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## Poverty in Maine 2007

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## Poverty in Maine

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# Poverty in Maine

by Ann W. Acheson



*Despite decades of concerted federal, state, local and private effort, poverty persists in Maine and many parts of the nation. The face of poverty, however, differs across regions and states. Maine, for example, has a higher rate of working poor than in the nation as a whole. In this article, Ann Acheson updates the profile of poverty in Maine. She examines recent trends and the nature of regional disparities. Some measures of economic distress have worsened over the last five years; others remain stagnant. Acheson concludes with a brief overview of current policies and programs that address poverty and calls for a multifaceted approach to continuing poverty-reduction efforts at all levels of government and in the private sector. 🐟*

Since Lyndon Johnson's "War on Poverty" in the 1960s, multiple federal, state, and local policies, institutions, and organizations have been developed to try to eliminate the complex causes of poverty and to alleviate the plight of the economically disadvantaged. While these efforts have had some success, poverty in the nation and in Maine has persisted. In 1959, when poverty first began to be measured, 22 percent of households in the United States were below the poverty line. By 1972, the poverty rate had fallen to 11 percent. Since then, however, the national rate has remained virtually stagnant, ranging between 11 and 15 percent (Berlin 2007:1). The pattern is similar in Maine, where the poverty rate has ranged between about 10 and 16 percent since the 1970s. Within the state, however, there are major regional differences in poverty that have persisted for decades, with several areas having poverty indicators that are consistently well above national and state averages.

In order for policymakers and the public to understand persistent poverty and develop further steps to alleviate it, it is important to have a basic understanding of how poverty is measured, who is poor, and the benefits and programs that currently exist. In this article, I present a profile of poverty and poverty trends in Maine.<sup>1</sup> This profile is based on a subset of standardized national and state indicators used to evaluate the extent of poverty, assess needs, and measure services and benefits aimed at low-income populations. I conclude by discussing some of the kinds of policies and programs recommended at the federal and state levels to address persistent poverty.

### WHAT IS POVERTY?

Poverty is a complex concept. It can be defined *absolutely* as the inability to meet very basic survival needs, for example, adequate food and housing, safe water and sanitation. The World Bank defines poverty as having a per capita income of less than two dollars per day. In the United States and other industrialized countries, where the vast majority of the population has its basic needs met, poverty is defined in *relative* terms, that is, the level of household income and/or consumption compared with some "line" or threshold.

In the United States, the most widely known and commonly used poverty indicator is the federal poverty measure.<sup>2</sup> This income-based measure was officially established in 1969 by the Office of Management and Budget, based on analysis done in the 1950s and early 1960s. When the measure was developed, food costs accounted for about one-third of household budgets.

The poverty measure was calculated by using the cost of a "minimal" food budget as determined by the Department of Agriculture and multiplying that figure by three. This formula remains the same, even though food is today a much smaller proportion of household budgets.

There are two slightly different versions of the federal poverty measure: poverty thresholds and poverty guidelines. Both are updated annually for price changes, using the consumer price index for all urban consumers (CPI-U).

**Poverty thresholds** are the statistical version of the federal poverty measure, issued by the Census and used to calculate the number of households and persons in poverty. Information on poverty in the Census is estimated from a sample of the population, with figures projected for the general population. Poverty of households is determined based on cash income reported by respondents from all sources, including wages, self-employment, "social welfare" cash benefits, pensions, and income from investments. This gross cash income is compared with the appropriate threshold, depending on household size, to classify household poverty status. Poverty status on the individual level is defined as any person living in a below-poverty household.

**Poverty guidelines** are a simplified administrative version of the measure, with updates issued annually by the U.S. Department of Health and Human Services. Poverty guidelines are used in determining individual or household financial eligibility for many federally funded programs. (See sidebar, page 14.) Some programs use a percentage multiple in determining eligibility, for example household income that is 125 percent, 150 percent, or

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## POVERTY GUIDELINES AND BENEFIT ELIGIBILITY

Some examples of federal programs that use poverty guidelines (or multiples) in determining benefit eligibility are:

- *Department of Health and Human Services:* Community Services Block Grant, Head Start, Low Income Home Energy Assistance Program (LIHEAP), Children's Health Insurance Program (CHIP), parts of Medicaid (covering a little more than one-quarter of recipients), Medicare – prescription drug coverage (subsidized portion only), Community Health Centers, Migrant Health Centers
- *Department of Agriculture:* Food stamps, Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the national school lunch and breakfast programs
- *Department of Labor:* Job Corps, Senior Community Service Employment Program, National Farmworker Jobs Program
- *Department of Energy:* weatherization assistance

Most of these programs are non-open-ended programs — that is, programs for which a fixed amount of money is appropriated each year. The only open-ended or “entitlement” programs that use the poverty guidelines for eligibility are food stamps, the national school lunch program, certain parts of Medicaid, and the subsidized portion of Medicare's prescription drug coverage.

A number of major means-tested programs do not use the poverty guidelines in determining eligibility, but have their own criteria and guidelines:

- Temporary Assistance to Needy Families (TANF)
- Supplemental Security Income (SSI)
- The Earned Income Tax Credit (EITC)
- Department of Housing and Urban Development's means-tested housing assistance programs
- Social Services Block Grant

200 percent of the poverty guideline. Some state and local governments use the federal poverty guidelines in some of their programs, as do some private organizations in determining eligibility for their services.

## MAINE POVERTY PATTERNS

What is the face of poverty in Maine? Are there recent significant trends? To address these questions, we need to look not only at poverty rates, but also at a variety of other indicators that describe economic distress and the characteristics of those who are “living on the edge.”

According to the Current Population Survey (U.S. Census Bureau 2006), Maine's estimated poverty rate (persons below poverty) was 12.6 percent in 2005, the same as the national rate. However, Maine's rate of “near poor,” those with incomes below 150 percent or 200 percent of the federal poverty level, is higher than the national average (Maine State Planning Office 2007). Many of these “near poor” are working, often at low-wage, seasonal, or part-time jobs. Some are elderly, living on fixed incomes.

### *Poverty and Demography*

#### **Geography**

One of the most significant aspects of poverty in Maine is the existence of marked regional disparities that have been persistent for several decades. The most recent poverty estimates from the Census Bureau's Small Area Income and Poverty Estimates (SAIPE) program at the county level are for 2004 (Figure 1). The highest rates of poverty (persons below poverty) are in Washington County (17.4 percent), followed by Somerset (15.6 percent) and Aroostook (15.1 percent) counties. Lowest rates are in Sagadahoc (8.8 percent) and York (8.9 percent) counties, followed closely by Cumberland (9.2 percent) and Hancock (9.9 percent) counties. Ten of Maine's 16 counties had poverty rates above the state's rate of 11.5 percent in 2004.

County is often used as the unit of analysis because data are commonly available at the county level; however, there can be major differences within counties in poverty rates and in other poverty indicators. For example, in Penobscot County communities in the greater Bangor-Brewer area differ greatly from those in the northern part of the county, where the local economy is much less robust; counties such as York and Hancock in aggregate measures appear to be quite “prosperous,” but have major pockets of rural

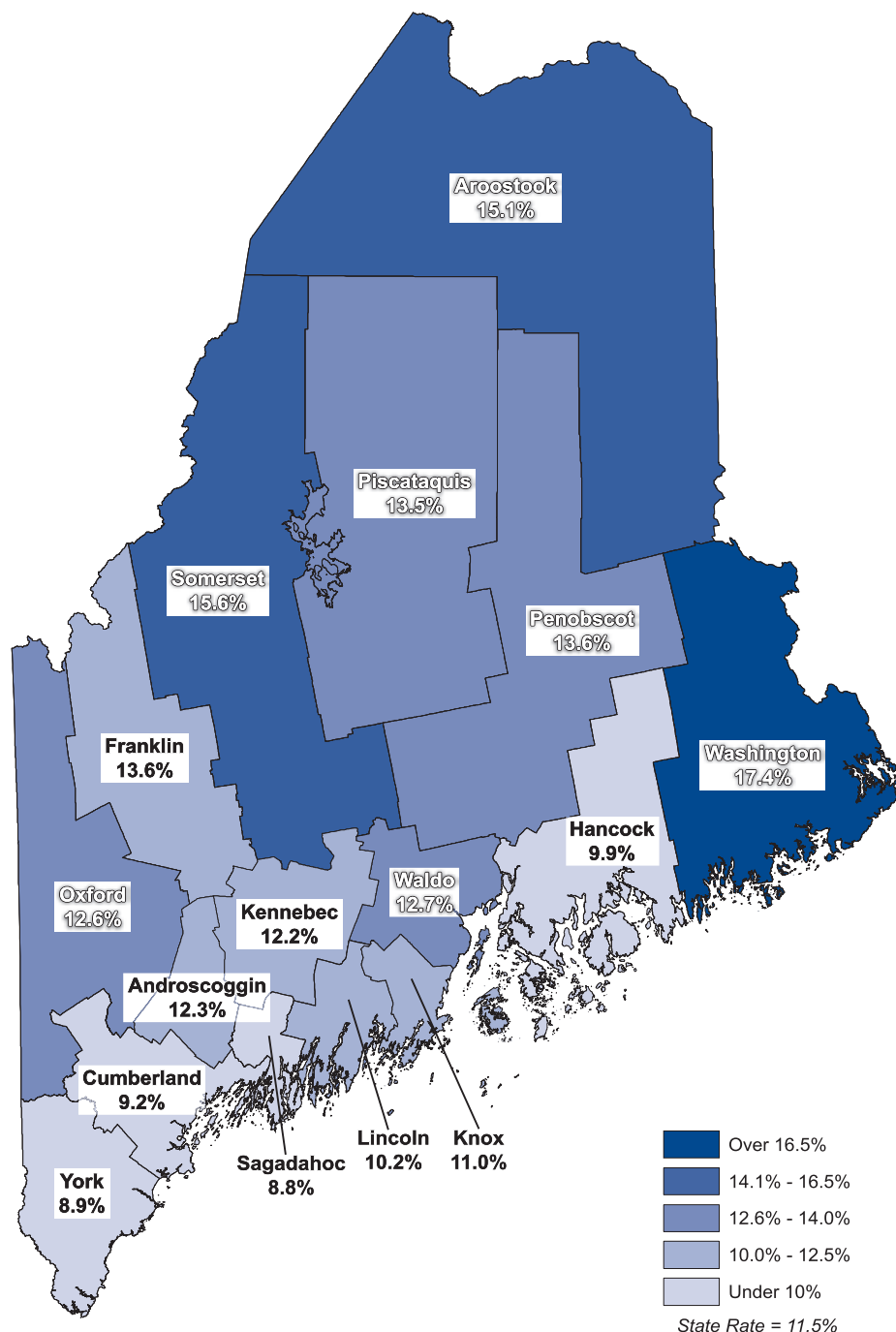
FIGURE 1: **Maine Individual Poverty Rates by County, 2004**

poverty away from the immediate coastal areas. Moreover, there are often economic, environmental, and socio-demographic patterns that cross county lines, so that adjacent areas of different counties may have more in common with each other than they do with other parts of their own county.

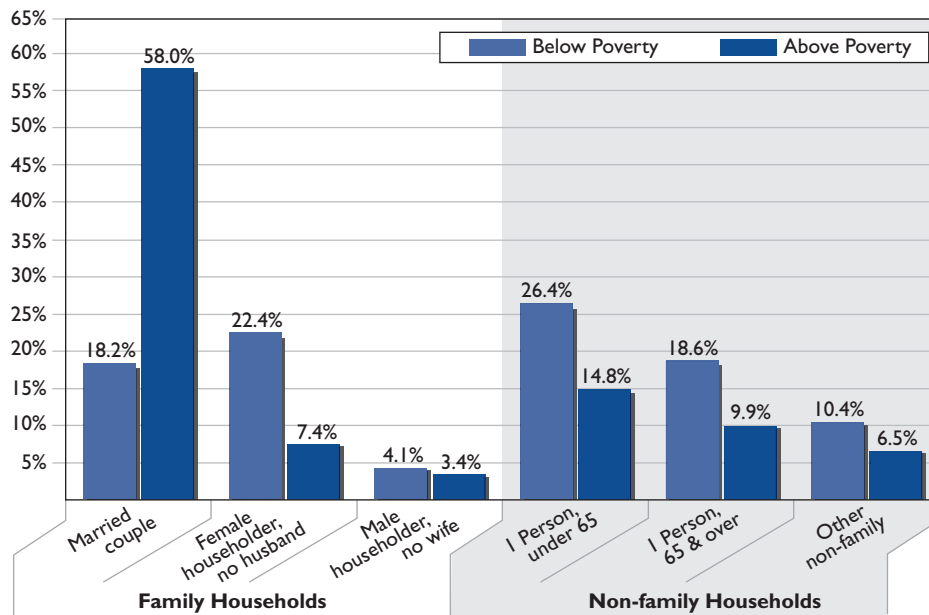
On a larger scale than single counties, the Maine State Planning Office's grouping of Maine counties into "rim," "central," and "coastal" highlights some important regional economic, social, and population patterns that affect poverty rates. The rim counties are Aroostook, Franklin, Oxford, Piscataquis, Somerset, and Washington; central counties are Androscoggin, Kennebec, and Penobscot; and the coastal counties are Cumberland, Hancock, Knox, Lincoln, Sagadahoc, Waldo, and York. Compared to coastal and central counties, most of the rim counties have experienced greater declines in population and have populations that are older with lower levels of education. Rim counties also have a shrinking labor force and a declining number of jobs, due to the differential impact of the decline in resource- and manufacturing-based industries in these areas.

### Age

Population age distribution is another important factor in policy and planning regarding poverty. The proportion of those classified as "young" and "old" relative to those of working age is particularly significant. Having a higher proportion of the population not in the work force, termed the "dependent" population, usually contributes to higher poverty rates. Maine currently is the "oldest" state in the country in terms of its median age of 41.2 in 2005 (U.S. Census Bureau 2005). While the population of the country as a whole is aging, in Maine the impact



Source: US Census Small Area Income and Poverty Estimates (SAIPE)  
<http://www.census.gov/hhes/www/saipe>

**FIGURE 2: Maine Poverty Status by Household Type (2000 Census)**

Source: Acheson (2003:10), data from 2000 Census

of the aging population is exacerbated by differential out-migration of younger, working-age adults from a number of counties.

Statewide, in the 2000 Census 14.6 percent of the population was age 65 and older. Counties with a high proportion of the population age 65 and over are among the poorest in the state: Washington (17.8 percent elders), Piscataquis (17.5 percent elders) and Aroostook (17.4 percent elders). (One county, Lincoln, is an exception to the pattern of “older” areas having higher poverty rates. In the 2000 Census, it had the highest proportion of population age 65 and over of any county [18.5 percent], but its poverty rate was fifth lowest in the state in 2004. Lincoln County has continued to see in-migration of well-off retirees from out of state.)

### Households

Many poverty programs and benefits, as well as statistical information about poverty, are focused on households. It is therefore important to understand the types of households below and above the poverty line.<sup>3</sup>

The popular image of a household below poverty is a single mother with children. In fact, only 22 percent

of Maine’s below-poverty households in the 2000 Census were of this type (Figure 2). One of the most striking features of poverty in Maine is that almost half of households below poverty in the 2000 Census were one-person households. Statewide, a larger proportion of these one-person households were individuals under the age of 65, but in Aroostook, Lincoln, and Washington counties there were almost equal numbers of below-poverty one-person households under and over age 65.

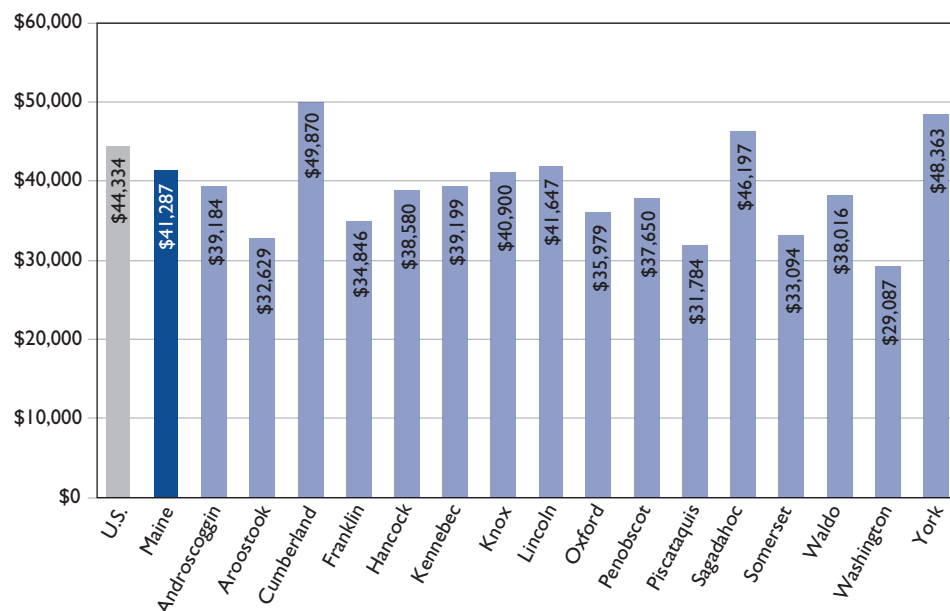
The distribution of household types for those above poverty in Maine is quite different. Statewide, in the 2000 Census a majority of households above poverty (58 percent) were married-couple families; another 24.7 percent were one-person households.<sup>4</sup>

### Education

Level of educational attainment is one of the most important population characteristics related to poverty and economic well-being. With the decline in once prevalent manufacturing and natural resource-based jobs, and the increase in knowledge- and service-based employment, having an education beyond high school is becoming increasingly important to maintain adequate employment and income. Those with higher levels of educational attainment generally have higher income levels, greater upward mobility in incomes, and shorter and less frequent periods of unemployment (Maine Department of Labor n.d.).

Although Maine for some time has had a somewhat higher proportion of high school graduates than the national average, the state does not stand as well with regard to higher education attainment. In the 2000 Census 68.9 percent of the state’s population reported lacking a college degree (associate or higher), compared with 61.3 percent in other New England states and 69.3 percent nationally. There are marked regional differences in Maine in higher education attainment. In several counties (Androscoggin, Aroostook, Somerset, Piscataquis, and Washington) close to or greater than 80 percent of the population

FIGURE 3: Median Household Income, 2004



Source: U.S. Census, Small Area Income and Poverty Estimates Program (2006)

is lacking a college degree (associate or higher). With the exception of Androscoggin, these are among the counties with the highest poverty rates and lowest median incomes.

### Poverty and Income

Means-tested guidelines for benefits eligibility, as well as Census poverty statistics, are based on household income. The Census uses a self-reported measure of *money income*. Poverty information reported in the Census is based on this self-reported income. In the Census, income information is drawn from a sample of the population; for years between the decennial censuses of the population, much smaller population samples are used, leading to somewhat larger margins of error in income and poverty rate estimates.

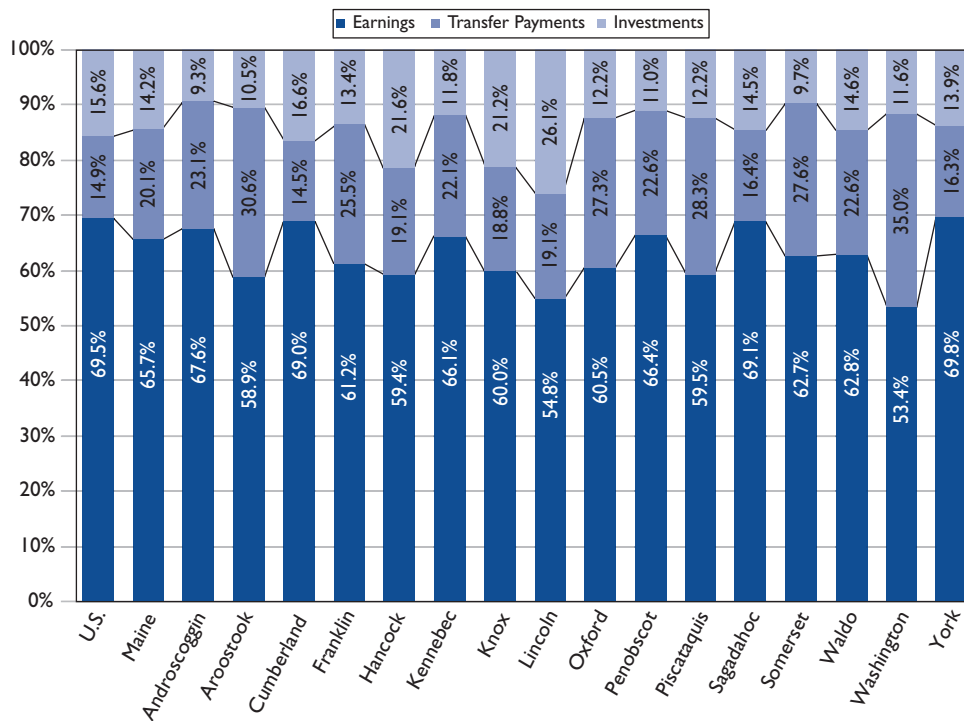
Maine's median household income is below the national median, and Maine is in the lower tier of states in this measure. (Median household income represents the midpoint of incomes in a given area, with half of households having incomes that are higher and half that are lower.) The Current Population Survey shows that Maine's median income averaged over the three-year period of 2003 to 2005 was \$42,006, placing it as the 36th lowest state, i.e., only 14 states reported lower median household incomes (U.S. Census Bureau 2006). The Maine State Planning Office notes that comparisons of Maine's median household income with that of other states and the nation as a whole should be done with caution, since there may be differences in cost of living that affect purchasing power. For example, some expenses such as transportation and energy may be higher in Maine than elsewhere, but others, such as housing, may be lower; despite lower incomes, Mainers have historically had higher rates of home ownership than other U.S. residents (Maine State Planning Office 2007: 7).

There are wide disparities in median household income between Maine's counties (Figure 3). Aroostook, Piscataquis and Washington counties in 2004 had

median household incomes more than 20 percent lower than the state's median household income of \$44,334. Washington County's median household income (lowest in the state) was 42 percent lower than that in Cumberland County (highest in the state).

There are problems with relying solely on Census-reported money income to get a complete picture of income and poverty in Maine. The U.S. Bureau of Economic Analysis (BEA) uses a different income measure, called *personal income*, which economists generally consider the most comprehensive measure of income for the country as a whole and for any given area.<sup>5</sup> Personal income includes three broad categories of cash and noncash income: *net earnings* (from wages and self employment); income from *investments* (dividends, interest and rent); and income from *transfer payments*.

Transfer payments are payments for which no current services are performed, primarily payments by federal, state, and local governments. They include government retirement and disability insurance benefits such as Social Security; medical payments (Medicare, Medicaid); income maintenance benefits such as TANF and food stamps; and unemployment insurance benefits. Some of these are means-tested, but most are not.

**FIGURE 4: Percentage of Personal Income by Type, 2005**

Source: U.S. Bureau of Economic Analysis (2007)

It is important to note that non-means-tested benefits (“entitlements”) are given to rich and poor alike and account for much more of transfer payments in absolute dollar terms than do means-tested benefits aimed at the low-income population.

Examining the breakdown of personal income from various sources can tell us a lot about the economic characteristics of an area, particularly about relative economic distress or well-being. A higher proportion of personal income from transfer payments in an area is generally an indicator of higher poverty levels, presence of an older population, or both.

Maine’s personal income breakdown is different from the national pattern (Figure 4). Nationally, 69.5 percent of income in 2005 was from wages and self-employment; 15.6 percent from investments; and 14.9 percent from transfer payments. In Maine, wages and self-employment earnings accounted for a smaller proportion of total personal income than in the country as a whole, 65.7 percent, while income from transfer payments represented a substantially higher proportion, 20.1 percent. This difference may be due to

Maine having an older, poorer population compared with the country as a whole.

As can be seen in Figure 4, within the state, there are marked differences across counties in the relative proportion of personal income from the three types of sources. In Aroostook, Franklin, Oxford, Piscataquis, Somerset, and Washington counties, more than one-quarter of 2005 total personal income was from transfer payments, with Washington County having the highest proportion, at 35 percent.

Nationally and in Maine, the category of government medical benefits constitutes the largest proportion of transfer payments. With the aging population, we can expect to see medical benefits constituting an increasing share of total transfer payments.<sup>6</sup> In most Maine counties, close to half of transfer

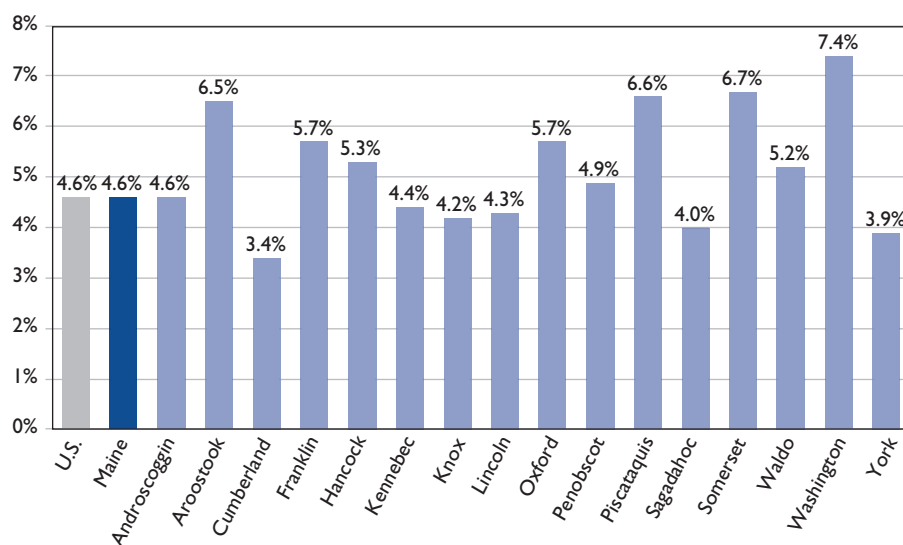
payments are medical payments made to providers. Such payments are never directly seen or controlled by individual recipients. However, it is important to stress that this kind of income can be an important component in local areas, especially in poorer counties with shrinking economic opportunities in other sectors.<sup>7</sup>

### *Poverty and Employment*

Employment is a key factor to consider in any analysis of poverty, since earnings from work are the primary source of income, especially for low-income households. Maine has seen modest job growth during the last 10 years, but this has been primarily in service-oriented jobs, with a decline in higher-paid manufacturing jobs (Maine State Planning Office 2007: 17-18).

Compared to workers nationally, Mainers are more likely to work at multiple jobs, either simultaneously or over the course of a year. In 2005, 7.8 percent of Maine workers held more than one job, compared to 5.3 percent nationally; the percentage of Mainers holding multiple jobs has remained at about this level for the past 10 years, while the national rate has

FIGURE 5: Unemployment Rate, Monthly Average, 2006



Source: Maine Department of Labor (2007)

decreased (Maine State Planning Office 2007: 18). Multiple-job holding in Maine is related both to seasonal employment and to low wages. Lower-wage workers will work at several jobs at the same time to make ends meet. In addition, the state continues to have a high rate of seasonal employment, especially in tourism and natural-resource-based industries. Some seasonal jobs may pay well, but the income often is not enough to sustain workers and their families year-round.

One of the most widely used, and widely watched, measures of employment is the unemployment rate.<sup>8</sup> The unemployment rate is calculated as the percentage of the labor force age 16 and over that is unemployed and actively looking for work. The unemployment rate methodology underestimates the true rate of joblessness or under-employment because it counts part-time workers as employed and does not include “discouraged workers” who have dropped out of the labor force after unsuccessfully seeking employment. In spite of these flaws, the unemployment rate is an important measure that serves as a “barometer” of the economy and has important policy ramifications in a number of programs.

Maine’s monthly unemployment rate in 2006 was 4.6 percent, the same as the national rate. As with other indicators of economic well-being, the unemployment rate shows a lot of regional variation within the state (Figure 5). Cumberland, Kennebec, Knox, Lincoln, Sagadahoc, and York counties had 2006 unemployment rates lower than the state average. Aroostook, Piscataquis, Somerset, and Washington counties had unemployment rates considerably above the state average. Washington County’s unemployment rate of 7.4 percent was the highest in the state, and was more than double that of Cumberland County.

### Benefits

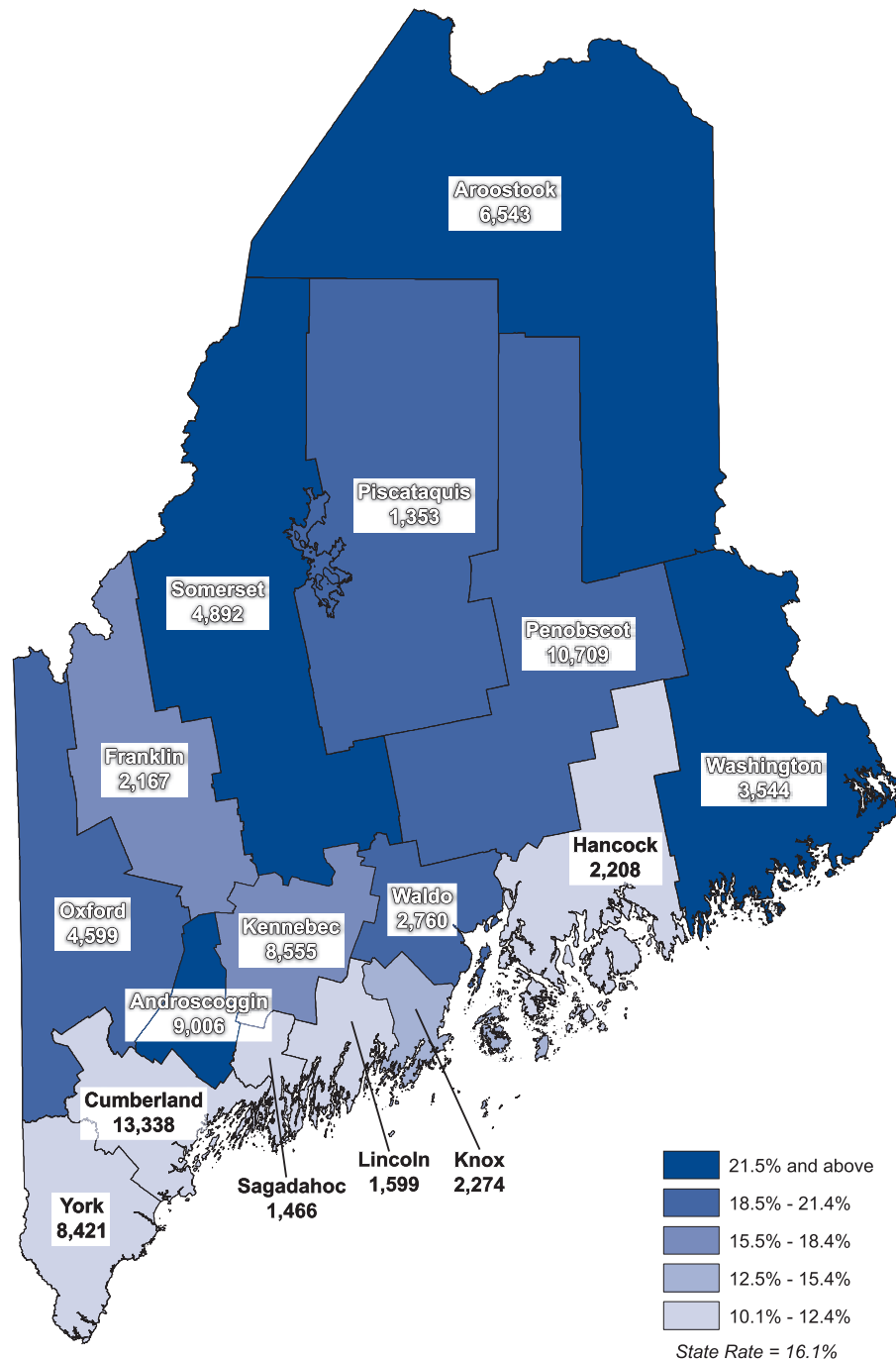
Numerous benefits and programs exist to assist low-income individuals and families through providing direct support or subsidies, or through approaches designed to improve self-sufficiency. While a full discussion of poverty programs and benefits is beyond the scope of

this article, some idea of the scope of the programs can be seen in the sidebar (page 14). I focus here on two of the most heavily used programs: food stamps and the free and reduced school lunch program. Other articles in this issue of *Maine Policy Review* examine two of the other major programs serving the low-income population: the Earned Income Tax Credit (Beamer), and Medicaid (Saucier; Pohlmann and Hastedt; Steele).

### Food Stamps

The U.S. Department of Agriculture’s food stamp program is one of the most wide-reaching means-tested benefits in the country and in Maine. Figure 6 shows the number and proportion of households in each county receiving food stamps in FY2006 (October 1, 2005–September 30, 2006). The figures represent a monthly average count of households. Statewide, 16.1 percent of households received food stamps. Androscoggin, Aroostook, Somerset, and Washington counties had the highest participation rates, with more than 21 percent of households receiving this benefit. Hancock, Lincoln, Sagadahoc, and York counties had the lowest rates. Washington County’s food stamp household participation rate of 25.1 percent, highest in the state, was more than double neighboring Hancock County’s rate of 10.1 percent, the lowest in the state.

FIGURE 6: **Households Receiving Food Stamps,  
Monthly Average by County, 2005-2006**



Source: Average calculated from DHHS monthly report,  
Geographic Distribution of Programs and Benefits (RE-PM001)

### Free and Reduced School Lunch Program

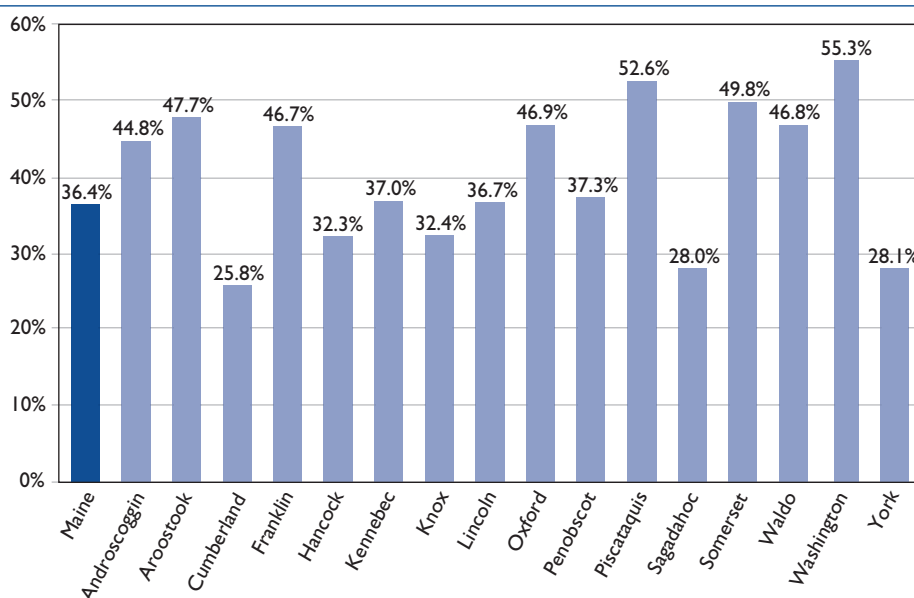
The free and reduced school lunch program is another Department of Agriculture benefit program, administered by the state's Department of Education through agreements with local schools. There are two levels of benefits, depending on family poverty level: children from families whose incomes are at or below 130 percent of poverty are eligible for free lunch, while those with incomes between 130 and 185 percent of poverty are eligible for reduced-price lunch.

Figure 7 depicts the percentage of children eligible for free or reduced lunch in FY2007. Statewide, 36.4 percent were eligible; close to or greater than half were eligible in Piscataquis, Somerset, and Washington counties, compared with just over one-quarter in Cumberland County.

### Recent Trends in Poverty Indicators

Over the six years since the decennial census (2000-2005), the individual poverty rate has been trending upward nationally and in Maine (Figure 8).<sup>9</sup> While Maine's poverty rate (two-year average) has been lower than the national rate at some points during this period, it has fluctuated more than the national rate and remains higher than Maine's recent low of 10.2 percent in 2000 through 2001.

Similar to the trend in poverty rates, unemployment rates in Maine and the United States during the period from 2002 to 2006 were at their high point in 2003, and have declined somewhat since then (Figure 9). During this period, Maine's unemployment rate fluctuated somewhat more than the national rate, which improved steadily from 2003 to 2006. The gap between the Maine and national unemployment rates has narrowed; by 2006 Maine had the same

**FIGURE 7: Enrolled Students Eligible for Free or Reduced Lunch, 2006-2007**

Source: Maine Department of Education (n.d.)

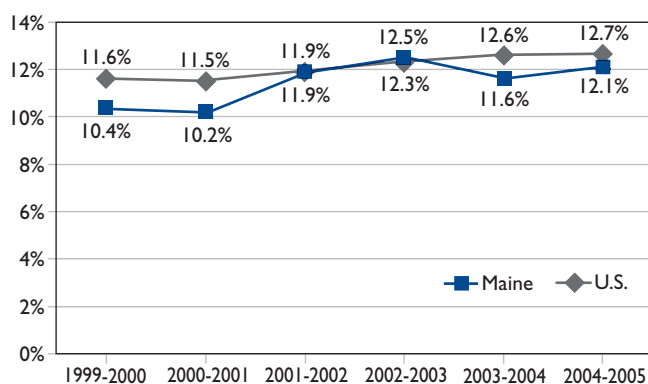
unemployment rate as the country as a whole. This is an indicator that Maine is not yet seeing the results of the recent national economic recovery.

Food stamp use in Maine has seen a sharp upward trend in the past five years, both in numbers of households participating and in the participation rate (Figure 10). The greatest rate of increase was between FY2002 and FY2005, with some leveling in the rate of increase in FY2006. Maine is not alone in this increase in food stamp use. Since its recent low point in July 2000, national participation had increased by 7.1 million people, or 42 percent, by 2004 (Llobera 2004).

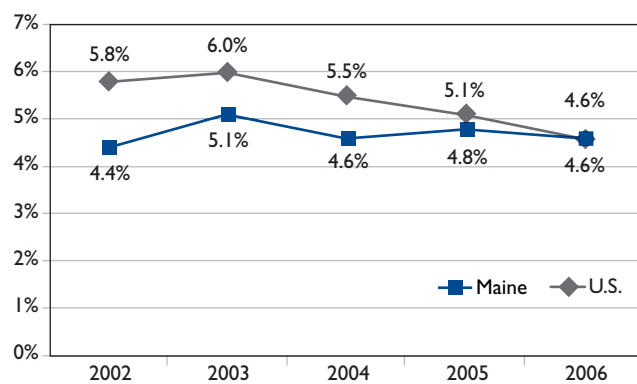
The reasons for the increase in food stamp participation in Maine are complicated. Some of the increase is attributable to a greater number of already eligible people choosing to participate for a variety of reasons. Nationally, the 2002 Federal Farm Bill had some options that made it easier for eligible households, particularly working families, to obtain and retain food stamps (Llobera 2004). On the state level, Maine was one of several states to initiate specific pilot programs to increase the historically low participation of elder adults in the food stamp program. The Maine Department of Health and Human Services also had several systemic

changes that probably helped to increase participation rates, including a new computer program to screen for eligibility and replacing paper food stamps with a debit-card system. Finally, the increase in food stamp program participation is likely related to continued economic distress among Maine's citizens.

The free and reduced school lunch program has also seen increasing numbers of enrollees and higher participation rates over the past five years, though the

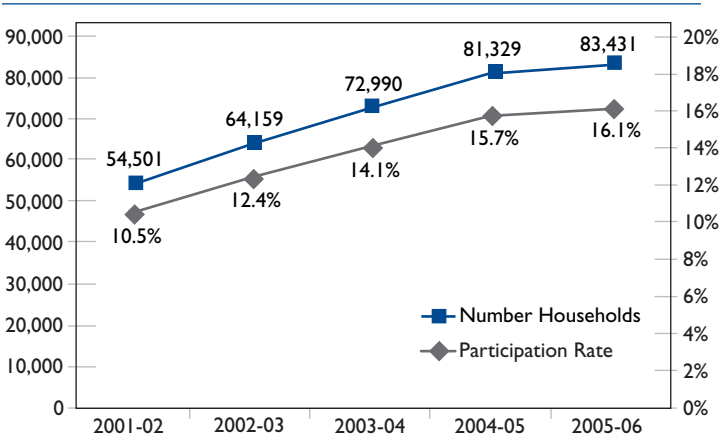
**FIGURE 8: Maine and U.S. Poverty Rates, Two-Year Averages, 1999-2005**

Source: U.S. Census Bureau (n.d.)

**FIGURE 9: Maine and U.S. Unemployment Rates, 2002-2006**

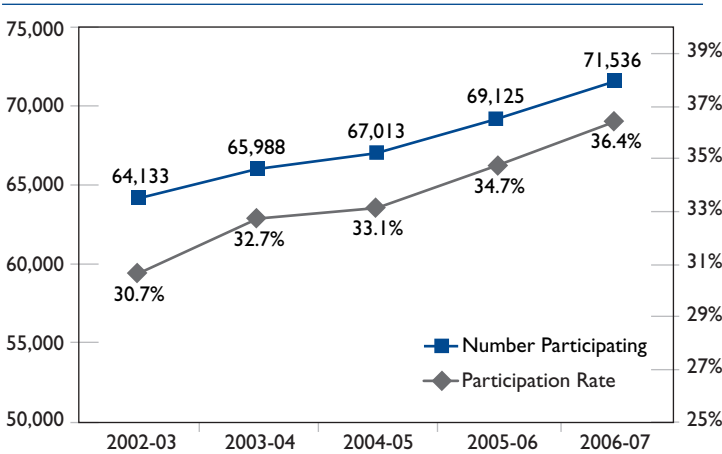
Sources: Maine Department of Labor (2007), U.S. Department of Labor (n.d.)

FIGURE 10: **Maine Households Receiving Food Stamps and Program Participation Rate, FY2002-2006**



Source: Maine Department of Health and Human Services (n.d.)

FIGURE 11: **Enrolled Students in Maine Eligible for Free or Reduced Lunch and Program Participation Rate, FY2003-2007**



Source: Maine Department of Education (n.d.)

increase has not been as dramatic as in the food stamp program (Figure 11). The two programs are somewhat tied together because children from families receiving food stamps are automatically eligible for the lunch program. Therefore, increases in the number of households participating in the food stamp program may lead to corresponding increases in participation in the free and reduced school lunch program. In addition, the school lunch program has more generous income

eligibility guidelines than the food stamp program, so children from families with slightly higher incomes are eligible for the reduced lunch program and larger numbers of these children may also have been added to the eligibility ranks.

Discussion

Most indicators suggest that poverty continues to be persistent in Maine. Several measures of economic distress have remained virtually stagnant, while others have increased in magnitude over the past five years. Moreover, all indicators suggest that there continue to be marked regional disparities within the state, particularly in income, poverty rates, employment, and education levels, a pattern similar to rural counties in other parts of the country. Throughout the state, there continue to be many working poor, who often work at multiple low-paying jobs to barely make ends meet.

In some areas, such as the southern and midcoast regions, the unemployment rate is low, median household incomes are higher, and poverty rates are lower. These positive indicators mask the fact that housing, the single largest expenditure for most households, is increasingly unaffordable for those on the lower end of the wage spectrum. Lower-wage workers are moving from less-affordable urban and coastal areas, seeking more affordable housing in rural communities. With increasing energy costs, workers commuting from rural areas are facing not only increased travel times, but also increased commuting costs. Some analysts have suggested that lack of affordable housing in places where jobs are available is a major contributor to sprawl in Maine because increasing numbers of workers can't afford to live where they work.

In looking at indicators and numbers, we need to be mindful that official poverty statistics do not tell the whole story. They do not include most of the working poor. Moreover, while poverty viewed on the population level is persistent in Maine, over time there are a considerable number of individuals and families who move in and out of the ranks of those classified as "poor." At any given time, there are many Mainers who are just above the poverty line, who do not qualify for any benefits, but who are just one lost paycheck or one large medical bill or one broken-down automobile away from sinking below the poverty line.

## POLICIES TO ADDRESS PERSISTENT POVERTY

Policies and programs to address poverty can be clustered into two broad categories, with some overlaps: those that provide direct benefits to people under some defined “level” or “threshold” of need, and those aimed more broadly at addressing what are seen as the “causes” of poverty.

### *The Federal Poverty Measure*

In the United States, measurement of poverty on the population level and eligibility for benefits on the individual or household level is based on the federal poverty measure. This measure has been criticized for some time as being out of date, and there have been ongoing studies and proposals aimed at making the measure more relevant and appropriate in contemporary American society. The Bureau of the Census has issued a series of reports on experimental measures of poverty.<sup>10</sup> However, any change in the way poverty is measured would have significant policy, fiscal, and even philosophical ramifications.

As noted earlier, when the federal poverty measure was developed, food costs accounted for one-third of household budgets. The poverty level was calculated by using the cost of a minimum food budget and multiplying by three, a formula that has not changed since the 1960s. Changes in federal policy and programs, regional differences in cost of living, and changing levels or patterns of consumption have not been incorporated in the federal poverty measure. In terms of policies and programs, changes in the tax code, such as increased payroll and income taxes and the Earned Income Tax Credit (EITC) have changed the amount of available household income. In-kind benefits, such as food stamps and housing assistance, are not included in calculations of household resources. In terms of expenditures, some major categories are not included in the federal poverty level formula, especially payroll and income taxes, child care, medical care, and health insurance.

Revising the federal poverty measure is not just an academic exercise for Census statistical purposes. How we define who is considered “poor” has very important policy implications. Any change in the way poverty thresholds or lines are calculated can increase or decrease the numbers of people served by various

benefits programs and can shift resources from one group to another. As one analyst has observed, “we must confront the political reality that there will be winners and losers” (Corbett 1999: 52).

### *Poverty and Benefits Policies*

The U.S. House Committee on Ways and Means recently identified 85 different federal anti-poverty programs, each with its own eligibility criteria and administrative system (U.S. House of Representatives 2004: Appendix K 1,10-12). Some of these programs use the federal poverty guidelines, or multiples of the guidelines, while others do not. In the short run, it would not be possible or politically feasible to replace all these disparate programs with a better-integrated system that supports low-income people. Various programs have been developed at different times and under different political sponsorship; the programs have their own supporters and constituencies; and they are housed in different federal agencies.

Some analysts have suggested that a good first step toward having a more coherent system of poverty programs would be to revise the way in which the federal poverty guidelines are calculated to reflect current patterns of income sources and household expenditures. Also recommended is having region-specific poverty guideline levels that take into account the higher cost of certain expenditure categories in basic needs budgets in different areas. States, localities, and other organizations and jurisdictions now try to work within the current poverty guidelines by using multiples of the guideline to determine program eligibility, when permitted to do so by statute.

Certain kinds of federal benefits programs that have not kept pace with the current level of need should be expanded, particularly in the areas of housing, child care, medical care, and unemployment insurance. In many areas of the country, housing and home energy costs have far outstripped the means of lower-income households, even households with several wage earners. Expanding subsidies for rent and home ownership and reining in predatory lending practices that target lower-income households with poor credit would be helpful. More funding should be provided to states for the Low Income Home Energy Assistance Program (LIHEAP) and home

weatherization to help low-income households cope with ever-rising home energy costs.

For working families with children, availability and affordability of child care can be major barriers to entering and remaining in the work force. Therefore, expanding eligibility and increasing funding for subsidized child care and for programs such as Head Start are important measures that should be considered.

### *Federal and State Policies to Address the Causes of Poverty*

#### **Education and Skills**

Improving education and job-skills training is a key component in increasing earnings and “lifting” individuals out of poverty. Certainly there is a well-documented correlation between education level and lifetime earnings. Education policies to address poverty run the full gamut from early childhood through adult education and worker retraining. Programs such as Head Start and early intervention for at-risk children that aim at reaching youngsters during a critical developmental stage are part of the effort to break the “cycle” of poverty that exists in some families. Programs to improve the quality of K-12 education in disadvantaged areas and to reduce high school dropout rates are important approaches that can reduce poverty in the long run. In addition, expansion of financial aid for higher education by both federal and state governments would be helpful in improving levels of education beyond high school, as would increases in programs and funding for skills training and job retraining for adult workers.

#### **Wages and Employment**

Although education and improved skills can move individuals out of poverty, we also need to face that there always will be a need for lower-skilled jobs in the American economy. Therefore, many researchers and policymakers have suggested that we need to develop more equitable wage measures, such as creating more livable-wage jobs and raising the wages of existing low-paying jobs. Many states, including Maine, have repeatedly raised their minimum wage; meanwhile, the federal minimum wage remained at \$5.15/hour from 1997 until 2007, when it was scheduled to increase in a series

of steps up to \$7.25 in 2009.<sup>11</sup> Another recommendation is to index the minimum wage with inflation. These kinds of policies and programs need to be undertaken at both the federal and state government levels.

Unemployment insurance exists as a safety net to cover temporarily displaced workers. However, only about 35 percent of the unemployed, and a smaller proportion of unemployed low-wage workers, receive unemployment benefits (U.S. General Accounting Office 2000: 10, 13-17). States (with cooperation from the federal government) could reform the monetary eligibility rules that currently screen out low-wage workers, could broaden eligibility for part-time workers and those who have lost employment as a result of compelling family circumstances, and could allow workers to be covered by benefits while upgrading their skills during periods of unemployment (Greenberg et al. 2007: 4). Maine is ahead of other states in its unemployment benefit coverage for part-time workers; in allowing benefits for those leaving jobs due to illness, disability, domestic violence, or spouse relocation; and in providing extended benefits for laid-off workers in training programs. Maine is also one of only 12 states that provide a dependent allowance for unemployed workers (U.S. Department of Labor 2007).

#### **Basic Needs Budgets**

Basic needs budgets have become an important tool in a number of policy debates surrounding the working poor, including welfare reform, living wages, and job training programs (Bernstein et al. 2000). Basic needs budgets have been proposed as an alternative to current federal poverty guidelines. Basic needs budgets use a market-basket approach and attempt to identify budget items necessary for a household to maintain an adequate standard of living. Unlike the current federal poverty measure, these budgets take into account regional differences in expenses and differences in household composition and work status of adults in the household.<sup>12</sup> They also include categories of expenses that are more in line with current expenditure needs. Most basic needs budgets include the same seven expense categories used by the U.S. Department of Labor’s Bureau of Labor Statistics: food, housing, transportation, health care, child care, clothing, and

personal care. Most also include taxes, and some include an allowance for some savings (Pohlmann and St. John 2005). Based on the basic needs budget for a given area, household size, and household composition, an hourly livable wage (sometimes called “living wage”) can be calculated by dividing the total expenses in the budget by the number of hours in a year of full-time work to give an estimated adequate hourly wage.<sup>13</sup>

The livable-wage movement and basic needs budget estimates have stimulated some states to raise their minimum wage above the federal minimum. Some businesses use livable-wage criteria as a benchmark for raising hourly wages, and more than 140 cities, counties, higher educational institutions, and other local jurisdictions have initiated livable-wage requirements for certain contractors and suppliers (Cervone et al. 2006: 2).

### Tax Policies

Federal and state tax policies are another mechanism in addressing persistent poverty. The federal EITC has become an important tool in policymakers’ continued efforts to “end welfare as we know it” and to encourage work. (See Beamer, this issue.) Increasingly, “negative tax transfers” such as the EITC have far outstripped cash welfare transfers as important sources of income for low-income families (Corbett 1999: 51). Expanding the program to provide improved benefits for low-wage single workers is a step that should be considered. As described earlier, the largest category of households below poverty in Maine is one-person households. Therefore, expansion of the EITC for low-wage single workers could have an important impact on poverty in Maine. Nationally, single men (some of whom are noncustodial parents with child support obligations) have been hardest hit by declines in manufacturing jobs and in earnings since the 1970s (Berlin 2007: 8).

### *Addressing Regional Disparities in Maine*

Within the state of Maine, we need to address the causes and consequences of regional disparities in poverty and economic distress and to recognize that needs, and therefore suggested programs or policies, may vary from region to region and city to city.

Many rural areas in Maine have suffered disproportionately from the decline in manufacturing and

resource-based industries. In most rural areas, there is higher unemployment and higher numbers of people holding multiple jobs and seasonal jobs. Developing new kinds of businesses and jobs, including self-employment and small-businesses, is a high priority for these areas.

There is no single economic development approach that has been or will be successful. In some areas of the state with attractive natural amenities, expanding tourism and developing world-class destinations is an important strategy. With the aging of the population and the increase in in-migration by retirees, development of retirement housing and expanding health care services offer economic development opportunities in many parts of the state. Call centers are also being successfully established in a number of Maine’s rural counties.

Improving education and job-skills training is a key component in increasing earnings and “lifting” individuals out of poverty.

The state should also encourage and facilitate expanded support (e.g., training, loan programs, and mentoring programs) for small-business owners or those wishing to start small businesses, either directly or in conjunction with existing federal and local programs. As an example, several of the state’s Community Action Program agencies currently provide such support to low-income clients through programs such as “Incubator without Walls.”

Successful economic development and job creation are closely linked with increasing the level of higher education attainment and improving workers’ job skills. The Maine Compact for Higher Education (2006) has recommended five strategies to improve higher education attainment levels in Maine: increasing financial aid to improve access to and persistence in college for low-income students; providing early college experiences for all Maine high school students; establishing pathways from local adult

education programs to postsecondary institutions so that more adults can earn college degrees; helping Maine employers to develop and strengthen programs that encourage workers to earn college degrees; and developing community-based initiatives and innovative marketing approaches to change the expectations and behaviors of Maine people regarding higher education. The recently passed legislation regarding loan forgiveness is an example of a state program to encourage students to attend college in Maine and remain in the state after graduation.

**No single approach and no single set of policies will move large numbers of people permanently out of poverty.**

Funds and programs need to be targeted to regions where higher education attainment is low and where there are large numbers of displaced workers. This is already being done to an extent. Additional financial and programmatic resources are available to lower-income students and to schools and school districts in higher-poverty areas, for example, through programs such as Gear-Up, Upward Bound, and Maine Educational Opportunity Centers (MEOC). Maine should continue to take advantage of opportunities to obtain additional federal funds for job-skills training and worker retraining in economically distressed regions. The Maine Legislature also needs to provide adequate funding to the community college system to enable community colleges to be responsive to local needs and new kinds of economic opportunities. Both federally and state-supported job-skills and educational programs should be tailored to identify and meet the needs of growth industries in the state as a whole and within particular regions. Tourism and health care are two promising sectors that are poised for employment growth and in need of a trained workforce.

Finally, because housing is such a major part of household budgets, programs that reduce housing costs can have a major impact on poverty and economic distress. Availability of adequate, affordable housing for

lower-income households is a major problem, especially in the southern and coastal parts of the state.

Maine State Housing has first time homebuyer programs, which offer lower-income buyers reduced down payments, lower-interest loans, and homeowner education classes. The recent collapse of the sub-prime lending market nationally has led many lower-income households with poor credit to lose their homes due to predatory lending practices. The Maine Legislature in June 2007 took steps to protect the state's citizens by passing an anti-predatory lending bill, which is among the strongest in the country.

Although there have been recent cutbacks in federal housing funds, Maine needs to maximize the federal housing funds that are available, both in direct subsidies to households and in funds for increasing the stock of affordable housing. In addition, the state needs to address Maine's very old housing stock, which is costly to maintain and heat. Increased funding and expansion of repair and weatherization services for lower-income households should be pursued at both the state and federal levels. State programs such as "Keep Me Warm" are a step in that direction, as are the federal funds for home weatherization for low-income households provided by the Department of Energy. However, current needs for home repair and weatherization for Maine low-income households far outstrip the resources available to address them.

## CONCLUSION

Poverty in Maine is persistent, and Maine's rate of working poor continues to be above the national average. Maine is in a vulnerable position in the face of expanding needs and continued concerns about funding the rising costs of government services. Short-term budget crunches threaten to erode support for some of the very programs that will move people out of poverty or prevent them from falling into poverty. We need to stay the course in providing services and programs that will enable our low-income population to have basic needs met and over the longer term, improve its situation.

No single approach and no single set of policies will move large numbers of people permanently out of poverty. Developing and expanding jobs with adequate wages and benefits, increasing funding for low-income

students to pursue higher education, improving health care, addressing high housing and energy costs, continuing to provide safety-net benefits for the most vulnerable, and changing tax policies to further support lower-income workers are all important policy and program components. Federal, state, local, and private efforts are all needed. 🐟

## ENDNOTES

1. This article draws extensively from two earlier reports on poverty in Maine (Acheson 2003, 2006) and an article on regional disparities in Maine (Acheson 2005), but with updated information since these publications.
2. Information here on the poverty measure and programs using and not using the federal poverty guidelines is derived from the University of Wisconsin's Institute for Research on Poverty (2007) and the U.S. Department of Health and Human Services (2007).
3. The U.S. Census Bureau defines a household as "all the people who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated people who share living quarters."
4. Interestingly, in the 2000 Census, Maine was among the top 15 states in its overall proportion of one-person households. This may be related in part to Maine's higher proportion of elders; Maine had the fifth highest percentage of elders living alone among all states in the 2000 Census.
5. The BEA's state and county estimates of total and per capita personal income are based primarily on administrative records, surveys, and censuses, using complicated algorithms. The most important administrative sources include state unemployment insurance programs; the social insurance programs of the Centers for Medicare and Medicaid Services; the Social Security Administration; the Internal Revenue Service; veterans benefit programs of the U.S. Department of Veterans Affairs; and the military payroll systems of the U.S. Department of Defense. The most important sources of census data for BEA's state and county estimates are the census of agriculture, conducted by the U.S. Department of Agriculture (USDA), and the census of population and housing, conducted by the Bureau of the Census.

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6. In Maine, more than half of government medical benefits are what is termed "public assistance medical benefits," largely Medicaid (MaineCare).
7. Personal income amounts include payments that are not given directly to beneficiaries, such as government medical benefits paid to providers and housing subsidies paid to landlords. Therefore, the BEA's per capita personal income figures are higher than per capita income as computed by the Census measure of income.
8. The unemployment rate is determined by a complicated process, based primarily on information collected in the Current Population Survey (CPS), a monthly survey collected from a sample of households, combined with Current Employment Statistics (CES) data and data from state unemployment systems.
9. The Census Bureau recommends analyzing changes in state poverty rates over time as two-year averages in order to adjust for small sample sizes; this is called a floating average because the years overlap (Maine State Planning Office 2007: 27).



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10. Corbett (1999) and Iceland (2005) have summaries of two major conferences evaluating the federal poverty measure. Links to the Census Bureau's reports on experimental poverty measures may be found at <http://www.census.gov/hhes/www/povmeas/povmeas.html>
11. The first step raised the federal minimum wage to \$5.85/hour effective July 24, 2007; the second step will raise it to \$6.55 on July 24, 2008; and the third step will raise it to \$7.25 on July 24, 2009.
12. "Regions" are generally either counties or major metropolitan areas, e.g., Androscoggin County (excluding Lewiston-Auburn) would be one region and the Lewiston-Auburn metropolitan area would be a separate region.
13. The recent report on Maine livable wages from the Maine Center for Economic Policy notes that, on average, a single person in Maine needs to earn 216 percent of the federal poverty guideline level to meet basic needs, while a single parent with two children would need to earn 242 percent (Cervone et al. 2007: 5).

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