

# Reducing Poverty in Wisconsin

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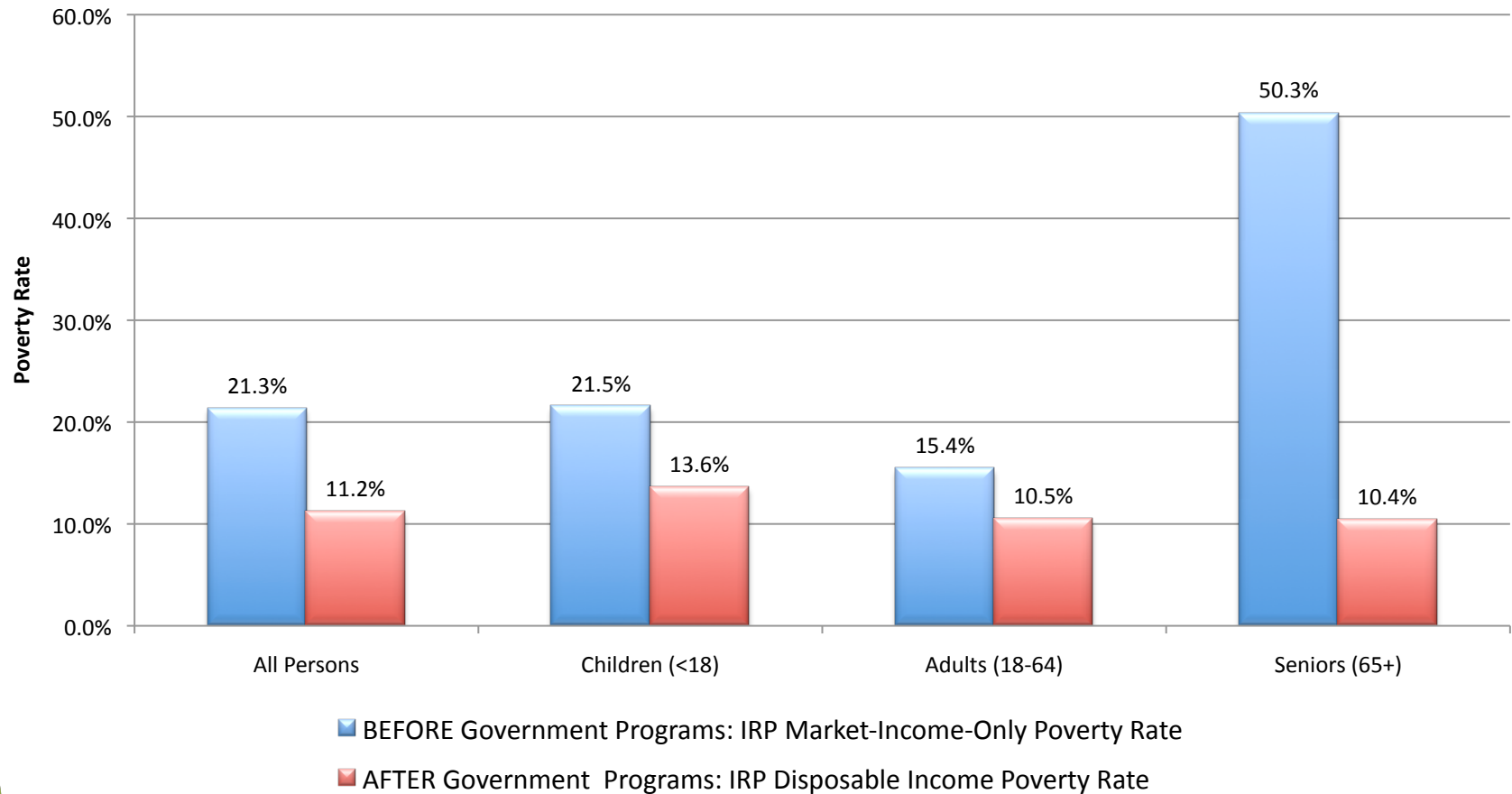


COMMUNITY ADVOCATES  
Public Policy  
Institute

Pathways to Ending Poverty

# Government's Current Role

## Poverty BEFORE v. AFTER Government Economic Security Programs: All Poor Persons: Wisconsin in 2008



# Poverty Measure: Official v. SPM

## Official Poverty Definition

### Resources

Cash Income, composed of:  
Wages, salaries, and self-employment income  
Interest, dividends, rent, trusts  
Social Security & Railroad Retirement  
Pensions  
Disability benefits  
Unemployment compensation  
Child support received  
Veterans benefits  
Educational assistance (grants)  
Supplemental Security Income  
Temporary Assistance for Needy Families  
Other cash public assistance

## Supplemental Poverty Measure (SPM)

### Resources

Cash Income—Same as components shown for “official” measure  
+ Food Stamps/SNAP  
+ WIC  
+ Housing subsidies  
+ LIHEAP  
+ Federal EITC  
+ State EITC  
+ State tax credits (Homestead Credit, etc.)  
- Payroll taxes  
- *Federal income taxes*  
- State income taxes  
- *Child care expenses*  
- Other work expenses  
Note: School lunch and child support payments are omitted.



# Poverty Measure: Official v. SPM

## Official Poverty Definition

### Thresholds

National thresholds vary by age (less than 65 and 65+) and number of children and adults. The original thresholds were based on the share of income spent on food under an “Economy Food Plan” developed from a 1955 expenditure survey, multiplied by three since food in 1955 accounted for one-third of total household spending. The thresholds are adjusted annually for price changes using the Consumer Price Index.

## Supplemental Poverty Measure (SPM)

### Thresholds

Thresholds vary by number of children and adults and by housing status (rents, owns with mortgage, or owns without mortgage), and reflect the 33rd percentile of expenditures by families with two children on a basic set of goods (food, clothing, shelter, utilities), plus 20% more, based on five years of Consumer Expenditure Survey data. Geographic adjustments are applied to the housing portion of the threshold. We also adjust the threshold to include medical out-of-pocket expenses (MOOP), which vary by type of health insurance, health status, and elderly/nonelderly status.



# Sample Poverty Thresholds: WI: 2008

(Thresholds for Family with Two Nonelderly Adults and Two Children)

|   | Super-PUMA                        |        |                                |  |        |                                |  |        |                                |
|---|-----------------------------------|--------|--------------------------------|--|--------|--------------------------------|--|--------|--------------------------------|
|   | WI-55800<br>(Milwaukee)           |        |                                | WI-55900 (Milwaukee suburbs<br>and surrounding counties) |        |                                | WI-55300 (Marathon County<br>and other counties) |        |                                |
|   | Owner<br>without<br>mort-<br>gage | Renter | Owner<br>with<br>mort-<br>gage | Owner<br>without<br>mort-<br>gage                        | Renter | Owner<br>with<br>mort-<br>gage | Owner<br>without<br>mort-<br>gage                | Renter | Owner<br>with<br>mort-<br>gage |
| <b>Official Poverty<br/>Threshold<sup>1</sup></b> | 21,834                            | 21,834 | 21,834                         | 21,834   | 21,834 | 21,834                         | 21,834   | 21,834 | 21,834                         |
| <b>SPM Poverty<br/>Thresholds<sup>2</sup></b>     |                                   |        |                                |  |        |                                |  |        |                                |
| <b>Private insurance</b>                          |                                   |        |                                |  |        |                                |  |        |                                |
| Good health                                       | 21,167                            | 25,032 | 25,588                         | 22,217   | 26,537 | 27,159                         | 20,068   | 23,457 | 23,942                         |
| Fair/poor health                                  | 21,713                            | 25,578 | 26,134                         | 22,763   | 27,083 | 27,705                         | 20,614   | 24,003 | 24,488                         |
| <b>Public insurance</b>                           |                                   |        |                                |  |        |                                |  |        |                                |
| Good health                                       | 19,129                            | 22,994 | 23,550                         | 20,179   | 24,499 | 25,121                         | 18,030   | 21,419 | 21,904                         |
| Fair/poor health                                  | 19,255                            | 23,120 | 23,676                         | 20,305   | 24,625 | 25,247                         | 18,156   | 21,545 | 22,030                         |
| <b>No insurance</b>                               |                                   |        |                                |  |        |                                |  |        |                                |
| Good health                                       | 21,209                            | 25,074 | 25,630                         | 22,259   | 26,579 | 27,201                         | 20,110   | 23,499 | 23,984                         |
| Fair/poor health                                  | 21,335                            | 25,200 | 25,756                         | 22,385   | 26,705 | 27,327                         | 20,236   | 23,625 | 24,110                         |



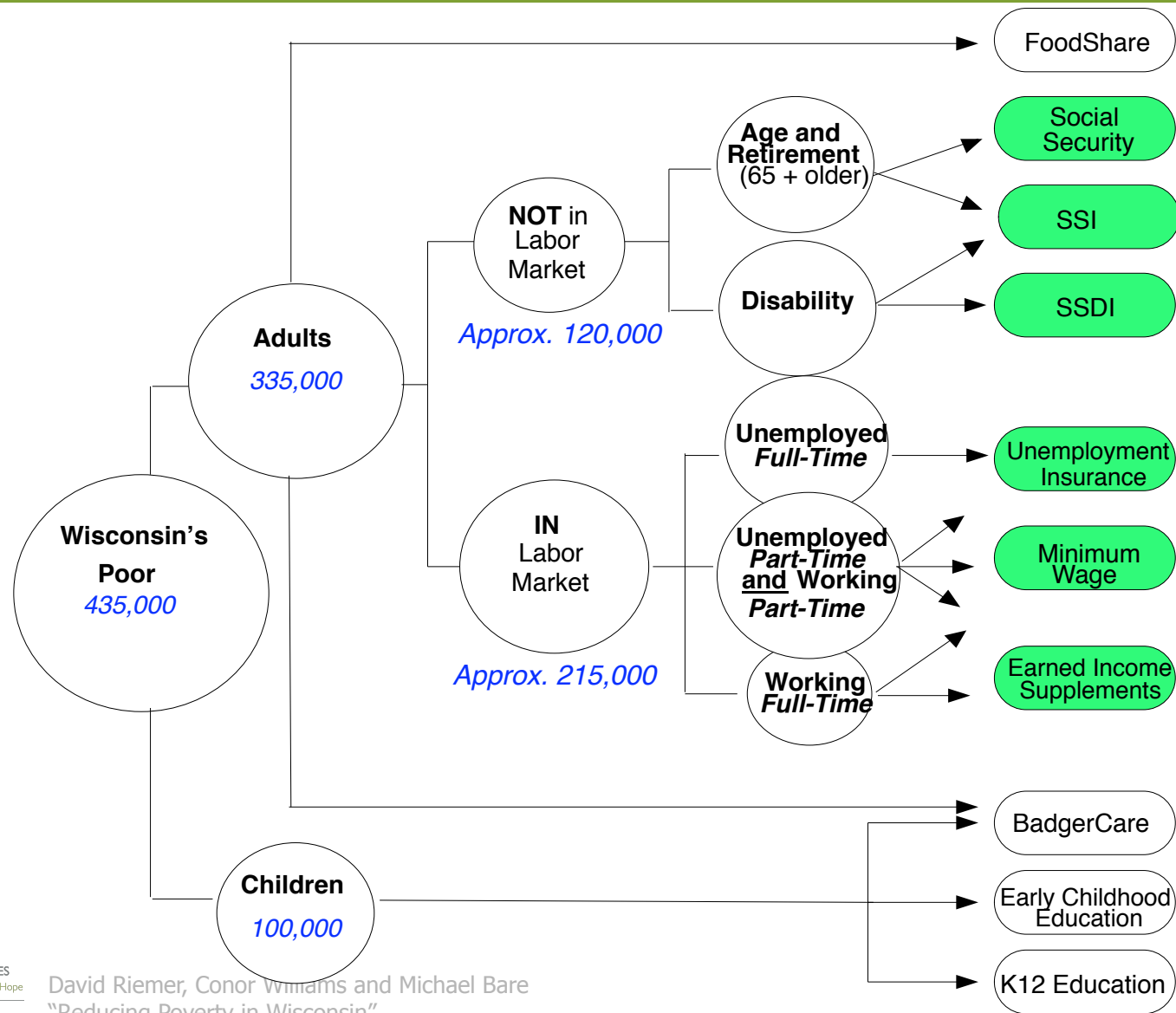
# Poverty Measure: Official v. SPM

**Table 3. Baseline Poverty Results for Wisconsin in 2008**

| <i>Persons in thousands</i>      | Poverty Definition    |         |
|----------------------------------|-----------------------|---------|
|                                  | Official <sup>6</sup> | SPM     |
| <b>Total Persons</b>             | 5,465                 | 5,465   |
| <50% Poverty                     | 205                   | 131     |
| <i>Percent</i>                   | 3.8%                  | 2.4%    |
| <b>Poor</b>                      | 522                   | 435     |
| <i>Percent</i>                   | 9.6%                  | 8.0%    |
| <150% Poverty                    | 932                   | 1,301   |
| <i>Percent</i>                   | 17.1%                 | 23.8%   |
| <b>Poverty Gap (\$ millions)</b> | \$1,920               | \$1,452 |
| <b>Age</b>                       |                       |         |
| <b>Persons &lt; 18</b>           | 1,303                 | 1,303   |
| <b>Poor</b>                      | 162                   | 100     |
| <b>% Poor</b>                    | 12.7%                 | 7.7%    |
| <b>Persons 18–64</b>             | 3,461                 | 3,461   |
| <b>Poor</b>                      | 312                   | 271     |
| <b>% Poor</b>                    | 9.0%                  | 7.8%    |
| <b>Persons 65+</b>               | 701                   | 701     |
| <b>Poor</b>                      | 48                    | 64      |
| <b>% Poor</b>                    | 6.8%                  | 9.1%    |



# Wisconsin Poverty and Current Policy



# The Job Shortage: US

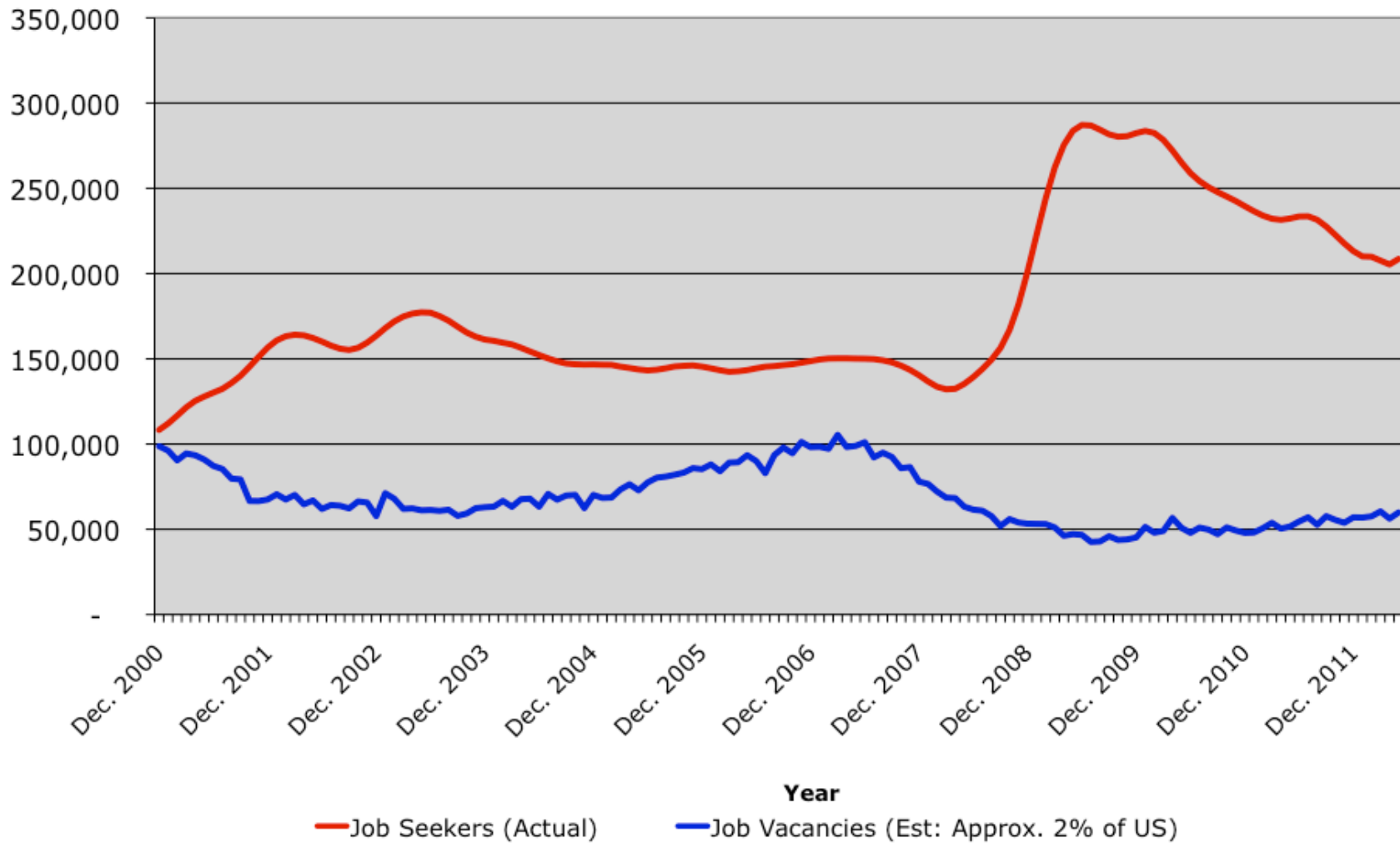
US Job Shortage: December 2000-May 2012



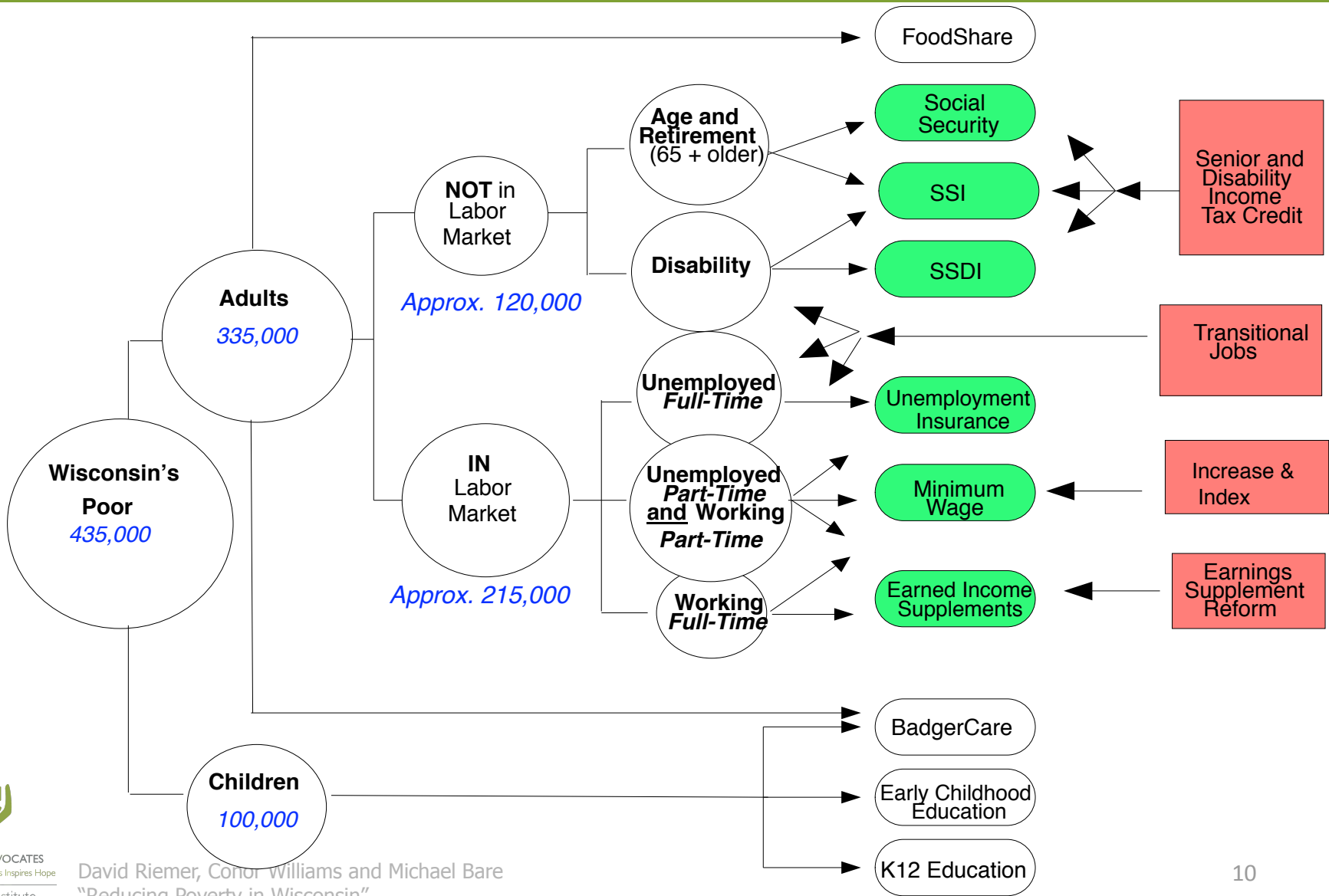


# The Job Shortage: WI

Wisconsin Job Shortage: December 2000-May 2012



# New Anti-Poverty Policy Package



# Anti-Poverty “Policy Package”

## Four Components:

1. Senior and Disability Income Tax Credit
2. Transitional Jobs Program
3. Minimum Wage Increase
4. Earning Supplement Reform



# Anti-Poverty “Policy Package” Part 1

## Senior and Disability Income Tax Credit:

### Eligibility Criteria:

- Age 18 or older, and not a dependent of another taxpayer
- Income from Social Security, SSDI, or SSI

### Credit:

At least \$0

Equals = SPM poverty line for Waukesha residents who are elderly, own home, have a mortgage, in fair/poor health, with public insurance

+ \$1

- Sum of Social Security + SSDI + SSI + SNAP + Federal AGI (if positive)



# Anti-Poverty “Policy Package” Part 2

## Transitional Jobs (TJ) Program:

### Eligibility Criteria:

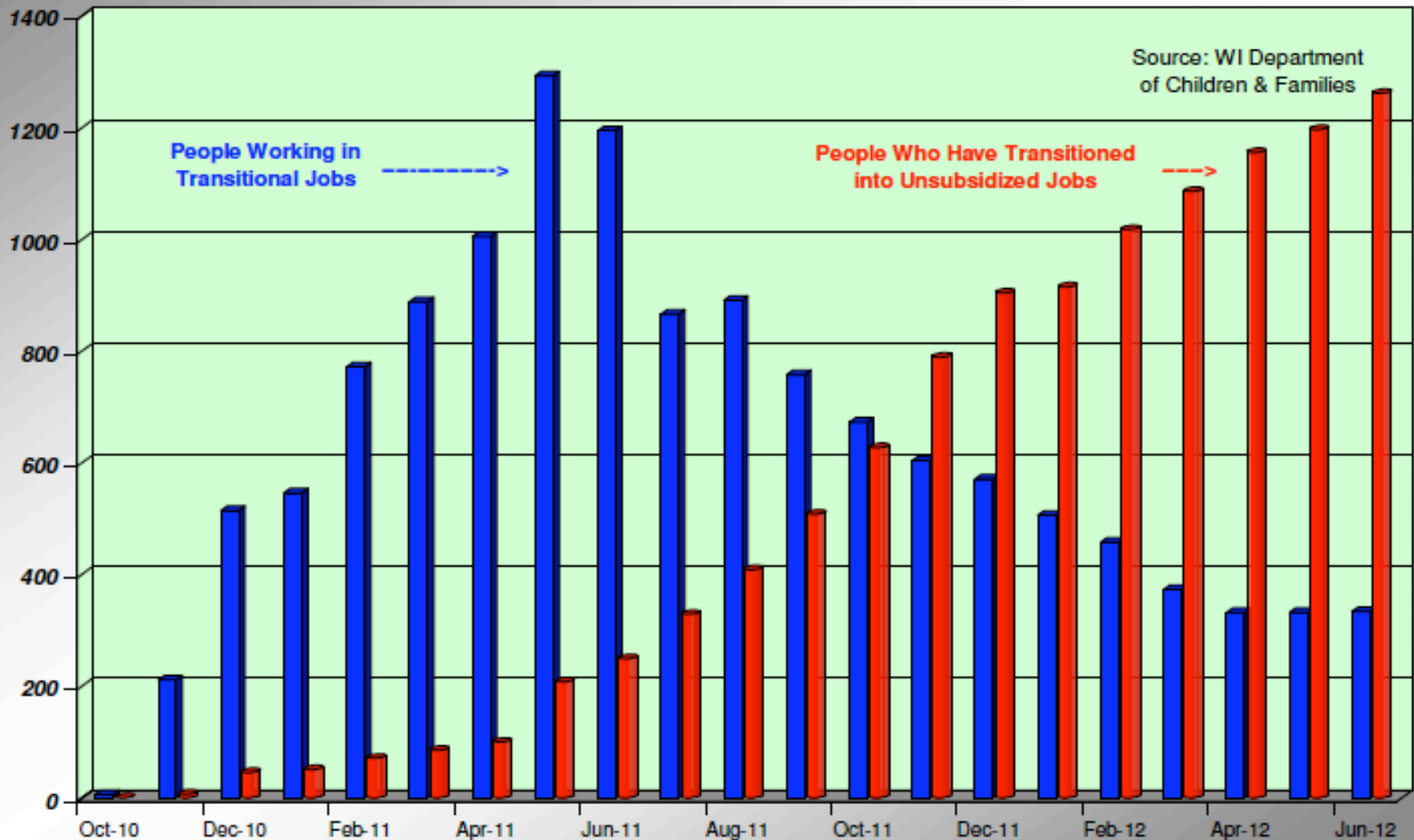
- Age 18-64 and not incarcerated
- Not receiving Social Security, SSDI, or SSI
- Unemployed or employed no more than 32 hours per week for at least 4 consecutive weeks

### Program:

- Offer opportunity to work in a TJ for up to 30 weeks:
  - At least 8 hours of TJ work per week; but
  - Total work hours (TJ + non-TJ)  $\leq$  40 hours/week
- After initial 30 weeks of TJ work and a 4 week hiatus to seek a regular job, the worker may be eligible for an additional TJ slot.



Wisconsin Department of Children and Families  
Transitional Jobs Demonstration Project



# Anti-Poverty “Policy Package” Part 3

## Minimum Wage Increase:

Raise the minimum wage to \$8 per hour, indexed for inflation:



# Anti-Poverty “Policy Package” Part 4

## Earnings Supplement Reform:

3 new federal tax credits to replace the federal EITC, federal Additional Child Tax Credit, and the federal Child Tax Credit:

1. Working Americans Tax Credit
2. Working Parents Tax Credit
3. Child Tax Credit





# Earnings Supplement Reform

## 1. Working Americans Tax Credit:

### Eligibility Criteria:

- Age  $\geq 18$ , non-dependent, has earnings (both head and spouse may claim)

### Credit:

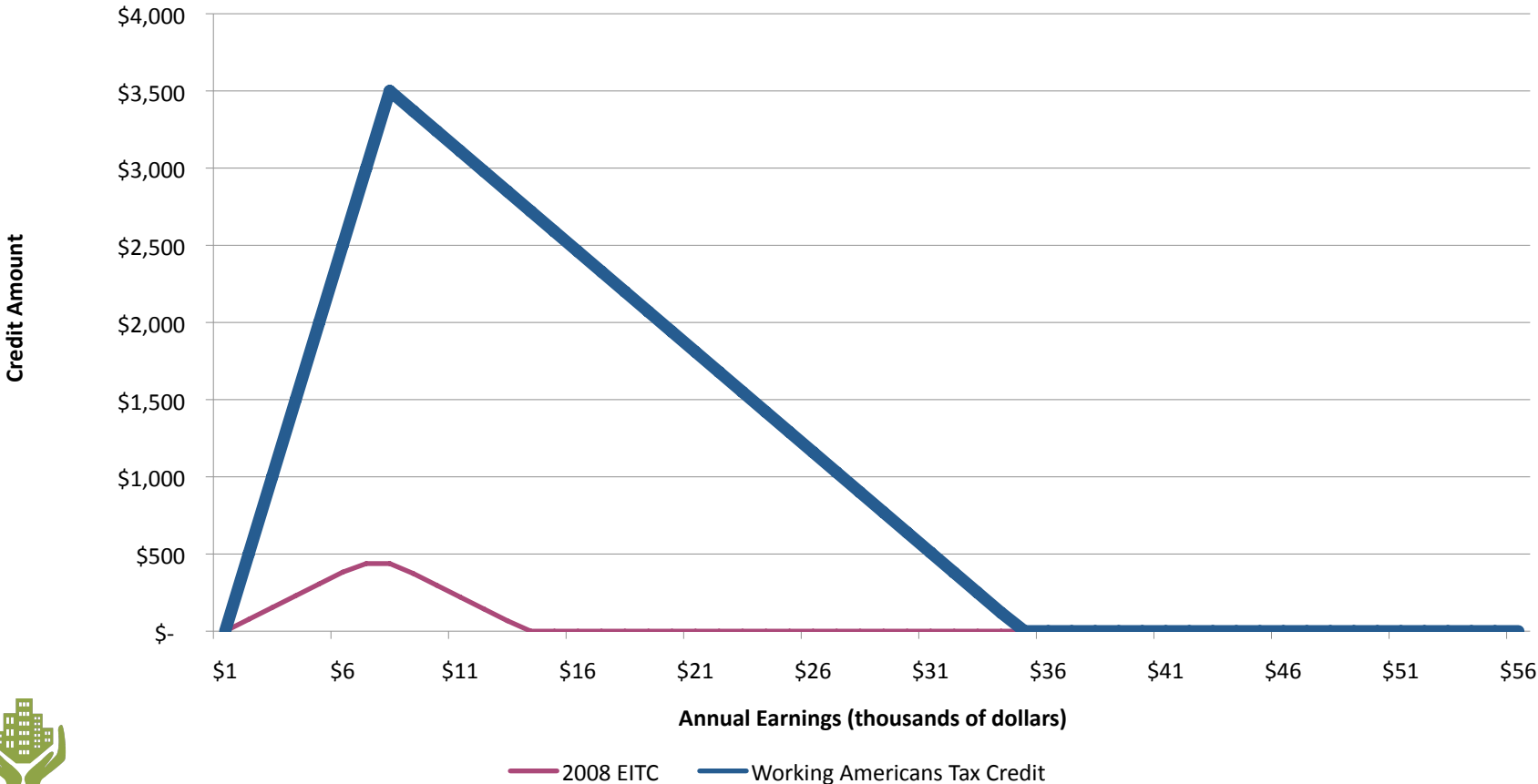
= 50% of individual earnings

- Capped at \$3,500 per individual
- 13% phase out starting at \$7,000
- Additional 5% phase out if tax unit's AGI  $>$  \$25,000



# Earnings Supplement Reform

## Each Worker: Working Americans Tax Credit



# Earnings Supplement Reform

## 2. Working Parents Tax Credit:

### Eligibility Criteria:

- Age  $\geq 18$ , non-dependent, has earnings, *and* has dependent children

### Credit:

= 40% of earnings for 1 child, 50% for  $>1$  child

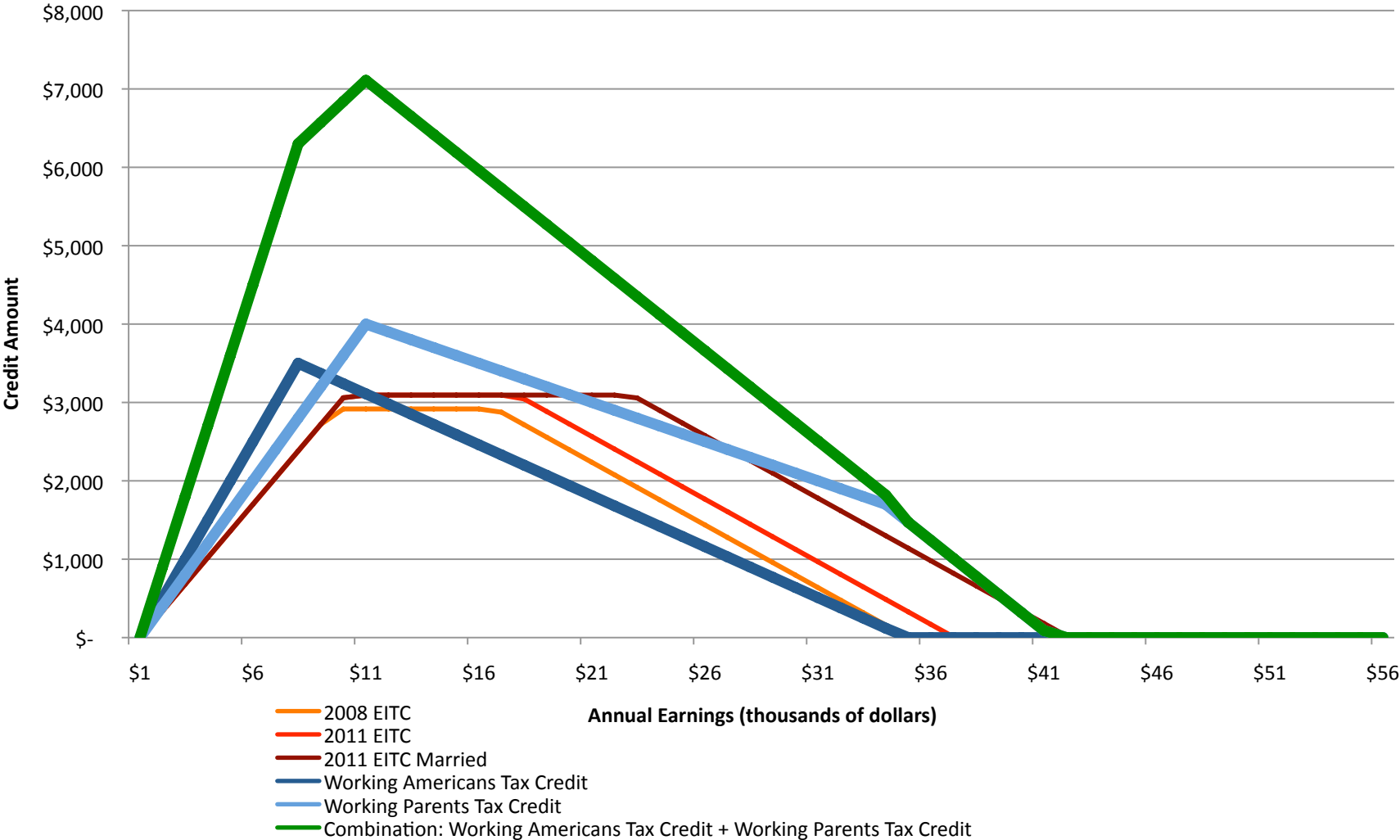
- Capped at \$4,000 (1 child) or \$5,000 ( $>1$  child) per family
- 10% phase out starting at \$10,000  
Switches to higher 23% phase out at \$34,000 in household earnings (approximately when Working American Tax Credit has phased out)



# Earnings Supplement Reform

**Worker with One Dependent Child:**

**Working Americans Tax Credit + Working Parents Tax Credit:**



# Earnings Supplement Reform

## 3. Child Tax Credit

### Eligibility Criteria:

- Have qualifying children (as for current child tax credit)

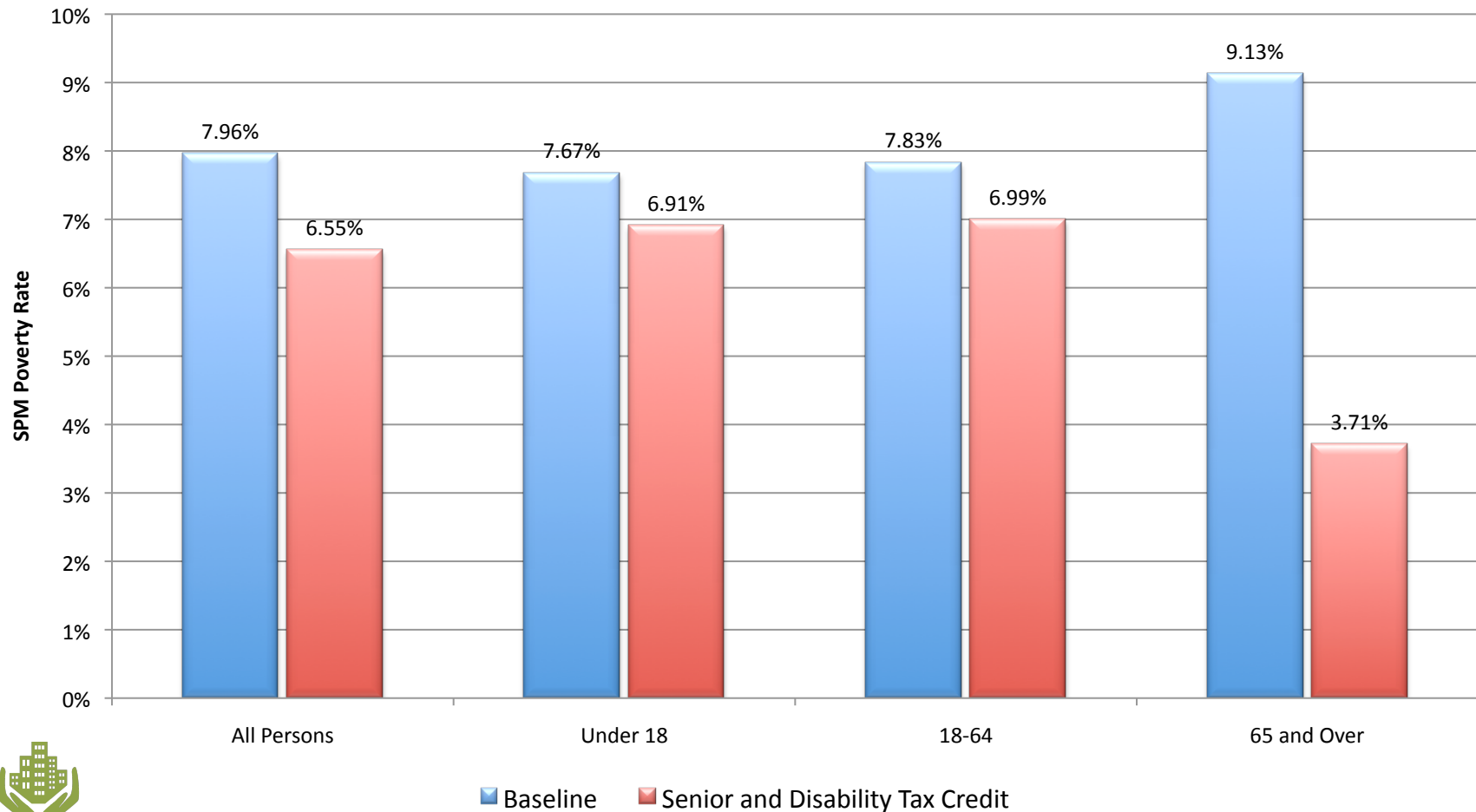
### Credit:

= 15% of earnings above \$3,000  
Capped at \$1,000 per child



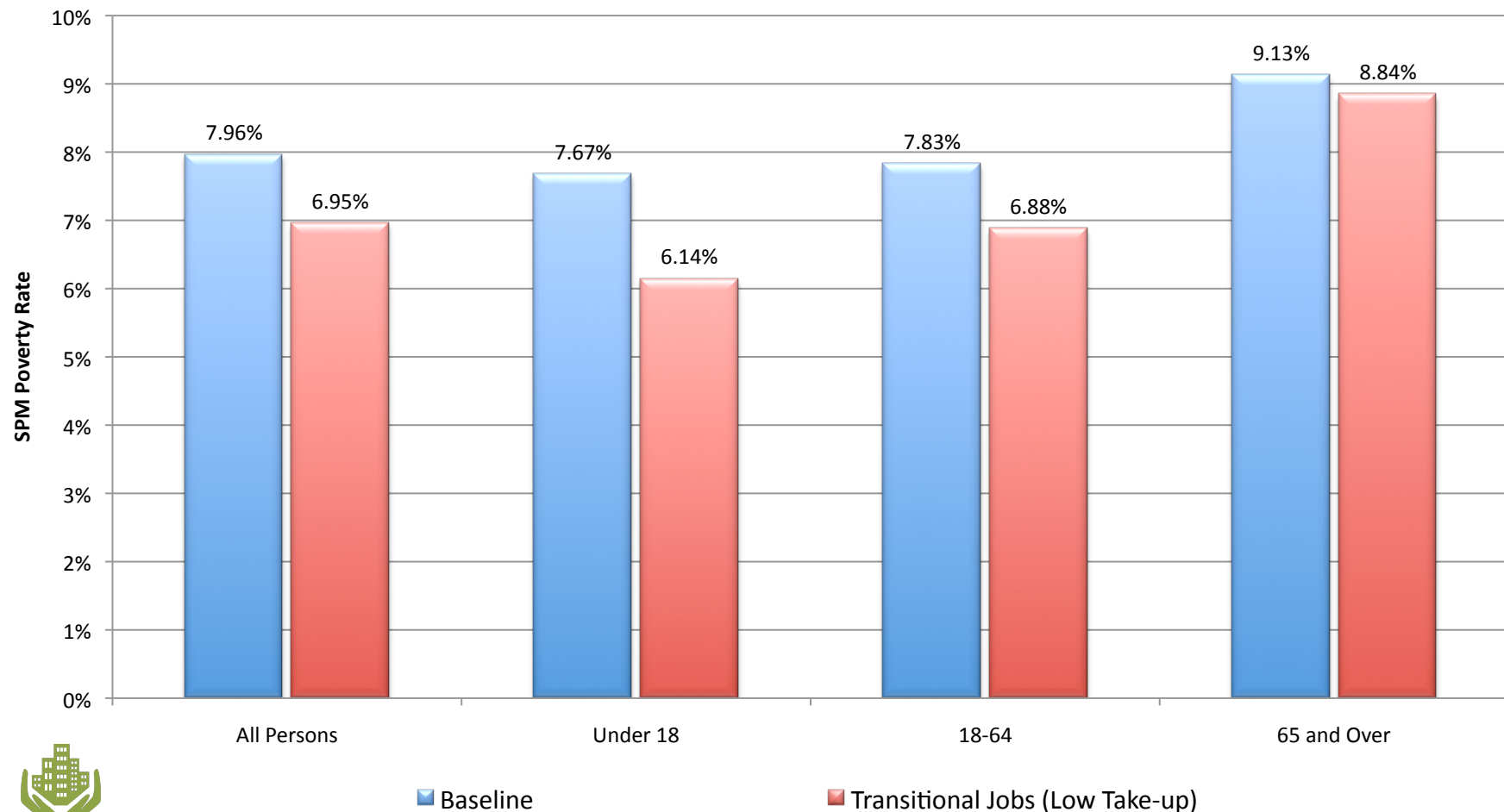
# Results: Senior/Disability Credit

Fig 1. Poverty Effects of Senior and Disability Tax Credit



# Results: Transitional Jobs

Fig 2. Poverty Effects of Transitional Jobs



# Results: Higher Minimum Wage

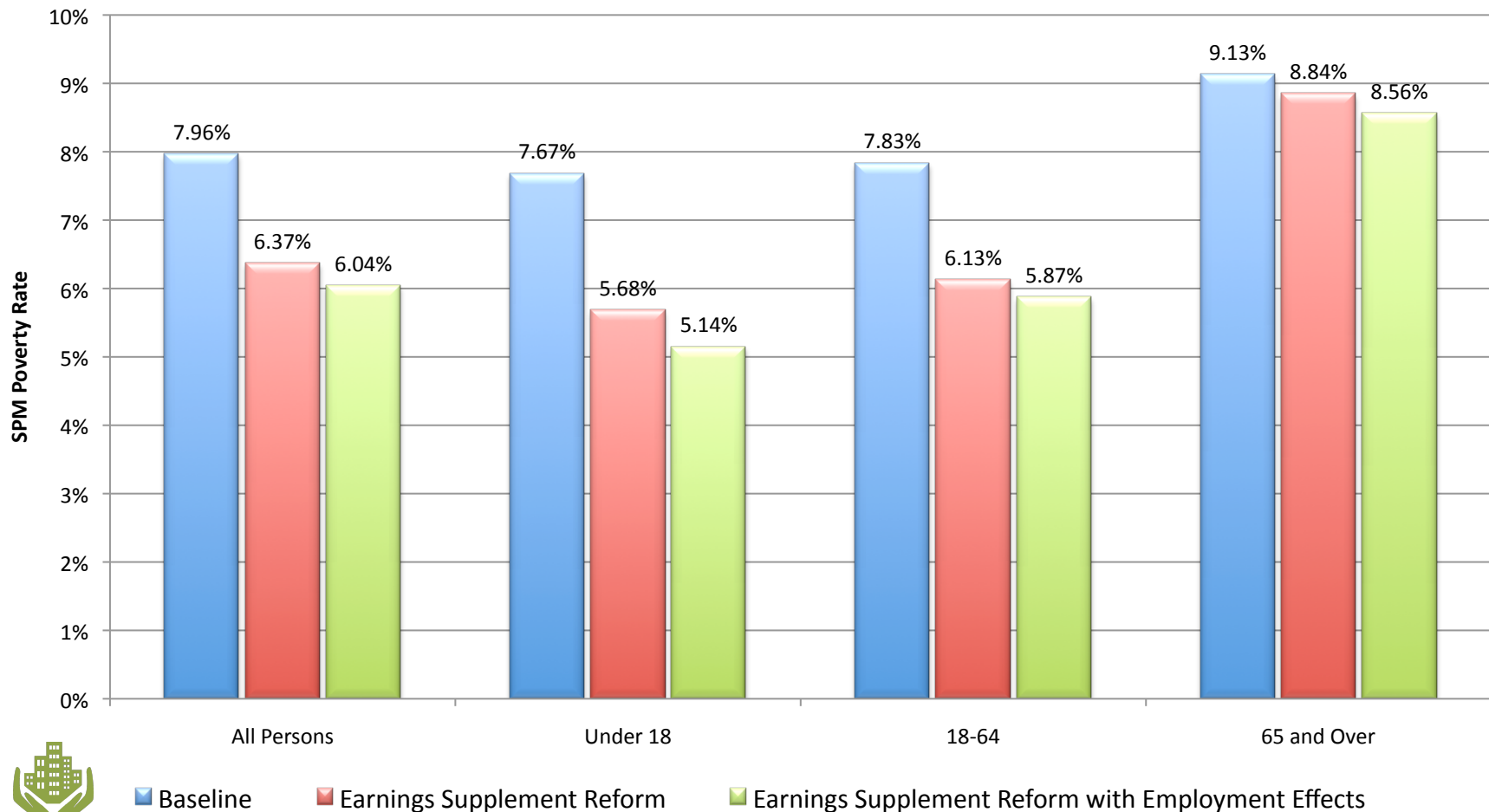
Fig 3. Poverty Effects of Minimum Wage Increase



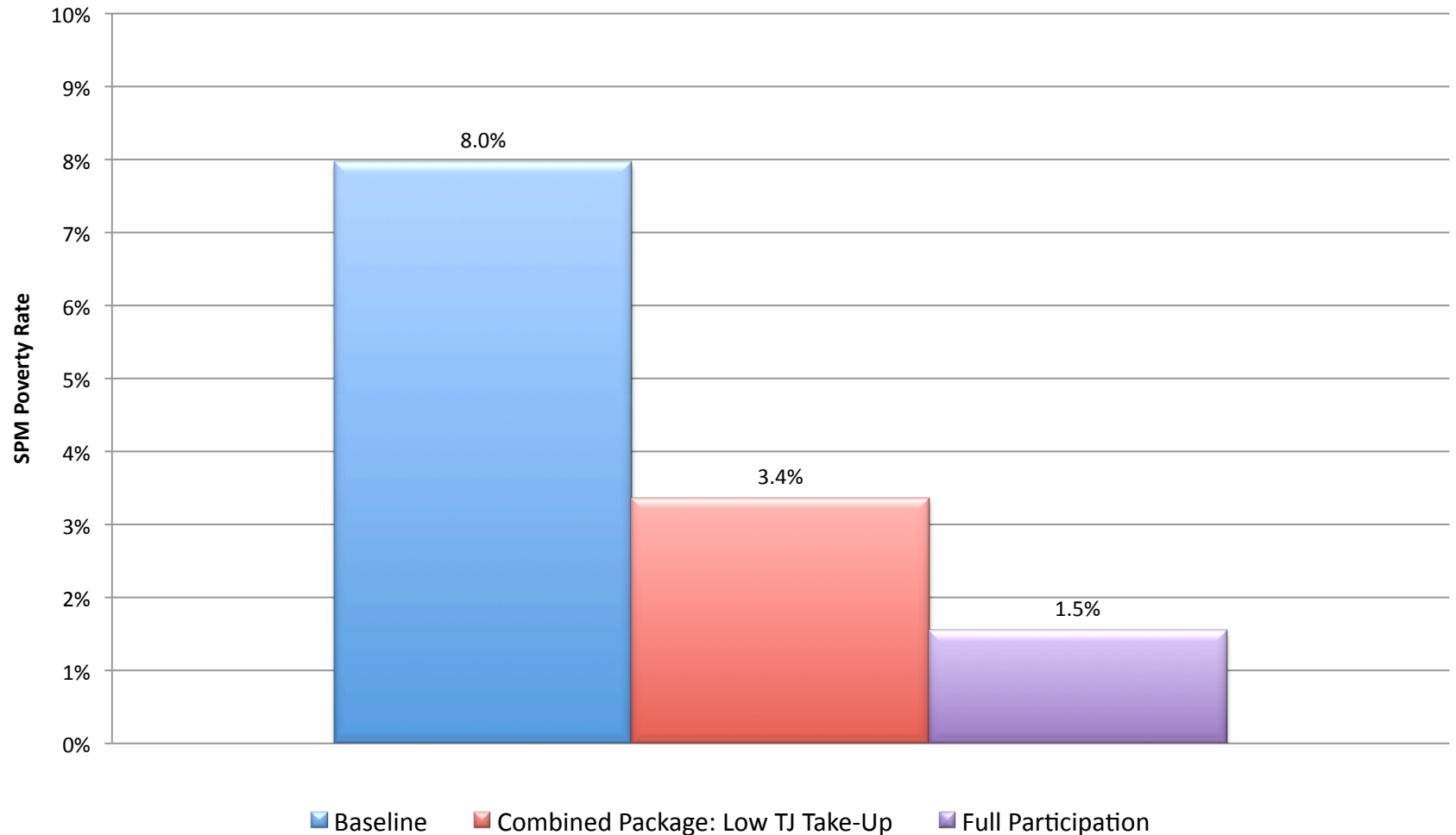


# Results: Earnings Supplement Reform

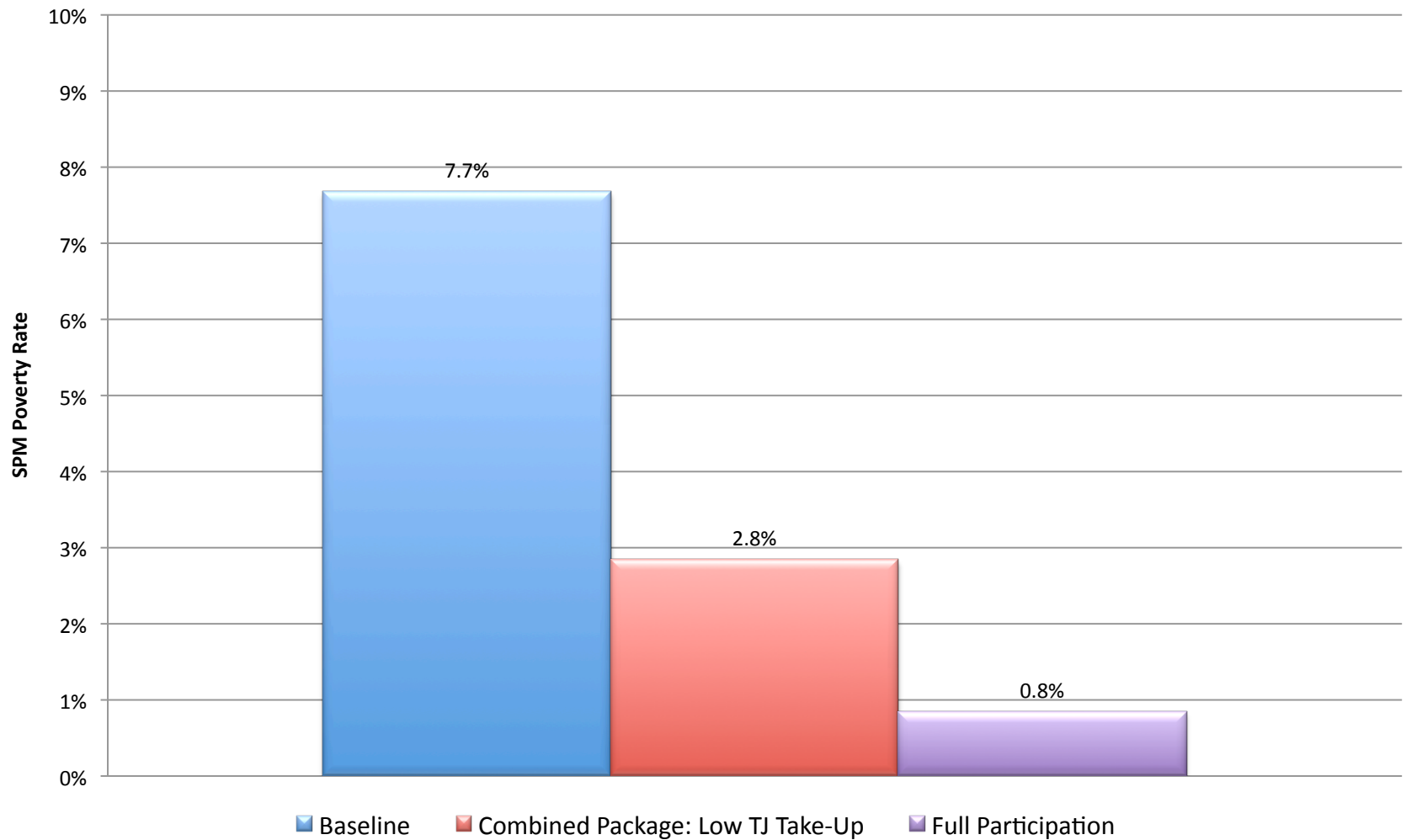
Fig 4. Poverty Effects of Earnings Supplement Reform



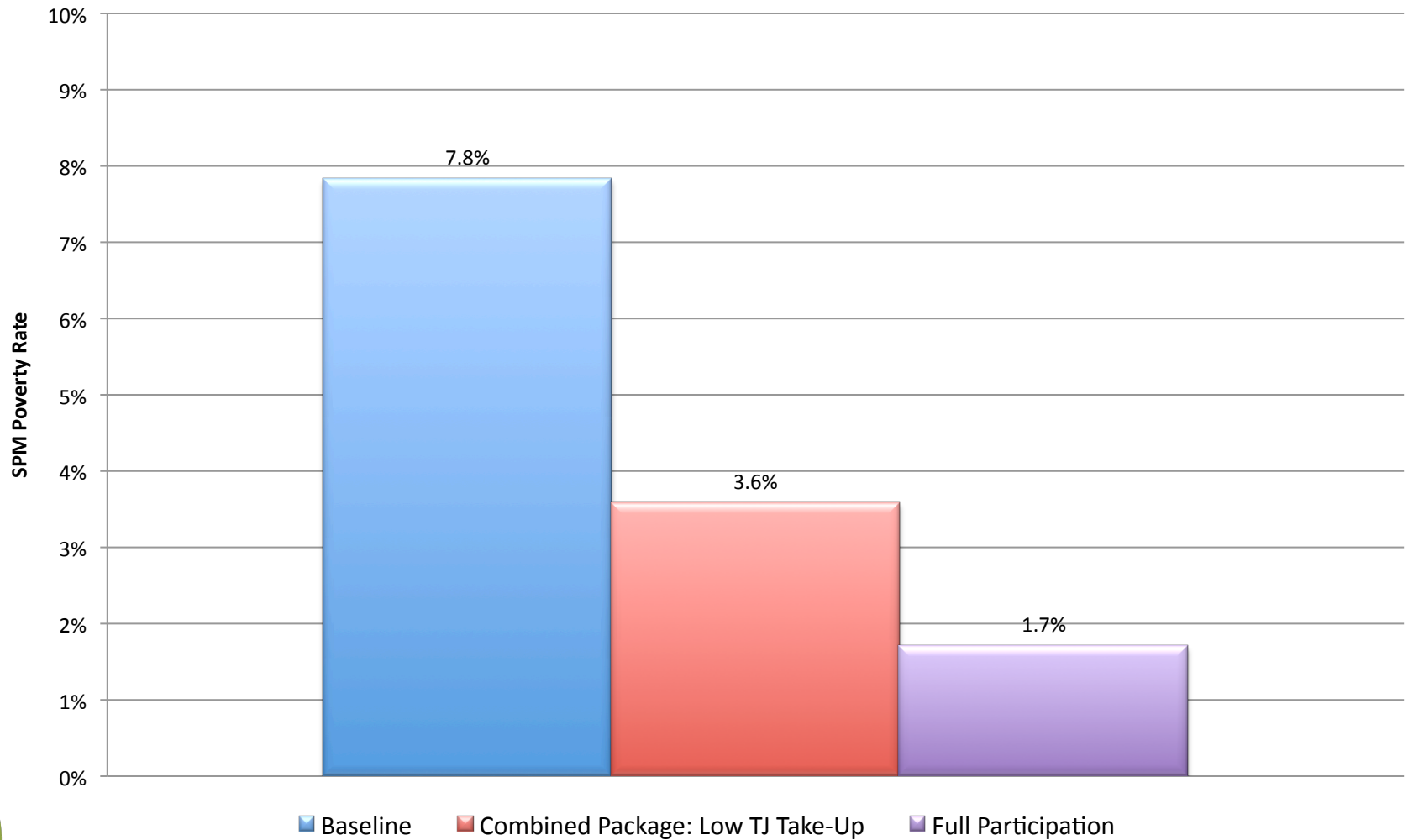
# Results: Combined Package: Poverty Rate for All Persons



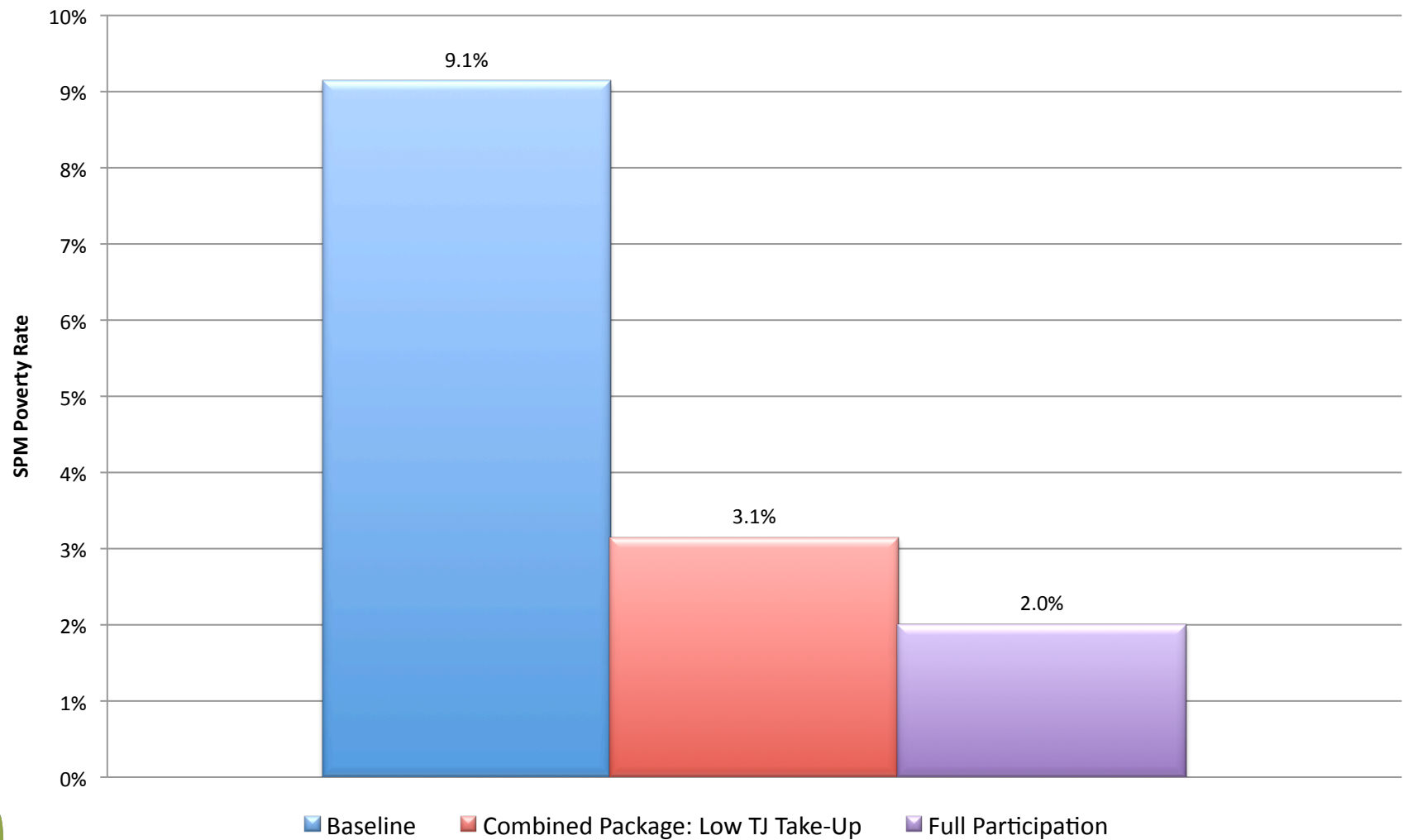
# Results: Combined Package: Poverty Rate for Children Under 18



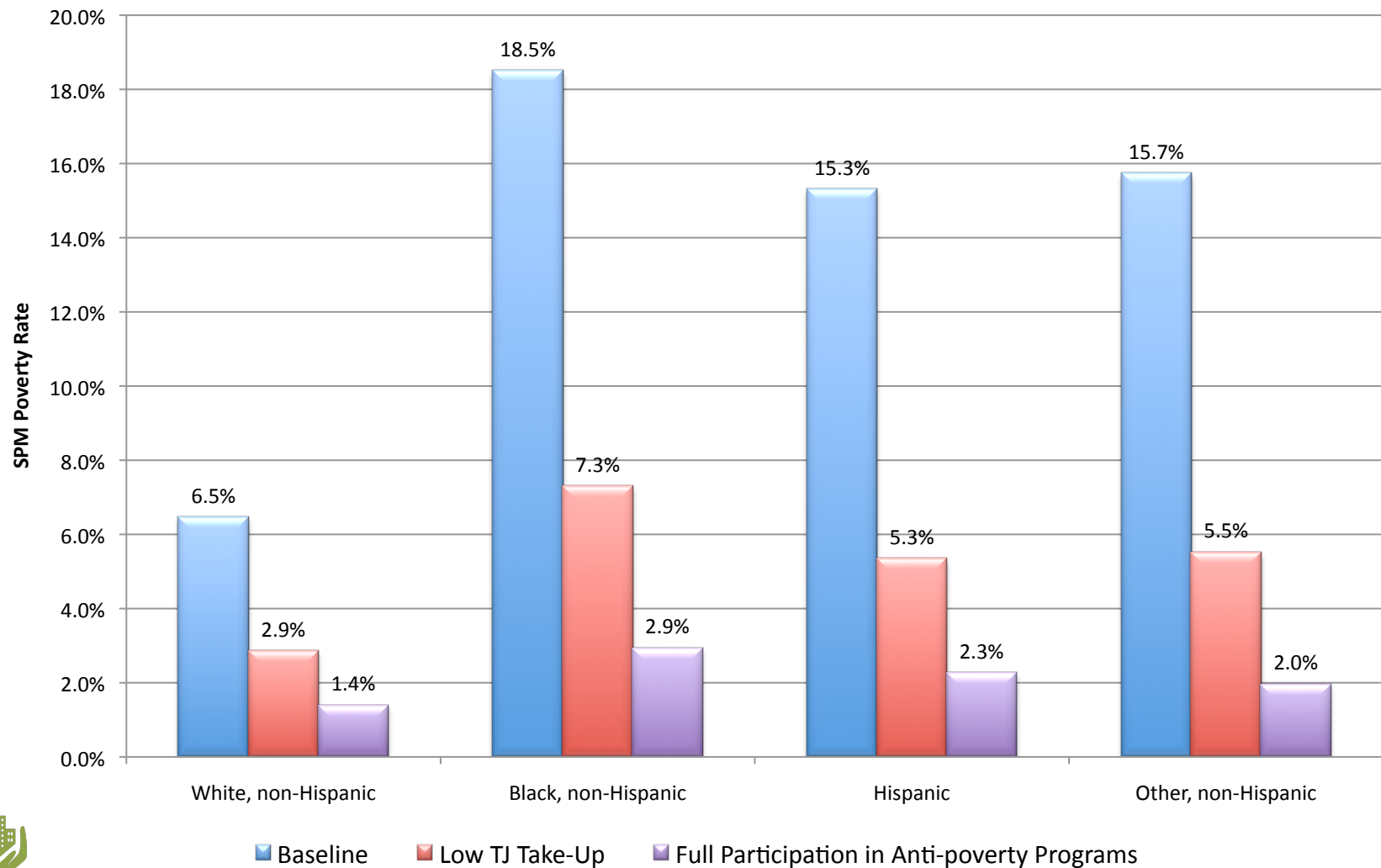
# Results: Combined Package: Poverty Rate for Adults 18 to 64



# Results: Combined Package: Poverty Rate for Adults 65 and Over

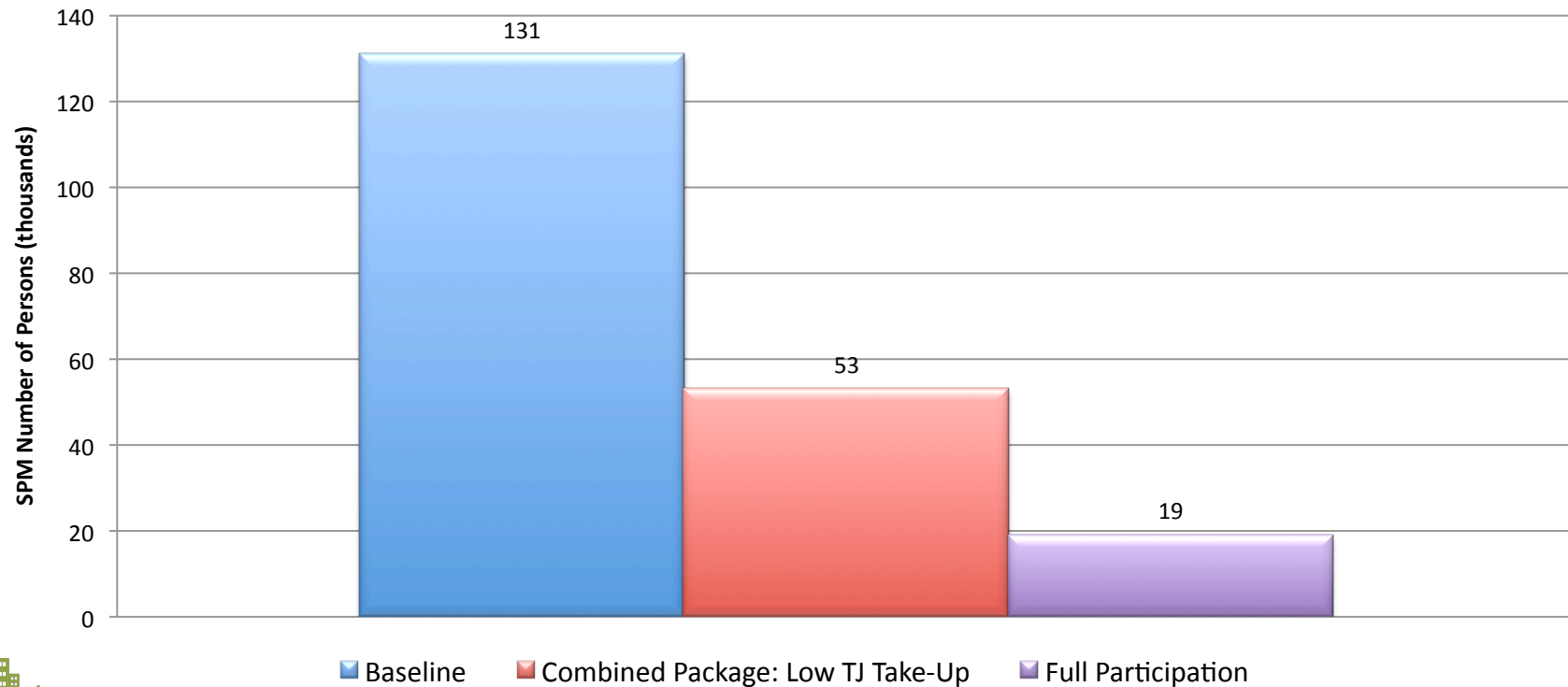


# Results: Combined Package: Poverty Rate By Race



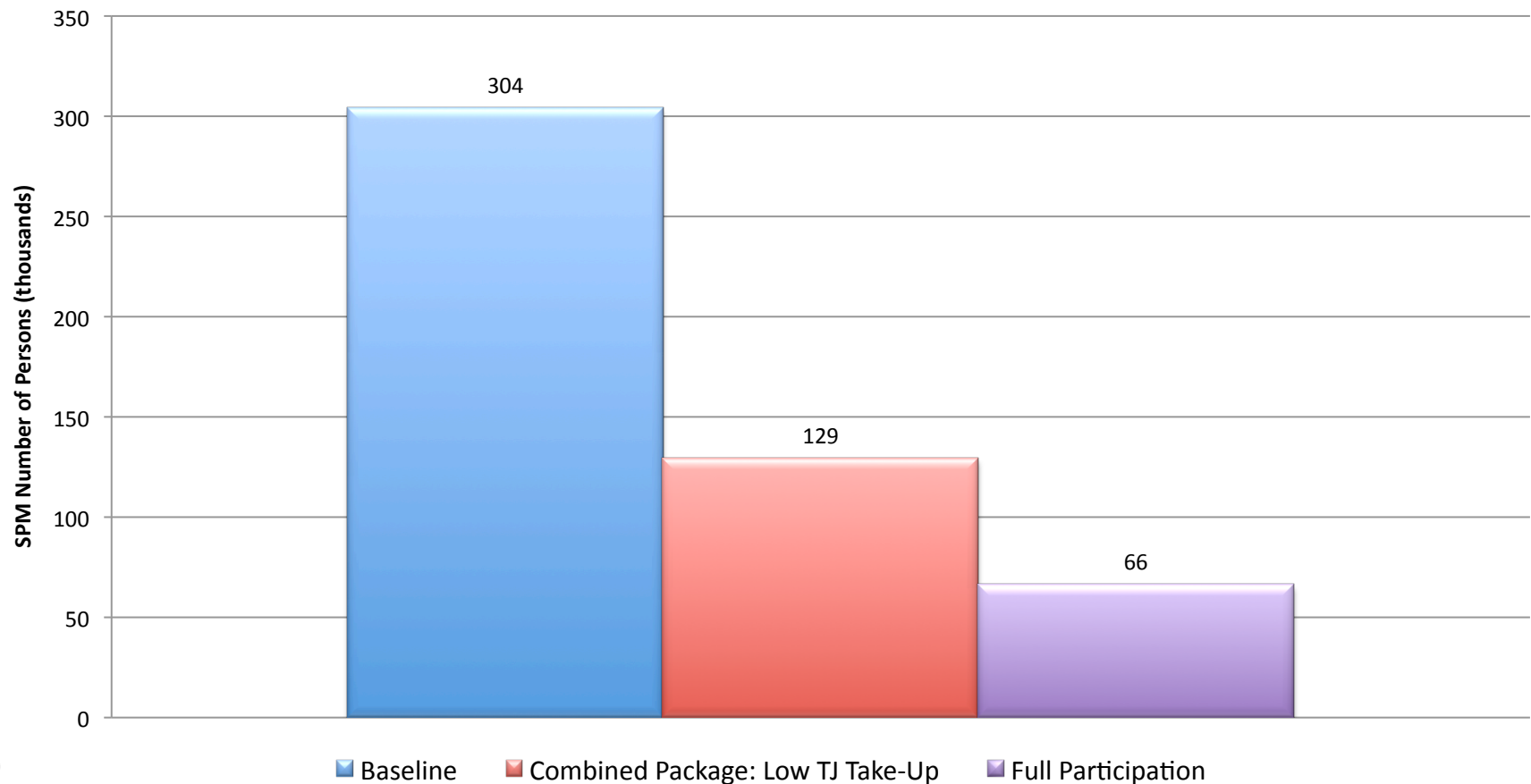
# Results: Combined Package: Number in Deep (<50% of) Poverty

Effects of Combined Policy Package on Persons in Deep Poverty  
(<50% of Poverty)



# Results: Combined Package: Number 50% to <100% of Poverty

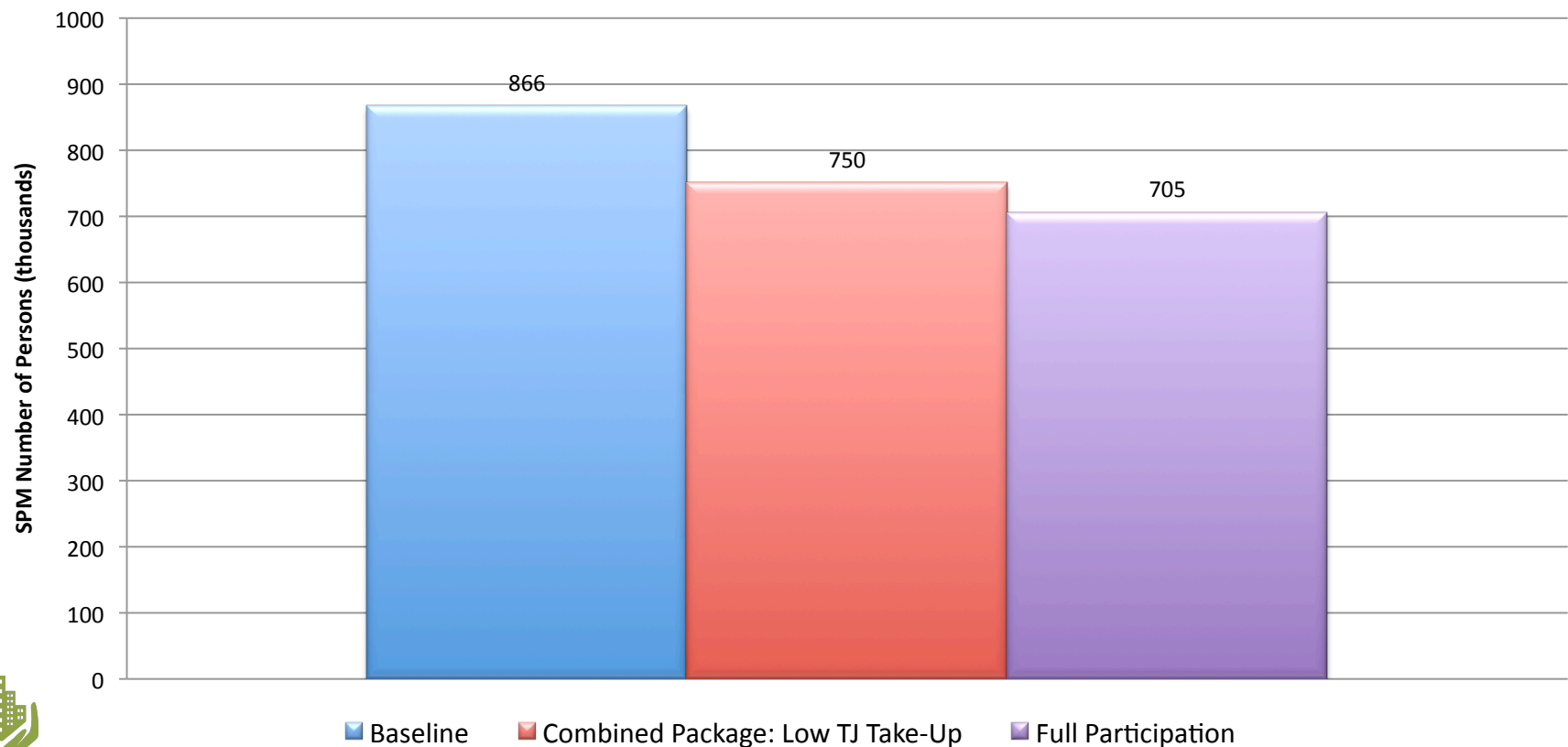
Effects of Combined Policy Package on Persons  
Between 50% to <100% of Poverty





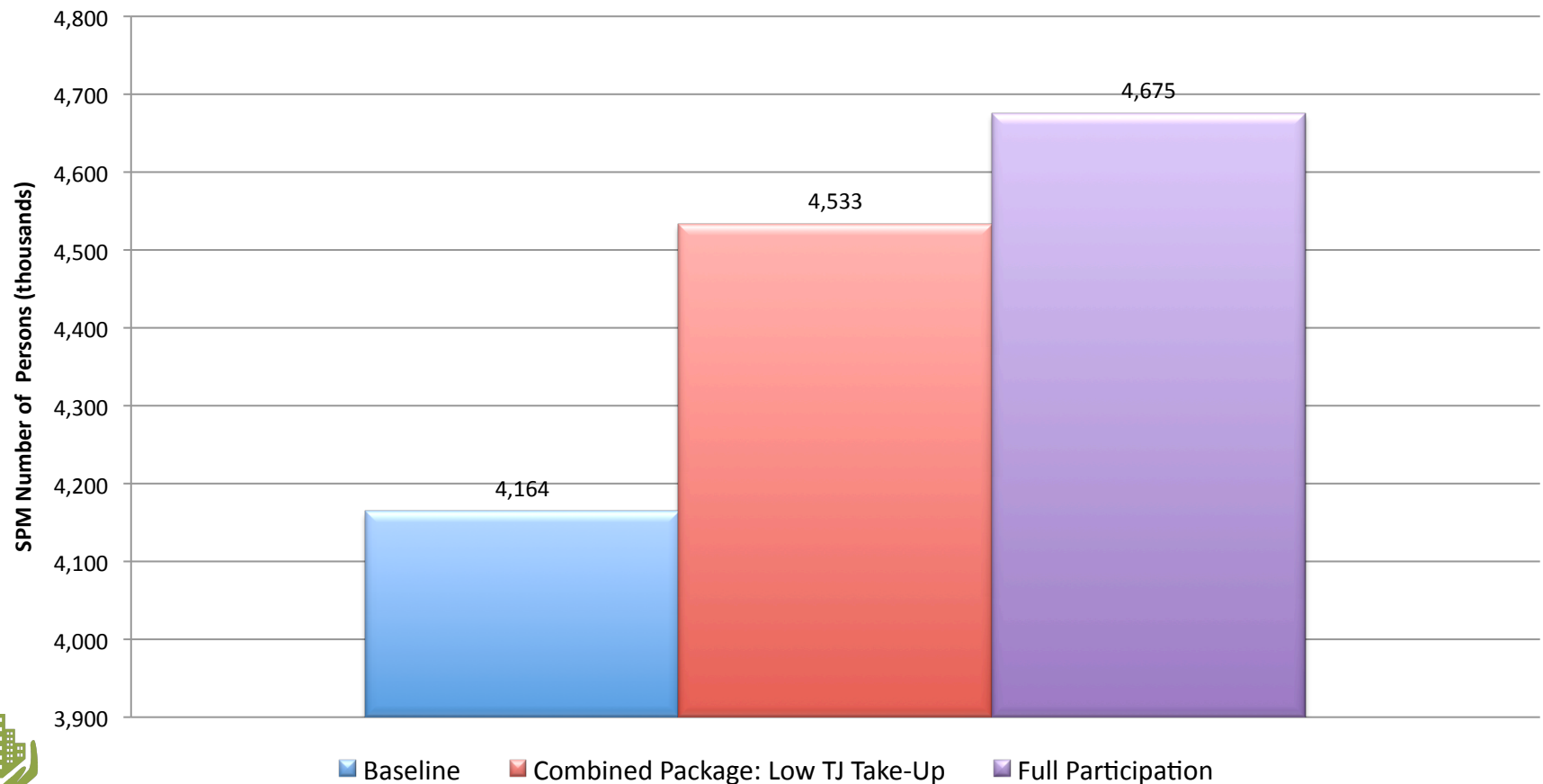
# Results: Combined Package: Number 100% to <150% of Poverty

Effects of Combined Policy Package on Persons Between 100% to <150% of Poverty



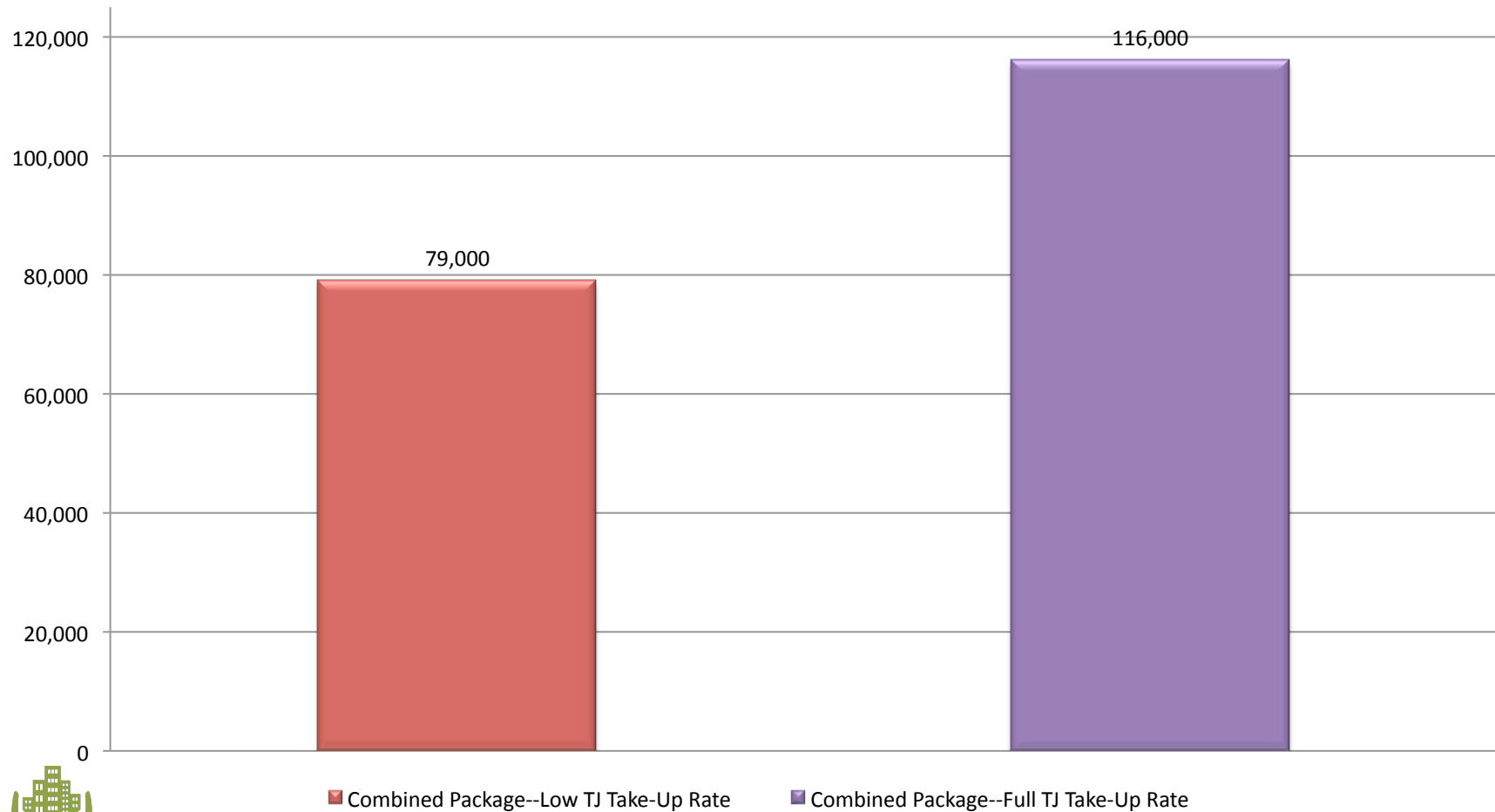
# Results: Combined Package: Number 150%+ of Poverty

## Effects of Combined Policy Package on Persons 150% of Poverty or Higher



# Impact on Employment

## Increase in 2008 Employment



# Distribution of Tax Credits

**Table 7. Distribution of Tax Credits in Policy Package, by AGI Class**

| Adjusted Gross Income | Amount of Credit Distributed (\$ millions) |  |
|-----------------------|--|--|
|                       | Senior and Disability Tax Credit           | Earnings Supplement Reform Tax Credits |
| Less than \$5,000     | 641  | 128                                    |
| \$5,000–\$10,000      | 30   | 415                                    |
| \$10,000–\$15,000     | 10   | 470                                    |
| \$15,000–\$20,000     | 3  | 447                                    |
| \$20,000–\$25,000     | 1  | 409                                    |
| \$25,000–\$30,000     | 0  | 265                                    |
| \$30,000–\$35,000     | 0  | 159                                    |
| \$35,000–\$40,000     | 0  | 87                                     |
| \$40,000–\$50,000     | 0  | 32                                     |
| \$50,000–\$100,000    | 0  | 2                                      |
| Over \$100,000        | 0  | 0                                      |
| Total, all returns    | 685  | 2,414                                  |

**Notes:** Results presented are for single policy simulations, without employment effects. Numbers may not match other tables due to rounding.



# Net Cost of Policy Package

## Net Cost of Implementing Policy Package in WI:

Low\* TJ take-up rate = \$3.3 Billion

Full\*\* TJ take-up rate = \$5.0 Billion

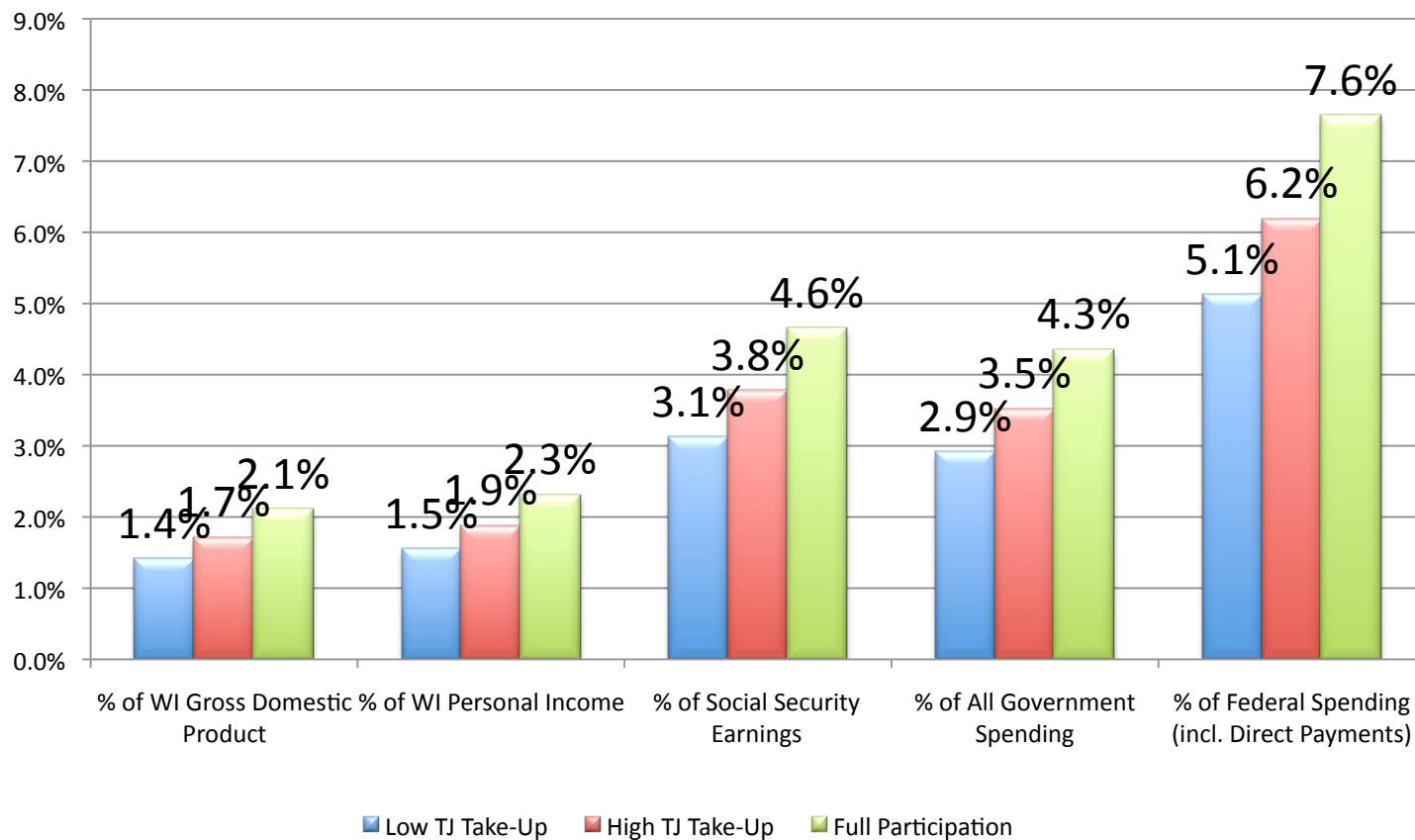
\* Assumes 50% of persons below poverty line who are fully unemployed take up a TJ

\*\*\* Assumes almost all persons below poverty line who are fully unemployed take up a TJ and assumes full take-up of other programs for low-income individuals/families, e.g., Food Stamps



# Cost as Percent of Other Spending

**Cost of Policy Package as Percent of WI Gross Domestic Product, Income/Earnings, and Govt. Spending (2008)**



# Conclusion

1. Government plays an **essential** role in reducing U.S. poverty.
2. Without existing government programs, poverty would be far worse—nearly twice as bad, and five times worse for seniors.
3. Due to government policies, poverty is “only” 10%-15%.
4. Our goal should be to reduce poverty by half...to below 5%.
5. Only *new* government action—primarily at the federal level—can dramatically lower poverty in the future.



# Conclusion

6. The four-part Community Advocates “policy package” demonstrates how poverty can be reduced by more than 50% to a level well under 5%.
7. No other proposal exists that *supported by evidence*.
8. We should proceed to:
  - *Communicate* what will work to dramatically reduce poverty in the United States;
  - *Organize* state and national movements to achieve this goal;
  - *Translate* the elements of the “policy package” into specific state and federal legislation and budget provisions.

