



California Budget
& Policy Center

Strategies to Reduce Poverty in California

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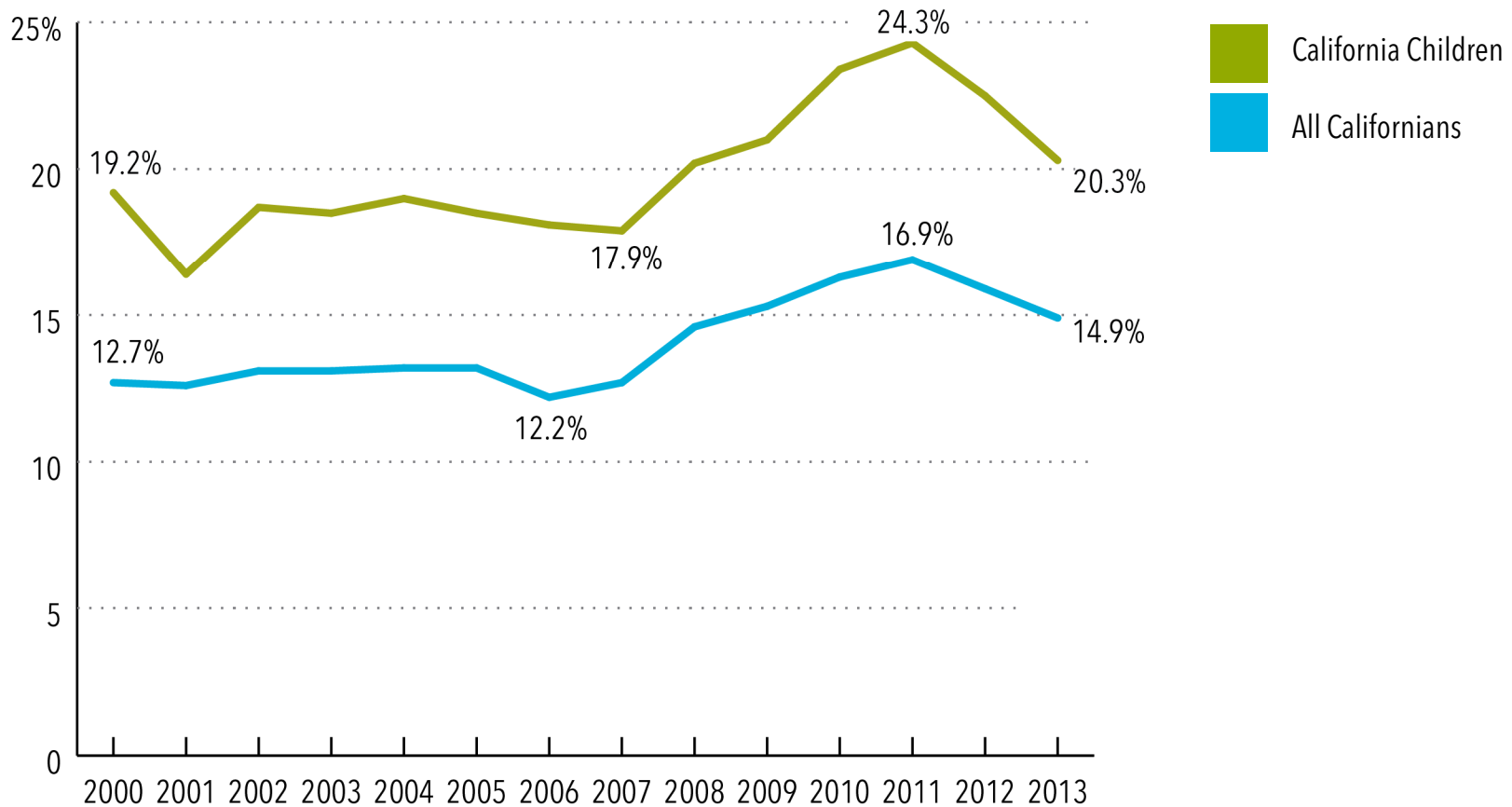
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Poverty is one of the most significant challenges facing our state.



One in Seven Californians and One in Five California Children Lived in Poverty in 2013

Percentage of Californians With Incomes Below the Federal Poverty Line

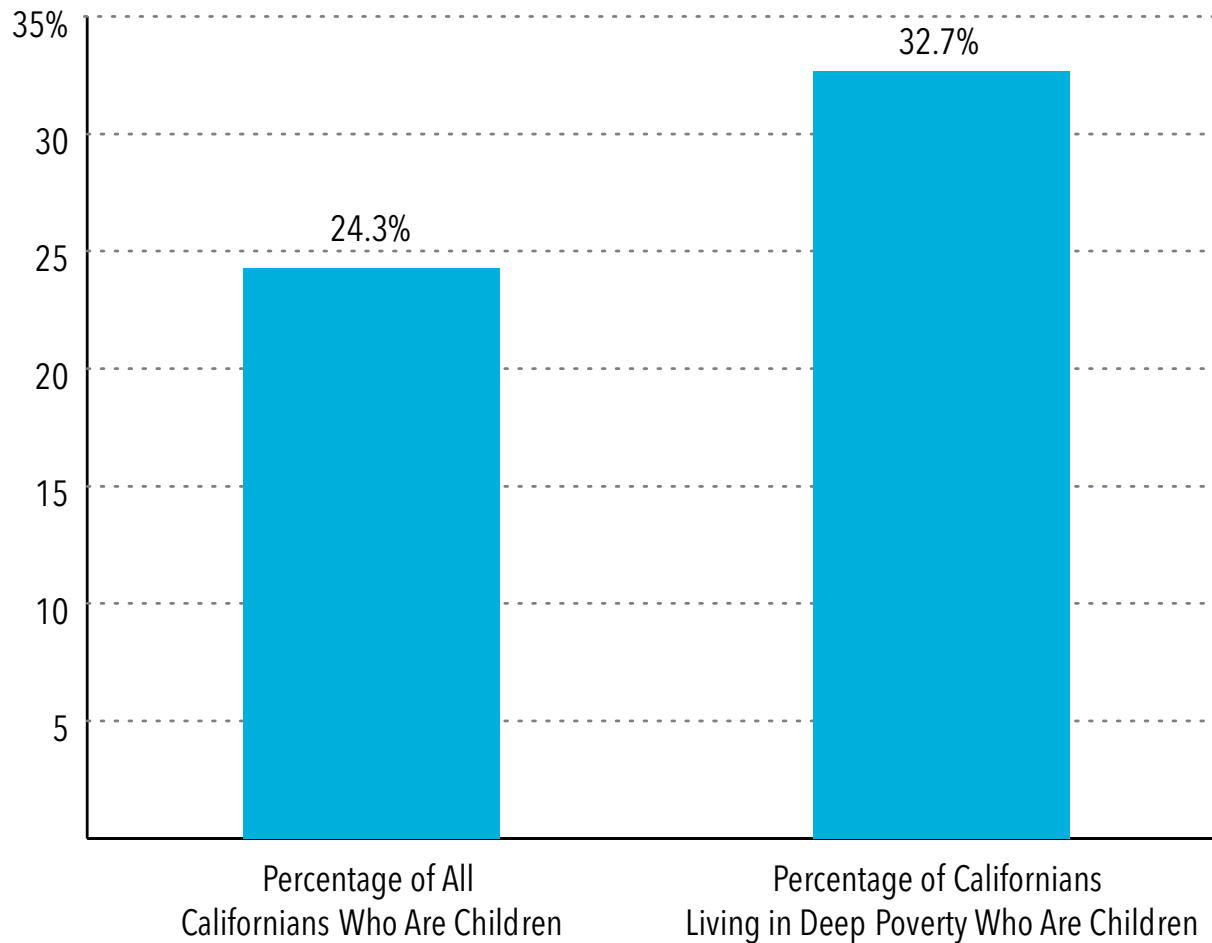


Source: US Census Bureau



Children Comprise a Disproportionate Share of Californians Living in Deep Poverty

Average Annual Percentage, 2011 to 2013



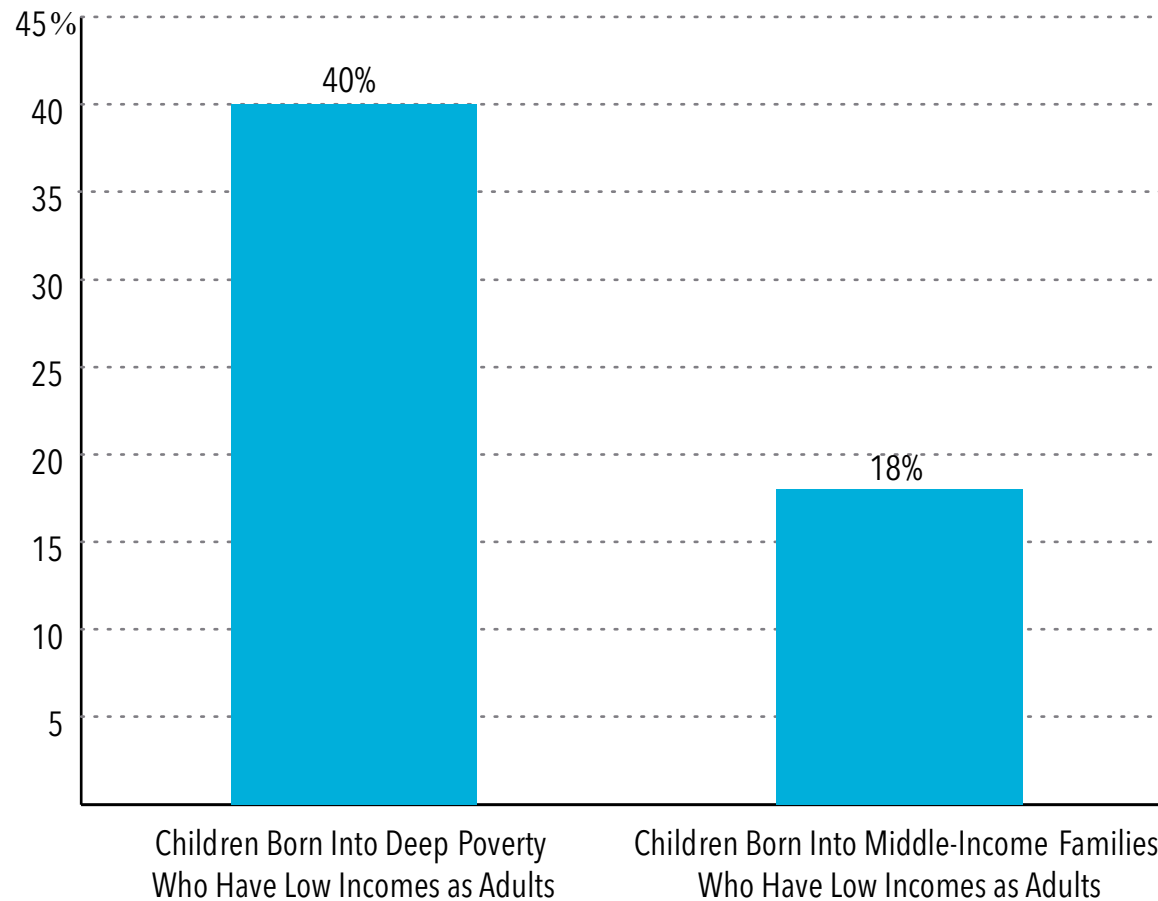
Note: Living in deep poverty means having an income below half the federal poverty line.
Source: Budget Center analysis of US Census Bureau data



Growing up in poverty limits opportunities for children to reach their full potential.



Being Born Into Deep Poverty More Than Doubles Children's Chances of Having Low Incomes as Adults

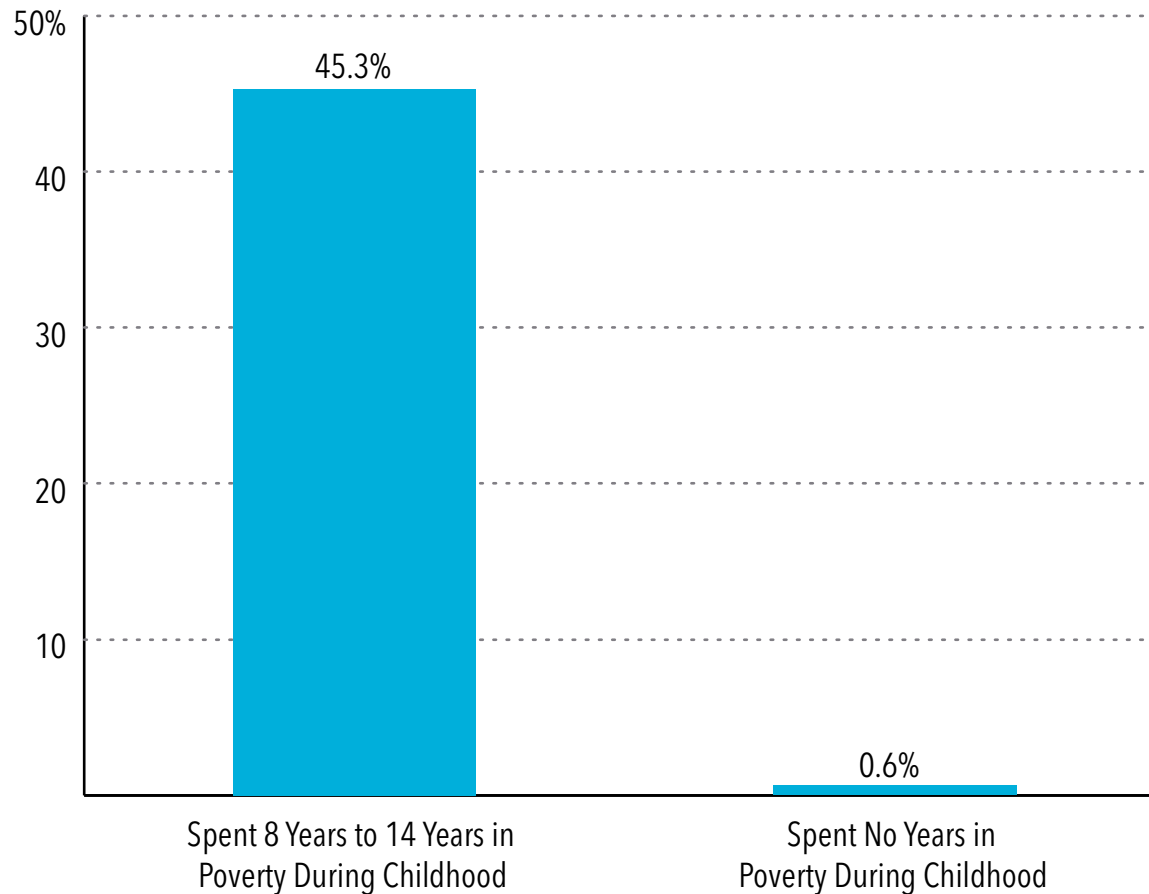


Note: "Low income" means income in the bottom fifth. Families in deep poverty have incomes below half the federal poverty line. Middle-income families have incomes in the middle fifth.
Source: Emily Cuddy, et al., In a Land of Dollars: Deep Poverty and Its Consequences (The Brookings Institution: May 7, 2015)



Adults Who Were Persistently Poor During Childhood Are Far More Likely to Live in Poverty

Percentage of Adults in the US Living in Poverty at Age 35



Note: Childhood is from birth to age 15.

Source: Robert L. Wagmiller, Jr. and Robert M. Adelman, *Childhood and Intergenerational Poverty: The Long-Term Consequences of Growing Up Poor* (National Center for Children in Poverty: November 2009).



**Poverty is a problem
policymakers have the
tools to address.**



Our Nation Has Made Some Significant Strides in Reducing Poverty

For example, the United States has:

- Cut poverty among seniors by **over two-thirds** in the last half-century by expanding Social Security.
- Cut poverty among children by **about one-third** since the 1960s by investing in a range of public supports, such as food and housing assistance.



Public supports annually lift **nearly 5 million** Californians, including 1.4 million children, out of poverty.

This suggests that California can lift even more people out of poverty by strengthening policies that work.



**Reducing poverty will
require a sustained and
broad-based effort.**



To reduce poverty, California will need to address the various obstacles that prevent people from moving up the economic ladder, including low-wage jobs, insufficient access to affordable child care, and an inadequate safety net.



**Boosting wages and incomes
must be central to any
poverty-reduction effort.**

**Most families living in poverty have jobs.
The problem is their jobs don't pay enough.**



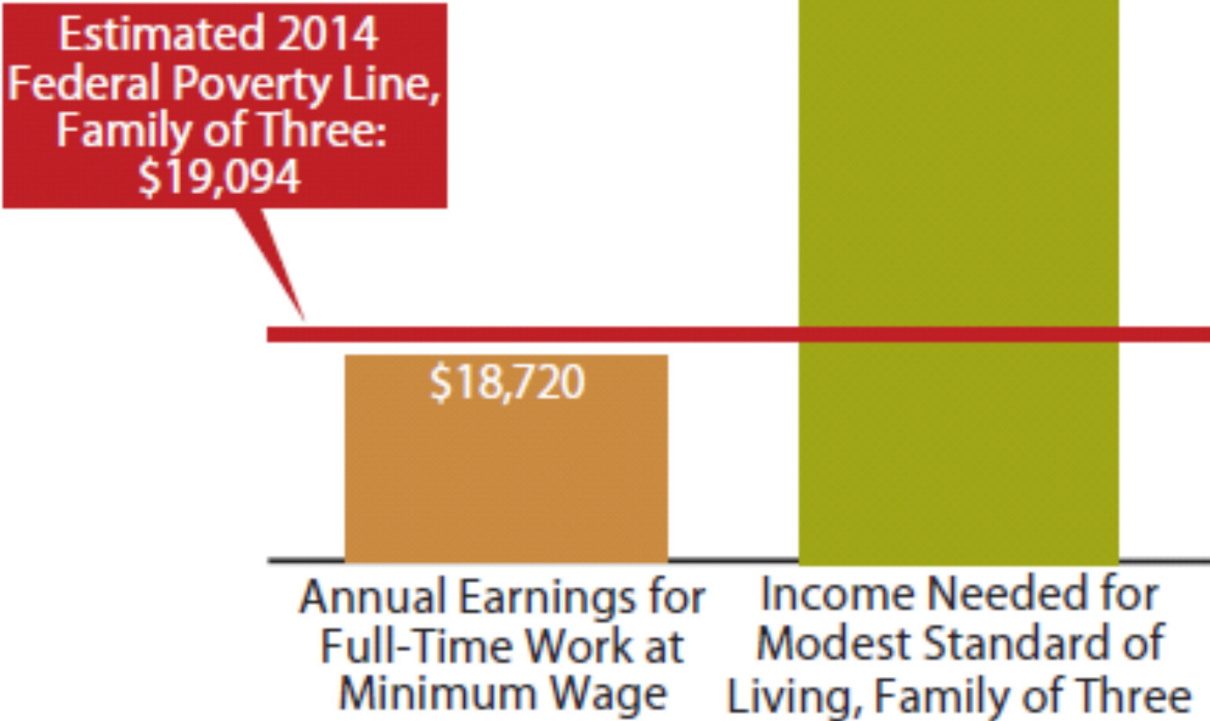


Two in Three California Families Living in Poverty Have Jobs

Source: Budget Center analysis of US Census Bureau data



California's Minimum Wage Falls Short



Note: For more information about the income needed to achieve a modest standard of living, see California Budget and Policy Center, *Making Ends Meet: How Much Does It Cost to Raise a Family in California?* (December 2013).
Source: Budget Center analysis

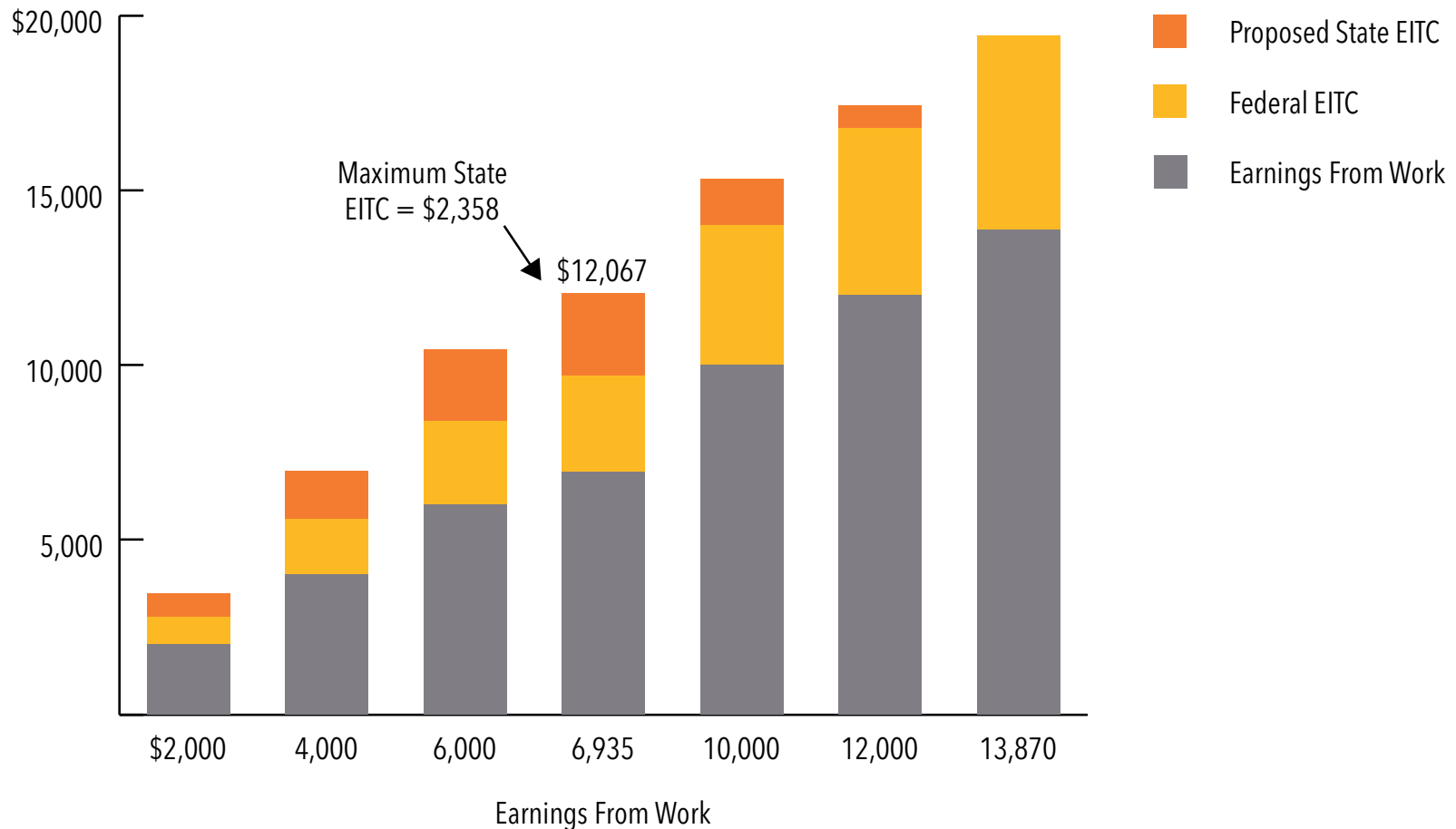


Policymakers can boost low-wage workers' earnings by gradually raising the state's minimum wage and indexing it to inflation so that it keeps pace with increases in the cost of living.



The State and Federal EITCs Combined Could Boost a Working Parent's Income by Nearly Three-Quarters

Income for a Single Parent With Two Children Including the Governor's Proposed EITC, 2015



Source: Budget Center analysis of Governor Brown's proposed state EITC



Policymakers can help low-wage workers keep more of their earnings by funding California's new state Earned Income Tax Credit (EITC) every year. They also can support a robust outreach effort so that everyone who is eligible for the credit learns about it.



Raising the minimum wage and providing a state EITC work best in combination with each other.

Together these policies reach more people than either policy would on its own.



Increasing families' incomes improves children's outcomes.

Low-income children tend to perform better in school and may even earn more as adults when their families' incomes are raised.



Boosting Families' Incomes Can Put Low-Income Children on a Better Path



For each **\$3,000 a year** in added income that children in low-income families received before age 6...

...their **annual earnings** between ages 25 and 37 **increased by 17%**.

Source: Greg J. Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, "Early Childhood Poverty and Adult Attainment, Behavior and Health" *Child Development* 81:1 (January/February 2010), pp. 306-325.



Reducing poverty will also require greater investments in public supports.

These investments should include increasing access to high-quality, affordable child care and strengthening CalWORKs welfare-to-work.

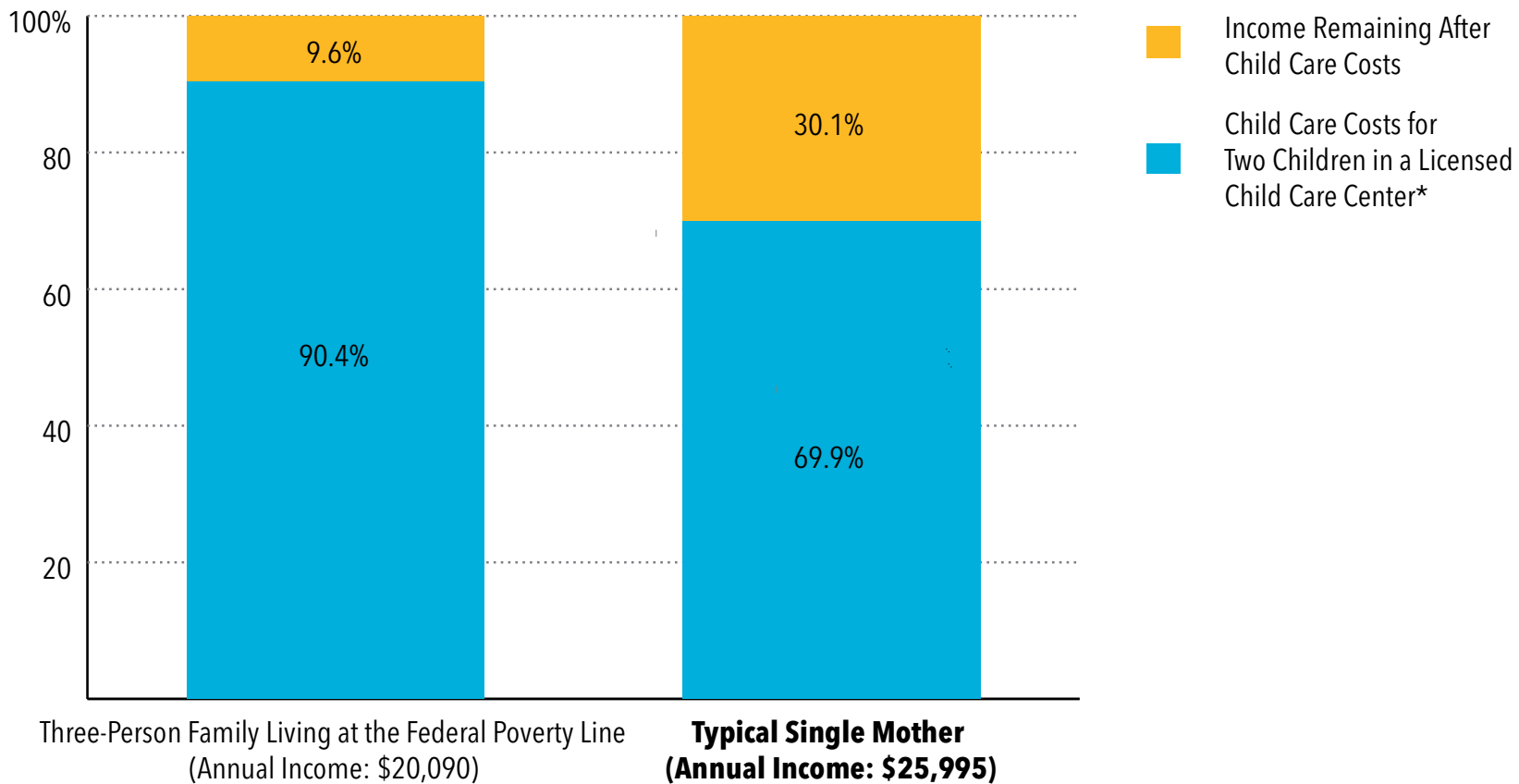


Child care is one of the most expensive items in many families' budgets. Without access to subsidized child care, the typical single mother faces difficult choices about where to leave her children so she can keep her job.



The Typical Single Mother Would Have to Spend 70% of Her Income to Cover the Full Cost of Child Care

Child Care Costs for an Infant and a School-Age Child as a Percentage of Family Income



* Cost of care in California in 2014 (full-time for an infant and part-time for a school-age child). This cost is based on counties' median cost of care in licensed centers weighted to reflect each county's population of infants and school-age children.
Source: Budget Center analysis of data from the 2014 Regional Market Rate Survey, Department of Finance, and American Community Survey



Increasing access to affordable child care is a smart investment.

This strategy could allow parents to work and earn more, and could contribute to a stronger future for the next generation. Low-income children who receive high-quality care perform better academically.

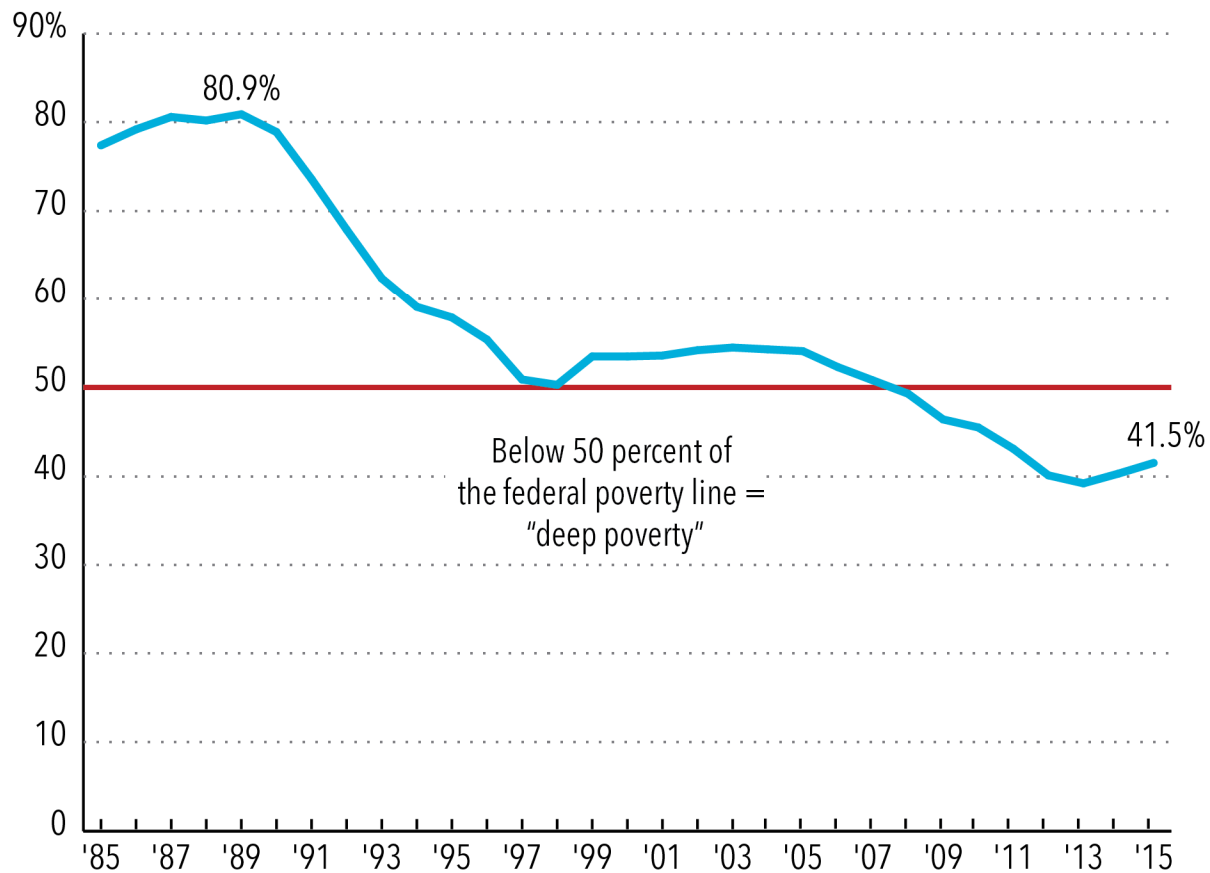


CalWORKs is another critical public support that state policymakers should seek to strengthen.



CalWORKs Does Not Provide Enough Support On Its Own to Lift Families With Children Out of Deep Poverty

Annualized Maximum Grant for a Family of Three as a Percentage of the Federal Poverty Line



Note: Grants are for high-cost counties beginning in 1996. Prior to 1998, grants were provided through the Aid to Families with Dependent Children Program. The 2015 grant reflects a 5% increase scheduled for April 2015.
Source: Budget Center analysis of Department of Social Services, US Department of Health and Human Services, and US Social Security Administration data



Strengthening CalWORKs Could Help Lift Families With Children Out of Poverty

Policymakers could:

- Increase cash assistance so that no family lives in deep poverty while participating in welfare-to-work.
- Restore annual cost-of-living increases to CalWORKs grants to ease the impact of inflation.
- End the ban on providing additional cash assistance for any child who is conceived and born while his or her family is receiving aid.



Additional Policies That Would Reduce Poverty in California

A broad-based effort to reduce poverty should also include:

- **Increasing participation in CalFresh**, which provides vital food assistance to low-income Californians, but reaches only about two-thirds of those who are eligible.
- **Reversing the recession-era cuts to SSI/SSP grants**, which help over 1 million low-income seniors and people with disabilities pay for basic living expenses.
- **Increasing the affordability of housing** through policies that boost the supply of affordable housing over the long-term as well as provide immediate relief to families who are struggling with skyrocketing rents right now.



Conclusion

- Poverty is a problem we have the tools to address.
- It's a matter of making greater investments in already proven strategies.
- These investments would benefit all of us by strengthening our economy and improving our quality of life.



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