

June 21, 2019

Mick Mulvaney
Director
Office of Management and Budget
725 17th St NW, Washington, DC 20503

Nancy Potok, Ph.D.
Chief Statistician
Office of Management and Budget
725 17th St NW, Washington, DC 20503

Re: Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies

Dear Director Mulvaney and Dr. Potok,

At the Center for Public Policy Priorities (CPPP), we believe in a Texas that offers everyone the chance to compete and succeed in life. We envision a Texas where everyone is healthy, well-educated, and financially secure. We want the best Texas—a proud state that sets the bar nationally by expanding opportunity for all. CPPP is an independent 501(c)3 public policy organization, comprised of data analysts and policy experts that use data and analysis to advocate for public policies that enable Texans of all backgrounds to reach their full potential.

CPPP appreciates the opportunity to provide feedback to the Office of Management and Budget (OMB) notice for comment on consumer inflation measures. In particular, we are writing to express our concern with the OMB’s consideration of revising the methodology used to adjust the official poverty measure (OPM) or poverty thresholds.

Adjusting the poverty measure downward over time will make it less accurate

Poverty can be like quicksand; if you find yourself there, it’s often everything you can do just to keep from being pulled under. When millions of Texans struggle to cover basic needs, like food, shelter, and health care, we can’t reach our individual or statewide potential. Smart public policies can make sure Texans who live in poverty have the steady support needed to pull themselves up and out. Policies that meet people where they are and create pathways to new opportunities can ensure that all Texans have the chance to compete and succeed in life.

Many of our most important federal and state policies use the Official Poverty Measure (OPM) to determine who is “poor enough” to participate and how much support they should receive. Unfortunately, many experts now believe the OPM substantially understates the level of income necessary to pay the real market costs of the basic budget items that all families need.ⁱ Created over 50 years ago, the current poverty measure is, at best, an insufficient measure of what it costs for families to live a safe and healthy life. Even the federal government’s own work acknowledges the insufficiency of the OPM with its production of a Supplemental Poverty Measure, which attempts to account for the limitations that often result in the OPM underestimating what it takes to cover basic expenses in America.ⁱⁱ

Other researchers have sought to demonstrate the limitations of the OPM by taking a “market basket” approach to estimating what it actually costs to cover basic necessities for a safe and healthy life that

the OPM leaves out, including rent, childcare, and transportation—all of which differ dramatically based on where you live. CPPP’s Texas Family Budgets (www.familybudgets.org) adopts a methodology similar to the “self-sufficiency standard” and “basic family budget” approaches used by a growing number of researchers.ⁱⁱⁱ The Texas Family Budgets amounts are conservative estimates because we excluded from our basic expenses many items that families with moderate and high incomes take for granted, such as dining out, entertainment, vacations, and credit card debt. As a result, they define a standard of living that many Texans would find uncomfortably austere. And yet, our research shows that a family of four living in Houston would have to earn well over twice the poverty level to just make ends meet, and that’s assuming that they are not buying birthday or holiday gifts, are not trying to save for emergencies or their children’s college, and do not own their own home.

As shown by our Texas Family Budgets research, the OPM is an insufficient measure of need as it stands today. The use of any of the inflation adjustments proposed by the OMB that would lower the poverty thresholds over time will only make the OPM a less accurate measure of need. The adjustments being considered, including the Chained CPI-U, will significantly reduce the threshold cutoffs over time while not addressing any of the long-standing issues with the already outdated and insufficient OPM. For example, the Congressional Budget Office estimates that the Chained CPI-U would reduce annual adjustments by about .25 percent.^{iv} That means after 10 years, the adjustment would be 2.5 percent lower than it would have been if we had continued using the traditional CPI-U which is used for the Official Poverty Measure today.^v

Adjusting the poverty measure downward over time will hurt Texans

A review of poverty in Texas today—as measured by the OPM—is a window into the future of the country. With one in 11 Americans living in Texas, Texas’s booming population is at the leading edge of a profound demographic shift nationally. Despite our growing economy and low unemployment, Texas has one of the highest rates of poverty in the country, at 15 percent.^{vi} With a high percentage of low-wage jobs, work isn’t paying enough for families to live on.

We understand that you were not seeking comment on the impact of changing the HHS poverty guidelines. However, we are deeply concerned about the cumulative effects of any changes to the poverty thresholds, which affect the guidelines. Before making any such changes, it is imperative that the OMB first undertake in-depth research and analysis, and solicit public comments, regarding the personal and economic impact of such changes on people who participate in programs such as Medicaid, CHIP, the Affordable Care Act (ACA) Marketplace Health Insurance subsidies for individuals, the Supplemental Nutrition Assistance Program (SNAP), and school meals, to name just a few.

Medicaid & CHIP: With smaller annual adjustments to the federal poverty line, the income eligibility limits for Medicaid and the Children’s Health Insurance Program (CHIP)—that is, the maximum amount of income a family can earn for a household of that size—will be lower than they otherwise would be in any given year, with the reductions growing larger over time. In other words, your proposal will effectively impose an automatic cut to eligibility, adversely affecting low-income children, parents, pregnant women, seniors and people with disabilities, with the magnitude of the cut becoming sharper each year. Because of expanded access to health coverage through Medicaid and CHIP, the proportion

of uninsured children in Texas declined from 17 percent in 2009 to 11 percent in 2017.^{vii} Shrinking the inflation adjustment for the poverty measure will undo some of this progress, causing more people to be uninsured.^{viii}

Affordable Care Act (ACA) Marketplace Health Insurance: Because eligibility for cost-sharing assistance and premium tax credits is dependent on the relationship of people's incomes to the poverty level, shrinking the inflation adjustment for the poverty line would over time reduce or eliminate subsidies that make insurance more affordable, affecting hundreds of thousands of Americans.

Supplemental Nutrition Assistance Program (SNAP): Households are ineligible for SNAP if their gross income exceeds an amount that is tied to the federal poverty guidelines (between 130 percent and 200 percent, depending on the option the state adopts). For example, for a household of four people, the current gross monthly income cannot exceed \$2,720. Each year, that figure is adjusted for inflation. If the adjustment shrinks, over time fewer households will qualify for assistance. Working families with small earnings gains over time will find themselves ineligible despite high housing and childcare or other work-related expenses. While SNAP allows households with gross income below the 130 percent of poverty cutoff to qualify for higher benefits if they have high shelter costs, if their income exceeds the gross income standard, they will be denied assistance altogether. The U.S. Department of Agriculture found that 15 million households with 40 million people faced food insecurity in 2017 – that is, they experienced difficulty in affording food. For people below 185 percent of the poverty line, more than 30 percent were food insecure. A change in the measure of inflation used to calculate guidelines could lead to many households losing SNAP altogether. We should not be increasing the number of households that do not qualify for SNAP assistance when so many beyond even the current guidelines find it difficult to afford an adequate diet.

School Meals: Students in households with incomes at or below 130 percent of the poverty line are eligible for free school breakfasts or lunches. A student from a household with income between 130 to 185 percent of the poverty threshold is eligible for a reduced-price meal. If the annual inflation adjustment for the poverty measure shrinks, fewer students will qualify for free or reduced-price meals. A change in the measure of inflation used to calculate guidelines could lead to school-age children losing eligibility for free or reduced-cost school meals altogether, with even more losing eligibility for free meals. Certain students are considered categorically eligible for free school meals, including those whose households participate in SNAP, TANF, or the Food Distribution Program for Indian Reservations, and students who are homeless, in foster care, Head Start, or migrants. Students whose families receive SNAP or other benefits will no longer automatically qualify for free school meals if their families' earnings bump them out of eligibility for means-tested programs because of the shrinking poverty measure. They will be doubly hit by having to pay for school 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.

Conclusion

We believe any potential changes to poverty thresholds are counterproductive to reforms led by the Department of Health and Human Services (HHS) and Congress focused on lowering health care costs, increasing access to health care, ensuring families have food on the table, and children have full bellies

during class. We urge the OMB to consider the scope of potential impacts to individuals and families and reject any changes to the calculation of official poverty thresholds that may create new financial burdens or restrict access to health care or food.

Before the OMB takes additional steps to change the calculation for OPM, we urge the agency to conduct and make public a comprehensive analysis of potential implications on all populations that would likely be affected including people who rely on Medicaid, CHIP, nutrition assistance, Medicare Part D low-income subsidies, health insurance purchased in the ACA market, state-level health programs and other safety net supports and services. We also ask that the OMB provide ample time for national, state and local organizations to evaluate the OMB's findings and provide comments specific to their unique patient populations.

Please contact Dr. Frances Deviney, Chief Operating Officer at the Center for Public Policy Priorities, at deviney@cphp.org if you have any questions about our comments or if we can provide further details or assistance.

Respectfully submitted,



Dr. Frances P. Deviney
Chief Operating Officer
Center for Public Policy Priorities

ⁱ For more information, see the Census Bureau's report, The Supplemental Poverty Measure: 2016 at <https://www.census.gov/library/publications/2017/demo/p60-261.html>.

ⁱⁱ To learn more, see documentation from the Census Bureau <https://www.census.gov/topics/income-poverty/supplemental-poverty-measure/about.html> and the Bureau of Labor Statistics <https://www.bls.gov/pir/spmhome.htm>.

ⁱⁱⁱ See the Economic Policy Institute's Basic Family Budget Calculator (<http://www.epi.org/resources/budget/>) and The Institute for Women's Policy Research's Economic Security Database (<http://www.basiceconomicsecurity.org/>).

^{iv} http://www.cbo.gov/sites/default/files/cbofiles/attachments/Government-wide_chained_CPI_estimate-2014_effective.pdf

^v <http://cepr.net/blogs/cepr-blog/new-cbo-estimates-show-how-shifting-to-chained-cpi-would-harm-poorly-compensated-workers-and-others-struggling-to-afford-the-basics>

^{vi} 2017 American Community Survey, U.S. Census Bureau

^{vii} <https://datacenter.kidscount.org/data/tables/33-children-18-and-below-without-health-insurance?loc=45&loct=2#detailed/2/45/false/871,870,573,869,133,38/any/305,306>

^{viii} <https://ccf.georgetown.edu/2019/05/09/trump-administration-proposes-to-make-many-fewer-low-income-individuals-and-families-eligible-for-medicaid-and-chip-over-time/> and <https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-acaupdated-findings-from-a-literature-review-march-2018/>