Friday, June 21, 2019

Ms. Nancy Potok
Chief Statistician
Statistical and Science Policy, Office of Information and Regulatory Affairs
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503


Dear Ms. Potok,

On behalf of Prosperity Now, I am writing to express our strong opposition to the Office of Management and Budget’s proposal to change the methodology for determining, or defining, the federal poverty line, as noted in the May 7, 2019 Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies (OMB Docket Number 2019-0002).

As a national organization, along with a Community of more than 24,000 practitioners, advocates and researchers across all 50 states and DC, focused on helping to make it possible for low- and moderate-income individuals and families achieve economic prosperity, we are extremely concerned by the idea of updating the Census Bureau’s poverty thresholds from the current Consumer Price Index (CPI-U) to either the “chained” CPI or the Personal Consumption Expenditures Price Index. Beyond the considerable harm that such a change would bring about to low-income people and families, which we highlight below, we also finding it concerning that the Request for Comment includes no analysis from the Census Bureau itself on how using another measure of inflation would likely affect the accuracy of the official poverty measure (OPM) or what a review of the relevant research literature finds. In many ways, it seems like the administration’s proposal is ultimately less about making the OPM more accurate and more about finding alternative ways outside of the purview of Congress to reduce funding for critical programs that help families experiencing poverty.

According to the U.S. Census Bureau, nearly 40 million people in the United States are living poverty, with a third of those being children. While we agree with experts that have contended that the OPM does not reflect the full amount of income that a family needs to live and thrive in the current economy, the administration’s proposal to redefine poverty would do nothing to eliminate, or lessen, poverty. Instead, this proposal would only serve to mask the dire situation nearly a tenth of the country is facing, which in turn would lead to reductions in services and programs that help families not fall deeper into poverty, support them while they are in poverty, and assists them as they work themselves up the economic ladder.

The OPM was developed more than 50 years ago and is based on the assumption that families spend one-third of their after-tax income on food. While the OPM is meant to equal the level of income that a family needs to afford the basics, it does not account for government benefits and differences in the cost of living across the U.S., including housing and childcare costs, which vary dramatically and which have been increasing faster than the overall CPI in recent years.

Although the OPM does not give a complete picture of low-income families’ complex financial lives, the administration’s proposal does nothing to improve the accuracy of this measure. In many ways, by assuming that chained CPI will be a more accurate measure of poverty, which in turn leads the administration to eliminate a substitution bias, the proposal is fundamentally flawed as it places the financial needs, resources and flexibility of low-income people and families on the same level as those with greater financial capabilities.
Based our work, research and experience working with low-income communities directly and indirectly, we know that low-income communities deal with financial opportunities and challenges in very different ways compared to those with greater means. It’s with that in mind, coupled with the reality that poverty is a complex problem, that we strongly believe that our approaches for measuring and mitigating the levels of poverty facing so many throughout the country should be as comprehensive and holistic as possible.

In that spirit, we are supportive of efforts to adjust how the OPM is calculated that would result in raising the measure’s accuracy, not lowering it. Some possible changes could include incorporating other metrics that are viewed as better measures of current living expenses such as the Census Bureau’s Supplemental Poverty Measure (SPM). The SPM is the Census Bureau’s more comprehensive view of both household poverty and the effect of public benefit programs on poverty alleviation. This measure has historically remained higher than the OPM, particularly among the elderly, which already under-measures poverty.\(^2\)

In addition to the issues that we have outlined so far, this effort to redefine poverty is particularly devastating because its effects worsen over time. As the price of health care, education, childcare and other costs rise beyond inflation, the effects of this proposal will be greatly borne by those with lower incomes as the chained CPI and the Personal Consumption Expenditures Price Index both rise more slowly than the current inflationary measure. By changing the rate of inflation, this proposal would make the poverty line further out of step with a family’s needs, which in turn would greatly impact eligibility for health care, nutrition, and other assistance programs that families need to move out of poverty or to not fall further into poverty.

While the Request for Comment acknowledges that the U.S. Department of Health and Human Services (HHS) poverty guidelines are based the poverty thresholds—and that the guidelines are used to determine eligibility and benefits for numerous federal, state and local government programs—it does not include research or analysis on the impact of changing the thresholds. It is critical to understand the number of individuals who would lose to access critical assistance—including Medicaid and SNAP, among others—due to this proposed change. While this Request for Comment includes no such analysis, discussion or impact—and in fact explicitly states that “OMB is not currently seeking comment on the poverty guidelines or their application”—we call on the administration to undertake such an analysis, in partnership with all of the federal agencies that would be impact by this proposal. In doing so, the administration should not only make clear what impact this rule would have on low-income people and families, it should also solicit further public comments about these impacts.

Ultimately, if adopted, this proposal would undermine the health and economic well-being of families that are already struggling to make ends meet.

We strongly believe that a more accurate measure of poverty would result in more being done to address the needs of low-income individuals and families rather than less. The approach OMB is considering is fundamentally flawed. Rather than providing support to people who are working to pull themselves out of poverty, this proposal puts the economic security increasingly out of reach while doing little to improve the technical accuracy of the official poverty measure.

Thank you for the opportunity to submit comments on this proposal. Please do not hesitate to contact me at dnewville@prosperitynow.org or Emanuel Nieves at enieves@prosperitynow.org to provide further information.

Sincerely,

David Newville, Vice President of Policy and Research, Prosperity Now
Emanuel Nieves, Associate Director of Policy, Prosperity Now

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