

# The Future of California

League of California Cities  
Conference

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Understanding California's Future



**PPIC**

PUBLIC POLICY  
INSTITUTE OF CALIFORNIA



# What should California's future look like?



BY DAN WALTERS  
JULY 17, 2022



“OK, so Californians are generally unhappy about the state's direction, meaning they are sour on its future if conditions don't change. The negative vibes may explain, at least in part, why the state is losing population.

To be certain, there's much to dislike about California today, including the nation's highest level of homelessness, its highest level of poverty, its extreme economic disparity, its housing crisis, its [water supply crisis](#), its epidemic of wildfires, its crime spike and, of course, its extremely high cost of living.

# Making the leap into California's future — and the unknown



An illustration of the unknown road ahead. (Image: Pro-Studio, via Shutterstock)

BY **SETH SANDRONSKY** POSTED 07.13.2022

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California faces many challenges now. One is the climate emergency. Another is economic recovery. Add COVID-19 positivity. That is a partial list. You get the picture. Why imagine scenarios for the Golden State over the next decade or century?



## OPINION

### California Is a Bastion of Innovation Marred by Deep Inequality. Is That America's Future?

JOEL KOTKIN, *PRESIDENTIAL FELLOW IN URBAN FUTURES AT CHAPMAN UNIVERSITY*  
ON 1/12/22 AT 8:00 AM EST



California once projected the essence of our common national dream. Today, its leaders increasingly see it as a kind of post-America, with its own racial, gender and environmental standards. It's an approach welcome in Malibu or Palo Alto, but most Californians are left coping with the nation's worst homeless crisis and rising crime. A ride on Highway 33 through the impoverished expanses of the Central Valley reveals a vast and bleak landscape of abandoned cars, dilapidated houses and threadbare shops. The pandemic has accelerated California's class divide, vastly enriching the tech elite and financial oligarchs but leaving California with the nation's highest unemployment rate and making it the second hardest place to find a job.

**The future of California is largely dependent on the state continuing to attract and retain a diverse talent pool. Californians, and would be Californians, are deeply concerned about issues related to **cost of living** and **quality of life**.**

# Understanding California's Future

## GOAL

Meet decisionmakers' need for impartial information that motivate practical policy solutions to **long-term challenges** facing California regionally and statewide.

## STRATEGY

Analyze **demographic, economic, political,** and **environmental trends** to anticipate challenges and propose realistic solutions for California's future

### DEMOGRAPHIC

- Population change
- Migration patterns
- Housing

### ECONOMIC

- Employment
- Small business starts
- Income inequality

### POLITICAL

- Voting rates
- Polarization
- Vote by mail trends

### ENVIRONMENTAL

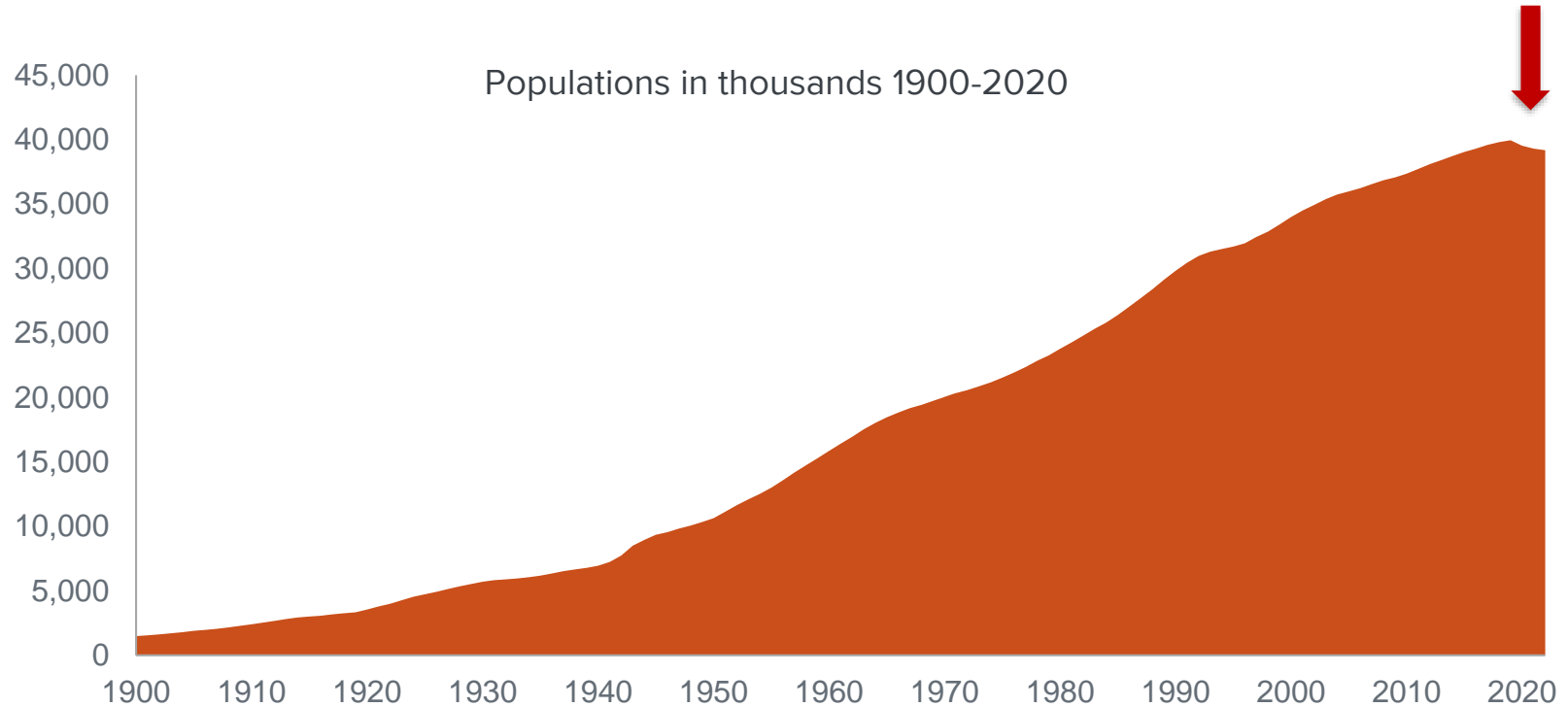
- Electronic vehicle purchases
- Air quality
- Extreme heat

# California's Demographic Trends



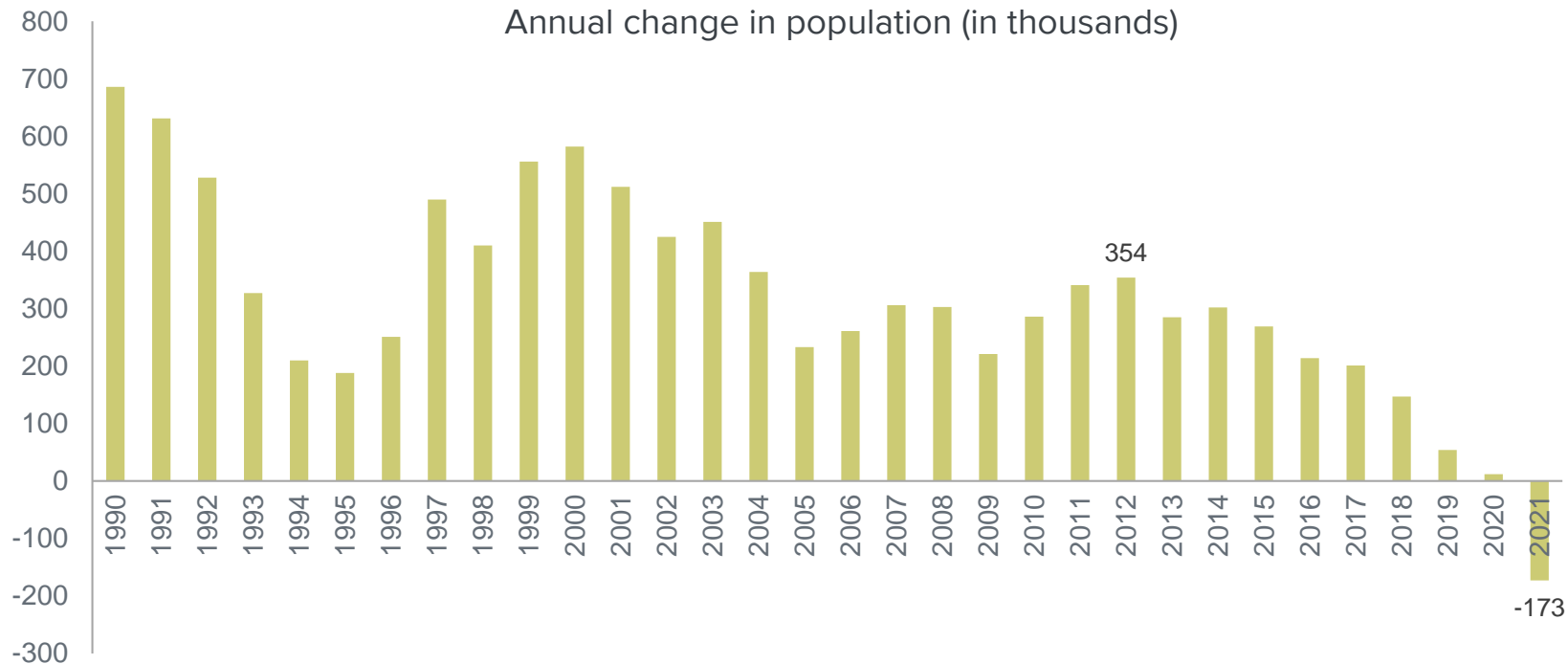


# California has a large and growing population



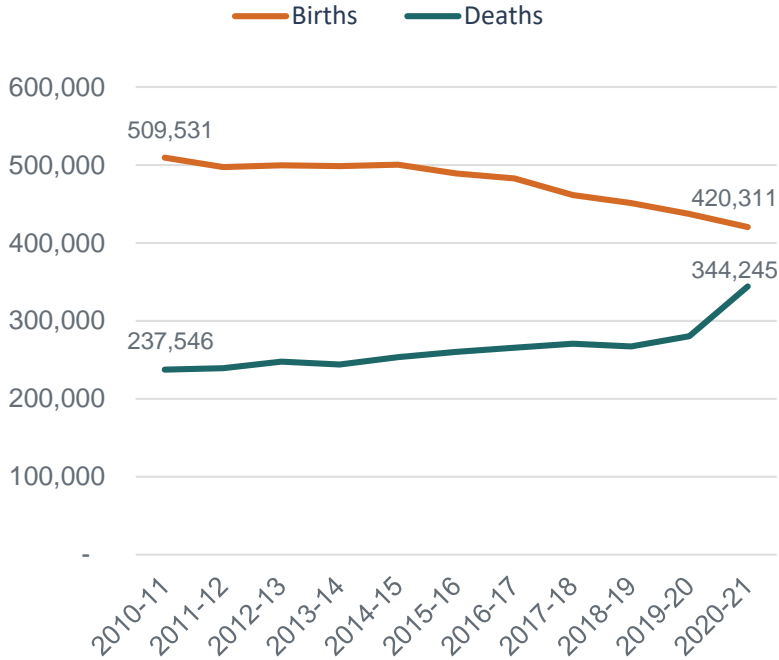
# A new demographic era?

California's population has declined since the start of the pandemic

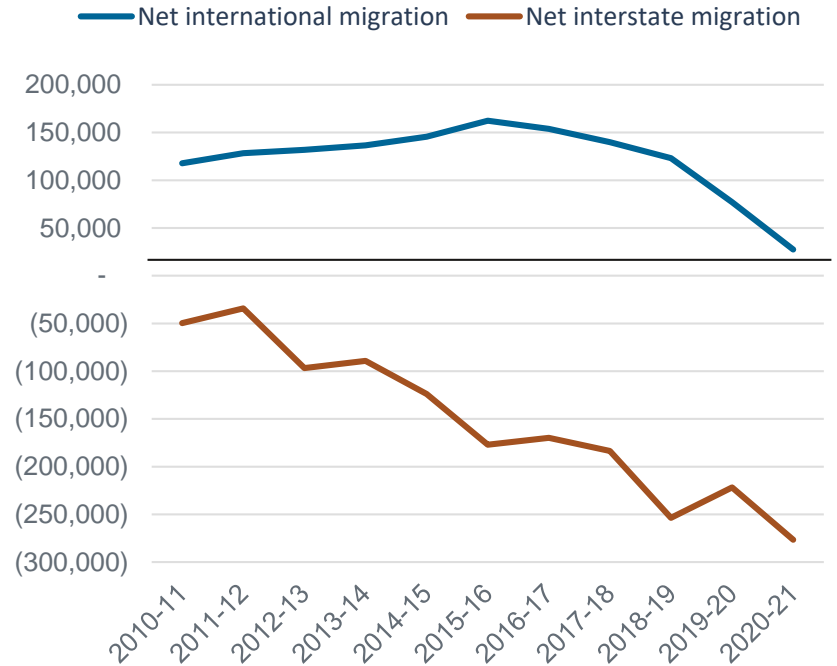


# Every component of change has led to the decline

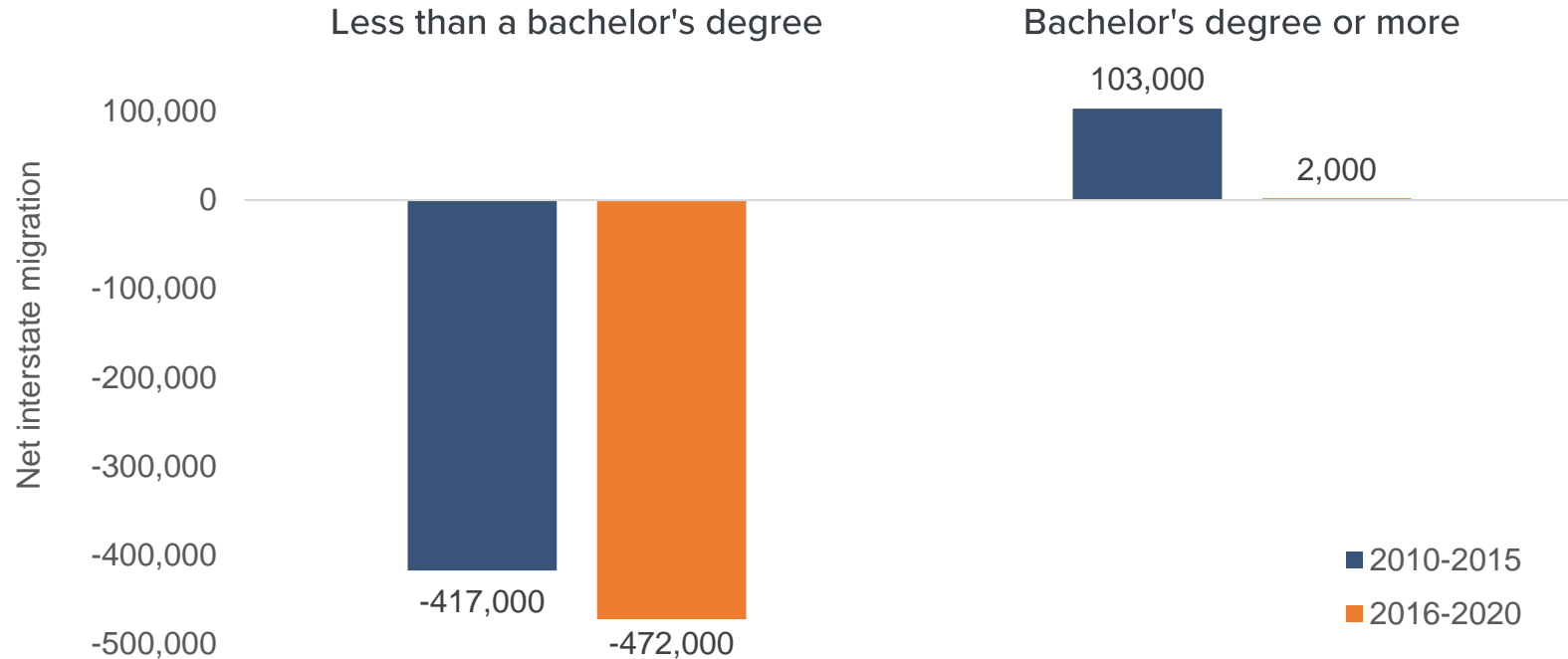
Declines in births, increases in deaths



Fewer recent immigrants and more outflow to other states



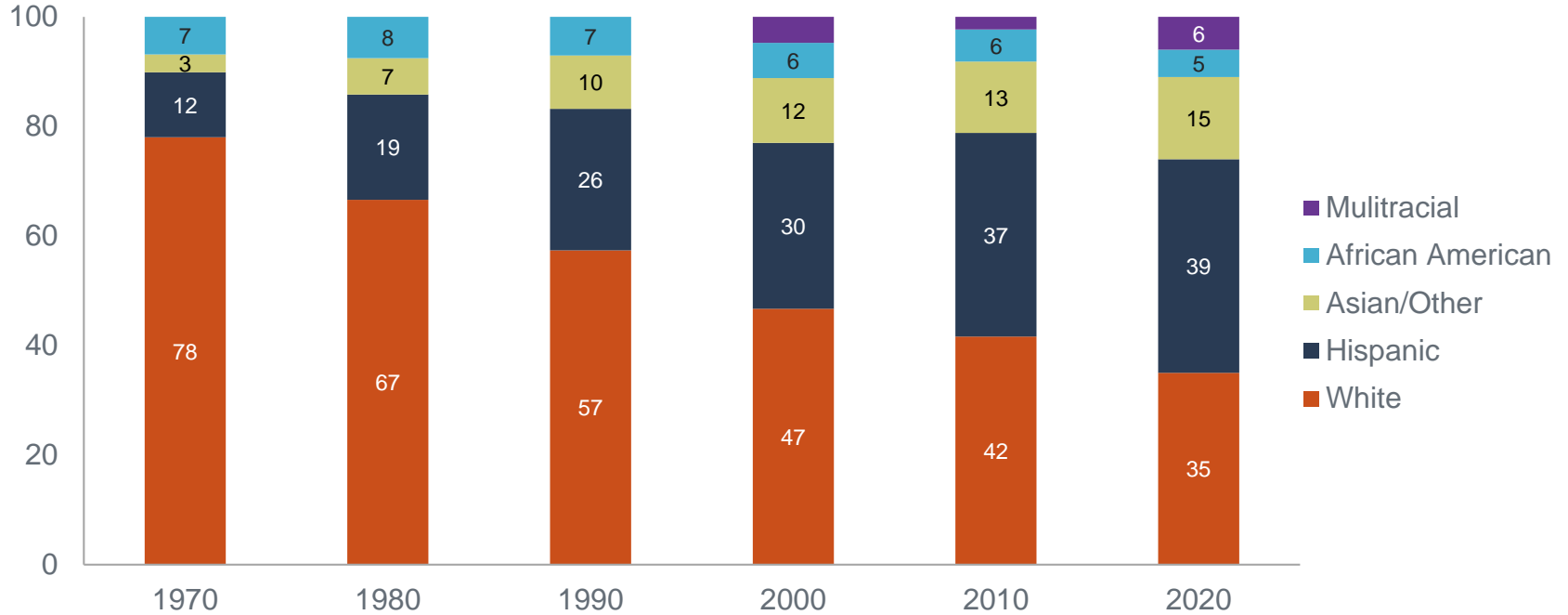
# Interstate migration out of California varies by educational attainment



# Interstate migration also varies by income



# California Population by Race/Ethnicity, 1970-2020



Source: United States Census Bureau, decennial censuses and American Community Survey

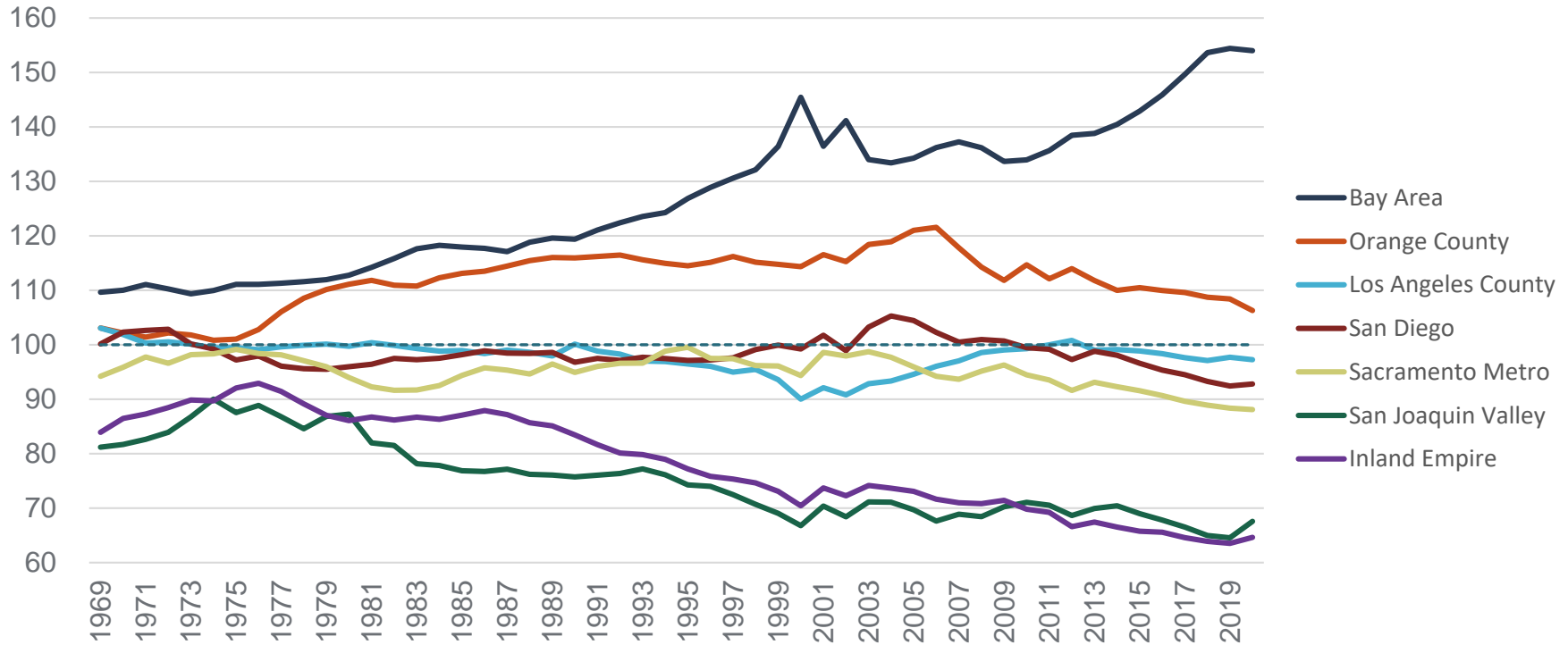


# California's Economic Trends



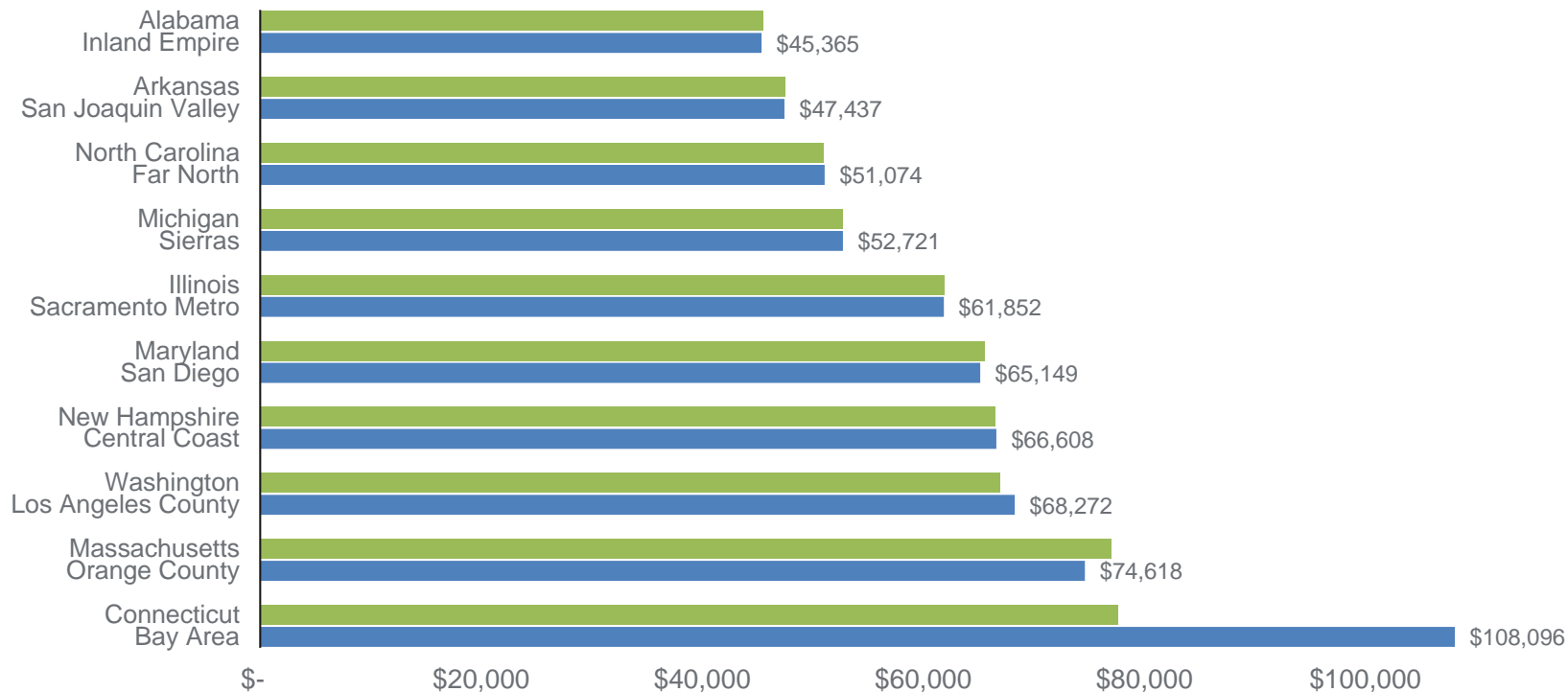
# California's regions are growing apart economically

Per capita income relative to state, 1969-2020 (state=100)

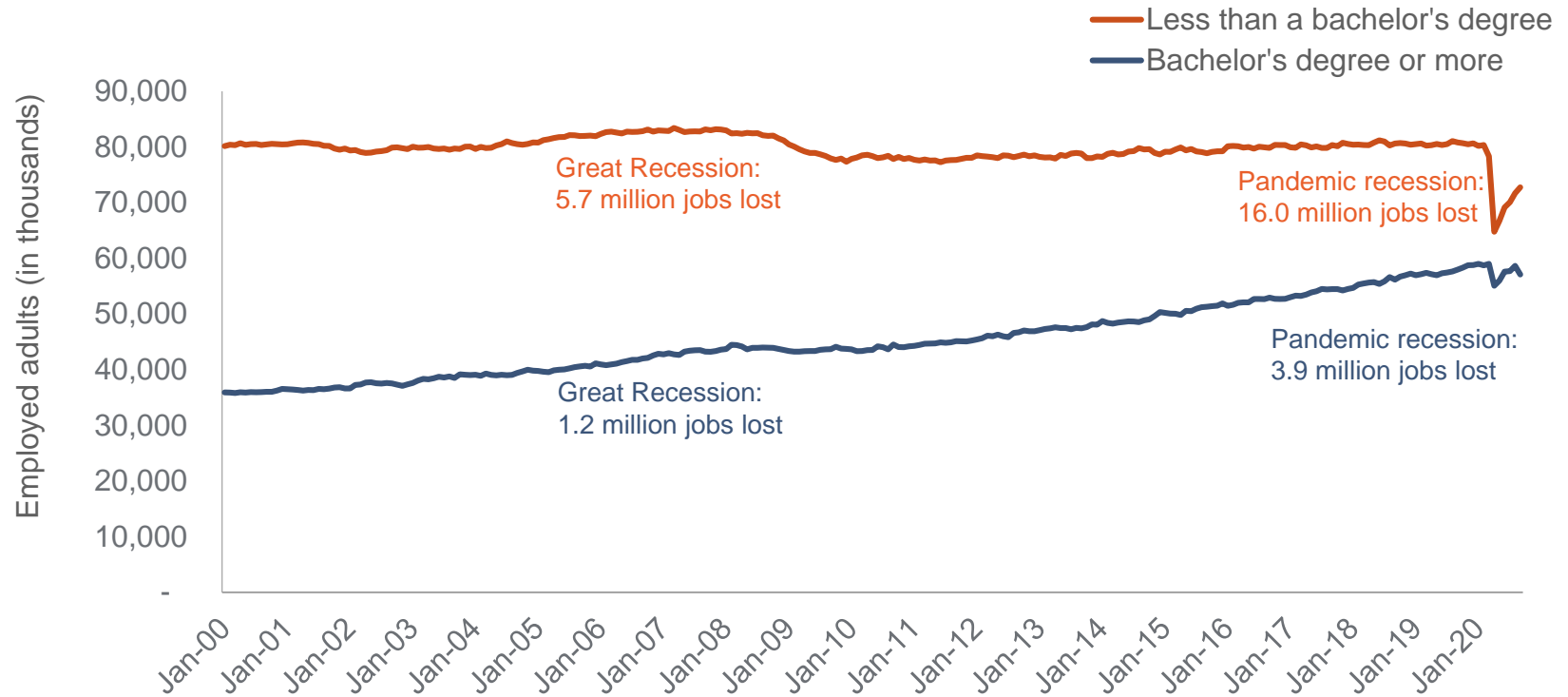


# State equivalents of California regions: From Alabama to far higher than Connecticut

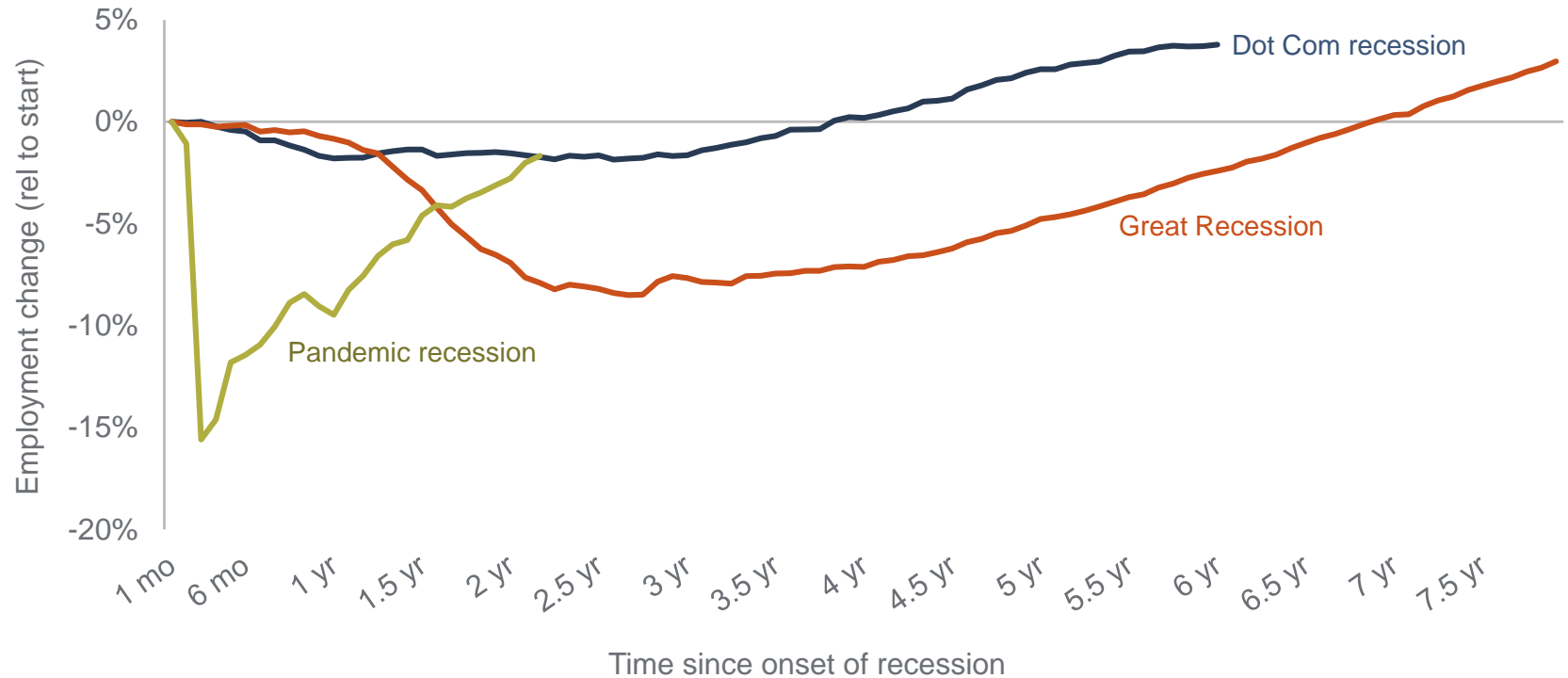
Per capita income comparisons (2020)



# Job losses have been greater among less-educated workers



# California experienced historic job loss – and recovery

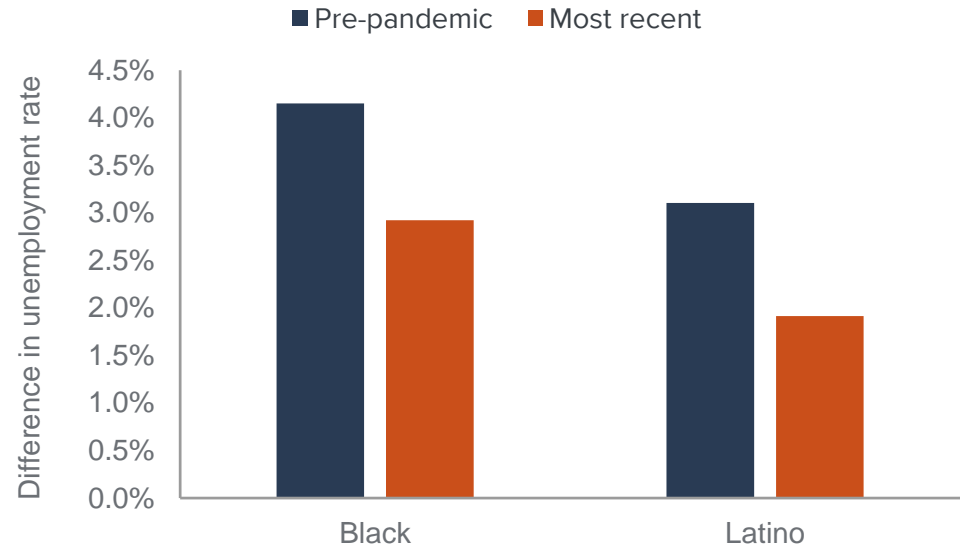


Source: PPIC calculations from Bureau of Labor Statistics.

# Surprising signs of an equitable recovery are emerging

- Unemployment rate differences have decreased across **race/ethnic groups** . . .
- . . . and in many **regions**
- Wages have grown the most in the **lowest wage sectors**

Gaps in unemployment are smaller today than pre-pandemic

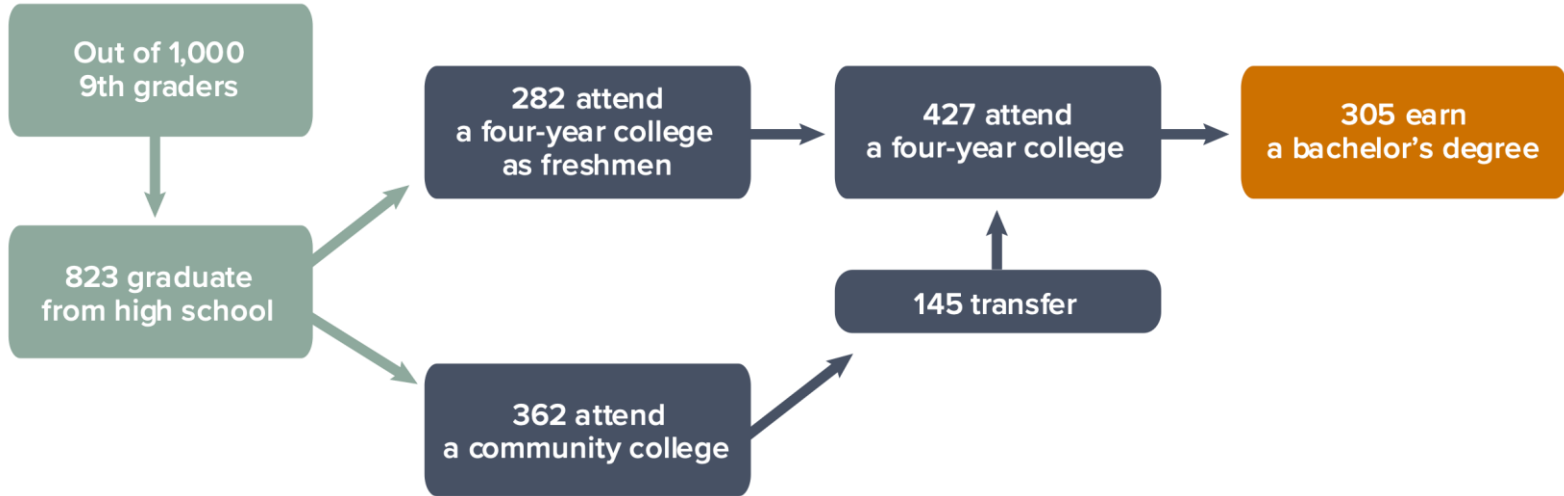


Source: PPIC calculations from CPS; each group is compared to Asians, who have the lowest rate.



# California has a lot of room for improvement

## Too Few California High School Students Complete College



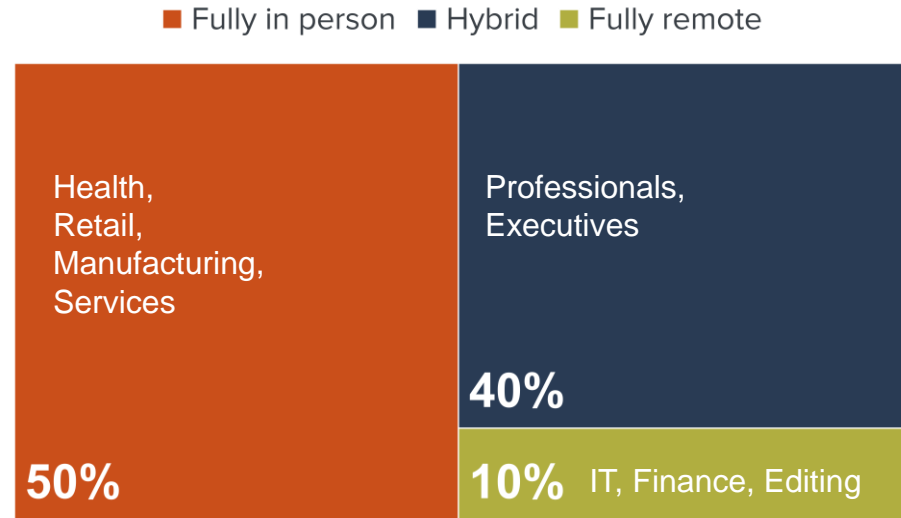
Source: PPIC, based on current rates of high school completion, college enrollment, and college completion; rates calculated using data from the California Department of Education, the California Community Colleges, the California State University, the University of California, and the Integrated Postsecondary Education Data System.

From: PPIC Blog, February 2018.

# What do pandemic pivots mean for the future?

- **Remote work** is a winning strategy for retention; may polarize opportunity across sectors, workers, and regions
- Consumer **demand for goods** remains elevated relative to services
- Risks of reliance on the **global marketplace** are evident; onshoring?
- **Labor force participation** will be a persistent challenge for workforce needs
- Insufficiency of earnings relative to **cost of living** is not new – but elevated
- **Work-based safety net** in flux

Prevalence of remote work varies by sector



Source: Barrero, Bloom and Davis (2021); WFHResearch.com

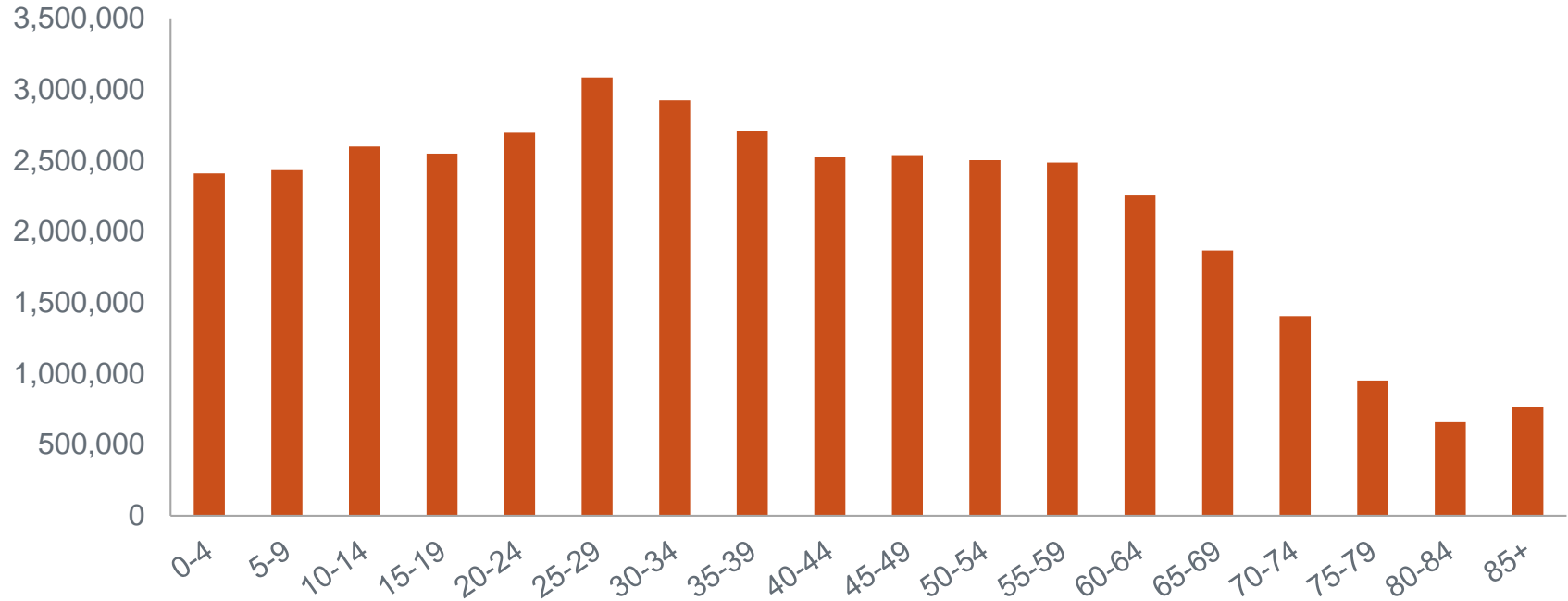
# Keys to supporting long-term economic opportunity

- Maximizing labor force participation and preparation
- Addressing real-life limits to work (such as caring for dependents, health status)
- Confronting the insufficiency of earnings against California's cost of living
- Facing shifting workforce needs related to remote work, AI, new technologies
- Shoring up safety nets, especially UI

# California's Political Trends

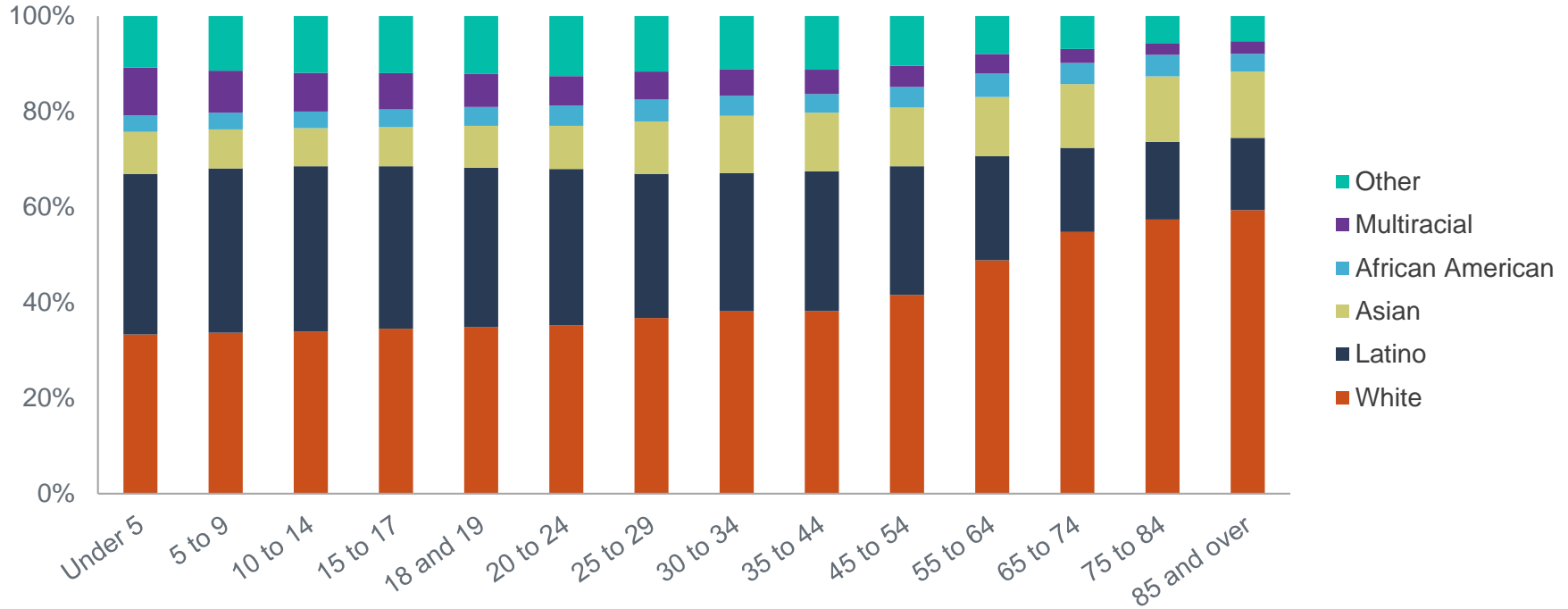


# California Population by Age, 2020



Source: American Community Survey

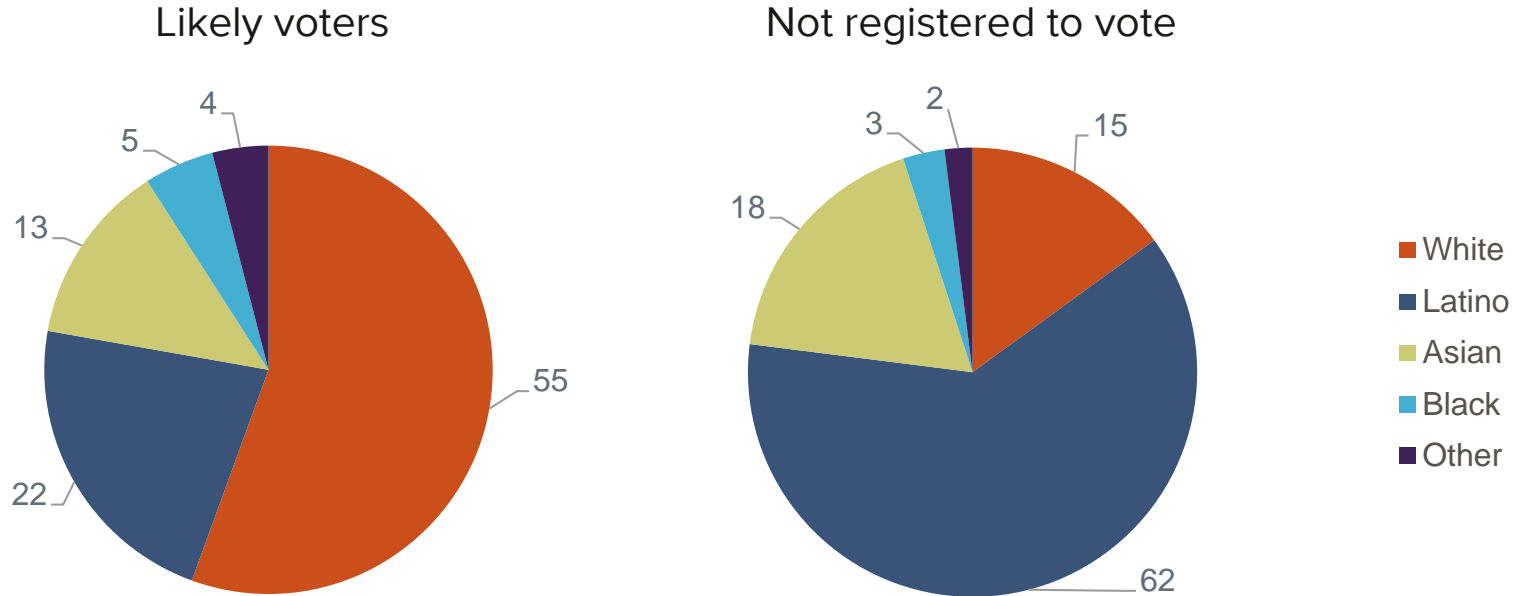
# Younger Californians are much more diverse



Source: American Community Survey



# California's diversity is not represented among its voters



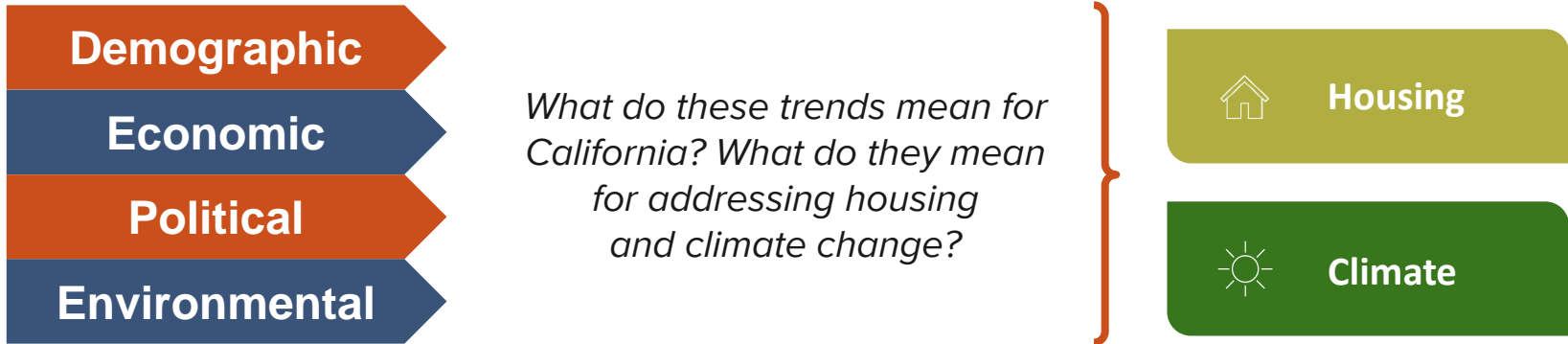
Source: PPIC Statewide Survey

# Moving forward



# Spotlight: Housing and Climate Change

Understanding California's Future will contextualize trends analysis by **spotlighting key issues** impacting the state and proposing policy solutions.



# Housing





# Housing Research Lanes

## Examine Population Trends and Policy Impacts

Understand how housing supply and affordability impacts local and statewide population trends.

## Track and Analyze Public Perception

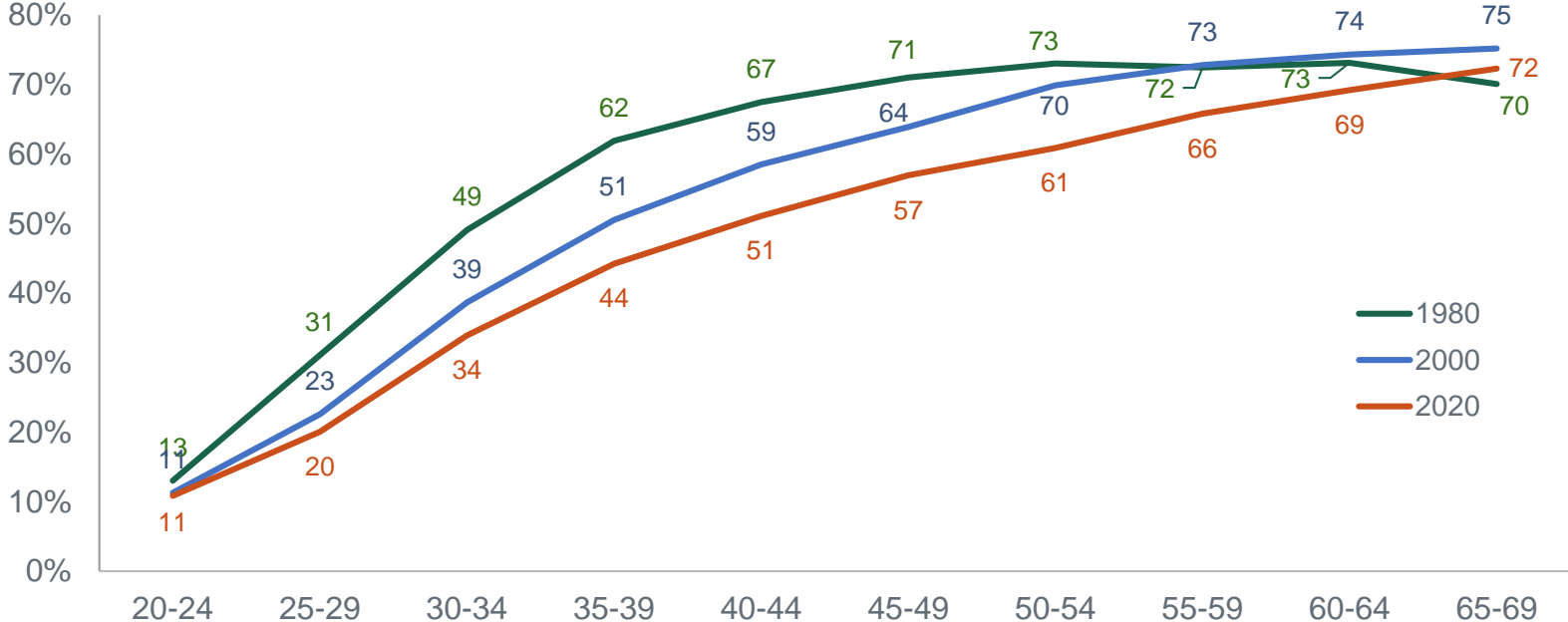
Track Californians views on solutions to housing supply and affordability. Compare and contrast to shifts in other policy areas.

## Develop Data Fact Sheets

Develop statewide and regional analyses to better understand issues and support policy solutions.

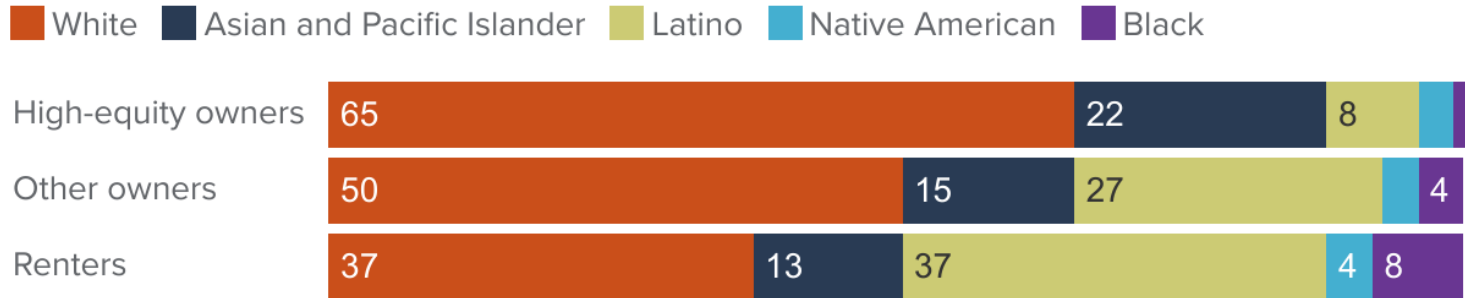
# Homeownership rates are declining

Homeownership rates by year and age - California, IPUMS



# Homeownership and equity are unevenly distributed in California

White and Asian/Pacific Islander homeowners are overrepresented among high-equity owners



Source: PPIC calculations based on American Community Survey data accessed via IPUMS USA, University of Minnesota.

Notes: High-equity homeowners are those with at least \$1 million in equity.

From: PPIC Blog, July 2022.

# Climate Change







# Climate Research Lanes

## Emergent Economic & Employment Opportunities

Help document how Californians can optimize economic opportunities arising from the state's transition to a more sustainable economy

## Housing and Sustainability

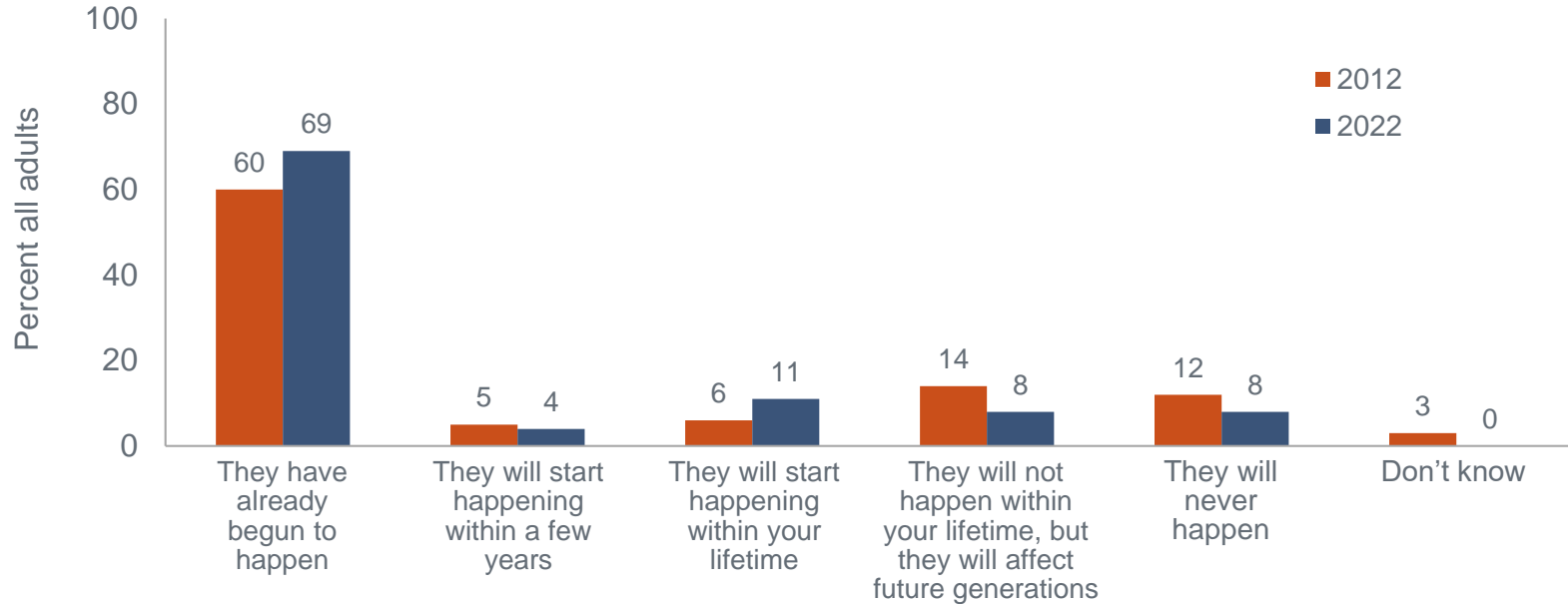
Understand how sustainable housing solutions can be built and expanded, and how they impact different populations and regions across the state

## Track and Analyze Public Perception

Track Californians views on proposed climate solutions. Compare and contrast to shifts in other policy areas.

# Climate Change and Public Opinion

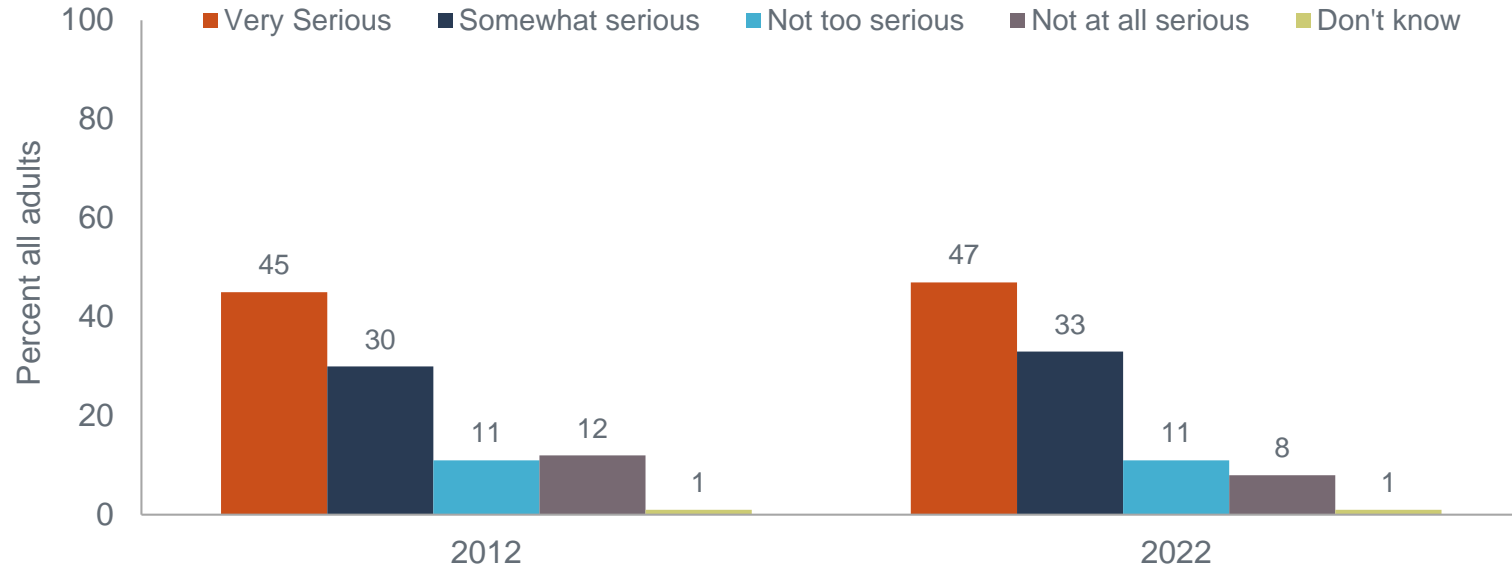
Which of the following statements reflects your view of when the effects of climate change will begin to happen?



Source: PPIC Statewide Survey on the Environment, 2022.

# Climate Change and Public Opinion

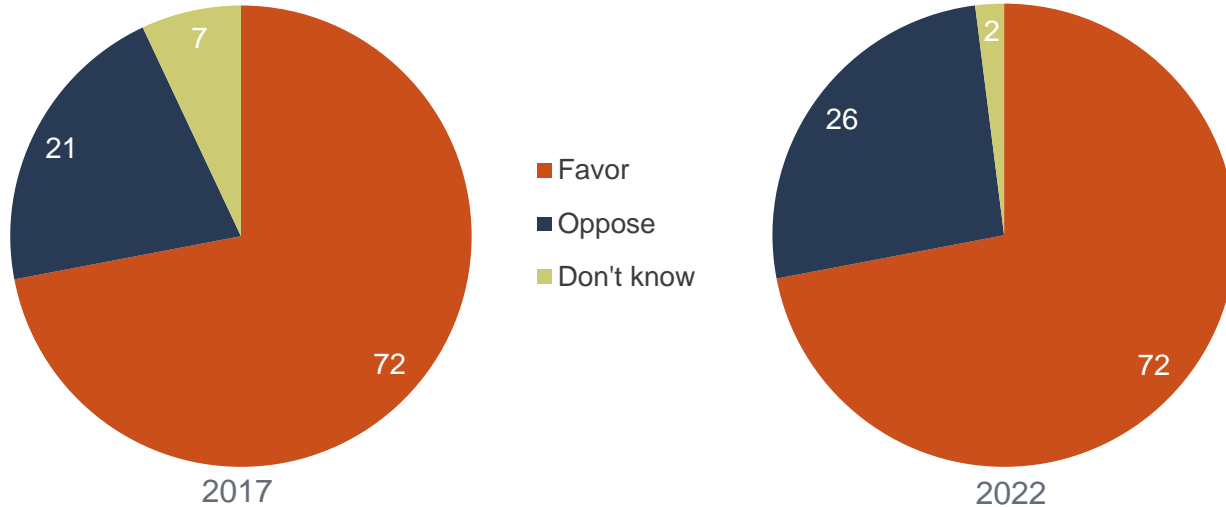
How serious of a threat is climate change to the economy and quality of life for California's future?



Source: PPIC Statewide Survey on the Environment, 2022.

# Climate Change and Public Opinion

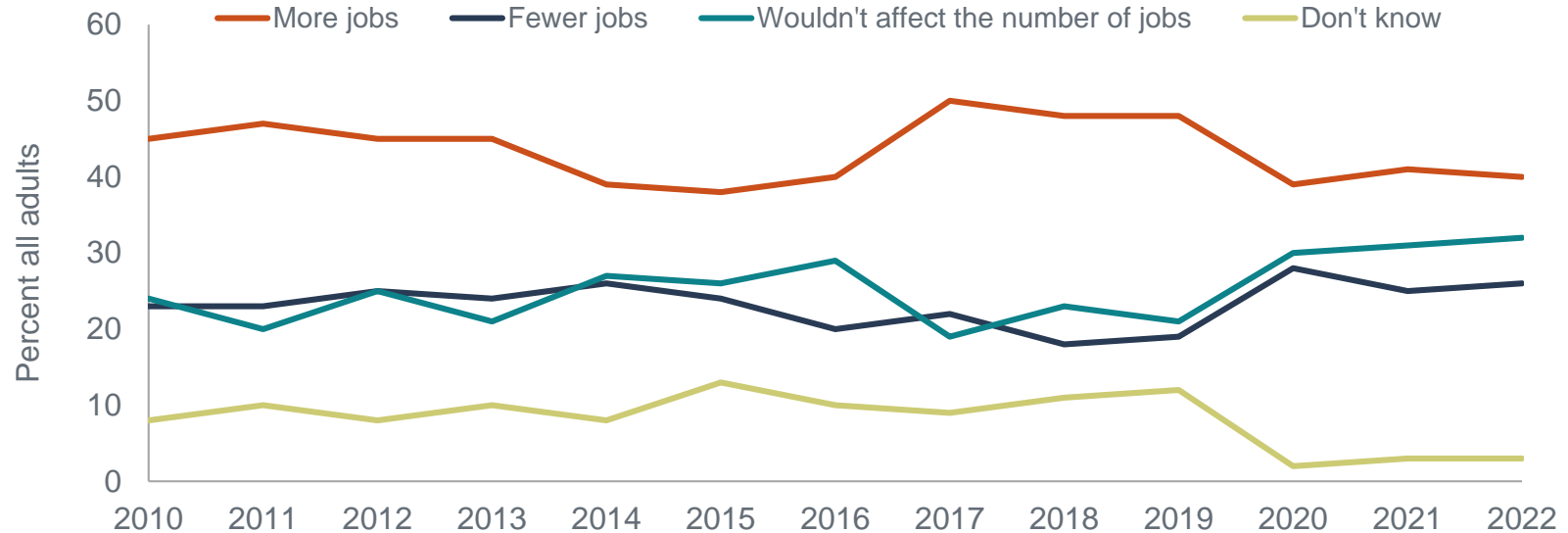
To address climate change, do you favor or oppose the state law that requires California to reduce its greenhouse gas emissions to 40% below 1990 levels by the year 2030?



Source: PPIC Statewide Survey on the Environment, 2022.

# Climate Change and Public Opinion

Do you think that doing things to reduce climate change in the future would cause there to be ... for people around the state?

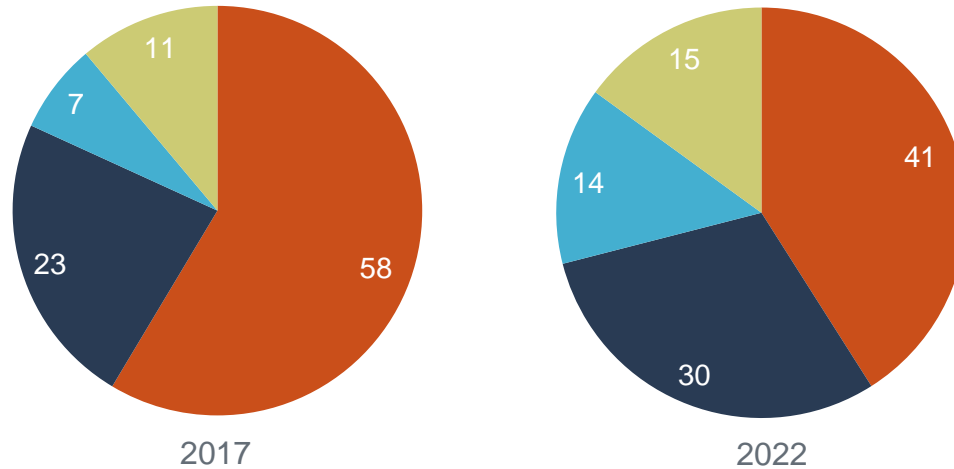


Source: PPIC Statewide Survey on the Environment, 2022.

# Climate Change and Public Opinion

When it comes to efforts to fight climate change, how important is it to you that California acts as a leader around the world?

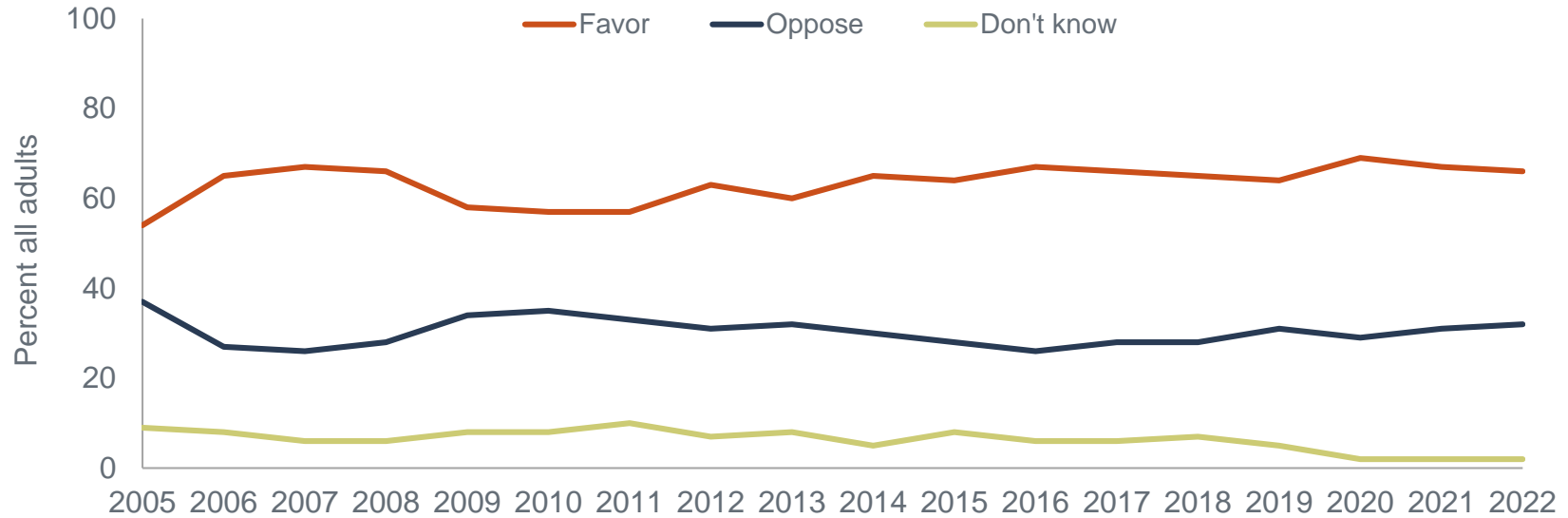
Very important    Somewhat important    Not too important    Not important at all



Source: PPIC Statewide Survey on the Environment, 2022.

# Climate Change and Public Opinion

Do you favor or oppose the California state government making its own policies, separate from the federal government, to address climate change?



Source: PPIC Statewide Survey on the Environment, 2022.

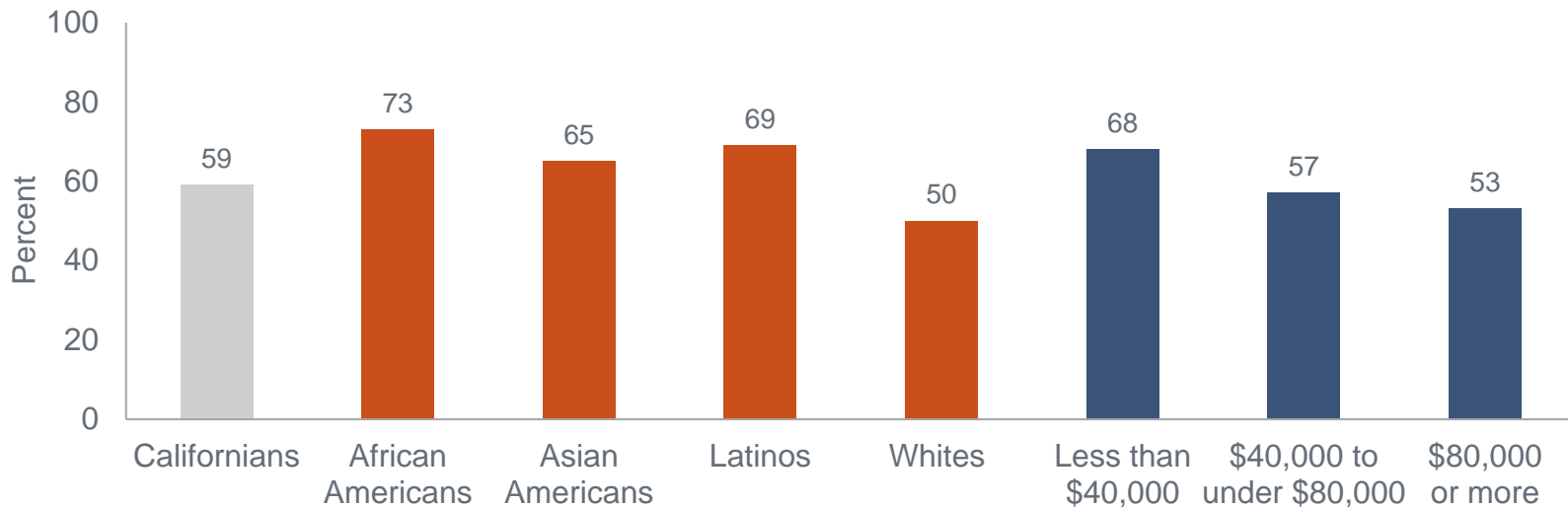
# What Can Be Done?





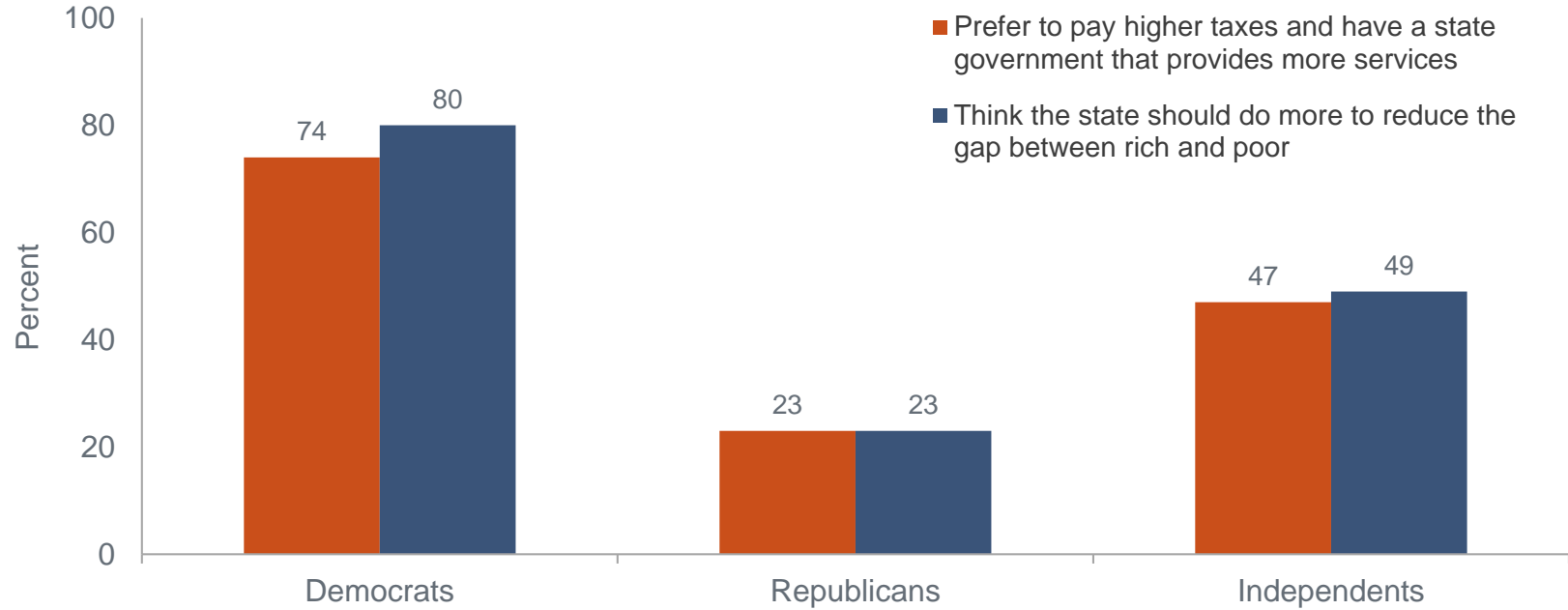
# Most Californians think government should do more

Californians who think the state should be doing more to reduce the gap between rich and poor...



Source: PPIC Statewide Survey, 2020.

## ... but there is a notable partisan divide



Source: PPIC Statewide Survey, 2020.

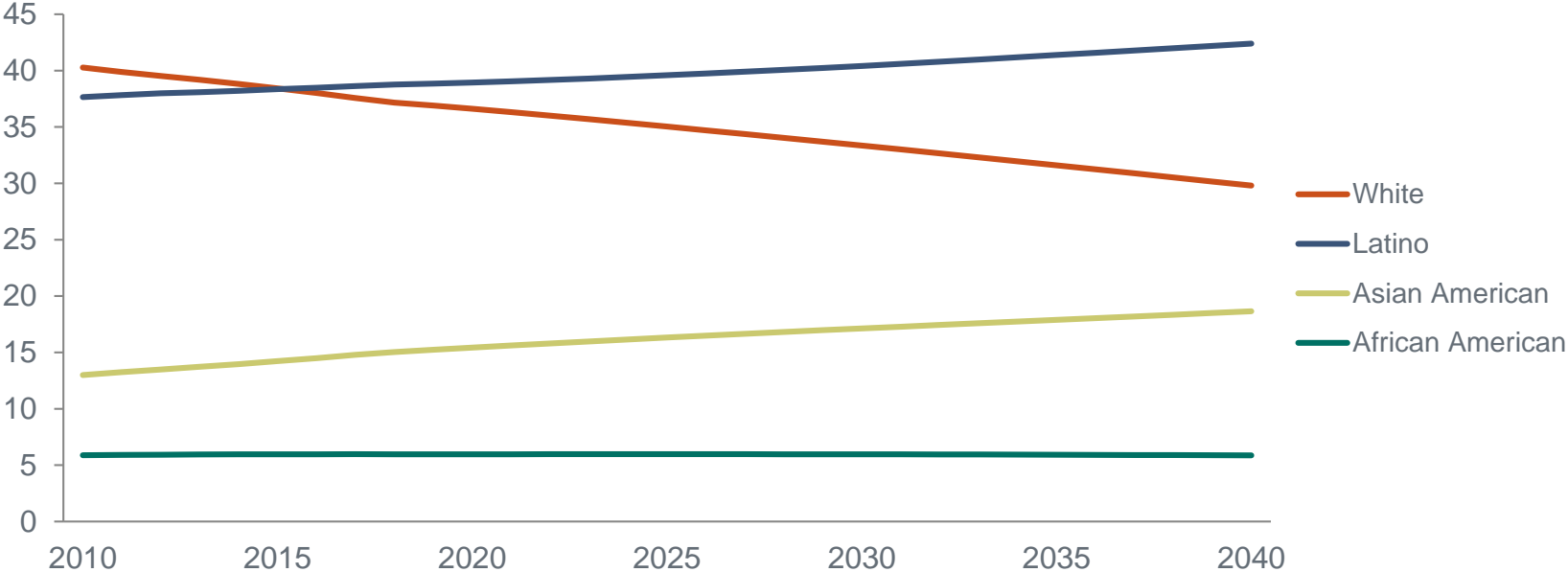
# Things to look forward to: Federal investments

- California stands to receive \$14B from the federal Infrastructure Investment and Jobs Act
  - Nearly \$10B in transportation, plus investments in clean drinking water, cybersecurity, broadband, and weatherization and energy programs
- California stands to receive \$21B from the Inflation Reduction Act

# Additional Slides



# Latinos have become the single largest ethnic group



Source: CA Department of Finance

# Percent Foreign Born Population 1880-2020

