Poverty Thresholds Across the Rocky Mountain Region

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The ability of households to purchase a certain amount of essential items can determine whether they are classified as being impoverished. These spending thresholds differ at local levels because the costs of reaching a specified consumption level vary from community to community. Poverty thresholds across the Rocky Mountain region often exceed national averages, with some counties having nearly 30 percent higher thresholds than the national level.

Purchases of certain essential items are necessary for households to provide for their livelihood. Spending on food, clothing, shelter, utilities, personal care and transportation all represent expenditures so critical to the wellbeing of households that falling short of a minimum threshold can lead them to being categorized as impoverished, as determined by the Supplemental Poverty Measure (SPM). The latest estimate of the SPM, published by the U.S. Census Bureau in cooperation with the Bureau of Labor and Statistics (BLS), indicates a household with two adults and two children renting a home needs to be able to spend just over $39,000 a year to be considered out of poverty. Because housing prices – including shelter and utilities – differ widely across local geographies, the minimum expenditure required to surpass the SPM poverty threshold varies from county to county. In this edition of the *Rocky Mountain Economist*, we map SPM-based poverty thresholds across the Rocky Mountain region and show that several parts of the region have spending thresholds for households that greatly exceed the national benchmark for escaping poverty. The growth in poverty thresholds for the region typically exceeded the rate of growth in the national SPM a decade ago, but more recently the regional pace of growth has slowed to align with national averages.

Local Poverty Thresholds Defined by Spending, Rather than Income

The SPM is designed to reflect the level of expenditure needed for certain essential items, regardless of the source of income supporting those purchases. That is, the expenditures may be supported by earned income, transfer programs like WIC or SNAP, social assistance programs, or even in-kind benefits. The reported poverty benchmark reflects the annual spending needs for food, clothing, shelter, and utilities, with a small premium added to account for other personal care and transportation expenses.[i] Specifically, the SPM is set at approximately 80% of the median household spending level on these essential items for a family with 2 adults and 2 children. However, the SPM can be adjusted readily for different household sizes and composition and is reported separately for households that rent versus own a home. For example, a typical U.S. household that is renting a home would need to spend $39,430 on essential items to be considered out of poverty according to the SPM at the end of 2024, whereas households that own a home with no mortgage would need to spend less, at $32,586.

An SPM-based threshold expenditure level necessary to be considered out of poverty can vary depending on the relative price levels of essential items across geographies. Housing costs, in particular, differ greatly from location to location. The U.S. Census Bureau reports geographically adjusted values of the SPM for many metro areas across the U.S., using variation in the Median Rent Index (MRI) to indicate differences in housing costs; the MRI is the ratio of the median gross rent for a 2-bedroom unit in a specific location to the U.S. median gross rent for the same unit. (Renwick 2017) We use the same approach to calculate the relative prices of housing in each county of the Rocky Mountain region, and then geographically adjust the national SPM measure to obtain local poverty thresholds at the county level.[ii] Chart 1 shows a heat map of the Rocky Mountain region SPM-based thresholds for renters in each county; counties with an associated SPM below the national level are represented with shades of purple, while counties with thresholds above the national level are represented with shades of orange.

Most counties in the region, typically those in rural areas, have a current SPM-based threshold that is below the national SPM level. Certain counties such as Baca County CO, Harding County NM, and Hot Springs County WY have SPM-based thresholds that are a few thousand dollars below the national SPM. However, several other counties, typically including the most populated ones, have SPM-based poverty thresholds that are significantly higher than the U.S. average. For example, in Colorado, Broomfield County, Douglas County, Summit County, and Eagle County all have thresholds that are 25% or more above the national level. For context, the standard deviation in the variation of the county-specific SPM-based thresholds is approximately 10%, indicating many of these high thresholds stand out as being well above the norm. The additional expense required to surpass the poverty household in counties that are 25% or more above the national threshold would require upwards of $350 per month in additional purchases to consistently remain out of poverty as characterized by the SPM. Local thresholds being above the national poverty threshold is more common in Colorado, but Santa Fe County in New Mexico and Teton County in Wyoming also exhibit relatively high SPM-based poverty thresholds.

Regional Growth Rates in the SPM-Based Poverty Thresholds Have Slowed to the National Average

Some of the elevated levels of the SPM-based thresholds in the Rocky Mountain region were years in the making. Chart 2 shows the growth rate in the national SPM level (purple line) relative to the population-weighted average growth rate for the Rocky Mountain region (blue line) over the last decade. Growth in the regional SPM-based threshold exceeded the national average between 2015 and 2019, which compounded to drive the thresholds much higher than the national average for many of the most populated areas in the region. Since 2020, the national and regional growth rates in the SPM have been remarkably similar, with both falling back after a sharp increase in 2022.

Closing Comments

It is important to note that the differences in poverty thresholds across the Rocky Mountain region highlighted here do not necessarily imply the same variation in the actual incidence of poverty from county to county. Locations with relatively higher thresholds may also be those with relatively higher average incomes or relatively greater likelihoods of individuals being employed gainfully with earnings that exceed local thresholds. Similarly, the availability of local assistance programs and social services vary widely across communities, which results in differences in the availability of support for essential expenditures among households. Still, these local SPM-based spending thresholds for households can provide a benchmark for assessing how labor market conditions and relative prices are associated with the extent of poverty in a community. In doing so, such thresholds can provide governments, civic organizations, and community service providers with insights about the incidence of poverty, a way to track progress against it, and a metric to evaluate the impact of programs targeting the issue.

Appendix: County-level SPM-based Threshold Data

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[i] See documentation from the BLS for full details about the production and publication of the Research Supplemental Poverty Measure Thresholds. See also Citro and Michael (1995).

[ii] We measure the relative housing expenses across counties using an equivalent methodology as that of Census. Specifically, we calculate the ratio of county-level median rents for 2-bedroom units to the equivalent U.S. median rents in order to determine the geographic adjustment factors for housing expenses for each county. Information about median rent levels for each county are published in the American Community Survey by the U.S. Census Bureau. We then adjust the annual amount of expenditures on shelter and utilities for households in each county, which are then added to food, clothing and the supplemental expenditures categories to determine the local SPM-based thresholds.

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As Branch Executive, Nicholas Sly serves as the KC Fed's regional economist and its representative in Colorado, Wyoming, and northern New Mexico, leading the local research and public engagement teams. He works closely with the Denver Branch's board of directors, as well as local functional leadership, to foster branch culture and effectiveness. As Vice President, he provides strategic support for community development teams across all offices of the Tenth Federal Reserve District. He is also responsible for briefing the President of the Federal Reserve Bank of Kansas City on economic conditions in the region. The combined portfolio of regional economic research and community development ensures those briefings include the perspectives of the region's unique economic footprint and the perspectives of low- and moderate-income households.Before joining the Bank in 2015, Mr. Sly was associate professor of economics at the University of Oregon. He graduated from the University of Northern Iowa with a degree in mathematics and economics and earned his Ph.D. in economics from Michigan State University. Mr. Sly is also a graduate of the Stonier Graduate School of Banking.

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