

DEMOGRAPHIC INFORMATION

Demography has an impact on the economy, social and cultural norms, and technological advancements, but it also is shaped by them. For example, advancements in agricultural technology, such as the increased mechanization of farms led to increased farm productivity, less reliance on labor, and the ability to farm more land. These changes resulted in a significant reduction of small family farms, increased urbanization, economic growth, and eventually smaller families.

Demographic trends have broad implications for the United States, including California. The projected increase in retirees in California will affect the types of services needed by an aging population, including demand for transportation services and healthcare. Geographic, ethnic, and age patterns in income inequality will affect social and educational programs. As populations grow, age, and move over time, these demographic shifts will affect budget policy.

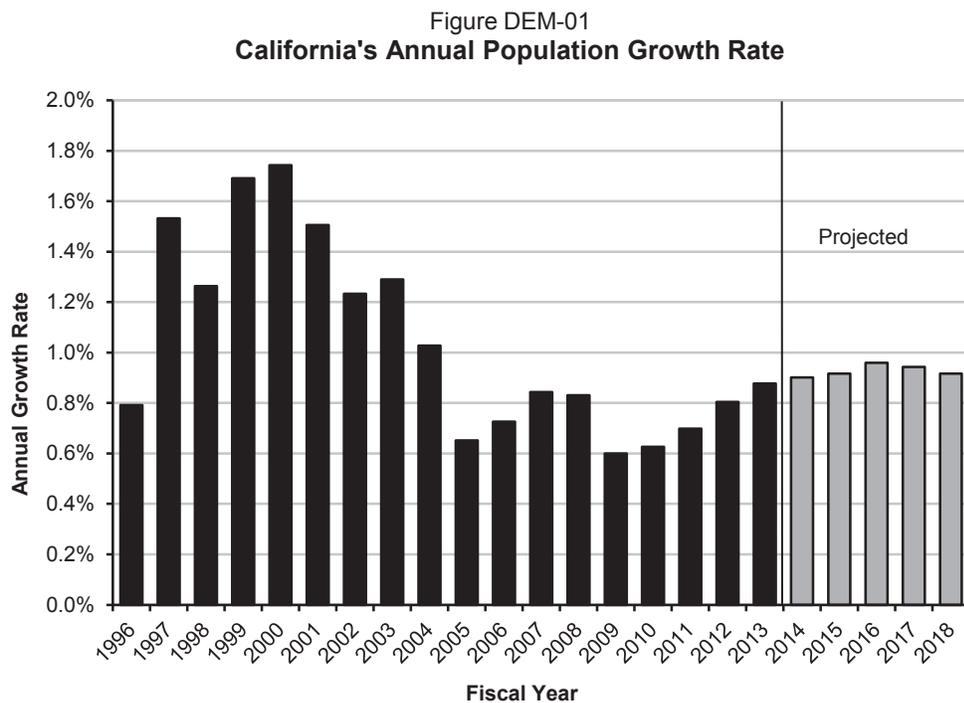
DEMOGRAPHIC OUTLOOK

The state experienced a moderate growth rate (0.88 percent) in the last fiscal year. As of mid-2013 there were an estimated 38.2 million people residing in California. The population is projected to increase to 38.5 million by July 2014 and 38.9 million by July 2015, reflecting increasing short-term growth rates of 0.90 percent in 2014 and 0.92 percent in 2015, respectively.

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Through the next five years, the state will average growth of 360,000 residents annually. Despite lower fertility rates, natural increase (births minus deaths) will account for most of the growth during this time. Net migration (people moving into California from other states and countries less those moving out) is projected to gradually increase as economic opportunities improve. By July 2018, California will have added 1.8 million people and have a population of over 40 million, a five-year growth rate of 4.7 percent.

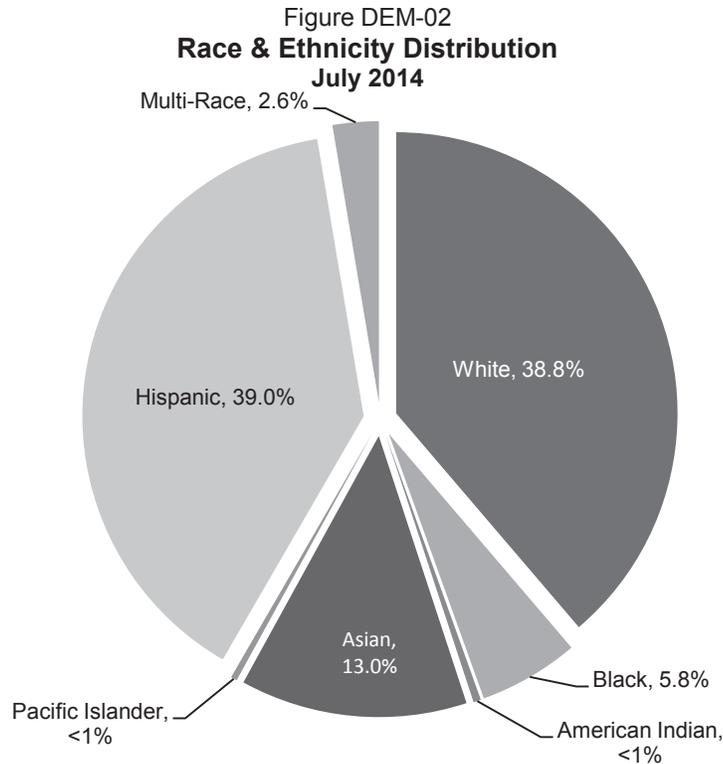
Figure DEM-01 displays the change of California's population from 1996 to 2018.



RACE AND ETHNIC DISTRIBUTION

The racial distribution of California's population continues to transform and by March 2014, the Latino population will edge past the non-Hispanic White population to become the largest race or ethnic group in the state. The shift from non-Hispanic White to Latino plurality is about seven months later than anticipated last year, primarily due to lower than anticipated Latino birth rates. As the Hispanic population in California continues to grow, the proportions of the other race groups will decline slightly, except for Asian, which through immigration should sustain its proportion of the population over the next five years.

Figure DEM-02 displays the racial/ethnic composition of California in 2014.

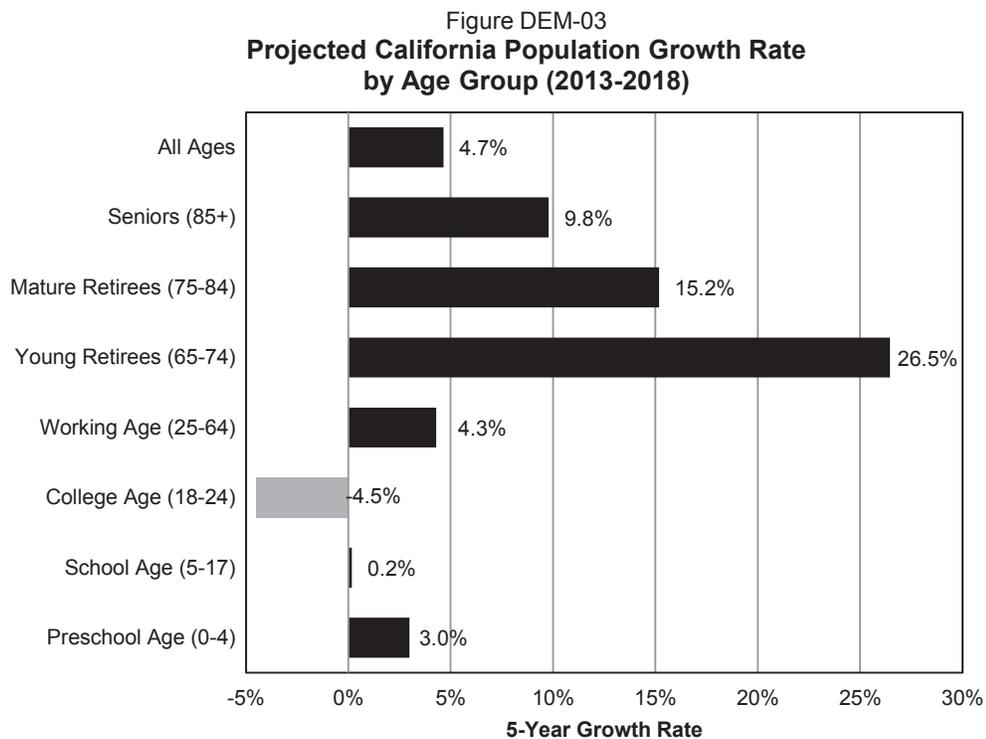


POPULATION GROWTH BY AGE GROUP

The growth rates of the population are strikingly different between age groups. While the state’s projected five-year growth rate is 4.7 percent, the under-25 age cohort will see a slight decline, reflecting California’s lower birth rates in recent years. The population of the retirement-age group, those 65 and older, is expected to expand rapidly (20.7 percent) during this five-year period. The working-age population of 25 to 64 will grow by approximately 4.3 percent, based largely on migration, as declining fertility in recent decades and the aging of the baby boomers will act as a drag on labor force gains. The college-aged population will experience a decline of 4.5 percent as fewer individuals enter this group due to the drop in fertility that started in the 1990’s.

DEMOGRAPHIC INFORMATION

Figure DEM-03 shows the projected cumulative growth by age group through 2018.



THE CHALLENGES AND OPPORTUNITIES OF DEMOGRAPHIC CHANGE

In past decades, baby boomers have posed multiple challenges to the state beginning with building classrooms and training enough teachers, to developing a higher education system that would accommodate the infusion of young adults, to growing the economy fast enough so they could find employment. Even now, baby boomers continue to reshape society as they begin to leave the labor force. In the next 15 years, well over 1,000 Californians will turn 65 each day.

California's future generations will face a new set of challenges. While California's baby boomers were considered culturally diverse and highly skilled compared to the rest of the nation, the next generation will be even more internationally and culturally complex, and will face employment in a technological future unimaginable in decades past.

Sustaining economic progress will require that all components of the workforce be prepared for the jobs that will drive California's economic future.

There are over 10 million foreign-born residents living in California, representing over one-fourth of the nation's total foreign-born population. Most are long settled in the state, with nearly three-quarters having arrived before 2000. Although historically the majority of California immigrants came from Mexico and Latin America, twice as many new arrivals came from Asian countries compared to Latin America in 2011. Throughout California's history, immigrants have provided major contributions to the state's labor force and fueled economic growth. Most immigrants arrive in California as young adults. While a significant proportion of the foreign born have a college degree, nearly half of the non-citizen foreign born have not completed high school.

Despite contributions of the foreign born to California's economic growth, the foreign-born population represents a disproportionate share of those living in poverty. Two factors that contribute to the higher poverty for immigrants include the lack of ability to speak English and lower educational attainment. Poverty is not only an issue for the foreign born, but also for their native-born children. Nearly half of all children in California have at least one foreign-born parent and among those children, more than one-fourth live in poverty.

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