

Measuring Poverty in California

On the 50th anniversary of President Johnson's declaration of a "War on Poverty," the Senate Budget and Fiscal Review Committee held a hearing about California's food stamp program, known as CalFresh. Although the hearing was called to explore federal complaints about high levels of fraud in the California program, it covered CalFresh more broadly, particularly the state's very low participation rate in the program. [PPIC research fellow Sarah Bohn](#) was asked to testify about the impact of CalFresh on the state's poverty rate. Here are her prepared remarks.



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January 8, 2014 My name is Sarah Bohn. I am an economist and research fellow at the Public Policy Institute of California. I'm sure most of you are familiar with PPIC, but for those who are not, we are a nonpartisan, independent research institute focused on major policy issues in the state. I have been asked to discuss new measures of poverty in California to help set the context for your decisions.

The latest official poverty estimates suggest that about 16 percent of Californians are poor, and as many as 22 percent of the state's children are poor. Official poverty statistics such as these are based on a very simple formula developed in the 1960s. The statistics have been useful for tracking trends and determining eligibility for many safety net programs. However, official statistics have not kept up with sweeping changes that have affected family budgets over the past five decades. Families now face higher costs of living and medical expenses, among others. And official statistics do not account for changes in public policy aimed at helping low-income people make ends meet—including programs stemming from the War on Poverty, which is having its 50th anniversary today.

With these shortcomings in mind, researchers have been developing alternative measures of poverty since the 1990s. These efforts culminated in the release of a new estimate of poverty by the Census Bureau in 2012 called the Research Supplemental Poverty Measure (SPM). It is called "supplemental" because it is intended to supplement rather than replace official estimates. And it is called "research" because it is a work in progress, still being refined. It is that effort that researchers at PPIC and the Stanford Center on Poverty and Inequality have joined. We introduced our California Poverty Measure in October 2013. It uses basically the same methodology as the Supplemental Poverty Measure, with a few refinements that make it a more accurate estimate for California that paints a much more detailed picture. (The Census Bureau's measure for California is only a single number, averaging rates over three-year period.)

Both the Census' supplemental measure and our new California Poverty Measure provide a more comprehensive estimate of economic need today. For our California-specific measure we make adjustments to the poverty rate formula in three main areas. We use a more comprehensive estimate of family resources—including tax payments and credits (like the Earned Income Tax Credit) and in-kind benefits (like food stamps and housing subsidies). We also factor in nondiscretionary expenses like medical out-of-pocket, child care, and commuting expenses. Finally, our measure judges net family resources against a more up-to-date estimate of what it takes to maintain a basic standard of living (resources for clothing, food, shelter, utilities) and that accounts for geographic variations in housing

costs, in particular. Whereas official poverty thresholds are the same for all states and counties, ours vary by county.

The Census supplemental measure and our California Poverty Measure produce similar results—but I will discuss our findings because they are more detailed. Under our measure, 22 percent of Californians were poor in 2011—about 8 million people. That is about 2 million more than the official estimate suggests. When we look at the findings we can see why the supplemental poverty measures are higher. Resources from safety net programs tend to push poverty rates down, while medical expenses and housing costs push poverty rates up. The net result is a higher statewide poverty rate. However, this is *not* the case in all places within California. Also, our findings vary across age groups. Child poverty under our measure is just a bit higher than the official measure—though still staggeringly high, at about 25 percent. As time allows I can discuss these findings further.

Among families with children, safety net resources play a prominent role in mitigating poverty. We calculate that without the CalFresh program, about 29 percent of California's children would be considered poor—an additional 4 percent, or 375,000 children. I think it is worth noting that the impact of CalFresh on poverty is almost double the impact of CalWORKs.

If not for the full set of need-based safety net programs we include in our measure (CalFresh, CalWORKs, General Assistance, EITC and CTC, housing subsidies, SSI, and school meals), a stunning 39 percent of children—or 2.7 million—would be poor.

Under the Census supplemental measure and our California Poverty Measure, a higher fraction of California's population is poor than in any other U.S. state. We know that housing costs are a major factor, because most Californians (70 percent) live in the most expensive counties, where the resources needed to maintain a basic standard of living are about \$9,000 above the official poverty measure calculation. However, public programs also play a role. While CalFresh has a sizeable impact on family resources (as I mentioned), not all eligible families participate. In fact, according to the USDA, we have the second-lowest participation rate in CalFresh in 2012. This raises the question of how much more CalFresh could lower the poverty rate if participation increased. In our research, we find a correlation within California between access to CalFresh and the extent to which the program drives down poverty (the effect is about three times greater in counties with high access). More research is required to understand how the picture of poverty might change if the CalFresh program changed, but it is clear that the program plays a big role in mitigating poverty among Californians.