December 12, 2013

**How is the federal poverty threshold calculated?**

The 2013 federal poverty threshold for the State of Wisconsin is $11,490 for a single person household and $23,550 for a family of four. On what basis are the federal poverty thresholds calculated?

- a) The cost of housing
- b) The cost of food
- c) The cost of food+housing+clothing
- d) The United Nation’s international basic family budget

Answer: b) The federal poverty thresholds are calculated by multiplying a family’s estimated food costs by three and adjusting for inflation. The calculations are based on a 1955 U.S. Department of Agriculture (USDA) report that determined that food costs comprised about one-third of a family’s total budget. In the early 1960s, Mollie Orshansky, an economist at the Social Security Administration, used the USDA report as the basis for the development of the original poverty thresholds. She simply multiplied the USDA’s low-income household food budget by three.

In 1969, a federal review committee decided to index the thresholds to the Consumer Price Index rather than changes in the cost of food. In spite of these changes, today’s poverty thresholds remain at approximately three times the USDA’s current thrifty food plan budget.

Source: [aspe.hhs.gov/poverty/papers/hptgssiv.htm](http://aspe.hhs.gov/poverty/papers/hptgssiv.htm)

Questions/comments: [cced@uwex.edu](mailto:cced@uwex.edu)