

Californians Are Voting With Their Feet

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California has something of a migration problem. Yes, the state's **population growth** rate has been hovering just under 1% for a few years with natural increases and international net migration staying just strong enough for the state to continue growing, but California's consistent net domestic out-migration should be concerning to Sacramento as it develops state policy. As the adage goes, people vote with their feet and one thing is clear, more people are choosing to leave California than come.

First, a note about population growth. A state's population grows (or shrinks) based on two major components: one, natural increase - i.e. the difference between births and deaths - and two, net migration - i.e. the difference between people moving in and out of the state. Within the migration category is domestic migration and immigration (i.e. international migration). Unfortunately for California, most of the categories are trending in the wrong direction for the state. While remaining positive, natural increases have been trending downward over the last decade-plus. Moreover, the state's domestic migration has consistently been negative. And even international migration, again while still positive, has been stagnant for some time.

By understanding who these net domestic out-migrants are, we can get a better sense as to why more people are leaving California than coming to the Golden State. Using the Census Bureau's March Supplemental Current Population Survey, we can get an approximation of just that. Between 2004 and 2015, roughly 930,000 more people left California than moved to the Golden State - just three years saw net domestic in-migration. The biggest beneficiaries of California's net loss are Arizona, Texas, Nevada, Oregon, and Washington.

California is bleeding working young professional families. Approximately 18% of the net domestic out-migrants are children (ages 0 to 17), while another 36% are those between the ages of 40 and 54. From this we can tell that 1) children aren't packing up and leaving on their own - they are going with their parents and 2) those in the heart of their prime working-age are moving out. Moreover, while 18-to-24 year olds (college-age individuals) make up just 1% of the net domestic out-migrants, the percentage swells to 17% for recent college graduates (25 to 39 year olds). While California may still be doing decently well at attracting college students, they aren't sticking around.

Looking at labor force categories provides more evidence that California is losing working young professional families. 57% are either employed individuals or not in the civilian working population, i.e. under the age of 16. And while the highest income quintile is experiencing net domestic out-migration, the lowest, second, and middle-income quintiles account for 85% of the net domestic out-migration. In fact, the fourth income quintile - the upper-middle class - actually sees net domestic in-migration. So while there is a narrative that the rich are fleeing California, the real flight is among the middle-class.

Knowing that net out-migrants are more likely to be middle-class working young professional families provides some hints as to why people are leaving California for greener pastures. For one, California is an extraordinarily high cost-of-living state. Whether it is the state's housing affordability crisis - California's median home value per square foot is, on average, 2.1 times higher than Arizona, Texas, Nevada, Oregon, and Washington's - California's very expensive energy costs - the state's residential electric price is about 1.5 times higher than the competing states - or the Golden State's oppressive tax burden - California ranks 6th, nationally, in state-local tax burdens - those living in California are hit with a variety of higher bills, which cuts into their bottom line.

This is particularly problematic since the Silicon Valley-Bay Area is really the only region in California performing economically well at this time. Considering the fact that Silicon Valley is dominated by one industry and is among the most expensive places to live in California - the region's median home value per square foot is 3 times that of the rest of the state - California's middle-income working young professional families have limited options when it comes to an affordable place to live or a decently paying job to afford the state's cost-of-living.

This matters moving forward because as working young professionals leave the state, California's population grows older and more retiree-centric, which leads to a less economically productive environment and less tax revenue for the state and municipalities, but a need for more social services. And when coupled with the fact that immigrants - who are helping to drive population growth in California - tend to be, on average, less affluent and educated and also are more likely to need more social services, state, county, and municipal governments could find themselves under serious administrative and financial stress.

As long as California is a significantly higher cost-of-living state with only a regionally concentrated employment market, the state's favorable climate and natural beauty can only anchor the working young professionals for so long. The conclusion is straightforward. California Republicans need to stop worrying about the rich leaving the state and California Democrats need to start worrying that people are, in fact, leaving the state. Then, Sacramento can potentially address the causes of the state's net domestic out-migration to prevent its future implications.



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