REPORT

Knowing What Works

States and Cities Build Smarter Social Policy with New and Improved Poverty Measurement

William Engelhardt | Curtis Skinner

April 2013

National Center for Children in Poverty
Mailman School of Public Health
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The National Center for Children in Poverty (NCCP) is dedicated to promoting the economic security, health, and well-being of America's low-income families and children. Using research to inform policy and practice, NCCP seeks to advance family-oriented solutions and the strategic use of public resources at the state and national levels to ensure positive outcomes for the next generation. Founded in 1989 as a division of the Mailman School of Public Health at Columbia University, NCCP is a nonpartisan, public interest research organization.

KNOWING WHAT WORKS

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ACKNOWLEDGMENTS

This publication was made possible by the generous support of the Annie E. Casey Foundation. The authors thank Renée Wilson-Simmons for reading and commenting on the draft and Morris Ardoin, Amy Palmisano, and Telly Valdellon for production support.

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To better understand poverty and find the best strategies to reduce it, states and localities need to know who is poor, why they are poor, and what policies work best for different groups. Rather than rely on the official poverty measure, in use since the early 1960s, several states and localities have taken the lead in developing new measures of poverty that more accurately account for the resources available to their residents as well as their needs. Supported by a strong body of innovative research from the federal government and public policy research organizations, these new measures not only more accurately gauge the level of poverty but offer a cost-effective way to evaluate the effectiveness of anti-poverty programs.

Improved poverty measurement also helps policymakers identify effective new programs to assist vulnerable populations in meeting their families' often-pressing needs.

This brief provides an up-to-date look at how pioneering states and localities are using – or plan to use – improved poverty measurement to build smarter social policy. In a difficult fiscal climate, investing in better measures to estimate poverty and evaluate the effectiveness of anti-poverty programs is sound practice that will enable policymakers to quantify whether and how interventions are improving outcomes for children and their families.

How the Official Poverty Measure Falls Short

The official poverty rate is determined by comparing a family's pre-tax cash income to an income poverty threshold. If a family's income falls below this threshold, it is considered to be poor. This threshold was developed in the 1960s and sets the poverty line at three times the cost of a basic food basket, because food was then found to account for one-third of the cost of living. Since then, the threshold has only been adjusted to account for inflation, despite the fact that food now accounts for only one-seventh of the cost of living.

This threshold has become an inaccurate measurement tool, providing a flawed accounting of both family *needs* and family *resources*. On the needs side, it fails to consider the growing burden of nondiscretionary expenses for such necessities as housing, child care, out-of-pocket medical expenses, and transportation. Nor does it account for variations in the cost of living based on geographic location. On the resource side, the official poverty measure also falls short. It counts the pre-tax, cash income of a family, which includes earnings, dividends, interest, Social Security

payments, and pensions, among other income, as well as any public assistance, Supplemental Security Income (SSI), alimony, and child support payments a family receives. However, the official measure excludes post-tax cash benefits like the Earned Income Tax Credit (EITC) and the refundable portion of the child tax credit, and ignores in-kind government benefits like the Supplemental Nutrition Assistance Program (SNAP, or food stamps), Medicaid, housing subsidies, school lunch assistance, and child care assistance.[1]

Clearly, the limitations of the official measure pose an obstacle to designing and evaluating anti-poverty policy at all levels of government. An unrealistic poverty threshold on the needs side and the exclusion of important income and work supports on the resource side are producing a flawed accounting of who is poor. In addition, since the official measure does not factor in a number of important government programs intended to assist low-income families, it is difficult to assess what programs are effective at reducing poverty. All of these deficiencies point to the need for an improved poverty measure, one that can not only help policymakers and the public gain a better understanding of who is actually living in poverty and the expenses that are pushing people into poverty, but also what government programs are effective in preventing or alleviating poverty at the national, state, and local levels.

A Proposal for Improving Poverty Measurement

More than 17 years ago, in an effort to rectify the limitations of the official poverty measure, the National Academy of Sciences (NAS) made detailed recommendations on how poverty in America might be more accurately measured. The NAS recommendations were drafted in 1995 at the request of Congress and since then, governmental and non-governmental poverty research organizations have developed a range of poverty measures broadly based on the NAS proposal.

While these measures differ in important ways, they generally have the following features: On the *needs* side of the poverty equation, they account for the cost of food, clothing, shelter, and utilities, based on data provided in the Consumer Expenditure Survey; they adjust for regional variation in housing expenses; they account for out-of-pocket medical expenses; and they include work-related expenses (for example, child care and transportation). On the *resources* side, they adjust for post-tax income – including tax credits – and account for both housing assistance and nutritional assistance (such as SNAP, school lunches, and the Special Supplemental Nutrition Program for Women, Infants and Children program [WIC]).

Official and National Academy of Sciences Recommended Poverty Measurement at a Glance

	Official measure	NAS-recommended measure
Poverty threshold	3 times the cost of a minimum food diet in 1963, adjusted for: • family size • family composition • age of householder	Percentage of median consumer spending on food, clothing, shelter, and utilities (FCSU), plus an additional amount for other necessary expenses, adjusted for: • family size • family composition • geographic differences in housing costs
Updating thresholds	Annual Consumer Price Index to account for inflation	3-year moving average of expenditures on FCSU from the Consumer Expenditure Survey
Resource measure	Gross before-tax cash income	Sum of cash income, plus in-kind benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), minus work expenses (such as transportation and child care), minus out-of-pocket medical expenses

Adapted from Johnson, D. S. & Smeeding, T. M. (2012). A consumer's guide for interpreting various U.S. poverty measures. *Fast Focus* (14): 1-7.

Who are the Poor in America? A Closer Look

Turning the National Academy of Sciences' recommendations into practical poverty measurement has required considerable ingenuity and patient effort among the pioneers of this work. New York City was first in the nation to develop a NAS-type poverty measure under the auspices of Mayor Michael R. Bloomberg's Center for Economic Opportunity (CEO) in 2008. Since then, government agencies and non-governmental policy research centers have developed new measures for New York State, Connecticut, Minnesota, Wisconsin, Georgia, Illinois, Massachusetts, and Philadelphia (and its greater metropolitan area).[2] The Stanford Center on Poverty and Inequality is leading an ongoing initiative to create comprehensive poverty measures for San Francisco and other parts of the state.[3]

showed that poverty rose from 2009 to 2010 in Wisconsin.[5] However, by including near-cash benefits and tax credits for low-income families that are excluded from the official measure, the more comprehensive measure found that the poverty rate actually went *down*, particularly for families with children. In other words, public anti-poverty programs helped to offset declines in earnings and employment in 2010. In the U.S., the official poverty measure and the Supplemental Poverty Measure produced similar poverty rate estimates for the population as a whole; however, when broken down by age group, there were very substantial differences between measures. Poverty was 4.3 percentage points lower for children, and 6.9 percentage points higher for people 65 years and older, according to the SPM.[6]

On the needs side of the poverty equation, the improved measures account for the cost of food, clothing, shelter, utilities, out-of-pocket medical expenses, and work-related expenses.

After numerous years of research and experimentation with alternative measures of poverty, the Census Bureau, in collaboration with the Bureau of Labor Statistics, produced the first Supplemental Poverty Measure (SPM) for the United States based on the NAS recommendations, for the year 2010.[4] Finally, in November 2012, the Census Bureau released its first SPM measures for all states based on a national survey that – because of a small sample size – permits only a limited range of analysis compared to the other state-level measures that have been produced (see Appendix 1 for additional information on data sources and methods used in modern poverty measurement).

The new and improved poverty measures provide a different accounting of who is poor compared to the official measure, and one that is likely to be more accurate. For example, the official poverty measure

One reason for the differences in the poverty populations is that the income and work supports included in the new measures have varying impacts on different groups. For many years, U.S. anti-poverty policy at all governmental levels has prioritized children. Because of this, important income and work supports – such as the EITC – are targeted toward families with children, and including these resources results in lower poverty rates for children. Accounting more realistically for family costs also produces differences between measures in group poverty estimates. For example, subtracting medical out-of-pocket expenses from resources sharply increases the poverty rate for elderly Americans. Modern poverty measurement can help policymakers evaluate how specific demographic groups are benefitting from the policies in place and make informed decisions based on this understanding.

Furthermore, modern poverty measurement identifies a substantially larger group of Americans in low-income families – with incomes between 100 and 200 percent of the poverty threshold – compared to the official measure. As many income and work supports counted in more comprehensive poverty measures are most generous to poorer families and phase out at modestly higher incomes, more families are "near poor" under a more realistic accounting of needs. For example, the SPM estimated 32 percent of Americans lived between 100 and 200 percent of the poverty threshold in 2011, compared to just 19.4 percent so classified under the official measure.[7] With a more accurate measurement of who are poor and near-poor, legislators are better informed about whether their policies are doing enough, and can make better decisions about which anti-poverty programs to prioritize.

On the resources side, the improved measures adjust for post-tax income – including tax credits – and account for both housing assistance and nutritional assistance.

Evaluating Anti-poverty Program Effectiveness

A very important advantage of modern poverty measurement is that it can be readily used to evaluate specific anti-poverty programs. Because key income and work support benefits are included as family resources, it is possible to quantify the effectiveness of these programs in reducing poverty. This is accomplished by first estimating the poverty rate with the anti-poverty program included in the measurement, and then estimating the rate with the program excluded, and comparing the difference between the two rates. For example, using this method, the Census Bureau found that, in 2011, refundable tax credits reduced poverty nationally by 2.8 percentage points, SNAP by 1.5 percentage points, unemployment insurance by 1.1 percentage points, and housing subsidies by 0.9 percentage points.[8]

Modern poverty measurement also allows program effectiveness to be broken down by demographic groups, as displayed in Table 1. For example, the Census Bureau found that tax credits reduced poverty for children by a striking 6.3 percentage points, SNAP by 2.9 percentage points, and housing subsidies by 1.4 percentage points.[9] The data show that these specific income and work support benefits had a greater impact on children than they did on the rest of the population.

Furthermore, the improved measure allows analysis of the impact of specific *expenses* on the poverty rate of different demographic groups. As shown in Table 1, the Census Bureau found that accounting for out-of-pocket medical expenses almost doubles the poverty rate for those 65 years and older, from 8.0 percent to 15.1 percent, while raising the rate for those between the ages of 18 to 64 years old by less than 3 percentage points.

Table 1: **Effect of Excluding Individual Elements on SPM Rates: 2011**

	All persons		Children		Adults aged 18–64		65 years and older	
	Poverty rate (%)	Poverty impact (percentage points)	Poverty rate (%)	Poverty impact (percentage points)	Poverty rate (%)	Poverty impact (percentage points)	Poverty rate (%)	Poverty impact (percentage points)
Supplemental Poverty Measure, All Elements	**16.1**		**18.1**		**15.5**		**15.1**	
SPM Excluding Individual Elements:								
Social Security	24.4	8.3	20.3	2.2	19.7	4.2	54.1	39.0
Refundable tax credits	18.9	2.8	24.4	6.3	17.7	2.2	15.2	0.1
SNAP	17.6	1.5	21.0	2.9	16.8	1.3	15.8	0.7
Unemployment insurance	17.2	1.1	19.4	1.3	16.8	1.3	15.5	0.4
SSI	17.2	1.1	18.9	0.8	16.7	1.2	16.3	1.2
Housing subsidies	17.0	0.9	19.5	1.4	16.3	0.8	16.3	1.2
Child support received	16.5	0.4	19.1	1.0	15.8	0.3	15.1	0.0
School lunch	16.4	0.3	19.0	0.9	15.8	0.3	15.1	0.0
Temporary Assistance to Needy Families (TANF)/ General Assistance	16.4	0.3	18.7	0.6	15.7	0.2	15.1	0.0
WIC	16.2	0.2	18.4	0.3	15.6	0.1	15.1	0.0
Low-Income Home Energy Assistance Program (LIHEAP)	16.2	0.2	18.2	0.1	15.6	0.1	15.1	0.0
Workers' compensation	16.2	0.2	18.2	0.1	15.7	0.2	15.1	0.0
Child support paid	16.0	-0.1	18.0	-0.1	15.4	-0.1	15.0	-0.1
Federal income tax	15.6	-0.5	17.8	-0.3	15.0	-0.5	14.8	-0.3
Payroll tax	14.8	-1.3	16.4	-1.7	14.2	-1.3	14.8	-0.3
Work expense	14.4	-1.7	15.9	-2.2	13.8	-1.7	14.7	-0.4
Out-of-pocket medical expenses	12.7	-3.4	15.4	-2.7	12.7	-2.8	8.0	-7.1

Source: Adapted from Short, Kathleen. (2012). *The Research Supplemental Poverty Measure: 2011.* Washington, DC: U.S. Census Bureau

Innovative Policy Modeling in States and Cities

Increasingly, state and city policymakers and local advocates are recognizing the importance of developing their own improved poverty measures to better understand poverty in their jurisdictions and how it can be reduced. Poverty demographics and anti-poverty programming vary by state and even in regions within states, making it important to examine the effects of these policies on state and sub-state levels. For example, New York City has a range of housing programs and rent regulations that are unique to the city. The effect these important programs have on poverty rates must be analyzed and understood, but that can only be done using local datasets. The Census Bureau's new state-level SPM measures provide useful overall poverty estimates for states but use a sample size that is too small to permit detailed demographic analyses and policy modeling or sub-state analyses. Hence, states and cities must continue to take the initiative to develop improved poverty measures for their jurisdictions. (Differences between the Census Bureau's new state-level SPM measures and other state and local level modern poverty measures are discussed in further detail in Appendix 1.)

The measurement task for states and cities has been made much easier by the pioneering efforts of government agencies and policy research organizations in recent years. Following New York City's groundbreaking work by the Center for Economic Opportunity, the New York State Office of Temporary and Disability Assistance (OTDA) produced the first state-level modern poverty measure in 2009. Interestingly, the New York State effort was initiated as an OTDA intramural project and funded out of the appropriated agency budget.[10] In Wisconsin, the Institute for Research on Poverty's (IRP) Wisconsin Poverty Project also developed its own measure to better assess poverty in Wisconsin and released its first findings in 2009.

CEO, OTDA, and IRP are effectively using their improved poverty measures to quantify how existing public policies reduce poverty rates and how work-related expenses (such as child care costs and transportation) and family medical expenses add to them. For example, CEO and IRP examined the effects of the policies implemented in the American Recovery and Reinvestment Act in 2009 and each found that the expansion of refundable tax credits and SNAP helped to reduce poverty in their respective localities. CEO has also modeled the potential impact of alternative federal budget proposals on New York City poverty rates. OTDA has compared the impact of refundable tax credits, rent subsidies, and SNAP on different demographic groups in New York State, including working families with and without children, working single persons, and non-working families and individuals. The office also plans to use the New York State measure to help evaluate its performance in meeting poverty reduction goals.[11] Now that poverty rates have been estimated for multiple years using the improved measures, analysts can begin to look for trends and assess the effectiveness of policies over time.

All three organizations continue to produce updated estimates of poverty rates in their respective regions. (See Appendix 2 for additional information on the New York City, New York State, and Wisconsin measures.)

Poverty Impact Projections: Investing in Programs that Work

The Urban Institute, a leading policy research center, has worked with state governments and independent policy organizations to develop improved poverty measures and evaluate policy in a number of states using its policy-modeling computer program, the Transfer Income Model, version 3 (TRIM3).[12] In a comparative study of Illinois, Georgia, and Massachusetts, Urban Institute found that safety-net policies cut child poverty rates in half in all three states, but that the anti-poverty effectiveness of specific federal programs varied by state. For example, while federal tax credits produced the largest decrease in child poverty in all three states, these tax credits were twice as effective in Georgia compared to Massachusetts. The Institute's analysts concluded that this variation is explained by such factors as state program rules (such as benefit generosity and eligibility requirements), benefit take-up among eligibles, family characteristics, and the state cost of living.[13]

Working with state partners, the Institute has also used TRIM3 to project the effects of *proposed* anti-poverty policies and programs in four states: Connecticut, Minnesota, Illinois, and Wisconsin. This type of modeling – projecting what poverty rates would look like if new policies and programs were put into action – is known as a Poverty Impact Projection (PIP). PIPs are best used in conjunction with modern and up-to-date state poverty measures that accurately identify the state's poverty populations and account for important federal, state, and local income and work supports. In Connecticut and Minnesota, the state government commissioned Poverty Impact Projections for selected policies recommended by the state's poverty reduction task force. Independent research and advocacy organizations sponsored the Institute's work in Wisconsin and Illinois.[14]

PIPs are an important tool to help state policymakers ascertain which among many anti-poverty program options are likely to be the most effective in meeting policy goals. In states with anti-poverty task forces that have not commissioned a PIP, policymakers have only the task force recommendations for guidance and these typically cover so many poverty issues and potential policy solutions that it is difficult to determine what the state's priorities should be. Thanks to the Poverty Impact Projections, state policymakers in Connecticut, Illinois, and Minnesota can compare the poverty-reducing potential and cost-effectiveness of competing proposals to help guide their decision making.

In recent years, legislators in California, Minnesota and Colorado have introduced bills that would require certain legislation to include Poverty Impact Projections. The Colorado initiative, led by State Senator John Kefalas, would support the Economic Opportunity and Poverty Reduction Task Force's goal of cutting state poverty in half by 2019, and has been backed by influential research and advocacy groups in the state.[15]

State Poverty Reduction Task Forces Show How to Get It Done

State poverty reduction task forces have been important advocates for more comprehensive poverty measurement and Poverty Impact Projections.[16] Inspired in part by the United Nations Millennium Development Goals setting benchmarks toward reducing worldwide poverty, 19 states, the District of Columbia, and the U.S. Virgin Islands have created these official organizations in recent years to identify specific policies to reduce poverty. These entities typically include representatives from state government, academia, and research and advocacy organizations. Since 2008, 17 of these task forces have published recommendations on how to reduce poverty, offering recommendations for Alabama, Arkansas, Colorado, Connecticut, Delaware, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, New Mexico, North Carolina, Ohio, Rhode Island, Vermont, and Virginia.

Eleven states have set explicit targets for poverty reduction among children and others over a multi-year period, typically setting an ambitious goal of cutting the poverty rate in half over 10 years.[17] (The national Half in Ten Campaign, launched in 2007 by three leading national anti-poverty organizations, has influenced this approach.)[18] Although the Great Recession and its aftermath have slowed progress in many states by increasing poverty and forcing sharp spending cuts, the poverty reduction task force movement has succeeded in placing poverty reduction squarely on state policy agendas and exploring – and implementing – innovative anti-poverty approaches.

Crunching the Numbers: Promising New Poverty-reduction Strategies in Four States

The **Connecticut** Child Poverty and Prevention Council developed 67 different recommendations to reduce child poverty in its initial plan. An expert panel then selected the most promising of these recommendations and the council engaged the Urban Institute to model the poverty-reducing effectiveness of several of these:

- guarantee child care subsidies to all families with incomes less than 50 percent of the state median;
- obtain associate's degrees for half of all high-school educated residents and General Educational Development (GED) degrees for all high school dropouts;
- provide job training for half of non-disabled adults with a high school education; and
- substantially expand housing subsidies to low-income families that rent and increase participation in energy assistance and nutrition assistance programs.

The simulation showed that these programs (combined with efforts to increase receipt of child support and provide transitional assistance to those leaving cash assistance) would reduce the state's child poverty rate by almost 55 percent.[19] The Child Poverty and Prevention Council is actively pursuing a number of initiatives intended to reach these policy objectives.[20]

Based on the Urban Institute's poverty impact analysis, **Minnesota's** Legislative Commission to End Poverty by 2020 identified five programs as most "far-reaching and cost-effective" in reducing state poverty:

- raise the state minimum wage to $9.50 per hour;
- enhance the state Earned Income Tax Credit for workers without children and for working spouses;
- guarantee child-care subsidies for families below 300 percent of the federal poverty guideline;
- increase SNAP program participation rate to 85 percent of eligible households; and
- expand education and training for adults under 49 years old with a high school diploma or degree.

The simulation shows that if all five policies were put into effect, the number of Minnesotans living in poverty would decline by more than a quarter.[21]

Illinois' Commission on the Elimination of Poverty, co-chaired by the governor's office and the Heartland Alliance for Human Needs and Human Rights research and advocacy organization, set the goal of cutting the incidence of *extreme poverty* (families with income below 50 percent of the poverty threshold) in half by the year 2015. Drawing on the commission's recommendations, Heartland worked with the Urban Institute to model the poverty-reducing effectiveness of the following reforms targeted specifically to very poor families:

- increase the Temporary Assistance for Needy Families (TANF) benefit levels to 50 percent of the poverty guideline;
- increase the TANF participation rate to 50 percent of eligibles;
- add 2,500 new subsidized housing units under the state-funded Rental Housing Support Program;
- provide 2,500 community college scholarships annually to high school graduates living in extremely poor families; and
- implement a statewide transitional jobs program serving non-working, extremely poor individuals who cannot find other employment.

The analysis found that if all five policies were adopted, the number of Illinoisans living in extreme poverty would fall by 20 percent, and the number of people living in extreme poverty in families with children would fall by almost 60 percent.[22]

Wisconsin is the only one of the four states with a PIP that does not have a state poverty reduction task force. Instead, staff at the Community Advocates Public Policy Institute – a non-profit organization focused on reducing poverty in Wisconsin – proposed four policies for the Urban Institute to model. They chose this package of four proposals because they were considered feasible, there was empirical evidence supporting the impact of the proposals, the cost was not exorbitant, and the policies could be simulated using the Institute's TRIM3 model.[23] The four policies, all of which are conceived as federally funded are:

- a fully-refundable tax credit for seniors and adults with disabilities that would bridge the gap between an individual's or couple's resources and a poverty-level income;
- a transitional jobs program at the minimum wage for unemployed or underemployed adults;
- a higher state minimum wage (to $8 per hour); and
- a modified Earned Income Tax Credit providing up to $3,500 per worker, regardless of whether children are present, and an additional maximum credit of $5,000 for families with children.[24]

The Urban Institute found that the four policies would reduce poverty in Wisconsin 58 to 81 percent, depending on program take-up.[25] The Institute projected that additional federal spending for the combined programs would range from $3.3 to $5 billion per year, depending on participation and other assumptions.[26] This poverty impact proposal – especially the transitional jobs component – drew significant attention from state policymakers and the media.[27]

The Wisconsin Poverty Impact Projection is a compelling example of why such an analysis is useful. It informs policymakers and advocates about the impact and cost of four new policies. Without such an impact analysis, stakeholders often lack adequate data to choose between competing anti-poverty policies and programs. As a result, it's simply unclear which of them should be acted on first, which is a dilemma sharpened by the financial straits confronting many states. Poverty Impact Projections based on comprehensive poverty measurement provide policymakers and advocates in Connecticut, Illinois, Minnesota, and Wisconsin with critical tools to guide effective decision making and advocacy that their counterparts in other states might profitably emulate.

Conclusion and Policy Recommendations

Improved measurement is critical to better understanding who is poor, what factors contribute to poverty, and what policies are most effective in reducing poverty. A growing number of states and localities have recognized the importance of investing in more accurate poverty measurement. However, as yet only two states and one city – New York, Wisconsin, and New York City – have made a commitment to creating comprehensive measures capable of detailed demographic and geographic analyses and keeping these measures up to date.

More states and cities need to follow their lead. Although developing an improved poverty measure – one that better accounts for contemporary family needs and resources than the antiquated official poverty measure – requires a significant commitment of financial and administrative resources from the state or locality, potential benefits far outweigh costs. With improved knowledge of the incidence and demographics of poverty among their residents, policymakers can better target anti-poverty interventions. By identifying the programs that are most effective for a particular group, policymakers can more accurately assess the costs and benefits of social policy and ensure that scarce public resources are used efficiently.

States and localities with an interest in developing a comprehensive poverty measure will find the task made much easier by the innovative methodological work of the governmental and non-governmental pioneers in the field. For example, the New York City Center for Economic Opportunity has provided technical advice and expertise to researchers in New York State, San Francisco, Philadelphia, and elsewhere.[28] The Institute for Research on Poverty in Wisconsin has also shared its methodologies with poverty researchers around the nation.

The Census Bureau's Supplemental Poverty Measure represents a watershed moment in poverty research and policymaking, providing a more accurate appraisal of poverty in the United States and quantifying the role that federal policies and programs play in alleviating it. However, the Census Bureau has not committed the resources to produce improved state and local-level poverty measures that can be used to accurately estimate poverty incidence among demographic groups and evaluate the effectiveness of anti-poverty programs in these jurisdictions. State and local policymakers must take the lead in advancing this exciting and important new effort to find what works best to end the scourge of poverty.

APPENDIX 1:
Data and Modeling Issues in Comprehensive Poverty Measurement

It is considerably more difficult to measure poverty according to the National Academy of Sciences' recommendations at the state level compared to the national level. This is because of the characteristics of the principal datasets currently produced by the Census Bureau.[29] The dataset that the Census Bureau uses to produce the Supplemental Poverty Measure (SPM) – the Current Population Survey Annual Social and Economic Supplement (CPS ASEC) – is designed for national-level analysis and permits only very limited poverty analysis at the state level and none at smaller geographic locations. The Census Bureau's much larger American Community Survey (ACS) collects data intended to be used for state and local-level analysis, but unlike the CPS ASEC, this survey does not include some essential information required for comprehensive poverty measurement. For example, the ACS does not ask whether anyone in a household participates in a school lunch program or receives benefits from the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), or the Low Income Home Energy Assistance Program (LIHEAP). Nor does it ask about the value of such in-kind benefits as housing assistance or Supplemental Nutrition Assistance Program (SNAP, or food stamps) benefits, or whether families have out-of-pocket medical or childcare expenses.[30] Underreporting of income sources and the receipt of benefits like SNAP, Temporary Assistance to Needy Families (TANF), and Supplemental Security Income (SSI) are also known to be a problem, affecting the quality of the ACS data.[31]

Hence, analysts must supplement the ACS data with information provided from other sources. The Census Bureau has not committed the resources to estimate state-level SPM measures using the ACS and supplementary data sources (its state-level SPM estimates use three years of CPS ASEC data), but other poverty research organizations have devised a variety of methods for doing so, producing comprehensive poverty estimates for specific states and cities. For example, the New York City Center for Economic Opportunity developed models that estimate the effect of taxation, nutritional and housing assistance, work-related expenses, and out-of-pocket medical expenditures on family resources and poverty rates in New York City.[32]

Poverty researchers using the ACS in other states and localities have developed somewhat different methods to bridge these data gaps, given their available resources.[33] As a result, the new measures cannot be used to compare poverty rates in different states.[34] Rather, each measure is best used to compare poverty across different demographic subgroups or regions within that state or city, and to assess the effectiveness of government anti-poverty programs in the relevant jurisdiction.

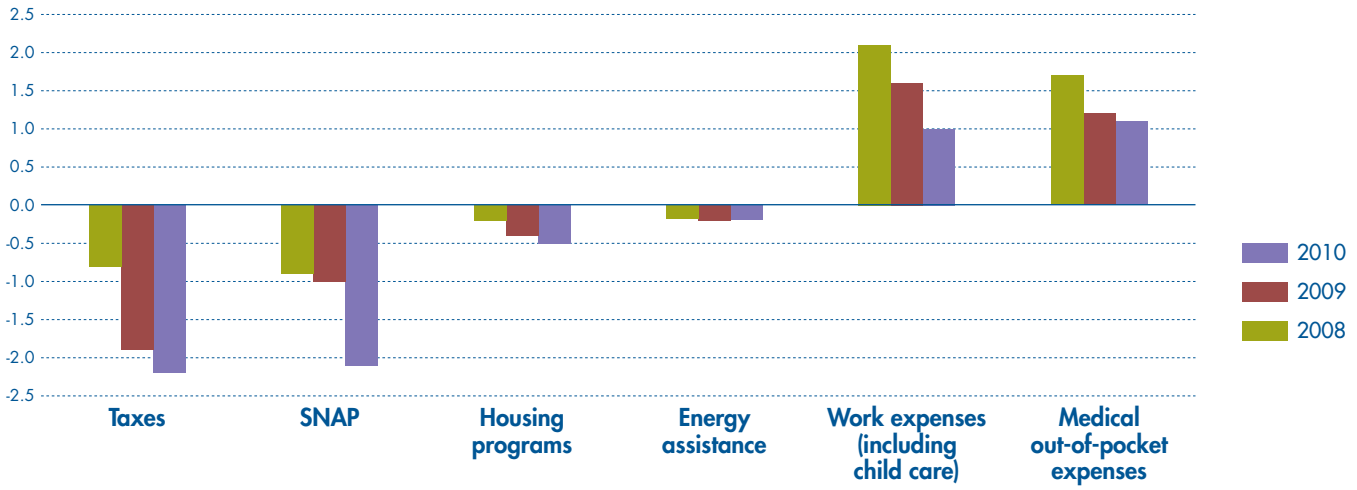
APPENDIX 2:
Modeling Policy Change in Wisconsin, New York City, and New York State

Developing an improved poverty measure for a single year is valuable, but having multiple years of comparable data can give researchers and policymakers deeper insight into policy effectiveness by examining the change in outcomes when program parameters change. Recent reports produced by poverty measurement researchers in New York City and Wisconsin demonstrate the importance of consistent annual measurement for policy analysis. Figure 1A shows that the poverty-reduction effectiveness of tax credits and the Supplemental Nutrition Assistance Program (SNAP, or food stamps) rose dramatically in Wisconsin from 2008 to 2010, according to the Institute for Research on Poverty's analysis. The American Recovery and Reinvestment Act of 2009 (ARRA) substantially expanded both credits and SNAP to help protect families and stimulate the economy in the course of the Great Recession, and these policy initiatives were successful in keeping poverty lower than it would otherwise have been in the state. The new poverty measure shows each program reduced the Wisconsin poverty rate by about 2 percent in 2010.

Similarly, the Center for Economic Opportunity found the tax credit and SNAP program expansions helped keep large numbers of New Yorkers out of poverty in the aftermath of the Great Recession, as seen in Table 1A. For example, food stamps reduced poverty for families with children in New York City in 2010 by 4.5 percentage points compared to 2.2 percentage points in 2007.

The New York Office of Temporary and Disability Assistance has used its new poverty measure to compare how specific safety net programs help working and non-working families and individuals in the state. Figure 2A shows that refundable tax credits, rent subsidies, and SNAP each substantially reduce the poverty rate for working families with and without children, but are much less effective in keeping working single individuals out of poverty.

Figure 1A: **Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2010**



Source: Chung, Y., et. al. (2012). *Wisconsin poverty report: How the safety net protected families from poverty in 2010.* Madison, WI: Institute for Research on Poverty.
Note: SNAP = Supplemental Nutrition Assistance Program (food stamps).

Table 1A: **Marginal Effects of Non-Cash Resources on New York City Poverty Rates, 2007-2010**

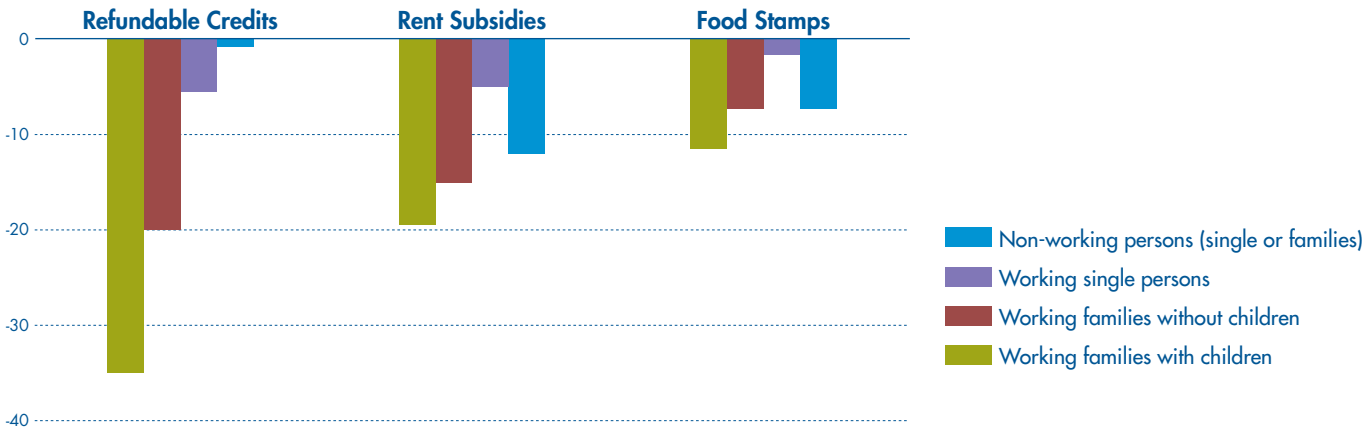
	Families with children				Family units without children*			
	2007	2008	2009	2010	2007	2008	2009	2010
A. Poverty Rates (%)	**22.5**	**20.2**	**21.0**	**23.0**	**15.5**	**15.0**	**17.1**	**18.1**
Net of:								
Housing adjustment	29.0	25.4	27.2	29.7	18.9	18.5	20.1	21.4
Income taxes	27.9	28.2	28.9	31.0	15.3	15.1	17.3	18.4
Food stamps	24.7	22.8	24.0	27.7	15.2	15.7	18.1	19.5
School meals	23.5	21.3	21.9	23.9	15.5	15.0	17.1	18.1
WIC	22.5	20.3	21.1	23.3	15.5	15.0	17.1	18.1
HEAP	22.5	20.2	21.0	23.0	15.5	15.0	17.1	18.1
Payroll taxes	20.2	18.4	18.5	20.8	14.2	14.5	15.4	15.5
Commuting	20.5	18.5	19.0	21.2	14.4	14.8	15.8	15.9
Childcare	22.0	19.8	20.5	22.5	15.5	15.0	17.1	18.1
MOOP	18.5	17.5	18.1	20.2	12.7	13.5	14.9	15.8
B. Marginal Effects								
Housing adjustment	-5.5	-5.2	-5.2	-5.5	-3.4	-2.5	-3.0	-3.3
Income taxes	-5.4	-8.0	-7.9	-7.9	0.2	-0.1	-0.2	-0.3
Food stamps	-2.2	-2.5	-3.0	-4.5	-0.7	-0.7	-1.0	-1.5
School meals	-1.0	-1.1	-0.9	-0.9	0.0	0.0	0.0	0.0
WIC	-0.2	-0.1	-0.1	-0.3	0.0	0.0	0.0	0.0
HEAP	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payroll taxes	2.3	1.8	2.4	2.2	1.3	1.4	1.7	1.5
Commuting	1.9	1.7	2.0	1.8	1.1	1.3	1.3	1.2
Childcare	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0
MOOP	4.0	2.5	2.9	2.8	2.8	2.4	2.3	2.3

*Family units without children are headed by an individual less than 65 years old.

Source: Levitan, M., et. al. (2012). *The CEO poverty measure, 2005-2010.* New York: New York City Center for Economic Opportunity.

Note: WIC = The Special Supplemental Nutrition Program for Women, Infants and Children program. HEAP = The Home Energy Assistance Program. MOOP = Medical Out-of-Pocket Expenses.

Figure 2A: **Percent Change in Poverty Rates in New York State by Benefit and Working and Family Status, 2009**



Source: Falco, G. and J. Shin. (2011). *How much do government benefits reduce poverty in NYS and how much of the reduction is attributable to benefit increases under ARRA?* Presentation made at the National Association of Welfare Research and Statistics, 51st Annual Conference, Vail, Colo., 2011.

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