

THE COST OF LIVING GAP IN DANE COUNTY 2016

Possibly the major problem facing Dane County is the gap for many families especially those with young children between what they can earn and what they need to pay their bills. The county's fast growing economy has been paralleled by equally fast increasing rental rates and increases in other costs. The end result is that normal definitions of poverty do not apply. As a result, the many formulas driving support services that help families transition from poverty to self-sufficiency often fail.

Poverty is defined rigidly by the state and access to work support programs like child care and health care subsidies are linked to a percentage of the defined poverty level. Likewise, copay payments under these and other programs vary based on how a family's income relates to the state's standards for poverty.

Poverty however really relates to a family or individual's ability to pay for basic human needs like housing, food, child care, health care. These costs vary greatly within Wisconsin. The Wisconsin Women's Network 2004 study showed that costs at the lowest cost county (Buffalo) and the highest cost county (Waukesha) varied by almost 100%. (Dane County was the second highest cost county).

The end result is that in many predominately urban counties in Wisconsin, child care and health care subsidies end before the family can pay for the entire cost of them from their wages. This essentially disconnects systems like the Wisconsin Shares voucher system from the real cost of living in places like Dane County and reduces the ability of low income families to become self-sufficient.

Using cost of living data for Dane County here is how the child care market looks for children under age 6.

10,649	Eligible for shares (about 1600 actually use it with an additional number in head start or public school programs)
1,003	Above shares eligibility levels - if they can access shares due to an income decline they can continue to use it
4,353	Cannot access Wisconsin Shares and cannot probably pay for full time regulated care
19,446	Children in families who probably can afford to pay for full time regulated care

The above are rough estimates but identify that there is a significant number of children (about 15% of the market) who are not technically classified as poor under the current formulas but whose families cannot afford to use regulated care. It also indicates that the number of families able to pay for full time care for their children may be as small as 55% of the entire market.

Similar problems exist with a number of other welfare to work subsidy systems. The end result is that a portion of the low income families get jobs, improve their situation and then crash back into poverty because they lose their subsidies or have them reduced quicker than they can pay out of pocket for the basics they need to survive.

This creates a number of problems in the broader market as the losses from the Shares child care voucher program are just translated into higher rates for everyone – that in turn drives up the costs for low income families on Shares. In time the gap grows wider between the income available from many lower wage jobs and the cost to live in Dane County.

The problem becomes more significant because the various welfare to work subsidies are not just subsidies for the low wage worker but also subsidies for their employer because the subsidies increase the number of potential people who can be hired. The implementation of Wisconsin Shares and welfare reform in the 1990s actually stimulated the growth of a number of business sectors- retail, restaurant, nursing homes etc. in Dane County. As the work support subsidy systems prove to be less effective, the economic impact may extend beyond just low income families.

The core issue is how to make growth work for everyone. For business to thrive, safety net systems need to reflect the actual cost of living. There are some underfunded models like the system of payment tiers for maximum child care reimbursement rates that begin to reflect how much costs vary within the state. To maintain broad economic growth in areas like Dane, there will need to be some adjustments made to work support formulas or a rethinking of the entire system. The gap keeps growing and will not be sustainable in the long run.