June 12, 2019

Nancy Potok
Chief, Statistical and Science Policy
Office of Information and Regulatory Affairs
9257 New Executive Office Building
725 17th St. NW
Washington, DC 20006
Submitted via: www.regulations.gov

Dear Ms. Potok,

On behalf of the DC Fiscal Policy Institute,[1] the Legal Aid Society of the District of Columbia[2] and the Washington Lawyer's Committee for Civil Rights and Urban Affairs,[3] we submit the following comments on the Administration's Request for Information regarding the Consumer Inflation Measures Produced by Federal Statistical Agencies at 84 Fed. Reg. 19961 (May 2019). As organizations dedicated to justice for low-income communities and communities of color and sound public policy, we oppose the adoption of a poverty measure that would artificially lower the poverty threshold and make countless vulnerable individuals and families ineligible for essential benefits.

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[1] The DC Fiscal Policy Institute is a non-profit organization that promotes DC budget choices to address DC's economic and racial inequities and to build widespread prosperity in the District of Columbia, through independent research and policy recommendations. DCFPI is the leading independent source of information on the DC budget and a leader in analyzing DC trends in income, poverty, and employment and wages.

[2] The Legal Aid Society of the District of Columbia is the oldest and largest general legal services program in the District of Columbia. Legal Aid's mission is to make justice real – in individual and systemic ways – for persons living in poverty in the District. Over the past 87 years, we have provided legal assistance to tens of thousands of individuals and impacted many more through our systemic litigation and advocacy. Today, Legal Aid provides legal services in five broad areas: housing, family law, public benefits, consumer, and immigration. Our work includes individual and systemic advocacy with the District and federal governments to eliminate access barriers to vital public benefits for eligible District residents.

[3] The Washington Lawyers' Committee for Civil Rights and Urban Affairs works to create legal, economic, and social equity through litigation, client and public education, and public policy advocacy with a primary focus on racial justice. For the last 50 years, the Committee has been on the cutting edge of civil rights advocacy in the region bringing precedent setting litigation to address discrimination. Our work focuses on injustices in housing, employment, the criminal legal system, education, public accommodations, and immigration. We partner with individuals and communities facing discrimination and with the legal community to achieve justice.

The goal of setting the poverty threshold and adjusting it annually should be to create a measure that accurately reflects a minimal cost of living each year based on changes in costs faced by low-income individuals and families. The Administration's proposal to adjust the federal poverty thresholds for inflation using the chained CPI would not meet that goal and is flawed for several reasons.[4] Chained CPI results in lower measures of inflation, because it assumes that consumers can make substitutions make when the price of certain goods rises rapidly, an assumption that does not hold for very low income families and individuals. That means using the chained CPI would result in lower future poverty thresholds than using the standard CPI, with the gap growing larger year by year. Furthermore, the use of chained CPI would exacerbate existing disparities between the current poverty level and the actual amount of money families and individuals need to meet their basic needs.

Chained CPI is an Inaccurate Measure of Inflation for Low-Income Households.

For several reasons, inflation in expenses for low-income residents is higher than the CPI, and the logic behind chained CPI—that households substitute lower-priced goods—doesn't apply.

- Two recent studies suggest that, at least in recent years, inflation for low-income households has been higher than for the population as a whole, in part because people with low incomes have less ability than those with higher incomes to substitute lower cost goods when prices rise.[5] People with low incomes already buy less expensive options—so substituting further down the cost scale is not an option—and residents with low incomes are less likely than others to be able to travel to find cheaper goods.

- Low-income households spend more of their income on housing, for which costs have been increasing faster than the overall CPI in recent years.[6]

[4] Although the Request for Information lists several different poverty measures, these comments focus on the limits of the chained CPI measure.

[5] See, for example, Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics,* 2017, https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf, and David Argente 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://ssrn.com/abstraSchct=2567357.

[6] Aviva Aron-Dine and Matt Broaddus, "Poverty Line Proposal Would Cut Medicaid, Medicare, And Premium Tax Credits, Causing Millions to Lose or See Reduced Benefits Over Time," Center on Budget and Policy Priorities, May 22, 2019, https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicaid-medicare-and-premium-tax.

The Current Federal Poverty Line Already is Below What is Needed to Raise a Family, Especially in High-Cost Areas like the District of Columbia.

There is a substantial body of research, most notably a detailed report by the National Academy of Sciences,[7] showing that the current poverty line is too low. For example, the poverty line does not fully include certain costs that many low-income families face, like child care. Based on the findings of the National Academy of Sciences report, federal analysts worked 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. The SPM methods yield a poverty line that is higher than the official poverty line for most types of households.[8]

And in high-cost areas such as the District of Columbia, a minimal cost of living is much higher than the current poverty line. For example, the "basic living" measure developed by researchers at MIT shows that a single adult with two children needs $70,000 to meet basic expenses in the District, an income level that is more than three times the poverty line for a family of three.[9] As a result, the vast majority of District households with income below the current poverty level spend over half of their income on housing, and in some cases 80 percent or more.[10] This means these households have almost no other resources to pay for food, transportation, clothing, or other needs.

The inadequacy of the current poverty line also is backed by research showing that households just above the poverty line have high rates of material hardship: for example, high uninsured rates and difficulty affording health care, as well as high rates of food insecurity.[11] Setting the poverty threshold at an even lower level would result in even more families not being considered technically poor but still having inadequate financial resources to meet their most basic needs.

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[7] Constance Citro and Robert Michael, eds., "Measuring Poverty: A New Approach," Committee on National Statistics, National Research Council, 1995, http://www.nap.edu/openbook.php?isbn=0309051282.

[8] Aron-Dine and Broaddus, note 6.

[9] See MIT Living Wage Calculator for the District of Columbia, www.livingwage.mit.edu.

[10] Claire Zippel, "A Broken Foundation: Affordable Housing Crisis Threatens DC's Lowest-Income Residents," DC Fiscal Policy Institute, December 8, 2016. https://www.dcfpi.org/wp-content/uploads/2016/12/DCFPI-Broken-Foundation-Housing-Report-12-8-16.pdf

[11] About half of non-elderly adults just above the official poverty line showed one or more forms of financial insecurity, according to a December 2017 Urban Institute survey, similar to the share for the poor. Steven Brown and Breno Braga, "Financial Distress among American Families: Evidence from the Well-Being and Basic Needs Survey," Urban Institute, February 14, 2019, https://www.urban.org/research/publication/financial-distress-among-american-families-evidence-well-being-and-basic-needs-survey/view/full_report.

A Lower Poverty Threshold Would Result in Low-Income Communities and Communities of Color Getting Less Help To Make Ends Meet.

The Administration has explicitly stated that it is not seeking comments on the impact of changing the current consumer inflation measure on the poverty guidelines. But it is clear that any such changes would necessarily affect the number of low-income families and individuals who would be eligible for means-tested public benefits. Because many federal and state assistance programs tie eligibility to the poverty threshold, or some percentage of it, lowering the poverty threshold from what it is under current rules (by adopting the chained CPI measure of inflation) would mean a growing number of people with very low incomes would be denied access to benefits they need. While numbers for the District of Columbia are not available, it is estimated nationally that millions of people would be denied assistance entirely, or see reduced benefits for Medicaid, Medicare Part D, subsidies from the ACA marketplace and SNAP.[12]

The burden of these reductions would likely be born disproportionately by women and people of color who experience greater degrees of financial insecurity than their male and white counterparts, respectively, and thus are more likely to benefit from safety net programs.[13] In a December 2017 survey of non-elderly adults, the Urban Institute found that (even with the economy approaching full employment), 43 percent of women (compared to 36 percent of men) and more than half of black and Hispanic adults (compared to 34 percent of white adults) had experienced material hardships during the prior 12 months.[14] Reduced access to important safety net supports resulting from the use of chained CPI would further increase these existing hardships and disparities. The Urban Institute concluded:

> Previous research provides substantial evidence that rates of material hardship would be [even] higher if public safety net programs were scaled back, given the important role these programs play in reducing hardships. Budget cuts and new restrictions on eligibility for safety net programs could further reduce the resources available to adults in poor and near-poor families, over 60 percent of whom are already unable to meet all their basic needs over the course of a year.[15]

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[12] Brown and Braga, note 11; Sharon Parrott, "Trump Administration Floating Changes to Poverty Measure That Would Reduce or Eliminate Assistance to Millions of Lower-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.

[13] Michael Karpman, Stephen Zuckerman, and Dulce Gonzales, "Material Hardship Among Nonelderly Adults and their Families in 2017: Implications for the Safety Net," Urban Institute, August 2018.

[14] Karpman, Zuckerman and Gonzales, note 13.

[15] Karpman, Zuckerman and Gonzales, note 13 (citations omitted).

The racial disparities in the District are instructive in this regard. In 2017, the median income for African-Americans and Latinx households in the District was $42,000 and $85,000, compared to $133,000 for white households.[16] It therefore stands to reason that reduced access to safety net programs caused by the use of the chained CPI would be disproportionately born by households of color in the District, particularly African-American households.

<u>Conclusion</u>

Our organizations strongly oppose the adoption of the chained CPI poverty measure because it is based on an inaccurate measure of low-income households' spending patterns, and its adoption would lead to an artificially low poverty threshold and reduced access to vital supports. If anything, our current poverty level undercounts the number of struggling individuals and families. A reexamining of the poverty measure must be accompanied by research into the true spending patterns of low-income families and not one that appears to be motivated by a desire to cut the number of families and individuals who can obtain basic government services and supports.

Sincerely,

/s/ Ed Lazere
Ed Lazere
Executive Director
DC Fiscal Policy Institute

/s/ Jennifer Mezey
/s/ Chinh Q. Le
Jennifer Mezey, Supervising Attorney
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/s/ Jonathan Smith
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[16] American Community Survey, "Median Income in the Past 12 Months (in 2017 Inflation-Adjusted Dollars),"
2017 American Community Survey 1-Year Estimates 1-year estimates, Table S1903, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk. See also Tinsae Gebriel, "Economic Inequality in DC Reflects Disparities in Income, Wages, Wealth, and Economic Mobility. Policy Solutions Should Too," DC Fiscal Policy Institute, August 6, 2018, https://www.dcfpi.org/all/economic-inequality-in-dc-reflects-disparities-in-income-wages-wealth-and-economic-mobility-policy-solutions-should-too/ (using 2016 American Community Survey figures).