

# How Federal Poverty Guidelines Are Set

A Presentation to the Missouri  
Energy Task Force

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# Federal Poverty Guidelines

- The Federal Poverty Guidelines are used by a variety of needs-based programs, including Medicaid, Food Stamps, and **LIHEAP**.
- The Guidelines are published by the Department of Health and Human Services in the federal register each year, usually in February.
- Missouri then adopts those guidelines for the **LIHEAP** program beginning with the next heating season.
- What goes into the makeup of the federal poverty guidelines?

# History of Poverty Measurement in the United States

- In 1963-64, Mollie Orschansky of the Social Security Administration developed poverty *thresholds* as a means to measure income inadequacy.
- Orschansky used the U.S. Department of Agriculture's economy food plan as a base for the thresholds.
- Using the USDA's Household Food Consumption Survey that showed households of three or more spent 1/3 of their income on food, she used a multiplier of 3 to come up with the thresholds for households of three or more.
- Orschansky differentiated the thresholds by several factors, including age, household size, number of children, farm vs. non-farm households, and gender of the head of household, for a matrix containing 124 thresholds.

# History of the Poverty Thresholds

- When the Census Bureau sought a way to measure the percentage of the population living in poverty, they adopted the poverty thresholds first developed by Orschansky.
- Over the years, less factors differentiated the thresholds, and the 124 cell matrix was reduced to 48.
- There is no longer a difference between farm and non-farm, nor is there any distinction between genders for the head of household.
- The Census Bureau updates the poverty thresholds each year based on the consumer price index.
- Further, the Census Bureau uses its Current Population Survey to develop the *weighted average* of the poverty thresholds.

# How Does HHS Develop the Poverty Guidelines?

- HHS uses the weighted average poverty thresholds as the basis for the poverty guidelines.
- Unlike the poverty thresholds, which are the same for all 50 states, HHS applies a factor based on the cost of living to develop a higher standard for Alaska and Hawaii.
- Because the poverty thresholds lag by a year, HHS applies the latest CPI increase to the thresholds to reach the guideline amounts.

# Differences Between Thresholds and Guidelines

- Thresholds are used for statistical purposes.
- Thresholds do not vary geographically. They are the same for all 50 states.
- Thresholds vary based on a number of factors, including family size, number of children, and age.
- Thresholds are rounded to the nearest dollar.
- Guidelines are used for administrative purposes, such as program eligibility.
- There are different guidelines for Alaska and Hawaii than the 48 contiguous states.
- Guidelines vary only on one factor, family size.
- Guidelines are rounded to the nearest \$10.

# How FSD Uses the Poverty Guidelines

- FSD receives notice of the updated poverty guidelines from HHS each year when they are published.
- We multiply the poverty amounts by 125%, as that is the income guideline used by the LIHEAP program.
- We convert the annual poverty guidelines into monthly amounts for each family size.
- We change to the new poverty levels effective with the next program year for LIHEAP, beginning in October.
- Because the program is for a once a season benefit, we do not change to the new poverty levels during a season, to ensure that all applicants in a program year are treated consistently.

# Summary

- Poverty measures used in various federal programs have their basis in the poverty thresholds published by the U.S. Census Bureau.
- HHS develops poverty guidelines based on these thresholds.
- The thresholds are updated from their original base by applying the consumer price index factor.
- Higher costs in any one area of supporting a household *do not* have any impact on the measures, other than to the extent they impact the consumer price index.