



**EQUALITY STATE
POLICY CENTER**

perspectives on the issues

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Wyoming Families: **Working Hard** Earning Less



Poverty and Wyoming's Budget

Wyoming's next legislative session will be a 20-day budget session, beginning in February 2004.

During this time, the Legislature will debate and vote on the biennial budget that will carry the state from July 2004 through June 2006.

The Joint Interim Appropriations Committee (JAC), made up of the Senate and House Appropriations Committees, already is hearing and evaluating budget requests from agency heads.

One of the most newsworthy so far is the large request from the Department of Health, due mostly to increases in Medicaid (health care for low-income individuals and families).

The increase is due not only to rising medical costs, but also to a 39% increase in enrollment—that is, Wyomingites eligible for the program.

Why are these increases occurring, when Wyoming's poverty rate is relatively low?

To answer this question, we need to understand why a family with an income above the poverty level can still be in dire economic straits.

Nine percent of Wyomingites live below the official poverty level—an income equal to or less than \$18,400 for a family of four in 2003. Another 3.2% live below 125% of the federal poverty level—less than \$23,000 for a family of four.

Although a 9% poverty rate is relatively low in comparison with other states, it does not reflect real economic conditions in Wyoming, which has the highest percentage

among the states of people working two or more jobs.

People end up working multiple jobs because they cannot earn enough at one job to support a family's basic food, shelter and health needs, even though they may be earning more than the federal poverty income (see page 2).

How is the Federal Poverty Level Determined?

The method for calculating the federal poverty level was developed in the 1960s and has changed little, although the modern family's typical expenditures are much different than they were 40 years ago.

For example, child care and transportation (both relatively expensive items) now consume a large portion of many families' budgets, in contrast to typical 1960s expenditures, which were heavily weighted toward relatively inexpensive food.

Despite these significant limitations, the federal poverty level still is the trigger for all types of economic assistance programs.

Individuals and families qualify for food stamps, child care assistance, help with housing and utilities, access to health care, etc., based on how their income compares to the federal poverty level.

Thus it is critically important that the federal poverty level reflect actual costs of living. Unfortunately, it is far too low.

(Note: Federal and state programs actually use more precisely defined terms than "federal poverty level" to implement their programs. However, we are using that more general term for ease of explanation.)

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A More Realistic Measure: Family Budgets

Economic experts now are proposing a different measure of poverty: family budgets.

A family budget is based on what it actually costs a family of given size (for example, one parent, two children) to cover basic economic needs:

- monthly rent and utilities;
- food;
- health insurance;
- child care;
- reliable transportation; and
- taxes.

Note that even this list of items comprises only a bare-bones budget. It does not include any “extras” like music lessons, sports or savings; nor does it cover other needs such as legal assistance.

A pioneering study by the Economic Policy Institute of Washington, D.C. calculated family budgets based on state-specific cost data, e.g. what it costs to rent an apartment in Cheyenne or Casper.

The researchers found it costs a Wyoming family of four (one parent, three children) approximately \$34,000/year to meet the basic family budget outlined above. This is nearly twice the federal poverty level for a family of that size.

Approximately one in five Wyomingites – 100,000 adults and 30,000 children – fall into the “economic security gap” between the federal poverty level and a basic family budget.

This 20% of the population in the economic security gap is in addition to the nine percent living below the official poverty level, meaning that close to a third of Wyoming’s population is not earning enough to cover basic needs.

Families in the economic security gap have one or two parents working, but not making enough to pay the rent, put food on the table AND buy health insurance. An illness or vehicle breakdown will send the family into an economic tailspin.

A Hand Up, Not a Hand Out

Currently, no public assistance programs offered in Wyoming extend to individuals or families with incomes up to 200% of the federal poverty level.

The closest is KidCare, which provides health care coverage for children (but not adults) in families with incomes up to 185% of the poverty level, increasing to 200% by July 2005.

Funding for KidCare is provided primarily by the federal government (\$1.76 million, or 73% of the program’s cost), with the rest appropriated from Wyoming’s general fund.

A study by the Wyoming Hospital Association and the Wyoming Department of Health showed that KidCare helps reduce the growing uncompensated care burden on Wyoming’s hospitals. With

Kidcare coverage, parents can take their children to a doctor’s office or clinic for routine care instead of the emergency room.

The Joint Interim Labor, Health and Social Services Committee is currently considering expanding KidCare to include uninsured adults.

The need for such a program is shown by Wyoming’s two free medical clinics in Laramie and Cheyenne, and Casper’s Community Health Center. In all three facilities, the typical client is a woman between 20 and 60 years of age, often a mother working at an unbenefitted job.



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Various other programs offer some level of assistance to families with incomes above poverty, but not enough to move them to a level of basic economic security.

Gender Wage Gap

According to a 2003 study, Wyoming has the sorry distinction of having the worst “gender wage gap”—the difference in the average wage earned by women and by men—in the nation.

In 1999, Wyoming women earned \$0.49 for every dollar earned by men, compared to a U.S. gender wage gap of \$0.64 earned by women for every dollar earned by men.

After the national study was released, the Wyoming Legislature funded a study (conducted by the University of Wyoming) to look at the causes of the gender wage gap and make recommendations for closing the gap.

The study found that the gender wage gap is due largely to a concentration of women in lower-paying occupations, such as teaching and nursing, and in part-time jobs.

The study recommended encouraging women to enter traditionally male (and higher-paying) occupations, and to move into full-time employment.

However, since these are not options for many women (and our society needs many more teachers and nurses than heavy equipment operators), the study also suggested looking at ways to raise salaries and wages in the female-dominated occupations.

The ESPC is currently seeking funding for modeling the economic effects of raising salaries for teachers and nurses.

Economic Development and Poverty

Many people assume that if new businesses come to town, it obviously means more money in the local economy and more taxes paid into state coffers. However, this may not necessarily happen.

If a business brings in workers and does not pay them a living wage and benefits, the local and state governments may find more demands on their services and less money to pay for them.

For example, if a business pays relatively low wages and does not provide health insur-

If a business pays relatively low wages and does not provide health insurance, the local public hospital’s indigent care burden may increase.

ance, the local public hospital’s indigent care burden may increase, and/or local and state governments may experience increases in Medicaid and KidCare enrollments.

This problem is exacerbated if tax “incentives” (reductions) are offered to attract businesses. States that offer income or property tax reductions—which Wyoming cannot do because of constitutional restrictions—have found themselves with increased education and welfare expenditures at the same time their tax bases were eroded by incentives.

Wyoming does offer a limited number of sales tax exemptions for certain purchases—such as aviation equipment and farm implements—as an economic incentive.

Tying Tax Breaks to Jobs

The Joint Interim Revenue Committee will sponsor a 2004 session bill to exempt purchases of manufacturing equipment from the state sales and use tax.

In its testimony on the bill during the interim, the ESPC suggested making any tax exemption contingent upon a showing of positive economic benefits from the business.

The Joint Committee took initial steps in this direction by amending the bill to require more extensive reporting on salaries and wages (differentiated by gender), other taxes paid, and other measures of the economic benefits provided by the recipient’s operation.

The Joint Committee also directed the Department of Revenue to look into evaluating the economic effects of sales tax exemptions, and ways to link exemptions to job quality standards (for example, a specific number of full-time jobs at or above a specific wage level).



Tracking the **2004 Session** on the **ESPC's Website**

Citizens unable to spend time in Cheyenne may track the proposed manufacturing tax exemption and other important bills on the ESPC's website, equalitystate.org.

Now in its fourth year, the ESPC's Daily Legislative Report will feature the highlights of each day's action, and bill descriptions and voting records will be provided concurrently in **The Wyoming LAP* Book** (**Legislative Accountability Project*).

About the ESPC

The ESPC utilizes research, public education and advocacy to maintain accountability in state government and to substantially increase citizen participation in, and influence over, public policy decision-making.

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