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June 20, 2019

Nancy Potok
Chief Statistician
Office of Management and Budget

Re: Directive No. 14 - Consumer Inflation Measures Produced by Federal Statistical Agencies

Dear Chief Statistician Polok:

California Food Policy Advocates (CFPA) writes in regard to the Office of Management and Budget's (OMB's) request for comments on the measures of inflation used in the estimation of the Official Poverty Measure (OPM).

For more than 25 years, CFPA has worked to improve the health and well-being of low-income Californians by increasing their access to nutritious, affordable food. In drafting these comments, we draw on decades of expertise with respect to the public nutrition programs and an in-depth understanding of the evidence base that describes poverty, food insecurity, and health outcomes in California and beyond.

Accuracy of the Official Poverty Measure

The OPM does not adequately account for basic expenses, such as childcare and housing, that make up a significant portion of household budgets for low-income families.¹ The need for childcare is prevalent among California households. Among working-age parents and caregivers of young children in California, 77% work at least part time.² For California families with two or more working-age adults, nearly all (98%) include at least one employed adult and in the majority (55%), all of the adults work.³ Among single-parent families in California, more than 85% of parents work.⁴ Average annual cost for childcare (with respect to infants and

¹ Jacob, Anupama. *The Supplemental Poverty Measure: A Better Measure for Poverty in America?*, Center for Poverty Research, University of California, Davis, 2012.

² Thorman, Tess and Danielson, Caroline. *Public Preschools in California*, Public Policy Institute of California, April 2019.

³ Ibid

⁴ Ibid

preschool-age children) in California ranges from \$9,984 to \$16,452.⁵ This equates to 49-81% of the 2018 federal poverty threshold for a single-parent household with two children (\$20,231)⁶ and leaves very narrow margins for a household to budget for other necessary expenses such as housing, food, transportation, and clothing.

The National Academy of Sciences recognizes that one weakness of the Official Poverty Measure is its insensitivity to housing costs, particularly geographic variation in housing costs.⁷ Eighty percent of California households with incomes below 200% of the federal poverty line are considered by the US Department of Housing and Urban Development (HUD) to be “cost-burdened” (i.e., they spend more than 30% of income on housing).⁸ Further, the majority of these households meet the HUD criteria for being “severely cost-burdened” by spending more than half of their income on housing.⁹

The OPM does not accurately reflect the cost of meeting the most basic needs of individuals and families in California. The Living Wage Calculator, developed by researchers at the Massachusetts Institute of Technology, shows that across California and in each of its 58 counties, the average annual income (without public benefits) required to meet the basic needs of a household of four with two adults and two children far exceeds the federal poverty threshold (\$25,465).¹⁰ For an average family of four with two children and one working adult in California, the cost of meeting basic needs is 2.5 times the federal poverty threshold (see Table 1). When both adults work, the cost of meeting basic needs is more than 3 times the federal poverty threshold (see Table 1). Other measures, including the *Making Ends Meet* analysis from the California Budget and Policy Center¹¹ and the *Supplemental Poverty Measure* from the U.S. Census Bureau,¹² provide further evidence that the OPM is too low to accurately reflect poverty in California.

⁵ California Child Care Resource & Referral Network. *2017 California Child Care Portfolio*. Available at: <https://rrnetwork.org/research/child-care-portfolio>

⁶ U.S. Census Bureau. *Poverty thresholds by Size of Family and Number of Children (2018)*. Accessed June 15, 2019. Available at: <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>

⁷ National Research Council. 1995. *Measuring Poverty: A New Approach*. Washington, DC: The National Academies Press. <https://doi.org/10.17226/4759>.

⁸ Kimberlin, Sara. *California's Housing Affordability Crisis Hits Renters and Households With the Lowest Incomes the Hardest*, California Budget & Policy Center, April 2019.

⁹ Ibid

¹⁰ Glasmeier, Amy K. Living Wage Calculator (2018), Massachusetts Institute of Technology. Accessed June 15, 2019. Available at: <http://livingwage.mit.edu/>

¹¹ Kimberlin, Sara and Rose, Amy. *Making Ends Meet: How Much Does It Cost to Support a Family in California?*, California Budget and Policy Center, December 2017.

¹² Fox, Liana. *The Supplemental Poverty Measure: 2017*, U.S. Census Bureau, September 2018.

Table 1: OPM and Basic Needs Income for a Family of Four

Location	OPM ¹³	Annual Income to Meet Basic Needs (One Working Adult) ¹⁴	Annual Income to Meet Basic Needs (Two Working Adults) ¹⁵
California	\$25,465	\$63,805	\$81,056
Alameda County, CA		\$73,004	\$90,255
Fresno County, CA		\$54,257	\$71,508
Los Angeles County, CA		\$63,897	\$81,148
Modoc County, CA		\$50,688	\$67,939

The prevalence of hardship among individuals and families with incomes above the current poverty thresholds further indicates that the Official Poverty Measure is an inadequate measure of poverty status. For instance, among California households with income between 100-200% of the federal poverty level, more than 35% of adults live in food-insecure households.¹⁶ Among households in Alameda and San Francisco Counties with incomes between 100-300% of the federal poverty level, nearly one in five adults live in food-insecure households.¹⁷

Given the significant body of research demonstrating the inadequacies of the Official Poverty Measure in determining poverty status, any changes to the estimation of the OPM that would further exacerbate the inaccuracy of the threshold, such as the incorporation of a slower-growing measure of inflation, are unwarranted and unfounded.

Limitations of Alternative Inflation Indices

Analyses show that the increase in prices for goods and services that make up the large majority of spending among low-income households outpaces inflation even as measured by the Consumer Price Index for all Urban Consumers (CPI-U). For instance, among all households, housing costs account for one third of spending while housing costs account for 40% of spending among the lowest quintile of households by income.¹⁸ Meanwhile, the cost of rent has increased at a faster rate than the overall CPI-U with a growth of 31% and 17%,

¹³ U.S Census Bureau, *Poverty thresholds by Size of Family and Number of Children (2018)*. Accessed June 15, 2019. Available at:

<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>

¹⁴ Glasmeier, Amy K. Living Wage Calculator (2018), Massachusetts Institute of Technology. Accessed on June 15, 2019. Available at: <http://livingwage.mit.edu/>

¹⁵ Ibid

¹⁶ UCLA Center for Health Policy Research. AskCHIS 2017. Food Insecurity (ability to afford enough food). Available at <http://healthpolicy.ucla.edu/Pages/AskCHIS.aspx>. Exported on June 16, 2019.

¹⁷ UCLA Center for Health Policy Research. AskCHIS 2017. Food security - San Francisco and Alameda County. Available at <http://healthpolicy.ucla.edu/Pages/AskCHIS.aspx>. Exported on June 16, 2019.

¹⁸ Sherman, Arloc and Van de Water, Paul N. *Reducing Cost-of-Living Adjustment Would Make Poverty Line a Less Accurate Measure of Basic Needs*, Center on Budget & Policy Priorities, June 2019.

respectively, from 2008 to 2018.¹⁹ Further, median household rent in California increased at nearly twice the rate of the CPI-U (42% vs. 22%) from 2006 to 2017.²⁰ Given demonstrated discrepancies between the increased cost of goods and services for low-income households and increases in the CPI-U, any slower-rising measures of inflation, such as the chained Consumer Price Index (chained CPI) and the Personal Consumption Expenditures Price Index (PCE Price Index), are very likely less accurate measures of inflation with respect to low-income households.

Research has also shown that low-income households likely experience higher rates of inflation compared to higher-income households. For instance, examining the period of 2004 to 2013 (comparisons of the third quarter for each year), researchers demonstrated that prices rose by 33% for goods and services purchased by households with incomes less than \$20,000 while prices rose by just 25% for goods and services purchased by households with incomes more than \$100,000.²¹ Examining the period of 2004 to 2010, researchers demonstrated that prices rose at a faster rate (0.6 percentage points each year) for households in the lowest quartile by income compared to households in the highest quartile by income.²² These and similar studies assessing inflation rates across income levels serve as a strong indication that utilizing a slower-growing measure of inflation to calculate the federal poverty threshold would make the threshold less accurate.

Seeking Further Research, Analyses, and Public Comment

Because OMB is “not currently seeking comment on the poverty guidelines or their application”²³ we are not offering comment to that effect. However, we recognize that the federal poverty thresholds are used to set the federal poverty guidelines that determine income criteria for many health, nutrition, and other basic assistance programs. Before implementing any change to the federal poverty guidelines, extensive research, comprehensive analyses, and a fair solicitation of public comments would be necessary to adequately inform such a change. Critical research and analyses for the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the federal school meal programs, the Child and Adult Care Food Program (CACFP), and the Summer Food Service Program (SFSP) are described below.

¹⁹ Ibid

²⁰ Kimberlin, Sara. *Trump Administration Proposal to Shrink the Poverty Line Means More Hardship for Californians*, California Budget & Policy Center, June 2019.

²¹ 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.

²² Argente, David and Lee, Munseob. Cost of Living Inequality during the Great Recession (March 1, 2017). Kilts Center for Marketing at Chicago Booth – Nielsen Dataset Paper Series 1-032. Available at SSRN: <https://ssrn.com/abstract=2567357> or <http://dx.doi.org/10.2139/ssrn.2567357>

²³ Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies, 84 Fed. No. 88 (May 7, 2019). Federal Register: The Daily Journal of the United States.

Supplemental Nutrition Assistance Program

Before implementing any change to the estimation of the federal poverty guidelines, research and analyses should be conducted in order to thoroughly assess at a national and state level:

- The total number of households, as well as working households, that would experience a change in eligibility for SNAP as a result of any proposed change to the federal poverty guidelines;
- The total number of individuals, as well as the number of children, older adults, and individuals with disabilities, in households that would experience a change in SNAP eligibility as a result of any proposed change to the federal poverty guidelines;
- Demographics and characteristics, including but not limited to race/ethnicity, gender, and urban-rural classification of residence, among members of households that would experience a change in SNAP eligibility resulting from any proposed change to the federal poverty guidelines;
- Changes in SNAP enrollment and participation, as measured by households and household members, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines;
- Demographics and characteristics, including but not limited to race/ethnicity, gender, and urban-rural classification of residence, of households and households members that would disenroll, be precluded from enrollment, or otherwise not participate in SNAP as a result of tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines;
- The economic effects of changes in SNAP enrollment and participation, including but not limited to changes in tax revenue and overall economic activity, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in SNAP enrollment and participation on employment and the workforce, including but not limited to local and state public employees, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in SNAP enrollment and participation on food insecurity for all households, as well as households with children, households with older adults, and households with disabled individuals, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in SNAP enrollment and participation on diet quality and dietary intake for all households, as well as households with children, households with older adults, and households with disabled individuals, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in SNAP enrollment and participation on health outcomes, including but not limited to coronary heart disease, chronic stress, diabetes, hypertension, obesity, adherence to medication, and birth outcomes, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines;

- The effects of changes in SNAP enrollment and participation on healthcare indicators, including but not limited to hospitalization, nursing home admissions, emergency room visits, and healthcare costs, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines; and
- The effects of changes in SNAP enrollment and participation on social indicators, including but not limited to educational attainment, work status, and ability to meet basic needs, that would result from tying SNAP eligibility criteria to any proposed change in the federal poverty guidelines.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Before implementing any change to the estimation of the federal poverty guidelines, research and analyses should be conducted in order to thoroughly assess at a national and state level:

- The number of households that would experience a change in eligibility for WIC as a result of any proposed change to the federal poverty guidelines;
- The total number of individuals, as well as the number of infants, young children, pregnant women, and breastfeeding mothers, included in households that would experience a change in WIC eligibility as a result of any proposed change to the federal poverty guidelines;
- Demographics and characteristics, including but not limited to race/ethnicity, gender, and urban-rural classification of residence, of individuals and households that would experience a change in WIC eligibility as a result of any proposed change to the federal poverty guidelines;
- Changes in WIC enrollment and participation, as measured by households and household members, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;
- Demographics and characteristics of households and household members that would disenroll, be precluded from enrollment, or otherwise not participate in WIC as a result of tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;
- The economic effects of changes in WIC enrollment and participation that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in WIC enrollment and participation on employment and the workforce, including but not limited to local and state public employees, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in WIC enrollment and participation on food insecurity for all households, as well as households with infants, young children, pregnant women, and breastfeeding mothers, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in WIC enrollment and participation on diet quality, dietary intake, and nutritional status for infants, young children, pregnant women, and breastfeeding

mothers, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;

- The effects of changes in WIC enrollment and participation on pregnancy and birth outcomes, including but not limited to duration of pregnancy, infant mortality, and birth weight, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in WIC enrollment and participation on breastfeeding, including but not limited to duration and prevalence of exclusive breastfeeding and non-exclusive breastfeeding, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in WIC enrollment and participation on parents' health, including but not limited to postpartum health and chronic stress, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines; and
- The effects of changes in WIC enrollment and participation on children's health and development, including but not limited to cognitive development, growth rates, immunization rates, likelihood of having a regular provider of medical care, and likelihood of accessing oral health care, that would result from tying WIC eligibility criteria to any proposed change in the federal poverty guidelines.

National School Lunch and School Breakfast Programs (School Meal Programs)

Before implementing any change to the estimation of the federal poverty guidelines, research and analyses should be conducted in order to thoroughly assess at a national and state level:

- The number of students who would experience a change in eligibility for free or reduced-price meals through the federal school meal programs as a result of any proposed change to the federal poverty guidelines;
- Demographics and characteristics, including but not limited to race/ethnicity, grade level, primary language, and urban-rural classification of residence, of students who would experience a change in eligibility for free or reduced-price meals through the federal school meal programs as a result of any proposed change to the federal poverty guidelines;
- The number and location of schools that would not qualify for the Community Eligibility Provision as a result of tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- Demographics and characteristics of schools, including but not limited to student enrollment, location, and urban-rural classification, that would not qualify for the Community Eligibility Provision as a result of tying school meal eligibility criteria to any proposed change in the federal poverty guidelines and demographics and characteristics of students enrolled in those schools;
- Changes in school meal enrollment and participation, as measured among all students and students eligible for free or reduced-price meals, that would result from tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;

- Demographics and characteristics, including but not limited to race/ethnicity, grade level, primary language, and urban-rural classification of residence, of students who would disenroll, be precluded from enrollment, or otherwise not participate in school meal programs as a result of tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- The number of schools and the number of enrolled students at schools that would experience a change in Title I funding as a result of tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- Demographics and characteristics of schools and enrolled students that would experience a change in Title I funding as a result of tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- The economic effects of changes in school meal enrollment and participation, including but not limited to effects on tax revenue and overall economic activity, that would result from tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in school meal enrollment and participation on employment and the workforce, including but not limited to local and state public employees, that would result from tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in school meal participation and participation on students' food security and overall household food security that would result from tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in school meal enrollment and participation on students' diet quality, dietary intake, and nutritional status that would result from tying school meal eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in school meal enrollment and participation on students' health outcomes, including but not limited to risk for diabetes and obesity, that would result from tying school meal eligibility criteria to any proposed change in the federal poverty guidelines; and
- The effects of changes in school meal enrollment and participation on students' short- and long-term academic and developmental outcomes, including but not limited to standardized test performance, school attendance, disciplinary suspensions, educational attainment, classroom behavior, and socioemotional development, that would result from tying school meal eligibility criteria to any proposed change in the federal poverty guidelines.

Child and Adult Care Food Program

Before implementing any change to the estimation of the federal poverty guidelines, research and analyses should be conducted in order to thoroughly assess at a national and state level:

- The number of children who would experience a change in eligibility for free or reduced-price meals or snacks through CACFP as a result of any proposed change to the federal poverty guidelines;

- Demographics and characteristics, including but not limited to race/ethnicity, age, primary language, and urban-rural classification of residence, of children who would experience a change in eligibility for free or reduced-price meals through CACFP as a result of any proposed change to the federal poverty guidelines;
- The number of children who would experience a change in access to meals or snacks through CACFP as a result of any proposed change to the federal poverty guidelines;
- Demographics and characteristics, including but not limited to race/ethnicity, age, primary language, and urban-rural classification of residence, of children who would experience a change in access to CACFP as a result of any proposed change to the federal poverty guidelines;
- Changes in CACFP participation, as measured by the number of sites serving meals or snacks and the number of children served, that would result from tying CACFP eligibility to any proposed change in the federal poverty guidelines;
- Demographics and characteristics of children and child care providers who would disenroll, be precluded from enrollment, or otherwise not participate in CACFP as a result of tying CACFP eligibility to any proposed change in the federal poverty guidelines;
- Changes in capacity for child care providers to operate CACFP that would result from tying CACFP eligibility to any proposed change in the federal poverty guidelines;
- Demographics and characteristics of child care providers who would experience a change in capacity to operate CACFP as a result of tying CACFP eligibility to any proposed change in the federal poverty guidelines;
- The number of family child care homes that would experience a change reimbursement tiering as a result of any proposed change to the federal poverty guidelines and the effect of that change in tiering on a family child care home's ability to offer nutritious meals and snacks to the children in their care;
- Demographics and characteristics of family child care homes that would experience a change reimbursement tiering as a result of any proposed change to the federal poverty guidelines;
- Changes to the affordability of child care that would result from tying CACFP eligibility to any proposed change in the federal poverty guidelines;
- The economic effects of changes in CACFP access and participation including, but not limited to effects on tax revenue and overall economic activity, that would result from tying CACFP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in CACFP access and participation on employment and the workforce, including but not limited to local and state public employees, that would result from tying CACFP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in CACFP access and participation on children's food security and overall household food security that would result from tying CACFP eligibility to any proposed change in the federal poverty guidelines;

- The effects of changes in CACFP access and participation on children's diet quality, eating behaviors, dietary intake, and nutritional status that would result from tying CACFP eligibility to any proposed change in the federal poverty guidelines; and
- The effects of changes in CACFP access and participation on children's health and development, including but not limited to the risk for diabetes and obesity, socioemotional well being, and brain development, that would result from tying CACFP eligibility to any proposed change in the federal poverty guidelines.

Summer Food Service Program (SFSP)

Before implementing any change to the estimation of the federal poverty guidelines, research and analyses should be conducted in order to thoroughly assess at a national and state level:

- The number of communities that would experience a change in area eligibility for SFSP as a result of any proposed change to the federal poverty guidelines;
- Demographics and characteristics, including but not limited to population, urban-rural classification, and location of communities that would experience a change in area eligibility for SFSP as a result of any proposed change to the federal poverty guidelines;
- The number of children who would experience a change in access to SFSP that would result from tying SFSP eligibility to any proposed change in the federal poverty guidelines;
- Demographics and characteristics, including but not limited to race/ethnicity, age, primary language, and urban-rural classification of residence, of children who would experience a change in access to SFSP that would result from tying SFSP eligibility to any proposed change in the federal poverty guidelines;
- Changes in SFSP participation, as measured by the number of meal sites, the number of all children, and the number of children eligible for free or reduced-price meals, that would result from tying SFSP eligibility criteria to any proposed change in the federal poverty guidelines;
- Demographics and characteristics, including but not limited to race/ethnicity, age, primary language, and urban-rural classification of residence, of children who would not participate in SFSP as result of tying SFSP eligibility criteria to any proposed change in the federal poverty guidelines;
- The economic effects of changes in SFSP access and participation including, but not limited to effects on tax revenue and overall economic activity, that would result from tying SFSP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in SFSP access and participation on employment and the workforce, including but not limited to local and state public employees, that would result from tying SFSP eligibility criteria to any proposed change in the federal poverty guidelines;
- The effects of changes in SFSP access and participation on children's food security and overall household food security that would result from tying SFSP eligibility criteria to any proposed change in the federal poverty guidelines;

- The effects of changes in SFSP access and participation on children's diet quality, dietary intake, and nutritional status that would result from tying SFSP eligibility criteria to any proposed change in the federal poverty guidelines; and
- The effects of changes in SFSP access and participation on children's health outcomes, including but not limited to risk for diabetes, obesity, and summer weight gain that would result from tying SFSP eligibility criteria to any proposed change in the federal poverty guidelines.

Combined Programmatic Effects

Before implementing any change to the estimation of the federal poverty guidelines, research and analyses should be conducted in order to thoroughly assess at a national and state level the combined effects of changes in nutrition program eligibility, enrollment, and participation with respect to:

- Individual and household food security status;
- Diet quality, dietary intake, and nutritional status;
- Economic impacts;
- Impacts on employment and the workforce;
- Health outcomes;
- Healthcare utilization and costs;
- Individual and household capacity to meet basic needs;
- Academic achievement, socioemotional development, and educational attainment; and
- Equitable access to basic resources across race/ethnicity, gender, urban-rural areas of residence, and other demographic metrics.

We oppose any changes to the federal poverty threshold, such as the incorporation of a slower-growing measure of inflation, that do not comprehensively address the inaccuracy of the Official Poverty Measure. We oppose the use of any measures of inflation, including the chained CPI and the PCE Price Index, that less accurately reflect the economic realities of low-income individuals and families. We call for extensive research, analysis, and stakeholder input before making any changes to the federal poverty threshold that would affect the calculation of the federal poverty guidelines. OMB's proposal to change the inflation measure used in the estimation of the federal poverty threshold is unfounded and misguided given existing evidence.

Sincerely,



Tia Shimada
Director of Programs
California Food Policy Advocates

