



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 meaning as well: to define a specific low income level for various family sizes. Many social support programs 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.

FIRST, 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. The U.S. Department of Health and Human Services uses these thresholds to set income guidelines, which vary by family size and are often referred to as the “federal poverty level” (FPL). Individuals in families with income below the federal poverty level are considered poor. Federal poverty guidelines are used to determine eligibility for many federal, state, and local programs. Private organizations also use these guidelines to determine eligibility for their services to low-income families. The 2005 guidelines for the continental U.S. are shown in the table.

Table with 4 columns: Family Size, Annual Income, Monthly, Hourly\*. Rows for family sizes 1 through 6. Includes a note: 'For each additional person, add \$3,260' and a footnote: '\*Hourly calculation based on 52 weeks at 40 hours per week'.

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*

In recent years researchers have been developing more accurate measures of economic need. In its November 2001 publication, *Making It: What It Really Takes to Live in Texas*, CPPP offered an alternative approach to measuring family economic hardship, known as the Family Security Index (see [www.cppp.org/products/fsi.html](http://www.cppp.org/products/fsi.html) for the full report). The Family Security Index estimates the cost of essential expenses in Texas' 27 metropolitan areas for families of various size and composition, as well as the wages necessary to meet these costs. For example, the total cost of housing, food, transportation, child care, health insurance, and miscellaneous items such as clothing for a family of three in Houston was \$2,561 per month (\$17 per hour in combined household wages), or \$33,859 per year. This is more than twice the official poverty level in 2004, set at \$15,670 annually for a family of three. CPPP'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 (see [www.nap.edu/catalog/4759.html](http://www.nap.edu/catalog/4759.html)).

## **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, 2001-03</b> (3-year average)		
	<b>Texas</b>	<b>U.S.</b>
Poverty rate	15.8%	12.1%
Total in poverty	3.4 million	34.4 million
Source: U.S. Census Bureau, March 2002-04 Current Population Surveys. 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 513,000 families with children below poverty, 81 percent—415,000—are 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, 45 weeks per year. Approximately 1.7 million people, 943,000 of whom are children, live in these working-poor families. Almost half of these families (48 percent) 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.) Of the 689,000 families with incomes between 100 and 200 percent of the poverty level, 80 percent—551,200—are headed by a worker. These families include 2.2 million Texans, 1.1 million of whom are children. Low wages in many of the growth sectors of the state's economy contribute to Texas' large working-poor population, as do limited public assistance benefits.

Tabulations of Census Bureau's March Current Population Survey from 1998-2000 containing data for the years 1997-99 in *Poverty Despite Work Handbook*, Third Edition, August 2001, Center on Budget and Policy Priorities.

## WHO IS POOR IN TEXAS?

<b>By Ethnic Group, 2003</b>		
	Rate	Number
African-Americans	22%	523,000
Hispanics	29%	2,222,000
Anglos/Other	8%	961,000
Source: U.S. Census Bureau, March Current Population Survey 2004.		

<b>Young Child Poverty, 2001</b>		
	Texas	U.S.
Poverty rate, children under age 7	22.7%	18.1%
Total children under 7 in poverty	556,112	4.9 million
Source: U.S. Census Bureau, March Current Population Survey 2002.		

<b>Child Poverty, 2003</b>		
	Texas	U.S.
Poverty rate, children under 18	24.0%	17.6%
Total number of children in poverty	1.5 million	12.9 million
Source: U.S. Census Bureau, Current Population Survey, 2004 Annual Social and Economic Supplement.		

<b>Elderly Poverty, 2003</b>		
	Texas	U.S.
Poverty rate, persons 65 and above	17.3%	10.2%
Total persons 65 and above in poverty	358,000	3.6 million
Source: U.S. Census Bureau, Current Population Survey, 2004 Annual Social and Economic Supplement.		

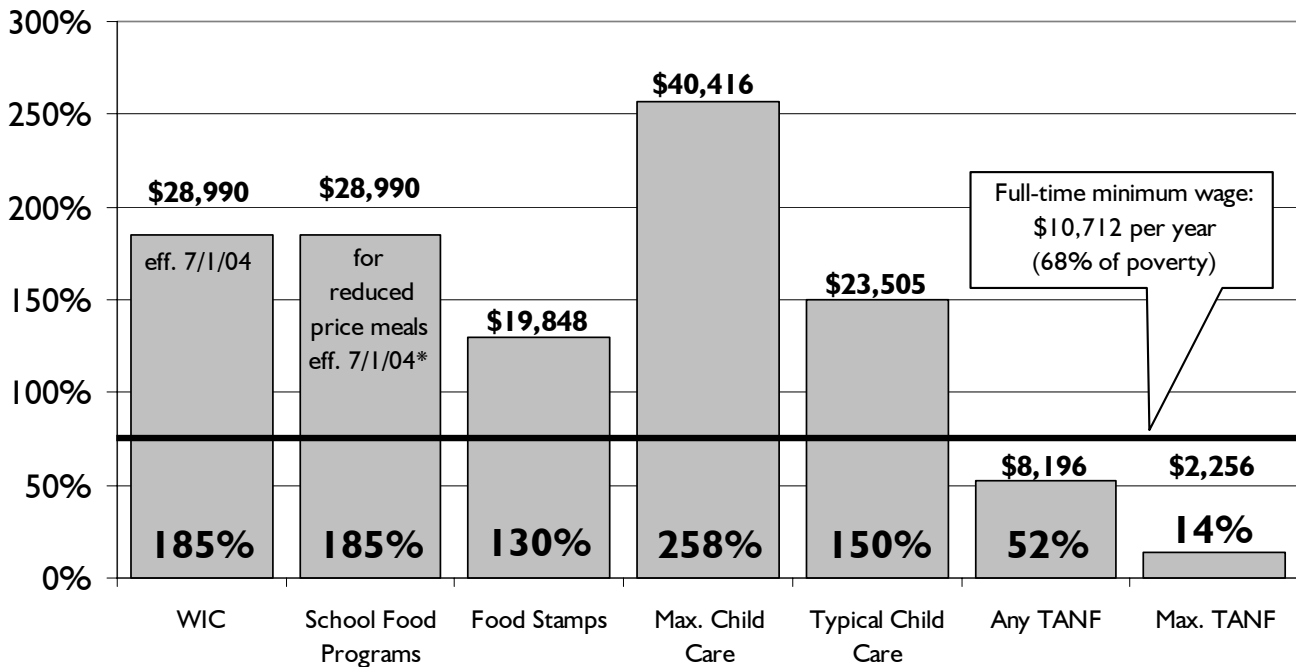
## HOW ARE POVERTY GUIDELINES USED TO DETERMINE ELIGIBILITY FOR SOCIAL SERVICES?

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 less than 15 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 and land. 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>Annual Income as Percentage of Federal Poverty Level (FPL)</b>					
	15% of FPL	100% of FPL	125% of FPL	185% of FPL	200% of FPL
Annual Income in 2004, Family of three	\$2,350	\$15,670	\$19,587	\$28,989	\$31,340
Total Texans below this FPL%, 2003*	NA	3.705 million	5.018 million	8.082 million	8.632 million
Share of Texans below this FPL%, 2003*	NA	17.0%	23.0%	37.0%	39.5%
*Source: U.S. Census Bureau, Current Population Survey, 2004 Annual Social and Economic Supplement.					

## Eligibility for Family Support Programs, 2004

Numbers represent annual income levels for a family of three



\*Children qualify for free meals if income is below 130% of FPL

## Income Caps for Texas Medicaid & CHIP, 2004

Reflects Medicaid Cuts by 2003 Legislature

Percent of federal poverty line: 0 50 100 150 200 250

