



California Budget
& Policy Center

Strategies to Reduce Poverty in California

MAY 2015

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California Budget & Policy Center

The Budget Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of low- and middle-income Californians. Support for the Budget Center comes from foundation grants, subscriptions, and individual contributions. Please visit our website at calbudgetcenter.org.

Acknowledgments

Alissa Anderson prepared this chartbook.

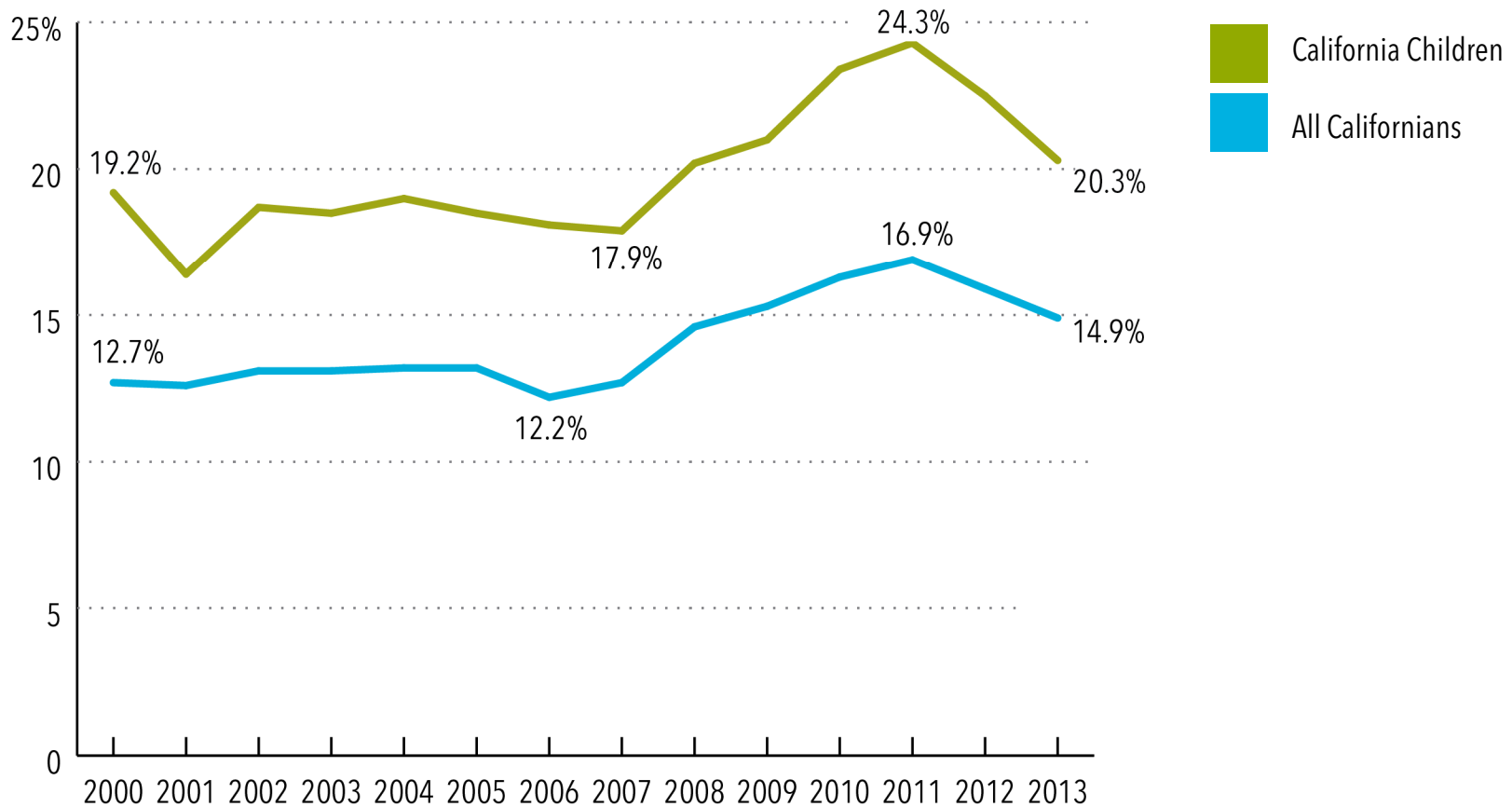


Poverty is one of the most significant challenges facing our state.



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

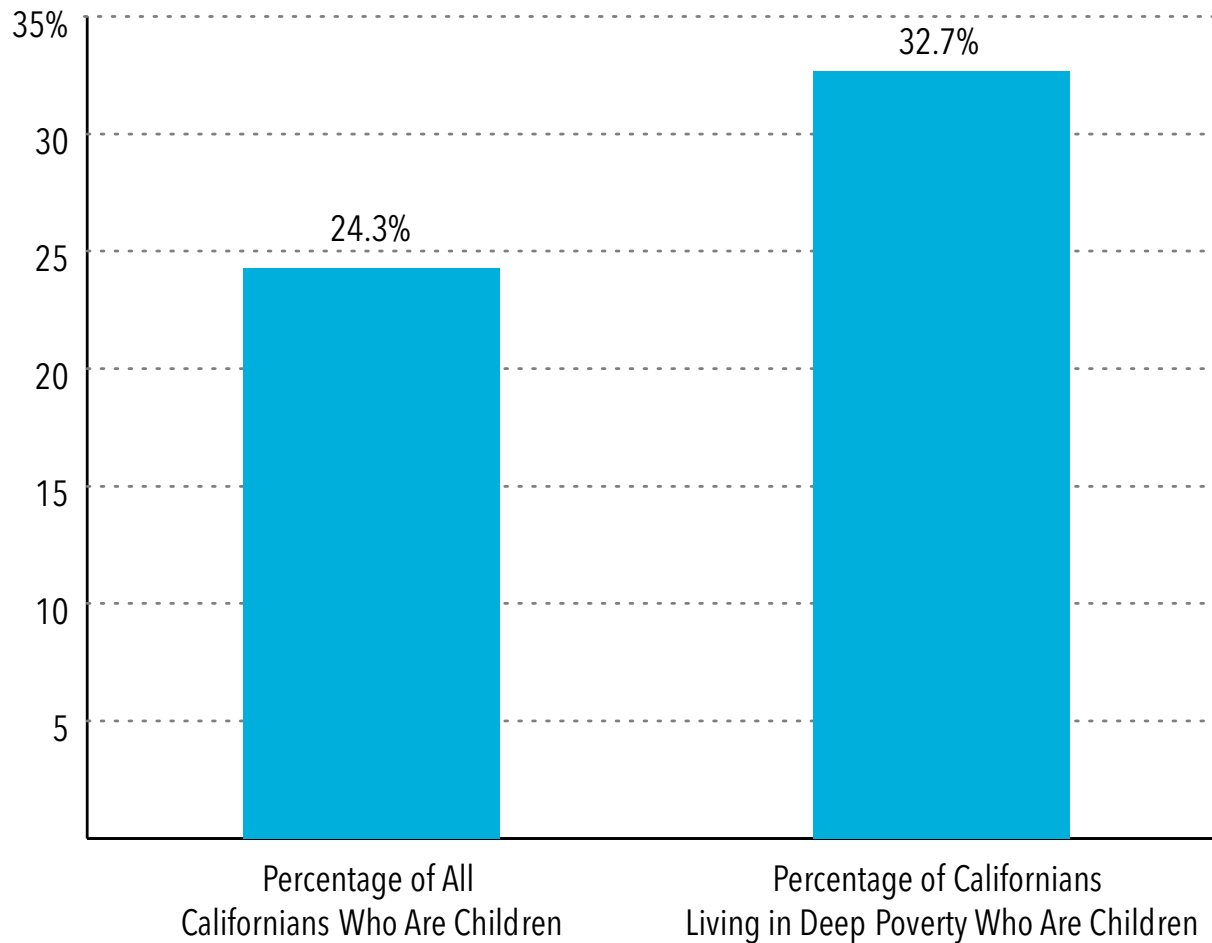


Source: US Census Bureau



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

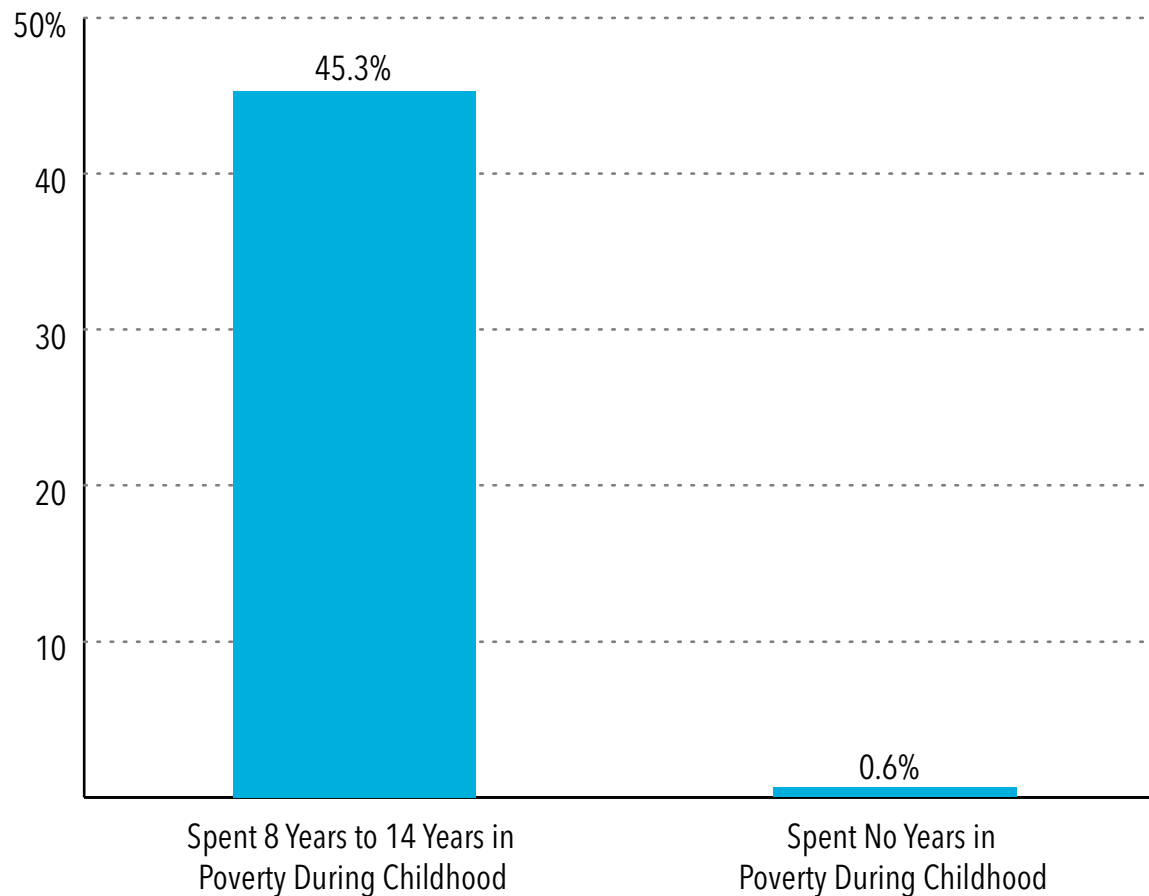


Growing up in poverty limits opportunities for children to reach their full potential.



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
we can address.**



Our Nation Has Made Some Significant Strides in Reducing Poverty

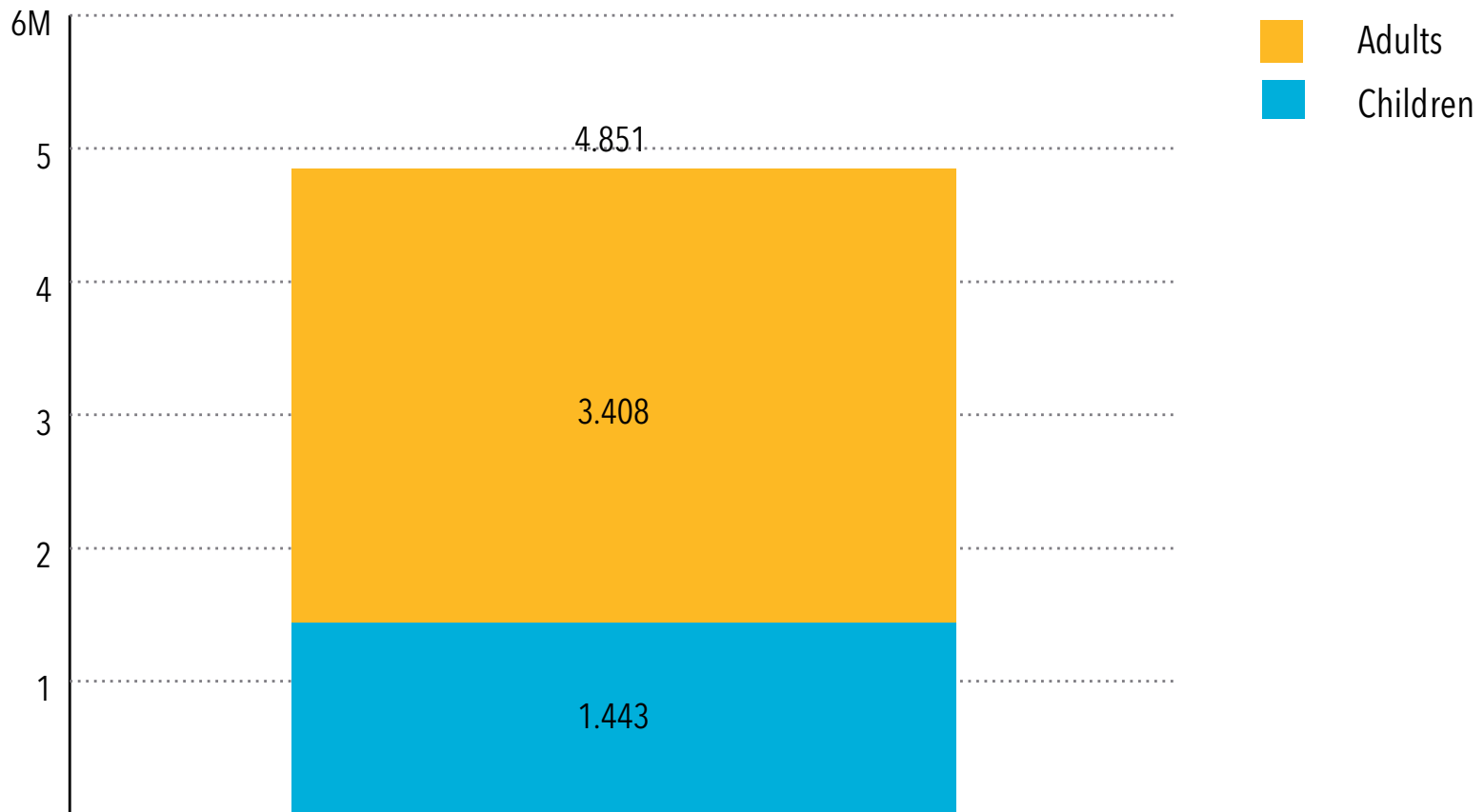
For example, the United States has:

- 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 Out of Poverty

Average Number of Californians Lifted Out of Poverty Each Year, 2009 to 2012



Note: Public supports include the federal Earned Income Tax Credit, food assistance, and unemployment insurance, among others.

Source: Center on Budget and Policy Priorities based on the US Census Bureau's Supplemental Poverty Measure



**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.**



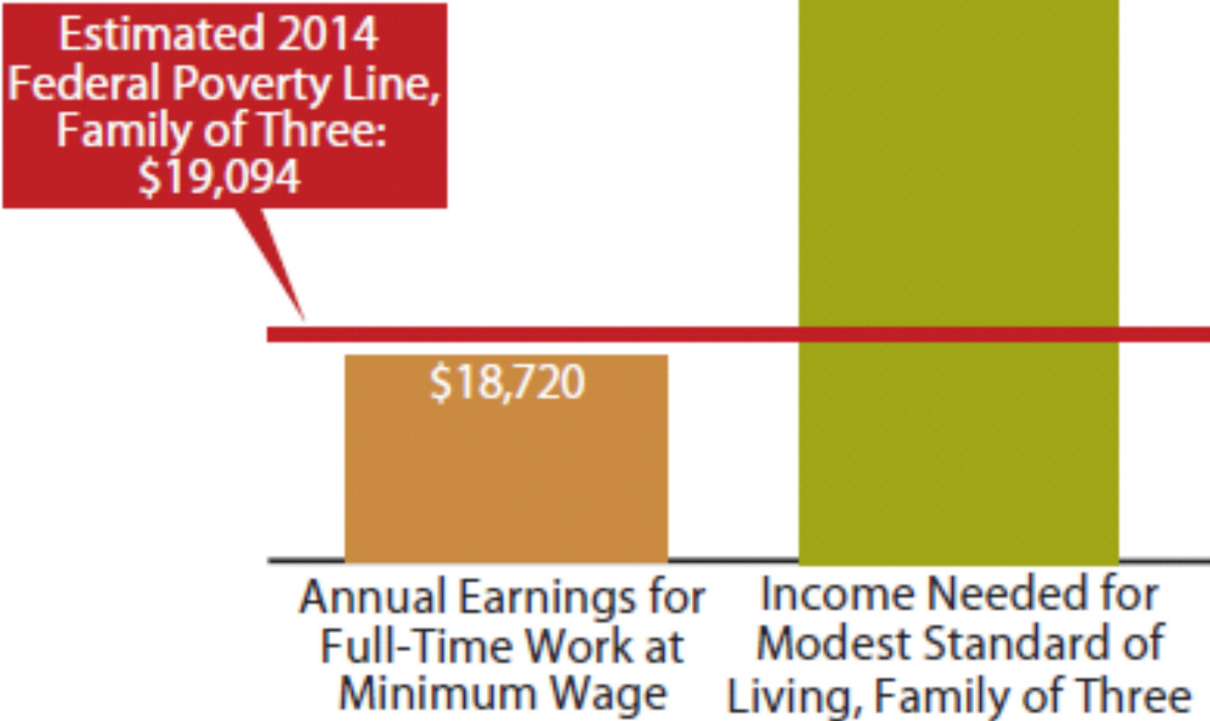


Two in Three California Families
Living in Poverty Have Jobs

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



How Can California Boost Wages and Incomes?

Raise California's
Minimum Wage
Further and Index
It to Inflation

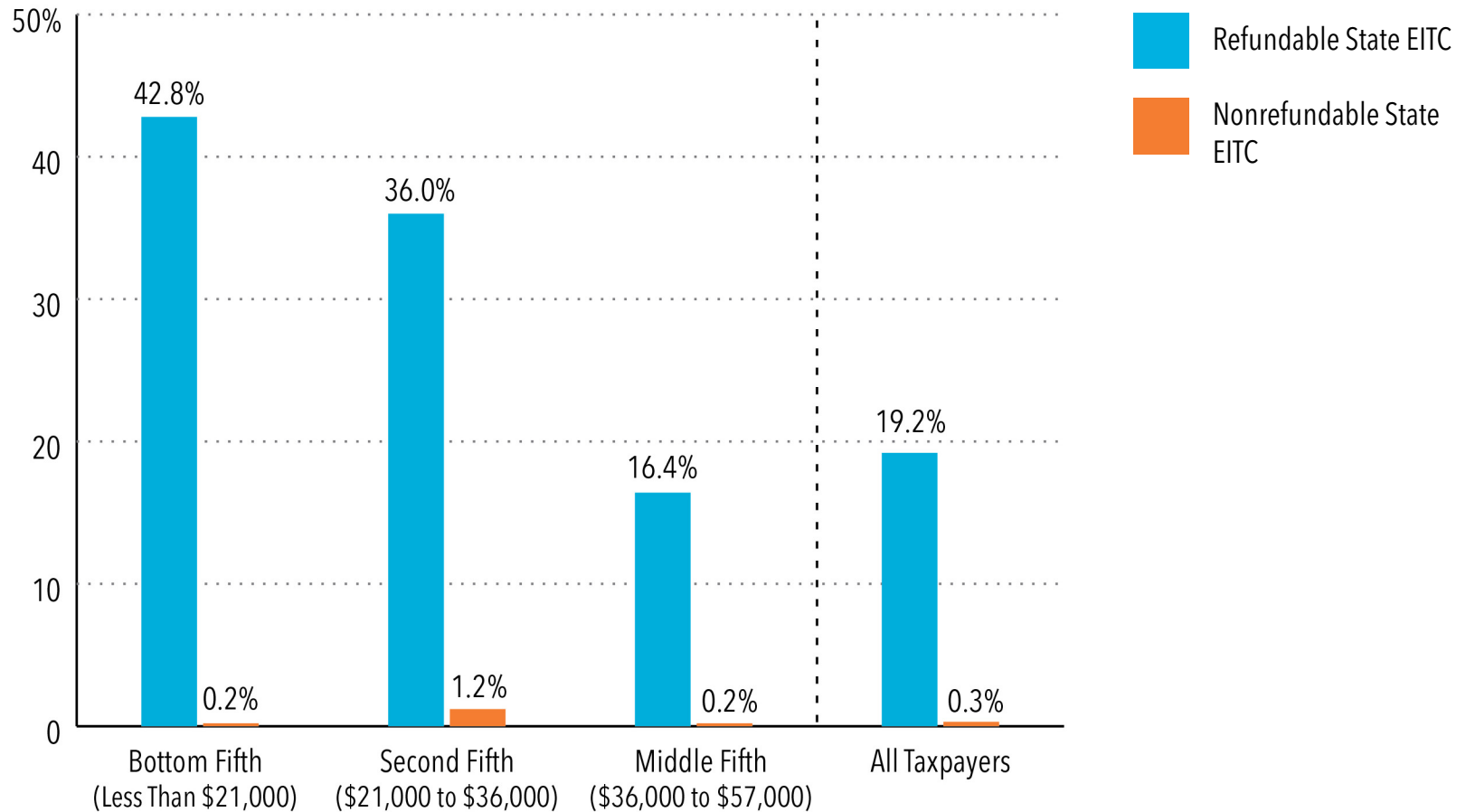


Create a State
Earned Income
Tax Credit (EITC)



A State EITC Must Be Refundable to Reach the Lowest-Income Families

Percentage of Taxpayers Estimated to Receive a State EITC Equal to 15 Percent of Federal EITC



Note: See California Budget and Policy Center, *A State EITC: Making California's Tax System Work Better for Working Families* (December 2014) for technical notes.

Source: Institute on Taxation and Economic Policy



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 core public supports.

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

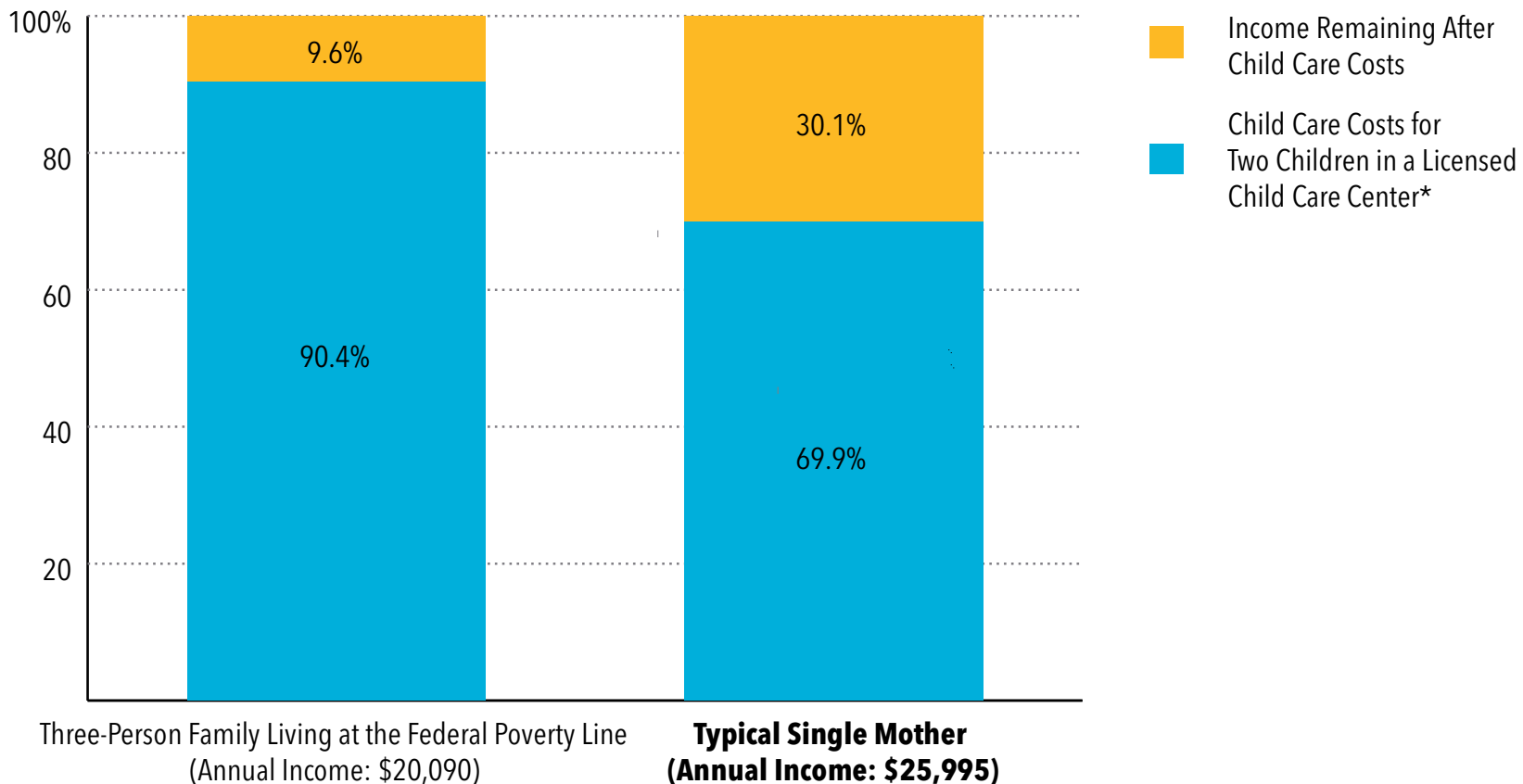


Child care is one of the most expensive items in many families' budgets. Without access to subsidized child care, the typical single mother faces difficult choices about where to leave her children so she can keep her job.



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.

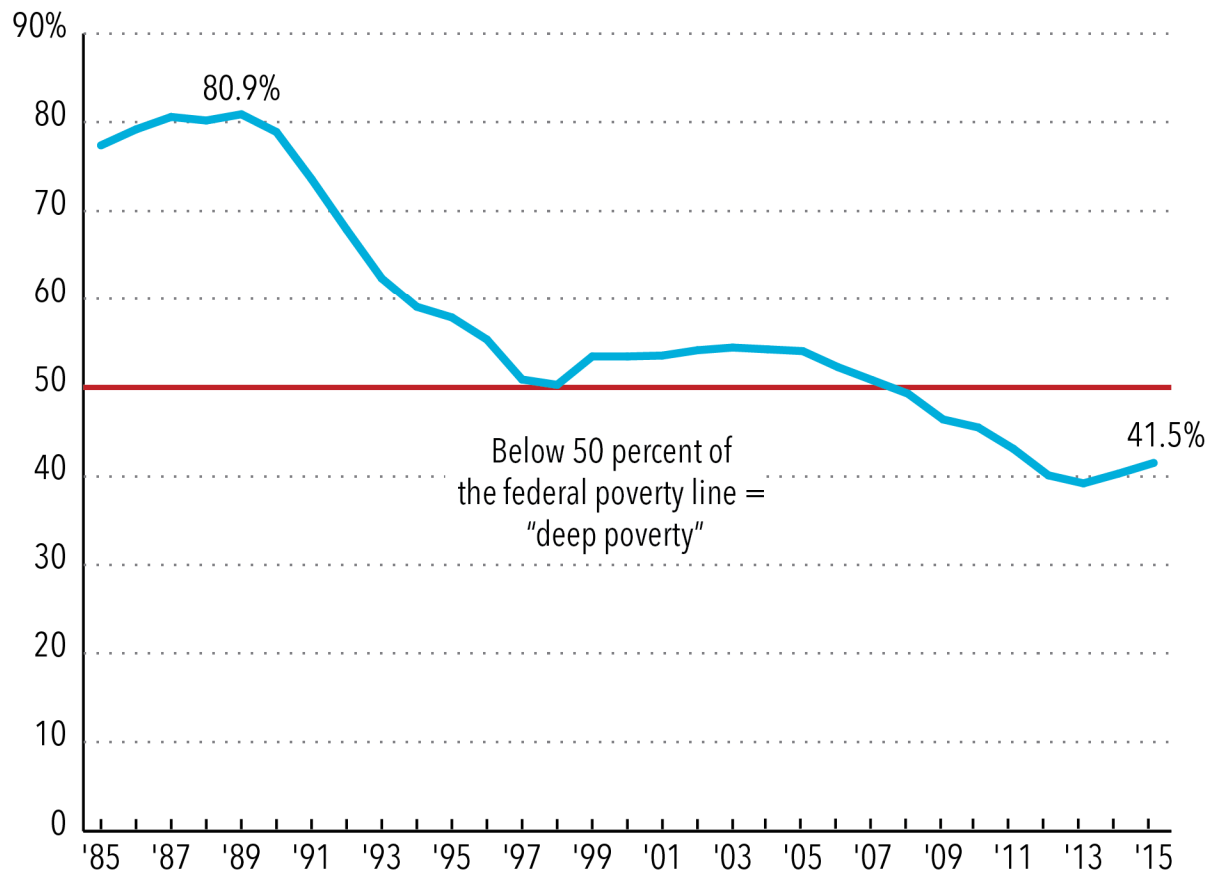


CalWORKs is another critical public support that state policymakers should seek to strengthen.



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

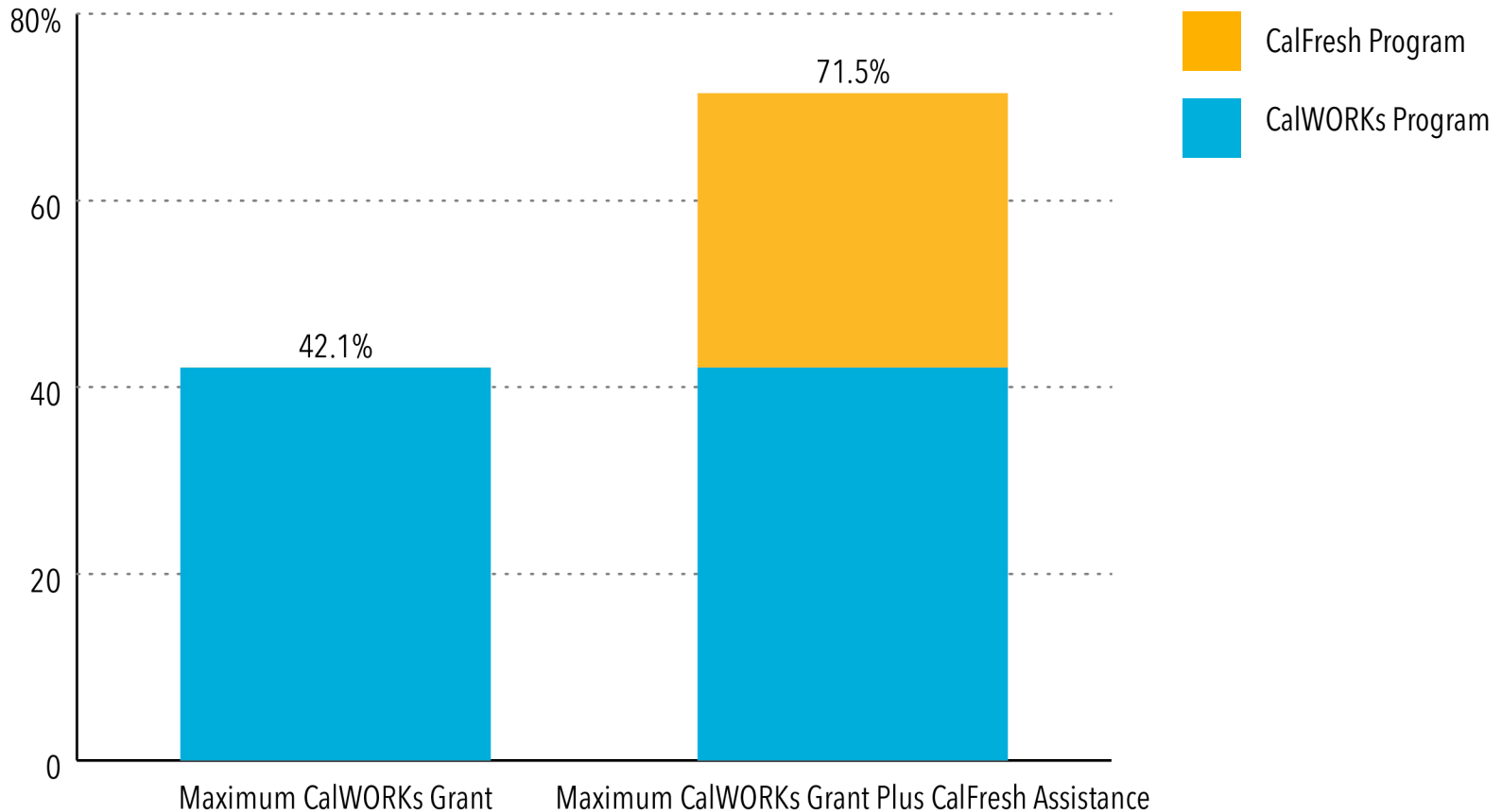


Note: Grants are for high-cost counties beginning in 1996. Prior to 1998, grants were provided through the Aid to Families with Dependent Children Program. The 2015 grant reflects a 5% increase scheduled for April 2015.
Source: Budget Center analysis of Department of Social Services, US Department of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



Even CalWORKs and CalFresh Food Assistance Combined Fails to Lift Families Out of Poverty

Maximum CalWORKs Grant and CalFresh Assistance as a Share of the 2015 Federal Poverty Line



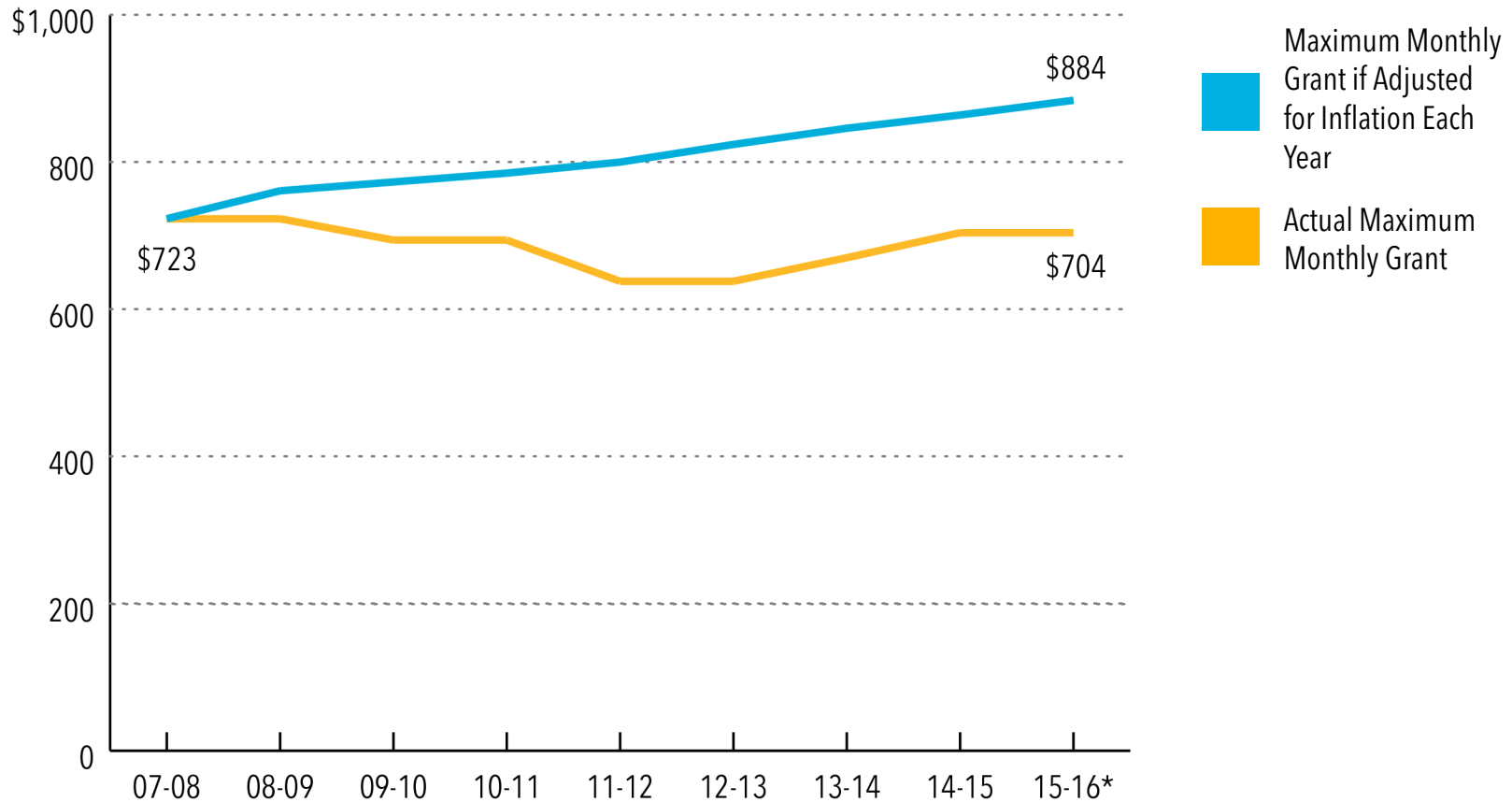
Note: The CalWORKs grant is for a family of three in a high-cost county and reflects the 5 percent increase scheduled for April 2015.

Source: Department of Social Services, Legislative Analyst's Office, and US Department of Health and Human Services



The CalWORKs Grant Has Lost One-Fifth of Its Purchasing Power Since 2007-08

Maximum Monthly CalWORKs Grant for a Family of Three in a High-Cost County



*2015-16 proposed.

Note: Actual maximum grant for 2014-15 reflects a 5 percent increase scheduled for April 2015. The Governor's proposed budget does not provide a grant increase in 2015-16. Inflation adjustment is based on the California Necessities Index.

Source: Budget Center analysis of Department of Social Services data.



Strengthening CalWORKs by increasing grants, restoring annual cost-of-living increases, and ending the counterproductive “maximum family grant” policy could help lift families with children out of poverty and deep poverty.



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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