CALIFORNIA STATE SENATE

COMMITTEE ON BUDGET AND FISCAL REVIEW

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Human Services: Social Safety Net Programs

February 14, 2018

I. Poverty and Safety Net Programs in California

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Informational Hearing

Human Services: Social Safety Net Programs

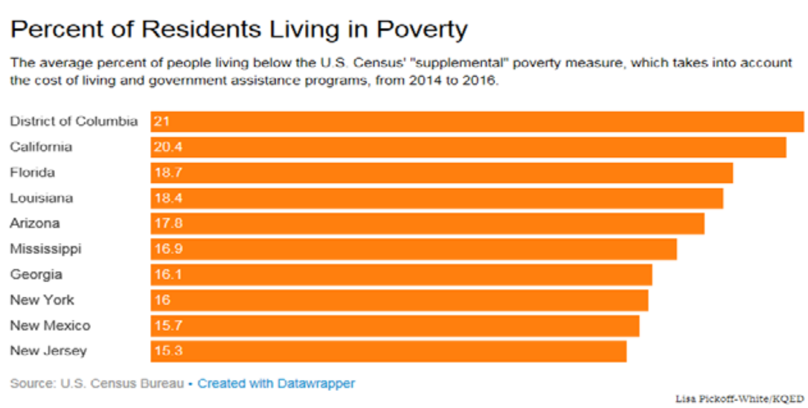
BACKGROUND

INTRODUCTION

This hearing will explore poverty in California, the unique conditions that contribute to poverty in California, and the impacts of poverty on Californians and the state as a whole. It will also examine current human services safety net programs in California, specifically the Supplemental Security Income/State Supplemental Payment (SSI/SSP) Program, CalWORKs, and CalFresh, and how these programs aim to alleviate poverty in California. This hearing looks specifically through a human services lens, and does not discuss MediCal or other health-related programs for low-income Californians. Other programs, like the Earned Income Tax Credit or the Low-Income Home Energy Assistance Program, can also be considered anti-poverty programs, but are not addressed in this hearing either.

POVERTY IN CALIFORNIA

Nearly one in five Californians lives in poverty – close to eight million residents[1]. In 2015, the U.S. Census Bureau and the Bureau of Labor Statistics released its estimates of poverty based on the Supplemental Poverty Measure (SPM), which takes into account the effects of government programs designed to assist low-income families, including refundable tax credits and other in-kind public benefit programs; necessary expenses that may affect family resources, such as out-of-pocket medical expenses and childcare costs; and geographic differences in housing costs.[2] According to the 2015 U.S. Census Bureau figure, California's current official poverty measure is 15 percent; under the SPM, its poverty rate over 2013-2015 averaged 20.6 percent—the highest in the nation except for the District of Columbia. See table below for comparisons.



[1] Public Policy Institute of California. "Just the Facts: Poverty in California." October 2017. http://www.ppic.org/wp-content/uploads/JTF_PovertyJTF.pdf

[2] Trudi Renwick and Liana Fox. "The Supplemental Poverty Measure: 2015." *U.S. Census Bureau, Economics and Statistics Administration.* September 2015. https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-258.pdf

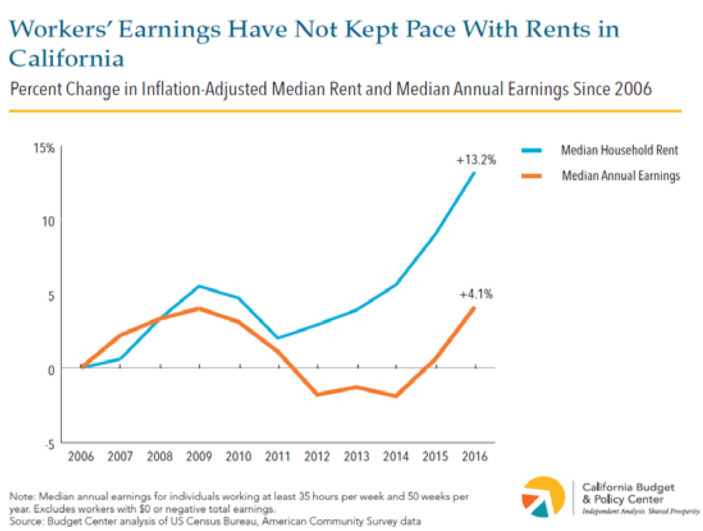
Poverty rates vary significantly across California's counties, due to differences in the cost-of-living. Using the California Poverty Measure (CPM), which accounts for the cost-of-living and a range of family resources, including social safety net benefits, the table below shows the poverty rates across counties. In 2013, Placer County had the lowest poverty rate (13 percent), and Los Angeles had the highest (26 percent).[3]

Poverty rates vary widely across California's counties

County	Poverty rate (%)	County	Poverty rate (%)	County	Poverty rate (%)
Alameda	17.1	Madera	19.2	San Luis Obispo	19.7
Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne	13.4	Marin	16.3	San Mateo	16.6
Butte	21.6	Merced	20.4	Santa Barbara	24.6
Colusa, Glenn, Tehama, Trinity	16.6	Monterey, San Benito	21.1	Santa Clara	16.2
Contra Costa	15.5	Napa	17.0	Santa Cruz	24.8
Del Norte, Lassen, Modoc, Plumas, Siskiyou	16.8	Nevada, Sierra	18.0	Shasta	17.7
El Dorado	13.2	Orange	21.3	Solano	16.1
Fresno	20.4	Placer	13.1	Sonoma	17.6
Humboldt	20.5	Riverside	19.0	Stanislaus	17.6
Imperial	18.8	Sacramento	17.5	Sutter, Yuba	16.3
Kern	18.9	San Bernardino	18.7	Tulare	22.1
Kings	19.0	San Diego	20.4	Ventura	18.6
Lake, Mendocino	22.7	San Francisco	20.7	Yolo	20.0
Los Angeles	24.9	San Joaquin	17.8		

Source: Estimates from the 2013–2015 CPM combined.

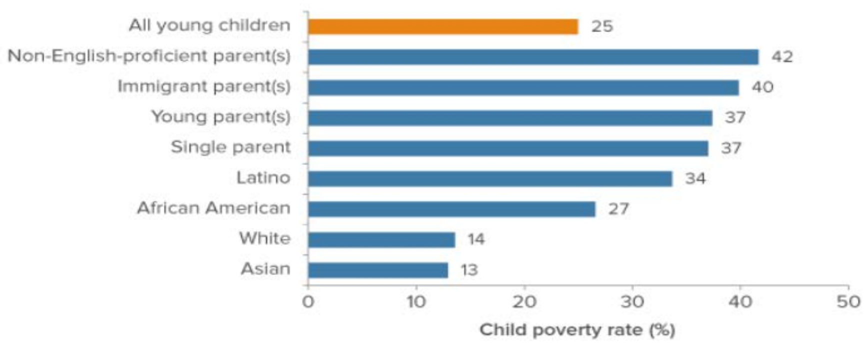
Among the factors that contribute to poverty in California, one of the main reasons is that wages have not kept pace with inflation or the rapidly rising costs of housing. According to a 2015 study by the California Housing Partnership Corporation, California has a shortfall of 1.5 million affordable homes and 13 of the 14 least affordable metropolitan areas in the country. California requires the third-highest wage in the country to assure access to housing, behind just Hawaii and Washington D.C. In the 2017 report "Making Ends Meet," the California Budget and Policy Center found that after adjusting for inflation, the median rent in California has increased by 13.2 percent since 2006, while the median annual earnings for full-time, year-round workers has increased by only 4.1 percent over the same time period. The report also found that in all 58 counties, the annual salary of a full-time minimum wage worker is not sufficient to cover the basic budget for a single-parent family, and further that the combined salary of two full-time minimum wage workers is not enough to cover the basic budget for a two-parent working family.



[3] Public Policy Institute of California. "Just the Facts: Poverty in California." October 2017. http://www.ppic.org/wp-content/uploads/JTF_PovertyJTF.pdf

Children whose parents are less educated and are working part-time or unemployed are more likely to live in poverty[4]. However, most poor families in California have at least one working adult. For poor families with young children ages zero to five, 78 percent of adults work low-wage jobs and 31 percent pay more than half of their income toward housing.

Many Californians living in poverty are among the most vulnerable populations – the elderly, single mothers, and young children. Latinos and African-Americans have higher poverty rates than whites in California.[5] A report by the Kaiser Family Foundation found that 21 percent of Californians age 65 and older live in poverty. One in five single older women lives below the federal poverty line, and 60 percent of all single older women of color are facing economic insecurity.[6] Single mothers are disproportionately represented among those in poverty in California – 92 percent of heads of CalWORKs recipient households are women, and two-thirds of these households are headed by single women.[7] One quarter of young children between the ages of zero and five in California live in poverty.[8] Below is a chart displaying how poverty affects children in various demographics across the state.



SOURCE: Author calculations from the 2011–2014 California Poverty Measure.
NOTES: Statewide poverty rates for young children age 0–5 calculated within the given demographic subgroup.

Families and individuals in poverty experience a high degree of chronic stress. Much of this stress is related to the difficulties of navigating a life of poverty, such as food insecurity and or living in a dangerous neighborhood. This kind of daily stress over a long period of time leads to negative effects like memory impairment and the inability to focus, and has a particularly negative impact on the developing brain in children.

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4 Public Policy Institute of California. "Geography of Child Poverty in California." February 2017. http://www.ppic.org/content/pubs/report/R_0217SBR.pdf

5 Public Policy Institute of California. "Just the Facts: Poverty in California." October 2017. http://www.ppic.org/wp-content/uploads/JTF_PovertyJTF.pdf

6 California Commission on Aging. "Aging, Women and Poverty in California." June 2016. http://www.justiceinaging.org/wp-content/uploads/2016/11/AWIP-Report-published-1-1.pdf

7 Kate Karpilow and Diane Reed. "Understanding CalWORKs: A Primer for Service Providers and Policymakers." April 2010. http://www.phi.org/uploads/application/files/c0d53exiozgdiy3brz168ysvgznc0usx5xah6xs4clek736omr.pdf

8 Public Policy Institute of California. "Geography of Child Poverty in California." February 2017. http://www.ppic.org/content/pubs/report/R_0217SBR.pdf

Various research has established that children who grow up in poverty often perform poorly in academic settings, and have poorer physical and mental health than children from families with higher socioeconomic status. Children growing up in poverty are at higher risk for problems such as developmental delays, behavioral problems, asthma, poor nutrition, low birth weight, and pneumonia.

It is important to distinguish between poverty and deep poverty. Deep poverty is defined as living below half of the federal poverty threshold. For example, this would mean that a single individual under 65 in deep poverty would have an income below $6,243 in 2016, while for a family of four with two children an income of $12,169 would be considered in deep poverty[9]. Research has shown that those living in deep poverty face more of the risks associated with poverty in general. Children who grow up in poverty are more likely to stay impoverished - 40 percent of people born into deep poverty had incomes in the bottom fifth of the income distribution as adults compared to 18 percent of people born into middle-income families.[10] From early on, these children, and later adults, face extended exposure to a poor quality diet, limited options for housing, few chances for educational advancement, and limited access to healthcare.[11] Ultimately, adults living in poverty suffer disproportionately from almost all diseases and experience a higher rate of mortality. The hardships associated with poverty make it more difficult to find work and secure a stable income, compounding the issue.

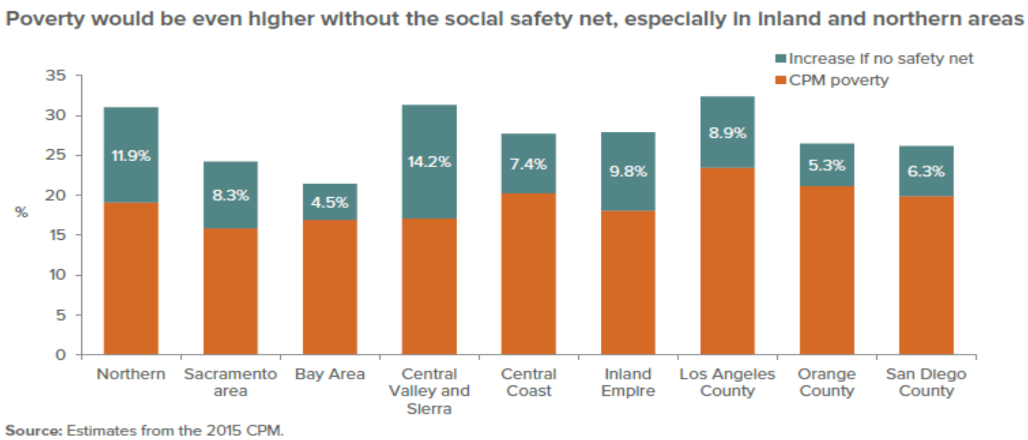
THE ROLE OF SAFETY NET PROGRAMS IN REDUCING AND ALLEVIATING POVERTY

Research has shown that safety net programs can aid those living in poverty significantly. The table on the following page shows, by region, the estimated percentage of individuals who would be in poverty if it weren't for these programs. For example, in Los Angeles County, the poverty rate was at approximately 25.7 percent in 2013. However, if it weren't for existing social safety net programs, the poverty rate would be significantly higher at close to 40 percent. At a larger state level, the Public Policy Institute of California found that in 2015, social safety net programs, in combination with low-income tax programs kept 8.2 percent of Californians out of poverty.

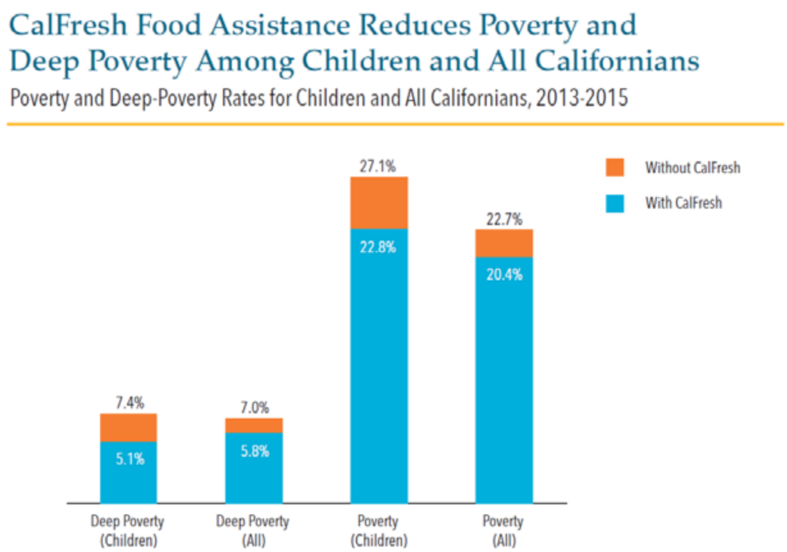
[9] Center for Poverty Research, University of California, Davis. "What is "deep poverty"?" January 2018. https://poverty.ucdavis.edu/faq/what-deep-poverty

[10] National Center for Children in Poverty. "Childhood and Intergenerational Poverty: The Long-Term Consequences of Growing Up Poor." November 2009. https://academiccommons.columbia.edu/catalog/ac:126233

[11] California Commission on Aging. "Aging, Women and Poverty in California." June 2016. http://www.justiceinaging.org/wp-content/uploads/2016/11/AWIP-Report-published-1-1.pdf



The chart below from the California Budget and Policy Center illustrates how even just one program, in this case CalFresh, can keep families from falling below the poverty line.



Poverty has negative consequences not only for those living in poverty but for the state as a whole. By reducing poverty, safety net programs can also benefit the economy of the state. As previously mentioned, children growing up in poverty are much more likely to have low earnings as adults, which negatively effects the workforce.[12] A report by the Center for American Progress found that nationally, each year, childhood poverty: 1) reduces productivity and economic output by about 1.3 percent of gross domestic products (GDP); 2) raises the costs of crime by 1.3 percent of GDP; and 3) raises health expenditures and reduces the value of health by 1.2 percent of GDP. The report emphasizes that these estimates likely underestimate the true costs of poverty to the economy.

[12] Center for American Progress. "The Economic Costs of Poverty in the United States." January 2007. https://cdn.americanprogress.org/wp-content/uploads/issues/2007/01/pdf/poverty_report.pdf

CALIFORNIA SAFETY NET PROGRAMS

California has several programs, funded both out of the state General Fund and various federal and county funding streams, aimed at alleviating poverty in different populations through a human services lens.

Supplemental Security Income/State Supplemental Payment (SSI/SSP)

The SSI/SSP programs provide cash assistance to around 1.3 million Californians, who are aged 65 or older (28 percent), are blind (one percent), or have disabilities (71 percent), and in each case meet federal income and resource limits. A qualified SSI recipient is automatically qualified for SSP. SSI grants are 100 percent federally funded. The state pays SSP, which augments the federal benefit.
The federal government has established a maintenance-of-effort (MOE) for the amount of SSP paid by California. The current SSP grant for individuals and couples is the state's March 1983 payment level. Violating this MOE would risk all of the state's Medicaid funding. In addition, California's SSI/SSP beneficiaries are ineligible for CalFresh benefits, due to the state's "cash-out" policy.

The 2018-19 budget proposes $11.2 billion total funds ($2.8 billion General Fund) for SSI/SSP. These costs also include the Cash Assistance Program for Immigrants (CAPI) and the California Veterans Cash Benefits Program (CVCB).

California Work Opportunities and Responsibilities to Kids (CalWORKs)

CalWORKs is the state's version of the federal Temporary Assistance for Needy Families (TANF) program, which provides cash assistance and welfare-to-work services to eligible low-income families with children.

CalWORKs is funded through a combination of the federal TANF block grant, the state General Fund (including the Single Allocation, which funds employment services, eligibility, administration, and Stage 1 Child Care), other various funding allocations from the state, realignment funds (including the Child Poverty and Family Supplemental Subaccount, which funds Maximum Aid Payment (MAP) increases, and the repeal of the Maximum Family Grant (MFG) rule), and other county funds. The 2018-19 budget includes $5.1 billion in federal, state and local funds for the program, and estimates an average monthly caseload of 401,000 (a decline of 11 percent from the previous estimate).

Adults eligible for CalWORKs are subject to a lifetime limit of 48 months of assistance. Unless exempt for reasons, such as disability or caregiving for an ill family member, adults must participate in work and other welfare-to-work (for example, educational) activities. Effective January 1, 2013, clients are under the 24-month clock, which provides 24 months of additional flexibility around how to meet work requirements, but after the initial 24-months, imposes stricter work requirements to receive assistance and a limit on the number of recipients who can.

In more than half of CalWORKs cases (called "child-only" cases), the state provides cash assistance on behalf of children only and does not provide adults with cash aid or welfare-to-work services. There is no time limit on aid for minors.

The program also offers various supportive services, including child care, subsidized employment, and housing support and homeless assistance. For clients who are experiencing a crisis and on the 24-month time clock, Family Stabilization funds can be used flexibly to aid families during this time.

CalFresh

CalFresh is California's name for the national Supplemental Nutrition Assistance Program (SNAP). As the largest food assistance program in the nation, SNAP aims to prevent hunger and to improve nutrition and health by helping low-income households buy the food they need for a nutritionally adequate diet. CalFresh households, except those with a member who is aged or has a disability, or where all members receive cash assistance, must meet gross and net income tests.

CalFresh benefits are provided on electronic benefit transfer (EBT) cards, and participants may use them to purchase food at participating retailers, including most grocery stores, convenience stores, and farmers' markets.

CalFresh food benefits are funded nearly exclusively by the federal government. Californians are expected to receive approximately $7 billion (all federal funds) in CalFresh benefits in 2018-19. The Governor's budget includes $1.8 billion ($625.9 million General Fund) for CalFresh administration in 2017-18. The CalFresh caseload is projected to serve 1.8 million households in 2018-19.

Since 1997, California has also funded the California Food Assistance Program (CFAP), a corresponding program for legal permanent non-citizens, who are ineligible for federal nutrition assistance due to their immigration status.

GRANT LEVELS

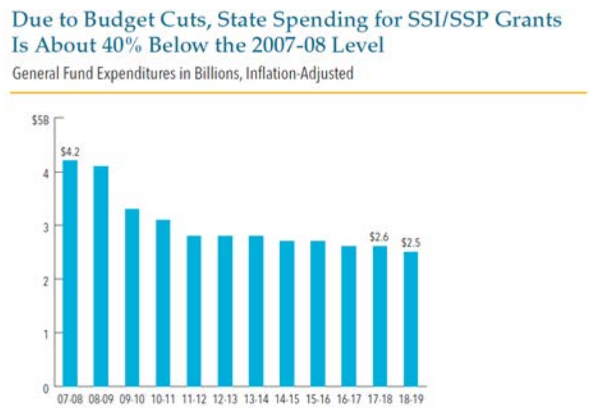
The chart below summarizes average grant levels in the programs discussed in the previous section, as compared to ten years ago.

Program	2018-19 Average Monthly Grant Level	2008-09 Average Monthly Grant Level
SSI/SSP		
- *Individual*	$910	$907
- *Couple*	$1532	$1579
CalWORKs		
- *Family of 3*	$714	$723
CalFresh		
- *Per individual*	$138	$120
- *Per household*	$287	$293

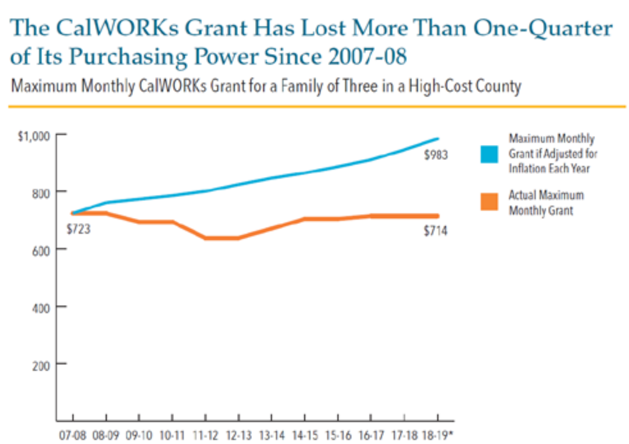
*Grant levels in each program can vary depending on the size of the family or household.

In 2009, the recession had hit and California was in the midst of a budget crisis. In order to help close budget gaps, cuts were made to many health and human services programs, particularly SSI/SSP and CalWORKs. Now, almost a decade later, many of these budget and program cuts have yet to be restored. Many of these programs have not seen a sizable increase in grant levels for quite some time. All of these programs have not kept up with inflation or the rising costs of housing in California.

The federal SSI and grant payments for SSI/SSP recipients are adjusted for inflation each January through cost-of-living adjustments (COLAs). The state COLA for the SSP grant was suspended periodically throughout the 1990s and into the 2000s, and was permanently repealed in 2011 through statute. However, in 2016-17, the Administration proposed and the Legislature approved a one-time SSP COLA of 2.76 percent. This added approximately $4.63 per month for individuals and $11.73 per month for couples. SSP grants were reduced to the minimum federally required level in 2009-10 for couples and 2011-12 for individuals. The chart below demonstrates just how far state spending the SSI/SSP grants have fallen since the recession.



In CalWORKs, grant levels used to keep pace with the federal poverty level, but the COLA was eliminated and grants were reduced by four percent in 2009, and grants were further reduced by eight percent in 2010. These grants were partially restored in five percent increments in March and April 2014. However, grant levels still remain well below the federal poverty level. A consequence of this is CalWORKs grants have lost close to a quarter of their purchasing power since the recession, as the chart below illustrates.



Other policy changes in the CalWORKs program have made it more difficult for families on the program; for example, the reduction of the 60-month lifetime limit for adults to 48 months.

In CalFresh, grants have remained relatively the same over time; although the program did not see the large cuts of the recession, the grants have not grown. Additionally, some federally driven policies have made the program more restrictive, such as the 36-month time limit for unemployed childless adults between the ages of 18 and 49 years old, referred to as ABAWDs (Able-Bodied Adult Without Dependents). California has been operating under a waiver of this time limitation because of its high unemployment; however, the waiver expires on August 31, 2018. The expiration of this waiver will likely put hundreds of thousands of individuals at risk for not receiving CalFresh benefits, even with the department working to mitigate this impact.

ISSUES FOR CONSIDERATION

Why were recession-era cuts never fully restored to programs? What has the cost been to the state to continue to allow so many Californians to live in poverty?

When considering changes to safety-net programs, what kinds of policy options are available to the Legislature?

How can we most effectively target state investments towards reducing poverty?

What populations are most at-risk that the Legislature may wish to focus on?

Speaker Biographies for Full Budget Hearing on Human Services: Social Safety Net Programs

Sarah Bohn: Sarah Bohn is a research fellow at the Public Policy Institute of California and the PPIC Higher Education Center. A labor economist, she focuses on how policy affects individual and family economic well-being, with particular attention to low-income and vulnerable populations. Her recent research focuses on social safety net policy and job training through public career technical education. She has published research on poverty, income inequality, the workforce skills gap, California's community colleges, and the labor market impact of immigration policy. She holds a Ph.D. in economics from the University of Maryland, College Park.

Marianne Bitler: Marianne Bitler, Ph.D., is a Professor in the Department of Economics at the University of California, Davis; a Research Associate at the National Bureau of Economic Research; and a Research Fellow at IZA. She received her Ph.D. from the Massachusetts Institute of Technology in 1998. Her research focuses on the effects of the US social safety net on poverty, income, human capital, and health; economics of the family; economics of education; and health economics. She is currently serving on a National Academies/Institute of Medicine/Food and Nutrition Board panel that is reviewing the new food packages for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and on a National Academies/CNSTAT panel that is evaluating the revised Survey of Income and Program Participation.

Nari Rhee: Nari Rhee, Ph.D., is Director of the Retirement Security Program at the UC Berkeley Center for Labor Research and Education. Her current research focuses on the retirement crisis facing California and the US in the context of declining pension coverage, and policies to improve the retirement income prospects of low- and middle- wage workers. Before returning to the Labor Center in November 2014, she served for two years as Manager of Research at the National Institute on Retirement Security. She formerly held appointments as a Postdoctoral Scholar, Visiting Scholar, and Associate Academic Specialist at the Labor Center. Dr. Rhee has written on a wide range of issues related to pensions and retirement security, including public pension reform, international pension systems, and retirement plan design. Her analysis of the retirement savings crisis and its racial dimensions has received broad media coverage and informed policy debates at the state and national levels.

Dr. Rhee's previous work engaged a range of issues related to the economic security of low-wage workers, including care work, income inequality, housing affordability, uneven regional development, and labor-community coalition building. She earned a Ph.D. in Geography from UC Berkeley in 2007, an M.A. in Urban Planning from UCLA in 1998, and a B.A. in Anthropology from UC Santa Cruz in 1996.

Speaker Biographies for Full Budget Hearing on Human Services: Social Safety Net Programs

Jeremie Greer: Jeremie Greer is Vice President of Policy & Research at Prosperity Now. In this role, Jeremie oversees Prosperity Now's Federal Policy, State & Local Policy, Applied Research and Racial Wealth Divide teams, which are responsible for developing and executing the organization's policy and research agendas and advocacy strategies.

Previously, Jeremie served as Prosperity Now's Director of Government Affairs. Prior to joining Prosperity Now, he was a Senior Policy Officer at the Local Initiatives Support Corporation where he led LISC policy advocacy on an array of federal issues including public housing, workforce development, asset building, green development, community service, smart growth, transportation and community safety. Jeremie also spent time at the United States Government Accountability Office (GAO), where he provided non-partisan and fact-based federal policy analysis to the United States Congress in the areas of housing, community development, workforce, education, human services and environmental protection. He began his career at the community level working in the Columbia Heights and Shaw neighborhoods in the District of Columbia where he provided capacity building and technical support to small community-based organizations to help enhance their ability to serve low- and moderate-income D.C. residents.

Jeremie has a Bachelor's of Social Work from the University of St. Thomas in St. Paul, MN, and a Master's of Public Policy from George Mason University in Fairfax, VA.

Alissa Anderson: Alissa Anderson initially joined the Budget Center in 2005 and served the organization for nearly eight years analyzing trends in California's labor market. After a year hiatus, Alissa rejoined the organization in 2014, focusing on state strategies for reducing poverty. Prior to joining the Budget Center, Alissa worked for several years as a researcher in the Education Policy Center at the Urban Institute in Washington, DC, and conducted research for various organizations including the Los Angeles Alliance for a New Economy. She holds a master's degree in urban planning from the University of California, Los Angeles, and a bachelor's degree in sociology from Bryn Mawr College.