Congress of the United States
Washington, DC 20515

June 21, 2019

The Honorable Mick Mulvaney
Director
Office of Management and Budget
725 17th St, NW
Washington, DC 20503

Dear Director Mulvaney:

We write to express our opposition to administratively changing the inflation measure used to adjust the poverty threshold, also known as the Official Poverty Measure (OPM), particularly in a way that would result in a lower threshold over time.[1]

OMB Statistical Policy Directive 14 directs the Census Bureau to use the Consumer Price Index (CPI) to make annual adjustments to the poverty threshold.[2] Since 1978, the Census Bureau has consistently applied the most commonly used measure of inflation, the CPI for All Urban Consumers (CPI-U), to adjust the threshold, and Congress has relied on the consistency of that policy. We are concerned that, without any direction from Congress and after four decades of consistent policy, OMB is considering two alternative inflation indexes that are much slower-growing than the CPI-U[3]—the chained CPI and the Personal Consumption Expenditures Price Index (PCEPI).

Relying on a slower-growing inflation index to adjust the poverty threshold would overturn a long-standing and well-understood approach to measuring poverty in the United States; artificially understate the number of U.S. residents facing hardship to an even greater degree than does the current austere poverty threshold; and shrink eligibility for many public programs that Congress intended to make available to poor and lower-income individuals, families, and communities. While the harmful effects of such a change would be relatively small in the first year, they would grow increasingly large over time, harming people that we and our committee colleagues represent.

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[1] "Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies," 84 FR 19961 (May 7, 2019), https://www.federalregister.gov/documents/2019/05/07/2019-09106/request-for-comment-on-the-consumer-inflation-measures-produced-by-federal-statistical-agencies.

[2] U.S. Census Bureau, "Office of Management and Budget (OMB) in Statistical Policy Directive 14 (May 1978)" (last revised 2017), https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure/omb-stat-policy-14.html.

[3] The chained CPI, produced by the Bureau of Labor Statistics (BLS), has grown an average of 0.27 percentage points more slowly each year than the CPI-U since 2001. The PCEPI, produced by the Bureau of Economic Analysis (BEA), has grown on an average of 0.3 percentage points more slowly. U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers: All Items (CPIAUCSL)," "Chained Consumer Price Index for all Urban Consumers: All items [SUUR0000SA0]," and "Personal Consumption Expenditures: Chain-type Price Index," Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/ (last accessed May 2019).

Furthermore, research suggests that inflation may be higher for low-income households.[4] While inflation indexes such as the CPI-U and chained CPI reflect the experience of households on average, prices have tended to rise more quickly for items on which low-income families spend a disproportionate share of income, such as housing and utilities.[5] In addition, because they face high costs and low wages, families who are currently counted as poor are already living frugally and thus have little ability to substitute away from current purchases, as the chained CPI presumes.

In its request for comments, the administration states that it is only seeking comments on changes to the poverty thresholds, not to the poverty guidelines published by the Department of Health and Human Services (HHS). But this is a disingenuous claim: changes to the thresholds will inevitably affect the guidelines, because HHS calculates the guidelines based upon the poverty thresholds.[6] Respectfully, as committee chairs whose committees collectively hold jurisdiction over federal programs for which income eligibility or other program rules are determined by the guidelines—including health care, nutrition assistance, education and worker training initiatives, Head Start, Historically Underutilized Business Zones (HUBZones) and base realignment and closure areas, and more—we express our strong opposition to this change because of the harmful impact it would have, particularly on those who depend upon many of these programs.

Over time, a slower-growing measure of inflation would cause millions of low-income families to lose access to crucial services that help them meet basic needs, such as keeping a roof over their children's heads or putting food on the table.[7] Independent analysis shows that over ten years, switching to the chained CPI would cause hundreds of thousands of low-income people—including seniors, people with disabilities, children, and pregnant women—to lose eligibility for, or obtain less assistance from, federal health care programs.[8]

Any administrative action to change the poverty threshold, or the method by which it is set, would contradict congressional intent. For decades, Congress has based legislative decisions on the understanding that the current method for setting the threshold would remain. Any action by this administration to alter this method would be unilaterally setting new eligibility criteria for federal programs and initiatives without an act of Congress, substantially altering the intent and purpose of existing laws. Whether it is restricting eligibility for federal programs or cutting Social Security benefits, we strongly oppose any backdoor measurement changes that would

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[4] Xavier Jaravel, "The Unequal Gains from Product Innovations: Evidence from the U.S. Retail Sector," *The Quarterly Journal of Economics* 134:2 (May 2019): 715–783, https://doi.org/10.1093/qje/qjy031; Ben Casselman, "Inflation May Hit the Poor Hardest" *FiveThirtyEight* (April 2014), https://fivethirtyeight.com/features/inflation-may-hit-the-poor-hardest/.
[5] Ibid.
[6] U.S. Department of Health & Human Services, "HHS Poverty Guidelines for 2019," https://aspe.hhs.gov/poverty-guidelines.
[7] Aviva Aron-Dine and Matt Broadus, "Poverty Line Proposal Would Cut Medicaid, Medicare, and Premium Tax Credits, Causing Millions to Lose or See Reduced Benefits Over Time" (Washington: Center on Budget and Policy Priorities, 2019), https://www.cbpp.org/research/poverty-and-inequality/poverty-line-proposal-would-cut-medicaid-medicare-and-premium-tax.
[8] Ibid.

circumvent congressional intent. The administration should not move forward with any such changes without direction from Congress.

We oppose unilateral action that would artificially understate the extent of poverty and threaten assistance for our nation's struggling children and families. We urge you to abandon this effort.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chair
Committee on Education and Labor

RICHARD E. NEAL
Chair
Committee on Ways and Means

PETER A. DEFAZIO
Chair
Committee on Transportation and Infrastructure

NITA M. LOWEY
Chair
Committee on Appropriations

FRANK PALLONE, JR
Chair
Committee on Energy and Commerce

NYDIA M. VELÁZQUEZ
Chair
Committee on Small Business

ELIJAH E. CUMMINGS
Chair
Committee on Oversight and Reform

ADAM SMITH
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RAÚL M. GRIJALVA
Chair
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JOHN A. YARMUTH
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MARK TAKANO
Chair
Committee on Veterans' Affairs