EXECUTIVE SUMMARY

Struggling to Stay Afloat 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: What is the true rate of financially challenged households? 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 one in three households in California, over 3.3 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) has two primary flaws: (1) its formula is primarily based on the cost of food, and in the decades since it was created, the costs of housing, transportation, child care, health care, and other family necessities have risen far more rapidly than food costs, and (2) it neglects regional variations in cost of living, and most Californians live in high-cost areas.

As a result, the true extent of families contending with deprivation is hidden. Many of these hidden poor find they earn too much to qualify for most income supports, yet 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 Stay Afloat uses the Real Cost Measure, a basic needs budget approach, to better understand the challenges families face. The Real Cost Measure approach has two primary components:

• Household budgets: estimates of the costs of meeting basic needs for different households in a given area, based on data that account for variation in local costs of living
• Neighborhood-level demographics: an estimate based on Census data of how many households have income below those local budgets

Such 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. This 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 Stay Afloat 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), which are contiguous...
clusters of 100,000 to 200,000 residents prepared by the Census Bureau. We also view the Real Cost Measure through race/ethnicity, gender, nativity, occupational type, marital status, educational attainment, employment status, housing type, and more. (We applied the Real Cost Measure to more than 1,200 household 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 (33%)—nearly 3.3 million families—do not have sufficient income to meet their basic costs of living. This is roughly three times the proportion officially considered poor in California, according to the Federal Poverty Level. Families with inadequate incomes are found throughout California, but are the 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 to meet basic needs, can be up to 40% more (depending on family type) than in less expensive counties such as Kern, Tulare, and Kings. 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.

Low Incomes are a Challenge for Families of All Racial Groups

Families falling below the Real Cost Measure reflect California’s diversity. 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. Most struggling households are Latino (1.5 million) or white (more than 1 million), with nearly 430,000 Asian households and 270,000 African-American households below the Real Cost Measure.

Nevertheless, households led by people of color disproportionately are likely to have inadequate incomes. While Latino households represent only 29% of the household population in California, 53% of Latino households have incomes below the Real Cost Measure, the highest among all racial groups. Two in five (42%) of African American households have insufficient incomes, followed by Asian Americans (28%), and white households at (21%).
The Rate of Struggling Households Drops Steeply as Education Rises, but the Benefits of Education Lag for Women and Householders of Color.

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

- Over two-thirds (71%) 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 17% 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 93% for single mothers with less than a high school degree to 46% for single mothers with a bachelor’s degree or higher.
- The impact of increased education varies by race and gender. 78% of African American women without a high school degree are below the measure, but only 21% with at least a bachelor’s are struggling. For white women, 57% with less than a high school degree, and 14% with a Bachelor’s are below the Real Cost Measure.
- Women of color with a Bachelor’s or advanced degree fall below the Real Cost Measure at rates roughly equal to white men with only some college education (25% vs 23%).

Half of All California Households with Young Children Live Below Real Cost Measure

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

- 57% of households with children under six years of age fall below the Real Cost Measure, and that rate jumps to 82% for single mothers with children under six.
- 72% of households maintained by single mothers have incomes below the Real Cost Measure. In contrast, just 27% of married couples are below the Real Cost Measure.
- Even when employed, single mothers and their children struggle; 67% of households headed by employed single mothers—and 56% where the single mother works full-time—live below the Real Cost Measure.
- Households with children maintained alone by women of color are most likely to have income below the Real Cost Measure: 83% for Latina single mothers, 77% for African American single mothers, and 68% for Asian single mothers, compared to 53% 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.
**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.
- 71% of those above FPL but below Real Cost Measure, and 80% of those below both Real Cost Measure and FPL are housing—burdened (spending more than 30% of income on housing), compared to only 24% above Real Cost Measure.
- Households living below the below the Federal Poverty Level housing report spending a staggering 79% of their income on housing. While census methodology is imperfect for capturing the actual percentage of income spent on housing, this perception is telling.
- 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.
**Foreign-Born Householders Have More Trouble Staying Afloat**

One in four (26%) California households led by a person born in the United States has an income below the Real Cost Measure. By contrast, 35% of households led by a person born outside the U.S. are below the Real Cost Measure, and that number rises to 62% when the householder is not a citizen. Latino noncitizens are especially likely to struggle, with 77% below the Real Cost Measure.