COMPARING CALIFORNIA TO OTHER KEY U.S. STATES

VISION & STRATEGY FOR THE NEXT CENTURY
ABOUT CALIFORNIA 100

The California 100 Initiative envisions a future that is innovative, sustainable, and equitable for all. Our mission is to strengthen California’s ability to collectively solve problems and shape our long-term future over the next 100 years.

California 100 is organized around 5 policy themes and 5 core values, and driven by interrelated stages of work: research, policy innovation, and engagement with Californians. California 100’s work is guided by an expert and intergenerational Commission.

Through various projects and activities, California 100 seeks to move California towards an aspirational vision—changing policies and practices, attitudes and mindsets, to inspire a more vibrant future. This Regional Analysis was produced as part of California 100’s research stream of work.

The California 100 initiative is incubated through the University of California and Stanford.

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INTRODUCTION

California has long been a leader in innovation, social progress, and economic growth. For the past 150 years, people have flocked to California in search of wealth and prosperity. The state's natural beauty, diverse geography, beautiful weather, and abundant resources allowed California to thrive from early in its history, both for adventure-seekers and entrepreneurs. Due to its size, California has boomed in population over the past century, and benefits from a diverse cultural history. In 2020, it boasted six of the 40 largest metropolitan areas in the United States in Los Angeles, San Francisco, Riverside, San Diego, Sacramento, and San Jose. In fact, according to the U.S. Census, most of California's population lives in urban areas—94.2 percent.
This report seeks to establish a baseline of performance metrics to identify where California is performing well and where it faces significant challenges, and to identify states that serve as California’s primary competition for residents and businesses moving into the future.

California has a large and diverse economy, with opportunities in a variety of industries such as technology, entertainment, agriculture, and tourism. Many people are attracted to the state for the job opportunities and high wages. Between Hollywood in Los Angeles and Silicon Valley in the San Francisco Bay Area, California is home to some of the world’s leading entertainment and technology companies.

Both Los Angeles in the south and Oakland in the Bay Area, along with San Diego on the border with Mexico, are significant trade hubs to and from the United States. The Port of Los Angeles is one of the world’s busiest seaports and the leading gateway for international trade in North America and has ranked as the number one container port in the United States since 2000. When combined with the adjacent Port of Long Beach, the San Pedro Bay Port Complex, which makes up the two ports, is the ninth largest port in the world, handling 31 percent of all containerized international waterborne trade in the U.S.³

California is a major producer of agricultural goods, including fruits, vegetables, and nuts. These goods are shipped around the world and contribute to the state’s trade balance. In 2020, the United States of America was the largest exporter of food (excluding fish) with $124 billion of export value—or 10 percent of total global exports. California produces and dis-
tributes the highest volume of fruits, tree nuts, berries, melons, vegetables, and milk of all U.S. states. California also produces significant amounts of other foods, including cattle, eggs, rice, and wheat. California is one of the most culturally diverse states in the U.S., with large populations of Hispanic, Asian, and African American residents. Many people are attracted to the state for its cultural vibrancy and tolerance. California has long been a destination for immigrants, with many people coming to the state from other countries. This influx of immigrants has contributed to the state’s diversity and helped to fuel its economy.

Moreover, California is home to some of the top universities in the world, including Stanford, UC Berkeley, and UCLA. Many people are attracted to the state for its educational opportunities and intellectual climate. These opportunities attract people from all over the world to learn from these world-class institutions.

However, in recent years, the state has faced growing competition from other states that are vying to attract businesses, talent, and investment. High costs of living, increased threats from climate change, and growing income inequality have led to other states appealing more and more to California residents. Higher-than-average incomes often allow Californians to leave the state and purchase homes that they would otherwise be unable to afford if they remained in California. Similarly, because so many Californians live in urban areas, residents often have access to city-based amenities, but they also face typical city challenges: homelessness, high density, and low-performing schools.

California has been experiencing slow population growth over the past few decades. California grew by only 6.1 percent in population from 2010 to 2020—the lowest growth rate in its history—from 37.3 million residents to 39.5 million. Every 10 years, the federal government conducts a census in order to divide the country up into its 435 congressional districts. For the first time in its history, California actually lost a Congressional seat following the 2020 census counts, while competitors Texas (+2 seats) and Florida (+1 seat) gained in their
Congressional power. Brookings notes that “California’s growth slowdown reflects reduced immigration from abroad as well as rising out-migration, especially to other states in the West.”

A 2021 report by the Public Policy Institute of California (PPIC) reports that “the state’s population is aging as its birth rates decline, and net migration has turned negative in the past few years, after almost a decade of growth.” The PPIC report further notes that California’s net migration can be divided into domestic and international flows, with domestic migration accounting for the majority of the recent migration shift as California residents moved to other states. Even though the amount of immigration from other countries has decreased, little else has changed. These patterns are also not particularly new: Domestic migration to other states over the course of the last 30 years has largely been replaced by immigration from abroad. However, over the past three years, California has experienced a domestic outflow significant enough to slow the state’s overall population growth, with net outflows of about 170,000, 240,000, and 260,000 since 2019.

![Migration and Natural Increase Have Slowed](source: McGhee, Eric, Marisol Cuellar Mejia, and Hans Johnson. “California’s Stalled Population Growth.” Public Policy Institute of California, April 26, 2021.)
Many individuals and businesses have cited California’s high costs of living and a difficult regulatory environment among other challenges as reasons for leaving the state. This shift has highlighted some of California’s unique strengths and limitations, and it has sparked a debate about what the state must do to remain competitive in the face of growing competition from other states.

The purpose of this report is two-fold: 1) Given our focus on California, this report seeks to establish a baseline of performance metrics to identify, and attempt to quantify, where California is performing well and where it faces significant challenges, and 2) To identify states that serve as California’s primary competition for residents and businesses moving into the future. This report compares California’s current policy landscape with other states, and highlights, when available, some of the changes that California should consider to secure the state’s social, environmental, and economic future. The report also includes a comparative analysis of California with other states, including Texas, New York, Washington, Florida, and Massachusetts, to identify areas where California can learn from the successes and challenges of these other states.

Using this evidence base, the report examines California’s performance across policy domains, identifying key trends and emerging issues that could impact California’s future performance. It argues that California faces significant challenges in the coming years, including a high cost of living, increasing income inequality, and ongoing environmental and social challenges. Finally, the report also highlights the state’s many strengths, including a diverse economy, a commitment to innovation and sustainability, and a rich cultural heritage. By leveraging these strengths and addressing its challenges, California can remain a leader in the nation and the world, and continue to provide opportunities for all residents to thrive.
CALIFORNIA’S KEY COMPETITION: STATES USED FOR COMPARISON

With a population of over 39 million people, California is the most populous state in the U.S. and one of the largest economies in the world. However, the state’s demographic composition has been rapidly evolving and becoming more diverse. As a result, it is often compared and benchmarked against other states in terms of various economic and social indicators. Based on the key challenges facing businesses and residents, we have identified key states that compare with California in size, economy, and workforce. Although it is challenging to find a perfect comparison to California, each of the following states serves as competition for California due to their differences.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Select Demographic and Economic Details for California and Competition States</th>
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<table>
<thead>
<tr>
<th></th>
<th>California (CA)</th>
<th>Texas (TX)</th>
<th>New York (NY)</th>
<th>Washington (WA)</th>
<th>Florida (FL)</th>
<th>Massachusetts (MA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP total, 2021</td>
<td>$3.4 trillion</td>
<td>$2.1 trillion</td>
<td>$1.9 trillion</td>
<td>$678 billion</td>
<td>$1.3 trillion</td>
<td>$641 billion</td>
</tr>
<tr>
<td>GDP per capita, 2021</td>
<td>$73,180</td>
<td>$62,021</td>
<td>$75,207</td>
<td>$73,437</td>
<td>$46,310</td>
<td>$75,952</td>
</tr>
<tr>
<td>Population totals, July 2022</td>
<td>39 million</td>
<td>30 million</td>
<td>19.6 million</td>
<td>7.7 million</td>
<td>22.2 million</td>
<td>6.9 million</td>
</tr>
<tr>
<td>Population rank, highest to lowest</td>
<td>1st</td>
<td>2nd</td>
<td>4th</td>
<td>13th</td>
<td>3rd</td>
<td>16th</td>
</tr>
<tr>
<td>Median Household Income, in 2021 dollars</td>
<td>$84,097</td>
<td>$67,321</td>
<td>$75,157</td>
<td>$82,400</td>
<td>$61,777</td>
<td>$89,026</td>
</tr>
<tr>
<td>Median Household Income rank, highest to lowest</td>
<td>6th</td>
<td>24th</td>
<td>15th</td>
<td>8th</td>
<td>37th</td>
<td>3rd</td>
</tr>
<tr>
<td>Poverty Rate, 2022</td>
<td>12.3%</td>
<td>14.2%</td>
<td>13.9%</td>
<td>9.9%</td>
<td>13.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Poverty Rate rank, lowest to highest</td>
<td>27th</td>
<td>39th</td>
<td>34th</td>
<td>11th</td>
<td>33rd</td>
<td>9th</td>
</tr>
</tbody>
</table>
Texas is the second-most populous state in the U.S. and has a large economy that is diverse and growing. It is also home to many major cities, including Houston, Dallas, and Austin. Both states have similar industries such as technology, energy, and agriculture, but differ in terms of tax policies, business regulations, and cost of living. Like California, Texas has a large population of immigrants and a strong technology sector but has been ranking higher than California in terms of affordability of business climate, job growth, and affordability of doing business. Moreover, Texas has a relatively low cost of living compared to California, which may be a factor for those considering a move.

New York is the third-most populous state in the U.S. and has a diverse economy that includes finance, technology, and healthcare. Like California, it is home to many major cities, including New York City and Buffalo. New York also has a high population density and is known for its cultural and artistic scene. New York is comparable to California in terms of their respective economic powerhouses - Silicon Valley and Wall Street. Both states have significant financial industries, but California is more focused on technology and innovation. According to a report by the Center for an Urban Future, New York City has a higher GDP per capita than California, but California has a larger overall GDP. However, like California, New York also has a high cost of living and a relatively high tax burden.

Florida is the fourth-most populous state in the U.S. and has an economy focused on tourism, healthcare, and real estate. Florida is often compared to California as both states are known for their warm weather, tourist attractions, and diverse populations. However, they differ fundamentally in terms of their growth strategies. Florida depends upon population growth and tourism, and its economy is geared to providing what are called “residential” goods for residents through retail trade, real estate, and healthcare. California has larger technology, manufacturing, professional services, and entertainment sectors that provide “exportable” goods that bring income back into the state. California’s strategy relies upon being a leader in technology and innovation. As a result, California has a much higher per capita personal income than Florida, and it does not depend upon continuing to have people move to the state for the state’s economy to grow. Florida, however, has a relatively low cost of living and no state income tax, attracting those looking to save money.

Massachusetts is often compared to California as it is home to many of the same industries such as technology, biotech, and higher education. Both states also have high costs of living, but Massachusetts has a lower unemployment rate. Like California, Massachusetts is known for its strong education system, with highly-ranked universities such as Harvard and MIT. According to a report by the Massachusetts Technology Collaborative, Massachusetts (at 2.27) ranks slightly higher than California (at 2.15) in terms of an index of “the size and breadth of a state’s innovation economy” as a part of the state’s overall economy, but Massachusetts has a much smaller overall economy—about one-fifth of California’s in terms of GDP. Hence, California has a much larger overall innovation economy. New York is fourth at 1.83 and Texas is 10th at 1.37.
Washington is often compared to California due to their similar technology industries (Seattle and Silicon Valley, respectively) and large ports for international trade. Both states also have large and thriving aerospace and healthcare industries. Washington also has a strong education system, with highly-ranked universities such as the University of Washington and Washington State University. According to a report by the Washington Research Council, Washington ranks higher than California in terms of business climate and competitiveness, but as demonstrated in California’s 100’s Business Climate Report, these rankings depend heavily upon whether they emphasize the productivity or affordability of the business climate. California does better when productivity is emphasized and worse when affordability is stressed. Moreover, the same report also says that Washington, just like California, faces a housing crisis (with the fewest housing units per household of all the states) and a workplace replacement problem.
CALIFORNIA: BOTH A BOON AND A BURDEN FOR BUSINESSES

California has always been an attractive place for businesses due to its large and diverse economy, access to talent, and strong innovation ecosystem. The state hosts a wide range of industries, from entertainment and tourism to manufacturing and agriculture. This diversity provides businesses with many opportunities for collaboration and growth. The state is home to Silicon Valley, one of the world’s leading technology hubs and it boasts a thriving startup ecosystem. It is also a major hub for venture capital and private equity, with venture capital investment totaling over $550 billion since 2010. The state has continued to support new businesses with access to the funding they need to grow and expand.

California is also a hub for entertainment, biotech, and aerospace industries, and has a large and growing renewable energy sector. The state has a strong tradition of innovation, with a large number of research institutions and a highly skilled workforce in STEM fields, which can provide businesses access to a skilled workforce.

In addition to its economic strengths, California provides its citizens a high quality of
life with its favorable weather and scenic landscapes that appeal to both businesses and their employees. The state is also known for its diverse population, hailing from all parts of the world, rich cultural offerings, with a thriving arts and entertainment scene. Apart from a plethora of natural attractions and recreational activities, California is home to many world-renowned universities including Stanford, UC Berkeley, UCLA, and Caltech, and top-ranking higher education institutions. The state also has some of the best healthcare facilities in the country and is known for being at the forefront of medical research and innovation.

California's progressive policies on issues such as healthcare, environment and social justice also make it an attractive place to live and innovate. The state has been a leader in implementing policies to promote clean energy, reduce greenhouse gas emissions, protect LGBTQ+ rights, and provide incentives for innovation and entrepreneurship. It also has invested in a large and robust infrastructure, including an extensive transportation network and access to major ports and airports.

Overall, California's combination of economic strength, quality of life, talented workforce, and innovative policies make it an attractive place for businesses to attract top-quality employees.

**CHALLENGES FACING CALIFORNIA BUSINESSES THAT MAY CAUSE RELOCATION**

California is known not only for having a diverse and innovative economy with many successful companies, but also for its high business costs and regulations, which can make it challenging for businesses to operate in the state. Between 2018 and 2021, 352
companies moved their headquarters out of California to other states. According to a 2022 analysis by the Hoover Institution at Stanford, in 2021, with 153 companies leaving the state, California business headquarters left California at twice their rate of 2020 (75) and 2019 (78), and three times their rate of 2018 (46). Of these relocations, 11 headquarters were from companies off the Fortune 1,000 list, including McKesson Corp., Tesla, Oracle, Hewlett Packard Enterprise, CBRE Group, and Charles Schwab, all of which relocated to Texas.

The report notes that Los Angeles and San Francisco counties have experienced the highest number of relocations out of the state. In fact, 80 companies left Los Angeles County between 2018 and 2021, while 52 left San Francisco. These losses likely reflect the fact that the majority of headquarters are concentrated in those cities, and that these counties have higher business costs. Further, headquarters migrations out of Santa Clara, Alameda and San Mateo counties reflect high-tech companies in the digital and social media world opting for less expensive locations not only to control business costs but to recruit workers with the benefits of lower housing costs.

Several factors contribute to California's challenges in retaining businesses. These include high taxes, strict regulations, expensive housing costs, and a high cost of living. California has some of the highest taxes in the country, ranking 48th on the Tax Foundation’s state business tax climate rankings for 2023. Only New York and New Jersey have a worse tax climate according to these rankings.

Regulatory Burdens

California has a reputation for having some of the most complex and stringent regulations in the country, particularly in industries like healthcare, environmental compliance, and labor law. In fact, California is the most regulated state in the country with almost 396,000 regulatory restrictions. These regulations can add significant costs and administrative burdens to businesses operations and many businesses have cited concerns about the state's legal and regulatory climate, including strict environmental regulations, as well as a perception of anti-business sentiment among state officials. In 2014, Toyota announced it was moving its North American headquarters from California to Texas, citing the state’s “difficult business environment.” The state’s complex and frequently-changing regulatory environment can be particularly challenging for small businesses.

High Cost of Doing Business

California consistently ranks among the most expensive states for businesses to operate in, due to high taxes, labor costs, and regulatory burdens. The CNBC 2022 America’s Top States for Business report ranked California 48th out of 50 states in the “Cost of Doing Business” category. The state also has some of the highest energy costs in the country, partly due to its ambitious renewable energy goals and the high cost of electricity generation. High energy costs can be particularly challenging for energy-intensive industries like manufacturing and agriculture. This has contributed to high commercial operation...
costs, making it more expensive to operate businesses and incentivizing companies to move to lower cost states.

**Housing Costs**

California’s high housing costs can be a significant challenge for businesses, particularly in industries that rely on low- or mid-skilled workers. High housing costs can make it difficult for businesses to attract and retain workers, particularly in areas with high housing costs like the Bay Area and Southern California. This has led to significant gaps between demand for skilled workers and the available labor.

Overall, high taxes, regulatory burdens, high cost of doing business and labor market shortages, and regulatory burdens are the key challenges facing businesses in the state. However, it’s important to note that California’s economy is still one of the largest and most dynamic in the world, and many businesses continue to thrive in the state. Some industries, such as technology and entertainment, are particularly well-suited to California’s innovation-focused culture and highly-educated workforce. The state also offers many incentives and programs to attract and retain businesses, including tax credits for new job creation, research and development.
CHALLENGES FACING CALIFORNIA RESIDENTS

In addition to businesses leaving the state, Californians have migrated to other states while international immigration has declined modestly in recent years. Therefore, California’s growth rate has become relatively stagnant while challenges facing the state persist. There are a number of factors that may contribute to California’s out-migration, including the ones discussed above such as high costs of living and taxes but also high housing prices, traffic congestion, and concerns about natural disasters like wildfires and earthquakes.

**Housing Affordability**

The high cost of housing in California is a significant issue that affects residents’ ability to live comfortably. California ranked second worst on housing affordability, only behind Hawaii. As of March 31, 2021, the median home price in California amounted to $775,000, which is twice the price levels observed in New York and Florida, and three times the levels seen in Texas.

California’s climate and job market are major factors behind the high demand for housing, which far exceeds supply, pushing up prices and making it difficult for many residents to buy or rent a house. The state has the second lowest homeownership rate in the country, besides New York. According to data from the American Community Survey, only 55.3 percent of households in the state own the home they live in, much lower than the national average of 65.8 percent.

Unfortunately, the situation is similar for renter households in the state. California ties with Florida for the highest share of severely cost-burdened renters in the country. This large share of cost burdened households has been a key driver of the high rates of homelessness in California.

**Homelessness**

Homelessness can lead to a range of health and safety issues for both the individuals experiencing homelessness and the communities in which they live. California is home to the largest population of unhoused people in the United States. According to the 2022 Annual Homeless Assessment Report (AHAR) to Congress, California reported the highest number of homeless individuals in the country, with an estimated 171,521 people experiencing homelessness on any given night. This accounts for 30 percent of all people experiencing homelessness nationwide. The state also has the highest of unsheltered homeless people in the country.

It is important to note that the state has been actively implementing a variety of programs and policies aimed at addressing this crisis. Between 2018-20, California expended $13 billion on homelessness—or $76,000 for each
person experiencing homelessness in California on any given night, which was allocated to nine state agencies and dispersed among 41 distinct programs.³⁷

**Tax Burdens**

California has one of the highest tax burdens in the United States, both in terms of state and local taxes. According to the Tax Foundation’s analysis of state and local taxes for fiscal year 2023, California ranks 7th overall with a state and local tax burden of 8.82 percent of income.³⁸ The state has a progressive income tax system, with a top marginal tax rate of 13.3 percent, which is the highest in the nation.³⁹ The state also has a sales tax rate of 7.25 percent, which can be as high as 10.25 percent in some cities when including local sales taxes. In addition to state and local taxes, California has other fees and charges that can add to the overall tax burden for residents. For example, the state has a high gas tax of 51.1 cents per gallon, which is the second-highest in the nation.⁴⁰ A high tax burden adds to the cost of living in the state, contributing to citizens moving to states with lower tax burdens as a cost-saving measure.

**Climate Change and Natural Disasters**

Because of its arid climate, mountainous forests, and long coastline, California is one of the most vulnerable states to the effects of climate change, including drought, wildfires, and sea-level rise.⁴¹ In a ranking of states most vulnerable to climate change, California ranked 1st in the country.⁴² According to the California Natural Resources Agency, sea levels in the state are projected to rise by as much as 20 to 55 inches by the end of the century. This can not only endanger $100 billion of property and infrastructure, but also puts approximately half a million people at risk of flooding.⁴³ The state also has recorded the fifth highest percentage increase in widespread summer drought risk.⁴⁴ In fact, the U.S. Drought Monitor, which tracks drought conditions across the country, reports that 33.4 million people were affected by drought in the state in 2021.⁴⁵ Some people may be leaving the state to avoid these risks or to find a safer place to live. These impacts can have significant economic and social consequences for Californians, including loss of property, displacement, and health risks.⁴⁶

**Education**

California’s overcrowded and low performing public education system has long been grappling with unequal access to quality education, falling enrollment rates, inadequate funding, and a shortage of qualified teachers. According to the Education Law Center’s 2022 Report *Making the Grade*, California ranked 33rd on per-capita spending on K-12 education in 2019-20, spending $13,686 per student.⁴⁷ This total is $1,760 below the national average of $15,446, and about half of the per-student funding in New York ($26,605). However, this per pupil spending is also about $1,000 higher than Texas’ spending, which ranked 40th across the nation.
1. ECONOMIC DEVELOPMENT

California is a powerhouse of economic activity, boasting one of the largest economies in the world. California has many strengths that have contributed to its economic success, but with competition from other states for California’s workforce and businesses on the rise, the state is facing challenges that threaten to undermine its economic success and position as a leader in the global economy.

This section examines California’s business and economic successes and challenges, particularly in comparison to other states competing for its talent and investment. We compare California’s economic landscape to that of other states, including Texas, New York, Washington, Florida, and Massachusetts, to identify areas where California can learn from these competing states. We also examine the strategies that these states are using to attract businesses and talent, and consider the implications of these strategies for California’s future economic success.

By understanding the factors that contribute to its success and learning from the experiences of other states, California can develop a comprehensive strategy for ensuring its continued economic growth and success in the face of growing competition from other states.
The state’s innovative spirit, diverse workforce, and thriving business community have contributed to its success as a global leader in technology, entertainment, and many other industries. In this section, we will explore California’s business and economic strengths, particularly when compared to its competition states in order to understand the factors that have contributed to California’s economic success.

1.A.1. STRENGTHS: INNOVATION, TECHNOLOGY, AND ACCESS TO CAPITAL

California is a leader in innovation and technology, with world-class research institutions, startups, and established technology companies. The state has a strong history of entrepreneurship and innovation, with Silicon Valley serving as the epicenter of the technology industry. The state also has the highest concentration of venture capital investment in the country, accounting for over 50 percent of all U.S. venture capital investment. Furthermore, California leads the way in renewable energy and electric vehicle adoption, driving new innovation and technology. While other states have competitive technology industries, California’s ecosystem is unparalleled in terms of the depth and breadth of its innovation and entrepreneurship culture, as well as the level of investment and resources available.
According to the 2022 State Technology and Science Index, as determined and reported by the Milken Institute, California has a strong risk capital and entrepreneurial infrastructure. This subindex measures the environment for attracting capital investment to further business innovation. As indicated based on the table above, this infrastructure measures venture capital investments and deals, patents—which the Milken Institute states “indicate a strong state-level culture of scientific inquiry and represent opportunities to commercialize new technologies,”
and new start up businesses and initial public stock offerings (IPOs). \(^6\)

California also ranked at the top of the Index’s measures of technology concentration and dynamism, which measures the intensity of high-tech business growth. The report notes that California registered unprecedented diversity in its high-tech economy, ranking at the top in the number of High-Tech Industries with Employment LQ Higher than 1.0. It also ranked highest in the “Number of Technology Fast 500,” an annual ranking of the fastest growing North American companies in technology. \(^6\)

**In summary,** while California remains the top state for venture capital investment, other states have seen significant growth in venture capital investment and have developed strong innovation ecosystems. Each state has its own unique strengths and challenges when it comes to access to capital for innovation and entrepreneurship.
California also struggles to maintain its skilled workforce due to high costs of living and housing affordability issues. This makes it difficult for tech companies to attract and retain talent. Moreover, residents are often forced to live far away from most job opportunities due to the severe housing crisis, contributing to traffic congestion and long commute times, which negatively impact employee productivity. These challenges continue to increase competition from other states, such as Texas, Washington, and Massachusetts, for tech talent and investment.

1.A.2. STRENGTHS: DIVERSE AND HEALTHY ECONOMY

California has a diverse and dynamic economy that encompasses a variety of industries, including technology, entertainment, agriculture, and manufacturing. California is also the world’s fifth-largest economy, with a Gross Domestic Product (GDP) of $3.2 trillion, as reported by the Bureau of Economic Analysis in 2020.

Compared to the other states, California has a more diversified economy than most. Texas, for example, has a heavy reliance on the energy industry, while Florida’s economy is dominated by tourism and real estate. Massachusetts has a strong focus on technology and biotechnology, while New York has a significant financial services sector. However, California has a strong presence in many industries, including technology, entertainment, agriculture, and healthcare, which helps to promote stability and resilience in the face of economic downturns.

| Select Economic Diversity and Health Measures, By State |
| --- | --- | --- | --- | --- | --- | --- |
| **Economic Diversity** | CA | TX | NY | WA | FL | MA |
| Economic Diversity | 11 | 13 | 41 | 20 | 33 | 50 |
| Employment Diversity | 3 | 16 | 5 | 6 | 7 | 2 |
| Labor Productivity, 2021 | 127.0 | 112.1 | 114.0 | 130.3 | 107.6 | 117.3 |
| Labor Productivity Rank, 2021 | 2nd | 18th | 12th | 1st | 30th | 7th |
| Per Capita Personal Consumption Expenditures | $53,082 | $45,114 | $53,255 | $51,751 | $50,689 | $58,532 |
| Per Capita Personal Consumption Expenditures Rank | 8th | 29th | 7th | 9th | 12th | 1st |
The technology industry is a major contributor to California’s economy. Silicon Valley, located in the San Francisco Bay Area, is the global center for high-tech innovation and home to many of the world’s largest technology companies. In addition to Silicon Valley, California is home to a growing number of technology hubs, such as the “Tech Coast” in Southern California and the “Inland Empire” region.

The entertainment industry is also a significant contributor to California’s economy. Hollywood, located in Los Angeles, is the global center for the production of movies and television shows. California is also home to a thriving music industry, centered in Los Angeles and the Bay Area.

Agriculture and livestock are also major industries in California, with the state being the country’s leading producer of many crops, including almonds, avocados, grapes and dairy products. Manufacturing is another important industry in California. The state has a large aerospace and defense industry and leads the production of automobiles and transportation equipment.

However, as noted in the earlier section on challenges facing businesses in the state, California’s economy is also vulnerable. For example, the high cost of living and doing business in California has led some businesses and individuals to relocate to other states. Additionally, the state’s reliance on the technology and entertainment industries makes it susceptible to disruptions in those sectors. Finally, the state’s history of wildfires and droughts can have a significant impact on agricultural production and the state’s overall economy.
1.A.3. STRENGTHS: INTERNATIONAL TRADE

California is a major player in international trade, ranking second in the nation in terms of total value of exported goods in 2021, according to the U.S. Census Bureau. California exported $175.1 billion worth of goods in 2021, accounting for ~10 percent of total U.S. exports. The state's top exports include aircrafts, computer and electronic products, transportation equipment, and agricultural products.

While it is the second largest exporter of goods in the country, it also imports a wide range of products, and has a trade deficit. In terms of imports, California is a major gateway for foreign goods into the United States, with the ports of Los Angeles and Long Beach being the largest in the country in terms of container volume. The state's top imports include transportation equipment, petroleum and coal products, and computer and electronic products. California has a significant trade relationship with Asia, particularly with China and Japan.

Overall, California's international trade plays a significant role in its economy and supports many jobs in industries such as manufacturing, transportation, and logistics. However, the state's reliance on exports and imports also makes it vulnerable to changes in global trade policies and economic conditions.

Table 4: Select International Trade Measures, By State

<table>
<thead>
<tr>
<th></th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Value of Exported Goods, 2021</td>
<td>$175.1 billion</td>
<td>$375.3 billion</td>
<td>$84.9 billion</td>
<td>$53.6 billion</td>
<td>$55.5 billion</td>
<td>$32.4 billion</td>
</tr>
<tr>
<td>Total Value of Exported Goods, ranked highest to lowest</td>
<td>2nd</td>
<td>1st</td>
<td>3rd</td>
<td>8th</td>
<td>7th</td>
<td>16th</td>
</tr>
<tr>
<td>Trade Deficit / Surplus**</td>
<td>-$295B</td>
<td>+$62.6B</td>
<td>-$68B</td>
<td>-$8B</td>
<td>-$28B</td>
<td>-$11B</td>
</tr>
<tr>
<td>Total Trade**</td>
<td>$645.8 billion</td>
<td>$688 billion</td>
<td>$238.6 billion</td>
<td>$115.4 billion</td>
<td>$149 billion</td>
<td>$76.4 billion</td>
</tr>
<tr>
<td>Top Trading Partner**</td>
<td>China</td>
<td>Mexico</td>
<td>Switzerland</td>
<td>Canada</td>
<td>China</td>
<td>Canada</td>
</tr>
<tr>
<td>Top Exported Good**</td>
<td>Aircraft</td>
<td>Refined Oil</td>
<td>Diamonds</td>
<td>Aircraft</td>
<td>Aircraft</td>
<td>Gold</td>
</tr>
<tr>
<td>Top Imported Good**</td>
<td>Vehicles</td>
<td>Petroleum</td>
<td>Precious metal</td>
<td>Vehicles</td>
<td>Nucleic acids</td>
<td>Light oils</td>
</tr>
</tbody>
</table>

* Trade deficit/surplus: A trade deficit occurs when a country’s imports exceed its exports, while a trade surplus occurs when a country’s exports exceed its imports.
** Total trade: This refers to the total value of a country’s imports and exports. High levels of total trade are generally seen as a positive indicator of a country’s economic health.
1.B. ECONOMIC CHALLENGES FACING CALIFORNIA

As discussed in the sections above California faces significant challenges related to its regulatory environment and cost of doing business that threaten to undermine its position as a global economic leader. In this section, we explore California’s business and economic challenges, when compared to its competition states.

<table>
<thead>
<tr>
<th>Measure</th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Tax Burden Rank, 2022\textsuperscript{75}</td>
<td>46\textsuperscript{th}</td>
<td>6\textsuperscript{th}</td>
<td>50\textsuperscript{th}</td>
<td>30\textsuperscript{th}</td>
<td>11\textsuperscript{th}</td>
<td>37\textsuperscript{th}</td>
</tr>
<tr>
<td>Cost of Doing Business Rank\textsuperscript{76}</td>
<td>48\textsuperscript{th}</td>
<td>12\textsuperscript{th}</td>
<td>42\textsuperscript{nd}</td>
<td>33\textsuperscript{rd}</td>
<td>30\textsuperscript{th}</td>
<td>49\textsuperscript{th}</td>
</tr>
<tr>
<td>Business Climate Rank\textsuperscript{77}</td>
<td>29\textsuperscript{th}</td>
<td>5\textsuperscript{th}</td>
<td>36\textsuperscript{th}</td>
<td>2\textsuperscript{nd}</td>
<td>11\textsuperscript{th}</td>
<td>24\textsuperscript{th}</td>
</tr>
<tr>
<td>Minimum Wage, 2022\textsuperscript{78}</td>
<td>$15.50</td>
<td>$7.25</td>
<td>$14.20 - $15</td>
<td>$15.74</td>
<td>$11</td>
<td>$15</td>
</tr>
</tbody>
</table>
1.B.1. CHALLENGES: REGULATORY BURDEN

According to the Mercatus Center at George Mason University, which ranks states based on regulatory burdens, California ranks 49th out of the 50 states and the District of Columbia in terms of regulatory freedom. This ranking is based on measures of state-level regulatory restrictions on businesses, including labor market freedom, occupational licensing, land-use regulations, and environmental regulations, among others.

Environmental regulations in California are among the most stringent in the nation, with the California Environmental Protection Agency enforcing laws related to air and water quality, hazardous waste, and emissions standards. These regulations can be particularly challenging for businesses operating in industries such as manufacturing, energy, and transportation.

California’s labor laws also pose a significant regulatory burden for businesses. The state has some of the highest minimum wage rates in the country, which can be difficult for small businesses to afford. Additionally, California has numerous regulations regarding worker safety, employee benefits, and anti-discrimination policies that companies must adhere to.

### Table 6  Select Regulatory Burden Measures, By State

<table>
<thead>
<tr>
<th>Measure</th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Freedom Index Rank, 2021(^{79})</td>
<td>41(^{st})</td>
<td>12(^{th})</td>
<td>49(^{th})</td>
<td>32(^{nd})</td>
<td>1(^{st})</td>
<td>8(^{th})</td>
</tr>
<tr>
<td>Number of Regulations, 2019, Ranked Highest to Lowest(^{80})</td>
<td>1(^{st})</td>
<td>5(^{th})</td>
<td>2(^{nd})</td>
<td>7(^{th})</td>
<td>8(^{th})</td>
<td>9(^{th})</td>
</tr>
<tr>
<td>Small Business Policy Index Rank, 2019(^{81})</td>
<td>49(^{th})</td>
<td>1(^{st})</td>
<td>47(^{th})</td>
<td>10(^{th})</td>
<td>3(^{rd})</td>
<td>38(^{th})</td>
</tr>
<tr>
<td>State Business Tax Climate Index Rank, 2023(^{82})</td>
<td>48(^{th})</td>
<td>13(^{th})</td>
<td>49(^{th})</td>
<td>28(^{th})</td>
<td>4(^{th})</td>
<td>34(^{th})</td>
</tr>
</tbody>
</table>
1.B.2. CHALLENGES: HIGH TAX COSTS

California has one of the highest tax rates for businesses in the United States. California has a flat corporate income tax rate of 8.84 percent, which is the highest in the western United States. Texas has no corporate income tax, while New York, Washington, Florida, and Massachusetts have rates ranging from 5.5 to 8.0 percent.

Although California’s property taxes are capped at 1 percent of the assessed value of the property, local governments can add additional taxes and fees, and they often do. However, based on simple property taxes, Texas, New York, Washington and Massachusetts have higher property tax rates than California.

California has a progressive income tax system, with a top marginal rate of 13.3 percent, which is the highest state income tax rate in the nation. New York also has a high top marginal rate, while the other states have lower rates or no individual income tax. On top of income taxes, California also has a statewide sales tax rate of 7.25 percent, which is higher than the national average.

California also imposes various other taxes and fees on businesses, such as the state’s Minimum Franchise Tax, which is a tax on all corporations doing business in the state, regardless of their income, a gross receipts tax, and various environmental and regulatory fees. Some businesses may also face local taxes and fees, such as local sales taxes or business license fees.

<table>
<thead>
<tr>
<th>Table 7</th>
<th>Select Tax Burden Measures, By State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CA</td>
</tr>
<tr>
<td>State Corporate Income Tax Rate, 2023</td>
<td>8.84%</td>
</tr>
<tr>
<td>State Corporate Income Tax Rate Rank, lowest to highest</td>
<td>46th</td>
</tr>
<tr>
<td>State Sales Tax Rate, 2023</td>
<td>7.25%</td>
</tr>
<tr>
<td>State Sales Tax Rate Rank, lowest to highest</td>
<td>47th</td>
</tr>
<tr>
<td>Property Tax Rates, 2023</td>
<td>0.75%</td>
</tr>
<tr>
<td>Property Tax Rates Rank, lowest to highest</td>
<td>19th</td>
</tr>
<tr>
<td>Top Marginal Tax Rate, 2018</td>
<td>13.3%</td>
</tr>
</tbody>
</table>
It is worth noting that California has various tax incentives and credits available to businesses in certain industries or located in certain regions, such as the California Competes Tax Credit and the California Film and Television Tax Credit Program. The California Competes Tax Credit is a program that provides tax credits to businesses that want to expand or relocate to California. The California Film and Television Tax Credit Program is a program that offers tax credits to film and television productions that are produced in California, in an effort to keep the industry within the state.

Overall, California’s tax costs for businesses are generally higher than those of the other key comparison states. However, the specific tax burden for any given business will depend on its industry, size, and location within the state.

### 1.B.3. CHALLENGES: LABOR SHORTAGES

Like many other states in the U.S., California is currently facing labor shortages and a decline in its labor force participation rate. These shortages have been caused by a variety of factors, including the COVID-19 pandemic, changes in immigration policy, and the state’s high housing costs. The labor shortage has been particularly acute in healthcare and hospitality, which struggled to find workers during the pandemic. This has led to longer wait times for medical appointments and difficulty filling job openings in restaurants and hotels.

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**Table 8**  
Select Labor and Employment Measures, By State

<table>
<thead>
<tr>
<th>Measure</th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Force Participation Rate, February 2023</td>
<td>62.6%</td>
<td>64.7%</td>
<td>60.7%</td>
<td>65.3%</td>
<td>59.5%</td>
<td>65.3%</td>
</tr>
<tr>
<td>Unemployment Rate, February 2023</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.2%</td>
<td>4.6%</td>
<td>2.6%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Job Openings, January 2023</td>
<td>1,052,000</td>
<td>874,000</td>
<td>444,000</td>
<td>246,000</td>
<td>699,000</td>
<td>287,000</td>
</tr>
<tr>
<td>Job Openings Rate, January 2023</td>
<td>5.6%</td>
<td>6.0%</td>
<td>4.5%</td>
<td>6.5%</td>
<td>6.8%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Domestic Net Migration rate per 1,000 residents, 2020-2022</td>
<td>-22.03</td>
<td>16.31</td>
<td>-32.91</td>
<td>-0.96</td>
<td>28.9</td>
<td>-15.75</td>
</tr>
</tbody>
</table>
The California Chamber of Commerce publishes an annual report called the “Job Killer List,” which highlights proposed legislation that it believes would have a negative impact on California’s economy and job market. The 2023 list includes 15 bills, many of which are related to labor and employment issues such as expanding sick leave, increasing minimum wages, and limitations on employer speech. While these legislations improve work conditions for low-income workers, they also increase the burden of regulations and costs for employers.

Another factor contributing to labor shortages is the state’s high housing costs, which have made it difficult for workers to afford to live in many areas of the state, particularly in the Bay Area and Southern California. We will discuss this particular issue in detail in the High Housing Costs section of this report.

Overall, California has a relatively strong labor supply, with high labor force participation, low unemployment, and a relatively well-educated population. However, it faces challenges such as a high cost of living and high levels of income inequality that can affect its ability to attract and retain workers, particularly those in low- and middle-income jobs.
California’s workforce is the backbone of its economy, driving innovation, growth, and competitiveness in industries ranging from technology to agriculture. The state’s population is diverse and highly educated, with a wealth of talent and skills that have helped to establish California as a global economic powerhouse. The thriving technology industry, world-class universities, and vibrant arts and culture scene have all contributed to the development of a workforce that is the envy of many other states. However, California also faces significant challenges in attracting and retaining talent, as other states aggressively compete for its skilled workers.

In recent years, California has seen a significant outmigration of residents to other states, including many skilled workers who are being lured away by more affordable living costs, lower tax rates, and a more business-friendly environment. At the same time, the state’s high costs of living, low K-12 educational outcomes, and income inequality have made it difficult for businesses to attract and retain workers.

In this section, we will explore California’s workforce and talent successes and challenges, particularly when compared to states in competition for California’s workforce. We will examine the state’s unique advantages and how they contribute to its talent pool. We will also examine the challenges that California faces in attracting and retaining talent. With a robust understanding of the state’s key successes and challenges with respect to its workforce, we can develop solutions to attract and retain talent and cement California’s position as a global leader.
2.A. CALIFORNIA BENEFITS FROM QUALITY JOB OPPORTUNITIES AND A SKILLED WORKFORCE DUE TO WORLD-CLASS EDUCATIONAL INSTITUTIONS

California’s workforce is a product of its world-class higher education institutions, immigrant friendly policies, and strong job markets, all of which contribute to its economic strength and competitiveness. Below, we will examine the state’s world-class higher education institutions and the role they play in producing highly skilled workers. We will also explore how California’s diverse and highly-educated population, fueled by immigration, contributes to its strong talent pool. Finally, we will examine the state’s strong job markets and how they provide opportunities for workers across a range of industries.

2.A.1. STRENGTHS: JOB OPPORTUNITIES

California’s job market is one of the largest in the United States, with a highly diverse economy and a strong focus on innovation and technology. The state’s economy is dominated by the service sector, which accounts for the majority of jobs in the state. Other significant industries in California include technology, manufacturing, agriculture, and entertainment.

California is known for its strong technology and entertainment sectors, with major companies such as Apple, Google, Meta, and Netflix
headquartered in the state. The state also has a strong agricultural industry and is a major hub for international trade. However, despite these robust industries, Californians face challenges in terms of job opportunities.

According to a 2023 ranking by *U.S. News & World Report*, California ranks 38th in the country for employment and 43rd for job growth. The ranking is based on factors such as unemployment rate, job growth rate, and labor force participation rate. The state added 300,000 jobs in 2022, a growth rate of -0.3 percent, which was significantly below the national average of 2.1 percent.

One of the biggest challenges facing job seekers in California is the high cost of living, particularly in cities like San Francisco and Los Angeles. This can make it difficult to afford housing and other expenses, even with a good salary. However, the state does offer a number of programs and resources to help job seekers, such as the Employment Development Department and the CalFresh food assistance program. Additionally, California’s highly competitive job market can make it difficult for workers to find employment in certain, competitive industries.

### 2.A.2. STRENGTHS: HIGHLY EDUCATED WORKFORCE

California boasts some of the world’s top-ranked universities, such as the University of California (UC) system, California State University (CSU) system, Stanford University, and the California Institute of Technology, which attract talented students and researchers from around the globe. In fact, according to the latest data from the National Center for Education Statistics (NCES), California has 384 degree-granting institutions of higher education, including public, private non-profit, and private for-profit institutions. This is the highest among all states in the United States.

<table>
<thead>
<tr>
<th>Table 9</th>
<th>Select Skilled Workforce Measures, By State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CA</td>
</tr>
<tr>
<td><strong>Educational Attainment - Bachelor’s Degree or Higher, 2021</strong></td>
<td>36.2%</td>
</tr>
<tr>
<td><strong>Bachelor’s Degree Conferred per 1,000 Individuals 18-24 Years Old, 2021</strong></td>
<td>66.8</td>
</tr>
<tr>
<td><strong>Employed Science, Engineering, and Health Doctorate Holders as a Percentage of the Workforce, 2019</strong></td>
<td>0.76%</td>
</tr>
</tbody>
</table>
California’s economy is highly reliant on workers with higher education, and this trend is expected to continue in the future. More than one-third—36.2 percent—of California’s population holds a bachelor’s degree or higher and according to the California Employment Development Department, in 2020, occupations requiring higher education (typically a bachelor’s degree or higher) accounted for 42 percent of all employment in the state. Moreover, California has nearly 3 million students enrolled in degree-granting institutions of higher education, including undergraduate, graduate, and professional students. This is also the highest number of enrolled students among all states in the U.S.

However, California faces challenges in terms of educational equity and access. While the state has a diverse population, certain groups face disparities in educational opportunities and outcomes. For example, low-income students and students of color are less likely to attend and complete college than their peers. In fact, a PPIC report found that only about one-quarter of adults in the Inland Empire region of Southern California had at least a bachelor’s degree, compared to more than half of adults in the San Francisco Bay Area. Therefore, the state still faces challenges in improving educational opportunities for all residents, particularly those from historically underrepresented groups. The PPIC report recommends increasing investments in K-12 education, expanding access to higher education for underrepresented students, and improving workforce training programs to address the state’s workforce needs.

Overall, California’s highly educated workforce is a significant asset for the state’s economy, but the state must address disparities in educational opportunities to ensure continued economic growth and competitiveness.
2.A.3. STRENGTHS: IMMIGRATION

Immigrants make up a significant portion of California’s workforce and play a key role in many industries, particularly in sectors such as agriculture, construction, and hospitality. In August 2021, California’s civilian labor force was made up of 5.2 million employed and 460,900 unemployed foreign-born persons. In addition, the unemployment rate and labor force participation rate for foreign-born workers was 8.1 percent and 60.6 percent, respectively.\(^\text{115}\)

Immigrants contribute significantly to California’s economy, both through their labor and through their entrepreneurship and consumer spending. According to a report by the New American Economy, in 2019, immigrants in California contributed $124.3 billion in taxes and their spending power totaled $317.6 billion.\(^\text{116}\) Immigrants start businesses at higher rates than U.S.-born residents and create jobs for other workers.\(^\text{117}\) They also tend to fill important roles in certain occupations where there are labor shortages, such as nursing and other healthcare fields.\(^\text{118}\)

<table>
<thead>
<tr>
<th>Table 10</th>
<th>Select Immigrant Contribution Measures, By State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CA</td>
</tr>
<tr>
<td>Percentage Foreign-born Population, 2021(^\text{109})</td>
<td>26.6%</td>
</tr>
<tr>
<td>Proportion of Immigrants that are Entrepreneurs, 2019(^\text{110})</td>
<td>38.6%</td>
</tr>
<tr>
<td>Labor Force Participation Rate, Foreign-Born, 2021(^\text{111})</td>
<td>63.4%</td>
</tr>
<tr>
<td>Estimated tax paid by immigrants, 2019(^\text{112})</td>
<td>$124.3 billion</td>
</tr>
<tr>
<td>Immigrant Educational Attainment (Bachelors or Higher), 2019(^\text{113})</td>
<td>30.6%</td>
</tr>
<tr>
<td>Foreign-Born Workers as a Percentage of Individuals in Science and Engineering Occupations, 2019(^\text{114})</td>
<td>40.57%</td>
</tr>
</tbody>
</table>
Immigrants bring cultural diversity and innovation to California, and can help to revitalize certain communities or industries. Nearly 40 percent of immigrants in California are entrepreneurs and have played a key role in the growth of the state’s tech industry. Immigrants also tend to participate in civic life at high rates, such as through volunteering or voting.

Like California, Texas, Florida and New York also have large immigrant populations that are active in the workforce. Texas relies on immigrants for many industries, such as agriculture and construction. Texas also has a higher proportion of undocumented immigrants than California and may face unique challenges related to immigration enforcement and border security. Florida has a large immigrant population, particularly from Latin America and the Caribbean. Immigrants in Florida are more likely to work in industries such as construction and transportation, and face unique challenges related to hurricane preparedness and recovery. In New York, immigrants are more likely to work in healthcare and transportation, but often face challenges related to housing affordability and access to public services. The state has a higher or comparable cost of living as California, which may affect the economic outcomes for immigrant families.

On the other hand, Washington and Massachusetts have smaller immigrant populations than California, but they still rely on immigrants for key industries such as agriculture, healthcare, and technology.

Similar to California, immigrants in Massachusetts face challenges related to housing affordability but also language barriers. The state has a higher proportion of Asian and African immigrants compared to other regions in the country. Immigrants in Washington may similarly face challenges related to language barriers, as well as access to healthcare. Washington too has a higher proportion of Asian immigrants compared to other states.

Texas and Florida both have lower minimum wages than California, while Washington and Massachusetts have higher minimum wages than California. All of these differences impact labor market outcomes for immigrant workers.
2.B. CALIFORNIA’S HIGH COST OF LIVING THREATENS ITS THRIVING ECONOMY AND WORKFORCE

California has long been renowned for its thriving economy, fueled by innovative industries, a diverse workforce, and a wealth of opportunities. However, this economic success comes at a cost - the state’s high living expenses. The exorbitant cost of living in California poses a significant threat to its economy and businesses, impacting talent attraction and retention, raising labor costs, and exacerbating income inequality. This section will delve into the various ways in which California’s high living costs pose a threat to its economic prosperity and the survival of businesses within the state.

California’s bustling economy is heavily dependent on its ability to attract and retain skilled professionals and entrepreneurs. However, the astronomical cost of housing and transportation can deter potential employees from relocating to the state. Even existing residents may consider leaving due to the strain on their financial well-being. As a result, businesses face a shortage of talent, particularly in critical industries, which can stifle innovation and hinder growth.

Moreover, the high cost of living in California contributes to income inequality within the state. While highly paid professionals in the technology and finance sectors may thrive, low-income workers in service industries often struggle to make ends meet. This income disparity can lead to social unrest and hinder the overall economic progress of the state. Furthermore, limited access to affordable housing and social services can perpetuate cycles of poverty, making it harder for disadvantaged individuals to break free from economic hardship.

2.B.1. CHALLENGES: HIGH COST OF LIVING

Compared to other states, California has consistently ranked among the most expensive in terms of overall cost of living, which can have significant impacts on both residents and businesses. The high cost of living in California has led to some residents leaving the state. After its population peaked in January 2020 at 39.6 million, California had lost 600,000 people as of July 2022, much of which occurred during the first year of the COVID-19 pandemic. An increase in deaths, sharp declines in international migration, and a rise in residents moving to other states account for the losses.125
2.B.2. CHALLENGES: HIGH HOUSING COSTS

California’s high housing costs affect both residents and businesses. For residents, the high cost of housing can make it difficult to find affordable housing, especially for low-income individuals and families. This can result in overcrowding, homelessness, or residents leaving the state in search of more affordable housing options. For businesses, the high cost of housing can make it difficult to attract and retain employees, especially in industries that do not offer high wages.

<table>
<thead>
<tr>
<th>Select Housing Availability and Cost Measures, By State</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table 11</strong></td>
</tr>
<tr>
<td><strong>Homeownership Rate, 2022</strong></td>
</tr>
<tr>
<td>CA</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>55.3%</td>
</tr>
<tr>
<td><strong>Homeownership Rate Rank, highest to lowest</strong></td>
</tr>
<tr>
<td>49th</td>
</tr>
<tr>
<td><strong>Median Home Price</strong></td>
</tr>
<tr>
<td>$712,430</td>
</tr>
<tr>
<td><strong>Median Home Price Rank, highest to lowest</strong></td>
</tr>
<tr>
<td>1st</td>
</tr>
<tr>
<td><strong>Cost Burdened Renter Share</strong></td>
</tr>
<tr>
<td>53.9%</td>
</tr>
<tr>
<td><strong>Severely Cost Burdened Renter Share</strong></td>
</tr>
<tr>
<td>29.0%</td>
</tr>
<tr>
<td><strong>Housing Wage, 2021</strong></td>
</tr>
<tr>
<td>$39.01</td>
</tr>
<tr>
<td><strong>Rental Vacancy Rate, 2022</strong></td>
</tr>
<tr>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Rental Vacancy Rate Rank, highest to lowest</strong></td>
</tr>
<tr>
<td>45th</td>
</tr>
</tbody>
</table>

**Cost-burdened households** pay more than 30% of their income for housing, including utilities. **Severely cost-burdened households** pay more than 50% of their income on housing, including utilities. **Housing wage** refers to the hourly wage required to afford a 2-bedroom market rate unit.
California is known for its high housing costs, which have been a persistent issue in the state for several years. The state’s high demand for housing, limited land availability, and strict regulations on new construction are all contributing factors to these costs.

2.B.2.a. Housing Supply and Availability

According to data from the U.S. Census Bureau, California has a lower number of housing units per capita compared to other states like Texas, Florida, and Washington. In 2020, California had 443 housing units per 1,000 people, while Texas had 479, Florida had 454, and Washington had 464. This suggests that California has not kept pace with population growth, leading to a housing shortage. California has one of the lowest housing supply rates in the country, which has led to high demand and skyrocketing prices.

California also has a lower rental vacancy rate compared to other states. In 2022, the rental vacancy rate in California was 3.9 percent, while in Texas it was 7.9 percent, in Florida it was 7.2 percent, and in Washington, it was 4.7 percent. This suggests that there are fewer available rental units in California compared to these states.

California has issued fewer housing permits per capita compared to other states. In 2021, California issued 5.5 building permits per 1,000 people, while Texas issued 12.5, Florida issued 14.6, and Washington issued 14.4. This suggests that California is not building enough new housing units to keep pace with demand.

There are several factors that contribute to the limited housing supply in California compared to other states like Texas, Washington, and Florida. For example, California has strict land-use regulations that make it difficult for developers to build new housing units. The state’s strict zoning laws, environmental regulations, and lengthy permitting processes can add significant time and cost to new housing projects. This can deter developers from building new homes or apartments, particularly in high-demand areas where land prices are already high. Since 2017, California has made attempts to streamline some of its complex housing legislation to increase production. However, it is too early to know whether the new laws will have a meaningful impact on increasing housing supply throughout the state. As of 2023, California remains in a housing crisis due to its housing policies.

California also has a large population and a strong economy, which has led to increased demand for housing units. However, the state has not kept pace with this demand, particularly in high-demand areas like the San Francisco Bay Area and Southern California. This has led to a situation where there are more people looking for housing units than there are available units, driving up prices and making it more difficult for lower-income households to find affordable housing.

In contrast, states like Texas, Washington, and Florida have generally had more relaxed land-use regulations, lower costs of living, and more available land for development, which has made it easier to build new housing units and keep pace with demand.
2.B.2.b. Housing Affordability

California ranked second worst on housing affordability in the country, behind only Hawai’i. As of March 31, 2021, the median home price in California amounted to $775,000, which was twice the price levels observed in New York and Florida, and three times the levels seen in Texas. According to a report from the California Legislative Analyst’s Office, the state’s high housing costs are driven by a combination of factors, including restrictive zoning regulations, high construction costs, and limited land availability. This has made it difficult for many residents, especially those with lower incomes, to afford housing and high levels of housing cost burden, where households spend a large portion of their income on housing.

According to a report by the Urban Institute, only 26 percent of homes sold in California in 2020 were affordable to families earning the state’s median income. In comparison, 60 percent of homes sold in Texas were affordable to families earning the state’s median income.

2.B.2.c. Rent Burden and Vacancy Rates

According to the National Low Income Housing Coalition’s 2021 Out of Reach report, California is the state with the highest housing wage, which is the hourly wage a worker must earn to afford a two-bedroom rental unit at fair market rent, without paying more than 30 percent of their income on housing. Households are considered cost burdened when they spend more than 30 percent of their income on rent, mortgage and other housing needs. In California, the housing wage is $39.01 per hour, which is significantly higher than the national average of $24.90 per hour. In contrast, Texas has a housing wage of $22.54, New York has a housing wage of $37.72, Washington has a housing wage of $31.33, Florida has a housing wage of $26.38, and Massachusetts has a housing wage of $37.97.

2.B.2.d. Homelessness

The high cost of housing in California has contributed to a homelessness crisis in many urban areas. In fact, California has the largest population of unhoused people in the United States. According to the 2022 Annual Homeless Assessment Report (AHAR) to Congress, California reported the highest number of homeless individuals in the country, with an estimated 171,521 people experiencing homelessness on any given night. This accounts for 30 percent of all people experiencing homelessness nationwide. The state also has the highest of unsheltered homeless people in the country.

Compared to other states, California’s homelessness crisis is particularly severe. New York is the only other state with a comparable homeless population, with an estimated 74,178 homeless individuals in 2022. Washington had an estimated 25,211 homeless individuals, while Massachusetts had an estimated 15,507 homeless individuals. Texas and Florida had estimates of 24,432 and 25,959 homeless individuals, respectively.
The homelessness crisis in California has been attributed to a range of factors, including a shortage of affordable housing, high housing costs, and income inequality. The state has also faced challenges in providing adequate mental health and addiction treatment services, which can contribute to homelessness. The COVID-19 pandemic has also had an impact on the state’s homelessness crisis, with many individuals losing their jobs and facing eviction due to economic hardship.

While these numbers paint a bleak picture, the state has been actively implementing a variety of programs and policies aimed at addressing this crisis. Between 2018-20, California expended a staggering sum of $13 billion on homelessness, which was allocated to nine state agencies and dispersed among 41 distinct programs.

Overall, California’s high housing costs are a significant issue for residents and businesses alike. The state’s limited land availability, strict regulations on new construction, and high demand for housing contribute to these costs, making it difficult for many residents to find affordable housing.
2.B.3. CHALLENGES: TRANSPORTATION COSTS AND TRAFFIC CONGESTION

California is known for its extensive highway system and for being a leader in alternative transportation options. However, traffic congestion and transportation costs are still major issues in the state, particularly in its major urban areas. According to the INRIX Global Traffic Scorecard 2022, Los Angeles and San Francisco ranked as the 14th and 15th most congested cities in the world respectively. California reported the second highest average annual cost of car ownership (after Wyoming) in the United States in 2021 at $30,987 over a five-year period. This is due to a combination of factors, including high gas prices, high insurance premiums, high registration costs, and high vehicle maintenance costs.

California also has the highest average gas prices in the nation at $4.89, according to AAA. These higher costs are somewhat due to California’s more stringent fuel regulations than other states. These regulations require the use of a specialized blend of gasoline that is cleaner-burning and more expensive to produce. This blend is mandated by the California Air Resources Board to reduce emissions and improve air quality, but it can also lead to higher gas prices.

California also has higher transportation and distribution costs due to its geography and population density. California’s refineries are mostly located in the southern part of the state, while the majority of its population lives in the north, which adds to the cost of transporting and distributing gasoline. Moreover, California’s reliance on imported oil from foreign countries and other states can also contribute to higher gas prices. When there are disruptions in supply, such as hurricanes or other natural disasters, it can lead to shortages and higher prices in California.

According to the U.S. Energy Information Administration, California is the second-largest consumer of motor gasoline in the United States, and is heavily reliant on imports to meet its energy needs. In 2022, California imported nearly 307 million barrels of petroleum, making it the largest net petroleum importer of any state in the nation. As crude oil production in California and Alaska declined, California’s refineries increased their supply from foreign imports. In fact, foreign suppliers provided almost half of the crude oil refined in California in 2021, mostly from Ecuador, Saudi Arabia, and Iraq.

| Table 12 | Select Transportation Measures, By State |
|-----------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|           | CA | TX | NY | WA | FL | MA |
| Vehicle Miles Traveled per capita, 2017 | 8,728 | 9,638 | 6,316 | 8,272 | 10,432 | 9,130 |
| Commute Time, in minutes | 309.5 million | 248.1 million | 118.7 million | 57.7 million | 186.8 million | 56.7 million |
2.C. INCOME INEQUALITY AND UNEQUAL EDUCATIONAL OPPORTUNITIES REDUCE CALIFORNIA’S ABILITY TO BUILD A THRIVING FUTURE

While California boasts a strong workforce due to its world-class higher education institutions and diverse population, it faces significant challenges in harnessing and developing that talent. The state’s K-12 education system has struggled with low enrollment, funding and poor outcomes, leading to concerns about its ability to prepare students for college and the workforce. California also faces high rates of poverty and income inequality, which can limit opportunities for upward mobility and make it difficult for the state to attract and retain talent.

In this section, we explore California’s challenges in retaining a strong workforce, particularly when compared to other states in competition for talent. We examine the state’s K-12 education system and the issues it faces in preparing students for the workforce, compared to other states competing for skilled work. We also look at the state’s high rates of poverty and income inequality and how they impact opportunities for upward mobility. Finally, we will examine how these challenges compare to those faced by other states and explore strategies to address them.
2.C.1. CHALLENGES: K-12 EDUCATION

California is known for its diverse population, which is reflected in its large public education system that includes both K-12 schools and colleges and universities. California’s K-12 system is the largest in the country and is divided into more than 1,000 school districts, each with its own governance and funding structure. The state is also home to a number of innovative charter schools and alternative educational programs that offer students a variety of educational options.

The state’s Department of Education oversees the system and provides funding to districts based on a complex local control funding formula. However, the state’s K-12 system has faced significant challenges, including teacher shortages, low-performing schools, and achievement gaps among different student groups.

<table>
<thead>
<tr>
<th>Table 13</th>
<th>Select Student Population and Enrollment Data, By State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CA</td>
</tr>
<tr>
<td>Total Enrollment, 2021-22</td>
<td>5,960,120</td>
</tr>
<tr>
<td>Student Attendance</td>
<td>94.1%</td>
</tr>
<tr>
<td>English Learners Total, 2019-20</td>
<td>1,148,000</td>
</tr>
<tr>
<td>English Learners Share of Total Student Population, 2019-20</td>
<td>18.6%</td>
</tr>
<tr>
<td>Number of students eligible for free and reduced lunch, 2019-20</td>
<td>3,648,170</td>
</tr>
<tr>
<td>Percent of students eligible for free and reduced lunch, 2019-20</td>
<td>59.4%</td>
</tr>
<tr>
<td>Foster Youth Total, 2022</td>
<td>46,214</td>
</tr>
<tr>
<td>Foster Youth Share of Total Student Population, 2022</td>
<td>0.78%</td>
</tr>
</tbody>
</table>
2.C.1.a. Poverty

California has a number of educational challenges that affect its ability to educate a workforce of the future. One of the main challenges is the state’s high poverty rate (12.3%)—higher than the national average poverty rate of 11.6 percent—which can limit access to educational opportunities and resources. However, it is worth noting that poverty rates can vary significantly by region and demographic group, and California is a large and diverse state.

In terms of rankings, California’s poverty rate is not among the highest in the country. According to the U.S. Census Bureau, as of July 2022, Texas, New York, and Florida have higher poverty rates than California at 14.2, 13.9, and 13.1 percent, respectively. However, the cost of living in California is higher than in many other states, particularly those with high poverty rates, which can impact how far education dollars go. Additionally, California has a high proportion of students who are English learners, come from low-income families, or have other special needs, which can require additional resources to provide a quality education.
2.C.1.b. Low Performance and Achievement

Compared to other states, California ranks in the middle of the pack in terms of educational quality and outcomes. According to a report by *U.S. News & World Report*, in their 2023 Best States rankings, California ranked 20th in the country for education, with high rankings in higher education, but lower rankings in areas such as pre-K-12 education and high school graduation rates. These results are reflected in the 4th and 8th grade math and reading scores for the state.

In 2022, the average score of fourth-grade students in California was 230. This was lower than the average score of 235 for public school students in the nation. Texas (239), Washington (235), Florida (241) and Massachusetts (242) performed better than California while New York with an average score of 227 fared worse. Similarly, for eighth-grade students, California reported an average score of 259, which was the same as the national average for public school students in the nation. New York (262), Washington (262), Florida (260) and Massachusetts (269) fared better than California and the national average while Texas reported a lower score of 255.

Another challenge is the state’s relatively low high school graduation rates. According to the National Center for Education Statistics, California’s high school graduation rate for the 2019-2020 academic year was 84 percent, which is slightly lower than the national average of 87 percent. However, graduation rates vary widely by race and ethnicity, with some groups, such as African American and Native American students, having much lower graduation rates than others.

<table>
<thead>
<tr>
<th>Table 14</th>
<th>Select Academic Performance Measures, By State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CA</td>
</tr>
<tr>
<td><strong>4th Grade Reading Scores, 2022</strong></td>
<td>214.39</td>
</tr>
<tr>
<td><strong>4th Grade Reading Scores Rank</strong></td>
<td>32nd</td>
</tr>
<tr>
<td><strong>8th Grade Reading Scores</strong></td>
<td>258.79</td>
</tr>
<tr>
<td><strong>8th Grade Reading Scores Rank</strong></td>
<td>29th</td>
</tr>
<tr>
<td><strong>4th Grade Math Scores</strong></td>
<td>230.36</td>
</tr>
<tr>
<td><strong>4th Grade Math Scores Rank</strong></td>
<td>38th</td>
</tr>
<tr>
<td><strong>8th Grade Math Scores</strong></td>
<td>269.81</td>
</tr>
<tr>
<td><strong>8th Grade Math Scores Rank</strong></td>
<td>38th</td>
</tr>
<tr>
<td><strong>High School Graduation Rate, 2019-20</strong></td>
<td>84%</td>
</tr>
</tbody>
</table>
2.C.1.c. School Funding

The state is known for having relatively affordable higher education costs compared to many other states in the U.S. But the state’s public universities have faced funding cuts and rising tuition costs in recent years, which can make higher education less accessible to low-income students. According to a report by the College Board, in the 2021-2022 academic year, the average annual in-state tuition and fees at California’s public four-year universities was $9,933, which was higher than Florida ($6,366) and New York ($8,555) but lower than Washington ($10,902), Texas ($11,096) and Massachusetts ($13,986). However, the costs of higher education can vary widely based on the specific institution and degree program, and these averages may not accurately reflect the costs for all students in California. Additionally, living expenses, textbooks, and other costs associated with attending college can add significantly to the cost of higher education, even in states with relatively low tuition and fees.

### Table 15 Select School Funding Measures, By State

<table>
<thead>
<tr>
<th>Measure</th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-adjusted per pupil spending, 2020[186]</td>
<td>$13,686</td>
<td>$12,649</td>
<td>$26,605</td>
<td>$16,216</td>
<td>$11,509</td>
<td>$17,159</td>
</tr>
<tr>
<td>Per pupil spending rank, highest to lowest</td>
<td>33rd</td>
<td>40th</td>
<td>1st</td>
<td>19th</td>
<td>44th</td>
<td>13th</td>
</tr>
<tr>
<td>Education funding as a percentage of state wealth (GDP), 2020[187]</td>
<td>2.98%</td>
<td>3.48%</td>
<td>4.29%</td>
<td>3.11%</td>
<td>2.63%</td>
<td>3.12%</td>
</tr>
<tr>
<td>Education funding as a percentage of state wealth rank, highest to lowest</td>
<td>43rd</td>
<td>28th</td>
<td>9th</td>
<td>37th</td>
<td>48th</td>
<td>36th</td>
</tr>
</tbody>
</table>
2.C.1.d. Teacher Shortages

According to data from the National Education Association for the 2020-2021 school year, California ranks third in the nation for average public school teacher salaries, behind only New York and Massachusetts. The average public school teacher salary in California is $85,856 per year, compared to the national average of $65,293 per year. It is important to note that teacher salaries can vary widely depending on location within the state, with some areas having much higher salaries than others.

California also faces a shortage of qualified teachers, particularly in high-need subjects such as math, science, and special education. In the 2021-22 school year, California had a teacher shortage of over 10,000 teachers, which was the highest number in the nation. Teacher shortages are impacted by teacher turnover rates. For example, many school systems have reported higher rates of teacher retirement and resignation during the pandemic. California saw a 26 percent increase in retirements in the second half of 2020 compared with the same period in 2019. The report also notes that California’s teacher shortage is disproportionately affecting schools serving low-income students and students of color, exacerbating educational inequities. The shortage is attributed to a multitude of factors, including high housing costs, low teacher salaries, and a lack of support for new teachers.

Table 16 Select Teacher Recruitment and Retention Measures, By State

<table>
<thead>
<tr>
<th>Measure</th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Teacher Salary, 2021</td>
<td>$85,856</td>
<td>$57,641</td>
<td>$90,222</td>
<td>$79,388</td>
<td>$51,009</td>
<td>$86,755</td>
</tr>
<tr>
<td>Average Teacher Salary Rank</td>
<td>3rd</td>
<td>28th</td>
<td>1st</td>
<td>6th</td>
<td>48th</td>
<td>2nd</td>
</tr>
<tr>
<td>Student-Teacher Ratio, 2016</td>
<td>23.2</td>
<td>15.2</td>
<td>13.1</td>
<td>18.7</td>
<td>15.1</td>
<td>13.3</td>
</tr>
<tr>
<td>Teacher Turnover Rating, 2018</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

* The quintile rank (1-5) of the percentage of teachers who report they plan to leave teaching as soon as possible or as soon as a more desirable job opportunity arises. Higher numerical rankings (4-5) show that between 60% and 100% of the teachers in that state report planning to leave teaching. Lower numerical rankings (1-2) show that between 0% and 40% of teachers report planning to leave.
2.C.2. CHALLENGES: INCOME INEQUALITY AND ECONOMIC MOBILITY

California has a high level of income inequality, with the top earners holding a disproportionate share of the state's income. One commonly used measure to assess income inequality is the Gini coefficient, which ranges from 0 (perfect equality) to 1 (perfect inequality). According to the U.S. Census Bureau’s 2021 American Community Survey, California’s Gini coefficient was 0.49, which is higher than the national average of 0.477.197

Table 17  Gini Coefficients by State

<table>
<thead>
<tr>
<th></th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini coefficient score, 2021</td>
<td>0.49</td>
<td>0.48</td>
<td>0.51</td>
<td>0.47</td>
<td>0.49</td>
<td>0.49</td>
</tr>
<tr>
<td>Gini coefficient rank of U.S. states, lowest to highest</td>
<td>47</td>
<td>35</td>
<td>50</td>
<td>27</td>
<td>45</td>
<td>46</td>
</tr>
</tbody>
</table>

The Gini coefficient measures income inequality from 0 (perfect equality) to 1 (perfect inequality).

When income distributions are equal, with everyone getting the same income, then the top 10% of the income distribution should receive 10 percent of the total income. However, with unequal income distributions, the top 10% in the income distribution get more. Inequality has increased dramatically in America—and in California—since 1970 when the top 10% of the U.S. income distribution had roughly a third of the total income (32.7%) and the top 10% in California had 30.9 percent of the income. Now, using the latest data available from 2018, the income share for the top 10% in California is 53.1 percent. California is the sixth most unequal state by this measure. In fact, by 2018, the top half of 1 percent (0.5%)—only 200,000 people—had 19.8 percent or one-fifth of the state’s income. Moreover, the top .01%—only 4,000 people—had 6.1 percent of the income. This is the sixth most unequal among all U.S. states, behind Florida, New York, and Massachusetts amongst the comparison states.199

The poverty rate in California was 12.3 percent in 2022, according to the U.S. Census Bureau. This is slightly lower than the national average of 12.8 percent.200 On the other hand, Florida, New York, Texas exceeded the national average with poverty rates of 13.1, 13.9, and 14.2 percent, respectively. Massachusetts and Washington fared relatively better with poverty rates of 10.4 and 9.9 percent. A number of factors contribute to differences in poverty rates among states including cost of living,
economic opportunities, education levels and even the availability and effectiveness of social safety nets.

Additionally, income gaps between white and non-white residents in California are among the highest in the country. In 2019, the median income for white households in California was $94,340, while the median income for Black households was $63,202, for Latino households was $69,970, and for Asian households was $116,313.\(^{201}\) Texas, New York, Washington, Florida, and Massachusetts also have significant income gaps between racial and ethnic groups, although the specific gaps vary by state.

Overall, while California’s income inequality is not the highest among the key comparison states, it is still a significant issue, with the state’s top earners holding a disproportionate share of the income. Other comparative states also face significant income disparities. As the figure below shows, in 2016, the average earner in the top 1% of the income distribution made 28.9 times more than individuals in the bottom 99 percent in California.

3. INFRASTRUCTURE AND ENVIRONMENT

California is known for its iconic landmarks, world-renowned national parks, and stunning natural beauty. Its infrastructure is also impressive, with a vast network of highways, airports, and ports that facilitate the movement of goods and people throughout the state and beyond. However, the state faces significant challenges in maintaining and upgrading its infrastructure while protecting its environment.

In this section, we will explore California’s infrastructure, climate, and environmental successes and challenges, particularly when compared to other states in competition with California. We will also look at the state's efforts to transition to cleaner and more sustainable energy sources and the challenges it faces in reducing greenhouse gas emissions.

By understanding California’s infrastructure, climate, and environmental challenges, we can identify solutions to maintain and protect its environment, and ensure its long-term sustainability. This will help California remain competitive with other states in attracting businesses, workers, and tourists while preserving its natural beauty and quality of life.
3.A. CALIFORNIA IS A BEAUTIFUL STATE WITH DIVERSE GEOGRAPHY AND BIODIVERSITY

California’s climate and geography are unique and diverse, offering a range of opportunities and challenges for residents and businesses. The state has a Mediterranean climate, characterized by hot, dry summers and mild, wet winters. This climate supports a range of industries, including agriculture, tourism, and technology. California’s geography includes coastal areas, mountains, deserts, and fertile valleys, providing a variety of landscapes for recreation and commerce.

California’s climate and geography is known for its diversity, ranging from Mediterranean to desert and mountainous regions. The state has a coastline that extends over 840 miles and also features several mountain ranges, including the Sierra Nevada and the Cascade Range. California’s diverse climate and geography have played a significant role in shaping its economy and lifestyle.

Compared to other states, California’s climate and geography are among its strengths, particularly in supporting its diverse economy. The state’s coastal areas and fertile valleys are especially well-suited for agriculture, while its mountains and deserts offer opportunities for tourism and outdoor recreation. However, the state is prone to natural disasters such as earthquakes, wildfires, and droughts, which can have significant economic and social impacts.

Although California’s climate and geography provide many natural advantages, the state also faces unique challenges related to its geography and susceptibility to natural disasters.

3.B. CALIFORNIA FACES SEVERE THREATS FROM CLIMATE CHANGE AND AGING INFRASTRUCTURE

California faces a number of significant threats from climate change, natural disasters, and its aging infrastructure. These threats are particularly concerning when compared to other states in competition with California, as they can impact the state’s ability to attract businesses and workers, and may also pose risks to the health and safety of its residents.

Below, we examine the challenges that California faces from climate change, including rising sea levels, more frequent and severe heat waves, droughts, and wildfires. We assess how these challenges compare to those faced by other states and explore strategies to mitigate their impacts. We will also discuss the state’s vulnerability to natural disasters such as earthquakes, floods, and landslides, and the challenges it faces in maintaining and upgrading its aging infrastructure to withstand these events.
3.B.1. CHALLENGES: NATURAL DISASTERS AND THE EFFECTS OF CLIMATE CHANGE

California has experienced a number of climate-related disasters in recent years, including devastating wildfires, droughts, and mudslides, which have had significant economic and environmental impacts on the state. The risks posed by these events are expected to increase as the effects of climate change become more pronounced. The state has created one of the most comprehensive and responsive climate policy landscapes in the world through its efforts to develop, implement, and iterate upon its climate commitments. It has set targets to reduce greenhouse gas emissions and invested in renewable energy and infrastructure to improve resilience. However, there is still work to be done to ensure the state is prepared for the future impacts of climate change.

Table 18 Select Climate Change Measures, By State

<table>
<thead>
<tr>
<th>Measure</th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita energy-related carbon emissions, 2020</td>
<td>7.7</td>
<td>21.4</td>
<td>7.1</td>
<td>8.9</td>
<td>9.6</td>
<td>7.4</td>
</tr>
<tr>
<td>Greenhouse gas emissions, in million metric tons CO2e, 2020</td>
<td>303.4</td>
<td>624</td>
<td>143.4</td>
<td>68.4</td>
<td>207.6</td>
<td>52.3</td>
</tr>
<tr>
<td>Greenhouse gas emissions, 2020, ranked highest to lowest</td>
<td>2nd</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statewide Average Temperature Rank (over 129 years)</td>
<td>55.4°F</td>
<td>64.6°F</td>
<td>48.1°F</td>
<td>43.2°F</td>
<td>73.1°F</td>
<td>49.8°F</td>
</tr>
<tr>
<td>Temperature change, 1895-2020</td>
<td>+2.2°F</td>
<td>+7°F</td>
<td>+13°F</td>
<td>+7.2°F</td>
<td>+4.3°F</td>
<td>+13°F</td>
</tr>
<tr>
<td>Sea level rise, in inches, 2016</td>
<td>6.3</td>
<td>18.56</td>
<td>8.87</td>
<td>4.52</td>
<td>8.59</td>
<td>8.47</td>
</tr>
<tr>
<td>Drought severity, 2021</td>
<td>57.44%</td>
<td>36.39%</td>
<td>1.45%</td>
<td>2.89%</td>
<td>11.61%</td>
<td>1.72%</td>
</tr>
<tr>
<td>Total acres burned by wildfires, 2021</td>
<td>2.2 million</td>
<td>168,258</td>
<td>550</td>
<td>674,222</td>
<td>105,475</td>
<td>1,439</td>
</tr>
</tbody>
</table>
The impacts of climate change have also led some residents to leave California, particularly those who are vulnerable to the effects of natural disasters or who have been economically impacted by them. Wildfires, in particular, have become a major concern in California due to the state’s hot and dry climate, which has been exacerbated by climate change. These fires have destroyed homes and infrastructure, polluted the air, and caused health problems for residents. In recent years, the frequency and severity of wildfires in California have increased, leading to widespread evacuations and displacement of residents. According to a recent study by the California Department of Insurance’s Climate Insurance Working Group, the frequency and severity of wildfires have led to a decrease in property values and an increase in insurance premiums, which have made it difficult for some residents to afford living in the state.\(^{210}\)

Sea levels in the state have risen at a worrying rate. According to the California Natural Resources Agency, sea levels in the state are projected to rise by as much as 20 to 55 inches by the end of the century. This will endanger $100 billion of property and infrastructure and put approximately half a million people at risk of flooding.\(^{211}\)

Overall, California's susceptibility to natural disasters is a significant challenge for the state. The effects of climate change have only intensified these challenges, with scientists predicting that California will continue to experience more frequent and severe natural disasters in the future. Moreover, climate change has had significant impacts on California residents and the state’s economy, highlighting the need for effective climate mitigation and adaptation strategies.
In response to the threats and effects of climate change, California has some of the strictest environmental and climate regulations in the country. The state has implemented a cap-and-trade program to reduce greenhouse gas emissions, as well as a Low Carbon Fuel Standard that requires a reduction in the carbon intensity of transportation fuels. California also has strict regulations on air quality and water pollution, and has set a goal of having 100 percent of the state’s electricity come from clean energy sources by 2045.

Washington and Massachusetts have implemented similarly strict regulations in recent years. Washington has a goal of having 100 percent of its electricity come from clean energy sources by 2045, just like California, while Massachusetts’ goal is to have net-zero greenhouse gas emissions by 2050. New York has a goal of having 70 percent of its electricity come from renewable sources by 2030, and is working to incentivize clean energy development. All three states also have cap-and-trade programs to reduce greenhouse gas emissions, as well as strict regulations on air quality and water pollution.

In contrast, both Texas and Florida, have been criticized for having lax environmental protections compared to other states, especially considering their risk levels from climate change. Neither state has state-level cap-and-trade programs or renewable portfolio standards, and both have histories of air pollution and water quality issues. However, Florida has set a goal of having 100 percent of its electricity come from clean energy sources by 2050, and both states have programs and incentives for companies to reduce emissions.
3.B.2. CHALLENGES: ENERGY COSTS AND CONSUMPTION

California’s energy consumption is an important issue in the state’s climate change policy landscape. In 2020, California was the second-largest total energy consumer among the states, but its per capita energy consumption was less than in all but three other states. According to the U.S. Energy Information Administration (EIA), the average residential electricity rate in California is 19.65 cents per kilowatt (kWh), which is 69 percent higher than the national average rate of 11.10 cents per kWh. The state actually reported the third-highest average retail price of electricity in 2021, behind only Hawaii and Alaska. This was much higher than the average retail price of electricity in some of California’s comparison states, such as Texas (9.14 cents per kWh), Florida (10.67 cents per kWh), and Washington (8.75 cents per kWh).

California’s high energy costs have significant impacts on both residents and businesses. For residents, high energy costs can be a significant financial burden, particularly for low-income households. California’s high electricity and gas prices disproportionately affect low-income households, with the poorest 20 percent of households in the state spending an average of 8.2 percent of their income on energy costs, compared to 3.5 percent for the wealthiest 20 percent of households. This can lead to difficult choices for households struggling to pay for energy bills and other basic needs like food and healthcare.

California also has some of the most aggressive energy efficiency policies in the country and has been a leader in this area for decades. The state has set ambitious goals to reduce greenhouse gas emissions and transition to a clean energy future. California’s Climate Commitment, a record $54 billion investment in climate action, codified groundbreaking measures to achieve carbon neutrality no later than 2045 and 90 percent clean energy by 2035.

The state has made significant strides in this regard, ranking first in renewable energy generation among competing states, with over 30 percent of its electricity coming from renewable sources. In 2022, California was the nation’s fourth-largest electricity producer and accounted for about 5 percent of all U.S. utility-scale power generation. Natural gas-fired power plants provided 42 percent of California’s total net energy generation. Compared to New York with 24.9 percent and Florida with 11.2 percent nuclear power generation in 2022, only about 8 percent of California’s total electricity generation came from nuclear power, which was less than half the power that nuclear supplied to the state in 2011. Texas also generated about 8 percent nuclear power in 2022. However, California’s decrease was the result from the state’s shutdown of the San Onofre nuclear power plant in January 2012. California now has only one operating commercial nuclear power plant—the two-reactor Diablo Canyon facility.

Overall, while the rising costs of electricity and gasoline contribute to increasing the cost of living and concerns for both businesses and residents, California is taking proactive action to promote sustainable practices and adopting clean energy.
<table>
<thead>
<tr>
<th></th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Energy Production, U.S. Share, 2020</td>
<td>2.3%</td>
<td>24.4%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>0.6%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total Energy Production, Rank, highest to lowest</td>
<td>11th</td>
<td>1st</td>
<td>17th</td>
<td>15th</td>
<td>30th</td>
<td>46th</td>
</tr>
<tr>
<td>Total Energy Consumption per Capita, Million Btu, 2020</td>
<td>175</td>
<td>461</td>
<td>166</td>
<td>231</td>
<td>186</td>
<td>182</td>
</tr>
<tr>
<td>Total Energy Consumption per Capita, Rank, highest to lowest</td>
<td>48th</td>
<td>6th</td>
<td>49th</td>
<td>37th</td>
<td>45th</td>
<td>47th</td>
</tr>
<tr>
<td>Total Energy Expenditures per Capita, 2020</td>
<td>$2,898</td>
<td>$3,703</td>
<td>$2,380</td>
<td>$2,582</td>
<td>$2,385</td>
<td>$2,977</td>
</tr>
<tr>
<td>Total Energy Expenditures per Capita, Rank, highest to lowest</td>
<td>34th</td>
<td>10th</td>
<td>51st</td>
<td>48th</td>
<td>50th</td>
<td>31st</td>
</tr>
<tr>
<td>Total Power Produced by Renewable Energy Sources (thousand MW hours), 2022</td>
<td>69,488</td>
<td>136,827</td>
<td>8,170</td>
<td>10,841</td>
<td>15,261</td>
<td>3,140</td>
</tr>
<tr>
<td>Percentage of Power Produced by Renewable Energy Sources, 2022</td>
<td>34.7%</td>
<td>26.6%</td>
<td>6.5%</td>
<td>9.0%</td>
<td>6.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Renewable Energy Production Share, Rank, highest to lowest</td>
<td>9th</td>
<td>14th</td>
<td>33rd</td>
<td>29th</td>
<td>35th</td>
<td>19th</td>
</tr>
<tr>
<td>State Energy Efficiency, Rank, Best to Worst</td>
<td>1st</td>
<td>29th</td>
<td>3rd</td>
<td>11th</td>
<td>29th</td>
<td>2nd</td>
</tr>
</tbody>
</table>
3.B.3. CHALLENGES: AGING INFRASTRUCTURE

California has a large and complex infrastructure system, with significant investments made in recent years to address long-standing issues, particularly in areas such as transportation and water management. Yet, there is still a long way to go as demonstrated by its performance on the infrastructure report card with its C- overall grade. The state ranks particularly low in road quality, with a D grade, and bridges, with a C- grade.\(^{241}\)

The Federal Highway Administration (FHWA) considers unacceptably bad roads and subpar bridge decks to be the direct cause of the high costs that drivers are paying. California’s vast geography is connected by thousands of miles of interstate and state highways and tens of thousands of miles of local roads. Yet, in 2020, approximately 33 percent of the 26,406 miles of roads in California are considered “non-acceptable” by the FHWA.\(^{242}\)

### Table 20

**Select Grades from the ASCE’s Most Recent Assessment, By State**

<table>
<thead>
<tr>
<th>State</th>
<th>Overall Infrastructure Grade</th>
<th>Bridges</th>
<th>Dams</th>
<th>Drinking Water</th>
<th>Energy</th>
<th>Levees</th>
<th>Ports</th>
<th>Roads</th>
<th>Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA, 2019(^{235})</td>
<td>C-</td>
<td>C</td>
<td>C-</td>
<td>C</td>
<td>D</td>
<td>D</td>
<td>C+</td>
<td>D</td>
<td>C-</td>
</tr>
<tr>
<td>TX, 2021(^{236})</td>
<td>C</td>
<td>B-</td>
<td>D+</td>
<td>C-</td>
<td>B+</td>
<td>D</td>
<td>B+</td>
<td>D+</td>
<td>B-</td>
</tr>
<tr>
<td>NY, 2022(^{237})</td>
<td>C</td>
<td>C-</td>
<td>C</td>
<td>C-</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>C-</td>
<td>D+</td>
</tr>
<tr>
<td>WA, 2019(^{238})</td>
<td>C</td>
<td>C+</td>
<td>B-</td>
<td>C-</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>B+</td>
<td>C-</td>
</tr>
<tr>
<td>FL, 2021(^{239})</td>
<td>n/a</td>
<td>n/a</td>
<td>D+</td>
<td>C+</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>MA(^{240})</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>C+</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**NOTE:** The grades assigned by ASCE are based on a scale of A to F, with A being the best grade and F being the worst. Grades between C- and C+ are considered to be in mediocre condition and require attention.
According to a QuoteWizard survey, this results in the average California driver paying approximately $862 in taxes and fees each year for this poor infrastructure.243 This is much higher than the national average of $559 per motorist.

Overall, the state's infrastructure quality has a notable impact on both the environment and public health. For instance, transportation is the largest source of greenhouse gas emissions in California, which contributes to climate change and poor air quality. Moreover, transportation is also an equity issue because marginalized communities often lack access to adequate and affordable transportation options. This can limit opportunities for employment and education, leading to long-term socioeconomic disparities and social injustice.
California is a state known for its innovation, diversity, and cultural richness, making it an attractive place to live and work. However, like any state, it faces unique challenges that impact the health and well-being of its residents. In recent years, California has made significant strides in improving the health of its citizens, but it still faces significant challenges related to access to healthcare, mental health, public safety, and other factors that contribute to a healthy and thriving community.

One of California’s strengths in the realm of health and well-being is its innovative healthcare system. California has been at the forefront of healthcare reform, with the implementation of the Affordable Care Act (ACA) and the creation of Covered California, the state’s health insurance marketplace. Through these initiatives, millions of Californians have gained access to affordable health insurance, and the state has seen a significant reduction in the number of uninsured residents. Additionally, California has been a leader in promoting public health initiatives, such as anti-smoking campaigns, healthy eating and active living programs, and efforts to reduce the incidence of chronic diseases.
However, California still faces significant challenges related to health and well-being. Persistent health disparities, including higher rates of asthma, diabetes, and obesity, disproportionately affect communities of color and lead to shorter lifespans, reduced wealth, and compromised healthcare access. Access to healthcare remains a challenge for many residents, particularly in rural areas and among low-income populations. Mental health outcomes have been worsening for residents in the state with the pandemic exacerbating mental health challenges including depression, anxiety, and substance abuse. Public safety is another issue, with high rates of crime and violence in some areas of the state. Furthermore, California is facing a severe housing crisis, with high costs of living and a lack of affordable housing, which can negatively impact the health and well-being of residents.

By addressing these challenges, California can continue to lead the way in promoting the health and well-being of its residents and compete with other states in attracting and retaining a healthy and thriving workforce.

This section will explore California’s successes and challenges related to community health and well-being, particularly when compared to states in competition with California. By examining these issues, we can gain a better understanding of how California compares to other states and identify areas for improvement to ensure the health and well-being of all its residents.
Public health access and outcomes in California can vary depending on the geographic area, age, racial group and income levels of the population in question. Some health issues have shown more improvement than others in the last few decades. For instance, California has a reputation for being at the forefront of healthcare innovation. The state has made significant investments in healthcare infrastructure, research, and technology. As a result, it has some of the best hospitals, medical centers, and research institutions in the world.

<table>
<thead>
<tr>
<th></th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy, 2020</td>
<td>79.0</td>
<td>76.5</td>
<td>77.7</td>
<td>79.2</td>
<td>77.5</td>
<td>79.0</td>
</tr>
<tr>
<td>Infant mortality rate,</td>
<td>3.92</td>
<td>5.29</td>
<td>4.08</td>
<td>4.51</td>
<td>5.8</td>
<td>3.94</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uninsured rate, 2021</td>
<td>7.0%</td>
<td>18%</td>
<td>5.2%</td>
<td>6.5%</td>
<td>12.1%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Healthcare Expenditure</td>
<td>$10,299</td>
<td>$8,406</td>
<td>$14,007</td>
<td>$9,265</td>
<td>$9,865</td>
<td>$13,319</td>
</tr>
<tr>
<td>per Capita, 2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physician-to-population</td>
<td>27.9</td>
<td>23.2</td>
<td>37.4</td>
<td>27.3</td>
<td>27.0</td>
<td>44.2</td>
</tr>
<tr>
<td>ratio per 10,000, 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital beds per 1,000</td>
<td>1.87</td>
<td>2.25</td>
<td>2.51</td>
<td>1.60</td>
<td>2.54</td>
<td>2.30</td>
</tr>
<tr>
<td>population, 2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of adults</td>
<td>43.5%</td>
<td>48.5%</td>
<td>45.6%</td>
<td>49.4%</td>
<td>50.4%</td>
<td>45.4%</td>
</tr>
</tbody>
</table>
4.A.1. STRENGTHS: HEALTHCARE OUTCOMES, COVERAGE, AND QUALITY

California’s healthcare coverage ranks relatively high compared to the rest of the United States. According to the United Health Foundation’s 2021 Annual Report, California is ranked 22nd overall across all healthcare metrics. California’s top positive impact outcomes included low smoking rates, relatively low rates of multiple chronic conditions, low rates of premature deaths, and low rates of low birth weights. The state has led the nation in reducing smoking rates with fewer adults smoking cigarettes than ever before. California has also made steady progress in improving both child and adult vaccination rates for influenza, pneumonia and COVID-19. Specifically for health outcomes and healthy behaviors, California ranks 8th and 11th across all U.S. states, respectively.

In the Commonwealth Fund’s 2022 Scorecard on State Health System Performance, California ranked 11th out of the U.S. for its overall state health system performance. Its top-ranked indicators included maternal mortality, home health patients with hospital admissions, and low smoking rates. California saw strong improvement from 2021 to 2022 on adults with all recommended cancer screenings and hospital 30-day mortality.

Table 22 California’s Rankings in the Commonwealth Fund’s 2022 Scorecard on State Health System Performance

<table>
<thead>
<tr>
<th>Category</th>
<th>National Rank (out of 51)</th>
<th>Rank Among Western States (out of 6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>COVID-19</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Access and Affordability</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Prevention and Treatment</td>
<td>45</td>
<td>4</td>
</tr>
<tr>
<td>Avoidable Hospital Use and Cost</td>
<td>19</td>
<td>5</td>
</tr>
<tr>
<td>Healthy Lives</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Income Disparity</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Racial and Ethnic Equity</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

**SOURCE:** Radley, David C., Jesse C. Baumgartner, and Sara R. Collins. “2022 Scorecard on State Health System Performance.” Commonwealth Fund, June 16, 2022.
California has made efforts to increase access to healthcare coverage for its residents. In 2021, approximately 92 percent of Californians had health insurance, compared to the national average of 90 percent. This is in part due to the state’s Medicaid expansion under the Affordable Care Act, which has provided coverage to over 4 million Californians. As of 2021, California has the highest number of people enrolled in Medicaid, with over 12.5 million enrollees. California also has its own state-run health insurance exchange, Covered California, which provides affordable healthcare coverage to individuals and families who do not have access to employer-sponsored insurance or public programs like Medicaid. According to a 2022 report by the Commonwealth Fund, California ranks 18th out of all 50 states in terms of healthcare coverage, with an uninsured rate of 10 percent. This is lower than the national uninsured rate of 12.4 percent.

California is known for its high-quality healthcare facilities and services, ranking among the top states in the country. The state has a number of world-renowned medical centers, including the UCLA Medical Center, the Cedars-Sinai Medical Center, and the Stanford Hospital and Clinics. California also has a high number of hospitals and healthcare facilities per capita, providing residents with easy access to care. According to a 2021 report by U.S. News & World Report, California ranked fourth in the country for healthcare quality, behind only Massachusetts, Connecticut, and New Jersey. The state was praised for its high-performing hospitals and strong healthcare outcomes.

However, it is health resource shortages that have remained a constant concern for public health officials. There are disparities in access to care for certain populations, including rural communities and low-income individuals. These disparities have been exacerbated by the COVID-19 pandemic, with many vulnerable populations facing barriers to accessing testing and treatment. Overall, while California boasts high-quality healthcare facilities and services, the state faces challenges in providing equitable access to care and addressing high healthcare costs.
4.B. HEALTHCARE COSTS STILL POSE MAJOR BARRIERS TO COVERAGE IN CALIFORNIA, PARTICULARLY FOR LOW-INCOME RESIDENTS

Despite California’s reputation for being a leader in healthcare innovation, the state still faces significant challenges in providing access to affordable healthcare for its diverse population. Many low-income and rural communities in California face significant barriers to healthcare access, including low insurance coverage and limited availability of healthcare providers. California’s hospital bed capacity (1.87 beds per 1,000 population) is lower than the national average and the sixth lowest in the country. In addition, high healthcare costs continue to be a major concern for Californians. In this section, we will examine some of the key challenges facing California’s healthcare system, particularly compared to other states in the US.

4.B.1. CHALLENGES: HEALTHCARE COSTS

Despite California’s efforts to increase coverage through public healthcare options, healthcare costs in California remain high. According to a 2020 report by the Peterson-KFF Health System Tracker, California has the 21st highest healthcare spending per capita in the U.S., with an average spending of $10,299 per person. This is just barely higher than the national average of $10,191 per person. It’s worth noting that healthcare spending can vary widely depending on a variety of factors, including demographics, health status, and regional cost differences. Massachusetts has the highest healthcare coverage rate in the U.S. at 97.5 percent, but it also has one of the highest healthcare spending per capita at $13,319 per person, according to the same Peterson-KFF Health System Tracker. In terms of healthcare costs, California ranks among the top 20 highest costs in the country, with the average annual premium for employer-sponsored health insurance at $7,574 in 2021, according to the Kaiser Family Foundation. This is higher than the 2021 national average of $7,380.

In terms of single health insurance premiums for employer-based health insurance, California’s rates are slightly lower than the national average. According to a report by the Kaiser Family Foundation, in 2021, the average monthly premium in California’s individual market was $1,640, compared to the national average of $1,643. However, California’s rates were lower than some other high-cost states like New York ($1,740), Massachusetts ($1,979) and Florida ($1,684).

The state has also seen a significant increase in healthcare costs in recent years. According to the same Peterson-Kaiser report, between 2014 and 2018, California’s healthcare spending per person increased by 19.5 percent, which was higher than the national average of 16.2 percent.

Overall, California’s healthcare costs are relatively high compared to the rest of the country, but not the highest. Several other states, including Alaska, Massachusetts, and New York, have higher healthcare costs per person than California.
4.B.2. CHALLENGE: EQUITABLE HEALTHCARE ACCESS

California faces several challenges related to healthcare access, particularly in rural and low-income communities. California has a significant shortage of healthcare providers in rural areas, which can make it difficult for residents in these areas to access care. According to the California Health Care Foundation, 44 of California’s 58 counties are designated as medically underserved, and many of these counties are located in rural areas. The shortage of healthcare providers in these areas is exacerbated by factors such as low reimbursement rates for Medicaid, high levels of student debt among healthcare providers, and a lack of resources for recruitment and retention of healthcare providers.265 This challenge mirrors those in other rural states, including Texas and Florida. Many states, particularly those in the South and Midwest, have significant shortages of healthcare providers in rural areas. For example, according to the National Rural Health Association, states like Texas and Florida have some of the highest rates of rural hospital closures in the country, which can make it difficult for residents in these areas to access care.266

Low-income communities in California often face significant barriers to healthcare access, including a lack of insurance coverage, limited transportation options, and a shortage of healthcare providers. According to the California Health Care Foundation, low-income Californians are more likely to be uninsured than those with higher incomes, with uninsured rates highest among those with incomes below the federal poverty level.267 California also has a diverse population, with many residents who speak languages other than English. Language barriers can make it difficult for these residents to access healthcare services, particularly in areas where there are few bilingual healthcare providers or interpreter services. According to the California Health Care Foundation, approximately 40 percent of Californians speak a language other than English at home, and about 20 percent speak English less than “very well.”268

Many other states have diverse populations with residents who speak languages other than English. According to the Migration Policy Institute, states like New York and Massachusetts have some of the highest percentages of residents who are limited English proficient (LEP) in the country. However, some states have made more progress in addressing language barriers to healthcare access than others. For example, Washington has established a statewide language access program that provides interpreter services to patients who are LEP, which has been cited as a best practice by the National Academy for State Health Policy.269 However, California is yet to implement such a program.

Some of California’s comparison states have similarly significant disparities in healthcare access and outcomes based on income. States like Texas and Florida have higher uninsured rates than California, particularly among low-income residents. However, according to the Commonwealth Fund, states like Massachusetts and New York have made significant progress in reducing uninsured rates through implementation of the Affordable Care Act (ACA).270 Nevertheless, these
states also face challenges in providing access to care for low-income residents, particularly those who live in areas with shortages of healthcare providers.271

Overall, these challenges related to healthcare access can have significant impacts on the health outcomes of Californians, particularly those living in rural and low-income communities. Addressing these challenges will require a multifaceted approach that includes investment in healthcare infrastructure, targeted recruitment and retention of healthcare providers, and improved access to language and interpretation services.

4.B.3. SOCIAL SAFETY NET DIFFERENCES WITH COMPARISON STATES

Ranking the social safety nets of different states can be complex and depends on various factors. However, one possible way to compare is to look at the availability and effectiveness of certain social programs, such as unemployment benefits, Medicaid expansion, and affordable housing.
In fact, California has some unique policies and programs to promote well-being across the state that its comparison states do not have. For example, California’s CalFresh Restaurant Meals Program allows homeless, disabled, and elderly people to purchase hot meals at participating restaurants using their CalFresh benefits. California is one of only two states (the other being Arizona) to offer this program statewide.

California also has its Earned Income Tax Credit (CalEITC), which allows low-income workers to adjust their tax credits in the state in addition to the federal Earned Income Tax Credit. The CalEITC is one of the most generous state-level EITCs in the country, and is available to people with income up to $30,000 per year.

<table>
<thead>
<tr>
<th>State</th>
<th>Unemployment Benefits</th>
<th>Medicaid Expansion</th>
<th>Affordable Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>High availability and maximum benefit amount.</td>
<td>Expanded Medicaid coverage, with nearly 14 million enrollees as of 2022.</td>
<td>High housing costs and limited affordable options, but various state and local programs to address the issue.</td>
</tr>
<tr>
<td>Texas</td>
<td>Low availability and maximum benefit amount.</td>
<td>Did not expand Medicaid coverage, leaving nearly 1.4 million low-income Texans uninsured.</td>
<td>Relatively affordable housing, but some major cities are facing housing affordability challenges.</td>
</tr>
<tr>
<td>New York</td>
<td>High availability and maximum benefit amount.</td>
<td>Expanded Medicaid coverage, with over 6 million enrollees as of 2022.</td>
<td>High housing costs and limited affordable options, but various state and city programs to address the issue.</td>
</tr>
<tr>
<td>Washington</td>
<td>High availability and maximum benefit amount.</td>
<td>Expanded Medicaid coverage, with nearly 1.9 million enrollees as of 2022.</td>
<td>High housing costs and limited affordable options, but various state and local programs to address the issue.</td>
</tr>
<tr>
<td>Florida</td>
<td>Low availability and maximum benefit amount.</td>
<td>Did not expand Medicaid coverage, leaving over 800,000 low-income Floridians uninsured.</td>
<td>Relatively affordable housing, but some major cities are facing housing affordability challenges.</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>High availability and maximum benefit amount.</td>
<td>Expanded Medicaid coverage, with over 1.2 million enrollees as of 2022.</td>
<td>High housing costs and limited affordable options, but various state and local programs to address the issue.</td>
</tr>
</tbody>
</table>
Moreover, California was the first state in the country to implement a paid family leave program, which provides up to 8 weeks of paid leave for new parents to bond with a new child or care for a sick family member.\textsuperscript{293} New York, Washington, and Massachusetts have since implemented their own paid family leave programs, but many other states do not have this benefit.\textsuperscript{294}

**Figure 5** Paid Family Leave Status Across the United States

California has enacted a number of Sanctuary State policies to protect undocumented immigrants, including a law that prohibits state and local law enforcement from cooperating with federal immigration authorities.\textsuperscript{295} New York, Massachusetts, and Washington are also considered Sanctuary States, but Texas and Florida have passed laws that penalize sanctuary cities.\textsuperscript{296}
California has a complex political environment that presents unique challenges and opportunities. The state’s position as a global economic powerhouse and a center for innovation, technology, and culture has earned it both national and international recognition. However, with a diverse population and varied political landscape, California also faces significant governance, foreign policy, and political participation challenges. In this section, we will examine California’s successes and challenges in these areas, particularly compared to other states that are in competition with it.
California has a relatively high voter turnout compared to other states in the United States when it comes to general elections. In the 2020 general election, California had a turnout rate of 68.6 percent, which was higher than the national average of 66.6 percent. Washington, Florida, and Massachusetts all saw turnout rates in the midterms that exceeded the national average.

California has implemented several policies to increase voter participation, including automatic voter registration and same-day voter registration.
registration. In the 2020 election, California also implemented a vote-by-mail system in response to the COVID-19 pandemic, which likely contributed to the high turnout rate.\textsuperscript{305}

California is also known for its large and influential donor class, particularly in the entertainment and technology industries. According to OpenSecrets, in the 2020 election cycle, California donors contributed over $1.7 billion to political campaigns, which was more than any other state.\textsuperscript{306} This is likely due to California's high concentration of wealthy individuals and the presence of many influential industries. Considering its active and expensive political campaigns, California broke fundraising records with more than $785 million contributed to the 12 propositions on the 2020 ballots.\textsuperscript{307}

Powerful members of California's tech industry, including Peter Thiel of Palantir Technologies and Larry Ellison of Oracle, are some of the biggest donors to political campaigns across the country.\textsuperscript{308} Specific statewide propositions, like Prop 22 in California's 2020 election, drew funds from tech companies like Lyft, Uber, and Doordash.\textsuperscript{309}

Overall, California's political campaign donations are significantly higher than many other states, particularly those with smaller populations and less political influence.

### Table 25 Select Governance Details, By State

<table>
<thead>
<tr>
<th></th>
<th>CA</th>
<th>TX</th>
<th>NY</th>
<th>WA</th>
<th>FL</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Congressional Members</td>
<td>52</td>
<td>38</td>
<td>26</td>
<td>10</td>
<td>28</td>
<td>9</td>
</tr>
<tr>
<td>Number of Members in State Senate</td>
<td>40</td>
<td>31</td>
<td>63</td>
<td>49</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Number of Members in State Assembly or House of Representatives</td>
<td>80</td>
<td>150</td>
<td>150</td>
<td>98</td>
<td>120</td>
<td>160</td>
</tr>
<tr>
<td>State Legislature Political Composition</td>
<td>Democratic Supermajority</td>
<td>Republicans</td>
<td>Democrat</td>
<td>Democrat</td>
<td>Republicans</td>
<td>Democratic Supermajorities</td>
</tr>
</tbody>
</table>

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CONCLUSION

California is a state with unique strengths and challenges when compared to other states. The state has a large and diverse economy, driven by industries such as technology and entertainment, as well as a rich cultural heritage and a significant population of immigrants. The state’s commitment to renewable energy and climate action, for example, provides a strong foundation for future growth and innovation.

Despite these strengths, California also faces significant challenges related to the cost of living, income inequality, housing affordability, and environmental justice. The state’s ongoing drought and wildfire risks also present challenges related to water management and forest management.

The recent trends of outmigration from California to other states present both challenges and opportunities for the state’s future. While some residents may be leaving due to high costs of living, others are attracted to the lower cost of living and business-friendly policies of other states.

California’s population is also expected to continue to grow, with significant demographic shifts including an aging population and increasing racial and ethnic diversity. To ensure its future success, California must compete with these other states by continuing to invest in areas such as education, innovation, and sustainable development. The state must also address the challenges that are driving some residents to leave, such as the high cost of housing and the need for more affordable and accessible healthcare.

Ultimately, California’s success in the future will depend on its ability to balance its strengths with its challenges, and to adapt to changing economic, environmental, and social conditions. By leveraging its unique strengths and continuing to invest in its people and communities, California can remain a leader in innovation and sus-
tainability, and continue to provide opportunities for all residents to thrive. Also important is California’s ability to address these challenges and leverage its strengths will be critical to its long-term success. The state will need to continue to invest in renewable energy and climate mitigation efforts, while addressing issues such as housing affordability, workforce development, and environmental justice.

While the road ahead may be challenging, California’s history of innovation and resilience suggest that the state is well-positioned to lead the nation in addressing some of the most pressing economic, environmental, and social issues of our time. While the state faces significant challenges, it also has significant opportunities to continue to lead the nation in areas such as innovation, renewable energy, and social justice, and to create a more equitable and prosperous future for all Californians.
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7. Ibid.


23. Brady, op. cit. 1.


25. Vranich, op. cit. 24. Table 2.


28. Mercatus Center, George Mason University. 2020. "Quantifying Regulation in U.S. States with State RegData 2.0."


32. U.S. News & World Report. "These Are the Most Affordable States in the U.S."

35 Joint Center for Housing Studies of Harvard University. 2022. America's Rental Housing.
37 Streeter, op. cit. 33.
40 California Franchise Tax Board. 2021 California Tax Rates and Exemptions.
42 Dellinger, AJ. "Most Climate-Resistant States in America, Ranked." Bankrate.com, July 15, 2022.
46 Natural Resources Agency, op. cit. 41.
52 Venture capital represents an important source of funding for start-up companies and firms seeking to commercialize emerging technology. It supports the growth and expansion of these companies early in their development, before they would otherwise qualify for other types of financing. This indicator represents the relative magnitude of venture capital investments in a state after adjusting for the size of the state's economy. See: National Science Foundation - State Indicators.
53 This indicator relates the number of academic-owned utility patents to the size of the doctoral S&E workforce in academia. Academia includes 2-year colleges, 4-year colleges and universities, medical schools, and university-affiliated research centers. Utility patents, commonly known as patents for inventions, include any new, useful, or improved method, process, machine, device, manufactured item, or chemical compound and represent a key measure of intellectual property. NSF, op. cit. 52.
54 This indicator represents state patent activity normalized to the size of its S&E workforce, specifically employees in S&E occupations. People in S&E occupations include engineers; computer, mathematical, life, physical, and social scientists; and postsecondary teachers in these fields. This indicator covers only utility patents, commonly known as patents for inventions. Utility patents can be granted for any new, nonobvious, useful, or improved method, process, machine, device, manufactured item, or chemical compound and represent a key measure of intellectual property. NSF, op. cit. 52.
This indicator represents the extent to which R&D plays a role in a state's economy. R&D performance refers to R&D activities conducted in the state by federal and state agencies, businesses, universities, and nonprofit organizations. R&D-performing organizations either fund their own R&D activities or receive funding from other organizations. For example, a considerable portion of academic R&D performance is funded by the federal government. NSF, op. cit. 52.

This indicator represents how federal R&D obligations are disbursed geographically relative to the size of a state's employed civilian workforce. Federal R&D dollars are attributed to the states in which the recipient organizations are located. Information about federal obligations for R&D come from the National Center for Science and Engineering Statistics' Survey of Federal Funds for Research and Development, which is the primary source of information about federal funding for R&D in the United States. NSF, op. cit. 52.

This indicator represents the role of R&D in a state's business activity. The business sector is the largest performer of U.S. R&D. The overwhelming majority of business R&D performance is self-funded. A high value for this indicator indicates that the businesses within a state are making a large investment in their R&D activities in that state. NSF, op. cit. 52.

A high value indicates that a state's economy has a high concentration of scientific and technical jobs relative to its total workforce.


Ibid.


70  U.S. Census Bureau. State Trade Data - Foreign Trade. 2022.

71  Ibid.


77  Ibid.
This index measures the competitiveness of state tax systems for businesses and ranks states based on several indicators, including individual income tax, corporate income tax, sales tax, property tax, and unemployment insurance tax.


Fritts and Walczak, op. cit. 27.

Fritts, op. cit. 39.


This indicator represents the extent to which the 18–24-year-old cohort earned a bachelor’s degree. The cohort 18–24 years old was chosen to approximate the age range of most students who are pursuing an undergraduate degree.


Perez, Johnson, and Hsieh, op. cit. 103.

Ibid.


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113 Migration Policy Institute, op. cit. 109.
114 NSF, op. cit. 52.
116 New American Economy, op. cit. 112.
117 Migration Policy Institute, op. cit. 109.
118 NSF, op. cit. 52.
119 New American Economy, op. cit. 110.
122 Migration Policy Institute, op. cit. 108.
123 Ibid.
126 U.S. Census Bureau, op. cit. 34.
127 U.S. Census Bureau, op. cit. 34.
129 Cost-burdened households pay more than 30 percent of income for housing, including utilities; See: Harvard Joint Center for Housing Studies. “Renter Cost Burdens, States.”
130 Severely cost-burdened households pay more than 50 percent of their income on housing, including utilities; Ibid.
131 Hourly wage required to afford a two-bedroom rental home by state. National Low Income Housing Coalition. “Out of Reach 2021.”
132 ‘Rental vacancy rates’ show the percentage of rental housing units that are currently unoccupied and available for rent at a given time. When rental vacancy rates are high, it generally indicates that there is an oversupply of rental housing units in the market, which can put downward pressure on rental prices. On the other hand, when rental vacancy rates are low, it generally indicates that there is a shortage of rental housing units in the market, which can put upward pressure on rental prices.; U.S. Census Bureau. “Table 3. Rental Vacancy Rates by State.” Housing Vacancies and Homeownership (CPS/HVS) Annual Statistics, 2022.
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181 Ibid.
185 Ibid.
186 Education Law Center, op. cit. 46.
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U.S. EIA, Electricity Data Browser, Net generation for all sectors, California, Fuel Type (Check all), Annual, 2022.


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