



BLOG POST · APRIL 13, 2023

Where Are Californians Going When They Leave the Golden State?

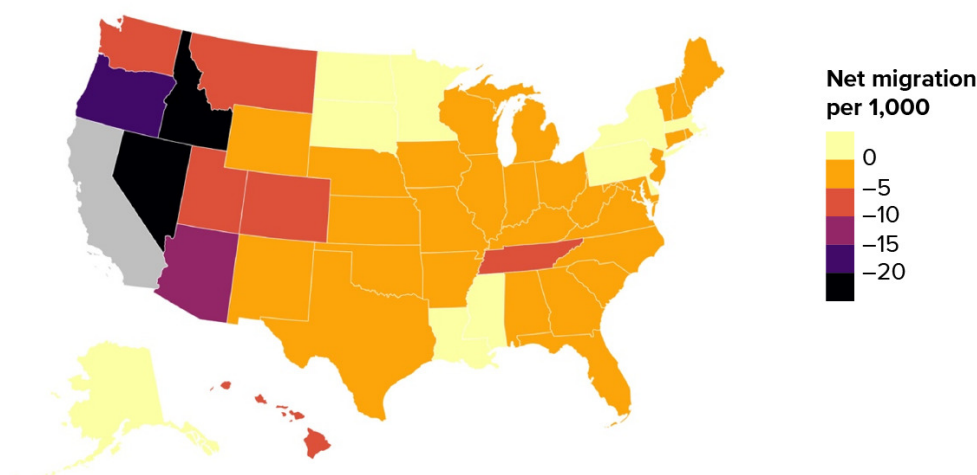
Eric McGhee and Hans Johnson

A growing number of Californians are moving to other states. Until recently, out-of-state migration was concentrated among lower- and middle- income residents, suggesting that the cost of living—especially housing—was a primary factor. But since the onset of the COVID pandemic there has been a marked outflow of higher-income Californians as well. The breadth of the exodus has prompted a similarly broad conversation about the sources of the change.

This conversation has at times turned into tit-for-tat public disagreements between Governor Newsom and governors of other states—most notably, Texas and Florida. The debate is usually about whether Californians are moving to avoid California’s high taxes and liberal political culture in addition to the state’s high housing costs.

We can’t settle this debate—it is impossible to know all the motivations movers might have—but it is possible to see which states they are moving to. The first map shows net migration rates by state for 2020 and 2021 combined—which we measured as the net gain or loss per 1,000 residents in the destination state (to account for the fact that moves to and from populous states are more common than moves to and from small-population states). This measure shows that, despite substantial migration out of the state in recent years, California’s net migration rate losses are statistically significant for only 26 states. The states with the largest net migration outflow rates from California all border the Golden State or are nearby. Net outflow rates are largest to Idaho and Nevada, followed by Oregon and Arizona. Smaller but still significant outflow rates are to Hawaii, Montana, Utah, Washington, Tennessee, and Colorado.

The largest net outflow rates from California are to nearby states



SOURCE: IPUMS 1-year American Community Survey samples, 2020–2021.

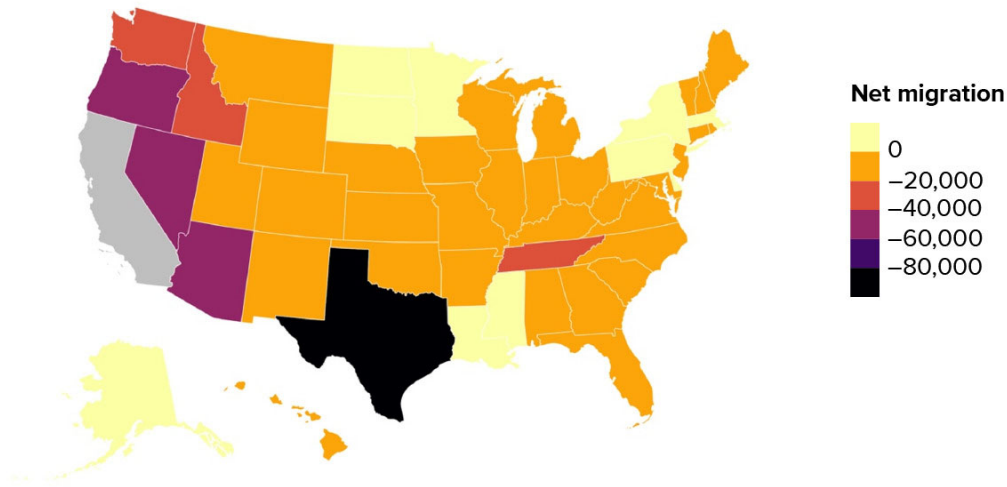
NOTE: Net migration rate per 1,000 residents of the destination state for adults ages 18–64. Net migration rates are not significantly different from zero for some of the states shaded in yellow and orange.

FROM: PPIC Blog, April 2023.

The second map shows the total size of net migration flows to other states (not adjusted for the destination state’s population). The results are similar, with larger flows from California to nearby states, but there are some notable differences that largely reflect the population of each state. For example, net outflow rates are highest to Idaho, but its relatively small population means the

size of the flow is modest. In comparison, Texas has the largest net outflow from California, totaling more than 80,000 people over the two-year period. Florida has a small net outflow that is not exceptional, given its size.

Nearby states have disproportionately large total net migration flows



SOURCE: IPUMS 1-year American Community Survey samples, 2020–2021.

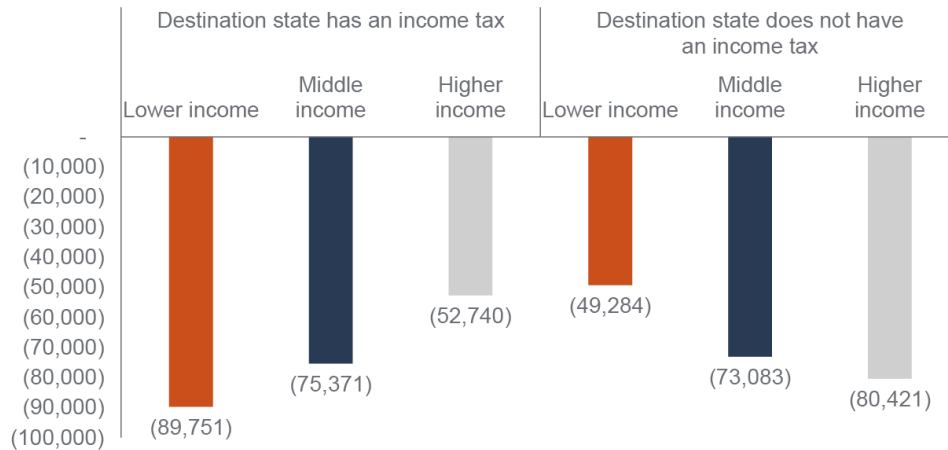
NOTE: Net migration flows for adults ages 18–64.

FROM: PPIC Blog, April 2023.

How do tax policies align with these migration patterns? California has a very progressive income tax that leans heavily on the highest income residents while taxing lower-income Californians at low rates. Our findings suggest that taxes might be a factor in where higher-income people go when they leave the state. The eight states with no income tax (Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming) drew a larger net outflow of higher-income than middle- or lower-income migrants from California, while the opposite was true in the other 41 states. There is also some evidence that some households with the very highest incomes have left the state to avoid state income taxes.

High-income Californians are more likely to move to states without income taxes

Net migration 2020 and 2021



SOURCE: IPUMS 1-year American Community Survey samples, 2020–2021.

NOTE: Numbers show net migration flows for adults ages 18–64.

FROM: PPIC Blog, April 2023.

The recent uptick in the number of higher-income adults leaving the state is drawing new attention to these patterns. Higher-income adults who have left California have been especially likely to work remotely during the pandemic. These workers may have taken advantage of their new-found ability to live somewhere less expensive without relinquishing their high-paying California jobs. And for some higher-income adults, taxes could be an important consideration.

These numbers should not be overstated. Indeed, California has lost more lower- and middle-income adults than higher-income adults: the state's net loss throughout 2020 and 2021 amounted to about 1.4% of higher-income, 1.6% of middle-income, and 2.3% of lower-income Californians. Most residents either stay put or move within the state. But absent a change in the trend, even these small percentages will add up over enough time.

The important question is whether any of these patterns will persist as the country emerges from the pandemic and returns to something closer to the work patterns that prevailed before the crisis hit. The policies of destination states and the political ideology of movers may be playing a role in where Californians decide to move. But size and proximity remain the dominant factors.

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