



THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, NY 10007

House Ways and Means Subcommittee
On Income Security and Family Support

Testimony
Submitted for the Record By

Linda Gibbs

Deputy Mayor for Health and Human Services

City of New York

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I appreciate the opportunity to submit testimony for the record on behalf of the City of New York. In April, I appeared before this Subcommittee and described the Bloomberg Administration's plan for addressing poverty in New York City. In 2006, the Mayor created a Commission for Economic Opportunity and charged it with the task of developing recommendations for new, City-led initiatives based on the best available data and evidence of how poverty is experienced and solved. My testimony recounted the frustration our Commission members felt as they tried to make use of the existing conceptual framework and data resources to fashion their proposals for local action.

Since your April hearing, we have continued to put our plans into action and that includes making our own efforts to better measure poverty and well-being in our city. This work gives us a strong stake in how the federal government measures poverty.

The poverty measure that was developed in the mid-1960s made an important contribution to shaping the policy agenda of its day, but four decades later the world has changed and lens through which we view it must be refashioned accordingly. We believe that both the income thresholds that define poverty and the definition of resources that determine whether a family is living below the poverty line are now severely flawed.

What's Wrong with the Poverty Threshold?

The current poverty thresholds no longer comport with the composition of consumer expenditures. Developed in the mid-1960s, the thresholds were based on the cost of food. The price of an "economy food plan" was multiplied by three because the survey data available at that time indicated that food accounted for a

third of family expenditures. But expenditure patterns have undergone dramatic changes; food now represents only one-eighth of average annual consumer spending. Notably, the cost of housing is now the largest major category, at nearly a third of total expenditures. Tripling the cost of a bare bones diet is no longer a sensible way to establish a poverty line.

As others will point out, over the years the poverty thresholds have come to represent a declining fraction of median family income. This is an outgrowth of the kind of poverty measure we employ. The official measure is designed to demarcate an absolute – or fixed – standard that identifies who in our nation is living at an unacceptable state of material deprivation. The thresholds are only adjusted (by annual changes in the Consumer Price Index) to account for the rising cost of attaining that minimum standard. Median family income, however, has been growing more rapidly than inflation.

The drawback with this approach is that the inability to meet an unchanging level of material need is too narrow a basis for a democratic society to judge who is poor. We care whether families have enough to eat and a roof over their heads. And as New York City's Deputy Mayor for Health and Human Services, I can assure you that the City grapples with that issue every day. But a democracy also values the capacity of all its members to fulfill their roles as husbands, wives, and parents; to contribute to the life of their communities; and to participate in our political institutions.

The ability to fulfill those roles depends, to a large degree, on having access to the ever-expanding prosperity enjoyed by the rest of society. Over time goods and

services that were once viewed as luxuries become first, common comforts and latter, necessities of a normal life. In most of the nation, for example, it is now nearly impossible for a family to function without a reliable automobile. Today every family must have a telephone if it is to contact emergency services. If it is to have access to news, information and culture a TV, radio, and newspapers are essential. This was not always true, but it is true now. And soon (if not now) we will need to add cell phones and access to the Internet to that list.

These and other former luxuries, become commonplace, in part, because of productivity growth, which allows the relative price of these goods to fall over time. But they also become more widely used because many families are enjoying real income growth and are increasingly able to afford them. If we care about every member's capacity to adequately function in a modern, technologically rich society, that value should shape our definition of deprivation. The way to do that is to adjust the poverty thresholds over time so that it continues to stand in some rational relationship with the standard of living enjoyed by the economic and social mainstream.

The thresholds should account for differences in living costs

While we New Yorkers enjoy the fact that our public transportation system allows many of us to live without a car, we are well aware that New York, as well as other urban and suburban areas in the US, are very expensive places to live. Yet, the current poverty measure uses the same income threshold across the nation as if a dollar in New York can go as far as a dollar in lower cost areas of the country. An improved poverty measure should also account for those differences.

The Definition of Resources Must be Expanded

While our dissatisfaction with the thresholds is largely philosophical, our criticism of the current definition of resources is intensely practical. The current measure compares the poverty threshold to a family's pre-tax cash income. This tells us little about the extent to which our efforts to help people climb out of poverty are actually working. It is close to useless as a guide for how new resources and initiatives should be targeted.

Looking across Mayor Bloomberg's wide-ranging anti-poverty agenda it becomes obvious why restricting the definition of resources to pre-tax cash income is so limited as a guide for our work. Among our many efforts, we are striving to:

- Connect more of our working poor to in-kind public benefits such as Food Stamps and publicly funded health insurance programs.
- Encourage low-wage earners to file for the federal, state and City EITC.
- Provide low-income families decent and affordable housing.
- Expand opportunities for parents to secure quality childcare through a New York City child care tax credit.

Our tax-based initiatives will put more money in people's pockets. The City's new child care tax credit is recognition of the costs parents incur in holding a job. Our efforts to provide low-cost housing and to enroll more families in Food Stamps, Medicaid, SCHIP, and Family Health Plus will ease the pressure on strapped family budgets. Tax credits and in-kind benefits free funds for other necessities and help families to accumulate savings. Many New Yorkers (and I would imagine that many

Americans) would view these as important policy goals. But none of this is pre-tax cash income and so none of these efforts, no matter how successful, will be reflected in the city's annual poverty headcount.

This is not an issue that is unique to New York. Federal expenditures on in-kind benefits, services, and tax-credits directed toward low-income Americans dwarfs its spending on cash assistance.

A new measure of poverty, therefore, should more accurately capture the effect public policy is now making on the lives of those who are vulnerable to poverty by including the cash value of in-kind benefits, the net effect of taxation, and the impact of unavoidable work-related expenses in its definition of resources that are to be compared against the poverty threshold.

New York City Isn't Waiting

Change at the federal level is needed, but we are not waiting for federal action. Our Economic Opportunity Commission recognized the need to act when it recommended that the city develop its own indicators of poverty and well-being. We have begun that work. First, all of our new programmatic initiatives will undergo rigorous evaluations. We have an obligation to learn whether what we are doing is making a significant difference. In addition, we are developing a set of social indicators that will measure the well-being of the Center for Economic Opportunity's target populations: young children, older youth, and the working poor. Finally, we will be developing our own measure of poverty, which will address the weaknesses in the current measure that I have just outlined.

Our hope is that our efforts will help us to better understand how our program priorities reflect current and future needs. An improved measure might tell us that there are more or fewer people living below the poverty line than we thought. But more important, an improved measure should offer a more accurate appraisal of who and where those people are. It may, for example, provide new insight into the extent to which poverty is common among families reliant on low-wage employment. New York is one of America's gateways, a better method for measuring poverty may tell us something we need to know about how well are we meeting the challenge and realizing the opportunities that immigration brings to our city.

We have a responsibility to use the best tools we can to evaluate our work. Mayor Bloomberg has committed city government to an ambitious agenda. The public has a right to know whether its tax dollars are being well used in that effort. Accountability – and continued public support – require sound measurement of results.

Conclusion – Federal Action is Still Needed

We expect that our work will provide policy makers and the public much needed information. But it is no substitute for federal change. The Census Bureau is going to continue to provide poverty rates based on the official methodology and that will inevitably create a certain degree of public confusion. City officials and Census Bureau personnel will be asked why one set of estimates are different from the other and who is “right” and who is “wrong.”

This is unnecessary. We can establish a better measure of poverty that is widely accepted by researchers, policymakers and the public across the country. But the federal government must make the needed change.

Congress should direct the Census Bureau to develop a plan for moving toward a poverty measure that addresses the concerns expressed in the City's testimony. The Bureau is well-positioned to respond in a timely fashion. Our criticisms of the existing measure are broadly shared and there is widespread agreement that the 1995 recommendations of the National Academy of Sciences' Panel on Poverty and Family Assistance: Concepts, Information Needs, and Measurement Methods provide a clear direction forward. Indeed, Census Bureau staff has already produced an impressive body of research based on the National Academy's proposals.

Finally, let me extend an offer to help whenever we can. In particular, we would welcome the opportunity to share what we are learning from our own work to measure poverty in New York City.