

# Notes and Brief Reports

## The 1984 Federal Poverty Income Guidelines\*

The Omnibus Budget Reconciliation Act of 1981 (sections 652 and 673(2)) transferred the responsibility of annually revising the Federal poverty income guidelines from the Community Services Administration (CSA) to the Secretary of Health and Human Services (HHS).<sup>1</sup> This note provides background information about the 1984 revision of the guidelines.

### Poverty Thresholds and Poverty Guidelines

The Federal poverty income guidelines, shown in table 1, are a simplified version of the Federal Government's official statistical poverty thresholds.<sup>2</sup> The principal differences between the thresholds and the guidelines have to do with the issuing agency and the purpose. The **poverty thresholds** are issued by the **Census Bureau** and are used for **statistical purposes** (for example, to determine the number of persons in poverty and to present data classifying them by type of residence, race, and other social, economic, and demographic characteristics). The **poverty guidelines** are issued by the **Department of Health and Human Services** and are used for **administrative purposes** (for example, to determine whether a person or family is financially eligible for assistance or services under a particular Federal program). As described below, the poverty guidelines are derived from the statistical poverty thresholds that the Bureau of the Census publishes under directives issued by the Office of Management and Budget (OMB).

OMB is often referred to in connection with the

\* By Gordon M. Fisher, Office of the Secretary, Department of Health and Human Services. The 1984 poverty guidelines were published in the **Federal Register**, February 27, 1984, pages 7151-7152.

<sup>1</sup> The first administrative poverty guidelines were established by the Office of Economic Opportunity (OEO) in December 1965. (OEO became the Community Services Administration in 1975.) Revised poverty guidelines were issued by OEO each year from 1967 through 1972, before the requirement to revise them annually was enacted in September 1972, as section 625 of the Economic Opportunity Act of 1964. In 1978, it was renumbered as section 624.

<sup>2</sup> Information on the poverty thresholds can be obtained from the Bureau of the Census, **Current Population Reports** (Series P-60, No. 68 and subsequent applicable reports).

Table 1.—Federal poverty income guidelines for 1984

Size of family unit <sup>1</sup>	Annual income		
	Contiguous States and District of Columbia	Alaska	Hawaii
1 .....	\$4,980	\$6,240	\$5,730
2 .....	6,720	8,410	7,730
3 .....	8,460	10,580	9,730
4 .....	10,200	12,750	11,730
5 .....	11,940	14,920	13,730
6 .....	13,680	17,090	15,730
7 .....	15,420	19,260	17,730
8 .....	17,160	21,430	19,730

<sup>1</sup> For family units with more than 8 members, add the following amount for each additional family member: contiguous States and the District of Columbia, \$1,740; Alaska, \$2,170; and Hawaii, \$2,000.

poverty guidelines. In 1969, OMB issued a directive requiring all Federal departments and agencies to use the Census Bureau poverty thresholds (and the Census Bureau's other poverty statistics) for statistical purposes. The legislative language describing the poverty guidelines refers to the poverty thresholds (the starting point for calculating the poverty guidelines) as "the official poverty line (as defined by the Office of Management and Budget)" rather than as the Census Bureau poverty thresholds.

Because of data collection and publication schedules, the statistical poverty thresholds for a given calendar year are generally not available until the second half of the following calendar year.<sup>3</sup> To avoid using 2-year-old poverty thresholds in programs that have poverty status as an eligibility criterion, a procedure currently described in sections 673(2) and 652(b) of the Omnibus Budget Reconciliation Act of 1981 has been used since 1973 to calculate poverty income guidelines for administrative use in such programs. This procedure is described in section 652(b) in the following language:

The revision required . . . shall be accomplished by multiplying the official poverty line (as defined by the

<sup>3</sup> Each year, the Census Bureau's report on the poverty population contains a table showing weighted average poverty thresholds for each family size, as well as a more detailed matrix of poverty thresholds for different subtypes of families of each size. The starting point for calculating the poverty guidelines is these weighted average poverty thresholds, the precise values of which depend not only on Consumer Price Index figures but also on the mix of the different subtypes of families within each family size. Information on that mix is not available until the Current Population Survey data have been processed, which accounts for the delay in publication.

Office of Management and Budget) by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made.

Table 2 gives the computations for the 1984 revision. The methodology is further explained on page 27 of this note.

### Program Applicability

The Federal poverty income guidelines, or adaptations of them, are used as an eligibility criterion by a number of Federal programs, including the following:

- **Department of Health and Human Services.** Community Services Block Grant, Low-Income Home Energy Assistance, Head Start, and Hill-Burton Uncompensated Services Program.
- **Department of Agriculture.** Food Stamps; Special Supplemental Food Program for Women, Infants, and Children (WIC); National School Lunch Program, School Breakfast Program, and Child Care Food Program (for free and reduced-price meals); and Special Milk Program for Children (for free milk).

**Table 2.**—Computations for the 1984 annual revision of the poverty income guidelines for all States (except Alaska and Hawaii) and the District of Columbia<sup>1</sup>

Size of family unit (1)	Poverty thresholds in 1982 (weighted averages) <sup>2</sup> (2)	Column 2 multiplied by 1.0322 price inflator <sup>3</sup> (3)	Difference between column 3 entries (4)	Average difference in column 3 <sup>4</sup> (5)	February 1984 guidelines (6)
1	\$4,901	\$5,059		\$1,740	\$4,980
2	6,281	6,483	\$1,424	1,740	6,720
3	7,693	7,941	1,458	1,740	8,460
4	9,862	10,180	2,239	1,740	10,200
5	11,684	12,060	1,880	1,740	11,940
6	13,207	13,632	1,572	1,740	13,680
7	15,036	15,520	1,888	1,740	15,420
8	16,719	17,257	1,737	1,740	17,160

<sup>1</sup> For Alaska and Hawaii, factors of 1.25 and 1.15, respectively, are applied to the 1984 guideline for a family of 4 for the contiguous States, and the results are rounded to multiples of \$10. The same factors are applied to the average difference for the contiguous States (column 5) to obtain average differences for Alaska and Hawaii for deriving guidelines for other family sizes. For family units with more than 8 members, add the following amount for each additional person: contiguous States and the District of Columbia, \$1,740; Alaska, \$2,170; and Hawaii, \$2,000.

<sup>2</sup> Data are from table A-1 of Bureau of the Census, *Current Population Reports* (Series P-60, No. 140), "Money Income and Poverty Status of Families and Persons in the United States: 1982 (Advance Data From the March 1983 Current Population Survey)," July 1983.

<sup>3</sup> Price inflator derived from Department of Labor, CPI Press Release USDL-84-25, January 24, 1984, table 1A. (The Consumer Price Index for all items (CPI-U) was 289.1 for calendar year 1982 and 298.4 for calendar year 1983, an increase of 3.22 percent.)

<sup>4</sup> The arithmetic average of column 4 entries, rounded to the nearest multiple of \$20.

<sup>5</sup> Obtained by multiplying the average poverty threshold for a family of 4 persons in 1982, as published in table A-1 (\$9,862), by the inflation factor from calendar year 1982 to calendar year 1983 (1.0322) and rounding the result upward to the nearest whole multiple of \$50. All other entries in column 6 are obtained by successive addition or subtraction of the average difference (\$1,740) to the size-4 1984 guideline entry (\$10,200).

- **Department of Education.** Follow Through, Upward Bound, Talent Search, Special Services for Disadvantaged Students, and Educational Opportunity Centers.
- **Department of Energy.** Weatherization Assistance for Low-Income Persons.
- **Department of Labor.** Job Corps, Migrant and Seasonal Farmworkers, Employment and Training—Indians and Native Americans, Special National Programs and Activities for the Disadvantaged, other employment and training programs under the Job Training Partnership Act, and Senior Community Service Employment Program.
- **ACTION.** Foster Grandparent Program and Senior Companion Program.
- **Legal Services Corporation.** Legal Services for the Poor.
- **Office of Personnel Management.** Federal Employment for Disadvantaged Youth—Part-Time (Stay-in-School Program); and Federal Employment for Disadvantaged Youth—Summer (Summer Aids).

Some programs use the poverty guidelines as only one of several eligibility criteria, or use a modification of the guidelines.<sup>4</sup> Other programs, although not using the guidelines as a criterion of individual eligibility, use them for the purpose of targeting assistance or services. In some instances, these guidelines may not be in effect for certain programs until a regulation or notice specifically applying to the program in question has been issued.

### Definitions

The following definitions—derived for the most part from language used in *Current Population Reports*—are made available for use in connection with the poverty income guidelines. Specific programs may use somewhat different definitions.

A **family** is a group of two or more persons related by birth, marriage, or adoption who reside together; all such related persons are considered as members of one family. (If a household includes more than one family and/or more than one unrelated individual, the poverty guidelines are applied separately to each family and/or unrelated individual, and not to the household as a whole.)

A **family unit of size one** means an unrelated individual as defined by the Census Bureau—that is, a person aged 15 or older (other than an inmate of an institution) who is not living with any relatives. An unrelated individual may be the sole occupant of a housing unit, or may be residing in a housing unit (or in group

<sup>4</sup> For example, the eligibility level may be set at 130 percent or 185 percent of the guidelines rather than 100 percent.

quarters such as a rooming house) in which one or more persons also reside who are not related to the individual in question by birth, marriage, or adoption. (Examples of unrelated individuals residing with others include a lodger, a foster child, a ward, or an employee.)

**Income** refers to total annual cash receipts from all sources before taxes. (Income data for part of a year may be annualized to determine eligibility—for instance, by multiplying the most recent 3 months of income by four to get equivalent annual income.) Income includes money wages and salaries before any deductions, but does not include food or rent in lieu of wages. It includes net receipts from nonfarm or farm self-employment (receipts from a person's own business or from an owned or rented farm after deductions for business or farm expenses). It also includes regular payments from Social Security, railroad retirement, unemployment compensation, workers' compensation, strike benefits from union funds, veterans' benefits, public assistance (including Aid to Families with Dependent Children, Supplemental Security Income, and General Assistance money payments), training stipends, alimony, child support, military family allotments or other regular support from an absent family member or someone not living in the household, private pensions, government employee pensions, regular insurance or annuity payments, and income from dividends, interest, rents, royalties, or periodic receipts from estates or trusts. For eligibility purposes, income does not include the following money receipts: capital gains; any assets drawn down as withdrawals from a bank, the sale of property, a house, or a car; tax refunds, gifts, lump-sum inheritances, one-time insurance payments, or compensation for injury. Also excluded are noncash benefits, such as the employer-paid or union-paid portion of health insurance and other employee fringe benefits, food or rent received in lieu of wages, the value of food and fuel produced and consumed on farms, the imputed value of rent from owner-occupied nonfarm or farm housing, and such Federal programs as Medicare, Medicaid, Food Stamps, school lunches, and public housing. (In most respects, this definition of income is consistent with the concept of income used in the development of the original poverty definition in 1964.)

The **statistical poverty thresholds** are derived from a definition of poverty developed for statistical purposes in 1964 by the Social Security Administration.<sup>5</sup> Revisions to this definition made in 1969 and 1980–81 were based on recommendations of Federal interagency committees. Annual updates of the statistical poverty thresholds are based on changes in the Consumer Price Index for All Urban Consumers (CPI-U).

At the core of the poverty definition was the “econo-

<sup>5</sup> Mollie Orshansky, “Counting the Poor: Another Look at the Poverty Profile,” *Social Security Bulletin*, January 1965, pages 3–29.

my food plan,” the least costly of four food plans designed by the Department of Agriculture. In essence, poverty thresholds were established by multiplying the cost of the economy food plan for various family sizes by a factor of three. The factor three was chosen because the Agriculture Department's 1955 Household Food Consumption Survey found that, for the average family of three or more persons, the dollar value of all food used at home during a week accounted for about one-third of its total money income after taxes. For one-person and two-person households, the cost of the economy food plan was multiplied by slightly higher factors in order to compensate for the relatively larger fixed expenses of these smaller households.

Because the Census Bureau has been using the concept of pre-tax money income in annual publications since 1947, Census Bureau tabulations on poverty have applied the SSA poverty thresholds to pre-tax money income, rather than using the post-tax money income concept used in the Agriculture Department survey from which the multiplier factor of three was derived. At the time the poverty thresholds were constructed and for some years thereafter, families and individuals at the poverty level had little or no Federal income tax liability.

**Table 3.—Poverty guidelines for a family of four, by year and issuing agency, 1965–84**

Year and issuing agency	Annual income	
	Nonfarm	Farm
<b>Office of Economic Opportunity:</b>		
1965 .....	\$3,130	\$2,190
1967 .....	3,200	2,200
1968 .....	3,300	2,300
1969 <sup>1</sup> .....	3,600	3,000
1970 .....	3,800	3,200
1971 .....	4,000	3,400
1972 .....	4,200	3,575
1973 <sup>2</sup> .....	4,300	3,655
1974 .....	4,550	3,870
<b>Community Services Administration:<sup>3</sup></b>		
1975 .....	5,050	4,300
1976 .....	5,500	4,680
1977 .....	5,850	4,980
1978 .....	6,200	5,270
1979 .....	6,700	5,700
1980 .....	7,450	6,340
1981 .....	8,450	7,190
<b>Department of Health and Human Services:<sup>4</sup></b>		
1982 .....	9,300	7,910
1983 <sup>5</sup> .....		9,900
1984 .....		10,200

<sup>1</sup> Beginning in 1969, poverty guidelines were derived from revised Census Bureau poverty thresholds, with farm thresholds set at 85 percent rather than 70 percent of nonfarm thresholds.

<sup>2</sup> A legislative requirement to update the poverty guidelines at least once a year was enacted as part of the Economic Opportunity Act Amendments of 1972.

<sup>3</sup> The Office of Economic Opportunity was replaced by the Community Services Administration in 1975.

<sup>4</sup> The Community Services Administration was abolished by the Omnibus Budget Reconciliation Act of 1981, which also transferred responsibility for revising the poverty guidelines to the Secretary of Health and Human Services.

<sup>5</sup> The farm/nonfarm distinction was eliminated by the Census Bureau in 1981 and in the poverty guidelines in 1983.

---

## **Elimination of the Farm/Nonfarm Distinction**

The former distinction between poverty guidelines for farm families and poverty guidelines for nonfarm families was eliminated as a result of one of several technical changes in the official statistical definition of poverty announced by the Bureau of the Census in 1981.<sup>6</sup> The poverty guidelines given in table 1 are applicable to both farm and nonfarm families. The historical presentation of poverty guidelines for a family of four in table 3 shows the farm and nonfarm guidelines for 1965-82, as well as the 1983 and 1984 guidelines.

### **Methodology**

Table 2 shows the methodology that has been used

<sup>6</sup> See the *Federal Register*, December 28, 1981, page 62674.

since 1973 to compute the Federal poverty income guidelines. Essentially, the procedure starts with the Census Bureau (statistical) poverty thresholds. These thresholds are updated to account for changes in the CPI, and then simplified for administrative purposes.

As can be seen in table 2, the 1984 poverty guidelines were derived by taking the 1982 statistical poverty thresholds, increasing them by the proportional amount of the 1982-83 increase in the CPI, rounding them, and then equalizing the "steps" between the adjacent guideline figures. This means that the 1984 administrative poverty guidelines will be approximately equal to the 1983 statistical poverty thresholds (which are to be published by the Census Bureau about July 1984). This has always been the relationship between the annually updated administrative poverty guidelines and the statistical poverty thresholds, since the annual average CPI for a given year is not available until after that year ends.