

California's population drain

By Bruce E. Cain and Preeti Hehmeyer

KEY TAKEAWAYS

- California is losing population to Arizona and Texas at higher levels than ever before, including a greater share of college graduates and residents at all income levels.
- Two-thirds of those who moved said that politics was not a factor in their decision, but the population loss has political consequences: California lost a congressional seat after the 2020 census.
- California's high cost of living has spurred many businesses and residents to leave the state, posing serious consequences for the state's job market and fiscal outlook.
- California's environmental policies and mandates could fuel the economic and political exodus to more lenient states like Arizona and Texas.

California has long thrived as a magnet for fortune seekers. Foreign immigrants and cross-country transplants with a flair for entrepreneurship and a stomach for risk have flocked to the Golden State since the Gold Rush era. Decades of social, political, and economic innovation lured high-tech migrants to California from around the world. But there's a recent shift: Population growth has stalled. California is hemorrhaging residents to neighboring states like Texas, Arizona, and Nevada.

California is still the largest state with more than 39 million residents as of 2022, constituting 11.7 percent of the U.S. population. From 1959 to 2022, California's average rate of population growth was 1.52 percent, but since 2000, it has been consistently below that number. The state even experienced negative growth in 2021 and 2022 (see Figure 1).

As the COVID-19 pandemic has subsided, California's natural population growth (i.e. births minus deaths) increased from 87,400 to 106,900 from 2021 to 2022 and foreign immigration rose from 31,300 to 90,300.¹

1 Department of Finance https://dof.ca.gov/wp-content/uploads/sites/352/Forecasting/Demographics/Documents/E-1_2023PressRelease.pdf

This policy brief examines the reasons why people said they were moving out of California, what role politics and policy played, and what implications these trends have for sustainable growth in the state. We draw on an original survey of residents in California, Arizona and Texas conducted jointly by researchers at Stanford University, Arizona State University, and the University of Houston.

The survey was conducted between May 31 and June 6, 2023 among a representative sample of Arizona, California and Texas residents age 18 and older. In all, 3,163 respondents were surveyed across the three states: Arizona (1,051), California (1,045), and Texas (1,067), with the margin of error for each state +/- 3.0%.

Domestic migration numbers, however, worsened. California lost a net of 407,000 residents to other states between July 2021 and July 2022, including a greater share of those with a college degree and residents at all income levels than in the past.² Understanding domestic migration better is clearly important.

This policy brief examines the reasons why people said they were moving out of California, what role politics and policy played, and what implications these trends have for sustainable growth in the state. We draw on an original survey of residents in California, Arizona and Texas conducted jointly by researchers at Stanford University, Arizona State University, and the University of Houston.

Arizona was included because it is the second-largest destination for California migrants and adds a purple (i.e. politically competitive state) contrast to blue California and red Texas. The state survey samples are large enough to allow us to separate domestic migrants from

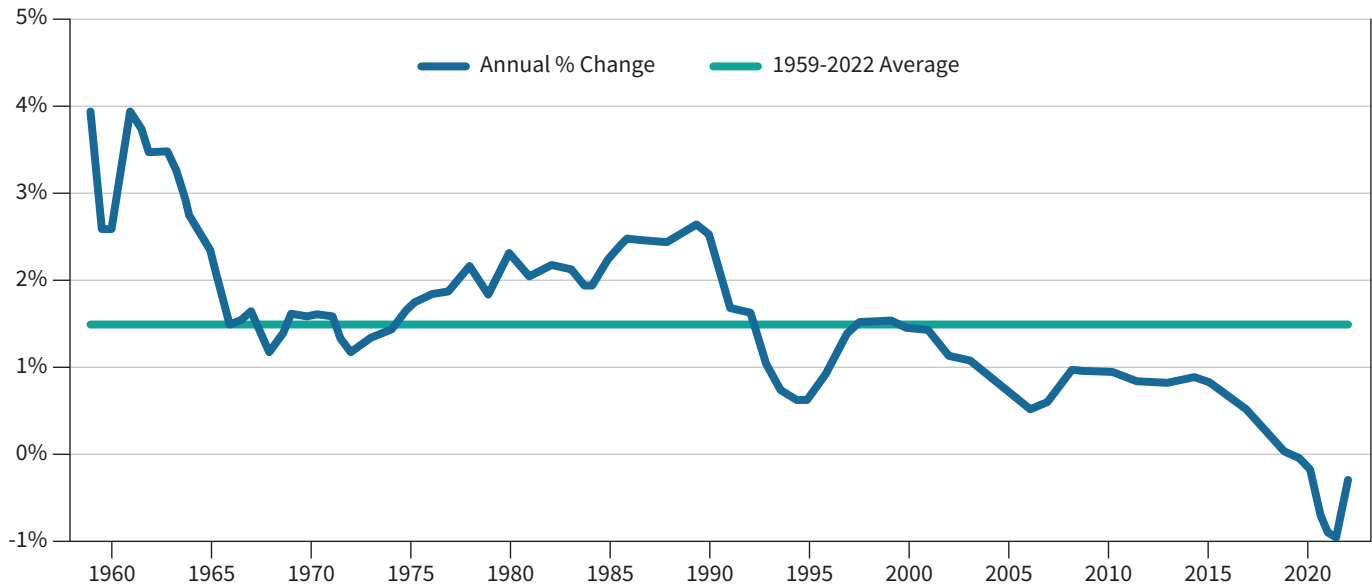
other state residents, and to ask them about the reasons for moving as well as a battery of demographic and political attitude data.

Who is moving?

For many years, California’s residents were largely drawn from elsewhere, a signal of both the state’s desirability and creative mix. In 1850, 5 percent of the state’s residents were born in California. Native-born Californians still only constituted 37 percent of the population in 1950. Native-born only achieved parity with non-native born in 2000.

Since then, the ratio has changed dramatically. Both California and Texas have large majorities of native-born residents whereas Arizona clearly does not. As Table 1 below shows, native-born populations across all three states tend to be younger and nonwhite whereas migrants are more likely to be older and white.

Figure 1. California Population: Annual Percent Change, 1959-2022.



Source: United-States.REAProject.org. Data: Regional Income Division, BEA (4-13-2023). <https://united-states.reaproject.org/analysis/comparative-trends-analysis/population/tools/60000/0/#:~:text=This%20method%20allows%20for%20more,States>

2 Public Policy Institute of California <https://www.ppic.org/blog/whos-leaving-california-and-whos-moving-in/>

Table 1. Demographic and Party Profile of Native-born Residents

Were you born in [California/Arizona/Texas]?

	Gender			Age				Race		
	Total	Male	Female	18-29	30-44	45-64	65+	White	Black	Hispanic
Yes	52%	54%	51%	76%	65%	41%	30%	40%	59%	71%
No	48%	46%	49%	24%	35%	59%	70%	60%	41%	29%
Totals	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Unweighted N	(3,162)	(1,283)	(1,879)	(477)	(731)	(1,101)	(853)	(1,601)	(142)	(1,170)

	Party ID				Registered Voters	State		
	Total	Dem	Rep	Ind		AZ	CA	TX
Yes	52%	55%	50%	49%	51%	30%	68%	60%
No	48%	45%	50%	51%	49%	70%	32%	40%
Totals	100%	100%	100%	100%	100%	100%	100%	100%
Unweighted N	(3,162)	(1,149)	(793)	(833)	(2,565)	(1,051)	(1,044)	(1,067)

Table 2. Demographic and Party Profile of Migrants

When did you move to [Arizona/California/Texas]?

	Gender			Age				Race		
	Total	Male	Female	18-29	30-44	45-64	65+	White	Black	Hispanic
In the last year	6%	4%	8%	17%	10%	4%	4%	4%	12%	9%
2-5 years ago	14%	16%	12%	25%	13%	8%	18%	14%	23%	11%
More than 5 years ago	80%	80%	80%	58%	77%	88%	79%	82%	66%	80%
Totals	100%	100%	100%	100%	100%	100%	101%	100%	101%	100%
Unweighted N	(1,594)	(699)	(895)	(109)	(255)	(639)	(591)	(1,014)	(68)	(356)

	Party ID				Registered Voters	State		
	Total	Dem	Rep	Ind		AZ	CA	TX
In the last year	6%	10%	3%	4%	4%	7%	7%	5%
2-5 years ago	14%	8%	17%	12%	14%	15%	6%	17%
More than 5 years ago	80%	82%	79%	84%	82%	78%	87%	78%
Totals	100%	100%	99%	100%	100%	100%	100%	100%
Unweighted N	(1,594)	(547)	(435)	(435)	(1,334)	(765)	(378)	(451)

Restricting our attention in Table 2 to the migrant proportion of the sample, the data reveal quite a bit of movement in recent years. Six percent moved within the last year and 14 percent within the last two to five years. Individuals under the age of 45 and over 64 plus Black residents make up a higher proportion of recent movers. There are some minor party variations with Democrats being more predominant in the last year and Republicans in the two- to five-year interval. California's status as a net exporter of residents while Arizona and Texas are net importers is confirmed in our sample as well: Only 13 percent have moved into the Golden State within the last five years versus 22 percent for Texas and Arizona.

Another notable aspect of Table 2 is that after the first year, almost all domestic migrants become registered voters within five years. This is important because foreign immigrants — as compared to citizens who move from one state to another — have a much longer lag before they become eligible to vote. In other words, the political impact of domestic migrants is felt much more quickly than of foreign immigrants.

Lastly, while Texas receives a higher number of ex-Californians than Arizona, Arizona has a greater proportionate share of California migrants since its population is only 7.3 million compared to Texas' 29.5 million. This translates into 15 percent of Arizonans having previously lived in California as compared to only 5 percent of Texans. The return flow into California is both smaller and dwarfed by the state's 40 million residents. Ex-Texans and Arizonans constitute a mere 1 percent of the California's residents in our sample.

Why leave?

As to why people leave one state to live in another, the reasons can be divided into the categories of the clearly personal, the heavily partisan, and socio-economic conditions. Personal reasons include considerations such as weather or lifestyle preferences, the need to move closer to or away from family, or accepting or losing a job.

Weather considerations tend to favor California. Only 15 percent thought the weather was better in Arizona than their home and 11 percent thought it was better in Texas; whereas 45 percent agreed that the weather was better in California. There was no variation across race, age, gender, state, or party.

Weather, family, and friends may also explain the preference our sampled migrants have for staying the Western region. When respondents in our survey were asked about which states they would consider moving to, all tended to prefer states within the sample over states in the rest of the country. Thirty percent of Arizonans considered California and 19 percent considered Texas as plausible places to move to. Twenty-seven percent of Californians said Arizona and 28 percent said Texas. And 33 percent of Texans said Arizona and 31 percent said California. No other state in the country received over 15 percent.

There are also migrants who move at least in part for explicitly political reasons. When asked “how important was the political situation in your previous state in your decision to move,” two-thirds of respondents said that it was not a factor at all, but one-quarter said it was either very or somewhat important. It seems to matter most to voters under age 45, Hispanics, Republicans, and those who moved into Arizona and Texas. Migrants into California were less likely to think that politics was very or somewhat important in their decision to move (16 percent) than those who left the state (40 percent).

Partisanship also shapes some of the perceptions that Texas and Arizona residents have of California. The partisan distortions are weaker with respect to claims that are empirically justified such as whether the cost of living is higher in California. Various studies have indicated that one-third or more of California residents consider moving due to housing costs alone.³ California is ranked in the top five states with respect to overall cost of living. There is little variation across any of the demographic and party variables in that perception as one can see in Table 3.

3 Statista <https://www.statista.com/statistics/1240947/cost-of-living-index-usa-by-state/>

Table 3. Cost of Living Perceptions About California Among Texas and Arizona Residents

	Gender			Age				Race		
	Total	Male	Female	18-29	30-44	45-64	65+	White	Black	Hispanic
Higher	77%	75%	79%	69%	75%	80%	83%	77%	76%	78%
About the same	8%	8%	8%	17%	9%	4%	2%	8%	8%	7%
Lower	15%	18%	13%	15%	15%	16%	14%	16%	16%	15%
Totals	100%	101%	100%	101%	99%	100%	99%	101%	100%	100%
Unweighted N	(2,116)	(855)	(1,261)	(288)	(481)	(757)	(590)	(1,114)	(94)	(788)

	Party ID				Registered Voters	State		
	Total	Dem	Rep	Ind		AZ	CA	TX
Higher	77%	75%	80%	80%	78%	79%	*	75%
About the same	8%	10%	5%	8%	6%	7%	*	8%
Lower	15%	15%	15%	13%	16%	14%	*	17%
Totals	100%	100%	100%	101%	100%	100%	*	100%
Unweighted N	(2,116)	(688)	(617)	(577)	(1,746)	(1,050)	(0)	(1,066)

By contrast, the issue of urban crime and policing has been very much in the news and a source of contention along partisan lines in recent years. Empirically, California and Texas have virtually the same violent crime rates (ranking 17th and 16th among all states)

and Arizona had a higher rate in 2020 (ranking 6th).⁴ Nonetheless, Table 4 reveals 77 percent of Republicans believe that crime is more common in California, including 64 percent of Arizonans and 59 percent of Texans.

Table 4. Perceptions of Crime in California Among Texas and Arizona Residents

	Gender			Age				Race		
	Total	Male	Female	18-29	30-44	45-64	65+	White	Black	Hispanic
More	62%	61%	62%	49%	64%	63%	69%	63%	40%	62%
About the same	27%	24%	29%	34%	26%	26%	21%	25%	41%	27%
Less	12%	15%	9%	17%	11%	11%	10%	12%	20%	11%
Totals	101%	100%	100%	100%	101%	100%	100%	100%	101%	100%
Unweighted N	(2,114)	(856)	(1,258)	(288)	(481)	(756)	(589)	(1,113)	(94)	(787)

	Party ID				Registered Voters	State		
	Total	Dem	Rep	Ind		AZ	CA	TX
More	62%	44%	77%	64%	61%	64%	*	59%
About the same	27%	42%	14%	24%	26%	25%	*	28%
Less	12%	14%	9%	11%	12%	11%	*	13%
Totals	101%	100%	100%	99%	99%	100%	*	100%
Unweighted N	(2,114)	(686)	(618)	(576)	(1,743)	(1,047)	(0)	(1,067)

⁴ Federal Bureau of Investigation, Crime Data Explorer <https://cde.ucr.cjis.gov/LATEST/webapp/#/pages/home>

California and Texas migrants both show more political sorting behavior than Arizona (although the sample in Arizona is small), suggesting that people out of synch with the prevailing political ethos in those states were more inclined to move out recently. In Arizona's case, the ideological profile of the movers who reside in the state is very similar to the profile of the small numbers of migrants who left. By comparison, the ideology of those moving to California compared to those leaving for Arizona or Texas is more conservative or very conservative (31 percent in-migrants versus 44 percent who moved to Arizona or Texas). Similarly, although in smaller numbers, 21 percent of those moving to Texas call themselves liberal or very liberal versus 44 percent of people moving out of Texas.

The third category is socio-economic conditions and related policy. Previous research shows that California and Texas in the public mind represent two ends of an economic and policy spectrum (although perhaps not as much as is hyped).⁵

Texas prioritizes population and economic growth to a greater degree whereas California has more wealth and social services. Texas has no state income tax, maintains itself as an energy island cut off from the Western Interconnection bulk electric system, and has more people without health insurance.

California has lower property and sales taxes than Texas, is tied to the Western Interconnection, and has severe housing shortages and homelessness. Arizona falls in the middle of the spectrum on many of these issues. Insofar as the Texas model of lower taxes and regulation appeals to businesses, it could lead to more economic and demographic leakage as people follow the jobs. But to date, the trends are not clear, and political leakage from the hardline social policies like abortion may offset Texas' appeal to industries that depend on college

educated workers.⁶

The possibility of more economic and political sorting in the future is real. Social sorting by income, race and ideology is already common at the city and town level. There are even economic arguments for the efficiency for letting different jurisdictions offer different packages of public goods and taxation levels, allowing people to vote with their feet for the mix they would prefer.⁷ Political science is much more skeptical of this model when one looks beyond pure efficiency to considerations such as equity or environmental externalities.

All of this is greatly complicated by climate change. Extreme weather and the urgency of decarbonization could exacerbate existing tensions between these three states. The competition between California and Arizona over water rights on the Colorado River is already highly problematic and will likely worsen if droughts become more extreme and as population continues to expand in the upper Colorado region.

California has staked out aggressive goals related to greening the energy grid and Texas remains firmly committed to producing and selling its oil and gas. Nonetheless, more than 70 percent of residents in all three states support subsidies for solar and more than 60 percent support them for wind. And majorities in all three states believe that human activity has contributed to global warming while only 9 percent do not believe that global warming is happening.

But the challenges of deep decarbonization such as by electrifying light- and heavy-duty vehicles could create a situation that might exacerbate leakage into states with less ambitious climate goals such as Texas and Arizona. As Table 5 shows, residents in Arizona and Texas are less supportive of subsidies for electric vehicles. The divisions along party and age lines are quite strong.

5 A tale of two states: Contrasting economic policy in California and Texas https://drive.google.com/file/d/1TpdYpA446SeiCEGfmZTx_j0tuuXg9jHe/view

6 University of Houston: <https://uh.edu/news-events/stories/2023/june-2023/article.php>

7 Charles M. Tiebout, A Pure Theory of Local Expenditures <https://www.jstor.org/stable/1826343>

Table 5. Support for Electric Car Subsidies

	Gender			Age				Race		
	Total	Male	Female	18-29	30-44	45-64	65+	White	Black	Hispanic
Favor	49%	50%	48%	61%	52%	44%	42%	44%	62%	52%
Oppose	33%	34%	32%	21%	26%	38%	46%	40%	22%	28%
Not sure	18%	16%	20%	19%	21%	18%	12%	16%	17%	20%
Totals	100%	100%	100%	101%	99%	100%	100%	100%	101%	100%
Unweighted N	(3,162)	(1,284)	(1,878)	(477)	(731)	(1,101)	(853)	(1,601)	(142)	(1,170)

	Party ID				Registered Voters	State		
	Total	Dem	Rep	Ind		AZ	CA	TX
Favor	49%	75%	27%	48%	47%	49%	55%	43%
Oppose	33%	9%	59%	31%	37%	35%	26%	38%
Not sure	18%	16%	14%	22%	15%	16%	19%	19%
Totals	100%	100%	100%	101%	99%	100%	100%	100%
Unweighted N	(3,162)	(1,149)	(793)	(834)	(2,566)	(1,051)	(1,044)	(1,067)

A good example of a potential problem is the state’s mandate to end the sale of gas-powered vehicles in California by 2035. California officials are aware of the possibility that mandates such as converting over to electric vehicles could lead to a greater economic and political exodus to states like Arizona and Texas.

Because the state will likely tax non-compliant new purchases (and hence close off the option of going across the border and purchasing a new internal combustion engine vehicle), it could lead to some additional migration to neighboring states. The transition period could pose additional problems for businesses especially

if the charging infrastructure or transmission and distribution capacity is not adequate or if the current price gap between new electric vehicles and gas-powered vehicles doesn’t shrink. The current price of a new diesel truck is \$160,000 and the comparable EV is \$640,000. State subsidies are unlikely to make up the difference.⁸

There is reason to be hopeful that these prices will ultimately come down and that charging infrastructure will eventually catch up, but the intervening years could be rough, and with more population and commercial outflows.

⁸ Stanford Center for Carbon Storage <https://sccc.stanford.edu/sites/g/files/sbiybj17761/files/media/file/Pathways%20to%20Carbon%20Neutrality%20in%20CA%20-%20Interview%20and%20Workshop%20Summary%20Report%20rev%202%20Jan%202022.pdf>

Political and policy implications

Politically, California and Texas represent the ends of the current liberal-conservative ideological spectrum. There was a time when California — like Texas today — adopted an aggressive pro-growth posture under former Gov. Pat Brown. His son, Jerry Brown, and subsequent governors have articulated a more sustainable and environmentally friendly path. This has heightened California's salience in the political spotlight, and accounts for some of the partisan sorting across state boundaries. This makes California a national political target for conservatives and Texas a national political target for liberals. The perception about higher crime in California, however, does not correspond with the facts and needs to be addressed more aggressively by Golden State political and business leaders.

Should Californians worry about population and business losses? Population loss has political consequences: California lost a congressional seat after the 2020 census. In addition, the high cost of housing and living in California has contributed to the decision by many businesses and residents to leave the state. And if enough companies were to leave and not be replaced adequately, it could have serious consequences for the state's job and fiscal situations. This is certainly not an argument for abandoning the state's commitments to the California model, but it suggests paying close attention to the choices that are made in the energy transition to avoid backlash and major economic losses. California can only be a leader in climate policy if it retains the support of a voting majority in the state and a sufficient level of economic vitality.

Finally, California must work harder on its role within the American West. The energy transition will be harder to achieve if other western states do not share the same goals with respect to decarbonization and climate adaptation. Buying out of state wind and solar will give interior western states economic reasons to support the state's energy policies, but importing electricity into California will require smarter transmission planning and capacity to avoid line congestion and wildfire risk.



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