
Legislative Report

Commission to End Poverty in Minnesota by 2020



January 2009



Executive Committee Letter

Dear Friends:

The Legislative Commission to End Poverty in Minnesota by 2020 held its first hearing on August 2, 2007, the day after the tragic 35W Bridge collapse. Guided by a belief that government ought not to wait before taking important actions to promote the public good, we chose not to postpone this previously scheduled meeting. Ironically, before the Commission finished its work in January 2009, another collapse occurred — this time, in our nation’s financial markets — that made our antipoverty efforts more urgent.

The Commission was spurred by a broad consensus among people in faith communities that the existence of poverty, and our acceptance of it, counters the most basic values of justice. The “Common Foundation” document that inspired the legislation creating the Commission asserts that “all people are [to be] provided those things that protect human dignity and make for healthy life: adequate food and shelter, meaningful work, safe communities, health care, and education.”

In moving forward with our efforts, Commission members were inspired by the faith community’s belief in human dignity and compassion for others, values that formed the basis of the Commission’s work.

The Current Economic Crisis

While poverty was a serious problem when the Commission first met, it is an even greater problem now due to the economic crisis and the rapidly changing national and global economy.

Until the current crisis, predatory market practices and home foreclosures appeared to some to be distant problems confined to low income communities. Now we see how these problems in the housing market point to weaknesses in financial systems that led to the unraveling of many aspects of our economy.

Likewise, the number of working people using food shelves and homeless shelters before the markets collapsed points to the disturbing inability of current labor markets and wage rates to provide an income sufficient to provide for basic necessities of life. The economic “crisis” has increased the number of hungry and homeless people, but many were suffering before the crisis began.

The Commission observed that many middle-class people fell into joblessness, bankruptcy, and even homelessness due to inadequate health care access, and others were trapped in poverty for the same reason. Similarly, even before the spike in fuel prices, the Commission heard how the inability to afford transportation affected everything — the ability to get work, to get children to child care, to participate fully in community life.

Rebuilding our Economy

When the bridge collapsed, the state acted quickly. It was clear that our task was not to simply rebuild the bridge — but to design a stronger, better bridge — a bridge that would set new standards in terms of safety.

Minnesota must do the same in rebuilding our economy. We must build an economy that is stronger and meets the needs of all of people. We need an economy that restores work as a means out of poverty, that invests in developing occupational skills, and that values the potential of everyone. We must use all sectors of the economy — business, the faith community, government, and nonprofits — to address the flaws in the current economy and use the creativity and productivity of Minnesotans to ensure that all people can sustain their place in the community despite illness, age, disability or crisis.

As we work to rebuild our economy we need to recognize that poverty is an indicator of whether we are succeeding. Poverty signals the weak points where our economic infrastructure will, like the 35W Bridge, eventually buckle. We urge Minnesota and our nation to respond to this economic crisis with the same urgency and long-term view with which we rebuilt the bridge.

Steps We Can Take Now

Although the report focuses on a twelve-year effort to end poverty, we believe the current economic crisis deserves urgent attention and would be alleviated by taking the following actions immediately:

- Create an emergency jobs program that uses wage subsidies to help businesses regain their footing and employ out-of-work Minnesotans;
- Use proposed federal infrastructure dollars to address unmet transportation needs that have isolated people and hampered economic growth, particularly in rural Minnesota where affordable transportation alternatives are needed;
- Respond rigorously to predatory market practices that drive up the prices of goods in some communities and crowd out sustainable practices of legitimate businesses;
- Develop a federal and state partnership to restore work as a means out of poverty: increasing and expanding income tax credits for low wage workers and fully funding child care assistance and early childhood education programs;
- Repair our broken health care system, with the recognition that we cannot end poverty or fix the economy without addressing the rapidly increasing costs of health care and the inability of the system to offer full access to medical care for every Minnesotan.

Beyond the urgency of the immediate crisis, the rebuilding work must continue. The recommendations in this report form a blueprint for a stronger, more stable economy. All people contribute to the common good and we are a stronger, more prosperous state when we make use of those contributions.

As the Commission traveled the state, we witnessed the confident, selfless ways in which Minnesotans are working to end poverty and heard their pleas that the state join their efforts. The current economic crisis, while daunting, sharpens our resolve to end poverty in Minnesota by 2020. We are confident Minnesotans are ready to work with us to end poverty and ensure the prosperity of our great state.

The collapse of the 35W Bridge was a catalyst both for building something more enduring and thinking more deeply about how we invest in our infrastructure. The current financial crisis provides an opportunity to question our economy and financial practices and reshape them in a manner that does not leave many Minnesotans behind. We hope that the Commission's work will guide legislators and all Minnesotans as we strive for a better future for all.

Sincerely,

Rep. Carlos Mariani
Rep. Morrie Lanning

Sen. John Marty
Sen. Claire Robling



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Acknowledgements

The Commission could not have functioned without the support of thousands of Minnesotans who were willing to volunteer their time or simply tell their story. While we would love to thank each individual and organization by name, we are sure that any list we attempted to create would almost certainly fail to mention someone we wanted to thank. However, we do feel compelled to specifically thank both the Northwest Area Foundation (NWF) and the NWF's Strategies to Eliminate Poverty (STEP) initiative, based at The Seattle Foundation. Both of these organizations came forward to provide the Commission with additional funding for its work. Without the financial assistance of NWF and STEP, the Commission would not have been able to fund important aspects of its research, including policy simulations on some of its key recommendations.

In addition to the many nonprofit organizations, faith groups, community agencies, businesses and individual Minnesotans who assisted us in our work, we also want to acknowledge the legislators, legislative staff, and state employees who gave generously of their time in helping us conduct our research. Their contributions were invaluable. Staff members who assisted the Commission throughout its work are listed below:

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The Commission and the State of Minnesota are very fortunate to have such a strong base of support to further our antipoverty efforts. We are not only hopeful but also confident that the enthusiasm generated by this Commission's work will expand further with this report, and that along with our partners in the faith, nonprofit, and business communities, as well as all concerned Minnesotans, we can, and will, end poverty in Minnesota.

Final Report of the Legislative Commission to End Poverty in Minnesota by 2020

Executive Summary

Introduction

The Legislative Commission to End Poverty in Minnesota by 2020 began its work in June 2007 and finalized its recommendations in January 2009. The Commission's overall mission and vision are captured in both its name and its guiding principles, which were first articulated in the Minnesota faith community. The consensus in the faith community is that the existence of poverty, and our acceptance of it, counters the most basic values of justice.

Even with the economy currently in recession, the Commission believes there is a strong case to be made for working towards ending poverty. Failing to address poverty will threaten the economic viability of the state, since it robs the state of needed resources. Working to end poverty also focuses our attention on what's important in our community and in our lives. And with over 482,000 Minnesotans living in poverty according to a 2007 survey, it is simply the right and compassionate thing to do.

Research Focus

The Commission's overall objective was to examine the nature of poverty in Minnesota and identify opportunities for addressing both short- and long-term poverty. To achieve these objectives, the Commission conducted in-depth research employing the following primary and secondary research methods:

- Four full hearings at the state capitol to discuss the issues and hear testimony from state experts, advocates, and others.
- Ten listening tours covering all major regions of the state to study poverty firsthand.
- Research to gather facts and statistics, interview experts, and explore best practices.
- Numerous meetings, including a full-day retreat in June 2008, to analyze findings and deliberate on possible solutions.

This research included ongoing consultations with the Urban Institute, a leading public policy think tank located in Washington, D.C. Working with the Institute, the Commission identified policies to be tested for possible inclusion in the final recommendations. The Institute ran simulations applying these policies and using the National Academy of Sciences (NAS) poverty definition as a basis for the research. The full report includes detailed information on this work.

Key Challenges Identified in the Research

The research revealed that while Minnesota continues to rank highly relative to other states on a number of indicators, including poverty rate, workforce participation, and college graduation rates, some key issues and barriers exist that are contributing to poverty in Minnesota. During its deliberations, the Commission identified six broad challenges:

Challenge one

If work is truly going to represent a way out of poverty, then the jobs available to Minnesotans, and the wages those jobs pay, must be adequate to move people toward financial self-sufficiency. In addition, those who want to work but who need additional support to do so must receive the assistance they need.

Challenge two

Public assistance programs must work to move people toward financial self-sufficiency. Too often well-intentioned programs end up having the opposite effect, especially when they lead to asset depletion as a condition for participation. In addition, better integration of programs and enhanced automation of services are needed.

Challenge three

To become fully self-sufficient financially, Minnesotans must be able to move beyond mere survival to the point where they are building and maintaining assets. That means that their already inadequate resources must not be further depleted through predatory financial practices. Greater financial literacy is needed to reduce vulnerability to such practices.

Challenge four

To function well and remain economically viable, Minnesota needs strong communities characterized by two broad elements: a strong physical infrastructure that includes affordable housing and transportation, and another, more personal infrastructure that allows individuals to support each other in a safe and healthful environment as they move towards financial independence.

Challenge five

One of the best ways to prevent and move out of poverty is through education—starting in early childhood and extending throughout life. Although Minnesota is known for its excellence in education, there are disturbing trends—continuing disparities in access and outcomes by race; and an urgent need to modernize our education system to address issues of global competition and technological shifts that are changing the nature of work.

Challenge six

Finally, our recommendations will not yield results unless we build and maintain a structure for monitoring our efforts. That structure needs to include tools and strategies for refining our definition of poverty; building public awareness about poverty; working to understand and share best practices; and carefully monitoring the impact legislation has on our antipoverty efforts.

In addition to these challenges, the Commission recognizes other major issues that must be addressed—persistent poverty by race and gender, and the growing **health care crisis**. The full report offers a special look at each of these areas.

Final Report of the Legislative Commission to End Poverty in Minnesota by 2020

Executive Summary

The Commission's Recommendations

In crafting its recommendations, the Commission had three primary objectives in mind—to help Minnesotans become more financially self-sufficient; to build assets at both the individual and the community levels; and to eliminate barriers preventing those living in poverty from finding gainful employment and moving forward with their lives.

Details of the recommendations are available in the full report. Below are six broad strategies for ending Poverty by 2020, with examples of recommendations the Commission has made under each strategy.

- **Restore work as a way out of poverty.**
Increases to the minimum wage; expansion of tax credits for working families; childcare assistance for more working families; and tax incentives for businesses are included in this category.
- **Refocus public assistance to streamline services and support everyone's capacity and potential.**
Integration and automation of public services; more uniform eligibility criteria for services; and increases in food support participation are included.
- **Help Minnesotans build and maintain financial assets.**
Public assistance policies that encourage maintenance of assets; banning of predatory financial practices; restrictions on the use of personal credit information, and financial literacy education are included.
- **Revitalize our communities through infrastructure and person-to-person support.**
Increased federal and state support for affordable housing; better access to transportation; support for caregivers; and community-based initiatives to help at-risk youth are included.
- **Modernize our system of education to build the best workforce in the nation.**
Enhanced early childhood education; extension of technical education programs; and implementation of the Governor's Workforce Development Council initiatives are included.
- **Develop an ongoing structure to monitor Minnesota's efforts to end poverty.**
Creation and implementation of a public awareness campaign and development of poverty impact statements to assess the likely effects of legislation on low-income Minnesotans are included.

Included with the recommendations are brief profiles of several organizations and programs doing work related to the Commission's recommendations. Featured programs include Search Institute's 40 Developmental Assets; the Itasca Project's Mind the Gap initiatives; Family Assets for Independence in Minnesota (FAIM); Northern Connections; Minnesota Community Action Partnership's Circles of Support; Achievement Plus Schools; and the Department of Employment and Economic Development's Pathways to Employment program.

Next Steps and Benchmarks

Development of the recommendations is only one step in the process. To ensure that the Commission's recommendations are effectively communicated and monitored over the long term, everyone with an interest in these issues—Commission members and staff; the Minnesota legislature; nonprofit and faith organizations; the business community; and concerned Minnesotans—must do their part.

In addition, if real progress is to be made, specific goals and benchmarks must be set. Overarching benchmarks identified by the Commission's Benchmark working group include:

- Reducing poverty rates among racial minority groups to the national average by 2012
- Reducing poverty rates among children by half by 2014
- Eliminating poverty by 2020

For additional information on strategies for communicating and monitoring the recommendations, as well as benchmarks identified for the six recommendation strategies identified above, please see the Next Steps section of the full report. Included are benchmarks relating to employment; poverty among people with disabilities; disparities in net worth; post-secondary education; and worker productivity.

For more information on the Commission

In June 2008, the Commission published its interim report. Highlights of that report are available in Appendix C of the full final report. Readers can also download a copy of the interim report on the Commission's website at www.lcep.leg.mn.

The Commission's website also includes audio and video archives of hearings; background information and documents from the listening tours; and a selection of national and local resources on poverty. Also included on the site is an anthology created by community action agencies and their partners throughout the state, and a slide show created by first-year photography students at Central Lake College. For details, select the What's New? link on the site.

Introduction

Welcome to the final report of the Legislative Commission to End Poverty in Minnesota by 2020. This report represents the culmination of nearly two years of study and collaboration between the Commission, the faith community, nonprofit organizations, businesses, and Minnesotans throughout the state.

We hope you will find this report both informative and inspiring. In the report, you'll read not only about the Commission's work and recommendations, but also about organizations that are making a real difference in our state through their outreach and service to those in need. Ending poverty must be a collective effort, and these and other organizations in Minnesota show how it's done!

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Learn more in the Commission's interim report

In June 2008, the Commission published its interim report. That report, which includes background information on the Commission, detailed findings, and other reference materials, serves as a companion piece to this report. To learn more about the report and obtain a copy, please see Appendix C.

“In untold and unseen ways, poverty harms our nation economically, socially, and morally. Deep down, most Americans realize that widespread economic insecurity and poverty are fundamentally at odds with our most basic democratic values...”

— from Catholic Charities’ 2006 Policy Paper *Poverty in America: A Threat to the Common Good*

The Case for Ending Poverty in Minnesota

With the U.S. economy officially in a recession, some people question whether it is realistic to launch a major antipoverty effort, and how much of an impact such an effort can really make.

But as the name of our commission makes clear, our purpose is not to think in the short term. Ending poverty means taking the long view, examining the root causes of poverty and seeking to end it, not just manage its symptoms.

Of course, poverty is of special significance during an economic downturn, and there are compelling reasons to address it sooner rather than later.

Ending poverty benefits all Minnesotans.

Poverty has a negative effect on the economy. Failing to address poverty has diminished the economic viability of the state, with negative consequences for all Minnesotans. To allow poverty to continue is to rob our state of the talent, skills, and contributions our economy and communities need.

It focuses our attention on important issues.

Just as the collapse of the 35W bridge drew sharp attention to a crumbling physical infrastructure, the poverty we see around us, whether long term or emerging from the current economic crisis, focuses our attention on issues important to all Minnesotans—our economy, our communities, and the way we live our lives.

It’s the right and compassionate thing to do.

Poverty robs people of dignity. According to the U.S. Census Department’s American Community Survey, over 482,000 Minnesotans were living officially below the poverty line in 2007. Helping our fellow Minnesotans achieve dignity and financial self-sufficiency is simply the right thing to do.

While our goal is to end poverty by 2020, we also know that the effects of poverty are much more immediate. Only by dealing with poverty in the short term can we realistically move forward with knowledge and conviction. That means caring for those who are suffering now while planning for a better future for all Minnesotans.

“The Minnesota Legislative Commission to End Poverty in Minnesota by 2020 will fail, just as the 1986 commission failed, unless they recognize poverty’s causes and intervene.”
—*Minnesota Daily*, Sept. 5, 2007

Overcoming Pessimism

The author in the quote above was referring to an earlier commission under Governor Rudy Perpich that led towards some improvements, such as the Working Family Tax Credit, but which did not end poverty in Minnesota.

Ending poverty is our goal, not merely continuing to manage it. Recognizing the causes of poverty is essential for meeting that goal. In this report you will find some discussions of what the Commission believes are the causes of poverty, based on its own research and the research of top experts on the issue. You will also find recommendations for both long- and short-term strategies that address both the core causes and the immediate effects of poverty on Minnesotans today.

One commission cannot “intervene” to make everything right. What a commission can do—and what the commission has done—is think deeply and broadly about where and why poverty is happening in Minnesota, what is being done about it, and whether those efforts are working or not.

Key values toward a poverty-free Minnesota

As we worked through these issues, three values emerged which shaped our thinking and our recommendations:

- People are assets to society, rather than a burden to be managed.
- For those who can work, employment is the best means toward self-sufficiency and self-empowerment.
- Communities, families, and individuals have a role in achieving self-sufficiency.

It is easy to dismiss those living in poverty as expenses to be managed; and too often, programs and services serving them are driven by, and focused on, budgets. While it is critical that programs be run wisely and cost-effectively, the larger goal must be to help Minnesotans toward economic self-sufficiency and self-respect as productive, tax-paying citizens. For most Minnesotans, that goal is best met through work. The state has a central role to play in ensuring a healthy economic climate and a strong educational system, but some aspects of work readiness ultimately come down to personal responsibility, a value that is best fostered in strong homes supported by strong communities.

Of course, the issue of poverty in Minnesota is much larger and more complicated than the work readiness of its citizens. Minnesotans need to understand the nature of poverty in Minnesota, including where it is most concentrated and why. We must look at how poverty is defined, what that definition really means, and whether or not it requires revision.

We must also examine government programs to ensure that they help solve, rather than perpetuate, the problem of poverty.

Another essential piece of the puzzle is the role government should play relative to other groups, including faith groups, nonprofits, businesses, and individuals, in ending poverty. While ending poverty must be a shared responsibility, how that responsibility is best distributed requires serious thought and an ongoing dialogue involving everyone concerned. As Minnesota moves from managing poverty to ending it, each of us will have a role to play.

“All people need to work together to overcome poverty, and this work transcends both any particular political theory or party and any particular economic theory or structure.”

—from the Commission’s Guiding Principles

Our Approach

Poverty is a multifaceted problem with multiple perspectives to understand. That’s why from the beginning, we sought out diverse voices and viewpoints and resolved not to let “politics as usual” get in the way of frank and thoughtful discussion. The makeup of the Commission, split equally between Democrats and Republicans, helped ensure that the best ideas from both parties were on the table.

An outcomes-based approach to ending poverty

In our discussions, we also made a concerted effort to move beyond the traditional categories used in addressing poverty issues, because that might have limited our discussion to more narrow areas of concern. To ensure that this did not happen, we approached our task with what Stephen R. Covey would call “the end in mind.” The objectives we had in mind, posed as questions below, helped us begin to sort through the many issues before us:

- How can we help Minnesotans living in poverty meet their basic needs and become more financially self-sufficient?
- Once they secure a basic level of financial security, how can we help them build the assets they need to achieve a higher level of self-sufficiency?
- What barriers stand in the way of Minnesotans gaining financial self-sufficiency, and how can we work towards removing or easing those barriers?

Of course these questions are not easy to answer. Rather than leading to quick, self-evident solutions, they tend to lead to more questions. In particular, the third question forced us to raise some uncomfortable, but essential, questions about how and why people fall into and stay trapped in poverty. A key question was whether the programs offered to help those in poverty might, in some cases, be making the situation worse. As the story below reveals, the issue isn’t necessarily the quality of the services offered—it’s often the *conditions* under which such services are either offered or denied that are the real problem.

When eviction is your last, best hope

On a local call-in radio show on which Commission members were invited to talk about their work, a caller explained that she and her partner were about to have their utilities shut off. When she contacted a service agency for advice, the counselor told her that if she and her partner were *evicted* from their apartment they would qualify for the emergency assistance.

Clearly upset and near tears as she told her story, the caller explained that the \$13 an hour she earned put her above the limit to qualify for emergency assistance. The problem? She was the sole wage earner and her partner was disabled. His condition required that they regularly purchase medical supplies, which made it hard to pay for other necessities.

Obviously, the story here is much deeper than the issue of making too much to qualify. Had the caller stayed on the line and revealed more of her story, the audience may have heard more about her partner's disability and the employment, health care, and financial issues it raised. But other callers were waiting, so the host moved on.

The Commission members were moved by the caller's dilemma. Her story, and similar stories Commission members heard during hearings and on listening tours, helped them better understand the people behind the statistics and the heartbreaking situations they face.

Please see the Recommendations section of this report for ideas on addressing some of these important issues.

More study is needed to truly understand poverty

Despite months of hearings, tours, and meetings to discuss the issues and develop our recommendations, we were struck by how much we still don't know—and Minnesotans still do not understand—about poverty and how it affects both individual lives and the overall economy of the state.

We also recognized that state legislators are not always well informed on how their work affects people in poverty. Still another observation was that despite the significant work service providers in all sectors have done to network with each other and share resources, much remains to be done to ensure that services are better coordinated and best practices shared.

A key set of recommendations (see strategy VI, "Develop an ongoing structure to monitor Minnesota's efforts to end poverty" in the Recommendations section) is focused on how we can better gather and communicate information about poverty. If we intend to end poverty by 2020, it will be essential that we stay informed and vigilant as we move forward. This will require that we learn what works and what doesn't.

“Hearing and reading about poverty are important ways to gather information, but powerful transformation occurs when people spend time together.”

— from welcome letter to the Commission from the Diocese of Duluth

Exploring the Issues: Conducting Research on Poverty

In our exploration of poverty in Minnesota, not only did we seek out many voices and viewpoints, we also employed a broad-based approach to information gathering to ensure we looked at poverty from many different angles. Sometimes this meant consulting with experts who studied poverty; other times it meant visiting shelters to meet people living in poverty.

Over the 18 months that the Commission conducted its work, our approach to gathering information included the following:

- **Four full hearings** in which the full Commission met to discuss the issues and hear testimony from advocates, social scientists, business leaders, and people living in poverty.
- **Ten listening tours** of the state, in which Commission members visited churches, food shelves, and other agencies and organizations serving the poor, and spoke to people one-on-one.
- **In-depth research** by Commission and legislative staff to gather statistics on poverty in Minnesota, interview experts, and explore best practices and alternative methods for curbing poverty.
- **Numerous meetings**, including a full-day retreat in June 2008, in which Commission members analyzed findings, consulted with experts on poverty and, ultimately, developed the recommendations in this report.

These activities reinforced and informed each other. At hearings and on listening tours, we saw the faces behind the statistics we were gathering through our research. And in our meetings, we brought our own experiences, both personal and legislative, to the table. All of this combined to enrich our understanding of poverty and strengthen our determination to find solutions.

Defining, measuring, and exploring poverty in Minnesota

A fundamental goal of our research was to define the nature of poverty in Minnesota. This included questioning how we are defining our terms, and whether the tools we’re using to measure and deal with poverty are adequate. We also asked some local experts—economists and others who study poverty in Minnesota and understand its dynamics—how they think the state is doing and where it’s headed in the future.

In the sections that follow we provide a brief overview of some of our observations and findings, including a discussion of our work with the Urban Institute, a leading public policy think tank. But we start with some definitions, because one of the biggest problems in dealing with poverty is defining it much too narrowly.

“Just what does it mean to be poor? Some would argue they know poverty when they see it. Others would claim that people who are poor can tell you who they are. But this is not sufficient for effective public policy. Some specifics are necessary for clarity of program and purpose.”
—from *Rooting Out Poverty*, Community Action Partnership

The roots of poverty: defining our terms

Ending poverty in Minnesota will not be possible until we understand it fully, and that requires examining it in all its dimensions. A key problem for Minnesota and other states is the use of the federal poverty measure to decide who is poor and who isn't. That measure is seriously flawed, a topic we address in more detail in the next section.

For now, it's important to note that the federal poverty guideline, which focuses on household income, offers an extraordinarily narrow view of poverty. **Poverty is not just a lack of income—poverty also means not having assets, not having a decent place to live, and not having hopes and dreams for the future.**

The elements of economic well-being

The factors below work together and reinforce one another, and can create either poverty or economic well-being: An inadequate income makes it hard to accumulate wealth. Lack of wealth limits where you can live. And where you live can affect your self-esteem and how you view your prospects.

Income. Income is what you earn through salary and wages after taxes. It can also include non-cash items such as food stamps and housing assistance. We use our income to get by on a day-to-day basis.

Wealth. Wealth represents assets such as homes, bank accounts, credit lines, and educational credentials. It also includes social assets such as professional associations and personal networks. We use our wealth to get ahead.

Place. Place is where you live and how that affects your prospects. Place is of interest to sociologists and other experts because it can predict and explain factors of poverty that go beyond income and wealth.

Beliefs, attitudes and values. These are the psychological, social, and cultural factors that can affect whether or not you live in poverty. These can be positive or negative and can come from within or be present in the larger society.

Minnesota's distressed neighborhoods, those characterized by limited economic opportunity, failing schools, and higher-than-average crime levels, are an example of these dynamics at play. And as we'll see later in this report, despite gains that have been made, racial and ethnic minorities and women continue to fall behind economically due to a number of complex factors.

“While this methodology for calculating a poverty line was fine in 1963, and was based on the best data available, it is seriously flawed in 2008.

There is no other economic statistic in use today that relies on 1955 data and methods developed in the early 1960s.”

— Economist Rebecca Blank, presentation to the House Ways and Means Committee, July 17, 2008.

How we measure poverty in Minnesota

In Minnesota, as in all other states, poverty is calculated using the official federal poverty level, published by the U.S. Census Bureau, which determines poverty rates based on annual household cash income. As we’ve seen, income is only one aspect of poverty, so focusing on income tends to mask other aspects of poverty.

But even as a measure of what’s adequate in terms of income, the federal poverty measure is flawed.

The table below shows three ways of measuring poverty: the federal poverty measure; the National Academy of Sciences (NAS) measure; and the relative measure, which is used in European countries. Both the federal poverty measure and the NAS measure are considered “absolute,” in that they refer to a specific amount, or line, above or below which income falls. The relative poverty measure considers income relative to what the majority of households are making. It is stated as a percentage (e.g., 50%).*

For each measure, the poverty threshold is given, along with an explanation of how non-cash income; out-of-pocket medical expenses; work expenses, and taxes are treated. Notice that the NAS measure considers these as resources and expenses, while the federal poverty measure does not.

Item measured	Federal Poverty Measure	NAS Poverty Measure	Relative Measure at 50% of Median
Poverty threshold (minimum level of income deemed necessary to achieve an adequate standard of living)	Updated yearly but based on outdated assumptions about consumption	Based on current consumption needs	Based on median family income
Non-cash income (e.g., food stamps, etc.)	Not considered as part of resources available	Cash-like benefits included as income	Not considered
Out-of-pocket medical expenses	Not considered as an expense	Deducted from income as an expense	Not considered
Work expenses (e.g., childcare)	Not considered as an expense	Deducted from income as an expense	Not considered
Taxes	Not considered as an expense	Deducted from income as an expense	Not considered

Federal, NAS and Relative Poverty Measures

* Note that the relative measure is shown here for informational purposes only. Since the U.S. tends to look at poverty from a subsistence standpoint and the relative measure looks at poverty from an equity standpoint, the differences between the two are too great to consider adopting the relative measure in the U.S. at the present time.

Weaknesses of the federal poverty measure

As the table above illustrates, the federal poverty guideline has a number of shortcomings that make it an inadequate measure both of poverty and of the effectiveness of antipoverty programs:

- It is based on an outdated food consumption survey developed in 1963, when food represented approximately one-third of the typical family's budget. Food now represents only about one-sixth to one-seventh of a typical budget.
- The measure does not account for work expenses such as child care, transportation and taxes, resulting in an unrealistic estimate of what a typical family needs to survive day-to-day.
- The measure does not include non-cash income such as food stamps, so it fails to provide useful data on the impact of government assistance to the poor. This makes programs difficult to evaluate adequately.

Criticism of the measure has grown in recent years. Rep. James McDermott (D-Wash.) and Rep. Jerry Weller (R-Ill.) have both introduced bills calling for its revision. The U.S. Conference of Mayors and poverty experts throughout the U.S. have also called attention to the measure's shortcomings and proposed the adoption of a more comprehensive measure, such as the one introduced by NAS in 1995.

Advantages of the NAS measure

The NAS measure has two key advantages over the federal poverty measure. First, by taking more factors into account, it can help determine more accurately what resources individuals and families have available. Second, because it considers sources available through government programs, it helps determine whether those programs have a measurable impact.

- It considers out-of-pocket medical expenses, work expenses (such as childcare), and taxes, so it provides a much more realistic picture of what income is actually left over for other uses.
- It considers cash-like sources such as food stamps, so provides information about the impact of government programs not available when using the federal poverty measure, which doesn't count these sources.
- In addition, NAS is based on Census Bureau data, just as the federal poverty guideline is, so it can be used for comparison purposes (comparing with previous years or with other states).

As a commission charged with making recommendations to end poverty in our state, we want a poverty measure that will provide a realistic picture of which Minnesotans are in need and what it costs to live in our state, including differences between rural and urban areas. We also want a measure that will yield better information about how well our antipoverty programs are working. That's why we are recommending the use of the NAS measure in Minnesota. Please see strategy VI, "Develop an ongoing structure to monitor Minnesota's efforts to end poverty," in the Recommendations section for specifics on this recommendation.

The NAS measure is not perfect, however. As currently used, it does not include those who are homeless or in some institutions, and when looking from a statewide perspective, it can hide areas of concentrated poverty. But used in conjunction with other measures such as poverty by race, high school graduation rates, and teen pregnancy rates, the measure will help state leaders obtain a more accurate and holistic picture of poverty in Minnesota.

In addition, we believe that Minnesota should continue to study how poverty is measured outside of the United States, such as relative measures used by European countries. Because such measures highlight income disparities and quality of life issues, rather than just subsistence, studying them may very well yield important insights into how our public policy decisions impact financial equity as well as poverty.

Working with the Urban Institute

The Urban Institute gathers data, conducts research, evaluates programs, offers technical assistance overseas, and educates Americans on social and economic issues — to foster sound public policy and effective government.

—Urban Institute Mission Statement

A crucial element of our research has been working with the Urban Institute, a nonpartisan economic and social policy think tank located in Washington, D.C. The Institute uses state-of-the-art methods and technology to analyze policies and programs. It works with the federal government, state and local governments, and other organizations and agencies to help them save time and money by identifying the most effective programs to implement.

The Commission was interested in working with the Institute on two key pieces of analysis: (1) estimating the poverty rate in Minnesota using the National Academy of Sciences (NAS) poverty definition; and (2) running simulations to determine the effects of various policies on poverty in Minnesota.

NAS poverty definition

The Urban Institute's first step in the process was to estimate the poverty rate in Minnesota using the NAS definition. Minnesota currently measures poverty levels using the federal poverty measure, which, as mentioned earlier, is inadequate in two fundamental ways. First, it is based on outdated assumptions of what families need to consume to meet their basic needs. Second, the measure does not adequately measure resources families have available. The NAS definition is widely considered more comprehensive in measuring both of these areas. (For more on how the NAS definition compares to the federal poverty measure, please see page 17.)

When the NAS poverty definition was applied, Minnesota had a higher poverty rate than measured under the federal poverty guideline. This provided a baseline on which to measure the effects of a number of policies the Commission designated for simulation. Because the NAS measure also includes cash-like benefits such as food stamps, which the federal poverty measure does not, using the NAS measure also sheds light on program outcomes.

Policy simulation using multiple programs

Policies chosen for simulation were based on legislative proposals and best practices identified by national experts, as well as the experiences of both the Urban Institute and the Commission. A number of simulations were run, including various levels of minimum wage increases, different Earned Income Tax Credit (EITC) policies, food program participation rates, and other policies. Testing revealed that the following five policies, if implemented, would have the most far-reaching and cost-effective economic impact.






- A \$9.50 per hour minimum wage.

- An expanded EITC aimed at childless workers and working spouses.
- Guaranteed child care subsidies for families below 300% FPG with co-payments capped a 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.

At the Commission’s request, the Institute simulated a combination of these five policies to determine their combined impact using the Transfer Income Model, Version 3 (TRIM₃), a comprehensive microsimulation model. The simulation revealed that, if implemented, these policies would reduce poverty in Minnesota by 27.4%, thereby potentially getting Minnesota a quarter of the way to the Commission’s goal.

The table below shows the combined effect of the policies:

Policy Simulation: \$9.50 Minimum wage, Expanded EITC, Guaranteed Child Care Assistance, 85% Food Support Participation, Expanded Education

	All persons by family type				
	 All persons	 Children under age 18	 In families with children	 In families with a person over age 65	 In other families
Baseline					
Number poor or low income (in thousands)					
Below 100% NAS poverty	466	109	197	56	214
Between 100% and 200% NAS poverty	1,415	392	760	277	378
Total below 200% NAS poverty	1,881	500	957	333	592
Percent in poverty (below 100% NAS poverty)	9.1%	8.7%	7.6%	8.2%	11.4%
Percent in or near poverty (below 200% NAS poverty)	36.6%	40.3%	36.9%	49.4%	31.5%
Policies combined, with job effects*					
Number poor or low income (in thousands)					
Below 100% NAS poverty	339	69	120	52	167
Between 100% and 200% NAS poverty	1,255	343	650	269	336
Total below 200% NAS poverty	1,594	411	770	321	503
Percent in poverty (below 100% NAS poverty)	6.6%	5.5%	4.6%	7.7%	8.9%
Percent in or near poverty (below 200% NAS poverty)	31.0%	33.1%	29.7%	47.7%	26.8%
Effect on poverty: Policies combined					
Reduction in poverty rate	2.5%	3.2%	3.0%	0.5%	2.5%
Reduction in poverty or near poverty rate	5.6%	7.2%	7.2%	1.7%	4.7%
Additional key data					
Workers with a new job (thousands)	35				
Net change in wages (\$ millions)	\$10,591				
Government cost (\$ millions)	(\$2,616)				

* Simulations assume that the higher minimum wage would lead to disemployment for some; the EITC, Child Care subsidies and employment and training (E&T) would lead to increased employment and earnings. Assumptions based on empirical economics literature and reasonably strong labor demand. (See Appendix B.) Government costs do not include E&T costs.

When employment effects are included, the combination of a \$9.50 Minimum Wage, Child Care guarantee to 300% of poverty, 85% food support participation rate, and education and training could reduce the overall poverty rate from 9.1 to 6.6. When we look at sub-categories, we find the following:

- Children as a group could see a drop in poverty from 8.7 to 5.5, or by 3.2 percentage points.
- Families with children, as a category, could see a drop in poverty from 7.6 to 4.6, or by 3.0 percentage points.
- Families without children, as a category, could see a drop in poverty from 11.4 to 8.9, or by 2.5 percentage points.
- Families with elderly members would see the least impact of these policies, with an estimated drop in the poverty rate of only 0.5 percentage points.

The combined effect of these policies could result in up to 35,000 additional Minnesotans in the workforce and an increase in net wages of over \$10 billion. Because the cost of implementing the education and training policies is not included, the total cost of these combined policies is difficult to estimate.

The combined policy simulation shown above is a good example of how poverty might be alleviated in Minnesota, but it is not the only option. Several of the recommendations in this report are based on Urban Institute simulations. Please see the Recommendations chapter of this report for details. Also, please see Appendix B for more information on our work with the Urban Institute, including references to assembled research and details on the methodology.

For details on the Urban Institute’s methodology using the TRIM3 microsimulation model, including references to associated research, please see Appendix B in this report. The Recommendations section of this report also includes results of individual simulations that informed the recommendations.

“Basically our future is how well we educate our children. If we don’t do that, we don’t have much of a future.” — Tom Gillaspay, Minnesota State Demographer

Asking the experts

As part of our research into poverty in Minnesota, we interviewed several local experts to get their views on what they thought were key issues, both now and into the future. The majority have advanced training and expertise in economics, and all have in some way dealt with poverty in Minnesota.

Interviewees included the state demographer, the state’s labor market information director, professors at the University of Minnesota and local colleges, a journalist specializing in personal finance, and an administrator who had worked directly with clients in one of the state’s human services programs.

During the interviews, one theme repeatedly emerged—that Minnesota is a strong state with a diverse economy and a strong “brand,” particularly with regard to education, but that the brand was currently slipping and in danger of slipping further.

The state is still strong, but challenges loom

According to the experts we interviewed, Minnesota has been economically strong relative to other states. Our economy is diverse, our poverty rate is low, and our employment and workforce participation rates are high. And generally speaking, we have an excellent education system that produces highly motivated and productive workers. Still, challenges are emerging:

Emerging challenges

- Demographic shifts suggest that workforce planning and education must increasingly include opportunities for immigrants, older workers, and other nontraditional workers. As Baby Boomers retire, highly skilled replacement workers will be needed.
- Workers must have a broad base of skills that allows them to quickly relearn and retool as new industries emerge and jobs require higher skills. Continuing and lifelong education will be more important than ever.
- A high school diploma, once enough to obtain a good job, is increasingly inadequate for anything but low-paying service jobs, and will no longer be adequate in the future for better-paying jobs. Two to four years of training, at minimum, will be required.
- Education and training opportunities must go beyond the standard bachelor's degree to include training in high-skilled, high-demand industrial work such as advanced automotive work or green technology.

Persistent poverty is an ongoing challenge

While these are challenges Minnesota needs to meet to maintain its strong economic standing and ensure that Minnesotans prosper, other, more persistent problems exist that require additional attention, especially persistent poverty in our inner cities, on reservations, and increasingly in our suburbs. The experts we interviewed believe that intergenerational poverty is a critical issue in Minnesota that must be addressed.

Several experts noted that women in Minnesota rate very high on a number of factors relating to health, education, and employment, most notably their workforce participation rates. **Despite these bright spots, women continue to be overrepresented in the ranks of poverty in Minnesota.** We explore that situation, as well as the connections between race and ethnicity and poverty, in the special section that follows.

Poverty and the overall economy

Finally, it is critical to note that poverty does not occur in a vacuum. It is part of a larger economic context in which events at the state, national, and global levels can impact the lives of all Minnesotans. We see this occurring from the current economic crisis and resulting budget shortfalls.

As we work through this crisis, it's important to keep in mind that ignoring poverty is not an acceptable option. Poverty tends to beget poverty, not just in families but in entire communities, and even at the state level. As several experts warned, if we don't address these issues now, including shortfalls in educational achievement and work readiness, the state will begin to lose some of its traditional attractiveness to businesses. This would further aggravate an already critical situation.

Race, Gender, and Poverty

“Where groups end up has everything to do with where they start, and we don’t all start in the same place. There is a dramatic racial wealth gap in this nation [and this state].”

—Dr. Rose Brewer, Professor of African American and African Studies,
University of Minnesota

In making our recommendations, we wanted to ensure that we included solutions that have proven to be effective for all Minnesotans. When it comes to race and gender issues, however, things become much more complex. Although most if not all of the recommendations we have made to alleviate poverty in general will also help minorities and women, no one single recommendation can be applied that will suddenly turn the tide or make all the vexing issues go away.

What we can do is focus a spotlight on some of the issues—in particular the striking statistics—that show the extent of these disparities. It is essential that we continue to explore these challenges if we want to end poverty in Minnesota.

Race and Poverty in Minnesota

Race and ethnicity are major determinants in Minnesota of whether one is poor. For instance, although the poverty rate among white Minnesotans is the sixth lowest in the nation, only Mississippi and Louisiana have higher poverty rates among African Americans.

Below are poverty figures by race and ethnicity based on the 2006 American Community Survey produced by the U.S. Census Bureau. The figures show percentages of groups living at 100 and 200 percent of the poverty line.

Poverty by Race and Ethnicity		
<i>Ethnicity</i>	<i>100%</i>	<i>200%</i>
Asian and Pacific Islander	17.3	31.9
Black American	32.7	56.5
American Indian	29.7	53.4
White American	7.4	20.8
Hispanic, of any race	20.6	58.3

Note: Figures exclude persons residing in group quarters.

Source: 2006 American Community Survey.

According to the 2007 Official Poverty Thresholds, a family of four living at 100 percent of the threshold would have a household income of only \$21,203.

Wealth disparities by race and ethnicity

As stark as incomes figures are, they don't tell the whole story. As we have discussed, financial self-sufficiency is not just a function of income; it is also related to wealth, the financial assets one has accumulated over time. A lack of wealth impacts access to education, the ability to obtain credit, and prospects for leaving assets for future generations.

The table below shows figures reflecting the average net worth of African Americans, Latinos, and White families in the United States in 2004.

Net Worth by Race and Ethnicity	
<i>Racial Group</i>	<i>Net Worth</i>
African American	\$ 20,600
Latino	\$ 18,600
White	\$ 140,700

Source: Survey of Consumer Finances, Federal Reserve Board, 2006.

Net worth reflects assets minus debts, or what you own minus what you owe. As the figures above reveal, African American and Latino families are at a significant disadvantage compared to White families when it comes to wealth. Their estimated average net worth, \$20,600 and \$18,600, respectively, represents only 15% and 13% of the estimated average net worth of White families, which is \$140,700.

The connections between race and poverty are complex. There are myriad issues—disparities in educational outcomes; disparities of wealth; and continuing segregation driven by complicated social and economic forces. Those disparities—as well as disparities by income and place—inspired a group of business and community leaders to sponsor a report titled *Mind the Gap* (2005). Although this report looks specifically at the Twin Cities metro region, the analysis and conclusions can be applied to the state as a whole:

“In addition to an egalitarian desire to reduce disparities, ‘minding the gap’ may also be critical to the region’s economic competitiveness. Reducing disparities can promote a strong future workforce, improve the region’s fiscal situation, and build a healthier region.”

Minnesota’s population is growing more diverse every year. As we move into this new century, our ability to carry forward a strong, resilient economy requires that we not carry forward such stark economic disparities. Minnesotans have already proven their ability to develop economic opportunity through innovation and high quality in both the public and private sector. We will have to continue that legacy alongside a commitment to ensuring access to opportunity reaches into all communities.

“During the Commission’s listening tours, the majority of those testifying were women. The Commission could not deny the fact—in statistics and in story—women are often the face of poverty in our state.”

–Amy Brenengen, Director, Office on the Economic Status of Women

Women and Poverty in Minnesota

That women are among the poorest Minnesotans is vexing to those who study their economic status. That reality remains despite the considerable progress women have made in the state in the last twenty years. Women’s workforce participation rate is high. We rank second in the nation for women’s health, and we have the fourth highest proportion of women in the legislature in the nation.

Yet while women have advanced economically in Minnesota, the statistics on women and poverty continue to be troubling. The table below outlines facts about women and poverty by issue.

<i>Issue</i>	<i>Notable statistics</i>
Poverty level	Approximately one in four women age 16 and over in our state is low-income and living below the federal poverty level.
Earnings	Women who work full-time continue to earn, on average, only 79.3 percent of what men earn , and nearly one in four women are concentrated in low-paying service oriented jobs.
Marital and household status	A single female-headed household with children under age five is 12 times more likely to be living in poverty than the equivalent married-couple household.
Domestic and sexual abuse	In 2006, 610 felony domestic assaults were filed in the state. And of the 61,000 Minnesotans sexually assaulted in 2005, four out of five victims were women.
Age and poverty	According to the 2004 Survey of Income and Program Participation, the median annual private pension for those ages 55 or older was \$9,600 for men and only \$4,488 for women .
Race and ethnicity	Across all issues, women of color tend to fare worse. For example, in 2006, women in Minnesota who worked full time, year-round and identified as other than Caucasian earned a median income of \$28,073, or 67.1 percent of men’s median income .

What the statistics are saying

The statistics above are only a sampling of the issues affecting women's economic status in Minnesota. But just from these figures alone, we can make some important observations:

- Almost one-quarter of our female population is struggling economically. That represents a serious amount of pain and lost potential for our state.
- Women continue to earn less than men, which decreases their ability to move out of poverty and become financially self-sufficient.
- In general, women attempting to raise young children alone are at a very high risk for living in poverty, which in turn can jeopardize their children's future.
- Women are at considerable risk for sexual assault and domestic abuse, and the correlation between abuse and poverty and homelessness is very high.
- Because women tend to earn less than men over their careers, they are much more at risk for experiencing poverty when they are older.
- Because of the complex of issues affecting their lives, women belonging to racial and ethnic minorities tend to be at greatest risk of all.

It's not hard to see how the issues above would reinforce and exacerbate one another. For example, an unemployed or low-wage single mother experiencing sexual or domestic abuse would be at high risk for poverty and homelessness, along with her children. And along with the poverty itself, the psychological and emotional effects on both the mother and children in such circumstances would most likely be significant and lasting.

Learning more about the issues

While race and gender continue to complicate the problem of poverty in Minnesota, there are also opportunities to make serious progress in these areas. In order to do so, we must learn as much as we can about the causes and consequences of poverty among minorities and women—going beyond income disparities to explore some of the deeper systemic issues at play.

We know that much work is being done to address these issues. We recommend that efforts be made to identify and tap into the best work being done at a university or at one of the many nonprofit or faith-based organizations studying poverty, or at the community level.

How legislation affects disparities

Another key recommendation is the development of “poverty impact statements” that can be used to track the impact of legislation on those experiencing poverty. This idea has generated excitement among Commission members and others. To learn more about this proposal, please see strategy VI, “Develop an ongoing structure to monitor Minnesota's efforts to end poverty,” in the next chapter of this report.

“An exit from poverty is not like showing your passport and crossing a frontier. There is a broad strip of contested territory between destitution and comfort, and the passage is not the same distance for everyone.”
—from *The Working Poor: Invisible in America*

Introduction to the Recommendations

In our hearings, during our tours, and in the many meetings we held, we identified a large number of issues that need to be addressed if we are to end poverty in Minnesota by 2020. In our deliberations, we focused on three broad goals—helping Minnesotans become more financially self-sufficient through higher income and access to better jobs; helping them accumulate assets to strengthen their financial position; and helping them overcome some of the barriers that are standing in the way of success.

Key challenges addressed by the recommendations

The recommendations you’ll find in the following pages (starting on page 32) address six broad challenges that the Commission feels are essential to address if we are to end poverty in Minnesota:

Challenge one

If work is truly going to represent a way out of poverty, then the jobs available to Minnesotans, and the wages those jobs pay, must be adequate to move people toward financial self-sufficiency. In addition, those who want to work but who need additional support to do so must receive the assistance they need.

Challenge two

Public assistance programs must work to move people toward financial self-sufficiency. Too often well-intentioned programs end up having the opposite effect, especially when they lead to asset depletion as a condition for participation. In addition, better integration of programs and enhanced automation of services are needed.

Challenge three

To become fully self-sufficient financially, Minnesotans must be able to move beyond mere survival to the point where they are building and maintaining assets. That means that their already inadequate resources must not be further depleted through predatory financial practices. And greater financial literacy is needed to reduce vulnerability to such practices.

Challenge four

To function well and remain economically viable, Minnesota needs strong communities characterized by two broad elements: a strong physical infrastructure that includes affordable housing and transportation, and another, more personal infrastructure that allows individuals to support each other in a safe and healthful environment as they move towards financial independence.

Challenge five

One of the best ways to prevent and move out of poverty is through education—starting in early childhood and extending throughout life. Although Minnesota is known for its excellence in education, there are disturbing trends—continuing disparities in access and outcomes by race; and an urgent need to modernize our education system to address issues of global competition and technological shifts that are changing the nature of work.

Challenge six

Finally, our recommendations will not yield results unless we build and maintain a structure for monitoring our efforts. That structure needs to include tools and strategies for refining our definition of poverty; building public awareness about poverty; working to understand and share best practices; and carefully monitoring the impact legislation has on our antipoverty efforts.

The recommendations we offer will begin to address some of the challenges just articulated. But an additional and significant challenge—health care—must be addressed. Good health and affordable health care are central to the well-being and financial viability of Minnesotans. If we don't address health care in a concerted and comprehensive way, we will fail to end poverty in Minnesota by 2020.

Our Growing Health Care Crisis

In our recommendations, we suggest provision of health care to all Minnesotans and improvement of services for those suffering from mental illness, substance abuse, and other health issues. However, by necessity, our recommendations are general, because health care is simply too complex an issue to address adequately or comprehensively in a report of this nature.

Nevertheless, while we are not making specific recommendations on how to solve the health care crisis, we are stating emphatically that it must be done if we are to end poverty in Minnesota. The connection between inadequate health care and poverty is clear; what we need is the will to solve the problem.

The Critical Connection between Health Care and Poverty

The connection between health care access and poverty is strong—and growing stronger every day. The reasons that health care drives people into poverty are numerous and vary from person to person. However, they tend to fall into two principal categories, or causes:

- Health care problems, whether illness, injury, or disability, limit the ability of some people to have paid employment. Obviously, this can reduce or eliminate household income and prevent people from enjoying life and reaching their full potential. Without affordable, comprehensive health care, people who are currently unable to work due to health or disability lack the resources they need to improve their health to the point that they can work. And health issues leave many Minnesotans permanently unemployed.
- Health care is beyond the means of many Minnesotans. This is a serious problem even for middle-income households. Many employers do not offer health care benefits, and even when they do, many workers cannot afford their share of the premiums. Add those who are unemployed, and it is easy to see why one in every twelve Minnesotans has no health coverage. The problem is much larger than this, however, because there are several times as many Minnesotans who already have health insurance, but who cannot afford the care they need due to high deductibles, co-payments, and care that is excluded from their insurance coverage.

The Alarming Rise in Health Care Costs

Key Finding: A study published in *Health Affairs* (2005) estimated that about half of all bankruptcies in the U.S. were health related, and that the majority of filers were middle-class workers who had experienced a lapse in their health care coverage. The authors predicted that given the rise in bankruptcies—a three-fold increase between 1981 and 2001—this trend would only get worse over time.

Some startling statistics for Minnesota

- Between 1980 and 2004, health care expenditures grew an average of 8.6 percent a year.
- For employees enrolled in private firms offering health coverage, the average total single premium rose from \$2,241 in 1998 to \$3,679 in 2003, an increase of 52% in inflation adjusted dollars.
- The average employee contribution for health insurance rose from \$421 per year in 1998 to \$603 per year in 2003.
- Between 2000 and 2006, the average national manufacturers' price of 153 common drugs increased almost 54%, more than 2.5 times the rate of inflation.

Source: Statistics are from AARP's DividedWeFail.org website.

How health care issues lead to poverty

The high rates of poverty for people with physical, mental, or mobility issues and for people with serious mental or physical illness can be attributed to both of the causes outlined above: employment limitations and the high cost of health care.

- Health limitations can make it difficult for some people to perform even basic chores, such as preparing food, doing laundry, and paying bills, let alone hold down a full-time job.
- In addition, illness or disability usually results in significant health care expenditures. Even with public or private health insurance, many cannot afford to pay their medical bills.

These two issues—the inability to work or earn adequate income due to health issues and the high cost of medical care—combine to make financial difficulty practically inevitable and place many Minnesotans at high risk for poverty.

When earnings become a barrier to health care

People with no means of paying for their medical expenses outside of Medicaid or MinnCare, the state’s medical insurance program for low-income people, need access to those programs. Unfortunately, under current rules, if their job pays them a living wage, they are not eligible for these programs.

This kind of issue, sometimes called a “benefit cliff,” creates a strong disincentive to work—an unintended consequence of programs meant to help, not hurt, Minnesotans.

If all Minnesotans had affordable, comprehensive health care, the issues of affordability and eligibility would essentially be eliminated. For those who encounter a sudden health care crisis, a solid health care program would provide a necessary safety net to see them through the crisis. For others facing longer-term health issues, such a program would provide the more comprehensive, ongoing support needed to maintain peace of mind and financial well-being.

Taking health care seriously once and for all

The Commission’s focus was on ending poverty, not fixing the health care crisis. However, the links between unaffordable health care access and poverty are very strong. Good health and affordable health care are central to the well-being and financial viability of Minnesotans.

Failure to give all Minnesotans access to comprehensive health care—affordable health care—means that we will continue to have people falling into poverty, and people who are trapped in poverty, because of health and health-related costs. Although we are not recommending any particular solution to the health care crisis, we cannot say strongly enough: If we don’t address health care in a concerted and comprehensive way, we will fail to end poverty.

“Poverty is not just a consequence of unemployment or a lack of work, but is frequently a characteristic of someone that is indeed working—perhaps full time and even year round. . . The majority of those who live at or below the official poverty line are in fact members of families with at least one worker.”

— Steve Hine, Labor Market Information Director,
Minnesota Department of Employment and Economic Development (DEED)



Restore work as a means out of poverty.

The value of work is embedded in Minnesota culture and work is the primary means Minnesotans embrace as a way out of poverty. A larger proportion of working-age Minnesotans are in the workforce than in most other states, and Minnesota women have one of the highest workforce participation rates in the country. If we truly value work, we should ensure that there are adequate incentives to promote work and ongoing training opportunities available so workers remain productive and marketable.

Steve Hine, research director of labor market information for the Minnesota Department of Employment and Economic Development (DEED), presented data to the Commission that showed that for a single full-time, year-round worker supporting one dependent:






- 156,000 jobs in Minnesota pay wages that would keep the family below the official poverty rate.
- 500,000 jobs pay wages that would keep the family below the federal Lower Living Standard Income Level (LLSIL) used to determine eligibility for many programs. The LLSIL is cited in the Workforce Investment Act (WIA) and is used in the WIA to define low income and as a measure of eligibility for several WIA programs.
- 1.5 million jobs pay wages that are less than the basic needs budget identified by the JobsNow wage calculator.

As these figures suggest, there is a strong need in Minnesota for a more stable employment environment offering better compensation to workers.

Ensure that work pays:

- Raise the minimum wage. The federal government should pass legislation to increase the minimum wage. In the absence of federal action, Minnesota should increase the state minimum wage.
- Expand and increase state income tax credits to reach more households and better supplement low wages.
- Increase the Minnesota Working Family Credit (MWFC), Federal Earned Income Tax Credit (EITC) or other tax credits for low-income workers, including those without children in their household. This credit should be raised to a level that, when combined with the wages of household members, would enable workers to meet their basic needs.






Policy Simulation: The impact of a \$9.50 minimum wage in 2010

	All persons by family type				
	 All persons	 Children under age 18	 In families with children	 In families with a person over age 65	 In other families
Baseline					
Number poor or low income (in thousands)					
Below 100% NAS poverty	466	109	197	56	214
Between 100% and 200% NAS poverty	1,415	392	760	277	378
Total below 200% NAS poverty	1,881	500	957	333	592
Percent in poverty (below 100% NAS poverty)	9.1%	8.7%	7.6%	8.2%	11.4%
Percent in or near poverty (below 200% NAS poverty)	36.6%	40.3%	36.9%	49.4%	31.5%
\$9.50 Minimum Wage in 2010, Including Job Loss and Indirect Wage Gain					
Number poor or low income (in thousands)					
Below 100% NAS poverty	441	99	179	54	208
Between 100% and 200% NAS poverty	1,411	392	762	278	373
Total below 200% NAS poverty	1,852	491	941	331	581
Percent in poverty (below 100% NAS poverty)	8.6%	8.0%	6.9%	7.9%	11.1%
Percent in or near poverty (below 200% NAS poverty)	36.0%	39.6%	36.3%	49.2%	30.9%
Effect on Poverty: \$9.50 Minimum Wage in 2010					
Reduction in poverty rate	.5%	.7%	.7%	.3%	.3%
Reduction in poverty or near poverty rate	.6%	.7%	.6%	.2%	.6%
Additional key data					
Workers with higher wages (thousands)	479				
Workers who lose a job (thousands)	8				
Government cost (\$ millions)	(\$195)				

Source: The Urban Institute, tabulations using the TRIM3 microsimulation model and the 2006 and 2007 ASEC data.

- Increase the benefit parity between individuals and families without children and those with children. Simulations conducted by the Urban Institute conclude that individuals and families without children are the most likely to fall through the cracks of Minnesota's social safety net programs.
- Have refundable tax credits designed for low-income workers available to all workers who meet the income requirements, regardless of where that income is earned. American Indians living and working on Minnesota's eleven reservations are, as a group, among the poorest residents in Minnesota, yet there are several antipoverty initiatives from which they are excluded. For example, many American Indians are not eligible for either the MWFC or the Minnesota Dependent Care Tax Credit (MDCC).

Policy Simulation: Guaranteed Child Care Assistance up to 300% FPG with co-payments capped at 10% of income

	All persons by family type				
	 All persons	 Children under age 18	 In families with children	 In families with a person over age 65	 In other families
Baseline					
Number poor or low income (in thousands)					
Below 100% NAS poverty	466	109	197	56	214
Between 100% and 200% NAS poverty	1,415	392	760	277	378
Total below 200% NAS poverty	1,881	500	957	333	592
Percent in poverty (below 100% NAS poverty)	9.1%	8.7%	7.6%	8.2%	11.4%
Percent in or near poverty (below 200% NAS poverty)	36.6%	40.3%	36.9%	49.4%	31.5%
Guaranteed Child Care Assistance up to 300% FPG, with job effects					
Number poor or low income (in thousands)					
Below 100% NAS poverty	429	89	160	56	214
Between 100% and 200% NAS poverty	1,446	408	791	277	378
Total below 200% NAS poverty	1,875	497	950	333	592
Percent in poverty (below 100% NAS poverty)	8.3%	7.2%	6.2%	8.2%	11.4%
Percent in or near poverty (below 200% NAS poverty)	36.5%	40.1%	36.7%	49.4%	31.5%
Effect on poverty: Guaranteed Child Care Assistance up to 300% FPG with co-payments capped at 10% of income					
Reduction in poverty rate	0.8%	1.5%	1.4%	0.0%	0.0%
Reduction in poverty or near poverty rate	0.1%	0.2%	0.2%	0.0%	0.0%
Additional key data					
Workers with a new job (thousands)	25				
Newly subsidized families (thousands)	81				
Government cost (\$ millions)	\$636				

Source: The Urban Institute, tabulations using the TRIM3 microsimulation model and the 2006 and 2007 ASEC data.

- Make tax credits more equitably available to taxpayers at all income levels. Under current tax policy approximately 80 percent of federal tax expenditures go to filers with incomes above \$50,000. Strategies should be identified that would reallocate tax credits to families at lower income levels. Two possible approaches would be to: 1) allow a diminishing percentage of federal income tax deductions to count as Minnesota tax deductions as income rises; or 2) cap or reduce a single deduction that is used by families at high income levels, such as the mortgage interest deduction, and reallocate those funds to pay for tax credits aimed at low-income families.

Make work available for all Minnesotans:

- Guarantee child care for all low-income families by expanding the existing sliding fee assistance program. Increase assistance to include all families below 300 percent of the federal poverty guidelines and limit co-payments to no more than 10 percent of the household's income.
- Allow individuals receiving disability benefits to work without penalty. This should be addressed by both the state and federal government. Pathways to Employment, a comprehensive vision created under the leadership of the Minnesota Department of Human Services, the Minnesota Department of Employment and Economic Development and the Minnesota State Council on Disability provides tangible examples of strategies in this area. Pathways recommends policy changes, incentives, coordination of services, partnerships with businesses and improved program management.

PATHWAYS TO EMPLOYMENT (PTE)

About Pathways

The PTE mission is to “increase competitive employment of people with disabilities and meet Minnesota’s workforce needs by bringing together people with disabilities, employers, businesses, government and providers.” PTE is managed through the Minnesota Department of Human Services (DHS); the Minnesota Department of Employment and Economic Development (DEED); and the Minnesota State Council on Disability.

The PTE website is administered through DEED and offers a variety of resources of interest to workers and employers. For workers, the site links to top employment-related resources, including ISEEK, the Job Accommodation Network, and MinnesotaHelp.info. For employers, the site offers a variety of resources to help with recruitment, training, and retention of workers with disabilities, including access to business service specialists, industry liaisons, and other professionals.

Key objectives

- Engage the business community to fully utilize the skills and potential of workers.
- Develop effective public policies that reduce barriers and prepare people for work.
- Improve services through better communication, coordination, and data collection.

A special Pathways feature called “Spotlight on Success” offers inspiring stories of people who have overcome challenges and found rewarding work in a variety of environments. Each story offers a detailed profile of the featured worker and ends with words of wisdom and encouragement for those facing similar challenges.

To learn more

To learn more about PTE and obtain other materials on employment and disability, visit the website at www.deed.state.mn.us/pte/.

- Open doors to employment and full participation in community life to Minnesotans who have served their time and met their court-imposed obligations after committing a crime. One step in this process would be to implement the recommendations of the Legislature’s 2007 Collateral Sanctions Committee (CSC). The CSC’s January 2008 report offers sensible recommendations that would assist ex-offenders while protecting the general public. Recommendations include:
 - Providing employers with tools to safely hire otherwise qualified individuals who have criminal records. These tools might include clarifying and narrowing employer liability, providing state tax incentives, and issuing certificates of rehabilitation.
 - Promoting uniformity in criminal background checks.
 - Expanding diversion programs to spare appropriate offenders from criminal convictions, replacing them with sanctions and restitution that help the victim and community while rehabilitating the offender.
- Pass “ban the box” legislation that would prohibit asking about criminal history on the initial employment application. Questions regarding criminal history would be allowed during job interviews, at which time the applicant would have an opportunity to explain the circumstances surrounding his or her conviction.
- Create paid “stepping stone jobs”—structured short-term, government-subsidized jobs that allow someone unable to secure work to develop the skills and experience to win a job in the competitive labor market.

Help business make employment opportunities available:

- Assist businesses who are trying to upgrade the skill level of their employees. Many workers are trapped in low-wage jobs because they lack adequate job skills. By providing workforce support to employers in the form of tax credits, employee training, and career information resources, the state can help businesses improve the productivity of their workforce and low-wage employees can develop the skills they need to increase their wages.
- Examine how taxes can be structured to incent businesses to hire more people. Currently, the state calculates taxes on Minnesota businesses based both on the revenues the business earns and the number of workers it employs. In utilizing the number of employees as a portion of the tax calculation, there is a potential disincentive for businesses to hire new employees. If work is to be the primary instrument in ending poverty, then the state must ensure Minnesota businesses are not penalized for hiring.

The “design [of public assistance programs] also creates a potential unintended consequence. As families move from welfare to entry level work to higher paying jobs, their earnings and taxes increase. The combination of rising income tax rates and reduced eligibility for means-tested programs can create situations in which a dollar of additional earned income is partially, totally, or even more than offset by taxes and benefit losses.”

— *Disincentives to Earn*, Minnesota Center for Public Finance Research



Refocus public assistance to streamline services and support everyone’s capacity and potential.

Sometimes events interfere with our ability to earn, but these events need not lead to poverty. Minnesota needs a coordinated system of crisis prevention and intervention designed to address poverty. This includes illness or injury, job loss, family financial crisis, domestic abuse, or a pregnancy with complications. Programs are counterproductive when they are designed to extend a helping hand only after people reach a level of destitution in which they have only minimal income and assets. This often leads to a downward spiral. Likewise, the state’s system of public assistance must ensure that Minnesotans who lack the physical, mental, and situational ability to work for an extended period are still able to afford housing, utilities, health care, food, and personal care items.

Connect people more quickly to help in times of crisis:






- Develop a single, integrated and automated process for determining eligibility and applying for services across publicly funded, low-income support programs. This process should be accessible to individuals electronically with computer software. Packaged software, such as Benefit Bank from Solutions for Progress, Inc. or Bridges to Benefits from the Children’s Defense Fund of Minnesota, provides a guide for what is possible. Consideration should be given to providing access through a statewide network of public, nonprofit, and community-based locations.
- Revise program criteria so that initial eligibility for needed services, across programs, is more uniform and allow for gradual growth in income and assets.
- Establish a county- or regionally-based network of telecounselors to provide social service and job search assistance in rural areas where long distances exist between program participants and workers. Providing services via telephone reduces transportation and child care costs for the person seeking assistance, which is often a barrier to accessing services in rural areas. Northern Connections, a nonprofit organization, has implemented a phone-based system with encouraging results.

Support Minnesotans in financial crisis:

- Integrate services available to those eligible for either the Minnesota Family Investment Program (MFIP) or the Minnesota Unemployment Insurance program to make them more responsive to the needs of all unemployed, low-wage workers. Through integration of these programs we believe Minnesota can reduce redundancy, create a seamless system for assisting those needing employment and temporary assistance, and ensure Minnesotans have access to all services and programs for which they are eligible.

- Create a personalized package of training, services and financial assistance for Minnesotans in need. Caseworkers, working with their clients, could combine resources such as unemployment insurance, food stamps, and childcare assistance to develop a more focused and individualized plan to move out of poverty.
- Revise eligibility criteria and seek federal waivers to eliminate or reduce financial “cliffs.” Cliffs occur when additional earnings by a family on public assistance actually result in the family incurring a net financial loss. *Disincentives to Earn*, a 2007 report published by the Minnesota Taxpayers Association, calls for ending cliffs and states that this is critical to creating “a more economically rational safety net.”

Policy Simulation: Raising the food support participation rate to 85%

	All persons by family type				
	 All persons	 Children under age 18	 In families with children	 In families with a person over age 65	 In other families
Baseline					
Number poor or low income (in thousands)					
Below 100% NAS poverty	466	109	197	56	214
Between 100% and 200% NAS poverty	1,415	392	760	277	378
Total below 200% NAS poverty	1,881	500	957	333	592
Percent in poverty (below 100% NAS poverty)	9.1%	8.7%	7.6%	8.2%	11.4%
Percent in or near poverty (below 200% NAS poverty)	36.6%	40.3%	36.9%	49.4%	31.5%
Raising the Food Support Participation (FSP) rate to 85%					
Number poor or low income (in thousands)					
Below 100% NAS poverty	451	102	185	52	214
Between 100% and 200% NAS poverty	1,430	398	772	280	379
Total below 200% NAS poverty	1,881	500	957	332	592
Percent in poverty (below 100% NAS poverty)	8.8%	8.2%	7.1%	7.7%	11.4%
Percent in or near poverty (below 200% NAS poverty)	36.6%	40.3%	36.9%	49.3%	31.5%
Effect on poverty: Increased FSP participation rate					
Reduction in poverty rate	.3%	.5%	.5%	.5%	0%
Reduction in poverty or near poverty rate	0	0%	0%	0%	0%
Additional key data					
Additional FSP Households (thousands)	66				
Government cost (\$ millions)	\$63.1				

Source: The Urban Institute, tabulations using the TRIM3 microsimulation model and the 2006 and 2007 ASEC data.

NORTHERN CONNECTIONS

About Northern Connections

Northern Connections is a free service that provides advice, information and referrals to low-wage individuals needing assistance. Its mission: "Contribute to economic prosperity by connecting families to resources to achieve financial independence." Through Northern Connections, clients learn to conduct an effective job search, obtain a credit report, locate food shelves, and more.

A key advantage of Northern Connections is convenience. All information is provided over the phone, so clients don't have to worry about driving or making daycare arrangements. Northern Connections serves clients throughout a 12-county area in west central Minnesota from its offices in Perham, MN.

Key objectives

- Help clients find and retain good jobs and advance their careers.
- Provide tools and resources for asset accumulation.
- Support clients at each step toward self-sufficiency.

In February 2008, Northern Connections received a Best Practice Award for outstanding achievement in partnerships among supporters and providers of services for low-income people. The award was jointly sponsored by the University of Minnesota, DHS Office of Economic Opportunity, and Minnesota Community Action Partnerships. Northern Connections serves clients transitioning from the Minnesota Family Investment Program (MFIP) and Diversionary Work Program (DWP), and also accepts self-referrals.

To learn more

To learn more about Northern Connections services and hours of operation, call them at 218-346-4624 or toll free at **877-346-4624**, or visit their website at www.northernconnections.org.

- Promote efforts to increase Food Support participation. Minnesota lags behind many other states in use of the Food Support program and, as a result, misses out on accessing valuable federal resources.
- Leverage public dollars with private dollars by using income supports to households as a wage subsidy.

“One fifth of the population does not possess enough belongings to survive 3 months without a job at the poverty line; more than half the population lacks sufficient liquid assets to put a down payment on a home, invest in two years at a community college or start a business.”

— CFED, a national nonprofit organization that brings together community practice, public policy and private markets to expand economic opportunity



Help Minnesotans build and maintain financial assets.

Income is how we get by. Assets are how we get ahead. To end poverty means to build wealth—household, community and state wealth. Current public assistance policies encourage households to divest of even modest assets, and unscrupulous market practices endanger individuals and the wider economy. The lack of targeted financial products leaves most low-income households without the financial vehicles to invest in their futures. We must expand opportunities for low-income families to create and build wealth. In addition to helping families build assets, government must also be vigilant in protecting families from predatory practices and in educating residents on how to protect themselves. The recent housing foreclosure crisis teaches us the value of government oversight.

Ensure that assistance designed to help does not increase the depth of a crisis:

- Develop public assistance policies that do not strip Minnesotans of minimal and reasonable assets. Current public assistance policies are inconsistent from program to program, and many of them offer no assistance unless Minnesotans deplete savings or give up reliable automobiles that may be key to securing future employment. Such policies inadvertently allow immediate crises of lost jobs, health or disability problems, or broken families to spiral into permanent setbacks. Eligibility for state and federal assistance programs should promote the ability of people to move quickly out of crisis and into stability by allowing households to hold onto reliable cars and maintain some savings.

Ensure that consumers can rely on a fair and transparent financial marketplace:

- Ban predatory practices, including payday loans and refund anticipation loans that are not subject to strict usury laws. In both Georgia and Pennsylvania, payday loans are banned by statute. In other states payday loans and similar loan products are subject to strict usury laws.
- Require that consumers be given adequate, easy-to-understand information before entering into certain financial transactions. This may require additional disclosures and, in some cases, public information campaigns to warn consumers of the pitfalls of certain loan instruments.
- Mainstream banks should develop competing products that provide value to consumers at reasonable terms and make the use of predatory products less compelling. Locating offices in low-income neighborhoods and active marketing of services used by low-income families, such as check cashing and short-term loans, are two examples of how mainstream banks can make important contributions.

- The Minnesota Attorney General’s Office and the Minnesota Department of Commerce must lead in making sure adequate regulatory and enforcement actions are taken to end predatory practices.

Restrict use of personal consumer credit information in applications for housing or employment:

- Restrict the practice of employers or landlords using credit scores to make hiring and rental decisions. There may be certain jobs or rental situations where the use of a credit score would be appropriate and reasonable. However, this practice has a disproportionate impact on the poor. Such scores have a debatable value in predicting job or rental performance. Their use should be the exception and not the rule.

Equip Minnesotans to manage their finances effectively:

- Identify, develop and implement effective financial literacy training methods and programs. Include participation from business and civic leaders, as well as community based nonprofits and financial institutions already providing consumer financial education to their clients.
 - Connect those methods and programs with low-income families and individuals at the most opportune moment—when the recipient has the ability, opportunity and motivation to receive, understand and act on the information provided – in other words, seize the teachable moment.
- Incorporate financial literacy education into the curricula of elementary and secondary schools.
- Promote financial literacy through businesses, the faith community, and nonprofit organizations. Offer financial literacy training at these venues or provide information on where such programs are available.
- Offer families obtaining public assistance no-fee, low-minimum-balance savings accounts with a direct deposit option. Such tailored accounts would help build assets and financial stability and avoid high fees and other requirements facing many public assistance applicants patronizing unregulated financial institutions.

Create opportunities for families to build assets:

- Expand funding and programs for individual development accounts (IDAs) that provide financial literacy training and counseling. IDAs are an effective savings vehicle for low-income residents since these programs match the account contributions of participants with funds from the state and federal government. In particular, there are significant growth opportunities in targeted communities where Family Assets for Independence in Minnesota (FAIM) or other culturally specific IDA programs could aid wealth accumulation among low-income families. Currently, the federal government matches the state in funding the FAIM program. An increase in state IDA funding could leverage substantial additional federal funding.
- Encourage businesses to set up IDA accounts and financial literacy training for their employees, possibly with some employer matching funds or other incentives.
- Establish a child savings account, or “baby bond,” program. In these programs, the government sets aside a specified amount of money in an interest-bearing vehicle upon the birth of a qualifying child. The money accumulates over time and is released to the child on a specified date. We believe Minnesota’s program should include all children born in Minnesota and that payout should take place for limited reasons such as post-secondary education expenses, home ownership, business creation or retirement income.
- Provide an annual contribution from the state to the IRA or IDA of low-income renters to give them parity with home owners. Many Minnesotans accumulate wealth through the equity in their homes. Home equity is fostered, in part, by state and federal tax credits that subsidize home ownership. For Minnesota’s low-income families, however, home

ownership may be years away, and for some it may never occur. Low-income renters should have a vehicle to accumulate wealth similar to home owners, but based upon the rent they pay. Providing an annual contribution to an IRA or IDA for renters is one possible option.

FAMILY ASSETS FOR INDEPENDENCE IN MINNESOTA (FAIM)

About FAIM

FAIM helps Minnesotans build assets toward long-term economic self-sufficiency through independent development accounts (IDAs). These accounts, which are similar to 401k programs, allow participants to purchase a first home, pursue higher education at an accredited public post-secondary institution, or finance a small business.

FAIM works by matching account holder deposits \$3 to \$1 upon completion of program requirements. The program is administered through a statewide collaboration of 23 Minnesota Community Action Agencies; WomenVenture; the City-County Federal Credit Union; Emerge Community Development; and Leech Lake and Mille Lacs Bands of Ojibwe Tribal Governments. Strong partnerships are maintained with local foundations, banks, and organizations providing services related to homeownership, small-business development, and higher education. MnSCU and the University of Minnesota are education partners.

Key objectives

- Help low-income families build assets toward lifelong self-sufficiency.
- Teach financial literacy and financial management skills to ensure success.
- Give people a financial stake in their communities by helping them invest.

Between 2000 and 2007, Minnesota families deposited \$1.7 million into IDA matched savings accounts, and over 1200 families have completed financial education classes. Through FAIM, account holders work with financial coaches to build positive spending and saving habits, repair their credit rating, and achieve financial literacy. Participants must complete a minimum of 12 hours of financial management classes and an additional 10 hours of asset-specific training.

To learn more

To find out more about FAIM programs, including eligibility criteria, visit their website at www.minnesotafaim.org.

“I’ve lost friends, community, over and over again, and the use of my body due to poverty, though I keep fighting back to reclaim it. I am still alive because I have hope, and people behind me.”

Testimony of Lilli Anne Sprintz, September 5, 2007



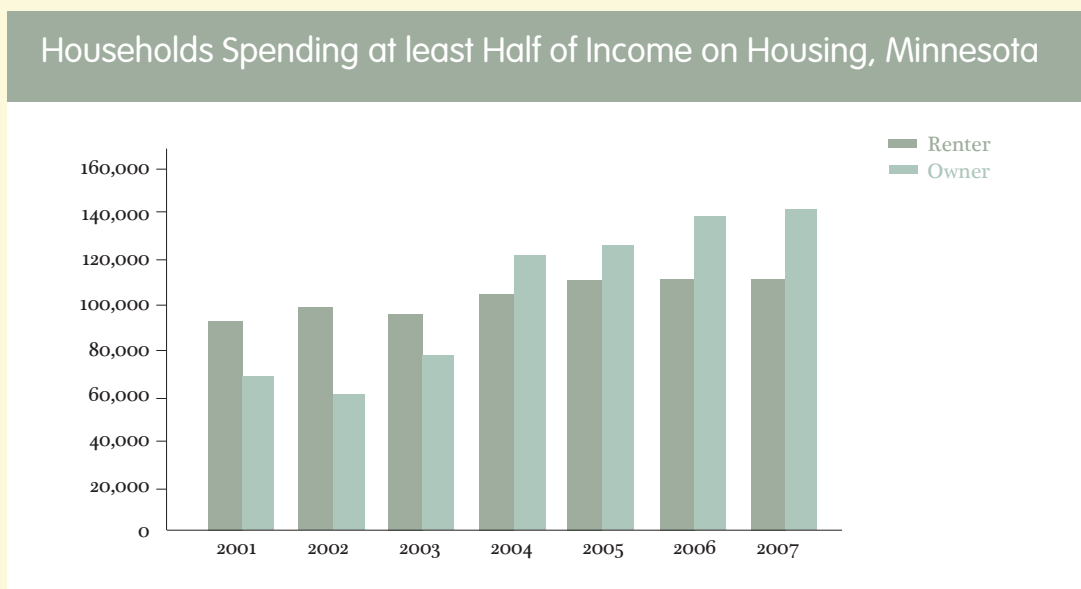
Revitalize our communities through infrastructure and person-to-person support.

Poverty diminishes not only individuals, but also communities. Communities can be part of the solution. If the fundamental infrastructure of a community is sound, everyone living in that community enjoys a higher quality of life. A strong, healthy community can provide a range of housing options that ensures everyone can find housing they can afford and that contributes to the community’s net worth. Likewise, the ability for people and goods to move easily and efficiently is a core ingredient of a thriving economy. In the end, however, the people and culture of a community matter most. The costs of poverty are not only economic, but social—poverty produces isolation. To end poverty will require ending isolation and rebuilding fundamental social bonds.

A. Revitalize the infrastructure of housing and transportation.

Ensure that all Minnesotans have safe, quality housing they can afford:

- Increase funding for emergency shelters so that all Minnesotans have protection from the elements. Minnesota’s homeless shelters are at or nearing capacity. Low-wage workers, people with health crises, the long-term homeless, single adults, and families with children are resorting to crowded shelters and the basement floors of churches. While the long-term solution is affordable housing for all Minnesota residents, shelters must be available to all who need them until successful policy options are implemented.
- Urge the federal government to return to aggressively supporting affordable housing initiatives. No community or state can replace the affordable housing investments the federal government has abandoned.



Source: Minnesota Housing Partnership tabulation of American Community Survey (ACS) data

- Increase the number of Housing Choice (“Section 8”) vouchers to a level that will lead to meaningful access by households in need.
 - Fully fund the gap of Housing Redevelopment Authorities (HRA) operating costs for affordable housing.
 - Provide tax incentives for private investment in affordable housing.
 - Invest in the upkeep and rehabilitation of existing public housing by funding subsidies that accurately reflect ongoing maintenance and operating costs.
- Increased state action is necessary to lay the groundwork for effective investments in affordable housing. There are examples where simple changes in regulations may spur housing development. Some examples of useful state action include:
 - Eliminate unnecessary zoning restrictions that inhibit the development of affordable housing. While zoning is not typically a state initiative, it would be valuable for the state to take an objective look at practices such as mandatory lot sizes, bans on manufactured homes, and other restrictions that do not relate to the safety of the home.
 - Require the development of comprehensive housing plans by all Minnesota municipalities over a certain size. Currently the Metropolitan Council, a regional planning body that serves the seven-county metropolitan area, requires “Comprehensive Housing Plans” that include an affordable housing component. Expanding the idea of comprehensive housing plans statewide would provide state and local officials with useful information to alleviate affordable housing shortages.
 - State government officials should work together with advocates and interested parties to develop a diverse spectrum of housing and service options to quickly assist people experiencing homelessness back into housing. Some of the options may be as simple as changing zoning ordinances; other options may require more thought and financial resources.

Develop a transportation system so all Minnesotans can travel efficiently:

- Ensure state-supported access to transportation for low-income, senior and disabled residents. Other states, such as Oregon and Florida, and various metropolitan areas have successfully tackled this problem and offer best practice models, ranging from “dial-a-ride” programs to discounted transit fares for low-income residents.
- Create a state-level commission, as other states have done, that has power and resources to mandate better planning, integration and coordination of the transportation needs of low-income, disabled and senior citizens.
- Align Minnesota’s economic development strategies, land use policies, and transportation investment planning. When transportation systems function optimally for the larger community, the disadvantaged benefit as well.

- Explore innovations in cooperative ownership of automobiles (occasional access to a vehicle without having to pay full ownership), such as ZipCar and HourCar. This idea works best when individuals have access to other means of mobility for most purposes.
- Engage employers and the business community to:
 - Support better public transportation.
 - Locate workplaces in proximity to housing and transit and other important community resources.
 - Provide special transportation to worksites where needed.
 - Support telecommuting or other programs to enable employees to work at home.
- Keep transit fares at an affordable level, with additional subsidies if needed.
- Eliminate service gaps and service overlaps, inefficient use of resources, and inferior or inconsistent quality of service.
- Expand nonprofit programs that sell cars to low-income households for minimal cost. Many of these programs also provide low-cost car repairs. These programs, when coupled with access to financial services and insurance, gas cards, car maintenance education, and driver training and licensing, can be very successful in giving rural residents access to jobs and services.
- Expand and coordinate human services transportation, fleets and dispatching, from both private and public agencies, to provide alternatives for rural residents.
- Establish regular-route transit service where sufficient population density makes it feasible.

B. Revitalize communities by nurturing person-to-person support.

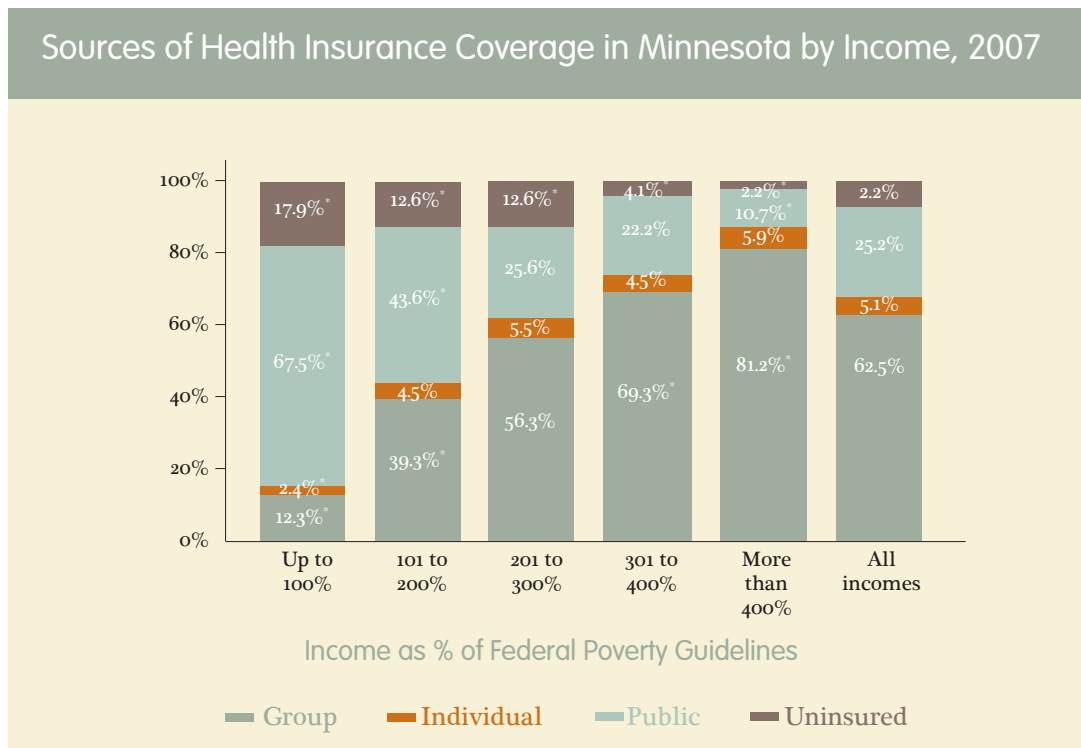
Support families in supporting each other:

- Make services such as respite care and adult day care available for families and caregivers.
- Review how family members are compensated with public funds for foster parenting, guardianship, and other caregiving roles, and compensate caregiving when necessary and appropriate.
- Ensure that marriage and family counseling is covered by public or private health insurance. We understand the important role marriage can play in improving household financial stability and in nurturing children. Government, nonprofits, and faith organizations all have an interest in helping struggling marriages survive.
- Nurture young men and women who are parents so they can be successful in raising their children and accomplished in their own lives. Particular focus should be given to ensuring that:
 - Support programs are available to allow young parents to stay in school and obtain a high school diploma and the additional education and training they need to succeed.
 - Young parents have access to child-rearing training.

- Inform non-custodial parents of both their rights and their responsibilities as parents. By enhancing the link between the child and the noncustodial parent, we can help create a positive relationship with the child and foster efforts to get both parents working together on the child's behalf.

Ensure that families are safe and healthy:

- Direct the Department of Health to investigate best practices for reducing sexual and domestic violence to ensure that Minnesota takes a lead in implementing the most successful initiatives. Many reports have shown a link between poverty and sexual and domestic violence. Therefore, the Commission recommends that greater attention be given to the issue of sexual and domestic violence.
- Guarantee that all Minnesotans receive the health care they need to participate as fully as possible in our society. Through health care we can mitigate the impact of illness and disability and minimize them as obstacles to work and self-sufficiency. Health care coverage should be comprehensive, and include dental care, mental health care, and chemical dependency treatment. This health care access must be affordable so that the cost of care does not drive more people into poverty. (Please see the special section: “The Critical Connection between Health Care and Poverty.”)



* Indicates statistically significant difference from rate for all incomes.

Data source: 2007 Minnesota Health Access Survey

CIRCLES OF SUPPORT

About Circles of Support

Circles of Support are groups that come together across class and racial lines to move Minnesotans out of poverty toward self-sufficiency. Each “circle” consists of “participants,” individuals or families seeking to move out of poverty; and “allies,” individuals who have chosen to give their friendship, time, and expertise to help participants meet their goals.

Participants set goals in three key areas: Income and Budgeting; Academics and Training; and Friends and Meaning. They spend 4 to 6 weeks in initial orientation and meetings, after which they are eligible for matching with allies. Both participants and allies must meet eligibility requirements and demonstrate their commitment to the program.

Key objectives

- Help individuals and families set goals for success and self-sufficiency.
- Develop the policies and systems needed to help people out of poverty.
- Engage entire communities to help each other and end poverty.

Circles of Support is not a self-contained program; it's a community engagement model or strategy that any community can adopt. In Minnesota, the Circles of Support model is promoted and supported through Community Action agencies throughout the state. These agencies provide strategic direction, support, and resources to Circles groups.

To learn more

To find out more about the Circles of Support model and the community agencies that support it in your county or community, see the Minnesota Community Action Partnership (MinnCAP) website at www.minncap.org.

- Foster initiatives that improve access to mental health and chemical dependency treatment. Because a large segment of people in poverty have serious chemical abuse and/or mental health problems, it is critical that we ensure that all people have access to comprehensive mental health care and chemical dependency treatment. In addition, the Commission recommends training community members on how to recognize mental illness and chemical dependency, and how to assist in getting professional help for those who need it.
- Encourage individuals receiving or seeking assistance from state agencies to designate, if desired, an advocate to help them navigate and access needed services. While current state law allows the use of “designated advocates,” it appears that very few seeking assistance know of, or take advantage of, this option.

Make communities more effective at supporting their young people:

- Make small grants available to local agencies to develop community engagement programs and provide for initial training. Programs like Community Action’s Circles of Support have shown success but lack “seed capital” to expand to other interested communities.
- Encourage the development and expansion of youth programs that identify and promote developmental assets.
- Urge the faith community to work with government and others to create and implement strategies that foster positive behaviors among youth.
- Focus on the importance of one-on-one

relationships between youth and caring adults. Special emphasis should be given to ensuring that the schools, parks, libraries and other institutions that interface with youth on a regular basis are funded and maintained.

- Support efforts to ensure parents and adolescents receive accurate and timely information on sex and sexual practices. Research is clear that education must be a primary component to any adolescent pregnancy reduction strategy. Other strategies that should be considered include:
 - Abstinence.
 - Access to health services.
 - Support for programs that provide learning opportunities both during and after school hours.
 - Expansion of youth programs in a way that is culturally sensitive and targeted to those communities that have demonstrated high teen pregnancy rates.
- Urge communities and schools to identify young people who show indications of low self-esteem or exhibit risky behaviors, and implement intensive intervention strategies in such cases. Strategies could include one-on-one mentoring; after-school enrichment programs; or community-based programs that utilize developmental models such as the Search Institute's 40 Developmental Assets.

SEARCH INSTITUTE'S 40 DEVELOPMENTAL ASSETS®

About Search Institute

Search Institute is a leading organization in the field of child and adolescent development established in 1958. In 1990, the Institute introduced a model called "40 developmental assets," which, taken together, help young people develop the experiences, attitudes and character they need to become responsible and caring adults.

Broadly speaking, the assets cover 40 "external" and "internal" experiences and characteristics that let children know they are valued and help them develop self-confidence and a strong sense of purpose. Age-appropriate asset models are available for children in early childhood (3 to 5 years); middle childhood (8 to 12 years); and adolescence (12 to 18 years).

Key objectives

- Provide knowledge communities need for successful child development
- Help communities leverage the talents of everyone, both children and adults
- Seek collaboration with others to learn and share new approaches

Search Institute's Developmental Assets are particularly useful for helping youth avoid risky behaviors and situations that could eventually result in poverty, such as substance abuse, teen pregnancy, and gang activity. The Institute believes that child development must be an ongoing community effort in which everyone accepts responsibility for the sound development and care of children and youth.

To learn more

To learn more about Search Institute's research on child development, community building, and other topics, visit their website at www.search-institute.org.

“More than two-thirds of new jobs created by 2010 will require some education beyond high school, such as technical training, an associate’s degree or a bachelor’s degree.”

— from *Preparing Minnesota’s Workforce for Tomorrow’s Economy*,
a 2008 policy advisory report from the Governor’s Workforce Development Council



Modernize our system of education to build the best workforce in the nation.

Minnesota state economist Tom Stinson has called Minnesota’s skilled and productive workforce the state’s “brand.” Our high education levels have produced median incomes higher than much of the nation. If Minnesota is going to continue its legacy into this century, our state will have to recognize that today’s world demands new strategies, higher skills than ever and a way to ensure that everyone—regardless of race, income or geography—has access to a world-class education throughout their lifetime in this increasingly worldwide economy.

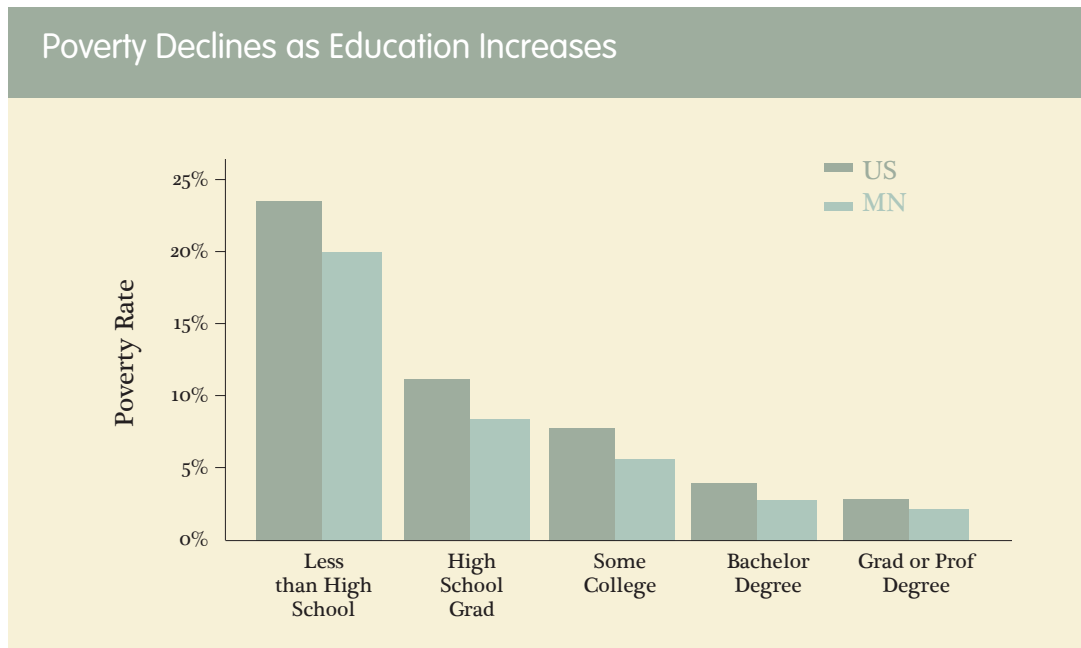
Foster school success by nurturing children early:

- Minnesota should guarantee quality preschool or childcare experiences for children from low-income families. Research shows that quality early childhood and preschool experiences make a critical difference as children start their education path. Children in poverty are far more likely to start school already behind. Programs like Head Start and Way to Grow have proven track records in preparing kids to start first grade ready to learn.
- Educate the parents of children from birth to age three, with particular emphasis on low-income families, in the most effective methods for raising healthy, successful children. Programs that provide new mothers with information as early as possible in their pregnancies are one method to begin the education process. Recognize that personal home-visiting services are particularly effective at helping low-income parents learn the skills most relevant to their circumstances.

Improve academic performance with programs that meet the needs of all students:

- Expand the Community School model, where there is stronger integration between schools and the social service delivery system. This can be done by either adding staff to schools to coordinate student and family access to health, mental health, housing, and other services, or by co-locating these services on school sites.

- Support research-based initiatives that improve high school graduation rates. According to Minnesota’s state demographer, over one-third of Minnesotans living below the federal poverty line did not complete high school. In 2007, only 55 percent of students in poverty graduated from high school on time, measured by the National Governor’s Association graduation rate. It is clear that efforts to improve graduation rates can have a positive effect in reducing poverty.



Source: Presentation to the Commission by the state demographer, August 2, 2007.

The Commission sees promise in initiatives already underway in Minnesota:

- Community schools that integrate public K-12 education with services to families offered at the school site.
- Career plans for all high school students that provide a strategy to guide the student into a meaningful career or into post-secondary education. Engage all students in creating their own plans for graduating high school, training for a career, or attending college.
- Compensatory Aid targeted to meet the needs of low-income students.
- Creative partnerships between public schools and businesses or nonprofits. Achievement Plus, a partnership between St. Paul Public Schools and the Wilder Foundation, is one example of the synergistic effect such partnerships can create.
- Modernize and increase the quality of career and technical education and expand technical, career-oriented high schools, such as Anoka-Hennepin STEP, Dunwoody Academy, and Ubah Medical Academy.
- Ensure that funds intended to increase the academic achievement of low-income students, such as Compensatory Aid, accomplish that goal, and expand such funds to meet the needs of all eligible students.
- Strengthen and expand quality out-of-school programs for low-income children. In many cases, involvement in extracurricular activities keeps kids engaged in and connected to school.

ACHIEVEMENT PLUS SCHOOLS

About Achievement Plus

The Achievement Plus program, first implemented at the elementary grade level in 1997, is based on the “community school” model, which recognizes the impact that students’ home and community life has on their development. The model stresses parental involvement; places the school at the center of community activity; and provides education and other resources to all community members.

Achievement Plus employs a standards-based curriculum and offers extended learning opportunities that reinforce progress students make in the classroom. A number of learning supports help lessen barriers to achievement and involve the students’ family and community in the learning process. Supports include assistance with basic needs such as food, clothing, and housing.

Key objectives

- Improve student achievement in Saint Paul Schools.
- Serve as a demonstration site and model for early education.
- Prepare students for life, academically and socially.

Achievement Plus is a partnership between Saint Paul Public Schools and the Amherst H. Wilder Foundation. The City of Saint Paul, Ramsey County, and the State of Minnesota also helped to create the initiative. Achievement Plus programs are currently in place at John A. Johnson and Dayton’s Bluff elementary schools, and implementation is underway at Cleveland Junior High School.

To learn more






To learn more about Achievement Plus and other Wilder Foundation programs, visit www.wilder.org.

- Expand the use of proven interventions that improve educational outcomes for low-income students, particularly improved teacher quality, improved family and community support, expanding learning time in and out of the classroom, and reducing class sizes in kindergarten through second grade.

Equip Minnesotans with the education and skills necessary to secure work that can support a household.

- Guarantee two years of post-secondary education to every young adult who graduates from a Minnesota high school.
- Expand access to and availability of adult basic education, GED, and literacy programs to ensure that low-income adults receive needed training and skills, can achieve functional literacy, and can move seamlessly into higher education or technical programs.
- Implement with haste the promising initiatives of the Governor’s Workforce Development Council (GWDC). The GWDC has worked for over two years to develop job training strategies, many which would have a positive effect on low-income earners. For example, the GWDC’s document titled *Preparing Minnesota’s Workforce for Tomorrow’s Economy* provides some examples of GWDC proposals that would help low-wage workers, including:
 - Reexamining state financial aid policies to include non-traditional adult students, including working students with children.
 - Identifying strategies for providing income support for low-income individuals pursuing short-term training.
 - Supporting the “Shifting Gears” initiative, which focuses on increasing the credentials of low-wage, low-skilled workers so that they become more attractive to regional businesses.

Policy Simulation: Increased attainment of AA Degrees, job training and GEDs

	All persons by family type				
	 All persons	 Children under age 18	 In families with children	 In families with a person over age 65	 In other families
Baseline					
Number poor or low income (in thousands)					
Below 100% NAS poverty	466	109	197	56	214
Between 100% and 200% NAS poverty	1,415	392	760	277	378
Total below 200% NAS poverty	1,881	500	957	333	592
Percent in poverty (below 100% NAS poverty)	9.1%	8.7%	7.6%	8.2%	11.4%
Percent in or near poverty (below 200% NAS poverty)	36.6%	40.3%	36.9%	49.4%	31.5%
Increased attainment of AA Degrees, job training, and GEDs, with employment effects					
Number poor or low income (in thousands)					
Below 100% NAS poverty	406	91	161	56	190
Between 100% and 200% NAS poverty	1,237	332	638	268	332
Total below 200% NAS poverty	1,643	423	799	323	522
Percent in poverty (below 100% NAS poverty)	7.9%	7.3%	6.2%	8.2%	10.1%
Percent in or near poverty (below 200% NAS poverty)	32.0%	34.1%	30.8%	48.0%	27.8%
Effect on poverty: Increased attainment of AA Degrees, job training, and GEDs					
Reduction in poverty rate	1.2%	1.4%	1.4%	0.0%	1.3%
Reduction in poverty or near poverty rate	4.6%	6.2%	6.1%	1.4%	3.7%
Additional key data					
Workers with a new job (thousands)	5				
Net change in wages (\$ millions)	\$9,529				
Government cost (\$ millions)	(\$3,425)				

Source: The Urban Institute, tabulations using the TRIM3 microsimulation model and the 2006 and 2007 ASEC data. Government costs are changes in tax and benefit programs, and do not include the cost of providing education and training. See Appendix B.

“Alliances are needed between the faith community, nonprofit agencies, government, business, and others with a commitment to overcoming poverty. . . Government is neither solely responsible for alleviating poverty nor removed from that responsibility.”

— from the Commission’s Guiding Principles



Develop an ongoing structure to monitor Minnesota’s efforts to end poverty.

Minnesota has a long tradition of excellence in public affairs. When Minnesotans put our minds to making progress on something we value, we usually get results. If fighting poverty is something we truly care about, we should develop the tools necessary to make and monitor progress. It’s been 21 years since the last state commission on poverty, and while the 1987 commission made progress on a number of its recommendations, it is clear that with time and changes in state leadership, much of the commission’s work disappeared from view. We cannot afford to let that happen again. We must put in place strategies to keep the goal of ending poverty by 2020 on target.

Create the long-term tools to end poverty:

- Adopt a more meaningful poverty measure. Minnesotans should support federal initiatives promoting the federal revision of the current poverty measure, such as recent legislation introduced by Jim McDermott (D-Wash.) and Jerry Weller (R-Ill.), the City of New York, and the U.S. Conference of Mayors. Minnesotans should not wait for federal action but should begin using the methodology developed by the National Academy of Sciences (NAS) to monitor state poverty levels. The NAS methodology far more accurately reflects actual poverty, and most federal legislation, including the legislation noted above, has the NAS method at its core.
- Educate Minnesotans about poverty. The state should partner with the private sector, the faith community, and community groups to conduct a public awareness campaign to educate Minnesotans about the causes of poverty and the consequences that poverty has not only on individuals, but on the overall state economy and quality of life. The goal of the campaign would be to correct misinformation about people affected by poverty and to suggest solutions that will help Minnesotans fight poverty and build strong, healthy communities. Initiatives such as work by the Itasca Group to spotlight the issue of poverty could help inform this effort.
- Better understand existing antipoverty efforts. Social services providers, the state, and relevant state agencies should learn about what others are doing to end poverty. Partner with the faith community, nonprofit agencies, businesses and others who have made fighting poverty a priority and built effective programs. Learn what practices are working best and establish a system that ensures that the best, most innovative and effective programs receive the funding they need and that results are effectively communicated.
- Monitor the impact of legislation on poverty. State policy makers should develop and promote the use of “poverty impact statements,” similar to “fiscal notes,” that would help legislative committees estimate the impact of legislation on poverty. This would help control the unintended consequences that often occur when decisions are made on issues, such as transportation or education, that can have a significant impact on low-income Minnesotans.

THE ITASCA PROJECT'S MIND THE GAP AND CLOSE THE GAP INITIATIVES

About the Itasca Project

The Itasca Project was formed in 2004 to examine issues critical to the economic vitality of the Twin Cities Metro Area, including transportation, education, business development, and economic disparities.

Led by Jim Campbell, former CEO of Wells Fargo, and made up of over 40 former current and former CEOs, state and city leaders, and the president of the University of Minnesota, the group's goal is to "sharpen the region's competitive edge by improving its quality of life."

Key objectives

- A comprehensive transportation system that works for all Minnesotans
- A focus on economic development informed by a strong education system
- A commitment to reducing economic disparity among ethnic groups

Since 2004, the Itasca Group has made significant strides in understanding and communicating the long-term implications of socioeconomic disparities in the metropolitan region. Two major initiatives include Mind the Gap, a compilation of findings from the Brookings Institution and leading government agencies, businesses and nonprofits; and Close the Gap, a documentary series on Twin Cities Public Television that explains the group's work and highlights economic disparities in the region.

To learn more

To learn more about the history and strategic goals of the Itasca Project, visit www.theitascaproject.com. For more on Mind the Gap, visit the Brookings website at www.brookings.edu and enter "Mind the Gap" in the search box. For Close the Gap, visit www.mnchannel.org/partners/closethegap/.

“Targets establish a clear vision for tackling the poverty problem. Targets set a timetable for the elimination or reduction of poverty and measure accomplishments against these goalposts. A target does not determine how the mission gets accomplished, but it does set forth a commitment to get the job done.”
— from *Targeting Poverty: Aim at a Bull’s Eye*, Center for Law and Public Policy (CLASP)

Next Steps

In offering our recommendations, we sought to provide a general “blueprint” or plan of action for ending poverty by 2020. But these recommendations are only one step in the process. To ensure that the recommendations are effectively communicated and monitored over the long term, everyone with an interest in these issues—Commission members and staff; the Minnesota legislature; nonprofit and faith organizations; the business community; and concerned Minnesotans—must do their part.

In addition, if real progress is to be made, specific goals and benchmarks must be set. These must include both an overall goal for ending poverty in Minnesota, as well as additional goals for specific challenges we identified in our research.

Below we offer a general plan for communicating and monitoring the recommendations, as well as general and specific benchmarks. We hope that together these strategies will guide Minnesota toward the goal of ending poverty by 2020.

Communicating and Monitoring the Recommendations

To ensure that the recommendations presented in this report are clearly understood and communicated, and to provide a way for monitoring their progress over time, we offer the following general plan.

- Members of the Commission and staff will present the recommendations to legislative leaders and appropriate legislative committees.
- Nonprofit and faith organizations should educate their constituents on the recommendations and encourage them to contact their elected officials.
- A non-profit or academic entity should set up a permanent process to monitor progress on the recommendations and inform the public on a regular basis of the progress or lack of progress.

The third point is particularly critical if we are to succeed. As we have said in our recommendations, it is important to develop and maintain the tools needed to both make and monitor our progress, and to ensure that the strategies needed to end poverty by 2020 are firmly in place. We must ensure that this report is just a starting point, not merely an end in itself.

Benchmarks for Reaching the Commission's Goals

As part of our deliberation process, we set up a working group to develop some specific benchmarks for meeting our goals. This group developed two sets of benchmarks—overarching benchmarks and benchmarks tied to the six recommendations strategies articulated in this report.

Overarching benchmarks

To reach the overall goal of ending poverty by 2020, rapid poverty reduction must occur where Minnesota's poverty rates are disproportionately high—among racial minority groups and among children. Overarching benchmarks identified by the Commission's Benchmark working group include:

- Reduce poverty rates among racial minority groups to the national average by 2012.
- Reduce poverty rates by half among all children by 2014.
- Eliminate poverty by 2020.

Key Definitions

Poverty rate. This refers to the measure of poverty developed by the National Academy of Science (NAS). For more on this measure, please see the section “How We Measure Poverty in Minnesota” earlier in this report.

Ending poverty. Throughout the report, we talk about the concept of ending or eliminating poverty, but we want to add two points of clarification. First, in ending poverty, we do not pretend that nobody will ever fall into poverty—a family whose housing burns down with all of their possessions may suddenly be homeless and in poverty, as may a person who has no income because they lost their job suddenly, or someone who had to flee violence in their home. There will always be crises that lead to temporary poverty. The Commission's goal is to make sure that people in crisis get prompt help in getting their feet back on the ground quickly.

Likewise, in our goal of eliminating poverty, we are not including people who traditionally would qualify as being in poverty, but whose income and assets are a matter of lifestyle choice, such as an individual who wants to live off of the land, or a religious person who has taken an oath of poverty.

Benchmarks and Progress Indicators by Strategy

The following benchmarks relate to the six recommendations strategies articulated in the Recommendations section of this report. It is important to develop and maintain a system for monitoring our progress towards these goals, whether it is someone at the Humphrey Institute, or a non-profit organization similar to the Minnesota Council of Nonprofits' “Minnesota Budget Project,” which can accurately measure the progress or lack of progress, and inform the public and the legislature of its findings.

Please see the third benchmark under Strategy VI, below, on a proposed timeline to establish a system to monitor our progress.

I. Restore work as a means out of poverty.

- Ensure that all jobseekers will be able to secure stable employment at a living wage, or be assisted through a wage subsidy program by 2014.
- Reduce poverty rate among families with earned income by half by 2014 and eliminate it by 2020.

- Significantly reduce the number of jobs in Minnesota paying less than a living wage, so that no working family lives in poverty, while recognizing that not all jobs are held by workers who are supporting families with their income.

*See definition of ending poverty.

II. Refocus public assistance to streamline services and support everyone's capacity and potential.

- Reduce by half the number of children living in deep poverty (below 50 percent of the poverty threshold) by 2012.
- Reduce the poverty rate among the elderly by half by 2014 and eliminate by 2020.
- Reduce the poverty rate among people with disabilities by half by 2014 and eliminate by 2020.
- Reduce the poverty rate among the adults without children by half by 2014 and eliminate by 2020.
- Ensure that all public assistance programs always reward, not penalize, increased earnings.

III. Help Minnesotans build and maintain financial assets.

- Close the gap on net worth (including home ownership) between white households and American Indian and households in communities of color.
- Close the gap on net worth (including home ownership) between disabled Minnesotans and nondisabled Minnesotans.
- Reduce the number of households using usurious or predatory financial products by half by 2014 and to a negligible amount by 2020.

IV. Revitalize our communities through infrastructure and person-to-person support.

- End long-term homelessness by 2010.
- Reduce to less than 30 days the time anyone in Minnesota must spend in housing shelters by 2020.
- Reduce the number of households that spend more than 50% of their income on housing by half by 2014.
- Ensure that all regions within the state will have transit services that allow people to fully participate in their community by 2014.

V. Modernize our system of education to build the best workforce in the nation.

- Increase high school graduation rates for students of color and American Indian students to be equal to the rates for white students by 2014.

VI. Develop an ongoing structure to monitor Minnesota's efforts to end poverty.

First, the Commission would like to see the Minnesota legislature immediately seek out funding to support a permanent commission on poverty. Then, by end of session in June 2009, the following goals should be met:

- Form a permanent commission to end poverty within the Legislative Coordinating Commission.
- Call for the private and faith community sectors to form a parallel commission to advise the legislature and/or any permanent legislative commission on poverty.
- Develop, implement and maintain a system for monitoring our progress on the benchmarks using an objective, third-party organization.
- Adopt the NAS methodology as the Minnesota measurement of the official poverty level.

By 2010, require that a poverty impact statement be submitted for all proposed legislation.

Conclusion

We close by returning to the “Common Foundation” document produced by people in the faith community, who prompted the creation of this Commission. We take seriously the premise that “all people are to be provided those things that protect human dignity and make for healthy life: adequate food and shelter, meaningful work, safe communities, health care, and education.”

For both moral and economic reasons, we must bring an end to poverty. We realize that the challenge is great, but we believe that by working together, the faith community, nonprofit agencies, government, business and the community at large can succeed.

Appendixes

In this portion of the final report, you'll find additional information on the Commission's structure and guiding principles; a report from the Urban Institute on its work with the Commission; information on how to obtain a copy of the Commission's interim report, and a bibliography of suggested readings and resources.

Appendix A: About the Commission

An important feature of the Commission is its bipartisan structure. Learn about which legislators and appointees were on the Commission. This page also briefly describes executive committee and staff duties and responsibilities.

The Commission's work was informed by seven guiding principles first articulated in the Minnesota faith community. Learn about these principles and also the about the law that established the Commission and set forth its duties and responsibilities.

Appendix B: Urban Institute: Estimating the Impacts of Policy Proposals

An essential component of the Commission's research was its collaboration with the Urban Institute, which ran policy simulations based on the National Academy of Sciences (NAS) poverty measure. Details of these simulations, estimated using the Transfer Income Model, Version 3 (TRIM3) are given.

Appendix C: The Commission's Interim Report

A quick overview and information on how to obtain a copy of the Commission's interim report, published in June 2008. The report introduces the Commission and reports on its work at the half-way point in the Commission's term. Key to this report are findings based on research conducted by Commission staff.

To learn more about the Commission, visit its website at www.lcep.leg.mn. This website provides access to extensive information on the Commission's work, including meeting archives, information on the Commission's listening tours, and other resources. Audio and video of the Commission's hearings is available on the site.

Appendix A: About the Commission

Commission Membership

The **Commission** consists of nine members of the Senate and nine members of the House of Representatives, with five members of the majority and four members of the minority from each body. In addition, two non-voting members were appointed by the governor to sit and deliberate with the commission.

The **executive committee** consists of the two co-chairs, Sen. John Marty and Rep. Carlos Mariani, and two senior Republican members, Sen. Claire Robling and Rep. Morrie Lanning, who are responsible for strategic planning, overall mission and vision, and approval of all major communications released by the Commission, including the interim and final reports.

Commission staff includes an executive director, Gregory Gray, and a research and data analyst, Andrea Lindgren. The director acts as the public contact for the commission and the analyst conducts research that supports the Commission's work. Staff works closely with the commission on all matters, including strategic planning and communication.

Commission Membership

Voting Members

Sen. John Marty (DFL), co-chair
Sen. Claire Robling (R)
Sen. Scott Dibble (DFL)
Sen. Steve Dille (R)
Sen. Michael Jungbauer (R)
Sen. Paul Koering (R)
Sen. Tony Lourey (DFL)
Sen. Mary Olson (DFL)
Sen. Sandra Pappas (DFL)

Rep. Carlos Mariani (DFL), co-chair
Rep. Morrie Lanning (R)
Rep. Jim Abeler (R)
Rep. Bruce Anderson (R)
Rep. Frank Moe (DFL)
Rep. Bud Nornes (R)
Rep. Mary Ellen Otremba (DFL)
Rep. Nora Slawik (DFL)
Rep. Neva Walker (DFL)

Non-Voting Members (Governor's Appointees)

Ms. Donna Bauer

Mr. Michael Hawton

The Commission's Guiding Principles

The Commission's guiding principles, outlined below, were written into law in a bill co-authored by Sen. John Hottinger (DFL) and Rep. Jim Abeler (R) in 2006. For more on this bill and its legislative history, please visit the Commission's website at www.lcep.leg.mn.

Guiding Principles

- (a) There should be a consistent and persistent approach that includes participation of people of faith, nonprofit agencies, government and businesses.
- (b) All people should be provided those things that protect human dignity and make for a healthy life, including adequate food and shelter, meaningful work, safe communities, health care and education.
- (c) All people are intended to live well together as a whole community, seeking the common good, avoiding wide disparities between those who have too little to live on and those who have a disproportionate share of the nation's goods.
- (d) All people need to work together to overcome poverty, and this work transcends both any particular political theory or party and any particular economic theory or structure. Overcoming poverty requires the use of private and public resources.
- (e) Alliances are needed between the faith community, nonprofit agencies, government, business and others with a commitment to overcoming poverty.
- (f) Overcoming poverty involves both acts of direct service to alleviate the outcomes of poverty and advocacy to change those structures that result in people living in poverty.
- (g) Government is neither solely responsible for alleviating poverty nor removed from that responsibility. Government is the vehicle by which people order their lives based on their shared vision. Society is well served when people bring their values into the public arena. This convergence around issues of poverty and the common good leads people of varying traditions to call on government to make a critical commitment to overcoming poverty.

Established by the Legislature in 2006. – Minnesota Laws 2006 Chapter 282, article 2, section 27.

Appendix B

Urban Institute:

Estimating the Impacts of Policy Proposals

Introduction

The measures of poverty and the potential effects of new policies on poverty were estimated using the Transfer Income Model, Version 3 (TRIM3), a comprehensive microsimulation model developed and maintained by the Urban Institute under primary funding from the federal Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (HHS/ASPE).¹ TRIM3 simulates the rules of the major tax and benefit programs that affect families' economic well-being, capturing both federal- and state-level rules, including the interactions across programs. The model can simulate the effects of changes in government policies and changes in individuals' employment status or wages in response to new policies.

The analysis started from Census Bureau data on Minnesota households. The TRIM3 model was applied to those data to simulate government benefits and tax liabilities, constructing a "baseline" that represents how government programs affect households in MN. The model also augmented the Census Bureau information to enable use of the poverty measure recommended by the National Academy of Sciences (NAS). Finally, the model estimated the effects of the policy proposals designed to reduce poverty in MN.

The Census Bureau Data and the "Baseline" Simulations

The analysis used the 2006 and 2007 Annual Social and Economic Supplement (ASEC) files of the Current Population Survey, which capture the income and employment of Minnesota's population during calendar years 2005 and 2006, together with information on personal and family characteristics. One key adjustment was made to the ASEC data: For individuals who appeared to be working at the minimum wage, wages were increased slightly to reflect the \$7.25 minimum wage in effect as of July 2009 (deflated to the dollars of the survey data).

Each year of ASEC data includes about 4,700 Minnesota residents in 1,700 households. To increase the effective sample sizes, all analyses were performed on each year of data, and final results were produced by averaging the two single-year results.

Baseline simulations were performed for each of the major tax and benefit programs, including: the federal and state income taxes; payroll taxes; Food Stamps; Supplemental Security Income (SSI); Temporary Assistance to Needy Families (TANF); child care subsidies funded under the Child Care and Development Fund (CCDF); public and subsidized housing, the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); the Low Income Home Energy Assistance Program (LIHEAP); Medicaid; and the State Children's Health Insurance Program (SCHIP). The baseline simulations calculated tax liabilities and key data for each benefit program—eligibility, potential benefits, and enrollment status—for each household in the sample. Many simulation results were aligned to administrative data targets to provide the best representation of current rules in MN. The simulations used current federal and Minnesota rules (with dollar amounts deflated to the dollars of the survey data).

NAS Poverty Estimates

We computed poverty following as closely as possible the recommendations of the NAS Panel on Poverty and Family Assistance (National Research Council, 1995), and using information computed by the Census Bureau for purposes of their implementation of alternative poverty measures. (Short, 2001, and Dalaker, 2005)

Resources

Each family's resources were computed as follows:

- Cash income (as reported in the CPS, but with TRIM-simulated TANF and SSI income replacing the CPS-reported amounts to correct for under-reporting),
- + the value of Food Stamps, WIC, and LIHEAP benefits (as simulated by TRIM₃)
- + the value of living in public or subsidized housing (full value of the apartment minus household's required payment, as simulated by TRIM₃²)
- federal income tax, state income tax, and employees' payroll tax (all simulated by TRIM₃)
- + the Earned Income Tax Credit (the federal EITC and MN's state EITC, simulated by TRIM₃)
- child care expenses (simulated by TRIM₃, either unsubsidized expenses or the family's CCDF copayment)
- other work related expenses (using the Census Bureau's estimates³)
- + the value of capital gains (imputed by TRIM₃)

Thresholds

We used poverty thresholds calculated by the Census Bureau following the NAS approach, using the most recent Consumer Expenditure Survey for data on actual levels of basic expenses.⁴ The national-level NAS poverty thresholds were adjusted to reflect cost differences between Minnesota and the nation, with separate thresholds for Minnesota's urban areas vs. rural areas.⁵ The thresholds vary by family size and number of children according to the three-parameter scale (described in Short, 2001). The thresholds also vary by health insurance status (privately insured, publicly insured, or uninsured); health status; and elderly status.⁶

For each family, the resource measure was compared to the applicable poverty threshold to determine if the family was in poverty (under 100% of the threshold) or near poverty (under 200% of the threshold). The use of the NAS approach resulted in higher MN poverty estimates than the standard poverty definition. (Note that these poverty estimates are specific to the ASEC data; estimates may differ across surveys.⁷)

Policy Simulations

Each policy was modeled to capture its direct effects on a family's income, and the implications of the policy change for a family's tax liability and program benefits. The TRIM3 model first estimates the effects of programmatic changes (e.g. how different EITC rules would affect net income) and then, as appropriate, simulates a labor supply response to the new policy. When re-simulating benefit programs, the model assumes that families receiving benefits in the baseline continue participating as long as they are still eligible for some benefit. Likewise, the model assumes that families do not change apartments or child care arrangements. The minimum wage, EITC, and child care policies were simulated both with and without indirect effects on employment; assumptions about employment responses are based on estimates from the best-available economics literature. The NAS poverty figures were re-tabulated after each policy simulation, capturing changes in all aspects of a family's resources.

\$9.50 minimum wage

Earnings were increased for all individuals in the survey data earning a wage between \$7.25 and \$9.50, to bring them up to the proposed wage level.⁸ In one simulation, only this direct change was modeled. A second simulation included two indirect effects: a small reduction in employment consistent with research literature, and an assumed increase in wages for workers within \$1 of the affected range.⁹

Expanded federal EITC

The EITC policy is based on the proposals of Gordon Berlin (Berlin, 2007). Specifically, the childless EITC was increased to approximately 75 percent of the EITC for a single taxpayer with one child. To be eligible, the taxpayer must be aged 21-54 and work 30 hours or more per week for 26 or more weeks of the year. The credit is also available to the lower earning spouse in a married couple family, and is calculated based on his/her earnings alone. The higher earning spouse in a two earner family receives the standard EITC based on his or her earnings (phased out by the couple's AGI minus the earnings of the lower earning spouse). One simulation included no employment effects, while a second simulation assumed that the expanded EITC would increase employment for childless workers and unmarried parents.¹⁰

Guaranteed child care subsidies

The simulation assumed that child care subsidies under the CCDF program become an entitlement, with the eligibility threshold raised to 300 percent of the standard poverty threshold, and the copayment capped at 10 percent of income. In one simulation, no new employment was simulated. Newly-eligible families were assumed to want subsidies if they paid for child care in the baseline; among all eligible families (newly-eligible and previously-eligible) 53 percent were simulated to receive subsidies. In a second simulation, employment was assumed to increase among parents who would become eligible for the subsidy by starting work¹¹, and all of those newly-working parents were modeled to take subsidies; overall, 58 percent of eligible families were simulated to receive subsidies in this simulation.

Food Stamp Program participation rate

This simulation assumes that the percentage of eligible households receiving Food Stamps in MN would increase from its current level of about 56 percent to 85 percent—close to the highest rate currently observed in a few states. For families with earnings eligible for Food Stamps, the rate was increased from approximately 45 percent in the baseline to 75 percent. No change was made to Food Stamp eligibility rules or benefit amounts.

Education and training

A broad-based expansion of education and training programs was modeled for adults up to age 49 who are not in school and who either have no high school diploma or equivalent (134,000 MN adults up to age 49) or who have a high school diploma but no post-secondary degree (893,000 MN adults up to age 49). These simulations are not intended to represent the impacts of a specific policy; rather, they provide a “scenario” showing how poverty could be affected if the assumed education and training increases were realized, together with the assumed employment and earnings effects. The simulations impose the following changes in educational attainment: (a) 50 percent of the non-disabled adults without a diploma earn a GED, (b) 50 percent of the non-disabled adults with a high school diploma but no post secondary degree attain an AA, and (c) the remaining 50 percent of non-disabled adults with a high school diploma but no post secondary degree obtain job training. The estimates of the employment and wage impacts of the GED, AA degrees, and training are based on studies that examined the outcomes of particular programs for specific subgroups. The largest impacts seen in the literature are extrapolated and applied to all the individuals assumed to be affected. The modeled effects are: (1) New GED recipients who already have a job increase earnings by 25 percent, and 10 percent of new GED holders without a job obtain a job; (2) New AA recipients with a job increase earnings by 40 percent, and 15 percent of those without a job obtain a job; (3) Individuals obtaining new training increase earnings by 20 percent if already working, and 6 percent of those not already working obtain a job. New workers are assumed to work 35 hours/week for 50 weeks/year; those who obtained an AA or training earn \$17/hour and those who obtained a GED earn \$13/hour (the median hourly wages in MN for those with an AA degree and with a diploma, respectively).

The results of the policy simulations can be compared to the baseline results along several dimensions:

- Numbers of people in poverty or near poverty: Numbers are tabulated for people overall, for children, and for people in different types of families – families with children, families including an elderly member, and other families (such as childless non-elderly individuals or couples).
- Numbers of people with new jobs or with higher wages: The estimated changes in employment and earnings are based on assumptions extrapolated from the research literature, and presume that the labor market could absorb new workers and reward those with higher skills and education.
- Changes in costs of simulated tax and benefit programs: All of the policy alternatives either changed the costs of one or more benefit programs, or changed tax liabilities, or both, relative to benefits and taxes in the baseline simulations. The increase (or decrease) in the cost of safety-net benefits minus the increase (or decrease) in tax collections gives the total cost increase (or decrease) for the simulated programs. The expansions to the EITC, child care subsidies and food stamps all increase government costs. A higher minimum wage increases tax collections and slightly lowers the amount paid in safety-net benefits. The employment and earnings gains modeled in the simulation of expanded employment and training also produced higher tax collections and lower benefits. However, the costs of providing education and training are not included in the cost estimates. Also, the costs do not include the costs to government of paying higher wages to government employees, in the event of an increase in the minimum wage. All cost changes are shown in 2006 dollars, and include both the federal government costs and the state government costs of implementing new policies in MN (not nationwide).

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- ¹ TRIM3 requires users to input assumptions and/or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions presented here are attributable only to the authors of this report.
- ² The housing subsidy value is capped at the percentage of the poverty threshold considered to represent housing costs, 44 percent.
- ³ The Census Bureau assigns \$25.08 of other work related expenses per week of work in CY 2006 (capped at the person's earnings).
- ⁴ The NAS-based thresholds are calculated according to the Census Bureau's "MIT-GA-CE" threshold definition, and are based on expenditures from the latest available 12 quarters of Consumer Expenditure Survey (CE) data. See Dalaker, 2005.
- ⁵ The geographic adjustments were provided by the Census Bureau and are based on differences in fair market rents.
- ⁶ For a family of a given size and number of children, the poverty threshold is higher (the family is more likely to be counted as poor) if the family is uninsured or privately insured, includes someone in poor health, and/or lives in an urban area. Variation of the thresholds by health insurance status adjusts to some extent for the fact that publicly-insured individuals have lower out-of-pocket medical costs than privately insured or uninsured individuals. Out-of-pocket medical costs are not captured in the CPS data and could not be imputed as part of this analysis.
- ⁷ Nelson (2006) compares state-level poverty estimates from the ASEC and ACS data.
- ⁸ The \$9.50 was deflated to the dollars of the input data.
- ⁹ For workers who would receive a wage increase due to the new minimum wage, the probability of losing their job is assumed equal to 0.06 times the percentage increase in the wage, based on research reviewed in Neumark and Wascher (2006). See Giannarelli, Morton and Wheaton (2006) for discussion of this assumption and the wage increase for workers within \$1 of the affected range.
- ¹⁰ The employment rate for childless workers was increased from 88% to 90%, and the rate for unmarried parents was increased from 90% to 97%; the employment of married couples was assumed unchanged, consistent with the research literature. The impact for unmarried parents is based on Grogger (2003), who found a \$1,000 increase in the maximum EITC credit leads to a 3.6 percent increase in employment for female-headed families; we assumed the effect was half that for childless workers.
- ¹¹ The employment rate for unmarried parents with children under age 13 was increased from 89% to 93%; the employment rate for secondary earners in married couples with children under age 13 was increased from 78% to 82%. Schaefer et al, 2006, review the research on the impacts of subsidies on employment, and find a wide range of estimates, often with varying study groups. One study estimated that a \$1,000 annual increase in subsidies resulted in an 11 percent increase in the probability of employment for low-income families (not on welfare), (Bainbridge, Meyers and Waldfogel, 2003). Houser and Dickert-Conlin (1998) estimated a more modest effect of child care subsidies on labor force participation – a subsidy equal to 50 percent of the price of care would increase labor force participation of single parents by 4.2 percent and secondary earners by 4.1 percent. The simulated increases in employment are consistent with the lower estimates.
- ¹² The National Evaluation of Welfare to Work Strategies (Bos et al, 2002), which examined education and training among mothers receiving cash aid, found that GED completion increased earnings by 28 percent. For post-secondary participants in this study, employment was 16 percentage points higher than for non-participants in the third year after the intervention, and earnings were 47 percent higher than among those who completed only adult education. In an evaluation of job training provided to disadvantaged youth and adults through the Job Training Partnership Act (Bloom et al, 1997), earnings increased by 10 percent for adult women (relative to the control group, during the 30-month follow-up period), by 5 percent for adult men, and by smaller amounts for youth. The employment rate increased by 2.8 percentage points for adult men and female youth, and by smaller amounts for women and for male youth. Lerman (2007) reviews the evidence on community college completion, reporting an earnings gain of 30 percent for men who complete a vocational AA degree, and gains of 40 percent for women who complete an academically-oriented AA degree, and 47 percent for women who complete a vocational AA degree.

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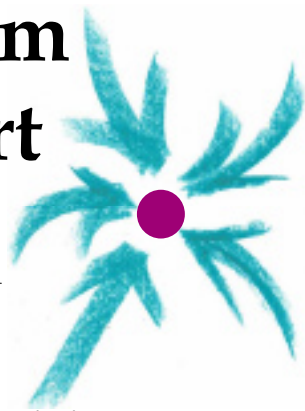
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Appendix C: The Commission's Interim Report

The Commission's Interim Report, pictured below, was published in June 2008. Features of the report include:

- Information on the Commission's history, structure, its founding principles, and the three-phase strategy it used to conduct its work.
- Notable statistics on poverty in Minnesota, and findings in key categories including Housing, Transportation, Family and Children, Health Care, Employment and Income, and Education.
- Profiles of the working poor and the story of a young mother struggling to improve her life through education after marital abandonment.
- Information on poverty initiatives throughout the U.S.; a bibliography of readings and resources on poverty; and a map of the Commission's listening tours of the state.

Interim Report



From the

**Legislative Commission to
End Poverty in Minnesota by 2020**

Published June 2008



To download a PDF copy of the report, please visit the Commission's website: www.lcep.leg.mn and select the What's New? link.

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Additional Resources

Please see Appendix B in this report for reference sources relating to policy simulations and other research conducted by the Urban Institute for the Commission.

The Commission's Interim Report, published in June 2008, is another significant source of bibliographical references relating to the Commission's work. Please see Appendix C in this report for highlights of the report and information on obtaining a copy.



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Legislative Report

Commission to End Poverty in Minnesota by 2020

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