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Poverty in California

Levels, Trends, and Demographic Dimensions

By Deborah Reed and Richard Van Swearingen

Summary

Poverty is one of the most important measures of the well-being of low-income families. In California, the poverty rate declined substantially during the recent period of economic expansion. However, looking past the recent business cycle to the longer historical trend, poverty in the state has grown over the past three decades, from 9.1 percent in 1969 to 12.9 percent in 2000.

There is no single, objectively preferred measure of poverty. By the official measure, based on a national poverty threshold, 12.9 percent of Californians were poor in 2000 compared to 11 percent of people in the rest of the nation. However, the national poverty threshold does not adequately reflect regional income needs. Measured relative to state median family income, 24.3 percent of Californians lived in poverty in 2000, compared to 20.9 percent of people in the rest of the nation. Alternatively, when we adjust poverty thresholds for local housing prices, the adjusted poverty rate in California was 15 percent compared to 10.6 percent in the rest of the nation. Although the level of poverty varies considerably across these three measures, all three show substantially higher poverty in California relative to the rest of the nation.

Statewide poverty trends provide an incomplete picture of California because of the high degree of variation in poverty rates across regions and demographic groups. Although the state overall had an average poverty rate of 14 percent in 1998–2000, the poverty rates for children under 18, African Americans, U.S.-born Hispanics, and residents of the San Joaquin Valley were closer to 20 percent. The groups with the highest poverty rates were foreign-born Hispanics (27 percent) and female-headed households with children (37 percent).

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A high poverty rate indicates that a substantial share of families have incomes below a level thought to be required to buy necessary food, services, and other goods.

Introduction

Poverty, a measure of the economic well-being of low-income families, is one of the most important social indicators in the United States. A high poverty rate indicates that a substantial share of families have incomes below a level thought to be required to buy necessary food, services, and other goods. A growing poverty rate tends to generate both public concern and policy action.

Poverty is officially measured by comparing family income to a nationally determined threshold. The poverty threshold was $17,463 annually for a family of four in 2000. In recent years, there has been much debate over the appropriate measurement of poverty. Many have argued that family income needs depend on local standards and thus the poverty threshold should be measured relative to median family income in the region. For example, using half the California median family income would lead to a poverty threshold of $26,347 for a family of four in 2000.

This issue of *California Counts* begins with an investigation of poverty trends in California under these two measures. We also present a measure of poverty adjusted for high housing costs in the state. However, understanding the level, trend, and measurement of poverty at the state level provides an incomplete picture of poverty in California because of the high variation in poverty across regions and demographic groups. We explore the demographic dimensions of poverty by region of residence, race/ethnicity, place of birth (foreign-born or U.S.-born), family structure, age, and work status.

California's Growing Poverty

The data for this study come from the March file of the Current Population Survey (CPS). This is the survey used by the U.S. Bureau of the Census to measure official poverty statistics. The CPS measures pretax money income. As with the official measures, we have not attempted to adjust for nonmonetary income and benefits.[1]

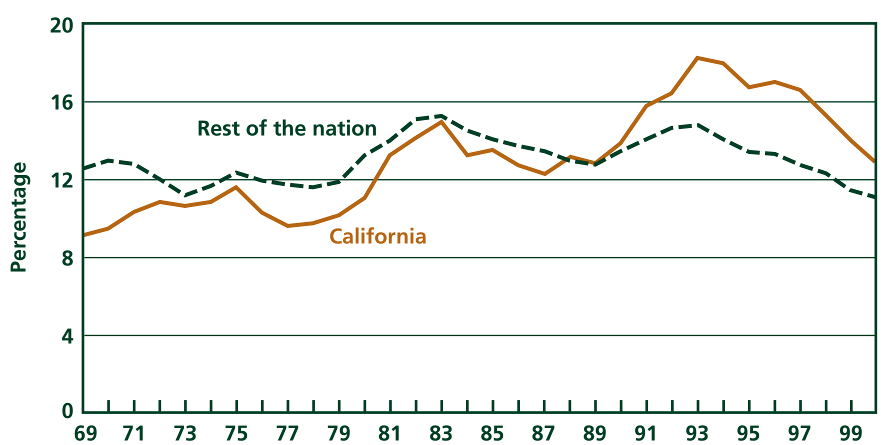
The poverty rate is measured as the share of people who live in families with income at or below the official federal threshold. For example, in 2000, a family with two adults and two children was considered poor if its annual income was below $17,463. The current thresholds were developed based on the cost of a minimum diet multiplied by three to cover the cost of nonfood items. A multiplier of three was chosen based on average family income relative to food expenditures in 1955. The official poverty thresholds are adjusted annually for national inflation each year.[2] A recent panel commissioned by the National Academy of Science (Citro and Michael, 1995) noted several weaknesses of the official poverty threshold, including that the threshold does not adjust for the different needs of working families (e.g., child care) and that it does not take into account access to health insurance, taxes (e.g., the Earned Income Tax Credit, EITC), and nonmonetary benefits (e.g., Food Stamps). Nevertheless, the official poverty measure is valuable in that it has provided a consistent measure of poverty over several decades and across all states and localities.

In the late 1990s, poverty in California declined substantially. The state poverty rate peaked at over 18 percent during the recession in 1993 and has fallen since then to 12.9 percent in 2000 (see Figure 1). Nevertheless, California has experienced a rising trend in poverty over the past three decades. The poverty rate fluctuates with economic conditions, growing during recessions and falling during prosperous times. Comparing across business cycle peak years provides a sense of the longer-run trend in poverty. Comparing 2000 to the last business cycle peak in 1989, the poverty rate was the same at 12.9 percent. This followed a growth trend of previous decades, with poverty growing from 9.1 percent in 1969 to 10.2 percent in 1979 to 12.9 percent in 1989. Over the past three decades, poverty in California has grown by 3.8 percentage points.

The California experience stands in marked contrast to that of the rest of the nation where the poverty rate fell from 12.5 percent in 1969 to 11 percent in 2000. During the 1970s, the poverty rate in California was consistently lower than that of the rest of the nation. During the 1980s, the state level caught up to that of the rest of the nation, and throughout the 1990s, poverty was consistently higher in the state than in the rest of the nation.

The state poverty rate peaked at over 18 percent during the recession in 1993 and has fallen since then to 12.9 percent in 2000.

Figure 1. Poverty Rates in California and the Rest of the Nation, 1969–2000



Source: Authors' calculations from the March CPS.

In 1970, 1.9 million people were poor in California. By 2000, the number of poor had more than doubled to 4.37 million.

In 2000, California's poverty rate was the 12th highest among the 50 states and Washington, D.C. The highest ranked state was New Mexico, followed by Louisiana and Washington, D.C. By comparison, in 1990 California was the 19th ranked state and in 1980 it was ranked 30th.[3]

California's growing poverty rate, taken together with its growing population size means that the number of people who are poor has grown immensely. In 1970, 1.9 million people were poor in California. By 2000, the number of poor had more than doubled to 4.37 million.

Trends in Relative Poverty

One concern with the official measure is that a single national threshold does not reflect local standards for the level of resources required (Citro and Michael, 1995). Nobel laureate Amartya Sen (1983, 1992) argues that the appropriate threshold for resources should be relative to the standards of the community, so that families have the ability not only to consume but also to participate in social life. In recent years, there has been a movement toward using relative thresholds to measure poverty (see Foster, 1998, and Ruggles, 1990).

Perhaps the most common way to measure relative poverty is to define a poverty threshold at one-half of the median family income (see Rainwater, Smeeding, and Coder, 2001, and studies cited therein). By this standard, in 2000 the relative poverty threshold for a family of four would have been $26,347 in California and $27,989 in the rest of the nation.[4]

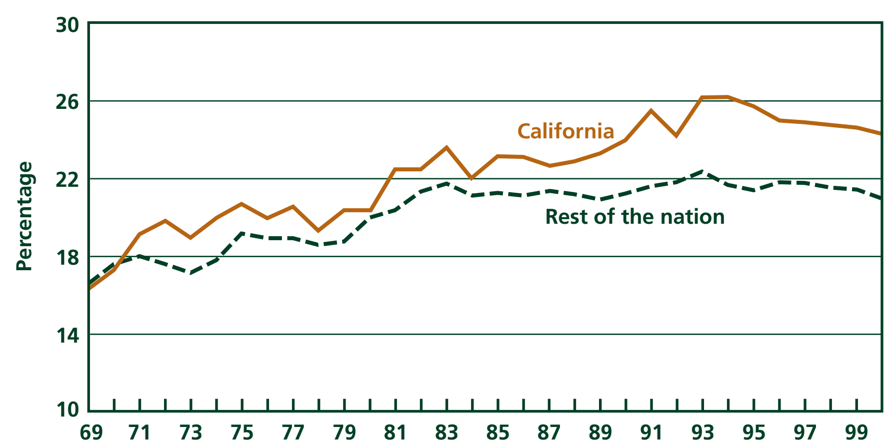
Relative poverty in California is much higher than poverty as measured by the official federal threshold approach. In 2000, the poverty rate in the state was 12.9 percent, but the relative poverty rate was 24.3 percent. Compared to the poverty measure in Figure 1, relative poverty has not shown as marked an improvement in recent years, but it has consistently fallen from a high of 26.2 percent in 1993 (see Figure 2). The upward trend in relative poverty has been quite strong, growing from 16.4 percent in 1969 to 24.3 percent in 2000.[5]

Compared to the rest of the nation, California's relative poverty has been higher since the early 1970s. Although relative poverty has grown substantially in the rest of the nation (from 16.6 percent to 20.9 percent between 1969 and 2000), it has grown more rapidly in California, so that by 2000, California's relative poverty was 3.4 percentage points higher than in the rest of the nation.

In terms of relative poverty, in 2000 California had the second highest rank in the nation after Washington, D.C. (24.5 percent and 26.6 percent, respectively). In previous decades California also held high ranks but not quite as high—7th in 1990 and 16th in 1980.[6]

California's high level of and rising trend in relative poverty is related to high and growing income inequality in the state. Relative poverty measures the income of low-income families against that of median-income families. The income gaps between those in the bottom of the distribution and those in the middle and top have grown substantially over the last three decades. The income gap in California was explored more fully in a previous issue of *California Counts* (Daly, Reed, and Royer, 2001) and in Reed (1999).

Figure 2. Relative Poverty Rates in California and the Rest of the Nation, 1969–2000



Source: Authors' calculations from the March CPS.

Regionally Adjusted Poverty Thresholds

The relative poverty measure has the advantage of changing with social norms (as measured by the income of median-income families). One criticism is that in prosperous times, even if the incomes of low-income families grow, relative poverty could still rise if income at the median grows faster. One alternative is to define a poverty threshold that varies across regions, reflecting local prices.

Unfortunately, we do not have information on local prices for poverty-level consumption goods. As suggested in a recent National Academy of Science study (Citro and Michael, 1995),[7] we use estimates from the U.S. Department of Housing and Urban Development (HUD) on the rental price of a two-bedroom apartment to create local poverty thresholds.[8] The HUD rental price data are available for every county in the country. We combine the county estimates into regional estimates for the consolidated metropolitan areas (for example, the nine counties of the San Francisco Bay Area) and the combined nonmetropolitan areas of each state.[9] We convert the rental price for each region into an index where the national average is one. We then apply the local index as an adjustment to 44 percent of the poverty line (based on estimates that low-income families spend 44 percent of their income on rent; see Citro and Michael, 1995).

For the creation of local cost adjustments, HUD rental prices are far from perfect. Many low-income families do not pay market rents because they live in subsidized housing, they have long-term leases with lower rents, or they own their homes. Nevertheless, the HUD data do provide a fairly consistently measured cost index across all counties in the country. Although rental price adjustments ignore price differences for other items, there are no good data for these other items, and regional variations in prices of the other items appear not to be as large.

We use the regional poverty thresholds to compute adjusted

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poverty rates beginning in 1996 when HUD rent data and the CPS adapted current and consistent regional definitions. We calculate an average regional poverty threshold for a family of four in California at $19,447 in 2000 compared to $17,171 in the rest of the nation.

The regionally adjusted poverty rate in California was 15 percent in 2000, substantially higher than the unadjusted rate of 12.9 percent. In recent years, adjusted poverty has fallen consistently from as high as 20 percent in 1996 (see Table 1).

For the rest of the nation, the regionally adjusted poverty rate of 10.6 percent was slightly lower than the unadjusted rate of 11 percent in 2000.[10] California's adjusted poverty was higher than that of the rest of the nation by 4.4 percentage points in 2000—a larger difference than we found using the unadjusted and relative measures.

In 2000, California had the fifth highest adjusted poverty rate (15.9 percent), behind Washington, D.C. (20.2 percent), New Mexico (17.1 percent), New York (17.1 percent), and Louisiana (16.2 percent).[11]

Regional adjustments to the poverty threshold take into account that the amount of income required to buy the same goods varies across regions. However, regional housing price adjustments overcompensate for regional price differences. Rental costs reflect the amount that people are willing to pay to live in a region. One explanation for California's higher rents is the higher level of local amenities (e.g., weather, cultural diversity, mountains, and beaches).

Table 1. Poverty Rates Adjusted by Housing Costs, California and the Rest of the Nation, 1996–2000 (in percentage)

	California		Rest of the Nation	
	Adjusted	Unadjusted	Adjusted	Unadjusted
1996	20.0	16.9	12.8	13.3
1997	18.7	16.6	12.2	12.8
1998	16.9	15.4	11.9	12.3
1999	15.8	13.8	11.1	11.5
2000	15.0	12.9	10.6	11.0

Source: Authors' calculations from the March CPS and HUD Fair Market Rents.

Note: The unadjusted rate is the rate shown in Figure 1.

Taking this to the extreme, if we were to adjust incomes for the "market value" of higher amenities in the region and adjust the poverty threshold for the higher rents, the two adjustments would cancel and the resulting poverty rate would be equivalent to the unadjusted rate (the rate shown in Figure 1). On the other hand, low-income families may be tied to a region by employment opportunities, insufficient resources to move, and social networks such that they may remain in a region despite rents that exceed their own valuation of amenities.

There is no single, objectively preferred method of measuring poverty. The most common measure in the United States is the poverty threshold established by the federal government. Recently, there has been strong criticism of the threshold level and of the lack of regional adjustments reflecting local prices or local income levels. For understanding poverty in California, it is useful to consider the results that hold true across all three measures presented here: Poverty has declined substantially in California in the last few years, yet poverty remains higher in California than in the rest of the nation. For the two poverty measures where we can calculate trends, we see a rising trend in California over the last three decades with poverty rates growing faster in the state than in the rest of the nation.

Demographic Dimensions of Poverty

Within California, poverty rates vary across people along many demographic dimensions. Using the poverty rate calculated with the national threshold (the rate shown in Figure 1), we explore the demographic dimensions of poverty by race/ethnicity, place of birth, region, family structure, age, and work status. Because of the small sample size of the CPS data, we combine information from 1998 to 2000. For convenience, we refer to this as 2000. The statewide poverty rate for this combined period was 14 percent.

Race, Ethnicity, and Place of Birth

Poverty rates vary substantially across California's main racial/ethnic groups. White and Asian Californians have significantly lower rates of poverty than African Americans and Hispanics. In fact, in 2000, U.S.-born Hispanics and African Americans in California were more than twice as likely as whites to be poor (see Figure 3). Whites were the least likely U.S.-born group to be poor, at a rate of 8 percent, whereas African Americans had a poverty rate of 17 percent.[12]

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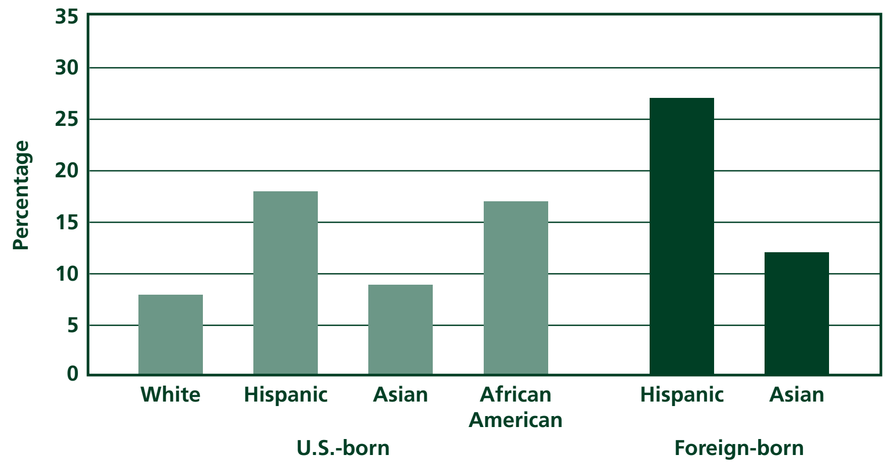
Figure 3. Poverty Rates by Race/Ethnicity and Place of Birth, 2000



Source: Authors' calculations from combined samples of the March CPS covering poverty in years 1998, 1999, and 2000.

their U.S.-born counterparts: 27 and 18 percent, respectively. The substantial difference in poverty between first and later generations of Hispanic immigrants occurs in part because of strong economic progress between the generations.[13]

Asians had much lower poverty rates: 12 percent for those who were foreign-born and 9 percent for those who were U.S.-born. Although the overall poverty rate for Asians in California was low relative to that of Hispanics and African Americans, there were substantial differences between Asian subgroups. Foreign-born Southeast Asians had poverty rates of roughly 23 percent in 2000.[14]

The overall decline in poverty rates in California in the past few years (as shown in Figure 1) was experienced within each of the main racial/ethnic groups, particularly the high-poverty groups: foreign-born Hispanics, African Americans, U.S.-born Hispanics, and foreign-born Asians.

Trends over the past two decades show a substantial increase in poverty among Hispanics, from about 18 percent in the late 1970s to about 24 percent in 2000. Because foreign-born Hispanics have much higher rates of poverty, the growing share of Hispanics living in a family headed by an immigrant plays a major role in the growth of Hispanic poverty.[15] Whites experienced a modest increase, from under 7 percent in the late 1970s to over 8 percent in 2000. For African Americans, poverty fluctuated over the period but showed no strong trend. Trends for Asians cannot be calculated from the CPS data.[16]

For each of the six main groups shown in Figure 3, poverty rates in California were not substantially higher than rates in the rest of the United States. The estimates suggest that the high overall poverty rate in California compared to the rest of the nation (as shown in Figure 1) is mainly due to California's greater proportion of high-poverty groups, particularly Hispanics. Because the CPS sample size is small for some groups in California (such as African Americans), the poverty estimates are imprecise and further comparisons by racial/ethnic group should be done with the 2000 decennial Census when those data are released.

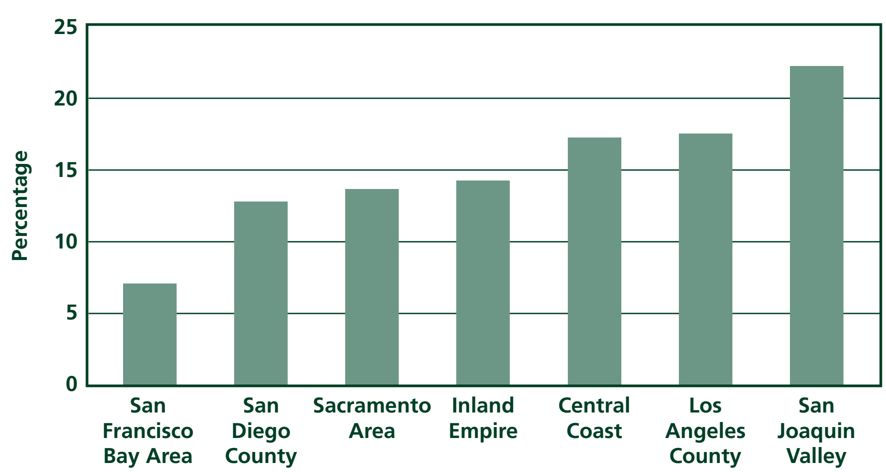
Regional Diversity

Across the major regions of California, poverty rates varied substantially (see Figure 4). The San Francisco Bay Area had the lowest poverty rate, at around 7 percent in 2000. The San Joaquin Valley had the highest poverty rate, at 22 percent.[17] Several regions had poverty rates in the range of 12 to 18 percent. Within that range, San Diego County had a lower poverty rate and the Central Coast and Los Angeles County had higher poverty rates.

There is a strong relationship between regional differences in poverty rates and regional population characteristics. Regions with higher poverty rates tend to have larger proportions of foreign-born Hispanics, who had the highest poverty rate of the six main groups. Foreign-born Hispanics made up 23 percent of the Los Angeles population and roughly 15 percent of the populations in the San Joaquin Valley and the Central Coast but less than 8 percent of the San Francisco Bay Area population. However, regional differences are substantial even within racial and ethnic groups. For example, for foreign-born Hispanics the poverty rate was

The San Joaquin Valley had the highest poverty rate, at 22 percent.

Figure 4. Regional Poverty Rates in California, 2000



Source: Authors' calculations from combined samples of the March CPS covering poverty in years 1998, 1999, and 2000.

Notes: The San Francisco Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties. The Inland Empire is Riverside and San Bernadino Counties. The Central Coast includes Monterey, Santa Barbara, and San Luis Obispo Counties. The Sacramento Area includes El Dorado, Sacramento, and Yolo Counties. The San Joaquin Valley includes Fresno, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties.

Poverty rates have increased substantially since the late 1970s for California families with children.

15 percent in the San Francisco Bay Area and close to 31 percent in Los Angeles County.

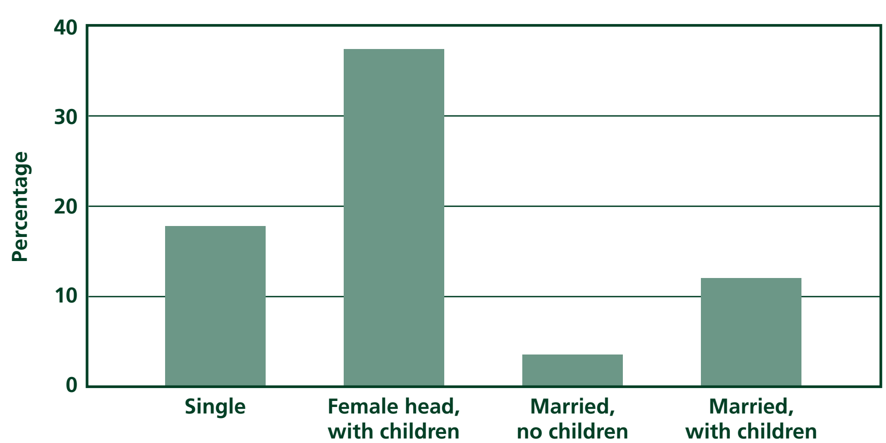
Family Structure

Family structure is closely tied to poverty rates (see Figure 5). Families headed by single women with children had the highest poverty rate, at just over 37 percent. Almost 18 percent of single adults without children were poor. Married couples were the least likely to be poor, with poverty rates of just over 12 percent for those with children and less than 4 percent for those without children. The relationship between family structure and poverty is explored more fully in a previous issue of *California Counts* (Johnson and Tafoya, 2000).

Poverty rates have increased substantially since the late 1970s for California families with children. Poverty among married families with children increased, from a rate of 7 percent to 12 percent, whereas the poverty rate for female-headed families increased from 33 to 37 percent. Single adults and married couples without children experienced only moderate increases. The California trends stand in marked contrast to those of the rest of the nation, where poverty rates have declined for families of all four types, including those with female heads.

Poverty rates in California, compared to those in the rest of the nation, are particularly high for married families with children: 12 versus 7 percent. This differ-

Figure 5. Poverty Rates by Family Type, 2000



Source: Authors' calculations from combined samples of the March CPS covering poverty in years 1998, 1999, and 2000.

ence is due, in part, to California's greater proportion of married-couple families in high-poverty racial and ethnic groups. In California, 19 percent of married families with children have a foreign-born Hispanic head, compared to only 4 percent in the rest of the nation.

Children and the Elderly

California's children face particularly high poverty rates. In 2000, almost 19 percent of children in California were poor, compared to about 16 percent in the rest of the nation. Although child poverty decreased substantially in California since peaking in 1994 at almost 28 percent, poverty among children remains much higher than in the late 1960s when it was just over 11 percent (see Figure 6).

Part of the measured growth in poverty among children is due to the way that the poverty rate is calculated. As with official poverty statistics, we do not include after-tax benefits (e.g., the EITC) and nonincome benefits (e.g., Food Stamps). A broader definition of income would show lower child poverty rates (Rainwater, Smeeding, and Coder, 2001).

In contrast, poverty among people age 65 and older was relatively low in 2000 at just under 8 percent in California compared to just over 10 percent in the rest of the nation. Elderly poverty showed a rising trend in the last decade, growing from 4.8 percent in 1989 to 7.7 percent in 2000. However, over the prior two decades, there had been a declining trend in elderly poverty.

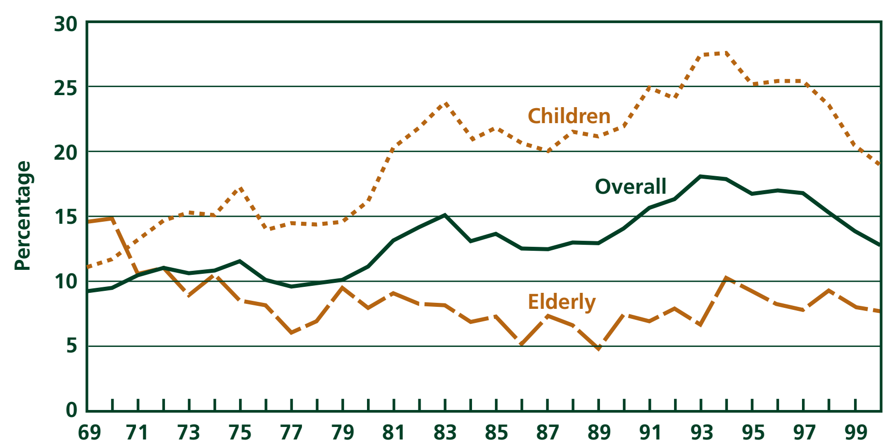
One important explanation for the lower poverty rate among seniors is that they tend to be from lower-poverty racial and ethnic groups. About 65 percent of seniors in California are in families with a U.S.-born white head. In contrast, about 40 percent of children are in families with a U.S.-born white head, and almost 20 percent are in families with a foreign-born Hispanic head.

Working Poor

Most poor families are "working poor" in that at least one member works at least part time. In 2000, 41 percent of poor families had

Poverty rates in California, compared to those in the rest of the nation, are particularly high for married families with children: 12 versus 7 percent.

Figure 6. Poverty Rates for Children and the Elderly, 1969–2000



Source: Authors' calculations from the March CPS.
Note: Elderly is defined as age 65 and older.

Over the past two decades, the share of California's poor who were in families where at least one member worked more than 1,500 hours increased substantially from 23 to 41 percent.

a worker employed more than 1,500 hours of the year (see Figure 7). Another 25 percent of families had a worker employed part-time (200 to 1,500 hours).

Over the past two decades, the share of California's poor who were in families where at least one member worked at least three-quarters time (i.e., more than 1,500 hours) increased substantially from 23 to 41 percent. Although three-quarters-time work participation among the poor has also been increasing in the rest of the nation (from 26 percent in the late 1970s to 31 percent in 2000), the poor in California are substantially more likely to be working at least three-quarters time: 41 versus 31 percent.

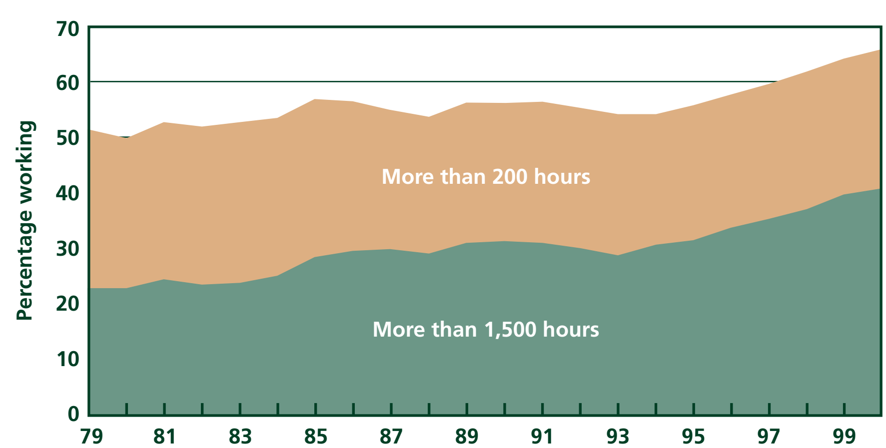
Among poor families, even those with a three-quarters-time worker face a substantial gap between family income and the poverty threshold. In 2000, the poverty gap, defined as the additional amount of income needed for a poor family to reach the poverty threshold, averaged $5,705 for poor families with a three-quarters-time worker. Although this gap remains quite substantial, it has fallen over the past two decades from $6,403 in the late 1970s. By comparison, for all poor families, the average poverty gap was $7,025 in 2000, up from $6,495 in the late 1970s.[18]

Conclusions

Debate over the measurement of poverty has led to controversy over whether poverty has grown or declined in the United States in the past three decades. Poverty, as officially measured, has varied with the business cycle but has shown no strong national trend since 1969. However, there has been a substantial increase in relative poverty in the United States.

In contrast, for California, both measures lead to the same basic conclusions about poverty trends. During the recent years of economic recovery and growth (since 1993), poverty has fallen in California. Nevertheless, looking beyond the most recent business cycle upturn to the longer term, poverty and relative poverty have grown over the last three decades. Poverty and relative poverty have grown more rapidly in California than in the rest of

Figure 7. Working Hours for Primary Workers in Poor Families, 1979–2000



Source: Authors' calculations from the March CPS.

Notes: The figure shows three-year moving averages. The primary worker is defined as the adult with the most working hours.

the nation. In the late 1960s, poverty was lower in California than in the rest of the United States and relative poverty was about the same in the two regions. During the 1990s, poverty and relative poverty have been substantially higher in California.

Alternative poverty measures do lead to different conclusions about the level of poverty in the state. In 2000, the poverty rate in the state was 12.9 percent but the relative poverty rate was much higher, at 24.3 percent. When local housing costs are considered, the adjusted poverty rate in California was 15 percent. Compared to the rest of the nation, all three of these measures show substantially higher poverty in California.

Poverty varies dramatically across regions and demographic groups in California. The San Joaquin Valley region had the highest poverty rate in 2000, at 22 percent. The child poverty rate, at almost 19 percent, was higher than the overall poverty rate and much higher than the elderly poverty rate of just under 8 percent. Female-headed households with children were the most likely to be poor, with poverty rates of close to 37 percent. By comparison, married couples with children had poverty rates of just over 12 percent. Most poor families in California had at least one member working, and 41 percent had a worker who worked more than 1,500 hours annually.

Of the major racial/ethnic groups, foreign-born Hispanics had the highest poverty rate, at almost 27 percent. U.S.-born Hispanics had a substantially lower poverty rate of just under 18 percent, in part due to the positive intergenerational economic progress of Hispanic Americans. Nevertheless, among the U.S.-born groups, Hispanics (18 percent) and African Americans (17 percent) had much higher poverty than did whites (8 percent) and Asians (9 percent). Compared to other groups, Asian immigrants had moderate poverty levels, at just under 12 percent. However, this overall rate masks the very high poverty rate for immigrants from Southeast Asia, at close to 23 percent. In 2000, each of the major racial/ethnic groups in California had similar or lower levels of poverty compared to their counterparts in the rest of the nation. This suggests that the main reason that California has higher poverty than the rest of the nation is the state's greater proportion of high-poverty groups, particularly Hispanics. Similarly, as high-poverty racial and ethnic groups have become a greater share of the California population, poverty in California has grown.

The strong relationship between overall poverty levels and the changing demographic makeup of the state suggests that to understand the causes of poverty in California we will need to understand the roots of differences in economic well-being across racial and ethnic groups. Furthermore, public policies seeking to reduce poverty in the state will need to be designed to effectively reach high-poverty demographic groups. These issues will be addressed in future research at the Public Policy Institute of California.

The good news is that poverty declined substantially in California during the late 1990s. The bad news is that the longer-term trend is one of rising poverty. Furthermore, some demographic groups face a very high risk of poverty. Most notably, children, African Americans, U.S.-born Hispanics, and residents of the San Joaquin Valley had poverty rates near 20 percent, and foreign-born Hispanics and female-headed households had even higher rates. ◆

Notes

[1] For a further discussion of official poverty measurement, see the U.S. Bureau of the Census website at http://www.census.gov/hhes/poverty/povdef.html. Burtless and Smeeding (forthcoming) consider alternative measures of income and benefits. The CPS sample does not include persons living in institutions or serving in the armed forces. Our calculations and those of the Bureau of the Census do not include unrelated children.

[2] See Burtless and Smeeding (forthcoming) for national poverty trends under alternative inflation adjustments.

[3] State rankings are based on the average poverty rate over three years.

[4] The three-year moving average of the median of adjusted family income was used to calculate the relative poverty threshold separately for each state. For 2000, the average median is based on 1999 and 2000. The figure for the rest of the nation is based on the population-weighted average of the states. Family income is adjusted for family size by dividing by the official poverty threshold and multiplying by $17,463 (the threshold for a family of four). See Citro and Michael (1995) for a discussion of alternative family size adjustments.

[5] Compared to the official poverty threshold for a family of four, the relative poverty measure for California was 40 percent higher in 1969 and about 50 percent higher in 1979, 1989, and 2000.

[6] State rankings are based on the average poverty rate over three years.

[7] Our approach differs slightly from that of Citro and Michael (1995) in that they make some modifications that require decennial Census data from 1990. These data are not yet available for 2000.

[8] The HUD rental data are based on the 40th percentile price of new rentals. See http://www.huduser.org/datasets/fmr/histread.html.

[9] We combine counties based on population shares. Our estimates are particularly rough for nonmetropolitan counties. However, about 95 percent of Californians live in metropolitan counties.

[10] Adjustments for regional housing costs have only a small effect on the rest of the nation because we set the nationwide average of the adjustment index to be equal to one.

[11] State rankings are based on the average poverty rate over 1998 to 2000 for each state.

[12] Racial, ethnic, and place of birth groupings are based on the family head.

[13] Analysis of intergenerational progress requires evaluating immigrant cohorts across several decades. See Schoeni, McCarthy, and Vernez (1996) for this type of analysis.

[14] Southeast Asians include Vietnamese, Laotians, Cambodians, and Hmongs.

[15] The March files of the CPS do not include information on place of birth before 1994 and therefore cannot be used to investigate trends in poverty rates separately for foreign-born and U.S.-born Hispanics. Data from the decennial Census show an increase in poverty between 1979 and 1989 for U.S.-born and foreign-born Hispanics. Poverty data by ethnic group from the 2000 Census have not yet been released.

[16] Asians are not identified in the CPS data before 1988.

[17] The small sample size of the CPS data prohibits county-level calculations in most cases. County poverty rates based on model estimates are available for 1997 from the Bureau of the Census at http://www.census.gov/hhes/www/saipe/estimatetoc.html. To allow for precise estimates, these regions were chosen so that each region had at least 500 families in the survey. Because the CPS sample is not surveyed or weighted to represent regions, for each of these regions we verified that the CPS sample roughly matched California Department of Finance estimates of the population by age and race/ethnicity.

[18] Poverty gap statistics are based on the average over three years and adjusted for inflation to 2000 dollars using a California consumer price index.

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