Overview of Three Poverty Measures

Caroline Danielson
Prepared for presentation at the State Data Center Meeting
September 11, 2014
Census Supplemental Poverty Measure a California surprise

Other populous states saw smaller increases

Outline

- Measuring poverty
- Why measure poverty differently?
- CPM findings
- Measurement matters in California
Three measures of poverty

- Official poverty measure (OPM)
  - Thresholds also used to for program eligibility (% of FPL)

- Supplemental poverty measure (SPM)
  - Formally, the “research supplemental poverty measure”
  - Developed by Census
  - First released in 2011 (2010 poverty rates)

- California Poverty Measure (CPM)
  - Closely related to the SPM, but
    - Adjusts for survey under-reporting
    - Aimed at producing county-level estimates
  - Developed by the Public Policy Institute of California and Stanford’s Center on Poverty and Inequality
  - First released in 2013 (2011 poverty rates)
The poverty equation

Family resources

Poverty threshold
## Two basic approaches

<table>
<thead>
<tr>
<th>Family resources</th>
<th>OPM</th>
<th>CPM/SPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax cash income (includes earnings, investments, and cash-based government programs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net of</td>
<td>N/A</td>
<td>-Taxes -Out-of-pocket expenses for work expenses (commuting, child care) -Out-of-pocket medical costs</td>
</tr>
<tr>
<td>Compared against:</td>
<td>1950s subsistence diet multiplied by 3, updated for inflation</td>
<td>Derived from recent reported expenditures on food, clothing, shelter and utilities</td>
</tr>
<tr>
<td>Poverty thresholds</td>
<td>Varies by family size</td>
<td>Variates by family size Adjusted regionally for cost of living</td>
</tr>
</tbody>
</table>
Outline

- Measuring poverty
- Why measure poverty differently?
- CPM findings
- Measurement matters in California
Why create a new measure of poverty?

- Official poverty statistics developed in the 1960s, based on 1950s cost of food
- 1994 National Academy of Sciences panel recommended a number of improvements
  - Augmented resources, including in-kind programs and taxes
  - Subtraction of certain, necessary expenses
  - Different approach to creating poverty thresholds
- Newer measures capture changes in safety net, standards of living
## Definition of the social safety net

<table>
<thead>
<tr>
<th>Program</th>
<th>Inception</th>
<th>Recipients (millions)</th>
<th>Federal, state, and local expenditures (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalWORKs (TANF)</td>
<td>1935</td>
<td>1.47</td>
<td>$3.44</td>
</tr>
<tr>
<td>General Assistance</td>
<td>1933</td>
<td>0.15</td>
<td>$0.40</td>
</tr>
<tr>
<td>Supplemental Security Income</td>
<td>1972</td>
<td>1.27</td>
<td>$9.14</td>
</tr>
<tr>
<td>CalFresh (SNAP)</td>
<td>1974</td>
<td>3.64</td>
<td>$6.73</td>
</tr>
<tr>
<td>Child Tax Credit</td>
<td>1998</td>
<td>2.91 (filers)</td>
<td>$4.14</td>
</tr>
<tr>
<td>Earned Income Tax Credit</td>
<td>1975</td>
<td>3.27 (filers)</td>
<td>$7.25</td>
</tr>
<tr>
<td>Federal housing subsidies</td>
<td>1933</td>
<td>0.48 (units)</td>
<td>$3.60</td>
</tr>
<tr>
<td>School breakfast and lunch</td>
<td>1946</td>
<td>2.18</td>
<td>$2.04</td>
</tr>
</tbody>
</table>
Cost-adjusted thresholds tend to be higher in California

### Family of Four

<table>
<thead>
<tr>
<th>Location</th>
<th>Renters</th>
<th>Owners</th>
<th>Owners without mortgages</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco</td>
<td>$36,349</td>
<td>$22,811</td>
<td>$20,500</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$30,785</td>
<td>$25,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Fresno</td>
<td>$24,518</td>
<td>$23,236</td>
<td>$20,000</td>
</tr>
<tr>
<td>Imperial</td>
<td>$23,236</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

NOTE: CPM estimates for 2011, based on the American Community Survey.
Outline

- Measuring poverty
- Why measure poverty differently?
- CPM findings
- Measurement matters in California
CPM finds more people of all ages in poverty ...

SOURCES: CPM estimates for 2011, based on the American Community Survey; official poverty estimates from the California sample of the ACS (2011).
... but fewer in deep poverty

SOURCES: CPM estimates for 2011, based on the American Community Survey; official poverty estimates from the California sample of the ACS (2011).
Overall, need-based programs cut the poverty rate sharply ...
... mostly due to a lower deep poverty rate

![Bar chart showing poverty rates for different demographics.](chart.png)

SOURCE: CPM estimates for 2011, based on the American Community Survey.
CPM alters perception of poverty in California

- 8.1 million Californians in poverty
  - 2.2 million more than official estimates
- Safety net resources substantially moderate the child poverty rate and the deep poverty rate
- Still, safety net resources offset by California’s higher cost of living and by nondiscretionary expenses
Outline

- Measuring poverty
- Why measure poverty differently?
- CPM findings
- Measurement matters in California
Why is poverty highest in California?

Augmented resources  
- Necessary expenses  
Cost-adjusted poverty threshold
Poverty rates higher if resources from safety net programs excluded

SOURCE: CPM estimates for 2011, based on the American Community Survey.
Poverty rates higher if resources from safety net programs excluded

SOURCE: CPM estimates for 2011, based on the American Community Survey.
Poverty rates lower if necessary expenses excluded

SOURCE: CPM estimates for 2011, based on the American Community Survey.
Poverty rates lower if necessary expenses excluded

![Bar chart showing poverty rates by category and whether expenses are included or not.]

Percentage of persons in different categories below poverty level with and without necessary expenses. The chart shows:

- **All persons**: 4% with expenses and 1% without expenses.
- **Children**: 4% with expenses and 1% without expenses.
- **Adults 65+**: 7% with expenses and 1% without expenses.
- **All persons**: 2% with expenses and 1% without expenses.
- **Children**: 3% with expenses and 1% without expenses.
- **Adults 65+**: 1% with expenses and 1% without expenses.

**SOURCE**: CPM estimates for 2011, based on the American Community Survey.
Most Californians live in high-cost regions

Average poverty threshold (family of four)
- Highest-cost counties: $31,300
- Mid-range counties: $27,200
- Lowest-cost counties: $23,900

Official poverty threshold: $22,811
Statewide, CPM thresholds mean higher poverty rates

- Percent

- Regional adjustment
- If no regional adjustment

All persons
Children
Adults 65+

Percent
Statewide, CPM thresholds mean higher poverty rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Regional Adjustment</th>
<th>If no Regional Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>All persons</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Children</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Adults 65+</td>
<td>7</td>
<td>10</td>
</tr>
</tbody>
</table>
Regional differences are substantial
Summary

- SPM and CPM aim to update our accounting of economic hardship
- Higher thresholds and expenses outweigh additional safety net resources
  - Most Californians live in high cost areas
  - Children most protected by the safety net
  - Medical expenses greatly affect older adults
- Regional differences are substantial
Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

Caroline Danielson (danielson@ppic.org; 415-291-4462)

Thank you for your interest in this work.