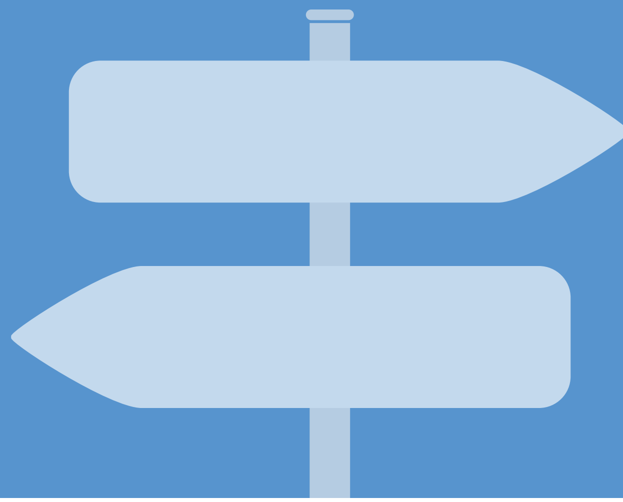
# CALIFORNIA MIGRATION

## A Comparative Analysis

NEXT 10



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NEXT 10 is an independent nonpartisan organization that educates, engages and empowers Californians to improve the state's future.

Next 10 is focused on innovation and the intersection between the economy, the environment, and quality of life issues for all Californians. We provide critical data to help inform the state's efforts to grow the economy and reduce greenhouse gas emissions. Next 10 was founded in 2003 by businessman and philanthropist F. Noel Perry.

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# OVERVIEW

After a slowdown in the so-called California exodus during the Great Recession, California has experienced an acceleration of negative domestic migration in the last few years; more people are moving to other states than are moving to California from other parts of the country.

This is often blamed on California's high personal income taxes.[1] Data from the U.S. Census Bureau show, however, that the perceived connection between out-migrants and the state's income tax is overblown. A 2016 study from Next 10 found that California out-migration was more due to housing affordability and availability than income tax burden. This report provides an update to the 2016 study to help shed light on how, if at all, California's migration patterns have changed.[2]

Census data on the characteristics of California's inbound and outbound migrants suggest that patterns in migration over the last decade are more related to housing costs in the state than to tax structure. Although California may have the highest top marginal state income tax rate (13.3%), [3] which is applicable only to single filers earning more than $1 million, California's tax structure may require reform, because streamlining the tax code, broadening the tax base, and lowering tax rates would probably bolster the state's economy. However, that does not implicate the tax regime as the sole, or even the primary, source of migration from California.

1 One such example is this article in the VailDaily, which contains little statistical evidence: https://www.vaildaily.com/news/high-taxes-can-produce-a-moving-experience-from-one-state-to-another/
2 "California Migration: A Comparative Analysis." Next 10. March 3, 2016. Available at: http://next10.org/ca-migration
3 Scarboro, M. "State Individual Income Tax Rates and Brackets for 2017." The Tax Foundation. March 9, 2017. Available at: https://taxfoundation.org/state-individual-income-tax-rates-brackets-2017/

Although it is true that domestic migration into California has continued to be negative, and that trend has accelerated in recent years, it is important to look at the demographic profiles of those leaving the state and where they are going. This updated report analyzes data on:

1. Where California ranks among other states in terms of net domestic migration
2. The income, educational attainment levels, and occupations of California's inbound and outbound migrants
3. The reasons why people are leaving

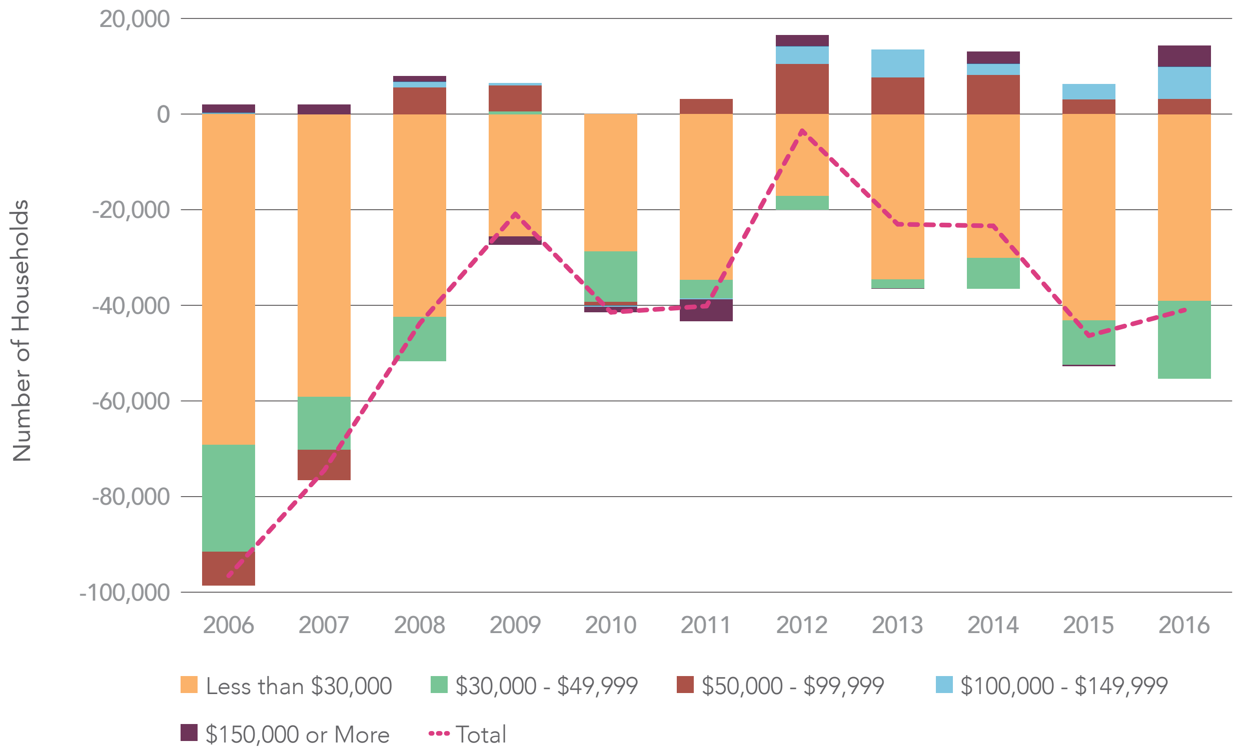
Additionally, it is important to consider the characteristics of those entering the state from other countries.

This analysis is based on the most current data available from the U.S. Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS). The ACS details whether individuals moved in the last year, where they moved to, where they moved from, their incomes, their educational attainments, and their occupations. The ACS PUMS data are used to examine migration trends at the individual and household levels by such characteristics as age, income, industry, occupation, and educational attainment. These data will give insight into not only the number of people who are migrating in and out of California but also their key demographic features. Additionally, this dataset allows us to exclude the migration of college students who often move only temporarily. The previous Next 10 study analyzed data from 2014; this study analyzes data from 2016 – the most recent data available.

The main findings in this analysis:

- California experienced negative net domestic migration of 1,090,600 from 2006 to 2016. In other words, 1,090,600 more people moved out of California to other states than moved in from other states.
    - More than 20% of that total (225,800) occurred in 2006, when California housing prices were sky high.
    - In 2016, California had a negative net domestic migration of 113,300 persons, roughly about half as many as 2006.
- Out-migration slowed during the economic recession but has picked up again in recent years.
    - 2016's negative net domestic migration represents an increase of 15.1% compared to 2015 and 107.4% compared to 2014.
- The vast majority of out-migrants went to five states: Texas, Arizona, Nevada, Oregon, and Washington. Although they continue to be the top five, Arizona has surpassed Oregon and Nevada to become the second most popular destination after Texas.
- California was a net importer of residents from 18 states and the District of Columbia from 2006 to 2016.
- Californians 25 years and older who do not possess four-year college degrees accounted for more than 752,600 out-migrants, but the state was a net importer of nearly 43,200 people with bachelor's or higher degrees.

**Figure 1.** California Net Domestic Migration by Income, 2006 to 2016

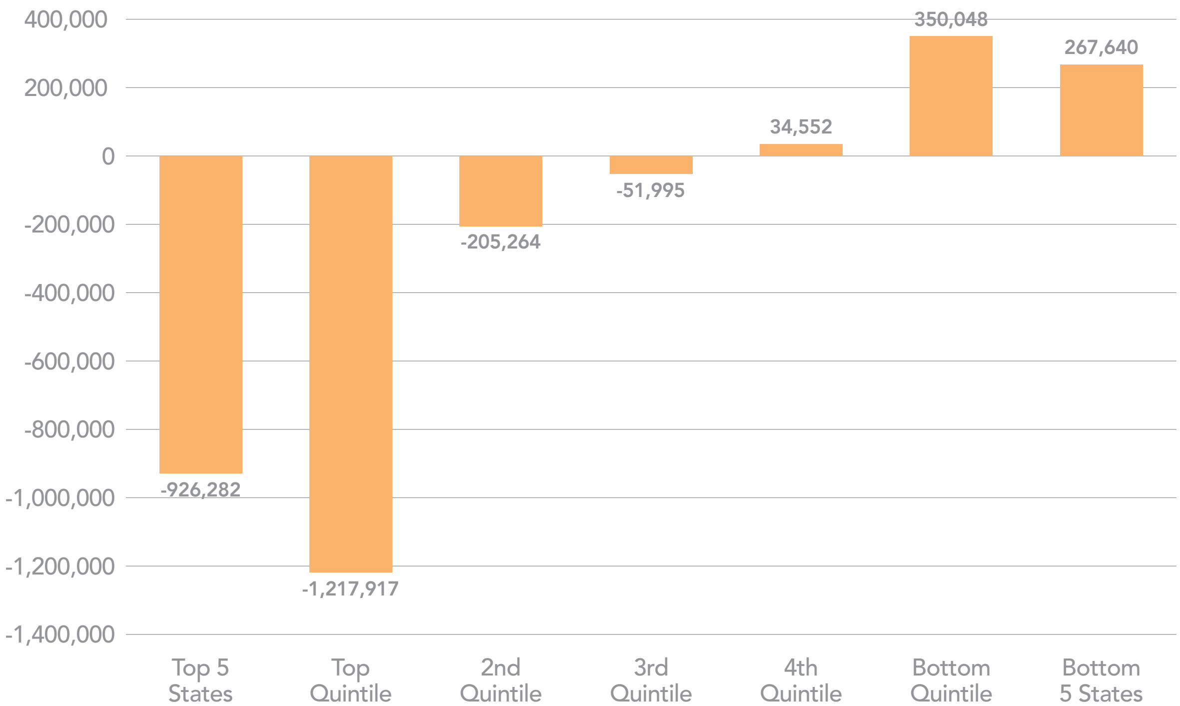



Source: American Community Survey Public Use Microdata Sample, U.S. Census Bureau NEXT 10

- California was also a net importer of highly skilled professionals from the Information, Professional and Technical Services, and Arts and Entertainment industries. On the other hand, California saw the largest exodus of those in Accommodation, Construction, Manufacturing, and Retail Trade industries.
- California tends to attract individuals from such highly compensated occupations as Architecture/Engineering, Computer/Mathematical, Health Care Practitioners, Legal, and Science, while those in such low-paying occupations as Cleaning/Grounds Keeping, Food Preparations/Serving, Sales, and Transportation had the highest negative net domestic migration.
- California remains the top state in attracting international migrants, many of whom are low-income earners, and in attracting those who have obtained bachelor's degrees.

Despite negative net domestic migration, California is continuing to attract new residents, individuals coming to California are primarily concentrated in high-wage occupations, which enable them to better absorb the state's high cost of living. The majority of California's outbound migrants tend to earn less than $30,000 annually.

**Figure 2.** California Net Domestic Migration by States Quintiles
2006 to 2016 Cumulative

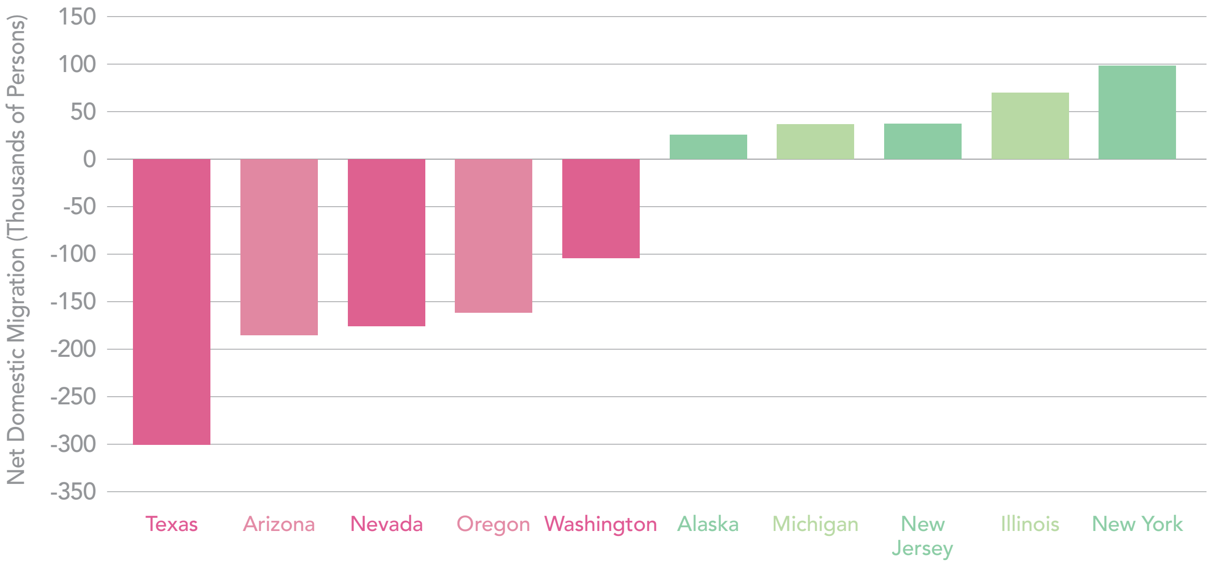



Source: American Community Survey Public Use Microdata Sample, U.S. Census Bureau NEXT 10

Migration trends also show that the middle class is being priced out of the state. Net migration of those earning between $30,000 and $49,999 accounted for 93,500 residents leaving California from 2006 to 2016, or 18.09 percent of net out-migration over that period. On the other hand, net domestic migration for households earning from $50,000 to $99,999 has been positive since 2010, representing 52.16 percent of net in-migration over that period. Finally, low-income earners from other countries are replacing low-income earners leaving California for other states.

High housing costs have made California an increasingly difficult place for lower-income residents with less education to maintain their quality of life, while many middle-income residents are having trouble moving from renting to homeownership. Meanwhile, those with higher education and high-wage occupations continue to find the state an attractive place to live. Ultimately, the choice of where to live is one of consumption and reflects a variety of preference factors. Based on the data, it appears that despite a high cost of living, individuals who can afford to live in California will stay because of all the state has to offer.

**Figure 3.** California Net Domestic Migration by State
2006 to 2016 Cumulative, Top 5 and Bottom 5 States




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

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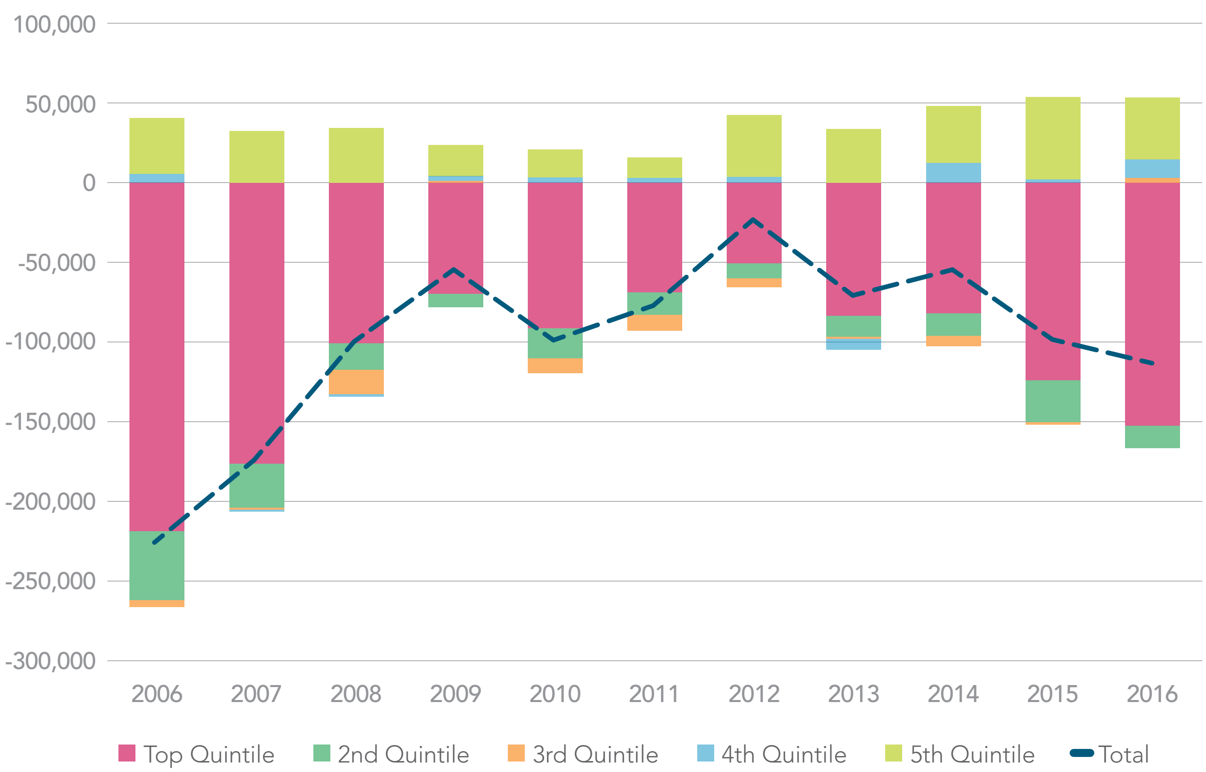
**Figure 4.** California Net Domestic Migration by States Quintiles, 2006 to 2016
Top 10: Texas, Arizona, Nevada, Oregon, Washington, Colorado, Utah, Idaho, Georgia, and Oklahoma (in ranked order)




Source: American Community Survey Public Use Microdata Sample, U.S. Census Bureau

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## Where Are Departing Californians Going?

As noted, California saw 1,090,600 more U.S. residents move out of state than stay from 2006 to 2016. [4] The vast majority of these migrants went to only a few states. The state seeing the largest net migration was Texas, which gained 300,400 net domestic migrants from California during those years. Other primary destinations were Oregon, Nevada, Arizona, and Washington; together, these five states accounted for more than 926,300 (or 84.9%) of California's out-bound migrants.

California was not the only state to see net outbound domestic migration from 2006 to 2016; 24 other states also did. California had the second largest total. Others with large net outbound migration were concentrated in the northeast, with New York seeing the largest number. Illinois, Michigan, New Jersey, and Alaska also saw domestic migration turn negative over the period, but their losses were not as steep in absolute terms as in New York.

It is important to note that California saw positive net domestic migration from 18 states and the District of Columbia despite an overall negative trend from 2006 to 2016. The states accounting for the largest inflows to California include New York, Illinois, Michigan, New Jersey, and Alaska. Together these states accounted for a net inflow of more than 267,700 migrants to California from 2006 to 2016. California attracted many residents from some states that do not levy income taxes, including Alaska (25,600) and Florida (20,400). This counters the perceived link between migration and tax rates and suggests that other factors continue to drive migration trends.

In 2014, California saw out-migration fall, with more than 54,000 residents leaving California on net. Net migration out of the Golden State has begun to accelerate over the last two years, with more than 211,000 residents leaving in 2015 and 2016. Half the states in the nation saw negative net domestic migration during that period, however, indicating that this is not a California-specific trend.

## Who are California's Migrants?

Although California has seen a significant number of residents leave the state in recent years, it is important to look at who is opting to leave and what is the demographic make-up of those moving into the state. A common theme is to look at the migration out of California and blame it on a poorly performing economy or on income taxes without looking at who the migrating people are, or why they are going. This is especially important from a public policy perspective in that having the right diagnosis is critical to overcoming challenges. If tax rates are the drivers of out-migration, the policy recommendation that logically follows is to lower the tax rate. If, as the data suggest, there are other drivers, reduction of tax rates will do little to stem the tide of those leaving the state.

4 Note: This figure does not include migration from United States territories.

**Figure 5.** Net Domestic Migration by Income, California vs. Texas
2006 to 2016 Cumulative


Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics NEXT 10

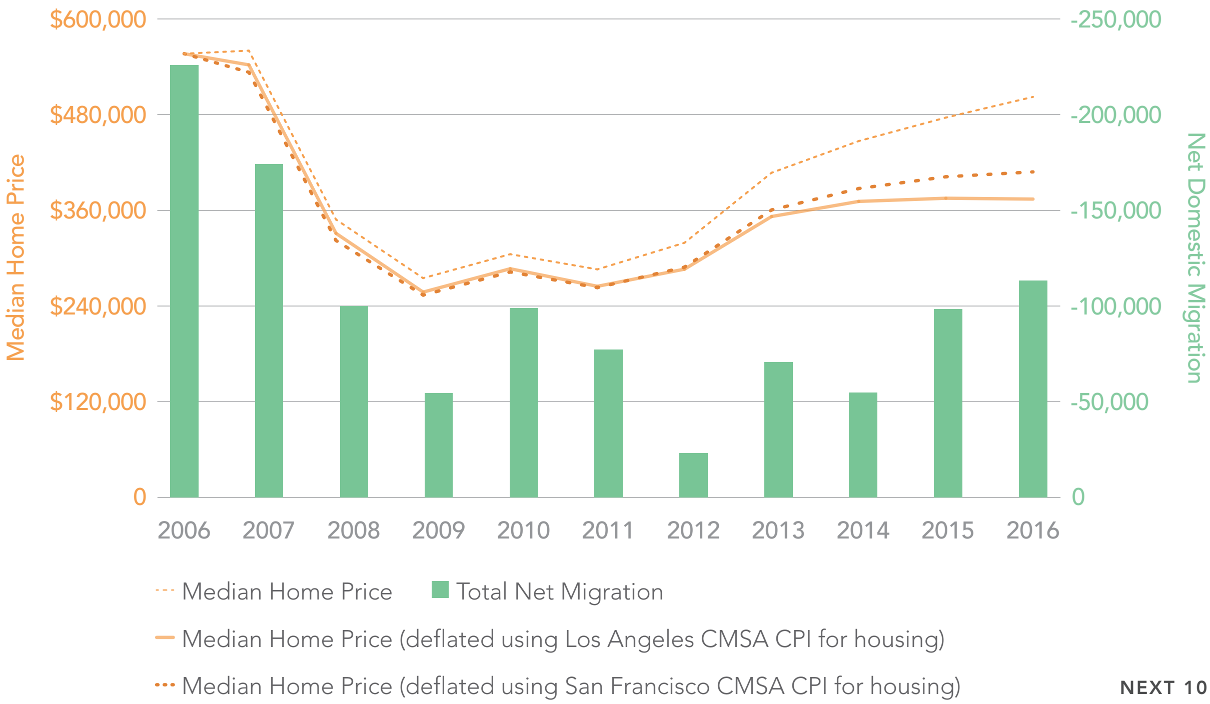
Looking at the income levels of domestic migrants undermines the assertion that California's progressive tax system is driving residents from the state. From 2006 to 2016, California has seen a net positive domestic migration of individuals who earn more than $50,000 annually. This means there are factors other than income taxes affecting migration decisions, because most out-migration can be attributed to residents who earn less than $30,000 and who are not subject to California's higher upper-tier income tax brackets. This also follows the earlier finding that California gains residents from states with no income taxes.

It appears that California's high cost of living and housing costs, particularly for middle- and lower-income residents, play a large role in decisions to move into or out of the state. This is in contrast to Texas, which has been able to accommodate workers at all income levels. On net, over 423,000 residents who earn less than $30,000 left the Golden State, while Texas experienced a net increase of 358,000 in that same income bracket.

A comparison between net domestic migration and median existing single-family home prices in California reveals a strong negative association, which is echoed by GenFKD.[5]

5 Grasso, D. "States People are Moving to: Americans are Leaving CA, NY, and Heading to TX, FL." GenFKD. March 28, 2017. Available at: http://www.genfkd.org/states-people-moving-americans-leaving-ca-ny-heading-tx-fl

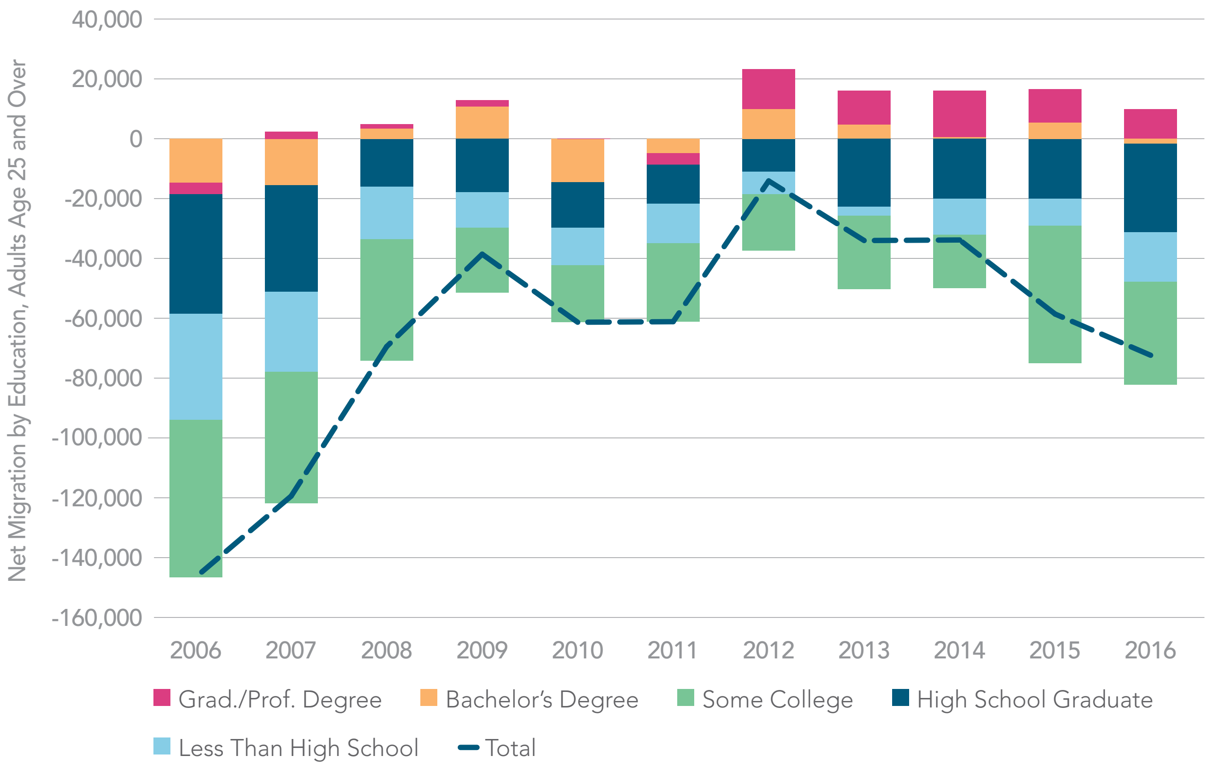
**Figure 6.** Net Domestic Migration and Median Existing Single-Family Home Price California, 2006 to 2016




Source: American Community Survey Public Use Microdata Sample, U.S. Census Bureau; CBRE; California Department of Finance

Educational attainment levels of California's migrants provide perhaps some of the best insight into the underlying nuances of migration in the state. To illustrate, from 2006 to 2016, California residents 25 and older with bachelor's higher degrees had the lowest propensity to leave the state, with this demographic seeing a net inflow of nearly 43,200 domestic migrants over the period. Individuals with graduate or professional degrees accounted for the entire net inflow, with 59,600 moving to California during the 11-year span. As for those whose highest educational attainment is at the bachelor's level, there had been a net inflow of 3,900 between 2015 and 2016. In contrast, California residents who do not possess bachelor's degrees had the highest propensity to leave the state, with this demographic seeing a net outflow of more than 752,600 domestic migrants over the 2006-2016 time period. This should not come as a surprise given that education is a primary driver in income disparity and the concentration of out-migrants in the lower-income categories.

**Figure 7.** California Net Domestic Migration by Educational Attainment, All Adults Aged 25 and Over, 2006 to 2016

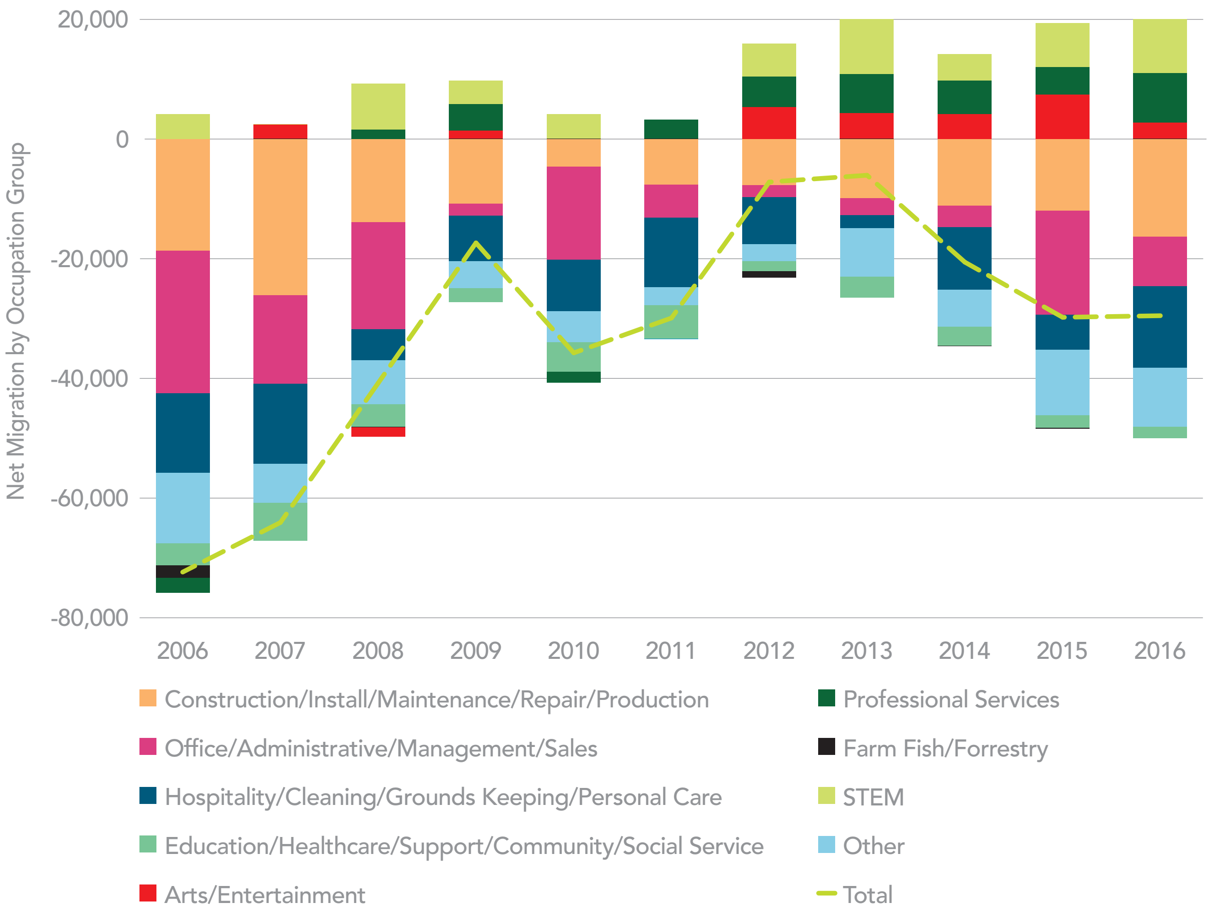



Source: American Community Survey Public Use Microdata Sample, U.S. Census Bureau NEXT 10

The data on migration from California by occupation tell a similar story when analyzed according to educational attainment and income levels. The vast majority of outbound migrants were concentrated in lower-skilled, lower-paying fields—namely Sales, Transportation, and Food Preparation, which together accounted for a net outflow of more than 180,200 domestic migrants from 2006 to 2016. In contrast, California continues to attract workers in high-skilled, high-wage fields like Computer/Mathematical, Healthcare Practitioners, Science, and Architecture/Engineering occupations, attracting 82,700 net inbound migrants.

These occupational patterns support the argument that high housing costs rather than income taxes are impeding positive net domestic immigration. Because California is relatively progressive in terms of income taxes, increases in the income tax burden are less likely to affect workers in low- and middle-wage occupations than those in higher-wage jobs. Yet, it was lower-wage and middle-wage workers who left the state in greater numbers, while there was an influx of higher-wage workers.

**Figure 8.** California Net Domestic Migration by Occupation Group
2006 to 2016




Source: American Community Survey Public Use Microdata Sample, U.S. Census Bureau

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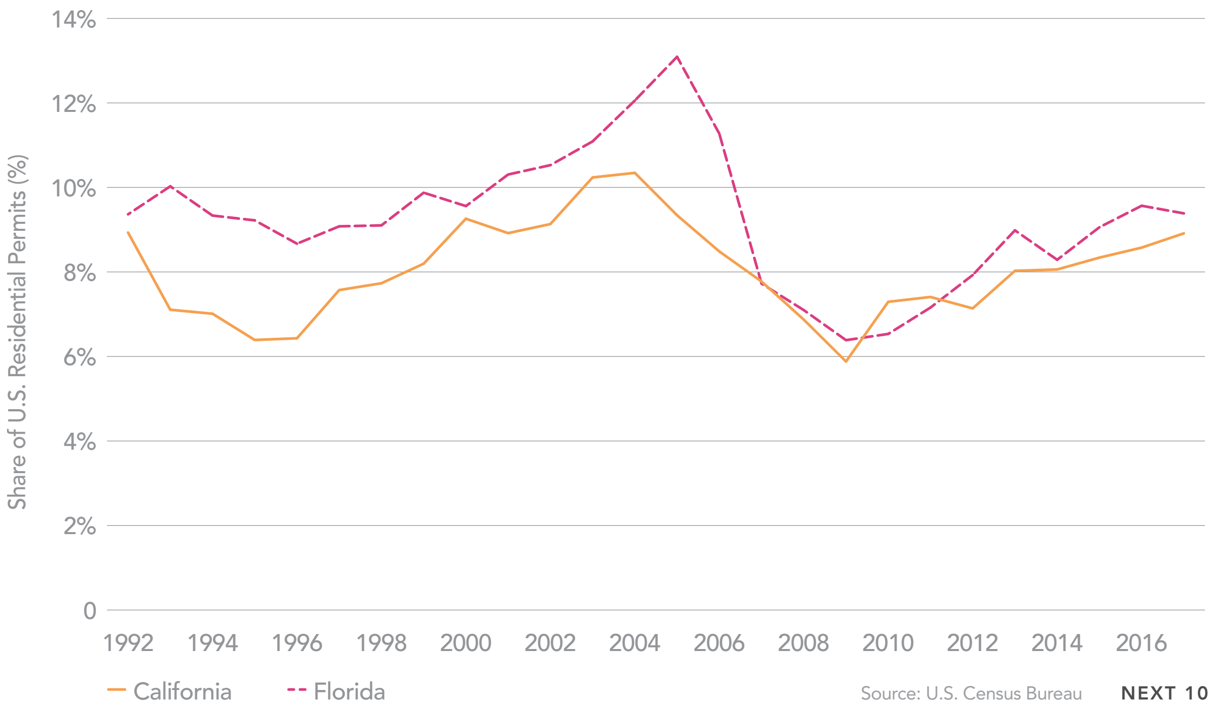
## Why are Californians Migrating?

Ultimately, the decision of where to live is one of individual reflecting a variety of preference factors such as income and cost of living. High housing costs have made California an increasingly difficult place for lower-income residents (who often have low educational attainment) to maintain their quality of life, while those with higher education (who are also more likely to be in high-wage occupations) continue to find the state an attractive and accessible place to live.

For years California has had a chronic undersupply of housing despite rising population and increased demand. For example, although home to more than 12% of the nation's population, California has consistently accounted for just 8% of residential permitting for almost twenty years. The state simply has not built enough new housing to keep pace with its expanding population over the long term.

**Figure 9.** State Share of U.S. Residential Permits, California vs. Florida
1992 to 2017




Source: U.S. Census Bureau NEXT 10

The Census Bureau estimates that for all of 2017, roughly 112,000 housing permits were issued in California, making it the best year in a decade in terms of permit volumes. In other words, seven and a half years after the Great Recession and into the third longest expansion in United States' history, the State permitted roughly the same number of housing units as it did in 1998, when it had 6.5 million fewer residents. California is permitting roughly the same number of housing units as Florida. From 1992 to 2017, data from the Census Bureau show that Florida has issued more residential permits than California in all but three years during that 25-year period. This means that California, which has, on average, 18 million more residents, is building slightly less housing than Florida.

Vacancy rates in California are well below the nation's average overall. The homeowner vacancy was 1.8% in the nation in 2016, compared to 1.3% in California, the lowest among the states and the District of Columbia. The story is similar for renters, with the rental vacancy rate at 5.9% in the United States overall compared to 3.3% in California. The numbers suggest that housing in California is in greater demand in the State than in the nation overall.

Simply put, California has not built enough housing to keep pace with population growth, resulting in higher housing costs and more crowding. Twice as many households are overcrowded in California (8.4%) as in the United States overall (3.4%). The negative effects of unaffordable housing, and especially the overcrowding that it instigates, are not limited to the families that live in overcrowded situations but have far-reaching consequences for the entire economy.

Whether touching on public health, educational attainment, poverty, or crime, the effects of unaffordable housing and the overcrowding that it breeds cost the entire state. In 2007, the U.S. Census Bureau published "Supplemental Poverty" rates that were based on an area's cost of living, rather than on the national income threshold for poverty. [6] From 2014 to 2016 (a three-year moving average is typically used to smooth out volatility in poverty measurements), California's poverty rate under the Supplemental Measure, which again adjusts for regional costs of living, was 20.4%, the highest in the nation. By comparison, under the official poverty measure, California had a poverty rate of 14.5%. What a difference the cost of living makes.

Housing is by far the largest household expense for most American families. Home affordability varies widely across states, with California being one of the least affordable locations in the country. According to real estate data from Zillow, which releases housing data on nearly 11,000 cities, 20 of the 25 most expensive cities were in California in 2017.

Affordability is trending from bad to worse. According to the National Association of Home Builders/Wells Fargo Housing Opportunity Index, as of the third quarter in 2017, the latest data available, the least affordable housing markets in the United States are in California. Among the 15 least affordable housing markets in the United States, all 15 were in California.  Five years prior, nine of the top 15 were in California.

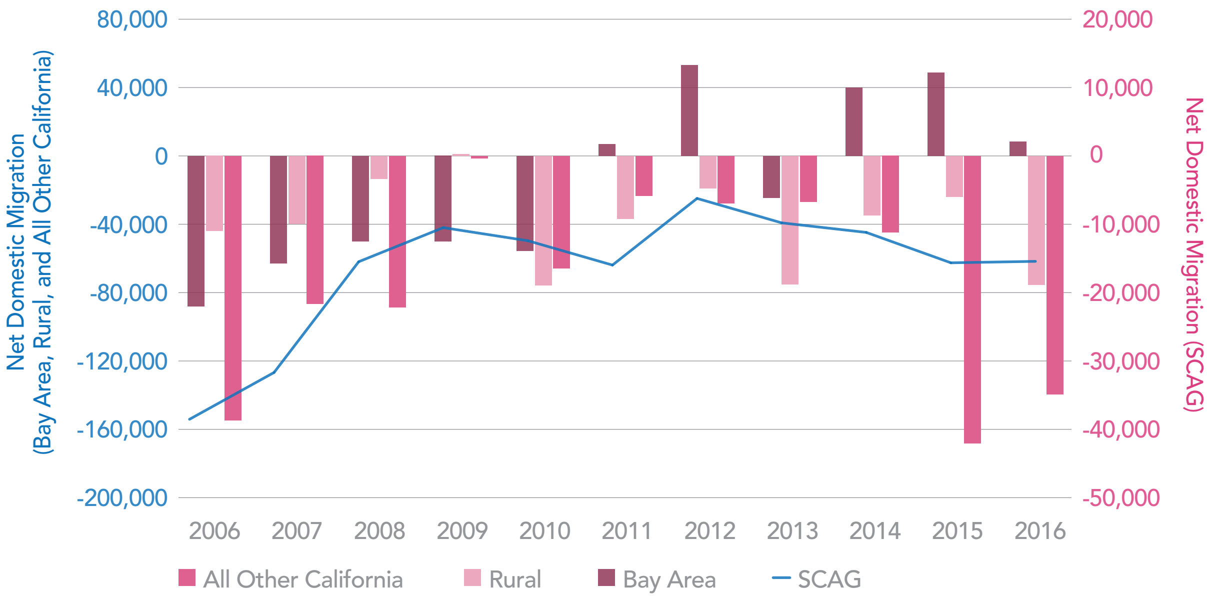
The rental market in California is also expensive compared to other metropolitan areas. It's commonplace to hear that Californians tend to earn a higher wage relative to the national average. However, at 27.1%, California has the highest share of renter households that are severely burdened, where a severely burdened renter household is a household that spends more than 50% of household income on rent alone. California's housing crisis is discussed in greater detail in Next 10's companion housing paper.[7] Building affordable housing units is a very popular solution to California's affordability crisis, but it's not very practical when the state is underbuilding and more than 1.6 million renter households are severely rent-burdened.

It is important to note that price differentials and relative housing costs do not happen simply because California is a more desirable than other areas. Our research suggests that a litany of fees, the California Environmental Quality Act (CEQA), NIMBYism, and the fact that Proposition 13 causes municipalities to look to permits and development-related fees for revenue all contribute to California's affordability issue.[8] To solve the out-migration issue, therefore, the focus should be on these roadblocks, rather than on the state's personal income tax.

Based on the data, it appears that despite a high cost of living, individuals who can afford to live in California will do so. However, it is important to look closely at how affordability has affected migration and why it is a persistent issue.

6 Fox, L. (2017). The Supplemental Poverty Measure: 2016. Current Population Reports. U.S. Census Bureau. Revised September 2017. Available at: https://www.census.gov/content/dam/Census/library/publications/2017/demo/p60-261.pdf
7 *Current State of California Housing Market*. Available at next10.org/housing
8 The Housing paper provides a more in-depth discussion on these issues.

**Figure 10.** California Net Domestic Migration by Broad Regions
2006 to 2016




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

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## Regional Analysis of Out-of-State Migrants

So far, this updated report has examined migration trends at the state level and postulates that high housing costs are the main driver of negative net domestic migration. This section will look at the Golden State in greater detail in order to identify where people are moving to and from. This section compares the net migration from and to out of state at the Public Use Microdata Areas (PUMA) level.[9]

In 2016, with the exception of coastal Bay Area counties, San Luis Obispo County, and Lake and Mendocino Counties, most of coastal California, including the relatively less urban Humboldt County, experienced a net migration outflow. Large metro areas in Southern California—the Inland Empire, Los Angeles, and San Diego—have had more people moving out of state than out of state people moving in. Inland California counties, which tend to be predominantly rural and have the lowest median household income levels, also had notable negative net migration.

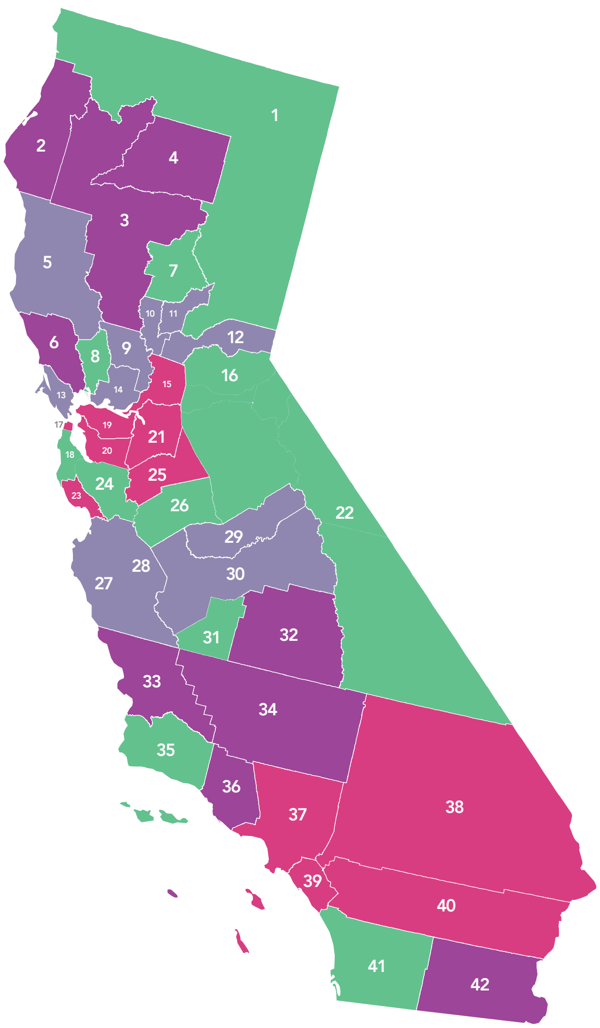
On the other hand, despite having one of the highest median home prices and rent costs in the nation, the Bay Area[10] had an overall positive net migration in 2016. This is probably because of the recent tech boom, as the Bay Area had a negative net migration flow until 2014.

9 Public use microdata areas are geographic areas defined to be used with PUMS files. PUMAs are collections of counties or census tracts within counties with more than 100,000 people based on the decennial census population counts.
10 This paper defines the Bay area as Alameda, Contra Costa, Marin, San Mateo, and San Francisco Counties (counties that make up San Francisco MSA) plus Santa Clara County.

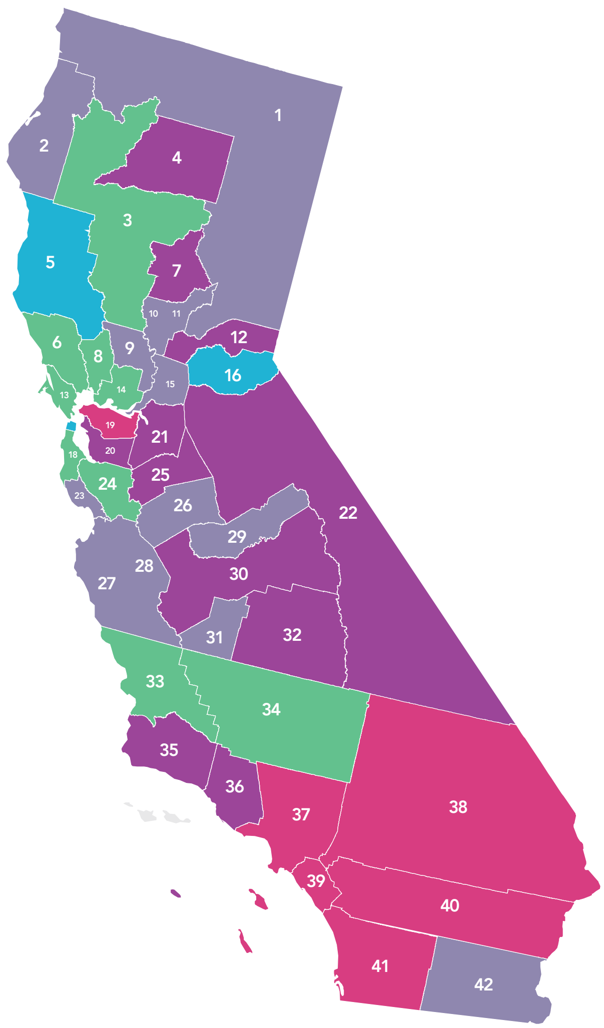
## **Map 1.** California Net Domestic Migration by County

2006 vs. 2016

**2006**




**2016**




Net Migration Flow

- Less than -5,000
- -5,000 to -1,500
- -1,500 to 0
- 0 to 500
- More than 500

1 Del Norte, Lassen, Modoc, Nevada Plumas, Sierra & Siskiyou
2 Humboldt
3 Colusa, Glenn, Tehama & Trinity
4 Shasta
5 Lake & Mendocino
6 Sonoma
7 Butte
8 Napa
9 Yolo
10 Sutter
11 Yuba
12 Placer
13 Marin
14 Solano
15 Sacramento
16 El Dorado
17 San Francisco
18 San Mateo
19 Contra Costa
20 Alameda
21 San Joaquin
22 Alpine, Amador, Calaveras, Inyo, Mariposa, Mono & Tuolumne
23 Santa Cruz
24 Santa Clara
25 Stanislaus
26 Merced
27 Monterey
28 San Benito
29 Madera
30 Fresno
31 Kings
32 Tulare
33 San Luis Obispo
34 Kern
35 Santa Barbara
36 Ventura
37 Los Angeles
38 San Bernardino
39 Orange
40 Riverside
41 San Diego
42 Imperial

Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

Note: Counties with small populations are aggregated together

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Of the 113,300 negative net domestic migration that occurred in 2016 in California, more than half (61,700) came from the Southern California Association of Governments (SCAG) region, which consists of Imperial, Los Angeles, Orange, Riverside, and San Bernardino Counties. With the exception of Lake and Mendocino Counties, rural counties[11] in California also contributed to much of the so-called California exodus.

Based on the observations above, although it seems that high housing cost is an important driver of the California exodus, it is not the only factor. Despite the housing costs, Bay Area counties are popular destinations for people coming from out of state. It is possible that job opportunities and pay, which is typically very high in the Bay Area, may very well be more important than housing costs for out-of-staters. One of the findings in the Employment by Income paper,[12] is that average pay in high- and middle-wage industries in the Bay Area grew significantly faster than in all other regions in California. In addition, employment of high-wage industries also grew significantly faster in the Bay Area than elsewhere in California. On the other hand, the median housing costs are also high in Southern California (the SCAG region plus San Diego County), and growth in both employment and average wages of high-wage and middle-wage industries has lagged far behind the Bay Area. These findings imply that the negative net domestic migration observed in Southern California and the positive net domestic migration observed in the Bay Area in 2016 are the results of job opportunities and compensation relative to housing costs being a primary factor in determining net domestic migration.

Meanwhile, migration data for 2006 reveal a much different overall pattern. Most notable is the high overall positive net domestic migration from out of staters in northern and rural inland California.

Adjusting for county population sizes, however, rural inland counties actually fared worse in 2016 than coastal areas and the Central Valley/San Joaquin Valley region.

Alpine, Amador, Calaveras, Inyo, Mariposa, Mono and Tuolumne Counties[13] collectively lost 18.8 persons per one thousand residents in terms of net domestic migration in 2016, followed by Shasta County with a negative 14.7 persons lost per one thousand residents net and Butte County. Los Angeles County, which accounted for 26.0% of 2016's negative net domestic migration, experienced the loss of only 2.9 persons per one thousand residents net. In fact, Los Angeles County still registers a negative net domestic migration every year, and 2016's per capita result represents a significant improvement compared to 2006's negative 10.8 per one thousand residents.

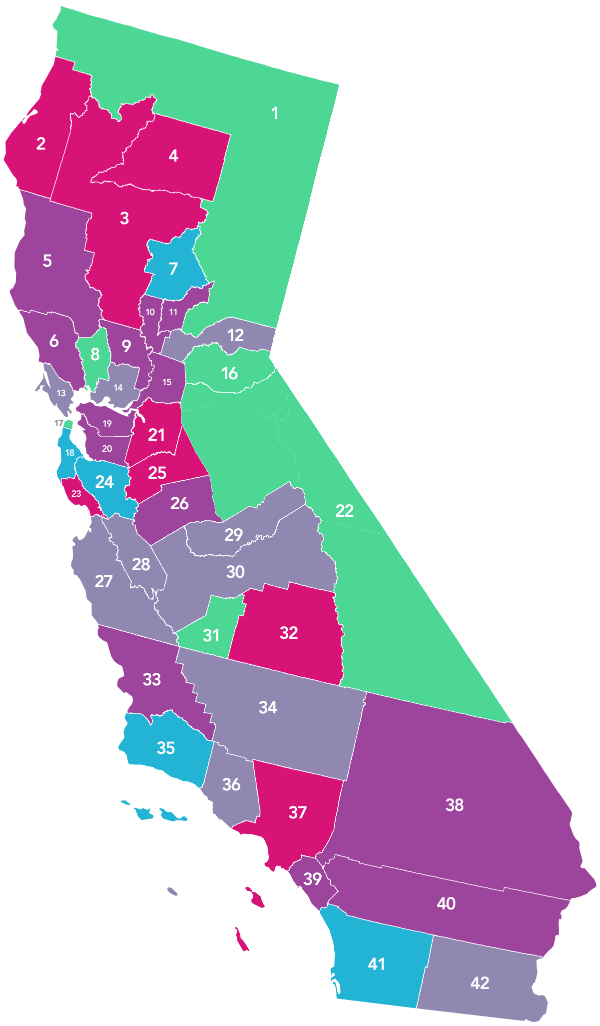
11 The definition of rural counties is based on the counties defined by the Rural County Representatives of California (RCRC) with the exceptions of excluding Imperial County (which is classified as part of SCAG) and including Monterey County, because part of the County is aggregated with San Benito County in the PUMS datasets. The list of rural California counties can be viewed at http://rcrcnet.org/counties

12 *California Employment by Income.* Available at next10.org/employment

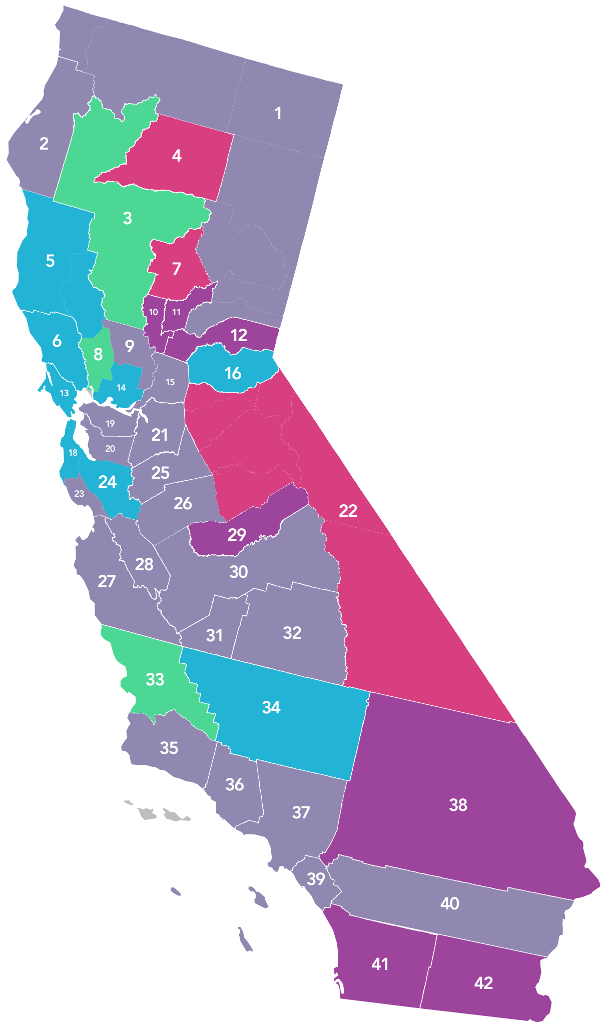
13 Because of low population sizes, these counties were tabulated together in Census ACS PUMS datasets.

## **Map 2.** Net Domestic Migration per Thousand Residents by County

**2006**




**2016**




Net Migration Flow per Capita (per thousand residents)

- -10 or worse
- -10 to -5
- -5 to 0
- 0 to +5
- +5 or more

1 Del Norte, Lassen, Modoc, Nevada Plumas, Sierra & Siskiyou
2 Humboldt
3 Colusa, Glenn, Tehama & Trinity
4 Shasta
5 Lake & Mendocino
6 Sonoma
7 Butte
8 Napa
9 Yolo
10 Sutter
11 Yuba
12 Placer
13 Marin
14 Solano
15 Sacramento
16 El Dorado
17 San Francisco
18 San Mateo
19 Contra Costa
20 Alameda
21 San Joaquin
22 Alpine, Amador, Calaveras, Inyo, Mariposa, Mono & Tuolumne
23 Santa Cruz
24 Santa Clara
25 Stanislaus
26 Merced
27 Monterey
28 San Benito
29 Madera
30 Fresno
31 Kings
32 Tulare
33 San Luis Obispo
34 Kern
35 Santa Barbara
36 Ventura
37 Los Angeles
38 San Bernardino
39 Orange
40 Riverside
41 San Diego
42 Imperial

Source: American Community Survey Public Use Microdata Samples and California Department of FInance; Tabulations by Beacon Economics

Note: Counties with small populations are aggregated together

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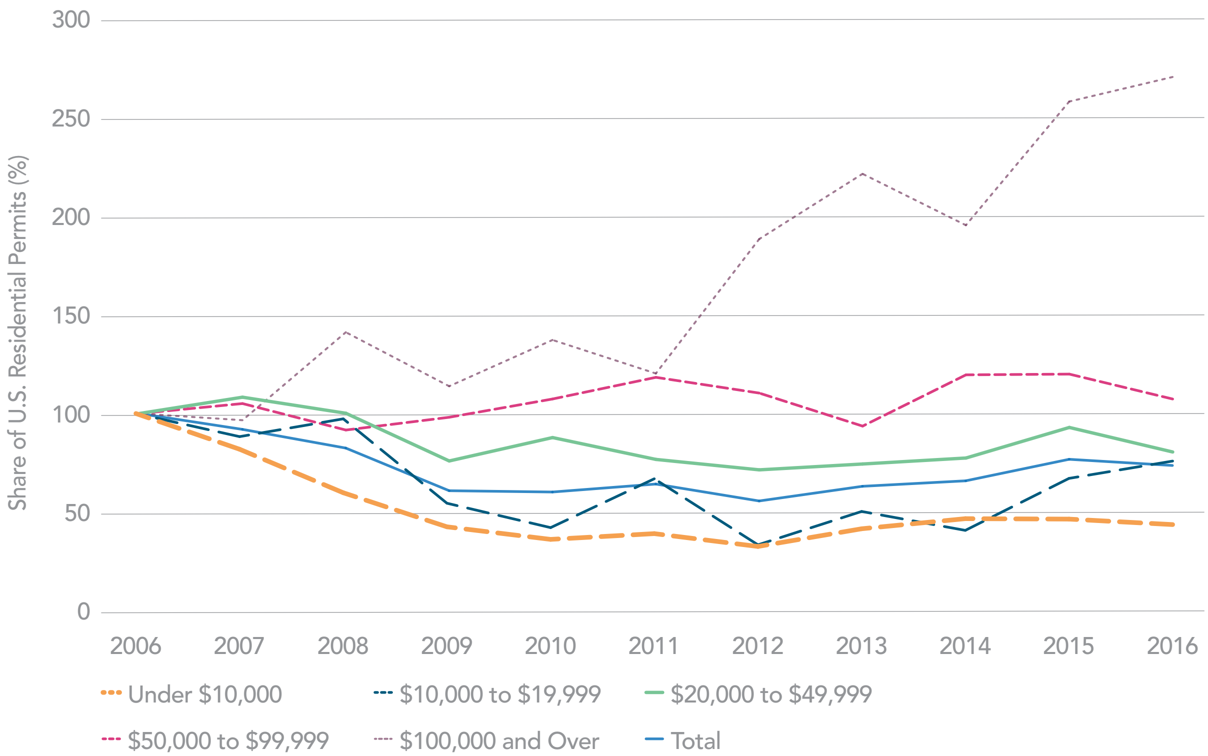
**Figure 11.** Immigrant Households (Indexed) by Household Income,
2006 to 2016, California




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

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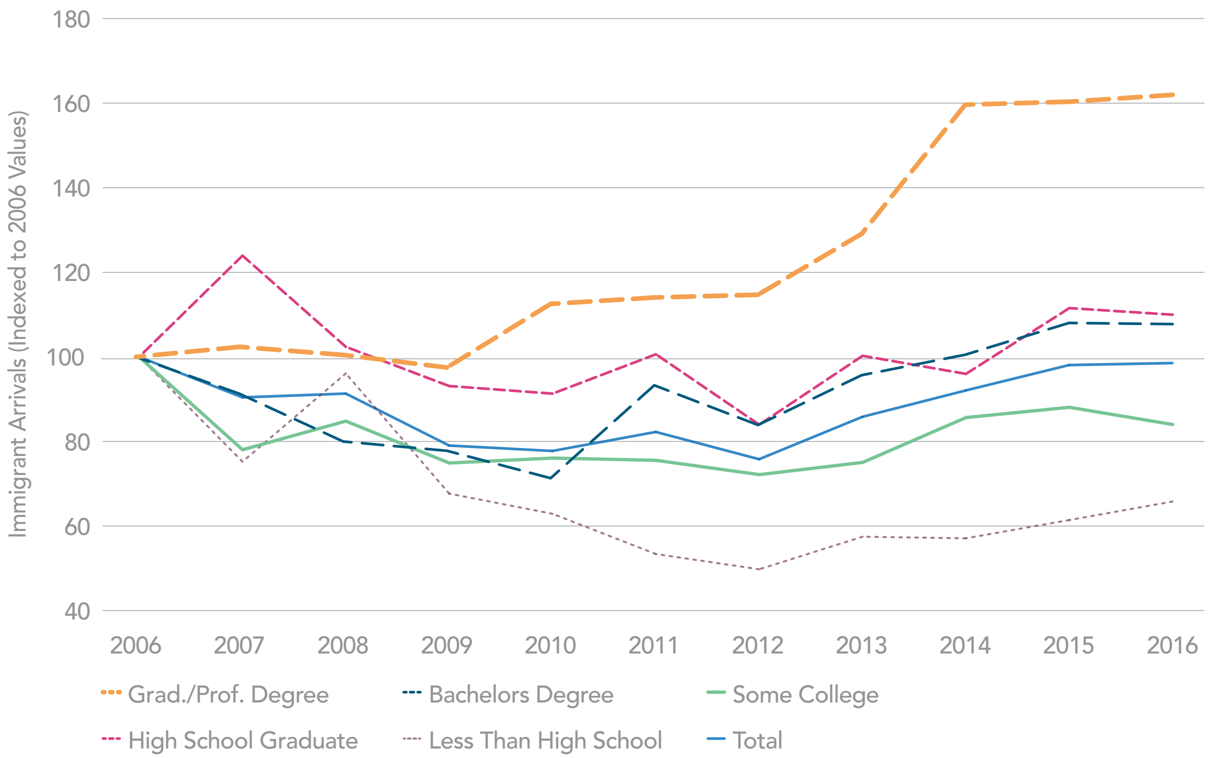
## International Migrants

Contrary to the trends in domestic migration, California continues to be the most popular destination for international migrants. Between 2006 and 2016, nearly 2.8 million international migrants moved into California, more than to any other state during that period. Texas (1.9 million), Florida (1.5 million), and New York (1.3 million) have also been popular states for international migrants.

Roughly 62% of international migrants entering California between 2006 and 2016 earned less than $30,000 per year, similar to figures for international migrants entering in New York (57%), Florida (67%), and Texas (62%). This too is shifting toward a higher percentage of international migrants with higher household income in recent years.

As Figure 11 above indicates, despite an overall decreasing immigration trend, international immigrant households with household incomes of at least $100,000 registered substantially higher growth rates than all other households. Between 2006 and 2016, immigrant households with household incomes of at least $100,000 grew 170.5%, while those with household incomes between $50,000 and $99,999 grew 7.4%. Immigrant households with incomes of less than $10,000 decreased 56.3% while those with household incomes between $10,000 and $19,999 decreased 24.1%.

**Figure 12.** Immigrant Arrivals (Indexed) by Year and Educational Attainment.
All Adults Age 25 and Older, 2006 to 2016, California




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

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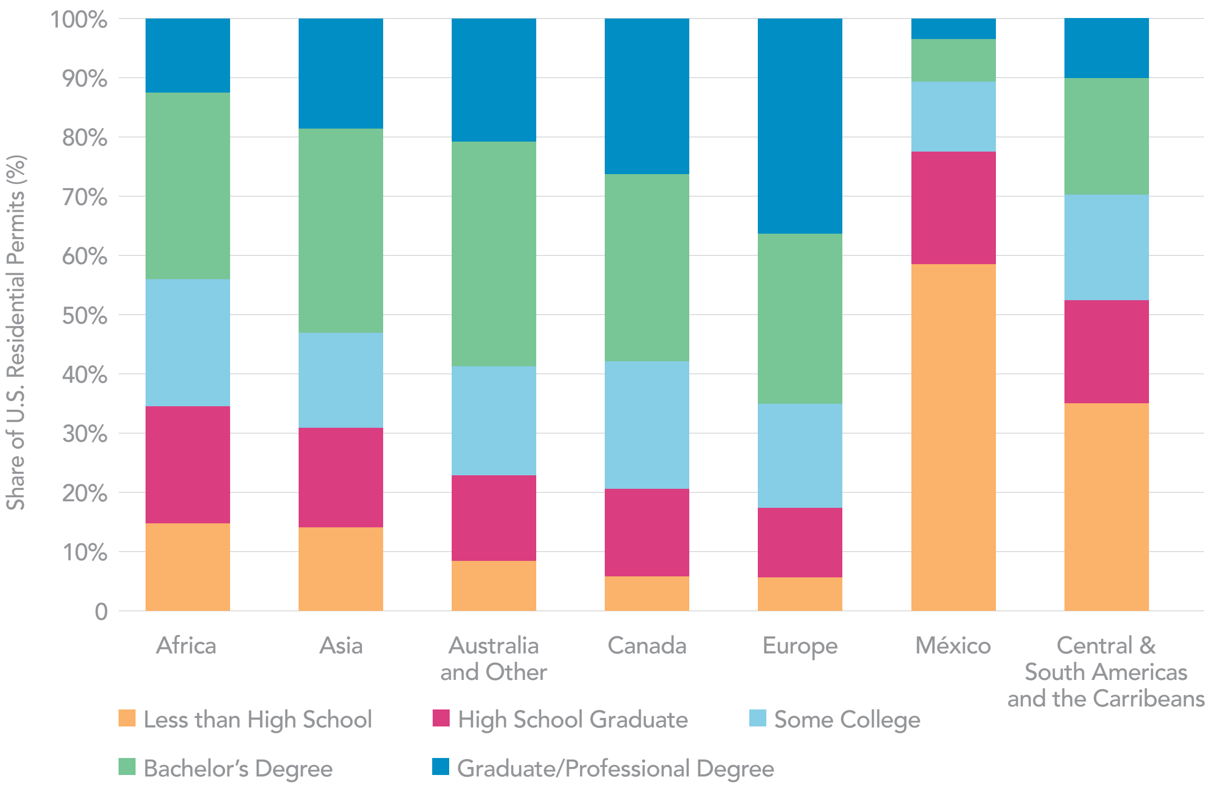
These trends indicate that international migrants with low household incomes are gradually being displaced by international migrants with higher household incomes. For example, in 2006, 44.3% of all international migrants had household incomes of less than $10,000. By 2016, the share had decreased to 26.3%. The share of international migrant households with household incomes of at least $100,000 increased from 4.0% in 2006 to 14.6% in 2016.

Despite earning low wages, many international migrants enter the nation with advanced education, mirroring their domestic migrant counterparts. From 2006 to 2016, the number of international migrants with graduate or professional degrees has increased 62 percent. Those with less than high school diplomas have decreased by about one-third. As a result, approximately 22.3 percent of California's international migrants aged 25 years and older had obtained bachelor's degrees, higher than the rate in New York (19.6%), Texas (19.5%), and Florida (18.0%). Overall, California's international immigrants between 2006 and 2016 had higher educational attainment rates than the statewide attainment rate across all persons 25 and older.

**Figure 13.** Share of International Migrants into California by Educational Attainment, 2006 to 2016




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

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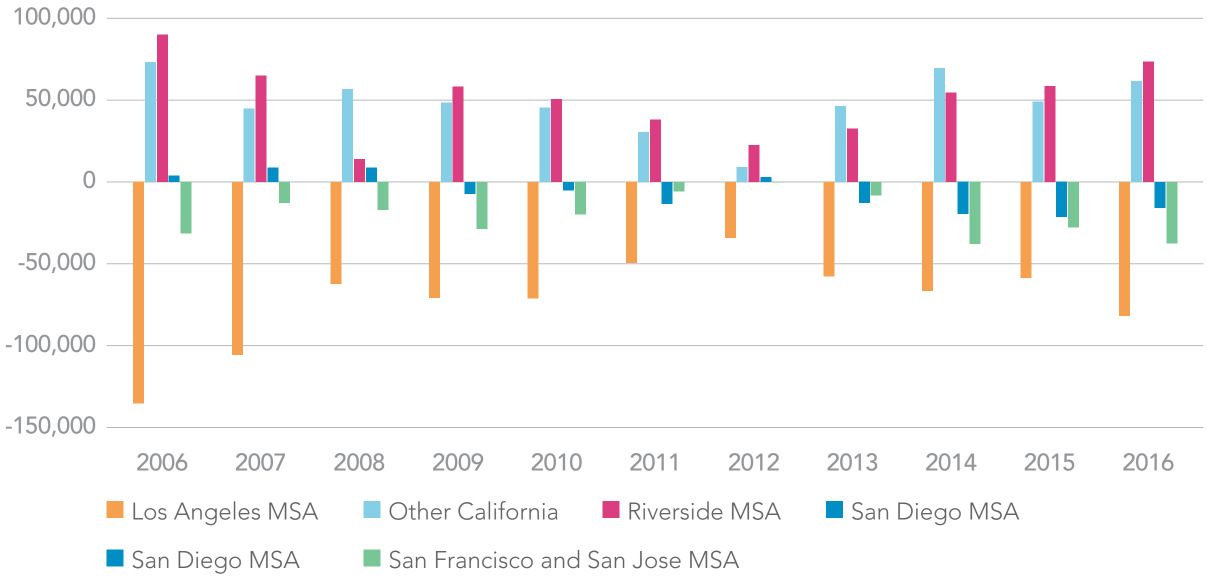
## Within-State Migration Among Californians

Millions of Californians move within the state every year. Compared to 2006, geographic mobility within the Golden State has been on a gradual decline. Although the vast majority of Californians move within the same metro area, those who move from one metro area to another exhibited somewhat different patterns than out-of-state migrants.

Figure 14 indicates that cost of living—rather than wages and salaries, job opportunities, or wages and salaries relative to cost of living—is the deciding factor in determining where Californians are moving within the State. The Riverside-San Bernardino metro area (which has low housing costs compared to the nearby Los Angeles metro area) and other parts of California (which consist mostly of rural counties and smaller metro areas) have consistently seen more Californians moving in than moving out. In contrast, the Bay Area and Los Angeles metro area have more Californians moving out than moving in every year.

**Figure 14.** Net Migration by Major Metro Areas Within California
2006 to 2016




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

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## What's being done to address the housing shortage?

Before the passage of the package of housing related laws (most notably Senate Bill 35) in September 2017, little had been done to address the housing shortage. What has been in place, however, has little oversight power. Before the passage of SB 35, the Regional Housing Needs Assessment (cycle) requires cities and counties to develop plans every RHNA cycle for new home building by income levels. However, cities and counties are not held accountable for actually approving new housing developments or for meeting the RHNA goals.

SB 35, which went into effect Jan. 1, 2018, mandates that cities and jurisdictions that fail to meet their prorated housing goals for the (Lower) Very Low and Low and Above-Moderate Income levels determined for the fifth (current) RHNA cycle would be subject to streamlining for developments with affordable housing. When a jurisdiction fails to make adequate progress (prorated) toward the Very Low or Low Income RHNA, proposed developments including at least 50% affordability would be streamlined, bypassing roadblocks such as CEQA abuses. When a jurisdiction fails to make adequate progress (prorated) toward the Above Moderate Income RHNA or has not submitted the most recent Annual Progress Report, proposed developments include at least 10% affordability.[14] The recently defeated

14 Note that a potential pitfall is that SB 35 ignores whether a jurisdiction has made sufficient progress toward meeting its housing goals for the Moderate-Income group. If a city has made sufficient progress toward its Above Moderate Income RHNA and Lower Income RHNA but not toward Moderate Income RHNA in a given year, the city would not be subject to SB 35 streamlining treatment.

Senate Bill 827, which was designed to increase height restrictions on transit-oriented development areas, could have been a potential resource to boost the state's housing supply. While this solution may have failed this cycle, the state legislature continues to weigh other housing-related bills in 2018.

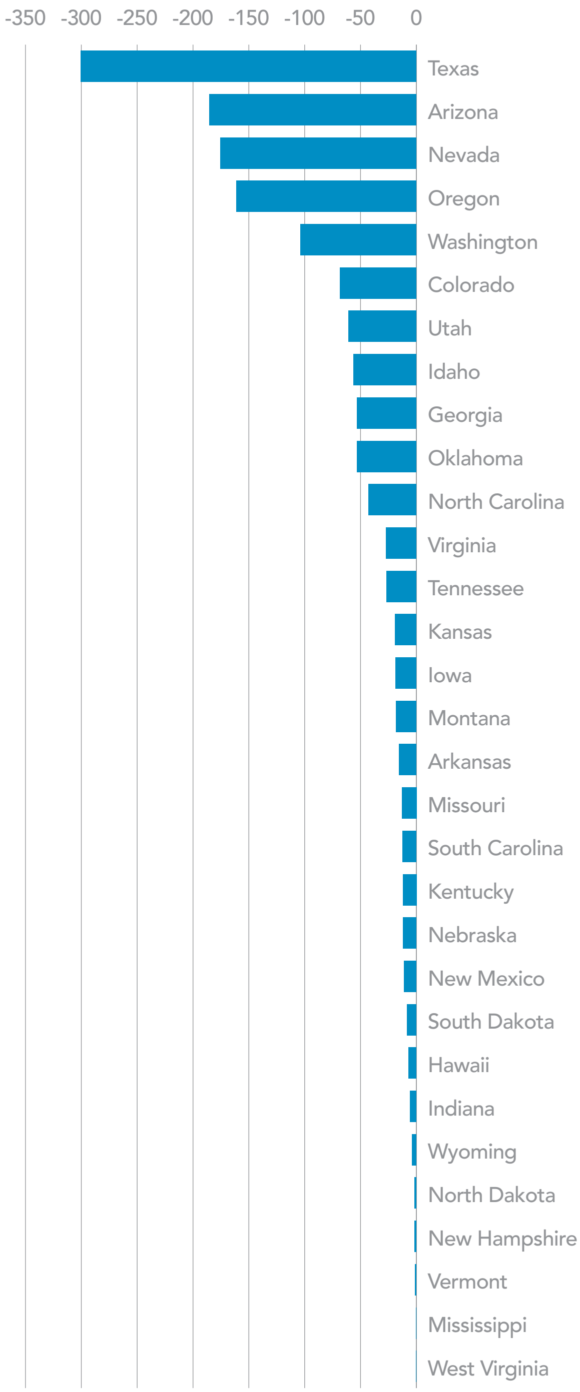
## Conclusion

Although California experienced a negative net domestic migration of 1,090,600 from 2006 to 2016, it appears that despite high housing costs and a high cost of living, individuals who can afford to live in California will do so and that international migrants destined for the Unites States will continue to start their search for a better quality of life in California. This is in contrast to the common talking point that individuals are deciding to move from the state because of its high cost of living. In fact, California has seen a net inflow of residents who earn more than $50,000 annually, have bachelor's or advanced degrees, and work in high-skilled occupations. This is especially true for the Bay Area, where high salaries and abundant job opportunities outweigh the high cost of living.

California still has plenty of room for improvement. The state's permitting rules and building regulatory environment could be streamlined to address California's real enemy: the cost of housing. High housing costs have made California an increasingly difficult place for lower-income residents with less education to maintain their quality of life, while those with higher education who work in high-wage occupations continue to find the state an attractive place to live.

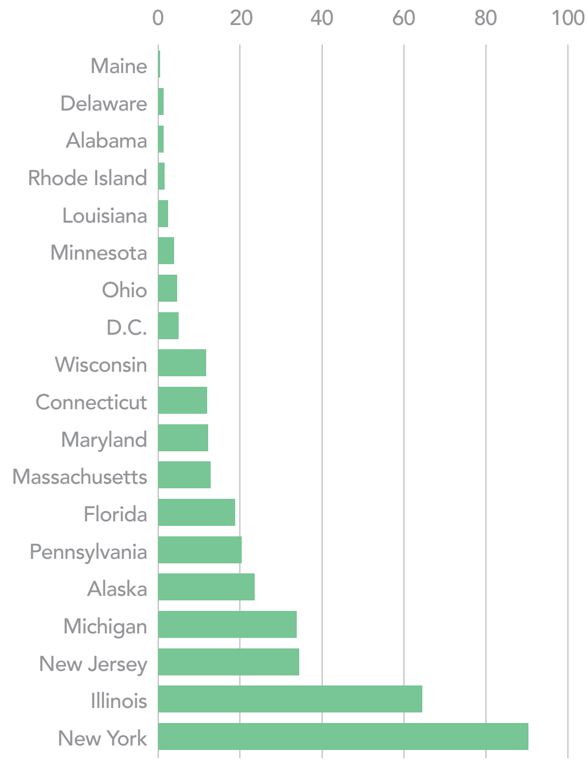
# APPENDIX

**Figure A1.** States with Negative Net Domestic Migration into California
2006 to 2016 Cumulative



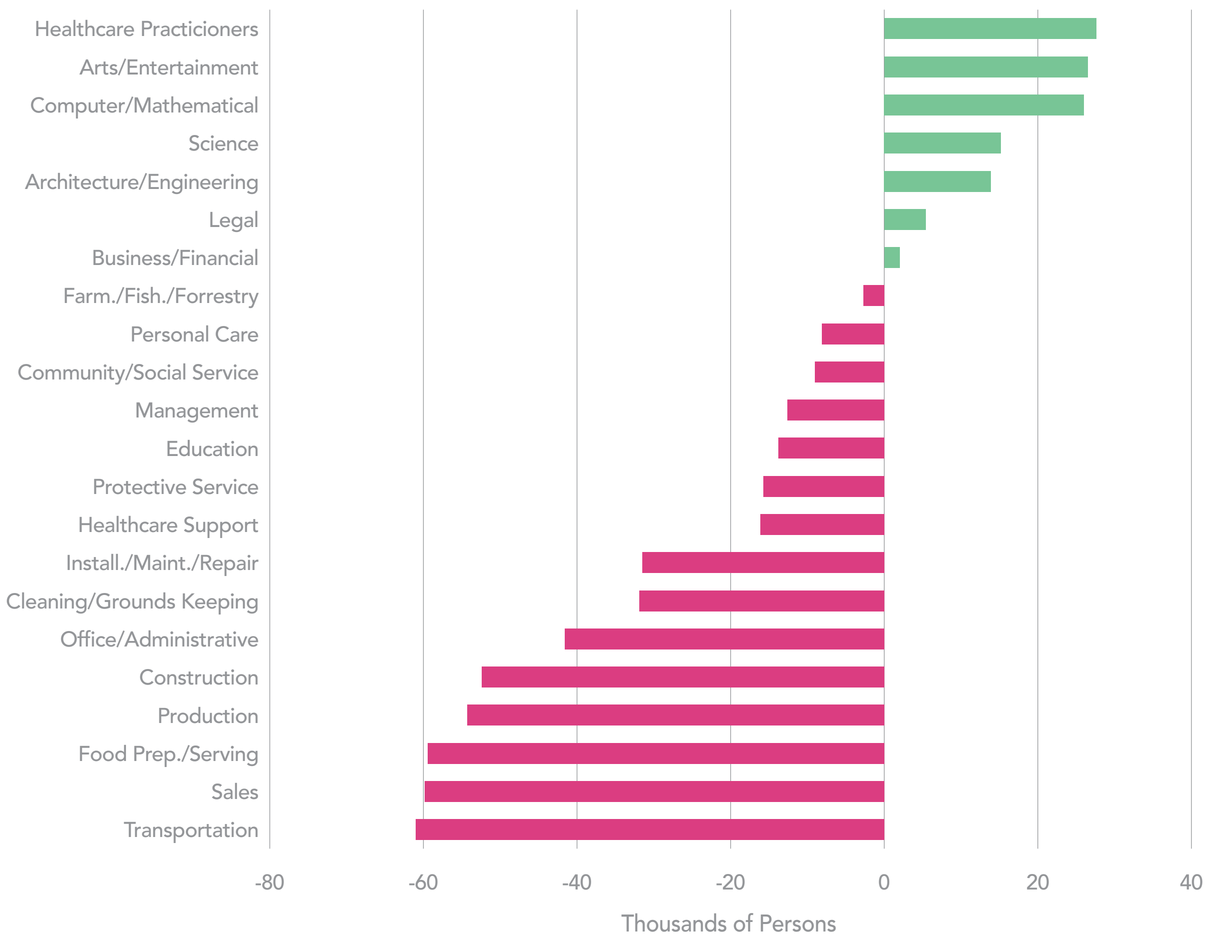

Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

**Figure A2.** States with Positive Net Domestic Migration into California
2006 to 2016 Cumulative (Thousands)



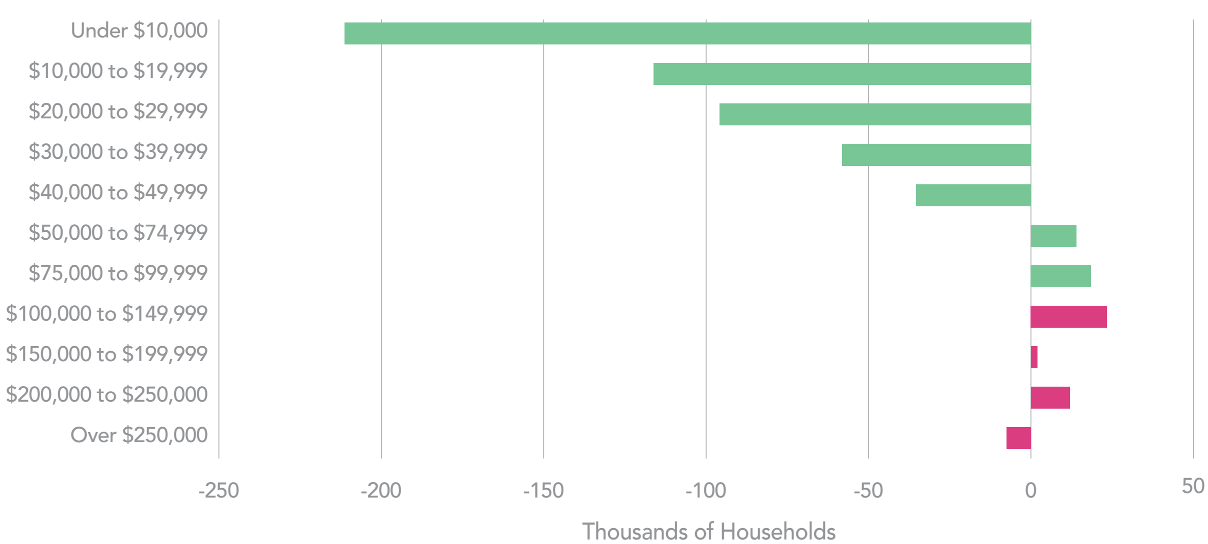

Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

**Figure A3.** California Net Domestic Migration by Occupation, 2006 to 2016



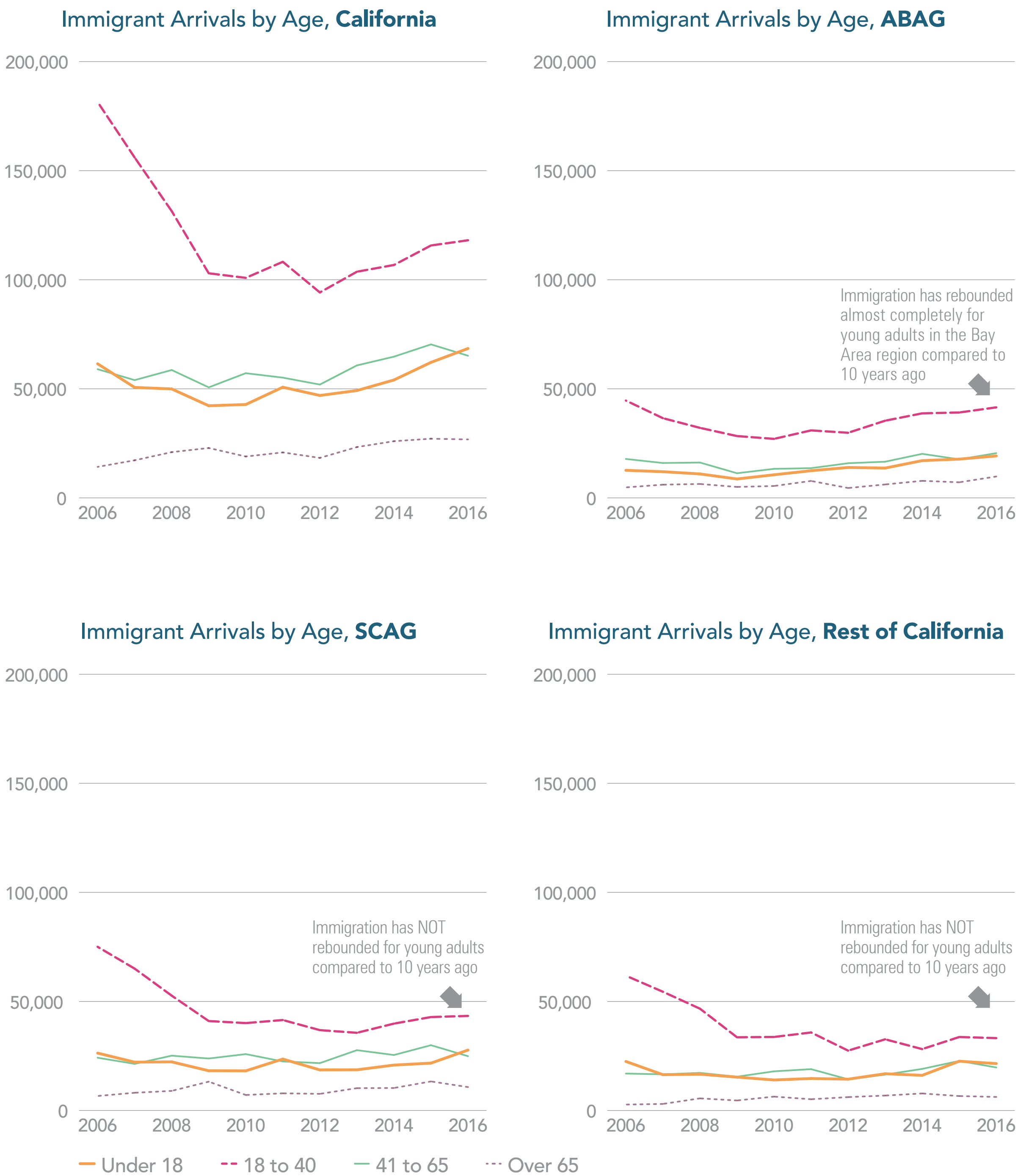

Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

**Figure A4.** California Net Domestic Migration by Household Income, 2006 to 2016




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics

**Figure A5.** Immigrant Arrivals by Age, 2006 to 2016, California, ABAG Region, SCAG Region, and Rest of California




Source: American Community Survey Public Use Microdata Samples; Tabulations by Beacon Economics