

DEMOGRAPHIC INFORMATION

California's population growth continues to slow as births fall, deaths from an aging population rise, and net migration into the state decreases. The population is becoming more educated, as people stay in school longer and net migration is higher for those with more education.

DEMOGRAPHIC OUTLOOK

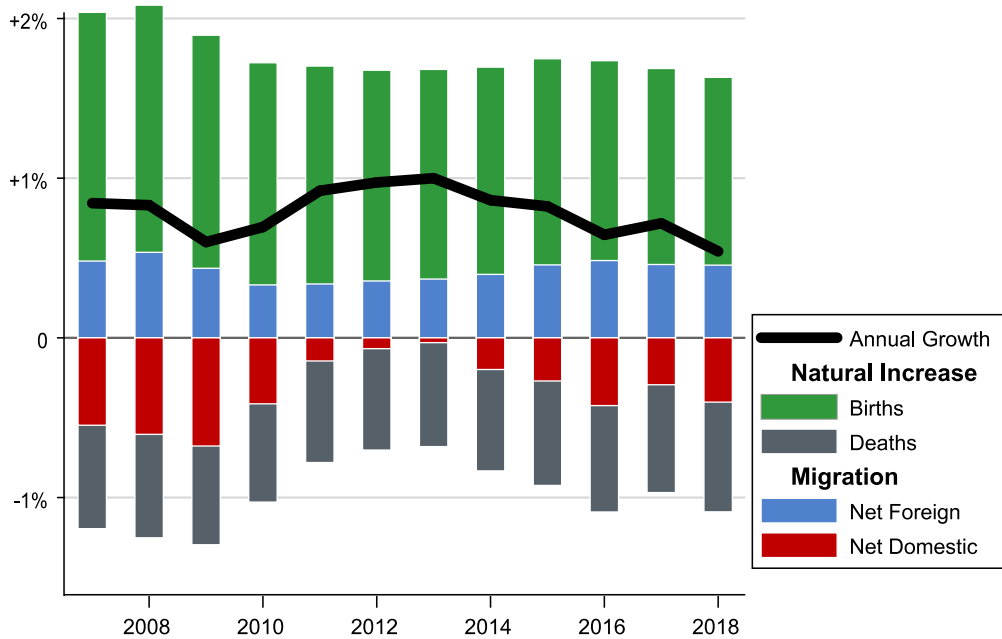
California population was estimated at 39.8 million on July 1, 2018. Since the state's peak growth rate during the past decade of approximately 1 percent in 2013, the state's growth rate has diminished.

The decline in the growth rate can be explained by changes in the natural rate of increase (births minus deaths) and net migration flows (both international flows and interstate migration). The birth rate continues to decline due to fewer people of the age when most become parents, and fewer people choosing to have children, with particular declines in the teen birth rate since 2015. The crude birth rate of 11.7 births per 1,000 people in fiscal year 2017-18 was the third-lowest since records began in 1905.

The decreasing birth rate has begun to affect K-12 enrollment, which is currently just over 6.2 million and is projected to fall below six million by 2025-26. The number of 5-year-olds has fallen from around 520,000 in 2012 to under 500,000 in 2017.

Figure DEM-01

Components of Change in Population Growth



Source: CA Department of Finance

Deaths have increased to 6.8 per 1,000 people despite improvements in life expectancy, and will continue to increase as the baby boomer generation ages. The proportion of the population 65 and over was 10.7 percent in 2000, but is projected to increase to 20.6 percent by 2030. As can be seen in Figure DEM-01, California has experienced net domestic out-migration for many years, but overall net migration is positive due to foreign immigration.

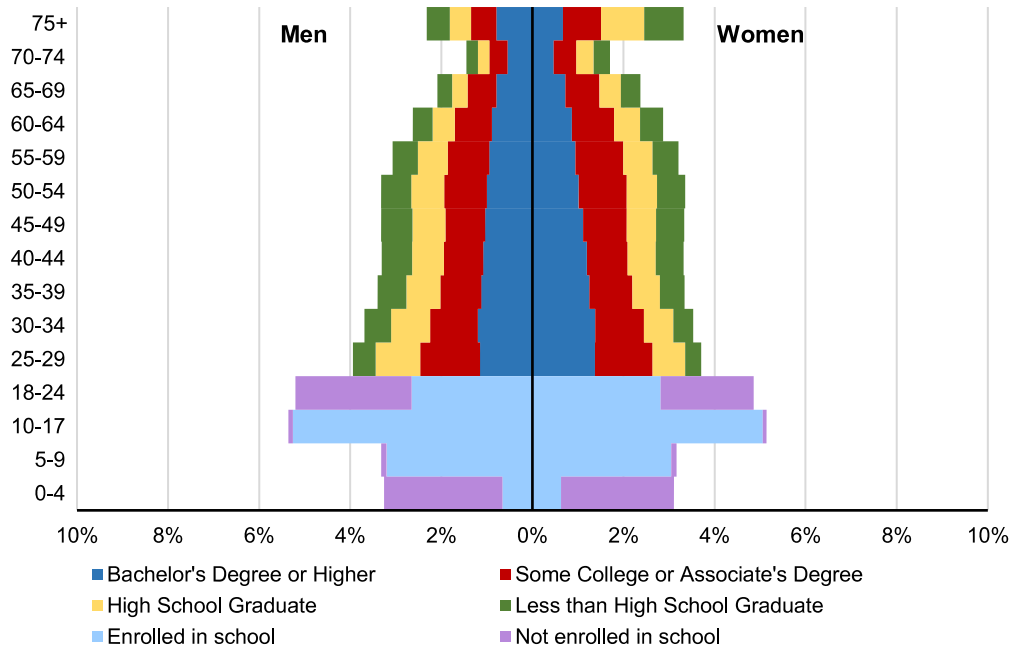
EDUCATIONAL LEVELS

The state's population has fewer children and more working-age residents, who tend to be a highly educated population (see Figure DEM-02). The population pyramid below shows the age and sex distribution of the population, according to education level (for 25 year olds and above) or enrollment (for those under 25). California attracts a large student population age 18-24, evident by the proportion of the state's population at those ages. Although in the older population more men than women have a bachelor's degree or higher, the opposite is true among the younger population.

Over time, the state also has become more educated on average due to outward migration of less educated residents as measured by census data, and inward

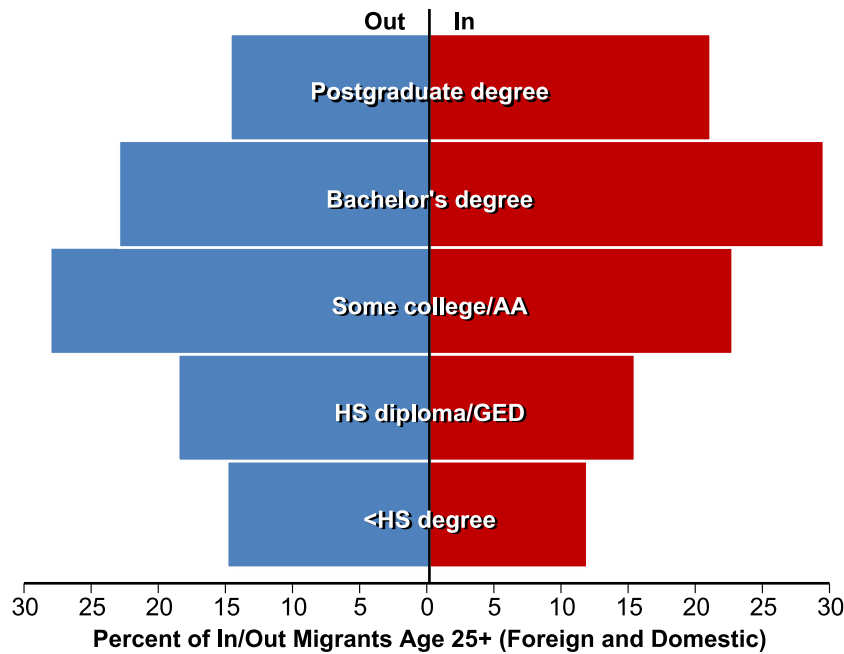
migration of more educated people. Figure DEM-03 shows foreign and domestic migration by educational level for 2007-2017.

Figure DEM-02
2013-2017 Educational Attainment of Californians



Source: U.S. Bureau of the Census

Figure DEM-03
Migration by Educational Attainment



Source: U.S. Bureau of the Census and CA Department of Finance

HOUSING AND INCOME

Between April 2017 and March 2018, 77,000 more people moved out of California than from other states. According to the Current Population Survey, those moving out listed housing as one of the most common factors, behind family and job concerns.

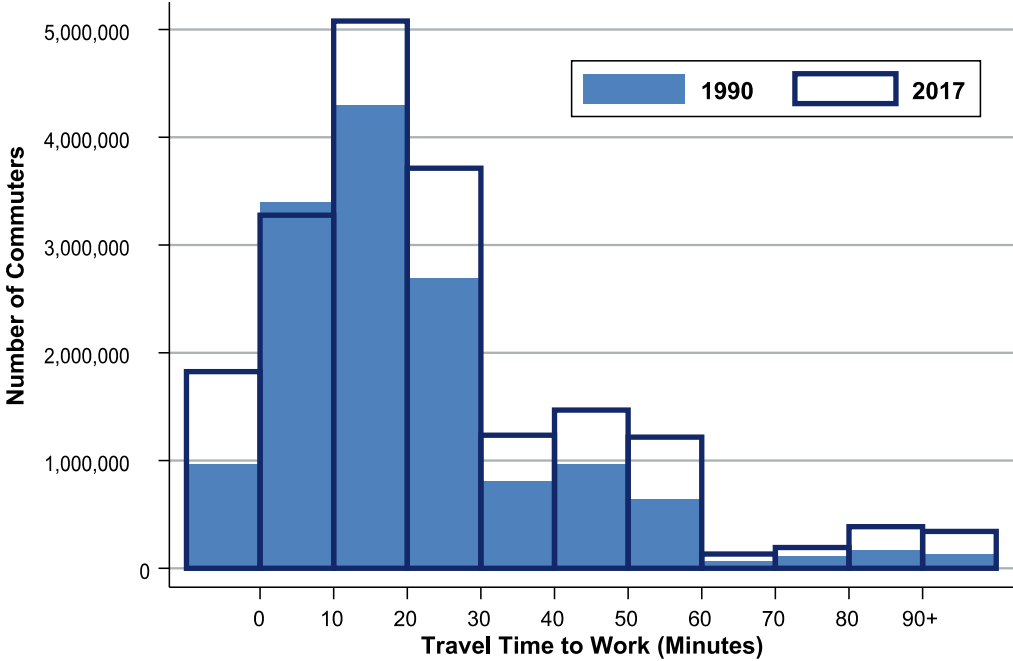
One in five Californians pay more than 50 percent of their income for shelter. While those households with incomes less than \$50,000 have always had high rent burdens, in the last 3 years the overall number of households in this group spending more than 50 percent of income on rent has increased.

Although the state has grown to be the 5th largest economy in the world, the median income of households in 2017 was less than \$72,000. While this is higher than the roughly \$62,000 in comparable dollar terms in 2012, this is barely above the median household income of \$71,000 in 2007.

Workers aged 30-55 with at least a bachelor's degree had a median income of \$72,000 in 2007, falling to \$65,000 in 2012 before recovering to \$71,000 in 2017. People with only some college had a median income of \$42,000 in 2007, falling to \$32,000 in 2012 and only recovering to \$35,000 in 2017.

Since 2007, median gross rent has grown from \$1,278 to \$1,447 per month in 2017, and has led to a marked increase in commuting times, as seen in Figure DEM-04. While the number of telecommuters has almost doubled, the number of people living within 10 minutes of work has fallen. The number of commuters spending more than an hour each way remains low, but has increased substantially.

Figure DEM-04
Travel Time to Work



Source: U.S. Bureau of the Census