CSAC Poverty Working Group 2015

Thursday, March 26 ▪ 3:00 – 4:00 p.m.
Via Conference Call
Dial In: (800) 867-2581 ▪ Passcode: 7500559#

Supervisor Kathy Long, Ventura County, Co-Chair
Supervisor Leticia Perez, Kern County, Co-Chair
Supervisor Lee Adams, Sierra County, Co-Chair

3:00 p.m.	**I.**	**Welcome and Introductions** *Supervisors Long, Perez, and Adams*
3:05 – 3:20	**II.**	**How Poverty is Measured and What it Means for Public Policy** *Luke Reidenbach,* *California Budget and Policy Center*
3:20 – 3:35	**III.**	**Poverty Strategies and the County Role** *Frank Mecca, Executive Director,* *County Welfare Directors Association*
3:35 – 3:50	**IV.**	**Question & Answer Session**
3:50 – 4:00	**V.**	**Presentation of Proposed CSAC Policy** *Farrah McDaid Ting, Legislative Representative* *Michelle Gibbons, Legislative Analyst*
4:00	**VI.**	**Adjournment**

NOTES:
For those who wish to attend the meeting, it will be held in CSAC's Peterson Conference Room (1st floor, 1100 K Street, Sacramento).
The conference call number is noted above for those who wish to call in.

Conference Call Etiquette

1. Place your line on **mute** at all times until you wish to participate in the conversation.
2. **DO NOT PLACE THE LINE ON HOLD.**
3. Please identify yourself when speaking.

California State Association of Counties

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March 23, 2015

To: CSAC Poverty Working Group 2015 Members

From: Farrah McDaid Ting, Legislative Representative
Michelle Gibbons, Legislative Analyst

Re: Poverty Platform Language and Framework

Background. The CSAC Executive Committee directed CSAC staff to convene a Poverty Working Group in 2015 to examine ways in which counties can have an impact on poverty in our communities.

California's counties are the front line California's of human assistance, mental health, and health systems, serving as the community's link between state and federal policies and the delivery of critical poverty reduction services.

There is a growing public dialogue on poverty issues in California and nationally as the recovery from the Great Recession has been uneven and underscored income inequality and the growth in poverty in America. Millions of Californians feel the impact of poverty every day. The 2010 Census reports that 16.3 percent of Californians live at or below the federal poverty level. This number jumps to 23.5 percent of Californians when expanding the federal poverty level formula to include basic needs, such as clothing, shelter, utilities and government programs designed to assist low income families.

Poverty has a large impact on some of our most vulnerable populations, including children. One-third of the 6 million impoverished Californians are children. Nearly one out of four children in the state is currently living in a poverty-stricken household. The impact of childhood poverty can last a lifetime; children who grow up in poverty are three times as likely to live in poverty as adults.

The convergence of the Great Recession, the 50th Anniversary of the federal War on Poverty (2014), and new poverty measurements, such as the enhanced poverty measurement proposed by the Census Bureau, has sparked national, state, and local conversations on the issue. The Democratic-led California Legislature is keenly interested in poverty-related issues, with Assembly Speaker Toni Atkins releasing an affordable housing proposal and Senate President pro Tempore Kevin de León releasing a subsidized child care proposal in the last month alone. Other members of the Legislature are advocating for an Earned Income Tax Credit, repealing the CalWORKs Maximum Family Grant, and creating supportive housing to combat homelessness.

Task. The CSAC Poverty Working Group 2015 (PWG) is tasked with examining the issues related to poverty that are in play in California today and steer the Association toward supporting, developing, or promoting achievable solutions at the county level.

The initial task of the PWG will be adopting a poverty plank for the CSAC Platform (see attachment 1).

Organization. CSAC President Vito Chiesa has appointed three co-chairs for the group:

Kathy Long, Ventura County, Urban Caucus
Leticia Perez, Kern County, Suburban Caucus
Lee Adams, Sierra County, Rural Caucus

Membership on the PWG is voluntary and is comprised of county supervisors, county administrators, county staff, CSAC affiliate members, and other interested persons who have a nexus with counties. The three co-chairs strongly encourage all members to engage in the conversation to assist the group's decision-making process. County supervisors and their proxies serve as the voting members.

Process. Any action taken by the PWG will be forwarded to the CSAC Health and Human Services Policy Committee for review. Should the HHS policy committee approve the action, it will then be taken up by the full CSAC Board of Directors or Executive Committee depending on which body's meeting date arrives first.

The PWG will meet as often as necessary, but is expected to meet roughly once a month and primarily via conference call.

Platform Language. Every two years, the CSAC Board of Directors adopts the CSAC Platform. The first task of the PWG is to create and approve a proposed Poverty plank for the CSAC platform to guide the Association's policy work on the issue.

CSAC staff has drafted an initial version of the proposed plank, which will be presented at the March 26 meeting of the PWG. The PWG may take action on the proposed platform language upon review and discussion at the next scheduled PWG meeting.

Attachments:
DRAFT Proposed CSAC Poverty Platform Language
California Budget and Policy Center Presentation
"**A Portrait of Poverty within California Counties and Demographic Groups**"
Assembly Budget Sub. No.1 – February 25 Agenda
"**Poverty Disparity Emerges as a Major Issue in California**"

Staff Contacts:
Farrah McDaid Ting can be reached at (916) 327-7500 Ext. 559 or fmcdaid@counties.org.
Michelle Gibbons can be reached at (916) 327-7500 Ext. 524 or mgibbons@counties.org.

DRAFT

To: The CSAC Poverty Working Group

Re: Proposed language to add to the CSAC Platform upon approval of the PWG, CSAC Policy Committees, and either the CSAC Executive Committee or Board of Directors.

(Proposed) POVERTY PLATFORM

The California State Association of Counties affirms that California's counties are the front line of human assistance systems, serving as the community's link between state and federal policies and the delivery of critical poverty reduction services.

Poverty is influenced by a disparate but connected set of factors, including but not limited to: a lack of sufficient income, geographic challenges, employment and economic climate, availability of supports and services, availability of stable and permanent housing, education resources, lack of transportation systems, complex state and federal regulation, access to health care, and access to quality child care.

Counties recognize that poverty may be influenced by international, national, and state economic factors outside of local control, but note that any period in which poverty increases results in a pernicious cycle of rising caseloads and needs while revenues at the county level decrease.

Counties must have the local administrative flexibility and resources to meet federal and state standards, while also meeting the unique needs of their residents. Counties must also be partners in the design and reform of programs intended to address poverty in our communities.

California Budget & Policy Center

How Poverty Is Measured and What It Means for State Policy

LUKE REIDENBACH, POLICY ANALYST

MARCH 26, 2015

CALIFORNIA STATE ASSOCIATION OF COUNTIES

calbudgetcenter.org

History of the Official Poverty Measure

The Official Poverty Measure (OPM) was adopted in 1969, based on:

- USDA food budgets designed for families under "economic stress."
- Data about what portion of their incomes families spent on food. This determined the income threshold, which differed by family size.

The official measure has gone through changes since the late-1960s, but these changes have been small. The poverty measure today is largely the same as it was then, but adjusted for inflation.

What Were the Poverty Thresholds in 2013?

The Official Poverty Measure (OPM) is the most widely used statistic for measuring poverty. A family was in poverty in 2013 if their annual income was below the following:

- Single adult: $12,119
- Two adults, no children: $15,600
- Two adults, two children: $23,624
- One adult, two children: $18,769

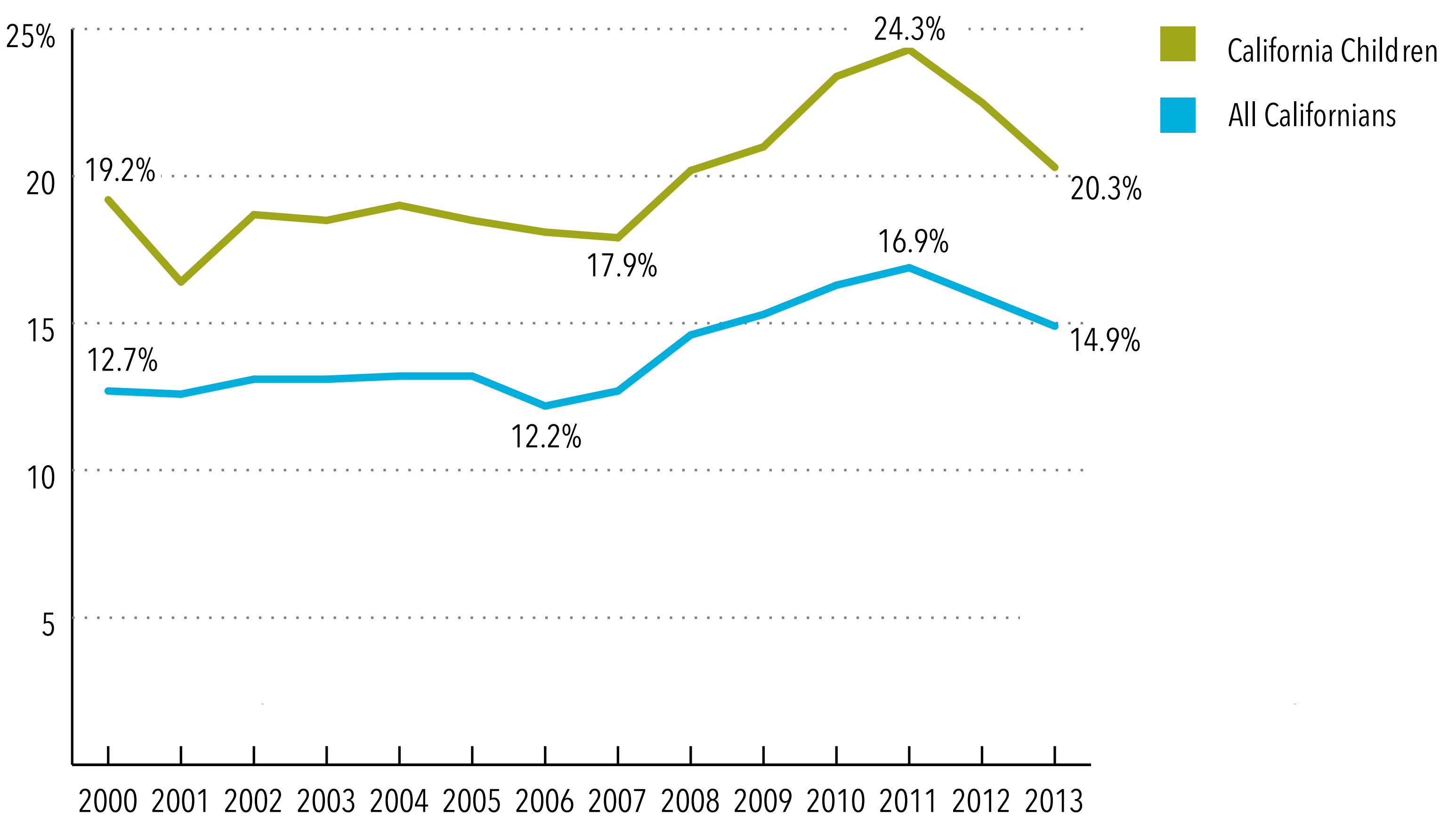
What Types of Income Are Part of the OPM?

When determining poverty status of a family, the US Census Bureau adds up pre-tax money income, which includes:

- Work earnings
- Cash assistance and unemployment compensation
- Workers' compensation
- Dividends
- Income from estates/trusts
- Retirement income, including Social Security and pensions
- Child support and alimony
- Other miscellaneous sources of money income

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

Poverty Varies Substantially Across California's Counties

Five Lowest and Five Highest County Poverty Rates, 2013

Counties With Lowest Poverty Rates	
San Mateo	8.0%
Placer	8.3%
Marin	8.7%
Napa	9.7%
Santa Clara	10.5%
Counties With Highest Poverty Rates	
Tulare	29.6%
Fresno	28.6%
Merced	24.8%
Del Norte	23.7%
Madera	23.4%

Source: US Census Bureau

Many Adults Living in Poverty Have Jobs

Nearly 70 Percent of California Families Living in Poverty in 2013 Had at Least One Working Adult

Two in Three California Families Living in Poverty Have Jobs

Source: US Census Bureau

Deep Poverty in California

There are vast differences in life circumstances among those who live in poverty. Furthermore, those in deep poverty (less than 50% of the FPL) face a different set of challenges:

- In 2013, 2.8 million Californians, or 7.3% of the population, lived in deep poverty.
- Deep poverty is more likely to be "chronic poverty."
- Many in deep poverty face obstacles to finding and keeping stable work.

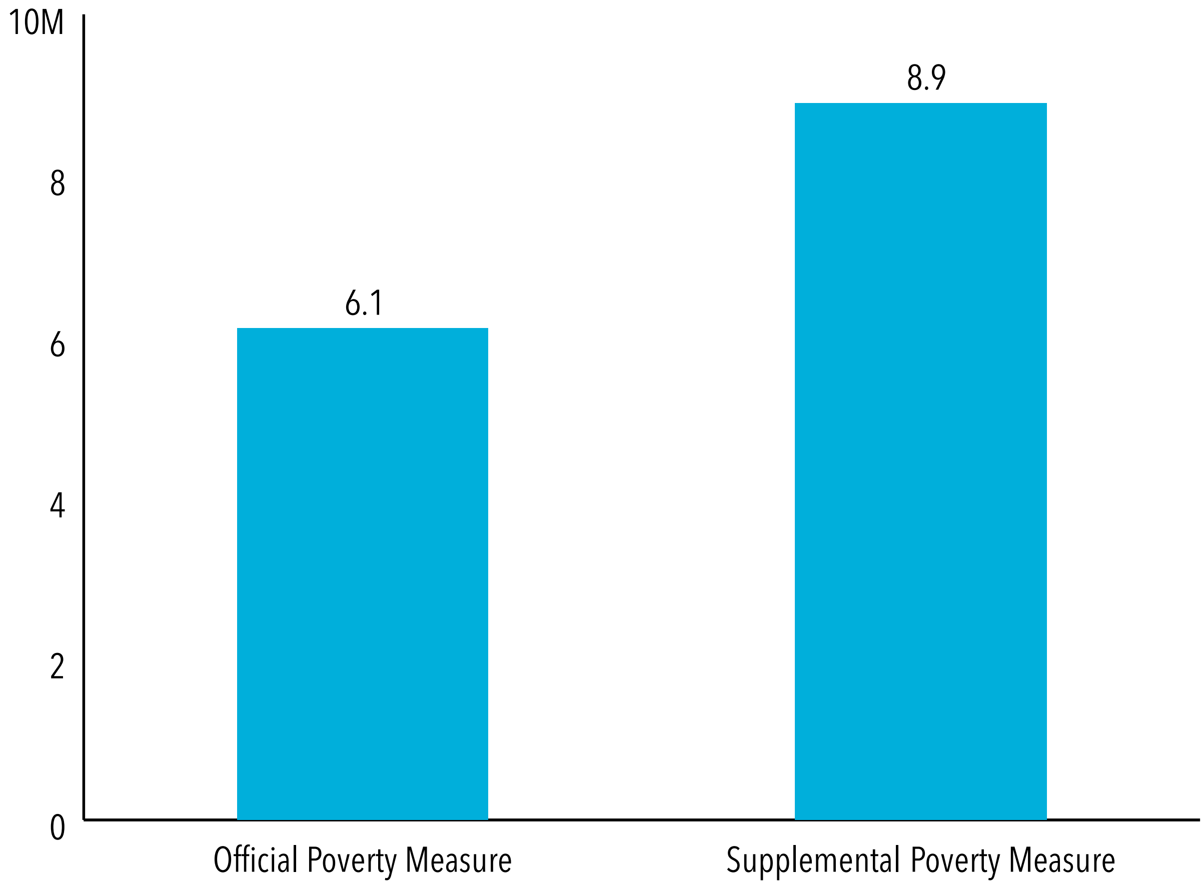
Alternatives to the Official Poverty Measure

The OPM is an insufficient measure of economic hardship:

- It ignores the impact of many public programs, including in-kind transfers (e.g., SNAP) and tax credits (e.g., EITC).
- It does not factor in the costs of key family expenses, including housing, child care, and medical costs.
- The income thresholds do not change by region, even though the cost of living varies substantially.

Far More Californians Live in Poverty Under the Supplemental Poverty Measure

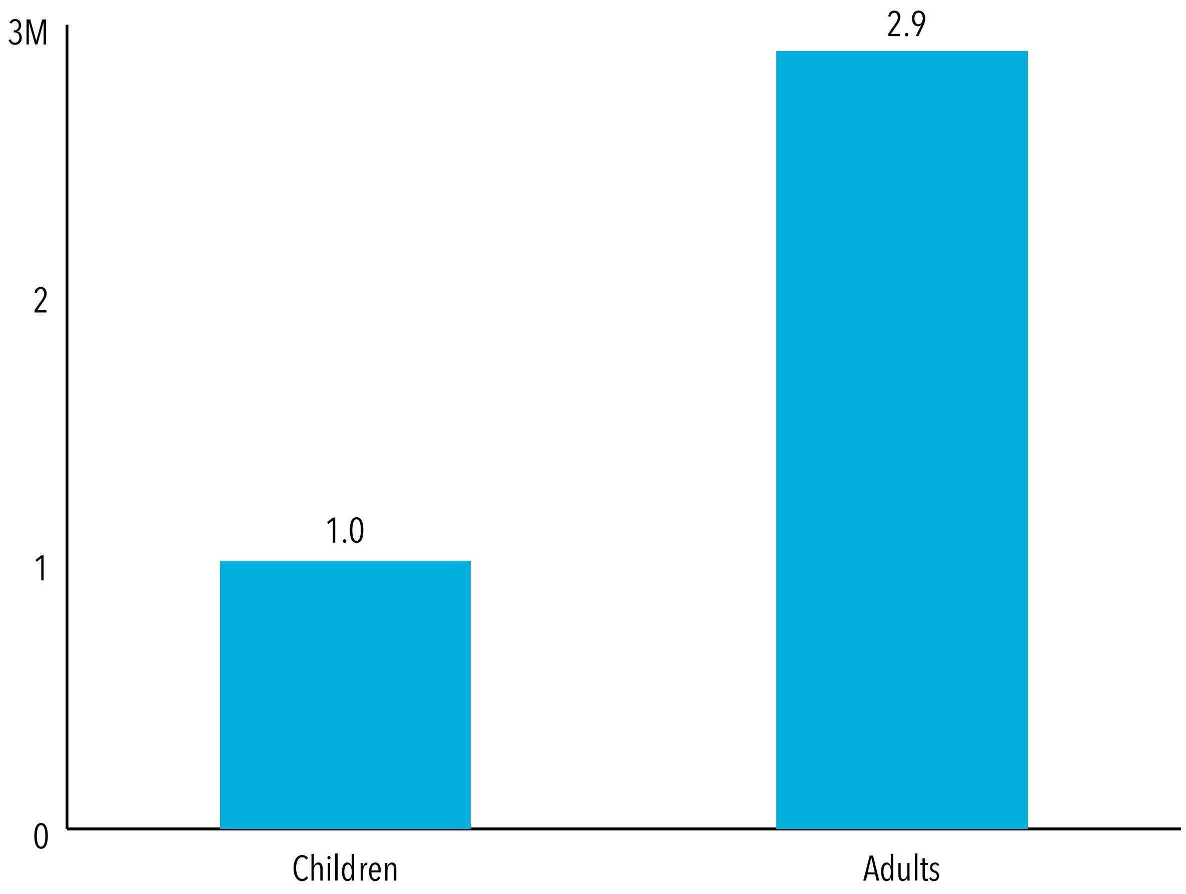
Average Number of Californians Living in Poverty, 2011-2013 (Millions)



Source: US Census Bureau

Supplemental Poverty Measure Also Shows That Public Policies Lift Millions of Californians Out of Poverty

Average Number of Californians Lifted Out of Poverty, 2009 to 2011 (Millions)



Note: Public supports include the federal Earned Income Tax Credit, food assistance, and unemployment insurance, among others.
Source: Center on Budget and Policy Priorities

Policy Implications

To reduce poverty, as measured with the **OPM**:

- Increase money income (minimum wage, unemployment compensation, TANF, Social Security) and employment outcomes.

To reduce poverty, as measured with the **SPM** and similar measures:

- Increase money income and employment outcomes.
- Reduce the costs of key family expenses, including housing, child care, and medical care.
- Bolster safety net programs that offer tax or in-kind benefits.

Resources

- **American Fact Finder**: Useful Census data tool to pull poverty estimates by geography and demographics. www.factfinder.census.gov

- **Small Area Income and Poverty Estimates (SAIPE):** Census program that produces poverty estimates at local level. www.census.gov/did/www/saipe

- **US Census Bureau's Supplemental Poverty Measure**: Details about this alternative measure of poverty. http://www.census.gov/hhes/povmeas/methodology/supplemental/overview.html

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A Portrait of Poverty within California Counties and Demographic Groups

The Stanford Center on Poverty and Inequality

CHRISTOPHER WIMER, MARYBETH MATTINGLY, MATT LEVIN, CAROLINE DANIELSON, AND SARAH BOHN

with research support from Tina Tran, Lucas Manfield, Shannon McConville, and Bonnie Bui

In collaboration with the Public Policy Institute of California

KEY FINDINGS

- The CPM indicates that 22.0% of Californians were living in poverty in 2011. This is 1.5 percentage points lower than the 2009-2011 Supplemental Poverty Measure (SPM) for California (23.5%), but 5.8 percentage points higher than the official poverty measure (OPM) for California (16.2%). The differences arise principally because safety net benefits are not fully reported in the Census SPM and because the high cost of living in California is not taken into account in the OPM.
- There is wide variation in poverty rates across California, with especially high rates observed in counties with high housing costs, such as Los Angeles County (26.9%) and Orange County (24.3%). By contrast, lower rates tend to be observed when housing costs are more moderate, as in Placer County (13.8%) and Sacramento County (17.0%).
- Immigrant poverty, at nearly 30%, is remarkably high, and over 11 points higher under the CPM than under the OPM.
- The CPM child poverty estimate is 25.1%. Whereas child poverty rates in the CPM slightly exceed those in the OPM, the national SPM rates for children are lower than the corresponding OPM estimates. This suggests that California's high cost of living increases child poverty more than our full accounting of safety net benefits decreases it.
- The three largest safety net programs targeted toward families with children jointly reduced child poverty rates in California by 12.0 percentage points. This translates into 1.1 million fewer children in poverty.
- Safety net programs also substantially reduce the poverty rate for the least educated. The poverty rate for those in families with a high school degree or less would have been more than 20 percentage points higher absent the safety net.

This research brief presents initial results from the newly-released California Poverty Measure (CPM). The CPM, which is jointly produced by the Public Policy Institute of California (PPIC) and the Stanford Center on Poverty and Inequality, is our best estimate of economic disadvantage across and within California. It improves on the official poverty measure (OPM) and the Supplemental Poverty Measure (SPM) in ways that will be discussed in some detail below. The CPM can be used to provide county-level estimates of poverty, to explore how current policy is affecting poverty rates, and to examine the potential impact of certain proposed changes in policy. Because California will be facing key decisions in the future about how to address poverty, we need to be able to assess how proposed changes in its safety net will affect Californians. The CPM is a partial but important step in that direction.

We address five questions in this brief: (1) How much poverty is there in California and how do estimates of poverty vary across the main competing measures of poverty? (2) Does poverty vary much across California counties? (3) How do patterns of poverty vary by demographic characteristics? (4) By how much do social safety net programs reduce poverty rates? And (5) Which demographic groups benefit the most from safety net programs?

This brief provides only some of the key results coming out of the CPM and focuses particularly on demographic and county-level variability in poverty. For more information about the CPM, including a detailed discussion of the impacts of the safety net, the depth of poverty, and other key findings, see our companion publication and technical appendices (available at www.ppic.org/main/publication.asp?i=1070).[1]

Methodology

The CPM is a tool developed by the Stanford Center on Poverty and Inequality and the Public Policy Institute of California to better understand economic disadvantage within and across California. It follows in the spirit of the research Supplemental Poverty Measure (SPM) now released each year by the U.S. Census Bureau, with some adjustments to account for underreporting of safety net program benefits and for various factors that are unique to California, such as its large unauthorized immigrant population. Both the CPM and the SPM build upon the official poverty measure (OPM) in three important ways:

1) In determining poverty thresholds, a wider range of consumer expenditures is included, and housing costs are adjusted geographically;

2) Non-cash and post-tax transfers, including the Supplemental Nutrition Assistance Program (called "CalFresh" in California) and the Earned Income Tax Credit (EITC), are counted as income; and

3) Non-discretionary expenses, such as medical out-of-pocket costs, child care costs, and work related expenses (including transportation), are subtracted from income before determining an individual's poverty status.

These key improvements are summarized in Table 1. The CPM follows the SPM by incorporating these improvements on the OPM, but it implements some of them more rigorously by taking advantage of additional data available for California.

The Census Bureau produces SPM estimates of poverty for California by averaging three years of Current Population Survey data. The SPM is a marked improvement over the official poverty measure developed fifty years ago.[2] It suggests that, at 23.5%, California has the most poverty in the nation, a result that attracted widespread attention when it was released. However, the SPM does not account for the underreporting of safety net benefits, that are available to low-income Californians. Because of this underreporting, the SPM may overstate the amount of poverty in California, a possibility that is one of the rationales for constructing the CPM.

We developed the CPM from a variety of data sources, including the Current Population Survey (CPS), the American Community Survey (ACS), and California administrative data.[3] We adjust for important factors that may bias estimates, including the substantial underreporting of safety net benefits and the SSI cash-out, which is unique to California.[4] Because the CPM is based primarily on the ACS, with its large sample size, it becomes possible to estimate poverty rates for California counties and for relatively small demographic groups.

TABLE 1: Comparison of Poverty Measures

	OPM	SPM/CPM
Income	All pre-tax cash income and transfers	Includes all cash and in kind transfers; based on after-tax income
Expenses	N/A	Subtracts medical, child care and work-related expenses (including transportation) from income
Threshold	Economy Food Plan*3, updated annually for inflation	Based on consumer expenditures on food, clothing, shelter and utilities; includes a small adjustment factor for other necessities
Adjustments	Family size and composition	Broader definition of family that includes unmarried partners, foster children, and unrelated children under 15; family size and composition; geographic adjustment for housing costs

TABLE 2: Comparison of OPM and CPM by California County and OPM-CPM Difference

	CPM	99% Confidence Interval (w/ replicate weights)		OPM	Difference (OPM-CPM)
		Lower bound	Upper bound		
California	22.0%	21.6%	22.5%	16.2%	5.7%
Alameda	18.4	16.4	20.4	12.4	6.0
Alpine/Amador/Calaveras/Inyo/Mariposa/Mono/Tuolumne	16.1	11.1	21.1	13.6	2.5
Butte	19.9	15.2	24.5	20.2	-0.4
Colusa/Glenn/Tehama/Trinity	15.7	10.0	21.3	18.5	-3.1
Contra Costa	18.6	15.7	21.5	12.5	6.1
Del Norte/Lassen/Modoc/Siskiyou	20.4	14.1	26.8	22.3	-2.0
El Dorado	13.6	8.9	18.2	10.8	2.8
Fresno	20.2	17.5	22.9	25.3	-5.1
Humboldt	17.3	11.7	22.8	19.0	-2.2
Imperial	22.1	16.4	27.9	26.0	-3.9
Kern	19.2	16.4	21.9	24.4	-5.2
Kings	14.5	8.3	20.6	19.5	-5.5
Lake/Mendocino	19.4	13.6	25.2	21.5	-2.3
Los Angeles	26.9	26.2	27.6	18.2	8.7
Madera	20.5	12.9	27.9	22.6	-2.2
Marin	19.0	14.5	23.5	9.3	9.6
Merced	22.2	17.0	27.4	29.4	-7.5
Monterey/San Benito	24.6	20.2	28.9	15.8	8.6
Napa	25.5	19.1	32.0	12.4	12.9
Nevada/Plumas/Sierra	14.6	9.7	19.6	12.0	2.6
Orange	24.3	22.9	25.6	12.8	11.4
Placer	13.8	10.5	17.1	8.2	5.6
Riverside	20.4	18.4	22.4	15.9	4.3
Sacramento	17.0	14.7	19.4	17.5	-0.5
San Bernardino	19.5	17.4	21.6	18.4	0.9
San Diego	22.7	21.3	24.0	14.9	7.7
San Francisco	23.4	20.2	26.6	12.8	10.6
San Joaquin	18.1	15.3	21.0	17.6	0.4
San Luis Obispo	22.0	17.6	26.3	14.3	7.6
San Mateo	18.4	15.5	21.3	6.7	11.6
Santa Barbara	21.9	18.8	25.1	13.1	8.7
Santa Clara	18.7	16.8	20.5	10.2	8.4
Santa Cruz	22.1	18.0	26.3	12.9	9.1
Shasta	19.0	13.9	24.2	19.7	-0.9
Solano	16.1	12.1	20.1	13.6	2.3
Sonoma	17.3	14.3	20.2	11.7	5.5
Stanislaus	23.1	19.2	27.0	23.3	-0.3
Sutter/Yuba	13.7	9.1	18.2	15.3	-1.7
Tulare	20.2	16.8	23.6	27.2	-7.3
Ventura	21.2	18.3	24.0	11.6	9.4
Yolo	23.6	18.2	28.9	19.9	3.5

County Variation

Table 2 reports OPM and CPM poverty rates for each of California's 58 counties as of 2011.[5] An interactive map that compares county rates across the state is available at www.ppic.org/main/mapdetail.asp?i=1396. Because of concerns about sample size, the smallest counties are combined in the ACS public-use data, but even with such combinations our small area estimates still have large margins of error. This should be borne in mind when interpreting the results.

The county-level results reveal that, in many of California's expensive urban centers, there are more people living in poverty than the official poverty measure implies. The poverty rate for San Francisco, for example, nearly doubles, while for Los Angeles it rises by roughly 50%, from 18.2% to 26.9%. California's three most populous counties, Los Angeles, San Diego, and Orange counties, have some of the highest poverty rates in the state. Although some rural counties also have very high poverty rates, the CPM makes it clear that urban poverty in California is more severe—arguably dramatically so—than had been appreciated.

In other counties, we find moderately lower poverty rates under the CPM than under the OPM. The poverty rate falls from 27.2% (OPM) to 20.2% (CPM) in Tulare County and from 24.4% (OPM) to 19.2% (CPM) in Kern County (both located in California's Central Valley).

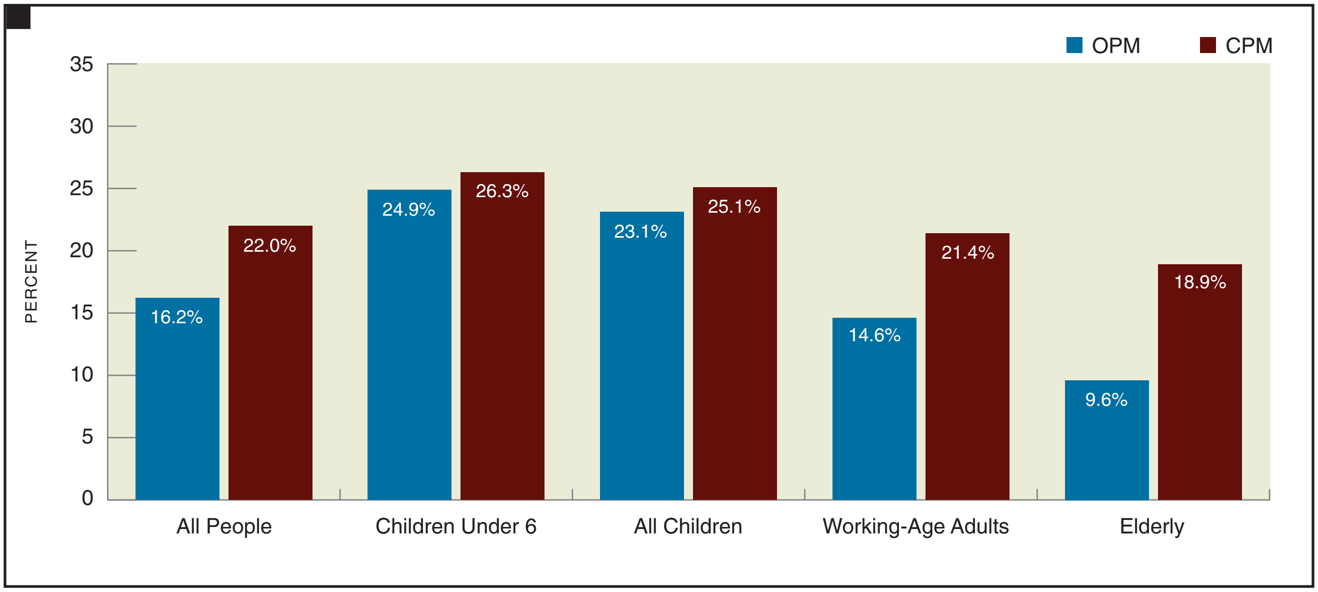
For large urban counties, living costs are higher, and this drives poverty up under the CPM. For counties in which the poverty rate falls, more moderate costs of living and the inclusion of more income and benefits combine to largely account for differences with the OPM.

Demographic Variation

In this section, we examine statewide California estimates of poverty, but now take into account demographic variation in those estimates.

As Figure 1 reveals, the statewide CPM estimate is 22.0%, which is substantially higher than the statewide OPM estimate of 16.2%. It is higher mainly because the CPM, unlike the OPM, takes the high cost of living in California into account. Although the CPM estimate is higher than the OPM estimate, it is slightly lower than the 2009-2011 SPM estimate (not shown). The latter difference reflects, in part, the underreporting of safety net benefits in the SPM methodology. The CPM estimate

FIGURE 1: Comparison of Poverty Measures by Age Group



thus implies that the OPM underestimate is far more severe than the SPM overestimate. Because the CPM adjusts at once for the high cost of living in California and for actual safety net use, it provides our best estimate to date of poverty in the state.

What does the CPM say about poverty among children, working-age adults, and the elderly? First and foremost, we see that children in California are very often in poverty: Figure 1 shows that 25.1% of all children are in poverty and 26.3% percent of all children under age 6 are in poverty. The high poverty rates for young children are of great concern given strong links between young child poverty and health, education, and earnings in later life.[6]

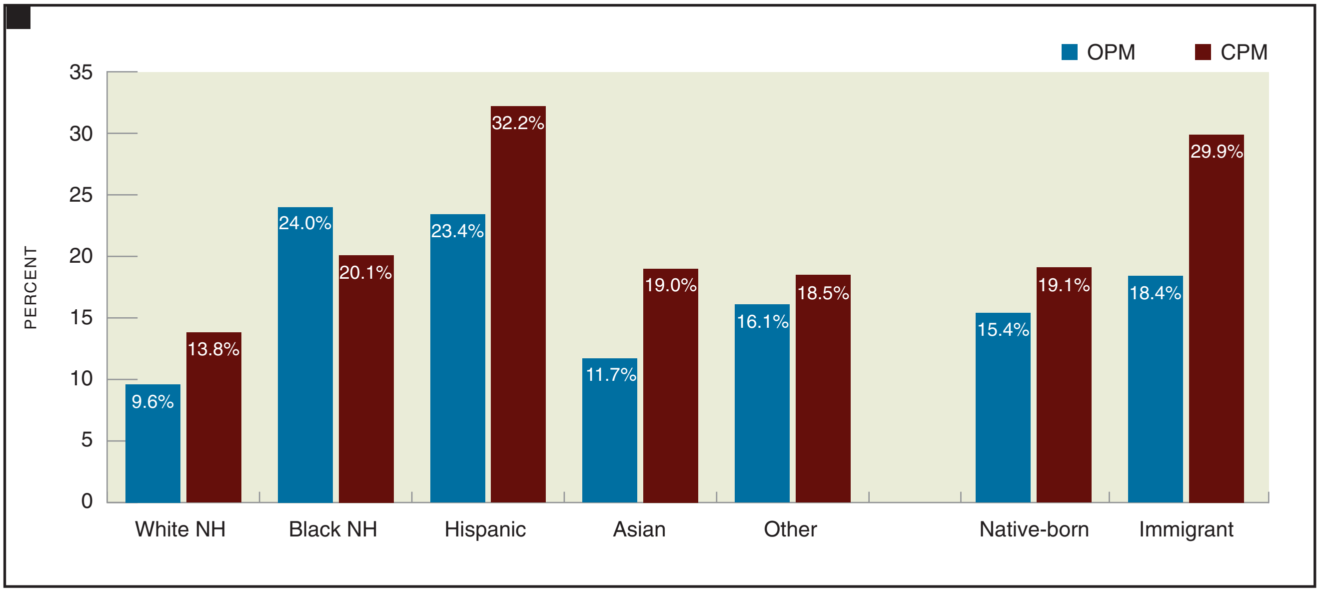
The differences between the CPM and OPM estimates of child poverty are also revealing. As Figure 1 shows, both the CPM and OPM imply that poverty is highest among children, especially young children. The difference between these measures is relatively small for this age group: The CPM is 2 percentage points higher than the OPM for all children, and only 1.4 percentage points higher than the OPM for young children. The safety net programs included in the CPM measure, such as the EITC and SNAP, tend to go disproportionately to low-income families with children. It is striking that, even so, child poverty rises slightly under the CPM, whereas it falls in the national SPM estimates.[7]

Why doesn't the inclusion of safety net benefits lower the poverty rate for children? The state's high cost of living, in combination with other major expenses like medical, work, and child care expenses, outweighs the inclusion of more income and benefits under the CPM, resulting in slightly higher estimated child poverty rates.

The increase in the number of poor is yet more dramatic among adults. As shown in Figure 1 and discussed in more detail in the companion publication, the poverty rate for working-aged adults in California is nearly 7 percentage points higher under the CPM than under the OPM. This translates to an extra 1.6 million adults who count as poor.

The CPM methodology also produces poverty rates almost twice as high among older adults. This differences arises in large part because the CPM, unlike the OPM, subtracts the elderly's often substantial medical expenses from their income. Similar results are found in

FIGURE 2: Comparison of Poverty Measures by Race/Ethnicity and Immigration Status

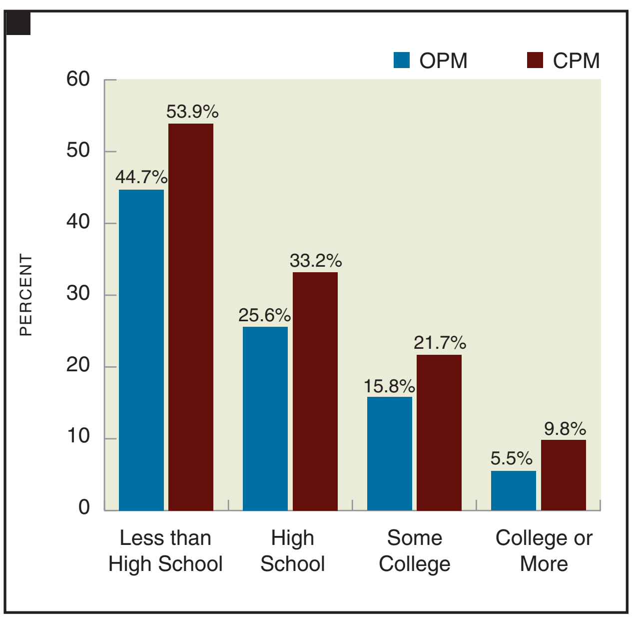


national SPM estimates because both the CPM and the SPM subtract medical expenses from income.[8]

Does the CPM change our understanding of racial differences in poverty? The black poverty rate is almost 4 percentage points lower under the CPM than the OPM, while the poverty rate for all other racial and ethnic groups is higher under the CPM than the OPM (Figure 2). There are potentially several factors behind this difference, including differential safety net receipt and differences in county of residence, family size and composition. The Hispanic and Asian poverty rates are especially high under the CPM. The striking difference between the OPM and CPM estimates among Hispanics and Asians results from the high cost of living in California, the income-reducing effect of non-discretionary expenses (like medical and work-related expenses), and the exclusion of a relatively large number of undocumented immigrants from safety net programs.

The right side of Figure 2 above compares native-born and immigrant poverty. Whereas the native-born poverty rate rises by only 3.7 percentage points under the CPM, the immigrant poverty rate rises by over 11 percentage points.[9] Here again the results are likely driven by the large proportion of the immigrant population that is ineligible for safety net benefits. Of course, these racial and ethnic differences may also result from other factors, including differences in family composition or in county of residence (and associated housing costs).

FIGURE 3: Comparison of Poverty Measures by Education



We next consider gender differences in poverty. Poverty rates are higher for women under both the OPM and CPM, although the gap between men and women is somewhat smaller under the CPM (1.2 percentage points) than the OPM (2.1 percentage points). (Data available upon request.) These differences, which are relatively minor, are likely due in part to the participation of single mothers in safety net programs, such as the EITC and CalFresh.

We conclude this section by showing that poverty reaches even into households that are relatively well educated. As Figure 3 shows, 21.7% of those in household units with some college are poor, which is 5.9 percentage points higher than what we find under the OPM calculation.[10] While CPM rates are higher than OPM rates for all education groups, the greatest absolute increases in poverty are found in the less educated categories. Under the CPM, 53.9% of people in families headed by someone without a high school diploma are in poverty, an increase of 9.2 percentage points relative to the OPM estimate.[11] While this is a relatively small group (only about 10 percent of Californians are in such families), CPM poverty rates are also quite high for those in families headed by someone with a high school diploma. We find that approximately one-third of people in such families are in poverty.

The Social Safety Net

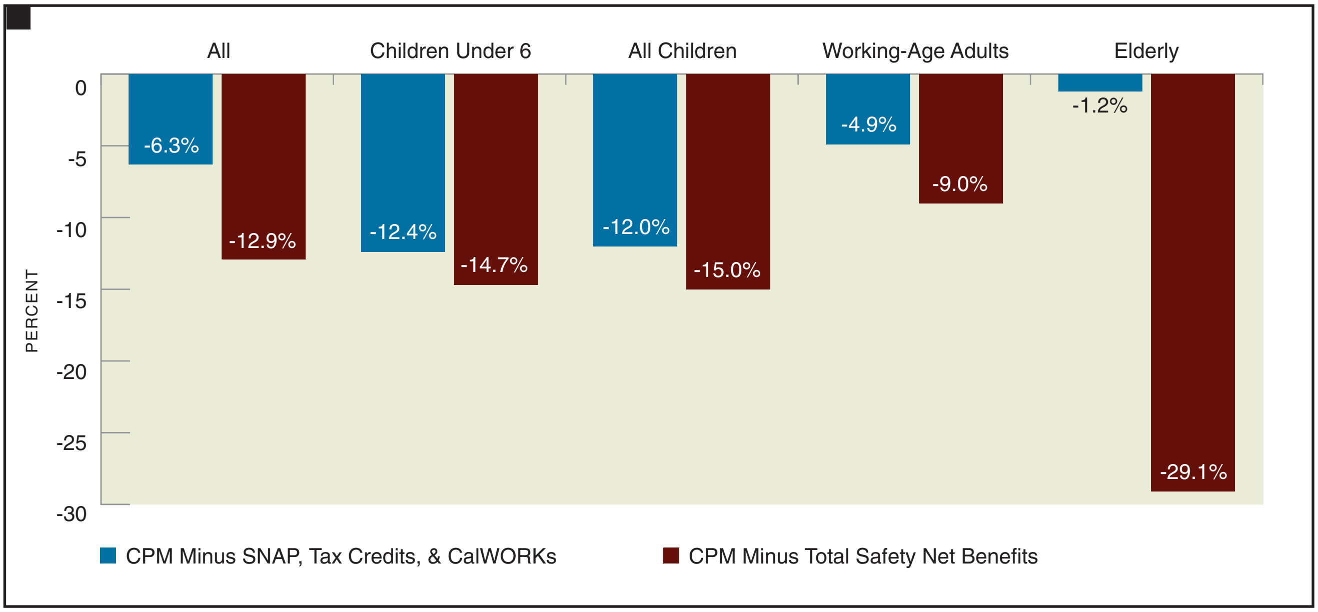
We next consider whether the safety net is widely protecting Californians from poverty.[12] Figure 4 shows how counting safety net benefits yields lower estimated poverty rates under the CPM. We focus on four age groups: young children (under 6), all children, working-age adults, and the elderly. We first show the impact of SNAP, refundable tax credits (EITC and the Child Tax Credit), and CalWORKs (California's welfare-to-work program), and we then show the combined effect of all major federal and state social safety net programs available in our dataset.[13] We focus on CalFresh, tax credits, and CalWORKs because these are arguably the three largest antipoverty programs in California. In our second comparison, we aim to show what poverty would look like in California absent *all* safety net benefits that we have considered.

We highlight the findings for children, especially young children, given the importance of safety net programs for them. Families with children are the largest beneficiaries of CalFresh, CalWORKs, and refundable tax credits aimed at supporting working families. As shown in Figure 4, an additional 12.0 percent of all California's children and 12.4 percent of young children would be poor (under the CPM) absent the benefits provided by these social safety net programs. These programs matter less, though still a considerable amount, for poverty rates among adults. Without counting resources from these three programs, poverty rates would be 4.9 percentage points higher among working age adults.

SNAP, refundable tax credits, and CalWORKS, by comparison, have little impact on elderly poverty rates (decreasing the rate by 1.2 percentage points), which makes sense given that these programs are much larger for families with children. However, when we remove *all* the safety net benefits available in our data, the elderly poverty rate soars by over 29 percentage points. This is, of course, largely due to the impact of Social Security, which is well known to have successfully reduced elderly poverty, especially since its expansion in the early 1970s.[14]

In Table 3, we consider each safety net program separately, again calculating the poverty rates absent specific programs. As shown here, Social Security reduces poverty rates the most, decreasing the state's poverty rate by 5.2 percentage points, primarily through reductions in elderly poverty.[15] Among children, refundable tax credits had the largest impact on poverty rates, reducing the poverty rate by 6 percentage points. In interpreting these results, note that the overall reduction in poverty is not the sum of the effects of each safety net program, as many families benefited from more than one program.

FIGURE 4: The Poverty Reducing Effect of the Social Safety Net in California by Age Group



The bottom panel of Table 3 shows how out-of-pocket medical expenses, child care, and taxes affect poverty rates. Absent medical out-of-pocket expenses, poverty rates in California would be over 4 percentage points lower. Absent work and child care expenses, poverty rates in California would be 2.3 percentage points lower. The latter results imply that, were we to adopt programs or policies that lowered these expenses, California poverty rates could be substantially reduced. For more details on these and other effects of California's safety net programs, please consult the companion publication and the Technical Appendices (www.ppic.org/main/publication.asp?i=1070).

We conclude by examining how the impact of the safety net varies by gender, race or ethnicity, nativity, and education. In Figure 5, we show that women are slightly more likely to benefit from the inclusion of safety net benefits than are men, as are non-Hispanic blacks relative to other racial and ethnic groups. This figure also shows, again not surprisingly, that persons living in families with less-educated heads benefit more from safety net programs than other Californians. It is striking just how high poverty rates would be for persons in these low-education families if our measure did not include safety net benefits. In families with *no* high school graduate, poverty rates would exceed 70% without the social safety net, a result that reveals the highly compromised position of the less educated and the importance of the safety net in protecting them.

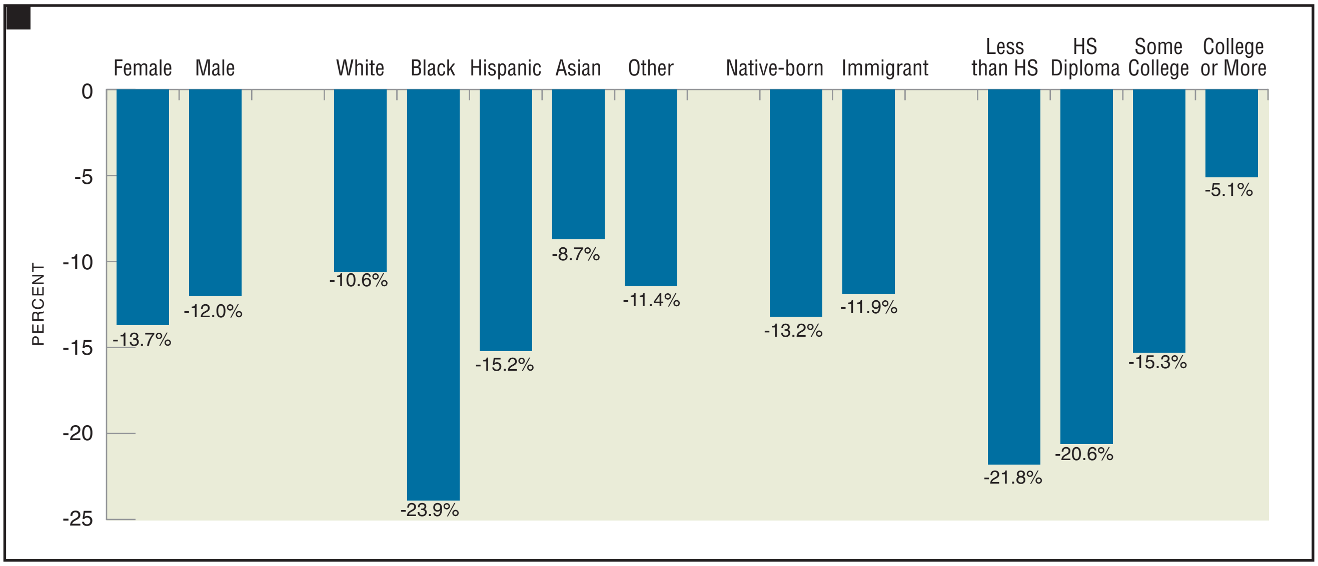
TABLE 3A: California Poverty Without Safety Net Programs

	All Californians	Children	Children Under 6
CPM	22.0%	25.1%	26.3%
Additions to Income			
CPM Minus CalFresh	24.2	29.2	30.6
CPM Minus EITC/CTC	25.3	31.1	32.6
CPM Minus CalWORKs/General Assistance	23.3	27.6	29.0
CPM Minus School Meals	22.6	26.3	27.0
CPM Minus Housing Subsidies	23.4	27.0	27.9
CPM Minus SSI	23.4	26.1	27.0
CPM Minus Social Security	27.2	26.7	27.5

TABLE 3B: California Poverty Without Medical and Work-Related Expenses

	All Californians	Children	Children Under 6
CPM	22.0%	25.1%	26.3%
Subtractions From Income			
CPM Minus Out of Pocket Medical Expenses	17.8	21.1	22.5
CPM Minus Work and Child Care Expenses	19.7	21.9	22.8
CPM Minus Medical, Work, and Child Care Expenses	16.0	18.7	19.8
CPM Minus Federal, State and Payroll Taxes Paid	19.7	22.3	23.5

FIGURE 5: The Poverty Reducing Effect of the Social Safety Net in California by Gender, Race-Ethnicity, Nativity and Educational Attainment

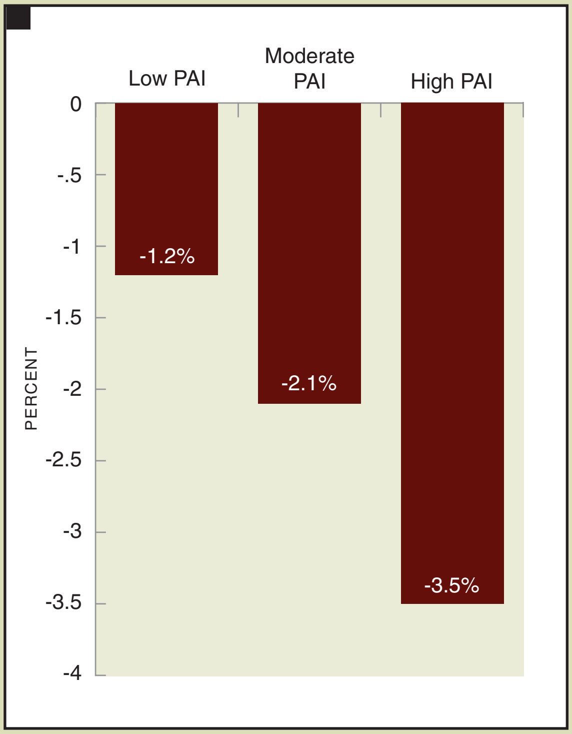


An Illustrative County-Level Analysis: The Case of CalFresh

While data limitations prevent us from precisely estimating county-level effects of most programs, it is possible to carry out a county-level analysis for one of California's biggest safety net programs, CalFresh. We use data from the Program Access Index (PAI), calculated by the California Food Policy Advocates, to approximate the percentage of eligible CalFresh participants who actually participate in the program in their county (see http://cfpa.net/pai-2013 for details).[16]

We divided our 41 county or county groups into those with low, moderate, and high PAI scores. A high-PAI county is one in which a greater percentage of eligible county residents participate in the CalFresh program. We then calculated what the CPM would have been absent our estimated CalFresh dollars. The results are presented in Figure 6. For low-PAI counties, where CalFresh is reaching relatively few eligible Californians, the impact of CalFresh is fairly modest, reducing poverty by 1.2 percentage points. But this grows to 2.1 percentage points in moderate-PAI counties and to 3.5 percentage points in high-PAI counties. This suggests that efforts to boost enrollment in CalFresh among eligible disadvantaged populations could lead to substantial reductions in poverty (as calculated by the CPM).

FIGURE 6: The Impact of SNAP on Poverty



Discussion

The analyses presented in this brief offer new insights into the landscape of poverty in California. When the Census Bureau released its 2011 report on the SPM, it was widely noted that California had the highest poverty rate in the nation.[17] But the SPM may overestimate poverty because of CPS underreporting of key safety net programs. We have developed the CPM to address this and other concerns and thereby contribute to California's poverty monitoring system.

After correcting for underreporting (by applying administrative data), we do indeed find somewhat lower poverty rates than the Census SPM. This result highlights the importance of using administrative data to address underreporting. However, even after administrative data are incorporated and underreporting is mitigated, we still find that over one in five Californians are in poverty, a shockingly high estimate by any calculus.

We also find great variability across counties in the CPM poverty rate. Perhaps not surprisingly, many urban counties had higher poverty rates than had been appreciated, a result largely driven by high housing costs in those counties. These new county-level estimates, once built into a regular monitoring system, should prove useful in making local policy decisions.[18]

Over a quarter of all children in California are in poverty. In the country as a whole, child poverty rates are lower under the SPM than the OPM, as the inclusion of more safety net benefits outweighs the rest of the changes made under the SPM. Although the safety net also delivers many children from poverty in California, the state's high cost of living results in child poverty rates that remain persistently high. This suggests that renewed attention to child poverty is warranted.

Our analyses likewise reveal that poverty among immigrants is particularly high. The striking difference between the OPM and CPM estimates among immigrants likely stems from the high cost of living in California, the income-reducing effect of non-discretionary expenses (like medical and work-related expenses), and ineligibility for safety net programs among many immigrants. If we want to make headway in reducing poverty in California, the results coming out of the CPM suggest that the immigrant population warrants special attention.

Finally, we have presented an initial set of analyses documenting how safety net programs reduce poverty rates among Californians, an analysis that the CPM methodology makes possible. We hope that this tool will allow for prospective policy changes to be considered in light of their implications for poverty. There is vast potential for using the CPM to measure the effects of policies on state and county poverty rates. These include not just the policies we currently have, but also the policies that we might adopt in the future. ■

Endnotes

1. It should be borne in mind that some of our estimates, especially those from smaller counties, are based on small samples. The estimates presented here are in some cases preliminary and are subject to revision.

2. Because our OPM estimate is constructed using the ACS sample, it differs slightly from Census tabulations (see Technical Appendices (URL)). For SPM and OPM estimates, see Short, Kathleen. "The Research Supplemental Poverty Measure: 2011." U.S. Census Bureau, Current Population Reports: P60-244, November 2012. Available at: http://www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2011.pdf.

3. The CPS and ACS data used in this brief come both directly from the Census Bureau and from the University of Minnesota's Integrated Public Use Microdata Series: CPS : Miriam King, Steven Ruggles, J. Trent Alexander, Sarah Flood, Katie Genadek, Matthew B. Schroeder, Brandon Trampe, and Rebecca Vick. Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database]. Minneapolis: University of Minnesota, 2010. ACS: *Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

4. Under the cash-out program, people who receive cash assistance from the Supplemental Security Income/State Supplementary Payment (SSI/SSP) are not eligible for food stamps but instead automatically receive a small cash allowance ($10) each month.

5. We also provide confidence intervals to assist in determining the precision of our estimates. Because the CPM rests on a wide range of imputations that complicate the estimation of confidence intervals, we opted to present the wider 99% confidence intervals instead of the less conservative 95% confidence intervals.

6. See, for example, Jeanne Brooks-Gunn, Greg J. Duncan, and Nancy Maritato, "Poor Families, Poor Outcomes: The Well Being of Children and Youth," Chapter 1 in Consequences of Growing Up Poor, edited by Greg J. Duncan and Jeanne Brooks-Gunn (New York: Russell Sage Foundation, 1997) and "Children at Risk: Consequences for School Readiness and Beyond," Rand Labor and Population Research Brief. Retrieved from http://www.rand.org/content/dam/rand/pubs/research_briefs/2005/RAND_RB9144.pdf (2005).

7. See http://www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2011.pdf. Given the potential imprecision in our estimates, stemming mainly from the imputation of key elements of the CPM, even these small increases may not be significantly different from zero. Using sample replicates, however, and a conservative 99 percent confidence interval, our analyses suggest that these increases are statistically significant (but such calculations do not factor in error from our imputations).

8. Although not shown in Figure 1, our CPM estimates are slightly lower than Census SPM estimates for 2011 (see http://www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2011.pdf). As noted above, Census typically aggregates three years of data to produce state level estimates, but it is possible to compute one year estimates (which will be reliable for large states like California).

9. We use a definition of immigrant here that includes all foreign-born persons, whether or not they are naturalized citizens or citizens by virtue of their parentage.

10. This calculation reflects the highest level of education obtained by the most educated person in the poverty unit.

11. The baseline OPM rate among the college educated is low enough that even a small absolute change yields a large relative increase in poverty.

12. Because of rounding, there are sometimes small differences between the effects reported in the text and the overall rates reported in Table 2.

13. The safety net programs considered here include need-based and other programs: CalFresh, EITC/CTC, CalWORKs, Free and Reduced Price School Breakfast and Lunch programs, General Assistance, Social Security, SSI, and Housing Subsidies. This excludes one major program, Unemployment Insurance, because this type of income is not well measured in the ACS (although it is supposed to be captured in the ACS "other income" question). It also excludes some smaller programs like WIC and LIHEAP.

14. See http://www.ssa.gov/policy/docs/ssb/v66n1/v66n1p1.html and Abell, John D. And Melissa L. Abell. 2004. "Poverty Reduction: Government Transfer Spending vs. Macroeconomic Change." *Journal of Poverty* 8(2): 89-109.

15. Since Social Security is a cash transfer, it is included in the OPM, meaning it cannot drive any observed differences between the CPM and OPM.

16. See Shimada, Tia. "Program Access Index 2011: Measuring CalFresh Utilization by County." Sacramento, CA: California Food Policy Advocates.

17. Short, Kathleen. " The Research Supplemental Poverty Measure: 2011." U.S. Census Bureau, Current Population Reports: P60-244, November 2012. Available at: http://www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2011.pdf; See also: http://www.huffingtonpost.com/tag/supplemental-poverty-measure and http://blogs.sacbee.com/capitolalertlatest/2012/11/californias-poverty-rate-highest-in-us-by-new-federal-measure.html.

18. We also provide confidence intervals to assist in determining the precision of our estimates.

The Stanford Center on Poverty and Inequality

The Stanford Center on Poverty and Inequality monitors and publicizes trends in poverty and inequality, publishes the country's leading magazine on poverty and inequality, supports research on the causes of poverty and inequality, and examines the effects of public policy on poverty and inequality.

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AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER TONY THURMOND, CHAIR

WEDNESDAY, FEBRUARY 25, 2015
SPECIAL START TIME OF 1:00 P.M. - STATE CAPITOL ROOM 444

ITEMS TO BE HEARD

LIST OF PANELISTS IN ORDER OF PRESENTATION

ISSUE 1: STATE STRATEGIES TO REDUCE POVERTY

- Ryan Woolsey, Fiscal and Policy Analyst, Legislative Analyst's Office
- Chris Hoene, Executive Director, California Budget Project
- Michele Stillwell-Parvensky, Senior Policy and Communications Associate, Children's Defense Fund - California
- Will Lightbourne, Director, California Department of Social Services

ISSUE 2: CALWORKS – PROGRAM AND BUDGET REVIEW

- Will Lightbourne, Director, and Todd Bland, Deputy Director, Welfare-to-Work Division, California Department of Social Services
- Mike Herald, Advocate, Western Center on Law and Poverty
- Frank Mecca, Executive Director, County Welfare Directors Association of California
- Kevin Aslanian, Advocate, Coalition of California Welfare Rights Organizations
- Ryan Woolsey, Fiscal and Policy Analyst, Legislative Analyst's Office
- Kris Cook, Finance Budget Analyst, Department of Finance
- Public Comment on All CalWORKs Issues

ISSUE 3: CALFRESH AND FOOD ASSISTANCE – PROGRAM AND BUDGET REVIEW

- Todd Bland, Deputy Director, Welfare-to-Work Division, California Department of Social Services
- Jessica Bartholow, Advocate, Western Center on Law and Poverty
- Keisha Nzewi, Advocacy Manager, Alameda County Community Food Bank
- Justin Rausa, Policy Director, Roots of Change
- Frank Mecca, Executive Director, County Welfare Directors Association of California
- Ryan Woolsey, Fiscal and Policy Analyst, Legislative Analyst's Office
- Kris Cook, Finance Budget Analyst, Department of Finance
- Public Comment on all CalFresh Issues

ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: STATE STRATEGIES TO REDUCE POVERTY

PANEL

Panelists have been invited by the Subcommittee to make presentations on state strategies to consider that would reduce California's highest-in-the-nation poverty rate. They include:

- Ryan Woolsey, Fiscal and Policy Analyst, Legislative Analyst's Office
  - Options for a State Earned Income Tax Credit

- Chris Hoene, Executive Director, California Budget Project
  - State Strategies to Reduce Poverty

- Michele Stillwell-Parvensky, Senior Policy and Communications Associate, Children's Defense Fund - California
  - Ending Child Poverty Now Initiative

- Will Lightbourne, Director, California Department of Social Services

BACKGROUND

Subcommittee No. 1 on Health and Human Services has heard the issues around poverty in California in many hearings over the past several years, as the state's economy went through and then started to recover from the Great Recession. The Subcommittee reviews California's safety net programs against this contextual backdrop, so the topic of possible state strategies to be considered for adoption as part of the 2015-16 Budget to address the state's high poverty level will be explored and discussed here. This discussion may touch on specific program areas further addressed in this agenda and those that will be considered as part of the Subcommittee's deliberations throughout the spring process.

Poverty in California. California has the highest poverty in the country compared to any other state. Nearly one in four Californians (24 percent) lived in poverty between 2010 and 2012, on average, based on the United States Census Bureau's Supplemental Poverty Measure (SPM). Poverty is conventionally defined as the condition of having insufficient resources to achieve a minimum standard of living. The SPM is a newer method of comprehensively assessing resources that a household has available to meet basic needs, and, as it was applied to California (called the California

Poverty Measure, or CPM), illuminated that the high cost of living, along with the condition of the job market and the prevalence of a low-wage job sector, doesn't provide families with enough income to meet the most basic expenses of daily life.

The following table uses information from the Public Policy Institute of California, which has made available a data set on California's poverty rate by county.

County	CPM Rate	CPM Poverty Threshold for a Family of Four
Alameda	18.4%	$31,701
Alpine/Amador/Calaveras/Inyo/Mariposa/Mono/Tuolumne	16.1%	$26,377
Butte	19.9%	$25,532
Colusa/Glenn/Tehama/Trinity	15.7%	$24,659
Contra Costa	18.6%	$31,743
Del Norte/Lassen/Modoc/Siskiyou	20.4%	$23,856
El Dorado	13.6%	$28,152
Fresno	20.2%	$24,518
Humboldt	17.3%	$24,954
Imperial	22.1%	$23,236
Kern	19.2%	$24,307
Kings	14.5%	$24,419
Lake/Mendocino	19.5%	$26,349
Los Angeles	26.9%	$30,785
Madera	20.5%	$24,109
Marin	19.0%	$35,785
Merced	22.2%	$24,236
Monterey/San Benito	24.6%	$29,518
Napa	25.5%	$31,335
Nevada/Plumas/Sierra	14.6%	$27,518
Orange	24.3%	$33,842
Placer	13.8%	$29,659
Riverside	20.4%	$28,828
Sacramento	17.1%	$27,518
San Bernardino	19.5%	$27,926
San Diego	22.7%	$31,307
San Francisco	23.4%	$36,349
San Joaquin	18.1%	$26,518
San Luis Obispo	22.0%	$29,954
San Mateo	18.4%	$36,504
Santa Barbara	21.9%	$32,109
Santa Clara	18.7%	$34,377

County	CPM Rate	CPM Poverty Threshold for a Family of Four
Santa Cruz	22.1%	$32,884
Shasta	19.0%	$26,025
Solano	16.1%	$30,166
Sonoma	17.3%	$30,898
Stanislaus	23.1%	$26,391
Sutter/Yuba	13.7%	$24,602
Tulare	20.2%	$23,476
Ventura	21.2%	$33,433
Yolo	23.6%	$28,884

Child Poverty. A September 2014 report from the Public Policy Institute of California that further reviewed the CPM revealed that 25 percent of California's children live in poverty, about 2.3 million. The California Budget Project's (CBP's) August 2014 report titled "Five Facts Everyone Should Know About Poverty" included the following information on child poverty:

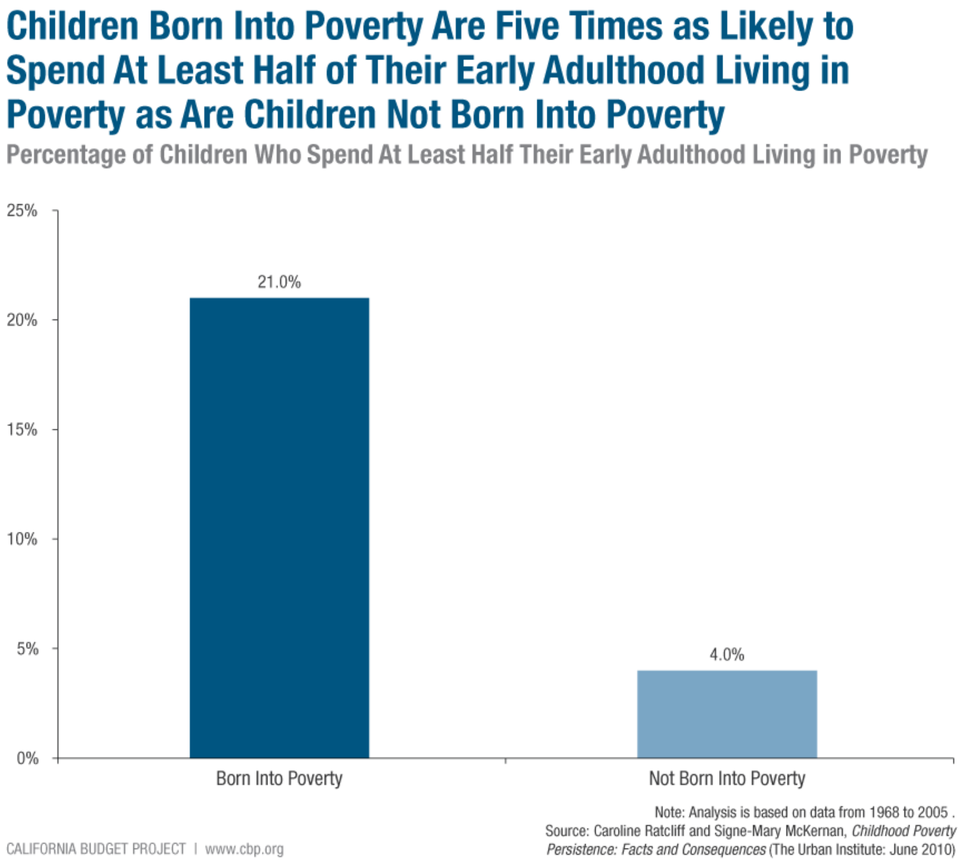
"Millions of our state's children suffer severe economic hardship every year. [One] in 10 lived in deep poverty, subsisting on family incomes below half the poverty line. In reality, many more children experience hardship during their lives than the official poverty rate suggests, because families tend to cycle in and out of poverty. Well over one-third of US children (37 percent) fall into poverty at some point during their childhood, while one in 10 remain in poverty for at least half of their childhood.

Growing up in poverty can be detrimental to children's futures, and children who are born into poverty are significantly more likely to remain in poverty throughout their childhood. In addition, they are five times as likely to spend half of their early adult years living in poverty as are children not born into poverty. This finding may reflect the fact that low-income children face numerous obstacles that make it challenging to perform well in school, potentially limiting their future job prospects. For example:

- Families living in poverty often struggle to afford sufficient food, and hungry, malnourished children can have trouble learning and concentrating at school.
- Low-income families also struggle to afford adequate housing and may be forced to live in crowded or unsafe conditions that increase their children's vulnerability to illness and stress, which could lead to poorer school performance.
- Low-income parents also may be unable to afford educational resources or enriching activities that help prepare their children for school, and they are more likely to live in neighborhoods with poorer-quality schools.

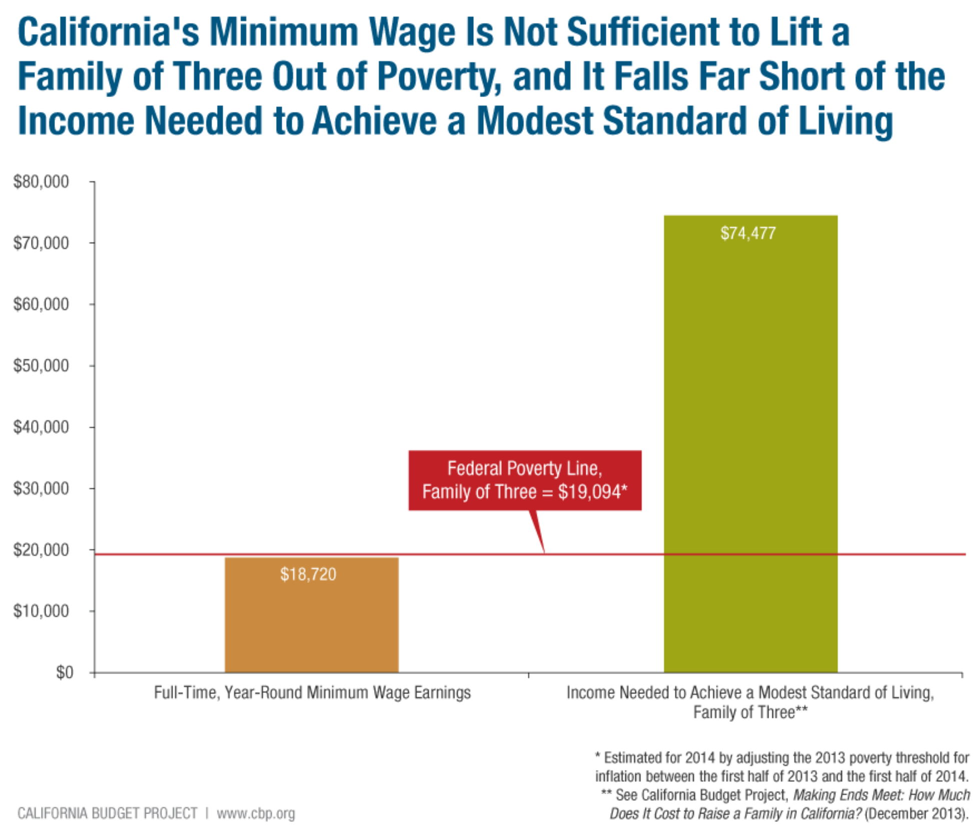
In addition, emerging research suggests that the stress associated with living in poverty can produce detrimental effects on children's developing brains, reducing their cognitive skills and ability to learn.

These disadvantages likely compound each other so that by the time children reach adulthood they are less prepared to compete for well-paying, high-quality jobs and less able to support themselves and their families. Research suggests, however, that low-income children's academic achievement improves when their families' incomes are boosted through public programs or tax credits, and some studies suggest that these gains translate into better outcomes, such as higher earnings and less need for public assistance, when children reach adulthood.



Working Poor Falling Behind. The CBP report also discusses that policymakers have increasingly emphasized work as the primary pathway out of poverty, but the effectiveness of this approach has been largely undermined by too few well-paying jobs. Since the mid-1990s, for example, cash assistance for low-income families has been largely contingent on parents transitioning into the workforce. However, the jobs that parents typically find pay low wages, often too low to lift them out of poverty. Other low-income parents are unable to secure stable employment due to a range of challenges, including a lack of jobs close to where they live, a lack of reliable and affordable child care or transportation, health problems, chronically ill family members in need of care, and limited work experience. Consequently, many parents remain in poverty with few options to support themselves and their families.

Indeed, poverty largely reflects low-paying jobs, not the absence of employment. Two-thirds of California families living in poverty (67 percent) were supported by one or more workers in 2012, down only slightly from 71 percent in 2006, the year before the Great Recession began, when the state's unemployment rate was less than half of what it was in 2012. This large share of "working poor" is not surprising given that California's minimum wage is too low to lift most families above the poverty line, despite its recent increase from $8 to $9 per hour. A full-time, year-round worker paid the minimum wage earns just $18,720 per year, below the poverty line for a family of three ($19,094). The inadequacy of minimum wage earnings is even more striking considering that a family of three needs an income close to $75,000 to achieve a modest standard of living given California's high cost of housing and other basic necessities.



POVERTY REDUCTION STRATEGIES

Investments and changes in the social safety net are key strategies to reduce poverty, substantiated in recent reports from the Stanford Center on Income and Inequality and the Public Policy Institute of California. According to the U.S. Census Bureau, safety net programs on average kept nearly 4 million Californians, including 1 million children, out of poverty between 2009 and 2011. The federal EITC and the Child Tax Credit together worked to lift 1.3 million Californians, including 629,000 children, out of poverty each year, on average, between 2010 and 2012. These two federal credits cut the child poverty rate by 6 percentage points. Some of the options that will be discussed as part of the panel presentation on the subject of possible strategies to affect California's high poverty rate are discussed further below.

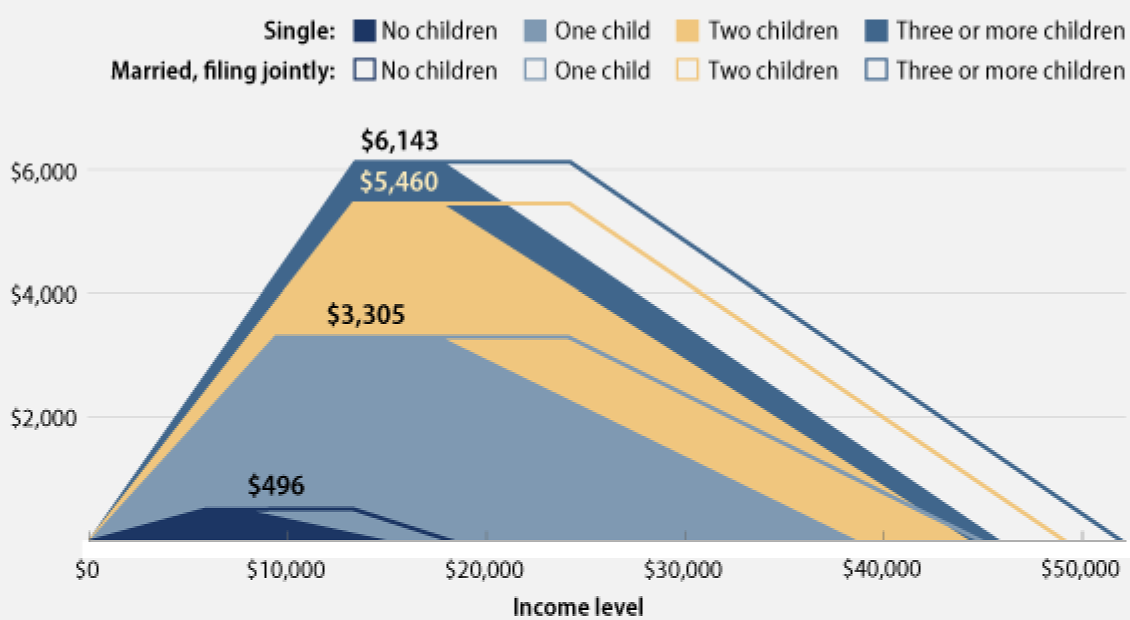
The Federal Earned Income Tax Credit (EITC). The federal Earned Income Tax Credit (EITC) is a refundable tax credit that is one of the nation's most effective tools for reducing economic hardship and ameliorating child poverty among working families. Research demonstrates that the EITC helps poor children by increasing family income, boosting academic achievement, and improving health outcomes. The EITC also increases employment among single parents by rewarding work, creating higher earnings in subsequent years. Many states have EITC provisions in their own income tax laws that supplement the federal EITC and in most cases are patterned after the federal EITC. California does not have its own EITC, though there have been several legislative attempts since 1999 to enact one.

The EITC is a provision of the federal income tax code that allows taxpayers with total income below a certain level to reduce their tax liability by an amount that depends on their "earned income," which primarily includes wages and self–employment income. Earned income does not include such sources as interest income, retirement income, or unemployment benefits. The chart below from the US Internal Revenue Service displays the value of the current federal EITC among various household scenarios.

FIGURE 1

Value of federal Earned Income Tax Credit, 2014

The EITC increases as you earn more money up to a certain level, gradually decreases in value as you need it less, and varies based on one's income and number of dependents.



Note: Figure is for illustrative purposes only and not all values are represented.

Source: Internal Revenue Service, *2014 Earned Income Credit (EIC) Table* (U.S. Department of the Treasury, 2014), available at http://apps.irs.gov-/app/vita/content/globalmedia/earned_income_credit_table_1040i.pdf.

A State EITC. As part of the Subcommittee's review last year of these same issues of poverty in California, it discussed the EITC among a range of other anti-poverty strategies, ultimately adopting language asking the Legislative Analyst's Office (LAO) to consult with stakeholders and prepare a report with options for a state EITC and analysis of the costs, benefits, and trade–offs associated with these options. The LAO completed its report in December 2014 and the full report is available at www.lao.ca.gov/reports/2014/finance/state-eitc/options-state-eitc-121814.aspx**.**

The LAO has been asked to present on its report, which first discusses the structure and effectiveness of the federal EITC. This is followed by a brief discussion of current state-level EITCs. The LAO then examined the key decisions state policymakers would face in designing an EITC for California and presented three options, described briefly below. These options are best viewed as building blocks that could be mixed and matched to meet the Legislature's objectives:

- Piggyback on the Federal Credit. The first option would piggyback on the federal EITC, matching 15 percent of the federal credit. This option would provide a relatively small benefit to a large number of people and would likely be simpler to administer. This option would encourage both part–time and full–time employment. The estimated revenue loss for this option is $1 billion with reach to approximately 120,750 households.

- Focus on Working Families With the Lowest Incomes. The second option would be available only to federal EITC filers with very low earnings. This option would provide a larger benefit to a smaller number of people, with the potential to raise approximately 56,250 families out of "deep" poverty (or living under one-half of the poverty threshold) and 45,250 families above the poverty line. The LAO estimates that roughly 2.7 million Californians were in households that would have benefited from this option 2012. This option would also encourage work participation, focusing on part–time rather than full–time employment. The estimated revenue loss for this option is $450 million.

- Supplement Federal Credit for Childless Adults. The third option would build on the federal EITC benefit for filers with no dependent children, who currently receive much smaller credits than filers with children. This option would similarly provide a larger benefit to a smaller population and could be more difficult to administer. This option would also encourage work participation, focusing on part–time rather than full–time employment. The estimated revenue loss for this option is $400 million with reach to approximately 21,000 households.

More than 3 million California households – almost one in five tax filers – received the federal EITC in 2012, although estimates suggest that only about 70 percent of eligible Californians claim the credit. The number of individuals in these households exceeds 10 million Californians, demonstrating the current reach of this social safety net policy and its potential if expanded through a state mechanism like any that the LAO has helped put forward for consideration.

Interaction with Raising the Minimum Wage. Research states that a state EITC works best in combination with continued increases in the minimum wage toward battling poverty. CBP states in its briefing report "A State EITC: Making California's Tax System Work Better for Working Families" that, "Creating a state EITC and boosting the minimum wage are two important strategies for helping working families and individuals to move up the economic ladder, and these policies should be thought of as complements, rather than alternatives, to each other. Together these two policies have the potential to boost financial security for low-income workers to a much greater extent than either policy could on its own.

One reason the EITC and minimum wage work best in combination is because they tend to benefit different groups of workers. The EITC primarily targets families with children, with more than 95 percent of federal EITC dollars going to families with children in 2012. In contrast, minimum wage increases benefit all workers earning that wage regardless of whether they have children. This means that minimum wage policies can fill in gaps where the EITC falls short. At the same time, the EITC can reach workers who have moderate earnings that are well above the minimum wage but who live in poverty due to insufficient work hours. Consider a single parent with two children who earns $12 per hour – above the minimum wage – but works only 30 hours per week due to a lack of child care. This individual would have the same take-home pay as a full-time minimum wage worker who also supports two children on her own ($18,720 per year). This means these two workers would be eligible for the same EITC. Although both workers have pre-tax incomes just below the poverty line, the part-time worker earning $12 per hour would not directly benefit from a minimum wage increase, but she would benefit from a state EITC.

There are other ways that a state EITC would work in tandem with increases to California's minimum wage. For instance, some evidence suggests that because the EITC encourages more people to work, it increases the total number of workers in the job market earning low wages. Increased competition among these workers could drive down their wages, thereby offsetting some of the financial gains that workers receive through the state EITC. However, regularly increasing the state's minimum wage would limit the extent to which wages at the low end of the distribution lose purchasing power. Consistently raising the minimum wage is also important for maintaining the EITC's value over time for the lowest earners. The EITC is structured such that a reduction in earnings means a lower credit for workers who receive very low wages. Therefore, if the minimum wage is not continually increased to keep up with the cost of living, minimum wage workers' earnings would be gradually eroded by inflation, and lower earnings would result in a smaller, inflation-adjusted EITC.

Repeal of CalWORKs Maximum Family Grant Rule. Currently a child born into a family receiving CalWORKs already does not receive a benefit unless the circumstance of the pregnancy is attested to be the result of rape, incest, or a failure in contraception. This policy is called the "Maximum Family Grant" or "MFG" rule and effectively suppresses the grant for a household with multiple children despite the demonstrated need for basic aid and living assistance required for CalWORKs eligibility. Children in households affected by MFG are therefore likely to be living in the condition of deepest poverty.

Repeal of the MFG would provide for the increased benefit payment starting now and into the future years for the current and incoming caseload. The Department of Social Services (DSS) has provided the following estimates for the MFG repeal.

<u>Low Cost Estimate:</u>

- Average per child increase in the grant on a monthly basis=$116
- Average monthly number of MFG Children is 134,906
- Annual Cost Estimate: 134,906 Children X $116 Average per Child Grant Increase X 12 Months=$187.8 million

<u>High Cost Estimate:</u>

- Average per child increase in the grant on a monthly basis=$136
- Average monthly number of MFG Children is 134,906
- Annual Cost Estimate: 134,906 Children X $136 Average per Child Grant Increase X 12 Months=$220.2 million

The high and low fiscal estimates are provided for perspective because the cost will vary depending on the actual distribution of MFG children and Assistance Unit (AU) or household size. The average per child increase in the grant on a monthly basis is between $116 and $136. The lower grant increase represents adding one child to the Maximum Aid Payment (MAP) MAP for an MFG family based on the average AU size in the CalWIN consortia. The higher grant increase represents the difference between the MAP for an AU of three and four, assuming one MFG child will be added to the AU for the grant calculation. These are two different assumptions for estimating purposes, as DSS does not have the data to see the true distribution of MFG children in all counties.

Raise CalWORKs Grants. CalWORKs grants, despite the 5 percent increase that will take effect on April 1, 2015, will still be at 43 percent of the federal poverty level. Cases where the adult is no longer receiving aid because they have either not been able to meet work requirements or they have exceeded their time limit receive an even smaller grant, pushing these families into extreme poverty. Increasing grant amounts in general, and considering an increase of the child-only and safety net grants that benefit children, continue to be pressing areas of need in the program. In addition, the reinstitution of the COLA to allow the grants to keep pace with inflation is a fundamental strategy to retain value in the grant as the economy changes.

Increase Months on the CalWORKs Welfare to Work Services Time Clock. Currently a participant receives 24 months of welfare to work (WTW) services and then must meet higher work standards to receive additional months after this, not to exceed 48 months of services in total. The federal TANF law that created CalWORKs allows for 60 months in a lifetime benefit. Bringing California's clocks back into alignment with the federal maximum is a critical area of policy in the program, as the case can be made that additional time for participants is needed to address barriers including educational and training needs, counseling, and mental health/substance abuse/domestic violence intervention services.

Increase the Earned Income Disregard. Currently CalWORKs families are allowed to keep a certain percentage of their earned income until their income grows too high (still below the Federal Poverty Level), and they "income out" or earn too much to qualify for the program. Proposals have been made in the past to allow for participants to keep more of their earnings, incenting work and allowing them more resources while they remain on the program. This strategy ensures that families don't "income out" of the program too early to meaningfully give them an opportunity to pull themselves out of deep poverty.

Increase Investments for Seniors. Advocates are calling for an increase to the SSI/SSP grants, with reinstitution of a cost of living adjustment (COLA), to provide additional resources to those least able to improve their sources of income on their own – the aged, blind, and disabled. In addition, there is ongoing discussion about creating investments for Older Californians Act programs, such as Ombudsman, to provide proper oversight for residential facilities caring for those more frail in our community. The SSI/SSP issues will be discussed at the Subcommittee's March 11th hearing.

ADVOCATES' REQUESTS

The Subcommittee is in receipt of communication from several safety net advocacy organizations that write in support of many or all of the anti-poverty strategies outlined in this section. Their specific issues are and will be addressed under the program-specific subjects that constitute other sections of this and future agendas. As an exception, the recommendations from the Children's Defense Fund's Ending Child Poverty Now Initiative are included below as they lend themselves uniquely to this overarching subject. The recommendations are:

1. Enact a refundable state Earned Income Tax Credit (EITC).
2. Raise the state minimum wage.
3. Expand the number of child care slots for low income children.
4. Make the state Tax Credit for Child and Dependent Care Expenses refundable.
5. Increase CalWORKs basic needs benefits and eliminate the Maximum Family Grant rule in CalWORKs.
6. Fund transportation for low-income children.
7. Increase participation in CalFresh by integrating enrollment with health care enrollment.
8. Fund a state housing trust fund to develop affordable housing for extremely low income families.
   National Report: www.EndingChildPovertyNow.org
   California Report: www.cdfca.org/endchildpoverty

Staff Recommendation:

Staff recommends holding these issues open.

ISSUE 2: CALWORKS PROGRAM AND BUDGET REVIEW

PANEL

Panelists have been asked by the Subcommittee to make presentations on the issues discussed in this agenda.

- Will Lightbourne, Director, and Todd Bland, Deputy Director, Welfare-to-Work Division, California Department of Social Services
    - CalWORKs Overview, Program Update, and Governor's Budget

- Mike Herald, Advocate, Western Center on Law and Poverty
    - Discussion of Priority Issues

- Frank Mecca, Executive Director, County Welfare Directors Association of California
    - Discussion of Priority Issues

- Kevin Aslanian, Advocate, Coalition of California Welfare Rights Organizations
    - Discussion of Priority Issues

- Ryan Woolsey, Fiscal and Policy Analyst, Legislative Analyst's Office

- Kris Cook, Finance Budget Analyst, Department of Finance

- Public Comment on All CalWORKs Issues

BACKGROUND

The California Work Opportunity and Responsibility to Kids (CalWORKs) program is California's version of the federal Temporary Assistance for Needy Families (TANF) program and is the state's main anti-poverty program, alongside CalFresh (formerly known as Food Stamps), offering a temporary basic needs benefit to families with children living in deep poverty. The program’s policies are set at the state level and are administered through county welfare departments (CWDs) at the local level.

CalWORKs was reengineered in the late-90s as part of "Welfare Reform" to change it from a mainly income support program to a program that could provide education, employment, and training programs to assist a family's movement to self-sufficiency. Components of CalWORKs include time limits on eligibility, work requirements, and supportive services, such as childcare and help with transportation, to support program participation.

Cash Assistance. Grant amounts vary across the state and are adjusted for family size, income, and other factors. For example, a family of three in a high-cost county that has no other income currently receives a cash grant of $670 per month (equivalent to 40 percent of the FPL). A family in these circumstances would generally also be eligible for food assistance through the CalFresh program in the amount of $503 per month and health coverage through Medi-Cal.

Work Requirement and Time Limit. As a condition of receiving aid, able–bodied adults are generally subject to a work requirement, meaning that they must be employed or participate in specified activities—known as “welfare–to–work activities”—intended to lead to employment. CalWORKs cases that include individuals subject to the work requirement are entitled to receive services to help meet the requirement, including subsidized child care and reimbursement for transportation and certain other expenses. Adults who fail to comply with the work requirement without good cause are sanctioned by being removed from the calculation of their family’s monthly grant, resulting in decreased cash assistance (generally by about $130).

Adults are also generally limited to a cumulative lifetime maximum of 48 months of assistance in CalWORKs, reduced from the federally allowed 60 months as part of cost-saving actions taken in the 2011 Budget. In 2012, further reductions were made in the program, creating a 24-month Welfare to Work services clock, limiting the time period for most barrier-removal and employment services even further. Adults that exhaust their 48 months of lifetime cash assistance are also removed from the calculation of their family’s monthly grant, resulting in decreased cash assistance. The family would continue to receive a reduced grant for children that remain eligible.

Funding and Caseload. CalWORKs is funded through a combination of California’s federal TANF block grant allocation ($3.7 billion annually), the state General Fund, and county funds (including significant amounts spent by counties as a result of state–local realignment). In order to receive its annual TANF allocation, the state is required to spend a Maintenance of Effort (MOE) amount from state and local funds to provide services to families eligible for CalWORKs. In recent years, this MOE amount has been $2.9 billion. While the CalWORKs program makes up a majority of TANF and MOE spending, the TANF block grant is used to fund some programs in addition to CalWORKs, and some General Fund expenditures outside CalWORKs are counted toward the MOE requirement.

<u>Current Year.</u> The core CalWORKs program includes $5.5 billion in total funding, a $69.9 million net increase ($36.1 million decrease in Temporary Assistance for Needy Families [TANF]/ GF) in 2014-15. The expenditure increase is primarily due to a slower decline in the overall caseload projection and a higher rate of increase in the Employment Services caseload attributed to the full implementation of recent policy changes, including reengagement of previously exempt recipients. The cost increases are partially offset by lower than projected expenditures in Child Care, resulting in a lower base cost per case.

2015-16 Projections. The 2015-16 Budget includes $5.6 billion in total funding for the core CalWORKs program, an increase of $103.8 million over the revised 2014-15 level. While the overall CalWORKs final caseload is projected to decline by another 1.9 percent to 533,000 average monthly cases, 2015-16 reflects a full year of costs for providing a five percent grant increase to CalWORKs families as well as expanding program eligibility to individuals with a prior felony drug conviction.

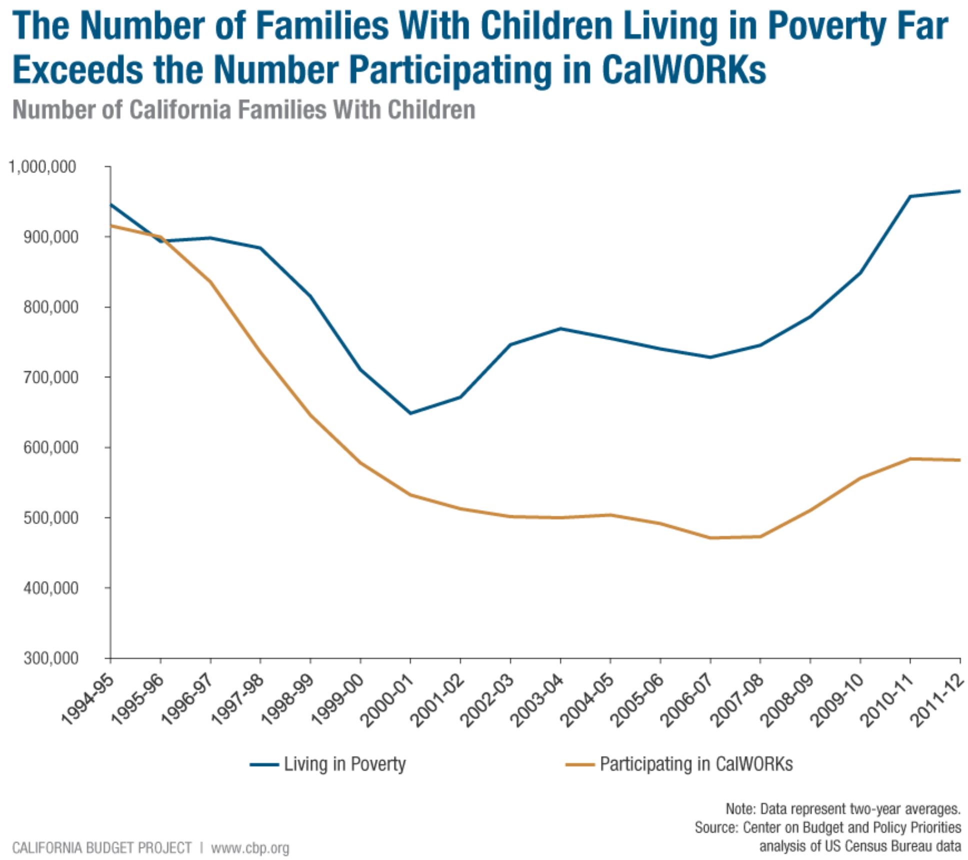
The 2015-16 costs also reflect a projected 3.8 percent increase in the Employment Services final caseload to about 240,000 cases primarily due to the 24 Month Clock and implementation of other policy changes. In addition, Stage One Child Care is projected to increase by 6.5 percent to about 41,800 children and the costs include a full year of increase to the Regional Market Rate for child care reimbursements.

The total CalWORKs budget, after accounting for funding adjustments and costs in eligible programs, reflects a $94.5 million net increase ($10.8 million TANF/GF) from the 2014-15 appropriation. The CalWORKs cost increases in 2015-16 are partially offset by less TANF used for CalGrants at the Student Aid Commission and more costs shifting from GF to CWDs, based on the latest projection of available Child Poverty and Family Support Subaccount funds.

Though not reflected in the Governor's Budget, California continues to face potential fiscal penalties due to not meeting the federal work participation rate (WPR) from Federal Fiscal Year (FFY) 2008 through FFY 2011. To avoid or reduce the penalty, California entered into a Corrective Compliance Plan effective FFY 2015. California's WPR is approximately 28.3 percent based on FFY 2014 and is estimated to increase substantially with current policies being implemented, such as the Work Incentive Nutritional Supplement (WINS), funding Safety Net and felons with non-MOE GF and Expanded Subsidized Employment. DSS is providing technical assistance to counties to improve the WPR and ensure the state achieves corrective compliance.

Who does CalWORKs serve? How does this interact with California's poverty rate? One million California children rely on the program and two-thirds of the CalWORKs caseload are Latino and Black families, most of whom are headed by a single female head of household. More children are expected to be the primary recipients of CalWORKs, receiving a child-only grant (where the adult is not aided as a member of the household), as the 24-month clock implements more fully in the 2015-16 year and adults not meeting work requirements are sanctioned off of the assistance unit.

Although public policies reduce hardship for millions of Californians, some public supports play a more limited role in helping families escape poverty today than they did in the past. According to the CBP, CalWORKs reaches fewer families today and provides far less support to those families it does reach. The number of families with children who lived in poverty exceeded the number participating in CalWORKs by two-thirds in 2011 and 2012, whereas the numbers were roughly equal in the mid-1990s. In addition, as mentioned previously, CalWORKs currently provides a family of three with no more than $670 per month — a level of support that, on its own, amounts to just 41 percent of the poverty line — well below the deep-poverty cut-off of half the poverty line. Twenty-five years ago, California's cash assistance program provided a maximum level of support equal to about 80 percent of the poverty line.



CURRENT PROGRAM CONDITION

Complex Changes Test Program Character, Effectiveness. The CalWORKs program has undergone complicated, continuous change over the past six years, the design of which reduced cumulatively over $1 billion dollars from the program. In short, the changed program has a (1) new, shorter lifetime time limit of 48 (versus the federally allowed 60) months, (2) flexibility within a 24-month period of that 48-month clock, called the 24-Month Welfare-to-Work services clock, (3) Early Engagement reforms that were intended to improve the experiences for families facing severe and multiple barriers to employment, such as homelessness and mental illness, given the shorter time limits, and (4) grants that, despite some increases, remain at historic lows.

Grant levels still below 50% of the poverty line. Maximum Aid Payment (MAP), or CalWORKs grant, levels were reduced by 4 percent in July 2009, followed by an additional 8 percent reduction in July 2011, for a cumulative 12 percent cut. An annual cost of living adjustment (COLA) was required for in statute to allow for grants to keep fair pace with inflation, though they often suspended in budget trailer bills to achieve savings. A significant change in COLA policy was made as part of the 2009 budget deal, when COLAs for both CalWORKs and SSI/SSP grants were permanently suspended absent an action from the Director of Finance. Grants were increased in March 2014 by 5 percent and are scheduled to increase again by 5 percent in April 2015, however, despite these changes, the levels remain at low levels and have lost dollar value significantly over time.

The chart below compares the CalWORKs grant (after it will rise by 5 percent on April 1, 2015) to what it was in 2007-08, and as a percent of the Official Poverty Measure (OPM, also known as the federal poverty level). When compared to the Supplemental or California Poverty Measure, both discussed earlier in this agenda, the percentages are even lower. Using 1996-97 as a base year, if grants have received no cuts or increases in the intervening years and received previously applicable COLAs, the 2015-16 maximum grant level would be $1,050 or 63 percent of poverty.

			Change	
	2007-08	**2014-15 (after 4/1/15)**	**Amount**	**Percent**
CalWORKs Grant for a family of three in a high-cost county with no income	$723	$704	-$19	-3%
CalFresh Benefit	356	493	137	38
Totals	$1,079	$1,197	$118	11
Grant as Percent of Poverty	**51%**	**42%**		

OVERSIGHT OVER RECENT CHANGES

Continuing, Slower-Than-Expected Early Engagement Implementation. Early Engagement components were approved as part of the enacted 2013-14 Budget. These include implementation of the Standardized Appraisal Tool, Family Stabilization program, and Expanded Subsidized Employment. These Early Engagement strategies were intended to align with implementation of the 24-month new time limit (January 1, 2013), but instead were operationalized to implement a year or longer after the 24-month policy went into effect. Complete implementation is now anticipated for some time in 2015-16.

The administration has been asked to provide a more current update on the implementation status and efforts as part of their hearing testimony.

Summary of Early Engagement Components in AB 74 (Chapter 21, Statutes of 2013)

Early Engagement Component	Status of Implementation
Standardized Appraisal Tool – Required development of a statewide appraisal tool and mandatory training for administration of the on-line tool or OCAT (Online CalWORKs Appraisal Tool)	**Not yet completed** - expected availability of OCAT in all counties is anticipated to begin July 1, 2015, with full automation implementation as late as August 2015
Family Stabilization (FS) Program – Intensive case management services designed to ensure a basic level of stability within a family prior to, or concurrently with, WTW activities	**Status requires update** – implementation and claiming of dollars began in 2013-14; outcome information pending from the administration
Expanded Subsidized Employment – Counties were given additional resources to create additional subsidized employment positions, gradually building up the number of new slots to 8, 250	**Full ramp up was planned by June 2014** – full ramp-up may mean counties implementing to their goal level of slots; outcome information pending from the administration

GOVERNOR'S PROPOSALS FOR 2015-16

The Governor's Budget, aside from several smaller changes, is a workload budget for CalWORKs. The Governor's Budget includes the following major proposals for the CalWORKs program.

1. **Backfill for CalWORKs Grant Increase**. The Governor's Budget provides additional General Fund of $73.3 million in 2015-16 to fund the grant increases of Maximum Aid Payments (MAPs) that will go into effect on April 1, 2015 pursuant to the 2014 Budget. For an assistance unit of three persons in high cost counties, the MAP will increase from $670 to $704 per month. The total average grant of all CalWORKs cases is estimated to increase by $24.

2. **Implementing CalWORKs Legislation**. The Budget reflects the total cost of 2014 legislation enacted for CalWORKs, excluding legislation that did not have an associated local assistance budgetary impact.

   - AB 1579, Chapter 632, Statutes of 2014 extends eligibility to pregnant women who are 19 years of age or older by an additional three months with verification of pregnancy. This implements July 1, 2015 and results in costs of $6.6 million total funds in 2015-16. The Budget reflects a phased-in approach, with approximately 257 recipients receiving an additional three months of grants, including a $47 special needs payment, each month, for a total of 3,088 cases affected over the full course of the budget year.

- AB 2382, Chapter 905, Statutes of 2014 implements January 1, 2015, and reflects the elimination of the grant reduction penalty for truant children under 16 receiving CalWORKs. This premise results in total funds costs of $1.7 million in 2014-15 and $3.3 million in 2015-16. There are approximately 4,500 cases that do not meet the school attendance requirement; this will eliminate the penalty imposed on the case, resulting in a grant increase.

ANTI-POVERTY STRATEGIES IN CALWORKS

The Subcommittee is in receipt of the following proposals in the CalWORKs area. These have largely been submitted by the Western Center on Law and Poverty (WCLP) and the Coalition of California Welfare Rights Organizations (CCWRO). Both of these organizations are represented on the panel for this hearing. Their recommendations include:

Advocates' Recommendation	Key Features
Repeal the Maximum Family Grant (MFG) Rule	• The Maximum Family Grant rule excludes children in families who have a child after the family is receiving aid.
CalWORKs Grant Increase	• Absent further action, grant levels will be, dollar for dollar, where they were set in the program 12 years ago (not adjusted for inflation).
Reinstitution of the CalWORKs COLA	• The COLA was eliminated in 2009 and had been suspended for several years prior. A reinstitution of an inflation adjustor that is tied to the California Necessities Index (CNI) would allow grants to rise with inflation.
Increasing the CalWORKs Earned Income Disregard (EID)	• Families are currently allowed to keep the first $225 they earn without seeing a reduction in their grant check, considered an effective work support. This strategy would increase the EID and allow families to keep more of their earnings from work ($700), allowing them to meet basic needs and spend more in the marketplace. • Advocates point out that the current amount has not increased since the inception of the program in 1997.
Reduce the use of sanctions	• Rates of sanction in the program continue to rise, from 17 percent in 2008 to 24.3 percent in 2014. • WCLP recommends (1) a work group to develop recommendations to reduce the incidence of sanctions, (2) a reduction in the sanction penalty amount, and (3) a maximum length of time for a sanction to be in place.
Increase Months on the Welfare to Work Services Time Clock	• Extend the time clock for adults to 60 months. • Restart time time clocks for the WTW 24-Month clock when DSS certifies that Family Stabilization services and the on-line assessment tool are available in all 58 counties

Advocates' Recommendation	Key Features
	• Lift the cap on the number of families that can receive extensions to the 24-Month clock
Review SB 1041 Outcomes and Fairness to Families	• Due to significant implementation challenges and confusion in the program, advocates recommend a thoughtful review to be convened by the administration with stakeholders on ways to consider and recommend future improvements in the program.

ADDITIONAL ADVOCATES' REQUESTS

1. **Housing Support Program Augmentation.** The County Welfare Directors Association (CWDA) and Housing California request consideration of a budget augmentation of $30 million for the CalWORKs Housing Support Program (HSP). The HSP was enacted as part of the 2014-15 budget and assists homeless CalWORKs families by moving them directly out of homelessness and into permanent housing, supporting movement toward self-sufficiency. Currently funded at $20 million, the HSP is expected to serve an estimated 6,900 children in 3,000 families in 2014- 15. A $30 million augmentation will enable the program to serve an additional estimated 10,350 children in 4,500 families.

   CWDA and Housing California argue that the need and demand for the CalWORKs Housing Support Program is high. Forty-two counties sought a portion of the $20 million provided to the HSP in its first year, requesting more than $52 million in funding. In order to most effectively utilize the limited funding in the start-up year, twenty counties were provided an allocation. Advocates continue to hear from counties not selected and counties that did not apply about the possibility of accessing this funding, and counties that are currently participating are looking to expand. WCLP also writes in support of this request.

2. **Enabling Access to Domestic Violence Waivers.** The California Partnership to End Domestic Violence has written with a request for consideration of a policy clarification in trailer bill to require the development and dissemination of a standard, statewide notice with information about waivers of certain CalWORKs requirements for CalWORKs applicants and recipients who are victims of domestic violence. This would also remove the county option to waive a program requirement and instead requires counties to waive a program requirement for a CalWORKs recipient who has been identified as a past or present victim of abuse when it has been determined that good cause exists, as specified.

STAFF COMMENTS

The Subcommittee staff is in receipt of recently released information on the projected changes in the caseload as a result of the past structural reductions in CalWORKs. Staff will continue to review this and ask questions of the administration on the foreseeable effects of past budget-related changes and the outcomes for CalWORKs families and children.

SB 1041 included a reporting requirement, with a formal report, now under contract with RAND for its production, due January 1, 2018. Updates to the Legislature in the intervening years was also required and DSS expects possible information from RAND by the end of the calendar year, which could provide insight into caseload changes and outcomes that may affect continuing evaluation of the SB 1041 changes.

Related to reporting, the Subcommittee adopted Supplemental Report Language as part of the 2014 Budget requesting an annual report on CalWORKs, with the first iteration of this due to the Legislature by April 1, 2015. DSS has worked closely with legislative staff and other stakeholders on the development of this report, which is meant to provide comprehensive information and create additional transparency about changes in the CalWORKs program over time.

In line with this consideration of program evolution and outcomes, the Subcommittee may wish to ask for the administration's partnership on the creation of an on-going and active venue for continuing oversight and program review. This may take the form of the existing CalWORKs Oversight Stakeholder group created under SB 1041 or could be a revitalization of Workgroup 1, which existed before the recession when federal changes related to the Deficit Reduction Act required a closer look at our program here. Using this kind of forum, stakeholders can work to prioritize key issues and discuss possible recommendations to improve the ability for CalWORKs to be a more effective anti-poverty and anti-child poverty program for California.

Staff Recommendation:

Staff recommends holding these issues open.

ISSUE 3: CALFRESH AND FOOD ASSISTANCE – PROGRAM AND BUDGET REVIEW

PANEL

- Todd Bland, Deputy Director, Welfare-to-Work Division, California Department of Social Services
  - CalFresh Overview, Program Update, and Governor's Budget
- Jessica Bartholow, Advocate, Western Center on Law and Poverty
  - Discussion of Priority Issues
- Keisha Nzewi, Advocacy Manager, Alameda County Community Food Bank
  - Discussion of Priority Issues
- Justin Rausa, Policy Director, Roots of Change
  - Discussion of Priority Issues
- Frank Mecca, Executive Director, County Welfare Directors Association of California
  - Discussion of Priority Issues
- Ryan Woolsey, Fiscal and Policy Analyst, Legislative Analyst's Office
- Kris Cook, Finance Budget Analyst, Department of Finance
- Public Comment on all CalFresh Issues

BACKGROUND

Food Assistance Programs in California. The CalFresh Program, formerly known as the Food Stamp Program and federally referred to as the Supplemental Nutrition Assistance Program (SNAP), provides for nutrition among eligible low-income households by offering them a benefit amount, posted to a debit card, for the purpose of purchasing food. The benefits are 100 percent federally funded. The funding for CalFresh administration costs are 50 percent federal funds, 35 percent General Fund, and 15 percent county funds, except for state-mandated program changes, which are 50 percent federal funds and 50 percent General Fund.

The CalFresh Employment and Training Program require certain non-assistance CalFresh recipients to participate in employment and training activities. The Department also administers the state-only California Food Assistance Program (CFAP) to provide food benefits to legal immigrants who meet federal SNAP eligibility criteria except for their immigration status. CFAP serves legal noncitizens over the age of 18 and under the age of 65, who were legally in the U.S. prior to August 22, 1996, and met all federal food stamp eligibility criteria (except for their immigration status). The program also serves legal noncitizens who entered the country on or after August 22, 1996, who are otherwise eligible.

The Emergency Food Assistance Program provides USDA commodities to local food banks for distribution to the working poor, low-income, unemployed, and homeless persons. This program is supplemented with food purchased by food banks using private donations and taxpayer contributions to the Emergency Food Assistance Program Fund made through a state income tax check-off, as well as surplus fresh fruits and vegetables donated by farmers and businesses.

CalFresh Funding and Caseload. The Governor's Budget includes $2.0 billion ($0.7 billion GF) for CalFresh administration in 2015-16, which represents a $67.4 million ($13.7 million GF) decrease from the 2014-15 Appropriation. This decrease is largely a result of revised caseload projections. While recent policy implementations such as the Affordable Care Act (ACA) implementation, the State Utility Assistance Subsidy, Modified Categorical Eligibility and School Lunch program continue to bolster the caseload growth rate, this growth is offset as overall economic conditions have improved. The base CalFresh caseload is increasing at a slower rate than previously projected. In addition, the Governor's Budget includes an adjustment to distinguish cases that have come onto CalFresh as a result of ACA from the base administrative funding.

The base CalFresh caseload is projected to increase 6.9 percent in 2014-15 and an additional 6.4 percent in 2015-16. The CalFresh caseload is projected to reach an average of 1.9 million households in 2014-15 and 2.0 million households in 2015-16 after accounting for all new policy impacts.

The CFAP caseload and corresponding benefits have been increasing at an unusually high rate during the past year as a result of fewer households terminating benefits due to recent changes in Semi-Annual Reporting (SAR). Additionally, the ACA impact on the overall CalFresh caseload has translated to a higher CFAP caseload over the past year than previously projected. In 2014-15 the projected CFAP caseload increased 17 percent compared to six percent in the previous year. The caseload is projected to increase by another 14 percent in 2015-16.

The Governor's Budget also includes funding for other key food assistance programs. The WINS is expected to reach 152,800 CalFresh households in 2014-15 and approximately 179,200 households in 2015-16. As the California drought continues to affect key counties, the Governor's Budget shifts a portion of the Drought Emergency Food Assistance Program funding to address food needs into 2015-16.

CURRENT FOOD NEEDS

Hunger in California. Hunger remains a serious issue in California. California's underperformance on enrollment of eligible cases onto the CalFresh program has been a topic of scrutiny in recent years, with 57 percent of those eligible and 44 percent of working poor eligible participating, some of the lowest numbers in the nation (California ranks 50th). However, recent policy implementations such as the Affordable Care Act, the State Utility Assistance Subsidy, Modified Categorical Eligibility and School Lunch have bolstered caseload growth. The Legislature will be interested in how these changes have altered the participation landscape for CalFresh and if there are further innovative, near-term efforts that can be undertaken to ensure that more eligible families are receiving food benefits. Over 2.5 million households are projected to receive CalFresh benefits in 2015-16.

According to data from the UCLA Center for Health Policy Research's California Health Interview Survey (CHIS), at least 4 million low-income Californians struggled with food insecurity during 2011-12. Food-insecurity is the inability to consistently afford enough food. Researchers find that food-insecure adults face higher risks of chronic diseases (like diabetes and hypertension) as well as depression and poor mental health. For children, food insecurity is also linked to poor academic outcomes.

GOVERNOR'S PROPOSALS FOR 2015-16

The Governor's Budget includes the following major proposals for the CalFresh program.

1. **Maintaining Access to CalFresh.** The Governor's Budget includes $9.2 million General Fund to provide a state-funded energy assistance subsidy for CalFresh recipients to comply with federal changes regarding the minimum energy assistance benefit that must be received by a household in order to access the standard utility allowance.

2. **CalFresh Reporting Simplification: Eliminate Change Reporting (CR).** The Budget reflects the net cost, or savings of $2.9 million General Fund ($8 million total funds) of eliminating CR, a new proposal effective October 1, 2015. Certain households, such as those containing elderly or disabled individuals or seasonal or migrant workers, were subject to CR when California originally implemented Quarterly Reporting. All CR households will be converted to semi-annual reporting (SAR) and implementation will be phased over the subsequent year at the recipient's recertification month.

3. **CalFresh and CFAP Caseload Impact of the ACA.** The Budget reflects the caseload impact to CalFresh and CFAP as a result of the implementation of the ACA. The Department of Health Care Services (DHCS) increased their caseload projections to reflect approximately 3 million individuals that will be added to the Medi-Cal program due to ACA by June 2015. The Medi-Cal application process allows potential CalFresh or CFAP-eligible individuals to initiate an application process for food assistance through California Healthcare Eligibility Enrollment and Retention System (CalHEERS). The 2015-16 costs of $93.9 million General Fund ($237.9 million total funds) reflect an increase in the projected caseload impact, partially offset by savings from a conforming methodology to include prospective budgeting savings.

4. **Drought Food Assistance Program (DFAP).** The Budget reflects funding for the temporary program implemented in response to the Governor's Drought Emergency Declaration in January 2014. The DFAP is designed to provide food assistance to drought-affected counties that suffer high levels of unemployment and is being provided through the California Emergency Foodlink, the non-profit contractor that purchases and distributes United States Department of Agriculture food statewide. The 2014-15 revised Budget reflects $6.9 million GF in DFAP claims and another $6.0 million General Fund anticipated by June 2015. The Governor's Budget reflects the remaining $7.1 million GF of the $20 million GF that was authorized being carried forward to 2015-16.

5. **Continuing Early Work of Horizontal Integration.** DSS requests the permanent extension of two existing limited-term positions and permanent funding for a third existing position. The requested positions will enable the DSS to continue to plan for and implement horizontal Integration efforts involving multiple automated systems, including Statewide Automated Welfare System (SAWS), Child Welfare Services – New System (CWS-NS), Medi-Cal Eligibility Determination System (MEDS), Leader Replacement System (LRS), and the Appeals Caseload Management System (ACMS). In addition to focusing on specific projects, requested staff will also work to establish standards for data exchange, attempting to ensure that new systems are able to communicate and share recipients information and implement improvements to streamline recipient paperwork and social worker workload. The staffing costs are $162,000 General Fund ($371,000 total funds).

6. **Complying with Federal Request on Oversight of SNAP-Ed.** The Budget requests six permanent positions (costing $747,000, all federal funds) to provide a higher level of program management and oversight and create a new Technical Assistance and Program Compliance unit for the Supplemental Nutrition Assistance Program-Education (SNAP-Ed). SNAP-Ed is a 100 percent federally funded program, with California receiving $136 million, the highest grant allocation for any state in the country. The requirement for greater oversight resulted from a recent management evaluation of DSS by the U.S. Department of Agriculture, Food, and Nutrition Services.

7. **CalFresh Student Eligibility Legislation.** The Budget includes $200,000 General Fund ($300,000 total funds) to implement AB 1930, Chapter 729, Statutes of 2015, which expands CalFresh eligibility to students who participate in certain educational programs that are considered employment training programs as determined by DSS. This will implement on October 1, 2015.

LAO NOTES UNCERTAINTY

The LAO notes that the federal government typically pays 50 percent of CalFresh administrative costs. However, projected need for federal funds in 2014-15 and 2015-16 exceeds a federal funding maximum target. In the past, federal administrative funds from other states that spent below their respective targets were made available to

California. To the extent that such funds are not available, as much as $270 million in additional General Fund spending would be required over the two years should the state backfill the lost federal funds.

ADVOCATES' REQUESTS

The Subcommittee is in receipt of the following proposals in the CalFresh and Emergency Food Assistance areas. These are:

1. **State Emergency Food Assistance - $5 M General Fund.** The California Association of Food Banks (CAFB) requests a $5 million General Fund appropriation for the State Emergency Food Assistance Program (SEFAP). Currently, there is no on-going General Fund dedicated for this use. In the 2013-14 fiscal year, the State Assembly donated $1 million of its own funds for this purpose for one-time use.

   The $5 million SEFAP request would be distributed to all counties based on the established formula for the distribution of EFAP, currently funded with federal dollars. The advocates state that there would not be prioritization for any particular region of the state, as there is unmet need in all areas. CAFB states that with respect to network capacity, food banks and EFAP distributors can effectively utilize all of the funds. The $5 million would be divided among all counties, based on the established allocation formula, to meet hunger needs among the general population. The SEFAP funds provide additional flexibility to food banks, as they can purchase the items that they need to complement the types of foods that are currently available to them.

   When asked about the interaction with recent funds made available for emergency food assistance through the drought package, advocates responded to say that the funds contained provided for drought are completely separate and are available only to those communities that can document increased need due to drought, and only to serve those people who are identified as drought impacted. Food banks are required to document drought impact and need so as not to utilize drought funds to serve the general population. Additionally, drought aid will not be distributed as flexible dollars, but rather food will be purchased centrally, and disaster boxes will be assembled in Sacramento and then distributed to qualifying food banks.

2. **California Nutrition Incentives Act / Market Match Proposal - $5 M General Fund.**

   A large coalition of organizations has written with the "Market Match" proposal, led by, among others, Roots of Change, Latino Coalition for a Healthy California, Ecology Center, and the Public Health Institute. This proposal would appropriate $5 million annually from the General Fund to establish a statewide nutrition incentive program for purchasing California grown fruits, nuts and vegetables (i.e. specialty crops), benefiting low-income families and California's economy. It builds upon the success of California Market Match, beginning in 2009, which doubles the purchasing power of nutrition assistance benefits (e.g. CalFresh) when spent on specialty crops at farmers' markets. Advocates contend that Market Match has demonstrated, on average, a six-fold return on investment in sales. This proposal would also expand these incentives into the small business retail setting to reach low-income Californians with limited access to a farmers' market.

3. **Implement County CalFresh Denials and Discontinuances Monthly Reporting.** The Coalition of California Welfare Rights Organizations writes to request that the CalFresh program provide county reporting data concerning the monthly denials and discontinuances, similar to what is provided in the CalWORKs program. DSS is aware of this request and states that it has been working toward making this information available administratively.

Staff Recommendation:

Staff recommends holding all issues in CalFresh open.

Poverty disparity emerges as major issue in California

BY JIM MILLER - JMILLER@SACBEE.COM

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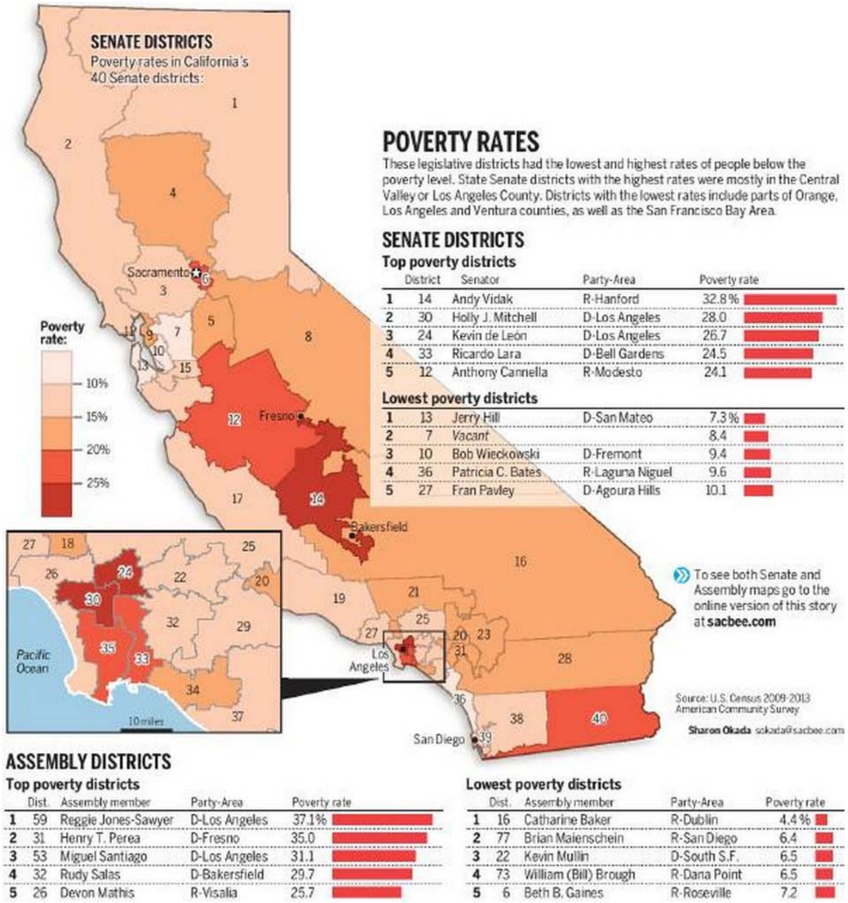


SACRAMENTO

Story Comments

Poverty in California, and what else the state should do about it, has emerged as a major issue early in the months-long process of negotiating a state budget.

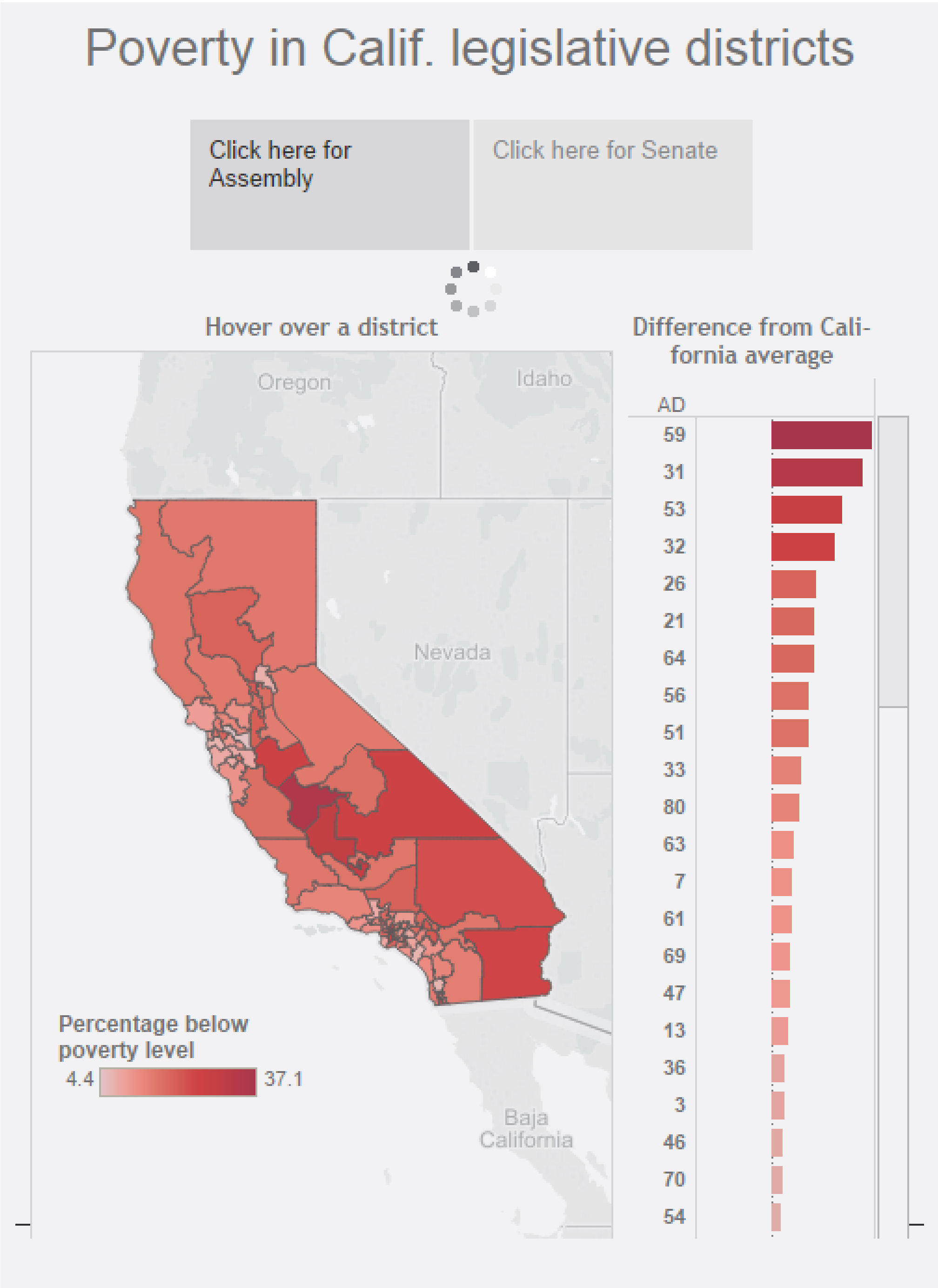
After Gov. Jerry Brown released his spending proposal Jan. 9, advocates for the poor held rallies in Los Angeles, San Francisco and other cities, saying that California needs to do more to reduce poverty and income inequality. Many Democratic lawmakers have voiced the same concerns.

Brown contends that the state already helps the poor a lot. And under the state's school-funding guarantee, officials say virtually all of the billions in additional revenue through June 2016 will go to schools and community colleges, with little free money with which to expand or create new social or health programs to reduce poverty and income inequality.

"You're going to have to explain to your advocacy groups, your constituents, why is it that you can have funding going up by $4 billion, and none of it is available for" non-education purposes, Legislative

Analyst Mac Taylor told the Assembly Budget Committee earlier this month.

Some lawmakers represent areas where poverty is a central part of constituents' daily lives. In some legislative districts, poverty rates are more than double the state average of 16.6 percent, according to the U.S. Census' most recent American Community Survey. In others, the poverty rates are barely a quarter of the California average.



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