Policy Matters Ohio

June 18, 2019

The Honorable Nancy Potok, Chief Statistician
Office of Management and Budget
725 17th St. NW
Washington, DC 20006

RE: Proposed change in inflation measure to lower poverty line by using chained CPI or Personal Consumption Expenditures Price Index in place of the CPI-U in calculating cost-of-living adjustment.

Dear Dr. Potok:

Thank you for the opportunity to comment on the Office of Management and Budget's (OMB) notice regarding differences among various consumer price indexes and their influence on the estimation of the official poverty measure.

Policy Matters Ohio is a non-partisan, not-for-profit research organization with a mission of contributing to a more prosperous, equitable, inclusive and sustainable Ohio.

The OMB notice describes the Trump Administration's interest in lowering the poverty line by using either the chained CPI or the Personal Consumption Expenditures Price Index (PCEPI) in place of the CPI-U in calculating the cost-of-living adjustment. Either approach would lower annual increases in inflation used to adjust the poverty line each year. This proposal implies that the current poverty line overstates what families need to get by. That doesn't reflect reality. Recent studies find that low-income households experience higher inflation than others, even after controlling for all other demographics. The proposed new measures, which would lower increases in the poverty line, would harm the poorest households. We urge you to conduct further analysis, allow more public input. We are certain that if you do so, you will understand why you should reject this misguided approach.

Ohio has far too many families living in poverty since the recession: 14% of the population, 44% more people than before the recession. Reducing the poverty line will disproportionately hurt Ohioans because we have high poverty across the state, especially in rural areas, small cities and urban neighborhoods where poverty is the highest. This highlights another threat: the harm from this policy change will vary regionally. We strenuously object to a policy change that will hurt the poorest Americans. The proposed change will put Ohio and Ohioans disproportionately in harm's way.

The basic family budget for a parent with two kids in the Cleveland, Ohio metro area was $62,687 in 2018. This is the cost of a safe, decent, but modest life, including housing, health care, food, childcare, transportation, taxes and other necessities. The poverty line in 2018 was set at one third of that: $20,780. Families at this level face life-threatening, health-sapping hardship.

Oho scores very poorly in a national evaluation of health value – a combination of health outcomes and cost of care. Federal services for food, shelter and health calibrated to existing poverty measures are critical to population health. For example, a quarter of Ohio's people are served by Medicaid, the largest payer of health care costs in the state. Changing basic thresholds to reduce eligibility in

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Medicaid and other programs would hurt individuals, population health and the health care system. Any change to inflation measures affecting federal program eligibility should be undertaken only if in-depth study determines that it won't hurt individual, family or overall overall population health.

The high rate of hardship among families just above the current poverty line suggests that as now calculated, the poverty line is already too low. Foodbanks in Ohio serve families earning up to twice the official poverty rate, and demand is growing. One in five Ohio children and one in seven Ohioans generally is food insecure (1.7 million people). Consequently, the proposed change should be evaluated for its impact on nutrition of families, and especially of children.

Many jobs in Ohio pay so little workers cannot support their families without public assistance. Six of the state's ten most common jobs leave a parent with two kids eligible for, and needing, federal food assistance to put dinner on the table. An accurate poverty measure is crucial to workers in this huge labor market. The federal government must carefully analyze regional labor markets to map impact and develop measures to ensure low-wage workers don't lose critical work supports. Such analysis should also consider alternative ways to increase self-sufficiency, like increasing the federal minimum wage to a living wage of $15 an hour. Approaches like this would reduce the number of people needing federal assistance without causing additional hardship and suffering.

In addition to hurting low-wage workers and children, studies have already found that using the chained CPI as a basis for adjusting the federal poverty measure would hurt seniors and disabled people, who are often poor and rely on federal programs for food, shelter and health care. Ohio's population is aging rapidly. Policy changes that hurt seniors will hurt Ohio communities.

Before changing poverty thresholds, there must be in-depth, quantitative analysis of current impact, future impact and alternative ways of achieving the ostensible goal of reducing the number of people who need and are eligible for federal assistance. This should analyze effects on individuals, families, and groups, including children, seniors, disabled people, and racial and ethnic minority groups. Analysis must focus on places: regions, states, counties, communities, neighborhoods, and local economies. For example, in Ohio the reduction in Supplemental Nutrition Assistance (SNAP) benefits since the recession caused grocery stores to close in places that never recovered from the recession. This reduced access to food and eliminated jobs.

The public must have an opportunity to review and comment on findings of the analysis and on likely consequences for uninsured rates, food insecurity and other forms of hardship.

Thank you for reviewing our comments. We would welcome the opportunity to discuss our concerns in greater detail.

Best Regards,

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Senior Project Director

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