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CBPP STATEMENT

For Immediate Release:
Tuesday, May 7, 2019
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Trump Administration Floating Changes to Poverty Measure That Would Reduce or Eliminate Assistance to Millions of Lower-Income Americans

Statement by Sharon Parrott, Senior Fellow and Senior Counselor

The Trump Administration yesterday floated a proposal to use a lower measure of inflation when adjusting the poverty line each year. Consistent with other policies the Administration has pursued, this policy would over time cut or take away entirely food assistance, health, and other forms of basic assistance from millions of people who struggle to put food on the table, keep a roof over their heads, and see a doctor when they need to. The reductions in assistance that this proposal would produce stand in stark contrast to the Administration's 2017 tax law, which conferred large new benefits on the highest-income households.

If the poverty line is altered in this fashion, fewer individuals and families will qualify over time for various forms of assistance, including many who work hard but are paid low wages. That's because using a lower measure of inflation like the chained CPI to adjust the poverty line each year would make the eligibility thresholds for various programs that serve people in need lower and lower over time, compared with what the thresholds otherwise would be. This, in turn, would lower the income eligibility limits for programs like SNAP (formerly known as food stamps) and Medicaid, which are tied to the federal poverty line. It also would reduce the Affordable Care Act's (ACA) premium tax credits — and thereby increase the out-of-pocket premium charges faced by millions of people who purchase health insurance through the ACA marketplaces.

The notion that the nation does too much to help struggling families stands in contrast to a broad set of data. For example, even with our current poverty line and set of supports, the Department of Education says that more 1 million school children were homeless in the 2016-2017 school year, and the Department of Agriculture (USDA) says that 15 million households faced food insecurity in 2017, meaning that they experienced difficulty affording food.

This proposal is entirely discretionary on the part of the Administration. No statute or regulation requires it to alter the methodology for updating the poverty line. Rather, the Administration is choosing to consider a policy that would weaken basic assistance programs and thereby increase hardship.

The Administration is considering using a lower inflation measure to adjust the poverty line while wholly ignoring other questions about the adequacy of the poverty line as a measure of whether households can meet basic needs. And, it has failed to put forward evidence about whether the chained CPI itself accurately captures changes in the cost of living for *low-income* households.

Indeed, the issue of what measure to use in adjusting the poverty line for inflation is only *one of a number of questions about the poverty line and the official poverty measure.* Considerable research over the years — including a major report by the National Academy of Sciences (NAS) — has identified a number of ways in which the poverty line appears to be inadequate. For example, the poverty line doesn't fully include certain costs that many low-income families face like child care. In accordance with the guidance of the NAS panel, federal analysts worked carefully with researchers over a number of years to develop the Supplemental Poverty Measure (SPM), which more fully measures the cost of current basic living expenses. With this more careful accounting, the SPM's poverty line is *higher* than the official poverty line for most types of households, and its poverty rate is slightly higher than the official poverty rate.

Another indication that the poverty line is too low is the high rate of hardship among families with incomes just above that marker. Near-poor families, using today's poverty line, face high rates of food insecurity, difficulty paying rent and utilities, and high rates of uninsurance.

The Administration's announcement, however, ignores all other issues regarding poverty measurement that the NAS and other analysts have raised and cherry-picks just one issue — the measure used to adjust for inflation — to focus on in isolation. Simply switching to a lower inflation measure would likely make the poverty line less rather than more accurate as a measure of what families need to get by.

Moreover, it is not at all clear that the chained CPI is a better measure of inflation for low-income households' basic living expenses, even if we had a poverty measure that measured those living expenses more adequately. Research on different inflation measures generally focuses on the best way to measure inflation for the economy and consumers *overall*. But the consumption patterns of low-income households — and their ability to change their consumption in response to changes in prices — may be different from those of typical consumers. A recent study indicates that inflation tends to rise faster for low-income households than for the population as a whole. As just one example, housing costs comprise a significantly larger share of low-income households' budgets, on average, than they do for middle- and upper-income households. And Labor Department data show that costs for rental housing, which low-income people rely on disproportionately, have been rising faster than the overall CPI.

The Administration has floated this proposal through a "Request for Comment" — essentially a request for the public to provide information and views to the federal government on this potential change. But the Administration presented no research on how low-income families' costs for basic necessities has changed over time, the adequacy of the poverty line itself as compared to the cost of basic necessities, or the implications of changing the poverty line for individuals' and families' access to needed assistance. Asking for public comment in apparent preparation for a policy change that could harm millions of struggling Americans over time, without providing the public with research and data on these basic questions, suggests this is not a serious effort to explore the important substantive issues that poverty measurement presents.

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