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The Federal Poverty Level Does Not Meet Data Needs of the California Legislature

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SUMMARY: This policy brief highlights results from a survey of a broad sample of the California legislature on their data and information needs, as well as their familiarity and use of various economic measures. It finds that legislative staff most often use the Federal Poverty Level (FPL) when they are making recommendations about policy and evaluating programs for low-income populations. Yet the FPL does not meet most of the criteria for economic data that legislative staff say they want. Specifically, the FPL does not measure local conditions, it is not based on current costs,

and it does not take into account all types of expenses faced by low-income families. Other measures of economic security more accurately meet legislative staffs' stated data and information needs, including the Elder and Family Economic Security Indices, the U.S Census Supplemental Poverty Measure and Relative Poverty Measures. Improving awareness and usability of these other measures of economic security can better match the data and information needs of the California legislature and can contribute to innovative solutions to help California's most vulnerable populations.

During the recent economic downturn, when the number of people in poverty rose to a modern all time high,¹ the effective allocation of limited state resources became a critical issue for policymakers. Key to allocating those resources responsibly was credible data that accurately captured the social and economic realities and enabled lawmakers to make informed decisions.

The official measure of poverty is currently the Federal Poverty Guideline, commonly referred to as the Federal Poverty Level (FPL). This measure, created in the 1960s based on 1950s spending patterns and since adjusted by the Consumer Price Index, establishes a uniform national amount (\$23,050 for a family of four in 2012). It does not reflect the actual income needed for basic living expenses in states such as California, where the cost of living is above average. Because of this and

other outdated features of the FPL, several other economic measures have been developed to provide a more accurate measure of economic need. Available economic measures include the Elder and Family Economic Security Indices, the U.S Census Supplemental Poverty Measure and Relative Poverty measures.

Some of the key characteristics of these measures vary based on their focus (current costs vs. current spending), methodologies and geographic specificity. While these other measures more accurately capture economic need, it was not clear, prior to this work, if any of them are better at meeting the data needs of policymakers. To find out, the UCLA Center for Health Policy Research conducted an online survey in 2011 of the California legislature to better understand their data and information needs in regards to policies and programs impacting low-income populations.

California Legislature Relies on Many Sources and Types of Data

California legislative respondents to our survey rely on a wide variety of data and information to help inform deliberations about policies and programs impacting low-income populations. A majority of the California legislature reported that they always or often use data or information from budget analyses (80.6%), analyses from legislative committees (such as the Appropriations Committee or relevant policy committees; 87.5%), and policy recommendations (from policy briefs/reports) issued by non-governmental entities (72.3%).

The type of data and information the legislature use largely depends on the specific policies under consideration. Among those whose work predominately focuses on low-income populations, data needs are more specific. For example, they are more likely (79.5%) than others who do not focus primarily on low-income populations (41.2%) to always or often use measures of economic need (poverty level, area median income, or Elder Index, for example). They are also more likely (84.4%)

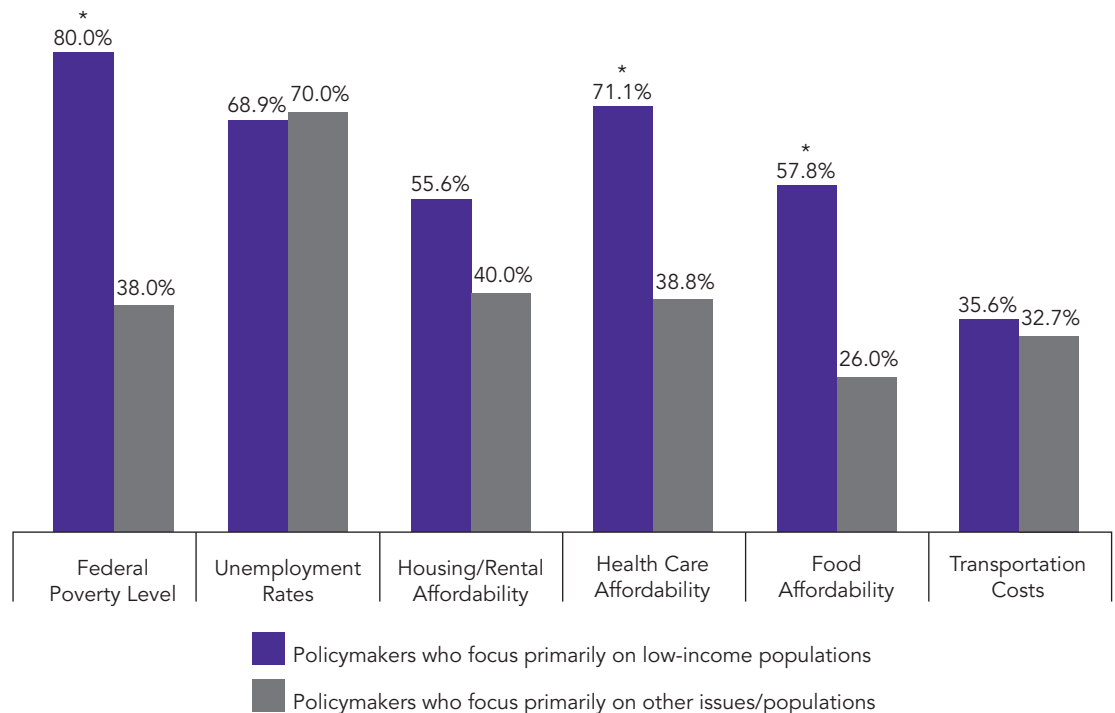
than others (56.9%) to use descriptive data on low-income populations (such as sociodemographic characteristics, population size or disability status) as well as data on the impact of policies and programs to reduce poverty (75.6% vs. 52%).

Unemployment, Income and Health Care Affordability: Key Economic Indicators

When making recommendations and decisions about policies and programs, unemployment rates are the most widely used indicator of economic need among those who work in the California legislature (Exhibit 1). However, among those whose primary work focuses on low-income populations, the Federal Poverty Level was the most commonly used measure. In addition to the FPL, health care and food affordability were also cited significantly more often by those with a policy focus on low-income populations than by those without a primary focus on low-income populations. The reliance on multiple economic indicators highlights the legislature's need for data sources that capture the multifaceted nature of economic needs.

Exhibit 1

Most Important Economic Need Indicators by Policy Focus, California Legislature, 2011

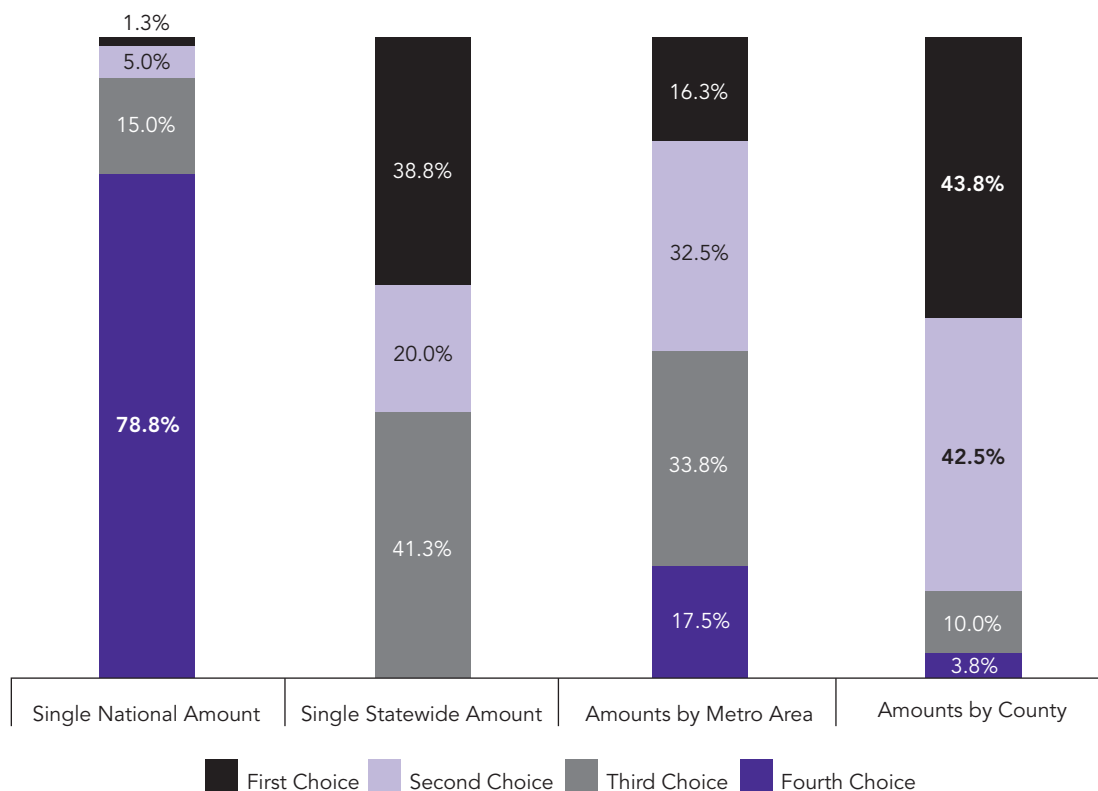


*Indicates a statistically significant difference between groups at $p < .05$.

Source: Improving Data for Effective Application by Legislators (IDEAL) Survey conducted by UCLA Center for Health Policy Research, 2011.

Preference Ranking of Geographic Specificity, California Legislature, 2011

Exhibit 2



Source: Improving Data for Effective Application by Legislators (IDEAL) Survey conducted by UCLA Center for Health Policy Research, 2011

State or Local Data Based on Current Costs Preferred

The California legislature wants economic data that are geographically and fiscally relevant to California. Given the multitude of economic measures available and the variations among them based on their focus (cost vs. spending for example), methodology and geographic specificity, respondents were asked to rank their preference (with 1 being first and 4 being last) for the level of geographic specificity they look for in economic data as well as the type of economic measure that would best meet their needs.

Geographic Specificity

To inform decisions on policies and programs for low-income populations, we asked the California legislative respondents about their preference for the level of geographic specificity they prefer in economic data: single national or statewide amounts, amounts by metropolitan area or by county (Exhibit 2). The vast majority of respondents ranked county-level data as

their first or second preference (43.8% and 42.5% respectively). Just over half ranked a single statewide amount as their first or second choice. The least useful was national data, which was ranked last by more than three-quarters of the respondents. Similar trends were seen among legislative respondents who had a focus on poverty-related programs and policies and among those who did not.

Types of Economic Measures

Utilizing the focus and methodologies of five different measures of economic need, we asked respondents to rank their preferences among these different types of economic measures. As with the geographic specificity preferences, the responses for type of economic measure did not differ by policy focus.

- **First** – The largest percentage of legislative respondents reported that an economic measure based on *current costs* for *all* basic living expenses (such as the cost of renting a standard one-bedroom apartment) would be their first preference for an economic

Exhibit 3 Comparison of Economic Measures

	Elder Economic Security Standard (Elder Index)	Family Economic Self Sufficiency Standard	U.S. Census Supplemental Poverty Measure	Relative Poverty Measures	Federal Poverty Level
Smallest Geographic Specificity Provided:	County	County	Metropolitan area	National (could be calculated by state)	National
Based on:	Current <i>costs</i> for <i>all</i> basic living expenses for retired older adults (65+ years)	Current <i>costs</i> for <i>all</i> basic living expenses for individuals and families (under 65 years)	Current <i>spending</i> patterns for <i>some</i> basic living expenses	Current <i>income</i>	1950s <i>spending</i> patterns, adjusted by the Consumer Price Index (CPI)
Economic Need Indicators Included:	<ul style="list-style-type: none"> • Housing/utilities • Median out of pocket medical expenses • Food • Transportation • Miscellaneous costs (20% of other costs) 	<ul style="list-style-type: none"> • Housing/utilities • Median out of pocket medical expenses • Food • Transportation • Child Care • Other work related costs 	<ul style="list-style-type: none"> • Housing • Utilities • Food • Clothing • Small % adjustment for some work and out of pocket medical expenses per individual 	<ul style="list-style-type: none"> • Percent of median income (those below assigned level, e.g. <40%, are poor) 	<ul style="list-style-type: none"> • Cost of food in 1963 x 3; total amount updated by CPI
Economic Assets Included:	<ul style="list-style-type: none"> • Unadjusted Income 	<ul style="list-style-type: none"> • Unadjusted Income 	<ul style="list-style-type: none"> • Income, plus federal government in-kind benefits and tax credits minus taxes 	<ul style="list-style-type: none"> • Unadjusted income 	<ul style="list-style-type: none"> • Unadjusted income

Sources: Elder Index – <http://www.healthpolicy.ucla.edu/ElderIndex>; Family Standard – <http://www.insightcced.org/communities/cfess/ca-sss.html>; SPM – <http://www.census.gov/bhes/povmeas/>; Relative Poverty Measure – <http://www.poverty.org.uk/summary/eapn.shtml>; FPL – <http://aspe.hhs.gov/poverty/>

Note: The SPM from the U.S. Census Bureau uses a slightly different calculation that also adjusts for family composition (i.e., mixture of children, non-elderly adults, and older adults who are assumed to have lower income needs due to retirement).

measure to best meet their needs in the work they do (69.4%).

- **Second** – Almost half of respondents ranked an economic measure based on *current spending* patterns for *some* living expenses (such as actual amounts paid for apartments, regardless of condition and crowding) as their second preference (47.2%).
- **Third** – Another half of respondents ranked an economic measure based on percentage of the median income of state or county residents as their third preference (51.4%).
- **Fourth** – More than three-quarters of respondents ranked an economic measure based on 1950s spending patterns as their least preferred economic measure (80.6%).²

Overall, these results demonstrate the California legislature's preference for measures of absolute need (measured either by the need for resources based on current costs of a broad set of basic goods, or current actual spending levels on a limited set of goods) rather than the relative need measures (percent of median income) favored in Europe. Unsurprisingly, survey

results also show that the California legislature want data and information that are credible, reliable and timely (98%, 93.9%, and 82%, respectively).

How Available Economic Measures Meet Data Needs

Based on the survey responses discussed above, the following section reviews five different measures of economic need, starting with those that closely reflect the preferences of those working in the legislature based on characteristics of these measures (Exhibit 3), and discusses how closely they meet the desired characteristics reported by the legislature.

The *Elder Economic Security Standard*TM *Index (Elder Index)* is a measure of economic security for older adults that is based on the *actual costs* for *all* basic living expenses at the *county level* – housing, health care, food, transportation and modest miscellaneous other expenses. The Elder Index is based on market costs and assumes no subsidies. It is part of a national effort developed by Wider Opportunities for Women in collaboration with

the Gerontology Institute at the University of Massachusetts Boston to promote the economic security of older adults that will allow them to age in place with dignity.³ The California initiative (Cal-EESI) is led by the Insight Center for Community Economic Development in collaboration with the UCLA Center for Health Policy Research.⁴ The California Department of Aging and the local area agencies on aging use the Elder Index as a guide in local area plans as required by AB138 (2011).⁵ The California Elder Index documents how the basic cost of living for older adults varies geographically, especially for housing and health care costs. For more information and data on the California Elder Index see: <http://www.healthpolicy.ucla.edu/ElderIndex>

The **Family Economic Self-Sufficiency Standard (Family Standard)** is a measure of economic security for families and is based on the *actual costs* for all basic expenses families face on a daily basis in each *county* – housing, food, child-care, out-of-pocket medical expenses, transportation and other necessary spending. The Family Standard is based on market costs and assumes no subsidies. It provides a comprehensive picture of what families of different sizes and composition need to make ends meet. For more information and data on the California Family Self-Sufficiency Standard see: <http://www.insightcced.org/communities/cfess/ca-sss.html>

The **U.S. Census Supplemental Poverty Measure (SPM)** is a level that represents the dollar amount actually spent on a basic set of goods – food, clothing, shelter and utilities (FCSU), and a small additional amount to allow for other needs (such as household supplies, personal care and non-work-related transportation). The SPM was developed after two decades of research showing that the official poverty measure was inaccurate, culminating in a congressionally mandated scientific review carried out by The National Academy of Sciences (NAS).⁶ The NAS assessment recommended a new measure that accounts for variation in spending on housing at the *metropolitan-area* level (usually involving multiple counties). The level is set at the 33rd percentile of the basic bundle of *spending*

for a subset of goods (FCSU), with income deductions for taxes, childcare and out-of-pocket health care costs, and accounts for income supplements from in-kind benefits (supplemental food programs for example).⁷ For more information about the SPM see: <http://www.census.gov/hhes/povmeas/>

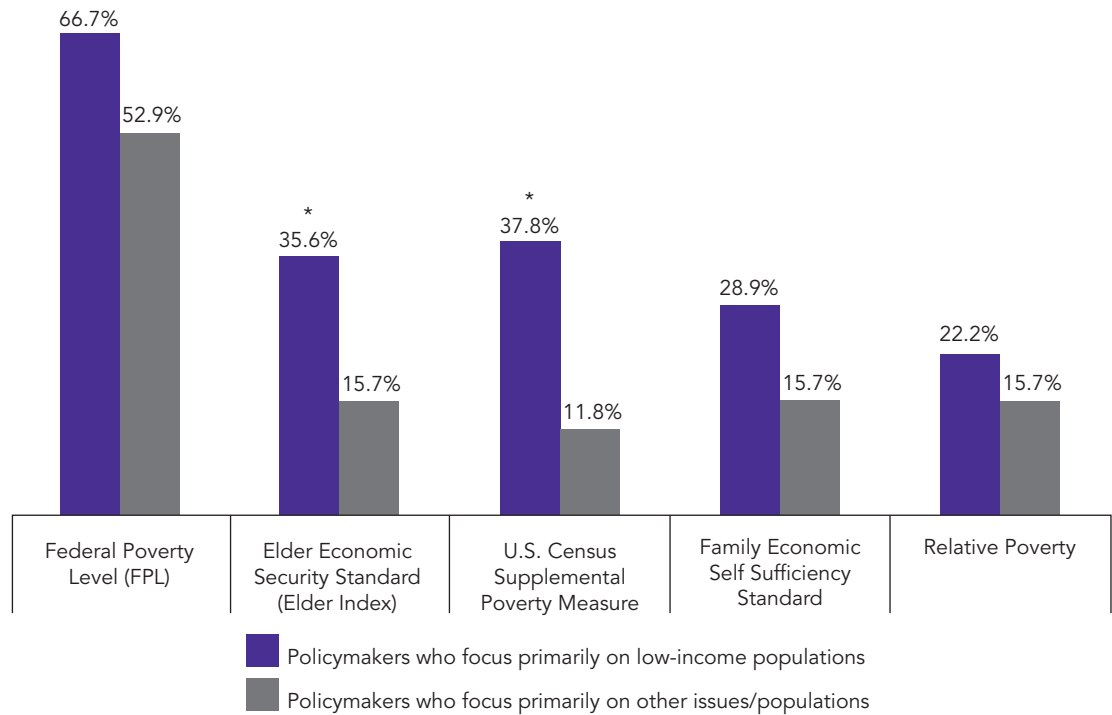
Relative Poverty Measures are commonly used in the European Union that compare a household's income to a percentage (ranging from 40 to 70%) of the median household *income* for the *nation's* total population. This provides a poverty measure that is relative to the wealth of the country, and will fluctuate depending on the increase or decrease of the population's income over time. For more information on the Relative Poverty Measures see: <http://www.poverty.org.uk/summary/eapn.shtml>

The **Federal Poverty Level (FPL)** is a measure that consists of a single *national* set of levels for families of different sizes.⁸ These amounts are compared to unadjusted gross income to determine a family's poverty status. When the FPL was developed in the early 1960s, the levels were based on survey data indicating that the average American family in the 1950s spent one-third of their income on food. The poverty amounts were calculated from the cost of a minimal *food budget* multiplied by three. There have been only a few minor changes since the FPL was first adopted in 1965. It is adjusted using the Consumer Price Index (CPI), which does not change the FPL to reflect changing spending patterns (such as less for food and more for housing) nor a rising standard of living. For more information about the FPL see: <http://aspe.hhs.gov/poverty/>

When examining the characteristics of the different measures of economic need with the characteristics prioritized by California legislative respondents, we find that the FPL contains none of the prioritized characteristics. It does not reflect all of the types of expenses individuals and families face, it is not based on current costs, and it is not localized at all. Measures including the Elder Index, Family Standard and Supplemental Poverty Measure all include components that the legislature

Exhibit 4

Percentage of Respondents Familiar with Different Measures of Economic Need by Policy Focus, California Legislature, 2011



*Indicates a statistically significant difference between groups at $p < .05$.

Source: Improving Data for Effective Application by Legislators (IDEAL) Survey conducted by UCLA Center for Health Policy Research, 2011.

deems important, including the costs of housing, food and health care.

California Legislature Moderately Familiar with Different Economic Measures

Those working in the California legislature were asked about their familiarity and use of these different types of economic measures. Over half reported familiarity (very or somewhat) with the Federal Poverty Level (59.4%), one-quarter were very or somewhat familiar with other economic measures such as the Elder Economic Security Index (25%), the U.S. Census Supplemental Poverty Measure (24%), and the Family Economic Self Sufficiency Standard (21.9%).

Legislative respondents who predominately work on policies impacting low-income populations were more likely than others to be familiar with the Elder Index (35.6% vs. 15.7%), and SPM (37.8% vs. 11.8%). Almost a quarter of them were also familiar with the Family Standard (28.9%) and Relative Poverty Measures (22.2%; Exhibit 4). These data show

that independent of policy focus, about one-fourth to one-third of the California legislative staffs are familiar with other economic measures. When asked about the use of these economic measures, less than two-fifths of those who were very or somewhat familiar with these economic measures reported using them in their policy work.

Despite being familiar with other economic measures, the FPL was more widely used than any other measure of economic need. Even among those familiar with the Elder Index, for example, 76% reported often using the FPL while only 28% reported often using the Elder Index. Those focusing on low-income populations and programs used all measures of economic need more, but the gap was the largest for measures other than the FPL. For example, among those familiar with the Supplemental Poverty Measure, 30.8% of those who work on poverty-related policies also reported using the SPM, compared with only 4.8% of those familiar with the SPM

who do not focus on poverty programs (data not shown in exhibit).

Why the FPL is Widely Used by the California Legislature

Despite being widely used by the California legislature, the FPL falls short in most of the criteria that are shown by this study to be of importance and relevance to the legislature. In follow-up, in-depth interviews, six randomly selected legislative staff members discussed several reasons why the FPL is used extensively. The main reason stated by most is that the FPL is deeply embedded in the federal government's assessment and allocation of resources to the state. The state is mandated to use the FPL and until the federal standard changes, policymakers have limited options as to whom they provide federally funded programs and services. There is also a common concern that a more accurate assessment of economic insecurity in the state would create "cost pressures," such as public interest in expanding state programs to better meet the needs identified.

Other reasons given for the predominance of using the FPL included the advantage of using a single, agreed upon standard for consistent public policy, and for easy comparisons and evaluations to other states and counties. Additionally, the accessibility and ease of using and explaining the FPL, and the 50 plus years of historical data, were other reasons stated, although views were mixed on whether these reasons were advantageous or not. While a few viewed these characteristics as beneficial, most stated that the convenience and ease of plugging the FPL into formulas only serves to maintain the status quo and limits a more accurate and realistic discourse on the complexity of poverty and who is defined as poor and struggling.

Policy Implications

California is a national leader in policy innovation: a variety of new policies over the past 40 years on topics as diverse as air pollution, long-term care services and taxation that started in California have become national models. The current state budget crisis and economic recession has left the California legislature in a precarious position—leaving

them to make difficult decisions about the allocation of limited resources while keeping safety-net programs and services functional.

Having data that accurately capture the complexity of the current social and economic reality in California can contribute to innovative solutions to help California's most vulnerable populations. The economic downturn coupled with the high cost of living in California has left many families and individuals economically vulnerable, but invisible to state policymakers. Many individuals and families are caught in the middle—they do not have enough income to make ends meet and yet are not poor enough to be counted as poor. The alternatives to the FPL described here offer policymakers a better and more accurate picture of who is economically insecure. Additionally, most of the alternatives also identify the largest cost contributors to economic insecurity which could be used to inform innovative policies and solutions.

AB138, signed into law in 2011, is a first step in using better measures of economic need in state planning. The bill requires the California Department of Aging and the local area agencies on aging to use the Elder Index as a guide in crafting statewide and local area plans. These strategic plans are the blueprint for aging services and programs in communities across California. Using the Elder Index can help policymakers and administrators consider the needs of all economically vulnerable older Californians. For new laws like this to be successful and supported in the legislature, demonstration and evaluation projects will need to be thoughtfully designed and outcomes carefully documented over time to show how the adoption and use of improved economic measures can make a difference and improve people's economic security.

Those working in the California legislature reported a need and a preference for data and information that are credible, timely, accurate, and geographically and economically relevant to California. The legislature does not have to rely on the FPL, simply because it is a legacy measure, for its own planning and evaluation of policy and programs. Several available



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measures provide the desired geographic and economic specificity. With the passage of AB138 adopting the Elder Index for some planning purposes, the legislature has begun to demonstrate that California can once again lead the nation in making innovative, evidence-based policies.

Methodology

In August 2011, an on-line survey was sent to each elected official, up to three legislative staff members in each legislator's office and lead staff members in select committees. Surveys were sent to members of both parties, in both houses. Follow-up reminders were sent three times, yielding 114 responses and 95 completed surveys for a response rate of 24%. Almost all respondents were legislative staff members.

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Endnotes

- 1 U.S. Census Bureau – Newsroom: Income, Poverty and Health Insurance Coverage in the United States, 2010. Accessed October 21, 2011 http://www.census.gov/newsroom/releases/archives/income_wealth/cb11-157.html
- 2 This choice reflects the design of the FPL, but the question did not reference the FPL when asked.
- 3 Wider Opportunities for Women <http://www.wowonline.org/ourprograms/eesi/eess.asp>
- 4 Insight Center for Community Economic Development <http://insightcced.org/>
- 5 California Alliance for Retired Americans AB138, Beall: Elder Economic Security Standard Index http://www.californiaalliance.org/pdf/2744.2012-01-05-ml-_AB_138_one_pager.pdf
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- 8 The U.S. Census Bureau uses a slightly different calculation and also adjusts for family composition (i.e., mixture of children, non-elderly adults, and older adults who are assumed to have lower income needs due to retirement).