

## TEMPLATE COMMENTS: OMB PROPOSAL TO LOWER THE FEDERAL POVERTY LINE

June XX, 2019

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

Dear Dr. Potok:

Thank you for the opportunity to comment on the Office of Management and Budget's (OMB) notice regarding differences among various consumer price indexes and their influence on the estimation of the Official Poverty Measure.

*[INSERT A PARAGRAPH DESCRIBING YOUR ORGANIZATION AND BRIEFLY EXPLAINING WHY YOUR ORGANIZATION CARES ABOUT AND/OR HAS EXPERTISE IN THIS ISSUE]*

The OMB notice contemplates lowering the poverty line by applying a smaller cost-of-living adjustment each year, using either the chained CPI or the Personal Consumption Expenditures Price Index (PCEPI) in place of the CPI-U. We strongly urge you to reject this change.

As explained below, the poverty line already understates what families need to get by. That means lowering it further would make poverty measurement less accurate, giving policymakers and the public less credible information about the number and characteristics of American families struggling to get by. Moreover, the OMB notice fails to consider a range of important issues that would need to be carefully studied before making any change to the poverty line. These include well-documented problems with the Official Poverty Measure that should be addressed if changing the inflation adjustment, rates of inflation for low-income households versus the population as a whole, and the impact changes would have on eligibility for federal health, nutrition, and other basic assistance programs. Prior to moving forward with any changes, OMB should undertake a serious analysis of each of these issues, publish its findings, and solicit public comment.

### **The Official Poverty Measure is Already Too Low**

The poverty line is already below what is needed to raise a family, as shown by the high rates of hardship among families with incomes just above the poverty line.

- Among non-elderly adults with income between the poverty line and twice the poverty line, over 60 percent reported one or more material hardships such as food insecurity, missed payments for utility bills or rent or mortgage, or problems paying family medical bills, according to a 2017 Urban Institute survey — not significantly different than for those in poverty.<sup>1</sup>
- USDA data for 2017 show that, among near-poor households with children in 2017 with income between 1 and 1.3 times the poverty line, 29 percent couldn't consistently afford adequate food, compared with 40 percent of those below the poverty line.<sup>2</sup>

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<sup>1</sup> 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](https://www.urban.org/sites/default/files/publication/98918/material_hardship_among_nonelderly_adults_and_their_families_in_2017.pdf).

<sup>2</sup> Alisha Coleman-Jensen, Matthew P. Rabbitt, Christian A. Gregory, and Anita Singh, *Household Food Security in the United States in 2017*, U.S. Department of Agriculture, 2018, and CBPP calculations.

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The prevalence of material hardship among families just above the poverty line suggests that the families whom the proposed change would define as no longer poor – namely, those just below the poverty line – do not have sufficient income to make ends meet.

*[CONSIDER SUPPLEMENTING THIS CONTENT WITH YOUR OWN REASONS AND EXPERIENCE DEMONSTRATING THAT THE CURRENT POVERTY LINE IS NOT ADEQUATE. THIS COULD INCLUDE, FOR EXAMPLE, A DISCUSSION OF A BASIC NEEDS BUDGET YOUR ORGANIZATION USES/HAS CALCULATED.]*

### **Notice Fails to Consider Other Significant Problems with the Poverty Line**

Considerable research over the years – including a major report by the National Academy of Sciences<sup>3</sup> – has identified various ways in which the poverty line appears to be inadequate. For example, the poverty line does not fully include certain costs that many low-income families face, such as child care.

In accordance with the guidance of the National Academy of Sciences panel, federal analysts worked carefully with researchers over a number of years to develop the supplemental poverty measure (SPM), which more fully incorporates the current cost of basic living expenses. Consistent with the evidence cited above, this more careful accounting results in a poverty line that is higher than the official poverty line for most types of households.

The OMB notice focuses on just one of many questions about the current poverty line – how it is updated 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.

### **Notice Fails to Consider Evidence That Low-Income Households May Experience Higher Inflation**

It is not at all clear whether the chained CPI is a more accurate measure *for low-income households*.

First, prices have been rising faster for the types of goods and services that dominate poorer households' spending. 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).<sup>4</sup>

*[CONSIDER SUPPLEMENTING WITH INFORMATION ABOUT HIGH AND RISING HOUSING COSTS IN YOUR COMMUNITY/CITY/STATE AND THE CHALLENGES THEY CREATE FOR LOW-INCOME FAMILIES.]*

Second, some research suggests that lower-income households may face more rapidly rising prices for other reasons as well. Low-income households may have less ability to change their consumption patterns when relative prices change – for example, because they have few retail outlets in their neighborhood, lack access to convenient transportation, or do not have internet service at home.<sup>5</sup>

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<sup>3</sup> National Research Council 1995. *Measuring Poverty: A New Approach*. Washington, DC: The National Academies Press.

<sup>4</sup> 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.

<sup>5</sup> See for example Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics*, 2017, [https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan\\_schulhoferwohl\\_jme\\_2017.pdf](https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf). David Argente and Munseob Lee, "Cost of Living Inequality during the Great Recession," Kilts Center for Marketing at University

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*[CONSIDER ADDING INFORMATION ABOUT SHOPPING CHALLENGES POOR FAMILIES IN YOUR COMMUNITY FACE, IF APPLICABLE, SUCH AS INABILITY TO PURCHASE ONLINE DUE TO LACK OF COMPUTER, SAFE PLACE FOR DELIVERIES, OR CREDIT/DEBIT CARDS; LIMITED RETAIL ESTABLISHMENTS.]*

Although not definitive, the studies cited above suggest that low-income households may experience higher rates of inflation than average or high-income households. If so, indexing the poverty threshold by an inflation measure that grows less rapidly, such as the chained CPI, could make the poverty measure less accurate, not more so. At the very least, considerably more research is needed on this issue. OMB should undertake such research and solicit additional input from researchers, as well as public comment, before making any change.

### **OMB Should Analyze and Seek Comment on Impact of Poverty Line Changes on Program Eligibility**

Because you said you were not seeking comment on how changing the official poverty line would impact the Department of Health and Human Services (HHS) poverty guidelines and program eligibility, we are not submitting comments on that issue. However, were you to consider moving forward with a change to the poverty line that would impact the HHS guidelines, it would be imperative to first undertake in-depth research and analysis, and solicit public comments, regarding issues such as:

- The impact on health insurance coverage and access to health care. After 10 years of updating the poverty line using the chained CPI, millions of people would lose eligibility for or receive less help from health coverage programs including Medicaid and the Children's Health Insurance Program (CHIP), Medicare Savings Programs, the Medicare Part D Low-Income Subsidy program, premium tax credits, and cost sharing reductions.<sup>6</sup> OMB should quantify these impacts and analyze how the cuts to these programs would affect uninsured rates, access to care, financial security, and health outcomes for lower-income people, seniors, and people with disabilities.
- The impact on nutrition programs and food insecurity. Updating the poverty line using the chained CPI would cause people to lose eligibility for the Supplemental Nutrition Assistance Program (SNAP), school meals, and the Supplemental Nutrition Program for Women, Infants, and Children (WIC). OMB should quantify these impacts and analyze how the cuts to these programs would impact food insecurity and overall financial security for those affected.
- The impact on other basic assistance programs. Updating the poverty line using the chained CPI would also lower eligibility thresholds for many other federal programs, and could have ramifications for state-funded programs as well. OMB should identify the full list of these programs and analyze the impacts on beneficiaries.

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of Chicago Booth School of Business, Nielsen datasets Joint Paper Series, March 1, 2017, <https://ssrn.com/abstract=2567357>. Benjamin Faber and Thibault Fally, "Firm Heterogeneity in Consumption Baskets: Evidence from Home and Store Scanner Data," National Bureau of Economic Research, Working Paper No. 23101, August 2017, <https://www.nber.org/papers/w23101>. Xavier Jaravel, "The unequal gains from product innovations: Evidence from the US retail sector," Washington Center for Equitable Growth, March 14, 2017, <https://equitablegrowth.org/working-papers/unequal-gains-from-product-innovations/>.

<sup>6</sup> 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>.

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*[CONSIDER ADDING TO THESE BULLETS BASED ON YOUR OWN CONCERNS OR CALLING OUT OTHER SPECIFIC PROGRAMMATIC OR RELATED ISSUES OMB SHOULD ANALYZE.]*

Before considering moving forward to changing to the Census poverty thresholds that would impact the poverty guidelines, OMB should undertake in-depth, quantitative analysis of all of these issues, including research on how the impacts would grow over time. It should publish its findings and give the public an opportunity to comment on whether a change should be made in light of the likely consequences for uninsured rates, food insecurity, and other forms of hardship.

Thank you for your willingness to consider our comments. If you would like any additional information, please contact *[COMMENT AUTHOR, (CONTACT INFORMATION)]*