COALITION ON HUMAN NEEDS
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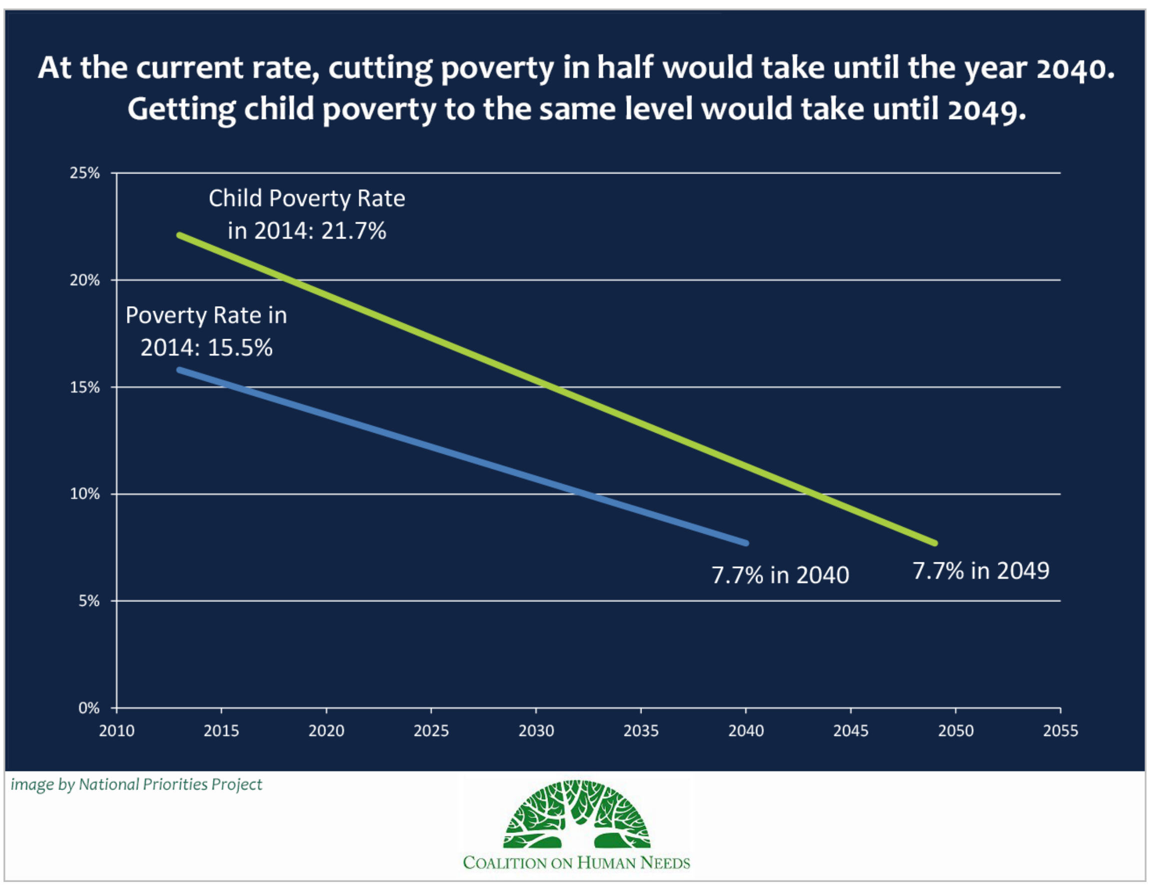
Economic Growth Leaves the Poorest Americans Behind

At the Current Rate, it Would Take a Quarter Century to Cut Poverty in Half

There has been economic growth since the Great Recession's end in 2009. But it has hardly reached the poorest Americans. Poverty declined from 15.8 percent in 2013 to 15.5 percent in 2014.[1] But even after years of economic growth, the poverty rate was still higher than its 2010 level of 15.3 percent, when the nation was still reeling from the Great Recession.

If the proportion of people in poverty continues to decline as it did from 2013 to 2014, it would take more than 25 years to cut the poverty rate in half (to 7.75 percent). That estimate is optimistic: it assumes that poverty continues to edge down 0.3 percentage points every year. But we know poverty will not decline every year – even in the current economic recovery, poverty has risen in some years, and economic downturns likely over the next quarter century will push up the number of poor people.



Yet even under this best-case scenario, poverty remains too high for too long. Last week's Census Bureau survey data demonstrate two key points: (1) that the economy alone will not power sufficient poverty reduction, and (2) government programs make a real difference in reducing poverty.

The official poverty measure does not count non-cash income sources such as nutrition assistance or housing subsidies. So it does not tell the full story, but it does provide a look at the way the economy treats those at the top and those at the bottom. The top five percent have made gains – their average income rose from $325,550 in 2010 to $346,522 in 2014. But the bottom fifth saw their average income decline from $12,279 in 2010 to $11,859 in 2014.[2]

But the Census Bureau's Supplemental Poverty Measure, which does count income sources such as federal tax credits, food and housing aid, adds to the mounting evidence that federal programs increase incomes for millions now and improve children's chances of gaining economic security in the future. Social Security lifted nearly 26 million people out of poverty in 2014. About 10 million people were helped out of poverty by low-income tax credits in 2014; 4.7 million fewer were poor because of the Supplemental Nutrition Assistance Program (SNAP/formerly food stamps). Housing subsidies for low-income households lifted 2.8 million above the poverty line, a smaller number because only about one in four households poor enough to qualify for a subsidy receive one.[3] Some effective programs do not reach enough of the 48 million Americans struggling in poverty every day, and others, like SNAP, could do more good if their benefits were higher. If we wish to step up the pace of poverty reduction, we must build on the successes of programs like these, while at the same time promoting strategies that help low-income people get jobs with better pay. Congress should make those investments and should act to end spending cuts known as sequestration scheduled to hit many programs this fall. Allowing a new round of cuts or a government shutdown will undermine efforts to reduce poverty.

Deep and Disproportionate Poverty across the U.S.

Children remain more likely to be poor in America than other age groups, with more than one in five in poverty in 2014 (21.7 percent), down from 22.2 percent in 2013. While poverty at any age has adverse consequences for health and well-being, poverty among children is associated with damage to brain development, and poorer health, education and employment outcomes.[4] Substantial child poverty reduction, and ending the disproportionately high poverty among children, should be national priorities. And yet, if child poverty continued to drop every year at its 2013-2014 rate, it would take 35 years to match the overall reduction to 7.75 percent. That is too long. There is even more urgency for children of color. More than one in three African American children is poor (36.9 percent, down from 37.7 percent in 2013); for Latino children, the poverty rate is 32.1 percent (down from 32.8 percent in 2013). African American and Latino children are nearly three times more likely to be poor than white children (whose poverty rate is 13 percent).

Pronounced racial disparities persist for adult and child poverty combined. While 10.8 percent of all whites were poor in 2014 (down from 11.3 percent in 2013), the poverty rate was 26.9 percent for African Americans and 24.1 percent for Latinos (down from 27.5 percent and 24.8 percent in 2013, respectively).[5]

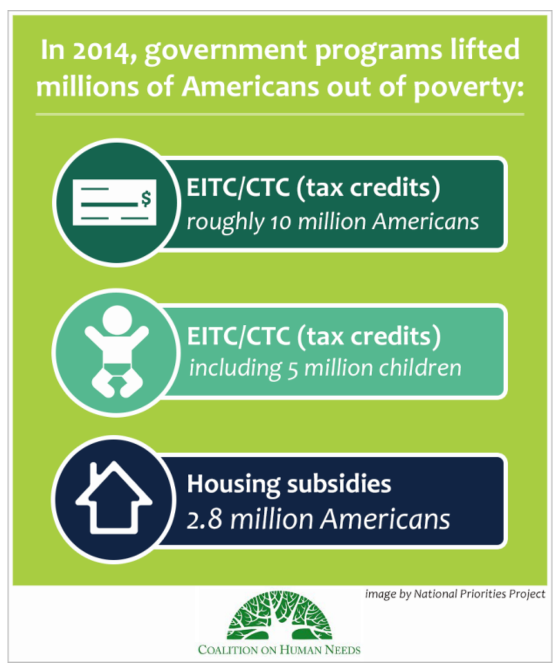
For many, being poor does not mean living just a few dollars below the poverty threshold. For a family of four in 2014, the official poverty line was $24,230. Despite this low threshold, more than 21 million Americans live on far less, below ***half*** of the poverty level. Nearly one in 10 children (close to 7 million) is this deeply poor.[6]

Since the workings of the economy alone will not reduce poverty fast enough, progress requires greater investment in programs with demonstrated anti-poverty effectiveness. If we cut the percentage of poor Americans in half by 2020, over 22 million fewer people would be poor than in 2014, taking projected population growth into account. If we keep to the far slower pace of 0.3 percentage points a year, the number of poor people would only be reduced by just over 2 million in 2020. Cutting the proportion of children in poverty in half by 2020 would mean more than 7 million fewer poor children in that year, but only 1 million fewer if we edged downward at 0.3 percentage points a year.

Faster poverty reduction will mean lower medical care costs, less crime, and more productive workers. Fewer poor children will mean fewer children suffering from the ills more likely among the poor, including chronic health problems and falling behind or dropping out of school. The new survey data show that 28 percent of poor Americans have not finished high school. If the number of poor is cut in half, educational attainment would be expected to rise. Inequality's pernicious drag on economic growth would be diminished.

We Can Speed Up the Pace

The Census Bureau's Supplemental Poverty Measure shows that millions of people are lifted out of poverty by a variety of federal programs. In addition to Social Security, SNAP, low-income tax credits, and housing subsidies, programs such as Supplemental Security Income (SSI), child nutrition programs, unemployment insurance, and home heating/cooling assistance are effective at lowering poverty rates. But some of these programs do relatively little either because they are targeted to a small subset of the poor (such as WIC, which is only available to very young children and pregnant women with low incomes), or because funding is so limited that both the population served is small and the benefits are very low (such as LIHEAP, the Low Income Home Energy Assistance Program).



If we invested more in these programs, we would see more progress in helping families out of poverty. But too often, we have reduced benefits despite continuing need. In 2012, unemployment insurance lifted 2.5 million people out of poverty.[7] But in part because UI benefits were cut by the federal government and in many states, by 2014, UI lifted only 1.9 million people out of poverty.[8]

Many other programs not included in the Supplemental Poverty Measure help families out of poverty. Numerous research studies show that investments in quality, affordable child care and early childhood education also lead to long-term gains for children, families and our economy. For example, Head Start participants are more likely to attend college and be employed and less likely to be a teen parent or in poor health compared to siblings who did not benefit from Head Start.[9]

Congressional Cuts will Thwart Progress

As effective as these programs are, their effectiveness is limited because of underfunding, and proposed Congressional cuts threaten these programs further. First imposed in 2013, sequestration's impact through the end of 2014 resulted in 85,000 fewer rental housing vouchers across the U.S.[10] The 2013 sequester cuts also denied Head Start services to 57,000 children.[11] Thousands of rental vouchers were restored when Congress partly halted sequester cuts in FYs 2014 and 2015, and the numbers of children served by Head Start returned to previous levels in most areas.

Unfortunately, spending bills Congress has advanced so far this year assume that sequestration cuts will return in FY 2016. House and Senate bills do not build upon successful anti-poverty programs. Their proposed appropriations would mean that either more than 570,000 children in Head Start would not receive the full day, full year services they need, the program would serve 140,000 fewer children as compared to President Obama's proposed budget, or some combination of both. The House spending bill not only fails to restore the 67,000 rental vouchers lost due to sequestration in 2013, it would fail to renew 28,000 existing vouchers.[12] The Senate spending bill is even harsher, failing to renew 50,000 existing vouchers nationwide.[13]

More than 130 human needs programs have seen their funding cut since 2010, adjusted for inflation; about one-third were cut by 15 percent or more.[14] Further cuts to these programs threaten to halt even the modest progress made in 2014 to reduce poverty. The Congressional Budget Office also estimated that maintaining sequestration could lead to losses equal to as many as 1.4 million jobs over the next two years.[15] Despite this, as many as 2.7 million fewer Americans would have access to job training and employment services if Congress has its way, when compared to the President's budget. States would lose as much as $1 billion in federal funding for K-12 education in low-income schools (Title I).[16] We need more investments – not less – in programs that are proven to reduce poverty so more Americans who need help can get it.

There is talk that Congress might avoid the sequester cuts by cutting safety net programs that do not rely on annual appropriations, like SNAP and Medicaid. Such actions would be expected to increase poverty and hardship. The U.S. Department of Agriculture found that 14 percent of American households were "food insecure" at some point during 2014 – that is, they could not always afford enough food.[17] SNAP reduces such hardships, but cuts in SNAP that occurred at the end of October 2013 cut the average benefit from $1.70 per meal to $1.40. According to health researchers at Children's HealthWatch, that cutback made SNAP households with children under age three 23 percent more likely to be food insecure, placing the children at risk for bad health and education outcomes.[18] If Congress seeks to offset the cost of stopping sequestration, it should close tax loopholes or end a few corporate tax breaks. Ending the extra tax breaks for hedge fund managers, for example (a proposal with bipartisan support), would save about $1.4 billion a year, nearly enough to fund the $1.5 billion needed to cover a full-year, full-day program for all children in Head Start.[19]

In addition, if Congress fails to renew improvements made in 2009 to the EITC and CTC before they expire in 2017, 16 million people – including 8 million children – will be pushed into or deeper into poverty.[20]

Congress Needs to Stop the Cuts

Our country is continuing to recover from the Great Recession. And we are starting to make some progress, as the Census Bureau's poverty data show. But this progress is too slow. By 2020, more than half of children in the U.S. are expected to be part of a minority race or ethnic group.[21] If a growing proportion of our children are subject to the shamefully high poverty rates now experienced by African American and Latino children, the future economic growth of our country will be endangered as more children grow up with more health problems, less education and less connection to good-paying jobs. Increasing investments in programs like Head Start and safe, secure housing will give these children a better start and will benefit our country as a whole as they become adults.

Members of Congress have a choice to make. They can continue to cut, forcing more of our neighbors into poverty and pushing our country backwards. Or they can stop the sequestration cuts so we can begin to expand programs that prevent and eliminate poverty. And they can do so without cutting safety net programs like SNAP, low income tax credits like the EITC and CTC, and Medicaid.

This report was prepared by Lecia Imbery, Senior Policy Writer for the Coalition on Human Needs (CHN). CHN is an alliance of national organizations working together to promote federal policies to address the needs of low-income and other vulnerable people. The Coalition's members include service providers, policy experts, religious, labor, and civil rights organizations, and other advocates concerned with the well-being of low-income people, including children, women, seniors, and people with disabilities. Since 1981, the Coalition has been promoting policies to reduce poverty and expand opportunity. Recognizing that poverty reduction and broadly shared economic growth require investment of public dollars, CHN works for adequate funding for effective human needs programs and progressive tax policies. CHN has been a leader in the SAVE for All campaign (Strengthening America's Values and Economy for All), bringing together many thousands of advocates nationwide in support of four principles essential in federal budget or deficit reduction plans: protect low-income and vulnerable people; incorporate investments to create jobs; pay for sustainable public *programs through increased revenues from fair sources; and seek savings by targeting wasteful spending in the Pentagon and other areas.*

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[1] U.S. Census Bureau, American Community Survey, 2014, released September 2015.

[2] American Community Survey, Table B19081, 2014 and 2010 data adjusted to 2014 dollars (CPI-U-RS).

[3] U.S. Census Bureau, Kathleen Short, *The Supplemental Poverty Measure: 2014*, September 2015, http://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-254.pdf

[4] See Arloc Sherman, Brain Studies Highlight Importance of Anti-Poverty Policies for Children, Center on Budget and Policy Priorities, August 6, 2015; Caroline Ratcliffe and Signe-Mary McKernan, Child Poverty and Its Lasting Consequence, Urban Institute, September, 2012.

[5] U.S. Census Bureau, American Community Survey, 2014 and 2013, Table S0201. Racial definitions used: White alone, not Hispanic; Black alone or in combination; Hispanic, may be of any race.

[6] U.S. Census Bureau, American Community Survey, 2014 1-year data, Tables S1703 and B17024.

[7] Center on Budget and Policy Priorities, Danilo Trisi*, SNAP and Unemployment Insurance Kept Millions Out of Poverty Last Year, Census Supplemental Poverty Measure Shows,* November 6, 2013, http://www.cbpp.org/blog/snap-and-unemployment-insurance-kept-millions-out-of-poverty-last-year-census-supplemental.

[8] U.S. Census Bureau, Kathleen Short, *The Supplemental Poverty Measure: 2014*, September 2015, http://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-254.pdf

[9] http://www.chn.org/wp-content/uploads/2015/07/Head-Start-Outcomes.pdf

[10] http://www.cbpp.org/research/housing/national-and-state-housing-data-fact-sheets?fa=view&id=3586#table3

[11] http://www.nhsa.org/fact-sheets#sheets

[12] https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/fact_sheets/72415/house-budget-students-veterans-workers-health-economy-state-by-state.pdf

[13] https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/fact_sheets/72415/senate-budget-students-veterans-workers-health-economy-state-by-state.pdf

[14] http://www.chn.org/wp-content/uploads/2015/01/Shrinking-Funding-Since-2010-Approps-FY10-FY15-1.30.15.pdf

[15] https://www.cbo.gov/publication/50725

[16] https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/fact_sheets/72415/house-budget-students-veterans-workers-health-economy-state-by-state.pdf

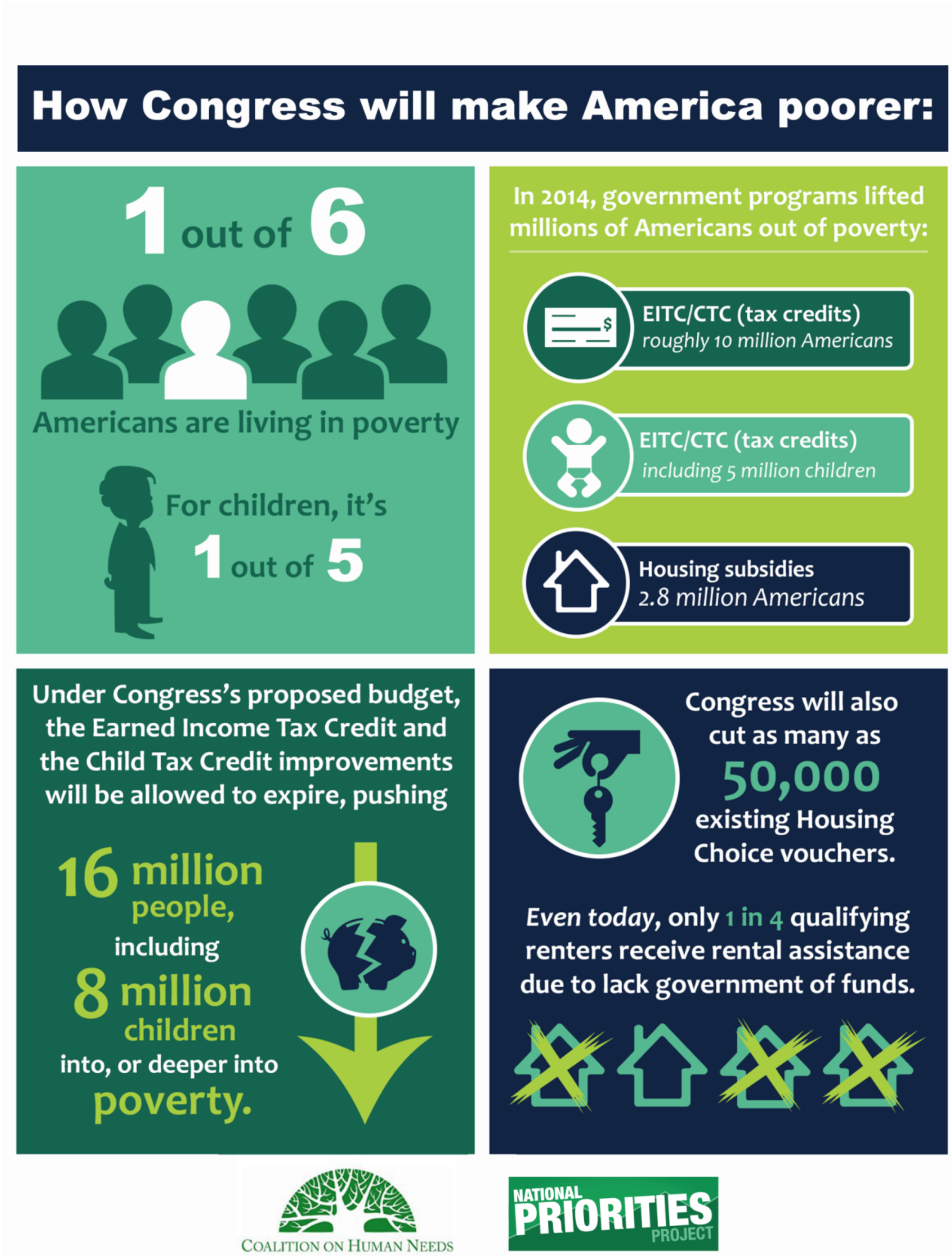
[17] http://www.ers.usda.gov/publications/err-economic-research-report/err194.aspx

[18] Children's HealthWatch, Diluting the Dose, http://www.childrenshealthwatch.org/wp-content/uploads/FINAL-Diluting-the-Dose-for-web.pdf

[19] http://democrats.waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/HR%202889%20Score.pdf; http://eclkc.ohs.acf.hhs.gov/hslc/hs/news/blog/president-budget.html

[20] http://www.cbpp.org/research/federal-tax/letting-key-provisions-of-working-family-tax-credits-expire-would-push-16

[21] https://www.census.gov/newsroom/press-releases/2015/cb15-tps16.html


How Congress will make America poorer:
1 out of 6
Americans are living in poverty
For children, it's
1 out of 5
In 2014, government programs lifted millions of Americans out of poverty:
EITC/CTC (tax credits)
roughly 10 million Americans
EITC/CTC (tax credits)
including 5 million children
Housing subsidies
2.8 million Americans
Under Congress's proposed budget, the Earned Income Tax Credit and the Child Tax Credit improvements will be allowed to expire, pushing
16 million people,
including
8 million children
into, or deeper into
poverty.
Congress will also cut as many as
50,000
existing Housing Choice vouchers.
Even today, only 1 in 4 qualifying renters receive rental assistance due to lack government of funds.
Coalition on Human Needs
National Priorities Project