

Federal Poverty Thresholds 2006

There are two federal poverty measures, the poverty thresholds and the poverty guidelines. The difference between the two is minimal; they are simply used for different purposes.

FEDERAL POVERTY THRESHOLDS

The federal poverty thresholds are the original version of the federal poverty measure. They were first created in 1963-1964 by Mollie Orshansky of the Social Security Administration. Orshansky based the poverty thresholds on the U.S. Department of Agriculture's economy food plan, described as being "designed for temporary or emergency use when funds are low." At that time, families of three or more persons spent about one third of their after-tax money income on food. The poverty thresholds were calculated by taking the costs of the economy food plan for families of varying sizes and multiplying those costs by a factor of three. Orshansky defined the poverty thresholds as a measure of income inadequacy, or, "how much is too little."

Since 1969 the poverty thresholds have been indexed to the Consumer Price Index (adjusted for inflation) and are primarily used by the Census Bureau for statistical purposes, such as estimating the number of Americans living in poverty each year.

FEDERAL POVERTY GUIDELINES

The federal poverty guidelines are the other version of the federal poverty measure. They are sometimes referred to as the "federal poverty level" (FPL). The federal poverty guidelines are a simplification of the poverty thresholds and are used for administrative purposes such as determining eligibility for public programs like Food Stamps, School Lunch, the State Children's Health Insurance Program (SCHIP), and others. For example, a family of 4 with income less than \$20,000 a year would be eligible for these programs. The poverty guidelines, issued by the Department of Health and Human Services (HHS) at the beginning of the calendar year, reflect price changes from the previous year. The 2006 poverty guidelines reflect price changes through 2005.

2006 HHS POVERTY GUIDELINES

Persons in Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$ 9,800	\$12,250	\$11,270
2	\$13,200	\$16,500	\$15,180
3	\$16,600	\$20,750	\$19,090
4	\$20,000	\$25,000	\$23,000
5	\$23,400	\$29,250	\$26,910
6	\$26,800	\$33,500	\$30,820
7	\$30,200	\$37,750	\$34,730
8	\$33,600	\$42,000	\$38,640

For each additional person, add \$ 3,400 \$ 4,250 \$ 3,910

Most public assistance programs use some multiple of the federal poverty level to determine eligibility. The various amounts for different family sizes are calculated below. For example, a family of 3 with income no greater than \$30,710 per year (185

	Individual	Family of 2	Family of 3	Family of 4	Family of 5
FPL	\$9,800.00	\$13,200.00	\$16,600.00	\$20,000.00	\$23,400.00
125%	\$12,250.00	\$16,500.00	\$20,750.00	\$25,000.00	\$29,250.00
133%	\$13,034.00	\$17,556.00	\$22,078.00	\$26,600.00	\$31,122.00
150%	\$14,700.00	\$19,800.00	\$24,900.00	\$30,000.00	\$35,100.00
165%	\$16,170.00	\$21,780.00	\$27,390.00	\$33,000.00	\$38,610.00
175%	\$17,150.00	\$23,100.00	\$29,050.00	\$35,000.00	\$40,950.00
185%	\$18,130.00	\$24,420.00	\$30,710.00	\$37,000.00	\$43,290.00
200%	\$19,600.00	\$26,400.00	\$33,200.00	\$40,000.00	\$46,800.00
225%	\$22,050.00	\$29,700.00	\$37,350.00	\$45,000.00	\$52,650.00
233%	\$22,834.00	\$30,756.00	\$38,678.00	\$46,600.00	\$54,522.00
250%	\$24,500.00	\$33,000.00	\$41,500.00	\$50,000.00	\$58,500.00
275%	\$26,950.00	\$36,300.00	\$45,650.00	\$55,000.00	\$64,350.00
300%	\$29,400.00	\$39,600.00	\$49,800.00	\$60,000.00	\$70,200.00

percent FPL) would be eligible for some public assistance programs, but not for those with lower eligibility levels.

2006 Percent of Federal Poverty Guidelines for Various Family Sizes

Another use of the federal poverty measures is to determine how many individuals and families live below poverty. The table below shows different levels of federal poverty, and the percentage of people in different populations with incomes less than the federal poverty levels. Women heads of households with children have the highest percentages of poverty compared to other groups in Colorado.

Percentage of Coloradans at Various Levels of Poverty in 2004¹

¹ U.S. Census Bureau, CPS POV46 2004

Percentage of Federal Poverty Guidelines	Individuals	Families	Children under 18	Households headed by women with children
100%	10%	7.50%	11.70%	27.30%
125%	13.60%	10.10%	16.50%	35.30%
135%	14.60%	10.80%	17.30%	37.70%
150%	17.20%	13.30%	20.80%	44.40%
185%	22.90%	18.10%	28.70%	58.60%
200%	25.80%	21%	32.40%	60%

THE FEDERAL POVERTY MEASURES COMPARED TO OTHER INCOME MEASURES

There is considerable debate about the appropriateness of the federal poverty level as a benchmark for family well-being. These arguments include the following:

- The federal poverty measures are based on the assumption that food equals one-third of the family budget, which was accurate in 1964, but is not the case today. Costs such as housing childcare and health care account for greater portions of family budgets and continue to increase faster than the cost of food.
- Federal poverty measures do not vary by geographic location to account for varying costs of living in regional, urban and rural areas. Thus, the poverty level is the same in New York City as it is in rural Colorado.
- Family composition is not considered in the federal poverty measures; they vary only by the number of people in the family. Family expenses vary considerably depending upon the age of the children in a family.

Policymakers have recognized the inadequacy of the federal poverty guidelines and have adjusted, in most cases, the income eligibility requirements for public work assistance programs to some percentage above the poverty guidelines. The table below shows income eligibility guidelines for some of these programs in Colorado.

Public assistance programs and income eligibility requirements

Based on 2006 Poverty Guidelines for a Family of Four

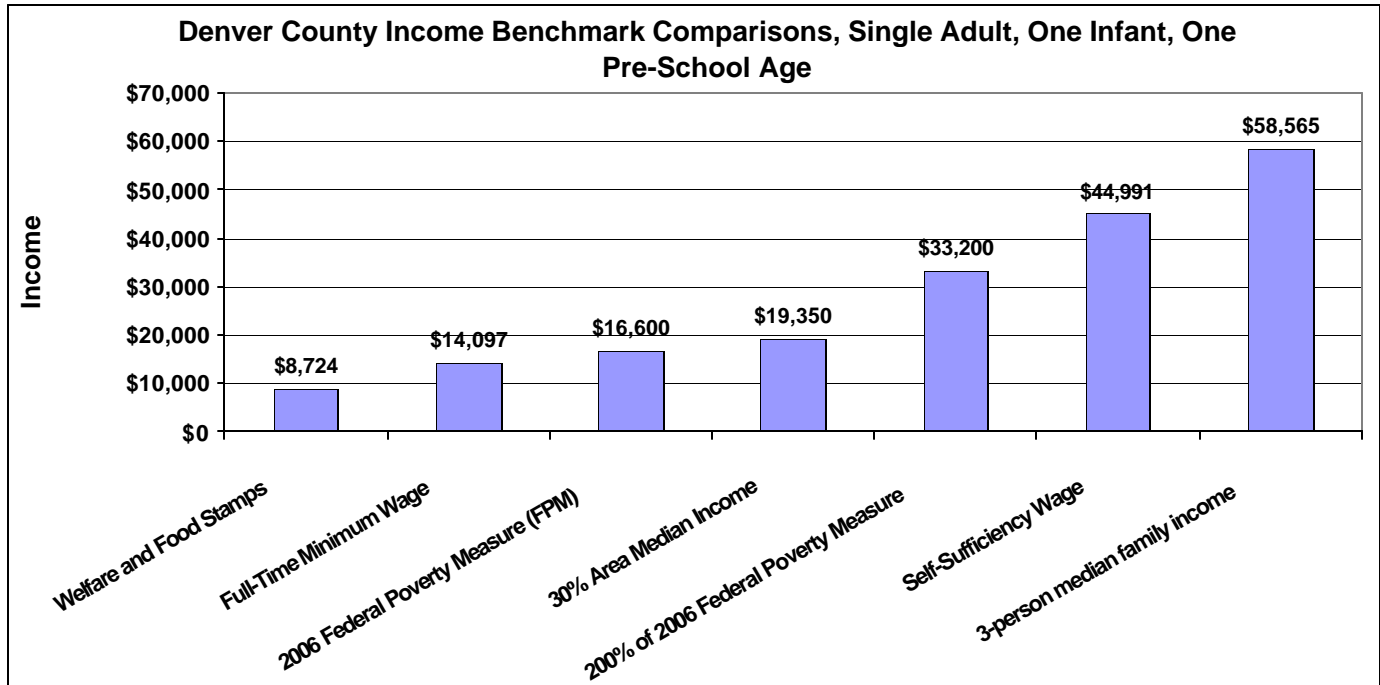
Program	%Poverty	Income Limit
CHP+	185%	\$37,000
School Lunch	130-185%	\$26,000-37,000
Medicaid (Children)	100-133%	\$20,000-26,600
Food Stamps	130%	\$26,000
Colorado Indigent Care	185%	\$37,000
Low-income Energy Assistance	185%	\$37,000

POLICY ALTERNATIVES

A number of alternative measures of economic well-being have been created at national and state levels: *basic needs budgets*, which analyze the costs of a family's basic needs, including taxes and tax credits, and are based on family size and composition as well as geographic location. Basic needs budgets are not intended to replace the federal poverty measures, but to provide an alternative benchmark for evaluating family well-being. In Colorado, along with 35 other states and the District of Columbia, this alternative measure is the *Self-Sufficiency Standard*.² *The Self-Sufficiency Standard for*

² The Self-Sufficiency Standard was developed for Wider Opportunities for Women as part of the Family Economic Self-727 E. 16th Avenue, Main Suite, Denver, Colorado 80203 | 303-573-5669 tel | 303-573-4947 fax | www.cclponline.org Page 3

Colorado: *A Family Needs Budget*³ is published by the Colorado Fiscal Policy Institute. It measures how much income is needed in order to be economically self-sufficient, i.e., to meet basic needs without any public or private assistance. The federal poverty guidelines are often 2-3 times less than the income needed to be self-sufficient in Colorado. For example, the table below shows the Self-Sufficiency Standard for Denver for a family composed of one parent, one infant and one preschool-age child is \$44,991, compared to the 2006 federal poverty guideline of \$16,600 for a family of three.



Even families earning 200 percent of the federal poverty level often struggle to make ends meet. A family of three with earnings of \$33,200 is earning 200 percent of the federal poverty level, but needs to earn over \$11,000 more a year to be able to meet all of their basic needs without any assistance, as measured by the Self-Sufficiency Standard. This often leaves families living on the edge, without savings for emergencies or changing circumstances, such as losing a job, yet ineligible for public assistance. The real costs of living and working in Colorado today far exceed the federal measures of poverty. Until policymakers begin to address this gap, Coloradans will continue to work and still be economically insecure.

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³ *The Self-Sufficiency Standard for Colorado: A Basic Needs Budget* report is available at www.ccfponline.org.