

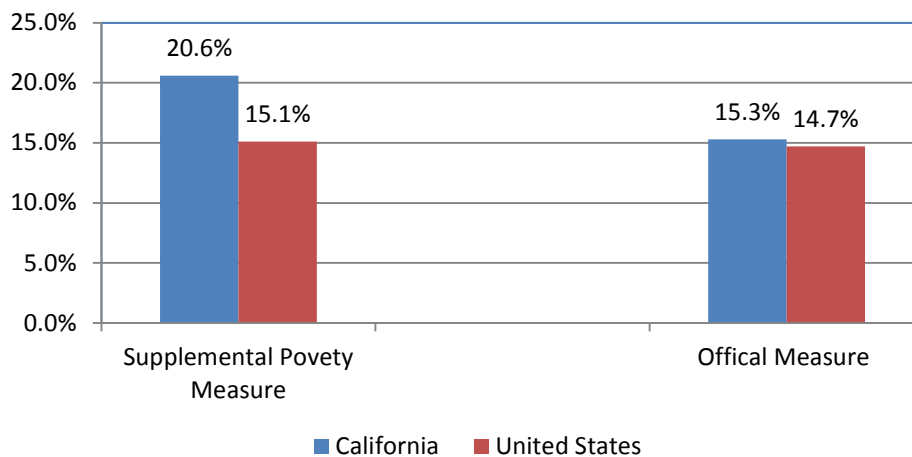
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Why is California's Poverty Rate Above the National Average?

The Census Bureau now produces two main poverty—the official poverty measure that has been in use for decades and a new supplemental poverty measure that includes more items than the official measure and adjusts poverty thresholds for geographic differences in the cost of living. Both measures are based on data collected in the annual American Community Survey and sources for definitions and more data are at the end of this brief.

California Poverty Rates are Above Average on Both Measures

Comparison of State and U.S. Poverty



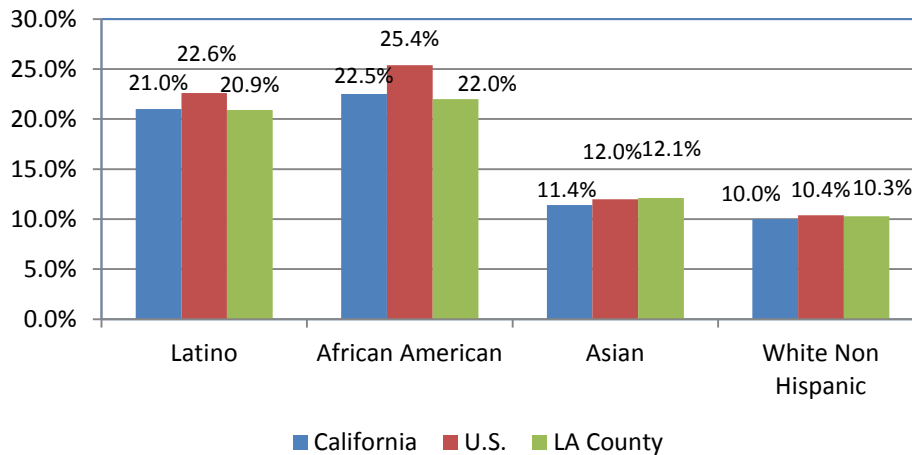
On the official measure California ranks 29th among states slightly above the national average but on the supplemental measure California has the highest poverty rate among states and is only surpassed by the District of Columbia.

It is also true that poverty rates declined in 2015 on both measures. In California the official poverty rate declined from 17.0% in 2012 to 15.3% in 2015 and was a larger decline than the national drop from 15.9% to 14.7%.

Poverty Rates for All Major Ethnic Groups are Below Average

More detail on the official rate uncovers an interesting finding. While California's overall poverty rate is and has been consistently above the national average, the poverty rate for each major ethnic group in California **is below the national average as shown below**. And in three of four groups this result is true for Los Angeles County.

2015 Official Poverty Rates



So looked at another way on the official measure California residents compared to residents in their ethnic group nationally have slightly below average poverty rates.

In either case the good news is that economic growth has reduced the poverty rate and the disappointing news is that after strong job growth recently, poverty rates are still higher than before the last recession.

With regard to the very high California poverty rate on the supplemental poverty measure, the Census Bureau release does not pinpoint the reasons for the state's high poverty rate but other evidence points clearly to high housing costs. Once any measure is adjusted for relative housing costs, California residents are shown to be doing less well than job and income data would otherwise imply.

High poverty rates are not the result of low wages or incomes. California has one of the highest minimum wages in the nation and median and average wages and household incomes are far above the national average. For example in 2015 median household income in California was \$64,500 compared to \$55,775 nationally. The state minimum wage is \$10 and hour and on a course to increase to \$15, a level already in place in some jurisdictions.

Yet wage and income gains have been far outpaced by increases in rents and home prices leaving many residents with less income to spend on other items despite wage gains.

So a measure like the supplemental poverty measure that adjusts for regional cost of living differences will produce a result where poverty rates in California like rents and home prices are at the high end compared to other states.

In this way the addressing continuing high poverty in California requires addressing the housing affordability crisis as well as policies that improve incomes for residents.

Data Sources

Data on the supplemental measure come from **The Supplemental Poverty Measure: 2015 Report P60-258** published by the Census Bureau in September 2016. Data on the official poverty measure comes from **Poverty: 2014 and 2015** report ACSBR/15-01 published by the Census Bureau in September 2016.