2011 REPORT ON POVERTY

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Prepared by:
Maine State Planning Office, Economics and Demographics Team
38 State House Station
Augusta, Maine 04333
207-624-7660
www.maine.gov/spo/economics

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Executive Summary

For some Mainers, meeting the needs of daily life is a struggle. According to the U.S. Census Bureau, more than one in ten Maine residents live below the poverty line. Nearly one third of Mainers have a household income that classifies them as poor or near-poor. These households feel the pinch of rising costs for shelter, fuel, food, and medical care.

Poverty is not just a problem for the people who experience it; it is a problem for everyone. Those in poverty are often isolated from community life, are unable to participate fully in the economy, and cannot support local businesses. Hungry children are not able to focus on learning in school and face the likelihood of continuing the cycle of poverty to the next generation.

In this 2011 Report on Poverty, the trends we see show the effects of the recession that began December 2007. Most of the data included in this report are the most recently available annual data. Since the data come from a variety of sources, updates are made at different points in time.

- Median income in Maine increased slightly for 2009 after adjusting for inflation, which was negative year-over-year for the first time since 1955. Average earnings per job also increased slightly.
- Using the Census Bureau's preferred two-year averages, Maine's official poverty rate was 11.7% in 2008-2009. That is up from the previous two-year rate of 10.5% in 2006-2007.
- There is great disparity in poverty levels across Maine's regions. In easternmost Washington County, poverty is around twice as prevalent as in Cumberland, York, and Sagadahoc counties.
- For the 2007 tax year, Maine saw a slight decrease in Earned Income Tax Credit filings at the federal level. Counties with higher poverty rates tended to see higher rates of EITC filings.
- The rate of very low food security increased in Maine for the 2007-2009 period compared to preceding 3-year averages. Maine's overall food insecurity rate was 15.1% for 2007-2009.
- Both the Food Supplement Program and the National School Lunch Program saw increases in use, continuing an upwards trend since 2001.
- Maine's evolution from a manufacturing-based economy to one more involved in services and information continues to bring regional disparities in job growth and average earnings. Maine also has higher rates of people holding multiple jobs than in the nation as a whole.
- Maine's minimum wage has held pace with inflation since the 1990s, but has not regained the real value it had in the 1970s. However, Maine's minimum wage increased in October 2009 and was compounded by a slight decline in inflation.
- Maine continues to lag behind the nation in the number of residents with postsecondary education. This has important implications for the earning power of Maine's citizens.
- Despite price declines following the collapse of the housing market bubble, the cost of housing has outpaced increases in median income over the course of the decade.
- The costs of heating oil and gasoline continue to creep up following sharp decreases in late 2008. Heating oil has again risen above the 2005/2006 levels; gasoline prices are moving closer to post-Katrina 2005 levels.

Measuring Poverty

Federal Poverty Measures

Household income is the most direct and common measure of poverty. The federal government's poverty thresholds and guidelines* are income levels below which households are considered "poor." These measures were developed in the mid-1960s, and the same methodology is used today.

The measures were originally developed based on the cost of feeding a family an "economy" food plan. The sparest of four food plans developed by the U.S. Department of Agriculture was the "economy" plan. Then, assuming that households spent one-third of their income on food, a threshold income level for survival was determined. This mid-1960s income level (called the "poverty line") has been increased for inflation each year by using the Consumer Price Index for All Urban Consumers.[1]

For years, those who study poverty have considered this historical measure to be inadequate as a means of fully describing poverty. For example, over time the costs of housing and medical care have increased far more than the cost of food. Today, the average household spends just 12% of its income on food, but one-third or more of its income on housing.[2]

Furthermore, the ratio of the federal poverty line to median income has changed over time. In the mid-1960s, when the poverty line was first developed, it represented 50% of median income in the United States. In 1999, the poverty line had decreased to 33% of the median income.[3] Lastly, federal poverty measures apply to all states, counties, and cities, regardless of regional differences in cost of living.

Despite these limitations, federal poverty guidelines remain relevant because many governmental and non-governmental organizations use them to determine eligibility for assistance programs. Some programs that use these guidelines are Head Start, the Food Supplement Program, and the National School Lunch Program for free and reduced lunch. The table below shows the poverty guidelines from 1980 to 2010 for families of various sizes.[4] The guidelines did not change between 2009 and 2010 due to a lack of inflation.

* "Thresholds" are used for calculating the number of people in poverty. "Guidelines" are used to determine eligibility for assistance programs.

Table 1. Poverty guidelines, selected years, 1980 to 2010

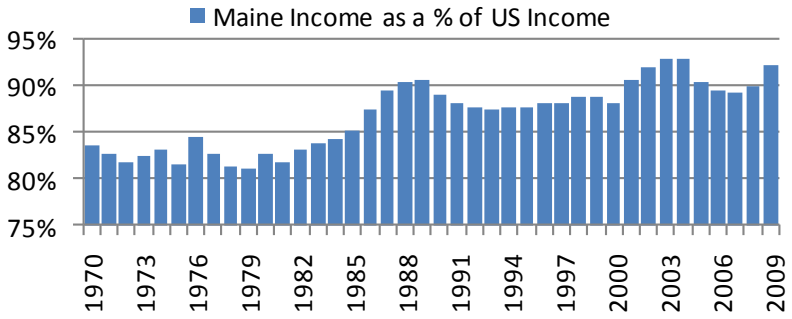
Household size	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010
1	4,210	5,250	6,280	7,470	8,350	9,570	9,800	10,210	10,400	10,830	10,830
2	5,590	7,050	8,420	10,030	11,250	12,830	13,200	13,690	14,000	14,570	14,570
3	6,970	8,850	10,560	12,560	14,150	16,090	16,600	17,170	17,600	18,310	18,310
4	8,350	10,650	12,700	15,150	17,050	19,350	20,000	20,650	21,200	22,050	22,050
5	9,730	12,450	14,840	17,710	19,950	22,610	23,400	24,130	24,800	25,790	25,790
6	11,110	14,250	16,980	20,270	22,850	25,870	26,800	27,610	28,400	29,530	29,530
7	12,280	16,050	19,120	22,830	25,750	29,130	30,200	31,090	32,000	33,270	33,270
8					28,650	32,390	33,600	34,570	35,600	37,010	37,010
For each additional member:											
Add:	1,170	1,800	2,140	2,560	2,900	3,260	3,400	3,480	3,600	3,740	3,740

Source: U.S. Department of Health and Human Services, published annually in the Federal Register

Income

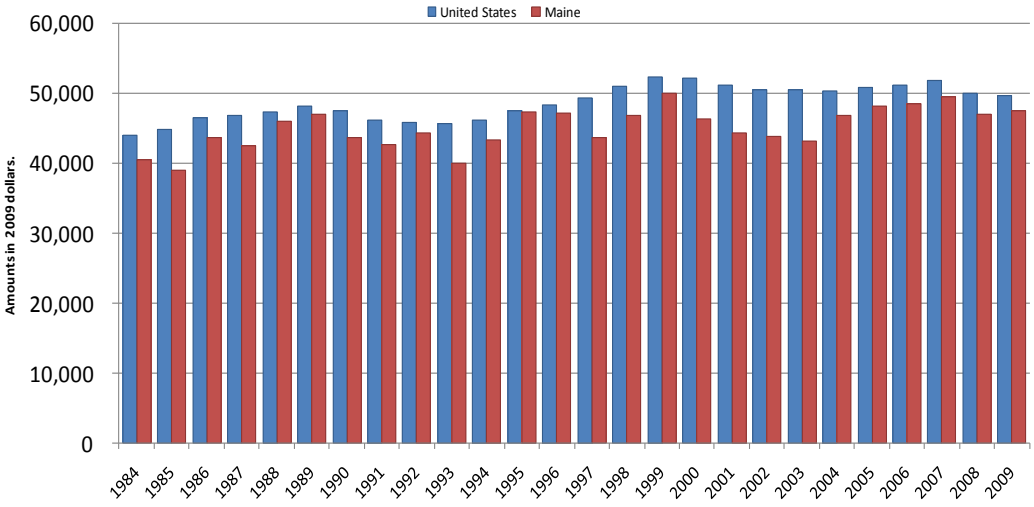
Income is the most common and direct measure of poverty. Over time, per capita incomes in both Maine and the nation have steadily increased. Per capita personal income, which includes all forms of income from earned wages and salary to government benefits, was $3,413 in Maine and $4,084 in the United States in 1970. By 2009, per capita personal income had risen to $36,479 in Maine and $39,626 in the nation. Although per capita income in the U.S. exceeds per capita income in Maine, the proportion of Maine's per capita income to the nation's has improved. Chart 1 shows that in 1970, Maine's per capita income was 83.6% of national income. By 2009, that percentage had risen to 92.1%.[5]

Chart 1. Per Capita Personal Income, 1970-2009



Over time, the cost of goods and services has increased as well. Chart 2 shows the real median household income in Maine compared to the nation for the last two decades. These income figures have been adjusted for inflation to reflect actual purchasing power. As seen in the chart, Maine has consistently lagged behind the U.S average. Average real median household income in Maine had been rising between 2003 and 2007, but household income growth for both Maine and the nation turned negative in 2008 following the start of the 2007 recession.[6] Real median household income in Maine rose slightly from 2008 to 2009 while household income for the U.S. continued to decline.

Chart 2. Real Median Household Income, Maine and U.S., 1984-2009



Comparisons of Maine and U.S. income levels should be interpreted with caution. For example, Chart 2 reflects changes in purchasing power over time, but not differences between the cost of living in Maine and other parts of the nation. Some expenses may be higher in Maine than elsewhere, such as transportation and energy. Conversely, some goods and services may be cheaper in Maine, and therefore more accessible to Maine people despite lower incomes. For instance, despite lower incomes, Mainers have historically had higher rates of homeownership than other U.S. residents. As of the 3rd quarter of 2010, 74.3% of Mainers owned their residences, compared to 66.9% nationwide.[7]

Poverty Rate

The poverty rate in Maine has fluctuated between 10% and 15% for over twenty years. This measure comes from the U.S. Census Bureau's Current Population Survey.[8] The Census Bureau recommends reporting changes in state poverty rates over time as two-year averages, as shown in Chart 3.[9] The poverty rate in Maine was 11.7% in 2008-2009, according to this measure. This is below the national poverty rate of 13.8%, but this shows that Maine's poverty level improved very little between the 2001 and 2007 recessions.

Chart 3. Poverty Rate, 2-Year Average
Maine, 1980-2009

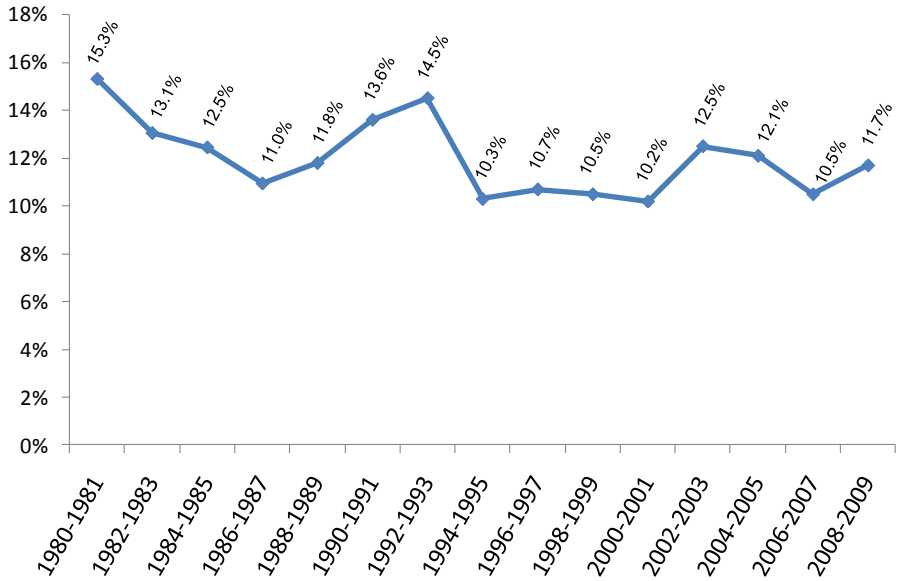
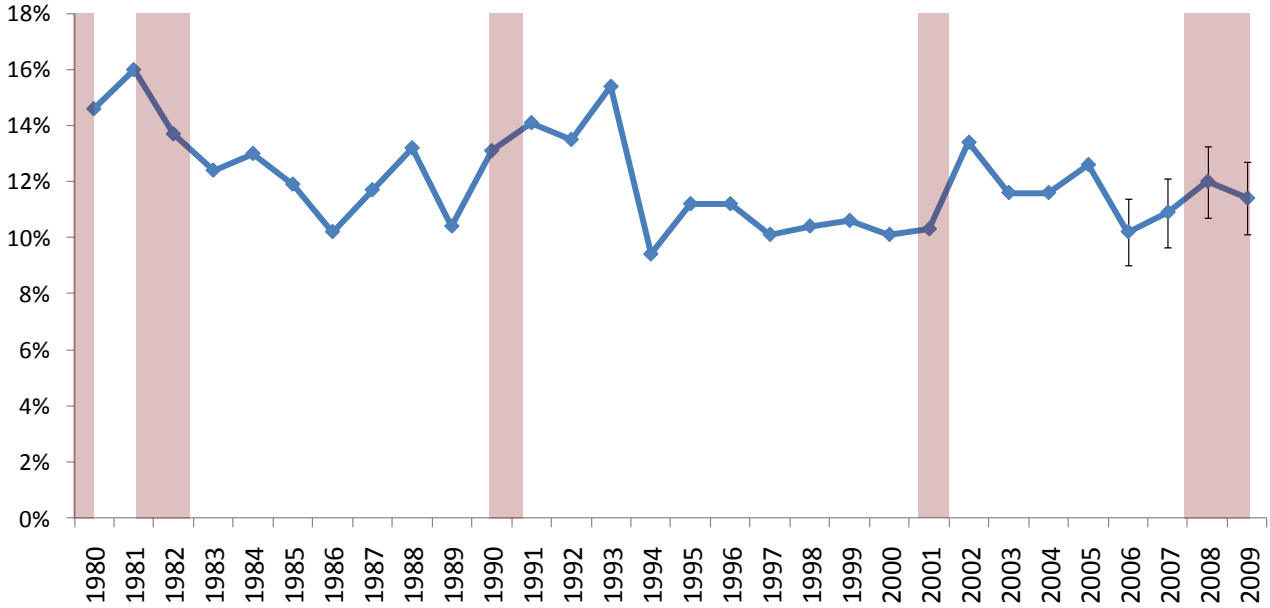


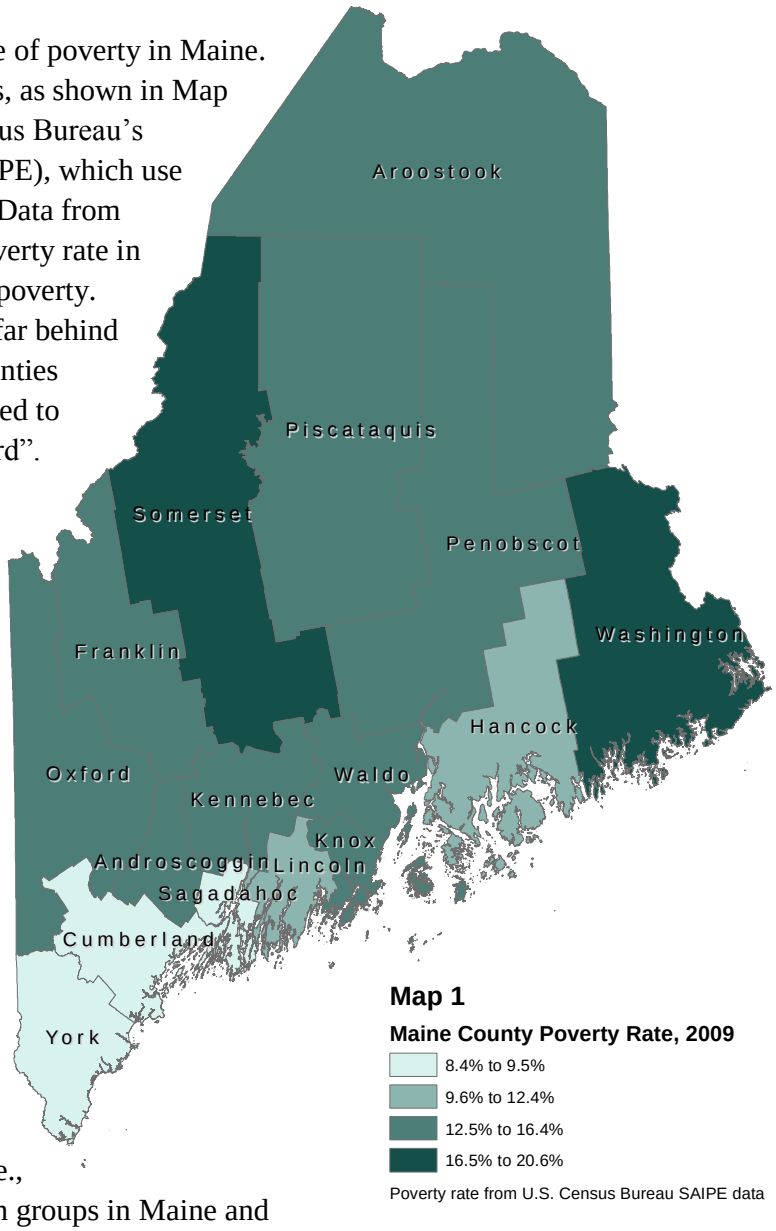
Chart 4. Poverty Rate and Recession
Maine, 1980 to 2009



Shaded areas show periods of recession.

Chart 4 shows periods of recession and their relationship to the poverty rate in Maine as it is estimated on an annual basis. Maine's poverty rate appears to have decreased in the most recent period after rising in the three prior years. Error bars on the graph show the margins of error for recent estimates, illustrating the statistical range of the estimate. The poverty rate is considered a lagging indicator, meaning that it tends to rise after the official end of an economic recession. The National Bureau of Economic Research, which assigns dates to business cycles, announced a June 2009 end date for the recession that began on December 2007.

County-level data reveal a more nuanced picture of poverty in Maine. There is considerable variance between counties, as shown in Map 1.[10] This information comes from the U.S. Census Bureau's Small Area Income and Poverty Estimates (SAIPE), which use a slightly different methodology from the CPS. Data from 2009 are shown. The county with the lowest poverty rate in 2009 was York, with 8.4% of the population in poverty. Cumberland and Sagadahoc Counties were not far behind at 9.3% and 9.5%, respectively. These three counties make up the Metropolitan Statistical Area referred to nationally as "Portland-South Portland-Biddeford". Poverty in Washington County was more than twice as prevalent at 20.6%. Similarly, 19.3% of Somerset County's population is estimated to be in poverty. Compared to SAIPE's 2009 estimate for the state of 11.4%, 13 of Maine's 16 counties had poverty rates above the state average.



Ratio of Income to Poverty: At-Risk Populations

Poverty rates are based on federal poverty measures that may underestimate the number of people who struggle to meet daily needs. Measures of households with incomes 150% or 200% of the official poverty line offer a broader view of this population.

Table 2 shows the ratio of income to poverty (i.e., the federal poverty level) for selected population groups in Maine and the nation. The rate of female-headed households below 100% of the poverty line in Maine had been considerably lower than the U.S. in past years, but this category more closely resembled the national rate in 2009,[11] and Maine female-headed households near the poverty limit far exceed the national rate.[12]

Table 2. Ratio of Income to Poverty, 2009, Selected Population Groups

		Below 100%	Standard Error	Below 150%	Standard Error	Below 200%	Standard Error
All Ages	Maine	11.4	1.3	20.7	1.6	29.9	1.8
	U.S.	14.3	0.1	23.6	0.2	33.0	0.2
Under 18	Maine	17.1	2.9	28.7	3.5	37.4	3.7
	U.S.	20.7	0.3	32.0	0.3	42.2	0.4
65 and over	Maine	7.2	1.6	20.5	2.5	36.2	3.0
	U.S.	8.9	0.2	20.4	0.3	33.7	0.3
Female head of household	Maine	40.3	3.6	71.4	3.3	83.4	2.7
	U.S.	39.9	0.3	56.5	0.3	68.3	0.3

It is clear that some populations struggle more than others in Maine and nationwide. Of particular concern are children, people age 65 and older, and female-headed households. These populations are often referred to as "at-risk" because they generally have higher rates in or near poverty than the population overall.

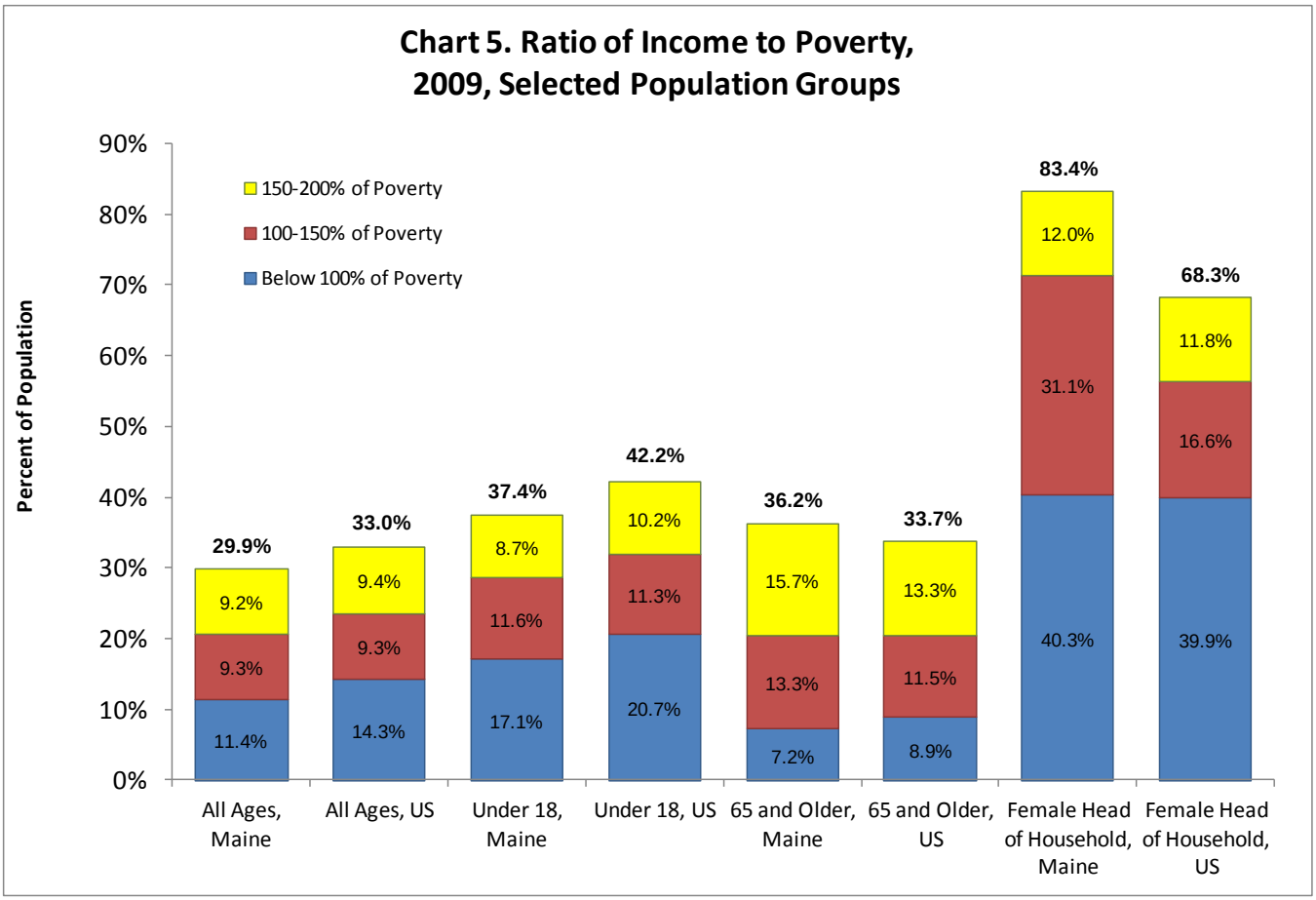


Chart 5 shows the percentage of people in each group with household incomes below 100%, between 100% and 150%, and between 150% and 200% of poverty thresholds. The percentage at the top of each column gives the total percent below 200% of poverty. The two leftmost columns show the percentage of all households at each income level for Maine and the U.S. The next two columns are for residents under age 18. More than one-third of Maine children live in households with incomes below 200% of the poverty line.

The next two columns show the percentage of elderly residents below the poverty line. The percentage of this population living in or near poverty in Maine is similar to the nation as a whole. The elderly are less likely to be below the poverty line because of aid from Social Security and Medicare, but they are at the greatest risk of falling within income levels between 150% and 200% of poverty.

The rightmost columns show the percentage of households with female heads at or near the federal poverty threshold. The percentage of these households below 100% of the poverty line is only slightly higher in Maine than in the nation overall, but a larger percentage of these families are near poverty in Maine than in the nation. In all, female-headed households comprise the poorest segment of the at-risk populations examined: more than 40% have incomes below the federal poverty threshold and over 83% have incomes below 200% of the poverty line.

Earned Income Tax Credit: Working Poor

Another way to look at the incomes of Maine families is to examine the number of people filing for the federal Earned Income Tax Credit (EITC). This credit allows low-income working people to receive a tax refund if they meet certain income requirements. The 2010 federal EITC thresholds for adjusted gross income are:

- $40,363 ($45,373 married filing jointly) with two qualifying children
- $35,535 ($40,545 married filing jointly) with one qualifying child
- $13,460 ($18,470 married filing jointly) with no qualifying children

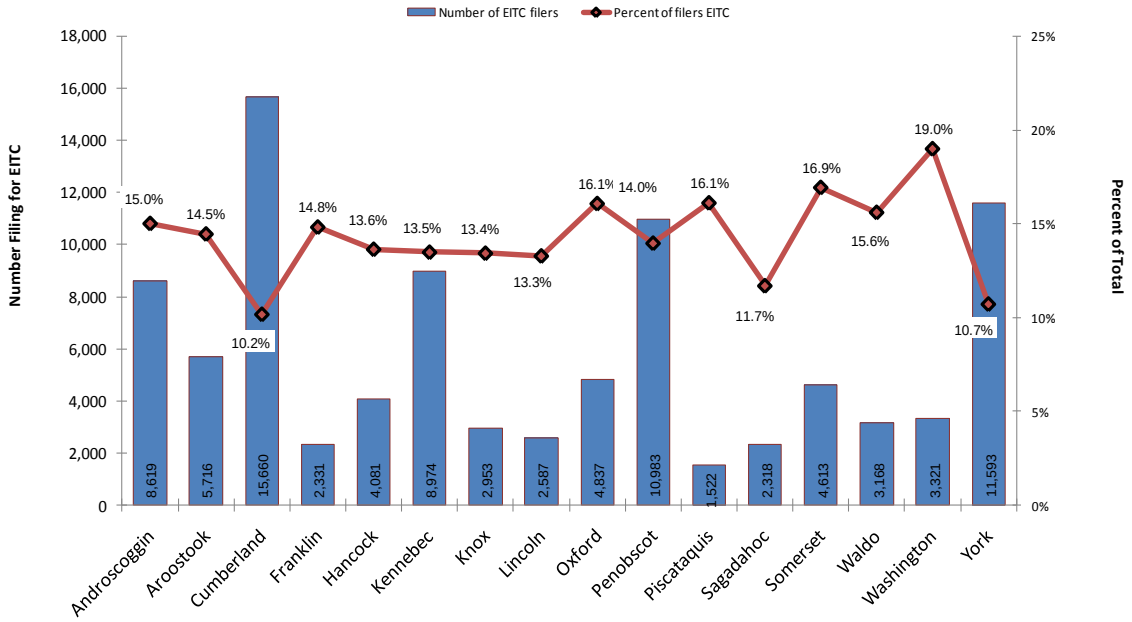
Table 3. Rate of EITC Filings in Maine

Year	Percent of all filers	Percentage point change
1997	14.3%	
1998	13.7%	-0.6
1999	12.8%	-0.8
2000	12.5%	-0.4
2001	12.4%	-0.1
2002	13.8%	1.4
2003	14.0%	0.2
2004	14.0%	0.0
2005	14.2%	0.2
2006	14.1%	-0.1
2007	13.0%	-1.0

EITC information is useful for determining the approximate number of people in Maine who are poor or near poor even though they work. This measurement is likely to be on the conservative side as the IRS estimates that 20 to 25% more people may qualify for EITC but may not be aware of it.[13]

Table 3 shows the number of Maine EITC filers between 1997 and 2007, the latest year for which data are available. Rates of EITC filings decreased between 1997 and 2001, and then experienced a sharp increase in 2002 following the 2001 recession. The percent of EITC filers remained fairly steady between 2002 and 2006 before falling 1.1 percentage points in 2007. This may also be a lagging indicator that next year's data will show has risen with the start of the recession.

Chart 6. Number Filing for EITC and Percent of Total Federal Filings, by County, 2007



Filings at the county level closely follow the patterns in the state for income and poverty. This information is shown in Chart 6. While Cumberland, Penobscot, and York represented the largest numbers of filers, Cumberland and York had the lowest percentages of total filings: 10.2% and 10.7%, respectively. Washington and Somerset saw the largest percent of their populations filing: 19.0% and 16.9%, respectively.[14]

Food Insecurity

Food insecurity is another indicator of poverty. It measures a household's ability to meet basic needs, rather than its income. The U.S. Department of Agriculture (USDA) defines food security as "access by all people at all times to enough food for an active, healthy life." Food insecurity can also reinforce the detrimental effects of poverty. Inadequate nutrition limits one's ability to focus on work and learning. Poor health may prevent people from working on a stable basis. Food security is generally studied at the household level.[15]

In 2005, the USDA began reporting food security status in three categories: food secure, low food security, and very low food security. Previously, the agency reported food security status using wording regarding hunger. This was abandoned in 2005, and the agency re-released data from earlier years using the new terminology. Enrollment in food supplement programs is taken into account when households are categorized. USDA reports food security data as two- or three-year averages in order to gain statistical significance.

Table 4. Food Security in Maine, 1996-2009

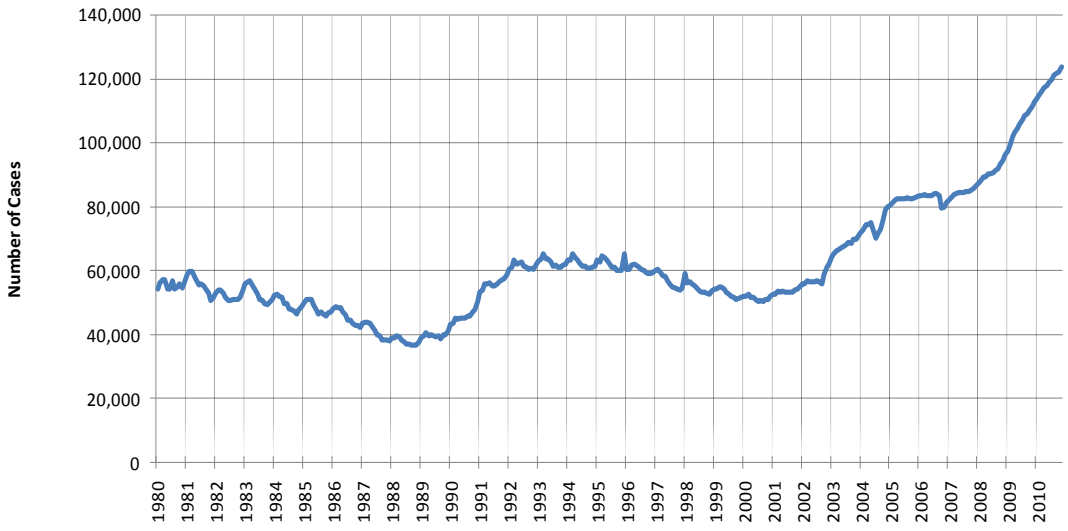
	1996-98	2004-06	2007-09	Percentage Point Change 1996-98 to 2007-09	Percentage Point Change 2004-06 to 2007-09
Food secure	90.2%	87.1%	84.9%	-5.3%	-2.2%
Low food security	5.8%	7.6%	8.4%	2.6%	0.8%
Very low food security	4.0%	5.3%	6.7%	2.7%	1.4%

In 2007-2009, 84.9% of Maine's population was food secure. This falls short of the national average of 86.5%. More than one in ten Maine residents did not have stable and secure access to food. Over 15% of Maine's population experienced food insecurity, and of these, 6.7% met the category of very low food security. Maine's food security status has fallen since 1996-1998, with low food security increasing by 2.6 percentage points and very low food security increasing by 2.7 percentage points. The USDA considers these values to be statistically different from the national rates.

Food Supplement Program

Closely related to the issue of poverty and food security is the use of food supplements. Food Supplement Program enrollment indicates the overall number of people needing assistance. Comparing it with measures of food insecurity further highlights the need for the program. In November 2010, around 18% of Maine's population was receiving food supplements.[16]

Chart 7. Statewide Food Supplement Program, Monthly Caseload Since 1980
(Note: Vertical lines show beginning of new year.)



The Food Supplement Program in Maine is funded by the USDA and tracked very closely, with monthly data going back to 1980. Chart 7 shows trend data for the use of food supplements from 1980 through 2010. Each data point represents the monthly caseload. In November of 2010, there were 123,721 food supplement cases serving 241,445 individuals.

Food supplement use in Maine tends to increase during the winter months and decrease during the summer months. Overall, food supplement use increased steadily between the beginning of 2002 and the end of 2010. According to the Department of Health and Human Services (DHHS), the earlier part of this increase may be partly due to the use of a new computer system that prompts DHHS employees to inform Medicaid applicants that they are likely eligible for food supplements. The federal Temporary Aid to Needy Families (TANF) program also began providing bonus awards for continued access to food supplements and MaineCare. All food supplement recipient cases are reviewed by Maine DHHS at least every six months, and program eligibility is based purely on income and assets, making the program an important and timely indicator of the poverty level. The most recent usage increase is likely due to the economic recession.

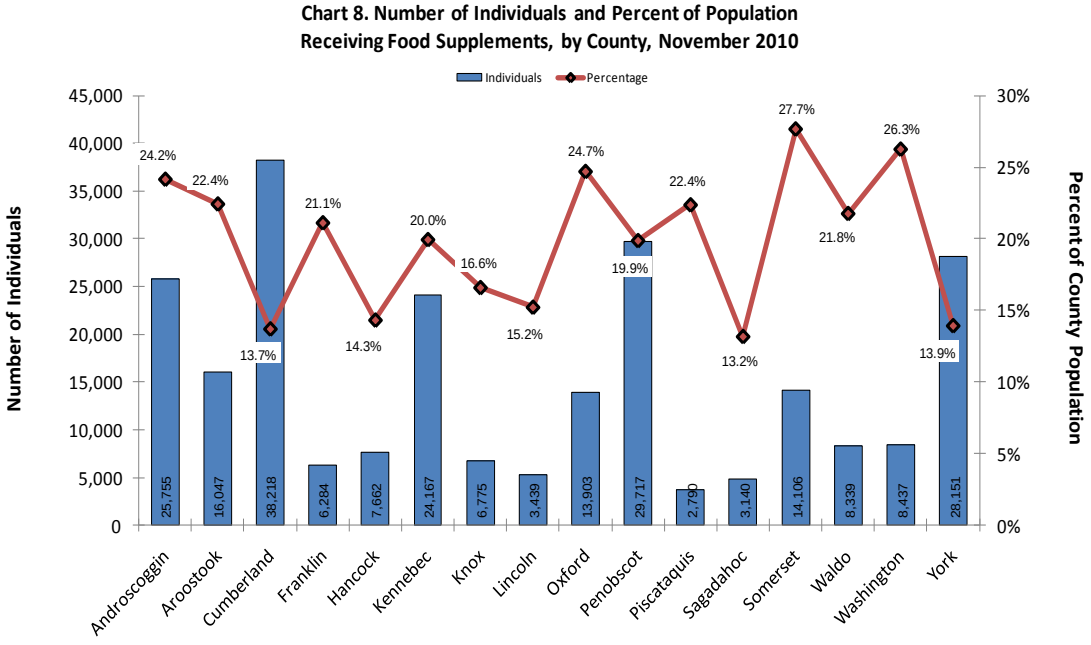
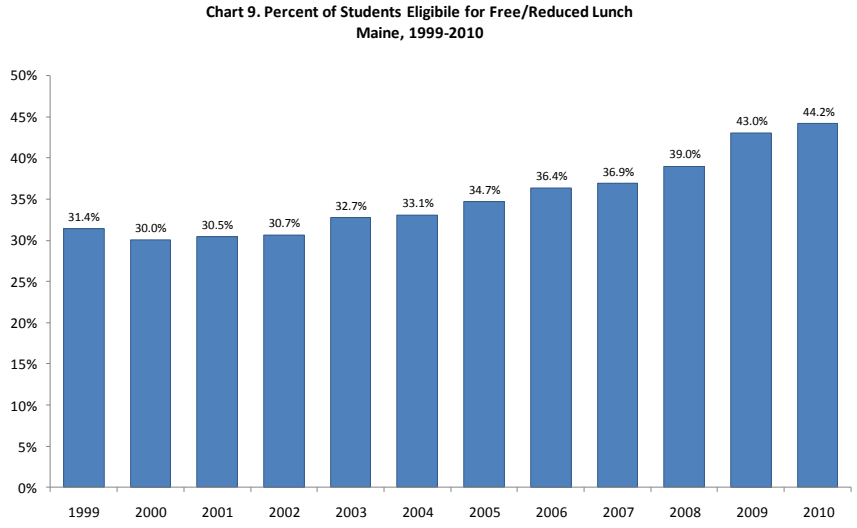


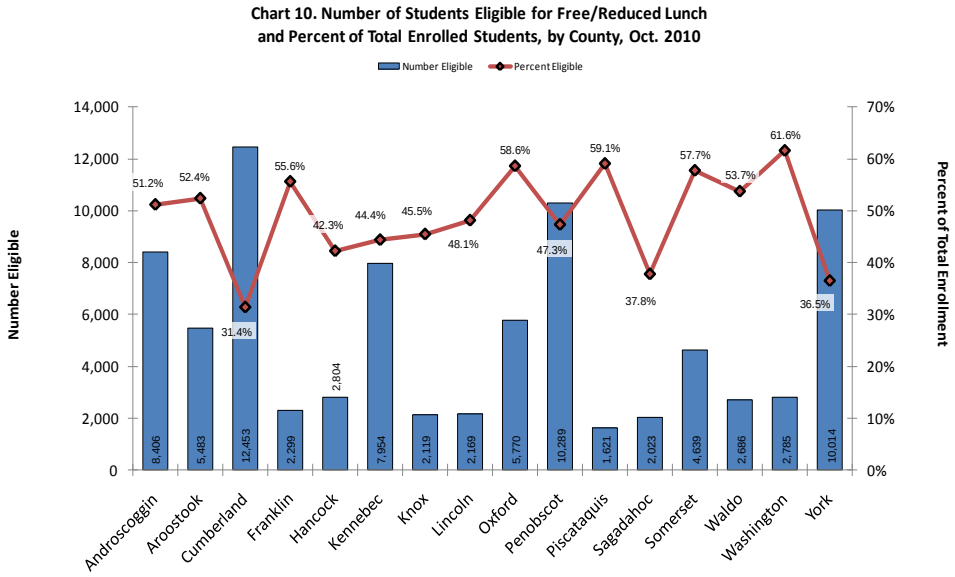
Chart 8 shows food supplement use by county, both by the number of recipients and the percentage of county population. Food supplements follow the trends seen in other measures, with the highest rates of use in Washington and Somerset counties, and the lowest usage in Cumberland, Sagadahoc, and York.



National School Lunch Program

The U.S. Department of Education's National School Lunch Program is another poverty indicator, and is especially useful for assessing the number of children in need of assistance.[17] Students in households with incomes at or below 185% of the federal poverty level qualify for reduced-price lunches. Students in households with incomes at or below 130% qualify for free meals.

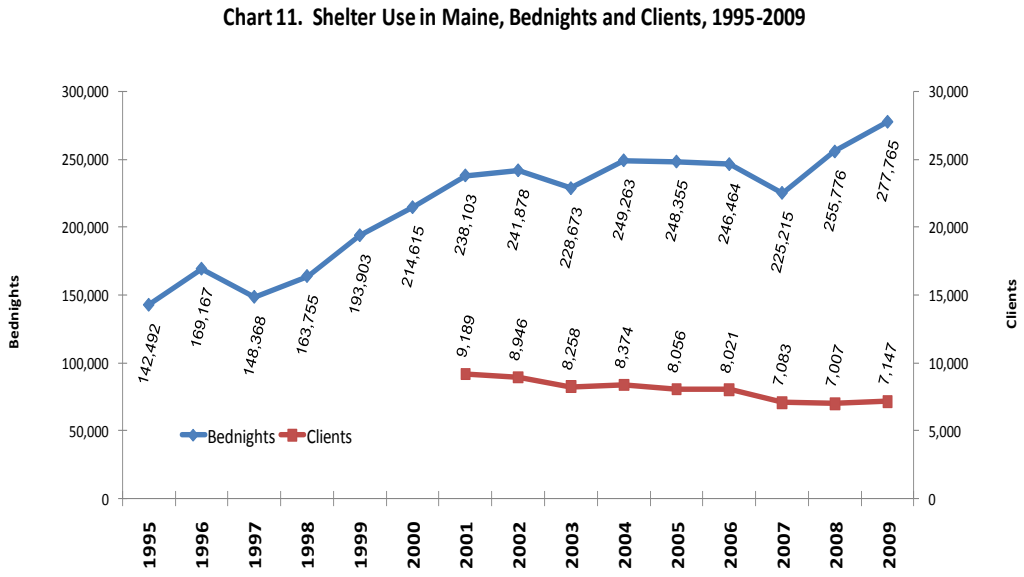
As shown in Chart 9, more than two in five Maine students are eligible for free or reduced lunch. The percentage of students eligible for the program increased steadily from 2000 to 2010 with larger jumps in recent years.



County-level information is shown in Chart 10. The number of students eligible for free or reduced lunch is shown with the eligible percentage of enrolled students per county. Rates of eligibility were highest in Washington, Piscataquis, and Oxford counties, and eight counties had more than half of enrolled students eligible for free/reduced lunch. The lowest rate was in Cumberland at 31.4%.

Homeless Population

Another indicator of poverty is the number of people who are homeless. The Maine State Housing Authority (MaineHousing) gathers information on homelessness in Maine from homeless shelters around the state. The counts used are "bednights" and clients. Bednights are the numbers of occupied beds at each homeless shelter in Maine on every night, added up for the entire year. The methodology used by MaineHousing to calculate the number of clients served in a given year guards against double counting clients. The data shown in Chart 11 take into account clients who were served in multiple months within the same year.[18]



The data show that shelter use (bednights) increased significantly between 1997 and 2004 other than a small drop in use in 2003. Bednights decreased slightly from 2004 to 2007 before reaching a new peak in 2009. Meanwhile, between 2001 and 2008, the number of clients served appeared to be on a downward trend. This indicates that homeless clients may be either more chronically homeless (experience more episodes of homelessness) or that each homeless episode is lasting longer (on average). The 2009 increase in clients follows other recent poverty trends.

Contributing Conditions

The preceding section discussed ways to measure poverty. This section discusses some conditions that cause or reinforce poverty. For example, low income can be an indicator of poverty, while the receipt of low wages may be a contributing factor. Similarly, educational attainment is well known to affect income and earnings. Therefore, this section examines employment and earnings as well as education levels. The following pages are not meant as a comprehensive analysis of the causes of poverty. Rather, the selected factors are those for which annual or biennial data are available. Many other important factors contribute to poverty but are difficult to quantify. Furthermore, in some cases these factors may be *effects* as well as *causes* of poverty, such as educational attainment.

Employment

Work is the primary source of income for most households, especially those with low incomes. Access to stable, well-paying jobs is a household's most reliable defense against poverty. Finding and keeping those jobs depends on many factors including educational attainment, health, family structure, access to transportation and childcare, and the strength of the economy overall.

Chart 12. Civilian Labor Force, Resident Employed, and Resident Unemployed, Maine, 1999-2009

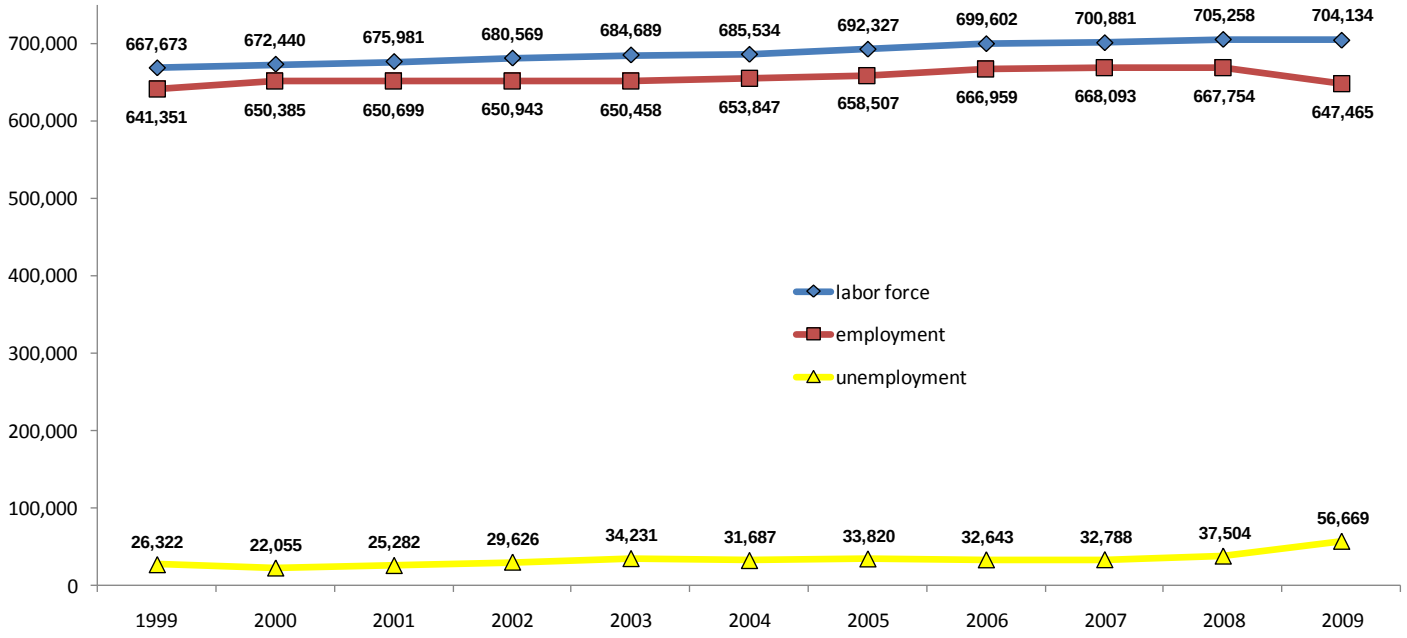
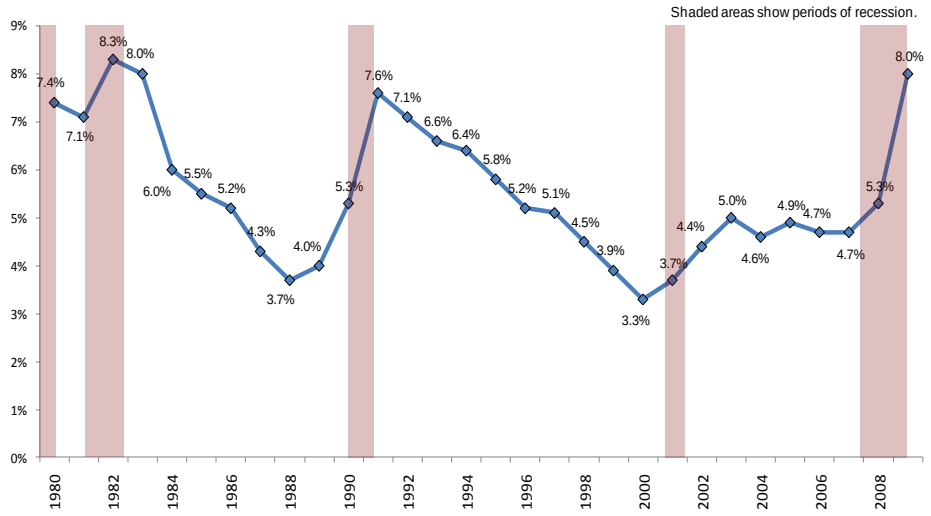


Chart 12 shows that the number of employed Maine people has grown slowly but fairly steadily over the last decade, with 2009 experiencing the only sharp decline.[19] There were 36,461 more people in Maine's labor force in 2009 than in 1999. There were 6,114 more employed workers, and 30,347 more unemployed workers. Most of the increase in unemployment is from 2009.

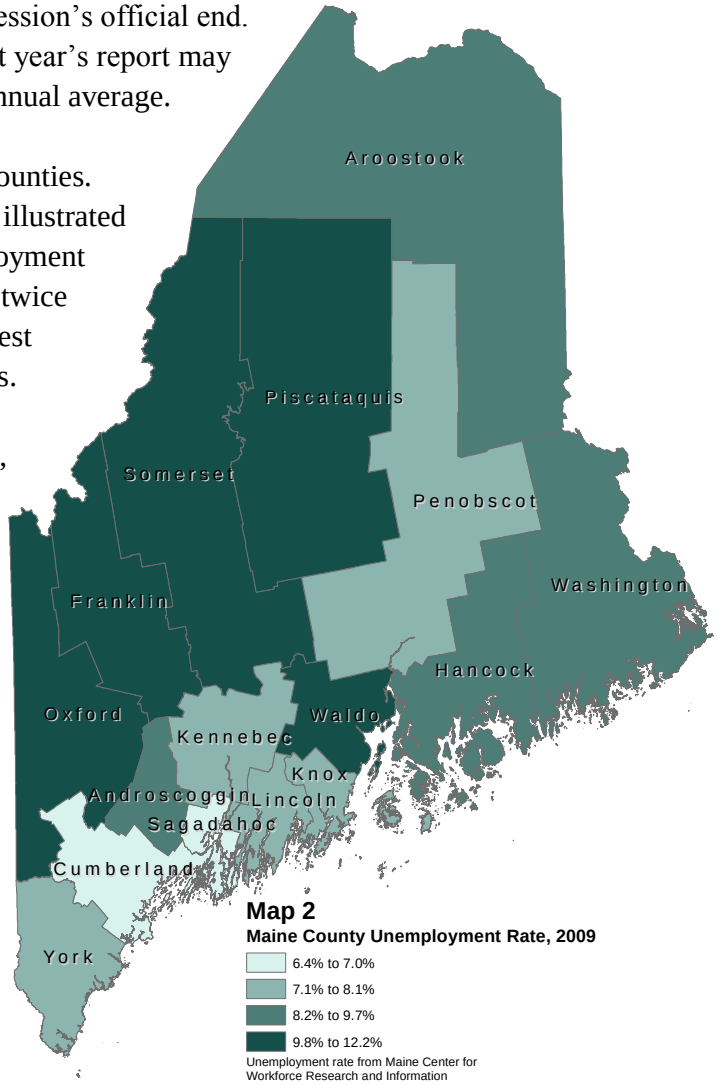
Chart 13 shows the unemployment rate from 1980 to 2009, with shaded bars showing periods of national economic recession. The unemployment rate measures the percentage of people who are actively seeking work but are not employed. It does not measure how many people are "discouraged" and no longer looking or how many people are underemployed (working fewer hours than desired or working in jobs at wages below their earning capacity). Maine's unemployment rate hit an all-time low of 3.3% in 2000. After the 2001 recession, unemployment rose to 5.0% in 2003, declining only slightly through 2007. At the start of the current recession unemployment rates began to rise, reaching an average of 8.0% for 2009. Like the poverty rate, unemployment tends to peak after a recession's official end. Unemployment is a lagging economic indicator. Next year's report may show the unemployment rate stabilize for the 2010 annual average.

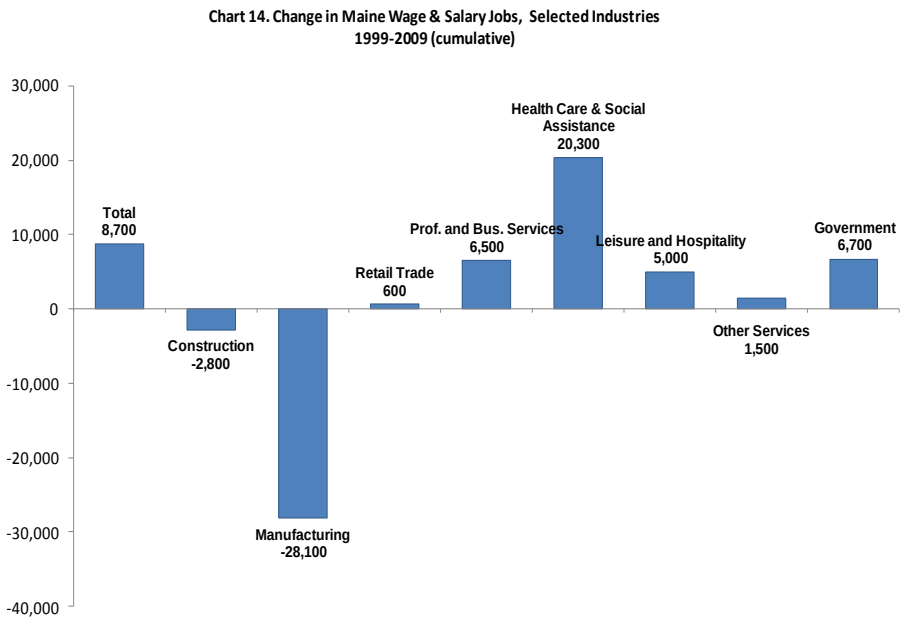
Chart 13. Unemployment Rate in Maine, 1980-2009



Map 2 shows 2009 unemployment statistics for the counties. These follow a similar trend as the poverty measures illustrated in the previous section. Piscataquis County's unemployment rate of 12.2% was the highest in the state and almost twice Cumberland's rate of 6.4%. Cumberland had the lowest percentage of unemployed workers of Maine counties.

To understand regional differences in unemployment, it is necessary to understand the varying causes of unemployment. Some unemployment is called "structural," referring to fundamental changes in technology and the economy that affect employment. Old occupations die out and new occupations are born. In such a transition, some workers may suffer unemployment. For instance, with the emergence of personal computers, demand for secretaries has fallen while demand for computer technicians has increased. Some unemployment is called "frictional." It refers to workers transitioning between jobs and employers having to search for the right job candidate. For example, some job seekers may not take the first job offered to them and may choose to remain unemployed temporarily while searching for preferred employment.

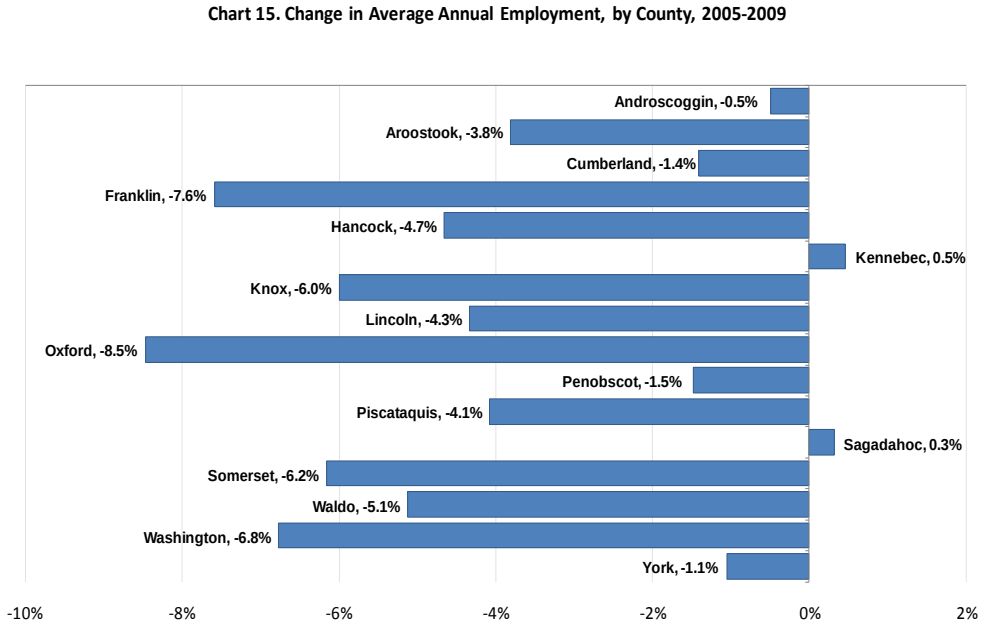




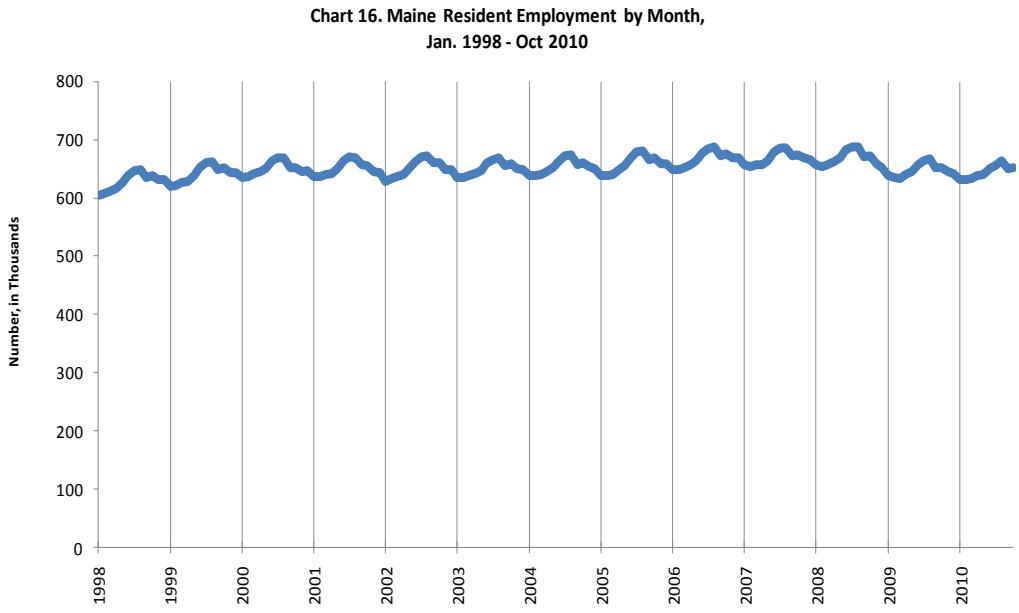
Different regions of the state experience frictional and structural unemployment at different rates. Regions that once relied on manufacturing may experience high rates of structural unemployment. In these regions, helping workers transition from declining to growing industries is essential. Unemployment in faster-growing regions may have more elements of frictional unemployment. In these regions, helping match job seekers with hiring employers is essential.

Chart 14 shows the nature of job growth over the last decade. During this time, Maine saw a net gain of 8,700 jobs. The largest gains were in service-oriented jobs including health care and social assistance, professional and business services, and government. Most of the government employment growth occurred at the local level, accounting for 4,000 new jobs during this time period while federal government employment added 1,400 and state government employment added 1,300 over the decade. Health care and social assistance has seen the largest increase in jobs of 20,300 since 1999. Jobs in retail trade remained nearly flat (growth of 600 jobs). During the same time period, Maine lost 28,100 manufacturing jobs. This indicates a structural shift in the state's economy that has caused some workers to struggle. People who lose jobs in manufacturing need help adapting their skills to qualify for jobs in growing industries. Some people have difficulty finding new job opportunities for which they are qualified and that pay similar wages. This may discourage some workers from finding employment or cause them to be underemployed.

Chart 15 shows the percent change in average annual employment for establishments within each county since 2005. From 2005 to 2009, the number of jobs increased only in Kennebec and Sagadahoc counties. Employment growth in Kennebec County was fueled by federal health and education services and federal public administration. Most of the net employment decline occurred towards the end of the 2008-2009 period.

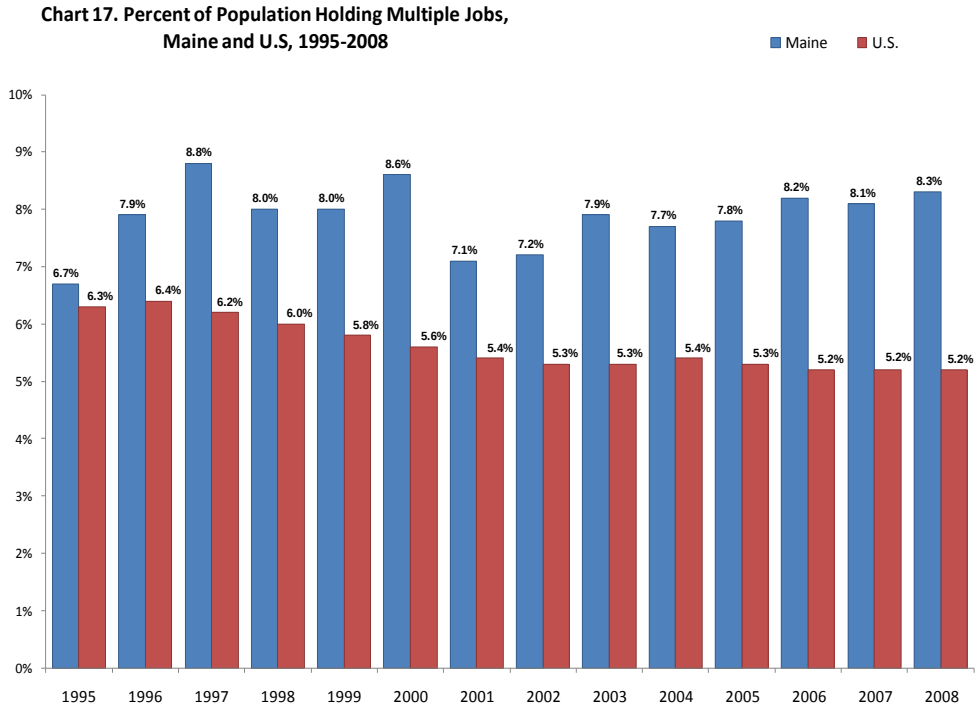


Another element of employment is stability. Some jobs may pay well but not last year round. Chart 16 shows the seasonal nature of work in Maine. Each data point along the graph represents resident employment in that month. (Vertical lines indicate the start of each year.) Clearly, more residents of Maine are employed during the summer months than in the winter, and yearly employment reaches its lowest point early in the year.[20]



The information in this chart has implications for certain assistance programs, such as the Food Supplement Program. Food supplement use peaks in the winter months, when fewer people are working and heating costs strain household budgets (see section 2 for food supplement data).

Chart 17 shows the number of workers in Maine who held multiple jobs between 1995 and 2008. Mainers are more likely to hold multiple jobs than workers elsewhere in the nation. Moreover, while Maine's rate for multiple job holders was close to the national rate in 1995 (6.7% and 6.3%, respectively), the national rate has decreased over the years while Maine's has increased. In 2008, 5.2% of U.S. workers held more than one job compared to 8.3% of Maine workers.



Earnings

Important to the study of poverty is information not only on the types of jobs available and how many people are employed, but the payment workers receive for their labor. This section shows information on earnings.[21] All information is presented in "real" dollars, adjusted for inflation to reflect actual buying power.

Chart 18 shows real average earnings per job from 1998 to 2009. Real earnings had modestly increased most years through 2004. Since 2004, earnings have declined for all but two years, and 2009 earnings are now below 2002 levels. Although 2009 represents an increase in real wages over 2008, this is driven more by a negative change in the average annual consumer price index, the first year over year decline since 1955, than by increases in earnings. Real earnings peaked for the decade in 2004 at $41,995. As of 2009, the real average earnings per job were $1,597 lower than in 2004.

Chart 18. Real Average Earnings per Job, Maine, 1998 to 2009

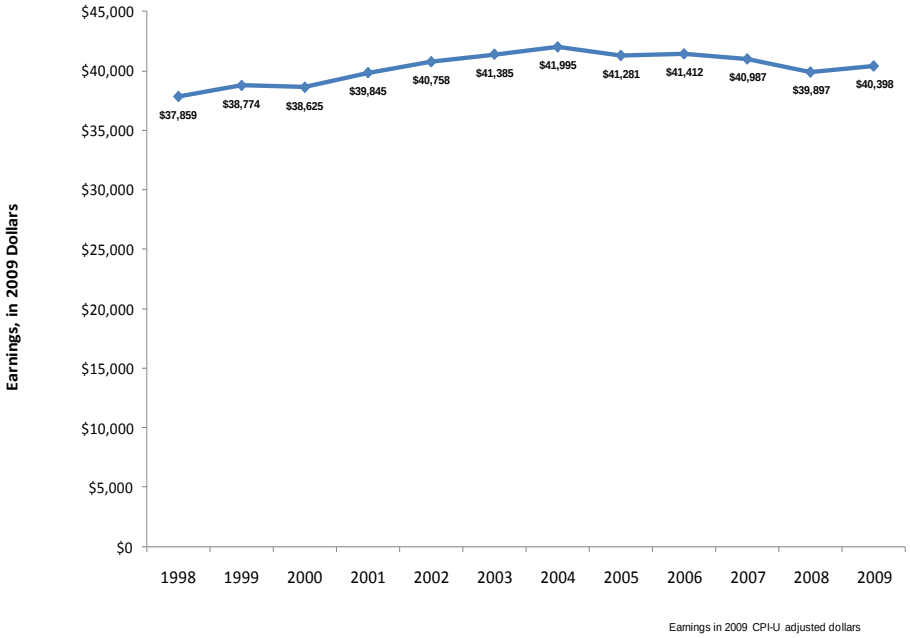
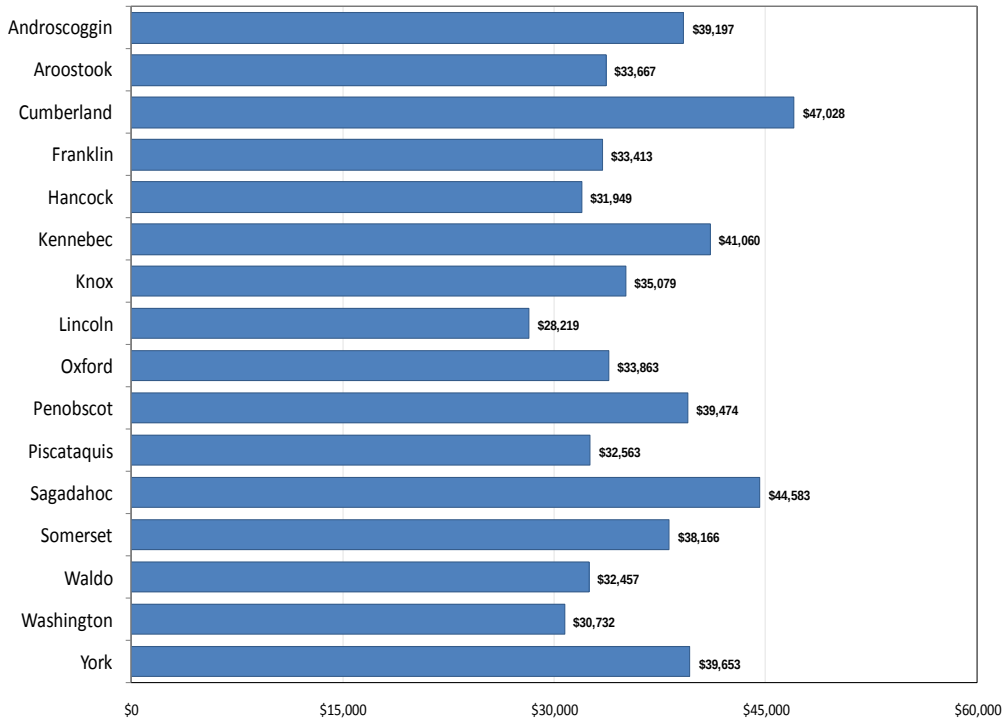
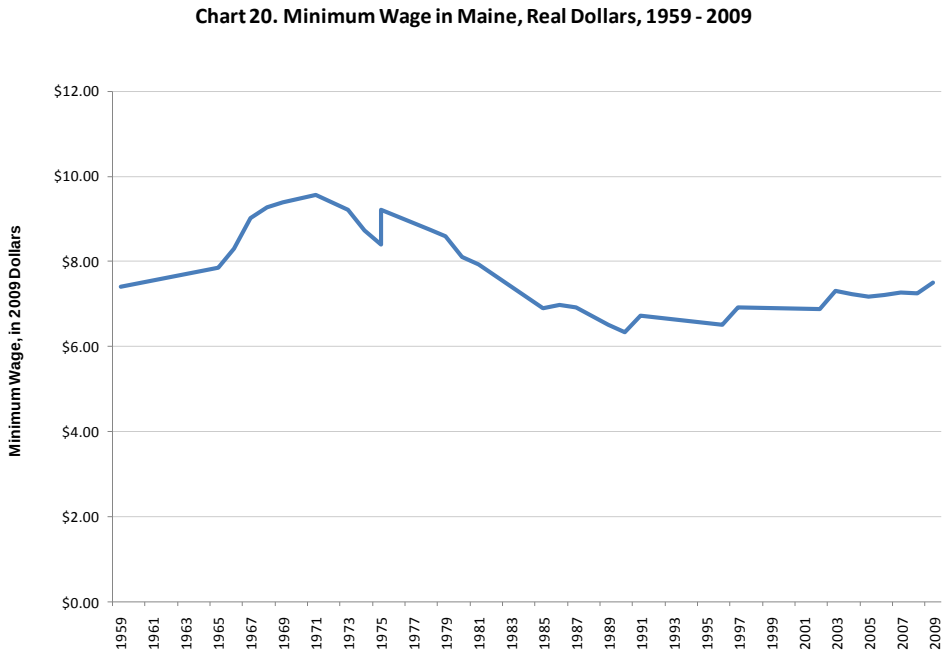


Chart 19 shows the average earnings per job for each county in 2008. The chart shows the same trend seen elsewhere, with Cumberland, York, and Sagadahoc counties showing high average earnings and Washington County showing low average earnings. Several mid-coast counties clustered near the low end as well, with the lowest average earnings in Lincoln County.

Chart 19. Average Annual Earnings per Job, by County, 2008



Periodically states and the federal government adjust minimum wage laws to keep wages aligned with the rising cost of living. Chart 20 shows the buying power of the minimum wage over time by adjusting for inflation to 2009 dollars.[22] Table 5 shows the actual dollar amounts and the dates on which they became effective as well as the inflation-adjusted dollar amounts.



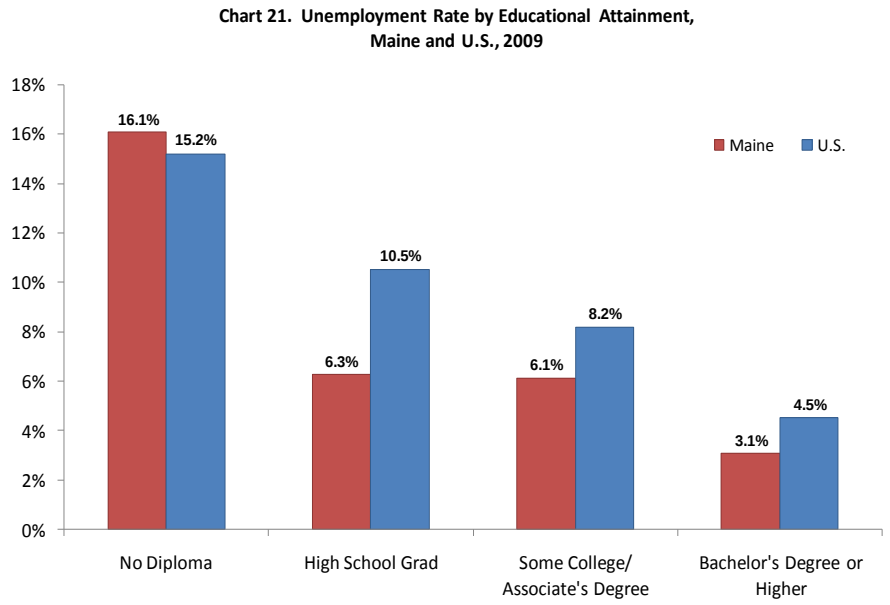
As shown in the chart, the minimum wage in Maine reached its high in terms of real buying power in 1971. In that year, workers earning minimum wage received the equivalent of $9.53 per hour in 2009 dollars. That payment has declined since then, reaching a low in 1990 of $6.32. Between 2007 and 2008 the real buying power of Maine's minimum wage decreased by $0.02 despite an increase in Maine's minimum wage to $7.25 in October 2008. Maine's minimum wage increased to $7.50 in October 2009, and the amount by which the real buying power of the minimum wage changed was 28 cents due to the first year-over-year inflation rate decrease in half a century.

Table 5. Maine's Minimum Wage, Nominal and Real 2009 Dollars

Date of Change	Minimum Wage	Real $	Date of Change	Minimum Wage	Real $
10/15/1959	$1.00	$7.37	1/1/1986	$3.55	$6.95
10/15/1965	$1.15	$7.83	1/1/1987	$3.65	$6.89
10/15/1966	$1.25	$8.28	1/1/1989	$3.75	$6.49
10/15/1967	$1.40	$8.99	1/1/1990	$3.85	$6.32
10/15/1968	$1.50	$9.25	4/1/1991	$4.25	$6.69
10/15/1969	$1.60	$9.35	10/1/1996	$4.75	$6.49
9/23/1971	$1.80	$9.53	9/1/1997	$5.15	$6.88
10/3/1973	$1.90	$9.18	1/1/2002	$5.75	$6.86
5/1/1974	$2.00	$8.70	1/1/2003	$6.25	$7.29
1/1/1975	$2.10	$8.37	10/1/2004	$6.35	$7.21
10/1/1975	$2.30	$9.17	10/1/2005	$6.50	$7.14
1/1/1978	$2.65	$8.72	10/1/2006	$6.75	$7.18
1/1/1979	$2.90	$8.57	10/1/2007	$7.00	$7.24
1/1/1980	$3.10	$8.07	10/1/2008	$7.25	$7.22
1/1/1981	$3.35	$7.91	10/1/2009	$7.50	$7.50
1/1/1985	$3.45	$6.88			

Educational Attainment

Educational attainment directly affects employment, earnings, and income. Nationwide, people with more years of formal education tend to have higher incomes, and shorter, less frequent periods of unemployment. The U.S. Census Bureau began reporting information on unemployment by educational attainment as part of the annual American Community Survey (ACS). Chart 21 shows these data for people age 25 and older in the workforce for 2009.[23]



It is clear from the chart that people without a high school diploma are much more likely to be unemployed than those with a high school diploma, particularly in Maine. As educational attainment rises, unemployment decreases. Those with a bachelor's degree or higher in Maine have a 3.1% unemployment rate for 2009 compared with 16.1% for those with only a high school diploma.

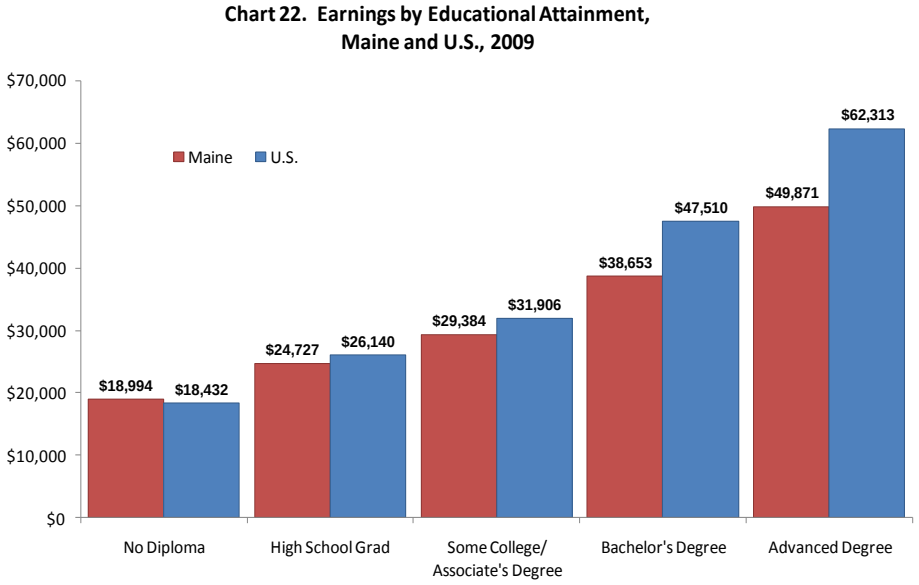
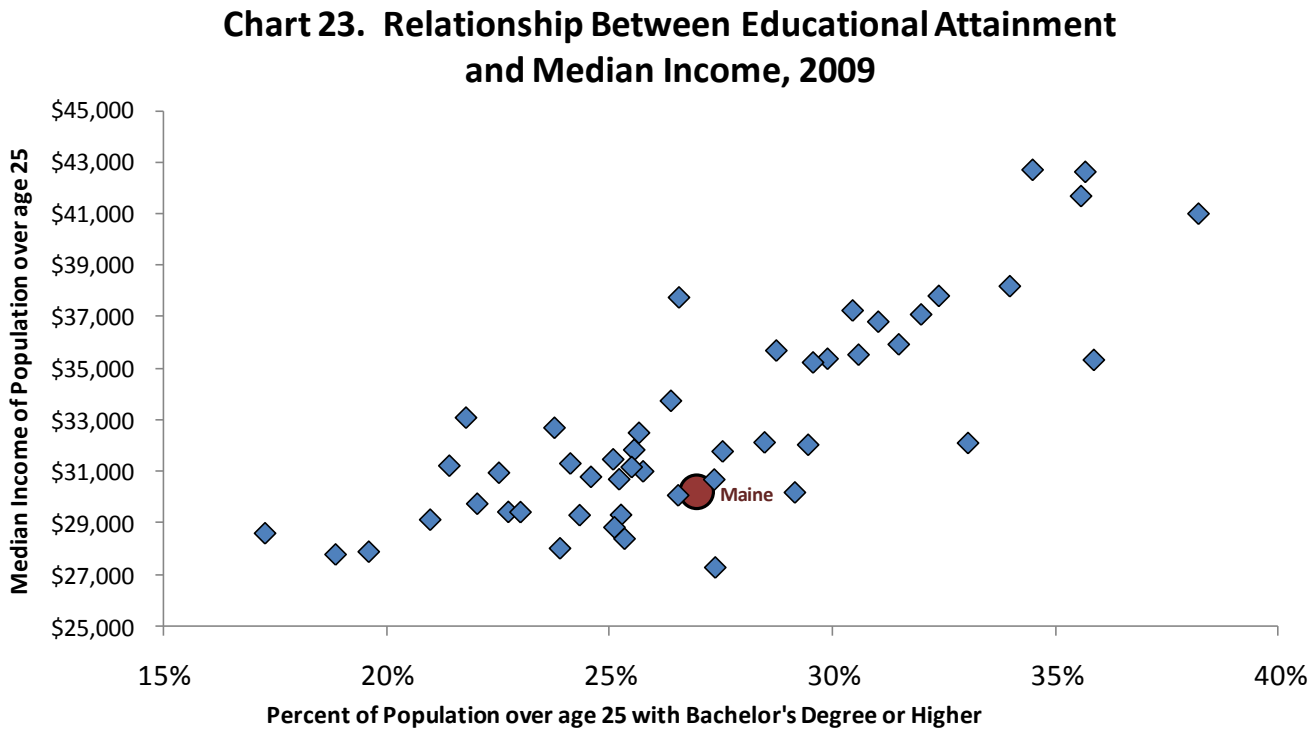
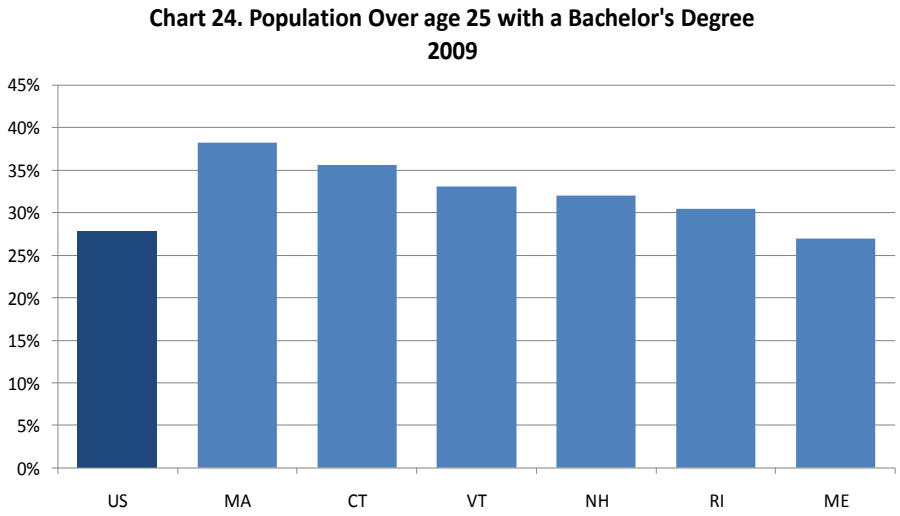


Chart 22 shows earnings and educational attainment of the population over 25 for Maine and the nation in 2009. That year, most Maine workers earned less than their peers nationwide, although the difference between Maine earnings and national earnings was smaller for the cohorts with lower educational attainment.

Chart 23 shows graphically the correlation between educational attainment and income in the U.S. Each data point on the chart represents a state's median income and the percentage of its population with a bachelor's degree or higher. Maine's data point appears as a circle. The points on the graph are loosely clustered along an imaginary line from the bottom left of the chart to the upper right. This means that as the percentage of a state's population with college degrees increases (movement toward the right of the chart), its median income tends to rise (movement toward the top of the chart).



These educational statistics illustrate the link between education, earnings, income, and, consequently, poverty. To understand how educational attainment levels contribute to poverty in Maine, it is important to know that fewer people in Maine have a bachelor's degree compared with the nation overall. In 2009, 26.9% of people over age 25 had a bachelor's degree or higher in Maine, compared with 27.9% in the nation. Chart 24 shows the percentages of bachelor degree attainment for the nation and six New England states. For secondary education, however, Maine has a better rate for high school graduation, with only 9.8% of residents age 25 and older lacking a high school diploma or equivalent qualification compared to 14.7% nationally.[24]



In recent years, the number of Maine people with college experience has increased. Degree enrollment in Maine's community colleges is growing at the second-fastest rate in the nation, increasing by 62% from 2002 through 2009.[25] If sustained, these trends may help close the educational gap between Maine and the U.S.

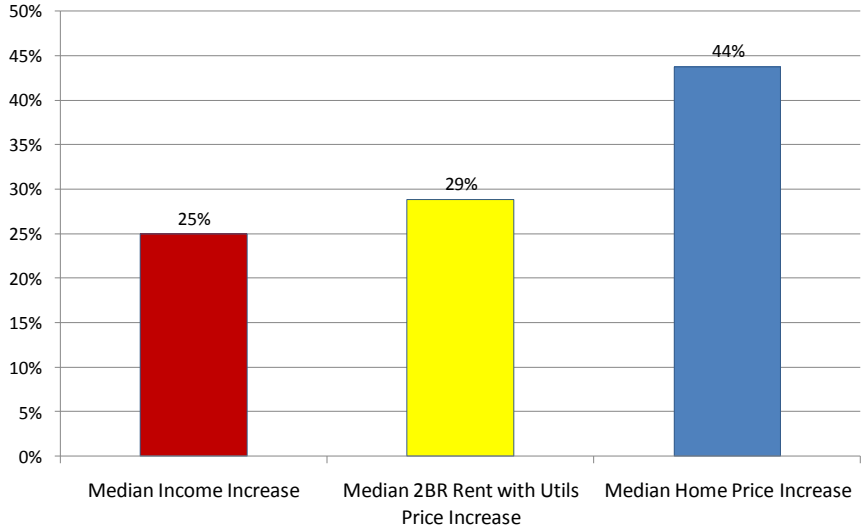
Contributing Costs

Certain household needs, such as shelter, transportation, energy, and childcare, constitute large portions of the budgets of low-income households. Many of these expenses represent a higher proportion of household budgets today than they did when federal poverty thresholds were first developed in 1964. Today, many low-income Maine households are particularly sensitive to price increases in these items. This section presents information on some of these costs.

Housing

First among these costs is housing. Data from MaineHousing show that the cost of housing has outpaced the rise in median income in the last seven years (see Chart 25).[26] Between 2000 and 2007, the median home price in Maine rose 69.2% and even after home prices have begun to adjust from the national housing market bubble, the median price in 2009 is still 44% higher than it was in 2000. The median rent for a 2-bedroom apartment has risen 29% since 2000. Meanwhile, median income during the same time period has risen only 22%. (Housing costs and income have not been adjusted for inflation.)

Chart 25. Cumulative Percent Increase 2000 to 2009
Housing Costs vs. Median Income



MaineHousing has developed an affordability index for both homeownership and rental. The affordability index is the ratio of the *home cost* or *rent cost* considered to be "affordable" at median income to the *median home cost* or *rent cost*. A cost of 28% or less of gross income is considered affordable for homeownership, 30% for rental. Using this index, a score of less than 1.00 means that an area is generally unaffordable – i.e., a household earning the area's median income could not cover the payment on a median priced home (30-year mortgage, taxes, and insurance) using 28% or less of gross income. Similarly, a score of less than 1.00 on the rental affordability index means a household earning the area's median income could not cover the payment of rent using 30% or less of gross income. Until 2008, the statewide affordability of homeownership and rentals had been gradually increasing since 2005 and 2004, respectively. Significant improvements in affordability levels between 2007 and 2009, as seen in Table 6, are signs of the economic recession and collapse of the housing market bubble. Rents are also more affordable now.

Table 6. Affordability of Homeownership and Rent, Maine, 2004-2009

Year	Affordability Index, Homeownership	Affordability Index, Rent
2004	0.73	0.80
2005	0.70	0.81
2006	0.73	0.84
2007	0.74	0.85
2008	0.79	0.87
2009	0.90	0.89

The housing story is different in each county. In some counties that look favorable by measures such as household income, employment, and poverty rate, the cost of housing is relatively high, resulting in an unfavorable affordability index.

Table 7. Affordability of Homeownership and Rent, All Counties, 2009

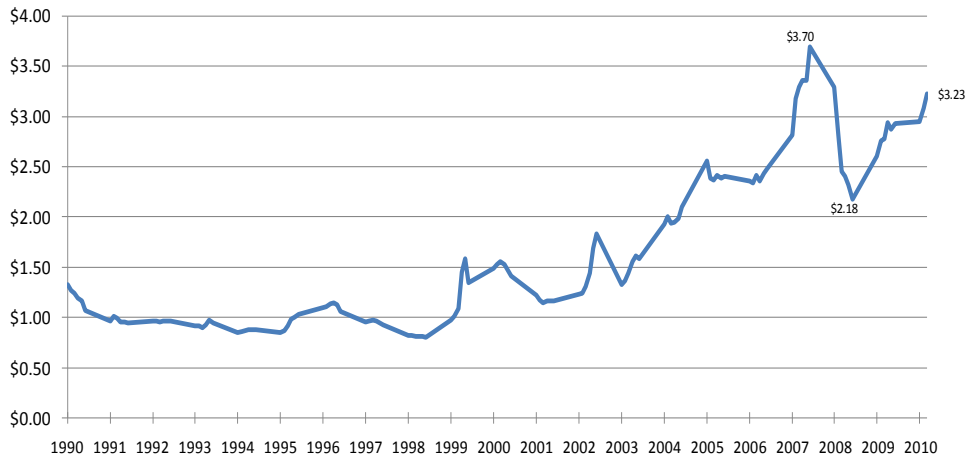
County	Affordability Index, Homeownership	Affordability Index, Rent
Androscoggin	1.04	0.91
Aroostook	1.21	0.87
Cumberland	0.82	0.93
Franklin	1.00	0.76
Hancock	0.85	0.84
Kennebec	1.04	0.94
Knox	0.84	0.88
Lincoln	0.87	0.77
Oxford	1.00	0.95
Penobscot	1.03	0.78
Piscataquis	1.43	0.81
Sagadahoc	0.97	1.03
Somerset	1.33	0.96
Waldo	0.94	0.83
Washington	1.13	0.61
York	0.90	0.92

Table 7 shows the 2009 affordability indexes for all Maine counties. Some counties with higher poverty rates, such as Aroostook, Piscataquis, and Somerset, have better affordability indexes for homeownership than counties with lower poverty rates, such as Cumberland, Lincoln, and York. In 2009, the affordability index for owning a home was better than the index for renting in 12 counties. For rental units, despite an average improvement in affordability index for the state, there is only one county, Sagadahoc, that scores higher than 1.00, meaning that rental units in all other counties are considered "unaffordable" for median income earners. Washington has the lowest rental affordability index and the highest rate of poverty. These data show that housing in some poor areas of Maine is unaffordable for local residents even though it may be less expensive.

Cost of Heating Fuel and Gasoline

Energy is another cost that can unexpectedly strain household budgets. In a cold, rural state such as Maine, where most houses are oil-heated, many residents are sensitive to the price fluctuations of the global energy market. Data for the cost of heating oil in Maine is shown in Chart 26.[27] After remaining fairly stable during the 1990s, heating oil prices began increasing in the early months of 2000. In March 2008 heating oil prices reached an all-time high in New England at an average $3.70 per gallon. Heating oil prices then experienced a sharp decline until March of 2009 but started to climb again for the start of the 2010-2011 heating season.

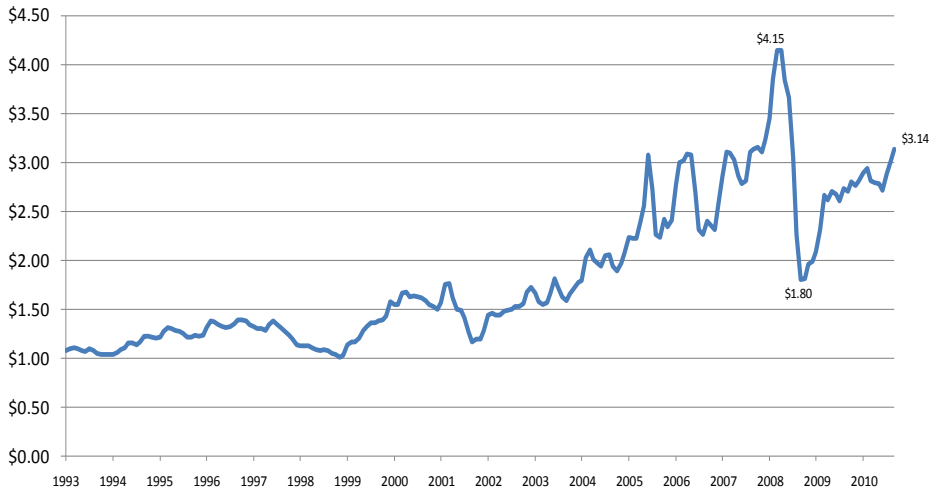
Chart 26. Cost of Maine No. 2 Heating Oil During Heating Months, Oct. 1990 to Dec. 2010



The price of gasoline has followed the same trend. Chart 27 shows the price of gasoline in New England from April 1993 to December 2010. Gasoline prices began to creep up in early 2002, reaching $3.29 per gallon in early September 2005 following Hurricane Katrina. Gasoline prices have been very volatile since then: they reached a new peak of $4.15 per gallon in July 2008 before dropping back to 2004 levels for the end of 2008. Since then, gas prices have risen to over $3.14 for the 3rd quarter of 2010.

The Consumer Federation of America (CFA) estimates that U.S. families spent, on average, $2,000 on gasoline in 2005. This was up from $1,342 only three years before, an increase of 45%. The cost of gasoline disproportionately impacts families with low incomes and those living in rural areas. CFA estimates that families with incomes under $15,000 spent more than one-tenth of total income on gasoline in 2005. Also, rural households tended to spend more than $2,000, compared with $1,705 for urban households.[28]

Chart 27. Monthly Gas Prices (all grades), New England, Apr. 1993 to Dec. 2010

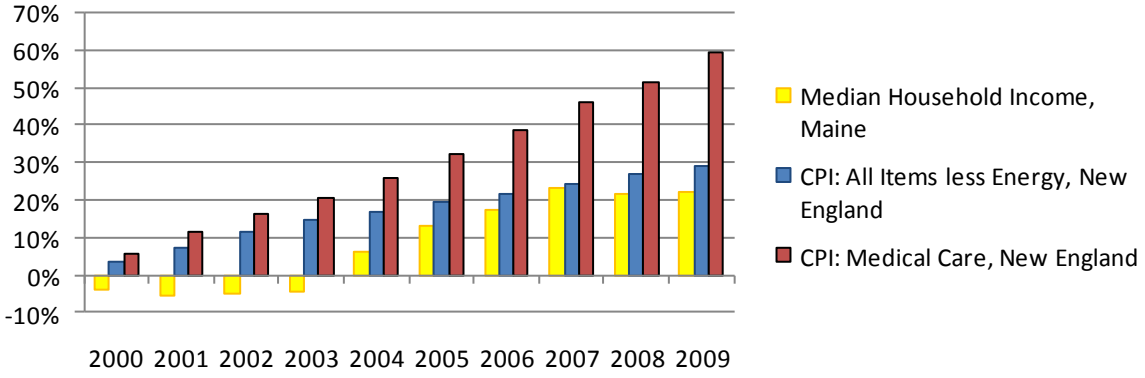


Medical Care Costs

Another major cost for Maine families is health care. Medical costs can be particularly burdensome to those with low incomes, since low-paying jobs also tend to have few or no benefits. Recent studies have shown that an inability to pay medical costs is a leading cause of bankruptcy filings.[29]

Chart 28 shows the percent increase in the annual Consumer Price Index (CPI), a measure of inflation, for medical care and for all items (excluding energy) in New England for each year since 1999.[30] For comparison, the chart also shows the percent change in median household income in Maine. Between 1999 and 2009, the CPI for medical care, which approximates the inflation of out-of-pocket healthcare expenses including premiums for insurance, increased almost 60%, while median household income increased about 22%.

Chart 28. Cumulative Percent Change in Income and Consumer Price Index, Since 1999



Footnotes and Data Sources

[1] Fisher, Gordon M. (May 1992, revised September 1997). *The Development of the Orshansky Poverty Thresholds and Their Subsequent History as the Official U.S. Poverty Measure*. Poverty Measurement Working Paper. Washington, D.C. Department of Health and Human Services.

[2]Bernasek, Ann. (2006) "A Poverty Line That's Out of Date and Out of Favor." *The New York Times*, March 12, 2006. p. 6

[3] Magnum, G., Magnum, S., and Sum, A. (2004). The *Persistence of Poverty in the United States.* Baltimore, MD: The Johns Hopkins University Press

[4] Table 1: U.S. Department of Health and Human Services; published annually in the Federal Register

[5] Chart 1: Bureau of Economic Analysis, Regional Economic Information System

[6] Chart 2: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements
There are a variety of sources for income information. One of the more commonly used is the U.S. Census Bureau's Current Population Survey, a joint effort between the federal Census Bureau and Department of Labor. Because of the small sample size used by the survey, dollar amounts are averaged for a period of 3 years. This is called a floating average because years overlap. The process of averaging gives a larger sample size, thus increasing the likelihood that the dollar amount reported is accurate.

[7] U.S. Census Bureau, Housing Vacancy Survey

[8] Using the poverty thresholds as benchmarks, the U.S. Census Bureau estimates the percent of people in the United States whose incomes are below those benchmarks, depending on family size. In non-census years, the poverty rate is determined using the Current Population Survey.

[9] Charts 3 and 4: U.S. Census Bureau, Current Population Survey; recession dates from National Bureau of Economic Research

[10] Map 1: U.S. Census Bureau, Small Area Income and Poverty Estimates

[11] Table 2 and Chart 5: U.S. Census Bureau, Current Population Survey
The Current Population Survey is a sample-based survey that primarily collects labor force data from the U.S. civilian noninstitutionalized population. An annual social and economic supplement collects additional information, including poverty statistics. Because the Current Population Survey is sample-based, each estimate has an associated standard error. Standard error is a measure of an estimate's variability. The greater the standard error in relation to the size of the estimate, the less reliable the estimate. (Definition from the U.S. Census Bureau.)

[12] The 83.4% of Maine's female-headed households represents a nearly 20% difference from the previous year and should be interpreted with caution. Because the Current Population Survey is based on a unique sample of small size each year, variance can be expected.

[13] IRS EITC Awareness Day Fact Sheet, 2010 Resources: http://www.eitc.irs.gov/ptoolkit/awarenessday/.

[14] Table 3 and Chart 6: Brookings Institution, http://www.brookings.edu/projects/eitc.aspx, accessed Dec. 2010
Information on EITC compiled by the Brookings Institution uses data gathered directly from the Internal Revenue Service. Brookings reports on data down to the town level. For Chart 6, filings by town were aggregated into counties to estimate the level of EITC filings for each county in Maine. This information is shown in Chart 6 both as the number of filers for the EITC and the percent of all filers in the county this number represents.

[15] Table 4: U.S. Department of Agriculture, prepared by Economic Research Service using data from Current Population Survey Food Security Supplements

[16] Charts 7 and 8: Maine Department of Health and Human Services, Office of Integrated Access and Support.

[17] Charts 9 and 10: Maine Department of Education, Child Nutrition Services: http://www.maine.gov/education/sfsr1.htm.

[18] Chart 11: Maine State Housing Authority
To visually compare the information, data have been plotted on two axes. Note that the scale of the right axis is one-tenth of the left axis.

[19] Charts 12 through 15 and Map 2: Maine Department of Labor, Center for Workforce Research and Information in conjunction with U.S. Bureau of Labor Statistics; recession dates from National Bureau of Economic Research

[20] Charts 16 and 17: U.S. Bureau of Labor Statistics

[21] Charts 18 and 19: U.S. Bureau of Economic Analysis; Consumer Price Index from U.S. Bureau of Labor Statistics

[22] Chart 20 and Table 5: Maine Department of Labor, Wage and Hour Division; Consumer Price Index from U.S. Bureau of Labor Statistics

[23] Charts 21 through 24: U.S. Census Bureau, American Community Survey

[24] U.S. Census Bureau, American Community Survey

[25] Maine Community College System, *2009-10 Fact Sheet*, 2009, http://www.mccs.me.edu/press/pdf/factsheet.pdf, accessed December 2009

[26] Chart 25 and Tables 6 and 7: Maine State Housing Authority, *Maine Homeownership Facts 2009* and *Maine Rental Facts 2009*, http://www.mainehousing.org/DATAHousingFacts.aspx, accessed 12/03/09.

[27] Charts 26 and 27: U.S. Department of Energy, Energy Information Administration, http://tonto.eia.doe.gov/oog/info/hopu/hopu.asp

[28] Consumer Federation of America (May 2006). *A Blueprint for Energy Security: Addressing Consumer Concerns about Gasoline Prices and Supplies by Reducing Consumption and Imports*. www.consumerfed.org .

[29] Springen, Karen. *Health Hazards: How mounting medical costs are plunging more families into debilitating debt and why insurance doesn't always keep them out of bankruptcy*, *Newsweek* on-line, http://www.msnbc.msn.com/id/14470912/site/newsweek/, accessed 9/13/06.

[30] Chart 28: Inflation: U.S. Bureau of Labor Statistics, Consumer Price Index for New England states, medical care and all items less energy, http://www.bls.gov/cpi/, accessed 12/07/09. Income: U.S. Census Bureau, Small Area Income and Poverty Estimates, Median Household Income for Maine, http://www.census.gov/did/www/saipe/data/statecounty, accessed 12/17/10.