

## INTRODUCTION

The House Interim Committee on Poverty was formed in 2007 by the authorization of House Speaker Rod Jetton. The committee was charged with exploring possible public policy solutions which address poverty from a fresh and contemporary perspective. The committee focused specifically on the relationships between health care and poverty, and marriage and poverty.

### 2007 INTERIM COMMITTEE ON POVERTY

The 2007 committee members included Representatives Cynthia Davis (Chair); Shane Schoeller (Vice Chair); Judy Baker; Edgar Emery; Leonard Hughes; Robert Onder; Jeanette Mott Oxford; and Robert Schaaf.

The committee held public hearings November 5, and 26, 2007.

### 2008 INTERIM COMMITTEE ON POVERTY

The 2008 committee members included Representatives Cynthia Davis (Chair); Shane Schoeller (Vice Chair); Edgar Emery; Leonard Hughes; and Jeanette Mott Oxford.

The committee held a public hearing October 27, 2008 in Jefferson City. It toured Sunshine Mission –a homeless shelter- in St. Louis September 16, 2008.

## Background and Critical Issues

Poverty is typically defined by a family's total income when compared to the Federal Poverty Income Guidelines. For the year 2007, a family of three living at 100 percent of the federal poverty level (FPL) has a total income of \$17,170 per year or less. According to a 2006 study by the United States Census Bureau, 13.6 percent of people in Missouri are in poverty. This is higher than the national average of 13.3 percent.<sup>1</sup> In Missouri, programs designed to assist those living in poverty have income eligibility limits that range from approximately 20 percent FPL - Medicaid for adult parents- to 300 percent FPL -State Children's Health Insurance Program- (SCHIP).

Also of note when discussing poverty is the relationship between FPL and Supplemental Security Income (SSI). For 2007, the monthly SSI benefit is \$623 (\$7479.50 per year). This calculates to approximately 73 percent of the FPL. From the *2007 Annual Report on SSI*, SSI payment levels have historically been between 70-75% of the FPL.<sup>2</sup> Based on this information, in Missouri SSI beneficiaries with a disability would meet the income eligibility requirements for the Missouri Medicaid Program, MO HealthNet.

A background paper published by the United States Census Bureau describes poverty levels distributed by age, sex, and family composition. The surveys used in the paper estimated that the 2003 poverty rate for children under age 18 was higher than any other age group (Table 1).<sup>3</sup> The surveys also showed that family poverty level can be related to the composition of the family (Table 2).<sup>4</sup>

Table 1

Age Group	Percent of Group With Income Below FPL, 2003
Younger than Age 18	17.7%
Age 18 to 64	11.3%
Age 64 and Older	9.8%

Table 2

Family Composition	Poverty Rate
Married-Couple Families	4.8%
Male Head of Household, No Wife Present	13.5%
Female Head of Household, No Husband Present	28.3%

These data demonstrate the importance of exploring possible policy solutions to poverty. The relationships between poverty, health care, and marriage were examined by the committee. The goal was to provide a good understanding of poverty-related issues in order for the legislature to address problems from a new perspective.

<sup>1</sup> <http://www.census.gov/prod/2007pubs/acs-08.pdf>.

<sup>2</sup> [www.ssa.gov](http://www.ssa.gov).

<sup>3</sup> Bishaw, Alemayehu and Sharon Stern. *Evaluation of Poverty Estimates: A Comparison of the American Community Survey and the Current Population Survey*. United States Census Bureau, Poverty and Health Statistics Branch, Housing and Household Economic Statistics Division. 2006.

<sup>4</sup> Ibid.

## Public Hearings

In order to get a clear picture of the impact of poverty in Missouri, the committee held public meetings on November 5 and 26, 2007 and October 27, 2008 in Jefferson City and toured Sunshine Ministries on September 16, 2008. Testimony included: relationships between poverty and health care, minimum wage, and marriage; poverty reduction strategies; and health plan design strategies.

### THE CATO INSTITUTE

Michael F. Cannon, Director of Health Policy Studies for the Cato Institute, reported that both public and private anti-poverty programs discourage people from increasing their earnings and climbing the economic ladder. As an individual increases their earnings, the amount of benefit they receive decreases. One suggestion Cannon had was to eliminate regulations that restrict free and open competition—the result would be “vigorous competition that would make health insurance and medical care affordable.”<sup>5</sup> De-regulation would expand access to insurance coverage and medical care without trapping people in lower income jobs. He cautioned against using already existing government programs in an attempt to improve insurance coverage and medical care opportunities for low-income individuals. He stated that Medicaid and State Children’s Health Insurance Program (SCHIP) subsidize individuals that are not needy, are not cost-effective, and make private options more expensive. He suggested “a more compassionate approach” that would encourage individuals to climb the economic ladder and to use market competitions to make insurance coverage and health care more available to low-income individuals.

### THE ACTON INSTITUTE

Anthony Bradley, Research Fellow for The Acton Institute encouraged the committee to distinguish between the “disadvantaged” and those who reside at the poverty line. An example he gave was a single parent versus a low-income a graduate student living at the poverty level. Bradley cautioned against using minimum wage increases to reduce poverty and the relationship between marriage rates and poverty. He reported that increasing the minimum wage will result in decreased levels of employment because employers will reduce the number of unskilled workers hired and decrease the number of hours worked per day. He also stated that most minimum wage workers do not live in poverty, but rather are suburban teenagers, college students, or the elderly and raising the minimum wage gives these populations a raise.<sup>6</sup> Additionally, he explained how the erosion of marriage and growth of single-parent families hinder progress to reduce child poverty. The poverty rate for children in married-couple families is 8.2 percent, while the poverty rate of children in single-parent families is 35.2 percent.<sup>7</sup> In conclusion, he stressed that legislators should evaluate the long-term unintended consequences of market interference (increasing minimum wage) and government should help strengthen marriage through public education, skills training, or similar programs.

### HSA BENEFITS CONSULTING

Founder of Health Savings Account (HAS) Benefits Consulting, Beverly Gossage, discussed how welfare-type programs should be a hand up rather than a hand out. She discussed tactics

<sup>5</sup> Written testimony from Michael Cannon, Director of Health Policy Studies, Cato Institute, November 5, 2007. <http://www.cato.org/testimony/ct-mc-20071105.html>.

<sup>6</sup> Written testimony from Anthony Bradley, Research Fellow, The Acton Institute, November 5, 2007.

<sup>7</sup> Ibid.

Missouri can use to reform the health care system for individuals living in poverty. Her suggestions included: incentivizing people to purchase private insurance; remove tax incentives for businesses and give the incentive to individuals; focus on prevention; change the system to provide individuals with health insurance rather than pre-paid health care; work toward cost and outcome transparency; and use vouchers to purchase private insurance in the open market rather than guaranteed issue plans to ensure healthier people pay less than unhealthy people. She gave Florida as an example of a state that uses a hybrid program for its Medicaid population. Florida uses a reverse health savings account (HSA) where money is placed in an individual's HSA after completion of healthy activities such as getting an annual exam. She stressed the importance of giving Medicaid participants a health insurance program that treats them like other health insurance participants. For example, if a Medicaid participant uses a voucher and purchases private insurance, then they have a normal insurance card rather than a Medicaid card and will be less likely to be discriminated against.

## **THE RUTH INSTITUTE**

Dr. Jennifer Roback-Morse, founder and president of the Ruth Institute, discussed the relationship between marriage, family and poverty. She discussed how wealth is more than just money. The sense of overall well-being is not necessarily related to income, but more about the choices people make to do with what they have. Therefore, people's choices are an element of their overall well-being. In addition, a family's overall financial well-being might not be what it appears if they are deeply in debt. The decisions individuals make can reduce their measured income but increase their well-being. For example, families may decide how much time a parent spends in the workforce based on the well-being of the family. The decision might not maximize the family's income, but is deemed to be in the family's best interest.

Dr. Morse posed the question, "Where does wealth come from?" She explained that countries can have raw materials but lack wealth, and that the opposite also holds true. In the United States, we create wealth from taking an object/resource and putting it to different use.

As a component of wealth, Dr. Morse also discussed the legal infrastructure of America that protects wealth creation and property rights and rewards innovation. In other words, Americans get to keep what they earn, and bribes and corruption aren't a way of life. Part of a country's wealth is also in the attitudes of its people, and the general character of American people is to think and work for themselves, play by the rules, and consider themselves and others as basically honest.

Dr. Morse spoke extensively regarding social cooperation. She stated that the family is necessary for wealth accumulation and is the basic unit of social cooperation. For example, parents must work together to raise a child. Most people become involved in some element of marriage or childrearing. However, when a family breaks down, there aren't many acceptable substitutes. When in institutional care, a child's needs can not be met as well because they are best known by the parent, and therefore parents are best equipped to handle these needs. Marriage is the institution that society creates to ensure that children have a relationship with parents. Children without married parents have a higher probability of poverty and associated pathologies. Therefore, the focus should be on relationships, not resources, because resources cannot replace relationships. For example, children in foster care come into the system with many resources: free medical care, school lunches, and foster care. Dr. Morse explained that disruption of the family is harmful to children and that giving money to mothers isn't a solution to father absence. She also noted that children aren't miniature adults, and human relationships are significant for them. Lack of contact with responsible adults can lead to attachment disorder and

lack of conscience development. When bonding with the mother, a certain part of the brain develops that governs relationships between people.

Dr. Morse presented several solutions to the problems she outlined. She recommended that policy makers not start with the fiscal side of the problem by backing out of social programs, but that instead they study the incentive structure of existing government programs.

- Means-tested programs should not be designed to keep the father out of the picture or to incent a minor child to leave the parents' home.
- There should be incentives for fathers to stay with the family. Examples she gave to keep fathers in the family include: changes to divorce incentives; shared vs. sole custody decisions; and penalties for false accusations in family court, especially in situations where the action was malicious in nature. She noted that divorce is more likely if a spouse believes there is a high probability of being awarded full custody of children and a good property settlement.
- Divorce rules and statutes should be reviewed because there might be room for marginal changes. Policy should ensure there are not financial incentives for divorce or cohabitation
- The tax code should be reviewed because median income families pay 40% of their income in taxes. This tax burden is a stressor for families.

She reiterated that the focus should be on relationships rather than dollars in the budget. The government does not need to be more involved in the family but does need to understand what is possible to accomplish through program re-structuring.

## **THE SUNSHINE MISSION TOUR**

The committee members toured the Sunshine Ministries, 1520 N. 13<sup>th</sup> Street, Saint Louis, September 16, 2008. Although Sunshine Ministries has several facilities serving men, women and children, this facility on 13<sup>th</sup> Street is primarily a homeless shelter serving the urban core of Saint Louis and classrooms for their Resident Recovery Program. The tour started in the conference room where Jim and Carol Clarkson, Executive and Assistant Director (respectively) facilitated a discussion on the causes of poverty and solutions that actually work. The mission's success is greater than most other homeless shelters.

They discussed the primary reason for the effectiveness of their program -where others have been less effective- as a result of applying their three-fold philosophy of ministry throughout all of their programs as stated below:

- 1) Respect for their clients and the expectation of reciprocation of that respect.
- 2) Responsibility to serve their clients with quality programs and the expectation that the clients will accept person responsibility for their behavior toward Sunshine Ministries.
- 3) Relationships with their clients that build mutual trust, appreciation and acceptance.

To accomplish these goals, they implement the following standards:

- 1.) Sunshine Ministries refers to "clients" as guests, residents or program members..
- 2.) The guests are required to shower, shave and make their beds daily.
- 3.) They do not allow any foul language to be used in their facility.
- 4.) Sunshine Ministries operates a boutique where businesses donate new or lightly used clothing, electronics and household goods. The guest must pay 25 cents for each purchase. This allows them to preserve their dignity by offering them an opportunity to participate in the purchase, rather than accepting a hand out.

- 5.) The children who come for the day program are required to wipe down, fold and put away the tables as well as mopping the floor after meals. This encourages skill-building, an understanding of personal responsibility and resourcefulness as opposed to dependency on others.

While touring the boutique, Chairman Davis asked why they had iPod™ covers for sale. Given that their clients are homeless and on the lower rung of the economic ladder, it seemed incongruent that such an item would even be in their boutique. Carol informed the committee that the amount of iPod™ covers on the display was half that amount they started with originally. She went on to add that many of the people they serve have money to buy cell phones and other luxuries and that many of their financial difficulties stem more from poor decisions and misplaced priorities than from a simple lack of money.

#### Feeding programs:

Carol said that many people living in impoverished conditions would, for example, tend to buy a bag of potato chips rather than a raw chicken that needs preparation. This is an example of how their problems are more inherent of their culture than their actual economic status. Additionally, Carol informed the committee members that many benevolent organizations host Thanksgiving or Christmas Dinners in an effort to serve families in need; unfortunately this leads to an overabundance of meals available a couple of days a year and then experience a lack of food throughout the rest of the year. Sunshine Ministries has chosen to offer special dinners for their guests that not only provide meals at times other than special holidays, but also provides unique meals such as barbeques, homemade chili and pasta that become special treats and occasions for the families they serve.

#### No Taxpayer funding:

The most remarkable part about the Sunshine Ministries is that they are having a great impact on the community while accepting **no taxpayer funding**. The ministry has chosen this path because they want to require a spiritual content in all of the programs which is not allowed if any portion of the programs are funded by government grants. They are an excellent example of a social, community- and donor-based non-profit that it is not supported with tax dollars. This proves that it is not necessarily important or crucial for the taxpayers to financially support these missions. To the contrary, when the people in the community do it themselves, the impact is greater and more effective.

#### Safety Concerns:

Because of the violent crimes and thefts in the area, the ministries' location is considered a dangerous, high-crime area. When the committee was traveling two blocks from one part of their facility to the other area, some of the members asked if they could walk rather than drive. Carol informed them that due to safety reasons, it was necessary to drive. The guests feel a sense of commitment to protect those who are helping them. An illustration of this point came when they told us about how the guests of Sunshine Ministries actively protect the vehicles and property of Jim and Carol Clarkson. The clients understand that this is done out of love, rather than just a job for another government worker. This is an inherent part of the community and not part of another government program.

## Findings and Recommendations

The committee recognizes the impact of poverty on the Missourians. It understands many factors are involved when discussing poverty and makes the following recommendations to improve the lives of individuals in poverty:

- (1) Missouri should allow its residents to purchase insurance from out-of-state. Doing so increases competition and bring insurance within the reach of more low-income families without trapping those families in low-wage jobs.
- (2) Missouri should allow those on Medicaid to have choices for their medical insurance options. This may include structuring an option for them to participate in Healthcare Savings Accounts. A Healthcare savings account encourages personal responsibility and rewards those who refrain from overconsumption of healthcare drug and services.
- (3) Missouri should evaluate the statutes relating to divorce and ensure that the state does not incent father absence or reward single parenting.
- (4) Missouri should evaluate the tax code to assure there are no marriage penalties or incentives built into our laws that create a perverse financial incentive through our tax codes that financially benefit those who are unmarried over those who are married. Additionally, lowering the tax burden on all of our citizens will allow more mothers to stay at home and invest the time necessary to infuse values, training and the additional attention to character formation that will help our youngest citizens mature into responsible taxpaying and benevolent citizens.
- (5) The financial burden to the taxpayers is increased when parents divorce or when parents do not marry while rearing their children. These costs go beyond simple welfare programs. The vast majority of our prison inmates come from broken homes whereby they incur and inflict social costs exceeding what can be measured from simple welfare calculations.
- (6) Missouri should review means-tested programs to eliminate perverse incentives that destroy the dignity of fathers and cause the unintended consequence of invalidating their roles in their families or incent minor children to leave their parents' home. Overall, means-tested programs should reward family structure, self-responsibility, and personal initiative.
- (7) Missouri should review the penalties for false accusations in family court; the penalties should be comparable to those in other legal areas.
- (8) Missouri should focus on maintaining family relationships. This can be accomplished by adopting policies that promote and strengthen marriage. The greatest positive impact will be felt by children and women who are disproportionately impacted by the break up of the home or a failure for the parents to marry. The benefits of a traditional marriage can be measured financially, emotionally and academically.
- (9) Missouri could adopt policies that create additional awareness of the benefits of traditional marriage. This can be addressed without any expenditure of public dollars by requiring all public school sex education classes to teach sex and parenthood in the context of marriage. This could counteract the ideas glamorizing single parenthood that has become common in popular culture.

# Appendix 1

## Public Hearings & Meetings

### **1. First Public Hearing of the Missouri House of Representatives Interim Committee on Poverty**

Jefferson City, Missouri  
November 5, 2007

***Witnesses:***

Michael F. Cannon, Director of Health Policy Studies, Cato Institute  
Anthony B. Bradley, Research Fellow, The Acton Institute

### **2. Second Public Hearing of the Missouri House of Representatives Interim Committee on Poverty**

Jefferson City, Missouri  
November 26, 2007

***Witness:***

Beverly Gossage, Director, HAS Benefits Consulting

### **3. Third Public Hearing of the Missouri House of Representatives Interim Committee on Poverty**

St. Louis, Missouri  
September 16, 2008

***Site:***

Tour of Sunshine Mission and Ministries

### **4. Fourth Public Hearing of the Missouri House of Representatives Interim Committee on Poverty**

Jefferson City, Missouri  
October 27, 2008

***Witness:***

Dr. Jennifer Roback Morse, President, The Ruth Institute

## Appendix 2

### Institution and Organization Information

#### **THE CATO INSTITUTE**

[HTTP://WWW.CATO.ORG/ABOUT.PHP](http://www.cato.org/about.php)

1000 Massachusetts Ave NW  
Washington D.C. 20001-5403  
202-842-0200  
202-842-3490 (fax)

*The Cato Institute was founded in 1977 by Edward H. Crane. It is a non-profit public policy research foundation headquartered in Washington, D.C. The Institute is named for [Cato's Letters](#), a series of libertarian pamphlets that helped lay the philosophical foundation for the American Revolution.*

*The mission of the Cato Institute is to increase the understanding of public policies based on the principles of limited government, free markets, individual liberty, and peace. The Institute will use the most effective means to originate, advocate, promote, and disseminate applicable policy proposals that create free, open, and civil societies in the United States and throughout the world.*

#### **THE ACTON INSTITUTE**

[HTTP://WWW.ACTON.ORG/](http://www.acton.org/)

161 Ottawa Ave NW Ste. 301  
Grand Rapids, MI 49503  
616-454-3080  
616-454-9454 (fax)

*Founded in April, 1990, the Acton Institute is named in honor of John Emerich Edward Dalberg Acton (1834-1902), 1st Baron Acton of Aldenham and the historian of freedom. Known as "the magistrate of history," Lord Acton was one of the great personalities of the nineteenth century. Widely considered one of the most learned Englishmen of his time, Lord Acton made the history of liberty his life's work. Indeed, his most notable conclusion of this work is that political liberty is the essential condition and guardian of religious liberty. He thereby points to the union of faith and liberty, which has been the inspiration for the mission of the Acton Institute.*

*The mission of the Acton Institute is to promote a free, virtuous, and humane society. This direction recognizes the benefits of a limited government, but also the beneficent consequences of a free market. It embraces an objective framework of moral values, but also recognizes and appreciates the subjective nature of economic value. It views justice as a duty of all to give the one his due but, more importantly, as an individual obligation to serve the common good and not just his own needs and wants. In order to promote a more profound understanding of the coming together of faith and liberty, the Institute involves members of religious, business, and academic spheres in its various seminars, publications, and academic activities. It is our hope that by*

*demonstrating the compatibility of faith, liberty, and free economic activity, religious leaders and entrepreneurs can contribute by helping to shape a society that is secure, free, and virtuous.*

## **HSA BENEFITS CONSULTING**

[HTTP://WWW.HSABENEFITSCONSULTING.COM/ABOUT](http://www.hsabenefitsconsulting.com/about)

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913-207-6141

785-542-3010 (fax)

*HSA Benefits Consulting specializes in helping businesses and individuals find affordable health insurance, especially HSAs (Health Savings Accounts) - a tax-free account you can use to cover your health care expenses if you have a qualified high deductible health plan.*

*As health consultant and research fellow for the [Show Me Institute](#) founder Beverly Gossage has written articles and shared ideas on health reform with Missouri legislators and the governor's office.*

*She has testified on bills regarding health policy in both houses of the Kansas Legislature and serves on the health board of the [Flint Hills Center for Public Policy](#).*

*In April of 2006, President Bush invited Beverly to the White House, one of ten guests, including representatives from insurance carriers, banks, and business owners to participate in a round table discussion on HSAs.*

## **THE RUTH INSTITUTE**

[HTTP://WWW.RUTHINSTITUTE.ORG/](http://www.ruthinstitute.org/)

663 S. Rancho Santa Fe Rd

San Marcos, CA 92078

760-295-9278

*The Ruth Institute is a project of the National Organization for Marriage (NOM) which is a nonprofit organization with a mission to protect marriage and the faith communities that sustain it.*

*Founded in 2007 in response to the growing need for an organized opposition to same-sex marriage in state legislatures, NOM serves as a national resource for marriage-related initiatives at the state and local level. For decades, pro-family organizations have educated the public about the importance of marriage and the family, but have lacked the organized, national presence needed to impact state and local politics in a coordinated and sustained fashion. NOM seeks to fill that void, organizing as a 501(c)(4) nonprofit organization, giving it the flexibility to lobby and support marriage initiatives across the nation.*

*Consistent with its 501(c)(4) nonprofit status, NOM works to develop political messaging, build its national grassroots email database of voters, and provide political intelligence and donor infrastructure on the state level, with a focus on developing new strategies for increasing influence in the Northeast and West Coast, where marriage is most under threat.*

## **SUNSHINE MINISTRIES**

[HTTP://WWW.SUNSHINEMINISTRIES.ORG/DEFAULT.ASPX](http://www.sunshineministries.org/default.aspx)

1520 N. 13<sup>th</sup> Street  
Saint Louis, MO 63106  
314-231-8209

The Ministry was founded in 1903 and is the oldest shelter in St. Louis. Men, women, and children benefit from Sunshine Mission, the Youth and Family Center, and Eagle Lodge. The organization serves men in the emergency shelter, a 13-month residential recovery program, and a graduate program.

Among the many available programs are:

- A resident program -designed to help men overcome alcohol and/or drug addiction and transition into a productive lifestyle
- A graduate program wherein the graduates are given an opportunity to live independently but with continued help and encouragement of the ministries' staff.
- The Youth and Family Center serves families living at the poverty level and in government housing projects near the mission. The youth and family programs include the CARE Program, an adult Learning Center, and life skill classes.
- A learning center with a computer room for the participating women to further their education or learn computer skills.
- An after school program is designed to keep children off the streets from 3:00-6:00 PM, when the streets are most dangerous in the inner city.
- Summer Camps which start immediately after the city schools dismiss for the summer.