

## **Statement of Richard Alarcón, Los Angeles, California**

Chairman McDermott and members of the Sub-Committee on Income Security and Family Support, it is my distinct honor and pleasure to present this testimony today. I would like to thank the Sub-Committee for holding a Hearing on Measuring Poverty in America and I appreciate the opportunity to address the body on the issue. My thanks and congratulations go to Chairman McDermott for his work and commitment to tackling the great problem of poverty in our nation.

Ending Poverty has been a major theme of my elected life. As a California State Senator, I created and was Chairperson for the Select and the Joint Committee on Creating a Master Plan to End Poverty in California. While there, I worked with hundreds of groups and advocates as we put together a draft of a Master Plan to End Poverty in California.

As an Assemblymember, I introduced Assembly Bill 56 (2007) to create the position of "Secretary on Poverty" for California. The Secretary on Poverty would be an advisor to the Governor and the Legislature on issues related to poverty and the affect legislation will have on poverty in the state of California. AB 56 is now a two-year bill and is being carried by another member, as I was recently elected to the Los Angeles City Council.

Now that I have returned to the City Council, ending poverty continues to be a top priority. On the day that I was sworn in, I introduced a motion to create the Ad Hoc Committee on Ending Poverty in Los Angeles. I am Chair of this Ad Hoc Committee, and will be working to present practical solutions for tackling the devastating effects of poverty in our City.

Through my years in elected office, I have taken several actions specific to updating the Federal Poverty Guidelines. While in the Senate, I introduced Senate Joint Resolution 15 (SJR 15, 2004), which called on the Federal Government to update the Federal Poverty Guidelines to a more reasonable standard based on regional cost of living. (*Attached document #1*) This resolution is often cited when groups look at what various states are doing on updating these guidelines.

More recently, I introduced a resolution to the Los Angeles City Council supporting an update of the Federal Poverty Guidelines and asking all 2008 presidential candidates to take a position on this issue. (*Attached document #2*) Of the four top Democratic candidates, two have expressed support to change the Federal Poverty Guidelines and two are considering their position and have expressed their willingness to look at the subject. Ultimately, I'm hopeful that updating the Federal Poverty Guidelines will be included as a central theme of the national platform during the 2008 Presidential election.

As you can see, ending poverty is a lifetime commitment of mine. Even more importantly, for years I have been in support of updating the way that we measure poverty as a nation, advocating for change at both the state and city levels.

It is my strong belief that we cannot combat poverty without having a better and more accurate understanding of what it truly takes to economically survive in this country. Currently, we have the same base calculation of poverty across the nation, with the exception of Alaska or Hawaii. And while it may be possible to barely get by without additional assistance on \$20,000 for a family of four in a very small number of areas of the nation, there is no way that a family can survive on that income in most of the country, especially in many of our urban areas.

Life for working people has changed drastically since the Federal Poverty Guidelines were originally developed in 1963-1964 by Mollie Orshandky of the Social Security Administration. We are at a point where it is critical that we re-visit how we as a nation calculate poverty and one's ability to provide for basic needs.

The Federal Poverty Level calculation is based on the cost of food for a family of a given size multiplied by three. That calculation was reasonable in the 1960s, but currently food costs amount to roughly one sixth of a family's budget to cover basic needs, with housing and health care being a much bigger percentage of cost for working families now.

Having this kind of one size fits all measurement does not accurately reflect reality. Just look at the median cost of a house in different areas. For instance, the median home cost in Huntsville, Alabama is \$97,300, the median home price in Des Moines, Iowa is \$145,500 and the median home price in Los Angeles, CA is \$502,678. And that is just housing. To truly understand the number of people we have living in poverty, a regional approach must be adopted to better reflect true costs for living.

Finally, a new poverty level must take into account family size and composition. Everyone who has been a father or mother knows that the cost of raising an infant is very different from that of a teenager. Currently, the Poverty Guidelines just look at a family of four – not recognizing if it includes two working adults, or a single mother and three infants or some other family make-up. Again, the one-size fits all approach in family composition also fails to recognize the realities of today's families.

Though I leave the decisions on the final formula to be used to policy experts, Opportunities for Women's Self-Sufficiency Standard is a sensible example of how costs can be calculated on a county-by-county basis. This Self-Sufficiency Standard includes the cost of housing, childcare, food, transportation, health care, taxes and miscellaneous expenses and takes into account regional cost differences. It also looks at the composition of the family to accurately determine cost of living.

The truth is that we are far from having Poverty Guidelines that reflective of today's society. Poverty needs to be viewed not as an arbitrary number like the current Federal Poverty Guidelines, but as a measure of what it takes for a family or individual to be self-sufficient.

It is important that we update the Federal Poverty Guidelines because many of the programs that tax dollars support use the Federal Poverty Guidelines as the basis for

determining eligibility. Some programs are adjusted to include people and families 200% or 300% of poverty guidelines, or some percentage greater than the current standard, because there is need for assistance even when families are making more than the official poverty guideline. These adjustments are relatively arbitrary when compared to a calculation that is based on regional cost of living differences. As it stands, the current one size fits all system is wasteful and unbalanced.

Updating the Federal Poverty Guidelines will mean that our federal, state and local governments can accurately calculate what it takes to be self-sufficient and make appropriate decisions on policy and programs based on these facts. Updating the Federal Poverty Guidelines help the federal government reduce waste and increase efficiency within our programs, targeting decisions based on actual need, so funds are used as effectively as possible. This will also ensure the correct balance of resources distributed, targeting those areas and populations in greatest need based on the updated, more accurate standard.

The Federal Poverty Guidelines are used to determine eligibility for food assistance programs, rent subsidy programs, health insurance assistance programs, free lunches for school children and for other expenses that many working families find themselves struggling to cover. Hard-working men and women should be afforded the dignity to provide the basics for their families – a roof over their heads, access to quality health care, food and clothing for their children. Our senior citizens should not have to cut their pills in half because they cannot afford their full prescriptions. Parents should not have to choose between health insurance or dinner.

I applaud the Subcommittee on Income Security and Family Support for holding the Hearing on Measuring Poverty in America. I strongly encourage the Committee to support updating the Federal Poverty Guidelines to a standard that calculates what it actually takes a family to survive in a given area ,so the government can most effectively utilize resources.

Additionally, I invite Congressman McDermott and the other members of the Subcommittee on Income Security and Family Support to come to Los Angeles to hold a hearing on the Federal Poverty Level or another poverty-related issue. The leadership and commitment shown by this Committee is desperately needed if we, as a nation, are to ever prioritize the reducing and ultimately ending Poverty in America.

It is impossible for the Federal Government to target policies in the dark of night. We must continue to shed light on the issue of updating the Federal Poverty Guidelines, just as the Subcommittee on Income Security and Family Support is doing by holding this hearing on Measuring Poverty in America. With updated Federal Poverty Guidelines, we can more efficiently, effectively and appropriately direct the resources aimed at helping all Americans become self-sufficient and reach the American Dream.

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**Attachments:**

**Senate Joint Resolution 15**

California State Senate

Introduced: 2004

Introduced by Senator Richard Alarcón

[http://info.sen.ca.gov/pub/03-04/bill/sen/sb\\_0001-0050/sjr\\_15\\_bill\\_20040409\\_chaptered.pdf](http://info.sen.ca.gov/pub/03-04/bill/sen/sb_0001-0050/sjr_15_bill_20040409_chaptered.pdf)

**Motion to Support Updating the Federal Poverty Level**

Los Angeles City Council

Introduced: June 13, 2007

Introduced by Los Angeles City Councilmember Richard Alarcón

[http://clkrep.lacity.org/councilfiles/07-0002-s144\\_reso\\_6-13-07.pdf](http://clkrep.lacity.org/councilfiles/07-0002-s144_reso_6-13-07.pdf)

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**Senate Joint Resolution No. 15**

**RESOLUTION CHAPTER 31**

Senate Joint Resolution No. 15—Relative to the federal poverty level.

[Filed with Secretary of State April 9, 2004.]

LEGISLATIVE COUNSEL'S DIGEST

SJR 15, Alarcon. Federal poverty level.

This measure would memorialize the President and Congress of the United States to ensure that the United States is working to meet the basic needs of all families, to begin a process to better calculate the federal poverty level, and to use existing models to calculate poverty, including geographical costs of living.

WHEREAS, The federal poverty level was created by Congress in the 1960s to determine the number of people living in poverty; and

WHEREAS, The Census Bureau notes that the federal poverty measure is a statistical yardstick rather than a complete description of what people and families need to live; and

WHEREAS, The federal poverty level is calculated by multiplying basic food consumption by three; and

WHEREAS, The federal poverty level implies a demographic model of a two-parent family with one parent in the workforce and one parent at home; and

WHEREAS, The federal poverty level does not include the different cost of living across states, counties, and cities; and

WHEREAS, The cost of housing, health care, transportation, child care, and essential services, such as water, electricity, and gas are not included in calculating the federal poverty level; and

WHEREAS, The current 2002 federal poverty level is defined by a family unit of one with an income of \$8,860, a family unit of two with an income of \$11,940, a family unit of three with an income of \$15,020, and a family unit of four with an income of \$18,100; and

WHEREAS, The 2000 federal census reports that 14 percent of Californians live at the federal poverty level; and

WHEREAS, Dr. Diana Pearce of the University of Washington, with Wider Opportunities for Women and Californians for Family Economic Self-Sufficiency (CFESS), a project of the National Economic Development and Law Center, have developed the California Self-Sufficiency Standard, which uses major budget items and varies geographically; and

WHEREAS, Approximately 30 percent of Californians do not earn enough to pay for basic needs, according to a study utilizing the California Self-Sufficiency Standard; and

WHEREAS, It is in the best interest of the state to ensure that families have enough income to meet their basic needs; and

WHEREAS, A more accurate calculation of poverty would assist in California's effort to end poverty; and

WHEREAS, Many California families are struggling with inadequate resources to meet their families' basic needs, yet many of these families do not receive any assistance. Although often described as "falling between the cracks," this group is neither small nor marginal as that phrase suggests, but, rather, is a substantial proportion of our society, and yet little is known about them; and

WHEREAS, A more accurate calculation of the federal poverty level would redirect more federal funds to states; now, therefore, be it

*Resolved by the Senate and Assembly of the State of California, jointly,* That the Legislature respectfully memorializes the President and Congress of the United States to do all of the following:

(1) Ensure that the United States is working to meet the basic needs of all families.

(2) Begin a process to better calculate the federal poverty level to ensure that all states receive an adequate representation of the number of families who are struggling to meet their basic needs.

(3) Use existing models to calculate poverty, including geographical costs of living that take into account expenses such as housing, child care, health care, and transportation ; and be it further

*Resolved,* That the Secretary of the Senate transmit copies of this resolution to the President and Vice President of the United States, the Speaker of the House of Representatives, the Majority Leader of the Senate, and to each Senator and Representative from California in the Congress of the United States.

**INTERGOVERNMENTAL  
RESOLUTION RELATIONS**

WHEREAS, 4.8 million Californians, or 13.3 percent of the state population, have income levels below the Federal Poverty Level threshold, which is \$20,650 for a family of four; and

WHEREAS, the Federal Poverty Level was originally developed in 1963 by Mollie Orshansky of the Social Security Administration. Orshansky took the dollar costs of the U.S. Department of Agriculture's economy food plan for families of three or more persons and multiplied the costs by a factor of three; and

WHEREAS, the Federal Poverty Level does not take into account regional differences in the cost of living, including factoring in the regional cost of housing, child care, food, health care, transportation, miscellaneous other costs and taxes; and

WHEREAS, the Self-Sufficiency Index, an alternate form of calculating the levels of poverty in a region, does take into consideration these additional factors, as well as fluctuating according to the number of and age of children in the family; and

WHEREAS, according to the Self-Sufficiency Index, a family of four in Los Angeles needs to earn at least \$54,000 to be "self-sufficient," which means making enough money to cover basic needs; and

WHEREAS, in the City of Los Angeles, one out of three families does not make enough money to be self-sufficient; and

WHEREAS, according to the Tax Foundation, for every \$1.00 that the state of California and California taxpayers send to the Federal government, only 78 cents are returned to California from the Federal government; and

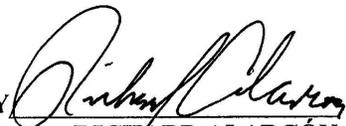
WHEREAS, changing the formula of how poverty is calculated from the current Federal Poverty Guidelines to a regionally-based formula, such as the Self-Sufficiency Index, would allow the State of California to increase the amount of Federal funds that come to the state, county and local programs and would bring in a more fair share of funds to the state; and

WHEREAS, the issues affecting the State of California are often ignored during national debates, but candidates are not shy about raising money in our state; and

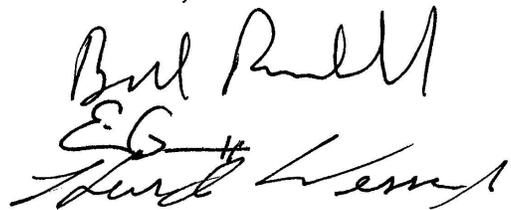
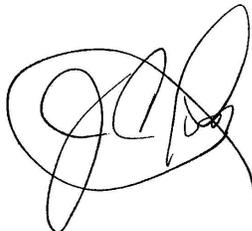
WHEREAS, on December 10, 2007 the Democratic candidates for President of the United States will be meeting in Los Angeles to debate issue, and on January 30, 2008 the Republican candidates for President of the United States will be meeting in Los Angeles to debate issues;

NOW, THEREFORE, BE IT RESOLVED, that the City of Los Angeles supports changing the guidelines for determining poverty from the antiquated "Federal Poverty Guidelines" to a formula that takes into account regional differences in cost of living, such as the Self-Sufficiency Standard; and

BE IT FURTHER RESOLVED, that the City of Los Angeles requests that each one of the candidates running in the 2008 Presidential Primary go on record as to whether or not they support updating the Federal Poverty Guidelines and invites the candidates to address the Los Angeles City Council's Ad Hoc Committee on Ending Poverty in Los Angeles on issues of poverty in the city of Los Angeles, state of California and the United States as a whole.

PRESENTED BY   
**RICHARD ALARCÓN**  
Councilmember, 7<sup>th</sup> District

SECONDED BY:  
JUN 13 2007



EG 07-0002-5144