

# CNSTAT Study on Panel on Evaluation and Improvements to the Supplemental Poverty Measure

## Meeting Agenda Housing Session

October 1, 2021 (1 – 4pm ET)

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**MEETING GOALS:** The charge to the panel is to assist the Census Bureau in making modifications to the SPM to ensure that it is providing information on the levels of economic need in a way that optimally informs public understanding of economic conditions and trends affecting people with lower incomes. The panel plans to focus much of its attention on factors affecting economic wellbeing for which conceptual and measurement questions have proven most difficult to resolve. Treatment of housing is one such area, and one that makes a big difference to who is counted as poor. Housing plays a major role in the SPM thresholds, both as the largest source of spending, and the fact that different thresholds are created for owners with a mortgage, owners without a mortgage, and renters. Geographic price adjustments--the SPM accounts for differences in cost of living across 342 metropolitan and nonmetropolitan areas—also have a large impact on resulting estimates. This meeting is intended to help inform the panel's deliberations on this crucial topic.

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Zoom link: <https://nas-sec.zoomgov.com/j/1617764472?pwd=Ykt1eDAvNkJvcGZyUIRzNG1hZkFUUT09>

1:00 Welcome, Introductions, Meeting Plan (*10 minutes*)

- **Jim Ziliak, University of Kentucky, Panel Chair**

1:10 Introductory presentations (*10-15 minutes each*)

- **Trudi Renwick/Thesia Garner, Census Bureau/BLS.** Current SPM treatment of housing; practical options for modification; plans and open questions/issues.

- Discussion (10 minutes)

Background readings:

- *Changing the Housing Share of Poverty Thresholds for the Supplemental Poverty Measure: Does Consumer Unit Size Matter?* (2018), by Trudi Renwick and Thesia Garner <https://www.census.gov/library/working-papers/2018/demo/SEHSD-WP2018-06.html>.
- *Estimating the Value of Federal Housing Assistance for the Supplemental Poverty Measure* (2015), by Trudi Renwick and Joshua Mitchell <https://www.census.gov/library/working-papers/2016/demo/SEHSD-WP2016-01.html>.
- *Supplemental Poverty Measure: A Comparison of Geographic Adjustments with Regional Price Parities vs. Median Rents from the American Community Survey: An Update* (2017), by Trudi Renwick, Eric Figueroa, and Bettina Aten <https://www.census.gov/library/working-papers/2017/demo/SEHSD-WP2017-36.html>.

- *Incorporating Amenities into Geographic Adjustments of the Supplemental Poverty Measure* (2018), by Trudi Renwick <https://www.census.gov/library/working-papers/2018/demo/SEHSD-WP2018-32.html>.
- Comments on the U.S. Census Bureau and Interagency Technical Working Group Supplemental Poverty Measure (2011), by Stuart S. Rosenthal <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.422.3988&rep=rep1&type=pdf>
- **Marcus Casey, University of Illinois, Chicago.** Thoughts on the current SPM treatment of housing, suggestions for conceptual or measurement improvements, and general reflections on the charge to the panel. [Perhaps focusing on threshold side and geographic adjustments?]
  - Discussion (10 minutes)

Background reading: *Racial and ethnic price differentials in the housing market* (2017), by Patrick Bayer, Marcus Casey, Fernando Ferreira, and Robert McMillan [https://econpapers.repec.org/article/eeejuecon/v\\_3a102\\_3ay\\_3a2017\\_3ai\\_3ac\\_3ap\\_3a91-105.htm](https://econpapers.repec.org/article/eeejuecon/v_3a102_3ay_3a2017_3ai_3ac_3ap_3a91-105.htm).
- **Rebecca Diamond, Stanford University.** Thoughts on the current SPM treatment of housing, suggestions for conceptual or measurement improvements, and general reflections on the charge to the panel. [Perhaps focusing on resource measurement, including valuation of tenant subsidies/vouchers?]
  - Discussion (10 minutes)

Background reading: *The Determinants and Welfare Implications of US Workers' Diverging Location Choices by Skill: 1980-2000* (2016), by Rebecca Diamond <https://www.aeaweb.org/articles?id=10.1257/aer.20131706>; *Who Wants Affordable Housing in their Backyard? An Equilibrium Analysis of Low Income Property Development* (2019), by Rebecca Diamond & Timothy McQuade <https://www.journals.uchicago.edu/doi/abs/10.1086/701354?af=R&mobileUi=0&.>

2:30 *Break*

2:40 Roundtable discussion of key issues and questions [see list below], moderated by **Ingrid** and other members of the subgroup (**Randy, Sarah, Bradley, Helen**). Although the discussion is intended to be free flowing and informal, the call for comments will be prioritized as follows: invited discussants, panel members, other meeting participants.

Discussants:

- **Stuart Rosenthal, Syracuse University.** Topics in **1b** and **2** and issues related to valuation of subsidies; broad data and measurement issues.
- **Jenny Schuetz, Brookings.** Topics in **2/3** and broad issues in understanding housing markets (e.g., relationship between housing prices and median incomes)

- **Stephen Malpezzi, UW Institute for Research on Poverty.** Housing prices, measuring geographic variation, housing markets and policy (topics **2** and **3**). Knows SPM methods.
- **Chris Herbert, Harvard University.** Tenure choice, valuing subsidies (resource side), and broad measurement issues.

4:00 *Adjourn*

### Issues and Questions

#### **1. Resources**

##### *a. How to impute in-kind housing assistance*

- In measuring resources, how should policies designed to promote affordable housing—e.g., tenant subsidies, vouchers, and tax credits—be valued/accounted for?
- In valuation of housing, how should various conditions prevalent in poor neighborhoods be accounted for?
- What connections exist between factors affecting the threshold and resource sides? E.g., households constrained in their location choices.
- What special considerations come into play valuing housing assistance in areas with very high (or highly variable) rent/housing costs, such as California?
- Resource estimation alternatives to current SPM approach.

##### *b. Rental equivalence for homeowners*

- Measurement and data issues: If homeowners are included in threshold estimation, is rental equivalence (used for CPI) the right conceptual approach? What about user cost approaches?
- Tenure choice. To what extent does choice exist among the relevant population and how does this affect poverty status? Resource and threshold side issues.

#### **2. Threshold setting/adjustments by geography** (measuring geographic differences)

- How should offsetting factors--such as the long commutes of low wage workers who work in cities but cannot afford to live in a neighborhood close to where they work—be accounted for? Is current work expenses component of SPM adequate? How should broader time-use or quality of life considerations be accounted for?
- Given that the evidence suggests geographic adjustment has a substantial effect on the spatial distribution of poverty, pushing it from the South to the coasts, are there valid reasons why the SPM should not include geographic adjustments?
  - How does the presence of unmeasured (for SPM) amenities affect the argument for or against geographic adjustments based on rental costs (or rental equivalence for homeowners)?

- What are the links between metro area wages, education levels, and housing prices?
- How should we think about mobility of low-income households (mainly renters) when talking about geo adjustments to thresholds?
- Urban/rural: the geographic adjustment is a primary reason why poverty rates differ between metropolitan and non-metropolitan areas under the SPM and OPM.
  - In what ways is the geo adjustment working as intended for non-MSAs, or not (Nolan et al. 2017; Pacas and Rothwell 2020).
  - What aspects of the urban-rural housing adjustment approach should the panel be thinking about [see *Cost of living variation, non-metropolitan America, and implications for the Supplemental Poverty Measure*, by Tom Mueller, Matthew M. Brooks, Jose D. Pacas (<https://osf.io/preprints/socarxiv/6rax9/>). The paper demonstrates the wide variability between median rents of non-metropolitan counties within the same state, a pattern that is not adequately captured in the current SPM geographic adjustment.]
- Is MSA the appropriate geo unit? Is it the only practical option? Could and should adjustments be made at smaller geographic levels?
  - Within MSAs: To what extent are neighborhood externalities reflected in rents?
  - What are the realities of where poor renters live?
  - How do housing market inequities manifest in observed/measured gross rents?
  - Do differences in rental costs mirror differences in overall living costs across neighborhoods, taking into account neighborhood sorting, housing discrimination, amenities, education, transportation cost, etc.)?
- Can poverty measures account for this broader set of variations in a meaningful but practical way?
- Along with median rent, what other measures might be appropriate for geographic adjustment to the housing component of SPM thresholds?
- Should housing be one component of a full market basket of goods and services used to track differences in living costs across areas (as is done, for example, in the Regional Price Parities published by BEA? Are data adequate to adjust other components of the consumption bundle?
- What are the practical implementation issues limiting how granular cost of living adjustments can be?
  - What are the main data constraints in setting and adjusting thresholds (has to be measurable)?
  - How important is transparency—e.g., state-based adjustments are easy to understand but obviously miss key dimensions of cost variation, particularly for urban – rural.

### 3. Estimating shelter costs by tenure

- SPM shelter costs are based on a formula that accounts for the percent of residents within an area who are owners with a mortgage, owners without a mortgage, or renters.

- For purposes of setting (and adjusting) threshold, should the SPM track the costs of shelter to renters only? Or should homeowners' costs also be considered?
- In considering whether SPM should continue delineating by ownership status, Pacas and Rothwell (2020) find that, as currently estimated, most of the geographic adjustment is explained by median rent differences as opposed to the housing tenure component. Is this true across all states?
- Rental unit costs. Pros and cons of modeling housing/shelter for a “standard” unit vs the rental costs of all types of units (e.g., a quality-adjusted version using a hedonic model that controls for housing unit characteristics). The SPM uses ACS data on median rental costs for rental units with two bedrooms with complete kitchen and plumbing facilities.
- Should thresholds reflect the number of people in the housing unit? What is the difference between households and consumer units in the context of housing?
- What is the role of choice/preferences in housing markets (that is, in determining tenure choice and where people live) and should it affect the way housing thresholds are set? What is the role of uncertainty and risk in consumer housing choices (contrast with medical care).
- What about homeless tenure status; more generally, hard to reach/measure populations. [may need a separate session on systematic differences in housing, medical care, food costs, etc. faced by these groups. Homeless not measured in CPS but, in theory, are in the ACS.