Measuring Poverty in California

Caroline Danielson

This research supported with funding from The Walter S. Johnson Foundation
State policymakers need realistic picture of poverty

- Official poverty measure devised in 1960s
  - Used to track trends in poverty and determine eligibility for many safety net programs
- Has not been modified to reflect changes in consumption patterns and programs
- National effort to design alternative measures began in 1990s
The California Poverty Measure is more accurate and comprehensive

- Includes largest safety net programs (CalFresh and the Earned Income Tax Credit)
- Accounts for out-of-pocket medical and work expenses
- Factors in cost of living differences across California
Outline

- Californians in poverty
- Role of the social safety net
- Factoring in costs of living
- Conclusions
How the California Poverty Measure works

Resources - Expenses < > Poverty threshold

- Earnings
- Safety net benefits
- Other income

- Medical
- Commuting
- Child care

Varies by:
- Family size
- Region
- Homeownership status
Overall findings are sobering

- 8.1 million Californians in poverty in 2011
  - 22% of population

- 2.2 million living in deep poverty
  - Incomes below half of poverty threshold
Our measure finds more people of all ages in poverty ...

... but fewer in deep poverty

Outline

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Safety net programs benefit millions of Californians

<table>
<thead>
<tr>
<th>Program</th>
<th>Recipients (millions)</th>
<th>Federal, state, and local expenditures (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalWORKs</td>
<td>1.47</td>
<td>$3.44</td>
</tr>
<tr>
<td>General Assistance</td>
<td>0.15</td>
<td>$0.40</td>
</tr>
<tr>
<td>Supplemental Security Income</td>
<td>1.27</td>
<td>$9.14</td>
</tr>
<tr>
<td>CalFresh</td>
<td>3.64</td>
<td>$6.73</td>
</tr>
<tr>
<td>Child Tax Credit</td>
<td>2.91 (filers)</td>
<td>$4.14</td>
</tr>
<tr>
<td>Earned Income Tax Credit</td>
<td>3.27 (filers)</td>
<td>$7.25</td>
</tr>
<tr>
<td>Federal housing subsidies</td>
<td>0.48 (units)</td>
<td>$3.60</td>
</tr>
<tr>
<td>School breakfast and lunch</td>
<td>2.18</td>
<td>$2.04</td>
</tr>
</tbody>
</table>
CalWORKs moderates child poverty

SOURCE: Author calculations for 2011.
CalWORKs moderates child poverty

SOURCE: Author calculations for 2011.
CalFresh plays a larger role, notably for children

SOURCE: Author calculations for 2011.
Tax credit programs have the largest impact

SOURCE: Author calculations for 2011.
Overall, need-based programs cut the poverty rate sharply ...

![Bar chart showing poverty rates for all persons, children, and adults 65+.

- For all persons: 8.4% (CPM rate: 25%)
- For children: 13.9% (CPM rate: 25%)
- For adults 65+: 5.6% (CPM rate: 25%)

SOURCE: Author calculations for 2011.]
... mostly due to a lower deep poverty rate

SOURCE: Author calculations for 2011.
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Most Californians live in high-cost areas

Average poverty threshold (family of four)
- Highest-cost counties: $31,300
- Mid-range counties: $27,200
- Lowest-cost counties: $23,900

Official poverty threshold: $22,811
These high costs increase poverty rates

- Regional adjustment
- If no regional adjustment

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>All persons</td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td></td>
</tr>
<tr>
<td>Adults 65+</td>
<td></td>
</tr>
</tbody>
</table>
Nondiscretionary expenses also play a role

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenses</th>
<th>If no expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>All persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adults 65+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work</td>
<td></td>
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</tr>
<tr>
<td>Adults 65+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Percent values:
- Children Medical: 7.0%

If no expenses:
- All persons: 15.0%
- Children: 18.0%
- Adults 65+: 20.0%
- All persons: 25.0%
- Children: 28.0%
- Adults 65+: 30.0%
Outline

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Our findings alter understanding of poverty

- 8.1 million Californians in poverty
  – 2.2 million more than official estimates
- Safety net resources substantially moderate the child poverty rate and the deep poverty rate
- Still, safety net resources offset by California’s higher cost of living and by nondiscretionary expenses
The California Poverty Measure can help us understand economic need

- Delve further into regional differences that shape poverty and deep poverty
- Investigate the role of social safety net programs across diverse groups of low-income families
- Test scenarios: how changing programs might alter poverty
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Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.