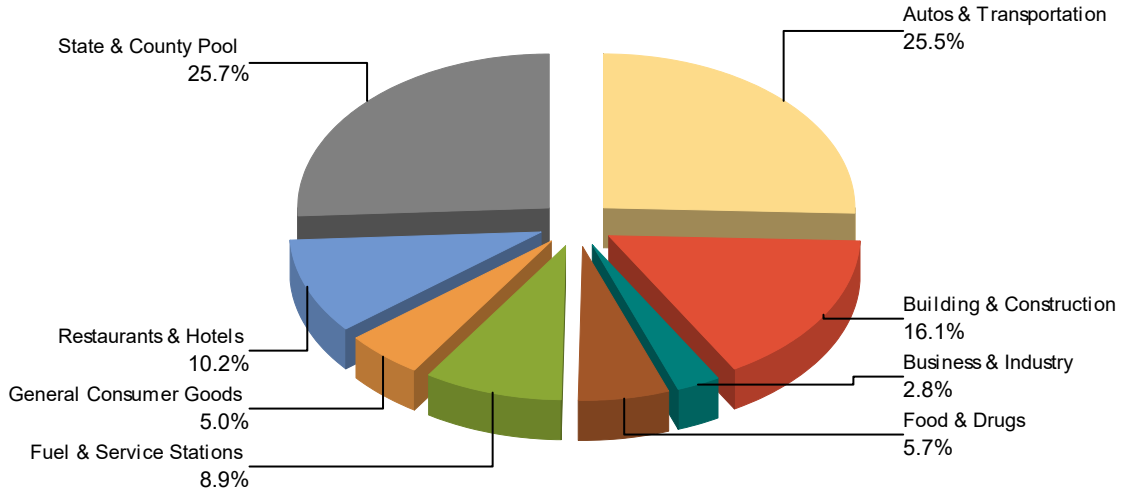
Per Capita Sales

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

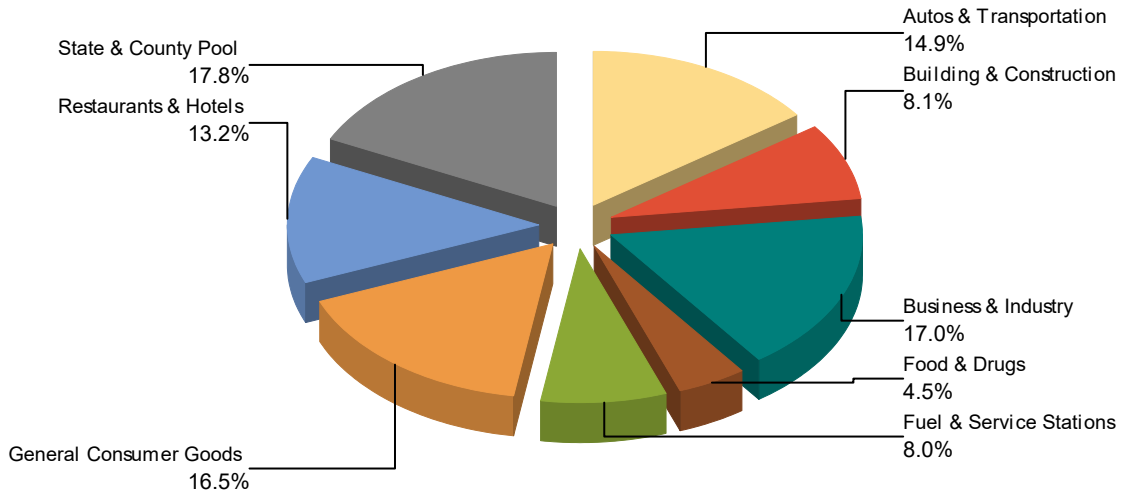


Periods shown reflect the period in which the sales occurred - Point of Sale

**City of Placerville**



**HdL Client Database Statewide Totals**

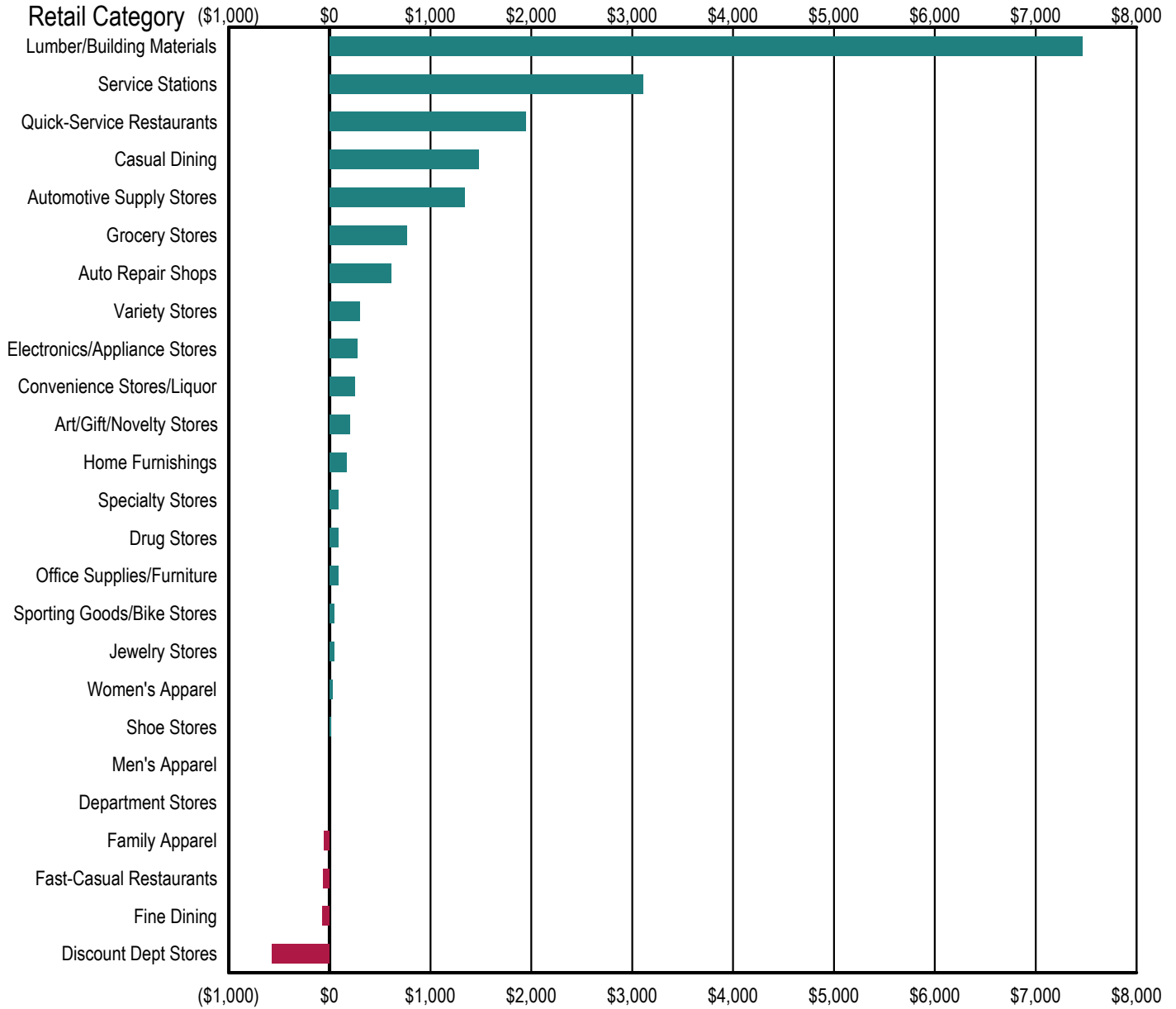




# STATE OF CALIFORNIA - ALL AGENCIES

SALES TAX PER CAPITA (POINT OF SALE (1%) & COUNTY/STATE POOLS)  
CALENDAR YEAR 2024

<u>Rank</u>	<u>Agency</u>	<u>Tax per Capita</u>	<u>Rank</u>	<u>Agency</u>	<u>Tax per Capita</u>
1	Industry	82,950	54	Malibu	503
2	Vernon	46,365	55	Burlingame	502
3	Colma	14,899	56	Palm Desert	496
4	Sand City	9,649	57	Mount Shasta	485
5	Irwindale	3,289	58	Pismo Beach	482
6	Signal Hill	2,183	59	West Sacramento	477
7	Santa Fe Springs	2,141	60	Livermore	473
8	Commerce	1,890	61	San Luis Obispo	469
9	Brisbane	1,509	62	Buena Park	468
10	Beverly Hills	1,444	63	Roseville	461
11	Colfax	1,240	64	Corning	461
12	Carmel	1,209	65	Walnut Creek	455
13	Shafter	1,112	66	Tustin	454
14	Corte Madera	973	67	Burbank	454
15	El Segundo	944	68	Eureka	452
16	Tracy	922	69	Nevada City	444
17	Cerritos	898	70	Carson	438
18	Dinuba	846	71	San Leandro	434
19	Bishop	792	72	Paso Robles	434
20	Sonora	776	73	Temecula	430
21	Auburn	736	74	Dublin	430
22	Buellton	724	75	Palm Springs	424
23	Ontario	722	76	San Carlos	423
24	Westlake Village	722	77	Avalon	419
25	Eastvale	710	78	Isleton	418
26	Costa Mesa	691	79	Rancho Mirage	417
27	Big Bear Lake	683	80	Orange	416
28	Cupertino	677	81	San Rafael	414
29	San Bruno	670	82	Norco	413
30	Trinidad	664	83	Red Bluff	411
31	St. Helena	648	84	Crescent City	410
32	Emeryville	647	85	Tehachapi	408
33	Capitola	645	86	National City	407
34	Yountville	635	87	Indian Wells	406
35	Dixon	633	88	Santa Monica	404
36	Rialto	597	89	Torrance	402
37	Culver City	595	90	Montclair	400
38	Napa Unincorporated	593	91	Chino	399
39	Beaumont	590	92	Ukiah	398
40	Del Mar	586	93	Anderson	397
41	Placerville	582	94	El Centro	397
42	Grass Valley	581	95	Loma Linda	395
43	West Hollywood	561	96	Truckee	392
44	Newport Beach	559	97	Corona	389
45	Healdsburg	543	98	Goleta	386
46	Santa Clara	539	99	Cotati	384
47	Brea	535	100	San Mateo Unincorporated	381
48	Fort Jones	527	101	Yreka	375
49	Mammoth Lakes	523	102	Sausalito	371
50	Weed	512	103	Selma	369
51	Palo Alto	510	104	Sonoma	365
52	Patterson	507	105	Milpitas	362
53	Carlsbad	504	106	Solvang	360



The above graph compares **per capita** sales tax generated from targeted retail categories against countywide averages. A **retail surplus** suggests the community is capturing its local market for that category of goods plus attracting shoppers from outside the jurisdiction. A **retail gap** suggests the possibility that residents may have a greater demand for products in the specific category than is being satisfied by local businesses. The information is provided only as a general **starting point** in identifying new opportunities and is solely based on your jurisdiction's population. It is not market specific and does not factor in traffic patterns, demographic characteristics or potential competition within the market area but outside your jurisdiction's boundaries. For a comprehensive and detailed analysis of potential opportunities that your market can support, contact [ECONsolutions@hdlcompanies.com](mailto:ECONsolutions@hdlcompanies.com)

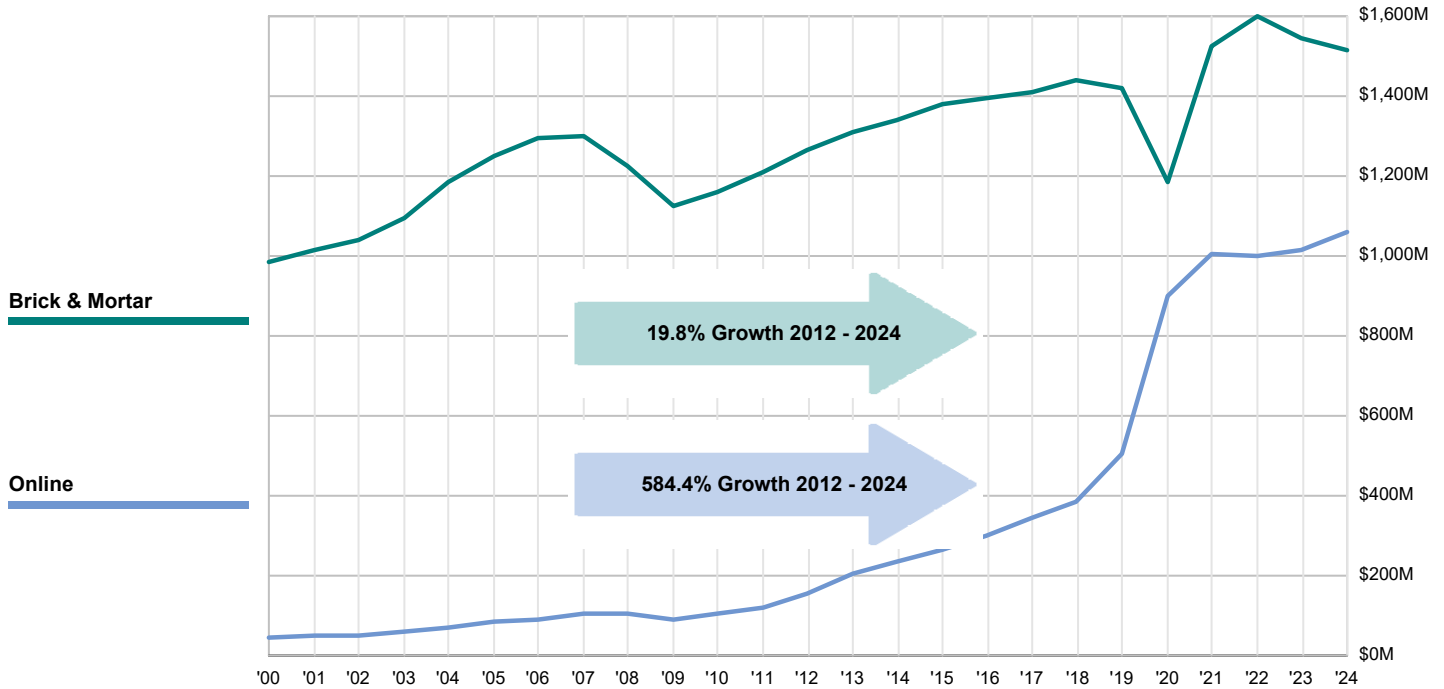
# CITY OF PLACERVILLE

## PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - 4 QUARTERS ENDING 4Q 2024

Retail Category	Per Cap Sales Capture (+) or Gap (-)	Sales Tax Deviation	Typical Sales Per Sq Ft by Retail Type	Approx Sq Ft to Close Gap
Lumber/Building Materials	\$7,458	\$786,023	\$300	n/a
Service Stations	3,104	327,154	n/a	n/a
Quick-Service Restaurants	1,947	205,255	500	n/a
Casual Dining	1,477	155,661	525	n/a
Automotive Supply Stores	1,341	141,318	275	n/a
Grocery Stores	764	80,502	110	n/a
Auto Repair Shops	607	64,015	215	n/a
Variety Stores	297	31,311	100	n/a
Electronics/Appliance Stores	273	28,777	500	n/a
Convenience Stores/Liquor	251	26,470	375	n/a
Art/Gift/Novelty Stores	203	21,354	150	n/a
Home Furnishings	166	17,513	175	n/a
Specialty Stores	89	9,362	175	n/a
Drug Stores	88	9,289	350	n/a
Office Supplies/Furniture	87	9,204	225	n/a
Sporting Goods/Bike Stores	46	4,883	225	n/a
Jewelry Stores	44	4,678	500	n/a
Women's Apparel	29	3,068	375	n/a
Shoe Stores	16	1,658	200	n/a
Men's Apparel	0	(3)	225	0
Department Stores	0	(19)	175	0
Family Apparel	(55)	(5,802)	375	2,000
Fast-Casual Restaurants	(64)	(6,743)	520	1,000
Fine Dining	(71)	(7,471)	800	1,000
Discount Dept Stores	(573)	(60,445)	475	13,000

Average sales per square foot are based on HdL's overview of average statewide chain store sales. The square footage needed to close the gap is only on approximation and specific demand will vary with regional and local market conditions and individual retailers.

**Local 1% Sales Tax by Calendar Year**



**Legend:**

Brick & Mortar - Statewide General Consumer Goods from Place-of-Sale locations

Online - Statewide General Consumer Goods from Fulfillment Centers and County Use-Tax Pool Allocations

**Relevant Points of Interest:**

- AB 155 requiring out-of-state retailers to collect and remit local tax, effective September 2012
- AB 147 requiring out-of-state online retailers to collect and remit local tax, effective April 2019
- AB 147 specifically requiring marketplace facilitators to collect and remit local tax, effective October 2019
- Covid-19 pandemic related 'shelter-in-place' directive issued March 2020, significantly impacting brick and mortar businesses and pushed consumers to buy online

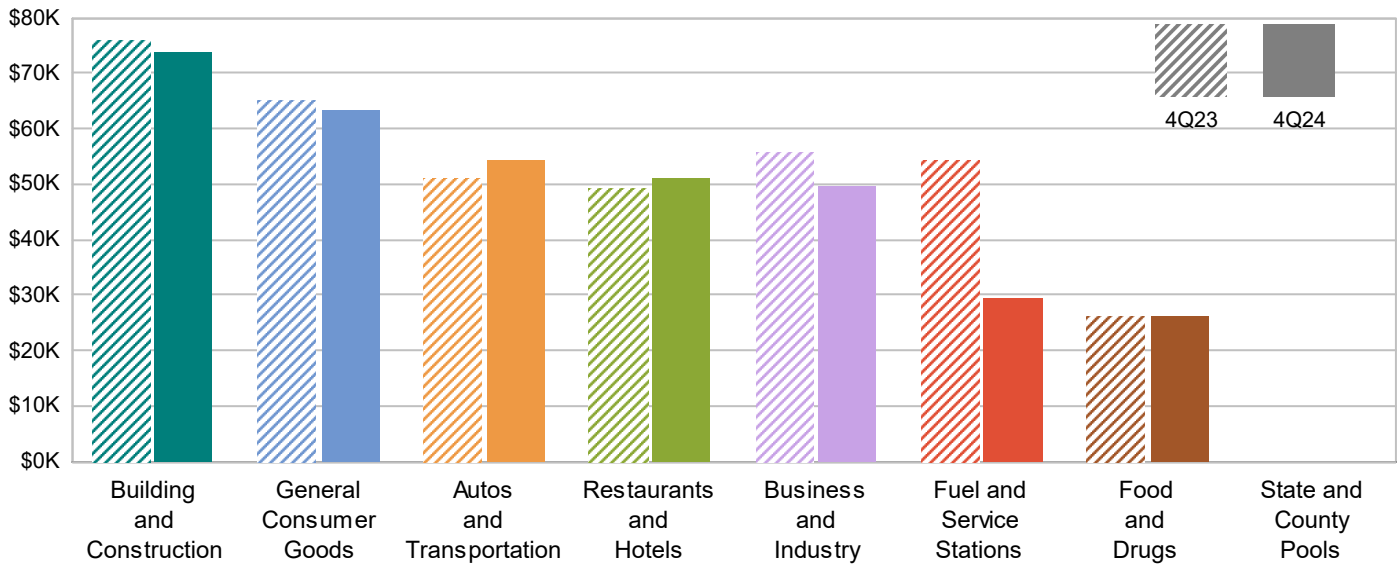


# CITY OF PLACERVILLE MEASURE H

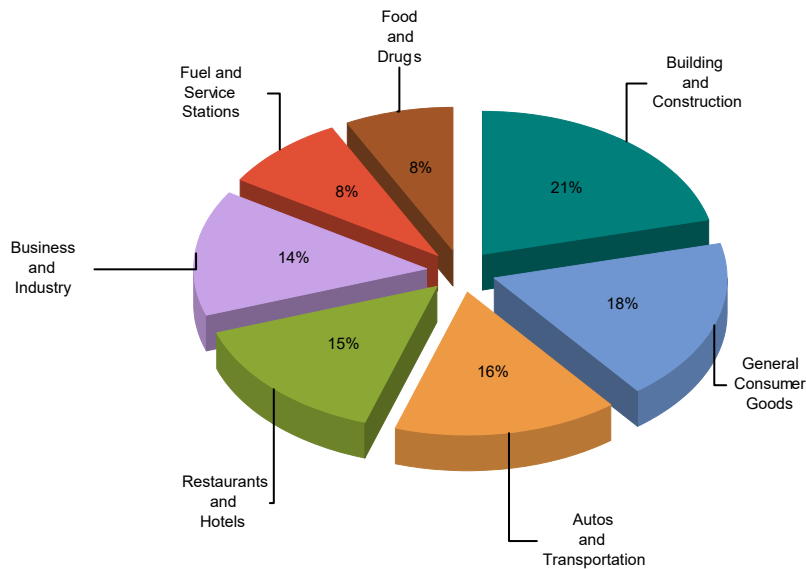
## MAJOR INDUSTRY GROUPS

Major Industry Group	Count	4Q24	4Q23	\$ Change	% Change
Building and Construction	470	73,809	76,138	(2,330)	-3.1%
General Consumer Goods	2,745	63,549	65,356	(1,806)	-2.8%
Autos and Transportation	773	54,298	51,246	3,052	6.0%
Restaurants and Hotels	212	51,322	49,354	1,969	4.0%
Business and Industry	3,722	49,801	55,760	(5,959)	-10.7%
Fuel and Service Stations	53	29,529	54,310	(24,781)	-45.6%
Food and Drugs	113	26,541	26,463	78	0.3%
Transfers & Unidentified	1,635	5,431	4,790	640	13.4%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,723</b>	<b>354,280</b>	<b>383,417</b>	<b>(29,137)</b>	<b>-7.6%</b>

**4Q23 Compared To 4Q24**

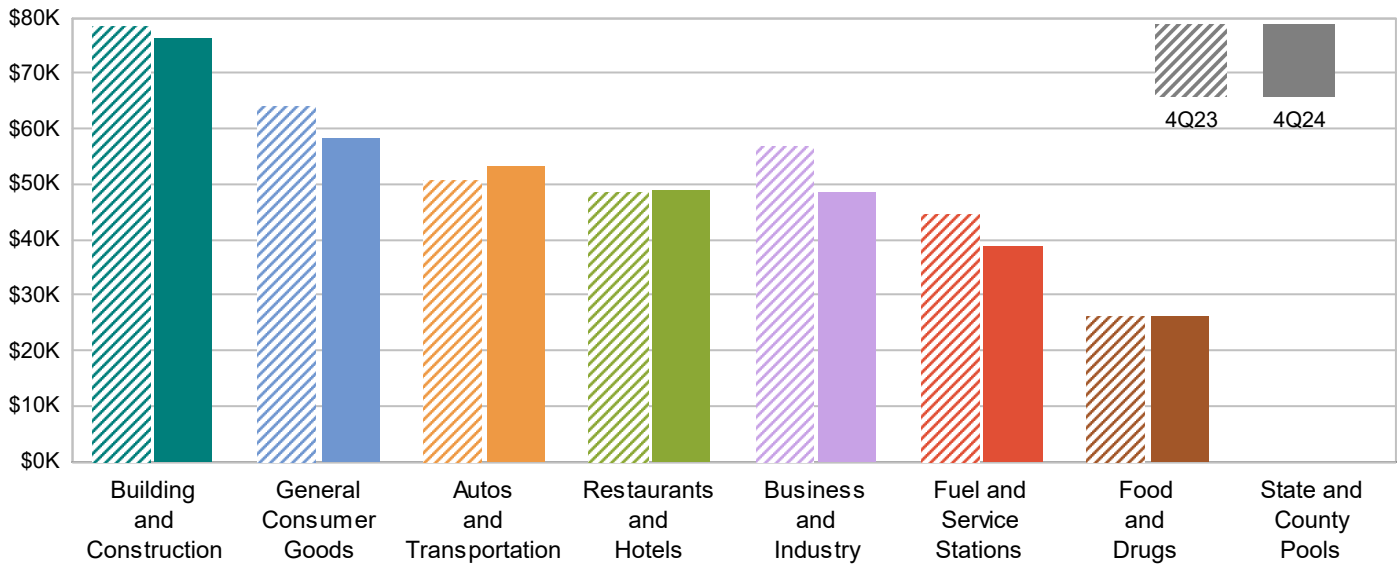


**4Q24 Percent of Total**

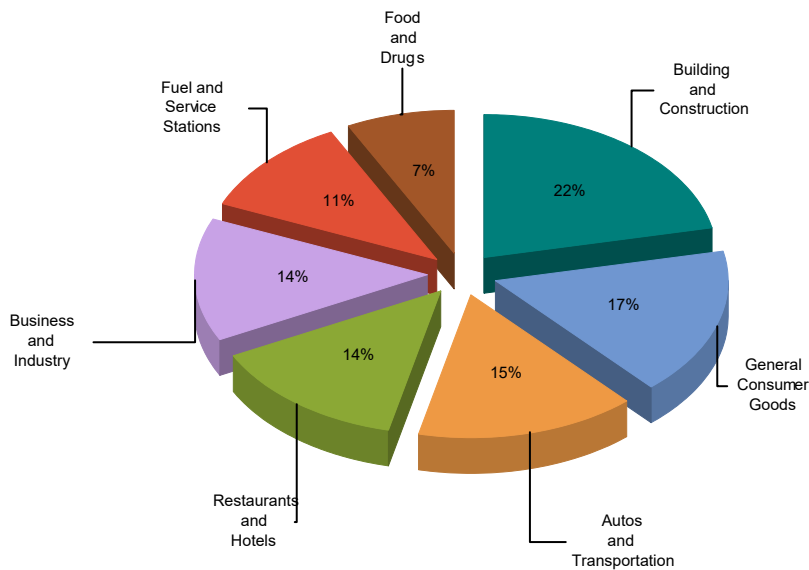


Major Industry Group	Count	4Q24	4Q23	\$ Change	% Change
Building and Construction	470	76,381	78,475	(2,094)	-2.7%
General Consumer Goods	2,745	58,484	64,002	(5,518)	-8.6%
Autos and Transportation	773	53,369	50,983	2,386	4.7%
Restaurants and Hotels	212	48,969	48,606	363	0.7%
Business and Industry	3,722	48,747	56,839	(8,093)	-14.2%
Fuel and Service Stations	53	39,108	44,663	(5,555)	-12.4%
Food and Drugs	113	26,250	26,442	(192)	-0.7%
Transfers & Unidentified	1,635	5,247	5,011	237	4.7%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,723</b>	<b>356,555</b>	<b>375,021</b>	<b>(18,466)</b>	<b>-4.9%</b>

**4Q23 Compared To 4Q24**



**4Q24 Percent of Total**



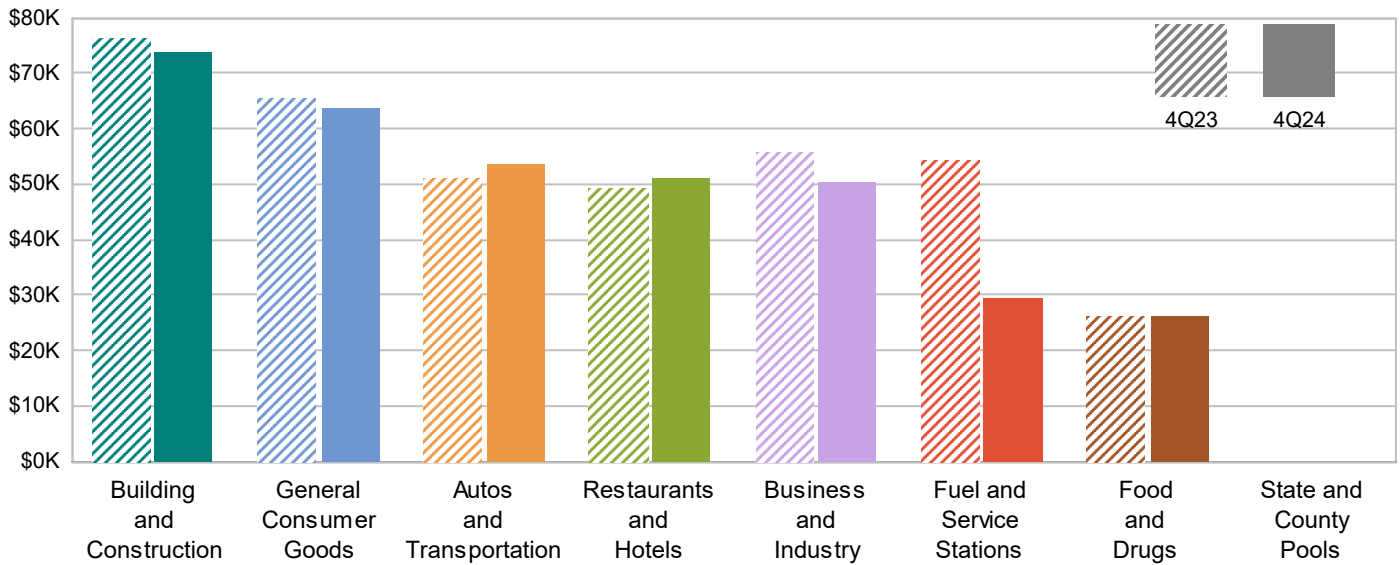


# CITY OF PLACERVILLE MEASURE J

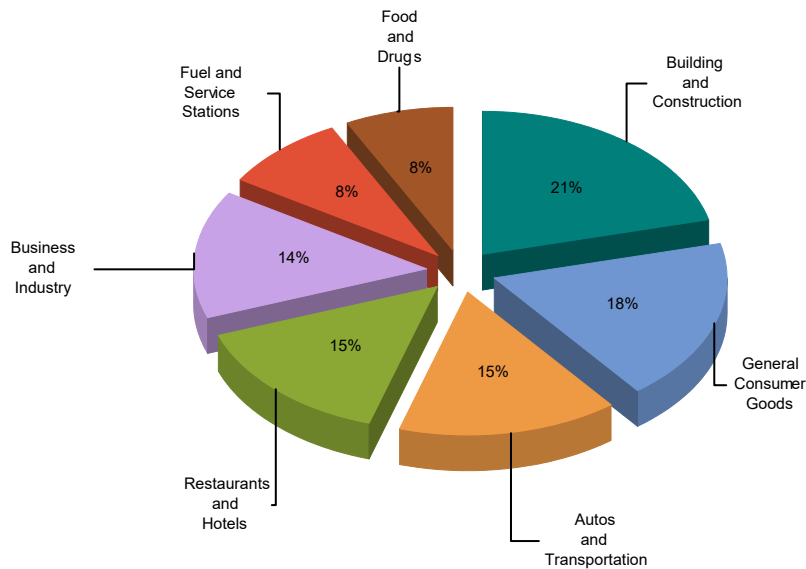
## MAJOR INDUSTRY GROUPS

Major Industry Group	Count	4Q24	4Q23	\$ Change	% Change
Building and Construction	468	73,754	76,156	(2,402)	-3.2%
General Consumer Goods	2,742	63,570	65,374	(1,804)	-2.8%
Autos and Transportation	769	53,638	51,056	2,581	5.1%
Restaurants and Hotels	211	51,333	49,360	1,973	4.0%
Business and Industry	3,706	50,492	55,895	(5,403)	-9.7%
Fuel and Service Stations	53	29,523	54,307	(24,784)	-45.6%
Food and Drugs	115	26,562	26,486	75	0.3%
Transfers & Unidentified	1,638	5,431	4,790	640	13.4%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,702</b>	<b>354,302</b>	<b>383,425</b>	<b>(29,123)</b>	<b>-7.6%</b>

**4Q23 Compared To 4Q24**

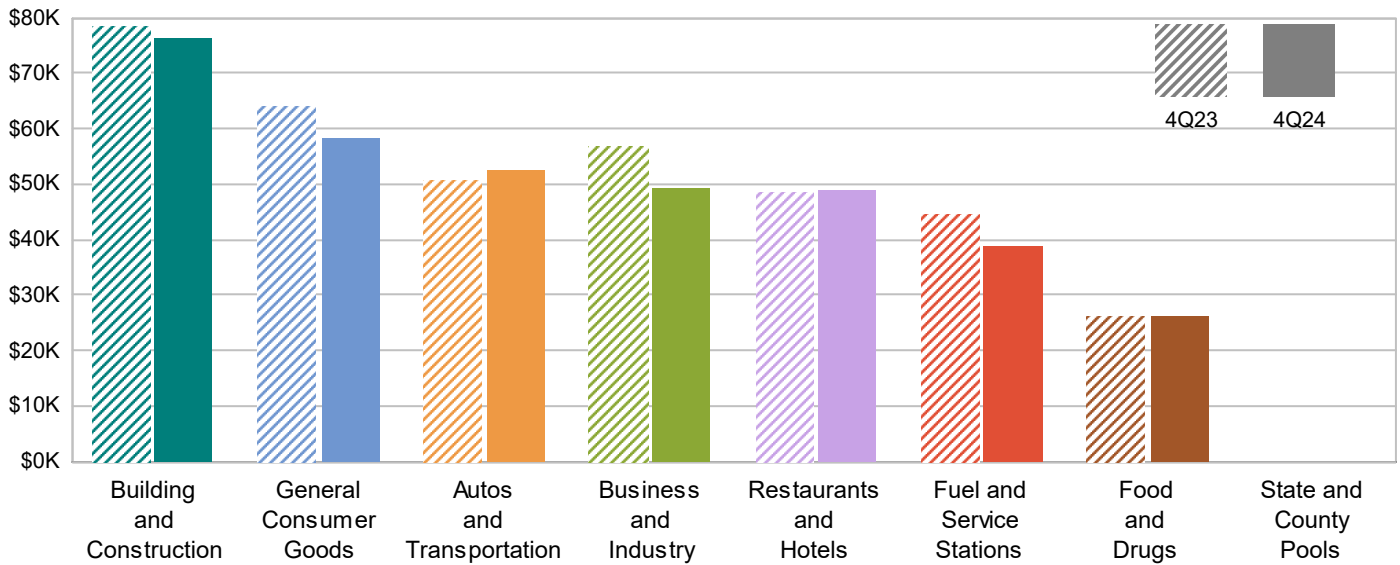


**4Q24 Percent of Total**

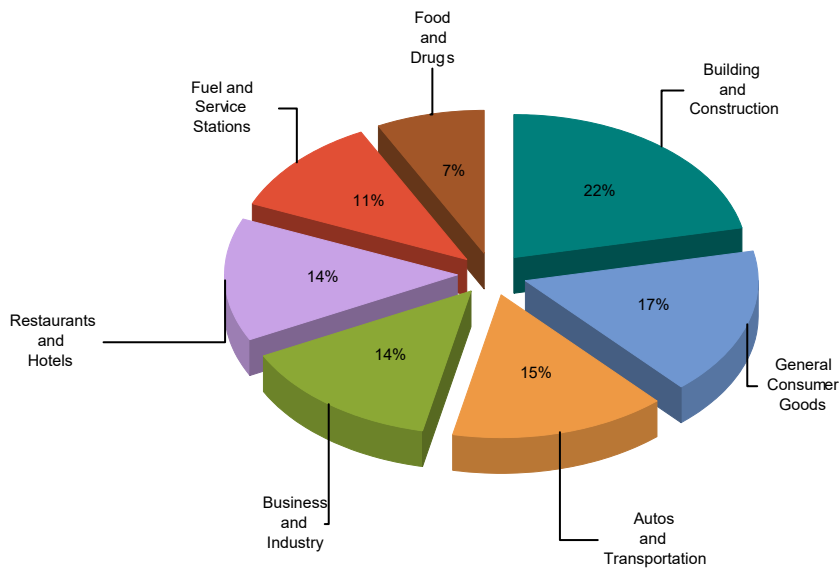


Major Industry Group	Count	4Q24	4Q23	\$ Change	% Change
Building and Construction	468	76,321	78,492	(2,171)	-2.8%
General Consumer Goods	2,742	58,502	64,021	(5,519)	-8.6%
Autos and Transportation	769	52,707	50,794	1,913	3.8%
Business and Industry	3,706	49,435	56,978	(7,542)	-13.2%
Restaurants and Hotels	211	48,969	48,606	363	0.7%
Fuel and Service Stations	53	39,102	44,660	(5,558)	-12.4%
Food and Drugs	115	26,271	26,465	(194)	-0.7%
Transfers & Unidentified	1,638	5,247	5,011	237	4.7%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,702</b>	<b>356,555</b>	<b>375,027</b>	<b>(18,472)</b>	<b>-4.9%</b>

**4Q23 Compared To 4Q24**



**4Q24 Percent of Total**



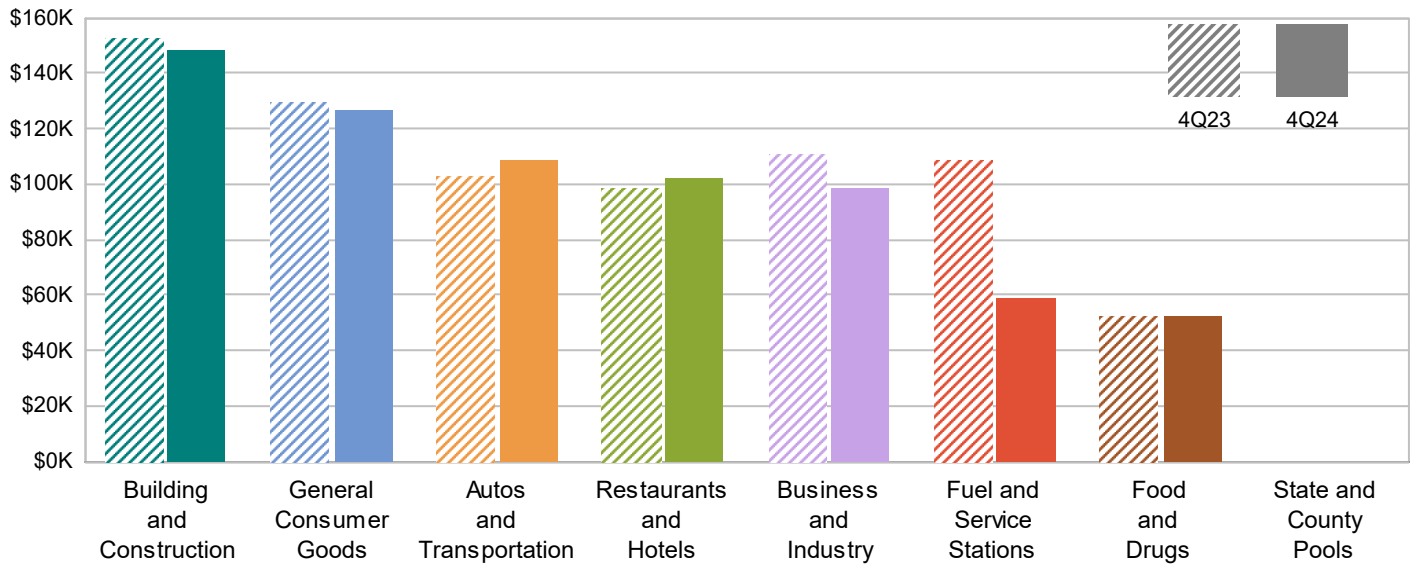


# CITY OF PLACERVILLE MEASURE L

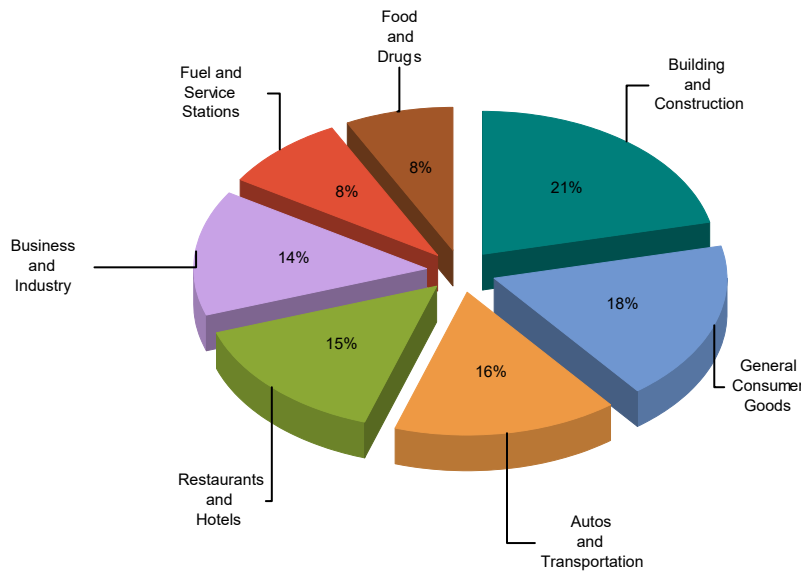
## MAJOR INDUSTRY GROUPS

Major Industry Group	Count	4Q24	4Q23	\$ Change	% Change
Building and Construction	499	148,461	152,889	(4,428)	-2.9%
General Consumer Goods	2,743	126,886	129,872	(2,986)	-2.3%
Autos and Transportation	790	109,021	103,287	5,734	5.6%
Restaurants and Hotels	212	102,645	98,705	3,939	4.0%
Business and Industry	3,789	98,531	110,701	(12,170)	-11.0%
Fuel and Service Stations	56	59,058	108,620	(49,562)	-45.6%
Food and Drugs	113	53,081	52,925	156	0.3%
Transfers & Unidentified	1,640	10,864	9,605	1,259	13.1%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,842</b>	<b>708,546</b>	<b>766,604</b>	<b>(58,058)</b>	<b>-7.6%</b>

**4Q23 Compared To 4Q24**

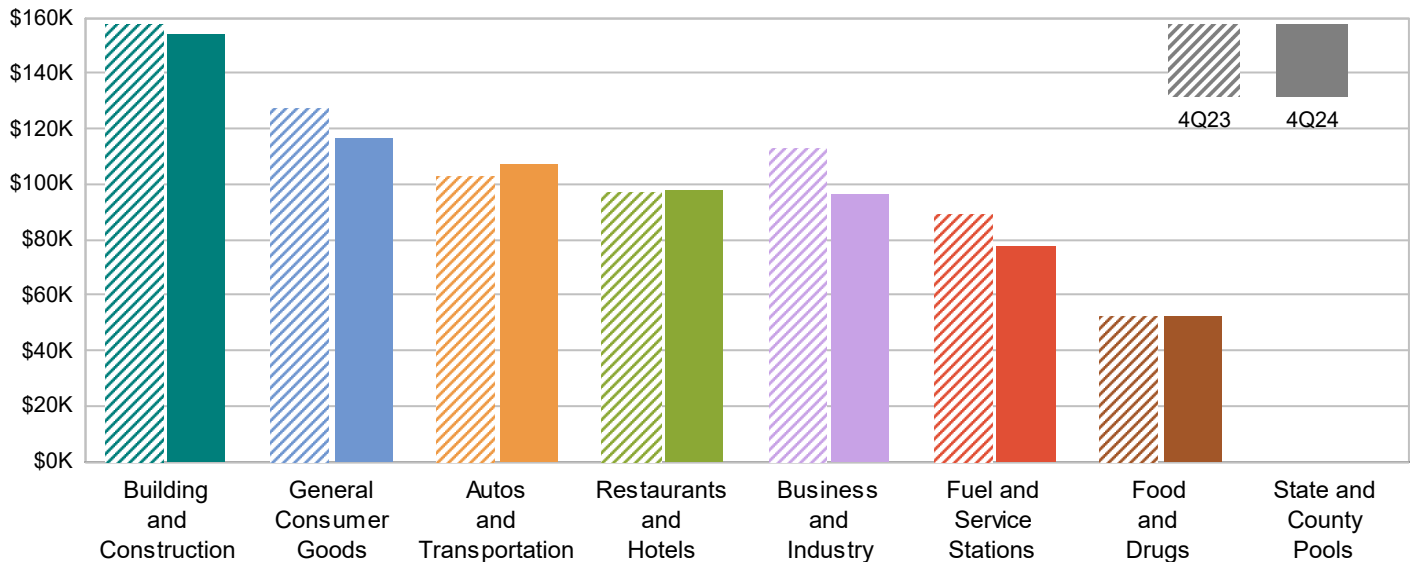


**4Q24 Percent of Total**

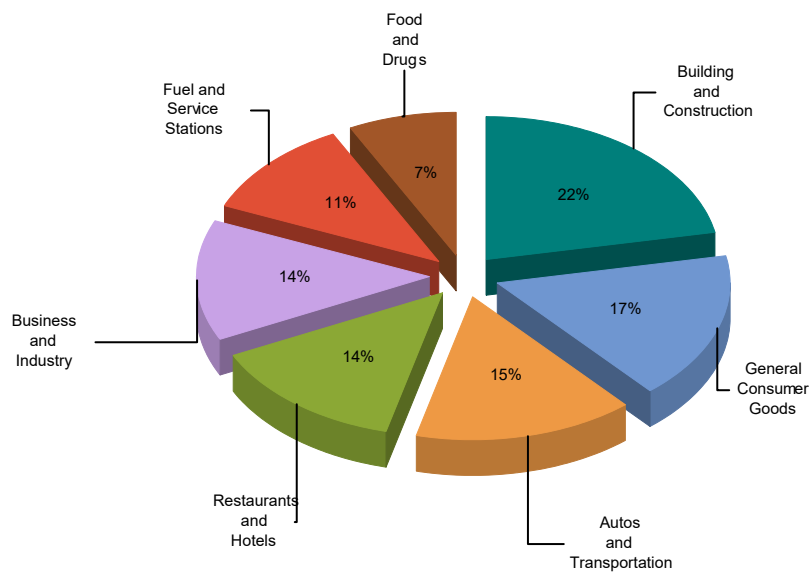


Major Industry Group	Count	4Q24	4Q23	\$ Change	% Change
Building and Construction	499	153,799	157,517	(3,719)	-2.4%
General Consumer Goods	2,743	116,837	127,371	(10,534)	-8.3%
Autos and Transportation	790	107,085	102,762	4,324	4.2%
Restaurants and Hotels	212	97,940	97,210	730	0.8%
Business and Industry	3,789	96,464	112,843	(16,379)	-14.5%
Fuel and Service Stations	56	77,971	89,326	(11,356)	-12.7%
Food and Drugs	113	52,506	52,882	(376)	-0.7%
Transfers & Unidentified	1,640	10,622	10,045	577	5.7%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>9,842</b>	<b>713,224</b>	<b>749,957</b>	<b>(36,733)</b>	<b>-4.9%</b>

**4Q23 Compared To 4Q24**



**4Q24 Percent of Total**



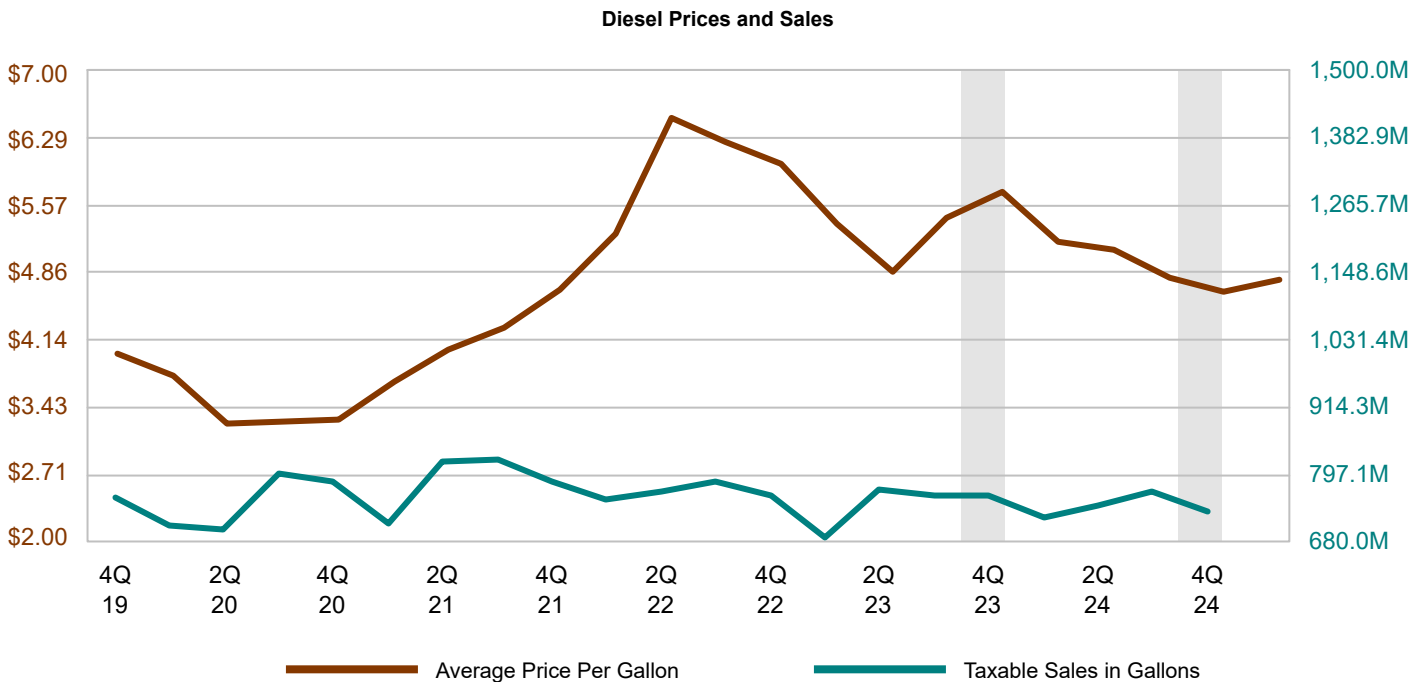
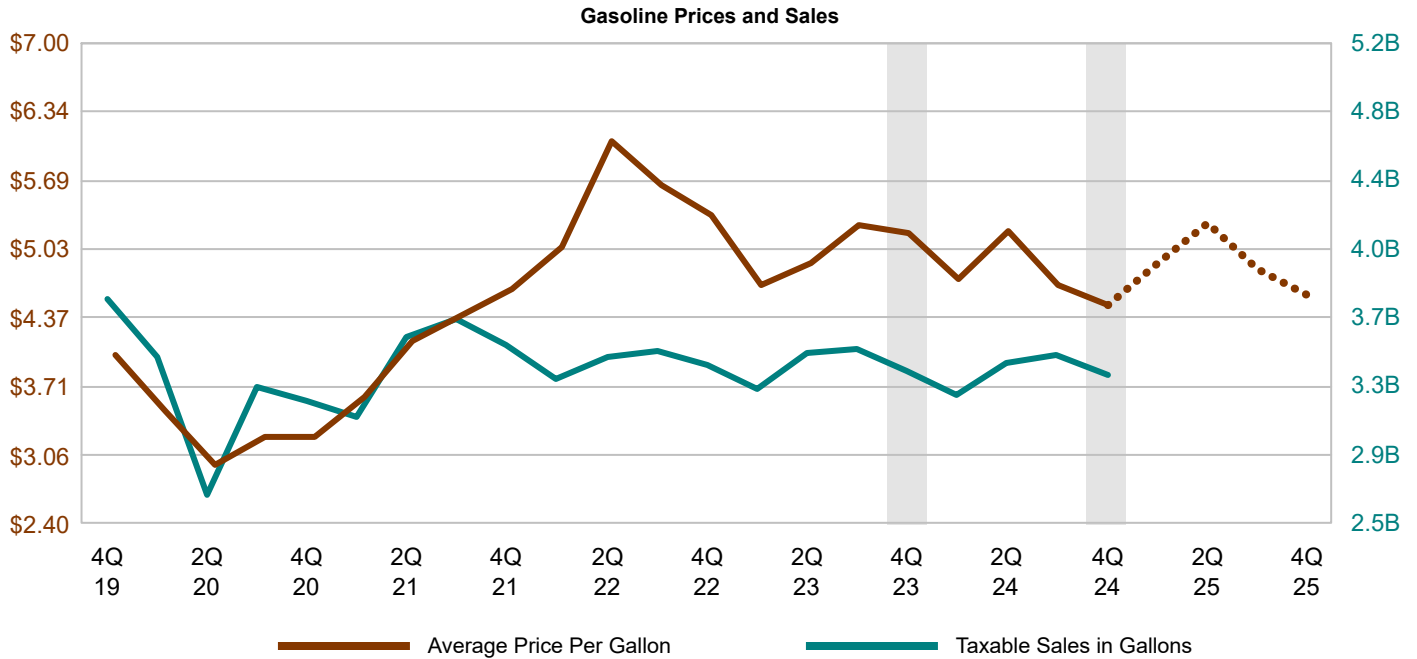


# STATE OF CALIFORNIA

## 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

MARCH 2025



*Mt. Burdell, Marin County*



**HdL** Companies

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**Overview:** The economic outlook is characterized by uncertainty. Ambiguity in national public policy leads to delays and curtailment in capital investment. Tariff impositions fluctuate daily, often lacking specificity, with changing start dates and unclear product details. Other sources of volatility include global events, inflation concerns, and potential reductions in the Fed Funds rate. Prioritized day-to-day expenditures erode discretionary spending due to weakened consumer confidence. Retailers acknowledge that shoppers are experiencing price fatigue. While people continue to spend, tax allocations are continually shifting. Our statewide forecast has weakened in the short term, with limited growth expected in FY 2025-26.

2024/25 | 2025/26

2024/25 | 2025/26



**Autos/Transportation**

-0.6% | 1.4%

Uncertainty looms over the auto industry as tariff proposals and trade conflicts threaten supply chains, potentially pushing historically high vehicle prices even higher. Weakening consumer sentiment may reduce willingness to make big-ticket purchases. Persistently high interest rates have further strained affordability and contributed to a two-year decline in tax receipts. Given these factors, the forecast is cautious. Expect a temporary revenue boost over the next two quarters as buyers rush to make purchases ahead of potential tariff increases, pulling future demand forward. In the remainder of the year, consumers may adopt a more guarded stance, awaiting clarity on the economy and tariff policy, resulting in slower vehicle sales growth.



**Fuel/Service Stations**

-9.1% | 3.0%

Over the past ten years, statewide motor vehicle fuel consumption declined 10% while overall sales taxes rose 6.5%. This pattern of growth is closely linked to a 67% surge in gas prices over the same period. In 4Q24, oil barrel and pump prices were down significantly, netting 14% lower revenues. Factors contributing to this downward pressure include slowing consumption and falling pump and oil barrel prices. Conversely, California's legislation and stringent environmental regulations have provided upward offsets, potentially pushing local refineries out of state. Expect a down year now, followed by gradual recovery in FY 2025-26.



**Building/Construction**

-2.9% | -1.0%

The prior forecast anticipated improving interest rates and lower commodity prices to gradually boost new construction by the start of FY 2025-26. However, vacillating tariff policies, potential migrant deportations, the Federal Reserve's decision to forgo future interest rate adjustments and uncertainty around federal funding for infrastructure and affordable housing projects have placed the construction industry on hold. Despite mortgage interest rates dropping below 7%, home prices remain too high. Construction loan interest rates and unpredictable materials costs prevent new project starts. Contractors stockpiling material ahead of planned tariffs may see short-term benefits. In wildfire areas, expect 18-month delays for the start of home replacement construction.



**General Consumer Goods**

-2.2% | 1.1%

The 2024 holiday quarter showed resilience from shoppers, with overall consumer goods spending increasing by 1%. Direct allocations associated with retail storefronts contracted 2% while overall gains were supported by online retail activity. A fractional decline can be attributed to some absorption of lower gas prices, but most business types reported lower taxable sales. The outlook remains cloudy, with consumer sentiment falling for three consecutive months and reaching a low March reading seen only a handful of times in the past 40 years. Consumers expect current policy decisions to spur inflation, posing a headwind for households and retailers alike. Expect growth to be mild in FY 2025-26 driven by higher costs of goods relative to consumption.



**Business/Industry**

0.1% | 1.6%

During the busy shopping season, Californians relied heavily on ecommerce, with local orders from CA-based fulfillment centers surging to a surprising 32% of all B&I revenues. Technology-related purchases boosted business-to-business sales, while energy demand contributed to electrical equipment sales. However, many categories remained relatively flat or declined as economic variables stunted progress. Sales of warehouse, farm, construction equipment, trailers, and auto parts dropped, partly due to one-time revenues from the previous year. The conclusion of many large solar/energy projects in the State caused related payments to plummet. The statewide outlook anticipates a dip in the current fiscal year and modest growth thereafter.



**Restaurants/Hotels**

1.3% | 2.8%

Despite a softer statewide sales tax generation outlook, there is a bright spot: consumers are spending more on dining out than on food at home. Aggressive menu price increases to offset higher operating costs have moderated restaurant traffic. Customers continue to seek experiences and value. Hotels have plateaued, with budget-conscious travelers deterred by room rates, but a slow and steady return of international travelers exerting a positive impact on the industry. Restaurant closures and limited expansions/openings remain an ongoing concern as these enterprises struggle to stay profitable over the next two years.



**Food/Drugs**

-3.6% | -0.5%

Grocery stores contracted by 1% in 4Q24 as food commodities began to climb once again. Convenience/liquor markets experienced declining traffic, inflationary pressures, and competition from online and value stores. Cannabis retailers shrank for the fifth consecutive quarter, down 11% as they faced competition from CBD products on the open market which do not need a regulatory license. Additionally, the closure of a national brand's outlets required consumers to pivot to other merchants for products once sold in this group. While private equity investments are anticipated, expect a decrease through the end of June, with FY 2025-26 remaining relatively flat.



**State and County Pools**

3.0% | 3.0%

Pools posted a solid 4% improvement in 4Q24 compared to the year ago quarter. Analysis showed that business-related out-of-state orders performed better than online merchants who sold general retail goods. This latter segment follows the business-industry group trend, with more in-state fulfillment centers diverting some taxpayer's dollars away from the pools. Even with prevalent uncertainty in shopper's minds, expert research indicates an ever-expanding share of overall retail sales coming from ecommerce transactions. Projections reflect U.S. retail marketplace sales expanding once again in 2025 driven by a combination of existing players doing well and upstarts capturing market share, particularly among the younger demographics focused on affordable products.



# NATIONAL AND STATEWIDE ECONOMIC DRIVERS

2024/25 | 2025/26

2024/25 | 2025/26



## U.S. Real GDP Growth

2.4% | 2.0%

Real GDP expanded at an annual rate of 2.5% in the fourth quarter of 2024, driven by gains in consumer and government spending, but partially offset by a decline in investment. Given the central role consumers play in the U.S. economy, concern over weakening consumer confidence amid ongoing Federal policy uncertainty is warranted. Although consumer confidence has declined in 2025, inflation-adjusted consumer spending grew by a solid 2.8% over the past year. While the United States is still on track for a reasonable pace of GDP growth in 2025, sustained momentum will depend on whether consumers remain confident.



## U.S. Unemployment Rate

4.2% | 4.3%

Despite rising 0.6 percentage points YoY to 4.1% in February 2025, U.S. unemployment remains low by historical standards. Job openings have not seen year-over-year growth since July 2022, and in January 2025, there were 1.13 nonfarm job openings per unemployed person, marking a return to pre-pandemic levels. January's nonfarm job openings rate stood at 4.7%, which is consistent with long-term trends. After some gains in 2023, U.S. labor force participation has stabilized between 62.4% and 62.7%, still below the pre-pandemic rate of 63.3%. While the nation's labor market remains resilient, slowing job growth and stagnant participation rates point to a more uncertain outlook in the months ahead.



## CA Unemployment Rate

5.1% | 5.2%

California's unemployment rate has climbed to 5.4% as of January 2025, up from 5.1% in December 2023, which is a full 1.4 percentage points above the national average. Despite this increase, the labor force has expanded by over 136,000 people over the same period. The 2024 annual benchmark revision by the California EDD revised labor force estimates up by 300,000. However, labor force participation remained unchanged at 62.1%, suggesting the increase was driven more by population growth than higher workforce engagement. This is reinforced by California's gain of 233,000 residents from 2023 to 2024 following years of decline and stagnation.



## CA Residential Building Permits

97,713 | 102,581

Residential permitting in California remains stagnant, preventing any meaningful progress in addressing the housing crisis. Permits in 2024 remained below levels seen in 2021 and 2022, with each quarter showing a year-over-year decline. In the fourth quarter, permits fell by 7%, underscoring the ongoing slowdown in construction activity. Despite growing demand for housing, strict zoning laws, regulatory barriers, and high construction costs are limiting new residential projects. While recent cuts in interest rates and a series of housing bills stemming from the Assembly Permitting Reform Committee may encourage some new development, the limited increase in permits is unlikely to ease upward pressure on home prices in the short term.



## CA Total Nonfarm Employment Growth

1.2% | 1.0%

California's job market has hit a standstill, with total nonfarm employment increasing by just 22,000 year-over-year in January 2025, a modest 0.1% rate of growth. Recent revisions showed the state added fewer jobs than originally estimated, with the tech sector standing out in the downward adjustment. Stagnant workforce participation continues to be a key challenge hindering employment growth. The state's unemployment rate has been gradually rising, adding complexity to the labor market's outlook. While California's economic fundamentals remain strong, uncertainty around monetary, fiscal, and trade policy is likely to limit the potential for more robust employment growth this year.



## CA Median Existing Home Price

\$733,389 | \$744,794

Housing affordability remains a challenge for California residents. Single-family home sales rose 0.05% year-over-year in February 2025, while the median price climbed by 6%. However, there is room for optimism. The average mortgage rate has dropped nearly 1 percentage point from its peak of 7.62% in October 2023. Inventories have also been growing as sellers adjust to higher mortgage rates, with year-over-year inventory growth exceeding 20% every month since May 2024. This trend is expected to continue as policy uncertainty drives investors toward safer assets, leading to an increase in demand for longer-term bonds and a decline in interest rates. Despite this, the fundamental issue in California's housing market remains a lack of supply, limiting price declines.

## Proposition 172

Following a 1% decrease in FY 2023-24 statewide Proposition 172 (P-172) revenues, the updated forecast anticipates a 1.6% decline for the 2024-25 fiscal period; modest growth for FY 2025-2026. Current county projections include updated pro-rata factors published by the State Controller's Office (SCO) in September 2024 (based on calendar year 2023 actuals). Expectations are new factors come in April 2025 (based on calendar year 2024 actuals). As the calendar year Bradley-Burns results fluctuate due to taxpayer modifications, audits, economic impacts, etc. – Proposition 172 pro-rata factors and resultant P-172 revenues will vary for many counties.

Watch our webinar for more details!

