



POVERTY 101

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The term *poverty* is generally used to describe a condition of economic hardship, but it has a technical use as well: to define a specific low income level for various family sizes. Many social services providers in Texas use this technical measure of poverty to determine eligibility. This policy brief describes the official federal poverty measure, how it is used, and the extent of poverty in Texas. Shortcomings of this methodology and alternative measures of economic hardship are also discussed.

WHAT IS MEANT BY “POVERTY”?

Official measure

The U.S. Census Bureau establishes annual income *thresholds* to measure poverty and estimate the number of poor people. People in families with income below the federal poverty threshold are considered poor. The U.S. Department of Health and Human Services uses these thresholds to set income *guidelines*, which vary by family size and are referred to as the “federal poverty level” (FPL). Federal poverty guidelines are used to determine eligibility for many government programs. Private organizations also use these guidelines to determine eligibility for their services to low-income families. The 2007 guidelines for the continental U.S. are shown in the table.

2008 Federal Poverty Guidelines			
Family Size	Annual Income*	Monthly	Hourly**
1	\$10,400	\$ 867	\$5.00
2	14,000	1,167	6.73
3	17,600	1,467	8.46
4	21,200	1,767	10.19
5	24,800	2,067	11.92
6	28,400	2,367	13.65

*For each additional person, add \$3,600
 **Calculation based on 52 weeks at 40 hours per week

SOURCE: *Federal Register*, Vol. 73, No. 15, January 23, 2008.

History of the poverty measure

The poverty guidelines were originally designed to reflect the minimum amount of income that American households need to subsist. This amount was derived by multiplying by three the cost of food for each family size. This method for determining household budget needs was established in the early 1960s based on the assumption that the cost of food accounted for one-third of household spending. Although the poverty guidelines are updated annually for inflation, they are still based on a food-cost-to-income ratio of 1 to 3, despite significant shifts in household expenses. For example, the cost of housing as a share of household income has increased significantly since the 1960s, and families today are more likely to have child care expenses and pay a much higher share of health care costs than was typical in the 1960s. Yet, food costs remain the *only* expense considered in determining how much income today’s families need to make ends meet. In addition, except in the case of Alaska and Hawaii, the guidelines do not take into account geographical differences in the cost of living, or the effects of a rising standard of living. Because of these weaknesses, critics of the official poverty guidelines—including the Census Bureau itself—have called the measure an antiquated standard that is no longer capable of capturing true economic need.

Other ways to measure economic hardship

Researchers have been working to develop more accurate measures of economic need or hardship. In its 2007 publication, *Making It: What It Really Takes to Get By in Texas*, CPPP presented the Family Budget Estimator, which calculates the cost of essential expenses in Texas' metropolitan areas for families of various size and composition, as well as the wages necessary to meet these costs. For example, the estimated cost of housing, food, child care, transportation, employer-subsidized health care, other necessities such as clothing, and federal taxes for two adults and one child in the Houston metro area is \$3,253 per month (\$20 per hour in combined household wages), or \$39,032 per year. This is almost 2.3 times the official poverty line for a family of three. CPPP's research estimates living expenses in 2007 for eight family types in each of the state's metro areas. (See www.cppp.org/fbe/). Similar research by the Economic Policy Institute allows for the comparison of family budgets in metro and rural areas nationwide for 2004 (www.epi.org/content.cfm/datazone_fambud_budget). CPPP and EPI's approach is supported by poverty experts, including the National Research Council, which has recommended a similar approach to replace the official federal poverty measure.

SO, HOW MANY TEXANS ARE OFFICIALLY POOR?

Poverty in Texas is more pronounced than in the nation as a whole. The poor are concentrated in the state's largest cities and in the Texas-Mexico border region.

Poverty rates are also much higher for the state's large and growing Latino population and for African-American Texans.

Child poverty—particularly among young children—is significantly higher in Texas than in the nation as a whole.

Individuals in Poverty, 2005-06 (2-year average)		
	Texas	U.S.
Poverty rate	16.3%	12.5%
Total in poverty	3.748 million	36.7 million
Source: U.S. Census Bureau, Current Population Survey, 2006 and 2007 Supplements. For more information: www.census.gov/hhes/www/poverty.html		

HOW MANY TEXANS ARE WORKING BUT REMAIN POOR?

Most poor families with children in Texas are working families. Of the 529,000 families with children below poverty in 2004, 67 percent—353,000—were headed by a worker.

A family is considered “worker-headed” if at least one parent worked 13 weeks or more during the year. Parents in these families worked, on average, 41 weeks per year.

Approximately 1.5 million people, 842,000 of whom are children, live in these worker-headed poor families. About half of these families include a full-time, year-round worker. (“Full-time, year-round” work is defined as 50 or more weeks of work per year for at least 35 hours per week.)

In the larger universe of Texas families with incomes below 200 percent of the poverty line, work participation is even higher. Of 1.2 million poor and “near poor” Texas families with children, 83 percent—or 1 million—are headed by a worker. These families include 4.5 million Texans, 2.3 million of whom are children. Low wages in many of the state economy's growth sectors contribute to Texas' large working but low-income population, as do limited public assistance benefits.

Source: Tabulations of Census Bureau's 2004 American Community Survey by Center on Budget and Policy Priorities.

WHO IS POOR IN TEXAS?

By Ethnic Group, 2005-06		
	Rate	Number
African-American	25.3%	660,100
Hispanic	25.1%	2,103,000
Non-Hispanic White	7.9%	868,600
Asian	12.2%	82,800
Source: U.S. Census Bureau, Current Population Survey, 2006 and 2007 Supplements.		

Young Child Poverty, 2005-06		
	Texas	U.S.
Poverty rate, children under age 5	25.2%	20.6%
Total children under 5 in poverty	485,400	4.2 million
Source: U.S. Census Bureau, Current Population Survey, 2006 and 2007 Supplements.		

Child Poverty, 2005-06		
	Texas	U.S.
Poverty rate, children under 18	22.0%	17.5%
Total number of children under 18 in poverty	1.4 million	12.9 million
Source: U.S. Census Bureau, Current Population Survey, 2006 and 2007 Supplements.		

Elderly Poverty, 2005-06		
	Texas	U.S.
Poverty rate, persons 65 and over	12.9%	9.8%
Total persons 65 and over in poverty	322,700	3.5 million
Source: U.S. Census Bureau, Current Population Survey, 2006 and 2007 Supplements.		

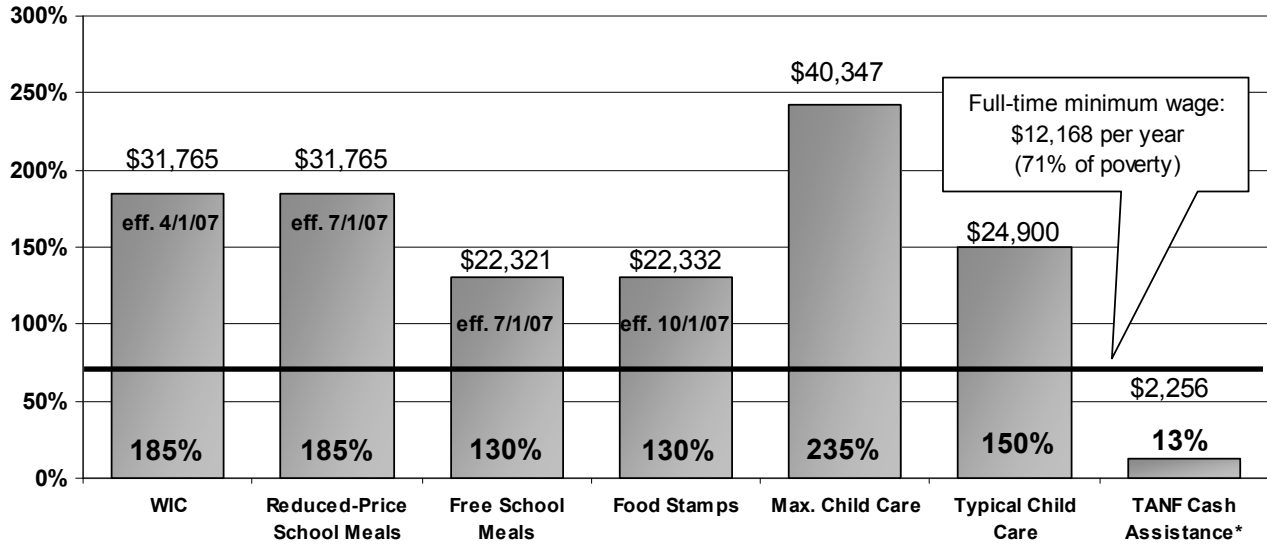
HOW ARE POVERTY GUIDELINES USED TO DETERMINE ELIGIBILITY FOR SOCIAL SERVICES?

Texas uses the federal poverty guidelines to determine eligibility for most public benefits, including Food Stamps, Medicaid, the Children's Health Insurance Program (CHIP), child care subsidies, and cash assistance (TANF). Income limits vary greatly by program, ranging from 13 percent of the federal poverty level for cash assistance to 200 percent of poverty for CHIP. In addition, eligibility for most programs is limited by a family's "resources" or "assets," such as cash on hand, money in the bank, certain retirement savings, vehicles, and other property. The federal government establishes income limits for certain benefits, such as Food Stamps and other nutrition programs, while states have flexibility in setting eligibility limits for others, such as CHIP and TANF. In some programs, like Medicaid, the income limits vary according to the age of the recipient. Eligibility for public assistance programs in Texas is very restrictive compared to other states, the benefits are lower, and health benefits for poor adults are more limited. As a result, a smaller share of the poor in Texas receives any public assistance.

Estimated Number of Texans at Different Levels of Poverty in 2006 (Federal Poverty Level = FPL)					
	100% of FPL	125% of FPL	150% of FPL	185% of FPL	200% of FPL
Annual Income, Family of Three	\$16,600	\$20,750	\$24,900	\$30,710	\$33,200
Total Texans below this Income Level*	3.816 million	5.140 million	6.281 million	8.044 million	8.734 million
Share of Texans below this Income Level*	16.4%	22.1%	27.1%	34.7%	37.6%
*Source: U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement.					

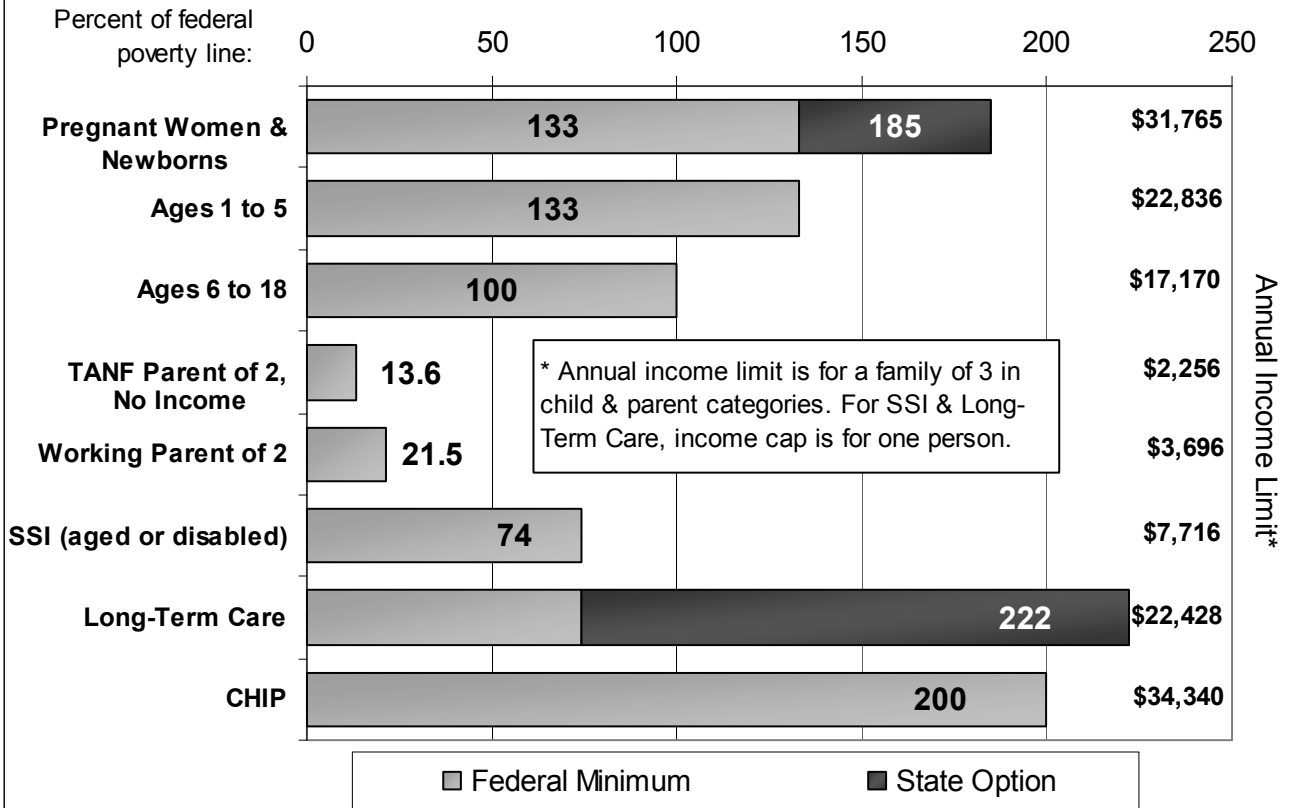
Texas Eligibility for Family Support Programs, 2007

Dollar amounts: Annual income levels for a family of three



* Income limit shown is for applicants. Once on TANF, some families with earnings disregards and other allowances for work-related expenses can have higher incomes yet continue to receive some cash assistance.

Income Caps for Texas Medicaid & CHIP, 2007



NOTE: Some children in foster care or adoption programs may be covered through age 21. Chart above does not include the income eligibility criteria for the Women's Health Program or the CHIP Perinatal program.