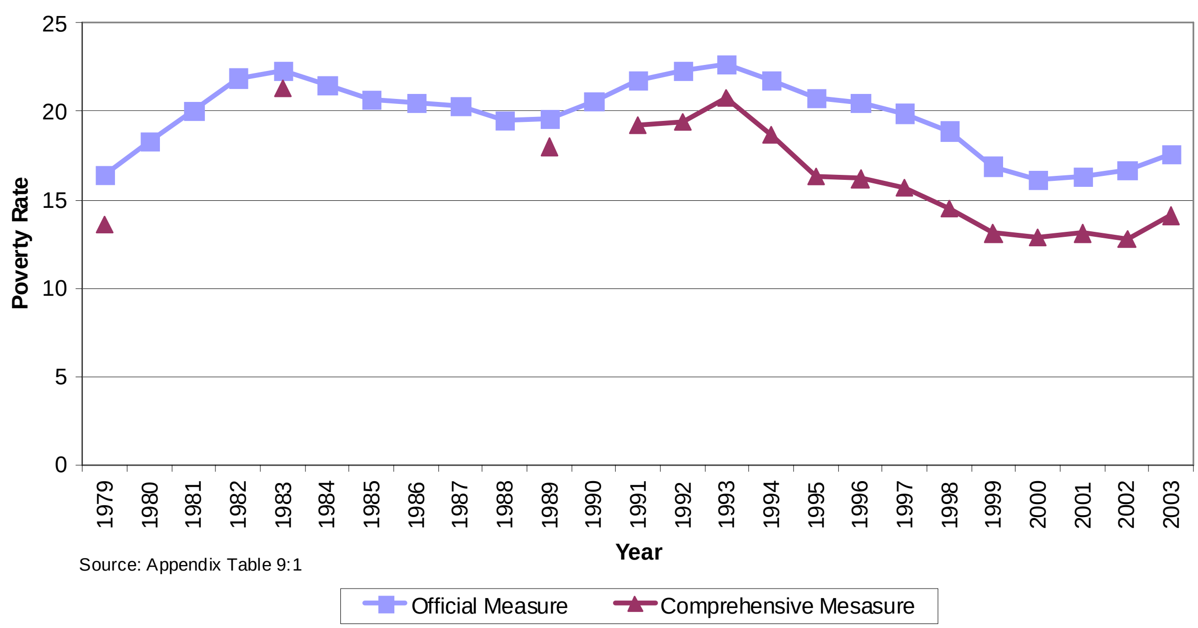
IX. CHILD POVERTY AND TANF

Annual Federal poverty measures are generated from Census Bureau surveys of household income by looking at the amount of cash income received by the individual or family. Non-cash transfers (e.g., food stamps and housing subsidies) are not included in the income definition, nor are subtractions or additions to income made through the tax system. An individual's or a family's poverty status is assessed by comparing its total cash income to a standard of basic needs (the poverty threshold) which varies by the size and composition of the family. In 2003, the Federal poverty threshold for a family of four (two adults plus two children) was $18,660.

The 2003 child poverty rate stood at 17.6 percent, up from 16.7 percent in the prior year but well below the 1996 level of 20.5 percent and previous peak of 22.7 percent in 1993. These data are presented in Figure A and Appendix Table 9:1. The reduction in poverty since 1996 is even more marked for specific groups: the African American child poverty rate was 33.6 percent in 2003 compared to 39.9 percent in 1996 and the Hispanic child poverty rate was 29.7 percent in 2003 down from 40.3 percent in 1996.

Figure A
Poverty Rate for All Children
1979 - 2003



There are also significant differences in the child poverty rate by marital status. Children in married, two-parent families are about one-fifth as likely to be poor as children in female-headed, single-parent families (8.6 percent vs. 42.0 percent).

The Census Bureau also produces a series of poverty statistics using alternative definitions of income that incorporate other additions and reductions to income, such as capital gains and losses, near-cash transfers (e.g., food stamps), and Federal and State taxes including the payroll tax and the Earned Income Tax Credit (EITC). Using this expanded definition of income, the 2003 child poverty rate is reduced to 14.1 percent from 17.6 percent based on the official definition of cash income. Inclusion of the EITC alone moved more than 2.4 million poor children above the poverty rate.

While the poverty rate indicates the proportion of the population that is poor, the poverty gap illustrates the income profile of those in poverty by measuring the amount of money that would be required to raise all poor families to the poverty line. Table A displays the poverty gap for families with children from 1991 to 2003 using a pre-transfer measure of the poverty gap, the official measure of income poverty, and an alternative, comprehensive measure of income that includes near-cash transfers and Federal and State taxes, including the EITC.

Table A[1]
Income Poverty Gap[2] for All Families with Children 1991 - 2003
Official and Comprehensive Definitions of Income[3]
(Dollars in Billions)

YEAR	PRE-TRANSFER POVERTY GAP	OFFICIAL POVERTY MEASURE GAP	REDUCTION IN GAP (pretransfer - official)	COMPREHENSIVE MEASURE OF POVERTY GAP	REDUCTION IN GAP (pretransfer - comprehensive)
1991	85.5	51.6	33.9	33.7	51.8
1992	88.4	53.5	34.9	35.9	52.5
1993	98.3	58.6	39.7	40.8	57.5
1994	91.5	54.8	36.7	36.8	54.7
1995	82.0	48.9	33.1	28.6	53.4
1996	82.0	50.3	31.6	29.0	53.0
1997	79.1	49.8	29.3	30.5	48.6
1998	70.1	46.8	23.3	28.8	41.3
1999	63.7	42.3	21.5	26.4	37.3
2000	59.4	41.2	18.2	26.7	32.7
2001	62.4	43.1	19.3	28.3	34.1
2002	65.6	44.6	21.1	28.9	36.8
2003	70.7	48.8	21.9	32.6	38.1

[1] Comparable to Table B in TANF 6th Annual Report to Congress

[2] The poverty gap indicates the income deficit for those in poverty, that is, it is the amount of money that would be required to raise all poor families to the poverty line. This table displays the poverty gap for all families with children from 1991 to 2003 using a pretransfer measure of the poverty gap; the official measure of income poverty; and alternative, comprehensive definition of income poverty which includes near-cash transfers (e.g., food stamps) and Federal and state taxes including the Earned Income Tax Credit.

[3] constant 2003 dollars

Source: Special tabulation of Current Population Survey data by the Office of the Assistant Secretary for Planning and Evaluation, HHS.

While overall child poverty levels are affected by various factors, earnings are central to assisting families in escaping poverty, and States have made remarkable progress since the enactment of TANF in moving families into work. However, many families who have moved to work have not yet escaped poverty. Many States are now focusing more on helping families move beyond taking a job to successfully retaining and advancing in employment.

In addition, a number of innovative States are using the resources and flexibility under TANF to not only increase employment and reduce dependence, but also to directly or indirectly make more income available to aided families. Such strategies include:

- Improving child support collections, including increasing the amount of child support collected from non-custodial parents that is passed through to children and disregarded;
- Enacting State refundable tax credits;
- Helping families receive food stamps, the Earned Income Tax Credit, other earnings supplements, and wage subsidies and offering more generous earnings disregards;
- Helping families during periods between jobs with subsidies to aid quick re-employment efforts;
- Providing employment assistance for other family members, including caretaker relatives who are not receiving TANF assistance; and
- Increasing the stability of work through employer partnerships that focus on the first job, on job advancement after the first job, and on combinations of work, training, and education.

The TANF Child Poverty Regulation

Congressional concern regarding the effect of the TANF program on the well being of children led to the 1996 enactment of section 413(i) of the Social Security Act. This provision requires the Department of Health and Human Services (HHS) to monitor changes in the child poverty rate relative to TANF. If a State experiences an increase in its child poverty rate of five percent or more as a result of the TANF program(s) in the State, it must submit and implement a corrective action plan to reduce the State's child poverty rate.

HHS published a final rule to implement this section of the law on June 23, 2000 (65 FR 39233). To date, based on child poverty rates for 1996 through 2002, no State was required to submit a corrective action plan or any additional information for these child poverty assessment periods. Child poverty rates by State are presented in Tables 9:2 through 9:7 in the Appendix.