

Measuring Poverty in California

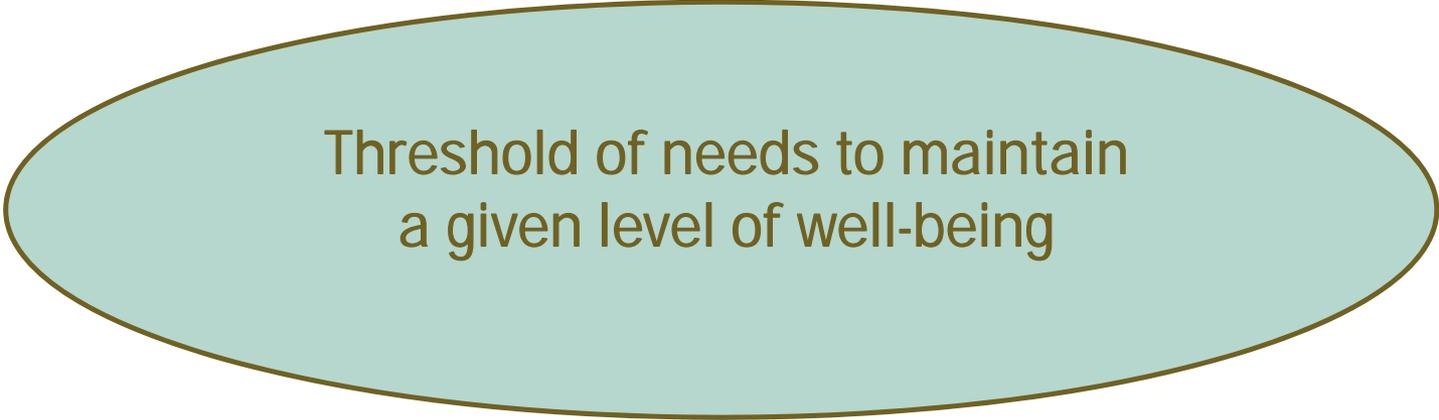
Sarah Bohn
June 9, 2014



Measuring poverty is typically a two-step process



Family Resources

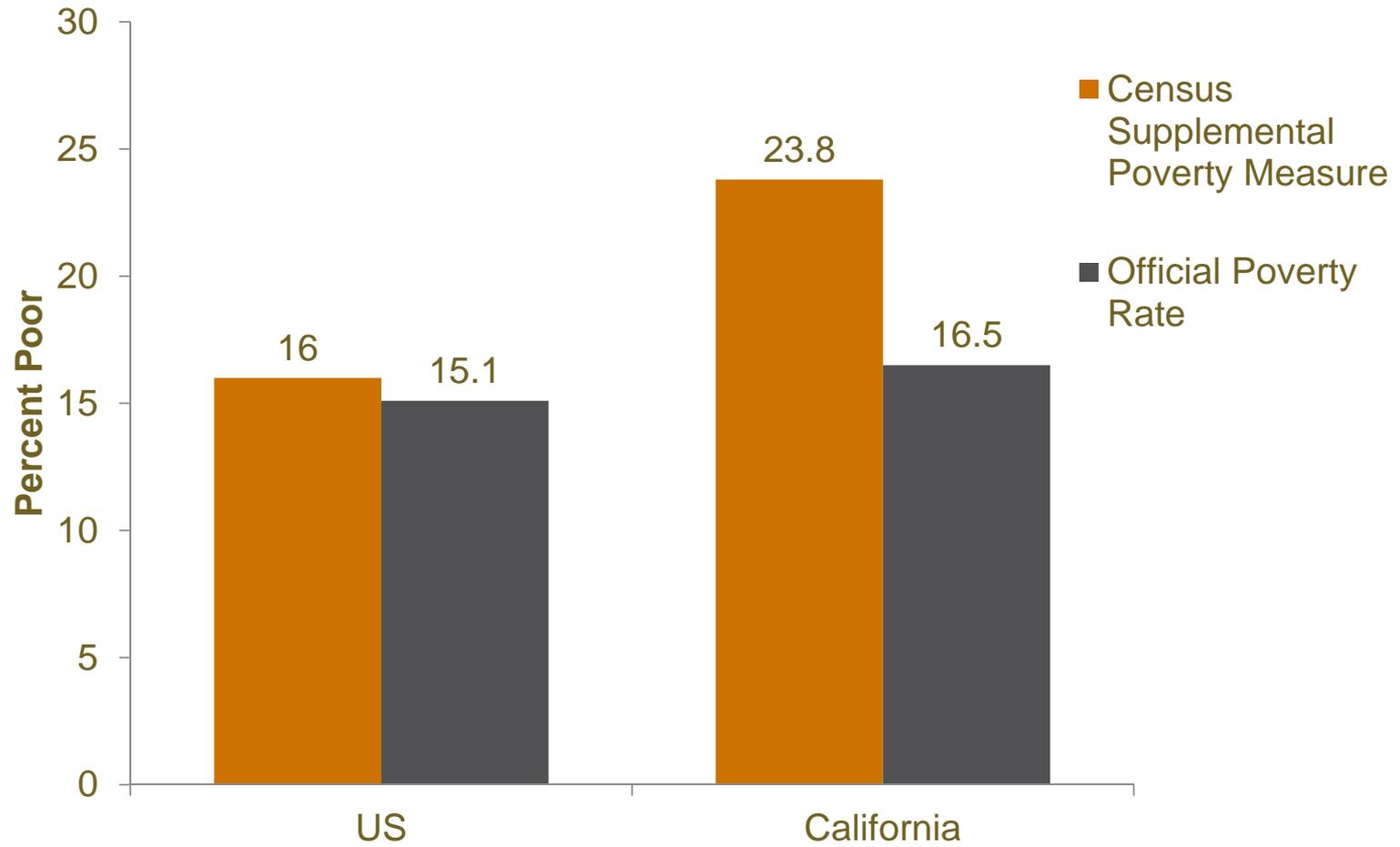


Threshold of needs to maintain
a given level of well-being

We 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 cost of living and anti-poverty programs
- National effort to design alternative measures began in 1990s
 - Census Bureau releases “Research Supplemental Poverty Measure” in 2011
 - PPIC & CPI release “California Poverty Measure” in 2013

"California highest poverty rate in nation"



SOURCE: Short (2013), estimates average over 2010-2012.

The California Poverty Measure is more accurate and comprehensive

- Includes in-kind and tax-based safety net program benefits
- Accounts for out-of-pocket medical and work expenses
- Factors in cost of living differences across California

The California Poverty Measure is more accurate and comprehensive

Family Resources =
cash income
+ safety net benefits
– work & medical expenses

Threshold of basic needs =
food
+ clothing
+ utilities
+ housing (varies by county)

Many lenses onto the multi-dimensional issue of poverty

	Official Poverty Measure	California Poverty Measure (and SPM)	Self-Sufficiency & Family budget approaches
Resources	Cash income	Cash income + in-kind safety net - non-discretionary expenses	Earnings (no public or private assistance)
Threshold	1960s-era family budget	Actual spending on food, clothing, shelter, utilities	Normative family budget, including non-discretionary expenses
Tells us whether a family's...	<u>Cash</u> is sufficient to meet a <u>simplistic budget</u>	<u>Total resources</u> on hand are sufficient to meet <u>basic standard</u> of living	<u>Earnings</u> are sufficient to meet a <u>modest standard</u> of living

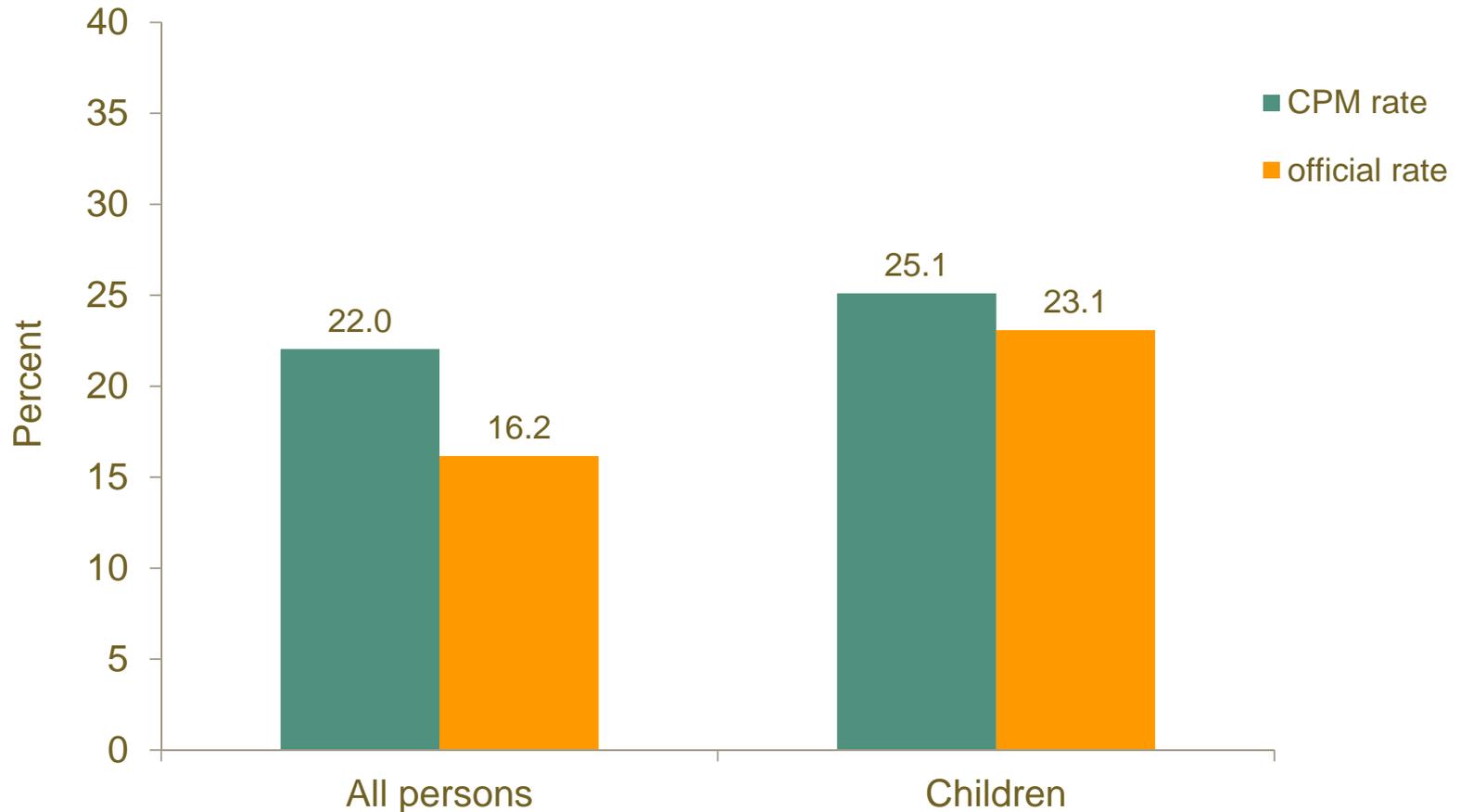
Advantage of the California Poverty Measure

- Updated picture of poverty
 - Comprehensive view of resources families actually have on hand
 - Actual costs of meeting basic needs
- Allows assessment of the role safety net programs play in reducing poverty in California
- Advantage over Census Supplemental Poverty Measure
 - Detailed single year estimates
 - Account for CA-specific policy (ex: SSI cash out)
 - Account for CA-specific demography (ex: unauthorized immigrants)

Data and Methods

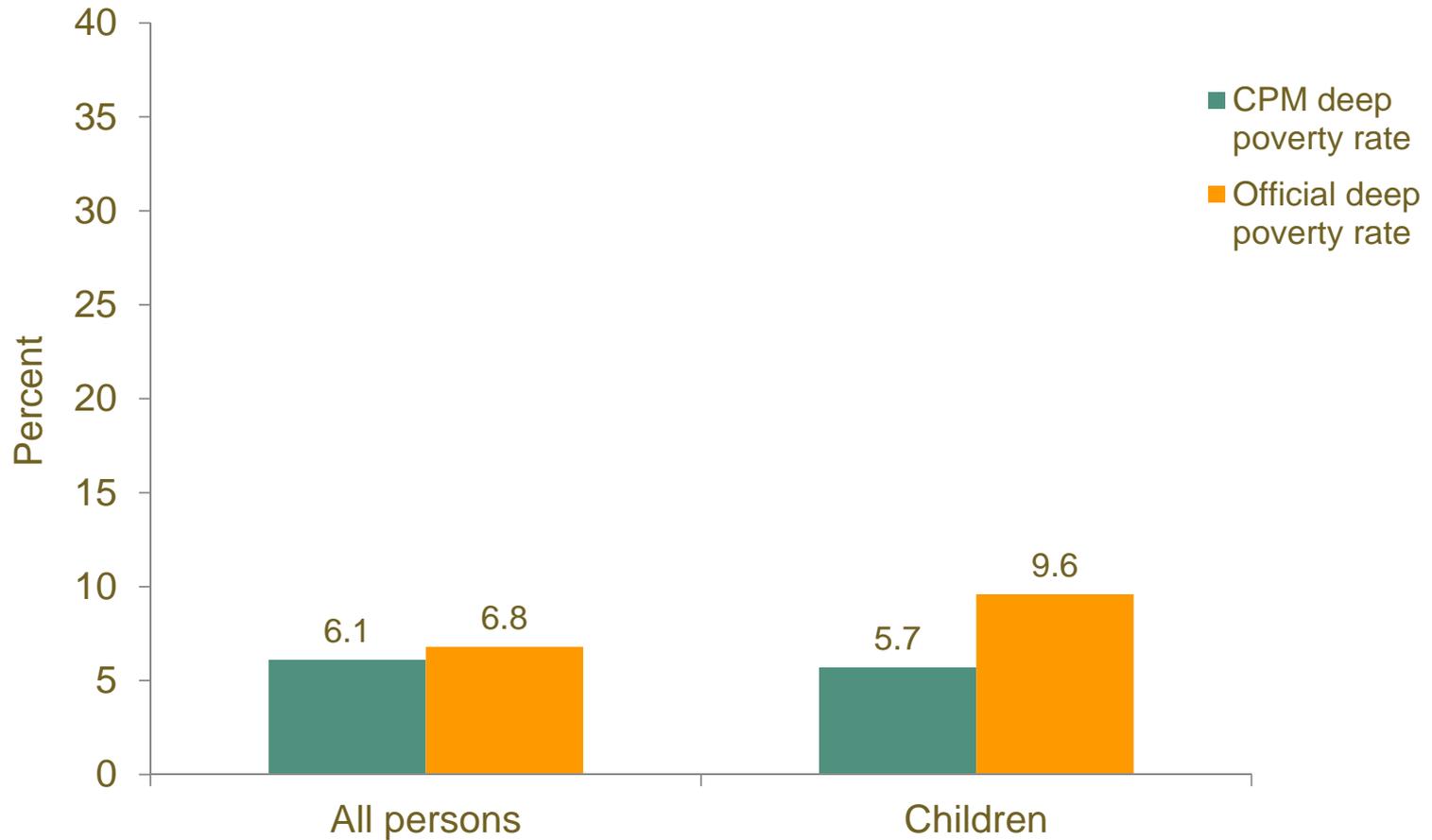
- Base survey data: 2011 American Community Survey (ACS)
- Augment with:
 - Administrative data on safety net program participation, where available
 - CPS, SIPP, and 5-year ACS
- Impute and assign missing information to households

California Poverty Measure finds more people in poverty in California....



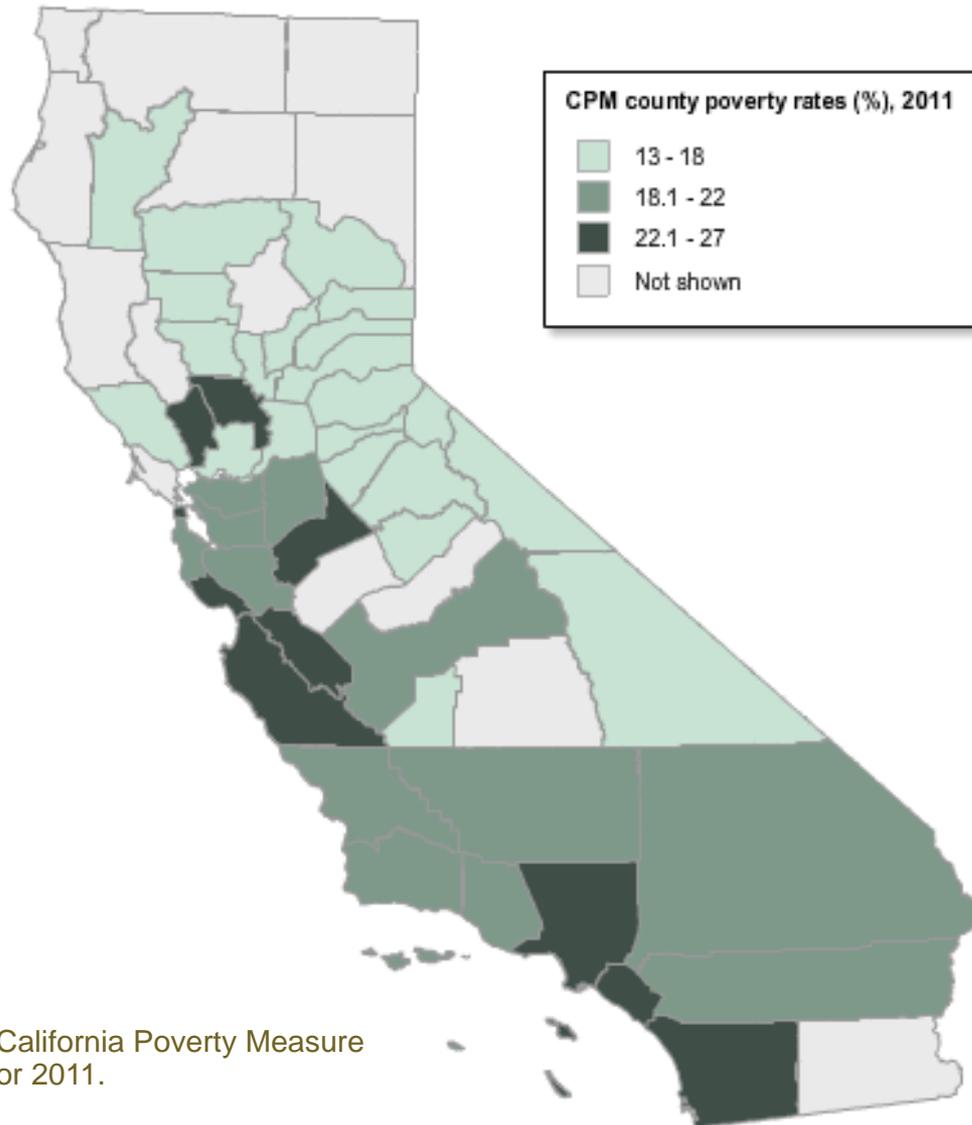
SOURCES: California Poverty Measure estimates for 2011; official poverty estimates from the California sample of the ACS (2011).

...but fewer in deep poverty



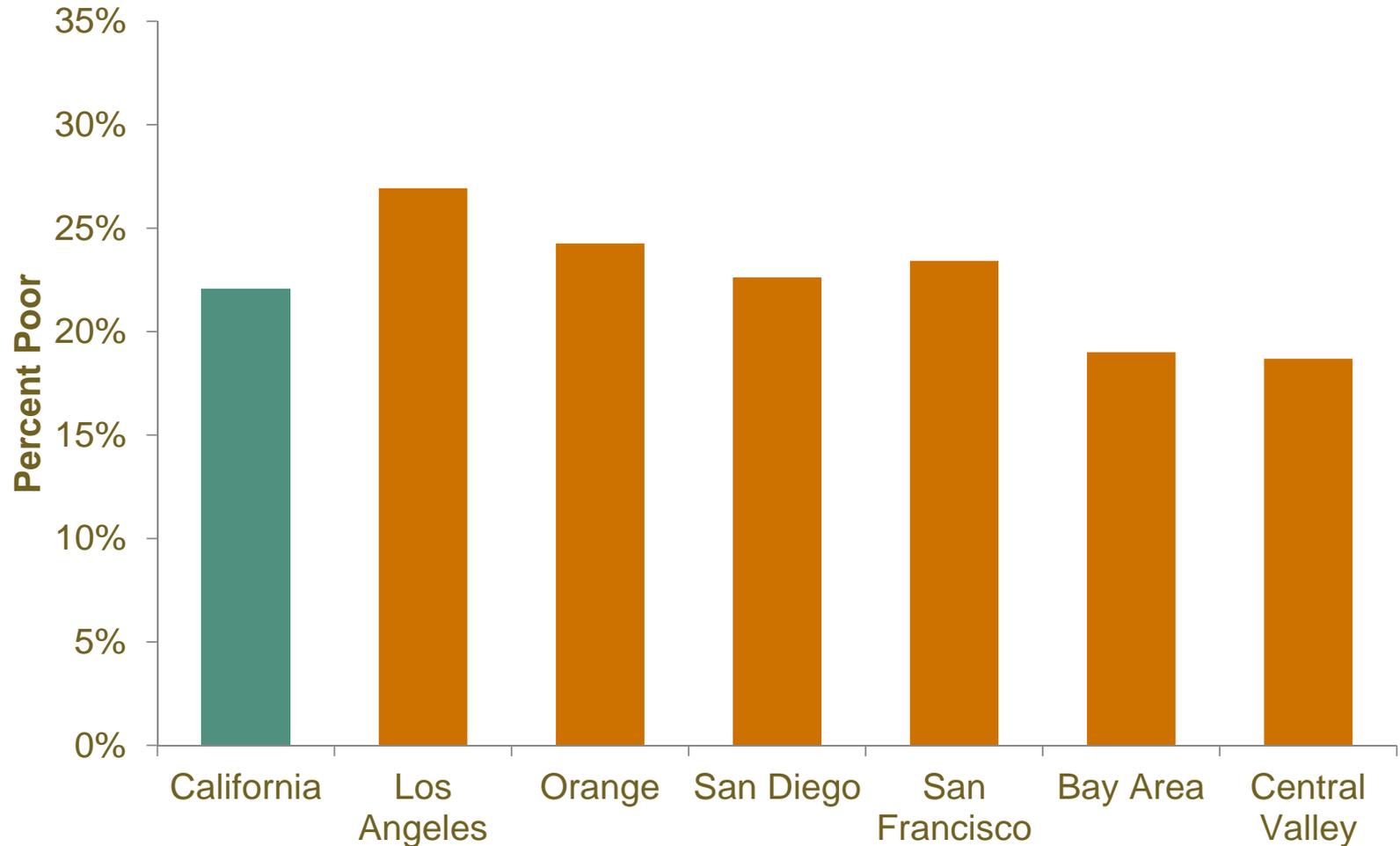
SOURCES: California Poverty Measure estimates for 2011; official poverty estimates from the California sample of the ACS (2011).

Alternative poverty measure “flips” the map



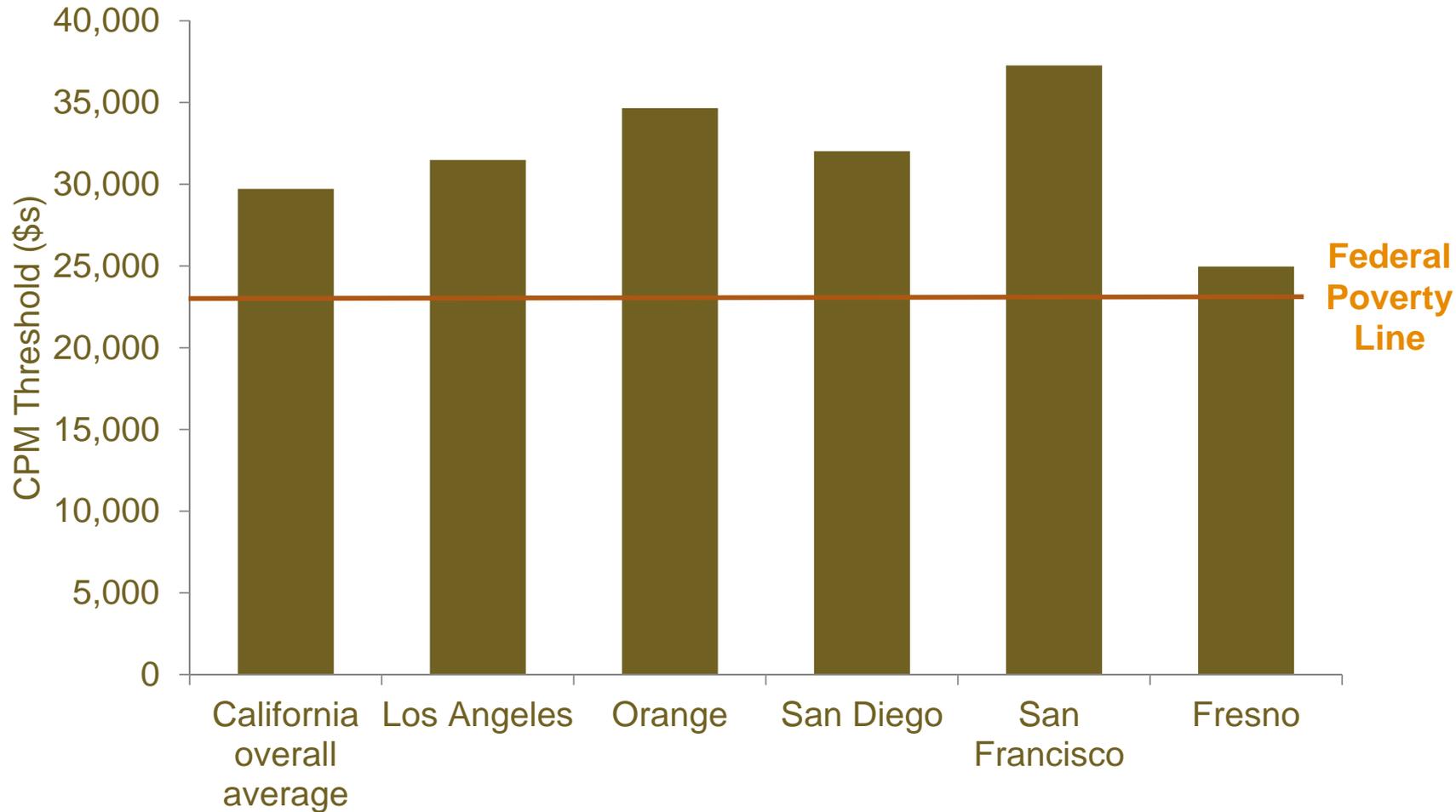
SOURCE: California Poverty Measure estimates for 2011.

Southern California counties have higher rates of poverty



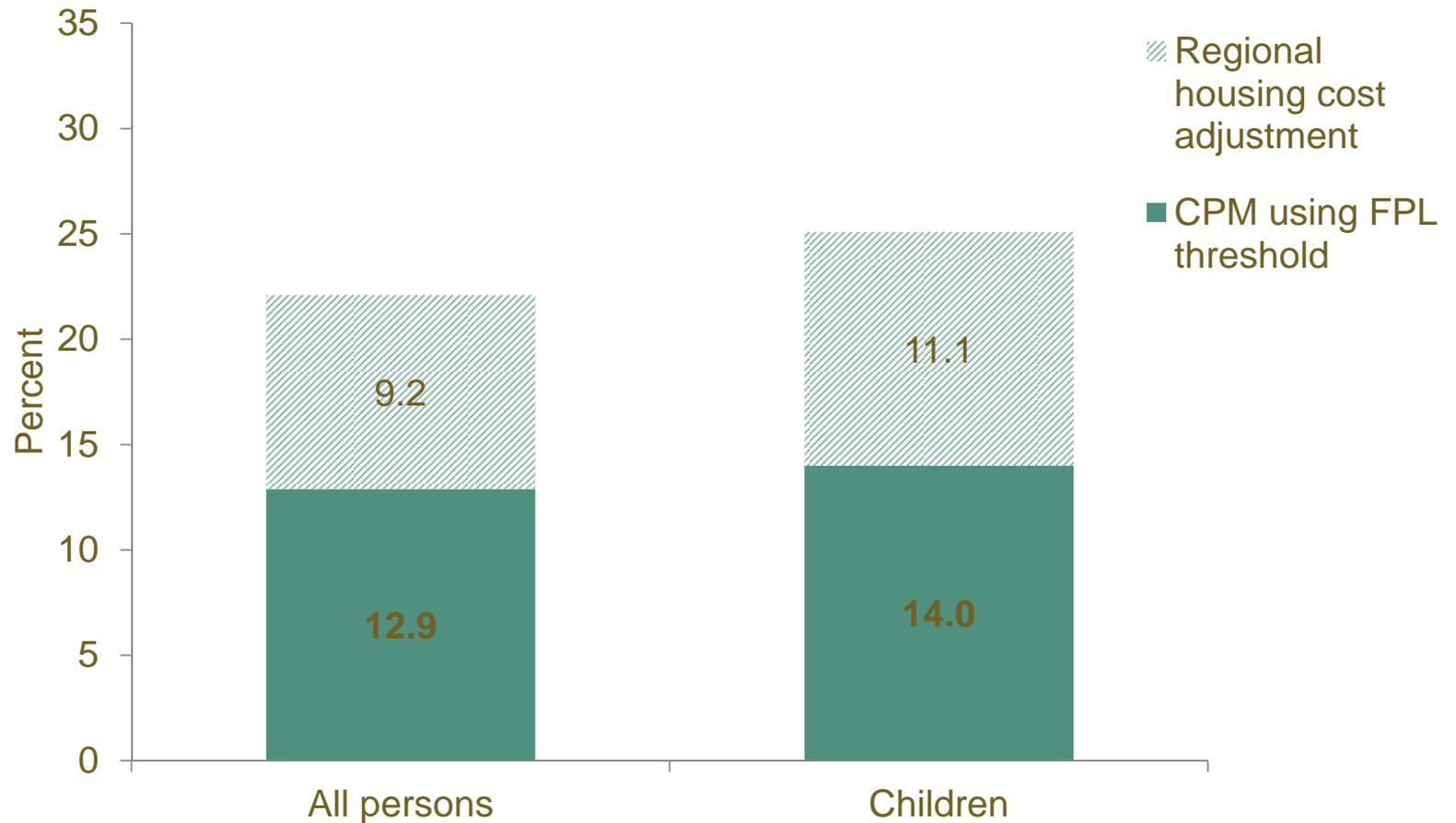
SOURCES: California Poverty Measure estimates for 2011.

Typical family needs \$10,000 more to make ends meet



SOURCE: California Poverty Measure estimates for 2011 pertaining to a family of four.

High housing costs increase poverty rates



SOURCE: California Poverty Measure estimates for 2011

Housing costs increase threshold but safety net benefits increase family resources

Family Resources =
cash income
+ safety net benefits
– work & medical expenses

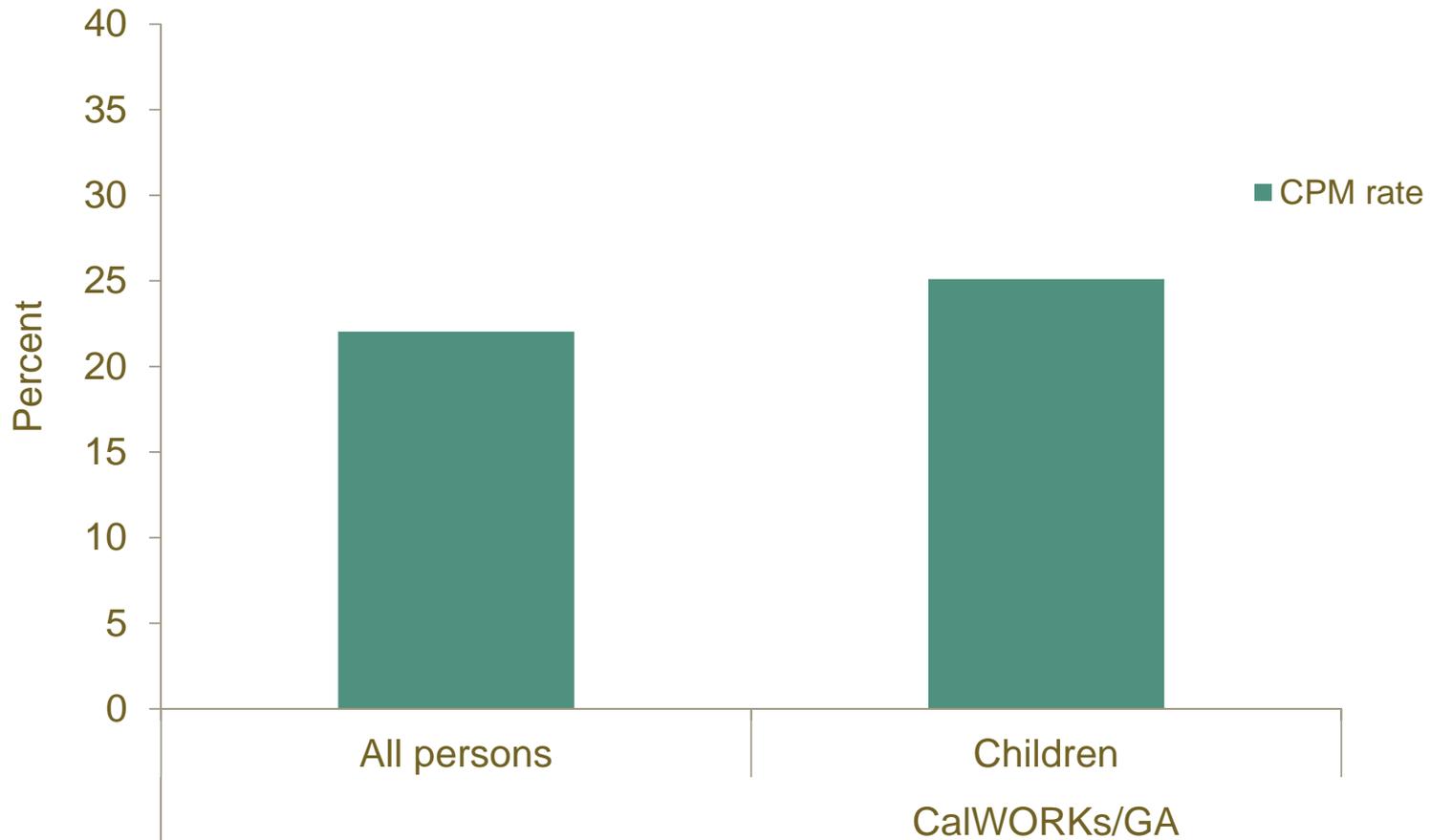
Threshold of basic needs =
food
+ clothing
+ utilities
+ housing (varies by county)

Safety net programs benefit millions of Californians

	Recipients (millions)	Federal, state, and local expenditures (billions)
CalWORKs	1.47	\$3.44
General Assistance	0.15	\$0.40
Supplemental Security Income	1.27	\$9.14
CalFresh	3.64	\$6.73
Child Tax Credit	2.91 (filers)	\$4.14
Earned Income Tax Credit	3.27 (filers)	\$7.25
Federal housing subsidies	0.48 (units)	\$3.60
School breakfast and lunch	2.18	\$2.04

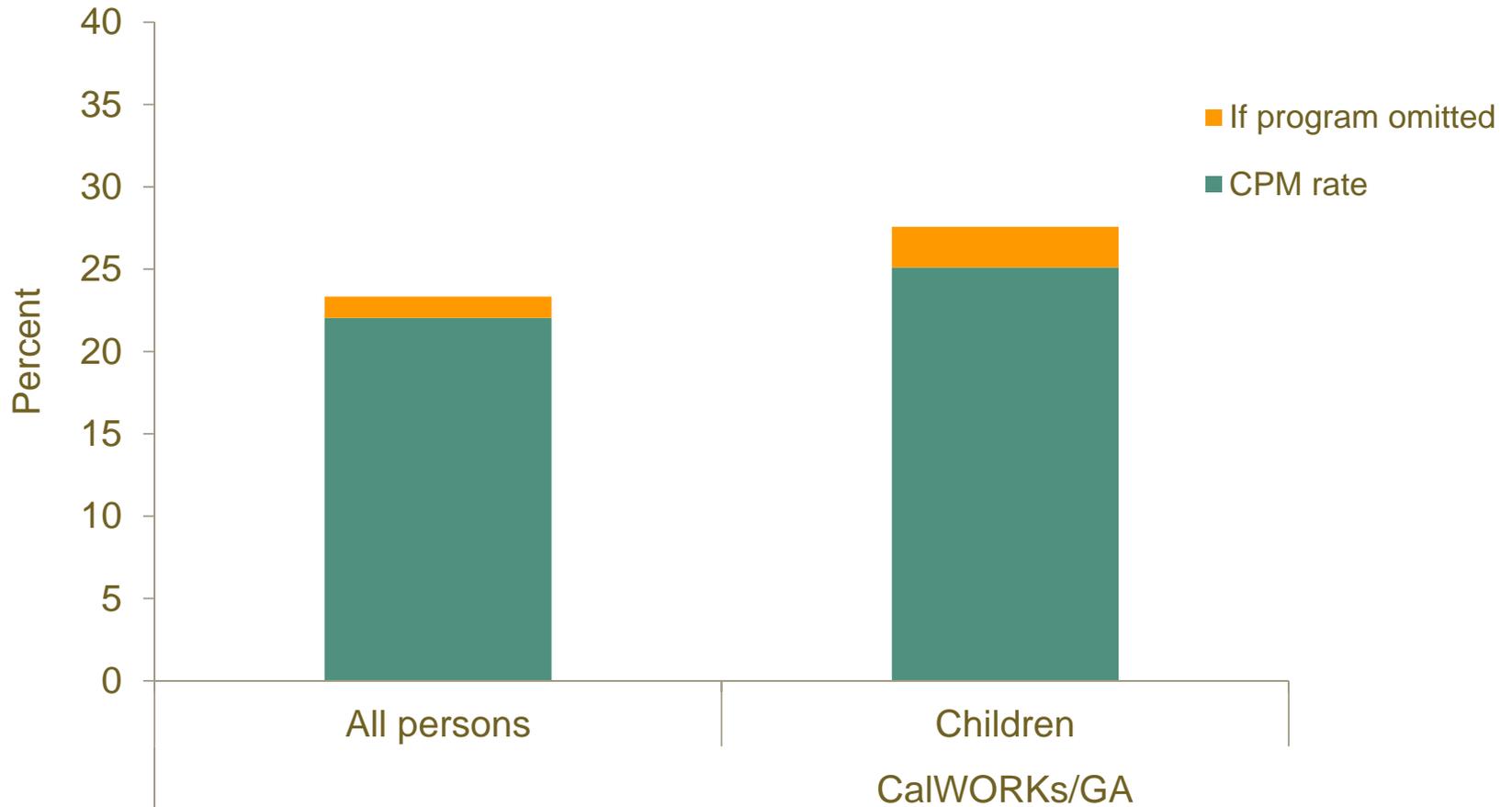
SOURCE: California Poverty Measure estimates for 2011

CalWORKs moderates poverty



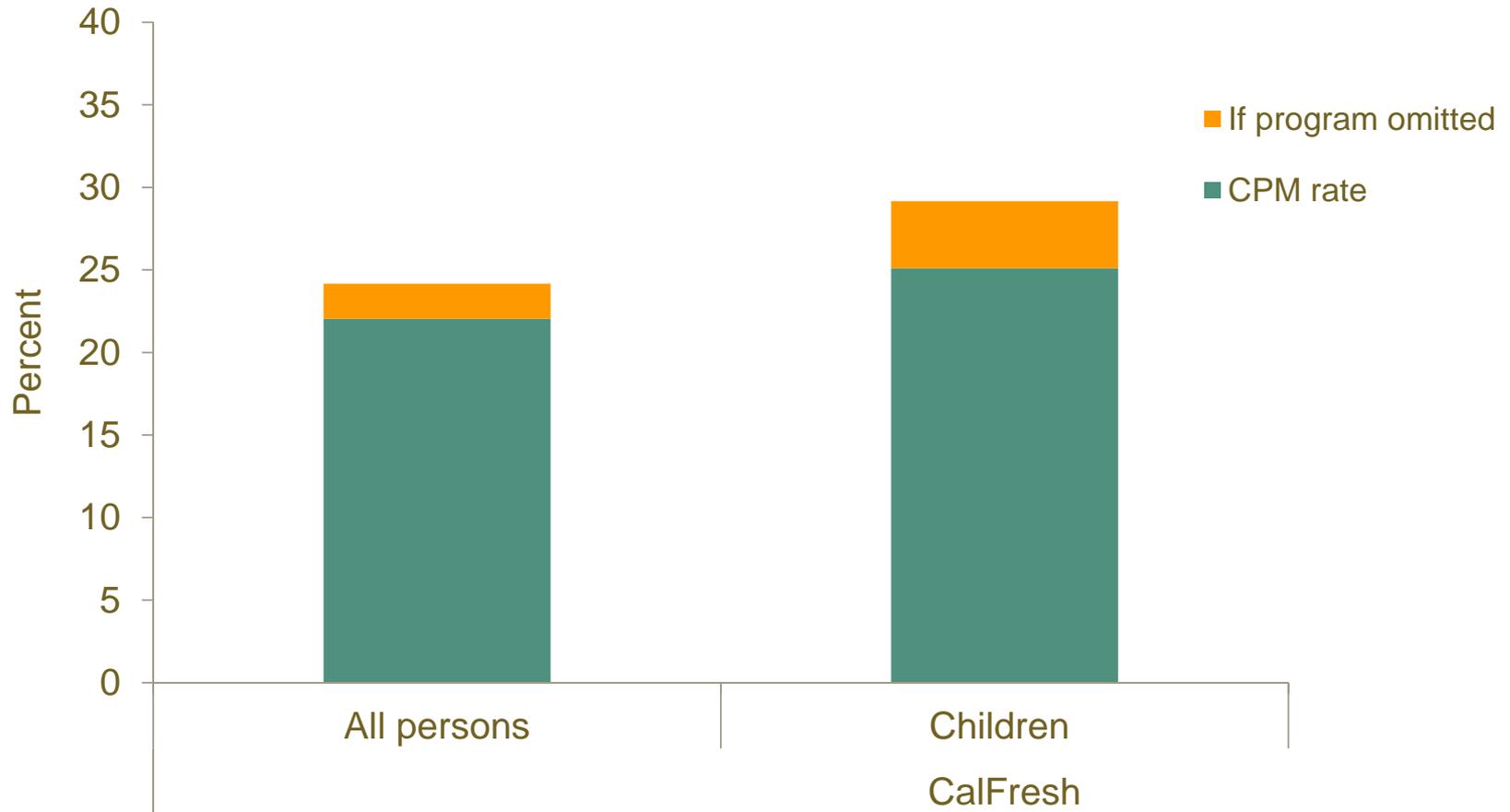
SOURCE: California Poverty Measure estimates for 2011

CalWORKs moderates poverty



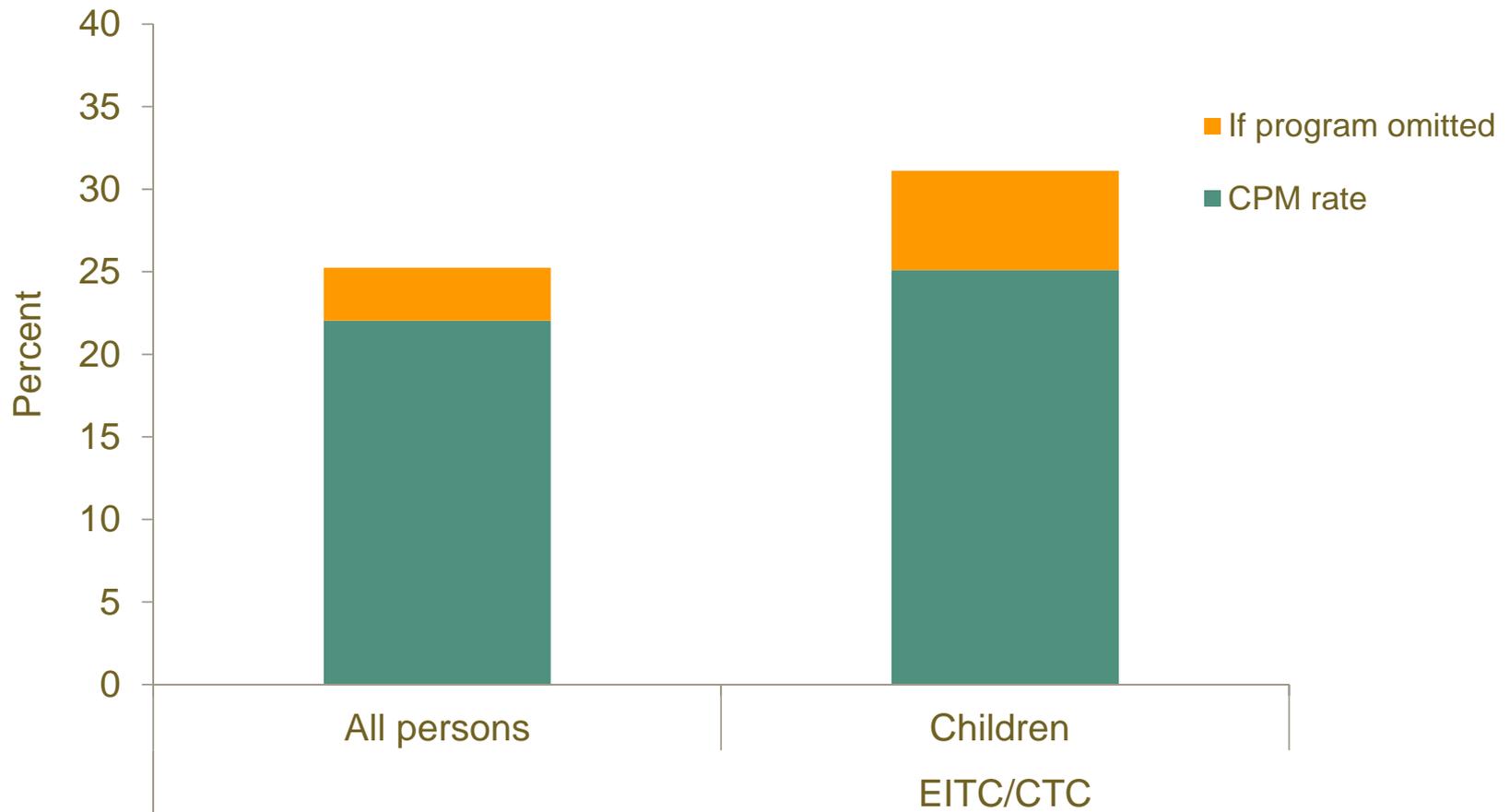
SOURCE: California Poverty Measure estimates for 2011

CalFresh plays a larger role, notably for children



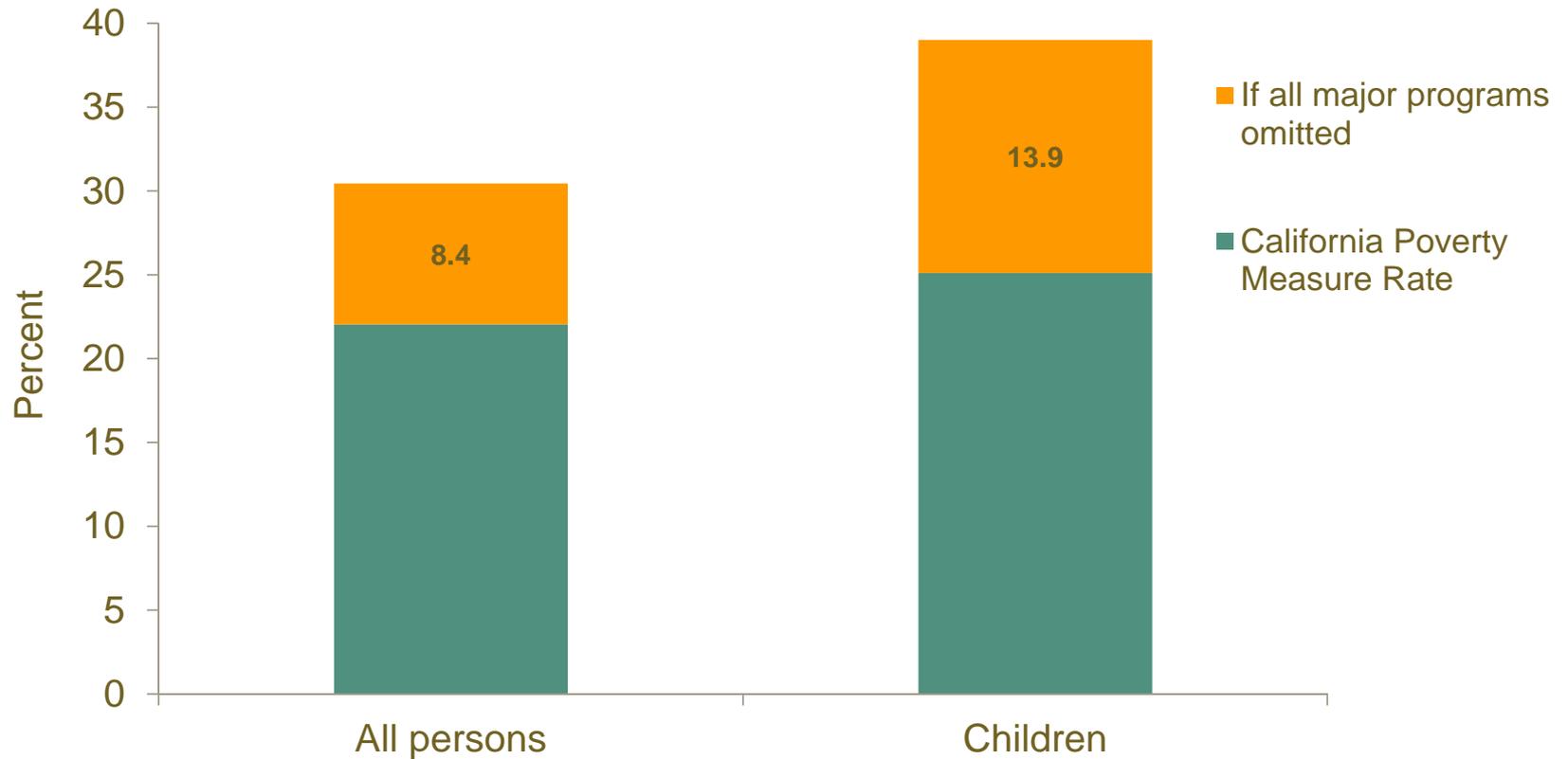
SOURCE: California Poverty Measure estimates for 2011

Tax credit programs have the largest impact



SOURCE: California Poverty Measure estimates for 2011

Overall, need-based programs cut the poverty rate sharply



SOURCE: California Poverty Measure estimates for 2011

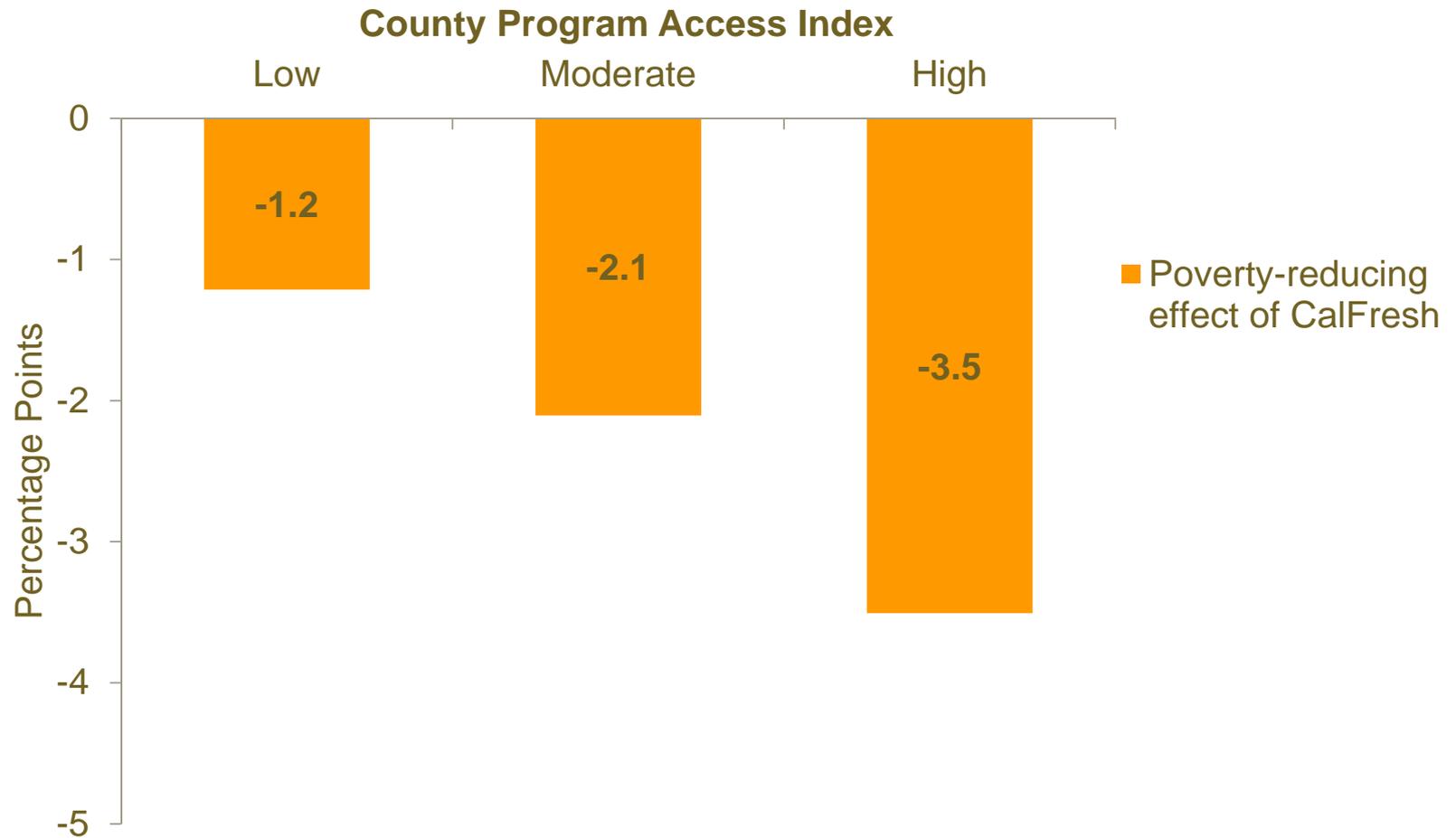
Our findings alter the understanding of poverty

- 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

More research is needed

- Better understand role the safety net could play

Could increased CalFresh utilization cut the poverty rate further?



SOURCE: California Poverty Measure estimates for 2011

More research is needed

- Better understand role the safety net could play
- Pin down sources of regional differences
 - Earnings matter more in high cost areas
 - Reach of safety net given disparity between cost of living and FPL
 - Role of commuting patterns
- More years of analysis, more detail and evaluation
 - Smaller geographic areas
 - Demographic group differences
 - Track changes in programs and results on poverty
- Currently working on 2012 estimates and more detail on child poverty

For further information

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Thank you for your interest in this work.