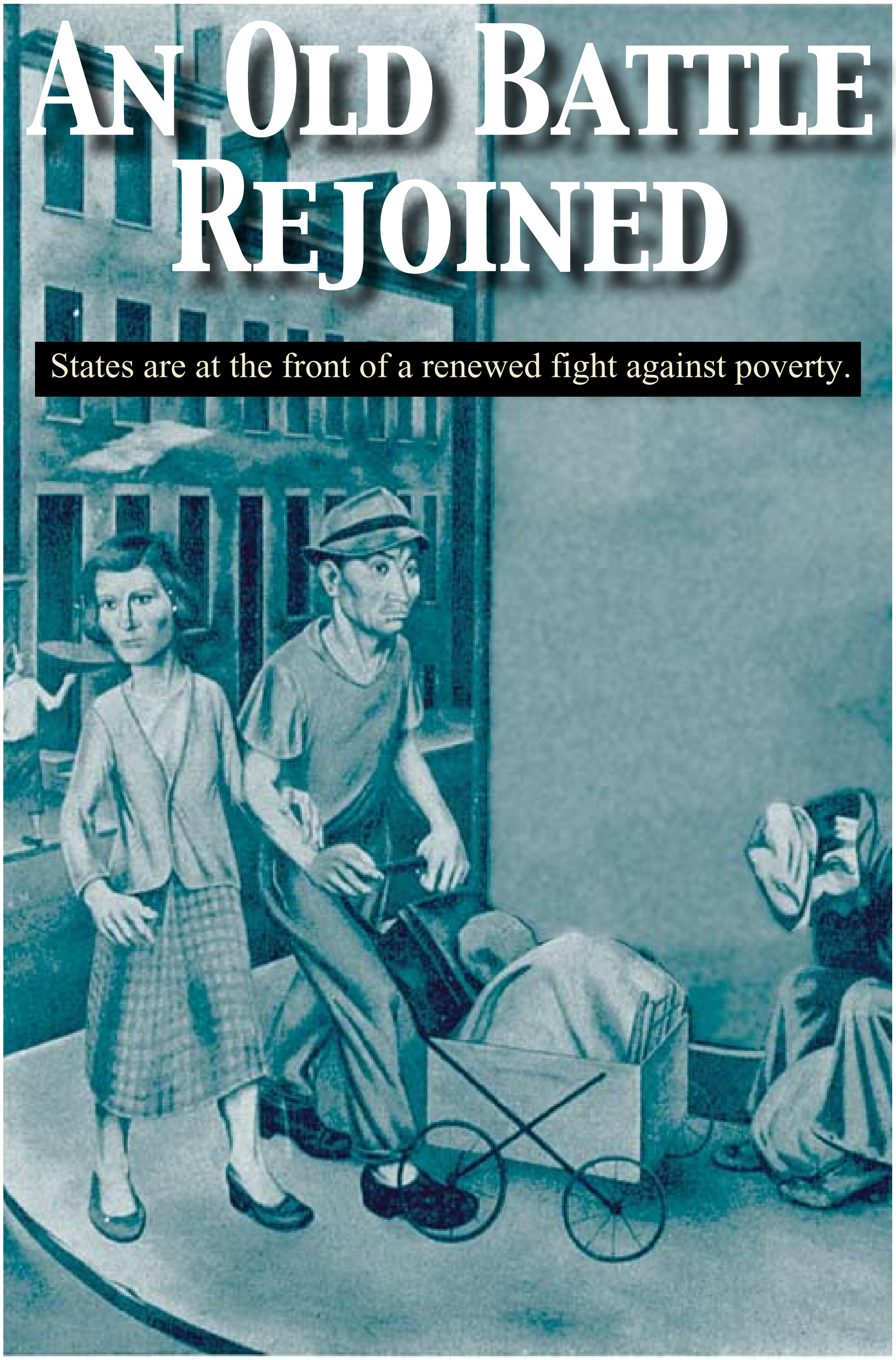


An Old Battle Rejoined

States are at the front of a renewed fight against poverty.

BY CHRISTINE NELSON AND JOSH LOHMER

Sitting on a stack of boards under a tar-paper roof in Inez, Ky., President Lyndon Johnson declared war on poverty in April 1964, just months after the assassination of John F. Kennedy.

Christine Nelson tracks welfare and poverty issues for NCSL. Josh Lohmer tracks policies affecting low-income families.

That now famous announcement led to programs such as food stamps and Head Start designed to help the poor. It also sparked an ongoing national debate about what causes poverty and how to fight it.

More than four decades later, one thing is clear: poverty persists. Although it steadily declined throughout the 1960s, the poverty rate has fluctuated only slightly since 1971 when it settled at 12.5 percent—its exact spot in 2007. That means about 37.3 million people were living in poverty in 2007, up from 36.5 million in 2006. And more people may be in trouble soon.

"In this economic downturn, a lot more people are going to need more help," says Ron Haskins, an expert on poverty at the Brookings Institution.

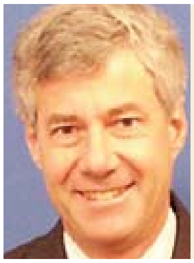
Poverty looks different now than it did in 1964, when many rural communities didn't have electricity, running water or indoor plumbing. On the other hand, the poor now face a new set of challenges, including mounting barriers to economic mobility. Despite a growing national economy from 2001 to 2007, the U.S. Census Bureau reports that the median income of working age households remains lower and poverty remains higher than before 2001, the year of the last recession. In other words, even in good economic times, poverty remains.

Child poverty is also a growing problem. It fell in the '90s, but is up 15 percent since 2000. About 18 percent of children today, or about 13 million kids, live in households with incomes below the poverty line.

While disagreements continue about the causes of poverty, especially between liberal and conservative hardliners, efforts are gaining steam to shore up the gains made against poverty since the 1960s, particularly when it comes to children.

These efforts are increasingly visible in the states, which have shown a renewed willingness to put poverty front and center.

"As we watched our kids fall further and further behind, we knew we needed to do something significant," says Senator Doug Racine, chair of the Vermont Child Poverty Council. In 2007, Racine spearheaded legislation to create a bipartisan group of legislators and cabinet secretaries committed to halving child poverty in Vermont in 10 years. Commissions similar to Vermont's are at the forefront of state poverty efforts across the country.



SENATOR
DOUG RACINE
VERMONT

PRESIDENTIAL APPROACHES

Once he took office, Johnson wasted little time taking on poverty. His administration created an Office of Economic Opportunity and set in motion a series of initiatives designed to strike at, as he put it, "the causes, not just the consequences of poverty." Many of these programs, such as Medicaid, Job Corps and work study, still exist today.

Haskins thinks Johnson's programs, although imperfect, were "nonetheless great because they bestowed upon the federal government a serious responsibility for the unfortunate among us."

In the 1980s, Johnson's sense of obligation was tempered by Ronald Reagan, who shifted the poverty debate from the plight of the poor to personal responsibility. "Those whom government intended to help discovered a cycle of dependency that could not be broken," Reagan said in accepting the nomination at the 1984 Republican National Convention. "Government became a drug, providing temporary relief, but addiction as well."

Reagan thought many social programs invited fraud and abuse and encouraged the poor to collect welfare and avoid work. While he believed the federal government should provide a safety net, Reagan thought a growing economy was the best medicine for poverty's ills.

Bill Clinton took a middle ground, stitching together elements of the Johnson and Reagan views into a third approach that he summed up with the phrase "make work pay." In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, which called for "reciprocal responsibility"—essentially insisting that the government should receive a commitment in return for providing aid.

The idea was to require welfare beneficiaries to work, but also to help them find and keep good jobs through more education and skills training, affordable child care, and larger tax credits. This mix of what Haskins, a leader of the 1996 welfare overhaul, now calls "carrots and sticks" defines where the poverty discussion generally sits today.

TRYING TO DEFINE WHO IS POOR

In 1955, a U.S. Department of Agriculture study concluded that low-income Americans spent about a third of their after-tax money on food. In the early 1960s, Mollie Orshansky, a researcher with the Social Security Administration, took this finding and devised the first federal poverty threshold: If a family earned less in a year than three times the annual cost of basic groceries, they were poor. Decades later, "Mollie's Measure" remains the basis for determining who is and isn't poor in America.

The poverty thresholds, which vary by family size and composition, are commonly known as the federal poverty line. These measures are used to determine eligibility for a number of government programs, such as food stamps, Head Start and State Children's Health Insurance. Critics call the measure outdated and inaccurate, and many are searching for a new formula.

The most straightforward complaint made against the poverty mark is that it doesn't jibe with reality. Critics say it fails to take into account varying increases in a number of living expenses, from the cost of transportation to the cost of clothing. The current threshold is still tied to Mollie's bag of groceries plus inflation. In other words, the 2007 poverty threshold for a family of four was $21,200, which represents the same purchasing power as the corresponding 1963 threshold of $3,128.

Another common objection relates to how the government determines a household's official income. Under the existing method, only cash income is measured. Cash welfare programs count, but benefits from noncash programs, such as food stamps, medical care, social services, education and training, and housing are not included. Taxes paid, such as Social Security and other payroll taxes, are also excluded from poverty calculations—as are tax credits, such as the Earned Income Tax Credit.

A third issue relates to geography. The poverty threshold doesn't vary by location even though the cost of basic necessities does. Some studies estimate, for example, that a family living in a city like Chicago might need more than double the poverty income to cover a bare-bones budget.

In 1995, the National Academy of Sciences recommended changes to the poverty measurement. Since then, the Census Bureau and the Bureau of Labor Statistics have been experimenting with alternative measurements, but have not adopted a new formula. Outside the Beltway, however, some changes have occurred.

Mayor Michael Bloomberg's administration recently released a new poverty calculus. The New York City measure alters both sides of the poverty equation by counting government aid and benefits as household income, while also refiguring just how much money it takes to live in one of the nation's most expensive cities.

Despite objections, the federal poverty mark remains. One benefit it does offer, though, is a snapshot of poverty rates over time.

"The poverty measure is horrible," says Ron Haskins, a poverty expert at the Brooking's Institution. "But even if it's a crummy measure, we can use it to see trends."

REPRESENTATIVE

MORRIE LANNING

MINNESOTA

STATES TAKE LEAD, SET TARGETS

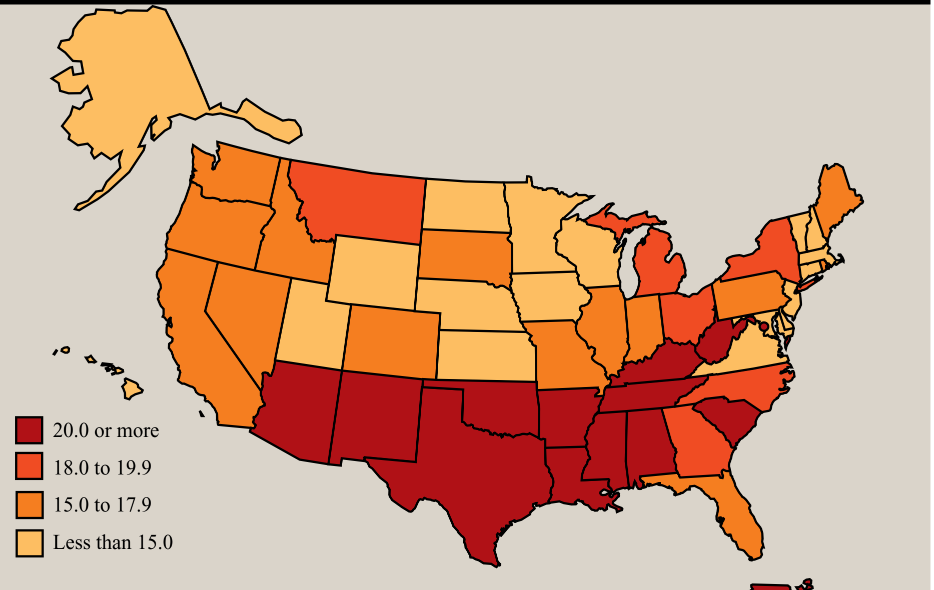
With that history as a backdrop, states are looking to rejoin the battle against poverty.

In addition to Vermont, 12 states have established efforts to reduce poverty. For example, the Illinois Commission on the Elimination of Poverty, created in 2008, plans to reduce what it calls extreme poverty, defined as families and individuals with incomes less than half the federal poverty level—$21,200 for a family of four—by at least 50 percent by 2015. Minnesota's Commission, established in 2007, wants to eradicate poverty altogether by 2020.

Proponents of target-setting say explicit goals encourage a shared vision among policymakers that is easily understood by the public and one that cuts across traditional roles of government agencies.

"Setting targets allows us to take a long range view and to move the conversation from mere survival to family self-sufficiency," says Representative Morrie Lanning, a member of the executive team leading the Minnesota Commission. "We'd like

FAMILIES WITH CHILDREN LIVING IN POVERTY



Source: U.S. Census Bureau, 2007 American Community Survey and 2007 Puerto Rico Community Survey.

nothing better than to put ourselves out of business."

THE RIGHT INVESTMENTS

Most state councils are still in the early stages, creating roadmaps for changes they hope to make over the next 10 years, says Representative Mary Mushinsky, a member of the Connecticut Child Poverty and Prevention Council.

Lawmakers are reaching out to citizens through town hall forums, where they can hear about what's troubling low-income families. "We're looking hard at ways to deliver more effective services and we're trying to figure out: What is the best return on our investment in children and families," Mushinsky says.

Legislators committed to reducing poverty may find themselves stymied by a dour fiscal situation. Big ideas—universal pre-kindergarten, expanded access to child care or a state earned income tax credit—can make a real difference in the lives of children, but tight budgets may not allow for big new spending.

In 2007, for example, Connecticut legislators passed a state earned income tax credit to piggyback on the federal tax credit and provide an average refund of $322 to low-income working families. Governor Jodi Rell vetoed the bill, concerned that the cost would harm other state priorities.

With state revenues tanking, state lawmakers are postponing expensive long-term plans and instead have turned their attention to short-term relief.

Alaska, Connecticut, Massachusetts and New York have allocated additional state funds to assist low-income families with heating bills, though those costs may be moderated by the dropping price of oil.

In an effort to help Pennsylvania families with rising food costs, the state made changes to the food stamps program, raising benefit levels and removing limits on household assets. New Mexico held a special legislative session at the end of 2008 to expand the state earned income tax credit and provide a one-time cash rebate aimed at struggling families.

The task forces also are grappling with work-support programs such as children's health insurance, the earned income tax credit, child-care assistance, food stamps and housing assistance. These programs can boost a family's income above the poverty level but, says Racine, "when workers get a raise or an increase in hours, too often that means the end of help with child care or assistance, which can leave working families falling further behind,"

Vermont's Child Poverty Council is taking this issue head on. The council plans a detailed look at benefit programs in Vermont and move toward a policy of benefit step-downs to eliminate disincentives for higher pay. Similar efforts are underway in Colorado, Connecticut and Minnesota.

MIRROR IMAGE

Underlying the poverty policy debate is a lack of consensus on why people are poor. A 2001 study by Harvard's Kennedy School of Government and National Public Radio found that 45 percent of Americans believe poverty is caused by circumstances beyond people's control; but 48 percent think poor people don't do enough to help themselves.

"This is a troublesome split," says Haskins. "It's like we're bipolar in America. We're concerned about the poor, but we're also mad when people don't work."

The job market, though, has become something of a dead-end for less-educated workers. Once upon a time, a high-school graduate could find good-paying work in a factory and support a middle-class family. Such jobs—mostly replaced by machines or sent overseas—have gone the way of the muscle car. A good education, which in today's global economy means at least some type of post-secondary degree, now dictates success.

In 1964, a college graduate earned on average about $10,000 more a year than a worker with only a high-school diploma. Nearly 45 years later that gap has almost tripled as university grads have watched their paychecks steadily increase, while earnings for those without a college degree have barely budged.

"You know, in the past, you could go to the mills or General Motors and make good money," says Haskins. "But now if you want to make $40,000 or $50,000, you need some good education or serious skills training."

FOCUS ON KIDS

Child poverty is a chief concern among experts, who say that kids who grow up poor typically run into trouble as they get older.

According to research published by the Center for American Progress in 2007, children who experience deep and persistent poverty from birth to age 5 are more likely to earn less and suffer from poorer health over their lifespan. Girls who grow up poor are eight times more likely to become a teen parent, and boys are five times more likely to spend time in prison. Overall, poor kids are far more likely to drop out of school or end up in foster care.

These facts have policymakers worrying about both the well-being of our nation's children and the growing economic drag caused by reduced productivity, ballooning health expenditures and soaring incarceration costs. Those costs add up to nearly $500 billion, or 4 percent of U.S. gross domestic product annually.

That situation inspired Vermont Senator Racine. "We got into this work with a focus on children, not just to get them through the next day," he says, "but to give them a real chance to escape the long-term effects of poverty."

WINDS OF CHANGE?

After Johnson, poverty as a cause slowly faded from the national conscience. The economic boom in the 1990s and the perceived success of welfare reform seemed to push concern for the poor to the margins. In 2005, however, images from the aftermath of Hurricane Katrina, combined perhaps with John Edwards' populist-leaning presidential campaigns, reminded Americans of the poor.

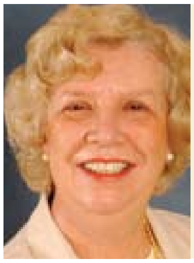
The financial crises, high food and energy costs, insufficient health care and unemployment have crept up the income strata, leaving more people struggling. That may be a double-edged sword for those who want more attention paid to the poor.

First, the downturn could mean poverty receives less attention because so many people are hurting. Although the economy figured prominently in all three presidential debates, the word poverty was never mentioned.

Second, many state legislatures adjourned before the real onset of the current financial meltdown, meaning lawmakers will return to a changed world, facing budget shortfalls that will hinder efforts to help the needy.

There is widespread anticipation that the new president will make poverty a priority, even if it's by another name. Barack Obama has promised to "make work pay" by increasing the minimum wage and investing $1 billion in job-training programs. He also would like to fully fund Community Development Block Grants and designate Promise Neighborhoods, where poverty is a scourge. These would be modeled after Geoffrey Canada's Harlem Children's Zone, a comprehensive effort that provides a host of services to families in order to get kids on a path to success.

Experts and policymakers will continue to debate what causes poverty, but most probably would agree the economic downturn will make poverty worse for workers and children.



REPRESENTATIVE
TERRY SCHOOLEY
DELAWARE

With predictions that rising unemployment could push as many as 10 million more people into poverty within three years, policymakers will be looking for new ways to build on and expand the success of welfare reform.

Representative Terry Schooley, who chairs Delaware's Child Poverty Task Force, remains optimistic that the incoming administration, along with the states, will address the full range of issues related to poverty and opportunity.

"The economic situation has made people more aware of the hardship faced by the poor," she says. "I have never heard so many-people tell me they're only one paycheck away from real trouble. So I'm optimistic that we're going to get a good discussion of these issues."

FACTS ABOUT POVERTY

37.3 million
Americans living in poverty

13 million
American children living in poverty

$13,540 annual income
Poverty income level for family of two

$16,530 annual income
Poverty income level for a family of three

$21,203 annual income
Poverty income level for a family of four

$25,080 annual income
Poverty income level for a family of five

$10,600 annual income
Extreme poverty income level for a family of four

Source: U.S. Census Bureau, based on 2007 figures