

IX. CHILD POVERTY AND INCOME

Child Poverty

The child poverty rate between 1996 and 2000, as measured by the Census Bureau's official poverty measure, has fallen by 21 percent, from 20.5 to 16.2 percent (see Graph 9:1 and Table 9:1). The 2000 child poverty rate is the lowest since 1978.

Child poverty rates vary widely for different demographic groups. Although the poverty rates for African American and Hispanic children have fallen dramatically in the past four years, their poverty rates are still more than three times the rate for white, non-Hispanic children. While one in ten white, non-Hispanic children is poor, about three in ten African American or Hispanic children are living in poverty. However, since 1996, the African American child poverty rate dropped from 39.9 percent to 30.9 percent -- the lowest level on record. Over the same period, the Hispanic child poverty rate dropped from 40.3 percent to 28.0 percent -- the largest four-year drop on record.

There are also significant differences in child poverty rates by marital status. A child living in a single-parent family is about four-and-one-half times as likely to be poor as a child living in a two-parent family¹. In married two-parent families, about one child in twelve is poor (8.2 percent), whereas 40 percent of the children living in a female-headed, single-parent family are poor.

The official poverty measure is based on a definition of income that includes cash income received by the individual or family. Non-cash (e.g., food stamps and housing subsidies) and non-cash transfers are not included in the income definition, nor are subtractions or additions to income made through the tax system. To determine an individual's or a family's poverty status, the total cash income is compared to a standard of basic needs, the poverty threshold, which varies by the size of the family. In 2000, the poverty threshold for a family of four (two adults plus two children) was \$17,463.

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, and Federal and State taxes, including the payroll tax and the Earned Income Tax Credit (EITC). Using this expanded definition of income, the 2000 child poverty rate decreases to 12.7 percent from 16.2 percent based on the official definition. Inclusion of the

¹ Two-parent family is defined as married couple families with related children under 18 years.

EITC alone removed more than 2.4 million poor children from poverty. (See Graph 9.1 and Table 9:1).

While the poverty rate indicates the proportion of the population that is poor, the poverty gap indicates the income deficit for those in poverty, that is, the amount of money that would be required to raise all poor families to the poverty line. Table 9:2 displays the poverty gap for families with children from 1990 to 2000 using a pre-transfer measure of the poverty gap, the official measure of poverty, and an alternative measure of poverty that includes near-cash transfers and Federal and State taxes, including the EITC.

Income

Income is another important factor in considering how families are faring. Here results are even more preliminary than for employment and earnings, although better data are becoming available over time. Most current information relies on administrative records that typically examine family income defined as the total of Temporary Assistance for Needy Families (TANF), food stamps, and earnings. However, this information does not take into account other sources of income, such as: the Earned Income Tax Credit, child support and Supplemental Security Income (SSI), the income of other household members, in-kind supports such as child care or Medicaid, nor, on the other side of the ledger, the expenses that families incur when they are working. The Current Population Survey (CPS) and some early studies of families leaving welfare are based on household surveys. These surveys, along with others in progress, ultimately will provide this information.

CPS data for the period 1996 to 2000 indicate that the average annual income of all female-headed families with children increased, as did employment and earnings as described earlier in this report. This measure of income includes both earnings and a broad range of transfer programs.

There are significantly different views about use of these data, with disagreement over whether income or trends in the economic status of families provide a more reliable picture of family financial well-being, whether family or household income should be the measure, how to assess the limitations associated with all available data sets, and the extent to which changes over this period can be associated with welfare reform.

The TANF Child Poverty Regulation

Section 413(i) of the Social Security Act requires the Chief Executive Officer of each State to submit to the Department an annual statement of the child poverty rate in the State. If the 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. The Department is required to establish the methodology by which a State will determine the child poverty rate.

The Department published a final rule to implement this section of the law on June 23, 2000 (65 FR 39233). The final regulation stipulates that, rather than requiring each State to determine its own child poverty rate, the Department of Health and Human Services will implement this

statutory requirement by using the Census Bureau child poverty data. The regulation postponed the development of a child poverty rate for certain jurisdictions (i.e., Guam, Puerto Rico, and the Virgin Islands) until reliable data are available. The final rule was based on several principles: using the most reliable and objective data on child poverty currently available; assuring that the child poverty rate was assessed in relation to the TANF program in the State and other appropriate contextual circumstances; and limiting the administrative burden by requiring that States provide only those data readily available and necessary to implement the statute.

On January 31, 2001, DHHS sent to the Chief Executive Officers (CEOs) of each State, including the District of Columbia, a letter informing them of their child poverty rates for 1996 and 1997. Later in the year, DHHS sent letters to the CEOs informing them of their child poverty rates for 1998 as compared to 1997. As stated in the final rule, because the data are based on samples that inherently include error, DHHS used the 90 percent confidence interval and a one-tailed Z-test for the difference in proportions to calculate the change in poverty rates from 1996 to 1997, and from 1997 to 1998. Using this method, no State's child poverty rate increased by five percent or more in either child poverty assessment period. Therefore, in accordance with the final rule, no State was required to submit a corrective action plan or any additional information for these child poverty assessment periods (see Table 9:3 and Table 9:4.)

Appendices

Graph 9:1	Poverty Rate for All Children for Selected Years, 1979-2000
Table 9:1	Poverty Rate for All Children for Selected Years, 1979-2000
Table 9:2	Poverty Gap for All Families with Children 1990 – 1999, Official and Comprehensive Definitions of Income (<i>In Billions of Dollars</i>)
Table 9:3	State Estimates for Children Under 18 in Poverty for the United States: 1996 and 1997
Table 9:4	State Estimates for People Under 18 in Poverty for US: 1998 Estimated Number and Percent Children Under Age 18 in Poverty by State: US 1998 (<i>Estimates model 1998 income reported in the March 1999 Current Population Survey.</i>)

Graph 9:1
Poverty Rates for All Children for Selected Years, 1979-2000

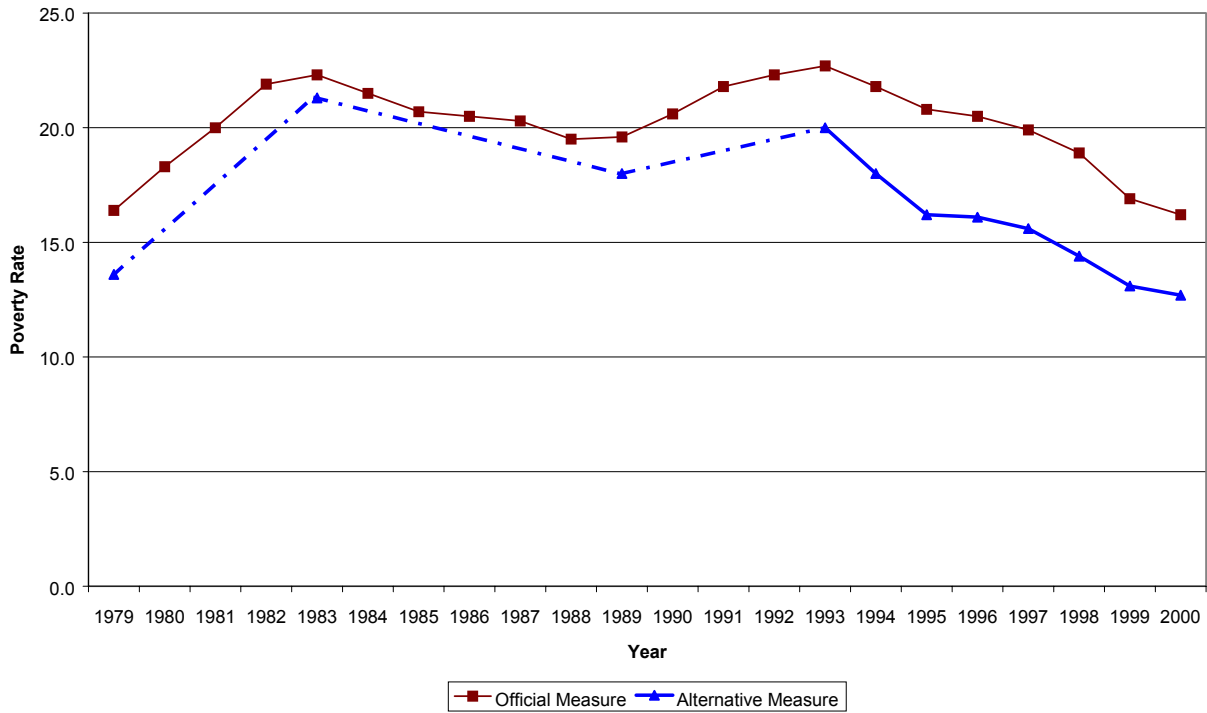


Table 9:1

Poverty Rates For All Children For Selected Years, 1979 - 2000

Poverty Rate	1979	1983	1989	1993	1994	1995	1996	1997	1998	1999	2000
Official Measure	16.4	22.3	19.6	22.7	21.8	20.8	20.5	19.9	18.9	16.9	16.2
Alternative Measure	13.6	21.3	18.0	20.0	18.0	16.2	16.1	15.6	14.4	13.1	12.7

Table 9:2

Poverty Gap * For All Families With Children 1990 - 1999
 Official and Comprehensive Definitions Of Income **
 (In Billions of Dollars)

Year	Pre-Transfer Poverty Gap	Official Poverty Measure	Reduction In Gap (Pre-Transfer - Official)	Comprehensive Measure Of Poverty	Reduction In Gap (Pre-Transfer - Comprehensive)
1990	71.8	43.1	28.7	29.3	42.5
1991	79.2	47.7	31.5	31.2	48.0
1992	81.9	49.6	32.3	33.2	48.7
1993	89.0	53.1	35.9	36.9	52.1
1994	82.8	49.6	33.2	33.3	49.5
1995	74.2	44.2	30.0	25.8	48.4
1996	74.2	45.6	28.6	26.3	47.9
1997	71.6	45.1	26.5	27.6	44.0
1998	63.5	42.4	21.1	26.1	37.4
1999	57.7	38.3	19.4	23.9	33.8

* The poverty gap indicates the income deficit for those in poverty, that 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 families with children from 1990 to 1999 using a pre-transfer measure of the poverty gap; the official measure of poverty; and an alternative measure of poverty that includes near-cash transfers and Federal and State taxes, including EITC.

** Constant 1999 dollars

Table 9:3

State Estimates for Children Under 18 in Poverty for US: 1996 and 1997

State	1996			1997		
	Point Estimate %	90% Confidence Interval		Point Estimate %	90% Confidence Interval	
		Lower Bound %	Upper Bound %		Lower Bound %	Upper Bound %
United States	20.5	19.8	21.1	19.9	19.2	20.6
Alabama	25.0	23.1	27.0	23.8	21.8	25.7
Alaska	14.8	12.7	17.0	16.2	13.9	18.4
Arizona	24.5	22.2	26.7	23.2	21.2	25.2
Arkansas	25.7	23.5	27.8	25.0	22.8	27.2
California	25.3	23.6	27.0	24.6	22.9	26.3
Colorado	14.3	12.6	16.1	14.6	12.7	16.6
Connecticut	14.8	12.5	17.1	14.7	12.6	16.8
Delaware	15.3	13.5	17.1	15.4	13.6	17.2
District of Col.	36.1	32.9	39.3	33.7	30.2	37.3
Florida	22.3	20.7	23.9	21.8	20.0	23.5
Georgia	23.0	21.2	24.7	22.8	21.0	24.6
Hawaii	17.9	15.4	20.4	16.2	13.7	18.8
Idaho	15.9	13.9	17.9	17.3	15.2	19.3
Illinois	18.4	16.8	19.9	17.5	15.9	19.0
Indiana	13.0	11.2	14.8	14.8	13.0	16.6
Iowa	12.6	10.9	14.3	13.7	11.9	15.5
Kansas	14.3	12.5	16.0	15.4	13.6	17.3
Kentucky	25.5	23.6	27.5	23.1	21.2	25.0
Louisiana	29.9	27.8	32.1	26.0	23.8	28.1
Maine	17.0	14.8	19.2	14.9	12.7	17.1
Maryland	14.4	12.5	16.2	14.9	12.9	16.8
Massachusetts	14.7	12.8	16.5	17.0	14.9	19.0
Michigan	19.0	17.3	20.6	18.0	16.2	19.8
Minnesota	11.7	9.9	13.5	13.1	11.3	15.0
Mississippi	29.9	27.3	32.6	24.5	22.0	26.9
Missouri	18.4	16.5	20.4	17.7	15.9	19.4
Montana	21.6	19.4	23.8	21.3	19.4	23.3
Nebraska	12.7	10.8	14.6	12.6	10.8	14.5
Nevada	13.7	11.8	15.6	15.4	13.5	17.3
New Hampshire	7.8	5.9	9.7	10.0	7.9	12.1
New Jersey	13.8	12.2	15.4	14.8	13.2	16.5
New Mexico	29.8	27.4	32.1	27.5	25.0	29.9
New York	25.2	23.5	27.0	24.7	23.0	26.4
North Carolina	18.8	17.2	20.5	18.6	16.9	20.3
North Dakota	15.0	13.0	17.0	16.8	14.8	18.9
Ohio	17.0	15.4	18.6	16.0	14.5	17.6
Oklahoma	25.1	23.1	27.1	23.7	21.6	25.7
Oregon	17.6	15.5	19.8	16.3	14.1	18.4
Pennsylvania	16.5	14.9	18.0	16.6	15.0	18.1
Rhode Island	17.5	15.6	19.4	17.3	15.4	19.3
South Carolina	23.1	21.1	25.2	23.0	21.0	24.9
South Dakota	18.3	15.9	20.6	19.0	16.8	21.3
Tennessee	21.7	19.6	23.8	18.9	16.9	21.0
Texas	25.8	24.1	27.6	23.6	21.9	25.2
Utah	11.3	9.3	13.3	12.5	10.4	14.5
Vermont	14.9	12.6	17.3	12.7	10.3	15.0
Virginia	16.6	14.9	18.3	17.0	15.3	18.7
Washington	16.7	14.8	18.6	15.2	13.3	17.1
West Virginia	29.8	27.0	32.6	24.7	21.8	27.6
Wisconsin	12.2	10.2	14.2	14.3	12.1	16.4
Wyoming	14.3	12.4	16.3	15.3	13.3	17.4

Note: A one-tailed Z-test for the difference in proportions was used to calculate the change in poverty rates from 1996 to 1997.

Source: U.S. Census Bureau.

Table 9:4

State Estimates for People Under 18 in Poverty for US: 1998
 Estimated Number and Percent Children Under
 Age 18 in Poverty by State: US 1998

(Estimates model 1998 income reported in the March 1999 Current Population Survey.)

State	People Under Age 18 in Poverty			
	Number		Percent	
	Estimate	90% Confidence Interval	Estimate	90% Confidence Interval
United States	13,466,544	12,979,586 to 13,953,502	18.9	18.2 to 19.6
Alabama	254,628	228,439 to 280,817	23.4	21.0 to 25.8
Alaska	28,014	22,829 to 33,199	14.6	11.9 to 17.4
Arizona	306,865	274,944 to 338,786	22.6	20.3 to 25.0
Arkansas	156,989	137,955 to 176,024	23.5	20.6 to 26.3
California	2,064,698	1,914,647 to 2,214,750	22.8	21.1 to 24.4
Colorado	154,100	130,706 to 177,495	14.2	12.0 to 16.3
Connecticut	108,826	88,475 to 129,178	13.3	10.8 to 15.8
Delaware	27,702	23,420 to 31,984	15.0	12.7 to 17.3
Dist. of Col.	30,381	26,885 to 33,877	30.5	27.0 to 34.0
Florida	791,489	725,207 to 857,770	21.9	20.0 to 23.7
Georgia	455,018	406,216 to 503,819	21.8	19.4 to 24.1
Hawaii	44,568	37,137 to 52,000	15.0	12.5 to 17.5
Idaho	63,682	55,196 to 72,168	17.4	15.1 to 19.8
Illinois	498,804	436,158 to 561,449	15.4	13.5 to 17.4
Indiana	219,858	185,054 to 254,662	14.1	11.9 to 16.4
Iowa	101,774	85,253 to 118,295	13.8	11.5 to 16.0
Kansas	102,867	87,030 to 118,703	14.4	12.2 to 16.6
Kentucky	210,639	187,446 to 233,832	21.2	18.9 to 23.6
Louisiana	312,008	280,811 to 343,204	25.7	23.2 to 28.3
Maine	41,750	34,696 to 48,803	14.2	11.8 to 16.6
Maryland	162,405	129,768 to 195,042	12.6	10.0 to 15.1
Massachusetts	210,430	177,970 to 242,890	14.3	12.1 to 16.5
Michigan	436,156	385,029 to 487,284	16.8	14.9 to 18.8
Minnesota	161,858	131,891 to 191,826	12.6	10.3 to 14.9
Mississippi	184,010	163,118 to 204,902	23.9	21.2 to 26.6
Missouri	242,037	209,279 to 274,796	16.8	14.5 to 19.1
Montana	50,077	44,578 to 55,576	21.9	19.5 to 24.3
Nebraska	62,254	51,856 to 72,652	13.8	11.5 to 16.1
Nevada	73,130	62,182 to 84,078	15.0	12.8 to 17.2
New Hampshire	31,791	24,196 to 39,386	10.6	8.1 to 13.1
New Jersey	270,538	229,776 to 311,300	13.2	11.2 to 15.2
New Mexico	136,557	122,722 to 150,393	27.1	24.4 to 29.9
New York	1,057,946	973,211 to 1,142,681	23.3	21.4 to 25.2
North Carolina	382,481	340,863 to 424,099	19.4	17.3 to 21.5
North Dakota	28,122	24,121 to 32,123	17.3	14.9 to 19.8
Ohio	474,707	420,602 to 528,813	16.4	14.6 to 18.3
Oklahoma	204,309	182,137 to 226,480	23.2	20.7 to 25.7
Oregon	141,997	119,946 to 164,047	16.9	14.2 to 19.5
Pennsylvania	477,943	422,182 to 533,704	16.5	14.6 to 18.5
Rhode Island	40,026	34,162 to 45,891	16.3	13.9 to 18.7
South Carolina	209,935	185,672 to 234,197	21.5	19.1 to 24.0
South Dakota	35,629	29,862 to 41,396	17.6	14.8 to 20.4
Tennessee	254,847	222,164 to 287,529	18.5	16.1 to 20.9
Texas	1,298,486	1,193,514 to 1,403,458	22.4	20.6 to 24.2
Utah	92,016	75,098 to 108,934	12.7	10.3 to 15.0
Vermont	17,913	14,275 to 21,551	12.6	10.0 to 15.1
Virginia	239,939	197,756 to 282,121	14.2	11.7 to 16.7
Washington	206,558	171,280 to 241,836	13.7	11.4 to 16.1
West Virginia	99,572	89,225 to 109,919	24.2	21.7 to 26.7
Wisconsin	188,461	154,689 to 222,233	13.6	11.1 to 16.0
Wyoming	19,757	16,668 to 22,846	15.4	13.0 to 17.8

These estimates were released in August 2001.

Source: U.S. Census Bureau.

