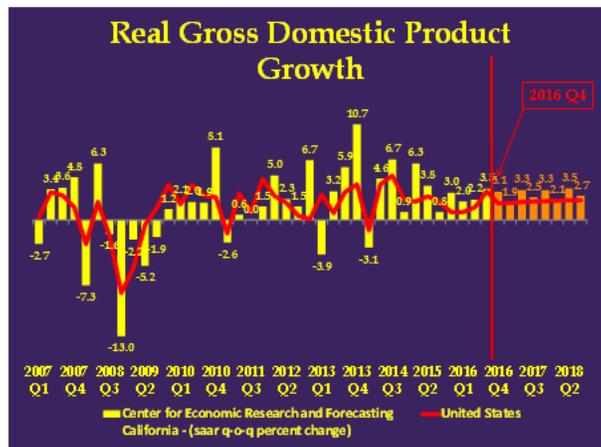
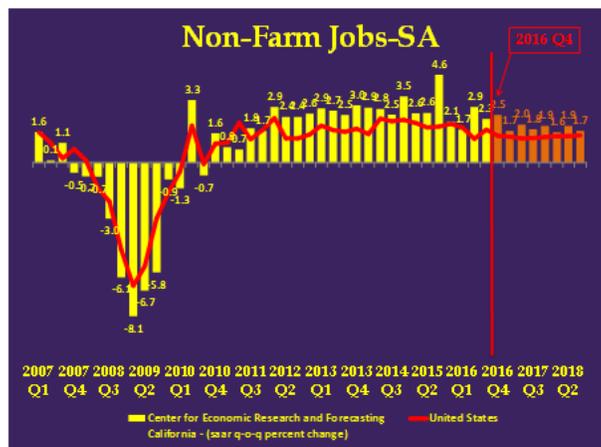


State must be content with an economy that merely outperforms a weak National economy. The question in our minds is whether California can continue to outperform.

Our current forecast predicts that California will continue to grow faster than the United States, although the growth gap is narrower than in recent history.



While we are not predicting significant economic impacts of the new presidential administration on a national or state level, there are downside risks that are unique to California. Even modest changes to some federal policies could have large impacts in California.



Consider the Affordable Care Act (ACA), known popularly as Obamacare. Following passage of the ACA, Medi-Cal roles expanded from 7.9 million to 13.8 million people. Fully one third of the State’s residents are enrolled in Medi-Cal, and under the ACA, 95 percent of the funding comes from the federal government. Repeal of even part of the ACA could have dramatic impacts on State coffers.

Changes to federal energy, international trade, and immigration policies promised by Donald Trump on the campaign trail also present disproportionate impacts to California. As with Obamacare, California tax payers could be left holding the bag. As discussed in the U.S. Forecast essay, we remain skeptical that much will change at the federal level, but the risks to California are significant nonetheless.

The risks to California lay not only in what the Trump administration might do but also in what California itself is doing. To this day, California benefits from a rich endowment, one that includes abundant natural resources, exceptional climate, auspicious geographic location, and a legacy of creative and technological innovation. That endowment has served to mask the impacts of some of California's boldest policy experiments. The recent election results lead us to believe that California is likely to compound the effects of years of anti-growth policies with waves of new and innovative restrictions. Look for increasing angst in California in the years ahead, at least among economists, if not the voters.

Forecast Charts

