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Defining and Measuring Poverty in Nebraska

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CORNHUSKER ECONOMICS

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University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
<http://www.agecon.unl.edu/Cornhuskereconomics.html>

Defining and Measuring Poverty in Nebraska

Market Report	Yr Ago	4 Wks Ago	10/23/0
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$89.56	\$83.06	\$84.72
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	107.83	114.10	101.30
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	100.05	99.33	97.38
Choice Boxed Beef, 600-750 lb. Carcass.	143.96	140.48	137.68
Western Corn Belt Base Hog Price Carcass, Negotiated.	59.28	49.42	51.49
Feeder Pigs, National Direct 50 lbs, FOB.	37.60	40.00	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	65.68	54.98	55.43
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	95.50	95.12	88.25
National Carcass Lamb Cutout, FOB.	264.89	247.36	242.02
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	4.50	3.59	4.45
Corn, No. 2, Yellow Omaha, bu.	3.64	3.27	3.79
Soybeans, No. 1, Yellow Omaha, bu.	8.47	8.94	9.86
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	4.79	4.98	6.21
Oats, No. 2, Heavy Minneapolis, MN, bu.	*	2.13	2.45
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	202.50	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	77.50	82.50	82.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	75.00	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	147.50	90.50	121.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	51.00	35.62	38.25
*No Market			

Data recently released by the Census Bureau estimate that 47.4 million Americans, or about one-in-six, are living in poverty. This latest estimate has drawn criticism from some observers who see it as an attempt to artificially inflate the magnitude of poverty in America. The criticism results from a change in methodology that included not just income (the Whitehouse Office of Management and Budget (OMB) poverty threshold for 2009 is \$22,050 a year for a family of four), but also made adjustments, taking into account such things as region, out-of-pocket medical expenses and child care costs, that in total add about seven-million individuals to the poverty population.

The traditional OMB thresholds were first developed in 1963-64 for statistical purposes, and are based solely upon pre-tax money income including earnings, unemployment compensation, workers' compensation, Social Security, 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 sources. For family households, all income received by family members is counted. Non-cash benefits, such as food stamps are not counted. Also not counted are capital gains, although including capital gains income makes essentially no aggregate difference in the outcome.

Poverty is not determined for people in institutions, college dormitories, military barracks or living situations without conventional housing (unless they are in shelters). Poverty is also not determined for individuals under age 15 and not living with a family member (such as foster children).

The original thresholds were developed by Ms. Mollie Orshansky, an economist working for the Social



Security Administration. Ms. Orshansky used the cost of a nutritionally adequate diet, as determined by the U.S. Department of Agriculture, as the basis for a cost-of-living estimate for individuals and families. In that work, she actually developed two sets of poverty thresholds based on the dollar cost of food. Both thresholds accept the assumption that a household food budget should not exceed one-third of total income. Thus, if an individual or family had a total income equal to less than three times a specified, nutritionally adequate food budget, they could be classified as being in poverty.

Ms. Orshansky's first threshold was derived from the Agriculture Department's economy food plan, and the second derived from the same agency's somewhat less stringent low-cost food plan. While the actual foods in both plans theoretically provided a fully nutritious diet, in testimony before the Senate Ms. Orshansky stated that families spending for food at the dollar cost level of the economy food plan "had about an even chance of providing a fair or better diet for the family, but really only one chance in ten of providing a good diet."

In 1965, however, it was the threshold based on the low cost plan that was adopted by the then new Office of Economic Opportunity, as a working definition of poverty for statistical, planning and budget purposes. At that time, the threshold for a family of four was \$3,223. Since that time, only minor revisions have been made to the basic threshold calculation.

There are currently 48 possible poverty thresholds which vary according to the number and age of family members. The thresholds range from a low of \$10,326 for an individual age 65-years or older to \$44,346 for a family of nine members or more. Thresholds are updated annually using the Consumer Price Index for all Urban Consumers (CPI-U). The same thresholds are applied to all U.S. households and do not vary by region.

Government assistance programs are not required to use the official poverty thresholds in determining program eligibility. Many government programs use more complicated poverty guidelines developed by the U.S. Department of Health and Human Services (or similar measures), and each assistance program may use different criteria for eligibility.

Interestingly, or perhaps unfortunately, it is not necessary to modify the traditional, income based computation of poverty thresholds in order to identify a growing population of poor Americans. Based on official OMB poverty thresholds for 2007 (the latest year for which state and county data are available), the U.S. poverty rate was estimated to be 12.5 percent, representing 37,276,000 or one-in-eight Americans. By

that measure, between the years 2000 and 2007 the U.S. population living in poverty increased by 18 percent (about 5.7 million), while the total population grew by 8.3 percent. Over that time, both the poverty thresholds and median family income increased by about 20 percent.

The trend of growth in poverty outpacing total population growth was also seen in Nebraska during those years. In the year 2000 (when the poverty threshold for a family of four was \$17,603), OMB guidelines would have identified a poverty rate in Nebraska of 8.7 percent, representing 148,821 or one in 11.5 Nebraskans. By 2007 (when the poverty threshold was \$21,203), Nebraska's poverty rate had grown to 10.8 percent and included 190,463 or one in 9.3 residents. Thus, while the Nebraska population had grown by 3.3 percent (56,279 individuals) over a seven-year period, the population in poverty had grown by 28 percent (41,642 individuals). Looked at in a slightly different way, for every 100 people added to Nebraska's population, 74 were added to the poverty count.

Much like growth in Nebraska's general population, growth in the poverty population is not regionally uniform. In Figure 1 (on next page) it can be seen that growth in the poverty population has occurred most quickly in Eastern Nebraska, while northern counties are estimated to have seen actual declines in the poverty population. Growth in Nebraska's poverty population was led by the Omaha and Lincoln Metropolitan areas, with the most rapid estimated growth occurring in Sarpy County (which also led the state in total population growth). In aggregate, Nebraska's nine metropolitan counties are estimated to have seen a 44 percent increase in poverty numbers between 2000 and 2007, accompanying an 8.3 percent growth in their total population.

Declines in the size of the population in poverty are estimated to have occurred in 37 predominantly rural Nebraska counties. Some portion of that decline can be attributed to income growth, raising residents beyond the poverty threshold; a possibility that is in part validated by a concurrent reduction in Supplemental Security Income recipients. The reduction in poverty can also be attributed in part to out-migration of poor residents and declining numbers of senior citizens, who are quite likely to have incomes falling below the threshold. Senior numbers are currently declining in many areas of the state, as members of the relatively small depression and World War II era birth cohorts move or die. This is reflected in declining numbers of Social Security recipients as well as declining poverty numbers. That trend can be expected to change as the much larger baby boom cohort reaches age 65.

Data for this report was retrieved from the Census Bureau's Small Area Income and Poverty Estimates

(SAIPE). SAIPE estimates use a regression model that predicts the number of people in poverty using single-year county-level observations from the American Community Survey (ACS) as the dependent variable, and administrative records and census data as the predictors. Although SAIPE uses only the counties with non-zero reported poverty in the ACS to estimate the equation, they make regression "predictions" for all 3,140 counties in the SAIPE universe. The ACS estimates for different counties are of different reliability as a result of variations in sample size at the

county level. Thus, confidence intervals for the poverty rates in small counties can be as wide as seven percent. The data should therefore be interpreted in broad rather than specific terms.

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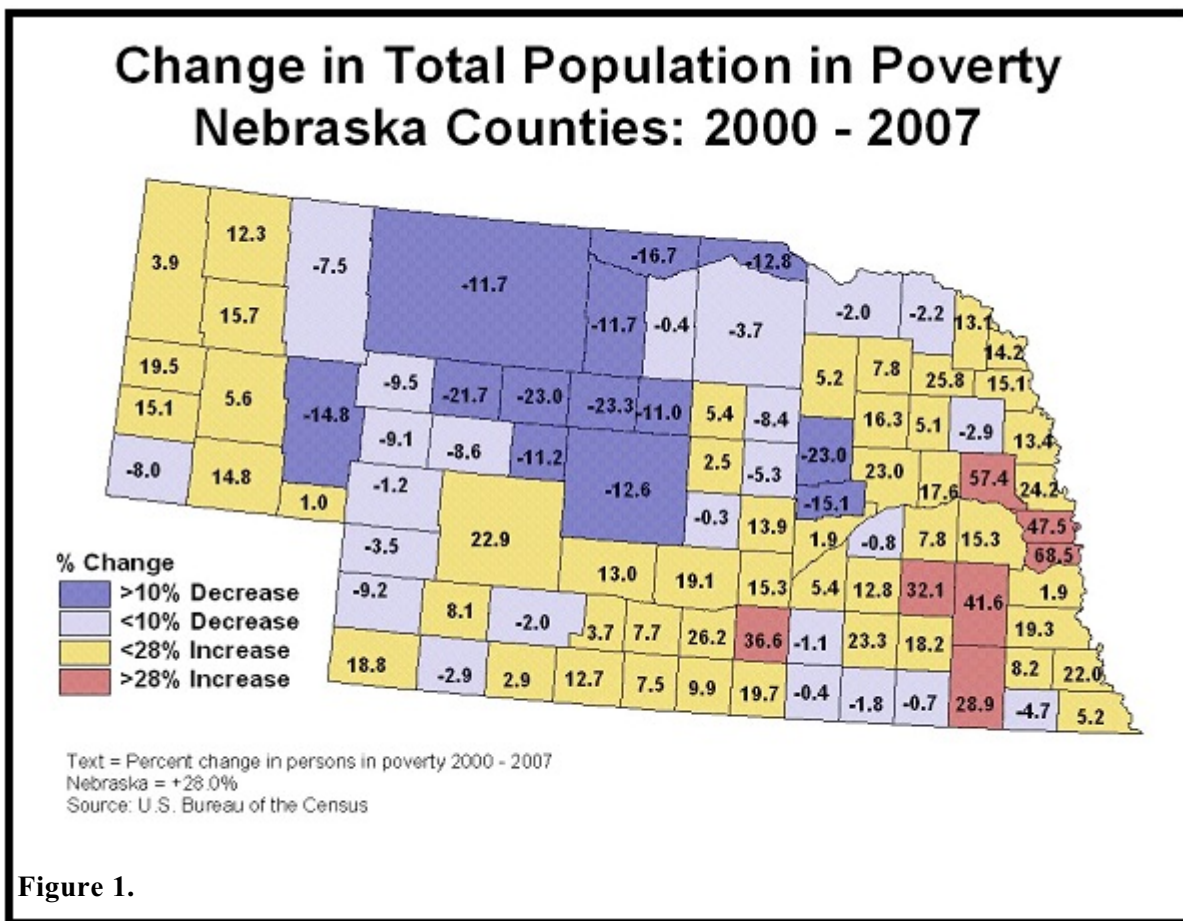


Figure 1.