Commonwealth of Massachusetts
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT
Charles D. Baker, Governor ◆ Karyn E. Polito, Lt. Governor ◆ Janelle Chan, Undersecretary

June 21, 2019

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

Re: Comments on Consumer Inflation Measures Produced by Federal Statistical Agencies, OMB-2019-0002

Dear Ms. Potok:

I am writing on behalf of the Massachusetts Department of Housing and Community Development (DHCD) in response to the Office of Management and Budget's (OMB) May 7th, 2019 Federal Register notice seeking comments on "Consumer Inflation Measures Produced by Federal Statistical Agencies" (the "Notice"). DHCD appreciates the opportunity to comment on the proposed change.

According to the Notice, OMB is seeking comments on the differences among the various consumer price indexes produced by the Bureau of Labor Statistics and the Bureau of Economic Analysis, and in particular how those differences might affect the periodic adjustments made to the Official Poverty Measure (OPM). The Notice further states that OMB may require agencies to use the "Chained Consumer Price Index" (Chained CPI) to adjust the OPM, rather than the "Consumer Price Index for Urban Consumers" (CPI-U) that is currently used.

For the reasons stated below, we are concerned that such a change, if implemented, will arbitrarily reduce the total number of people counted as poor so as to falsely imply that there has been a decrease in poverty. This, in turn, would cause fewer families to qualify for federal and state programs that use the OPM as a threshold for eligibility and undermine the stability of individuals and families for whom these programs represent an essential lifeline. We also believe that the change would undermine effective policy analysis that relies on an accurate measure of poverty. **We therefore urge OMB to conduct further research on methodologies that address higher rates of inflation among low-income households and, in the interim, to retain the CPI-U as the measure of inflation used to adjust the OPM.**

DHCD is the State Grantee administering the Department of Health and Human Services' (HHS) Community Services Block Grant (CSBG) and the Department of Energy's (DOE) Low Income Housing Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) in Massachusetts. DHCD also is a designated Moving to Work Agency administering more than 8,000 rental assistance vouchers under the Section 8 Housing Choice Voucher program (Section

8), and administers several other programs under grants from the Department of Housing and Community Development (HUD), including Section 811 Project-Based Rental Assistance (Section 811), National Housing Trust Fund (HTF) grants, and funding under the HOME Investment Partnership Program (HOME). Each of these programs is a model example of a successful Federal-State-Local partnership, which collectively empower states and local communities to reduce energy burden, to take the lead on helping individuals, families, and communities move out of poverty and achieve economic security, and to address the critical housing needs of individuals and families in our communities.

DHCD depends on accurate poverty data to ensure that programs are tailored to meet the unique needs of our local communities. Furthermore, poverty data is key to measuring and demonstrating the impact of our programs. We rely on the federal government's Official Poverty Measure (OPM), and the HHS Poverty Guidelines to determine eligibility for certain programs implemented by our office. For example, our state Emergency Assistance program, which funds emergency shelter for pregnant women and families with children under 21, caps income eligibility at 115% of OPM.

In addition, under the Section 8 and Section 811 programs, as well as state rental assistance programs such as the Massachusetts Rental Voucher Program (MRVP) and Alternative Housing Voucher Program (AHVP), the amount that a household pays for rent is based on adjusted annual income. Under both Federal[1] and state[2] regulations, payments for certain unreimbursed medical expenses, including medical insurance premiums, are deducted from annual gross income in calculating adjusted annual income. Accordingly, changes in the OPM that affect eligibility for Medicaid, Medicare, and the Child Health Insurance Program have the potential, over time, to have a significant impact on both Federal and state rental assistance programs: as households lose access to Federally subsidized health benefits, their contribution to rent may diminish, resulting in a correspondingly larger voucher subsidy payment.

We are deeply concerned about the changes proposed in the Notice, as we view these changes to be far reaching and harmful to the 39.7 million Americans, and approximately 700,000 Massachusetts residents,[3] currently living in poverty. Any changes in poverty calculations that impact enrollment in public programs and distribution of Federal funds among states[4] must be undertaken with regard to the actual consumption patterns of low-income households and their vulnerability to inflation in the cost of necessities. We believe that this proposal would result in:

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[1] For purposes of the Section 8 and Section 811 programs, unreimbursed medical expenses of any elderly family or disabled family, and unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with disabilities, are deducted from annual gross income in calculating annual adjusted income, to the extent such expenses exceed 3% of annual gross income. *See* 24 CFR §5.611. The term "medical expenses" is specifically defined to include medical insurance premiums. *See* 24 CFR §5.603.

[2] Similarly, Massachusetts regulations governing MRVP require deduction of unreimbursed medical expenses, specifically including payments for medical health insurance, in excess of 3% of annual gross household income, for all program participants, whether or not the head of household or a household member is elderly or disabled. *See* 760 CMR 49.05(d).

[3] Source: U.S. Census Bureau, Small Area Income and Poverty Estimates,

[4] For example, the distribution of Federal Community Development Block Grant funding among states depends, in part, on poverty levels in each state.

- An inaccurate and incomplete measure of Americans living in poverty.
- Unnecessary and harmful decreases in enrollment due to restricted eligibility.
- Chronic underfunding of programs that State governments rely on to fight poverty.

We also note, based on our participation in inter-agency initiatives that have highlighted the role of social determinants of health such as housing and food insecurity as key drivers of health care costs, that the proposal likely would result in *increased* public and private system costs overall. Research has shown that the cost of food insecurity alone results in an estimated $2.4 *billion* in health-related costs in Massachusetts.[5] For further comments relating to the impact of the proposal on food insecurity and health outcomes and costs, please see comment letters submitted June 21, 2019 by the Massachusetts Office of Medicaid, the Commonwealth Health Insurance Connector Authority, the Massachusetts Department of Public Health, and the Massachusetts Department of Transitional Assistance.

The Proposed Change in Inflation Measure Would Distort Poverty Data

The proposal is seeking to substitute a different measure of inflation when calculating the OPM, substituting the "Chained Consumer Price Index" (Chained CPI) for the "Consumer Price Index for Urban Consumers" (CPI-U) that is currently being used. The Chained CPI shows a slower rate of inflation and would push poverty thresholds further and further down over time in comparison to the CPI-U.

Low-income households experience more inflation in the goods they purchase than households with higher incomes. In particular, because low-income households expend a disproportionate amount of household income on "survival goods" – housing, food, medicine, and other basic necessities – the CPI-U already does not fully account for the spending patterns of these households.[6] Moreover, the CPI-U does not take into account geographic differences in the cost of living, and accordingly severely underestimates housing cost increases in areas with rapidly escalating housing markets. According to a study by the Joint Center for Housing Studies of Harvard University, the median national rent rose 20% faster than overall inflation from 1990-2016, while the number of renter households paying more than 50% of income for housing

[5] J. Cook and. A. Poblacion, *An Avoidable $2.4 Billion Cost: The Estimated Health-Related Costs of Food Insecurity and Hunger in Massachusetts,*

[6] By comparison, Bureau of Labor Statistics (BLS) data analyzing the experimental consumer price index for Americans age 62 and older, which weighted prices for medical care and shelter more heavily than in the CPI-U, showed that this experimental index increased more rapidly than overall inflation over the 25 years from December, 1982 to December, 2007. *See, e.g., K. Stewart,* "The experimental consumer price index for elderly Americans (CPI-E): 1982-2007," *Monthly Labor Review,* April, 2008 (available at https://www.bls.gov/opub/mlr/2008/04/art2full.pdf). Two other, more recent studies have suggested that, in recent years, inflation has risen faster for low-income households than for households overall. See, for example, Greg Kaplan and Sam Schulhofer-Wohl, "Inflation at the Household Level," *Journal of Monetary Economics*, August 2017, https://gregkaplan.uchicago.edu/sites/gregkaplan.uchicago.edu/files/uploads/kaplan_schulhoferwohl_jme_2017.pdf and David Argent and Munseob Lee, "Cost of Living Inequality during the Great Recession," Kilts Center for Marketing at Chicago Booth — Nielsen Dataset Paper Series 1-032, March 1, 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567357.

increased by 3.6 million between 2001-2016.[7] In Massachusetts, 59% of extremely low income renters – those with incomes at or below 30% of area median income – pay more than 50% of income for housing.[8] These households experience acute financial distress even if not classified as "poor" under the current OPM.

Because the basic premise underlying the Chained CPI is that, in an inflationary environment, consumers will choose less-expensive substitutes, it is not an appropriate means of calculating poverty thresholds for low-income households that, to a significant extent, are already choosing the least expensive alternatives out of necessity. It would inaccurately define many low-income, working households as "not poor", when in reality they do not earn enough money to pay for basic necessities. Furthermore, State governments rely on accurate poverty data to effectively and efficiently distribute federal funding and resources. These proposed changes would prevent analysis of long-term trends and distort critical data, undermining the work of State governments.

Hardship Among Vulnerable Households Due to Loss of Program Eligibility

Researchers have long pointed to the limitations of the OPM. This poverty measure is a financial calculation – it does not directly capture the physical, mental, or social effects of being poor. Each year, the Department of Health and Human Services (HHS) publishes its poverty guidelines, based on the thresholds determined by the Official Poverty Measure. The 2019 HHS poverty guideline of just $25,750 for a family of four does not reflect the resources that a family needs to be economically secure. Implementing the proposed changes would greatly exacerbate the existing inadequacy of the OPM. With no actual change in their financial circumstances or well-being, people would become ineligible for needed programs because of a change in statistical calculation. Furthermore, due to the use of the Chained CPI, the enrollment reductions in critical programs would compound over time.

Although the current solicitation only requests comments on adjustments to the poverty thresholds, it acknowledges that a change in the thresholds could affect eligibility for programs that use the poverty guidelines. Millions of low-income individuals and families would become automatically ineligible for critical programs. Not only would CSBG and WAP be impacted, but also Medicaid, LIHEAP, SNAP, Head Start, and more. The loss of benefits such as health coverage, heating or cooling assistance, or nutrition assistance will increase hardship and threaten family stability, contrary to the intent of Congress in establishing these programs. Because the proposed changes would likely affect the poverty guidelines, it is imperative that OMB conduct in-depth research and solicit additional public comments regarding impacts such as the number of individuals losing assistance and a demographic profile of those individuals and families, how service providers would be affected, potential effects on the workforce, and how the impacts would change over time.

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[7] *See* Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2018*, available at https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf.

[8] *See* National Low Income Housing Coalition, *Out of Reach 2019,* Housing Needs by State/Massachusetts, available at https://nlihc.org/housing-needs-by-state/massachusetts.

Arbitrarily Depriving States of Critical Resources

As discussed above, the proposed changes would result in an artificially low count of the total number of people living in poverty and arbitrarily reduce eligibility and enrollment for established human services programs. This, in turn, could result funding cuts that would harm vulnerable Americans living in poverty. State and local governments simply do not have the resources to make up for a lapse in federal support that would be a direct result of changes to the poverty measure.

Massachusetts is proud to be a leader in devoting state resources to anti-poverty programs, including generous support for affordable housing development, rental assistance, health insurance coverage to supplement Medicaid funding, energy and weatherization assistance, and more. In 2018, our state legislature passed a $1.8 billion bond bill to authorize capital expenditures on affordable housing. Our state operating budget provides for more than $100 million in state rental voucher assistance annually, and almost another $100 million in operating subsidies for state-aided public housing. Even with these investments, however, the need far outstrips available resources, and it is not possible for Massachusetts, a state with a total population of about 6.9 million people, to make up for a significant loss in Federal resources.

State CSBG and WAP offices work in partnership with the federal government and local providers to serve low-income Americans efficiently and effectively. In Massachusetts, in FY2018 our state-administered CSBG program served 126,801 households with incomes up to 100% OPM and an additional 155,995 households with incomes up to 125% OPM, for a total of $282,796 assisted households. In FY2018, our state-administered LIHEAP program served 27,952 households with incomes up to 100% OPM and an additional 17,000 households with incomes up to 125% OPM, for a total of $44,952 assisted households. While we do not have sufficient data to fully evaluate the impact of the proposed rule change on these households, what is clear is that a large number of Massachusetts residents rely on the CSBG program for essential services, and many more depend on the LIHEAP program to heat their homes in the cold New England winter. Moreover, both programs successfully leverage millions of dollars from private entities to supplement federal funding. A loss of federal funding may cause States to have difficulty bringing private partners to the table. Accordingly, in-depth research is also needed to determine how any changes in the OPM or the measure of inflation used to adjust the OPM would impact State governments and their private partners.

Based on the concerns that we have presented, DHCD strongly opposes the statistical changes as presented in the Notice. We urge OMB to undertake further study, taking into account the larger problems with the OPM experienced in Massachusetts and nationally.

Sincerely,

Janelle Chan

Janelle Chan
Undersecretary

cc: Secretary Michael Kennealy
Secretary Marylou Sudders