Reducing Poverty at the State and Local Level

In 1964, Lyndon Johnson declared a War on Poverty in the United States. Now, 45 years later, that war has yet to be won. While we have made some progress, today 37 million Americans live below the poverty line, 13 percent of all Americans and 18 percent of America’s children. Furthermore, millions who are above the line still fall short of meeting the costs of living, and the number struggling to make ends meet is increasing.

Interest in poverty as a national issue has waxed and waned. Current shifts in public policies indicate that the nation is moving toward taking a fresh look at addressing poverty, and governments at all levels are beginning to develop a new wave of ideas and approaches to address the causes of poverty. The current economic crisis, however, could curb these efforts. As state and local governments feel the budget pinch, there will be increased pressure for policymakers to cut funds for social service programs, which are the safety net for low-income populations. In this climate, grantmakers have the opportunity to stand up for the low-income population and help rebuild and retain the safety net meant to protect those most in need.

With the country in economic recession and growing unemployment, greater strain on assistance programs will likely cause more people to drop below the current poverty line and lead to even more pressure on vulnerable populations. A November 2008 report by the Center on Budget and Policy Priorities indicates that the economic downturn could raise...
unemployment rates to 9 percent by the end of 2009, which could increase the number of Americans in poverty by between 7.5 million and 10.3 million people. The number of children in poverty could increase by up to 3.3 million, and another 1.5 to 2 million could be thrust into deep poverty.¹

Congress recently passed the American Recovery and Reinvestment Act of 2009 (ARRA), a $780 billion stimulus package for the economy. While some provisions within the bill aim to address poverty, the legislation is not designed to make the enduring policy changes needed to help low-income families move out of poverty permanently. All sectors now must work together to find solutions for both the short- and long-term. This brief examines opportunities for foundations to engage in policy efforts at the state and local level and considers four cases in which grantmakers are already collaborating with policymakers to reduce poverty.

**Poverty in Context**

Poverty is an extremely broad and complicated issue. Even the definitions can be debated (see “The Poverty Measure,” page 4). Language can also play an important role when communicating issues of poverty. “Poverty is not the same thing as inequality is not the same thing as mobility,” William Galston noted during a Brookings Institute panel on poverty in March of 2008.² For example, framing the poverty debate in the context of opportunity may be more politically palatable for some than discussing it as an issue of reducing inequality.³

Poverty also affects different populations in different ways, and assistance to the poor can vary. Since welfare reform, the focus has been on the working poor, particularly those with children. Programs such as the Earned Income Tax Credit (EITC) have been successful in assisting these families, and many have called for their expansion among both families and adults without children. Tax credits for the employed, however, do not reach everyone in poverty. Increasing other types of assistance such as unemployment benefits, food stamps, and housing assistance can reach the population that EITC does not reach.

As a way to address the current economic crisis, the ARRA has increased federal funding of many government safety net programs, such as the Child Tax Credit, EITC, unemployment insurance, and Temporary Assistance for Needy Families (TANF). Although the legislation potentially could provide a needed boost to those in poverty and at risk, the provisions of the bill are temporary, with much of the funding targeted at the next two to three years.⁴ Creating long-term change and results for those living below the poverty line will require efforts independent of the economic recovery bill.

**Taking Actions to Reduce Poverty at the State and Local Level**

Many social service programs aimed at keeping families out of poverty are federally funded, yet states and localities often bear greater responsibility for administering them. Even though programs such as Medicaid and TANF are federal, states and localities play a major role in deciding how funds are dispersed and who is eligible for the supports. Also, many states, counties, and cities may supplement federal funding or create their own safety net programs for low-income
Multiple states and localities have established initiatives to reduce poverty over the next several years. According to Levin-Epstein, at least 18 state governments have created a poverty commission, scheduled a poverty summit, or created a legislative caucus to address poverty, many of them just in the last two years. These efforts have incorporated goals and research-based best practices for reducing poverty. For example, recommendations from the Alabama House of Representatives Poverty Task Force include: promoting savings; ensuring that workforce development programs funded by the State of Alabama recruit in low-income areas; providing additional funds to Head Start; and encouraging the promotion of EITC for low-income workers. Poverty Task Force members will be sponsoring separate pieces of legislation related to the committee’s recommendations.

It remains to be seen if these efforts can continue in light of the current economic situation. Many social services are administered and partially funded at the state level, meaning the economic crisis states currently face has impacted the funding of programs that are key to lifting families out of poverty. The Center for Budget and Policy Priorities projects a $350 billion budget shortfall for states over the next two and a half years, and the ARRA will only cover up to 40 percent of the shortfall for the average state. In this time of intense fiscal strain, it is ironic that the endangered programs are more important than ever to the safety net. Maintaining these programs, in light of struggling state and local budgets, could present an even greater opportunity for public-private partnerships between policymakers and the philanthropic community. Some excellent examples of this type of work have already begun to develop.

While any of the proposed methods might help alleviate poverty on some level, several strategies have been identified as particularly effective ways to directly impact a family’s situation. Within this subset of strategies are those that can be used on a state and local level to reduce poverty. The National Governors Association Center for Best Practices has identified the following areas of focus for states as they work to build income security for families:

- Expand safety-net options for families in crisis
- Increase the returns on work
- Promote savings and asset accumulation
- Improve the consumer environment in poor neighborhoods by expanding options and controlling disproportionately high costs
- Increase access to education and training
- Improve access to work supports
- Invest in programs for young children
- Strengthen family relationships

Knowing where to focus poverty reduction efforts is often an easier task than determining how to go about it. The interconnected nature of the symptoms of poverty has led to proposals for dozens of solutions, ranging from increasing tax credits for working families, to fixing problems in the juvenile justice system, to expanding early childhood education.

In a Fall 2008 article, Sustaining Anti-Poverty Solutions: Keeping an Eye on the Prize, Jodie Levin-Epstein discusses addressing wage and tax policies, work supports, housing, and health care as important components of any plan to reduce poverty. She writes that poverty results from not only inadequate income, but also “inadequate institutions and systems that need strengthening,” pointing to education and financial practices as examples of systems that could be improved.

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The Poverty Measure

One of the major obstacles to fighting poverty is the current poverty measure, a formula now recognized by most as outdated and inaccurate. The measure, created in 1963 by Mollie Orshansky of the Social Security Administration, determined the poverty line by multiplying by three the amount an average family spent on food in a year. Orshansky created this equation based on data from the 1955 Household Consumption Survey. In that survey, the average family spent on food in a year. Orshansky created this equation based on data from the 1955 Household Consumption Survey. In that survey, the average family spent one-third of their after-tax income on food.

While this measure may have made sense and served its purpose in 1963, today’s economy makes the measure ineffective in many ways. Rebecca Blank, Robert S. Kerr Senior Fellow at the Brookings Institution, outlined two major flaws with the measure when she testified in July 2008 before the House of Representatives Subcommittee on Income Security and Family Support:

1. **The current poverty line** – While using the price of food as an indicator of family need was a simple and clear measure in 1963, the system is now archaic. First, food costs have dropped as a percentage of family budgets, and now make up between one-seventh and one-eighth of a budget. In order for Orshanky’s formula to be consistent, food costs for the average family would have to be multiplied by seven or eight to determine the poverty line.

Even the idea of using food as the sole determinant of the subsistence line could be a mistake. Blank states, “Basing the threshold numbers on a single commodity is almost surely not the correct way to calculate these thresholds because it leaves the numbers highly sensitive to the relative price of that commodity and insensitive to the price of any other purchase.” The cost of food, for example, tells us nothing about the changing costs of housing or utilities. The line also does not account for regional differences in the cost of living.

2. **The current resource measure** – An additional problem is the way a family’s resources are counted for measurement against the poverty line. Only pre-tax cash income counts toward the measure of a family’s resources. Many argue that disposable income would be a better indicator, and that the impact of non-cash government programs should be counted as well. For example, necessary costs, such as taxes and out-of-pocket medical expenses, are not accounted for in pre-tax cash income, and non-cash benefits such as Earned Income Tax Credits are not counted as income, leaving a measure that is often far removed from the reality of a person or family’s situation.

**Proposals for a new measure:** In order to address the problems of poverty in the U.S., it is essential that the measure implemented accurately reflects the poverty rate. Several approaches to updating the measure have been proposed in recent years, but the models that have gained the most support involve enacting recommendations made by the 1995 National Academy of Sciences (NAS) Panel on Poverty and Family Assistance. The panel was convened to address the poverty measure problems, but its recommendations were never put into effect. The Measuring American Poverty Act of 2008, introduced last year by Congressman Jim McDermott (D-WA), Chairman of the Ways and Means Subcommittee on Income Security and Family Support, and Senator Christopher Dodd (D-CT), proposed making use of the NAS recommendations. While the legislation did not pass in the 110th Congress, Chairman McDermott is expected to reintroduce the bill for the new Congress by summer of 2009. The 2008 legislation proposed changing the system of measuring poverty by:
Many foundations are working with states and localities to combat poverty. The collaboration of private organizations and public agencies is important to supplement public resources and provide support and credibility to get important poverty initiatives off the ground. Efforts of all kinds exist throughout the country, and four approaches that involve partnerships between grantmakers and local government to impact poverty are highlighted here.

From Poverty to Opportunity: Illinois
The From Poverty to Opportunity Campaign in Illinois set a goal to reduce extreme poverty in the state by half by 2015. The Heartland Alliance for Human Needs & Human Rights, a nonprofit organization that considers poverty a human rights issue, has spearheaded the grant-supported initiative. Funded in part by the Mertz-Gilmore Foundation, the Alliance helped bring together an array of stakeholders, including foundations, people living in poverty, advocates, community leaders, and policymakers. Following a campaign by the Heartland Alliance to obtain support from grassroots to grassroots, from neighbors to the governor, the Illinois legislature unanimously passed legislation creating a Commission on Poverty Eradication in Illinois in the summer of 2008.

Strong communication has been an essential part of the Heartland Alliance’s strategy to make poverty reduction a priority for Illinois. “You can’t get anyone, including legislators, to buy in unless you can communicate why change is needed and what the change is,” Director Amy Rynell states. In order to communicate their message, the campaign held more than 20 From Poverty to Opportunity forums across Illinois in 2008, prior to the creation of the commission, allowing anyone who was interested to learn more about the issues, contribute their thoughts and suggestions, or endorse the effort. Framing the

Profiles of Four Poverty Initiatives

- Basing the new measure on the actual amount a family spends on food, clothing, shelter, and utilities.
- Using a resource definition that counts an adjusted measure of disposable income. The definition would count near-cash benefits such as food stamps, but would subtract work-related expenses such as childcare.
- Adjusting the rate to account for geographic variation in cost of living, whenever possible.
- Evaluating the measure every five years to determine if it remains effective or should be modified in any way.

Enacting these measures is expected to create some shifting in who is considered poor. New York City’s Center for Economic Opportunity created an alternative poverty measure that the city has used to calculate local poverty, using the NAS Panel recommendations as a guide. In implementing the new measure, the city found that the poverty rate increased from 18.9 percent to 23 percent. Further, while the poverty rate for children living in single-parent families dropped from 44.4 percent to 41.6 percent, the poverty rate for the elderly jumped from 18.1 percent to 32 percent.

Many consider New York’s experience as proof that the federal poverty line creates an inaccurate depiction of poverty in the United States. Few cities have the resources New York does to create its own poverty measure, and thus the only way to legitimately address this problem is at a federal level. Changing the way poverty is measured is a first step for those who believe we will most effectively be able to combat poverty when we understand its true parameters.
issue with a human rights focus also has been a major component of the communications strategy. Campaign Director Doug Schenkelberg points out that helping people realize the denial of human rights inherent in poverty takes the issue beyond the realm of charity and into the realm of collective responsibility.

As the legislative commission continues to build an agenda, the campaign, still led by the Heartland Alliance, is determining the most effective ways of reducing extreme poverty in Illinois. It has identified short-term goals, including a list of policy changes that can be implemented this year, such as improving levels of and access to existing income support programs such as TANF and EITC. The Alliance is continuing grassroots outreach and human rights education, and is committed to helping ensure that resources from the economic stimulus package positively impact those in poverty.

**Pathways to Opportunity: Providence, RI**

In January 2007, Mayor David N. Cicilline of Providence, RI convened a task force to consider the issues of poverty and opportunity. The Mayor’s Poverty, Work and Opportunity Task Force in Providence studied poverty in the city and issued a report later that year. The report, funded in part by the Annie E. Casey Foundation, recommended focusing on five goals: helping low-wage workers improve their skills and obtain quality jobs; connecting youth to jobs and college; making work pay; reducing the high cost of being poor; and preventing poverty in future generations.

Using the five goals as a guide, the task force made a wide range of recommendations, including creating financial education programs; improving access to quality early education; and extending programs that develop professional, literacy, and English language skills for low-wage workers. In addition to recommending programs and changes at the city level, the task force advocated for changes in state and federal policy, including a new focus on advocating for statewide Pre-K program piloted in Providence. The task force’s ongoing research indicates that policy and advocacy work will need to play a significant role in efforts to reduce poverty. “We had started with program work but quickly realized the need for policy initiatives to supplement what we were doing,” said Bert Cooper, Director for the Pathways to Opportunity Office in Providence.

The task force is now working to select five or six recommendations dealing with issues such as workforce development, financial services, and career and college preparation for Providence youth to guide its current focus. Pathways to Opportunity works closely with the Annie E. Casey Making Connections site in Providence. The foundation currently funds Cooper’s position with the city, with the plan that over time, Providence will assume funding for the position.

**Step Up Savannah: Savannah, GA**

The Step Up Savannah initiative is the work of 80 different organizations collaborating to reduce poverty. Local leaders from grantmaking, government, neighborhood associations, the non-profit sector, and business have come together to help Savannah residents overcome barriers that keep them in poverty. The City of Savannah, Chatham County, the Savannah Chamber of Commerce, Georgia Power, and the United Way of the Coastal Empire have provided both leadership and funding in the effort. In addition, the United Way works as the fiscal agent and coordinates donations for the project.

A new strategic plan for Step Up Savannah highlights three major areas of focus:

1. **Workforce Development** – In addition to developing skills and education opportunities for the workforce located in the high-poverty census tracts, the Step Up initiative works with employers to educate their lower-wage employees about benefits such as EITC and Food Stamps.
2. **Asset Building** – By increasing EITC numbers, promoting increased savings, access to bank accounts, and financial education, Step Up Savannah hopes to provide a solid financial foundation for all residents of the city.

3. **Work Support** – Unless there is support in areas like childcare, affordable housing, and transportation, many Savannah residents living in poverty will find it difficult to take advantage of opportunities in the workforce.

According to Daniel Dodd, Director for Step Up Savannah, evaluation and communication are an integral focus of the initiative. The 80 organizations in the coalition use both to determine what is working and to make the community more aware of what is happening. Developing communication efforts to bring in more volunteers and organizations to participate in community-wide poverty reduction efforts and establishing evaluation plans are areas where Dodd sees great opportunity for grantmaker involvement.

**Economic Opportunity Initiative: Portland, OR**

Portland’s Economic Opportunity Initiative focuses on assessing the unique needs of low-income residents and directing them toward pathways to success. By focusing on workforce development and entrepreneurship, the Initiative strives to increase the income and assets of low-income participants by at least 25 percent within three years of their enrollment. If they reach that goal before the end of the program, additional advancement goals are developed to propel them farther. Employer-involved job training, life skills, support services, job placement, peer support and advancement coaching are available to youth (ages 18-25) and adults. Some projects specialize in microenterprise development, with an emphasis on peer support and personal mentoring, and help accessing credit is provided when participants and businesses are ready to launch. All 34 projects work as a system to share resources and best practices. City staff act as their advocate to secure joint services, including credit repair, legal services, Individual Development Accounts (IDAs) for building personal savings and criminal records clean-up.

Program Manager Lynn Knox points to the three years of support for each participant as the key to the Initiative’s success at increasing incomes. Participants who complete the program are employed at a living-wage job by the time they graduate. A living wage for a family of one parent and two children in Portland, as defined by the University of Washington in 2008, is $15.32 per hour, assuming 40 hours of work per week. The Initiative’s typical client is a single parent with two children, and the average wage for an adult program graduate is $15.69 per hour, with 71 percent of graduates in employer-paid health care. Most started with zero income or minimum wage employment. Microenterprises have increased their revenues by an average of nearly 300 percent. Even with the current recession, Initiative participants are experiencing much lower rates of unemployment and business failure than other low-income residents.

Knox hopes to use this demonstrated success to gain the confidence of policymakers, by showing Portland’s program can offer large returns on investment. The cost to Portland for each successful graduate is $8,500 over three years. “For every $8,500 you give us, someone who was poor can be working at a living-wage level,” Knox said. Portland now is working with the Northwest Area Foundation to help other cities – including Duluth, Minneapolis-St. Paul, MN, and Vancouver, WA – replicate the model or learn from the Portland experience.

**Next Steps for Grantmakers**

Various options are available for grantmakers interested in poverty reduction efforts utilizing policy and advocacy grants. Some of the ways foundations can play an important role in their state and local efforts include:
• **Supporting evaluation and assessment** – Evaluating poverty-reduction programs and policies can indicate what is working and what is not. Assessing small efforts or pilot programs can demonstrate successes that can be replicated. Cities and localities often do not have the capacity for these types of evaluation efforts or the funding to build capacity. If grantmakers provide funds, resources, or opportunities to share information, evidence uncovered by an assessment can play an integral role in efforts to advocate for more funding or policies that have been proven successful.

• **Communication** – Community support plays an important role in poverty-reduction initiatives, and strong communication efforts are central to building this support. Grantmakers can help convey messages about what work is being done and why it is so important, to build and create a wide range of advocates and volunteers who can support and sustain policy initiatives and programs.

• **Drawing attention and legitimacy to public efforts** – Recognition from foundations can validate innovative or unique efforts that a city or state has undertaken. This recognition can serve not only to draw attention to an effective practice, but also to create more support for the initiative within its jurisdiction. If a foundation or grantmaker that specializes in a particular area recognizes the efforts of a state, region, or city, the leverage provided might be a catalyst to convince policymakers to continue or expand poverty-reduction efforts.

• **Starting from scratch** – Grantmakers operating in cities, regions, or states with no major poverty-reduction initiative have options for getting involved, as well. The National League of Cities can provide information on any budding initiatives that may be going on in the area and act as a resource to help replicate efforts that have been successful in other places.

**Resources**

**Spotlight on Poverty and Opportunity** – Originally begun to stimulate dialogue about poverty and draw attention to the issue during presidential campaigns, Spotlight now serves as one of the nation’s leading forums for discussions on poverty issues.

**The Brookings Institution** – Brookings has several access points to resources related to poverty, including a U.S. Poverty topic area, the Center on Children and Families, and The Hamilton Project, an initiative related to further American opportunity, prosperity, and economic growth.

**National Center for Children in Poverty (NCCP)** – NCCP, a division of the Mailman School of Health at Columbia University, is a public policy research center dedicated to promoting the economic security, health, and well-being of America’s low-income families and children. The center’s site features a data tool, which can calculate the cost of basic needs for families of different characteristics in a variety of locations.

**Half in Ten** – As a coalition of the Center for American Progress Fund, the Leadership Conference on Civil Rights, ACORN, and The Coalition on Human Needs, the Half in Ten campaign focuses on employing and expanding proven poverty-reduction strategies in order to reduce poverty in the U.S. by 50 percent in ten years.

**The Institute for Youth, Education, & Families (YEF Institute)** – As an entity within the National League of Cities, YEF is a national resource for cities and municipalities seeking guidance and assistance on how to improve the lives of children, youth, and families.

**National Governors Association: The Center for Best Practices** – The Center for Best Practices works to develop innovative solutions to problems confronting states and governors. The Social, Economic, and Workforce Programs Division of the Center releases publications and resources related to poverty issues at the state level.
Select Publications


2“What Should the Next President Do About Poverty and Economic Opportunity?” Panel hosted by the Brookings Institution, March 5, 2008.
6Ibid.
11Amy Rynell, Director, The Heartland Alliance Mid-America Institute on Poverty, personal interview, January 23, 2009.
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About GCYF
Established in 1985, Grantmakers for Children, Youth, and Families (GCYF) works to promote informed grantmaking. Our mission is to engage funders across all sectors to continually improve their grantmaking on behalf of children, youth, and families.

GCYF serves as a forum to review and analyze grantmaking strategies, exchange information about effective programs, examine public policy developments, and maintain ongoing discussions with national leaders. We value the integration of research, policy, and program grantmaking strategies, which address the complex needs of vulnerable populations.