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The California Poverty Measure: A New Look at the Social Safety Net

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Summary

California is slowly pulling out of a long recession and years of budget turmoil. Social services have been cut and many families have been struggling. In this context, an accurate assessment of the depth, breadth, and location of economic hardship in the state is especially important. To help policymakers and stakeholders determine whether programs aimed at reducing poverty are reaching those in need, we introduce the California Poverty Measure (CPM).

A joint project of the Public Policy Institute of California and the Stanford University Center on Poverty and Inequality, the CPM is part of a national effort to measure poverty in a more comprehensive way. It incorporates the changes in costs and standards of living since the official poverty measure was devised in the early 1960s—and accounts for geographic differences in the cost of living across the state. It also factors in tax credits and in-kind assistance that can augment family resources and subtracts medical, commuting, and child care expenses.

The CPM illuminates the important role of the social safety net—specifically, CalFresh, CalWORKs, the Earned Income Tax Credit (EITC), and other means-tested programs—in moderating poverty. Our findings indicate that the programs included in the CPM—which comprise the bulk of California’s social safety net—cut the state’s poverty rate substantially. But our findings also suggest that the additional resources counted in the CPM are more than offset by necessary expenses (particularly for older adults, who may face high medical bills) and the higher cost of living in the most populous areas of the state. In particular:

- According to the CPM, about 8.1 million Californians—or 22 percent of the population—lived in poor families in 2011, over 2 million more than estimated by the official poverty measure. Across age groups, children had the highest poverty rate (25%) and adults over 65 had the lowest (19%).
- Refundable tax credits (including the EITC) played the largest role for children, cutting their poverty rate by 6 percentage points.
- CalFresh and CalWORKs each trimmed the child poverty rate by between 2 and 4 percentage points.
- Need-based social safety net programs dramatically lowered the number in deep poverty, defined as living at less than half of the poverty threshold. Together, programs like the EITC, CalFresh, and CalWORKs helped keep nearly 2.8 million Californians—or nearly 8 percent of the population—out of deep poverty.

Our estimates show that although many find it difficult to make ends meet, Californians—particularly children—would look strikingly more impoverished without the assistance provided by safety net programs funded at the federal, state, and local level. A companion publication, *A Portrait of Poverty within California Counties and Demographic Groups*, summarizes demographic and regional differences in California poverty. Together, these reports provide a richer framework for understanding the social safety net and introduce a valuable resource for policymakers seeking to address material deprivation with constrained public resources.

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Companion publication released by the Stanford Center on Poverty and Inequality is available on the CPI website: <http://inequality.com/poverty/cpm>

Technical appendices to this paper are available on the PPIC website: www.ppic.org/content/pubs/other/1013SBR_appendix.pdf

Interactive features of this paper are available on the PPIC website:
California Poverty Rates by County www.ppic.org/main/mapdetail.asp?i=1396
Poverty and Social Programs in California www.ppic.org/main/page.asp?i=1398

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Abbreviations and Definitions

CPM	California Poverty Measure
CalFresh	California name for the Supplemental Nutrition Assistance Program (SNAP), the largest federally supported nutrition assistance program. CalFresh provides a monthly benefit that participating low-income families can use to buy groceries.
CalWORKs	California Work Opportunity and Responsibility to Kids, a federal cash assistance program for low-income families with dependent children (the federal name for the program is Temporary Assistance for Needy Families, or TANF). The program provides a monthly benefit to eligible applicants and services to help parents move their families toward self-sufficiency.
CTC	Child Tax Credit. This federal tax credit is available to families with dependent children who file a tax return. The credit is partially refundable, meaning that tax filers with no net tax liability receive a portion, but not all, of the credit. For filers with a tax liability, the CTC offsets the amount they owe.
EITC	Earned Income Tax Credit. This federal tax credit is available to families with dependent children who file a tax return. A small credit is available to low-income workers with no dependents. All family members must file with a social security number to be eligible for this credit. The credit is fully refundable, meaning that tax filers with no net tax liability receive the full amount for which they are eligible.
GA/GR	General Assistance/General Relief. This county-funded, county-option program provides a monthly cash benefit to low-income adults who do not have dependent children.
LIHEAP	Low Income Home Energy Assistance Program. This federally supported program provides assistance to low-income families to help with home heating and cooling costs.
SNAP	Supplemental Nutrition Assistance Program (formerly the Food Stamp program). See description above under CalFresh.
SPM	U.S. Census Bureau's Research Supplemental Poverty Measure.
SSI	Supplemental Security Income. This program is available to eligible low-income applicants who are blind, disabled, or elderly. The federal government determines eligibility, but California provides a supplemental payment.
TANF	Temporary Assistance for Needy Families See description above under CalWORKs.
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children. This federally supported program provides a specified set of foods (via a monthly voucher redeemable at approved stores), nutrition education, and information about other means-tested programs to low-income women and their children who are under age 5.

Introduction

To help policymakers and stakeholders judge the extent to which programs aimed at reducing poverty are reaching those in need, this report introduces the California Poverty Measure (CPM). The CPM provides a multifaceted picture of how California families are faring by taking into account variation in the cost of living across California and the impact of social programs designed to alleviate hardship. In collaboration with the Stanford Center on Poverty and Inequality, we have generated the first set of CPM estimates, using data from 2011.¹

The U.S. Census Bureau has computed official poverty statistics annually since the early 1960s (see the textbox for a brief description). These statistics are invaluable for tracking poverty trends and for other purposes, but they shed no light on regional differences in the cost of living or the role played by programs like nutrition assistance, housing subsidies, and tax credits in helping families make ends meet. With the CPM, we adapt the general methodology of the Census Bureau’s Research Supplemental Poverty Measure (SPM), building on a two-decade effort to design useful alternative poverty measures.²

Like official poverty statistics, the SPM compares family incomes to poverty thresholds. But it bases these thresholds on more recent estimates of national household expenditures on food, clothing, utilities, and housing—and factors in regional differences in housing costs. It also includes the main tax and government-provided in-kind benefits in its accounting of family resources. Finally, the SPM subtracts necessary work-related and medical expenses from family resources.³

We created the CPM to account for realities in California that are not a focus of the SPM. One of our major modifications is an upward adjustment—based on actual enrollment statistics from California—of the number of people making use of the state’s main cash and nutrition assistance programs (CalWORKs and CalFresh) to correct for survey underreporting of these family resources. A second major change is a county-level geographic adjustment of poverty thresholds to reflect the cost of owning or renting a home across the state, which varies widely. The [technical appendices](#) describe these and other modifications.

In this report we outline key statewide results: overall numbers of Californians we estimate to be in poverty and in deep poverty (under 50 percent of the poverty threshold). Because many social programs target families with children, and because medical expenses tend to loom large for California’s older adults, we examine poverty among children, working-age adults, and adults age 65 and older.⁴ We then

¹ Please also see *A Portrait of Poverty within California Counties and Demographic Groups*. The [technical appendices](#) to this report provide details of our methodological approach and data sources. Our main survey data source is the American Community Survey, IPUMS version (Ruggles, et al., 2010).

² In the early 1990s, a National Academy of Sciences panel studied the limitations of official poverty measurement and recommended an alternative measure (Citro and Michael, 1995). These recommendations and further study culminated in the Census Research Supplemental Poverty Measure release for the United States, first in 2011. At the same time, a number of research organizations have been creating similar measures for state and sub-state areas. These include a Wisconsin measure by the Institute for Research on Poverty at University of Wisconsin-Madison (see Smeeding et al, 2013), a New York City measure by the NYC Center for Economic Opportunity (2012), and a number of state measures created by the Urban Institute (see Wheaton et al, 2011).

³ The three major differences between the SPM and the official measure of poverty are: 1) the augmentation of family resources with supports from safety net programs (the official poverty measure includes only pre-tax cash income); 2) the inclusion of medical and work-related expenses (for example, commuting costs and child care); and 3) the restructuring of thresholds to reflect both recent U.S. consumer spending on food, clothing, utilities, and housing and California regional differences in housing costs. For more on the SPM’s methodology, see the [technical appendices](#) to this report and Betson, Giannerelli, and Zedlewski. (2011).

⁴ Naturally most people live in larger households, and we calculate poverty at the level of the family assumed to share resources—so the more apt phrasing is children, or adults, or elderly living in families in poverty.

turn to an assessment of the role of need-based social safety net programs, both those built into official poverty statistics, like CalWORKs, and programs (such as CalFresh) that are included in our augmented approach. Finally, we look at the impact of the cost of living on poverty across the state.

Measuring poverty

Measuring poverty is typically a two-step process. First, researchers create a poverty threshold—a representation of the amount of resources necessary to achieve a minimum level of material well-being. Second, they estimate families' resources and compare them to the poverty threshold to determine whether a family is below it (and therefore defined as "poor").

The U.S. official poverty measure—the statistic produced by the Census Bureau to determine the number of individuals deemed "poor" in the United States in a given year—was developed in the early 1960s by Molly Orshansky, an economist in the Social Security Administration. The measure compares a family's pre-tax cash resources (salary, social security, "welfare" income, etc.) to a poverty threshold meant to reflect the minimum level of income needed to meet basic needs. The official threshold is essentially the cost of a subsistence diet in the 1960s multiplied by three (because food constituted about a third of a family's budget at that time). The threshold is updated annually for inflation and adjusted for family size, but the underlying formula has not changed, despite considerable changes in a typical family's spending on food relative to other expenditures.

The official poverty measure serves a number of purposes. First, because it has been calculated in the same way for roughly 50 years, it is well suited to tracking trends in poverty. Second, means-tested, publicly provided programs use income cut-offs that are pegged to the official poverty threshold. Third, the allocation of federal funds to states and localities is sometimes based on the number or share of residents living under the official poverty threshold.

In 2011, the Census Bureau began publishing a "Research Supplemental Poverty Measure," or SPM, for the entire U.S. In 2012, the Census Bureau introduced SPM estimates for states; these estimates are averaged over three years due to small sample sizes in the survey data source—the Current Population Survey—used (see Short, 2012). The 2009–2011 SPM for California was 23.5 percent, higher than any other state and much higher than the state's official poverty rate of 16.3 percent for the same period.

There are other methods of measuring poverty. A number of European countries use purely relative measures—for example, a comparison of incomes across a population. Self-sufficiency indices build up family budgets from typical needs, and then compare actual incomes—excluding government resources—to these family budgets. The CPM and SPM share some features of both of these approaches.

Poverty in California

A family is considered to be poor if its resources fall short of the poverty threshold. The CPM combines a family's annual cash income (including earnings and government-provided cash benefits like CalWORKs), its tax obligation—a net income boost to low-income families that qualify for tax credits—and in-kind benefits like CalFresh. (The official poverty calculus includes only the first category of resources, cash income.) It then subtracts major nondiscretionary expenses.⁵ Finally, the CPM compares these resources to a family-specific poverty threshold—the monetary resources needed to maintain a basic standard of living. Unlike official poverty thresholds, CPM thresholds are pegged to recent nationwide spending levels on food, shelter, clothing, and utilities and are further adjusted to account for differences in housing costs across counties and to differentiate among those who are renting, paying a mortgage, or living in a paid-off home.⁶ We give a sense of the wide range of thresholds in Table 1.

For a family of two adults and two children, the 2011 poverty threshold was as low as \$19,500 or as high as \$37,400, depending on where the family lived and whether the family residence was rented or owned.⁷ Since most of the state's residents live in high-cost counties and 89 percent of Californians live in rented or mortgaged housing, poverty thresholds for a family of four for the majority of state residents ranged between \$29,500 and \$37,400.⁸

⁵ Note that the net resource calculation assumes individuals who reside together share resources and expenses, whether or not they themselves are formally receiving a particular category of resource or have a particular type of expense. An example here is school meals, which add to the resources of the family in which a child lives, not just to the child's resources. In other words, all members of the same family have an identical poverty rate. The CPM recognizes living situations beyond that of a nuclear family, including cohabiting unmarried partners and foster children. See [Technical Appendix A](#) for further detail.

⁶ See [Technical Appendix B](#) for additional detail.

⁷ The CPM threshold for renters and homeowners with a mortgage was higher than the official poverty threshold—\$22,811 for a family of four in 2011—in every California county.

⁸ Calculated in the ACS, a higher fraction of Californians rent or pay a mortgage (89%) than in other states (81%).

TABLE 1
Poverty thresholds in low-cost, mid-range, and high-cost counties

	Counties	Share of state residents	CPM threshold range		Average CPM threshold
			Owners with a mortgage and renters	Owners without a mortgage	
Low-cost	Colusa, Del Norte, Fresno, Glenn, Humboldt, Imperial, Kern, Kings, Lassen, Madera, Merced, Modoc, Siskiyou, Sutter, Tehama, Trinity, Tulare, Yuba	9.2%	\$23,200– \$25,400	\$19,500– \$20,600	\$23,900
Mid-range	Alpine, Amador, Butte, Calaveras, El Dorado, Inyo, Lake, Mariposa, Mendocino, Mono, Nevada, Plumas, Riverside, Sacramento, San Bernardino, San Joaquin, Shasta, Sierra, Stanislaus, Tuolumne, Yolo	21.8%	\$25,500– \$29,500	\$20,500– \$23,200	\$27,200
High-cost	Alameda, Contra Costa, Los Angeles, Marin, Monterey, Napa, Orange, Placer, San Benito, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Ventura	69.0%	\$29,500– \$37,400	\$20,700– \$25,600	\$31,300

SOURCE: Authors' calculations. Population share calculated from Census SAIGE population estimates. See *Technical Appendix B* for a description of the methodology used to calculate county-level poverty thresholds.

NOTE: Thresholds measured for family of four (two adults and two children). In the table thresholds shown are rounded to the nearest \$100. Average thresholds are weighted by population in each county and by shares renting, owning with a mortgage, and owning without a mortgage. Counties are ranked by CPM threshold s for renters and owners with a mortgage and divided into three roughly equal groups. While all 58 California counties are listed in the table, only 38 can be separately identified in the American Community Survey. Twenty counties are grouped into 3 county groups. See *Technical Appendix A* for a list of individually identified and grouped counties.

How Many Californians Are Poor?

In 2011 California's official poverty rate was 16.2 percent. The statewide picture from the 2011 CPM—that combines augmented resources and updated thresholds—indicates that 22.0 percent of Californians lived in poverty (Figure 1).⁹ This translates into about 8.1 million Californians in poverty, 2.2 million more than considered poor under the official measure.¹⁰ CPM poverty rates are above 22 percent in the three most populous counties: 26.9 percent in Los Angeles County, 22.7 percent in San Diego County, and 24.3 percent in Orange County.¹¹ Our companion publication, *A Portrait of Poverty within California Counties and Demographic Groups*, and an interactive online map, “California Poverty Rates by County” provide additional county estimates.

⁹ Computed in the Current Population Survey, the survey source for the official poverty statistics published each fall, California's 2011 official poverty rate was a slightly higher at 16.9 percent, and fell to 15.9 percent in 2012. For all estimates and comparisons presented in this report we use the American Community Survey rather than the Current Population Survey. Differences in data sources, reference period, and methodology mean that official poverty statistics differ slightly from these published statistics. For a number of the same reasons our CPM estimates are not strictly comparable to the Census 3-year SPM estimates for California.

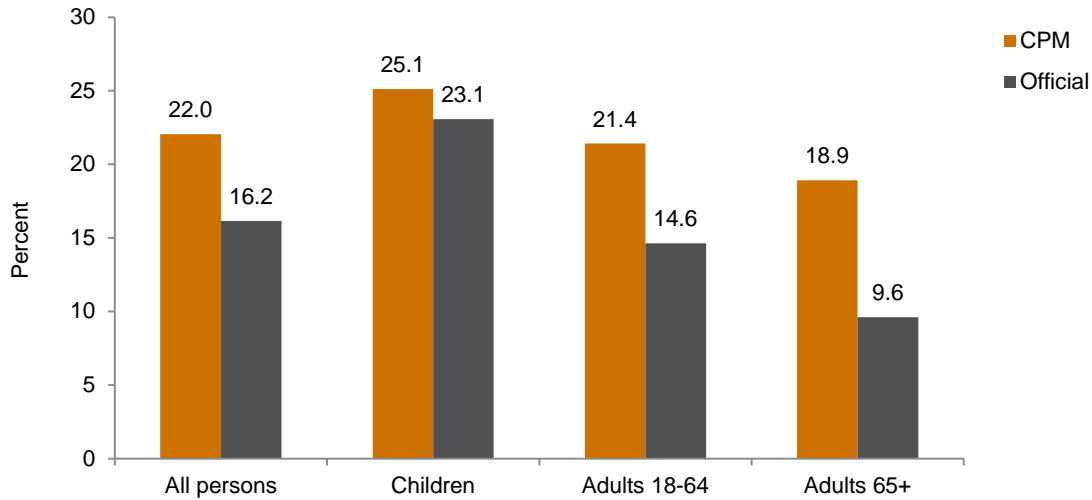
¹⁰ Note that the CPM excludes those living in group quarters (including prisons, nursing homes, and dormitories and a small number of college students living on their own). The total population of California in 2011 according to the ACS was 37.69 million. These exclusions amount to about 850,000 (or 2.2%) of this total. The ACS is a sample of housing units, so those who are homeless are also necessarily excluded. See the *technical appendices* for additional details.

¹¹ Note that all point estimates presented in this report are subject to error stemming from sampling variability and imputation methods. We caution against over-interpreting 1 or 2 percentage point differences. See *Technical Appendix F* for additional discussion of the margin of error of the estimates.

Breaking Down the Poverty Numbers by Age

Within age groups, CPM poverty rates were highest for children (25.1%), lower for working-age adults (21.4%), and lowest for adults age 65 and older (18.9%). This is the same relative ranking across age groups as the official poverty measure. In numbers, the CPM indicates that about 2.3 million of California’s 9.2 million children were in poverty in 2011. Approximately 5 million of California’s 23.2 million working-age adults were in poverty, while about 810,000 of 4.3 million older adults were in poverty. For additional demographic subgroup estimates, see *A Portrait of Poverty within California Counties and Demographic Groups*.

FIGURE 1
CPM estimates are higher than official poverty rates



SOURCE: CPM estimates for 2011 (see technical appendices for data and methodology). Official poverty estimates from the California sample of the ACS (2011), excluding those not in the poverty universe for both measures.

NOTE: Age categories are mutually exclusive and collectively exhaustive.

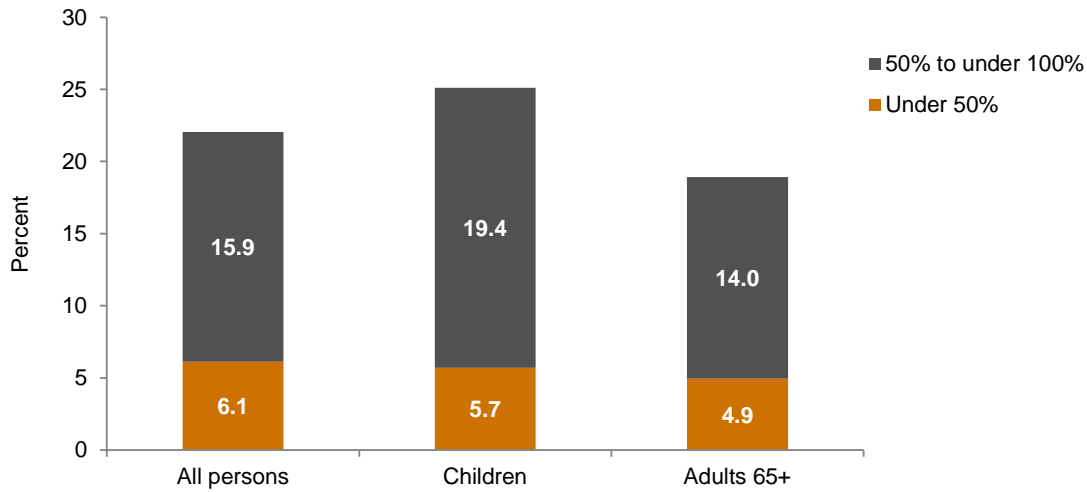
More Californians are in poverty under the CPM compared with official poverty estimates—and this is largely because more adults and elderly are in poverty. The CPM child poverty rate is higher than the rate calculated using the official approach, but the difference is relatively small. (As we show below, without the resources provided by safety net programs, many more children would be in poverty.) The difference is most striking for older adults, who face high out-of-pocket medical costs (also discussed below).

Californians in Deep Poverty

The rate of “deep” poverty—living under half of the poverty threshold—is lower under the CPM than in the official poverty estimate. This is particularly true for children, while older adults are an exception. We estimate that roughly a quarter of Californians under the poverty threshold had resources less than half of the poverty thresholds (Figure 2). (In dollar terms, those living in deep poverty under the CPM had resources under roughly \$16,500 for a family of four in a high-cost county and under \$12,500 in a low-cost county.)¹² This translates into about 530,000 children, 1.5 million working-age adults, and 210,000 older adults living in deep poverty.

¹² Threshold amounts included in this paragraph are for families that rent or have a mortgage, and are the population-weighted average of the highest third of counties and the population-weighted average of the lowest third of counties. Table 1 provides additional thresholds, and Technical Appendix B lists thresholds for each county for families of four by whether they rent, own with a mortgage, or own without a mortgage.

FIGURE 2
Relatively few of those in poverty experience deep poverty



SOURCE: CPM estimates for 2011 (see technical appendices for data and methodology).

NOTES: The poverty rate for non-elderly adults is similar to the overall poverty rate and is not shown in the figure. Technical Appendix E provides additional estimates.

In contrast, more than 40 percent of those classified as poor using the official poverty methodology are in deep poverty.¹³

This may seem surprising, given the CPM’s generally higher thresholds. But it makes sense when we consider that the CPM factors in safety net programs that are excluded from the official poverty measure. These programs contribute significantly to the resources of people at the very bottom of the income spectrum. To gain further insight into the impact of the social safety net on poverty in California, we turn to a discussion of the state and federal programs.

¹³ In particular, 6.8 percent of all residents (excluding the homeless and those living in group quarters), 9.6 percent of children, 6.5 percent of adults age 18–64 and 2.4 percent of adults age 65 and older lived in deep poverty according to the official poverty calculus. Official poverty statistics calculated in the 2011 ACS (Bishaw 2012).

How Does the Safety Net Reduce Poverty in California?

In California, there are a number of need-based programs funded by local, state, and federal governments to help families make ends meet. Table 2 lists the largest programs for low-income families. As we have already noted, the official poverty statistics incorporate safety net programs that provide cash-based assistance—CalWORKs for families with children, General Assistance (GA) for adults without dependent children, and Supplemental Security Income (SSI) for the disabled, blind, and elderly. We have also noted that in addition to cash-based assistance, the CPM incorporates large-scale in-kind and tax-based programs like CalFresh, school meals, housing subsidies, and the EITC that are excluded from the official poverty calculation. These are the largest social safety net programs that augment the resources of low-income Californians. Social Security also augments incomes, especially those of older adults. Because it has a wider scope than the other programs listed in Table 2—it covers all retired workers and eligible family members—we discuss Social Security separately below.

TABLE 2
Need-based social safety net programs in the CPM

	California 2011		
	Recipients (millions)	State/local expenditures on benefits (billions)	Federal expenditures on benefits (billions)
Cash-based programs			
CalWORKs	1.47	\$1.74	\$1.70
General Assistance	0.15	\$0.40	–
Supplemental Security Income	1.27	\$0.91	\$8.23
In-kind and tax-based programs			
CalFresh	3.64	\$0.20	\$6.53
Child Tax Credit*	2.91 (tax filers)	–	\$4.14
Earned Income Tax Credit	3.27 (tax filers)	–	\$7.25
Federal housing subsidies	0.48 (housing units)	–**	\$3.60
School lunch and breakfast	2.18	\$0.16	\$1.88

SOURCES: California Department of Education; California Department of Social Services; Center on Budget and Policy Priorities (CBPP); Food and Nutrition Service; Internal Revenue Service; Office of Management and Budget.

NOTES: In most cases, “Recipients” = average monthly beneficiaries, but there are some exceptions. For CPM estimates, a different measure of program participation that aligns with the questions asked in the ACS (see [Technical Appendix C](#)). For school lunch and breakfast, we show average daily participation in free and reduced price meals. For tax programs we show the annual number of filers—mostly families with dependent children—instead of the number of beneficiaries. For housing subsidies, we show the number of units. Expenditures by level of government include only benefits paid and exclude costs of administering programs (with the exception of housing subsidies). CalWORKs and CalFresh expenditures include state and local funds for California Assistance Program for Immigrants (CAPI) and the California Food Assistance Program (CFAP). Other cash assistance families may receive, including adoptions assistance, foster care, unemployment insurance, child support, are included in the ACS “other income” category and therefore are not individually distinguished in the CPM. The federal expenditure statistic for housing subsidies includes operating and capital funds for public housing and federal funds for the Section 8 Housing Choice Voucher program.

* Refundable portion.

** State and local government expenditures on means-tested, housing-related programs are channeled into multiple, disparate programs across California. We lack a statewide figure for total state and local spending on housing subsidies.

Certain need-based programs are not included in families’ resources in the CPM. A large-scale example is means-tested health insurance programs such as Medi-Cal and Healthy Families, which provide in-kind

benefits that are difficult to monetize. Families enrolled in these programs do tend to have relatively lower out-of-pocket medical expenses in the CPM. For other resources not counted in CPM family resources, see the text box.

Potential safety net resources excluded from the CPM

While the CPM incorporates an augmented set of the resources available to California families and the costs they face, we do exclude several important resources widely utilized by California families. We notably omit the effect of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Low-Income Heating and Energy Assistance Program (LIHEAP). We also omit all county and local-level programs, with the exception of General Assistance. The CPM also excludes in-kind donations from food banks and other charitable organizations.

The state's In-Home Supportive Services (IHSS) program that provides services to the elderly and disabled is a distinctive case: individuals providing care report the services as their own earnings on the survey, although those on the receiving end of the assistance are not asked about their receipt of this type of benefit.

The survey data used to estimate the CPM (the U.S. Census Bureau's American Community Survey) also precludes a more detailed accounting of certain income sources, including unemployment insurance payments, foster care payments, adoption assistance payments, and child support payments. These sources are included in family resources as "other income," and so cannot be considered separately.

Cash-Based Programs

We begin with the means-tested cash-based programs that are included in official poverty statistics: General Assistance, CalWORKs, and SSI. In 2011, the average monthly benefit for a CalWORKs family was \$459. For SSI recipients, the average was \$640. For individuals receiving GA, it was \$218.¹⁴ The leftmost bar in Figure 3 shows the comparison for all Californians and indicates that CalWORKs and GA together reduced the CPM rate statewide by about 1.3 percentage points, and SSI by 1.4 percentage points.¹⁵ In other words, without counting CalWORKs and GA benefits, an additional 470,000 Californians would have been below the poverty line; and without SSI income, an additional 510,000 state residents would have been in poverty.¹⁶

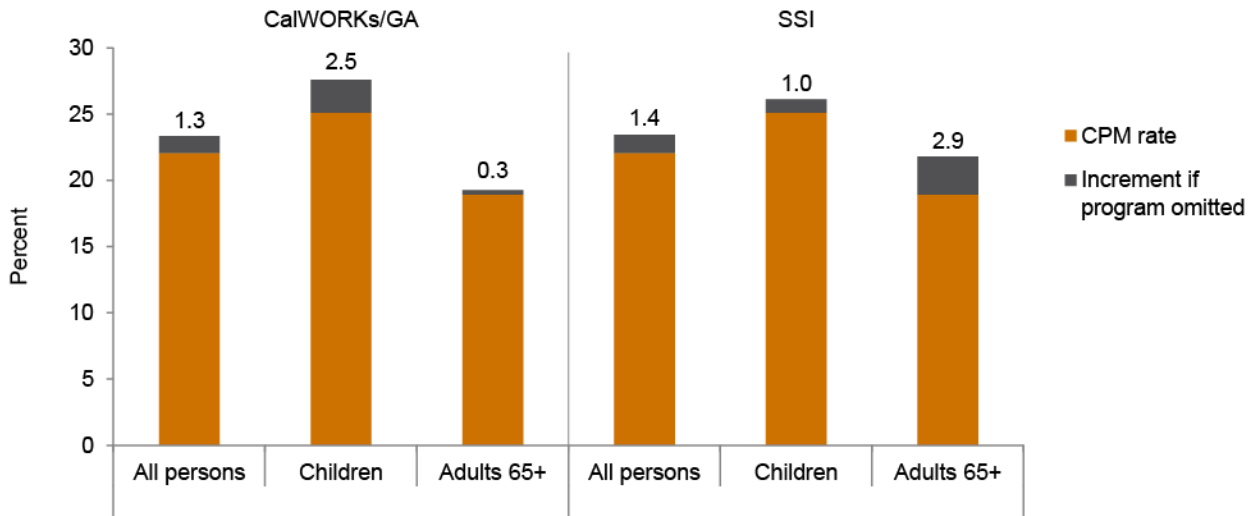
¹⁴ Figures calculated from California Department of Social Services, "Public Assistance Facts and Figures" (www.cdss.ca.gov/research/PG370.htm).

Average taken of 12 months of reports for SSI and GA, for individuals. July 2011 average taken for CalWORKs, at the level of the assistance unit, or case.

¹⁵ CalWORKs aids many more individuals than does GA, and the bulk of the reduction in the poverty rate shown in Figure 3 is due to CalWORKs.

¹⁶ It is important to note that these calculations are intended to show how resources from various safety net programs move the CPM rate rather than the improvements in well-being that safety net programs may produce.

FIGURE 3
Cash-based social safety net programs are especially helpful to children and older adults



SOURCE: Authors' calculations for 2011 (see [technical appendices](#) for data and methodology).

NOTES: Adult poverty rate not shown in figure. [Technical Appendix E](#) provides additional estimates. Percentage point difference between CPM and CPM rate absent program shown above each bar.

Not surprisingly, CalWORKs benefits play the biggest role for children, cutting the child poverty rate by 2.5 percentage points.¹⁷ Of the 470,000 residents above the poverty line because of CalWORKs, about half were children. We cannot draw on comparable estimates for other states, but it is reasonable to suppose that the poverty reduction role of CalWORKs is much larger in California, which has about a third of the nation's recipients of TANF (the federal name for the program), but only 12 percent of the U.S. population—and roughly the same share of the nation's poor, according to official poverty statistics.¹⁸ Although California did substantially reshape its cash assistance program in the 1990s, the state has nonetheless directed more resources toward cash assistance for low-income families with dependent children in recent years than most other states have.

SSI played the biggest role for older adults: the poverty rate among those 65 and older was nearly 3 percentage points lower due to the SSI program.¹⁹ The program cut the poverty rate for children by 1 percentage point.

In-Kind and Tax-Based Programs

Relative to other parts of the need-based safety net, the resources from the federal Earned Income Tax Credit (EITC) and refundable portion of the Child Tax Credit (CTC) play the largest role in lowering the CPM poverty

¹⁷ We correct for underreporting of CalWORKs receipt and benefit amount in the ACS. In particular, we adjust CalWORKs receipt upward to match administrative totals by race/ethnicity, case size, and county of residence. We also adjust CalWORKs benefits to match administrative survey data on actual recipients in 2011. If we instead rely on self-reported CalWORKs receipt, the overall poverty rate is 22.6 percent and the child poverty rate is 26.2 percent. When we impute CalWORKs receipt to those who did not report it themselves, we exclude likely unauthorized immigrants. For more details, see [Technical Appendices A and C](#).

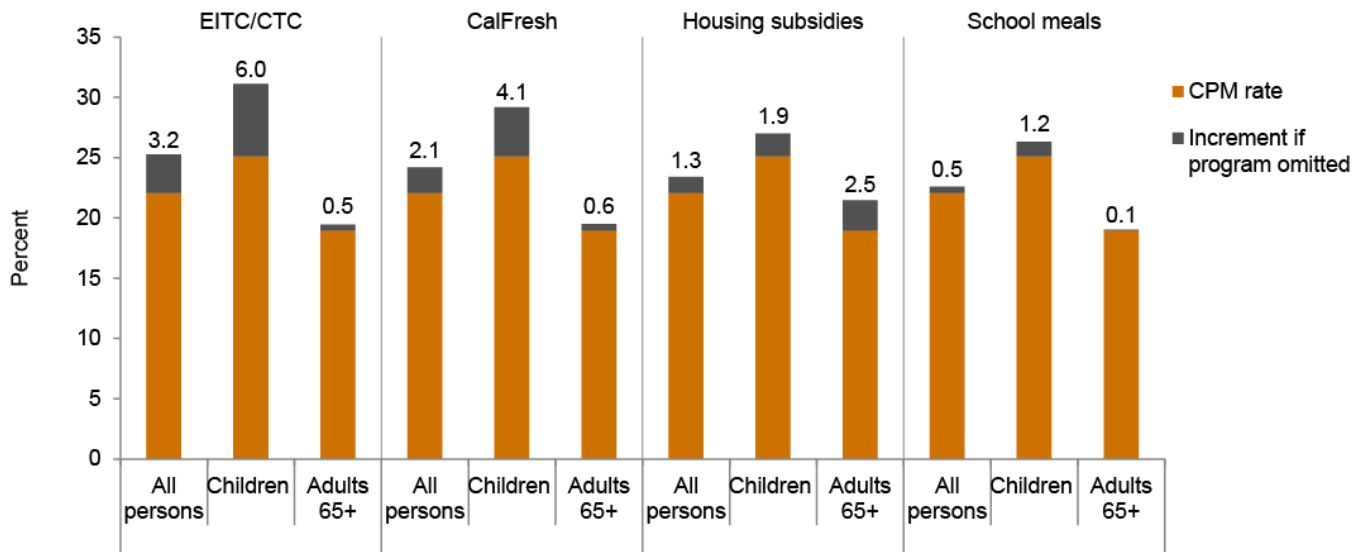
¹⁸ The Census Bureau estimates for the U.S. as a whole that TANF reduced poverty by 0.3 percentage points in 2011 (Short, 2012). However, their methodology relies on self-reported TANF. As described in [Technical Appendix C](#), we adjust self-reports of CalWORKs to more closely match administrative case counts and benefits.

¹⁹ Social Security (discussed below) is also critical for older adults.

rate (Figure 4).²⁰ Both programs are aimed at low- and moderate-income families with dependent children that file tax returns. The EITC is fully refundable, meaning that a family with earnings but no net tax obligation can receive the full amount in the form of a refund. The CTC is partially refundable, but we examine only the refundable portion of this credit, which primarily benefits families with low and moderate earnings.

Together, the EITC and the refundable portion of the CTC trimmed the poverty rate by 3.2 percentage points.²¹ The child poverty rate improved even more, falling from 31.1 percent to 25.1 percent—or 6 percentage points—as a result of factoring in the EITC and CTC. Since many adults live in households with children, their poverty rate also dropped, although to a smaller extent (their poverty rate was 2.6 percentage points lower). This translates into 560,000 fewer children and 600,000 fewer working-age adults in poverty after including the EITC and CTC in family resources.²² Not surprisingly, the programs had a negligible effect on poverty among adults age 65 and older, lowering their poverty rate by well under 1 percentage point.

FIGURE 4
In-kind and tax-based social safety net programs boost resources, particularly for children



SOURCE: Authors' calculations for 2011 (see [technical appendices](#) for data and methodology).

NOTES: Adult poverty rate not shown in figure. [Technical Appendix E](#) provides additional estimates. School meals include the National School Lunch Program and the School Breakfast Program, but exclude summer meal programs and nutrition programs in after care and day care settings. Percentage point difference between CPM and CPM rate absent program shown above each bar.

²⁰ Both the CPS- and ACS-based supplemental poverty measures include simulated tax liabilities and credits and must make a number of assumptions. We compared the results against aggregate administrative data from the IRS (e.g., total filers, total filers with social security numbers, total amount of EITC paid). For the EITC in particular, various reasonable assumptions result in estimates that are roughly 75 percent to 85 percent of the actual amount paid to Californians for the 2011 tax year. See [Technical Appendix C](#) for details. The estimates reported in the text reflect the set of assumptions that produces the higher total.

²¹ A substantial body of research finds that families with children on the whole responded to incentives embedded in the EITC by working more (Eissa and Hoynes, 2006). The change in the poverty rate discussed in the text abstracts from this behavioral response to the EITC. Instead, it assesses the simply mechanical effect on the poverty rate of zeroing out the EITC (and the CTC) in the CPM resources calculation.

²² In the U.S. as a whole, the Census SPM estimates indicate that the EITC and the refundable portion of the CTC together reduced poverty by 2.7 percentage points (Short, 2012). The EITC is the only tax credit that requires all family members to file with a social security number to claim the credit. This implies that in cases where citizen children live with unauthorized immigrant parents, the entire family is ineligible for the EITC. (The CTC does not require a social security number for tax filers.) If families with citizen children could receive the EITC regardless of parent status our estimates of the poverty rate would drop by about 1 percentage point for children, and under 1 percentage point overall. This represents about a 250,000 additional persons above poverty. For example, if unauthorized parents gained citizenship or provisional immigrant status and could apply for a social security number—both plausible changes the U.S. Congress could implement as part of immigration reform legislation—then these families could conceivably receive the EITC.

Benefits from CalFresh, California's name for SNAP, averaged \$147 a month per person in 2011. Our estimates imply that CalFresh benefits reduced the poverty rate by just over 2 percentage points, or by close to 800,000 people.²³ We find this large effect in spite of two limiting characteristics of California's CalFresh caseload. First, compared with other states, California has long had low participation in SNAP—many eligible families do not participate in the program (although this state of affairs may now have begun to change). Second, California has a disproportionate share of unauthorized immigrants, who are not eligible for CalFresh.²⁴

CalFresh benefits cut the child poverty rate by about 4 percentage points (or 380,000 children). CalFresh lowered the poverty rate among adults age 65 and older by a small amount (well under a percentage point). It is likely that California's policy of replacing CalFresh eligibility for SSI recipients with an automatic monthly \$10 payment reduces CalFresh participation among those 65 and older relative to other states.²⁵ Households that are ineligible for CalFresh because all members receive SSI tend to consist of one or two elderly adults. (In households that include both SSI and non-SSI recipients, the non-SSI members can apply for CalFresh.)

Using the CPM, we can estimate the extent to which increased participation in CalFresh would reduce poverty under different scenarios. For example, we find that if all Californians in families with incomes below the official poverty line participated in CalFresh—by no means all of those who are eligible—250,000 additional Californians would receive this assistance. As a result, the poverty rate would be 0.7 percentage points lower.²⁶

Federal housing subsidies reduced the poverty rate by over 1 percentage point, or about half a million Californians. The reduction in the poverty rate was largest for older adults (2.5 percentage points) and was just nearly 2 percentage points for children.²⁷ Finally, school meals played a small role in reducing poverty, reducing the overall poverty rate by about 0.5 percentage points. Again, this program's biggest role is for children—it trimmed the child poverty rate by just over 1 percentage point (or about 110,000 children). It is important to remember that the maximum boost to resources from school meals is smaller than that of other programs: In our calculations, school-age children participating in free breakfast and free lunch receive the equivalent of about \$80 a month during the school year.²⁸

²³ We adjust self-reported CalFresh receipt in the ACS upwards to match administrative totals by race/ethnicity, case size, participation in CalWORKs, and county of residence. For both self-reported SNAP and assigned recipients, we impute benefit amounts based on administrative survey data (see [Technical Appendix C](#) for details). If we rely solely on self-reported receipt of CalFresh, the overall poverty rate is 22.7 percent instead of 22.0 percent, and the child poverty rate is 26.3 percent instead of 25.1 percent. When we impute CalFresh receipt to likely eligible survey respondents who did not report it themselves, we exclude likely unauthorized immigrants. For more details, see [Technical Appendix C](#).

²⁴ Citizens and legal residents who live in households with unauthorized immigrants may be eligible for CalFresh.

²⁵ California is currently the only state with this policy, known as "SSI cash out." This payment has not risen since the 1970s, and some households containing SSI recipients would receive more than \$10 if this policy were rescinded. However, some households would entirely lose eligibility for CalFresh if the policy were eliminated (Cunningham, 2010)

²⁶ This hypothetical scenario assumes that families who would newly receive CalFresh otherwise maintain the same level of income and net resources. If we make the broader assumption that everyone below 125 percent of the official poverty threshold enrolls in SNAP, the overall reduction in the poverty rate rise to 1.1 percentage points.

²⁷ Note that federal housing subsidy programs, unlike the other programs discussed in this section, are capped and do not serve all eligible applicants. To estimate the value of housing subsidies families receive, we impute receipt of the two main government-supported housing programs (public housing and Section 8 housing subsidies) based on reported participation in the Current Population Survey. We then assign benefit amounts based on household income and Fair Market Rent data. See [Technical Appendix C](#) for further detail.

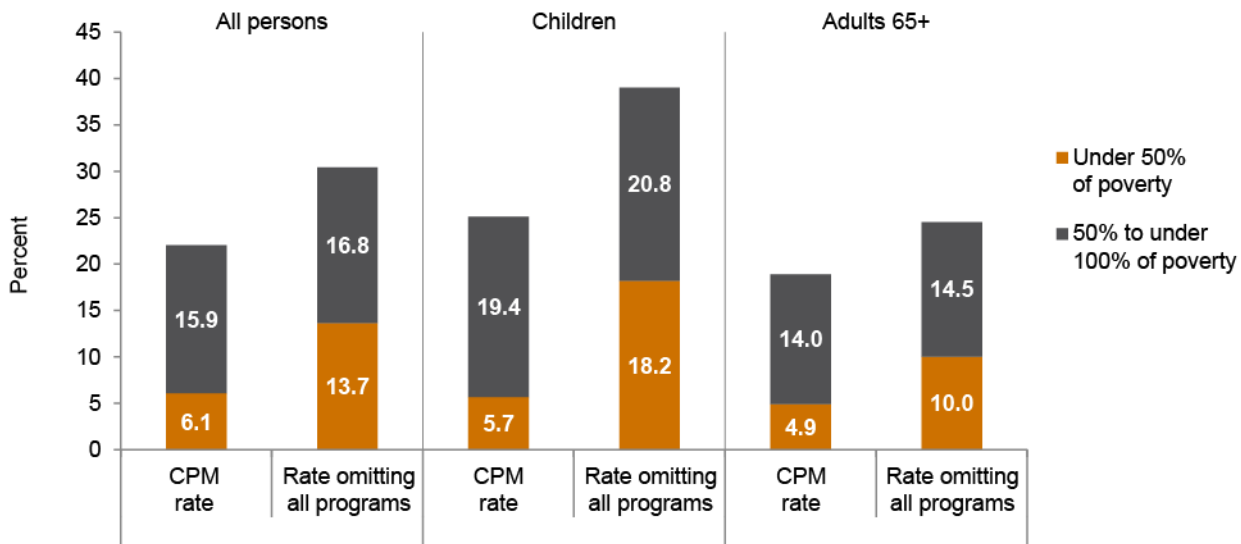
²⁸ If we assume instead that all children we determine to be eligible for school meals received them, we estimate that the poverty rate for children would be an additional 0.6 percentage points lower. We determine eligibility for school meals using cash income as self-reported in the ACS. We then assign eligibility based on administrative counts of students participating in free and reduced price school breakfast and school lunch by

The Social Safety Net in Total

Californians can be eligible for multiple, need-based safety net programs at once (although they do not always make use of the benefits for which they are eligible). To estimate how much social safety net resources lower the CPM rate, we cannot simply add up our individual program estimates. This is because some who make use of the safety net may need a combination of program resources to help them move above the CPM poverty threshold, while others—closer to the poverty threshold—might have total net resources above the poverty line if they utilize any one of several programs.

In Figure 5 we show the combined effect of the need-based programs discussed in the previous two sections on the CPM rate and on the number of Californians in poverty and in deep poverty. With these safety net resources, 22.0 percent of Californians were in poverty in 2011; without these resources, the share jumps to over 30 percent. For children, the effect is much larger: in the absence of need-based safety net resources, a startling 39.0 percent of California’s children would have been in poverty according to the CPM. The role of the safety net is smaller for older adults, but it is still substantial.²⁹

FIGURE 5
California poverty would be much greater in the absence of major need-based safety net resources



SOURCE: Authors’ calculations for 2011 (see the [technical appendices](#) for descriptions of the data and methodology).

NOTES: Figure shows the CPM rate absent the combined effect of CalWORKs, GA, SSI, CalFresh, the EITC, the CTC, housing subsidies, and school meals. [Technical Appendix E](#) provides additional estimates.

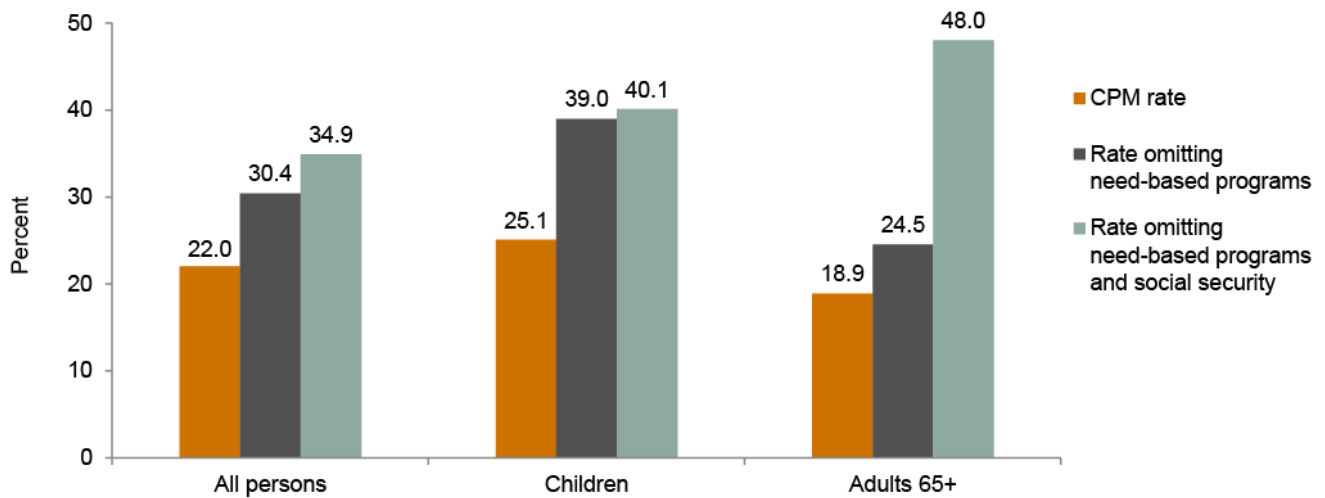
county. We determine the value of the meals received using the reimbursement amount per meal of each type in California for the average of the 2010–11 and 2011–12 school years. See [Technical Appendix C](#) for further detail.

²⁹ As a point of reference, simply summing the poverty reduction effects of each program individually without accounting for the interaction across programs gives a somewhat larger—but inaccurate—9.9 percentage point reduction in poverty for all persons (as compared to the 8.4 percentage point reduction shown in Figure 5).

In addition, we find that these safety net programs play an even larger role in moderating the rate of deep poverty statewide: More than twice as many Californians—and more than three times as many children—cross into the group in deep poverty in the absence of resources from safety net programs. In numbers, an additional 2.8 million Californians—and over 1.2 million children—would be considered in deep poverty if safety net benefits were not counted.

The social safety net can be broadly defined to include *all* programs that reduce poverty, not just programs with income-based eligibility criteria. Social Security is a key component of this more-broadly-defined safety net.³⁰ Figure 6 illustrates the enormous role of this program—intended to increase economic security for retired workers—in lowering the poverty rate for older adults.

FIGURE 6
Social Security plays a major role for older adults



SOURCE: Authors' calculations for 2011 (see the technical appendices for descriptions of the data and methodology).

NOTES: The center bar in each grouping shows the CPM rate absent the combined effect of CalWORKs, GA, SSI, CalFresh, the EITC, the CTC, housing subsidies, and school meals. The rightmost bar in each grouping shows the CPM rate absent the combined effect of all these programs and also Social Security. Technical Appendix E provides additional estimates.

California's social safety net is complex. Even the key need-based programs, which share the goal of shoring up family resources, do not share precise eligibility criteria or target identical populations. Moreover, not all who obtain resources from need-based safety net programs are lifted out of poverty. For example, they may not participate in all programs for which they may qualify.³¹ And some may not need the safety net assistance for which they qualify to be above the CPM poverty line. For one thing, CPM thresholds are sometimes lower than the official poverty thresholds that determine eligibility for safety net programs. More importantly, eligibility for tax-based programs—which provide the most substantial boost to family resources overall—extends higher on the income scale than eligibility for CalFresh, housing subsidies, and CalWORKs.³²

³⁰ A core criterion for all segments of Social Security program eligibility is a work history. Of the three broad types of benefits, the majority is paid to retired workers. Californians received \$66.7 billion in Social Security benefits in 2011. Of this total, 70 percent was paid as retiree benefits, 14 percent was paid as survivor benefits, and 16 percent was paid as disability benefits. See www.ssa.gov/policy/docs/statcomps/supplement/2012/5j.html.

³¹ The overall impact of increased income from safety net programs on family resources depends partly on individual decisions about work. For example, with resources from a safety net program single parents may choose to spend more time caring for children rather than working longer hours.

³² Recall that the tax credits under discussion are the EITC and the refundable portion of the CTC.

We estimate that about 17 million Californians lived in families that gained resources from one or more of the need-based social safety net programs included in the CPM.³³ This participation level reflects the fact that social safety net programs do not only target those in poverty. (If we include Social Security, beneficiaries rise to 21.4 million.) Of those who received resources from one or more need-based programs, about 18 percent—or 3.1 million Californians—were moved above the CPM poverty threshold by their participation. Thirty-eight percent remained in poverty despite their participation (6.4 million), and 44 percent (7.5 million) were not officially under the poverty threshold, even absent the resources from the social safety net (although they may have been close to the poverty line).

Nonetheless, safety net program benefits not counted in official poverty statistics substantially alter the picture of poverty in the state. If the CPM did not factor in the assistance provided by the EITC CalFresh, and other programs, many more Californians, and especially children, would be deemed poor—and deep poverty rates would be startlingly higher.

³³ Note that family members are assumed to share resources, whether they themselves are formally the recipient of a particular safety net benefit or not.

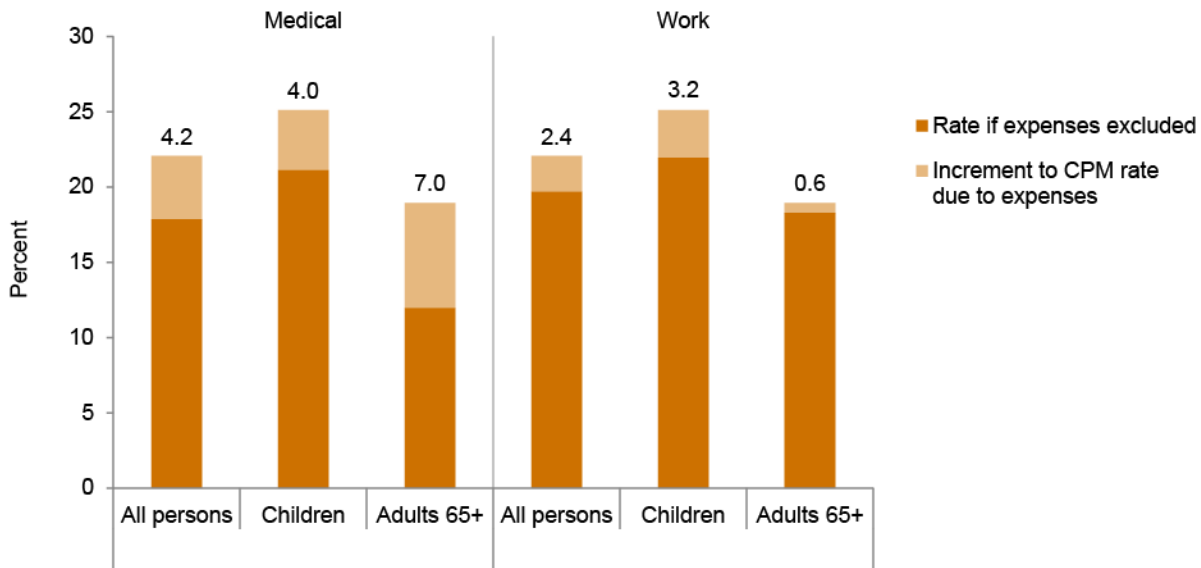
How Do Major Expenses Affect Family Resources?

As we have seen, the CPM shows 2.1 million more Californians—roughly 6 percent of state residents—to be in poverty than do official poverty statistics. Some of this difference has to do with the way expenses and thresholds are factored into the CPM.

In-kind assistance and tax credits tend to add resources that particularly help children. At the same time, cost-adjusted thresholds and the subtraction of nondiscretionary expenses from family resources increase poverty rates. To better understand the role of medical and work-related expenses on overall resources, we examine the difference in poverty rates when they are left out of the CPM calculation.

If we exclude out-of-pocket medical expenses from the CPM calculation, the poverty rate for older adults drops by 7 percentage points—an amount that is much larger than any of the in-kind safety net programs we discussed in the previous section (Figure 7). A similar exercise highlights the effect of work expenses on the poverty rate. If we exclude work expenses—which consist largely of out-of-pocket child care and commuting costs—from the CPM calculation, elderly poverty rates are about the same, but the poverty rate for children is a little more than 3 percentage points lower. In other words, work expenses increase the child poverty rate by about the same amount that CalWORKs or CalFresh lower the rate.

FIGURE 7
Medical and work expenses are notable factors in CPM rates



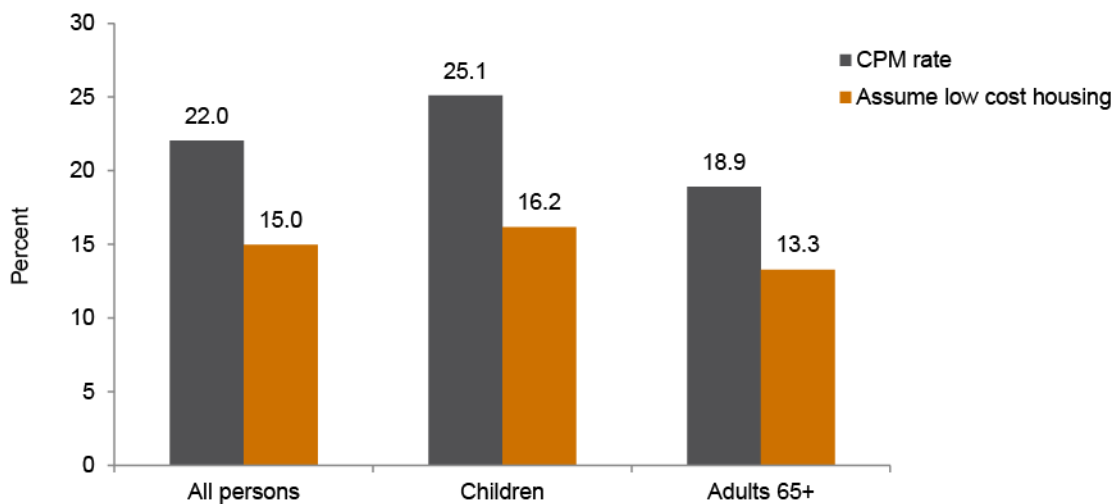
SOURCE: Authors' calculations for 2011 (see [technical appendices](#) for descriptions of the data and methodology).

NOTES: Figure shows the effect of excluding medical out-of-pocket expenses and of work-related expenses (mainly out-of-pocket child care and commuting costs) on CPM poverty rates. [Technical Appendix E](#) provides additional estimates. Percentage point difference in CPM rate absent expense shown above each bar.

A third major driver of expenses is the cost of living in California. Recall that the CPM thresholds are adjusted for housing costs across the state and vary substantially. A comparison of poverty rates in high-cost counties versus low-cost counties suggests that variation in housing costs is extremely important (see *A Portrait of Poverty within California Counties and Demographic Groups* and “California Poverty Rates by County”).³⁴

To illustrate the importance of this variation in housing costs for poverty rates, we conducted a thought experiment: What would poverty rates in California be if everyone in the state were to experience the housing costs of a low-cost county?³⁵ Figure 8 shows the results and indicates that the overall poverty rate in California would be 15.0 percent, 7 percentage points lower than the CPM estimate of 22.0 percent—or a bit lower than California’s official poverty rate.

FIGURE 8
High housing costs in the populous areas of the state drive up poverty rates



SOURCE: Authors’ calculations for 2011 (see *technical appendices* for descriptions of the data and methodology).

NOTES. The thresholds for the hypothetical low-cost county are for Fresno County—the most populous of the low-cost tier of counties shown in Table 1. *Technical Appendix E* provides additional estimates.

Child poverty would be more than 9 percentage points lower (16.2%), and the poverty rate for older adults would drop to 13.3 percent. These differences are so large because most Californians live in high-cost areas and very few Californians own their homes outright.

In sum, when we factor in major medical, work, and housing costs, we gain insight into factors driving poverty for older adults as well as the role of place in shaping poverty in California. We can begin to understand why so many Californians are in poverty despite resources provided by the social safety net.

³⁴ Of course, counties also vary in several other important dimensions of the CPM—income and earnings patterns, administration and take-up of key safety net programs, demographic makeup. It would be inaccurate to say that one “high-cost” county has a higher poverty rate than a “low-cost” county solely because of differences in cost of living.

³⁵ The CPM treats the cost of housing as nondiscretionary or exogenous. We do not account for the bevy of factors that contribute to a family’s choice of location and housing. While cost is a major factor, other factors may play an important role. For example, some locations might have amenities or opportunities that offset high housing costs. Similarly, in the thought experiment described in the text we do not model changes in family behavior if their housing costs were suddenly lowered (for example, a possible reduction in working among secondary earners).

Conclusion

We have described a new way of measuring poverty that substantially alters our understanding of how individuals and families in California are faring. In the context of the emerging nationwide effort to address shortcomings of official poverty statistics, our aim is twofold: to reassess how much resources people in all parts of the state need to make ends meet and to measure the resources they have at hand more comprehensively. This produces a sobering picture for California as a whole.

We find that 8.1 million Californians—22.0 percent of the population—did not have sufficient resources to meet basic needs in 2011. The larger number of Californians in poverty, as compared to official statistics, is driven mainly by increases in the working-age and older adult poverty rates. While the child poverty rate under the CPM is only 2 percentage points higher than the official child poverty rate, children continue to have the highest poverty rate across age groups.

The CPM accounts for the fact that, for most Californians, high living costs—particularly housing costs—offset the resources they have available to make ends meet. We also factor in expenses that eat into resources and drive up poverty, particularly medical expenses borne by older adults. Work expenses such as commuting costs and child care also play a role in raising the poverty rate under the CPM.

At the same time, we find that government programs play a substantial role in alleviating poverty. In the absence of cash-based, in-kind, and tax-based safety net programs, our estimate of child poverty would be 39.0 percent, 13.9 percentage points higher than the actual estimate of 25.1 percent. For working-age and older adults, the combined role of these programs was smaller, but still considerable. And we find that need-based safety net programs cut deep poverty sharply.

We aim for the CPM to become a tool for policymakers and other stakeholders. Decisionmakers seeking ways to make efficient use of public resources can benefit from accurate information about regional differences that shape poverty and the major programs that augment family resources. For example, the CPM makes possible richer investigations of multiple social safety net programs across diverse groups of low-income families. This report and our companion publication, *A Portrait of Poverty within California Counties and Demographic Groups*, lay the groundwork for additional targeted examinations of poverty across the state.

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