

CENTER FOR PUBLIC POLICY PRIORITIES RECOMMENDS

Five things to know about how poverty is measured

OPM *versus* SPM

OFFICIAL POVERTY MEASURE

SUPPLEMENTAL POVERTY MEASURE

1. What is the Official Poverty Measure? How is it used?

The OPM (aka “poverty threshold”) is the official estimate by the federal government of how many people in the U.S. live in poverty. It has been used since the 1960s, so it is used to track changes over time. The poverty guidelines, which are based off of the OPM, are used to determine eligibility for government programs and services.

2. How is the official poverty threshold determined?

The “poverty line” in the OPM was developed in the 1960s and defined as three times a low-cost food budget. It has since been updated for inflation but is still based on the original 1963 number, even though the relative cost of food today is much lower. In 2015, the poverty line for a family of three was approximately \$20,000 per year.

3. What resources are counted in determining who lives “in poverty”?

The OPM counts only cash income before taxes. In addition to salary and wages, this can include child support, Social Security and Unemployment Insurance. The value of public and employer-sponsored benefits (e.g. SNAP, job-based or subsidized health insurance) are not counted.

4. Is the “poverty line” the same for every family in the U.S.?

No. The “poverty line” differs by family size, composition, and age of the head of household. But, the poverty line does NOT differ by location. A family of four earning less than \$24,000/year is considered equally “in poverty” whether they live in Harlingen or Austin, even though the costs for basic expenses differs dramatically.

5. Using the OPM, how many Texans live in poverty?

See CPPP.org for the latest numbers. In 2013, the Texas Poverty Rate was 17.2% or 4.5 million Texans.

1. What is the Supplemental Poverty measure? How is it used?

The SPM was developed by the federal government to supplement the OPM. The SPM provides more information on economic need based on expenses in today’s economy (many expenses such as child care and transportation were not primary household expenses when the OPM was developed). The SPM also accounts for noncash benefits (e.g. SNAP), taxes and tax credits.

2. How is the supplemental poverty threshold determined?

The “poverty line” in the SPM is based on what people generally spend on basic needs (food, clothing, shelter, and utilities), plus a little extra for other expenses like household supplies. It is based on the low end of costs in the last five years. SPM poverty thresholds can be lower or higher than OPM levels because of adjustments made for housing costs (see #4).

3. What resources are counted in determining who lives “in poverty”?

The SPM counts cash income, including child support received, Social Security, and Unemployment Insurance, then...

Adds in-kind benefits like SNAP, free/reduced school lunches, housing subsidies, and assistance with home utilities costs, then...

Adds tax credits (Child Tax Credit, Earned Income Tax Credit), then...

Subtracts necessary expenses like taxes, child support paid, medical out-of-pocket expenses, and work-related expenses such as childcare and transportation.

4. Is the “poverty line” the same for every family in the U.S.?

No. The “poverty line” differs by family size and composition; unlike the OPM, the SPM also adjusts for differences in location and cost of living. SPM poverty thresholds also differ for renters, homeowners paying mortgages, and homeowners without mortgages. (For more, see census.gov).

5. Using the SPM, how many Texans live in poverty? See CPPP.org for the latest numbers. In 2013, the Texas Supplemental Poverty Rate was 15.9% or 4.1 million Texans.