

United Way 2016 ALICE Report for Wisconsin – revision

Finding from the Biannual Methodology Review: Through the United Way *ALICE Project's* biannual methodology review by Research Advisory Committee members, better ways to calculate state taxes were explored, and the project shifted from a detailed set of calculations for each state to a streamlined set of rates from the Tax Foundation. This facilitated an expansion of ALICE to all 50 states and reduced opportunities for error.

This process revealed a discrepancy in the Project's original calculation of Wisconsin state taxes, illustrated in the tables below. An incorrect variable was used in the calculation (detailed below), which inflated the amount of money spent on taxes and, hence, the overall budget.

What changed as a result?

- The Household Survival Budget – the taxes budget line; the miscellaneous category, which is a percent of the subtotal; the monthly and annual totals; and the hourly wage required.
- The number of ALICE households – because there are so many households on the edge of the ALICE Threshold, even a small change in the budget can bring a large number of households into or out of the ALICE category.

What did not change?

- The number of households in poverty.
- The ALICE narrative – the characteristics, needs, and opportunities of ALICE families.
- State population changes, racial/ethnic diversity, and the economic impacts of these factors on ALICE families.
- Our commitment to fully understanding ALICE and to being transparent in the project's methodology.

What was the impact of these changes on the 2016 ALICE Report for Wisconsin?

- The ALICE Survival Budget has been adjusted based on the methodology review and is more conservative than originally presented, so fewer households are categorized as ALICE statewide.
- Based on 2014 data, 36 percent of Wisconsin households fall below the ALICE Threshold (13 percent poverty + 23 percent ALICE).
- The tax budget line difference of \$457/month for a single adult and \$62/month for a family of two adults with two children in child care created a six-point decrease in the percentage of households below the ALICE Threshold statewide.

New Calculations – New budget methodology, with National State Tax dataset

| Average Household Survival Budget, Wisconsin, 2014 | | |
|--|-----------|---------------------------|
| | one adult | two adults_ two childcare |
| Monthly costs | | |
| Housing | \$456 | \$698 |
| Child care | - | \$1,101 |
| Food | \$176 | \$533 |
| Transportation | \$352 | \$704 |
| Health care | \$155 | \$613 |
| Miscellaneous | \$133 | \$410 |
| Taxes | \$194 | \$446 |
| Monthly Total | \$1,466 | \$4,505 |
| ANNUAL TOTAL | \$17,592 | \$54,060 |
| Hourly Wage | \$8.80 | \$27.03 |

Figure 15.
Household Survival Budget, Wisconsin Average, 2014

| Wisconsin Average – 2014 | | | |
|--------------------------|--------------|-----------------------------------|----------------------------|
| | SINGLE ADULT | 2 ADULTS, 1 INFANT, 1 PRESCHOOLER | 2007 – 2014 PERCENT CHANGE |
| Monthly Costs | | | |
| Housing | \$456 | \$698 | 15% |
| Child Care | - | \$1,101 | -23% |
| Food | \$176 | \$533 | 20% |
| Transportation | \$352 | \$704 | 9% |
| Health Care | \$147 | \$589 | 42% |
| Miscellaneous | \$176 | \$415 | 14% |
| Taxes | \$626 | \$527 | 25% |
| Monthly Total | \$1,933 | \$4,567 | 14% |
| ANNUAL TOTAL | \$23,196 | \$54,804 | 14% |
| Hourly Wage | \$11.60 | \$27.40 | 14% |

Source: See Appendix C

How has the data been corrected? The way state taxes are calculated has been changed from a state-by-state set of formulas to using a state tax rate spreadsheet and one set of formulas (which will be made available to you for review). This simplifies and streamlines the process, and the new calculations have been carefully checked. Because this issue is unique to Wisconsin, there is no impact beyond the state.

The revised 2016 ALICE Report for Wisconsin will be posted as soon as it is available. In the meantime, we are looking forward to releasing the state’s 2018 ALICE Report in mid-August.

If you have any questions regarding the ALICE research, please contact Stephanie Hoopes, Director of the United Way ALICE Project at United Way of Northern New Jersey, at stephanie.hoopes@unitedwaynj.org.