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Understanding Poverty Measures Used to Assess Economic Well-Being in California

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Key Themes

What are different approaches to measuring poverty in California that can be used to inform policy?

- Official poverty measure
- Supplemental Poverty Measure
- California Poverty Measure

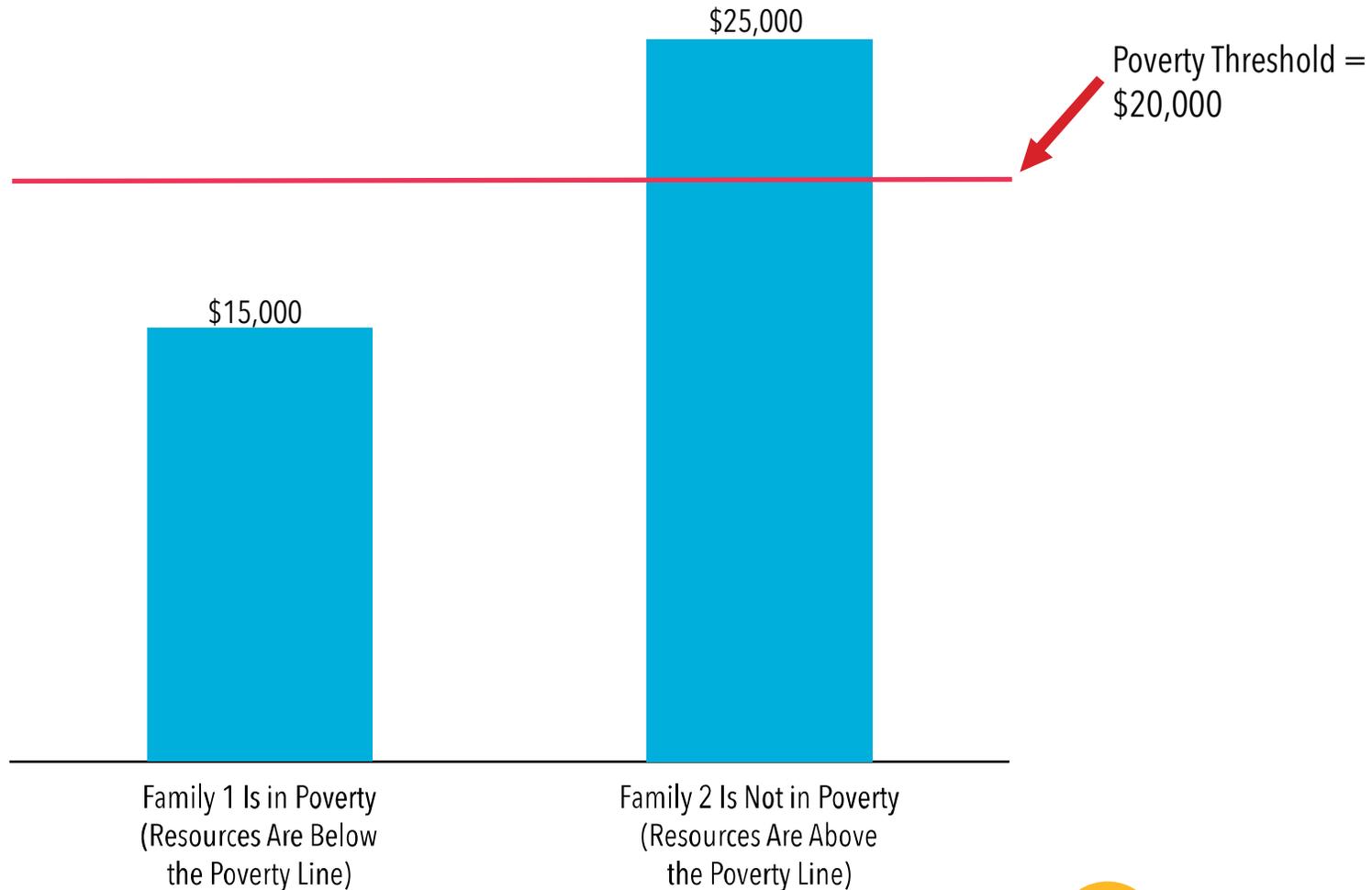
How do these poverty measures differ?

When should each be used?



Three Major Poverty Measures Compare Family Resources to a Poverty Threshold

Annual Family Resources Compared to a Hypothetical Poverty Threshold



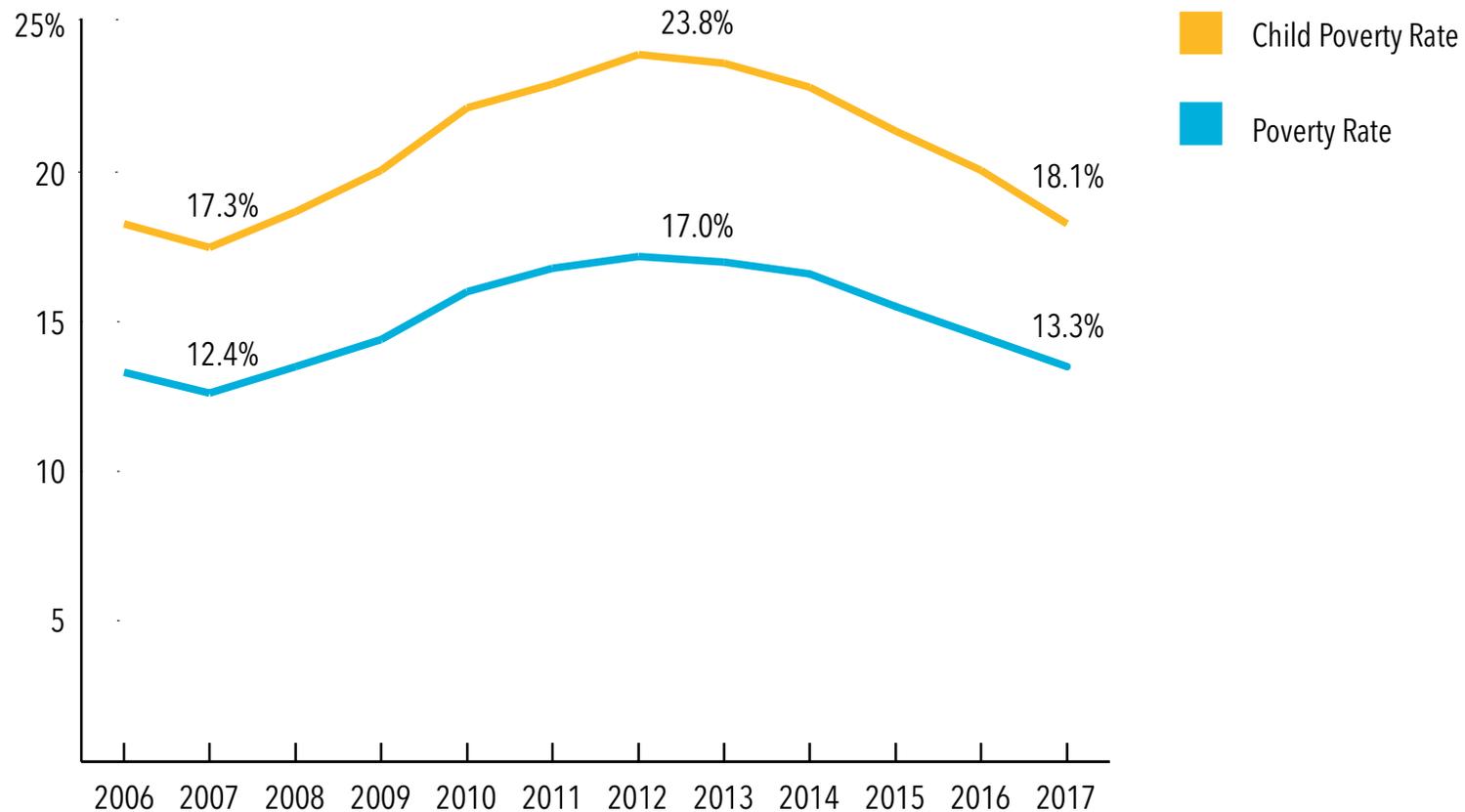
Economic Insecurity Is Often Defined Using the Official Poverty Measure

A family of two adults and two children was poor in 2017 if their cash income was less than \$24,858.



California's Official Poverty Rate Continued to Decline in 2017, but Remains Above Its Pre-Recession Level

Percentage of Californians With Incomes Below the Official Federal Poverty Line



Source: US Census Bureau, American Community Survey



But What Does It Actually Mean to Be "Poor" Under the Official Poverty Measure?

Where do these numbers come from?



Official Poverty Measure

Poverty threshold is based on 1960s food expenditures



The Supplemental Poverty Measure (SPM) Addresses Many Shortcomings of the Official Poverty Measure



Official Poverty Measure

- Poverty threshold is based on 1960s food expenditures



Supplemental Poverty Measure

- Poverty threshold is based on current spending on basic needs



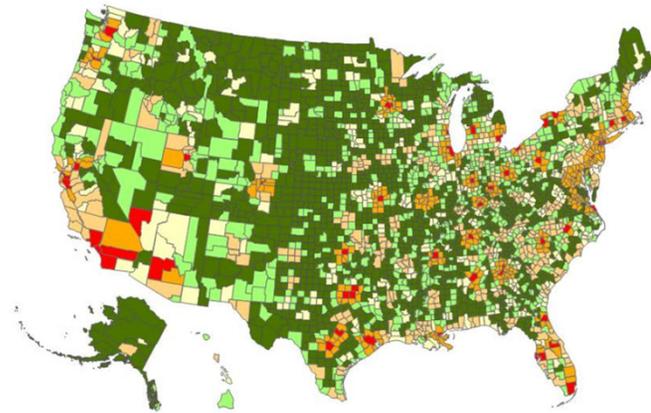
Official Poverty Measure

- Same threshold for all parts of the country



Supplemental Poverty Measure

- Threshold is adjusted for cost of living in different areas



Supplemental Poverty Measure Thresholds Are Higher Than the Official Poverty Threshold in Many Areas

Official and Supplemental Poverty Thresholds for a Two-Adult, Two-Child Family, 2017

	San Francisco - Oakland - Hayward MSA	Fresno MSA
Official Poverty Threshold	\$24,858	\$24,858
Supplemental Poverty Threshold - Renter	\$37,052	\$25,902
Supplemental Poverty Threshold - Homeowner With Mortgage	\$37,182	\$25,976
Supplemental Poverty Threshold - Homeowner Without Mortgage	\$30,513	\$22,465

Source: US Census Bureau



Official Poverty Measure

- Only counts cash income
- Does not account for non-discretionary expenses



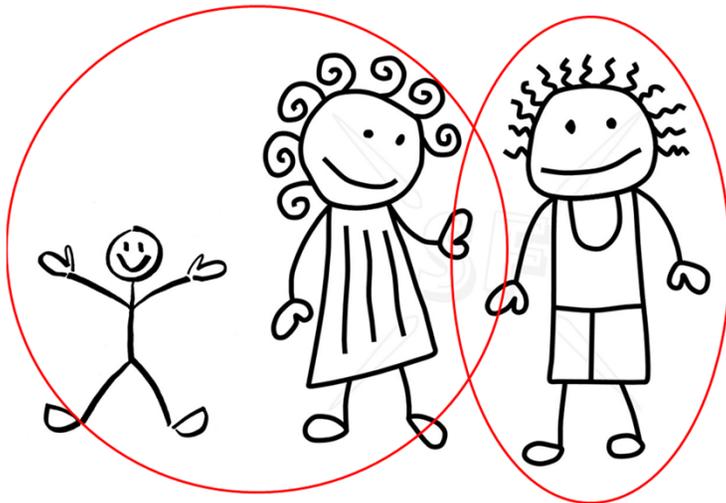
Supplemental Poverty Measure

- Counts cash income plus non-cash benefits like CalFresh and EITC
- Subtracts non-discretionary expenses like child care and medical bills



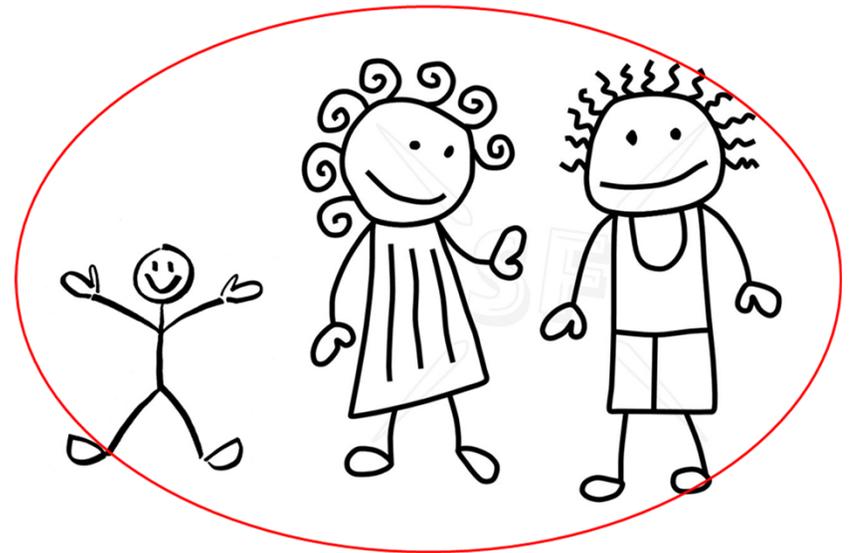
Official Poverty Measure

- A "family" (poverty unit) only includes individuals related by blood, marriage, or adoption
- Unmarried partners count as separate "families"



Supplemental Poverty Measure

- A "family" (poverty unit) includes individuals related by blood, marriage, or adoption as well as unmarried cohabiting partners and their relatives



The California Poverty Measure (CPM) Offers a State-Specific Measure of Poverty



California Poverty Measure

- Modeled after the Supplemental Poverty Measure
- Accounts for state-specific policy context and demographics
- Unlike the SPM, can be used to examine poverty at the sub-state level (e.g., by region or county) and for some demographic subgroups
- Uses county-level poverty thresholds



How Do These Poverty Measures Compare for an Individual Family?

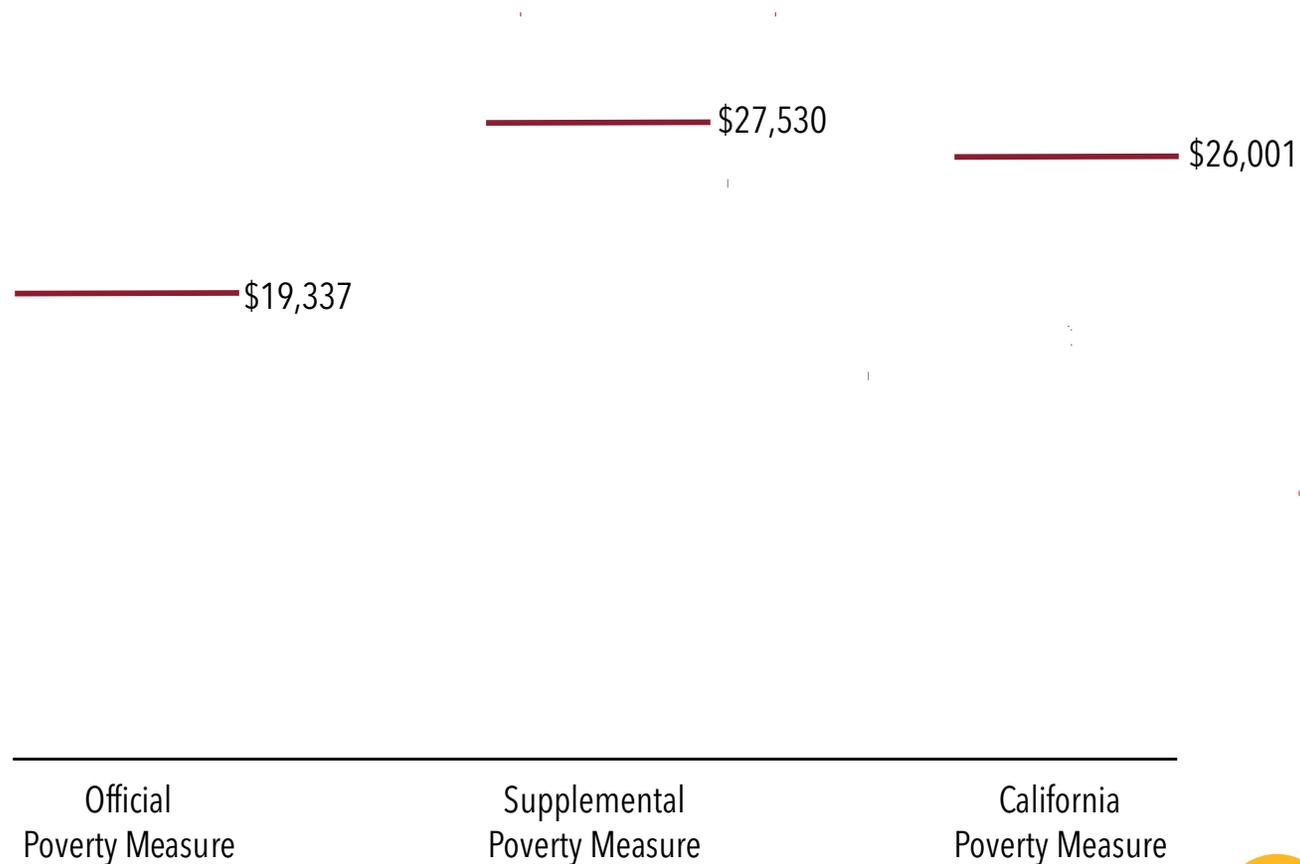
Let's walk through an example.





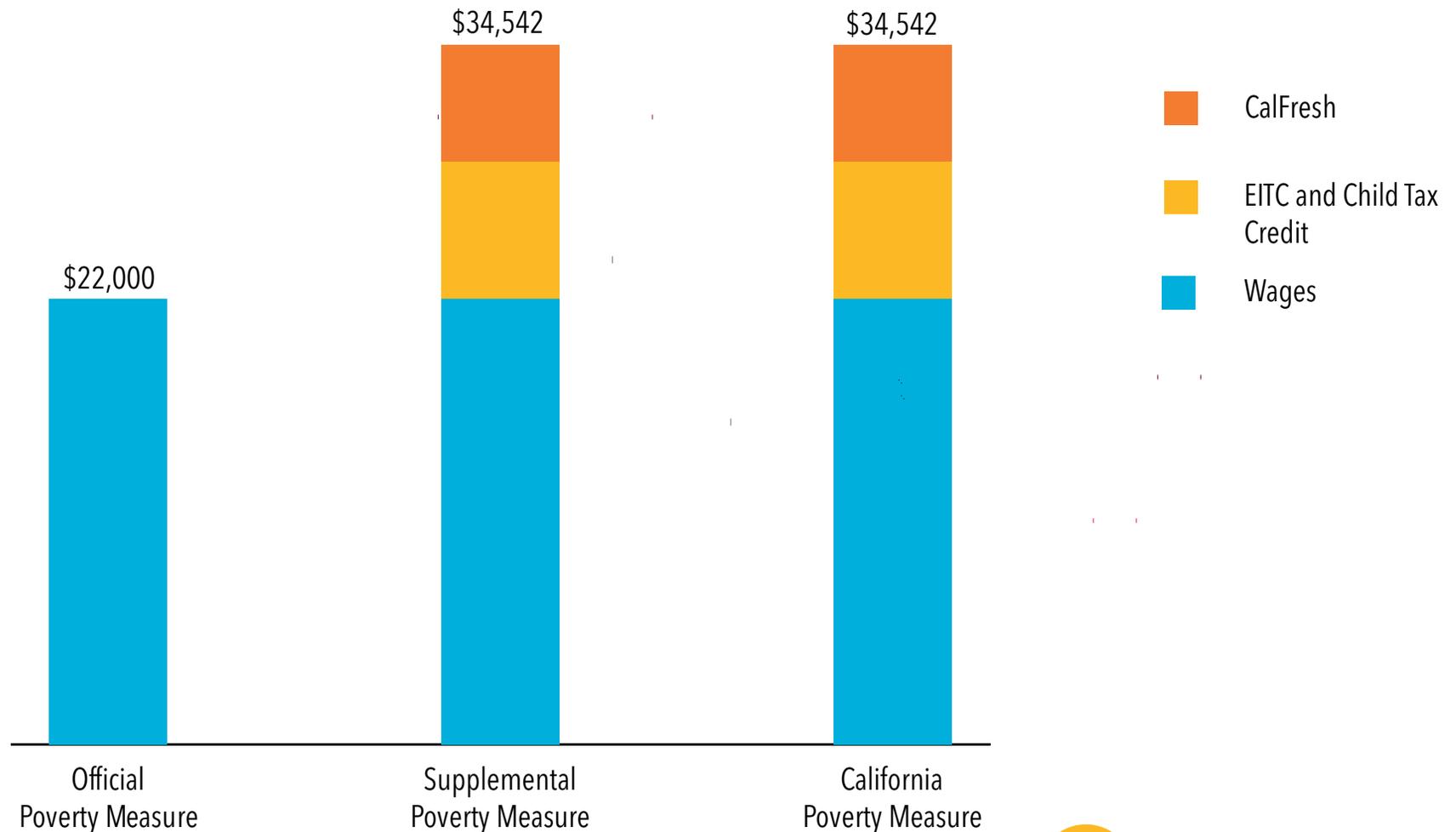
Family Example: Threshold for a Single Parent With Two Children Renting in Los Angeles

Poverty Thresholds Under the Official, Supplemental, and California Poverty Measures



Family Example: Resources for a Family Receiving Wages, Tax Credits, and Food Assistance

Gross Family Resources Under the Official, Supplemental, and California Poverty Measures

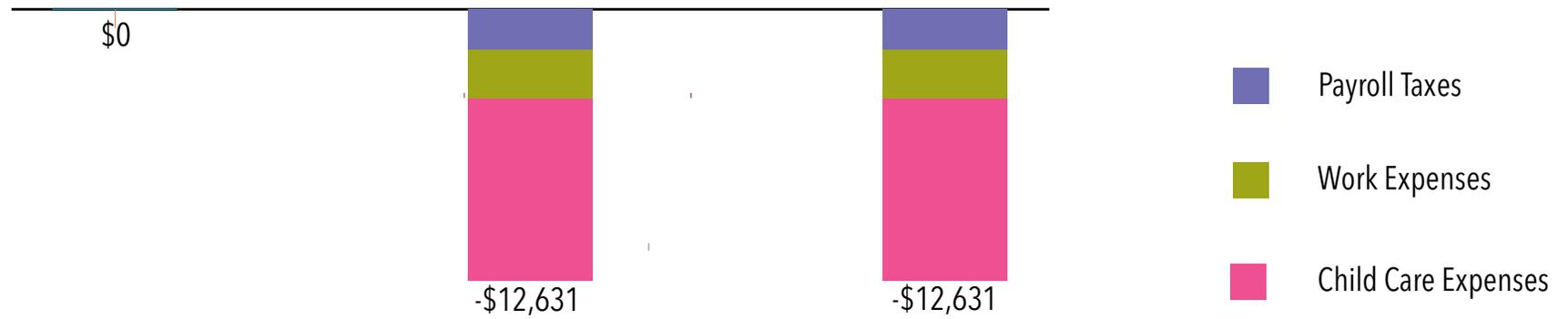


Note: Non-cash public supports including tax credits and food assistance are included in family resources under the Supplemental and California Poverty Measures. These non-cash resources are not accounted for under the Official Poverty Measure.



Family Example: Expenses for a Family Paying Payroll Taxes, Child Care, and Other Work Expenses

Counted Expenses Under the Official, Supplemental, and California Poverty Measures



Official Poverty Measure

Supplemental Poverty Measure

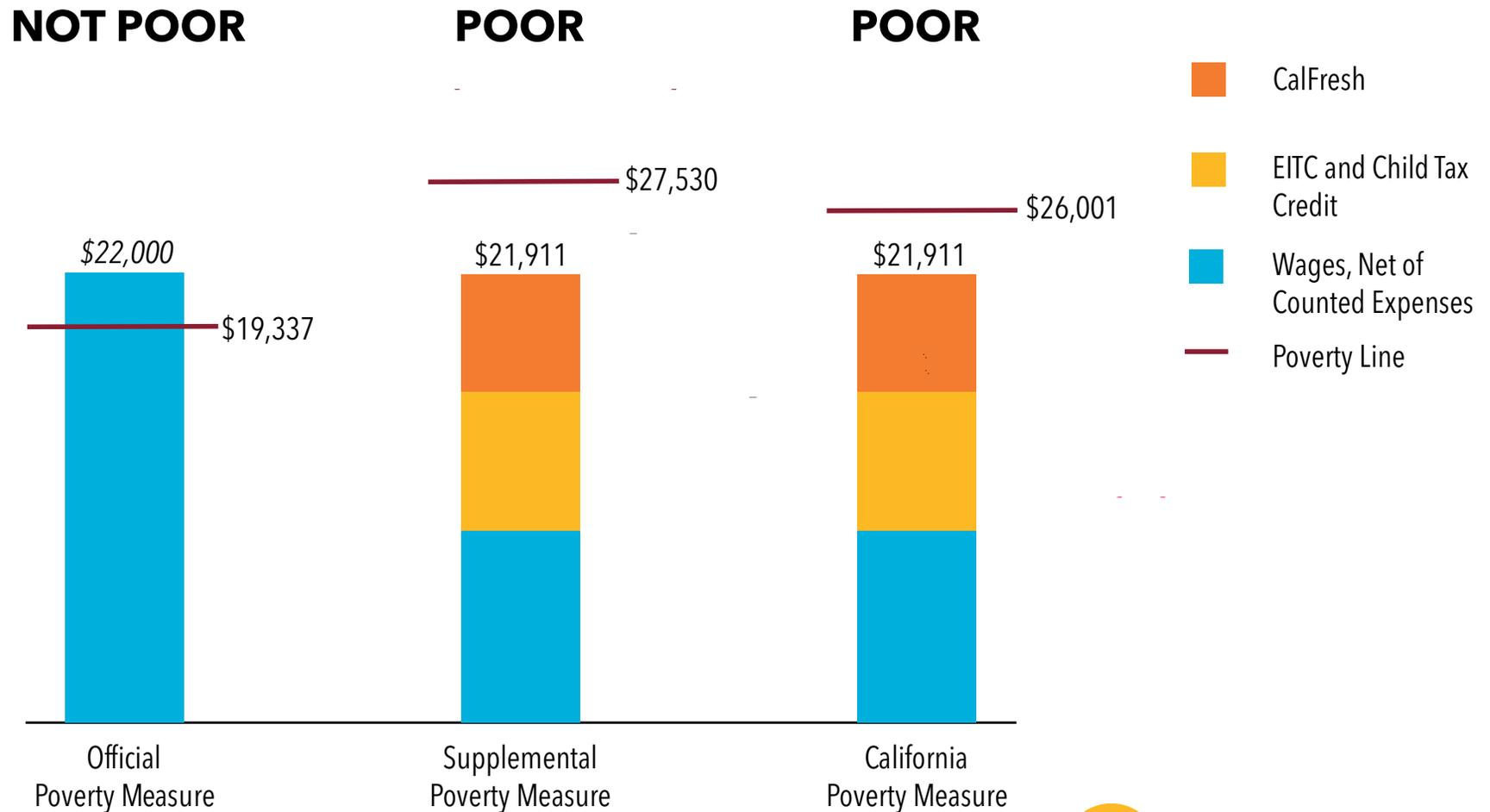
California Poverty Measure

Note: Non-discretionary expenses including payroll taxes, child care, and other work expenses are subtracted from family resources under the Supplemental and California Poverty Measures. These expenses are not accounted for under the Official Poverty Measure.



Family Example: Final Family Resources Compared to the Poverty Threshold

Poverty Status Under the Official, Supplemental, and California Poverty Measures



Note: Non-discretionary expenses including payroll taxes, child care, and other work expenses are subtracted from resources under the Supplemental and California Poverty Measures. These expenses are not accounted for under the Official Poverty Measure.



The Picture of Poverty Changes When You Apply the Supplemental or California Poverty Measures...

This is the combined result of accounting for local housing costs, adding non-cash public supports, subtracting non-discretionary expenses, and accounting for modern families.



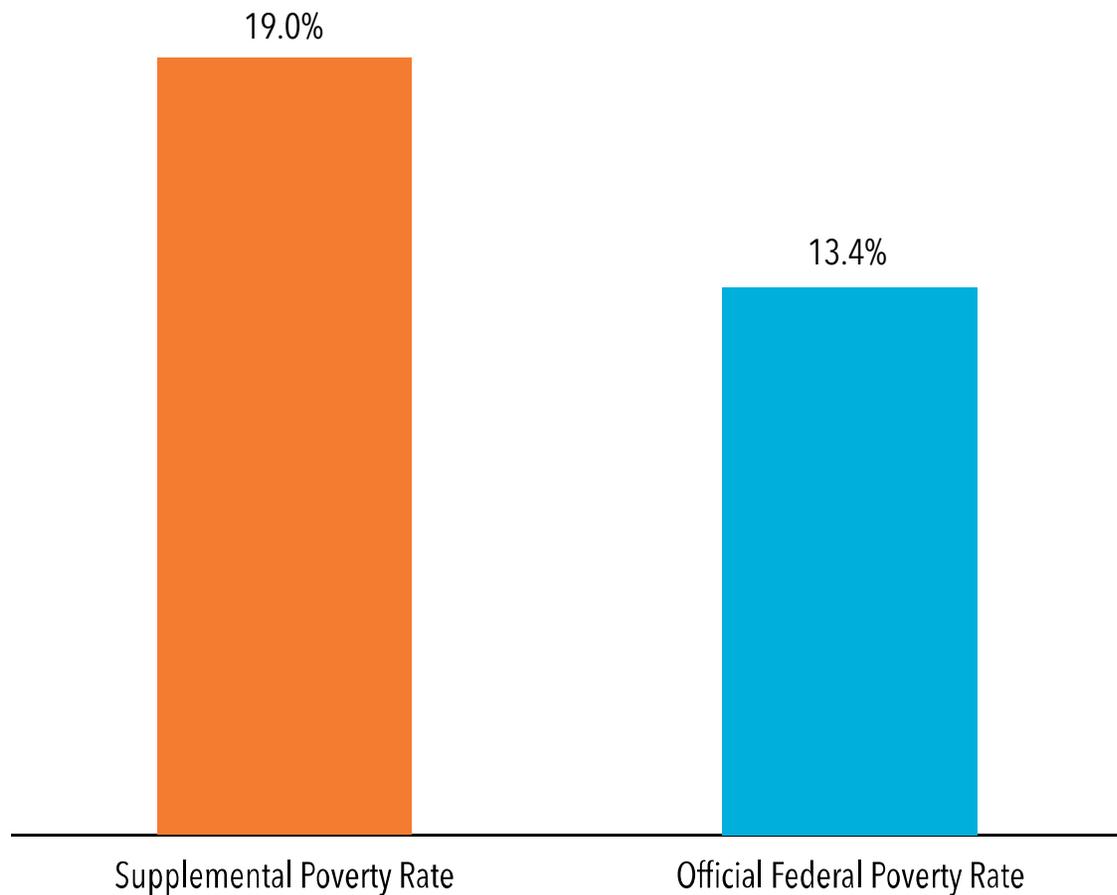
The Official Poverty Measure Produces a Distorted Picture of Hardship in California

- Poverty is *understated* in areas with high housing costs.
- Poverty is *understated* among families that have large expenses for medical care or child care.
- Poverty is *overstated* among households that receive non-cash public supports like CalFresh, EITC, or housing subsidies.
- Poverty is *overstated* among families that include unmarried partners.
- Policy changes that expand or shrink the eligibility or generosity of non-cash public supports will not produce any change in the poverty rate or depth of poverty.



California's Poverty Rate Is Higher Under a More Accurate Measure of Hardship

Supplemental Poverty Rate and Official Federal Poverty Rate, 2015-2017

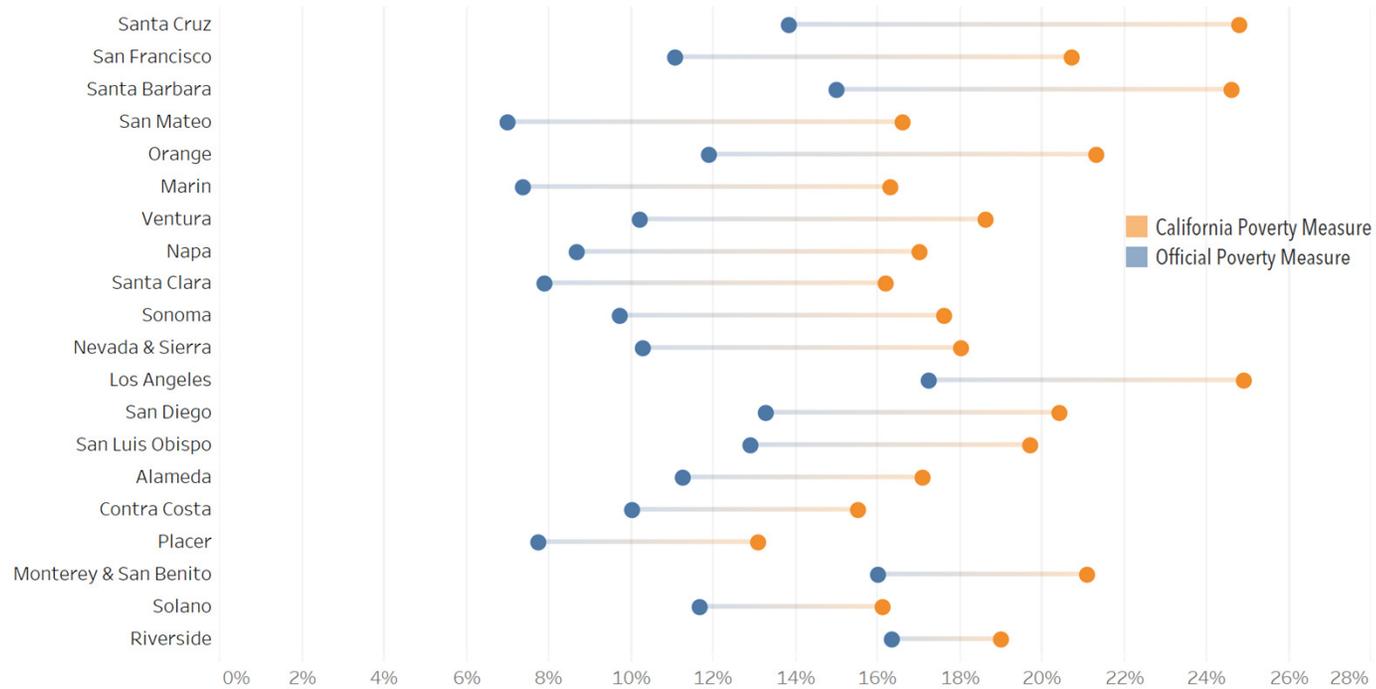


Source: US Census Bureau, Current Population Survey



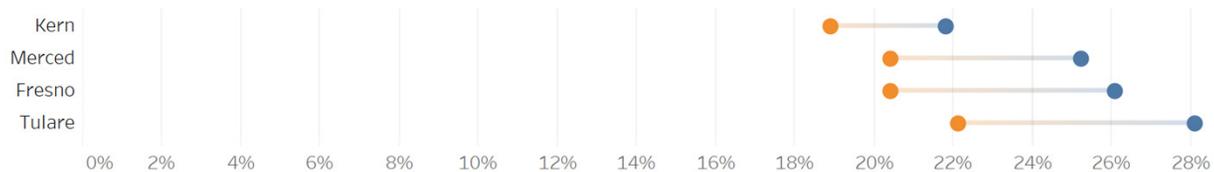
Poverty Rates Are Much Higher in Many Counties Based on the California Poverty Measure (CPM)

Poverty Rate, 2013-2015



In a Few Counties, Poverty Rates Based on the CPM Are Lower

Poverty Rate, 2013-2015



Source: Budget Center analysis of data from Public Policy Institute of California



General Guidelines for When to Use Each Poverty Measure



The Bottom Line on When to Use Each Poverty Measure

- In general, when looking at poverty in California it is preferable to use the **Supplemental or California measure** because they are more accurate than the official measure.
 - In particular, the **Supplemental or California measure** should be used to assess the impact of public policies on poverty.
- Between these two measures, it may be preferable to use the **California measure**, if it is available, because it better accounts for certain California-specific factors.
- The **official measure** is largely useful for analyses related to public programs that rely on the official measure to determine eligibility or funding levels. It may also be the only measure available for looking at poverty in small geographic areas, such as cities.



Availability of Poverty Data for Different Measures Depends on Level of Geography

	Official Poverty Measure		Supplemental Poverty Measure	California Poverty Measure
	CPS ASEC	ACS	CPS ASEC	ACS
Nation	✓	✓	✓	
State	✓	✓	✓	✓ California only
Metro area*		✓	Thresholds are available, but not rates or demographics	✓ Within California only
County		✓		✓ Within California only (with some limitations)
City or smaller areas		✓		✓ Within California only (with some limitations)

* Counties or groups of counties.



Availability of Poverty Data for Different Measures Depends on Year

	Official Poverty Measure		Supplemental Poverty Measure	California Poverty Measure
	CPS ASEC	ACS	CPS ASEC	ACS
2017	✓	✓	✓	Expected summer 2019
2016	✓	✓	✓	✓
2015	✓	✓	✓	✓
2014	✓*	✓	✓*	✓
2013	✓	✓	✓	✓
2012	✓	✓	✓	✓
2011	✓	✓	✓	✓
2010	✓	✓	✓	
2009	✓	✓	✓	
2008	✓	✓		
2007	✓	✓		
2006	✓	✓		
1959-2005	✓			

* Data for 2014 and beyond are not comparable to data for prior years due to a change in methodology.



Which Poverty Measure Should Be Used?

General Guidelines for When to Use Each Poverty Measure		
	Which Measure Is Preferable?	Why?
<p>Poverty in California as a whole</p> <p>Examples:</p> <p>What is California's poverty rate?</p> <p>How many people live in poverty in California?</p>	Supplemental or California poverty measure	These measures provide a more accurate picture of economic insecurity than the official measure.
<p>Poverty among demographic groups in California</p> <p>Examples:</p> <p>What is the poverty rate for children, working-age adults, and seniors?</p> <p>How many families with children under age 6 live in poverty in California?</p> <p>What is the poverty rate for black seniors in California?</p>	Supplemental or California poverty measure	<p>These measures are more accurate and both can be used to look at demographic groups.</p> <p>For smaller groups, the California measure may be more useful because it is based on a larger sample which allows for more reliable estimates for smaller groups.</p>
<p>How poverty compares between California and the US or other states</p> <p>Examples:</p> <p>How does California rank among the 50 states in terms of its poverty rate?</p>	Supplemental poverty measure	This measure is more accurate than the official measure and is available for all states (while the California measure is not).
<p>Poverty in California regions or counties</p> <p>Examples:</p> <p>What's the poverty rate in Sacramento county?</p> <p>How many children live in poverty in the San Francisco Bay area?</p>	California poverty measure	This measure is more accurate than the official measure and is available at the sub-state level (while the Supplemental measure is not).



Which Poverty Measure Should Be Used?

General Guidelines for When to Use Each Poverty Measure		
	Which Measure Is Preferable?	Why?
<p>How much public supports reduce poverty Examples:</p> <p>How many children would be lifted out of poverty if the federal EITC were doubled?</p> <p>How much does CalFresh cut the child poverty rate?</p> <p>How many seniors are lifted out of poverty because of Social Security?</p>	<p>Supplemental or California poverty measure</p>	<p>These measures are similar to each other and both account for a broad range of public supports that are not accounted for in the official poverty measure.</p> <p>The California measure may be preferable for examining the impact of public supports because the data are adjusted to correct for underreporting of the use of CalFresh and CalWORKs in Census data.</p>
<p>How many Californians are potentially eligible for public supports Examples:</p> <p>How much cash income can an individual or family have and still qualify for public supports like CalFresh and Medi-Cal?</p> <p>How many people in California are potentially eligible to access public supports like CalFresh and Medi-Cal?</p>	<p>Official Poverty Measure</p>	<p>Many public supports use the official poverty guidelines (which are based on the official poverty measure) to determine eligibility.</p>

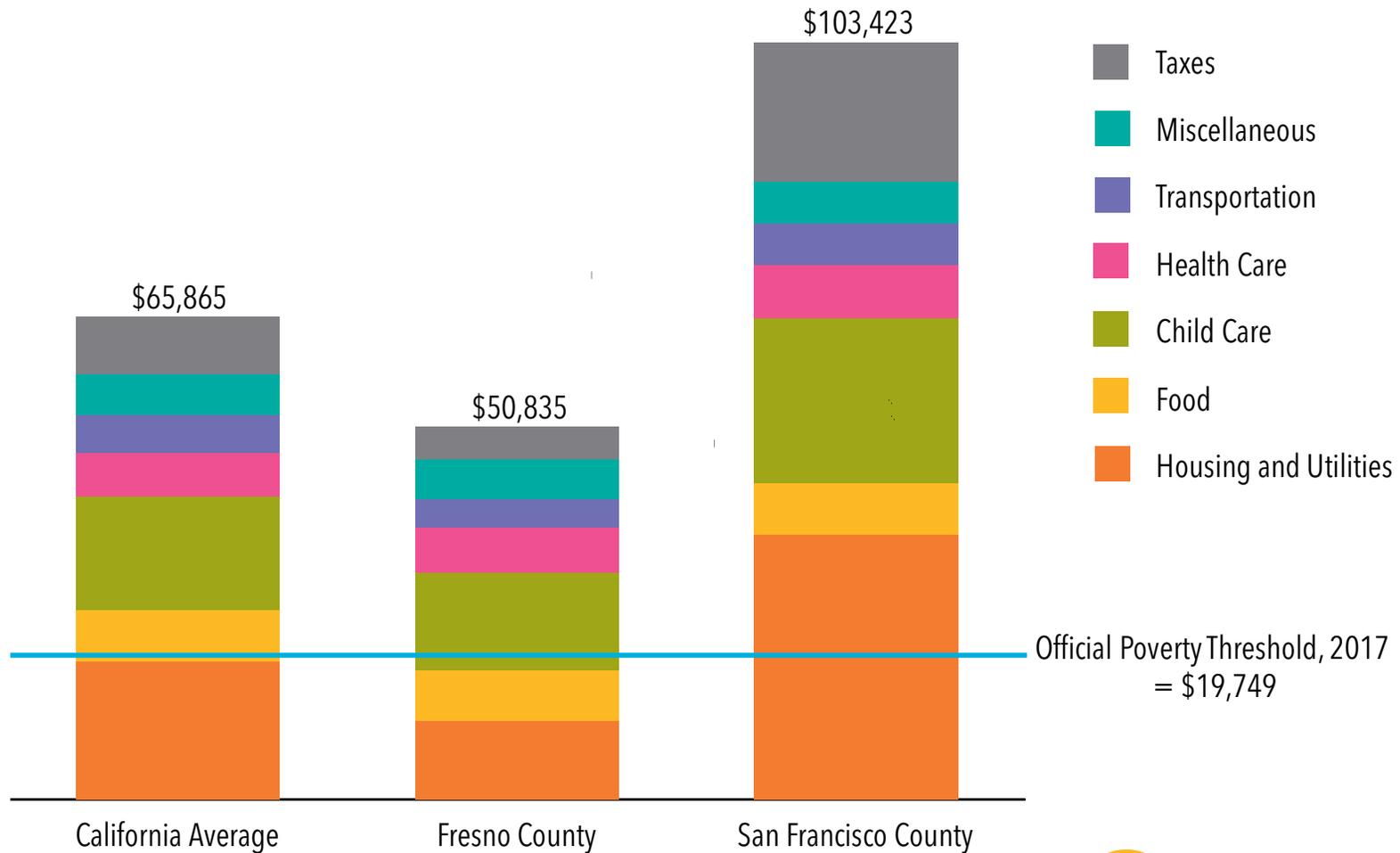


Poverty Is Not the Only Way to Think About Economic Security



Official Poverty Thresholds Are Much Less Than the Basic Cost of Living for Families in California

Annual Basic Family Budget for a Single-Parent Family With Two Children, 2017



Note: Assumes one preschool-age and one school-age child and a single parent working full-time.
 Source: Budget Center *Making Ends Meet* 2017 analysis and US Census Bureau



Other Issues and Resources Included in Forthcoming Report



Other Issues and Resources Included in Forthcoming Report

- Our forthcoming report will also include:
 - Additional examples of when to use each poverty measure.
 - A table comparing poverty thresholds for each measure across several family types (such as a parent with two children and a single adult).
 - Information about where to find the data for each measure and when the data are released.
 - A discussion of the difference between poverty thresholds and poverty guidelines.
 - Information about the “anchored” Supplemental Poverty Measure, which can be used to look at long-term trends.
 - A discussion of how the Supplemental or California poverty measures could be used to determine eligibility or benefit amounts for public supports.





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