June 25, 2010

David Johnson
Housing and Household Economic Statistics Division
Census Bureau
via email: spm@census.gov

Re: Comments on the Interagency Technical Working Group's approach to developing a Supplemental Poverty Measure (SPM)

Dear Mr. Johnson,

Pursuant to the Census Bureau's request for comments, published May 26, 2010, the Center for Women's Welfare submits the following comments.

I. INTRODUCTION

We welcome this opportunity to submit comments on this important issue. The creation of the Supplemental Poverty Measure is a significant development as the current federal poverty measure is out dated and inadequate for today's needs. We appreciate the work that has been done by the Census Bureau, BLS, and others who produced the recently released report: *Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure.* We hope that our comments will be informative to the development of methodology for the SPM.

The Center for Women's Welfare (CWW) at the University of Washington was founded in 2002 with the primary mission to serve as a resource and research center to support the continued development and refinement of The Self-Sufficiency Standard (the Standard), related research, tools and products. As the founder and Director of CWW, Dr. Diana Pearce continues her work, begun in 1996, to develop and disseminate an alternative measure of poverty, the Self-Sufficiency Standard. The following comments are grounded in the extensive experience of Dr. Pearce and her staff over the last 14 years on the Standard, and its underlying methodology and datasets.

Over the past decade, Dr. Pearce has authored nearly 100 reports on the Self-Sufficiency Standard. The Standard has been calculated in 37 states plus the District of Columbia and is used in a wide array of settings and program applications. These comments reflect not only the opinions of Dr. Pearce and staff, but also the experience of many who have applied the Standard in their work. For further information on the Standard, reports, and datasets for the states, please see www.selfsufficiencystandard.org.

II. NON-DISCRETIONARY EXPENSES

A common definition of poverty is some variation of "not having enough to meet basic needs". This in turn requires comparing a measure of need (usually a threshold) to a measure of resources for each family or household.

For the threshold, the interrelated questions are: (1) what needs are to be included? And/or, (2) where should the line be drawn, meaning what method and decision rules are used to locate the line? In most descriptions, how these questions are answered categorizes a measure as either an "absolute" or a "relative" measure. That is, an "absolute" measure is based on the cost of one or more basic needs. Thus the current poverty measure is based on the cost of food (sufficient to meet minimum nutritional requirements), with a multiplier of three to encompass all other needs, not specified. In contrast, a relative measure is set using a point in the distribution of income, or expenditures. For example, a common relative measure of poverty used in Europe is 50% (sometimes 60%) of median income.

The NAS-based Supplemental Poverty Measure (SPM) has been described as "semi-relative", in that it chooses certain basic needs on which it is based (making it an absolute standard), but pegging the cost numbers for the chosen needs to the distribution of expenditures, which makes it more relative. That is, by pegging the level of the threshold to expenditures, it is expected that the measure will rise (or fall) as living standards rise (or fall), so that the measure reflects how households/families fall relative to the spending patterns of the larger society.

However, the SPM also introduces a new concept of "non-discretionary expenses". In previous budget-based measures, various costs were designated either as a "basic need" or not. If a need was deemed to be basic, it was included in the threshold. In the current federal measure, the one named basic need is food. However, in the SPM, in addition to the four named basic needs (food, housing, utilities and clothing) there are some additional needs, deemed "non-discretionary expenses that are considered *needs only if there are actual expenditures* to meet that need. The reasoning, in part, is that these are needs incurred by some, but not by others. Therefore, instead of adding these to the thresholds for all, only the actual expenditures are deducted from the family's resources for those families incurring those expenditures.

The underlying assumption is that if there is no expenditure, there is no need. This makes these non-discretionary expenses "second-class needs". In contrast, with the basic needs included and named in the threshold, it is assumed that people need such things as food and housing, whether or not they expend the resources to obtain it. And in fact, if they have too little to spend to secure these named basic needs, their lack of expenditure (through using consumer expenditures at a given level, currently the 33rd percentile for the reference family) indicates that they are lacking sufficient resources, i.e., that they are poor.

In contrast, lack of expenditure on non-discretionary needs is assumed to mean there is no need. Limiting these "deductions" from resources to the amount actually expended on these items in effect incorporates the very poverty that you are trying to measure. For example, if one is too poor to afford health care, and goes to the emergency room or forgoes treatment or drugs, then that poverty is not measured under the current design of the SPM.

Note too that in each of these cost areas, federal and state governments have engaged in expanding assistance—particularly over the last two decades—to meet these needs, such as health care (Medicaid, the S-CHIP program for children, WIC-Women, Infant and Children for mothers and young children) and child care assistance (under many programs and names, including TANF, the Child Care Development Block Grant, etc.). The fact that households are deemed to need assistance to meet these needs, often eligible at incomes well above the current federal poverty measure (see discussion below), suggests that these needs are real and thus that lack of expenditure means there is an unmet need, rather than meaning that there is no need.

Health Care: The universality of the "non-discretionary" need of health care is most clearly seen in the case of health care expenditures. It seems hardly defensible to maintain that people who do not spend enough to secure health care, directly or through insurance, do not need health care. Our recent legislation not only mandates that all obtain coverage, but makes provisions to subsidize those who cannot afford it, in order for all Americans to have health care expenses covered by insurance. The emerging national consensus suggests that health care coverage is viewed by an increasing percentage of Americans as a universal need.

Child Care: Likewise, child care is needed by all those who have young children, school-age (part-time), and below school-age (full-time), regardless of whether or not families make such expenditures, or make sufficient expenditures. Some have argued that if people do not pay for child care, they do not "need" paid child care, even if the adult or adults in the household are employed outside of the home, because they are using "free" or low cost child care, e.g., by a family member (spouse, sibling), other relative or other adult (e.g., a boyfriend or unmarried partner). In contrast, not using paid child care may well reflect the need for child care, not the absence of need. Some evidence that points in this direction includes the following:

1. Use of paid child care is related to income, suggesting that families that can afford to do so use paid child care as soon as income permits. Low-income children with a working mother are more likely to be cared for by a parent or relative (39%) than higher income children (23%) (Snyder and Adelman, 2004; Ehrle, Adams, and Tout, 2001). Additionally, findings from the National Child Care Survey indicated that low-income families receiving child care subsidies were much less likely to use relative care and much more likely to use center care than low-income families without subsidies (Brayfield et al., 1993). State studies also found that low-income families receiving subsidies were more likely to use regulated care (Fuller et al., 2000; Gilbert et al., 1992; Meyers, 1993; and Siegel and Loman, 1991).

2. Use of unpaid/relative/spouse shared child care is concentrated among the very young. That is, child care is needed for about 12 years, full time until they reach school age, and then part time when in school until they reach the age of 12. The percentage of children under one year that are cared for by a parent or relative with a working mother is 65%—between the age of one and two years this percentage decreases to 52% (Ehrle, Adams, and Tout, 2001). Altogether, about one-third of children under five, and only one-fourth of those who are school age are taken care of by a relative (Snyder and Adelman, 2004).

3. There is a strong consensus that informal child care is more often undependable, and/or not developmentally beneficial. A review of research assessing the quality of child care programs by Brown-Lyons, Robertson, and Layzer (2001) found that informal child care arrangements repeatedly had the lowest rated quality of child care, not only by experts, but also by parents, particularly once their children are preschoolers and older.[1]

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1. Brown-Lyons et al provide the following useful summary of research on quality of care: "The measures used most often to assess overall quality of child care programs are the Early Childhood Environment Rating Scale (ECERS) for child care centers and Family Day Care Rating Scale (FDCRS) for family child care homes (Harms and Clifford, 1989). The FDCRS rates six areas of caregiving practice: space and furnishings, basic needs, language and reasoning, learning activities, social development, and adult needs. In these studies, which draw samples of convenience and used the global assessments scales described above, informal child care is frequently rated as providing

4. It is often assumed that relative and informal child care is unpaid. Although often the pay is less for informal child care, it is often paid; at the same time it is likely to be unreported, by the payee or the caregiver being paid. This results in substantial underestimation of the amount and extent of payments for child care.

5. Finally, with the increased participation of women in the labor force, there is decreasing number of adults available to care for young children; grandmothers may be able, like parents, to take a few weeks off to care for an infant, but very few are available, or can afford, to become full-time caregivers for their young grandchildren. As relatives have become less available, each year the percentage of children in paid care increases.

Work-Related Expenses: Commuting expenses are also close to a universal need. According to our research with the Standard, nearly 80% or more of households with incomes below the Self-Sufficiency Standard have at least one worker in them.[2] The ability to get to and from work, by either public or private transportation, is crucial to maintaining employment, and thus is an essential for all those who are workers, not an optional expense.

We note that the Working Group contemplated deducting an "average" amount for commuting from the resources for each employed adult. We would concur, except that we recommend that a distinction should be made between the costs of public and private transportation. For example, in Allegheny County (Pennsylvania), we found that the transportation cost of commuting to and from work to be $105 per month for an adult using public transit in the City of Pittsburgh but $259 per month in the rest of Allegheny County where the driving costs of owning and operating a car was assumed (Pearce, 2010).[3]

Role of Subsidies: A further problem with not including child care, health care, or other work expenses, as a basic named need within the threshold, is that it makes it impossible to distinguish between those who get subsidies to meet these needs, and those who do not, even though their well-being is clearly quite different. That is, if two households have the same income just above the threshold, so that neither is counted as poor, the one that receives a subsidy that offsets one of these "non-discretionary" expenses is clearly better off than the one that does not. Only if one of these households expends resources to secure, for example, health care, such that a deduction of such expenditures takes their resources below the threshold, does their poverty get revealed.

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the lowest quality child care. Home-based programs are rated lower in quality than center-based programs, and unregulated programs are rated lower than regulated programs. Using the ECERS and the FDCRS, Fuller (2000) rated 71 percent of both kith and kin providers and licensed family child care providers at the minimal level of quality or worse, while 42 percent of child care centers were similarly rated. Galinsky et al. (1994) reported similar findings, with inadequate quality ratings assigned to 13 percent of the regulated family child care providers, 50 percent of the unregulated family child care providers, and 69 percent of the relative providers…The greater educational focus of center-based care is associated with better cognitive and language outcomes for children and a higher level of school readiness (Peth-Pierce, 1998)."

2. The specific percentages by state are as follows: 89% - California 2007 (Pearce, 2009), 85% - Colorado 2000 (Pearce, 2007), 78% - Connecticut 2000 (Pearce, 2007), 83% - Mississippi 2007 (Pearce, 2009), 85% - New Jersey 2005 (Pearce, 2008), 85% - Pennsylvania 2007 (Pearce, 2009), 82% - Washington 2000 (Pearce, 2007).

3. We assumed the use of public transportation within Pittsburgh but not the surrounding areas of the county because of very different usage rates of public transportation. While 20.1% of workers used public transportation as the means of transportation to work in Pittsburgh, only 6.9% used public transportation as the means of transportation to work outside of Pittsburgh in Allegheny County (2006-2008 American Community Survey).

For child care, where child care subsidies can amount to substantial resources for low income families, not accounting for this difference in available family resources results in severely undercounting the poverty in this demographic, families with young children. In fact, many families are deemed in need of subsidized health care and child care by government assistance programs at levels considerably higher than the current poverty line and the likely SPM thresholds, so that eligibility is set at 200% to 400% of the current poverty measure. At the same time, only 29% of eligible children receive child care subsidies (ASPE, 2008). That is, there is substantial unmet need for help with child care expenses, using the very conservative eligibility levels set by state child care assistance programs. Indeed, those whose incomes are low enough that child care expenditures deducted from their income would result in their income falling below the thresholds, are likely to not expend those resources on child care or health care, but first attempt to secure the basics of food and housing. Yet, as the methodology is currently proposed, these unmet needs, this very real poverty, will not be measured by the SPM as these needs are only acknowledged when there are actual expenditures.

An indicator of how large a difference the inclusion of non-discretionary expenses into the thresholds make can be seen when we compare the incidence of poverty, or income inadequacy, using different measures. In general, the amounts in the Self-Sufficiency Standard thresholds for the basic needs named in the SPM (housing, utilities, food, and clothing) are similar to the amounts in the SPM, as initially calculated. The main differences is that the Standard also includes amounts for health care, work-related expenses (child care and transportation), and taxes/tax credits. When these amounts are included, there is a substantial increase in the count of the number of households with inadequate income over the current poverty measure (see Attachment 1).

While we do not yet have similar state by state numbers for the SPM, we do know that Census Bureau analyses of “experimental poverty measures” have yielded increases in the poverty count of one or two percentage points (nationally). That is, deducting (imputed estimates of) actual expenditures rather than allowing for universal need results in a substantially different count of the poor; it will be qualitatively different (and even biased) against families with young children in particular, and quantitatively, substantially less.

Recommendations:

1. <u>We recommend that the costs deemed “non-discretionary” by the National Academy of Sciences, as well as the Technical Working Group, should be considered as necessary core expenses and added to the thresholds. Failing that, we recommend these non-discretionary costs should be deducted from the income of ALL who have need of the item, whether or not they expend resources to gain it, rather than limit these deductions to those who actually expend resources to secure these needs.</u> In particular, for the following costs:

    A. **Health care:** <u>We recommend that there should be, either in the thresholds or deducted from resources, amounts for health care that will cover the costs of insurance, plus other out of pocket expenses, universally.</u> It is possible to estimate, as Census Bureau researchers have done, out of pocket health care costs including insurance, for various demographic groups, using the Medical Expenditures Panel Survey and similar datasets. (Note that with health care reform, we are moving towards more uniform costs as well as insurance coverage—all will be expected to have health insurance, and the high costs for those who are sicker will be disallowed, making estimating such costs much easier, and more uniform—although geographically variable, but there is good data on costs of insurance by state.)

Although the current proposal by the Working Group recommends "investigating the advantages and disadvantages of adjusting MOOP [medical out-of-pocket expenses] for those who are uninsured", we think that the 2010 health care reform legislation will make this unnecessary.

We also believe that there has been too much concern about the "skewness" of medical expenditures. For the vast majority of households, there is a relatively known, and relatively stable, expenditure for health care, and that is health insurance and related expenses for prevention and normal health care (copayments for doctor visits, prescription drugs, etc.). Catastrophic costs for serious illnesses and conditions are relatively rare, and attempting to encompass them has led to the proposal to deduct actual expenditures (or imputed actual expenditures) from resources rather than add a certain amount to the threshold. Thus we recommend including within the threshold the "ordinary" costs, now under health care legislation facing every individual and household, of health insurance and related copayments and drugs. Catastrophic costs, not covered by insurance, could then be deducted from resources. (See also recommendation regarding the elderly.)

B. **Child care**: <u>We recommend that the appropriate (by age and place) amount for child care should be automatically deducted for all families with children of the ages needing it</u>. (Again, lack of expenditure does not mean lack of need, but rather, lack of resources.) Note that as we discuss below, there is considerable geographic variation in the cost of child care, so this should also be incorporated into the calculation of the deduction, as well as the obvious differences by age of child.

C. **Work-related expenses**: <u>We recommend that work-related expenses, primarily commuting, should be deducted for all who are employed.</u> However, a distinction should be made between those who have adequate public transportation available versus those who must have a car, as these are quite different in amount; again, data is available to make this distinction. <u>Thus we recommend that different amounts should be deducted, depending on public transportation availability, reflecting the costs of public versus private transportation to and from work.</u>

III. GEOGRAPHICAL ADJUSTMENT

A major criticism of the current poverty measure has been that the measure is not adjusted by place. The proposed SPM methodology would address this shortcoming by adjusting for the geographical variation in the cost of housing, for that portion of the threshold that is attributable to housing expenses. While we certainly agree that creating geographic variation in the thresholds this way is important, in our experience, other costs have substantial geographical variation as well.

To give you an idea of how much geographical variation there is, by different costs, we examined costs in the Self-Sufficiency Standard for six states (Illinois, Indiana, Mississippi, Oklahoma, Pennsylvania, and Washington) for one family type, that of two adults with two children, one a preschooler, and one who is school-age (see Attachment 2). We found variation in the costs of all basic needs between states and within states. In this sample, child care costs were found to vary the most between states—child care expenses for this family type varied from a low of $488 in Mississippi to a high of $1,660 in Illinois, a difference of $1,172 per month. While the cost of child care varied the most (more than housing or other costs) in four of the states (Indiana, Illinois, Pennsylvania, and Washington), housing varied the most in Mississippi and Oklahoma.

Besides the costs of housing and child care, the largest geographic variation in costs is transportation. This reflects the differences in the cost of commuting to and from work with public transportation versus needing to drive a car. For example, in Mississippi and Oklahoma, where it is necessary to own and operate a car in order to commute to work in all parts of the state, the cost of transportation only varies, respectively, by $34 and $47 per month between counties. However, in states like Washington and Pennsylvania, where some areas have adequate public transportation systems but not all, the amount of money needed to commute to and from work varies from a minimum of $144 (Washington) and $168 (Pennsylvania) to a high of $541 (Washington) and $589 (Pennsylvania).

This demonstrates the importance of considering a geographic adjustment not only when establishing a threshold but also when estimating family resources. If actual expenditures on child care are not used then any imputation of child care adjustments should take into account that the market rate cost of child care varies greatly. For example, in the 2009 Self-Sufficiency Standard for Mississippi, across all counties, the most expensive child care for a preschool and schoolage child was $592 per month. This is nearly the same as the cheapest child care found in the 2009 Standards for Illinois, Indiana, and Washington State for the same family type.

IV. DATA SOURCES

In many discussions of poverty measures, there are only two sources of data that are considered: that of expenditures (such as the Consumer Expenditures Survey), or expert-determined levels (such as the USDA food budgets). The Self-Sufficiency Standard relies, whenever possible, on a third type of data to determine costs, that of government calculated data of what is minimally adequate to meet a particular need. Often these numbers are determined in order to set the level of benefits for those receiving assistance. They have the advantage that they are not set in the abstract by an "expert" who may be overly generous in the eyes of the public, but rather reflect what the government feels is minimally adequate to meet the needs of those deemed to lack the resources to sufficiently achieve that minimal level.

In addition to their being more easily defensible as adequate but not overly generous, these data have the advantage of being geographically more detailed than deriving numbers from expenditure data, as the latter sample sizes often do not permit detailed geographical variation down to the county or large city. They also have the advantage of not being from an "expert", but rather are derived empirically from market surveys of actual providers/users of the service or item. Since the purpose of these numbers is for government assistance programs to be able to efficiently allocate resources—so that high cost area families are not shortchanged, and low cost areas get sufficient but not an unfair allocation—it is in the government's interest that the numbers are set correctly, not too high or too low. In fact, in the case of housing, HUD allows local entities such as housing assistance agencies, to challenge the rents as too low (or too high) following strict protocols to develop evidence of what the "true" amounts should be, and then HUD will take these submissions into account when finalizing the FMRs. Additionally, these data do not have to rely on averaging several years of data to get sufficient sample size, and are updated annually or every two years, so that they reflect changes in the market relatively quickly.

Below we have described how we have used this government-developed data to determine the geographical variation in housing and child care costs.

Housing Data: The Self-Sufficiency Standard uses the U.S. Department of Housing and Development's (HUD) Fair Market Rents (FMR) for the cost of shelter (housing and utilities). Since a single FMR is calculated for an entire metropolitan area, and because there is substantial variation across large multi-county MSAs (such as New York City), we use the ACS for intra-MSA adjustments of housing costs for multi-county MSAs. Likewise, in the non-metropolitan areas in states, there is often a few counties with unusually high housing costs for rural areas, usually resort areas. Some examples include Martha's Vineyard and Nantucket, Aspen, Colorado, and the San Juan Islands in Washington State. For this reason, the greater detail of the FMRs allows us to more accurately measure housing costs, and incorporate this geographical variation into the measure.

Child Care Costs: The Self-Sufficiency Standard calculates child care costs at the 75th percentile based on data from the most recent child care market rate survey (MRS) conducted or commissioned by each state. We assume that infants are cared for in a family day care setting, preschoolers are cared for in centers, and that school-age children need before and after school care.

In most states, it is possible to calculate the 75th percentile rate of child care at a county level using the MRS for all counties. However, in some cases where there is low population density, we calculate rates by pooling together several counties into a region or identify price clusters.

For the purpose of the Self-Sufficiency Standard, which is built from the "ground up", state MRS's are the best available data source for the actual cost of child care faced by parents. However, they are far from ideal. Unlike the FMRs, which are calculated consistently across the country by HUD using a consistent methodology over time, states are free to conduct the MRSs however they choose. There is relatively little guidance in how to conduct valid MRS and there are thus certain limitations to comparing data across states (Grobe et al, 2008). Data collection methods differ (usually administrative data, mail, telephone, or combination), survey questions vary (some states only collect hourly rates while others collect prices by month and week), and response rates are sometimes very low (Weber et al, 2007). Nevertheless, as with FMRs, there is substantial state interest in "getting it right", in order to best allocate child assistance resources. And, it is by far the best and most (if not perfectly) consistent data on child care costs. Given the wide empirical variation cited above, we would urge consideration of using these government assistance databases such as FMRs and child care MRSs as sources for varying costs by place in the SPM.

Recommendation:

1. <u>We recommend that the Census Bureau consider using government databases that provide geographically detailed information on costs to incorporate geographical adjustments in both the thresholds, and in calculating the amounts for non-discretionary expenses to be deducted from family resources.</u>

V. A SEPARATE SET OF THRESHOLDS FOR THE ELDERLY

Although there has been no discussion in recent documents of developing a separate set of thresholds for elderly households, in our review of the issues, it became increasingly clear that doing so would solve some of the problems facing the team designing the SPM. Even before the advent of Medicare and other changes, the federal poverty measure recognized somewhat different circumstances and needs for the elderly, and thus had separate thresholds for these households.

Since then, circumstances have substantially changed for the elderly, resulting in significant differences in costs, in different areas. In developing the Self-Sufficiency Standard, and using it as a measure of income adequacy, we from the beginning have seen it and used it only in reference to the needs of households with at least one adult who is neither elderly nor disabled.

Below is a brief discussion of some of these areas of difference between these demographic groups.

1. **Housing:** While differentiating between those who are owners with a mortgage, owners without a mortgage, and renters, will capture some of the difference in costs for the elderly, we do not believe it is adequate. While more elderly than non-elderly own their housing without a mortgage, given that many elderly refinance, they may have a mortgage. At the same time, whether owner or renter, in part because of long tenure, the elderly are likely to have substantially less housing costs than the non-elderly in a given geographic area, a difference not entirely captured by the mortgage/non-mortgage distinction. In fact, HUD's development of Fair Market Rents' methodology acknowledges this fact, so that the rents are based on units rented within the last two years, as averaging in long-term rentals would artificially lower the costs facing most renters. It is speculation, but we would not be at all surprised to find that housing costs among the elderly are significantly lower than among the non-elderly in the same geographic area.

2. **Health care:** There is near universal coverage of the elderly by Medicare. At the same time, many studies have shown that health care expenditures, reflecting longer life spans and substantial increase in health care costs, have resulted in increased proportions of elderly income going to health care costs beyond Medicare. This is particularly true of prescription drugs, partially addressed in the fixes to Part D of the health care reform bill of 2010. Altogether, this creates an "apples" and "oranges" problem for health care costs: for the non-elderly, health care costs for the vast majority are health insurance and related costs (copayments, drugs), but for the elderly they are Medicare premiums, non-employer-related Medigap insurance, prescription drugs not covered by these, and other non-covered costs. With an estimated one-half of costs occurring in the last six months of life, the skewness of health care costs is probably substantially due to elder health care costs.

3. **Taxes:** While it is reasonable to assume that most income that is taxed for the non-elderly is earned income at the 33rd percentile, it must be assumed that for those over 65, most income is non-earned, from social security, pensions, savings, and the like, which are subject to different tax rates than earned income. Thus different tax and tax credit formulas need to be applied based on age and assumptions about income source and tax rates.

4. **Food:** As recognized in the USDA food budgets, elderly caloric needs are less, and it is expected that food consumption would be less than the average adult.

Note that while housing costs are likely to be lower for the elderly, health care costs are likely to be higher. If both of these costs were included in the thresholds, then this would not matter so much, depending upon whether they empirically balance each other out. However, as it is now structured, only housing is included in the threshold. This leads to the anomaly that the elderly may have, relative to non-elderly families, more resources available for housing to secure an equal level of housing quality. This would then allow such households to expend more on health care costs, without cutting into housing needs, but which would be deducted from resources, increasing the likelihood of being counted as poor, even though they actually had more resources freed up by their lower cost housing to meet health care needs than would a comparable non-elderly family on average. In contrast, a non-elderly household with children, with the same resources, would not have any "extra" to meet housing needs, and so could not afford to expend resources for health care or child care, and thus would not be counted as poor, even though they lacked the resources to meet their health care or child care needs, and thus were worse off. Thus not taking into account the different expenditures needed to secure basic needs such as housing by age, leads to an overcount of elderly poverty and an undercount of non-elderly poverty.

Recommendation:

1. We recommend that consideration be given to creating a separate reference household, and separate thresholds, for elderly households, reflecting the different costs facing these households, including particularly housing and health care.

VI. ALTERNATIVES TO THE SPM

Regardless of the final shape of the SPM, there will still be a need for an alternative that is based on thresholds that include all of the costs facing working families, as well as an alternative that sets out the costs, and determines the income needed by elderly/disabled families to meet their needs. Over the past 14 years, we at the University of Washington have developed the Self-Sufficiency Standard for working families, which details all the needs, at a minimally adequate level, faced by working age families, including not just housing, food and clothing, but also work related expenses (child care, transportation), health care, and taxes/tax credits. It is a testament to the importance to the public and the wide range of users that the development and expansion of this measure has continued, even through this recession.

The need for *both* a revised poverty measure, along the lines of the SPM, and a Self-Sufficiency Standard-type measure, has been recognized at the national level in legislation co-sponsored by Representative Jim McDermott and Senator Chris Dodd entitled the Measuring American Poverty Act (HR 2909 and S 1625). This legislation would require the development of a "Decent Living Standard", described as similar to self-sufficiency standards. In addition, the development of such an alternative, which would reflect a minimum standard of living, varied geographically and by family composition, has been endorsed by over 300 organizations (Half in Ten, 2010).

Recommendations:

1. We recommend that the Census Bureau undertake an assessment of the data and methodology used to calculate the Self-Sufficiency Standard, with the goal of developing a similar federal standard at the national level, in order to supplement, but not supplant the SPM.

2. In addition to developing an alternative for working age families, we recommend that the Census Bureau consider developing an alternative measure for the elderly, along the lines of the University of Massachusetts Boston' Elder Economic Security™ Index, which is also varied geographically (by county) as well as by household type.

VII. CONCLUSION

Developing the methodology to calculate the Supplemental Poverty Measure is a large undertaking. We would like to thank the Census Bureau and BLS for taking on this important role and for carefully considering the methodology for this new statistic—including being open to outside comments. Indeed, nothing in these comments should be construed as negative about this endeavor, but rather our comments are intended to support and enhance your efforts. This is a rare opportunity to create a new statistic that will inform our understanding of poverty in the United States. We hope that our comments, particularly our recommendations, will be carefully considered.

With over a decade of experience creating thresholds we have knowledge regarding many of the components that will go into creating the SPM. If we can be of any assistance please let us know. Of course, we would be glad to clarify any of the comments that we have made above. In addition we would welcome the opportunity to share our experience of the last decade plus of developing, disseminating, and using poverty measures across the country.

Sincerely yours,

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Attachment 1.

Percentage of Households with Incomes Below the Self-Sufficiency Standard and Federal Poverty Level in Seven States

	Percentage of households below the Self-Sufficiency Standard	*Percentage of households* below the Federal Poverty Level*
California	31%	10%
Colorado	21%	7%
Connecticut	19%	7%
Mississippi	32%	18%
New Jersey	20%	7%
Pennsylvania	21%	9%
Washington	21%	8%

*Since the Self-Sufficiency Standard assumes that adult household members work, this analysis includes only those households in which there is at least one adult aged 18-65 who is not disabled.

Sources: Household income and demographic data for California, Mississippi, and Pennsylvania: U.S. Census Bureau, 2007 American Community Survey; New Jersey: U.S. Census Bureau, 2005 American Community Survey; Colorado, Connecticut, and Washington: U.S. Census Bureau, 5% Census Data, 2000. Calculations by author using corresponding state Self-Sufficiency Standard data. State demographic reports are available at http://www.selfsufficiencystandard.org/pubs.html#addpub.

Attachment 2.

Comparison of Self-Sufficiency Standards for Two Adults with One Preschooler and One Schoolage Child: Monthly Costs and Annual Wage

		Housing Costs	Child Care Costs	Food Costs	Transportation Costs	Health Care Costs	Annual Self-Sufficiency Wage
Indiana 2009	MIN	$521	$521	$639	$376	$374	$32,848
	MAX	$927	$1,267	$712	$473	$464	$55,395
	RANGE	$406	$746	$73	$96	$90	$22,548
Illinois 2009	MIN	$442	$596	$625	$136	$413	$33,726
	MAX	$1,271	$1,660	$767	$497	$508	$68,503
	RANGE	$829	$1,064	$141	$361	$94	$34,777
Mississippi 2009	MIN	$524	$488	$637	$459	$409	$32,076
	MAX	$979	$592	$727	$492	$472	$45,261
	RANGE	$455	$104	$90	$34	$63	$13,185
Oklahoma 2009	MIN	$554	$640	$611	$462	$452	$35,292
	MAX	$786	$821	$690	$510	$488	$46,868
	RANGE	$232	$181	$79	$47	$36	$11,576
Pennsylvania 2010	MIN	$579	$781	$661	$168	$386	$40,978
	MAX	$1,267	$1,586	$870	$589	$426	$71,846
	RANGE	$688	$805	$209	$421	$40	$30,868
Washington 2009	MIN	$580	$563	$666	$144	$414	$36,900
	MAX	$1,399	$1,438	$860	$541	$414	$59,359
	RANGE	$819	$875	$194	$397	$0	$22,459
Across all six states	MIN	$442	$488	$611	$136	$374	$32,076
	MAX	$1,399	$1,660	$870	$589	$508	$71,846
	RANGE	$957	$1,172	$259	$453	$134	$39,770

Sources: Authors calculations based on the Self-Sufficiency Standard for Indiana (2009), Illinois (2009), Mississippi (2009), Oklahoma (2009), Pennsylvania (2010), Washington (2009). Data and reports available at http://www.selfsufficiencystandard.org.

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