

California and the Supplemental Poverty Rate

Californians in Poverty Skyrockets from 6 Million to 8.7 Million Persons

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The last five years has done serious damage to poor families in California. The collapse of the housing and financial markets caused many families to lose jobs and led to long term double digit unemployment in California.ⁱ Hundreds of thousands of families sought relief from the effects of the recession by applying for public assistance. While the state maintained basic eligibility for a safety net for millions of the poorest Californians, it did so by cutting billions in cash assistance and services for poor families.

As bad as the economy appeared in official statistics the past four years, the true depth of the problem was hidden until a recent report from the Census Bureau exposed a more accurate and devastating view of poverty. The data showed a significant rise in the national poverty level but what is less well known is that California is almost entirely responsible for the national increase.

California and The Supplemental Poverty Measure

While California has long had a poverty rate that exceeded the national average, many believed that the official rate understated the degree of poverty in California because it failed to adjust for the cost of shelter, medical expenses, child care and other family costs. It also did not count some forms of income.ⁱⁱ

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The supplemental poverty report released by the Census Bureau corrects the flaws of the traditional poverty measure and in doing so showed that the federal poverty level did not accurately reflect the true level of poverty in the US, particularly California. Below is the change in the poverty level for a four person household.

Difference in 2011 Poverty Level for Four Person Household^{iv}

2011	Fed Pov Level for 4 Persons	Sup Pov Level for 4 Persons
Home Owner w/ Mortgage	\$22,811	\$25,703
Renter	\$22,811	\$25,222

California's Dramatic Rise in Poverty Under the Supplemental Measure

The Census Bureau's supplemental measure showed that the national poverty rate was a full point higher than under the traditional measure but that **California's poverty rate increased by**

7.2 percent. The increase in the national poverty rate is large enough to be statistically significant but the California increase is literally off the charts.

While the increase itself is staggering, it does not fully reflect how badly the traditional poverty data understated the poverty crisis in California. While the country as a whole experienced an increase from 15.1 percent to 16.1 percent (a 6.6 percent increase) using the supplemental measure, California’s poverty rate increased from 16.3 percent to 23.5 percent (a 44 percent increase), seven fold more than the country as a whole.

California Poverty Skyrockets Under the Supplemental Measure

	US ^v	California ^{vi}
Traditional Poverty Rate	15.1%	16.3%
Supp. Poverty Rate	16.1%	23.5%
Percentage Increase	6.6%	44%

California’s Share of the Poor Increased Sharply

To put this in people terms, rather than California having a little over 6 million people in poverty, in reality **California has 8.7 million people living in poverty.** To put it in perspective, the 2.7 million “extra” poor people in California that were not counted under the traditional poverty measure is larger than 46 state’s entire population of poor persons. Just the increase.^{vii}

Given this massive new group of poor persons under the supplemental measure, California’s share of the national poverty population increased from 13.2 percent under the traditional measure to 18.1% under the supplemental measure. Looked at another way - while the nation as a whole saw 2.5 million more persons in poverty under the supplemental measure, California, alone, saw a 2.7 million person increase in the number of persons in poverty. How is this possible? 33 states actually had a decline in their poverty rate using the supplemental measure. In short, the increase in the national poverty rate under the supplemental measure is almost entirely attributable to California.^{viii}

State’s Budget Cuts Increased Poverty for Those on Public Assistance

As a result of recent state budget cuts the poorest families in California are in deeper poverty than before the Great Recession started. For example, the value of a maximum CalWORKs grant in 2007 for a family of three was equal to 50 percent of the traditional federal poverty level.^{ix} But by 2012 the maximum family grant was equal to just 40 percent of the poverty rate after elimination of the CalWORKs cost of living adjustment and two deep cuts to the basic grant.

The Declining Value of California’s Public Assistance During the Recession

	SSI-SSP	CalWORKs Family of 3
2007 Max. Grant Level	\$856	\$723
Percent of FPL^x	100.7%	50.5%
2012 Max. Grant Level	\$854	\$638
Percent of FPL^{xi}	91.8%	40.1%

An aged or disabled SSI recipient saw their SSI/SSP grant drop from 100.7 percent of the federal poverty rate in 2007 to 91.8% in 2012.^{xii} The cuts to SSI may have played a role in the large increase in poverty since those households were slightly above the traditional poverty measure before the steep cuts began. CalWORKs families were always well under the poverty level and thus did not contribute to the increase in the supplemental poverty level.

Three Things State Policy Makers Can Do in 2013 to Reduce Poverty

Increase the Minimum Wage – The minimum wage in California is \$8 an hour. A full time minimum wage worker with two weeks' vacation earns just \$16,000 a year. This salary represents just 63 percent of the supplemental poverty level. Assembly member Luis Alejo has introduced AB 10 to raise the minimum wage in three stages to \$9.25 an hour.

Restore CalWORKs and SSP Grants to January 2007 Levels – To reduce some of the damage done in the past five years, the state should restore the CalWORKs maximum grant for a family of three to \$723 a month and the state should increase the state's contribution to the SSI check from the federal minimum of \$156 a month back to \$233 a month.

Restore the Cost of Living Adjustments for SSI and CalWORKs – Along with grant cuts in recent years California repealed the long standing cost of living adjustments (COLA) that were provided in state law. The repeal of the COLA's and frequent suspensions of the COLAs when they were in effect has eroded the value of the grants. Restoring the COLAs would keep grants from falling even further below the poverty level.

ⁱ <http://data.bls.gov/timeseries/LASST06000003> - California had a double digit unemployment rate in every month from February 2009 through October 2012 – a total of 45 consecutive months.

ⁱⁱ See the Insight Center's, The Self-sufficiency Standard for California which documents the true cost of living in all California counties, <http://www.insightcced.org/index.php?page=ca-sss>

^{iv} U.S., Census Bureau, The Research SUPPLEMENTAL POVERTY MEASURE: 2011 <http://www.census.gov/prod/2012pubs/p60-244.pdf>, page 4.

^v Ibid, page 6

^{vi} Ibid, page 12

^{vii} Ibid, page 12

^{viii} The bad news didn't stop there for California. At the same time the Census Bureau released their data, the Center on Budget and Policy Priorities released an analysis of census data that showed that income inequality has skyrocketed in the US over the past quarter century. As with the poverty data California shows poorly – having the third highest level of inequality between the rich and the poor.

While incomes for the lowest wage workers have been flat in California since the 1990s, those in the top 20 percent have seen a 19% increase in their income. While the national income inequality gap between the richest and poorest is 8 to 1, in California that figure is 9.5 to 1. The bottom 20 percent of income earners makes an average of \$19,400 while the top 5% of income earners is pulling down \$315,600 a year. The report can be found at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3860>

^{ix} California Department of Social Services, Public Assistance Facts and Figures, January 2007, <http://www.cdss.ca.gov/research/res/pdf/Paff/2007/PAFFjan07.pdf>

^x 2007 HHS Poverty Guidelines, <http://aspe.hhs.gov/poverty/07poverty.shtml>

^{xi} 2012 HHS Poverty Guidelines, <http://aspe.hhs.gov/poverty/12poverty.shtml#guidelines>

^{xix} California Department of Social Services, Public Assistance Facts and Figures, January 2012, <http://www.cdss.ca.gov/research/res/pdf/Paff/2012/PAFFJan12.pdf>