The Measuring American Poverty Act

A Draft Proposal By Representative Jim McDermott

Modern Poverty Measure –

The measure would largely follow the 1995 recommendations of the National Academy of Sciences (NAS) to improve and update the current poverty measurement. This new definition would continue to track significant deprivation, but it would be based on current consumption patterns, rather than consumption in the 1950s.

Instead of multiplying the cost of a minimally adequate diet by a factor of three (as the present poverty definition does), this measure would peg the poverty threshold to a percentage of current median expenditures on food, clothing, shelter and other very basic necessities. Additionally, the updated measure would count both income assistance (ie., EITC, food stamps and housing assistance) and necessary expenses (ie., federal taxes, work expenses and out-of-pocket medical expenses) not considered in the current poverty measure. Finally, the new measure would account for geographical differences in the cost of living.

The Modern Poverty Measure would be calculated by the Census Bureau, which would track the poverty rate under this new definition, as well as provide pre- and post-transfer poverty rates to gauge the impact of public assistance.

Historical Poverty Measure –

In addition to publishing the new Modern Poverty Measure, the Census Bureau would continue to generate poverty rates as currently calculated. No change would occur for programs that presently determine individual eligibility or broader allotments based on the current official poverty measure. As programs are reauthorized or modified in the future, case-by-case assessments would determine if eligibility is guided by the new Modern Poverty Measure.

Measuring Other Standards of Need –

Some needs and deprivations that are not fully captured by the proposed Modern Poverty Measure require additional research to establish national standards. Therefore, the National Academy of Sciences would be commissioned to establish two separate panels to make recommendations regarding the creation of a basic needs living standard (measuring a higher level of subsistence than the Modern Poverty Measure, but still only permitting a person to meet basic living expenses for a decent standard of living) and a medical care risk measure (assessing the risk of being unable to afford needed medical care and services).

[DISCUSSION DRAFT]

110TH CONGRESS
2D SESSION

H. R. ______

To amend title XI of the Social Security Act to provide for an improved method to measure poverty so as to enable a better assessment of the effects of programs under the Social Security Act, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. MCDERMOTT introduced the following bill; which was referred to the Committee on ______________________________

A BILL

To amend title XI of the Social Security Act to provide for an improved method to measure poverty so as to enable a better assessment of the effects of programs under the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Measuring American Poverty Act of 2008".

SEC. 2. FINDINGS.

The Congress finds as follows:

(1) On January 22, 2008, the House of Representatives, by voice vote, passed House Concurrent Resolution 198 expressing the sense of the Congress that the United States should set a national goal of cutting poverty in half over the next 10 years.

(2) The poverty rate is a critical indicator of how widely shared prosperity is in the economy, and a key benchmark for targeting resources towards the most disadvantaged.

(3) The official poverty measure, while helpful, is based on outdated assumptions and fails to accurately measure economic deprivation or take into account the availability of many economic resources.

(4) The official poverty measure offers inadequate guidance about the effectiveness of public anti-poverty efforts.

(5) In 1995, the National Academy of Sciences' Panel on Poverty and Family Assistance recommended adoption of an improved poverty measure, which addresses many shortcomings of the official poverty measure and which remains relevant and offers a starting point for an improved measure.

SEC. 3. STATEMENT OF PURPOSE.

The purpose of this Act is to provide for an improved and updated method for measuring the extent to which families in the United States have sufficient income to allow a minimal, socially acceptable, level of consumption that meets their basic physical needs, including food, shelter (including utilities), clothing, and other necessary items, in order to better assess the effects of certain public assistance programs in reducing the prevalence and depth of poverty, to accurately gauge the level of economic deprivation, and to ensure appropriate targeting of public resources.

SEC. 4. MODERNIZATION OF THE MEASUREMENT OF POVERTY.

Part A of title XI of the Social Security Act (42 U.S.C. 1301–1320b-21) is amended by adding at the end the following:

"SEC. 1150A. MODERNIZATION OF THE MEASUREMENT OF POVERTY.

"(a) IN GENERAL.—The Bureau of the Census, in collaboration with the Bureau of Labor Statistics, after consultation about methodology with other Federal statistical agencies and outside experts, shall, to the extent possible and based on the best available data, calculate modern poverty thresholds and modern poverty rates for each calendar year (including any calendar year before 2009 for which the information needed to perform the calculations is available or can be estimated with a reasonable degree of confidence, as determined by the Bureau of the Census) in accordance with this section.

"(b) MODERN POVERTY THRESHOLDS.—

"(1) CALCULATION FOR REFERENCE FAMILY.— The modern poverty threshold for a family consisting of 2 adults and their 2 related children shall be an amount equal to the average of 120 percent of 80.5 percent of annual expenditures by such families at the 50th percentile of the distribution of expenditures on food, clothing, and shelter (including utilities) during each of the 3 most recent years for which data is available from the Consumer Expenditure Survey, a superior Federal government source of data, or some combination of such sources.

"(2) ADJUSTMENT FOR FAMILY SIZE AND COMPOSITION, AND FOR GEOGRAPHIC COST VARIATION.—The Bureau of the Census shall adjust the modern poverty threshold calculated under paragraph (1)—

"(A) for other family sizes and compositions, using the best available equivalence scales that consider economies of scale; and

"(B) to the maximum extent possible, for differences in the costs for the goods and services included in the threshold among States, sub-State non-metropolitan areas, and metropolitan areas, based on the best available data on the costs.

"(c) MODERN POVERTY RATES.—

"(1) IN GENERAL.—The Bureau of the Census shall use the modern poverty thresholds calculated under subsection (b) to calculate—

"(A) the number and percentage of families in the United States whose total annual income before taxes and transfers does not exceed the applicable modern poverty threshold, and the number and percentage of individuals in the United States who are members of such families;

"(B) the number and percentage of families in the United States whose total annual income after taxes and transfers does not exceed the applicable modern poverty threshold, and the number and percentage of individuals in the United States who are members of such families; and

"(C) the numbers and percentages described in subparagraphs (A) and (B) for various demographic, geographic, and other subgroups of families in the United States, and for individuals who are members of such subgroups of families.

"(2) TOTAL ANNUAL INCOME BEFORE TAXES AND TRANSFERS.—For purposes of this section, the total annual income of a family before taxes and transfers is—

"(A) the total of the amounts received by any member of the family during a calendar year from wages, salaries, and self-employment income, interest income, dividend income, realized capital gains, rents, royalties, estate and trust income, a qualified retirement plan (as defined in section 4974(c) of the Internal Revenue Code of 1986), a plan described in section 457(b) of such Code, or any other plan, contract, annuity, or account payments or distributions from which are in the nature of a retirement benefit, survivor and disability pensions and annuities, paid-up insurance policies, alimony payments, child support payments, private workers' compensation, regular contributions from persons not living with the family, and other relevant income as determined by the Bureau of the Census except for income described in subparagraph (C), (D), (E), or (F) of paragraph (3) of this subsection; minus

"(B) the total of the amounts paid by any member of the family during the calendar year for alimony or the support or maintenance of a noncustodial child, or to cover health care expenses or necessary work-related expenses, including child care and transportation expenses, and capping necessary work-related expenses at the lesser of the earnings of the parent with lesser earnings or another reasonable cap tied to the median expenditures of the reference family or Federal program and tax credit policies as determined by the Bureau of the Census in collaboration with the Bureau of Labor Statistics.

"(3) TOTAL ANNUAL INCOME AFTER TAXES AND TRANSFERS.—For purposes of this section, the total annual income of a family after taxes and transfers is—

"(A) the total annual income of the family before taxes and transfers; minus

"(B) the total of the amounts paid by any member of the family during the calendar year to cover Federal income tax liability or Federal payroll tax liability; plus

"(C) the total of the amounts received by any member of the family during the calendar year as refundable Federal tax credits; plus

"(D) the total of the amounts received by any member of the family during the calendar year which may be used to meet food, clothing, or shelter (including utilities) needs, to the extent that expenditures of the amounts are taken into account in determining poverty thresholds under this section, and which are—

"(i) referred to in section 459(h)(1)(A)(ii) of this Act; or

"(ii) paid under a State program funded under part A of title IV of this Act, the supplemental security income program under title XVI of this Act, or any other Federal program or activity eligibility for which is based, in whole or in part, on need; plus

"(E) the total of the face amounts of any coupon (as defined in section 3 of the Food Stamp Act of 1977) received by any member of the family during the calendar year under a program under the Food Stamp Act of 1977; plus

"(F) the total of the amounts received by a member of the family during the calendar year from other Federal transfer programs, to the extent that the expenditure of the amounts is taken into account in determining poverty thresholds under this section.

"(d) FAMILIES.—For purposes of this section, the term 'family' includes—

"(1) an individual who is living alone;

"(2) all members of a household who are related by blood, marriage, adoption, or other legal arrangement; and

"(3) any unrelated individuals living together whom the Bureau of the Census, after assessing existing research and undertaking any necessary new research, determines should be treated as a family for purposes of this section.

"(e) REPORT ON MODERN POVERTY RATES.—Not less frequently than annually, the Bureau of the Census shall produce, and make readily accessible to the public, a report which contains detailed tables and explanation of the calculations made under subsection (c).

"(f) REFERENCES TO EXISTING POVERTY MEASURE AS THE 'HISTORICAL POVERTY MEASURE'.—To the extent practicable, whenever an officer or employee of the Federal Government refers to the poverty measure outlined in Office of Management and Budget Statistical Policy Directive 14, the officer or employee, as the case may be, shall refer to that measure as the 'Historical Poverty Measure'. Any reference in a law, regulation, document, paper, or other record of the United States to the poverty measure outlined in Office of Management and Budget Statistical Policy Directive 14 is deemed to be a reference to the 'Historical Poverty Measure'.

"(g) INCLUSION OF INFORMATION BASED ON MODERN POVERTY THRESHOLDS AND RATES IN PUBLISHED DOCUMENTS CONTAINING INFORMATION BASED ON HISTORICAL POVERTY THRESHOLDS AND RATES.—

"(1) IN GENERAL.—To the extent possible, a relevant Federal statistical agency that publishes a document which contains information about a subject, which was produced using the poverty measure outlined in Office of Management and Budget Statistical Policy Directive 14, shall include in the document information about the subject, which is produced using the modern poverty thresholds and modern poverty rates calculated under this section.

"(2) PUBLIC RELEASE OF MICRODATA FILE AND ONLINE TOOLS.—On releasing a document described in paragraph (1), the Bureau of the Census shall release to the public—

"(A) microdata files containing all of the individual variables that are necessary to compute the published modern poverty rates and to calculate poverty rates using different definitions of income and poverty thresholds;

"(B) other public online tools that enable poverty rates to be calculated using different definitions of income and poverty thresholds; and

"(C) the definitions of income set forth in, and the poverty thresholds established under, this section.

"(h) CONSULTATION ON IMPROVING CALCULATION OF THE MODERN POVERTY THRESHOLDS OR MODERN POVERTY RATES; REPORT TO THE CONGRESS.—From time to time, and no less frequently than every 5 years, the Bureau of the Census shall—

"(1) consult with other relevant Federal statistical agencies and outside experts on whether the method of, and sources of data for, calculating the modern poverty thresholds or modern poverty rates provided for in this section could be improved so as to better measure the extent to which families in the United States are able to secure sufficient income to allow a minimal, socially acceptable, level of consumption that meets their basic physical needs, including food, clothing, shelter (including utilities), and other necessary items; and

"(2) report to the Congress on any need for any such improvement.

"(i) NO EFFECT ON BENEFIT PROGRAMS.— This section shall not be interpreted to modify or authorize modification of eligibility of any entity for, or the amount or kind of benefits or assistance to be provided to any entity under, any program or activity funded, in whole or in part, with Federal funds.

"(j) RELEVANT FEDERAL STATISTICAL AGENCY.— In this section, the term 'relevant Federal statistical agency' means a Federal agency that—

"(1) is listed as a major statistical program of the United States in the annual report most recently made under section 3504(e)(2) of title 44, United States Code; or

"(2) the Bureau of the Census expects to be so listed in the next such report.

"(k) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—To carry out this section, there are authorized to be appropriated to the Bureau of the Census not more than $5,000,000 for each fiscal year.

"SEC. 1150B. STUDY OF DECENT LIVING STANDARD.

"(a) IN GENERAL.—The Bureau of the Census, in collaboration with the Bureau of Labor Statistics, shall enter into a contract with the National Academy of Sciences which obligates the National Academy of Sciences to develop a method of calculating a decent living standard threshold, including relevant variations for geography, family size, and other such factors, and a method of measuring the extent to which the income of families in the United States is sufficient to meet the threshold.

"(b) TECHNICAL SUPPORT.—The Bureau of the Census, the Bureau of Labor Statistics, and other relevant statistical agencies shall provide necessary technical support for the efforts to develop the threshold and method referred to in subsection (a).

"(c) DEFINITION OF DECENT LIVING STANDARD THRESHOLD.—In subsection (a), the term 'decent living standard threshold' means the amount of annual income that would allow an individual to live beyond deprivation at a safe and decent, but modest, standard of living.

"(d) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—To carry out this section, there are authorized to be appropriated to the Bureau of the Census not more than $500,000 for each of fiscal years 2009 and 2010.

"SEC. 1150C. STUDY OF MEDICAL CARE RISK MEASURE.

"(a) IN GENERAL.—The Bureau of the Census, in collaboration with the Bureau of Labor Statistics, the Agency for Healthcare Research and Quality, and the Centers for Medicare and Medicaid Services shall enter into a contract with the National Academy of Sciences with obligates the National Academy of Sciences to develop a method of measuring medical care risk and calculating the number and percentage of individuals in the United States who lack adequate health insurance, placing them at risk of being unable to afford needed treatment.

"(b) TECHNICAL SUPPORT.—The Bureau of the Census, the Bureau of Labor Statistics, the Agency for Healthcare Research and Quality and the Centers for Medicare and Medicaid Services, and other relevant statistical agencies shall provide necessary technical support for the efforts to develop the method and measure referred to in subsection (a).

"(c) DEFINITION OF MEDICAL CARE RISK.—In subsection (a), the term 'medical care risk' means the extent to which individuals are at risk of being unable to afford needed medical treatment, services, goods, and care.

"(d) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—To carry out this section, there are authorized to be appropriated to the Bureau of the Census, not more than $500,000 for each of fiscal years 2009 and 2010.".