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New Economic Measure Shows Impact of Investments and Tax Policies on Child Poverty

The Supplemental Poverty Measure Reveals Children are Positively Impacted by by Safety Net Programs and Tax Policies

BALTIMORE—A report released today by the Annie E. Casey Foundation spotlights a different index for measuring poverty than the federal government's official poverty measure created in the 1960s. The new KIDS COUNT® Data Snapshot, *Measuring Access to Opportunity in the United States,* points to another index for measuring poverty – the Supplemental Poverty Measure (SPM) – which captures the effect of safety net programs and tax policies on families. By using the SPM, researchers have determined that the rate of children in poverty has declined nationally from 33 percent to 18 percent as a result of these programs and policies. *Measuring Access to Opportunity in the United States* provides national and state-by-state data using the SPM to show the effect of a variety of resources to help low-income families. In a striking departure from official poverty rate data, the SPM shows that California has the highest child poverty rate, followed by Arizona and Nevada. Similar to the official poverty measure, the SPM shows that poverty rates among Latinos (29 percent) and African Americans (29 percent) were approximately three times higher than that of white children (10 percent).

The Supplemental Poverty Measure, created by the U.S. Census Bureau in 2011, factors in the impact of a number of social programs such as the Supplemental Nutrition Assistance Program (SNAP) and the Earned Income Tax Credit (EITC) and takes into account rising costs and other changes that affect a family's budget. The SPM also provides a more accurate assessment of poverty levels on a state and regional basis. It helps illustrate, for instance, the variations in the cost of living and the impact of federal programs from one state to the next.

"The official poverty measure does not provide the accurate information policymakers need to measure the success of anti-poverty programs – nationally and at the state level," said Patrick McCarthy, president and CEO of the Annie E. Casey Foundation. "Relying on this tool alone prevents policymakers from gauging the effectiveness of government programs aimed at reducing child poverty. Given that child poverty costs our society an estimated $500 billion a year in lost productivity and earnings as well as health- and crime-related costs, the SPM is an important tool that should be used to assess state-level progress in fighting poverty."

In every state, anti-poverty programs tracked by the SPM have led to a reduction in the child poverty rate. Because federal benefits are not adjusted for differences in regional costs of living, they are likely to have a more significant impact in states where the cost of living is relatively low. States and localities also vary in their contribution to the safety net programs and tax policies that can help move children out of poverty. The states of Mississippi and Kentucky saw the most significant impact of children living in poverty when taking into account the social safety net supports.

"Researchers have found on average, that families need an income of approximately two times the official poverty line to cover the basic expenses incurred such as housing, food, health care, transportation and child care," according to Linda Southward, Director of Mississippi KIDS COUNT. "While the SPM and the official poverty rate are two distinct measures, it is clear that with additional federal and state benefit programs, coupled with favorable tax policies for low-income families, child poverty rates are significantly lower in Mississippi using the SPM (15%) compared to the official poverty measure at 38%. Unfortunately, the SPM at this point does not give either county level comparisons or comparisons by race, both of which are important to know in assessing impacts improving child well-being."

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