



State Poverty Task Forces

January 2010 (revised)

A Step Ahead on Modern Poverty Measure

By Dorothy Smith

Introduction

In the absence of a modern federal measure of poverty, a growing number of state poverty task forces are calling for federal action and have begun exploring alternative ways to more accurately measure income poverty. States need a better picture of whether individuals and families are meeting their basic needs and how state policies could increase economic opportunity. This paper summarizes how poverty is currently measured and the actions Colorado, Connecticut, Delaware, Minnesota, Vermont, and Virginia have taken toward a modern measure.

The need for a new federal poverty measure has been recognized for some time as discussed in the CLASP report, *Measure by Measure: the Current Poverty Measure v. the National Academy of Sciences Measures*. The central critique of the current poverty measure is that it is based on outdated assumptions about family expenditures and resources. Either Congress can legislate or the Executive Branch can authorize a modernized, federal income poverty measure; both branches of government have recently demonstrated interest. During the 2008 presidential campaign, President Obama stated that a modern federal poverty measure was needed to “more accurately reflect the costs of living and the economic pressures on American families. And recently, lawmakers introduced the Measuring American Poverty (MAP) Act of 2009 (H.R. 2909 in the House and S. 1625 in the Senate). The measure would require the Census Bureau to develop, in consultation with other experts, a modern income poverty measure

that is based on National Academy of Sciences (NAS) recommendations.ⁱ The legislation requires the Census to rapidly implement the modernized measure.ⁱⁱ To date, no further action on this legislation has occurred.

Methods of Measuring Federal Poverty

The current measure is calculated based on a formula developed in the 1960s. At that time, the average family of three spent one-third of its after-tax income on food. The formula established the poverty threshold as three times the subsistence food budget. The official poverty threshold is annually adjusted for inflation based on the Consumer Price Index. The latest poverty threshold (based on 2008 data) for a family of three is \$17,163 per year.ⁱⁱⁱ

In the early 1990's, Congress requested that the National Academy of Sciences (NAS) convene an expert panel to examine the federal poverty measure. In 1995, the NAS released recommendations for a measure that more adequately reflects family needs and resources. The NAS panel suggested a poverty threshold based on median spending by a family of four (two adults and two children) on food *plus* clothing and shelter as measured by the Consumer Expenditure Survey along with a multiplier to cover other needs.^{iv} This value is adjusted for family size. The NAS panel recommended an income definition that includes post-tax cash income, tax credits, and in-kind (non-cash) benefits such as Food Stamps,

while subtracting costs such as child care and medical out of pocket expenses that reduce resources available to purchase food, clothing, and shelter.^v

State Actions to Address the Federal Measure's Limitations

Since the federal government has not yet established a new official measure, state poverty and opportunity task forces are recommending steps to address this problem. About half (six) of the thirteen task forces which have issued reports address the need for a modernized income poverty measure.^{vi}

Whether it is mere coincidence or a major motivation, five of the six states have set a poverty reduction target such as cutting poverty in half in a decade.^{vii} To meet that goal, each state's poverty task force has created policy recommendations to reduce poverty and create more economic opportunity. The current official measure, however, does not capture the poverty reduction that might result from some state policies (e.g. a state earned income tax credit) because the current measure does not include such sources of income in its methodology. A modernized poverty measure would help address this concern.

The six states (Colorado, Connecticut, Delaware, Minnesota, Vermont, and Virginia) have taken different actions around a modernized poverty measure. Delaware and Minnesota explicitly recommend implementing a modernized state poverty measure while Vermont calls for further research and guidance on the development of a modern measure. Connecticut and Minnesota have already used a version of a modernized measure to assess the poverty reduction impact of their policy recommendations. Colorado and Minnesota are

taking steps to establish a modernized measure for on-going use in their state. Virginia calls for a combination of alternate measures.

The following summarizes efforts of the six states:

Colorado – The state created the [Colorado Economic Opportunity Poverty Reduction Task Force](#) through [legislation](#) in 2009 with the goal of reducing poverty by 50 percent by 2019. The Task Force's recently approved [legislative recommendations](#) for the 2010 session include [a bill that would require the Task Force to develop a model for assessing the impact of its poverty recommendations on state poverty rates.](#)

Connecticut – The state created the [Connecticut Child Poverty and Prevention Council](#) through [legislation](#) in 2004 with the goal of reducing child poverty in Connecticut by 50 percent by 2014. The state contracted with the Urban Institute to analyze how implementing of a package of proposed policies might affect state child poverty rates. The [Urban Institute](#) analysis uses a model that relies on a poverty measure based on NAS recommendations. It found that if five of the policy recommendations were implemented—a child care subsidy expansion, education and training initiatives, full child support payments, transitional assistance for those leaving cash-aid, and increased participation in safety net programs – the child poverty rate would decrease by almost 35 percent.

Delaware – A [2007 executive order](#) created the [Delaware Child Poverty Task Force](#) with a goal of reducing child poverty by 50 percent by 2017. The Task Force's [2009 final report](#) recommends that the state adopt NAS recommendations and, “develop a new poverty definition for Delaware that considers more than just pre-tax income, including the post-mid 20th century changes that

have occurred impacting family resources such as out-of-pocket medical expenses”

Minnesota – State lawmakers passed legislation in 2006 to create the [Legislative Commission to End Poverty in Minnesota by 2020](#). The commission’s [2009 final report](#) supports developing a modern federal measure and calls for developing a state-based modern poverty definition that adopts the NAS recommendations. Further, to predict the poverty reduction impact of legislative proposals, the Commission recommended using poverty impact statements that rely on an NAS-based poverty measure. A [poverty impact statement bill](#) was introduced in 2009 and is expected to be reintroduced in 2010. The bill would allow Committee chairs to secure poverty impact statements attached to legislation that could reduce or increase the number of Minnesotans in poverty by at least one-tenth of one percent of the state population, as measured by a NAS-based poverty measure. The Commission’s final report also includes an analysis by the Urban Institute of how its recommendations would affect state poverty rates using a NAS-based poverty measure. It found that five policy recommendations (\$9.50 minimum wage, expanded EITC, guaranteed child care assistance for families at 300 percent of federal poverty level, 85 percent food stamp participation, and expanded education and training) would reduce overall poverty by over 27 percent.

Vermont – The state created the [Vermont Child Poverty Council](#) through [legislation](#) in 2007 with the goal of reducing child poverty by 50 percent by 2018. The council’s [2009 final report](#) called for further research and guidance from policy experts to help the state define a modern measure of family poverty and well-being. The report notes that income poverty is not the only challenge families face and recommends a range of additional indicators including school readiness and

performance and housing costs as a percentage of income.

Virginia – In 2009 the [Governor](#) established the Commonwealth of Virginia’s Poverty Reduction Task Force. The mission of the 31 task force members was to evaluate suggestions for inclusion in its recommendations. [The Task Force report](#) notes that all of its recommendations need to be viewed in the context of a federal poverty measure that is flawed. The report stresses that “No single measure can fully capture economic need or material deprivation.” It suggests that a more complete understanding beyond income poverty is needed and would potentially include: measures of material hardship such as hunger; health care access; education quality; labor market opportunities; and, neighborhood quality. Further, the report notes that the social indicator lists utilized in a number of states can capture additional insights.

Beyond State Poverty Task Force Efforts

As state poverty task forces continue to focus on building economic opportunity, the need for a poverty measure that more accurately reflects the circumstances of poor families and the value of policy interventions continues to build momentum. [The National Conference of State Legislatures \(NCSL\)](#) recently released a [statement of support for a modern poverty measure](#) that will help state policymakers better combat poverty. The search for a more accurate income poverty measure reached the city level when New York City Mayor Michael Bloomberg’s [Center for Economic Opportunity](#) decided to develop its own [poverty measure](#) based primarily on NAS recommendations with specific New York City adjustments. In addition, the [National League of](#)

Cities (NLC) also supports a modern measure.

NLC calls for an updated federal poverty measure that accurately reflects the needs of working families, including the increased financial burden that costs from housing, childcare, health care and transportation place on budgets, as well as regional cost-of-living differences.

The ability to measure income poverty in the United States is not only important for understanding whether individuals and families are meeting their basic needs but also for guiding decisions about which policies can most effectively reduce poverty. The current official measure is a poor gauge for either. States and localities have recognized the need for a modern measure – it is now time for the federal government to move forward.

Some Poverty Measure Resources

It's Time for a Better Poverty Measure, Mark Greenberg, Center for American Progress, December 2009

Measuring Poverty and Economic Inclusion: The Current Poverty Measure, the NAS Alternative, and the Case for a Truly New Approach, Shawn Fremstad, Center for Economic and Policy Research, December 2008

Improving the Measurement of Poverty, Rebecca Blank and Mark Greenberg, The Brookings Institution, December 2008

How to Improve Poverty Measurement in the United States, Rebecca Blank, The Brookings Institution, March 2008

In Focus: the Poverty Measure, A Spotlight Project on Accessing the Poverty Measure, Spotlight on Poverty and Opportunity; ongoing.

Endnote

ⁱ The goal of MAP is to develop a tool that gives a more accurate picture of poverty. The bill explicitly provides that eligibility programs that are tied to the current poverty measure remain tied to that traditional measure and not a modern one, unless Congress chooses to change that.

ⁱⁱ The MAP bill also calls upon the NAS to study and make recommendations for a different measure -- a Decent Living Standard. The Standard would represent “the amount of annual income that would allow an individual to live at a safe and decent but modest, standard of living.” Further, MAP calls for NAS to recommend a methodology for annual modern poverty measurement at the state and local level, including possible revisions to the “American Community Survey, the use of administrative records, and the use of modeled estimates.”

ⁱⁱⁱ United States Census Bureau, Poverty Thresholds, <http://www.census.gov/hhes/www/poverty/threshld.html>.

^{iv} Specifically, the National Academy of Sciences panel recommended a threshold based on expenditures between the 30th and 35th percentiles of family costs as measured in the Consumer Expenditure Survey along with a multiplier of 15 to 25 percent for other necessary expenses.

^v While there is broad agreement that medical out of pocket (MOOP) expenses should be accounted for in an alternative poverty measure, there is some debate on whether it should be included in the threshold as an expenditure or subtracted from income resources.

^{vi} Since 2003, twenty state governments have created poverty and opportunity task forces charged with developing recommendations to reduce poverty in their state; ten of these task forces were created in just the last two years

^{vii} Six more states with task forces have also set targets but have not yet issued a report or recommendations. Another state, Oregon, which does not have a poverty task force, has instituted performance measures for a wide array of issues, including one that sets a timeline and a goal for poverty reduction.