



FACT SHEET

April 2005

From the Colorado Fiscal Policy Institute

FEDERAL POVERTY MEASURES

Currently, 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), but that phrase is ambiguous and should be avoided. The federal poverty guidelines are a simplification of the poverty thresholds and are used for administrative purposes such as determining eligibility for programs like Food Stamps, School Lunch, SCHIP, and others. 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 2005 poverty guidelines reflect price changes through 2004.

2005 HHS POVERTY GUIDELINES

Persons in Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$ 9,570	\$11,950	\$11,010
2	\$12,830	\$16,030	\$14,760
3	\$16,090	\$20,110	\$18,510
4	\$19,350	\$24,190	\$22,260
5	\$22,610	\$28,270	\$26,010
6	\$25,870	\$32,350	\$29,760
7	\$29,130	\$36,430	\$33,510
8	\$32,390	\$40,510	\$37,260
For each additional person, add	\$ 3,260	\$ 4,080	\$ 3,750

Percent of Poverty Guidelines for Various Family Sizes 2005

	Individual	Family of 2	Family of 3	Family of 4
Poverty Guidelines	\$9,570.00	\$12,830.00	\$16,090.00	\$19,350.00
125%	\$11,962.50	\$16,037.50	\$20,112.50	\$24,187.50
133%	\$12,728.10	\$17,063.90	\$21,399.70	\$25,735.50
150%	\$14,355.00	\$19,245.00	\$24,135.00	\$29,025.00
165%	\$15,790.50	\$21,169.50	\$26,548.50	\$31,927.50
175%	\$16,747.50	\$22,452.50	\$28,157.50	\$33,862.50
185%	\$17,704.50	\$23,735.50	\$29,766.50	\$35,797.50
200%	\$19,140.00	\$25,660.00	\$32,180.00	\$38,700.00
225%	\$21,532.50	\$28,867.50	\$36,202.50	\$43,537.50
233%	\$22,298.10	\$29,893.90	\$37,489.70	\$45,085.50
250%	\$23,925.00	\$32,075.00	\$40,225.00	\$48,375.00
275%	\$26,317.50	\$35,282.50	\$44,247.50	\$53,212.50
300%	\$28,710.00	\$38,490.00	\$48,270.00	\$58,050.00

POVERTY IN COLORADO

PERCENTAGE OF COLORADANS AT VARIOUS LEVELS OF POVERTY IN 2003¹

Percent of Poverty	Individuals	Families	Under age 18
100%	9.7%	7.2%	11.9%
125%	13.7%	10.4%	18.1%
135%	15.2%	11.4%	19.8%
150%	17.6%	13.4%	23.1%
185%	23.1%	18.5%	29.8%
200%	26.2%	21.3%	33.9%

- In 2005, the federal poverty guideline for a family of four (\$19,350) is more than 3 times lower than the 2005 estimated median family income in Colorado (\$59,252).
- In 2004, the monthly Fair Market Rent in Colorado for a two-bedroom unit was \$865. To afford the Fair Market Rent, a full-time worker would need to earn an hourly wage of \$16.64, 323% of the minimum wage of \$5.15 per hour. (National Low Income Housing Coalition)
- See also, *Poverty Despite Work in Colorado*, a report by the Colorado Fiscal Policy Institute.

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. Some arguments include:

- The poverty measures are outdated and have not kept up with the rising costs of living and working. They are still based on the assumption that food equals one-third of the family budget, which is no longer the case. Costs such as housing and health care have taken up greater portions of the family budget and continue to increase faster than the cost of food.

¹ U.S. Census Bureau Data, ACS PV 2003

- The poverty level does not vary by geographic location to account for varying costs of living in 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. Yet, family expenses vary considerably depending on the age of the children in a family.

SOLUTIONS OR ALTERNATIVES

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

At the state and national level, organizations have created their own alternative to the federal poverty guidelines: basic needs budgets. These

budgets analyze the cost of a family's basic needs, including taxes and tax credits, based on family size and composition, and geographic location. Basic needs budgets are not intended to replace the federal poverty measures, but rather to provide an alternative benchmark for evaluating family well-being. In Colorado, this alternative is *The Self-Sufficiency Standard for Colorado: A Family Needs Budget*, published by the Colorado Fiscal Policy Institute. According to this report, the poverty level is 2-3 times less than wages needed for economic self-sufficiency in Colorado. For example, the 2004 Self-Sufficiency Standard for Denver for a family with one parent, one infant and one preschooler is \$44,001, whereas the 2005 poverty level for a family of three is \$16,090.

Public assistance programs and income eligibility requirements		
Based on 2005 Poverty Guidelines for a Family of Four		
Program	%Poverty	Income Limit
CHP+	185%	\$35,757
School Lunch	130-185%	\$25,155-35,797
Medicaid (Children)	100-133%	\$19,350-25,735
Food Stamps	130%	\$25,155
Colorado Indigent Care	185%	\$35,797
Low-income Energy Assistance	185%	\$35,797