Palm Springs Economic Report 2017

Coachella Valley Economic Partnership

Lowe Institute of Political Economy
Claremont McKenna College

Inland Empire Center
Claremont McKenna College

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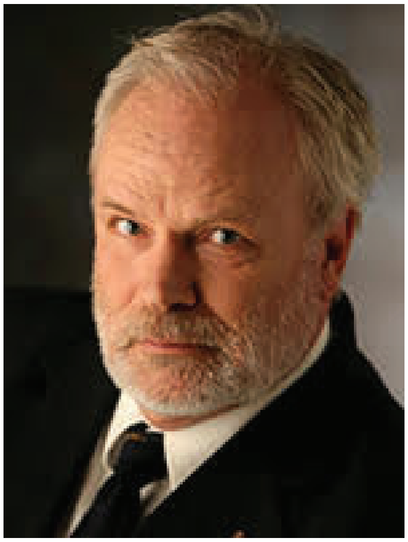

MANFRED W. KEIL, PH. D.

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I. Demographics

Photo Credit: Alfred Twu

Coachella Valley consists of an area covering the nine major cities (Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage) along with unincorporated areas.

Approximately 380,500 or close to 16% of the Riverside County population reside in these cities, making up four fifths of the total population of the Coachella Valley. In this report, we will only discuss the statistics related to the nine cities.

The overall population grew by 4,250 individuals, or by roughly 1.1% over the past year, which is only slightly less than the average growth rate since the Great Recession (1.3%). However, this is only a third of the average increase of 3.4% seen before that during the years 1990 to 2007. Even in those hay-days of population explosion, it had to be clear that such a high figure was unlikely to persist in the long term. Had the population continued to grow at that pace, then the Coachella Valley would have seen 600,000 people living in its boundaries by 2030, with 140,000 in Indio and 75,000 in Palm Springs. Growth of this magnitude implies a doubling of population levels approximately every 20 years.

We forecast that the Coachella Valley population will increase at a rate similar to the U.S. national growth rate from here on. If so, then by 2020, it would reach 396,000 and would break the 400,000 people barrier the following year.

Figure 1 presents the current population of the nine cities in the Coachella Valley. Being the fourth largest city in the area, Palm Springs has close to 47,400 residents, or 12% of the total population.

Figure 2 shows the annual change in population for the nine cities since 1990. Indio, Cathedral City, and Palm Desert have surpassed Palm Springs in population size, making it now the fourth largest city in the Coachella Valley.

Figure 3 shows the population growth rate for Palm Springs. It has been fairly constant over the years with the exception of 1994-95 and 2007-08, when it contracted. This corresponds to the slow but steady increase seen

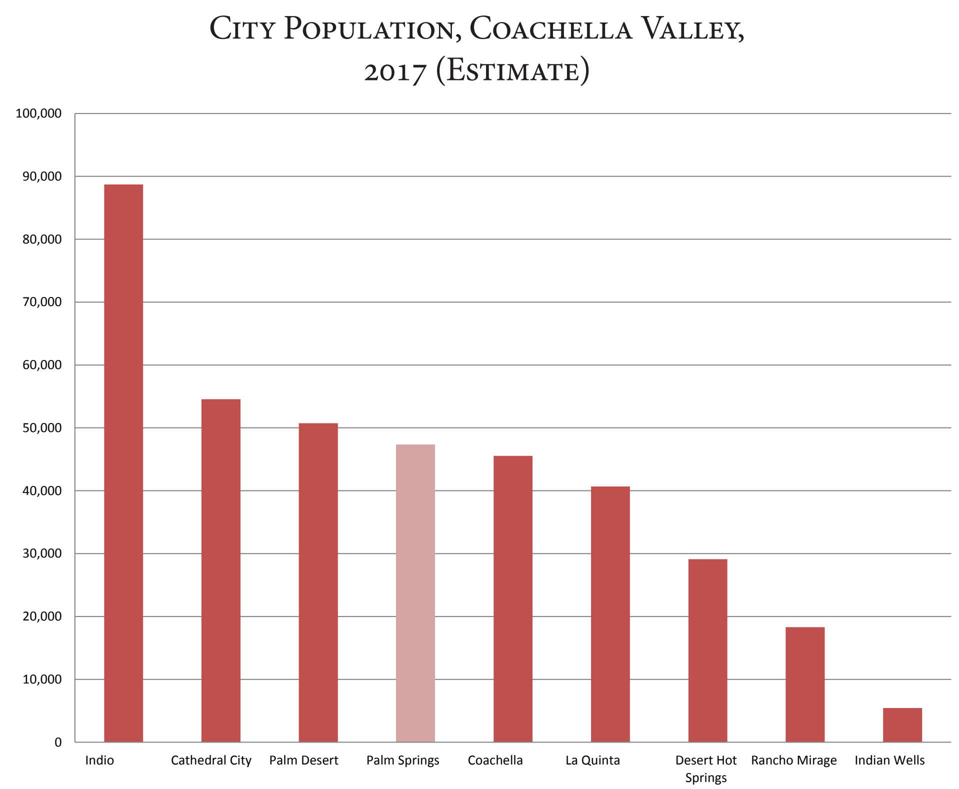

Figure 1 Palm Springs is the fourth largest city in the Coachella Valley in 2016. Source: California Department of Finance.

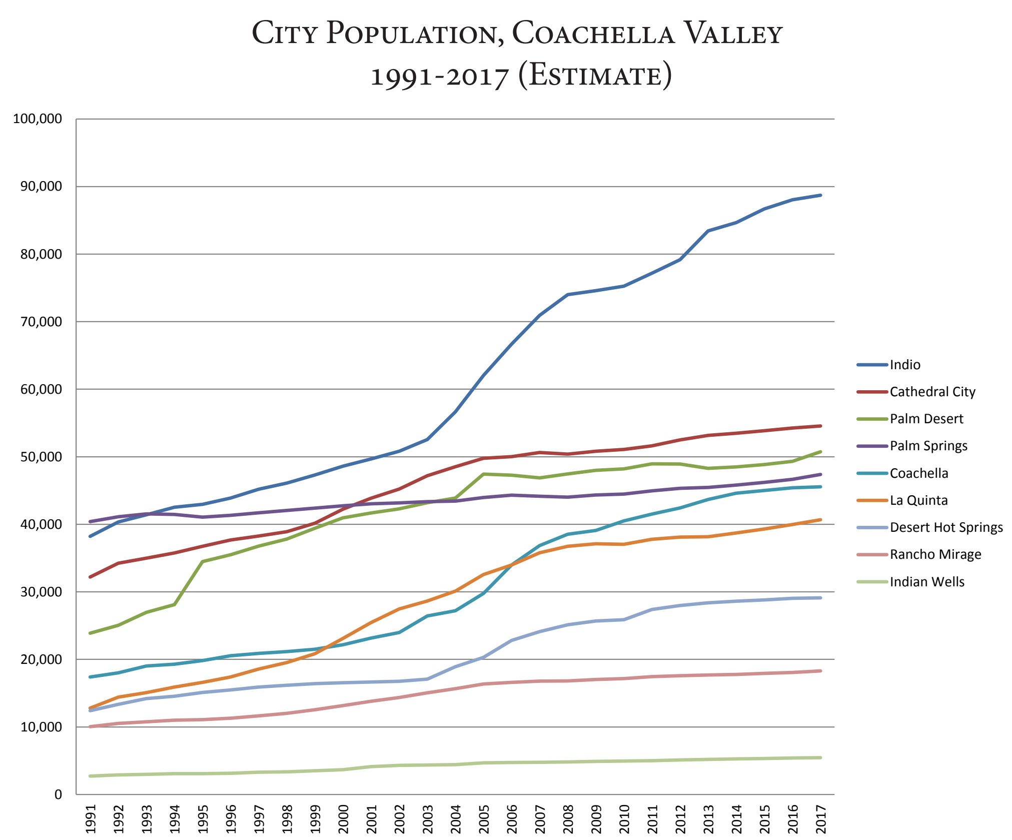

Figure 2 shows the annual change in population for the nine cities since 1990. Source: California Department of Finance.

Population Growth Rates, Palm Springs, 1990-2017

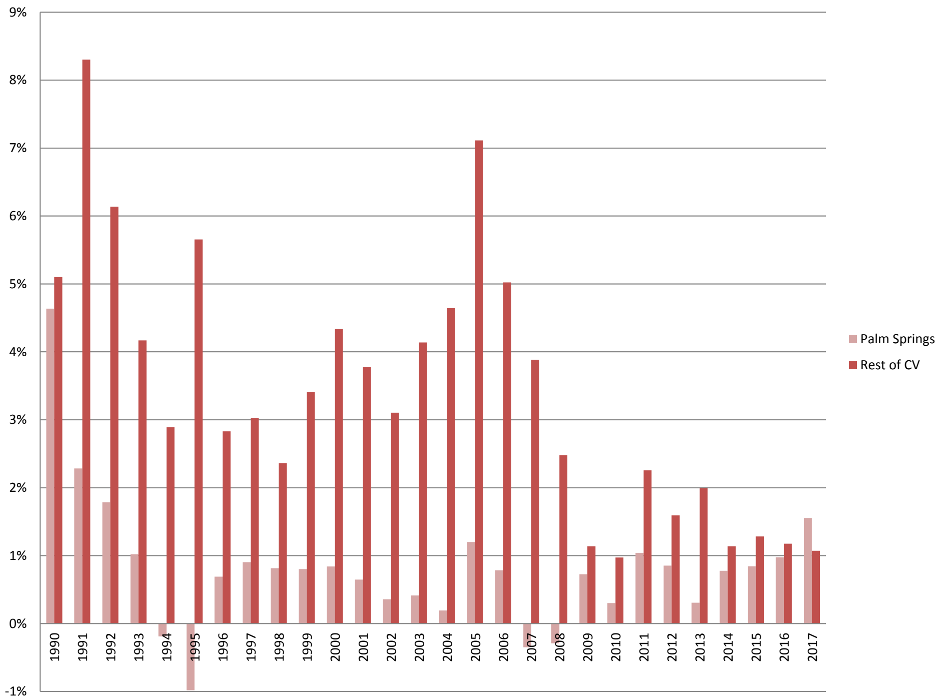

Figure 3 Palm Springs has a history of lower population growth rates when compared to the rest of the Coachella Valley, Source: California Department of Finance.

in Figure 2. Note that the growth patterns of Palm Springs are virtually unrelated to the growth patterns in the rest of the Coachella Valley. Although earlier negative population growth rates do not coincide with the national economic recessions of 1990-1991 and 2001, the population started to shrink in 2007 when the national economy was about to enter the Great Recession (2007-2009). Note that the starting date of the national recession was at the end of that year, or in December 2007. However, economic activity in the Inland Empire started on contract earlier. Finally, the four years since 2013 have seen small but steady increases in people living in Palm Springs.

Palm Springs has seen its population grow by approximately 1% since 2011, which is similar to the numbers experienced since 1993 . Note that the rest of the Coachella Valley has yet to return to the much higher pre-recession expansion levels.

Figure 4 shows the average population growth rate of the nine cities before and after the onset of the Great Recession, indicating distinctly different growth patterns for the two time intervals: while Palm Springs has a rather stable growth rate that has even increased slightly over the years, the other cities all experienced a significant decline in growth rates.

Figure 5 presents the age distribution for the Coachella Valley and the rest of Riverside County. There is a significantly larger fraction of older people (45 years and above) and a smaller fraction of younger people in Palm Springs than in the rest of Coachella Valley. The difference is even bigger when compared with the rest of Riverside County.

City Population Percentage Gain, Coachella Valley, 1999-2017 (Estimate)

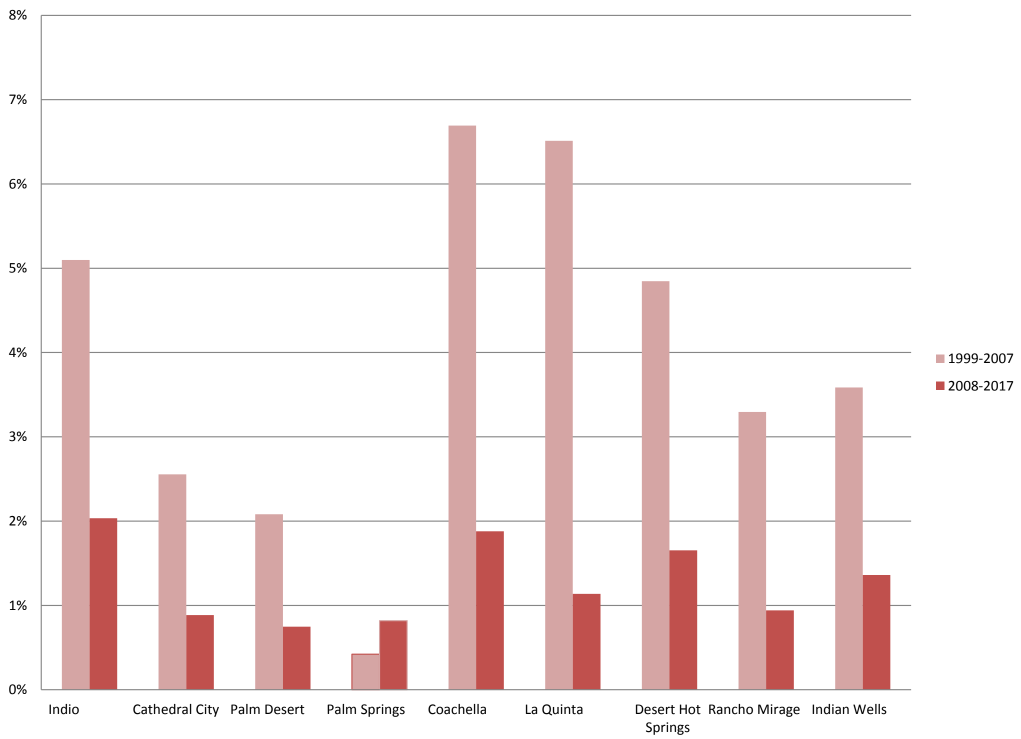

Figure 4 Different from other cities, Palm Springs has a slightly higher population growth rate for the post-recession period. Source: California Department of Finance.

Age Distribution, Riverside County, Rest of Coachella Valley, Palm Springs, 2017

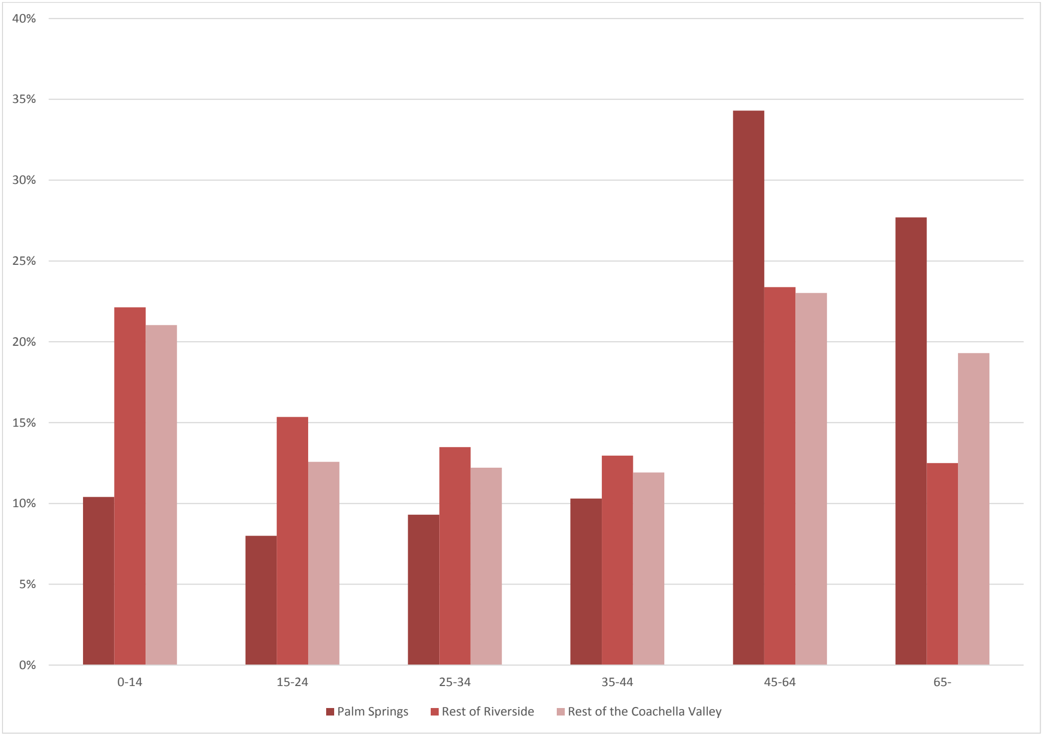

Figure 5 Significantly fewer, under 25-year old people live in Palm Springs and more than 60% of its residents are in the 45 year and older category. Source: California Department of Finance.

II. Income

Photo Credit: Matthew Roth

Palm Springs has the third highest total annual household income in the Coachella Valley, at $1.6 billion in 2015, or around 15.6% of total household income in the area. This calculation does not include wealth or retirement savings, and does not describe the income distribution between households within the city.

Median household annual income is a more objective measure of living standards as

Total Household Income, Annual, Coachella Valley Cities, 2015

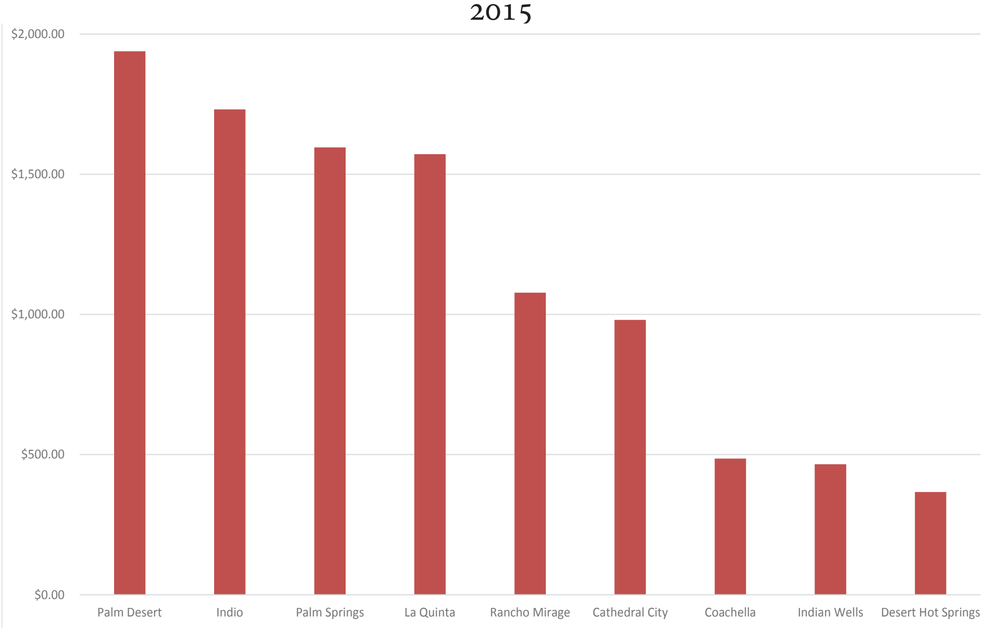

Figure 6. Palm Springs has the third highest total household income in the Coachella Valley. Source: American Community Survey.

it takes into account the number of households in each city. Palm Springs ranks sixth in the Valley with a median household income of roughly $44,000, which is less than half of the top-ranked Indian Wells' median household income of over $93,500. The median household income in Palm Springs in 2015 was also lower than the national average of close to $56,000 for a U.S. household in 2015.

The income distribution of Palm Springs is similar to that of the overall Coachella Valley. However, there is a larger percentage of low income households making between $15,000 and $25,000 and a corresponding smaller percentage of households making above $75,000.

Median Household income, Palm Springs and Rest of Coachella Valley, 2015

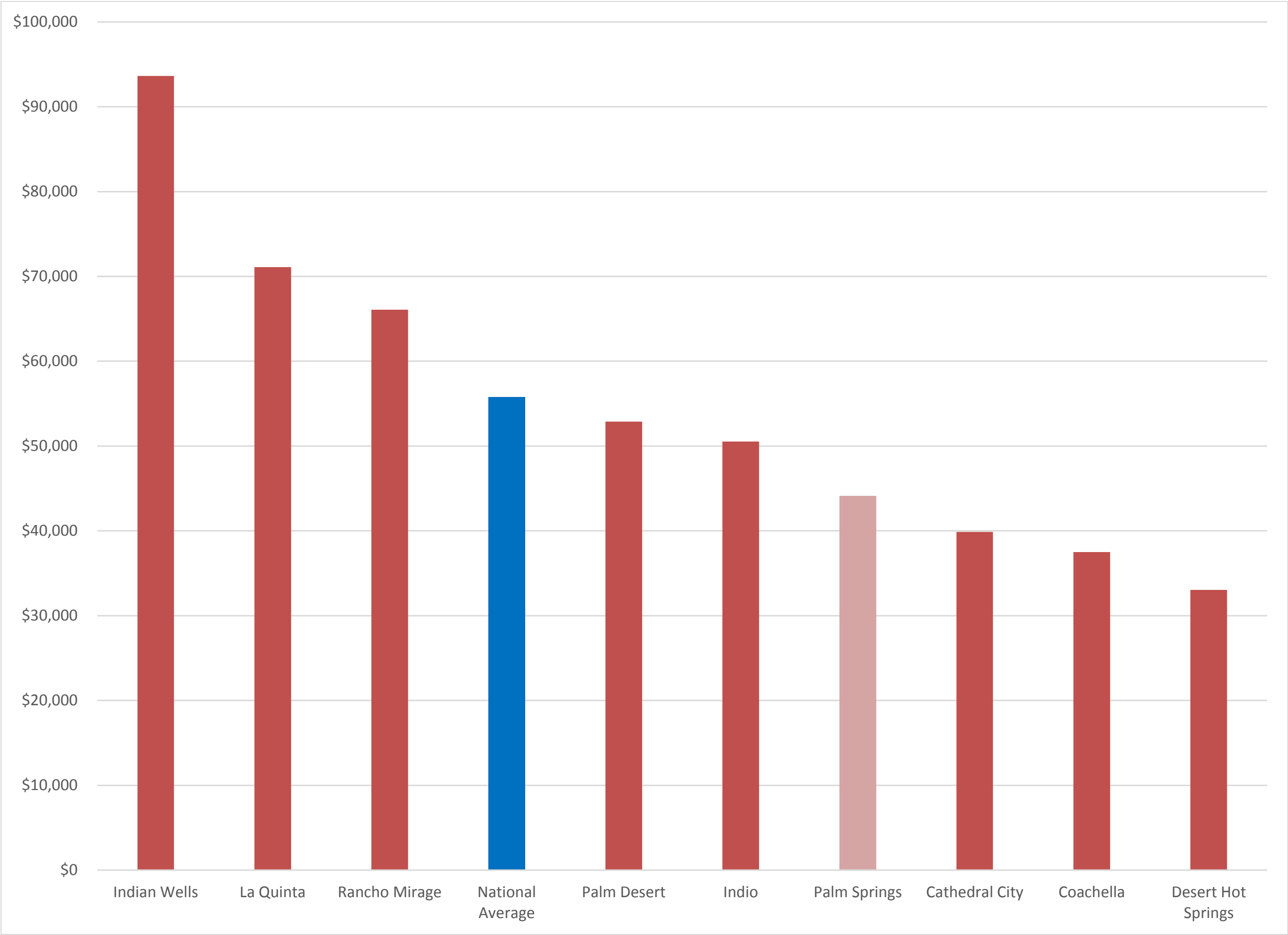

Figure 7. Palm Springs has a below national average median household income. Source: American Community Survey.

Income Distribution, Palm Springs and Rest of Riverside County, 2015

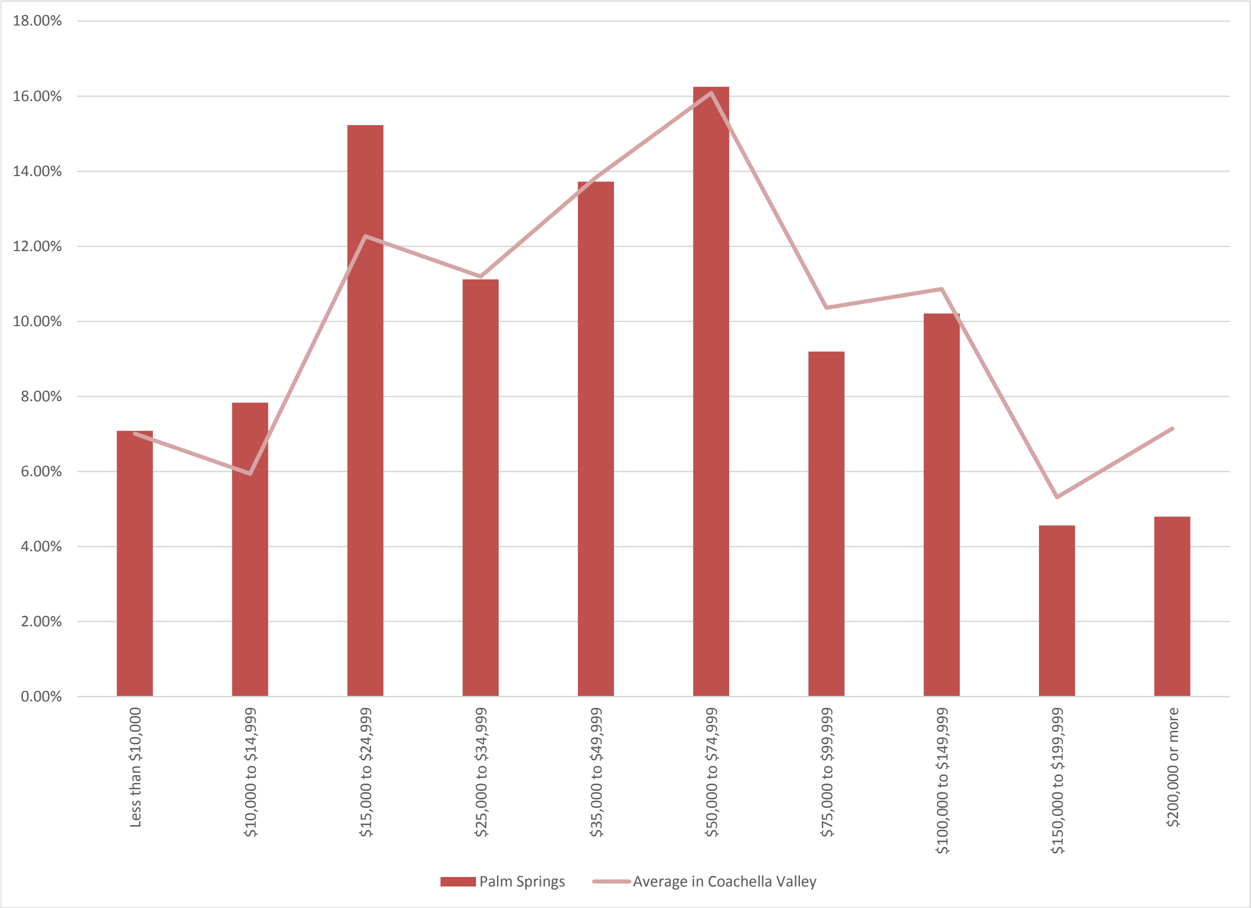

Figure 8. Compared to the rest of the Coachella Valley, more households have an income of less than $25,000 and fewer are in the $75,000-$150,000 category. Source: American Community Survey.

Household Income Classification				
Type	Household Income	United States Percentile	Inland Empire Percentile	Palm Spring Percentile
Lower Class	< $ 36,000	0 - 29%	0-36%	1-40%
Middle Class	$36,000 - $110,000	29%-80%	36%-87%	40%-87%
Upper Class	> $110,000	80% and above	87% and above	87% and above

III. Employment

Photo Credit: Brussels Airport

Figure 9 shows steady employment growth in Palm Springs between the pre-recession period of 2005 and the subsequent peak in March 2008. Employment initially declined by 11% during the Great Recession, but started to recover in 2010. It took a full six years before it surpassed its pre-recession levels in 2014. . Note that this employment recovery does not take into account population growth and an increasing number of people looking for work. The city currently employs more than 25,000 people, representing 20% of total employment in Coachella Valley.

The change in the unemployment rate is approximately equal to the difference between the growth rate of the labor force (employed plus unemployed) and the growth rate of employment. Without discouraged workers (workers who leave the labor force by stopping their search for work), the unemployment rate for Palm Springs would have increased by 11% during the recession. Numbers such as these are hard to comprehend: assume that the unemployment rate is 5%, then such an increase would carry it to 16%! By comparison, the unemployment rate in the Inland Empire increased by around 10% over the same period. However, Inland Empire reached peak employment in 2007 and declined by two percentage points by 2008. Palm Springs was hit later by the recession and lost fewer jobs than the Inland Empire.

While it is tempting to say that the Palm Springs overall lower unemployment rate and smaller job loss resulted from its large reliance on tourism, note that the recession affected unemployment in Palm Springs more adversely than in the Inland Empire or California. Between the economic peak in Palm Springs in 2006 and the trough of the subsequent recession in 2009, the unemployment rate increased by almost 8 percentage points, which is similar to the percentage point change for the Inland Empire and California. However, because Palm Springs started out with a lower unemployment rate of 3.8%, compared to around 5% for both the Inland Empire and California, its 7.7 percentage point increase represented a larger change in unemployment for the city. Furthermore, owing to a drop-

Average Monthly Total Employment, Palm Springs, 2005-2015

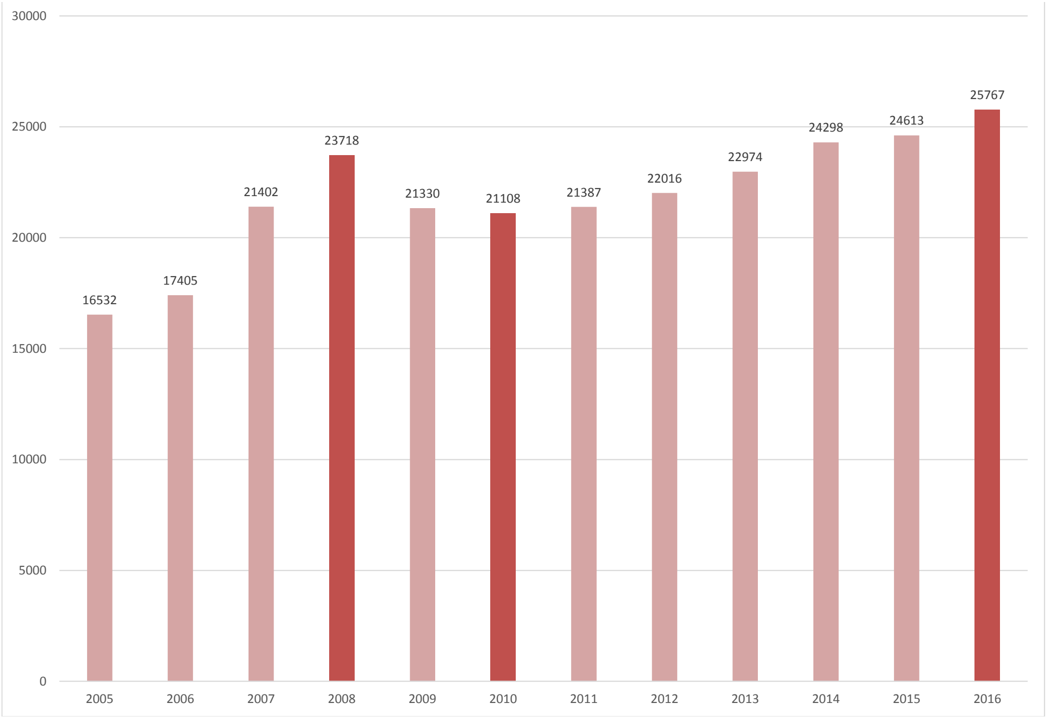

Figure 9. Palm Springs employment has recovered the jobs lost during the Great Recession and is in a constant growth. Source: Employment Development Department.

Unemployment Rate, Palm Springs, Inland Empire, California, U.S., 2006-2016

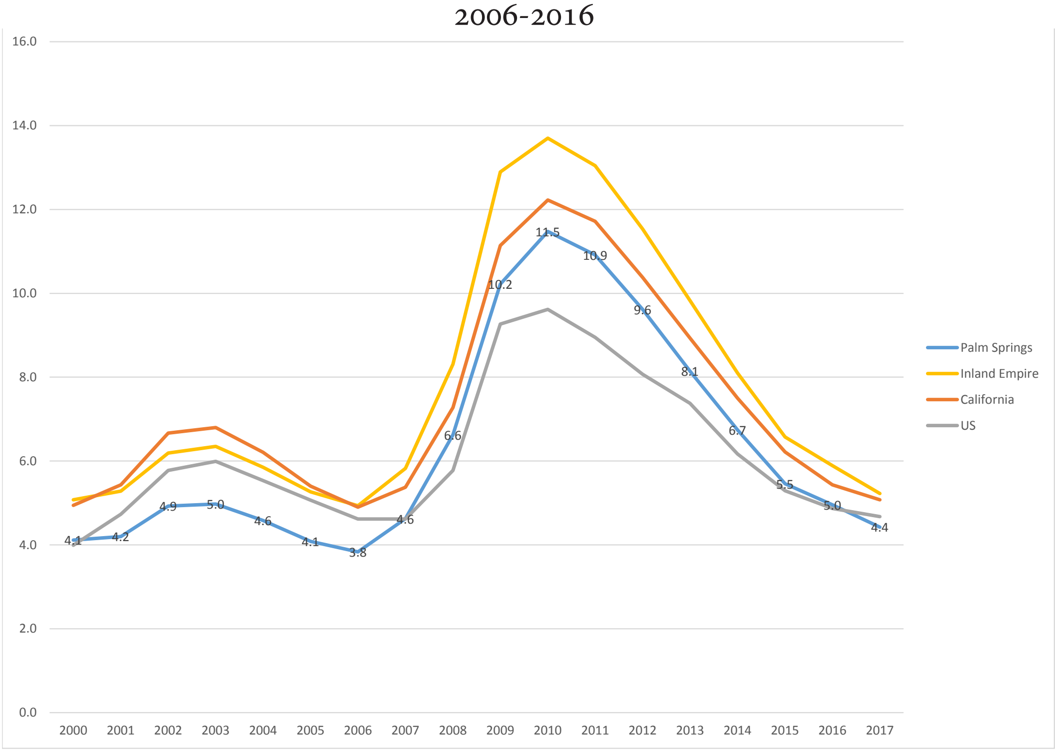

Figure 10. Palm Springs unemployment rate has returned to levels below the national rate. Source: Employment Development Department.

off in tourism, Palm Springs' leisure and hospitality sector, which employed almost a quarter of Palm Springs residents in 2008, lost over 40% (in words: forty) of its jobs during the recession, while the Inland Empire's leisure and hospitality sector lost less than 10%. Today, Palm Springs remains vulnerable to sudden drop-offs in tourism, as its leisure and hospitality sector now employs 26% of the labor force, a higher figure than that prior to the recession.

At the pre-recession peak, the three largest employment sectors for Palm Springs were Leisure and Hospitality (25.7%), Trade and Transportation and Utilities (22.8%), Education and Health Services (20.7%) (see Figure 11). Together, these three sectors make up almost 70% of employment in Palm Springs. Construction and Manufacturing, the sectors most impacted by the recession nationally, only generated 6.8% and 1.2% of employment in the city. Therefore, Palm Springs should have been less affected by the recession than other areas in the U.S. The percentage

Employment Composition at Employment Peak, Palm Springs, Feb 2008

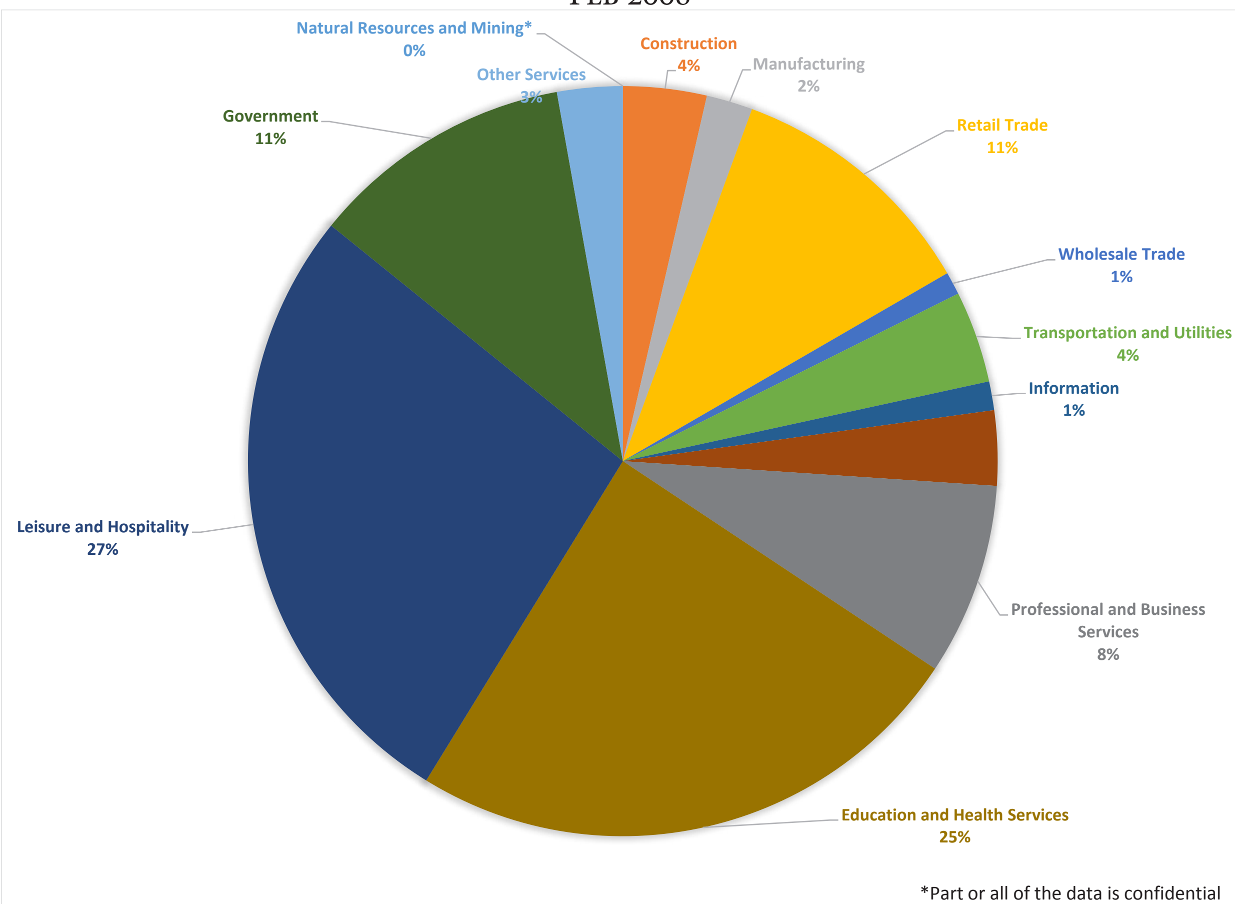

Figure 11. Leisure and Hospitality, followed by Education and Health Services, and Government were the three largest employment sectors in December 2016. Source: Employment Development Department.

composition of employment by sector remains similar today, although the recession has made construction and manufacturing decline further in importance . During this time, Government employment has seen significant growth (see Figure 12).

This pre-recession peak picture of employment sectors is significantly different for the Coachella Valley as a whole. Education and Health Services (8%) make up a much smaller percentage of employment, while Trade and Transportation, and Utilities (18%), and Leisure and Hospitality (20%) play slightly smaller roles.

Figure 13 shows that the job recovery has not been even across industries. The red color indicates any growth beyond the pre-recession peak, while the blue color indicate losses that has not been recovered since the pre-recession peak. The green color indicates any growth from the maximum job loss the sector experienced during the recession. The hardest hit sectors were:

- Trade, Transportation, and Utilities
- Education and Health Services
- Leisure and Hospitality.

The sectors least recovered from the recession are the bars where the blue shading makes up a large percentage of the total bar:

- Construction
- Information
- Financial Activities
- Government

Figure 13 is potentially misleading in the case of different sector sizes. For example, losing 500 workers when the entire sector only employs 1,000 people represents a loss of 50% of all jobs for that industry. Figure 14 tries to

Percentage Change in Employment from Previous Peak by Sector, Palm Springs, 2016 M3

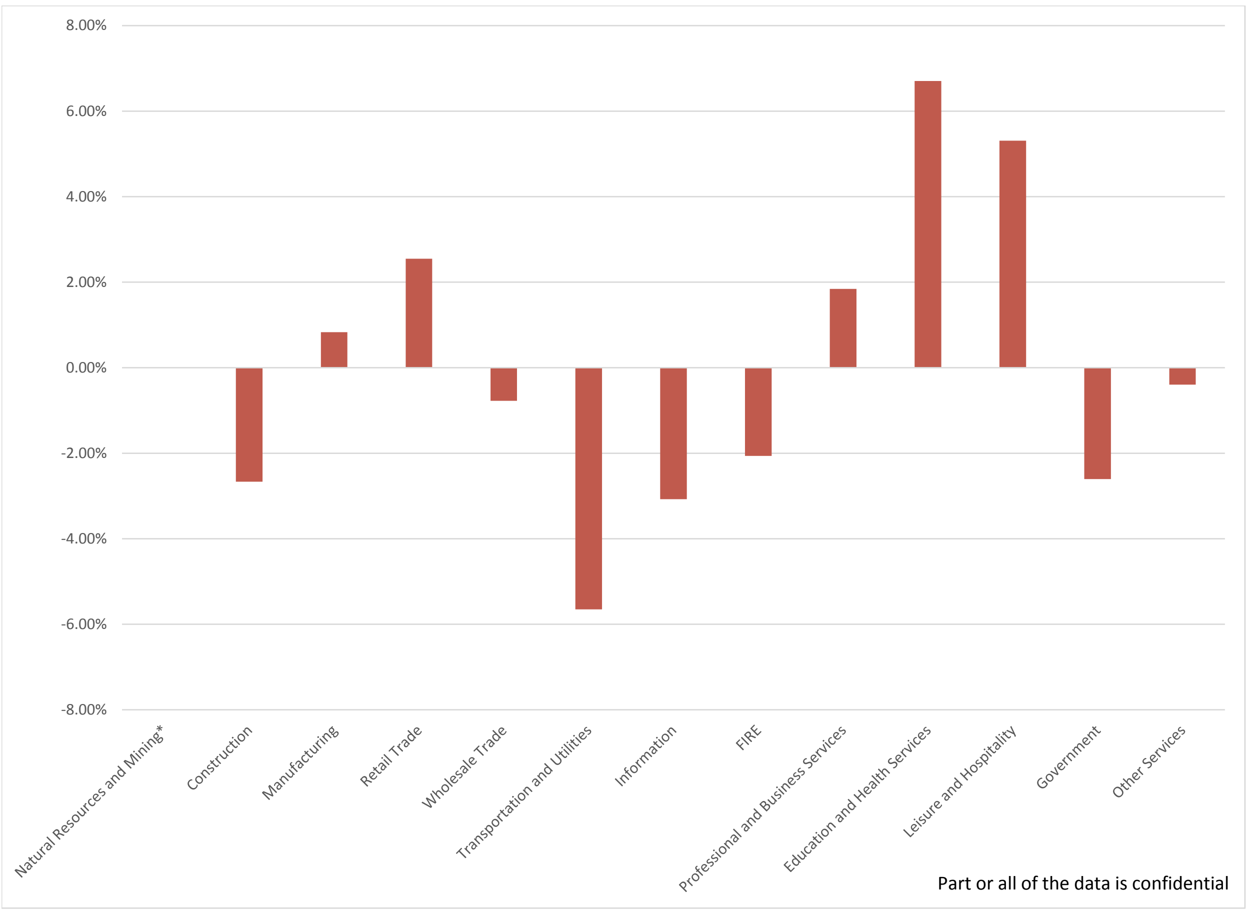

Figure 12. Education and Health Services, and Leisure and Entertainment sector's percentages of total employment have increased the most since the pre-recession peak. Transportation and Utilities's percentage of total employment have decreased the most. Source: Employment Development Department.

Change in Employment from Previous Peak by Sector, Palm Springs, 2016 M3

Industry	Average Pay	Employment
Natural Resources and Mining	N/A	N/A
Construction	$50,668	957
Manufacturing	$45,615	531
Retail Trade	$30,536	2935
Wholesale Trade	$47,565	261
Transportation and Utilities	$41,206	1052
Information	$54,281	329
Finance, Insurance, and Real Estate	$48,043	857
Professional and Business Services	$39,937	2200
Education and Health Services	$60,357	6498
Leisure and Hospitality	$25,926	7179
Government	$54,297	3021
Other Services	$29,613	750

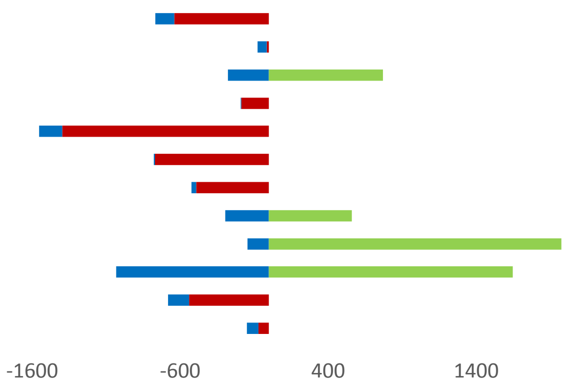

Figure 13. The sector least recovered from the recession is Transportation and Utilities and the sector has surpassed the pre-recession peak the most is Education and Health Services.

Percentage Change in Employment from Previous Peak by Sector, Palm Springs, 2016 M3

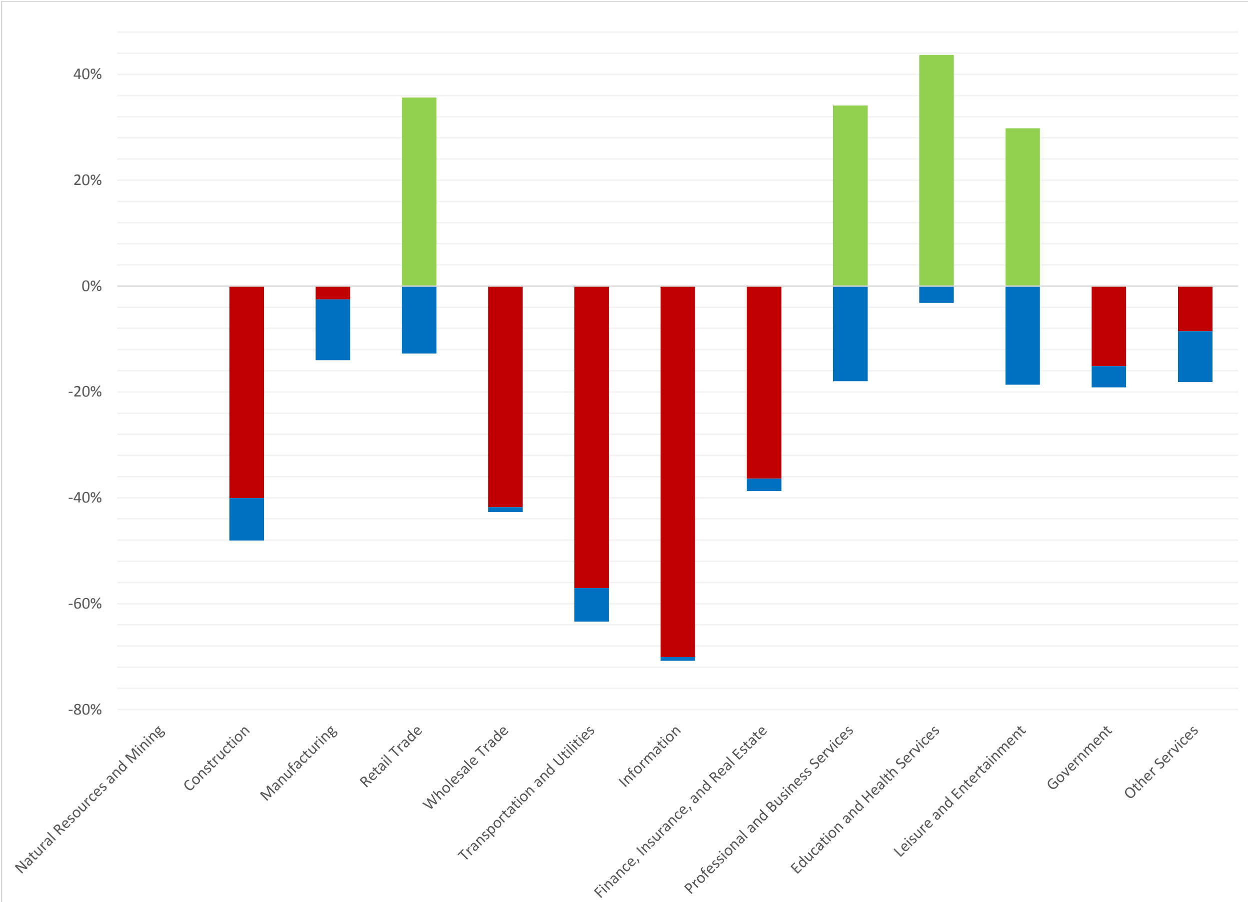

Figure 14. Information, and Transportation and Utilities had the largest percent increase in employment after the Recession. Source: Employment Development Department.

correct for this by displaying the job losses in percent of the labor force employed before the recession.

Figure 14 shows the enormous percentage of Manufacturing jobs added. However, due to the small size of the sector in Palm Springs, this does not translate into a large number of jobs. A positive development for Palm Springs has been the relatively large percentage increase in jobs for Professional and Business Services, since these, on average, are better paying positions.

Increases in employment in some sectors do not necessarily imply a better financial situation for residents. For example, if you replace well-paying jobs in Construction with low wage equivalents in Leisure and Hospitality, then the unemployment rate may be unaffected, but the standard of living is lower. Figure 15 shows year-to-year growth in payroll for Palm Springs both in terms of nominal gains and real gains (after eliminating the effect of inflation). Total payroll jumped 30% in 2007, but the Great Recession resulted in a significant subsequent decline. In real terms, there were no gains in payrolls until 2014. Payroll gains have been modest recently.

Total payroll can increase because of either employment gains or increases in average pay. Figure 16 reveals the return of nominal pay to pre-recession levels. However, due to inflation, the average real pay has not recovered to pre-recession levels. Mirroring this, at the national level, the average real wage decreased following the Great Recession, but rose slightly in the past three years.

Figure 17 shows the same calculations in terms of both real and nominal percentage changes. Following a large increase in 2008, Palm Springs experienced four years of real decreases in percentage change in average pay per job.

Total Payroll Growth Rate, Palm Springs, 2006-2016

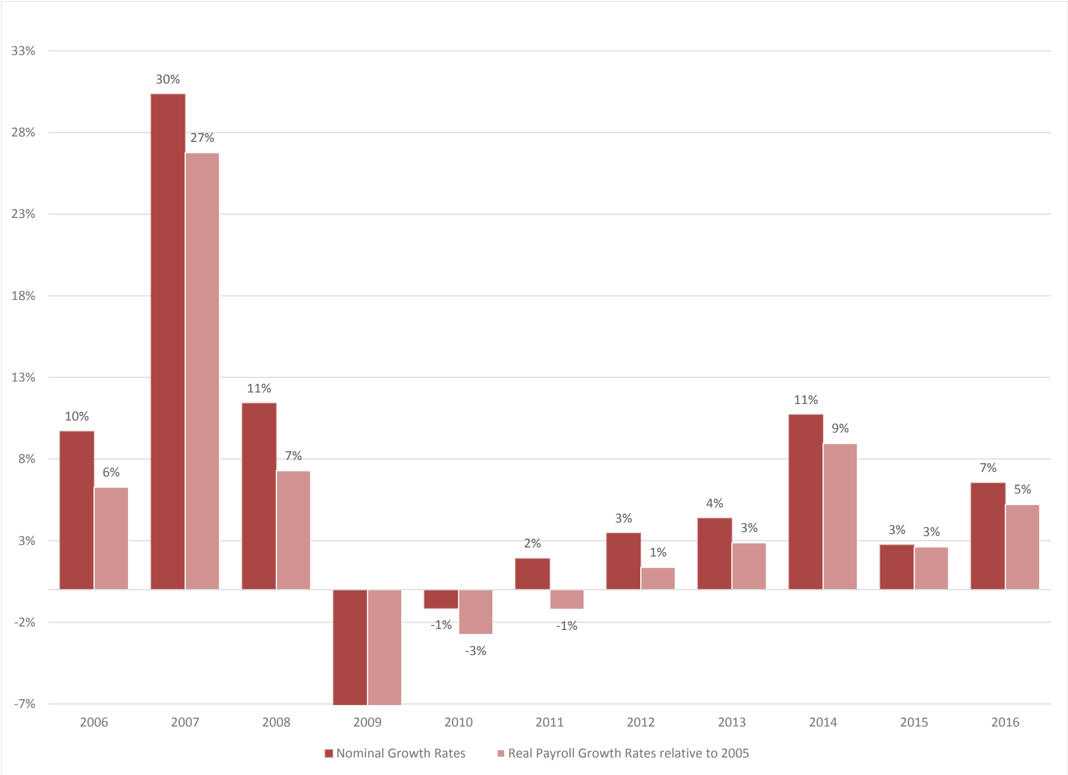

Figure 15. Following the large swings prior and following the recession, total payroll has seen healthy gains recently. Source: Employment Development Department.

Nominal and Real Average Pay per Job, Palm Springs, 2005-2016

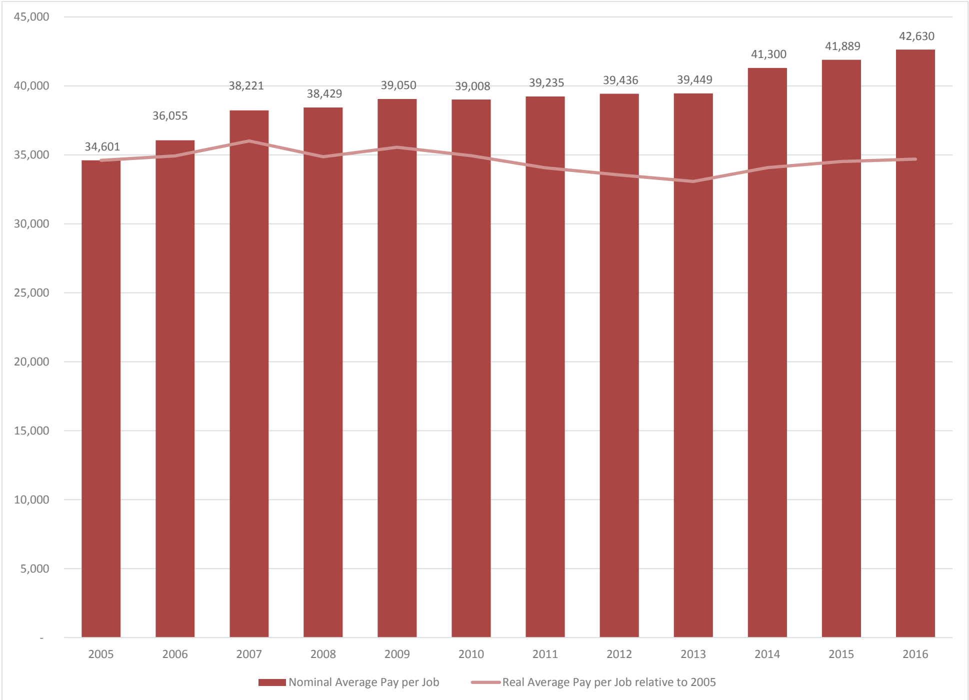

Figure 16. The real average pay per job has not recovered to its pre-recession level. Source: Employment Development Department.

Percentage Change in Average Pay per Job, Palm Springs, 2006-2016

Figure 17. Nominal and real average pay per job has had solid growth since 2014 but the growth is slowing down. Source: Employment Development Department.

IV. Taxable sales

Photo Credit: Yinan Chen

Taxable retail sales per capita is a potential metric for measuring a city's wealth. In essence, this dollar amount represents a large proportion of tax revenue the government can spend per resident. Because this measure is calculated per person, the increase in retail sales may be dampened by a growing population. The calculations do take into account changes in inflation. Figure 18 shows retail sales per capita in Palm Springs since 2000.

Sales were largely affected by the Great Recession, increasing steadily from 2002 to 2006 but dropping 13% from 2006 levels by 2009. Note that the retail sales per capita decreased prior to the start of the Great Recession in late 2007. Sales recovered from this trough afterwards, and nominal sales surpassed 2006 levels by 2012. However, when adjusting for inflation, our data shows that retail sales per capita have not yet recovered to peak 2006 levels, growing slowly since bottoming out in 2009. In 2015 retail sales per capita flattened out and indeed showed a small 1% drop.

Figure 14 above shows that employment in the Trade-Transportation-Utility sector has not fully recovered from the recession, partially owing to sluggish sales per capita. While the current upward trend in taxable retail sales per capita indicates a continued climb back towards 2006 peak levels, there is a decreasing marginal change in sales per capita figures. Note that there is a visible flattening of the inflation-adjusted curve in Figure 18. The decreasing marginal changes suggest either a slowing down in tourism or a decrease in spending per resident or tourist. This could present a potential budget problem or signify an upper limit for tourism in Palm Springs.

Figure 19 confirms that Palm Springs is one of the top recipients of total retail sales in the Coachella Valley, with only Palm Desert having higher sales figures. The $1 million it receives in total annual retail sales makes it clear that it will continue to be a major player in the Coachella Valley.

Taxable Retail Sales Per Capita, Palm Springs, 2000-2015

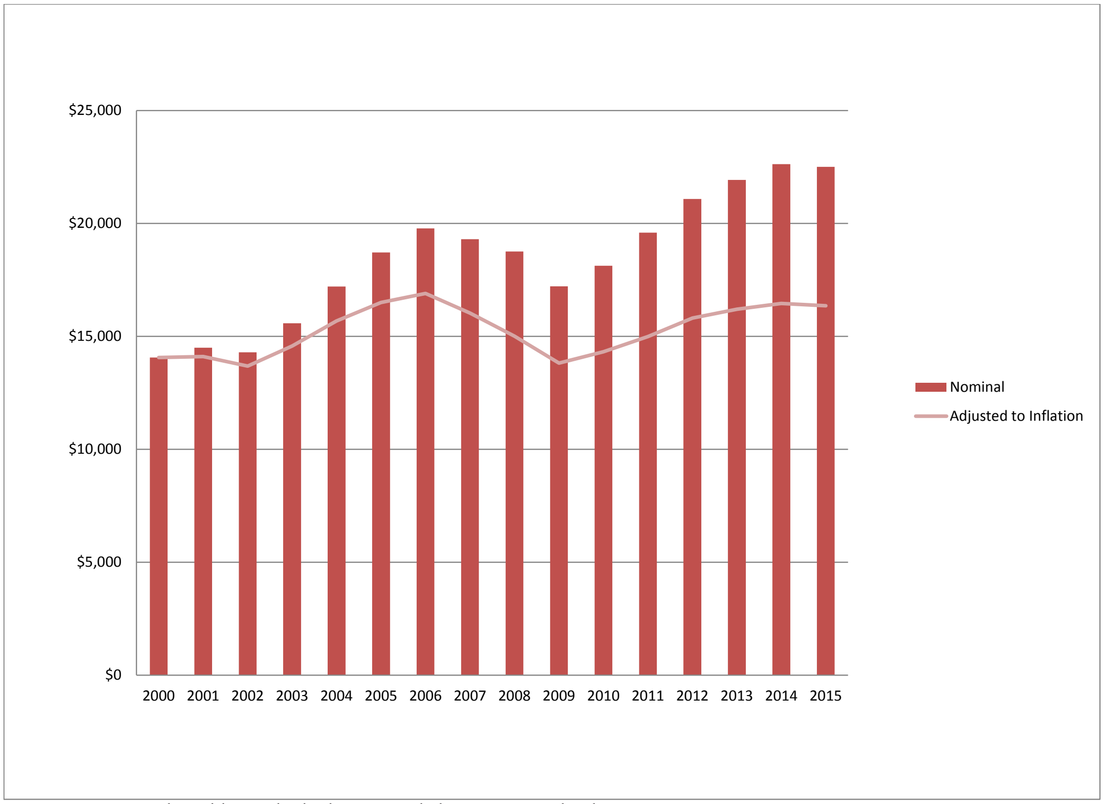

Figure 18. Nominal taxable retail sales have exceeded pre-recession levels, though real sales have not. Source: California State Board of Equalization.

Retail Sales By City, Coachella Valley, 2015

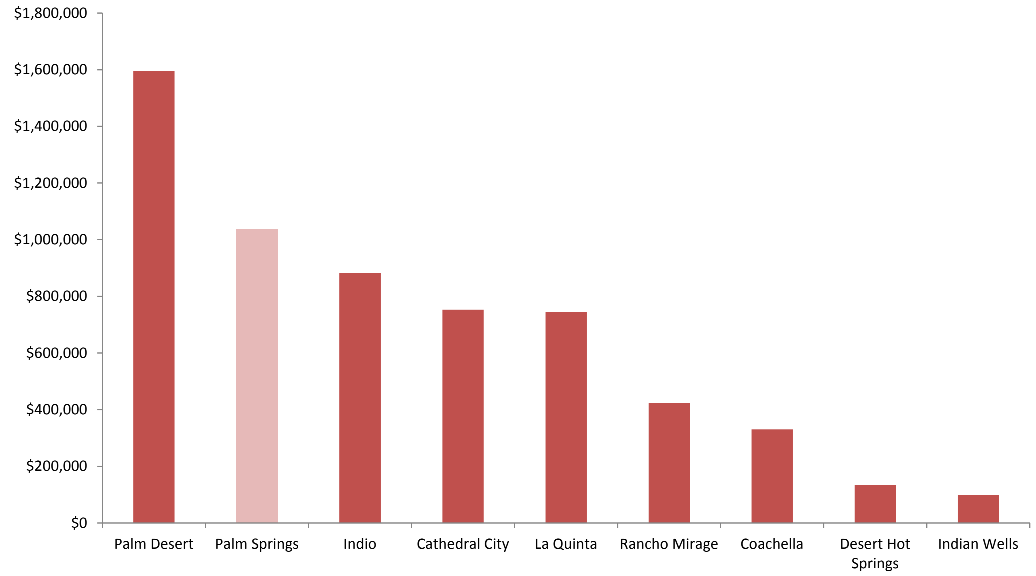

Figure 19. Palm Springs has the second highest number of retail sales in Coachella Valley. Source: California State Board of Equalization.

V. Housing

Palm Springs is a major brand name in the second and retirement housing industry. It has always had a two-pronged appeal, one for the middle-class and one for the wealthy. While the wealthy can still afford to buy homes here, the Palm Springs middle-market seems to have lost sales momentum lately as median existing home prices have risen 87% by 2017 since the end of the trough in 2010. This deceleration in momentum, in part, is the result of a lack of affordability and hence the increased absence of middle-class buyers in Palm Springs. The situation is intensified by low housing supply. Resale inventory is tight and new housing stock exists mostly in the form of high-priced products for the wealthy. Clearly, additional new home supply would mitigate the shortage somewhat. However, whether or not Palm Springs wants to go down that path is a major policy decision that has a variety of interest groups wrangling with the issue.

Figure 20 depicts annual sales in the entire Coachella Valley and shows a gentle recovery during the last 5 quarters in resale transactions, while new home sales remain weak. The situation for Palm Springs (see Figure 21) is similar and there has been little change since 2010. For the most recently available data, new home sales continue to represent less than 5% of total sales. Compare this figure to the peak in 2010, when it stood at over 20%. While existing homes were enjoying a massive market share, they have also shown a downward trend since 2013 Q3 when they peaked at over 2,700 sales. By 2017 Q2, they had dropped by 33% to a little over 1,800 units. This decline differs from the one observed for the aggregate Coachella Valley numbers, which started to stabilize in 2015 Q4. It is possible that a mini-renaissance of Canadian buyers in the down valley resorts such as La Quinta and Rancho Mirage has occurred as a result the Canadian Dollar stabilizing and even strengthening slightly during the last five quarters. This does seem to have been a factor in Palm Springs yet.

While new home sales were anemic, many private home builders have been complaining about the difficulty of obtaining financing for land and housing development, in addition to difficulty finding skilled construction workers. These constraints on the supply side may have also contributed to low new home sales. Just 460 finished lots were delivered during the last eight years.

Coachella Valley Existing Versus New Home Sales, Annual Running Sales

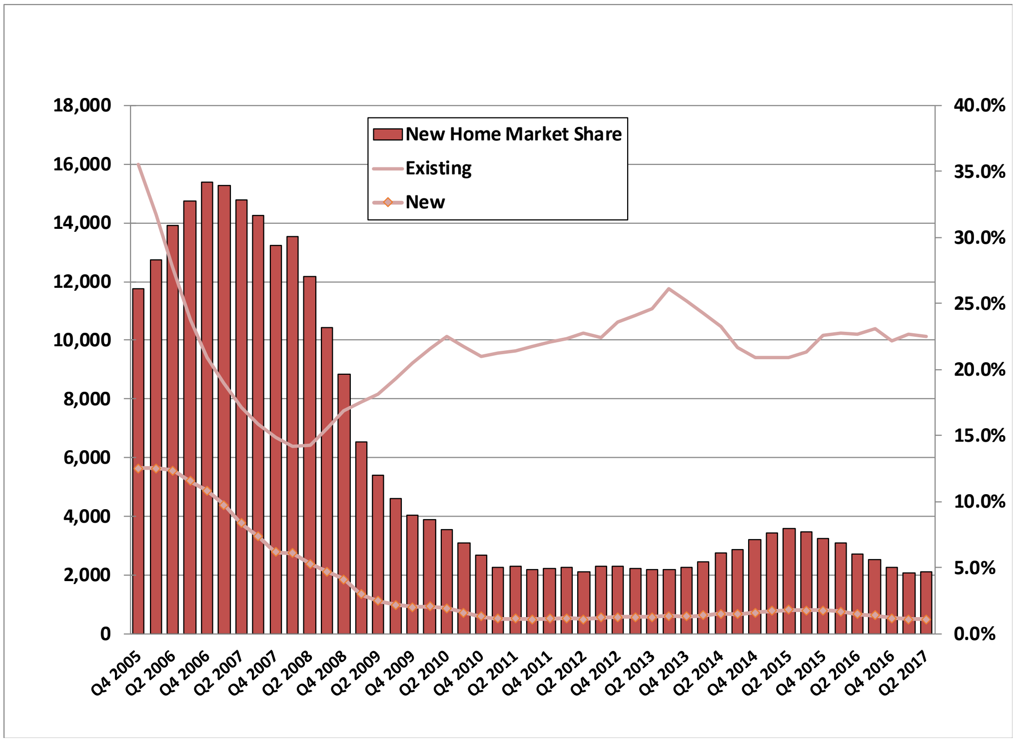

Figure 20. Over the past 10 years, the Coachella Valley's new housing market has been in steady decline. Source: Metrostudy.

Palm Springs Existing Versus New Home Sales, Annual Running Sales

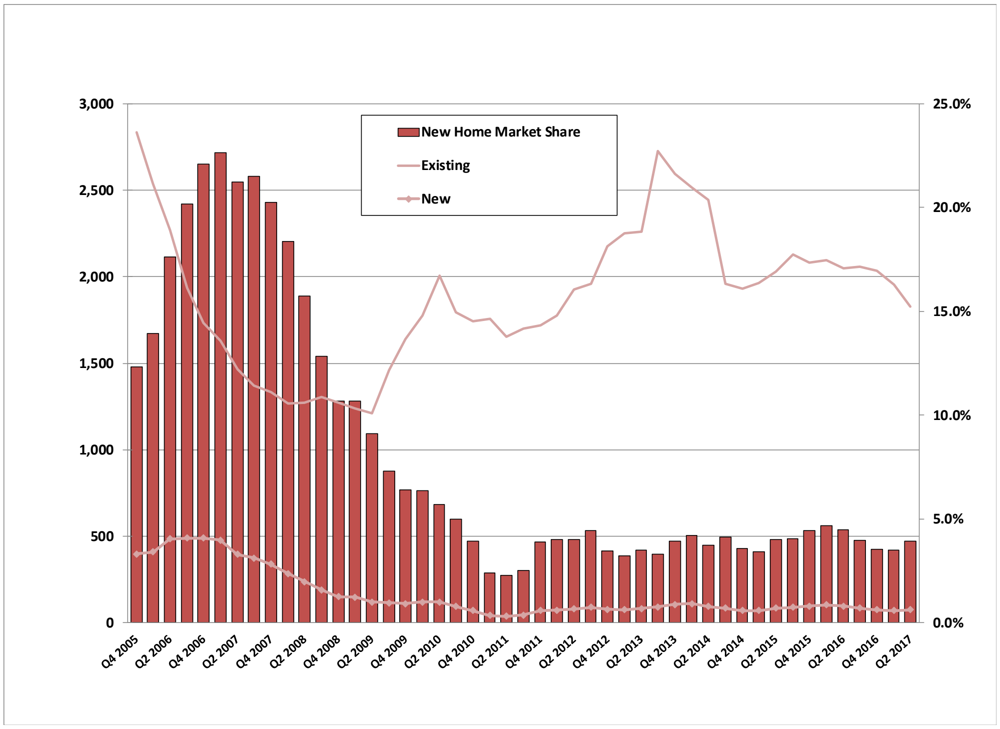

Figure 21. Similar to the rest of the Coachella Valley, new housing sales in Palm Springs have been weak for the first half of 2017. Source: Metrostudy.

Despite the disappointing sales volume, Palm Springs median existing home prices have steadily increased from the low, foreclosure induced, bargain prices during the 2009/2010 period (see Figure 22). By 2017 the existing median home price had reached $393,000, third highest in the Coachella Valley. Additionally, Palm Springs has some of the highest median prices in the Valley for new single-family detached homes. These prices have climbed to $1.1 million or more in 2017, partially emanating from one particularly sophisticated new home project done in the mid-century modernist style inspired by the tradition of the 1950s modernist housing stock in Palm Springs.

Figure 23 shows the pattern of overall home sales since 2011 in Palm Springs. As mentioned previously, there is significant weakness in the new housing market in Palm Springs. However existing home sales have also declined due to lower condo resales. These make up over 43% of the existing housing market. Overall, Palm Springs is estimated to have the second largest resale market in the Coachella Valley in 2017 with 1,670 sales, despite the recent decline in sales.

Figure 24 shows the expected sales of existing housing stock in Palm Springs and the eight other Coachella Valley cities for the 2016-2017 period. There is a sharp decline of roughly 29% in the condo market and a 1% increase in existing single-family homes. The graph makes it clear that the weakness in existing housing sales in Palm Springs is primarily driven by declines in the housing sales for condos which started in 2016 and accelerated in 2017. Figure 25 plots the corresponding percentage change in home prices. We forecast that for 2017 as a whole, Palm Springs is likely to experience a 16% jump in existing condo prices – despite, or perhaps because of, weaker sales. At the same time, we expect existing single-family resale prices to show a 7% increase.

Resale Versus New Home Prices in Palm Springs Smoothed (4 Quarter Average)

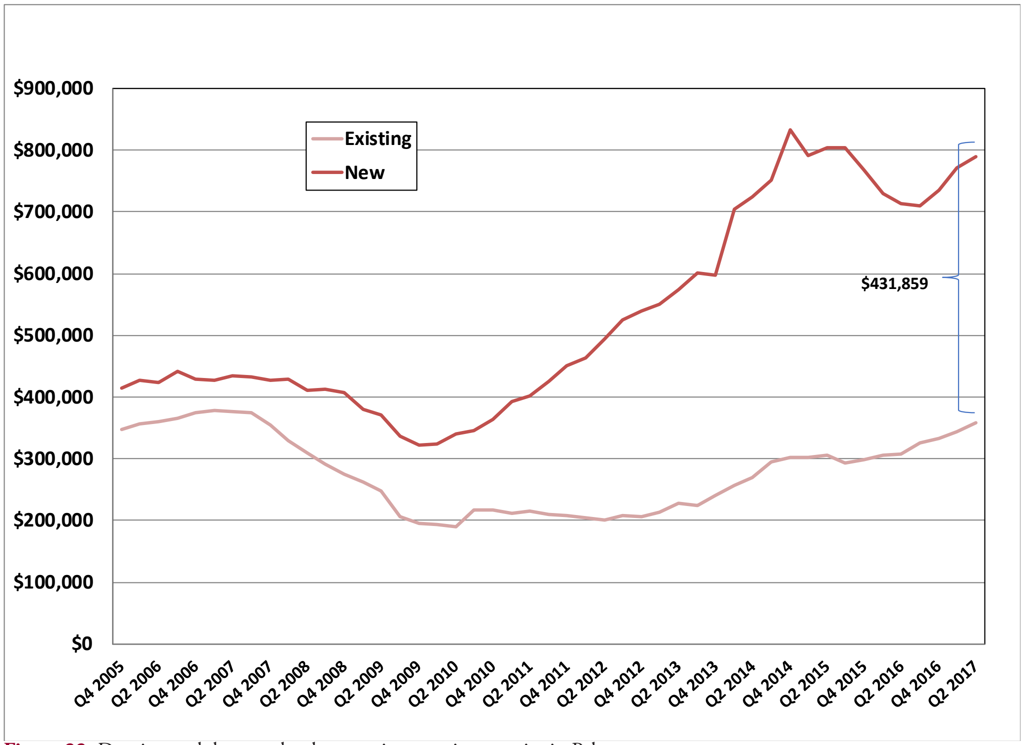

Figure 22. Despite weak home sales, home prices continue to rise in Palm Springs. Source: Metrostudy.

Annual Housing Sales, Palm Springs 2011 - 2017

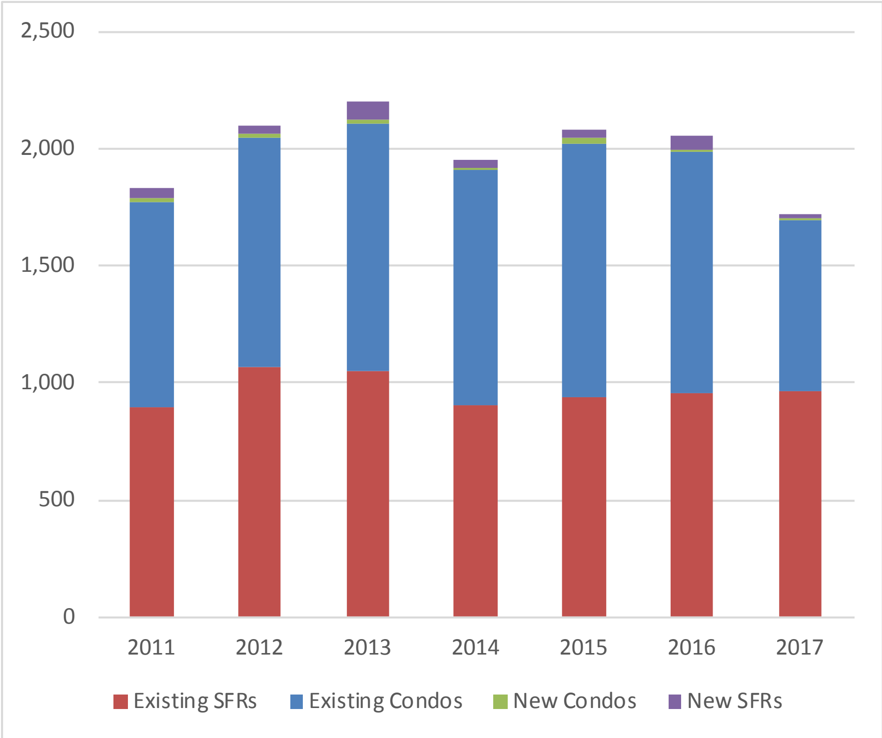

Figure 23. The new condo market in Palm Springs is consistently low, signalling a significant weakness. Source: CoreLogic.

Percentage Change in Existing Home Sales by City, Coachella Valley, 2016-2017

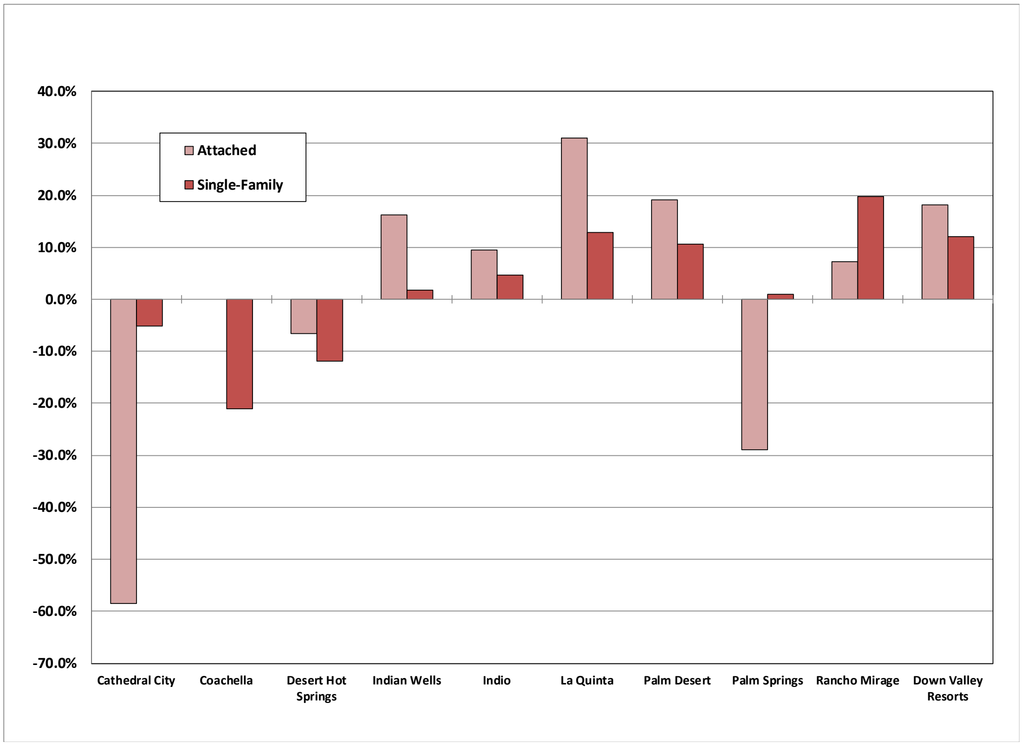

Figure 24. In Coachella Valley, single-family home sales decrased substantially. No data on existing condos sale were available for Coachella Valley. Source: CoreLogic.

Percent Change in Median Home Prices, Coachella Valley, 2016- 2017

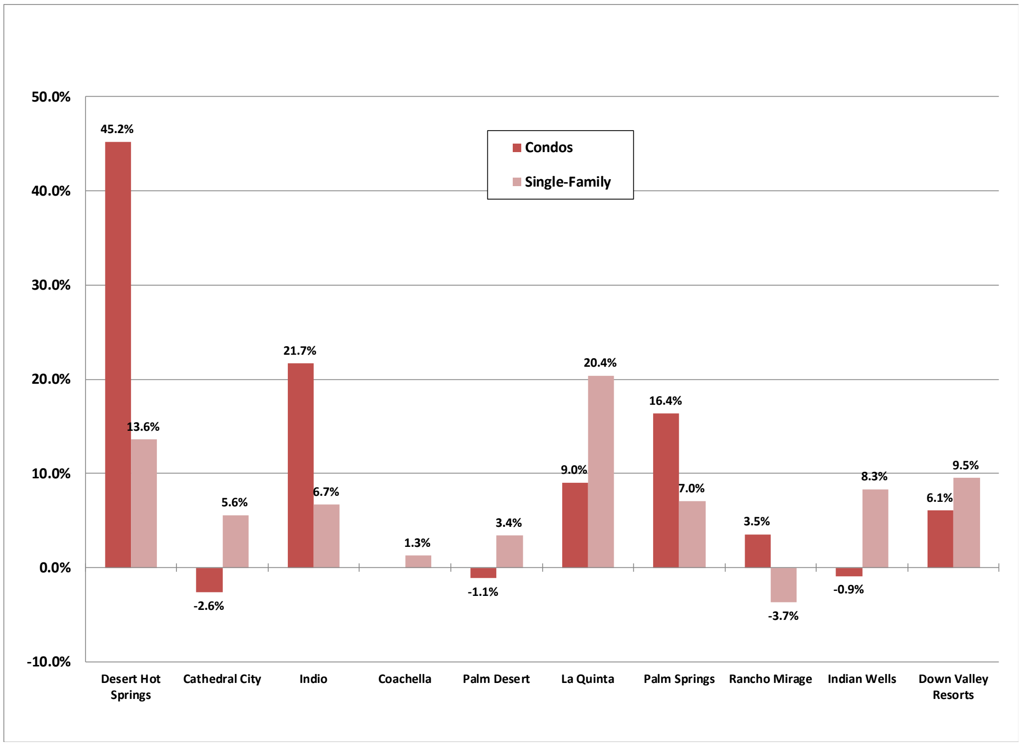

Figure 25. Compared to the rest of the Coachella Valley, Coachella experienced neglible changes in median home prices. Source: CoreLogic.

One of the interesting questions to ponder is whether or not the weakness in condo sales is solely a result of weak demand. We believe instead that there are serious supply constraints. For example, the existing condo inventory was just 3 months in 2017 Q2, which suggests supply shortages. Furthermore, according to Metrostudy, there has been virtually no new condo production in Palm Springs since 2008. The supply situation in single-family homes is not much better with inventory registering 4.7 months recently. In essence, we have a similar situation here to what we see in many other California cities, where low inventory leads to low sales and higher prices simultaneously.

Note that there are persistent affordability problems in Palm Springs for middle-class households, which may be one of the causes behind the observed weaker existing home sales. For example, the minimum annual income required to purchase an estimated median priced single-family detached home of $547,000 in 2017 is roughly $124,000 in Palm Springs. According to the American Community Survey, this number is roughly three times the local median household income of $44,000. Even the $238,000 median condo price in 2017 requires a minimum income of $54,000, which exceeds the local median income by a sizable amount. The same survey shows that rental households spend 36% of their income on rent, which is slightly higher than the industry standard of 33%. Given these numbers, middle-class households have difficulties affording the cost of housing and may be less inclined to stay in Palm Springs.

Figure 26 shows the share of vacation homes for the nine cities. Palm Springs' share in total housing units is a relatively large, close to 28%. This is very much in line with La Quinta, Palm Desert, and Rancho Mirage. The share of vacation homes reflects the demand for housing from households coming from outside the area. Figure 27 shows the distribution of purchases by Canadians across the nine cities since 2009. The share of Palm Springs is similar to that of La Quinta, Indio, and Rancho Mirage, but is smaller than that of Palm Desert and Indio. Depending on the Canadian/U.S. Dollar exchange rate, Canadian buyers are said to represent up to 35% of all home buyers. Figure 28 indicates that home buying by Canadians must have experienced somewhat of a comeback in some of the Coachella Valley cities during the last five quarters as the Canadian Dollar stabilized following its sharp depreciation between 2013 Q1 and 2015 Q1. According to CoreLogic, the Canadian buyers make up 15%, on average, of all purchases since 2009.

In summary, home prices will continue to rise but volume momentum is weakening in Palm Springs. Housing affordability for the middle-class is becoming an issue and supply constraints in the new and existing housing markets are holding home sales back.

Coachella Valley % Share of Vacation Homes, 2015

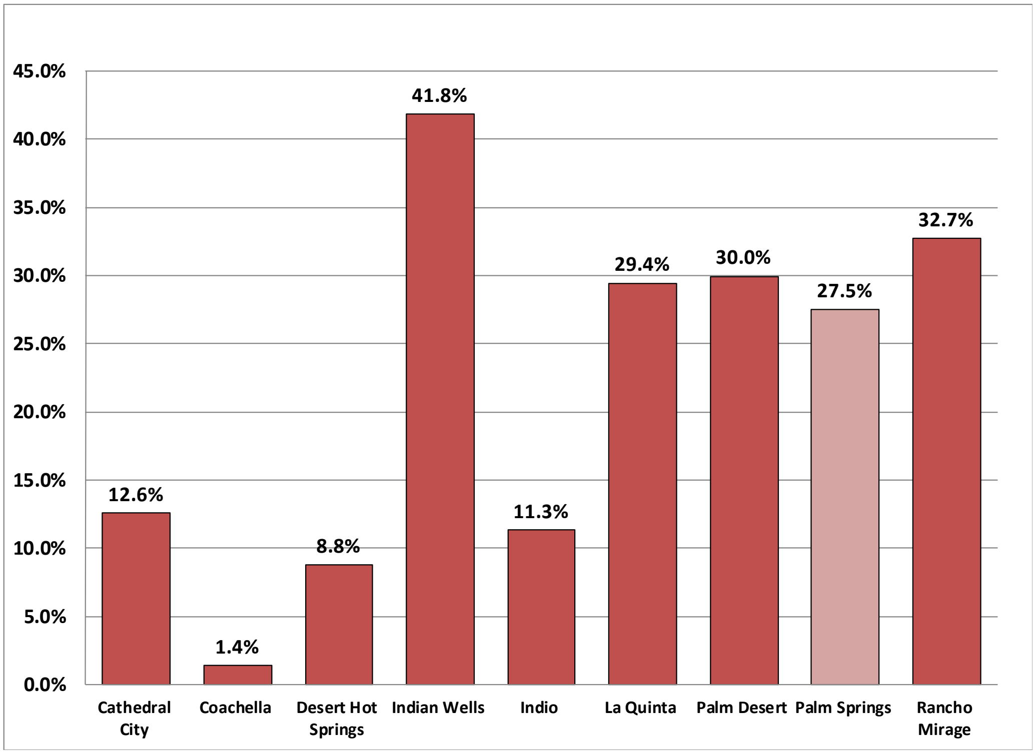

Figure 26. At around 27.5%, Palm Springs maintains an above average share of vacation homes. Source: American Community Survey.

Where Canadians Have Been Buying Since 2009

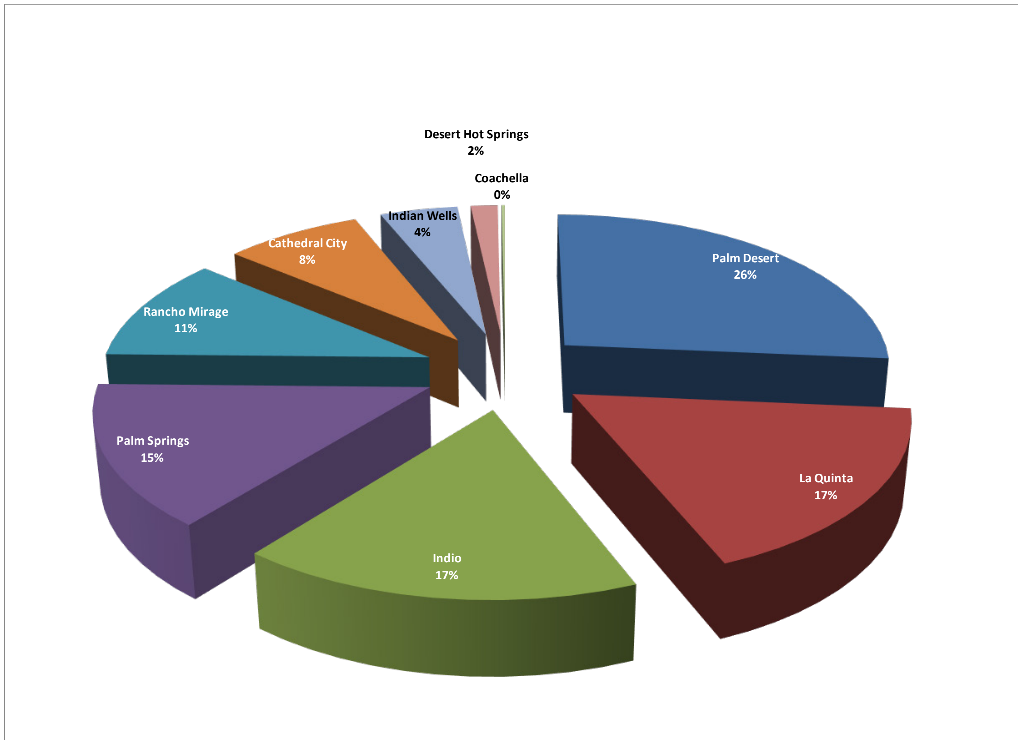

Figure 27. While lagging behind Palm Desert, Palm Springs has enjoyed successs with Canadians like the rest of the Coachella Valley. Source: CoreLogic.

Canadian Home Buying and the Canadian Exchange Rate in the Coachella Valley (2009 Q3 = 100)

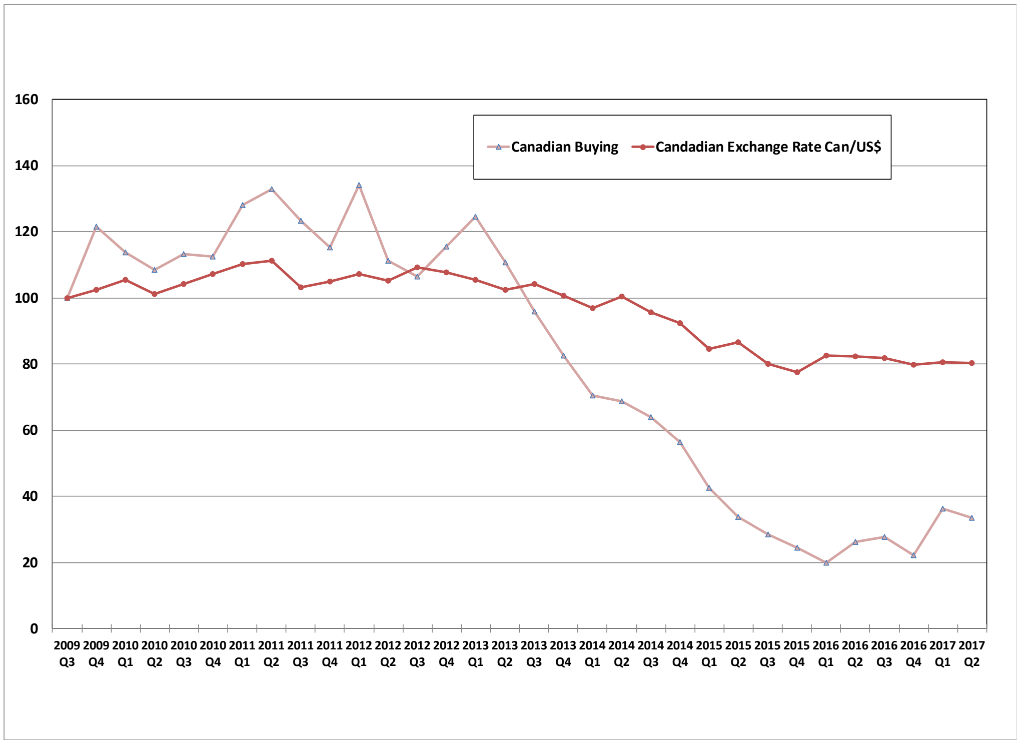

Figure 28. Despite the decline in recent years, over the last few quaters the Coachella Valley has seen a comeback in Candian buying. Source: CoreLogic and the Federal Reserve Bank of St. Louis.

VI. Crime

Photo Credit: Yumi Kimura

Figure 29 shows that Palm Springs ranks first in the Coachella Valley for the number of property crimes per 100,000 people, at roughly 6400. This is almost three times the national average of less than 2500, and a concerning figure given the city's reliance on tourism.

Palm Springs also ranks third in the number of violent crimes per 100,000 people, at almost 600. This figure is higher than both the national average of 375 violent crimes and the California state average of 300 violent crimes.

Palm Springs has followed the recent national trend of increasing violent crimes, with its number of violent crimes going up by about 40 since 2013. What makes matters worse is that the U.S. as a whole has seen a declining

Crime Rate per 100,000 People, Coachella Valley, 2015

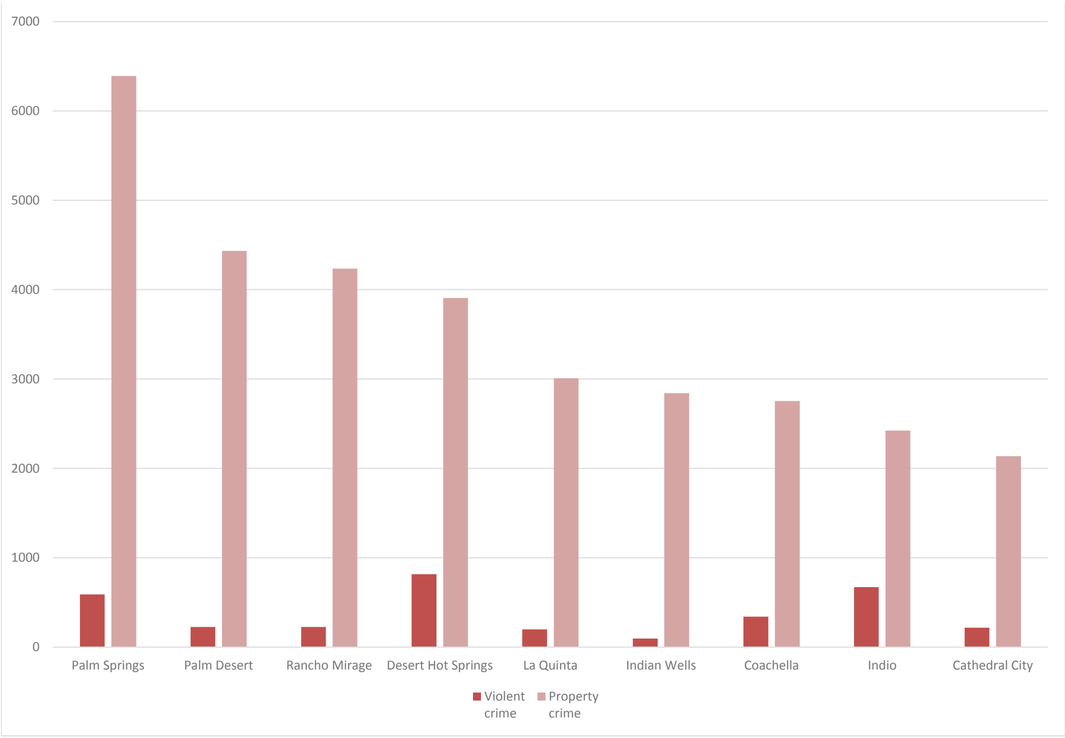

Figure 29. Palm Springs has the highest property crime rate and one of the highest violent crime rate in the Coachella Valley. Source: FBI.

national trend in property crimes, while there have been an additional 1,000 incidences in Palm Springs since 2013. We assume that this is due to the city's popularity as a tourist destination. As Palm Springs recovers from the Great Recession, it continues to attract tourists from around the world. It seems that the number of property crimes, including burglary, larceny, shoplifting and vandalism, have gone up along with the increase in the number of tourists.

VII. Education and Human Capital

Photo Credit: Theonlysilentbob

Human capital is seen as a major determinant in earnings and unemployment, and we established in the Coachella Valley report that large levels of investment in human capital result in lower unemployment rates. Figure 30 shows our human capital index for the nine cities, which takes into account various levels of education.

Palm Springs remains fifth in the Coachella Valley in the index. About 87.5% of Palm Springs residents have a high school diploma and 34% of residents have a Bachelor's degree or received education beyond that. These numbers are similar to the national

Human Capital Index, Palm Springs, 2015

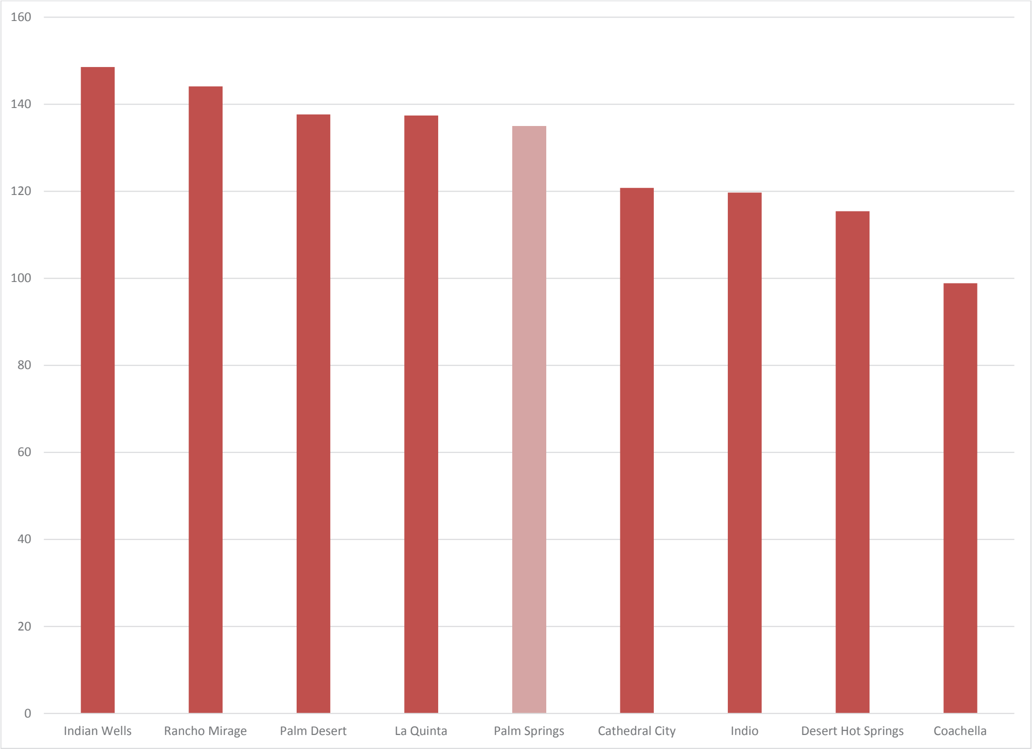

Figure 30. Palm Springs ranks in the middle in terms of "stock" of human capital among the nine cities. Source: American Community Survey

percentages of 88% and 33% respectively, which indicates that Palm Springs residents are on par with the average American in educational attainment. California ranks lower than the national average at 82% and 32%, respectively. Thus, Palm Springs also sits above the state average. The fact that the city's educational attainment compares well with the national average suggests that education is not a significant factor in its lower median household income.

VIII. Health Insurance

Photo Credit: Pixabay

The percentage of Palm Springs residents with health insurance has fluctuated moderately over the past five years, increasing from almost 79% in 2011 to around 83% in 2015. This follows a general trend in the United States and California that can be attributed to the rollout of the Affordable Care Act.

The percentage of Palm Springs residents with health insurance remains lower than the percentages for the United States and California by about four and two percentage points, respectively. This is possibly due to the lower median household income, relative to U.S. numbers, making it financially difficult for some families to obtain coverage. However, the difference in percentage points has decreased between 2014 and 2015.

% of Population with Health Insurance, Coachella Valley, 2010-2015

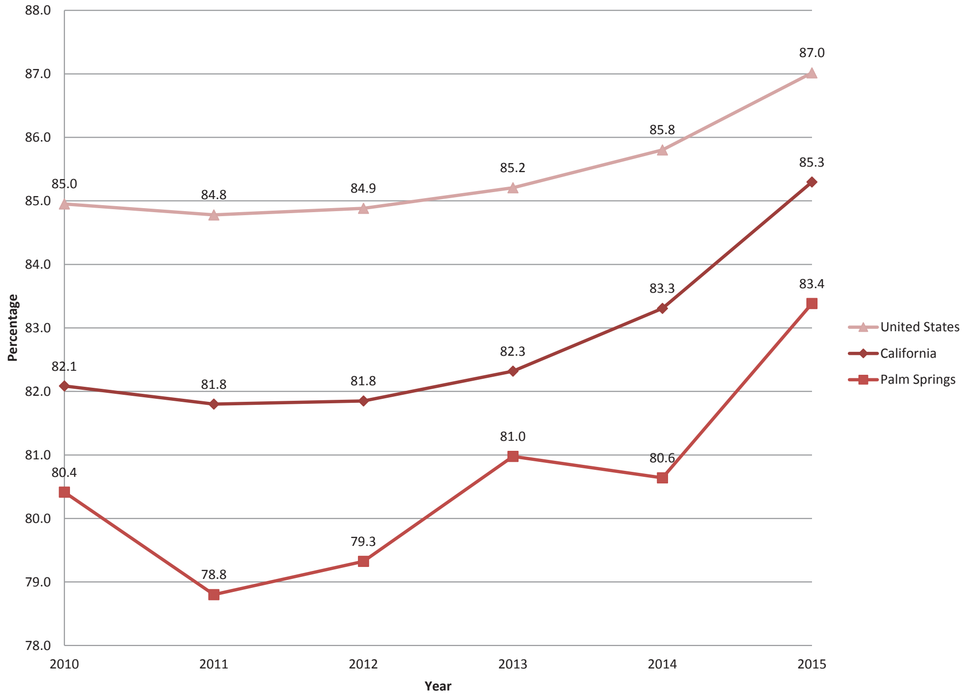

Figure 31. Proportionally fewer individuals hold health insurance in Palm Springs than both in California and in the United States. The slight increase in health insurance coverage may be attributable to the Affordable Care Act. Source: American Community Survey.

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