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The Power of Policy Change: 5 Policies Proven to Reduce Poverty in Illinois

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This brief summarizes anti-poverty policy simulations conducted by The Urban Institute for the Illinois Commission on the Elimination of Poverty.

Background

The Illinois Commission on the Elimination of Poverty, created in 2008, set a goal of cutting extreme poverty (below 50 percent of the poverty threshold) in half by 2015. While such a goal may seem challenging, the Commission determined that with the right data on need, policy solutions targeted directly at that need, and the political will to see the policy changes through, Illinois can indeed reach this goal, and in 2010 released its recommendations for reducing poverty in Illinois. This report takes the next step—it summarizes findings from The Urban Institute's modeling of what the impact on poverty will be if Illinois adopts five of the recommendations in the initial Commission report: increase in the TANF cash grant, increase in the TANF participation rate, expansion of rental housing subsidies, provision of additional community college scholarships, and creation of a statewide Transitional Jobs program.

Key Findings

If Illinois adopts all five modeled policies…

- **the number of Illinoisans in poverty falls by 123,000 (8.8 percent)**
- **the number in extreme poverty falls by 54,000 people (20.0 percent)**

Percentage impacts of the combined policies are larger for individuals in families with children due to the large impact of the TANF policy changes. **In families with children…**

- **the number of people in poverty falls by 16.3 percent**
- **the number in extreme poverty is reduced by 57.7 percent**

Modeling Detail

The Urban Institute applied the Transfer Income Model (TRIM3) and the 2008 American Community Survey to estimate how the five selected policies might reduce poverty in Illinois. The modeling process followed the actual rules of Illinois's programs, made adjustments to the data for underreporting of benefit amounts, supplemented incomplete and missing data for some in-kind benefits (e.g., SNAP) and tax liabilities, and captured interactions between benefits.

There are some limitations to the modeling: it does not include Illinoisans living in an institution such as a prison, group home, or nursing home; it does not capture non-financial implications of the policy changes (e.g., relationship between additional education and child bearing); and it captures the impact of the policies if they had been enacted in 2008, not the most current year.

The traditional poverty measure largely estimates poverty rates by looking at a family's or an individual's cash income. Because it does not include in-kind benefits and does not factor in certain costs such as work expenses, the effects of many of our poverty solutions are not fully captured in the way the traditional poverty measure is calculated. In order to address this, an expanded, alternate poverty measure was used that includes the value of in-kind benefits in computing income, subtracts non-discretionary expenses (e.g., tax expenses, child care, medical-out–of-pocket expenses), and accounts for geographic variation in costs in 23 areas in Illinois.

Alternative Poverty Baseline in Illinois

The modeling done by The Urban Institute relied on an enhanced measure of poverty to capture the impacts of policies on family income. The alternative poverty measure takes into account many of the things that the traditional poverty measure doesn't capture, both in terms of income resources and expenses (see page 5 for details). The more comprehensive measure of poverty used in this study illustrates that many of Illinois' current policies and programs are lifting tens of thousands of Illinoisans out of extreme poverty.

Alternative Measure of Poverty:

1,404,000 Illinoisans in poverty

742,000 are in families with children

169,000 are in households headed by person age 65+

Alternative Measure of Extreme Poverty:

270,000 Illinoisans in extreme poverty

78,000 are in families with children

27,000 are in households headed by person age 65+

Modeling Results: Increase in the TANF Cash Grant

Policy

Increase Temporary Assistance for Needy Families (TANF) benefit levels to 50 percent of the 2008 federal poverty guidelines for each family size. The increase in benefits affected TANF benefits in two ways: First, families who were already eligible for TANF became eligible for a higher benefit. An increase in the benefit level to 50 percent of the poverty guideline meant that a family with no net income would receive a TANF benefit equal to 50 percent of the poverty guideline, and a family with some income would be eligible for a higher benefit than under the prior benefit standards. Second, some families that were not previously eligible became eligible for TANF. For example, a parent with two children and net income of $500 is not eligible for TANF under current policy, but under this policy change were eligible for $233 per month ($733 minus $500).

This table shows the actual TANF benefit standards used in Illinois in 2008 and the benefit standards simulated as part of this policy option.

Family Size	2008 Monthly Benefit Standards		Alternative Monthly Benefit Standards	
	Units with Adults	Child-Only Units	Units with Adults	Child-Only Units
1	$243	$117	$433	$209
2	$318	$230	$583	$422
3	$432	$284	$733	$482
4	$474	$365	$883	$680
5	$555	$434	$1,033	$808
6	$623	$465	$1,183	$883

Impact

The policy change increased TANF eligibility by 21,000 families in the average month of the year. This is a 12 percent increase in eligibility (relative to the 178,000 families found eligible in the baseline simulation). Of those newly-eligible families, 3,000 were estimated to begin participating, raising the monthly caseload in the baseline simulation by 8 percent.

This change reduces poverty by approximately 18,000 people, and reduces the number of people in extreme poverty by 5,000. In percentage terms, poverty would fall by 1.3 percent overall and by 2.4 percent for people in families with children; extreme poverty would fall by 1.9 percent overall and by 6.4 percent for people in families with children.

Modeling Results: Increase in the TANF Participation Rate

Policy

Increase in the TANF participation rate to 50 percent, meaning that of all families eligible for TANF in a particular month of the year, half receive aid. This is a large increase over the current Illinois participation rate for TANF: comparing the actual caseload to the number of families found eligible for TANF in this baseline simulation suggests a participation rate of only 17 percent. The rate varies markedly by type of family. Among families with a parent receiving disability payments and children eligible as a child-only unit, about 61 percent appear to receive benefits; overall, about 35 percent of eligible child-only units appear to receive benefits. However, only about 3 percent of TANF-eligible units with employed adults counted in the assistance unit appear to receive benefits. Nationally, about 40 percent of TANF-eligible families received benefits according to the most recently-published estimate (for 2005).

Impact

The model maintained the current differential between the likelihood of participation for child-only families compared to the likelihood for families with adults. Thus, the participation rate was raised to approximately 81 percent for child-only families and to approximately 39 percent for families with adults in the assistance unit, for an overall rate of 50 percent—this grew the caseload to approximately 92,000 families receiving TANF benefits in the average month of the year.

This change reduces poverty by approximately by 32,000 people, and reduces the number of people in extreme poverty by 15,000. In percentage terms, poverty would fall by 2.2 percent overall and by 4.3 percent for people in families with children; extreme poverty would fall by 5.6 percent overall and by 17.9 percent for people in families with children.

Modeling Results: Expansion of Rental Housing Subsidies

Policy

Expand the Rental Housing Support Program to provide subsidized housing to an additional 2,500 households. Each newly-subsidized household was assumed to receive the housing subsidy for the entire year. The new subsidies were intended to be divided approximately evenly between households below 15 percent of median income and households in the range of 15 to 30 percent of median income. It was assumed that approximately half of the newly-subsidized households would have children, about one third would include a person with a disability, and the remainder would include a person age 65 or older. The cost of a new housing subsidy was estimated by subtracting the family's required rental payment from the fair market rent for an apartment of the size needed by the household.

Impact

This policy reduces the number of people in poverty by 2,000 and the number of people in extreme poverty by approximately 2,000. This is a small number in the context of the total number of people in poverty, but a large percentage of the people with new housing subsidies. In percentage terms, poverty would fall by 0.2 percent; extreme poverty would fall by 0.7 percent.

Modeling Results: Community College Scholarships

- **Policy**

  Each year make 2,500 new financial aid scholarships available for low-income individuals to attend community college. It was assumed that each scholarship provides two years of funding, allowing a recipient to complete a two-year degree. The new scholarships were targeted to individuals who have a high school degree or GED but no degree beyond high school, living in families under 50 percent of the poverty threshold. Each "cohort" of 2,500 scholarship recipients was assumed to produce 1,750 new Associate degree recipients. It was assumed that all employed individuals who complete a degree will increase their earnings. The numbers of people with new or better jobs as a result of the scholarships cumulate over time; an individual who obtains a new degree in one year still has that degree in the future. The simulation was conducted using two different scenarios: assuming that the policy has already produced 2 classes ("cohorts") of graduates (as a result approximately 2,400 people have a new job or higher wages); and assuming that the policy has already produced 12 cohorts of graduates (as a result approximately 14,000 people have a new job or higher wages).

- **Impact**

  2 cohorts: This policy results in an increase in annual wages of $32.5 million overall; on average, the per-person increase is $13,000. **This change reduces poverty by 3,000 people, or 0.2 percent.**

  12 cohorts: This policy results in an increase in annual wages of $216 million; on average the per-person increase is $15,000. **This change reduces poverty by 22,000 people (1.6 percent), and extreme poverty by 6,000 people (2.2 percent).**

Modeling Results: Statewide Transitional Jobs Program

- **Policy**

  Provide subsidized employment to non-working extremely poor individuals who cannot find other employment. The program would provide a job for 9 months (39 weeks), for 30 hours per week, paying $8.50 per hour, which amounts to total wages of $9,945. The program was targeted to people ages 18 to 64, living in families in extreme poverty, who were not working, not disabled, and not in school. It was assumed that one third got jobs in the quarter following the program. The simulation was conducted using two different scenarios: 40,000 jobs and 5,000 jobs per year.

- **Impact**

  5,000 Transitional Jobs: This policy results in an increase in annual wages of $57.4 million, or approximately $11,000 per person. **This change reduces poverty by 3,000 people (a reduction of 0.2 percent) and reduces extreme poverty by 3,000 people (a reduction of 1.1 percent).**

  40,000 Transitional Jobs: This policy results in an increase in annual wages of $441 million, or approximately $11,000 per person. **This change reduces poverty by 42,000 people (a reduction of 3.0 percent) and reduces extreme poverty by 32,000 people (a reduction of 11.9 percent).**

Detail on the methodology can be found at http://www.heartlandalliance.org/policy-and-advocacy/about-us/from-poverty-to-opportunity-campaign/where-we-are-today.html. For more information on the Poverty Commission or this report please contact Kimberly Drew, Heartland Alliance for Human Needs & Human Rights at kdrew@heartlandalliance.org or 312-870-4948.