Overview

- Main forecast: foreshadowing
- Communicating a risk scenario:
  - Start with one big difference
  - Show how it affects rest of forecast
  - Talk about likelihood
- Listing other risks: mechanisms and magnitudes
- Reiterate main forecast: why it was chosen
Helpful Hints

- Know Your Audience – start where they are
- Rule of No Surprises – constant communication
- Killer Charts – worth 1000 words, and takes time to develop
- Topic Sentences:
  - Worry or not?
  - Issue under discussion
  - Important metric as basis
  - Quotable numbers
Main Forecast: Foreshadowing

<table>
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<tbody>
<tr>
<td>Personal Income Tax</td>
<td>$93.8</td>
<td>$98.3</td>
<td>$102.3</td>
<td>$103.8</td>
<td>$106.3</td>
<td>$107.6</td>
<td>2.8%</td>
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<td>Sales and Use Tax</td>
<td>$25.0</td>
<td>$26.1</td>
<td>$27.2</td>
<td>$28.1</td>
<td>$28.8</td>
<td>$29.6</td>
<td>3.4%</td>
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<tr>
<td>Corporation Tax</td>
<td>$12.3</td>
<td>$13.8</td>
<td>$13.2</td>
<td>$13.7</td>
<td>$14.2</td>
<td>$14.7</td>
<td>3.7%</td>
</tr>
<tr>
<td>Total</td>
<td>$131.1</td>
<td>$138.2</td>
<td>$142.8</td>
<td>$145.5</td>
<td>$149.3</td>
<td>$151.8</td>
<td>3.0%</td>
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<tr>
<td>Growth</td>
<td>10.0%</td>
<td>5.4%</td>
<td>3.4%</td>
<td>1.9%</td>
<td>2.6%</td>
<td>1.7%</td>
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</tr>
</tbody>
</table>

Note: Numbers may not add due to rounding.
Main Forecast: Foreshadowing

U.S. and California Unemployment Rates

Shaded areas indicate U.S. recessions.
Source: U.S. Bureau of Labor Statistics; CA Employment Development Department, Labor Market Information Division; CA Department of Finance, May Revision Forecast.
Main Forecast: Foreshadowing
Main Forecast: Foreshadowing
Risk: Recession

- Unemployment goes up
- Capital gains fall
- People spend less
- Property values fall
- Corporate losses increase
- Also: safety net costs increase, interest rates fall but risk premium increases, federal government may not spend more
Recession: Unemployment Rises

U.S. and California Unemployment Rates

Shaded areas indicate U.S. recessions.
Source: U.S. Bureau of Labor Statistics; CA Employment Development Department, Labor Market Information Division; CA Department of Finance, May Revision Forecast.
Recession: Unemployment Rises

Shaded areas indicate U.S. recessions.
Source: CA Employment Development Department, LMID; CA Department of Finance.
Recession: Capital Gains Fall
Recession: People Spend Less

Figure REV-08
Taxable Sales as Percent of Personal Income

Shaded areas indicate U.S. recessions.
Recession: Federal Govt Constrained

U.S. Federal Deficits and Real GDP Growth

Shaded areas indicate U.S. recessions.
Source: U.S. Bureau of Economic Analysis; U.S. Congressional Budget Office; CA Department of Finance, May Revision Forecast.
Recession: $70 Billion Over 3 Years
Risk: Population Aging

- People are living longer
- Fewer children are born
- Larger number/higher proportion of 65+
- Fewer people working
- More vulnerability to shocks/fixed incomes
- Also: Different infrastructure demands, higher demand for health care
Risk: More People on Fixed Incomes

Percent of Population that is 65+ and 85+
California and U.S., 1980 to 2050
Sources: California Department of Finance, Demographic Research Unit; and U.S. Census Bureau

Year


0% 5% 10% 15% 20% 25%

California 65+
California 85+
U.S. 65+
U.S. 85+
San Francisco County Population by Age and Sex, 2000 and 2010

Source: California Department of Finance, Demographic Research Unit