

MEASURING POVERTY AND THE TRUE COST OF LIVING IN THE U.S.

Poverty measurement has profound importance to the administration of public assistance in the U.S. The complex and often archaic calculations of the current obscure and technical process of poverty measurement ultimately determine how many families are identified as living in poverty and set eligibility criteria for all major public assistance programs including the Supplemental Nutritional Assistance Program (or SNAP), Medicaid, and Temporary Assistance to Needy Families (TANF, which includes cash assistance). However, the nearly 60-year-old process for measuring poverty, which is used by the federal, state, and local agencies, has long been outdated and inadequate in capturing the true costs of making ends meet in the 21st century.

Measuring the *True Cost of Living* entails creating a more realistic picture of the cost of a decent standard of living beyond mere survival. Multiple research organizations have developed estimates of the true cost of living. One of these measures, the Self-Sufficiency Standard, which was developed by the University of Washington, factors in the totality of costs associated with living, working, supporting a family, and pursuing economic opportunity—as well as geographic disparities and the changing consumption patterns over time—to create family budget calculators. Given the importance of poverty measurement to the administration of public assistance, updating measures to reflect the costs associated with true economic security is vital to closing the financial gaps endemic to our benefits system.

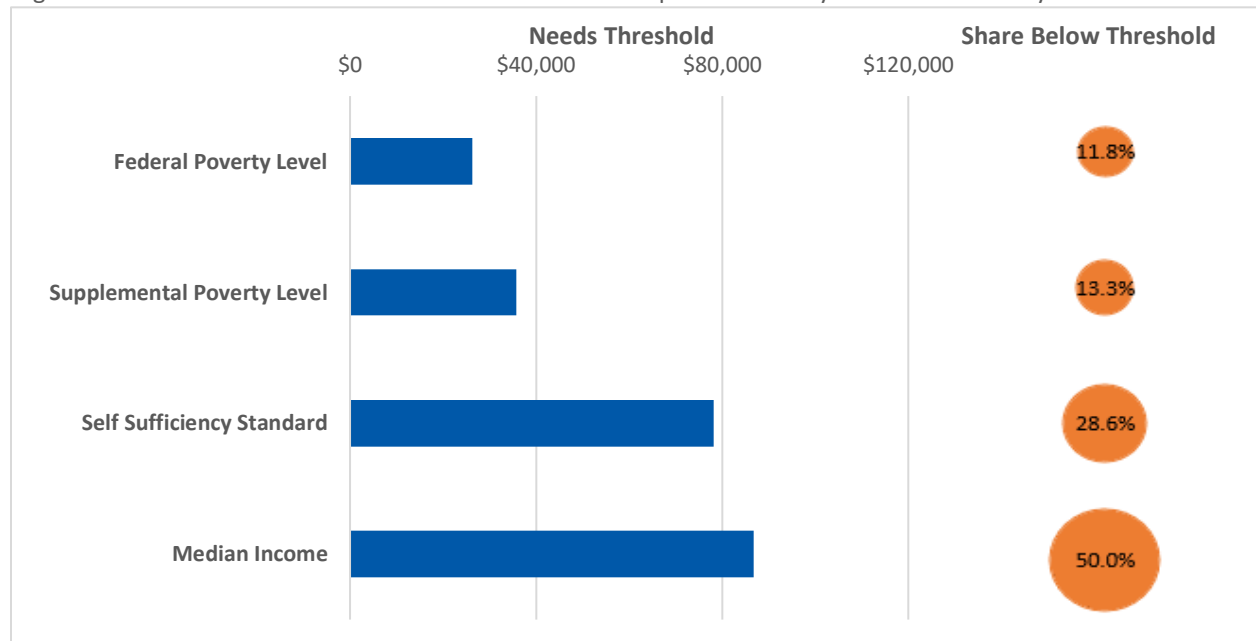
Figure 1. Overview of the official and supplemental poverty measures

OFFICIAL POVERTY MEASURE (OPM)	SUPPLEMENTAL POVERTY MEASURE (SPM)
Primary poverty measure in U.S. Used to determine eligibility for range of public assistance programs, and indirectly to benchmark wages	Has no bearing on eligibility determination ; exists to provide an alternative view of economic hardship,
Based on 1960 cost of minimal nutritional standard, adjusted for inflation	Introduced by U.S. Census Bureau in 2011 to address FPM flaws
New basic living expenses like internet access are not included	Based on typical expenditures on food, clothing, shelter, utilities, and misc. expenditures with nondiscretionary costs related to work, medical care
Cost of living not adjusted geographically – NY is 10% higher than national average	Includes taxes, adjusts geographically and for housing status
Does not account for taxes	Thresholds remain lower than assessments of minimum necessary income
Since 1960, energy, shelter, and medical costs have outpaced food by 35, 37, and 242 percent , respectively	Inclusion of public assistance implicitly ties SPM to OPM

Figure 2. Detailed comparison of selected poverty measures

	<i>Federal Poverty Measure</i>	<i>Supplemental Poverty Measure</i>	<i>Self Sufficiency Standard</i>
Calculation	Minimum cost of food in 1960, multiplied by three, adjusted for inflation	33 rd percentile of expenditures on food, clothing, shelter, and utilities plus 20 percent for miscellaneous costs	Estimated market values of housing, child care, food, transportation, healthcare, emergency savings plus 10 percent for miscellaneous costs
Regional Adjustments	No geographical adjustments	Adjusts for cost of living by state and metropolitan area	Geographical variation for each expenditure data source
Eligibility Metric	Pre-tax family income, no accounting for public assistance	Post-tax income, accounts for public assistance and costs of non-discretionary spending	Post-tax income; no accounting for public assistance
Benefits Distribution	Thresholds scale up only by number of household/family	Varies by number of adults and children	719 family types varying by number and ages of related individuals
Housing Considerations	No adjustment for rent versus homeownership	Adjusts for housing status	No adjustment for rent versus homeownership

Figure 3. Selected measures' thresholds for a four-person family in New York City



Sources: US Census Bureau; University of Washington; MIT; Bureau of Labor Statistics; Thresholds are for two adult, two child families; SPM threshold is for New York metro area renters; SSS threshold is for two adult, two school-age children in Brooklyn, NY; MIT threshold is for two working adults and two children in Brooklyn, NY. Median income is for four person families in New York City; Thresholds used are for 2020; FPL and SPM are average 2018-2020 levels for New York State; SSS poverty rate is for New York City; Median income included to illustrate various standards in comparison to typical household income.