

Revised formula puts 1 in 6 Americans in poverty



Revised formula puts number of poor people at 47.4 million -- 7 million more than official rate

By Hope Yen, Associated Press Writer On 8:49 am EDT, Tuesday October 20, 2009

WASHINGTON (AP) -- The level of poverty in America is even worse than first believed.

A revised formula for calculating medical costs and geographic variations show that approximately 47.4 million Americans last year lived in poverty, 7 million more than the government's official figure.

The disparity occurs because of differing formulas the Census Bureau and the National Academy of Science use for calculating the poverty rate. The NAS formula shows the poverty rate to be at 15.8 percent, or nearly 1 in 6 Americans, according to calculations released this week. That's higher than the 13.2 percent, or 39.8 million, figure made available recently under the original government formula.

That measure, created in 1955, does not factor in rising medical care, transportation, child care or geographical variations in living costs. Nor does it consider non-cash government aid when calculating income. As a result, official figures released last month by Census may have overlooked millions of poor people, many of them 65 and older.

According to the revised NAS formula:

--About 18.7 percent of Americans 65 and older, or nearly 7.1 million, are in poverty compared to 9.7 percent, or 3.7 million, under the traditional measure. That's due to out-of-pocket expenses from rising Medicare premiums, deductibles and a coverage gap in the prescription drug benefit.

--About 14.3 percent of people 18 to 64, or 27 million, are in poverty, compared to 11.7 percent under the traditional measure. Many of the additional poor are low-income, working people with transportation and child-care costs.

--Child poverty is lower, at about 17.9 percent, or roughly 13.3 million, compared to 19 percent under the traditional measure. That's because single mothers and their children disproportionately receive non-cash aid such as food stamps.

--Poverty rates were higher for non-Hispanic whites (11 percent), Asians (17 percent) and Hispanics (29 percent) when compared to the traditional measure. For blacks, poverty remained flat at 24.7 percent, due to the cushioning effect of non-cash aid.

--The Northeast and West saw bigger jumps in poverty, due largely to cities with higher costs of living such as New York, Boston, Los Angeles and San Francisco.

The Census Bureau said it expedited release of the alternative numbers for this month because of the interest expressed by lawmakers and the Obama administration in seeing a fuller range of numbers. Legislation pending in Congress would mandate a switch to the revised formula, although the White House could choose to act on its own.

Arloc Sherman, a senior researcher at the nonprofit Center on Budget and Policy Priorities, said that because the revised formula factors in non-cash government aid, the amount of increase in poverty from 2007 to 2008 was generally smaller compared to the current measure.

"Food stamp participation rose during the first year of recession and appears to have softened what could have been an even greater increase in financial hardship," he said.

Sherman said the revised formula could take on greater importance in measuring poverty for 2009 as more Americans take advantage of tax credits and food stamps under the federal stimulus program. Food stamp assistance currently is at an all-time high of about 36 million.

Census Bureau: <http://www.census.gov>

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