



CLOSING THE GAP

Basic Costs of Living and Public Supports for Extremely Low-Income Households in the Bay Area



SEPTEMBER 2023



California Budget & Policy Center

STANFORD CENTER ON POVERTY & INEQUALITY



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Acknowledgments

This report was authored by Sara Kimberlin, representing both the California Budget & Policy Center and the Stanford Center on Poverty & Inequality. All Home commissioned the report, and All Home staff members Susannah Parsons, Edie Irons, Veronica Marquez, and Zoe Cahill helped guide the project and edit and design the final product.

Thanks to the following All Home funders whose support made this research and related work possible:

A Kaiser Permanente Fund at the East Bay Community Foundation
Chan Zuckerberg Initiative
Charles and Helen Schwab Foundation
Crankstart
Genentech Housing Fund
The San Francisco Foundation
Tipping Point Community

Introduction

All Bay Area residents, regardless of income level, should have the resources to meet their basic needs. Yet many individuals and families across the region struggle to afford basic expenses, given the area's high cost of living—particularly residents with the lowest incomes. Public supports like food assistance, refundable tax credits, and cash benefits can be vital resources to help these households make ends meet. The availability of affordable housing also makes a critical difference. Understanding the size of the gap between household resources and the basic cost of living, and how public safety net programs can help close cost-of-living gaps, can inform priorities for designing and implementing policies to meet the needs of the Bay Area's lowest-income families and individuals.

As part of developing the *Big Moves for Housing and Economic Security*, All Home asked the Stanford Center on Poverty & Inequality and the California Budget & Policy Center to **analyze cost-of-living gaps and the role of public supports in helping Bay Area households meet basic needs**. This analysis focuses on households within the nine-county Bay Area region categorized as Extremely Low-Income (ELI) under the guidelines of the US Department of Housing and Urban Development (i.e. those with incomes below 30 percent of the Area Median Income). To examine basic needs gaps and eligibility for public programs, the analysis uses data from the California Poverty Measure, a comprehensive measure of economic hardship developed jointly by the Stanford Center on Poverty and Inequality and the Public Policy Institute of California. **This summary of the results addresses five fundamental questions:**

1. What are key ELI household types in the Bay Area?
2. What are typical gaps between ELI household resources and the basic cost of living in the Bay Area?
3. How can public supports help close cost-of-living gaps for Bay Area households?
4. How can housing assistance make a difference?
5. What are the policy implications?

Understanding households' basic needs and eligibility for public supports



Different types of households have somewhat different basic needs expenses. For example, all households have a basic need for housing, but a family with children typically needs a larger housing unit—and therefore typically faces a higher housing cost—compared to an adult living alone. Different types of households are also eligible for different types and amounts of assistance from public safety net programs. Seniors with low incomes are eligible for some specific public benefits, for example, as are families with children.

Among ELI households in the Bay Area, four key household types are useful for understanding basic needs expenses and the types of resources, including public supports, that households can use to meet basic needs.¹ These include:

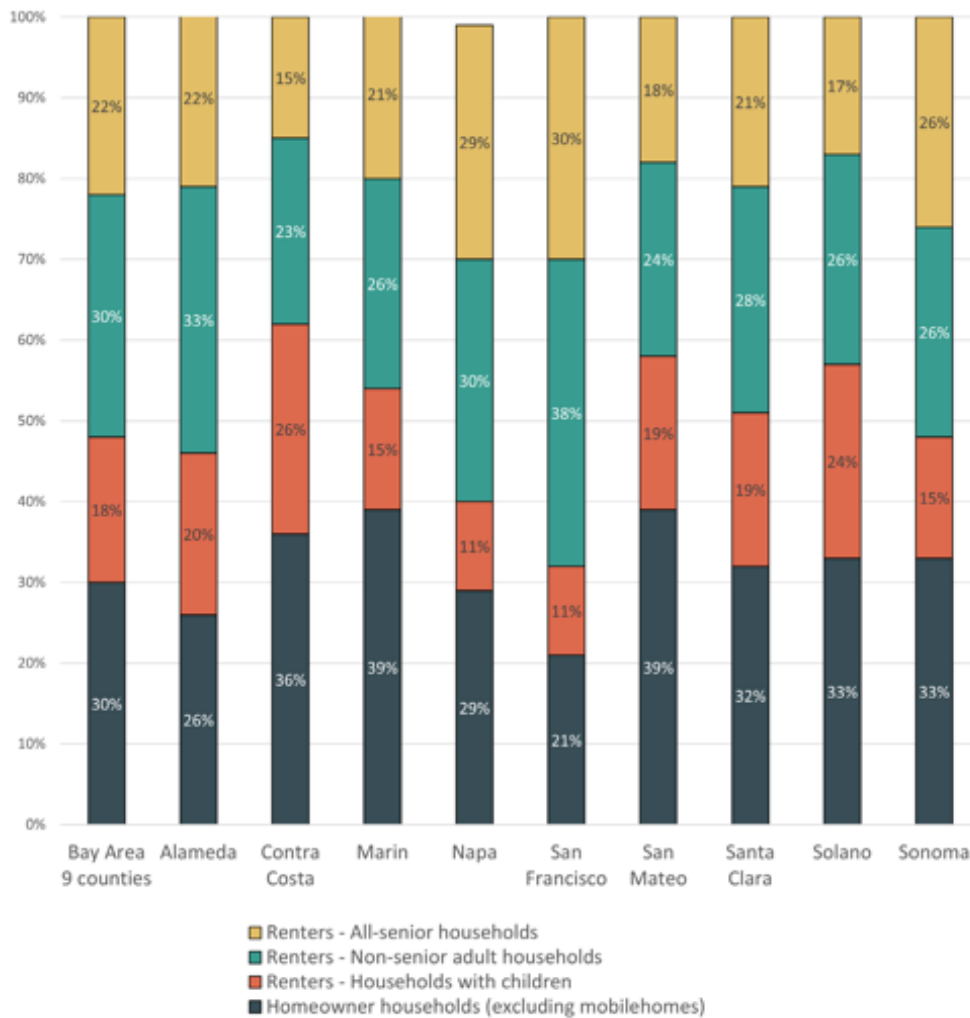
- **Homeowner households.** The value of a home represents a critical financial asset for many homeowners, including those with low incomes. Many Bay Area homeowners have the capacity to responsibly draw on home equity to help cover basic expenses—an option not available to renters, and a reason for considering homeowner households separately from renters. Low-income homeowners are typically also eligible for public supports that are available to renters, since the value of the home where someone lives is not usually considered when determining program eligibility.
- **Renter households with children.** Families with children have some specific basic needs—like typically larger housing units and need for child care—and some public programs provide larger benefits or are specifically targeted to families with children.
- **Renter non-senior adult households.** Adults who are younger than 65 and do not live with children may have lower basic needs expenses—but are also generally eligible for a narrower range of public supports and smaller benefit amounts.

1. These household types build on an analysis of Bay Area ELI households conducted for All Home by Carolina Reid at UC Berkeley's Terner Center for Housing Innovation. See Carolina Reid (2021). *On the Edge of Homelessness: The Vulnerability of 'Extremely Low-Income Households in the Bay Area* (UC Berkeley, Terner Center for Housing Innovation).

- **Renter all-senior households.** Seniors are eligible for some specific public benefits, typically in addition to the assistance available to non-senior adult households.

Examining the share of ELI households in each of these categories is helpful for identifying policy priorities and targeting outreach efforts. Based on analysis of U.S. Census American Community Survey data, the nine Bay Area counties differ somewhat in the breakdown of ELI household types (see the Methodology Note at the end of the report for data details).

ELI household types by county



Source: Analysis of US Census Bureau, American Community Survey public-use microdata, 2017-2019 for Extremely Low-Income households in the nine-county Bay Area.

The demographics of these different Bay Area ELI household types are also somewhat different, according to analysis of Census and California Poverty Measure data. For example, according to California Poverty Measure estimates, Bay Area ELI families with children, for example, are more likely to be mixed-status households, where family members who are undocumented immigrants are excluded from eligibility for some public programs. Non-senior ELI renter households are more likely to include individuals with disabilities, who may face particular barriers to employment and may be eligible for specific public benefits.



Gaps between household resources and the cost of living

The California Poverty Measure (CPM) offers one way to examine the cost of living faced by Bay Area households, and by how much the currently available resources fall short of meeting the cost of basic needs for families and individuals with extremely low incomes. The CPM poverty threshold is designed to reflect the basic cost of housing, food, clothing, shelter, utilities, and little extra, calibrated to the number and age of individuals in the family, and adjusted to account for the local cost of housing.

Analysis of the typical CPM poverty thresholds and available resources for Bay Area ELI households of different types provides one useful measure of the size of basic cost-of-living gaps. Available resources include the total resources that families and individuals have to pay for their basic needs, including earnings and other cash income as well as public supports like food assistance, housing subsidies, and refundable tax credits like the Earned Income Tax Credit (EITC) **Results show that typical gaps are significant, but fall within a range that can be addressed through policy interventions.**



Typical Bay Area ELI household cost-of-living gaps

	Median CPM poverty threshold	Median gap between net household resources and poverty threshold
All ELI households	\$25,561	\$7,662
Homeowner households (excluding mobile homes)	\$23,341	\$9,138
Renters - Households with children	\$49,516	\$13,329
Renters - Non-senior adult households	\$24,404	\$7,650
Renters - All-senior households	\$24,404	\$3,117

Source: Analysis of US Census Bureau, American Community Survey public-use microdata, 2017-2019, for Extremely Low-Income households in the nine-county Bay Area, using data developed for the California Poverty Measure. Dollar values inflated to \$2023 March using CPI-U.

How public supports can close cost-of-living gaps

There are a number of different types of public safety net programs available to help individuals and families with extremely low incomes meet their basic needs. Collectively, these supports play a critical role in helping households make ends meet, consistently reducing the statewide poverty rate under the California Poverty Measure by 40 percent or more. Key public supports include Supplemental Security Income (SSI/SSP) cash benefits for seniors and people with disabilities, cash grants for families with children through CalWORKs, food assistance through CalFresh and WIC (Special Supplemental Nutrition Program for Women, Infants, and Children), refundable tax credits like the federal EITC and Child Tax Credit and the state CalEITC and Young Child Tax Credit, and subsidies that reduce the costs of child care and housing.

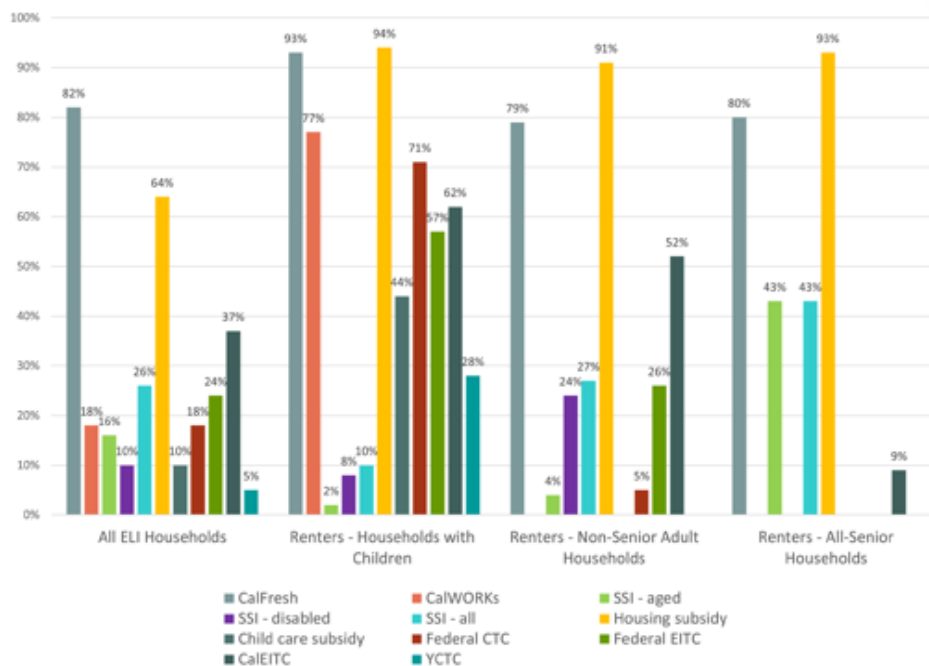
Some of these public supports are only available to certain types of households or individuals, such as seniors or families with children—and each of these programs has specific eligibility rules that consider particular household characteristics and circumstances.

Using a simplified model, California Poverty Measure data can provide one rough estimate of the share of Bay Area ELI households that may be eligible for different types of public support. This analysis shows that a large share of households across all household types are potentially eligible for certain benefits—such as CalFresh and housing subsidies—while potential eligibility for other programs is more restricted, as in the case of CalWORKs or SSI/SSP disability benefits (though these programs may offer significant support for those who are eligible).



Share of Bay Area ELI households potentially eligible for public supports

Many families and individuals are eligible for help from safety net programs.



Source: Analysis of US Census Bureau, American Community Survey public-use microdata, 2017-2019, for Extremely Low-Income households in the nine-county Bay Area, using data developed for the California Poverty Measure. Tax credit eligibility calculated using 2018-2019 data only, and CalFresh eligibility calculated using 2019 data only, for greater consistency with program eligibility rules as of June 2023.

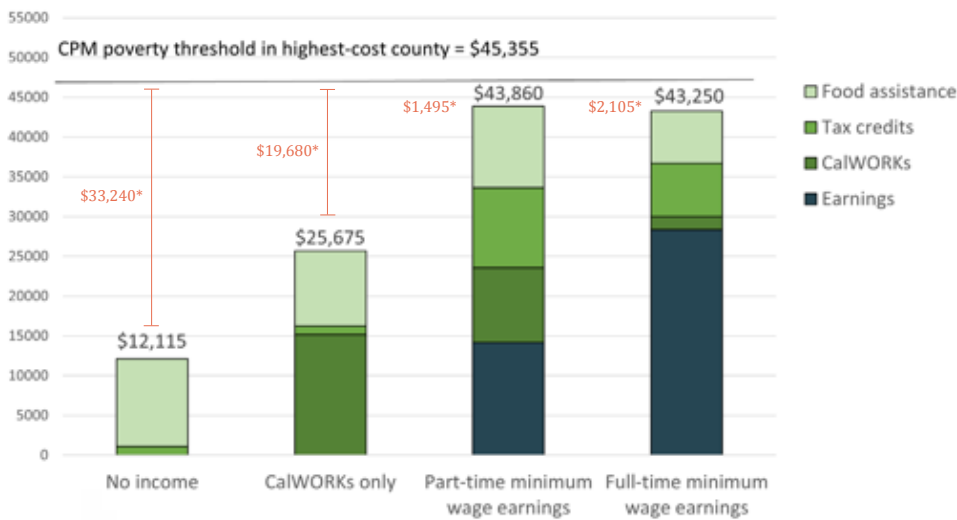
For different types of public supports, the typical amount of assistance available to a household varies. In addition, the specific amount of assistance for which a particular household is eligible often depends on family size and the amount of income that a household has from other sources like earnings. Examining eligibility for public programs by different household types with varying incomes can help determine which programs provide the deepest support, and how combining assistance programs can help bring household resources up to the level required to meet basic needs.

The figures that follow illustrate the amount of key public supports available to different types of Bay Area households at different income levels, and compare total household resources with all of these supports to the CPM poverty threshold in highest-cost Bay Area county.²

² Note that these figures do not include General Relief or General Assistance (GA/GR) cash benefits available to some adults without children. GA/GR policies and benefit amounts vary significantly from county to county, while benefit amounts are often very small and support is often strictly time-limited. Note that SSI/SSP benefits for adults under age 65 require documentation of disability, while WIC and the Young Child Tax Credit are restricted to families that include young children (and for WIC, pregnant individuals). Social Security amount shown reflects benefits at full retirement age after a career employed at minimum wage. California Poverty Measure thresholds vary across counties. The thresholds shown reflect the Bay Area county with the highest poverty threshold (San Mateo County). The corresponding thresholds in the lowest-cost Bay Area county (Solano County) are \$19,250 for a single adult renter and \$34,485 for a single parent renter with two children.

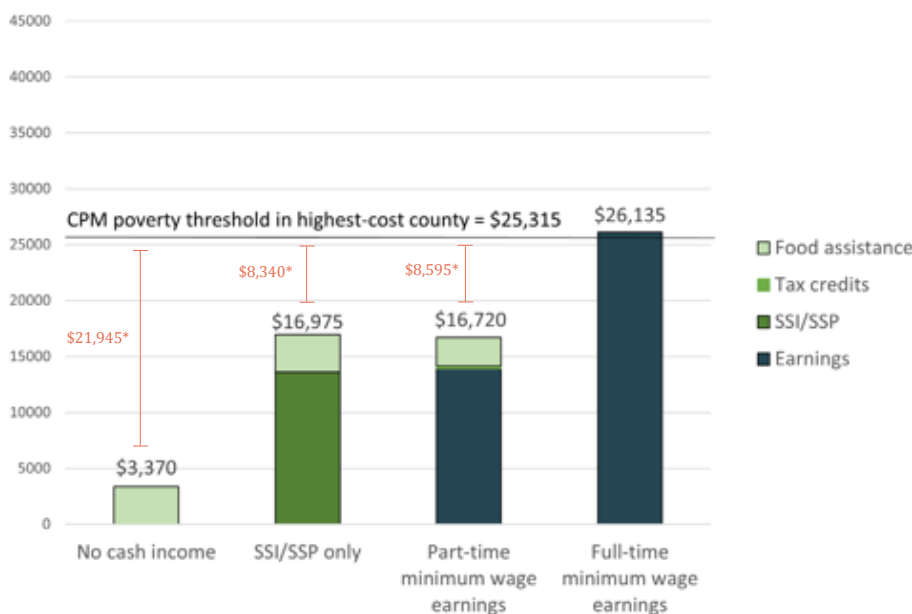
Combined annual supports available to example households

Bay Area single parent with two children



Note: Totals reflect annual amounts in \$2023 and are rounded to the nearest \$. Food assistance includes CalFresh and WIC. Tax credits reflect tax year 2022 (for tax returns filed in 2023) and include federal EITC, federal Additional Child Tax Credit, state CalEITC, and state Young Child Tax Credit. Earnings reflect state minimum wage, net of payroll taxes and income tax liability. Social Security reflects benefits at full retirement age after 35 years of full-time minimum-wage employment. Poverty threshold reflects California Poverty Measure (CPM) estimated 2023 threshold for San Mateo County, the highest of the nine Bay Area counties. Source: Analysis of policy guidelines in effect as of June 2023. *Gap between public resources available to households and the CPM poverty thresholds.

Bay Area single adult under 65 years old



Note: Totals reflect annual amounts in \$2023 and are rounded to the nearest \$. Food assistance includes CalFresh and WIC. Tax credits reflect tax year 2022 (for tax returns filed in 2023) and include federal EITC, federal Additional Child Tax Credit, state CalEITC, and state Young Child Tax Credit. Earnings reflect state minimum wage, net of payroll taxes and income tax liability. Social Security reflects benefits at full retirement age after 35 years of full-time minimum-wage employment. Poverty threshold reflects California Poverty Measure (CPM) estimated 2023 threshold for San Mateo County, the highest of the nine Bay Area counties. Source: Analysis of policy guidelines in effect as of June 2023. *Gap between public resources available to households and the CPM poverty thresholds.

Bay Area single adult over 65 years old



Safety net programs can help close cost-of-living gaps for families, adults, and seniors.

*Note: Totals reflect annual amounts in \$2023 and are rounded to the nearest \$5. Food assistance includes CalFresh and WIC. Tax credits reflect tax year 2022 (for tax returns filed in 2023) and include federal EITC, federal Additional Child Tax Credit, state CalEITC, and state Young Child Tax Credit. Earnings reflect state minimum wage, net of payroll taxes and income tax liability. Social Security reflects benefits at full retirement age after 35 years of full-time minimum-wage employment. Poverty threshold reflects California Poverty Measure (CPM) estimated 2023 threshold for San Mateo County, the highest of the nine Bay Area counties. Source: Analysis of policy guidelines in effect as of June 2023. *Gap between public resources available to households and the CPM poverty thresholds.*

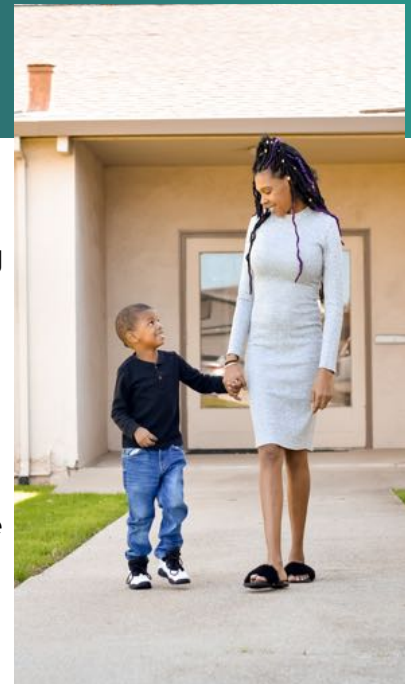
The results above show that substantial shares of Bay Area ELI households of all household types are potentially eligible for assistance from many key public supports—and **these supports can have a noteworthy impact in boosting a household's resources to the level needed to meet basic needs.** Yet both CPM data and program administrative data indicate that many households who are eligible for various public supports are not receiving them. Ensuring that families and individuals are aware of the support programs available to them, and receive the help they need to access these supports, are effective strategies to enable more households to meet their basic needs.

Results also show that cost-of-living gaps remain for many families and individuals even if they access all available public assistance. Expanding eligibility and boosting the amount of funds available through these existing public programs is another strategy to help ensure that all households have the support they need to afford the basic cost of living.

How housing assistance can make a difference

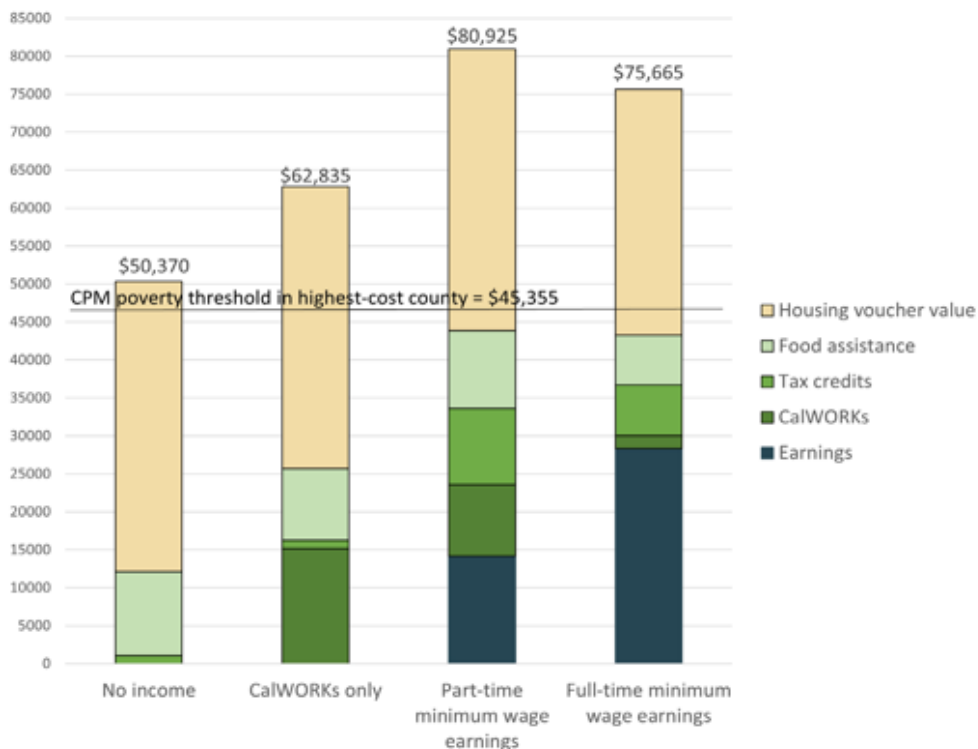
Housing is the largest expense for most households, making up about half of the total poverty threshold under the California Poverty Measure. Consequently, public supports that make housing affordable—like housing vouchers or affordable housing units—can be very effective in closing basic cost-of-living gaps.

The impact of housing support is illustrated in the figures below by adding to household resources the subsidy value of a federal Housing Choice Voucher, which makes housing affordable by reducing housing costs to 30 percent of a household's cash income. For all example households, total resources with the housing subsidy added exceed the CPM poverty threshold, even in the highest-cost county.³



Combined annual supports available to example households, with housing subsidy added

Bay Area single parent with two children



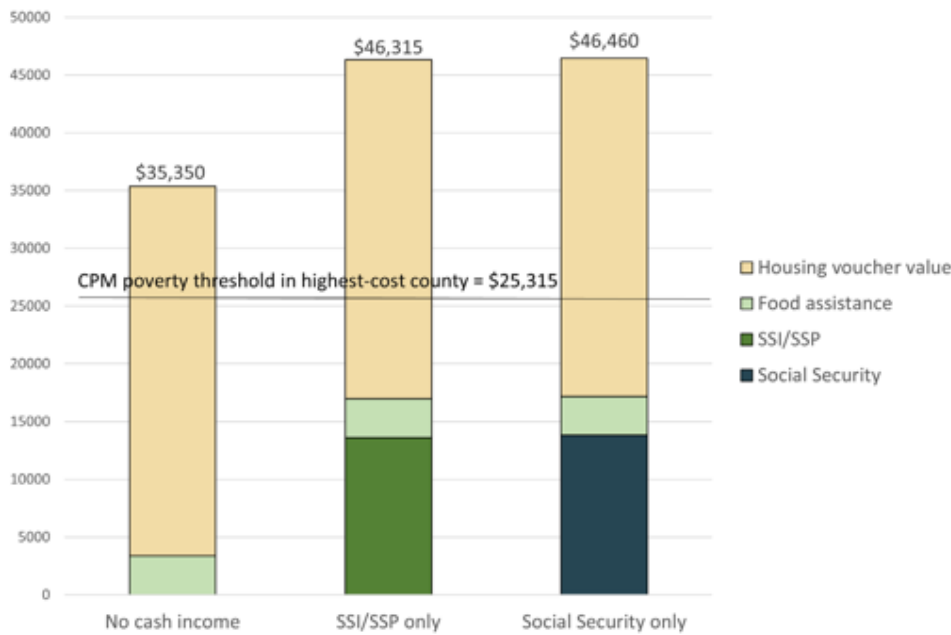
³ Assumes rent is equal to the Fair Market Rent in the highest-cost Bay Area HUD Metro FMR Area (which includes San Mateo, San Francisco, and Marin Counties).

Bay Area single adult under 65 years old



Affordable housing can help close cost-of-living gaps for families, adults, and seniors

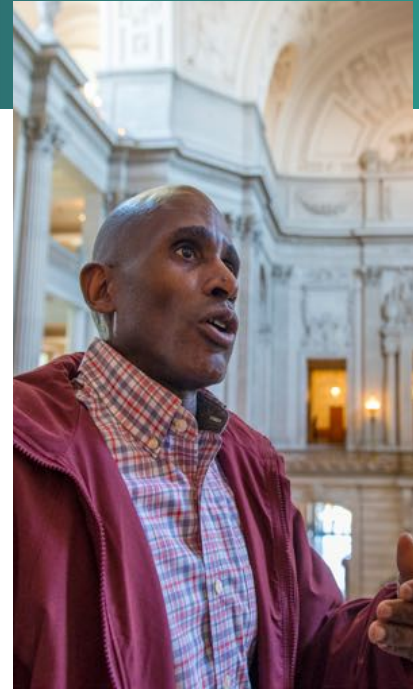
Bay Area single adult over 65 years old



Note: Totals reflect annual amounts in \$2023 and are rounded to the nearest \$5. Food assistance includes CalFresh and WIC. Tax credits reflect tax year 2022 (for tax returns filed in 2023) and include federal EITC, federal Additional Child Tax Credit, state CalEITC, and state Young Child Tax Credit. Earnings reflect state minimum wage, net of payroll taxes and income tax liability. Social Security reflects benefits at full retirement age after 35 years of full-time minimum-wage employment. Poverty threshold reflects California Poverty Measure (CPM) estimated 2023 threshold for San Mateo County, the highest of the nine Bay Area counties. Housing subsidy represents HUD Housing Choice Voucher net of tenant rent contribution, assuming rent equal to Fair Market Rent.
Source: Analysis of policy guidelines in effect as of June 2023.

Policy implications

Results highlighted above demonstrate that different types of Bay Area ELI households—homeowners, renter families with children, renter non-senior adult households, and renter all-senior households—face somewhat different cost-of-living gaps, though they are all potentially eligible for different public supports to help meet their basic needs. Substantial shares across all household types are potentially eligible for key public safety net programs, which can make a noteworthy difference in bringing a family or individual’s total resources up to the level needed to afford basic expenses—though gaps remain for many households due to the high cost of living in most of the Bay Area. **Because housing costs are the largest basic expense for most households, support that makes housing affordable is also very effective in closing cost-of-living gaps.**



These results point to several policy strategies to help more Bay Area ELI households meet their basic needs:

- 1. Improve outreach and take-up for existing public supports.** Increase awareness of available public programs, streamline program application and renewal processes, and improve assistance to help families and individuals successfully access the support for which they are eligible. Difficulties understanding eligibility criteria and navigating complex application and recertification processes prevent many households from receiving assistance they are eligible for.
- 2. Expand reach and benefit amounts for existing supports.** Expand the eligibility criteria for existing public supports to make them available to more families and individuals with basic needs gaps, including households that include immigrants. Increase the size of the benefits these programs provide to more effectively close gaps between resources and needs.
- 3. Make housing more affordable.** Expand the availability of housing subsidies and supports through programs such as shallow or deep rental assistance or renter’s tax credits to help ELI households afford the high cost of housing. Building more affordable housing units would also, over time, enable more families and individuals to lower their single largest household expense.

Across all of these strategies, it is important to pay attention to the specific needs and resources available for different types of households. The typical housing needs for families with children are distinct from the typical housing needs for seniors, for

example. Also, different public programs provide more assistance for families with children, versus seniors, versus non-senior adults. Different types of households may also face different barriers to accessing needed assistance; families with children, for example, are more likely to live in mixed-status immigrant households where some members of the family are excluded from eligibility for some public programs.

Many Bay Area ELI families and individuals currently struggle to meet their most basic needs, with serious negative consequences for their health, education, employment, and overall well-being—and a cascading harmful impact on the Bay Area more broadly. Public safety net programs—including supports that make housing more affordable—can close the gap between household resources and the basic cost of living. By enhancing and expanding the reach and scale of these public supports, policymakers can ensure that parents, children, and single adults can meet their needs for shelter, food, and other basic necessities—improving their life outcomes and benefiting the community overall.

Methodology Note

Estimates for Bay Area ELI household types, typical household resources and cost-of-living gaps, and shares of households potentially eligible for safety net supports are based on analysis of 2017-2019 (except where noted) US Census Bureau, American Community Survey public-use microdata, downloaded from IPUMS USA (University of Minnesota, www.ipums.org), incorporating imputations and calculations developed for the California Poverty Measure, a joint project of the Stanford Center on Poverty & Inequality and the Public Policy Institute of California. Pooled three-year estimates are used to ensure adequate sample size. Data from 2017-2019 are used because that time period featured a strong labor market and a safety net policy context more similar to the current economic and policy context than the peak pandemic years of 2020-2021, while microdata for years more recent than 2021 are not yet available at the time of publication.

Calculations of public support amounts for example households are based on analysis of program regulations and policy parameters in effect as of June 2023. Tax credits reflect amounts for tax year 2022. California Poverty Measure thresholds shown in figures are calendar year 2021 thresholds inflated to 2023 values using the methodology developed for the Fall 2021 CPM.