A Congressional Perspective on the US Poverty Measure

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*The views expressed here are those of the presenter and do not necessarily reflect those of any Congressperson or Senator.
Overview

1. Why establish a new measure?
2. What is the MAP Act?
3. What is the Modern Poverty Measure?
4. Should we have multiple measures?
5. What’s next?
Why Establish a New Measure?

• First, we care about poverty measurement because poverty...
  – is costly and inconsistent with our values
  – indicates how widely shared prosperity is in the economy
  – indicates who falls from or struggles to join the middle class
  – is a key benchmark for targeting resources
• Second, the current measure has important limitations...
  – Threshold has less and less meaning and does not appropriately account for some variations in needs
Why Establish a New Measure?

Poverty Line Less Connected to Standard of Living

1959-2007

Source: Calculations based on money income (income before taxes, excluding the value of noncash benefits such as SNAP, Medicare, Medicaid, public housing, and employer-provided fringe benefits) data from the Bureau of the Census. Income in CPI-U-RS adjusted dollars. Prepared by the Staff of the Committee on Ways and Means, 21 May 2009.
Why Establish a New Measure?

Less Spending Devoted to Food
1955-2007

1955 - 33%: Share of After-Tax Income Devoted to Food for Families of Three or More

2007: 13% - Share of All Expenditures Devoted to Food for Families of Four

Source: 1955 data is from Social Security Administration. Calculations based on data from Bureau of Labor Statistics. Exactly comparable historical data is not available, but the trend and its approximate magnitude are not in doubt. Prepared by the Staff of the Committee on Ways and Means, 21 May 2009.
1 Why Establish a New Measure?

More Spending Devoted to Health

2007: 12.6% - Share of All Expenditures Devoted to Health for Families with Householders 65 Years and Older


Prepared on 9/17/2010
Why Establish a New Measure?

• Second, the current measure has important limitations...
  – **Threshold** has less and less **meaning** and does not appropriately account for some **variations** in **needs**
  – **Resource** definition is less and less **comprehensive**, wrongly indicating the failure of substantial government spending
### Why Establish a New Measure?

<table>
<thead>
<tr>
<th>Type of Change</th>
<th>Reflected in Current Official Measure?</th>
<th>Estimated Annual Payments (FY 2010 Levels)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in federal, state, or local income taxes</td>
<td>No</td>
<td>$1,465.5 billion (CY2007)</td>
</tr>
<tr>
<td>Change in Earned Income Tax Credit</td>
<td>No</td>
<td>$48.9 billion</td>
</tr>
<tr>
<td>Change in Child Tax Credit</td>
<td>No</td>
<td>$44.8 billion</td>
</tr>
<tr>
<td>Change in Social Security payroll taxes</td>
<td>No</td>
<td>$747.3 billion</td>
</tr>
<tr>
<td>Change in SNAP (formerly Food Stamp) receipt or benefits</td>
<td>No</td>
<td>$65.0 billion</td>
</tr>
<tr>
<td>Change in housing assistance receipt or benefits</td>
<td>No</td>
<td>$33.08 billion</td>
</tr>
<tr>
<td>Change in home energy assistance receipt or benefits</td>
<td>No</td>
<td>$3.79 billion</td>
</tr>
<tr>
<td>Change in child care subsidies</td>
<td>No</td>
<td>$7.04 billion</td>
</tr>
<tr>
<td>Change in child support awards and enforcement</td>
<td>Partly</td>
<td>$27.91 billion</td>
</tr>
<tr>
<td>Change in Social Security benefits</td>
<td>Yes</td>
<td>$690.6 billion</td>
</tr>
<tr>
<td>Change in receipt or benefits under TANF</td>
<td>Yes</td>
<td>$17.1 billion</td>
</tr>
<tr>
<td>Proposed Creation of Climate Rebate to Help Households Shift to Clean Energy</td>
<td>Maybe</td>
<td>≈ $5-$100 billion</td>
</tr>
</tbody>
</table>
Why Establish a New Measure?

• Second, the current measure has important limitations...
  – Threshold has less and less meaning and does not appropriately account for some variations in needs
  – Resource definition is less and less comprehensive, wrongly indicating the failure of substantial government spending
  – Measure is not easily updated and without Congressional involvement, measurement has not been improved in US
What is the MAP Act?

- **Measuring American Poverty Act of 2009** by Rep. Jim McDermott (HR 2909; 111th Congress) and Sen. Chris Dodd (S 1625; 111th Congress)

- “Modern Poverty Measure” based on National Academy of Sciences (NAS) 1995 report recommendations

- “Decent Living Standard” & “Medical Risk Measure” panels

- Official measure re-named “Traditional” measure

- **NO impact** on eligibility or distribution of funds

Prepared on 9/17/2010
What is the MAP Act?

- **Shifts authority** to statistical agencies; requires periodic **updates**
- Authorizes adequate **funding**
- **Addresses** major concerns
- Balanced, **consensus-based** approach builds on **15 years** of research and analysis
- Need to **focus public** attention, for **common understandings** & benchmarks
What is the Modern Poverty Measure?

- Based on National Academy of Sciences (NAS) 1995 report, but with improvements
- **Threshold** based on modest spending on food, clothing & shelter
- Thresholds adjusted for shelter status
- **Income** defined as resources for meeting those needs, minus work & medical expenses
- **Pre- and post-tax and transfer** measures included
- Geographically-adjusted measures complement unadjusted measures
Should we have multiple measures?

We should have multiple measures:
- Well-being is multidimensional
- Poverty—a component of well-being is itself multidimensional
- Single “measure” can be used to produce multiple viewpoints (e.g. headcount, gap, persistence, concentration, etc.)
- Measures serve varied purposes (e.g. eligibility v. statistics)

We should highlight a few measures:
- Need to focus public attention
- Need for common understandings and benchmarks
- Resource limitations and technical difficulties
- Pre- and post-tax & transfer poverty measures must coexist
- Geographically-adjusted poverty measures complement unadjusted measures
What’s next?

• Engagement with **Appropriations** Committees, as **Administration’s budget** includes funding request for measure—Supplemental Poverty Measure (SPM)—similar to MAP Act’s Modern Poverty Measure

• **Technical** work and improvements also needed

• **Census Bureau** has proven ability to quickly produce NAS-based measures and has added relevant questions to March CPS

• Engagement with public officials and **staff, researchers** and advocates