

Pandemic Assumptions:

- 1.) **Vaccines:** Safe and effective vaccines are widely available to all California residents. All residents who want vaccines receive them by summer 2021.
- 2.) **Restrictions:** CA fully reopens on June 15, 2021. Most CA counties are back in business with few restrictions.

Recovery Assumptions:

Robust Economic Growth is assumed for 2021 and 2022.

- 1.) **Real GDP:** “Following a 3.5% decline in 2020, our latest forecast is for 6.3% growth in 2021, 4.6% growth in 2022, and 2.7% growth in 2023. These rates of growth are considerably higher than the 2.3% we averaged during the recovery from the Great Recession between 2010 and 2019.” *Anderson Forecast*
- 2.) **Unemployment** in CA is at 8.3% in March 2021. In December 2019 it was 3.9%. In December 2021 unemployment reaches the more typical rate of 6% to 7.0% in CA. Additional unemployment benefits from the federal government will expire by then.
- 3.) **Inflation:** “Annual core Personal Consumption Expenditure (PCE) inflation will be 2.7% in 2021, peak slightly above 2% in 2022, and then stabilize at 1.9% in 2023. It should be noted that the high rates of inflation reported in April include recovery rates.” *Anderson Forecast*
- 4.) **Energy Prices:** Gasoline and aviation fuel prices will continue to rise, (a relative price increase, not “inflation”). Consumers will drive a little less and spend less of their disposable income on other taxable purchases. The net effect to sales tax will not be great, but this may slow recovery in some other segments.
- 5.) **Sales Tax Growth:** In 2021Q1 Disposable Income was dramatically increased by both the Consolidated Appropriations Act, (\$900 billion 12/20/2021 plus \$1.4 trillion to prevent the shutdown), and the American Rescue Plan, (\$1.9 trillion 3/11/2021). Quarter over Quarter California Statewide Taxable Sales, (Local Tax plus Pools), grew by 32.8% on a cash basis in 2021Q1 after declining by -18.9% in 2020Q1. Robust growth and recovery are expected to continue, but not at over 30%. We expect California Statewide Taxable Sales to grow by as much as 20% in 2021Q2, then at rates between 7% and 15% through the rest of the year, normalizing by the middle of 2022.