

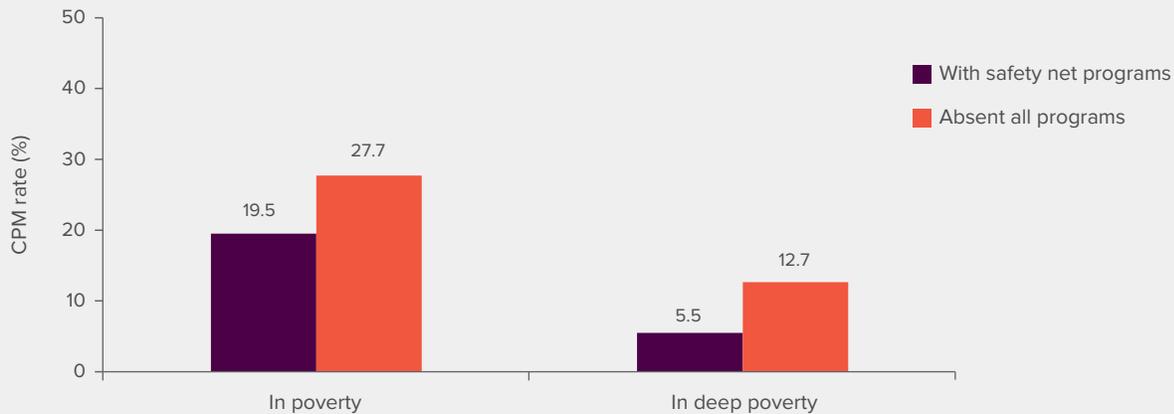
The social safety net assists millions of Californians

California's social safety net is designed to help people in economic need. It has several other short- and long-term goals, such as increasing employment, safeguarding adequate access to food, and improving children's well-being. Safety net assistance takes a number of forms, including cash grants, nutritional support, housing assistance, and tax credits. The largest programs help millions of Californians each year. For example, in 2016–17, an average of 1.09 million state residents received monthly support from CalWORKs, California's cash assistance program for families with children. And an average of 4.15 million Californians received a monthly food benefit from CalFresh, popularly known as food stamps or EBT. Safety net programs substantially moderate poverty, particularly among children. PPIC research finds that while 21.6 percent of California children lived in poverty in 2015, 36 percent would have been poor had it not been for safety net programs.

In 2016, California made a commitment to raise the statewide minimum wage to \$15 an hour by 2022. The first incremental increase—to \$10 or \$10.50, depending on employer size—occurred in January 2017. California also expanded eligibility for the state Earned Income Tax Credit (EITC), which has been available since 2015 to tax filers with very low earnings. As of 2017, earnings from self-employment count toward EITC eligibility and those who earn up to the annual equivalent of the state's full-time minimum wage can get at least a small credit.

Since most families have at least some income from employment, these changes promise to ease economic need—as long as California's economy continues to expand. After several years of statewide economic expansion, both the CalWORKs and the CalFresh caseloads have fallen substantially—a sign that family budgets are improving. But California must deal with the recurring challenge of reinforcing the safety net during economic downturns, when economic need increases and the state budget shrinks. The state also faces continuing uncertainty about the federal role in safety net programs.

THE SOCIAL SAFETY NET MODERATES POVERTY



SOURCE: 2015 California Poverty Measure (CPM) estimates. The CPM is a collaborative effort between researchers at PPIC and the Stanford Center on Poverty and Inequality.

NOTES: Figure shows estimates for all persons. Unlike official poverty rates, CPM rates factor large-scale safety net programs into family resources and incorporate regionally varying cost-of-living adjustments. The bars show 2015 CPM poverty rates and deep poverty rates without safety net resources including CalFresh, school meals, WIC (Special Supplemental Nutrition Program for Women, Infants, and Children), the state and federal Earned Income Tax Credits, the Child Tax Credit, CalWORKs, General Assistance, Supplemental Security Income, and federal rental assistance. Poverty denotes combined resources that fall short of the CPM threshold, which averaged \$30,256 statewide in 2015 for a family of four. Deep poverty denotes combined resources that are less than half of the CPM threshold.

State, local, and federal governments work together to deliver major safety net programs

Major safety net programs come in several different forms. CalWORKs and General Assistance provide cash grants. The EITC and the Child Tax Credit reduce tax obligations and typically mean tax refunds. CalFresh, school meals, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) offer nutritional support. Public housing and voucher programs help people afford housing. These programs have different kinds of eligibility, funding, and oversight.

- **Federal funds are essential to California’s safety net.**

The federal government is involved in nearly all safety net programs—and most are underwritten mainly at the federal level. For example, CalFresh benefits are mostly covered by federal funds and the allocation is not capped. In contrast, federal funding for CalWORKs covers only about half of total program costs and the amount is fixed. At the same time, the state has far more latitude in spending CalWORKs dollars than it has with CalFresh expenditures. Across all programs, changes to regulations and funding at the federal level have potentially large consequences for the state.

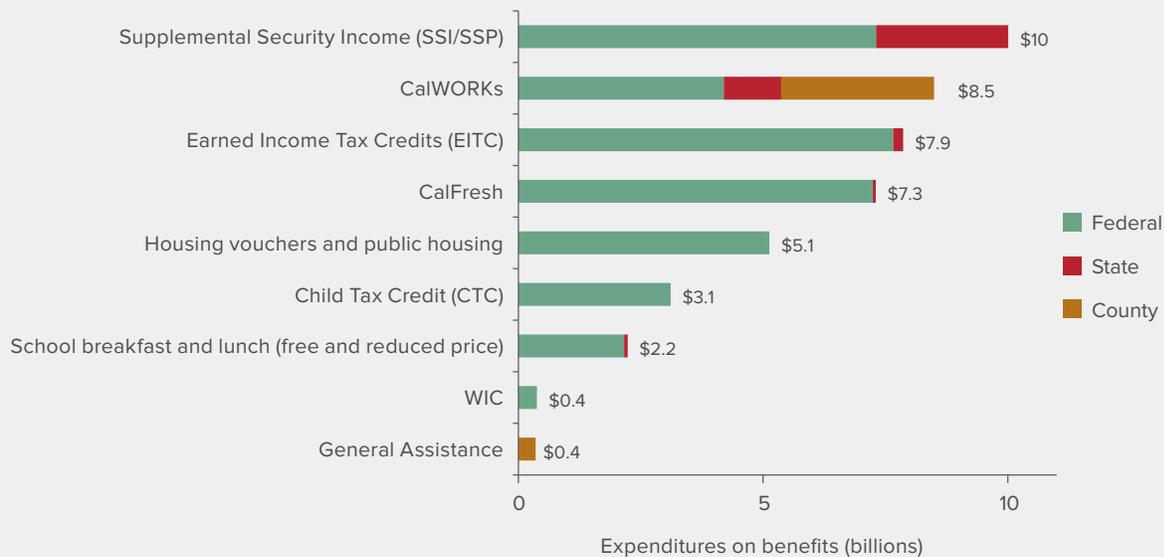
- **The state and counties play key roles.**

The state covers a share of costs that varies by program. It also typically provides oversight and shapes program rules to the extent allowed by federal law. The state has long augmented SSI payments and extended CalWORKs and CalFresh benefits to legal immigrants who are ineligible at the federal level. The state also augments school meal payments by a small amount. The counties administer programs; they also underwrite General Assistance benefits and cover a portion of CalWORKs and some administrative costs.

- **Other local agencies and nonprofits also contribute, adding to the social safety net’s complexity.**

Local housing authorities obtain federal grants to administer subsidized housing schemes. Schools and school districts enroll students in free or low-cost meal programs. Local WIC agencies provide pregnant women and mothers with nutrition education and vouchers to purchase specified foods for themselves and for their infants and young children. Nonprofits help families find subsidized child care. And each of California’s 58 counties has a First 5 program dedicated to improving the lives of children age 5 and under, with funding from Proposition 10 tobacco revenues.

THE LARGEST SHARE OF PROGRAM FUNDING IS FEDERAL



SOURCES: California Department of Education; California Franchise Tax Board; California Department of Social Services; US Department of Agriculture Food and Nutrition Service; Internal Revenue Service; US Department of Housing and Urban Development.

NOTES: CalFresh state benefits, CalWORKs, SSI/SSP, and General Assistance amounts for state fiscal year 2016–17; CalFresh federal benefits, school meals, and WIC (Special Supplemental Nutrition Program for Women, Infants, and Children) amounts for federal fiscal year 2016; housing subsidies statistics for 2016; EITC and CTC (refundable portion only) benefits for the 2015 tax year. State and federal EITCs are combined. State CalWORKs and CalFresh expenditures include amounts for the Cash Assistance Program for Immigrants (CAPI) and the California Food Assistance Program (CFAP). County CalWORKs expenditures include the special fund amount provided to counties by the state pursuant to 1991 realignment and Assembly Bill 85 (2013). School breakfast and lunch expenditures include reimbursements for free, reduced-price, and paid meals.

Poverty—and the role of the safety net—varies dramatically across the state

- **Poverty is especially variable at the local level.**
Child poverty ranges between 11.8 percent and 29.8 percent (2013–15 average) across the state’s counties, according to the California Poverty Measure. At the local level—across areas with populations of about 100,000—young child poverty ranges far more: from 4 percent to 68 percent (2011–14 average).
- **The safety net’s impact is biggest in the state’s inland and northern regions.**
Social safety net programs play a substantial role across the state in lowering poverty, but their relative importance in family budgets is highest in inland and northern parts of the state. Among programs, the federal and state EITC (combined) and CalFresh have the largest roles.
- **Economic inequality would be 40 percent higher without the social safety net.**
Incomes are increasingly polarized in California. Measuring family incomes near the top (90th percentile) of the spectrum and comparing them to family incomes near the bottom (10th percentile) yields an income ratio of about 12 to 1. PPIC research finds that adding in resources from social safety net programs reduces the gap between high and low incomes by a substantial 40 percent (data from 2012–13). For those near the bottom of the spectrum, SSI/SSP, CalFresh and other nutrition programs, and federal housing assistance play the largest roles.

The 2017–18 state budget includes modest increases for several programs

- **Much of the additional funding benefits children.**
Starting in the 2017 tax year, an expansion of state EITC eligibility to include self-employment income and allow full-time minimum-wage workers to claim small credits is projected to cost \$140 million. EITC credits are higher for taxpayers with dependent children. The state is also helping working families by providing an additional \$166 million in funding to expand child care eligibility, add full-day state preschool slots, and increase provider reimbursement rates.
- **A range of new state laws seek to increase the pace of housing development.**
The governor signed 15 measures aimed at increasing the supply of housing by injecting state funds generated from a new fee and placing a \$4 billion housing bond on the November 2018 ballot. Other changes include new provisions to laws that already require localities to plan for needed housing and measures that aim to smooth the path to construction of affordable housing in particular.

Looking ahead

Amid continued uncertainty about the federal role in most programs, California has been augmenting and updating its social safety net. To the extent that this safety net supports work and offers assistance when and where it is needed the most, it has the potential not just to lessen poverty but also to improve economic mobility.

Staying in sync with the economy. Because jobs are a key source of income for families in and out of poverty, current economic growth is reducing the need for assistance among many vulnerable Californians. Both the CalWORKs and the CalFresh caseloads fell substantially from 2016 to 2017 (by 9% and 7.7%, respectively)—in clear contrast to the increases in enrollment seen during and after the last recession. But these programs need to have the budgetary and administrative capacity to grow when unemployment ticks up, so they are ready to serve as a buffer against extreme economic need.

Supporting work. Policymakers continue to show an interest in boosting the work-focused safety net. Recent statewide policies such as the EITC and minimum-wage increases are having varying effects on family income and employment. Because the challenges are different in high-cost and low-cost areas of the state, additional attention to solutions tailored to diverse parts of the state could be beneficial.

Expanding access to affordable child care. Child care is a major expense for families with infants and preschool-age children—and an important support for working parents. But only a fraction of income-eligible families are receiving subsidies for child care or preschool. This has prompted state officials to consider expanding or restructuring state-funded child care programs. Policymakers are also exploring ways to balance the program goals of supporting working parents and promoting child development.

Moderating California's cost of living. The high cost of living, especially in urban and coastal areas, means that the bar for meeting basic needs is higher for most Californians than it is for residents of many other states. Because housing drives the cost of living, it will be important to monitor the extent to which recent changes aimed at increasing housing, including affordable housing, are moderating costs.

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