June 20, 2019

Statistical_Directives@omb.eop.gov
Chief Statistician Nancy Potok
Office of Management and Budget

Re: Directive No. 14, "Consumer Inflation Measures Produced by Federal Statistical Agencies"

Dear Chief Statistician Potok,

The Local Initiatives Support Corporation (LISC) is pleased to offer comments in response to OMB's solicitation of comments on the differences among the various consumer price indexes produced by the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA), and in particular how those differences might influence the estimation of the Official Poverty Measure (OPM) and other income measures produced by the Census Bureau.

LISC is a non-profit housing and community organization and certified Community Development Financial Institution (CDFI) with offices in 35 cities throughout the country and a rural network encompassing 90 partners serving 45 different states. LISC's work supports a wide range of activities including affordable housing, economic development, building family wealth and incomes, education, community safety, and community health. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with loans, grants and equity investments; technical assistance; and policy support.

As part of our efforts to improve low-income families' financial well-being, LISC provides community organizations financial support and technical assistance to operate Financial Opportunity Centers (FOCs). Through LISC's FOCs, clients receive three bundled services – financial counseling, employment services and benefits counseling – frequently enhanced with low-cost financial products that help build credit, savings and assets. FOCs' mutually reinforcing program components have proven to help people stay motivated, as evidenced by improved job retention; and to improve their economic prospects, as evidenced by improvements in credit scores and in credit building behavior.

Because OMB is not requesting comments on changes to the poverty guideline, we urge you to undertake an analysis of how a change in the use of pricing index would impact program eligibility for means tested programs. If OMB were to move ahead with changes that affect the guidelines, we first request in-depth research and analysis and also a solicitation of public comments regarding the potentially negative impact a change in the threshold would have on low income and other vulnerable populations.

Changes to the inflation measure would affect many critical programs including, but not limited to: Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP), and Department of Health and Human Services' Head Start, and Low-Income Home Energy Assistance Program (LIHEAP).

Existing Poverty Measurements Excludes Households in Need of Assistance

LISC would argue that the Consumer Price Index (CPI) and the estimation of the official poverty line is inadequate on both policy and scientific grounds. The Supplemental Poverty Measure (SPM), developed by federal analysts and researchers, represents a much better way of measuring poverty. It measures economic deprivation by accounting for household income, which may include government assistance, to achieve a reasonable standard of living. SPM has a more precise calculation for the cost of basic living (i.e. food, clothing, shelter, and utilities) and considers geographic variations in housing costs. Another example is Massachusetts Institute of Technology's (MIT) Living Wage Calculator that uses more specific data to measure the basic needs of families by estimating the regional cost of food, child care, health care, housing, and transportation.[1]

In addition, the OPM understates the extent of poverty and hardship for different types of households and individuals, such as families with children and the elderly. Benefits fall short far too often; families above the official poverty line still show hardship, and cannot save for emergencies or address emerging health, education, employment needs. Material hardship has been linked to cognitive, behavioral, and health problems among children and increased parenting stress, depression, risk of disease, and health care utilization among adults.[2] It is counterproductive to set measures that arbitrarily exclude those in need, especially because there is substantial evidence that access to income supports can have both short- and long-term economic benefit to individuals and families, in reducing extreme poverty and providing longer-term benefits.[3]

In order to appropriately update the federal poverty thresholds, we need to identify the level of resources necessary for families to stably participate in the economy. Even for non-elderly adults just above the poverty line, they showed one or more forms of financial insecurity, similar to the share for the poor, and is evidence that targeting assistance to the OPM excludes many in need.[4] As OMB considers the need to update the specific inflation measure used to adjust the OPM, we hope that you consider flaws in the existing index as well as a need to conduct an in-depth analysis of how to improve the official poverty measure to include accurate understanding of material hardship for various income levels.

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[1] Massachusetts Institute of Technology. Living Wage Calculator. Retrieved June 1, 2019, from http://livingwage.mit.edu/

[2] Karpman, M., Zuckerman, S, and Gonzalez, D. (August 2018). "Material Hardship among Nonelderly Adults and Their Families in 2017." Urban Institute. Retrieved June 3, 2019, from https://www.urban.org/sites/default/files/publication/98918/material_hardship_among_nonelderly_adults_and_their_families_in_2017.pdf

[3] Sherman, A. & Mitchell, T. (July 17, 2017). "Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find." Center on Budget and Policy Priorities. Retrieved May 29, 2019, from https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over

[4] Karpman, M., Zuckerman, S, and Gonzalez, D. (August 2018).

The Chained CPI Would Artificially Lower the Poverty Line without Addressing Poverty

OMB's examination of the Chained CPI and its potential use would change the way the poverty thresholds are adjusted for inflation, shrinking them over time so that more people would fall above the income-eligibility cutoffs. The Center on Budget and Policy Priorities has reviewed how Chained CPI would result in the loss of access to health benefits, how service providers are impacted, and the long-term ramifications. [5] OMB should conduct a more robust analysis of how income-eligibility would affect participation for every program that relies on the OPM. Without thorough analysis and public consultation, a discretionary change could drastically increase the number of medically uninsured and would limit ability to access benefits.

Lower-income populations lack the opportunity to switch to less expensive items, as the Chained CPI suggests, and is thus not an appropriate means of calculating the poverty line. As we have seen in our low-to-moderate populations, the consumption patterns are different from typical consumers because of the disproportionate amount of one's income being spent on housing and utilities costs alone. The latest Census data shows that renters' incomes lag far behind housing costs; median housing costs rose 10.7 percent in inflation-adjusted terms from 2001 to 2017 and renters' income have only recovered from the recession.[6] Denying benefits or further restricting eligibility increases hardship, decreases family financial stability, and hinders childhood development. We urge OMB to undertake analysis of who and how many people would loss benefits over the course of a ten year period and the impact of a loss in assistance.

In addition to hunger and other hardships, the loss of in-kind benefits could have longer-term implications for efforts to achieve economic independence over time, as described below.

Data Driven Methods to Address Poverty

LISC's FOCs helps participants increase their net income in several ways. We have learned that integrated or "bundled" services lead to concrete gains in net income and job retention. The integrated services help individuals increase their employment and earnings from work as well as monetary and nonmonetary forms of income support that would help them cover expenses, such as food, transportation, child care, and utility costs. Financial counselors help participants identify ways to reduce expenses, encourage them to set up bank accounts to avoid check-cashing fees, and help them improve their credit histories and credit scores so that they could access lower-cost forms of credit and avoid the security deposits that utility companies and landlords often charge individuals with poor credit.

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[5] Aron-Dine, A. & Broaddus, M. (May 22, 2019). "Poverty Line Proposal Would Cut Medicaid, Medicare, and Premium Tax Credits, Causing Millions to Lose or See Reduced Benefits Over Time." Center on Budget and Policy Priorities. Retrieved May 22, 2019, from https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicaid-medicare-and-premium-tax

[6] Mazzara, A. (September 13, 2018). "Census: Renters' Incomes Still Lagging Behind Housing Costs." Center on Budget and Policy Priorities. Retrieved June 3, 2019, from https://www.cbpp.org/blog/census-renters-incomes-still-lagging-behind-housing-costs

Analysis of our data from our FOCs shows clients who take advantage of combined services – financial coaching, access to income supports, and employment and career counseling – are 50 percent more likely to land a well-paying job than people receiving employment services alone. And long-term job retention—holding a job for a year or more—almost doubles when financial coaching reinforces the work of employment counseling. When clients first approach our FOCs, they have an average household income of $8,918. [7] Additionally, 87 percent of LISC's FOC clients are in the bottom fifth of the US income distribution according to US Census figures.

LISC's Bridges to Career Opportunities model builds off of the success of FOCs by integrating targeted educational skills training, accessing technical training and pursuing certifications in a number of industries. The goal is to connect clients to jobs with growth potential in certain career pathways while building strong relationships with employers and identifying workforce needs. Since 2016, 2,400 people have been placed in jobs that pay an average starting wage five dollars higher than the federal minimum wage.[8]

In Houston, healthcare organizations look to fill the gap of skilled Certified Nursing Assistants (CNAs). The FOC's Foundational Skills program provides academic and professional skills training to enhance the likelihood of long-term professional success in the healthcare sector. In many instance, the clients that are engaging in these training program can only do so because they are receiving SNAP benefits and childcare support. By making it harder for people to access benefits, it increases the likelihood of disruption and deters Bridges participants from continuing education and training.

While there may be several mechanisms by which greater employment and job retention outcomes were achieved, it is likely that income supports may have provided a base of stability which translated into an ability to get a job and stay employed over time. By arbitrarily altering eligibility, it would not only lead to individual and family destabilization but hurt community-based efforts to work with families to create financial opportunity.

Below we outline several federal programs that would be impacted and the likely results for families and individuals who would be denied services.

Supplemental Nutrition Assistance Program (SNAP)

Income supports like SNAP play a key role in helping low-income individuals achieve economic stability. The program supports 40 million people put food on the table.[9] Households are ineligible for SNAP if their gross income exceeds an amount that is tied to the federal poverty guidelines (between 130

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[7] Rankin, S. (2015, April). Building Sustainable Communities: Integrated Services and Improved Financial Outcomes for Low-Income Households. Retrieved June, 2018, from http://www.lisc.org/media/filer_public/8d/d0/8dd0ddcd-e6b4-443a-bf47-a0c67096e212/041415_srankin_foc_report.pdf

[8] LISC. "Citi Foundation Awards." Retrieved June 12, 2019, from http://www.lisc.org/our-initiatives/financial-stability/bridge-programs/citi-foundation/

[9] USDA. "SNAP Data Tables." Retrieved May 19, 2019, from https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap

percent and 200 percent, depending on the option the state adopts). The U.S. Department of Agriculture found that 15 million households with 40 million people faced food insecurity in 2017 – that is, they experienced difficulty in affording food. We should not be increasing the number of households that do not qualify for SNAP assistance when so many beyond even the current guidelines find it difficult to afford an adequate diet.

The nature of today's low-wage labor market is characterized by unstable and low-quality jobs, meaning workers often need SNAP to help pay for food. Working families with small earnings gains over time will find themselves ineligible despite high housing and child care or other work-related expenses. We strongly discourage changes to SNAP eligibility that would put individuals at risk of hunger and food insecurity and move them away from economic stability.

Head Start

Early childhood is a critical development period, and investments in high quality childhood programs can help promote healthy development and strong communities. Children from birth to age five who are from families with incomes below the poverty guidelines are eligible for Early Head Start and Head Start services. Approximately 82 percent of children in Head Start, and 81 percent of children in Early Head Start, live in families below the poverty line. Shrinking the annual inflation adjustment will make some families ineligible to enroll their children in the programs. Unfortunately, many families – especially in low-income and in rural areas – lack access to these high-quality early childhood centers that parents see a critical resources to maintain gainful employment.

LISC knows from experience of the need for quality child care for both the long-term well-being of children and for the needs of working parents, as it has supported the development and renovation of over 220 facilities serving nearly 24,000 children. Given the positive long-term impacts of enrollment in Head Start and other programs,[10] loss of benefits would be a troubling outcome.

Low-Income Home Energy Assistance Program

About 6 million people received LIHEAP assistance in 2018. The purpose of the program is to assist households with low incomes, particularly those with the lowest incomes that pay a high proportion of household income for energy, by meeting their immediate home energy needs. Most states set eligibility for LIHEAP at 150 percent of the federal poverty guidelines. According the U.S. Energy Information Administration (EIA), nearly a third of households in the US reported trouble paying their energy bills and about half of households experiencing trouble report incomes less than $20,000.[11] People of color are disproportionately affected with half of the respondents reporting challenging

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[10] Ludwig, J. & Miller, D. (October 2005). "Does Head Start Improve Children's Life Chances? Evidence from a Regression Discontinuity Design." National Bureau of Economic Research. Retrieved June 2, 2019, from https://www.nber.org/papers/w11702.pdf

[11] Ingber, S. (September 19, 2018). "31 Percent Of U.S. Households Have Trouble Paying Energy Bills." NPR. Retrieved June 3, 2019, from https://www.npr.org/2018/09/19/649633468/31-percent-of-u-s-households-have-trouble-paying-energy-bills

paying their energy bills identifying as black. One in five households reported reducing or forgoing necessities such as food or medicine to pay an energy bill.[12]

Conclusion

LISC helps move people out of poverty by providing employment counseling, financial coaching support and a bridge to appropriate services. A critical component for client success is access to income supports and benefits that help families make ends meet and to work towards self-sufficiency. According to a working paper from the National Bureau of Economic Research (NBER), government programs such as SNAP and LIHEAP have played a particularly important role in alleviating child poverty and deep poverty, especially during economic downturns.[13] Building off the success of FOCs, our Bridges work has also demonstrated that continuing education and training is supported by aforementioned federal programs and benefits that provide financial stability.

We believe that any efforts to update the methodology for determining the poverty line should be accompanied by thoughtful consideration of the populations that will most greatly be affected. Denying access to benefits to communities of color, low-income retirees, unsupported children and others without stable growing incomes is contrary to Congressional intent for many of these support programs and defies national interest. We urge OMB to undertake analysis and a formal public comment period regarding changes to the consumer price indexes produced by the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA), and in particular how those differences might influence the estimation of the Official Poverty Measure (OPM) and other income measures produced by the Census Bureau.

We thank you for considering these comments. Please contact LISC's Policy Officer, Abigail Santos, at ASantos@lisc.org with any questions.

Sincerely,

Matt Josephs
Senior Vice President for Policy

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[12] Energy Information Administration. "Residential Energy Consumption Survey (RECS)." (October 2017). Retrieved June 3, 2019, from https://www.eia.gov/consumption/residential/data/2015/hc/php/hc11.1.php

[13] Fox, L., Garfunkel, I. Kaushal, N., Waldfogel, J. Wimer, C. "Waging War on Poverty: Historical Trends in Poverty Using the Supplemental Poverty Measure." (January 2014). National Bureau of Economic Research. Retrieved June 3, 2019, from https://www.nber.org/papers/w19789.pdf