



Measuring Our Success in Addressing Child Poverty

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Who We Are

- ◆ NCCP is a leading public policy research center dedicated to the economic security, health, and well-being of low-income children and families.
- ◆ Part of Columbia University's Mailman School of Public Health, NCCP promotes family-oriented solutions at the state and national levels.
- ◆ Our ultimate goal: **Improved outcomes for the next generation.**



Overview of Presentation

- ◆ Government Efforts to Address Child Poverty
- ◆ Current Federal Poverty Measure
- ◆ Measuring American Poverty (MAP) Act



Government Efforts to Address Child Poverty



Reducing Child Poverty is Critical

- ◆ Poverty is the single greatest threat to child well-being.
 - Impedes children's cognitive development and ability to learn.
 - Contributes to behavioral, social, and emotional problems.
 - Causes and exacerbates poor health.
- ◆ Growing up in poverty is associated with poorer educational and employment outcomes - and a higher risk of being low-income as an adult.



Many Government Programs Are Designed to Help – E.g.:

- ◆ The Earned Income Tax Credit and other refundable tax breaks help low-wage workers make ends meet.
- ◆ Child care subsidies and Head Start can make quality care affordable for low-income families.
- ◆ Medicaid and SCHIP increase access to health care by providing free/low-cost health insurance.
- ◆ SNAP/food stamps and other nutritional assistance help to address hunger and food insecurity.



Significant Benefit Expansions Enacted in 2009

American Recovery and Reinvestment Act (ARRA)

- ◆ EITC and Child Tax Credit expanded; new Making Work Pay Tax Credit
- ◆ Additional funds provided for child care assistance.
- ◆ SNAP/food stamp benefits increased.

Children's Health Insurance Program (CHIP) Reauthorization Act



Key Question: How Effective are our Antipoverty Policies?

- ◆ Are we reducing child poverty?
- ◆ Are we targeting assistance to those who need it most?

→ How do we calculate the impact of our investment?



Current Federal Poverty Measure



How Do We Calculate Poverty?

- 1. Set a poverty threshold.*
 - 2. Establish a method for calculating family resources.*
- Families whose total resources are below the threshold are considered *poor*.



Current Poverty Threshold is Flawed

$$\text{Poverty threshold} = \text{food budget} * 3$$

- ◆ No relationship to today's budgets.
 - Measure established in the 1960s when families spent about 1/3 of their income on food, and only updated for inflation.
 - Food is now less than 1/7 of a family budget.
- ◆ Far lower than real cost of basic necessities.
 - NCCP's Basic Needs Budgets suggest that families need about 1.5 to 3 times the official poverty line to make ends meet.



Official Poverty Threshold

Federal poverty guidelines, 2009

Persons in family or household	48 contiguous states and D.C.	Alaska	Hawaii
1	\$10,830	\$13,530	\$12,460
2	\$14,570	\$18,210	\$16,760
3	\$18,310	\$22,890	\$21,060
4	\$22,050	\$27,570	\$25,360
5	\$25,790	\$32,250	\$29,660
6	\$29,530	\$36,930	\$33,960
7	\$33,270	\$41,610	\$38,260
8	\$37,010	\$46,290	\$42,560
For each additional person add:	\$3,740	\$4,680	\$4,300



Basic Needs Budget Calculator

Basic Needs Budget: Des Moines/Polk County, IA (2008)

Two-parent family with 2 children, ages 3 and 6
(both parents work full-time)

	Annual	Monthly
Rent and utilities	\$8,784	\$732
Food	\$7,878	\$656
Child care (center-based)	\$11,682	\$974
Health insurance premiums (employer-based)	\$2,436	\$203
Out-of-pocket medical	\$732	\$61
Transportation	\$5,788	\$482
Other necessities	\$4,499	\$375
Debt	\$0	\$0
Payroll taxes	\$3,583	\$299
Income taxes (includes credits) ? [show detail]	\$1,455	\$121
TOTAL	\$46,836	\$3,903

Hourly wage needed (per parent): **\$11**

Percent of the federal poverty level: **221%**

<www.nccp.org/tools/budget>



Method for Calculating Resources is Flawed

Family Resources = pre-tax cash income

- ◆ Key government benefits are excluded: EITC, Child Tax Credit, and other tax breaks; SNAP/food stamps, child care subsidies, and other in-kind benefits.
- ◆ In addition, payroll, income, and other tax liabilities are not subtracted.



What Does This Mean?

- ◆ We don't have a good benchmark for identifying who is in need.
- ◆ There's no good measure for calculating the impact of antipoverty programs and policies.
 - *None of the recent expansions in tax credits, child care assistance, SNAP/food stamps, or CHIP will be reflected in poverty counts.*



Measuring American Poverty (MAP) Act



“Modern Poverty Measure”

MAP Act proposes a new measure that builds on National Academy of Sciences (NAS) recommendations.

- ◆ Thresholds reflect current consumption patterns (based on cost of food, housing & utilities, and clothing) and are adjusted for geographic variation in cost of living.
- ◆ Family resources are calculated both *before* and *after* government transfers (taxes and benefits). Estimated health and child care expenses are subtracted.



“Modern Poverty Measure” (cont.)

- ◆ The result:
 - Slightly higher poverty thresholds - preliminary calculations suggest thresholds about 20% higher than under the current method.
 - A better picture of who is in need and what difference government antipoverty policies make.



Other Measures of Well-Being

MAP Act calls on the National Academy of Sciences to develop two additional measures.

- ◆ **Decent Living Standard:** The amount of income needed to “live at a safe and decent, but modest, standard of living.”
- ◆ **Medical Care Risk Measure:** The extent to which individuals are “at risk of being unable to afford needed medical treatment, services, goods, and care.”



“Traditional” Poverty Measure

MAP Act provides that the current poverty measure continue to be calculated.

- ◆ Programs and funding formulas that rely on the poverty measure will continue to use the “traditional” measure.



For More Information

Visit NCCP's website:

www.nccp.org

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