

Poverty Declines in California, but More than 1 in 3 Are Poor or Nearly Poor

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The California Poverty Measure (CPM), jointly produced by the Stanford Center on Poverty and Inequality and the Public Policy Institute of California, draws on administrative and survey data to deliver the state's most comprehensive measure of poverty. The CPM takes into account a broad range of family resources and also factors in the local cost of housing. We summarize here the key results for 2017 on rates of poverty, the impact of safety net supports, and differences in rates of poverty across racial and ethnic groups.

Poverty Has Declined ... but Remains Very High

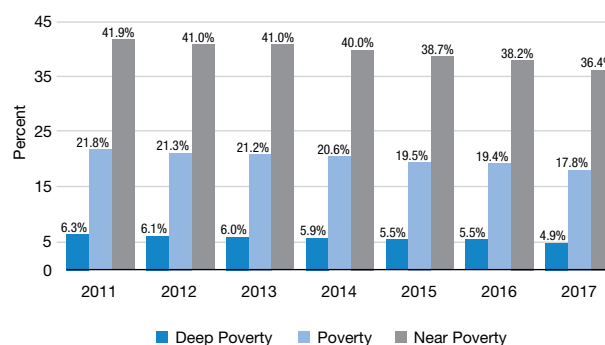
In 2017, 17.8 percent of Californians were poor. This means that, even after taking into account the resources accessed via safety net programs, more than one in six Californians will have difficulty meeting basic needs.

The CPM trendline indicates that poverty has fallen in California as the state's economy has improved. Between 2016 and 2017, the CPM poverty rate fell 8 percent. Since 2011, poverty in California declined by 18 percent. A similar decline is evident in the deep poverty rate, which fell from 6.3 percent in 2011 to 4.9 percent in 2017, a drop of 22 percent. Despite this drop, over one third of Californians in 2017 were still poor or nearly poor (under 150 percent of the poverty line), indicating that many have not benefited from the state's prosperity.

The Official Poverty Measure (OPM), which disregards many cash transfers and does not take into account differences in the cost of living, indicates that only 12.8 percent of Californians were poor in 2017,¹ as compared to the 17.8 percent calculated under the CPM. This difference is consequential because many safety net eligibility standards are based on the official mea-

sure. Because many Californians who are struggling to cover the high costs of housing and meet other needs are not eligible for assistance, the poverty rate remains very high.

Figure 1: Poverty in California, 2011-2017



1. This result, is based on analysis of data from the Census Bureau's American Community Survey.

A Primer on the California Poverty Measure

The California Poverty Measure is a new index that improves upon conventional poverty measures. The CPM tracks necessary expenditures, adjusts for geographic differences in housing costs, and includes food stamps and other non-cash benefits as resources available to poor families. Do you want to learn more about the CPM? Check out inequality.stanford.edu/cpm.

Poverty in California Would Be Much Higher Without Public Safety Net Supports

Although OPM-based eligibility rules reduce the impact of the safety net, it nonetheless plays a critical role in alleviating poverty in California. As shown in Figure 2, CPM poverty would have been 11.7 percentage points higher in 2017 if public safety net support was not available. Without the safety net, about 3 in 10 Californians would be poor. Notably, Social Security remains an especially critical program for reducing poverty, primarily among seniors. Refundable tax credits—including the federal EITC, the state’s CalEITC, and the federal Child Tax Credit—also play a large role in reducing poverty, particularly among families with children.

Poverty Hits Immigrants and People of Color Especially Hard

The foregoing results mask important variation within California’s population by race, ethnicity, and immigrant status. As shown in Figure 3, about half of the Latinx population in California was in poverty or near poverty in 2017, while about 40 percent of the black population was in poverty or near poverty. By contrast, non-Latinx white Californians are better shielded from poverty, with

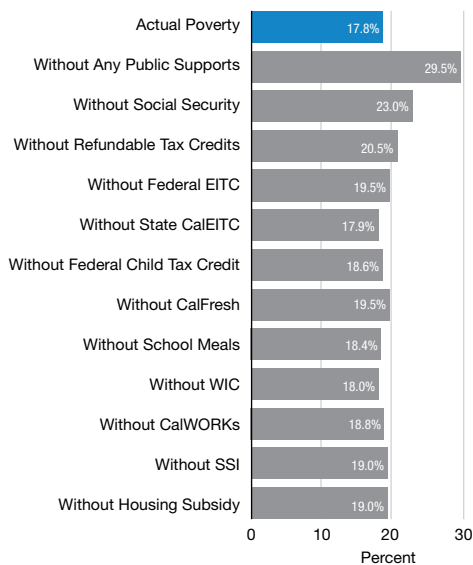
only about 1 in 4 non-Latinx white Californians in poverty or near poverty. Figure 3 further shows that Asian and Pacific Islander individuals and those of “other” racial-ethnic identities (including multi-racial) faced elevated rates of poverty.

Immigrants in California also experience sharply higher rates of poverty relative to U.S.-born individuals. About 45 percent of immigrants were in poverty or near poverty in 2017, versus about 1 in 3 U.S.-born individuals. This difference arises in part because immigrants are ineligible for some safety net programs.

Conclusions

Despite a booming economy, the poverty rate in California has remained intransigently high. It is high in part because the cost of housing is high. The official poverty measure, which is the standard by which eligibility for many safety net programs is determined, does not take these high housing costs into account. As a result, the safety net’s poverty-reducing effect is reduced, and California is saddled with an extremely high poverty rate.

Figure 2: Poverty Absent Key Safety Net Programs, 2017



Note: The second bar, labelled “without any public supports,” refers to the CPM rate without Social Security, refundable tax credits, CalFresh, school meals, WIC, CalWORKs, General Assistance, SSI, or housing subsidies. Refundable tax credits include the federal EITC, CalEITC, and the federal Child Tax Credit.

Figure 3: Poverty by Race/Ethnicity and Immigrant Status, 2017

