



NORTHERN RECORD

**Written Testimony Submitted to the
Subcommittee on Income Security and Family Support of the
U.S. House of Representatives' Committee on Ways and Means**

**Pursuant to its July 17, 2008 Public Hearing on
Proposals to Develop a Modern Poverty Measure**

By Mayor Gavin Newsom, City and County of San Francisco

Thank you for the opportunity to provide written testimony on the important question of how poverty is measured in America. As Mayor of the City and County of San Francisco this topic is near and dear to my heart for two reasons.

First, my background in business led me to develop a staunch belief in the use of accurate data to guide decision making, and I have applied that principle to the work of running a city government as well. Shortly into my first term, I established SF Stat, a regular management meeting at which the heads of city departments present key statistics and data trends to a panel of senior policymakers. These data are useful to help diagnose problems and inefficiencies in government operations, to determine how scarce city resources should be allocated and to pinpoint which city services and interventions are effective and which are not. In my role as co-chair of the U.S. Conference of Mayors' (USCM) Hunger and Homelessness Task Force, I have also been a strong supporter of the USCM's annual survey of local jurisdictions to assess the nationwide prevalence of food and housing needs. The survey provides regularly updated data that helps measure the food and housing security of low-income households and gauge the adequacy of resources devoted to mitigating hunger and homelessness.

Secondly, during my time in public office I have made it a priority to implement strategies to combat poverty and inequality in San Francisco. Using local resources, we are making universal health care a reality, rebuilding the city's most distressed public housing and providing local tax credits to working families. Why has San Francisco stepped up to the plate with these and other similar initiatives? Because things like housing and health care are necessary, but not available, to all. Anyone who is well-off enough to have visited San Francisco knows that we are one of the highest cost of living cities in the nation. And anyone who is poor and lives in San Francisco knows that is it a constant struggle to make ends meet here.

Sadly, this problem is not unique to San Francisco. I recently joined Share Our Strength, a national organization working to ensure that no child in America grows up hungry, in urging the USCM, private businesses, philanthropic organizations and our federal lawmakers to provide the resources needed to end child hunger. It seems unthinkable in a nation as wealthy as the United States, but today twelve million American children are at risk of hunger.

This brings us back to the question of how much a family needs to live on, and the related question of how to accurately calculate a poverty rate. The current federal poverty measure compares a household's annual cash income to a fixed poverty threshold intended to represent the level of income needed to support a basic level of subsistence. Unfortunately however, the current measure is deeply flawed and paints an inaccurate picture of how Americans are faring economically.

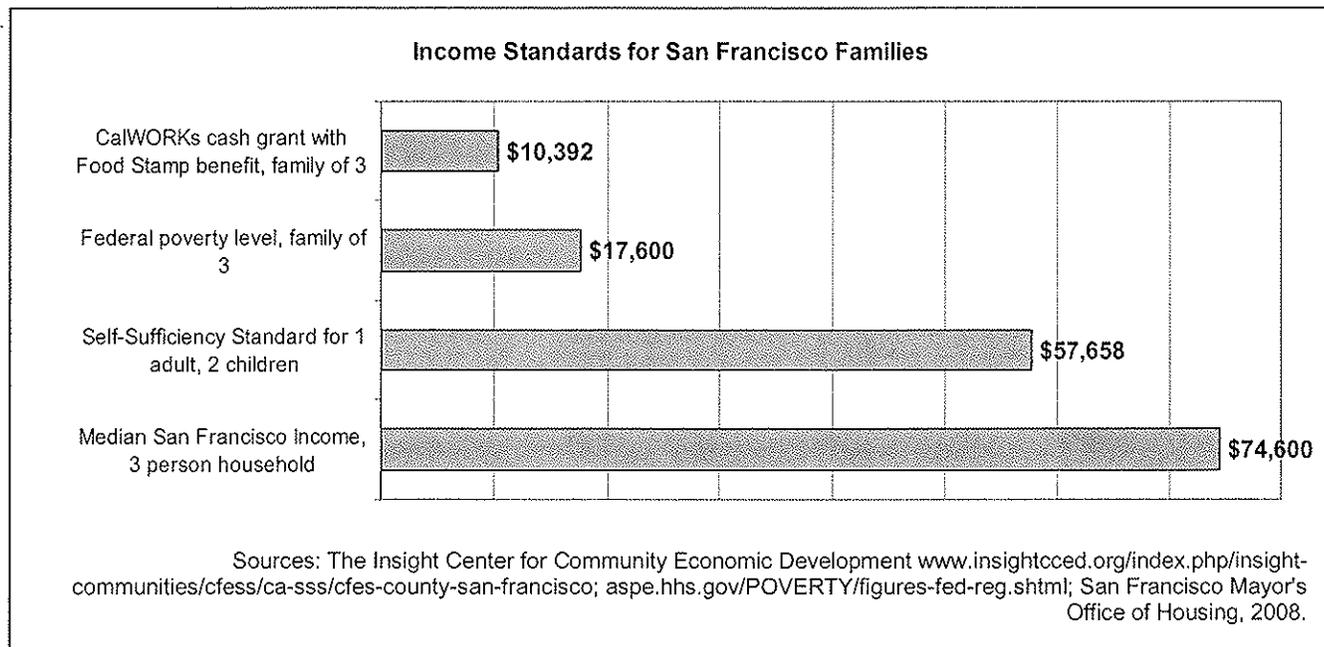
The methodology for establishing the federal poverty line is premised on household consumption data from over fifty years ago, at which time the average family spent one-third of its income on food. While the poverty line is adjusted annually for inflation, the calculation itself has never been revised, despite the fact that food expenditures have dropped to roughly one-seventh of the average income of today's families. The measure does not account for the true cost of housing, medical care and work-related expenses such as child care and transportation, relying instead on food prices from the 1950s as a proxy for the amount a household needs to get by. To illustrate the inadequacy of this metric, consider that health care costs in San Francisco have increased by 30% in the last five years alone. Not only does the current poverty measure rely exclusively on outdated food prices; it also fails to take into account regional differences in the cost of living, which range widely. Drawing on San Francisco again as an example, consider the notoriously high housing costs for which the Northern California Bay Area is known. As a result of these shortcomings, the poverty line is a grossly outdated measure entirely unrelated to the reality of what it takes to cover the basic costs of living in the United States in the year 2008.

Additionally, the current methodology for calculating poverty rates is based on an incomplete picture of household resources that takes only cash income into account. Non-cash public benefits designed to ease the day-to-day experience of economic hardship for low-income households have no impact on the poverty rate calculation. By failing to account for benefits such as Food Stamps, Medicaid, child care subsidies and the Earned Income Tax credit, we miss an opportunity to measure the effectiveness of these anti-poverty programs.

Many policy and advocacy organizations around the country have noted the deficiencies of the current poverty measure and rallied in support of various alternatives that have been developed. One potential starting point for discussion is the set of recommendations issued in 1995 by the National Academy of Sciences (NAS), which called for the federal measure to be revised and updated in order to improve its relevance and accuracy. Legislation being prepared by the office of Representative Jim McDermott would charge the U.S. Census Bureau with calculating a modern poverty rate using a methodology that builds upon the NAS recommendations

Another model that we in San Francisco have looked to was developed closer to home by the Insight Center for Community Economic Development in Oakland, California in partnership with other national organizations. The Center publishes a Family Economic Self-Sufficiency Standard and an Elder Economic Security Standard, both of which use regionally adjusted actual living costs and household-specific needs to paint a more accurate picture of how much is required to afford the basic necessities. As the chart below illustrates, at \$17,600 the current federal poverty level for a family of three is just 30% of the Self-Sufficiency Standard for a similarly-sized family living in San Francisco. It is worth noting that the Self-Sufficiency Standard itself is only 77% of the median income for a family of three in San Francisco, which is perhaps the most telling indicator of how much is actually required to live here comfortably. The income of a family on CalWORKs (California's version of the federal TANF welfare-to-work program) provides another data point for comparison. While recipients of this public benefit

reach 60% of the federal poverty level, their cash assistance income amounts to only 18% of the Self-Sufficiency Standard. This suggests just how difficult it will be for these families to make the transition to economic independence, and underscores the need for more robust strategies to support work and asset development for low-income individuals.



The poverty measure has significant impacts on individuals when it is used to determine eligibility for federal and state benefit programs, and significant impacts on the nation as a whole when it is used to determine federal budget allocations. Some will undoubtedly raise the concern that updating the federal poverty measure will advantage some groups over others or significantly increase the number of people categorized as poor. While this may be true, such concerns should not distract us from seeking to understand the true economic situation of American households. Only when the scope and nature of poverty in America is fully understood can we redirect our best efforts to eradicating it.

Required supplemental information regarding the witness in this testimony:

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