

Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Transitional Assistance

CHARLES D. BAKER
Governor

MARYLOU SUDDERS
Secretary

KARYN POLITO
Lieutenant Governor

JEFF McCUE
Commissioner

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 Dr. Potok:

On behalf of the Massachusetts Department of Transitional Assistance (DTA), I am writing to express my grave concerns regarding the Office of Management and Budget's (OMB) proposal to change consumer inflation measures that are used to adjust the official poverty measure (OPM).

The Massachusetts Department of Transitional Assistance assists and empowers low-income individuals and families to meet their basic needs, improve their quality of life, and achieve long term economic self-sufficiency with direct economic assistance (cash benefits) and food assistance (Supplemental Nutrition Assistance Program or "SNAP" benefits), as well as workforce training opportunities. One in nine people in the Commonwealth of Massachusetts relies on SNAP to access healthy, nutritious food.¹ As of June 2019, 21.1% of SNAP recipients were age 60 years or older, 35.3% of SNAP recipients had a disability and 29.2% of SNAP households had at least one child.

The OPM, also known as the poverty threshold, is the basis upon which the U.S. Department of Health and Human Services (USHHS) builds its eligibility criteria for more than 30 federal programs, including SNAP.² Thus, while OMB seeks comments only on the inflation calculation of the OPM and not comments on the impact this change in methodology would have OMB's limited request for comments makes the analysis of its proposed change incomplete. In fact, OMB's proposed change to the OPM will impact eligibility for the poverty-alleviating programs that DTA administers. The change will make it more difficult to qualify for SNAP and, as a result, would likely thrust many more of the most vulnerable

¹ DTA Performance Scorecard June 2019. DTA Performance Scorecards are available at:

<https://www.mass.gov/lists/departments-of-transitional-assistance-performance-scorecards>.

² Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health & Human Services:

<https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty>

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individuals and families in Massachusetts deeper into poverty and greatly increase their food insecurity. The accompanying reduced federal funding to administer these critical programs would also likely weaken their overall efficacy. Furthermore, recent innovative state investments to ease working economic assistance and SNAP families' transitions out of poverty would be debilitated by the current proposal.

Poverty Line Already Falls Short

Currently, the standard Consumer Price Index (CPI), or Consumer Price Index for All Urban Consumers (CPI-U), is used to determine SNAP income eligibility guidelines. In Massachusetts, households with a gross income at or below 200% of the federal poverty line (FPL) may be eligible for SNAP benefits and must still meet a net income of 100% of the FPL. Under this measurement, SNAP responds as expected to changes in the economy; the caseload increases during recessions and decreases during economic recovery.³ The chained CPI and Personal Consumption Expenditures Price Index (PCEPI) both grow at a slower rate than the CPI-U and may not accurately reflect the level of poverty in Massachusetts and across the country. These measures will result in a lower poverty line, meaning fewer people in Massachusetts will be eligible for SNAP. This gap between CPI-U and these measures will grow wider over time. Over the course of 5 years, preliminary estimates based on present caseload trends suggest that thousands of Massachusetts SNAP recipients and household members could lose their benefits as a result of this change. This includes many households that are particularly vulnerable due to other substantial hardships they are facing. Nearly half of the recipients who would lose SNAP benefits are disabled, about 40% are seniors, and about a quarter of the households include dependent children (under the age of 16).

This change could reduce the amount of federal funding the Commonwealth receives to administer the SNAP program. Additionally, reduced SNAP dollars coming into the Commonwealth could have reverberating effects on the entire state economy as SNAP is a proven stimulator of economic activity.

While many people in Massachusetts currently participate in SNAP, the USDA's 2017 Household Food Insecurity Survey found that 10.2% of households in Massachusetts were food insecure and 3.8% of those had very low food security.⁴ The report also noted that nationwide 6.6% of households with incomes over 185% of the federal poverty line were food insecure and 2.8% of these households had food insecure children. This may suggest that the poverty line is currently below what is needed for families to get by, particularly for people in Massachusetts who have high food and housing costs. Shifting to a slower index like chained CPI or PCEPI simply exacerbates the existing problems with the current measure of inflation for individuals living with poverty and will increase food insecurity in Massachusetts as many seniors, dependent children, disabled heads of household, and other vulnerable individuals and families will become ineligible for SNAP.

³ "Hunger and Food Insecurity." *Food Policy in the United States An Introduction*, by Parke Wilde, Taylor and Francis, 2018, pp.203-204

⁴ Alisha Coleman-Jensen, Matthew P. Rabbitt, Christian A. Gregory, and Anita Singh. 2018. Household Food Security in the United States in 2017, ERR-256, U.S. Department of Agriculture, Economic Research Service

Alternative Measures

Studies have shown that low-income households experience much higher rates of inflation, even when controlling for all other demographic information due to the differences households paid within the same categories of goods.⁵ Another study reported that higher income households are able to shift their expenditures to less expensive brands during times of recession, while low-income households have fewer options to do so.⁶ The authors suggest that there may be real systemic bias in our current poverty measures and large discrepancies between the CPI and a “price index that correctly measures the experience of poor consumers.”

The Census Bureau’s measure of poverty should better reflect the circumstances and high costs low-income households face, as these are not the first studies to suggest our current poverty measures may be incorrect. In 1995, the National Academy of Sciences stated that the current measure of poverty was out of touch because it did not include variations in medical costs, childcare expenses, and housing costs.⁷ Many of our senior and disabled SNAP clients have out-of-pocket medical expenses, mostly for prescription drugs, copays and insurance premiums. Massachusetts ranks second in the country for the most expensive infant care, at \$17,062 a year⁸, which is 15.3% higher than the average rent. Care for one child could take up 19.5% of a family’s income in the state. For low-income families the cost of childcare can often take up a substantially larger percent of their income. Massachusetts also ranks within the top ten states for highest median gross rent at \$1,173 and is in top five states for highest median monthly homeowner costs with a mortgage at \$2,102.⁹ All of these high costs negatively affect our clients and other low-income Massachusetts residents, and hinder their ability achieve long-term economic self-sufficiency.

Recognizing these points, the Census Bureau’s Supplemental Poverty Measure more adequately accounts for the different inflationary measures low-income households face. That measure adjusts annually, not by the CPI-U or the chained CPI, but by a 5-year moving average of expenditures on food, clothing, shelter, and utilities – the core categories where low-income households spend the most of their money.¹⁰ We recommend OMB explore applying inflation rates for these core costs to the OPM because they more accurately reflect the spending habits and economic circumstances of low-income households.

⁵ Kaplan G, Schulhofer-Wohl. Inflation at the household level. *Journal of Monetary Economics*. 2017;91:19-38

⁶ Argente, David and Lee, Munseob, Cost of Living Inequality during the Great Recession (March 1, 2017). Kilts Center for Marketing at Chicago Booth – Nielsen Dataset Paper Series 1-032. Available at SSRN: <https://ssrn.com/abstract=2567357> or <http://dx.doi.org/10.2139/ssrn.2567357>

⁷ National Research Council 1995. Measuring Poverty: A New Approach. Washington, DC: The National Academies Press. <https://doi.org/10.17226/4759>.

⁸ Economic Policy Institute. The cost of child care in Massachusetts. Available at: <https://www.epi.org/child-care-costs-in-the-united-states/#/MA>.

⁹ United States Census Bureau. Median gross rent, 2013-2017. Available at: <https://www.census.gov/quickfacts/geo/chart/MA/HSG860217>; Median selected monthly owner costs- with a mortgage, 2013-2017. Available at: <https://www.census.gov/quickfacts/geo/chart/MA/HSG650217>.

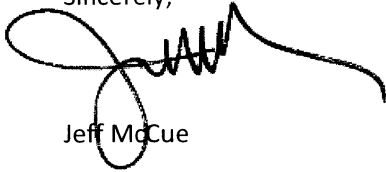
¹⁰ “Household Expenditures and Income.” The PEW Charitable Trusts. <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/03/household-expenditures-and-income>

Request for Impact Analysis

As the OMB is seeking information on the strengths and weaknesses of different indexes and not specifically for an analysis of these changes on the Supplemental Nutrition Assistance Program, this letter does not provide an in-depth analysis. DTA's preliminary analysis suggests, however, that seniors, disabled clients, and children will be most affected by switching to the chained CPI.

If OMB considers moving forward with any changes to the poverty threshold's inflation index, we urge an examination of how this change would affect overall SNAP eligibility, caseloads and those who may or may not qualify for the program and to request comments specifically in this area.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff McCue", with a large loop on the left and a series of vertical strokes in the middle.

Jeff McCue

cc: Marylou Sudders, Secretary, Executive Office of Health and Human Services