



**Center for  
Economic Opportunity**

## **Using the American Community Survey to Create a National Academy of Sciences-Style Poverty Measure**

**Work by the New York City  
Center for Economic Opportunity**

### **CEO's Mandate, Direction, & Key Challenge**

- Create a more useful tool for policymaking
- Adopt NAS recommendations
  - Capture policy effects
  - Create realistic poverty thresholds
- Employ American Community Survey
  - Large annual sample for NYC
  - But ACS does not include much of what is needed to measure family resources as recommended by NAS



## The Official Poverty Measure An Income Adequacy Approach

### Threshold:

- Established in the mid-1960s at three times the cost of the USDA’s “Economy Food Plan”
- Adjusted annually by the change in the Consumer Price Index
- Uniform across the U.S.

### Resources:

- Total family *pre-tax* cash income



## What’s wrong with the current measure?

*Definition of resources is too narrow*

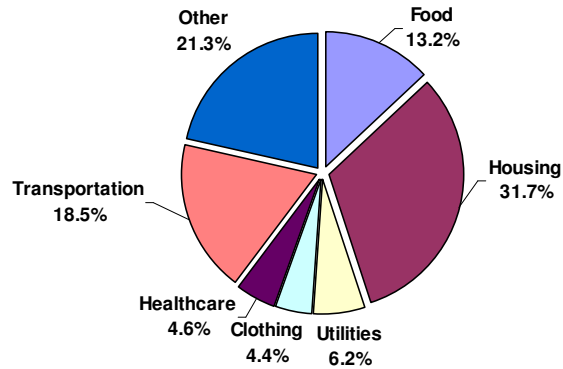
Pre-tax cash does not capture much of what public policy does to support low-income families.

- EITC and other refundable tax credits
- Food Stamps and other nutritional programs
- Housing subsidies such as public housing and section 8 housing vouchers



## What's wrong with the current measure?

*Food is no longer one-third of family expenditures*

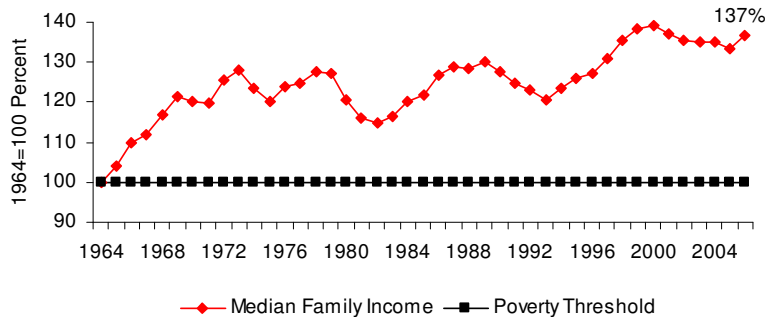


Source: US Bureau of Labor Statistics, Consumer Expenditure Survey.



## What's wrong with the current measure?

*Threshold has lost value relative to median family income*



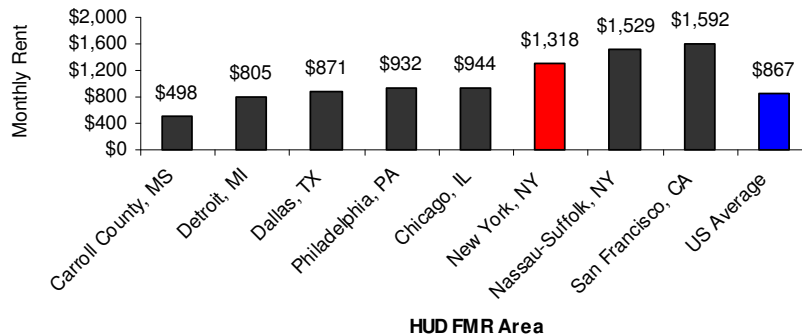
Source: US Bureau of the Census



## What's wrong with the current measure?

*Threshold does not reflect the high cost of living in NYC*

Fair Market Rents, Two Bedroom Apartment



Source: US Department of Housing and Urban Development



## CEO Application of NAS Method

Thresholds based on a percentage (80.5) of median annual reference family expenditures for these necessities:

- Food
- Clothing
- Shelter
- Utilities
- Plus a little more for miscellaneous expenses (x 1.2)
- Adjusted for inter-area differences in housing costs (via HUD FMRs)

Resources based on annual income available to family to obtain items in threshold including:

- Cash Income, after-taxes
- Value of in-kind subsidies for food
- Adjustment for Housing Status
- Deduction for work-related expenses (child care and transportation)
- Deduction for medical out-of-pocket expenses (MOOP)



## Creation of the CEO Poverty Threshold Reference Family (Two adults, Two children), 2006

NAS Threshold for entire U.S. (based on food, clothing, shelter & utilities)	\$21,818
Shelter & Utility Share, 44% of \$21,818 =	\$9,600
Non-Shelter & Utility Share, 56% of \$21,818 =	\$12,218
Shelter & Utility Share, Adjusted for Ratio of NYC/US Fair Market Rent (1.45) =	\$13,920
CEO Threshold: Adjusted Shelter & Utility Share + Non-Shelter & Utility Share =	\$26,138

Source: US Bureau of the Census and US Dept. of Housing and Urban Development



## 2006 Poverty Rates Using CEO Threshold With Alternative Income Concepts

<u>Income Concept:</u>	<u>Rate:</u>
1. Pre-tax cash	23.9
2. After-tax	23.2
3. After-tax, plus Nutritional Assistance	21.8
4. After-tax, plus Nutritional, plus Housing Status Adjustment	18.6
5. After-tax, plus Nutritional, plus Housing, minus Work-Related Expenses	20.4
6. After-tax, plus Nutritional, plus Housing, minus Work-Related Expenses, minus MOOP	23.0

Source: NYC CEO.



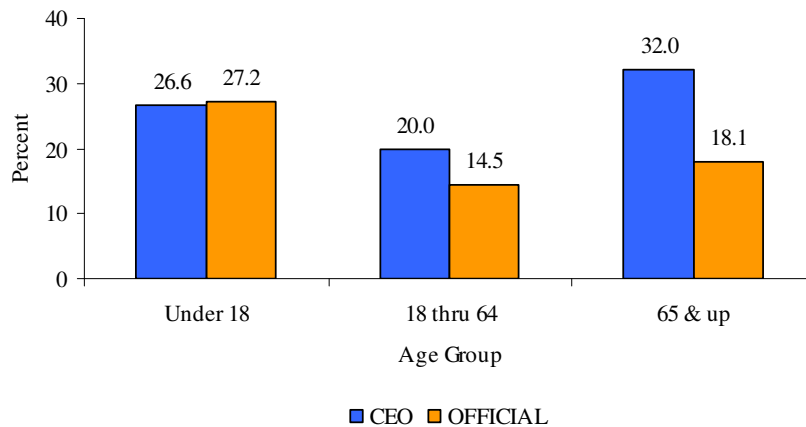
## Distribution of Population, By Intervals of the Poverty Threshold:

Percent of Threshold	Poverty Measure			
	CEO		OFFICIAL	
	Percent of population	Cumulative percent	Percent of population	Cumulative percent
Under 50	6.5	6.5	7.4	7.4
50-74	6.9	13.4	4.7	12.1
75-99	9.6	23.0	5.8	18.0
100-124	11.1	34.1	5.0	23.0
125-149	10.2	44.3	4.8	27.8

Source: NYC CEO



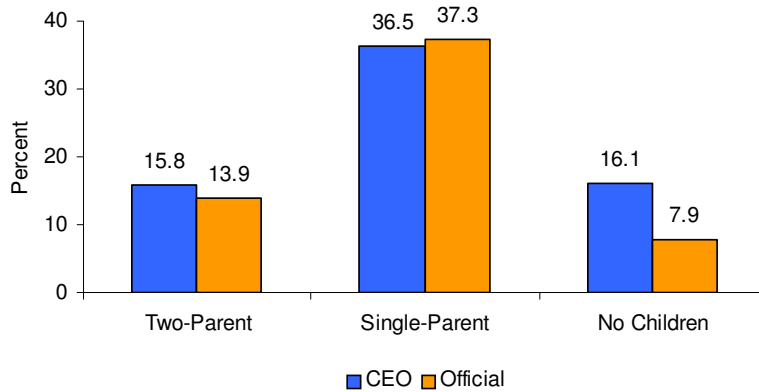
## Comparing Poverty Rates, By Age Group



Source: NYC CEO



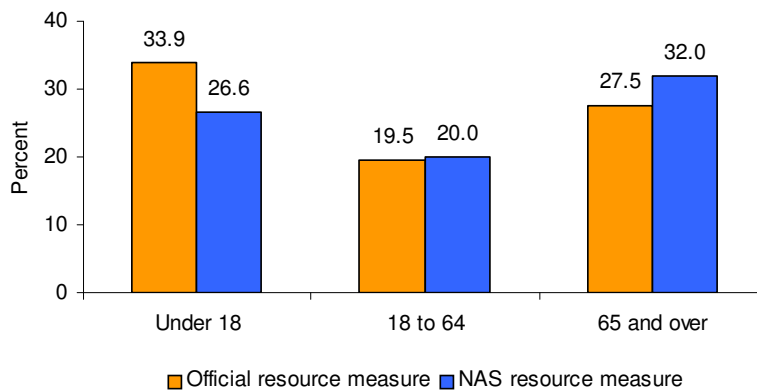
## Comparing Poverty Rates, By Family Type



Source: NYC CEO



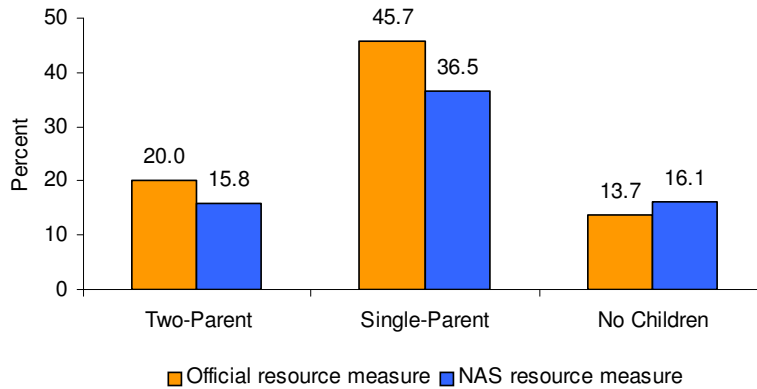
## Comparing Poverty Rates Using Different Resource Measures, By Age



Source: NYC CEO



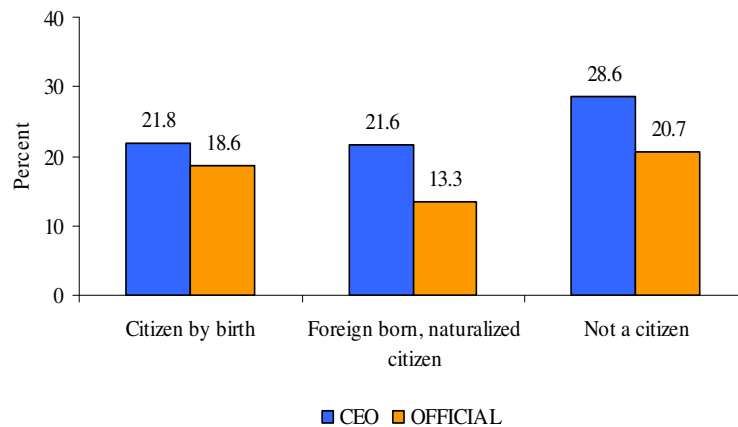
## Comparing Poverty Rates Using Different Resource Measures, By Family Type



Source: NYC CEO



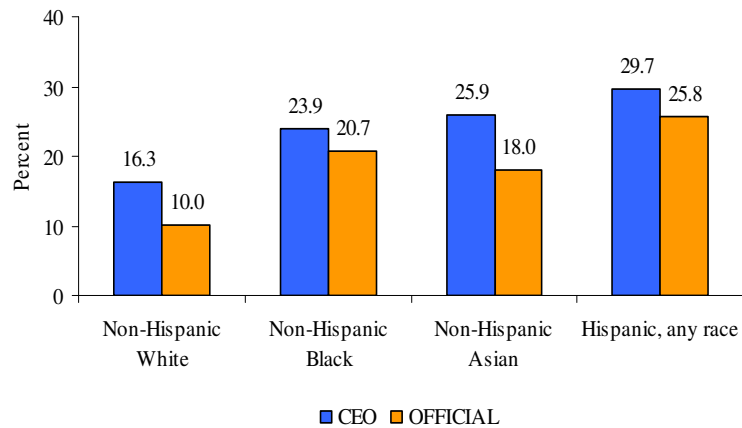
## Comparing Poverty Rates, By Nativity/Citizenship



Source: NYC CEO



## Comparing Poverty Rates, By Race/Ethnicity



Source: NYC CEO



## CEO's Current Work

- Track change over time
- Assist similar efforts by other cities and states
- Bring poverty measure into City policy planning
- Advocate for change in federal measure



## For More Information

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- CEO Poverty Measurement Report:  
<http://www.nyc.gov/ceo/>