June 19, 2019

The Honorable Nancy Potok, Chief Statistician
Office of Management and Budget
725 17th St. NW
Washington, DC 20006

Dear Dr. Potok:

Thank you for the opportunity to provide comments regarding the influence of different measures of consumer inflation on the Official Poverty Measure (OPM).

Our organization, The Louisiana Budget Project, is a non-partisan, non-profit group that analyzes the effects of state policy on low- and moderate-income Louisianans. As part of our mission, LBP tracks federal policy changes that affect low-income Louisianans, including the 1,166,000 Louisiana residents with household incomes below 125% of the current federal poverty guidelines.\(^1\)

Often we advocate on behalf of people served by programs with eligibility requirements that are pegged to the official poverty rate. This includes SNAP—which reached an average of 830,000 Louisiana residents each month in the 2019 fiscal year—and Medicaid, which served 1,620,000 Louisiana residents in the 2019 fiscal year.\(^2\)

Our experience suggests that the current poverty measure underestimates the resources that low-income families require to afford basic necessities, and that the contemplated changes to inflationary adjustments to the Official Poverty Measure (OPM)—all of which would result in lower estimates of poverty-level income over time—would therefore be less accurate, rather than more accurate as measures of poverty.

While we agree on the value of adjusting the OPM to reflect more accurately the true costs of living for low-income households, we do not find that the technical adjustments to inflation mooted in the agency’s comment solicitation reach that goal. We therefore urge the Office of Management and Budget

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to maintain the current method for adjusting the official poverty measure for inflation by indexing the poverty threshold to CPI-U.

If OMB does change the inflation adjustment, it should only be done after a broad review of the accuracy of the Official Poverty Measure that includes a careful study of how the change would impact federal support programs for Americans living in poverty.

Evidence from alternative measures of poverty suggests that the OPM no longer reflects the costs borne by working families. For example, since the OPM was first developed, housing costs have risen faster than inflation. For low-income households with mortgages or paying rent, the cost of shelter has become a more significant component of the household budget than it was in earlier eras.³ For this reason, among others, the Food, Clothing, Shelter and Utilities (FCSU) poverty threshold used to calculate the Supplemental Poverty Measure is consistently higher than the official poverty measure.⁴ In 2017, FCSU exceeded the OPM for a two adult, two child family by $5,331—or $9,571 when out-of-pocket medical expenses were factored in. The larger FCSU income poverty threshold including medical expenses is a full 39% greater than the OPM.

Similarly, the growing prevalence of two-income families has made childcare costs an increasingly significant expense for low-income working families with two children. The United Way’s ALICE report produces a state-specific survival budget for a family with two wage-earners, one infant, and one preschooler. Taking into account the state average costs for childcare, transportation and technology (increasingly essential to finding and maintaining employment), along with more traditional costs like housing and food, United Way estimates that a family with two young children required a minimum of $53,988 per year to meet their basic expenses in 2016—an amount more than double the 2016 Federal Poverty Guideline (FPL) of $24,300 for a family of four that year.⁵ United Way estimated the survival budget for a single Louisiana adult to be similarly higher than the official threshold, at $19,548 as compared with a poverty guideline of $11,880.⁶

Moreover, given changes in household consumption patterns since the Official Poverty Measure was developed in 1963, OMB may wish to consider whether developing or adopting alternative measures of poverty-level resources, rather than alternative inflation adjustments for an outdated resource measure, would better reflect poverty as it is experienced today. This is significant because, while OMB’s comment solicitation specifically does not ask for comments on the Official Poverty Guidelines used to determine eligibility for a variety of federal programs, the contemplated change to the inflation

⁶ Ibid.
adjustment for the OPM will, in fact, impact eligibility for programs that support millions of Americans. To consider this change outside of the context of its effects on the programs that serve the nation’s poor is to ignore a central function of the OPM—estimating eligibility for anti-poverty programs.

Through the link between the nation’s poverty reduction programs and the Official Poverty Measure, OMB, the Census Bureau, and the agencies which administer federal programs for those in poverty are inherently interconnected. Over the last 19 years, the chained CPI has grown about a quarter of a percentage point less than the CPI-U. Over time, this difference will likely significantly reduce federal allocations to Louisiana and make millions of low-income Louisianans ineligible for critical work supports.

Since the poverty thresholds were created in 1963, there has been no precedent in OMB outside of Directive No. 14 where changes to a statistical measure of inflation for the estimation of the OPM would occur without a significant review and analysis of the potential costs and impact on the federal poverty thresholds. There is well-established federal administrative procedural history, reaching back to the 1960s, where the OMB has not only solicited public input, but also authorized federal interagency committees to review and assess poverty thresholds and indexing measures. Changing the assessment of inflation for the OPM using a statistical measure other than the CPI-U without an interagency review contravenes long-standing congressional intent and agency practice.

Louisiana has long struggled with poverty rates substantially above the national average, a burden that has fallen disproportionately on the state’s children and people of color. A robust and accurate measure of poverty is particularly important to the people of Louisiana and their political representatives in the state and in Washington, D.C. So too is the continued robustness of the public benefits programs that help a great many people in our state.

We therefore request that OMB maintain the CPI-U as the inflation index for the OPM, absent a fuller review of the effects of this change on people whose lives are bettered by public benefits programs currently pegged to the OPM or OPM-derived measures. Any consideration of an alternative statistical index for the official poverty measure should include a complete analysis of the Official Poverty Measure itself and a federal interagency review process of the impacts on poverty guidelines and program eligibility over the next two decades.

Sincerely,

Jan Moller, Executive Director  
Daniel Mintz, Anti-Hunger Policy Advocate  
Dara Shackelford, Economic Opportunity Analyst

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