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The High Cost of Being Poor in Illinois

Anti-Poverty Programs Help Alleviate Costs, But More Must Be Done to Reduce Burdens

It is welcome news that the poverty rate in Illinois declined from 14.4 percent in 2014 to 13.6 percent in 2015 and declined nationally from 15.5 percent in 2014 to 14.7 percent in 2015.¹ Low-income individuals and families are finally beginning to see the benefits of sustained economic gains, strengthened by federal and state policies that increase income or reduce expenses. Nonetheless, the new data also show a number of trends moving in the wrong direction: Illinois is one of only eight states in which income inequality grew, and wide racial disparities persist on nearly every measure.

Despite this heartening improvement, however, poverty in Illinois remains stubbornly high – 13.6 percent compared to 11.9 percent before the recession. The precarious situation for the poor and near poor stands in the way of substantial progress. Indeed, the limitations that poverty often creates on access to resources many take for granted – from affordable produce to safe banking products – can often force the people experiencing poverty to make difficult choices in order to meet their families' immediate needs.

The new Census Bureau data also show that effective anti-poverty programs, like housing assistance, child care subsidies, and the Supplemental Nutrition Assistance Program, (SNAP, formerly known as food stamps) lift millions out of poverty and reduce the cost of poverty for millions more. But more needs to be done to reduce the burden of poverty even further, and for more Illinoisans living in and near poverty.

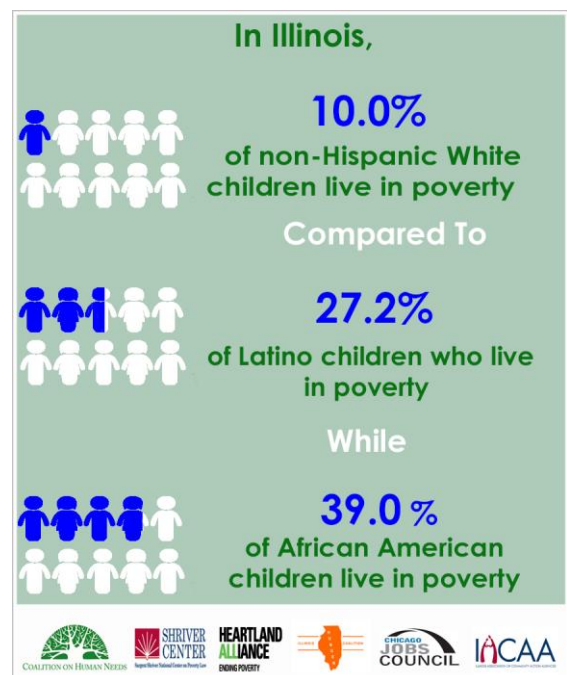
Improvement, but Unequal Gains

There were 2 million fewer poor people across the U.S. in 2015 than in 2014 and 100,000 fewer poor Illinoisans. From 2011 to 2015, unemployment declined nationally from 10.3 percent to 6.3 percent. The

proportion of Americans without health insurance plunged from 15.1 percent to 9.4 percent over the same five years, a testament to the success of the Affordable Care Act (ACA).

Nationally, communities of color saw improvement in income and reduction in poverty nationwide, but in Illinois, communities of color are being left behind. Overall, Illinois median household income increased to \$59,588 in 2015. But that boost in median household income went substantially to white Illinois households - black and Latino households in Illinois did not see any increase. Similarly, Illinois is one of only eight states in which income inequality grew and wide racial disparities persist on nearly every measure. For example, while 8.7 percent of non-Hispanic whites in Illinois were poor in 2015, the poverty rate was 28.2 percent for African Americans and 19.4 percent for Latinos.²

Children remain more likely to be poor in the United States than any other age group, with nearly one in five in poverty in Illinois in 2015 (19.1 percent), down from 20.2 percent in 2014. As with adults, children of color experience poverty at much higher rates than their white peers. Latino children in Illinois were more than 2.5 times more likely to live in poverty (27.2 percent) than white children (10 percent) and black children (39 percent) were almost four times more likely to live in poverty than white children.³ While their parents struggle to pay for necessities, children in poverty pay in other ways, from damage to brain development to poorer physical and mental health, education and employment outcomes.



The High Cost of Being Poor

The poor pay more in many different areas of daily living. Often times, the local grocery options for poor families are comparatively more expensive due to a lack of equal access to affordable, quality food. As a result, low-income households, on the average, pay slightly more than other households for the same basket of food.⁴ To reduce costs, poor families therefore are routinely forced to choose lower quality food items. They get less for what they have to spend, and still end up spending a much larger portion of their income on food than higher-income families.

Housing is similarly unaffordable for poor families. The Census data show that 59 percent of Illinois households with incomes less than \$20,000 a year spend more than half of their income on housing.⁵ All told, about 1 in 4 Illinois households spend more than half their income on housing costs, leaving little room for other necessary expenses. An unexpected car or health emergency could put these families at risk of being unable to pay rent.

Tenants with evictions on their records can also be banned from affordable housing programs and often lose their only possessions as a part of the eviction.⁶ The tenuousness of unaffordable housing for low-income families has real consequences. Young children living in poor housing conditions and/or subject to frequent moves or homelessness are more likely to suffer health problems. For example, a Boston area study found that infants and toddlers in low-income families that had moved two or more times in the past year were 59 percent more likely to be hospitalized than similar children in more secure housing.⁷



Rental vouchers limiting the amount low-income families pay for rent make a tremendous difference in child health, educational outcomes, and future earnings, but since 2004, the number of families with children receiving rental vouchers has dropped by 250,000 nationwide, a 13 percent decline.⁸

The high cost of being poor is a major burden for all living in poverty, but for those in deep poverty – living below half of the federal poverty line – the burden is that much heavier to bear. For a family of four in 2015, the official poverty line was \$24,257. According to the Census Bureau, 6.8 percent of Americans – 20.4 million people – live in deep poverty. Nearly 1 in 11 children experience this degree of deep poverty. That’s down from the previous year, but still a higher proportion than in 2007, before the Great Recession.

Locally, nearly 785,000 Illinoisans live in deep poverty.⁹ These families are especially prone to late fees for unpaid rent and eventual evictions, leading to frequent moves. Once they do find housing that they are able to afford, securing that housing is a challenge – families experiencing deep poverty often don’t have the reserves to afford the first and last month’s rent along with a security deposit.¹⁰

The Census Bureau data also show that in two-thirds of poor Illinois families, at least one person was working, although not always full time or year round. Low-wage workers are less likely to have paid sick days, paid leave and predictable work schedules, leaving them with even less money to cover expenses. Some gains for low-wage workers have been made in cities and states that have raised the minimum wage and adopted paid sick leave and other family-friendly policies, but not all states have taken these steps, and national standards leave too many low-wage workers out in the cold. Their struggle to pay rent each month can also take its toll on employment. The Milwaukee Area Renters Study found that workers leaving housing involuntarily were 20 percent more likely to lose their jobs afterwards than comparable workers who did not have to leave their dwellings.¹¹ As an example of localities taking the lead on improving work conditions, in Illinois’ Cook County nearly 1 million workers recently secured access to paid sick days, with passage of two ordinances—the first expanding access to nearly all workers in Chicago,¹² the second to workers in surrounding Cook County suburbs.¹³

Quality, affordable child care is critical for both the economic security of low-income parents, as it allows them to work, and for the development of children. Yet the cost puts quality child care out of reach for many families. The average cost in Illinois for an infant in a child care center is nearly \$13,000 a year; for an infant and a 4-year-old, it's more than \$22,500.¹⁴ A family at the poverty line with an infant and toddler in child care therefore would have to spend 93 percent of its income on child care, if paying the state average cost. Without a subsidy, low-income families have no choice but to make cheaper and often less reliable arrangements.

Medical costs can have devastating effects on already-strapped family budgets. The Census data show that 11.2 million more people across the U.S. would be in poverty if out-of-pocket medical costs were taken into account, showing the importance of quality, affordable health insurance. Medical costs are even more of a burden for the poor in states that have not taken advantage of the ACA option to use federal Medicaid dollars to expand health coverage to low-income adults. Low-income adults in the 19 states that have not made this move are uninsured at nearly twice the rates of those in states that have taken this step to expand coverage.¹⁵ They are too poor to qualify for health insurance subsidies through the ACA, but are denied Medicaid, leaving them at even greater risk for overwhelming medical costs and, too often, forcing them to forgo necessary medical treatments. In Illinois, which has implemented the Medicaid expansion, the percentage of uninsured people has been cut nearly in half, declining from 13.1 percent in 2011 to 7.1 percent in 2015.

With few other options, many low-income Americans in a majority of states feel they must turn to payday loans and similar practices to cover these higher expenses. Unfortunately, this leads to higher costs still. These predatory lenders target low-income Americans and communities of color – nearly half of payday borrowers have a family income under \$30,000. Nearly one in five borrowers relied on Social Security or some other form of government assistance.¹⁶ Payday lenders especially prey on people of color – they are 2.4 times more concentrated in African American and Latino communities.¹⁷ Payday loan companies charge exorbitant interest rates – between 300 and 400 percent, on average, and fees that quickly rack up when borrowers are forced to take out loan after loan just to repay the previous loan. This traps the borrower in a cycle of debt. In fact, the average payday loan customer who borrows \$400 for a loan to help them get by until their next paycheck winds up paying back \$950.¹⁸ In one-third of these cases, the borrower is forced to overdraw his or her checking account to pay off the loan, thereby incurring additional fees.¹⁹

Vehicle title borrowers are similar to payday borrowers, but the consequences of failing to pay back a loan can be even more severe. One in five car title loan borrowers who agrees to repay the loan in a lump sum, plus interest and fees, loses his or her car,²⁰ creating an even larger burden when he or she can't get to work, school or the child care center. Every form of debt gets worse when it's passed along to collection agencies. In December 2015, 28 percent of consumers in low- and moderate-income neighborhoods in Illinois had debt in collections.²¹

While the cost of poverty is extremely high for those in poverty, it is also high for our society as a whole. In fact, child poverty alone costs the U.S. economy an estimated \$672 billion each year, or 3.8 percent of

our gross domestic product (GDP).²² Child poverty results in a less-educated workforce, which reduces productivity and economic output years later. It raises the incidence – and cost – of crime, while also increasing physical and mental health costs.

Effective Anti-Poverty Programs Reduce the Cost of Being Poor

The Census Bureau also publishes the Supplemental Poverty Measure (SPM), which is a far more accurate measure of poverty than the Official Poverty Measure because it takes into consideration income derived from public programs including federal tax credits and food and housing assistance, as well as certain expenses. The SPM shows that government programs increase incomes for millions of Americans, lifting them out of poverty and reducing the burdens of poverty for millions more. More than 9 million people were lifted out of poverty by federal low-income refundable tax credits in 2015 nationally; 2.5 million fewer were poor because of housing subsidies.²³ Other analyses show that 480,000 Illinoisans were lifted out of poverty by federal low-income tax credits each year, on average, from 2011 to 2013, and 99,000 fewer were poor each year, on average, from 2009 to 2011, because of housing subsidies.²⁴

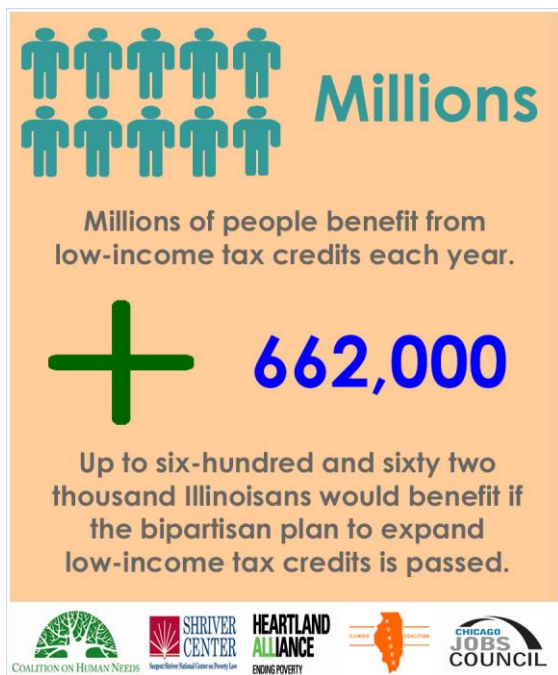
SNAP lifted 380,000 Illinoisans out of poverty each year, on average, from 2009 to 2011, and lifted 4.6 million Americans out of poverty in 2015. The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) program served more than 8.6 million women, infants and children across the U.S. in 2013²⁵ and lifted 371,000 of them out of poverty last year. More than 21 million children nationally received free and reduced-priced lunch during the 2014-2015 school year through the National School Lunch Program,²⁶ lifting 1.3 million people out of poverty.

Child care subsidies reduce the cost of care, allowing parents to go to work or school and providing children with quality educational experiences in the critical early years. Single mothers were more likely to be employed, more likely to be employed full time, and more likely to have stable employment when receiving child care subsidies.²⁷ Nationally, families headed by single mothers with at least one full-time, year-round worker had a poverty rate of 11.5 percent, while similar families where workers only had part-time or part-year employment were five times as likely to be poor (55.3 percent rate).²⁸

States that raised their minimum wage saw faster wage growth for low-wage workers in 2015 than states without an increase.²⁹ More money in the pockets of low-income workers resulting from a higher minimum wage and more paid, predictable hours is better for workers, their families, and our economy.

But many of these effective programs do not reach enough of the people they are designed to help. Across the country only one in four qualifying renters receives rental assistance because Congress has not provided enough funding.³⁰ Nationally, only one in six low-income children who ate a school lunch during the regular 2014-2015 school year were reached by federal summer nutrition programs.³¹ Nearly 13 percent of Illinois households without children experienced food hardship in 2014-2015. Households with children in Illinois fared worse: 18.6 percent suffered food hardship over the same period.³²

More than six out of seven children eligible to receive federal child care assistance nationally are not getting any help,³³ and Illinois's state budget crisis has made access to child care more of a challenge for Illinois working families. In addition, while the 2014 reauthorization of the Child Care and Development Block Grant (the primary source of federal funding for child care subsidies for low-income working families) included many improvements that were long overdue, the bill did not include a guarantee of federal funding to implement the changes. This lack of funding threatens care for even more children.



The Earned Income Tax Credit (EITC), an extremely effective anti-poverty and pro-work tax credit, provides far less help to low-income workers who aren't raising children. This group has an unenviable distinction as the only group of Americans who are taxed into poverty. Expanding the amount of the EITC for these workers would benefit up to 662,000 Illinoisans.³⁴ Similarly, families with children earning under \$3,000 a year are excluded from claiming the Child Tax Credit (CTC), denying help to children because their parents, despite working, are too poor. Expanding the CTC to these poorest children and families would benefit millions across the U.S. every year.

Because predatory lending practices are so hurtful to low-income people, 14 states and the District of

Columbia have restrictions against payday lending, and the consumer watchdog agency the Consumer Financial Protection Bureau (CFPB) issued a proposed rule in June to rein in predatory payday, car title, and certain high-cost installment loans. The proposed rule would require lenders to determine whether borrowers can afford to pay back their loans, known as the ability-to-repay requirement. While the CFPB proposed rule is a necessary first step, it contains loopholes pushed for by payday lenders that could hurt consumers in all states. For example, the proposal exempts six high-cost payday loans from the ability-to-repay requirement and doesn't go far enough to ensure that, after repaying the loan, the borrower will have enough money left over to cover other basic living expenses without reborrowing.³⁵ This leaves consumers in states that have restrictions against payday lending vulnerable, as a weak CFPB rule will give the payday lending industry a leg up in trying to get states to weaken or even undo their existing laws. Protections that have helped low-income people out of the debt trap could be eroded.

We Can Further Reduce the Cost of Poverty

We can – and should – do more to further reduce the high cost of poverty on millions of Americans. **To achieve this goal, the Sargent Shriver National Center on Poverty Law, Illinois Hunger Coalition, Heartland Alliance, Chicago Jobs Council, Illinois Association of Community Action Agencies and the Coalition on Human Needs recommend the following:**

- ❖ **Pass a state budget with adequate revenue to support Illinois communities and address poverty and inequality.** After years of cuts to social services and anti-poverty programs, Illinois has entered its second year without a state budget. The burden of this budget crisis falls on the backs of the millions of Illinoisans in poverty. The resulting erosion of services that help connect people to work, ensure low-income workers can access child care, provide MAP grants for students seeking an education, and help survivors of violence recover will make it much more difficult for people to meet their basic needs and move out of poverty.

- ❖ **Increase federal funding for housing subsidies and child care subsidies.** As Congress continues its Fiscal Year 2017 appropriations process, it should increase funding to provide millions more low-income Americans in need with access to safe, stable housing and quality, affordable child care. One analysis estimates that an additional \$1.2 billion investment is needed in FY17 funding to allow for full implementation of improvements contained in the reauthorization of the Child Care and Development Block Grant without the loss of additional spots for children.³⁶ Additional funding over FY16 levels is also needed to ensure existing housing vouchers keep pace with inflation and to expand the supply of vouchers for those left out in the cold. Beyond these immediate needs, proposals such as President Obama’s call for \$82 billion over 10 years to fund child care assistance for children younger than four and \$11 billion to end family homelessness by 2020 (providing housing for 550,000 families) should be implemented.

We can - and should - do more to further reduce the high cost of poverty on millions of Illinoisans:

- 1. Increase affordable housing and child care.
- 2. Expand tax credits for childless workers and the poorest children.
- 3. Fight childhood hunger.
- 4. Pass a state budget that addresses poverty and inequality.
- 5. Protect consumers from predatory lenders.
- 6. Raise the minimum wage and require paid sick leave.

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- ❖ **Expand the Earned Income Tax Credit to workers not raising children and expand the Child Tax Credit to families making less than \$3,000 a year.** President Obama, House Speaker Paul Ryan (R-WI), and Senator Sherrod Brown (D-OH) are among the bipartisan supporters of expanding the EITC, so helping workers without dependent children should be a top priority for Congress. Congress should also act to ensure all low-income children benefit from the CTC. Illinois’s state EITC remains on the lower end of the spectrum. Illinois should double its EITC to 20 percent.

- ❖ **Increase SNAP benefits and pass a Child Nutrition Reauthorization bill to ensure that low-income children have access to healthy and nutritious foods.** As part of the reauthorization, Congress should streamline and expand the Summer Food Service and Child and Adult Care Food programs, expand WIC eligibility for children not in full day kindergarten from age five to age six, reject attempts to deny free and reduced-priced meals to students in high-poverty schools, and reject attempts to block grant school meal programs. Congress should also protect SNAP from cuts, increase SNAP benefits to align with the cost of the Low-Cost Food Plan rather

than the inadequate Thrifty Food Plan currently used, and end the harsh time limits on SNAP benefits for certain jobless adults willing to work.

- ❖ **A strong rule from the Consumer Financial Protection Bureau**, without loopholes, is needed to stop predatory lending, help low-income Americans break out of the dangerous debt trap, and ensure that consumers in states where the practice is already restricted remain protected from these harmful practices. Low-income advocates should encourage the CFPB to strengthen the rule to protect all low-income consumers.
- ❖ **Raise the minimum wage and help workers get more paid hours through paid sick leave and more predictable hours.** Low-wage workers need more hours and higher pay. The federal government should increase the minimum wage and adopt paid leave requirements and predictable scheduling laws. Illinois workers haven't seen a raise since 2010. Illinois should increase Illinois's minimum wage to a level that restores the wage to its historic value.

As Election Day draws nearer, we should be thinking hard about our priorities as a nation. Reducing poverty and the high costs of being poor clearly should be a top priority. The evidence from 2015 shows that proven anti-poverty programs like SNAP, housing assistance, and low-income tax credits are effective at lifting millions of people out of poverty, reducing the costs associated with poverty and building family economic security. Indeed, programs like child care, by helping parents to work and children to develop and thrive, can spur poverty reductions over two generations.

As a state, Illinois must take a hard look at its performance. Poverty rates in Illinois remain significantly higher than in 2007, before the Great Recession,³⁷ and disparity and inequality in Illinois continues to grow. Illinois must contend with its fiscal issues, raise the revenue needed to right the state budget, and invest in programs and policies that address disparity and reduce poverty, or the state will continue to lose ground while the rest of the country benefits from our trajectory of economic growth.

This report was prepared by the [Sargent Shriver National Center on Poverty Law](#), [Illinois Hunger Coalition](#), [Heartland Alliance](#), [Chicago Jobs Council](#), [Illinois Association of Community Action Agencies](#) and the [Coalition on Human Needs](#).

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² U.S. Census Bureau, 2015 American Community Survey, released September 15, 2016, <http://www.census.gov>

³ U.S. Census Bureau, 2015 American Community Survey, released September 15, 2016, <http://www.census.gov>

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⁶ "Poor Black Women Are Evicted at Alarming Rates, Setting Off A Chain of Hardship," by Matthew Desmond, for the MacArthur Foundation, https://www.macfound.org/media/files/HHM_Research_Brief_-_Poor_Black_Women_Are_Evicted_at_Alarming_Rates.pdf

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⁸ Center on Budget and Policy Priorities, <http://www.cbpp.org/research/housing/rental-assistance-to-families-with-children-at-lowest-point-in-decade>

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