

## Poverty Measures

### Introduction

This Facts on KIDS in South Dakota will focus on poverty. There are many complex aspects and ways to measure poverty, which makes it difficult to fully understand. To bring clarity to the subject, this monograph will explain poverty thresholds and guidelines, and the supplemental poverty measure. Using examples of average South Dakota families it will demonstrate how the measures are applied.

A typical South Dakota family consists of three persons. The 2014 poverty threshold for a family of one adult and two children is \$19,073. A single parent making minimum wage (\$8.50 per hour) would earn a yearly income of \$17,680. This is below the \$19,073 threshold, so the family would be considered to be in poverty.

A family with two adults and one child is in poverty with a yearly income of \$19,055 or less. A family with both parents making minimum wage (an annual income of \$35,360) would not be considered in poverty because their income is above the \$19,055 threshold.

### *Versions of the federal poverty measure*

### Poverty Thresholds

The Official Poverty Measure, created in the 1960s, is a formula that calculates the minimum cost to feed a family a nutritionally adequate diet. The cost is multiplied by three, because in the 1960s, food accounted for roughly one-third of the average family budget. Each year, the U.S. Census Bureau sets income thresholds that vary by family size and composition to determine the poverty measure.

The thresholds are used primarily for statistical purposes, such as preparing estimates of the number of Americans in poverty each year. The thresholds do not vary geographically throughout the United States, even though the cost of living varies between states. They do vary according to the size of the family and the ages of its members, and are updated for inflation using the Consumer Price Index.

Based on pre-tax income, the threshold includes earnings, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources. Also included are cash benefits such as unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, and survivor benefits. The threshold does not include non-cash benefits, such as the Supplemental Nutrition Assistance Program (SNAP). While the income of family members is included; the income of roommates or other non-relatives is excluded<sup>1</sup>.

**Poverty Thresholds for 2014 by Size of Family and Number of Related Children Under 18 Years**

Size of family unit	Related children under 18 years								
	None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual).....									
Under 65 years.....	12,316								
65 years and over.....	11,354								
Two people.....									
Householder under 65 years.....	15,853	16,317							
Householder 65 years and over.....	14,309	16,256							
Three people.....	18,518	19,055	19,073						
Four people.....	24,418	24,817	24,008	24,091					
Five people.....	29,447	29,875	28,960	28,252	27,820				
Six people.....	33,869	34,004	33,303	32,631	31,633	31,041			
Seven people.....	38,971	39,214	38,375	37,791	36,701	35,431	34,036		
Eight people.....	43,586	43,970	43,179	42,485	41,501	40,252	38,953	38,622	
Nine people or more.....	52,430	52,685	51,984	51,396	50,430	49,101	47,899	47,601	45,768

Source: U.S. Census Bureau.

## Poverty Guidelines

Poverty guidelines, issued by the Department of Health and Human Services (HHS), are another way to measure federal poverty. They are designated by the year in which issued—usually in late January, and are used for administrative purposes, such as determining financial eligibility for certain federal programs.

Programs that use the guidelines (or percentage multiples of the guidelines) include Head Start, the Supplemental Nutrition Assistance Program (SNAP), the National School Lunch program, the Low-Income Home Energy Assistance Program, and the Children’s Health Insurance Program. Generally, cash public assistance programs such as Temporary Assistance for Needy Families (TANF) and Supplemental Security Income, do not use the poverty guidelines to determine eligibility<sup>2</sup>.

2015 Poverty Guidelines			
Persons in Family Unit	48 Contiguous States and The District of Columbia	Alaska	Hawaii
1	\$11,770	\$14,720	\$13,550
2	15,930	19,920	18,330
3	20,090	25,120	23,110
4	24,250	30,320	27,890
5	28,410	35,520	32,670
6	32,570	40,720	37,450
7	36,780	45,920	42,230
8	40,890	51,120	47,010
<b>For each additional person add:</b>	<b>\$4,160</b>	<b>\$5,200</b>	<b>\$4,780</b>

Source: <http://aspe.hhs.gov/poverty/15poverty.cfm#guidelines>

A family with a yearly income of \$26,000 may be eligible for some benefits. To determine those, family income is multiplied by the guideline percentages used by each benefit. SNAP requires 130% of poverty guidelines for eligibility. The formula would be  $\$26,000 \times 130\% = \$33,800$ . Because their income is below \$33,800, they are eligible for SNAP. They are also eligible for CHIP, Free School Lunch Program, Reduced School Lunch, and Child Care Assistance.

South Dakota Benefits That Use Poverty Guidelines			
Benefit	Federal Poverty Guidelines	Asset Limit	Eligibility Criteria
Supplemental Nutritional Assistance Program (SNAP)	130%	Up to \$2,000-\$3,000 if at least one person in the household is disabled or age 60 or older	Based on household size and income. Able-bodied applicants must register for work and cooperate in seeking and keeping employment.
Medical Assistance: Children’s Health Insurance Program (CHIP)	200%	NA	Based on household size and income. Applicant must be a resident of SD and a U.S. national, citizen, legal alien, or permanent resident. Participating children: <ul style="list-style-type: none"> <li>• Must be less than 19 years of age,</li> <li>• Must not be covered by a group health plan (including Medicaid) in the prior months.</li> </ul>
Free School Lunch Program	130%	NA	Based on household size and income.
Reduced School Lunch	185%	NA	Based on household size and income.
Child Care Assistance	175%	NA	Based on household size and income. Applicants must work 80 hours per month

## Supplemental Poverty Measure

Another measure of poverty is the Supplemental Poverty Measure (SPM). It was created in 2011 to extend, but not replace, the Official Poverty Measure (OPM) and is released by the U.S. Census Bureau, with support from the Bureau of Labor Statistics (BLS). Designed to better understand how families are managing, it takes into consideration thresholds and family unit resources as suggestions to supplement the OPM, and to gauge the effectiveness of government programs in alleviating economic hardship for families and individuals not included in the OPM.

The OPM includes only individuals living together and related by birth, marriage, or adoption and treats unrelated individuals over the age of 15 independently, the SPM extends the meaning of “family unit.” The SPM includes all related individuals who live at the same address, as well as any co-resident unrelated children (such as foster children) and any cohabiters and their children. This implies that members of the unit share income or resources with one another.

SPM thresholds are adjusted for the size and composition of the SPM Resource Unit, and represent an out-of-pocket amount spent on a basic set of goods. These basic goods include food, clothing, shelter, and utilities (FSCU), based on five years of quarterly data from the Consumer Expenditure Survey. Taking into account geographic variations in the cost of living, the SPM, unlike the OPM, analyzes rising costs and other changes that can affect a family’s budget<sup>3</sup>.

Unlike the OPM, the SPM takes into account cash benefits and necessary expenses, as well as taxes and noncash transfers used to meet FSCU needs and others. This helps to gauge how tax credits and transfers alleviate poverty<sup>4</sup>.

In February of 2015, the Annie E. Casey Foundation released a data report examining the SPM. It found that with the assistance of government interventions, the national child poverty rate dropped from 33 to 18 percent in 2011-2013. For South Dakota, during these years, using the SPM, 22% of the state’s children would have been considered to be in poverty. With the assistance of government intervention programs, that percentage dropped to 9. This is a difference of 13% of South Dakota’s children; demonstrating the effectiveness of government intervention programs for reducing the number of children living with economic hardships<sup>5</sup>.

Key Differences Between Poverty Thresholds and Poverty Guidelines		
	Poverty Thresholds	Poverty Guidelines
Issuing Agency	Census Bureau	Department of Health and Human Services
Purpose/Use	Statistical — calculating the number of people in poverty	Administrative — determining financial eligibility for certain programs
Characteristics by Which They Vary	Detailed (48-cell) matrix of thresholds varies by family size, number of children, and, for 1- & 2-person units, whether or not elderly. Weighted average thresholds vary by family size and, for 1- & 2-person units, whether or not elderly. There is no geographic variation; the same figures are used for all 50 states and D.C.	Guidelines vary by family size. In addition, there is one set of figures for the 48 contiguous states and D.C.; one set for Alaska; and one set for Hawaii.
Timing of Annual Update	The Census Bureau issues preliminary poverty thresholds in January, and final poverty thresholds in September of the year after the year for which poverty is measured. They are adjusted to the price level of the year for which poverty is measured.	HHS issues poverty guidelines in late January of each year. Some programs make them effective on date of publication, others at a later date.
How Updated or Calculated	The 48-cell matrix is updated each year from the 1978 threshold matrix using the CPI-U.	Guidelines are updated from the latest published (final) weighted average poverty thresholds using the CPI-U.
Rounding	Rounded to the nearest dollar	Rounded to various multiples of \$10 — may end only in zero
Source: U.S. Department of Health and Human Services		

## Conclusion

In conclusion, this Facts on KIDS looks at different ways poverty is measured. The difference between the poverty thresholds and guidelines is that the thresholds are to calculate the number of people in poverty in a given year, while the guidelines are used to determine financial eligibility for certain programs.

Poverty thresholds vary by family size and number of children, but not geographically; guidelines vary by family size and geographically.

The Supplemental Poverty Measure was created to extend, but not replace, the Official Poverty Measure. It takes into account geographic differences in the cost of living, cash benefits and necessary expenses in addition to taxes and non-cash transfers. The Supplemental Poverty Measure can indicate how tax credits and transfers impact poverty.



NON-PROFIT  
ORGANIZATION  
U.S. POSTAGE PAID  
VERMILLION, SD  
PERMIT NO. 14

SD KIDS COUNT Project  
Beacom School of Business  
University of South Dakota  
414 East Clark Street  
Vermillion, SD 57069

---

1 Amadeo, K. (n.d.). Federal Poverty Threshold. Retrieved May 28, 2015, from <http://useconomy.about.com/od/fiscalpolicydefinitions/fl/Federal-Poverty-Threshold.htm>

2 2015 Poverty Guidelines. (n.d.). Retrieved May 18, 2015, from <http://aspe.hhs.gov/poverty/15poverty.cfm>

3 Short, K. (2014, October 1). The Supplemental Poverty Measure: 2013. Retrieved June 10, 2015, from <http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-251.pdf>

4 Short, K. (2014, October 1). The Supplemental Poverty Measure: 2013. Retrieved June 10, 2015, from <http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-251.pdf>

5 (n.d.). Retrieved June 1, 2015, from <http://www.aecf.org/m/resourcedoc/aecf-MeasuringAccess-toOpportunityKC2-2015.pdf>

Facts on KIDS in South Dakota is published by South Dakota KIDS COUNT, Beacom School of Business, University of South Dakota. The South Dakota KIDS COUNT Project ([www.sdkidscount.org](http://www.sdkidscount.org)) is a national and state-by-state effort, sponsored by the Annie E. Casey Foundation, to track the status of children in the United States. By providing policymakers and citizens with benchmarks of child well-being, KIDS COUNT seeks to enrich local, state, and national discussions concerning ways to secure better futures for children and families. Additional funding for the state project comes from the South Dakota Departments of: Education & Human Services.

**Thank you to:**

*Hanna E. Conrad*, SD KIDS COUNT Staff Associate. She wrote and designed this edition of Facts on Kids. Conrad is enrolled in the Master of Art's program in English at the University of South Dakota.

*Maggie Lubeck*, SD KIDS COUNT Staff Associate. She is a second year Law Student at the University of South Dakota.

---