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PROJECTING THE IMPACT OF POVERTY REDUCTION PROPOSALS



It's one thing to come up with a policy to reduce poverty; it's another to ask and understand how much of an impact that policy might have. This question arose in the Minnesota and Connecticut poverty task forces. Both states called on the Urban Institute to undertake state-specific modeling. The Urban Institute houses key data on a set of federal programs and was particularly well positioned to do state level simulations since it had modeled national policy for the Center for American Progress report, [From Poverty to Prosperity: A National Strategy to Cut Poverty in Half](#).

In undertaking its projections, the Urban Institute relies on a poverty methodology developed by the National Academy of Sciences (NAS) rather than current "official" measure used by the government. The NAS was asked in the mid 1990s to come up with recommendations since it was then and still is generally recognized that the [official poverty measure needs to be modernized](#); the current model was created in the 1960s. The NAS methodology includes resources that were not available in the 1960s such as income from tax credits like the Earned Income Tax Credit and expenses that are now-common such as child care. Further, the official measure sets a threshold (the poverty line) based on what it would take to meet a food budget; the NAS, instead, uses a variety of consumer expenditures.

In Minnesota, the final report of [The Commission to End Poverty by 2020](#) includes the results of the Urban Institute modeling. The simulation found that the implementation of the following 5 policy areas could reduce poverty in Minnesota by 27.4%:

- An expanded EITC aimed at childless workers and working spouses;
- Guaranteed child care subsidies for families below 300% FPG with co-payments capped at 10 percent of income;

- Food Support participation rate increased from 56% to 85% of eligible households;
- Broad-based expansion of education and training programs for adults up to age 49 who are not in school and who either have no high school diploma or who have a diploma but no degree; and,
- A \$9.50 per hour minimum wage.

In Connecticut, the analysis by The Urban Institute's was presented in [Estimating the Impacts of Policy Changes on Child Poverty in Connecticut](#). The modeling found that the following 5 policy areas, if implemented, would reduce child poverty in Connecticut almost 35 percent:

- An entitlement to child care subsidies for all families with income less than 50 percent of state median income that both reduces family expenses and increases employment;
- Initiatives in education and training through which half of adults with a high school degree completed an associates degree; 100 percent GED completion by drop outs; and, job training completion that results in wage increases of 20 percent for the employed and a 6 percent increase in employment for the unemployed;
- Increased participation to 85 % in safety net programs including SNAP (food stamps), LIHEAP, WIC, public/subsidized housing, and Medicaid;
- Full payment of child support awards; and,
- Case management and a wage supplement for recent TANF leavers.

Some of the individual policies have relatively little impact on the poverty rate; that's because the single policy, while it may help the family, does not offer enough to lift the family out of poverty. If all poor families lived just a dollar under poverty, virtually any policy that raised income would impact on the poverty rate. However, so many families live in deep poverty that it takes a big boost to get them out of poverty and change the rate.

There are also limitations to sophisticated modeling of policies. Namely, if there is no solid data to crunch, it is not possible to model the policy. For example, in Connecticut a proposal around a homeless diversion program could not be simulated because data on homeless families is not included in the Current Population Survey (CPS).