

California

Outlook for Continued Growth

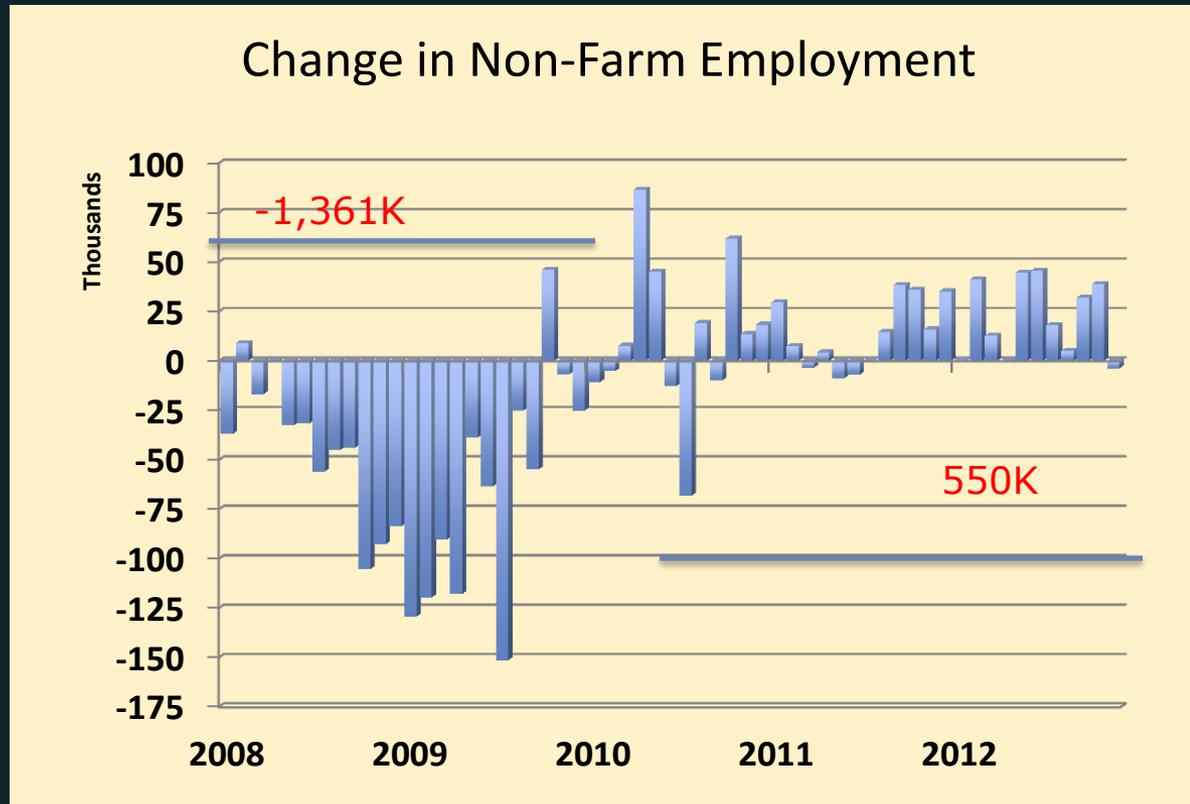
Hearing of the California Assembly Committee on
Jobs, Economic Development, and the Economy

Jerry Nickelsburg

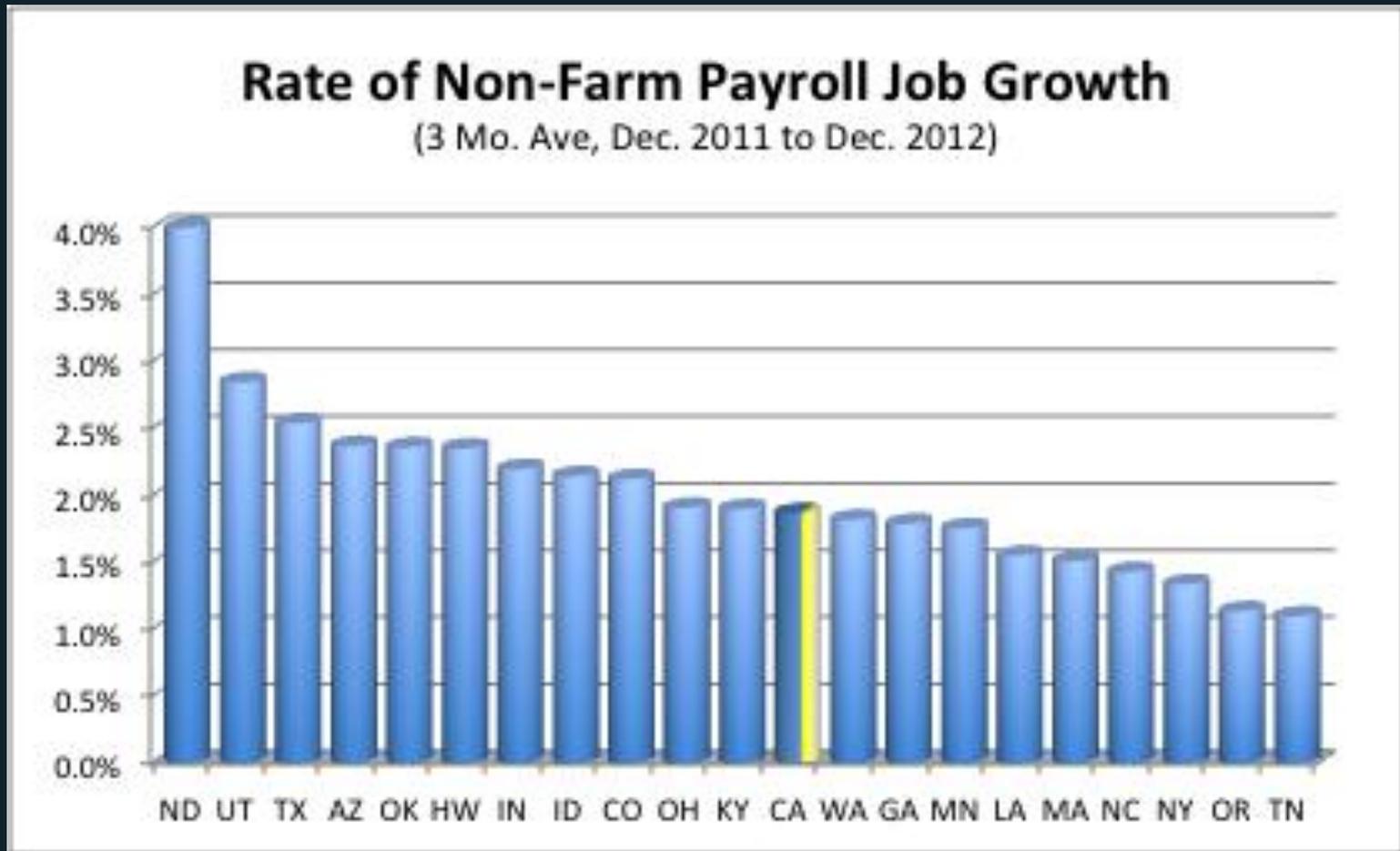
Adjunct Professor of Economics
Anderson School of Management
Senior Economist, UCLA Anderson Forecast
University of California, Los Angeles

February 5, 2013

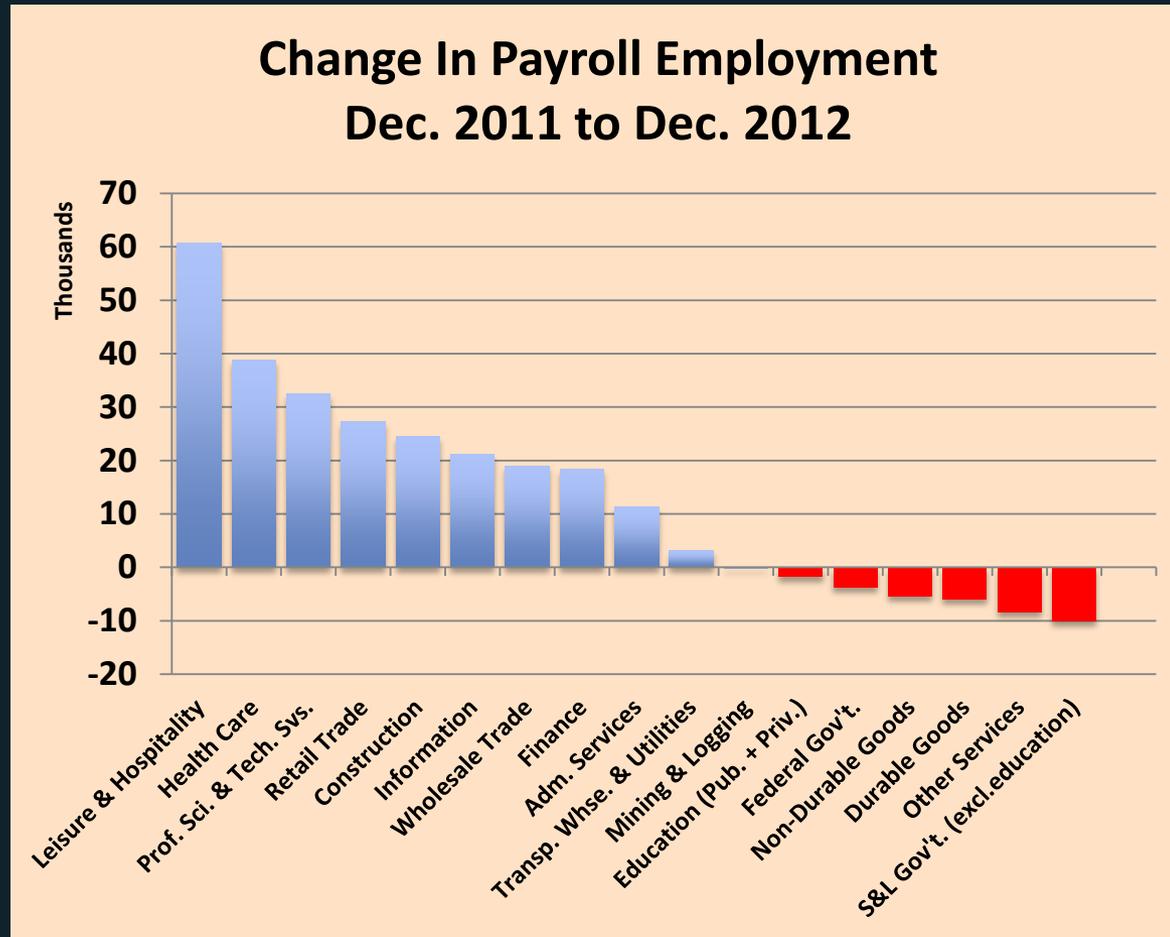
Employment Continued Slow Growth



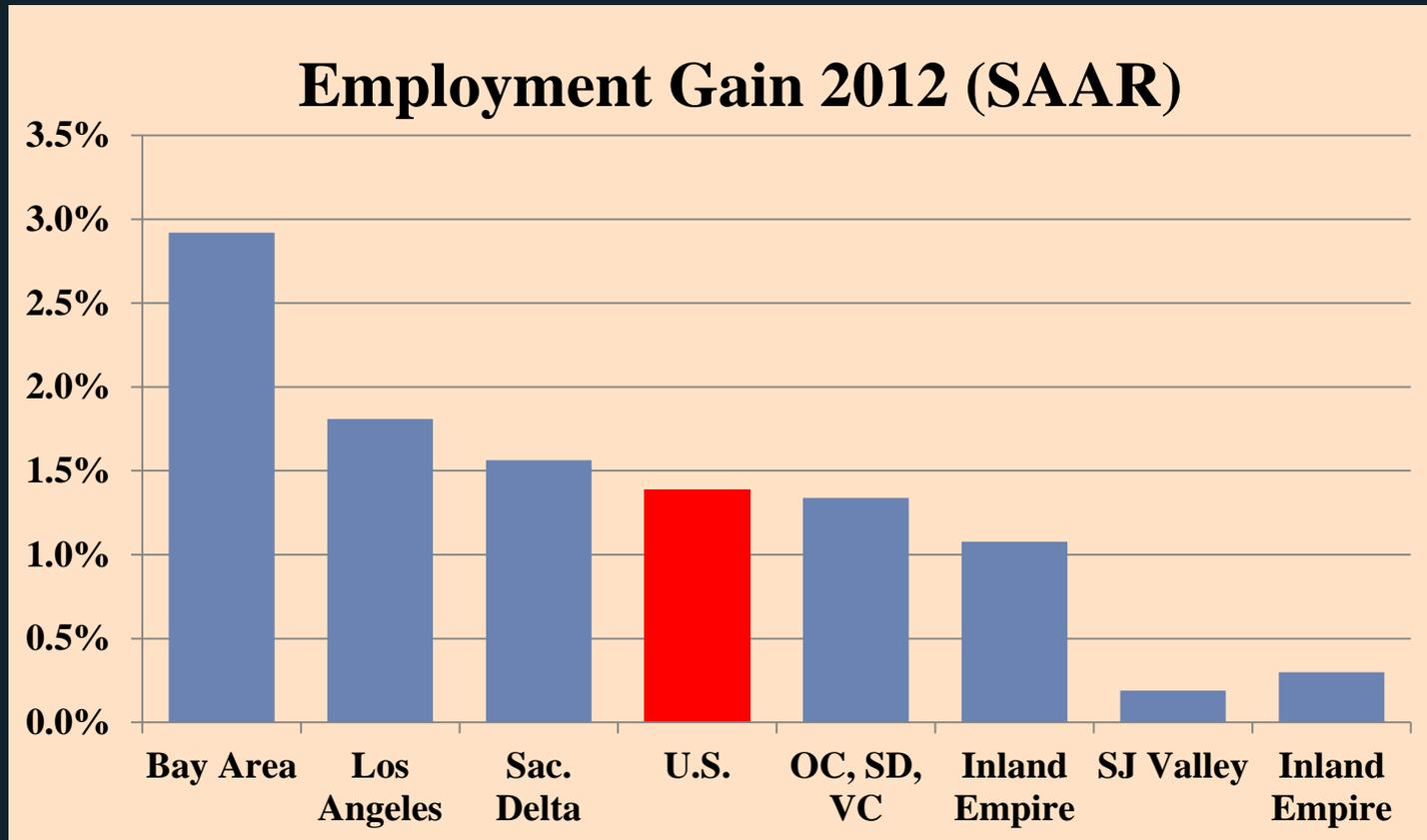
California a leader in job formation



Most Sectors Are Gaining



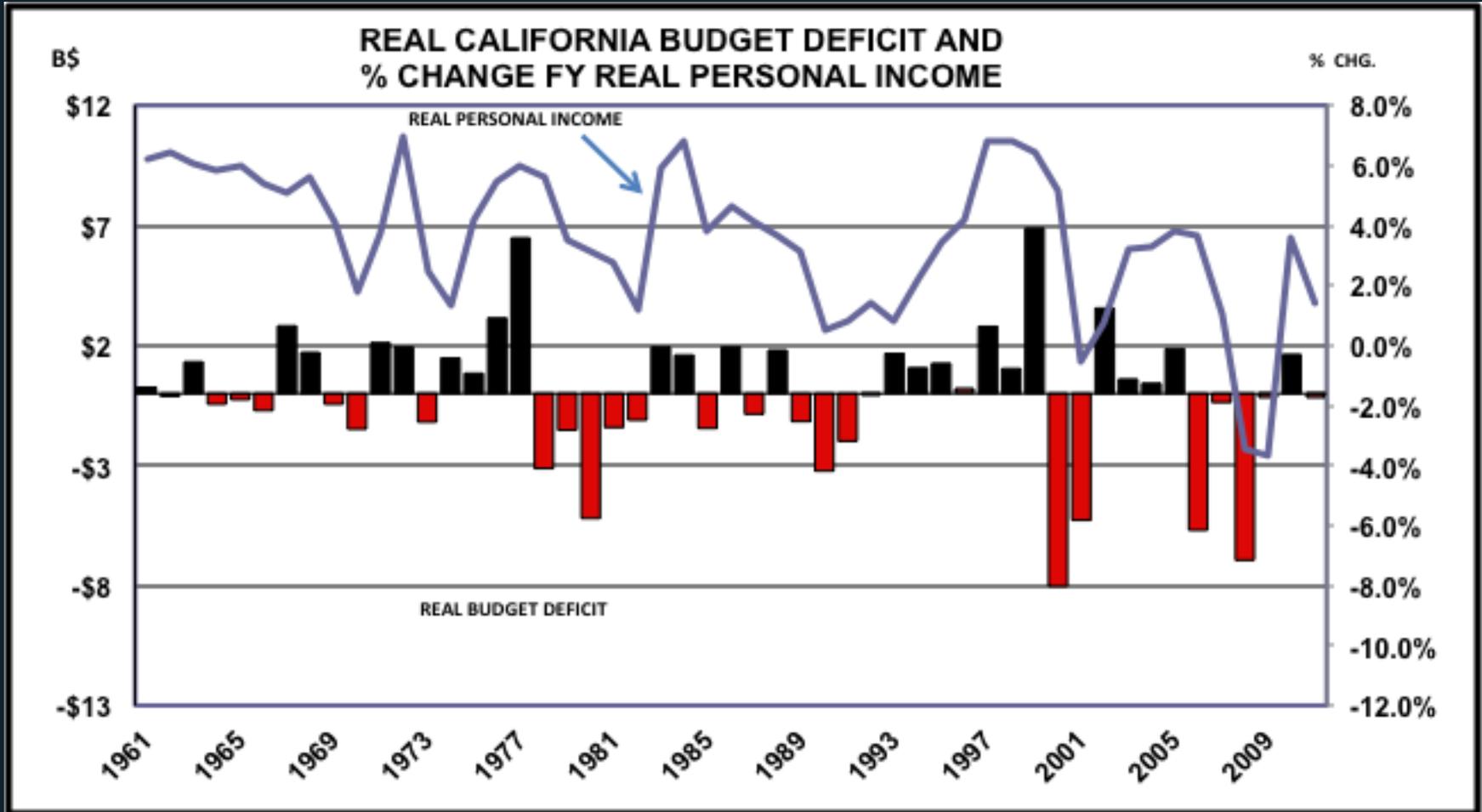
And Across Geographies



CALIFORNIA FORECAST

	2012	2013	2014
Payroll Employment	1.8%	1.4%	2.2%
Unemployment	10.5%	9.7%	8.4%
Personal Income	1.2%	1.8%	3.1%

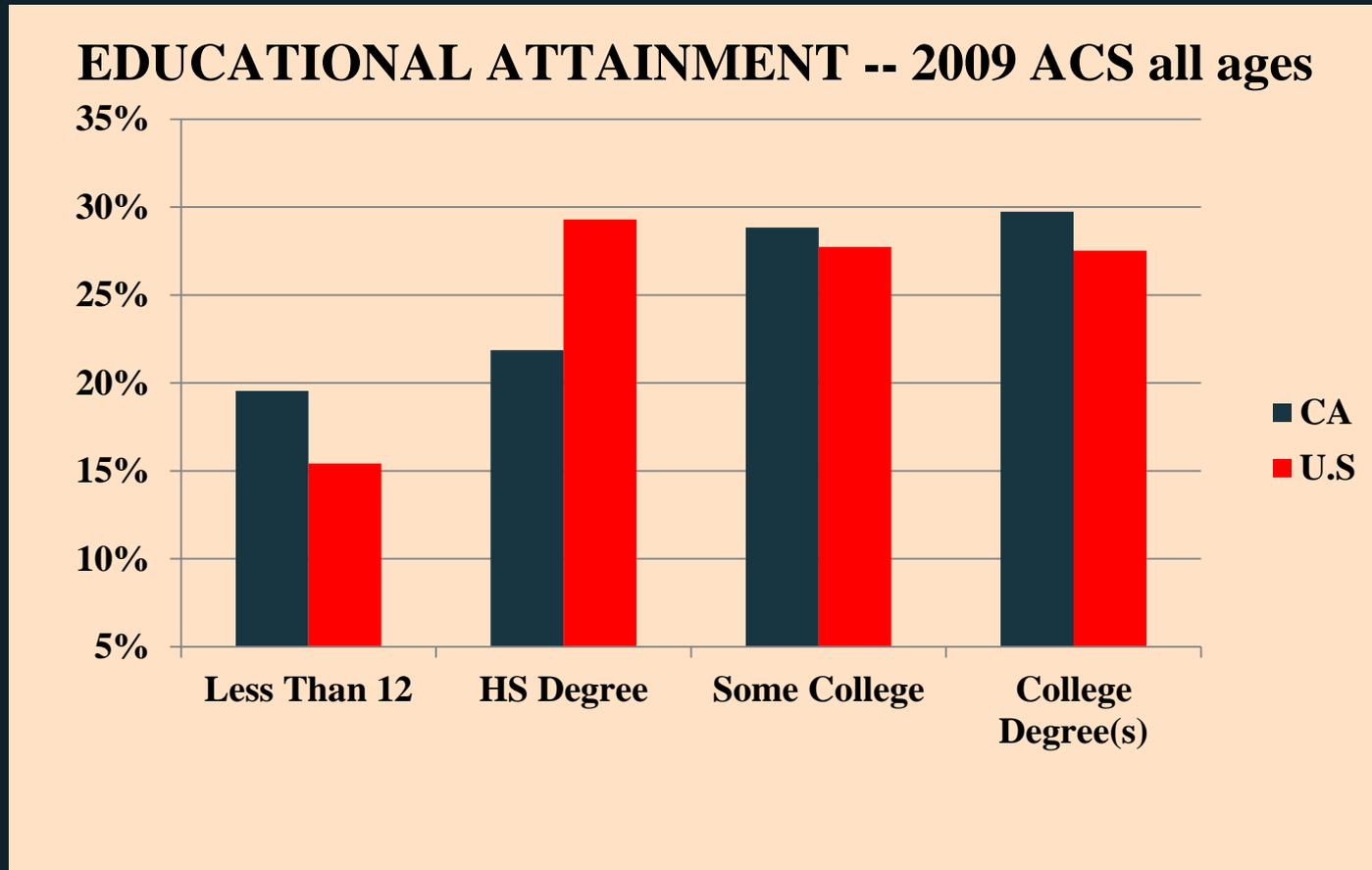
Volatility Risk and Prop. 30



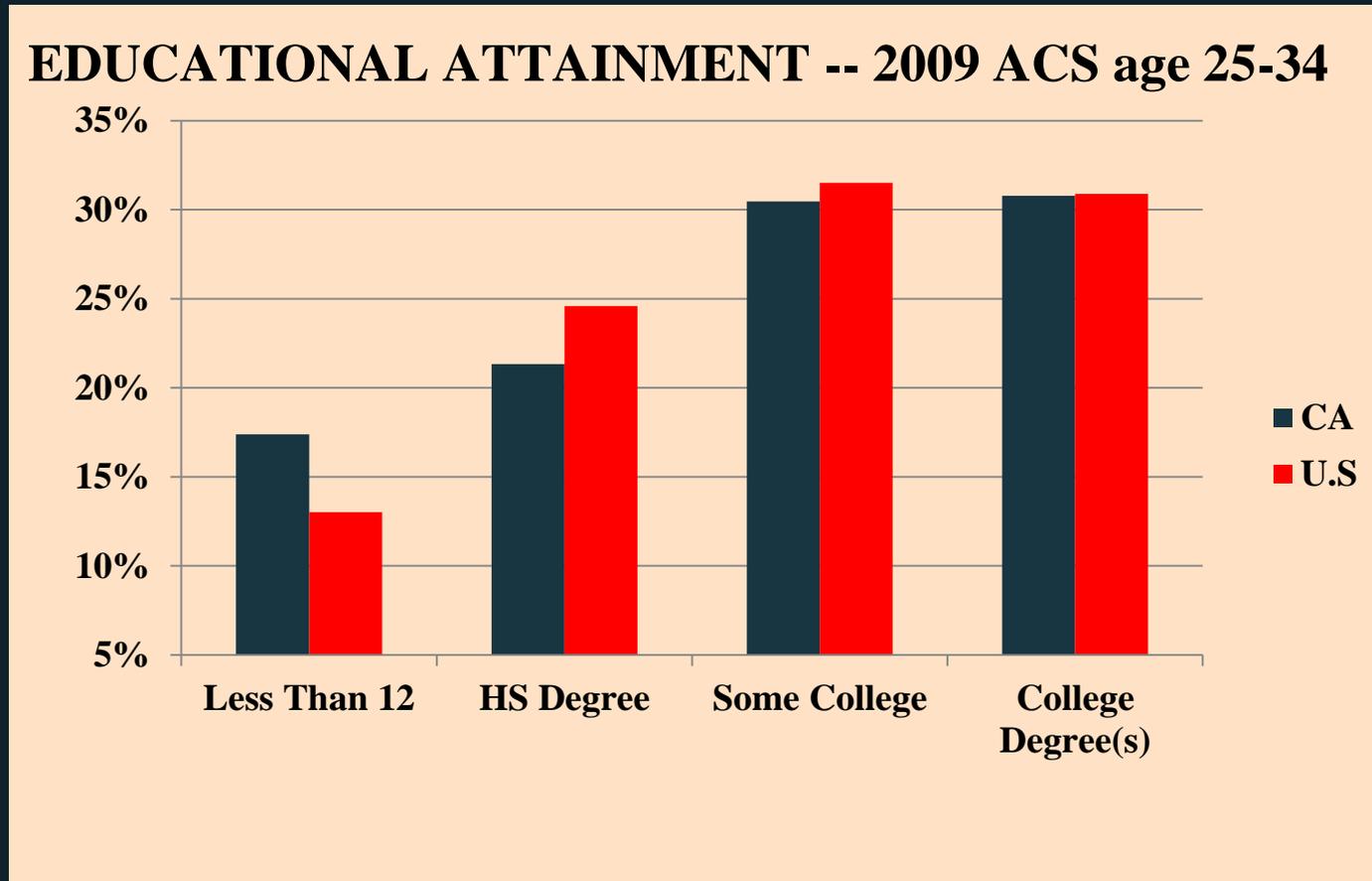
Economic Consequences of Prop. 30

- Prop. 30 gives CA an opportunity to eliminate wide swings in revenue
- But, it holds the risk of more severe swings.
- Average time between recessions is 5 ½ years. We hit that average in 2013!
- Longest is 10 ½ years. We hit that in 2018!
- Near term tax reform signals CA fixes problems
- No tax reform signals CA not serious about creating growth environment

California Leads The U.S. in Education



But The Lead is Eroding



Outlook

- California growth expected to exceed U.S. in the near term
- Growth to continue to be led by technology laden sectors
- Risk of driving away growth if state does not take advantage of Prop 30 window
- The window is less than 7 years
- Trend in education makes California's growth engine vulnerable