

**Remarks of Douglas W. Nelson
President and CEO, the Annie E. Casey Foundation
To the Committee on Ways and Means
Subcommittee on Income Security and Family Support
Washington, DC
July 17, 2008**

Good morning Chairman McDermott, Congressman Weller, and other distinguished members of the Subcommittee. My name is Douglas W. Nelson, and I am president of the Annie E. Casey Foundation, a national philanthropy devoted to improving outcomes for the nation's disadvantaged children and families.

I appreciate the invitation to speak today and the opportunity to appear on the same panel with some of the nation's top research economists. I am here because I believe that your Committee's efforts to establish a modern poverty measure can contribute to a bipartisan consensus around policies that will, in the long run, yield greater security and success for America's low-income families and their children.

The Annie E. Casey Foundation's commitment to helping vulnerable children and families is matched only by our determination to be guided by quality data and useful indicators.

Every year since 1990, we have released an annual KIDS COUNT Data Book, which uses the best available data to measure the educational, social, economic and physical well-being of children, state by state. We care about this data because we are convinced it helps leaders and citizens make better decisions about how to improve the lives of children and their families.

Since its inception nearly 20 years ago, KIDS COUNT has tracked a core set of indices for measuring child need and the effectiveness of programs designed to meet those needs. But clearly, of all the measures we rely on, none is more fundamental or consequential than how we assess a family's economic standing. That's why Casey has been so distressed at the nation's continued reliance on an outdated, incomplete, and misleading measure of poverty.

Today, almost everyone would agree that the current poverty definition – which sets the poverty threshold at \$21,200 for a family of four – utterly fails to yield anything remotely close to a well thought out, accurate measure of who is genuinely poor. Indeed, scholar Nicholas Eberstadt of the American Enterprise Institute has aptly dubbed the poverty measure “America's worst statistical indicator.”

The current measure is flawed in two fundamental ways. First of all, it badly underestimates the actual costs of paying for basic and essential needs that all American families are expected to meet. Secondly, the current measure significantly underestimates

the total income, resources or benefits that many of today's low-income families actually receive and use to meet those minimum needs.

Children's advocates are right now rallying around a proposed campaign to cut the nation's child poverty rate in half over the next decade. Yet many of our most promising approaches to improving the economic fortunes of children – expanding the earned-income and child tax credits for working families, extending child care subsidies, increasing the utilization rates for food stamps, providing housing assistance, and other means-tested programs – are not even recognized under today's method of measuring poverty. Excluding these resources makes little sense, especially since they are among the very resources that have the greatest potential to pull families out of the deep and persistent poverty that hurts kids most.

The evidence is overwhelming that when families are entrapped in persistent poverty, childhood problems multiply. Almost ninety percent of the families who end up losing their kids to foster care are poor. Poor kids are five times more likely to miss learning proficiency benchmarks than kids from families with greater economic security.

Kids growing up in poor families are far more likely to drop out of school, get pregnant, or get in trouble with the law. And there is every reason to worry that the persistent, sustained family poverty that triggers these childhood problems will grow, particularly as more entry level, low-skill jobs in the American economy are impacted by an increasingly global labor market. We can now reasonably predict that, without appropriate policy and economic reforms, an increasing share of American families will have to settle for wages that simply cannot buy enough to sustain a family at an “American” standard of living.

This kind of persistent family poverty is a serious drag on American competitiveness and influence in the world. Economists now estimate that child poverty costs the nation about \$500 billion a year. That burden will worsen in time. This nation – a dramatically aging one – cannot afford to have as much as a fifth of its children grow up without the financial stability, opportunities, supports, and connections needed to participate in the nation's new economy.

An accurate poverty measure would go a long way toward better informing the strategies we use to help these vulnerable families. By including food stamps, the EITC, the child tax credit and housing assistance in the poverty measurement, we would be able to better determine the impact of these important policy investments, as well as more usefully track who is taking advantage of these programs and who isn't. Moreover, by modernizing the current method to approximate what it actually takes to cover basic family needs, policymakers would be much better equipped to understand the real cost of “getting by” in America today.

These are the kind of poverty measurement improvements that have been advanced persuasively by the National Academy of Science (NAS) for over a decade now.

More Americans want to hear about what their political leaders will do to fight poverty. It is time for all parties stalemated in this definitional debate to table their disagreements and come together around a more credible and policy relevant approach to poverty measurement.

A decade and a half after its release, the NAS report still provides the best road map for getting to a useful poverty measure.

At the Casey Foundation, we find it very encouraging that this Subcommittee is considering a bill that would enact virtually all of the key NAS recommendations. We commend the Subcommittee Chairman, the Ranking Minority Member, and all its Members for so seriously grappling with this urgent and much-needed reform.

Mr. Chairman, we have learned a lot and we know a lot about how we can more accurately measure poverty. It is time to apply that learning – to apply it as a first step to reducing poverty and the harm it does to our kids and our future.

Thank you. I look forward to responding to any questions that you or the Members of the Subcommittee may have.