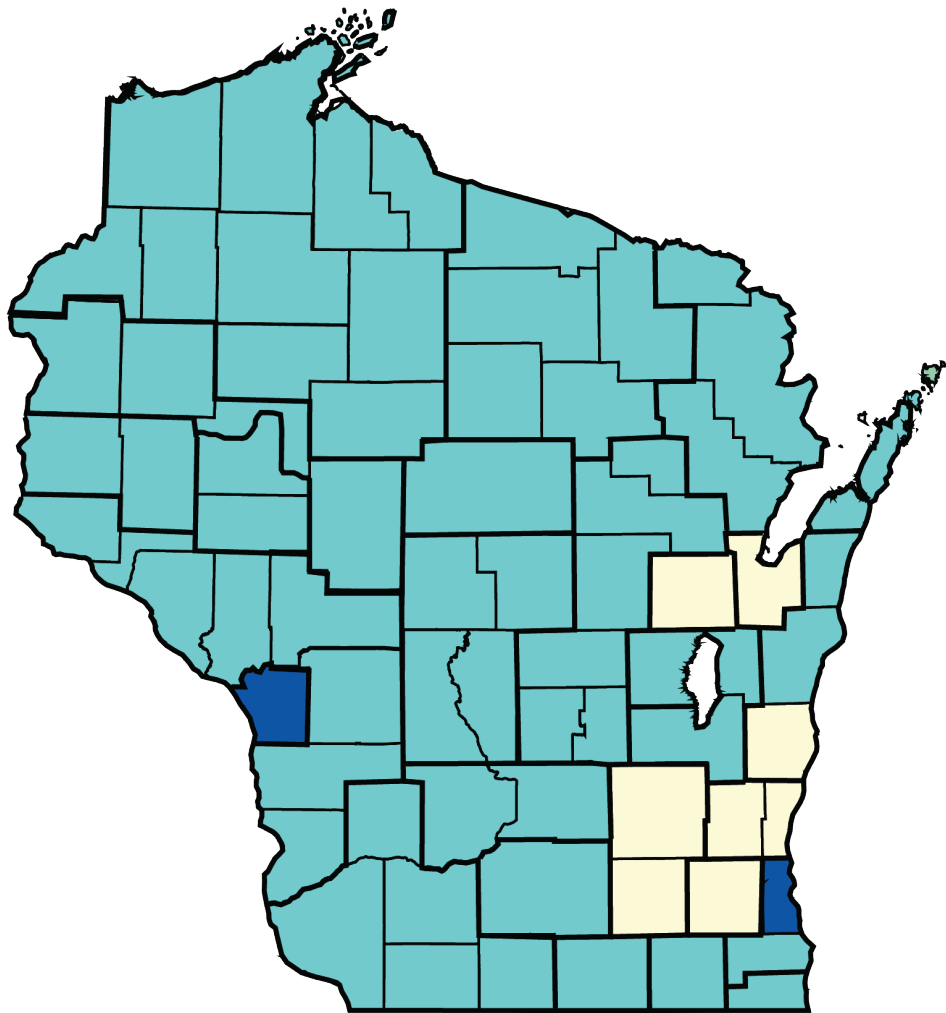


Wisconsin Poverty Report: The Recovery from the Great Recession Lowers Poverty Rates in 2015

The Ninth Annual Report of the Wisconsin Poverty Project



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ABOUT THE WISCONSIN POVERTY PROJECT

The Wisconsin Poverty Project came into being in late 2008, when a group of researchers at the University of Wisconsin–Madison’s Institute for Research on Poverty (IRP) sought to gain a more accurate and timely assessment of poverty throughout the state as the worst recession in the postwar era was gripping the nation. The researchers’ efforts, which align 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 ninth—joins 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 main 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.

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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 U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE). As a National Poverty Research Center sponsored by ASPE, IRP has a particular interest in poverty and family welfare in the nation as well as Wisconsin.

DISCLAIMER

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

ⁱSee 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 2015 poverty rates using the Wisconsin Poverty Measure. Areas below the state average of 9.7 percent are yellow, turquoise areas have no statistically significant difference from 9.7 percent, and dark blue areas are higher than 9.7 percent. See page 16 for further details.

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EXECUTIVE SUMMARY

Our key finding is that as employment rose by 70,000 jobs in Wisconsin during the period of this report, there was a significant reduction in poverty, as measured by the Wisconsin Poverty Measure (WPM), to 9.7 percent, the lowest rate recorded in our nine years of writing this report. In fact, overall poverty rates in Wisconsin fell significantly in 2015 compared to 2014 by all three measures of poverty used in this report. Market income poverty (which reflects employment levels and is therefore a helpful gauge of economic health) fell by 1.5 percentage points, while both the official poverty rate and the WPM also fell significantly in 2015 compared to 2014.

All measures of poverty for families with children fell by significant amounts in 2015, as the child poverty rate in the WPM reached an all-time low of 10.0 percent in 2015. The WPM for children, which takes into account resources from tax credits and noncash benefits as well as earnings, remains more than 5 percentage points below the official poverty rate for children of 15.4 percent.

While the benefits from the safety net (especially food support and refundable tax credits) played a large role in poverty reduction, national and state changes in the Supplemental Nutrition Assistance Program or SNAP (called FoodShare in Wisconsin) reduced these positive effects in 2014 and 2015. Other trends that decreased resources over the past two years include rising child care and other work-related expenses for families with children, and increasing medical out-of-pocket expenses.

Although the social safety net provided a buffer against poverty during the recession—and still makes a big difference in countering poverty—the effects are beginning to shrink because of changes in the SNAP program, payroll taxes, medical expenses, and work-related expenses. This has left the longer-term WPM poverty rate lower than in earlier years, but this is due mainly to the slowly but steadily expanding Wisconsin economy and the higher earnings it has produced.

We also examine poverty rates across regions within the state, revealing high poverty in some areas, especially in Milwaukee and La Crosse counties, but with many more substate areas doing much better than the rest of Wisconsin. This pattern suggests an uneven recovery of jobs and incomes across regions within our state, but with poverty rates falling in many larger areas. Eastern parts of the state—Brown (Green Bay) and Outagamie (Appleton) counties and the counties west and north of Milwaukee are showing the way, all with poverty rates significantly below 9.7 percent.

Poverty rates examined across sub-county regions show variations that are more dramatic within counties than across the 28 county and multi county areas in the state. For instance, within Milwaukee County, overall WPM poverty rates ranged from about 10.4 percent in one southern and one western sub-county area to 36.7 percent in the central city of Milwaukee in 2015, suggesting a significant segregation of the poor and the rich within that county. The variation in child poverty rates within Milwaukee County is even larger than the variation in the overall WPM rate.

Because we believe that the long-term solution to poverty for the able-bodied non-elderly is a secure job that pays well, not an indefinite income support program, these findings are encouraging. And while new problem areas such as the lack of affordable housing are becoming more widespread, this report offers cautious optimism as long as the current economic and job recovery continues.

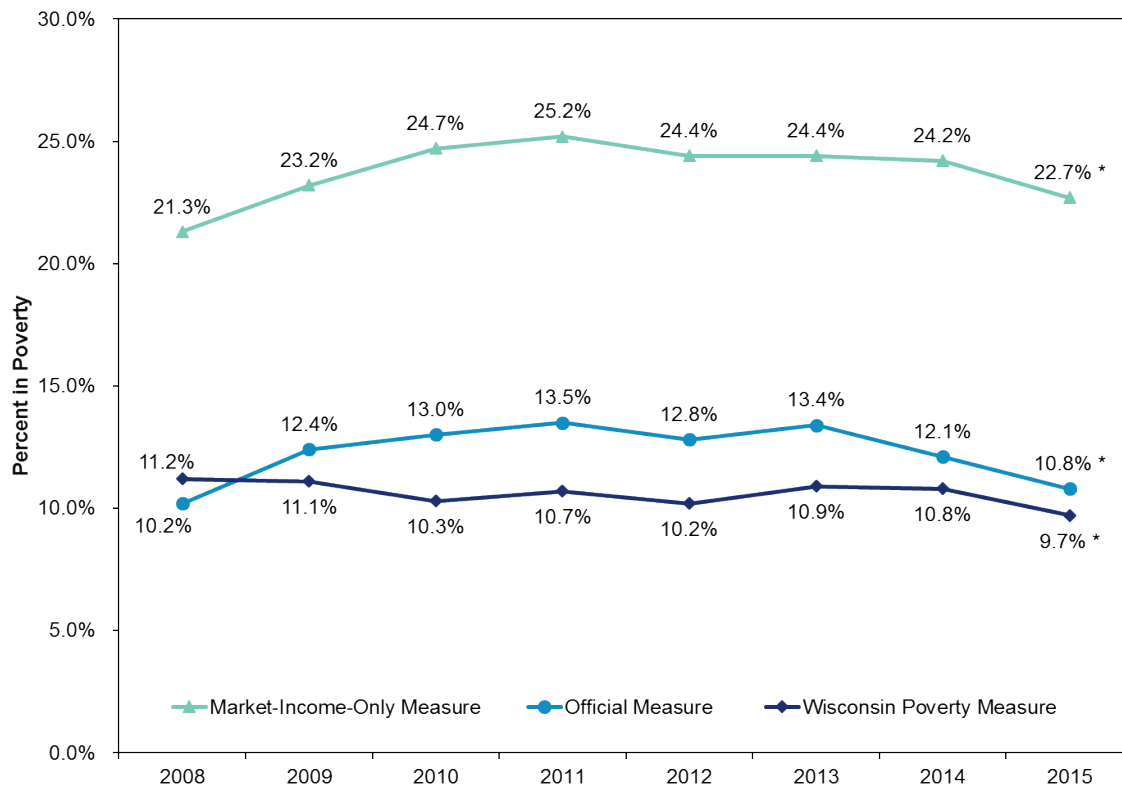
This report also underscores the importance of a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance—as Wisconsin's safety net does—and in doing so makes a big difference in combatting poverty over and above the job market effects highlighted in this report.

INTRODUCTION

To understand poverty in Wisconsin, and the influence of both the economy and public poverty policies, it is important to use appropriate poverty measures. We now have eight years of data analyzing poverty according to the Wisconsin Poverty Measure (WPM), a measure developed at the Institute for Research on Poverty (IRP) at the University of Wisconsin–Madison to better reflect the needs and resources of Wisconsin residents. We can track how poverty has changed over the course of the Great Recession—the worst recession in the postwar era—and as the economy continues to recover. Over the course of the recession, employment fell sharply in the state, with employment levels not reaching their previous March 2008 high until March 2015, a full 7 years later (Figure 2). Both market forces and programs designed to enhance earnings and supplement the incomes of poor individuals and families affect poverty rates, as we discuss in this report.

To provide a nuanced picture of economic hardship in Wisconsin, we employ three different measures for estimating poverty in the state from 2008 through 2015, 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 adds in the value of public cash benefits; and the Wisconsin Poverty Measure (WPM), which takes into account not only cash benefits but also noncash benefits and taxes, including refundable tax credits.

Figure 1. Wisconsin Poverty Rates under Three Measures, 2008–2015

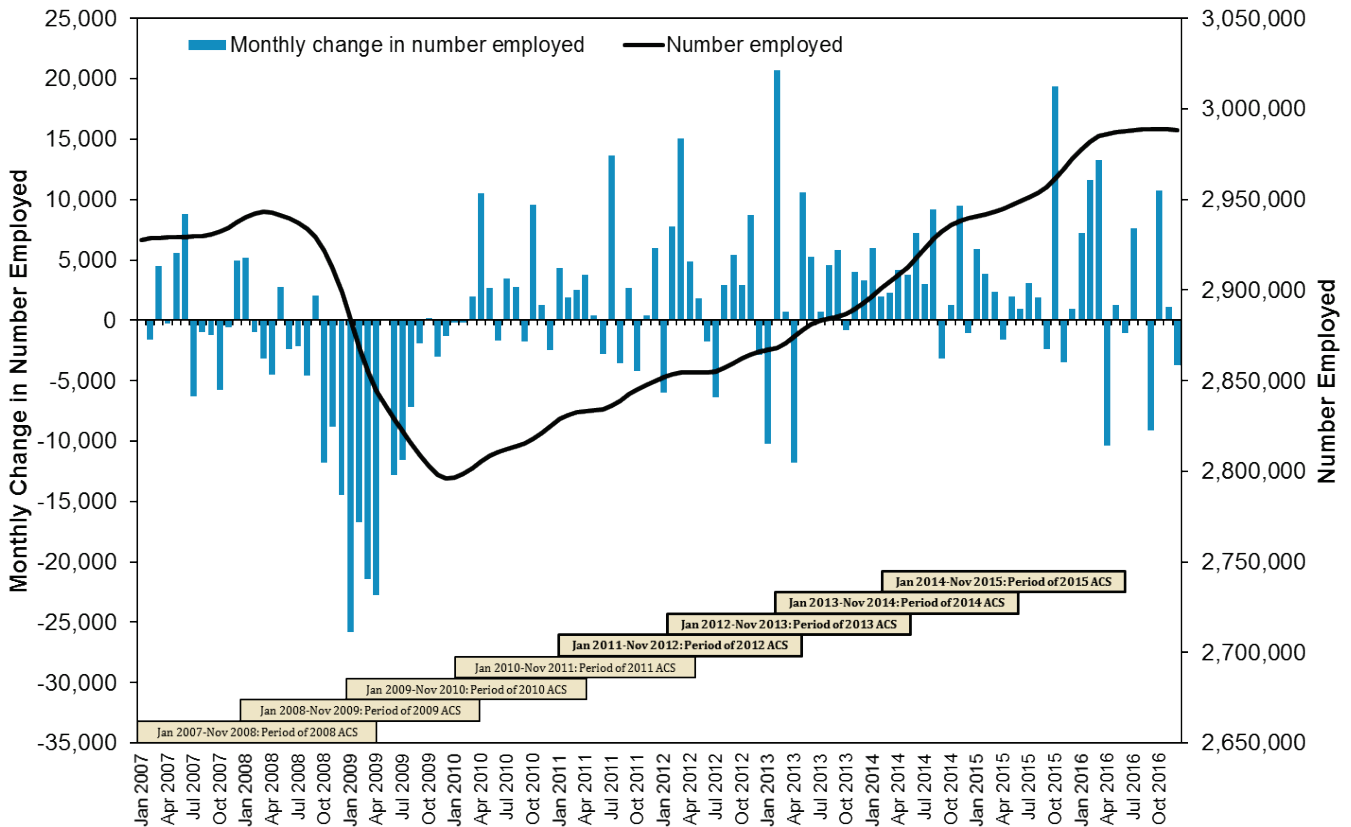


Source: IRP tabulations using 2008–2015 American Community Survey data.

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. * = The difference between 2014 and 2015 was statistically significant, which is the case for all the poverty measures shown here.

Under the market-income measure, which is based on only private sources of income (mainly earnings, but also investment income, private pensions, and child support), we see that overall poverty rates increased during the recession and peaked in 2011. They began dropping in 2012, but remained largely unchanged between 2012 and 2014. Now, in 2015, we see a large and statistically significant decrease of 1.5 percentage points in the market-income measure. This is consistent with a fairly slow employment recovery in Wisconsin through 2013, and an accelerating growth in jobs beginning in 2014 as the economy recovered from the Great Recession (as summarized below and shown in Figure 2).

Figure 2. Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2016



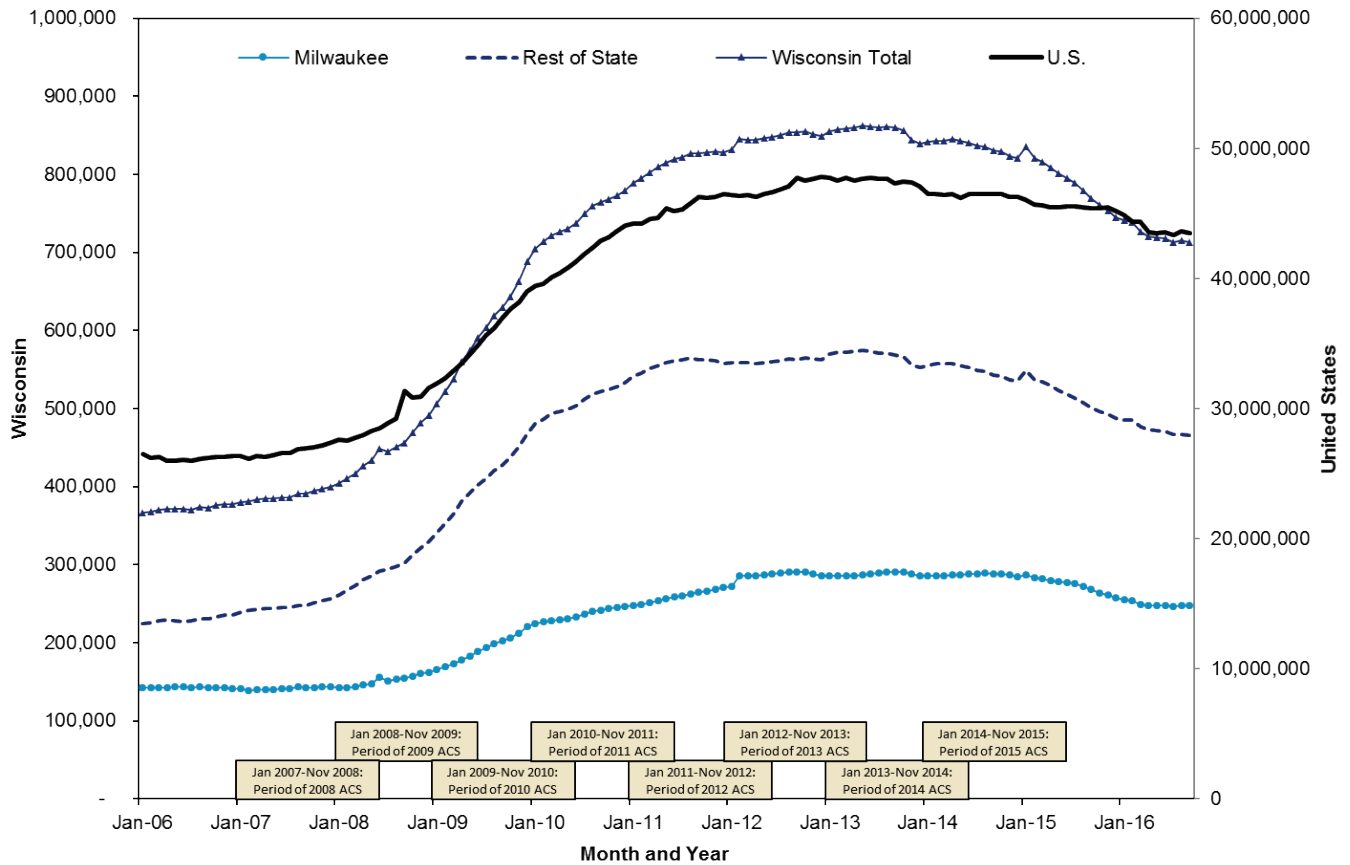
Source: Seasonally adjusted Bureau of Labor Statistics Local Area Unemployment Statistics data on total non-farm employment.

Notes: The 2015 poverty rate is based on economic conditions from January 2014 through November 2015, 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, data span a total of 23 months, as shown in the chart. For reference, the official recession began in December 2007 and ended in June 2009.

Figure 1 shows that poverty estimates are much lower under the official measure as compared to the market-income measure, because official estimates include government cash transfers designed to help the poor (e.g., Social Security, unemployment insurance, welfare cash payments) as well as market income. The official measure also differs from the market-income and WPM measures in its poverty threshold and other methods, as discussed below. Trends in poverty according to the official measure and the WPM are similar to those shown by the market-income measure between 2008 and 2013, but the WPM stayed virtually flat from 2013 to 2014 while official poverty fell from 13.4 to 12.1 percent, a statistically significant decrease. Now in 2015, all three measures declined significantly from their 2014 levels.

The overall poverty rate as calculated by the WPM fell between 2008 and 2010, even as the cash-based measures of poverty were going up. Poverty according to the WPM had stayed between 10 and 11 percent for five years from 2010 to 2014, before falling to 9.7 percent in this report, its all-time low since the WPM began. One of the important differences between the more comprehensive WPM and the official measure is that the WPM takes into account changes in noncash benefits and tax credits. During the worst of the recession, the increase in noncash benefits and refundable tax credits offset the decrease in market income. Our annual reports focusing on 2009 and 2010 emphasized the success of policies intended to address the recession in keeping poverty from increasing. We were not completely certain what was driving the most recent flat line trends up to this year, though they may reflect the fact that expansions to the safety net during the recession contracted more rapidly than the economy recovered, as seen in Figure 3.¹

Figure 3. Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2006–2016



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.

¹For the full series of Wisconsin Poverty Reports, see <http://www.irp.wisc.edu/research/wipoverty.htm>. The full series includes an expanded discussion of methodologies and results, and technical appendices. Note that the same basic methodology was used in estimates for 2009 through 2012 (although some of the substate 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.

The market-income poverty rate in 2015, 22.7 percent, is statistically different from 2013 and 2014 suggesting that the economic recovery in Wisconsin is finally driving down poverty through increased earnings with both jobs (Figure 2) and wages having grown enough to help reduce poverty without the help of transfer payments in 2015. The 1.5-point decline in market income poverty is larger than the 1.1 percentage point drop in the WPM, again suggesting that the labor market was finally doing a good job reducing poverty. This is a good sign for most workers in Wisconsin, though pockets of poverty remain unmoved by the recovery as we see below.

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 from 2008 to 2015, years of recession and a 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 2015, and trends for the 2008 to 2015 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) affected poverty in recent years. Finally, we present poverty rates across local regions in Wisconsin using the WPM.

WISCONSIN'S ECONOMY AND PROGRAM PARTICIPATION DURING THE RECESSION

The rise in poverty from 2008 to 2010, and subsequent decline, somewhat mirrors the decline and subsequent rise in employment levels in the state, although poverty trends tend to lag behind economic changes. After employment levels in Wisconsin fell dramatically between March 2008 and December 2009, Wisconsin experienced a job uptick from 2010 to 2014. By the end of 2013 about two-thirds of the jobs lost during the Great Recession had been added back and by March 2015 we had recovered all the jobs lost since the high-water jobs mark in March 2008. Employment grew fastest in calendar year 2014 when we added 43,000 jobs, but then slowed again in 2014 (32,000 net gain in jobs) and 2016 (10,000 net gain) so that by December 2016, the last month in Figure 2, we stood only 45,000 jobs above the March 2008 and March 2015 levels of 2.943 million jobs. Despite modest net increases in jobs during 2012, 2013, and especially 2014, there was no real change in market-income poverty over this period. Many of the 71,000 new jobs created in Wisconsin over the January 2013 through November 2014 period detailed in the 2014 poverty report were only part-time jobs in the low-wage service sector (e.g., retail, fast food industry), and this may be why jobs rose but market income poverty did not decline from 2013 to 2014.² However, Wisconsin gained another 70,000 jobs from January 2014 through November 2015 (the dates when the income and program data covered in this report take place) and this time, the job gains produced a large and significant decline in market-income poverty of 1.5 percentage points, the lowest rate since 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, known as FoodShare in Wisconsin, but called SNAP in this report for simplicity) rose dramatically, in Wisconsin as well as in the nation. 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 2013 (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. The Wisconsin caseload peaked at about 860,000 cases in summer 2013 before falling to 712,000 by September 2016. Over the January 2014–November 2015 period covered in the 2015 report, Wisconsin's SNAP count fell by 90,000 cases

²M. V. Levine, "Is Wisconsin Becoming a Low-Wage Economy? Employment Growth in Low, Middle, and High Wage Occupations: 2000–2013," Center for Economic Development Data Brief, University of Wisconsin–Milwaukee, October 2014.

or 10.6 percent, with the biggest decline taking place outside of Milwaukee. The Wisconsin caseload fell much faster than in the nation as a whole during this period.

The SNAP caseload drop in Milwaukee alone was 27,000 cases, a slightly smaller percentage drop than in the state as a whole. In the first few months of 2014, SNAP caseloads fell slightly, reflecting the 14 percent decline in maximum SNAP benefits that occurred in November 2013, as the temporary boost in benefits provided under federal legislation in 2009 expired. The impact of this benefit reduction, plus the slowly growing economy and the state effort to remove able-bodied adults without dependents (ABAWDs) who do not meet work requirements from the SNAP rolls (which by itself reduced the rolls by over 20,000 cases by November 2015), all contributed to the 90,000-case decline in SNAP.³

In the next section, we look briefly at commonly cited shortcomings of the official poverty measure developed by the Census Bureau and summarize the goals behind development of the Wisconsin Poverty Measure.

WHY IS THE WISCONSIN POVERTY MEASURE NEEDED?

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 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, scholars have developed alternative poverty measures based on the NAS method. In 2011, the federal government implemented the Supplemental Poverty Measure (SPM), which is very close to NAS committee recommendations.⁴

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. The research benefits from the support of 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 La Follette School of Public Affairs at the University of Wisconsin–Madison. Finally, Wisconsin seeks 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.⁵

³M. Beck, "41K lost food stamps, 12K found jobs under new work requirement," *Wisconsin State Journal*, April 21, 2016, at http://host.madison.com/wsj/news/local/govt-and-politics/k-lost-food-stamps-k-found-jobs-under-new-work/article_91fd417a-1ec3-5942-9086-1bf52a4a5112.html.

⁴In November 2011, the Census Bureau released the first results from the new Supplementary Poverty Measure 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>. Subsequent reports using the same measure through 2015 have since been released and are available online at <http://www.census.gov/prod/2013pubs/p60-247.pdf> and <https://www.census.gov/library/publications/2016/demo/p60-258.html>

⁵For 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.

METHODS AND DATA FOR MEASURING POVERTY UNDER THE WPM

We use an analytical approach 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 2015 ACS data (see source note in acknowledgements), and these IPUMS data were supplemented with Wisconsin 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 to examine poverty in areas within the state.⁶

We examine poverty in 28 areas in Wisconsin, including 13 more densely populated counties and 15 multicounty areas that encompass less densely populated counties. 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, and often small sample sizes for some groups in smaller geographic areas, it is the best available data for examining poverty at the local level, as we do in the current analysis. The issues stemming from data limitations have been alleviated somewhat 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 constitute poverty measures: the resource-sharing unit (the people living together in a household), resources, and need. Next, 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 0.2 percentage points, but by a much 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 federal refundable tax credits (the Earned Income Tax Credit or EITC, and the Additional Child Tax Credit or ACTC), and noncash benefits such as 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 EITC, in addition to the federal EITC.

To consider need, our poverty thresholds are based on food, clothing, shelter, and other expenses, which are set at roughly the 33rd percentile of national 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

⁶Differences 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>.

Bureau.⁷ In 2015, the national threshold was \$28,307. Our baseline poverty threshold (i.e., the threshold for a two-child, two-adult family) for Wisconsin in 2015 was \$25,543, about \$587 more than the 2014 level of \$24,956. The Wisconsin line is lower than the rest of the nation because the cost of living in Wisconsin is about 8 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 2015 in the United States (including Wisconsin) was \$24,036.

In refining the measures of need, we calculated poverty thresholds for families of different sizes using equivalence scales, which take account of differences in family size and other factors. We also adjusted the poverty thresholds based on differences in housing costs across regions in Wisconsin and type of dwelling (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 a family—and individuals belonging to the family unit—could be considered poor, we compared their comprehensive resources to the relevant threshold.

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 like subsidized child care, and those that help reduce medical care expenses, such as BadgerCare. And our program estimates reflect not only national policy changes but also changes instituted by the State of Wisconsin in federal programs administered by the state (like SNAP) and state programs like the Wisconsin EITC.

In the next section, we report our results, looking first at data for 2015. 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 2015.

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

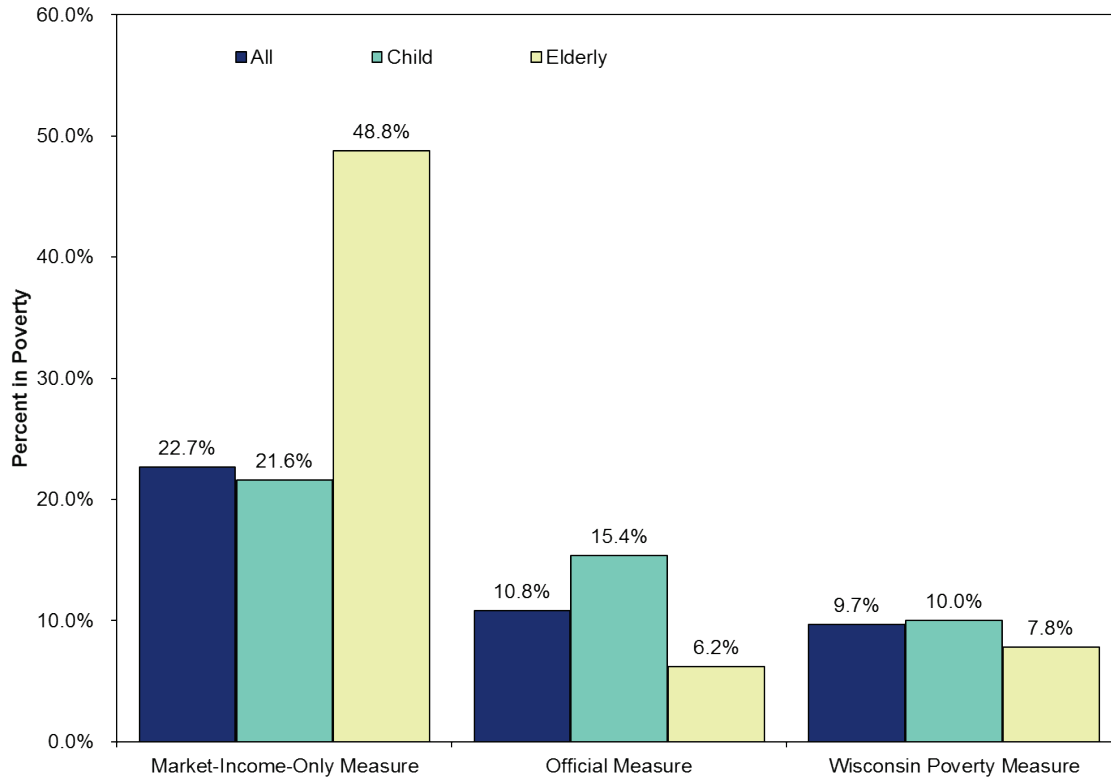
Wisconsin Poverty in 2015

Under the market-income measure of poverty, which counts only earnings and other private income and ignores all government benefits and taxes, 22.7 percent of the state population is considered poor. A smaller percentage of children living in families (21.6 percent) are poor, with almost half (48.8 percent) of the elderly being poor based on their own market incomes. These are the three tallest bars at the left 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 Social Security benefits. Child poverty under the official measure is also lower than under the market-income measure, but is much higher than the other age groups, with child poverty at 15.4 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, at 10.8 percent in 2015. These are shown in the middle three bars of Figure 4.

⁷The Census Bureau has calculated four different versions of the NAS-based thresholds for 1999–2014, which can be found at <http://www.census.gov/hhes/povmeas/data/nas/tables/2015/index.html>. For the Wisconsin Poverty Measure, we used the version that included medical expenses and the repayment of mortgage principal for owned housing.

Figure 4. Poverty in Wisconsin in 2015 by Measure: Overall and for Children and the Elderly



Source: IRP tabulations using 2014 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 set last of bars in Figure 4, child and elderly poverty rates still diverge but the differences are greatly reduced, with a poverty rate of 10.0 percent for children and 7.8 percent for the elderly. Overall poverty is between these at 9.7 percent. The primary reasons that child poverty was lower under the WPM than in official statistics is that more families with children earned their way out of poverty last year (lower market-income poverty), families with kids are eligible for a broader range of tax credits (e.g., the Earned Income Tax Credit is primarily for families with children), and they 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 the official measure, mainly because these individuals have out-of-pocket medical expenses that exceed the noncash benefits they receive.

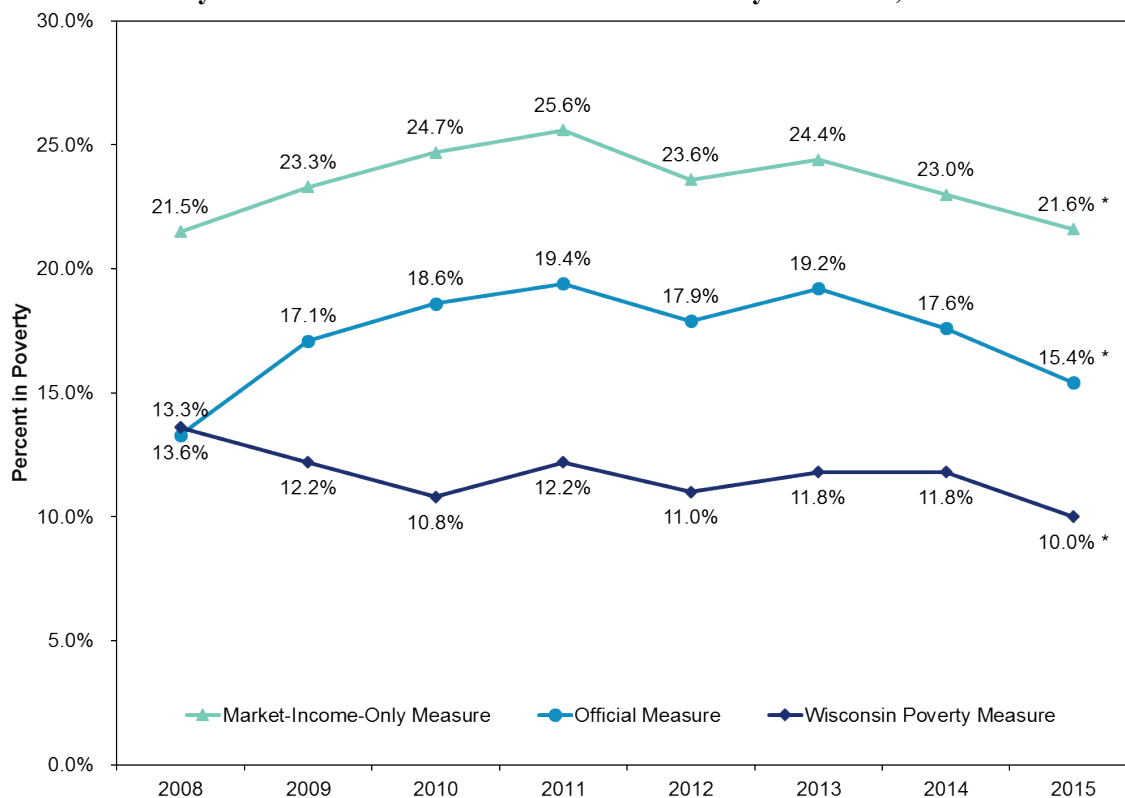
Trends in Wisconsin Poverty, 2008 to 2015

As shown in Figure 1, poverty under the WPM was markedly lower in 2015 compared to 2014, with a significant decline in the official measure, and in the market-income measure. Specifically, in this ninth *Wisconsin Poverty Report*, we find that, according to the WPM, overall poverty at 9.7 percent is the lowest it has been since we began this annual report in 2008. This leaves Wisconsin with an overall poverty rate below the official level, and at long last showing real progress against poverty since the declared end of the Great Recession in 2009. The growing strength of the labor market recovery as well as the continued positive effects

of noncash benefits and tax-related credits appear to have produced a substantial decline in Wisconsin poverty, leaving the state doing much better than the uncertain flat poverty plateau we saw in the last two years' poverty reports.

Child poverty rates, shown in Figure 5, decreased significantly under all three poverty measures, each much lower than the peak poverty we saw in 2011 when we had hardly recovered from the recession. Changes in market income, which essentially capture changes in employment and earnings, appear to be driving the trends in market and official child poverty between 2011 and 2015. Families with children got some boost from the recovering economy in 2015, and using the official measure that translated into a significant decline in official child poverty. And this year, the WPM followed suit. While families with children continued to benefit from some of the public program increases under the American Recovery and Reinvestment Act of 2009 (ARRA), the additional resources were not enough to carry through the pattern of falling market-income poverty of their parents in 2014, but when combined with rising market incomes in 2015, we see a significant drop in child poverty to the 10 percent level.

Figure 5. Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2015



Source: IRP tabulations using 2008–2015 American Community Survey data.

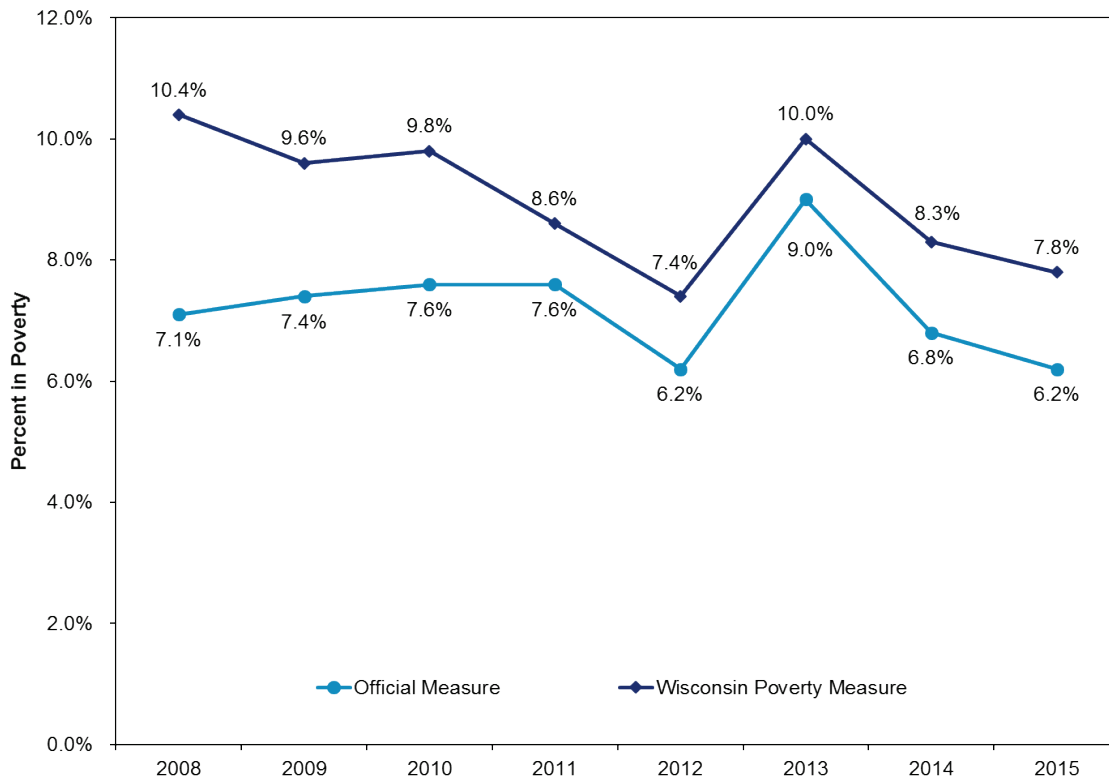
Note: * = The difference between 2014 and 2015 was statistically significant for all three measures.

At the start of the recession, the WPM showed different trends than those shown by the two cash-based measures. Between 2009 and 2010, earnings fell sharply, but SNAP benefits rose as more families qualified for assistance and as both SNAP and the federal EITC and other refundable tax benefits were expanded under the ARRA. (Because the state EITC is tied to a percentage of the federal EITC, the state EITC also increased; however, the growth in the state EITC was offset by state action to reduce the state EITC, effective in tax year 2011 and continuing.) As these programs expanded, child poverty as measured under the WPM actually declined, despite the worsening economy and the accompanying increase in market-income poverty (see Figure 5). Now, as the economy expands the improving labor market translates into lower levels of WPM child poverty as earnings replace income support programs in an increasingly buoyant statewide economy.

Between 2014 and 2015, elderly poverty in Wisconsin as measured by the comprehensive WPM fell from 8.3 to 7.8 percent, while the official measure fell almost as much, from 6.8 to 6.2 percent, as shown in Figure 6. Neither change in elderly poverty from 2014 to 2015 was statistically significant, but the trends from 2013 are reassuring of continued progress in fighting poverty among our elders. Individuals age 65 and older are less likely to be employed than younger individuals, and thus are generally less affected by recessions or changes in tax policy.

Social Security benefits keep many elders, who have little or no market income, out of poverty as each new generation of elders had higher earnings during their working years and therefore receive higher Social Security benefits than the previous generation. Between 2012 and 2013, inflation adjustments for the expense-based poverty line for the WPM increased by more than the cost-of-living adjustments (COLA) for Social Security, while in 2014 and 2015, the opposite occurred, with the COLA rising more than the WPM poverty line. And, because there are a fairly large number of elderly individuals and couples whose incomes are just slightly above or below the poverty line, small changes in inflation adjustments can move them from one side of the poverty line to the other, as appears to have happened in 2014 and 2015 in Wisconsin. In addition, the 2015 rise in medical out-of-pocket expenses was less than the benefit increase in 2015, taking up a smaller portion of elder incomes. These factors contributed to the WPM poverty rate among the elderly bouncing jaggedly from 2012 to 2015, rising to its highest level since 2009 under the WPM in 2013, but then falling back in line with the 2011 WPM poverty rate in 2015. In all cases, the WPM rate is higher than the official poverty rate, but lower than child and overall poverty rates using either measure, as shown below in Figure 6.

Figure 6. Elderly Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2015



Source: IRP tabulations using 2008–2015 American Community Survey data.

Note: The difference between 2014 and 2015 was not statistically significant for either measure.

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

The WPM shows the economic effects of a much wider range of policies aimed at the poor than the official poverty measure.⁸ Partly because of welfare reform and the growing importance of earnings, even at low-paid jobs, the majority of the expansion in public benefits in Wisconsin during and since the recession up to this year (2015) has been in the form of noncash programs and tax-related benefits tied to work activities, rather than cash transfer programs. For this reason, it is important to document the effects of these noncash and tax benefits on poverty.

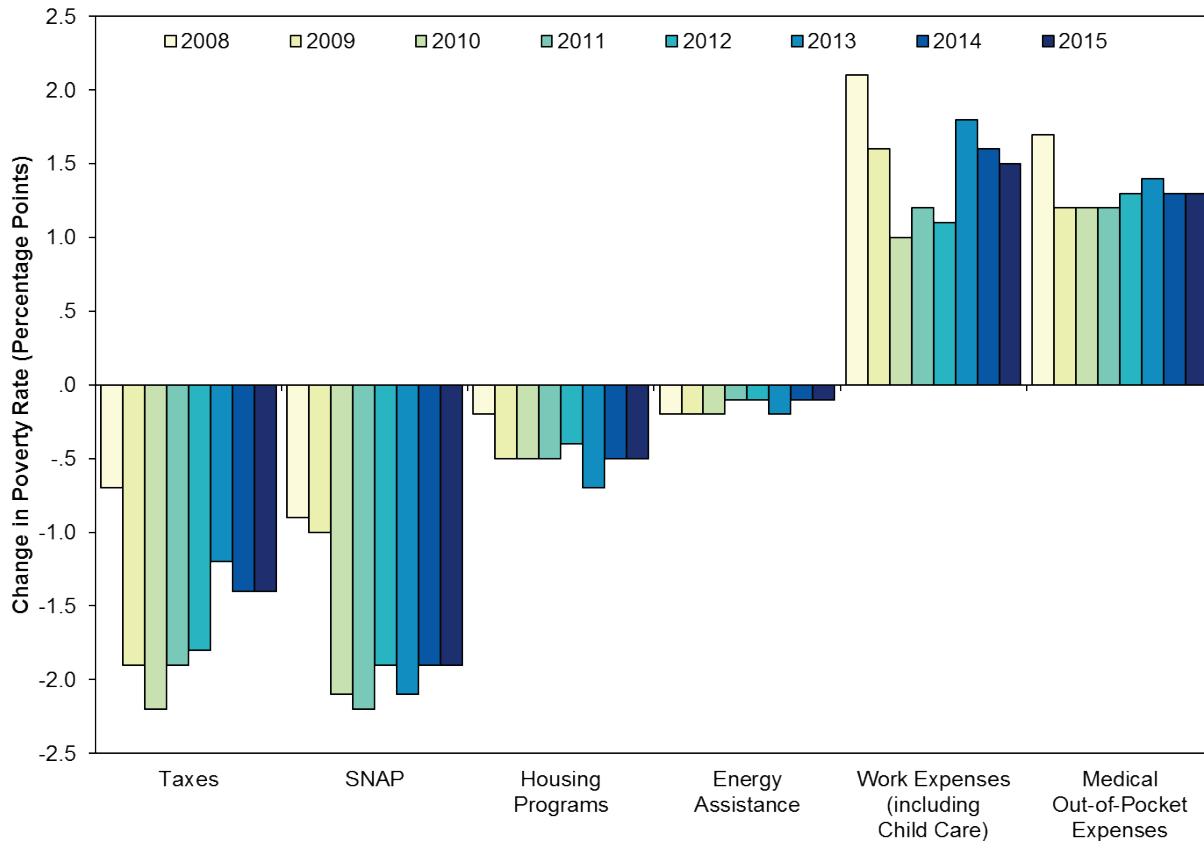
In this section, we estimate what poverty rates would have been if we had not counted noncash and tax benefits, or work-related resources/expenses and medical resources/expenses. Noncash and tax benefits lower poverty rates by increasing disposable income, as do public housing and energy benefits. Meanwhile, higher expenses for child care, work, and medical care move in the opposite direction to raise poverty. Hence, we indirectly show the impact of policies designed to reduce these expenses on poverty, because such policies 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 2015, reducing the percentage of people in poverty by approximately 1.9 percentage points (Figure 7), falling over the past few years as SNAP benefits have contracted in Wisconsin, as shown in Figure 3 above. The second largest antipoverty effect was from tax provisions such as the EITC, and here the effects were lower in 2015 than in 2010 to 2011. The Making Work Pay tax credit (which was in effect in 2009 and 2010) and the 2-percentage point reduction in payroll taxes (which was in effect in 2011 and 2012) had increased the antipoverty effect of tax provisions in earlier years. Neither the Making Work Pay tax credit nor the cut in payroll taxes were in effect in 2013, 2014, and 2015, and as a result, the net effect of taxes and tax credits was less likely to lift the working poor out of poverty in 2015 than in 2010, 2011, or 2012.

Both taxes and SNAP had a larger impact on reducing child poverty than overall poverty. The larger impact of these programs on children can be seen in 2015, when tax-related provisions reduced child poverty by 4.5 percentage points and SNAP benefits reduced child poverty by 3.7 percentage points (see Figure 8 and compare to Figure 7). While the net impact of the EITC and other tax provisions had a somewhat smaller effect in 2015 than in the earlier years, it was still quite substantial. As noted above, various tax and SNAP provisions have changed since the end of the recession.

⁸For instance, a recent report on Wisconsin poverty using the official poverty measure only, but the same ACS data used in the WPM, averaged over a much longer period found that overall poverty rates were the highest in 30 years and that child poverty was nearly 20 percent. But this report (http://www.apl.wisc.edu/publications/acs_5years_dec15/acs_poverty_brief.html) did not include the noncash benefits, taxes, and other factors in the WPM. It also did not capture the effect of market incomes on poverty and it therefore could not tell us why poverty rose or fell and by how much the recovering economy or noncash programs affected state poverty. This report can help answer these questions and tells a very different story.

Figure 7. Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2015



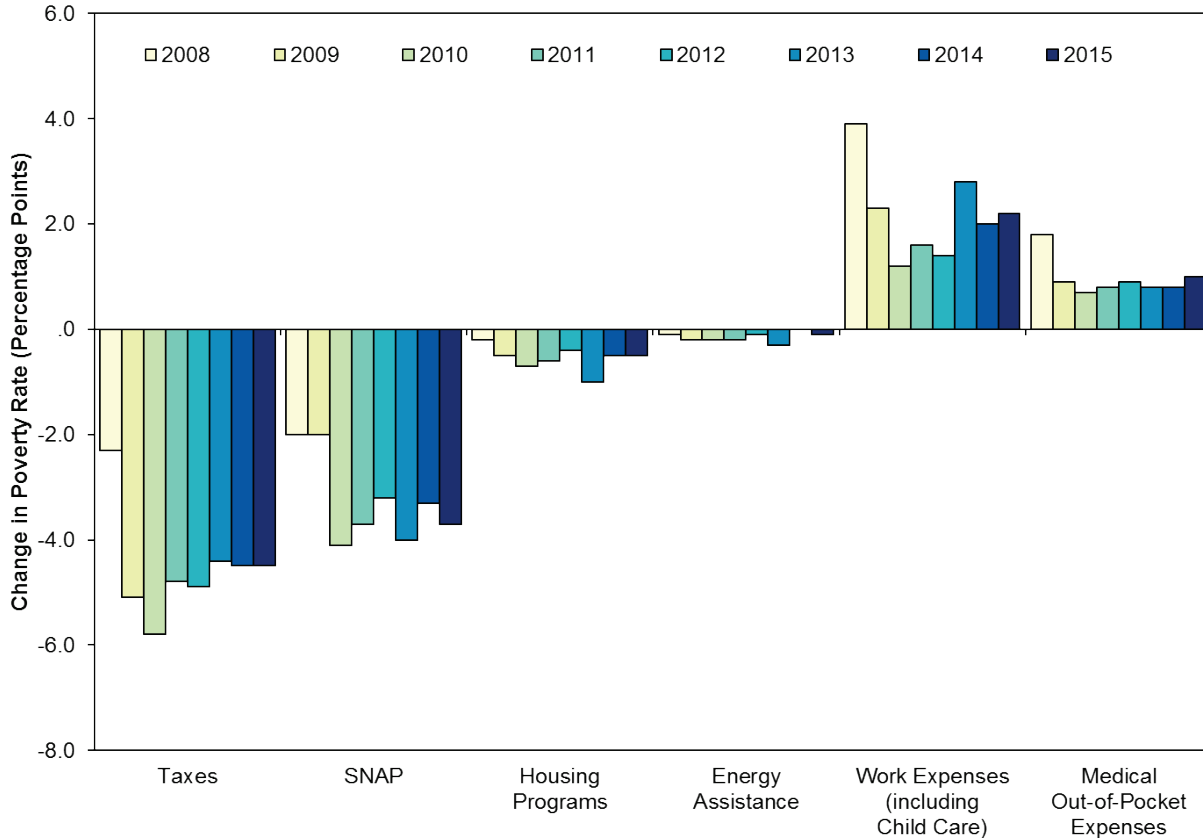
Source: IRP tabulations using 2008–2015 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program, also known as “FoodShare” in Wisconsin.

Taxes had a negligible effect on elderly poverty, and SNAP benefits reduced elderly poverty by 0.8 percentage points during 2015, much less than for children (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. Housing and energy assistance provide modest assistance to all groups, each reducing poverty by .8 of a percentage point or less in any year. The growing cost of rent for private apartments in Wisconsin’s major cities is of great concern, and hence, while housing programs reduce child poverty by .5 percentage points, expansions of these programs could do more to reduce poverty and instability, especially for low-income families and children who otherwise face high costs, eviction, and even homelessness.⁹

⁹ For instance, see Matt Desmond’s much heralded book on rental housing costs residential instability in Milwaukee, *Evicted: Poverty and Profit in the American City* (Crown Book, Penguin-Random House Publishers, New York, 2016)

Figure 8. Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2015



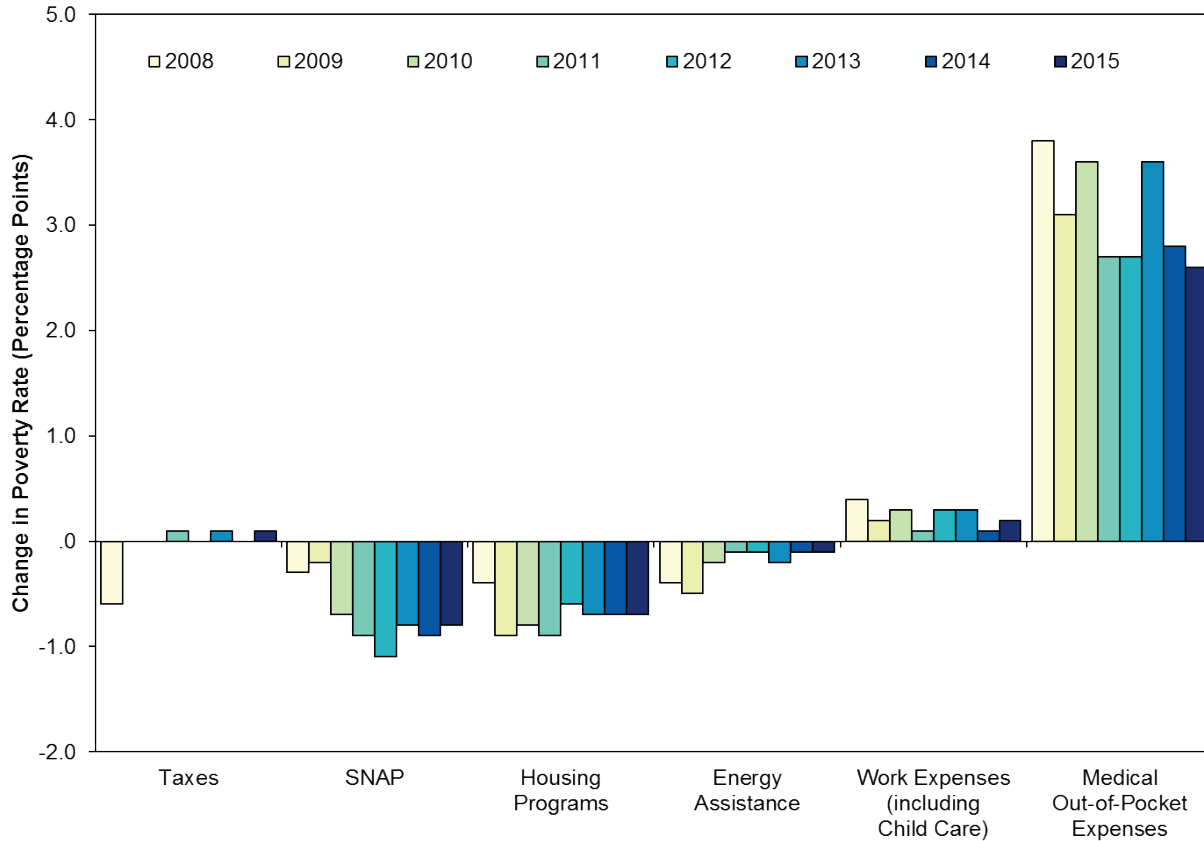
Source: IRP tabulations using 2008–2015 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Work expenses and medical expenses have negative impacts on poverty. Poverty rates are higher considering the resources spent in these areas. The logic for work expenses is simple: costs for working must be incurred in order to have the earnings that are supplemented by refundable tax credits that are based on these earnings. The overall negative impact of work expenses on poverty rose substantially in 2013 to 2015 compared to 2010 to 2012 (Figure 7). One would expect that the effects of work-related expenses like child care should be larger as the economy recovers and more families have earnings and associated work expenses.¹⁰ As might also be expected, the effects of work-related costs were larger on families with children (Figure 8) than overall (Figure 7) or for the elderly (Figure 9).

¹⁰Our estimates of child care expenses rely on imputations (using data from the Current Population Survey), which may contribute to some variability in year-to-year patterns. Still, the increased negative impact of work-related expenses on poverty is consistent with rising costs for work-related expenses like child care in an economy with more people working. The steady decline in public spending on child care subsidies under the Wisconsin Shares program since 2008 also may contribute to families’ rising out-of-pocket work expenses.

Figure 9. Effects of Taxes, Public Benefits, and Expenses on Elderly Poverty in Wisconsin, 2008–2015



Source: IRP tabulations using 2008–2015 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

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 need 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 and these costs continue to rise in Wisconsin and elsewhere. Medical costs increased elderly poverty rates by 2.6 percentage points in 2015, by less than in earlier years as health care costs for the elderly in Wisconsin have moderated in recent years, but still by a large amount (Figure 9).

Altogether, the net poverty-increasing effects of work and medical expenses were far less than the poverty-reducing effects of noncash benefits, overall and especially for children, where the largest antipoverty effects were from SNAP and refundable taxes in 2015 (Figures 7 and 8). For elders, medical cost increases swamped the sum of all noncash benefits and hence led to a higher WPM rate than that found in the official measure by 1.6 percentage points (Figure 6, compare 6.2 percent to 7.8 percent in 2015). This suggests that public policies designed to increase the coverage of medical expenses for the low-income elderly can do more to help to alleviate the economic hardship felt by this group than almost any other policy.

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 to reach a sufficient sample size to obtain reliable estimates.

As shown in Table 1 below, our analysis of substate areas reveals that the overall statewide poverty rates hide substantial variations in poverty across Wisconsin regions. Estimates for poverty rates using the WPM for these substate areas range from 16.3 percent in Milwaukee County (and 13.0 percent in La Crosse) to 4.5 percent in the Washington/Ozaukee multicounty area (and 4.7 percent in Waukesha). As shown in Map 1, Milwaukee County and La Crosse were the only places with rates significantly higher than the state average of 9.7 percent. Meanwhile, six areas have rates that are significantly lower than the statewide rate, including the counties of Washington/Ozaukee, Waukesha, Outagamie (Appleton), Dodge and Jefferson, Sheboygan, and Brown (Green Bay), all at or below 7.1 percent.

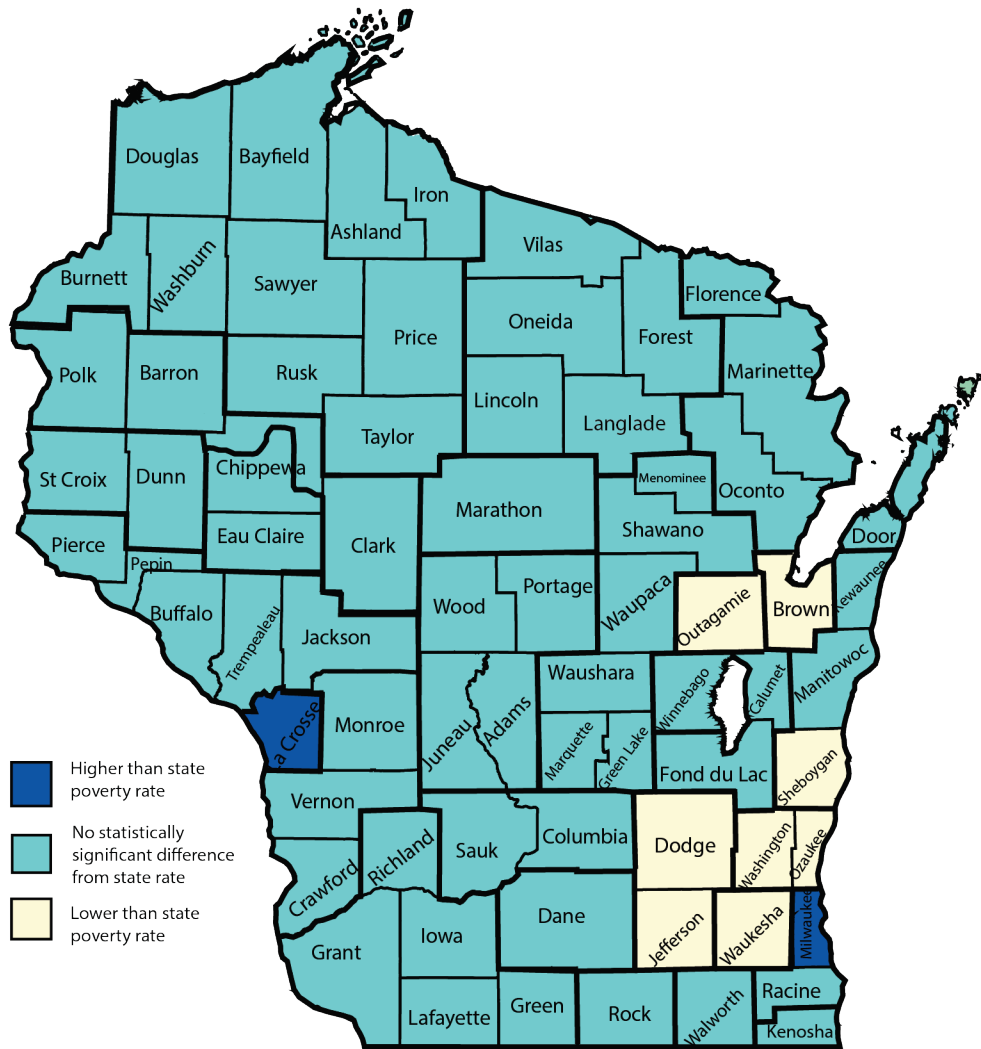
Table 1. Wisconsin WPM Poverty Rates by County or Multicounty Area with Upper and Lower Bounds, 2015

County	Wisconsin Poverty Measure (%)	Confidence Interval: Lower Bound (%)	Confidence Interval: Upper Bound (%)	Difference from State Average
Milwaukee	16.3	14.7	17.9	Higher
Dane (Madison)	11.2	9.5	12.8	NS
Waukesha	4.7	3.6	5.8	Lower
Brown (Green Bay)	7.1	5.0	9.2	Lower
Racine	7.3	4.8	9.8	NS
Kenosha	10.2	7.2	13.1	NS
Rock (Janesville)	11.5	8.3	14.8	NS
Marathon (Wausau)	10.9	7.8	14.0	NS
Sheboygan	6.8	4.3	9.3	Lower
La Crosse	13.0	10.0	15.9	Higher
Outagamie (Appleton)	6.1	3.4	8.8	Lower
Winnebago (Oshkosh)	9.1	6.6	11.6	NS
Walworth (Whitewater)	8.7	6.2	11.1	NS
Multi-County Area				
Washington & Ozaukee (West Bend)	4.5	2.7	6.4	Lower
Sauk & Columbia (Baraboo)	10.8	7.1	14.6	NS
Dodge & Jefferson	6.5	4.4	8.6	Lower
Manitowoc & Kewaunee	8.1	5.3	10.8	NS
Fond du Lac & Calumet	8.1	5.9	10.3	NS
St. Croix & Dunn	8.9	6.2	11.7	NS
Eau Claire & Chippewa (South)	10.1	7.1	13.0	NS
Barron, Polk, Clark & Chippewa (North)	8.1	6.6	9.7	NS
Marinette, Oconto, Door & Florence	7.3	4.7	9.9	NS
Central Sands—Wood, Portage, Juneau & Adams	8.9	7.0	10.8	NS
Oneida, Lincoln, Vilas, Langlade & Forest	8.1	6.3	10.0	NS
Grant, Green, Iowa, Richland & Lafayette	8.6	7.2	9.9	NS
East Central Wisconsin	8.2	6.0	10.5	NS
West Central Wisconsin—Northern Mississippi Region	8.1	6.4	9.7	NS
Northwest Wisconsin	8.6	7.2	10.0	NS
State Total	9.7	9.2	10.2	

Source: IRP tabulations of 2015 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 2015 WPM Poverty Rates Above or Below the State Rate of 9.7 Percent



Source: IRP tabulations of 2015 American Community Survey data.

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 subcounty regions show variations that are more dramatic within counties than across the 28 county and multi-county areas in the state. For instance, within Milwaukee County, overall poverty rates ranged from about 10.4 percent in one southern and one western subcounty area to 36.7 percent in the central city of Milwaukee in 2015, suggesting a significant segregation of the poor and the rich within that county.¹¹ 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 4.7 percent and Washington/Ozauxee counties at 4.5 percent).

¹¹ Child poverty within Milwaukee County varies even more—from 41.5 percent in the central city to 4.8 percent in the northeast region of the county.

In sum, this year's report shows considerable variance within Wisconsin and among its counties and regions, suggesting an accelerating pace of economic recovery across the state, but one that is leaving much of Milwaukee and La Crosse behind.

CONCLUSION

The Wisconsin Poverty Measure provides important insights into poverty in Wisconsin as we recover from the Great Recession, in part because the WPM includes noncash benefits and refundable taxes, both of which increased in importance during the recession but are now fading in effect, both because of benefit reductions and growing numbers of families who have market incomes that help them escape poverty without public aid. 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, thus pointing to areas such as central city Milwaukee, where poverty is unusually high, while also parsing out the effects of the economy from that of income support programs.

With a steady increase in employment in 2015, market-income poverty fell significantly in Wisconsin as did the WPM poverty measure. The official poverty measure also showed a significant decrease in poverty. The fact that the increase in jobs translated into lower market-income poverty rates suggests that the recovery is finally helping otherwise low-income families.

There was also good news in terms of the effects of earnings on market-income poverty for families with children, which carried through to the decline in the official poverty measure and the WPM for children. Declines in child poverty outpaced those for overall poverty in 2015, bringing us to the lowest statewide child poverty rate ever reported by the WPM, 10.0 percent. Changes in the payroll tax, which increased on January 1, 2013, to its normal, pre-recession level, contributes to the increase in poverty among working families as measured by the WPM in 2015, as did the reductions in SNAP benefits in November 2013. Taken as a whole, the net impact of taxes and refundable tax credits was to reduce poverty in 2015, but not by as much as in 2012 or 2013. Moreover, the positive benefits of tax credits and SNAP in reducing poverty are somewhat offset by health care costs (especially for the elderly) and child care and other work-related costs for low-wage working families.

Our key finding is that jobs and earnings are modestly rising in Wisconsin, and they are helping to reduce overall poverty. They are helping families with children even more than the rest of the populace. While the social safety net provided a buffer against poverty during the recession and still makes a substantial difference in poverty—with the SNAP program having particularly large impacts—the effects are beginning to shrink. This lessening impact of the safety net occurred both because of the recovery (fewer people needed benefits) and because of the return to pre-recession levels in payroll taxes and other deliberate benefit changes such as those made for single people in SNAP. The net effect of these changes has left the longer-term WPM poverty measure for the total population and for families with children below the official measure.

Because we believe that the long-term solution to poverty for the able bodied non-elderly is a secure job that pays well, not an indefinite income support program, these results present some evidence that as the economy slowly climbs back from the recession, increases in earnings are reducing market-income poverty for working-age adults, as well as for families with children. The growth in jobs in 2016 in Wisconsin in Figure 2 has slowed significantly, suggesting that next year's report will show little change from this year. But, more than seven years after the end of the Great Recession, the economy is finally helping pull working families from poverty.

We also examined poverty rates across regions in the state, revealing deep poverty in some areas, including Milwaukee County and especially in the central city of Milwaukee. But the report also signaled a strong recovery in most parts of Wisconsin and more substate areas with lower poverty rates than in most previous reports. Clearly there are larger regional differences in poverty within Wisconsin than in earlier years, with the recovery especially helping the eastern parts of the state in Brown and Outagamie counties, and in the counties

north and west 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 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 a continuation of work supports such as BadgerCare (Medicaid) and food support (SNAP), as well as child care and other policies to reduce work-related expenses for families with children. An expansion of housing subsidies would also help reduce the WPM rate. In addition, the recent decrease in elderly poverty highlights the importance of continuing to pay attention to medical costs and the adequacy of Social Security benefits for low-income seniors. Despite national and state estimates of slowing medical care cost increases, health care expenses still exceed the rate of increase in overall prices and incomes in Wisconsin as well as in other places.

Our Wisconsin Poverty Project (WPP) 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. Researchers associated with the WPP have helped other states like California, Colorado, and soon Oregon develop their own versions of an SPM-like state poverty measure. Until and unless the Census Bureau produces annual statewide poverty estimates using a National Academy of Sciences measure like the WPM, we must continue with the WPM. 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.¹²

¹²For 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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