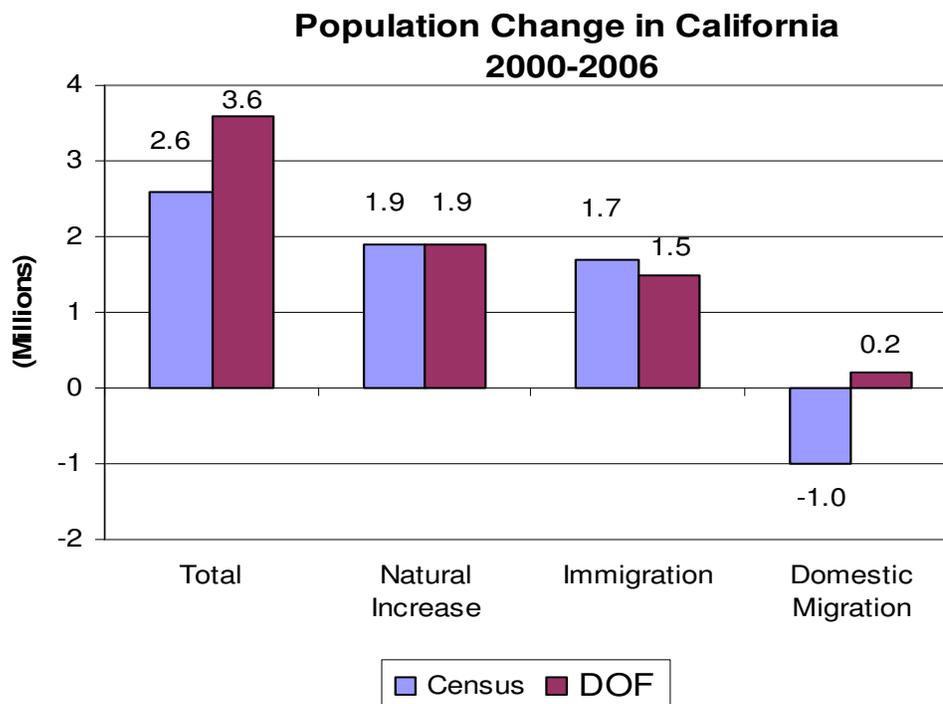


Which Population Estimates Are Best?

In December 2006 the California Department of Finance (DOF) published July 1, 2006 population estimates for California counties. On March 22, 2007 the U.S. Census Bureau (Census) published county population estimates for the same date. DOF estimates that the state's population grew by 3.6 million between April 1, 2000 and July 1, 2006 while the Census Bureau reported California added 2.6 million residents during this period **or 1 million below the DOF estimate.**

In May DOF will publish population estimates for cities and counties in California as of January 1, 2007. The reporting of these estimates may confuse readers unless some explanation is offered for the different sets of population estimates in the news. This issue of *Numbers in the News* explores the differences between the DOF and Census estimates and offers an opinion as to which set of estimates are consistent with other data about California growth since 2000.

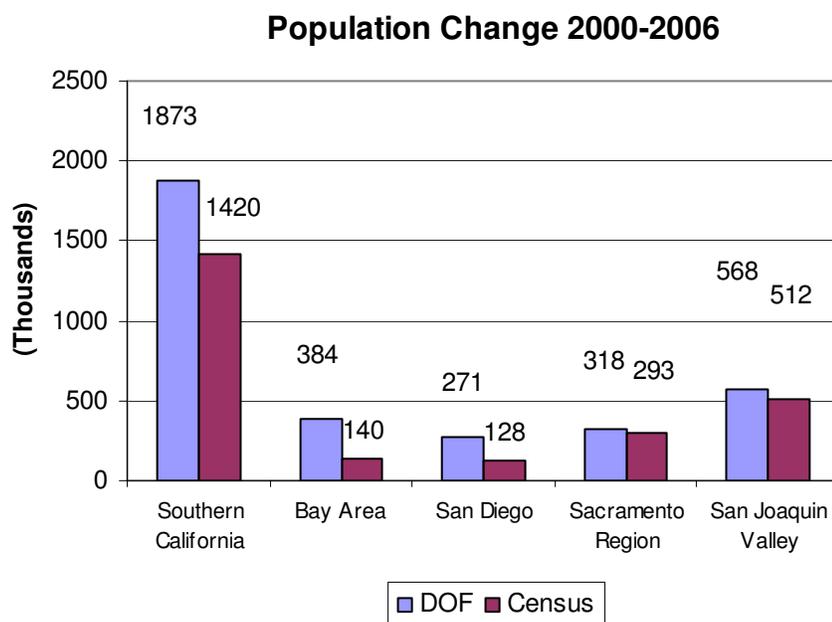
The different population estimates are based on different estimates of domestic migration—the movement of people between California and other states. The Census Bureau reports that domestic migration was a net of 1 million residents leaving California between 2000 and 2006 while DOF reported a small positive in-migration from other states.



Census and DOF were in close agreement about the contribution of natural increase (births minus deaths) and foreign immigration to population growth. Moreover, DOF staff report that the difference in domestic migration estimates is a difference primarily related to the number of people coming to California from other states. DOF uses drivers' license address changes to estimate domestic migration, while Census uses tax return data. Census and DOF staffs are working to better understand and resolve the differences.

The population growth differences are mainly in Southern California, the Bay area and San Diego. Only small differences in population growth were reported for the Sacramento, San Joaquin Valley and rest of state regions.

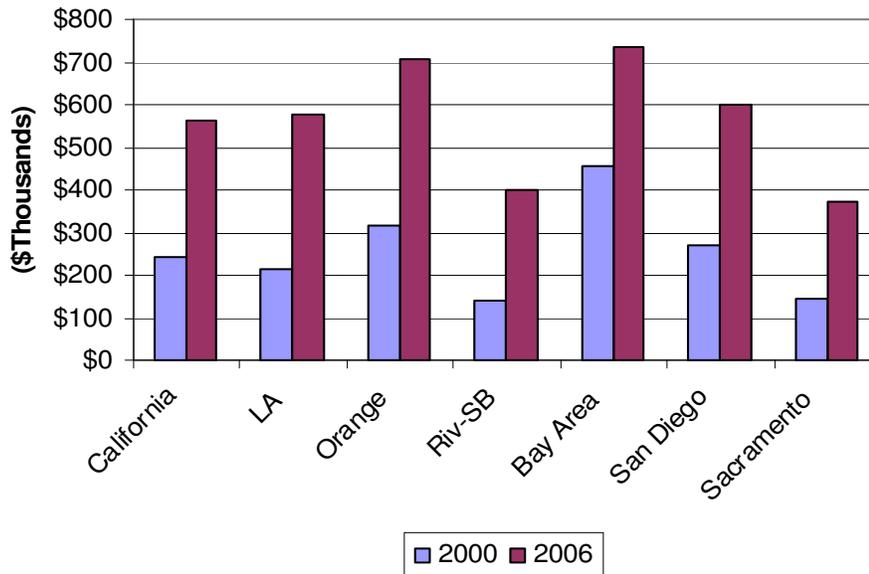
The largest population growth difference (453,000) is in the five-county Southern California region but the largest percent differences are reported in the Bay Area and San Diego regions where the Census Bureau reports less than half of the population growth reported by DOF since the 2000 Census.



Population and Housing Market Trends

Median housing prices surged in all California markets between 2000 and 2006, outpacing gains in most other regions and states. Median prices went from \$241,000 to \$561,000 in California; from \$216,000 to \$576,000 in Los Angeles County and from \$269,000 to \$600,000 in San Diego County. Moreover, building levels surged for new homes with permit levels exceeding 200,000 in 2004 and 2005.

Median Home Prices



It is hard to envision that these housing market trends are consistent with domestic out-migration of 1 million residents between 2000 and 2006. In Southern California where prices in all county markets more than doubled, the Census Bureau reports domestic out-migration of nearly 500,000 residents compared with DOF estimates of a small domestic in-migration. In San Diego County the Census Bureau reports domestic out-migration of 120,000 compared to the DOF estimate of a small domestic in-migration.

While it is possible that high housing prices currently may lead to increased out-migration, the Census data says large out-migration was occurring during the period while housing markets were surging.

Population and Economic Trends

The large out-migration in the early 1900s was accompanied by job losses in the region and state. In contrast, job levels have risen since 2000 and job growth accelerated in 2005 and 2006. Job growth in California has kept pace with the nation and unemployment rates in California have fallen by slightly more than nationwide. An out-migration of 1 million people in six years in a growing economy is unusual.

Moreover, the Census estimates show the largest annual out-migration (288,000 residents) was during 2005-2006 when the largest job growth occurred in California since 2000—when nearly 300,000 jobs were added in the state. And the two regional markets with the largest domestic out-migration according to the Census report (Southern California and the Bay Area) had strong economic

growth in 2006 with job gains outpacing the nation and reaching the highest levels since 2000.

Other Considerations

The DOF estimates also use school enrollment and housing data as part of their population estimating methodology. So, presumably, the DOF population estimates are consistent with school enrollment while the Census estimates would imply fewer K-12 pupils.

Is there any evidence in favor of the Census Bureau estimates? The California Employment Development Department (EDD) estimates that the state's labor force grew by approximately 1 million between 2000 and 2006. Such slow growth in the labor force could be consistent with the lower Census Bureau population growth estimates. However, EDD also reports that labor force participation rates fell in California, which provides an explanation for the slow labor force growth that is consistent with the higher DOF population estimates.

The Bay Area lost jobs between 2000 and 2006 so higher levels of out-migration are plausible. However, the Census estimates show domestic out-migration of 65,000 residents in the same year that the economy was surging again.

DOF staff and Census Bureau staff are working to understand and to try to resolve these large differences in current population estimates.

For now CCSCE believes that the DOF estimates are based on a richer methodology and are more consistent with recent economic and housing market trends.

Data Sources

The DOF estimates for population growth and the components of growth since 2000 can be found at http://www.dof.ca.gov/HTML/DEMOGRAP/ReportsPapers/Estimates/E6/E6-00-05/E-6_2000-06.asp. Download the excel file.

The Census Bureau estimates can be found at <http://www.census.gov/popest/estimates.php>. Readers will need to download the relevant California files after using the drop-down menu.

The January 1, 2007 DOF population and household estimates will be released after May 1, 2007 and can be found at <http://www.dof.ca.gov/Research/Research.asp>.

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