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Chief Statistician Nancy Potok
Office of Management and Budget
725 17th St, NW
Washington, DC 20503

- Re: Directive No. 14, "Consumer Inflation Measures Produced by Federal Statistical Agencies" Docket ID:OMB-2019-0002

Dear Ms. Potok:

On behalf of **MAZON: A Jewish Response to Hunger,** I am writing today regarding the Office of Management and Budget's (OMB) request for comments on the differences among the various consumer price indexes produced by the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA), and in particular how those differences might influence the estimation of the Official Poverty Measure (OPM) and other income measures produced by the Census Bureau.

MAZON is opposed to the use of an alternate consumer price index to calculate the OPM. MAZON is extremely concerned that if OMB were to begin using an alternate consumer price index to calculate the OPM, the weaknesses in those alternate measures would result in a woefully inaccurate estimation of the number of Americans living in poverty.

Inspired by Jewish values and ideals, MAZON is a national advocacy organization working to end hunger among people of all faiths and backgrounds in the United States and Israel. For more than 30 years, MAZON has been committed to ensuring that vulnerable people have access to the resources they need to be able to put food on the table. MAZON is a leading voice throughout the country on anti-hunger issues, especially those that involve populations or problems that have been previously overlooked or ignored—this includes food insecurity among veterans, currently-serving military families, seniors, rural and Native American communities, and college students.

It is with this experience and focus that we address OMB's request for comments.

The long-standing method used to make annual adjustments to the OPM is the Consumer Price Index for All Urban Consumers (CPI-U). The current OMB proposal suggests using alternate measures, specifically the Chained CPI for all Urban Consumers (C-CPI-U) and the Personal Consumption Expenditure Price Index (PCEPI). Economists are clear that neither of these will be a more accurate measure for updating the OPM.

Unlike the CPI-U, the C-CPI-U assumes that if the price of a particular good or service rises rapidly, consumers will substitute a good or service that is not experiencing such a rapid cost increase, even if the substitute good or service is higher in overall price. The classic example of this phenomenon is the belief that consumers will purchase more steak and less ground beef if the price of ground beef increases more than the price of steak. If true, this substitution would reduce the effect of the rapid inflation of any particular item. However, this assumption is frequently not true for consumers who are living below or near the poverty line. Evidence shows that low-income people cannot as readily take advantage of such substitutions, since they are already doing without the more expensive items. These American households are already forced to decide between putting food on the table or making other essential purchases such as putting gas in the car to get to work or paying rent. For a family who does not have enough money to purchase food, the rapidly rising cost of hamburger meat will not cause them to purchase more steak. Instead, these families will be unable to purchase either item, and they will curtail their food purchases and go hungry as a result.

In addition to misunderstanding the purchasing abilities of Americans in poverty, the C-CPI-U does not properly measure how inflation affects seniors, who spend a larger percentage of their income on healthcare. Substitutions are not readily available for healthcare costs, and as such, the C-CPI-U's assumption of consumer substitution makes it an especially inaccurate measure for older Americans.

Another proposed index, the PCEPI, uses a larger sample of goods and services to measure inflation. Although at first blush a larger sample size may sound appealing, the addition of more goods and services leads to the undervaluing of important costs such as housing. As housing is the largest monthly expense for most households, relying on a measure like the PCEPI that dilutes the effects of rising housing costs would be unwise. These negative effects would be amplified in certain areas due to the extreme differences in median housing costs across the nation, especially as the housing affordability crisis is spreading across rural communities. This is particularly true for Americans living at or below the poverty line, as they already pay a greater percentage of their income for housing and utilities.

The weaknesses of the C-CPI-U and the PCEPI measures mean that they are at their most inaccurate when applied to low-income consumers, making them particularly unsuitable indexes for the production of official statistics, especially the OPM. **Any index that incorrectly estimates the effects of inflation on Americans living in poverty should certainly not be used to update the Official Poverty Measure.**

Historically, both the C-CPI-U and the PCEPI track lower than the CPI-U, meaning that using either of these alternate measures to calculate the OPM would result in fewer people *considered* to be living in poverty in America, despite objective evidence that poverty rates and rates of economic hardship are actually rising. Research suggests that costs may rise more rapidly for low-income households than for the population as a whole. Over the nine years from the third quarter of 2004 through the third quarter of 2013, average inflation accumulates to 33% for households with incomes below $20,000 but to just 25% for households with incomes above $100,000.

As it has recently come to light that 40% of Americans are likely to face difficulty in covering an unexpected expense as low as $400, now is a particularly inopportune time to suggest to families facing rising economic burdens that the government will no longer recognize their circumstances. American families know better than anyone the mounting financial struggles that they face and will continue to face no matter how they are classified, but the reclassifying them will have deep and broad consequences.

We are disturbed that OMB has so circumscribed the scope of its request for comments that it will result in a dangerously incomplete review of the impact of the proposed rule change. As a result of OMB's arbitrary limitation that it is not currently seeking comment on the effects that this proposal would have on the poverty guidelines, these are not our full comments on that issue.

It is undeniable that changes to the poverty threshold will affect the poverty guidelines that are promulgated based directly on the previous year's poverty threshold. The poverty threshold is a research tool used in estimating the number of people living in poverty. It is instrumental in developing the poverty guidelines; if the thresholds grow more slowly because of a change in the adjustment for inflation, it would result in people losing some or all assistance from programs for which they would have otherwise qualified. These two measures are so closely linked that ignoring the effects on poverty guidelines while contemplating changes to the poverty threshold will certainly result in an incomplete review of the effects of the proposed change. Artificially separating the two measures is bound to create confusion, evidenced by the apparent misuse of the phrase "poverty thresholds", when referring to the use of "poverty guidelines", in the third sentence of the penultimate paragraph of OMB's request for comments to which this letter is a response. As written, the OMB request for comments states that the poverty thresholds are "used by a number of federal, state, local, and non-profit programs, such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP), to determine income eligibility." If, as stated in the official notice document issued by the OMB, that is what the poverty thresholds are "mostly commonly" used for, it is imperative that the full notice and comment rulemaking procedure should apply to any of the changes to the calculation of the poverty threshold that the OMB is currently contemplating. It is MAZON's position that even if the poverty threshold were recognized as an independent measure, it so directly affects the poverty guidelines that any change to the process of measuring the poverty threshold cannot be properly contemplated without an in-depth look at the effects any change would have on the poverty guidelines.

The onus is on the federal government to conduct extensive analyses before suggesting a policy change that will cause large numbers of people to lose access to lifesaving benefits, particularly when, as is clear here, it is contrary to the intent of Congress when establishing these benefit programs. It has long been understood that the Official Poverty Measure is incomplete and outdated. It was first set during the Johnson Administration and since then, it has been increased for inflation, but without a serious revision based on current spending patterns. However, we must stress that an ill-considered change to one small aspect of the poverty measure—the annual inflation adjustment—is certain to result in further inaccuracies. Any change should build on existing research that suggests the official poverty measure is too low for most types of households, and that shrinking the inflation adjustment will make it less accurate, not more.

The Bureau of the Census has begun this kind of research, developing the Supplemental Poverty Measure, which does count income sources such as SNAP and refundable tax credits, as well as taking into account more accurately expenditures such as housing, child care, and out of pocket medical expenses. The Supplemental Poverty Measure shows a somewhat higher poverty level and rate for most types of households, as compared to the less precise official measure. We know that households just above the official poverty line report higher than average rates of food insecurity and difficulty paying rent and utilities. These facts suggest that shrinking the annual rate of increase in the Official Poverty Measure will artificially suggest people are living above the poverty line even though they struggle to make ends meet. Such a change would be unsupported by the evidence, and would have the tragic impact of increasing hardships for people who work for low wages or with uncertain hours, and for retirees whose earnings were never high and who were unable to build adequate savings.

A change to the poverty thresholds would certainly affect the Supplemental Nutrition Assistance Program (SNAP; formerly called Food Stamps) which is the cornerstone of the federal nutrition safety net and the nation's most effective anti-poverty program for reducing hunger. Households are ineligible for SNAP if their gross income exceeds an amount that is tied to the federal poverty guidelines (between 130 percent and 200 percent, depending on the option the state adopts). For example, for a household of four people, the current gross monthly income cannot exceed $2,720. Each year, that figure is adjusted for inflation. If the adjustment shrinks, over time fewer households will qualify for assistance. Working families with small earnings gains over time will find themselves ineligible for vital food benefits despite high housing and child care or other work-related expenses. Denying SNAP benefits to hungry families is not only contrary to Congressional intent, it will also punish most hard-working families who are making progress in lifting themselves out of poverty.

The SNAP program allows households with gross income at or below the 130 percent of poverty cutoff to qualify for higher benefits if they also have high shelter costs. Changing the calculus of that poverty level will mean that not only will they not receive those higher benefits, they will be denied assistance altogether. The U.S. Department of

Agriculture found that 15 million households with 40 million people faced food insecurity in 2017—that is, they experienced difficulty in affording food. For people below 185 percent of the poverty line, more than 30 percent were food insecure. **We should not be increasing the number of households that do not qualify for SNAP assistance when so many beyond even the current poverty guidelines find it difficult to afford nutritious food for themselves and their families.**

MAZON's decades of advocacy on behalf of vulnerable populations has given us the expertise to know that households already facing unique barriers to accessing food would be most adversely affected by this unsupported change. Nearly 1.4 million veterans live in households that receive vital SNAP benefits. Almost one-quarter of Native Americans participate in the SNAP program. And nearly 40% of community college students experience food insecurity. These already at-risk populations need SNAP, and other food assistance programs such as the Supplemental Nutrition Program for Women, Infants, and Children (WIC) and free and reduced price meal programs for children and adults.

Denying benefits to Americans in need by making the poverty line a less accurate reflection of their circumstances is contrary to Congressional intent and the national interest, and it is certainly contrary to the values and ideals on which our country was founded. Our government cannot effectively provide for the wellbeing of its citizens if we use inaccurate measures to determine who is most in need. OMB must not proceed with this ill-considered proposed change to the annual adjustment of the OPM.

Sincerely,

Abby J. Leibman

Abby J. Leibman
President and CEO
MAZON: A Jewish Response to Hunger