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POVERTY 101

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 for their programs. This brief report 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 thresholds 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 2011 guidelines for the continental U.S. are shown in the table.

2011 Federal Poverty Guidelines

Family Size	Annual Income*	Monthly	Hourly**
1	\$10,890	\$ 908	\$5.24
2	14,710	1,226	7.07
3	18,530	1,544	8.91
4	22,350	1,863	10.76
5	26,170	2,181	12.58
6	29,990	2,499	14.49

*For each additional person, add \$3,820

**Calculation based on 52 weeks at 40 hours per week

Source: *Federal Register*, Vol. 76, No. 13, January 20, 2011

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. *Making It: What It Really Takes to Get By in Texas*, describes CPPP's Family Budget Estimator, which calculates the cost in 2007 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 was \$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 in 2007. CPPP's research estimates living expenses for eight household types in each of the state's metro areas. (See www.cppp.org/fbe/). In addition, based on National Academy of Sciences recommendations, the Census Bureau will release national-level poverty estimates based on the new Supplemental Poverty Measure starting in Fall 2011. The SPM will complement, not replace, the official poverty measure by accounting for some of the same concerns at a national level that are addressed by CPPP's family budget work. (See www.povertymeasure.org for more information on the SPM.)

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, 2010

	Texas	U.S.
Poverty rate	17.9%	15.3%
Total in poverty	4.414 million	46.2 million

Source: U.S. Census Bureau, American Community Survey, 2010, 1-year estimate.

How Many Texans Are Working But Remain Poor?

Most poor families with children in Texas are working families. Of the 652,585 families with children below poverty in 2009, 60 percent—389,275—were headed by a worker.

A family is considered “working” if all family members age 15 and over meet the following criteria: either they have a combined work effort of 39 weeks or more in the prior 12 months; or they have a combined work effort of 26 to 39 weeks in the prior 12 months, and one currently unemployed parent looked for work in the prior 4 weeks. Approximately 1.8 million people in Texas, 1.0 million of whom are children, live in these working-poor families.

In the larger universe of Texas families below 200 percent of the poverty line, work participation is even higher. Of 1.4 million poor and “near poor” Texas families with children, 78 percent—or 1.1 million—are working. These families include 5.1 million Texans, 2.6 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. In 2010, about 25 percent of Texas workers had low-wage jobs, equal to the national average after adjusting for state cost-of-living differences. Texas workers rank near the bottom in terms of having health insurance (50th), pensions (48th), workers' compensation coverage, and unemployment benefits.

Source: Tabulations of Census Bureau's 2009 American Community Survey microdata by Population Reference Bureau.

Who is Poor in Texas?

By Ethnic Group, 2010

	Rate	Number
Black/African-American	24.8%	701,992
Hispanic	26.8%	2,503,325
Non-Hispanic White	9.3%	1,034,109
Asian	12.6%	120,914

Source: U.S. Census Bureau, American Community Survey 2010.

Young Child Poverty, 2010

	Texas	U.S.
Poverty rate, children under age 5	28.9%	25.0%
Total children under 5 in poverty	549,555	5.0 million

Source: U.S. Census Bureau, American Community Survey 2010.

Child Poverty, 2010

	Texas	U.S.
Poverty rate, children under 18	25.7%	21.6%
Total number of children under 18 in poverty	1.8 million	15.7 million

Source: U.S. Census Bureau, American Community Survey 2010.

Elderly Poverty, 2010

	Texas	U.S.
Poverty rate, persons 65 and over	10.7%	9.0%
Total persons 65 and over in poverty	271,819	3.5 million

Source: U.S. Census Bureau, American Community Survey 2010.

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 12.3 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 Supplemental Nutritional Assistance (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.

Number of Texans at Different Low-Income Levels, 2010

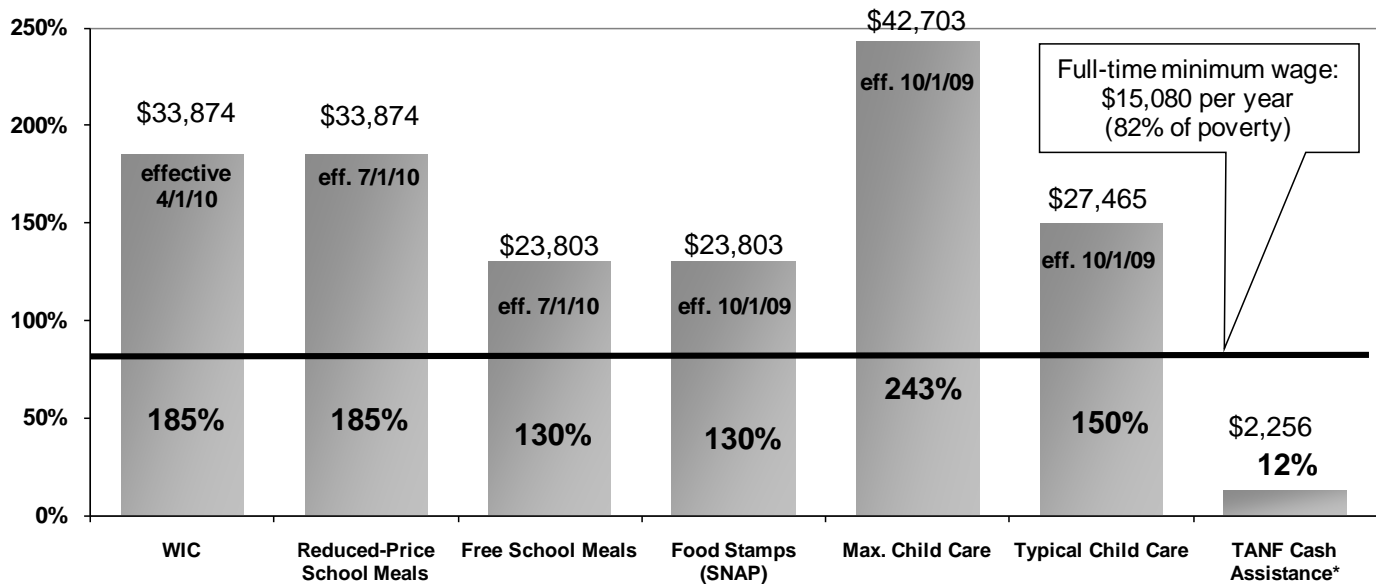
(Federal Poverty Level = FPL)

	100% of FPL	125% of FPL	150% of FPL	185% of FPL	200% of FPL
Annual Income, Family of Three	\$18,310	\$22,888	\$27,465	\$33,874	\$36,620
Total Texans below this Income Level*	4.414 million	5.826 million	7.190 million	9.037 million	9.719 million
Share of Texans below this Income Level*	17.9%	23.6%	29.2%	36.7%	39.4%

*Source: U.S. Census Bureau, American Community Survey 2010.

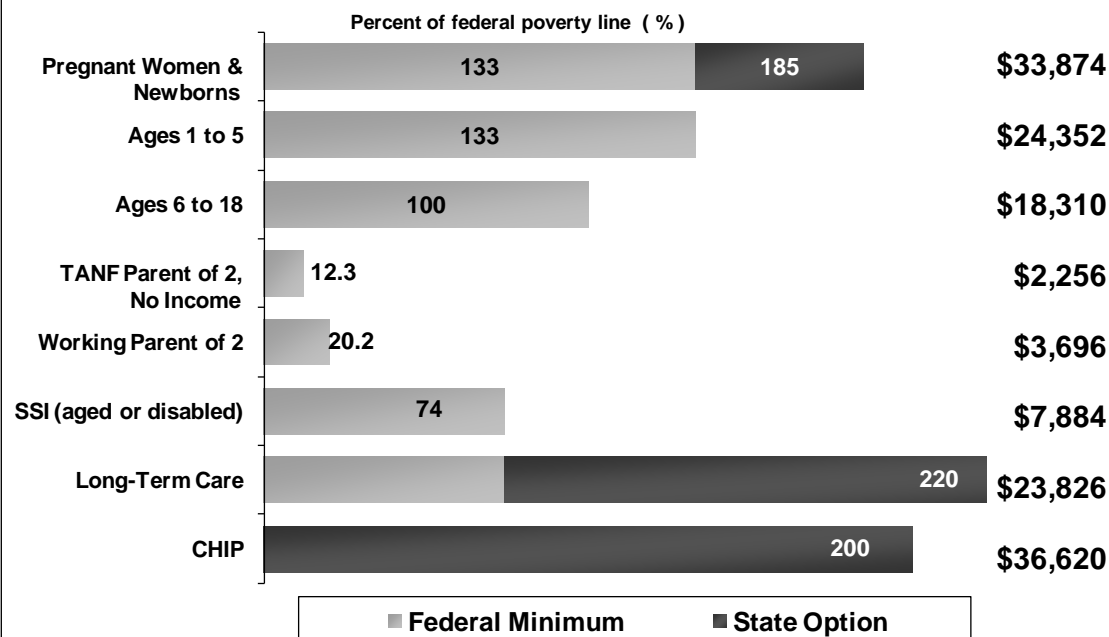
Texas Eligibility for Family Support Programs, 2010

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, 2010



Annual Income Limits:
Income is for a family of three in child & parent categories. For SSI & Long-Term Care, income cap is for one person.

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.



The Center for Public Policy Priorities (CPPP) is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. You can learn more about CPPP at www.cppp.org.

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