



PPIC

PUBLIC POLICY
INSTITUTE OF CALIFORNIA



BLOG POST · MAY 21, 2025

Five Fast Facts on the Cost of Living in California

Stephanie Barton

Californians have long exchanged a high cost of living for the advantages to living in the state. But recent economic turmoil may have Californians questioning this tradeoff. Inflation after the pandemic raised prices for everything from groceries to health care and ate into wage gains. Today, worries about a recession and trade war have residents of the Golden State even more on edge.

Amid these concerns, what do we know about some of the key costs for Californians?

1. Housing is still expensive. Housing is the largest household expense for most people—in California, home prices have skyrocketed as supply slumped over the past three decades and costs remain higher than in many other areas of the country. In part because the supply of homes is low, more Californians are renters (44%) than in the rest of the nation (35%), and rent is higher, especially in coastal cities, compared with much of the US. California renters also spend more of their income on housing than renters in most other states.

Homeowner's insurance in California has been less expensive compared to most other states for several decades—until wildfires destabilized the insurance market. Costs remain low in areas not hit by wildfire, but residents in some coastal and mountain areas are unable to renew traditional policies and must accept higher premiums with only basic coverage under FAIR plans.

2. Food takes a big bite out of budgets. Due to inflation, food and drink cost well over a quarter more than they did before the pandemic. Food is the third largest expense for the average household, and Californians spend more on weekly groceries than nearly every other state. For lower-income Californians, the basic necessities of food, housing, transportation, and health care consume 80% of household expenses.

3. Energy, utilities, and fuel have spiked. For California homeowners and renters alike, utilities represent a bigger slice of household expenses than they did a decade ago, and water bills have been climbing faster than inflation in many regions. Due to aging infrastructure and new water treatment standards, bills may continue to rise.

Energy rates in California have also surged in recent years. Electric pricing had always been higher in California than other states; but with residents using less energy, bills stayed lower.

Now energy bills are comparable with rates nationwide, despite the fact that Californians still tend to use less electricity than most households in the US.

Californians also pay more at the pump than residents of other states, due to higher taxes, certain fees, refining costs for cleaner fuel, and supply chain issues. And lower-income families spend more of the household budget on gas than do higher-income families.

4. Public college tuition is still reasonable. Although tuition and fees are going up, the price tag for tuition at California's public colleges is less than in most other states—and half of resident undergrads receive state or local grants. Paying for college involves more than tuition, however; families must also factor in the above expenses of daily living.

5. Health insurance is available to most—but spending on health care is similar to other states. California opened up Medi-Cal—the state's version of Medicaid—to cover most low-income adults in 2014. Today, the program, which is largely funded by federal dollars, covers

about 40% of Californians. Enrolled Californians usually pay nothing out of pocket for their care. Overall, however, Californians' personal spending on health care matches national spending.

While wages in California are up, they have barely outpaced inflation. Working families may be able to manage some higher costs, but others—such as retirees—have limited bandwidth to cope with rising prices. Some Californians have considered heading to other states to pursue a more affordable lifestyle. California's leaders will need to take a hard look at state policy to find strategies to help residents live and stay in California.

TOPICS

cost of living

Economic Trends

Economy

Fast Facts

Health & Safety Net

health insurance

home insurance

Housing

inflation

Medi-Cal

Poverty & Inequality

renters

tariffs

wages