

Poverty Guidelines for 1992

by Gordon M. Fisher*

The Omnibus Budget Reconciliation Act (OBRA) of 1981 (section 673(2)) transferred the responsibility of annually updating the Federal Government's poverty guidelines from the Community Services Administration (CSA)—formerly the Office of Economic Opportunity (OEO) until 1975—to the Department of Health and Human Services (HHS).¹ This note provides background information about the 1992 update of the guidelines.² A more detailed account of the Bureau of the Census poverty thresholds—the principal version of the Federal poverty measure and the source from which the poverty guidelines are calculated each year—will be in the Summer issue of the *Bulletin*.

Poverty Guidelines and Poverty Thresholds

The HHS poverty guidelines, shown in table 1, are a simplified version of the Federal Government's official statistical poverty thresholds.³ Both thresholds and guidelines are a series of income levels, with different values for family units of different sizes, below which the family units are considered poor for statistical or administrative purposes. 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 generally used for *statistical* purposes—for example, for

determining the number of persons in poverty and presenting data classifying poor persons by type of residence, race, and other social, economic, and demographic characteristics. The *poverty guidelines* are issued by HHS and are used for *administrative* purposes—for instance, for determining 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 poverty thresholds.

The poverty guidelines are sometimes incorrectly referred to as the OMB (Office of Management and Budget) poverty guidelines. This is the result of confusing language in the original 1972 legislation requiring the annual updating of the guidelines. That language referred to the poverty thresholds—the starting point for calculating updated poverty guidelines—not as "the Census Bureau poverty thresholds" but as "the official poverty line (as defined by the Office of Management and Budget)." (The reason for referring to the thresholds with these words was a 1969 OMB directive that made the Census

thresholds the official Federal statistical definition of poverty.) The OMB does not issue and has never issued the poverty guidelines, and the authority for using the poverty guidelines for administrative purposes has always been contained in legislation governing OEO/CSA and (later) HHS programs.

A major reason for issuing poverty guidelines distinct from the statistical poverty thresholds is that the poverty thresholds for a given calendar year are not published in final form until late summer of the following calendar year.⁴ Issuing poverty guidelines during the first few months of the year avoids the need to use 2-year-old poverty thresholds for half the year when determining financial eligibility for certain Federal programs for which poverty status is an eligibility criterion. Table 2 shows the procedure used to derive the poverty guidelines from the thresholds.

Poverty guidelines issued from 1965 to 1982 had separate figures for farm and nonfarm families, as did the poverty thresholds from which these guidelines were derived. The farm/nonfarm distinction was eliminated as a result of one of

Table 1.—Poverty guidelines for 1992 (annual income)

| Size of family unit ¹ | Contiguous (48) States and the District of Columbia | Alaska | Hawaii |
|----------------------------------|---|---------|---------|
| 1..... | \$6,810 | \$8,500 | \$7,830 |
| 2..... | 9,190 | 11,480 | 10,570 |
| 3..... | 11,570 | 14,460 | 13,310 |
| 4..... | 13,950 | 17,440 | 16,050 |
| 5..... | 16,330 | 20,420 | 18,790 |
| 6..... | 18,710 | 23,400 | 21,530 |
| 7..... | 21,090 | 26,380 | 24,270 |
| 8..... | 23,470 | 29,360 | 27,010 |

¹ For family units with more than 8 members, add the following amount for each additional family member: \$2,380 for the contiguous States and the District of Columbia; \$2,980 for Alaska; and \$2,740 for Hawaii. (In each case, the same increment applies to smaller family sizes also, as can be seen in the figures above.)

*Office of the Secretary, Department of Health and Human Services. This note updates information presented in "The 1984 Federal Poverty Income Guidelines," by Gordon M. Fisher, *Social Security Bulletin*, Vol. 47, No. 7, July 1984, pp. 24-27.

several technical changes in the official statistical definition of poverty announced by the Bureau of the Census in December 1981.⁵ Accordingly, the poverty guidelines given in table 1 are applicable to both farm and nonfarm families. Table 3 shows both the farm and nonfarm guidelines for a family of four for 1965-82. Note that the farm/nonfarm distinction was not the same as a rural/urban distinction.

Unlike the poverty thresholds, the poverty guidelines have never had separate figures for aged and nonaged 1-person and 2-person units.

Program Applicability

The HHS poverty 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, Head Start, Low-Income Home Energy Assistance, Hill-Burton Uncompensated Services Program (in connection with previous medical facilities construction and modernization assistance to hospitals or other health care facilities), and Temporary AIDS Drug Reimbursements. In addition, certain relatively recent provisions of the Medicaid program use the poverty guidelines; however, the rest of the Medicaid program—still accounting for a sizable majority of Medicaid eligibility determinations—does not use the poverty guidelines.

- **Department of Agriculture.** Food Stamps; Special Supplemental Food Program for Women, Infants, and Children (WIC); Temporary Emergency Food Assistance (Food Commodities); National School Lunch Program, School Breakfast Program, and Child and Adult Care Food Program (for free and reduced-price meals); and Special Milk Program for Children (for free milk).

- **Department of Education.** Follow Through.
- **Department of Energy.** Weatherization Assistance for Low-Income Persons.
- **Department of Labor.** Job Corps, Migrant and Seasonal Farmworkers, Native American Employment and Training Programs, 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).

Among the Federal programs using the poverty guidelines, some use the guidelines as only one of several eligibility criteria, or use a percentage multiple of the guidelines—for instance, 130 percent or 185 percent of the guidelines. Other programs may use the guidelines for the purpose of giving priority to lower-income persons or

Table 2.—Computations for the 1992 annual update of the poverty guidelines for all States (except Alaska and Hawaii) and District of Columbia¹

| Size of family unit (1) | Poverty thresholds for 1990 (weighted averages) ² (2) | Column 2 multiplied by 1.042 price inflator ³ (3) | Difference between successive column 3 entries (4) | Average difference in column 4 ⁴ (5) | February 1992 poverty guidelines (6) |
|----------------------------|---|---|---|--|---|
| 1..... | \$6,652 | \$6,931 | \$1,935 | \$2,380 | \$6,810 |
| 2..... | 8,509 | 8,866 | 1,991 | 2,380 | 9,190 |
| 3..... | 10,419 | 10,857 | 3,063 | 2,380 | 11,570 |
| 4..... | 13,359 | 13,920 | 2,535 | 2,380 | 13,950 |
| 5..... | 15,792 | 16,455 | 2,133 | 2,380 | 16,330 |
| 6..... | 17,839 | 18,588 | 2,503 | 2,380 | 18,710 |
| 7..... | 20,241 | 21,091 | 2,439 | 2,380 | 21,090 |
| 8..... | 22,582 | 23,530 | | | 23,470 |

¹ For Alaska and Hawaii, scaling factors of 1.25 and 1.15, respectively, are applied to the 1992 guideline for a family of 4 for the contiguous States, and the results are rounded upward to the nearest whole multiple 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: \$2,380 for the contiguous States and the District of Columbia; \$2,980 for Alaska; and \$2,740 for Hawaii.

² These figures are from table A-2 of Census Bureau, "Poverty in the United States: 1990", *Current Population Reports*, Series P-60, No. 175, p. 195, Washington, DC, U.S. Government Printing Office, August 1991.

³ Price inflator calculated from table 1A of Department of Labor, Consumer Price Index press release (USDL-92-19), January 16, 1992. (The Consumer Price Index for All Urban Consumers (CPI-U) for all items was 130.7 for calendar year 1990 and 136.2 for calendar year 1991, an increase of 4.2 percent.)

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

⁵ Obtained by multiplying the average poverty threshold for a family unit of 4 persons in 1990 (\$13,359, from column 2) by the inflation factor from 1990 to 1991 (1.042) 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 (\$2,380) to the size-4 1992 guideline entry (\$13,950).

families in need of assistance or services; the guidelines are also used in setting sliding fee scales in certain programs. In some cases, the most recent update of the guidelines may not become effective for certain programs until a regulation or notice specifically applying to the program in question has been issued.

A number of State and local

governments have chosen to use the Federal poverty guidelines (or adaptations of them) in some of their own programs. Some nongovernment organizations—for instance, voluntary charitable agencies and public utility companies—have also chosen to adopt the Federal poverty guidelines for some of their programs and activities.

The following Federal programs do

not use the poverty guidelines in determining eligibility:

- (1) Aid to Families with Dependent Children,
- (2) Supplemental Security Income,
- (3) Social Services Block Grant, and
- (4) the Department of Housing and Urban Development's means-tested housing assistance programs.

Table 3.—Poverty guidelines for a family of four, by date of issuance and issuing agency, 1965-92¹ (annual income)

| Date of issuance and issuing agency | Nonfarm | Farm |
|---|---------|---------|
| Office of Economic Opportunity: | | |
| Dec. 1965 | \$3,130 | \$2,190 |
| Aug. 1967 | 3,200 | 2,200 |
| Sept. 1968 | 3,300 | 2,300 |
| Sept. 1969 ² | 3,600 | 3,000 |
| Dec. 1970 | 3,800 | 3,200 |
| Nov. 1971 | 4,000 | 3,400 |
| Oct. 1972 | 4,200 | 3,575 |
| Mar. 1973 ³ | 4,300 | 3,655 |
| May 1974 | 4,550 | 3,870 |
| Community Services Administration: ⁴ | | |
| Mar. 1975 | 5,050 | 4,300 |
| Apr. 1976 | 5,500 | 4,680 |
| Apr. 1977 | 5,850 | 4,980 |
| Apr. 1978 | 6,200 | 5,270 |
| May 1979 | 6,700 | 5,700 |
| Apr. 1980 | 7,450 | 6,340 |
| Mar. 1981 | 8,450 | 7,190 |
| Department of Health and Human Services: ⁵ | | |
| Apr. 1982 | 9,300 | 7,910 |
| Feb. 1983 ⁶ | 9,900 | |
| Feb. 1984 | 10,200 | |
| Mar. 1985 | 10,650 | |
| Feb. 1986 | 11,000 | |
| Feb. 1987 | 11,200 | |
| Feb. 1988 | 11,650 | |
| Feb. 1989 | 12,100 | |
| Feb. 1990 | 12,700 | |
| Feb. 1991 | 13,400 | |
| Feb. 1992 | 13,950 | |

¹ For a table showing nonfarm poverty guidelines for families of different sizes since 1965, see table 3.E8 in recent years in the *Annual Statistical Supplement* to the *Social Security Bulletin*. For a similar table for nonfarm poverty thresholds since 1959, see table 3.E1 in the *Supplement*. (For the correct poverty thresholds for 1966 and 1989, see the 1991 *Supplement*.)

² 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.

³ A legislative requirement that the poverty guidelines be updated at least once a year was enacted as part of the Economic Opportunity Act Amendments of 1972.

⁴ The Office of Economic Opportunity was replaced by the Community Services Administration in January 1975.

⁵ The Community Services Administration was abolished by the Omnibus Budget Reconciliation Act of 1981, which also made the Secretary of Health and Human Services responsible for updating the poverty guidelines annually.

⁶ The farm/nonfarm distinction was eliminated in the Census Bureau poverty thresholds in 1981 and in the poverty guidelines in 1983.

Definitions

There is no single administrative definition of income, family, family unit, or household that is valid for all programs that use the poverty guidelines. An agency administering a program is responsible for making decisions about definitions used by that program. The following statistical definitions—derived for the most part from language used in the Census Bureau's *Current Population Reports*—are made available for illustrative purposes only.

A *family* is a group of two or more persons related by birth, marriage, or adoption who live together; all such related persons are considered as members of one family. For instance, if an older married couple, their daughter and her husband and two children, and the older couple's nephew all lived in the same housing unit (house or apartment), they would all be considered members of a single family.

An *unrelated individual* is a person age 15 or older (other than an inmate of an institution) not living with any relatives. The person may be living alone or may be living in a housing unit with persons not related by birth, marriage, or adoption. (Examples of unrelated individuals residing with others include a lodger, a foster child, a ward, or an employee.)

The definition for the term *family unit* was not derived from language used by the Census Bureau. The term has been used in the *Federal Register* notice for the poverty guidelines since 1978. "Family unit" is a short term for the concept "families and/or unrelated individuals." For example, a family unit of size one is an unrelated individual, while a family unit of two

or more persons is the same as a family of the same size.

As defined by the Census Bureau for statistical purposes, a *household* consists of all the persons who occupy a housing unit (house or apartment), whether they are related to each other or not. If a family and an unrelated individual, or two unrelated individuals, are living in the same housing unit, they would be considered as two family units but one household. Some programs, such as the Food Stamp program and the Low-Income Home Energy Assistance program, employ administrative variations of the household concept in determining income eligibility. A number of other programs use administrative variations of the family concept in determining income eligibility. Depending on the precise program definition used, programs using a family concept would generally apply the poverty guidelines separately to each family and/or unrelated individual within a household if the household includes more than one family and/or unrelated individual.

Programs that use the poverty guidelines in determining eligibility may use administrative definitions of income (or countable income) that differ from the statistical definition given below. For administrative purposes, in many cases, income data for part of a year may be annualized to determine eligibility—for instance, by multiplying by four the amount of income received during the most recent 3 months.

For statistical purposes, *income* refers to total annual cash receipts from all sources before taxes. Income includes money wages and salaries before any deductions; net receipts from nonfarm self-employment (receipts from a person's own unincorporated business, professional enterprise, or partnership after deductions for business expenses); net receipts from farm self-employment (receipts from a farm that one operates as an owner, renter, or sharecropper after deductions for farm operating expenses); regular payments from Social Security, Railroad Retirement, unemployment compensation, strike benefits from

union funds, workers' compensation, veterans' payments, public assistance (including Aid to Families with Dependent Children, Supplemental Security Income, Emergency Assistance money payments, and General Assistance or General Relief money payments), and training stipends; alimony, child support, and military family allotments or other regular support from an absent family member or someone not living in the household; private pensions, government employee pensions (including military retirement pay), and regular insurance or annuity payments; college or university scholarships, grants, fellowships, and assistantships; and dividends, interest, net rental income, net royalties, periodic receipts from estates or trusts, and net gambling or lottery winnings. Income (for statistical purposes) does not include the following types of money received: capital gains; any assets drawn down as withdrawals from a bank, the sale of property, a house, or a car; tax refunds, gifts, loans, lump-sum inheritances, one-time insurance payments, and compensation for injuries. Also excluded are noncash benefits, such as the employer-paid or union-paid portion of health insurance or other employee fringe benefits, food or housing received in lieu of wages, the value of food and fuel produced and consumed on farms, the imputed value of rent from owner-occupied housing, and such Federal noncash benefit programs as Medicare, Medicaid, Food Stamps, school lunches, and housing assistance.

Methodology

Table 2 shows the methodology that has been used since 1973 to calculate the poverty guidelines. The methodology was devised by a technical panel from the Office of Economic Opportunity in March 1973. To derive the 1992 poverty guidelines, start with the 1990 Census Bureau poverty thresholds (published in August 1991). Increase the thresholds by the proportional amount of the increase in the Consumer Price Index for All

Urban Consumers (CPI-U) from 1990 to 1991. Equalize the differences between guideline figures for successive family sizes, thus simplifying them for administrative purposes. The 1992 guidelines—that is, the guidelines published early in 1992—will be approximately equal to the statistical poverty thresholds for 1991 that will be published by the Census Bureau about August 1992. This has been the relationship since 1973 between the administrative poverty guidelines and the statistical poverty thresholds, because the guidelines, unlike the thresholds, are labeled by the year in which they are published.

Notes

¹ The first administrative poverty guidelines were issued by the Office of Economic Opportunity (OEO) in December 1965. Updated poverty guidelines were issued by OEO each year from 1967 to 1972, before the legislation requiring annual updates was enacted in September 1972 as section 625 of the Economic Opportunity Act of 1964. In 1978, that section was renumbered as section 624.

² See the *Federal Register*, February 14, 1992, pp. 5455-5457.

³ The poverty thresholds are contained in the Census Bureau's *Current Population Reports*, Series P-60, No. 68 and subsequent applicable reports.

⁴ Each year the Census Bureau publishes 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 during the year in question. Information on the mix is not available until the Current Population Survey data for that year have been processed. This is why the statistical poverty thresholds—that is, the weighted average poverty thresholds—for a given calendar year are generally not available until late summer of the following calendar year (although preliminary estimates of these weighted thresholds are available earlier).

⁵ See the *Federal Register*, December 28, 1981, page 62674.