



### ***Why It Matters: Poverty Imposes Hardships on People of All Ages, Drains Economy***

Poverty imposes hardships from hunger to homelessness to lack of health care. The risks are greatest for children, as poverty can impede children's ability to learn and contribute to social, emotional and behavioral problems.

All Americans will bear the costs of poverty in the form of reduced economic productivity and higher public costs associated with addressing the damage of poverty. But perhaps most importantly, the continued prevalence of poverty runs counter to the widely-shared value that all Americans should have the opportunity to succeed.

### ***Where We Stand: Minnesotans' Incomes Never Recovered From the Last Recession, Child Poverty Got Worse***

The year 2007 marked the end of a five-year economic recovery and the beginning of another economic slowdown. We enter this economic downturn in a weak position. Both in Minnesota and the nation, poverty levels and median household income never recovered from the last recession.

In 2005-06, one in 12 Minnesotans, or 8.1 percent, lived in poverty. The overall rate of poverty in Minnesota has shown no improvement from 2001 recession levels. Minnesota's poverty rate remains considerably lower than the national poverty rate of 12.5 percent.

Child poverty in Minnesota has worsened since the 2001 recession. The proportion of children in poverty rose from 10.1 percent in 2001 to 11.8 percent in 2006. Today 25,800 more Minnesota children are living in poverty than in 2001.

There are also large disparities in poverty rates between racial groups in Minnesota. In 2005-06, blacks were about five times more likely, and Hispanics were three times more likely, to live in poverty than whites. That translates to about one out of three black Minnesotans and one out of seven Hispanic Minnesotans living below the poverty line.

It is important to note that a person or family in poverty is not necessarily unemployed. In fact, three-quarters of Minnesota children living in poverty have one or both parents working. This raises the larger question of whether jobs in Minnesota pay enough for a family to live on.

**(Continued on back page)**

**Over half of Minnesota jobs pay less than the wage needed** (\$15.78 per hour) to meet the basic needs of a family with two adults (one working) with two kids.<sup>1</sup> The official poverty statistic severely underestimates the income needed to truly support a family. Developed in the mid-1960s, the official poverty line assumes a family can live on an income three times the estimated cost of a basic food budget. These thirty-year-old guidelines fail to account for the rising costs of housing and health care, as well as the increased use of child care. For example, the typical rent paid in the U.S. in 2005 was \$717 per month. That means housing alone accounts for 42 percent of the budget for a family of four at the poverty line – before accounting for food, health insurance, transportation and other essential costs. The accompanying table clearly demonstrates the large gap between the official poverty threshold and the amount of income a Minnesota family actually needs to make ends meet.

Family Size	Official Poverty Threshold	Basic Needs Budget	Poverty Threshold as Share of Basic Needs Budget
1 adult	\$10,294	\$23,414	44%
1 adult, 2 children	\$16,242	\$40,809	40%
2 adults (one working), 2 children	\$20,444	\$32,826	63%

Economic recoveries are opportunities to make strides toward improving families' incomes and reducing poverty. Unfortunately, the Census figures paint a disappointing picture for Minnesota. The numbers of uninsured Minnesotans and children in poverty actually worsened during this past recovery. And those figures will likely continue to deteriorate in 2008 due to the worsening economy.

***What Our Federal Delegation Can Do: Expand Federal Programs that Move Families Up the Ladder of Economic Opportunity and Reduce the Impact of Poverty***

Extensive research has shown that there are effective and proven programs that can help end poverty. The Minnesota delegation should support federal legislation that will improve the lives of poor Minnesotans, including but not limited to:

- Expanding the Earned Income Tax Credit to ensure that working families have enough income for their basic needs.
- Increasing the federal minimum wage, which will reach \$7.25 an hour in July 2009. It should be at least \$7.71 per hour, to return to the 1968-peak level.
- Increasing the reach of Unemployment Insurance so that more unemployed workers can qualify.

<sup>1</sup> This is based on an analysis by the JOBS NOW Coalition which calculates a basic needs family budget, based on a very frugal “basic needs” standard of living in Minnesota.