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TO: Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: August 26, 2022

RE: Poverty Statistics for Detroit and the state of Michigan

On May 19, 2022, Council Member Coleman A. Young II requested the Legislative Policy Division (LPD) provide statistics of families in the city of Detroit and state of Michigan living below the federal poverty threshold. Additionally, LPD was asked to analyze information in order to determine whether these families are living paycheck to paycheck and could sustain a \$400 emergency. The following is our response to the request.

According to the U.S. Census Bureau, currently the poverty level in the city of Detroit is 33.2 percent, with 219,317 of its residents or just over one third of the population of 660,862 living below the poverty level. While the state of Michigan, with 9,753,541 residents has 337,256 persons currently living in poverty or 13.7 percent of the state's total population.¹

The U.S. census bureau uses a set of money income thresholds that vary by family size and composition to determine who is living in poverty. If a family's total income is less than the corresponding threshold, then that family and every individual in it is considered in poverty. An individual is considered impoverished if their income within the last 12 months is below the poverty level. Poverty thresholds do not vary geographically, therefore they do not account for spatial differences in cost of living. However, thresholds are updated for inflation using the Consumer Price Index.

¹ U.S Census, American Community Survey, (S1701) 2019: ACS 5-Year Estimates Subject Tables

The most recent data from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, list the federal poverty income threshold as \$27,750 for a family of four with two children, and \$18,310 for a single parent with one child.²

Although we can only speculate on the ability of these individuals to withstand the effect of a \$400 emergency, as we look at the statistics, it is apparent that those living in poverty in the State of Michigan and city of Detroit have an exceedingly tough time making ends meet.

By taking a closer look at household income, one can get a clearer idea of the magnitude of the poverty crisis in Detroit for those residents living below the poverty level as well as those comprising the working poor who earn just above the poverty thresholds.

Currently, the state of Michigan's median household income stands at \$59,234, while the city of Detroit's median household income is \$32,498.³ This strong correlation between the median household income in the city of Detroit at \$32,498, and federal poverty threshold for a family of four of \$27,750, demonstrates the large scale and wide range of poverty in the city of Detroit.

While the current 33.2 percent poverty level in city of Detroit is both horrific and appalling, this is not the highest it has been. As recently as 2016, Detroit's poverty level was a staggering 39 percent, making Detroit the city with the highest concentrated poverty rate among the top 25 Metropolitan areas in the country.⁴

The U.S. Census Bureau uses a term called "Income Deficit." The income deficit is the difference in dollars between family income and the family's poverty threshold. According to the Census Bureau, the mean income deficit for the city of Detroit is currently \$7,220. This indicates that the average amount of income received by a poor family in Detroit is \$7,220 less than the poverty threshold amount in a 12-month period.⁵ This suggest a large number of Detroiter's are living well below the federal poverty level.

Compounding the many problems faced by families living in poverty are the inherit cost of being poor in America. Lower income individuals cannot qualify for a mortgage, so they have no other option except to rent and pay a monthly payment which never builds wealth or equity. Many of our most vulnerable citizens live in food deserts with no access to healthy food options and grocery stores, leaving them to shop at convenience stores and frequent fast-food restaurants. Unhealthy living conditions, in poorly maintained apartments also contribute to health problems. Along with utility and transportation cost, these are only some of the countless challenges that make it more expensive for the lower income and poor to meet their daily needs.

It is important to point out, the inability for poor individuals and families to obtain these resources is exacerbated not so much by the cost of the items, but more so by the cost of things as a percentage of the income of the poor. Nearly 75 percent of expenditures for families living in or near poverty goes to food, transportation, rent, utilities, and cellphone service.⁶ As you can see, this does not include healthcare and childcare, nor does it account for certain shifts in the

² Poverty Guidelines | ASPE (hhs.gov)

³ U.S Census, American Community Survey, (S1701) 2019: ACS 5-Year Estimates Subject Tables

⁴ Detroit has highest concentrated poverty rate among top 25 metro areas, Detroit Free Press April 26,2016

⁵ U.S Census, American Community Survey, (S1701) 2019: ACS 5-Year Estimates Subject Tables

⁶ <https://econofact.org/how-do-low-income-families-spend-their-money>

economy like the sharply rising gasoline and food prices, which can play a significant role in a family's ability to put food on the table and have the basic necessities.

Detroit is a comeback city. Yet, we remain the poorest large city in the United States, according to Forbes.⁷ And with that title comes additional issues related to education, healthcare, and crime. From the data we have reviewed, it is more than likely that the vast majority of families and individuals in the city of Detroit and the state of Michigan living below the federal poverty threshold, would suffer great difficulties attempting to meet the obligations associated with a \$400 financial emergency. Indeed, many of our poorest citizens live paycheck to paycheck, a phenomenon that affects all income levels. Therefore, it would be quite challenging for an individual or family in this segment of our community to maneuver through a significant monetary crisis without creating greater economic harm by accruing further debt or foregoing other essential needs.

⁷ U.S. Poverty Rate by City In 2021 (forbes.com)