

PRAG*matics*

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poverty



Spring 2002

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Roosevelt’s effort represents just one example of the growing (but still too small) commitment on the part of universities to wrestle with one of the world’s oldest social and economic problems. On April 11 and 12, Loyola University Chicago is hosting a conference called: “Poverty and the University: Toward a More Just Response.” Attendees will hear from Gustavo Gutierrez, founder of liberation theology, which has drawn international attention to the plight of the poor and to their role in the transformation of both church and society. As universities and other institutions work to find an appropriate role in the fight to reduce poverty, it is important to keep a basic tenet of liberation theology in mind. And that is, to realize what the poor have to teach us. This is also a basic principle that PRAG was founded on 13 years ago. University-community partnerships that recognize the contribution of each of the partners as equally important, remind us that poverty is not only about deficits. Given that the poor have always been with us, they have learned a thing or two. It is critical that we hear their voices and build on their experience when we design research projects or craft public policy. Failure to hear those voices has kept us all poorer.

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From the Editor:

The theme of this issue of *PRAGmatics* is poverty. In one of the most beautiful and prosperous cities in the world, “the city that works,” approximately 19 percent of our citizens are poor. In the wealthiest country in the world approximately 11.3 percent of our citizens are poor. And thus, the New Testament prophecy, “the poor you shall have always with you” rings true. The tone of inevitability of this phrase does not suggest nothing can be done to eliminate poverty, but rather, the real fear there would not be the will to do it.

In an earlier issue, *PRAGmatics* examined the Self-Sufficiency Standard developed by Diana Pearce of Wider Opportunities for Women and brought to Illinois by Women Employed. There is an updated treatment in this issue because it is always important to keep our eye on the prize when we discuss poverty. One of the reasons poverty persists is the refusal of policy makers and taxpayers to recognize and act accordingly on what it will take to move people from being poor to being able to live independently of any public subsidy—to be self-sufficient.

There has never been a time in our history when “any job is a good job” has been a true statement. If it were true, there would never have been the need for a labor movement. Nevertheless, this has been the mantra of welfare reform. Welfare-to-work policy has emphasized “work first,” forcing TANF (Temporary Assistance to Needy Families) recipients into the workplace without altering the skill set or addressing the personal and societal conditions that put them/kept them in the welfare system in the first place. Welfare reform is based on a drive to reduce the rolls and the pernicious and old-fashioned assumption that working alone is a cure for poverty. This assumption contradicts numerous studies that have concluded that **education is** the key ingredient of that cure. The more education one has, the greater the earning power over a lifetime. This applies not only to earning college degrees, but also to any post-secondary training. If we don’t improve people’s capacity to earn, self-sufficiency is a pipe dream and discussions in Congress will continue to focus on a minimum wage rather than a self-sufficient wage.

In addition to considering what must be done to alter the earning power of individuals, recent studies by Susan Lambert, Elaine Waxman and, Anna Haley-Lock of the University of Chicago, and Chris Tilly of the University of Massachusetts, Lowell, have suggested the need for changes in how industries and companies structure work. There are too many “jobs” in our economy that, by design, will not and cannot pay a self-sufficient wage. Some companies have recognized this problem and are re-structuring those jobs to be more family-friendly, while at the same time improving the bottom line. They have recognized that profitability hinges on productivity and productivity hinges on a competent and adequately rewarded workforce. These are the companies that public policy should reward.

To better appreciate the consequences of our public policy and to gather ideas for improving it, *PRAGmatics* advocates examining local community reality. A community’s capacity to respond to its members’ needs is often its greatest asset, an asset that emerges in what researchers have often portrayed as a sea of deficits. Such deficits led the Governor’s Office to designate North Lawndale in Chicago as an Illinois Workforce Advantage (IWA) community. But its assets, such as the Sinai Community Institute (SCI) and the North Lawndale Employment Network (NLEN) are key to forging solutions for overcoming those deficits. The IWA initiative is supporting this asset-based development.

One of the key challenges facing SCI and NLEN, and keeping North Lawndale poor, is the re-integration of Illinois prison releasees returning to life in North Lawndale. The Illinois Department of Corrections (IDOC) reports that of the 18,000 persons released from the prison system to Cook County last year, 12,000 returned to zip codes that encompass North Lawndale. This translates into the stunning statistic that 70 percent of the male population in North Lawndale, between the ages of 18 and 45, are ex-offenders. In response to this reality, NLEN has convened 25 local organizations to establish the Ex-offender Employment Service Network (EESN).

While the ESSN is developing innovative services for ex-offenders, and is being supported with state funds through IWA, one of the governor’s proposals for balancing the state budget was to severely cut educational programs for prison inmates, one of the best deterrents to recidivism and what best facilitates re-integration. One of these programs, provided by Roosevelt University, that helped inmates earn a bachelor’s degree, was eliminated. Thus, such contradictions in public policy continue to undermine efforts to reduce poverty.

(Continued-Opposite Page)

Evaluating and Improving Anti-Poverty Efforts— The Self-Sufficiency Standard for Illinois

By Rachel Unruh, M.A.

If public policies are to effectively address the needs of people trying to escape poverty, there must be a way to measure when families are self-sufficient and when they are living at a level that requires choosing between basic needs. Without a fundamental understanding of who needs help and how much assistance is required, it is difficult to set effective policy or to know when a policy is successful. Currently, the federal poverty level is the standard benchmark for creating and evaluating anti-poverty programs and for determining eligibility for such programs. However, the federal poverty level has many flaws that make it an inadequate tool for determining when basic needs are met.

Developed by Dr. Diana Pearce, the Self-Sufficiency Standard for Illinois calculates how much income a family needs to adequately meet its needs without public subsidies or private support from charities or family members.¹ In other words, the Standard indicates when families have reached the level at which they need not choose between medical care and housing or childcare and food. The Standard offers a more accurate picture of self-sufficiency than the federal poverty level because it considers several factors critical to measuring the real costs of living and working. It is a powerful resource for individuals moving toward self-sufficiency and for advocates, policy makers and service providers who want to ensure these individuals receive the support they need to escape poverty.

A More Accurate Way to Measure Costs

The Self-Sufficiency Standard is based on the cost of five basic needs; housing, childcare, food, transportation and health care. It also incorporates taxes and a miscellaneous category, which includes diapers, toiletries and nonprescription medication. The Standard takes a conservative approach to basic needs and does not include entertainment, eating out, tuition or loans of any kind.

The Standard calculates basic costs independently, allowing each cost to increase at its own rate. The federal poverty level was calculated in the 1960s by tripling a family's food costs because at that time, food constituted about one-third of a family's expenses. Except for updates for inflation, the poverty level has not changed; however, the relative share of other costs—such as housing—has. For example, for a family of three in East St. Louis, food comprises only 15% of the family's budget, while housing and childcare represent a much greater burden at 24% and 25%, respectively (Figure 2). By calculating each cost independently, the Self-Sufficiency Standard gives a more accurate picture of real costs than the federal poverty level.

The Self-Sufficiency Standard assumes that all adults work and therefore includes costs associated with employment such as childcare, transportation and taxes. The federal poverty level assumes that in a two-parent family, one adult stays at home full time, thus eliminating the cost of childcare. As a consequence, the poverty level penalizes two-income families when used as a qualifying benchmark for support programs.

In addition to employing a more precise methodology for calculating costs, the Self-Sufficiency Standard considers the effect of family type and size on a monthly budget. Clearly, family size has a significant impact on expenses, and like the federal poverty level, the Standard is calculated for different family sizes. But, the Standard also considers the makeup of a particular family, recognizing that it costs more to support an infant or preschooler than a teenager. For example, childcare for a preschooler in Chicago costs around \$539 a month, while childcare expenses for a school-age child are far less at \$349 a month. Understanding poverty means understanding how costs vary among families. To this end, the Self-Sufficiency Standard is calculated for seventy family types.

Finally, the Standard considers the impact of geographic location on a family's expenses. The federal poverty level is the same for all 48 contiguous states even though costs vary dramatically between geographic regions and states as well as within states. Recognizing this, the Self-Sufficiency Standard is calculated separately for each county and metropolitan area in Illinois.² In Illinois, housing costs vary most dramatically. For example, a one-bedroom apartment in Northern Cook County costs \$896 per month while the same apartment in Hamilton County costs \$308 per month. Clearly, it is impossible to apply one standard for costs to families throughout the state.

What Does It Take to Make Ends Meet?

The Standard indicates that in Chicago, a single adult with no children needs to earn \$8.57 an hour, or \$18,097 annually, to be self-sufficient, while an adult with a preschooler and a school-age child needs to earn \$18.13 an hour, or \$38,281 annually. In comparison, families living in Decatur require less to reach self-sufficiency. A single adult needs a self-sufficiency wage of \$6.36 an hour or \$13,424 annually, and an adult with a preschooler and a school-age child needs \$13.38, or \$28,254 annually. Figure 3 shows expenses for a family with one adult, one preschooler and one school-age child in three Illinois regions.

Among metropolitan counties, DuPage County in the Chicago metropolitan area has the highest self-sufficiency level at \$45,416 for an adult with a preschooler and

school-age child, and Jersey County, in the St. Louis metropolitan area, has the lowest at \$27,120 for the same family type. Among non-metropolitan counties, Kendall County has the highest self-sufficiency level at \$37,639 while Edgar County has the lowest at \$23,349.

The Standard not only shows how much a family needs to meet basic needs, but also how income supports can affect what an individual needs to earn. To support an infant and preschooler in Springfield, a single parent must earn \$14.85 an hour, or \$31,351 a year. This is obviously an unrealistic wage for a low-skill worker. However, as Figure 4 illustrates, various work support packages can bring this wage down to as little as \$8.64 an hour. These supports mean that adults don't have to choose between basic needs, or risk falling deeper into poverty, as they gain skills and advance toward self-sufficiency wages.

Using the Standard: Families, Policy Makers, Advocates and Service Providers

Because the Standard offers a more precise measure of basic needs, it has considerable potential as a tool for helping families escape poverty. First, the Standard can function as a counseling tool to help individuals make employment plans. It can direct adults toward higher-paying employment such as non-traditional careers for women or toward education and training programs that lead to jobs with higher wages. The Standard also can help ensure that families receive income supports.

To maximize the Standard's counseling potential, Women Employed has worked with the Mayor's Office of Workforce Development to create the Self-Sufficiency Calculator. The Calculator is an on-line budgeting program that makes the Standard's data accessible to working families in Chicago. Users can compare their expenses and current income to the wage that is necessary for self-sufficiency. They can also find out if they qualify for income supports such as food stamps and child care credits. A new on-line version of the calculator funded by the Illinois Department of Employment Security will soon be available with 2001 data for families throughout Illinois. It will be accompanied by supporting materials that counsel users on working with the Calculator to make longer-term employment plans. The Calculator and supporting materials will appear on a website where users can link to wage data for thousands of occupations.

In addition to directly assisting families who are living in poverty, the Standard is a powerful policy tool. The Chicago Workforce Board (CWB) adopted the Self-Sufficiency Standard as its self-sufficiency benchmark under the Workforce Investment Act. This will enable the CWB to know if workforce development efforts under the Act have enabled families to reach self-sufficiency. Additionally, adoption of the Standard means that local one-stops and service contractors must provide services leading to self-sufficiency, and that the CWB will ask one-stops to use the Standard as a counseling tool.

The Standard also is an important resource for advocates who can use it to show policy makers and private funders the importance of maintaining support for safety net programs and instituting more realistic eligibility levels for these programs. In addition to revealing who can benefit from programs and policies that lead to self-sufficiency, the Standard demonstrates the significant impact of income supports such as child care assistance, housing subsidies and food stamps on a family's ability to make ends meet. As shown in Figure 3, an individual receiving income supports is more likely to meet basic needs even in a low-wage job. For adults leaving TANF, these supports are truly crucial. Recent findings by the Illinois Families Study indicate that TANF leavers who lost work supports such as Medicaid and food stamps are three times more likely to return to TANF than leavers who keep their benefits.³

Finally, the Standard offers a valuable tool for measuring the performance of programs intended to move individuals and their families out of poverty. Performance measurements must accommodate activities that may not result in immediate economic independence, but instead gradually move earners toward self-sufficiency. The Self-Sufficiency Standard as a performance measurement tool is not an absolute benchmark of success or failure, but rather a way to assess progress and encourage long term planning that allows families to leave poverty. Even if most program participants don't leave earning self-sufficiency wages, the standard can help track movement toward self-sufficiency over time.

Recognizing the Standard's potential as a performance measurement tool, Representative Lynn Woolsey introduced the Self-Sufficiency Act (HR 3667) to the US House in January 2002. The bill cites the need for a standardized method for evaluating the impact of public work supports as well as measuring the effectiveness of programs intended to move families toward self-sufficiency under the Personal Responsibility and Work Opportunity Reconciliation Act. The bill proposes using the Standard to monitor the effectiveness of state programs and efficient allocation of federal and state resources. It also provides financial and technical assistance for states to develop Self-Sufficiency Standards.

Making sure all families can meet their basic needs and leave poverty requires a multi-faceted effort by advocates, legislators, policy makers, service providers and families. However, knowing which families are living in poverty and when basic needs are being met requires a realistic way of measuring self-sufficiency. Reducing poverty requires a focus on long-term solutions as well as assurance that work supports are available to meet basic needs. The Self-Sufficiency Standard offers all parties a precise vocabulary for talking about real costs and a powerful device for measuring and meeting real needs.

Figure 1

The Self-Sufficiency Standard Compared to Other Benchmarks, 2001

Based on the Self-Sufficiency Standard for a Family with One Parent, One Preschooler and One School-Age Child in St. Clair County – East St. Louis, IL

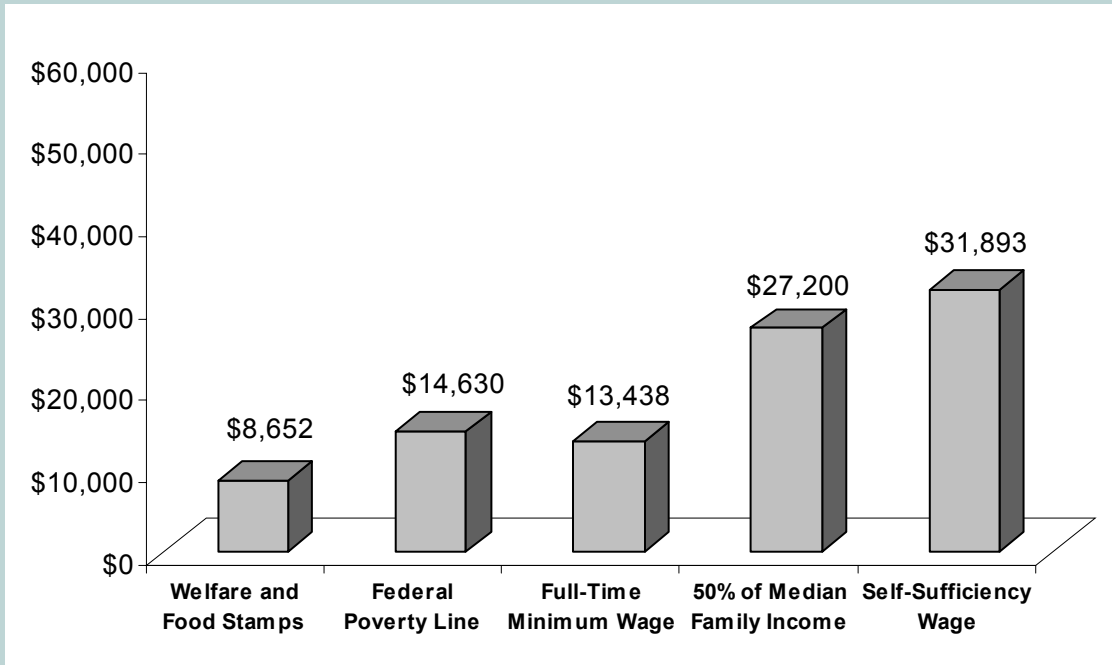
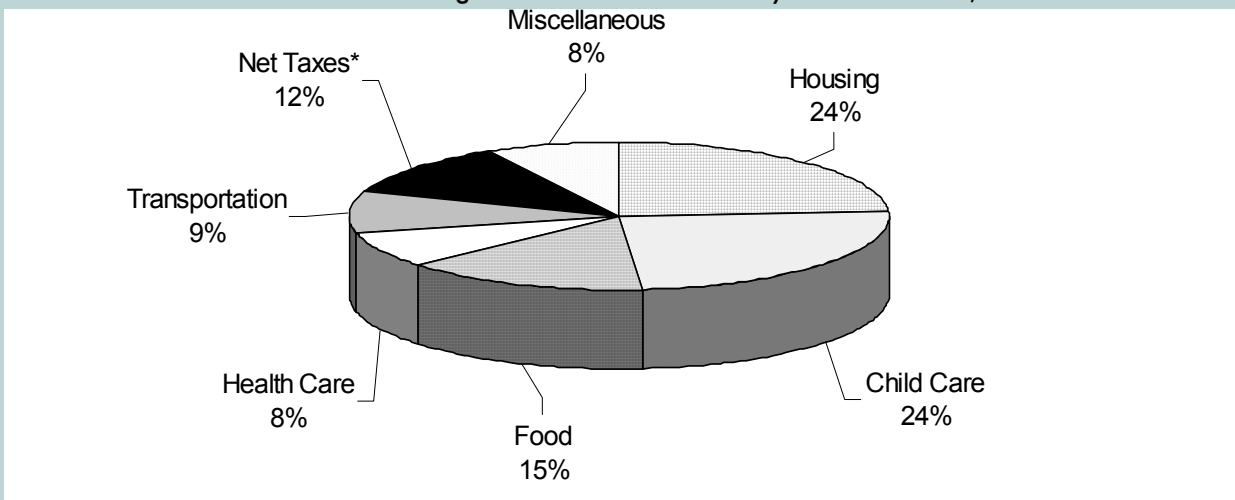


Figure 2

Percentage of Income Needed to Meet Basic Needs, 2001

Based on the Self-Sufficiency Standard for a Family with One Parent, One Preschooler and One School-Age Child in St. Clair County – East St. Louis, IL



Note: Percentages include the net effect of taxes and tax credits. Thus, the percentage of income needed for taxes is actually 19%, but with tax credits, the amount owed is reduced to 12%.

Figure 3**The Self-Sufficiency Standard for One Adult, One Preschooler and One School-Age-Child in Chicago, Decatur, and Franklin County**

Monthly Costs	Chicago	Decatur	Franklin County
Housing	\$891	\$475	\$395
Child Care	\$888	\$691	\$643
Food	\$396	\$396	\$396
Transportation	\$75	\$208	\$202
Health Care	\$237	\$206	\$206
Miscellaneous	\$249	\$198	\$184
Taxes	\$634	\$410	\$351
Earned Income Tax Credit (-)	\$0	-\$68	-\$114
Child Care Tax Credit (-)	-\$80	-\$80	-\$88
Child Tax Credit (-)	-\$100	-\$81	-\$40
Self-Sufficiency Wage			
Hourly	\$18.13	\$13.38	\$12.13
Monthly	\$3,190	\$2,354	\$2,135
Annual	\$38,281	\$28,254	\$25,620

* The Standard is calculated by adding expenses and taxes and subtracting tax credits.

** Taxes include federal & state income taxes (including state tax credits except state EITC), payroll taxes & sales taxes.

*** The hourly wage is calculated by dividing the monthly wage by 176 hours (8 hours per day times 22 days per month).

Note: Totals may not add exactly due to rounding.

There are two slightly different versions of the federal poverty measure:
poverty **thresholds** and poverty **guidelines**.

The **poverty thresholds** are the original version of the federal poverty measure. They are updated each year by the **Census Bureau**. The thresholds are used mainly for **statistical** purposes—for instance, preparing estimates of the number of Americans in poverty each year. (All official poverty population figures are calculated using the poverty thresholds, not the guidelines.) Poverty thresholds since 1980 and weighted average poverty thresholds since 1959 are available on the Census Bureau's web site.

The **poverty guidelines** are the other version of the federal poverty measure. They are issued each year in the *Federal Register* by the Department of Health and Human Services (HHS). The guidelines are a simplification of the poverty thresholds for use for **administrative** purposes—for instance, determining financial eligibility for certain federal programs.

From U.S. Dept. of Health and Human Services web site: <http://aspe.hhs.gov/poverty.htm>

Figure 4

**Impact of Work Supports on Monthly Costs and the Self Sufficiency Wage
of a Single Parent with One Infant and One Preschooler, 2001
Sangamon County – Springfield, IL**

Monthly Costs	Self-Sufficiency Standard	Work Supports		
		Child Support	Child Care	Child Care, Food Stamps, & Health Care [Medicaid]
Housing	\$542	\$542	\$542	\$542
Child Care	\$791	\$791	\$238	\$150
Food	\$345	\$345	\$345	\$260
Transportation	\$207	\$207	\$207	\$207
Health Care	\$230	\$230	\$230	\$0
Miscellaneous	\$211	\$211	\$211	\$211
Taxes	\$480	\$421	\$310	\$188
Earned Income	-\$13	\$0	\$0	\$0
Tax Credit (-)				
Child Care	-\$80	-\$80	-\$55	-\$37
Tax Credit (-)				
Child Tax Credit (-)	-\$100	-\$87	-\$51	\$0
Self Sufficiency Wage:				
Hourly	\$14.85	\$13.59	\$11.24	\$8.64
Monthly	\$2,613	\$2,392	\$1,978	\$1,521
Annual	\$31,351	\$28,703	\$23,736	\$18,254
Annual EITC	\$149	\$708	\$1,754	\$2,911

References:

¹The Self-Sufficiency Standard for Illinois was prepared for Women Employed by Dr. Pearce and Wider Opportunities for Women.

²The Self-Sufficiency Standard has been calculated for California, Colorado, Connecticut, Illinois, Indiana, Iowa, Kentucky, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, South Dakota, Texas, Utah, Washington State, Washington, D.C. Metro, and Wisconsin. All are available at www.sixstrategies.org.

³*The Importance of Transitional Benefits*, 2001. Chicago: Illinois Families Study, Institute for Policy Research, Northwestern University.

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The Self-Sufficiency Standards are available at www.sixstrategies.org.

Poverty and Illinois Tax Policy— You May Be Surprised

By *Ralph Martire, J.D.*

Illinois has survived another primary season full of the traditional mudslinging and chicanery. No matter what happens in the upcoming general election this fall, one thing is sure—the state will have a new governor. Of the many pressing problems that will confront our new governor, none will be more important than fixing tax policy in Illinois.

As soon as most readers see the words “tax” and “policy” in close proximity, they immediately start turning pages to find an article that will be either more interesting or relevant. I hope you’ll fight that urge and at least consider the possibility that getting tax policy right is both relevant and crucial, no matter what your other policy concerns may be.

For example, take reducing poverty and the concomitant social ills poverty produces. Well, improving the lives of poor families involves a complicated calculus. Education reform, increasing the available stock of affordable housing—especially in areas close to available jobs, improving the economic condition of working poor families through asset development, increasing wages and benefits, and creating adequate healthcare and insurance coverage, job training and child care opportunities each have roles. When all else fails, maintaining a reliable social safety net to help poor families weather the worst storms is essential.

Yet, the aspect of government necessary to support all these initiatives is the one most frequently ignored by policy advocates—tax and fiscal policy. Simply put, if you don’t have the money, you can’t implement the program. Put in that context, the importance of a properly designed and well functioning tax system is clear.

As the recent fiscal crisis demonstrates, our state’s tax system is a mess. Generally speaking, economists evaluate a fiscal system using three criteria. First, they want to know if it is a fair tax system. A fair tax system usually has some progressivity built into it—that is, it imposes slightly greater taxes on wealthy folks who have more resources and slightly lower taxes on low-income folks.

Second, a good tax system must be sound in the way it collects revenue. This means it must be both responsive to the economy—that is, able to capture increased revenue

in times of economic growth, and stable. That means the system has to maintain revenue collections during poor economic cycles.

Finally, a good state tax system should be “efficient”. This means that the taxes imposed should have a minimal impact on economic decisions taxpayers make. These decisions generally involve things like where to locate a business or purchase a home.

Illinois has the unique distinction of having one of the most unfair, unsound and inefficient tax systems in the country—sort of the triple-headed monster of bad tax policy.

First, let’s scrutinize the Illinois tax system under the fairness standard. Surprise, Illinois has one of the most regressive and unfair tax systems in the country. It assesses an income tax on working poor families who earn less than half the official poverty rate. For example, in Illinois, a two-parent family of four that has an income of only 49% of the federal poverty level has to pay state income taxes. This is the third lowest income level to begin taxation in all 50 states.

The Illinois Tax Burden in 1995: Low or High?		
Income Group	Tax as % of Income	U S Rank
Lowest 20%	13.6%	8
Second 20%	10.6%	15
Middle 20%	9.8%	23
Fourth 20%	9.2%	29
Next 15%	8.6%	30
Next 4%	7.2%	36
Top 1%	6.1%	39

Moreover, the total tax burden Illinois assesses on low-income families is one of the highest in the country. According to the Institute on Taxation and Economic Policy (“ITEP”), here in the heartland, the lowest 20% of income earners pay 13.6% of their annual income to the state in taxes. Just so you know who these folks are, the bottom 20% of income earners in Illinois make \$15,000 a year, or less. This makes Illinois one of the ten most regressive taxing states in America.

Compare that to the tax burden our state places on the affluent. The wealthiest 1% in Illinois pay the state only 6.1% of their total income in taxes. This tax burden is one of the lowest in the country, ranking 39th out of 50 states. By the way, the average income for the wealthiest 1% in Illinois is \$1.2 million a year. The accompanying charts graphically illustrate the regressive nature of the Illinois system, and demonstrate how the different taxes impact regressivity.

Why does this regressivity matter? Well, the state’s unfair tax structure has both negatively impacted the soundness of its fiscal system and contributed to the

widening income gap between the wealthiest and poorest in our society.

It is no secret that over the 20-year period from 1979 to 1999, the United States experienced tremendous economic growth. Yet, this rising tide did not lift all boats. The income gap between the affluent and the poor widened over this period, in spite of the sustained economic expansion. Want some numbers? According to the Economic Policy Institute, the wealthiest 1% in America, a group of millionaires, saw their pre-tax income increase by more than 80% during this time. And as for the horrible tax burden they have to pay, well forget about it. Their post-tax income increased by even more, over 90%. At the same time, middle-class folks who earn about \$40,000 to \$65,000 per year, treaded water. As for low-income families - they lost money. The bottom 20% of income earners in America took home about \$1,000 a year less in 1999 than in 1979. I guess the "rising tide" theory is all wet.

In Illinois, the state's regressive fiscal system, which imposes a tax burden on low-income families, which is more than twice the burden it places on high-income families, exacerbated this income disparity. If you care about reducing poverty and the growing income gap between the rich and the poor, you care about having a fair tax system.

Ah, but the news gets worse. When ill advised "tax relief" that primarily benefits the affluent but fails to serve a legitimate policy goal (such as the recent doubling of the property tax credit or suspension of the sales tax on gasoline) reduces tax revenue, Illinois tends to cover the shortfall by cutting programs for the working poor. For real world examples of the problem, just look at the current fiscal crisis. As the state grapples with a record deficit of anywhere from \$700 million to \$1 billion, the only solution offered by leaders has been to reduce dramatically the funding for hospitals that service low-income populations, close prisons, fire workers and take benefits away from senior citizens, disabled people and low-income families. Even last year when the state spent a record \$53 billion, it was unable to find a mere \$1.6 million to fund Catholic Charities' provision of social services to our state's neediest, or \$7 million to extend the Kid Care insurance program to cover low-income, working parents.

What all this means is that the state's flawed fiscal system has a doubly negative impact on the working poor. On the revenue side, they receive no financial benefits from most tax relief initiatives and end up using a disproportionate portion of their income to pay taxes. On the spending side, when there is a revenue shortfall, programs and services designed to assist the working poor are cut. The strong interplay between tax and social policy

could not be clearer.

In addition to being regressive, the Illinois tax system is not sound. Recall, that for a tax system to be sound, it must capture increased revenue during good economic times and maintain revenue collection during bad economic times. The system in Illinois does neither. The reason it fails to do so is simple, it relies on the wrong mix of revenue sources to fund services.

States basically look to three revenue sources to fund government services; income taxes, sales taxes and property taxes. Creating an ideal blend of these revenue sources is essential to long-term viability and fairness of a fiscal system. For instance, income taxes are generally used to capture significant revenue during good economic times and to build fairness into the system. The way states accomplish these goals through income taxes is by making them progressive. That is slightly higher marginal rates for wealthy taxpayers and lower marginal rates for less affluent taxpayers. Unfortunately, Illinois is constitutionally required to have a flat income tax. Hence, the state does not capture enough revenue during good economic times and is unable to make its overall tax system fairer.

Sales and property taxes are generally regressive but are necessary because they ensure stability of the tax system during poor economic times. As long as a state's sales tax base is relatively broad, that is, it applies to a large number of goods and services, it will continue to generate revenue even during downturns in the economy. The Illinois sales tax base is very narrow and in fact excludes almost all services. Since services are the largest part of the Illinois economy, excluding this important sector in total significantly impedes the state's ability to maintain base revenue collections during downtimes.

However, the primary structural flaw in the state's system is its over-reliance on property taxes as a revenue source. Currently, 24% of the total revenue generated for government services in Illinois comes from property taxes. That is roughly the same amount as Illinois collects from sales and income taxes combined. Illinois is the fifth most reliant state on property tax revenue in the nation. This simple structural flaw, over-reliance on property taxes, has created a substantial barrier to numerous important reform efforts in Illinois, most notably school finance reform and regional solutions to sprawl, housing and transportation issues.

Consider for a moment school reform. Policy folks agree that receiving a quality K-12 education is an essential element in helping low-income populations escape poverty. Yet for the past 20 years, policy advocates have decried the state's inability to fund a quality public education for all

***If you care about reducing poverty
and the growing income gap
between the rich and the poor,
you care about having a
fair tax system.***

Illinois citizens. Time and again, you hear that the culprit is the state's over-reliance on property taxes.

Why does this fiscal problem constitute such an impediment to school funding reform? Well the answer is really pretty simple. Over-reliance on property taxes creates a problem for school funding because property taxes are a local rather than a state-based revenue source. Property taxes are levied by county and municipal government authorities. State-based revenue sources are things like income and sales taxes. These taxes generate revenue that goes back to Springfield and can be allocated around the state as necessary. Since these taxes don't generate enough revenue to allow the state to adequately subsidize the delivery of education in low-income and rural areas, those areas are stuck with relying on available property tax wealth for their schools.

Illinois property wealth in school districts ranges from a low of \$5,000 per student to a high of more than \$1.2 million per student. You do not need a masters degree in public finance to understand that high property wealth school districts raise significantly more money than their less affluent counterparts. This translates to a higher quality education for children in wealthy communities.

Over-reliance on property taxes doesn't just mess up the school funding equation, it also adds to the regressivity of the state's tax system and contributes to the state's failure to have an efficient tax system.

Now, it may seem counterintuitive that property taxes are regressive taxes. After all, I just got finished illustrating that property wealth is highly concentrated in affluent areas of the state. Moreover, most low-income families do not even own their own homes. Statistics indicate that only about 16% of taxpayers who earn \$25,000 or less own homes. So shouldn't property taxes be progressive?

Well the answer is no, for a couple of reasons. First, even though most low-income families rent rather than own, they still pay property taxes. That is because landlords of apartment buildings pass on property tax burdens to low-income families in the form of rent. Even though they don't own a home, they pay property taxes.

Second, although property taxes are based on the value of a residence, they are still paid out of income. Hence, they take a much bigger bite out of a low-income family's annual earnings than they do for a wealthy family. Finally, both the state of Illinois and the federal government provide tax breaks to homeowners that renters don't get. Hence, a low-income taxpayer that rents in Illinois pays the full cost of the property tax assessed on his or her residence as part of the rent, but cannot take either the state property tax credit or the federal mortgage deduction because those benefits are limited to homeowners.

It's also pretty easy to understand how over-reliance on property taxes makes the state tax system inefficient. Recall that the efficiency of a state tax system is

determined by whether or not it drives economic decisions by businesses or homeowners on where to locate. If property tax burdens are relatively equal across the state, then you have an efficient system. If marginal tax rates assessed in one area do not differ greatly from another, the decision on where to locate will come down to things external to the tax system. Business considerations will be proximity to suppliers, quality workforce and good transportation. Homeowners and businesses alike will look to having quality schools.

Unfortunately, because Illinois is over-reliant on property taxes to fund education, property tax rates do vary by a significant enough degree to impact economic decisions. Simply put, wealthy districts can charge lower marginal property tax rates and still raise significantly more revenue than their poorer counterparts. In fact, poorer school districts can't make up the funding difference even when imposing property taxes to the limit of their capacity.

Since poor school districts are forced to assess higher property tax rates than wealthy districts, they suffer a significant disadvantage in attracting businesses and working families. Yet, attracting large taxpayers such as a good sized business is the only way for a poor district to expand its tax base and do a better job of funding education. Now, if you are the person running the business, are you going to locate it in an area that has significantly higher property tax rates than its neighbors? Of course not. Need proof? Look at the economic condition of south suburban Cook County, and compare it to the rest of the region.

In case you think all states have the same problem with funding education, think again. Nationally, the amount of state-based revenues derived from sources such as sales and income taxes that are used to fund education is over 50%. Illinois, on the other hand, is woefully below this national average, paying only 37.6% of the cost of school funding from state-based revenue sources. According to the Illinois Poverty Summit's recent report, Illinois ranks 49th—next to last—in state-based expenditures for public education.

So there you have it. Tax policy is not just the most important problem that will confront our new governor. It also dramatically impacts the state's ability to reduce poverty, improve education and help create a better future for everyone. Unless we get serious about fixing the structural problems with our state's fiscal system, Illinois will always scramble to provide essential services, and will continue to lose the war against poverty.

Ralph Martire is Executive Director of the Center for Tax and Budget Accountability (formerly known as the Illinois Tax Accountability Project), a bipartisan think tank committed to ensuring that the Illinois tax system and budget are both fundamentally sound and fair, with a particular focus on the interests of low and moderate income workers. For more information E-mail rmartire@schiffhardin.com

Perpetuating the Cycle— Recidivism and a Catch 22

By *Walter King*

Imagine a community where unemployment is extraordinarily high—housing is substandard, most schools perform well below state and national standards—and medical facilities are strained to the limit—illegal drugs are sold openly on streets—and innocent children are threatened daily by gang violence.

These conditions have resulted in the incarceration of thousands of local residents. Each month as many as 1200 offenders return to these same conditions as they are released by the Illinois Department of Corrections. That recidivism is so high is a tragedy for ex-offenders, the local victims of their crimes, and the communities who are deprived of their productive contribution. This tragedy suggests that “correction” or rehabilitation is not what has transpired during incarceration.

A Vicious Cycle

North Lawndale is just one of numerous communities that struggle with this reality. I once attended a Town Hall meeting in Congressman Danny Davis’ 7th Congressional District. The Congressman asked if those in attendance had a friend or family member with a felony conviction. The response was almost unanimous. Not surprising in North Lawndale where almost 70 percent of males ages 18 to 45 have criminal records. A parolee attending church in North Lawndale is likely to be committing a technical violation of his parole for consorting with the known criminals.

Approximately 40 percent of those incarcerated in Illinois have also been in the state foster care system at some points in their lives. Multiple homes, multiple schools, multiple and questionable parental figures were their norms growing up. As they entered prison their minor children entered the foster care system and thus, the cycle continues. Exacerbating the problem further—the fastest growing prison population in the state is now adult females. When arrest, conviction, and incarceration is a “normal” part of the culture of a community, that community is in serious trouble, caught in a vicious cycle.

Barriers to Successful Re-Integration

First, we need to consider the term re-integration. Most of the ex-offender population re-entering Chicago’s communities were never successfully integrated into mainstream society prior to incarceration. Some of the barriers to re-integration were also barriers to integration in the first place. These include diagnosed and undiagnosed mental illness, drug addiction, lack of suitable housing, inadequate education, and poor or non-existent work

history. Upon return they face negative societal views of ex-offenders, lack of financial resources, employer refusal to hire ex-offenders, anger management problems, and many more daunting challenges.

A Growth Industry

While the prison industry may serve as an economic engine in poorer downstate counties, it continues to impede economic progress in Chicago neighborhoods without the infrastructure to cope with a high rate of returning ex-offenders. Since 1980, in response to a growth in prison population of over 250 percent, many new adult prisons were built by the State of Illinois. These institutions tend to be located in small rural communities distant from Chicago. Not only do these communities gain hundreds of relatively high paying jobs, but ironically, the incarcerated populations are counted by the census as local residents. This results in a disproportionate amount of federal development dollars flowing into these areas. Additionally, inmates who can’t vote are counted for redistricting purposes affecting the distribution of political power.

You’re the Inmate

Let’s construct a hypothetical inmate being released from the Illinois Department of Corrections. Put yourself in this scenario and see if you think you could avoid recidivism.

You were arrested and convicted in Chicago and therefore must be paroled or released to the same place. This automatically returns you to the same milieu where the trouble started. You have been incarcerated at Danville Correctional Center for eight years. During that time, your wife and two children tried to maintain contact with you but the trip to Danville is two and a half hours and they cannot afford your collect phone calls to them.

You thought about your future while incarcerated. You finished your GED certificate and an Associate’s Degree from Lakeland Community College and went on to accumulate several credit hours toward a four-year Bachelor of General Studies degree from Roosevelt University. You did this even though education is the lowest paying “job” in our state prisons, paying half or less what a floor cleaner or dishwasher makes. In your last year of incarceration, the four-year BGS program was discontinued. Your attempts to transfer to East Moline or Dixon to continue your Roosevelt education failed because of your short time status. But because Governor Ryan recently chose to discontinue all post-secondary academic

education within the state prison system, it wouldn't have mattered anyhow.

Upon your release, you receive a few dollars "gate" money and transportation to Chicago. You would like to move in with your wife and kids, but they live in CHA housing and convicted felons can't live there. Housing facilities are strained to the limit, but a bed is found for you in an emergency facility.

You now begin a job search in a poor community with few jobs available. You have no car and almost no money. Soon you discover that these barriers pale by comparison to the largest barrier of all, which is employer reluctance to hire ex-offenders. Several are actually statutory, i.e., employers may be barred from hiring ex-offenders because of the business they are in. As you continue your search for employment, you soon discover the "Catch-22" of ex-offender employment. If you answer truthfully when asked about your criminal background, you don't get called back. If you lie and get hired, a background check gets you fired, not necessarily because of your background, but because you lied on the application. You are labeled as part of a "criminal class" where the eighteen year old who is intimate with his sixteen-year-old girlfriend and the serial rapist are both "sex offenders." Deeply frustrated by these barriers, many people return to a lifestyle that resulted in their original incarceration. Recidivism rates climb, prison populations grow, and so does the impoverishment of communities who churn them out and churn them back.

A Solution

What is the appropriate response to this situation?

Consensus seems to be developing around the concept of a model program that would provide a holistic approach tailored to the individual needs of each offender. The program would begin, not with the release, but with prison admission. A comprehensive intake would identify individual problems and establish a plan to deal with them both during and after incarceration.

The pre-release component would require a rededication to the concept of rehabilitation with increased emphasis on issues such as drug rehabilitation and mental health. Education programs would need to be expanded, especially academic education, which correlates dramatically with a decrease in recidivism in every study. People who return to society with a better understanding of themselves and the world around them have a much better chance of success. In addition, back in the community, ex-offenders need a decent place to live and access to community services, especially employment. One initiative that addresses components of a model program is the "Public Safety Ex-Offender Self-Sufficiency Act" recently introduced in the U.S. House of Representatives by Congressman Danny Davis. The act would provide an ex-offender low-income housing credit to encourage the provision of SRO housing that is linked

to essential services for releasees for up to two years after release. Twenty percent of the space in these buildings would have to be devoted to these services, which include employment, training and placement. These buildings would be located in the community and would need to be fully integrated into daily life and interact with service providers located there. A program like this, utilizing professional caseworkers, would also allow long-term studies, which are sadly lacking in this field.

While passage of the Davis bill would be a major step forward, other local efforts are under way in North Lawndale. With support from the Steans Family Foundation and the Illinois Workforce Advantage (IWA), an initiative of the Governor's Office, the North Lawndale Employment Network (NLEN) is launching a significant initiative in the area of ex-offender services.

"One of the benefits of being an IWA community," says NLEN Director, Brenda Palms Barber, "has been increased access to state agencies. In our case, this has meant an opportunity to meet with IDOC (Illinois Department of Corrections) officials to open a dialogue on better cooperation that could greatly benefit ex-offenders and the communities they return to."

Public Safety, Public Perception, Public Policy

For many years, the easy path for American politicians has been to be "tough on crime." Increasingly, the emphasis has been on longer and longer determinate sentences. Parole has been made tougher with more and more people being returned to finish their sentences for "technical violations." The pendulum has swung away from rehabilitation and toward retribution.

There is no rich and powerful lobby for this population. It tends to be poor, minority, and not well organized in its political behavior.

As a matter of public policy, it is time to recognize that we are very much in a "pay now or pay later" situation. If retribution worked, we could make an argument for it aside from the human cost. What we have is ample evidence that it doesn't work as prison populations continue to grow in tandem with recidivism.

These people do return to their neighborhoods, but without education and meaningful employment they may represent a greater threat to public safety than any domestic terrorist.

Walter King is the Employment Manager at the Healy Program Center which provides an employment and referral program for ex-offenders as an outreach program of Roosevelt University. Roosevelt is one of few universities that offers a transitional program designed to aid released inmates in returning to society. During its first six years, Graduates of Roosevelt's program had a recidivism rate of only 5%, compared to the overall Illinois recidivism rate of 40 - 75% within six years of release. As of this date, funding for the four-year degree program offered by Roosevelt at correctional centers within Illinois has been cut from the state budget, but the vocational programs continue. Phone 312-341-3610

Statement of Common Commitment on Poverty from Nation's Religious Leaders

This article is from our Fall 1998 issue.
We made the decision to reprint it
because of its timeliness and
its appropriateness.

Former Illinois Senator Paul Simon brought together an unusual, probably unique, gathering of religious leaders of a variety of faith groups at Southern Illinois University in Carbondale under the auspices of the Public Policy Institute of the University. They included people of backgrounds as differing as Imam Wallace Mohammed, the Muslim leader; to Dr. Pat Robertson, the Christian university and television leader; from Dr. John Buehrens, head of the Unitarian-Universalists in the United States; to Daniel Weiss, leader of the American Baptist Association. The symposium was made possible through grants from the Ford Foundation and the Rapoport Foundation. For two days they worked to develop a statement on the issue of religious faith and the moral challenge of poverty. That statement, agreed to unanimously on March 25, 1998, follows. (Contact PRAG for a copy of the Fall 1998 issue which lists the names of the signers.)

We as religious leaders of diverse faiths gather in a moment of historic urgency, with a spirit of unity and collaboration, to convey God's divine message of responding to the needs of society and in particular the plight of the poor and the needs of our children in this nation.

To a great extent the civil rights movement grew out of the commitment of religious leaders who were moved by injustice. Today we are moved by the plight of those who struggle against great odds, who require immediate responses in order to have hope for themselves and opportunity for their children.

Recognizing our mandate and mission, our indebtedness to God and our duty to share as stewards of God's creation, we gather out of concern for millions of our fellow Americans who live in poverty.

We gather to sound a moral alarm to respond to the crisis and avert future repercussions. While our nation enjoys unprecedented prosperity, fully 21 percent of America's children live in poverty. Even in these good economic times, the growing disparity between the rich and the poor is evidence that all is not well.

As a nation, we must strengthen and preserve families. In particular, we must foster parental responsibility for their children.

This statement is not a comprehensive look at poverty in our nation. Others have done that ably. What we do know is that no other western industrialized nation has such a high percentage of its people living in poverty. That is a moral challenge to religious leaders, social activists, government officials and all Americans. In its package of welfare changes, Congress called on the religious community to do more.

What Can Government Do?

Our faith traditions affirm that government has a moral responsibility to seek the welfare of all citizens. There is nonetheless a general consensus that through government we have not always contended with poverty as effectively as we should. Twenty-three million adult Americans cannot read a newspaper and cannot fill out an employment form. Often their children are doomed to repeat the cycle.

We particularly want to address the problems of those most difficult to employ and we believe government and the private sector, both profit and nonprofit, can and must do more to meet their needs. We applaud those states which are now developing new programs to move people from unemployment and /or welfare to work, particularly by encouraging new relationships among government, the private sector, and communities of faith. We urge states and the federal government to initiate programs that assure the capability and opportunity of work for all citizens. We believe that in order to be successful, such programs must include: training; mentoring; childcare; transportation; and medical care.

Promoting good work habits is in the interest of all Americans and we further reaffirm that government assistance and job policies should be constructed in such a way as to encourage families to live together.

We urge the President, Governors, and Legislators in both the federal and state governments to seriously examine these recommendations.

We call upon our state and federal governments to examine what they are doing as servants of all Americans, and we call upon congregations of every religious persuasion to examine their actions and inactions. Working with the poor is an essential part of the religious life and is an effective way of conveying what our faith compels us to do. We gather as people of faith to call upon citizens of all religious traditions to join in a common commitment to set free all those who are trapped in poverty.

What Can Congregations Do?

Religious believers of many persuasions are serving their neighbors in countless ways. We applaud these congregations and individuals for their commitment, service and sacrifice on behalf of the poor and encourage all congregations to consider new avenues of service to God and their fellow human beings. We are persuaded that faith-based involvement brings a spiritual wholeness to growth toward self-sufficiency.

Congregations provide self-esteem through love and relationships to God which provide the hope that can propel people into the work place: First, by providing for the emergency and long-term needs of the poor; Second, by providing voices on behalf of the people who have no voice in the struggle for equal opportunity.

We ask all congregations to consider what they are doing in these areas on behalf of the poor. We also encourage them to find ways to form partnerships with other organizations already in place.

We urge congregations to engage in meeting emergency needs, carefully discern a response that is faithful, and speak truth courageously to power. Being present with those who struggle with poverty and accompanying that struggle with sustained effort are outcomes we should give a priority.

The following questions are designed to encourage congregations to examine themselves to discover and celebrate what they are already doing and to consider how to further expand their service.

Can we better encourage congregation members to be advocates in the public sector for relief and transformation?

Are members of our congregation taking in foster children?

Is our congregation encouraging members to offer pro-bono services as attorney, physician, financial adviser or in other ways?

How many members of our congregations are providing volunteer mentoring or tutoring services?

Do we have the courage to take on the challenge of once a year finding a job for an ex-convict?

Are there creative new ways for transportation needs to be met?

Can our congregation provide part-time work for someone with a disability? Are we encouraging members to do this?

Do we have any direct contact with people who are on welfare? Do we understand their problems?

Can we assist in childcare?

Can we help make available shelter both transitional and permanent, to those who need it?

Is our congregation reaching across racial barriers, either through membership or through our congregation's activities?

Are there immigrants in the community whom we could be serving in some way? How?

What services, if any, are we providing for the homeless?

Are we making our facilities available for groups like AA that help people with special needs?

Can we do something to establish family-to-family links between our congregation and those who are struggling?

If a young person in our community is in trouble, are we doing anything to help?

Can we provide voluntary transportation for those who are elderly or disabled? Are there practical things in their households--such as simple repairing--where we can help?

Can our congregation help in any way on programs for drug counseling treatment?

What can we do to encourage help on basic literacy for those in our community or other communities who need this fundamental help?

Are persons with mental illnesses welcome in our congregations, worship organizations, fellowship and leadership? How can we provide support for individuals with mental illnesses and their families?

For suburban and rural populations: What can we do to establish ties either with an inner city congregation or with people in the inner city who are poor?

Can our congregation place some of its investment dollars at the service of the poor? How can we use our financial resources to foster economic development and economic opportunity in poor communities?

Are we encouraging lay and clergy to have a passion for helping those in need?

If only 10 percent of our policy makers and 10 percent of our congregations take this call to action seriously, ours will be a better nation. Drifting indifferently in our comfort is not a serious option for people of conscience. Bestirring ourselves for those who struggle, often with a feeling of helplessness, is what our religious heritage requires, and our nation needs.

For information: contact Public Policy Institute, Southern Illinois University, Carbondale 62901, or phone 618-453-4009.

"It is common, among the nonpoor, to think of poverty as a sustainable condition—austere, perhaps, but they get by somehow, don't they? They are 'always with us.' What is harder for the nonpoor to see is poverty as acute distress: The lunch that consists of Doritos or hot dog rolls, leading to faintness before the end of the shift. The 'home' that is also a car or a van. The illness or injury that must be 'worked through,' with gritted teeth, because there's no sick pay or health insurance and the loss of one day's pay will mean no groceries for the next. These experiences are not part of a sustainable lifestyle, even a lifestyle of chronic deprivation and relentless low-level punishment. They are, by almost any standard of subsistence, emergency situations. And that is how we should see the poverty of so many millions of low-wage Americans—as a state of emergency."

Barbara Ehrenreich

Nickel and Dimed: On (Not) Getting By In America
Metropolitan Books, New York, 2001

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