

**CALIFORNIA'S POVERTY RATE DROPS TO 1989 LEVEL,
 INCOMES, HEALTH COVERAGE RISE**

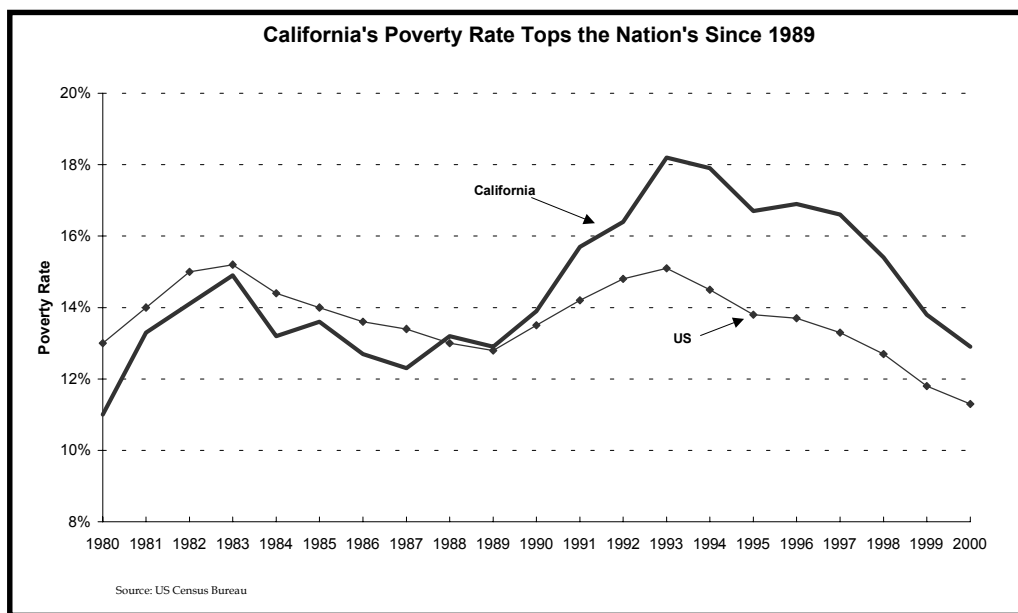
According to newly released Census data, the poverty rate both in California and the nation dropped in 2000, continuing a several year trend. The poverty rate for California fell by nearly a percentage point from 13.8 percent in 1999 to 12.9 percent in 2000. The national poverty rate fell by half a percentage point to 11.3 percent. Nationally, the poverty rate for African-Americans and female-headed families reached all-time lows.

California's 2000 poverty rate was the same as it was in 1989, the peak of the last economic expansion. In contrast, the national poverty rate dropped 1.5 percentage points over the same period.

The current economic sluggishness, which many economists believe already constitutes a recession, will likely send poverty rates higher in 2001. Over four and a half million Californians lived in poverty in 2000, about 100,000 fewer than in 1999.

While the decrease in poverty rates is good news, 2000 may be the economy's most prosperous year, at least in the short-term. Unemployment rates in 2000 were the lowest since 1970 for both California and the US (4.9 and 4.0 percent, respectively). However, unemployment has been climbing in recent months. The national unemployment rate has increased from 4.2 percent in January of this year to 4.9 percent in August. California's unemployment rate inched up to 5.2 percent in August 2001 from 4.6 in January. The last time California's monthly unemployment rate was 5.2 percent was June 1999.

California's poverty rate increased by 3.8 percentage points between 1989 and 1995, followed by a drop of the same magnitude from 1995 to 2000. Nationally, the increase in the poverty rate between



1989 and 1995 was less (1.0 percent) and the decrease between 1995 and 2000 was more moderate (2.5 percent) than in California.

California's median household income, the point at which half the households have higher incomes and half have lower incomes, increased by \$1,804 from 1998-99 to 1999-00, from \$44,204 to \$46,008. The national median household income also increased, but by a smaller amount (\$558), from \$41,609 to \$42,168.

While many people prospered from the economic boom, the benefits were not equally shared. For example, more California workers earned poverty level wages in 2000 than in 1989. In 2000, 26.0 percent of the state's workers earned wages that were insufficient to bring a family of four above the poverty level, two percentage points higher than in 1989 (24.0 percent). In contrast, the share of workers nationally who earned poverty level wages fell from 28.5 percent in 1989 to 25.1 percent in 2000, according to analysis of Census data by the Economic Policy Institute.

Another sign that the boom economy of the late 1990s did not benefit everybody is that those who were poor in the US in 2000 were poorer than at any time since 1979. The average poor person was \$2,527 below the poverty line in 2000, as compared to \$2,116 below in 1989 and \$2,128 below in 1979, according to a recent analysis by the Center on Budget and Policy Priorities (CBPP). The CBPP analysis uses a broader definition of income that includes the Earned Income Tax Credit and food and housing benefits; this definition excludes federal income and payroll taxes.

At the same time, the safety net has weakened over the last several years. As a percentage of the population, Californians were much less likely to use welfare (CalWORKs, formerly AFDC) in 2000 than in 1989, even though the poverty rate was the same. The fraction of the population receiving welfare benefits dropped by a quarter (26.6 percent) over that time period. Since the peak of California's welfare caseload in 1995, the share of the population receiving cash assistance has dropped by nearly half (45.8 percent).

The percentage of Californians without health insurance dropped by more than one point, from 19.0 percent in 1999 to 17.9 percent in 2000. The gains in California exceeded those nationally. However, California had the fifth highest percentage of uninsured residents among all states from 1998-2000. About 550,000 fewer people lacked health coverage nationally during 2000 as compared to 1999 (14.0 vs. 14.3 percent). The decrease in the percentage of uninsured stems primarily from an increase in job-based insurance, due to the strength of the economy, rather than increases in public health insurance such as Medicaid (Medi-Cal in California) or Medicare.

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