El Dorado County: CED Economic Outlook

Placerville, CA

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Introduction

• Global issues
  – What effects do the global economy have on El Dorado County?

• National issues
  – We are in recovery: for how long?

• State issues
  – California economy forecast a driver of El Dorado County

• Local issues
  – What will ultimately drive El Dorado County’s economy?
  – What are the possibilities?
The Elements of Recovery

• Exiting a “deleveraging” recession
  – Reduction of leverage use ⇒ reduced spending

• Slow recovery a function of
  – Labor market tentativeness
  – Financial market uneasiness
  – Uncertainty that policies have worked

• Local and state governments
  – Prepare for services shift to non-profits and private sector
  – Will the attractiveness of California as a place to do business change?
International

• The rise of BRIICs countries to continue
  – Indonesia now another “I” in BRIICs

• The Euro Area: the austerity lab
  – Are the Europeans and British right?
  – Will Ireland’s fate spell Europe’s?

• What this means
  – California now faces heightened competition for tourism, technology and talent
  – Demand for commodities rising: good for El Dorado County?
Domestic National Economy

• Continued slow movement at national level
  – Spending lab and barely considering austerity
  – Labor markets not yet recovered in trend
  – Where and what are the new industries?

• Need to be concerned with a double dip?
  – Expanded fiscal stimulus created GDP
  – Job creation through innovation, not through consumption
  – Where did the ARRA money go?

• Lending markets: demand or supply?
  – Inflation in wait for these funds to flow
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008$
Jan 1970 - Dec 1999

Source: Federal Reserve Board
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008$
Jan 2000 - Aug 2008

Source: Federal Reserve Board
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008$
Jan 2008 - Present

Source: Federal Reserve Board
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008$
Jan 1997 - Present

Source: Federal Reserve Board
Other Macro Stats to Watch

Sources: BEA and CREA at SSU
California

• Labor Markets
  – California continues to lag national employment
  – Where are the new industries?
• Elections do little to change the basics
  – Prisons, education, social services the foci
• Cannot rely on current model
  – CalPers liability awaits!
• Do not expect it, but we need reform
  – Mix of higher taxes, less spending coming
Unemployment Rates: US & CA, Seasonally Adjusted

Year

US
CA

Unemployment Rate (%)

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
El Dorado County Stats Update

• Demography
  – Aging: older population driven by retirees
  – Ethnicity: continuing to become more Latino
  – Health care needs to rise
  – Government services an issue with contracting budgets

• Economy
  – Rising incomes, lower taxable sales
  – Tourism industries continue to wane: likely to see some increase in 2010-11
  – What can El Dorado County do long-term?
Population Annual Percent Change (Three-Year Average)

- California
- El Dorado County
Components of Population Change

- Natural Increase
- Net Migration
- Total Change

Created by: Center for Economic Development, California State University, Chico
El Dorado County Age Profile, 2000 vs. 2010

The bar chart compares the age distribution of El Dorado County in 2000 and 2010. The y-axis represents the population, ranging from 0 to 40,000, and the x-axis represents the age groups from 0-9 to 80+.

- The 0-9 age group shows a similar population in both years.
- The 10-19 age group has a slightly higher population in 2010 compared to 2000.
- The 20-29 age group also shows a higher population in 2010.
- The 30-39 age group has a consistent population in both years.
- The 40-49 age group has a slightly higher population in 2010.
- The 50-59 age group shows a much higher population in 2010.
- The 60-69 age group has a similar population in both years.
- The 70-79 age group shows a slightly higher population in 2010.
- The 80+ age group has a significantly higher population in 2010.

Overall, the population in 2010 shows a significant increase in the 50-59 and 80+ age groups compared to 2000.
El Dorado County Ethnicity Profile, 2000

- **White**: 85%
- **Hispanic**: 9%
- **Asian**: 2%
- **Black**: 1%
- **American Indian**: 1%
- **Other**: 2%
El Dorado County Ethnicity Profile, 2010

- White: 83.9%
- Hispanic: 11.2%
- Asian: 2.0%
- American Indian: 0.7%
- Other: 1.8%
- Black: 0.4%
Population by Educational Attainment (Percent of Total)

- Less than 9th grade
- 9th to 12th grade, no diploma
- High school graduate, GED, or alternative
- Some college, no degree
- Associate's degree
- Bachelor's degree
- Graduate or professional degree

El Dorado County
California
County Political Party Membership, 2010

- Democratic: 30.6%
- Republican: 44.9%
- Other party: 5.8%
- Decline to affiliate: 18.7%
- Decline to affiliate: 0.6%
California Political Party Membership, 2010

- Democratic: 44.5%
- Republican: 30.8%
- Other party: 4.5%
- Decline to affiliate: 20.2%
Real-Dollar Personal Income Annual Percent Change (Three-Year Average)

California

El Dorado County

Created by: Center for Economic Development, California State University, Chico
Real-Dollar Per Capita Income Annual Percent Change (Three-Year Average)

Created by: Center for Economic Development, California State University, Chico
Components of Total Personal Income (Percent of Total), 2008

- Earnings by place of work
- Dividends, interest, and rent
- Transfer payments
- Contributions for social insurance
- Adjustment for residence

Created by: Center for Economic Development, California State University, Chico
El Dorado County Government Transfer Payments, 2008

- Medical payments: 38.7%
- SSI payments: 44.5%
- Income maintenance: 6.4%
- Unemp. Insurance: 3.0%
- Veterans' benefits: 2.6%
- Federal Education: 0.3%
- Other payments to individuals: 0.1%
- Non-profits: 3.3%
- Business payments: 1.1%
Median Household Income, 2000-2008

El Dorado County
California
Poverty Rates, 2000-2008

El Dorado County
California
The Drivers of Change

• Job growth + business growth
  – Need there to be opportunities
  – Need to monitor how they affect local economies and living space

• Government cooperation that is overt for business
  – Need to have local government recognize economics as a major factor
  – Most governments challenged here: wealth meets demography meets geography
Real Estate

- Regional and slow moving
  - El Dorado County as a long-term residential investment: for what type of resident?

- Commercial
  - Construction of new commercial property likely to be project-specific rather than anticipatory
  - $1.4 trillion to face refinance or foreclosure in next 3 years

- Economic development must link commercial real estate to business opportunities
  - Need to have a regional development plan
  - Need to think beyond city and county borders
The Politics of Economic Growth

- Cost of businesses leaving
- Regulatory streamlining
- Prioritize how any funding is focused
- Must think as investment not cost recovery
  - Must break the old way of looking at how government and business work together
- "Anti-business" stance a troubling, vocal minority
  - Need to think about shaped growth
Where are we headed?

• Recession into mid-2010 concerning labor markets
  – Need to attack in tech and foreign markets before they converge

• State economy will lag
  – Elections will not change the fundamental issues
  – Recovery has started, needs to have opportunities seized

• Recognize regional connections and economies
  – Economic development a need now and into the future
    • How does El Dorado County define economic “development”
  – Is the political will available for economic growth by any definition?