



## NEWS RELEASE

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FOR IMMEDIATE RELEASE:  
January 26, 2005

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### **STUDY: TEXAS LEADS U.S. IN INCOME INEQUALITY BETWEEN WEALTHIEST AND MIDDLE-INCOME FAMILIES**

#### *Gap Between Rich and Poor Also Among Nation's Highest*

**Austin, TX**—For years, there have been reports about the widening gaps between the rich and the poor, but few include a detailed look at income inequality trends in Texas. The study, *Pulling Apart*, put out by the Center on Budget and Policy Priorities and the Economic Policy Institute, finds that Texas leads the nation in the income inequality between its richest and middle-income families, and has the second widest gap between its wealthiest and poorest.

“Texas arguably has the most extreme separation between the well-off and everyday people in the United States,” said Don Baylor, Policy Analyst at the Center for Public Policy Priorities in Austin. “Our state tax system, which favors the wealthy over ordinary folks, low minimum wage, and the manufacturing decline have all contributed to Texas’ income gap.”

The report is located on the web at <http://www.cbpp.org/1-26-06sfp.htm>.

#### **Major Findings**

- Texas has the **largest income discrepancy** between its richest 20% and middle 20% of families in the nation (\$118,971 vs. \$41,105).
- Texas has the second largest income gap (behind New York) between its richest 20% and poorest 20%. For every dollar the bottom 20% earns, the top 20% earns \$8.10.
- The Texas poor did not improve their earnings nearly as much as their counterparts in other states. The income of the poorest 20% of families grew 10% between 1990-92 and 2002-03 (national average was 16%). The income of the second lowest 20% of families grew 11% (national average was 15%) during that time.
- Texas is one of 19 states where the incomes of the top 20% grew faster than the middle 20% between 90-92/01-03; in the other 31 states, the incomes grew about the same (Table 9).

#### **Policy Solutions**

In order to address the gaps in income levels, Texas could:

- Enact a statewide minimum wage increase;
- Provide economic development Incentives that require and reward wage growth;
- Enact restrictions on abusive lending (e.g. payday, predatory mortgage lending);
- Increase investment in customized job training, adult education, and early childhood education
- Expand Earned Income Tax Credit (EITC) outreach;
- Enhance financial aid programs to remove barriers to postsecondary education.

The Center for Public Policy Priorities is a nonprofit, nonpartisan research organization committed to improving conditions for low- and moderate-income Texans.