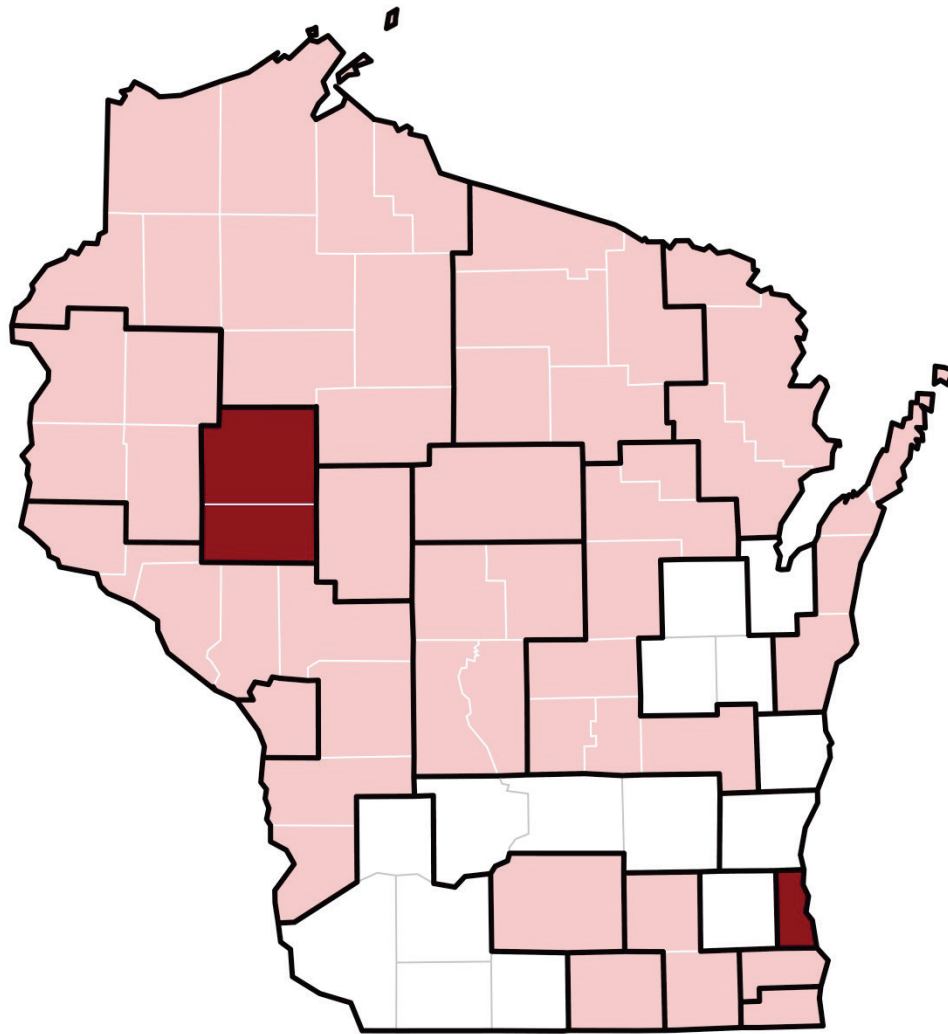


# Wisconsin Poverty Report: How the Safety Net Protected Families from Poverty in 2010

*The Fourth 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 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 fourth—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. Our model, including programming and other technical details, is available online. Visit <http://www.irp.wisc.edu/research/wipoverty.htm> for more information.

## ACKNOWLEDGMENTS

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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 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

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**This report is available in a printable format on IRP's website at [www.irp.wisc.edu](http://www.irp.wisc.edu).**

**COVER MAP KEY:** Map depicts 2010 poverty rates using the Wisconsin Poverty Measure; areas that are below the state average of 10.3% are white; pink areas have no statistically significant difference from 10.3%; and red areas are higher than 10.3%. See page 13 for further details.

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## EXECUTIVE SUMMARY

Although national authorities declared an end to the Great Recession in June of 2009, the economic downturn has continued to have negative repercussions in Wisconsin and beyond. Wisconsin experienced further job reductions in 2010 and no substantial job growth in 2011. The official poverty statistics provided by the U.S. Census Bureau reveal that poverty in the state actually increased in 2010 as compared to 2009, indicating that Wisconsin residents generally had lower levels of pre-tax cash resources during the period considered.

Given the substantial loss of market income in Wisconsin, the latest findings of the 2010 Wisconsin Poverty Project are quite surprising. When we estimate poverty using our alternative poverty measure, the Wisconsin Poverty Measure (WPM), we find that state poverty actually dropped between 2009 and 2010, from 11.1 percent to 10.3 percent.

Behind this surprising story is the impact of tax-related provisions and near-cash benefits from programs that government officials augmented to offset increased economic hardship due to the recession. The official poverty measure considers only pre-tax cash income as a resource, failing to fully capture the effects of national and local government efforts to stimulate the economy and ease economic adversity caused by the recession.

To provide poverty estimates that more accurately account for the needs and resources of Wisconsin families while taking into account the antipoverty impact of policies, researchers at the Institute for Research on Poverty (IRP) at the University of Wisconsin–Madison have developed the WPM, now in its third year. The WPM considers not only cash resources, but also tax credits and noncash benefits, as well as work-related costs that reduce available resources, like child care and health care costs, in determining poverty status.

For the second year in a row, the WPM tells a different story than the one seen in the Census Bureau's official poverty statistics. In last year's annual *Wisconsin Poverty Report*, we found essentially no change in poverty between 2008 and 2009 under the WPM, primarily because the drop in families' earnings and cash income was offset by tax credits and food assistance benefits, which saw substantial increases in funding through the American Recovery and Reinvestment Act (ARRA) of 2009. In this fourth annual *Wisconsin Poverty Report*, we reveal that not only did tax credits continue to play a large role in fighting poverty in 2010, but also, nutrition assistance benefits became more effective during that year; this resulted in an unexpected drop in the number of individuals and families living in poverty in 2010.

Additional major findings of our report also demonstrate a diversified experience of poverty in Wisconsin following the onset of the recession. The trends seen in overall poverty are even stronger for child poverty, which rose under the official measure but dropped from 12.2 percent in 2009 to 10.8 percent in 2010 according to the WPM. When we examine how each of the specific noncash benefits, tax-related provisions, and medical and work-related expenses affect poverty, we find that tax credits had the greatest impact on reducing poverty in both 2009 and 2010, for all residents and for children. We also noted that out-of-pocket medical expenses impose a financial burden on low-income elderly persons, suggesting the importance of support for medical care for this population. We also examine poverty rates across regions within the state, revealing deep poverty in some areas, especially central Milwaukee.

Our key finding—that the safety net provided a buffer against increased poverty during the recession—is not to ignore the negative effects of the recession on the lower middle class, such as declining home values, increased debt levels, and flat or falling incomes that are pinched by rising expenses. We believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program. But as this report shows, 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 market-driven poverty.

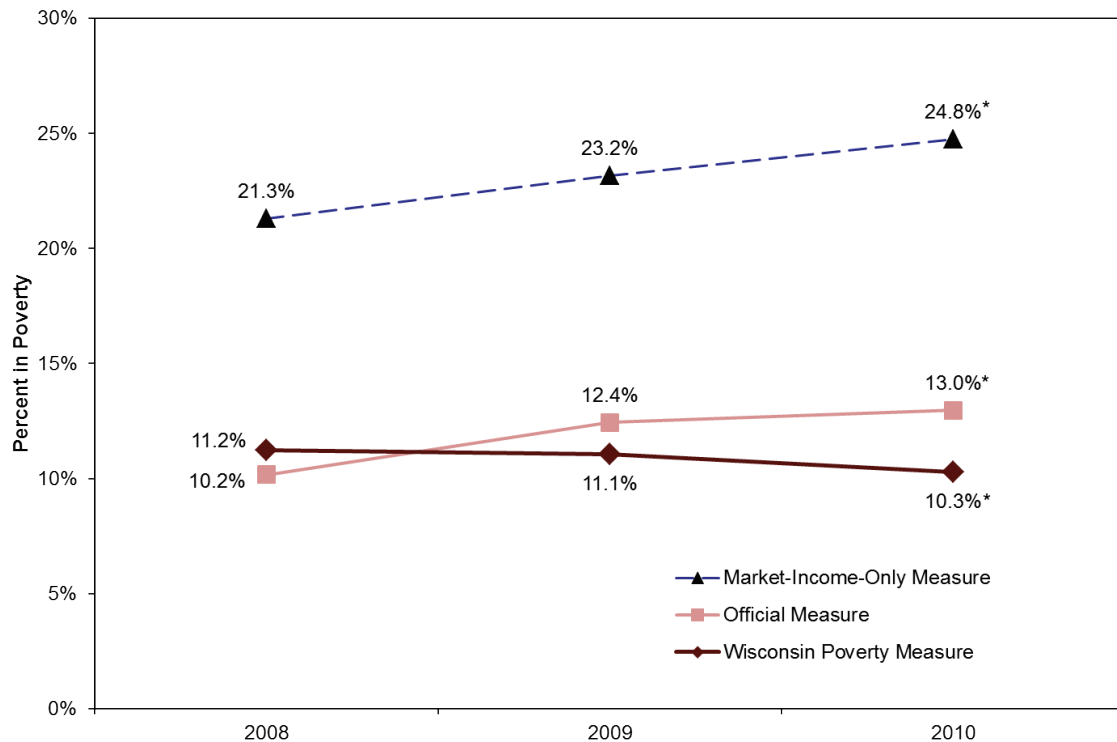


## INTRODUCTION

Since the onset of the Great Recession—the worst recession in the postwar era—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 public policies on poverty. National authorities declared that the recession ended in June 2009, but numerous economic indicators continue to signal a fragile recovery and persistent economic need in Wisconsin and elsewhere. In the context of this slow recovery, as the political pressure to reduce the budget mounts and the need for active government intervention to reduce economic hardship is less immediately obvious, accurate appraisal of economic resources and need has become even more critical.

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 2010, as shown in Figure 1. The three measures employed 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, 2008–2010**



**Source:** IRP tabulations using 2008–2010 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.

\*Means that the difference between 2009 and 2010 was statistically significant.

Under the market-income measure, which is based on private sources of income (e.g., earnings, investment income, private pensions), we see that overall poverty rates increased, consistent with the recession-driven

decline in employment 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 uses the old threshold and related methods). However, trends in poverty according to the official measure are similar to those shown by the market-income measure: the official poverty rate also increased by a significant degree.

In contrast, the overall poverty rate as figured by the WPM remained essentially the same between 2008 and 2009 and then actually declined between 2009 and 2010 (from 11.1 percent to 10.3 percent). 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 the drop in market income in Wisconsin in 2010. In last year's report, comparing 2008 and 2009, we concluded that policies intended to address the recession and reduce poverty had indeed been successful in our state because they kept poverty from increasing.<sup>1</sup> This year's findings go even further, suggesting that work supports and other safety net programs continued to expand and help Wisconsin families in 2010 even more than in 2009, despite persistent economic hardship and worsening labor market conditions in the state.

Our findings, however, do not suggest that the recession has not been a source of hardship in Wisconsin. 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.

## 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. 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 2010, and trends for the 2008 to 2010 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, with particular examination of poverty within Milwaukee County.

## WISCONSIN'S ECONOMY AND PROGRAM PARTICIPATION DURING THE RECESSION

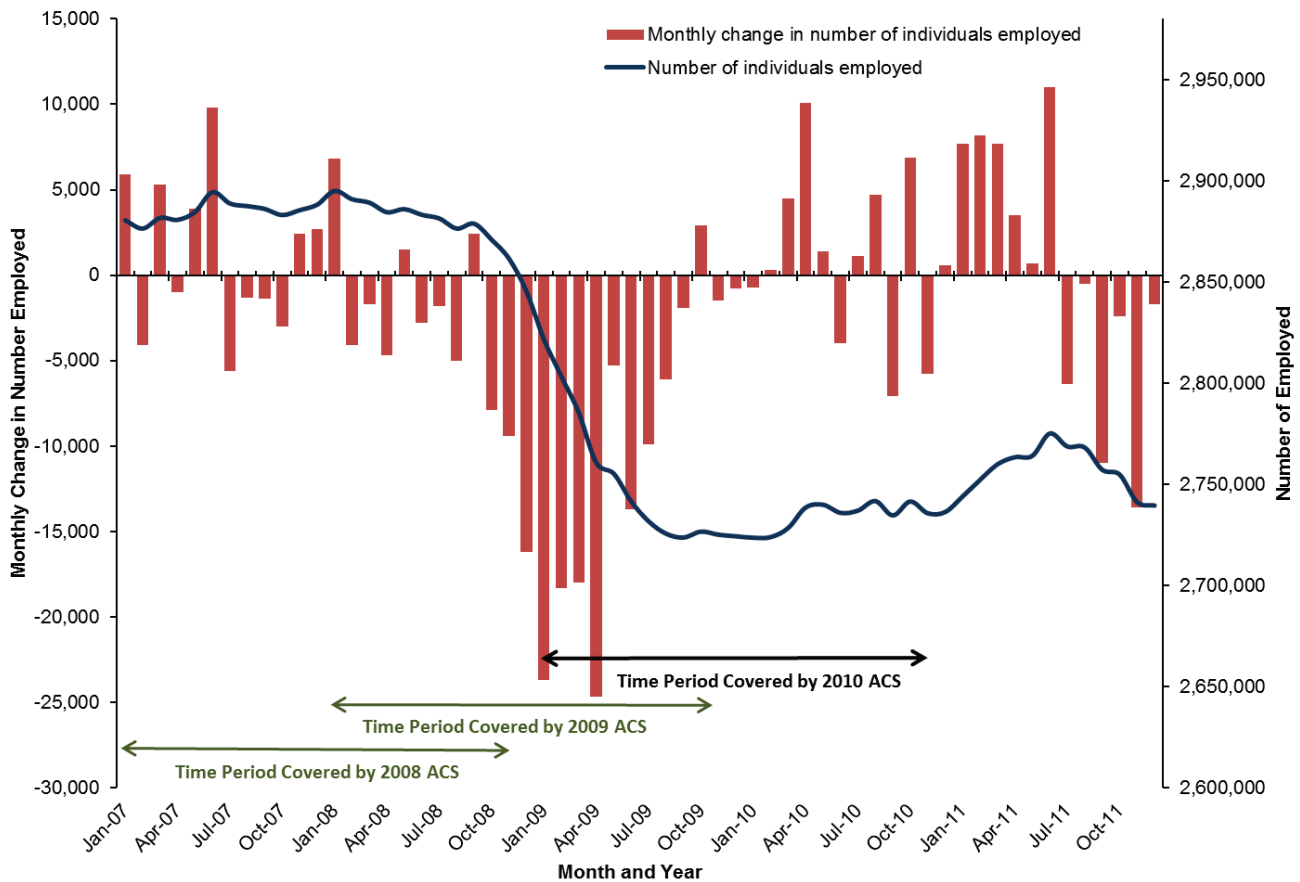
The rise in Wisconsin poverty that is reported by the market-income and official measures reflects the decline in employment and earnings in the state in 2010. Following the rapid decline in employment that occurred during 2009, Wisconsin experienced continued job reductions in 2010 (see Figure 2 below and note that job losses in both 2009 and 2010 affect the 2010 poverty rate measured in this report). At the end of 2010, Wisconsin had about 152,000 fewer jobs than at the beginning of the recession in December of 2007. There was essentially no improvement in this decline of 5.3 percent of the pre-recession job base at the end of 2011 (see Figure 2).

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<sup>1</sup>For the full series of *Wisconsin Poverty Reports*, see the IRP website at <http://www.irp.wisc.edu>. The full series of reports includes a fuller discussion of methodologies and results for each year, as well as technical appendices. Note that the estimates for 2009 presented here differ slightly from those published a year ago, because of small methodological improvements that were applied to both 2009 and 2010 in order to provide a consistent time trend. The estimates for poverty in 2008 have not been updated; however, the finding of insignificant change in poverty under the WPM between 2008 and 2009 is not affected by the small methodological refinements.



**Figure 2. Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2011**

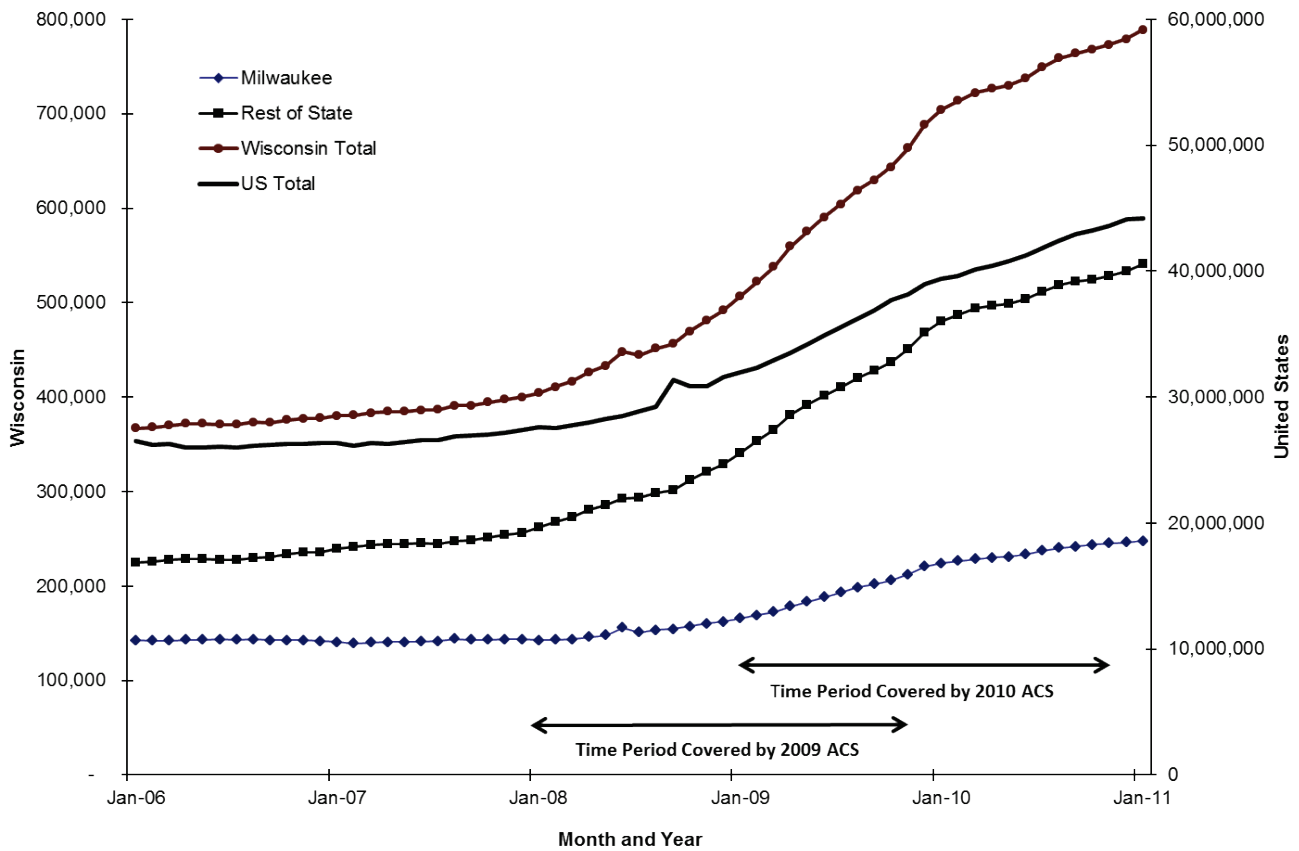


**Source:** Seasonally adjusted Bureau of Labor Statistics data on total non-farm employment.

**Notes:** The 2010 poverty rate is based on economic conditions from January 2009 through November 2010, 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 and many of the unemployed remained out of work for six months or longer, caseloads for the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamp Program, 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 nearly doubled between January 2007 and January 2010 (an increase of 95 percent), compared to a 61 percent increase in the nation as a whole during the time considered. The increase in SNAP caseloads was much steeper outside of Milwaukee than in Milwaukee, a long-term high-poverty area, and was particularly steep in the time period covered by the 2010 ACS, which underlies this report.

**Figure 3. Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2007–2010**



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

**Notes:** 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).<sup>2</sup>

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

<sup>2</sup>In November 2011, the Census Bureau released the first results from the new SPM in Kathleen 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>.

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 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 people's lives beyond the classroom.<sup>3</sup>

## 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* while we implement a few minor methodological refinements in our calculation of the threshold and work-related expenses. 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 2010 ACS data, 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.

We examine poverty in 22 areas in Wisconsin, including 10 large counties (more densely populated) and 12 multicounty areas that encompass relatively small (less densely populated) counties. Furthermore, for large counties such as Milwaukee, Dane, and Brown, we provide poverty estimates for subcounty areas; see Map 2 for the Milwaukee County breakdown. An additional advantage of the data is the inclusion of detailed housing information. While the data set used in our analysis is also 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 income-support-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 (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 college students with annual earnings less than \$5,000 because they likely have income 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 point, 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, noncash benefits including SNAP and housing subsidies, and it adjusts for household needs, such as out-of-pocket medical costs and work-related

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<sup>3</sup>For more about the Wisconsin Idea, see Timothy M. Smeeding and Joanna Y. Marks, "The 'Wisconsin Idea' and Antipoverty Innovation," *Pathways: A Magazine on Poverty, Inequality, and Social Policy*, Summer 2011, 18–21. Available online at [http://www.stanford.edu/group/scspi/\\_media/pdf/pathways/summer\\_2011/PathwaysSummer11\\_SmeedingMarks.pdf](http://www.stanford.edu/group/scspi/_media/pdf/pathways/summer_2011/PathwaysSummer11_SmeedingMarks.pdf).

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 2010, the national threshold was \$26,528.<sup>4</sup> Our baseline poverty threshold (i.e., the threshold for a two-child, two-adult family) for Wisconsin in 2010 was \$23,938, 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 2010 was \$22,113.

In refining the measures of need, we calculated different 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, 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 2010; 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 2010.

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

### **Wisconsin Poverty in 2010**

Under the market-income measure of poverty, which counts only earnings and other private income and ignores all government benefits and taxes, one-fourth of the state population as a whole is poor, with more than half (53.8 percent) of the elderly and one-fourth of children living in families considered poor. These are the three tallest bars in Figure 4 below.

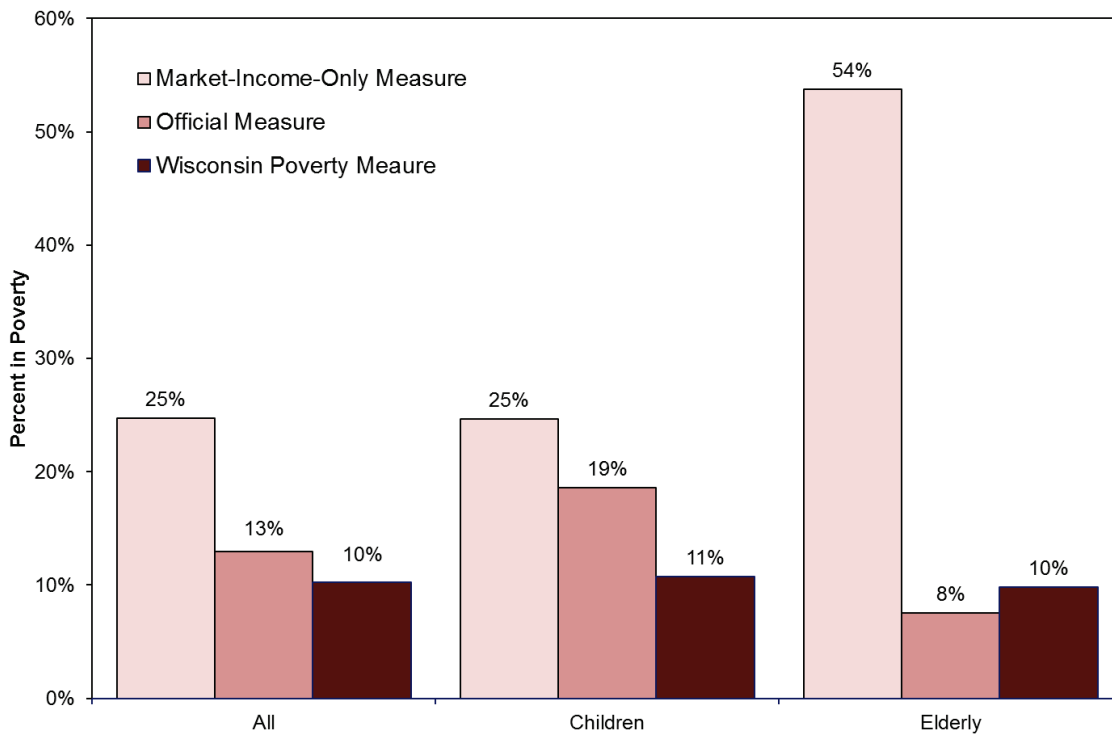
Using the official poverty measure, which takes into account the effect of cash benefits such as Social Security and unemployment insurance, elderly poverty drops dramatically to 7.6 percent, and overall poverty drops from 24.8 percent to 13.0 percent. Child poverty under the official measure is also much lower than under the market-income measure, but is much higher than the elderly poverty rate at 18.6 percent, in large part because fewer cash assistance benefits are currently provided to families with children in the United States. Under the official measure, overall poverty lies between the extremes of elderly and child poverty, and was 13.0 percent in 2010.

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<sup>4</sup>The Census Bureau has calculated four different versions of the NAS-based threshold for 1999–2010, which can be found at [http://www.census.gov/hhes/povmeas/data/nas/tables/2010/web\\_tab5\\_povertythres2010.xls](http://www.census.gov/hhes/povmeas/data/nas/tables/2010/web_tab5_povertythres2010.xls). We used the version that included medical expenses and the repayment of mortgage principal for owned housing.

Under the WPM, the last bar in each subset of Figure 4, child and elderly poverty rates are relatively similar in 2010: 10.8 percent for children and 9.8 percent for the elderly. Overall poverty is also very similar at 10.3 percent. The primary reason that child poverty is 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 substantial out-of-pocket medical expenses not considered by the official measure.

**Figure 4. Poverty in Wisconsin in 2010 by Measure: Overall and for Children and the Elderly**



**Source:** IRP tabulations using 2010 American Community Survey data.

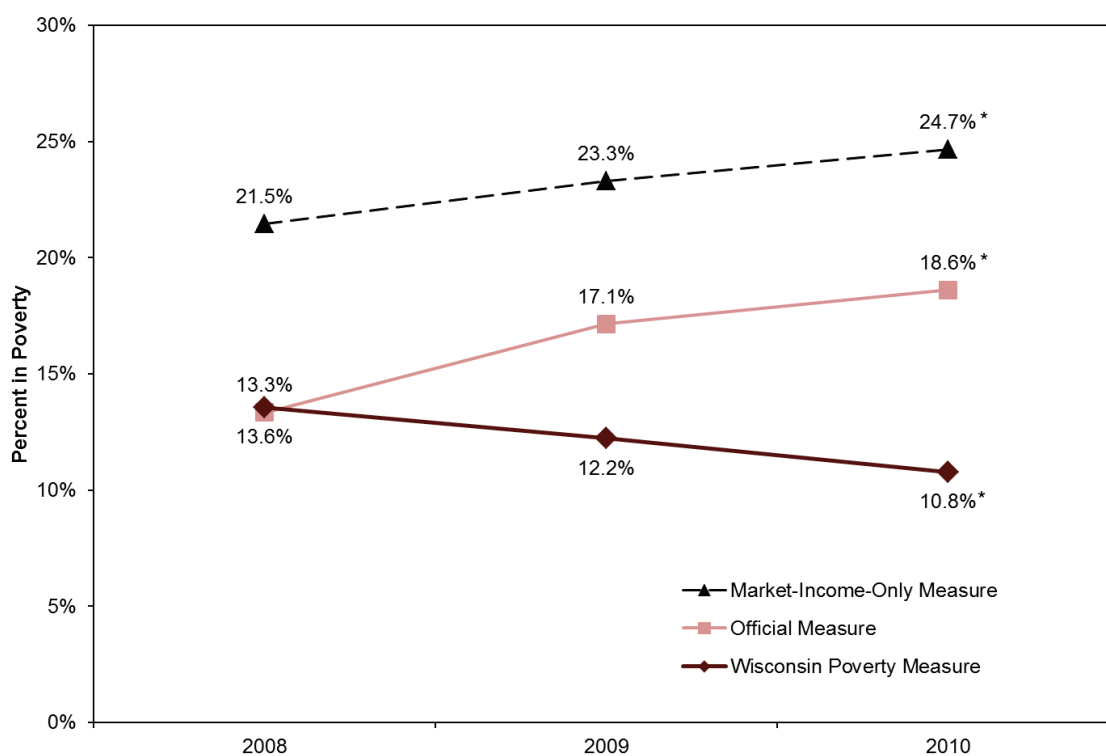
**Note:** Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from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

### Trends in Wisconsin Poverty, 2008 to 2010

As already shown in Figure 1, one of the most striking findings of this report is that poverty under the WPM is lower in 2010 than it was in 2009, in contrast to the increase in poverty for the same time period under both the official and market-income measures. In this fourth annual *Wisconsin Poverty Report*, we find that, according to the WPM, poverty dropped from 11.1 percent to 10.3 percent between 2009 and 2010. The decline is not just statewide, but also is found in the largest county, Milwaukee, as well as for the most vulnerable age group, children (see later in report).

Figure 5 shows this pattern even more clearly in child poverty rates, which dropped from 12.2 percent to 10.8 percent under the WPM, in contradiction to an increase under official statistics and market-income measures of poverty. Despite the effects of the recession, which had particularly negative effects on the income of parents of minor children, expanded benefits provided under the ARRA of 2009 substantially helped families with children avoid poverty. For example, EITC and SNAP benefits were expanded under ARRA, and while the tax effects were implemented retroactively for the full calendar year 2009, the increase in the amount of SNAP benefits received by families did not take place until partway through 2009, and thus the full effect was not felt until 2010. In addition, SNAP caseloads, which include large numbers of families with children, continued to rise during 2010. Because of the combination of higher benefits per family and more families receiving benefits, the antipoverty effectiveness of SNAP benefits was higher in 2010 than in 2009, contributing to the drop in child poverty. Even with these benefits and the decrease in child poverty, however, poverty remains higher among children than among any other age group in 2010, as has also been the case in earlier years.

**Figure 5. Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2010**

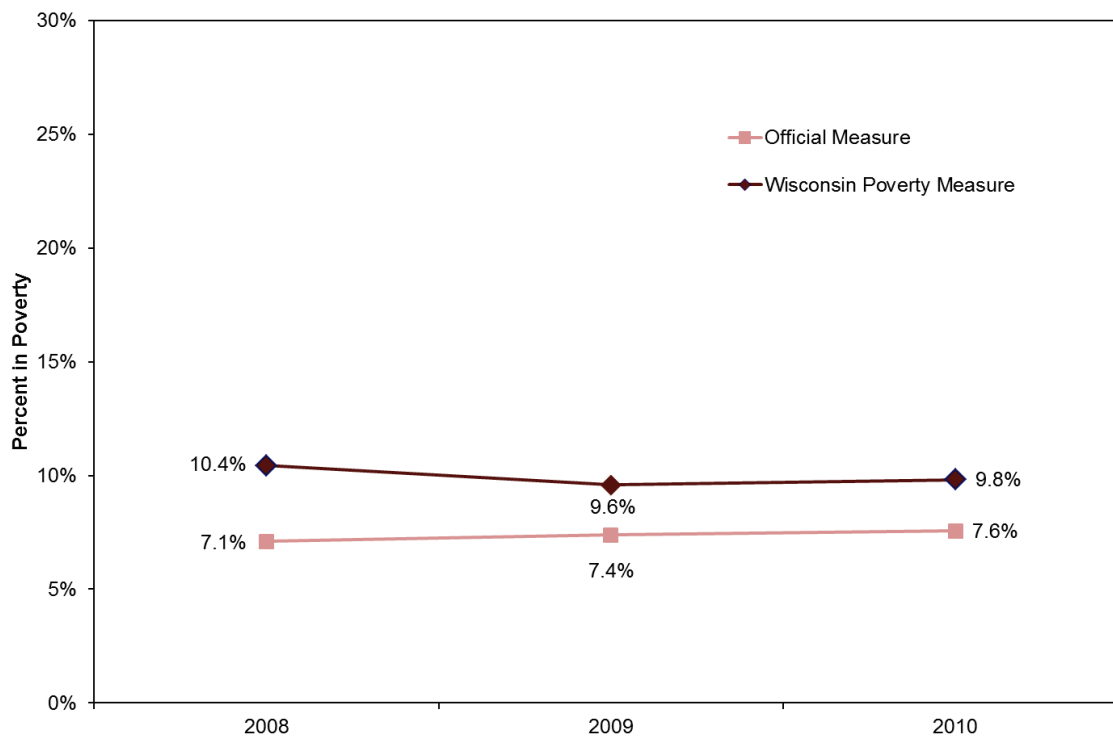


**Source:** IRP tabulations using 2008–2010 American Community Survey data.

**Notes:** \* = The difference between 2009 and 2010 was statistically significant.

As shown in Figure 6, elderly poverty did not change significantly between 2009 and 2010, whether measured by the WPM or the official measure (or the market-income measure; data not shown). Elderly individuals are less likely to be employed than younger individuals, and thus are generally less affected by recession. In addition, they are less likely to receive tax credits or noncash benefits, and so have been less affected by the expansion of public benefits undertaken in the ARRA as a response to the recession.

**Figure 6. Elderly Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2010**



**Source:** IRP tabulations using 2008–2010 American Community Survey data.

**Notes:** The change between 2009 and 2010 was not statistically significant under either measure.

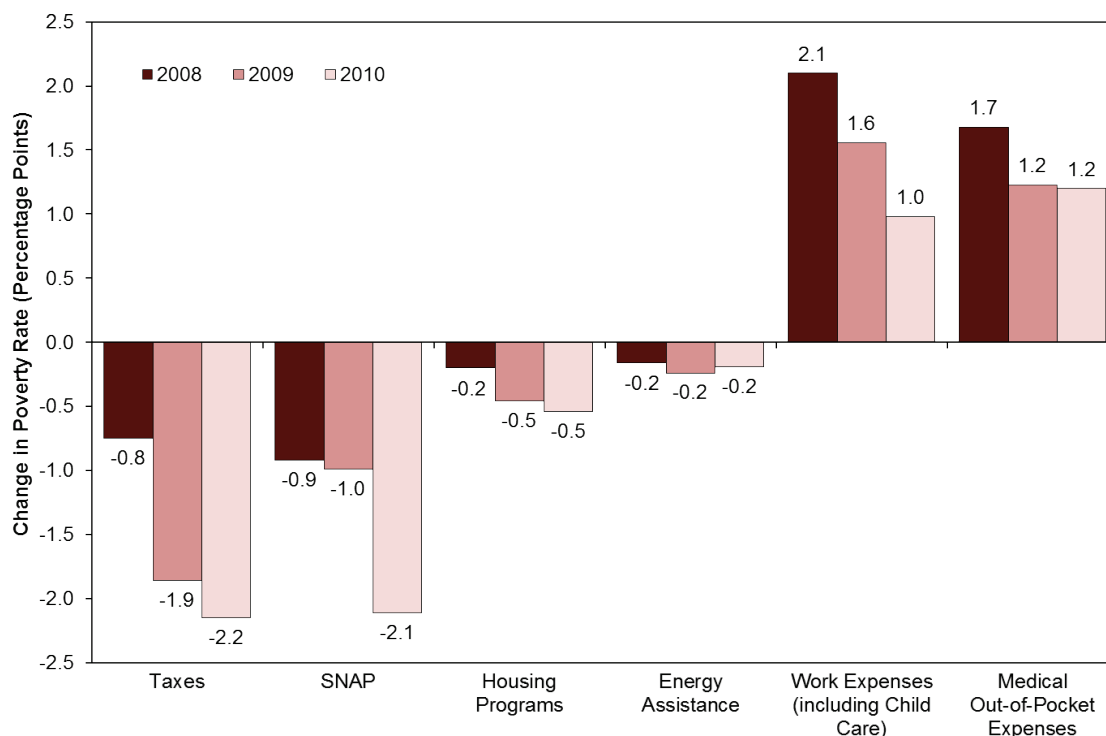
### Using the Wisconsin Poverty Measure to Assess the Effect of Policies on Poverty

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, the majority of the expansion in public benefits during the recent recession in Wisconsin 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. In addition to the effects of benefits, we indirectly show the impact of expenses on poverty, as policies intended to reduce these expenses would be as important as safety net programs in improving the economic well-being of low-income families.

Among the benefit programs examined in this analysis, tax credits and refunds received by the family had the greatest impact on reducing overall poverty in 2009 and 2010, reducing the percentage of people in poverty by more than 2 percentage points (see Figure 7). This result reflects the expanded tax credits under the ARRA, which were fully in effect in both 2009 and 2010. In 2010, the antipoverty impact of SNAP was almost as big as the effect of taxes, reflecting an expansion in benefit amounts provided under the ARRA, as well as increased need and participation in the program due to the recession, as seen in Figure 3. The impact of SNAP benefits was twice as large in 2010 as it was in 2009.

**Figure 7. Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2010**



**Source:** IRP tabulations using 2008–2010 American Community Survey data.

**Note:** SNAP = Supplemental Nutrition Assistance Program.

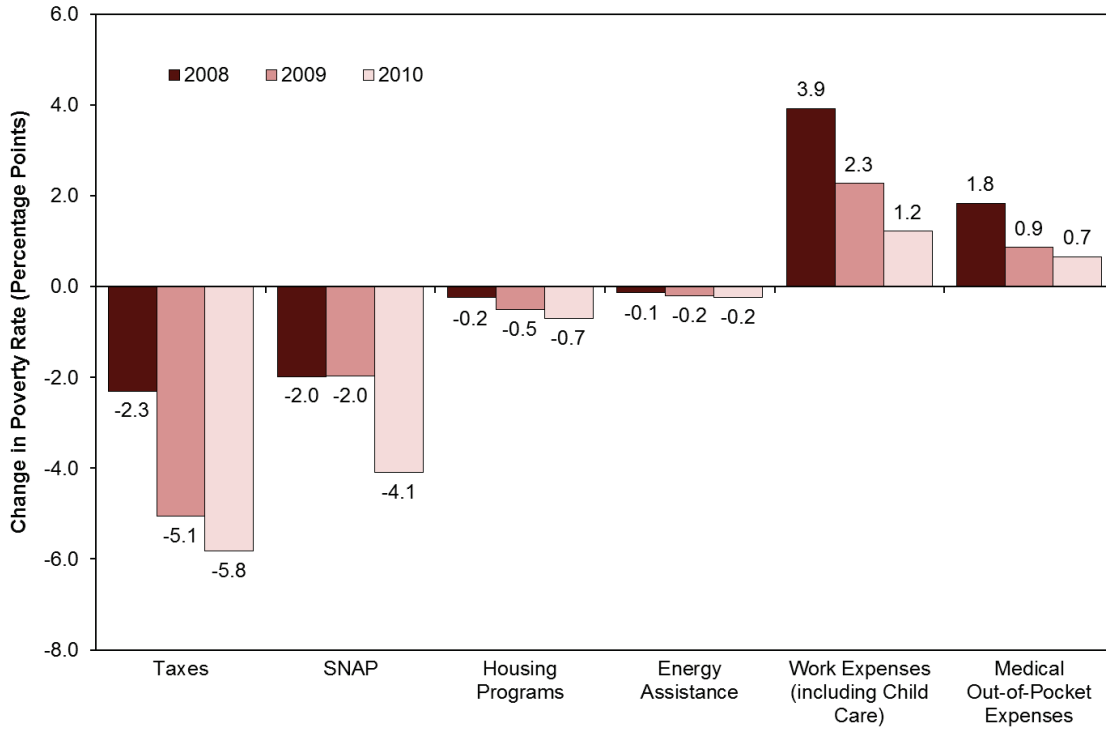
Both taxes and SNAP had a large impact on reducing child poverty; this is particularly true of 2010, when tax-related provisions reduced child poverty by 5.8 percentage points and SNAP benefits reduced child poverty by 4.1 percentage points (see Figure 8). In contrast, taxes had an almost negligible effect on elderly poverty, and SNAP benefits reduced elderly poverty by less than 1 percentage point during the time considered (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. 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; even when they do qualify, they are less likely to apply for nutrition benefits than are families with children.

Housing and energy assistance provide modest assistance to both children and the elderly (see Figures 8 and 9), reducing poverty by less than 1 percentage point in any year. Housing benefits also tended to have a greater impact on poverty among children in 2010 than they did in 2009.

Work expenses were more significant for children, but the effects of medical expenses were felt more acutely by the elderly, who are more likely to be in need of more expensive 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. 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.



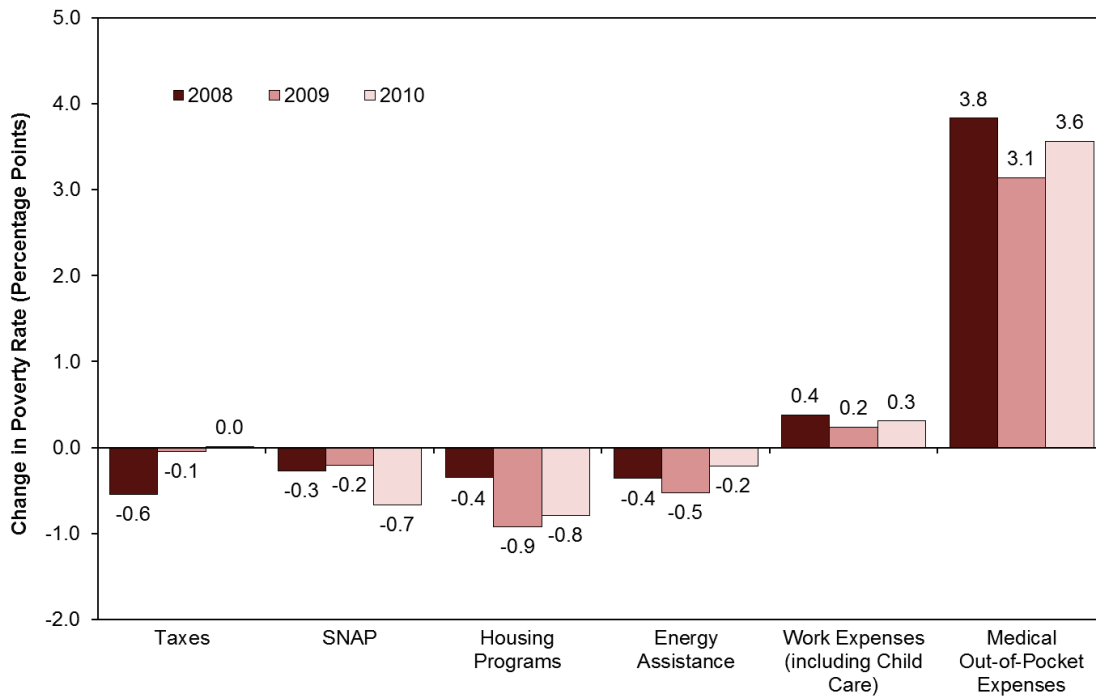
**Figure 8. Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2010**



**Source:** IRP tabulations using 2008–2010 American Community Survey data.

**Note:** SNAP = Supplemental Nutrition Assistance Program.

**Figure 9. Effects of Taxes, Public Benefits, and Expenses on Elderly Poverty in Wisconsin, 2008–2010**



**Source:** IRP tabulations using 2008–2010 American Community Survey data.

**Note:** SNAP = Supplemental Nutrition Assistance Program.

## 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 10 large counties and 12 multicounty areas that encompass the remaining areas of the state. While some of the multicounty areas comprise only two counties (e.g., Chippewa and Eau Claire), others require as many as seven to 10 of the more rural counties in order to gain a sufficient sample size to obtain reliable estimates.

As shown in Table 1 below, our analysis of substate areas reveals that the overall poverty rate hides substantial variations in poverty across regions. Estimates for poverty rates using the WPM for these substate areas range from 16.7 percent in Milwaukee County to 4.2 percent in the area that includes Ozaukee and Washington counties. As shown in Map 1, Milwaukee County and the region including Chippewa and Eau Claire counties were the only places where rates were significantly higher than the state average. While Milwaukee County still shows the highest poverty rate in the state, its rate decreased to 16.7 percent in 2010 from 18.7 percent in 2009. The area including Chippewa and Eau Claire counties had a poverty rate of 14.5 percent in 2010, significantly higher than its rate at 12.1 percent in 2009. Dane County has a poverty rate of 11.9 percent in 2010, lower than its rate of 13.5 percent in 2009. In fact, in contrast with the WPM findings for 2009, Dane County's rate is no longer significantly different from the state average in 2010. Meanwhile, seven areas have rates that are significantly lower than the statewide rate, including Ozaukee/Washington (4.2 percent), Waukesha (5.1 percent), Brown (7.3 percent), and Sheboygan (7.0 percent) counties.

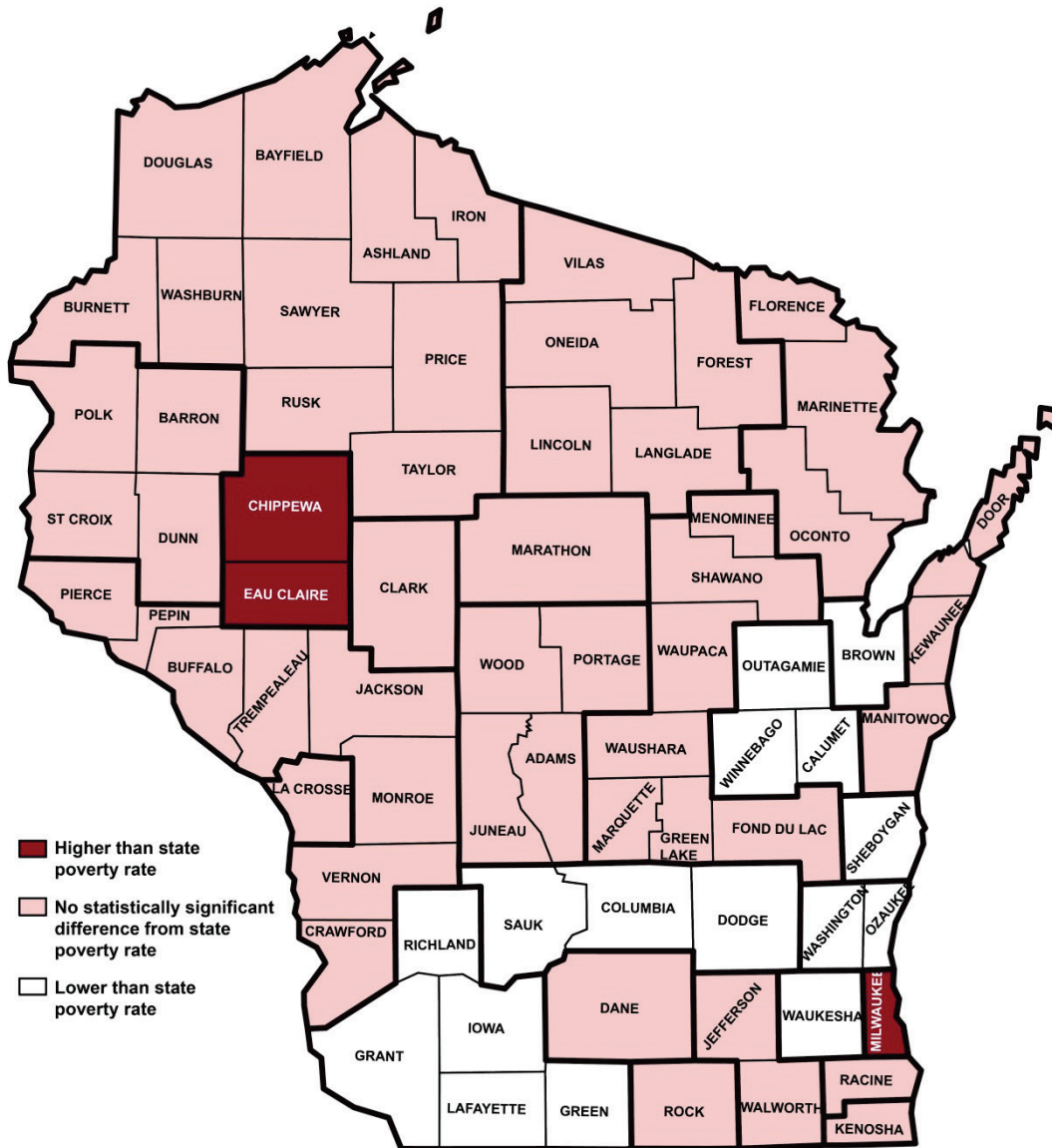
**Table 1. Wisconsin WPM Poverty Rates by County or Multicounty Area with Upper and Lower Bounds, 2010**

County	Wisconsin Poverty Measure (%)	Confidence Interval: Lower Bound (%)	Confidence Interval: Upper Bound (%)	Difference from State Average
Milwaukee	16.7	15.1	18.4	Higher
Dane (Madison)	11.9	10.4	13.3	NS
Waukesha	5.1	3.7	6.6	Lower
Brown (Green Bay)	7.3	5.1	9.4	Lower
Racine	11.1	8.5	13.7	NS
Kenosha	11.8	9.0	14.7	NS
Rock (Janesville)	11.1	8.7	13.5	NS
Marathon (Wausau)	7.5	4.6	10.4	NS
Sheboygan	7.0	4.9	9.2	Lower
La Crosse	9.7	6.9	12.5	NS
<b>Multi-County Area</b>				
Ozaukee/Washington	4.2	2.8	5.7	Lower
Jefferson/Walworth	9.8	7.5	12.1	NS
Chippewa/Eau Claire	14.5	11.3	17.6	Higher
Calumet/Outagamie/Winnebago (Appleton)	7.5	5.8	9.1	Lower
Columbia/Dodge/Sauk (Baraboo)	6.7	4.9	8.5	Lower
5-county area (Menomonie)	10.8	8.8	12.7	NS
5-county area (Dodgeville)	7.6	6.0	9.2	Lower
6-county area (Manitowoc)	9.6	7.5	11.7	NS
7-county area (Fond du Lac)	9.4	7.4	11.4	NS
8-county area (Sparta)	9.3	7.2	11.4	NS
9-county area (Stevens Point, Crandon)	9.0	7.5	10.4	NS
10-county area (Superior)	10.1	8.3	11.9	NS
<b>State Average</b>	<b>10.3</b>	<b>9.8</b>	<b>10.7</b>	

**Source:** IRP tabulations of 2010 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 2010 WPM Poverty Rates Above or Below the State Rate of 10.3 Percent**

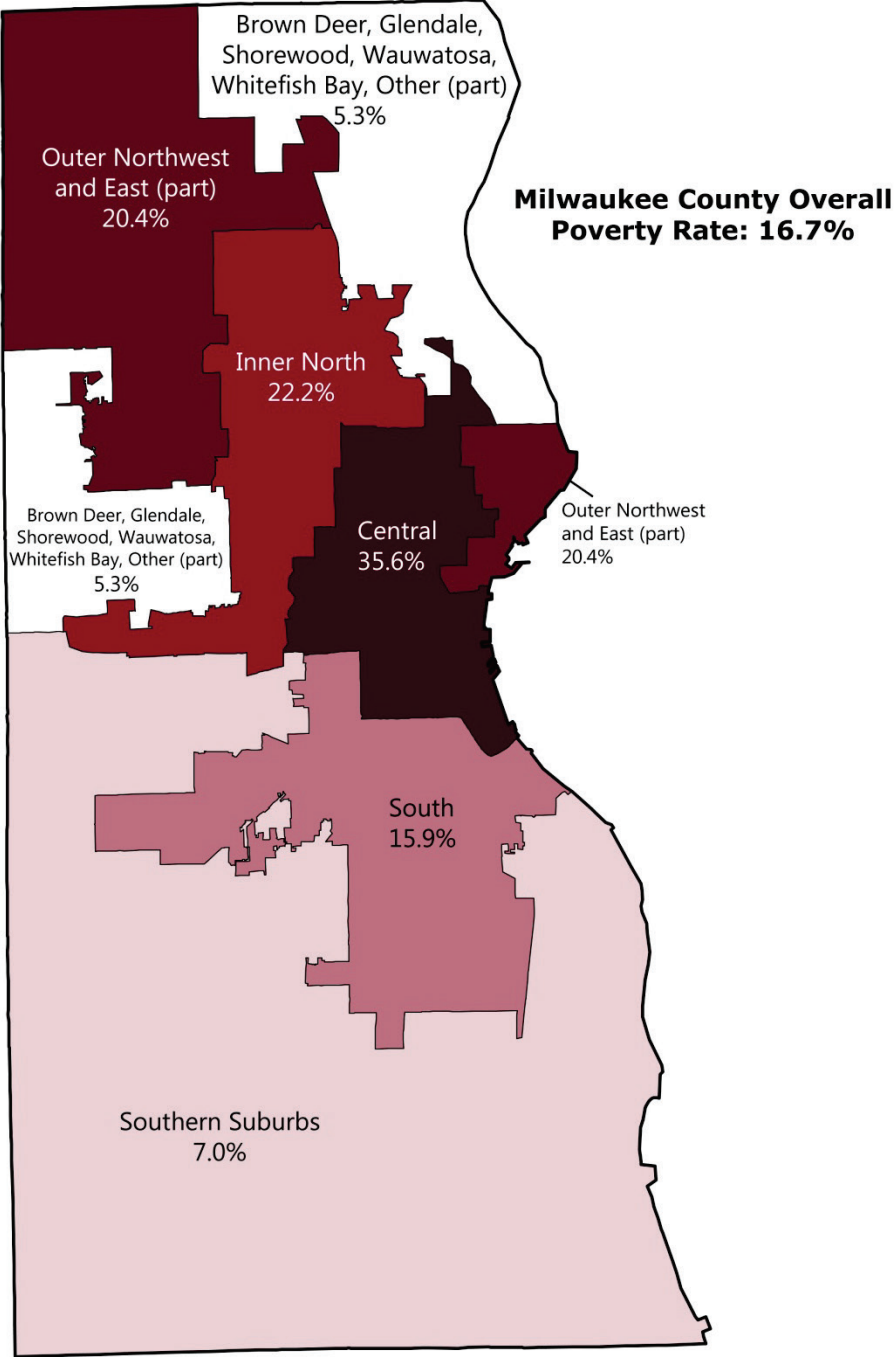


**Source:** IRP tabulations using 2010 American Community Survey data.

**Notes:** 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, and poverty rates examined across subcounty regions within Wisconsin may show variations in poverty rates that are more dramatic within counties than in the 22 areas in the state. For instance, as shown in Map 2, within Milwaukee County, poverty rates ranged from about 5 percent in some suburban areas to nearly 36 percent in the central city in 2010, suggesting a significant segregation of the poor and the rich within that county. Furthermore, Milwaukee is surrounded by wealthy suburban counties to the north and west, where poverty rates are also notably below the state average (e.g., Waukesha County at 5.1 percent and Ozaukee/Washington counties at 4.2 percent).

Map 2. 2010 WPM Poverty Rates within Milwaukee County by PUMA\*



Source: IRP tabulations using 2010 American Community Survey data.

Note: The state poverty rate calculated with the WPM in 2010 was 10.3%. All differences between the regional estimates and the state average as examined here were statistically significant.

\*Public Use Microdata Areas (PUMAs) are predefined areas designated by the U.S. Census Bureau that have 100,000 or more residents.

## CONCLUSION

The Wisconsin Poverty Measure provides new insight into poverty in Wisconsin after the onset of the Great Recession by introducing poverty estimates based on an improved measure that includes noncash benefits and refundable taxes, which increased in importance during the recession, and other features that better reflect the characteristics and interests of our state. In doing so, the WPM demonstrates the importance of using an improved measure of poverty to examine the antipoverty impacts of public policies, while at the same time providing estimates across different regions and subgroups within Wisconsin.

The official poverty measure finds that Wisconsin families had lower levels of cash resources in 2010 than they did in 2009 and, therefore, poverty rose. The WPM also considers near-cash benefits and programs intended to offset increased need caused by the recession. Poverty rates using the WPM suggest that decreases in employment and earnings in 2010 were offset to a considerable extent through increases in refundable tax credits and noncash benefits, ultimately resulting in a reduction in both the overall poverty rate and the poverty rate for children in 2010. Simply put, targeted benefits with strong take-up rates were very helpful in keeping struggling families from poverty during the Great Recession.

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 central Milwaukee. The WPM could also be used to examine other demographic groups, such as racial groups, 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 employment opportunities 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.

It is also important to note that the adverse effects of the recession went beyond the poor and near-poor to also affect the lower middle class, who experienced declining home values, increased debt levels, and also flat or falling incomes that are pinched by rising expenses. Indeed, we believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program. But as this report shows, 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—can make a difference in combatting market-driven poverty.

Our Wisconsin Poverty Project is one of the first comprehensive statewide implementations of the National Academy of Sciences-based alternative poverty measure 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.







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