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Annual poverty report shows economy improving, but support programs still needed

MADISON — The good news is that jobs, earnings and wages are beginning to rise again in Wisconsin as the economy slowly climbs back from the recession, according to an annual in-depth study of poverty in Wisconsin in 2012 conducted by researchers at the Institute for Research on Poverty (IRP) at the University of Wisconsin–Madison.

The disappointing news, the recently released report finds, is that jobs in the state have not returned to pre-recession levels, and many of the new jobs are part-time and low-wage service sector jobs, so work-support programs, especially refundable tax credits and food assistance, are still needed to raise many working families with children above the poverty threshold.

"In times of need, a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance — as Wisconsin's safety net does — makes a big difference," says Timothy Smeeding, director of the Institute for Research on Poverty and Arts and Sciences Distinguished Professor of Public Affairs at the La Follette School, UW–Madison.

Study results are reported in the sixth annual "Wisconsin Poverty Report" by Smeeding and co-authors Julia Isaacs, a senior fellow at the Urban Institute; and Katherine Thornton, an IRP programmer analyst. The report's findings are mixed but offers overall hopeful news as the state and nation continue to recover from the severe economic downturn that hurt almost all Americans, but especially the lowest earners and the most vulnerable.

While about half or fewer of the jobs lost during the recession have been recovered, the report finds that the upward trend in market income has led to a small reduction in the impact of social safety net programs on poverty, as higher earnings replace the need for public assistance.

In any case, pockets of poverty remain well above average for the state, especially in Milwaukee's central city, but also in Madison and the Superior region.

The study, sponsored by the Wisconsin Community Action Program Association (WISCAP) which is celebrating its 40th year in 2014, uses the Wisconsin Poverty Measure (WPM), a state-specific poverty measure devised by the researchers that provides a more accurate picture of want in the state than is reflected in the official measure. The WPM also provides researchers and policymakers with an assessment of the influence of both the economy and public policies on poverty.

"Because we believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program, these results give hope that as the economy slowly recovers from the recession, increases in earnings will continue to reduce market-income poverty, though we still have a long way to go to return jobs in Wisconsin to their January 2008 peak," Smeeding says.

Smeeding and colleagues found that the overall poverty rate in 2012, as calculated using the Wisconsin Poverty Measure (WPM) declined, to 10.2 percent, the lowest poverty rate since the WPM was first utilized in 2009. The official poverty rate for Wisconsin in 2012 was much higher, at 12.8 percent. The positive difference for child poverty is more dramatic: 11percent using the WPM and 17.9 percent using the official measure. Elderly poverty, on the other hand, was higher with the WPM at 7.4 percent than the official rate of 6.2 percent.

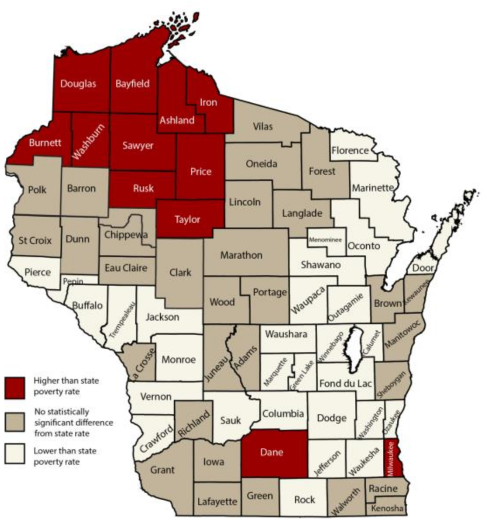
What accounts for the differences between the WPM and the official poverty rates? Knowing that the official measure was devised in the 1960s and has not essentially changed since then other than adjustments for inflation provides a clue.

In addition to using a threshold based on 1960 consumption patterns, the official measure also ignores noncash public benefits such as Supplemental Nutrition Assistance Program (SNAP, called FoodShare in Wisconsin) benefits and refundable tax credits, the nation's largest and most effective antipoverty programs. The official measure also ignores health care costs and work-related expenses such as childcare and fails to adjust for geographic differences in the cost of living.

The WPM addresses these shortcomings. It determines poverty status by comparing a measure of economic need that includes childcare and out-of-pocket medical expenses to a measure of the economic resources available to meet that need that includes SNAP benefits and the refundable Earned Income Tax Credit. In the WPM, the resource-sharing unit is also modernized, to include all persons who share the same residence and are also assumed to share income and consumption (called *family*); in the official poverty measure, *family* is restricted to married couples and their children.

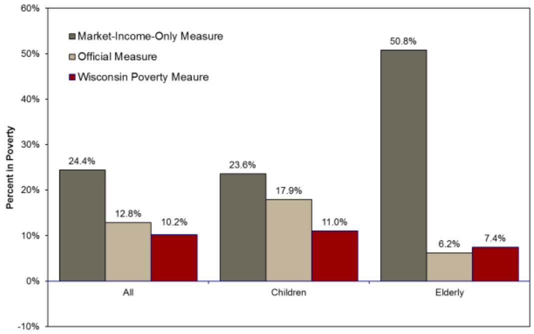
The end result, the report finds, is this improved measure is evidence of the effectiveness of safety net programs like food assistance and refundable tax credits.

Wisconsin Counties and Multicounty Areas with 2012 WPM Poverty Rates Above or Below the State Rate of 10.2 Percent



Source: IRP tabulations using 2012 American Community Survey data.
Notes: WPM = Wisconsin Poverty Measure.

Poverty in Wisconsin in 2012 by Measure: Overall and for Children and the Elderly



Source: IRP tabulations using 2012 American Community Survey data.
Note: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section above.
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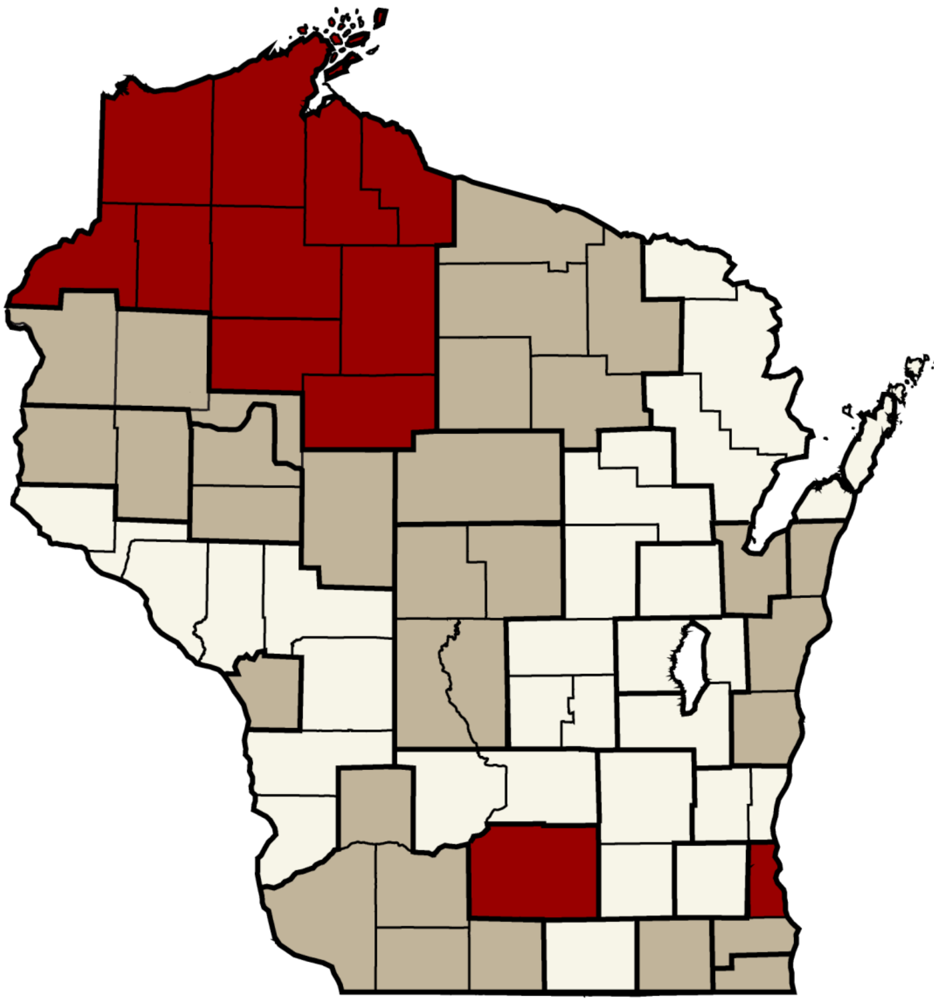
Wisconsin Poverty Report:
Jobs Recover to Help Reduce Poverty in 2012

The Sixth Annual Report of the Wisconsin Poverty Project



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May 2014

ABOUT THE WISCONSIN POVERTY PROJECT

The Wisconsin Poverty Project came into being in late 2008, when a group of researchers at the Institute for Research on Poverty (IRP) sought to gain a more accurate and timely assessment of poverty throughout the state at a time when the worst recession in the postwar era was gripping the nation. The researchers' efforts, which are in line with broader efforts including federal development of the Supplemental Poverty Measure, sought to inform policy with up-to-date and place-specific data that go beyond the official statistics for Wisconsin. The project, which each year produces a *Wisconsin Poverty Report*—this one marking the sixth—joins many other endeavors by University of Wisconsin System faculty and staff to improve the lives of people throughout the state in the spirit of the Wisconsin Idea. Simply put, the Wisconsin Poverty Project model reflects IRP's commitment to informing public policy with research findings and, consistent with this idea, one of our primary goals in developing the Wisconsin Poverty Measure is to serve as a model for other states and localities seeking to craft their own more meaningful measures of poverty. Details about our model, including programming and other technical details, are available online. See http://www.irp.wisc.edu/research/wipoverty.htm for more information on earlier reports and technical details.

ACKNOWLEDGMENTS

The authors would like to thank several sponsors while taking full responsibility for the conclusions and analyses presented in this report. We thank the Wisconsin Community Action Program Association (WISCAP), the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, and the University of Wisconsin–Madison for their support. We thank several past and present Wisconsin public servants for their input and background materials, including Bob Jones, Julie Kerksick, Jane Blank, Rebecca Boldt, Bradley Caruth, John Finger, and Kris Hebel. We would also like to thank Martha Cranley and Jon Peacock at the Wisconsin Council on Children and Families; Mark Levitan at the Center for Economic Opportunity in New York City; and Laura Wheaton at the Urban Institute. Special thanks are given Deborah Johnson, Dawn Duren, David Chancellor, and Robin Snell for manuscript preparation. Finally, we would like to thank John Coder, Dan Ross, and Pat Brown for assistance with data analysis; Steve Cook, Russell Dimond, and Doug Hemken for statistical consultation; and Laura Dresser and Kathryn Edwards for assistance with updating employment data. The American Community Survey data we use is from IPUMS.[i]

ABOUT THE AUTHORS

Timothy Smeeding is the Director of the Institute for Research on Poverty and the Arts and Sciences Distinguished Professor of Public Affairs at the La Follette School of Public Affairs. Julia Isaacs is a Senior Fellow at the Urban Institute and a Visiting Scholar at the Institute for Research on Poverty. Katherine Thornton is a programmer analyst at the Institute for Research on Poverty.

ABOUT THE INSTITUTE FOR RESEARCH ON POVERTY

The Institute for Research on Poverty (IRP) is a unit within the College of Letters and Science at the University of Wisconsin–Madison. It was established in 1966 as the nation's original poverty research center for interdisciplinary study of the causes, consequences, and cures of poverty and social inequality in the United States. Major funding is provided by the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services. As a National Poverty Research Center sponsored by ASPE, IRP has a particular interest in poverty and family welfare in Wisconsin as well as the nation.

DISCLAIMER

This publication was supported by grant number AE00102 from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE), which was awarded by the Substance Abuse and Mental Health Services Administration (SAMHSA). The report was also supported by the Wisconsin Community Action Program Association (WISCAP). Its contents are solely the responsibility of the author(s) and do not necessarily represent the official views of ASPE, SAMHSA, or WISCAP.

This report is available in a printable format on IRP's website at http://www.irp.wisc.edu/research/wipoverty.htm.

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[i]See S. Ruggles, J. T. Alexander, K. Genadek, R. Goeken, M. B. Schroeder, and M. Sobek, *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database], Minneapolis: University of Minnesota, 2010.

COVER MAP KEY: Map depicts 2012 poverty rates using the Wisconsin Poverty Measure. Areas below the state average of 10.2 percent are light tan, beige areas have no statistically significant difference from 10.2 percent, and cranberry red areas are higher than 10.2 percent. See page 15 for further details.

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Figures, Table, and Map

EXECUTIVE SUMMARY

In brief, employment is not back to pre-recession levels and work support programs, especially refundable tax credits and food assistance (Supplemental Nutrition Assistance Program or SNAP), are still helping working families escape poverty. Yet the economy is slowly turning around and the combination of greater earnings, tax credits, and SNAP are moving many people over the poverty threshold, especially those in families with children.

Behind this story is the impact of tax-related provisions and near-cash benefits as well as earned incomes. The official poverty measure considers only pre-tax cash income as a resource, failing to fully capture the effects of government efforts to stimulate the economy and ease economic adversity caused by the recession. Researchers at the Institute for Research on Poverty (IRP) developed the Wisconsin Poverty Measure (WPM), now in its fifth year, to account for the needs and resources of Wisconsin families while taking the antipoverty impact of policies into account. In determining poverty status, the WPM considers cash resources, but also taxes paid (for instance, payroll taxes on earnings), refundable tax credits and noncash benefits, as well as costs like child care and health care that reduce available resources.

Additional findings of our report also demonstrate a diversified experience of poverty in Wisconsin after the recovery from the Great Recession. The decrease in poverty for children is larger than the decrease in poverty for all individuals under the official measure and the WPM; according to the WPM it fell from 12.2 to 11.0 percent from 2011 to 2012. When we examine how specific noncash benefits, tax-related provisions, and medical and work-related expenses affect poverty, we find that food benefits reduced child poverty by less in 2012 than in 2011, while refundable tax credits still made the largest difference in child poverty. We also examine poverty rates across regions within the state, revealing deep poverty in some areas, especially central Milwaukee and Madison (Dane County).

Our key finding is that jobs, earnings, and wages are beginning to rise again in Wisconsin, lessening the impact of the safety net on poverty as benefits are lower because of higher earnings. The social safety net provided a buffer against poverty during the Great Recession and still makes a very big difference in poverty, though it is now shrinking because of the recovery and some cutbacks in recession-related spending on refundable tax credits.[i] Because we believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program, these results give hope that as the economy slowly climbs back from the recession, increases in earnings will continue to reduce market-income poverty, though we still have a long way to go to return jobs in Wisconsin to their January 2008 peak. Still, in times of need, a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance—as Wisconsin's safety net does—makes a big difference in combatting poverty as the labor market slowly rebounds.

[i]See last year's Wisconsin Poverty Report at http://www.irp.wisc.edu/research/WisconsinPoverty/pdfs/WI-PovertyReport2013.pdf.

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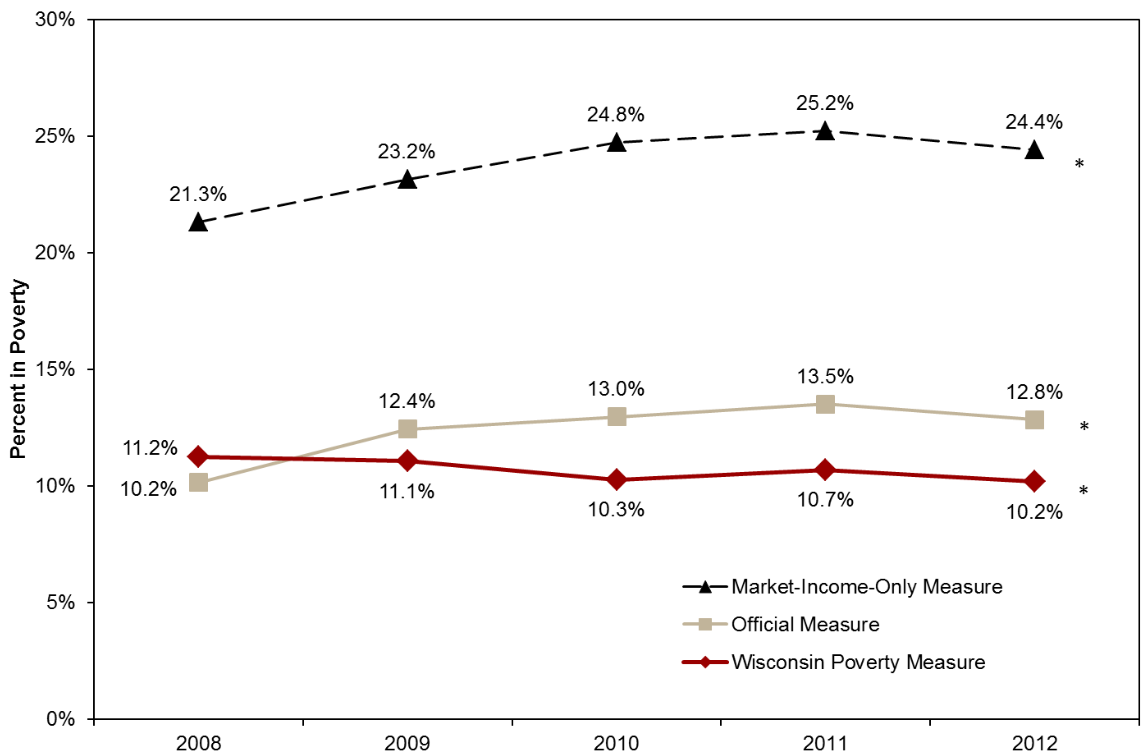
INTRODUCTION

Over the course of the Great Recession—the worst recession in the postwar era—and as the economy slowly recovers, it has become particularly important for researchers and policymakers to have an accurate and timely assessment of which people and families are poor and the influence of both the economy and public policies on poverty. National authorities declared that the recession ended in June 2009, but numerous economic indicators continue to signal a fragile recovery. Wisconsin still has employment levels far below the 2008 peak, but by the end of 2012 had added back about a third of the jobs lost during the Great Recession (see Figure 2 below). In the context of this slow recovery, accurate appraisal of economic resources and needs and the way that programs help enhance earnings and supplement the incomes of the poor still remains important, as we see below.

To provide a more nuanced picture of economic hardship in Wisconsin, we employ three different measures for estimating poverty in the state from 2008 through 2012, as shown in Figure 1. The three measures are: a measure based on market (private) income only; the Census Bureau's official poverty measure, which considers only pre-tax but post-benefit cash income; and the Wisconsin Poverty Measure (WPM), a measure that researchers at the Institute for Research on Poverty (IRP) have developed to better reflect a comprehensive set of needs and resources in Wisconsin.

Figure 1. Wisconsin Poverty Rates under Three Measures, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Notes: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section below.

Under the market-income measure, which is based on private sources of income (mainly earnings, but also investment income, private pensions), we see that overall poverty rates have finally decreased, consistent with a slow but steady employment recovery in Wisconsin in recent years. Poverty estimates are much lower under the official measure, which includes government cash transfers (e.g., Social Security, unemployment insurance, welfare cash payments) as well as market income (and which is based on the older official poverty threshold and related methods). Trends in poverty according to the official measure are similar to those shown by the market-income measure, with the official poverty rate also falling in 2012.

The overall poverty rate as calculated by the WPM has also declined, to 10.2 percent in 2012, the lowest poverty rate since the WPM was first measured in 2008. One of the important differences between the more-comprehensive WPM and the official measure is that the WPM takes into account the increases in noncash benefits and tax credits, which offset low market incomes in Wisconsin, particularly during the worst of the recession. Our report comparing 2008 and 2009 suggested that policies intended to address the recession and reduce poverty had indeed been successful in our state because they kept poverty from increasing. The report focusing on 2010 showed that work supports and other safety net programs continued to expand that year, helping Wisconsin families enough to reduce poverty, despite worsening labor market conditions in the state. Last year's report on 2011 saw an increase in poverty in 2011, from 10.3 to 10.7 percent with little recovery in the labor market. But in 2012, poverty fell back to 10.2 percent from the combined effects of the slowly improving labor market and the continued strong impacts of the safety net.[1]

Our findings that poverty is falling, and is below the official rates, should not be interpreted as saying that the recession has not been a source of hardship in Wisconsin. Many of the new jobs we have created are only part-time jobs in the low-wage service sector (retail, fast food industry). And the net job loss since January 2008 was still over 100,000 jobs by November 2012, when the income and program data covered in this report end. Poverty measures do not capture the deterioration in economic conditions for middle-class families. Nor do they capture the financial consequences of drawing down savings, the loss of homes due to foreclosure, increases in debt, and the non-economic stresses associated with job loss or the process of applying for public benefits. While this report cannot address all of these issues, it does testify to the effectiveness of work supports and safety net programs in Wisconsin following the recession, and such a finding supports continued and expanded efforts to improve the well-being of residents in the state. This year's report also suggests that the overall economy is finally beginning to rebound enough to see a statistically significant decline in market-based poverty.

Organization of this Report

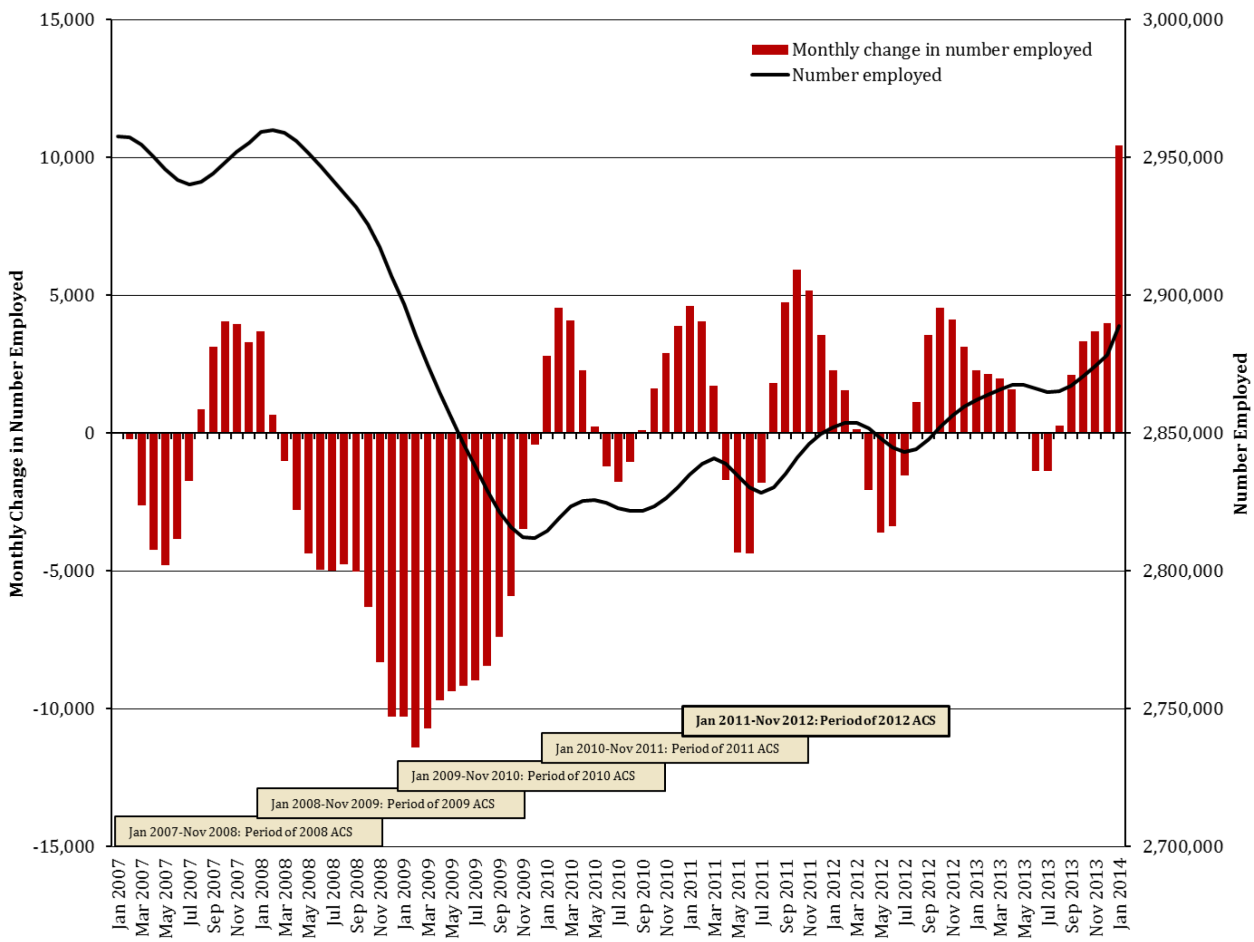
The remainder of this report expands upon the key findings from Figure 1 in the following manner. First, we consider Wisconsin's economic and policy situation during these years of recession and the slowly emerging recovery. Second, we briefly discuss the methodology of the Wisconsin Poverty Measure and how it differs from the official poverty measure. Third, we examine results in 2012, and trends for the 2008 to 2012 period, looking at poverty rates overall and for two vulnerable groups: children and the elderly. Fourth, we use the WPM to examine how public benefits (e.g., tax credits, nutrition assistance programs, housing policies) and expenses (medical and work-related) affect poverty. Finally, we present poverty rates across local regions in Wisconsin using the WPM.

[1]For the full series of *Wisconsin Poverty Report*s, see http://www.irp.wisc.edu/research/wipoverty.htm. The full series includes an expanded discussion of methodologies and results, as well as technical appendices. Note that the same basic methodology was used in estimates for 2009 through 2012 (although some of the sub-state areas on which we report poverty changed between 2011 and 2012 due to changes in the geographic boundaries of the Public Use Microdata Areas [PUMAs] used by the Census Bureau). However, 2008 was estimated under a slightly older methodology. The 2008 estimates would be slightly higher if re-estimated under the new methodology (poverty was estimated under both methodologies in 2009 and the overall poverty estimate in 2009 was 0.4 percentage points higher under the older methodology). However, the finding of insignificant change in poverty under the WPM between 2008 and 2009 is not affected by the small methodological refinements.

WISCONSIN'S ECONOMY AND PROGRAM PARTICIPATION DURING THE RECESSION

The rise and, now, fall in Wisconsin poverty that is visible in the market-income, official, and WPM measures reflects the recovery of employment in the state since 2009. Wisconsin experienced a job uptick from 2010 to 2012, which has continued into 2013 (see Figure 2 below and note that job gains in both 2011 and 2012 affected the 2012 poverty rate measured in this report). At the end of 2012, Wisconsin had about 42,000 more jobs than at the beginning of 2010, 21,000 of them gained over the period covered by this report. While this progress is reflected in the market-income poverty rates in Figure 1, we still have a long way to go, as employment at the end of 2012 was about 102,000 jobs less than the early 2008 pre-recession peak. Next year's report should show about the same 21,000 job gain from January 2012 through November 2013, but with Wisconsin still 75,000 to 80,000 jobs short of the January 2008 peak (see Figure 2).

Figure 2. Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2013



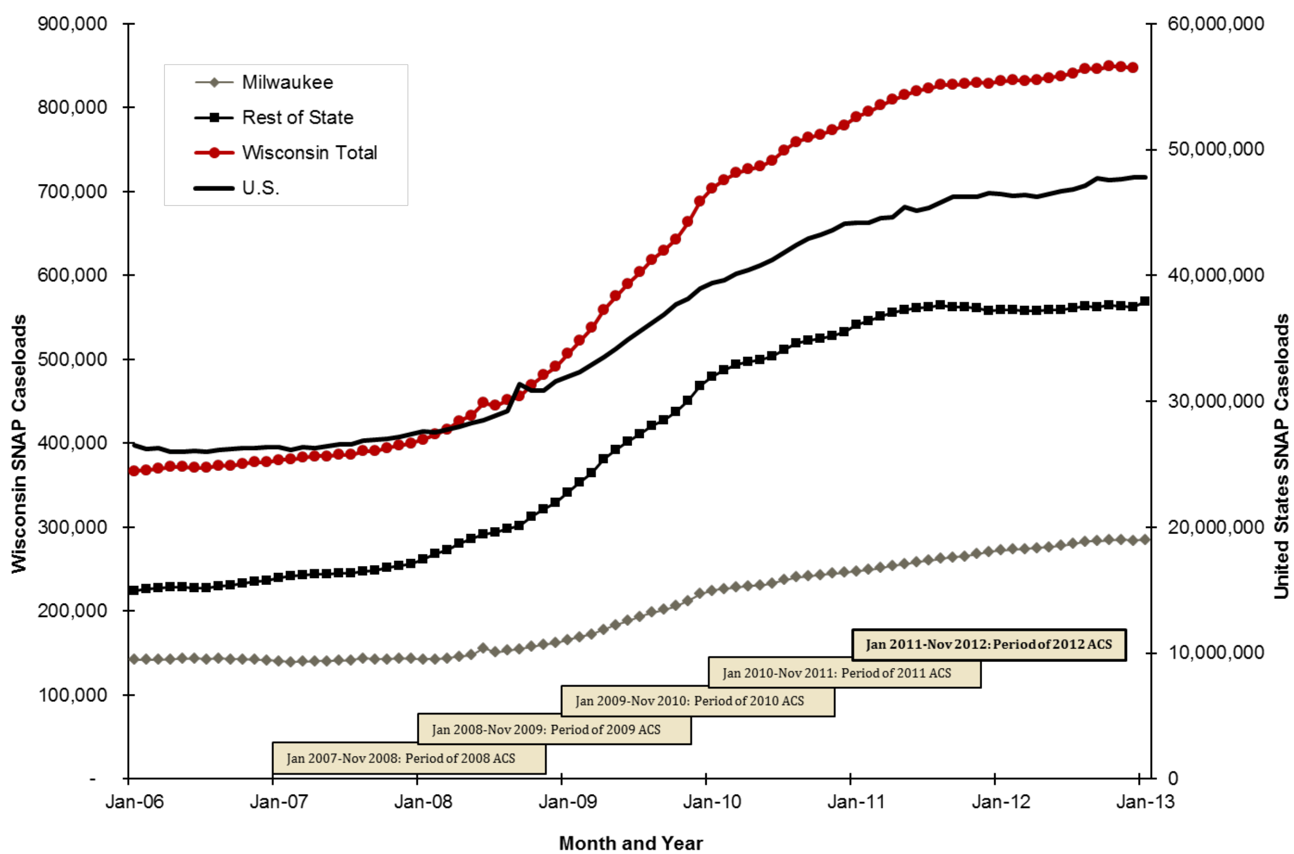
Source: Seasonally adjusted Bureau of Labor Statistics data on total non-farm employment.

Notes: The 2012 poverty rate is based on economic conditions from January 2010 through November 2011, because the American Community Survey (ACS) data for each year are collected throughout the calendar year, and include references to income over the previous 12 months, hence, spanning a total of 23 months, as shown in the chart. For reference, the official recession began in December 2007 and ended in June 2009.

As unemployment and job loss rose in the recession and many of the unemployed remained out of work for six months or longer, caseloads for the Supplemental Nutrition Assistance Program (SNAP, formerly the Food

Stamp Program, which is known as FoodShare in Wisconsin, but called SNAP in this report for simplicity) rose dramatically, in the nation as well as in Wisconsin. As shown in Figure 3, the rate of increase in Wisconsin was even larger than the national rate of increase; the number of people receiving SNAP benefits in Wisconsin more than doubled between January 2007 and January 2012 (an increase of 119 percent), compared to a 76 percent increase in the nation as a whole during the time considered. Between 2007 and 2012, the increase in SNAP caseloads was steeper outside of Milwaukee than in Milwaukee, a long-term high-poverty area. Between January 2011 and November 2012, the time period covered by the 2012 ACS, the SNAP caseload in both Wisconsin and the United States grew by only 8 percent, including only 2 to 3 percent growth since January 2012. This leveling of SNAP caseloads, which are actually now falling in Wisconsin areas outside of Milwaukee, is another sign of the recovering economy.

Figure 3. Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2006–2012



Source: Data on SNAP participation are from the FoodShare data website of the Wisconsin Department of Health Services.

Note: The number of cases in Wisconsin is shown on the left-hand scale of the y-axis, while that for the United States is on the right-hand scale of the y-axis.

WHAT'S WRONG WITH THE OFFICIAL POVERTY MEASURE?

Researchers and policymakers have criticized the current official poverty measure for not accurately accounting for the contemporary needs and resources of American families, and have consequently called for improved measures. Critics assert that the official measure ignores noncash benefits and tax credits, uses an outdated (and substantially lower) poverty threshold based on a pattern of consumption in the 1960s, omits work-related expenses such as child care and health care costs, and fails to adjust for geographic differences in prices. After a National Academy of Sciences (NAS) panel offered an alternative method for measuring poverty that addresses many of these concerns, a number of scholars have developed alternative poverty measures based on the NAS method. The federal government has also recently implemented the Supplemental Poverty Measure (SPM), which is very close to that recommended by the NAS committee.[2]

While IRP's efforts to develop an alternative poverty measure for Wisconsin are in line with these broader efforts, we contribute to the field by applying these measures to a local area (Wisconsin) in ways that reflect the characteristics and policy interests of the state, and by providing explicit and straightforward guidelines that other states and localities can use to develop their own measures. Wisconsin is an excellent site for a case study of alternative poverty measures because of the state's historic importance as an experimental site for national policies, and thanks to the provision of resources for this research by the University of Wisconsin–Madison. Finally, Wisconsin sees rich interactions of research and community life, largely because of the University of Wisconsin System's adherence to the "Wisconsin Idea," which is the principle that university research should improve state residents' lives beyond the classroom.[3]

METHODS AND DATA FOR MEASURING POVERTY UNDER THE WPM

We use an analytical approach largely consistent with those employed in previous issues of the *Wisconsin Poverty Report*. As in previous reports, the U.S. Census Bureau's American Community Survey (ACS) is the primary data source for this report; specifically, a data extract from the Integrated Public Use Microdata Series (IPUMS) was used to analyze the 2012 ACS data (see source note in acknowledgements), and the IPUMS data were supplemented with state administrative data on participation in public assistance programs. While the SPM being developed at the federal level uses data from the Current Population Survey, our measure takes advantage of the relatively large sample sizes in the ACS data set in order to examine poverty in areas within the state.[4]

We examine poverty in 28 areas in Wisconsin, including 13 large (more densely populated) counties and 15 multicounty areas that encompass relatively small (less densely populated) counties.[5] An additional advantage of the data is the inclusion of detailed housing information. While the data set used in our analysis is subject to limitations, such as a lack of information about SNAP benefit amounts, energy assistance, and public housing, it is the best available data for examining poverty at the local level, as we do in the current analysis, and the issues stemming from data limitations have been alleviated by our effort to combine it with other data sources including Wisconsin's administrative data on program participation.

The development of the WPM is in line with the development of almost all poverty measures in which poverty status is determined by comparing a measure of economic need to a measure of the economic resources available to meet that need. A poverty threshold (or measure of need) is the least amount of income deemed necessary to cover the basic expenses of the unit of people considered. Three major components commonly

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[2]In November 2011, the Census Bureau released the first results from the new SPM in K. Short, "The Research Supplemental Poverty Measure 2010: Consumer Income," U.S. Census Bureau, *Current Population Reports* P60-241. Washington, DC: U.S. Government Printing Office. Available online at http://www.census.gov/prod/2011pubs/p60-241.pdf. A second report using the same measure for 2012 was released in 2013, and is available online at http://www.census.gov/prod/2013pubs/p60-247.pdf.

[3]For more about the Wisconsin Idea and the history of the Wisconsin Poverty Report, see T. M. Smeeding and J. Y. Marks, "The 'Wisconsin Idea' and Antipoverty Innovation," *Pathways: A Magazine on Poverty, Inequality, and Social Policy*, Summer 2011, 18–21, at http://www.stanford.edu/group/scspi/_media/pdf/pathways/summer_2011/PathwaysSummer11_SmeedingMarks.pdf.

[4]Differences in surveys and poverty measures for the United States and Wisconsin can be found in D. S. Johnson and T. M. Smeeding, "A Consumer's Guide to Interpreting Various U.S. Poverty Measures," *Fast Focus* 14, Institute for Research on Poverty, Madison, WI, May 2012, at http://www.irp.wisc.edu/publications/fastfocus/pdfs/FF14-2012.pdf.

[5]Previous reports examined poverty in 22 areas, including 10 large counties and 12 multi-county areas. The change reflects the fact that the Census Bureau has redrawn the boundaries of some of the Public Use Microdata Areas (PUMAs) that are used to form the geographic areas for our poverty measure.

constitute poverty measures: the resource-sharing unit (and the universe of people included in those units), resources, and need; we describe each of these components to demonstrate our approach to the WPM.

The resource-sharing unit includes all persons who share the same residence and are also assumed to share income and consumption (called "family"). In the WPM we expand the definition of family used in the official poverty measure (which is restricted to married couples and their families), by including unmarried partners and their families, foster children, and unrelated minor children in our poverty unit. This procedure follows the National Academy of Sciences recommendations, although we depart from these by excluding single college students with annual earnings less than $5,000 because they likely have income from parents that was not recorded in our data and may therefore upwardly bias our poverty estimate. Excluding college students changes our estimate for Wisconsin's overall poverty by 0.1 percentage points, but by a more substantial amount in college towns like Madison and La Crosse.

While the official poverty measure considers nothing beyond pre-tax cash income as resources, the WPM incorporates a more comprehensive range of resources, including tax credits and noncash benefits including SNAP and housing subsidies, and it adjusts for household needs, such as out-of-pocket medical costs and work-related expenses that include child care and transportation costs. Consistent with our goal of measuring poverty in Wisconsin, we include Wisconsin-specific public resources, such as the Wisconsin Homestead Tax Credit and the Wisconsin state Earned Income Tax Credit (EITC), in addition to the federal EITC.

To consider need, our poverty thresholds are constructed based on food, clothing, shelter, and other expenses, which are set at roughly the 33rd percentile of national consumption expenses for a two-child, two-adult family, with adjustments for prices in Wisconsin. This approach differs from the official poverty measure, which is based on three times the cost of a minimally adequate diet in the 1960s, with adjustments for inflation. To estimate the poverty threshold specific to Wisconsin, we begin with the current experimental federal poverty threshold published by the Census Bureau. In 2012, the national threshold was $26,731.[6] Our baseline poverty threshold (i.e., the threshold for a two-child, two-adult family) for Wisconsin in 2012 was $24,121, only about $42 more than in 2011. The Wisconsin line is lower than the rest of the nation because the cost of living in Wisconsin is about 10 percent lower than for the nation as a whole. For comparison, the official U.S. poverty line for a two-child, two-adult family in 2012 was $23,283.

In refining the measures of need, we calculated poverty thresholds for families of different sizes through the use of equivalence scales. We also made adjustments to the poverty thresholds based on differences in housing costs across regions in Wisconsin (owners with a mortgage, owners without a mortgage, and renters) and expected medical expenses (which vary across families based on health insurance status, presence of elders, family size, and health status). To determine whether or not a family—and individuals belonging to the family unit—could be considered poor, we compared their comprehensive measure of resources to the relevant threshold or measure of need.

In summary, the WPM helps us to better understand the needs and resources of Wisconsin residents, as well as the impact of policies intended to reduce poverty by lowering expenses and/or increasing resources. Specifically, we account for the effect of policies that help reduce out-of-pocket costs of working, and those that help reduce medical care expenses, such as BadgerCare.

In the next section, we report our results, looking first at data for 2012. We look at poverty overall, and then turn to an examination of poverty for two vulnerable groups (children and the elderly). We then turn to poverty trends during the period from 2008 through 2012.

[6]The Census Bureau has calculated four different versions of the NAS-based threshold for 1999–2012, which can be found at http://www.census.gov/hhes/povmeas/data/nas/tables/2012/index.html. We used the version that included medical expenses and the repayment of mortgage principal for owned housing.

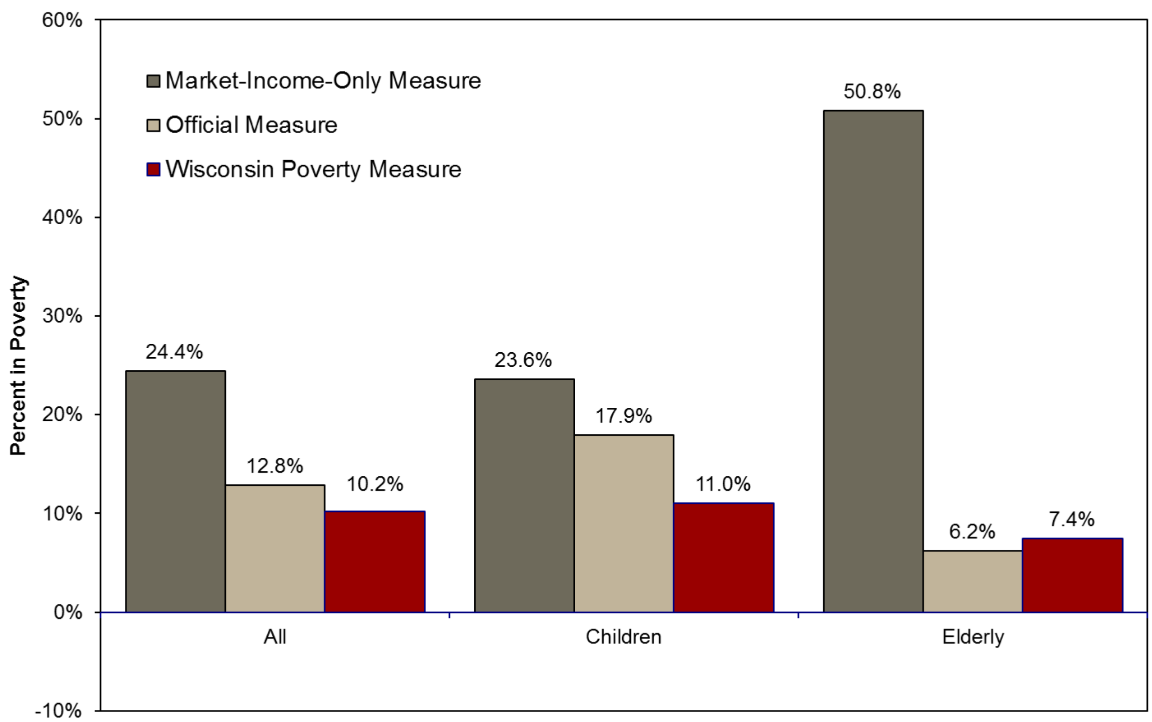
POVERTY AND THE EFFECTIVENESS OF THE SAFETY NET IN WISCONSIN, BY MEASURE AND POPULATION

Wisconsin Poverty in 2012

Under the market-income measure of poverty, which counts only earnings and other private income and ignores all government benefits and taxes, about one-fourth of the state population as a whole is poor, with more than half (50.8 percent) of the elderly and 23.6 percent of children living in families considered poor. These are the three tallest bars in each segment of Figure 4 below.

Using the official poverty measure, which takes into account the effect of cash benefits such as Social Security and unemployment insurance, elderly poverty drops dramatically to 6.2 percent mainly due to cash benefits under the Social Security program. Child poverty under the official measure is also lower than under the market-income measure, but is much higher than other age-group poverty rates at 17.9 percent, in large part because few cash assistance benefits are currently provided to otherwise poor families with children in the United States. Under the official measure, overall poverty lies between the extremes of elderly and child poverty, and was 12.8 percent in 2011.

Figure 4. Poverty in Wisconsin in 2012 by Measure: Overall and for Children and the Elderly



Source: IRP tabulations using 2012 American Community Survey data.

Notes: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section above.

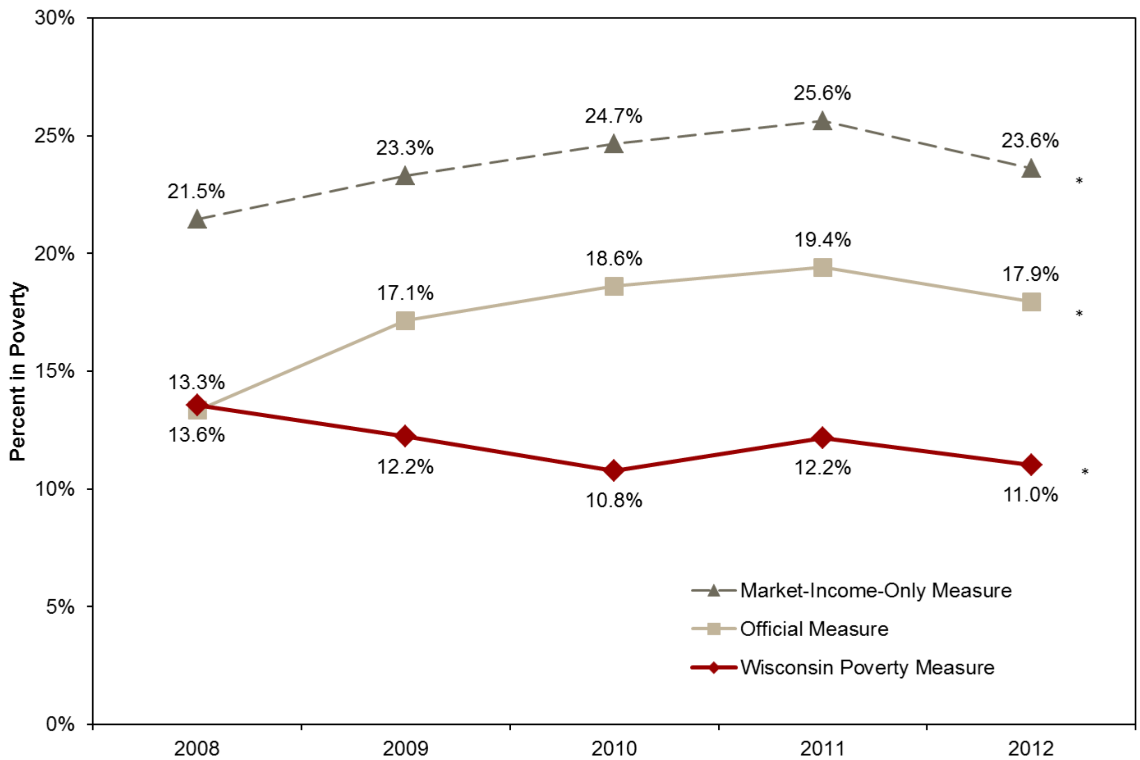
Under the WPM, the last bar in each subset of Figure 4, child and elderly poverty rates still diverge but the differences are reduced, with a poverty rate of 11.0 percent for children and 7.4 percent for the elderly. Overall poverty is between these at 10.2 percent. The primary reasons that child poverty was lower under the WPM than in official statistics is that families with children are eligible for a broader range of tax credits (e.g., the Earned

Income Tax Credit is primarily for families with children), and also have markedly higher take-up rates of SNAP and other noncash safety net programs than do individuals without children. In addition, the WPM, unlike the official measure, counts the income of unmarried partners as contributing to family resources; this consideration by the WPM makes a substantial difference in estimating child poverty because many poor children live with single mothers and their unmarried partners. In contrast, elderly poverty is higher under the WPM than it is according to official measures, mainly because these individuals have out-of-pocket medical expenses not considered by the official measure.

Trends in Wisconsin Poverty, 2008 to 2012

As already shown in Figure 1, poverty under the WPM was lower in 2012 than in 2011, with similar declines under both the official and market-income measures. In this sixth annual *Wisconsin Poverty Report*, we find that, according to the WPM, poverty fell from 10.7 percent to 10.2 percent between 2011 and 2012. Figure 5 shows this pattern even more clearly in child poverty rates, which declined significantly, from 12.2 to 11.0 percent under the WPM, a decrease of 1.2 percentage points, compared to a similar decline of 1.5 percentage points in the official statistics and a full 2.0 percentage point decline in the market-income measure of poverty. The recovering economy helped move families with children out of poverty in 2012. In addition, families with children continued to benefit from benefits expanded under the American Recovery and Reinvestment Act of 2009 (ARRA).

Figure 5. Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

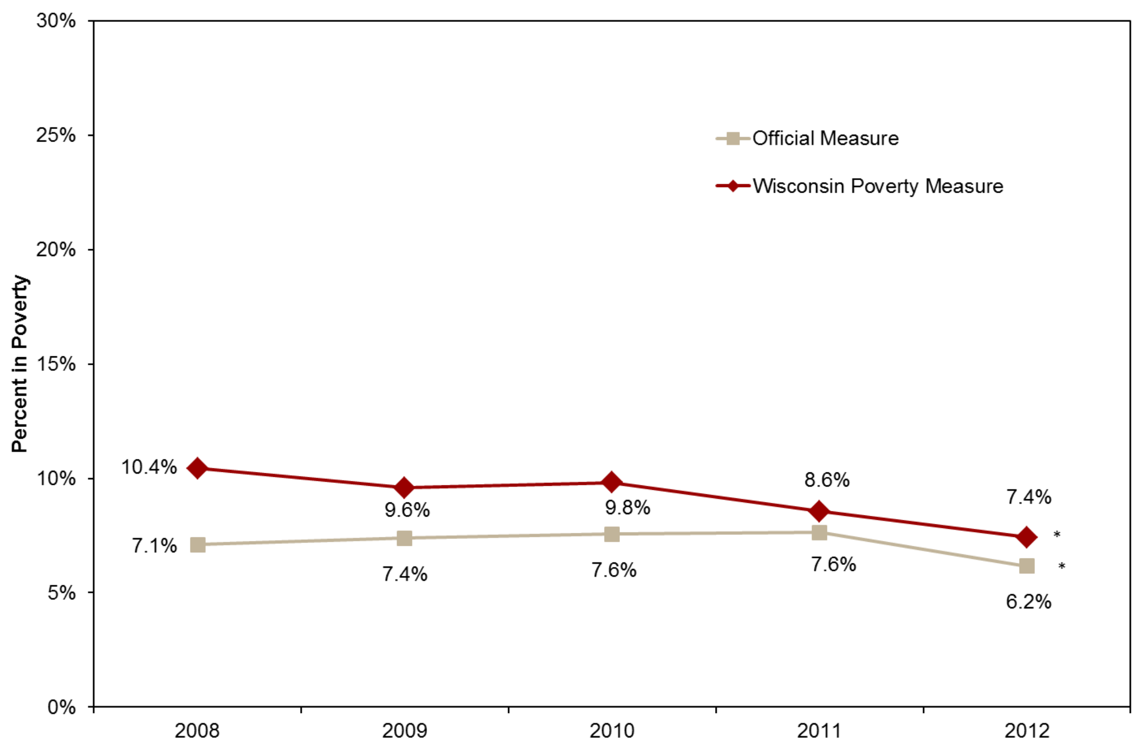
Note: * = The difference between 2011 and 2012 was statistically significant for all three measures.

The EITC and other refundable tax benefits as well as SNAP benefits were expanded under the ARRA. While the tax effects were implemented retroactively for the full 2009 calendar year and beyond, the increase in the amount of SNAP benefits received by families did not take place until partway through 2009, and were still in effect at the end of 2012 (though it expired in November 2013). Both programs continued to have large anti-poverty effects in 2012, especially for families with children.

Poverty remains higher among children than any other age group in 2012, as has also been the case in earlier years, but the trend in all three measures is downward. Looking just at the WPM, the drop in child poverty from 2011 to 2012 brings the rate back almost to its 2010 level. And this time, a larger fraction of the decline can be attributed to changes in the improving economy, as seen in the decline in the market-income-based poverty measure. In 2012, both the economic situation and the safety net system worked together to reduce child poverty in Wisconsin. While the economic recovery is still anemic, this is the first year in which it reduced the market-based poverty rate for families with children. The net effect of both systems is a clear downward trend from 2008 to 2012 in WPM-based child poverty in Wisconsin. The official measure of poverty for children also improved, but it was almost 8 percentage points above the WPM in 2012. In contrast with the WPM, the five-year trend in child poverty in the official poverty rates is still upward, despite the improvement from 2011 to 2012. The growth in non-cash benefits and tax credits explains most of the difference in trends for these two measures.

Elderly poverty fell from 8.6 to 7.4 percent using the WPM, compared to an even larger decline in the official measure, from 7.6 to 6.2 percent. Elderly individuals are less likely to be employed than younger individuals, and thus are generally less affected by recession or by changes in tax policy. Instead, the low-market-income elderly are mainly taken out of poverty by Social Security benefits, as each new generation of elders have longer and better job histories and therefore receive higher Social Security benefits than the previous generation. While they are less likely to receive tax credits or noncash benefits than the nonelderly, they still are helped by housing, energy, and increasingly, by SNAP benefits. Despite the rise in medical out-of-pocket expenses which eat up a larger fraction of elder incomes from year to year, WPM poverty among the elderly was at the lowest level since we began measuring poverty under the WPM in 2008, as shown below in Figure 6.

Figure 6. Elderly Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: * = The difference between 2011 and 2012 was statistically significant for both measures.

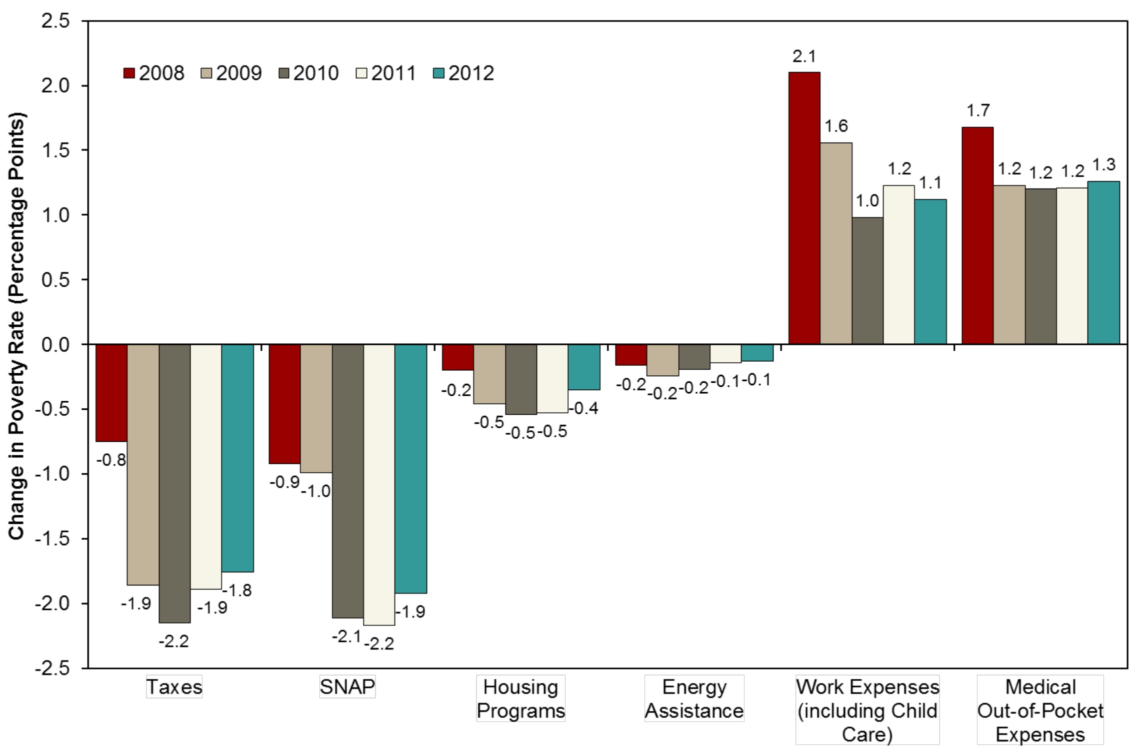
Using the Wisconsin Poverty Measure to Assess the Effect of Policies on Poverty

The WPM allows us to examine the economic effects of a wider range of policies aimed at the poor than does the official poverty measure. Partly as a result of welfare reform and the growing importance of earnings, even at low-paid jobs, the majority of the expansion in public benefits during the recent recession in Wisconsin, and continuing on since, has been in the form of noncash programs and tax-related benefits tied to work activities, rather than cash transfer programs. And so, it is important to document the effects of these noncash and tax benefits on poverty.

In this section, we estimate what poverty rates would have been if we had not considered noncash and tax benefit receipts, or work-related resources/expenses and medical resources/expenses. The first two policy levers lower poverty rates by increasing disposable income. In addition to the effects of benefits, we indirectly show the impact of expenses on poverty, as policies intended to reduce these expenses are as important as safety net programs in improving the economic well-being of low-income families.

Among the benefit programs examined in this analysis, SNAP benefits had the greatest impact on reducing overall poverty in 2012, with SNAP reducing the percentage of people in poverty by 1.9 percentage points, a bit below last year's 2.2 percent (Figure 7). As market incomes rise, SNAP benefits are reduced and fewer individuals qualify for benefits. Thus, a decrease in SNAP's importance in reducing poverty is to be expected in times of recovery. The second largest effect was from work-related refundable tax credits, like the EITC.

Figure 7. Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2012



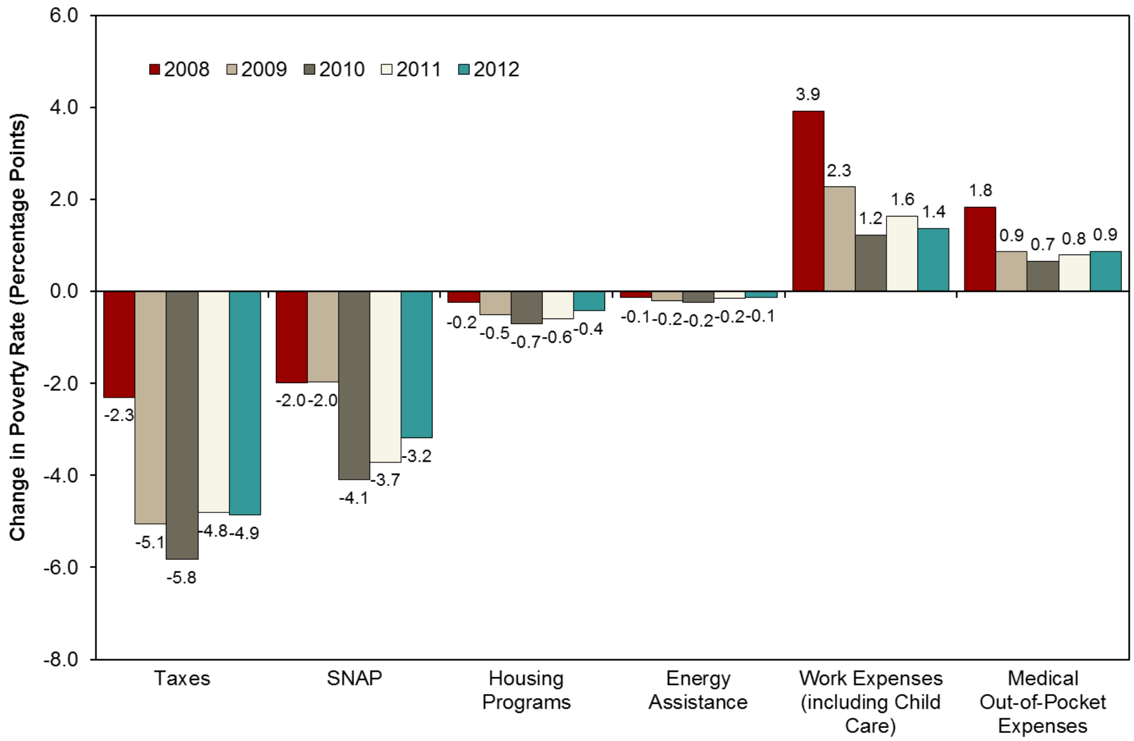
Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Both taxes and SNAP had a larger impact on reducing child poverty than overall poverty. This was particularly true in 2012, where tax-related provisions reduced child poverty by 4.9 percentage points and SNAP benefits reduced child poverty by 3.2 percentage points (see Figure 8). Refundable tax credits like the EITC had the greatest impact on reducing child poverty in 2012, reducing it by 4.9 percentage points, slightly up from last year. While the effect of increased earnings on the antipoverty effectiveness of refundable tax credits is harder to assess as higher earnings can either increase or decrease refundable tax credit benefits, the larger effect we see in 2012 is consistent with an increase in work among low-income parents with children. Again the effect of SNAP benefits on poverty fell as earnings rose in 2012.

In contrast, taxes had a negligible effect on elderly poverty, and SNAP benefits reduced elderly poverty by a bit more than 1.1 percentage points during 2012, the highest impact since we began to publish the WPM (see Figure 9). This pattern of tax effects is expected because the largest tax credits are focused on working individuals who are parents of minor children; and SNAP benefits are also more generous to larger families. With regard to SNAP benefits, a relatively small proportion of the elderly tend to be poor enough to meet the income qualifications for SNAP benefits, but enrollment and the program's effects on poverty in Wisconsin continued to increase in 2012.

Figure 8. Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2012

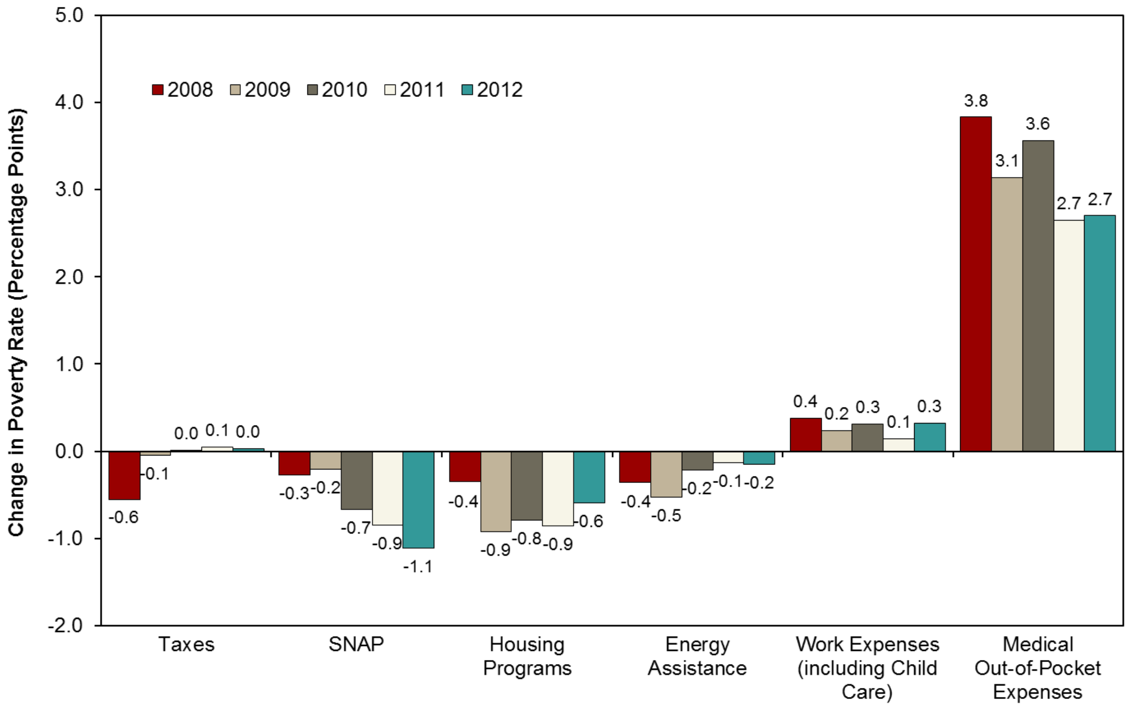


Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Work expenses were more significant for families with children, and they stayed about the same in 2012 compared to 2011. The effects of work-related expenses should be larger when earnings increase, but work-related expenses had about the same or even a marginally lower impact on poverty in Wisconsin in 2012. As might be expected, the effects were larger on families with children (Figure 8) than overall (Figure 7) or for the elderly (Figure 9). While medical expenses increased poverty for all groups, the effects of medical expenses were felt more acutely by the elderly, who are more likely to be in need of costlier and sustained medical care. In general, out-of-pocket medical expenses (e.g., insurance premiums, co-payments for medical services, prescription and over-the-counter drugs, and uninsured medical expenses) present a significant challenge for the low-income elderly. Medical costs increased elder poverty by 2.7 percentage points in 2012, the same amount as in 2011, despite the fact that the allowance for medical expenses increased the poverty threshold by 3.5 percentage points in 2012 compared to their 2011 level (Figure 9). Public policies designed to increase the coverage of medical expenses for the low-income elderly can help to alleviate the economic hardship felt by this group. More generally, out-of-pocket medical expenses also increased poverty in 2012 for all groups, but with only a marginally larger effect in 2012 compared to 2011 for the nonelderly. Housing and energy assistance provide modest assistance to all groups, reducing poverty by less than 1.0 percentage point in any year, but with the strongest effects for the elderly.

Figure 9. Effects of Taxes, Public Benefits, and Expenses on Elderly Poverty in Wisconsin, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Altogether, the net poverty-increasing effects of work and medical expenses were far less than the poverty-alleviating effects of noncash benefits, overall and especially for children; and the largest antipoverty effects were from SNAP and refundable taxes in 2012. For elders, medical cost increases and the sum of all noncash benefits more or less cancelled each other out.

Poverty within Wisconsin: Poverty Rates by County or Multicounty Substate Areas

A significant strength of the WPM is its ability to portray poverty across regions within the state. Our categorization of substate areas includes 13 large counties and 15 multicounty areas that encompass the remaining areas of the state. While some of the multicounty areas comprise only two counties (e.g., Sauk and Columbia), others require as many as 7 to 10 of the more-rural counties in order to reach a sufficient sample size to obtain reliable estimates.

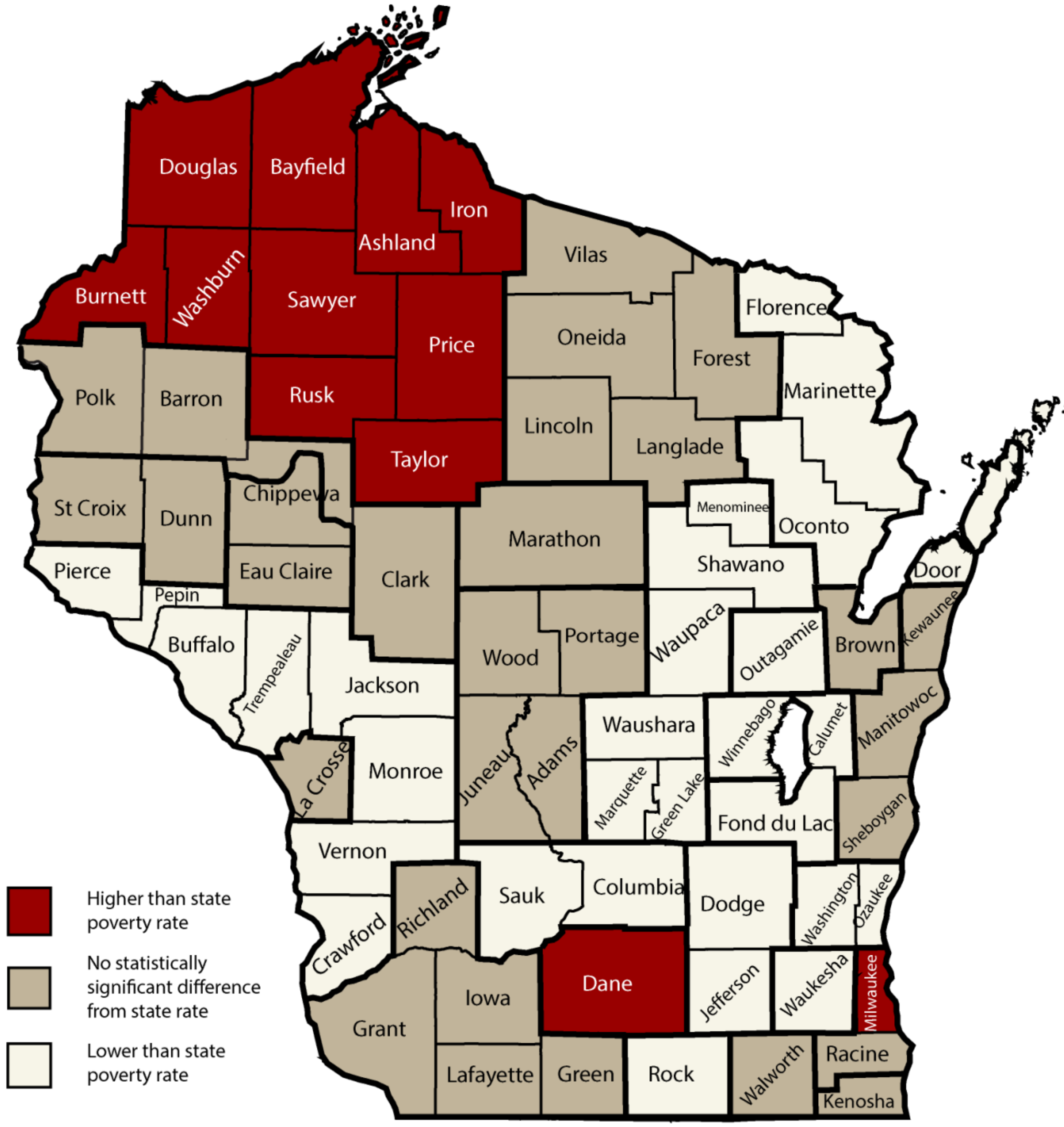
As shown in Table 1 below, our analysis of sub-state areas reveals that the overall poverty rate hides substantial variations in poverty across Wisconsin regions. Estimates for poverty rates using the WPM for these sub-state areas range from 18.8 percent in Milwaukee County to 4.5 percent in Waukesha County. As shown in Map 1, Milwaukee County, Dane County, and the sparsely populated Northwest Superior region were the only places with rates significantly higher than the state average of 10.2 percent. Milwaukee County still shows the highest poverty rate in the state, and has increased from 17.8 percent in 2011 to 18.8 percent in 2012, countering the statewide trend in flat or falling poverty. Meanwhile, eleven areas have rates that are significantly lower than the statewide rate, including Waukesha (4.5 percent); Ozaukee/Washington (4.9 percent); Fond du Lac/Calumet (5.2 percent); Marinette/Oconto/Door/Florence (5.8); and Winnebago (6.3 percent) counties.

Table 1. Wisconsin WPM Poverty Rates by County or Multicounty Area with Upper and Lower Bounds, 2012

	Wisconsin Poverty Measure (%)	Confidence Interval: Lower Bound (%)	Confidence Interval: Upper Bound (%)	Difference from State Average
County				
Milwaukee	18.8	17.2	20.3	Higher
Dane (Madison)	12.5	10.8	14.3	Higher
Waukesha	4.5	3.3	5.6	Lower
Brown (Green Bay)	10.5	8.0	13.1	NS
Racine	7.5	5.1	9.9	NS
Kenosha	8.5	5.7	11.3	NS
Rock (Janesville)	7.3	5.0	9.5	Lower
Marathon (Wausau)	8.1	5.1	11.1	NS
Sheboygan	8.7	5.7	11.6	NS
La Crosse	12.4	8.9	15.8	NS
Outagamie (Appleton)	7.1	4.8	9.4	Lower
Winnebago (Oshkosh)	6.3	4.1	8.4	Lower
Walworth (Whitewater)	9.2	6.1	12.4	NS
Multi-County Area				
Washington & Ozaukee (West Bend)	4.9	3.2	6.6	Lower
Sauk & Columbia (Baraboo)	6.7	4.4	9.1	Lower
Dodge & Jefferson	7.3	5.5	9.2	Lower
Manitowoc & Kewaunee	7.5	4.4	10.6	NS
Fond du Lac & Calumet	5.2	3.7	6.7	Lower
St. Croix & Dunn	7.7	5.5	10.0	NS
Eau Claire & Chippewa (South)	11.5	8.6	14.4	NS
Barron, Polk, Clark & Chippewa (North)	10.4	8.3	12.5	NS
Marinette, Oconto, Door & Florence	5.8	4.1	7.6	Lower
Central Sands—Wood, Portage, Juneau & Adams	9.0	6.7	11.4	NS
Oneida, Lincoln, Vilas, Langlade & Forest	9.7	6.6	12.7	NS
Grant, Green, Iowa, Richland & Lafayette	8.4	6.4	10.3	NS
East Central Wisconsin	6.9	5.1	8.7	Lower
West Central Wisconsin—Northern Mississippi Region	7.8	6.2	9.3	Lower
Northwest Wisconsin	14.6	11.9	17.2	Higher
State Total	**10.2**	**9.7**	**10.7**	

Source: IRP tabulations of 2012 American Community Survey data.
Notes: NS = Not statistically significant. In this analysis, each region's difference from the state average was assessed as not statistically significant if the 90% confidence intervals for each region's statistics and the state's overall statistics overlap.

Map 1. Wisconsin Counties and Multicounty Areas with 2012 WPM Poverty Rates Above or Below the State Rate of 10.2 Percent



Source: IRP tabulations using 2012 American Community Survey data.

Note: WPM = Wisconsin Poverty Measure.

Poverty estimates for some regions within the state's largest counties can also be assessed by taking advantage of relatively large sample sizes for ACS data. Poverty rates examined across sub-county regions within Wisconsin may show variations in poverty rates that are more dramatic within counties than across the 28 areas in the state. For instance, within Milwaukee County, overall poverty rates ranged from about 8.6 percent in one southwestern sub-county area to 41.6 percent in the central city of Milwaukee in 2012, suggesting a significant segregation of the poor and the rich within that county. The differences in child poverty in Milwaukee were even larger, ranging from 2.3 percent in northwestern Milwaukee County to over 53 percent in central city Milwaukee. Indeed the plight of minority children in the entire state, and especially in central Milwaukee, has been recently noted in the Annie E. Casey Foundation's *Kids Count* report for 2014.[7] Furthermore, Milwaukee is surrounded by wealthy suburban counties to the north and west, where overall poverty rates are also notably below the state average (e.g., Waukesha County at 4.5 percent and Ozaukee/Washington counties at 4.9 percent).

CONCLUSION

The Wisconsin Poverty Measure provides new insight into poverty in Wisconsin as we recover slowly from the Great Recession. These insights come because the WPM provides poverty estimates based on an improved poverty measure that includes noncash benefits and refundable taxes, both of which increased in importance during the recession. The WPM also incorporates other features that better reflect the characteristics, concerns, and interests of our state. In doing so, it demonstrates the importance of using an improved measure of poverty to examine the antipoverty impacts of the economy and of all major public policies and not just cash benefits alone. At the same time, it provides estimates across different regions and subgroups within Wisconsin.

Poverty rates in Wisconsin fell between 2011 and 2012 under all three poverty measures covered in this report. For the first time in five years, the market-income poverty rate has declined, from 25.2 to 24.4 percent, mainly reflecting increases in household earnings. The official poverty statistics provided by the U.S. Census Bureau also suggest that poverty in the state fell, to 12.8 percent in 2012 from its 2011 level of 13.5 percent, again reflecting increased earnings. This indicates that Wisconsin residents generally had higher pre-tax but post-transfer cash resources, especially in the form of Social Security benefits. When we look to our Wisconsin Poverty Measure (WPM), which includes these benefits, we find that state poverty has fallen between 2011 and 2012, from 10.7 to 10.2 percent, and remains about 2.6 percentage points below the official rate. The benefits from the safety net (especially food support and refundable tax credits) also played a large role in poverty reduction, though not quite as large as in recent years.

Our key finding is that jobs and earnings are beginning to modestly rise again in Wisconsin, lessening the impact of the safety net on poverty as benefits are lower because of higher earnings. The social safety net provided a buffer against poverty during the recession and still makes a very big difference in poverty, though it is now beginning to level off or even shrink, both because of the recovery and because of some cutbacks in recession-related spending on refundable tax credits.

Because we believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program, these results give hope that as the economy slowly climbs back from the recession, increases in earnings will continue to reduce market-income poverty, albeit only slowly. Hence, in times of need, a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance—as Wisconsin's safety net does—makes a big difference in combatting poverty as the labor market very gradually rebounds.

In this report, the WPM was also used to estimate the extent to which specific noncash benefits and tax-related provisions or medical and work-related expenses affect poverty. Results suggest that SNAP and tax credits have been particularly effective in reducing the state's poverty rate, especially for families with children. We also examined poverty rates across regions in the state, revealing deep poverty in some areas, including Milwaukee County as a whole, and especially in the central city of Milwaukee. The WPM could also be used to examine other demographic groups, such as racial and ethnic groups, especially minority children in Milwaukee and Dane counties, were there resources available to do so.

It is important for researchers and policymakers to ask not only whether an income support policy was effective in reducing poverty, but also what better solutions might alleviate longer-term poverty as we emerge from the recession. Long-term poverty solutions for working families should include better employment opportunities

[7]Annie E. Casey Foundation, *Race for Results: Building a Path to Opportunity for All Children,* Baltimore, MD, 2014, at http://www.aecf.org/~/media/Pubs/Initiatives/KIDS%20COUNT/R/RaceforResults/RaceforResults.pdf.

and higher-quality jobs with wages and employer benefits that can meet family needs and increase economic self-sufficiency. Long-term solutions also need to include policies that support work by reducing work-related expenses for families with children, especially where there is only one parent who works or where both parents work full time. As the labor market recovers we must continue to strengthen supports for work as well.

Our Wisconsin Poverty Project is one of the first comprehensive statewide implementations of the National Academy of Sciences-based alternative poverty measures and, as such, the study makes unique contributions to our understanding of the effects of policy on poverty. Furthermore, we are strongly committed to refining our methods as the Census Bureau and other poverty researchers produce new findings about the federal Supplemental Poverty Measure and as we learn more from other poverty measurement research at the state, local, and federal levels.[8]

[8]For a more thorough academic discussion of the Wisconsin Poverty Project and its importance, see Y. Chung, J. Isaacs, and T. M. Smeeding, 2013, “Advancing Poverty Measurement and Policy: Evidence from Wisconsin during the Great Recession,” *Social Service Review* 87(3, September): 525–555.

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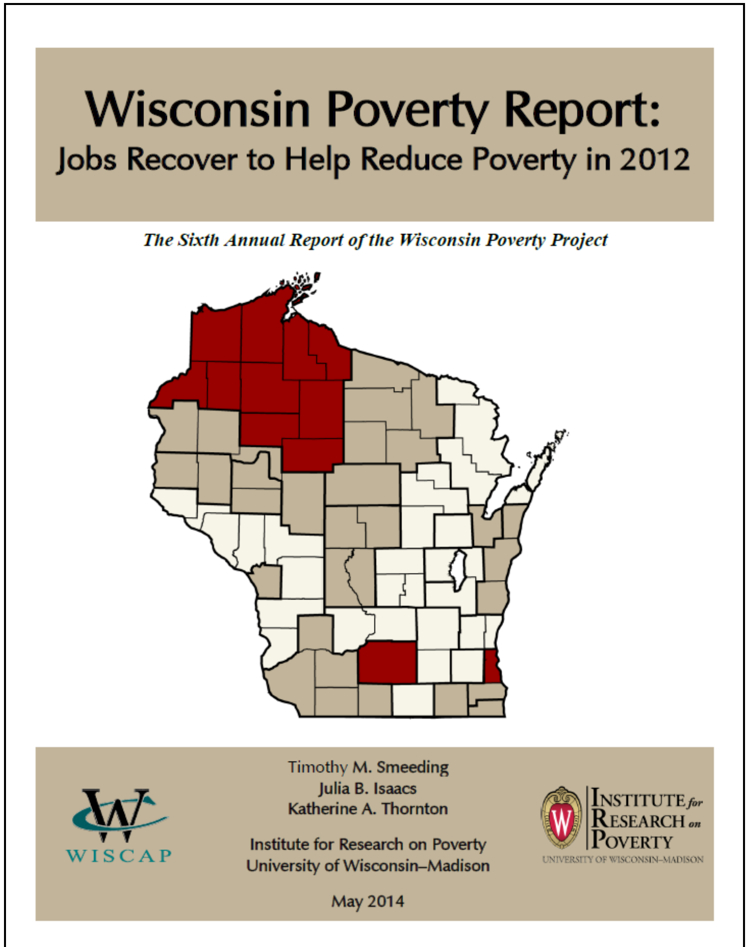
Wisconsin Poverty Report



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May 7, 2014

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WISCAP

Overview

- **The Wisconsin Poverty Measure and its linkages to the Wisconsin Idea**
- **Findings in 2014 Wisconsin Poverty Report (Released Today)**

- **What** did we find and why?
- **So what** does it mean?

- **Conclusion: the labor market is helping the safety net in Wisconsin–but we need them both to be strong until we fully recover from the recession**

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About the Wisconsin Poverty Measure and Its Goals

- Develop a more comprehensive measure of poverty that reflects federal and state programs aimed at the poor, especially noncash programs and refundable tax credits (next slide)
- Inform the Wisconsin public and its policymakers about the effects of federal and state policies on poverty and economic well-being
- Tailor this measure to policies & priorities of Wisconsin citizens, nonprofits, and policymakers
- Provide a transparent, straightforward model for other states and localities to emulate

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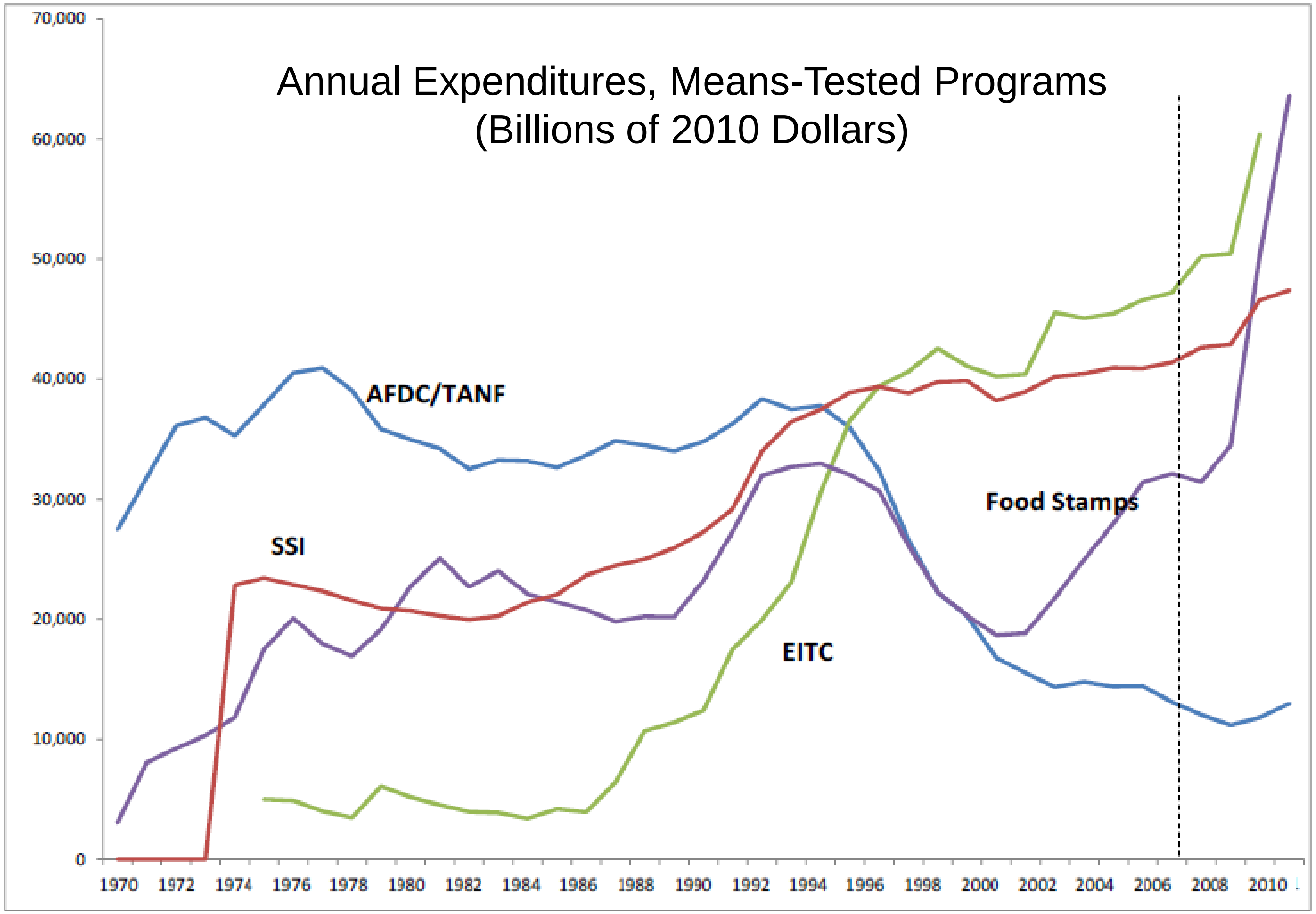
How Programs to Help Poor in the US (and Wisconsin) Have Changed



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A Brief History of the WPM

- First basic report in 2009 for the Governor's *Task Force on Poverty* was based on 2007 incomes
- 2009 spent listening to and talking with Wisconsinites about what mattered for measuring poverty in Wisconsin
- 2010 first release of new Wisconsin Poverty Measure (WPM) for 2008 incomes
- 2014, today, in its fifth release, with focus on trends from 2008–2012 and program impacts

Two Methods of Poverty Measurement: An Overview

	Official Measure	Wisconsin Poverty Measure
Threshold (Economic need)	**Official poverty line** Developed in 1960s, based on food costs and expected share for food budget, since that time adjusted for prices only	**NAS-like Poverty Line** Basic expenses, food, clothing, shelter, utilities averaged over three years Adjusted for Wisconsin cost of living, housing tenure, & medical expenses
Resources	**Cash income (pre-tax)** but includes cash government benefits like social security, workers comp., and unemployment ins.	**More Family Resources** Cash income as in left panel: +/- Taxes & tax credits + Non-cash benefits (incl. Food Stamps) - Work expenses (incl. childcare)
Family considered	**Census "family" unit**	**Expanded Poverty Unit** Census family + unmarried partner & foster children; minus college students who do not work

What Do We Find?

- Poverty rates in Wisconsin under the Wisconsin Poverty Measure continued to be lower than the official rates, and fell by a significant amount from 2011–2012
- For the first time, the slowly recovering economy drove market income poverty rates lower in Wisconsin in 2012
- The safety net continued to work very well to protect Wisconsin's people from poverty in 2012, and we will need it for some time

Three Sets of Poverty Rates

- **Market Income (MI) based poverty rates** – including only own earnings and private investment and retirement incomes
- **The Official Measure (OM) poverty rates** – which are based on cash income only
- **The Wisconsin Poverty Measure (WPM)** – which includes the effects of housing costs, child care costs, medical costs as well as taxes, refundable tax credits, and noncash benefits like SNAP and public housing

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The Level and Trend in Wisconsin Poverty

- **MI poverty falls at last** as the economy slowly recovers from the recession
- **OM poverty falls**, counting cash incomes alone (including cash benefits like Social Security)
- **And the WPM falls** as refundable tax credits and noncash benefits like SNAP(FoodShare) complement rising earnings
- WPM poverty is below official poverty for all, for children, and for elders

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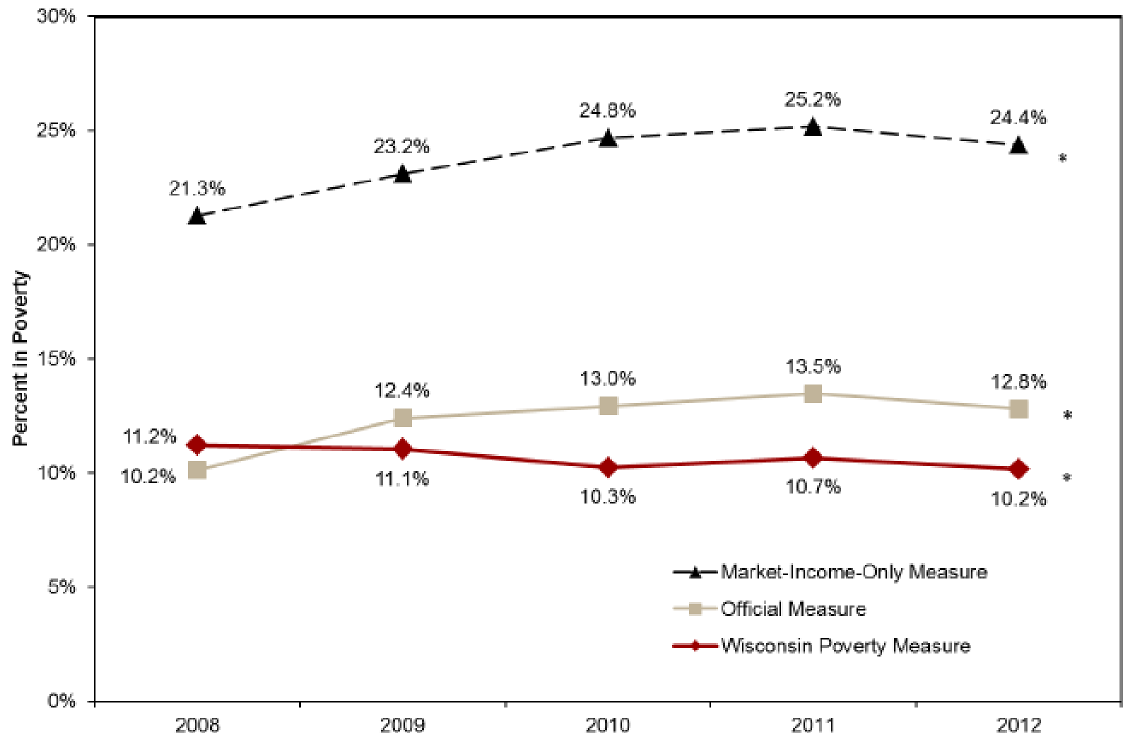
Wisconsin Poverty Rates under Three Measures, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Notes: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section below.

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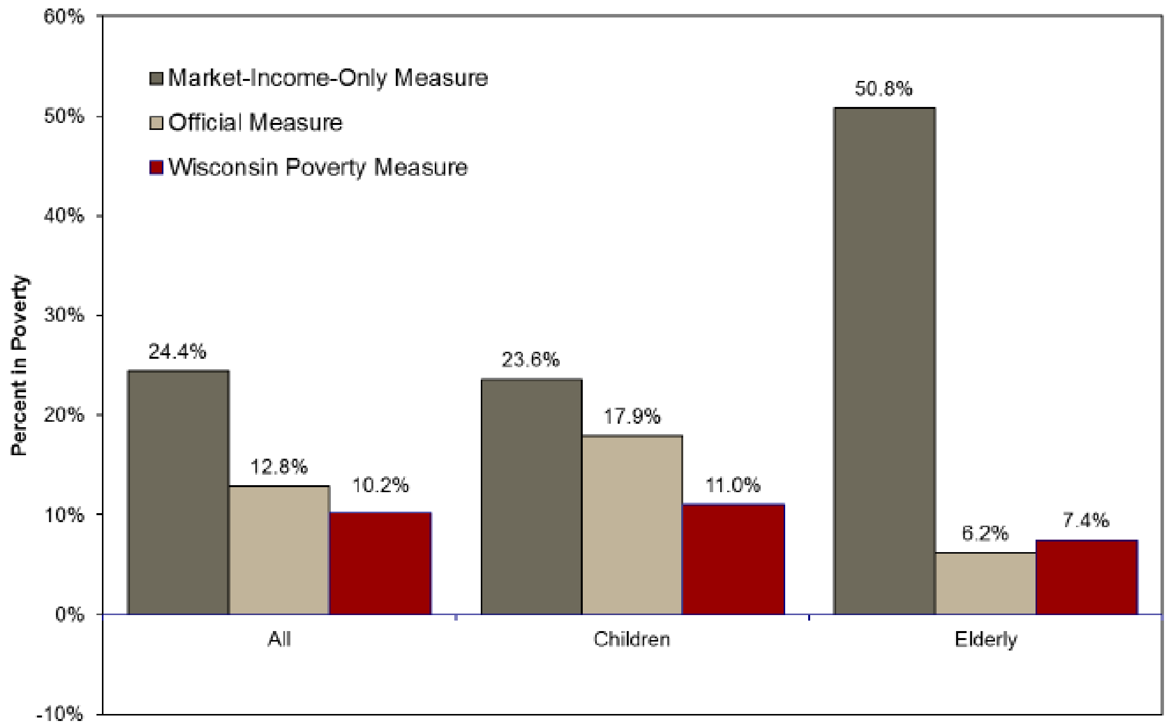
Poverty in Wisconsin in 2012 by Measure: Overall and for Children and the Elderly



Source: IRP tabulations using 2012 American Community Survey data.

Notes: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section above.

The WI Economy and SNAP

- The data we use here (2012 ACS) covers the period January 2011 – November 2012
- During this period the number of jobs in Wisconsin grew by about 21,000. But we were still 75,000 – 80,000 jobs short of the January 2008 peak at the end of last year, and won't get back to where we were in 2008 for some time
- Beneficiaries and benefits from SNAP (FoodShare) continued to rise, but the increases tapered everywhere in Wisconsin during this study period

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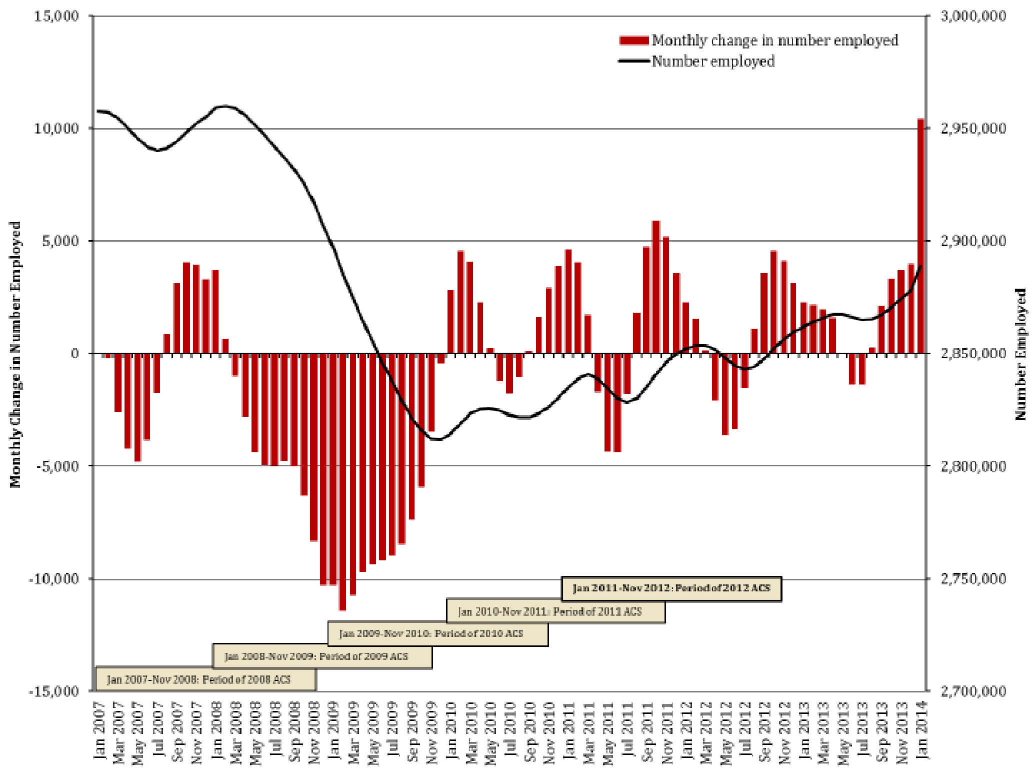
Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2013



Source: Seasonally adjusted Bureau of Labor Statistics data on total non-farm employment.

Notes: The 2012 poverty rate is based on economic conditions from January 2010 through November 2011, because the American Community Survey (ACS) data for each year are collected throughout the calendar year, and include references to income over the previous 12 months, hence, spanning a total of 23 months, as shown in the chart. For reference, the official recession began in December 2007 and ended in June 2009.

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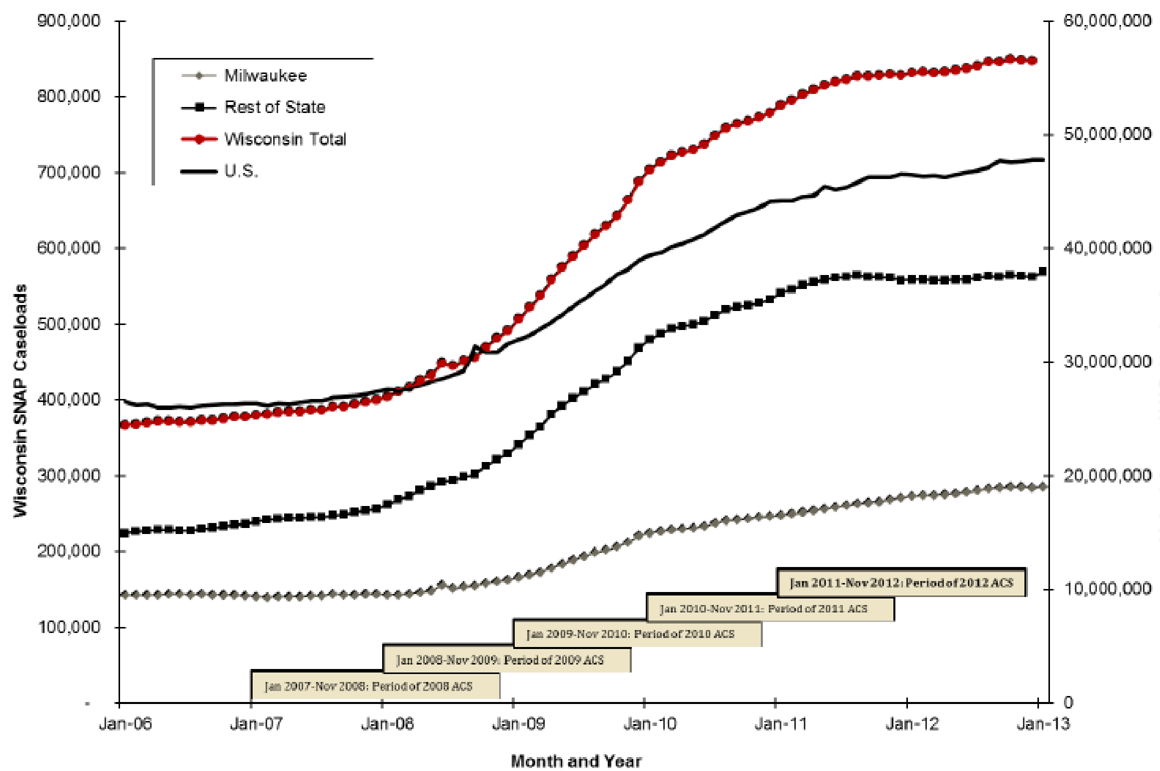
Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2006–2012



Source: Data on SNAP participation are from the FoodShare data website of the Wisconsin Department of Health Services.

Note: The number of cases in Wisconsin is shown on the left-hand scale of the y-axis, while that for the United States is on the right-hand scale of the y-axis.

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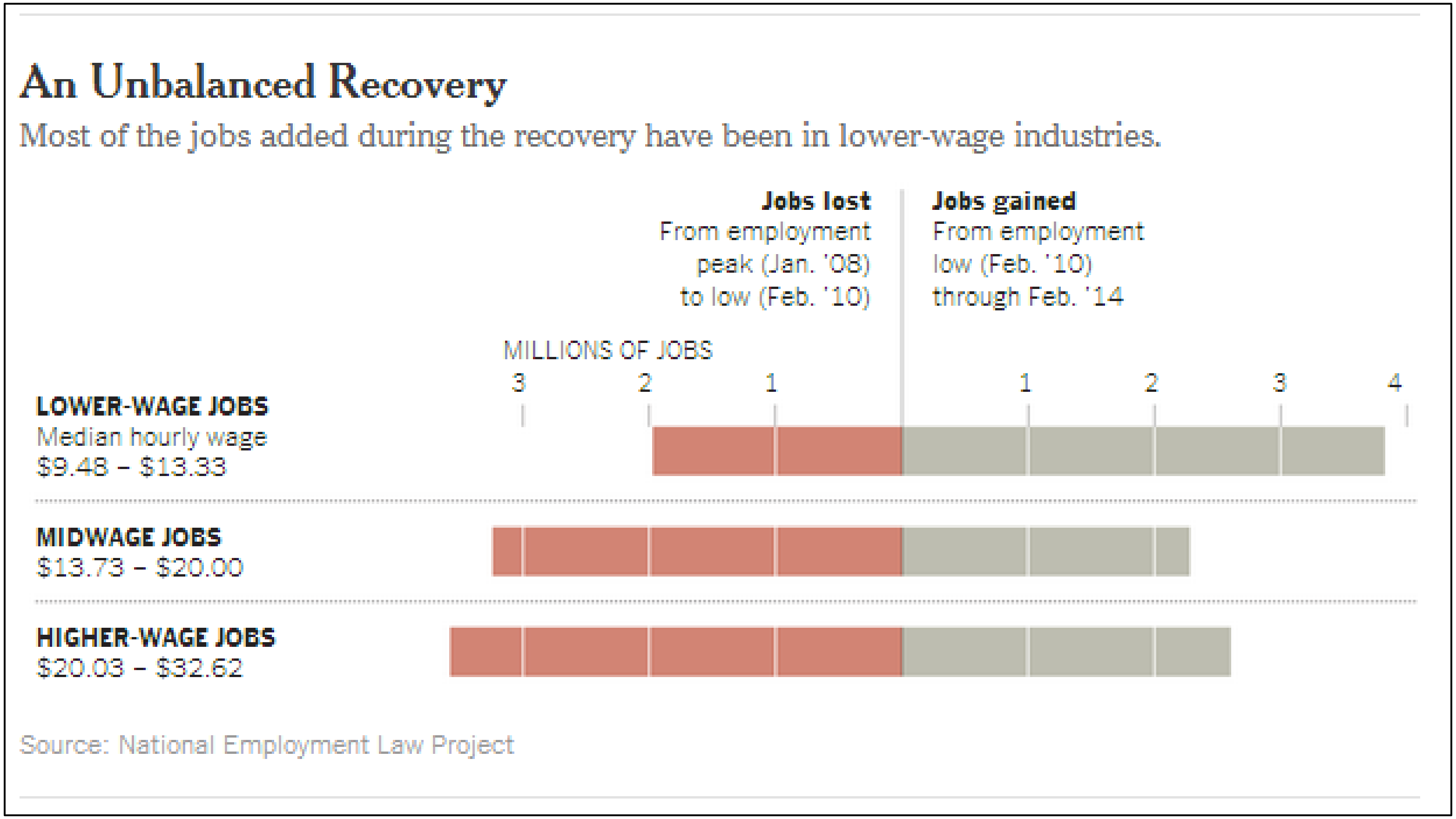
How about the jobs we are creating?



So what?

- As we see both above and below, low wage jobs are better than none as market income poverty is finally falling. An increase in the minimum wage would mean a net benefit to earnings and a reduction in poverty.
- But we continue to need the safety net to help make work pay and help workers feed their families
- This is especially true for children (and their parents) as we see next.

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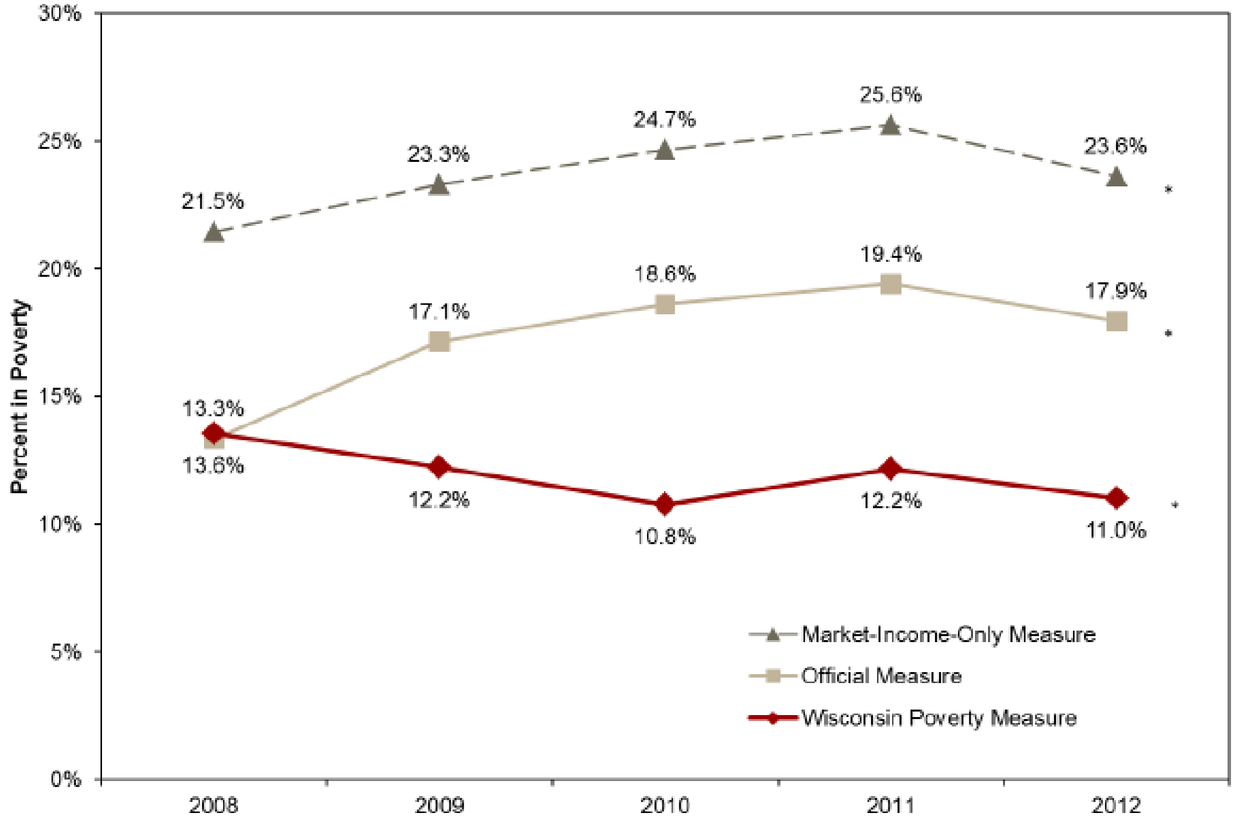
Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: * = The difference between 2011 and 2012 was statistically significant for all three measures.

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What Drove Overall and Child Poverty Rates Down ?

- **After earnings increases were recorded, four major policy levers affected WI poverty:**

1. **Refundable tax credits** like the EITC (federal and state) and child tax credits
2. **Noncash benefits** like SNAP (FoodShare), public housing, LIHEAP
3. **Work-related expenses** like child care, affected by CARES, and commuting costs
4. **Out of pocket health care costs**, affected by BadgerCare

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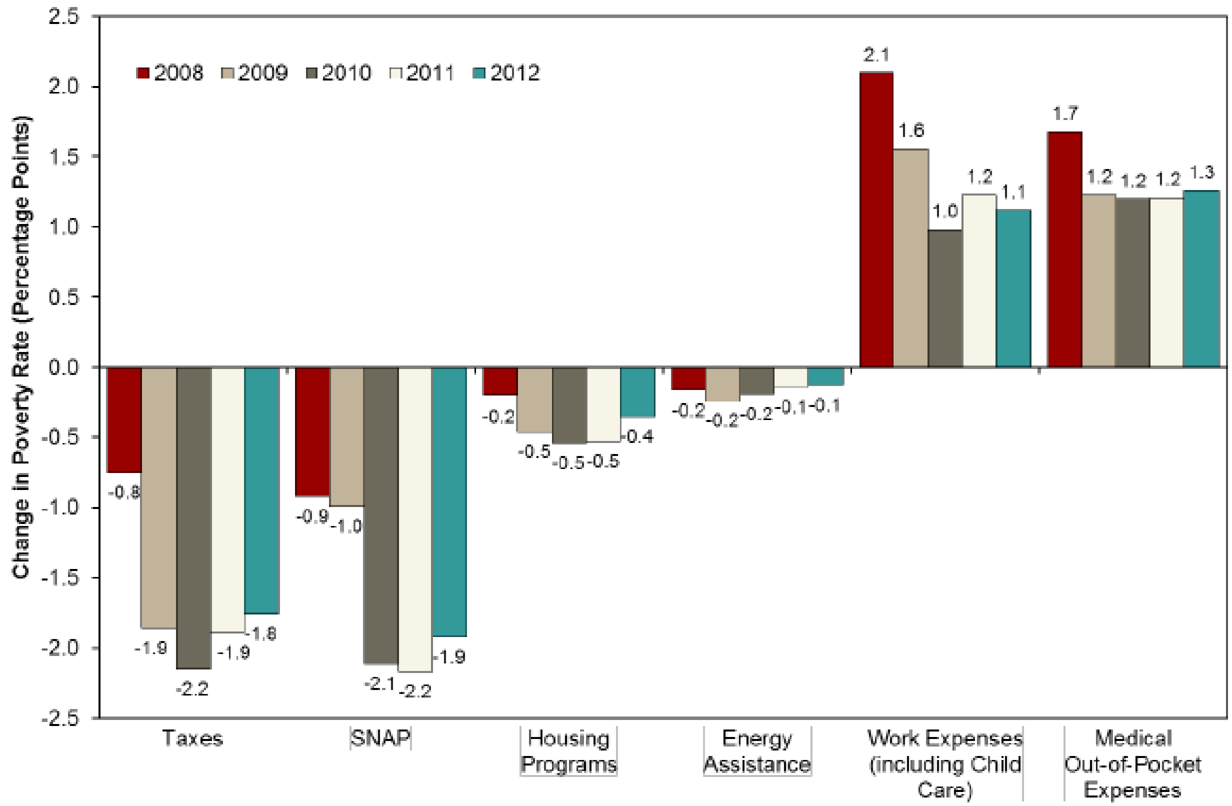
Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

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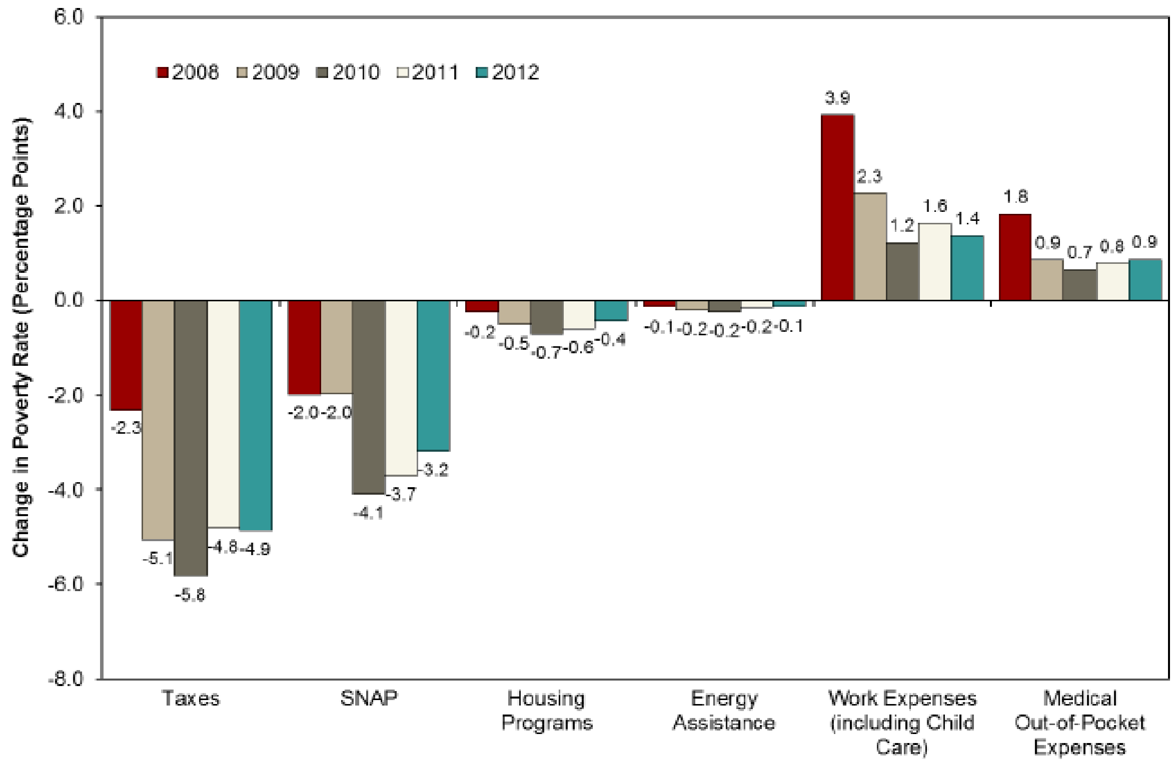
Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

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Poverty *Within* Wisconsin's Borders

- ACS is big enough to accurately show poverty in areas of 100,000 persons within the state.
- Poverty varied across counties within the state with three areas with significantly higher poverty rates (Dane, Superior, and Milwaukee) and many areas with below state average rates.
- Though not in the annual report, the following slides emphasize the wide differences in poverty *within* our two largest counties–where poverty in some sub-areas is multiple times poverty in other areas, within the same county!

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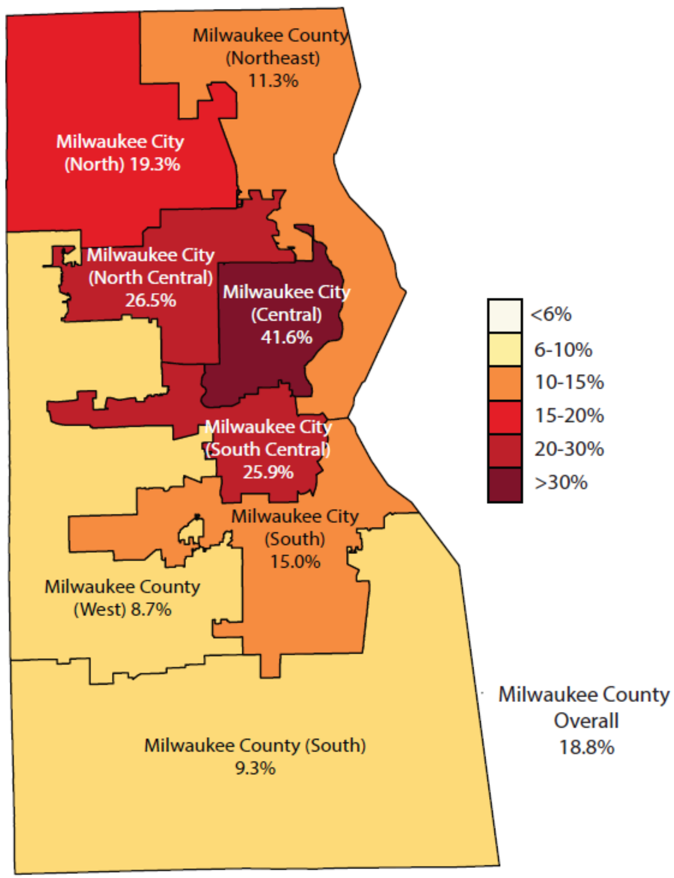
Milwaukee County Overall Poverty
(compared to Wisconsin overall poverty rate of 10.2 percent)



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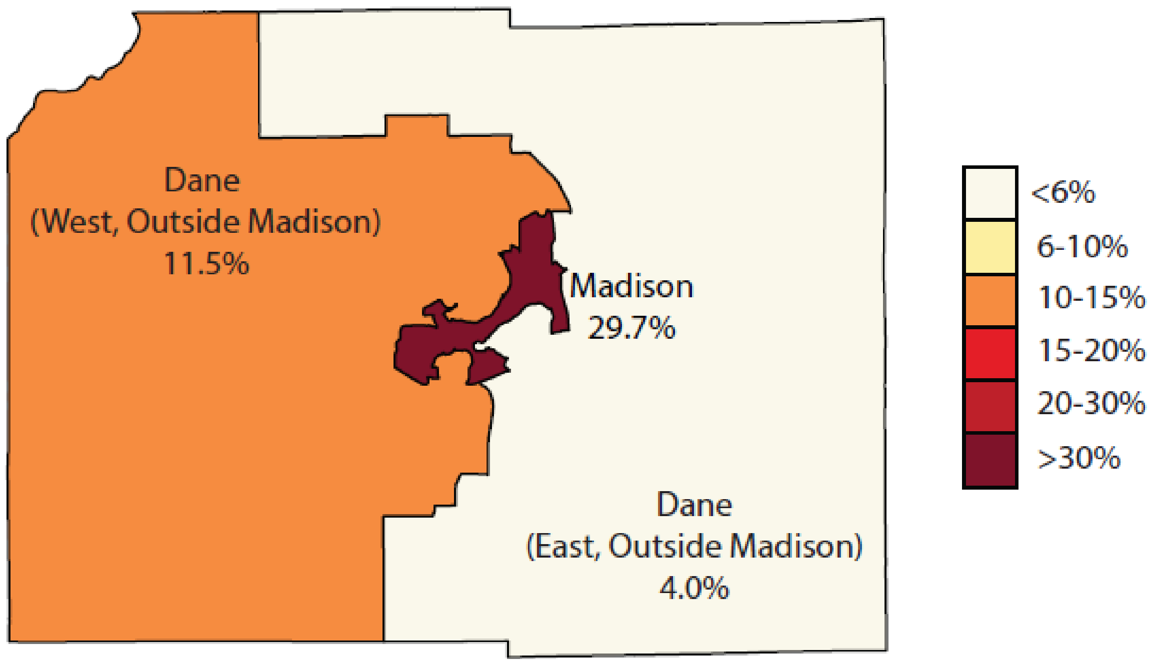
Dane County Overall Poverty

(compared to Wisconsin overall poverty rate of 10.2 percent)



Dane County
Overall Poverty Rate
12.5%

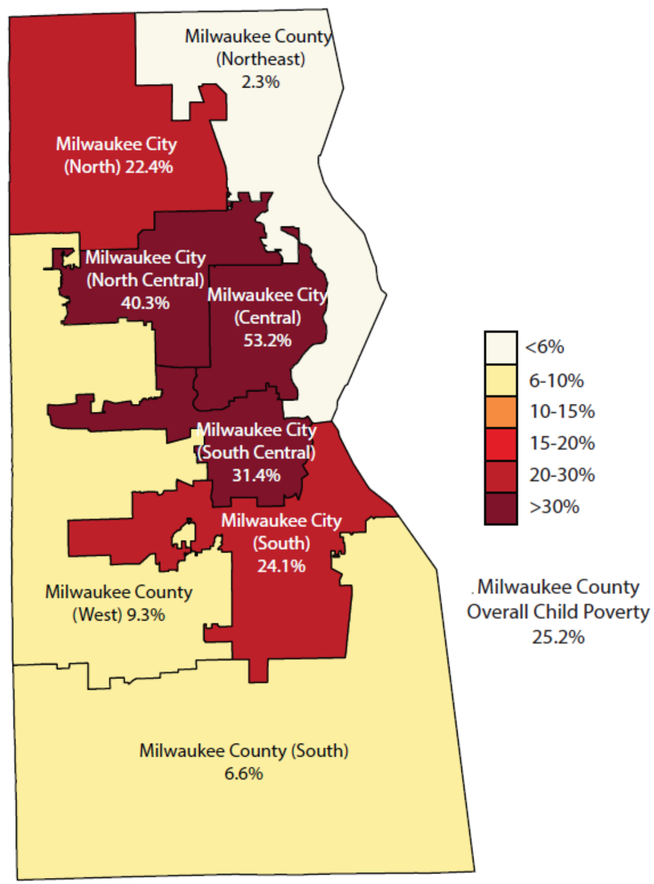
Poverty amongst children, especially minority youth

- The recent **Casey Kids Count Report** has Wisconsin at the bottom of the state rankings in terms of minority children, largely because they come from poor families (and attend not-so-great schools).

- While we have not yet identified child poverty by race (which we can surely do with some funding), the final two pictures speak volumes about the differences in child poverty within our two largest counties **(53% to 2% within Milwaukee; 20% to 3% within Dane).**

Milwaukee County Child Poverty

(compared to Wisconsin child poverty rate of 11.0 percent)



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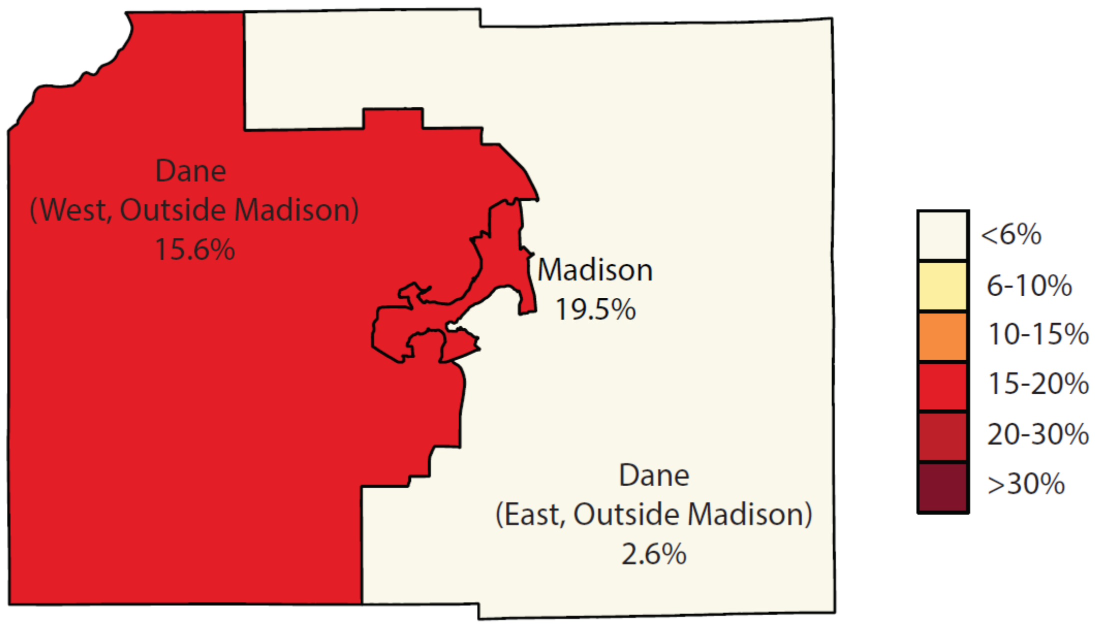
Dane County Child Poverty

(compared to Wisconsin child poverty rate of 11.0 percent)



Dane County
Child Poverty Rate
11.0%

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Our Conclusion: the Safety Net is Working in Wisconsin

- As our economy recovers, we still need a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance.
- The recession surely had substantial negative effects on housing, jobs, debt, and the middle class, but the poor were protected.
- Now earnings are rising amongst the poor and poverty fell in 2012 largely because of increased market incomes.
- Still, good jobs paying decent wages are the real solution to poverty.

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Other Avenues to Explore if Given Additional Support

- Racial and ethnic dimensions of poverty in Wisconsin, especially minority children in Milwaukee, Dane, Racine, and Kenosha Counties.
- The uneven recovery in rural Wisconsin.
- Effects of the recession and recovery on the near poor and the lower middle class, those between the 1.0 and 1.5 and 2.0 times the poverty line.

Where to find the report?

- **The 2014 report for 2012 is online at:** http://www.irp.wisc.edu/research/WisconsinPoverty/pdfs/WI-PovertyReport2014.pdf

- **With additional information and longer methodological and technical reports on the WPR at:**

http://www.irp.wisc.edu/research/wipoverty.htm

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Acknowledgements

- The Wisconsin Poverty Measure Team: Julia Isaacs, Timothy Smeeding, and Katherine Thornton
- Funding from U.S. HHS (ASPE) and WISCAP, soon to be joined by others – we hope.
- Invaluable assistance from others:

  -Input from stakeholders in Wisconsin

  -National, state, and local experts on poverty

  -Use of state administrative data housed at IRP

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Family Resource Center Association

August 2014

The Family Resource Center Act, C.R.S. 26-18-101, established the family resource center (FRC) program as a single point of entry to provide coordinated and integrated community-based services for vulnerable families and children in 1993. When the state pilot funding was eliminated in 2000, the centers formed the Family Resource Center Association (FRCA) to become a back-bone organization to support the collective impact of the FRCs. The Association has grown to 23 FRCs that annually serve over 56,000 families in 45 counties across the state. The family centered dual generation case management model utilized by the FRCs was recognized as a Promising Practice for Collaborative Service Delivery in Poverty Reduction by the Colorado Economic Opportunity Poverty Reduction Task Force in 2012.

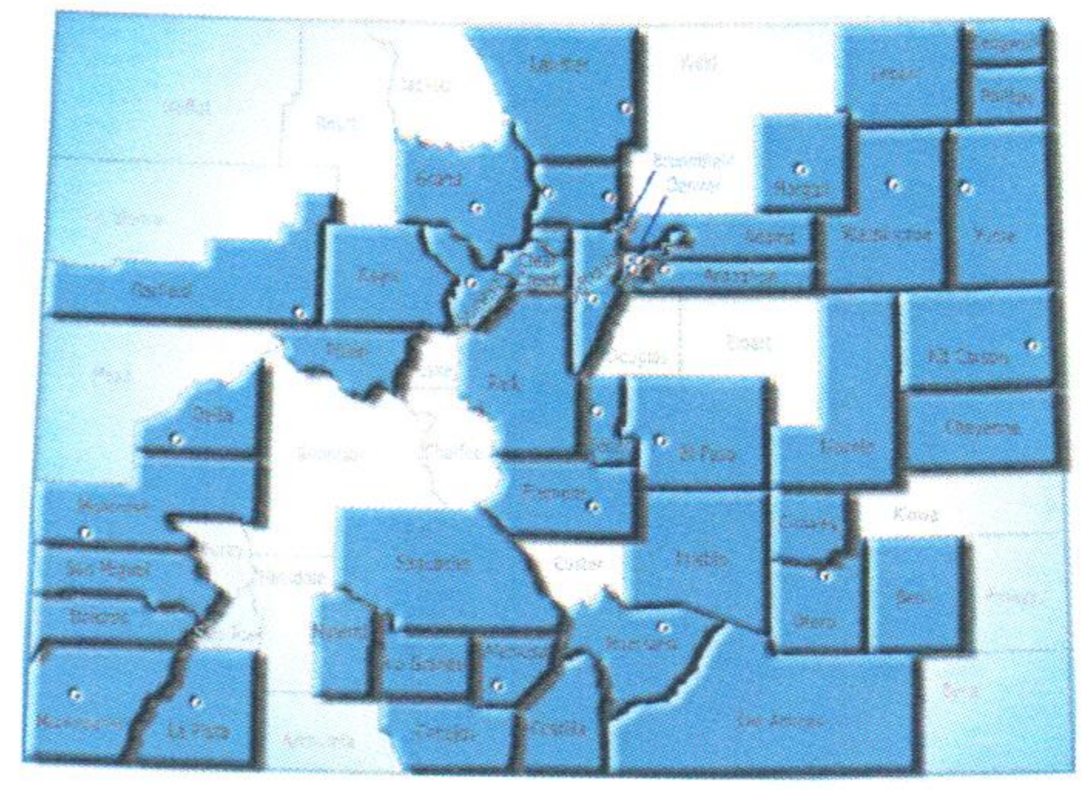
The majority of families accessing services at their local FRC seek assistance with an initial primary need such as food, utility assistance, parent education, etc. The FRC staff provides services or link families to other services that meet their immediate needs, and also partner with families to accomplish goals to overcome long-term barriers to family stability and/or economic success. The Two-Generation approach used by FRCs promotes success for both adults and children as evidenced by a young single mom in Fremont County who arrived at her local FRC asking for help with food and utility assistance. While her initial needs were met, she also created a family plan to address longer-term barriers to self-sufficiency (adult education, child care and health coverage). After accessing multiple services and ongoing work with her FRC family development staff, she is now employed as a teaching assistant, enrolled in a higher education program to become an early childhood educator, and her six-year-old daughter is happy, healthy and learning to read.

The State Statute requires FRCs to utilize a coordinated case management service delivery approach. The centers have been challenged to meet this unfunded state mandate since 2000 due to insufficient funding. Despite the lack of state funding, the FRCs provide effective and proven coordinated services through a variety of funding sources such as foundation grants, federal funds, and fundraising activities. FRC's annually serve over 56,000 families. About half of the 5,000 families seeking comprehensive services, or 2,500 annually, are able to be served with sufficient intensity of services to track progress. Longitudinal data for the past six years proves that the coordinated case management services result in statistically significant family progress toward stability in the following family well-being indicators: Adult Education, Childcare, Children's Education, Financial, Employment, Food, Health Coverage, Housing, Parenting Skills, Substance Use, Transportation and Utility Assistance.

This proposal, which we believe would not require a statutory amendment to the Family Resource Center Act, may require that any new Long Bill line item require a separate appropriation bill based on Legislative rules. This proposal is for an annual general fund appropriation of $2,500,000 to be added to the Colorado Department of Human Service's appropriation. This funding would provide the following: 1) One additional full-time family development worker at each of FRCA's member centers to double the number of families (from 2,500 to 5,000 annually) that receive coordinated case management services, addressing multiple goal areas for both parents and children to increase family stability (i.e. education, employment, income, early childhood); 2) Support for the statewide infrastructure for these services through implementation of Quality Standards of Family Strengthening Programs, tracking and reporting standardized family outcome measures (aligned with CDHS's CSTAT System) and training and technical assistance to increase FRC organizational sustainability; 3) Support for an ongoing project fostering statewide cooperation of FRC's with the Early Childhood Councils, Child Care Resource and Referral agencies, and other organizations to efficiently provide services and avoid duplication; 4) A study and pilot project to determine where and how new FRC type services should be added to serve additional families in the most at-risk parts of the state.

FAMILY RESOURCE CENTER ASSOCIATION

The Colorado Family Resource Centers Program was authorized in 1993 under Colorado Statute 26-18-101 to provide Family Resource Centers in communities to serve as a single point of entry for providing coordinated, integrated, and collaborative state and community based services to vulnerable families, children, and youth. Thirteen centers created during the five-year demonstration project remain open today; eleven additional centers have been created since that period. Collectively, the 24 centers provide services in 45 Colorado Counties.



Description of Families Served in 2013

- Over 56,000 families receive one or more services per year
- Demographics of families receiving comprehensive services:
  - Almost 75% were female head of household
  - 52% White (non-Hispanic); 36% Hispanic or Latino; 12% Other
  - 52% were unemployed or had employment below livable wage
  - 47% very low-income or receiving public assistance
  - 44% had no food, relied on others for food or received food assistance
  - 31% had a utility shut-off notice or had trouble paying utility bills on ongoing basis
  - 26% had no health insurance
  - 21% were homeless, facing eviction or in temporary or transitional housing
  - 15% had no, or limited access to, reliable transportation

Services Most Frequently Provided at Family Resource Centers in 2013

- Statutorily Required services:
  - Information and individualized referral to services
  - Family goal-planning and strengthening, system navigation
- Additional services based on local community needs:
  - Parent education and home visitation programs
  - Early Childhood Programs (school readiness, before/after school, screenings)
  - Child Abuse Prevention Programs
  - Health Coverage Assistance and Enrollment (Medicaid, CHP+)
  - Healthy Living Programs (nutrition, exercise)
  - Basic Needs: Food, clothing, utility and housing assistance
  - Employment: life skills, job readiness, GED/ESL classes, computer skills
  - Youth Services

Evaluation Findings in 2013:

The Colorado Family Support Assessment (CFSA) is completed at the time services begin and at intervals throughout the course of services provided by family development specialists. Family development workers utilize nationally recognized best practices for family strengthening programs when working with families. A common data system is used by all FRCs, and analysis of data is conducted by an external third-party evaluator. Findings demonstrating family progress toward gaining self-reliance in the 2013 evaluation report included:

- 66% of families who were homeless or in transitional/temporary housing moved to stable housing
- 55% of families who had no health insurance moved to some or all of family members have access to health care
- 43% of families with no income or could not cover basic needs moved to enough income to meet basic needs
- 42% of families unemployed or had temporary/part-time employment moved to full-time employment
- 41% of families who had no food or regular food assistance moved to basic food needs without assistance

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Colorado
Legislative
Council
Staff

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MEMORANDUM

Pursuant to section 24-72-202(6.5)(b), research memoranda and other final products of Legislative Council Staff research that are not related to proposed or pending legislation are considered public records and are subject to public inspection. If you think additional research is required and this memorandum is not a final product, please call the Legislative Council Librarian at (303) 866-4011 by May 9, 2012.

May 2, 2012

TO: Representative John Kefalas

FROM: Larson Silbaugh, Economist, 303-866-4720

SUBJECT: Economic Indicators of Economic Well Being

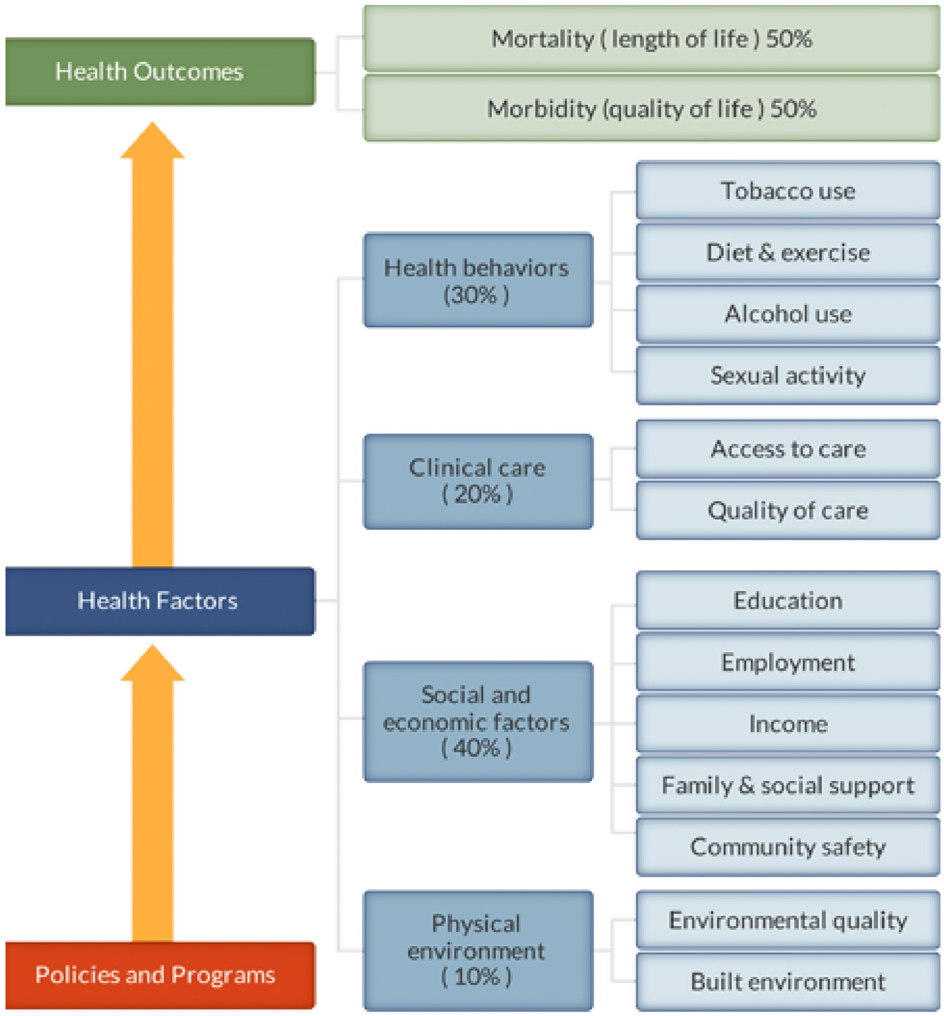
The capability approach to measuring economic well-being attempts to measure the ability of an individual to meet his/her basic needs. Unlike the federal poverty measure, the capability approach does not focus on income as a measure of well-being, but uses other measures of well-being. The capability approach focuses on the freedoms a person enjoys to lead the kind of life he or she has reason to value.

This memo describes data sources available to measure the ability of Colorado residents to achieve well-being in education, mobility, employment, shelter, and health. Each measure is defined and other information is included, such as frequency of data releases, geographic area covered and population reported.

Health

The health measures attempt to measure the ability to achieve health. In public health discussions, there are two basic types of health measures: health outcomes and health factors. Figure 1 demonstrates one way to think about health capabilities. Health outcomes are the results of health behaviors, although there is not always a direct connection between the two. For example, some populations may have health factors that would tend to lead low birth weights, but that population does not actually have the health outcome of low birth weights. There is some obvious overlap between health outcomes and health measures, but this list is based on the distinctions made by the University of Wisconsin Population Health Institute, county health rankings report.

Figure 1
Health Capabilities Metrics



Source: University of Wisconsin Population Health Institute. County Health Rankings 2012.

Table 1 on page 4 shows the variables available to measure health factors. Table 2 on page 5 shows the variables available to measure health outcomes.

Education

The ability to achieve an education is measured primarily with two different populations: school level data that provides information on current students, and population level data that provides information on the educational attainment of the entire county. Education capabilities differ for each of these populations. For example, current students may be achieving a high level of education, but total educational attainment may be low because education opportunities are available to only some ages of the population. Table 3 on page 6 shows the data available to measure education capabilities.

Mobility

The mobility capabilities attempt to measure access to transportation and the ability for people to commute to work or participate in the market. Table 4 on page 7 shows the mobility capabilities that are available at the sub-state level. Mobility capabilities come primarily from the U.S. Census bureau and the Colorado Department of Transportation.

Employment

Measures for employment capabilities include measures of employment and the amount of work people are able to do. In addition, workers by occupation and industry may help determine the quality of jobs available in communities. Table 5 on page 8 shows some employment variables that are consistently available by county.

Shelter

The ability to find shelter is measured with estimates of housing data and utility data. Estimates of the quality of housing, the cost of housing, and the percent of income used to pay for housing are available through the U.S. Census Bureau. Table 6 on page 9 shows the some measures of the ability to find shelter.

Table 1
Health Capabilities: Measures

Data	Source	Description	Frequency	Geography Available	Population	Latest Year*
Risk factors for premature death	Centers for Disease Control (CDC)	The behavioral risk factor surveillance system provides estimates on the percentage of the adult population that smoke, are obese, have high blood pressure, have diabetes, eat few fruits and vegetables, and get no exercise.	Annual	County (32 of 64)	Adults	2006
Measures of birth and death	CDC	Birth measures include birth weight, premature births, births to women under 18 years old, births to unmarried women, the amount of women who have no prenatal care in the first trimester, and infant mortality. Death measures include the deaths per 100,000 people and common types of death.	Annual	County	All births and deaths	2005
Insurance coverage	U.S. Census	Estimates of the number of people covered by insurance.	Annual	County	Households	2010
Use of preventive health services	CDC	Estimates on the number of target populations that receive pap smears, mammography, sigmoidoscopy, the pneumonia vaccine, and the flu vaccine.	Annual	County (32 of 64)	People who need preventive health services	2006
Access to care	CDC	The number of doctors and dentists per 100,000 people.	Annual	County	Population	2008
Asthma	Colorado Department of Public Health and Environment (CDPHE)	The number of people hospitalized with asthma per 10,000 people.	Annual	County	Hospitalizations	2010
Heart attacks	CDPHE	The number of people hospitalized with hearth attacks per 10,000 people.	Annual	County	Hospitalizations	2010
Carbon monoxide poisoning	CDPHE	The number of people hospitalized with carbon monoxide poisoning per 1,000,000 people.	Annual	County	Hospitalizations	2010

**The latest year available is what is currently published by the CDC. More current information might be available from other sources including the Colorado Department of Public Health and Environment.*

Table 2
Health Capabilities: Outcomes

Data	Source	Description	Frequency	Geography Available	Population	Latest Year*
Life expectancy	CDC	Estimated life expectancy	Annual	County	All	2005
Deaths	CDC	The number of deaths per 100,000 people	Annual	County	All	2005
Poor health	CDC	The percent of adults that report either "fair" or "poor" health	Annual	County	Adult Population	2005
Unhealthy days	CDC	The average number of self reported unhealthy days per month	Annual	County	Adult Population	2005

**The latest year available is what is currently published by the CDC. More current information might be available from other sources including the Colorado Department of Public Health and Environment.*

Table 3
Education Capabilities

Data	Source	Description	Frequency	Geography Available	Population	Latest Year
Dropout rate	Colorado Department of Education (CDE)	The percentage of students enrolled in grades 7-12 who leave school during a single year without attending another school or educational program. This information is also available specific to race and gender.	Annual	School district	Students grade 7-12	2011
On-time graduation rate	CDE	The on-time graduation rate is defined as the number of students that graduate four years after entering high school. These data are also published specific to race and gender.	School year	School district	High school students	2011
Truancy	CDE	Truancy is the number of un-excused absences divided by the total number of school days.	School year	School district	Students	2011
Attendance	CDE	The attendance rate is the number of days that students attend school divided by the total number of school days.	School year	School district	Students	2011
Test proficiency	CDE	Testing proficiency is available for subject and grade. There are four categories of testing proficiency: unsatisfactory, partially proficient, proficient, and advanced. Proficiency is available for reading, writing, math, and science.	School year	School district	Students	2011
Educational attainment	U.S. Census	Educational attainment is available by gender, age cohort, and ethnicity.	Annual	County	Adults over 25 years old	2010
School attendance	U.S. Census	School attendance is published by type of school. This includes information on pre-school, grades K-12, undergraduate classes, and graduate and professional programs.	Annual	County	All	2010

Table 4
Mobility Capabilities

Data	Source	Description	Frequency	Geography Available	Population	Latest Year
Mode of commuting	U.S. Census	Mode of commuting to work is published by different demographic group, including age, gender, and ethnicity.	Annual	County	Working Adults	2010
Average commute	U.S. Census	Estimates of commute time are available by different demographic groups, including age, gender, and ethnicity.	Annual	County	Working Adults	2010
Vehicle availability	U.S. Census	The number of vehicles available to a household are available by different demographic groups. The different demographic groups include single parents, income level and ethnicity.	Annual	County	Households	2010
Road data	CDOT	The miles of road and the capacity of roads is available from the Colorado Department of Transportation. Classifications of capacity of roads is available for the following categories: 75 percent of capacity, 75 to 100 percent of capacity, and over 100 percent of capacity.	Annual	County	Roads	2010

Table 5
Employment Capabilities

Data	Source	Description	Frequency	Geography Available	Population	Latest Year
Unemployment rate	Bureau of Labor Statistics (BLS)	The unemployment rate is the number of people looking for work divided by the number of people in the labor force. This measure does not include the number of people working part-time and looking for full-time work.	Monthly	County	Household	2012
Employment	BLS	Estimates of employment are available through the household survey, which includes the number of farm workers and self employed workers.	Monthly	County	Household	2012
Nonfarm employment	BLS	Estimates are available for the number of non-farm jobs.	Monthly	MSA*	Employers	2012
Occupation	U.S. Census	Estimates for occupation and industry employment are available for different demographic groups including age, gender, and race.	Annual	County	Employees	2010
Full-time employment	U.S. Census	Estimates are available for the average work week and the number of weeks worked per year.	Annual	County	Employees	2010

**Metropolitan Statistical Area. In Colorado the seven MSAs are Denver-Aurora, Colorado Springs, Fort Collins, Greeley, Pueblo, Boulder, and Grand Junction.*

Table 6
Shelter Capabilities

Data	Source	Description	Frequency	Geography Available	Population	Latest Year
Monthly housing costs	U.S. Census	This is an estimate of the monthly housing costs for renters and homeowners. Ranges of housing costs are used to report the level of housing costs for a given area.	Annual	County	Household	2010
Percent of housing costs by income	U.S. Census	Estimates for gross rent and mortgage payments as a percent of income are available for different demographic groups.	Annual	County	Household	2010
Counts of housing units	U.S. Census	The count of occupied and unoccupied housing units are published annually.	Annual	County	Housing units	2010
Housing characteristic	U.S. Census	Estimates for housing characteristics are available to measure the quality of housing. Estimates are available with information on room occupancy per household and the percent of housing units that lack plumbing facilities, that lack kitchen facilities, and telephone service.	Annual	County	Housing units	2010

Please note this is work in progress and may not be developed by the ECSR timeline.

Early Childhood Funding Alignment

Hi Sen Kefalas and Marie,

Sen. Kefalas had requested that I share a few thoughts on strategies to better align funding streams in early childhood and to think about capturing efficiencies that can, ideally, reduce costs of state administration that could then be invested in families and children. Below is a short summary of where we are in this (somewhat early) process. I don't know that this will be a fully baked idea with adequate stakeholder input on the ECSR Commission's timeline, but we do want to figure out a path forward on some of these concepts.

We are looking into models of how other states are helping build the right "dosage" of early learning to children. If we look at the largest funding streams (from the state) supporting preschool and child care, we have two programs with different funding processes that make life difficult at the provider and parent level. For example, a low-income child may be funded by CCCAP, CPP, Head Start, and a local property (e.g,, County of Boulder, City of Breckinridge, Denver Public Schools) or sales tax (e.g., the Denver Preschool Program). When that child shows up at the child care provider's door, it is up to the provider (65% of which are small businesses) to manage these multiple funding streams to build out the child's experience.

For example, if a child receives CPP, they receive about $3,400 for a school year and that covers about 10 hours of preschool per week. If a child receives CCCAP, the amount of time they are authorized for child care varies by county and the parent's schedule. Head Start can then be different as well. The parent needs to gain eligibility for each of these programs separately (sometimes through the school district, sometimes through the county human services department, sometimes through the provider itself in the case of Head Start) and the provider needs to manage contracts with each of these entities, collect payment from them, and pay staff to manage these separate streams. The challenge for the parent is just as concerning. Parents must manage multiple funding experiences and streams to try to build enough funding to meet their needs. Other states are working toward finding the right 'dosage' of care - some families need full-day, full-year care and some need half-day, school-year care, or some other combination thereof, etc.

The difficulty of children and providers' experiences lead to a few key questions: How can the state make things easier for both parents and providers by 'blending' these funding streams at the state level? How can the state better match the right 'dosage' of preschool with the parent and providers' needs? How can the state make sure that community-based providers as well as school district run programs can access these 'blended' funds in as a streamlined process as possible?

A few caveats:

* We are at the initial stages of building the research-base of how this could look.

* We have not had as many robust discussions with early childhood stakeholders, including CDE and CDHS, and other partners as we need to in order to understand all of the nuances and implications of pursuing this approach.

* The most immediate challenge is that the two major state line items (CPP and CCCAP) flow through different mechanisms (school districts and counties, respectively). The mechanics and the politics of playing with these funding streams could be messy, especially if we are only reallocating dollars (or setting a portion aside) rather than growing the pie at the same time of reallocating resources.

* Until the research base is more fully developed and until best practices from other states that have implemented these more blended funding stream strategies for early childhood services have been identified and their outcomes analyzed, it could be premature to discuss statewide proposals on such strategies.

Please let me know if I can clarify any of this further!

Thanks,
Bill

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Proposal for the Early Childhood Collaborative Funding Working Group
Submitted by Marie Hueston, Early Childhood Advocate

Economic Development Policies for Early Childhood Education

Situation: Early childhood education and childcare providers must work with their budget when trying to improve quality at their sites, and when trying to provide access to at-risk children. On the revenue side for providers, parents can only afford so much, reimbursement rates are not high enough, and the Race to the Top Challenge Grant is short-term funding. On the expense side, teachers and staff comprise the largest part of a provider's budget, 65-77%, and already have unacceptably low wages. The next largest expense is the facility, requiring up to 20% of the budget. Beyond these two line items, not much else will make a significant financial impact to a provider.

Idea: Collaborate to create economic development subsidies or incentives for providers (center or home), building owners, and/or lenders, to decrease the facility expense that providers must pay. In exchange for decreasing the facility expense, providers must commit to using those recovered dollars toward quality improvement and or scholarships for at-risk students. Incentives can be in the form of tax credits or subsidies. In some states, impact fees are used for subsidy. Exempting providers from paying real property taxes could be another means of reducing a large expense for providers, however real property taxes are assessed and paid at the county level, not to the state, and it might be difficult for anything to be done at the state level.

The Child Care Contribution Tax Credit currently exists for providers to receive ad hoc contributions from individuals or businesses. How could this existing tax credit be enhanced to provide funding for additional providers who are not current recipients? For possible tax credits to developers or lenders, existing statutes need to be reviewed.

Impact: There are approximately 6,000 centers and family-home providers in Colorado that could be affected positively to maintain or improve their quality programming. The number of children affected will depend on the amount freed up in the provider's budget to pay for wrap-around care for enrolled children or new enrollment, and for targeted quality improvements.

The scope of this proposal is statewide and could take 1-2 years to plan, pass and implement on a trial basis. Funding, per provider, could be determined by the enrollment or capacity of the provider, and would be incremental each year based on the improvements in quality evidenced in the trial. An initial year amount of $500,000 is estimated for this business-focused effort.

An economic development frame moves early care and education away from a social service issue to one of public infrastructure. Economic links to early childhood have been successfully implemented in other states and cities, and they have weathered the recession. This idea is supported by Mildred Warner's study, "Regional Economic Development and Child Care: Toward Social Rights."

Next step: Have stakeholders at the table from business (specifically including real estate owners and developers), government, planning, economic development and early childhood to formulate a plan. Various stakeholders including early childhood membership organizations and non-ECSRLC legislators have shown interest in this idea.

Please note this is work in progress and may not be developed by the ECSR timeline.

ECSR Work Group FFN Proposal

Hi Sen. Kefalas and Marie,

I had an interesting meeting this morning with some colleagues who are helping with the Family, Friend, and Neighbor (FFN) Learning Community leadership. Richard Garcia (who presented at the ECSR meeting on FFN care and leads the Colorado Statewide Parent Coalition), Diana Romero-Campbell and Nathan Davis (from Mile High United Way), and Sarah Park (from the Denver Foundation) and I discussed how the Commission (or individual legislators) may be able to address the issues raised regarding support for parents and FFN providers. Would you mind adding them (email addresses above) to the email list for the subgroup you are leading?

In addition, I will be working on a general policy concept paper this week that I hope can be shared with the subgroup you are leading regarding some strategies that might advance the needs of FFN providers and the children in their care. I realize you have several policy ideas in front of you at this stage, but we are hoping that some of the concepts from our group can help also address some of the ideas you have heard about from others. Diana, Molly, and Dan will have copies and be prepared to share at the August 8th meeting of the subgroup which, unfortunately, I will miss as I will be out of town.

We will send our ideas along ASAP!

Thanks and take care,
Bill

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Family Resource Center Association

July 2014

The Family Resource Center Act, C.R.S. 26-18-101, established the family resource center (FRC) program as a single point of entry to provide comprehensive, intensive and integrated state and community-based services for vulnerable families and children in 1993. When the state pilot funding was eliminated during the 2000 recession, the centers formed the Family Resource Center Association (FRCA) to become a back-bone organization to increase the collective impact of the FRCs. Since that time, the association has grown to 23 FRCs and collectively serve over 56,000 families annually through one or more direct services in 45 counties across the state. The comprehensive, family-level case management model utilized by the FRCs was recognized as a Promising Practice for Collaborative Service Delivery in Poverty Reduction by the Colorado Economic Opportunity Poverty Reduction Task Force in 2012.

A significant number of families throughout Colorado do not have ready access to the basic necessities of life or to resources or services designed to promote family stability, including an environment that supports early childhood development, including school readiness. Further, children and youth raised in vulnerable families experience an increased risk of abuse, illiteracy, school drop-out, teen pregnancy, substance abuse and other at-risk behaviors that negatively impact school success.

The majority of families accessing services at their local FRC seek assistance with an initial primary need such as food, rent or utility assistance, parent education, etc. The FRC staff are able to provide services, or link families to other services in the community, that meet their immediate needs and are also able to partner with families to create goals to overcome long-term barriers to family stability and/or economic success. The Two-Generation approach used by FRCs promotes success for adults and children as evidenced by a young single mom in Fremont County who arrived at her local FRC four years ago asking for help with food and utility assistance. While her initial needs were met, she also created a family plan to address longer-term barriers to self-sufficiency (adult education, child care and health coverage). Five years later, after accessing multiple services and ongoing work with her FRC family development staff, she is employed as a teaching assistant, enrolled in a higher education program to become an early childhood educator and her six-year-old daughter is happy, healthy and learning to read.

The State Statute requires FRCs to utilize a coordinated case management service delivery approach. The centers have been challenged to meet this unfunded mandate since 2000 due to insufficient funding. Despite the lack of state funding for this service, the FRCs provide intensive coordinated services, strictly following Quality Standards for Family Strengthening Programs to nearly 5,000 families annually through a variety of funding sources such as foundation grants, federal funds, fundraising activities, etc. About half of the 5,000 families seeking comprehensive services at the FRCs, or 2,500 annually, are able to be served with sufficient intensity of services to track progress. Longitudinal data for the past six years proves that the coordinated case management services result in statistically significant family progress toward stability in the following family well-being indicators: Adult Education, Childcare, Children's Education, Financial, Employment, Food, Health Coverage, Housing, Parenting Skills, Substance Use, Transportation and Utility Assistance.

This proposal, which would not require a statutory amendment, is for an annual general fund appropriation of $1,500,000 to be added to the Colorado Department of Human Service's appropriation. This funding level would provide one additional full-time family development worker at each of FRCA's member centers to double the number of families (from 2,500 to 5,000 annually) that receive coordinated case management services to address multiple goal areas for both parents and children to increase family stability (i.e. education, employment, income, early childhood). The funding would also support the statewide infrastructure of these services through implementation of Quality Standards of Family Strengthening Programs, tracking and reporting standardized family outcome measures (aligned with CDHS's CSTAT System) and training and technical assistance to increase FRC organizational sustainability.

From: Lisa Hill [mailto:lhill@iik.org]
Sent: Wednesday, July 30, 2014 12:24 PM
To: John Kefalas
Cc: Michelle Neal
Subject: Maternal life course

Good afternoon. I wanted to follow up on the question you raised about sustained increases in income for the Nurse-Family Partnership client graduates. There are various pieces of research that speak to the mother's improved life course development and economic self-sufficiency. I thought the most thoughtful summary of impacts could be found on the program's national website. I can get any of the publications for you that are referenced here if you'd like to read further. I'm hopeful that this is a helpful overview and responsive to the questions you raised. Please let me know if I can provide further information.

http://www.nursefamilypartnership.org/proven-results/Changes-in-mother-s-life-course

Best,
Lisa

Lisa A. Hill
Executive Director
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lhill@iik.org

Invest in Kids
Improving the Health and Well-Being of Colorado's Most Vulnerable Children
http://www.iik.org
1775 Sherman Street, Suite 2075
Denver, CO 80203
F: 303.839.1695

Subject: RE: Sen. Kefalas: Thank you for NFP cost savings

Good afternoon! I look forward to seeing you again at the Commission meeting on the 28th but as promised wanted to follow up with further information regarding Medicaid. Currently, 8% of the Nurse-Family Partnership (NFP) budget in Colorado is paid for by Medicaid. We are working very closely with HCPF to increase this percentage in the coming months and years. A few examples of approaches we are taking – we are currently working with HCPF to determine if and how we can bill for other services NFP provides in addition to or instead of Targeted Case Management (TCM), we are currently in the middle of a rate adjustment for TCM which could increase reimbursement under the current billing approach, and we are working through an agreement with HCPF to significantly increase Medicaid referrals to the program throughout the state. Our partnership is strong and we hope to report great progress to you soon.

See you next week!

Best,
Lisa

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Proposal: *Expand the PASO program to more areas of the state and identify other actions to improve the quality of care and educational outcomes for Family, Friends and Neighbor (FFN) care.*

I have not prepared a formal one-page proposal as requested but would be willing to flesh out this idea if it appears to have merit.

I was very intrigued by the presentation on FFN care at the last meeting of the commission. Particularly the number of children being served in this type of care, the limited ability to serve more kids in center based care and some of the efforts to increase the quality of the care provided to the children in FFN care. Improving the quality of the FFN care is very important given the large numbers of children receiving this care and the fact that many low and moderate-income children are receiving care in this type of setting.

From the presentations and what I could find in a short scan of the research, the PASO program holds promise for increasing the quality of care provided to Latino children in FFN care. It is currently being offered to child care providers in Adams, Boulder and Weld counties. It seems to me that if this program is successful at improving the quality of care and the educational outcomes for the students involved we should focus on ways of expanding its reach beyond these three counties. This might include some type of grant fund that could be matched with private funds to expand PASO to more counties or maybe a pilot to expand it to more areas where it is needed. As I said we would be happy to dive into this issue further if it appears to have merit and support among the group.

More broadly, we should be looking at other ways to improve the quality of care and educational outcomes for students in FFN care. Because of the large percentage of children receiving this type of care, it is hard to improve the overall quality of early childhood education in the state without addressing this aspect of it. PASO appears to be focused on Latino students and providers. Are there similar programs aimed at other communities? If not, what can we do to help develop them? It might be helpful to gather information on the various research findings, ideas, proposals, suggestions, and other information on FFN care and ways to improve it.

Hope this helps. I will see you on Monday and the full commission meeting.

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July 25, 2014

To: Colorado Early Childhood School Readiness Commission
From: Colorado Center on Law and Policy

Subject: Proposal to send child support payments to TANF parents rather than the government

Please consider this policy proposal as the starting point for a topic to be considered at the working groups of the Commission. Key stakeholders for the state and counties have been informed of this proposal. The proposal falls within the scope of the Commission to improve, among other things, "parental involvement" and "family support."

Summary: Colorado law prohibits parents who receive Temporary Assistance for Needy Families (TANF) from receiving the child support payments made by non-custodial parents. This proposal would allow TANF recipients to receive child support payments without lowering their TANF benefits.

Background: Temporary Assistance to Needy Families (TANF) is a federal block grant to states to cover benefits targeted to needy families with children. TANF emphasizes self-sufficiency through work participation requirements, benefit time limits, and initiatives to encourage the formation and maintenance of two-parent families.

Currently, child support payments of non-custodial parents whose children receive TANF benefits go to the government, rather than sent to the other parent. In Colorado, roughly half of that money stays with the state and the counties while the other half goes to the federal government.

The Federal government allows states to let child support payments "pass through" to the families and "disregard" those payments when calculating the TANF benefit. Twenty-four states do this. That extra financial aid could make a difference.

Proposal: Adopt a "pass-through and disregard" policy similar to those in 24 others states. Allow single parents on TANF to receive their child support payments without having those payments reduce their TANF benefits. Providing the children with economic support from both parents would help reduce child poverty, help the custodial parent achieve self-sufficiency, and strengthen the relationship between the child and the parent who doesn't live at home.

Contact: CCLP Public Affairs Manager Terry Scanlon, tscanlon@cclponline.org, 303-957-8137

Proposal for the Early Childhood Collaborative Funding Working Group

Submitted by Kathryn Hammerbeck, Executive Director of Early Childhood Education Association

"The most important indicator of a high-quality early care and education (ECE) program is the quality of the teachers and caregivers who interact with children every day. As a result, quite a bit of ECE research has focused on the impact of bachelor's degrees on effective practice. Indeed, several studies found that early childhood educators with a bachelor's degree were more responsive to children and provided more language development and emergent literacy activities than teachers without a bachelor's degree (Ackerman, 2005; Saracho & Spodek, 2007; Whitebook, 2003). However, research has also demonstrated that a bachelor's degree alone is insufficient to ensure teacher quality at the early childhood level. It appears that the presence of a degree in combination with specialized training relating to classroom practice is what results in quantifiable teacher-quality improvements (Pianta & Hamre, 2009). Importantly, some research and evaluation has also found that with targeted training and mentoring less-educated teachers can provide early learning opportunities comparable to those provided by their better-educated counterparts (Layzer, Goodson and Price, 2007).

As debates about the value of a college degree continue, recruiting and retaining qualified teachers remains a significant challenge for most ECE programs. Nationally, the ECE workforce turnover rate is about 33%. Research from several state studies has underscored that child care centers that experience high rates of teacher turnover not only have lower levels of quality and less favorable teacher-child interactions. While multiple factors contribute to this high turnover, chief among them is compensation (Cassidy et al, 2011)." Louise Stoney

The challenge is to balance the need for increased compensation with the cost of care. Wages are 65% - 70% of a center's budget. Parents cannot afford higher tuition and the subsidy program doesn't reimburse provider sufficiently in order to pay higher wages. In addition there exists a disparity among the wages for preschool teachers as to the program. Preschools in the K-12 system pay the highest, followed by Head Start with center based teachers making the lowest wages. Unfortunately, this puts centers in the role of educating their staff only to have them leave for better paying programs.

Louisiana addressed this problem with a package of tax credits, one of which is a tax credit for child care center staff (directors and classroom teachers) to encourage them to obtain higher educational levels. In the first year, $2.2 Million in tax credits were used for 1227 early childhood professionals. Louisiana's tax credits were based on position held, i.e. director or classroom teacher, and the educational/training level achieved by the applicant.

ECEA is bringing this proposal to the funding workgroup first to determine your level of interest and to determine if it should be referred to the Quality Workforce work group. If there is interest, ECEA would recommend a child care tax credit similar to Louisiana's.

Teaching Tree

Early Childhood Learning Center

What are the biggest challenges you face as a small business?

- **Meeting our goals of:**
- Finding and keeping qualified staff and reducing high turnover

- Increasing teacher salaries to a livable wage

- **Increasing the number of low income children served, which has dropped dramatically due to decreased funding from grants and foundations**

- **Huge waitlist**

What are the biggest needs you hear from your parents that would most help them succeed?

- Affording child care
- Finding child care (especially for infants and toddlers) – they have a job, but no place for their child
- Low income parents struggle with what to pay first: Rent? Food? Child care? Gas?
- Missing work due to children being sick
- CCAP families – paying for absent days
- Parenting classes

What are the best things we could do to help you offer the highest quality experience to children in your care?

- **Continue advocating for Early Childhood and the importance of prenatal – 5. Learning begins at birth not at age 5.**
- **Advocating for dollars to support low income families such as the ITQIP funds, increased CCAP provider rates for high quality programs**

- Funding to support and sustain quality – quality support staff on site, funding for staff training hours and completing assessment tools, funding to support children and staff just as school district programs do (Additional support staff: mental health consultant, family service provider, coaches, nutritionist, bilingual teachers/support)

- Capital funding to increase infant/toddler slots

- Increased partnerships with the K-12 system

What are the best ways to encourage strong connections between early childhood providers and the K-12 system?

- Time and a forum through which kindergarten teachers and early childhood teachers can connect, share our work, and define school readiness for children

- Systems in place to transfer early childhood assessments to kindergarten teachers

- Data that is collected at kindergarten to be passed to early childhood teachers, and vice versa, so childcare providers/centers can be apprised of what’s working well and what can be strengthened

Teaching Tree Early Childhood Learning Center – Statistics

Changes throughout time:

2008

295 families served

45% CCAP families served

25% sliding fee families served

30% full pay families served

2013

290 families served

20% CCAP families served

16% sliding fee families served

64% full pay families served

Why the difference? LOST FUNDING

Example

In 2008 – United Way Funding was $64,524

In 2013 – United Way Funding was $36,800

For 2014-15 – United Way Funding will be $22,407

In 2013 – TGYS (Tony Grampsus Youth Services) funding was $24,522

For 2014-15 – TGYS funding will be $0

Subsidized child care for low income families: how it works

Sliding fee example:

Full time infant care at full pay rate - $278/week

Sliding fee lowest rate - $100/week

Teaching Tree subsidizes - $178/week for this infant

CCAP example:

Full time infant care at full pay rate - $278/week

CCAP reimburses - $203.35/week

Teaching Tree subsidizes - $74.65/week for this infant

In 2013, Teaching Tree subsidized $116,422 for 104 children

CURRENT NUMBERS:

Total served: 137

Current CCAP slots: 24

Current Sliding fee slots: 22

Waitlist:

147 infants and toddlers

34 preschoolers

July 16, 2014

Dear Early Childhood & School Readiness Commission (ECSRC) Stakeholders:

Rep. Brittany Pettersen ably chaired the first ECSRC meeting on Monday, 7/14 at the State Capitol with various presentations throughout the day including overviews and discussions of: the early childhood landscape; quality ratings and improvement; CCCAP, poverty and risk in Colorado; and integrating behavioral and physical health. Afterwards, we broke into five working groups that were charged with identifying topics/issues for further deliberation to inform potential legislation and policy changes to be recommended in September. We were also asked to schedule at least two meetings in August.

The Early Childhood Funding and Collaboration Working Group met for an hour and discussed various ideas and topics. Initial working group members include: Sen. John Kefalas (legislative co-chair), Marie Hueston (stakeholder co-chair), Terry Scanlon (CCLP), Chris Edmonds (Bell), Dan O'Connell (CCC), Kathryn Hammerbeck (ECEA), Megan Davis (Boulder County) and Evie Hudak (consultant).

We will meet at the Capitol on Friday, 8/8 (SCR 354) and Tuesday, 8/26 (SCR 356), 9 AM -12 noon. At each meeting we will discuss two proposals, and at the end of the 8/26 meeting we will vote on which proposals to forward to the full Commission. In advance of the 8/8 meeting we are soliciting input, and our goal is to prioritize the top four ideas/proposals via email. That's the plan at this point.

With that said, we welcome your active participation and engagement in this process so please share your proposals concerning early childhood investing to me and Marie Hueston. Your proposal should be no more than one page with enough detail to be considered by working group members who will select the proposals to be discussed further. We also welcome your participation as a working group member. Please submit your proposals no later than Friday, 7/25. We will vote by e-mail on which four topics will be further explored in the August meetings; voting will end Friday, 8/1.

So far, the following ideas are on the table for consideration:

- Tax credits or other incentives for employers providing child care and/or for childcare providers
- Quality incentives for preschools, childcare providers and family, friend and neighbor networks
- Support for Early Childhood Councils and Family Resource Centers
- Tax credits for developers or building owners to reduce rent/mortgage paid by ECE providers
- Increase funding to early childhood/school readiness programs based on a needs assessment and a review of policies/programs enacted over the past five years related to early childhood; request Legislative Council memo that identifies, summarizes and provides program status;
- Break down preschool and K-12 funding silos; align funding to be seamless
- Sustainable funding for maintaining QRIS and Qualistar rating systems for licensed childcare providers – centers and in-home; Race to the Top money ends in three years
- Social impact bonds and increasing business community involvement in early childhood
- Family asset building and community wealth building
- Alternative Poverty Measures or economic well-being indicators to evaluate effectiveness of programs that advance economic opportunity and reduce poverty; how are we making a difference in people's lives

New ideas can come from Commission members, stakeholders, advocates and essentially anyone who has an idea that could help us tackle the challenge of funding early childhood initiatives and childcare in Colorado. Advocates for each of the ideas listed above need to develop a one-page document that provides more specifics about how the proposals might be structured so that can be presented to the group before the email voting begins.

Colorado
Legislative
Council
Staff

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MEMORANDUM

July 19, 2012

TO: Representative John Kefalas

FROM: Larson Silbaugh, Economist, 303-866-4720

SUBJECT: Considerations in Developing and Economic Well-Being Index

This memo presents a discussion of different aspects to consider when developing an economic well-being index. The discussion focuses on the methodology to be used and the strengths and limitations of choosing how to calculate the index in certain ways. Understanding the strengths and weaknesses of each approach will lead to designing an index best suited for the intended purposes. Examples to aid in the understanding of the methodology are also provided.

Summary

Before calculating an economic well-being index, Legislative Council Staff would need direction in the following areas:

- which well-being capabilities to use in an index and how to weight the various measures of well-being,
- whether a single index or multiple indices should be calculated,
- which benchmark to use to measure economic well-being, and
- how to treat missing or old data.

Purpose of an Economic Well-Being Index

The purpose of the capability approach to economic well-being is to determine a population's economic well-being. Using this approach, income is not used, but other indicators associated with well-being are substituted to measure the outcomes associated with higher incomes. When developing and calculating an index there are certain methodologies that are more appropriate, depending on how the index will be used.

What is an Index?

An index is a way to compare values to some benchmark. In this case, publicly available data will be used to compare different counties across the state for various types of well-being. The simplest way to calculate an index is to divide the value for a certain population by the benchmarked value. Example 1 demonstrates how an income index would be calculated to compare median income in Larimer County to median income statewide.

Example 1
Calculating an Index for Median Household Income

Larimer County Median Household Income, 2010: $54,154
Colorado Median Household Income, 2010: $54,046
Median Household Income Index for Larimer County= $54,154 / $54,046 = 1.002

An index could be calculated for each county in Colorado. A higher index represents higher household income. It is easy to interpret this index, median household income is 0.2 percent higher in Larimer County than the state as a whole, but that can be easily understood by comparing the income levels alone. In addition, calculating median household income does not necessarily equate to economic well-being. Is this sufficient income to provide housing or healthcare? The concept behind the capability approach to economic well-being is to move past income and measure other measures of well-being.

Adding these different measures of well-being adds complexity to the calculation of an economic well-being index. The rest of this memo discusses some of these complexities. The complexity of the index can add value and insight into the measurement of economic well-being, but the trade off is that the interpretation of the index becomes more difficult, data requirements increase, and the application of the index becomes more specific.

Included Variables and Weighting

One of the benefits of using the capability approach is that it uses a broader view of economic well-being than simply using a single measure, such as income. This fact requires that more variables are used to calculate the index. A decision must be made about which variables to include. In a previous presentation to the Economic Opportunity Poverty Reduction Task Force Metrics Committee, the capabilities included were education, mobility, employment, shelter and health. The

Human Development Index (HDI), a well known international capability index, uses health, knowledge, and income to compare countries to each other. There are other capabilities that could be included, such as entrepreneurship or crime statistics. Deciding which capabilities to include when calculating a well-being index implicitly leaves out some aspects of well-being. These exclusions may be either unintentional, theoretical, or practical.

Leaving a capability out of the index *unintentionally* is possible, but not really preventable. An example of leaving a capability out of the index for *theoretical* reasons would be income. The purpose of the capability approach to well-being is to measure how a population is doing relative to other groups, but income could be argued to influence well-being. The other type of exclusion would be *practical*. In general, this may occur when a capability is difficult to measure or is measured infrequently. Hard-to-measure capabilities are difficult to include in an index because it is not clear that the data are meaningful. An example of this at the international level would be freedom. Freedom is usually assumed to improve well-being, but it is almost impossible to meaningfully measure. An example of infrequently measured variables in Colorado would be county level non-farm employment. These data are based on establishment survey data, which are only conducted for the seven largest metropolitan areas in the state.

Once the variables are chosen, one must decide how to weigh them, or how much each variable should influence the index. Deciding how variables are weighted in an index necessarily requires making a value judgement. If an index were calculated using five capabilities (for example health, education, employment, mobility, and shelter) you could weight them various ways. The only requirement is that the weights equal 1.0. Example 2a-2c shows three different ways these five capabilities could be weighted:

Example 2a
<u>Equally Weighted</u>

.20(Health) + .20(Education) + .20(Employment) + .20(Mobility) + .20(Shelter) = Index

Example 2b
<u>More Weight on Health and Education</u>

.35(Health) + .35(Education) + .10(Employment) + .10(Mobility) + .10(Shelter) = Index

Example 2c
<u>No Weight on Mobility</u>

.25(Health) + .25(Education) + .25(Employment)+ .00(Mobility) + .25(Shelter) = Index

The index in example 2a weighs each of the five capabilities equally. This means that when interpreting the index, none of the capabilities is more important to economic well-being than any other capability. Example 2b uses higher weights on health and education to emphasize these measures when considering economic well-being. Example 2c has four equally weighted measures, and no weight on mobility. This choice places no value on mobility.

A similar issue arises when more than one variable is used to measure a capability. Multiple variables are available to measure education, health, employment, mobility and shelter. These multiple variables can all be used to generate an index for each of the capabilities. In a previous memo, 12 data points were identified that could be used in an index for health, seven for education, five for employment, four for shelter, and four for mobility. For example, when computing a health index, it is not clear if life expectancy contributes more to well-being then access to care. This determination must be made for all 12 of the available measures, which requires some value judgement for each individual capability.

The county health rankings, an index published by the Robert Wood Johnson Foundation and the University of Wisconsin, has clear documentation on the weights that are placed on health measures. These weights are developed by health experts. The HDI weights health, knowledge, and income equally.

Before proceeding with calculating an economic well-being index, Legislative Council Staff would need direction on the capabilities to include and the weighting of those capabilities.

Single or Multiple Indices

The amount of data available for various measures of well-being make it possible to create an index for each of those measures. A single index is a way to synthesize well-being across many different measures and see how a population is doing overall, but this may make it more difficult to identify certain aspects of well-being that could be improved upon. Example 3 uses Larimer County to demonstrate how high index measures in certain capabilities can mask low index measures in other capabilities. For simplicity, each of the four capabilities of health, education, employment, and shelter are equally weighted.

Example 3
Single Index or Multiple Indices

Capabilities	Variable	Index
Health	Unhealthy days, inverted	1.032
Education	Percent of adult population with at least a HS diploma	1.058
Employment	Percent of population 16 years old and over that are employed	1.003
Shelter	Percent of occupied rental units with rent less than 30% of household income	0.946
Single Index		
Single Index = .25 x (1.032 + 1.058 + 1.003 + 0.946)		1.010

Each of the indices use a single variable to measure a capability and is calculated by dividing the data point for Larimer County by the statewide value. For health, the average number of unhealthy days in the past 30 days reported between 2006 and 2010 was used. This was inverted, so that a higher score represents a healthier population. For education, the percent of high school graduates as a percent of the over 25 population in 2010 was used. For employment, the percent of the population 16 years and older that reported being employed in 2010 was used. For shelter, the percent of occupied rental units that paid more than 30 percent of annual household income in rent in 2010 was used.

Because the single index in Example 3 is greater than 1.000, it can be interpreted that Larimer County is better off than the state as a whole, but this is due to high scores for education and health. The shelter index is actually below the statewide average, meaning that renters pay a higher percentage of household income in rent then the state as a whole.

Computing more than one index for different capabilities adds to the resources needed to calculate an economic well-being index and increases the data requirements. In addition, it can add complexity to the interpretation of economic well-being, but adds to the understanding of what measures contribute or hurt economic well-being for a given population. The HDI publishes four indices; an overall index, an index for health, an index for knowledge, and an index for standard of living.

Before computing an economic well-being index, Legislative Council Staff would need direction on whether to calculate a single index or multiple indices for separate capabilities.

Which Benchmark to Use

One of the main purposes of an index is to compare two sets of things. It can be to compare between time periods, between nations, or to some benchmark or goal. In the previous examples, Larimer County has been compared to the state as a whole. This approach does not directly measure how economic well-being compares to economic well-being in a previous period or how well-being is measured against some goal. Example 4 shows three different indices for education, using the statewide average, high school attainment in 2000, and against the goal of 100 percent high school graduation.

Example 4
Percent of Population 25 years or Older with a High School Diploma

	Value	Index for Larimer County
Larimer County, 2010	94.9 percent	
Statewide, 2010 (Compare to State)	89.7 percent	1.058
Larimer County, 2000 (Compare over Time)	92.3 percent	1.028
Goal (Compare to Goal)	100 percent	0.949

By using different benchmarks, an index can measure different things. Using the statewide average compares how Larimer county is doing relative to the rest of the state, but not if it is improving over time. Using the statewide average may actually result in some counties having lower index values if the statewide average increases, even if the measure for well-being improved for that population. Using a previous time period shows how each county is doing over time, but not how it is doing relative to other counties in the state. It may be difficult to find data on previous time periods for some measures of well-being, so there is an added data requirement when using a previous time period as the benchmark. Using a goal as the benchmark is another way to measure a county's well-being, but it can be difficult to choose an appropriate goal.

The County Health Rankings uses other counties to determine the rankings. Some examples of indices over time include the Consumer Price Index and the major stock indices. The HDI uses goals that are based on the highest observed measures of countries each year. For example, the life expectancy in 2011 in Japan was 83.4 years, the maximum value for any country. This was used as the benchmark for the rest of the countries for which the HDI was calculated.

Before proceeding with calculating an economic well-being index, Legislative Council Staff would need direction on which benchmark to use. If a goal is chosen as the benchmark, then appropriate goals would need to be developed.

State of the Data

Another complication with designing an economic well-being index is the state of the data that are used to calculate the index. Data could be missing, infrequent, or in a form that does not allow for comparison between counties. Excluding these data from an index may not capture important indicators of economic well-being, but including they may cause difficulty in interpreting the results.

In general, better data are available for larger populations. There are more data at the state level than the metropolitan area (MSA), and more data at the MSA level than the county level. Limiting data used in a county level index to only county level data ensures that each county has a unique value and reading for economic well-being, but it may exclude important information on well-being. One option is to use MSA or other level of data where available, and use the statewide average or the average index value for populations that do not have a unique value. This will keep missing data from increasing or decreasing the index value. For American Community Survey data, one way to get more reliable data for each county is to use a longer sample period.

In addition, data are released at various time periods and intervals. County level Census data are released once every 10 years. County level local area employment statistics are released monthly. If the index is calculated only when *all* of the data are new, then it may not be calculated frequently enough to be useful in tracking changes in economic well-being. If the index is calculated each time some information is released, then there might not be much new information so the index would not reveal any meaningful change in well-being. One way to include as much information as possible, and have a somewhat current index, is to use the most recent data available. In some cases, these data could be more than a year old and not all values would be from the same year.

Another data limitation in calculating an index is that data needs to be comparable between counties. Rates and per-capita measures are most meaningful because it allows the comparisons between counties across the state. For example, the total number of high school graduates is not comparable between Denver and Larimer Counties because Denver has a much larger population. The percent of the population with a high school diploma is a more appropriate measure because it allows comparison between counties of all sizes. Most data sets have information that can be used to compare populations of different sizes, but there are a few exceptions.

Before calculating an economic well-being index, Legislative Council Staff would need direction on how to treat old or missing data.

Summary

An economic well-being index can provide insights into comparing well-being between counties for a broad range of capabilities, but there are different ways to design and calculate an index. The methods depend on the intended use of the index and the judgements that must be made regarding the weighting of different measures of well-being. Before calculating an economic well-being index, Legislative council staff would need direction in the following areas:

- which well-being capabilities to use in an index and how to weight the various measures of well-being,
- whether a single index or multiple indices should be calculated and reported,
- which benchmark to use to measure economic well-being, and
- how to treat missing or old data.