

## VIA ELECTRONIC SUBMISSION

June 21, 2019

Nancy Potok  
Chief, Statistical and Science Policy  
Office of Information and Regulatory Affairs  
Office of Management and Budget

Re: Comments to OMB-2019-0002-0001  
Request for Comment on the Consumer Inflation Measures Produced by Federal  
Statistical Agencies

Dear Ms. Potok,

Arkansas Advocates for Children & Families (AACF) respectfully submits the following comments to the Office of Management and Budget (OMB) in response to the proposed **Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies** posted on May 7, 2019.

Arkansas Advocates for Children and Families is a non-partisan, non-profit organization based in Little Rock, Arkansas. We appreciate the opportunity to comment on this proposed change to how the OPM adjusts for inflation. AACF considers this proposal based on the impact it will have on Arkansas's children and families. The proposal considers replacing the Consumer Price Index (CPI-U) with either the "chained" CPI (C-CPI-U) or the Personal Consumption Expenditures Price Index (PCEPI). Either of these would produce a lower the poverty line each year, as they each apply a smaller cost-of-living adjustment than the CPI-U.

Though this change sounds highly technical, it will be devastating for low-income families. Arkansans will be especially impacted, as 478,365 of the state's 2,916,321 people (or 16.4%) earn less than the poverty threshold. For these Arkansans, poverty is a real threat to their health and their well-being. Changing the CPI-U to either of the proposed alternatives would make their lives markedly worse. For this reason, Arkansas Advocates for Children and Families urge the OMB to reject this proposal.

### **Redefining poverty does nothing to eliminate, or even lessen, poverty.**

The poverty line, by definition, estimates the smallest amount of income that a family needs to afford the basics. Even the CPI-U underestimates these needs, given the high rate of hardships for families just above the poverty line. Low-income families already struggle to make ends meet each month. Before changing how the poverty threshold adjusts for inflation, the OMB must consider the impacts that it will have on these families. It will neither improve their economic outlook, nor account for the rising costs of goods and services. Replacing the CPI-U with the "chained" CPI or the PCEPI shrinks the government's definition of poverty but does nothing to change the lives of individuals and families who live in poverty.

## The OPM Should Be Revised for Accuracy, But Not Solely Based on Inflation

No law requires that OMB alter the method for adjusting the poverty line each year to account for inflation. OMB has an opportunity to make the poverty threshold more accurate of a representation of impoverished families. Replacing the CPI-U with the chained CPI-U or the PCEPI would not achieve this goal, as either measure pushes the poverty line even lower. By pushing it lower, the OMB would be pushing it further away from those individuals who struggle to meet their own basic needs. This would be counterproductive to its existence. OMB wants comments on how the relative strengths and weaknesses of the measures might affect the OPM's estimation. To consider how the poverty measure updates for inflation without considering or analyzing its other issues (with public comment) undermines its original purpose.

This proposal does nothing to improve the accuracy of the poverty line; instead, it assumes that chained CPI will be a more accurate measure of poverty. This assumption is because the chained CPI eliminates a substitution bias—this means that as prices change, the purchasing habits of people will change too. Unfortunately, low-income families do not have the resources to substitute like the wealthy. Studies suggest that inflation on goods and services that dominate low-income households' spending has risen faster in recent years than the average household.<sup>1</sup> One example is the amount spent on housing. Low-income households spend more than the average on these costs and the price of rent rose 31 percent from 2008 to 2018 (compared to the overall CPI-U rising 17 percent).<sup>2</sup>

Arkansas Advocates for Children and Families support OMB's effort to make the OPM more accurate. This means increasing the poverty line, not lowering it. One method of increasing its accuracy is by reevaluating the basic expenses that families incur. The current OPM does not account for such basic expenses as childcare and medical costs in its calculation.<sup>3</sup> Using the Census Bureau's Supplemental Poverty Measure would provide a more accurate account of the current living expenses of families. It would also result in a higher poverty threshold for most households, at least compared to the current threshold which under-measures poverty.<sup>4</sup> Without considering these types of questions, the present Request for Comment is incomplete. It should contain analysis on how changing the measure of inflation would affect the OPM's accuracy or review the literature relevant to this matter.

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<sup>1</sup> See, for example, Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics*, August 2017, [https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan\\_schulhoferwohl\\_jme\\_2017.pdf](https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf) and David Argent and Munseob Lee, "Cost of Living Inequality during the Great Recession," Kilts Center for Marketing at Chicago Booth — Nielsen Dataset Paper Series 1-032, March 1, 2017, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2567357](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567357).

<sup>2</sup> U.S. Bureau of Labor Statistics (BLS) and CBPP calculations. The poorest fifth of households dedicate 40 percent of all expenditures to housing (including shelter, fuels, utilities, furnishings, and operations), compared with 33 percent for all households. Rent is even more concentrated among the poor. The poorest fifth dedicate 16 percent to rent, compared with 7 percent for all households, according to BLS data for 2017.

<sup>3</sup> Rebecca Blank and Mark Greenberg, "Improving the Measurement of Poverty," Hamilton Project, Brookings Institution, December 2008, [https://www.brookings.edu/wp-content/uploads/2016/06/12\\_poverty\\_measurement\\_blank.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/12_poverty_measurement_blank.pdf).

<sup>4</sup> Parrott, *op cit* and National Research Council, *Measuring Poverty: A New Approach*, National Academies Press, 1995.

The proposed change is not a mere technicality for the families living in poverty. It will change nothing about a family's ability to survive each paycheck or meet their needs. Instead, it tells a family whether the government defines them as poor enough to be in poverty. This is perhaps the most devastating part of the proposal. Replacing the CPI-U with the chained CPI or the PCEPI would lower the level of inflation each year to the OPM, which leads to less growth in the poverty line than under the CPI-U. Increasing at a slower rate would make the OPM less representative of a family's basic needs every year.

### **This Proposal Will Have Devastating Impacts for Low-Income Families**

Before making a change to the measure used to calculate the OPM, the OMB must first assess the impact it will have on the individuals and families that live in poverty. As OMB admits in its Request for Comment, other agencies and programs use poverty thresholds, so changing them will impact eligibility for health care, nutrition, and other assistance programs. The U.S. Department of Health and Human Services publishes its poverty guidelines each year based on the Census Bureau's poverty thresholds. Lowering the poverty threshold (and making it more inaccurate) will directly lower the poverty guidelines that HHS produces. Not assessing the impacts of the proposal on these poverty guidelines will create inaccuracies for many federal agencies to deal with, not just OMB.

Given this proposal's impact on programs like Medicaid, the Children's Health Insurance Program (CHIP), the Affordable Care Act (ACA) marketplace subsidies, SNAP, WIC, and school lunches, it is imperative that the OMB considers its impact before its institution. It will cause low-income families, including tens of millions of children, to suffer dire consequences. Because of this, AACF argues that a detailed legal and policy analysis is necessary to determine how devastating it will be for these children. It should also assess the estimated effect on eligibility, benefits, and access to needed services for any program that relies on the federal poverty line.

Multiple agencies, not just OMB, should conduct this analysis and estimation. Other federal agencies administer programs harmed by this change, so they should conduct assessment as well. Also, a change of this size should ask for public comments through formal rulemaking, since it is not a mere agency policy change. Instead, OMB's Request for Comment provides no such analysis and states that "OMB is not currently seeking comment on the poverty guidelines or their application." This run counter to the purpose of formal rulemaking.

It is dangerous to bar consideration of the impact the proposal will have on these programs because it provides no basis for understanding how many people might suffer harm. It also does not consider which programs will be most affected or which states will incur the most change. Arkansas has one of the highest poverty rates in the nation at 16.4 percent of the total population, including 22.1 percent of children. For Arkansas, it is imperative that OMB conduct impact assessments on this proposal, so that advocacy organizations like AACF can better understand how it impacts the population we represent.

One estimated impact of using chained CPI to adjust the OPM is that 300,000 fewer low-income children will be enrolled in Medicaid and CHIP by 2029, compared to the CPI-U.<sup>5</sup> In Arkansas, children make up 48 percent of the total number of Medicaid and ARKids First enrollees, so the impact of a chained CPI metric will be especially damaging. Medicaid and CHIP are not the sole programs through which Arkansans will feel the proposal's changes. This means that the struggles of poor and near-poor families in the State would continue to grow. (Other effects would include 250,000 fewer low-income adults enrolled in the Medicaid expansion and 150,000 fewer low-income seniors and people on disabilities enrolled in the Medicare Savings Programs, under which Medicaid pays for Medicare premiums and/or cost-sharing charges.)<sup>6</sup>

Changes to the poverty guidelines stemming from this proposal would also be harmful to the health of seniors and people with disabilities. Estimates show that after ten years, 250,000 seniors and people with disabilities would lose their eligibility for, or receive less help from, Medicare's Part D Low-Income Subsidy Program. This would make individuals pay higher premiums for drug coverage and more out of pocket. Further, more than 200,000 consumers would face reductions in the cost-sharing assistance they receive through the ACA marketplaces. This will increase deductibles, co-insurance, copays, and total limits on out of pocket costs. Tens of thousands will lose eligibility for premium tax credits and millions more consumers will see lower credits than they currently do.

Health is not the only impact that will result from this proposed change. Federal food assistance would also see cuts from this proposal. This helps tens of millions of low-income people afford a diet adequate in nutrients. Hundreds of thousands of people, including many children, would lose their eligibility for food assistance programs, with 200,000 people losing Supplemental Nutrition Assistance Program (SNAP) benefits altogether. In addition, more than 100,000 school-age children would lose eligibility for free meals at school and about 40,000 infants and young children would lose Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits that provide healthy food, nutrition counseling, and breastfeeding support.

These are not the only programs that use the federal poverty line. It would behoove OMB to assess all the programs that would see lower eligibility thresholds, including what it would mean for state-funded programs. Without a complete list of programs, OMB cannot assess the impacts on beneficiaries or the complications that could arise. For these Arkansans (and Americans), this is not about what the poverty line defines; instead, it is about whether they can meet their family's basic needs.

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<sup>5</sup> Aviva Aron-Dine and Matt Broaddus, "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, May 22, 2019, <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicare-medicare-and-premium-tax>.

<sup>6</sup> Aviva Aron-Dine and Matt Broaddus, "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, May 22, 2019, <https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicare-medicare-and-premium-tax>.

## **Conclusion**

Changing the method for calculating inflation from the CPI-U to either the chained CPI or the PCEPI measure is not a technical change. By making this change, OMB would be doing nothing to make the poverty line more accurate. In fact, it would do just the opposite. This change would purge impoverished families from numerous federal programs and inflict harm on these low-income people that already struggle to meet their own basic needs. That is why Arkansas Advocates for Children and Families urge you to reject this change; it harms real people in their real lives, just to change the government's definition of poverty. It is time, instead, to take measures that will make the OPM more accurate—thereby representing the individuals and families who do not make enough money to meet their own basic needs.

Thank you for your willingness to consider our comments. If you would like any additional information or if we can be of further assistance, contact Josh Hall at [jhall@aradvocates.org](mailto:jhall@aradvocates.org).

Respectfully submitted,

Arkansas Advocates for Children and Families