



# TEXAS 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.

| 2007 Federal Poverty Guidelines                      |                |         |          |
|--|----------------|---------|----------|
| Family Size  | Annual Income* | Monthly | Hourly** |
| 1  | \$10,210       | \$850   | \$4.90   |
| 2  | 13,690         | 1,140   | 6.58     |
| 3  | 17,170         | 1,430   | 8.25     |
| 4  | 20,650         | 1,720   | 9.92     |
| 5  | 24,130         | 2,010   | 11.60    |
| 6  | 27,610         | 2,300   | 13.27    |
| *For each additional person, add \$3,480             |                |         |          |
| **Calculation based on 52 weeks at 40 hours per week |                |         |          |

Source: *Federal Register*, Vol. 72, No. 15, January 24, 2007.

### 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. In its 2001 publication, *Making It: What It Really Takes to Live in Texas*, CPPP offered another way to measure family economic hardship, known as the Family Security Index (the report is available online at <http://www.cppp.org/research.php?aid=120&cid=8>). The Family Security Index estimated 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. These estimates have been updated by the Economic Policy Institute for 2004 and are available online ([http://www.epi.org/content.cfm/datazone\\_fambud\\_budget](http://www.epi.org/content.cfm/datazone_fambud_budget)). For example, the estimated cost of housing, food, child care, transportation, health care, other necessities such as clothing, and taxes for two adults and one child in Houston is \$2,821 per month (more than \$16 per hour in combined household wages), or \$33,852 per year. This is more than twice the official poverty level in 2005, at \$16,090 annually for a family of three. 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.

| <b>Individuals in Poverty, 2004-05<br/>(2-year average)</b>  |               |              |
|--|---------------|--------------|
|  | <b>Texas</b>  | <b>U.S.</b>  |
| <b>Poverty rate</b>  | 16.3%         | 12.7%        |
| <b>Total in poverty</b>  | 3.675 million | 37.0 million |
| Source: U.S. Census Bureau, Current Population Survey, 2005 to 2006 Supplements. For more information: <a href="http://www.census.gov/hhes/www/poverty.html">http://www.census.gov/hhes/www/poverty.html</a> |               |              |

## **HOW MANY TEXANS ARE WORKING BUT REMAIN POOR?**

Most poor families with children in Texas are working families. Of the 558,000 families with children below poverty in 2002, 70 percent—393,000—were headed by a worker.

A family is considered “worker-headed” if either the head of household or spouse worked at some point during the year. These families worked, on average, 43 weeks per year.

Approximately 1.7 million people, 954,000 of whom are children, live in these working-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 level, work participation is even higher. Of 1.1 million poor and “near poor” Texas families with children, 89 percent—1 million—are headed by a worker. These families include 4.3 million Texans, 2.3 million of whom are children. Low wages in many of the growth sectors of the state economy contribute to Texas' large working but low-income population, as do limited public assistance benefits.

Source: Tabulations of Census Bureau's 2002 American Community Survey by Center on Budget and Policy Priorities.

## WHO IS POOR IN TEXAS?

| <b>By Ethnic Group, 2004-05</b>   |      |           |
|---|------|-----------|
|   | Rate | Number    |
| African-American  | 23%  | 598,000   |
| Hispanic  | 26%  | 2,163,000 |
| Anglo   | 7.5% | 809,000   |
| Asian   | 12%  | 75,000    |
| Source: U.S. Census Bureau, Current Population Survey 2005 to 2006 Supplements. |      |           |

| <b>Young Child Poverty, 2005</b>   |         |             |
|--|---------|-------------|
|  | Texas   | U.S.        |
| Poverty rate, children under age 5   | 25.0%   | 20.4%       |
| Total children under 5 in poverty  | 455,600 | 4.1 million |
| Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement. |         |             |

| <b>Child Poverty, 2005</b>                                  |             |              |
|---|-------------|--------------|
|   | Texas       | U.S.         |
| Poverty rate, children under 18                             | 24.9%       | 18.5%        |
| Total number of children in poverty                         | 1.6 million | 13.5 million |
| Source: U.S. Census Bureau, 2005 American Community Survey. |             |              |

| <b>Elderly Poverty, 2005</b>                                |         |             |
|---|---------|-------------|
|   | Texas   | U.S.        |
| Poverty rate, persons age 65 and over                       | 12.7%   | 9.9%        |
| Total persons 65 and over in poverty                        | 272,800 | 3.4 million |
| Source: U.S. Census Bureau, 2005 American Community Survey. |         |             |

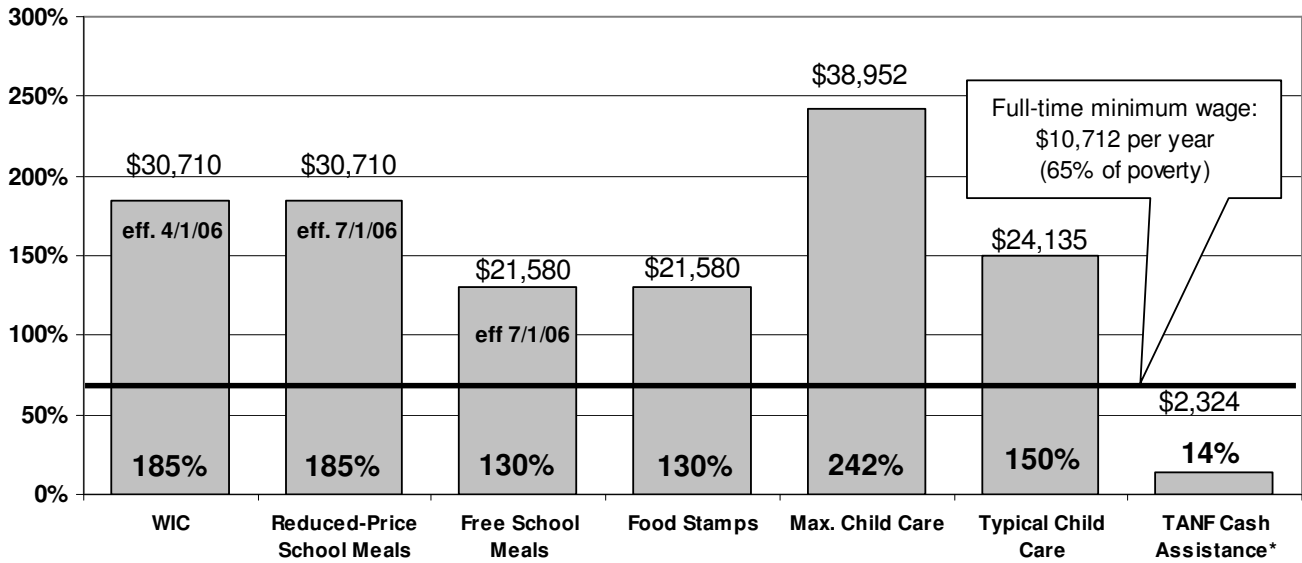
## HOW ARE POVERTY GUIDELINES USED TO DETERMINE ELIGIBILITY FOR SOCIAL SERVICES?

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 14 percent of the federal poverty level (FPL) for cash assistance to 200 percent of FPL 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.

| <b>Estimated Number of Texans at Different Levels of Poverty</b><br>(Federal Poverty Level = FPL)   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
|   | 100% of FPL   | 125% of FPL   | 150% of FPL   | 185% of FPL   | 200% of FPL   |
| Annual Income in 2005, Family of three  | \$16,090      | \$20,113      | \$24,135      | \$29,767      | \$32,180      |
| Total Texans below this FPL%, 2005*   | 3.681 million | 4.957 million | 6.290 million | 8.154 million | 8.811 million |
| Share of Texans below this FPL%, 2005*  | 16.2%         | 21.8%         | 27.6%         | 35.8%         | 38.7%         |
| *Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement. |               |               |               |               |               |

## Texas Eligibility for Family Support Programs, 2006

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, 2006

