Basic Needs and Economic Insecurity in California
Definitions and Data

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AFFORDABILITY WORKSHOP #1: DEFINING AND MEASURING AFFORDABILITY
CALIFORNIA PUBLIC UTILITIES COMMISSION
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@CalBudgetCenter
Key Themes

Examining economic insecurity and the costs of basic needs in California through different lenses:

- Official poverty measure
- Supplemental Poverty Measure
- California Poverty Measure
- Basic family budgets
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
Official Poverty Measure

Poverty threshold is based on 1960s food expenditures
The Supplemental Poverty Measure (SPM) Addresses Some 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

<table>
<thead>
<tr>
<th></th>
<th>San Francisco – Oakland – Hayward MSA</th>
<th>Fresno MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Poverty Threshold</td>
<td>$24,858</td>
<td>$24,858</td>
</tr>
<tr>
<td>Supplemental Poverty Threshold - Renter</td>
<td>$37,052</td>
<td>$25,902</td>
</tr>
<tr>
<td>Supplemental Poverty Threshold - Homeowner With Mortgage</td>
<td>$37,182</td>
<td>$25,976</td>
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<tr>
<td>Supplemental Poverty Threshold - Homeowner Without Mortgage</td>
<td>$30,513</td>
<td>$22,465</td>
</tr>
</tbody>
</table>

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
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
https://www2.census.gov/programs-surveys/demo/tables/p60/265/pov-threshold-2017.xlsx
The California Poverty Measure 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
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
https://www.ppic.org/map/california-poverty-by-county-and-legislative-district/
Basic Family Budgets Offer a More Comprehensive Picture of the Costs to Make Ends Meet
What Are Families’ Basic Expenses?
The Costs of Basic Needs for Single Adults Vary Across Counties
Monthly Basic Family Budget for a Single Adult Household

<table>
<thead>
<tr>
<th></th>
<th>San Francisco County</th>
<th>Fresno County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and Utilities</td>
<td>$1,915</td>
<td>$670</td>
</tr>
<tr>
<td>Food</td>
<td>$268</td>
<td>$268</td>
</tr>
<tr>
<td>Child Care</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Health Care (Employer-Based)</td>
<td>$162</td>
<td>$137</td>
</tr>
<tr>
<td>Transportation</td>
<td>$334</td>
<td>$213</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$361</td>
<td>$361</td>
</tr>
<tr>
<td>Taxes</td>
<td>$667</td>
<td>$249</td>
</tr>
<tr>
<td><strong>MONTHLY TOTAL</strong></td>
<td><strong>$3,707</strong></td>
<td><strong>$1,898</strong></td>
</tr>
<tr>
<td><strong>ANNUAL TOTAL</strong></td>
<td><strong>$44,481</strong></td>
<td><strong>$22,776</strong></td>
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</tbody>
</table>

Note: These budgets represent the total income required to cover a family’s basic needs through earnings only, without government supports. Amounts correspond to calendar year 2017. Numbers may not sum due to rounding. Source: Budget Center Making Ends Meet 2017 analysis.
# The Costs of Basic Needs for Families With Children Vary Across Counties

MONTHLY BASIC FAMILY BUDGET FOR A TWO-WORKING PARENT FAMILY WITH TWO CHILDREN

<table>
<thead>
<tr>
<th></th>
<th>San Francisco County</th>
<th>Fresno County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and Utilities</td>
<td>$3,018</td>
<td>$997</td>
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<tr>
<td>Food</td>
<td>$773</td>
<td>$773</td>
</tr>
<tr>
<td>Child Care</td>
<td>$1,874</td>
<td>$1,116</td>
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<tr>
<td>Health Care (Employer-Based)</td>
<td>$638</td>
<td>$540</td>
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<tr>
<td>Transportation</td>
<td>$624</td>
<td>$397</td>
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<tr>
<td>Miscellaneous</td>
<td>$787</td>
<td>$787</td>
</tr>
<tr>
<td>Taxes</td>
<td>$1,535</td>
<td>$519</td>
</tr>
<tr>
<td><strong>MONTHLY TOTAL</strong></td>
<td><strong>$9,249</strong></td>
<td><strong>$5,018</strong></td>
</tr>
<tr>
<td><strong>ANNUAL TOTAL</strong></td>
<td><strong>$110,984</strong></td>
<td><strong>$60,214</strong></td>
</tr>
</tbody>
</table>

Note: These budgets represent the total income required to cover a family’s basic needs through earnings only, without government supports. Families are assumed to have two children, one preschool-aged and one school-aged. Amounts correspond to calendar year 2017. Numbers may not sum due to rounding.
Source: Budget Center *Making Ends Meet 2017* analysis
Basic Budgets Vary for Different Types of Households

Housing is the largest cost for most households, but child care is a close second for families with children.
On Average, Housing Costs Make Up More Than $4 in $10 of a Single-Adult Budget in California
Statewide Average Annual Basic Family Budget for a Single Adult = $29,824

Note: Statewide average family budget calculated by averaging all county family budgets, weighted by county population.
Source: Budget Center Making Ends Meet 2017 analysis
More Than Half of the Average Single-Parent Family Budget in California Pays for Housing and Child Care

Statewide Average Annual Basic Family Budget for a Single-Parent Family = $65,865

- Child Care: 23.7%
- Food: 10.5%
- Health Care (Employer-Based): 9.1%
- Transportation: 7.8%
- Miscellaneous: 8.4%
- Taxes: 11.9%
- Housing and Utilities: 28.6%

Note: Statewide average family budget calculated by averaging all county family budgets, weighted by county population.
Source: Budget Center Making Ends Meet 2017 analysis
On Average, Nearly Half of a Two-Working-Parent Family Budget in California Pays for Housing and Child Care

Statewide Average Annual Basic Family Budget for a Two-Working-Parent Family = $75,952

- Housing and Utilities: 24.8%
- Child Care: 20.5%
- Food: 12.2%
- Health Care (Employer-Based): 8.2%
- Transportation: 8.8%
- Miscellaneous: 12.4%
- Taxes: 13.0%

Note: Statewide average family budget calculated by averaging all county family budgets, weighted by county population. Source: Budget Center Making Ends Meet 2017 analysis
The Basic Cost to Support a Family Varies Across California

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

Source: Budget Center Making Ends Meet 2017 analysis
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
http://calbudgetcenter.org/resources/making-ends-meet-much-cost-support-family-california/
The Bottom Line

- The official poverty measure has many shortcomings as a definition of economic insecurity
- Differences in cost of living are better captured through the Supplemental and California Poverty Measures
- Basic family budgets show that different types of families spend different shares of income on specific basic needs
- Applying more complex definitions of economic insecurity to identify households struggling with affordability is more challenging to implement but has potential to better target households in need
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