

# CALIFORNIA SENATE OFFICE OF RESEARCH

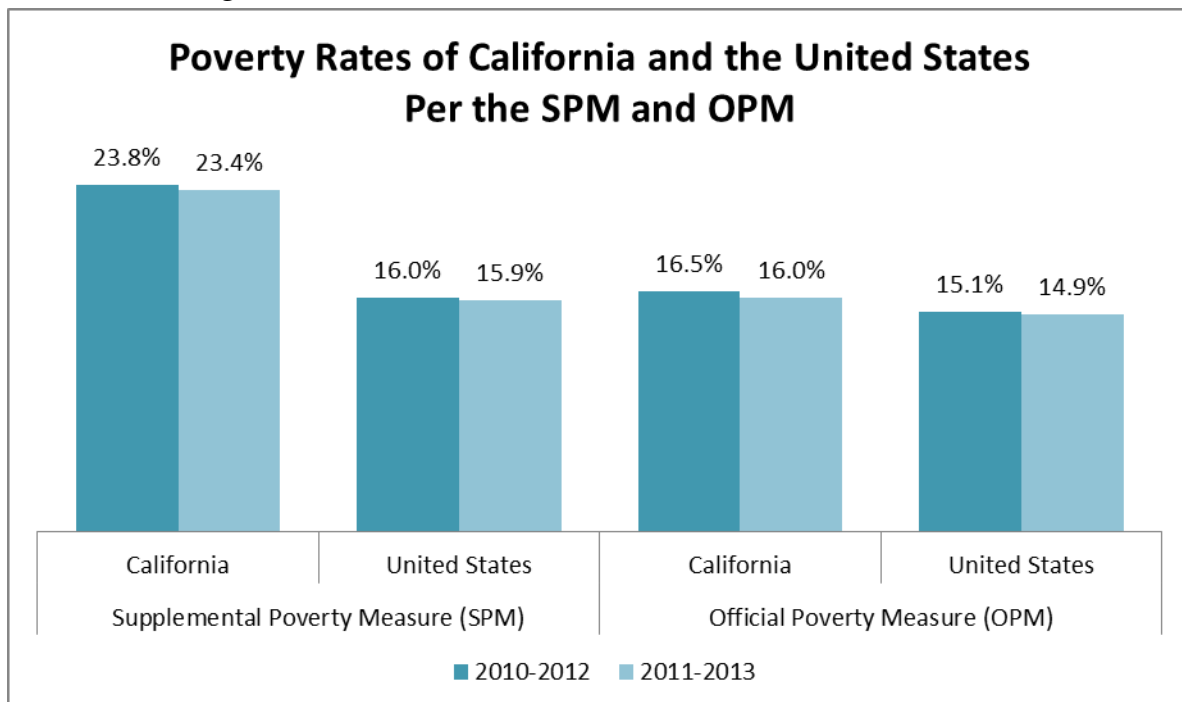
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## FEDERAL UPDATE

### CALIFORNIA'S POVERTY RATE: THE HIGHEST IN THE NATION

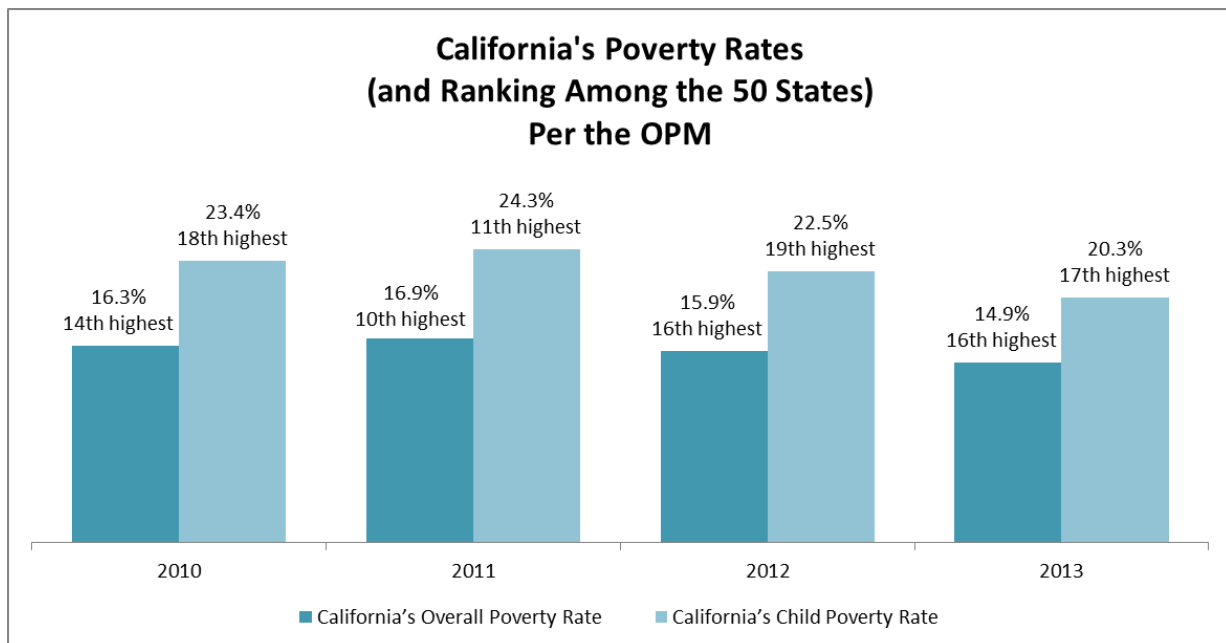
U.S. Census Bureau data released on October 16, 2014, revealed for the second year in a row that California has the highest poverty rate in the United States, as measured by the Research Supplemental Poverty Measure (SPM). According to the SPM, 23.4 percent of Californians were living in poverty from 2011 through 2013 (the SPM uses three-year averages for state estimates); the rate for the United States as a whole was 15.9 percent.

The SPM is the Census Bureau's newer, alternative way of measuring poverty. Based on the SPM, California's poverty rate is even higher than when measured under the traditional metric, the Official Poverty Measure (OPM). Nonetheless, the OPM still shows that California's poverty rate is higher than the country as a whole. From 2011 through 2013, California's poverty rate based on the OPM was 16 percent, while the country's overall rate was 14.9 percent. The chart below shows the poverty rates of California and the United States per the SPM and OPM from 2010 through 2012, and 2011 through 2013.



The SPM, with its consideration of additional factors such as regional variation in cost of living and receipt of noncash benefits, provides a more sophisticated tool for measuring poverty than the OPM (see page 4 for more details). As the data show, the SPM indicates a substantially greater proportion of the state’s population is living in poverty relative to the rest of the country.

However, the OPM still provides value by allowing for historical comparisons and is still the tool used for many poverty-measurement purposes (such as when determining eligibility for certain public benefits). According to the OPM, 14.9 percent of all Californians and 20.3 percent of California children lived in poverty in 2013. For the United States as a whole, 14.5 percent of the population and 19.9 percent of children lived in poverty. California had the sixteenth highest overall poverty rate of the 50 states, and the seventeenth highest child poverty rate. The chart below compares these rates (and rankings) to the previous three years.



As shown in the chart above, while California’s poverty rate (according to the OPM) decreased slightly between 2012 and 2013, the state’s standing relative to the rest of the country remained the same. Moreover, in the case of child poverty rates, California’s standing has worsened. Any improvements in the state’s poverty rates over the last year likely mirror improvements in the rest of the nation. In all four years, California’s poverty rate was higher than the United States’ overall rate.

The development of a tool such as the SPM indicates heightened interest in finding ways to measure poverty that are more reflective of the financial situations facing

low-income Americans. Continued use of the SPM and OPM to measure poverty could aid in an improved state-level and federal-level assessment of poverty and near-poverty levels.

Other efforts may further contribute to the assessment and understanding of poverty in California. In particular, the Public Policy Institute of California, in collaboration with the Stanford Center on Poverty and Inequality, has recently developed another measure: the California Poverty Measure (CPM), which is based on the SPM methodology but is designed to better reflect actual enrollment in public assistance programs and provide more detailed annual estimates within California's regions and populations. The CPM offers a more detailed look at the needs of low-income Californians and the resources they access, and how those needs vary across the state's counties. To date, the CPM shows a slightly lower rate of poverty than the SPM, but with substantial variation in poverty rates across California's regions.

## **RESEARCH SUPPLEMENTAL POVERTY MEASURE ■ OFFICIAL POVERTY MEASURE ■ CALIFORNIA POVERTY MEASURE**

### **Research Supplemental Poverty Measure**

More than 15 years of research into poverty measurement lead to the Census Bureau's development of an alternative measure known as the Research Supplemental Poverty Measure (SPM). Like the OPM, the SPM also compares an individual's or family's resources to a set of designated thresholds to determine poverty status; however, the SPM's measurements are more complex. For example, thresholds are based on updated estimates of the costs of food, clothing, shelter, and utilities; additionally, adjustments are made for geographic differences in housing costs. On the income side, instead of considering pretax cash as income (as the OPM does), the SPM adds to cash income the receipt of any designated public in-kind benefits and tax credits, and subtracts taxes, work-related expenses, and out-of-pocket medical expenses.

### **Official Poverty Measure**

The U.S. Census Bureau's Official Poverty Measure (OPM) compares an individual's or family's income against designated thresholds to determine poverty status; if this income falls below the threshold, they are designated as living in poverty. The poverty thresholds used for the OPM originally were developed in the mid-1960s based on the U.S. Department of Agriculture's minimum food budgets; thresholds are set at three times the cost of a minimum food diet in 1963 and are updated annually for inflation. Size of family and the age of family members are taken into account in determining various thresholds (there are 48 thresholds), but geography and cost of living are not. "Cash income" used to determine an individual's or family's poverty status is measured in pretax dollars and includes earnings from income, as well as cash benefits and other cash income, such as Social Security, public assistance, child support, and unemployment compensation. Noncash benefits (such as food stamps) and capital gains and losses are not included. Income and poverty rates are calculated at the family level; all family members' incomes are added together and then compared to the appropriate OPM threshold.

### **California Poverty Measure**

The Public Policy Institute of California, in collaboration with the Stanford Center on Poverty and Inequality, developed the California Poverty Measure (CPM). This measure starts with the same Census Bureau methodology as the SPM, but makes more specific adjustments to better reflect actual enrollment in public assistance programs and county-level regional variations in cost of living. For more information, please visit: <http://www.ppic.org/main/publication.asp?i=1070>.

**Written by Daphne Hunt.** The California Senate Office of Research is a nonpartisan office charged with serving the research needs of the California State Senate and assisting Senate members and committees with the development of effective public policy. It was established by the Senate Rules Committee in 1969. For more information, please visit [www.sen.ca.gov/sor](http://www.sen.ca.gov/sor) or call (916) 651-1500.

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