CALIFORNIA BUDGET PROJECT

September 17, 2013

New Census Data Show That More Than 6 Million Californians – Over One-Third of Them Children – Lived in Poverty in 2012

Persistently High Poverty Rate – Despite Economic Recovery – Highlights Need for Policies That Help Struggling Families and Promote Broad Economic Growth

Census Bureau data released today show that the share of Californians with incomes below the federal poverty line in 2012 remained significantly higher than in 2006, the year before the Great Recession began. More than 6 million Californians – or about one in six – were living in poverty in 2012. In addition, 2.1 million of the state's children, or nearly one out of four, lived in families with incomes below the poverty line in 2012.

The new data also show that the median California household income last year was nearly 10 percent below what it was in 2006, the most recent peak.

Specifically, the new Census data show that:

- In 2012, 6.02 million Californians had incomes below the poverty line. The poverty line varies by family size. The 2012 poverty line was $23,283 for a family of four with two children.

- California's poverty rate for 2012 – 15.9 percent – is about one-third higher than the 12.2 percent poverty rate in 2006, the year before the recession began (Figure 1). The change in the poverty rate between 2011 and 2012 was not statistically significant.

- The US poverty rate was 15.0 percent in 2012. This is unchanged from 2011 and remains 2.7 percentage points above a recent low of 12.3 percent in 2006.

The new Census data indicate that a large number of California children continue to live in poverty. The data show that:

- Approximately 2.1 million California children – nearly one out of four – lived in families with incomes below the poverty line in 2012. The share of California's children living in poverty was 22.5 percent in 2012 (Figure 2). This rate remains almost one-fourth higher than California's 18.1 percent child poverty rate in 2006. The year-to-year change from 2011 to 2012 was not statistically significant.

- Children account for a disproportionately large share of Californians living in poverty. While children were one-quarter of the state's population (24.3 percent) in 2012, they accounted for more than one-third of Californians with incomes below the poverty line (34.3 percent).

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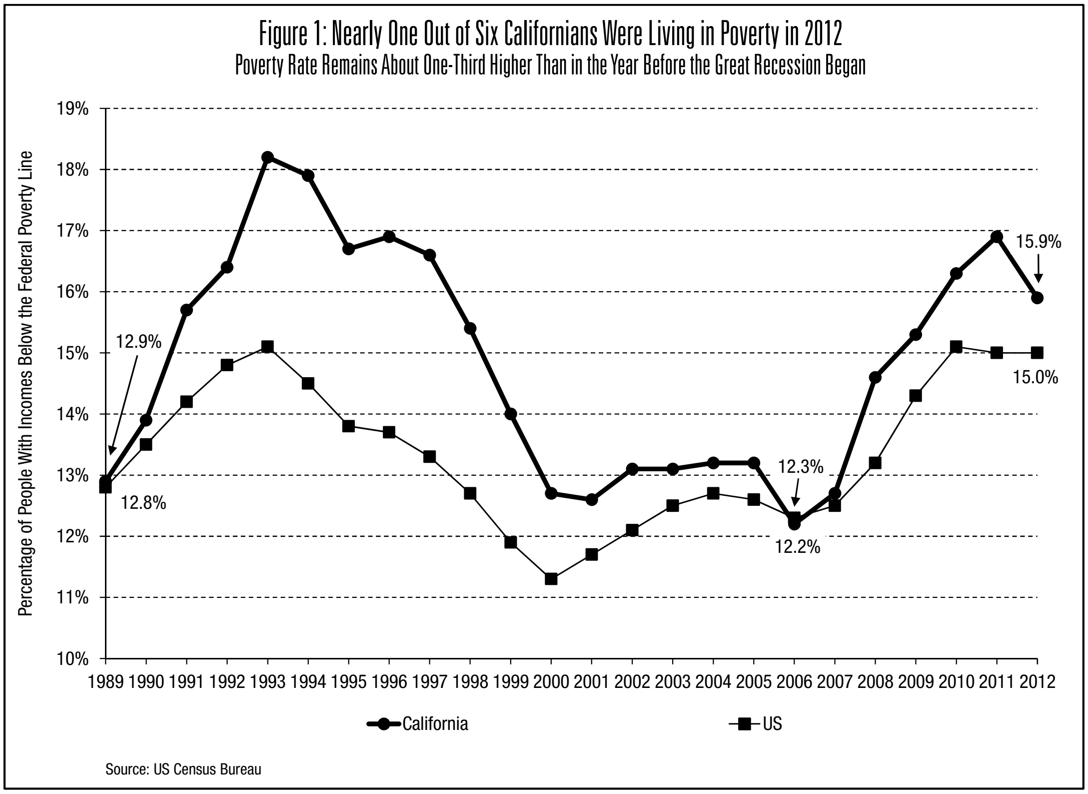


Figure 1: Nearly One Out of Six Californians Were Living in Poverty in 2012
Poverty Rate Remains About One-Third Higher Than in the Year Before the Great Recession Began
Percentage of People With Incomes Below the Federal Poverty Line
19%
18%
17%
16%
15%
14%
13%
12%
11%
10%
1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
12.9%
12.8%
12.3%
12.2%
15.9%
15.0%
California
US
Source: US Census Bureau

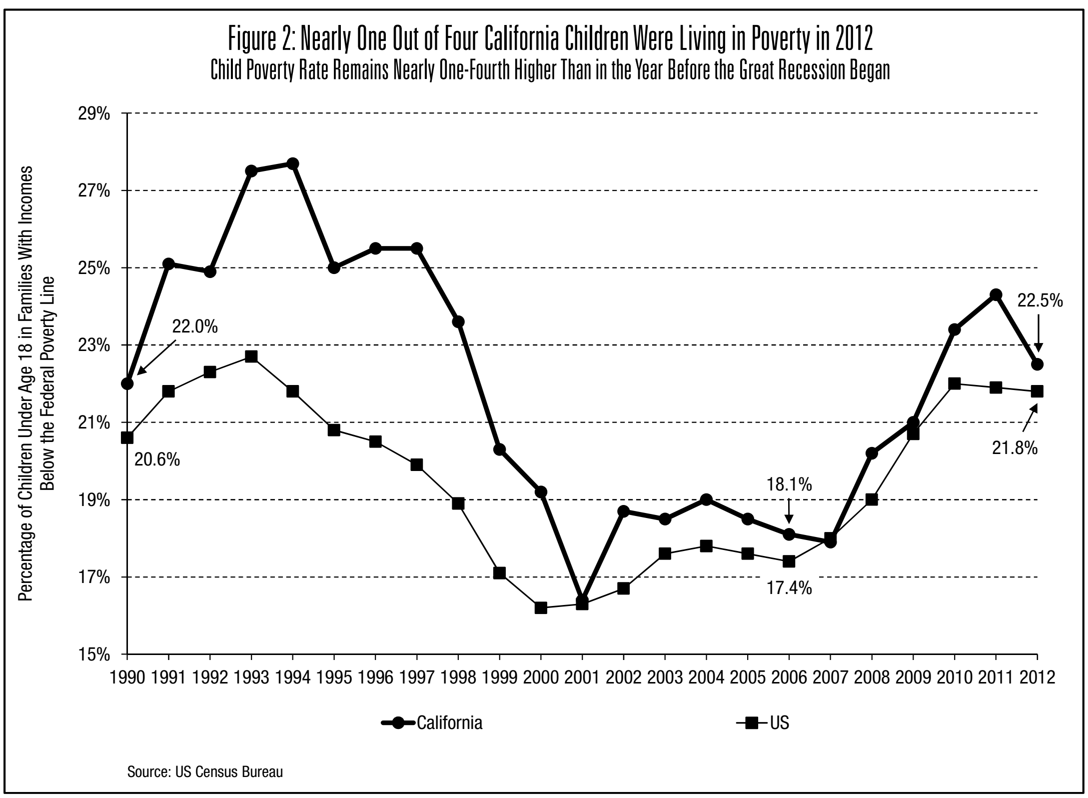


Figure 2: Nearly One Out of Four California Children Were Living in Poverty in 2012
Child Poverty Rate Remains Nearly One-Fourth Higher Than in the Year Before the Great Recession Began
Percentage of Children Under Age 18 in Families With Incomes Below the Federal Poverty Line
29%
27%
25%
23%
21%
19%
17%
15%
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
22.0%
20.6%
18.1%
17.4%
22.5%
21.8%
California
US
Source: US Census Bureau

New Census Measure Provides More Comprehensive Picture of Families' Resources and Costs, Points to Strategies for Reducing Poverty

The official poverty statistics released annually by the Census Bureau are based on a comparison of families' incomes to what some experts contend is an outdated, insufficient threshold – triple the cost of a basic food diet in 1963, adjusted for inflation. Last November, the Census Bureau introduced state poverty rates under a new supplemental poverty measure (SPM) that is intended to address some of the limitations of the official poverty measure.[1]

Under the supplemental poverty measure, California has the highest poverty rate of any state in the nation – 23.5 percent. The difference between California's official poverty rate and its supplemental poverty rate is larger than in any other state – the share of Californians in poverty is more than 7 percentage points higher under the SPM than under the official measure.[2]

California's high ranking under the supplemental poverty measure shows that even after factoring in a comprehensive array of resources, many of the state's families are still struggling financially. The official poverty threshold provides an unrealistic picture of what it takes for a family to make ends meet in California, because it does not account for everyday necessities in a family's household budget – like transportation and child care. The SPM was developed with the aim of measuring a broader array of family resources and expenses to give a more accurate picture of poverty. For example, noncash benefits like SNAP (the federal food assistance program, known as CalFresh in California) and tax credits like the Earned Income Tax Credit (EITC) are included as income, while job-related costs, such as child care and transportation, and other basic expenses like out-of-pocket medical costs are subtracted from income. The high cost of housing in California is a key reason for the state's much higher poverty rate under the SPM. The SPM's thresholds for poverty are adjusted for geographic differences in housing costs, and California's average fair market rent for a two-bedroom apartment is surpassed only by those of Hawaii and the District of Columbia.[3]

The supplemental poverty measure points to strategies for combating poverty. Census data that are released with the SPM show that our nation's safety net programs have had a significant impact on lessening poverty. In 2011, public programs like Social Security, the EITC, SNAP/CalFresh, and unemployment benefits cut poverty nearly in half from what it otherwise would have been. In California, these programs kept nearly 4 million people, including almost 1 million children, out of poverty between 2009 and 2011.

Policymakers, advocates, and other stakeholders can use the insights provided by the SPM at the state and local levels to help families escape poverty, adopting strategies such as increasing the number of eligible families who enroll in CalFresh. Although food assistance has been shown to alleviate the negative lifelong impacts of childhood poverty, participation remains low in California. The SPM provides strong evidence that federal and state investment in anti-poverty programs is critical in order to foster a broad-based recovery in California – one in which economic gains reach the lowest-income as well as the highest-income families.

The new Census data also show that California's inflation-adjusted median household income – the income of the household at the middle of the income distribution – was $57,020 in 2012. This means that the typical California household income last year was $5,978 (9.5 percent) below what it was in 2006, the year before the recession started (Figure 3). While the median household income did increase between 2011 and 2012, this change was not statistically significant.

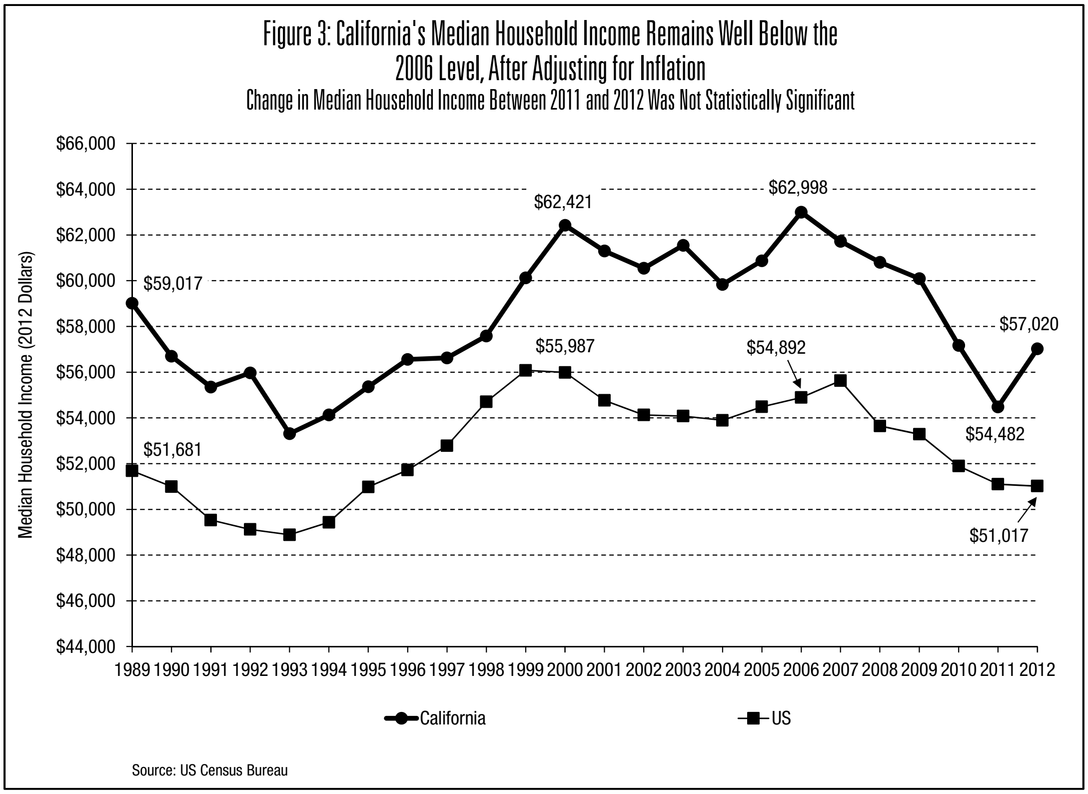


Figure 3: California's Median Household Income Remains Well Below the 2006 Level, After Adjusting for Inflation
Change in Median Household Income Between 2011 and 2012 Was Not Statistically Significant

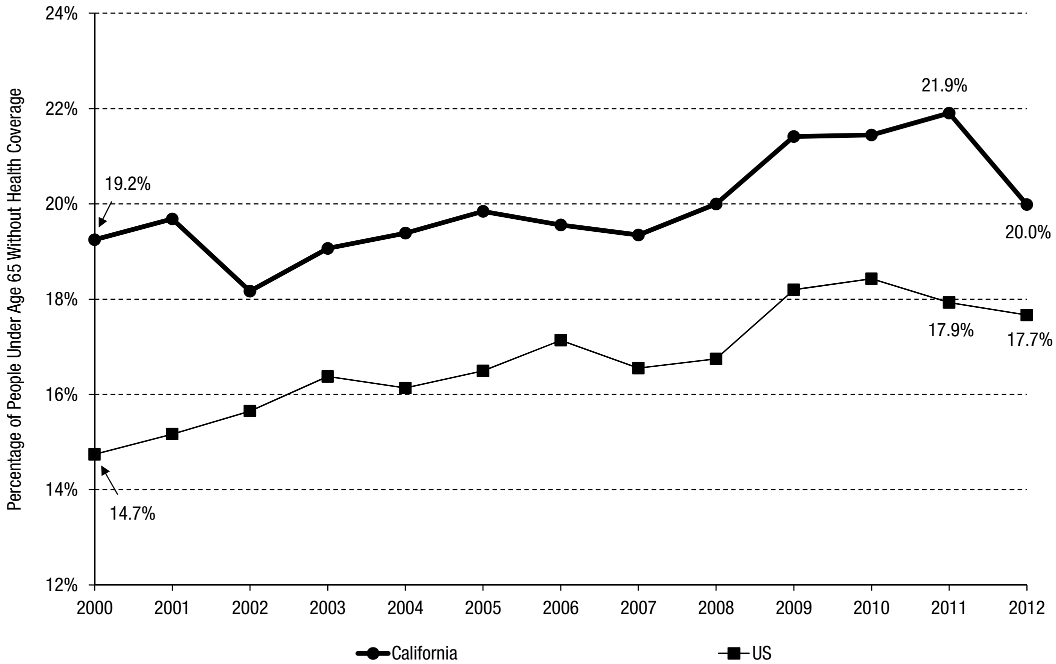
The new Census data do reveal some positive trends in the area of health coverage, with a significant year-to-year drop in the share of Californians who are uninsured and longer-term gains in providing health coverage for children. The new data show that:

- The number of nonelderly Californians (ages 0 to 64) without health coverage fell by nearly 600,000 between 2011 and 2012. The percentage of uninsured nonelderly Californians dropped from 21.9 percent in 2011 to 20.0 percent 2012, a statistically significant decline (Figure 4). This drop likely is attributable to a number of factors, including an emerging job market recovery and the fact that young adults ages 19 to 25 were eligible for coverage under their parents' insurance due to an Affordable Care Act (ACA) provision that took effect in late 2010.

- Between 2006 and 2012, the number of Californians under age 18 without health coverage declined by 262,000, a statistically significant drop of 2.4 percentage points. This decline in uninsured children is largely the result of a sizeable increase (of 646,000) in the number of children covered under Medi-Cal and Healthy Families, which more than offset the erosion of job-based health coverage since 2006.

With a large share of Californians still living in poverty more than three years into the state's recovery, the Census data released today are a reminder of the need for policies that will foster broad-based prosperity in California, helping low-income families find and keep jobs and move up the economic ladder.

Figure 4: The Share of Californians Under Age 65 Without Health Coverage Dropped Significantly in 2012



Source: US Census Bureau

ENDNOTES

[1] Kathleen Short, *The Research – Supplemental Poverty Measure: 2011* (US Census Bureau: November 2012).

[2] This comparison is based on three-year average poverty rates under the SPM and the official poverty measure from 2009 to 2011. The SPM poverty rates for 2012 have not yet been released.

[3] Elina Bravve, Megan Bolton, and Sheila Crowley, *Out of Reach 2013* (National Low Income Housing Coalition: March 2013).