

CSAC Poverty Working Group 2015

Wednesday, August 5, 2015 • 2:00 – 3:00 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

- 2:00 p.m. **I. Welcome and Introductions**
Supervisors Long, Perez, and Adams
- 2:05 – 2:15 **II. Budget Update**
Farrah McDaid Ting, Legislative Representative
Michelle Gibbons, Legislative Analyst
- 2:15 – 2:45
Includes Q&A **III. United Way Report:**
“Struggling to Get by: The Real Cost Measure in California”
Betsy Block, Co-Author & Principal Researcher, United Ways of California
- 2:45 – 3:00 **IV. Poverty Working Group Discussion: Identifying Priorities and Potential Actions**
All Members
- 3:00 p.m. **V. Adjournment**

NOTES:

For those who wish to attend the meeting in person, it will be held in CSAC's 1st floor conference room (1100 K Street, Sacramento).

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.



July 28, 2015

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TO: CSAC Poverty Working Group
FROM: Farrah McDaid Ting, Legislative Representative
Michelle Gibbons, Legislative Analyst

Re: Poverty-Related Budget Proposals

Budget. The Legislature passed the Budget Act of 2015-16 and related trailer bills on June 19. Most notable for the CSAC Poverty Working Group was the passage of the new California Earned Income Tax Credit.

Earned Income Tax Credit: The 2015-16 budget included the Governor's proposed Earned Income Tax Credit (EITC), which CSAC supported. The Governor proposed a new \$380 million (EITC) to assist working Californians at the lowest rungs of the economic ladder; the final budget bill also included language indicating the Legislature's intent to increase the allocation amount in the future. The Governor estimates that this new tax credit will assist 2 million residents/825,000 families and slide up or down based on the number of dependents in a household. Those with less than \$6,580 in income with no dependents and up to \$13,870 with three or more dependents will qualify and may receive between \$460 to \$2,653 annually.

The CSAC Women's Leadership Forum, the CSAC Poverty Working Group, and the CSAC Health and Human Services Policy Committee all voted to support the EITC.

Child Care: AB 123 provides funding for \$5,830 full-day slots and 1,200 non-local educational agency full-day slots, starting January 1, 2016. Also, effective July 1, 2015, AB 123 provides funding for 6,800 voucher slots.

Housing Support Program: SB 79 includes a \$35 million appropriation for the CalWORKs housing support program for counties. While the \$35 million in 2015-16 is less than CSAC and the County Welfare Directors Association's \$30 million augmentation request, counties are pleased with the \$15 million augmentation to the Governor's May Revision. The budget also makes changes to the provisions of the housing support program by allowing recipients who would have previously been discontinued because they no longer met the income eligibility requirement to continue to receive housing support services under certain circumstances.

Traffic Debt Fee Amnesty Program: Beginning October 1, 2015, and running for 18 months, the traffic violator amnesty program will authorize individuals with past due court-ordered debt to pay with either a 50 or 80 percent reduction. The individual would need to meet specified eligibility criteria and the debt must date from prior to January 1, 2013, and relate to traffic

infractions. The program requires the Judicial Council to consult CSAC on development of the guidelines for the 18-month program. The traffic amnesty program also allows individuals who have a suspended driver's license to reinstate their license as part of the program, if the suspension was the result of a Failure to Appear or Failure to Pay. These individuals would agree to make a one-time payment or sign up for a payment plan. To the extent an individual fails to comply with the payment plan, the contract includes the authorization for the State Franchise Tax Board to implement wage garnishment to fulfill the terms of the agreement. The court may charge a \$50 amnesty administrative fee to cover upfront costs associated with the operation of the traffic amnesty program.

The delinquent court ordered debt amnesty program is intended to bring in additional revenues for courts and counties while providing a pathway for many low-income Californians to regain their driving privileges. Specifically, participating individuals can reduce their debts by 50 percent, reduce administrative fees from \$300 to \$50, and have their drivers' licenses reinstated. This proposal is projected to generate \$150 million which will help to avoid future revenue shortfalls.

Attachments:

CSAC Budget Action Bulletin: Health and Human Services Section, June 19, 2015

CSAC Letter in Support of the EITC, June

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.

HEALTH AND HUMAN SERVICES

While the Legislature passed most of the budget trailer bills today, several items remain outstanding for 2015-16, including the implementation of a Managed Care Organization (MCO) tax and increases to fee-for-service Medi-Cal providers. The Governor has agreed to call a special session on the MCO and provider rates issue. CSAC will watch the special session closely as the fate of the MCO is also tied to ongoing funding for the Coordinated Care Initiative (CCI) and other critical health care programs.

HEALTH

Medi-Cal for Undocumented Children

SB 75 allows undocumented children under age 19 to be eligible for full-scope Medi-Cal, effective May 1, 2016. Estimates for 2015-16 costs range from \$40 to \$65 million, and up to \$130 million in 2016-17 and beyond. This proposal effectively funds Senator Ricardo Lara's SB 4, which would extend full scope Medi-Cal to undocumented children. Additional provisions of SB 4 that would have allowed undocumented adults to access Covered California were not included in the budget.

Mental Health Peer Respite Funds

SB 75 provides \$3 million to the California Health Facilities Financing Authority (CHFFA) for Mental Health Wellness Grants to develop peer respite sites. The funding will be used to expand local resources for development, capital, equipment acquisition and applicable startup or expansion costs to increase bed capacity for peer respite support services. This budget item was supported by the County Behavioral Health Directors Association.

Dental Rate Restorations

The budget restores a 10 percent cut to Denti-Cal dental provider reimbursement rates that were enacted in 2013. The rate restoration is effective July 1, 2015. The budget also reduces the age from three years to one year for county child health and disability prevention programs to refer Medi-Cal eligible children to a participating Denti-Cal provider.

Medi-Cal Copayments

The 2015-16 budget repeals Medi-Cal copayments (\$5 for provider visits, \$3 for prescriptions, and \$100 for each inpatient hospital day) that were enacted by the state at the height of the Great Recession.

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Health Homes

The budget creates a Health Home Program Account within the State Treasury to collect and allocate non-General Fund public or private grant funds for the Health Home Program. Additionally, the Legislature appropriated \$50 million to the Health Home Program Account for implementation of the program.

Coordinated Care Initiative

While the budget is silent on any additional changes to the Coordinated Care Initiative (CCI) beyond the January Budget Proposal's warning that CCI enrollment must increase or the CCI project will be discontinued, the budget passed by the Legislature today extends the date for transitioning the Multipurpose Senior Services Program (MSSP) to managed care plans from 2015 to December 31, 2017. Both the managed care plans and MSSP must meet readiness criteria before the transfer may occur. Should the CCI project become inoperative, then the MSSP transfer to plans would also be reversed.

Needle Exchange Programs

SB 75 authorizes the Department of Public Health to purchase hypodermic needles, syringes, and other supplies for distribution to authorized local needle exchange programs.

AIDS Drug Assistance Program

Further, SB 75 expands the income eligibility for the AIDS Drug Assistance Program (ADAP) from \$50,000 a year to a modified adjusted gross income based on family size and household income of less than 500 percent of the Federal Poverty Level (FPL). No payments would be required for a person whose modified adjusted gross income is less than four times the FPL. The 2015 FPL is for a single person is \$11,770.

AIDS Prevention

The budget requires the state Department of Public Health to establish a Pre-Exposure Prophylaxis (PrEP) Navigator Services Program, which would provide grant funding to local health departments and community-based organizations for outreach and prevention services for those at high risk for contracting HIV.

Hepatitis C Prevention

The budget also establishes a 3-year Hepatitis C Linkage to Care demonstration project to provide outreach, screening, and linkage to services for those vulnerable to Hepatitis

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C infection and underserved areas at risk for the disease. Local health departments and community-based organizations would be eligible for the funds.

HUMAN SERVICES

County Medi-Cal Eligibility

The 2015-16 budget includes \$150 million for county Medi-Cal administration duties as well as an additional \$31 million General Fund to bring the total proposed Medi-Cal County Administration funding for 2015-16 to about \$245 million (all funds). The additional \$31 million in funding utilizes unused current-year funding associated with CalFresh Caseload. In addition, the Conference Committee adopted budget bill language allowing the Department of Finance to augment county eligibility funding during the budget year if additional costs are identified.

On a smaller note, the state suspended the annual Medi-Cal eligibility cost of doing business adjustment for the seventh year in a row.

Approved Relative Caregiver Funding Option Program (ARC)

The ARC program was enacted last year, and this year's budget includes a current year augmentation of \$15 million and not less than \$30 million in 2015-16. The budget also contains critical technical cleanup language to assist counties in implementing the program at the local level. Clean up includes allowing ARC children to also qualify for CalWORKs grant funding, specifying that the county with payment responsibility – or court jurisdiction for the child – is responsible for CalWORKs grant payments (as is the practice in the foster care system), and waiving some CalWORKs eligibility work for foster children. It also includes retroactive eligibility for foster children who are also eligible for CalWORKs grants back to January 1, 2015.

On the funding side, the technical cleanup also makes it clear that each participating county's base caseload of ARC program participants will be fully funded and creates a mechanism by which future annual state funding for the program is determined. Under this mechanism, the annual funding for the program must not be less than \$30 million.

Earned Income Tax Credit

The 2015-16 budget included the Governor's proposed Earned Income Tax Credit (EITC), which CSAC supported. The Governor proposed a new \$380 million (EITC) to assist working Californians at the lowest rungs of the economic ladder; the final budget bill also included language indicating the Legislature's intent to increase the allocation

ACTION

amount in the future. The Governor estimates that this new tax credit will assist 2 million residents/825,000 families and slide up or down based on the number of dependents in a household. Those with less than \$6,580 in income with no dependents and up to \$13,870 with three or more dependents will qualify and may receive \$460 to \$2,653 annually. The CSAC Women’s Leadership Forum, the CSAC Poverty Working Group, and the CSAC Health and Human Services Policy Committee all voted to support the EITC.

2011 Realignment Technical Clean-up

SB 79 includes technical clean-up to eliminate the “swap” of sales tax and vehicle license fee revenues between the Health and Social Services Subaccounts. It also further deletes obsolete language and allows the State Controller to make annual deposits versus monthly deposits as done in current practice. SB 79 also allows counties to submit fund disbursement reports annually rather than quarterly. CSAC and county affiliates worked closely with the Department of Finance and Legislature on this technical language.

A detailed summary of statewide estimates for 2011 Realignment is included in the appendix of this Budget Action Bulletin.

Human Trafficking

The General Government budget bill (SB 84) established a Human Trafficking Victims Assistance Fund within the Office of Emergency Services. Grants from the new fund may go to qualified nonprofit organizations to provide direct services to victims of human trafficking. It is not clear at the time of this writing how much will be appropriated to the Fund initially.

Housing Support Program

SB 79 includes a \$35 million appropriation for the CalWORKs housing support program for counties. While the \$35 million in 2015-16 is less than CSAC and the County Welfare Directors Association’s \$30 million augmentation request, counties are pleased with the \$15 million augmentation to the Governor’s May Revision. The budget also makes changes to the provisions of the housing support program by allowing recipients who would have previously been discontinued because they no longer met the income eligibility requirement to continue to receive housing support services under certain circumstances. The Housing Support Program, even its first year, has been very

successful and CSAC will continue to work with county affiliates and other stakeholders to expand the program's reach and funding.

In-Home Supportive Services

The budget appropriates \$226 million from the General Fund to restore the 7 percent reduction of IHSS service hours in 2015-16. Funding for future years will likely be contingent upon the Managed Care Organizations (MCO) tax. The 2015-16 budget does not implement overtime for IHSS workers and likely will not unless the federal courts move on the issue.

Adult Protective Services

The budget provides one full-time position at the Department of Social Services to assist counties in the operation of the Adult Protective Services system.

Community Care Licensing

SB 79 increases frequency in which the Department of Social Services conducts inspections of licensed community care facilities. Current law requires inspections to occur once every five years. This bill would increase frequency based on facility type, but would continue random inspections of at least 30 percent of all facilities annually.

- *Child care facilities* would be inspected once every three years.
- *Children's residential care facilities* would be inspected every three years and should phase in inspections every two years in 2018.
- *Adult and senior care facilities* would be inspected every three years and would phase in two-year inspections in 2018 and annual inspections by 2019.

CalFresh Reporting

The 2015-16 budget updates the change-reporting requirements for CalFresh recipients. Current law requires CalFresh recipients to report changes at the time they occur. This budget will delete those requirements and instead require changes to be reported annually during CalFresh eligibility redeterminations.

Federal Immigration Assistance

SB 79 requires the Department of Social Services to provide grants to non-profit organizations to assist with the application process for those eligible for the Deferred Action for Childhood Arrivals (DACA) and Deferred Action for Parents of Americans (DAPA), starting January 1, 2015.

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Child Care

The budget provisions related to child care are included in SB 97 (budget bill) and AB 104 (K-12 Omnibus). While there had been several proposals on child care structure and funding heard in the last few weeks, the final package is largely funded with Proposition 98 dollars and does not include collective bargaining for child care workers.

- *Slots.* SB 97 provides funding for \$5,830 full-day slots and 1,200 non-local educational agency full-day slots, starting January 1, 2016. Also, effective July 1, 2015, it provides funding for 6,800 voucher slots.
- *Reimbursement.* AB 104 provides a 5 percent increase to the Standard Reimbursement Rate (SRR) (\$61 million funded in AB 123) and establishes a full-day state preschool rate for the SRR effective July 1, 2015. Effective October 1, 2015, the budget increases the family child care home rate from 60 to 65 percent (\$18m funded by AB 123), for license-exempt child care providers and increases the regional market rate for all counties by 4.5 percent (\$44 million funded in AB 123). It also establishes income eligibility limits for state-subsidized child care at 70 percent of the state median income.
- *San Francisco Pilot Program.* AB 104 removes the sunset date for the San Francisco Individualized child care subsidy pilot program and instead extends the program indefinitely.
- *Stakeholder Group.* AB 104 also requires the Department of Education to convene a stakeholder group to examine CalWORKs Stage 2 and Stage 3 child care programs and the Alternative Payment program.

Medi-Cal Outreach Grants

The budget continues the Medi-Cal and Affordable Care Act enrollment assistance outreach payments to counties to then pass to community based organizations. DHCS is required to make payments for applicants submitted through June 30, 2015 that result in approved applications. The budget also requires that any remaining funds be allocated to county outreach and enrollment grants, which also must be distributed to community-based organizations. The budget grants counties the authority to retain up to 10 percent of the grants for county administrative costs. The initial allocations will be made by January 1, 2016, with the final allocation being no later than June 30, 2016.

Workforce Development

AB 104 includes budget provisions related to workforce development:

ACTION

- *Adult Education.* The budget establishes the Adult Education Block Grant program to provide education through regional consortia.
- *Career Technical Education.* The budget provides \$400 million for the Career Technical Education Incentive Grant Program in FY 2015-16, \$300 million in 2016-17 and \$200 million in 2017-18.

1991 REALIGNMENT FUNDING

A detailed summary of statewide estimates for 1991 Realignment is included in the appendix of this Budget Action Bulletin.

HOUSING, LAND USE AND TRANSPORTATION

The 2015-16 budget package presented to the Governor was largely silent on local transportation funding needs, with the exception of programs funded through cap and trade auction process (please see Agriculture, Environment and Natural Resources section).

CSAC continues to support legislative efforts to determine comprehensive interim and long-term funding solutions that invest in both the state and local systems, including the solutions offered by Senate Bill 16 (Beall). The substantive transportation funding negotiations will take place during the Transportation Special Session, called into session for the first time earlier today. The Governor’s [press release](#) included the following language on the special session:

“Fixing California Roads, Highways and Other Infrastructure: Caltrans, the state’s Transportation Department, maintains 50,000 lane-miles of highway and nearly 13,000 state-owned bridges. While the repair, maintenance and efficient operation of the state’s highway system are vital to the state’s continued economic growth, current funding fails to adequately fund this necessary work. The state’s current fuel excise tax is sufficient to fund only \$2.3 billion of work—leaving \$5.7 billion in unfunded repairs each year.

The Governor proposes that the Legislature enact permanent and sustainable funding to maintain and repair the state’s transportation and critical infrastructure, improve the state’s key trade corridors and *complement local infrastructure efforts* [emphasis added].”



June 10, 2015

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The Honorable Mark Leno, Chair
Senate Committee on Budget and Fiscal Review
State Capitol Building, Room 5100
Sacramento, CA 95814

Re: Governor's Proposed Earned Income Tax Credit

Dear Senator Leno:

The California State Association of Counties (CSAC) is pleased to SUPPORT the Governor's proposal to implement a new \$380 million state Earned Income Tax Credit (EITC) to assist working Californians at the lowest rungs of the economic ladder. We commend the Joint Conference Committee on the Budget for also approving this proposal.

According to the 2010 Census, 16.3 percent of Californians live at or below the federal poverty level. This number jumps to 23.5 percent of Californians when using an expanded federal poverty level measure that includes basic needs such as clothing, housing, and utilities.

Poverty has a large impact on some of our most vulnerable populations, including children. One-third of the 6 million impoverished Californians are children, and 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 Governor estimates that this new tax credit will assist 2 million residents or 825,000 families and slide up or down based on the number of dependents in a household. Those with less than \$6,580 in income with no dependents and up to \$13,870 with three or more dependents will qualify and may receive a tax credit of between \$460 to \$2,653 annually.

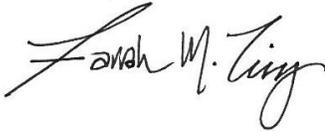
Additionally, the joint Budget Conference Committee approved the inclusion of the \$380 million EITC in the state budget, and added language to indicate that it is the Legislature's intent to increase the allocation amount in the future.

California would not be the first to implement a state-level EITC. In fact, twenty-five states, local governments and federal districts, including the District of Columbia, New York City and Montgomery County, Maryland currently provide some form of an EITC in varying amounts.

California's counties are the front line California's provision human assistance, behavioral health, and health care systems, serving as the community's link between state and federal policies and the delivery of critical poverty reduction services. We appreciate both the Governor including an EITC proposal in his May Revision and the actions taken by the joint Budget Conference Committee to forward this proposal to the full Legislature.

Counties SUPPORT the Governor's EITC proposal and the Conference Committee's action on creating a new state EITC. If you have additional questions about our position, I can be reached at fmcdaid@counties.org or (916) 650-8110. Thank you.

Sincerely,



Farrah McDaid Ting
Legislative Representative

cc: Honorable Members, Senate Budget and Fiscal Review Committee
The Honorable Kevin de León, President Pro Tempore, California State Senate
Jennifer Troia, Office of President Pro Tempore de León
Chantele Denny, Senate Budget and Fiscal Review Committee
Samantha Lui, Senate Budget and Fiscal Review Committee, Subcommittee 3
Julie Souliere, Assembly Republican Fiscal Office
Donna Campbell, Office of the Governor
Keely Bosler, Capitol Office, Department of Finance
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July 28, 2015

TO: CSAC Poverty Working Group

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

Re: *United Ways of California Report: Struggling to Get By: The Real Cost Measure in California 2015*

Background. The United Ways of California released “Struggling to Get By: The Real Cost Measure in California 2015” in early July, and subsequently received a significant amount of media and news coverage for the report’s startling findings, including:

- 1 in 3 households in California, more than 3.2 million families—including those with income well above the Federal Poverty Level—struggle every month to meet basic needs.
- Just over one-half of households with children under the age of six (51%) fall below the Real Cost Measure.
- Struggling householders spend over 50% of their income on housing, and families living below the Federal Poverty Level can spend as much as 80% of their income on housing.
- Two full-time, minimum wage jobs are not enough to sustain a family of four. Yet, two-person, two-child households with two full-time, minimum wage earners earn \$33,280 in gross income still fall below the Real Cost Measure by \$10,000 to \$30,000, depending on where they live.

The report uses current data to develop a regional “Real Cost Measure” that reflects the real costs of living for Californians. It is intended to supplement the Federal Poverty Level, a decades-old poverty measure developed by the federal government and often used as the baseline for many public programs.

By creating a more robust real cost measure – especially in a high-cost state like California – the United Ways of California authors hope to shed light on the difficulties faced by average California families.

The report also includes a special section on the needs of the elder population in California and uses an Elder Index to determine that nearly 1 in 3 elders in California (31 percent) are struggling as well.

Attachments:

Sacramento Bee Columnist Dan Walters: *High rate of poverty bites California*
July 18, 2015

Executive Summary of Struggling to Get By: The Real Cost Measure in California 2015 (8 pages)

Resources:

The United Ways of California have developed a robust web page for the report:
<https://www.unitedwaysca.org/realcost>

For interactive maps based on the report, visit
<https://www.unitedwaysca.org/realcost/interactive-maps>

For real cost budgets by region, visit
<https://www.unitedwaysca.org/realcost/real-cost-budgets>

For the Public Data Set, visit
<https://www.unitedwaysca.org/realcost/real-cost-budgets>

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Dan Walters: High rate of poverty bites California

California's official poverty rate isn't bad

Its real poverty rate is among nation's highest

More jobs would be the best cure for malady

BY DAN WALTERS

dwalters@sacbee.com

The Sacramento Bee

July 18, 2015

When the Census Bureau began calculating poverty a half-century ago – as a “war on poverty” became a hot issue in Washington – it devised a rather simple formula.

The [formula](#) defined income that would be counted – excluding non-cash income such as food stamps and housing subsidies – and applied it to a narrow “market basket” of food and other living necessities.

All the data were nationwide, with no adjustments for regional or local differentials.

By the official poverty index, California doesn't fare too badly, with 17 percent of its residents impoverished, a bit above the national rate of 15.9 percent.

However, it's long been recognized that the formula is flawed, not only because it excludes some kinds of income, but because its living costs are incomplete and there is no adjustment for the very wide differences in housing and other costs from state to state and community to community.

Responding to the criticism, the Census Bureau a few years ago promulgated an [alternative method](#) that addressed those deficiencies. And by that formula,

California's poverty rate climbed to 24.3 percent, the nation's highest, due mostly its very high costs of housing.

Subsequently, the [Public Policy Institute of California](#) used a similar method to calculate poverty for the state's 58 counties that revealed wide geographic differences.

Last week, United Ways of California released results of an even more sophisticated, cost-based [study of poverty](#). Its "real cost measure" concluded that 31 percent of California's households "struggle each month to meet basic needs," also with wide variances among ethnic groups and communities.

Fifty-one percent of Latino households are impoverished, United Ways found, and 40 percent of African American families, much higher than whites and Asian Americans.

Local poverty rates ranged from 80 percent in inner-city Los Angeles to 9 percent in the affluent suburbs of Contra Costa County.

The United Ways study focused on housing costs, noting that rents for a two-bedroom housing unit were as much as four times as high in the Bay Area as in some rural communities.

So there it is, still another piece of evidence – as if we needed one – confirming that the "two-tier society" economists and demographers projected for California three decades ago is real.

This stratification occurred as California was evolving into a solidly blue state politically, dominated by liberal politicians who profess concern for the plight of impoverished families.

Their response, generally, has been to advocate more spending for welfare, health care, child care and other public services, and California's array of those programs is among the nation's broadest and least restrictive.

At the same time, however, their policies have – inadvertently – made poverty worse, such as environmental and workforce decrees that make housing construction, utilities and automobile fuel more expensive, discourage creation of good-paying jobs, and neglect work-related education.

We still have one of the nation's highest unemployment rates. While "safety net" services are necessary stopgaps, they shouldn't become permanent lifestyles for able-bodied adults.

If California politicians really want to cure poverty, they should remember that a good job is always the best medicine.

Dan Walters: [916-321-1195](tel:916-321-1195), dwalters@sacbee.com, [@WaltersBee](https://www.instagram.com/WaltersBee)



EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Struggling to Get By seeks to measure the real costs of living in California’s communities and increase awareness and understanding of the hardships families face in meeting them. Among the questions this report seeks to answer are: How many California households do not have enough income to meet their basic needs? How many are led by working adults? What do we know about these households? What do their family configurations look like? What regions and communities struggle more than others? What do income challenges look like across race, ethnicity and gender boundaries?

We find that 1 in 3 households in California, over 3.2 million families—including those with income well above the Federal Poverty Level—struggle every month to meet basic needs.

The Real Cost Measure

The federal government’s official poverty measure vastly understates poverty. Established over 45 years ago, the Federal Poverty Level (FPL) is based primarily on the cost of food, but in the decades since, the costs of housing, transportation, child care, health care and other family necessities have risen far more rapidly than food costs. Further, the FPL neglects regional variations in cost of living, and most Californians live in high-cost areas. (For a primer on poverty measures in California, please see Appendix A). As a result, the true extent of families contending with deprivation is hidden. Many of these hidden poor find they earn too much income to qualify for most supports, yet they still struggle to meet their most basic needs, especially as the costs of housing, health care, and other necessities continue to rise faster than wages.

Struggling to Get By introduces the Real Cost Measure, a basic needs budget approach, to better understand the challenges families face. A basic needs budget approach is intuitive and easy for most people to understand, as it is grounded in a household budget composed of costs all families must address such as food, housing, transportation, child care, out-of-pocket health expenses, and taxes. A basic needs budget approach takes into account different costs of living in different communities and also conveys a better sense of the hardship for families because it invokes the notion of tradeoffs between competing needs—if you have an inadequate level of income, do you sacrifice on food, gas, or child care?

Struggling to Get By explores the Real Cost Measure through different lenses. At the geographic level, we conduct “apples to apples” comparisons among counties, regions and neighborhoods (through public use microdata areas [PUMAs]). We also view the Real Cost Measure taking into account race/ethnicity, gender, nativity, occupational type, marital status, educational attainment, employment status, housing type and more. (We applied the Real Cost Measure to nearly 1,100 housing configurations alone.) For more detail, interactive maps, an interactive dashboard on Real Cost Budgets and a public data set to accompany this report are available at www.unitedwaysca.org/realcost.

Key Findings

Among our key findings are:

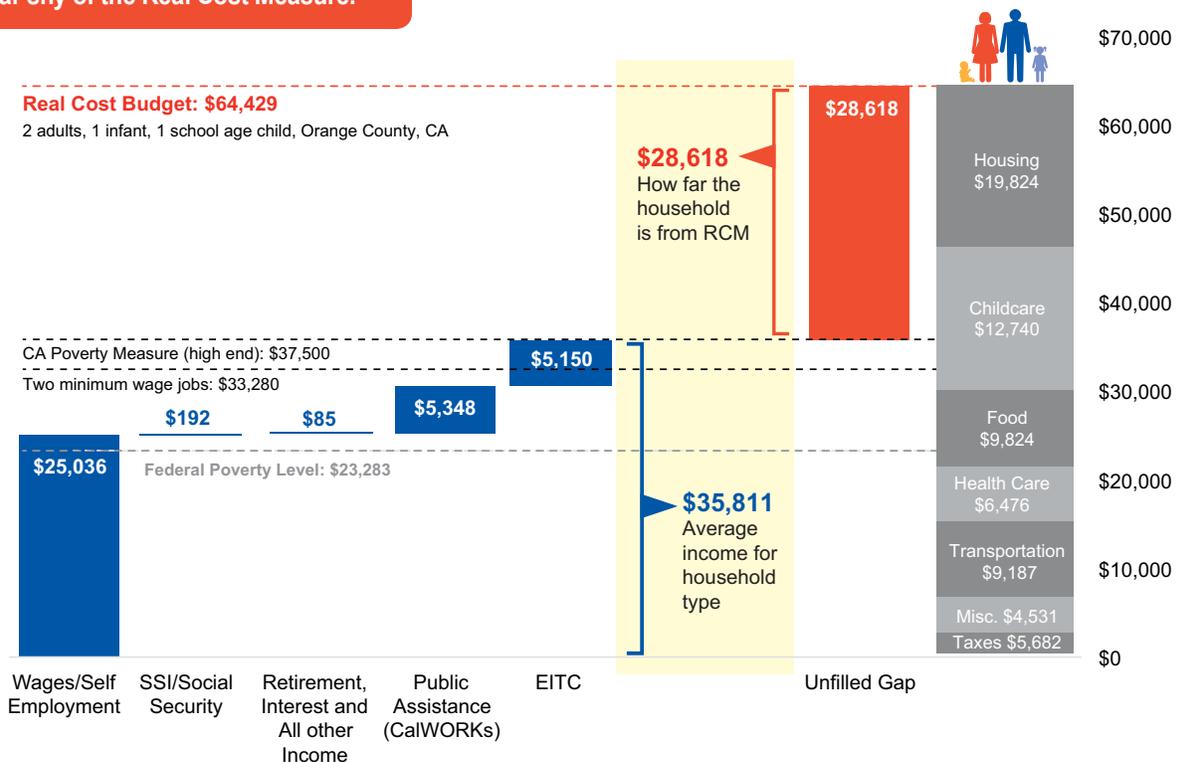
One in Three California Families Lacks Income Adequate to Meet Their Basic Needs

One in three California households (31%) do not have sufficient income to meet their basic costs of living. This is nearly three times the number officially considered poor according to the Federal Poverty Level. Families with inadequate incomes are found throughout California, but are most concentrated in the northern coastal region, the Central Valley, and in the southern metropolitan areas.

The costs for the same family composition in different geographic regions of California also vary widely. In expensive regions such as the San Francisco Bay Area and the Southern California coastal region, the Real Cost Budget, our monthly budget calculation of what is needed to meet basic needs, can range from 32% to 48% more (depending on family type) than in less expensive counties such as Kern, Tulare, and Kings counties. Nevertheless, incomes in the higher cost regions are also higher, relatively and absolutely, so that the proportions below the Real Cost Measure are generally lower in high-cost than low-cost regions.

INCOME GAP AFTER WAGES AND PUBLIC ASSISTANCE

Even with public assistance, a household with two full-time workers earning minimum wage is far shy of the Real Cost Measure.



Low Incomes Are a Challenge for Families of All Racial Groups

Families falling below the Real Cost Measure reflect California’s diversity. One in five (20%) struggling households are white, so while poverty is often portrayed in our media and culture as primarily a problem for minorities, the reality is that families of all ethnicities struggle.

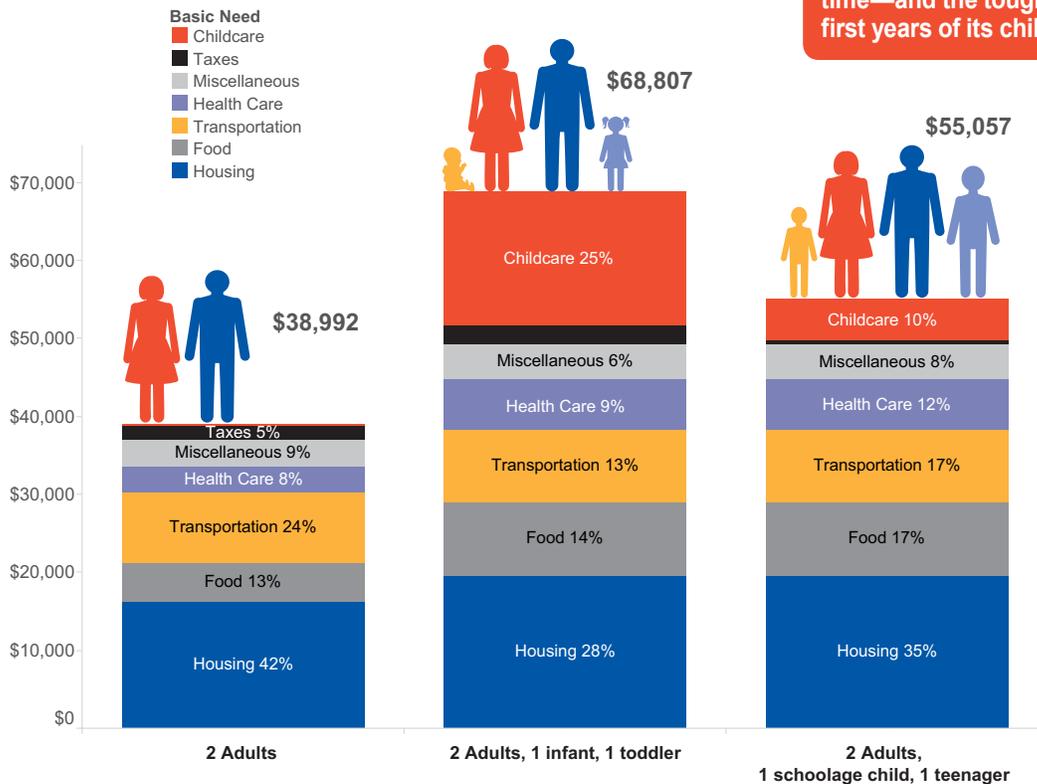
Households led by people of color, particularly Latinos, disproportionately are likely to have inadequate incomes. Half (51%) of Latino households have incomes below the Real Cost Measure, the highest among all racial groups. Two in five (40%) of African American households have insufficient incomes, followed by other races/ethnicities (35%), Asian Americans (28%), and white households (20%).

Both Native and Foreign-born Householders Have Trouble Getting By

One in four (25%) households led by a person born in the United States has an income below the Real Cost Measure. By contrast, 45% of households led by a person born outside the U.S. have incomes below the Real Cost Measure, and that number rises to 60% when the householder is not a citizen. Latino noncitizens are especially likely to struggle, with 80% below the Real Cost Measure.

HOUSEHOLD BUDGETS CHANGE AS FAMILIES GROW

The budget for a family changes over time—and the toughest time is the first years of its children’s lives.



Households with Children Are At Greater Risk of Not Meeting Their Basic Needs, Especially When Led by Single Mothers

Households headed by single mothers are almost twice as likely to have inadequate income as married couples with children.

- Just over one-half (51%) of low-income households with children under six years of age fall below the Real Cost Measure, and that rate jumps to 76% for single mothers with children under six.
- Nearly 2 in 3 (64%) households maintained by single mothers have incomes below the Real Cost Measure. In contrast, just one-fourth of married couples with children are below the Real Cost Measure.
- Even when employed, single mothers and their children especially struggle: 54% of households headed by employed single mothers—and 44% where the single mother works full time—live below the Real Cost Measure.
- Households with children led by single mothers of color have the highest rates of income below the Real Cost Measure: 75% for Latina single mothers, 69% for African American single mothers, and 62% for Asian single mothers, compared to 45% for white single mothers. Furthermore, households headed by women of color are not only more likely to be below the Real Cost Measure, they are also more likely to be below the Federal Poverty Level.

Education Reduces the Risk of Financial Insecurity, but the Benefits of Education Are Not Equal for All

Householders with less education are much more likely to have incomes below the Real Cost Measure.

- Two-thirds (68%) of householders with less than a high school education have incomes below the Real Cost Measure.
- The rate of struggling households drops quickly as education increases, falling to 13% for those with a college degree or more.
- At every level of education, female householders earn less than male householders.
- The rates of financial instability drop from 88% for single mothers with less than a high school degree to 31% for single mothers with a Bachelor's degree or higher.
- The impact of increased education varies by race. Three in four (77%) African American women without a high school degree are below the measure, but only 19% with at least a Bachelor's are struggling. For white women, 56% with less than a high school degree, and 19% with a Bachelor's are below the Real Cost Measure.

Two points merit greater emphasis: First, women and people of color need more education to achieve the same level of financial stability as white men. Women of color with a Bachelor's or advanced degree fall below the Real Cost Measure at rates equal to white men with some college education (about 20%). Second, in part because of the deep levels of income challenges faced by women and households of color with low levels of

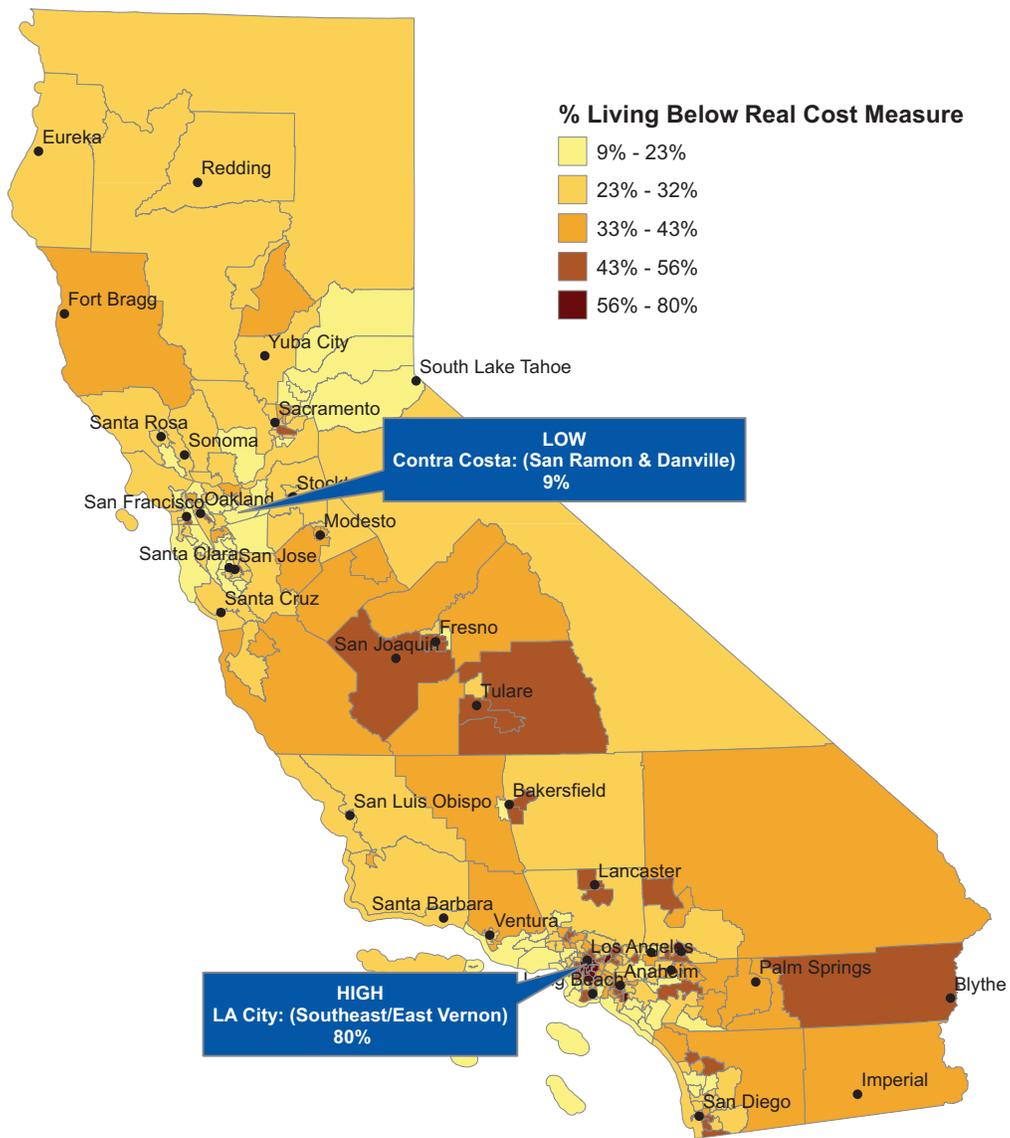
education, increased education nevertheless can make a powerful difference in ensuring greater levels of economic security for these households.

Employment Is Key to Making Ends Meet, But Work Is Not Enough

Although having stable year-round, full-time work is key to income adequacy, it is not a guarantee.

- Of households below the Real Cost Measure, 87% have at least one working adult, and 76% of those are working 48 weeks per year or more.

HOUSEHOLDS BELOW REAL COST MEASURE BY NEIGHBORHOOD CLUSTERS



- One in five (22%) households below the Real Cost Measure have a householder that has year-round, full-time employment.
- Two in five (44%) households headed by single women with children who work full time and year round are below the Real Cost Measure.
- Two full-time, minimum wage jobs are not enough to sustain a family of four. Two-adult, two-child households with two full-time, minimum wage earners earn \$33,280 in gross income yet still fall below the Real Cost Measure by \$10,000 to \$30,000, depending on where they live.

High Housing Costs Are a Major Burden for Struggling Households

Housing costs occupy a disproportionate share of most family budgets in California, but that is particularly true for struggling families.

- Struggling households in California use over half of their income on housing, more than twice as high a share as households living above the Real Cost Measure.
- Households living below the Federal Poverty Level spend a staggering 80% of their income on housing.
- Average costs for a two-bedroom residence in California range from \$584 in Modoc County to \$1,905 in Marin, San Francisco and San Mateo counties.

What Is to Be Done?

Struggling to Get By shows there are far more Californians living in poverty than most people think. Poverty is grossly undercounted across the nation, but especially in California, since most Californians live in high-cost areas. The Real Cost Measure results presented in this report and in the detailed online data sets can enable leaders and advocates to better tailor approaches to help struggling households. Different strategies and resources may be called for depending on how far below the Real Cost Measure a household may be: some families may be drowning, some treading water, others swimming, and still others climbing into their boats and setting course. Below we offer some suggestions for possible levers for change for business, civic, nonprofit and philanthropic leaders and policymakers to consider:

- **Emphasize Education Beyond High School:** The share of households below the Real Cost Measure drops significantly among householders who have some college or a college degree. A household led by a person without a high school diploma is five times more likely to be below the Real Cost Measure than one headed by a college graduate. A substantial number of households would be within striking distance of a college degree if income-based loan repayment and other steps make it more affordable. More “second chance” pathways to get a high school credential and pursue post-secondary education also could give millions a chance to boost their earning power.

- **Focus on Moving Households Up the Pay Scale:** The overwhelming majority of struggling households are already working, but for low pay and often without full-time hours. These struggling households likely would benefit more from a focus on improving their earning power within their current fields and gaining more hours than from strategies aimed at finding employment.
- **Invest in Children:** Households with children, especially young children under 6, and especially such households led by single women, are much more likely to struggle. Dual-generation, or “2Gen” strategies—such as home visitation, pairing child care and early childhood enrichment with educational opportunities for parents, especially single mothers—offer potential to leverage the proven return on investment in early childhood education.
- **Effectively Link Households to Public Assistance:** As much as \$4 billion in public assistance funding for struggling households goes unclaimed every year. Making it easy, almost automatic, for families to access all benefits for which they qualify would yield significant returns for households and would boost local economies.
- **Make Income Supports Available Longer as Families Move Up:** Work supports such as child care assistance, CalFresh, and Medi-Cal can help households below the Real Cost Measure cover basic needs, yet these benefits drop away too soon, well before households get close to the Real Cost Measure. Some strategies to consider include increasing eligibility limits, raising the amount of income and assets that is disregarded when assessing eligibility, and providing money for savings to households to help them transition off public assistance.
- **Help Households Build and Protect Assets:** Helping struggling households save so they can avoid losing their housing or suffering catastrophic debts, and prepare for the day when they can transition off benefits, should be a high priority. Connecting households to accounts at mainstream banks or credit unions would provide a critical foothold on the economic ladder, helping families build credit and avoid the predatory practices of “fringe” financial services like payday lending.
- **Reduce the Effective Cost of Housing:** Housing plays a central role in the fate of struggling households—not just for their financial stability, but also for their educational prospects and health outcomes. Incentivizing property owners with refundable renters’ credits, while also continuing support for building affordable housing or providing housing vouchers, can help thousands of households attain economic security.