



VIA ELECTRONIC SUBMISSION

June 17, 2019

Nancy Potok
Chief, Statistical and Science Policy
Office of Information and Regulatory Affairs
Office of Management and Budget

Re: Comments to OMB-2019-0002-0001
Request for Comment on the Consumer Inflation Measures Produced by Federal
Statistical Agencies

Dear Dr. Potok:

On behalf of the Children's Defense Fund (CDF), we write to offer comments on whether the method for calculating the Official Poverty Measure should be modified by substituting one method of calculating inflation for another. CDF appreciates the opportunity to submit comments on behalf of children in the United States, especially low-income children young children, children of color, children with disabilities, immigrant children, and children and youth involved in the child welfare or juvenile justice systems. CDF has been advocating for children for 45 years and seeking strong support for families through passage of laws and implementation of rules, programs, and services in their best interest. CDF's Leave No Child Behind® mission is to ensure every child a Healthy Start, a Head Start, a Fair Start, a Safe Start, and a Moral Start in life and successful passage to adulthood with the help of caring families and communities.

We appreciate the opportunity to make the following comments on the proposal to replace the Consumer Price Index for All Urban Consumers (CPI-U) with another measure of inflation such as the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) for purposes of calculating the Census Bureau's Official Poverty Measure (OPM).

Because you are not currently seeking comment on the impact of changing the HHS poverty guidelines, we are not commenting directly on that issue. However, were you to consider moving forward with a change to the thresholds that affects the guidelines, it would be imperative to first undertake in-depth research and analysis, and solicit public comments, regarding the potentially negative impact a change in the thresholds would have on low-income households, particularly those with children. A change to those thresholds would affect several critical programs serving low-income children, including:

- **Early Head Start and Head Start**, which serve more than 1 million children of whom more than 80 percent live in families below the poverty line. About 31 percent of eligible children aged 3-5 have access to Head Start; only 7 percent of children under age 3 have access to Early Head Start. We should be expanding access to Head Start and Early Head Start, but shrinking the annual inflation adjustment will make some families ineligible to enroll their children in the programs.
- **Child Nutrition Programs**, such as school meals are currently available for free to students in households at or below 130 percent of the poverty line and at reduced

cost for to those in households with in come between 130 and 185 percent of the poverty line. If the annual inflation adjustment for the poverty measure shrinks, fewer students will qualify for free or reduced-price meals. There is overwhelming evidence of the importance of adequate nutrition for children for their health, development, and learning. This proposal would make proper nutrition for children in school harder for their families to afford.

- **Medicaid and the Children’s Health Insurance Program, (CHIP)**, which together ensure nearly 46 million children comprehensive, affordable, health and mental health coverage. With smaller annual adjustments to the federal poverty line, the income eligibility limits for Medicaid and CHIP will be lower than they otherwise would be in any given year, with the reductions growing larger over time. With this change, the Administration is effectively proposing to impose an automatic cut to eligibility, adversely affecting low-income children, with the magnitude of the cut becoming sharper each year. It is estimated that after 10 years, more than 300,000 children would lose Medicaid or CHIP coverage if the poverty measure’s inflation adjustment shrinks.

To protect these critical programs for children and families from future cuts we strongly recommend that consistent with longstanding law and practice and Congressional intent, the OPM should continue to be annually adjusted by CPI-U. We offer the following reasons to support this position:

1. Alternative Measures of Inflation Would Not Result in More Accurate Measures of Poverty

The OPM, which is used to measure poverty for statistical purposes, is annually adjusted by CPI-U. The Request for Comment discusses other measures of inflation that could be used to adjust the OPM including C-CPI-U (known as “chained CPI”). The chained CPI generally results in lower estimates of annual inflation than the CPI-U and another measure discussed in the Request for Comment—the Personal Consumption Expenditures Price Index (PCEPI)—results in even lower estimates. Replacing the CPI-U with the chained CPI would therefore result in a lower poverty threshold than would otherwise be the case, with the reductions growing larger each year, relative to current law.

Research indicates that other lower measures such as chained CPI would likely not be more accurate than CPI-U, especially for purposes of measuring poverty. The current inflation measure may actually underestimate how much prices are rising for low-income families. Two studies suggest that in recent years inflation has actually risen faster for low-income households than for households overall.¹ That may be due to rising costs for rental housing, on which low-income households disproportionately rely, which have

¹ See, for example, Greg Kaplan and Sam Schulhofer-Wohl, “Inflation at the Household Level,” *Journal of Monetary Economics*, August 2017, https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf and David Argent and Munseob Lee, “Cost of Living Inequality during the Great Recession,” Kilts Center for Marketing at Chicago Booth — Nielsen Dataset Paper Series 1-032, March 1, 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567357.

recently been growing faster than CPI-U.² Rent rose by 31 percent between 2008 and 2018 and the poorest quintile of households devote twice as much spending to the rent as the average household.³ The Bureau of Labor Statistics also estimated that the price of a basket of basic necessities including shelter, food, clothing, energy, and health care has rose more quickly than the price of the basket of goods included in the CPI-U between 1982 and 2014. Such items make up a disproportionately large share of household spending for the poor.⁴

Further, the existing poverty measure is too low and adopting a slower rate of growth for the OPM would only exacerbate that existing inaccuracy. By virtually any measure, a family's basic living costs exceed the poverty threshold—rent for a two bedroom apartment in a medium-cost market and the cost of minimally-adequate diet add up to about \$21,000 per year or 83 percent of the current poverty line.⁵ The current poverty line simply does not reflect the amount of money a family needs to get by; in 2017, the poverty threshold for a family of four was \$25,283, which divides out to \$468 a week or \$69 a day.⁶

In fact, many people living above the official poverty line experienced the hardships associated with poverty at high rates. Over 60 percent of non-elderly adults with income between 100 and 200 percent of poverty experienced material hardships like food insecurity and missed bill payments at rates similar to those in poverty.⁷ Roughly 30 percent of households with children with income between 100 and 130 percent of the poverty line are food insecure compared to about 40 percent of households in poverty.⁸ The current poverty line simply does not represent the income level at which a family can reasonably make ends meet.

If the Office of Management and Budget (OMB) is to consider any changes to how the OPM is determined in order to make it more accurate, it should make adjustments that would effectively raise it rather than slow its growth over time. For example, it should fully account for expenses that many low-income families incur such as child care and be fully adjusted for out-of-pocket medical costs, neither of which is the case today.⁹ It

² Sharon Parrott, "Trump Administration Floating Changes to Poverty Measure That Would Reduce or Eliminate Assistance to Millions of Low-Income Americans," Center on Budget and Policy Priorities, May 7, 2019, [https://www.cbpp.org/press/statements/trump-administration-floating-changes-to-poverty-measure-that-would-reduce-or-](https://www.cbpp.org/press/statements/trump-administration-floating-changes-to-poverty-measure-that-would-reduce-or-eliminate-assistance-to-millions-of-low-income-americans)

[eliminate-assistance-to-millions-of-low-income-americans](https://www.cbpp.org/press/statements/trump-administration-floating-changes-to-poverty-measure-that-would-reduce-or-eliminate-assistance-to-millions-of-low-income-americans).
³ 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-](https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less-accurate-measure-of-basic-needs)

[accuracy-measure-of-basic-needs](https://www.cbpp.org/research/poverty-and-inequality/reducing-cost-of-living-adjustment-would-make-poverty-line-a-less-accurate-measure-of-basic-needs).

⁴ Ibid.

⁵ Ibid.
⁶ "Child Poverty in America 2017: National Analysis," Children's Defense Fund, September 12, 2018, <https://www.childrensdefense.org/wp-content/uploads/2018/09/Child-Poverty-in-America-2017-National-Fact-Sheet.pdf>.

⁷ 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.

⁸ Sherman, *op cit*.

⁹ Rebecca Blank and Mark Greenberg, "Improving the Measurement of Poverty," Hamilton Project, Brookings Institution, December 2008, https://www.brookings.edu/wp-content/uploads/2016/06/12_poverty_measurement_blank.pdf.

could adopt the Census Bureau's Supplemental Poverty Measure, which researchers developed based on a National Academy of Sciences study, which better measures the cost of current basic living expenses and produces a poverty threshold that is higher than the OPM for most household types.¹⁰ Notably, the Request for Comment includes no analysis from the Census Bureau itself on these key questions such as how using another measure of inflation would likely affect the accuracy of the OPM or what a review of the relevant research literature finds.

2. No Federal Law or Regulation Requires OMB to Review or Change Use of CPI-U

In addition, no statute or regulation requires OMB to review or change the use of CPI-U for the poverty measure. This is a potential change that is entirely discretionary and yet the Request for Comment includes no detailed legal and policy analysis justifying such a change from the longstanding use of CPI-U. In fact, Congress has demonstrated a strong intent in favor of using CPI-U. For example, the latest OPM is used to determine the annual HHS poverty guidelines, after it is adjusted by CPI-U (as required by 42 U.S.C. § 9902(2)), with the guidelines formally announced in the Federal Register each year.

3. The Request for Comment Does Not Include Analysis and Estimates of Impact on Federal Low-Income Programs

The Request for Comment acknowledges that the HHS poverty guidelines (generally known as the federal poverty line) are based on the OPM and that such guidelines are used to determine eligibility and benefits for numerous federal, state and local government programs. That includes, among others, federal low-income programs such as Medicaid and CHIP, as well as the Affordable Care Act (ACA) marketplace subsidies, SNAP, WIC, Head Start, and the National School Lunch Program, which enroll tens of millions of low-income children. As a result, it is essential that if OMB is considering any change to calculating the OPM—which, in turn, would affect determination of the federal poverty line—it must also include detailed legal and policy analysis and estimates of the likely effects including how it would affect eligibility, benefits and access to needed services to all federal programs that rely on the federal poverty line. Such analysis and estimates should be conducted not just by OMB, but by the various federal agencies administering the affected low-income programs. It must also certainly solicit extensive public comments through formal rulemaking. The Request for Comment, however, includes no such analysis and even explicitly states that “OMB is not currently seeking comment on the poverty guidelines or their application.”

The kind of detailed estimates that would need to be conducted includes, among others, the expected enrollment losses in Medicaid and CHIP that would result from a lower measure of inflation as well as the percentage of children losing Medicaid and CHIP coverage who would become uninsured. The Center on Budget and Policy Priorities, for example, found that using chained CPI to adjust the OPM would result in more than 300,000 fewer low-income children enrolled in Medicaid and CHIP by 2029, relative to current law.¹¹ The Request for Comment includes no such estimates or other needed

¹⁰ Parrott, *op cit* and National Research Council, *Measuring Poverty: A New Approach*, National Academies Press, 1995.

¹¹ 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

discussion and analysis that would be essential for any proposal to make a major policy change to the OPM and the federal poverty line. The Request for Comment merely states that resulting “changes in the poverty thresholds, including how they are updated for inflation over time, may affect eligibility for programs that use the poverty guidelines.”

CDF strongly recommends that CPI-U continue to be used to calculate the OPM consistent with longstanding law and practice and Congressional intent. The research literature indicates that another measure of inflation is not likely to be more accurate than CPI-U for purposes of the OPM. In fact, the OPM could be adjusted in other ways to increase accuracy that would actually result in an increase in the OPM. Moreover, no statute or regulation requires OMB to review or change the use of CPI-U for the OPM. In addition, changes to the inflation adjustment to the OPM would likely affect tens of millions of low-income individuals and families enrolled in federal programs that rely on the federal poverty line (which is based on the OPM) in determining eligibility and benefits, including Medicaid and CHIP. Yet the Request for Comment includes no discussion, analysis or estimates of the likely harmful effects including from relevant federal agencies and even affirmatively states it is not seeking comments on those effects.

Thank you again for the opportunity to respond to the Request for Comment on consumer inflation measures. Please contact CDF’s Policy Team (202) 628-8787 if you have any questions or if we can be of further assistance.

Sincerely yours,



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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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