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Legislative
Council
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MEMORANDUM

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October 8, 2010

TO: Economic Opportunity Poverty Reduction Task Force

FROM: Kate Watkins, Economist, 303-866-6289

SUBJECT: Recent Poverty Trends in Colorado

This memorandum summarizes recent efforts at the federal level to develop an alternative poverty measure. This memorandum also provides a summary of recent trends in Colorado poverty based on the most recent data available from federal agencies. Attached to this memorandum are appendices providing the following key poverty metrics:

- Appendix A: Official Poverty Threshold, 2009
- Appendix B: Federal Poverty Guidelines, 2005 to 2010
- Appendix C: Poverty in Colorado Counties, 2008

Summary

Federal alternative poverty measurement efforts. In March, the federal government announced plans to develop and publish a "supplemental poverty measure." This measure will be published with the official poverty measure starting in 2011 and will be broadly based on recommendations from the National Academy of Sciences. Preliminary estimates of the supplemental poverty measure for the state and nation may be available as early as December of this year.

Recent poverty trends. Largely as a result of the recent recession, poverty rates are up across all populations in the state and nation regardless of age, gender, race, and educational attainment. In 2009, the statewide poverty rate increased from 11.4 percent in 2008 to 12.9 percent. The number living in poverty in the state rose by over 81,000 between these two years. The 2009 statewide poverty rate remained below the nationwide rate of 14.3 percent.

Federal Alternative Poverty Measurement Efforts

How to measure poverty has been a long-standing question debated in both academic and policy-making communities. Since the first "official" federal poverty threshold was established in the early 1960s, criticisms of its limitations ensued. The methodology for calculating the official poverty threshold — which is used to calculate local, state, and national poverty rates, as well as eligibility for federal and state assistance programs — has remained largely unchanged despite advancements in survey data collection, changes in sources of money and non-money income, and changes in household consumption patterns.

At the request of Congress, the National Academy of Sciences (NAS)¹ created the Panel on Poverty and Family Assistance in 1992 to conduct a comprehensive examination of poverty measurement in the United States. The panel published their findings in a 1995 report titled, "Measuring Poverty: A New Approach." The report recommended the revision of the official poverty measure to reflect changes over time in the circumstances of families (i.e., their basic needs and sources of money and non-money resources). The report also outlined a methodology for calculating the alternative measure.

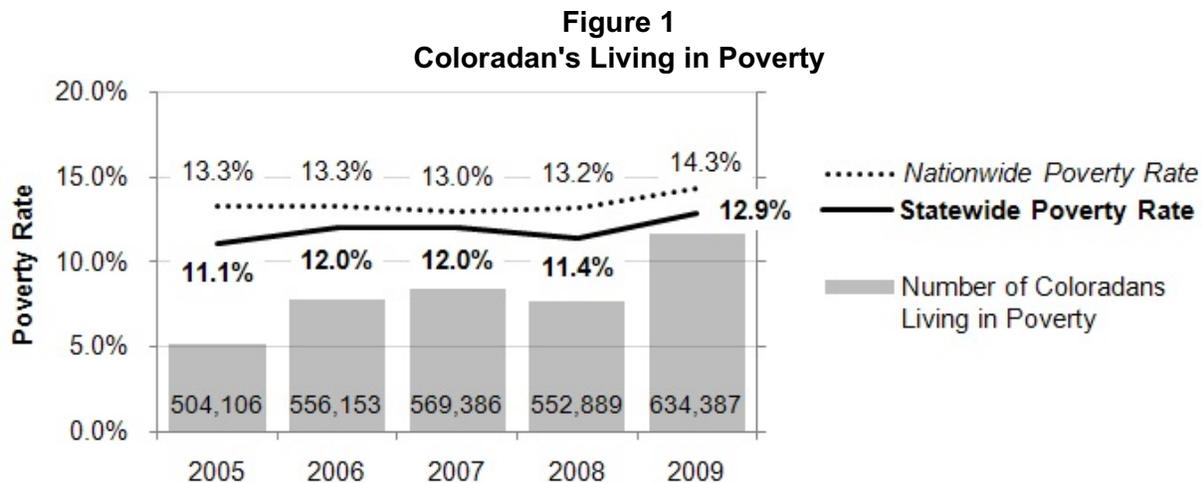
In March of this year, the Obama administration released plans to issue a "supplemental poverty measure" that is broadly based on the recommendations of NAS. The supplemental measure will be released with official poverty measures starting in 2011. It will not replace the official poverty measure, nor will it affect eligibility for assistance programs. Instead, the supplemental measure is intended to serve as a measurement of economic well-being and how federal policies affect those living in poverty. The U.S. Census Bureau, in cooperation with the Bureau of Labor Statistics, will develop and publish the measure. The measure may be changed over time to adjust for data and methodological improvements.

A contact at the Bureau of Labor Statistics indicated that preliminary estimates of the supplemental measure for states and the nation may be available as soon as December 2010, in advance of the planned 2011 release.

¹The National Academy of Sciences (NAS) is a private, non-profit corporation composed of distinguished scholars who engage in scientific research at the request of Congress.

Recent Poverty Trends in Colorado

The effects of the recent recession played a large role in raising the state and national poverty rate in 2009. According to U.S. Census Bureau estimates, the statewide rate rose from 11.4 percent in 2008 to 12.9 percent in 2009. The number of Coloradans living in poverty increased by over 81,000 between the two years, a 14.7 percent increase. Colorado's poverty rate remains below the national average by over a percentage point. Figure 1 shows the number of Coloradans living in poverty and compares the state and national poverty rate from 2005 to 2009.

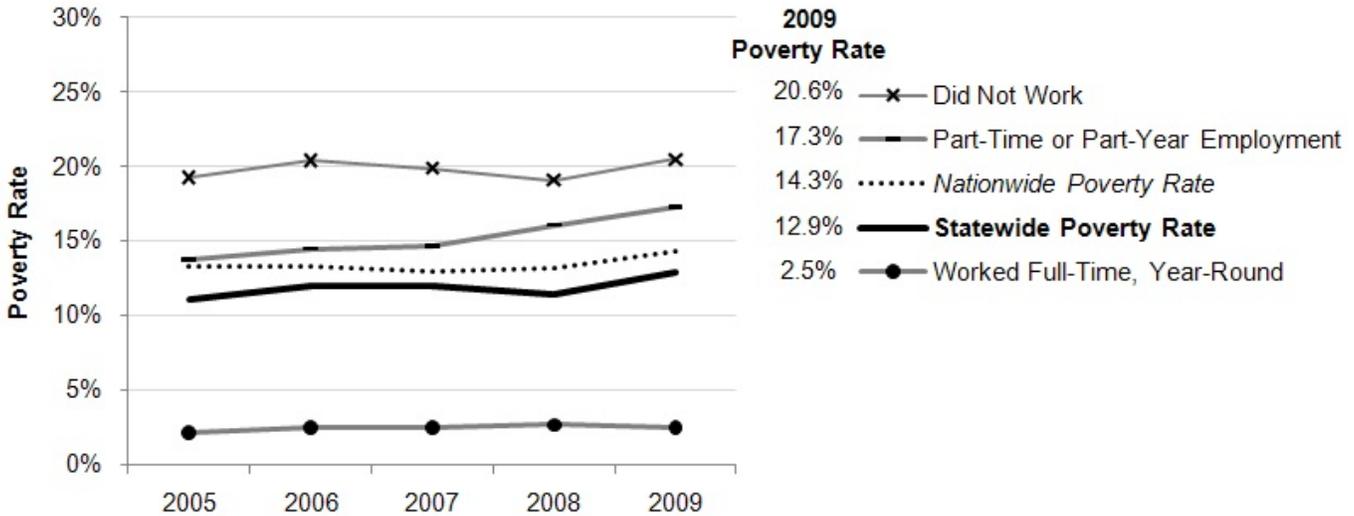


Source: U.S. Census Bureau, American Community Survey (1-year estimates).

Poverty by work experience. Poverty is highly correlated with joblessness, as employment provides the primary source of income to most households in Colorado and the U.S. The recent recession resulted in the steepest job losses since the Great Depression.² Those who maintained a job fared comparatively well in 2009; the poverty rate for those who worked full-time over the past 12 months decreased from 2.7 percent in 2008 to 2.5 percent in 2009. There was a decrease in the number of those living in poverty in this demographic by nearly 5,000, or 10 percent between 2008 and 2009. Meanwhile, those unemployed or working part-time experienced an increase in poverty. Figure 2 shows trends in poverty rates for the working population by work experience over the past 12 months compared to statewide and nationwide rates.

²As measured by the percent change and number of jobs lost during an economic downturn (peak employment to trough employment) for the nation.

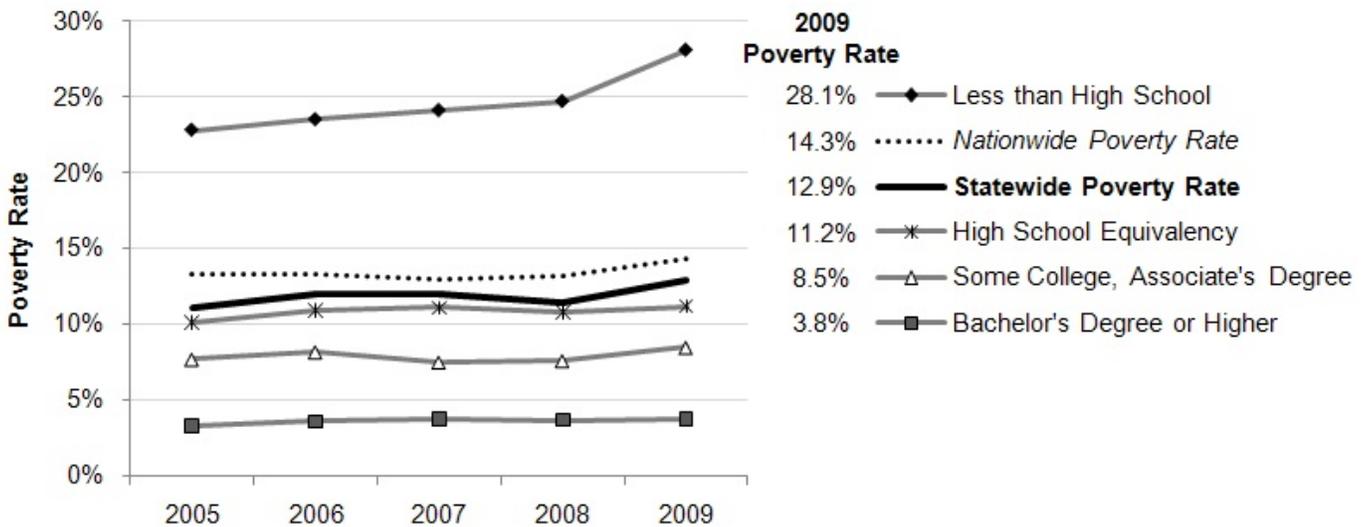
Figure 2
Colorado Poverty Rate by Work Experience*



Source: U.S. Census Bureau, American Community Survey (1-year estimates).
 *Poverty rates for the state population over the age of 16.

Poverty by educational attainment. Between 2008 and 2009, the poverty rate rose for all populations, regardless of educational attainment. The poverty rate increased most for those over the age of 25 with less than a high school-level education. For these individuals, the rate rose from 24.7 percent to 28.1 percent between 2008 and 2009. The poverty rate for those with higher levels of educational attainment has remained fairly flat over the last five years. Figure 3 shows trends in poverty rates for those over the age of 25 by educational attainment. These trends are shown in comparison to statewide and nationwide poverty rates for all populations.

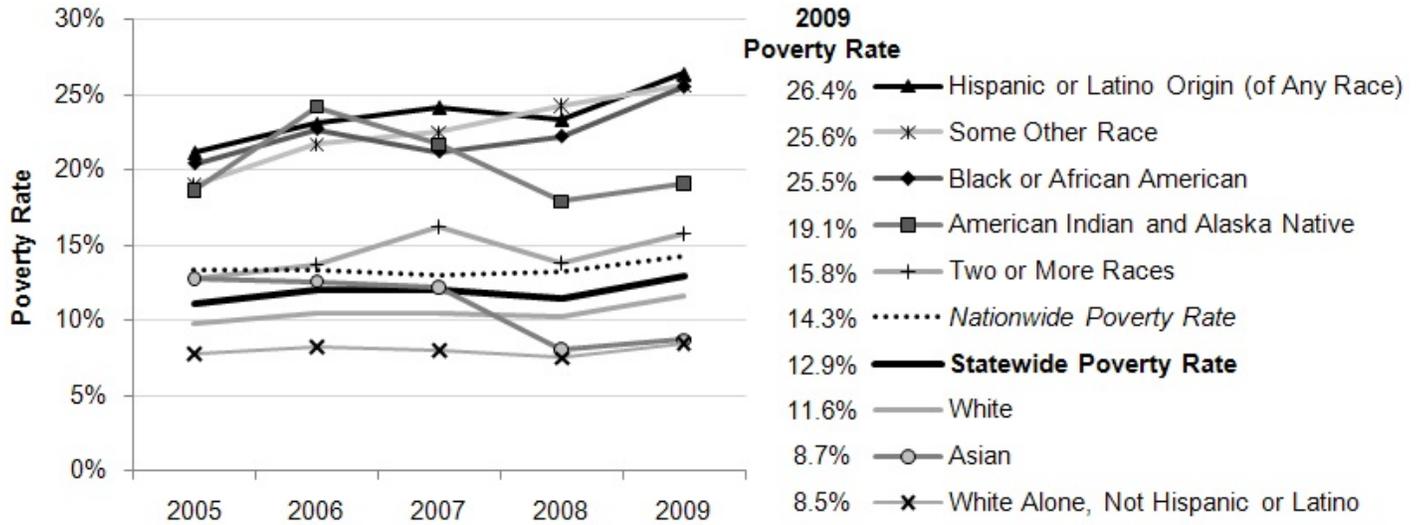
Figure 3
Colorado Poverty Rate by Educational Attainment*



Source: U.S. Census Bureau, American Community Survey (1-year estimates).
 *Poverty rates for the state population over the age of 25.

Poverty by race and Hispanic or Latino origin. The recent recession affected populations regardless of age, gender, race and ethnicity. Figures 4 and 5 illustrates the increase in the poverty rate for all of these populations between 2008 and 2009.

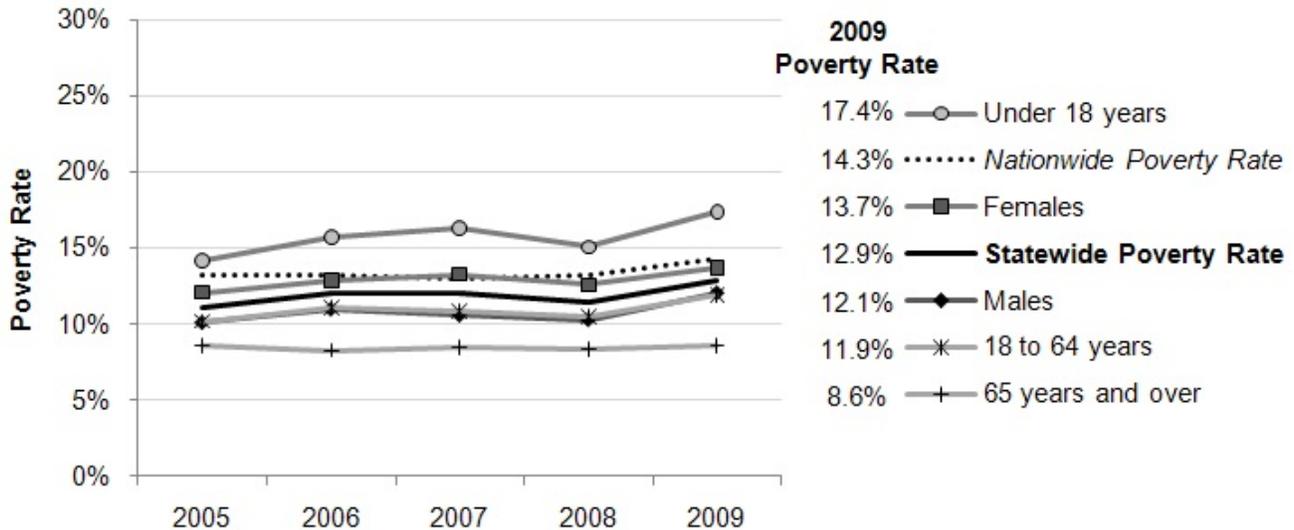
**Figure 4
Colorado Poverty Rate by Race and Hispanic or Latino Origin**



Source: U.S. Census Bureau, American Community Survey (1-year estimates).

Poverty by age and gender. All ages and both males and females experienced a rise in the poverty rate between 2008 and 2009. Though, as shown in Figure 5, the poverty rate for those age 65 and over remained fairly flat, rising from 8.4 percent in 2008 to 8.6 percent in 2009. Because this age cohort is largely retired, the impact of the recession on work-related income was not as significant as it was for those under age 65.

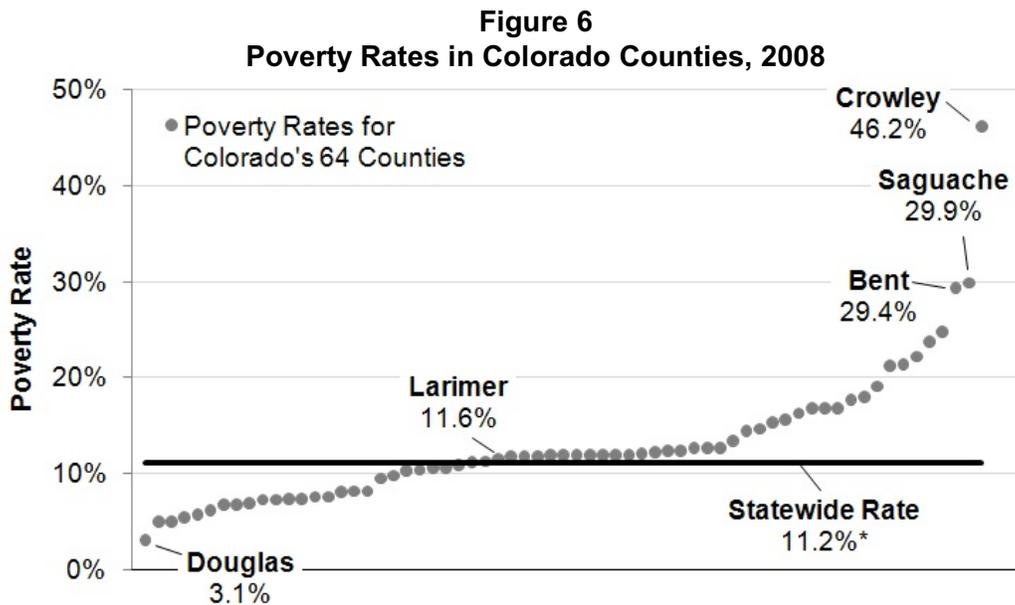
**Figure 5
Colorado Poverty Rate by Age and Gender**



Source: U.S. Census Bureau, American Community Survey (1-year estimates).

Poverty Across Colorado's Counties

Most county poverty rates are close to the statewide rate, as shown in Figure 6. Douglas County currently holds the lowest poverty rate at 3.1 percent, while Crowley County reported the highest rate of 46.2 percent. These estimates are based on data for 2008 as reported by the U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE). For some counties with small populations, a relatively high population of those living in poverty compared to the total population results in a disproportionately higher poverty rate than other more populated areas. This is likely the case for Crowley County, which has a poverty rate much higher than other counties in the state as shown in Figure 6.

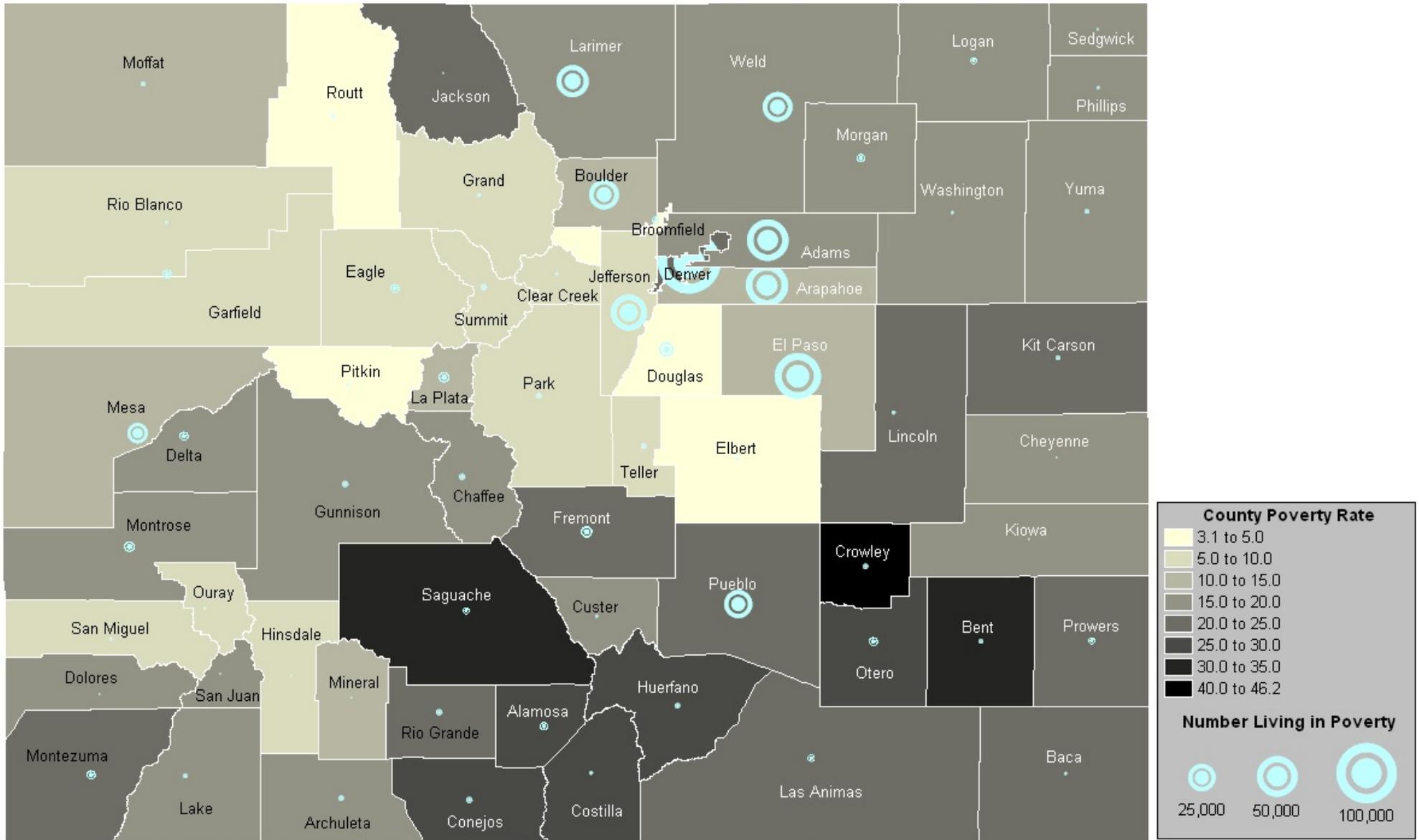


Source: U.S. Census Bureau, *Small Area Income and Poverty Estimates (SAIPE)* for all ages living in poverty.
*The 2008 SAIPE estimate of the statewide poverty rate differs slightly from the American Community Survey estimate.

Poverty rates differ across counties for a number of reasons, including area economic opportunity, job availability, and demographic patterns. Poverty rates in Colorado's more rural areas, including the eastern plains and San Luis Valley regions, tend to be higher than other parts of the state.

Higher *numbers* of people living in poverty tends to be concentrated in Colorado's more populated metropolitan areas, where there is a higher concentration of the general population. Figure 7 on page 7 provides a map of county poverty rates and the number of people living in poverty in each of Colorado's 64 counties. Appendix C provides the county poverty data used to generate this map.

Figure 7
Poverty in Colorado Counties, 2008



Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) for all ages living in poverty.
 Map prepared by Legislative Council Staff.

Appendix A: Official Poverty Thresholds, 2009*

| Size of family unit | Related children under 18 years | | | | | | | | |
|-------------------------------|---------------------------------|--------|--------|--------|--------|--------|--------|--------|---------------|
| | None | One | Two | Three | Four | Five | Six | Seven | Eight or more |
| One person | | | | | | | | | |
| Under 65 years | \$11,161 | | | | | | | | |
| 65 years and over | 10,289 | | | | | | | | |
| Two people | | | | | | | | | |
| Householder under 65 years | 14,366 | 14,787 | | | | | | | |
| Householder 65 years and over | 12,968 | 14,731 | | | | | | | |
| Three people | 16,781 | 17,268 | 17,285 | | | | | | |
| Four people | 22,128 | 22,490 | 21,756 | 21,832 | | | | | |
| Five people | 26,686 | 27,074 | 26,245 | 25,603 | 25,211 | | | | |
| Six people | 30,693 | 30,815 | 30,180 | 29,571 | 28,666 | 28,130 | | | |
| Seven people | 35,316 | 35,537 | 34,777 | 34,247 | 33,260 | 32,108 | 30,845 | | |
| Eight people | 39,498 | 39,847 | 39,130 | 38,501 | 37,610 | 36,478 | 35,300 | 35,000 | |
| Nine people or more | 47,514 | 47,744 | 47,109 | 46,576 | 45,701 | 44,497 | 43,408 | 43,138 | 41,476 |

Source: U.S. Census Bureau.

*Poverty thresholds are the same for the 48 contiguous states.

The federal or "official" poverty threshold was first developed in the early 1960s by statistician Mollie Orshansky as an indicator of the number of people with inadequate income to cover the cost of a minimum food diet and other necessities. Official poverty thresholds are updated each year by increasing the threshold by inflation. The thresholds are maintained by the U.S. Census Bureau and are used mainly for statistical purposes, such as preparing estimates of the number of people living below the poverty threshold each year and determining area poverty rates.

Appendix B: Federal Poverty Guidelines, 2005 to 2010

| Year | First Person | Each Additional Person | Four-Person Family |
|------|--------------|------------------------|--------------------|
| 2010 | \$10,830 | \$3,740 | \$22,050 |
| 2009 | \$10,830 | \$3,740 | \$22,050 |
| 2008 | \$10,400 | \$3,600 | \$21,200 |
| 2007 | \$10,210 | \$3,480 | \$20,650 |
| 2006 | \$9,800 | \$3,400 | \$20,000 |
| 2005 | \$9,570 | \$3,260 | \$19,350 |

Source: U.S. Department of Health and Human Services.

The federal poverty guidelines, commonly referred to as the federal poverty level (FPL), are based on the official poverty threshold and are issued each January or February in the Federal Register by the U.S. Department of Health and Human Services. The guidelines are used to determine eligibility for various federal and state assistance programs.

Federal poverty guidelines are typically increased each year by inflation with the official poverty threshold. In 2009, the nation experienced deflation (a decrease in prices), which typically would have resulted in a decrease in the federal poverty guidelines in 2010 over 2009 levels. However, as a result of federal legislation enacted in late 2009 and early 2010, guidelines for 2010 remained at 2009 levels.

Appendix C: Poverty in Colorado Counties, 2008

| State and County | Number Living in Poverty | 90% Confidence Interval* | Poverty Rate | 90% Confidence Interval* |
|--------------------|--------------------------|--------------------------|--------------|--------------------------|
| Colorado | 540,845 | 525,482 to 556,208 | 11.2 | 10.9 to 11.5 |
| Adams County | 51,042 | 45,295 to 56,789 | 12 | 10.6 to 13.3 |
| Alamosa County | 3,097 | 2,511 to 3,683 | 21.4 | 17.4 to 25.5 |
| Arapahoe County | 53,625 | 48,040 to 59,210 | 9.8 | 8.8 to 10.8 |
| Archuleta County | 1,424 | 1,127 to 1,721 | 11.3 | 9.0 to 13.7 |
| Baca County | 661 | 532 to 790 | 17.7 | 14.2 to 21.1 |
| Bent County | 1,291 | 1,031 to 1,550 | 29.4 | 23.5 to 35.3 |
| Boulder County | 29,232 | 25,828 to 32,635 | 10.3 | 9.1 to 11.5 |
| Broomfield County | 2,745 | 2,189 to 3,301 | 5 | 4.0 to 6.0 |
| Chaffee County | 1,854 | 1,479 to 2,229 | 11.9 | 9.5 to 14.3 |
| Cheyenne County | 206 | 163 to 248 | 12 | 9.5 to 14.4 |
| Clear Creek County | 657 | 520 to 794 | 7.4 | 5.9 to 9.0 |
| Conejos County | 1,701 | 1,359 to 2,043 | 21.2 | 17.0 to 25.5 |
| Costilla County | 801 | 636 to 966 | 24.8 | 19.7 to 30.0 |
| Crowley County | 1,447 | 1,125 to 1,768 | 46.2 | 35.9 to 56.4 |
| Custer County | 469 | 369 to 568 | 11.8 | 9.3 to 14.3 |
| Delta County | 3,640 | 2,945 to 4,336 | 12.1 | 9.7 to 14.4 |
| Denver County | 105,987 | 96,827 to 115,147 | 18 | 16.5 to 19.6 |
| Dolores County | 233 | 184 to 283 | 11.8 | 9.3 to 14.3 |
| Douglas County | 8,708 | 7,180 to 10,236 | 3.1 | 2.6 to 3.7 |
| Eagle County | 3,533 | 2,850 to 4,217 | 6.8 | 5.5 to 8.1 |
| Elbert County | 1,258 | 998 to 1,518 | 5.5 | 4.4 to 6.6 |
| El Paso County | 61,423 | 54,773 to 68,073 | 10.6 | 9.4 to 11.7 |
| Fremont County | 5,636 | 4,589 to 6,683 | 14.7 | 12.0 to 17.5 |
| Garfield County | 4,041 | 3,254 to 4,828 | 7.4 | 6.0 to 8.9 |
| Gilpin County | 317 | 250 to 384 | 6.2 | 4.9 to 7.5 |
| Grand County | 945 | 749 to 1,141 | 6.9 | 5.5 to 8.3 |
| Gunnison County | 1,717 | 1,379 to 2,054 | 12 | 9.6 to 14.3 |
| Hinsdale County | 61 | 48 to 73 | 7.3 | 5.7 to 8.7 |
| Huerfano County | 1,603 | 1,272 to 1,934 | 23.8 | 18.9 to 28.7 |
| Jackson County | 208 | 165 to 251 | 15.6 | 12.3 to 18.8 |
| Jefferson County | 40,139 | 35,027 to 45,251 | 7.6 | 6.7 to 8.6 |
| Kiowa County | 159 | 125 to 193 | 12.2 | 9.6 to 14.9 |
| Kit Carson County | 995 | 790 to 1,200 | 14.5 | 11.5 to 17.5 |
| Lake County | 1,001 | 789 to 1,213 | 12.7 | 10.0 to 15.4 |
| La Plata County | 5,295 | 4,417 to 6,172 | 10.9 | 9.1 to 12.7 |
| Larimer County | 33,125 | 29,339 to 36,912 | 11.6 | 10.2 to 12.9 |
| Las Animas County | 2,559 | 2,060 to 3,059 | 16.8 | 13.5 to 20.1 |
| Lincoln County | 711 | 565 to 857 | 16.8 | 13.3 to 20.2 |
| Logan County | 2,477 | 1,995 to 2,959 | 13.4 | 10.8 to 16.0 |
| Mesa County | 14,876 | 12,658 to 17,095 | 10.6 | 9.0 to 12.1 |

| State and County | Number Living in Poverty | 90% Confidence Interval* | Poverty Rate | 90% Confidence Interval* |
|-------------------|--------------------------|--------------------------|--------------|--------------------------|
| Mineral County | 100 | 78 to 121 | 10.4 | 8.1 to 12.6 |
| Moffat County | 1,303 | 1,036 to 1,571 | 9.5 | 7.5 to 11.4 |
| Montezuma County | 4,068 | 3,287 to 4,850 | 16.3 | 13.1 to 19.4 |
| Montrose County | 4,766 | 3,858 to 5,673 | 11.9 | 9.6 to 14.1 |
| Morgan County | 3,438 | 2,788 to 4,087 | 12.7 | 10.3 to 15.1 |
| Otero County | 4,050 | 3,301 to 4,798 | 22.2 | 18.1 to 26.3 |
| Ouray County | 345 | 274 to 417 | 7.6 | 6.0 to 9.2 |
| Park County | 1,390 | 1,096 to 1,684 | 8.2 | 6.5 to 10.0 |
| Phillips County | 522 | 414 to 629 | 11.9 | 9.5 to 14.4 |
| Pitkin County | 772 | 607 to 937 | 5 | 3.9 to 6.1 |
| Prowers County | 2,454 | 1,961 to 2,947 | 19.1 | 15.3 to 23.0 |
| Pueblo County | 25,632 | 21,787 to 29,478 | 16.8 | 14.3 to 19.3 |
| Rio Blanco County | 499 | 397 to 602 | 8.1 | 6.5 to 9.8 |
| Rio Grande County | 1,763 | 1,413 to 2,114 | 15.4 | 12.4 to 18.5 |
| Routt County | 1,308 | 1,051 to 1,565 | 5.8 | 4.6 to 6.9 |
| Saguache County | 2,098 | 1,666 to 2,531 | 29.9 | 23.7 to 36.0 |
| San Juan County | 68 | 53 to 82 | 12.4 | 9.7 to 15.0 |
| San Miguel County | 613 | 489 to 736 | 8.2 | 6.5 to 9.8 |
| Sedgwick County | 272 | 215 to 329 | 11.8 | 9.3 to 14.3 |
| Summit County | 1,810 | 1,438 to 2,182 | 6.8 | 5.4 to 8.2 |
| Teller County | 1,570 | 1,257 to 1,882 | 7.3 | 5.8 to 8.8 |
| Washington County | 531 | 423 to 638 | 12.4 | 9.9 to 14.9 |
| Weld County | 29,374 | 25,832 to 32,916 | 12 | 10.6 to 13.5 |
| Yuma County | 1,202 | 955 to 1,448 | 12.7 | 10.1 to 15.3 |

Source: U.S. Census Bureau, *Small Area Income and Poverty Estimates (SAIPE)* for all ages in poverty.

*The 90 percent confidence interval is a reflection of confidence in a survey estimate. It can be interpreted as follows: There is a 90 percent likelihood that the "true" or actual value falls within the range of the values given in this column.