MEASURING POVERTY: HOW THE BIDEN ADMINISTRATION PLANS TO REDRAW THE POVERTY LINE AND ROB RESOURCES FROM RURAL AMERICA

HEARING

BEFORE THE

SUBCOMMITTEE ON WORK AND WELFARE

OF THE

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FOR IMMEDIATE RELEASE CONTACT: 202-225-3625
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Chairman Smith and Work & Welfare Subcommittee Chairman LaHood Announce Subcommittee Hearing on Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America

House Committee on Ways and Means Chairman Jason Smith (MO-08) and Work & Welfare Subcommittee Chairman Darin LaHood (IL-16) announced today that the Subcommittee on Work & Welfare will hold a hearing on measuring poverty. The hearing will take place on **Tuesday, October 24, 2023, at 2:00PM in the Sam Johnson Room located in 2020 Rayburn House Office Building**.

Members of the public may view the hearing via live webcast available at https://waysandmeans.house.gov. The webcast will not be available until the hearing starts.

In view of the limited time available to hear the witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

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Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMSubmission@mail.house.gov.

Please ATTACH your submission as a Microsoft Word document in compliance with the formatting requirements listed below, **by the close of business on Tuesday, November 7, 2023**. For questions, or if you encounter technical problems, please call (202) 225-3625.

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All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Please indicate the title of the hearing as the subject line in your submission. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

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Note: All Committee advisories and news releases are available on the Committee website at http://www.waysandmeans.house.gov/.

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MEASURING POVERTY: HOW THE BIDEN ADMINISTRATION PLANS TO REDRAW THE POVERTY LINE AND ROB RESOURCES FROM RURAL AMERICA

TUESDAY, OCTOBER 24, 2023

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WORK AND WELFARE,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:00 p.m. in Room 2020, Rayburn House Office Building, Hon. Darin LaHood [Chairman of the Subcommittee] presiding.

Chairman LAHOOD. Well, good afternoon everyone. I want to welcome everyone to our subcommittee hearing for Work and Welfare.

The title of today's subcommittee hearing, "Measuring Poverty: How the Biden Administration Plans to Withdraw the Poverty Line—Redraw the Poverty Line and Rob Resources from Rural America."

I want to welcome our witnesses here today and thank you for joining us for today's hearing on measuring poverty. My name is Darin LaHood. I represent the 16th district of Illinois, which covers much of central and northwest parts of the State.

The purpose of today's hearing is to highlight the potential executive overreach in major policy and budgetary implications of changing the nation's poverty measure, which drives decision-making about how Federal funds are distributed to families in need.

In May, as many of you know, the National Academy of Sciences report recommended the Biden Administration replace the official poverty measure with what is called "supplemental poverty measure" as the nation's headline poverty statistic and adopted as the nation's principal poverty measure. This report is concerning, as changing the measure would have profound implications for how Federal assistance is distributed to millions of Americans across the country.

For years, National Academy of Sciences reports have been quietly used as the basis for updates on how the Federal Government measures poverty. For example, two reports in 1995 and 2005 called for the creation of the Supplemental Poverty Measure, which was later published for the first time in 2010 under the Obama Administration.

Numerous Federal benefit programs tie eligibility to the official poverty measure, and Federal dollars are often distributed to states based on the number of families in poverty to target dollars where there is the highest need. Some of the programs tied to the current official poverty measure include Medicaid, SNAP, Head Start, Social Services Block Grant, and the national school lunch program. In addition, the Biden Administration recently proposed tying TANF funds to the official poverty measure.

Because of the structure of the Supplemental Poverty Measure, elevating it would dramatically alter the poverty line, ultimately increasing spending on means-tested programs. Only looking at two programs, Medicaid and SNAP, the American Enterprise Institute estimated government spending could rise by more than $124 billion over the next decade if the Supplemental Poverty Measure was adopted. It would also result in the redistribution of funds from low-cost-of-living and rural states to cost—high cost of living in states [sic]. For example, California would see their poverty rate increase by nearly six percent, while Mississippi would see their poverty rate drop by nearly four percent.

Alarmingly, President Biden, through the Office of Management and Budget, has sole authority to act on the National Academy of Science recommendation and change the official measure without congressional approval. This would not be unprecedented. Earlier this year, the Biden Administration acted unilaterally to update USDA Thrifty Food Plan, abandoning a 45-year cost neutrality policy and hiked food stamp benefits by 27 percent.

The CBO, or the Congressional Budget Office, estimated that the change will cost $250 billion over the next decade alone. It is Congress's responsibility to set the poverty line and ensure government benefits are delivered fairly and equitably to those who need them most, not the administration or unelected bureaucrats. In particular, our rural communities depend on the resources and programs Congress provides to deliver necessary services and fight poverty on the ground. Redirecting resources away from rural communities would have a devastating effect.

I look forward to hearing from our witnesses today on the history of how the United States set the official poverty measure, problems associated with the Supplemental Poverty Measure, and how the Biden Administration could fundamentally change program eligibility and the allocation of Federal resources with the stroke of a pen. This issue deserves our immediate attention to ensure Congress is responsible for defining poverty and delivering resources to our citizens who need it most.

Again, I want to thank our witnesses today and our guests for being here, and I look forward to your testimony.

Chairman LAHOOD. With that, I am pleased to recognize the gentleman from Illinois, the ranking member, Mr. Davis.

Mr. DAVIS. Thank you. Thank you, Mr. Chairman, for calling this very important hearing, and I want to thank all of the witnesses for coming.

Mr. Chairman, I believe that child poverty is a moral emergency. It is inexcusable that children in the wealthiest nation in the world are growing up in poverty. Poverty exacts tremendous suffering from our youngest citizen, causing massive gaps in cognitive learning, increasing risk of hunger and homelessness, and raising the likelihood of lower lifetime earnings and poverty as an adult.

In the face of that emergency, I am deeply concerned about how unproductive this Republican House remains frozen by an extremist agenda and failing at the most basic acts of governing while children and families wait. Due to strong Federal investment by Democrats and President Biden, especially the Expanded Child Tax Credit, child poverty precipitously dropped by almost half between 2020 and 2021, the lowest rate on record.

In the chair's and my home state of Illinois, child poverty dropped by 51 percent in 2021. This record drop in child poverty reached the Black, Brown and rural children who were disproportionately likely to be poor. Approximately 122,000 children in my district received monthly payments from the Child Tax Credit, and that helped buy food, pay rent, keep the heat on, keep the lights on, and provide the stability needed to grow up healthy and strong.

The John Burton Advocates for Youth found that the foster youth in their tax clinics received an average child tax credit of $3,161 to help their young families. Alarmingly, just one year after the Republican-led expiration of these poverty-lowering investments in workers and families, the child poverty rate more than doubled, causing the biggest one-year increase in poverty we have ever seen. It pains me that over one quarter of the children in my congressional district are poor. The progress we made in 2021 shows that we can slash child poverty when we have the political will to do so.

While I have a great deal of respect and reverence for academicians, I don't think that we really need academics quibbling about the nuances of how we measure poverty. The doubling of child poverty in our country in one year is a five-alarm fire. Academics arguing about how to measure that fire leaves children suffering and weakens our nation. The focus on the minutiae of poverty measurement ignores the wide array of other indicators of the hardships that families experience: food insecurity, hunger, housing instability, homelessness, debt, or having the heat turned off.

This subcommittee should be taking action to eliminate child poverty, not attacking struggling parents. We should restore the Child Tax Credit, dramatically increase child care funding to address the child care cliff that will force some parents to leave their jobs, and enact comprehensive paid family and medical leave and other policies that research and experience prove effective.

After this conversation today, I hope we can work together to end child poverty. I realize that the House Republicans must resolve the dysfunction within their caucus before we can act. This inability to govern has prevented us from doing our work for three weeks, despite an urgent need to keep our government operating, address the child care cliff, and stand by our allies. It is shameful, quite frankly, that this Congress is not taking strong, immediate action to end poverty, using policies proven to work. Every day we delay action, poverty poisons the future for millions of our children and for our nation.

So, Mr. Chairman, Democrats stand ready. I stand ready to set an aggressive child poverty reduction target and hold ourselves accountable to restore income supports to strengthen families and cut child poverty.

Again, I thank you for calling this hearing, and I thank all of our witnesses for coming, and I yield back the balance of my time.

Chairman LAHOOD. Thank you, Mr. Davis. We will now go to introductions of our witnesses. We have five really terrific witnesses today.

Again, thank you for being here today.

I will introduce them from left to right.

We have Dr. Kevin Corinth, who is the senior fellow and deputy director of the Center on Opportunity and Social Mobility at the American Enterprise Institute.

We next have Professor Doug Besharov, who is a professor at the University of Maryland School of Public Policy.

We will then turn to Dr. Meyer, Dr. Bruce Meyer, who is the McCormick Foundation professor of public policy at the University of Chicago.

We next have Mr. David Hansen. He is the director of educational opportunities and investments for Perry County, Ohio job and family services.

And lastly, Elaine Maag, who is the senior fellow at the Urban Brookings Tax Policy Center.

We will now begin with you, Dr. Corinth, for your testimony. You are recognized for five minutes.

STATEMENT OF KEVIN CORINTH, SENIOR FELLOW AND DEPUTY DIRECTOR OF THE CENTER ON OPPORTUNITY AND SOCIAL MOBILITY, AMERICAN ENTERPRISE INSTITUTE

Mr. CORINTH. Chairman LaHood, Ranking Member Davis, and subcommittee members, thank you for the opportunity to testify about poverty measurement this afternoon.

How we measure poverty matters. It informs societal progress in improving the lives of poor Americans, and helps target government assistance to families in need. These objectives are threatened by the elevation of the Supplemental Poverty Measure, or SPM. Making the SPM the official poverty measure would make it harder to assess whether poor families are made better off each year and make government programs less effective at targeting the neediest Americans.

From the perspective of accurately measuring poverty, the SPM does one thing correct: it corrects the failure of the official poverty measure to count the bulk of assistance provided to the poor, such as the Earned Income Tax Credit, food stamps, and housing assistance. However, the SPM goes wrong in how it sets poverty thresholds. That is, the dollar amount below which families are considered poor.

The SPM breaks with decades of precedent under the official poverty measure, which simply asked whether the poor are becoming better off over time. The SPM takes a radically different approach by transforming poverty into a measure of inequality, asking whether the poor outperform the middle class. Under the SPM, helping middle class families better afford housing or purchase more groceries can perversely lead to an increase in poverty, even if poor people themselves are made better off at the same time.

Another problem with the SPM is how needlessly complicated the thresholds are. In fact, there are over 46,000 different thresholds under the SPM for a single year. In reality, the poverty line is a simple value judgment about how much is enough to no longer be in poverty. The complexity of the SPM thresholds obscures this basic fact, allowing experts to determine how much is enough under the false guise of scientific expertise.

A final problem with the SPM is that it sets lower poverty thresholds in places where families spend less on housing. This makes poverty appear less prevalent in places like West Virginia and Mississippi in spite of research that finds poor people in these and other low-income states are worse off than poor people in high-income states like California and New York.

These problems should raise concerns about recent actions by the Census Bureau to elevate the SPM, which is now published alongside the official poverty measure, and no longer clearly delineated as a research measure.

A recent National Academy of Sciences report goes even further, recommending that the SPM be elevated to the nation's headline poverty statistic. This alarming recommendation provides scientific cover for the Office of Management and Budget, or OMB, to unilaterally declare the SPM the official poverty measure with no input from Congress whatsoever.

Making the SPM the official poverty measure would have profound effects on government programs. Over the years, Congress has pegged eligibility for programs like food stamps, Medicaid, Affordable Care Act premium tax credits to the official poverty line. For example, families must have incomes of no higher than 130 percent of the official poverty line to qualify for food stamps, and no higher than 400 percent of the official poverty line to qualify for ACA premium tax credits. Making the SPM the official poverty measure would automatically increase eligibility for these programs and, as a result, tack on an additional $124 billion of government spending over the next decade.

Making the SPM the official measure would also reallocate Federal aid from low-income states to high-income states because of the geographic adjustment of SPM thresholds. Families in states like West Virginia and Mississippi could be disqualified from means-tested benefits, despite having similar incomes to families who maintain eligibility in states like California and New York.

In addition, Federal aid tied to poverty rates in an area such as title I education grants, the Community Development Block Grant, and the New Markets Tax Credit would be reallocated from low-income states to high-income states.

Decisions about who should qualify for government programs and how aid should be allocated across states do not belong with the Census Bureau. Injecting political decision-making into our independent statistical agencies would threaten their well-deserved reputation for producing accurate, transparent, and apolitical statistics. Congress should protect its authority over government programs, defend our statistical agencies from involvement in political decisions, and promote accurate and transparent poverty statistics. It can do so by preempting OMB from manipulating the official poverty measure.

Congress could then take on the task of improving the measure itself, focusing on accounting for taxes and in-kind transfers, while maintaining simple and transparent thresholds. This would protect congressional authority over major government programs and improve our ability to measure success in improving the lives of poor Americans.

Thank you, and I look forward to your questions.

[The statement of Mr. Corinth follows:]

AMERICAN ENTERPRISE INSTITUTE

Statement before the House Committee on Ways and Means
Subcommittee on Work and Welfare
Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America

The Consequences of Redrawing the Poverty Line

Kevin Corinth
Senior Fellow and Deputy Director of the Center on Opportunity & Social Mobility
American Enterprise Institute

October 24, 2023

I. Introduction

Chairman Smith, Chairman LaHood, Ranking Member Davis, and distinguished members of the Subcommittee on Work and Welfare, thank you for the opportunity to testify on poverty measurement. My name is Kevin Corinth, and I am a Senior Fellow and the Deputy Director of the Center on Opportunity and Social Mobility at the American Enterprise Institute. This testimony reflects my personal views and does not represent those of the American Enterprise Institute, which has no institutional views.

A society should be judged—in important part—on the basis of how it treats its poorest members. It is thus essential that we measure poverty accurately and transparently. That is especially the case when how we measure poverty has direct implications for how government assistance is provided to individuals and allocated across geographic areas.

Unfortunately we have gone astray, due to the continued elevation of the Supplemental Poverty Measure (SPM). The SPM cloaks in complexity value judgements about where to set the poverty line, doing nothing to provide more accurate information about poverty but instead serving to mislead the public that value judgements about how much is "enough" can be determined by science. If the SPM were elevated to the "nation's headline poverty statistic," the key recommendation of a recent National Academies of Sciences, Engineering, and Medicine consensus report, and if the SPM were unilaterally declared the official poverty measure by the Office of Management and Budget (OMB), there would be profound effects on government programs. Government spending would rise by more than $124 billion over the next decade, and federal aid would be reallocated from low-income states to high-income states. These policy changes would automatically take effect through the simple action of the OMB Director updating a statistical policy directive to make the SPM the official poverty measure, a move that has now been given scientific cover by the National Academies and one that requires no Congressional input.

Congress should not allow a presidential administration to overrule its decisions over how to determine eligibility for government programs and how to allocate aid across geographic areas. Over the years, Congress has pegged eligibility for programs like the Supplemental Nutrition Assistance Program (SNAP) and Affordable Care Act (ACA) premium tax credits to the official poverty line. For example, families must have incomes of no higher than 130 percent of the official poverty line to qualify for SNAP, and no higher than 400 percent of the official poverty line to qualify for ACA premium tax credits (once eligibility limits are restored in 2026). Because Congress set these multiples under the presumption that the official poverty line would not be changed except to account for inflation, it would be inappropriate for an administration to make the scientifically arbitrary decision to change the official poverty line and automatically change eligibility for means tested programs. Doing so would overrule Congress and inject political decision-making into our independent statistical agencies.

Congress should protect its authority over government programs, defend our immensely valuable statistical agencies from involvement in political decisions, and promote accurate and transparent poverty statistics. It can do so by preempting OMB from manipulating Statistical Policy Directive 14, the directive that defines the official poverty measure. Upon eliminating the risk of unilateral action by the administration to change the official poverty measure, Congress itself could take on the task of improving it. Congress could correct the flaws of the official poverty measure—especially its failure to account for taxes and in-kind transfers—while maintaining simple and transparent thresholds. This would protect Congressional authority over major government programs and improve our ability to measure success in improving the lives of poor Americans.

My testimony proceeds as follows: Section II provides a brief history of the official poverty measure. Section III describes the key problems with the SPM, focusing on its misleading and counterproductive thresholds. Section IV documents the continued elevation of the SPM. Section V summarizes the effects of making the SPM the official poverty measure on eligibility for means tested programs. Section VI summarizes the effects on the geographic allocation of federal grants. Section VII discusses how Congress should address these concerns. Section VIII concludes.

II. History of the Official Poverty Measure

When President Lyndon Johnson declared the War on Poverty in 1964, he needed a way to evaluate the nation's progress in reducing poverty. He turned to his Council of Economic Advisers to create a poverty measure that had a 20 percent baseline rate in 1963 and a poverty threshold that would be held constant in real terms over time, reflecting President Johnson's goal to reduce absolute rather than relative hardship.[1] Meanwhile, a staff member named Mollie Orshansky at the Social Security Administration developed a different poverty measure for which the threshold was set at three times the minimum food diet as defined by the U.S. Department of Agriculture.[2] Over the next several years, the Johnson Administration developed what would become the official poverty measure.

In 1969, OMB (then the Bureau of the Budget) issued Statistical Policy Directive 14, creating the official poverty measure.[3] While the official poverty measure would adopt Orshansky's method for adjusting for families of different sizes, the thresholds were selected to maintain the 20 percent baseline poverty rate in 1963 set by President Johnson and his Council of Economic Advisers.[4] In addition, the thresholds would not be updated with changing food budgets over time, but rather, would be held constant in real terms. Only money income would be included as resources, with no adjustment for taxes or in-kind transfers, likely because these income sources were not as important for the poor at the time and because they were not well captured in household surveys. In 1978, Statistical Policy Directive 14 was updated, revising the official poverty measure in minor ways, including an improved inflation measure to more accurately adjust thresholds for price changes each year.

The official poverty measure has not been changed since 1978. This is in spite of wide recognition of the flaws of the measure, especially its failure to adjust for taxes and exclusion of in-kind transfers. The Census Bureau during the 1980s published experimental measures that accounted for this broader set of income sources, but these improvements were not incorporated into the official poverty measure.[5]

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[1] Council of Economic Advisers, 1964, "The Problem of Poverty in America," *Economic Report of the President*, Washington, DC.
[2] Mollie Orshansky, 1963, "Children of the Poor," *Social Security Bulletin*, 26(7): 3-13. Mollie Orshansky, 1965, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, 28(1): 3-29.
[3] Office of Management and Budget (OMB) in Statistical Policy Directive 14 (May 1978), available at https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure/omb-stat-policy-14.html.
[4] Gordon M. Fisher, "The Development and History of the Poverty Thresholds," *Social Security Bulletin*, 55(4): 3-14. Richard Burkhauser, Kevin Corinth, James Elwell, and Jeff Larrimore, Forthcoming, "Evaluating the Success of the War on Poverty since 1963 Using an Absolute Full-Income Poverty Measure," *Journal of Political Economy*.
[5] See for example, Timothy M. Smeeding, 1982, "Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring their Effect on Poverty," Technical Paper 50, *U.S. Department of Commerce, Bureau of the*

III. The Problems with the Supplemental Poverty Measure

The SPM was first developed in 1995 in a National Academy of Sciences report entitled *Measuring Poverty*.[6] It was motivated by the widely known shortcomings of the official poverty measure, namely its failure to adjust for taxes and the exclusion of in-kind transfers. This was in spite of the fact that refundable tax credits like the Earned Income Tax Credit and later the Child Tax Credit provided major relief to poor working families.[7] In addition, in-kind transfers including Food Stamps and rental housing assistance had become major components of the safety net. The National Academies report rightly recommended accounting for this broadened set of resources. It also sensibly recommended a broader sharing unit that included cohabitating partners.

Despite these clear improvements, the SPM thresholds, as developed by the National Academies report and later implemented by the Census Bureau, are problematic. Their complexity masks the scientific arbitrariness of poverty thresholds, the way they are updated over time makes it extremely difficult to interpret poverty changes, and the geographic adjustment of thresholds across areas is counterproductive.[8]

The complexity of the SPM thresholds is apparent simply by stating how they are set. The SPM thresholds are currently set at the five-year moving average of mean spending among consumer units with children at the 47th to 53rd percentile on food, clothing, shelter, utilities, telephone, and internet services, adjusted for a special inflation measure capturing price increases on those items alone, multiplied by 0.83, then multiplied again by 1.2, and set separately for families who rent their home, own their home with a mortgage, and own their home without a mortgage, and then adjusted further based on spending on housing in each metropolitan area.[9] Rather than provide a

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Census, available at https://www.census.gov/content/dam/Census/library/publications/1982/demo/tp-50.pdf.

6 National Research Council, 1995, *Measuring Poverty: A New Approach*, Washington, DC: The National Academies Press.

7 The Earned Income Tax Credit was substantially expanded in the mid-1990s, and the Child Tax Credit was enacted in 1997.

8 For a comprehensive evaluation of the SPM and its shortcomings, see Richard V. Burkhauser, Kevin Corinth, Bruce D. Meyer, Angela Rachidi, Matt Weidinger, and Scott Winship, 2021, "Addressing the Shortcomings of the Supplemental Poverty Measure," *American Enterprise Institute*, available at https://www.aei.org/wp-content/uploads/2021/07/Addressing-the-Shortcomings-of-the-Supplemental-Poverty-Measure.pdf?x91208.

9 For a description of current and previous methods for calculating the SPM thresholds, see Bureau of Labor Statistics, 2023, "Research Poverty Thresholds," available at https://www.bls.gov/pir/spmhome.htm.

transparent threshold that the public can readily understand, this overcomplicated definition produces 46,710 different thresholds in a given year.[10] This overwhelming complexity makes a scientifically arbitrary decision about where to set the poverty threshold *appear* scientific, when in truth it is simply a value judgement over how much is "enough" to not be considered poor.

Second, the SPM thresholds are updated in a way that makes it extremely difficult to interpret changes in poverty over time. Rather than update thresholds with inflation, the SPM increases thresholds based on a 5-year moving average of spending on specific items.[11] This makes it difficult to determine whether poverty rose because low-income families were worse off, or because spending on certain items shifted at some point over the past five years. For example, the poverty thresholds in a given year rise if spending on the set of items in the current year is higher than spending on those items five years ago, even though spending by middle class families on these items five years ago has no connection to whether poor families are better off this year than last year.

Third, the SPM sets higher thresholds in areas where spending on housing is higher. While greater spending on housing mean families have fewer resources available for other items, higher housing expenditures can also reflect better conditions of places, such as more access to public transportation and better funded schools. In fact, research by Bruce Meyer, Derek Wu and Brian Curran finds that geographically adjusting poverty thresholds in this way leads the SPM to do a worse job in identifying the most deprived Americans.[12]

IV. Elevation of the Supplemental Poverty Measure

The shortcomings of the SPM have not prevented it from becoming more prominent over time. Following the publication of the 1995 National Academies report, OMB convened an interagency technical working group more than a decade later that recommended that the Census

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[10] National Academies of Sciences, Engineering, and Medicine, 2023, *An Updated Measure of Poverty: (Re)Drawing the Line*, Washington, DC: The National Academies Press, available at https://nap.nationalacademies.org/catalog/26825/an-updated-measure-of-poverty-redrawing-the-line.
[11] Bureau of Labor Statistics, 2023, "Research Poverty Thresholds," available at https://www.bls.gov/pir/spmhome.htm.
[12] Bruce D. Meyer, Derek Wu, and Brian Curran, 2021, "Does Geographically Adjusting Poverty Thresholds Improve Poverty Measurement and Program Targeting?" Working Paper, available at https://conference.iza.org/conference_files/Statistic_2022/meyer_b422.pdf.

Bureau begin to publish the SPM annually.[13] As shown in Appendix Figure A1, the first three Census reports to include the SPM—corresponding to poverty in 2010, 2011 and 2012—were titled, "The Research Supplemental Poverty Measure." But then from 2013-2020, the word "research" was omitted and reports were simply titled, "The Supplemental Poverty Measure," elevating the SPM beyond its "research" status. The SPM was elevated even further when in the reports corresponding to poverty in 2021 and 2022, the SPM was published in the same report as the official poverty measure. Thus, the SPM has already been elevated to be essentially on par with the official measure. This point was recognized by a 2023 National Academies report charged with recommending improvements to the SPM (p. 28)[14]:

The Census Bureau has already taken significant steps in this direction. The OPM [Official Poverty Measure] and the SPM are now presented in the same report, and much more attention is given to the SPM in the report's analyses, including presentation of historical poverty tables.

There is now a call to elevate the SPM even further. The primary recommendation of the 2023 National Academies report—entitled, *An Updated Measure of Poverty: (Re)Drawing the Line*—was to elevate the SPM to the "nation's headline poverty statistic" (p. 28)[15]:

RECOMMENDATION 2.1: Due to its vital role in tracking the effects of public policies and programs on the size and composition of the population living in or near poverty, and its resulting status as the preferred measure of many researchers and policy makers, the Supplemental Poverty Measure should be elevated to the nation's headline poverty statistic and renamed accordingly (e.g., to the Principal Poverty Measure).

This recommendation has considerable weight, given that the Census Bureau commissioned the 2023 National Academies report and because the previous National Academies report on the SPM in 1995 led to the publication of the SPM by the Census Bureau in the first place.

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[13] U.S. Department of Commerce, 2010, "Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure," available at https://www.commerce.gov/sites/default/files/migrated/reports/spmtwgobservations.pdf.

[14] National Academies of Sciences, Engineering, and Medicine, 2023, *An Updated Measure of Poverty: (Re)Drawing the Line*, Washington, DC: The National Academies Press, available at https://nap.nationalacademies.org/catalog/26825/an-updated-measure-of-poverty-redrawing-the-line.

[15] National Academies of Sciences, Engineering, and Medicine, 2023, *An Updated Measure of Poverty: (Re)Drawing the Line*, Washington, DC: The National Academies Press, available at https://nap.nationalacademies.org/catalog/26825/an-updated-measure-of-poverty-redrawing-the-line.

Even more important, however, is the authority of the OMB Director to determine which poverty measure is the official one.[16] The definition of the official poverty measure—as determined by Statistical Policy Directive 14—matters because over the years Congress has statutorily connected a number of government programs to it. These statutes explicitly reference the official poverty measure has defined by OMB.[17] Congress made the decision to tie government programs to the official poverty measure in spite of the text in Statistical Policy Directive 14 which states:

The poverty levels used by the Bureau of the Census were developed as rough statistical measures to record changes in the number of persons and families in poverty and their characteristics, over time. While they have relevance to a concept of poverty, these levels were not developed for administrative use in any specific program and nothing in this Directive should be construed as requiring that they should be applied for such a purpose.

In spite of OMB's original emphasis that the official poverty was designed for statistical rather than administrative purposes, Congress has transformed it into a measure that is used extensively to target assistance to families and places. Thus, the official poverty measure is no longer solely a statistical product, and thus any nonscientific changes should be made only by Congress.

There are two major ways in which the official poverty measure affects government programs. First, many means tested programs tie individual eligibility to the official poverty thresholds. Second, a number of federal aid programs distribute aid to states and local areas on the basis of their official poverty rate.

[16] On the basis of the text itself, it is unclear whether Statistical Policy Directive 14 (i) prescribes the Census Bureau to continue publishing the official poverty measure in the same way it has since 1978, or (ii) allows Census to make its own determination over how to define the official poverty measure and that this measure will be deemed the official one by OMB. However, the former appears to be the view taken by OMB. Congress also seems to have taken this view, which in Section 673(2) of the Omnibus Budget Reconciliation Act of 1981 references the "official poverty line defined by the Office of Management and Budget based on the most recent data available from the Bureau of the Census." And in any case, if Census attempted to change the official poverty measure on its own, then OMB could issue a revision to Statistical Policy Directive 14 clarifying that OMB has authority for how the official measure is defined and to specify that definition. Thus, OMB has the ultimate authority to determine the definition of the official poverty measure.

[17] As noted above, Section 673(2) of the Omnibus Budget Reconciliation Act of 1981 references the "official poverty line defined by the Office of Management and Budget based on the most recent data available from the Bureau of the Census."

V. Effects on Eligibility for Means Tested Programs

Eligibility for means-tested programs depends on the official poverty thresholds via "poverty guidelines" calculated each year by the Health and Human Services (HHS) Secretary. Section 673(2) of the Omnibus Budget Reconciliation Act of 1981 explicitly requires the HHS Secretary to take the "official poverty line defined by the Office of Management and Budget," and update it to the current year based on the Consumer Price Index for All Urban Consumers (CPI-U). The HHS Secretary operationalizes this statutory requirement by taking the average official poverty threshold for a four-person family from the most recent Census poverty report, updating it forward one year according to the percentage increase in the annual CPI-U, rounding it up to the nearest $50, and then calculating thresholds for different family sizes.[18] The resulting thresholds are called the HHS "poverty guidelines" and are published by the HHS Secretary each January in the Federal Register.[19] Those poverty guidelines are then automatically used to determine program eligibility for various programs.

There are 31 means tested programs that use the HHS poverty guidelines to determine eligibility.[20] For each of these programs, eligibility is linked to a multiple of the poverty guidelines, and so if the official poverty thresholds were changed, more individuals would become eligible for programs and the allocation of aid to individuals would change. Among these 31 programs, five are entitlements, meaning that the expanded eligibility would automatically increase government spending. Table 1 lists these five programs, together with

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[18] For further details of this calculation, see Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.

[19] For the latest publication of the poverty guidelines, see Xavier Becerra, 2023, "Annual Update of the HHS Poverty Guidelines," Federal Register, January 12, 2023.

[20] These programs include the Community Services Block Grant; Head Start; Low-Income Home Energy Assistance Program; parts of Medicaid; Hill-Burton Uncompensated Services Program; AIDS Drug Assistance Program; Children's Health Insurance Program; Medicare – Prescription Drug Coverage (subsidized portion only); Community Health Centers; Migrant Health Centers; Family Planning Services; Health Professions Student Loans — Loans for Disadvantaged Students; Health Careers Opportunity Program; Scholarships for Health Professions Students from Disadvantaged Backgrounds; Job Opportunities for Low-Income Individuals; Low-Income Household Water Assistance Program; Supplemental Nutrition Assistance Program; National School Lunch Program; School Breakfast Program; Child and Adult Care Food Program; Expanded Food and Nutrition Education Program; Weatherization Assistance for Low-Income Persons; Job Corps; National Farmworker Jobs Program; Senior Community Service Employment Program; Workforce Investment Act Youth Activities; Low-Income Taxpayer Clinics; Foster Grandparent Program; Senior Companion Program; Legal Services for the Poor. See Health and Human Services, "Frequently Asked Questions Related to the Poverty Guidelines and Poverty." https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/frequently-asked-questions-related-poverty-guidelines-poverty.

spending in 2019 (pre-pandemic) and 2021 (post-pandemic). The largest affected entitlement programs in terms of spending are Medicaid ($734 billion in 2021) and SNAP ($114 billion in 2021). These two programs together comprise 89 percent of the total $954 billion of spending across all five affected entitlement programs in 2021.

Table 1. Government spending on entitlement programs with eligibility thresholds that depend on poverty guidelines, 2019 and 2021

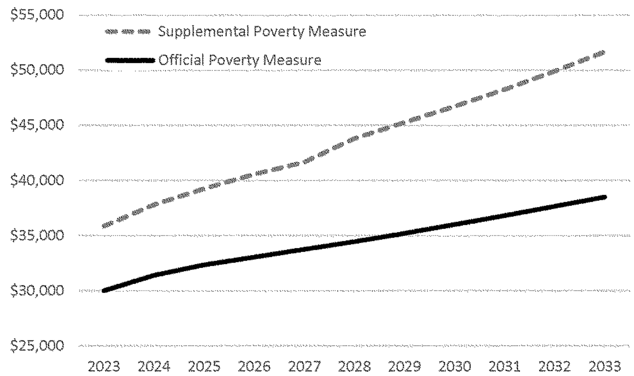
	Government spending (billions $)	
Program	**2019**	**2021**
Medicaid	$615	$734
SNAP	$60	$114
ACA premium subsidies	$40	$63
Medicare Part D subsidies	$27	$34
School Lunch Program	$14	$9
Total	**$756**	**$954**

Source: Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.

In recent research, I projected how making the SPM the new official poverty measure would affect the poverty guidelines and as a result, the eligibility thresholds for the five affected entitled programs.[21] Figure 1 shows the projected poverty guideline for a family of four over the next decade under the scenario in which the existing official poverty measure remains the official one (black line), and under the scenario in which the SPM becomes the official measure (grey line). In 2024, the poverty guideline under the SPM would be $6,400 (20 percent) higher that the poverty guideline under the existing official poverty measure. In 2033, the poverty guideline under the SPM would be $13,150 (34 percent) higher than the poverty guideline under the existing official poverty measure. The poverty guideline in 2024 under the SPM is higher than that under the official measure because the SPM poverty thresholds are higher. The poverty guideline in 2033 is *much* higher under the SPM than that under the official measure because the SPM thresholds increase with a measure of spending that increases faster than inflation.

[21] Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," *AEI Economics Working Paper*.

Figure 1. Projected poverty guideline for family of four, defined based on the Official Poverty Measure and Supplemental Poverty Measure, 2023-2033



Sources: Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.
Notes: Poverty guidelines are projected for each year from 2024 to 2033.

These higher poverty guidelines would automatically translate into higher eligibility thresholds in means tested programs because the eligibility thresholds are pegged to multiples of the poverty guidelines. Table 2 reports the statutorily determined ratio of the eligibility threshold for each program to the poverty guidelines, along with the resulting effect on the eligibility threshold for each program due to making the SPM the new official measure. For example, SNAP eligibility is tied to 130 percent of the poverty guidelines. Thus, the 2024 SNAP eligibility threshold for a family of four would rise from $40,820 to $49,140 (an $8,320 increase) due to making the SPM the official measure. The effect in 2033 would be even larger, with the SNAP eligibility threshold rising from $50,050 to $67,145 (a $17,095 increase). The program with the largest dollar effect on eligibility is Affordable Care Act (ACA) premium subsidies—in 2033, the eligibility threshold would rise by $52,600 to reach $206,600.

Because these five programs are entitlements, the higher eligibility thresholds reported in Table 2 would automatically increase the number of recipients and government spending. I simulated these effects for Medicaid and SNAP in my recent research.

Table 2. Ratio of eligibility threshold to poverty guideline, and eligibility threshold under Official Poverty Measure and Supplemental Poverty Measure, family of four, 2024 and 2033

		2024			2033		
Program	**Ratio**	**OPM**	**SPM**	**Change**	**OPM**	**SPM**	**Change**
Medicaid (adults)	133%	$41,762	$50,274	$8,512	$51,205	$68,695	$17,490
Medicaid (children)	375%	$117,750	$141,750	$24,000	$144,375	$193,688	$49,313
SNAP	130%	$40,820	$49,140	$8,320	$50,050	$67,145	$17,095
ACA premium subsidies	400%	N/A	N/A	N/A	$154,000	$206,600	$52,600
Medicare Part D subsidies	150%	$47,100	$56,700	$9,600	$57,750	$77,475	$19,725
School Lunch Program	185%	$58,090	$69,930	$11,840	$71,225	$95,553	$24,328

Source: Kevin Corinth, Forthcoming, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," B.E. Journal of Economic Analysis & Policy.
Notes: For Medicaid, the ratio of eligibility standard to poverty guideline varies across states for adults and children. The reported value for adults corresponds to ratio in Medicaid expansion states, and the maximum ratio reported for children excludes the separate Children's Health Insurance Program. Restriction of ACA premium subsidies to families with income below 400 percent of the poverty guideline is relaxed through 2025, although the generosity of subsidies remains tied to the poverty guideline in these years.

Table 3 reports the effects on SNAP and Medicaid spending and recipients due to making the SPM the official poverty measure, for each year from 2024 to 2033. For example, in 2024, SNAP spending would be $2.6 billion higher and serve 2.0 million more households. In 2033, SNAP spending would be $7.9 billion higher and serve 3.1 million more households. For the entire 10-year period, SNAP spending would be $46.5 billion higher as a result of making the SPM the official poverty measure. Medicaid spending would be affected more heavily, with spending rising by $5.6 billion in 2024 and by $10.5 billion in 2033, and increase by $77.5 billion over the entire 10-year period. Across both SNAP and Medicaid, government spending would rise by $124 billion over the 2024-2033 period as a result of making the SPM the official poverty measure.

These national estimates do not account for differential effects across states. In reality, the SPM thresholds vary across metropolitan areas on the basis of spending on housing.[22] Areas in which families spend more on housing such as California thus have higher SPM thresholds, and areas in which families spend less on housing such as Mississippi have lower SPM thresholds. If OMB declared the SPM the new official poverty measure and Census Bureau were to report state-specific poverty thresholds in its official poverty report, then the HHS Secretary would

[22] All places in a given state that are not contained in a metropolitan area are grouped together into a single area for purposes of created geographically adjusted SPM thresholds.

presumably create state-specific poverty guidelines on the basis of these state-specific poverty thresholds.

Table 3. Simulated additional spending and recipients for the Supplemental Nutrition Assistance Program and Medicaid, due to making the Supplemental Poverty Measure the Official Measure, 2024-2033

Year	Supplemental Nutrition Assistance Program: Additional Spending (billions $)	Supplemental Nutrition Assistance Program: Additional Households (millions)	Medicaid: Additional Spending (billions $)	Medicaid: Additional Individuals (millions)
2024	$2.6	2.0	$5.6	1.3
2025	$2.5	2.0	$5.9	1.3
2026	$2.5	1.9	$6.4	1.4
2027	$4.2	2.3	$6.6	1.4
2028	$4.5	2.5	$7.3	1.6
2029	$4.6	2.6	$7.9	1.6
2030	$4.9	2.6	$8.4	1.7
2031	$5.0	2.6	$9.2	1.8
2032	$7.8	3.1	$9.7	1.9
2033	$7.9	3.1	$10.5	2.0
Total	**$46.5**		**$77.5**	

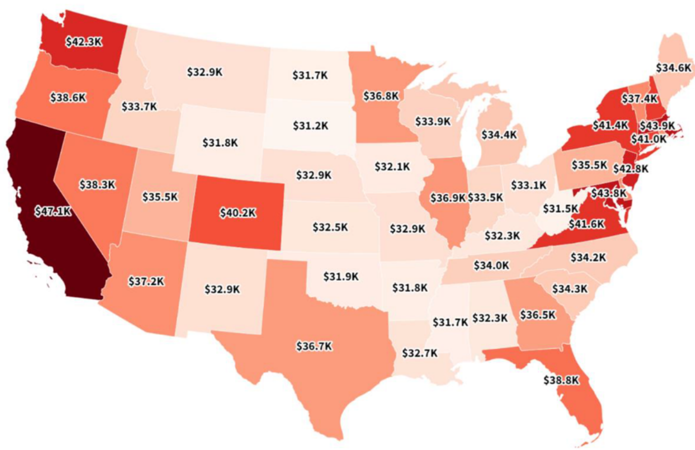
Sources: Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.
Notes: Additional spending estimates are in nominal dollars and exclude administrative costs. Estimates show the effect in each year from using the Supplemental Poverty Measure to determine poverty guidelines instead of using the Official Poverty Measure, which is current practice. Households in Alaska and Hawaii are excluded.

Figure 2 reports for each state how the poverty guideline for a family of four would be affected in 2024 if the SPM were made the official poverty measure.[23] The SPM-based poverty guideline in 2024 would be the highest in California ($47,050) and the lowest in South Dakota ($31,200). For comparison, I project that, under the existing official poverty thresholds, the poverty guideline in 2024 will be approximately $31,450. The large variation in SPM-based poverty guidelines would lead to even larger dollar differences in program eligibility thresholds across states. For example, the SNAP eligibility threshold would be $61,165 in California and $40,495 in South Dakota. In other words, families with incomes ranging from around $40,000 to $60,000

[23] An interactive map reporting the effect on poverty guidelines and program eligibility can be found in Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," *American Enterprise Institute*, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

would qualify for SNAP in California but would not qualify for SNAP in South Dakota. While eligibility for ACA premium subsidies are temporarily de-linked from the poverty guidelines through 2025 as part of the Inflation Reduction Act of 2022, there will be even greater disparities in eligibility across states once the eligibility standards are restored in 2026. If the eligibility standards applied to 2024, the eligibility threshold for ACA premium subsidies would be \$188,200 in California and \$124,600 in South Dakota. Eligibility thresholds under the SPM for each of the five affected entitlement programs are reported for each state in the appendix (see Appendix Figures A2 through A6).

Figure 2. Poverty guideline for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.
Notes: Map shows what the official poverty line would be in 2024 for purposes of determining program eligibility if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. Under the current poverty definition, the poverty line in 2024 is projected to be \$31,450. States with a higher SPM-based poverty guideline are shaded darker.

VI. Effects on the Geographic Allocation of Federal Aid

Making the SPM the official poverty measure would also affect federal programs whose allocation formulas to states and localities depend on the official poverty rate. Such programs include, for example, Title I education grants; Special Education Grants; the Individuals with Disabilities Act; the Special Nutrition Program for Women, Infants, and Children; the Community Development Block Grant, and the New Markets Tax Credit. Areas in which the supplemental poverty rate is higher than the official poverty rate would tend to receive an increased amount of assistance from these programs, while areas in which the supplemental poverty is lower than the official poverty rate would tend to receive a reduced amount of assistance from these programs.

Figure 3 reports for each state the percentage point difference between the supplemental poverty rate and the official poverty rate.[24] The map relies on the pooled period of 2017-2019 because the Census Bureau recommends pooling multiple years of data for reporting state-level poverty estimates, and because the most recently available three year period from 2020-2022 was atypical due to labor market disruptions and government aid related to the COVID-19 pandemic.

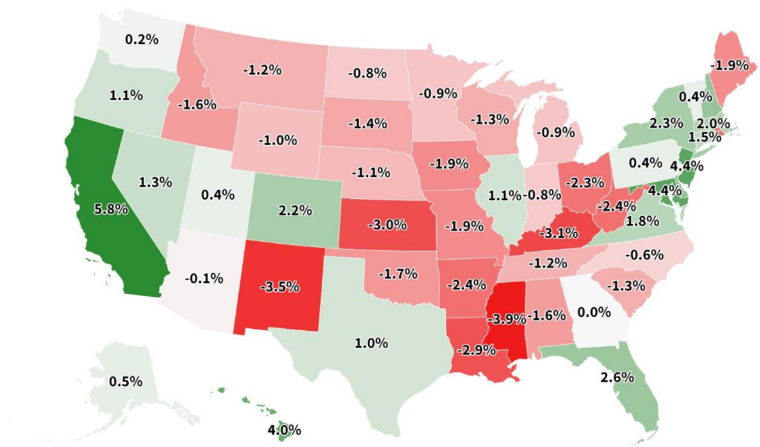
The states with the largest positive differences between the supplemental and official poverty rates are California (5.8 percentage points), New Jersey (4.4 percentage points), and Maryland (4.4 percentage points). These states would thus be likely to see the largest increases in federal aid if the SPM were made the new official poverty measure. The states with the largest negative differences between the supplemental and official poverty rates are Mississippi (-3.9 percentage points), New Mexico (-3.5 percentage points), and Kentucky (-3.1 percentage points). These states would thus be likely to see the largest reductions in federal aid if the SPM were made the new official poverty measure.

It is worth noting that the statutory poverty concepts in affected federal aid programs vary, with the relevant geographic units often constituting areas smaller than states such as counties, census

[24] An interactive map reporting the official poverty rate, the supplemental poverty rate, and their difference, can be found in Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," *American Enterprise Institute*, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

tracts and school districts. Programs may use different data sources that allow for calculating poverty at finer geographic levels, and sometimes rely on persistent poverty as opposed to single year poverty rates. Nonetheless, Figure 3 offers an approximate indication of the states that would be helped versus hurt, on average, by making the SPM the official poverty measure.

Figure 3. Percentage point difference between the supplemental poverty rate and official poverty rate, 2017-2019



Sources: U.S. Census Bureau: The Supplemental Poverty Measure: 2019, https://www.census.gov/library/publications/2020/demo/p60-272.html.
Notes: Map shows the percentage point difference between the supplemental poverty rate and official poverty rate, based on pooled data from 2017-2019 calculated by the Census Bureau. The supplemental poverty rate is higher in states shaded green, and the official poverty rate is higher in states shaded red.

Research by Bruce Meyer, Derek Wu, and Brian Curran indicates that this reallocation of federal aid would lead programs to do a worse job in targeting the most disadvantaged families.[25] Families who would be removed from the poverty rolls by switching to the SPM live in lower quality housing, are less likely to maintain food security, have worse health, and die sooner, compared to families would be added to the poverty rolls. In other words, families living near the

[25] See Bruce D. Meyer, Derek Wu, and Brian Curran, 2021, "Does Geographically Adjusting Poverty Thresholds Improve Poverty Measurement and Program Targeting?" Working paper, https://conference.iza.org/conference_files/Statistic_2022/meyer_b422.pdf.

existing national poverty line in less affluent states like Mississippi and New Mexico are worse off than families in more affluent states like California and New Jersey. It would thus be counterproductive to remove the former from the poverty rolls while adding the latter.

VII. Recommended Actions for Congress

Congress should preempt the administration from manipulating the official poverty measure. It can do so by directing OMB not to change Statistical Policy Directive 14. As discussed below, such action is warranted to protect Congressional authority over government programs, defend our immensely valuable statistical agencies from involvement in political decisions, and promote transparent poverty statistics.

While Congress did not create the official poverty measure, Congress' decision to peg eligibility for major means tested programs to the official poverty thresholds should lead Congress to protect the measure from any changes that are not purely scientific improvements. Some of the most consequential changes that the SPM makes relative to the official measure are value judgements. This includes the higher SPM threshold in the current year, as well as the adjustment of the SPM threshold each year in proportion to spending by middle class households, making it a relative standard tied to inequality rather than an absolute standard tied to absolute improvement in living standards. Meanwhile, the geographic adjustment of the SPM thresholds in relation to spending on housing in each area is less a value judgement, but from a scientific perspective it would make the official poverty measure do a worse job at identifying the most disadvantaged families. Congress should not allow the administration to make changes to the official poverty measure that reflect value judgements or that make it objectively worse at identifying deprived Americans.

Preventing the administration from manipulating the official poverty measure would have the further benefit of protecting the Census Bureau from perceived involvement in political decisions. The Census Bureau has a well-deserved reputation for the utmost integrity and transparency, a reputation that allows the public to rely on the Census Bureau's published statistics and data products without concern for political bias. Any perceived involvement of the Census Bureau in an attempt to influence value judgements over where to set the poverty line could threaten this reputation, and increase the risk of mistrust in independent statistical agencies more broadly. Adopting the SPM as the official measure would likely have this effect because even though ultimate authority for its elevation to the official measure resides with OMB, the Census Bureau has played a central role in developing the SPM and determining its parameters.

Preventing adoption of the SPM as the official poverty measure would also reduce the risk that poverty statistics used to inform the public about deprivation in the United States become less transparent. While the official poverty measure has substantial flaws, its thresholds are much more transparent than those of the SPM, and their lack of geographic adjustment helps the official measure identify a more deprived population.[26] In these ways, public understanding about poverty in the United States would be served by maintaining the existing official poverty measure rather than replacing it with the SPM.

Upon eliminating the risk of unilateral action by the administration to change the poverty measure, Congress itself could take on the task of improving it. Congress could correct the major flaws of the official poverty measure—namely its failure to account for taxes or in-kind transfers—while maintaining the simple and transparent thresholds it already uses. It could also apply a more accurate inflation measure for purposes of adjusting thresholds each year, i.e., the Chained CPI-U rather than the CPI-U. The Chained CPI-U accounts for the ability of consumers to substitute between broad categories of items when prices change while the CPI-U does not.[27] Finally, the official measure could be revised to include the resources of all household members when determining poverty rather than only members of the family.[28]

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[26] Despite its flaws, research has shown that the official measure does a better job of identifying the most deprived Americans than the SPM. See Bruce D. Meyer and James X. Sullivan, "Identifying the Disadvantaged: Official Poverty, Consumption Poverty, and the New Supplemental Poverty Measure," *Journal of Economic Perspectives*, 26(3): 111-136.

[27] The Census Bureau, in its 2023 report on household income, began using the Chained CPI-U to measure trends in real historical median household income. See Gloria Guzman and Melissa Kollar, 2023 "Income in the United States: 2022," *Current Population Reports, United States Census Bureau*, available at https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-279.pdf.

[28] These and other topics were discussed in the final reports of Interagency Technical Working Groups charged with evaluating alternative poverty measures and appropriately selecting inflation measures for purposes of adjusting poverty thresholds and other uses. See the *Final Report of the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty*, available at https://www.bls.gov/evaluation/final-report-of-the-interagency-technical-working-group-on-evaluating-alternative-measures-of-poverty.pdf. Also see *Report to the Office of Management and Budget, Consumer Inflation Measures*, available at https://www.bls.gov/evaluation/technical-recommendations-for-the-consumer-inflation-measure-best-suited-for-conducting-annual-adjustments-to-the-official-poverty-measure.pdf.

VIII. Conclusion

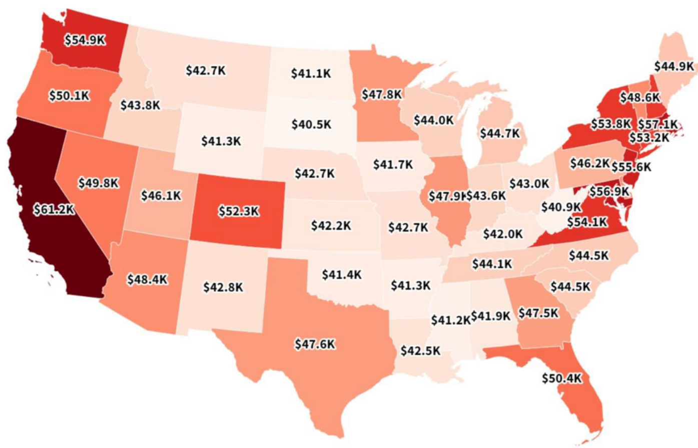
Accurate and transparent poverty statistics are essential for evaluating progress in reducing poverty in the United States. The dependence of eligibility for means tested programs and the geographic distribution of federal aid on the official poverty measure makes them even more important. Because making the SPM the official measure would make poverty statistics less transparent and overrule Congress in making policy decisions about how to design government programs, Congress should preempt the administration from elevating the SPM. This would protect Congress' authority over government programs, protect the Census Bureau from involvement in political decisions, and promote transparent poverty statistics. In the future, Congress should consider correcting the most obvious flaws of the official poverty measure, especially its failure to account for taxes and in-kind transfers, without following the path of the SPM in masking value judgements in complexity.

Appendix

Figure A1. The Census Bureau's Supplemental Poverty Measure Reports, 2011-2023

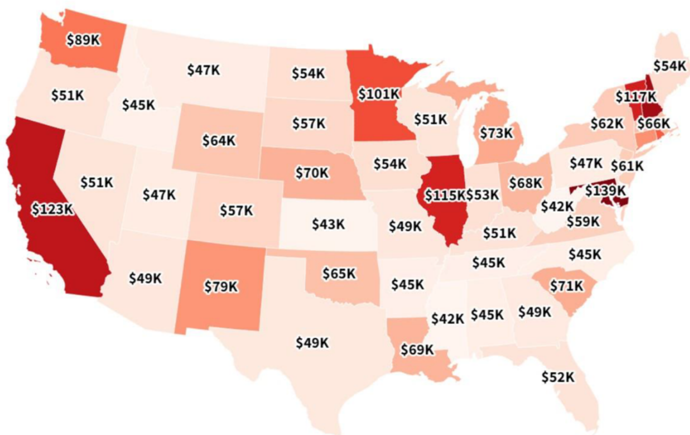
Sources: United States Census Bureau
Notes: Figure shows the cover of each Census Bureau report on the Supplemental Poverty Measure, beginning with the first report in 2011 (reporting on poverty in 2010) through the most recent report in 2023 (reporting on poverty in 2022).

Figure A2. Supplemental Nutrition Assistance Program eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



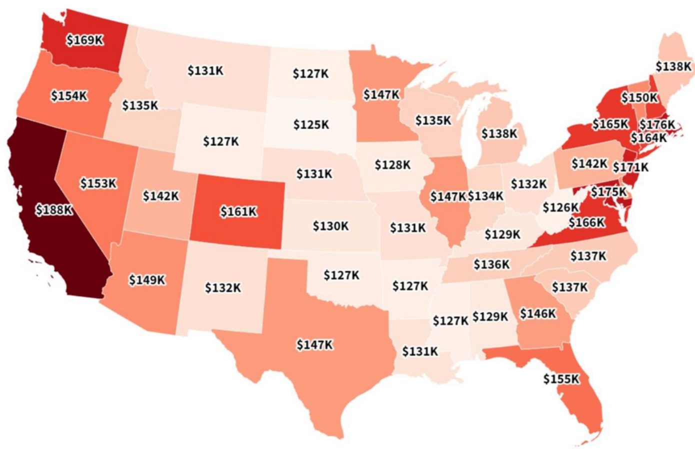
Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.
Notes: Map shows the eligibility threshold for the Supplemental Nutrition Assistance Program in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

Figure A3. Medicaid eligibility threshold for children aged 6-17 in a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.
Notes: Map shows the eligibility threshold for Medicaid in 2024 for a child aged 6-17 in a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

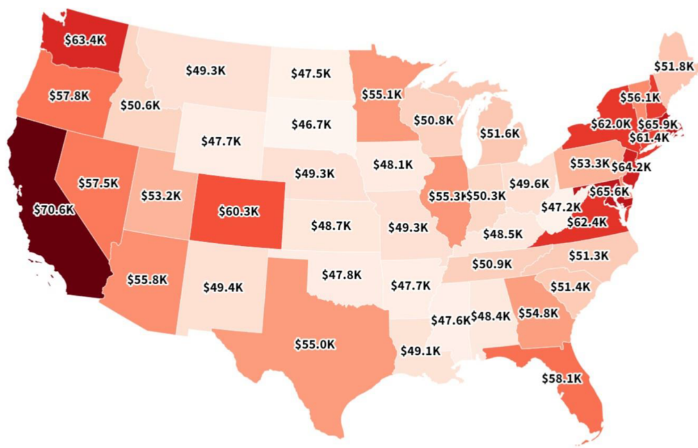
Figure A4. Affordable Care Act Premium Subsidy eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for Affordable Care Act premium subsidies in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

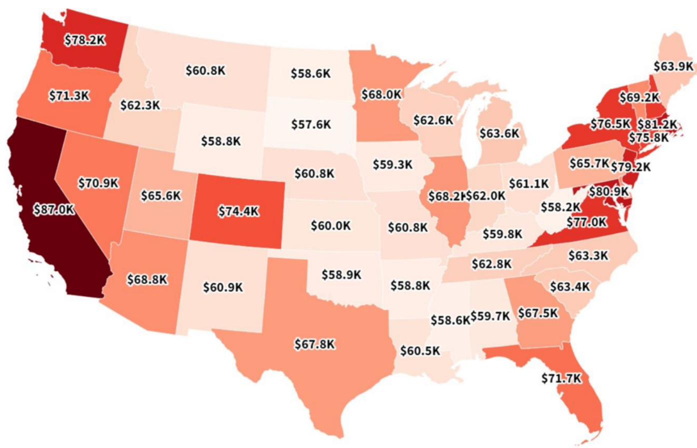
Figure A5. Medicare Part D eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for Medicare Part D low income subsidies in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

Figure A6. School Lunch eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for the National School Lunch Program in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

Chairman LAHOOD. Thank you, Doctor. We will now recognize Professor Besharov for five minutes.

You are now recognized.

STATEMENT OF DOUGLAS BESHAROV, PROFESSOR, UNIVERSITY OF MARYLAND SCHOOL OF PUBLIC POLICY

Mr. BESHAROV. Thank you very much, Chairman LaHood and Ranking Member Davis, and also the members of the subcommittee. It is a pleasure to be here.

I teach at the University of Maryland. I teach poverty alleviation, and I teach program evaluation, so I feel home. And in 2004 to 2007, I chaired a commission that had people from the left and the right thinking about working on poverty measures. So I come at this with a little bit of experience, but some chagrin. Let me explain.

Everybody thinks we should be counting the almost $300 billion in benefits that low-income Americans get. There is agreement about that. And, with all due respect to my conservative friends, after they say, "Let's count it," we don't really have a good answer for what that will do to our thinking about poverty. Because, if you use the official poverty measure and you dump $300 billion of aid into it, poverty all but disappears under the official poverty measure. So that can't be the way we want to go.

And my liberal friends say, "Okay, let's put in these $300 billion of benefits, but then let's raise the thresholds." And what they did was they raised the thresholds higher than the official poverty line. In effect, raising the amount of poverty in the country and increasing—if this is implemented in eligibility requirements—increasing the amount of spending that goes to people labeled poor.

Now, I am particularly looking at the Democratic members of this subcommittee, because I don't think this is a partisan issue when it comes to the definition. There are winners and losers in this definition.

And, Mr. Davis, with all due respect, you didn't use pointy-headed, but I will say I am a pointy-headed academic.

Let me tell you what the—these measures, as you all know, determine the flow of funds, including title I, to your districts. So I will just tell you what they do to your constituents, okay? Elder poverty goes up, child poverty goes down. Hispanic poverty goes up, Asian poverty goes up, Black poverty does not change.

Now, when you go to thinking about this when it is time to write this legislation, I am sure you will worry about that mixture. And I think—take this hearing and the conversation here not as, well, there is just one way to do it, but just realize that this is the flow of money to your constituents. And so you can say, you know, we are minutia today, but when it comes to what happens here there are some groups in your districts that will gain and lose. And so I think it behooves you to look at those provisions and say isn't there a way to do this better?

Why is elder poverty going up and child poverty going down? You all—and Mr. Davis, in your introduction you talked about child poverty. I agree with you. But this measure does just the opposite. Just the opposite. Okay.

What is to do about this? And I apologize for being sort of informal about this. This measure is unbelievably complicated and is minutia in ways that I can't even remember. I need a crib sheet to know what it does. But here is what I also know. The Congress, when it sets eligibility for these programs, when it says 135 percent of poverty, or 185 percent of poverty, or for Medicaid up to 400 percent, it has in mind the number underneath, that percent. It is not thinking about just $28,000 or $55,000, not just twice the poverty line. It is thinking about those dollar amounts.

So I have thought about this a lot. The solution is going to be messy, and I believe you all should consider locking in the benefit levels in your districts before they change this, so that your districts gain or lose money. And I think that is the natural bipartisan approach here that will, in the short run, be an answer. In the long run we have to deal with how we more accurately measure poverty.

Anyway, I have 19 seconds more and I don't need them. Thank you very much.

[The statement of Mr. Besharov follows:]

UNIVERSITY OF MARYLAND
SCHOOL OF PUBLIC POLICY

Douglas J. Besharov

School of Public Policy
University of Maryland

Testimony

Subcommittee on
Work and Welfare
Committee on Ways and Means
United States House of Representatives

October 24, 2023

Chairman LaHood, Ranking Member Davis, and members of the subcommittee, thank you for inviting me to submit comments on this important topic.

My name is Douglas Besharov, and I am a professor at the University of Maryland School of Public Policy, where I teach courses on poverty alleviation and program evaluation. I also direct our Welfare Reform Academy (WRA) and our Center for International Policy Exchanges (CIPE). I am also a Senior Fellow at the Atlantic Council, where I conduct research on international competitiveness and comparative domestic policy.

By way of background, between 2004 and 2007, I directed a project on reforming the official poverty measure (OPM), "Reconsidering the Federal Poverty Measure."[i] This was an effort in cooperation with various federal agencies (including the Census Bureau) and involved a mixture of liberal and conservative scholars. (See Appendix A.)

I have been in Washington a long time, and I usually can appreciate that there are both sides to a policy argument. The effort to substitute the SPM for the OPM, however, is not really about the best way to measure poverty but, rather, is an effort to move the goal posts when it comes to reducing financial hardship and poverty—and to go around Congress in an effort to raise federal spending on safety-net programs.

Let me explain.

The official poverty measure (OPM) was first created in 1965 in what is now the US Department of Health and Human Services. (OMB adoption followed in 1969.) One of its purposes was to provide a way to track the success of the Johnson administration's War on Poverty and subsequent anti-poverty efforts.

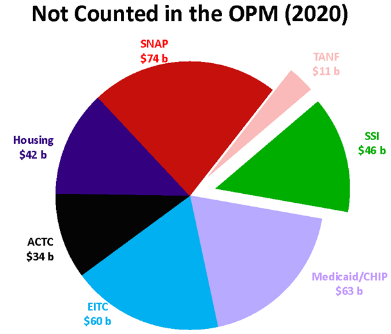
The folklore is that the OPM was based on food costs for low-income Americans, but the actual poverty threshold was backed into, in order to be consistent with earlier OMB poverty estimates.

The OPM only counts cash earnings (salaries, etc.) and cash benefits (welfare/TANF and non-elderly disability payments, about $13 billion[ii] and $51 billion,[iii] respectively).[iv] When it was created, there were no substantial noncash and Tax Code benefits. As a result, the OPM does not count noncash benefits, such as the Supplemental Nutrition Assistance Program (SNAP) (about $87 billion),[v] housing assistance (about $50 billion),[vi] and an estimated fungible value of Medicaid/CHIP (about 30 percent of $248 billion, or $74 billion, for the non-disabled and non-elderly).[vii] It also leaves out Tax Code benefits like the Earned Income Tax Credit (EITC, about $71 billion) and the refundable portion of the Child Tax Credit (or "the Additional Child Tax Credit," about $40 billion).[viii] (All data are from 2020, the latest year for which all data are available. Unless otherwise indicated, all dollars are in 2023 dollars.) These are all programs that substantially improve the financial well-being of low-income Americans.

(For simplicity, I have left out the Special Supplemental Nutrition Program for Women, Infants, and Children [WIC], school meals, and the Low-Income Home Energy Assistance Program [LIHEAP].)

Considering only these large programs (and there are many others left out), the pie chart portrays how little of the nation's safety net is captured by the OPM.

Figure 1
Spending on Select Means-Tested Programs Not Counted in the OPM (2020)



The SPM grew out of a forty-plus year effort to include the impact of these noncash and Tax Code programs in assessments of financial hardship and income disparities. In a nutshell, the argument is: How can families who get these benefits not be better off? And should this not be captured by a poverty measure?

The problem for liberals is that, if all these benefits are counted, poverty as measured by the OPM goes way, way down. The Trump Council for Economic Advisors, for example, estimated that, if all these benefits were counted, and the thresholds adjusted to account for overestimates of inflation and an income measure based on consumption to correct for the underreporting of benefits, official poverty for 2016 would fall from 12.7 percent to 3 percent.[ix]

On the one hand, that reduction should be very good news. The purpose of safety-net programs is to improve the lives of low-income Americans, and it disproves the old line: “We declared war on poverty, and poverty won!”

On the other hand, the advocates feared that the great progress that has been made could be interpreted as saying the problem of poverty had been solved. That, of course, is not the case. Safety-net programs have substantially reduced poverty as measured since 1965, but underlying hardships remain. There is far to go.

Thus, liberals (in control of the National Academy of Sciences and Census Bureau processes) created the Supplemental Poverty Measure—which obscures the past progress that has been made. They essentially legislated a flawed poverty measure to achieve a political result.

How does the SPM do that?

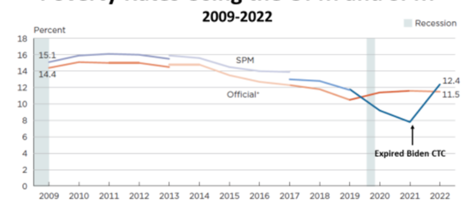
Sure, the SPM counts noncash and tax benefits, but it then raises the poverty threshold and also deducts substantial amounts from household income (for example, spending on out-of-pocket medical and child care expenses). Together with other tinkering, the SPM erases the impact of over $270 billion of federal spending (enumerated above) on anti-poverty programs.

The result is that the SPM consistently reports higher levels of poverty than the OPM.

Figure 2

Poverty Rates Using the OPM and SPM

2009-2022



These increases are not evenly distributed across demographic groups.

- Elder poverty rises, mainly because Social Security benefits were already counted and because the SPM removes the special thresholds for the elderly designed to reflect their lower consumption and subtracts from income out-of-pocket medical expenses (while not including the fungible value of Medicaid or Medicare);

- Child poverty falls, mainly because SNAP, EITC, and ACTC are largely targeted to families with children;

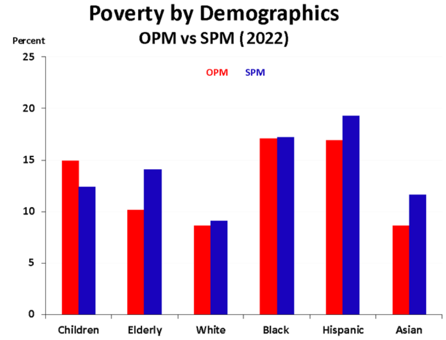
- Hispanic (to use the Census Bureau term) poverty rises, apparently because they are less likely to enroll in safety-net programs because of the uncertain immigration status of one or more household members; and

- Asian poverty rises, probably because they tend to live in high housing-cost states.

Interestingly, the poverty rates of Whites and Blacks remain about the same under the SPM.

Figure 3

Poverty by Demographics



Source: US Census Bureau, *Poverty in the United States: 2022* (Suitland, MD: US Census Bureau, 2023)

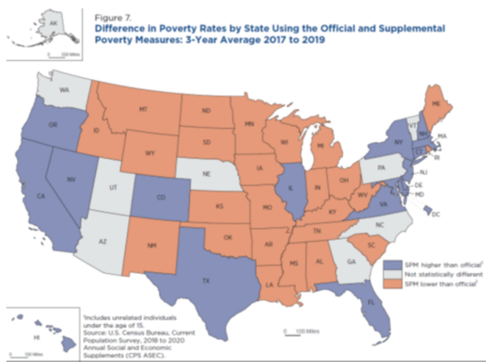
Many might see these differences as only an academic exercise, with little real-world importance. The poverty line is, after all, only a line, and it is always possible to argue about which poverty measure most accurately captures need.

But the Official Poverty Measure is not just an academic exercise. It determines the flow of federal benefits to individuals and states. Eligibility for most safety-net programs is set by Congress as a percentage of the Official Poverty Measure's thresholds or, more likely, as a multiple of them, for example, 138 percent for SNAP, 138 percent to 380 percent for Medicaid, and 185 percent for WIC.

What happens if, as seems to be on the table, the administration decides to call the SPM the official measure for setting individual eligibility and state grant purposes? It has the power to do so—without any authorization from Congress.

Shifting from the OPM to the SPM creates winners and losers. This map depicts the states that see rises in poverty under the SPM (and, hence, federal financial support) and those that show declines.

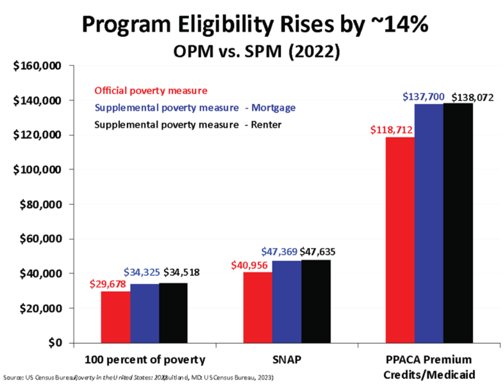
Figure 4



Source: Liana Fox, *The Supplemental Poverty Measure: 2019* (Suitland, MD: US Census Bureau, 2020)

This chart shows two examples of what happens at the individual level.

Figure 5



Source: US Census Bureau, *Poverty in the United States: 2022* (Suitland, MD: US Census Bureau, 2023)

Advocates for the poor would surely welcome the move to the SPM. Those concerned about budgetary restraint and protecting the congressional power of the purse should just as surely not.

Some are suggesting that such results are acceptable because the SPM is a better measure of poverty, but, as I think the others on the panel will explain, it is not.

Most important, given that there are winners and losers under the SPM's essentially subjective criteria, this is a quintessentially political process—and it should be led by the Congress, not a liberal-oriented administration.

Besides the potential for raising program spending, almost any reduction on benefits can generate headline that the Congress has increased poverty—as we saw when the Biden expanded Child Tax Credit expired.

By the way, a conservative president could just as easily adopt a poverty measure that swings the calculation sharply in the other direction. Consider the approach of the Trump CEA. All sides agree that noncash and tax benefits should be counted. The controversy is over how the SPM raises thresholds and subtracts out-of-pocket medical and child care expenses. A conservative administration could simply count the benefits, return the threshold to its historic level (adjusted for inflation), and not subtract the out-of-pocket expenses.

If I might be so bold, my advice is for the Congress to take back the power to set the poverty line before it is abused by this liberal administration or, possibly, by a subsequent conservative administration.

Thank you.

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[i] Douglas J. Besharov and Peter Germanis, *Reconsidering the Federal Poverty Measure* (College Park, MD: Welfare Reform Academy, 2004), https://welfareacademy.umd.edu/pubs/poverty/povmeasure.pdf.
[ii] Includes the value of basic assistance, refundable state tax credits, and nonrecurrent short-term benefits. US Department of Health and Human Services, "TANF and MOE Spending and Transfers by Activity, FY 2020: United States," https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2020_tanf_moe_national_data_pie_chart.pdf.
[iii] Social Security Administration, "Table IV.C3.—SSI Federal Payments in CPI-Indexed 2021 Dollars Calendar Years 1974-2045," https://www.ssa.gov/oact/ssir/SSI21/SingleYearTables/IV_C3.html.
[iv] The OPM also counts non-means-tested cash benefits as income, including Unemployment Insurance and Social Security.
[v] US Department of Agriculture, "Supplemental Nutrition Assistance Program Participation and Costs," https://fns-prod.azureedge.us/sites/default/files/resource-files/snap-annualsummary-10.pdf.
[vi] US Department of Housing and Urban Development, *US Department of Housing and Urban Development Budget Outlays by Program: Comparative Summary Fiscal Years 2020-2022* (Washington, DC: US Department of Housing and Urban Development, 2022), https://www.hud.gov/sites/dfiles/CFO/documents/3_2022CJ_FY2022BudgetOutlayTableFinal.pdf.
[vii] Medicaid and CHIP Payment and Access Commission, *MACStats: Medicaid and CHIP Data Book* (Washington, DC: MACPAC, December 2021), https://www.macpac.gov/wp-content/uploads/2021/12/MACStats-Medicaid-and-CHIP-Data-Book-December-2021.pdf. Fungible value based on lower estimate of Council of Economic Advisors, *Expanding Work Requirements in Non-Cash Welfare Programs* (Washington, DC: Council of Economic Advisors, January 2018), stating: "Empirical research finds that some Medicaid recipients value Medicaid at about 30 to 50 cents on the dollar."
[viii] Internal Revenue Service, "Table 3.3. All Returns: Tax Liability, Tax Credits, and Tax Payments, by Size of Adjusted Gross Income, Tax Year 2020 (Filing Year 2021)," https://www.irs.gov/pub/irs-soi/20in33ar.xls.

[ix] Council of Economic Advisors, *Expanding Work Requirements in Non-Cash Welfare Programs* (Washington, DC: Council of Economic Advisors, January 2018), https://trumpwhitehouse.archives.gov/wp-content/uploads/2018/07/Expanding-Work-Requirements-in-Non-Cash-Welfare-Programs.pdf.

Appendix A
Reconsidering the Federal Poverty Measure

The "Reconsidering the Federal Poverty Measure" project began with three objectives:

(1) to explore how contemporary poverty might be better understood through a combination of technical improvements to the current poverty measure and greater use of enhanced versions of the Census Bureau's alternative and experimental poverty measures;

(2) to identify alternative approaches for gauging the well-being of low-income Americans; and

(3) to disseminate seminar findings among key stakeholders, including poverty researchers, low-income advocates, and policymakers.

We worked to meet these objectives through a series of seminars and reports for senior Administration officials and respected scholars. We held seven three-hour seminars. The papers and other materials that have been presented include:

- "Poverty, Welfare Dependency, and the Underclass" (Douglas J. Besharov);
- "Reconsidering the Federal Poverty Measure" (Douglas J. Besharov and Peter Germanis);
- "Can We Fix the Federal Poverty Measure So It Provides Reliable Information about Changes in Children's Living Conditions?" (Christopher Jencks, Susan E. Mayer, and Joseph Swingle);
- "Towards Decisions on a Pre-transfer Poverty Measure" (Charles Murray);
- "Income Data Quality Issues in the Annual Social and Economic Supplement to the Current Population Survey" (Daniel H. Weinberg);
- "Reductions in Poverty in the 1990s Significantly Greater Than Official Estimates Suggest" (Wendell Primus/Joint Economic Committee Democrats, Economic Policy Brief);
- "Measuring Consumption and Consumption Poverty: Possibilities and Issues" (David S. Johnson);
- "Measuring Poverty: Income Thresholds and Resource Measures" (Timothy Smeeding);
- "Measuring Poverty: What Should be Counted Where?" (Patricia Ruggles);
- "Misclassification in an Experimental Poverty Measure" (Richard Bavier);
- "Indicators of Deprivation and Well-Being in Modern America: A Look Beyond the Poverty Rate" (Nicholas Eberstadt);
- "Poverty and Health" (Jennifer Madans, Kimberly Lochner, and Dianne Makuc);

- "Trends in Material Well-Being in the 1990s: Indicators from the Survey of Income and Program Participation" (Kurt Bauman); and
- "Alternative Measures of Income Poverty and the Anti-Poverty Effects of Taxes and Transfers"(Daniel H. Weinberg).

All of these papers are posted on our web site at www.welfareacademy.umd.edu.

The senior government officials who have been regular attendees at our seminars include:

- Elizabeth Anderson, Associate Under Secretary for Communications, Commerce Department;
- Kathleen Cooper, Under Secretary for Economic Affairs, Commerce Department;
- Wade Horn, Assistant Secretary, Administration for Children and Families, HHS;
- Louis Kincannon, Director, Census Bureau;
- Steve Landefeld, Director, Bureau of Economic Analysis, Commerce Department;
- Michael O'Grady, Assistant Secretary, APSE, HHS;
- Donald Oellerich, Deputy to Chief Economist, ASPE, HHS;
- Katherine Wallman, Chief Statistician, Office of Management and Budget;
- John Weicher, Assistant Secretary for Housing and Federal Housing Commissioner, HUD;
- Daniel Weinberg, Chief, Housing and Household Economic Statistics Division, Census Bureau; and
- Don Winstead, Deputy Assistant Secretary of Human Services Policy, HHS.

The senior scholars and researchers who have regularly attended include:

- Rebecca Blank, Dean, University of Michigan School of Public Policy;
- Nicholas Eberstadt, Scholar, American Enterprise Institute;
- Robert Greenstein, Executive Director, Center on Budget and Policy Priorities;
- Christopher Jencks, Professor, John F. Kennedy School of Government, Harvard University;
- Dale Jorgenson, Professor, Harvard University;
- Ed Montgomery, Professor, University of Maryland;
- Charles Murray, Fellow, American Enterprise Institute;
- June O'Neill, Professor, Baruch College;
- Robert Rector, Senior Research Fellow, Heritage Foundation;
- Robert Reischauer, President, Urban Institute;

- Alice Rivlin, Senior Fellow, Brookings Institution; and
- Roberto Suro, Director, Pew Hispanic Center.

Other participants include Kurt Bauman, Census Bureau; Richard Bavier, OMB; David Beede, Commerce Department; Paul Bugg, OMB; Donald Cox, HHS; Gordon Fisher, HHS; Thesia Garner, BLS; Naomi Goldstein, ACF, HHS; Nancy Gordon, Census Bureau; Julie Isaacs, ASPE, HHS; David Johnson, BLS; Christa Jones, Census Bureau; Kimberly Lochner, National Center for Health Statistics, CDC; Jennifer Madans, National Center for Health Statistics, CDC; Jane Molloy, Commerce Department; Pia Orrenius, Council of Economic Advisers; Brooks Robinson, BEA, Commerce Department; Kathy Short, Census Bureau; and Mark Shroder, HUD.

Chairman LAHOOD. Thank you, Professor.

I now recognize Dr. Meyer for you to deliver your opening remarks. Five minutes. Thank you.

STATEMENT OF BRUCE D. MEYER, MCCORMICK FOUNDATION PROFESSOR OF PUBLIC POLICY, UNIVERSITY OF CHICAGO

Mr. MEYER. Chairman Smith, Chairman LaHood, Ranking Member Davis, and distinguished members of the committee, thank you for the opportunity. I am Bruce Meyer, McCormick Foundation professor at the University of Chicago. For 40 years, I have focused on the accuracy of government data.

Chairman LAHOOD. Sir, is your microphone on?

Mr. MEYER. Thank you. I have worked for and advised the main Federal agencies measuring poverty.

A recent National Academy of Sciences report recommended making the Supplemental Poverty Measure the principal poverty measure. Such a change would be counterproductive. In my testimony I have six conclusions.

First, statistical agencies should focus on better measuring income and spending, rather than changing poverty thresholds that are value judgments and ultimately arbitrary. Those who devised the original poverty thresholds understood that where you draw the line is subjective or arbitrary. The thresholds set in the 1960s were picked to achieve a desired poverty rate, with the food budget decided on to achieve that end, rather than the other way around. This principle was overlooked in the recent NAS report that focuses on devising ever more complicated, but ultimately arbitrary, thresholds.

Second, to better measure family income we should enhance survey data with administrative data. When Census Bureau's survey data on incomes such as earnings, pensions, or government payments are compared to individual tax or government payment records, they almost invariably indicate under-reporting. Often close to half a given income type is missed in the Census Bureau's Current Population Survey, the source of official poverty statistics. This problem has worsened over time.

The Census Bureau realizes this problem and has supported two large-scale projects, one of which I lead, to combine administrative data with survey data. The administrative data come from the IRS and programs that pay out benefits. These data are currently only used experimentally. Additional data-sharing agreements across agencies and Federal legislation are needed.

When administrative data are substituted for erroneous survey data where possible, poverty is almost halved. We can see that government programs reach more people, it just wasn't recorded in the surveys. The SPM makes the problem of income under-reporting worse, likely because the income transfers and taxes it includes are particularly misreported.

In response to the problem of under-reported survey income, the Social Security Administration recently stopped two publications. Like the SSA, the Census Bureau should consider discontinuing the publication of poverty statistics until it has the combined survey and administrative data in place to measure income accurately.

Third, consumption poverty measures are often more informative. Given that administrative sources of income are incomplete and they are not available historically, a good alternative is consumption data. Consumption poverty is a more direct measure of living standards and identifies a more deprived group of poor individuals, which is the goal of poverty measurement. The BLS began publishing consumption poverty this year. This effort should be further supported.

Fourth, the much-publicized poverty reduction claims for the expanded CTC are greatly exaggerated. Many have claimed that poverty of children doubled in 2022 because the 2021 temporary changes to the CTC expired. This example shows how statistics may be skewed by income data quality issues.

Consumption poverty declined through this period, as low-income families were able to afford to spend more on food, housing, and other goods in 2022 than 2021. One of the reasons for this is that they saved much of their stimulus payments. Even the Census Bureau income numbers say the CTC expansion played a much smaller role than the stimulus payments in this period, which makes sense since the stimulus payments were much larger. Even the 35 percent increase in 2022 child poverty the Census attributed to the CTC changes not doubling is too high because it counted in the 2021 poverty numbers expanded CTC payments received as refunds in 2022: another reason to prefer the consumption numbers to get the timing right.

Fifth, proposed poverty measurement changes should be based on evidence. The SPM does a worse job of identifying the most deprived families than either the OPM or consumption poverty measures. This happens in part because the SPM raises poverty in high-income areas and lowers it in low-income areas. Problematically, people in low-income areas are markedly worse off, according to a wide range of indicators including mortality, health assets, long-run income, housing characteristics, ability to pay bills, education, and food security.

Sixth and last, Congress should rethink its reliance on a broken NAS. Congress asks the NAS to provide advice on many topics. Unfortunately, the NAS mixes political judgments with its scientific tasks. The overwhelming political slant of report authors has been documented. As a result, large errors such as those in a recent CTC and child poverty report have gone unacknowledged and uncorrected.

Thank you, and I look forward to your questions.

[The statement of Mr. Meyer follows:]

Hearing of the United States House Committee on Ways & Means,
Subcommittee on Work and Welfare
Hearing on Measuring Poverty

Statement of Bruce D. Meyer,
October 24, 2023

Chairman Smith, Subcommittee Chairman LaHood, Ranking Member Davis, and distinguished members of the Committee, thank you for the opportunity to testify.

I am Bruce Meyer, McCormick Foundation Professor at the University of Chicago Harris School of Public Policy. My 40-year-long research agenda has focused on the accuracy of government data; I have served on multiple major government commissions; and I have worked for or been a long-term advisor to the main federal agencies producing poverty statistics.[1]

This hearing is occurring because a recent National Academy of Sciences report commissioned by the Census Bureau recommended making the Supplemental Poverty Measure the official poverty measure.[2] Such a change would be problematic. You have heard from an earlier speaker that the Official Poverty Measure and the Supplemental Poverty Measure are misleading. In short, the Official Poverty Measure doesn't count most of what the government does to reduce poverty. The Supplemental Poverty Measure incorporates more of these efforts, but relies on a survey that heavily underreports key programs and income sources and inaccurately imputes taxes and tax credits.[3] The SPM also moves the poverty goal posts over time in a complicated quasi-relative way so it is hard to make comparisons over time, and means poverty could go down when deprivation rises.[4]

In my testimony today, I will make six observations that inform my views on how poverty statistics should be constructed and used. To preview, I will emphasize that much of the

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[1] I served on the Evidence-Based Policymaking Commission, Co-Chaired the Interagency Technical Working Group Examining Alternative Measures of Poverty, was a Census Bureau employee for three years, served on the Bureau of Labor Statistics Technical Advisory Committee for ten years, and have served on two National Academy of Sciences panels.

[2] National Academies of Sciences, Engineering, and Medicine. 2023. An Update measure of Poverty: (Re)Drawing the Line. Washington, DC: The National Academy Press.

[3] Bruce D. Meyer, Wallace Mok and James X. Sullivan, 2015, "Household Surveys in Crisis." Journal of Economic Perspectives, 29(4), 199–226. 2015; Jonathan L. Rothbaum. 2015. "Comparing Income Aggregates: How Do the CPS and ACS Match the National Income and Product Accounts, 2007-2012." SESHD Working Paper 2015-01. Washington, D.C.: U.S. Census Bureau; Bruce D. Meyer, Derek Wu, Grace Finley, Patrick Langetieg, Carla Medalia, Mark Payne and Alan Plumley. 2022 "The Accuracy of Tax Imputations: Estimating Tax Liabilities and Credits Using Linked Survey and Administrative Data." in *Measuring Distribution and Mobility of Income and Wealth*, edited by Raj Chetty, John N. Friedman, Janet C. Gornick, Barry Johnson, and Arthur Kennickell. NBER, University of Chicago Press.

[4] Richard V. Burkhauser, Kevin C. Corinth, Bruce D. Meyer, Angela Rachidi, Matt Weidinger, and Scott Winship. 2021. *Addressing the Shortcomings of the Supplemental Poverty Measure*, AEI. https://www.aei.org/wp-content/uploads/2021/07/Addressing-the-Shortcomings-of-the-Supplemental-Poverty-Measure.pdf?x91208

arguably scientific NAS report advocates is arbitrary and inaccurate. Better ways to measure poverty are already feasible incorporating existing administrative data and expenditure data. These better approaches indicate that poverty, as measured by both the OPM and SPM are currently overstated and that the poverty-reducing effects of the existing safety net are understated. The NAS-proposed changes to poverty measurement have not been rigorously tested by their proponents and would produce a demonstrably worse measure. The SPM has been recently used to claim that the expiration of the expanded CTC led child poverty to double, a claim rejected by either the Census Bureau's data or more appropriate consumption data. Finally, I will also argue that the process that produced the report was partisan.

1. Poverty Cutoffs are Fundamentally Arbitrary so Can't be Set Scientifically

The choice of poverty cutoffs—where to draw the line between the poor and nonpoor—has a tremendous impact on the poverty rate, and this choice is arbitrary. The original architects of poverty measurement here and elsewhere clearly understood that. I first look to those who devised our initial poverty measures in the U.S. "way back in the 1960s". Robert Lampman, who has been called the intellectual architect of the War on Poverty, stated that poverty thresholds are "subjective rather than objective" and "qualitative rather than quantitative".[5] Molly Orshansky, often credited with devising the nation's first official poverty measure, called the measure she helped develop "arbitrary".[6] Patricia Ruggles, who wrote an influential treatise on poverty measurement stated that the thresholds are "essentially arbitrary" and used the word "arbitrary" repeatedly.[7] Ivan Fellegi, the longtime Chief Statistician of Canada and a giant in the field of government statistics, quite eloquently stated that "poverty is intrinsically a question of social consensus" is "intrinsically judgmental" and should be decided through the political process not by a "national statistical agency which prides itself on its objectivity and whose credibility depends on the exercise of that objectivity".[8] Even the original poverty thresholds set in the 1960s were picked to achieve a desired rate, with the food budget decided on to achieve that end, rather than the other way around.[9]

The implication of this observation is that the focus of statistical agencies and researchers should be on resource measures rather than thresholds, as thresholds are largely political, not scientific, decisions and should be left to policy makers. This principle was overlooked in the recent NAS report that focuses on devising ever more complicated, but ultimately arbitrary, thresholds.

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[5] Robert Lampman, *Ends and Means of Reducing Income Poverty*, Markham, 1971.
[6] Interagency Technical Working Group Examining Alternative Measures of Poverty, Final Report, Office of Management and Budget, Statistical Policy Office, 2021.
[7] Patricia Ruggles, *Drawing the Line: Alternative Poverty Measures and their Implications for Public Policy*, The Urban Institute Press, 1990.
[8] https://www150.statcan.gc.ca/n1/pub/13f0027x/13f0027x1999001-eng.htm
[9] Interagency Technical Working Group Evaluating Alternative Measures of Poverty, Final Report, Office of Management and Budget, Statistical Policy Office, 2021.

2. Income Benchmarking Shows Pronounced Under-reporting in Surveys

When Census Bureau survey data on income sources such as earnings, pensions or government payments are compared to individual tax or government program data or compared to accounting totals, they almost invariably indicate under-reporting. Often close to half of a given income source is missed in the Census Bureau's Current Population Survey, the source of official poverty statistics. Pension income is sharply underreported,.[10] and more than 60 percent of unemployment insurance and 45 percent of single parent EITC recipients were missed in the survey in recent years. Importantly, underreporting has worsened in recent years which is problematic when trying to assess changes in poverty over time..[11] Research also shows that the impact of survey income under-reporting on poverty measurement has increased over time..[12]

The implication of this under-reporting is that poverty rates are overstated in government statistics. Figure 1 shows the share of individuals below the poverty line, using progressively broader income concepts. The rate based on survey data alone is in maroon, while in grey is the rate from survey data combined with a good albeit not complete set of administrative data. The last two bars indicate poverty based on income after taxes, expenses and in-kind transfers (which is close to the SPM income concept). In 2016 the rate was 9.0 percent based on survey data, but only 5.3 percent when we substituted administrative data where available and appropriate. That is a 41 percent lower poverty rate. These figures still do not include administrative data for the Temporary Assistance for Needy Families (TANF) program, General Assistance, Workers' Compensation, and Unemployment Insurance—just to name a few missed transfers. Comparisons of the survey data either at the individual level or by comparing weighted totals to accounting totals from government agencies indicate that over one-third of each of these programs is not reported in the Census Bureau's Current Population Survey. Thus, even the 41 percent lower poverty rate is still certainly overstating the share of people below the Census poverty line..[13] One should also note that the difference between the survey only and combined survey and administrative data poverty rates is larger when one goes from an OPM income definition to the income concept close to that of the SPM. Thus, the SPM makes the problem of income under-reporting worse, likely because the in-kind transfers and taxes it includes are particularly misreported.

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[10] Jonathan Rothbaum, 2015; Bee, Adam and Joshua Mitchell. 2017. "Do Older Americans Have More Income Than We Think?" SESHD Working Paper 2017-39. Washington, D.C.: U.S. Census Bureau.

[11] Graton Gathright and T.A. Crabbe, 2014. "Reporting of SSA program participation in SIPP" Working Paper, Washington, D.C.: U.S. Census Bureau; Bruce D. Meyer, Wallace Mok and James X. Sullivan, 2015, "Household Surveys in Crisis." *Journal of Economic Perspectives*, 29(4), 199–226. 2015.

[12] Corinth, Kevin, Bruce D. Meyer and Derek Wu. 2022. "The Change in Poverty from 1995 to 2016 among Single Parent Families." *American Economic Association Papers & Proceedings* 112:345-350 (May).

[13] Accounting for the under-reporting in TANF, the smallest of these programs, using the subset of states for which administrative data are available lowers the final poverty rate from 5.29 percent to 5.23 percent. See Bruce D. Meyer and Derek Wu, "Poverty in the United States." Slides for IRS/Census Workshop on Income Measurement, April 26, 2023.

That income is sharply under-reported has several other important implications. First, since the under-reporting problem has worsened over time, poverty has fallen more over time than reported when relying only on survey data. Second, the static poverty reduction of many programs (not accounting for behavioral changes) is greater than reported in Census Bureau publications. Figure 2 reports how poverty would rise without key government social insurance and welfare programs and tax credits. We see that while the poverty reduction of all anti-poverty programs is understated, the poverty reduction of disability insurance (DI), SNAP and HUD housing benefits are particularly understated in survey data. For example, survey data suggests that without DI poverty would be 17 percent higher, but when one uses administrative data to help correct for under-reporting, we see that without DI poverty would be 32 percent higher.

In response to the problem of under-reported survey income, the Social Security Administration stopped publishing two survey-based publications in 2014 because of income misreporting..[14] The most important conclusion I draw from the pronounced income under-reporting in Census Bureau household surveys, is that like the Social Security Administration, the Census Bureau should consider discontinuing the publication of poverty statistics until it has the combined survey and administrative data in place to measure income accurately. A recent federal committee recommended using combined survey and administrative data to measure poverty, and two large scale projects are underway within the Census Bureau or with Census Bureau support to combined survey and administrative data to improve income measurement..[15]

3. Consumption Poverty Measures have Key Advantages

Given that it is difficult to obtain all of the administrative sources of income and will not be possible to fully develop historical time series, I suggest an alternative to correcting underreported income, using consumption data. Consumption data provide multiple advantages: they offer a more direct measure of living standards, and they identify a more deprived group of poor individuals, which is the goal of poverty measurement. Using consumption data, my research finds that those who are classified as poor are in worse health, have lower education, live in worse housing, have fewer appliances, and appear less well-off in multiple other ways..[16] Consumption data are also particularly useful when trying to identify the very worst off, because *at the very bottom* of the *recorded* (but not necessarily true) income distribution, under-reporting is especially pronounced. One of the common ways for someone to appear to be poor in a survey when they are not, is for a main income source to not be recorded. The implication of this

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[14] The discontinued Social Security Administration publications are "Income of the Population 55 or Older" https://www.ssa.gov/policy/docs/statcomps/income_pop55/index.html
and "Income of the Aged Chartbook" https://www.ssa.gov/policy/docs/chartbooks/income_aged/index.html
[15] Carla Medalia, Bruce D. Meyer, Amy O'Hara and Derek Wu. 2019. "Linking Survey and Administrative Data to Measure Income, Inequality, and Mobility" *International Journal of Population Data Science*. Published online: Jan 31, 2019. Adam Bee, Joshua Mitchell, Nikolas Mittag, Jonathan Rothbaum, Carl Sanders, Lawrence Schmidt, and Matthew Unrath. 2023. "National Experimental Wellbeing Statistics." SESHD Working Paper 2023-02. Washington, D.C.: U.S. Census Bureau.
[16] More specifically, suppose you consider classifying people as poor two different ways, first with income, then with consumption data. Suppose you do it in a way to keep constant the share called poor so you are considering the same share of the population in each case.

observation is that the BLS should continue to publish consumption poverty measures (which they started doing this year).[17] and should be given the resources to do it well.

4. Much Publicized Poverty Reduction Claims for the Expanded CTC are Overstated

Many politicians, media outlets and academics have claimed that poverty of children doubled in 2022 because of the expiration of the 2021 temporary changes to the Child Tax Credit (CTC)..[18] This setting provided a good lesson in how statistics may be skewed by income data quality issues. Before getting to these issues, let me first note that even taking the numbers reported in the Census Bureau poverty report at face value, the CTC changes were responsible for only 29 percent of the increase in child poverty between 2021 and 2022 not most or all of the change..[19] The role of Economic Impact Payments, often called stimulus payments, was much larger as those payments were bigger than the increase in the CTC for almost all families. Even the 29 percent is probably about double what is appropriate as will be explained more below because it counts both expanded CTC payments received in 2021 and 2022 as having been received in 2021.

The SPM child poverty rate did in fact more than double between 2021 and 2022, though this claim needs qualifications. A concern in tracking poverty over recent years is the way the Census Bureau calculates how much people pay in taxes and receive in tax credits. These tax imputations are responsible for almost all of the difference between OPM and SPM changes in the last two years. Rather than rely on tax records or ask respondents about their taxes, the Census Bureau tries to calculate them itself. But without the information that families use to fill out their tax return it gets things wrong. For instance, in recent years the Census Bureau missed almost half the payments that single parents receive from the Earned Income Tax Credit. These Census Bureau tax imputations are particularly inaccurate for income groups near the poverty line most affected by the CTC.

In addition, tax credits are not counted in the year that they are received. Instead, the Census Bureau assigns tax credits to the year they are earned. That might make sense as an accounting rule, but it doesn't accurately capture changes in well-being from year to year. This convention exaggerated the drop in poverty in 2021 and the rebound in 2022 since half of the Child Tax

[17] Garner, Thesia et al. Monthly Labor Review, 2023.
[18] For example "The increase in child poverty in 2022, in turn, is largely the result of the expanded Child Tax Credit's expiration" from Center on Poverty and Social Policy, Columbia University, "What Would 2022 Child Poverty Rates Have Looked Like if an Expanded Child Tax Credit Had Still Been in Place?" Policy Brief Sep 12, 2023.
https://www.povertycenter.columbia.edu/publication/2023/what-2022-child-poverty-rates-would-have-looked-like
[19] These numbers are taken from Table B8 in the Census Bureau report
https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-280.pdf
The difference in the number of children (in 1000s) raised above the poverty line by the refundable CTC in 2022 minus 2021 is 2,919-1,411 or 1,508 while the change in the total number of children in poverty in the two years is 8,983-3,829 or 5,154. The ratio of these two changes then gives the share attributable to the changes in the CTC which is 1,508 divided by 5,154 or 29 percent.

Credit was allocated to 2021 even though it was received in 2022. Since the dramatic changes in SPM poverty in 2021 and 2022 are due almost entirely to the change in taxes that the Census Bureau calculates, badly measuring tax credits and misallocating them across years can have a big effect on changes in poverty.

This accounting convention and the potential for error at least partly explain why consumption poverty numbers indicate little change in the underlying patterns of child poverty due to the temporary institution of the child allowance. As one can see in Figure 3, consumption poverty continued its long-term trend and slowly declined through this period. One can also see that the two after-tax income series, one that includes the CTC and EITC and one that does not, have similar year to year changes, particularly from 2021 to 2022. Thus, again we see that the expiration of the expanded CTC played a secondary role in the income-measured child poverty increase in 2022.

So what explains the difference between income and consumption poverty measures in these two years? Part of the story is that families saved a large part of the large stimulus payments that they received in 2020 and 2021. There was a substantial increase in savings for those near the poverty line, especially families with children..[20] Changes in unreported transfers from family and friends that are rarely reported in surveys is another potentially explanation. A substantial literature has found changes in private transfers from family members in response to changes in income or public transfers. While private transfers may not be a large fraction of income for the typical family, research has indicated that these transfers can account for a large fraction of income for very disadvantaged groups..[21]

5. Proposed Poverty Measurement Changes Should be Based on Evidence

Proposed poverty measurement changes are almost never rigorously evaluated by the National Academy of Sciences or the Census Bureau. The goal of poverty measurement is to identify those who are the most deprived, to count them at a point in time and over time, and record how

[20] Jeehoon Han, Bruce D. Meyer, and James X. Sullivan, 2023. Annual Report on U.S. Consumption Poverty: 2022 https://sites.nd.edu/james-sullivan/files/2023/10/2022-Consumption-Poverty-Report_10_20_2023.pdf. Also see Greig, Fiona, Erica Deadman, and Tanya Sonthalia. 2022. "Household Pulse: The State of Cash Balances at Year End." JPMorgan Chase Institute.
https://www.jpmorganchase.com/institute/research/household-income-spending/household-pulse-cash-balances-at-year-end

[21] See Mark R. Rosenzweig and Kenneth I. Wolpin. 1994. "Parental and Public Transfers to Young Women and their Children" *American Economic Review*, 84(5): 1195-1212.; Donald Cox and George Jakubson. 1995. "The Connection between Public Transfers and Private Interfamily Transfers" *Journal of Public Economics*, 57(1): 129-167.; Joseph G. Altonji, Fumio Hayashi, and Laurence J. Kotlikoff. 1997. "Parental Altruism and Inter Vivos Transfers: Theory and Evidence" *Journal of Political Economy*, 105(6): 1121-1166; and Robert F. Schoeni 2002. "Does Unemployment Insurance Displace Familial Assistance?" Public Choice, 110(1-2): 99-119. Estimates indicate that private transfers are reduced by 10 to 40 cents for every dollar of income received. Nonfamily transfers from partners or fathers of children may be more relevant and potentially an additional source for the families in question, see Kathryn Edin and Laura Lein. 1997. *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work*, Russell Sage Foundation, New York, NY.

the count changes with policies.[22] How well a given measure does this can be evaluated by directly examining how well a measure identifies the most disadvantaged. Research has shown that the SPM does not identify a more deprived population than either the OPM or consumption poverty measures.[23]

The handling of health expenditures and health insurance is one key reason the SPM performs poorly. The SPM subtracts out of pocket spending on health from income, leading those who can afford to spend more on health care to have lower SPM adjusted income, but in practice they tend to be better off.

A second reason the SPM validates poorly is that it takes expenditures on housing in different geographic areas and uses the data to construct an index of living costs across locations which it then uses to adjust poverty cutoffs. However, the areas where people spend more on housing are markedly better areas for the poor according to a wide range of indicators including mortality, health, assets, long-run income, housing characteristics, ability to pay bills, education, food security, and to a lesser extent, government services, and appliance ownership.[24] These general patterns hold after a variety of extensions and robustness checks, including examining alternative measures of regional prices, focusing on those below half the poverty line or 1.5 times the poverty line. These results broadly suggest that low-income individuals in lower-cost areas are more disadvantaged than their counterparts in higher-cost areas.

This finding can be explained by the empirical fact that prices at the state or sub-state level are strongly associated with many characteristics that are important to those with low incomes. Wages have been found to rise almost one for one with prices[25] and many other characteristics differ across local areas and have been shown to be reflected in home prices or rents.[26] Many

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[22] Several key studies have considered this to be the central goal of a poverty measure (Ruggles 1990, cited earlier, and National Academy of Sciences 1995). This goal is also consistent with how researchers and the broader public often think about poverty measures, which are used as indicators of disadvantage and predictors of various negative outcomes. Also see Bruce D. Meyer D. and James X. Sullivan. 2003. "Measuring the Well-Being of the Poor Using Income and Consumption." *Journal of Human Resources* 38(S):1180-1220; Bruce D. Meyer and James X. Sullivan. 2011. "Viewpoint: Further Results on Measuring the Well-Being of the Poor using Income and Consumption." *Canadian Journal of Economics* 44(1): 52-87; Meyer and Sullivan 2012 cited earlier; Fox and Warren 2018 cited earlier; Trudi Renwick. 2018. "Incorporating Amenities into Geographic Adjustments of the Supplemental Poverty Measure Thresholds." SEHSD Working Paper No. 2018-32. Washington, D.C.: U.S. Census Bureau; all who use this approach.

[23] Bruce D. Meyer and James X. Sullivan. 2012. "Identifying the Disadvantaged: Official Poverty, Consumption Poverty, and the New Supplemental Poverty Measure." *Journal of Economic Perspectives*, 26(3): 111-136; Liana Fox and Lewis Warren. 2018. "Material Well-Being and Poverty: New Evidence Across Poverty Measures." APPAM Presentation Slides. Washington, D.C.: U.S. Census Bureau; Brian Curran, Bruce D. Meyer and Derek Wu. 2020. "A Note on Comparisons of Well-Being between the Supplemental Poverty Measure and the Official Poverty Measure." Working Paper, University of Chicago.

[24] Bruce D. Meyer, Derek Wu and Brian Curran. 2021. "Does Geographically Adjusting Poverty Thresholds Improve Poverty Measurement and Program Targeting?" University of Chicago Working Paper. https://bpb-us-w2.wpmucdn.com/voices.uchicago.edu/dist/d/1370/files/2022/06/Geographic-Adjustments-Paper-4.7-NBER-SI_compressed.pdf

[25] J. Michael DuMond, Barry T. Hirsch, and David A. Macpherson. 1999. "Wage Differentials Across Labor Markets and Workers: Does Cost of Living Matter?" *Economic Inquiry*, 37(4): 577-598; Barry Hirsch. 2011. "Adjusting Poverty Thresholds When Area Prices Differ: Labor Market Evidence." Working Paper.

[26] These include public goods such as schools (Charles Tiebout. 1956. "A Pure Theory of Local Expenditures." *Journal of Political Economy*, 64(5): 416-424; Wallace E. Oates. 1969. "The Effects of Property Taxes and Local

categories of state and local spending are strongly associated with prices. These characteristics have the potential to offset the increases in resources needed to maintain a given standard of living in the face of higher prices for some goods. Likely due to these patterns, we also find that measures of intergenerational mobility from the Opportunity Atlas of Chetty and co-authors are also positively correlated with local prices..[27]

6. The National Academy of Sciences Process is Broken

Congress has asked the National Academy of Sciences, Engineering and Medicine (NASEM or NAS) to provide advice on many topics over an extended period of time. Unfortunately, this nominally scientific body has accepted projects that mix scientific tasks with political judgements including devising poverty measures and constructing a legislative agenda to reduce poverty. I am reluctant to criticize the NAS because it does important work, but the NAS does not recognize its failings. I come from academe, where a debate is currently raging as to whether academic leaders should take political stands—a complicated issue to be sure. I think what is more clearly wrong is to imply, as NAS has, that recommendations on topics like the level of poverty thresholds and specific policies to reduce poverty are scientific recommendations, when they are at least partly political judgments.

The NAS has been used for political purposes with some participants seeing it as the goal of their activities. This advancement of a political agenda has been aided by the frequent selection of report authors from a narrow group of individuals. Relying on Federal Election Commission and other data, Scott Winship has documented the overwhelming political slant of report authors. The NAS also has a troubling funding model reliant on parties that stand to gain or lose from report recommendations. Potentially as a result, there have been recent instances in which consequential errors in reports have gone unacknowledged and uncorrected, for example the recent Roadmap Report on child poverty..[28] Others have pointed to potential cooption, problematic funding, and political as opposed to scientific stands taken by the NAS..[29] Possible

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Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis." *Journal of Political Economy*, 77(6): 957-971; Sandra Black. 1999. "Do Better Schools Matter? Parental Valuation of Elementary Education." *Quarterly Journal of Economics*, 114(2): 577-599; Dennis Epple. 2008. "Tiebout Hypothesis." In S.N. Durlauf and L.E. Blume (Eds.), The New Palgrave Dictionary of Economics, 2nd edition.), pollution (Lucas Davis. 2004. "The Effect of Health Risk on Housing Values: Evidence from a Cancer Cluster." *American Economic Review*, 94(5): 1693-1704; Kenneth Y. Chay and Michael Greenstone. 2005. "Does Air Quality Matter? Evidence from the Housing Market." *Journal of Political Economy*, 113(2): 376-424. Chay and Greenstone 2005), and cash welfare (Edward L. Glaeser. "Should Transfer Payments Be Indexed to Local Price Levels?" *Regional Science and Urban Economics*, 28(1): 1-20).

[27] Raj Chetty, John N. Friedman, Nathaniel Hendren, Maggie R. Jones, and Sonya R. Porter. 2018. "The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility." NBER Working Paper No. 25147.

[28] This report incorporated economic responses when they supported what report authors publicly advocated, but ignored them when it would make other policies they advocated look worse. Kevin Corinth, Bruce D. Meyer, Matthew Stadnicki, and Derek Wu "The Anti-Poverty, Targeting, and Labor Supply Effects of Replacing a Child Tax Credit with a Child Allowance." NBER Working Paper No. 29366, Revised March 2022. https://www.nber.org/papers/w29366

[29] For potential conflicts between funding and recommendations see https://www.nytimes.com/2023/04/23/health/sacklers-opioids-national-academies-science.html NYT stories; For a discussion of a political stand taken by the NAS see https://whyevolutionistrue.com/2023/07/17/the-national-

solutions to these problems include the NAS not taking on political tasks, broadening panel membership, and considering alternative funding models. Congress may also want to reflect on whether they are getting truly scientific advice as requested, not politically-motivated findings and recommendations.

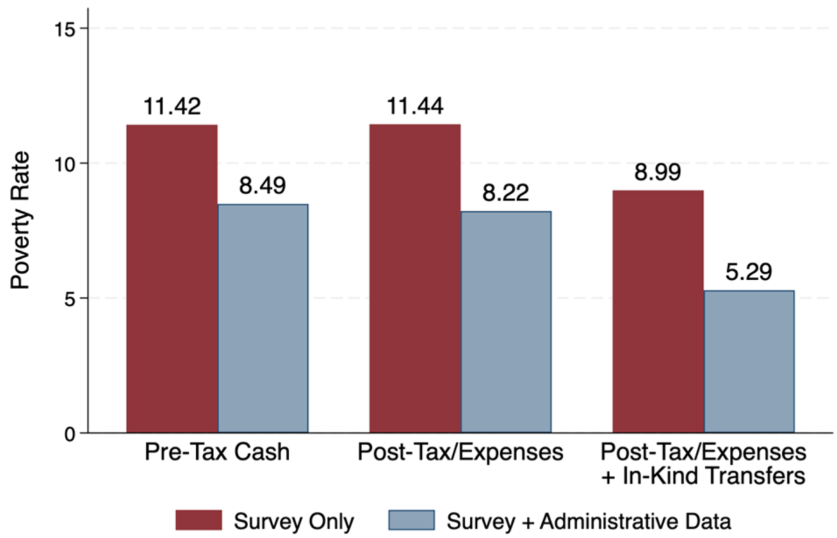
Conclusions

I have focused on six observations that inform how poverty statistics should be constructed and used. Much of the recent NAS report on poverty measurement is subjective rather than scientific. Better ways to measure poverty which rely on administrative data and expenditure data are already feasible. These approaches indicate that poverty is currently overstated and the poverty-reducing effects of the existing safety net understated. The NAS-proposed changes to poverty measurement would produce a measure of poverty that does a worse job identifying the most disadvantaged, calling poor those who are better off and not including others suffering more deprivation. This measure has been recently used to claim that the CTC led child poverty to double, a claim rejected by both the Census Bureau's data and more appropriate consumption data. Finally, the process that has produced recent NAS reports has led a narrow group of authors to use NAS reports for political purposes.

academies-post-a-position-statement-on-affirmative-action-followed-by-an-email-exchange-between-steven-pinker-and-na-president-marcia-mcnutt/

Figure 1

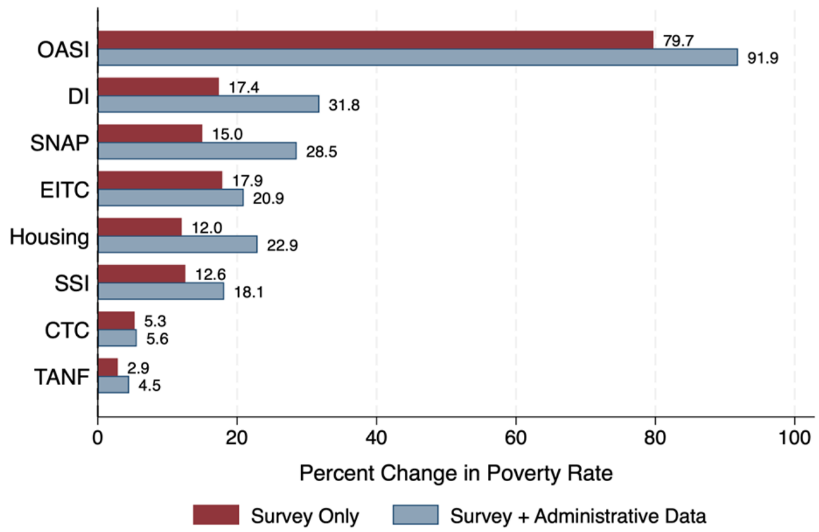
Poverty Rates Under Different Income Concepts, Survey Only Income or Income from Combined Survey and Administrative Data Correcting for Misreporting, 2016



Source: 2017 CPS ASEC linked to various administrative records
Approved for release by the Census Bureau's Disclosure Review Board, authorization number CBDRB-FY2022-CES005-016

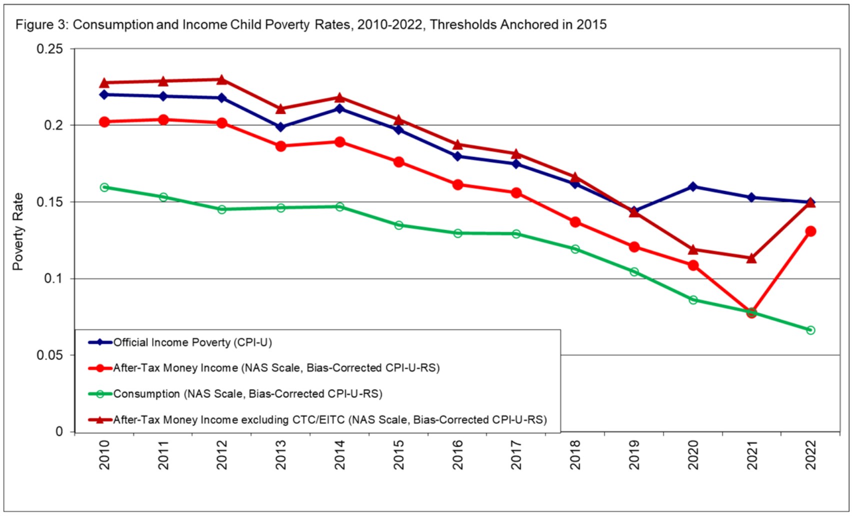
Figure 2

Percent Increase In Poverty Without a Given Transfer Program, Survey Only Income or Income from Combined Survey and Administrative Data Correcting for Misreporting, 2016



Source: 2017 CPS ASEC linked to various administrative records
Approved for release by the Census Bureau's Disclosure Review Board, authorization number CBDRB-FY2022-CES005-016

Figure 3
Child Income and Consumption Poverty Rates, 2010-2022



Sources: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey; U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplement. Jeehoon Han, Bruce D. Meyer, and James X. Sullivan, 2023. Annual Report on U.S. Consumption Poverty: 2022 https://sites.nd.edu/james-sullivan/files/2023/10/2022-Consumption-Poverty-Report_10_20_2023.pdf

Chairman LAHOOD. Thank you, Dr. Meyer. I now recognize Director Hansen for five minutes.

STATEMENT OF DAVID HANSEN, DIRECTOR OF EDUCATIONAL OPPORTUNITIES AND INVESTMENTS, PERRY COUNTY, OHIO JOB AND FAMILY SERVICES

Mr. HANSEN. Great. Thank you, Chairman Smith, Chairman LaHood, Ranking Member Davis, and members of the subcommittee. Thank you for the opportunity to share my experience working in rural America with some of our most vulnerable citizens and on how adjusting the current poverty line would impact our community and the services we provide.

My name is David Hansen. I am the director of educational opportunities for Perry County Job and Family Services in southeast Ohio. I lead Perry County's workforce development activities. I focus my work on guiding individuals out of government dependance through work and toward economic independence and security.

There are 36,000 residents in our rural Appalachian community. The cultural and economic heritage of Perry County is deeply rooted in coal, but the last coal mine closed in 2019. Having literally powered the industrial might of Ohio and the U.S. for decades, Perry County now ranks 76 out of 88 Ohio counties in terms of poverty.

I urge you to consider a few examples I see that I can share out of many on how this specific proposal would work against rural communities as I understand it.

To help our families, we rely on funding from TANF, Temporary Assistance for Needy Families, and on Medicaid and on supports for child care. Replacing the official poverty measure with the Supplemental Poverty Measure would lower eligibility for these programs in Perry County. It would do the same to many other programs, including SNAP, the Supplemental Assistance for Needy Families program, and the National School Lunch Program. All of these are vital to food security, health, and child care, and these in turn are essential in helping someone out of poverty through work and training.

The proposal would impact large parts of our work funded by WIOA, the Workforce Innovation and Opportunity Act. WIOA is so important to us in increasing investment in skills and learning on the part of individuals, and so help them to hold good-paying, family-supporting jobs.

Under the Supplemental Poverty Measure, Ohio's poverty rate would go down by 2.3 percentage points just by changing the definition. This means, for Ohio, less funding from Federal programs to distribute dollars based on proportional poverty rates across all the states. But within Ohio itself, the impact on rural Perry County would be even greater. I estimate the proposal would lead to a decrease in the official county poverty rate of about 5 to 6 percentage points, or 25 percent of the current count. Yet none of the newly unpoor would actually be any better prepared for work-based independence or have better access to transportation or child care or food security, all required for training and work.

Here are some reasons why I believe it would work this way. Our community does not have access to the same funding streams as do urban areas and cannot afford many activities often related to resolving poverty that urban areas can. Their absence in rural areas adds significant costs in ways that may not be captured by the Supplemental Poverty Measure. Some of our local governments have only two percent of the property tax funding base per resident than a typical urban county. As a result, we don't have community centers in Perry County for youth drug prevention activities, nor do we have year-round recreational facilities for adults for their health and engagement in supportive programs such as weight loss.

Here is another very specific example. Our agency holds an annual back-to-school bash for TANF-eligible families in the summer. We share with them the basic needs for a new school year: backpacks, tennis shoes, school supplies, and their school spirit sweatshirts. In urban areas better-funded schools—and the property tax remains a large component of K through 12 finance in Ohio—these better-funded schools often get this organized and financed on their own. But in Perry County it falls on our agency, and we use TANF for this event. I don't see how the 200 families who would be dropped from our back-to-school bash under the proposed new poverty measure would be better off for it. The SPM would not capture the added back-to-school costs that would be borne by residents in Perry County when it wouldn't typically fall in disadvantaged families and better-funded suburban and urban districts.

We and other rural communities can't afford the workforce-oriented public transit systems that urban areas have. Nearly 80 percent of our W-2 workforce leaves for jobs in urban counties entirely without public transit options at a cost not accounted for. Nor can we afford many small programs with really big impact on those in poverty. Rural Ohio typically lacks zoning and land banks. These two programs can really improve the lower end of the community's housing market. The urban-to-rural disparity of funding and policy means that quality and livability per dollar of valuation of affordable housing and urban areas is, in my view, far better than what I have seen in rural Ohio.

Many private activities of Perry County have withered with the loss of the coal industry and manufacturing. Social clubs, fraternal orders, union halls, and even churches, with all that they can do to help people in need, are in steep decline in the community. That is another uncaptured cost.

Economically, we do not have a Walmart in the county, and the people we serve are not online to begin with, let alone on Amazon looking for inexpensive shopping.

The high cost of diminished commercial activity can be seen in the absence of a private driver's ed school in Perry County. Driver's ed in Ohio is typically a small business activity widespread in urban and suburban and small town Ohio. Instead, in Perry County, you have to leave the county to get a license. The added cost of fuel, vehicle access, time, and more to get a license is beyond so many of the people we serve, and it won't be captured by the Supplemental Poverty Measure that I can see.

As for my work, the lack of a driver's license is a major barrier in getting many of our customers to work and training. If the Administration were to adopt this Supplemental Poverty Measure, Ohio and rural communities like Perry County would suffer. There are value judgments to be made about the quality of life in rural America and in fairness and equity between rural and urban communities. For these value judgments, Congress should have responsibility for making the decisions.

Chairman LAHOOD, Chairman Smith, and members of the Committee, thank you for the opportunity to testify today, and I look forward to your questions.

[The statement of Mr. Hansen follows:]

Testimony of David Hansen

Director of Educational Opportunities and Investments
Perry County, Ohio, Job and Family Services

Before the U.S. House of Representatives Committee on Ways and Means,
Subcommittee on Work and Welfare

"Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America"
October 24th, 2023

Thank you, Chairman Smith, Chairman LaHood, Ranking Member Davis, and Members of the Committee for the opportunity to share my views and experience working in rural America with some of our most vulnerable citizens and how adjusting the current poverty line would impact our community and the services we provide.

My name is David Hansen, and I am the Director of Educational Opportunities and Investments for Perry County, Ohio, Job and Family Services. I lead Perry County's workforce development activities and focus my work on guiding individuals out of government dependence through work, and toward economic independence and security. An important strategy I apply in these programs is to link the Agency's income support activities to successful efforts by individuals to acquire meaningful job- and career-training.

The mission of Perry County Job and Family services is to build a stronger community by providing an effective support system that empowers children, adults, and families with the resources they need to achieve economic stability and success. With our county-wide reach and the resources we administer, our Agency engages and often leads many community and economic development activities aligned with our mission, including in employer retention and expansion, housing remediation, older adult protection and more.

There are about 36,000 residents in our rural Appalachian community which lies to the southeast of Columbus. The cultural and economic heritage of Perry County is deeply rooted in coal. However, the last Perry County mine closed in 2019, laying off some 200 workers. Perry County ranks 76th out of 88 Ohio counties in terms of poverty, with just under 1 in 5 adults, and little over 1 in 4 children, living in poverty.

I urge you to consider in your conversations in Washington how this move would impact rural communities across the country such as Perry County. To complement the research perspective, here are some observations I hope will help you understand its impact.

1. **Replacing the Official Poverty Measure with the new Supplemental Poverty Measure would impact programs our agency relies on to support low-income families across Perry County.**

   To help our families we rely on funding from Temporary Assistance for Needy Families (TANF), Medicaid, as well as subsidies and direct support for childcare subsidies.

   It could impact eligibility for those programs and others including Supplemental Assistance for Needy Families (SNAP) and the National School Lunch program.

   All these are vital to food security, health and childcare, which are three of our four prerequisites for any attempt to lift someone out of poverty through training and work.

   The proposal would impact parts of our Workforce Innovation and Opportunity Act (WIOA)- funded efforts.

   In Ohio, TANF and WIOA can be braided together and targeted to career development for youth ages 14 through 24. This particular Ohio program is critical to our objective of increasing investment in skills and learning on the part of individuals -and so help them prosper in the economy. Changing the poverty level as proposed would impact large parts of this program as well.

   Under the Supplemental Poverty Measure, Ohio's poverty rate determined by the Census Bureau would go down by 2.3 percentage points – solely by changing the definition.

   Our county is allocated resources by both the state and federal government based on poverty – so the state would receive less funding from federal programs that distribute dollars based on proportional poverty rates across all the states. Less money to Ohio, with its significant rural population compared to east and west coast states, will mean less support for our community.

   But even within Ohio itself, the impact on rural Perry County would be far, far greater. My guess is perhaps a decrease in poverty rate of 5 to 6 percentage points, or 25% of the current estimate. Yet none of the newly "unpoor" would actually be any better prepared for work-based independence.

2. **Second, rural areas face important, disproportionate net costs not captured by the Supplemental Poverty Measure.**

   In particular, our community does not have access to the same funding streams that urban and higher-cost-of-living communities have. Without these funding streams many problems addressed by local government in urban areas – especially those related to fighting poverty – cannot be addressed by our local governments.

   This adds very significant costs in ways not captured by the Supplemental Poverty Measure.

   The assessed property tax base in Perry County on a per person basis is about one-fiftieth of that of a typical Ohio urban county. That is, our local governments have only 2% of the funding per resident for services important to disadvantaged people than does a big city county. As a result, we have no community centers for youth drug prevention activities; no year-round recreational facilities for adults for their health and engagement in supportive programs such as weight loss.

Our Agency holds an annual "back to school bash" for TANF-eligible families with school age children where we share with them the basic needs for a new school year: backpacks, tennis shoes, school supplies, their school spirit sweatshirts. In many other places schools get this organized and financed, but in Perry County it falls on us.

I can't see how the 200 families who could be dropped from the back to school bash under the proposed new poverty measure would be better off for it.

The fourth prerequisite for getting into a job is transportation. Nearly 80% of our w-2 workforce leaves for jobs in neighboring metro counties. In-county jobs are not plentiful and due to our geography they aren't likely to arrive soon. But Perry County and other rural communities lack workforce-oriented public transportation that can address this challenge.

Federal and state funding streams have generously supported urban transit systems providing exactly the kind of workforce transportation a lower-wage worker needs to get to a job or a training program. This cost and subsidy disparity won't be included in the new poverty measure.

State and federal programs often attempt to mitigate these urban/rural public funding disparities, but the problem is so deeply ingrained that it remains largely in place.

3. **Private resources within a community that help to lessen costs and provide unmeasured resources to the disadvantaged are depleted in rural areas while they remain active in urban areas. The Supplemental Poverty Measure will not capture this disparity.**

The literal wealth of Perry County has withered away with the loss of the coal industry and legacy manufacturing. Without such wealth, the social wealth of community activity in Perry County is similarly depleted. This is an even greater cost borne by the rural poor that the proposed poverty measure won't capture than is the public expenditure dynamic.

Social clubs, fraternal orders, union halls, parochial schools and even churches with all that can do to help people in need are in steep decline in the community. The private solutions to social challenges that once characterized life in rural America, and which can still be found in urban communities even if diminished, are largely gone, and this is another uncaptured cost.

Much of modern commercial activity doesn't find it profitable to be in Perry County. We do not have a Walmart in the county, and only one full-service grocery store. Small businesses fill some of the gap, but their higher hidden costs, such as less selection and older inventory, will not be captured.

The perniciousness of diminished commercial activity can be seen in the absence of any private drivers' education school in Perry County. These are very common in urban Ohio but, unless you are a select student in only one of our four school districts, you will have to leave the county to get at least the behind-the-wheel training for a license. This added cost of fuel, vehicle access, time and more is beyond so many of our customers. Lack of the drivers' license is a major barrier in getting many of our customers to work and training.

4. **The housing cost component of the Supplemental Poverty Measure could work against accurate capture of rural housing value.**

   In 2017 I launched the Perry County Land Bank. Based on the experience of helping to dispose of a portfolio of some 130 abandoned and unsafe houses in the County, I would argue that a poverty measure that includes housing costs in its calculation will be making an apples-to-oranges comparison between rural and urban regions. It will overstate the apparent quality of rural housing in ways that aren't captured by market prices and valuations.

   This is because the lack of zoning or zoning enforcement, and the lack of land banks in rural areas until very recently, at least in Ohio. Without these two measures common to urban areas the lower end of the housing market is far worse in quality and livability per dollar of value in rural areas than it is in cities and older suburbs. This is just my impression, but I would encourage the researchers to look into the possible impact.

If the Administration were to adopt this new measure, Ohio and communities like Perry County would suffer. I am here today to ask our Representatives to act and ensure that unilateral adjustments about how we measure poverty are not made without consideration of the disproportionate impact those changes would have on rural communities.

Because there are value judgements to be made about the quality of life in rural America and in fairness and equity between rural and urban communities, I think Congress, not researchers and scientists, as much as I respect and learn from their work, should have the responsibility for establishing funding and eligibility limits for federal benefit programs.

Chairman LaHood and Members of the Committee, on behalf of the Perry County Job and Family Services Agency and all the citizens of our County, thank you for the opportunity to testify today and I look forward to your questions.

Chairman LAHOOD. Thank you, Director Hansen.

We will now turn to our last witness, Ms. Maag, for your five minutes.

STATEMENT OF ELAINE MAAG, SENIOR FELLOW, URBAN-BROOKINGS TAX POLICY CENTER

Ms. MAAG. Chairman Smith, Chairman LaHood, Ranking Member Davis, and members of the subcommittee, it is an honor to share insights on recent policies that have reduced poverty.

Investing in children, particularly those in families with low incomes, can produce a lifetime of benefits.

I am a senior fellow in the Urban Institute Brookings Institution Tax Policy Center and a co-director of the Innovations in Cash Assistance for Children initiative. The views expressed in this testimony are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

For children to thrive, they need to have basic needs met. Yet 12.4 percent of children were living below the poverty line in 2022, a tremendous jump from the 5.2 percent of children living in poverty in 2021. The jump in child poverty was largely driven not by changes in economics or demographics. It was a policy choice.

During 2021, the Federal Government adopted a robust set of economic supports that dramatically decreased poverty, including an expansion of the Child Tax Credit. When the expansion expired, the resulting increase in child poverty was unprecedented. Never before had so much progress been made to reduce poverty, only to have it evaporate after a single year. Absent the expansion, about 19 million children in the lowest-income families are unable to receive the full credit because their parents don't earn enough. Children left out of the full credit are disproportionately Black and Hispanic. Children living in rural America are more likely to be left out than urban children.

Besides substantially reducing child poverty, the Expanded Child Tax Credit also reduced hardship, and it fostered parental investments in their children.

The most substantial Federal investments in children are refundable tax credits, including the Child Tax Credit and the Earned Income Tax Credit, but the credits are not as effective as they could be. Research suggests that the Earned Income Tax Credit reduces income inequality between Black and White households in the 25th and 50th income percentiles, but does little at the 10th income percentile.

The Child Tax Credit delivers a benefit to about 90 percent of families with children. The benefits from the credit are not equal. On average, middle and high-income families with children receive more from the Child Tax Credit than those with low incomes. This upside-down investment is costly. Researchers estimate that child poverty costs the U.S. between 500 billion and 1.03 trillion annually. Children experiencing poverty tend to earn less and pay less in taxes as adults, and they are more likely to require public supports later in life.

Growing up in poverty is correlated with a host of negative outcomes: reduced cognitive development, starting school less prepared to succeed, and experience—reduced academic achievement and skill development. They are less likely to graduate from high school or college and have lower-paying and less stable jobs later in life. Long term, on average, they face substantially reduced earnings and poor health outcomes, likely related to inadequate access to medical care.

Policy choices can and did disrupt this cycle when the Child Tax Credit was expanded and reduced child poverty to never-before recorded lows. Early effects of the expanded Child Tax Credit have been well-documented by numerous researchers at many institutions, and the evidence continues to mount. As noted, the Child Tax Credit played a substantial role in reducing child poverty.

Researchers also documented a 25 percent decline in food insufficiency among low-income Black, Hispanic, and White children. During the time of the advanced Child Tax Credit payments, families reported not only having enough to eat, but they were more likely to report eating healthier, balanced meals relative to those who did not receive the payments.

The expanded Child Tax Credit corresponded with reductions in financial hardships. Families who received the payments reported declines in credit card debt and a reduced reliance on high-cost financial services: payday loans, pawn shops, selling plasma.

Among recipients of Supplemental Nutrition Assistance Program benefits, researchers found families were more likely to be able to pay utility bills. In New York City, Child Tax Credit recipients were less likely to report they ran out of money before the end of the month. Parents invested in their children's futures, purchasing tutoring services and extracurricular activities. This was especially true among Black and Hispanic and other non-White households. In some cases, families reported using the money to save for college, a pathway to improved economic opportunity.

The expanded child credit allowed families to better meet the needs of their children. The credit reduced food insecurity, fostered economic security, and allowed parents to invest in their children. Research shows that investing in children can lead to a lifetime of benefits for both the children and society. The expansion was ultimately a limited experiment in the power of policies to lift up even very low-income children.

[The statement of Ms. Maag follows:]

UNDERSTANDING HOW THE EXPANDED CHILD TAX CREDIT REDUCED POVERTY AND HARDSHIP IN 2021

Statement of
Elaine Maag*
Senior Fellow, Tax Policy, Urban Institute
Co-Director, Innovations in Cash Assistance for Children Initiative

before the
Subcommittee on Work and Welfare,
Ways and Means Committee,
United States House of Representatives

WORK & WELFARE SUBCOMMITTEE HEARING ON MEASURING POVERTY

October 24, 2023

* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

I thank Leonard E. Burman, Sarah Trumble, and Lauren Lastowka for help in preparing this testimony.

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Chairman LaHood, Ranking Member Davis, and members of the subcommittee, thank you for the invitation to share insights from my research and the research of others on poverty, recent policies that have reduced poverty, and how investing in children, particularly those in families with low incomes can improve both near- and long-term outcomes for children.

I am a senior fellow in the Urban Institute's Tax Policy Center and a co-director of the Innovations in Cash Assistance for Children initiative. The views expressed in this testimony are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

Introduction

For children to thrive, they need to have their basic needs met. When needs go unmet, children's opportunities are compromised.[1] The Census Bureau estimates that 12.4 percent of children were living below the poverty line in 2022, a tremendous jump from the 5.2 percent of children living in poverty in 2021.[2] Researchers estimate rates of child poverty in 2022 would have been higher, at 15.2 percent, absent the Child Tax Credit.[3]

The jump in child poverty from 2021 to 2022 was largely driven not by changes in economics or demographics, but by the expiration of policies enacted in the American Rescue Plan Act. In other words, increased child poverty was a policy choice. During 2021, the federal government adopted a robust set of economic supports that dramatically decreased poverty, including an expansion of the Child Tax Credit. When the Child Tax Credit expansion expired in 2022, the resulting increase in poverty was unprecedented. Never before has so much progress been made to reduce poverty only to have it evaporate after a single year.

The expanded Child Tax Credit was a powerful tool for reducing child poverty because it delivered the full benefit of the credit to families with very low incomes. Under current law, about 19 million children in the lowest income families, representing about one-quarter of all children, are unable to receive the full credit because their parents do not earn enough.[4] Research prior to the expansion, when the rules were almost identical to the rules today, showed that children left out of the full credit

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[1] National Academies of Sciences, Engineering, and Medicine, 2019, *A Roadmap to Reducing Poverty*, Washington, DC: The National Academies Press.

[2] Emily A. Shrider and John Creamer, 2023, "Poverty in the United States: 2022," Current Population Reports, 60–280, Washington, DC: US Census Bureau, https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-280.pdf. The Census Bureau estimated that in 2022, 11.5 percent of people in the US were in poverty using the official poverty measure. Children experience much higher rates of poverty than others: 15 percent of children were in poverty in 2022. The official poverty measure does not account for assistance delivered through the tax code.

[3] Anastasia Koutavas, Christopher Yera, Sophie Collyer, Megan Curran, David Harris, and Christopher Wimer, 2023, "What Would 2022 Child Poverty Rates Have Looked Like if an Expanded Child Tax Credit Had Still Been in Place?" New York: Center on Poverty and Social Policy at Columbia University.

[4] Tax Policy Center Table T22-0123, https://www.taxpolicycenter.org/model-estimates/children-and-other-dependents-receipt-child-tax-credit-and-other-dependent-tax.

were disproportionately Black and Hispanic,[5] reflecting longstanding inequities in the labor market. In 2022, over one-third of children living in rural America were left out of the full Child Tax Credit, a rate much higher than the one-quarter of urban children who did not receive the full benefit from the credit.[6]

Besides substantially reducing child poverty, the expanded Child Tax Credit coincided with a drop in reports of hardship. Parents receiving the expanded credit also reported making additional investments in their children. I am going to describe the costs associated with failing to invest in children, the 2021 expansion of the Child Tax Credit, and the changes in well-being families experienced during 2021—many of which were reversed in 2022 following the expiration of the expanded credit.

Benefits of Investing in Children

The federal government invests in children in myriad ways.[7] Among the most substantial investments are refundable tax credits, including the Child Tax Credit and the Earned Income Tax Credit. These credits, though critical for many children, are not as effective as they could be for the very lowest income families. For example, research suggests that the Earned Income Tax Credit reduces income inequality between Black and White households at the 25th and 50th income percentiles, but there is no demonstrated improvement in income inequality among Black and White households at the 10th income percentile (Hardy, Hokayem, and Ziliak 2022).

Prior to the temporary expansion of the Child Tax Credit in 2021, it was reformed as part of the Tax Cuts and Jobs Act of 2017. Since the Tax Cuts and Jobs Act was enacted, the Child Tax Credit has delivered a benefit to about 90 percent of families with children.[8] Left out are children in families with very low incomes who do not meet the minimum earnings requirement, children whose adult parents or guardians do not meet the relationship or residency tests required to receive the credit, children who are ages 17 and up, and children who live in families with very high incomes. The benefits from the credit are not equal. On average, middle- and high-income families with children receive more from the Child Tax Credit than those with low incomes.[9]

The failure to invest adequately in children with low incomes is costly to the US and to the affected individuals. Researchers estimate that child poverty costs the US between $500 billion and $1.03 trillion annually. The largest cost is reduced productivity later in life. Children experiencing

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[5] Jacob Goldin and Katherine Michelmore, 2021, "Who Benefits from the Child Tax Credit?" SSRN, https://doi.org/10.2139/ssrn.3708961; Sophie Collyer, Jill Gandhi, Irwin Garfinkel, Schuyler Ross, Jane Waldfoger, and Christopher Wimer, 2022, "The Effects of the 2021 Monthly Child Tax Credit on Child and Family Well-being: Evidence from New York City," Socius, 8, https://doi.org/10.1177/23780231221141165.

[6] Collyer et al., "The Effects of the 2021 Monthly Child Tax Credit on Child and Family Well-being."

[7] Cary Lou, Heather Hahn, Elaine Maag, Hannah Daly, Michelle Casas, and C. Eugene Steuerle, 2022, "Kids' Share 2022: Report on Federal Expenditures on Children Through 2021 and Future Projections," Washington, DC: Urban Institute.

[8] Tax Policy Center, Table T22-0242.

[9] Tax Policy Center, Table T22-0242.

poverty tend to earn less and pay less in taxes as adults, and they are more likely to require public supports later in life.[10]

Growing up in poverty is correlated with a host of negative outcomes. These start early in life with reduced cognitive development.[11] Children living in poverty start school less prepared to succeed and experience reduced academic achievement and skill development.[12] They are less likely to graduate from high school or college and have lower paying and less stable jobs later in life.[13] Long-term, on average, they face substantially reduced earnings and poor health outcomes, likely related to inadequate access to medical care.[14]

Policy choices can disrupt this cycle, as they did in 2021 when the Child Tax Credit was expanded and reduced child poverty to never before recorded lows.

Temporary Expansion of the Child Tax Credit

In 2021, children in families with very low incomes became eligible for the full benefit from the Child Tax Credit. Most children in families with low- and moderate-incomes became eligible for larger benefits.[15] Specifically, the maximum value of the Child Tax Credit increased from $2,000 per child under age 17 to $3,600 per child under age 6 and $3,000 per child ages 6 through 17. This meant that average benefits for the lowest income children matched those of their middle-income peers, unlike today when children in the lowest income families receive the lowest average benefits, as was the case before the temporary expansion.[16] Although federal government spending on all children still represents a small share of the total federal budget, it reached a new high in 2021, driven by the temporary expansion to the Child Tax Credit.[17]

[10] Elaine Maag, Cary Lou, Michelle Casas, Hannah Daly, Gabriella Garriga, and Lillian Hunter, 2023, "The Return on Investing in Children," Washington, DC: Urban Institute, https://www.taxpolicycenter.org/publications/return-investing-children.

[11] Neil Damron, 2015, "Poverty Fact Sheet: Brain Drain: A Child's Brain on Poverty," Madison, WI: Institute for Research on Poverty and Morgridge Center for Public Service.

[12] Vonnie C. McLoyd, 1998, "Socioeconomic Disadvantage and Child Development," *American Psychologist* 53 (2): 185–204, https://doi.org/10.1037/0003-066X.53.2.185; Caroline Ratcliffe, 2015, *Child Poverty and Adult Success*, Washington, DC: Urban Institute.

[13] Michael McLaughlin and Mark R. Rank, 2018, "Estimating the Cost of Childhood Poverty in the United States," *Social Work Research* 42 (2): 73–83.

[14] Adam Schickedanz, Peter G. Szilagyi, and Benard Dreyer, 2021, "Child Poverty and Health in the United States: Introduction and Executive Summary," *Academic Pediatrics* 21 (8): S81–5, https://doi.org/10.1016/j.acap.2021.09.003.

[15] Tax Policy Center, Table T22-0148.

[16] Tax Policy Center Table T22-0242.

[17] Lou et al., "Kids' Share 2022."

Impact of the Child Tax Credit

Early effects of the Child Tax Credit have been well documented by numerous researchers at many institutions—and the evidence is mounting.[18]

As already noted, the expanded Child Tax Credit played a substantial role in reducing child poverty. Researchers also documented a reduction in food insecurity. Families that received the advanced payments of the Child tax Credit, which delivered a pro rata share of the credit from July 2021 through December 2021, reported larger declines in food insecurity than those who did not receive the benefit.[19] Households with children, particularly Black and Latino families, typically experience food hardship at much higher levels than other families. The expanded Child Tax Credit payments correlated with a steep drop in food hardship for all households with children.[20] The initial payments led to a 25 percent decline in food insufficiency among low-income Black, Hispanic, and White children.[21] During the time of the advanced Child Tax Credit payments, families reported not only having enough to eat, but were more likely to report eating healthier, balanced meals relative to those who did not receive the payments.[22]

After the payments expired, families reported once again having trouble purchasing food.[23] Food insufficiency spiked by 25 percent as low-income families with children once again struggled the most to afford enough food[24].

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[18] Megan A. Curran, 2022, "Research Roundup of the Expanded Child Tax Credit: One Year On," Poverty and Social Policy Report, vol 6, no. 9, Center on Poverty and Social Policy, Columbia University. https://www.povertycenter.columbia.edu/publication/2022/child-tax-credit/research-roundup-one-year-on

[19] Michael Karpman, Elaine Maag, Stephen Zuckerman, and Douglas A. Wissoker, 2022, "Child Tax Credit Recipients Experienced a Larger Decline in Food Insecurity and a Similar Change in Employment as Nonrecipients Between 2020 and 2021," Washington, DC: Urban Institute; Daniel Perez-Lopez, 2021, "Household Pulse Survey Collected Responses Just Before and Just After the Arrival of the First CTC Checks," Washington, DC: Census Bureau, https://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html

[20] Zippel, Claire, 2021, "After Child Tax Credit Payments Begin, Many More Families Have Enough to Eat", Washington, DC: Center on Budget and Policy Priorities. https://www.cbpp.org/blog/after-child-tax-credit-payments-begin-many-more-families-have-enough-to-eat

[21] Zachary Parolin, Elizabeth Ananat, Sophie M. Collyer, Megan Curran, and Christoper Wimer, 2021, "The Initial Effects of the Expanded Child Tax Credit on Material Hardship," NBER Working Paper 29285, Cambridge: National Bureau of Economic Research.

[22] Leah Hamilton, Stephen Roll, Mathieu Despard, Elaine Maag, Yung Chun, Laura Brugger, and Michal Grinstein-Weiss, *The Impacts of the 2021 Expanded Child Tax Credit on Family Employment, Nutrition, and Financial Well-being: Findings from the Social Policy Institute's Child Tax Credit Panel (Wave 2)*, Washington, DC: Brookings Institution, https://www.brookings.edu/articles/the-impacts-of-the-2021-expanded-child-tax-credit-on-family-employment-nutrition-and-financial-well-being/.

[23] Ashley Burnside, Bruce Fuller, Elaine Maag, Kathryn Menefee, Brayan Rosa-Rodriguez, and Qifan Zhang, 2023, "National Survey: Families Faced Financial Strain When Expanded CTC Expired." Washington, DC: Center for Law and Social Policy, https://www.clasp.org/publications/report/brief/national-survey-families-faced-financial-strain-when-expanded-ctc-expired/

[24] Alison Bovell-Ammon, Nicole C. McCann, Martha Mulugeta, Stephanie Ettinger de Cuba, Julia Raifman, and Paul Shafer, 2022, "Association of the Expiration of the Child Tax Credit Advance Payments with Food Insufficiency in US Households," *JAMA Open Network*, https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2797549.

The expanded Child Tax Credit also corresponded to reductions in financial hardship. Families who received the payments reported declines in credit card debt and a reduced reliance on high-cost financial services (payday loans, pawn shops, selling plasma).[25] Among recipients of Supplemental Nutrition Assistance Payments (SNAP), researchers found families were more likely to be able to pay utility bills.[26] In New York City, Child Tax Credit recipients reported substantial reductions in financial hardship, measured by whether or not a family ran out of money before the end of the month.[27]

The expanded Child Tax Credit provided many families an opportunity to invest in their children's futures. Families reported using funds from the credit to pay for tutoring services and extracurricular activities for their children. This was especially true among Black, Hispanic, and other nonwhite households.[28] In some cases, families reported using the money to save for college, a pathway to improved economic opportunity.

Conclusion

The expanded Child Tax Credit allowed families to better meet the needs of their children. The credit reduced food insecurity, fostered economic security, and allowed parents to invest in their children. Research shows that investing in children can lead to a lifetime of benefits for both the children and society. The expansion was ultimately a limited experiment in the power of policies to lift up even very low-income children.

For questions, or to request a follow-up discussion based on this response, please contact Sarah Trumble at STrumble@urban.org.

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[25] Hamilton et al., *Impacts of the 2021 Expanded Child Tax Credit*.

[26] Natasha Pilkauskas, Katherine Michelmore, Nicole Kovski, and H. Luke Shaefer, 2022, "The Effects of Income on the Economic Wellbeing of Families with Low Incomes: Evidence formthe 2021 Expanded Child Tax Credit, University of Michigan, https://poverty.umich.edu/files/2022/09/Pilkauskas-et-al_CTC_Econ_wellbeing_Sept2022-1.pdf.

[27] Collyer et al., "The Effects of the 2021 Monthly Child Tax Credit on Child and Family Well-being."

[28] Jason Jabbari, Cameron Anglum, Stephen Roll, and Leah Hamilton, 2023, "The Child Tax Credit, Education Investments, and the American Dream: A Moderated Medication Analysis," Socius, 9, https://doi.org/10.1177/23780231231181899; Hamilton et al., *Impacts of the 2021 Expanded Child Tax Credit*.

Chairman LAHOOD. Thank you for your testimony.

Before we go to questions and answers, I do want to recognize our full committee chairman, Chairman Jason Smith, for five minutes.

Chairman SMITH. Thank you, Chairman LaHood, Ranking Member Davis, and thank all the witnesses for being here and taking time out of your busy schedule.

Today's hearing is on the surface about an issue that otherwise might draw very little attention with average-day Americans, but a discussion over how the government chooses to define one of various metrics it uses to allocate resources is not likely to reach the front pages of America's newspapers. And yet, as this hearing will show today, this issue will have a profound impact on millions of Americans in the communities, particularly rural communities, where they live and work.

As my colleagues are aware, numerous social services and child welfare programs base their eligibility requirements on what is known as the official poverty measure that the Census Bureau produces annually. Federal resources are then targeted towards states and communities with higher instances of poverty. But now, the Biden Administration is considering unilaterally discarding that standard and using a new metric that will result in an estimated 124 billion in new welfare spending over the next decade.

But even more concerning is that this change will divert resources away from America's rural communities. Under the Supplemental poverty measure that the administration is considering using to redraw the poverty line, in a high-cost-of-living state like California, the poverty line for a family of 4 would be as high as $47,000 and as low as $32,300 in the State of Alabama. That means families in rural states and communities have to be poorer than families in places like California in order to access SNAP and Medicaid benefits. This is about robbing resources from rural America and rewarding coastal elites, all under the cloak of a recommendation from a National Academy panel that is overwhelmingly liberal.

Instead of focusing limiting funds on politically charged research, we should focus our attention on support that helps families in poverty gain the employment skills they need to lift themselves out of poverty.

I also cannot help but mention that the metric the Administration recommended is a useful tool for our Democrat colleagues, because it inflates the actual benefits of massive Federal spending through programs like the so-called American Rescue Plan Act. It gives them the ability to decry the loss of that sugar-high spending as soon as the money runs out. It is a not-so-clever attempt to demand more Federal spending at all times, at all costs.

Also troubling is the way in which these changes measuring poverty can come about. Under current law, the White House's Office of Management and Budget has sole—has sole—authority to change the metric that is used. In other words, an executive agency can make a dramatic change in how Federal tax dollars are spent, impacting millions of our fellow citizens without an ounce—without an ounce—of input from Congress.

It seems appropriate that this committee should consider whether leaving that power in the hands of unelected bureaucrats is as foolish as it sounds. After all, the Constitution gives Congress the power of the purse, not the executive branch. That question is made all the more important considering that we are talking about programs that have a direct impact on millions, millions of individuals and families struggling to just get by.

Thank you, Chairman LaHood, for holding this hearing.

[The statement of Chairman Smith follows:]

Chairman SMITH. And I yield back.

Chairman LAHOOD. Thank you, Chairman Smith. We will now proceed to question-and-answer portion of the hearing, and I will recognize myself.

As has been talked about, many Federal programs have proportional allocation formulas that are based on a number of individuals living below the official poverty line and distribute funding based on each state's share of families in poverty relative to the other states. This is in order to target Federal dollars to states and communities with the highest need. The higher the poverty rate a state has, the more Federal dollars a state receives through programs like the Child Care Block Grant, special education grants, and Community Development Block Grants.

Likewise, the lower the poverty rate, the less Federal dollars a state receives through these programs.

[Chart]

Chairman LAHOOD. This chart behind me and on the two television monitors here shows the poverty rate change if the Biden Administration were to adopt the National Academy of Sciences recommendation to replace the official poverty measure with the Supplemental Measure. As you can see, low-cost-of-living states like Mississippi would see their poverty rate drop by nearly four percent, while high-cost-of-living states like California would see their poverty rate increase by nearly six percent. The result of this change would mean Mississippi, which currently has the highest child poverty rate in the country, would receive fewer Federal dollars and California would receive more based on the new supplemental poverty rates.

Dr. Corinth, you did the research behind this chart. What is it about the structure of the Supplemental Poverty Measure that increases the poverty rate so much in California, while decreasing so much in a state like West Virginia?

Mr. CORINTH. Thank you for the question.

So the Supplemental Poverty Measure adjusts thresholds based on how much people spend on housing. So, if people spend more on housing in places like California and New York, as they do, that means that the poverty threshold will be higher in those areas. By contrast, if people spend less on housing in places like Mississippi and West Virginia, we will then have a lower poverty threshold in those areas.

As a result of those differing thresholds, the poverty rate will be much higher in places where the cost of housing is higher in places like California.

Chairman LAHOOD. And can you comment the impact this is going to have on rural communities in particular?

Mr. CORINTH. Yes. So rural communities, in those places, families spend a lot less on housing. Therefore, the thresholds will be lower and their poverty rates will be lower. As a result, these block grants that are targeted to places with higher poverty rates, those will be less likely to be directed to those rural areas.

Chairman LAHOOD. And can you comment, just procedurally, is it true the Biden Administration could make the changes reflected on this map through executive action alone, with no input from Congress or statutory changes?

Mr. CORINTH. That is correct. There is something called Statistical Policy Directive 14. This is a statistical policy directive that is put out by OMB. Under their sole authority, the OMB director could change that with no congressional input whatsoever.

Chairman LAHOOD. Thank you for that. I am now going to turn to Dr. Meyer.

Dr. Meyer, in 2021, Democrats dismantled the Child Tax Credit, making work less valuable than a government check, unfortunately. Media outlets have been bold—have made bold claims about the reduction in child poverty associated with expansion during COVID.

Republicans doubled the Child Tax Credit in the Tax Cuts and Jobs Act. But I have serious concerns about delinking the credit from work, especially when we have a worker shortage right now. I understand that you have published some research that showed extending the Democrats' Child Tax Credit would cause 1.5 million workers to exit the workforce. Can you talk about that, Dr. Meyer?

Mr. MEYER. Thank you, Representative LaHood. I am happy to talk about it.

We had a consensus in the past that tax credits should redistribute income and encourage work at the same time. That was the idea behind the Earned Income Tax Credit and the original Child Tax Credit. For one year, we had a tax credit that discouraged work by taking away the work incentive that was built in to the current and prior Child Tax Credit. Eliminating that work incentive, we estimated, based on the relationship between tax rates and employment that we had seen in the past, that more than a million parents would leave the workforce if this Child Tax Credit that is available regardless of whether you work were made permanent.

We learned back in the case of welfare reform that giving money unconditionally to families can reduce work. When we changed welfare to be pro-work in the 1990s—there was bipartisan consensus to do that—we saw that more than a million single mothers entered the workforce, and the living conditions of single-parent families improved substantially over time. We saw that even at the very bottom of the distribution, living conditions, spending on food, clothing, housing, and other goods increased quite appreciably, especially for those at the very bottom after we reformed welfare to be pro-work, rather than in the direction that—the expanded Child Tax Credit, which eliminated the requirement that people have earnings.

Chairman LAHOOD. And Dr. Meyer, as an academic and a researcher who I know has spent a lot of time looking at various ways to measure poverty in your work, do you think the National Academy of Sciences process is working correctly?

And what can be done to make the committee more balanced?

Mr. MEYER. Well, there is a basic problem that the people that are generally appointed to these committees are quite skewed, politically. My colleague at the American Enterprise Institute, Scott Winship, has documented that rarely, almost never, will you see someone who is centrist or conservative on one of these panels. And that has real—a real problem, because there isn't the back and forth, there isn't the checking of what they do that would be desirable.

I have pointed out that there was a major error in the report on child poverty issued a couple of years ago, in that they counted the economic incentives and factored them in when it favored the policies that members of the committee wanted to argue, and then they ignored those same types of incentives when for a different policy it made it look worse. And I don't think that kind of thing would happen if you had a more centrist, balanced membership on these panels.

These panels also take on tasks that are more political than scientific, and that just isn't what the National Academy of Sciences should work on.

Chairman LAHOOD. Thank you, Dr. Meyer, for that. That concludes my questions. I will now turn to Mr. Davis, the ranking member, for his questions.

Mr. DAVIS. Thank you. Thank you, Mr. Chairman. And thank you again for all of your participation.

Professor Besharov, I don't have much of a problem with research and measurement, but I do have some reservations sometimes about timing. So let me move on then and ask Ms. Maag.

For years, structural racism has led to much higher rates of child poverty among children of color, especially Black children, and some of our past declines in poverty excluded children of color. What effect did the enhanced Child Tax Credit that Democrats enacted in the American Rescue Plan Act have on poverty among Black children?

Ms. MAAG. We saw dramatic declines in poverty among Black and Hispanic children when the Child Tax Credit was made fully refundable.

Mr. DAVIS. In 2018, my Republican colleague, Mike Gallagher, and I started the Congressional Trauma-Informed Care Caucus to promote greater awareness of the challenges people face after exposure to trauma.

We know that poverty is a cause of trauma for children. What kind of harm do they suffer when we fail to enact policies to fight poverty, including the lasting consequences when we don't act?

Ms. MAAG. Poverty is harmful to children at all ages. It results in reduced gray matter development early in life, less prepared to attend school, less likely to graduate from high school, less likely to get a stable, well-paying job later on. There is excellent recent research that shows that it is not just that a single year in poverty is bad, but it becomes additive. So the more time a child spends in poverty, the worse the effects.

Mr. DAVIS. So the more effective approaches to dealing with trauma and how it impacts, would that be a beneficial activity for us to put more emphasis on to help reduce poverty?

Ms. MAAG. Absolutely. Families need to be able to plan their budgets over the course of their children's lifetimes so they can adequately save. It is important to keep programs in place, and not pull the rug out from under families.

Mr. DAVIS. What other policies do you think might be helpful?

Ms. MAAG. There is substantial work we—that can be done on child care, where we could make sure that children have safe places to spend time during the day. We can improve transportation. We could improve access to SNAP benefits. In that National Academies report, they sort of looked at several avenues, and certainly increasing benefits, particularly in the summer or for families with teens, were two ways that you can cut against poverty.

Mr. DAVIS. So the more comprehensive our approaches are, the more likely we are to see positive results.

Ms. MAAG. Absolutely. The programs end up being self-reinforcing. So, if you put income into someone's life, they are more likely to get health care. If you give them health insurance, they are more likely to get healthier. And so everything can work together to elevate the child and make sure we are not missing important aspects of development along the way.

Mr. DAVIS. Thank you. Thank you very much.

And I yield back, Mr. Chair.

Chairman LAHOOD. Thank you, Mr. Davis. I recognize Dr. Wenstrup of Ohio.

Dr. WENSTRUP. Thank you, Mr. Chairman. I thank you for holding this hearing today. I think it is very important. I appreciate our witnesses being here today. I want to welcome Mr. Hansen from my home state of Ohio.

But I am glad we are having this important hearing to discuss the impact of the National Academy of Sciences report that recommended the Biden Administration replace the nation's official poverty measure with Supplemental Poverty Measure.

How poverty is measured sets the eligibility for many important Federal programs, but I am finding it hard to understand why we should take Federal dollars away from states with rural populations and lower cost of living to bail out states like California, who continue to implement policies that artificially raise the cost of things like housing and energy. So we are rewarding unaffordable, expensive housing rather than working to provide affordable housing, which, I think, is the answer to a lot of our ills.

You know, let's face it. In America today, and when it comes to poverty issues, which I am very passionate about, we have one party that has policies that are pro-dependance and decrease opportunities for people to come out of poverty, but to hold them there, and another that is pro-independence, with increased opportunities.

Mr. Hansen, in your testimony, I appreciate you touch on the unique challenges that rural Appalachian communities in Ohio have, or—and they are facing when it comes to the impact of switching to SPL. I mentioned earlier that many programs rely on the poverty threshold to determine eligibility: one of them, which is TANF.

As you mentioned, in Ohio, TANF and WIOA can be braided together and targeted for career development. In other words, opportunities for independence for youth ages 14 through 24. Programs like this are vital to ensuring that Federal and state programs are focused on lifting people out of poverty and into the workforce and into an independent lifestyle.

You remind me of one of the case workers from my district, Julie Weiss, who you may know in Highland County, who says that success for her would be for the—her job not to be needed anymore. That is how she defines success as she tries to help people and lift them out of poverty.

Can you just touch on how this switch that they are talking about would impact that program specifically, and some of the downstream effects that might occur?

Mr. HANSEN. Yes. Thank you, Representative.

So this program, the acronym in Ohio is the CCMEP, which braids together TANF and WIOA. It is geared to 14 to 24-year-olds at a particularly vulnerable period in trying to get people into the workforce and to give them—the skill ladder that we use is just basic life skills. Can they respond to an alarm? Can they get to a job?

Then comes what I call essential skills. Those are kind of the skills that keep you in your job. Do you know how to deal with a boss? Are you able to work in teams? Well, we have to start with 14-year-olds in trying to develop that skill level. Eventually, they do reach the highest level of learning, you know, the jobs that are—the skills that are required at a specific workplace.

We are seeing in central Ohio, on the borders of Representative Carey's district and your district as well, pretty strong economic growth. But the demands? Those are for mid-skilled and higher jobs. And it is really a challenge to help people understand that, in a sense, this country—once upon a time you stopped at ninth grade. Then we made a lot of progress by going to twelfth grade. Now you have got to go to fourteenth grade. Yet we have to really get that journey starting pretty early on.

I would love to, like, actually extend it somehow—and this would be a TANF avenue—to start talking to fifth and sixth graders about their careers. In Ohio, the K through 12 system has been charged with that. They are stepping up their game, but there is still so much more that can be done to take advantage of the opportunity that is out there. Thank you.

Dr. WENSTRUP. Thank you.

Dr. Corinth, can you touch on how switching to the supplemental poverty level would create perverse incentives for states with high-cost-of-living to continue regulating and artificially increasing the cost of things such as housing and energy?

Mr. CORINTH. Yes, sir. Thank you, Dr. Wenstrup, for the question.

The biggest driver of the housing and affordability crisis are excessive regulations on building housing. If you can't add more housing supply, then the price of housing goes up. This switch to the Supplemental Poverty Measure would incentivize those regulations, because now a state like California or, say, Los Angeles or San Francisco would be rewarded for excessive regulations that drive up housing costs because that is going to increase their poverty threshold and, therefore, lead to more Federal aid going to their state.

Dr. WENSTRUP. Thank you.

I yield back.

Chairman LAHOOD. Thank you, Dr. Wenstrup. We will now apply the two-to-one questioning rule. We will turn to Mr. Carey of Ohio.

Mr. CAREY. I want to thank you, Chairman LaHood and the panel of witnesses for coming in to discuss this urgent matter. It is good to see my dear friend, David Hansen, here from the Buckeye State. We have known each other for probably close to 20 years now, and I do have it on firm authority from his wife that I can treat you as a hostile witness, so——

[Laughter.]

Mr. CAREY. It is critical that we ensure that the Administration does not redefine the Federal poverty line, which would result in rural Americans losing valuable Federal dollars.

I want to just go to a couple of questions, because I want you to expand upon it. And for—and I missed your testimony, I read your testimony, but Perry County was one of those counties in Ohio that was—kind of went through many different, you know, different phases. It started with pottery and then went into coal. And so now, they are right on the verge of kind of where the new Intel plant is in just the county right next to it.

So, Mr. Hansen, many are advocating for increasing monetary aid and removing work incentives for lower-income individuals and families. In your opinion, what would be the effect in your community and your work of trying to help individuals reenter the workforce if work requirements and incentives were removed from Federal aid?

Mr. HANSEN. Thank you for the question, Representative. I just think it would be—it would just be setting us backwards. We have to help people to, what I say, expand their circles of experience to understand that there is this really pretty fabulous 21st-century economy out there. They—you know, if you are in Perry County and your uncle worked in coal, you don't understand that it has got a different set of challenges now for you to thrive.

I believe that people are really up to those challenges, but helping people to understand—and, you know, these are small, rural communities that are fairly isolated. They don't understand what the opportunities are. They are not like us, reading the newspapers and saying, oh my gosh, this is a fabulous landing that is happening in the state.

The Intel plant—so, you know, the traditional coal mining world, solid workers. And I was—knew the 200 that were laid off from Buckingham, which is the last mine that was closed in Perry County. Any manufacturer would love to have them because they understood safety, yet it was just such a different world because they really didn't have any certification. Nothing could be transferred because they worked within the mine. They knew how to use large, heavy equipment, but they would still have to go back to a six-month journey to get a heavy equipment license for anywhere else.

Well, Intel is going to be offering 3,000 manufacturing jobs, and I talk to Perry County people about that. It is not coding in a basement. It is what you would like to do otherwise. And, if you know Perry County, it is like a lot of rural America. It is open, it is outdoors. You live on 15 acres, at least. You know how to fix a tractor and all that kind of stuff. This is something that they would like to have once they understand it.

But you need the incentives, you need all kinds of things. The incentives complement what we do with outreach. When we try to hire social workers now, they have to be engaging. They have to be willing to look people in the eye. They have to be able to be friendly. They have to be willing to sit out in the parking lot of a Dollar General and say, "Hey, can I talk to you about what we can do for you?"

So you can see that we are trying all that we can. And, you know, if the eligibility is decreased, that just means, I mean, the people that we are talking about who would kind of be the 200 that I mentioned in my testimony, they are not made any better off by that change at all.

Mr. CAREY. To that, David, you know, the other thing that people don't seem to understand is when you said those 200 people that were laid off from the Buckingham mine—and I knew many of them personally, myself—for every one coal mining job in a county, there are four spin-off jobs. So while you may have had 200 people that were affected, that number obviously goes up to 800 people that were affected in Perry County.

Mr. HANSEN. Mm-hmm.

Mr. CAREY. Real quickly, because I am going to run out of time, do you feel that this is the best strategy to uplift people from poverty and break the generational grip of economic insecurity by having these work incentives?

Mr. HANSEN. Yes, absolutely. I absolutely do.

Mr. CAREY. All right, Mr. Chairman, I yield back.

Chairman LAHOOD. Thank you, Mr. Carey. I recognize Ms. Chu of California.

Ms. CHU. Children living in poverty endure lifelong adverse impacts on their childhood development and are at risk for poor outcomes and health, developmental delays, and lower academic achievement. In my home state of California, despite having the sixth largest economy in the world, one in five children are living in poverty. That is nearly two million children. That means children struggling to learn because they have hungry bellies or who aren't getting the rest they need because they do not have a safe place to sleep every night.

Unfortunately, income thresholds used to measure poverty in the United States remain much too low. So many households with children with incomes that greatly exceed the poverty line still experience significant financial insecurity and hardship. And that is why the Supplemental Poverty Measure takes into account expenses like taxes, child care, and out-of-pocket medical costs, and also accounts for benefits that reduce poverty, like Social Security and the Earned Income Tax Credit.

Of course, let us be clear. These measures remain at the level of recommendations by the National Academy of Sciences and are not what the title of this hearing says, that the Biden Administration plans to redraw poverty lines, which is actually untrue.

So, Ms. Maag, can you tell us why the SPM is important for policy-makers, how it is used?

Can you describe how its data better reflects the lived experiences of families with children?

And does its conclusion align with other surveys' findings of increased material hardship over the past year?

Ms. MAAG. The official poverty measure essentially asks you how much resources do you have before the government gets involved. The Supplemental Poverty Measure gives you credit for everything you did on the governmental side. So, when we see the Supplemental Poverty Measure, it gives you credit for the expanded Child Tax Credit, so we see poverty decline. We don't see that in the official poverty measure, even though we know all this money went into households, because it is not sensitive to tax payments. Supplemental poverty accounts for the different costs of living and allows us to better understand whether people are able to meet their needs.

Ms. CHU. And how is it used?

Ms. MAAG. It is used merely as a gauge of how well our government programs are doing. That is why the National Academy panel recommended we talk about it instead of just the official poverty measure.

Ms. CHU. So it is a supplemental way of talking about the experiences of children.

Ms. MAAG. That is correct.

Ms. CHU. Ms. Maag, it is clear that the best way to fight poverty is not to undermine independent data and research, but to learn from its findings and to do what Democrats on this committee, throughout Congress, and in the White House have been fighting for, which is restoring the expanded CTC.

I also want to repeat that every one of us, Republicans and Democrats, have constituents who rely on this support, and they include people like Daisy, my constituent, who is a teacher in Pasadena and used the monthly CTC to support her young son, finally give him a comfortable way to live and rebuild her savings.

So, Ms. MAAG, can you talk about why direct cash report is—support is so effective at reducing poverty?

What did families typically buy with their CTC checks, and how do these benefits show up in the long-term outcomes for children who are lifted out of poverty because of benefits like the CTC?

Ms. MAAG. Parents know what is best for their children, and so they are able to direct the resources in ways that are most efficient and productive.

I come from Kansas. It is hard to get to work because of transportation systems. It is easy to find child care. Here in D.C., child care is very expensive. And so, when you give people a cash benefit, they are able to use the resource most wisely.

The result is we saw improved health care, we saw reduced debt, we saw people making investments in their children in tutoring, saving for college, buying nutritious meals. It was sort of a whole lifetime of benefits, depending on what your child needed.

Ms. CHU. And let me say I am a big proponent of expanding another powerful tool, the Earned Income Tax Credit, and expanding the age at which you qualify for it. Can you talk about how this credit would work with CTC to help both families and workers not raising children?

Ms. MAAG. Yes. The CTC, of course, is concentrated in households with children. The Earned Income Tax Credit has a very small component for workers without qualifying children. By expanding that, you essentially pick up a lot of low-wage workers. It is particularly powerful in rural communities, as well as in Black and Hispanic households.

Ms. CHU. Thank you.

I yield back.

Chairman LAHOOD. Thank you. I recognize Mr. Moore of Utah.

Mr. MOORE of Utah. Thank you, Chairman.

Dr. Corinth, by your estimate, if the Administration were to replace the official poverty measure with the Supplemental Poverty Measure, it would increase the government's spending on Medicaid and SNAP alone by $124 billion over the next decade. This number would be even higher when you factor in the dozens of other Federal and state programs that are based on the official poverty measure. Do you have a sense for how much more would be spent if every program that relied on this metric were updated to reflect the recommendations by the National Academy of Sciences?

Mr. CORINTH. Thank you, Mr. Moore, for the question.

So there are over 31 different means-tested programs that are tied to the official poverty line, and would thus be affected. Of those there are five entitlement programs, where spending would necessarily rise once you increased the poverty line. Of those five programs, Medicaid and SNAP are the two largest, and that is why I focused on those two. But other important ones include the ACA, Affordable Care Act, premium tax credits; Medicare Part D low-income subsidies; and the National School Lunch Program. All together, these 5 programs amounted to $954 billion of spending in 2021. So this would be a big change for these programs to increase eligibility.

Mr. MOORE of Utah. And I think, to put it in plain English, what we have kind of heard from both arguments here is that, yes, it costs more to live in California, and there is more—higher costs in places like Washington, D.C., so we should provide more money. If we do that, will that incentivize policymakers in those areas to put in the right policy that will reduce costs over time, the actual problem, or will it do the opposite?

Mr. CORINTH. It would have the opposite effect. These regulations that drive up things like housing costs or the costs of child care are really the primary cause for why you have more spending on things like housing and child care. If you incentivize states to increase costs in order to get more allocations for Federal grants, that would be a step in the wrong direction.

We should follow the increasingly bipartisan consensus that we need to take on the supply side, reduce regulation so we can build more housing, and make more people able to afford basic needs.

Mr. MOORE of Utah. Thank you.

Professor Besharov, in your testimony, you discuss some of the background how the official poverty measure was created. While it is not perfect, can you describe how that measure is a useful tool to see how well families are doing in the economy?

Mr. BESHAROV. Yes, thank you for the question.

So, if you trace the official poverty measure across recessions and demographic changes, you can see them all in the official poverty measure. You can see the vast increase in retirement wealth that happened to the elderly. You can see the decline in poverty when the economy is doing well. In fact, if you track unemployment with the official poverty measure, you pretty much know what is going to happen to poverty.

When you add the SPM, what you are really measuring is government spending. And that is a very valuable thing to have, it is just not the way you keep track of how the economy is treating low-income people. It is the way for measuring how the government is treating low-income people, and those are two different things.

Mr. MOORE of Utah. Would you—continuing on, Professor, is it true that the presidential administrations regularly used the National Academy of Sciences as the basis for updates on how the Federal Government measures poverty?

Mr. BESHAROV. Yes, but I can't imagine a Republican or a conservative president ever doing that again. And if I could spend 15 seconds here——

Mr. MOORE of Utah. Please.

Mr. BESHAROV. You know, we have a president now who might—might, might not, but might do this thing. We might have another president who could easily change the table here with two changes: count Medicaid benefits, which the SPM does not do; and count Medicare benefits. You count two of those, and you will really shift the table on who gets anti-poverty money.

And so the message here, sir, is this is not just about Republicans versus Democrats. This is about Congress asserting the power of the purse to protect its prerogatives.

Mr. MOORE of Utah. Thank you.

I just want to underscore the point that we are approaching a $2 trillion deficit. We have seen that enormous amount of monetary supply, government spending, directly impacts our inflation, and it creates a high inflationary measure. I don't think—that can't be rebutted, in my opinion. And, if we continue to argue that, look, there is—costs are high, things are expensive, we got to give more money in these programs, like, that is just simply not going to solve the problem. It is not going to incentivize the right type of policy.

I agree with the same concept with tuition. Like, look, let's just kind of forgive some tuition, and then the universities are going to drive their prices down. Like, that is a nonsensical state—place to be.

And we have to be willing to look at how to help people, encourage them to get out of poverty, and that is what this whole entire committee should be focused on.

Thank you, and I yield back.

Chairman LAHOOD. Thank you, Mr. Moore. I recognize Mrs. Steel of California.

Mrs. STEEL. Thank you, Mr. Chairman LaHood, for holding this hearing, and thank you, all the witnesses coming today. I am thankful to hear from these leading experts on this—as this committee acts on these issues, and this is very important for our future and our future generations, too.

Dr. Corinth, the National Academy of Sciences reported certainly alarming in their suggestion to elevate the Supplemental Poverty Measure as the nation's headline poverty statistic. We have three leading experts on poverty measurement testifying before our committee today, yet I see none of your names on the list of authors of this report. Did the panel of authors for this report include any conservative perspectives?

Mr. CORINTH. Thank you, Mrs. Steel, for the question. There were 13 members on the National Academy of Sciences panel which made this recommendation about the SPM. Of those 13, 12 had either donated or worked for a Democratic administration. Zero had donated or worked for a Republican administration. And as you suggested, it is not for lack of supply of willing or capable experts with differing perspectives. As you mentioned, there are people at this table who were not asked to serve. There are others, as well, who have the expertise, who could have served but were not asked, and should have been.

Mrs. STEEL. So this report must be really skewed at this point.

Mr. CORINTH. It is certainly skewed, based on the panel members, and I don't think that it reflects the academic consensus about poverty measurement.

Mrs. STEEL. Thank you.

Professor Besharov—if I pronounced it wrong, I am sorry.

Mr. BESHAROV. No, no, that is fine.

Mrs. STEEL. You have done a tremendous amount of research on measuring poverty. These measurements are full of deep statistical analysis. But, at the end of the day, deciding who is and who isn't in poverty is a moral judgment. Do you think it is right for unelected bureaucrats to have such power, or the ability for one administration to make such dramatic changes to the poverty rate?

Do you believe this should be the role of Congress to set the poverty line?

Mr. BESHAROV. Well, as I was—thank you for the question. As I was trying to suggest in my previous answer, we are at an important historical point where many of the norms of the past are changing, the norms about what a president will do or not do without the consent of Congress. And I would put this at that very high level of concern. It is about poverty measurement. It is about food stamp benefits. It is about military action.

I can think of all sorts of things that the Congress has, in a sense, delegated great discretion to a president. And the Congress has done that because in the past the presidents have had guardrails. And I see that changing. I see that changing about social policy, I see it changing about international policy. And in terms of the poverty line, I am really worried that it gets politicized in both directions.

And I—that is—it is one thing to say, well, let's just see if low-income families can get a little bit more money here. The other side of this is, if we have a President Trump—I mean, one of the things he could very easily say is, well, let's see how we can benefit the people who voted for me. And I don't think that belongs in a poverty measure, either direction. And I think the only protection for that is a Congress. Because even the minority in the Congress can prevent that.

So it is important that we constrain the power of the executive, whoever that is.

Mrs. STEEL. Thank you, Professor.

Dr. Meyer, you have done a lot of research on this Supplemental Poverty Measure. This can get very technical. But you can explain in simple terms some of the problems with the SPM, and how that measure can inflate and misrepresent current poverty numbers.

Mr. MEYER. Thank you for the question, Representative Steel. I don't have a lot of time, so let me just say that one of the worst problems with the SPM is that you would like the poverty measure to identify the most deprived individuals, because that is ultimately the goal of poverty measurement. And the Supplemental Poverty Measure, in practice, does not do a good job of that. It does a worse job than the official poverty measure and consumption poverty measures.

One of the reasons for it is the issue that we have been focused on, that it would raise poverty thresholds where people can afford to spend a lot on housing, and those areas tend to be the areas where people are better off by a lot of indicators, and it would cut the poverty thresholds in areas where people are especially suffering.

Mrs. STEEL. Thank you, Dr. Meyer.

Thank you, Chairman.

Chairman LAHOOD. Thank you, Mrs. Steele. I recognize Ms. Moore of Wisconsin.

Ms. MOORE of Wisconsin. Thank you so much, Mr. Chairman. Thank you, Ranking Member. And I thank all of our witnesses for their extraordinary testimony here today.

I have been listening very carefully, and I want to make sure I understand what we are talking about here. The official poverty level, how many of you think that the official poverty level, where someone having—have to live off that is enough for any size family to live on, whether it is in Mississippi or in New York? If that were their only source of income, how many of you think it is enough?

You, Ms. Maag.

You, Dr. Corinth.

Mr. CORINTH. Should I respond?

Ms. MOORE of Wisconsin. Yes, just very quickly.

Mr. CORINTH. So I think the reason for that is—so Congress has tied SNAP eligibility for, say, 130 percent of the poverty line, or ACA——

Ms. MOORE of Wisconsin. But, I mean, if someone just had poverty-level wages, and that was all the income they had, it is a baseline.

Mr. CORINTH. Yes.

Ms. MOORE of Wisconsin. And anything—and—but you don't really think people can live off that, right?

Mr. CORINTH. I think that is a value judgment for you all to make.

Ms. MOORE of Wisconsin. That is a value judgment for us to make.

So I want to—I am very interested in this notion of consumption. Given the examples that all of you have talked about with the—you know, someone talked about the coastal elites in California—

I don't live there—and New York. Do people have any choice about how the high cost of housing is?

I mean, you can be living in some rundown rent—rat-infested tenement, or you can be homeless in Oakland, California, and the cheapest property you could get could be $1,300 a month. And so the poverty measure there, I understand, is different than it would be in rural Arkansas. Does this consumption data measurement address that, Dr. Meyer?

Mr. MEYER. As——

Ms. MOORE of Wisconsin. Would we be able to be more equitable if we used that measurement?

Mr. MEYER. I think absolutely, we would be able to be more equitable. It is not that there aren't people who are very deprived everywhere in the country. This is a question of figuring out where people are the worst off, because we want to direct resources especially to people who are the most worst off.

Ms. MOORE of Wisconsin. Right. We wouldn't want to skew the data by having a measurement of, say, rural Mississippi, and say this is the level at which we expect people in New York or Brooklyn or Chicago—that this is the standard.

And so you are going to have too many poor people if you raise the—just say the OPM, not even the SPM. If you just raise—change that, you will increase—you will end up spending $124 billion because you are going to now disclose that we have more poor people. Isn't that really what the argument might be, Ms. Maag, that this is a disclosure issue here?

Ms. MAAG. That is right. Consumption, we don't have adequate data to really understand what people consume. Moreover, people consume using credit cards, and the high-risk payday lending, selling plasma. These aren't the marks of an advanced society, and they certainly don't take a person's whole well-being into account.

Ms. MOORE of Wisconsin. With regard to this—okay, go on, Dr. Besharov, yes.

Mr. BESHAROV. So what is tricky about this is, under the SPM, Black poverty doesn't change, Hispanic poverty goes up, child poverty goes down, elder poverty goes up.

So all the questions you are asking are very valid. The answer to them is the way the Congress then sets the eligibility. It is 135 percent of the poverty line for food stamps, SNAP; 185 for WIC. These are judgments that are made program by program. And I think, speaking for myself only, the concern I have is that congressional set of decisions will not necessarily be the ones we will have in the future if they change the poverty measure.

That is—I am not disagreeing with whatever the number is, but the Congress keeps setting different ones, anyway, when it——

Ms. MOORE of Wisconsin. I mean, but the thing of it is, don't you need—don't people need more help with housing and food?

I mean, if you live in New York—I just can't imagine living there.

Mr. BESHAROV. And the most direct way to do it, ma'am, is to say housing benefit is not 150—it is actually, I think, by local costs. But the answer is not to make it 150 percent of poverty, it is to make it 175 percent of poverty.

Ms. MOORE of Wisconsin. Sneak one more question in.

Mr. BESHAROV. Sure.

Ms. MOORE of Wisconsin. I don't know where you guys are getting this data, other than, Mr. Hansen, you said you think it is a setback for us to take away work requirements.

Ms. Maag, is there any data—I haven't read any literature that demonstrates that the Child Tax Credit keeps people from working. It is an incentive to work. All of a sudden you have an extra $300 if you have got little bitty kids, and you can still work without being punished or without having to hide it or wondering if your social worker is going to catch you or bust you. Is there any evidence that there is a decreased work from refundable tax credits?

Ms. MAAG. Evidence from multiple studies showed that families that received the Child Tax Credit continued to work at the same rates as families who didn't receive the credit.

There is also evidence that people use the Child Tax Credit to pay for work supports such as transportation and child care.

Ms. MOORE of Wisconsin. Like places like Lorain, Ohio, which has no public transportation. I don't know how these people get to work.

Mr. Chairman, thank you for your indulgence. I yield back.

Chairman LaHOOD. Thank you, Ms. Moore. I recognize Mr. Smith of Nebraska.

Mr. SMITH of Nebraska. Thank you, Mr. Chairman. Certainly, thank you to our panel. These issues, I am glad we can engage on this and certainly hear diverse perspectives and perspectives that I hope can lead to better outcomes.

I worry when arbitrary designations are leveled across the country viewing one state at a time monolithically. That—I don't like it when that happens even to Nebraska, and we are, wow, three House seats. That is not a lot. Not to mention other states too, that have, you know, far more, I should say, you know, just more diverse needs across their state, across the demographics.

And so I just am very concerned that the Federal Government, especially without a vote of Congress,—because I happen to think that—you take this subcommittee right here, just us. I think we could come up with, both sides, more appropriate designations than what this proposal seems to outline. And it obviously gets folks in a defensive posture, especially when there is evidence that it is not a complete report, doesn't show a complete picture of reality. And so I would hope that we could exercise the legislative prerogative that we should have on this, and work together for a solution.

But, Dr. Corinth, I would like to discuss further some of the work you have done projecting what the proposed changes would be for various states. In addition to the chart that Chairman LaHood discussed earlier showing how replacing the official poverty measure with the Supplemental Poverty Measure, SPM, would direct funding away from poor states and channel those dollars to rich states, you also created this map here behind me now.

[Chart]

Mr. SMITH of Nebraska. This one shows how the poverty line would change for a family of four if SPM were elevated. How is it that a family in California making $47,000 across the state, or a family in Colorado making $40,000 across the state—doesn't matter where they might live within the state—would be considered in poverty, while the same family just across the border from Colorado, say in my home state here—and this corner of Colorado and this end of Nebraska, pretty similar in terms of cost of living and—but how would you explain this, and perhaps what you would propose instead?

Mr. CORINTH. Sure. So thank you, Mr. Smith, for the question.

I don't think it makes sense to say that someone who has $47,000 of income in California is somehow worse off than someone who has $47,000 in one of those other lower-income states. And so I think that the—this solution is to have a constant poverty line across states. And that claim is based on research by Dr. Meyer, which actually finds that people who are near the poverty line in these different states, those who are in the lower-income states, places like Mississippi and West Virginia, are actually worse off in terms of their food insecurity, the quality of their housing, and their health and even mortality outcomes than those near the poverty line in places like California.

Mr. SMITH of Nebraska. Thank you. You know, let me just reflect back. I know that when we talk about rural issues, rural is a different dynamic one state to another. Even within my own district, rural looks different than, say, remote, or what some folks would call frontier. And yet, you know, we have been able—I know—I don't want to speak for my colleagues necessarily, but I know we have worked together on channeling resources to people in need.

And I think one of the best things that I want to point out right now is that those of us on both sides of the aisle here that care about making sure that people in need receive the benefits that can be most helpful and most appropriate to leading to better outcomes, that that will happen far more appropriately with the legislative prerogative, rather than throwing something out there from the administration that I think will harm people in need, and that is what concerns me greatly.

And I would hope that we can continue to focus on this. Thank you again, Mr. Chairman. I know we have been working on this. I had the honor of chairing this subcommittee a while back, and focusing on what we can do most effectively to positively impact people in need, that is what needs to be our focus, rather than arbitrary designations. Thank you. I yield back.

Chairman LAHOOD. Mr. Smith, thanks for your comments on that. I now recognize Mr. Evans of Pennsylvania.

Mr. EVANS. Thank you, Mr. Chairman. Thank you to the ranking member for your having this session. Thank you very much.

I hope I get your name right, Ms.——

Ms. MAAG. Maag.

Mr. EVANS. Maag. I would like to start out with you. Can you describe the impact of the CTC had on reducing financial hardship for families?

And how did this allow families to invest in other aspects of their children?

Ms. Maag. We did work at the Urban Institute that shows it allowed people to pay off debts, even families with fairly high incomes. It also reduced food insufficiency.

We did some work that was joint with other organizations that showed it allowed families to invest in their children and save for college.

Mr. EVANS. What does the latest research say about how families, particularly Black and Brown families, are struggling following the expiration of the expanded refundable tax credit?

Ms. MAAG. As soon as the Child Tax Credit payments ended, we saw dramatic increases in food insecurity among Black and Brown households. We know from research by Bradley Hardy that the programs that exist today, the Earned Income Tax Credit,—it is just not as good at addressing Black and White income gaps as a program like the Child Tax Credit when it is fully refundable.

Mr. EVANS. I thank you, Mr. Chairman, and I yield back.

Chairman LAHOOD. I recognize Ms. Tenney of New York.

Ms. TENNEY. I just want to say thank you, Mr. Chairman and Ranking Member, and also thank you to all of you on the panel and for your hard work in this really important area I think that we are handling in Congress.

And I appreciate some of the comments addressing the many people—I am from New York State, and I live in one of the more rural areas, way upstate. So everyone thinks that we are all New York City. Well, we are not. We have issues with transportation upstate. We have issues with child care, all those things.

And my concern—and I just want to allude a little bit about what Mr. Smith said—is, if the National Academy of Sciences project—I am going to actually ask Dr. Meyer this question, because you alluded to it earlier—what could you describe—I know this is not an easy question—some of the failings in how the National Academy of Sciences has reported on this poverty measurement that we are talking about with this chart on dealing with the Supplemental Poverty Measure versus dealing with the official poverty line, and how it will impact states like New York, where we have this huge difference between New York City and upstate New York.

Mr. MEYER. So the Supplemental Poverty Measure and the National Academy of Sciences report, as Dr. Corinth has emphasized and other panel members have emphasized, would really shift where we say the worst off are because it relies on what people are able to spend on housing in different areas, even though one of the ways that people can end up spending more on housing is they are just better off, they have more resources, that it uses that to figure out where we should direct resources and kind of perversely—well, more than kind of——

Ms. TENNEY. Perversely?

Mr. MEYER. It directs more resources to where people have lower mortality, better health, are able to spend more on food, have higher housing quality, have higher education, have more assets, have more long-term income if you look at their income over many years, have more appliances. Basically, in our research, we looked at everything that we could get our hands on.

Ms. TENNEY. Well, let me ask a quick thing, just because——

Mr. MEYER. And—yes.

Ms. TENNEY [continuing]. We have among the highest Medicaid rates per capita in the entire nation, by far.

Mr. MEYER. Yes.

Ms. TENNEY. No one is even close, not even California. I think Alaska, maybe, because of the difficulty in navigating the terrain there.

I mean, what is the impact? That is—that must have a huge impact when you are talking about the SPM, or the Supplemental Poverty Measure.

Mr. MEYER. Well, it turns out that Medicaid doesn't even enter the Supplemental Poverty Measure. It probably should.

Ms. TENNEY. Because——

Mr. MEYER. Because——

Ms. TENNEY [continuing]. The rate is so high, though, in terms of determining the poverty rate. So how would the—wouldn't that exacerbate the issue that we have?

Mr. MEYER. Sure, it would make it harder for—if it were then used to determine eligibility, it would make it harder for people in rural New York to get on the Medicaid program, because it would lower——

Ms. TENNEY [continuing]. The threshold.

Mr. MEYER The thresholds.

Ms. TENNEY. Right.

Mr. MEYER. So——

Ms. TENNEY. Let me ask a quick question, Mr. Hansen. I love the work that you are doing on trying to get people back to work. And I just wanted to ask you about, if we increase the amount of tax credits without a work requirement, what kind of impact is that going to have on employers?

Because, I will tell you, the number-one issue that I face every single day in my district is that we can't find people to go to work, and employers are willing to give bonuses, free child care, pay 100 percent of health care. Can you tell me what you think that would do, and if you think it is a bad idea to remove the work requirement?

Mr. HANSEN. So, Representative, you know, what we offer most is the training to get into those kinds of jobs, because I bet the employers that you are talking about, generally speaking, are talking about a higher demand in terms of jobs. And, for the people we work with, that is a choice they have to make.

So, in a rural community, you went to the same high school where your parents went to and where your grandparents went to and, you know, there is no choices along the way. But, when we want them to take an extra step and to get more training, that is a choice. And so incentives make a difference on the margin. There is many for whom it doesn't, but there is very many for whom it does.

Ms. TENNEY. But would you say that it is better to have incentives to go to work, as opposed to incentives to stay home?

Mr. HANSEN. Better to have incentives to go to work, yes, absolutely.

Ms. TENNEY. Thank you. I appreciate it.

My time is out. Thank you, Mr. Chairman.

Chairman LAHOOD. Thank you. I recognize Ms. Sewell of Alabama.

Ms. SEWELL. Thank you, Mr. Chairman. I think that I agree with Adrian Smith about our focus being on designation. I would really ask Ms. Maag, would you talk to us about whether or not there is a Biden plan to actually substitute the official poverty rate for the supplemental poverty rate?

Ms. MAAG. I have not heard or seen any evidence that there is a move to replace the poverty rate. In fact, the report says the SPM should be elevated as a way to show the progress that is happening with government programs, not as a way of determining eligibility.

It is a little bit circular, even, because the SPM would count the benefit of the Earned Income Tax Credit or Child Tax Credit or SNAP benefits. So you couldn't, you know, base eligibility on that since it is endemic inside the measure.

Ms. SEWELL. Right. You know, conspiracy theories and squabbling about the designation doesn't change the fact that—the reality about poverty. I represent Alabama's Black Belt, a very proud product of Alabama's rural Black Belt. But our rate of poverty is much higher than the rate in Alabama writ large. And the reality is that lots of the kids that I represent go to bed hungry.

We as a committee do make choices. And I have to tell you I am proud of the fact that during the pandemic—that the House Democrats decided to make fully refundable the Child Tax Credit. It cut poverty in half. This is not a statistic. I just want to talk just about how it did it in my district.

The fact of the matter is that so many more of my constituents had money in their pockets monthly because we paid it monthly. And, because we made it fully refundable, there are lots of families in my district, the working poor, who don't pay enough, don't make enough to pay taxes. And so, by getting that full—fully refundable, you actually brought in a whole other swath of people who otherwise would not have been able to get the Child Tax Credit.

Can you talk to us about whether or not the Child Tax Credit somehow decreased rural America? Because I don't think that is true. I actually don't think that the—somehow the Child Tax Credit made it worse for rural America versus, you know, versus urban. Can you talk a little bit about that?

Ms. MAAG. Sure. The evidence suggests that more—a larger share of rural children are left out of the Child Tax Credit today than urban children. And so, when we made the credit fully refundable, it meant children in urban areas had equal access to the credit.

Moreover, there is evidence that people, when they have low incomes, they delay getting health care and they are hungry. And what we saw during——

Ms. SEWELL. And let's talk about——

Ms. MAAG. Yes.

Ms. SEWELL.—this work requirement. I haven't seen evidence in my district that people are incentivized when they get Medicare and Medicaid, when they get SNAP benefits or TANF benefits. In fact, the majority of the people who are—who receive SNAP in my district have children under the age of 16. So, when I think about the face of welfare or the face of SNAP or the face of CTC, it is a child's face that I see, not some, you know, welfare queen.

So talk to me about whether or not CTC and other anti-poverty measures actually discourage work. Do you believe that, and do statistics show that?

Ms. MAAG. The research at the Urban Institute suggests that, no, it does not discourage work.

There has been some evidence that sometimes people would—a secondary earner might stay home with their child. You might see families with very young children more likely to stay home.

Ms. SEWELL. But that has a lot to do with the fact that child care costs are so high.

Ms. MAAG. Exactly. And a lot of people would say in some circumstances it is good.

The Bipartisan Policy Center recently released a report. They said that estimates that suggested that there was a large disincentive to work were overstated. They were anomalies in the data, and they weren't what the majority of studies were showing.

Ms. SEWELL. I think that, Mr. Chairman, before I yield back, I just want to say that instead of focusing on designations that may or may not come, I really would hope that this committee would try to find some solutions to deal with the reality of poverty that is in America. The greatest country in the world should not have as many children who are poor and in poverty and people who are in poverty. And I would like to work on better incentives to create skilled labor and provide people an opportunity here.

People don't want a hand—my—I can only speak for my district, but people in my district, the vast majority, they don't want a hand out, they want a hand up. And this committee can provide that. Thank you. I yield back the balance of my time.

Chairman LAHOOD. Thank you, Ms. Sewell. Your comments are well-taken, and I look forward to working with you on that. I recognize Mr. Beyer from Virginia.

Mr. BEYER. Thank you, Mr. Chairman, very much, and thank all of you for being here. I am—again with you, Mr. Chairman, and my friend, Ms. Sewell, I am very impressed that everyone here cares about this deeply, and that it affects every one of our districts. Even—I have one of the wealthiest districts in the country, Northern Virginia, and yet there are huge pockets of poverty. You know, the schools in Mason district, 90 percent are—those kids are title 1.

And I am a little confused about the hearing if it turns out the Biden Administration is not actually planning to apply the Supplemental Poverty Measure. That should be a relief to everyone here.

And on the—on this notion of the incentive to go to work, the incentive to stay home, I was privileged to have my mom stay home and raise the six kids. You know, I do think that the Child Tax Credit, by definition, goes to parents, mostly mothers and those people who would drop out of the workforce to stay home and take care of their kids.

I think we have to recognize that there is a balance there between the enormous advantages to having a mother stay home, raising her children, versus a mom that is rolling in at 6:30 at night, exhausted, and the kids are latchkey kids, et cetera, et cetera. And we—as we push for work requirements, I think we miss out on the challenge of having one-parent families, no-parent families, families where the parents aren't around at all.

Ms. Maag, you mentioned the cost of child poverty between $500 billion and $1 trillion, largely due to lost productivity. And there are lots of several key programs which we talked about. One I wanted to focus on particularly SNAP, because we are redoing the five-year agriculture bill. There have been a number of Republican amendments already to make SNAP benefits ever harder to access. Five or six times a year, I will work the food banks in Northern Virginia, and the lines are sometimes—you can't see the end of the line, especially down near Fort Belvoir, where—those are mostly soldiers and their families standing in line.

How important is it for us to look at things like SNAP as part of the overall addressing poverty in a meaningful way?

Ms. MAAG. Research we did at the Urban Institute suggests that these programs are interconnected, and so we ought to be supporting the whole child. Analysis showed that if we gave better access to SNAP, maybe increasing teen benefits, increasing per-child benefit in the summer, and increasing overall allotment can substantially reduce poverty.

Mr. BEYER. Yes. Let me also just—I am not sure who to ask this question to, but Ms. Maag, let me just stick with you. It seems to me, from a poverty perspective, the real challenge we have is that people make too little money, that you have an awful lot of people working full-time.

I spent a lot of time in southwest Virginia, where there are a lot of jobs, and there are jobs that are all going begging, and—but they all pay $7.25 an hour, and we are pushing them up to—some to $8 and $9. And how do you ever raise a family on that, or not be dependent on government transfer payments?

I had the extraordinary privilege of being U.S. ambassador to Switzerland for four years, where there was virtually no poverty. You know, the embassy Marines always had the Toys for Tots program. They stopped it because they couldn't find any kids to give it to. But when I left in 2013, the minimum wage was $48,000 a year.

So, my Republican friends, reasonably, hate the transfer payments, you know, taking from the wealthy and giving to the poor, and it is a great source of structural discord in our country. What if you didn't have to have transfer payments because we paid people a living wage? And we stay away from all that too much, but—Ms. Maag.

Ms. MAAG. If jobs pay enough and they allow people to cover their child care costs and their basic needs, then people are more able to go to those jobs to work. So it is a—it is absolutely a way to lift people out of poverty. And interestingly, it would lift you out of both SPM poverty and OPM poverty if you had higher earnings in your household.

Mr. BEYER. Yes, and I think it is also really important to note there is a—again—a study last week that the average Fortune 500 CEO makes 399 times the average income of his other employees—not the least paid, but the average of the rest of his employees. The money is there, the resources are there, we are an extraordinarily wealthy nation, but they tend to be concentrated in a few places and not shared with the vast majority of the people that we really care about.

Mr. Chairman, I yield back.

Chairman LAHOOD. Thank you, Mr. Beyer, for your comments.

That concludes our questions and answers, and I want to thank my colleagues on both sides of the aisle for the very substantive and comprehensive questions and dialogue and conversation today. And, obviously, I want to thank our five witnesses here today for your valuable testimony and for adding to the conversation that we are having here today.

As we have seen, changing the nation's official poverty measure would have profound implications on how Federal assistance is distributed to millions of Americans across the country. And I hope, with the dialogue we had here today, we can work together in a bipartisan way to ensure Congress is the final arbitrator of the setting eligibility for vital programs we create for Americans most in need.

Please be advised that members will have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal record.

With that, the committee stands adjourned.

[Whereupon, at 3:52 p.m., the subcommittee was adjourned.]

MEMBER QUESTIONS FOR THE RECORD

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Dr. Bruce D. Meyer
McCormick Foundation Professor of Public Policy
University of Chicago
Chicago, Illinois

Dear Dr. Meyer,

Thank you for your recent participation in the Ways and Means Committee's Subcommittee on Work and Welfare hearing entitled "Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America."

Please see the following questions for the record:

1. One of our main priorities here in Congress, and for this subcommittee, is to implement programs and policies that help reduce poverty. Can you further describe how the Supplemental Poverty Measure (SPM) is a relative measure and how, if it were elevated to the nation's headline poverty statistic, it would be hard to measure the effectiveness of the programs this subcommittee creates to fight poverty?

2. In your testimony, you discussed the differences in well-being indicators for people in rural and urban areas. Both have their own unique problems; can you further explain these indicators and how elevating the SPM would further this divide?

Thank you,

Lloyd Smucker
Member of Congress

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December 12, 2023

Dear Representative Smucker:

I am honored to be able to respond to your two questions in order.

1. The Supplemental Poverty Measure or SPM is hard to use to measure the effectiveness of programs that fight poverty. The two main ways researchers examine the effects of policies on poverty is to either 1) study how poverty has changed over time after implementation of a program or 2) simulate incomes with and without the program.

   The first approach is made very difficult because SPM thresholds, the cutoffs below which families are designated as poor, change over time for reasons other than inflation. The SPM is essentially a relative poverty measure, examining incomes relative to the spending of those near the median level of spending. This problem is discussed at length in the AEI report on improving poverty measurement:[1]

   > A relative standard shows whether people with lower incomes experience greater growth in resources than those with incomes in the middle of the distribution do. Thus, it captures changes in one form of inequality. One limitation of a relative standard is that even if people at the bottom of the distribution see a reduction in resources (suggesting their material well-being has fallen), poverty could nonetheless fall if median resources fall even more. For example, Salvatore Morelli, Timothy Smeeding, and Jeffrey Thompson found that relative poverty fell in Ireland and Estonia during the Great Recession—between 2007 and 2010—even as absolute poverty increased substantially in these two countries.[2] Similarly, Stephen Jenkins et al. summarized several examples across countries and recessions in which relative poverty fell or remained stable even as absolute poverty increased.[3] Alternatively, if people at the bottom of the distribution see an increase in resources, relative poverty could nonetheless rise if median resources increase even more.

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[1] Richard V. Burkhauser, Kevin C. Corinth, Bruce D. Meyer, Angela Rachidi, Matt Weidinger, and Scott Winship. 2021. Addressing the Shortcomings of the Supplemental Poverty Measure, AEI. https://www.aei.org/wp-content/uploads/2021/07/Addressing-the-Shortcomings-of-the-Supplemental-PovertyMeasure.pdf

[2] Salvatore Morelli, Timothy Smeeding, and Jeffrey Thompson, "Post-1970 Trends in Within-Country Inequality and Poverty: Rich and Middle-Income Countries," Handbook of Income Distribution 2 (2015): 593–696; Jan O. Jonsson, Carina Mood, and Erik Bihagen, "Poverty Trends During Two Recessions and Two Recoveries: Lessons from Sweden 1991–2013," IZA Journal of European Labor Studies 5, no. 1 (2016): 1–20.

[3] Stephen P. Jenkins et al., "The Great Recession and the Distribution of Household Income" (paper prepared for the 32nd General Conference of the International Association for Research in Income and Wealth, Boston, MA, August 5–11, 2012), http://old.iariw.org/papers/2012/JenkinsPaper.pdf.

Poverty thresholds should be updated transparently to illustrate how researchers and the public should interpret changes in the poverty rate over time.

The second way that researchers examine the effects of policies is to simulate incomes if an existing program were eliminated or a new program were added.[4] Unfortunately, the SPM relies on income data that tends to be greatly under-reported. This error leads the SPM to give badly biased estimates of the poverty reduction of individual programs or groups of programs. This bias is extensively analyzed in a pair of recent papers. One finds that the poverty reduction of all programs is understated, with the poverty reduction effects of Social Security Disability Insurance, SNAP, and HUD housing benefits all about 80 to 90 percent higher than those calculated using SPM methods.

2. Elevating the SPM would further increase the division in well-being between rural and urban areas. The SPM would report that poverty is lower in the areas, often rural ones, where material well-being is lower, and would raise poverty in areas, often big cities, where material well-being is higher. Since many government programs target high poverty areas, this change would lead the wrong areas to be targeted for the receipt of government benefits. The reason for this counterproductive change is that the SPM sets higher poverty cutoffs in geographic areas where families spend more on housing. However, the areas where people spend more on housing are markedly better areas for the poor according to a wide range of indicators including mortality, health, assets, long-run income, housing characteristics, ability to pay bills, education, food security, and to a lesser extent, government services and appliance ownership.[5] These general patterns hold after a variety of extensions and robustness checks, including examining alternative measures of regional prices, and focusing on those below half the poverty line or 1.5 times the poverty line. These results broadly suggest that low-income individuals in lower-cost areas are more disadvantaged than their counterparts in higher-cost areas.

   This finding can be explained by the empirical fact that prices at the state or sub-state level are strongly associated with many characteristics that are important to those with low incomes. Wages have been found to rise almost one for one with prices[6] and many other characteristics differ across local areas and have been shown to be reflected in home prices or rents.[7] Many categories of state and local spending are strongly associated

[4] This approach makes the assumption that other family attributes will not change because of the policy, for example work will not change.

[5] Bruce D. Meyer, Derek Wu and Brian Curran. 2021. "Does Geographically Adjusting Poverty Thresholds Improve Poverty Measurement and Program Targeting?" University of Chicago Working Paper. https://bpb-us-w2.wpmucdn.com/voices.uchicago.edu/dist/d/1370/files/2022/06/Geographic-Adjustments-Paper-4.7-NBER-SI_compressed.pdf

[6] J. Michael DuMond, Barry T. Hirsch, and David A. Macpherson. 1999. "Wage Differentials Across Labor Markets and Workers: Does Cost of Living Matter?" *Economic Inquiry*, 37(4): 577-598; Barry Hirsch. 2011. "Adjusting Poverty Thresholds When Area Prices Differ: Labor Market Evidence." Working Paper.

[7] These include public goods such as schools (Charles Tiebout. 1956. "A Pure Theory of Local Expenditures."

with prices. These characteristics have the potential to offset the increases in resources needed to maintain a given standard of living in the face of higher prices for some goods. Likely due to these patterns, we also find that measures of intergenerational mobility from the Opportunity Atlas of Raj Chetty and co-authors are also positively correlated with local prices.[8]

Sincerely,

Bruce D. Meyer

Bruce D. Meyer
McCormick Foundation Professor

Journal of Political Economy, 64(5): 416-424; Wallace E. Oates. 1969. "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis." *Journal of Political Economy*, 77(6): 957-971; Sandra Black. 1999. "Do Better Schools Matter? Parental Valuation of Elementary Education." *Quarterly Journal of Economics*, 114(2): 577-599; Dennis Epple. 2008. "Tiebout Hypothesis." In S.N. Durlauf and L.E. Blume (Eds.), The New Palgrave Dictionary of Economics, 2nd edition.), pollution (Lucas Davis. 2004. "The Effect of Health Risk on Housing Values: Evidence from a Cancer Cluster." *American Economic Review*, 94(5): 1693-1704; Kenneth Y. Chay and Michael Greenstone. 2005. "Does Air Quality Matter? Evidence from the Housing Market." *Journal of Political Economy*, 113(2): 376-424. Chay and Greenstone 2005), and cash welfare (Edward L. Glaeser. "Should Transfer Payments Be Indexed to Local Price Levels?" *Regional Science and Urban Economics*, 28(1): 1-20).

[8] Raj Chetty, John N. Friedman, Nathaniel Hendren, Maggie R. Jones, and Sonya R. Porter. 2018. "The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility." NBER Working Paper No. 25147.

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Statement of Deborah Weinstein
Executive Director, Coalition on Human Needs
On Measuring Poverty in the United States
Submitted, November 7, 2023
For the Record of the

Work & Welfare Subcommittee of the House Committee on Ways and Means: Hearing on Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America, held October 24, 2023

I submit these comments on behalf of the Coalition on Human Needs. The Coalition on Human Needs is an alliance of national organizations working together to promote public policies which address the needs of low-income and other vulnerable populations. The Coalition's members include civil rights, religious, labor, and professional organizations, service providers and those concerned with the wellbeing of children, women, the elderly, and people with disabilities. The Coalition on Human Needs monitors and tracks data on human needs in the United States, including data on poverty, on policies that reduce poverty, and on hardship. The Coalition uses Census data including the Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) and the Supplemental Poverty Measure (SPM) in its work. The Coalition is one of four organizations that formed and continues to co-lead Count All Kids, a national group of child-serving organizations that is working to improve the count of young children in all Census Bureau demographic products. The Coalition on Human Needs also co-led an effort to make sure that all eligible children received the benefit of the expanded Child Tax Credit.

The Coalition on Human Needs has supported the Supplemental Poverty Measure for many years because it provides critical data on how federal and state policies increase or reduce poverty. It is an essential complement to the Annual Social and Economic Supplement of the Current Population Survey (CPS-ASEC). It is important to note that the SPM is a research tool. It is not used in calculating eligibility for benefits, and the Biden administration has made no such proposal. While the administration has not proposed this change now, the Coalition on Human Needs is open to utilizing a poverty definition similar to the SPM for the purposes of establishing eligibility for benefits. It is acknowledged by most researchers that the current method for calculating official poverty guidelines does not take into account many income sources available to families or individuals or the expenses they incur. Failure to take these needs into account has contributed to the high cost of poverty and near-poverty in this nation in lifelong poor health and mortality outcomes. A recent analysis found a 42 percent increased hazard of mortality among people currently poor and a 71 percent increased hazard of mortality among people who had experienced poverty over a ten-year period as compared to the non-poor U.S.

population.[1] Basing benefits on a more accurate assessment of need, considering the high toll of poverty, clearly should be a goal. But the current SPM, to repeat, is a research tool, not guidelines for determining eligibility.

The CPS-ASEC measures how many people live at or below the official poverty line nationally. The American Community Survey (ACS) uses a similar process to measure poverty at the state and local level. The CPS and ACS count only cash income and household size, and assess poverty against a measure that was set many years ago and is adjusted annually for inflation. That measure is used to help determine eligibility for many government benefits. Because the CPS-ASEC does not include the impact of taxes or non-cash government benefits, it only tells us how much cash income families have; it does not measure whether many policies to ameliorate poverty are working.

By contrast, the SPM looks at how individual policy decisions on taxes or non-cash benefits deepen or ameliorate poverty—information that policy makers and advocates need. The SPM allows us to see that the expanded Child Tax Credit reduced poverty in 2021 by 43%.[2] It allows us to break out the value of the Child Tax Credit from the Economic Impact Payments and other pandemic-era policies that also contributed to important reductions in poverty and hardship.

As the testimony of Elaine Maag in this hearing spelled out in detail, this kind of reduction in child poverty and hardship has important short and long-term benefits for children, improving their health and school achievement in the short run and their productivity and health as adults. Of course, the number of children lifted out of poverty is only a very partial indicator of its value to children. Many more children remained poor but were at least lifted out of deep poverty, and many children who would have hovered just above the poverty line received significant benefits from the additional income.

The SPM methodology can be used to show us the state-by-state impact of policies and thus provides guidance to members of Congress. Columbia University's Center on Poverty and Social Policy has utilized data from the Census Bureau's American Community Survey SPM research file to estimate such state impacts, although the Census' annual SPM report, which is calculated from the smaller CPS-ASEC sample, does not provide such breakdowns. For example, the Columbia University analysis shows that Child Tax Credit reduced child poverty in states between 33 % and 57% depending on the state.[3] This helps members of Congress understand how vital it is for their constituents to reinstate the expanded credit.

[1] *Poverty Linked to 42% Increased Mortality Risk in US*, Kevin Kunzmann, April 17, 2023, https://www.hcplive.com/view/poverty-linked-increased-mortality-risk-us

[2] See Burns and Fox, 2022, *The Impact of the 2021 Expanded Child Tax Credit on Child Poverty* Social Economic and Housing Statistics Division, Washington DC: US Census Bureau; Wimer et al. 2022, The 2021 Child Tax Credit Expansion: Child Poverty Reduction and the Children Formerly Left Behind. New York: Center on Poverty and Social Policy at Columbia University.

[3] State-Level Poverty Impacts of the Child Tax Credit in 2021, Danielle Wilson, Sophie Collyer, Bradley Hardy, and Christopher Wimer, Center on Poverty and Social Policy at Columbia University, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6536af0eb87abc5576182e78/1698082574647/2021-Child-Tax-Credit-State-Poverty-Factsheet-CPSP.pdf

The SPM shows beyond question that Congress should reinstate the expanded Child Tax Credit and make it fully refundable to provide these benefits to every child in poverty. It is worth noting that the Columbia analysis[4] shows that states benefiting most from the Child Tax Credit are those "...with relatively lower costs of living and higher pre-tax and transfer poverty rates." Testimony during the Committee's hearing suggested that the SPM would place states with lower costs of living at a disadvantage. In fact, the analysis made possible by the SPM shows that states with lower costs, including states with larger rural populations, saw a greater child poverty reduction from the expanded Child Tax Credit than states with higher costs. (Although all states showed substantial child poverty reduction when the expanded Child Tax Credit was in effect, many states with lower costs had child poverty reductions exceeding 50 percent – for example, Alabama (down 52.5%), Louisiana (down 56.2%), Maine (down 52.2%), Missouri (down 51.5%) and Wyoming (down 51.7%). In contrast, these higher cost states showed somewhat lower child poverty reductions: New York (down 43.0%), California (down 41.6%) and Massachusetts (down 40.5%).)

The SPM is also essential to help us understand the importance of other government policies. For example, in 2021 and 2022, SNAP lifted 3.67 million people out of poverty. Unfortunately, SNAP pandemic benefits are ending, while families face steep increases in food costs. SNAP benefits should be protected from any further cuts and should be expanded in the Farm Bill reauthorization.

These are two reasons why CHN supports the SPM and relies upon the data it provides.

From our work as leaders of the Count All Kids Campaign, we know that the Census Bureau is always working to assess and improve the accuracy of the CPS-ASEC, the SPM, and other sources of demographic data. We support those efforts. We hope that the Bureau will review the recommendations of the National Academy of Sciences to determine which ones will in fact improve its accuracy.

[4] State-Level Poverty Impacts of the Child Tax Credit in 2021, Danielle Wilson, Sophie Collyer, Bradley Hardy, and Christopher Wimer, Center on Poverty and Social Policy at Columbia University, cited above.

House Ways and Means Committee
Work & Welfare Subcommittee
"*Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America*."
October 24, 2023

Chairman LaHood and Ranking Member Davis, thank you for this opportunity to submit testimony regarding the recent hearing, "*Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America*."

First Focus Campaign for Children is a national, bipartisan children's advocacy organization dedicated to making children and families a priority in policy and budget decisions. We have a long history of working to address our nation's high rate of child poverty and providing analysis on the negative implications that poverty has for not only the individual lives of children, but for our society.

The Implications of Poverty for Children

All kids have the right to live full and joyful lives, yet we allow millions of children each year in the United States to experience poverty and material hardship that prevents them from thriving and reaching their full potential.

Poverty can have lifelong negative implications for children by causing children to experience hardship and deprivation at a time when their brains are undergoing critical stages of development. Poverty means less money for food, safe and stable shelter, diapers, and other necessities that children need to be healthy and focus in school. Science continues to emerge that poverty directly impacts child brain development. The early stages of a landmark study, Baby's First Years, shows so far that an increase in household income increases fast brain waves in babies, which are helpful to the brain development they need for learning.

The duration of poverty matters for children — the longer a child experiences poverty, the greater the likelihood they will experience poverty as an adult. Child poverty also has negative consequences for our economy, costing over $1 trillion a year in lost economic output.

We Know What Works to Reduce Child Poverty

Yet it doesn't have to be this way. Recent progress shows us that child poverty is a solvable problem when we have the political will to act. Amid a global pandemic, we were still able to cut child poverty nearly in half in the U.S. due to assistance that gave money directly to families with children to use to meet their household's unique needs.

We know from numerous surveys (such as the Census Household Pulse Survey, Bureau of Labor Statistics, and RAPID survey) that parents and caretakers overwhelmingly used this money for household necessities such food, children's clothing, and rent, resources that support children's short- and long-term well-being and development. Parents and caretakers also used this money for gas and car repairs that helped them get to work, and for activities that enriched the lives of their children such as music or soccer lessons, educational materials, or trips to the movies. Adults in these households reported that these payments reduced stress in the household, giving them some breathing room from the constant worry of how to cover bills and pay household expenses, and allowing them more bandwidth for their children.

A 2019 landmark study from the National Academy of Sciences confirms that the negative outcomes associated with child poverty directly result from a lack of income, and that when families receive cash transfers, it not only reduces child poverty but also improves children's short-and long-term health, educational, and economic outcomes, both by increasing access to resources that support children's healthy development as well as reducing household stress.

When families stopped receiving the enhanced Child Tax Credit, we saw the largest one-year increase in child poverty in the U.S. on record, and this tracks with other sources that show an increase of material hardship since 2021. For example:

- Children's HealthWatch finds that food insufficiency (defined as sometimes or often not having enough to eat) increased among families with children by 25% from January 2022-July 2022 after the Child Tax Credit payments expired other food insecurity resources.

- The Urban Institute found that as of June 2022, nearly one in four (23.9%) adults who are parents or guardians of children under 19 living with them reported that their household was food insecure. This is a 5.6% increase from April 2021. 25.0% of households with children under 6 report food insecurity, which is a 7.7% increase from April 2021.

- The RAPID survey from the Stanford Center on Early Childhood reports that in January 2022, 26% of households with young children reported difficulty paying for basic needs. In December 2022, this rate increased to 47% of households with young children. This rate is the highest level they found since they began the survey in April 2020.

- In a survey from the Center for Law and Social Policy (CLASP) and other organizations in the summer 2022, 60% of parents who previously received the monthly payments stated it has been more difficult for their family to meet their expenses since the payments stopped. Parents also reported increased financial stress and increased difficulty affording other goods for their children and household.

Columbia's Center on Poverty & Social Policy found that if we continued the enhanced Child Tax Credit (CTC) in 2022, 3 million less children would have experienced poverty in 2022. The expiration of the enhanced CTC disproportionately harms many children of color and children in rural areas, who are now more likely to be left out of receiving the full or even partial credit because their household income is too low to be eligible.

Now, the Fiscal Year (FY) 2024 – (FY) 2033 budget blueprint in the House and annual spending bills aim to limit access to vital resources like food, housing, healthcare, childcare and early learning, education, and more disinvesting in our children's healthy development and well-being. Simultaneously, the Committee passed a tax package that disproportionately benefits large corporations and the wealthiest, eroding revenue and taking away security and stability from children and their families.

The national debt warrants attention, but we have an investment crisis for our children and their families and a responsible approach to reduce our deficit must center on revenue raising and not devastating programs that support and protect tens of millions of children when we know overwhelmingly those investments lift children out of poverty, prevent hardship for their families and ultimately paint a brighter future for our children, our communities, and our country.

Establishing a national child poverty reduction target, such as proposed in the recently reintroduced Child Poverty Reduction Act (H.R. 5629), led by Rep. Danny Davis, is an important step towards protecting and increasing investments in children as well as making the long-term policy changes needed to combat child poverty in the United States. Codifying a goal to cut child poverty in half within 5 years would help to build the bipartisan political will necessary for sustained progress.

Improving Poverty Measurement

During the hearing, there was a lot of discussion about the need to improve the way we measure poverty in the United States. We agree that there is room for improvement — for example, we know that current poverty statistics greatly underestimate the problem of material hardship in the U.S. The Economic Policy Institute's Family Budget Calculator finds that a family of four with two children needs a household annual income of at least $80,000 to have an adequate standard of living. This is an annual income of more than double the poverty thresholds of the Official Poverty Measure (OPM) and the Supplemental Poverty Measure (SPM).

The OPM and SPM could also stand to be more inclusive — for example, they do not include households in the U.S. territories, causing millions of U.S. citizens to be excluded from analysis and policy solutions to address poverty and material hardship and furthering inequality between families living in the U.S. territories and those in the 50 states and the District of Columbia. There is a way to make this fix legislatively — for example, the Child Poverty Reduction Act includes language directing the U.S. Census Bureau to attempt to report SPM figures on child poverty for Puerto Rico and the other territories and if they don't find this feasible, to tell Congress what resources are needed to make this happen.

There was a lot of discussion at the hearing around the implications of changing federal poverty guidelines. In response to some of the concerns expressed, I would like to point out that there are ways to improve federal poverty thresholds through legislation that would improve access to resources for families with children struggling with poverty and material hardship in higher cost areas while also doing no harm to poor families who are living in rural areas with a lower cost of living. I also want to note that the National Academy of Science's recent report, *Evaluations and Improvements to the Supplemental Poverty Measure*, does not even include any recommendations to use the SPM (or a renamed Principal Poverty Measure) to change federal poverty guidelines nor has the Biden Administration taken any actions to make these changes administratively.

We welcome further discussion on ways to improve upon poverty measurement to ensure that our poverty measures are accurately capturing the full extent of child poverty and hardship and that they are inclusive of all children in the U.S. This is critical to identifying and helping all households with children who are struggling, no matter where they live in the United States.

We also urge lawmakers to focus on the fact that children are experiencing increased material hardship following the expiration of improvements to the Child Tax Credit, Economic Impact Payments, and other assistance. It is critical that, without delay, we renew enhancements to the Child Tax Credit and make other investments that combat poverty and hardship so that all children in the United States have an equal chance to thrive.

Thank you again for the opportunity to submit this testimony and please don't hesitate to reach out to myself or Cara Baldari at carab@firstfocus.org with any questions.

Sincerely,

Bruce Lesley

Bruce Lesley
President, First Focus Campaign for Children

MomsRising TOGETHER

October 23, 2023

he Honorable Darin LaHood
Chairman
House Ways and Means Committee Work and Welfare Subcommittee

The Honorable Danny Davis
Ranking Member
House Ways and Means Committee Work and Welfare Subcommittee

Dear Chair LaHood and Ranking Member Davis,

MomsRising submits the following statement for the record as part of the Work & Welfare Subcommittee Hearing on "Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America" scheduled for October 24, 2023.

MomsRising is a grassroots organization with over one million members, including members in every state in the nation. MomsRising and its members are dedicated to advocating for public policy that is critically important to women and families, as well as the economy, including the expanded Child Tax Credit (CTC), the Supplemental Nutrition Assistance Program (SNAP) and the Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC). Studies show that these policies not only boost the economy, they also reduce child poverty, improve health and educational outcomes for millions of children, and result in increased earnings and lower risk of cardiovascular disease in adulthood. Congress must continue to support and expand programs that are critical for the health and well-being of millions of children, including the expanded CTC, SNAP, and WIC.

Before its expiration, the expanded CTC was transformational for families in the United States. The CTC kept 3.7 million children out of poverty, reduced child poverty by almost half, and cut food insecurity by more than one quarter. The CTC reached nearly 40 million families with 65 million children, allowing them to afford basics like food, clothing, housing, and childcare. In fact, food costs and utility bills were the two top uses of the monthly CTC for people with incomes below $35,000, showing that the CTC fulfilled critical basic needs while helping vulnerable children and families. In short, the monthly expanded CTC was a lifeline for millions of families across the country, and Congress' failure to renew the credit caused cruel and unnecessary hardship for millions of children.

Although the expanded CTC was crucial to lifting millions of children out of poverty, Congress must reform the program to allow for greater access to CTC and address coverage gaps that remain for rural families. Studies have shown that the design of the tax credit leaves out millions of rural families whose incomes are too low to qualify for the credit. Expanding the credit and making it fully refundable will bring the needed benefits of this program to millions more children in every part of the United States.

Congress must also support other programs that play a crucial part in childhood health and development, including nutrition programs like SNAP and WIC. SNAP provides nutrition assistance to more than 46 million Americans, including millions of children. Moreover, Congress should take this opportunity to expand access to SNAP by lifting arbitrary barriers, rejecting onerous work requirements, and rolling back existing time limits that would punish the most vulnerable members of our society without increasing employment. Congress must also reject efforts to reduce WIC funding, which would prevent new mothers, infants, and toddlers from accessing the nutrition assistance, formula, and breastfeeding counseling that they so desperately need. If Congress fails to increase its investment in WIC in FY24 to reflect growing caseloads, the program will be in danger of returning to waitlists for the first time since the late 1990s.

Low-income communities across the country agree that the CTC boosts the health and wellbeing of American families; polling shows that three in four Americans support the CTC. The CTC makes available funds that help bolster the economy and uplift low-income communities. Further, the Joint Economic Committee Democrats found that the CTC would provide $8 in social and economic benefits for every $1 of investment.

MomsRising is happy to serve as a resource as the committee continues to consider policies that affect low-income communities. We have included below a dozen stories from moms across the country, highlighting the importance of the expanded Child Tax Credit for American families and children.

Sincerely,

Kristin Rowe-Finkbeiner
Executive Director/CEO
MomsRising Together & MomsRising Education Fund

Elyssa Schmier
Vice President, Government Relations and National Budget
MomsRising

MomsRising TOGETHER

“The expanded Child Tax Credit will be going to my daughter's daycare expenses. As a family with two full time working parents, our daughter is in full time care. It's $1400/month so this credit will help offset the cost.” -Lindsay, San Luis Obispo, CA

“I will use the expanded Child Tax Credit to help pay my rent and keep a roof over my kids’ heads. I work for LAUSD. I make about $1200 every two weeks my rent in Los Angeles is $1695. I have four boys who I am trying to give a good education to, make sure they stay healthy, which is hard with the food we have accessible to us . Lights, gas for the stove, gas for the car, they need clothes, shoes, money for events at school . It’s hard so that money will contribute to one of my largest bills which is my rent. I also have student loan debt from college: $10,000!”-Cecelia, Los Angeles, CA

“As a single mother, working and raising children hasn’t been the easiest task. I’ve struggled with child care, maintaining employment and being a parent. The Child Tax Credit is a big deal and will not only help me financially to provide for my children but those families who struggle everyday to make ends meet to pay bills and keep food on the table so that no child ever goes to bed hungry.” -Lurina, Palatine, IL

“Childcare prices have exploded over the last decade, and with the pandemic, options have diminished. My husband and I are both public elementary school teachers. We are able to live comfortably but not extravagantly. Affording daycare for our toddler son has pushed our budget to the limit-- we make too much to qualify for childcare aid but not enough to actually afford it. The Child Tax Credit is just enough to ease that burden. We no longer have to dip into savings (or go into debt!) to make sure our child is safe and cared for while we both work.” -Kendra, Chicago, IL

“The CTC has greatly helped my family. We have a 3yr old and we had our second child in November 2020. We cannot afford to have both kids in day care so I can go back to work. This child credit has helped us out a lot being able to stay afloat! My husband and I were both essential workers. We worked through the whole pandemic and got COVID. We did not want to risk that again now that we have our baby boy here. We support any time of extension or expansion of the CTC."-Stephanie, Imlay City, MI

"The monthly child tax credit has made a tremendous difference in my son's quality of life. It has allowed me the freedom to indulge him on occasion. John is a fast-growing boy. At 5 years old he is already wearing clothes sized for a 10 year old. I am constantly trying to keep up with his changing size. This additional monthly income has allowed me to buy much needed clothes and shoes for the fall. I was able to buy extra wide shoes from the new balance store that actually fit his feet!!! I also upgraded his bedroom with a full size bed and a dresser. (Before we shared one). This pandemic has been hard for many. It has changed my way of thinking in many aspects of my life. I am currently striving to complete my GED so I can begin working towards my BSN at 42 years young with a 5 year old. I hope to soon put myself in a much better position financially. Until I finish school, the CTC will be a huge impact in my sons quality of life."-Emily, Albuquerque, NM

"I have worked part-time, from home, for the last eleven years as we raise our family. It didn't make sense for me to work and put my entire paycheck (plus some) into childcare. So I took part-time work as a tutor at a local college, which meant I could always be home with the children. But it also meant that I was without work every summer, winter/spring break, and any holiday. I took on seasonal retail jobs, but some years I couldn't get hired with the short amount of time I could work. Many years, we would end up living off our credit cards by the end of summer, and putting all our Christmas expenses on there as well. We stopped buying presents for family. Just the kids (and some years we sold things to afford it). We piled on far more debt than we could pay off. Every year at tax time, we would pay off as much as we could, and be right back where we started. My husband got a better job, and we are starting to pay off all our debts. But it's SLOW. And we were looking at another August without any pay for me.

We went to college. We have never been completely unemployed. We are trying to raise our children under the standards by which we were raised. We tried to do it all "right" and we still struggle so much.

But now? Now we can buy all the kids' school supplies with our Child Tax Credit. We can buy the "real" groceries instead of the "end of summer" ones. We won't fall behind and we will keep paying down our debts. We'll have what we need each month instead of losing sleep over my lost income. This really will change so much, for the better."-Cami, Kent, OH

"My wife delayed starting a new job in order to care for her mother, who has been in the hospital for more than 2 months. We have 3 kids in daycare, a bill that runs more than double our mortgage. The Child Tax Credit allows her to spend time with her mom, navigating the complex medical system and advocating on her behalf. That money will make a real difference in our lives while we get through this difficult period and hopefully get back to normal." -Kyle, Portland, OR

"The CTC will help pay for pre school for my youngest and child care when school is on break for both kids during the summer and winter break. It will make it easier to pay for unexpected child care needs due to work or illness and all that leads to less stress and more financial security."-Jessica, Glenside, PA

"The CTC gives my family extra money to pay off a few small bills and help us make it through month to month. And it usually leaves just enough to go get my babies a new set of jammies or take them for an ice cream. I might not have tons of money but I do my best and work my hardest to give them any and every little thing I possibly can. They are my world!" -Jamie, Knoxville, TN

"The newly expanded CTC has helped my little family in a big way. Earlier this year my husband had a stroke and has not been able to provide for us. It has been hard paying bills and putting food on the table since we do not qualify for SNAP food benefits. These monthly payments have given us hope and has taken off some of the stress as I continue to work and take care of my husband, daughter, and our home."-Jaclyn, Harlingen, TX

NATIONAL WOMEN'S LAW CENTER

October 23, 2023

Chairman Darin LaHood
Subcommittee on Work and Welfare
1139 Longworth HOB
Washington D.C. 20515

Ranking Member Danny Davis
Subcommittee on Work and Welfare
1139 Longworth HOB
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NWLC Written Statement for U. S. House of Representatives, Committee on Ways and Means, Work and Welfare Subcommittee Hearing on *Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America*

Dear Chairman LaHood and Ranking Member Davis,

The National Women's Law Center (NWLC) appreciates the opportunity to submit this written statement for the record for the October 24, 2023 Work and Welfare Subcommittee Hearing on *Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America.*

NWLC fights for gender justice—in the courts, in public policy, and in our society—working across the issues that are central to the lives of women and girls. We use the law in all its forms to change culture and drive solutions to the gender inequity that shapes our society and to break down the barriers that harm all of us—especially women of color, LGBTQ people, and women and families with low incomes.

The official poverty measure (OPM) has long been used to assess economic security in this country, but it is an incomplete measure of the income needed for a household to meet its basic needs and does not reflect the reality of what it costs to live and thrive in a modern society. Many anti-poverty advocates and researchers believe the more recently developed Supplemental Poverty Measure (SPM) is a better metric for economic wellbeing than the OPM—even if it too has room for improvement[1]—partly because it takes into consideration everyday expenses that families face, such as child support, work-related costs, and out of

[1] Amy Matsui and Sarah Hassmer, "OMB Request for Comment on Considerations for Additional Measures of Poverty, OMB-2019-0007-0001" (National Women's Law Center, April 2020), https://nwlc.org/wp-content/uploads/2020/04/NWLC-Comment-on-Additional-Measures-of-Poverty-OMB-2019-0007-0001.pdf; National Academies of Sciences, Engineering, and Medicine, *An Updated Measure of Poverty: (Re)Drawing the Line* (Washington, DC: The National Academies Press, 2023).

pocket medical expenses.[2] Additionally, SPM counts refundable tax credits and other in-kind supports—including housing subsidies, food assistance, and school meals—as income.[3] In this way, SPM captures the impact of public programs on poverty, making it an especially important tool for measuring the effectiveness of public assistance programs.

On September 12, 2023, the U.S. Census Bureau released new data that revealed an historic increase in the country's poverty rates.[4] Between 2021 and 2022, the poverty rate as measured by the SPM increased from 7.8 percent to 12.4 percent for the overall population, marking the country's largest ever recorded single-year increase in SPM poverty in more than 50 years.[5] The rate increased even further for children, doubling from a historic low of 5.2 percent in 2021 to 12.4 percent in 2022, effectively undoing the record gains made against child poverty in 2021 largely through the American Rescue Plan Act's (ARPA) expansion of the Child Tax Credit (CTC).[6] The tremendous increase in SPM poverty between 2021 and 2022 is also reflected in higher rates of hardship reported by families after the expanded CTC expired at the end of 2021, especially among families of color, families headed by single female parents, and families living in rural areas. Both the 2022 SPM poverty rates and the ongoing hardship among these families prove the urgent necessity of long-term investments in the expanded CTC and other programs that support women and families.

ARPA's Expansion of the CTC Reduced Poverty and Supported the Financial Security of Women and Families.

The ARPA was an historic piece of legislation that provided needed relief for millions of families, including families with low incomes, families of color, and women-headed families who were disproportionately impacted by the pandemic. This relief included temporarily expanding the CTC as well as two other federal income tax credits that benefit families, the Earned Income Tax Credit (EITC) and the Child and Dependent Care Tax Credit (CDCTC). The ARPA made the CTC fully refundable, allowing families with low incomes to benefit from the full credit. The size of the credit was also increased from $2,000 per qualifying child to $3,600 per child ages 0 to 5 and $3,000 per child ages 6 to 17 (up from the previous age limit of 16). Finally, the ARPA allowed families to receive up to half their CTC credit amount in monthly installments between

[2] U.S. Census Bureau, "Income, Poverty and Health." Insurance Coverage in the United States: 2022" (September 2023), https://www.census.gov/newsroom/press-releases/2023/income-poverty-health-insurance-coverage.html
[3] Indivar Dutta-Gupta and Elizabeth Lower-Basch, "A Better Poverty Measure Shows the Impact of Public Policies" (The Center for Law and Social Policy, August 2023), https://www.clasp.org/blog/a-better-poverty-measure-shows-the-impact-of-public-policies/.
[4] U.S. Census Bureau, "Income, Poverty and Health.".
[5] National Women's Law Center, "NWLC Reacts to Census Bureau's Data Showing Historic Increase in U.S. Poverty Rate" (September 2023), https://nwlc.org/press-release/nwlc-reacts-to-census-bureaus-data-showing-historic-increase-in-americas-poverty-rate/#:~:text=Between%202021%20and%202022%2C%20the,percent%20for%20the%20overall%20population.
[6] Sharon Parrot, "Record Rise in Poverty Highlights Importance of Child Tax Credit; Health Coverage Marks a High Point Before Pandemic Safeguards Ended" (Center on Budget and Policy Priorities, September 2023), https://www.cbpp.org/press/statements/record-rise-in-poverty-highlights-importance-of-child-tax-credit-health-coverage#:~:text=The%20increases%20in%20poverty%20among,8.4%20percent%20to%2019.5%20percent.

July and December 2021, with the second half received when they filed their tax returns in early 2022.

SPM poverty rates reflected the anti-poverty impact of the expanded CTC, along with other COVID-era relief programs, in 2021. As measured by SPM, the expanded CTC moved 5.4 million people out of poverty in 2021, including 2.9 million children and 1.5 million women (351,000 of whom are Black, 575,000 of whom are Latina, 76,000 of whom are Asian, and 482,000 of whom are white, non-Hispanic women).[7] Additionally, child poverty rates fell to the record low of 5.2 percent, with the expanded CTC reducing child poverty 43 percent on its own.[8] This poverty reduction was driven in large part by the expanded CTC's full refundability, which benefited millions of families previously excluded from the full credit because their annual incomes were too low to qualify.[9]

Groups disproportionately excluded from the full credit before the expansion experienced large declines in poverty afterwards. The expanded CTC reduced poverty by 43 percent for Black children, 44 percent for Latinx children, and 45 percent for children in single-parent households.[10] Full refundability also disproportionately benefited families and children living in rural areas, where the median annual wage is roughly 20 percent lower than in metro areas.[11] In 2021, rural child poverty dropped to under 4 percent—compared to 5.4 percent for children in urban areas—representing a 53 percent reduction.[12]

This drop in SPM poverty was also associated with an increased ability for families to meet their basic needs. Analysis of the Census Household Pulse Survey demonstrated that, while families were receiving advance payments, food insufficiency dropped by almost 20 percent among families with children.[13] Families used their payments to help pay for necessities like groceries,

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[7] Sarah Hassmer, Amy Matsui, Kathryn Menefee, and Shengwei Sun, "By The Numbers: Data on Key Programs for the Well-Being of Women & Their Families" (National Women's Law Center, May 2023), https://nwlc.org/resource/by-the-numbers-data-on-key-programs-for-the-well-being-of-women-lgbtq-people-andtheir-families/.

[8] Christopher Wimer, Sophie Collyer, David Harris, and Jiwan Lee, "The 2021 Child Tax Credit Expansion: Child Poverty Reduction and the Children Formerly Left Behind" (Center on Poverty and Social Policy, November 2022), https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/63629828229a175d3864c0a1/1667405865381/Expanded-CTC-and-Child-Poverty-in-2021-CPSP.pdf.

[9] Chuck Marr, Kris Cox, and Arloc Sherman, "Build Back Better's Child Tax Credit Changes Would Protect Millions From Poverty — Permanently" (Center on Budget and Policy Priorities, November 2021), https://www.cbpp.org/research/federal-tax/build-back-betters-child-tax-credit-changes-would-protect-millionsfrom#:~:text=Altogether%20Build%20Back%20Better's%20Child,would%20be%20without%20the%20expansion.

[10] Wimer et al., "The 2021 Child Tax Credit."

[11] Sarah Calame, "Child Tax Credit Expansion Is Especially Important to Rural Families" (Center on Budget and Policy Priorities, November 2022), https://www.cbpp.org/blog/child-tax-credit-expansion-is-especially-important-to-rural-families.

[12] Wimer et al., "The 2021 Child Tax Credit."

[13] Zachary Parolin, Elizabeth Ananat, Sophie Collyer, Megan A. Curran, and Christopher Wimer, "The Differential Effects of Monthly and Lump-Sum Child Tax Credit Payments on Food and Housing Hardship" (Center on Poverty and Social Policy, September 2, 2022),

rent, and child care, and Black women and Latinas were especially likely to report using their payments to purchase food.[14] This increased economic security was also associated with improved mental health. Another analysis of the Census Household Pulse survey demonstrated that adults with low incomes who received the CTC payments experienced fewer anxiety and depressive symptoms.[15] Finally, a national survey found that nearly 70 percent of families who received the advance payments reported that the payments reduced their financial stress—and this percent was even higher among Latinx respondents.[16]

<u>The Expiration of ARPA's Tax Credit Expansions Increased Poverty, Harmed the Economic Security of Women and Families, and Left Behind Those Most in Need of Support.</u>

The ARPA's expansions to the CTC and other refundable tax credits expired at the end of 2021, and the impact on women and families has been devastating. SPM poverty rates for women and girls increased from 7.9 percent to 12.8 percent between 2021 and 2022, largely due to the lapse of the CTC and other COVID-era relief.[17] Women of color were especially likely to be in poverty: 16.6 percent of Black women and 16.8 percent of Latina women were below the SPM poverty line as compared to 7.3 percent of white, non-Hispanic men.[18] And while there was a large increase in child poverty in general, children of color experienced especially steep increases: from 8.3 percent to 18.3 percent for Black children, and from 8.4 percent to 19.5 for Latinx children.[19]

The expiration of the payments was also associated with an increase in hardship among families with children. After the CTC payments stopped, households with children experienced a 25 percent increase in food insufficiency.[20] Nearly two in three parents reported that it has been more difficult for their families to meet expenses after the payments expired, with Latinx and low-income parents especially likely to report difficulty. Parents also reported more challenges

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https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/632dec8900629f3bdf310b91/1663954058776/CTC-Payments-on-Food-and-Housing-CPSP-2022.pdf.

[14] Brooke LePage and Sarah Javaid, "Black, non-Hispanic Women and Latinas Use Advance Child Tax Credit to Cover Necessities and Pay Down Debt in the Last Month of Payments" (National Women's Law Center, January 2022), https://nwlc.org/wp-content/uploads/2022/01/PulseWeek40FS-1.pdf.

[15] Akansha Batra, Kaitlyn Jackson, and Rita Hamad, "Effects of the 2021 Expanded Child Tax Credit on Adults' Mental Health: A Quasi-Experimental Study," Health Affairs, 41, no. 1 (January 2023), https://www.healthaffairs.org/doi/10.1377/hlthaff.2022.00733.

[16] Center for Law and Social Policy, "The Expanded Child Tax Credit is Helping Families, But National Survey Shows Continued Outreach Remains Essential" (April 2022), https://www.clasp.org/wp-content/uploads/2022/04/2022_National-CTC-Survey-Round-2_Full-Report.pdf.

[17] National Women's Law Center, "NWLC Reacts to Census."

[18] National Women's Law Center, "NWLC Resources on Poverty, Income, and Health Insurance in 2022" (September 2023), https://nwlc.org/resource/nwlc-resources-on-poverty-income-and-health-insurance/.

[19]Sharon Parrot, "Record Rise in Poverty."

[20] Bovell-Ammon, Allison, Nicole C. McCann, Martha Mulugeta, Stephanie Ettinger de Cuba, Julia Raifman, and Paul Shafer, "Association of the Expiration of Child Tax Credit Advance Payments with Food Insufficiency in US Households," JAMA Network Open 5, no. 1 (2022),https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2797549.

affording high quality foods and visiting food banks or pantries more.[21] There is also evidence that women of color faced higher rates of material hardship following the expiration of the CTC advance payments. In May 2023, over one in five Black women (22 percent) and nearly one in five Latinas (18 percent) did not have enough food to eat.[22] And among Black and Latina women who did not have enough to eat, over 70 percent reported that their children also did not have enough to eat.[23]

The fact that the CTC is no longer fully refundable is especially harmful to the families most in need of support. In 2022, after the expiration of the ARPA expansions, 18 million children under age 17 were ineligible to receive the full CTC—including 38 percent of Black children, 40 percent of Latinx children, and 48 percent of children living in families headed by a single female parent.[24] The lack of refundability also disproportionately impacts children living in rural areas. In 2022, more than one in three rural children were ineligible for the full CTC, compared to one in four children living in metro areas.[25]

Congress Should Reinstate the ARPA's Expansions to the CTC.

The SPM in 2021, along with a significant body of other contemporaneous evidence, showed that ARPA's expansion of the CTC—and the other family tax credits—provided meaningful support to the women and families who need it most and was extraordinarily effective at reducing poverty. And the recent release of the 2022 SPM poverty rates demonstrates the devastating impact of withdrawing that support, especially for families of color, single-parent families, and families living in rural areas. Along with increased poverty rates, families with children experienced widespread hardship after the advanced CTC payments ceased, including difficulty meeting basic expenses and keeping food on the table. The response by policymakers concerned about reducing poverty for rural, and all families, should be clear: the expanded CTC needs to be reinstated.

In particular, the full refundability of the CTC should be a priority. Restoring full refundability for the CTC would once again drive historic reductions in child poverty and ensure millions of children in low-income households could receive the full benefit of the CTC. One 2022 study estimated that restoring the ARPA's CTC expansions would increase the number of children

[21] Ashley Burnside, Bruce Fuller, Elaine Maag, Kathryn Menefee, Brayan Rosa-Rodríguez, and Qifan Zhang, "National Survey: Families Faced Financial Strain When Expanded CTC Expired" (Center for Law and Social Policy, August 2023), https://www.clasp.org/wp-content/uploads/2023/08/2023.8.9_National-Survey-Families-Faced-Financial-Strain-When-Expanded-CTC-Expired.pdf.

[22] In comparison, 9.1 percent of white, non-Hispanic women and 7.6 percent of white, non-Hispanic men did not have enough food to eat. Sarah Javaid, "An Uneven Recovery: Women of Color, Disabled Women, and LGBT Adults Still Struggle to Afford Basic Necessities (National Women's Law Center, June 2023), https://nwlc.org/wp-content/uploads/2023/06/nwlc_PulseWeek57FS-Accessible.pdf.

[23] Ibid.

[24] Wimer et al., "The 2021 Child Tax Credit."

[25] Wimer et al., "The 2021 Child Tax Credit."

eligible for the full credit from 64 percent to nearly 97 percent of all children, including 98 percent of Black and Latinx children.[26]

The spike in SPM poverty after the expiration of the expanded CTC demonstrates that poverty is a policy choice that Congress has the power to reverse. Congress should expand the CTC and make other significant public investments that allow women and families to thrive.

NWLC appreciates the opportunity to submit this written statement for the record. Should you have any questions, please do not hesitate to contact Kat Menefee at kmenefee@nwlc.org.

[26] Jacob Goldin and Katherine Michelmore, "Who Benefits from the Child Tax Credit," National Tax Journal 75, no. 1 (2022).

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Save the Children
Statement for the Record
November 7th, 2023

U.S. House of Representatives Committee on Ways and Means
Subcommittee on Work and Welfare
Comment for the Record for the "How the Biden Administration Plans to
Redraw the Poverty Line & Rob Resources from Rural America" Subcommittee Hearing

Chairman LaHood, Ranking Member Davis and honorable members of the Subcommittee, thank you for holding this important hearing on poverty in America. Nearly 100 years ago, Save the Children began our work in rural Appalachia serving hot meals during the Great Depression. We have since expanded our reach across the United States and centralized our primary early childhood education and nutrition work in 300 of the poorest and most rural communities. It is often said that 'when you meet one rural community, you have met one rural community', and it is with that understanding in which we have pioneered locally led, community-based programs and resources to ensure that children are given an equal opportunity to thrive.

We were pleased to see bipartisan consensus expressed during the hearing surrounding the profound need to prioritize children and families living in rural communities experiencing poverty. While defining rurality is complex this definition drives access to federal programs, grants and resources which are a lifeline for children in rural areas, and we agree that these resources are simply not reaching the poorest and most rural of families. It is also important to highlight that rural America is not a monolith, it is increasingly racially diverse, representing Black, Hispanic, and Native American communities. Most important of all, children should not lose access to opportunities because of their zip code.

Child Poverty in Rural America

Of the estimated 11 million children who live in persistent poverty, 23% live in areas with a high rurality index, indicating populations of less than 10,000 people1. Poverty is detrimental to a child's development. It impacts access to education, increases likelihood of pre-natal mortality, promotes food insecurity, correlates to primary caregiver death, household substance abuse, and poor mental health. These impacts are heightened in children under 5 years of age are exceptionally vulnerable to rural poverty compared to children 6-18 years of age.

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[1] "USDA ERS - Rural Poverty & Well-Being." *Www.ers.usda.gov*, www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being.

The USDA Rural Poverty and Wellbeing Report states that "at the county level, on average…, there were 138 counties in the United States with child poverty rates of 40 percent or higher. Only eleven of them were metro counties. The remaining 127 were nonmetro counties, primarily in the South (84.3 percent) with concentrations in Mississippi, Georgia, Kentucky, and Texas—where child poverty rates have been persistently high, particularly among the Black or African American population."[2]

It is imperative that when we are examining ways in which to improve infancy and early childhood wellbeing for families living in rural communities that a holistic lens is applied. It is through strong interagency coordination and community development that the rural economies will see continued growth, sustainability, and increased access to resources that benefit local communities.

Measuring Poverty in Rural America

A rural (i.e. not urban) designation directly guides the financial allocation to public welfare programs, the availability of federal programs to state and local entities, the availability of some disaster recovery funds, and the investments of companies and philanthropies. Depending on which definition of "rural" is used, resources can be distributed inequitably, or the choice can contribute to a measurement bias in research, which can result in the misclassification of a population[3]. Measurements of poverty behave similarly; counties receiving classifications of persistent poverty gain eligibility for a federal social welfare programs. It is crucial to understand the intersection of demographics, geographics, and high incidences of poverty in how they interact with definitions of rural.

Measuring poverty matters. Through the Census Bureau's classifications of the Official Poverty Measure and Supplemental Poverty Measure there are commonalities and disadvantages that impact rural communities specifically. An example is that the measures of poverty do not take into account the quality of resources available to rural communities. Housing may be cheaper, but the quality of the housing could be lower Access to public goods, such as broadband internet, education systems, healthcare, and transit are not accounted for. Rural communities are far more likely to experience lack of quality access to these public goods and services in which are essential to ensure children are able to learn, grow, and thrive., This is why definitions can help in disaggregating data to create a clear picture of rural poverty.

Per a 2023 Report by Save the Children and the Columbia Climate School National Center for Disaster Preparedness, federal definitions of rural have a significant impact on how children living in poverty are defined, and this further impacts their access to federally funded services and programs. As an organization dedicated to serving rural communities it is our ask that when facilitating conversations surrounding measurements of poverty, especially childhood poverty, that geography and therefore rurality are taken into consideration.

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[2] USDA Economic Research Service. *Rural Poverty and Wellbeing*. 8 Sept. 2023, www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/.

[3] Drever, Anita, and Jonathan Sury. 2023, pp. 1–22, *Rural Definitions Primer, Rural Definitions for Review and Consideration*. Save the Children and Columbia University.

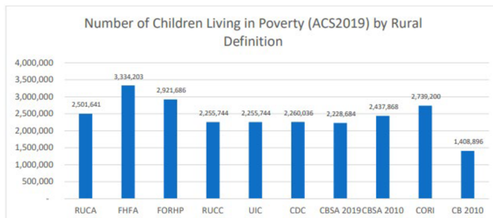

Figure 6: This chart compares the total count of children under the age of 18, for whom the poverty level has been determined, who are living in poverty. These data are aggregated at the census tract level and are sourced from US Census Bureau ACS 2019 5-year estimate data using 2010 tract boundaries. These comparisons do not include any 2020 data to allow for consistency across all definitions.

Strengthen the Child Tax Credit

Child poverty is a policy choice. The most profound step that can be made towards eliminating childhood poverty is through the expansion of the Child Tax Credit[4]. Children living in rural America are experiencing heightened levels of extreme poverty after the expiration of the expanded and fully refundable Child Tax Credit. Using the US Census Bureau's Supplemental Poverty Measurement (SPM) the US saw a historic 46% decline in childhood poverty from 9.7% to 5.2% in 2021. This can be directly attributed to the expanded and fully refundable Child Tax Credit. Childhood poverty has since doubled, measuring at 12.4% in 2022[5]. Child poverty is an immediate emergency. Rural children living in poverty are more likely to experience adverse childhood experiences such as food insecurity, homelessness, learning loss, primary caregiver death, household violence or substance abuse.

We suggest the following to improve the Child Tax Credit:

- Making the expanded credit fully refundable, and returning to the increase of $3,000 per child per year and $3,600 per child under 6 years of age;
- Ensure access to advance payments on a monthly basis;
- Guarantee that all children, regardless of immigration status are able to receive the benefit;
- Expand child eligibility access;
- Protect access for children who may be unhoused, in the foster care system, unbanked, and from families in which primary caregivers make less than the qualifying amount.

According to the Center on Budget and Policy Priorities the 2021 expansion of the Child Tax Credit increased employment among both parents and primary caregivers by over 1.7% using Bureau of Labor Statistics data[6]. Additionally, the majority of parents receiving the credit are not

[4] Bureau, US Census. "Expansions to Child Tax Credit Contributed to 46% Decline in Child Poverty since 2020." *Census.gov*, 13 Sept. 2022, www.census.gov/library/stories/2022/09/record-drop-in-child-poverty.html.

[5] "Child Poverty Increases Sharply Following Expiration of Expanded Tax Credit." *PBS NewsHour*, 12 Sept. 2023, https://www.pbs.org/newshour/amp/show/child-poverty-increases-sharply-following-expiration-of-expanded-tax-credit

[6] Center on Budget and Policy Priorities. *Gains from Expanded Child Tax Credit Outweigh Overstated Employment Worries*. 14 June 2023, www.cbpp.org/research/federal-tax/gains-from-expanded-child-tax-credit-outweigh-overstated-employment-worries.

likely to change their employment status, which is reflected in the minor increase cited above[7]. We urge the consideration of the intersectionality of issues, wherein the expanded child tax credit dramatically decreases childhood poverty can and should be aligned with increased access to childcare which would further increase workforce participation in rural areas.

We recommend that the expanded and fully refundable Child Tax Credit be made permanent. This action would greatly reduce childhood poverty, espically for families who live in rural America.

Additional Policy Recommendations

Because of the long-lasting impact of persistent poverty, particularly in these rural communities, it is critical that Congress keeps these children front and center in policy discussions. With our century of centralized focus on the wellbeing of rural children, Save the Children offers the following suggestions:

In addition to the Child Tax Credit, Congress should fully address the needs of the rural child:

- Improving tax credits to help families afford child care, especially the Child and Dependent Care Tax Credit (CDCTC);
- Protecting access to critical nutrition programs such as WIC and SNAP;
- Addressing decreased access to federal funding for rural communities;
- Securing protection for children through the Individuals with Disabilities Education Act (IDEA);
- Enforcing stronger child welfare protections and safety standards that meet the needs of children;
- Expanding access to early childhood education programs such as Head Start; and
- Prioritizing the mental health needs of children in disaster response and recovery.

Save the Children greatly appreciates the opportunity to share our statement on the importance of anti-poverty programs for children in rural America. We look forward to working with the members of the Subcommittee to ensure that children and families receive the support they need.

[7] Center on Budget and Policy Priorities. *Gains from Expanded Child Tax Credit Outweigh Overstated Employment Worries*. 14 June 2023, www.cbpp.org/research/federal-tax/gains-from-expanded-child-tax-credit-outweigh-overstated-employment-worries.

Comments for the Record
United States House of Representatives
Committee on Ways and Means
Work and Welfare Subcommittee
Hearing on Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America
Tuesday, October 24, 2023

By Michael G. Bindner
The Center for Fiscal Equity

Chairman LaHood and Ranking Member Davis, thank you for the opportunity to submit these comments for the record to the Subcommittee on this topic.

The time has come to end the use of the poverty line entirely. Programs and credits such as the Earned Income Tax Credit, Supplemental Aid to Needy Families and Temporary Aid to Needy Families keep poverty in place. Repeal them. We can do better.

I addressed how to do so in May of this year and have attached those comments. Briefly:

- Raise the minimum wage to $12 per hour and adjust it based on the increase in wages at the median wage level by that dollar amount, not by percentage increases.
- Increase the child tax credit to twice what the President has proposed.
- Pay people to become literate at the 10th grade level and to attend an associates degree or technical training program.

Additional reforms will increase retiree income. Because work does not pay enough, 80% do not have adequate retirement savings. Punishing them in retirement for not being paid enough to save is simply cruel. We can fix this, as follows:

- Put a floor on FICA individual contributions, fund the employer contribution with a Fair Tax or value added tax and credit it equally for each worker.
- Adjust Social Security benefits in line with such improvements so that they are at least $500 a month higher across the board.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Attachment - Making Work Pay, May 2023

First and foremost, wages must be adequate. In 2021, the House proposed increasing the minimum wage to $15 per hour as part of reconciliation. Until the Senate Parliamentarian ruled that this was out of order and the votes did not exist to overrule her, the Republican Minority counter-offered a $10 per hour.

American workers would appreciate putting that counter-offer back on the table, while ending the tipped wage subminimum rate. American customers are not nearly generous enough for this to be at all just. Wherever either (or both) options are proposed as ballot initiatives, they pass. In some states, higher minimums have been enacted and more economic activity, rather than less, has occurred. The reason is obvious - when lower income people have more income they spend it all back into the economy. When wealthier people get a tax cut, they take it out of the economy and into Wall Street speculation. The sad irony is that it is in the so-called "Red States" where the minimum wage has not been raised where the economy lags.

Franchise holders have a history of paying low wages and justifying their opposition to wage increases because their wages would be squeezed out. This is not the case because, again, sales will increase to compensate. That being said, the conditions of franchise employment and franchise agreements deserve attention, as well as the tactic of using the franchise system to avoid unionization and paying for such things as health insurance. If the onus on providing health care and voting for representation is shifted to the franchisor, some firms will decide that turning franchise and gig employment into full-time employment is better. That would be a socially desirable outcome.

The second way to make work pay is to increase the already existing Child Tax Credit. To increase the incentive to work and grow the economy, the credit must be made fully refundable. People do not seek out low wage jobs because the credit is too generous. Just the opposite is true. When family wages are adequate, people make investments in themselves, like further education and skills training, so that they can move up the economic ladder.

The President's Budget proposes that the Child Tax Credits enacted as part of the American Recovery Plan Act be restored. During that period, payment of the child tax credit was in advance of the annual tax filing. This is appropriate and will change the culture of such credits, which should be for continuing support, not an annual bonus.

We agree with increasing the CTC to at least American Rescue Plan Act levels and refundability. We would make it $1,000 per month and phase it out from the median income to the 90th percentile. During the pandemic, the IRS managed payments. This had the "stink of welfare" that even some Democratic Senators objected to, which led to its discontinuance.

I submit that, over the long-term, it would be more acceptable to distribute them either through other government subsidies, such as Unemployment Insurance, Disability Insurance, or a training stipend OR through wages.

For middle income taxpayers whose increased credits are less than their annual tax obligation, a simple change in withholding tables is adequate. Procedures are already in place to deliver refundable credits to larger families.

Employers can work with their bankers to increase funds for payroll throughout the year while requiring less money for their quarterly tax payments (or estimated taxes) to the IRS. The main issue is working out those situations where employers owe less than they pay out. This is especially true for labor intensive industries and even more so for low wage employers. A higher minimum wage would make negative quarterly tax bills less likely.

Tax reform can be used to facilitate this process. Instead of having each family file to collect their child tax credits and EITC (as an end of the year bonus), enact an employer paid subtraction value added tax and make child tax credits and health insurance tax benefits an offset to the payment of this tax and remove most families from having to file at all. Tax offsets could also be created to fund paid family medical leave, sick leave and childcare provided through employers.

Please see the attachment for the latest details of our tax reform plan. This approach is superior to the prebate mechanism proposed for the Fair Tax and for the same reason. The government should not be the national paymaster for every family.

When I graduated from Loras College and began graduate studies at the American University, the Washington Area Consortium of Universities held a conference on poverty. **Every speaker in every topic area cited education as the key avenue to upward mobility.**

Poor people need to work longer hours to make ends meet. Their opportunity costs to seek education are, therefore, high because education cost is competing with food and shelter (both of which are inadequate for workers and their families at current wage levels). If the Subcommittee is serious about getting people to work their way out of poverty, it must give them the tools to do so, which means paid educational opportunity.

Providing minimum wage pay to attend school will assure that, when the wage is increased, those without skills will not be priced out of the economy - as some fear when opposing raising the wage. One reason to raise the minimum wage is precisely so no one lives only on their child tax credit proceeds. There are some in both parties who believe that the child tax credit should have a work requirement. I agree if that work includes being paid to go to school.

Paid training must be provided to those whom the education system and the former culture of dependency has failed. The caricature of the welfare cheat was never reality, however those who were and are trapped in poverty usually have educational deficits, as well as a history of family incarceration due to the war on drugs and its disproportionate penalties for Black and Hispanic men.

Paid training must not only make failed students whole, but advance all students to either vocational training or the completion of the first two years of college (both community and residential). Students with families would also receive the child tax credit. In either case, wages, the CTC payment, health insurance (rather than Medicaid) and any social services, should be delivered through the training provider.

English as a Second Language should not only be free, but workers should be paid to attend, irrespective of immigration status. Part-time workers should also be eligible for this benefit.

Technical training should be covered as well at both public and accredited private schools, including religious schools. In *Espinoza v. Montana,* prohibitions on funding private schools (Blaine Amendments) were found to be unconstitutional. New (and existing) funding should reflect that fact.

The homeless find it impossible to get jobs and hard to get benefits. This is why the "housing first" approach is essential to getting people back into the workforce or to channel them into the appropriate educational program - including those associated with drug court and disability insurance. Such individuals should be required to attend either long term recovery programs, occupational therapy or psychiatric rehabilitation programs - but be paid to do so.

With a higher minimum wage, payment for training and rehabilitation and a decent sized child tax credit, housing will be affordable without additional subsidies (save possibly for those with permanent disability - but even they should be paid to attend training and such training should not be time limited by payment through Medicaid).

What will society gain for all of this generosity, aside from higher economic growth? This should be obvious - indeed, it has even been proposed by the Senator from Utah - albeit clumsily. Food Stamps, TANF and even Medicaid for the non-elderly poor, as well as governmentally provided case management could be abolished in the vast majority of cases. Dependency would not only end - it would be both impossible and unnecessary.

To encourage work in good jobs, unemployment insurance must be less punitive, particularly where younger workers are concerned. In lower wage jobs, the preference is to find potential supervisors (whose compensation is usually subpar as well) and keep a file of infractions to justify firing workers who do not work out. A punitive work environment that does not exactly make any kind of work attractive.

In certain circumstances, unemployment compensation should be available on a no-fault basis. Better still, employees should be allowed to voluntarily leave firms with a history of quickly dismissing employees without penalty. There should be no expendable jobs or workers.

Lastly, to make work pay better, quit overpaying the few through inflation adjustments. Households making under the 90th percentile have been losing ground for almost half a century,while incomes above that amount have increased on a regular basis.

The source of inequality, aside from abandoning the 91% top marginal tax rate, is granting raises at an equal percentage rather than by an equal amount. When the 91% rate was repealed, incomes were fairly equal, so it was not an issue.

The federal government plays an outsized role in how salaries are determined through percentage based cost of living adjustments to government workers, beneficiaries, government contractors. The government can change this with the stroke of a pen. The private sector will follow suit with a higher minimum wage, adequate child tax credits (as described below) and paying individuals in training from ESL to community college the minimum wage to purse their studies.

From here on in, adjust for cost of living on a per dollar an hour rather than on a percentage basis (or dollars per month or week for federal beneficiaries). Calculate the dollar amount based on inflation at the median income level. No one gets more dollars an hour raise, no one gets less dollars per hour in increases. Increase the minimum wage as above and consider decreasing high end salaries paid to government employees and contractors. Even without decreases, simply equalizing raises will soon reduce inequality. Why is this necessary?

Prices chaise the median dollar. The median dollar of income is actually at the 90th percentile, rather than the 77th percentile (which is about where the median is). This strategy will reduce inflation in both the long and short terms as prices adjust to decreases in higher salaried income. **Let me repeat this - prices chase income dollars, not income earners.**

Attachment - Tax Reform, Center for Fiscal Equity, March 24, 2023

Synergy: The President's Budget for 2024 proposes a 25% minimum tax on high incomes. Because most high income households make their money on capital gains, rather than salaries, an asset value added tax replacing capital gains taxes (both long and short term) would be set to that rate. The top rate for a subtraction VAT surtax on high incomes (wages, dividends and interest paid) would be set to 25%, as would the top rate for income surtaxes paid by very high income earners. Surtaxes collected by businesses would begin for any individual payee receiving $75,000 from any source at a 6.25% rate and top out at 25% at all such income over $375,000. At $450,000, individuals would pay an additional 6.25% on the next $75,000 with brackets increasing until a top rate of 25% on income over $750,000. This structure assures that no one games the system by changing how income is earned to lower their tax burden.

Individual payroll taxes. A floor of $20,000 would be instituted for paying these taxes, with a ceiling of $75,000. This lower ceiling reduces the amount of benefits received in retirement for higher income individuals. The logic of the $20,000 floor reflects full time work at a $10 per hour minimum wage offered by the Republican caucus in response to proposals for a $15 wage. The majority needs to take the deal. Doing so in relation to a floor on contributions makes adopting the minimum wage germane in the Senate for purposes of Reconciliation. The rate would be set at 6.25%.

Employer payroll taxes. Unless taxes are diverted to a personal retirement account holding voting and preferred stock in the employer, the employer levy would be replaced by a goods and receipts tax of 6.25%. Every worker who meets a minimum hour threshold would be credited for having paid into the system, regardless of wage level. All employees would be credited on an equal dollar basis, rather than as a match to their individual payroll tax. The tax rate would be adjusted to assure adequacy of benefits for all program beneficiaries.

High income Surtaxes. As above, taxes would be collected on all individual income taxes from salaries, income and dividends, which exclude business taxes filed separately, starting at $400,00 per year. This tax will fund net interest on the debt (which will no longer be rolled over into new borrowing), redemption of the Social Security Trust Fund, strategic, sea and non-continental U.S. military deployments, veterans' health benefits as the result of battlefield injuries, including mental health and addiction and eventual debt reduction.

Asset Value-Added Tax (A-VAT). A replacement for capital gains taxes and the estate tax. It will apply to asset sales, exercised options, inherited and gifted assets and the profits from short sales. Tax payments for option exercises, IPOs, inherited, gifted and donated assets will be marked to market, with prior tax payments for that asset eliminated so that the seller gets no benefit from them. In this perspective, it is the owner's increase in value that is taxed. As with any sale of liquid or real assets, sales to a qualified broad-based Employee Stock Ownership Plan will be tax free. These taxes will fund the same spending items as high income and subtraction VAT surtaxes. There will be no requirement to hold assets for a year to use this rate. This also implies that this tax will be levied on all eligible transactions.

The 3.8% ACA-SM tax will be repealed as a separate tax, with health care funding coming through a subtraction value added tax levied on all employment and other gross profit. The 25% rate is meant to be a permanent compromise, as above. Any changes to this rate would be used to adjust subtraction VAT surtax and high income surtax rates accordingly. This rate would be negotiated on a world-wide basis to prevent venue seeking for stock trading.

Subtraction Value-Added Tax (S-VAT). Corporate income taxes and collection of business and farm income taxes will be replaced by this tax, which is an employer paid Net Business Receipts Tax. S-VAT is a vehicle for tax benefits, including

- Health insurance or direct care, including veterans' health care for non-battlefield injuries and long term care.
- Employer paid educational costs in lieu of taxes are provided as either employee-directed contributions to the public or private unionized school of their choice or direct tuition payments for employee children or for workers (including ESL and remedial skills). Wages will be paid to students to meet opportunity costs.
- Most importantly, a refundable child tax credit at median income levels (with inflation adjustments) distributed with pay.

Subsistence level benefits force the poor into servile labor. Wages and benefits must be high enough to provide justice and human dignity. This allows the ending of state administered subsidy programs and discourages abortions, and as such enactment must be scored as a must pass in voting rankings by pro-life organizations (and feminist organizations as well). To assure child subsidies are distributed, S-VAT will not be border adjustable.

As above, S-VAT surtaxes are collected on all income distributed over $75,000, with a beginning rate of 6.25%. replace income tax levies collected on the first surtaxes in the same range. Some will use corporations to avoid these taxes, but that corporation would then pay all invoice and subtraction VAT payments (which would distribute tax benefits). Distributions from such corporations will be considered salary, not dividends.

Invoice Value-Added Tax (I-VAT) Border adjustable taxes will appear on purchase invoices. The rate varies according to what is being financed. If Medicare for All does not contain offsets for employers who fund their own medical personnel or for personal retirement accounts, both of which would otherwise be funded by an S-VAT, then they would be funded by the I-VAT to take advantage of border adjustability.

I-VAT forces everyone, from the working poor to the beneficiaries of inherited wealth, to pay taxes and share in the cost of government. As part of enactment, gross wages will be reduced to take into account the shift to S-VAT and I-VAT, however net income will be increased by the same percentage as the I-VAT. Inherited assets will be taxed under A-VAT when sold. Any inherited cash, or funds borrowed against the value of shares, will face the I-VAT when sold or the A-VAT if invested.

I-VAT will fund domestic discretionary spending, equal dollar employer OASI contributions, and non-nuclear, non-deployed military spending, possibly on a regional basis. Regional I-VAT would both require a constitutional amendment to change the requirement that all excises be national and to discourage unnecessary spending, especially when allocated for electoral reasons rather than program needs. The latter could also be funded by the asset VAT (decreasing the rate by from 19.25% to 13%).

Carbon Added Tax (C-AT). A Carbon tax with receipt visibility, which allows comparison shopping based on carbon content, even if it means a more expensive item with lower carbon is purchased. C-AT would also replace fuel taxes. It will fund transportation costs, including mass transit, and research into alternative fuels. This tax would not be border adjustable unless it is in other nations, however in this case the imposition of this tax at the border will be noted, with the U.S. tax applied to the overseas base.

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Committee on Ways and Means
Work and Welfare Subcommittee
Hearing on Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America
Tuesday, October 24, 2023

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears:

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