

## Personal Income and Consumption

Personal income fell 4.2% in May, while consumption rose 8.1%.

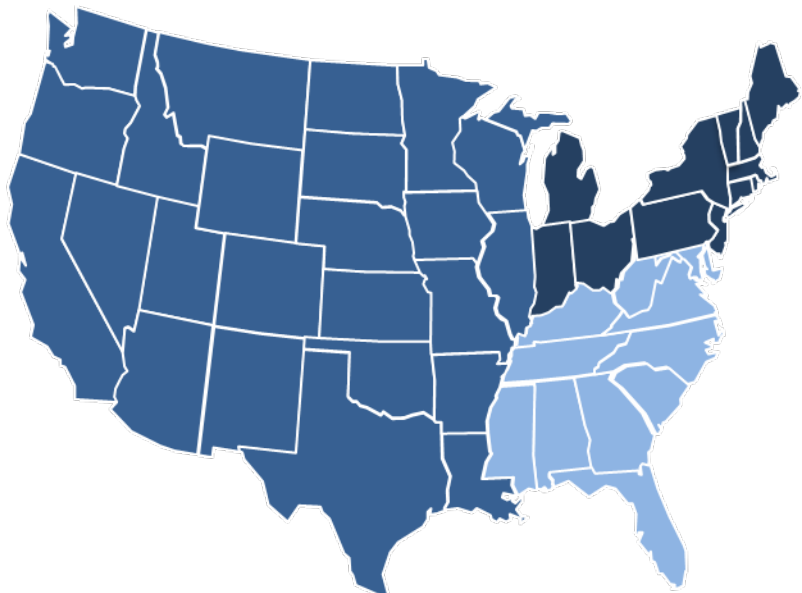
**Our Take:** Income fell as the government provided less aid in May than in April and consumption rose as state economies began to reopen. Interestingly, because of government aid, incomes in April and May are above pre-pandemic levels. However, the rise in spending, while welcome, only starts to reverse the decreases seen in March and April. Individuals continue to save as a great deal of uncertainty about the future of the economy still exists.

## Municipals

California Governor Gavin Newsom declared a budget emergency on Thursday. By declaring a budget emergency, lawmakers may pass legislation to draw on the state's rainy-day fund. Following the governor's announcement, the California Senate approved the state's budget proposal. The Assembly is expected to vote on the budget today, which will take effect on July 1.

**Our Take:** Governor Newsom's budget emergency declaration and the use of reserve funds are necessary to begin to close the budget gap. California is facing a \$54 billion budget deficit due to the coronavirus pandemic.

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