Projecting the Demographic Impact of Anti-Poverty Policy Changes Using the California Poverty Measure

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Abstract

This paper will use the California Poverty Measure (CPM) to model the impact of changes in anti-poverty policy on poverty rates and on the demographic profile of California's poor population. The CPM is a measure that mimics the Census' Supplemental Poverty Measure while incorporating additional refinements (e.g. accounting for under-reporting of safety net benefits) as well as modifications to address California's state-specific policy and demographic context. A strength of the CPM is that it allows for modeling of policy changes and, to some extent, behavioral implications. We will use two years of CPM data to examine several policy counterfactual scenarios, projecting the potential impact of a variety of possible anti-poverty policy changes (e.g. introducing a state EITC) or behavioral changes (e.g. full SNAP uptake among all eligible) on poverty rates and demographics. These results have broad implications for policy and demographic research both within and beyond California.

Extended Abstract

The California Poverty Measure (CPM) is part of a national effort to measure poverty in a more comprehensive and locally nuanced way. The CPM is closely modeled on the Supplemental Poverty Measure (SPM), a national poverty measure introduced by the U.S. Census Bureau and Bureau of Labor Statistics in 2011, which seeks to address the many recognized weaknesses of the official federal poverty measure. These weaknesses include a reliance on an outdated formula for setting poverty thresholds, consideration only of pretax cash income, and lack of any adjustment for geographic differences in the cost of living (see Short, 2013). The SPM, in contrast, sets poverty thresholds based on contemporary spending patterns on a core basket of necessities and adjusts those thresholds for geographic differences in the cost of living. It also includes an expanded definition of family resources that includes after-tax income and in-kind benefits, and excludes necessary expenditures such as medical expenses and work and child care expenses. Lastly, it recognizes major changes in family structure that have occurred over the past 50 years, such as the rise in cohabitation, which affects who is deemed to share resources under any definition of poverty.

The California Poverty Measure follows the basic structure of the SPM, while adding some modifications to address the specific demographic and policy context of California, the most populous and one of the most diverse states in the country. An important difference between the SPM and the CPM is that the SPM is constructed in the Census' Current Population Survey, while the CPM is constructed using the American Community Survey. The larger sample size of the ACS allows for calculation of county-level poverty rates within the state as well as adjustment for county-level differences in policy implementation, to obtain a more nuanced profile of California's poor population (Bohn et al., 2013; Wimer et al., 2013).

Like the SPM, the California Poverty Measure utilizes poverty thresholds derived from Consumer Expenditure Survey data on spending on a bundle of basic needs, including food, shelter, clothing, and utilities. As in the SPM, these poverty thresholds are adjusted for geographic differences in the cost of living and for differences in costs for renters versus homeowners with and without mortgages, with a specific California adjustment to account for low costs to long-standing homeowners without mortgages, who do not face the same higher relative cost of living in California compared to renters or owners with mortgages.

These thresholds are then compared to net household resources. As in the SPM, household resources in the CPM are calculated by first summing cash resources plus a host of near-cash transfers, including SNAP (CalFresh in California), housing subsidies, and tax credits including the EITC. An important modification in the CPM is that receipt and amount of government benefits, specifically SNAP and TANF, are adjusted upward utilizing state-specific county-level administrative data, to account for the known problem of substantial underreporting of safety net benefits in household surveys (Meyer and George, 2011; Meyer, Mok, and Sullivan, 2009). The CPM also adjusts for the California-specific SSI food stamps "cash-out" policy, in which SSI recipients are ineligible for SNAP, receiving a $10 supplemental cash payment instead. Another key adjustment in the CPM is that individuals are flagged if their characteristics indicate that they are likely to be undocumented immigrants, and these individuals are excluded from receipt of benefits (although children in the household may be assigned benefits). As California has a substantial undocumented immigrant population, this adjustment is important for creating an accurate profile of the state's poor population (Bohn et al., 2013).

Subsequently, non-discretionary expenses are subtracted from household resources. These expenses include payroll and income taxes, child care and other work-related expenses, and out-of-pocket medical expenses. We use a variety of imputation techniques to account for these expenses, given the lack of information on such expenses in the ACS. Net resources are then compared to the CPM poverty thresholds to determine poverty status (Bohn et al., 2013; Wimer et al., 2013).

Using the CPM to understand the influence of social policy on poverty

A particular strength of the California Poverty Measure, and other measures that follow the structure of the Supplemental Poverty Measure, is that the CPM helps to clarify how social policy influences the

demographics of poverty. Because a range of cash and non-cash government benefits are explicitly incorporated into the calculation of household resources, a measure of the effect of these benefit programs on poverty rates and poverty demographics can be obtained by calculating poverty rates and examining poverty demographics with specific benefits excluded from household resources. Though not fully comprehensive measures of policy impact, as they do not account for the behavioral changes that might result if specific programs were actually eliminated, these counterfactuals are nonetheless informative approximate quantifications of how policies shift poverty demographics and of the potential impact of new policies under consideration.

Prior analysis using the CPM has demonstrated the substantial effect on poverty rates of excluding various benefits from household resources (Bohn et al., 2013; Wimer et al., 2013). Figure 1 shows these effects for all individuals and specific subgroups in California in 2011. The effects of different programs vary by demographic subgroups, with cash-based programs particularly shifting seniors and children out of poverty, while non-cash programs have the largest effect on children (Bohn et al., 2013; Wimer et al., 2013).

Figure 1. The Poverty Reducing Effect of the Safety Net in California by Age Group, 2011
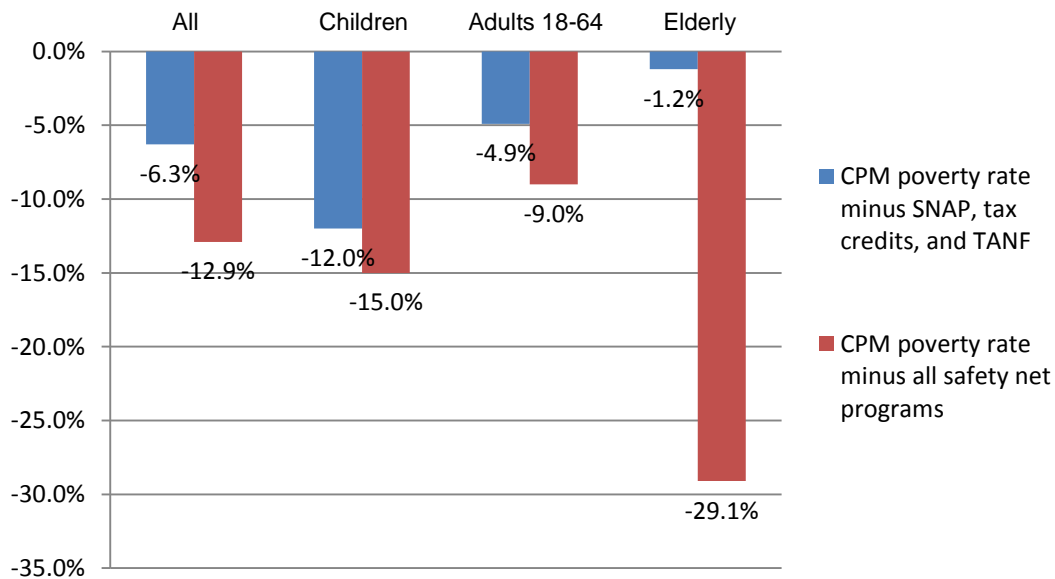
Source: Wimer, et al., 2013.

The current study seeks to take this counterfactual analysis further, by projecting the changes in poverty rates and in the demographic profile of California's poor population if specific changes to social welfare policy were implemented. These analyses will make use of 2011 CPM data released last year and 2012 CPM data which will be released later this fall (the research team submitting this paper is currently finalizing the measure and associated data). These counterfactual estimates will not account for secondary behavioral effects that might result from implemented policy changes, though the CPM research design explicitly incorporates program interactions, so these can be accounted for in policy simulations as well. Four specific types of counterfactuals will be examined to assess how changes in social policies might influence poverty rates among different groups and the overall composition of the poor population in California:

1) Increased take-up of benefits programs among eligible individuals

Currently there is substantial variation in take-up rates for benefits such as SNAP and TANF among eligible families across California counties. This county-level variation parallels the substantial state-level variation in benefit take-up nationally. Prior analysis using the CPM for 2011 shows that SNAP take-up at the county level is positively correlated with poverty-reducing effect of SNAP (Figure 2). This correlation could be driven by many factors including eligibility, access, and economic incentives (such as income relative to benefit amount). This study will shed light on the relative importance of such factors by, in particular, modeling counterfactuals of eligibility and access. Eligibility can be tested directly by re-estimating poverty if all eligible or near-eligible families receive program resources. Access can be examined by re-estimating outcomes if take-up rates in all counties were equal to rates in the highest-take-up counties.

2) Increased generosity of benefits for current recipients

An often-debated anti-poverty strategy is to increase benefit amounts in specific programs without changing eligibility criteria. This can be implemented by federal policymakers or by states, by increasing state-determined benefit levels or providing a state-funded supplement to federally-determined benefits. This study will examine the impact on poverty rates if SNAP or TANF benefits in California were increased by certain increments, if TANF benefits were increased to keep pace with inflation over the past decade, and if California introduced a supplementary state-level EITC.

## 3) Expansion of eligibility for benefits programs

As noted above, California has a large immigrant population, including a substantial population of undocumented immigrants, who are ineligible for most means-tested cash and near-cash benefits. Thus this study will examine how poverty rates would change if safety net benefits – e.g. SNAP, TANF, housing subsidies, and EITC – were extended to undocumented immigrants. The potential effect on poverty of extending Medicaid to undocumented immigrants in California – via changes in medical out-of-pocket expenses – will also be modeled.

4) Expansion of rationed benefit programs

Finally, the effect of expanding benefit programs that are currently rationed will be examined. The federally-funded housing subsidy program is notoriously oversubscribed, with years-long wait lists in most areas. At the same time, prior analysis using the CPM shows that high housing costs are an important driver of poverty in many parts of California (Bohn et al., 2013). Thus this study will examine the effect on poverty rates if all eligible households received housing subsidies. Subsidized child care is another highly rationed program in California, with many eligible households unable to access benefits (Barnett et al., 2013). This study will examine the effect on poverty rates of expanding child care subsidies to reach all income-eligible working parents.

For each counterfactual, we will consider the simulated effect on poverty rates of children, working-age adults, and seniors, as well as on the proportion of the working and non-working population in poverty. We will

Figure 2. Impact of SNAP on County-level CPM Poverty Rates, 2011
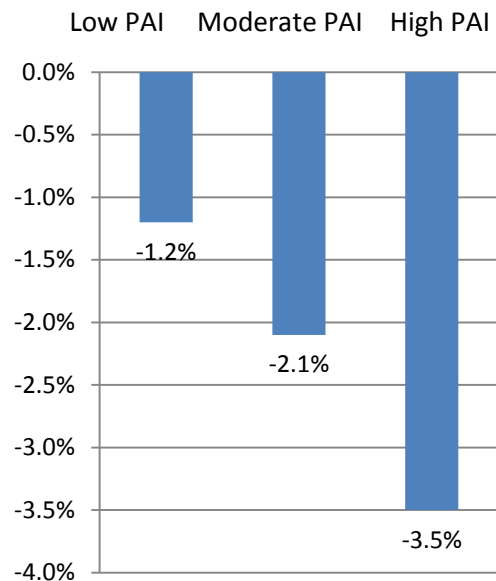
Source: Wimer, et al, 2013.
PAI = Program Access Index, a county-level measure of the percentage of eligible households participating in SNAP, developed by California Food Policy Advocates

also examine the resulting overall demographic profile of the poor population in terms of age, household composition, race/ethnicity, and immigrant status. In addition, we will examine the simulated effects of each counterfactual on near poverty (150 percent of CPM) and deep poverty (less than 50 percent of CPM).

This study has important implications for both research and policy. It will provide a better understanding of the potential demographic impact of a variety of social policy reforms that have been considered or proposed in California and elsewhere, with potential secondary effects on a variety of social systems and population dynamics. The results will also inform the social policy debate in California specifically, while informing policy discussions more broadly as the demographics of the United States continue to shift to become more similar to California's current diversity.

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