

August 5, 2014

## Five Facts Everyone Should Know About Poverty

Poverty is not an inevitable feature of our society. By expanding and improving how our nation supports low-income families and individuals, public policies – from Social Security to food assistance to tax credits for working families – have played a key role in reducing poverty in the last half-century. These policies continue to be powerful tools for lessening economic hardship today.

Nevertheless, nearly one in four Californians (24 percent) lived in poverty between 2010 and 2012, on average, based on the US Census Bureau's Supplemental Poverty Measure; this was the highest poverty rate in the nation.<sup>1</sup> Although widespread poverty partly reflects the hardship caused by the Great Recession and uneven economic recovery, it also indicates that we have not invested enough in our anti-poverty efforts.

Still, our nation's past success in reducing poverty suggests that further reductions – even significant ones – are attainable through greater investments in policies that build pathways toward more broadly shared prosperity. These policies should ensure that all Californians have access to the fundamental building blocks of economic opportunity: good jobs that pay enough to provide a basic standard of living; affordable housing, health care, and child care; sufficient, nutritious food; and high-quality education. Expanding access to the essential ingredients of opportunity would not only foster the well-being of low-income families, but would also strengthen our communities and economy, ensuring a more vibrant future for all Californians.

# 1. Poverty Is a Problem That We Can Address

History shows that we can reduce poverty. In the 1960s and early 1970s, improvements to Social Security dramatically reduced poverty among seniors.<sup>2</sup> Today, the program remains the nation’s most effective anti-poverty tool, lifting more people above the poverty line than any other program.<sup>3</sup> In fact, without Social Security, nearly half of California’s seniors would live in poverty (45 percent) – more than double the share actually living in poverty (19 percent).<sup>4</sup>

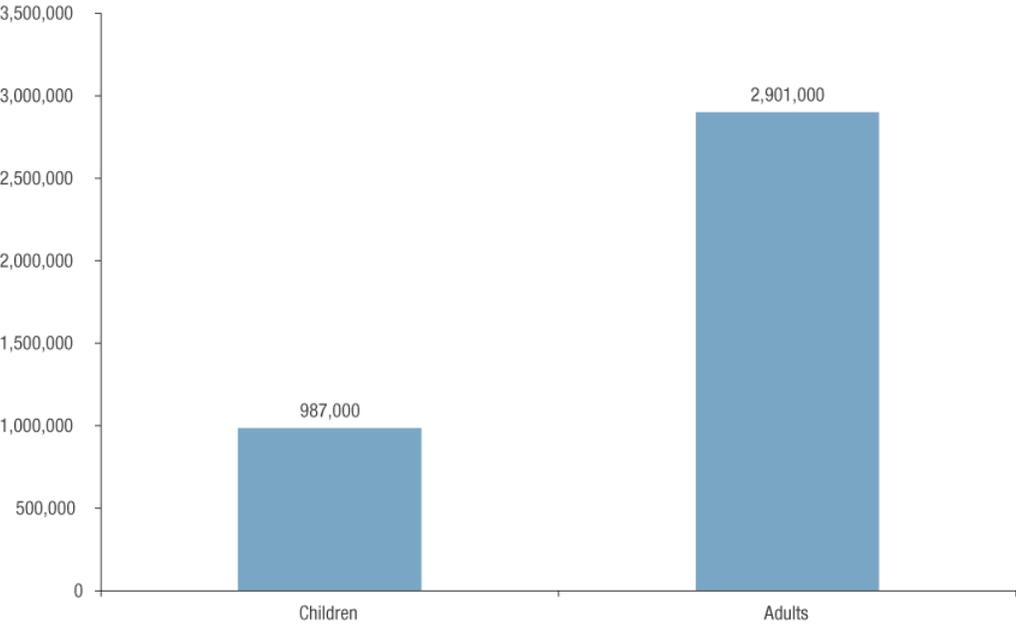
Public policies have also substantially reduced poverty among children. The share of the nation’s children living in poverty dropped by about one-third during the last half-century due largely to investments in a broad range of policies that support low-income families, from food and housing assistance to income tax credits.<sup>5</sup> Absent these investments, child poverty would have actually *increased*.

No program has proved more powerful in reducing child poverty than the federal Earned Income Tax Credit (EITC), which enables low-income working families to keep more of their earnings and better meet their basic needs.<sup>6</sup> Together with the federal child tax credit, the EITC kept nearly 1.3 million Californians – including 629,000 children – out of poverty between 2010 and 2012, on average.<sup>7</sup> Half of the states have created their own EITCs to enhance the poverty-reduction power of the federal credit.<sup>8</sup> Like other states, California could lift many families out of poverty by creating a refundable EITC to “piggyback” on the federal credit.<sup>9</sup>

Public supports continue to play a critical role in reducing hardship today in the aftermath of the Great Recession. Tax credits for low-income families, food assistance, and unemployment insurance, as well as other key policies, annually lifted nearly 4 million Californians – including 1 million children – out of poverty between 2009 and 2011, on average.<sup>10</sup>

## Public Policies Reduce Poverty

From 2009 to 2011 on Average, Public Supports Annually Lifted Nearly 4 Million Californians, Including 1 Million Children, Out of Poverty



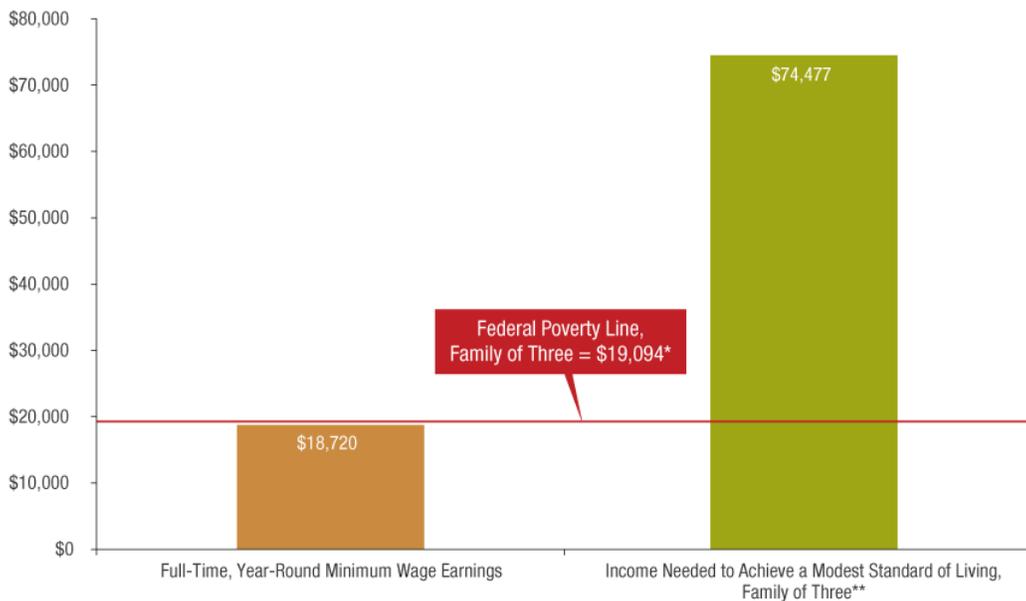
Note: Public supports include the federal Earned Income Tax Credit, food assistance, and unemployment insurance, among others. Source: Center on Budget and Policy Priorities

## 2. Most Families Living in Poverty Have Jobs

Policymakers have increasingly emphasized work as the primary pathway out of poverty, but the effectiveness of this approach has been largely undermined by too few well-paying jobs.<sup>11</sup> Since the mid-1990s, for example, cash assistance for low-income families has been largely contingent on parents transitioning into the workforce.<sup>12</sup> However, the jobs that parents typically find pay low wages – often too low to lift them out of poverty.<sup>13</sup> Other low-income parents are unable to secure stable employment due to a range of challenges, including a lack of jobs close to where they live, a lack of reliable and affordable child care or transportation, health problems, chronically ill family members in need of care, and limited work experience.<sup>14</sup> Consequently, many parents remain in poverty with few options to support themselves and their families.

Indeed, poverty largely reflects low-paying jobs, not the absence of employment. Two-thirds of California families living in poverty (67 percent) were supported by one or more workers in 2012, down only slightly from 71 percent in 2006, the year before the Great Recession began, when the state’s unemployment rate was less than half of what it was in 2012.<sup>15</sup> This large share of “working poor” is not surprising given that California’s minimum wage is too low to lift most families above the poverty line, despite its recent increase from \$8 to \$9 per hour. A full-time, year-round worker paid the minimum wage earns just \$18,720 per year – below the poverty line for a family of three (\$19,094).<sup>16</sup> The inadequacy of minimum wage earnings is even more striking considering that a family of three needs an income close to \$75,000 to achieve a modest standard of living given California’s high cost of housing and other basic necessities.<sup>17</sup>

### California's Minimum Wage Is Not Sufficient to Lift a Family of Three Out of Poverty, and It Falls Far Short of the Income Needed to Achieve a Modest Standard of Living



\* Estimated for 2014 by adjusting the 2013 poverty threshold for inflation between the first half of 2013 and the first half of 2014.

\*\* See California Budget Project, *Making Ends Meet: How Much Does It Cost to Raise a Family in California?* (December 2013).

### 3. Poverty Is a Common Experience for Working-age Adults

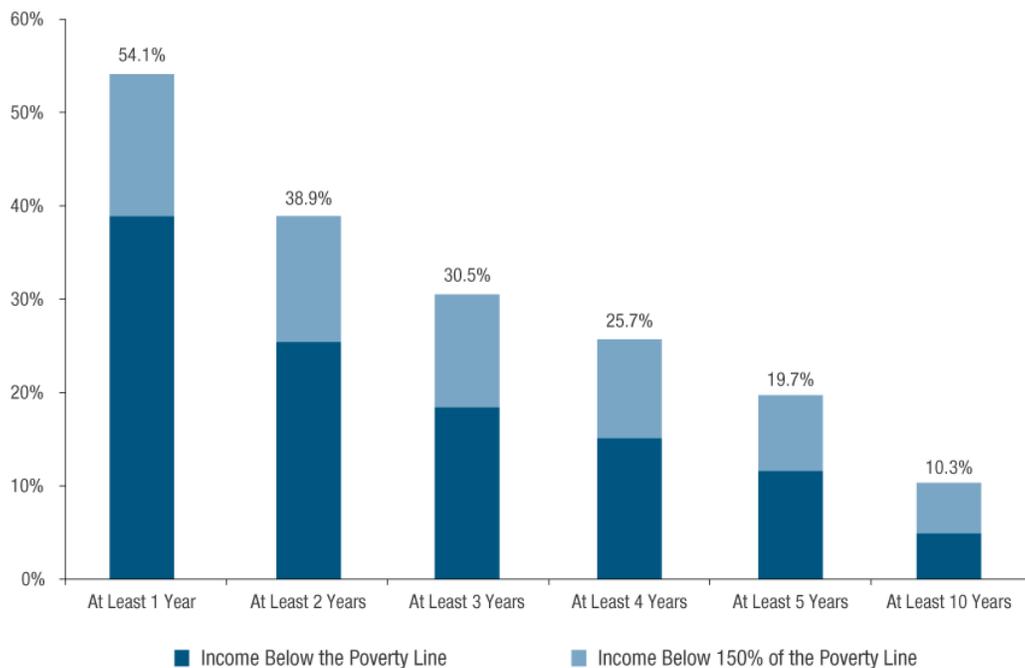
Economic hardship is far more common than the official poverty rate suggests, and it has become increasingly widespread as low-paying jobs have become more prevalent. More than half of US adults (54 percent) spend at least one year between the ages of 25 and 60 living on incomes at or below 150 percent of the poverty line – around \$18,500 for an individual and \$28,600 for a family of three in 2014.<sup>18</sup> In fact, the majority of these individuals' incomes actually fall *below* the poverty line.<sup>19</sup>

Significant changes in the job market have increased working-age adults' vulnerability to periods of economic hardship.<sup>20</sup> Low-wage jobs have become increasingly commonplace in California even as the state's workforce has become more highly educated.<sup>21</sup> The share of California workers earning at or below two-thirds the median wage rose from 23 percent in 1979 to 28 percent in 2013, yet workers as a whole were much more likely to be college graduates in 2013.<sup>22</sup> In fact, even low-wage workers have become more highly educated over the past generation. For example, the share of low-wage workers with some college education but not a four-year degree rose by 3 percentage points between 1979 and 2013 – a notable increase given that the share of all workers with some college but not a four-year degree actually declined during this period.<sup>23</sup>

The quality of many jobs has also deteriorated in recent decades. Temporary or contingent employment has become increasingly common; more positions require workers to accept part-time shifts as well as variable, unpredictable, and nonstandard hours; and layoffs are more frequent during economic expansions.<sup>24</sup> These changes mean that many workers' earnings vary considerably from week to week or year to year, and these fluctuations have increased the number of families cycling in and out of poverty.<sup>25</sup>

#### The Majority of Adults Fall Into or Near Poverty for At Least One Year During Their Prime Working Years

Percentage of US Population Living in or Near Poverty in Prime Working Years



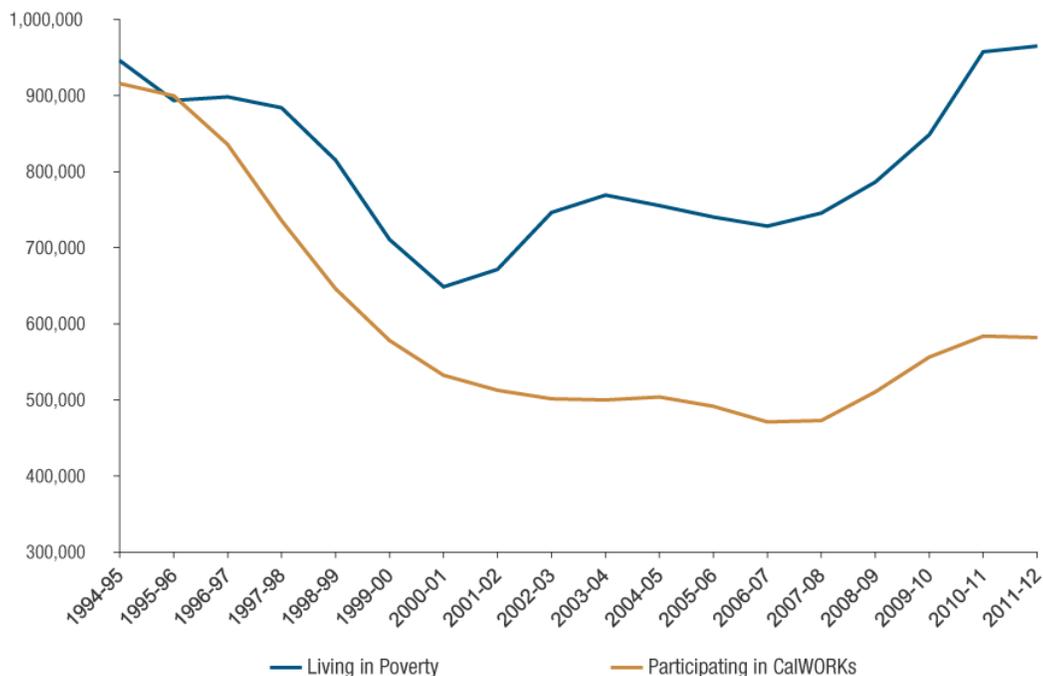
Note: Prime working years are ages 25 to 60. "Near poverty" means between 100 percent and 149 percent of the federal poverty line. Analysis is based on data from 1968 to 2009. Source: Mark Robert Rank et al., *Chasing the American Dream: Understanding What Shapes Our Futures* (Oxford University Press: 2014).

## 4. Some Public Supports Have Become Less Effective at Lifting Families Out of Poverty

Although public policies reduce hardship for millions of Californians, some public supports play a more limited role in helping families escape poverty today than they did in the past. For example, CalWORKs – California Work Opportunity and Responsibility to Kids, which is a key component of California’s safety net that provides modest cash assistance and job-related services to low-income families with children – reaches fewer families today *and* provides far less support to those families it does reach.<sup>26</sup> The number of families with children who lived in poverty exceeded the number participating in CalWORKs by two-thirds in 2011 and 2012, whereas the numbers were roughly equal in the mid-1990s.<sup>27</sup> In addition, CalWORKs currently provides a family of three with no more than \$670 per month – a level of support that, on its own, amounts to just 41 percent of the poverty line – well below the deep-poverty cut-off of half the poverty line.<sup>28</sup> Twenty-five years ago, California’s cash assistance program provided a maximum level of support equal to about 80 percent of the poverty line.<sup>29</sup>

### The Number of Families With Children Living in Poverty Far Exceeds the Number Participating in CalWORKs

Number of California Families With Children



Note: Data represent two-year averages.  
Source: Center on Budget and Policy Priorities  
analysis of US Census Bureau data

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Years of deep cuts to public supports have compounded hardship among California’s lowest-income families, who suffered disproportionately during the Great Recession and have largely been left behind by the economic recovery.<sup>30</sup> For example, policymakers made significant cuts to SSI/SSP (Supplemental Security Income/State Supplementary Payment) grants, which help low-income seniors and people with disabilities to afford food, housing, and other basic necessities.<sup>31</sup> The amount of assistance that SSI/SSP recipients lose each month due to these cuts is equal to more than three weeks of groceries.<sup>32</sup> Policymakers also cut the total hours of care that consumers can receive through In-Home Supportive Services (IHSS), which helps low-income seniors and people with disabilities remain safely in their own homes.<sup>33</sup> In addition, steep reductions in state support for child care and CalWORKs limited resources available to parents seeking employment in the aftermath of the recession. Specifically, policymakers:

- Reduced annual funding for California’s subsidized child care and preschool by nearly 40 percent between 2007-08 and 2013-14, resulting in the loss of approximately 110,000 “slots” at a time when nearly 200,000 children remained on waiting lists for care.<sup>34</sup> These cuts likely restricted many parents’ ability to search for and retain employment. The 2014-15 budget agreement restored just 11,500 preschool slots and 1,500 child care slots.<sup>35</sup>
- Reduced from 48 months to 24 months the amount of time CalWORKs parents may receive cash assistance while participating in the full array of welfare-to-work services and activities available under state law before having to meet less flexible federal work participation requirements.<sup>36</sup> Consequently, CalWORKs participants, whose time clocks under the new limit began “ticking” on January 1, 2013, face a still-challenging job market with less time to access resources for securing long-term employment.<sup>37</sup>

## 5. Poverty Limits Children’s Access to Opportunities for a Better Future

Millions of our state’s children suffer severe economic hardship every year. More than one in five California children – 2.2 million – lived in poverty in 2012 and one in 10 lived in deep poverty, subsisting on family incomes below *half* the poverty line.<sup>38</sup> In reality, many more children experience hardship during their lives than the official poverty rate suggests, because families tend to cycle in and out of poverty. Well over one-third of US children (37 percent) fall into poverty at some point during their childhood, while one in 10 remain in poverty for at least half of their childhood.<sup>39</sup>

Growing up in poverty can be detrimental to children’s futures, and children who are born into poverty are significantly more likely to remain in poverty throughout their childhood.<sup>40</sup> In addition, they are five times as likely to spend half of their early adult years living in poverty as are children not born into poverty.<sup>41</sup> This finding may reflect the fact that low-income children face numerous obstacles that make it challenging to perform well in school, potentially limiting their future job prospects. For example:

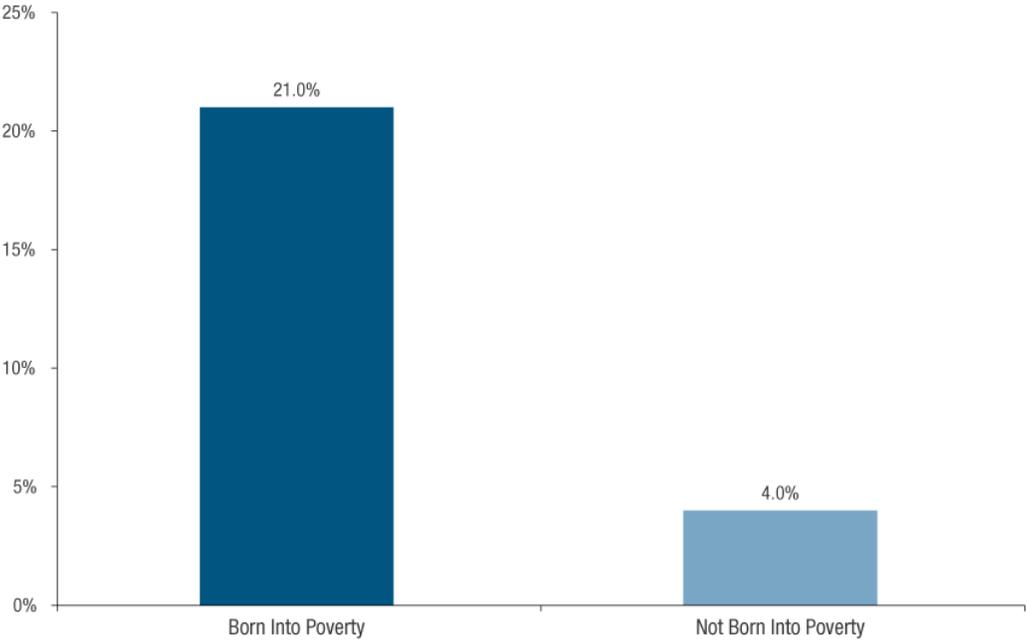
- Families living in poverty often struggle to afford sufficient food, and hungry, malnourished children can have trouble learning and concentrating at school.<sup>42</sup>
- Low-income families also struggle to afford adequate housing and may be forced to live in crowded or unsafe conditions that increase their children’s vulnerability to illness and stress, which could lead to poorer school performance.<sup>43</sup>
- Low-income parents also may be unable to afford educational resources or enriching activities that help prepare their children for school, and they are more likely to live in neighborhoods with poorer-quality schools.<sup>44</sup>

In addition, emerging research suggests that the stress associated with living in poverty can produce detrimental effects on children’s developing brains, reducing their cognitive skills and ability to learn.<sup>45</sup>

These disadvantages likely compound each other so that by the time children reach adulthood they are less prepared to compete for well-paying, high-quality jobs and less able to support themselves and their families. Research suggests, however, that low-income children’s academic achievement improves when their families’ incomes are boosted through public programs or tax credits, and some studies suggest that these gains translate into better outcomes, such as higher earnings and less need for public assistance, when children reach adulthood.<sup>46</sup>

# Children Born Into Poverty Are Five Times as Likely to Spend At Least Half of Their Early Adulthood Living in Poverty as Are Children Not Born Into Poverty

Percentage of Children Who Spend At Least Half Their Early Adulthood Living in Poverty



Note: Analysis is based on data from 1968 to 2005 .  
Source: Caroline Ratcliff and Signe-Mary McKernan, *Childhood Poverty Persistence: Facts and Consequences* (The Urban Institute: June 2010)

## How Can California Further Reduce Poverty?

Our nation has made substantial progress reducing poverty during the past half-century, and our current system of federal and state supports alleviates economic hardship for millions of California families. By building on this success, policymakers can further reduce poverty and create more broadly shared prosperity.

Although federal policies play a key role in enhancing Californians' economic well-being, there is much the state can do to expand opportunity for low-income families. For example, state policymakers could:

- **Boost workers' earnings so that fewer families struggle to make ends meet.** Although the state's minimum wage will rise to \$10 per hour in 2016, it will likely still be insufficient to lift many families very far out of poverty. Policymakers could gradually raise the minimum wage further and index it to inflation so it keeps pace with increases in the cost of living. In addition, lawmakers could create a refundable state EITC so that low-income working families can keep more of their earnings and better meet their basic needs.
- **Reinvest in core public systems and services that help parents enter and remain in the workforce.** Lawmakers could ensure that all low-income families have access to safe, affordable child care and preschool that helps prepare children for school and enables parents to find and maintain employment. In addition, in recognition of the still-challenging job market, policymakers could restore the amount of time CalWORKs parents may receive cash assistance while participating in the broader array of welfare-to-work activities available under state law, such as adult basic education classes.
- **Increase the affordability of housing for low-income families.** Housing typically represents the largest expense in families' budgets, and high housing costs in many parts of the state prevent a large number of California families from escaping poverty. Policymakers could address this problem by creating a dedicated revenue source to support the construction of affordable housing. One option for such funding is to increase fees on real estate-related documents processed by county recorders. Lawmakers could also increase the state's renter's tax credit and make it refundable so that more low-income Californians can benefit from it.

Public policies have proved to be powerful tools for reducing poverty in the past, and the policy choices we make today can lay the groundwork for a more prosperous future for California. By choosing to invest in the foundations of economic opportunity, we can reduce economic hardship and build stronger, more vibrant communities where prosperity is broadly shared and every child has a fair chance to reach their full potential. Such investments will ultimately benefit us all by fostering a more productive workforce and stronger economy, more engaged citizens, and a higher quality of life.

## ENDNOTES

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<sup>1</sup> The Supplemental Poverty Measure (SPM) more accurately estimates economic well-being than does the official poverty rate because it better accounts for the cost of basic necessities and also factors in a broader array of economic resources available to families and individuals. Kathleen Short, *The Research SUPPLEMENTAL POVERTY MEASURE: 2012* (US Census Bureau: November 2013). According to the Census Bureau's official poverty measure, 16 percent of Californians lived in poverty in 2012. Unless otherwise specified, the term "poverty line" used throughout this report refers to the official poverty line based on Census Bureau poverty thresholds.

<sup>2</sup> Gary V. Engelhardt and Jonathan Gruber, *Social Security and the Evolution of Elderly Poverty*, National Bureau of Economic Research Working Paper No. 10466 (May 2004).

<sup>3</sup> Arloc Sherman, Danilo Trisi, and Sharon Parrott, *Various Supports for Low-Income Families Reduce Poverty and Have Long-Term Positive Effects on Families and Children* (Center on Budget and Policy Priorities: July 30, 2013).

<sup>4</sup> Data are for 2011. Sarah Bohn, et al., *The California Poverty Measure: A New Look at the Social Safety Net* (Public Policy Institute of California: October 2013), Technical Appendices, Tables E-1 and E-3, pp. 64 and 66.

<sup>5</sup> The nation's child poverty rate dropped from 29 percent in 1967 to 19 percent in 2012 based on an alternative poverty measure called the anchored supplemental poverty measure that was developed by researchers at Columbia University. Like the US Census Bureau's SPM, this measure better accounts for the cost of basic necessities and factors in a broader array of economic resources available to families and individuals. However, it differs from the Census measure in that it determines historical SPM rates by adjusting the 2012 SPM for inflation. Arloc Sherman, Sharon Parrott, and Danilo Trisi, *Chart Book: The War on Poverty at 50, Section 1: More Complete Poverty and Income Measures Show Progress Over the Last 50 Years* (Center on Budget and Policy Priorities: January 6, 2014).

<sup>6</sup> Arloc Sherman, Danilo Trisi, and Sharon Parrott, *Various Supports for Low-Income Families Reduce Poverty and Have Long-Term Positive Effects on Families and Children* (Center on Budget and Policy Priorities: July 30, 2013) and Center on Budget and Policy Priorities, *California Fact Sheet: Tax Credits Promote Work and Fight Poverty* (March 5, 2014).

<sup>7</sup> Robert Greenstein, *Testimony of Robert Greenstein, President, Center on Budget and Policy Priorities Before the House Budget Committee* (Center on Budget and Policy Priorities: January 28, 2014).

<sup>8</sup> Center on Budget and Policy Priorities, *Policy Basics: State Earned Income Tax Credits* (Updated January 2, 2014).

<sup>9</sup> The federal EITC is refundable, meaning that low-income working families can receive a credit even if the amount of taxes they owe is less than the amount of the credit for which they are eligible. Typically, state EITCs are set as a percentage of the federal credit.

<sup>10</sup> Arloc Sherman, Danilo Trisi, and Sharon Parrott, *Various Supports for Low-Income Families Reduce Poverty and Have Long-Term Positive Effects on Families and Children* (Center on Budget and Policy Priorities: July 30, 2013).

<sup>11</sup> A number of policy changes contributed to this trend. Policymakers created and expanded federal tax credits targeted to low-income working families, extended Medicaid to children in low-income working families, expanded federal and state child care assistance for low-income working families, and added a work requirement for certain participants in the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps). As a result, national anti-poverty spending targeted to households with earnings from work increased. For example, spending on cash assistance payments through the Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF) programs, which historically targeted nonworkers, dropped sharply from 1970 to 2007, while the share of spending on the Earned Income Tax Credit (EITC), which boosts the earnings of working families, increased significantly.

<sup>12</sup> The replacement of AFDC with TANF in the 1990s marked a continued shift in policymakers' approach to reducing poverty. TANF further emphasized moving low-income parents into the workforce by instituting time limits on cash assistance and stricter work requirements.

<sup>13</sup> California Budget Project, *Moving Beyond Welfare: What Do We Know About Former CalWORKs Recipients?* (December 2003) and Institute for Research on Poverty, "American Poverty and Inequality: Key Trends and Future Research Directions" *Fast Focus* 12-2011 (October 2011).

<sup>14</sup> California Budget Project, *Moving Beyond Welfare: What Do We Know About Former CalWORKs Recipients?* (December 2003) and Pamela Loprest and Austin Nichols, *Characteristics of Low-Income Single Mothers Disconnected From Work and Public Assistance* (The Urban Institute: August 2011).

<sup>15</sup> CBP analysis of US Census Bureau data, American Community Survey.

<sup>16</sup> The purchasing power of the state's minimum wage dropped by nearly one-third between 1968 and 2013. On July 1, 2014, the hourly minimum wage increased from \$8 to \$9, helping to restore a small amount of that lost purchasing power, and it is slated to increase to \$10 on January 1, 2016. The CBP estimated the federal poverty line for a three-person family (one parent and two children) in 2014. This estimate adjusts the US Census Bureau's 2013 poverty threshold for one parent and two children to reflect inflation between the first half of 2013 and the first half of 2014.

<sup>17</sup> California Budget Project, *Making Ends Meet: How Much Does It Cost to Raise a Family in California?* (December 2013).

<sup>18</sup> Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream: Understanding What Shapes Our Fortunes* (Oxford University Press: 2014), Table 3.1, p. 37. The CBP estimated the federal poverty line for a three-person family (one parent and two children) in 2014. This estimate adjusts the US Census Bureau's 2013 poverty threshold for one parent and two children to reflect inflation between the first half of 2013 and the first half of 2014.

<sup>19</sup> A smaller but still substantial share of working-age adults fall into or near poverty for multiple years. The CBP estimated the federal poverty line to be just \$12,329 for a nonelderly individual and \$19,094 for a three-person family (one parent and two children) in 2014. These estimates adjust the US Census Bureau's 2013 poverty thresholds for a nonelderly individual and for one parent and two children to reflect inflation between the first half of 2013 and the first half of 2014.

<sup>20</sup> Working-age adults have become increasingly likely to experience periods of economic hardship during the past generation. The share of individuals in their mid-30s through mid-50s who spent at least one year in poverty increased by nearly six percentage points during the past generation. Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream: Understanding What Shapes Our Fortunes* (Oxford University Press: 2014), Table 5.1, p. 76.

<sup>21</sup> For factors contributing to the increase in low-wage jobs, see Arne L. Kalleberg, *Good Jobs, Bad Jobs: The Rise of Polarized and Precarious Employment Systems in the United States, 1970s to 2000s* (New York: Russell Sage Foundation, 2011).

<sup>22</sup> The share of prime-age California workers with a four-year college degree increased by 14 percentage points, from 25 percent in 1979 to 39 percent in 2013. CBP analysis of US Census Bureau, Current Population Survey data. Analysis is restricted to prime-age workers – those ages 25 to 64. Low wages are defined as wages less than or equal to two-thirds the median hourly wage (\$13.27 per hour in 1979 and \$12.74 per hour in 2013).

<sup>23</sup> The share of prime-age workers earning low-wages who had some college education, but no four-year degree increased from 24 percent in 1979 to 27 percent in 2013, while the share of all prime-age workers with this level of educational attainment decreased from 29 percent to 28 percent.

<sup>24</sup> Arne L. Kalleberg, *Good Jobs, Bad Jobs: The Rise of Polarized and Precarious Employment Systems in the United States, 1970s to 2000s* (New York: Russell Sage Foundation, 2011) and Heather D. Hill and Marci A. Ybarra, "Less-Educated Workers' Unstable Employment: Can the Safety Net Help?" *Fast Focus* 19-2014 (Institute for Research on Poverty: March 2014).

<sup>25</sup> Jacob S. Hacker, *The Great Risk Shift: The Assault on American Jobs, Families, Health Care, and Retirement and How You Can Fight Back* (Oxford University Press: 2006) and Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream: Understanding What Shapes Our Fortunes* (Oxford University Press: 2014).

<sup>26</sup> In addition, a family of three currently loses eligibility for cash assistance *before* their income reaches the poverty line. This was not the case prior to 2011-12.

<sup>27</sup> Figures represent two-year averages. Prior to 1998, California families received cash assistance through the AFDC, CalWORKs' predecessor. Center on Budget and Policy Priorities' analysis of US Census Bureau, Current Population Survey data.

<sup>28</sup> The 2014-15 budget agreement approved a 5 percent grant increase effective April 1, 2015 that will raise the maximum monthly grant to \$704 – about 43 percent of the poverty line.

<sup>29</sup> In 1989, California families received cash assistance through CalWORKs' predecessor, the AFDC. Currently, even when CalWORKs families receive CalFresh food assistance, their total level of support amounts to – at most – just 70 percent of the poverty line.

<sup>30</sup> California Budget Project, *On the Edge: California's Workers Still Face the Toughest Job Market in Decades* (September 2011) and California Budget Project, *Uneven Progress: What the Economic Recovery Has Meant for California's Workers* (September 2013).

<sup>31</sup> Policymakers eliminated the annual cost-of-living increase in 2010-11 after suspending it several times in prior years and reducing the state's portion of the grant to the minimum level allowed under federal law for both individuals and couples. The current SSI/SSP grant for individuals is \$30 below the level in effect five years ago and is equal to just 90 percent of the poverty line.

<sup>32</sup> SSI/SSP recipients are not eligible for food assistance through the CalFresh Program. Therefore, recipients face difficult choices about how to manage their reduced income, such as eating less and/or relying on food banks or other charities.

<sup>33</sup> IHSS prevents the need for more costly out-of-home care. IHSS consumers were hit with an 8 percent across-the-board cut in total hours effective July 2013, and this reduction was scaled back to 7 percent effective July 1, 2014.

<sup>34</sup> Policymakers also made other changes that weakened the state's child care and development system, including lowering the income eligibility limit for child care and state preschool, introducing a fee for part-day state preschool, and failing to update subsidized child care payment rates. California Budget Project, *2014-15 Budget Agreement Prioritizes Fiscal Austerity, Takes Only a Small Step Toward Reinvesting in Shared Prosperity* (June 26, 2014) and California Budget Project, *Five Things You Need to Know About California's Child Care and Development System* (June 6, 2014).

<sup>35</sup> The 2014-15 budget agreement also eliminated fees for part-day preschool.

<sup>36</sup> This change took effect on January 1, 2013 and is prospective, meaning that a parent's time on aid before the change is implemented does not count toward the new 24-month limit. As a result, current CalWORKs participants will be eligible for a full 24 months of cash assistance under the new policy unless they reach their 48-month lifetime limit on aid before the end of this

two-year period. Counties can extend cash assistance for certain CalWORKs participants who reach the 24-month limit and are not meeting federal work participation requirements, but meet specific criteria. Extensions can be provided to up to 20 percent of a county's affected CalWORKs caseload. California Budget Project, *Governor Signs 2012-13 Spending Plan* (Updated July 9, 2012).

<sup>37</sup> The 2013-14 budget agreement increased support for counties to provide CalWORKs employment services consistent with the new time limit as well as other changes to the program structure made in the 2012-13 spending plan. The 2013-14 budget also allocated funds to help counties implement "early engagement strategies" to maximize CalWORKs parents' limited time to participate in state-allowed welfare-to-work activities and successfully transition into the workforce. California Budget Project, *Final 2013-14 Budget Agreement Signals a New Chapter for California, With More Work to Be Done* (Updated July 8, 2013). Even before the recent cuts were implemented, a majority of California's counties surveyed reported that inadequate funding had reduced their ability to provide CalWORKs services to participants, including welfare-to-work services. See California Budget Project, *Stretched Thin 2008: State Budget Cuts Undermine California's Human Services Programs* (August 2008).

<sup>38</sup> CBP analysis of US Census Bureau, American Community Survey data.

<sup>39</sup> Caroline Ratcliffe and Signe-Mary McKernan, *Childhood Poverty Persistence: Facts and Consequences* (The Urban Institute: June 2010).

<sup>40</sup> Between 40 and 60 percent of children who are born into poverty remain in poverty each year of their childhood compared to just 5 to 9 percent of children who are not born into poverty. Caroline Ratcliffe and Signe-Mary McKernan, *Childhood Poverty Persistence: Facts and Consequences* (The Urban Institute: June 2010).

<sup>41</sup> Caroline Ratcliffe and Signe-Mary McKernan, *Childhood Poverty Persistence: Facts and Consequences* (The Urban Institute: June 2010).

<sup>42</sup> Jeanne Brooks-Gunn and Greg J. Duncan, "The Effects of Poverty on Children," *The Future of Children* 7:2 (Summer/Fall 1997); John Cook and Karen Jeng, *Child Food Insecurity: The Economic Impact on Our Nation* (Feeding America: 2009); and Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream: Understanding What Shapes Our Fortunes* (Oxford University Press: 2014).

<sup>43</sup> Arloc Sherman, *Poverty Matters: The Cost of Child Poverty in America* (Children's Defense Fund: 1997) and Jeanne Brooks-Gunn and Greg J. Duncan, "The Effects of Poverty on Children," *The Future of Children* 7:2 (Summer/Fall 1997).

<sup>44</sup> Douglas Gagnon and Marybeth J. Mattingly, *Beginning Teachers Are More Common in Rural, High-Poverty, and Racially Diverse Schools* (Carsey Institute: Summer 2012); Greg J. Duncan, Katherine Magnuson, and Elizabeth Votruba-Drzal, "Boosting Family Income to Promote Child Development," *The Future of Children* 24:1 (Spring 2014); Jens Ludwig and Isabel Sawhill, *Success by Ten: Intervening Early, Often, and Effectively in the Education of Young Children* (The Brookings Institution: February 2007); and Jonathan Rothwell, *Housing Costs, Zoning, and Access to High-Scoring Schools* (The Brookings Institution: April 2012).

<sup>45</sup> Elisabeth D. Babcock, *Using Brain Science to Design New Pathways Out of Poverty* (Crittenton Women's Union: 2014); Kimberly G. Noble, "Rich Man, Poor Man: Socioeconomic Adversity and Brain Development," *Cerebrum* (May 2014); and National Scientific Council on the Developing Child, *Excessive Stress Disrupts the Architecture of the Developing Brain: Working Paper 3* (2014).

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*Alissa Anderson prepared this report. The CBP was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, subscriptions, and individual contributions.*