Understanding Poverty Measures Used to Assess Economic Well-Being in California

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CALIFORNIA WELFARE DIRECTORS ASSOCIATION
@CalBudgetCenter

ANNUAL CONFERENCE
October 16, 2019
Key Themes

What are different approaches to measuring poverty in California that can be used to inform policy and practice?

- Official poverty measure
- Supplemental Poverty Measure
- California Poverty Measure

How do these poverty measures differ?

When should each be used?

How do these measures relate to eligibility for public supports?
Discussion Questions – for Later…

1. What is the most useful idea you have taken from this discussion of different ways of measuring poverty?

2. How do you see these poverty definitions and measures play out in people’s lives or in your work?

3. What are some ways that racial and gender disparities relate to poverty in California?

4. What is missing in this conversation? Are there aspects of poverty or economic insecurity for your community or the community you work with that are overlooked?
Three Major Poverty Measures Compare Family Resources to a Poverty Threshold
Annual Family Resources Compared to a Hypothetical Poverty Threshold

- **Family 1** is in Poverty (Resources Are Below the Poverty Line)
- **Family 2** is not in Poverty (Resources Are Above the Poverty Line)

Poverty Threshold = $20,000
Economic Insecurity Is Often Defined Using the Official Poverty Measure

A family of two adults and two children was poor in 2017 if their cash income was less than $24,858.
California’s Official Poverty Rate Continued to Decline in 2018, but Remains Above Its Pre-Recession Level

Percentage of Californians With Incomes Below the Official Federal Poverty Line

Note: The child poverty rates in 2007 and 2018 are not statistically different.
Source: US Census Bureau, American Community Survey
But What Does It Actually Mean to Be “Poor” Under the Official Poverty Measure?

Where do these numbers come from?
Official Poverty Measure

Poverty threshold is based on 1960s food expenditures
The Supplemental Poverty Measure (SPM) Addresses Many Shortcomings of the Official Poverty Measure
Official Poverty Measure

- Poverty threshold is based on 1960s food expenditures

Supplemental Poverty Measure
Official Poverty Measure

- Poverty threshold is based on 1960s food expenditures

Supplemental Poverty Measure

- Poverty threshold is based on current spending on basic needs
Official Poverty Measure

- Same threshold for all parts of the country

Supplemental Poverty Measure
Official Poverty Measure

• Same threshold for all parts of the country

Supplemental Poverty Measure

• Threshold is adjusted for cost of living in different areas
# Supplemental Poverty Measure Thresholds Are Higher Than the Official Poverty Threshold in Many Areas

## Poverty Thresholds for a Two-Adult, Two-Child Family, 2017

<table>
<thead>
<tr>
<th>Status</th>
<th>San Francisco</th>
<th>Fresno</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Poverty Threshold</td>
<td>$24,858</td>
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</tr>
<tr>
<td>Supplemental Poverty Threshold</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renter</td>
<td>$37,052</td>
<td>$25,902</td>
</tr>
<tr>
<td>Homeowner With Mortgage</td>
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</tr>
<tr>
<td>Homeowner Without Mortgage</td>
<td>$30,513</td>
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Source: US Census Bureau
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Source: US Census Bureau
Official Poverty Measure

- Only counts cash income
- Does not account for non-discretionary expenses

Supplemental Poverty Measure
Official Poverty Measure

- Only counts cash income
- Does not account for non-discretionary expenses

Supplemental Poverty Measure

- Counts cash income plus non-cash benefits like CalFresh and EITC
- Subtracts non-discretionary expenses like child care and medical bills
Official Poverty Measure

- A “family” (poverty unit) only includes individuals related by blood, marriage, or adoption
- Unmarried partners count as separate “families”

Supplemental Poverty Measure
Official Poverty Measure

• A “family” (poverty unit) only includes individuals related by blood, marriage, or adoption
• Unmarried partners count as separate “families”

Supplemental Poverty Measure

• A “family” (poverty unit) includes individuals related by blood, marriage, or adoption as well as unmarried cohabiting partners and their relatives
The California Poverty Measure (CPM) Offers a State-Specific Measure of Poverty
California Poverty Measure

- Modeled after the Supplemental Poverty Measure
- Accounts for state-specific policy context and demographics
- Unlike the SPM, can be used to examine poverty at the sub-state level (e.g., by region or county) and for some demographic subgroups
- Uses county-level poverty thresholds
How Do These Poverty Measures Compare for an Individual Family?

Let’s walk through an example.
Family Example: Resources for a Family Receiving Wages, Tax Credits, and Food Assistance

Gross Family Resources Under the Official, Supplemental, and California Poverty Measures

- Wages: $22,000
Family Example: Resources for a Family Receiving Wages, Tax Credits, and Food Assistance

Gross Family Resources Under the Official, Supplemental, and California Poverty Measures

Note: Non-cash public supports including tax credits and food assistance are included in family resources under the Supplemental and California Poverty Measures. These non-cash resources are not accounted for under the Official Poverty Measure.
Family Example: Expenses for a Family Paying Payroll Taxes, Child Care, and Other Work Expenses

Counted Expenses Under the Official, Supplemental, and California Poverty Measures

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<th>Official Poverty Measure</th>
<th>Supplemental Poverty Measure</th>
<th>California Poverty Measure</th>
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</thead>
<tbody>
<tr>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
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Family Example: Expenses for a Family Paying Payroll Taxes, Child Care, and Other Work Expenses
Counted Expenses Under the Official, Supplemental, and California Poverty Measures

Note: Non-discretionary expenses including payroll taxes, child care, and other work expenses are subtracted from family resources under the Supplemental and California Poverty Measures. These expenses are not accounted for under the Official Poverty Measure.
Family Example: Threshold for a Single Parent With Two Children Renting in Los Angeles

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<th>Supplemental Poverty Measure</th>
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<tbody>
<tr>
<td>$19,337</td>
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<td>$26,001</td>
<td>$19,337</td>
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Family Example: Final Family Resources Compared to the Poverty Threshold
Poverty Status Under the Official, Supplemental, and California Poverty Measures

Note: Non-discretionary expenses including payroll taxes, child care, and other work expenses are subtracted from resources under the Supplemental and California Poverty Measures. These expenses are not accounted for under the Official Poverty Measure.
Family Example: Final Family Resources Compared to the Poverty Threshold

Poverty Status Under the Official, Supplemental, and California Poverty Measures

**NOT POOR**

- **Official Poverty Measure:** $22,000
- **Net of Counted Expenses:** $19,337

**POOR**

- **Supplemental Poverty Measure:** $21,911
  - **CalFresh:** $19,337
  - **EITC and Child Tax Credit:** $2,574
  - **Wages, Net of Counted Expenses:** $2,574
- **California Poverty Measure:** $21,911
  - **CalFresh:** $19,337
  - **EITC and Child Tax Credit:** $2,574
  - **Wages, Net of Counted Expenses:** $2,574
  - **Poverty Line:** $27,530

**POOR**

- **California Poverty Measure:** $21,911
  - **CalFresh:** $19,337
  - **EITC and Child Tax Credit:** $2,574
  - **Wages, Net of Counted Expenses:** $2,574
  - **Poverty Line:** $26,001

Note: Non-discretionary expenses including payroll taxes, child care, and other work expenses are subtracted from resources under the Supplemental and California Poverty Measures. These expenses are not accounted for under the Official Poverty Measure.
The Picture of Poverty Changes When You Apply the Supplemental or California Poverty Measures...

This is the combined result of accounting for local housing costs, adding non-cash public supports, subtracting non-discretionary expenses, and accounting for modern families.
The Official Poverty Measure Produces a Distorted Picture of Hardship in California

- Poverty is understated in areas with high housing costs.
- Poverty is understated among families that have large expenses for medical care or child care.
- Poverty is overstated among households that receive non-cash public supports like CalFresh, EITC, or housing subsidies.
- Poverty is overstated among families that include unmarried partners.
- Policy changes that expand or shrink the eligibility or generosity of non-cash public supports will not produce any change in the poverty rate or depth of poverty.
California’s Poverty Rate Is Considerably Higher Based on More Comprehensive Measures of Poverty

Supplemental Poverty Rate for California, 2017

<table>
<thead>
<tr>
<th>Measure</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Poverty Measure</td>
<td>12.4%</td>
</tr>
<tr>
<td>Supplemental Poverty Measure</td>
<td>18.1%</td>
</tr>
<tr>
<td>California Poverty Measure</td>
<td>17.8%</td>
</tr>
</tbody>
</table>

Source: Budget Center analysis of US Census Bureau, Current Population Survey data for official and supplemental poverty measures, and Stanford Center on Poverty and Inequality for California Poverty Measure
Poverty Rates Are Much Higher in Many Counties Based on the California Poverty Measure (CPM)

Poverty Rate, 2013-2015

Source: Budget Center analysis of data from Public Policy Institute of California
General Guidelines for When to Use Each Poverty Measure to Understand Poverty Rates and Demographics
## Availability of Poverty Rates and Demographics for Different Measures Depends on Year

<table>
<thead>
<tr>
<th></th>
<th><strong>Official Poverty Measure</strong></th>
<th><strong>Supplemental Poverty Measure</strong></th>
<th><strong>California Poverty Measure</strong></th>
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<tbody>
<tr>
<td></td>
<td>CPS ASEC</td>
<td>ACS</td>
<td>CPS ASEC</td>
</tr>
<tr>
<td>2018</td>
<td>Released Fall 2019</td>
<td>Released Fall 2019</td>
<td>Released Fall 2019</td>
</tr>
<tr>
<td>2017</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2016</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2015</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2014</td>
<td>✓*</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2013</td>
<td>✓</td>
<td>✓</td>
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<td>2007</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>2006</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1959-2005</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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</table>

* Data for 2014 and beyond are not directly comparable to data for prior years due to a change in survey questions.
# Availability of Poverty Rates and Demographics for Different Measures Depends on Level of Geography

<table>
<thead>
<tr>
<th>Level of Geography</th>
<th>Official Poverty Measure</th>
<th>Supplemental Poverty Measure</th>
<th>California Poverty Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>✓ ✓ ✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>State</td>
<td>✓ ✓ ✓</td>
<td>✓</td>
<td>California only</td>
</tr>
<tr>
<td>Metro areas (counties or groups of counties)</td>
<td>✓ ✓ ✓</td>
<td>Thresholds are available, but not rates or demographics</td>
<td>Within California only</td>
</tr>
<tr>
<td>Counties</td>
<td>✓ ✓ ✓</td>
<td>✓</td>
<td>Within California only, with some limitations</td>
</tr>
<tr>
<td>Cities or smaller areas</td>
<td>✓ ✓ ✓</td>
<td>✓</td>
<td>Within California only, with some limitations</td>
</tr>
</tbody>
</table>
In general, when looking at poverty rates and demographics in California it is preferable to use the Supplemental or California measure because they are more accurate than the official measure.

- In particular, the Supplemental or California measure should be used to assess the impact of public policies on poverty.

Between these two measures, it may be preferable to use the California measure because it better accounts for certain California-specific factors. The California measure can also be used to look at poverty rates for groups with smaller populations or for smaller geographic areas.

The official measure is largely useful for analyses related to public programs that rely on the official measure to determine eligibility or funding levels.
The Bottom Line on When to Use Each Poverty Measure

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The official measure is largely useful for analyses related to public programs that rely on the official measure to determine eligibility or funding levels.
Eligibility for Public Supports Is Often Linked to the Official Poverty Measure

Yet the official poverty measure ignores many important factors included in more comprehensive measures.
The Federal Poverty Guidelines Determine Access to Many Public Supports

- Many public programs rely on the **federal poverty guideline**, or a multiple of the guideline (like 138%), to determine whether individuals have incomes low enough to qualify for support and to calculate benefit amounts.
  - The poverty guidelines are simplified versions of the official poverty thresholds.

- However, the poverty guidelines do not account for factors included in the Supplemental and California poverty measures like local differences in cost of living, necessary expenses, and noncash resources.
  - Deductions and allowances sometimes address these factors to some extent.
Could More Comprehensive Poverty Measures Be Used for Program Eligibility?

- The Supplemental and California measures generally have not been used to determine eligibility or benefit amounts for public supports.
  - There could be advantages to using these measures: They account for important factors ignored in the official poverty measure.
  - There could be challenges as well: Calculating poverty status is more complicated with these measures, and it might not be desirable to consider all included resources.
  - Thresholds from these measures could potentially be used with a simpler resource calculation.
Poverty Is Not the Only Way to Think About Economic Security
Official Poverty Thresholds Are Much Less Than the Basic Cost of Living for Families in California
Annual Basic Family Budget for a Single-Parent Family With Two Children, 2017

Note: Assumes one preschool-age and one school-age child and a single parent working full-time. Source: Budget Center Making Ends Meet 2017 analysis and US Census Bureau
Nationally, White Families Are Significantly Wealthier Than All Other Racial and Ethnic Groups Combined

$171,000
White

$103,100
Non-White
Black ($17,600)
Latinx ($20,700)
Other ($64,800)

Note: “Other” category includes respondents identifying as Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other race, and all respondents reporting more than one racial identification.
Other Available Resources

Poverty measurement resources at [calbudgetcenter.org](http://calbudgetcenter.org) include:

- **Recorded webinar**: Understanding Poverty Measures Used to Assess Economic Well-Being in California
- **Full printable report**: Guide to Understanding Poverty Measures Used to Assess Economic Well-Being in California
- **Short guide**: Quick Guide to Using Different Poverty Measures for California
- **Short summary**: Summary of Differences in How Poverty Status is Calculated Under Different Poverty Measures for California
- **Excel file**: Comparison of Official, Supplemental, and California Poverty Measure Thresholds, 2017
Discussion and Breakout
Discussion Questions

1. What is the most useful idea you have taken from this discussion of different ways of measuring poverty?

2. How do you see these poverty definitions and measures play out in people’s lives or in your work?

3. What are some ways that racial and gender disparities relate to poverty in California?

4. What is missing in this conversation? Are there aspects of poverty or economic insecurity for your community or the community you work with that are overlooked?
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skimberlin@calbudgetcenter.org
@skimberCA
ehutchful@calbudgetcenter.org
@esi_hutchful
calbudgetcenter.org
### Which Poverty Measure Should Be Used?

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<th>Question to Be Answered</th>
<th>Which Poverty Measure Should Be Used?</th>
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<tbody>
<tr>
<td>How many Californians struggle with economic insecurity?</td>
<td>Supplemental Poverty Measure or California Poverty Measure. These measures are similar to each other and provide a more accurate picture of economic insecurity than the official poverty measure because they account for differences in cost of living and a more complete range of resources used to meet basic needs.</td>
</tr>
<tr>
<td>How does poverty compare across age groups, family types, or race/ethnic groups in California?</td>
<td>Supplemental Poverty Measure or California Poverty Measure. These measures are similar to each other and provide a more accurate picture of poverty than the official poverty measure. Both can be used to examine poverty among demographic groups. For smaller demographic groups, the California measure may be more useful because it is based on a larger sample which allows for more reliable estimates for smaller groups. The supplemental measure must be used if comparing to the same demographic groups in other states or the US overall.</td>
</tr>
<tr>
<td>How does poverty in California compare to other states or to the US overall?</td>
<td>Supplemental Poverty Measure. This measure provides a more accurate picture of poverty than the official poverty measure, and the data are available for all states and for the US overall (while the California measure data are not).</td>
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<td>What is the poverty rate in a particular region or county in California? How does poverty compare across regions or counties within California?</td>
<td>California Poverty Measure</td>
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<td>This measure provides a more accurate picture of poverty than the official poverty measure, and the data are available at the sub-state level (while the supplemental poverty data are not). Note that for very small geographic areas, like small cities or census tracts, the only poverty data available are official poverty data. If using these, keep in mind that the official measure is widely considered to be an inaccurate measure of poverty, particularly in areas with a relatively high cost of living or where many people rely on public supports to help them meet basic needs.</td>
</tr>
<tr>
<td>How much do public supports (like CalFresh, EITC, Social Security) reduce poverty in California?</td>
<td>Supplemental Poverty Measure or California Poverty Measure</td>
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<td></td>
<td>These measures are similar to each other and both account for a broad range of public supports that are not accounted for in the official poverty measure. The California measure may be preferable for examining the impact of public supports because the data are adjusted to correct for underreporting of the use of CalFresh and CalWORKs in Census data. The supplemental measure must be used if comparing to the impact of public supports in other states or in the US overall.</td>
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<tr>
<td>How do housing costs or the cost of living contribute to poverty in California?</td>
<td>Supplemental Poverty Measure or California Poverty Measure. These measures both account for the local cost of housing, while the official measure does not. The California measure more precisely accounts for housing costs for long-term homeowners, so it is preferable for examining poverty among California homeowners.</td>
</tr>
<tr>
<td>How much do medical out-of-pocket costs or child care costs contribute to poverty in California?</td>
<td>Supplemental Poverty Measure. Both the supplemental and California measures account for medical and child care costs, but these costs are directly reported in the data used for the supplemental measure while they are imputed (estimated) in the data used for the California measure, so the supplemental measure is preferable for this analysis.</td>
</tr>
<tr>
<td>What is the trend in the poverty rate in California over the past few years?</td>
<td>Supplemental Poverty Measure or California Poverty Measure. These measures provide a more accurate picture of poverty than the official poverty measure. The supplemental measure data are available back to 2009, and the California measure data are available back to 2011. The supplemental measure must be used if comparing trends in poverty in California to trends in other states or in the US overall.</td>
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<td>What is the long-term trend in the poverty rate in California?</td>
<td>Anchored Supplemental Poverty Measure</td>
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<td>The anchored measure is a version of the supplemental measure that was created to allow for analysis of long-term poverty trends, with data available back to 1967. It is particularly useful for examining long-term trends in the impact of public supports on poverty. Official poverty measure data are also available back to the 1960s, but the official measure is widely considered to be an inadequate measure of poverty.</td>
</tr>
<tr>
<td>How much income or resources does an individual or family need to be considered out of poverty? What is a poverty-level total amount for expenses for food, clothing, shelter, utilities, plus a little extra for other necessities (the poverty threshold) for an individual or family?</td>
<td>Supplemental Poverty Measure or California Poverty Measure thresholds</td>
</tr>
<tr>
<td></td>
<td>Both the supplemental and California Poverty Measure thresholds are based on up-to-date family expenditures for food, clothing, shelter, and utilities plus a little extra for other necessities, adjusted for the local cost of housing. These thresholds reflect the costs of these basic needs and the level of resources needed to achieve minimal economic security more accurately than the official poverty thresholds, particularly in areas where housing costs are high. Annual supplemental poverty thresholds are available for each large metro area in California (these are groups of counties, or in some cases single counties), for all small metro areas in California combined, and for all non-metro areas (more rural areas) within California combined. Annual California Poverty Measure thresholds are available for each county in California (with some smaller counties combined with adjacent counties).</td>
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</thead>
</table>
| How much cash income can an individual or family have and still qualify for public supports like CalFresh and Medi-Cal? | Official poverty guidelines  
Many public supports use the official poverty guidelines (which are based on the official poverty measure) to determine eligibility. |
| How many people in California are potentially eligible to access public supports like CalFresh and Medi-Cal?   | Official poverty measure  
Because many public supports use the official poverty guidelines to determine eligibility, the official poverty measure should be used to examine the number or share of people who may be eligible for these supports. |