



**Billing Code 3110-01**

**OFFICE OF MANAGEMENT AND BUDGET**

**Request for Comment on Considerations for Additional Measures of Poverty**

**AGENCY:** Office of Information and Regulatory Affairs, Office of Management and Budget, Executive Office of the President.

**ACTION:** Notice of Solicitation of Comments.

**SUMMARY:** Office of Management and Budget (OMB) requests comment on the questions posed by the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty (Working Group) to help inform the Working Group's recommendations on producing additional measures of poverty. The Working Group has developed a consensus interim report that details its considerations to date. The Working Group's interim report is summarized in the **SUPPLEMENTARY INFORMATION** section below and available in full on [www.regulations.gov](http://www.regulations.gov). The interim report outlines the history of poverty measurement in the U.S., describes the Working Group's considerations of an extended income-based poverty measure and a consumption-based poverty measure, and identifies other areas worthy of future research. It also identifies questions for public comment, toward the goal of helping to inform the remaining discussions of the Working Group, and meet their charge of identifying whether or not to recommend to the Chief Statistician of the United States that one or more new measures of poverty be developed and published. The Working Group's interim report reflects considerations to date, but does not reflect recommendations or decisions. This interim report and the Working Group's questions are being published to solicit input from the public.

**DATES:** To ensure consideration of comments on this Notice, comments must be provided in writing no later than 60 days from the publication date of this notice. Because of delays in the

receipt of regular mail related to security screening, respondents are encouraged to send comments electronically (see **ADDRESSES**, below).

**ADDRESSES:** Written comments may be addressed to: Office of the Chief Statistician, OMB, email [US\\_Chief\\_Statistician@omb.eop.gov](mailto:US_Chief_Statistician@omb.eop.gov), fax number (202) 395-7245. Comments may be sent via [www.regulations.gov](http://www.regulations.gov)—a Federal E-Government website that allows the public to find, review, and submit comments on documents that agencies have published in the **Federal Register** and that are open for comment. Simply type “OMB-2019-0007” (in quotes) in the Comment or Submission search box, click Go, and follow the instructions for submitting comments. Comments received by the date specified above will be included as part of the official record.

Comments submitted in response to this notice may be made available to the public and are subject to disclosure under the Freedom of Information Act. For this reason, please do not include in your comments information of a confidential nature, such as sensitive personal information or proprietary information. If you send an email comment, your email address will be automatically captured and included as part of the comment that is placed in the public docket; however, [www.regulations.gov](http://www.regulations.gov) does include the option of commenting anonymously. Please note that responses to this public comment request containing any routine notice about the confidentiality of the communication will be treated as public comments that may be made available to the public notwithstanding the inclusion of the routine notice.

*Electronic Availability:* **Federal Register** notices are available electronically at [www.federalregister.gov/](http://www.federalregister.gov/).

**FOR FURTHER INFORMATION CONTACT:** For information about this request for comments, contact Kerrie Leslie, OMB, 9215 New Executive Office Building, 725 17<sup>th</sup> St. NW, Washington, DC 20503, telephone (202) 395-1093.

**SUPPLEMENTARY INFORMATION:** Under the *Budget and Accounting Procedures Act* of 1950 (31 U.S.C. § 1104(d)) and the *Paperwork Reduction Act* of 1995 (44 U.S.C. § 3504(e)), OMB is issuing a request for comment on the questions posed by the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty (Working Group).

In its role as coordinator of the Federal statistical system under the Paperwork Reduction Act, OMB, among other responsibilities, is required to ensure the system's efficiency and effectiveness. A key method used by OMB to achieve this responsibility is the promulgation, maintenance, and oversight of Government-wide principles, policies, standards, and guidance concerning the development, presentation, and dissemination of Federal statistical products. OMB's Office of the Chief Statistician, within the Office of Information and Regulatory Affairs (OIRA), relies on public comment and subject matter expertise across the Federal government to identify areas where existing OMB policies or guidance may be out of date, lacking clarity, or insufficient for efficient coordination of Federal statistics.

Accordingly, OMB is seeking public comment on questions (see **DESIRED FOCUS OF COMMENTS**, below) posed by the Working Group to help inform the Working Group's recommendations on producing additional measures of poverty.

## **I. Background:**

In 1964, President Johnson's "War on Poverty" increased public interest in poverty measures in the United States. That year, the Council of Economic Advisers proposed initial poverty definitions that defined approximately 20 percent of the population as poor and used

an absolute standard for adjusting thresholds historically.<sup>1</sup> In 1965, the Office of Economic Opportunity adopted a set of now basic poverty definitions developed by economist and statistician Mollie Orshansky, which were based on the cost of nutritionally adequate diet and were similar to those of the Council of Economic Advisers, as a working definition of poverty for statistical planning.<sup>2</sup> In 1968, the Census Bureau published its first full report on the subject of poverty.<sup>3</sup> Since 1969, these poverty estimates have been based on absolute living standards with adjustments to the poverty thresholds based on increases in the Consumer Price Index.<sup>4</sup> In 1978, OMB issued Statistical Policy Directive No. 14 specifying the definition of poverty for statistical purposes.<sup>5</sup> (Issuance of Statistical Policy Directives is one way in which OMB coordinates the decentralized U.S. Federal statistical system. These Directives are issued when a system-wide need has been identified to ensure consistent statistical standards and guidelines are used across the decentralized system.) The official poverty measure (OPM), as defined in OMB Statistical Policy Directive No. 14, continues to be produced and updated every year.

In 1992, the National Academy of Sciences (NAS) convened a Panel on Poverty and Family Assistance to analyze statistical issues in measuring and understanding poverty,

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<sup>1</sup> Council of Economic Advisers. 1964. "The Problem of Poverty in America." In Economic Report of the President. Washington: U.S. Government Printing Office. Available at [https://fraser.stlouisfed.org/files/docs/publications/ERP/1964/ERP\\_1964.pdf](https://fraser.stlouisfed.org/files/docs/publications/ERP/1964/ERP_1964.pdf)

<sup>2</sup> U.S. Department of Health and Human Services. 2000. "Reasons for Measuring Poverty in the United States in the Context of Public Policy – A Historical Review: 1916–1995. Office of the Assistant Secretary for Planning and Evaluation. June 1. Available at <https://aspe.hhs.gov/report/reasons-measuring-poverty-united-states-context-public-policy---historical-review-1916-1995>

<sup>3</sup> U.S. Census Bureau. 1968. "The Extent of Poverty in the United States: 1959 to 1966." Series P-60, No. 54. May 31. Available at <https://www2.census.gov/library/publications/1968/demographics/p60-54.pdf>

<sup>4</sup> "Definition of Poverty for Statistical Purposes." Exhibit L. Circular No. A-46. Available at <https://www.cia.gov/library/readingroom/docs/CIA-RDP86-00244R000300400009-1.pdf> and U.S. Census Bureau. 2017. "Office of Management and Budget (OMB) in Statistical Policy Directive 14 (May 1978)." Available at <https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure/omb-stat-policy-14.html>

<sup>5</sup> U.S. Census Bureau. 2017. "Office of Management and Budget (OMB) in Statistical Policy Directive 14 (May 1978)." Available at <https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure/omb-stat-policy-14.html>

particularly in the context of changes in the U.S. society, economy, and public policy. NAS released a report entitled *Measuring Poverty: A New Approach* in 1995.

In 2009, OMB's Chief Statistician formed an Interagency Technical Working Group on Developing a Supplemental Poverty Measure (SPM Development Working Group). The SPM Development Working Group asked the Census Bureau and the Bureau of Labor Statistics to develop a Supplemental Poverty Measure (SPM) that could be used to improve understanding of the economic well-being of consumers, families, and households living in the U.S., and the impact of federal policies on poverty statistics. In 2010, the SPM Development Working Group issued a series of suggestions that included a resource measure that accounted for taxes and some in-kind benefits, with thresholds based on recent consumption patterns.

In November 2011, the Census Bureau released the first SPM report, providing SPM estimates for 2009 and 2010. At the same time, BLS released SPM thresholds for reference consumer units by household tenure (renters, owners with mortgages, and owners without mortgages). From 2011 to 2019, the Census Bureau has released the SPM report with estimates on an annual basis, with the most recent report (September 2019) containing 2018 estimates. BLS produced the SPM thresholds during this timeframe. The SPM does not replace the official poverty measure, and the SPM is not the measure used to estimate eligibility for government programs. Instead, the SPM is designed as an experimental measure that defines income thresholds and resources in a manner consistent with the 1995 NAS report. This purpose differs from that of the official poverty measure, and with differences in both the resource measure and thresholds, the two measures are not directly comparable.

Since the issuance of the first SPM, OMB convened a separate interagency technical working group (SPM Implementation Working Group) to advise on challenges and

opportunities the Census Bureau and BLS identify concerning data sources, estimation, survey production, and processing activities for development, implementation, publication, and improvement of the SPM.

Currently, the SPM Implementation Working Group is reviewing potential changes to implement in 2021, the 10-year anniversary of the first SPM report. Potential changes to the SPM would be presented and discussed at conferences and expert meetings and posted on the Census Bureau's SPM website ([www.census.gov/topics/income-poverty/supplemental-poverty-measure.html](http://www.census.gov/topics/income-poverty/supplemental-poverty-measure.html)). The SPM Implementation Working Group plans to announce any potential changes in Fall 2020 that would be implemented in the September 2021 SPM report.

As nearly a decade has passed since the SPM Development Working Group provided initial observations for the SPM, it is an opportune time to evaluate possible additional alternative measures of poverty distinct from the OPM and SPM. Recognizing the value of various poverty and well-being measures for informing the public and the Federal government, the Chief Statistician of the United States chartered the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty (Working Group) in 2019. The Working Group's purpose is to evaluate possible alternative measures of poverty, how such measures might be constructed, and whether to publish those measures along with the measures currently being published. The Working Group includes career representatives from 11 Federal agencies and is chaired by OMB's Office of the Chief Statistician. Additional poverty measures recommended by the Working Group and ultimately produced by any government agency will not be intended to replace the OPM or the SPM. Additional poverty measures would not be intended for use to estimate eligibility for government programs. The OPM and the SPM would continue to be produced and updated every year.

The Working Group developed a consensus interim report detailing its considerations to date. The interim report is available on *www.regulations.gov* with docket number “OMB-2019-0007”. A final report is planned to be delivered to the Chief Statistician of the U.S. by the end of Spring 2020 that details the Working Group’s set of final recommendations with regard to producing and publishing alternative measure(s).

## **II. Considerations of the Working Group**

In its interim report, the Working Group laid out considerations to date to evaluate, and potentially produce, additional alternative measures of poverty. OMB invites the public to read and offer comments on the approach described in the Working Group’s interim report, which can be found at *www.regulations.gov*. OMB is especially interested in receiving comments on the set of questions posed by the Working Group outlined in the **DESIRED FOCUS OF COMMENTS** section below. A summary of the interim report follows:

Since the establishment of the U.S. official poverty measure (OPM) more than fifty years ago, there has been continuing research on poverty measurement. Alternative estimates of poverty have been published for more than three decades by the Census Bureau, and in 2011 the Census Bureau in cooperation with the Bureau of Labor Statistics (BLS) began publishing the Supplemental Poverty Measure (SPM). Existing and previous measures of poverty produced by the Federal government are income based and rely on surveys to capture the income data. Guidance issued by the Commission on Evidence-based Policymaking, National Academy of Sciences reports, and OMB have recommended combining administrative data with survey data to improve national statistics. In recent years, evidence has shown that there is survey misreporting of many income sources. Recognizing the changing landscape and that alternative

statistics can provide useful information, the Chief Statistician of the United States formed the Interagency Technical Working Group on Evaluating Alternative Measures of Poverty (Working Group) to evaluate possible alternative measures of poverty, how such measures might be constructed, and whether to publish those measures along with current measures.

To provide context for the Working Group's discussions of alternative measures of poverty, the interim report discusses the history of poverty measurement in the U.S., including the development and implementation of the OPM and SPM. In addition, the Working Group identified some of the uses of the OPM and SPM, as well as noted some of the known concerns with each of the measures.

To date, the Working Group has primarily focused on single-dimensional poverty measurement. Single-dimensional poverty measures have two key parts: the resource measure (such as income or consumption) and the thresholds (the cutoffs to which the resource measure is compared). The primary focus of the Working Group's discussions have been on resource measures, leaving discussion of thresholds for future months.

The Working Group is considering both extended income-based and consumption-based resource measures, as well as identifying other areas worthy of future research by the Federal Statistical System. For an extended income resource measure, the Working Group is considering expanding beyond pre-tax cash income to include some in-kind transfers and account for taxes and tax credits, much like the SPM resource measure. In addition, the Working Group is considering whether and how to incorporate the value of health insurance benefits and implicit flows from non-financial assets (e.g., vehicles, owner occupied housing, other properties). An extended income resource measure may also integrate administrative data with household survey income information, taking advantage of recent research on the use and the increased availability

of potentially more accurate administrative data. The Working Group is considering other approaches for adjusting survey data for misreporting as well.

A consumption-based resource measure may more directly capture the resources available to a family if they record the consumption that was actually achieved. These measures begin by summing most categories of expenditures on goods and services. Certain categories of expenditures are often thought of as enhancing future consumption and are typically excluded, such as pension contributions and education expenses. Health expenditures are less uniformly excluded, since they have both substantial investment and immediate consumption features. A flow of consumption resources is also typically attributed to some owned durable goods, in particular vehicles and owner-occupied homes.

Any final recommendation ultimately made by the Working Group would also consider implementation issues with, as well as other advantages and limitations of, proposed measures. The Working Group has discussed many implementation issues to date, including the choice of survey data (for example, choosing between the Current Population Survey Annual Social and Economic Supplement or the American Community Survey) most appropriate for use in developing the measure, which would have an effect on the ability to produce estimates at different geographic levels, for example. In addition, the Working Group has identified some advantages and limitations of extended income- and consumption-based resource measures. For example, for an income-based resource measure, annual income will not capture the standard of living of individuals who draw upon savings or borrow to fund their consumption. However, an income-based resource measure captures a household's command over resources, and household income data are available in more datasets than a household's expenditures.

While the Working Group has not discussed thresholds in depth, the Working Group acknowledges that poverty thresholds are a key component of a poverty measure. Individuals with resources that fall below the poverty threshold are counted as poor, and individuals with resources at or above the poverty threshold are not counted as poor. The Working Group has identified several key considerations for setting poverty thresholds, and plans to discuss each of those considerations in the coming months, as well as other concepts related to thresholds.

Finally, while the Working Group is focused on the extended income-based and consumption-based measures, the Working Group has also identified other topics worthy of further research by the Federal Statistical System. These topics include multi-dimensional poverty measurement and individual indicators of well-being, and populations such as those experiencing homelessness that are not included in the surveys on which the Working Group has focused.

#### **DESIRED FOCUS OF COMMENTS:**

OMB is particularly interested in receiving comments on the questions posed by the Working Group. To be most useful to the Working Group in their ongoing deliberations and ultimately to OMB in reviewing the Working Group's final recommendations, responders should read the Working Group's interim report before addressing the posed questions. Responses should be concise, include citations if summarizing or depending on published work, and any links to related research. In addition, responses should clearly identify which question is being addressed.

Questions posed below are those the Working Group deemed most significant and relevant to the Working Group's remaining discussions. The questions have been sorted into

broad categories for ease of review. In addition, a pointer to related discussion within the interim report follows each question. The Working Group’s interim report titled “Interim Report of the Interagency Technical Working Group on Alternative Poverty Measures” is available as a supplemental document on *www.regulations.gov* in docket number “OMB-2019-0007”.

### **Definitions**

1. How should a sharing unit be defined? A sharing unit is meant to reflect the set of people sharing resources in a household. (See Adjusting for different sharing unit sizes.)

### **Resource measures**

2. What standards should the group use to determine which resource measures should be preferred? Specifically, to what extent should the group consider the following standards: (i) association with other measures of material hardship, (ii) conceptual advantages, (iii) simplicity, (iv) feasibility (including data availability), (v) reproducibility? (See Advantages/Disadvantages of Income and Consumption Resource Measures. See also Multi-Dimensional Poverty Measurement and Individual Indicators of Well-Being.)
3. Should the value of health insurance be incorporated? And if so, how? (See Alternative versions of income measures with different values of health insurance.)
4. Should the value of education be incorporated? And if so, how? (See Treatment of Education.)

*For a potential income resource measure:*

5. What income sources should be included (aside from health insurance, which is addressed by question 3)? If so, how? (See *Income Measures Using the CPS ASEC and American Community Survey*.)
6. What expenses, if any, should be subtracted from income? For example, how should medical out of pocket (MOOP) expenditures be treated in a new measure? Should other expenses such as childcare and commuting costs be subtracted? (See *Income should be defined more broadly than pre-tax cash income currently used for the OPM*.)
7. How should the Working Group address the problem of survey misreporting of income in household surveys? (See *Correcting Survey Data for Misreporting and Improving Tax Estimates*.)

*For a potential consumption resource measure:*

8. What types of spending should be included as consumption (aside from spending on health care or insurance, which is addressed by question 3)? If so, how? (See *Consumption Measures Using the Consumer Expenditure Interview Survey*.)
9. How should vehicles and housing be included? (See *Consumption Measures Using the Consumer Expenditure Interview Survey*.)
10. How should the Working Group address the problem of survey misreporting of consumption in household surveys? Should the group consider using only those types of consumption that are reported with greater accuracy, while excluding less accurately measured types of consumption? What are the

tradeoffs in using only well-measured consumption versus full consumption?  
(See Accounting for Expenditure Misreporting.)

### **Thresholds**

11. How should the thresholds be set initially? (See Setting poverty thresholds in a baseline year.)
12. How should they be updated over time? (See Adjusting poverty thresholds over time.)
13. Should thresholds be adjusted for geographic areas? If so, how? (See Adjusting poverty thresholds across geographic areas.)
14. How should a sharing unit's size and composition be accounted for? (See Adjusting for different sharing unit sizes.)

Thank you for your thoughts on these and other important questions associated with the Working Group's discussion of Alternative Measures of Poverty. OMB and the Working Group look forward to your insights and feedback.

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