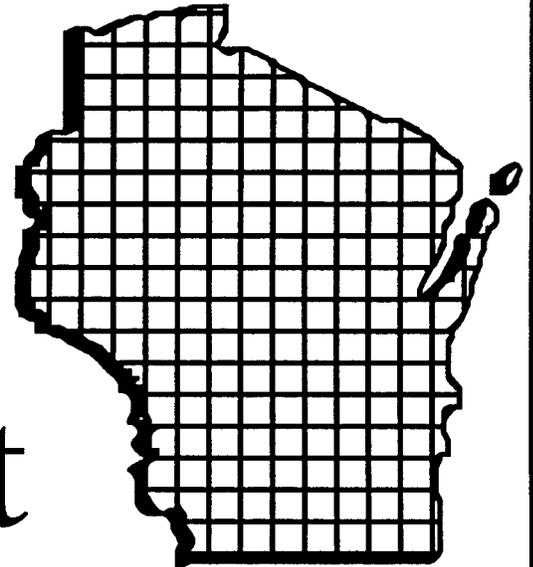


Wisconsin

Policy  
Research  
Institute

Report



March 1992

Volume 5, No. 2

**WELFARE  
SPENDING  
IN  
MILWAUKEE  
COUNTY:**

**"WHERE DOES THE MONEY GO?"**

## Report from the President:

We have always tried to improve government accountability by our public policy studies. For the first time, data has been collected that shows the amount of government spending on the poor in Milwaukee County in one fiscal year. This report adds an enormous dimension to the current issue of welfare reform.

The author of this study, John Wagner, has been a Research Fellow at the Institute for the last two and one half years during which he has devoted almost all of his time on this project. It should be pointed out that his findings are very similar to studies done in New York City and Chicago. This report details how government is responding to one of the important issues facing us today: How our tax money is used on poor people.

The study raises some very important questions. In one year we spend over a billion dollars on the poor. That is approximately \$10,000 a person, which would work out to over \$30,000 for an average-size AFDC family. Why is it, that with this kind of government spending going on, the poor in Milwaukee seem to be doing worse rather than better? One explanation is that only 37% of all the money spent on welfare goes directly to poor people. The rest ends up either in government programs or goes to service providers who then design programs to supposedly help the poor.

It is clear that the current system is inefficient and not working. This study documents the plethora of government programs at the local, state, and federal levels. It would be impossible to have an effective system with this many bureaucratic layers controlling large amounts of money. Can you imagine being poor in Milwaukee, having to figure out exactly which of over 70 programs you are eligible for? It's mind boggling.

The poor would be better served by a totally remodeled system along the lines of Social Security, where a simple direct money payment was made by one government agency to one poor person or poor family. This would certainly be more cost effective and dramatically increase the resources of the average poor person. Of course, it would mean that a lot of advocates and welfare bureaucrats who now prosper in their welfare industry might have to look for new work. This should be one of the major discussions in welfare reform. What is the purpose of the money? Is it to lift poor people directly out of poverty? Or is it to give poor people just enough to sustain their lifestyle but never to escape to the next economic level in our society?



James H. Miller

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## WELFARE SPENDING IN MILWAUKEE COUNTY:

### "Where Does the Money Go?"

by

John A. Wagner

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**WELFARE SPENDING IN MILWAUKEE COUNTY:**

**"Where Does The Money Go?"**

**by**

**John A. Wagner**

## EXECUTIVE SUMMARY

During 1988, low-income persons in Milwaukee County received \$1,038,387,784 in public anti-poverty spending, enough to provide every poor person with \$10,793 each or \$32,379 for a family of three. This represents the total amount of government spending--from all sources--on cash assistance, in-kind transfers, and services during a twelve-month period. Similar amounts have been and are being spent year after year.

The poor are growing in numbers. In 1970, the poverty rate of Milwaukee County was 9.1 percent. In 1980, the poverty rate was 10.2 percent. The current poverty rate is not expected to be any better. Clearly, these vast amounts of money poured into welfare programs are having little effect on the poverty rate. If enough money is spent to provide each poor person with more than enough income to be above the poverty level, then why does the number of low-income persons in Milwaukee County continue to grow?

Poverty persists in Milwaukee County because the poor actually receive very little of the total monies spent on them. By examining over 70 welfare programs that operated during 1988, this report finds that the poor directly received only 37 cents of every dollar spent to eradicate poverty. The remaining 63 cents went to large professional organizations or government programs that provided services or in-kind assistance to the poor.

Unquestionably a certain amount of services and, to a greater extent, in-kind assistance does get to the poor. But money spent on government programs and service providers also benefits a lot of non-poor persons, diluting its monetary impact on the poor. Furthermore, this report also illustrates that routing anti-poverty expenditures to these large service providers and governmental institutions has been the overwhelming direction our current welfare system has taken.

Within the current debate over welfare reform, few efforts have analyzed where welfare money is going and how it is spent. This report offers a unique view of welfare spending in Milwaukee County by evaluating where exactly the money goes.

## I. INTRODUCTION

Amid the perennial debate over welfare reform, few voices--if any--have called for an examination of how we deliver the varied assistance generally referred to as welfare. Spending levels, program administration, and the elimination of fraud are all featured topics in the general consensus that something needs to be done to reform our system of welfare. But before these problems can be addressed, we need to ask a much more fundamental question: What is welfare, and where is the money going?

For most people the idea of welfare conjures up the notion of welfare checks going directly to poor people, perhaps unwed mothers with many children or unemployed black men unwilling to work. Little do they realize how far from the truth these scenarios are; or, for that matter, how complex and extensive the programs comprising the welfare industry really are. Welfare attempts to address a whole range of human "needs," from the fundamental provision of basic food to the "special" and specific educational needs of children of migratory fishermen.

In the pages that follow, the term "welfare" will be used in a very broad and general sense to denote all the programs, goods, and services that have as their purpose the elimination of poverty and the diminution of its effects. In this context, welfare is an industry. During federal fiscal year 1988 (October 1988 to September 1989), Americans spent \$173 billion to provide benefits, including medical, housing, education, cash, food, employment and training, among others, for persons with limited income. This dollar amount includes spending from federal, state, and local sources.<sup>1</sup> And that's just for a twelve-month period. Year after year, similar amounts are being spent to attempt to eradicate poverty. In fact, from 1978 to 1988, the U.S. spent over \$1.73 trillion (that's \$1,728,448,000,000) on programs for low-income persons.<sup>2</sup>

In an attempt to answer the question of what constitutes welfare and where it is spent, this report constructs a "poverty budget," detailing all expenditures for low-income persons. The pages to follow examine the welfare industry in Wisconsin, focusing on Milwaukee County. The term "industry," for lack of a better word, is used to include the whole conglomeration of programs, services, administrations, departments, divisions, commissions, agencies--and a whole host of additional efforts--that work to alleviate poverty among Milwaukee County residents. That is not to say that this report has no value for anyone outside Milwaukee County; other counties fit into the county-state-federal relationship in many of the same ways Milwaukee does.

The intent here, then, is to shed new light both on the components of welfare and on the question of whether the money spent to eradicate poverty is actually getting to those intended to benefit from it--the poor themselves. To accomplish this, the following pages will detail anti-poverty expenditures and then measure their effects on the poor by examining the way in which such money is spent.

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<sup>1</sup> "Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1986-88," *CRS Report for Congress*, October 24, 1989, (Washington, DC: Congressional Research Service), summary. This will subsequently be referred to as *CRS Report*.

<sup>2</sup> This is actually an undercount given that it doesn't fully take into account all of the programs offered at the local levels, nor does it include entitlement programs from which the poor receive benefits. This amount is in constant 1988 dollars. See *CRS Report*, p. 6.

## Methodology

This report examines poverty spending for a one-year period, from January 1, 1988, to December 31, 1988, subsequently referred to as calendar year 1988. These months were chosen because they happen to coincide with the county's and city's budget cycles, from which most data were obtained. In addition, this was the most recent year for which data were available when this project began.

Constructing a poverty budget to find out exactly how and where money is spent is a formidable task. Programs constituting welfare come from numerous sources, many of which do not specifically break out expenditures on the poor. Nowhere does a complete list of spending on welfare programs exist. In fact, while undertaking the initial research for this project, an official with the city's budget office admitted that such an endeavor had once been attempted, only to be shelved due to the difficulty in coming up with such a list.

One difficulty with examining many budgets is that their fiscal years do not coincide. For example, the state of Wisconsin's fiscal year runs from July until June. The federal government's fiscal year is from October to the following September. And to further complicate things, the budgets of many programs run on their own fiscal years.

In order to make expenditures consistent, budget data were obtained on a month-to-month basis, when available. If spending amounts were only available for a twelve-month period that did not correspond to the time frame used in this study, the expenditures for two years were prorated on a month-to-month basis and averaged to get the amount of total spending in calendar year 1988. For example, the city of Milwaukee's Community Development Agency was largely funded by the federal Community Development Block Grants (CDBGs) that ran on a budgetary fiscal cycle from June 1 through May 31st of the following year. Therefore, it was necessary to get CDBG expenditure data for June 1987 through May 1988 and for June 1988 through May 1989, the two budget cycles that, in part, comprised calendar year 1988. The total amount of spending for these two years was then averaged to get a monthly expenditure, multiplied by the number of months that each CDBG program fell in calendar year 1988. Although this can be confusing, all expenditures in this report can be assumed to coincide with calendar year 1988, unless otherwise noted in Appendix A.

Included in this report are total expenditures for all programs that have low-income persons as the intended recipients. Some are income-contingent: that is to say that a person qualifies for the program based on a certain income level (presumed to be low enough to warrant the aid). This includes Food Stamps, General Relief, Medicaid, and many other programs. Excluded is spending on programs with an income eligibility threshold that many would argue are not low-income.<sup>3</sup>

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<sup>3</sup> For example, the Wisconsin Department of Veterans Affairs provides several grant programs. Although these are income-contingent grants, i.e., the applicant must have an income less than a certain threshold, these grants are not included in this report. The income limit for an Emergency Grant (instructed to be used for "essential items" that include housing, food, and health insurance premiums) is up to \$31,000 for a veteran and spouse. Clearly this amount is well beyond the Census income thresholds described in Table 2.1, which is why they have been excluded from this report. The only veterans' programs included in the poverty budget in this report are those for which information on the number of low-income veterans is available.

Also included in this poverty budget are some entitlement programs, benefits to which people are entitled given the fact that they are old, or retired, disabled, or whatever. Many of these programs are not income-contingent nor do they focus specifically on the poor. The poor, however, receive a significant amount of benefits from such programs as social security or unemployment benefits. When entitlement programs are included, *only* the portion of total expenditures actually spent on the poor will be counted.

This report attempts to take into account public spending on poverty from all levels: federal, state, and county alike. It is an account of public spending, i.e., expenditures funded by the taxpayer. For several reasons, the expenditures included in this report provide an *underestimate* of the amount of money actually spent to eradicate poverty in Milwaukee County.

First of all, this report does not include any of the millions of dollars spent by private charities, such as the United Way, churches, shelters, or private donations. In addition, if services provided to low-income people allow for them to make contributions to such services, these contributions are excluded from the budget because they are not considered to be public money provided by the taxpayer.<sup>4</sup>

Second, the City of Milwaukee's budget is the only municipal budget included in the overall spending on poverty in Milwaukee County. Although the City of Milwaukee is the largest municipal component of the county, there are nine other cities and nine villages located within the county that will not be included in this study.

Third, this report excludes many publicly provided services--for example, public transportation, the district attorney's office, and public education--that many argue are used disproportionately by the poor. As an example, it is possible to determine that a majority of the students in the Milwaukee Public School (MPS) system come from low-income families, due to the number who qualify for the income-contingent School Lunch Program. Although public education is an important service provided to the poor, and many would argue that it provides a good way to break out of poverty, it is not included in the poverty budget due to the difficulty in estimating exactly what percentage of MPS's spending actually goes to benefit the poor.<sup>5</sup>

Fourth and finally, spending on the school lunch and breakfast programs--both provided to low-income families--only includes the Milwaukee Public School system. Other school systems located throughout the county are not counted in the total expenditures listed in the poverty budget.

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<sup>4</sup> An example of this would be for certain nutritional or transportation services, for which recipients are asked to make "participant contributions" if they can afford to make them. The amount of such contributions are subtracted from the expenditures for that program.

<sup>5</sup> The Milwaukee Public School system administers the School Lunch Program, the eligibility for which is based on the income of the child's parents. In order to receive free lunches, a child's gross family income has to be at or below 130 percent of the federal poverty income guidelines. During calendar year 1988 (taking a portion of the 1987-88 and 1988-89 school years), well over half of all lunches served were free. This indicates that a large number of students from low-income families participate in public education. This is not to suggest that public education exists only to educate the poor, but if poverty was completely eliminated, fewer financial resources would have to be allocated to MPS. For 1990 figures, see "65% of MPS eligible for free, reduced-price lunches," *Milwaukee Sentinel*, October 7, 1991.

For these reasons, the list of total anti-poverty expenditures contained in this report *greatly understates the actual amount of spending to alleviate poverty in Milwaukee County.*

Money spent on welfare programs gets distributed in many different ways. For this report, spending has been classified into three groups: cash assistance, in-kind transfers, and services. Because the way in which welfare benefits are distributed has important effects on the recipients, all of the expenditures examined in this report will be classified into one of these three categories. Cash assistance includes direct cash payments to welfare recipients and affords the recipient full discretion on how to spend it. This includes benefits like General Assistance (non-medical), Aid to Families with Dependent Children (AFDC) payments, etc. In-kind transfers are often specific goods or vouchers that the recipient must use or spend in a certain way. Examples in this category are Food Stamps and Section 8 housing vouchers. And the third category, services, includes everything from medical care to parenting classes, job training, and remedial education services. These are certain benefits provided by predetermined providers, offering the recipient very little discretion over how much of the service to utilize or where to get it.

## II. MEASUREMENTS OF POVERTY

All expenditures that are contained in the poverty budget are spent to eradicate poverty or its effects. All of the programs in this report are targeted to low-income persons; however the term "low-income" has different meanings and definitions for different programs. Individual states, which administer the largest cash-assistance programs, base eligibility on their own determination of need. The federal government itself applies different income guidelines to its various benefit programs, including:

- The official poverty measures, including the Census Bureau's reported poverty thresholds and the federal poverty income guidelines published by the Department of Health and Human Services;
- Income limits related to area or state average (median) income;
- The Bureau of Labor Statistics' lower living standard income levels;
- Various income levels determined to be "needy."<sup>6</sup>

It is important to note that there is not one consistent income standard applied to all programs, and it is beyond the objective of this report to construct one.<sup>7</sup>

Among the list of income guidelines cited above are two official measurements used to determine poverty. The U.S. Bureau of the Census determines annual poverty thresholds that are used predominantly as a statistical measure of poverty. The poverty thresholds represent income levels below which persons or households of persons are determined to be poor, providing a rate of poverty. These income thresholds are adjusted each year based

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<sup>6</sup> *CRS Report*, p. 17.

<sup>7</sup> Another topic within the current debate over welfare features the income thresholds themselves and whether they should be considered appropriate measures of poverty. Although it is not covered in this report, this argument is discussed in detail by Patricia Ruggles, "Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy," (Washington, DC: Urban Institute Press), 1990.

on price increases from the preceding year. The 1988 official poverty threshold for one person under 65 years of age was \$6,153; for a family of three, the income limit was \$9,431, or \$3,144 per person.

A similar measurement of poverty--the federal poverty income guidelines--is published by the U.S. Department of Health and Human Services. The income guidelines are related to the poverty thresholds determined by the Census and are used mainly for administrative purposes, including the determination of eligibility for many federal programs. Most programs are based on some percentage of these two official poverty measures. Table 2.1 contains examples of the various 1988 income limits used to define poverty.

**TABLE 2.1**

<b>1988 U.S. Bureau of the Census Poverty Thresholds:</b>	<b>1989 Federal Poverty Income Guidelines:</b>
1 person (unrelated individual).....\$ 6,017	\$ 5,980
Under 65 years of age..... 6,153	
65 years of age or older..... 5,672	
2 persons..... 7,703	8,020
Householder under 65 years..... 7,957	
Householder 65 years and over..... 7,156	
3 persons..... 9,431	10,060
4 persons.....12,091	12,100
5 persons.....14,305	14,140
6 persons.....16,151	16,180
7 persons.....18,379	18,220
8 persons.....20,322	20,260
9 persons or more .....24,061	

Source: *CRS Report*, p. 23-24.

### III. MEASUREMENTS OF SPENDING: THE POVERTY BUDGET

Total spending on poverty in Milwaukee County from all public sources--federal, state, county and city--is estimated to be \$1,038,387,784 for calendar year 1988. Again, this total amount understates the actual spending for the reasons cited above. All the expenditures included in this total are spent to eradicate poverty and its effects.

To determine how this money is spent, Table 3.1 provides a breakdown of poverty spending, by category and program. The list of expenditures shown below was obtained from many sources. Unfortunately, one of the difficulties in learning the total amount spent on poverty programs is that there is no one source that documents such spending. Multiple sources must be consulted, and oftentimes estimates must be used. The poverty budget provides a beginning from which further analysis can be made.

See Appendix A for methods by which these amounts were calculated.

**TABLE 3.1**

**The Poverty Budget:  
Poverty Spending in Milwaukee County, By Program  
(Rounded to nearest dollar)**

<b><u>PROGRAM</u></b>	<b><u>AMOUNT</u></b>	<b><u>SUBTOTAL</u></b>
<b><u>CASH ASSISTANCE:</u></b>		
Aid to Families with Dependent Children (AFDC)	\$193,989,637	
Supplemental Security Income (SSI)	82,587,687	
Social Security (OASDI)	42,514,633	
General Assistance Non-medical (county and state)	20,887,807	
Unemployment Compensation	17,944,430	
Federal Earned Income Tax Credit	14,089,444	
Veterans' Compensation and Pension	10,740,871	
Veterans' Insurance and Indemnities	1,457,058	
<b>Subtotal Cash Assistance:</b>		<b>\$384,211,567</b>
<b><u>IN-KIND ASSISTANCE:</u></b>		
Food Stamps	\$ 67,755,027	
Housing Authority-Federally Aided Devel. (FAP)	20,777,007	
Housing Authority-Rent Assistance (RAP)	12,150,985	
School Lunch (Free and Reduced-Price Segments)	10,759,957	
Milwaukee Dept. of Public Works-Housing Section	8,706,000	
AFDC Voucher Payments	3,953,784	
User-Side Subsidy Program	2,243,440	
School Breakfast (Free and Reduced-Price Segments)	1,381,255	
Youth and Summer Youth Food	553,567	
Low-Income Energy Assistance Program (LIEAP)	409,542	
Surplus Commodities Distribution	106,941	
<b>Subtotal In-Kind Assistance:</b>		<b>\$128,797,505</b>
<b><u>SERVICES:</u></b>		
Medicaid (Title XIX)	\$340,186,783	
Combined Community Services Programs (Other)	51,936,471	
Medical Assistance (Milwaukee Health Care)	26,249,337	
VA-Medical Services (and Administrative Costs)	25,794,835	
Milwaukee Community Development Agency	14,998,667	
Income Maintenance Administration Aids	13,652,516	

Milwaukee Health Department	10,557,901	
Women, Infants, and Children (WIC) Program	8,081,961	
Milwaukee County Department of Social Services	6,261,673	
Department of Child Support Enforcement	5,218,814	
Milwaukee County Medical Complex	4,700,000	
Head Start (SDC)	3,992,252	
Development Grant	2,050,583	
Mental Health Complex	1,889,659	
Milwaukee County Office on Aging	1,455,047	
Community Services Block Grant	927,700	
VA-Construction and related costs	901,434	
VA-Readjustment and Vocational Rehabilitation	815,453	
Head Start (MPS)	723,867	
Economic Resource Development (JTPA)	578,746	
Senior Aides Project	516,991	
Youth Employment Program	500,000	
Social Development Commission	485,639	
Milwaukee County Sheriff-Welfare Fraud Unit	408,249	
Commission on Community Relations	359,291	
Homeless Shelter Subsidy	333,300	
Youth Diversion	313,039	
Senior Companion	255,441	
Municipal Court Intervention Program	240,000	
Rental Weatherization	175,805	
Foster Grandparents	129,090	
Community Services Block Grant for the Homeless	115,724	
Victim Assistance	87,920	
Project Transition and Outreach	81,547	
Milwaukee Re-employment (Dislocated Worker) Project	81,018	
Family Crisis Center, Emergency Shelter, and Health Care for the Homeless	76,514	
Milwaukee Housing Assistance	75,000	
Juniors and Elders Together	53,264	
Building Security for the Elderly	26,852	
Transition to Independence	22,369	
Veterans' Senior Companion Program	20,094	
Hunger Task Force	20,000	
Drug-free Schools and Communities	12,178	
Supplemental Aid for Facilities to Assist the Homeless	5,253	
Minority Male Program	4,653	
Homeless Veterans' Reintegration Program	4,519	
Teen Parenting	1,263	
<b>Subtotal Services:</b>		<b><u>\$525,378,712</u></b>
<b>TOTAL (Cash, In-Kind Assistance, Services):</b>		<b>\$1,038,387,784</b>

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Sources: Wisconsin Policy Research Institute Poverty Program Database, gathered from *State of Wisconsin 1989-90 Blue Book*; *Milwaukee County Adopted Budget, 1988*; *1988 Budget for the City of Milwaukee, Wisconsin*; *Community Relations-Social Development Commission in Milwaukee County, Single Audit Report, December 31, 1988*; and personal communication with various budget analysts and officials.

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The purpose of this report is not to debate whether this amount is too much or too little; rather, the reasons for constructing this poverty budget are to see where the money is going and whether it is having the intended effect of reducing poverty. Is the number of low-income persons, measured by the poverty rate, decreasing? Are the poor, who are receiving over \$1 billion dollars worth of cash, goods, and services, being lifted out of poverty? After all, this money represents spending in just a twelve-month period. Similar amounts are being spent year after year to reduce poverty in Milwaukee County.

As this list demonstrates, there is a wide scope of spending on a vast variety of programs, ranging from providing necessities such as food or housing to providing anti-drug education and building security for the elderly living in inner-city neighborhoods.

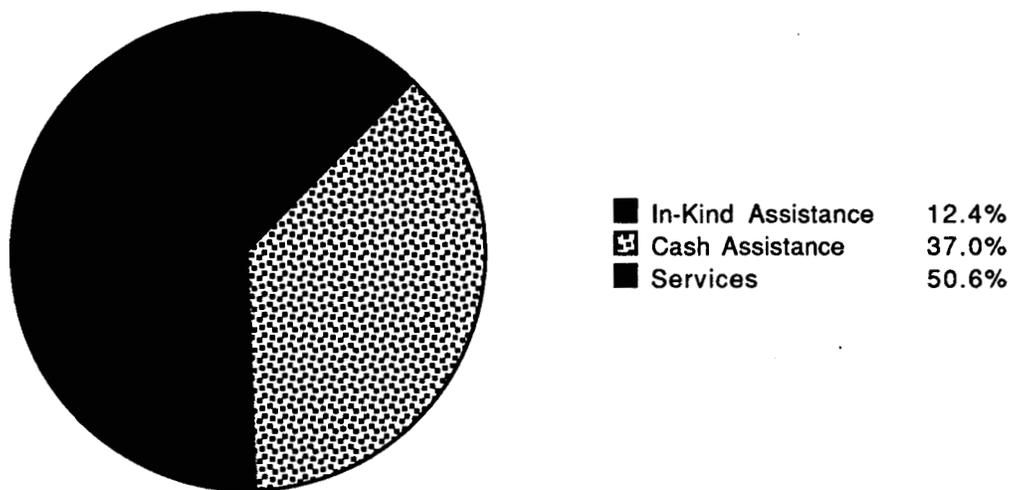
What is noticeable in this poverty budget is that the majority of funds fall under the category of services, followed by cash assistance, and then in-kind contributions. Services account for over half of all spending on poverty--nearly 51 percent or \$525.4 million. Cash assistance, or direct cash payments to the poor, account for only 37 percent, or \$384.2 million of the poverty budget. Finally, in-kind assistance, at \$128 million in spending, accounts for the final twelve percent in spending on the poor.

Within the category of services, medical care is by far the costliest service, accounting for 78 percent of all expenditures in this category. Medicaid (Title XIX) alone accounts for 65 percent of all spending on services. Other programs within the category of services address various needs, including: job training and employment, food and nutrition, education, housing, and many others.

Figures 3.1 and 3.2 depict the division of the poverty budget by type of assistance (cash, in-kind, and services) and also illustrate the breakdown of the largest category, services.

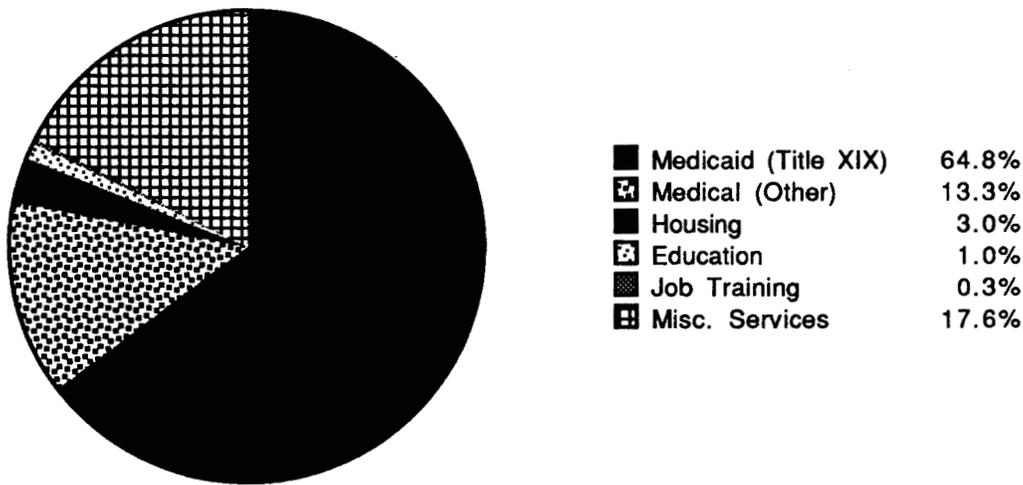
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**FIG. 3.1 Type of Poverty Spending, 1988**



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**FIG. 3.2 Spending on Services, by Type**



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#### **IV. THE NUMBER OF POOR IN MILWAUKEE COUNTY**

Another way to look at the total spending on programs for low-income persons is to take the poverty budget compared to the total number of poor persons in Milwaukee County, thereby creating a per-capita expenditure on low-income residents.

For 1988 (the year of the poverty budget) there is no official count of poor persons in Milwaukee County. The most recent data available for poverty rates on the county level appear in the 1980 Census. According to the Census, there were 96,211 persons living below the poverty level in Milwaukee County. This represents 10.2 percent of the total number of residents in Milwaukee County.<sup>8</sup> The total population of Milwaukee County decreased through most of the 1980s, although the loss has been reversed in recent years. Table 4.1 shows various total population estimates for Milwaukee County.

Although the total population trend for Milwaukee County had been one of decline from the 1980 Census up to 1987, there is no reason to believe that there had been a corresponding decrease in the number of poor throughout the county. In fact, the number of poor has probably increased. One trend that supports the possibility of an increase in the number of low-income persons in Milwaukee County is found by examining the Aid to Families with Dependent Children (AFDC) program.<sup>9</sup>

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<sup>8</sup> 1980 Census, U.S. Bureau of the Census. See Table 181, "Poverty Status in 1979 of Families and Persons for Counties: 1980." 1980 poverty levels are based on income earned in 1979.

<sup>9</sup> Looking back at the poverty budget (see Table 3.1) AFDC is the second largest component of total spending for low-income persons, accounting for nearly 19 percent of the total poverty budget.

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**TABLE 4.1**

**Selected Population Counts for Milwaukee County and  
1980 Population Below Poverty Levels**

<u>Date:</u>	<u>Milwaukee County Total Population:</u>
1990 (Census) <sup>10</sup>	959,275
July 1, 1987 <sup>11</sup>	931,700
July 1, 1986 (revised estimate)	935,200
1980 (Census) <sup>12</sup>	942,329
Persons below poverty level	10.21% (96,211 persons)
Persons below 125% of poverty level	13.9% (130,984 persons)
Persons below 150% of poverty level	17.6% (165,850 persons)
Persons below 200% of poverty level	25.4% (239,352 persons)

(Note: Although the percentages of persons below the various levels of poverty are obtained from Census data, the calculations of individual persons are my own. Consequently there may be some slight discrepancy with actual counts, versus percentages on which these calculations are based.)

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Reviewing the trend of AFDC recipients in Milwaukee County compared to the state as a whole, one can see that although the total number of AFDC beneficiaries throughout the state has decreased throughout the late 1980s, Milwaukee County's share has grown. In 1984, Milwaukee County accounted for 34 percent of the state's total AFDC recipients (for a total of 31,612 cases), up to 34.9 percent in 1985 (33,709), 35.5 percent in 1986 (34,933), 36.8 percent in 1987 (34,900), and 38.9 percent in 1988 (33,980).

From 1983 through 1986, the number of AFDC recipients throughout Wisconsin increased, with a greater concentration of them residing in Milwaukee County--from 34 percent in 1984 to 35.5 percent in 1986. From 1986 until 1988, although the total number of persons on AFDC throughout the state declined, the number in Milwaukee County remained somewhat constant, thereby increasing Milwaukee County's share of the state's total AFDC beneficiaries.<sup>13</sup>

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<sup>10</sup> Ms. Donna Tillery, U.S. Bureau of the Census, personal communication, January 13, 1992.

<sup>11</sup> Population estimates for 1987 and 1986 were obtained from "County Population Estimates: July 1, 1987 and 1986," *Current Population Reports*, U.S. Department of Commerce, Bureau of the Census, p. 21. Estimates are not as reliable as actual population counts from the actual Census, occurring in 1980 and 1990.

<sup>12</sup> 1980 total population, as well as percentages below certain poverty levels, were obtained from "Poverty Status in 1979 of Families and Persons for Counties: 1980--," *General Social and Economic Characteristics*, Table 181.

Consequently, even though Milwaukee County's total population decreased from 1980 to 1987, there is no evidence that the number of poor decreased as well. Because there is no reason to believe that the number of poor persons in Milwaukee County has declined, and for lack of an updated poverty rate, this report will use the number of low-income Milwaukee County residents reported by the 1980 U.S. Census, 96,211. This number is most likely an underestimate and will overstate the per-person expenditure.

Referring back to the poverty budget detailed in Table 3.1, the total spending on low-income persons was estimated to be \$1,038,387,784. This represents the total amount of anti-poverty spending on the poor in Milwaukee County for 1988.

Dividing the total poverty budget by the estimated number of poor persons results in \$10,793 being spent for every low-income man, woman, and child in Milwaukee County. For a family of three, this would provide an annual family income of \$32,379, well above the poverty threshold shown in Table 2.1. *In fact, this amount is three times, or nearly \$23,000 above, the amount of income needed for a family of three to be above the poverty line.*

If the number of low-income residents in the county had risen to 100,000, this still amounted to \$10,384 per person, or \$31,152 for a family of three. Even if we were to take those persons who fell below 150 percent of the poverty line (numbering 165,850 persons), the total poverty budget still would have provided \$6,261 per person, or \$18,783 for a family of three, nearly twice the poverty threshold.<sup>14</sup>

Some may question the inclusion of the Medicaid expenditures for nursing homes because the income levels of Medicaid recipients who reside in nursing home facilities can be higher than the income levels used as official poverty measures; however, persons living in nursing homes are required to "spend down" their incomes to a certain level--a level determined to warrant Medicaid. In this way, these individuals were considered low-income and in need of public assistance; however, even if you subtract all of the Medicaid spending on nursing homes, the poverty budget equals \$916,548,928. That still amounts to over \$9,100 per person for 100,000 poor residents of Milwaukee County.

No matter how it is calculated, the total poverty budget supplies more than enough spending to provide each low-income person with enough income to be above the official poverty level. If the total poverty budget were divided among the poor and given out to each low-income resident of Milwaukee County, no one would have an annual income determined to be below the poverty thresholds. Milwaukee County's safety net would have prevented every individual from falling below the official poverty level.

Then why isn't the poverty rate going down? If enough money is being spent to lift more than 100,000 persons a year out of poverty, why do we have to spend this amount, over \$1 billion, year after year?

One partial explanation may be due to migration. Poor people, like anyone else, are free to move from county to county and from state to state. Whether people do in fact move from one location to another due to welfare benefits is beyond the scope of this report. But it is

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<sup>13</sup> Wisconsin Department of Health and Social Services, Wisconsin Policy Research Institute unpublished data.

<sup>14</sup> The reason that a family of three is used as a basis of comparison is due to the fact that the average number of AFDC recipients per case was approximately three persons.

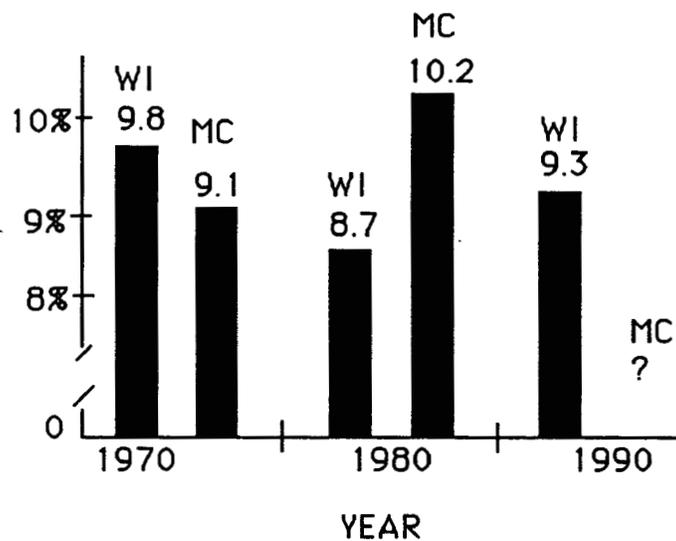
fairly evident that all 96,211 low-income residents in Milwaukee County have not been lifted out of poverty, only to be replaced by an additional 96,211. Furthermore, this explanation ignores the fact that other jurisdictions have their own programs available to the poor.

On a broader scale, looking at the overall rate for the state of Wisconsin, not much progress has been made in reducing poverty by lifting low-income residents above the poverty level. Although the poverty rate dipped in the 1980 Census, it is estimated to be nearly what it was back in 1970--after twenty years of vast amounts of anti-poverty spending. Table 4.2 illustrates the poverty rates for the state as a whole, compared to Milwaukee County. As previously mentioned, the 1990 official poverty rate for Milwaukee County was not available at the time this report was written.

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**TABLE 4.2**

**Poverty Rates for Wisconsin (WI) and Milwaukee County (MC),  
1970, 1980, and 1990**



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Source: Wisconsin poverty rates were obtained from Ms. Lamison White, U.S. Bureau of the Census. Because official 1990 numbers have not yet been released, the rate for 1990 is based on an estimate and is not as reliable as the official Census numbers. Rates for Milwaukee County were obtained from Census documents, cited by Mr. Bob Naylor, Wisconsin Department of Administration.

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Perhaps the reason why the poor are failing to be lifted out of poverty is because of what occurs between the decision to spend money to eradicate poverty and its receipt by the poor. As the poverty budget shows, low-income persons actually receive only 37 cents out of every dollar in the form of cash. The rest gets spent on an industry that provides varied services or in-kind assistance over which the poor have very little discretion. As a result the poor become consumers of specified services rather than purchasers of goods.

Even though the total amount of money spent to alleviate poverty in 1988 would have lifted every low-income resident above the poverty threshold, this did not occur. Rather, for every dollar spent on the poor, they received 37 cents while the welfare industry received 63 cents. This relationship between the poor and service providers is directly related to the notion of dependency: whereas a non-poor resident can choose to allocate resources on which to live, the poor necessarily depend upon predetermined amounts and types of goods and services that account for sixty-three percent of anti-poverty spending.

Many may argue that the 51 percent of the poverty budget spent on services also went to the poor. It eventually did, although in an indirect manner, after having purchased a predetermined quality and quantity of services--irrespective of whether the poor would have chosen to purchase such services. This is no choice on the part of the poor; it is a choice on the part of non-poor policy makers.

Many may also question the inclusion of some items contained in the poverty budget. Those people, however, are missing the point: all of the services detailed in the poverty budget were targeted to low-income people. But it is precisely why someone may question a specific program's inclusion in the poverty budget that the poor may wonder why they couldn't have received an equivalent amount of cash assistance instead.

The trend of directing expenditures to service providers instead of directly to the poor seems to have increased throughout the past few years. The largest cash-assistance program in the poverty budget is AFDC, accounting for 50 percent of the monetary aid paid directly to the poor. Since 1987, the maximum monthly AFDC benefit for a three-person family has been frozen. Although Wisconsin's AFDC benefit level is relatively generous compared to other states--in 1988 only seven other states had higher maximum benefits--maintaining benefit levels from 1987 actually eroded the value of the benefits, making such cash assistance account for a decreasing portion of the poverty budget.<sup>15</sup>

Wisconsin is not alone in de-emphasizing cash assistance. A recent report documenting the effect of budgetary changes on low-income people reports that "the sharpest reductions made this year in state programs that assist the poor occurred in the area of cash assistance....Even before these reductions were made, cash assistance was declining in most states as a percentage of state spending. In fiscal year 1991, cash assistance programs for the poor represented only five percent of state expenditures."<sup>16</sup>

General Assistance (non-medical) is another important source of cash assistance for the poor, providing \$20,887,807 to low-income residents in Milwaukee County. General Assistance is a state-run program, available in thirty states. In 1991, fourteen states cut their General Assistance programs, while thirteen additional states froze the benefit levels. Wisconsin's neighboring states undertook some of the most significant cutbacks in this cash-assistance program:

- Michigan ended its General Assistance program altogether;

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<sup>15</sup> AFDC benefit levels provided by the House Ways and Means Committee, cited in *USA Today*, September 28, 1988.

<sup>16</sup> "The States and the Poor: How Budget Decisions in 1991 Affected Low Income People," (Washington, DC: Center on Budget and Policy Priorities, and Albany NY: Center for the Study of the States) December 1991, p. 7.

- Illinois approved reductions, limiting the amount of time a recipient could be on General Assistance;
- Minnesota also enacted cutbacks, dropping some recipients from the program.<sup>17</sup>

(It should be noted that Wisconsin did implement the Wisconsin Earned Income Tax Credit program in 1989, the year following the time period covered by this report. Wisconsin distributed \$3,742,788 in EITC benefits to 27,965 individuals in Milwaukee County for that year. Although it certainly is significant in that the state EITC program represents an effort to get additional money directly to the poor, total EITC expenditures would have accounted for less than four-tenths of one percent of the total 1988 poverty budget.)

The argument could be made that such spending on services and in-kind assistance could benefit the poor by providing funds to certain service providers within low-income neighborhoods. But at present, this does not occur. This point was underscored during a meeting with an analyst at the Wisconsin Department of Health and Social Services who commented that a poverty budget shouldn't contain CDBG expenditures because they represented huge amounts of money that fund some office full of people, many of whom never see a poor person.

Similarly, a study conducted jointly by Northwestern University's Center for Urban Affairs and Policy Research and the Center for Economic Policy Analysis found that "neighborhood economies are largely bypassed because the service and commodity sectors are overwhelmingly controlled by big institutions, investors who do not live in poor neighborhoods, and trained professionals. Thus, most government money is routed to these groups, without ever stopping to enrich the communities where poor people live."<sup>18</sup>

The point here is not to condemn providers of welfare services: for the most part they are performing the tasks given to them by policy makers and are committed to serving and helping the poor in order to eradicate the never-ending cycle of poverty.

But it is precisely this never-ending cycle, in spite of enormous anti-poverty expenditures, that requires us to look at the way in which we deliver our system of welfare.

## V. POLICY IMPLICATIONS

This process of anti-poverty spending--directing nearly two thirds of all spending to organizations that provide services rather than direct aid to the poor--affects all persons involved.

First, for the taxpayer, the implications of the poverty budget are that vast amounts of public funds are being spent, with little effect. However one feels about the current system of welfare, few would agree that it is achieving its goal of eradicating poverty. As a result, on its present course, welfare will continue to demand vast amounts of public spending, year after year.

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<sup>17</sup> Ibid., p. x, xi.

<sup>18</sup> Diane Kallenback and Arthur Lyons, "Government Spending for the Poor in Cook County, Illinois: Can We Do Better?," (Chicago, IL: Center for Urban Affairs and Policy Research and the Center for Economic Policy Analysis) p. 4.

Second, for the policy maker, the poverty budget illustrates a direction or focus of spending that benefits the welfare industry at the expense of the poor, with important implications.

Common sense dictates that additional overhead costs are incurred as more persons become involved in providing assistance to the poor. On one end of the spectrum are cash payments directly from the government to the beneficiary, similar to what occurs in the AFDC, Earned Income Tax Credit, or Social Security programs. At the opposite end of the spectrum is money that may pass from agency to agency, finally to be spent on a professional organization that provides a specific service to the beneficiary. As money is spent from one level to the next, organizations are funded, salaries are paid, facilities are leased, and there are varied stages of ongoing costs before the service is actually provided. And once the service is finally available, it is a specific quality and type over which the beneficiary--the poor--have no choice.

Although the poverty budget contained in this report excludes all private funds, an analogy can be made to the controversy over the \$463,000 salary of the outgoing president of the United Way of America. Locally, the president of the United Way of Greater Milwaukee earned \$120,000 in 1990, with five additional employees making \$39,250 to \$63,000 each, and three other employees making in excess of \$30,000.<sup>19</sup> The point here is not to question the salaries of these employees, but simply to illustrate the point that *when money intended for the poor is spent on providing certain services, it benefits more people than just the poor*. And this has been the overwhelming direction of anti-poverty expenditures detailed in the poverty budget contained in this report.

Certainly the poor benefit from the provision of certain services. Unfortunately, there is no way currently to measure the exact worth of such services, but it is clearly less than the amount of money spent on the welfare industry.

Third and finally, this process of spending the majority of anti-poverty monies on service providers obviously has implications for the poor themselves.

As previously mentioned, the current system of welfare favors the provision of services which effectively precludes the poor from exercising any choice. A person enrolled in a job-training program for the third or fourth time may be better served by another service or, indeed, none at all. Under the current system low-income individuals operate in a separate economy that does not reward efficiency or enable the client to "shop around."

In Milwaukee County there are hundreds of services and programs that are targeted to inner-city, low-income residents. Welfare--through the provision of varied services administered by agencies, departments, commissions, and other numerous units of government and nonprofit organizations--can be enormously complex. Programs, each with their different forms and eligibility requirements, are extremely confusing. Low-income people aren't being helped due to the sheer complexity of the whole process. This issue was reiterated in many interviews during the research of this report. This could help explain why, according to the U.S. Census, in 1980 there was a significant number of people in Milwaukee County who were below the poverty level and had no public assistance income.<sup>20</sup> The poverty budget isn't even reaching all of the poor.

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<sup>19</sup> "Local United Way chief paid \$120,000," *Milwaukee Sentinel*, February 28, 1992.

<sup>20</sup> The Census reports 3,282 individuals and 3,592 families who were "below poverty level without public assistance income." Multiplying 3,592 families by the number of persons per family for families below

If the goal of welfare is to provide enough resources to bring people out of poverty, the current system of welfare does not seem to be working, given the increasing number of low-income persons. In spite of vast amounts of annual expenditures on anti-poverty measures, the poor are not being lifted out of poverty. The safety "net" seems to be operating more like a "trap"--increasing numbers of individuals are lured into a state of dependency, from which few seem to escape.

Three options are available to policy makers who have an interest and perhaps moral obligation in helping those individuals in need. One option would be to do nothing at all. Politically and socially this does not seem to be a very viable option, given the prevalence and passion of the current debate over welfare reform.

Another possibility would be to allocate more money to the system as it now operates, providing additional aid to low-income persons, focusing on services and in-kind assistance. Fiscal constraints on both the federal and state level seem to preclude increasing anti-poverty spending by any significant amount. And, as the poverty budget illustrates, if over \$1 billion in expenditures during a twelve-month period did not lift the low-income residents of Milwaukee County above the poverty level, how much more would need to be spent?

A third option would be to refocus the resources already allocated for eradicating poverty. This would involve redirecting to the poor the majority of spending that is currently directed to the service providers. Such a diversion would result in treating low-income people as informed consumers, allowing them to operate within the same economy every other citizen does. This is a radical departure from the way in which anti-poverty spending has been focused in the past, but clearly the current direction of welfare assistance is not effective and requires a re-examination of how this money is spent.

## VI. CONCLUSION

A fundamental question asked in the beginning of this report was whether anti-poverty spending was actually getting to the intended beneficiaries. The answer seems to be a qualified "no."

In the introduction to this report when the question was asked "what is welfare and where is the money going?", it was assumed that the intended recipients of the anti-poverty spending detailed in Table 3.1 were the poor themselves; however, the beneficiaries of most of these expenditures weren't the poor but in fact were service providers--an industry of big institutions and professional organizations that receive fifty-one cents out of every dollar spent on the poor, amounting to over \$525 million in 1988.

As this report illustrates, vast amounts of money are spent year after year on anti-poverty efforts, only to have little effect on low-income individuals. At a time of limited resources and financial constraints, it is important to evaluate the way in which anti-poverty money is delivered.

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the poverty level, 3.57, equals a summed total of 16,105, or nearly 17 percent of the total number of persons with income below the poverty level. See Table 181, "Poverty Status in 1979 of Families and Persons for Counties: 1980--," *General Social and Economic Characteristics*, U.S. Bureau of the Census.

Surely there remain many unanswered questions as to what should be done with welfare expenditures. Will placing more emphasis on directing anti-poverty spending to the poor in the form of cash rather than on service providers offering services eradicate poverty? We don't know, because we've never tried it. Will it increase fraud and abuse within the welfare system? Perhaps, but these problems persist in the welfare system as it currently exists. Will more cash assistance reduce long-term poverty? Again, we don't know because it hasn't been attempted. But what the poverty budget does illustrate is that current anti-poverty expenditures in the form of cash could eliminate poverty in the short run, by definition, by providing low-income individuals with enough money to be above the income thresholds that define poverty. Whether cash is the long-term solution must be explored more fully elsewhere.

The intention of this report was not to provide definitive answers to the problems facing the current welfare system. Rather, the poverty budget constructed in this report offers a very fundamental description of our current approach to helping the poor, a description that policy makers may well need to address before tackling the ancillary issues featured in the current debate over welfare reform. By definition, we are spending enough to eradicate poverty in Milwaukee County. The question remains: Where can it be better spent?

## APPENDIX A

### Calculations for Programs Contained in the Poverty Budget (listed in the order in which they appear in the poverty budget, Table 3.1 )

#### CASH ASSISTANCE

Aid to Families with Dependent Children (AFDC): AFDC benefits are financed by both federal and state funds. Wisconsin requires localities to help pay for some of the administrative costs.<sup>21</sup> Expenditures for Milwaukee County were obtained for each month of 1988 from the Office of Management Information, Department of Health and Social Services. The total represented in the poverty budget includes both AFDC-R (regular) and AFDC-U (unemployed.) AFDC-U is basically for two-parent households in which one or both parents are unemployed or work less than 100 hours per month. In 1988, AFDC-U was an optional program that states could decide to provide.

In 1988, a total of \$210,951,173 in AFDC benefits were paid to low-income residents of Milwaukee County. From this amount is subtracted \$16,961,536 of child support payments, which offset an equivalent amount of AFDC benefits, giving a total of \$193,989,637. This amount of total AFDC benefits accounts for nearly 19 percent of the entire poverty budget.

Income eligibility is determined by state and locality.

Supplemental Security Income (SSI): The purpose of SSI is to provide individuals with a minimum income. It is financed by the federal government, although states can opt to add their own benefits, which Wisconsin does. For 1988, the federal government paid \$55,721,882 and the state paid \$26, 865,805 in SSI benefits in Milwaukee County, giving a total of \$82,587,687.

Eligibility for federal portion is determined by income (for calendar year 1989 this was \$4,416/individual and \$6,636/couple) and assets. The state determines eligibility for its own portion.

Social Security (OASDI) Income: Social Security is not an income-contingent program; however, it provides an important source of income to many poor persons. To find out the percentage of total Social Security benefits that went just to persons below the poverty level, it is necessary to take the benefits to the poor as a percentage of the total benefits distributed in Milwaukee County. Because there are no specific data available, estimates had to be used.

According to the 1980 U.S. Census, there were 6,697 unrelated individuals in Milwaukee County that were below the poverty level and had Social Security income. There were also 2,309 families below the poverty level with Social Security income. With 3.57 persons reported per family, there were 8,243 related persons who received Social Security income. Adding these two groups together totalled 14,940 persons.

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<sup>21</sup> CRS Report, p. 53.

The number of persons above the poverty level who received Social Security benefits was 37,717 unrelated individuals and 176,703 family members, totalling 214,420 persons. The total number of persons receiving Social Security benefits in Milwaukee County was (poor and non-poor) 229,360, of which 14,940 (or 6.5 percent) went to persons below the poverty level.

According to the Social Security Administration, \$89,354,000 of OASDI benefits were paid out to Milwaukee County residents in December 1988.<sup>22</sup> Although total yearly amounts were not available, multiplying this monthly amount by twelve yields \$1,072,248,000 in annual Social Security benefits in Milwaukee County for 1988. This was multiplied by .065 (the percent of poor people receiving Social Security benefits in the county) for an estimated annual total of \$69,696,120 going to the poor.

Because a poor person earns lower wages and therefore pays relatively less money into the Social Security system, benefits which are based on wage earnings are also lower. The Social Security Administration reports that hypothetical benefit amounts for a "low-earner," averaged 61 percent of the average Social Security benefit.<sup>23</sup> Consequently, 61 percent of \$69,696,120 equals \$42,514,633.

General Assistance (Non-medical): The total amount for General Assistance includes the state funding of 37.5 percent as well as the county contributions for the final amount of \$20,887,807.

Unemployment Compensation (UC): 36,421 individuals collected \$54,377,060 in UC benefits in Milwaukee County during 1988. Like Social Security, UC benefits are not income contingent but do provide an important source of money to the low-income persons who receive the benefits.

Two other studies that have been done on poverty spending calculate that about one-third of UC benefits go to poor people.<sup>24</sup> This same percentage is applied in this poverty budget, resulting in \$17,944,430 going into the budget.

Earned Income Tax Credit (EITC): Wisconsin's state EITC went into effect in 1989. Consequently, the only EITC expenditure included in the poverty budget is the federal share.

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<sup>22</sup> "OASDI Beneficiaries by State and County December 1988," U.S. Department of Health and Human Services, Social Security Administration Office of Research and Statistics, December, 1989, p. 169.

<sup>23</sup> A "low-earner" worker is defined as someone who made 45 percent or less of the average wage on which the Social Security taxes were collected. The hypothetical benefit amount for a "low-earner" was \$368 versus \$600 for an average worker retiring at age 62 years, and \$461 versus \$751 for each respective category of worker retiring at age 65 years. Information from Ms. Sherman, Office of Research and Statistics, U.S. Social Security Administration, personal communication, March 4, 1992.

<sup>24</sup> See David A. Grossman and Geraldine Smolka, "New York City's Poverty Budget: An analysis of the public and private expenditures intended to benefit the city's low income population in fiscal 1983," (New York: the Community Service Society) September, 1984, p. 181. Using an identical estimate are Diane Kallenback and Arthur Lyons, "Government Spending for the Poor in Cook County, Illinois: Can We Do Better?," (Chicago, IL: Center for Urban Affairs and Policy Research, and the Center for Economic Policy Analysis), April 1989, p. 34.

According to the Internal Revenue Service, \$72,626,000 of EITC was given to all Wisconsin residents. This amount is based on 1988 income, although it is not paid until 1989 (based on the tax year.) In 1989, Milwaukee County residents accounted for 19.4 percent (or 27,965 claimants) of the total 144,322 people from Wisconsin who claimed the EITC. According to an expert with the Wisconsin Department of Revenue, there is no reason to believe that this percentage would vary significantly for 1988. Consequently, only the percentage claimed in Milwaukee County, 19.4 percent, is taken of the total amount, equalling \$14,089,444 worth of benefits.

Veterans' Compensation and Pension: Veterans' Compensation and Pension benefits are not income-contingent and are granted in response to service. But portions of the benefits are important sources of income for low-income veterans. According to the U.S. Department of Veterans Affairs, \$48,822,143 in compensation and pension benefits were distributed throughout Milwaukee County, of which approximately 22 percent went to low-income veterans. This contributes \$10,740,871 to the poverty budget.

The above expenditure data are based on the 1988 federal fiscal year, October 1987 through September 1988.

Veterans' Insurance and Indemnities: As above, only 22 percent of total expenditures, or \$1,457,058 were included. The above expenditure data are based on the 1988 federal fiscal year, October 1987 through September 1988.

### IN-KIND ASSISTANCE

Food Stamps: Data for total expenditures on the Food Stamp program were obtained from the Office of Management Information, Wisconsin Department of Health and Social Services. The 1988 total was \$67,755,027.

Housing Authority-Federally Aided Developments (FAP): According to the Department of City Development, \$28,477,007 in federal funds were used for the FAP program in 1988. From that, \$7,700,000 in rental income was subtracted, giving a total of \$20,777,007.

Housing Authority-Rent Assistance Program (RAP): The Housing Authority distributed \$12,150,985 in rent assistance.

School Lunch (Free and Reduced Price): It should be noted that ALL lunches served in public school are subsidized by the U.S. government. Even children whose parents' income did not qualify them for free or reduced-price lunches received 14 cents for each meal. However, the poverty budget includes only those served to children who qualified for the free or reduced-price segment of the program. Data on these programs were obtained from Milwaukee Public Schools' (MPS) Department of Nutrition Services. Two years--school years 1987-88 and 1988-89--were analyzed to make expenditures consistent with the time frame of the poverty budget.

Because 60 percent or more of total lunches served by MPS went to children qualified for the free or reduced-price lunches, it was classified as a "severe need" district and consequently received higher reimbursement rates.

During the 1988-89 school year, for each lunch served to students eligible for the reduced-price and free segment, MPS received \$1.0825 and \$1.4825 respectively in federal funds, plus \$.057 in state funds and \$.1225 in commodities per lunch.

Consequently MPS received approximately \$1.26 for reduced-price lunches, and \$1.66 for each free lunch served.<sup>25</sup> For the preceding school year, the reimbursement rates were slightly less, at \$1.025 and \$1.425 in federal funds for the reduced-price and free segments, respectively, plus \$.0543 in state funds.

From January through June, MPS served 347,719 reduced-price lunches and 3,840,125 free lunches. From September through December, 237,934 reduced-price and 2,879,169 free lunches were served. Multiplying these totals by the appropriate rates cited above equals \$10,759,597 in total spending from all sources.<sup>26</sup>

Milwaukee Department of Public Works, Section on Housing: Information obtained from Milwaukee County Adopted 1988 Budget, pages 5070-8-11. This amount represents total spending of \$9,772,000 minus revenues from rents collected from low-income tenants and loan paybacks (\$1,066,000) equalling \$8,706,000.

AFDC Voucher Payments: The county can use part of a recipient's AFDC benefits to pay certain bills, reducing the person's AFDC benefit by the amount of the payment. This totaled \$3,953,784 in 1988.

Milwaukee County User-Side Subsidy Program: The User-Side Subsidy Program provides low-cost transportation services to eligible handicapped persons. According to a program analyst, 81 percent of the participants indicated that they had annual incomes of \$10,000 or less for 1991. These low-income clients took 214,212 trips out of a total 371,576 trips or 58 percent of the trips provided. Although specific data were not available for 1988, according to the analyst there is no reason to believe that the percentage of low-income clients has changed since then.

According to the Adopted 1988 Budget for Milwaukee County, total expenditures for the User-Side Subsidy Program were \$3,945,000.<sup>27</sup> Some \$77,000 of "other direct revenue" (amount participants paid for the service and not tax dollars) was subtracted, leaving \$3,868,000 of public funds. This was multiplied by the .58 (fifty-eight percent of the trips being taken by low-income clients) equalling \$2,243,440.

School Breakfast Program (Free and Reduced Price): The School Breakfast Program is similar to the School Lunch Program, described above. Total spending, from all sources, was estimated at \$1,381,255.

Youth and Summer Youth Food Program: The Youth and Summer Youth Food Programs are administered by the Community Relations-Social Development Commission (SDC).<sup>28</sup> Total expenditures for the these programs were \$123,446 and \$335,148 for the Youth

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<sup>25</sup> MPS's total cost to provide a lunch was roughly \$1.50. Consequently it was actually making money on students qualifying for the free segment of the School Lunch Program.

<sup>26</sup> This is actually an undercounting of total spending on the School Lunch Program, as no commodity values were included in this final amount.

<sup>27</sup> See "Adopted 1988 Budget" for Milwaukee County, pp. 5900-1-4. This document will subsequently be referred to as 1988 County Budget.

<sup>28</sup> All data on programs and accompanying expenditures administered by the SDC were obtained from "Community Relations-Social Development Commission in Milwaukee County," Single Audit Report for Year Ended December 31, 1988. This will subsequently be referred to as the SDC Audit Report.

Food Program, plus \$191,198 for the Summer Food Program, totalling \$649,792. Of this amount, \$96,225 was not spent by the SDC. (Even though this money was allocated and represents tax dollars that in effect have been spent, it is not included in our poverty budget because it was not spent during calendar year 1988.) Subtracting the amount not spent leaves a total of \$553,567.

Low-Income Energy Assistance Program (LIEAP): SDC Audit Report, schedule 13.

Surplus Commodities Distribution: SDC Audit Report, schedule 8, p.1. \$9,842 was spent from 10/1/88-12/31/88, and \$97,099 was spent from 1/1/88-11/30/88, totalling \$106,941.

## SERVICES

Medicaid (Title XIX): Medicaid expenditures are the single largest component of the total poverty budget. According to the Wisconsin Department of Health and Social Service Division of Health, total 1988 spending in Milwaukee County accounted for \$340,186,783. Included in this amount are expenditures for persons in nursing homes, which were \$121,838,856 for calendar year 1988. An argument can be made for including nursing home costs in the poverty budget. Nursing-home recipients have to "spend down" to a certain level before Medicaid kicks in. Theoretically, Medicaid kicks in at this point because the client cannot afford to cover all of the medical costs. In this sense, they are needy. However, the income limit at which Medicaid does kick in is above the poverty level. Recipients may not be low-income, even though their income is spent down to the level at which they "need" Medicaid assistance. The poverty budget presents Medicaid both ways. (See page 11.)

Combined Community Services Programs: The 1988 County Budget reports that \$59,735,355 was spent on Combined Community Services Programs. Subtracted from this amount was \$2,028,164 in "other direct revenue" because it could contain non-public funds like private donations and participant contributions, giving an adjusted amount of \$57,707,191. According to a budget analyst with the service, 90 percent of the programs are provided to low-income, indigent residents of Milwaukee County, for a total of \$51,936,471 for the poverty budget.

Medical Assistance (or General Assistance-Medical, retitled the Milwaukee County Health Care Plan): According to the 1988 County Budget, \$15,019,000 was spent on General Assistance-Medical; \$10,041,000 on the Medically Indigent Program; and \$1,189,337 on Program Administration, totalling \$26,249,337.

VA Medical Services (and Administrative Costs): According to the U.S. Department of Veterans Affairs, a total of \$117,249,252 was spent on VA Medical Services and the administrative costs of providing such services. The Department estimates 22 percent of these services are provided to low-income veterans, giving an adjusted expenditure of \$25,794,835.

These expenditures are based on the 1988 federal fiscal year, from October 1987 through September 1988.

Milwaukee Community Development Agency (CDA): The CDA administers federal Community Development Block Grant (CDBG) funds, targeted to inner city and blighted areas. The CDBG funds run on their own fiscal year, from June 1 to May 31. In order to calculate calendar year 1988 spending, I prorated 1987-88 and 1988-89 CDBG spending. From June 1, 1987 through May 31, 1988, CDA administered \$15,316,000 worth of

CDBG money. This amounts to \$1,276,333 for each of the five months in 1988, for a total of \$6,381,667. To this is added some of the CDBG spending for the period of June 1, 1988 through May 31, 1989, which was \$14,772,000 or \$1,231,000 for each of the seven months in 1988, for a total of \$8,617,000. Total CDBG expenditures for the poverty budget are \$6,318,667+\$8,617,000=\$14,998,667.

**Income Maintenance Administration Aids:** These are state and federal funds that are spent on the administration of AFDC, Food Stamp, Medical Assistance and Relief to Needy Indian Persons (RNIP) programs. For Calendar year 1988 funds from both sources totalled \$13,652,516. Milwaukee County also contributed \$918,578 in Income Maintenance Administration Aids. This amount was excluded from the poverty budget to avoid any double counting that could occur by including administrative costs from any county departments, including social services.

**Milwaukee Health Department:** The Health Department's budget appears in the 1988 City Budget. The following percentages were allocated for low-income persons, based on interviews with the Office of the Health Commissioner and the City Budget Office: Community Health, \$1,950,349 (90 percent); Consumer Protection and Environment Health, \$3,134,793 (50 percent); Public Health Nursing, \$5,551,808 (90 percent); and Laboratories, \$1,191,331 (75 percent) for an adjusted subtotal of \$9,212,836. This subtotal amounts to 66.5 percent of all Health Department expenditures. Therefore, included were 66.5 percent of Administration costs, \$1,345,065, added to the subtotal of \$9,212,836 to yield total Health Department expenditures of \$10,557,901.

**Women, Infants, and Children (WIC) Program:** Funds from the state and the U.S. Department of Agriculture go to 59 local agencies throughout Wisconsin that administer the WIC program. Seven of these agencies are located in Milwaukee County. Donations can also take the form of surplus commodities. Estimating WIC expenditures is difficult, due to this mixture of commodities and money, and because no data are available on the county level. In addition, WIC operates on the federal fiscal year, October-September. Consequently the expenditures reported in the poverty budget are for a twelve-month period, albeit for federal fiscal year 1988 rather than calendar year 1988.

WIC provides a variety of services including food benefits, nutritional education, health screening, referrals, and counselling, among other items. Only the food benefits (reported as the cost of an average food package) are included in the poverty budget, providing an underestimate of total expenditures.

In 1988, the average food package was worth \$29.06 in food goods plus \$8.08 in administrative expenses for a total package cost of \$37.14. The average monthly distribution in Milwaukee County was 18,134, for a twelve-month total of 217,608.<sup>29</sup> This amount, multiplied by the average cost per package, provides an estimate of total spending of \$8,081,961.

**Milwaukee County Department of Social Services:** According to the 1988 County Budget, the Department of Social Services administers many welfare programs, including General Assistance, AFDC, Medical Assistance and Food Stamps and purchases social services like Foster Care, Day Care, Institutional Care, and Supportive Home Care. Its total budget for 1988 was \$107,704,290. Because much of the assistance it distributes will show up under

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<sup>29</sup> This is based on the number of food packages provided in September, 1988. A WIC official informed me that for the purposes of this study, the numbers and dollar amounts will not vary significantly from year to year.

different parts of the poverty budget (e.g., AFDC is listed under cash assistance, Food Stamps under in-kind assistance, etc.), I have only included the county's share of tax levy needed to support the Department of Social Services. This was done to avoid any possibility of double counting expenditures in the poverty budget.

The Department of Social Services has four major divisions. Included are the percentage of two divisions' tax levy that can be attributed to low-income programs.<sup>30</sup> (Two divisions have been excluded for the following reasons: Administration, due to the difficulty of estimating a percentage used for low-income programs, and General Assistance, which is contained under the entry of General Assistance (Non-medical) above.) The following amounts are included: Social Services (\$6,794,859 in county tax levy, of which 85 percent (\$5,775,630) is estimated for low-income persons); Economic Assistance (\$486,043, all of which is included). These expenditures give a total of \$6,261,673.

Department of Child Support Enforcement: This department enforces child support payments when a child is placed on AFDC. Non-AFDC cases can also be referred to the department, although these also tend to be low income.<sup>31</sup> According to the 1988 County Budget, state and federal funds spent on the department totalled \$6,958,418. (This excludes \$207,660 in payments from clients.) An official from the department estimated that at least 75 percent of the department's spending was on low-income clients. Therefore, only \$5,218,814 is included in the poverty budget.

Milwaukee County Medical Complex: Only a small portion of the Medical Complex's expenses are included in the poverty budget under this section because most low-income residents pay for this service out of benefits received under another program (including Medicaid, General Assistance-Medical, the Medically Indigent Program, etc.)

What is included in the poverty budget is a result of "charity care," i.e., medical services for which patients were unable to pay. In 1988, the Medical Complex provided \$5.7 million in "charity care," which contributed to its \$4.7 million deficit. This deficit is corrected through county taxes, resulting in the \$4,700,000 addition to the poverty budget.

Head Start (SDC): Head Start (SDC) is one of the two Head Start programs provided in Milwaukee County. The other is provided by Milwaukee Public Schools and appears separately in the poverty budget. According to the SDC Audit Report, \$4,997,293 was spent in 1988, from which I subtracted the total of in-kind revenues (which included private contributions) of \$1,005,041. Consequently \$3,992,252 was added to the poverty budget.

Development Grant: The City Budget Office reported that a one-time grant of \$2,050,583 for inner-city development was spent during 1988.

Mental Health Complex (MHC): Like the Medical Complex, the Mental Health Complex's delivery of services to low-income persons were covered by other welfare programs--Medicaid, Combined Community Services Board, etc. In fact, 68.4 percent of MHC spending was covered by other sources of welfare.

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<sup>30</sup> The percentages were based on an interview with an analyst at the Department of Social Services.

<sup>31</sup> This point was stressed during an interview with an official for the department. Because of the caseload level and resulting delay, most individuals would pursue child support enforcement through a private attorney if they could afford it. The department, consequently, tends to be an avenue of last resort for those seeking to enforce, or change, child support awards.

Unlike the Medical Complex, however, the MHC does receive support from the county tax levy. Some 68.4 percent of this amount, or \$1,889,659, went for the provision of services to low-income clients and was therefore added to the poverty budget.

Milwaukee County Office on Aging: The Office on Aging primarily administers the Elderly Nutrition and Elderly Services programs. It received \$4,499,855 in state and federal revenue, plus \$350,300 in county tax levy, for a total of \$4,850,155. Although these programs are not income contingent, an official with the Office on Aging estimates that 30 percent of the services go to low-income elderly, adding \$1,455,047 to the poverty budget.

Community Services Block Grant: The Social Development Commission received a Community Services Block Grant of \$927,700. This total excludes an additional \$29,170 in SDC funding.

VA-Construction and Related Costs: The U.S. Department of Veterans Affairs provided \$4,097,429 in construction and related costs, of which 22 percent (\$901,434) went to low-income veterans. These expenditures are based on the 1988 federal fiscal year from October 1987 through September 1988.

VA-Readjustment and Vocational Rehabilitation: The U.S. Department of Veterans Affairs provided \$3,706,603 in readjustment and vocational rehabilitation benefits, of which 22 percent (\$815,453) went to low-income veterans. These expenditures are based on the 1988 federal fiscal year from October 1987 through September 1988.

Head Start (MPS): Milwaukee Public Schools (MPS) administers one of the two Head Start programs in Milwaukee County, the other being administered by the Social Development Commission (see above.) Funding comes from two sources: federal and local or in-kind contributions. In-kind contributions come from donations, space, use of facilities and utilities by MPS and volunteer services. The poverty budget excludes all of the local and in-kind funding. Only federal funding was included.

The Head Start program runs on its own fiscal year, from November 1 to October 31. Like other programs, expenditures that occurred were prorated to obtain funding estimates for 1988. From November 1, 1987 through October 31, 1988, Head Start received \$710,137 in federal funds or \$59,178 for each of the ten months in 1988, for a subtotal of \$591,781. From November 1, 1988 through October 31, 1989, Head Start received \$792,517 in federal funds or \$66,043 for each of the two months it operated in 1988, for a subtotal of \$132,086. Thus, the total prorated expenditure was \$723,867.

Economic Resource Development (JTPA): According to the 1988 County Budget, \$578,746 in funds from the Job Training Partnership Act (JTPA) for low-income youth funded the Economic Resource Development office.

Senior Aides Project: According to the SDC Audit Report, the SDC received \$516,991 in federal grants. This total excluded \$73,930 in SDC internal funds.

Youth Employment Program: According to the 1988 County Budget, \$500,000 was spent to coordinate remedial training, summer youth, and after-school programs with JTPA programs included above.

Social Development Commission: According to the SDC Audit Report, the Social Development Commission received \$496,639 in federal, state, and local grants. Subtracted from this amount is \$11,000 provided by the United Way, yielding a total of \$485,639 for the poverty budget.

Milwaukee County Sheriff-Welfare Fraud Unit: According to the 1988 County Budget, \$618,249 was spent on the Welfare Fraud Unit. From this amount was subtracted \$210,000 in state and county restitution that was collected, for a total of \$408,249.

Commission on Community Relations: According to the 1988 City Budget, \$479,055 was spent on the commission, of which the City Budget Director estimated that 75 percent went to low-income services, yielding a total of \$359,291 for the poverty budget.

Homeless Shelter Subsidy: According to the SDC Audit Report, the state provided \$333,300 in funds for homeless shelters.

Youth Diversion: The SDC received total state grants of \$313,039.

Senior Companion: According to the SDC Audit Report, a total of \$255,441 was spent on this program, excluding \$12,434 in donations.

Municipal Court Intervention Program: City Budget provides \$240,000.

Rental Weatherization: SDC Audit Report lists \$175,805 in expenditures.

Foster Grandparents: SDC Audit Report includes \$129,090 in state grants.

Community Services Block Grant for the Homeless: SDC Audit Report lists \$115,724 in state grants.

Victim Assistance: SDC Audit Report lists \$87,920.

Project Transition and Outreach: SDC Audit Report includes \$81,547.

Milwaukee Re-employment (Dislocated Worker) Project: SDC Audit Report, \$81,018.

Family Crisis Center, Emergency Shelter, and Health Care for the Homeless: Although most of the over \$330,000 spent on services provided by the Family Crisis Center appear elsewhere (including the CDA and County Budgets), an expenditure of \$76,514 appears here from the Wisconsin Shelter Funds. This total also excluded funding from private sources like the United Way and the Red Cross.

Milwaukee Housing Assistance: \$75,000 reported in the 1988 City Budget.

Juniors and Elders Together: SDC Audit Report lists \$53,264 in state grants.

Building Security for the Elderly: SDC Audit Report lists \$26,852 in Milwaukee County Grants. (This amount is not included from the county's budget, to avoid double counting.)

Transition to Independence: SDC Audit Report includes \$22,369 in expenditures.

Veterans' Senior Companion Program: SDC Audit Report includes \$20,094.

Hunger Task Force: Although the Hunger Task Force is an example of a private charity whose total expenditures are not included in the poverty budget, the \$20,000 is actually tax money budgeted by the City of Milwaukee. Consequently, only this amount is included.<sup>32</sup>

Drug-Free Schools and Communities: SDC Audit Reports lists a \$12,178 grant from the Wisconsin Department of Health and Social Services.

Supplemental Aid for Facilities to Assist the Homeless: SDC Audit Report includes a \$283,334 grant from the U.S. Department of Housing and Urban Development, of which only \$5,253 was spent in 1988 and included in the poverty budget. This grant ran from June 22, 1988 through December 31, 1988.

Minority Male Program: The Minority Male Program was a demonstration project with the Head Start Program. SDC received a \$160,036 grant, of which \$4,653 was spent in 1988 (from September 30 through December 31.)

Homeless Veterans Reintegration Program: The SDC received a \$49,899 grant from the U.S. Department of Labor, of which \$4,519 was spent on the Homeless Veterans Program in 1988 (August through December.)

Teen Parenting: Teen Parenting was a project for parents of children in the Head Start program. SDC received a \$90,000 grant of which only \$1,263 was spent in 1988 (September through December.)

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<sup>32</sup> See "1988 Budget for the City of Milwaukee, Wisconsin," p. 311.

# ABOUT THE INSTITUTE

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The Wisconsin Policy Research Institute is a not-for-profit institute established to study public policy issues affecting the state of Wisconsin.

Under the new federalism, government policy increasingly is made at the state and local level. These public policy decisions affect the lives of every citizen in the state of Wisconsin. Our goal is to provide nonpartisan research on key issues that affect citizens living in Wisconsin so that their elected representatives are able to make informed decisions to improve the quality of life and future of the State.

Our major priority is to improve the accountability of Wisconsin's government. State and local government must be responsive to the citizens of Wisconsin in terms of the programs they devise and the tax money they spend. Accountability should be made available in every major area to which Wisconsin devotes the public's funds.

The agenda for the Institute's activities will direct attention and resources to study the following issues: education; welfare and social services; criminal justice; taxes and spending; and economic development.

We believe that the views of the citizens of Wisconsin should guide the decisions of government officials. To help accomplish this, we will conduct semi-annual public opinion polls that are structured to enable the citizens of Wisconsin to inform government officials about how they view major statewide issues. These polls will be disseminated through the media and be made available to the general public and to the legislative and executive branches of State government. It is essential that elected officials remember that all the programs established and all the money spent comes from the citizens of the State of Wisconsin and is made available through their taxes. Public policy should reflect the real needs and concerns of all the citizens of Wisconsin and not those of specific special interest groups.