



MBTPI FACT SHEET

Poverty Measures Update

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Extension of the 2009 Poverty Guidelines Until At Least March 31, 2010

In an effort to prevent a reduction in eligibility for means-tested programs (e.g. Medical Assistance, Temporary Cash Assistance, Supplemental Nutrition Assistance Program or Food Stamps, etc.) the U.S. Congress and President extended the 2009 Federal Poverty Guidelines for an additional two months. According to the U.S. Department of Health and Human Services, “For the first time since the poverty guidelines began to be issued in 1965, the annual average Consumer Price Index (CPI-U) has decreased from the figure for the previous year. In the absence of this legislative change, the decrease in the annual average CPI-U for 2009 announced on January 15, 2010 would have required HHS to issue 2010 poverty guidelines that were lower than the 2009 poverty guidelines, which would have led to the ‘reduction in eligibility’ referred to in the Congressional explanatory language.”ⁱ

A New Supplemental Poverty Measure Coming Fall 2011

This month, the President and his administration released its plans to issue a new "Supplemental Poverty Measure (SPM)" alongside the current, official poverty measure. Starting in 2011, the Census Bureau will release the new measure at the same time it releases its official annual poverty estimates, which in the past has usually been in September. Note that, the SPM will not replace the official poverty measure, just supplement it. And it will not directly affect eligibility for any programs. Moreover, some important details (including potentially the nature of the geographic adjustments to the new poverty line) remain to be worked out.

For years, many experts have argued that the official poverty measure is outdated given the changes in society and government policies and programs. In fact in 1995, the National Academy of

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Sciences (NAS) Panel on Poverty and Family Assistance noted that the current measure does not account for the increased labor force participation of mothers and working families, nor does it account for health care, child care and transportation costs or other important needs.ⁱⁱ For purposes of brief background, the current poverty measure was created in 1964 by Mollie Orshansky at the

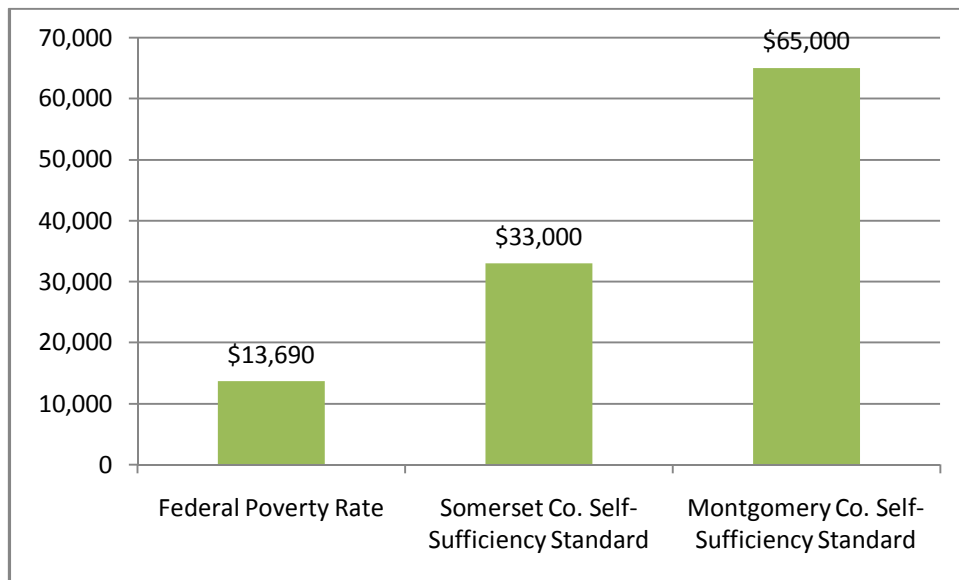
Social Security Administration. “Orshansky based her poverty thresholds on the economy food plan — the cheapest of four food plans developed by the Department of Agriculture. Orshansky knew from the Department of Agriculture's 1955 Household Food Consumption Survey (the latest available such survey at the time) that families of three or more persons spent about one third of their after-tax money income on food in 1955. Accordingly, she calculated poverty thresholds for families of three or more persons by taking the dollar costs of the economy food plan for families of those sizes and multiplying the costs by a factor of three — the ‘multiplier.’”ⁱⁱⁱ

Clearly, “three times the minimum cost of food” is not a meaningful definition of poverty in modern America. Therefore, the new SPM is a useful step forward in measuring inadequate income. It will enable analysts to see the poverty-reducing effects of new forms of assistance such as food stamps, housing assistance and tax credits. To some degree it will also show how some families are driven below the poverty line by their out-of-pocket spending on child care and other work expenses, as well as out-of-pocket medical spending.

The Interagency Working Group charged with developing the new measure says that it is an “experiment” and that there will be improvements over time.^{iv} A technical area for

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improvement is in the new measure's geographic adjustments. Unlike the official Census poverty definition, which is uniform nationwide, the new measure raises or lowers the poverty line for states and sub-state areas depending (wholly or in part) on the local cost of housing.



However, there is some concern that the SPM adjustment method may adjust "too much," leaving high-cost states like Massachusetts with a higher poverty rate than states like Alabama and West Virginia, even though the USDA's measure of food-related hardships are higher in Alabama and West Virginia. The Census Bureau is examining these issues.

A broader issue concerns the overall level of the new poverty line. For an average-cost community, the SPM's thresholds are likely to be higher than the official poverty thresholds, but not as high as many researchers and advocates believe it is necessary to make ends meet. Advocates for Children and Youth commissioned a study in 2007 by Diana Pearce, University of Washington. It uses Self-Sufficiency Standards illustrates the variation in geographic cost of living in Maryland 24 jurisdictions (e.g. A family in Somerset County would've needed nearly \$33,000 to meet its basic needs vs. \$65,000 in Montgomery County in 2007).^v For reasons such as this many experts and advocates in the field of financial security and stability agree that the new measure may not go far enough. The supplemental poverty measure will likely be a few thousand dollars above the old threshold. Many may continue utilize the widely-used Self-Sufficiency Standards to get a fuller picture of how much families need to make ends meet.

ⁱ Extension of the 2009 Poverty Guidelines Until at Least March 31, 2010. U.S. Department of Health and Human Services. Assistant Secretary for Planning and Evaluation. <<http://aspe.hhs.gov/poverty/09extension.shtml>>

ⁱⁱ Short, Kathleen. Experimental Poverty Measures 2007. January 3, 2010 . U.S Census Bureau.

ⁱⁱⁱ Fisher, Gordon. The Development and History of the U.S. Poverty Thresholds —A Brief Overview. U.S. Department of Health and Human Services. Assistant Secretary for Planning and Evaluation. Updated Dec. 2005. <<http://aspe.hhs.gov/poverty/papers/hptgssiv.htm>>

^{iv} Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure. U.S. Census Bureau. March 2010. <http://www.census.gov/hhes/www/povmeas/SPM_TWGObservations.pdf>

^v Pearce, Diana. The Self-Sufficiency Standard for Maryland 2001 and 2007. University of Washington. <<http://www.acy.org/articlenav.php?id=74>>