

How attainable is the California Dream today?

By Matt Levin, CALMatters

California is an expensive state. The cost for housing, gas, electricity and other basics is often more than elsewhere in America. We have the nation's highest rates for poverty and income inequality. Meanwhile, government resources are stretched thin. But the news isn't all bad in the Golden State. We're safer than we used to be. And we're better educated. And much more diverse.

Here's a statistical glimpse of key trends in the state.

Housing

In 1960, average California renters saw about 20 percent of their income go to rent. That's up to nearly 37 percent now. The trend is even steeper for younger Californians, who are seeing nearly half their paychecks go to rent.

When rents are higher, it gets tougher for renters to save money for a down payment on a house. That, combined with rising single-family home prices and the end of easy mortgages, has sent California's rate of homeownership dipping.

Whose dream is this?

As recently as 1970, whites accounted for more than 70 percent of the population. That has changed dramatically. Driven by the tremendous growth of its Latino and Asian populations, California is now famously a "majority minority" state, where no ethnic group claims more than 50 percent of residents. The number of white Californians has actually dropped by about 2 million since 1990.

An increasingly diverse California, however, has not translated into an increasingly equal one. While the average Asian household has caught up to whites, both Latino and African American families make significantly less – with that gap only widening in the wake of the Great Recession of the late 2000s.

“The bulk of California’s workforce is going to be young Latinos now,” said Sonja Diaz, founding director of the UCLA Latino Policy & Politics Institute. “But Latinos still lag behind in a number of socioeconomic indicators, in terms of homeownership, income gains, educational attainment, access to health care, living wage jobs.”

California has always been a magnet for immigrants from around the world. While the rate has slowed in recent years, the state still has the largest concentration of foreign-born residents in the country.

But starting in the 1990s, California appears to have lost much of its lure to the rest of the U.S. Over the past two decades, California has lost 1.8 million more residents than it has gained from the rest of the country. And unlike in previous decades, that trend is persisting through good economic times.

Higher education

Clark Kerr, University of California president from 1958 to 1961, was the architect of the state’s 1960 Master Plan for Higher Education. Kerr envisioned a world-class public university system accessible to the top third of state high school students.

Partly due to Kerr’s ambitions, Californians are a lot more educated than they used to be. The percentage of Californians with a bachelor’s degree has nearly tripled since 1960, with particularly strong gains among women. Graduation rates at the University of California are some of the highest in recent

decades.

But adjusted for inflation, the cost of one year of a University of California education is seven times what it was in the mid-1960s. That's mostly because state support for the UC started dwindling in the early 2000s. At its peak, the state provided more than \$26,000 per student. It now provides about half that.

Taxes

California has a reputation as a high-tax state. Has that always been the case?

Depends on how much money you make and what type of tax you're talking about.

While the state has increasingly leaned on high earners to foot the cost of government over the past few decades, the median California household has actually seen its income tax bill drop.

Effective property taxes in California have dipped below the average in most other states since the passage of Proposition 13 in 1978, which limits what local governments can collect as property values rise.

California now has one of the lowest effective property tax rates in the country.

But one regressive tax has increased significantly since the 1960s: the sales tax. In 1964, the state sales tax totaled 4 percent. That rose past 7 percent by the early 2000s.

The economy

The decline of manufacturing and the sharp exodus of blue-collar jobs with decent pay and good benefits are an economic narrative typically reserved for the Rust Belt. But in explaining the erosion of California's middle class, the

decline of manufacturing – particularly in the defense and aerospace industries that dominated Southern California during the Cold War – plays a central role.

“Silicon Valley does not provide those kind of big manufacturing jobs,” said Dan Mitchell, professor emeritus at the Anderson School of Management at UCLA. “There’s no equivalent of in aircraft assembly plant that you get from that. IT does provide high-paying, white-collar jobs, but certainly not as many and not in the same location.”

On the positive side, in good times California’s economy continues to outshine most of the U.S. In 13 of the past 20 years, the state’s annual economic growth has surpassed the national rate.

But California has always been a boom-and-bust state, and recessions play out worse here than elsewhere. The recession of the early 1990s, the dot-com bust at the turn of the century and the Great Recession all hit California harder than most of the rest of the country.