Statement of Mark Greenberg,
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Subcommittee on Income Security and Family Support,
House Committee on Ways and Means,
Hearing on Measuring Poverty in America
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Mr. McDermott and Members of the Subcommittee:

Thank you for holding this hearing and others this year, bringing renewed attention to the importance of addressing poverty in America. In this testimony, I will provide some brief background, and then discuss why the method for measuring poverty should be updated, some principles that should guide the effort and recommendations to move the process forward.

I am the director of the Task Force on Poverty at the Center for American Progress, a nonprofit, nonpartisan public policy think tank in Washington, D.C. I am on leave from the Center for Law and Social Policy, where I was the Director of Policy. CAP's 14-member Task Force[1] was charged with making a case for why the nation should address poverty and proposing a strategy for how to do so. In April, CAP's Task Force released its report, "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half."[2]

Our Task Force's principal focus was not on the definition of poverty, but rather strategies for addressing it. Nevertheless, the question of how poverty should be defined came up repeatedly in our efforts, in two significant and related ways.

- First, when seeking the views of state and local actors about strategies to reduce poverty, one of the most common initial observations was that it was rarely useful to use the official poverty line as a measure of need, because it was so low in relation to living costs. In recent years, the increased reliance on approaches like self-sufficiency standards, family budgets, and setting program eligibility at some

[1] Task Force members were **Angela Glover Blackwell,** Founder and CEO, PolicyLink (co-chair); **Peter B. Edelman,** Professor of Law, Georgetown University (co-chair); **Rebecca Blank,** Dean, Gerald R. Ford School of Public Policy, Henry Carter Adams Collegiate Professor of Public Policy, University of Michigan; **Linda Chavez-Thompson,** Executive Vice President, AFL-CIO; **Reverend Dr. Floyd H. Flake,** President, Wilberforce University; **Wizipan Garriott,** Law Student and Board President of the He Sapa Leadership Academy; **Maude Hurd,** National President, ACORN; **Charles E. M. Kolb,** President, Committee for Economic Development; **Meizhu Lui,** Executive Director, United for a Fair Economy; **Alice M. Rivlin,** Senior Fellow and Director, Greater Washington Research Program, Brookings Institution; **Barbara J. Robles,** Associate Professor, Arizona State University; **Robert Solow,** Professor Emeritus, Massachusetts Institute of Technology; **Dorothy Stoneman,** Founder and President, YouthBuild USA; and **Wellington E. Webb,** Former Mayor of Denver.

[2] Task Force on Poverty, "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half," Center for American Progress, April 2007. Available at http://www.americanprogress.org/issues/2007/04/pdf/poverty_report.pdf.

multiple of the poverty line is a direct response to concerns that the poverty line simply doesn't adequately reflect the amounts that families need in order to get by.

- Second, as our Task Force considered policy responses to reduce poverty, we faced, in practical terms, an issue that is routinely recognized in the academic discussions of poverty measurement. Many initiatives that would clearly improve economic well-being for low-income families would have no effect on poverty under official measures, because the official measure does not count the effects of tax policy and near-cash benefits or adjust for work-related costs. For example, expanding the Earned Income Tax Credit or Child Tax Credit would not reduce the official poverty rate (except indirectly if it affected employment), even though it would increase family resources. Expanding child care assistance would not reduce the official poverty rate (except by raising employment) even though it would defray costs that families face in going to work. Expanded housing subsidies or improved food stamp participation rates would also not affect the official poverty rate.

We ultimately addressed the first issue by emphasizing in our report that while 37 million Americans were living in poverty, a far larger group faced the challenge of making ends meet, and by developing policy proposals that were sensitive to and grounded in this reality. We addressed the second issue by using a modified measure of poverty when calculating the poverty reduction effects of our proposals, drawing upon recommendations from the National Academy of Sciences' Panel on Poverty and Family Assistance: Concepts, Information Needs and Measurement Methods in "Measuring Poverty: A New Approach" (National Research Council, 1995). This modified measure counted the effects of tax policy, treated food stamps and housing benefits as income, and deducted out-of-pocket child care expenses from income. Only in doing so could one fully see the real effects of a set of policies in improving family well-being. At the same time, we could not readily incorporate every NAS recommendation into our analysis, and only adjusted poverty thresholds to the extent necessary to begin our analysis with the same number of people in poverty as would be the case under official measures.[3] Our experience underscored the need for the federal government to improve and modernize the definition of poverty, in order to develop both more realistic thresholds, a better measure of resources, and a more effective way to gauge the effects of government policies.

While my principal focus in this testimony is on the need to improve the poverty measure, I want to begin by emphasizing that we get much valuable information from the current one. The current measure is a useful and reliable indicator of the extent of serious deprivation, and of the extent of disparities across races, sex, and ages, workers and non-workers, and other groups. Most importantly, year-to-year changes help us understand whether more or fewer families are struggling to get by. Alternative measures—including those based on the National Academies of Sciences recommendations—show different poverty levels, but typically reflect quite similar trends because

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[3] For a detailed discussion of the methodology, see Linda Giannarelli, Laura Wheaton, and Joyce Morton, *Estimating the Anti-Poverty Effects of Changes in Taxes and Benefits with TRIM3* (Urban Institute, April 25, 2007), available at http://www.urban.org/publications/411450.html.

the largest sources of income and, thus, the largest "driver" of poverty rates will be cash income from sources that are included in the official measure.

I believe the poverty measure can be significantly improved. Still, the shortcomings of the current measure should not be used to dismiss the information provided by the current poverty measure about the state of our nation.

Why Should the Measure of Poverty be Updated?

There are few, if any, defenders of the current poverty measure. It remains in place for two principal reasons. First, there are a host of genuinely difficult conceptual and technical issues to be resolved in determining how poverty should be measured. Second, adopting any alternative measure is fraught with political controversy because it will likely result in either more or fewer people reported as "poor" (either immediately or in the long run); greater or lesser measured poverty rates for particular demographic, racial, and geographical and other subgroups; and uncertain implications for determining eligibility and distributing funds for individuals, localities, and states.

Given these challenges, why is it important to update the measure of poverty?

No single statistic can capture every dimension of need, consumption, hardship, or well-being. An income statistic measures, at best, income, but not how that income is spent; what would have happened if it had been spent differently; or whether a family has greater or lesser needs due to particular individual, family, neighborhood, or regional factors. An income statistic may provide little or no insight into factors that affect current and future well-being such as health, education, social and family relationships, community conditions, and others. Moreover, any time a line is drawn, differences between those slightly below and slightly above the line may be minimal or non-existent. And even families with identical incomes and needs may be very differently situated based on the presence or absence of assets, which are reflected at best only indirectly through any income-based poverty measure.

Moreover, important dimensions of need cannot be measured by income alone. Policy efforts in Europe often situate their discussions of income poverty within a broader context of social inclusion, a term used to encompass concern about those outside the social mainstream who are unable to fully participate in the normal activities of citizens. The idea of social inclusion emphasizes that integration of people into the social mainstream calls for addressing the range of issues that prevent full participation in society, and that this necessarily calls for going beyond a narrow focus on income.

Accordingly, the poverty measure cannot and should not be the sole measure of need or well-being, but it is important. Research commissioned for CAP's Task Force on Poverty found that the cost to the U.S. economy from children growing up in persistent poverty is in the range of $500 billion a year.[4] The poverty measure provides a broad picture of the number and characteristics of Americans who are living with incomes below a level generally recognized as inadequate to meet crucial needs. Moreover, ideally the poverty measure would show the extent of deprivation before and after taxes and government transfers, so that there is a clear picture of the extent to which government policy is or is not reducing deprivation. As such, it is in all of our interests to have a better measure than the current one.

What are the principal problems with the current measure? Many of the difficulties were catalogued in the thoughtful and balanced 1995 report of the National Academy of Sciences panel, "Measuring Poverty: A New Approach." Among the concerns identified by the NAS panel:

- The current poverty thresholds cannot be justified as reflecting contemporary costs for meeting basic needs
- The poverty measure does not reflect the costs of child care and other work-related expenses
- It does not reflect regional cost variations
- It does not reflect that funds spent to meet health care costs are not available to meet other needs
- It does not reflect that funds spent to meet child support obligations are not available to meet other needs
- It does not reflect the impact of taxes
- It does not reflect the provision of near-cash benefits such as food stamps and housing assistance.

Sometimes in discussing poverty measurement, an individual may focus on one particular problem with the measure—e.g., that it is too low, or does not count taxes or near-cash benefits. An important insight from the NAS panel is the need to look at the issues together using an internally consistent approach to measurement. A poverty measurement effort should be able to articulate what it is seeking to measure, and its thresholds and rules about which resources are counted should be consistent with each other and the underlying purpose. For example, if the goal is to measure whether families have sufficient resources to meet their food, clothing, and shelter needs, then it makes sense to set a threshold that reflects the resources needed to do so, to count resources that are available to meet the needs, and not count as resources items that are not available to meet those needs. But if, for example, the threshold is not constructed to include the amounts needed to pay for medical costs, child care, and work expenses, then the amounts families must pay for those costs should not be counted as available to meet other needs. Alternatively, if the goal is to measure whether families have resources to meet a broader set of needs, then the thresholds and counting rules should be constructed consistent with that intent.

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[4] Harry Holzer, Diane Whitmore Schanzenbach, Greg J. Duncan, and Jens Ludwig, al., "The Economic Costs of Poverty: Subsequent Effects of Children Growing Up Poor**,"** Center for American Progress, Jan. 24, 2007. Available at http://www.americanprogress.org/issues/2007/01/pdf/poverty_report.pdf .

Thus, a fundamental problem with the current measure is that it is not clear what it seeks to measure, the thresholds are not based on the actual costs of meeting a set of needs in today's economy, and it brings no consistent approach to when income is counted or excluded in the measurement. It fails to count resources that are available to meet basic living costs, and yet counts resources that are not available to meet basic living costs. The result is a framework that distorts our understanding of when families are in need, and impairs our ability to see whether government efforts to provide assistance are improving family well-being.

What Should the Poverty Line Measure?

The key insight offered by the NAS should be the starting point for any discussion of measuring poverty: before asking what should be counted as income, one should begin by asking what the poverty line seeks to measure. Then, decisions about how thresholds are set and which resources are included or excluded should be made in a manner consistent with the decision about what's being measured.

In a broad sense, the current thresholds are often viewed as being the levels of income that families need in order to meet their most basic needs. However, the actual dollar figure for the current thresholds is essentially an arbitrary figure: it reflects an early-1960s calculation of the cost of a low cost food plan designed for temporary or emergency use when funds are low, multiplied by three because food represented about one-third of a family budget in 1955, and then essentially adjusted only for changes in the consumer price index. Since that time, there have been dramatic changes in family budgets and living standards that are not reflected in the measure. As such, there is no real justification for the current thresholds other than they continue a historical series and there is not agreement on what should replace them.

Since the poverty line has only been adjusted to reflect changes in prices since the 1960s, it has fallen over time in relation to family median income. The poverty threshold for a family of four was about 49 percent of median income for a family of four in 1959; it was 28.4 percent of median income for a family of four in 2005. Thus, having income below the poverty line now means that a family is much further from the mainstream than was the case in earlier decades. Notably, international comparisons often measure poverty in relation to 50 percent of median income. In the United Kingdom's commitment to end child poverty by 2020, a principal measure is the share of children in families below 60 percent of median income.

Evidence from multiple sources suggests that a substantially higher figure would be used if the goal were to determine the amount that a family needs to "get by" or "make ends meet." The NAS' report expressly recognized that by 1992, the amount that survey respondents estimated a family needed to "get along" in the community was 76 percent higher than the poverty level. In recent years, a number of groups have developed various family budgets, generally intended to reflect a level at which a family can "make ends meet" or live decently. While methodologies differ, the analyses typically find that the average amount needed to attain such a standard is roughly twice the current poverty line, with significant regional variation. For example, the Economic Policy Institute has calculated basic family budgets for over 400 communities, intended to reflect the income a family needs to secure safe and decent-yet-modest living standards in the community. The budget items that are included in the basic family budgets are: housing, food, child care, transportation, health care, other necessities, and taxes. EPI concluded that the range of basic family budgets for a two-parent, two-child family was $31,080 (rural Nebraska) to $64,656 (Boston, Massachusetts). The median family budget of $39,984 contrasted with the $19,157 poverty threshold for this size family.[5] Wider Opportunities for Women has worked with states, localities, and community groups in most states to develop self-sufficiency standards. Self-sufficiency standards are calculated using a standard methodology that considers the costs of food, housing, medical care, transportation, child care, miscellaneous costs, and taxes. These studies routinely find that the amount a family needs to meet basic costs under such a budget is at least twice the federal poverty line.[6] The National Center for Children in Poverty's estimates, using its Basic Needs Budget Calculator, are that across the country, families on average need an income of about twice the official poverty level, or roughly $40,000 for a family of four, to meet basic needs. In a high-cost city like New York, the figure is over $50,000, whereas in rural areas, the figure is in the low $30,000s.[7]

Recent public opinion surveys also repeatedly find the public estimates that amounts needed to live decently are substantially higher than the poverty level. Note that surveys use a range of wording which could affect survey results:

- In a 2004 survey by Corporate Voices for Working Families, 59 percent of respondents thought a family of four needed to earn at least $40,000—an amount over twice the federal poverty line—"to support a family of four at a decent level." Only one percent thought that income of $15,000 to $20,000 was sufficient to do so.[8]
- A 2006 survey for the Catholic Campaign for Human Development reported that most (55 percent) respondents thought the amount of income a family of four needed to meet basic needs was $36,000 or more; 11 percent thought it was $20,000 or less.[9]
- In an April 2007 survey conducted for Northwest Areas Foundation, 69 percent of a national sample indicated that a family of four needed to earn $40,000 or more "in order to make ends meet" in their community. In state samples, the percentage indicating $40,000 or more was needed was 55 percent in Idaho; 57 percent in Iowa; 66 percent in Minnesota; 51 percent in Montana; 54 percent in North Dakota; 62 percent in Oregon; 50 percent in South Dakota; and 71 percent in Washington. Seven

[5] Sylvia Allegretto, "Basic family budgets: Working families' incomes often fail to meet living expenses around the U.S.," Economic Policy Institute, Sept. 1, 2005. Available at http://www.epi.org/briefingpapers/165/bp165.pdf.
[6] Wider Opportunities for Women, "Setting the Standard for American Working Families, 2003. Available at http://www.wowonline.org/docs/FINAL_FESS_report_072103.pdf.
[7] National Center for Children in Poverty, "Measuring Income and Poverty in the United States, April 2007. Available at http://www.nccp.org/publications/pdf/text_707.pdf.
[8] Corporate Voices for Working Families Survey, (July-August 2004).
[9] Market Research Bureau LLC, "Poverty Pulse, Wave VII, Catholic Campaign for Human Development, January 2007. Available at http://www.usccb.org/cchd/PovertyPulseVII.pdf.

percent of national respondents, and 5 percent to 16 percent of state respondents thought $20,000 or less was sufficient to "make ends meet."[10]

Note that the public appears to draw a distinction between the amounts needed to make ends meet and the appropriate level for a poverty line. In 2001, an NPR/Kaiser/Kennedy School poll asked what income level would make a family of four poor. In that year, when the poverty threshold for four was $17,960, most respondents would use a higher figure, with 64 percent considering a family with earnings of $20,000 to be poor, and a substantial group (42 percent) considering a family with earnings of $25,000 to be poor.[11]

Thus, if the goal were to set a line for the level at which families could "live decently" or meet all basic needs, it seems clear that the poverty line would be set substantially higher than the current one. The NAS took a far more modest approach. It proposed that the poverty thresholds should represent a budget for food, clothing, shelter (including utilities) and a small additional amount for other needs, e.g., household supplies, personal care, non-work-related transportation. It then proposed that family resources be defined as the sum of money income from all sources and the value of near-money benefits that are available to buy goods and services in the budget, minus expenses that cannot be used to buy these good and services. Thus, it did not recommend comparing all income to this more modest level—rather, it recommended excluding income that that was not available to purchase these basic goods and services, e.g., child care and work-related expenses, medical expenses, child support paid, and taxes.

Given the modest approach taken by the NAS panel, the result is a set of poverty thresholds that are somewhat higher than the official ones, but far short of the higher figures discussed above. Specifically, in 2005, when the official threshold for four was $19,806, the NAS-based threshold calculated by the Census Bureau was $20,708 if medical expenses were not counted in the threshold and $22,841 if medical expenses were included in the threshold.[12] The threshold with medical expenses was based on three years of consumer expenditure data, updated to the threshold year, representing about 80 percent of median family expenditures for food, clothing, shelter, utilities, and medical care, with an additional allowance for other non-work related expenditures. The approximate breakdown for the components of the threshold was $6,624 for food, $1,370 for clothing, $6,395 for shelter, $3,198 for utilities, $1,599 for medical costs, and $3,655 for all other non-work-related costs.

Is the NAS approach a reasonable one? In my view, it is, but only if one recognizes that it does not purport to represent a "decent" living standard. It leaves out a considerable amount that most of us take for granted in our daily lives, and allows only a modest residual sum for the wide array of living costs that do not fall within the identified needs.

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[10] Lake Research Partners, *Survey Conducted for Northwest Areas Foundation*, April 2007. Available at http://programs.nwaf.org/pr/nwaf/info/document/NWAF_topline_natl_and_states.pdf.

[11] See http://www.npr.org/programs/specials/poll/poverty/staticresults.html.

[12] U.S. Census Bureau, "Poverty Thresholds for Two-Adult-Two-Child Family Following NAS Recommendations: 1999-2005. Available at http://www.census.gov/hhes/www/povmeas/altmeas05/nas_povmeasures2005.xls

It leaves out many of the cultural enrichment activities that parents would view as essential to healthy child education and development. The approach was developed at a time when the Internet was first coming into our awareness, so it does not include costs for a family to own a computer or have Internet access. It does not explicitly provide room in the budget to save for education, or retirement, or home ownership, or future needs of children.

Moreover, the original NAS approach opted to treat medical costs, child care, and other work-related costs as deductions, viewing them as not available to meet the listed basic needs. An argument can be made that the costs of each should be included as part of the threshold instead and treated as comparable to other basic needs—certainly, many Americans would view access to needed child care and health care as basic needs. The Census Bureau now calculates NAS-based thresholds with and without medical expenses. Thus, other approaches could be considered, but any approach should ensure that it provides the internal consistency urged by the NAS.

Measuring Poverty Under NAS Measures

Since the release of the NAS report in early 1995, a considerable amount of research and further study has been undertaken. While there may never be unanimity on any complex or controversial issue, many observers have commended the overall NAS approach, but there are still a number of questions on which researchers disagree, sometimes for conceptual reasons and sometimes because of data limitations. For example, many, though not all, would agree that it would be desirable to build geographical variation into the poverty measurement. However, there are sharp disagreements as to whether the data are adequate to do so. Many would agree that it would be important to build an adjustment for medical costs into the poverty measure, but there are disagreements as to whether it is better to build an allowance for medical costs into the threshold, subtract costs from countable income, or do some combination of the two. It is clear that continued work is needed.

Since the release of the NAS report, the Census Bureau has issued a set of valuable reports applying and refining NAS recommendations to provide alternative poverty measures.[13] The most recent tables, issued for 2005, show that at a time when the official poverty rate was 12.6 percent, the rate under NAS measures would have been between 12.5 percent and 14.2 percent, depending on how medical expenses and geographic adjustments are treated in the measure, and depending on whether the thresholds are computed using the Consumer Expenditure Survey (as recommended by the NAS panel)

[13] See Kathleen Short et al, “Experimental Poverty Measures, 1990-1997,” P60-205, June 1999. Available at http://www.census.gov/prod/99pubs/p60-205.pdf; John Iceland, “Poverty Among Working Families: Findings from Experimental Poverty Measures,” P20-203, Sept. 2000. Available at http://www.census.gov/prod/2000pubs/p23-203.pdf; Kathleen Short, “Experimental Poverty Measures 1999,” P60-216, Oct. 2001. Available at http://www.census.gov/prod/2001pubs/p60-216.pdf; Joe Dalaker, “Alternative Poverty Estimates in the United States: 2003,” P60-227, June 2005. Available at http://www.census.gov/prod/2005pubs/p60-227.pdf.

or by updating for inflation using the CPI-U.[14] Over time, under most NAS measurements, the numbers in poverty are consistently above the numbers under the official measures.[15]

In addition to affecting the numbers in poverty, NAS measures also affect rates for particular groups: poverty rates for married couples go up, while they go down for female-headed households; they go down for children and up for the elderly; they go up for whites, down for African Americans, and their effect for Hispanics depends on which measure is used.[16]

In earlier years, the Census Bureau issued detailed reports presenting and analyzing the NAS tables. However, the last of these reports was issued June 2005. Most recently, the NAS tables for 2004 and 2005 were simply posted without narratives or press releases and in a manner such that only specialists were likely to be able to interpret them.

Beginning in 2006, the Census Bureau has begun reporting a new series in which the Census Bureau reports on the effects of various definitions of income: a "money income," "market income," "post-social insurance income," and "disposable income" definition. [17] The broadest of the four, "disposable income," includes money income, imputed net realized capital gains, imputed rental income, noncash transfers, and subtracts imputed work expenses (but not child care) and taxes. It reports that using its disposal income measure, the poverty rate for 2005 is 10.3 percent—a level substantially below any of the NAS measures. Essentially, this happens because it is imputes income from home equity (even though a prior Census Bureau report had cautioned about taking such an approach without a corresponding adjustment to the poverty thresholds), and it does not follow other NAS recommendations to modify the poverty thresholds, count child care, or consider medical expenses.

Recommendations for Next Steps

For at least the past 30 years, there have been discussions about the need to develop an improved approach to poverty measurement. While an active research and development agenda should continue, it is past time to replace the current measure. In my view, the NAS recommendations offer a valuable starting point for a better measure.

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[14] U.S. Census Bureau, "Alternative Poverty Estimates Based on National Academy of Sciences Recommendations, by Geographic and Inflationary Adjustments: 2004 and 2005." Available at http://www.census.gov/hhes/www/povmeas/altmeas05/nas_measures_2004_2005_comparison.xls.
[15] U.S. Census Bureau, "Official and National Academy of Sciences (NAS) Based Poverty Rates: 1999 to 2005. Available at http://www.census.gov/hhes/www/povmeas/altmeas05/nas_measures_historical.xls.
[16] U.S. Census Bureau, "Alternative Poverty Estimates Based on National Academy of Sciences Recommendations, by Selected Demographic Characteristics and by Region: 2005," 2006. Available at http://www.census.gov/hhes/www/povmeas/altmeas05/nas_measures_2005_demog_and_region.xls.
[17] U.S. Census Bureau, "The Effects of Government Taxes and Transfers on Income and Poverty: 2004," Feb. 14, 2006. Available at http://www.census.gov/hhes/www/poverty/effect2004/effectofgovtandt2004.pdf; U.S. Census Bureau, "The Effects of Taxes and Transfers on Income and Poverty in the United States: 2005," P60-232, March 2007. Available at http://www.census.gov/prod/2007pubs/p60-232.pdf.

First, I recommend that Congress direct the Census Bureau to issue a report to Congress, within a specified time period, addressing the following issues:

- To what extent is it now feasible to replace the current measure of poverty with a measure drawn from the recommendations of the National Academy of Sciences panel?
- Are there data limitations that affect the ability to implement the NAS recommendations; if so, to what extent could those data limitations be addressed through improved data collection; and what would such improved data collection cost?
- In light of the research, experimentation and analysis of the twelve years since the NAS report was issued, are there particular recommendations that should be reconsidered or additional recommendations that should be considered in developing an improved poverty measure?

The Census Bureau should be encouraged to consult with members of the original NAS Panel and other experts in poverty measurement in the development of its report.

Second, it is unfortunate that the Census Bureau has seemingly relegated its NAS analysis to a set of web-only tables and has departed from an NAS-based approach in its published narratives. I recommend that Congress encourage and, if necessary, adopt legislation to direct the Census Bureau to resume fully reporting the NAS measures.

Third, at the same time that the poverty measure is improved, it would also be valuable for the federal government to begin regularly reporting a set of additional measures:

- **Making Ends Meet:** It seems clear that the amount of income a family needs to "make ends meet" or have a reasonably decent standard of living is an amount well above the current poverty line. Family budget research, polling data, median income data, and other research all suggest a level roughly twice the current poverty line, though with substantial geographic variation. It would be valuable to establish an ongoing research program and methodology for measuring this concept.
- **Outside the Mainstream:** International comparisons routinely rely on measuring the share of people below some percentage of median income, e.g., 50 percent. It is often treated as a measure of "relative poverty." The virtue of such a measure is that it provides insight into the extent to which a share of the nation's residents is living with incomes far outside of the social mainstream. In a recent UNICEF report, the United States ranked 24th of 24 nations on a measure of the share of children living in families with incomes below 50 percent of median income.[18] The federal government should track such a measure, and promote research to better understand the consequences of being in and growing up in relative poverty.
- **Asset Poverty:** In recent years, we have begun to see steadily increasing awareness of the importance of assets and asset disparities. One study estimated that in 2001, about 37.5 percent of households were "asset poor," meaning they did not have

[18] UNICEF Innocenti Research Centre, "Child poverty in perspective: An overview of child well-being in rich countries, Report Card 7," 2007. Available at http://www.unicef-icdc.org/publications/pdf/rc7_eng.pdf. Note that in 2005, 50 percent of median income for a family of four in the United States would have been $35,166, as compared with the official poverty threshold of $19,157.

enough liquid assets to live above the poverty line for three months.[19] We would benefit by developing good ongoing measures of assets and asset poverty.

- **Pre and Post-Tax and Transfer:** As the nation moves to a measure of poverty that includes the effects of tax and near-cash benefits, it will be important to clearly distinguish pre-tax, pre-transfer poverty from post-tax, post-transfer. Drawing that distinction would make explicit the role that tax credits and liabilities and government benefits play in reducing pre-tax, pre-transfer poverty.

Finally, I want to highlight and underscore one last NAS recommendation. At present, a large number of government programs affecting individuals, communities, and states, determine eligibility or allocate funds on the basis of federal poverty guidelines. For some purposes, applying the revised threshold and measurement rules may be appropriate, but in other cases it would not be. For example, with a new threshold, a program might wish to adjust eligibility accordingly, or change the percentage or multiple of the poverty line at which individuals are eligible. Income-counting rules that are appropriate and feasible for Census Bureau estimates may not be appropriate for program eligibility determinations. Moreover, if adopting a new measure of poverty had direct implications affecting program costs and the allocation of billions of dollars in federal funds, it would likely paralyze any effort to modify the poverty measure. The NAS panel expressly recommended that agencies <u>consider</u> the use of the new measures for purposes of programs they administer, but not that the new rules be applied automatically when they do not further program objectives. Such an approach would be essential to efforts to advance a new and improved poverty measure.

Again, thank you for addressing these important issues.

[19] Robert Haveman and Edward N. Wolff, "The Concept and Measurement of Asset Poverty: Levels, Trends and Composition for the U.S., 1983-2001," *Journal of Economic Inequality* 2 (2): August 2004.