Everything You Always Wanted to Know about Poverty in Maine (but may not have thought to ask)

Teaching and Working in a Diverse World: The Impact of Poverty
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BACKGROUND: What is poverty?

- Can be defined *absolutely*, as inability to meet very basic survival needs (e.g., food, shelter, clean water).
- U.S. and other industrialized countries define poverty in *relative* terms, i.e., using a poverty “line” or threshold, against which household income and/or consumption is compared.
- On the individual level, poverty can be chronic or temporary.
- Poverty is sometimes closely associated with inequity, and often correlated with social exclusion.
BACKGROUND: U.S. Federal Poverty Measure

- Federal poverty measure: standardized income-based measure that sets a level for defining poverty.
- Developed in the 1950s.
- Calculated by using cost of a “minimal” food budget and multiplying by three.
- Formula has not changed since the 1960s, even though there have been major changes in patterns of consumption needs and changes in federal policies and programs.
- Federal poverty measure does not take into account regional differences in cost of living.
BACKGROUND: Poverty Thresholds

- Poverty thresholds: statistical version of the poverty measure, used to calculate the number of households and individuals in poverty.
- When we talk about “poverty rates” it is this threshold measure to which we refer.
- The U.S. Census is the organization with primary responsibility for collecting information and reporting on poverty rates.
- Poverty status on the individual level is defined as any person living in a below-poverty household.
- The poverty rate is considered a “lagging indicator,” in that it tends to continue to rise after the “official” end of recessions.
BACKGROUND: Poverty Guidelines

- Poverty guidelines:
  - a simplified administrative version of the federal poverty measure
  - used in determining eligibility for many government and non-government programs.
- Both thresholds and guidelines are updated annually based on changes in the consumer price index.
- A number of major means-tested benefits programs do not use the poverty guidelines but have their own eligibility criteria and guidelines.
## BACKGROUND: 2009 Federal DHHS Poverty Guidelines

<table>
<thead>
<tr>
<th>Persons in Family or Household</th>
<th>Annual Income</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>$10,830</td>
</tr>
<tr>
<td>2</td>
<td>14,570</td>
</tr>
<tr>
<td>3</td>
<td>18,310</td>
</tr>
<tr>
<td>4</td>
<td>22,050</td>
</tr>
<tr>
<td>5</td>
<td>25,790</td>
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</tbody>
</table>
POVERTY IN MAINE: Overview

- Maine’s estimated individual poverty rate since 2000 has generally been somewhat below or the same as national rate.
- HOWEVER: Maine’s rate of “near poor” (incomes below 150% or 200% poverty) is higher than national average.
- Maine’s individual poverty rate has increased since 2000, when it was 9.2 percent, to 12.2 percent in 2007.
- Effects of the current severe recession are not reflected in the 2007 figures, but 2008 data are likely to show substantial increases in poverty at the national, state and county levels.

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE)
Individual Poverty Rates, 2007

There are marked variations in individual poverty rates among Maine’s counties. Washington County in 2007 had the highest rate (20.1%), more than double the rate in York County (8.2%). Poverty rates for several decades have been higher in Maine’s rural “rim” counties (Oxford, Franklin, Somerset, Piscataquis, Aroostook, Washington) than in the southern and Midcoast region and the central counties.


State Rate = 12.2%
Children and Poverty

- Poverty differentially impacts children: the poverty rate for children is higher than for the population as a whole.
- In 2007, in Maine 13.6% of children under age 18 were living in below-poverty households, somewhat below the U.S. rate of 16.4%.
- Highest rates of child poverty in 2007 were in Washington (27.6%), Somerset (20.2%) and Franklin and Piscataquis (19.3%) counties. Lowest child poverty rates were in York (9.2%) and Cumberland (9.8%) counties.
<table>
<thead>
<tr>
<th>Location</th>
<th>% Below Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>13.6%</td>
</tr>
<tr>
<td>Maine</td>
<td>9.2%</td>
</tr>
<tr>
<td>Androscoggin</td>
<td>17.3%</td>
</tr>
<tr>
<td>Aroostook</td>
<td>16.4%</td>
</tr>
<tr>
<td>Cumberland</td>
<td>15.3%</td>
</tr>
<tr>
<td>Franklin</td>
<td>13.6%</td>
</tr>
<tr>
<td>Hancock</td>
<td>17.1%</td>
</tr>
<tr>
<td>Kennebec</td>
<td>12.9%</td>
</tr>
<tr>
<td>Knox</td>
<td>19.3%</td>
</tr>
<tr>
<td>Lincoln</td>
<td>14.4%</td>
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<tr>
<td>Oxford</td>
<td>14.3%</td>
</tr>
<tr>
<td>Penobscot</td>
<td>17.2%</td>
</tr>
<tr>
<td>Piscataquis</td>
<td>15.0%</td>
</tr>
<tr>
<td>Sagadahoc</td>
<td>19.3%</td>
</tr>
<tr>
<td>Somerset</td>
<td>20.2%</td>
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<tr>
<td>Waldo</td>
<td>17.3%</td>
</tr>
<tr>
<td>Washington</td>
<td>27.6%</td>
</tr>
<tr>
<td>York</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE)
INCOME

- Measured in a variety of ways.
- All poverty data and household income information reported by the Census are based on self-reported money income.
- *Means-tested guidelines for benefits eligibility* are generally based on household income and assets; applicants normally have to provide documentation of income and assets in various categories, and sometimes certain expenses.
- IRS has yet another way of counting *income for taxation purposes*, including wages and self-employment, rental and investment income, and income from several other sources.
- Economists often use the measure of *personal income* as the most accurate measure of income and economic activity in an area, county, state, or region.
Personal Income

- U.S. Bureau of Economic Analysis measure of personal income includes 3 categories of cash and non-cash income:
  - Net earnings (wages and self-employment)
  - Investments (dividends, interest and rent)
  - Transfer payments

- **Transfer payments**: payments for which no current services are performed, primarily given by federal, state and local governments. *Examples*: Gov't retirement and disability benefits (e.g., social security, military pensions); medical payments to providers (e.g., Medicare, Medicaid); income maintenance benefits (e.g., food stamps, TANF); unemployment insurance benefits.

- Some transfer payments are means-tested but most are not. Non means-tested benefits ("entitlements") account for much more of transfer payments in absolute dollar terms than do means-tested benefits aimed at lower-income people.
Transfer Payments: Importance for Maine’s People and Economy

- A higher proportion of income from transfer payments in an area is generally an indicator of higher levels of poverty or near poverty, presence of an older population, or both.
- In Maine, wage and self-employment income is a smaller proportion of personal income than in the U.S. as a whole (63.6% Maine, 67.7% U.S.), while income from transfer payments is substantially higher (19.6% Maine, 14.7% U.S.).
- Nationally and in Maine, government medical benefits constitutes the largest proportion of transfer payments.
- In most Maine counties, close to half of transfer payments are medical payments made to providers.
- Payments to providers are not seen or controlled by service recipients. BUT this kind of income can be an important component of area income, especially in poorer counties with shrinking economic opportunities in other sectors.
Percentage of Personal Income, by Type, 2007

Source: U.S. Bureau of Economic Analysis, Regional Economic Information System
Maine’s median household income is below that of the U.S., and Maine is in the lowest third of states in this measure. Median income is the mid-point of incomes in a given area, with half of households below and half above this point. Maine’s median household income averaged over the 3-year period from 2005 to 2007 placed Maine as the 31st lowest state in the country (i.e., only 19 states had lower household incomes). Aroostook, Piscataquis Somerset and Washington counties’ 2007 median household income was more than 20 percent lower than the state median of $45,832. HOWEVER, comparisons between Maine and other states and between counties within the state should be done with caution, as there are major differences in cost of living that can affect purchasing power.
Median Household Income, 2007

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE)
EMPLOYMENT

- Employment is the key factor in poverty and economic distress since earnings from work are the primary income source for most Mainers, especially for lower-income households.
- Employment situation in Maine has been changing, with loss of better-paying manufacturing jobs and increase in lesser-paying service jobs.
- Maine’s unemployment rate has tended to be slightly lower than the national average in recent years.
- Maine and national unemployment increased sharply from 2007 to 2008 as the recession took hold. Sharp increase is continuing in 2009 to date.
- The unemployment rate is a “lagging indicator.” During economic downturns unemployment continues to rise even after the economy starts to improve, as employers do not start hiring immediately.
- Unemployment figures do not include “discouraged workers” who are not actively seeking work, and part-time workers are considered employed. Therefore, the true number of unemployed and underemployed people is much higher than official figures indicate.
Maine and U.S. Annual Monthly Average Unemployment Rate Trends, 2002-August, 2009

Unemployment Rate

- Maine
- U.S.


Unemployment Rate Values:
- Maine: 4.4%, 5.1%, 4.6%, 4.8%, 4.6%, 4.7%, 5.8%, 9.0%
- U.S.: 5.8%, 6.0%, 5.5%, 5.1%, 4.6%, 4.6%, 4.7%, 5.4%, 8.4%
As in previous years, in 2008 there were major differences in unemployment among Maine’s counties.

Highest rate of unemployment was in Washington (8.5%) and Piscataquis (8.0%) counties, with Somerset close behind (7.8%).

Lowest unemployment rates were in Cumberland (4.0%), Sagadahoc (4.6%) and York (4.9%) counties.

Cumberland County had the largest number of unemployed individuals (6,360), followed by York County (5,570).
Maine Employment Patterns

- Compared to workers nationally, Maine has a higher proportion working multiple and part-time jobs, either simultaneously or over the course of the year.
- Although the rate of multiple-job holding has decreased nationally since 1995, in Maine it has increased.
- In 2007, 8.1 percent of Mainers reported holding more than one job over the course of the year, compared with 5.2 percent nationally.
- Multiple-job holding is related to two primary factors in Maine: seasonal employment and low wages.
  - Maine has a high number of seasonal jobs, especially in the tourism and natural-resource-based industries.
  - Income from seasonal work is generally not enough to sustain families year-round. Seasonal employment earnings in Maine are also unpredictable.
  - Additionally, lower-wage workers will often work several jobs at the same time just to get by.
Why are there marked regional differences in poverty in Maine?

- **Education:**
  - Level of educational attainment is one of the most important population characteristics related to poverty and economic well-being.
  - Those with higher levels of educational attainment generally have higher income levels, greater upward mobility in incomes, and shorter and less frequent periods of unemployment.
  - Maine’s higher education attainment lags: 68.9 percent of the state’s population reported lacking a college degree (associate or higher), compared with 61.3 percent in other New England states and 69.3 percent nationally.
  - There are marked regional differences in Maine in higher education attainment. In several counties (Androscoggin, Aroostook, Somerset, Piscataquis, and Washington) close to or greater than 80 percent of the population is lacking a college degree (associate or higher). With the exception of Androscoggin, these are among the counties with the highest poverty rates and lowest median incomes.
Regional Differences (cont’d)

- **Rural-urban**: Decades-long out-migration from rural areas, especially younger people.
- **Demography**:
  - Having a higher proportion of the population not in the work force (termed the “dependent” population) usually contributes to higher poverty rates.
  - Maine currently is the “oldest” state in the country in median age, 41.2 in 2005.
  - Counties with a high proportion of the population age 65 and over are among the poorest in the state: Washington (17.8 percent elders), Piscataquis (17.5 percent elders) and Aroostook (17.4 percent elders). [One county, Lincoln, is an exception to the pattern of “older” areas tending to have higher poverty rates.]
- **Jobs and economic base**: Rim counties (Washington, Aroostook, Piscataquis, Somerset, Franklin, Oxford) have a shrinking labor force and a declining number of jobs, due to the differential impact of the decline in resource- and manufacturing-based industries in these areas.
BENEFITS

- There are a myriad of benefits and programs that can assist lower-income individuals and families, many of which are aimed at those below the poverty level.
- Many benefits are needs-based (e.g., food stamps), but others are given regardless of financial need (“entitlements”), e.g., social security retirement, unemployment benefits.
- Some provide direct cash payments (e.g., Temporary Assistance to Needy Families [TANF], unemployment benefits).
- Some provide vouchers or credits for goods or services (e.g., the supplemental nutrition assistance program [food stamps], child care) or subsidies that are paid on behalf of the individual or family (e.g., housing, energy).
- Some provide support for education, training, or other employment-related programs to assist individuals to achieve better-paying, more stable employment and to thereby gain greater self-sufficiency (e.g., the Parents as Scholars [PaS], program; Job Corps; Pell grants).
EXAMPLES OF PROGRAMS TO ADDRESS POVERTY AND ECONOMIC SECURITY

Selected Direct (cash) Payments

Temporary Assistance to Needy Families (TANF)—U.S. Department of Health and Human Services (U.S. DHHS) and Maine Department of Health and Human Services (Maine DHHS) Office of Integrated Access and Support

General Assistance—Short-term emergency funds administered through municipalities to allow purchase of basic necessities for those without means to pay

Supplemental Security Income (SSI)—Federal, administered by Social Security Administration, designed to help aged, blind, and disabled people who have little or no income

Earned Income Tax Credit (EITC)—Federal and state, administered through the Internal Revenue Service and Maine Revenue Services, aimed at working families

Unemployment Insurance Benefits—U.S. Department of Labor and employers, administered by Maine Department of Labor

Selected Subsidies/Vouchers

Supplemental Nutrition Assistance Program (SNAP; formerly food stamps)—U.S. Department of Agriculture and Maine DHHS Office of Integrated Access and Support

Free and Reduced School Lunch—U.S. Department of Agriculture (USDA), administered by Maine Department of Education

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)—USDA and Maine DHHS Office of Integrated Access and Support

Child Care Vouchers—Federal Child Care Development Fund and Maine DHHS Office of Child and Family Services

Low Income Home Energy Assistance Program (LIHEAP)—U.S. DHHS, administered by Maine Community Action agencies

Weatherization Assistance—U.S. Department of Energy, administered by Maine Community Action agencies

Housing (Rental) Subsidies—U.S. Department of Housing and Urban Renewal (HUD) and MaineHousing. Programs include Housing Choice vouchers (Section 8), Rental Assistance Coupons Plus (aimed at the homeless), subsidized apartments.

Selected Employment, Training and Education Programs

Pell Grants, Subsidized Loans—U.S. Department of Education, for higher education

Parents as Scholars (PaS)—U.S. DHHS and Maine DHHS Office of Integrated Access and Support (student aid program to help low-income parents enrolled in two- or four-year college programs)

Job Corps—U.S. Department of Labor
The food stamp program is one of the most wide-reaching benefits programs in Maine and the country in terms of numbers of households and people served.

Food stamp use in both the U.S. and Maine has increased since 2002.

In the last two fiscal years (October 2007-September 2009), participation in the food stamp program increased more sharply in response to difficult economic circumstances of the recession (job loss, decreased work hours, loss of benefits).
Households Receiving Food Stamps and Program Participation Rate, Monthly Average

Source: Maine Department of Health and Human Services, Geographic Distribution of Programs and Benefits, Report RE-PM001.
Individuals Receiving Food Stamps, by Month, Jan. 2007-Sept. 2009

Source: Maine Department of Health and Human Services, Geographic Distribution of Programs and Benefits, Report RE-PM001.
SCHOOL LUNCH PROGRAM

- National program is administered through the state’s Department of Education.
- Though commonly referred to as the “school lunch program,” breakfast may also be included.
- Since free and reduced school lunch eligibility is linked to poverty rates, counties with higher poverty rates generally have higher rates of school lunch eligibility.
- However, the school lunch benefit reaches a higher percentage of “near poor” since children with household incomes between 130% and 180% of poverty guideline are eligible for reduced-price meals.
- In the 2008-2009 school year, 39.2% of students in Maine were eligible for free or reduced lunch.
- Percentage of eligible students in Maine has climbed steadily since the 2002-2003 school year.
Enrolled Students Eligible for Free or Reduced Meals and Program Participation Rates

More than half of students in Oxford, Piscataquis, Somerset, Waldo, and Washington counties were eligible for free or reduced lunch in the 2008-2009 school year. In Cumberland, Sagadahoc and York counties, less than a third were eligible. The percentage of students eligible for free and reduced lunch is important as a poverty indicator. The percentage of eligible students is important also because a higher eligibility level entitles schools and school districts to obtain additional federal funds and to participate in programs aimed at disadvantaged students.
Enrolled Students Eligible for Free or Reduced-Price Meals, as of October 31, 2008


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EARNED INCOME TAX CREDIT

- The earned income tax credit (EITC) is the federal government’s largest anti-poverty program for those under age 65.
- EITC is a tax benefit designed to encourage work and assist families to become independent.
- This benefit for low- and moderate-income workers helps reduce the impact of payroll and income taxes and also supplements earnings for very low-wage workers.
- Size of the federal tax credit depends on household income from work and on family size.
- Unlike the minimum wage, amounts are indexed to inflation each year.
- Working families with children with annual incomes below about $34,000 to $41,000 (depending on marital status and number of children) generally are eligible for the EITC.
- Workers without children who have very low incomes, below about $13,000, or $16,000 for a married couple, can receive a very small credit.
- Among families with children, the average size of the federal credit in the U.S. in 2006 was $2,375.
In Maine in 2006 14.1% claimed the credit on their federal tax returns. For all EITC filers, the average credit was $1,687, a total of $148,095,392 for the whole state.

24 states and the District of Columbia also have state earned income tax credits. The amount of the state credit is set as a percentage of the federal credit, ranging from 3.5% (Louisiana) to as much as 43% (Wisconsin). Maine is on the lower end of states in its earned income tax credit of 5%.

The federal credit, and the credit in most states, is refundable. Refundable credits provide a payment even if no taxes are owed, i.e., if the amount of the credit is greater than the tax liability, the government pays the difference to the worker as a cash rebate. (The federal credit was made refundable because policymakers recognized that the income tax is not the only federal tax paid by low- and middle-income workers, who usually pay much more in payroll taxes than in income taxes.)

Maine until this year was one of only a handful of states with a non-refundable credit. However, in 2009 the legislature passed a tax-overhaul package, including making the state EITC partially refundable. The tax changes are scheduled to go into effect in tax year 2010 unless the current TABOR referendum passes.
Poverty in Maine remains persistent. Marked regional disparities in economic distress have existed for decades within the state. 

HOWEVER, while poverty on the population level may be persistent, over time a considerable number of individuals and families move in and out of the ranks of those classified by official measures as “poor.” 

Compared to the nation as a whole, Maine has a higher percentage of near poor (“working poor”) who generally are not eligible for most benefits. This population is very vulnerable to increases in costs for basic needs (e.g., food, energy, medical care, housing). 

Even in areas of the state with lower poverty rates and lower unemployment, housing is unaffordable for many lower wage workers; those living in more affordable housing away from urban and coastal areas can find commuting costs prohibitive when fuel prices increase as they did last year.
SOME CLOSING THOUGHTS

- There is no single approach and no single set of policies that will move large numbers of people permanently out of poverty, but key program and policy components include:
  
  - Developing and expanding jobs with adequate wages and benefits.
  - “Investing early” in young at-risk children through provision of high quality preschool, child care, and parent education programs.
  - Increasing funding for low- and moderate income students to pursue higher education.
  - Improving healthcare access and affordability.
  - Addressing high housing and energy costs.
  - Continued provision of safety net benefits (e.g., TANF, food stamps, Medicaid) for the most vulnerable.
  - Changing tax policies to further support lower income workers.

- Federal, state, local, and private efforts are all needed.
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For further information on poverty in Maine:
http://mcspolicycenter.umaine.edu/?q=poverty_in_Maine

Maine Policy Review
2009 Special issue on early childhood, Vol. 18(1) http://mcspolicycenter.umaine.edu/?q=MPRcurrent-issue

Maine State Planning Office, Annual Poverty Reports

Some good websites on poverty in the U.S.
University of Wisconsin Center for Research on Poverty http://www.irp.wisc.edu/
National Poverty Center, University of Michigan http://www.npc.umich.edu/
University of Kentucky Center for Poverty Research http://www.ukcpr.org/
West Coast Poverty Research Center, University of Washington http://www.ukcpr.org/
National Center for Children in Poverty (NCCP) http://www.nccp.org
Penn State University, Poverty in America http://www.povertyinamerica.psu.edu/