



# Key Local Tax Revenues Post-Pandemic



## Trends & Outlook

Cal Cities Municipal Finance Institute

December 2022



# What is happening with local tax revenues?

Property Tax

Hotel Tax  
(TOT)

Sales Tax

BLT

UUT

Cannabis

RPTT

Others...





# Property tax – 2021 unprecedented!

- CY2021 = double digit SFR median sale price growth
- CA CPI per Proposition 13 = max of **2%**
  - 2022-23 & 2023-24
- Prop 8 restored values fewer in #
  - additional values may be added FY 2022-23
  - 2021 new construction completions
- Supplemental allocations in CY2021 very high





# Property tax outlook

- **Headwinds**
  - interest rates - lending
  - cooling real estate market
  - prices & volume declining
  - lower local revenues
  - rate of growth decreasing
  
- Office vacancies/pandemic retail effects realized in 2022-23 and/or 2023-24





# California travel-related recovery

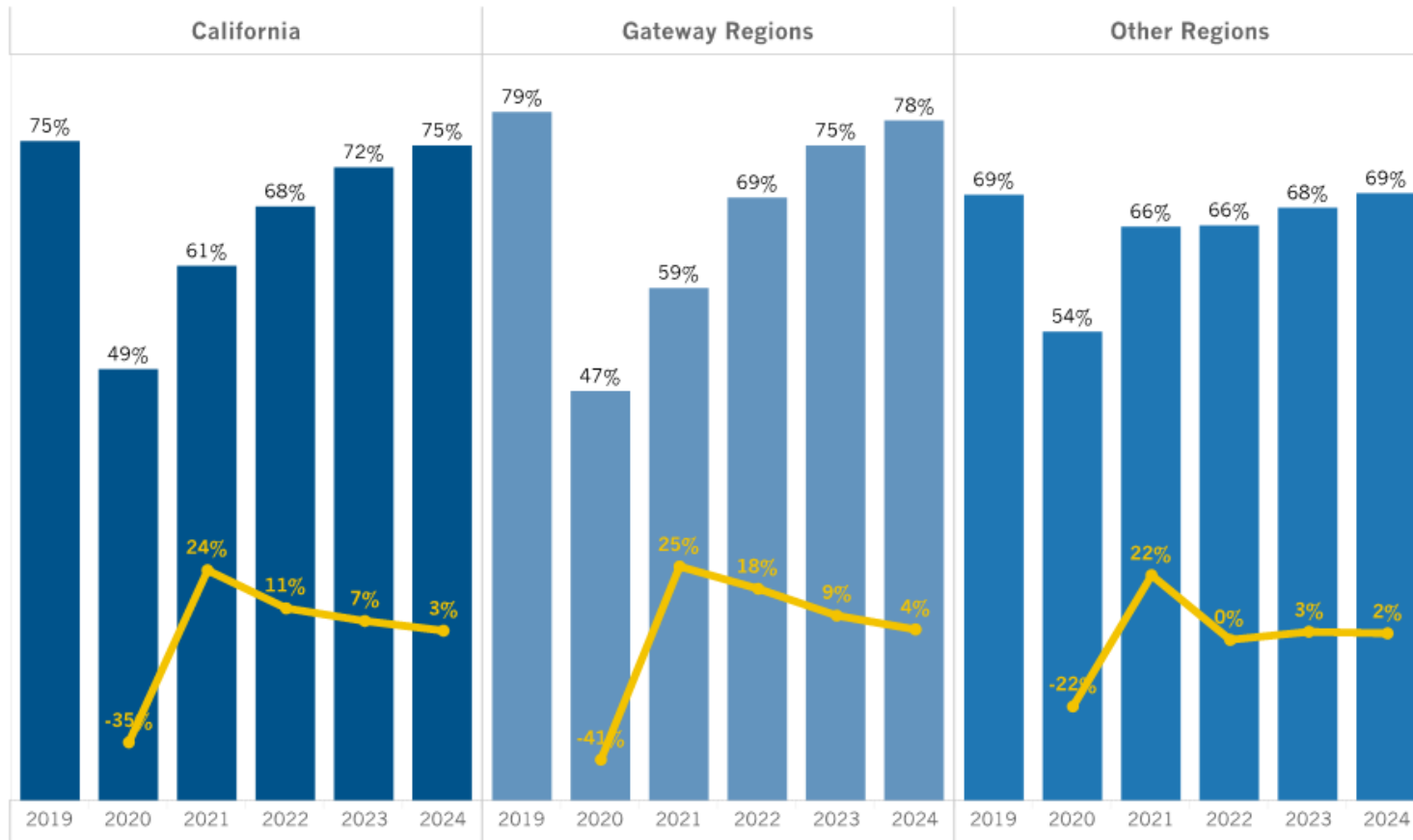


- ✓ 2022 tourism spending likely \$137.8B, 95% of the 2019 amount
- ✓ 2022 domestic travel-related spending recovering to 104% of 2019 & international spending recovering to 58%
- ✓ Total travel- related spending expected to reach pre-COVID levels in 2023
  
- ✓ *Overall in 2022...*
  - *leisure travel (person trips) recover to 93% of 2019 volume*
  - *business-related travel will recover to 79%*



# State hotel trends - 2021

## California Summary: Occupancy



## 2022 Projection

- Occupancy 68%
  - 16% growth over 2021
  - 7% below 2019 levels
- ADR \$187 per night
  - Up 21% over 2021
  - Up 12% over 2019



# Sales tax performance & pressures

- FY 2021-22 local tax receipts grew >15.3% - huge rebound year
  - Inflation & volume
- **Headwinds**
  - Interest rates, weakening demand, inflation, fuel pricing
  - Consumers: saving less, spending savings, using credit.
  - Continued shift back to non-taxable services

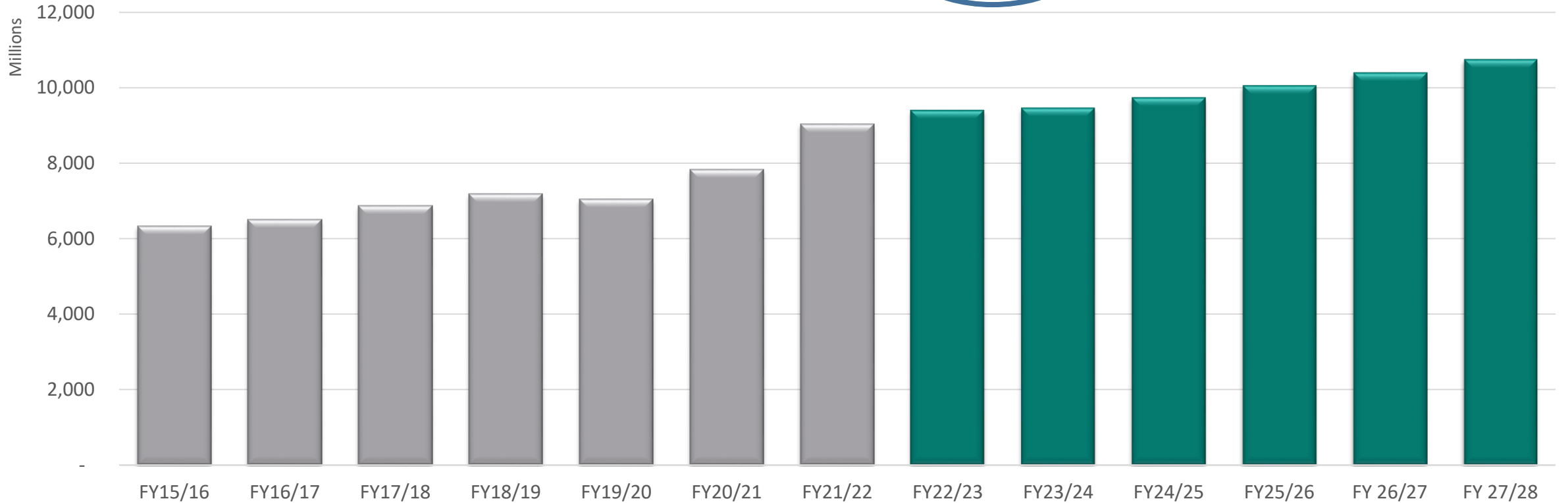




# Statewide sales tax annual outlook

% Change  
YoY

15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
3.2%	2.7%	5.6%	4.5%	-1.9%	11.2%	15.3%	4.1%	0.7%	2.9%	3.3%	3.4%	3.4%







# 3-year comparison

Business Group	Fiscal Year			Chg. CY 2019-20 vs FY 2021-22	
	2019-20	2020-21	2021-22	\$	%
General Consumer Goods	\$1,233 M	\$1,342 M	\$1,522 M	\$289 M	23%
Business & Industry	\$1,065 M	\$1,253 M	\$1,426 M	\$361 M	34%
Autos & Transportation	\$1,065 M	\$1,256 M	\$1,419 M	\$354 M	33%
Restaurant & Hotels	\$839 M	\$761 M	\$1,046 M	\$208 M	25%
Fuel & Service Stations	\$574 M	\$538 M	\$804 M	\$230 M	40%
Building & Construction	\$607 M	\$688 M	\$751 M	\$144 M	24%
Food & Drugs	\$382 M	\$411 M	\$419 M	\$37 M	10%
<b>Point of Sale</b>	<b>\$5,777 M</b>	<b>\$6,262 M</b>	<b>\$7,400 M</b>	<b>\$1,623 M</b>	<b>28%</b>
<b>Pools</b>	<b>\$1,269 M</b>	<b>\$1,573 M</b>	<b>\$1,634 M</b>	<b>\$365 M</b>	<b>29%</b>
<b>Total</b>	<b>\$7,046 M</b>	<b>\$7,835 M</b>	<b>\$9,034 M</b>	<b>\$1,988 M</b>	<b>28%</b>

Surge included  
Wayfair AB147  
implementation  
as of April 2019



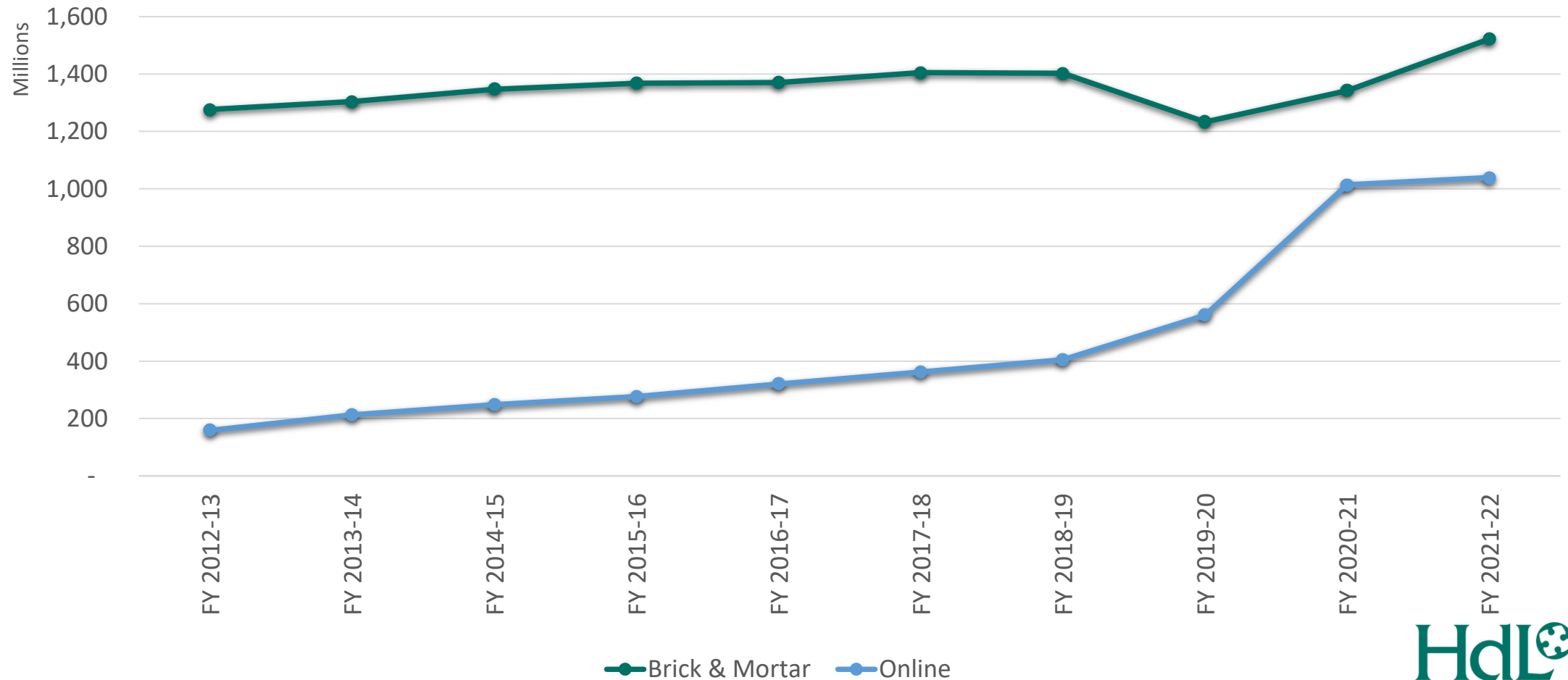
# County pools (indirect)

Major Industry Groups	FY 2012-13	FY 2018-19	FY 2020-21	FY 2021-22
Autos And Transportation	12.2%	11.5%	9.3%	10.1%
Building And Construction	9.4%	8.1%	6.4%	6.9%
Business And Industry	53.3%	44.2%	31.4%	33.9%
Food And Drugs	0.2%	0.2%	0.3%	0.3%
Fuel And Service Stations	1.3%	0.5%	0.3%	0.5%
<b>General Consumer Goods</b>	<b>22.6%</b>	<b>33.3%</b>	<b>47.7%</b>	<b>41.4%</b>
Restaurants And Hotels	0.3%	0.3%	0.6%	2.1%
Transfers & Unidentified	0.7%	1.9%	4.1%	4.8%
Grand Total	100.0%	100.0%	100.0%	100.0%



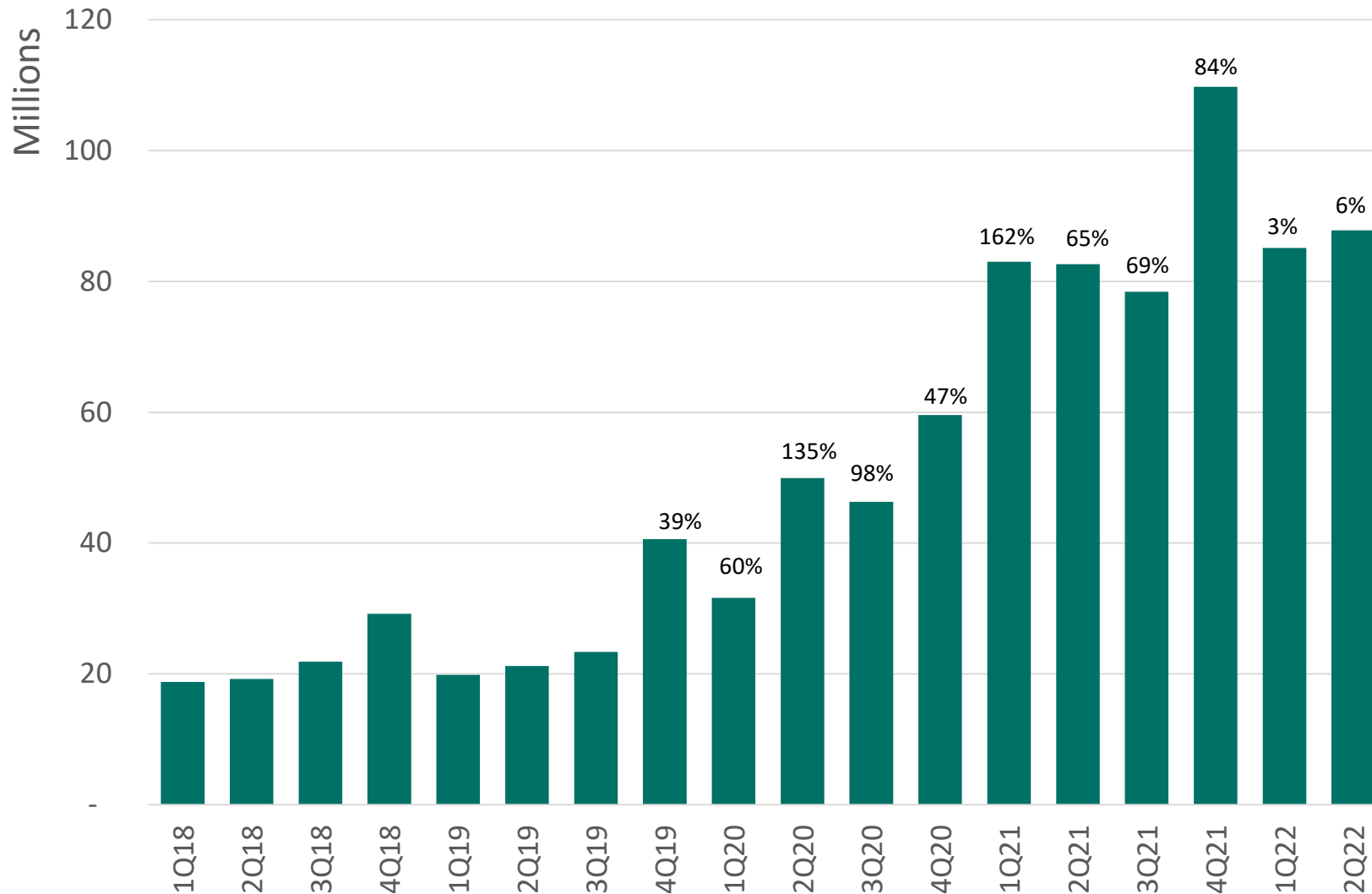
# Online vs brick & mortar (GCG)

We talk a lot about online retail sales...





# Fulfillment centers



## Place-of-Sale direct allocations to local agencies

**4Q19 – 3Q20:** Growth from AB 147 and Marketplace Facilitators, as well as pandemic behavior shifts

**4Q20:** Continued pandemic-related online spending

**1Q21 - 4Q21:** Taxpayer business structure modifications result in partial allocations shifting from indirect to direct reporting,

**1Q22+:** New baseline



# Pulling it all together

## Expectations

- **Property Taxes** – steady two-year growth – but not like 2021, lower revenues
- **Hotel Taxes** - strong demand to travel, also staycations within CA
  - Current and subsequent years building back to prior revenue levels
- **Sales Taxes** – rebound leveling off
  - FY 2022-23 slowed growth; above FY 2018-19 pre-pandemic levels

## Influencers

- Pandemic ebbs and flows
- Higher cost of labor and goods
- Employment recovery uneven
- Fed Funds rate increases 2022
- Shifting back to experiences/services
- Each Agency's future tax revenues are a function of local tax base, pace of recovery