

## Elements of a Poverty Reduction Strategy: Draft Outline for NWA Community Dialogues

Poverty in Iowa does not have a single root cause nor a simple, single solution. It is more than simply a particular household income level. In most common sense definitions, poverty means a detrimental economic condition that threatens a household's ability to regularly meet essential household needs. For many households, the income level needed to meet household needs (particularly when child care and health care needs are considered) is well above the official poverty level. Children are the age group in Iowa most likely to be in poverty in Iowa and the country.

While there is no simple, single solution to reducing poverty, it is clear that public policies are key to poverty reduction. The goal of the NWA Community dialogues is to describe poverty in Iowa and its causes and impacts on Iowans and discuss public policy solutions, in a broad way that also resonates with Iowans' sense of fairness and commitment to personal responsibility.

The following represents an initial frame that the Child and Family Policy Center has developed to describe the causes of poverty and the elements of a public policy poverty reduction strategy:

Human capital development. Poverty is related to overall economic vitality, which itself is dependent upon the skills and productivity of the workforce. Education is essential to raising the skill and productivity level of workers. This includes a strong P-16 educational system that includes adult learning and training opportunities. One of state government's principal recognized roles is maintaining an educational system that provides all Iowans with quality educational opportunities. This includes: (1) pre-school education and development, (2) K-12 education, (3) higher education, and (4) adult education and workforce training and support. To reduce poverty, explicit attention needs to be provided to ensure the educational system works to close opportunity and achievement gaps, across race and social and economic status.

Work supports. While improving the educational system is at the top of a long-term poverty reduction strategy, a significant proportion of jobs in Iowa that are essential to the economy will still be in low-skilled fields that historically have low wages. Families with children working in these fields are particularly prone to poverty, due to additional work-related expenses for child care or general costs for health care. The latter is particularly true for families with significant health conditions requiring medical care. To reduce poverty, work supports need to be available to ensure that child care and health care are affordable for families.

Wage and tax policies. The largest and one of the most popular and successful poverty reduction programs is the federal earned income tax (EITC) credit, which provides additional economic assistance to low-income working families through a refundable income tax credit. The federal minimum wage also has the potential to raise wages for many workers and reduce poverty. While Iowa was one of the first states to adopt a state EITC, it has not been expanded since 1990 and Iowa's overall income tax system is one of the most burdensome on low-income families in the country. Many states have established state minimum wages above the federal level, as

another way to reduce poverty. To reduce poverty, Iowa wage and tax policies need to help insure that working families can meet essential family needs, through both wage and tax policies.

Supports for the unemployed, the hard-to-employ, the retired, and the unemployable. While much poverty exists among working families, poverty and its impacts are most likely to strike those who have lost employment, have difficulty securing stable employment, or are not employable due to physical disability or age. This includes an equitable unemployment compensation system, additional employment pathways for the hard-to-employ (including ex-offenders who often face legal barriers in obtaining employment), and other social and economic supports for those who are not able to be in the workforce.

Protections against abusive financial practices: Poverty makes families vulnerable to crises, without easy access to finances to address them. Unchecked, unscrupulous enterprises are created to prey on this vulnerability and strip what little wealth and resources families have. These include predatory short-term lending practices (payday loans, car title loans, and refund anticipation loans) and predatory mortgage lending and contract sales practices. A poverty reduction strategy needs to curb such predatory practices, while providing affordable access to credit for those in need.

### Summary of Policy Option Areas

#### Human Capital Development

- Every Child Iowa recommendations on early learning
- Expanded K-12 funding support
- Affordable and accessible undergraduate education
- Adult education and workforce program expansions

#### Work Supports

- Expanded child care subsidy program
- Expanded health coverage, especially family health coverage

#### Wage and Tax Policies

- Increased state minimum wage
  - Expanded state EITC
  - Tax reform incorporating federal dependent deductions
- #### Supports for the Unemployed, Hard-to-Employ, Retired, and Unemployable

- Improvements to unemployment compensation benefits
- Specific programs for untapped workforce (including barrier removal)

#### Protections Against Abusive Financial Practices:

- Ceilings on lending rates for short-term loans (payday, refund anticipation, and car title)
- Additional protections for subprime mortgages and contract sales against predatory practices
- Expanded alternative credit opportunities, credit repair option, and asset building (including Individual Development Accounts)