

CLASP

Policy solutions that work for low-income people

The Honorable Nancy Potok, Chief Statistician
Office of Management and Budget
725 17th St. NW
Washington, DC 20006

June 21, 2019

RE: OMB Directive No. 14: "Consumer Inflation Measures Produced by Federal Statistical Agencies"

Dear Dr. Potok:

The Center for Law and Social Policy (CLASP) is grateful for the opportunity to comment on how differences among various consumer price indexes might influence the estimation of the Official Poverty Measure (OPM). The OMB notice considers lowering the poverty line by adopting a lower inflation adjustment measure. **We strongly urge you to reject this proposed change because it would make the poverty line less accurate, leading to a less accurate understanding of the economic struggles of American families and ultimately reduced support for crucial health, nutrition, and other public benefit programs for Americans with low-incomes.**

Established in 1969, CLASP is a national, non-partisan, non-profit, anti-poverty organization that advances policy solutions for low-income people. Our comments draw on our deep expertise on poverty and its effects on children, individuals and families and the critical importance of federal programs that support the health and economic well-being of poor and low-income families. Our comments on the OMB notice convey:

- The importance of an accurate Official Poverty Measure for the country and
- The need to consider widespread impacts of changes to the poverty line before adopting proposals under consideration.

I. The Importance of An Accurate Official Poverty Measure

The OPM is an important measure of the well-being of Americans.

The profound consequences of living in poverty, especially for children, are well documented. Children who are born poor and are persistently poor are far more likely than their peers to fail to finish high school, become parents as teens, and experience poverty as adults.¹ Child poverty endangers not only the wellbeing of individual children but the future skills and capacity of America's labor force and the nation's economic future. Poverty itself imposes significant costs on society as a whole in terms of lost productivity and earnings as well as costs associated with ameliorating the impacts of poverty (i.e. poor health, hunger, homelessness, crime).²

Accurately identifying individuals in poverty, supporting their access to basic needs and economic opportunity, and crafting effective poverty-reduction policies, is a crucial responsibility of the federal government due to the large economic and societal impacts of poverty.

A lower inflation measure could make the OMP less accurate.

The OMB notice considers replacing the Consumer Price Index for All Urban Consumers (CPI-U) with lower measures of inflation, such as the “Chained CPI for all Urban Consumers” (C-CPI-U) or a similar index, which would slow growth of the poverty threshold over time. The Chained CPI calculates inflation at a lower rate because it assumes that as the price of goods rise, individuals change their spending patterns, replace higher priced goods with less expensive options, and reduce their overall expenses. However, this practice is not readily available for individuals with low incomes— who are already doing without expensive items and seeking low or moderately priced goods.³

In that respect, research suggests costs rise more rapidly for low-income households and that individuals with low-incomes may in fact experience inflation at higher rates. For example, low-income households spend a larger than average share of their budgets on housing; the price of rent rose 31 percent from 2008 to 2018, much faster than the overall CPI-U (17 percent).⁴ To the extent that low income families experience higher rates of inflation, indexing the poverty line by a slower growing measure, such as the chained CPI, could make the poverty measure even less accurate.⁵ Prior to adopting a new measure, OMB should undertake additional analyses and solicit input from researchers and the public to fully understand how families with low-incomes experience inflation.

The official poverty line is currently set too low.

It is widely documented that the official poverty line is set too low and fails to accurately represent the amount of income a family requires to meet their basic needs.⁶ Based on outdated methodology, it fails to consider major expenses for families such as child care costs. Research suggests that families in fact need incomes of about two times the current poverty level to meet their basic needs.⁷ For example, over half of low-income parents with incomes under 200% of poverty report food insecurity and nearly a quarter report problems making a rent or mortgage payment or being forced to move.⁸ Moreover, there is evidence that families just above the poverty line experience material hardship at similar rates to families with income just below. In a 2017 Urban Institute survey, over 60 percent of “near-poor” adults (those with family incomes between 100-199% of the poverty line) reported experiencing at least one material hardship such as food insecurity, missed payments for utility bills or rent or mortgage, or problems paying family medical bills— which was not significantly different from adults with incomes below the poverty line.⁹ If the poverty line were to be adjusted downward over time, families with incomes just below the current poverty line would still find themselves with the same material hardship and yet would no longer be considered “poor”. This downward adjustment would not change their income or well-being but would leave them with reduced access to public benefits that use the poverty line to establish eligibility guidelines.

Changes to the Official Poverty Measure should not be made without consideration of the full range of research on measuring poverty.

The widespread understanding that the current federal poverty line is too low is not reflected in the OMB notice. Further, the notice fails to acknowledge the work that has been done within federal agencies to assess and improve measures of poverty, including for example the development of the Supplemental

Poverty Measure at the US Census Bureau, which more fully incorporates the current cost of basic living expenses and results in a poverty line that is higher than the official poverty line for most households.¹⁰

The OMB notice focuses on just one of many questions about the current poverty line – how it is adjusted for inflation – while ignoring the many other important issues that would need to be considered and analyzed (with opportunity for public comment) to construct a more accurate measure as well as the resulting impacts of any changes.

Given the concerns raised above and the importance of an accurate Official Poverty Measure, it is imperative that OMB conduct a robust and comprehensive analysis, with input from researchers, experts and the public, on how to create a more accurate measure of poverty before any changes are made to the inflation measure.

II. OMB Should Seek Public Comments on the Impact of the Poverty Line Changes on Program Eligibility

A change to the inflation adjustment of the OPM will impact the Department of Health and Human Services' poverty thresholds, which are used to establish eligibility for a large number of public programs. The OMB notice states that OMB is not seeking comment on how changing the official poverty line would impact the HHS poverty guidelines and eligibility for public programs. For that reason, we are not offering comments on that topic.

If OMB considers moving forward with any change to the poverty line that would impact the HHS guidelines, we strongly urge you to solicit public comment and undertake a comprehensive effort to research and analyze the impact before going forward.

Such analysis should focus on:

The impact on access to health insurance coverage and health care.

Medicaid provides access to affordable health care for millions of Americans with low incomes. Medicaid covers 37.1 million children and the Children's Health Insurance Program (CHIP) covers 8.9 million children.¹¹ Together these programs give millions of children in low-income households' access to vital health care services. Adjusting the federal poverty line in a way in which there would be a reduction of the income eligibility limits for Medicaid and the Children's Health Insurance Program (CHIP) would result in a de facto cut to eligibility. Millions of low-income children, parents, pregnant women, seniors and people with disabilities would lose access to critical health insurance programs over a 10-year period. This includes more than 300,000 children who would lose Medicaid or CHIP coverage if the poverty measure's inflation adjustment shrinks, and more than 250,000 adults who gained Medicaid coverage from the Affordable Care Act's expansion.¹²

Affordable health insurance coverage provides low-income people access to care that prevents and treats illness, promotes children's development, and supports employment. Losing health insurance coverage would threaten the health and economic stability of thousands of adults and families. Moreover, many of the most pressing health emergencies facing this country today – such as the nation's alarmingly high maternal mortality rates and the opioid crisis - would undoubtedly be affected as a result of millions of people losing access to basic care. It is the responsibility of OMB to research the extent of these effects on individuals,

communities and states.

The impact on nutrition programs and food insecurity.

Food insecurity is a widespread issue among families in low-income households. A USDA report found that 11.8 percent of American households were food insecure at some time in 2017, and for people below 130 percent of the poverty line, that number jumps to 34.5 percent.¹³ As the nation's largest federal food assistance program, SNAP acts as the first line of defense against food security for millions of families that are struggling to put food on the table.

SNAP is also an important vehicle for economic mobility. In 2016, SNAP lifted 3.6 million people out of poverty.¹⁴ In addition to being one of the most efficient and effective tools for combating poverty and hunger in the U.S., SNAP improves the purchasing power of participants and provides an economic boost during downturns by infusing money into local businesses where participants purchase food.

In 2018, the Special Supplemental Nutrition program for Women, Infants and Children (WIC) provided nutritious food to over 6.8 million low-income pregnant women, new mothers, and young children on average each month.¹⁵ The program's preventative care reduces the risk of serious birth complications such as low birthweight,¹⁶ and its food package is associated with the reduction of childhood obesity.¹⁷

If the annual inflation adjustment for the poverty measure shrinks, fewer families will have access to WIC and SNAP. Food insecurity and hunger can greatly impact an individual's wellbeing, as there is overwhelming evidence of the importance of adequate nutrition on health, development, and learning, especially for children. Limiting access to SNAP would have long term health and economic impacts that must be analyzed before any changes are made to the eligibility requirements.

The impact on access to Head Start.

Decades of studies demonstrate the critical role that Head Start plays in improving life outcomes for children living in poverty. Head Start children receive medical and developmental screenings and subsequent treatment for identified concerns, as well as regular medical and dental care.¹⁸ Additionally, their families receive parenting education, health education and support services connecting them to education and jobs. A robust body of research has found that at the end of Head Start, prior to kindergarten, the program shows wide-ranging positive effects on children and families from language and pre-reading abilities to parenting skills—and that effects last into adulthood.¹⁹

Despite research showing the clear benefits of Head Start, very few of the families that are eligible for Head Start are able to access it. Young children in families with incomes below the poverty guidelines are eligible for Head Start. Fewer than half of eligible preschool aged children (children ages three and four) attend Head Start and Early Head Start reaches just 7 percent of eligible pregnant women, children and toddlers (children under age three).²⁰

Lowering the annual inflation adjustment will result in some families becoming ineligible for Head Start. Before shrinking the number of children who can access Head Start, the federal government should assess the impact of reduced access to high quality, comprehensive early childhood education for children with very low family incomes. Before making any change that would lower the poverty line, OMB should first engage in robust research and analysis about how children's access to Head Start – and resulting outcomes - would be impacted.

Disproportionate impacts on communities of color.

Historical and institutionalized racism have created systemic and structural barriers to economic mobility for people of color, and as a result, poverty continues to have a deeply disproportionate impact on people of color. Children of color—an emerging majority and crucial to the nation’s future—are the most likely among all Americans to live in poverty because of systemic inequities in access to opportunity. Almost 3 in 10 Black children and 1 in 4 Hispanic children lived in poverty in 2017, compared to about 1 in 9 (10.9 percent) white children. This is despite high levels of work among their parents.²¹

Because the federal poverty line is used to set the eligibility standard for many critical programs that children in poverty rely on, any changes to the method used to calculate the federal poverty line must consider how the change could exacerbate the racial disparities that already exist in health, nutrition, educational attainment, and other life outcomes for children of color.

Disproportionate impacts on women and children.

Women are more likely than men to face economic insecurity at all stages of their lives, due to ongoing employment discrimination, overrepresentation in low-wage jobs, difficulty accessing affordable and comprehensive health care, and greater responsibilities for unpaid caregiving. As a result, women would also be disproportionately affected by any changes to the federal poverty line that affect their eligibility for basic needs programs. If women are no longer able to receive these supports, this will negatively impact not only their own wellbeing, but that of their children.

Children comprise a disproportionate share of our nation’s poor, with the highest poverty rates among the youngest and most vulnerable children. Poverty during a child’s earliest years has long-lasting negative impacts on children’s health and development. The profound consequences of poverty, especially for young children, are well documented and include negative outcomes during childhood and in education, employment, and earnings into adulthood. Restricting access to programs that provide assistance to mothers will inevitably adversely impact the safety and health of their children. OMB would need to fully study these impacts to understand the generational effects that stem from reducing eligibility limits for these programs.

Disproportionate impacts on youth and young adults.

Decades of research show that growing up with inadequate income and opportunity can stunt young adults’ education and careers. Living in poverty makes it more difficult for them to access quality education and training programs, especially those living in high poverty communities where these opportunities are particularly scarce. When they do enroll in postsecondary education, young adults living in low-income households are more likely to have to work excessive hours while in school, thus prolonging the time it takes to earn a degree and putting them at risk of not completing.²² Additionally, young adults (ages 18-24) face sharply elevated rates of poverty compared to older adults. And young adult parents are more likely to be poor. Among parents 18-24, more than a quarter (27.8 percent) are poor, and among all adult parents under 30, more than one in five (20.5 percent) are living in poverty. Young parents raising children in poverty struggle with economic stability to meet their children’s basic needs.²³

In addition to the core benefit programs described above that are crucial for youth and young adults, under the Workforce Innovation and Opportunity Act (WIOA), in-school youth of 14-21 years can qualify for workforce preparation, education, and training if they are defined as low-income. One of the ways they can meet that definition is if they live in a high poverty area (one that has a poverty rate of at least 25 percent). If

the inflation adjustment for poverty shrinks, fewer areas will qualify as high poverty, and so youth in those areas will not automatically qualify for training. The shrinking poverty measure will also over time disqualify young people whose families are bumped over the eligibility line. If fewer youth are able to access opportunities to that support them in understanding the world of work and provide them with education and skills they need to get on a career path, they will be less likely to secure stable jobs with above-poverty wages.

Given the long lasting effects of growing up in poverty, America has a great deal at stake when constructing policies that affect youth in low-income households. The federal government needs to conduct an extensive analysis of potential impacts before suggesting a policy change that would harm a large number of the nation's youth and young adults.

The impact on additional programs and individuals who benefit.

In addition to the federal programs described above, eligibility for other important programs for low income individuals and families would be impacted by a change in the poverty level, including:

- Child and Adult Care Food Program (CACFP)
- Low Income Home Energy Assistance Program (LIHEAP)
- School meals
- Community Services Block Grant
- Community Health Centers
- Migrant Health Centers
- Job Corps
- National Farmworker Jobs Program
- Low-Income Taxpayer Clinics
- Legal Services for the Poor

Furthermore, a change to the poverty level and the resulting change in eligibility for the above programs would have an adverse impact on many individuals and communities not addressed above, including members of the LGBTQ+ community and individuals with disabilities.

OMB should conduct a full assessment on the impact of the proposed change to all of the affected programs and communities.

Conclusion

The federal poverty line already fails to capture many of working families struggling to make ends meet. We know that households just above the official poverty line have higher than average rates of food insecurity, difficulty paying rent and utilities and are more likely to be uninsured. OMB should reject proposed changes that would shrink the annual rate of increase in the Official Poverty Measure and artificially push people over the poverty line even though they still aren't able to meet their basic needs.

OMB has said it is not seeking comment on the impact of changing the HHS poverty guidelines. However, if OMB is considering going forward with a change to the poverty thresholds that would affect the guidelines, it should certainly not be undertaken without in-depth research and analysis, and should solicit public comments regarding impacts such as the number of individuals losing assistance and a demographic profile

of those individuals and families, and how the impacts would change over time.

Thank you for the opportunity to comment.

Sincerely,



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¹ Greg J. Duncan and Katherine Magnuson, *The Long Reach of Early Childhood Poverty*, 2011, <http://www.stanford.edu/group/scspi/media/pdf/pathways/winter2011/PathwaysWinter11Duncan.pdf>.

² Greg Duncan, Suzanne Le Menestrel, et al., *A Roadmap to Reducing Child Poverty*, The National Academy of Sciences, Engineering and Medicine, 2019, <https://www.nap.edu/read/25246/chapter/1>.

³ David Argente and Munseob Lee, "Cost of Living Inequality during the Great Recession," Kilts Center for Marketing at University of Chicago Booth School of Business, Nielsen datasets Joint Paper Series, March 1, 2017, <https://ssrn.com/abstract=2567357>.

⁴ U.S. Bureau of Labor Statistics (BLS) and CBPP calculations. The poorest fifth of households dedicate 40 percent of all expenditures to housing (including shelter, fuels, utilities, furnishings, and operations), compared with 33 percent for all households. Rent is even more concentrated among the poor. The poorest fifth dedicate 16 percent to rent, compared with 7 percent for all households, according to BLS data for 2017.

⁵ Arloc Sherman and Paul N. Van de Water, "Reducing Cost-of-Living Adjustment Would Make Poverty Line a Less Accurate Measure of Basic Needs," Center on Budget and Policy Priorities, June 11 2019, https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less#_ftn1.

⁶ National Research Council 1995. *Measuring Poverty: A New Approach*. Washington, DC: The National Academies Press.

⁷ Kinsey Alden Dinan, "Budgeting for Basic Needs: A Struggle for Working Families," National Center for Children in Poverty, March 2009, http://www.nccp.org/publications/pdf/text_858.pdf.

⁸ Michael Karpman, Stephen Zuckerman, and Dulce Gonzalez, *Material Hardship among Nonelderly Adults and Their Families in 2017*, Urban Institute, 2018, https://www.urban.org/sites/default/files/publication/98918/material_hardship_among_nonelderly_adults_and_their_families_in_2017.pdf.

⁹ Karpman et al., *Material Hardship*.

¹⁰ See for example https://www.census.gov/library/visualizations/2017/demo/poverty_measure-how.html

¹¹ Centers for Medicare and Medicaid Services (CMS), FFY 2016 Number of Children Ever Enrolled in Medicaid and CHIP, February 2017, <https://www.medicaid.gov/chip/downloads/fy-2016-childrens-enrollment-report.pdf>.

¹² Aviva Aron-Dine and Matt Broaddus, "Poverty Line Proposal Would Cut Medicaid, Medicare, and Premium Tax Credits, Causing Millions to Lose or See Reduced Benefits Over Time," Center on Budget and Policy Priorities, May 22, 2019. <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicaid-medicare-and-premium-tax>.

¹³ Coleman-Jensen, Alisha, Matthew P. Rabbitt, Christian A. Gregory, and Anita Singh. "Statistical Supplement to Household Food Security in the United States in 2017," U.S. Department of Agriculture, Economic Research Service, September 2018.

¹⁴ The Supplemental Poverty Measure: 2016, United States Census Bureau, September 2017. <https://www.census.gov/content/dam/Census/library/publications/2017/demo/p60-261.pdf>

¹⁵ U.S. Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants and Children (WIC): Monthly Data – National Level, June 2019. https://www.fns.usda.gov/sites/default/files/pd/37WIC_Monthly.pdf

¹⁶ Kathryn R. Fingar, et al., *Reassessing the Association Between WIC And Birth Outcomes Using A Fetuses-At-Risk Approach*,

21 *Maternal And Child Health Journal* 825-835 (2017).

¹⁷ Madeleine I.G. Daepf et al., WIC Food Package Changes: Trends in Childhood Obesity Prevalence, 143 *American Academy Of Pediatrics* (2019).

¹⁸ Stephanie Schmit, *Head Start Participants, Programs, Families and Staff in 2012*, CLASP, 2013.

<https://www.clasp.org/sites/default/files/public/resources-and-publications/files/HSpreschool-PIR-2012-Fact-Sheet.pdf>

¹⁹ U.S. Department of Health and Human Services, Administration for Children and Families, *Head Start Impact Study*, 2010.

https://www.acf.hhs.gov/sites/default/files/opre/hs_impact_study_final.pdf; U.S. Department of Health and Human Services, Administration for Children and Families, *Advisory Committee on Head Start Research and Evaluation: Final Report*, 2012,

https://www.acf.hhs.gov/sites/default/files/opre/eval_final.pdf.

²⁰ National Women's Law Center calculations for Head Start based on data on Head Start funded slots in FY 17 from Fiscal Year 2019 Administration for Children and Families Justification of Estimates for Appropriations Committees, 124, available at

https://www.acf.hhs.gov/sites/default/files/olab/acf_master_cj_acf_final_3_19_0.pdf; and data on the number of children ages three and four in poverty from U.S. Census Bureau, Current Population Survey, 2018 Annual Social and Economic Supplement, Detailed Poverty Tables, POV34. Single Year of Age-Poverty Status: 2017, available at

<https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov/pov-34.html>.

²¹ Olivia Golden, *Children, Young Adults Stuck in Poverty: Census Data Show Millions Left Behind*, CLASP, September 2018,

https://www.clasp.org/sites/default/files/publications/2018/09/2018_censusdatabrief.pdf.

²² Comments on House Hearing "Keeping College Within Reach: Sharing Best Practices for Serving Low-Income and First Generation Students", Postsecondary Education and Workforce Development Team at CLASP, 2014,

<http://www.clasp.org/federalpolicy/legislation-and-reauthorizations/CLASP-Comments-onHouse-Hearing-Keeping-College-Within-Reach.pdf>.

²³ Olivia Golden, *Children, Young Adults Stuck in Poverty: Census Data Show Millions Left Behind*, CLASP, September 2018,

https://www.clasp.org/sites/default/files/publications/2018/09/2018_censusdatabrief.pdf.