It might seem a strange time to look to Wisconsin to learn about local antipoverty policy, given that there, as in many states, budget cuts in programs assisting the poor have been proposed and cuts to public employee benefits are being considered. Such current developments notwithstanding, Wisconsin has long been in the vanguard among American states in developing social insurance and antipoverty policy. The purpose of this article is to describe some of the policies and practices that Wisconsin has undertaken in recent history to meet the basic needs of low-income families. We also describe how a new poverty measure developed by University of Wisconsin researchers has measured the impact of federal and state policies in reducing poverty and in mitigating the effects of the recession.

Why is Wisconsin so important in understanding local antipoverty innovation? It’s partly a story about a special, century-old cultural commitment, dubbed the “Wisconsin Idea,” that obliges Wisconsin’s public universities to inform public policy with research findings. Adlai Stevenson described the Wisconsin Idea in 1952 as “a faith in the application of intelligence and reason to the problems of society. It meant a deep conviction that the role of government was not to stumble along like a drunkard in the dark, but to light its way by the best torches of knowledge and understanding it could find.” The state has long served as a “laboratory for democracy,” in which the simple goal was to build state policy that advanced human welfare. And the University of Wisconsin has long been understood as playing a central role in running this “laboratory.” In a famous University case testing the limits of academic freedom, the following commitment was memorialized on a plaque outside the main administration building: “Whatever may be the limitations which trammel inquiry elsewhere, we believe that the great State University of Wisconsin should ever encourage that continual and fearless sifting and winnowing by which alone the truth can be found.” In Wisconsin, the commitment to evidence-based social policy is particularly central to the mission of the University. In the pages that follow, we first offer a brief history of some of the anti-poverty policies for which Wisconsin has been a national leader. We then turn to two recent innovations that we hope might also be taken up in other locales: creating a more seamless safety net across programs and developing a poverty measurement system to assess program effectiveness.
A Primer on Innovative Social Policies in Wisconsin

The State of Wisconsin has a special history of helping those in need that goes back to the early twentieth century in social insurance (e.g., unemployment compensation, workers’ compensation, and Social Security). This tradition has continued into the early twenty-first century, when the state was at the forefront of welfare reform, and today in its innovative use of administrative data, in conjunction with the Institute for Research on Poverty, to evaluate child support efforts for the Wisconsin Department of Children and Families. This history is also revealed in its recent commitments to “making work pay,” to supporting access to child care for low-income workers, and to building a national model for health care reform. We briefly review each of these lines of innovation below.

A commitment to making work pay: The state is the birthplace of unemployment insurance and workers’ compensation policies that would eventually span the nation, and University faculty joined with Wisconsin officials in playing a major role in shaping the 1935 Social Security Act. More recently, Wisconsin was among the first states to adopt welfare reform, under Governor Tommy Thompson, with a series of welfare reform waivers in the late 1980s and early 1990s culminating in the creation, in 1997, of the Wisconsin Works (W-2) program, Wisconsin’s replacement for the Aid to Families with Dependent Children (AFDC) program. The reforms succeeded in moving many mothers with children from welfare to work. These reforms to cash assistance were accompanied by changes in child care, child support, health insurance, and other programs designed to support work by low-income parents. The state also undertook additional measures to make work pay, eventually creating one of the most generous state Earned Income Tax Credit (EITC) programs in the nation, with higher benefits for families with three or more children, making Wisconsin a forerunner of 2009 federal EITC policy. These reforms are now practiced more widely, but it is worth remembering that Wisconsin was at the vanguard of such developments. It’s notable in particular that Wisconsin has long had a special commitment to ensuring that families are successfully integrated into the economy rather than simply “moved off the rolls.”

Child care: At the same time that W-2 was enacted, Wisconsin expanded its existing child care programs into a new subsidy program, Wisconsin Shares, that promoted market work by low-income single parents who would otherwise be unable to work. In addition, the state amended its child support program to allow a 100 percent pass-through of payments from absent parents to custodial parents.

Health care: Wisconsin further created a health care plan to provide insurance to low-income families who lost Medicaid when they left welfare to enter the workforce. Initially, then-Governor Thompson sought to institute a low-income family health care plan through a Medicaid waiver, but it was refused. Later, in 1999, Wisconsin combined funds from both the State Child Health Insurance Program (SCHIP) and Medicaid and created a new “BadgerCare” program. Under Governor James Doyle, the plan was expanded to ensure that parents and their children with incomes less than 185 percent of the poverty line received low-cost access to health care in cases where their employer did not provide such insurance. By 2007, a group of health programs known collectively as BadgerCare Plus further expanded coverage and made linkages to other health-related programs. According to Census figures, by 2008, almost 95 percent of Wisconsin’s children had health care coverage, the second highest rate of insured children nationwide, due in large part to the success of BadgerCare in providing affordable family health insurance. With its relatively high eligibility levels, modest premiums, and ability to combine Medicaid and SCHIP, BadgerCare can be viewed as a forerunner for states adopting the new national health care legislation.

It is clear, then, that Wisconsin has a long history of innovation when it comes to poverty policy. So what is Wisconsin doing now? Below, we highlight two big areas that have been integral to improving Wisconsin’s antipoverty supports, especially during the current recession: creating a more seamless safety net and developing a poverty measurement system to assess how well it’s working.

The Seamless Safety Net

In late 2008, then-Governor Doyle created a task force to address poverty in Wisconsin. Faced with an oncoming recession, the governor’s task force chose not to set poverty reduction goals, as they would likely be impossible to meet in light of the recession and a limited state budget. Instead, the task force’s culminating report suggested a large number of initiatives concentrating on practices that are more efficient. The two main recommendations coming out of this task force were to link eligibility determination across programs and to increase participation in existing federally funded benefit programs, particularly FoodShare (the state’s version of the Supplemental Nutrition Assistance Program, or SNAP) and the EITC. These enhancements were intended to provide Wisconsinites struggling with the recession with a more seamless safety net than is found in many other states.

And they seem to be working. Food assistance caseloads have risen rapidly in Wisconsin in response to the recession and to state practices that encourage take-up. Between the first half of 2007 and the first half of 2010, the number of monthly participants in the state’s FoodShare program rose from about 383,000 to 721,000 people. This is an 88 percent growth rate over three years, considerably higher than the national growth rate of 51 percent over the same period. Only a handful of states (Arizona, Florida, Idaho, Nevada, and Utah) have seen larger rates of growth in food assistance during the recession. Participation in both federal and state EITC programs is also high, with non-profit tax preparation centers working to increase tax refunds and to counsel beneficiaries on how to allocate these refunds.

Much of the increase in uptake for FoodShare and the EITC is due to the economic effects of the recession. But the higher-than-
average increases in Wisconsin also reflect policy and program design decisions made by the state to encourage participation in FoodShare, which was administered by the same agency as BadgerCare, until early this year. The state has devoted much attention to expanding access to health and nutrition programs, including development of ACCESS, an online system that allows people to check eligibility, apply for benefits, and report changes. Other developments to improve access include use of call centers and telephonic signatures. Low-income adults who lose their jobs in the recession and seek assistance for health insurance are able to easily check their eligibility and apply for FoodShare, making the programs more responsive to the needs of the newly unemployed in times of recession. Finally, eligibility for the state low-income home energy assistance program (LIHEAP) is now determined at the same time that FoodShare eligibility is determined, thereby linking heat and utility subsidies to the rest of the program package. Together, these programs and program improvements are helping people in Wisconsin maintain disposable income, thus putting money back into the economy at higher rates than in many other states.

The Wisconsin Poverty Measure

The Wisconsin Idea has set a standard and an expectation for the collaboration of policymakers and state-supported researchers in tackling tough social problems. It is based on the idea that, as a public institution, the University of Wisconsin’s boundaries should be those of the borders of the state.

The Institute for Research on Poverty (IRP), founded in 1966 and supported by the U.S. Office of Economic Opportunity and later the U.S. Department of Health and Human Services, as well as by the State of Wisconsin, brings together national and state work on poverty measurement with the tradition of university researcher–policymaker collaborations in Wisconsin. Researchers at IRP have embraced this tradition to develop a measure of poverty specific to the state of Wisconsin, yet relevant and adaptable to other states and localities and to the nation as a whole.

Wisconsin has for some time evaluated the effects of policies and practices on low-income households. The new, state-specific poverty measure allows Wisconsin to build on these efforts by making it possible to evaluate the effect of a broader range of combined antipoverty efforts, including both state and local policies other than federal cash transfer benefits. While the focus is on Wisconsin, the intent is to provide a model that will be useful for other states and localities as well. For instance, legislation has been proposed in Minnesota and Colorado specifying that an analysis of the antipoverty effects of any human service program initiatives or cutbacks must be made available before legislation is passed. While poverty measurement may seem of secondary importance to some, in fact it is critical to the Wisconsin tradition of informing policy decisions with the best available evidence of what works, what doesn’t, and why.

How have IRP researchers built the new measure? The starting point is to recognize that the official poverty measure in the United States captures only cash income. While it can demonstrate decreases in poverty due to expansions in cash benefits (e.g., Social Security or unemployment compensation), it does not capture changes in poverty due to expansions or contractions of tax credits and noncash benefits, or reductions in work-related costs like child care and health care costs that impinge on family-income spending. The official measure misses, for example, the effects of key policy innovations such as the recent expansions of tax credits and increased access to food assistance undertaken in response to the Great Recession.

Our Wisconsin Poverty Measure, unveiled in 2010, takes a broad view of resources, incorporating not only pre-tax cash income, but also the estimated value of other federal and state resources to offset need, such as food assistance, tax credits, energy assistance, and public housing. It also considers work-related costs, including transportation, child care, out-of-pocket medical expenses, and payroll and income taxes, all of which reduce income that could be spent on food, housing, and other basic needs. The new Wisconsin Poverty Measure allows Wisconsin to find out how its programs (e.g., the state EITC, BadgerCare, FoodShare, Shares, and the state Homestead Tax Credit) affect poverty and economic well-being. It also allows Wisconsin to understand how federal programs that address many of these same basic needs fare. The new measure is further innovative in that it allows us to engage in these analyses not only for the state as a whole, but also for various counties and sub-county areas. For instance, we can look not only at the poverty rate for Milwaukee County overall (19 percent in 2008 under our new measure), but we can also observe the great variation across six different parts of Milwaukee County (with a range of poverty rates from 6 percent to 39 percent in the same year).

With this new measure in hand, we can move beyond simply describing Wisconsin’s distinctive innovative policies to understanding how well they work. As a first step, in Figure 1, we provide more detail on the often offsetting forces that reduce poverty (such as benefits from tax refunds and FoodShare), as well as those that push poverty up (such as work-related costs and medical out-of-pocket costs). Note that our poverty measure not only shows the effects of safety net assistance programs that provide additional resources, but it also shows how costs of going to work limit income available to spend on basic needs. Our measure demonstrates that strategies to both increase resources and reduce expenses are important for mitigating poverty, ranging from the new federal health insurance law to the expansion of child care subsidies to the American Recovery and Reinvestment Act (ARRA) and other temporary benefits.

Moreover, the Wisconsin Poverty Measure is useful in gauging the antipoverty effects of policies that expand resources or reduce needs for different groups of state residents. For example, the earned income tax credits and noncash benefits are particularly important in reducing child poverty, though high work-related expenses (particularly child care expenses) push poverty back up among families with children. High medical out-of-pocket expenses, on the other hand, are responsible for increased poverty rates experienced by the elderly.

In October 2010, we estimated the effects of ARRA on poverty rates using our new model. At the time, we had data for
2008 only, and so we estimated poverty in 2008 under current law and under an alternate scenario assuming the 2009 American Recovery and Reinvestment Act refundable tax credit, Social Security increase, and SNAP provisions had been in effect that year. We found that the ARRA did reduce poverty, especially among children (see Figure 2).

Had the ARRA tax credit expansions, additional payment to Social Security recipients, and SNAP benefit increases been in effect in 2008, their combined impact would have been to reduce poverty in Wisconsin by 1.4 percentage points overall, a reduction on top of the 2.0 percentage point reduction in poverty due to public benefits before the ARRA. The ARRA provisions would have had an even larger effect among families with children, reducing the poverty rate by 2.6 percentage points for children, representing a 20 percent reduction in child poverty. Our model helps to demonstrate that the ARRA had a substantial effect in terms of reducing poverty and mitigating the effects of the Great Recession on children and families. And our just-released 2011 report (using 2009 data) confirms the substantial antipoverty effects of the ARRA in Wisconsin. For more on the Wisconsin Poverty Measure including recent reports, see http://www.irp.wisc.edu/research/wipoverty.htm#wisconsin.

The Future of the Wisconsin Idea

We began this piece by remembering that Wisconsin's efforts to fight poverty have focused on rigorously assessing "what works" and then implementing what works as effectively and efficiently as possible. In this article, we've not only rehearsed the long tradition of the Wisconsin Idea but have also discussed its recent implementation in the form of the new Wisconsin Poverty Measure, a measure that helps assess the impact of federal and state antipoverty programs.

Can we be optimistic about the future of the Wisconsin Idea? With the state facing budget deficits and pressure to reduce spending, many of the achievements of the Wisconsin tradition now find themselves under threat. As in most states, Wisconsin's proposed budget for the next biennium reduces commitments to many programs, including those for the poor. Wisconsin's proposed budget includes reductions in the state EITC program, which the Wisconsin Poverty Measure shows is reducing poverty for working families, especially those with young children. The 2011–13 Biennial Budget proposal currently under consideration includes changes to reduce outlays for Wisconsin's BadgerCare program and other low-income support programs.

It’s of course possible that the Wisconsin Idea could be implemented in reverse. That is, insofar as a decision is indeed made to cut subsidies and have a somewhat a higher poverty rate, the objective should be to do so in a way that generates the most savings at the least damage to families, children, and the labor market. The continuing relevance of the Wisconsin Idea is that it forces us to ask whether a reduction in the state EITC program and other proposed changes in labor market policy have any evidence-based justification. As R. David Myers has noted, the Wisconsin Idea in its original form has public universities examining which polices and programs “benefit the greatest number of people.” The reverse formulation, then, should have them assessing which cutbacks harm the fewest number of people and do the least damage to the programs’ efficacy. Whatever decisions are taken, we can be sure that they will be closely watched, given Wisconsin’s legacy as a leader and innovator in antipoverty policy.

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