

Executive Summary

The modest gains in economic growth in Indiana over the last four years have produced little effect on the number of Hoosiers living in poverty. While Indiana's poverty rate is lower than the U.S. rate of 13.1 percent, poverty remains a persistent and troubling issue for just over 10 percent (10.8) of Hoosiers living at or below the federal poverty line—a mere \$19,484 per year for a family of four.

Conversely, Lake County has experienced a declining poverty rate since 2002—15.7 percent versus 11.2 percent, respectively. Despite these declining poverty rates, the number of poor individuals in Lake County is sizeable—just over 54,000 in 2004, using the most modest measures. Joblessness, loss of unemployment benefits, loss of high-wage manufacturing jobs, and increases in low-wage jobs have all contributed to the number of persons living in poverty.

Poverty has wide-ranging and often devastating effects. Chronic poverty has been linked to a number of serious social issues including low educational attainment, limited job opportunities, inadequate housing options, population decline, and insufficient education.

Federal and state governments administer a number of programs to assist individuals and families facing poverty because of job loss, low earnings, retirement, illness, and disability. Government assistance programs are designed to lessen the hardships faced by these groups. Programs are generally classified as those that benefit children, low-income families, seniors, and people with disabilities. Programs for childless families who are not aged or disabled are virtually non-existent.

Research has shown that public benefit programs cut the number of Americans living in poverty almost in half. The provision of social supports for low-income people has lessened the hardships they face, and have served as mechanisms to lift many individuals from poverty.

However, much improvement in the public benefit system is needed to meet the growing needs of poor families. There are a number of areas of the public benefit system that can be improved to reach more families and put them on the track to self-sufficiency. Strategies to consider are those that increase household income or keep more money in the household. These include:

➤ Income supports

TANF, Social Security, and SSI benefits play a significant part in lifting low-income persons from poverty. Funding for these programs must be fully funded and be adjusted for inflation to adequately address the needs of eligible individuals.

➤ Wage supplements

The Earned Income Tax Credit has produced substantial increases in employment and reductions in welfare receipt among single parents, as well as large decreases in poverty. State and local government offices must make a more concerted effort to inform eligible families of the tax credits that they have earned. The state should consider increasing the state EITC to a percent more aligned with other states that offer the tax credit.

Indiana should consider an alternative base period for the calculations of Unemployment Insurance benefits, which take into account recent employment history. Extending the period benefits are issued would allow unemployed persons more time to find suitable work.

➤ Assistance with costs of basic needs and work expenses

Hunger and undernourishment are common among the poor. The Food Stamp Program provides crucial support to low-income households. Food stamp benefits must keep pace with the needs of individuals living in poverty, and adequate funding must be provided for the program to reach to all eligible households.

Free and reduced meal programs including the School Breakfast and Summer Food Service Programs should be expanded to provide free and reduced meals to every eligible child.

Childcare subsidies must be adequately funded to reach all eligible households, therefore reducing barriers to employment and increasing the likelihood of self-sufficiency.

Each year, thousands of Hoosiers slide into poverty due to medical care expenses. Even more people are forced to spend significant proportions of their income on medical payments. Federal and state funding for Medicaid programs must be adequate to address the needs of those eligible for the benefit. Indiana should expand its health insurance programs to cover children and families who are unable to afford health insurance on their own and do not qualify for Medicaid programs.

In addition to strengthening and expanding the public benefit system, poverty should be redefined. Poverty thresholds should be reexamined routinely, and modified to reflect consumption patterns and relative prices, as well as account for regional differences in the cost of food, housing, transportation, childcare, medical care, and other necessities. Adjusting poverty thresholds for region and metropolitan size will have impacts in the composition of the poor within these areas, and will identify poor persons not classified as poor by outdated measures.

Adequate funding for programs is threatened by federal budget proposals put forth by the current administration's call for dramatic cuts to programs to assist low-income persons. The successful implementation of effective programs will depend on the nation's political willingness to devote more resources to this end. ❖