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# 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 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 or households 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. 2015 guidelines for the continental U.S. are shown above.

### 2015 Federal Poverty Guidelines

Family Size	Annual Income*	Monthly	Hourly**
1	\$11,770	\$ 981	\$ 5.66
2	15,930	1,328	7.66
3	20,090	1,674	9.66
4	24,250	2,021	11.66
5	28,410	2,368	13.66
6	32,570	2,714	15.66

\*For each additional person, add \$4,160

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

Source: Federal Register, January 22, 2015

### 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. CPPP’s Texas Family Budgets project estimated metro area cost-of-living expenses in 2011 for households of various size and composition, as well as the wages necessary to meet these costs. For example, the estimated monthly 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 area was \$3,623 (\$21.74 per hour in combined wages), or \$43,476 per year. This was 2.4 times the official poverty line for a family of three in 2011. CPPP’s research estimates living expenses for eight family types in 27 metro areas; see [familybudgets.org/](http://familybudgets.org/) for more information. A similar study by the Economic Policy Institute ([www.epi.org/resources/budget/](http://www.epi.org/resources/budget/)), most recently updated in August 2015, provides family budget estimates for 10 household types in 618 U.S. locations. In addition, based on National Academy of Sciences recommendations, the Census Bureau released national-level poverty estimates using a new Supplemental Poverty Measure starting in Fall 2011. The SPM complements the official poverty measure by accounting for some of the same concerns at a national level that are addressed by CPPP’s family budgets. (See [www.povertymeasure.org/](http://www.povertymeasure.org/) for more about 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, 2014**

	Texas	U.S.
Poverty rate	17.2%	15.5%
Total in poverty	4.5 million	48.2 million

*Source: U.S. Census Bureau, American Community Survey, 2014, 1-year estimate.*

## How Many Texans Are Working But Remain Poor?

Most poor families with children in Texas are working families. Of the 701,235 families with children below poverty in 2012, 59 percent—412,355—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. Almost 2.0 million Texans, 1.1 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 nearly 1.5 million poor and “near poor” Texas families with children, 77 percent—or 1.2 million—are working. These families include 5.4 million Texans, 2.7 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 and job-related assistance benefits. In 2013, almost 32 percent of Texas workers had low-wage jobs, above the national average of 28 percent; only three states had a higher share of workers in low-wage jobs. Texas workers also fare poorly in terms of having health insurance (50th), employer-provided pensions (44th), workers’ compensation coverage (50th), and unemployment benefits (38th; jobless workers only).

Source: Population Reference Bureau analysis, Census Bureau 2012 American Community Survey; 2013 BLS data.

## Who is Poor in Texas?

### By Ethnic Group, 2014

	Rate	Number
Black/African American	23.2%	719,236
Hispanic	24.9%	2,548,394
Non-Hispanic White	9.3%	1,061,146
Asian	11.6%	133,042

Source: U.S. Census Bureau, American Community Survey 2014.  
Not shown: Amer. Indian, Alaska or Hawaii Native, Other, Multiracial.

### Young Child Poverty, 2014

	Texas	U.S.
Poverty rate, children under age 5	26.6%	23.9%
Total children under 5 in poverty	511,892	4.66 million

Source: U.S. Census Bureau, American Community Survey 2014.

### Child Poverty, 2014

	Texas	U.S.
Poverty rate, children under 18	24.6%	21.7%
Total number of children under 18 in poverty	1.7 million	15.7 million

Source: U.S. Census Bureau, American Community Survey 2014.

### Elderly Poverty, 2014

	Texas	U.S.
Poverty rate, persons 65 and over	10.9%	9.5%
Total persons 65 and over in poverty	329,396	4.25 million

Source: U.S. Census Bureau, American Community Survey 2014.

## 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 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 low-income adults are more limited. As a result, a smaller share of low-income residents in Texas receives any public assistance.

### Number of Texans at Different Low-Income Levels, 2014

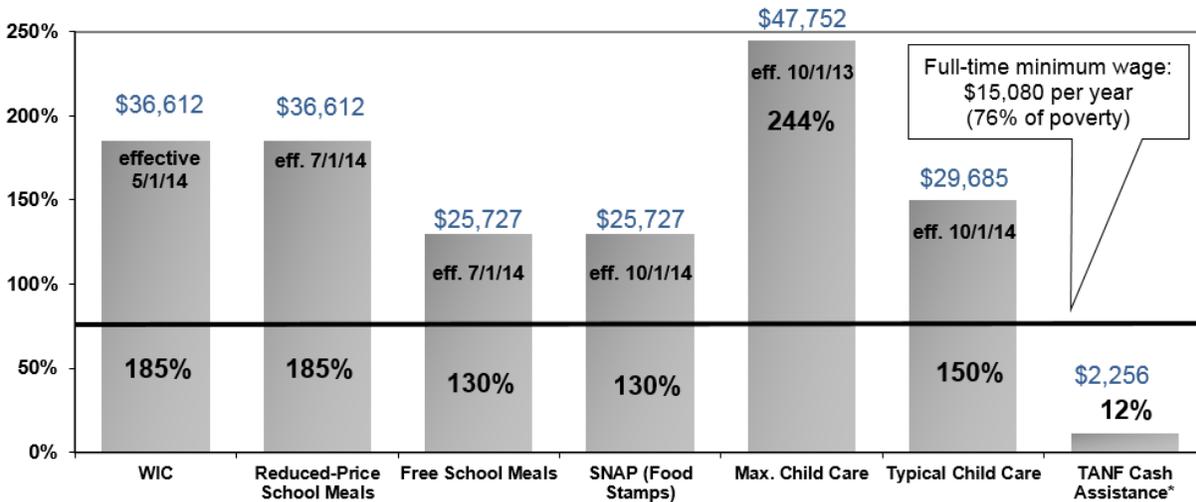
(Federal Poverty Level = FPL)

	100% of FPL	125% of FPL	150% of FPL	185% of FPL	200% of FPL
Annual Income, Family of Three	\$19,790	\$24,738	\$29,685	\$36,612	\$39,580
Total number of Texans below this Income Level	4.524 million	5.929 million	7.327 million	9.221 million	9.999 million
Share of Texans below this Income Level	17.2%	22.5%	27.8%	35.0%	38.0%

Sources: U.S. Census Bureau, American Community Survey 2014; 2014 HHS Poverty Guidelines for the 48 Contiguous States and the District of Columbia, Federal Register, Jan. 22, 2014.

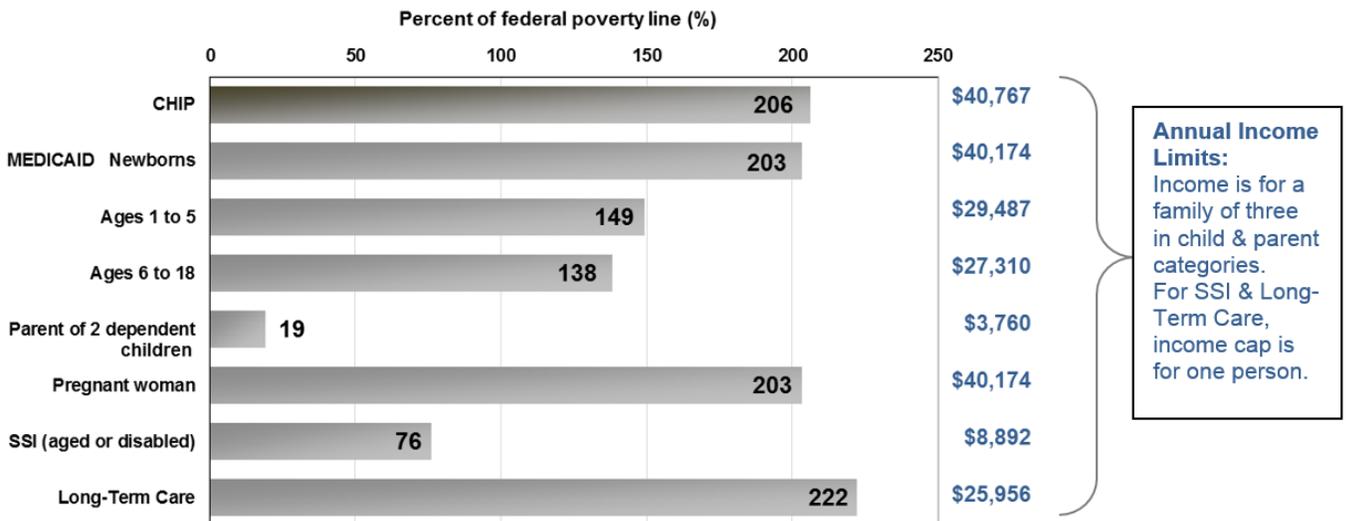
## Texas Eligibility for Family Support Programs, 2014-15

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.

## Texas Income Caps for CHIP & Medicaid, 2014



NOTE: Some children in foster care or adoption programs may be covered through age 21. Chart above does not include the eligibility criteria for former or transitioning foster care youth, CHIP Perinatal Coverage, or the Women's Health Programs; see [yourtexasbenefits.hhsc.state.tx.us/programs/health/](http://yourtexasbenefits.hhsc.state.tx.us/programs/health/) for more information.

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