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## The Growth of Top Incomes Across California

**A** strong state economy is one that generates economic gains for families and individuals at all income levels. Unfortunately, income gains in California have flowed primarily to the highest-income households – the top 1 percent – over the past 25 years. Meanwhile, many low- and middle-income households continue to struggle to make ends meet and get ahead.

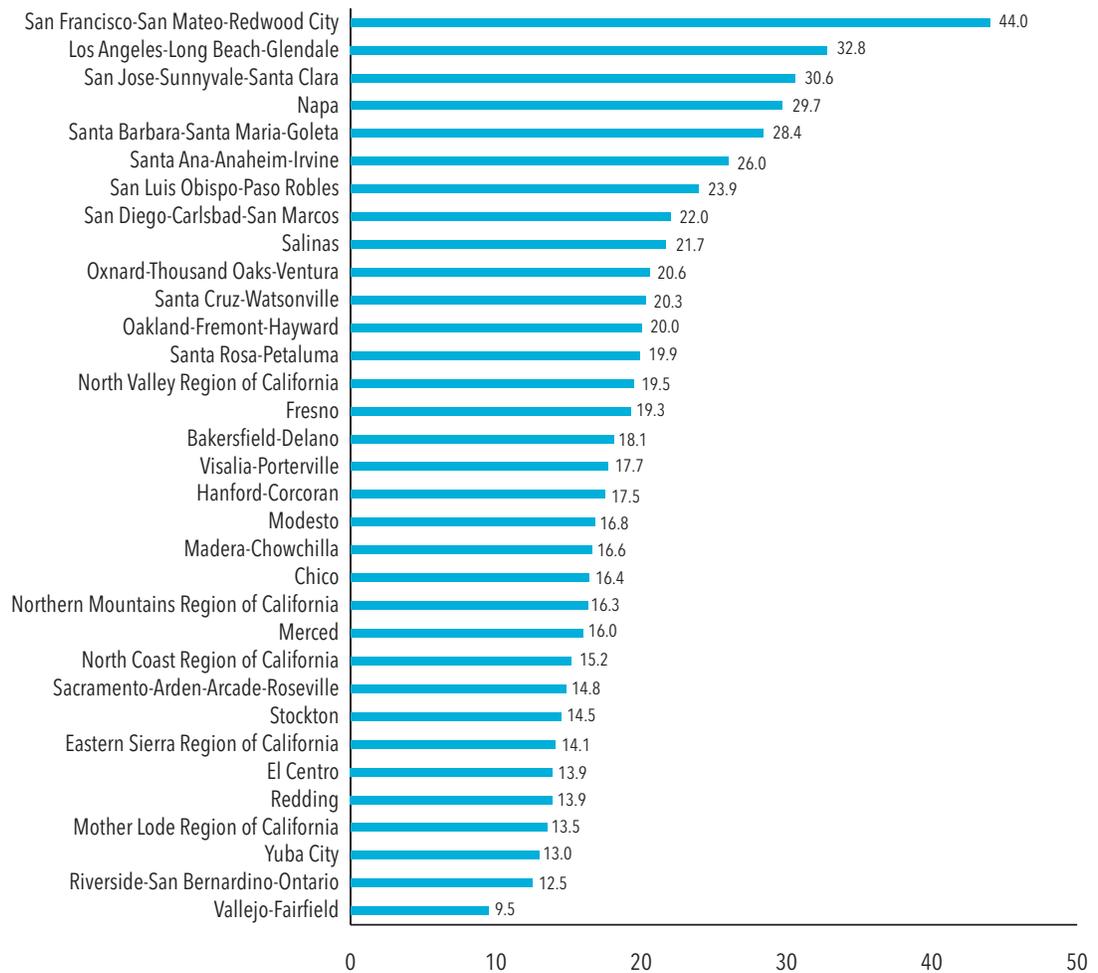
Widening income inequality is an issue for nearly all metropolitan and rural areas in California. Most Californians live in an area where the top 1 percent has captured most, and in some cases *all*, of the income gains made since 1989.<sup>1</sup> The highest-income households are doing especially well in regions that have seen substantial economic gains in recent decades, such as the San Francisco Bay Area. These regions have seen the most robust income growth overall, but their gains have been heavily concentrated among the top 1 percent.

This *Issue Brief* reviews key trends in the “top incomes” of California households in both urban and rural areas.<sup>2</sup> It looks at three metrics: 1) the level of inequality, as measured by the gap between the average incomes of the top 1 percent and the bottom 99 percent; 2) the *change* in the average incomes of the top 1 percent and the bottom 99 percent since 1989; and 3) the share of total income captured by the top 1 percent since 1989. All three metrics show that California’s income growth has been heavily weighted toward the state’s highest-income residents, especially in the wealthiest regions.

## Which California Regions Are the Most Unequal?

The level of inequality varies substantially across California regions. The widest income gaps between the top 1 percent and everyone else are found in the largest and wealthiest urban centers, where the relative economic prosperity has boosted incomes of those at the very top. The San Francisco, Los Angeles, and San Jose metropolitan regions had the three widest gaps in 2013 (Figure 1). In the San Francisco metro area, the average income of the top 1 percent of households – \$3.6 million in 2013 – was 44 times the average income of the bottom 99 percent (\$81,094). The smallest gaps were in the Vallejo, Riverside, and Yuba City metropolitan areas, where the average income of the top 1 percent was at most 13 times the average income of the bottom 99 percent. (See Table B1 in Appendix B for additional data.)

FIGURE 1 **The Income Gap Between the Wealthiest Households and Everyone Else Varies Across California Regions**  
Ratio of the Top 1 Percent’s Average Income to the Bottom 99 Percent’s Average Income, 2013



Note: Metropolitan and nonmetropolitan areas are constructed from individual county data. Counties are grouped to reflect Metropolitan Statistical Area, Metro Division, and Nonmetropolitan Statistical Area boundaries as defined by the US Office of Management and Budget. Data reflect income prior to taxes and government transfers.

Source: Keystone Research Center analysis of Franchise Tax Board, Internal Revenue Service, Thomas Piketty and Emmanuel Saez (2003), US Bureau of Economic Analysis, and US Census Bureau data

## How Have Top Incomes Changed Over the Past Generation?

The growth of top incomes has surpassed the growth of incomes of the bottom 99 percent in nearly all of the state’s regions over the past generation. San Jose and San Francisco have seen the most explosive growth in top incomes since 1989, while inland areas have tended to see slower growth in top incomes. Importantly, in many areas *only* the top 1 percent saw increases in their average income while the average income of the bottom 99 percent of households actually declined in this period (Table 1). (See Table B2 in Appendix B for additional data.)

TABLE 1 **The Growth of Top Incomes Has Outpaced Growth of Incomes of the Bottom 99 Percent in Most California Regions**  
Percent Change in Inflation-Adjusted Average Income, by Income Segment, 1989 to 2013

Metropolitan and Nonmetropolitan Area	Top 1%	Bottom 99%	Metropolitan and Nonmetropolitan Area	Top 1%	Bottom 99%
San Jose-Sunnyvale-Santa Clara	248.8%	23.2%	Visalia-Porterville	25.9%	-17.7%
San Francisco-San Mateo-Redwood City	219.3%	34.7%	Madera-Chowchilla	25.2%	-16.8%
San Luis Obispo-Paso Robles	107.9%	2.9%	Fresno	23.6%	-13.4%
Napa	106.3%	6.2%	Sacramento-Arden-Arcade-Roseville	22.1%	-7.6%
Oxnard-Thousand Oaks-Ventura	102.3%	-0.7%	Vallejo-Fairfield	20.6%	-12.1%
Oakland-Fremont-Hayward	87.8%	8.1%	Merced	16.7%	-20.2%
Santa Cruz-Watsonville	81.2%	-1.6%	Northern Mountains Region of California	15.8%	-16.1%
San Diego-Carlsbad-San Marcos	58.6%	1.5%	Yuba City	15.7%	-7.9%
Santa Ana-Anaheim-Irvine	58.2%	-11.9%	Stockton	13.3%	-14.5%
Los Angeles-Long Beach-Glendale	55.5%	-12.1%	Mother Lode Region of California	12.2%	-19.8%
Hanford-Corcoran	54.2%	-17.1%	Modesto	10.9%	-19.3%
Bakersfield-Delano	49.0%	-11.1%	North Coast Region of California	0.4%	-25.0%
Santa Barbara-Santa Maria-Goleta	44.1%	-9.2%	El Centro	-2.2%	-15.4%
North Valley Region of California	43.9%	-16.1%	Riverside-San Bernardino-Ontario	-3.7%	-14.1%
Salinas	43.6%	-4.9%	Redding	-7.9%	-18.3%
Santa Rosa-Petaluma	40.8%	-10.4%	Eastern Sierra Region of California	-18.3%	-13.1%
Chico	37.0%	-6.8%			

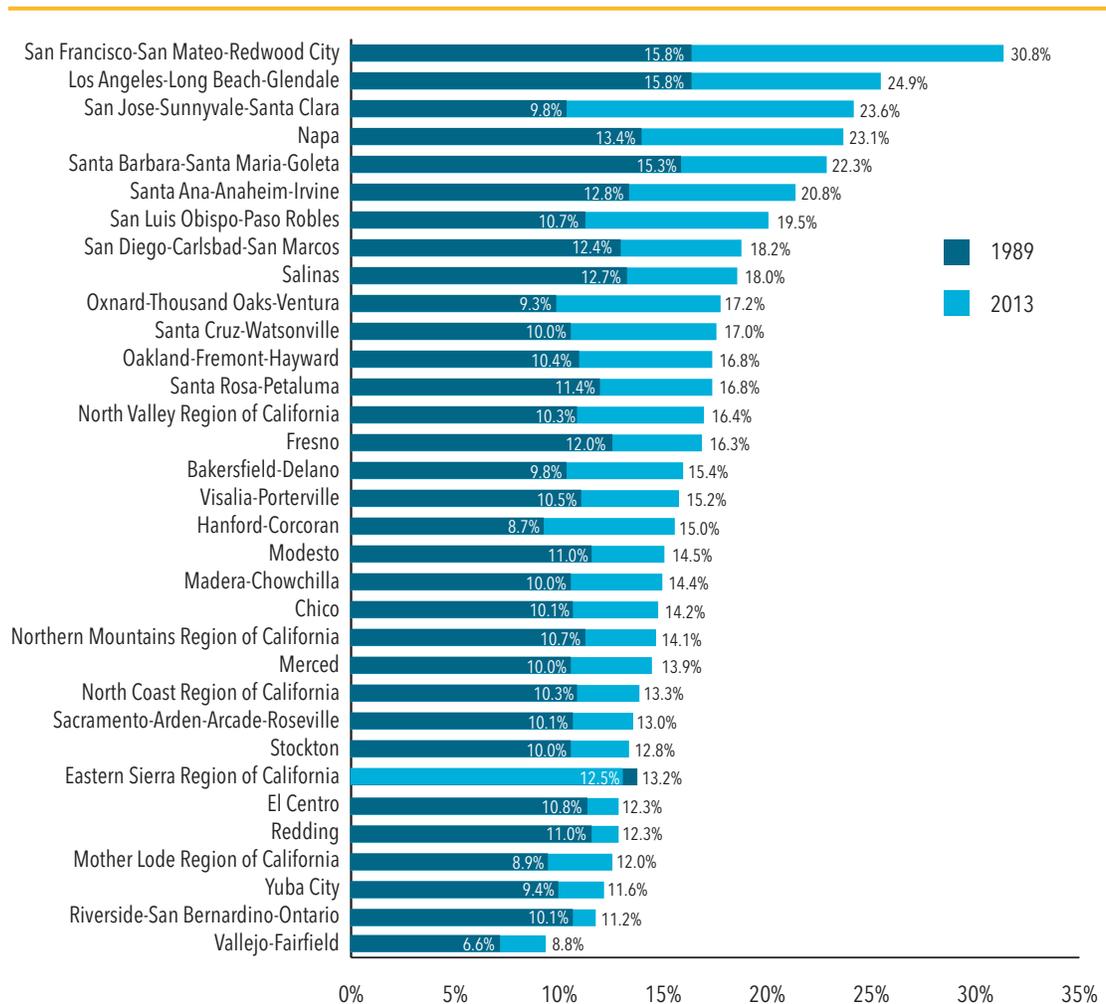
Note: Metropolitan and nonmetropolitan areas are constructed from individual county data. Counties are grouped to reflect regions as defined by Metropolitan Statistical Area, Metro Division, and Nonmetropolitan Statistical Area boundaries as defined by the US Office of Management and Budget. Data reflect income prior to taxes and government transfers.

Source: Keystone Research Center analysis of Franchise Tax Board, Internal Revenue Service, Thomas Piketty and Emmanuel Saez (2003), US Bureau of Economic Analysis, and US Census Bureau data

## Top Incomes Represent a Large and Growing Share of Most Regions' Total Income

The disproportionate growth in top incomes over the past generation means that a rising share of a region's total income has been captured by this small number of households. With the exception of the Eastern Sierra nonmetro area (i.e., Alpine, Inyo, and Mono counties), all California metro and nonmetro areas saw the income shares of the top 1 percent increase between 1989 and 2013 (Figure 2). The San Francisco metropolitan area now has the highest share of income going to the top 1 percent, with 30.8 percent of the region's income in 2013 going to the top 1 percent of households. This is nearly double the 1989 share of 15.8 percent. (See Table B3 in Appendix B for additional data.)

FIGURE 2 **The Top 1 Percent's Share of Total Income Has Increased in Nearly All California Regions**  
The Top 1 Percent's Share of Total Income, 1989 vs. 2013



Note: Metropolitan and nonmetropolitan areas are constructed from individual county data. Counties are grouped to reflect Metropolitan Statistical Area, Metro Division, and Nonmetropolitan Statistical Area boundaries as defined by the US Office of Management and Budget. Data reflect income prior to taxes and government transfers.  
Source: Keystone Research Center analysis of Franchise Tax Board, Internal Revenue Service, Thomas Piketty and Emmanuel Saez (2003), US Bureau of Economic Analysis, and US Census Bureau data

## Conclusion

Despite significant variation across California's urban and rural areas, nearly all of these areas are far more unequal than they were a generation ago. While the most extreme income disparities are found in the higher-growth metropolitan areas where the ultra-wealthy live, such as Silicon Valley, San Francisco, and Los Angeles, the benefits of economic growth are increasingly concentrated in the hands of the top 1 percent. Meanwhile, the bottom 99 percent of households are falling behind in almost all other regions in California.

**Luke Reidenbach, Mark Price, Estelle Sommeiller, and Ellis Wazeter** prepared this *Issue Brief*. The California Budget & Policy Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the Budget Center is provided by foundation grants, subscriptions, and individual contributions. Please visit the Budget Center's website at [calbudgetcenter.org](http://calbudgetcenter.org).

## ENDNOTES

- <sup>1</sup> This analysis uses 1989 as its starting point to account for changes made in 1986 to the tax treatment of capital gains income. Moreover, 1989 is the first full year of data prior to the early-1990s recession.
- <sup>2</sup> Metropolitan and nonmetropolitan areas are constructed from individual county data. Counties are grouped to reflect Metropolitan Statistical Area, Metro Division, and Nonmetropolitan Statistical Area boundaries as defined by the US Office of Management and Budget. See Table B4 in Appendix B for a list of counties by metro and nonmetro area.

## Appendix A: Methodology

Most analyses of income inequality trends use survey data from the US Census Bureau. However, such Census data are not appropriate for estimating incomes at the very top of the income distribution. For privacy and data quality reasons, the US Census Bureau “top codes” their data, meaning that they set certain reported incomes at a maximum value, even if the survey respondent reports an income higher than that value. Income tax records offer a better option for examining income trends at the top.

California’s Franchise Tax Board (FTB) publishes summary statistics on the top 1 percent of earners, but does not publish estimates of the top 1 percent of households at the county level. Instead, the FTB publishes estimates of the number of tax filers by income bracket. The Budget Center worked with Mark Price of the Keystone Research Center to impute estimates of the top 1 percent of households in each county using the properties of the “Pareto distribution,” which is used to model the general distribution of income in a nation. This methodology uses the Franchise Tax Board data in combination with estimates of overall income and an estimate of the number of *potential* taxpayers (tax units) to impute top incomes and the share of overall income going to high-income taxpayers. Overall income for each area is calculated using personal income data from the US Bureau of Economic Analysis, and these income data reflect income before taxes and government transfers. Data for potential taxpayers come from updated national estimates from Thomas Piketty and Emmanuel Saez, “Income Inequality in the United States, 1913-1998,” *Quarterly Journal of Economics* 118 (2003), which are then allocated to individual counties based on data from the US Census Bureau. All income data are adjusted for inflation using the Consumer Price Index – Research Series.

The Keystone Research Center’s methodology, developed by Estelle Sommeiller and Mark Price, builds on work by Thomas Piketty of the Paris School of Economics and Emmanuel Saez of the University of California, Berkeley, to impute top incomes at the state and county levels. For a detailed overview of their methodology and the assumptions made in producing the California estimates, see Estelle Sommeiller and Mark Price, *The Increasingly Unequal States of America* (Economic Analysis and Research Network: February 2014), and Mark Price et al., *Divergent Fortunes: Top Incomes and the Middle Class in Pennsylvania* (Keystone Research Center: September 2014).

## Appendix B: Data Tables

TABLE B1 Ratio of Top 1 Percent Average Income to Bottom 99 Percent Average Income, 2013

Rank (by top-to-bottom ratio)	Metropolitan and Nonmetropolitan Area	Average Income of the Top 1%	Average Income of the Bottom 99%	Top-to-Bottom Ratio
1	San Francisco-San Mateo-Redwood City, CA Metropolitan Division	\$3,570,329	\$81,094	44.0
2	Los Angeles-Long Beach-Glendale, CA Metropolitan Division	\$1,453,280	\$44,366	32.8
3	San Jose-Sunnyvale-Santa Clara, CA	\$2,662,722	\$86,998	30.6
4	Napa, CA	\$1,572,665	\$52,920	29.7
5	Santa Barbara-Santa Maria-Goleta, CA	\$1,317,206	\$46,415	28.4
6	Santa Ana-Anaheim-Irvine, CA Metropolitan Division	\$1,506,797	\$57,874	26.0
7	San Luis Obispo-Paso Robles, CA	\$1,005,178	\$41,994	23.9
8	San Diego-Carlsbad-San Marcos, CA	\$1,084,850	\$49,404	22.0
9	Salinas, CA	\$935,907	\$43,037	21.7
10	Oxnard-Thousand Oaks-Ventura, CA	\$1,147,405	\$55,729	20.6
11	Santa Cruz-Watsonville, CA	\$1,033,224	\$50,998	20.3
12	Oakland-Fremont-Hayward, CA Metropolitan Division	\$1,271,054	\$63,397	20.0
13	Santa Rosa-Petaluma, CA	\$913,522	\$45,794	19.9
14	North Valley Region of California Nonmetropolitan Area	\$497,882	\$25,562	19.5
15	Fresno, CA	\$645,369	\$33,498	19.3
16	Bakersfield-Delano, CA	\$642,180	\$35,510	18.1
17	Visalia-Porterville, CA	\$493,927	\$27,864	17.7
18	Hanford-Corcoran, CA	\$493,005	\$28,202	17.5
19	Modesto, CA	\$583,267	\$34,652	16.8
20	Madera-Chowchilla, CA	\$515,627	\$31,074	16.6
21	Chico, CA	\$471,402	\$28,751	16.4
22	Northern Mountains Region of California Nonmetropolitan Area	\$472,681	\$29,012	16.3
23	Merced, CA	\$449,813	\$28,037	16.0
24	North Coast Region of California Nonmetropolitan Area	\$381,678	\$25,033	15.2
25	Sacramento-Arden-Arcade-Roseville, CA	\$638,899	\$43,215	14.8
26	Stockton, CA	\$534,967	\$36,777	14.5
27	Eastern Sierra Region of California Nonmetropolitan Area	\$448,263	\$31,731	14.1
28	El Centro, CA	\$445,126	\$31,962	13.9
29	Redding, CA	\$412,448	\$29,766	13.9
30	Mother Lode Region of California Nonmetropolitan Area	\$420,322	\$31,140	13.5
31	Yuba City, CA	\$387,737	\$29,894	13.0
32	Riverside-San Bernardino-Ontario, CA	\$477,574	\$38,128	12.5
33	Vallejo-Fairfield, CA	\$452,645	\$47,426	9.5

Note: Metropolitan and nonmetropolitan areas are constructed from individual county data. Counties are grouped to reflect regions as defined by Metropolitan Statistical Area, Metro Division, and Nonmetropolitan Statistical Area boundaries as defined by the US Office of Management and Budget. Data reflect income prior to taxes and government transfers.

Source: Keystone Research Center analysis of Franchise Tax Board, Internal Revenue Service, Thomas Piketty and Emmanuel Saez (2003), US Bureau of Economic Analysis, and US Census Bureau data

TABLE B2 **Growth of Inflation-Adjusted Average Income by Income Segment, 1989 to 2013**

Rank (by top 1% income growth)	Metropolitan and Nonmetropolitan Area	Overall	Top 1%	Bottom 99%
1	San Jose-Sunnyvale-Santa Clara, CA	45.4%	248.8%	23.2%
2	San Francisco-San Mateo-Redwood City, CA Metropolitan Division	63.8%	219.3%	34.7%
3	San Luis Obispo-Paso Robles, CA	14.1%	107.9%	2.9%
4	Napa, CA	19.6%	106.3%	6.2%
5	Oxnard-Thousand Oaks-Ventura, CA	8.8%	102.3%	-0.7%
6	Oakland-Fremont-Hayward, CA Metropolitan Division	16.5%	87.8%	8.1%
7	Santa Cruz-Watsonville, CA	6.7%	81.2%	-1.6%
8	San Diego-Carlsbad-San Marcos, CA	8.6%	58.6%	1.5%
9	Santa Ana-Anaheim-Irvine, CA Metropolitan Division	-3.0%	58.2%	-11.9%
10	Los Angeles-Long Beach-Glendale, CA Metropolitan Division	-1.4%	55.5%	-12.1%
11	Hanford-Corcoran, CA	-10.9%	54.2%	-17.1%
12	Bakersfield-Delano, CA	-5.2%	49.0%	-11.1%
13	Santa Barbara-Santa Maria-Goleta, CA	-1.0%	44.1%	-9.2%
14	North Valley Region of California Nonmetropolitan Area	-9.9%	43.9%	-16.1%
15	Salinas, CA	1.3%	43.6%	-4.9%
16	Santa Rosa-Petaluma, CA	-4.6%	40.8%	-10.4%
17	Chico, CA	-2.4%	37.0%	-6.8%
18	Visalia-Porterville, CA	-13.2%	25.9%	-17.7%
19	Madera-Chowchilla, CA	-12.6%	25.2%	-16.8%
20	Fresno, CA	-8.9%	23.6%	-13.4%
21	Sacramento-Arden-Arcade-Roseville, CA	-4.6%	22.1%	-7.6%
22	Vallejo-Fairfield, CA	-9.9%	20.6%	-12.1%
23	Merced, CA	-16.5%	16.7%	-20.2%
24	Northern Mountains Region of California Nonmetropolitan Area	-12.7%	15.8%	-16.1%
25	Yuba City, CA	-5.7%	15.7%	-7.9%
26	Stockton, CA	-11.7%	13.3%	-14.5%
27	Mother Lode Region of California Nonmetropolitan Area	-17.0%	12.2%	-19.8%
28	Modesto, CA	-16.0%	10.9%	-19.3%
29	North Coast Region of California Nonmetropolitan Area	-22.4%	0.4%	-25.0%
30	El Centro, CA	-14.0%	-2.2%	-15.4%
31	Riverside-San Bernardino-Ontario, CA	-13.1%	-3.7%	-14.1%
32	Redding, CA	-17.2%	-7.9%	-18.3%
33	Eastern Sierra Region of California Nonmetropolitan Area	-13.8%	-18.3%	-13.1%

Note: Metropolitan and nonmetropolitan areas are constructed from individual county data. Counties are grouped to reflect regions as defined by Metropolitan Statistical Area, Metro Division, and Nonmetropolitan Statistical Area boundaries as defined by the US Office of Management and Budget. Data reflect income prior to taxes and government transfers.

Source: Keystone Research Center analysis of Franchise Tax Board, Internal Revenue Service, Thomas Piketty and Emmanuel Saez (2003), US Bureau of Economic Analysis, and US Census Bureau data

TABLE B3 The Top 1 Percent's Share of Total Income, 1989 vs. 2013

Rank (by change in share, 1989 to 2013)	Metropolitan and Nonmetropolitan Area	1989	2013	Percentage Point Change in the Top 1%'s Income Share, 1989 to 2013
1	San Francisco-San Mateo-Redwood City, CA Metropolitan Division	15.8%	30.8%	15.0
2	San Jose-Sunnyvale-Santa Clara, CA	9.8%	23.6%	13.8
3	Napa, CA	13.4%	23.1%	9.7
4	Los Angeles-Long Beach-Glendale, CA Metropolitan Division	15.8%	24.9%	9.1
5	San Luis Obispo-Paso Robles, CA	10.7%	19.5%	8.8
6	Santa Ana-Anaheim-Irvine, CA Metropolitan Division	12.8%	20.8%	8.1
7	Oxnard-Thousand Oaks-Ventura, CA	9.3%	17.2%	8.0
8	Santa Cruz-Watsonville, CA	10.0%	17.0%	7.0
9	Santa Barbara-Santa Maria-Goleta, CA	15.3%	22.3%	7.0
10	Oakland-Fremont-Hayward, CA Metropolitan Division	10.4%	16.8%	6.4
11	Hanford-Corcoran, CA	8.7%	15.0%	6.3
12	North Valley Region of California Nonmetropolitan Area	10.3%	16.4%	6.2
13	San Diego-Carlsbad-San Marcos, CA	12.4%	18.2%	5.7
14	Bakersfield-Delano, CA	9.8%	15.4%	5.6
15	Santa Rosa-Petaluma, CA	11.4%	16.8%	5.4
16	Salinas, CA	12.7%	18.0%	5.3
17	Visalia-Porterville, CA	10.5%	15.2%	4.7
18	Madera-Chowchilla, CA	10.0%	14.4%	4.3
19	Fresno, CA	12.0%	16.3%	4.3
20	Chico, CA	10.1%	14.2%	4.1
21	Merced, CA	10.0%	13.9%	4.0
22	Modesto, CA	11.0%	14.5%	3.5
23	Northern Mountains Region of California Nonmetropolitan Area	10.7%	14.1%	3.5
24	Mother Lode Region of California Nonmetropolitan Area	8.9%	12.0%	3.1
25	North Coast Region of California Nonmetropolitan Area	10.3%	13.3%	3.0
26	Sacramento-Arden-Arcade-Roseville, CA	10.1%	13.0%	2.8
27	Stockton, CA	10.0%	12.8%	2.8
28	Vallejo-Fairfield, CA	6.6%	8.8%	2.2
29	Yuba City, CA	9.4%	11.6%	2.1
30	El Centro, CA	10.8%	12.3%	1.5
31	Redding, CA	11.0%	12.3%	1.2
32	Riverside-San Bernardino-Ontario, CA	10.1%	11.2%	1.1
33	Eastern Sierra Region of California Nonmetropolitan Area	13.2%	12.5%	-0.7

Note: Metropolitan and nonmetropolitan areas are constructed from individual county data. Counties are grouped to reflect regions as defined by Metropolitan Statistical Area, Metro Division, and Nonmetropolitan Statistical Area boundaries as defined by the US Office of Management and Budget. Data reflect income prior to taxes and government transfers.

Source: Keystone Research Center analysis of Franchise Tax Board, Internal Revenue Service, Thomas Piketty and Emmanuel Saez (2003), US Bureau of Economic Analysis, and US Census Bureau data

TABLE B4 Metropolitan and Nonmetropolitan Area Definitions

Metropolitan and Nonmetropolitan Area	County
Bakersfield-Delano, CA	Kern
Chico, CA	Butte
Eastern Sierra Region of California Nonmetropolitan Area	Alpine, Inyo, Mono
El Centro, CA	Imperial
Fresno, CA	Fresno
Hanford-Corcoran, CA	Kings
Los Angeles-Long Beach-Glendale, CA Metropolitan Division	Los Angeles
Madera-Chowchilla, CA	Madera
Merced, CA	Merced
Modesto, CA	Stanislaus
Mother Lode Region of California Nonmetropolitan Area	Amador, Calaveras, Mariposa, Tuolumne
Napa, CA	Napa
North Coast Region of California Nonmetropolitan Area	Del Norte, Humboldt, Lake, Mendocino
North Valley Region of California Nonmetropolitan Area	Colusa, Glenn, Tehama
Northern Mountains Region of California Nonmetropolitan Area	Lassen, Modoc, Nevada, Plumas, Sierra, Siskiyou, Trinity
Oakland-Fremont-Hayward, CA Metropolitan Division	Alameda, Contra Costa
Oxnard-Thousand Oaks-Ventura, CA	Ventura
Redding, CA	Shasta
Riverside-San Bernardino-Ontario, CA	San Bernardino, Riverside
Sacramento-Arden-Arcade-Roseville, CA	Sacramento, El Dorado, Yolo, Placer
Salinas, CA	Monterey
San Diego-Carlsbad-San Marcos, CA	San Diego
San Francisco-San Mateo-Redwood City, CA Metropolitan Division	Marin, San Francisco, San Mateo
San Jose-Sunnyvale-Santa Clara, CA	San Benito, Santa Clara
San Luis Obispo-Paso Robles, CA	San Luis Obispo
Santa Ana-Anaheim-Irvine, CA Metropolitan Division	Orange
Santa Barbara-Santa Maria-Goleta, CA	Santa Barbara
Santa Cruz-Watsonville, CA	Santa Cruz
Santa Rosa-Petaluma, CA	Sonoma
Stockton, CA	Joaquin
Vallejo-Fairfield, CA	Solano
Visalia-Porterville, CA	Tulare
Yuba City, CA	Sutter, Yuba

Source: US Office of Management and Budget