EMPOWER
MISSOURI

January 14, 2015

To: The Missouri Public Service Commission
From: Jeanette Mott Oxford, Executive Director, Empower Missouri (formerly MASW)
Re: File No. ER-2014-0258

On behalf of the 40% of Missouri families living with incomes that are inadequate to consistently provide for basic human needs and to plan for future security, Empower Missouri asks that the Public Service Commission reject Ameren Missouri's latest request for an exorbitant rate hike, as contained in File No. ER-2014-0258.

Empower Missouri was founded in 1901 as the Missouri Conference on Charities and Corrections. Since that time we have advocated to improve the living conditions of all Missourians under a variety of names. From 1933-2014, we were known as Missouri Association for Social Welfare (MASW), and we rebranded late last year as Empower Missouri. We have chapters in St. Louis, Kansas City, Springfield, Central Missouri, and Cape Girardeau, with two additional southeast Missouri communities slated to add chapters this year. Our mission is to secure basic human needs and basic fairness for all Missourians.

Here are the facts about Ameren's request:

- Ameren has asked regulators to raise Missouri electric bills by an additional 9.7%, a $264 million rate hike.
- This is the sixth time since 2007 the state's largest monopoly, Ameren, has asked for a rate hike.
- If approved, Ameren will have raised rates by 57% over the last seven years, costing Missouri families and businesses $1.1billion.
- Ameren has raised surcharges alone on electric bills by $600 million during the last six years.
- Missourians can't afford to be paying 57% more for the same electricity they were receiving seven years ago, especially with income and small business growth largely stagnant.

Elders, people with disabilities, and low-wage workers and their families will all be harmed if Ameren is allowed to raise its rates so steeply. Indeed Empower Missouri contends that the rate of return that Ameren is authorized to pursue is too high already, given how high unemployment has been in Missouri during the past decade and how stagnant wages have been.

You may wonder about the numbers I cite – that 40% of Missourians sometimes cannot afford necessities. You may be saying "I thought the poverty rate in Missouri is a little over 15%." It is true that 16.2% of Missourians ***officially*** live in poverty. However, policy experts working on poverty issues are well-acquainted with the outdated nature of the Federal Poverty Level (FPL). It is based on a formula from the 1950's and 1960's that is no longer accurate. I have attached a full description of how the FPL undercounts those without resources to secure basic human needs as well as a map of the state with county by county percentages of those living ***officially*** in poverty.

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Good public policy is based on reality. The truth is that the cost of living, even without frills, is far higher than the official poverty line. The Massachusetts Institute of Technology uses data from various sources to compile a county by county "living wage calculator" for Missouri and the other states. The link for this report is at: http://livingwage.mit.edu/states/29/locations.

I have attached a copy of the report for St. Charles County so that you can see some of the data on a typical county page. St. Charles County has a higher per capita income than most (and possibly all) Missouri counties and is virtually tied with Platte County for lowest poverty rate in the state. Yet many in even St. Charles County do earn less than a living wage and would be hurt by a raise in utility costs.

The 5th Edition of the **Who Pays** report from the Institute for Taxation and Economic Policy (ITEP) was released today, and I have attached an analysis of income groups in our state. One-fifth of Missouri non-elderly households have annual incomes of less than $18,000 annually, and the next 20% have incomes of $18,001-$33,000. (See attachment from ITEP.) According to the Food Research and Action Center, one out of four families with children in Missouri have at least one episode of food insecurity annually. With income levels as they are, this is understandable, and so is inability to pay a utility bill – even in winter (and Missouri does not have an effective winter moratorium on shut-offs, just a Cold Weather Rule that offers grace for 24 hours in some cases).

When utility rates are raised, much human suffering results. Some of our neighbors have to choose been heating and eating. Some choose between filling a prescription and having cooling in the summer – even though their medical condition requires both. Children dress for school in the dark while lights are disconnected and fall asleep in the classroom because they are fatigued from shivering in the night due to lack of electricity to power the fan on the family's furnace. Please remember these very vulnerable families as you consider this latest Ameren rate hike request.

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What's Wrong with the Way We Measure Poverty?

By Jeanette Mott Oxford, Executive Director, Empower Missouri

The Federal Poverty Level (FPL) does not accurately measure poverty. It is outdated and seriously underestimates the count of the number of people living in poverty.

The FPL formula was created in the early 1960's by Molly Orshansky of the Social Security Administration. At that time it was assumed that families in poverty spent about a third of their income on food, so the poverty line was set by computing the cost of a "thrifty food plan" for a family of various sizes and multiplying by three.

The costs of basic human needs have not gone up equally since the early 1960's. Families no longer spend one-third of their income on food and two-thirds on other basic needs. Food now accounts for about one-sixth of the monthly budget for families in poverty.

Orshansky used a 1955 USDA survey as the basis for her formula. It assumed that families have one wage earner and a stay-at-home parent. Commuting and other travel and work-related expenses that are a part of modern life have a huge impact on family budgets.

The flaws in the FPL are acknowledged by the income guidelines that are set for various federal programs. The income limits for Food Stamps have generally been set between 100% FPL and 130% FPL. The Low Income Home Energy Assistance Program serves families to 150% of the FPL. Free and reduced school meals may be obtained up to 225% of the FPL. Popularity of the program ("how it pulls our heartstrings") and caution about spending tax dollars compete with need in how we set these standards.

Since proposed measures to update the FPL would lead to an increase in the number of people reported to officially live in poverty (and might also increase the costs of helping them), efforts to update the FPL at the federal level have repeatedly failed. Some communities are beginning to deal with this problem by passing "living wage" ordinances based on the true cost of living.

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Numbers YOU Should Know

Missouri's Overall Poverty Rate	16.2%
Child poverty rate:	22.6%
Senior poverty rate:	9%
Women in poverty:	17.4%
2012 average unemployment rate:	7.1%
People in poverty with employment:	48.5%
Percent of individuals who are uninsured:	13.6%
Teen birth rate per 1000:	37.1
Children in foster care:	10,174
Grandparents raising grandchildren:	92,333

Join the Missourians to End Poverty Coalition!

Find us at:

www.communityaction.org

or call

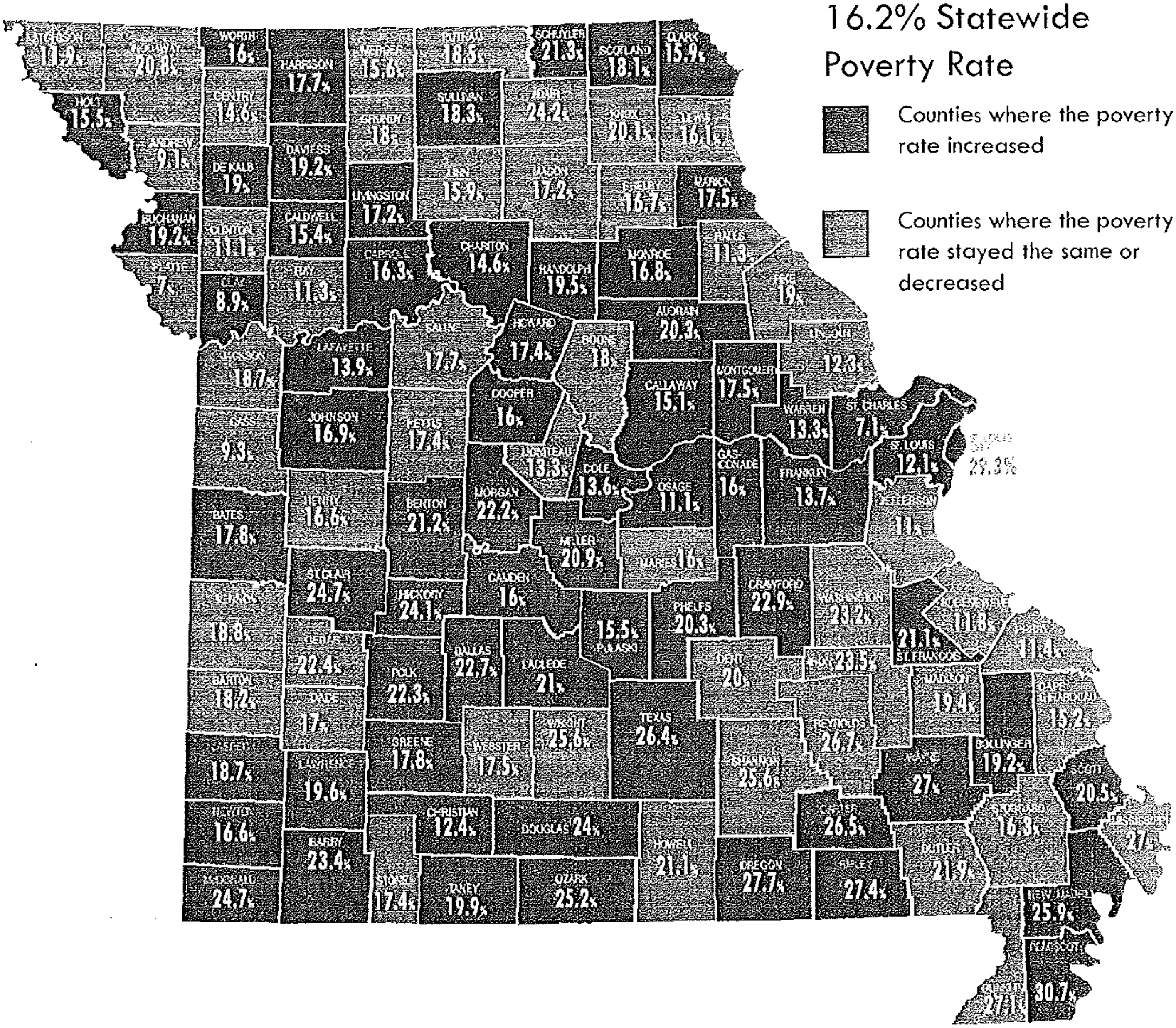
573-634-2969

for meeting dates and locations

16.2% Statewide Poverty Rate

Counties where the poverty rate increased

Counties where the poverty rate stayed the same or decreased



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Living Wage Calculation for St. Charles County, Missouri

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The living wage shown is the hourly rate that an individual must earn to support their family, if they are the sole provider and are working full-time (2080 hours per year). The state minimum wage is the same for all individuals, regardless of how many dependents they may have. The poverty rate is typically quoted as gross annual income. We have converted it to an hourly wage for the sake of comparison. Wages that are less than the living wage are shown in red.

Hourly Wages	1 Adult	1 Adult, 1 Child	1 Adult, 2 Children	1 Adult, 3 Children	2 Adults	2 Adults, 1 Child	2 Adults, 2 Children	2 Adults, 3 Children
Living Wage	$8.69	$17.45	$21.88	$27.57	$13.55	$16.68	$18.05	$21.10
Poverty Wage	$5.21	$7.00	$8.80	$10.60	$7.00	$8.80	$10.60	$12.40
Minimum Wage	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25

Typical Expenses

These figures show the individual expenses that went into the living wage estimate. Their values vary by family size, composition, and the current location.

Monthly Expenses	1 Adult	1 Adult, 1 Child	1 Adult, 2 Children	1 Adult, 3 Children	2 Adults	2 Adults, 1 Child	2 Adults, 2 Children	2 Adults, 3 Children
Food	$242	$357	$536	$749	$444	$553	$713	$904
Child Care	$0	$400	$729	$1,058	$0	$0	$0	$0
Medical	$124	$361	$384	$366	$270	$357	$334	$344
Housing	$572	$771	$771	$993	$621	$771	$771	$993
Transportation	$306	$595	$686	$736	$595	$686	$736	$748
Other	$69	$155	$203	$268	$120	$155	$176	$202
Required monthly income after taxes	$1,313	$2,639	$3,309	$4,170	$2,050	$2,522	$2,730	$3,191
Required annual income after taxes	$15,756	$31,668	$39,708	$50,040	$24,600	$30,264	$32,760	$38,292
Annual taxes	$2,309	$4,624	$5,800	$7,314	$3,593	$4,427	$4,780	$5,601
Required annual income before taxes	$18,065	$36,292	$45,508	$57,354	$28,193	$34,691	$37,540	$43,893

Typical Hourly Wages

These are the typical hourly rates for various professions in this location. Wages that are below the living wage for one adult supporting one child are marked in red.

Occupational Area	Typical Hourly Wage
Management	$38.88
Business and Financial Operations	$25.85
Computer and Mathematical	$32.39
Architecture and Engineering	$31.38
Life, Physical and social Science	$23.96
Community and Social Services	$16.96
Legal	$28.69
Education, Training and Library	$18.22
Arts, Design, Entertainment, Sports and Media	$17.78

Occupational Area	Typical Hourly Wage
Healthcare Practitioner and Technical	$23.89
Healthcare Support	$10.69
Protective Service	$14.41
Food Preparation and Serving Related	$8.66
Building and Grounds Cleaning and maintenance	$10.01
Personal care and Services	$9.17
Sales and Related	$11.09
Office and Administrative Support	$13.65
Farming, Fishing and Forestry	$11.44
Construction and Extraction	$21.49
Installation, Maintenance and Repair	$18.08
Production	$14.17
Transportation and Material Moving	$13.45

Missouri State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income	Less than $18,000	$18,000 – $33,000	$33,000 – $53,000	$53,000 – $85,000	$85,000 – $159,000	$159,000 – $407,000	$407,000 or more
Average Income in Group	$10,800	$25,600	$42,300	$67,400	$110,600	$229,200	$1,088,200
Sales & Excise Taxes	**5.8%**	**5.1%**	**4.2%**	**3.6%**	**2.6%**	**1.7%**	**0.8%**
General Sales—Individuals	3.6%	3.2%	2.8%	2.4%	1.8%	1.2%	0.6%
Other Sales & Excise—Ind.	0.6%	0.5%	0.3%	0.3%	0.2%	0.1%	0.0%
Sales & Excise on Business	1.6%	1.4%	1.1%	0.9%	0.7%	0.4%	0.2%
Property Taxes	**3.0%**	**2.3%**	**2.3%**	**2.3%**	**2.3%**	**2.1%**	**1.4%**
Property Taxes on Families	3.0%	2.2%	2.2%	2.2%	2.2%	1.8%	0.7%
Other Property Taxes	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.7%
Income Taxes	**0.7%**	**2.1%**	**2.7%**	**3.3%**	**3.6%**	**4.0%**	**4.6%**
Personal Income Tax (State and Local)	0.7%	2.0%	2.7%	3.3%	3.6%	3.9%	4.5%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	**9.5%**	**9.4%**	**9.2%**	**9.1%**	**8.5%**	**7.9%**	**6.8%**
Federal Deduction Offset	*–0.0%*	*–0.1%*	*–0.2%*	*–0.4%*	*–0.9%*	*–1.1%*	*–1.3%*
OVERALL TOTAL	**9.5%**	**9.4%**	**9.0%**	**8.7%**	**7.6%**	**6.8%**	**5.5%**

Note: Table shows detailed breakout of data on previous page.

Missouri Tax Code Features

Progressive Features

- Graduated personal income tax structure

Regressive Features

- Provides an income tax deduction for federal income taxes paid
- State sales tax base includes groceries, though taxed at a lower rate
- Local sales tax bases include groceries
- Fails to provide non-elderly taxpayers with refundable income tax credits to offset sales, excise, and property taxes
- Fails to use combined reporting as part of its corporate income tax

Tax Changes Enacted in 2013 & 2014

- Reduced top personal income tax rate from 6 to 5.5 percent and created new 25 percent exemption for pass- thru business income starting in 2017 dependent on revenue growth (these changes are modeled in an alternative MO analysis found in App. D)
- Personal exemption increased for low-income taxpayers

ITEP Tax Inequality Index

According to ITEP's Tax Inequality Index, Missouri has the **30th** most unfair state and local tax system in the country. States with regressive tax structures have negative tax inequality indexes, meaning that incomes are less equal in those states after state and local taxes than before (See Appendix B for state-by-state rankings and more details).