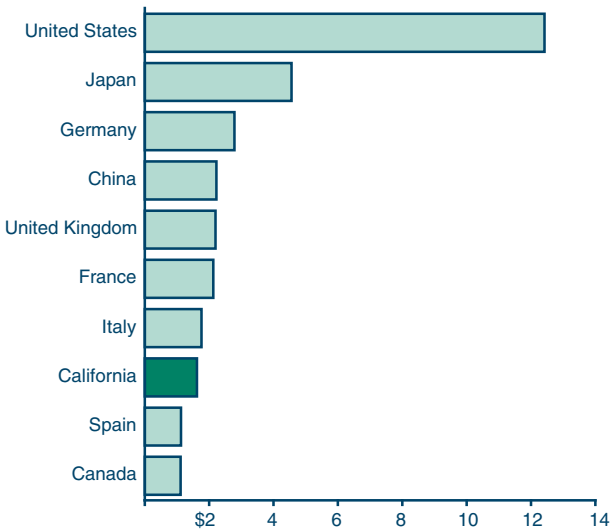


California Ranks Among the World's Top Ten Economies

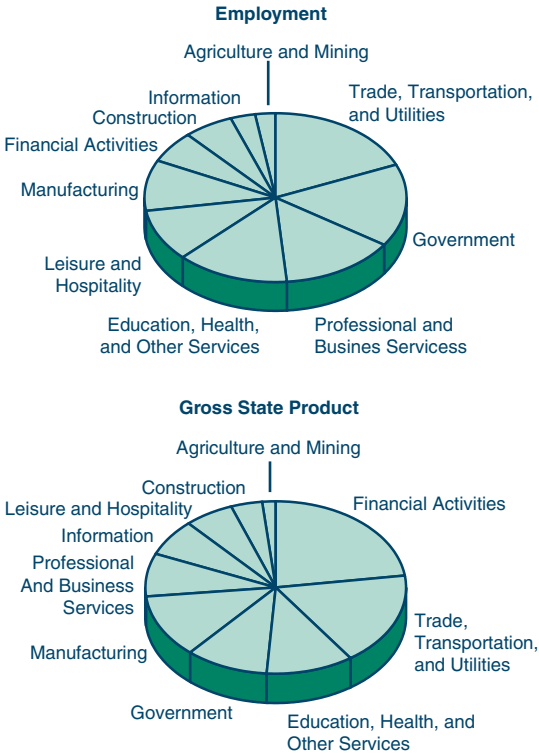


Gross Product in 2005
(In Trillions)

- California's gross state product is over \$1.6 trillion, making it one of the world's largest economies.
- California accounts for over 13 percent of the nation's output.
- Our nation's next largest state economy—Texas—is about 60 percent the size of California's.

California's Economy Is Highly Diversified

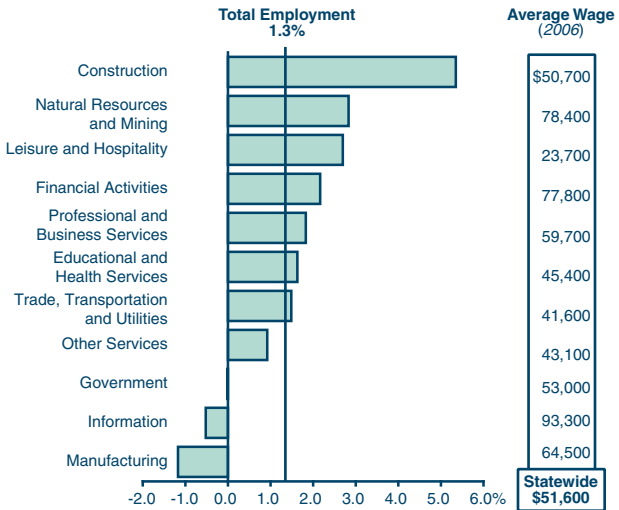
Share of State Employment and Output in 2006



- In terms of jobs, the largest sectors in California are trade, transportation, and utilities; government; and professional and business services.
- In terms of output, the largest sector is finance, followed by trade, transportation, and utilities.

Construction Has Led Job Growth in the Current Expansion

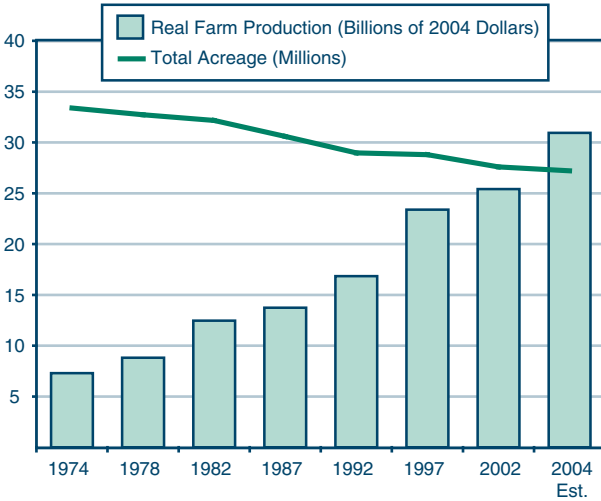
Annual Average Percent Change in California Jobs 2003 Through 2006



- California added about 576,000 jobs between 2003 and 2006, an annual growth rate of 1.3 percent.
- Job growth has occurred in high-wage, moderate-wage, and low-wage industries.
- The fastest growing sector has been construction, which has grown at an average rate of 5.3 percent per year. Small declines occurred in manufacturing and information.



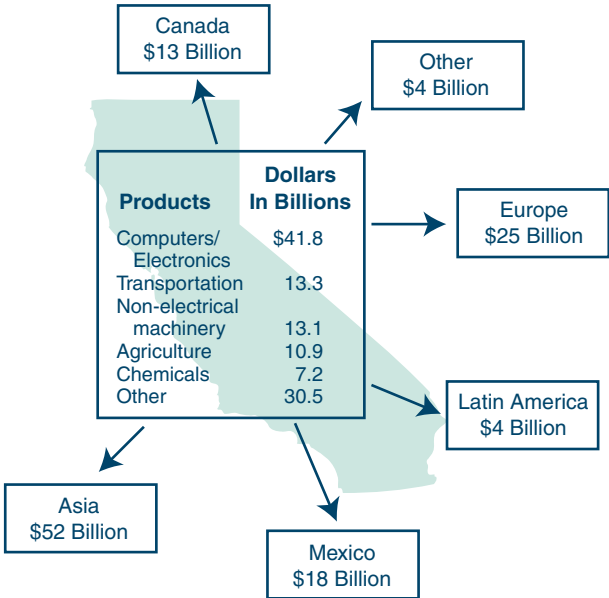
Farm Production Has Risen Despite Declines in Acreage



- Farming-related sales have more than quadrupled over the past three decades, from \$7.3 billion in 1974 to nearly \$31 billion in 2004.
- This increase has occurred despite a 15 percent decline in acreage devoted to farming during the period. Factors contributing to the growth in sales-per-acre include more intensive use of active farmlands and technological improvements in crop production.
- The largest production categories in California are fruits and nuts (about one-third of the statewide total), livestock and poultry (about one-fourth of the statewide total), and vegetables and melons (roughly one-fifth of the statewide total).

Foreign Trade—An Important Source Of California Economic Activity

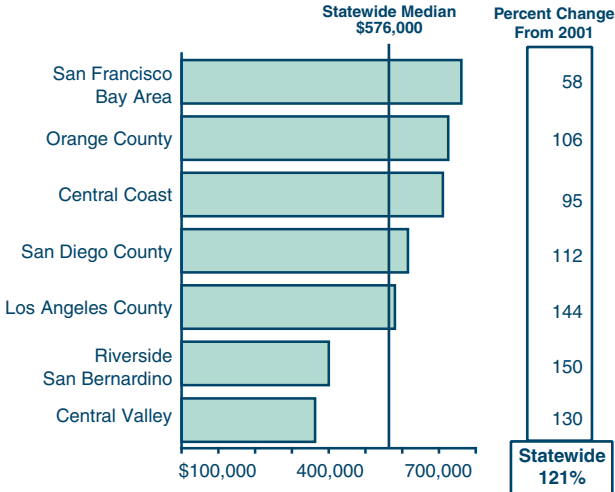
California Exports, 2005



- Exports of goods made in California totaled \$117 billion in 2005. Based on partial-year data, it appears that exports will increase by another 10 percent in 2006.
- The largest category of exports is computers/electronics.
- Asia accounts for most California sales abroad, followed by Europe, Mexico, and Canada.

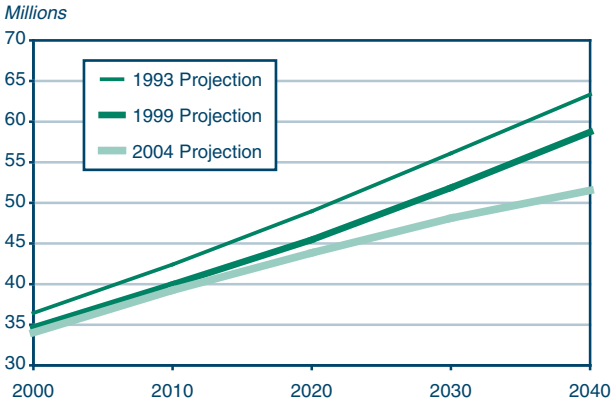
Median Home Prices Reached All-Time High in California

Mid-2006



- The median California home price was \$576,000 in mid-2006—more than double the level in mid-2001. Price increases have been widespread, with all but two major economic regions experiencing more than 100 percent increases during this five-year period.
- Median prices ranged from between \$350,000 and \$400,000 in major inland regions, to almost \$750,000 in coastal regions of the state.
- Compared to income levels, home prices were at all-time highs—and home affordability at all-time lows—in mid-2006. The lack of affordability contributed to a subsequent slowing in housing markets, with some regions experiencing modest price declines as of late 2006.

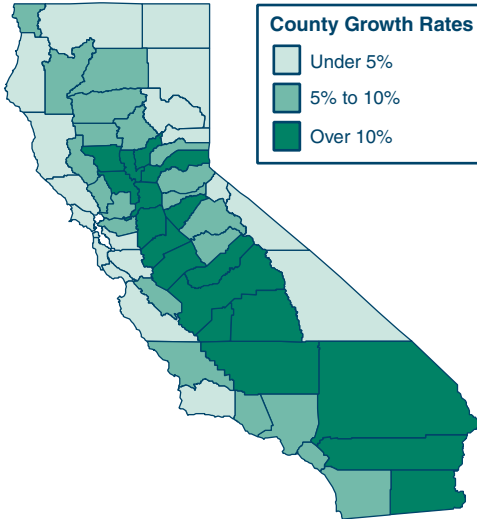
State's Population Projections Lowered Due to Reduced Birth Rates



- The Department of Finance has consistently lowered its long-run California population projections in recent years. Its latest projection for the state's population in 2040 is 12 million less than was projected 11 years earlier.
- The largest factor behind the downward revisions to state population projections is an assumed decline in the number of births per woman of childbearing age ("fertility rate").
- Reductions in Hispanic fertility rates have been especially significant. In 1993, it was assumed that the Hispanic fertility rate would decline from 3.4 in 1990 to 3.0 in 2040. Instead, it has already fallen to about 2.6, and the 2004 projection expects a slight additional decrease over the next 40 years.

The Inland Counties Have Been Growing the Fastest

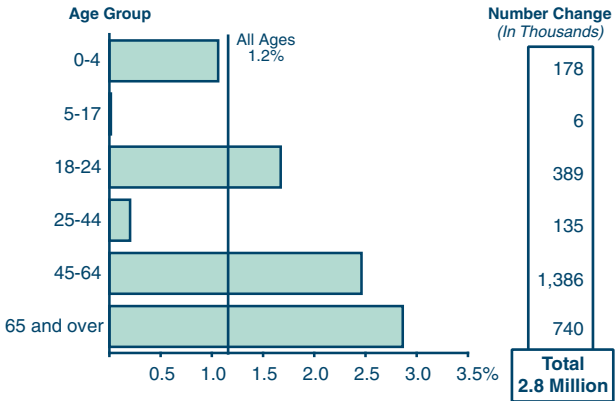
Total Population Growth, 2001 to 2006



- The highest population growth rates have occurred mainly in the Central Valley and foothill counties, and in Riverside and San Bernardino Counties in Southern California.
- The five Southern California counties of Los Angeles, Orange, Riverside, San Bernardino, and San Diego accounted for 55 percent of California's total population in 2006, and 58 percent of the total increase in population since 2001.
- Los Angeles County experienced the largest absolute increase since 2001—600,000 new people, or over one-fifth of statewide growth.

California's Age Mix Changing As Baby Boomers Grow Older

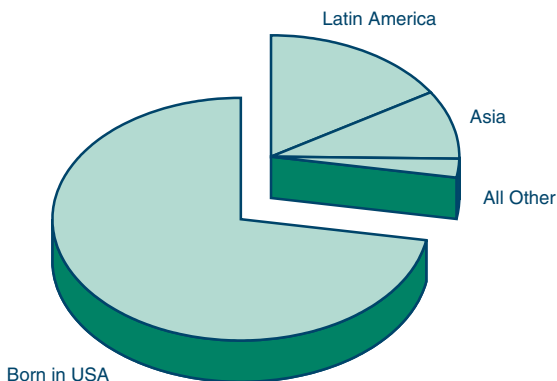
Population Change—2006 Through 2012
(Average Annual Percent Change)



- Californians' average age is increasing, as the oldest baby boomers enter their 60s and the group as a whole continues to cause rapid growth of the 45-64 age cohort.
- The K-12 school-age population will grow the slowest of all groups, reflecting the aging of the children of baby boomers, declines in birth rates over the past decade, and somewhat lower in-migration in recent years.

Over One-Quarter of Californians Are Foreign Born

2005



- Due to strong past in-migration from other nations, more than one-in-four (28 percent) of California's current residents—10 million people—were born outside of the United States. This compares to one-in-eight (12 percent) nationally.
- Almost 60 percent of foreign-born Californians are from Latin America, while another one-third are from Asia. About 4.6 million (46 percent) are from Mexico, the largest source of foreign-born Californians.
- Net foreign in-migration currently totals around 200,000 persons annually. This represents roughly 40 percent of California's annual population growth.