

Ending Poverty in Wisconsin: Plan of Action

Widespread poverty in Wisconsin is not inevitable.

By making specific changes in policy, we can greatly reduce poverty in this state—for adults and children, among blacks and Latinos and whites, in rural areas as well as big cities, and in both the short term and the long run

We propose the following specific measures to lift the poorest Wisconsinites above the official poverty line, and to improve the living standard of hundreds of thousands who are “near-poor”.

Our recommendations fall primarily into four broad categories:

- (1) Connecting job seekers to work that pays.
- (2) Assuring affordable access to quality childcare and early learning.
- (3) Guaranteeing quality health care for all.
- (4) Making housing affordable and safe.

If we carry out proven strategies in these four areas, we can drive down the rate of poverty in Wisconsin to marginal levels and dramatically improve the well-being, the health, the quality of family life, and the future prospects of every adult and child in our state.

The measures we need to put in place to help the poor, and to tackle poverty, cut across a wide range of issues. We have not listed here all the changes that would help. Rather, we concentrate on a small number of strategies that solid evidence demonstrates will significantly reduce poverty—either for the low-income population as a whole, or for some of the most vulnerable groups.

The time to start is now—but because poverty is widespread and entrenched, while our resources are limited, the process will take several years. We have therefore grouped our recommendations to reduce poverty in Wisconsin into three logical clusters:

- Provisions that should be included in the upcoming 2009-2011 state budget;
- Provisions for the 2009 and 2010 regular legislative session;
- Provisions for future budgets and future legislative sessions, including items requiring Congressional action.

Let us begin.

Anti-Poverty Provisions for the 2009-2011 Budget

Several important anti-poverty measures can and should be included in the next state budget.

1. Connect Job Seekers to Work That Pays

1A. Increase Funding for Effective Skill Training Programs

To help connect job seekers to well-paying jobs, we propose improving the education and skills of low-income workers so they can more easily fill some of the good jobs that are available.

We ask that:

Increased funding be provided for the Wisconsin Higher Education Grant (WHEG) program for technical college students, along with funding for Opportunity Grants – a new financial aid tool aimed at those seeking training certificates or technical college degrees who are currently ineligible for financial aid. We also ask that funding be allocated for effective, innovative training programs, including Jump Start Pilots – which would be run through our technical college system and that create bridges to careers—and the Skills Enhancement Program.

Budget Request:

- \$5.50 million/biennium for Wisconsin Higher Education Grant program for technical college students;
- \$1.50 million/biennium for Opportunity Grants;
- \$0.50 million/biennium for Jump Start pilots; and
- \$2.34 million/biennium for Skills Enhancement Program.

1B. Increase the State's Earned Income Tax Credit (EITC)

To create incentives for the unemployed to work and to make sure that work always pays more than poverty, we request an increase in the state's Earned Income Tax Credit (EITC).

We ask that:

Wisconsin's EITC be gradually expanded so that, in tandem with an increase in the minimum over four years to \$8/hour, full-time work at the minimum wage *plus* the federal EITC *plus* the expanded state EITC will equal at least 110% of the "official" federal poverty line (FPL)—and, in most cases, over 115%.

In implementing this new policy, Wisconsin should:

- Create a state EITC for childless adults that rises over four years to equal half of the federal EITC for childless adults (the phase-in over four years would be 5%, 8%, 25%, and 50% of the federal EITC for childless adults); and
- Significantly increase the state EITC for working parents with children so that it rises over four years as follows:
 - For workers with 1 child, the state EITC should increase from 4% to 10%;
 - For workers with 2 children, the state EITC should increase from 14% to 20%;
 - For workers with 3+ children, the state EITC should increase from 43% to 80%.

Budget Request: \$8.3 million for 2009-2010, \$21.4 million for 2010-2011.

There are also numerous non-budgetary provisions related to these issues that we recommend be adopted in 2009 as separate pieces of legislation. See pages 9-10 for details.

2. Assure Affordable Access to Quality Child Care and Early Learning

2A. Create Quality Home Visitation Program for Low-Income Children

To make sure that children ages birth to 3 from low-income at-risk families get the good start in life they need to grow up healthy, succeed in school, and get out of poverty, the BadgerCare Plus health care plan can be enhanced to include a program of home visits.

We ask that:

All children birth to 3 enrolled in the BadgerCarePlus' "Standard Plan" receive home visits from a nurse and other early childhood professionals as part of an evidence-based program for making sure these children and their parents get the care and education they need to increase positive outcomes for their children's health, education, and future employment in well-paying jobs. Phase-in of full coverage would begin in 2010-2011 and would proceed over 4 years.

Budget Request: \$2.5 million for 2009-2010 and \$5.0 million for 2010-2011. (This initiative would be incorporated into BadgerCarePlus to obtain as much federal reimbursement as CMS allows.)

2B. Fully Fund the Wisconsin Shares Childcare Program

To help parents get jobs and work their way out of poverty *and* to protect their children's safety and future prospects as students and employees in Wisconsin's economy, it is necessary to fully fund the Wisconsin Shares childcare program.

We ask that:

Wisconsin Shares be fully funded, so as to guarantee that all working low-income parents who need child care can afford to pay for child care that allows them to work and provides reliable, nurturing care to their children. A fully funded program includes affordable co-pays for families, fair payments for child care providers, and continuation of current eligibility levels and no waiting lists.

Budget Request: \$29 million for 2009-2010, \$61 million (base doubled and adjusted for growth and inflation) for 2010-2011.

2C. Expand Quality Early Childhood Learning Centers

Early childhood brain research confirms that the quality of the early learning experiences that children have sets the stage for success in school and the years beyond. High-quality child care and preschool programs that intentionally focus on improving children's health and academic performance help reduce poverty by preparing kids for success in school and in life. Research has shown that affordable high-quality early learning programs help low-income parents work to escape poverty, and help their children not only academically but also through reduced delinquency and crime and increased employment and wages. Childcare programs serving children subsidized through Wisconsin Shares lack the resources to deliver high-quality early learning programs.

We ask that:

Wisconsin begin a major effort to expand the number of childcare programs - specifically those serving low-income children - that meet high-quality standards for early education. The goal is to assure that low-income parents funded by Wisconsin Shares who *want* to enroll their young children in a high-quality early learning program will be able to do so.

Budget Request: \$4.5 million for 2009-2010 and \$9 million for 2010-2011.

3. Guarantee Quality Health Care for All

3A. Fully Fund the BadgerCarePlus Program

It is essential that Wisconsin's innovative BadgerCarePlus program, including the Childless Adult Program, receive full funding.

We ask that:

BadgerCarePlus, including the Childless Adult Program, be fully funded.

Budget Request: Since BadgerCarePlus, including the Childless Adult Program, are already part of the base funding for the Department of Health and Family Services, full funding for BadgerCarePlus will have no additional fiscal effect beyond that proposed by the Department.

3B. Ensure Dental Access for Low-Income Wisconsin Residents

It is also essential that one of the biggest shortcomings of the original Medicaid + Healthy Start + BadgerCare program that BadgerCarePlus replaced—namely, inadequate access for children and adults to dental care—be solved.

We ask that:

BadgerCarePlus be funded and structured to ensure that low-income children and adults who need dental care actually get it. Based on the experience of other states, this will require increasing reimbursement rates for dentists to approximately 75% of “usual and customary” rates, and may also require changes in the way dental care is delivered.

Budget Request: Setting up an improved program of dental coverage will require a year’s lead-time. To pay for the improved program in 2010-2011, DHFS will require (pending further analysis) an additional \$30 million per year—\$12.6 million GPR (assuming a 42% state share) and \$17.4 FED (assuming a 58% federal match).

The budget language should also authorize DHFS to determine and implement the most appropriate method in each part of the state for delivering dental care to low-income individuals, including incorporation of dental care in the capitation rates paid to HMOs, direct reimbursement of dentists on a fee-for-service basis, payment to federal qualified community health centers (FQHCs) for the provision of dental care, or payment to non-FQHC dental clinics for provision of dental care.

3C. Enact Comprehensive Health Insurance Reform

Whether through the Governor’s BadgerChoice proposal, the State Senate’s Healthy Wisconsin plan, or another vehicle, Wisconsin urgently needs—in addition to BadgerCarePlus—a comprehensive reform of its health insurance system.

We ask that:

Wisconsin take steps in the next state budget to move towards a comprehensive health insurance system that ensures that (1) every Wisconsinite has health insurance providing good benefits, (2) each insured person has a choice of health care networks and health care providers, (3) cost sharing does not deter use of preventive care or appropriate chronic care, (4) cost sharing is otherwise reasonable, and (5) the design

of the system encourage wellness, E-health technology, continuous quality improvements, and a substantial reduction in the growth of insurance and health care costs.

Budget Request: Depending on the features of the plan, the total cost will vary substantially. However, most of the specific plans under consideration will not increase GPR spending. Rather, by lowering the cost of health insurance for state employees, technical college employees, school employees, county employees, and municipal employees, health insurance reform will lower GPR spending and thus free up resources to help pay for anti-poverty and other state initiatives.

3D. Implement Effective Programs for Reducing Teen Pregnancy

There is universal agreement that teen pregnancy creates health risks for both mother and child and traps many teen mothers and their children in a cycle of poverty. While ensuring that all teenagers have comprehensive high-quality insurance coverage will help, access to the medical system alone is not enough to bring down the rate of teen pregnancy and reduce the associated health and poverty consequences. There is growing evidence that well-designed educational programs are also needed to lower the rate of teen pregnancy and thus improve teen girls' health and avoid inter-generational poverty.

We ask that:

As Wisconsin expands health insurance coverage to all its residents, the state should also support evidence-based programs that have been shown to be effective in reducing the rate of teen pregnancy,

Budget Request: \$3.0 million/biennium to support effective teen pregnancy programs.

4. Make Housing Affordable and Safe

4A. Create a Statewide Housing Trust Fund To Create Additional Opportunities for Affordable Housing and To Expand Homeless Assistance

On average, housing costs are the single largest on-going expense for Wisconsin families. The ability to make their rent or mortgage payment affects a family's ability to afford other household necessities, such as food, clothing, medicine and transportation. As incomes shrink or stagnate while housing costs rise, families come under increasing financial pressure. There is also an issue of quality with regard to the available stock of affordable housing. Much of the housing that lower-income families can afford is older and potentially less safe, presenting hazards like mold and lead paint. Poor quality, unaffordable housing makes it harder for families to escape poverty and can lead to debilitating health and educational problems for children in low-income households, threatening another generation with poverty.

Housing trust funds use money from dedicated revenue streams to support and expand availability of quality affordable housing for both renters and homeowners at the local level. The funding may be used for preserving or producing affordable homes, for making homes healthy or for financial assistance to low-income households to help them with mortgage or rent payments or security deposits. A housing trust fund would create jobs, spur economic development, and would allow for an expanded focus on homelessness prevention and expanding housing options for people with disabilities.

A key component of a necessary housing initiative for Wisconsin is an expanded focus on homeless programs. Prior to the last biennium, the State Shelter Subsidy Program, which funds homeless shelters through the state, hadn't been raised in 15 years; in the last budget, an additional \$2 million was appropriated, but this amount sunsets at the end of the fiscal year. Unless this increase is extended – either through the creation of a Housing Trust Fund or through separate legislation – hundreds of homeless individuals and families will not have a warm, dry place to spend the night. In addition, state funded transitional housing programs successfully enable adults to work and children to attend early childhood education centers and K-12 schools. A sufficiently robust and properly targeted allocation for the State Shelter Subsidy Program will also provide a source of permanent match for U.S. Department of HUD funded programs for the homeless, insuring Wisconsin's capability to maintain and increase the amount of federal dollars that the state would be allowed to draw down.

We ask that:

-- Wisconsin create a Statewide Housing Trust Fund, of which 30% should be targeted toward rehabbing and preserving existing affordable housing stock as well as creating new housing stock, 30% should be directed to providing housing soft cost financial assistance, and 40% should be flexible (i.e., available for both purposes) depending on local needs. Such a Fund should also target a minimum of 10% of funds for emergency services and /or services directly addressing the problem of homelessness and 3% of funds to expand the accessibility of affordable housing.

--Either through the creation of a Housing Trust Fund or through separate legislation, current funding levels for the State Shelter Subsidy Program be made permanent, and include an ongoing service match for HUD-funded permanent housing program services for the homeless.

Budget Request:

- *Housing Trust Fund: While the Trust Fund should begin to function in 2009-2010, a year's set-up time for establishing priorities, developing an allocation formula, putting in place accountability measures, etc., is appropriate. Therefore, \$80 million is requested for 2010-2011. This amount would not be GPR, but would come from a variety of non-GPR fee increases.*
- *State Shelter Subsidy Program: \$2 million GPR for 2009-2010 and \$2 million Housing Trust Fund or GPR for 2010-2011 (of which \$1 million in each year would be for the service match for HUD-funded permanent housing program services for the homeless).*

4B. Index the Homestead Credit for Inflation

One of Wisconsin's pioneering programs, the Homestead Credit uses the state income tax to provide lower-income renters and homeowners with a "circuit breaker" in the form of a refundable tax credit that offsets the impact of local property taxes. However, since 1991 the value of the Homestead Credit has shrunk because it hasn't been indexed for inflation.

We ask that:

The Homestead Credit be indexed for inflation to preserve its value for lower-income renters and homeowners. In subsequent budgets, the maximum credit should be increased to regain the value of the credit lost to inflation, and the upper income limit (which has been frozen at \$24,500 since 2001) should also be increased to regain at least part of its lost value.

Budget Request: Approximately \$3 million for 2009-2010 and \$7 million for 2010-2011 (compared to the base appropriation level).

Anti-Poverty Provisions for the 2009 and 2010 Regular Legislative Sessions

The 2009-2011 biennial budget clearly provides the best opportunity in the immediate future for taking action to reduce poverty. However, the regular “floor sessions” that the Wisconsin Legislature will hold in 2009 and 2010 also provide an opportunity to move ahead with important non-budgetary measures to tackle poverty in the state, particularly as relates to the

Following is a summary of the major non-budgetary provisions—all related to *Connecting Job Seekers to Work that Pays*-- that we recommend be adopted in 2009 as separate pieces of legislation

A. Restore Judicial Discretion in Driver’s License Revocation

As the law currently stands, courts are often compelled to arbitrarily revoke a driver’s license – even when the driver has not committed a driving-related offense and even though the driver depends on having a valid license to get to and from work. To connect job seekers to work that pays, we propose that the legislature remove one of the most irrational barriers that now impedes many job seekers’ access to vacancies in the labor market.

We recommend that:

Wisconsin should enact legislation to restore judicial discretion in matters of license revocation. Both judges and district attorneys favor a statutory change that would allow the courts to once again exercise their discretion with respect to the revocation of a driver’s license. This change would still permit judges to remove driving privileges when judges believe that to be an appropriate punishment, but would enable judges to preserve an offender’s driving privileges when the judges believe that other punishment is more suitable and the loss of driving rights will on balance be harmful to society.

B. Limit Questions about Driver’s Licenses from Prospective Employers

There are many reasons why an individual’s driver’s license may be revoked. But only at times is the loss of driving privileges evidence that the individual is unfit to perform a particular job. Yet in some cases, employers ask about license revocation and use an admission of license revocation as the basis for refusing to hire. This policy, which disproportionately affects African-Americans job seekers and other minorities, unfairly discriminates against potentially qualified employees based on a factor unrelated to potentially satisfactory job performance.

We recommend that:

Wisconsin should enact legislation that prohibits employers from asking questions about a job applicant's driving privileges *unless* the job in question requires the employee to operate a motor vehicle.

C. Raise and Index the Minimum Wage

Although Wisconsin raised the minimum wage to \$6.50 per hour over a year ago, the value of minimum wage remains below the inflation-adjusted level it should be set at. Furthermore, its current value continues to shrink as food and energy prices rise. Although the federal minimum wage is scheduled to rise slightly above the Wisconsin \$6.50 wage—that is, to \$6.55 per hour—on July 24, 2008; and although another increase in the federal minimum wage, to \$7.25 per hour, is scheduled for July 24, 2009; these increases are still not sufficient to get the minimum wage to the level it should set at. To restore the minimum wage to an adequate level; to create an additional incentives for the unemployed to work; and to make sure that work always pays more than poverty; Wisconsin's minimum wage should be increased to \$8 per hour and then indexed for inflation to preserve its value.

The payments that the W-2 program makes to that program's participants, meanwhile, have not risen at all for nearly a decade. Frozen at \$673 per month, W-2 grants have fallen further and further behind the sluggish, small increases in the minimum wage. Instead of trapping W-2 participants further and further below the poverty line, W-2 grants should also be allowed to rise with inflation.

We recommend that:

The Wisconsin minimum wage, now at \$6.50 per hour, should be raised each Labor Day as follows:

- **On Labor Day in 2009, to \$7.50 per hour;**
- **On Labor Day in 2010, to \$7.75 per hour; and**
- **On Labor Day in 2011, to \$8.00 per hour**
- **On each successive Labor Day, the minimum wage would then be automatically indexed for increases in the Consumer Price Index (CPI).**

The W-2 grant level should also be increased to keep pace with inflation.

Anti-Poverty Provisions for Future Budgets and Legislative Sessions, Including Provisions for Congressional Action

The budget and non-budget provisions outlined above will result in a significant reduction in poverty in Wisconsin. But much more needs to be done. In particular, we need to do much more in two areas already mentioned as well as in two new areas:

- Connecting job seekers to work that pays;
- Making housing affordable and safe;
- Improving the safety net for those unable to work; and
- Increasing family time.

The remaining anti-poverty policy changes, however, require study and analysis before they can be implemented as programs. The initial exploration of the anti-poverty measures that follow can be launched at any time—either in the upcoming budget or the upcoming floor sessions. Full-scale implementation, however, cannot realistically occur until a future budget or future legislative session

Connect Job Seekers to Work that Pays

A. More Accurately Measure the Job Shortage

For many low-income unemployed Wisconsinites, the single biggest reason why they're unemployed is the shortage of jobs. Many such job seekers don't qualify for W-2 since they don't have dependent children. They also frequently don't qualify for Unemployment Insurance (UI) because of the UI program's eligibility rules. Yet they can't find employment because they're part of a vast group of job seekers that far exceeds the supply of job vacancies, and they constantly lose out in the search for work—and often give up searching altogether—in what feels like a hopeless game of musical chairs.

Though the national data and some local data on the job shortage makes an overwhelming case that it exists and it's big, Wisconsin does not systematically measure how serious the problem is because the state doesn't periodically ask employers about the number and nature of their job vacancies.

We recommend that:

The Department of Workforce Development, in cooperation with the federal Bureau of Labor Statistics, should measure annually, if not more frequently, both state wide and in Wisconsin's major labor markets, not only the number of job seekers in the state (including not only the "officially" unemployed but also those willing and able to work but who have become so discouraged that they've left the labor market) but also the supply of vacant jobs. This should include not just the number of part-time and full-time jobs, but the education and skill levels required, the wage rate offered, and benefits offered,

B. Study the Creation of a State wide Transitional Jobs Program

The New Hope Project in Milwaukee, as well as other experiments in other cities, have demonstrated that a well-managed program of transitional jobs can be a powerful tool (in combination with a strong earnings supplement based on the EITC, and affordable child care and health care) in reducing welfare dependency, increasing employment increasing earnings, increasing employment, and reducing poverty. Indeed, the evidence from New Hope suggests that a transitional jobs program can help improve academic, behavioral, and health outcomes for children as well as promote marriage.

We recommend that:

The Governor and Legislature should study the creation of a state wide transitional jobs program, possibly as an adjunct to the existing Unemployment Insurance system, for ensuring that all workers who want to support themselves and their families—including teens during the summer months, as well as adults 20-64 at any time—have access to useful, minimum-wage jobs if their pursuit of regular employment has proven unsuccessful after a reasonable job search and they do not qualify for UI or have exhausted UI benefits.

C. Lower the Federal EITC Phase-Out Rate

To make the EITC system an even stronger incentive to work, the high (16% to 21%) phase-out rate that the EITC inadvertently imposes as it phases out between approximately \$15,000 and \$35,000 should be reduced. The EITC's high phase-out rate imposes a 16%-21% effective marginal tax rate (MTR) on low-income workers with children who earn between \$15,000 and \$35,000. In addition, the EITC's high MTR during the tax credit's phase-out range has the unintended effect of penalizing marriage for a worker with children whose stand-alone incomes is less than \$15,000 but whose combined marital income in excess of \$15,000 would cause a drop in the EITC payment. Wisconsin alone cannot solve this problem. It is largely driven by the federal EITC.

We recommend that:

Wisconsin's Congressional delegation work to pass federal legislation lowering the federal EITC phase-out rate, cutting it at least in half.

D. Improve the EITC Advance Payment Mechanism

Another problem with the EITC is that the earnings supplement it provides is largely received, months after the work year is over, as a lump sum. Many workers would probably prefer to receive at least a portion of their EITC payment on an "as you work" basis, but the existing mechanism for delivering an Advancement Payment of the EITC is both poorly understood by workers and cumbersome to implement. Again, this problem must largely be fixed at the federal level.

We recommend that:

Wisconsin’s Congressional delegation pursue a better Advance Payment mechanism for the federal EITC that makes it much easier for low-income workers to claim a larger share of the EITC on an “as you work” basis”.

Improve the Safety Net

Improve the Supplemental Security Income (SSI) Program

The primary responsibility for the safety net—SSI, Social Security Disability, and FoodShare—lies with the federal government. We are keenly aware, however, of the problems in this system, in particular the huge backlog in processing SSI appeals and the insufficiency of SSI payments as food and energy costs rise.

Wisconsin’s Congressional delegation should increase funding for SSI administration in order to reduce the SSI appeals backlog to a reasonable level. In addition, the SSI payment level should be increased to take into account rising food and energy costs.

Increase Family Time

It is important that adults work to support themselves and their families, and in Wisconsin they do in record numbers. In fact, Wisconsin’s labor force participation rate is among the highest in the nation, both for women and men. Working hard is part of the Wisconsin ethos.

It is equally important that the demands of work do not prohibit our workers from caring for sick loved ones, adequately recuperating from illness, or participating in functions important to the family and to our society such as school conferences and religious activities.

Low-income workers are more likely to lack paid sick days and longer-term medical leave, as well as the ability to take time off to attend such functions. Even when current law allows for such leave (as is the case with family medical leave), many workers simply cannot afford to take that time off without pay. The impact of these workplace shortcomings is significant.

Research has shown that the lack of paid sick days, for example, has dramatic impacts: worker productivity decreases, children’s performance in school is hindered, and in many cases less serious medical problems turn into more serious illnesses.

The lack of paid longer-term medical leave results in parents’ returning immediately to work after the birth of their children, which in turn impedes some children from receiving regular checkups and recommended immunizations.

For all workers, attending school and religious functions are an important part of family life, as well as the preservation of community and religious identity and structure.

We recommend that:

Wisconsin should study and enact legislation that (1) guarantees our workers the ability to take short-term paid time off to recuperate from illness or to care for sick loved ones, (2) offers extended family leave to care for newborns and for extended medical emergencies of family members with some pay through an employee-funded program, and (3) requires limited unpaid leave time for employees to attend religious and school activities when those cannot occur outside of the employees' established work schedule.