

April 14, 2020

SUBMITTED VIA REGULATIONS.GOV

Office of the Chief Statistician
Office of Management and Budget
725 17th St. NW
Washington, DC 20503

Re: OMB's Request for Comment on Considerations for Additional Measures of Poverty, OMB-2019-0007-0001

To Whom It May Concern:

I write to you on behalf of The National Center for Children in Poverty (NCCP) at the Bank Street Graduate School of Education and as an advocate for children, in response to the Office of Management and Budget's (OMB) request for comment on considerations for additional measures of poverty to inform the work of the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty (Working Group).

NCCP conducts research and policy analysis and uses existing evidence to identify effective, innovative strategies that can improve the lives of children and families experiencing economic hardship. The center provides accessible information and recommendations about research-informed policies and initiatives that can help families and communities support children's success from infancy through young adulthood.

Given that NCCP and other leading anti-poverty organizations are currently focused on responding to the coronavirus outbreak and mitigating its disproportionate effects on vulnerable populations, we first want to urge OMB to extend or reopen this comment period on this notice until at least 30 days after the National Emergency declared by President Trump has ended to ensure experts and advocates can adequately and accurately respond. Given that the pandemic has resulted in widespread job loss that may bring the incomes of many formerly middle income families below the current poverty line -- by any poverty measure -- Americans deserve a more informed discussion regarding poverty measures than the current comment period allows, especially because many organizations involved in assessing poverty, including NCCP, are currently providing policy analysis to stakeholders on emergency basis.

The COVID crisis has only made the importance of measuring and understanding economic insecurity in America more apparent. Many families and children not captured under current poverty measures are just a missed paycheck away from eviction or hunger, and the outbreak is only stretching low-income household budgets even thinner. This National Emergency is

disrupting every facet of children's lives and we do not yet know the negative and long-lasting implications it will have on children's healthy development and future success.

As we describe in the letter below, we urge you to meaningfully expand poverty measures to include all children experiencing economic deprivation, not just those currently counted as poor under the Official Poverty Measure. Secondly, we request that any modifications to poverty thresholds capture the full breadth of resources needed to support children's healthy development. Finally, we request that the Working Group consult researchers and scientists to ensure any adjusted or alternative poverty measures released by the OMB meet these critical objectives.

I. Economic deprivation and material hardship among families with children is more prevalent—not less—than current poverty measures suggest.

In 2018, 11.9 million children (16.2 percent) were officially poor based on pre-tax income and 10.1 million children (13.7 percent) remained poor even after accounting for benefits and expenses under the Supplemental Poverty Measure (SPM). Due to systemic racism and discrimination ingrained in our country's institutions, children of color continue to experience rates of poverty three times that of white children. More than 29 percent of Black children and 23.7 percent of Hispanic children were living in poverty in 2018 compared to 8.9 percent of white children. These rates are already unacceptably high—yet research suggests the OPM and SPM understate the number of children experiencing economic deprivation and material hardship. Millions of children not currently classified as poor lack consistent access to nutritious food, stable housing, healthcare, and other critical resources needed to support their healthy development. According to the Urban Institute, more than 40 percent of families with children under 19 struggled to meet one or more basic needs for food, housing or health care in 2017.^[1] In fact, near-poor families with incomes between 100 and 200 percent of the official poverty line experienced material hardship at nearly the same rate of families below poverty.^[2]

NCCP produces a unique policy modeling tool, the Family Resource Simulator (FRS) (available at www.nccp.org/tools/frs), that estimates a hypothetical family's resources and expenses, which vary depending on user-selections of a range of public benefits and geography. The Basic Needs Budget Calculator, linked to the FRS, estimates the wages needed for a hypothetical, after accounting for federal and local taxes, child care, food, child care, medical, housing, transportation, and other necessities in a chosen locality. The FRS has been used successfully most recently in Colorado, Florida, Ohio, and Washington, DC, and other jurisdictions. New policies have been enacted and new rules set forth that better respond to the needs of working families. For example, in 2016, NCCP completed an FRS Ohio, working with Policy Matters Ohio (PMO) as an advocacy partner, which showed that free pre-K greatly reduced child care expenses for low-income working families. PMO highlighted the FRS analysis in a successful advocacy campaign that resulted in free pre-K for 6,000 low-income children in Cincinnati.^[3]

These analyses have revealed that simple measures of poverty are inadequate in capturing the reality of millions of low-income families and children who have limited incomes and expenses that strain their budgets. As these studies and stories show, existing poverty measures do not capture too many but too few of the families struggling to make ends meet across the country.

II. Adjusted and alternative measures under consideration by OMB threaten to move us further from the goal of accurately measuring economic deprivation and material hardship among children and families in America.

A. An extended income measure that expands the definition of resources available to families without simultaneously expanding thresholds to reflect the amount of resources needed to support a family will only understate poverty further. Modifications to existing income-based poverty measures, such as corrections for underreporting, must be made alongside increases to thresholds.

Efforts to modify existing income measures by correcting for underreporting must be coupled with a modification to the poverty threshold to ensure that the updated measure more reliably captures the scope of economic deprivation experienced by America's children.

We know correcting for underreporting of income alone would reduce SPM poverty rates. Two reports on reducing child poverty from the National Academy of Sciences (NAS)^[4] and the Children's Defense Fund (CDF)^[5] relied on a policy simulation program called TRIM3, which uses as its poverty baseline a modified version of the SPM. TRIM3 corrects for underreporting of income in much the same way imagined by the Working Group.

In 2015, the most recent year for which data were available at the time of both the NAS and CDF reports, the OPM child poverty rate was 19.6 percent, the SPM rate was 16.2 percent, and the TRIM-adjusted SPM rate was 13.0 percent. Correcting for income underreporting reduced the SPM rate by 3.2 percentage points, a significant drop.^[8]

While TRIM-adjusted SPM includes a more accurate measure of family resources, it is not clear that it provides a more accurate picture of economic well-being among America's children because the poverty threshold remains too low. In 2015, the SPM threshold was \$25,583 for a family renting their home (notwithstanding geographic adjustments). That amounted to less than \$500 a week to feed, house and otherwise provide for a family's needs.

According to previous NCCP research, families need incomes of at least 1.5 to 3.5 times the poverty line to meet minimum basic needs, depending on family composition

and where they live, as housing and child care expenses are the highest proportion of expenses in a family's budget.^[9] While just 13 percent of children lived below the poverty threshold in 2015 according to TRIM-adjusted SPM, 35.6 percent of children lived in families with income below 150 percent of the SPM threshold and 52.2 percent lived in families with income below 200 percent of the threshold.^[10]

To accurately reflect the number of children living without adequate resources, the Working Group must not only correct for underreporting of resources and benefits received but also underestimation of resources and benefits needed to raise a family. Correcting for income reporting in the SPM without making a corresponding adjustment to the poverty threshold to acknowledge the economic hardship experienced by near-poor families will artificially reduce child poverty rates without improving the descriptive accuracy of the SPM.

B. A consumption-based poverty measure would drastically and artificially deflate child poverty relative to existing or extended income measures. The Working Group should set aside consumption measures and focus on improving existing income-based measures.

In its Interim Report, the Working Group justifies consideration of a consumption-based poverty measure on the grounds that it may more accurately reflect resources available to families than income and better measures material hardship. Research from H. Luke Shaefer and Joshua Rivera with the University of Michigan, however, suggests otherwise.

In their 2018 working paper, Shaefer and Rivera evaluated a leading consumption-based poverty measure alongside the OPM and SPM and found that the latter poverty measures more accurately correlated over time with widely-accepted measures of material hardship and employment patterns, while the consumption-based measure produced results out of step with other available data. That consumption-based measure, researchers wrote, “would lead to the conclusion that poverty was markedly lower during the Great Recession than in the early 2000s, even as income poverty, food insecurity, non-food material hardship, and medical hardship were markedly higher.”^[11]

The discrepancies between consumption-based poverty and other metrics of economic deprivation exist because consumption is a flawed proxy for financial well-being. As the Working Group identified in its Interim Report, there are several conceptual limitations of a consumption-based measure. High levels of consumption may be financed by burdensome debt that helps temporarily, but leaves a family worse off in the long run. Millions of poor households lack affordable housing and spend more than half their income on rent; an extreme rent burden necessitates a correspondingly extreme amount of family spending but that spending is hardly an indicator of economic wellbeing. In fact, research shows that children in families facing such rent burdens experience worse health and education outcomes.^[12]

The prevailing consumption-based poverty measure—developed by Bruce Meyer and James Sullivan—is even more flawed. The Meyer-Sullivan measure uses a lower threshold and inflation index than already inadequate current measures. In doing so, it defines poverty away. The Meyer-Sullivan consumption measure sets the poverty threshold for a couple with two children in 2018 at just \$18,058—\$7,407 less than the OPM.^[13] According to the USDA’s “Low Cost Food Plan,” a family of four with two young children must spend about \$860 a month—\$10,300 a year—to buy food necessary for a nutritious diet.^[14] Under the Meyer-Sullivan consumption poverty line the Trump administration has promoted, this family would have only about \$650 a month leftover to cover all their housing, transportation, child care, utilities, clothing expenses. In the New York City metro area, where NCCP’s offices are located, HUD’s Fair Market Rent for a two bedroom unit is \$1,951/month, or \$23,412 a year, which would leave a family above the Meyer-Sullivan poverty threshold unable to meet housing costs or any other basic needs. While NYC may be an outlier, a two-bedroom housing unit in the Charlottesville, VA metro area still costs about \$15,500 a year, which would leave a family at the Meyer-Sullivan poverty threshold very little for other basic needs.^[15] Variation in housing costs, along with transportation and child care costs, are also reasons why thresholds, income or consumption-based, must be adjusted for geographic areas (QUESTION 13 - THRESHOLDS).

Measured against such a standard, only 3.7 percent of children would have been considered poor in 2018—a rate four times lower than the official poverty rate that year.^[15] It is evident a consumption-based poverty measure modeled after the Meyer-Sullivan proposal measure will measure child poverty far less accurately than current measures.

III. Advancing alternative measures of poverty that understate the scope of America’s child poverty crisis could have real and dangerous impacts for millions of children.

A. We cannot afford to further downplay child poverty or attempt to define it away. Leaving millions of children in poverty is too costly for our children and economy.

Poverty is a particularly serious problem for children, especially children of color, who suffer negative effects for the rest of their lives after living in poverty for even a short time. Young children in poverty face multiple barriers and when compounded by a lack of access to opportunity and disinvestment in communities early in life, it sets a foundation for poor outcomes throughout their lives.

Children who experience poverty are more likely to experience developmental delays^[15] and poor health.^[16] Poor children also experience worse education outcomes and are at higher risk of experiencing food insecurity, housing insecurity, and toxic stress—all of which lead to higher incidence of adverse outcomes for children. Child poverty can lead to lifelong deficits in health and earnings.^[17] Based on the weight of the body of research on child poverty, the NAS concluded that “the causal evidence does indeed indicate that income poverty itself causes negative child outcomes, especially when poverty occurs in early childhood or persists throughout a large portion of childhood.”^[18]

Beyond its individual harms, child poverty has substantial economic costs for our entire nation. One study estimates the lost productivity and extra health and crime costs stemming from child poverty add up to about \$1 trillion a year.^[19] Another study found eliminating child poverty between the prenatal years and age 5 would increase lifetime earnings between \$53,000 and \$100,000 per child—a total lifetime benefit of \$20 to \$36 billion for all babies born in a given year. These estimates do not account for the millions of children who are not considered poor under current measures but whose basic needs are unmet, and futures are being jeopardized.

The human and economic costs of child poverty are even more unjustifiable when we consider they are preventable. We know that child poverty would be much higher without effective anti-poverty programs that boost family income to provide critical resources for children.^[20] For example, the SPM shows us that in 2018, the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) together lifted over 4.7 million children out of poverty and the Supplemental Nutrition Assistance Program (SNAP) lifted over 1.3 million children out of poverty.

Given the harms and costs of allowing children to experience economic deprivation, we must accurately identify and meet the needs of *every* child who lacks consistent access to nutritious food, stable housing, healthcare, and other critical resources needed to support their healthy development.

B. Alternative poverty measures could lead to improper and ill-advised policy proposals that jeopardize eligibility and enrollment in proven, effective anti-poverty programs that millions of families rely on.

While the Working Group has suggested adjusted or alternative poverty measures will not replace the OPM, SPM, or federal poverty guidelines used to determine eligibility for public benefits, they could be used in a way that will ultimately inform and impact policy and budget choices. Any official federal statistic published and authorized by the government will be used as a reference and resource for policy makers and researchers. The creation of any alternative measure that underestimates the needs of children could lead to policy choices that would have negative impacts on children and families. For example, the Administration recently used the consumption measure to justify proposals to institute work requirements for SNAP and Medicaid—a policy proposal the National Academy of Sciences has proven ineffective, even counterproductive, for reducing child poverty. We have serious concerns that the new measure will ultimately be used to place greater restrictions on eligibility and cut funding for critical programs serving children and families.

What's more, because children are more likely than any other age group to participate in means-tested programs, any changes to the measure could have serious implications.^[21] Critical anti-poverty programs not only benefit their health, education and food security, but also lift millions of children out of poverty each year.

IV. The Working Group must consult and convene leading experts to independently and properly identify how to ensure *all* children experiencing economic deprivation or hardship are included.

Changing the federal poverty measure has significant consequences for children, such as affecting program eligibility down the line. Any changes must be made after considerate deliberation and consultation with leading researchers. The breadth of issues and perspectives in the interim report is evidence of the complexity of creating one or more new poverty measures. Full and fair consideration of alternative poverty measures necessitates an NAS panel and study. We urge the Working Group to convene an NAS panel to adjudicate the issues raised by the report and determine proper revisions to the nation's measure of poverty and economic wellbeing.

V. Conclusion

To prove more meaningful than political, any adjusted or alternative poverty measure must capture *all* families without sufficient resources to prevent their children from experiencing hardship and its associated harms. Modifying the SPM without raising existing thresholds and adopting a

consumption measure will only further underestimate child need and downplay the extent of economic instability facing America’s families. Accordingly, we urge the Working Group to consult with leading researchers and explore ways to improve poverty measures to include all children whose economic circumstances jeopardize their health, safety and development.

No child in the world’s wealthiest nation should go to bed hungry, be unable to visit a doctor, or be without the opportunities that come from having a safe, affordable place to call home.

[1] 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.

[2] Karpman et al., *Material Hardship*.

[3] Shields, M. (2016). *The Promise of Pre-K*. Policy Matters Ohio. Retrieved from: <https://files.eric.ed.gov/fulltext/ED573577.pdf>.

[4] *A Roadmap to Reducing Child Poverty*, National Academies of Science, Engineering, and Medicine, 2019, <https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty>.

[5] *Ending Child Poverty Now*, Children’s Defense Fund, 2019, <https://www.childrensdefense.org/wp-content/uploads/2019/04/Ending-Child-Poverty-2019.pdf>.

[6] Minton, Sarah, Linda Giannarelli, Kevin Werner, and Victoria Tran, *Reducing Child Poverty in the US: An Updated Analysis of Policies Proposed by the Children’s Defense Fund*, 2019, <https://www.urban.org/research/publication/reducing-child-poverty-us-updated-analysis-policies-proposed-childrens-defense-fund>.

[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] Minton, Sarah, Linda Giannarelli, Kevin Werner, and Victoria Tran, *Reducing Child Poverty in the US: An Updated Analysis of Policies Proposed by the Children’s Defense Fund*, 2019, <https://www.urban.org/research/publication/reducing-child-poverty-us-updated-analysis-policies-proposed-childrens-defense-fund>.

[9] Shaefer, H. Luke and Joshua Rivera, *Comparing Trends in Poverty and Material Hardship Over the Past Two Decades*, 2018, <https://poverty.umich.edu/working-paper/comparing-trends-in-poverty-and-material-hardship-over-the-past-two-decades/-two-decades/>.

[10] Opportunity Starts At Home, *Good Housing is Good Health*, 2018 <https://www.opportunityhome.org/resources/good-housing-good-health/>; Opportunity Starts at Home, *Stable, Affordable Housing Drives Stronger Student Outcomes*, 2018, <https://www.opportunityhome.org/resources/stable-affordable-housing-drives-stronger-student-outcomes/>.

- [11] Meyer, Bruce D. and James X. Sullivan, *Annual Report on U.S. Consumption Poverty: 2018, 2019*, https://leo.nd.edu/assets/339909/2018_consumption_poverty_report_1.pdf.
- [12] *Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, February 2020*, U.S. Department of Agriculture, 2020, <https://fns-prod.azureedge.net/sites/default/files/media/file/CostofFoodFeb2020.pdf>.
- [13] **FY 2020 Fair Market Rent Documentation System. U.S. Department of Housing and Urban Development**, https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2020_code/2020summary.odn.
- [14] Meyer, Bruce D. and James X. Sullivan, *Annual Report on U.S. Consumption Poverty: 2018, 2019*, https://leo.nd.edu/assets/339909/2018_consumption_poverty_report_1.pdf.
- [15] Halle, Tamara, Nicole Forry, Elizabeth Hair, Kate Perper, Laura Wandner, Julia Wessel, and Jessica Vick, “Disparities in Early Learning and Development: Lessons from the Early Childhood Longitudinal Study – Birth Cohort (ECLS-B),” 2009, Bethesda, MD: Child Trends, <https://www.childtrends.org/wp-content/uploads/2013/05/2009-52DisparitiesELExecSumm.pdf>.
- [16] U.S. Department of Health and Human Services, “Summary Health Statistics: National Health Interview Survey, 2017” Table C-5a, data for children under age 18, 2017, https://ftp.cdc.gov/pub/Health_Statistics/NCHS/NHIS/SHS/2017_SHS_Table_C-5.pdf.
- [17] Duncan, Greg J, Kathleen M. Ziol-Guest, and Ariel Kalil, “Early-childhood Poverty and Adult Attainment, Behavior, and Health,” 2010, *Child Dev.* 81(1), <https://pubmed.ncbi.nlm.nih.gov/20331669/>.
- [18] *A Roadmap to Reducing Child Poverty*, National Academies of Science, Engineering, and Medicine, 2019, <https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty>.
- [19] McLaughlin, Michael and Mark R. Rank, “Estimating the Economic Cost of Childhood Poverty in the United States,” 2018, *Social Work Research* 42(2).
- [20] Milligan, Kevin and Mark Stable, “Do Child Tax Benefits Affect the Well-Being of Children?” *American Economic Journal*, August 2011, <https://www.aeaweb.org/articles?id=10.1257/pol.3.3.175>.
- [21] “21.3 Percent of U.S. Population Participates in Government Assistance Programs Each Month,” U.S. Census Bureau, 28 May 2015, <https://www.census.gov/newsroom/press-releases/2015/cb15-97.html>.

A note on alternative poverty measures using a public health framework

It is the stated purpose of the Working Group to evaluate possible alternative measures of poverty, how such measures might be constructed, and whether to publish those measures along with the measures currently being published. Beyond the above considerations, NCCP also considers this an important opportunity to stress the importance of an alternative measure to poverty that we have been developing over the past 16 years, in collaboration the public policy community and administrators at state and local government agencies.

As referenced above, NCCP has developed an online tool, the Family Resource Simulator (or FRS, available at <http://nccp.org/tools/frs/>), which calculates benefit eligibility and receipt, and estimated expenses, based on user-entered family characteristics. An important tool that we have developed in tandem with the Family Resource Simulator is the Basic Needs Budget Calculator (or BNBC, available at <http://nccp.org/tools/frs/budget.php>), which estimates the earnings families need in order to pay for basic family expenses such as rent, child care, utilities, transportation, health insurance, food, clothing, and taxes. An important distinction between the two tools is that the Basic Needs Budget Calculator does not estimate the impact of cash transfer programs such as TANF and SSI, or subsidy programs that reduce expenses such as SNAP and CCDF, while the Family Resource Simulator estimates the impacts of these policies.

The Basic Needs Budget Calculator and other approaches similar to it (including the EPI Family Budget Calculator at <https://www.epi.org/resources/budget/>, the MIT Living Wage Calculator at <https://livingwage.mit.edu/>, and the University of Washington's Self-Sufficiency Standard at <http://www.selfsufficiencystandard.org/>), offers a potentially valuable alternative to the poverty measures that the Working Group has explored so far, which has collectively been described as a basic needs approach (K. Short, 2016, [https://www.academicpedsjnl.net/article/S1876-2859\(15\)00344-7/pdf](https://www.academicpedsjnl.net/article/S1876-2859(15)00344-7/pdf)). Having its roots being developed at Columbia University's Mailman School for Public Health, where NCCP was situated until June 2019, our tool and others like it adopt a public health approach to analyzing poverty and informing public policy debates. This approach is described briefly below, in the order of topics requested by the Working Group:

Definitions

1. How should a sharing unit be defined?

Both the FRS and BNBC, as well as other entities employing tools that use a basic needs approach, consider the household and all living within the household to be a sharing unit.

2. What standards should the group use to determine which resource measures should be preferred?

Standards should rely on public health standards where available, or on standards used by federal, state, or local agencies to determine comparisons to a baseline. For instance, HUD develops an extensive dataset of fair market rents (FMRs) that can be used to determine the amount of rent and utilities a family needs to pay to retain adequate housing in a specific geographical area. Similarly, federal legislation regarding child care (the recently reauthorized Child Care & Development Block Grant) specifies that states must regularly publish market rate

studies on the cost of unsubsidized child care over specific geographic areas. Other common expenses, which vary geographically, can be added to these common expenses, based on family type, to develop a poverty measure that is more exact than the official poverty measure, the supplemental poverty measure, and potential consumption-based standards that underestimate the expenses that families need to raise thriving children.

3. Should the value of health insurance be incorporated? And if so, how? The BNBC incorporates health insurance based on whether a family has access to employer health insurance or not. We measure it as an expense. We use MEPS data to determine varying costs of employer health insurance premiums based on family size, and use second lowest-cost health insurance marketplace plans, a federal standard, for valuing health insurance of families without access to employer plans.

4. Should the value of education be incorporated? And if so, how? (See Treatment of Education.) Education can be incorporated on an annual basis as a reduction in child care costs, as, for example, families that have access to full-day Kindergarten likely require less child care costs than families that have access only to half-day Kindergarten. All school-age children should be assumed as going to school and not working, thereby forgoing any sacrifice in future earnings for the sharing unit by not completing education. Longer-term methods of measuring education are important, but are not appropriate for a poverty standards that measures the power of yearly earnings.

5. What income sources should be included? For a measure that solely measure the impact of wages, only wages and other forms of workplace earnings (e.g. self-employment and contract work) should be considered as income sources.

6. What expenses, if any, should be subtracted from income?

As described above, a basic needs budget approach would start from the premise of totaling all expenses considered standard for raising healthy children. We provide examples of such expenses above.

7. How should the Working Group address the problem of survey misreporting of income in household surveys? (See Correcting Survey Data for Misreporting and Improving Tax Estimates.) A basic needs approach would not explicitly rely on surveys that allow for income misreporting for establishing standards. This is one advantage of such an approach.

For a Potential Consumption Resource Measure

Questions 8-10.

N/A: We are not proposing a consumption-based approach.

11. How should the thresholds be set initially? (See Setting poverty thresholds in a baseline year.) Thresholds should be set initially to reflect the most updated data available, ideally within the past year's worth of data needed to drive basic needs budget data.

12. How should they be updated over time? (See Adjusting poverty thresholds over time.)

Every year

13. Should thresholds be adjusted for geographic areas? If so, how?

As described above, the data needed to determine basic needs budgets vary by geographic area.

14. How should a sharing unit's size and composition be accounted for?

All data sources that the BNBC utilized vary in their estimations of family needs based on unit size.