Statement before the House Committee on Ways and Means
Subcommittee on Work and Welfare
Measuring Poverty: How the Biden Administration Plans to Redraw the Poverty Line and Rob Resources from Rural America

The Consequences of Redrawing the Poverty Line

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October 24, 2023

I. Introduction

Chairman Smith, Chairman LaHood, Ranking Member Davis, and distinguished members of the Subcommittee on Work and Welfare, thank you for the opportunity to testify on poverty measurement. My name is Kevin Corinth, and I am a Senior Fellow and the Deputy Director of the Center on Opportunity and Social Mobility at the American Enterprise Institute. This testimony reflects my personal views and does not represent those of the American Enterprise Institute, which has no institutional views.

A society should be judged—in important part—on the basis of how it treats its poorest members. It is thus essential that we measure poverty accurately and transparently. That is especially the case when how we measure poverty has direct implications for how government assistance is provided to individuals and allocated across geographic areas.

Unfortunately we have gone astray, due to the continued elevation of the Supplemental Poverty Measure (SPM). The SPM cloaks in complexity value judgements about where to set the poverty line, doing nothing to provide more accurate information about poverty but instead serving to mislead the public that value judgements about how much is "enough" can be determined by science. If the SPM were elevated to the "nation's headline poverty statistic," the key recommendation of a recent National Academies of Sciences, Engineering, and Medicine consensus report, and if the SPM were unilaterally declared the official poverty measure by the Office of Management and Budget (OMB), there would be profound effects on government programs. Government spending would rise by more than $124 billion over the next decade, and federal aid would be reallocated from low-income states to high-income states. These policy changes would automatically take effect through the simple action of the OMB Director updating a statistical policy directive to make the SPM the official poverty measure, a move that has now been given scientific cover by the National Academies and one that requires no Congressional input.

Congress should not allow a presidential administration to overrule its decisions over how to determine eligibility for government programs and how to allocate aid across geographic areas. Over the years, Congress has pegged eligibility for programs like the Supplemental Nutrition Assistance Program (SNAP) and Affordable Care Act (ACA) premium tax credits to the official poverty line. For example, families must have incomes of no higher than 130 percent of the official poverty line to qualify for SNAP, and no higher than 400 percent of the official poverty line to qualify for ACA premium tax credits (once eligibility limits are restored in 2026). Because Congress set these multiples under the presumption that the official poverty line would not be changed except to account for inflation, it would be inappropriate for an administration to make the scientifically arbitrary decision to change the official poverty line and automatically change eligibility for means tested programs. Doing so would overrule Congress and inject political decision-making into our independent statistical agencies.

Congress should protect its authority over government programs, defend our immensely valuable statistical agencies from involvement in political decisions, and promote accurate and transparent poverty statistics. It can do so by preempting OMB from manipulating Statistical Policy Directive 14, the directive that defines the official poverty measure. Upon eliminating the risk of unilateral action by the administration to change the official poverty measure, Congress itself could take on the task of improving it. Congress could correct the flaws of the official poverty measure—especially its failure to account for taxes and in-kind transfers—while maintaining simple and transparent thresholds. This would protect Congressional authority over major government programs and improve our ability to measure success in improving the lives of poor Americans.

My testimony proceeds as follows: Section II provides a brief history of the official poverty measure. Section III describes the key problems with the SPM, focusing on its misleading and counterproductive thresholds. Section IV documents the continued elevation of the SPM. Section V summarizes the effects of making the SPM the official poverty measure on eligibility for means tested programs. Section VI summarizes the effects on the geographic allocation of federal grants. Section VII discusses how Congress should address these concerns. Section VIII concludes.

II. History of the Official Poverty Measure

When President Lyndon Johnson declared the War on Poverty in 1964, he needed a way to evaluate the nation's progress in reducing poverty. He turned to his Council of Economic Advisers to create a poverty measure that had a 20 percent baseline rate in 1963 and a poverty threshold that would be held constant in real terms over time, reflecting President Johnson's goal to reduce absolute rather than relative hardship.[1] Meanwhile, a staff member named Mollie Orshansky at the Social Security Administration developed a different poverty measure for which the threshold was set at three times the minimum food diet as defined by the U.S. Department of Agriculture.[2] Over the next several years, the Johnson Administration developed what would become the official poverty measure.

In 1969, OMB (then the Bureau of the Budget) issued Statistical Policy Directive 14, creating the official poverty measure.[3] While the official poverty measure would adopt Orshansky's method for adjusting for families of different sizes, the thresholds were selected to maintain the 20 percent baseline poverty rate in 1963 set by President Johnson and his Council of Economic Advisers.[4] In addition, the thresholds would not be updated with changing food budgets over time, but rather, would be held constant in real terms. Only money income would be included as resources, with no adjustment for taxes or in-kind transfers, likely because these income sources were not as important for the poor at the time and because they were not well captured in household surveys. In 1978, Statistical Policy Directive 14 was updated, revising the official poverty measure in minor ways, including an improved inflation measure to more accurately adjust thresholds for price changes each year.

The official poverty measure has not been changed since 1978. This is in spite of wide recognition of the flaws of the measure, especially its failure to adjust for taxes and exclusion of in-kind transfers. The Census Bureau during the 1980s published experimental measures that accounted for this broader set of income sources, but these improvements were not incorporated into the official poverty measure.[5]

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[1] Council of Economic Advisers, 1964, "The Problem of Poverty in America," *Economic Report of the President*, Washington, DC.
[2] Mollie Orshansky, 1963, "Children of the Poor," *Social Security Bulletin*, 26(7): 3-13. Mollie Orshansky, 1965, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, 28(1): 3-29.
[3] Office of Management and Budget (OMB) in Statistical Policy Directive 14 (May 1978), available at https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure/omb-stat-policy-14.html.
[4] Gordon M. Fisher, "The Development and History of the Poverty Thresholds," *Social Security Bulletin*, 55(4): 3-14. Richard Burkhauser, Kevin Corinth, James Elwell, and Jeff Larrimore, Forthcoming, "Evaluating the Success of the War on Poverty since 1963 Using an Absolute Full-Income Poverty Measure," *Journal of Political Economy*.
[5] See for example, Timothy M. Smeeding, 1982, "Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring their Effect on Poverty," Technical Paper 50, *U.S. Department of Commerce, Bureau of the*

III. The Problems with the Supplemental Poverty Measure

The SPM was first developed in 1995 in a National Academy of Sciences report entitled *Measuring Poverty*.[6] It was motivated by the widely known shortcomings of the official poverty measure, namely its failure to adjust for taxes and the exclusion of in-kind transfers. This was in spite of the fact that refundable tax credits like the Earned Income Tax Credit and later the Child Tax Credit provided major relief to poor working families.[7] In addition, in-kind transfers including Food Stamps and rental housing assistance had become major components of the safety net. The National Academies report rightly recommended accounting for this broadened set of resources. It also sensibly recommended a broader sharing unit that included cohabitating partners.

Despite these clear improvements, the SPM thresholds, as developed by the National Academies report and later implemented by the Census Bureau, are problematic. Their complexity masks the scientific arbitrariness of poverty thresholds, the way they are updated over time makes it extremely difficult to interpret poverty changes, and the geographic adjustment of thresholds across areas is counterproductive.[8]

The complexity of the SPM thresholds is apparent simply by stating how they are set. The SPM thresholds are currently set at the five-year moving average of mean spending among consumer units with children at the 47th to 53rd percentile on food, clothing, shelter, utilities, telephone, and internet services, adjusted for a special inflation measure capturing price increases on those items alone, multiplied by 0.83, then multiplied again by 1.2, and set separately for families who rent their home, own their home with a mortgage, and own their home without a mortgage, and then adjusted further based on spending on housing in each metropolitan area.[9] Rather than provide a

Census, available at https://www.census.gov/content/dam/Census/library/publications/1982/demo/tp-50.pdf.

[6] National Research Council, 1995, *Measuring Poverty: A New Approach*, Washington, DC: The National Academies Press.

[7] The Earned Income Tax Credit was substantially expanded in the mid-1990s, and the Child Tax Credit was enacted in 1997.

[8] For a comprehensive evaluation of the SPM and its shortcomings, see Richard V. Burkhauser, Kevin Corinth, Bruce D. Meyer, Angela Rachidi, Matt Weidinger, and Scott Winship, 2021, "Addressing the Shortcomings of the Supplemental Poverty Measure," *American Enterprise Institute*, available at https://www.aei.org/wp-content/uploads/2021/07/Addressing-the-Shortcomings-of-the-Supplemental-Poverty-Measure.pdf?x91208.

[9] For a description of current and previous methods for calculating the SPM thresholds, see Bureau of Labor Statistics, 2023, "Research Poverty Thresholds," available at https://www.bls.gov/pir/spmhome.htm.

transparent threshold that the public can readily understand, this overcomplicated definition produces 46,710 different thresholds in a given year.[10] This overwhelming complexity makes a scientifically arbitrary decision about where to set the poverty threshold *appear* scientific, when in truth it is simply a value judgement over how much is "enough" to not be considered poor.

Second, the SPM thresholds are updated in a way that makes it extremely difficult to interpret changes in poverty over time. Rather than update thresholds with inflation, the SPM increases thresholds based on a 5-year moving average of spending on specific items.[11] This makes it difficult to determine whether poverty rose because low-income families were worse off, or because spending on certain items shifted at some point over the past five years. For example, the poverty thresholds in a given year rise if spending on the set of items in the current year is higher than spending on those items five years ago, even though spending by middle class families on these items five years ago has no connection to whether poor families are better off this year than last year.

Third, the SPM sets higher thresholds in areas where spending on housing is higher. While greater spending on housing mean families have fewer resources available for other items, higher housing expenditures can also reflect better conditions of places, such as more access to public transportation and better funded schools. In fact, research by Bruce Meyer, Derek Wu and Brian Curran finds that geographically adjusting poverty thresholds in this way leads the SPM to do a worse job in identifying the most deprived Americans.[12]

IV. Elevation of the Supplemental Poverty Measure

The shortcomings of the SPM have not prevented it from becoming more prominent over time. Following the publication of the 1995 National Academies report, OMB convened an interagency technical working group more than a decade later that recommended that the Census

[10] National Academies of Sciences, Engineering, and Medicine, 2023, *An Updated Measure of Poverty: (Re)Drawing the Line*, Washington, DC: The National Academies Press, available at https://nap.nationalacademies.org/catalog/26825/an-updated-measure-of-poverty-redrawing-the-line.
[11] Bureau of Labor Statistics, 2023, "Research Poverty Thresholds," available at https://www.bls.gov/pir/spmhome.htm.
[12] Bruce D. Meyer, Derek Wu, and Brian Curran, 2021, "Does Geographically Adjusting Poverty Thresholds Improve Poverty Measurement and Program Targeting?" Working Paper, available at https://conference.iza.org/conference_files/Statistic_2022/meyer_b422.pdf.

Bureau begin to publish the SPM annually.[13] As shown in Appendix Figure A1, the first three Census reports to include the SPM—corresponding to poverty in 2010, 2011 and 2012—were titled, "The Research Supplemental Poverty Measure." But then from 2013-2020, the word "research" was omitted and reports were simply titled, "The Supplemental Poverty Measure," elevating the SPM beyond its "research" status. The SPM was elevated even further when in the reports corresponding to poverty in 2021 and 2022, the SPM was published in the same report as the official poverty measure. Thus, the SPM has already been elevated to be essentially on par with the official measure. This point was recognized by a 2023 National Academies report charged with recommending improvements to the SPM (p. 28)[14]:

The Census Bureau has already taken significant steps in this direction. The OPM [Official Poverty Measure] and the SPM are now presented in the same report, and much more attention is given to the SPM in the report's analyses, including presentation of historical poverty tables.

There is now a call to elevate the SPM even further. The primary recommendation of the 2023 National Academies report—entitled, *An Updated Measure of Poverty: (Re)Drawing the Line*—was to elevate the SPM to the "nation's headline poverty statistic" (p. 28)[15]:

RECOMMENDATION 2.1: Due to its vital role in tracking the effects of public policies and programs on the size and composition of the population living in or near poverty, and its resulting status as the preferred measure of many researchers and policy makers, the Supplemental Poverty Measure should be elevated to the nation's headline poverty statistic and renamed accordingly (e.g., to the Principal Poverty Measure).

This recommendation has considerable weight, given that the Census Bureau commissioned the 2023 National Academies report and because the previous National Academies report on the SPM in 1995 led to the publication of the SPM by the Census Bureau in the first place.

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[13] U.S. Department of Commerce, 2010, "Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure," available at https://www.commerce.gov/sites/default/files/migrated/reports/spmtwgobservations.pdf.

[14] National Academies of Sciences, Engineering, and Medicine, 2023, *An Updated Measure of Poverty: (Re)Drawing the Line*, Washington, DC: The National Academies Press, available at https://nap.nationalacademies.org/catalog/26825/an-updated-measure-of-poverty-redrawing-the-line.

[15] National Academies of Sciences, Engineering, and Medicine, 2023, *An Updated Measure of Poverty: (Re)Drawing the Line*, Washington, DC: The National Academies Press, available at https://nap.nationalacademies.org/catalog/26825/an-updated-measure-of-poverty-redrawing-the-line.

Even more important, however, is the authority of the OMB Director to determine which poverty measure is the official one.[16] The definition of the official poverty measure—as determined by Statistical Policy Directive 14—matters because over the years Congress has statutorily connected a number of government programs to it. These statutes explicitly reference the official poverty measure has defined by OMB.[17] Congress made the decision to tie government programs to the official poverty measure in spite of the text in Statistical Policy Directive 14 which states:

The poverty levels used by the Bureau of the Census were developed as rough statistical measures to record changes in the number of persons and families in poverty and their characteristics, over time. While they have relevance to a concept of poverty, these levels were not developed for administrative use in any specific program and nothing in this Directive should be construed as requiring that they should be applied for such a purpose.

In spite of OMB's original emphasis that the official poverty was designed for statistical rather than administrative purposes, Congress has transformed it into a measure that is used extensively to target assistance to families and places. Thus, the official poverty measure is no longer solely a statistical product, and thus any nonscientific changes should be made only by Congress.

There are two major ways in which the official poverty measure affects government programs. First, many means tested programs tie individual eligibility to the official poverty thresholds. Second, a number of federal aid programs distribute aid to states and local areas on the basis of their official poverty rate.

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[16] On the basis of the text itself, it is unclear whether Statistical Policy Directive 14 (i) prescribes the Census Bureau to continue publishing the official poverty measure in the same way it has since 1978, or (ii) allows Census to make its own determination over how to define the official poverty measure and that this measure will be deemed the official one by OMB. However, the former appears to be the view taken by OMB. Congress also seems to have taken this view, which in Section 673(2) of the Omnibus Budget Reconciliation Act of 1981 references the "official poverty line defined by the Office of Management and Budget based on the most recent data available from the Bureau of the Census." And in any case, if Census attempted to change the official poverty measure on its own, then OMB could issue a revision to Statistical Policy Directive 14 clarifying that OMB has authority for how the official measure is defined and to specify that definition. Thus, OMB has the ultimate authority to determine the definition of the official poverty measure.

[17] As noted above, Section 673(2) of the Omnibus Budget Reconciliation Act of 1981 references the "official poverty line defined by the Office of Management and Budget based on the most recent data available from the Bureau of the Census."

V. Effects on Eligibility for Means Tested Programs

Eligibility for means-tested programs depends on the official poverty thresholds via "poverty guidelines" calculated each year by the Health and Human Services (HHS) Secretary. Section 673(2) of the Omnibus Budget Reconciliation Act of 1981 explicitly requires the HHS Secretary to take the "official poverty line defined by the Office of Management and Budget," and update it to the current year based on the Consumer Price Index for All Urban Consumers (CPI-U). The HHS Secretary operationalizes this statutory requirement by taking the average official poverty threshold for a four-person family from the most recent Census poverty report, updating it forward one year according to the percentage increase in the annual CPI-U, rounding it up to the nearest $50, and then calculating thresholds for different family sizes.[18] The resulting thresholds are called the HHS "poverty guidelines" and are published by the HHS Secretary each January in the Federal Register.[19] Those poverty guidelines are then automatically used to determine program eligibility for various programs.

There are 31 means tested programs that use the HHS poverty guidelines to determine eligibility.[20] For each of these programs, eligibility is linked to a multiple of the poverty guidelines, and so if the official poverty thresholds were changed, more individuals would become eligible for programs and the allocation of aid to individuals would change. Among these 31 programs, five are entitlements, meaning that the expanded eligibility would automatically increase government spending. Table 1 lists these five programs, together with

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[18] For further details of this calculation, see Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.

[19] For the latest publication of the poverty guidelines, see Xavier Becerra, 2023, "Annual Update of the HHS Poverty Guidelines," Federal Register, January 12, 2023.

[20] These programs include the Community Services Block Grant; Head Start; Low-Income Home Energy Assistance Program; parts of Medicaid; Hill-Burton Uncompensated Services Program; AIDS Drug Assistance Program; Children's Health Insurance Program; Medicare – Prescription Drug Coverage (subsidized portion only); Community Health Centers; Migrant Health Centers; Family Planning Services; Health Professions Student Loans — Loans for Disadvantaged Students; Health Careers Opportunity Program; Scholarships for Health Professions Students from Disadvantaged Backgrounds; Job Opportunities for Low-Income Individuals; Low-Income Household Water Assistance Program; Supplemental Nutrition Assistance Program; National School Lunch Program; School Breakfast Program; Child and Adult Care Food Program; Expanded Food and Nutrition Education Program; Weatherization Assistance for Low-Income Persons; Job Corps; National Farmworker Jobs Program; Senior Community Service Employment Program; Workforce Investment Act Youth Activities; Low-Income Taxpayer Clinics; Foster Grandparent Program; Senior Companion Program; Legal Services for the Poor. See Health and Human Services, "Frequently Asked Questions Related to the Poverty Guidelines and Poverty." https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/frequently-asked-questions-related-poverty-guidelines-poverty.

spending in 2019 (pre-pandemic) and 2021 (post-pandemic). The largest affected entitlement programs in terms of spending are Medicaid ($734 billion in 2021) and SNAP ($114 billion in 2021). These two programs together comprise 89 percent of the total $954 billion of spending across all five affected entitlement programs in 2021.

Table 1. Government spending on entitlement programs with eligibility thresholds that depend on poverty guidelines, 2019 and 2021

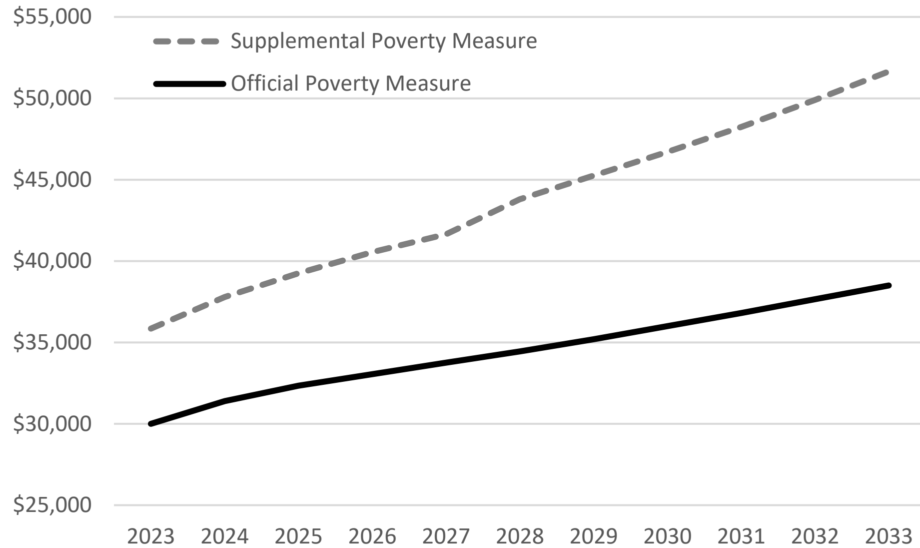
	Government spending (billions $)	
Program	**2019**	**2021**
Medicaid	$615	$734
SNAP	$60	$114
ACA premium subsidies	$40	$63
Medicare Part D subsidies	$27	$34
School Lunch Program	$14	$9
Total	**$756**	**$954**

Source: Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.

In recent research, I projected how making the SPM the new official poverty measure would affect the poverty guidelines and as a result, the eligibility thresholds for the five affected entitled programs.[21] Figure 1 shows the projected poverty guideline for a family of four over the next decade under the scenario in which the existing official poverty measure remains the official one (black line), and under the scenario in which the SPM becomes the official measure (grey line). In 2024, the poverty guideline under the SPM would be $6,400 (20 percent) higher that the poverty guideline under the existing official poverty measure. In 2033, the poverty guideline under the SPM would be $13,150 (34 percent) higher than the poverty guideline under the existing official poverty measure. The poverty guideline in 2024 under the SPM is higher than that under the official measure because the SPM poverty thresholds are higher. The poverty guideline in 2033 is *much* higher under the SPM than that under the official measure because the SPM thresholds increase with a measure of spending that increases faster than inflation.

[21] Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," *AEI Economics Working Paper*.

Figure 1. Projected poverty guideline for family of four, defined based on the Official Poverty Measure and Supplemental Poverty Measure, 2023-2033



Sources: Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.
Notes: Poverty guidelines are projected for each year from 2024 to 2033.

These higher poverty guidelines would automatically translate into higher eligibility thresholds in means tested programs because the eligibility thresholds are pegged to multiples of the poverty guidelines. Table 2 reports the statutorily determined ratio of the eligibility threshold for each program to the poverty guidelines, along with the resulting effect on the eligibility threshold for each program due to making the SPM the new official measure. For example, SNAP eligibility is tied to 130 percent of the poverty guidelines. Thus, the 2024 SNAP eligibility threshold for a family of four would rise from $40,820 to $49,140 (an $8,320 increase) due to making the SPM the official measure. The effect in 2033 would be even larger, with the SNAP eligibility threshold rising from $50,050 to $67,145 (a $17,095 increase). The program with the largest dollar effect on eligibility is Affordable Care Act (ACA) premium subsidies—in 2033, the eligibility threshold would rise by $52,600 to reach $206,600.

Because these five programs are entitlements, the higher eligibility thresholds reported in Table 2 would automatically increase the number of recipients and government spending. I simulated these effects for Medicaid and SNAP in my recent research.

Table 2. Ratio of eligibility threshold to poverty guideline, and eligibility threshold under Official Poverty Measure and Supplemental Poverty Measure, family of four, 2024 and 2033

Program	Ratio	2024 OPM	2024 SPM	2024 Change	2033 OPM	2033 SPM	2033 Change
Medicaid (adults)	133%	$41,762	$50,274	$8,512	$51,205	$68,695	$17,490
Medicaid (children)	375%	$117,750	$141,750	$24,000	$144,375	$193,688	$49,313
SNAP	130%	$40,820	$49,140	$8,320	$50,050	$67,145	$17,095
ACA premium subsidies	400%	N/A	N/A	N/A	$154,000	$206,600	$52,600
Medicare Part D subsidies	150%	$47,100	$56,700	$9,600	$57,750	$77,475	$19,725
School Lunch Program	185%	$58,090	$69,930	$11,840	$71,225	$95,553	$24,328

Source: Kevin Corinth, Forthcoming, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," B.E. Journal of Economic Analysis & Policy.
Notes: For Medicaid, the ratio of eligibility standard to poverty guideline varies across states for adults and children. The reported value for adults corresponds to ratio in Medicaid expansion states, and the maximum ratio reported for children excludes the separate Children's Health Insurance Program. Restriction of ACA premium subsidies to families with income below 400 percent of the poverty guideline is relaxed through 2025, although the generosity of subsidies remains tied to the poverty guideline in these years.

Table 3 reports the effects on SNAP and Medicaid spending and recipients due to making the SPM the official poverty measure, for each year from 2024 to 2033. For example, in 2024, SNAP spending would be $2.6 billion higher and serve 2.0 million more households. In 2033, SNAP spending would be $7.9 billion higher and serve 3.1 million more households. For the entire 10-year period, SNAP spending would be $46.5 billion higher as a result of making the SPM the official poverty measure. Medicaid spending would be affected more heavily, with spending rising by $5.6 billion in 2024 and by $10.5 billion in 2033, and increase by $77.5 billion over the entire 10-year period. Across both SNAP and Medicaid, government spending would rise by $124 billion over the 2024-2033 period as a result of making the SPM the official poverty measure.

These national estimates do not account for differential effects across states. In reality, the SPM thresholds vary across metropolitan areas on the basis of spending on housing.[22] Areas in which families spend more on housing such as California thus have higher SPM thresholds, and areas in which families spend less on housing such as Mississippi have lower SPM thresholds. If OMB declared the SPM the new official poverty measure and Census Bureau were to report state-specific poverty thresholds in its official poverty report, then the HHS Secretary would

[22] All places in a given state that are not contained in a metropolitan area are grouped together into a single area for purposes of created geographically adjusted SPM thresholds.

presumably create state-specific poverty guidelines on the basis of these state-specific poverty thresholds.

Table 3. Simulated additional spending and recipients for the Supplemental Nutrition Assistance Program and Medicaid, due to making the Supplemental Poverty Measure the Official Measure, 2024-2033

Year	Supplemental Nutrition Assistance Program		Medicaid	
	Additional Spending (billions $)	Additional Households (millions)	Additional Spending (billions $)	Additional Individuals (millions)
2024	$2.6	2.0	$5.6	1.3
2025	$2.5	2.0	$5.9	1.3
2026	$2.5	1.9	$6.4	1.4
2027	$4.2	2.3	$6.6	1.4
2028	$4.5	2.5	$7.3	1.6
2029	$4.6	2.6	$7.9	1.6
2030	$4.9	2.6	$8.4	1.7
2031	$5.0	2.6	$9.2	1.8
2032	$7.8	3.1	$9.7	1.9
2033	$7.9	3.1	$10.5	2.0
Total	**$46.5**		**$77.5**	

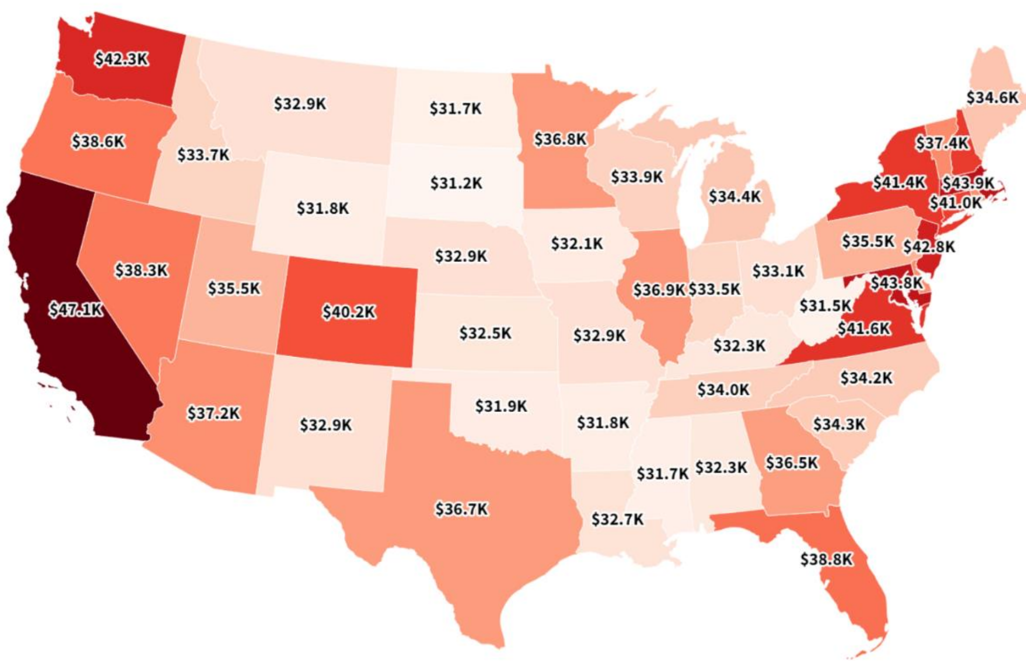
Sources: Kevin Corinth, 2023, "The Effects of Elevating the Supplemental Poverty Measure on Government Program Eligibility and Spending," AEI Economics Working Paper.
Notes: Additional spending estimates are in nominal dollars and exclude administrative costs. Estimates show the effect in each year from using the Supplemental Poverty Measure to determine poverty guidelines instead of using the Official Poverty Measure, which is current practice. Households in Alaska and Hawaii are excluded.

Figure 2 reports for each state how the poverty guideline for a family of four would be affected in 2024 if the SPM were made the official poverty measure.[23] The SPM-based poverty guideline in 2024 would be the highest in California ($47,050) and the lowest in South Dakota ($31,200). For comparison, I project that, under the existing official poverty thresholds, the poverty guideline in 2024 will be approximately $31,450. The large variation in SPM-based poverty guidelines would lead to even larger dollar differences in program eligibility thresholds across states. For example, the SNAP eligibility threshold would be $61,165 in California and $40,495 in South Dakota. In other words, families with incomes ranging from around $40,000 to $60,000

[23] An interactive map reporting the effect on poverty guidelines and program eligibility can be found in Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," *American Enterprise Institute*, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

would qualify for SNAP in California but would not qualify for SNAP in South Dakota. While eligibility for ACA premium subsidies are temporarily de-linked from the poverty guidelines through 2025 as part of the Inflation Reduction Act of 2022, there will be even greater disparities in eligibility across states once the eligibility standards are restored in 2026. If the eligibility standards applied to 2024, the eligibility threshold for ACA premium subsidies would be $188,200 in California and $124,600 in South Dakota. Eligibility thresholds under the SPM for each of the five affected entitlement programs are reported for each state in the appendix (see Appendix Figures A2 through A6).

Figure 2. Poverty guideline for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows what the official poverty line would be in 2024 for purposes of determining program eligibility if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. Under the current poverty definition, the poverty line in 2024 is projected to be $31,450. States with a higher SPM-based poverty guideline are shaded darker.

VI. Effects on the Geographic Allocation of Federal Aid

Making the SPM the official poverty measure would also affect federal programs whose allocation formulas to states and localities depend on the official poverty rate. Such programs include, for example, Title I education grants; Special Education Grants; the Individuals with Disabilities Act; the Special Nutrition Program for Women, Infants, and Children; the Community Development Block Grant, and the New Markets Tax Credit. Areas in which the supplemental poverty rate is higher than the official poverty rate would tend to receive an increased amount of assistance from these programs, while areas in which the supplemental poverty is lower than the official poverty rate would tend to receive a reduced amount of assistance from these programs.

Figure 3 reports for each state the percentage point difference between the supplemental poverty rate and the official poverty rate.[24] The map relies on the pooled period of 2017-2019 because the Census Bureau recommends pooling multiple years of data for reporting state-level poverty estimates, and because the most recently available three year period from 2020-2022 was atypical due to labor market disruptions and government aid related to the COVID-19 pandemic.

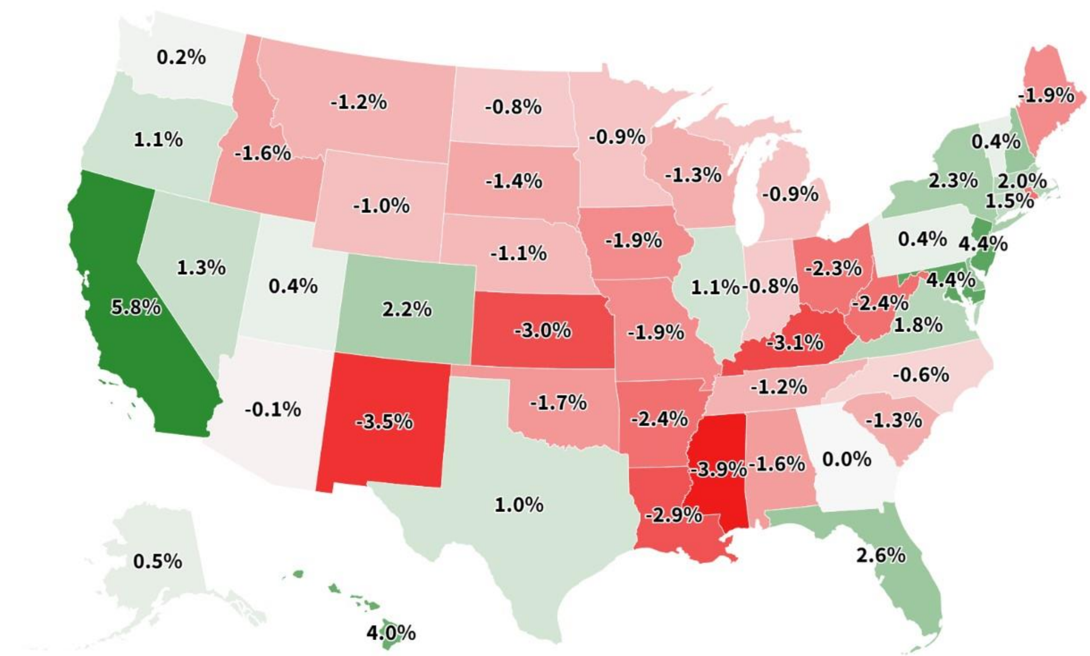
The states with the largest positive differences between the supplemental and official poverty rates are California (5.8 percentage points), New Jersey (4.4 percentage points), and Maryland (4.4 percentage points). These states would thus be likely to see the largest increases in federal aid if the SPM were made the new official poverty measure. The states with the largest negative differences between the supplemental and official poverty rates are Mississippi (-3.9 percentage points), New Mexico (-3.5 percentage points), and Kentucky (-3.1 percentage points). These states would thus be likely to see the largest reductions in federal aid if the SPM were made the new official poverty measure.

It is worth noting that the statutory poverty concepts in affected federal aid programs vary, with the relevant geographic units often constituting areas smaller than states such as counties, census

[24] An interactive map reporting the official poverty rate, the supplemental poverty rate, and their difference, can be found in Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," *American Enterprise Institute*, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

tracts and school districts. Programs may use different data sources that allow for calculating poverty at finer geographic levels, and sometimes rely on persistent poverty as opposed to single year poverty rates. Nonetheless, Figure 3 offers an approximate indication of the states that would be helped versus hurt, on average, by making the SPM the official poverty measure.

Figure 3. Percentage point difference between the supplemental poverty rate and official poverty rate, 2017-2019



Sources: U.S. Census Bureau: The Supplemental Poverty Measure: 2019, https://www.census.gov/library/publications/2020/demo/p60-272.html.
Notes: Map shows the percentage point difference between the supplemental poverty rate and official poverty rate, based on pooled data from 2017-2019 calculated by the Census Bureau. The supplemental poverty rate is higher in states shaded green, and the official poverty rate is higher in states shaded red.

Research by Bruce Meyer, Derek Wu, and Brian Curran indicates that this reallocation of federal aid would lead programs to do a worse job in targeting the most disadvantaged families.[25] Families who would be removed from the poverty rolls by switching to the SPM live in lower quality housing, are less likely to maintain food security, have worse health, and die sooner, compared to families would be added to the poverty rolls. In other words, families living near the

[25] See Bruce D. Meyer, Derek Wu, and Brian Curran, 2021, "Does Geographically Adjusting Poverty Thresholds Improve Poverty Measurement and Program Targeting?" Working paper, https://conference.iza.org/conference_files/Statistic_2022/meyer_b422.pdf.

existing national poverty line in less affluent states like Mississippi and New Mexico are worse off than families in more affluent states like California and New Jersey. It would thus be counterproductive to remove the former from the poverty rolls while adding the latter.

VII. Recommended Actions for Congress

Congress should preempt the administration from manipulating the official poverty measure. It can do so by directing OMB not to change Statistical Policy Directive 14. As discussed below, such action is warranted to protect Congressional authority over government programs, defend our immensely valuable statistical agencies from involvement in political decisions, and promote transparent poverty statistics.

While Congress did not create the official poverty measure, Congress' decision to peg eligibility for major means tested programs to the official poverty thresholds should lead Congress to protect the measure from any changes that are not purely scientific improvements. Some of the most consequential changes that the SPM makes relative to the official measure are value judgements. This includes the higher SPM threshold in the current year, as well as the adjustment of the SPM threshold each year in proportion to spending by middle class households, making it a relative standard tied to inequality rather than an absolute standard tied to absolute improvement in living standards. Meanwhile, the geographic adjustment of the SPM thresholds in relation to spending on housing in each area is less a value judgement, but from a scientific perspective it would make the official poverty measure do a worse job at identifying the most disadvantaged families. Congress should not allow the administration to make changes to the official poverty measure that reflect value judgements or that make it objectively worse at identifying deprived Americans.

Preventing the administration from manipulating the official poverty measure would have the further benefit of protecting the Census Bureau from perceived involvement in political decisions. The Census Bureau has a well-deserved reputation for the utmost integrity and transparency, a reputation that allows the public to rely on the Census Bureau's published statistics and data products without concern for political bias. Any perceived involvement of the Census Bureau in an attempt to influence value judgements over where to set the poverty line could threaten this reputation, and increase the risk of mistrust in independent statistical agencies more broadly. Adopting the SPM as the official measure would likely have this effect because even though ultimate authority for its elevation to the official measure resides with OMB, the Census Bureau has played a central role in developing the SPM and determining its parameters.

Preventing adoption of the SPM as the official poverty measure would also reduce the risk that poverty statistics used to inform the public about deprivation in the United States become less transparent. While the official poverty measure has substantial flaws, its thresholds are much more transparent than those of the SPM, and their lack of geographic adjustment helps the official measure identify a more deprived population.[26] In these ways, public understanding about poverty in the United States would be served by maintaining the existing official poverty measure rather than replacing it with the SPM.

Upon eliminating the risk of unilateral action by the administration to change the poverty measure, Congress itself could take on the task of improving it. Congress could correct the major flaws of the official poverty measure—namely its failure to account for taxes or in-kind transfers—while maintaining the simple and transparent thresholds it already uses. It could also apply a more accurate inflation measure for purposes of adjusting thresholds each year, i.e., the Chained CPI-U rather than the CPI-U. The Chained CPI-U accounts for the ability of consumers to substitute between broad categories of items when prices change while the CPI-U does not.[27] Finally, the official measure could be revised to include the resources of all household members when determining poverty rather than only members of the family.[28]

[26] Despite its flaws, research has shown that the official measure does a better job of identifying the most deprived Americans than the SPM. See Bruce D. Meyer and James X. Sullivan, "Identifying the Disadvantaged: Official Poverty, Consumption Poverty, and the New Supplemental Poverty Measure," *Journal of Economic Perspectives*, 26(3): 111-136.

[27] The Census Bureau, in its 2023 report on household income, began using the Chained CPI-U to measure trends in real historical median household income. See Gloria Guzman and Melissa Kollar, 2023 "Income in the United States: 2022," *Current Population Reports, United States Census Bureau*, available at https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-279.pdf.

[28] These and other topics were discussed in the final reports of Interagency Technical Working Groups charged with evaluating alternative poverty measures and appropriately selecting inflation measures for purposes of adjusting poverty thresholds and other uses. See the *Final Report of the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty*, available at https://www.bls.gov/evaluation/final-report-of-the-interagency-technical-working-group-on-evaluating-alternative-measures-of-poverty.pdf. Also see *Report to the Office of Management and Budget, Consumer Inflation Measures*, available at https://www.bls.gov/evaluation/technical-recommendations-for-the-consumer-inflation-measure-best-suited-for-conducting-annual-adjustments-to-the-official-poverty-measure.pdf.

VIII. Conclusion

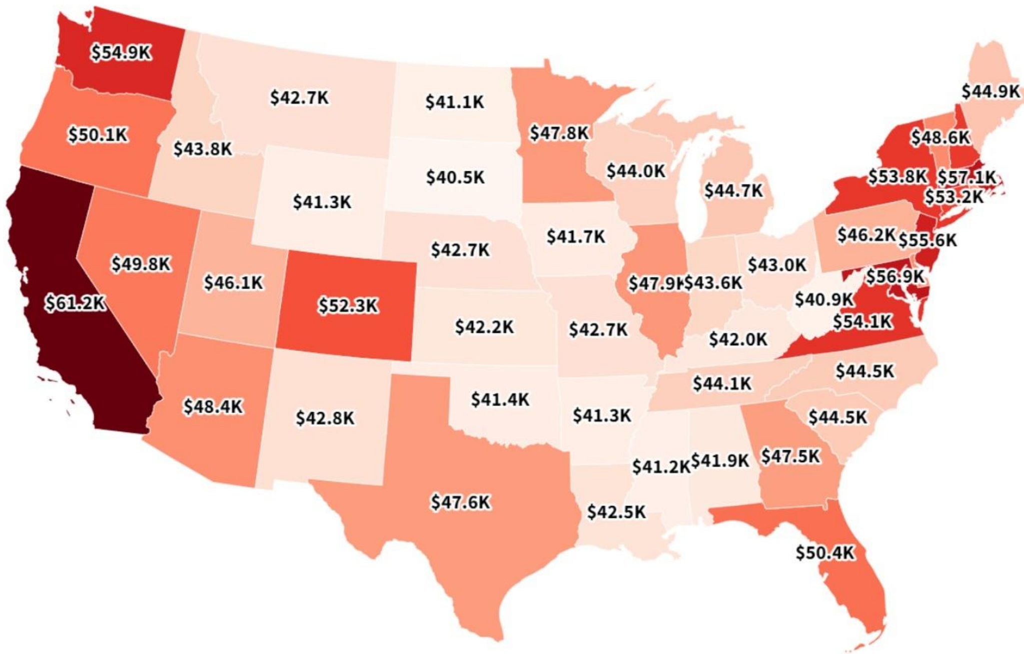
Accurate and transparent poverty statistics are essential for evaluating progress in reducing poverty in the United States. The dependence of eligibility for means tested programs and the geographic distribution of federal aid on the official poverty measure makes them even more important. Because making the SPM the official measure would make poverty statistics less transparent and overrule Congress in making policy decisions about how to design government programs, Congress should preempt the administration from elevating the SPM. This would protect Congress' authority over government programs, protect the Census Bureau from involvement in political decisions, and promote transparent poverty statistics. In the future, Congress should consider correcting the most obvious flaws of the official poverty measure, especially its failure to account for taxes and in-kind transfers, without following the path of the SPM in masking value judgements in complexity.

Appendix

Figure A1. The Census Bureau's Supplemental Poverty Measure Reports, 2011-2023

Sources: United States Census Bureau
Notes: Figure shows the cover of each Census Bureau report on the Supplemental Poverty Measure, beginning with the first report in 2011 (reporting on poverty in 2010) through the most recent report in 2023 (reporting on poverty in 2022).

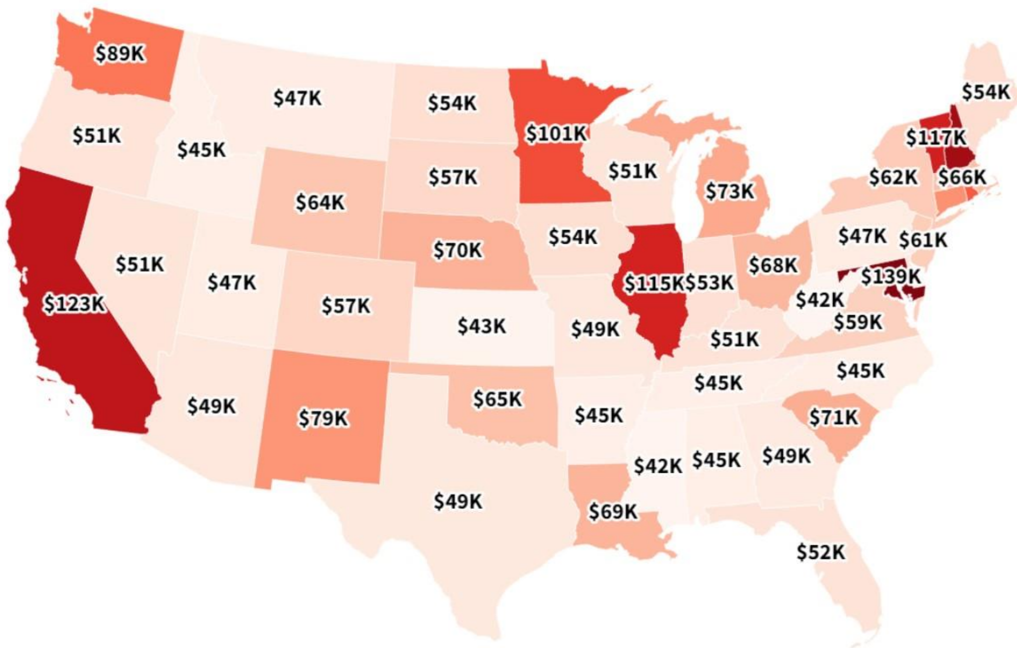
Figure A2. Supplemental Nutrition Assistance Program eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for the Supplemental Nutrition Assistance Program in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

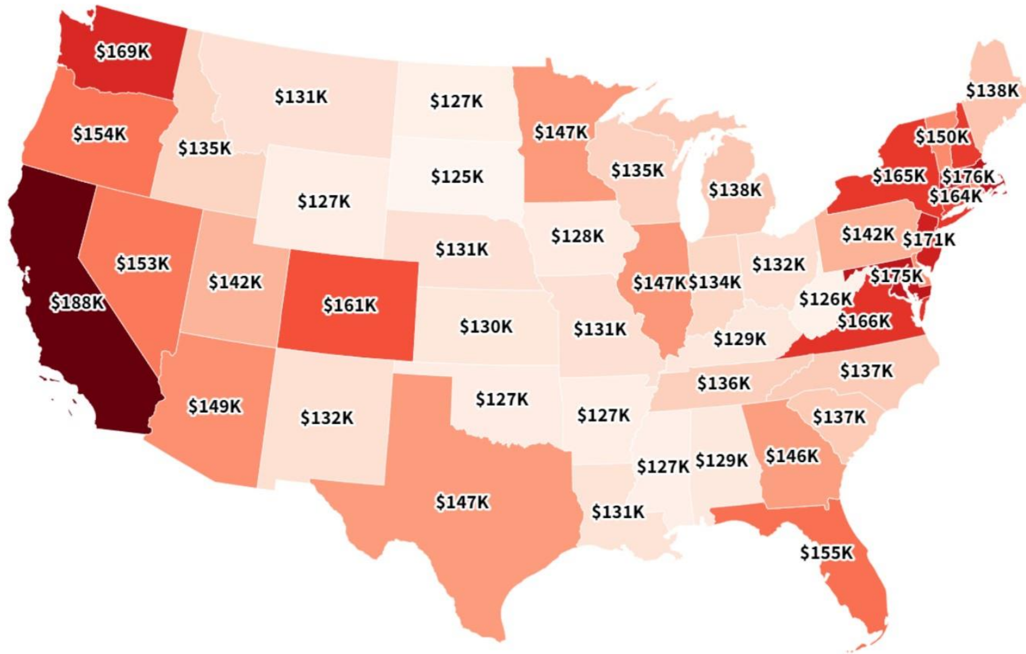
Figure A3. Medicaid eligibility threshold for children aged 6-17 in a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for Medicaid in 2024 for a child aged 6-17 in a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

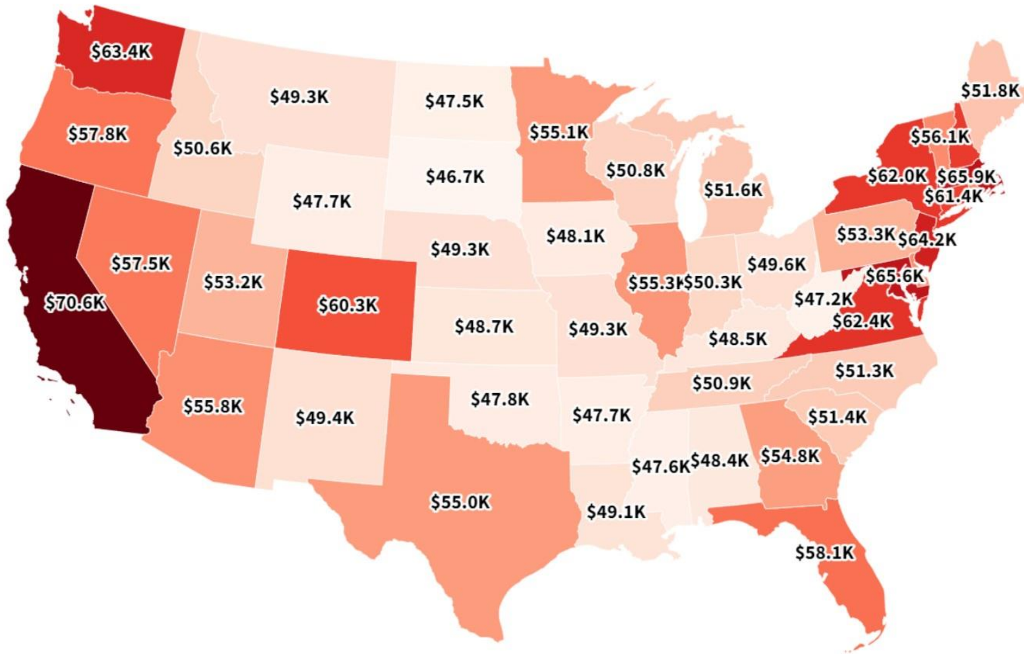
Figure A4. Affordable Care Act Premium Subsidy eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for Affordable Care Act premium subsidies in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

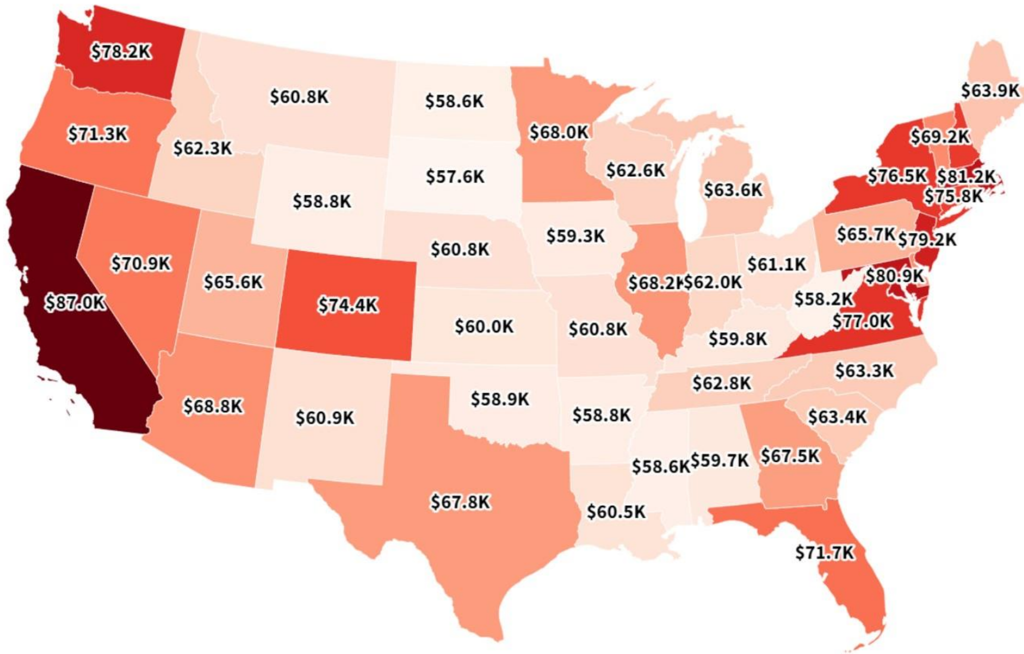
Figure A5. Medicare Part D eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for Medicare Part D low income subsidies in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.

Figure A6. School Lunch eligibility threshold for a family of four under the Supplemental Poverty Measure, 2024



Sources: Kevin Corinth, 2023, "Changing the Official Poverty Measure Would Help Rich States and Hurt Poor States," COSM Commentary, American Enterprise Institute, https://www.aei.org/articles/changing-the-official-poverty-measure-would-help-rich-states-and-hurt-poor-states/.

Notes: Map shows the eligibility threshold for the National School Lunch Program in 2024 for a family of four if the Supplemental Poverty Measure were made the official measure and state-specific thresholds were adopted. States with a higher eligibility threshold are shaded darker.