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.

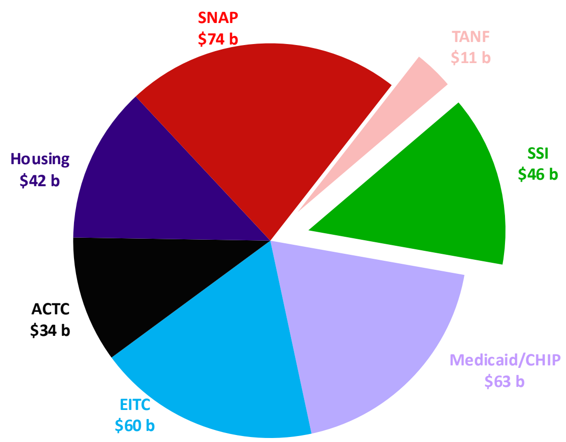
The folklore is that the OPM was based on food costs for low-income Americans, but the actual poverty threshold was backed into, in order to be consistent with earlier OMB poverty estimates.

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.

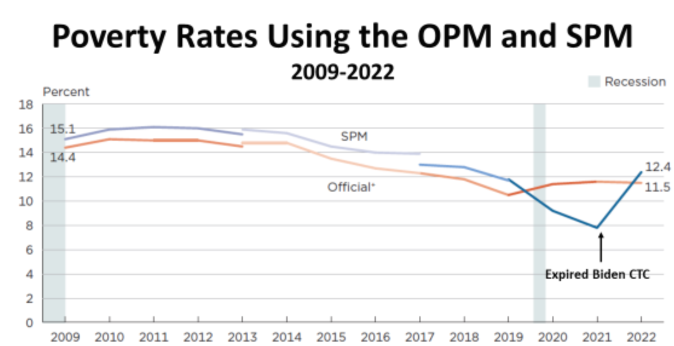
Thus, liberals (in control of the National Academy of Sciences and Census Bureau processes) created the Supplemental Poverty Measure—which obscures the past progress that has been made. They essentially legislated a flawed poverty measure to achieve a political result.

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



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

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

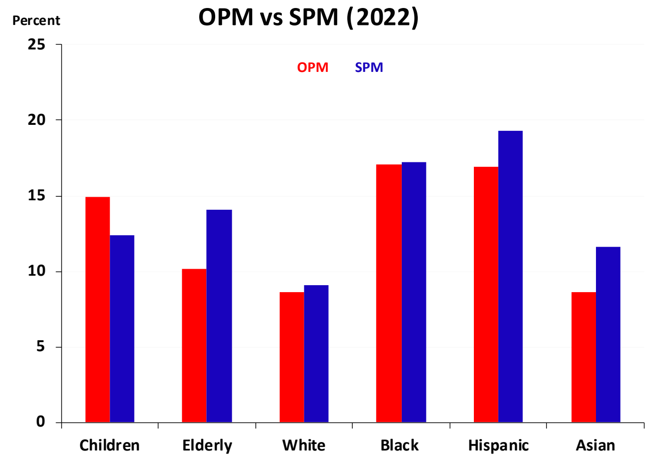
- Asian poverty rises, probably because they tend to live in high housing-cost states.

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

Figure 3

Poverty by Demographics

OPM vs SPM (2022)



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

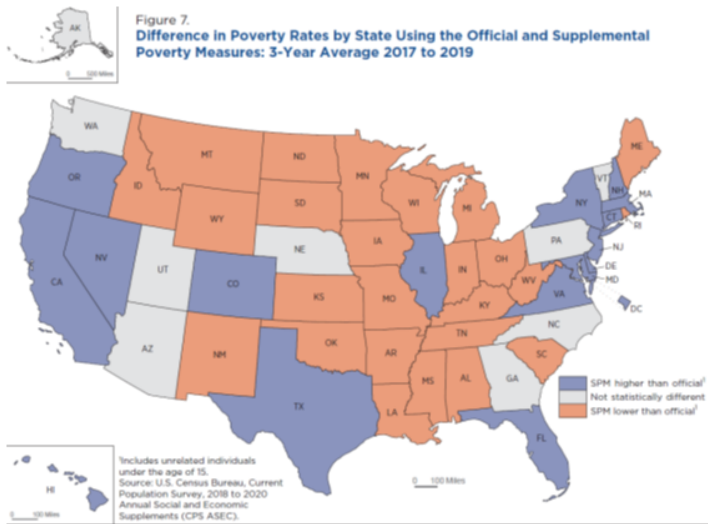
Many might see these differences as only an academic exercise, with little real-world importance. The poverty line is, after all, only a line, and it is always possible to argue about which poverty measure most accurately captures need.

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



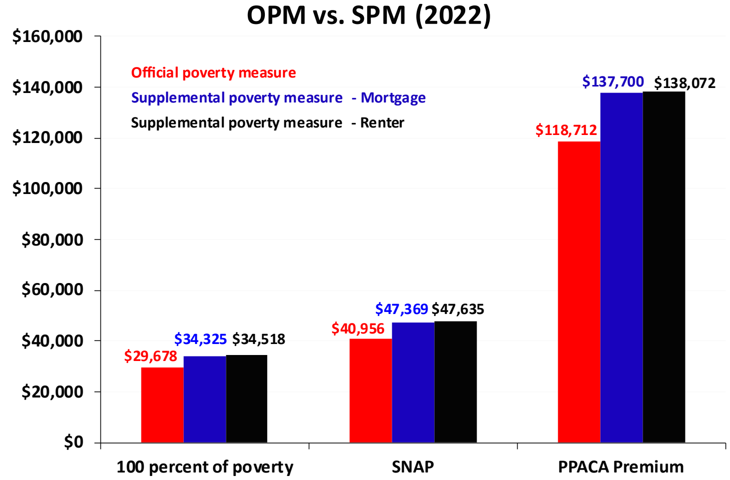
Source: Liana Fox, *The Supplemental Poverty Measure: 2019* (Suitland, MD: US Census Bureau, 2020)

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

Figure 5

Program Eligibility Rises by ~14%

OPM vs. SPM (2022)



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.

---

[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.