

# Measuring poverty in Wisconsin

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In collaboration with the State of Wisconsin and federal and nongovernmental entities, researchers at IRP have undertaken a new initiative related to the measurement of poverty. The Wisconsin Poverty Project involves innovative use of data to gain a broader, more complete view of both needs and resources on the state and local levels. IRP has prepared two annual reports on poverty in Wisconsin using the American Community Survey (ACS), administrative data, and new methods of poverty measurement. The first *Wisconsin Poverty Report*, released in May 2009, relied on the innovative use of data from the Supplemental Nutrition Assistance Program (formerly known as food stamps) to forecast growing need in the state. In September 2010, IRP researchers released the second *Wisconsin Poverty Report*, which uses a more complete accounting of both resources and need than traditional measures in order to determine the state poverty rate.

The new Wisconsin Poverty Measure was devised to improve understanding of the level of need in a given region

and of the efficacy of public programs aimed at reducing economic hardship. The official federal poverty measure considers pretax cash income, whereas the new Wisconsin Poverty Measure counts other resources as well, such as food assistance and tax credits. The measure includes state-specific policies such as the Wisconsin State Earned Income Tax Credit (EITC) and the Wisconsin Homestead Credit, in addition to estimating payments for federal taxes, Social Security and Medicare payroll taxes, and the federal EITC. The research team also considered work-related expenses such as transportation and child care and out-of-pocket medical expenses, which reduce income that could be spent on food, housing, and other basic needs. The new Wisconsin Poverty Measure also looks at geographic differences in cost of living both within the state and relative to the nation as a whole.

The Wisconsin Poverty Measure allows researchers to assess the effects of new and proposed policies. A recent issue of IRP's *Fast Focus* research brief illustrates the impact of the American Recovery and Reinvestment Act on poverty rates in Wisconsin (see <http://www.irk.wisc.edu/publications/fastfocus/pdfs/FF7-2010-rev.pdf>). In the coming year, IRP researchers will use the measure to analyze new data on poverty for 2009, provide guidance to neighboring states and others on using the ACS for alternative poverty measurement, and assess the impact of the proposed federal Supplemental Poverty Measure.

Work on the Wisconsin-specific measure is one of several research efforts of university, government, and private agency researchers across the United States to develop alternative poverty estimates at the local, state, and national levels. The U.S. Census Bureau and the Bureau of Labor Statistics are leading federal efforts to develop a Supplemental Poverty Measure (SPM) based on recommendations from experts on the 1995 National Academy of Sciences' Panel on Poverty and Family Assistance, as well as on subsequent research on alternative measures of poverty. To support this work, IRP is developing on its Web site an SPM technical resource to disseminate ongoing research to all researchers interested in this topic at <http://www.irk.wisc.edu/research/povmeas/spm.htm>.