



June 2, 2022

## **THE FEDERAL POVERTY THRESHOLD AND WHAT IT MEANS FOR KANSAS**

Developed in the early 1960s by an economist with the Social Security Administration, the Federal Poverty Threshold (FPT) and Federal Poverty Guidelines (FPG) have become synonymous with discussions of America’s economic health and the barrier to entry for a variety of government assistance programs.

The FPT has remained largely unchanged since its official adoption in 1969 as the threshold continues to be calculated by taking three times the cost of the 1963 “economy food plan” and accounting for inflation through the Consumer Price Index (CPI). The FPG are figured similarly to the FPT, except that it does not account for the number of adults and children that make up the family. The other key difference between the two measures is that each year’s FPT is released by the U.S. Census Bureau (Bureau) toward the end of the following year<sup>1</sup> whereas each year’s FPG are released by the U.S. Department of Health and Human Services (HHS) in January of each year.<sup>2</sup>

The final federal poverty measure produced by the Bureau is an unofficial measure known as the Supplemental Poverty Measure (SPM). The SPM was first introduced in 2011 for the year 2010 and utilizes a greater number of a family’s costs, incomes, and expenses in determining the poverty level. Since its introduction, the SPM has ranged from approximately 0.5 to 1.5 percent higher than the FPT regarding the percentage of Americans in poverty.

### **Federal Poverty Threshold**

#### ***History***

First devised in 1963–1964, the FPT was created to “assess the relative risks of low economic status among different demographic groups of families with children,” not to strictly measure the number of people living in poverty. The FPT utilized food cost studies to determine the minimum amount of money needed for families of various sizes to obtain a minimal, but adequate, diet. This amount was then extrapolated to account for non-food purchases and was compared to a family’s cash income to determine whether a family would be classified as impoverished.

In 1969, the Bureau of the Budget directed all executive agencies to use a revised version of the FPT as the official statistical measure of poverty for the federal government.

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1 The 2020 FPT was released in September 2021.

2 The 2022 FPG were released on January 25, 2022, and were based upon 2021 data.

The primary revision was the addition of the CPI to account for changes in inflation from year to year. Since the issuance of this directive, the calculation of FPT has remained largely unchanged other than minor adjustments made in 1981<sup>3</sup> and the introduction of the SPM<sup>4</sup> in 2011.

### ***Calculating the Federal Poverty Threshold***

The FPT is calculated by taking the Federal Department of Agriculture's 1963 cost for an individual or family utilizing the "economy food plan," multiplying that cost by three to account for other basic necessities, and then adjusting for inflation using the CPI.<sup>5</sup> The FPT thus represents a consistent level of buying power, even as the dollar amount fluctuates from year to year. Once the figure is calculated, it is then compared against an individual's or family's net income to determine their economic standing relative to the FPT.

$$(\text{Cost of 1962 "Economy Food Plan"} \times 3) \times \text{Current CPI} = \text{FPT}$$

Due to a lack of quality data at the time it was developed, the FPT formula relies upon several assumptions of household behavior. The first is that (as found in a 1955 study on household food consumption) households of three or more individuals spend approximately one-third of their net income on food, independent of income level.

The second assumption is that the proportion of a family's food to non-food expenditures will be maintained during changes in income. For example, if a family's income decreases by \$3,000, the formula assumes the family will cut \$1,000 from their food purchases and \$2,000 from their non-food spending.

These two assumptions are combined and further extrapolated by the formula to assume that, if a family is spending one-third of its income on the "economy food plan" (which is described as providing an "adequate" diet), the remaining two-thirds of their income would be sufficient to cover minimally adequate non-food purchases. This is because, as noted above, it is assumed that all expenses would proportionally increase or decrease with a family's income.

A table detailing the 2020 FPT can be found in Appendix 1.

### ***Calculating Income for the Federal Poverty Threshold***

To determine a family's relationship to the FPT, all of the following income is aggregated (before tax):

- Earnings;
- Unemployment compensation;
- Workers' compensation;

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3 The adjustments in 1981 eliminated the different thresholds based on whether a family was a farm or non-farm household and whether the head of the household was male or female.

4 The SPM is an unofficial poverty measure that broadens the definition of "family"; utilizes spending information on clothing, shelter, and utilities in addition to food; accounts for the financial impacts beyond cash income; and adjusts for regional differences.

5 The inclusion of CPI adjustments to account for inflation did not occur until the official adoption of the FPT in 1969 and have since been backdated to cover FPT numbers prior to 1969.

- Social Security benefits;
- Supplemental Security Income;
- Public assistance;
- Veterans' payments;
- Survivor benefits;
- 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 income sources.

The family's aggregated income is then divided by the FPT for their family size and composition. If the result is one or lower, the family is considered to be in poverty. If the result is greater than one, the family is considered not in poverty. These numbers are typically discussed as a percentage of the poverty level.

Two examples for a family of four with two children are calculated below. The first family has an income of \$15,000 a year, and the second family has an income of \$60,000 a year.

Family 1:  $\$15,000/\$27,479 = .55$  or 55.0 percent of the FPT

Family 2:  $\$60,000/\$27,479 = 2.18$  or 218.0 percent of the FPT

The FPT formula, as described above, is how the Bureau determines the levels of poverty within the United States.

### **Federal Poverty Guidelines**

The FPG are calculated by the HHS and provide operational thresholds used to determine eligibility for government assistance programs. While the FPG are derived from the FPT, there are several key differences between the two with regard to time frame, location, and grouping.

The FPG are a proactive measure and are released every January to update the eligibility thresholds for certain federal assistance programs. The FPT is a retroactive measure that is typically released the following year. For example, the 2020 FPT was released in September 2021, while the 2022 FPG were released on January 25, 2022, and were based upon 2021 data.

The other key difference between the two is that the FPG do not differentiate among family sizes. While the FPT has different measures based upon the number of children in a family, the FPG provide eligibility numbers based strictly upon the total number of individuals that comprise the family.

Additionally, the FPG provide guidelines for Hawaii and Alaska that differ from those provided to the contiguous 48 states, and the FPG do not have separate figures for aged and non-aged individuals or two-person households, as are found in the FPT.

A table detailing the 2021 and 2022 FPG can be found in Appendix 2.

### Supplemental Poverty Measure

The SPM is an auxiliary measure of the poverty level that seeks to create a more accurate version of the FPT through the use of additional income and expense data points. Since its inception in 2011, the SPM has been released every year along with the FPT. The key differences between the FPT and SPM are found in their calculation of the threshold for poverty and the way a family's resources are measured.

<b>POVERTY MEASURE CONCEPTS: OFFICIAL AND SUPPLEMENTAL</b>		
<b>Concept</b>	<b>Official Poverty Measure</b>	<b>Supplemental Poverty Measure</b>
<b>Measurement Units</b>	Families (individuals related by birth, marriage, or adoption) or unrelated individuals	Resource units (official family definition plus any co-resident unrelated children, foster children, and unmarried partners and their relatives) or unrelated individuals (who are not otherwise included in the family definition)
<b>Poverty Threshold</b>	Three times the cost of a minimum food diet in 1963	Based on expenditure of food, clothing, shelter, and utilities (FCSU)
<b>Threshold Adjustments</b>	Vary by family size, composition, and age of householder	Vary by family size, composition, and tenure, with geographic adjustments for differences in housing costs
<b>Updating Thresholds</b>	Consumer Price Index for All Urban Consumers: all items	Five-year moving average of expenditures on FCSU
<b>Resource Measurements</b>	Gross before-tax cash income	Sum of cash income, plus non-cash benefits that resource units can use to meet their FCSU needs, minus taxes (or plus tax credits), work expenses, medical expenses, and child support paid to another household

[Note: Table via U.S. Census Bureau's *The Supplemental Poverty Measure: 2019*.]

The overall 2020 SPM calculated 9.1 percent of Americans living in poverty, which is 2.3 percent below the 2020 FPT calculation of 11.4 percent of Americans living in poverty. A comparison of all SPM versus FPT measures can be found in Appendix 3.

## Income, Expenses, and the Poverty Level in Kansas

### *Income*

In 2020, Kansans earned a per capita income of \$32,798 compared to the overall U.S. per capita income of \$35,384, according to the 2020 American Community Survey (ACS) conducted by the Bureau. When divided into households,<sup>6</sup> approximately 27.6 percent of all Kansas households made below \$35,000 in the prior 12 months, 45.7 percent of households made between \$35,000 and \$99,999, and 26.7 percent of households made \$100,000 or more. Included below is a breakdown of median incomes in Kansas based upon household composition.

<b>2020 American Communities Survey: Kansas Median Income in the Past 12 Months</b>			
	<b>Number of Households</b>	<b>Percentage of Households</b>	<b>Median Income (dollars)</b>
<b>ALL HOUSEHOLDS</b>	1,141,985	100.0%	\$61,091
<b>Families</b>	737,611	64.6%	\$77,620
With own children of householder under 18 years	324,122	28.4%	\$74,882
With no own children of householder under 18 years	413,489	36.2%	\$79,793
<b>Married-couple Families</b>	576,150	50.5%	\$89,695
With own children under 18 years	229,610	20.1%	\$95,533
<b>Female Householder (No Spouse)</b>	111,733	9.8%	\$38,080
With own children under 18 years	67,319	5.9%	\$30,206
<b>Male Householder (No Spouse)</b>	49,728	4.4%	\$50,847
With own children under 18 years	27,193	2.4%	\$45,317
<b>Non-family Households</b>	404,374	35.4%	\$34,826
<b>Female Householder</b>	209,665	18.4%	\$30,869
Living Alone	178,052	15.6%	\$28,263
Not Living Alone	31,613	1.2%	\$53,871
<b>Male Householder</b>	194,709	17.1%	\$40,116
Living Alone	154,360	13.5%	\$35,743
Not Living Alone	40,349	3.5%	\$61,299

When comparing the median household incomes to the 2022 FPG, which are used largely for assistance program eligibility, no four-member household groups in Kansas, in their entirety, fall below the poverty threshold. However, a breakdown of households by income ranges reveals:

<sup>6</sup> The Bureau states, "A household includes the related family members and all unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household."

- 5.3 percent, or 60,525, of Kansas households make less than \$10,000 per year and would qualify as living in poverty under the 2021 FPG, regardless of family size;
- 4.0 percent, or 45,679, of Kansas households make between \$10,000 and \$14,999 per year, the threshold for poverty for households of two or more individuals under the 2021 FPG; and
- 8.7 percent, or 99,353, of Kansas households make between \$15,000 and \$24,999 per year. Of these, households of four or more would qualify under the 2021 FPG. Households of three would qualify if they make less than or equal to \$23,030 per year.

### ***Expenses***

In 2020, the U.S. Department of Commerce’s Bureau of Economic Analysis (BEA) estimated Kansans spent \$38,845 per capita on consumer goods, rents, and services each year. This is \$3,790, or 8.9 percent, less than the national per capita annual expenditures for consumer goods, rents, and services (\$42,635). When broken down by household for 2020, Kansas households, on average, spent approximately \$99,113 each year on consumer goods, rents, and services. This is \$15,697, or 13.7 percent, less than the national household average of \$114,810.

Utilizing the BEA’s regional price parities, Kansans pay 8.9 percent less overall for goods and services than the national average. Compared to national averages, the price of goods in Kansas are 4.6 percent less, housing costs are 27.9 percent less, utilities are 12.3 percent more, and other services are 2.9 percent less.

Appendix 4 shows the breakdown of 2020 personal and consumer expenditures per capita.

### ***Poverty Level***

The 2020 ACS estimates 323,644 Kansans, or 11.4 percent, live in families with an income that has fallen below the FPT within the past 12 months.<sup>7</sup> This is 0.3 percent higher than the national level of 11.1 percent of Americans who live below the poverty level according to the FPT.

Appendix 5 shows the estimated total of the state’s population based upon various characteristics, including the share below the poverty line.

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<sup>7</sup> Appendices 1 and 2 provide the 2020 FPT and 2022 FPG thresholds based upon family size and composition.

## **Federal and State Programs Involving the FPT or FPG**

A variety of federal and state programs utilize either the FPT or FPG when determining eligibility or levels of service. The following list provides some of these programs, organized by the state agency that administers the program. Each program is denoted as either being a federal or state program.

### ***Kansas Department for Children and Families***

#### ***Child Care Assistance (Federal)***

Provides cash assistance for child care services to families whose household income does not exceed 185.0 percent of the FPG. A co-payment is required for all recipients whose income exceeds 70.0 percent of the FPG.

#### ***Child Support Services (State)***

Helps children receive the financial support necessary for growth and development. Assists by establishing parentage and orders for child and medical support payments, locating noncustodial parents, enforcing child and medical support orders, and modifying support orders. All families receiving Temporary Assistance for Needy Families, food assistance, medical assistance, foster care, or child care assistance are automatically qualified.

#### ***Commodity Supplemental Food Program (Federal)***

Provides food packages to individuals 60 years of age or older whose income is 130.0 percent or less of the FPG.

#### ***Early Head Start Program (State)***

A comprehensive program designed to meet the individual needs of children and families by providing services such as early education, parent education, health and medical services, nutritional education, family support, and child care for households whose income does not exceed 100.0 percent of the FPG.

#### ***Food Assistance (Federal)***

Provides cash assistance for food to individuals and families whose household gross income does not exceed 130.0 percent of FPT or whose net income does not exceed 100.0 percent of the FPG.

#### ***Low Income Energy Assistance Program (Federal)***

Helps eligible households pay a portion of their home energy costs by providing a one-time per year benefit. One of the program's eligibility requirements is that the household does not exceed 150.0 percent of the FPG.

### *Temporary Assistance for Needy Families (Federal)*

Provides cash assistance for a lifetime maximum of 24 months to individuals and families whose household income does not exceed 22.0 percent of the FPG.

### ***Kansas Department of Health and Environment***

#### *Children's Health Insurance Program (Federal and State)*

Provides low-cost health coverage for children under the age of 19 whose household income exceeds Medicaid requirements but does not exceed 230.0 percent of the FPG.

#### *Medicaid/KanCare (Federal and State)*

KanCare provides medical coverage for the following populations based on income eligibility:

- Pregnant women and children under the age of one if their household income does not exceed 171.0 percent of the FPG;
- Children between the ages of 1 and 5 whose household income does not exceed 149.0 percent of the FPG and children between the ages of 6 and 18 whose household income does not exceed 113.0 percent of the FPG; and
- Parents or caregivers of children whose household income does not exceed 38.0 percent of the FPG.

#### *Special Health Care Needs (State)*

Provides specialized medical services to infants, children, and youth up to age 21 with eligible medical conditions whose household income does not exceed 185.0 percent of the FPG.

[*Note:* If the infant, child, or youth's condition is genetic, then 50.0 percent coverage is provided for household incomes not exceeding 285.0 percent of the FPG and 25.0 percent coverage if income does not exceed 385.0 percent of the FPG.]

#### *Women, Infants, and Children Program (Federal)*

Provides nutrition education, health education, healthy foods, infant formula, and other services to families whose household income does not exceed 185.0 percent of the FPG.

## ***Kansas State Board of Education***

### ***At-risk Funding (State)***

Part of the school funding formula involves a weighted measure for “at-risk” students. These students are defined as qualifying for the federal Free and Reduced Lunch Program, which utilizes the FPG to determine eligibility.

### ***Free and Reduced Lunch Program (Federal)***

Provides school meals for free or at a reduced price based upon the student’s household income. For the 2020-2021 school year, any student at or below 130.0 percent of the FPG would qualify for free lunch and any student at or below 185.0 but above 130.0 percent of FPG would qualify for reduced lunch.

### ***High Density At-risk Funding (State)***

Part of the school funding formula that provides additional money to school districts with high concentrations of “at-risk” students. As with the at-risk funding, this category measures student populations receiving federal free or reduced lunches and utilizes the FPG for determining income eligibility.

### ***Low Income Tax Credit Scholarship Program (State)***

Provides scholarships to public school students in grades K-8 who qualify for the Free and Reduced Lunch Program so they may attend private schools.

### ***State Board of Indigents’ Defense Services***

Provides criminal defense services to individuals whose household income does not exceed the FPG.

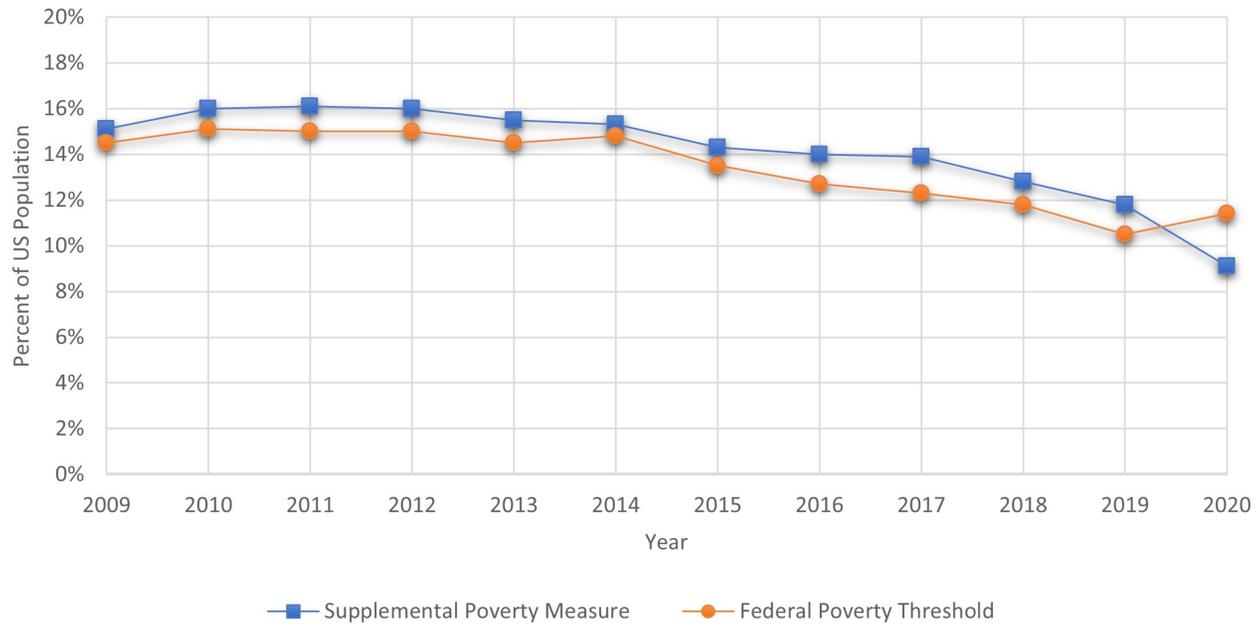
<b>Appendix 1: 2020 Federal Poverty Thresholds</b>										
<b>Size of Family Unit</b>	<b>Weighted Average Thresholds<sup>8</sup></b>	<b>Related Children Under 18 Years</b>								
		<b>None</b>	<b>One</b>	<b>Two</b>	<b>Three</b>	<b>Four</b>	<b>Five</b>	<b>Six</b>	<b>Seven</b>	<b>Eight or More</b>
One Person (Unrelated Individual)	\$13,171									
Under Age 65	\$13,465	\$13,465								
Age 65 and Older	\$12,413	\$0								
Two Persons:	\$16,733									
Householder Under Age 65	\$17,413	\$17,331	\$17,839							
Householder Age 65 and Older	\$15,659	\$15,644	\$17,771							
Three Persons	\$20,591	\$20,244	\$20,832	\$20,852						
Four Persons	\$26,496	\$26,695	\$27,131	\$26,246	\$26,338					
Five Persons	\$31,417	\$32,193	\$32,661	\$31,661	\$30,887	\$30,414				
Six Persons	\$35,499	\$37,027	\$37,174	\$36,408	\$35,674	\$34,582	\$33,935			
Seven Persons	\$40,406	\$42,605	\$42,871	\$41,954	\$41,314	\$40,124	\$38,734	\$37,210		
Eight Persons	\$44,755	\$47,650	\$48,071	\$47,205	\$46,447	\$45,371	\$44,006	\$42,585	\$4,224	
Nine Persons or More	\$53,905	\$57,319	\$57,597	\$56,831	\$56,188	\$55,132	\$53,679	\$52,366	\$52,040	\$50,035

8 The "Weighted Average Threshold" is based on the relative number of unrelated individuals and primary families of each size and composition within the 48 different poverty thresholds.

<b>Appendix 2: 2021 and 2022 Federal Poverty Guidelines for the 48 Contiguous States and the District of Columbia</b>		
<b>Persons in Family/Household</b>	<b>2021 Poverty Guidelines</b>	<b>2022 Poverty Guidelines</b>
1	\$12,880	\$13,590
2	\$17,420	\$18,310
3	\$21,960	\$23,030
4	\$26,500	\$27,750
5	\$31,040	\$32,470
6	\$35,580	\$37,190
7	\$40,120	\$41,910
8	\$44,660	\$46,630

\* For families/households with more than eight persons, add \$4,540 in 2021 and \$4,720 in 2022 for each additional person.

### Appendix 3: Supplemental Poverty Measure versus Federal Poverty Measure (2010 - 2020)



<b>Appendix 4: 2020 Per Capita Personal Consumption Expenditures</b>			
<b>Description</b>	<b>United States</b>	<b>Kansas</b>	<b>Kansas as Percent of United States</b>
<b>Per Capita Personal Consumption Expenditures</b>	\$42,635	\$38,845	91.1%
<b>GOODS</b>	\$14,125	\$12,980	91.2%
<b>Durable Goods</b>	\$4,906	\$4,280	87.2%
Motor Vehicles and Parts	\$1,643	\$1,795	109.3%
Furnishings and Durable Household Equipment	\$1,185	\$1,103	93.1%
Recreational Goods and Vehicles	\$1,445	\$854	59.1%
Other Durable Goods	\$633	\$527	83.3%
<b>Nondurable Goods</b>	\$9,219	\$8,701	94.4%
Food and Beverages Purchased for Off-premises Consumption	\$3,480	\$3,672	105.5%
Clothing and Footwear	\$1,100	\$890	80.9%
Gasoline and Other Energy Goods	\$749	\$737	98.4%
Other Nondurable Goods	\$3,890	\$3,402	87.5%
<b>SERVICES</b>	\$28,510	\$25,864	90.7%
<b>Household Consumption Expenditures (for services)</b>	\$26,930	\$24,513	91.0%
Housing and Utilities	\$8,098	\$6,822	84.2%
Health Care	\$7,006	\$6,707	95.7%
Transportation Services	\$1,103	\$932	84.5%
Recreation Services	\$1,264	\$1,024	81.0%
Food Services and Accommodations	\$2,433	\$2,050	84.3%
Financial Services and Insurance	\$3,631	\$3,507	96.6%
Other Services	\$3,395	\$3,471	102.2%
<b>Final Consumption Expenditures of Nonprofit Institutions Serving Households (NPISHs)</b>	\$1,581	\$1,351	85.5%

**Appendix 5: Kansas Poverty Status in the Past 12 Months<sup>9</sup>**

Label	Total		Below Poverty Level		Percent Below Poverty Level	
	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error
<b>Population</b>	2,828,498	±997	323,644	±6,562	11.4%	±0.2
Under 5 Years	185,571	±763	29,224	±1,345	15.7%	±0.7
5 to 17 Years	508,157	±840	67,472	±2,773	13.3%	±0.5
18 to 34 Years	635,785	±1,100	106,601	±2,823	16.8%	±0.4
35 to 64 Years	1,056,533	±1,252	86,212	±2,221	8.2%	±0.2
65 Years and Over	442,452	±725	34,135	±1,367	7.7%	±0.3
<b>Sex</b>						
Male	1,402,272	±1,376	142,224	±3,484	10.1%	±0.2
Female	1,426,226	±1,314	181,420	±4,258	12.7%	±0.3
<b>Race</b>						
White	2,352,091	±4,112	230,434	±5,207	9.8%	±0.2
Black or African American	154,936	±2,475	37,044	±2,075	23.9%	±1.3
American Indian and Alaska Native	20,748	±1,259	3,940	±572	19.0%	±2.4
Asian	85,351	±1,738	12,547	±1,265	14.7%	±1.4
Some Other Race	77,823	±3,376	15,824	±1,794	20.3%	±2.0
Two or More Races	135,317	±3,760	23,650	±1,883	17.5%	±1.3
Hispanic or Latino	343,195	±438	62,289	±3,289	18.1%	±1.0
<b>Educational Attainment*</b>						
Less than High School Graduate	157,906	±3,389	34,525	±1,603	21.9%	±0.9
High School Graduate**	476,859	±4,919	56,377	±1,879	11.8%	±0.3
Some College, Associate's Degree	594,962	±4,612	50,716	±1,587	8.5%	±0.3
Bachelor's Degree or Higher	644,281	±6,339	22,050	±1,179	3.4%	±0.2

\*Excludes all population under 25 years of age.

\*\* Includes high school graduate equivalency.

9 Table can be found at the U.S. Census Bureau website under "Poverty Status in the Past 12 Months" in the 2019: ACS 1-Year Estimates Subject Tables.