

May 10, 2011

Overview on Poverty

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Committee on Human Services

Hon. Carol Liu, Chair



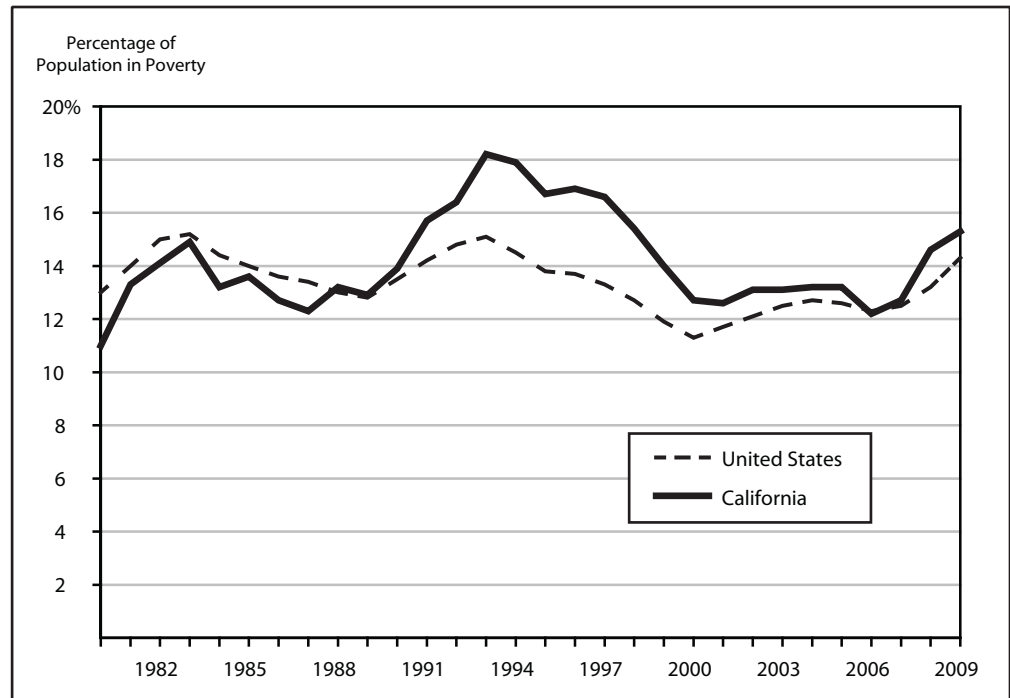


Poverty Measurements

- ☑ **Definition of Poverty.** Poverty thresholds were developed by Mollie Orshansky of the Social Security Administration in the early 1960s. Because expenditure data then indicated that families spent about one-third of their income on food, she developed the poverty threshold as equal to three times the “economy food plan.”
- ☑ **Drawbacks of This Measure.** For decades there have been criticisms of this approach. These criticisms include (1) not accounting for changes in household expenditure trends or regional differences in cost of living, and (2) ignoring government benefits and certain taxes.
- ☑ **A Consistent Measuring Stick.** Despite its flaws, the poverty thresholds allow researchers and policy makers to examine trends over time using a consistent measure.
- ☑ **Substantial Changes Set for 2011.** In September 2011, the Census Bureau will publish two sets of poverty data. One report will be based on the historical measure, and another will make several adjustments including: regional cost of living, certain government benefits, home ownership status, taxes, certain medical costs, and updated household expenditure trends.
- ☑ **Poverty Policy.** Although this handout focuses on California’s cash assistance programs, poverty prevention policy is much more complicated, including many aspects of human behavior and economics.



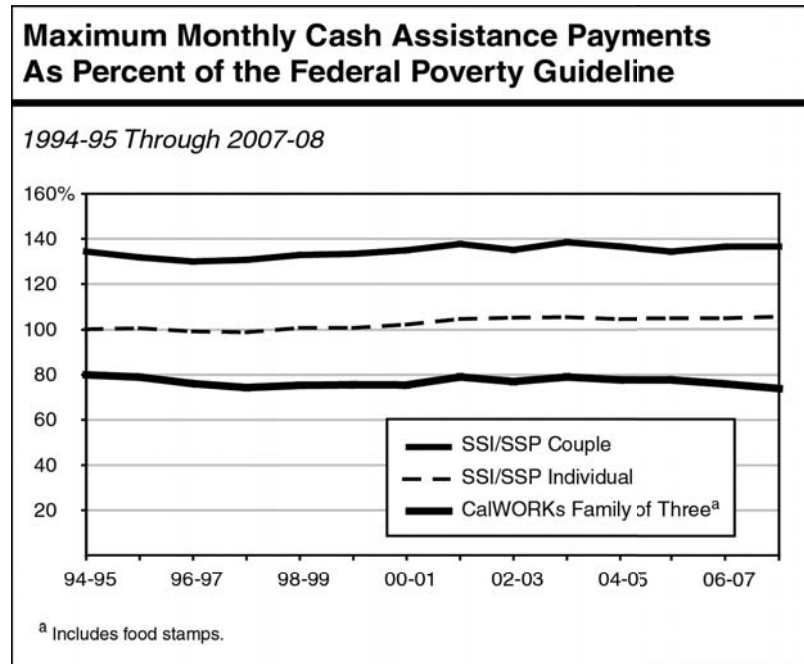
Poverty Trends in California and the Nation



- From 1970 until about 1990, the poverty rate in California was a few percentage points below the national average. From about 1991 through about 2006, the poverty rate in California exceeded the national rate.
- The California poverty rate peaked in 1993 at about 18 percent, about double the rate in 1970.
- After 1993, the poverty rate slowly declined reaching a low of 12.2 percent in 2006. Since then, the poverty rate has risen to 15.3 percent in 2009.



Historical Cash Assistance by Program Relative to Poverty



- SSI/SSP Couples.** Historically, Supplemental Security Income/State Supplementary Program (SSI/SSP) couples received the highest level of cash assistance in California. Specifically, from 1994-95 through 2007-08, couples on SSI/SSP received cash benefits between 130 percent and 140 percent of the poverty guideline. (Effective October 2009, the Legislature reduced SSI/SSP grants to 116 percent of the federal poverty guideline.)
- SSI/SSP Individuals.** Historically, individuals on SSI/SSP received less than couples on SSI/SSP but more than California Work Opportunity and Responsibility to Kids (CalWORKs) families. Typically, the SSI/SSP grant was just above the poverty guideline.
- CalWORKs Families.** In terms of cash assistance, CalWORKs families have been the furthest below the federal poverty guideline. Typically, the combined CalWORKs grant and CalFresh (formerly Food Stamps) benefits were between 75 percent and 80 percent of poverty.



CalWORKs Grants

CalWORKs Maximum Monthly Grant and Food Stamps				
<i>Family of Three</i>				
	January 2011	July 2011	Change	
			Amount	Percent
High-Cost Counties				
Grant	\$694	\$638	-\$56	-8%
CalFresh ^a	460	476	16	3
Totals	\$1,154	\$1,114	-\$40	-3%
Percent of Poverty	75%	72%		
Low-Cost Counties				
Grant	\$661	\$608	-\$53	-8%
CalFresh ^a	470	484	14	3
Totals	\$1,131	\$1,092	-\$39	-3%
Percent of Poverty	73%	71%		

^a Formerly Food Stamps.

- Recent Grant Reduction.** Chapter 8, Statutes of 2011 (SB 72, Committee on Budget and Fiscal Review) reduced CalWORKs grants by 8 percent effective July 1, 2011. At that time the combined grant and CalFresh benefit will be 72 percent of poverty in high-cost counties and 71 percent in low cost counties.
- Further Reduction.** In addition, Chapter 8 imposes additional graduated 5 percent reductions for child-only and safety-net cases when families reach five, six, and seven years of cumulative aid.



SSI/SSP Grant Levels

	January 2009	October 2009	July 2011
Individuals			
SSI	\$674	\$674	\$674
SSP	233	171	156
Totals	\$907	\$845	\$830
Percent of Poverty^a	100%	94%	91%
Couples			
SSI	\$1,011	\$1,011	\$1,011
SSP	568	396	396
Totals	\$1,579	\$1,407	\$1,407
Percent of Poverty^a	130%	116%	115%

^a Compares grant level to federal poverty guideline.



Recent Grant Reduction. Chapter 8 reduces SSI/SSP grants for individuals to the federal minimum. Effective July 1, 2011, the grant level will be equal to about 91 percent of the federal poverty guideline.