

Louisville Minimum Wage Testimony FOR an increase to \$10.10  
12-18-14

Louisville: Let Knowledge Serve the City—the poor need a win-win!

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as individuals representing themselves and themselves only.

This testimony does not represent the opinion of the University of Louisville or any associated institutions.

We agree with the Councilmember(s) who have indicated that there will be a boom in local community spending with an additional \$86 million dollars in new spending by roughly 65,000 poor residents in Metro Louisville.

We urge you to make use of the highly regarded and award winning local university resources whose first mission is to serve the city and its residents instead of spending money on out-of-town consultants whose first mission is to earn a profit. An example of this local resource, the Center for Sustainable Urban Neighborhoods (SUN) <http://sun.louisville.edu/>, has shown that there is a direct correlation between wage increases for the poor and increased spending on housing. Increased spending on housing means both rental and owner-occupied homes are better maintained. Better maintained homes mean fewer foreclosures, higher property tax revenues, more investment interest from business entrepreneurs, and better living conditions.

Moreover, local community spending would also increase – benefitting small business owners. SUN's analysis is based on objective, rigorous and reliable research using state of the art statistical methods. The research results have never been challenged in the political and economic arena – rather, they've won awards. Bad data means bad decision making; fair and objective research could inform city councilmembers, helping them to make good decisions that will benefit the citizens of Louisville.

The U.S. has an expectation that its citizens, if they are able, should work to support themselves and their families. As citizens, we are told regularly that we need to have a cushion in case we lose a job, to save for retirement, put our kids through college, etc. Humans have physiological need of safe food, shelter, education, etc. Our market-based economy is designed to require funds be earned to purchase goods and services to satisfy our needs - this is a societal expectation.

The current minimum wage of \$7.25 = \$15,080 for 40/hours/52 weeks. **BELOW POVERTY LINE.**  
The current poverty threshold for a family of three is \$15,656

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<b>POVERTY THRESHOLD</b>	Was in 1988	Was in 2013	Should be in 2013	Should have been in 1988	Should be in 2013
Poverty Threshold	\$9,500	\$15,656	\$18,707	\$15,000	\$29,538

(Census and <http://www.usinflationcalculator.com/>)

The Michigan League for Public Policy Estimated a family of three in Michigan needed to earn \$19.12/hour.

MIT estimated for a family of three living in Shorewood, WI, a Living Wage Poverty Level of \$22.90/hour.

As part of my thesis, I calculated an hourly wage of \$38.38/hour as being necessary for a family of three living in Shorewood, WI, to pay for everything society expects our self-sufficient citizens to pay for.

In 2011, with Mayor Fisher at the helm, Louisville became a “Compassionate City.” Compassion requires both empathy for suffering and action to end that suffering. It is Government’s job to create and regulate the rules that form the market. The free market is not a separate beast that lives and breathes on its own. It is created by society – Government is an institution of society. When the market fails, Government MUST act. When citizens are unable to provide their families a morally decent living because wages earned CANNOT match minimum costs of their needs, Government MUST act.

Saying the proposed wage is \$10.10/hour is incorrect – in the sense that it will be phased in over several years. This is a false and distracting choice. Raising the minimum wage is a win-win for everyone.

The following information is from my (Wes’) Master’s Thesis, completed at Univ. of Wisconsin, Milwaukee entitled “An Exploration of Poverty: The Roles of Human Needs, Moral Obligations, Civic Rights, and Social Expectations in Defining and Measuring Poverty.” Please use it to enhance your understanding of the needs of ALL Louisvillians.

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Additional Information.

Also in 1990, Patricia Ruggles of The Urban Institute published "Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy." In it she writes "Even if we accept, as this book does, the view that our current standards represented a reasonable social minimum in 1963, normative standards change over time, and norms such as the poverty line (threshold) must consequently be reassessed periodically." She continues: "...to be comparative in *normative terms* to its 1963 level our current poverty standard would have to be substantially higher." In fact, she found that "Even the much less detailed examination of consumption patterns and needs offered here [her book] implies that the poverty line should probably be substantially higher than it is currently – close to \$15,000 for a family of three in 1988, for example, rather than at its official level [in 1988] of about \$9,500." Using such a "corrected" poverty threshold would have also resulted in poverty rates of more than 20%, rather than the official rate of approximately 13% at the time. Ruggles points out that a poverty threshold that inaccurately measures the poverty rate as low and declining is likely to keep anti-poverty program funding from being seen as a "national vital priority." Further, "if we [the U.S.] believe that circumstances are improving more (or more rapidly) for some population subgroups than for others, we may choose to reallocate spending to provide more to those whose need appears to be greater. For these reasons, basic flaws in our current measures that result in misleading conclusions about the incidence of real economic need should be of concern to policy analysts and policymakers."

Poverty threshold figures for 2013 based on data from US Census Bureau.

Threshold	Calculated Post-tax Hourly Wages for Household Types	
	3 Person Household	4 Person Household
U.S. Official Poverty Threshold (1 Working Adult)	\$7.53/HR	\$11.46/HR
U.S. Current Minimum Wage (1 Working Adult)	\$7.25/HR	\$7.25/HR
MIT Living Wage Poverty Threshold* (1 Working Adult)	\$22.90/HR	\$16.34/HR
Proposed \$10.10/HR U.S. Minimum Wage (1 Working Adult)	\$10.10/HR	\$10.10/HR
MLPP Basic Needs 1 Working Adult 2 Working Adults	\$19.12/HR	\$14.00/HR \$11.33/HR
Proposed Poverty Threshold 1 Working Adult 2 Working Adults	\$38.38/HR N/A	\$26.37/HR \$19.45/HR/JOB

Threshold	Calculated Post-tax Income Levels for Household Types	
	3 Person Household	4 Person Household
U.S. Official Poverty Threshold (Regardless of # of Working Adults)	\$15,656	\$23,836
U.S. Current Minimum Wage 1 Working Adult 2 Working Adults	\$15,080 N/A	\$15,080 \$30,160
MIT Living Wage Poverty Threshold* (1 Working Adult)	\$47,628	\$33,984
MLPP 1 Working Adult 2 Working Adults	\$39,768 N/A	\$29,112 \$47,146
Proposed \$10.10/HR U.S. Minimum Wage 1 Working Adult 2 Working Adults	\$21,008 N/A	\$21,008 \$42,016
Proposed Poverty Threshold 1 Working Adult 2 Working Adults	\$79,820 N/A	\$54,856 \$80,939



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Estimated Monthly Expenses	MIT Living Wage Income			Proposed Poverty Threshold Income		
	Hshld Size: 1	Hshld Size: 3	Hshld Size: 4	Hshld Size: 1	Hshld Size: 3	Hshld Size: 4
Food (a)	\$242	\$536	\$713	\$433	\$959	\$1,275
Childcare	\$0	\$1,233	\$0	\$0	\$1,842	\$1,842
1 Working Adult	N/A	\$0	\$0	N/A	\$0	\$0
2 Working Adults(b)	N/A	\$1,233	N/A	N/A	\$1,842	\$1,842
Medical (c)	\$143	\$412	\$343	\$143	\$412	\$618
Housing (d)	\$602	\$858	\$858	\$718	\$950	\$1,347
Transportation (e)	\$306	\$686	\$736	\$300	\$300	\$398
Bus	Unknown	Unknown	Unknown	N/A	N/A	\$98
Car	Unknown	Unknown	Unknown	\$300	\$300	\$300
Other (f)	\$72	\$244	\$182	\$132	\$244	\$274
Entertainment (i)	N/A	N/A	N/A	\$176	\$301	\$433
Movie				\$13	\$33	\$46
Dining Out				\$163	\$268	\$387
TV/Internet/Phone (j)	N/A	N/A	N/A	\$79	\$79	\$79
Utilities (k)	N/A	N/A	N/A	\$51	\$225	\$225
Insurance (l)	N/A	N/A	N/A	\$117	\$125	\$100
(Renters) Home				\$17	\$25	\$25
Car				\$100	\$100	\$75
College Loan Payment (m)	N/A	N/A	N/A	\$200	\$200	\$200
Clothing (o)	N/A	N/A	N/A	\$85	\$168	\$200
Savings (6% of req'd after tax income) (g)						
1 Working Adult	N/A	N/A	N/A	\$146	\$338	\$232
2 Working Adults				N/A	N/A	\$343
Retirement (10% of req'd after tax income) (h)						
1 Working Adult	N/A	N/A	N/A	\$243	\$564	\$387
2 Working Adults				N/A	N/A	\$572
Savings - Kids' College (1% of req'd after tax income) (n)						
1 Working Adult	N/A	N/A	N/A	\$24	\$56	\$39
2 Working Adults				N/A	N/A	\$57
Emergency Fund (1% of req'd after tax income) (p)						
1 Working Adult	N/A	N/A	N/A	\$24	\$56	\$39
2 Working Adults				N/A	N/A	\$57
Required Monthly After-Taxes Income						
1 Working Adult	\$1,365	\$3,969	\$2,832	\$2,872	\$6,652	\$4,571
2 Working Adults	N/A	N/A	N/A	N/A	N/A	\$6,745
Required Annual After-Taxes Income						
1 Working Adult	\$16,380	\$47,628	\$33,984	\$34,465	\$79,820	\$54,856
2 Working Adults	N/A	N/A	N/A	N/A	N/A	\$80,939

**Notes on Estimated Monthly Expenses**

- Weekly costs were multiplied by 52 and divided by 12 to obtain monthly costs.
- Quarterly costs were multiplied by 4 then divided by 12 to obtain monthly costs.

a: Food costs for 3-person households in the MIT threshold are 2.215 times higher than for 1-person households, and food costs for 4-person households are 1.33 times higher than for 3-person households. These same factors have been used to calculate food costs for the proposed equality-poverty threshold. The base food costs for a 1-person household were determined by using the average \$100/week food bill of the author at a local organic food cooperative grocery store.

b: Childcare costs for the equality-poverty threshold were obtained by from Shorewood Early Learning Daycare Center for two children, one infant, and one three-year-old. Infant weekly cost \$230. 3YO weekly cost: \$195. Total Monthly Daycare Cost: \$1,842.

c: Medical costs for the equality-poverty threshold use the cost from the MIT living wage threshold and a multiple of 1.44 per person (the ratio which exists between the MIT 1-person and 3-person household figures) above the 1-person household monthly rate.

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Notes on Estimated Monthly Expenses (cont'd)

d: Housing costs for the equality-poverty threshold are averages based on rental rates offered by Eastmore Property Management, a prominent Shorewood property management company (the 3-bedroom cost was based on the one example offered by Eastmore). The equality-poverty threshold housing cost for a 4-person household is for a duplex or single-family home (from Craigslist for Shorewood) with the presumption that a household with two adults would choose to take-on exterior maintenance responsibilities in exchange for access and use of the adjoining yard.

e: Transportation cost breakdown for the MIT threshold is unknown. The costs of taking the bus in the equality-poverty threshold are based on \$2.25/trip @ 2 trips/day for 5 days/week for 52 weeks/year. Car expense is based on a monthly payment on a \$15,000 loan for 60 months at 0% interest (These offers are prevalent at the time of writing of this thesis, and allows for the presumption that the lender's credit is as good as a non-poor citizen's credit). \$50/month in gas expense is included in the monthly car expense figure. It is assumed a car is necessary so the household may reach destinations that are not served by public transportation. It is assumed that the MIT 'living wage' threshold includes insurance in their transportation category, while it is separated out for the 'equality-poverty' threshold.

f: Other cost breakdown for the MIT threshold is unknown. Other cost breakdown for the 'equality-poverty' threshold uses these costs plus telephone costs calculated by the Michigan League for Public Policy, however, because they are anywhere from 18% to 100% higher than costs determined by the Michigan League for Public Policy for housekeeping supplies (laundry and cleaning supplies, cleaning and toilet tissues, stationary supplies, postage, miscellaneous household products, and lawn and garden products – if applicable). They also include personal care products and services (including oral and hair hygiene products, shaving needs, cosmetics and bath products, electric personal care products and other personal care and services for males and females as applicable). It would not be unreasonable to expect middle- and higher-income families to spend even more than used for this comparison.

g: Savings Rate (Bankrate.com) based on recommended percentage for a 40-year old person at the required income level.

h: Retirement Savings Rate (IRS.gov, ehow.com, usatoday.com) based on often cited recommendation of 10% of income.

i: Entertainment costs are based on a once-monthly movie and once-weekly dining out. The cost of movie tickets was obtained from Marcus Theaters. Adult tickets are \$13 each, children's tickets are \$10 each. No refreshment costs are included. Dining out costs were obtained from Northstar American Bistro by averaging prices from their menu. Each meal out was assumed to include 1 appetizer per household, 1 entrée per adult, 1 sandwich per child, and 1 dessert per 1-2 people. Taxes of 5% and tip of 20% were added. Appetizer cost: \$10.31. Entrée cost: \$20.80. Sandwich cost: \$12.20. Dessert cost: \$6.45. Monthly dining out cost for 1-person household: \$162.76 Monthly dining out cost for 3-person household: \$268.49 Monthly dining out cost for 4-person household: \$386.58

j: Based on package (Internet/TV/phone) deals from AT&T U-verse in Shorewood, WI, with mid-level service speed/quality/options. Sourced from [www.att.com](http://www.att.com)

k: Utility costs include electricity only and are based on actual 12-month expenses for a 1-bedroom apartment of 700 square feet. Utility costs for 3-bedroom single family home for the 3- and 4-person households were based on actual monthly average utility costs of \$225.

l: For purposes of this comparison, all households rent their homes in Shorewood, WI. The one-person household rents a one-bedroom apartment, and the three- and four-person households rent a three-bedroom apartment. Coverage is for \$20,000 in personal property, \$500 deductible, and \$300,000 in personal liability coverage for the one-person household. Coverage is for \$30,000 in personal property, \$500 deductible, and \$300,000 personal liability coverage for the three- and four-person households. The auto insurance policy is for a 2013 Honda Fit, also in Shorewood, WI. The one-person household is assumed to be a male with 2 points on his driving record, with \$100K/\$300K/\$100K coverage and \$500 deductible for comprehensive and collision. The three-person household is assumed to be a female with 2 points on her driving record with two children with \$100K/\$300K/\$100K coverage and \$500 deductible for comprehensive and collision. The four-person household is assumed to be a married couple (M & F) with two children, the husband having 2 points on his driving record with \$100K/\$300K/\$100K coverage and \$500 deductible for comprehensive and collision. The insurance costs are estimates provided by an insurance broker serving Shorewood, WI, and other communities in Wisconsin. Auto rates are Wisconsin minimums, thus reflecting coverage and rates lower than might be reasonable to possess. There are no rate differences if one of the two-adult households stays home rather than works.



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Notes on Estimated Monthly Expenses (cont'd)

m: Based on a monthly payment determined using an income of \$50,000 with \$9,500 in student debt. It is quite possible that outstanding loan balances would be substantially higher, resulting in higher monthly payments.

n: Kid College Fund Savings rate of 1% is an arbitrarily chosen figure.

o: Clothing costs are those as calculated by the Michigan League of Public Policy for identical family types as those compared in this thesis.

p: Emergency fund (rainy day fund) recommended to be enough cash to cover 3-6 months of living expenses. The use of 1% of required after tax income to build that fund is an arbitrary figure determined by me to minimize reductions to funds available for day-to-day life while building this safety net

**Research demonstrating no or positive effects to increased minimum wage.**

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