

March 12, 2020

Chairman Gerald Connolly Ranking Member Mark Meadows Committee on Oversight and Reform 2157 Rayburn House Office Building Washington, D.C. 20515

Ref: Testimony of Indivar Dutta-Gupta,

Hearing on "A Threat to America's Children? The Trump Administration's Proposed Changes to the Poverty Line Calculation." (February 5, 2020)

Dear Chairman Connolly and Ranking Member Meadows,

Thank you for the opportunity to speak before the subcommittee about the importance of an accurate poverty measurement for children, families, and our society as a whole. This is a crucial conversation for our nation. We know that measuring and understanding economic hardship is essential to creating a society in which everyone has at a minimum a decent standard of living.

Disappointingly, the Trump Administration has been considering a change to the Official Poverty Measure that would move the measure in the wrong direction. As I mentioned in my testimony, our current method of measuring poverty falls short, but the administration's proposal arbitrarily singles out and dubiously adjusts one aspect of the poverty measure without accounting for the broader ramifications to the measure's usefulness, relevance, and accuracy. This change is technically dubious, economically unwise, and morally troubling.

Below I have included responses to the questions for the record from Chairman Gerald E. Connolly. Please include this response in the official hearing record.

Sincerely,

Indivar Dutta-Gupta

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Lett. Sit

1. Why should people living outside of poverty be concerned about how our government and our society engages those in poverty?

People outside of poverty should be concerned about poverty for three reasons:

- 1. Poverty indicates that our economy and social structures are falling short.
- 2. Poverty is socially and economically costly.
- 3. People not living in poverty have a sizeable chance of experiencing low incomes or other hardship at some point in their lives.

Poverty indicates that our economy and social structures are falling short

Measuring income poverty is key to understanding the health of our economy. A well-functioning, inclusive economy ensures widespread economic prosperity and opportunity, including for people with the lowest incomes and regardless of race, ethnicity, or gender. The vast majority of U.S. households depend on income tied to current work (e.g., wages and salaries) or recent work (e.g., unemployment insurance compensation and Social Security benefits). Our reliance on income tied to formal work means that the performance of the labor market is closely tied to poverty rates. Indeed, macroeconomic performance is a key driver of poverty, with truly full employment among the most effective anti-poverty strategies. In contrast, an economy where poverty is not declining, even as incomes for the top ten percent of households rises substantially, is not well-functioning. Persistent poverty in the United States is in large part a consequence of poor political leadership and economic management, which have caused or intensified significant social and economic barriers, such as discrimination in the labor¹ and housing markets,² segregation,³ systemic racism,⁴ mass incarceration,⁵,6 and unequal pay.7

Poverty is socially and economically costly

The strongly negative social and economic outcomes associated with poverty make the careful measuring and targeting of poverty for reduction crucial for advancing well-being and prosperity for all of us. Experiencing poverty, especially childhood poverty, is both associated with other forms of hardship and deprivation and itself causes harmful social and economic outcomes. ^{8, 9, 10} These harmful outcomes mean that childhood poverty costs our economy more than \$1 trillion annually. ¹¹ Poverty results in greater health care and child welfare spending due to higher rates of infant mortality and obesity; ¹² higher likelihood of experiencing chronic conditions, like diabetes; ¹³ and higher likelihood of child homelessness ¹⁴—all social costly outcomes. Poverty also leads to greater public spending on law enforcement and incarceration ¹⁵ due to higher arrest rates, higher imprisonment rates, ¹⁶ and longer sentence lengths. ¹⁷ Poverty results in lower earnings and employment rates, ¹⁸ and lower levels of educational attainment, ¹⁹ in turn reducing local, state, and federal tax revenues.

Nearly All of Us Risk Facing Economic Hardship

Income poverty is more commonly experienced and relevant to policymakers than is often appreciated. In 2018, the most recent year for which data are available, 38.1 million people fell below the Official Poverty Measure's (OPM's)²⁰ poverty threshold for their family size and structure — more than the resident populations of Pennsylvania, Ohio, and Illinois combined. ²¹ This number includes nearly 11.9 million children under 18²² and more than 17 million people experiencing deep poverty, with incomes below half of the poverty line. ²³

Many of us risk facing economic hardship or deprivation. Between the ages of 25 and 60, more than 60 percent of people in the United States will experience at least one year in the bottom 20 percent of the income distribution. Two-thirds of people in the United States will either experience at least a year of unemployment or have a head-of-household family member experience a year of unemployment during their working years. According to Federal Reserve and Joint Committee on Taxation researchers, between 2007 and 2018, 40 percent of people in the United States spent at least one year in poverty. Poverty and economic hardship are not limited to discrete, small portions of the population—most of us, at some point in our lives, are likely to struggle to make ends meet.

2. Your testimony states that if the Administration chose to use a Chained-Consumer Price Index to inflate the Official Poverty Measure, many families would be stripped of their eligibility for programs like free school lunches, WIC, and SNAP. How would this affect the U.S. economy?

Research strongly suggests that every family and every individual —regardless of race or gender—require a stable and strong foundation, including adequate income, to be healthy and able to contribute to their communities and succeed in school, the labor market, and beyond. ²⁷ Programs like Medicaid, the School Lunch Program, the Special Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC), and SNAP provide this foundation, and are lifelines for people struggling to make ends meet. ²⁸ Choosing to use a Chained-Consumer Price Index to inflate the Official Poverty Measure would gradually shrink access to or the support received from highly effective programs, increasing hardship and poverty and hurting the U.S. economy.

Foundational support programs like Medicaid and SNAP help keep people out of poverty and boost wages and educational outcomes. In 2010, Medicaid kept at least 2.6 to 3.4 million people out of poverty, ²⁹ and in 2017, SNAP kept 3.4 million people out of poverty. ^{30,31} Research has found that Medicaid expansions, which increase access to health care in-utero and in childhood, have resulted in higher high school and college completion. ^{32,33} Adults who participated in Medicaid as children pay more in taxes, resulting in a return of much of this investment. ³⁴ Children with access to SNAP benefits were eighteen percent more likely to graduate high school than similarly-situated students who did not have access to these benefits. ³⁵ Compared to similarly-situated women, women with greater access to SNAP benefits in utero and early childhood demonstrated increased educational

attainment, earnings, and income. ³⁶ Taking away access to these supportive programs would likely impact long-term earnings and educational attainment.

Foundational support programs like SNAP help boost state and local economies, particularly during economic downturns. SNAP participants commonly redeem their benefits quickly, their spending has ripping effects, stimulating economies. During an economic downturn, every additional SNAP dollar redeemed is multiplied, expanding the economy by \$1.70.37 An Economic Research Service study indicated that, in a slowing economy—like the one we are facing due to a poor response to COVID-19—a \$1 billion increase in SNAP benefits would increase the Gross Domestic Product by \$1.54 billion and create over 13,500 new jobs. 38 According the U.S Department of Agriculture, during the height of the Great Recession, between 2008 and 2010, one new job was created by \$10,000 of new SNAP funding. 39

3. Representative Ocasio-Cortez's bill would require the Department of Health and Human Services, in collaboration with the Census Bureau and the Bureau of Labor Statistics, to include in the development of the poverty line, adjustments for "differences in the costs of goods and services among" states and regions. Is this a sound approach? What factors that contribute to poverty fail to be reflected in a single, national definition of poverty?

Representative Ocasio-Cortez's bill, the "Recognizing Real Poverty Act" presents an updated, comprehensive, research-based poverty measurement framework that reflects the changing nature of basic needs and people's lived experiences over time and across space. This is important because poverty can mean different things in different contexts. Twenty-five thousand dollars for a family of four may go farther toward meeting needs in rural Mississippi than in New York City.

Thus, a national weighted average of affording a basic living standard can fall short of capturing the varied challenges families with low incomes face in different communities across the country. Housing and transportation costs in particular vary substantially from town to town and state to state. For example, according to the Economic Policy Institute's Family Budget Calculator, typical housing costs for a family of four in Athens, Georgia are roughly \$783 per month, much lower than the typical housing costs for those in the Atlanta, Georgia metro area (\$1031 per month). ⁴⁰ Existing geographic adjustments, such as those used in the Supplemental Poverty Measure (SPM) are far from perfect, and substantial continued research is necessary to improve our methods.

4. Does the current poverty threshold accurately reflect what it means to experience poverty in America today?

No. First, the OPM's poverty threshold is too low. That is not surprising, as the OPM is based on out-of-date, overly simplistic assumptions (57-year-old analysis of 65-year-old-data) about household spending patterns.

The OPM has not adjusted to changing living standards. Over the past 65 years, our costs and standards of living have adapted as technology and health care have advanced and costs for goods and services such as housing, child care, and health care have continued to rise. Yet, despite major shifts in buying habits and substantial growth in living standards, the official poverty threshold has not kept pace, rising only based on inflation. As a result, the poverty line has become increasingly detached from lived experiences of hardship in the U.S. To be sure, the OPM generally rises and falls as might be expected throughout the business cycle. And the OPM's simple resource definition can be adapted and used efficiently and effectively to determine program eligibility. But a wealth of evidence suggests relying on a frozen-in-time household budget and updating it only for overall inflation is deeply inadequate for measuring income deprivation.

Unsurprisingly, need far exceeds what is indicated by the OPM. For example, in 2018, the OPM was 11.8 percent. ⁴¹ However, in 2017, 29 percent of households with children with incomes of up to 130 percent of the poverty line could not consistently afford adequate food. ⁴² The Federal Reserve Bank reported that in 2018 nearly 40 percent of adults would struggle to cover an unexpected \$400 expense, and one-fourth of adults skipped necessary medical care because they were unable to afford the cost. ⁴³ According to the Urban Institute, nearly 40 percent of adults had trouble meeting their basic needs of food, health care, housing, or utilities in 2017. ⁴⁴ Polling indicated that nearly 40 percent of adults did not have confidence that they could pay a \$1,000 emergency expense in 2019. ⁴⁵

Second, the OPM's money income resource definition fails to account for important family resources, like the working family tax credits, SNAP, housing assistance, and other post-tax and inkind transfers that help families afford food, clothing, shelter, and utilities.

5. What challenges do single-mother households face and how can we support single mothers and their families?

In the United States, single mothers and their families face significant barriers to their economic security, navigating systems that are unaffordable and inaccessible. Women, particularly women of color, are more likely than other workers to be employed in low-paid jobs, likely influenced by disproportionate unpaid caregiving responsibilities, and gender and racial discrimination. Women, are overrepresented in tipped occupations, which can pay as little as \$2.13 an hour under federal law. Women working in tipped occupations are more likely to live in poverty than their male counterparts. In addition, low-paid jobs are often characterized by unstable work schedules that lack flexibility for workers, especially challenging for single parents or others with caregiving responsibilities.

Despite need, quality child care remains unaffordable and inaccessible. Child care costs can be overwhelming to families when they have low incomes. In 2019, the average weekly child care payment for families with children under five was \$171, about one-tenth (10.1 percent) of the family's budget, but families with low incomes spent even larger portions of their budgets on child care. Families making less than \$1,500 a month with children under five spent more than half (52.7)

percent) of their incomes on child care expenses. ⁵⁰ They receive little help from the federal government: federal funding for child care assistance has failed to keep up with skyrocketing costs and has never met need. ⁵¹ Providing child care support would help support single mother-headed families. The Institute for Women's Policy Research found that providing child care for mothers who are pursuing higher education is likely to pay for itself. ⁵²

Even as they struggle to afford child care, single mothers are less likely to have access to paid leave. Only 17 percent of workers in the U.S. have access to paid leave⁵³ and women,⁵⁴ particularly women of color,^{55,56} are much less likely to have access to paid leave. As a result, without adequate paid leave policies, low-paid workers are more likely to have to reduce their hours or even leave the workforce entirely when faced with health or caregiving needs.^{57,58} Inclusive paid leave programs have been shown to increase economic productivity,⁵⁹ improve economic security, and increase workforce participation, particularly for women.⁶⁰ Providing a comprehensive, national paid leave, would help support single mother headed families, particularly those who are experiencing poverty.

Reproductive choice is particularly meaningful for ensuring economic security for women and their families. Women who carried unwanted pregnancies to term because they were denied abortions are more than four times as likely to experience poverty and three times as likely to experience unemployment compared to women who received an abortion. ⁶¹ Access to abortions has been shown to increase Black women's rates of high school graduation, lower teen fertility among white women, and increase women employment, overall. ⁶² Access to abortion improves child well-being and development, too. Existing children of women who are denied abortions are less likely to achieve developmental milestones and more likely to live in poverty. ⁶³

Instead of providing comprehensive services that encompass the needs of mothers and their families, the U.S. has significant penalties for single mothers and their families, contributing to rates of poverty among single mother families. In comparison to the U.S., other wealthy nations that have similar rates of single motherhood have much lower rates of single mother poverty. ^{64,65} According to a study from the LIS Cross-National Data Center in Luxembourg, while the U.S. rate of single motherhood (12 percent) was less than twice as high as Denmark's rate of single motherhood (8.4 percent); the U.S single mother poverty rate (41.3 percent) was more than seven times greater than Denmark's single mother poverty rate (5.7 percent). ⁶⁶ Despite the higher rates of poverty, children of unmarried mothers have similar upward mobility rates as children of continuously married mothers. ⁶⁷ And a careful analysis of poverty data make clear that reducing single motherhood itself is unlikely to substantially reduce overall poverty. ⁶⁸

6. You have researched poverty extensively throughout your career. In your research, do people who are born into poverty have a high probability of escaping it? Why not?

As noted earlier, many of us risk facing economic hardship or deprivation. Between the ages of 25 and 60, more than 60 percent of people in the United States will experience at least one year in the bottom 20 percent of the income distribution. ⁶⁹ Two-thirds of people in the United States will either

experience at least a year of unemployment or have a head-of-household family member experience a year of unemployment during their working years. According to Federal Reserve and Joint Committee on Taxation researchers, between 2007 and 2018, 40 percent of people in the United States spent at least one year in poverty. As those researchers note, "There is substantial mobility in and out of poverty... However, many of those who are poor spend multiple years in poverty or escape poverty only to fall back into it." Poverty and economic hardship are not limited to discrete, small portions of the population—most of us, at some point in our lives, are likely to struggle to make ends meet.

Still, though many of us are at risk economic hardship, upward economic mobility is much less likely for those raised at the bottom of the income distribution. According to Pew Trusts, 43 percent of Americans raised in the bottom fifth of the income distribution will remain there as adults and 70 percent will remain below the middle. ⁷³ Of the nearly 9 million children (11.8 percent) in the United States who experience persistent poverty (spending at least half of their lives through age 17 living below the poverty line), about 60 percent will experience some poverty between the ages of 18 and 30, including 25 percent who will remain mostly poor between the ages of 18 and 30. ⁷⁴ People of color, particularly African Americans, have lower rates of upward mobility and higher rates of downward mobility than white people in the United States. ^{75,76} Significant social and economic barriers, such as discrimination in the labor ⁷⁷ and housing markets, ⁷⁸ segregation, ^{79,80} systemic racism, ⁸¹ and mass incarceration ^{82,83} likely contribute to these lower rates of upward mobility among some communities.

7. In the rare cases where someone is able to rise out of poverty, what helped spark that movement?

Nearly 9 million children (11.8 percent) in the United States who experience persistent poverty and face immense challenges to financial security and upward mobility. ⁸⁴ Early childhood poverty is linked with toxic stress, which harms children's development and may engender or exacerbate behavioral health challenges. ^{85,86,87} The needs of children and their families experiencing poverty should be addressed early, persistently, and comprehensively. Programs like SNAP, Medicaid, and housing assistance have demonstrated beneficial long-term improvements employment, earnings, and educational outcomes and reducing poverty for both children and adults. ^{88,89,90,91,92} Supporting the basic needs of children consistently and early-on could decrease their long-term likelihood of experiencing poverty.

Supporting employment and educational attainment can help reduce poverty for both children and adults. Persistently poor children whose parents have greater educational attainment and are more connected to the labor marker are more likely to exit poverty in adulthood. ⁹³ Greater connectedness to the labor market and educational systems can help adults exit poverty, as well. ^{94, 95} Adults ages 19 to 30 who were persistently poor as children are less likely to experience poverty if they are consistently connected to work for school. ⁹⁶ Providing greater employment, education, and training services for adults could help reduce poverty among adults and their families. For example, program in Milwaukee, the New Hope Project, successfully tested a package of subsidized employment

programs, including making transitional jobs available to low-income adults and families. ⁹⁷ The program increased employment, earnings, income among participants and increased school achievement among children whose parents participated in the program. ⁹⁸

8. Do other wealthy nations do more to help citizens in poverty? Are there methods that we should take into consideration from these nations when designing a new poverty line in America?

Yes. When examining the more effective practices of peer nations, their stronger tax and transfer systems, especially for people who are not able to or are otherwise not working (e.g. children, elderly, people with disability, people experiencing unemployment), stand out. Nations that invest more in tax and transfer systems, such as Denmark, tend to have lower rates of poverty and child poverty than the U.S. 99,100 Between 2015 and 2018, the U.S. has the highest overall relative poverty rate¹⁰¹ among all countries in the Organisation for Economic Co-Operation and Development (OECD). 102

One promising idea that has proven successful in several similarly wealthy nations is a child allowance program, a monthly cash payment to families for each child living in the home families intended to assist with the cost of raising children. ¹⁰³ In Australia, their child allowance, the Family Tax Benefit, is paid either per child or perfamily for eligible. ¹⁰⁴ The program has been successful: Between 2008 and 2012, reduce its child poverty rate from just over 19 percent to 13 percent, moving Australia from having the 19th lowest child poverty rate to the 7th lowest, according to the United Nations Children's Fund. ¹⁰⁵ In 2014, Ireland's National Policy Framework for Children and Young People instituted a Child Benefit, a monthly payment payable to the parents or guardians of children under the age of 16, and other allowances for essentials like footwear, clothing, school meals, and exceptional needs supplements. ¹⁰⁶ In 2015, Ireland saw its first reduction in the number of children in consistent poverty since 2008. At least 17 similarly wealthy nations, including Canada and the United Kingdom, have some form of a child allowance. ¹⁰⁷

9. During the State of the Union Address, President Trump stated that "our economy is the best it has ever been" and that it is "lifting high our citizens of every race, color, religion, and creed." Does a good economy directly correlate with economic improvements for those living in poverty?

A well-functioning economy ensures widespread economic prosperity, including for people with the lowest incomes. By this measure, ours is not a well-functioning economy. The vast majority of U.S. households depend on income tied to current work (e.g., wages and salaries) or recent work (e.g., unemployment insurance compensation and Social Security benefits). Our reliance on income tied to formal work means that the performance of the labor market is closely tied to poverty rates. Indeed, macroeconomic performance is a key driver of poverty, with truly full employment among the most effective anti-poverty strategies. ¹⁰⁸ In contrast, an economy where poverty is not declining substantially, even as incomes for the highest-income households rises substantially, is not well-

functioning. Though it was once true, a rising tide no longer lifts all boats. For example, wages for Black college graduates have actually fallen since the Great Recession, ¹⁰⁹ despite the longest economic expansion in U.S. history.

Endnotes

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