Poverty

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The Clinton Administration's Anti-Poverty Agenda
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I. INTRODUCTION

I wanted to use the occasion of the release of the new Census numbers on income and poverty to do an overview of the effectiveness of the Clinton-Gore Administration's policies at addressing one of the most important missions of any Administration: reducing poverty and increasing opportunity for our most disadvantaged families.

In a nutshell, the record is one of significant progress in the right direction and a frank recognition of the significant distance still left to travel. I believe a fair analysis must make both of those points.

Sometimes in politics when there has been a significant accomplishment, the White House or a political party takes a victory lap. There is no cause for that here. But there is cause for understanding that significant progress has been made – and a reason to understand what has worked and what still needs to be done.

Recognizing that there has been progress – even stunning progress – does not and should not dull our sense of concern over the distance remaining. Take one example: poverty among African-American children was 46.1 percent in 1993. Yesterday, we learned it had fallen to 36.7 percent. That represents a 20 percent drop in African American child poverty – the lowest on record. On one hand, this is an enormous achievement. On the other hand, the fact that more than one-third of African American children, more than 5 million, are being raised in poverty stands as one of the most disturbing and disappointing facts in American society.

From the 1970s to the early 1990s, the Nation witnessed a slowdown in growth and a widening of inequality. The result was that the incomes of the bottom sixty percent of Americans fell, after adjusting for inflation, while the poverty rate rose. In the last several years, the economic performance of the Nation has improved substantially, with strong growth, low unemployment, low inflation, and low interest rates. It is important to recognize that the economic policies and excellent economic performance of the Nation over last several years has brought gains to all segments of society and stemmed the long rise of economic inequality. This can be missed when simply looking at trends over 20-25 year periods.

From 1993 to 1998, poverty has fallen across the board and incomes have risen for each and every income group. Consider the following (see Tables 1-4 at the back for more detail):

- The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998, lifting nearly 5 million people out of poverty.
- Between 1993 and 1998, the poverty rate has fallen by 15 percent or more for all persons, African Americans, Hispanics, children, African American children, Hispanic children, single mothers, and many other groups. The poverty rate is now the lowest on record for African Americans, African American children, Hispanic

children, single mothers, African American single mothers, and Hispanic single mothers.

- At the same time, incomes have grown by 9.9 – 11.7 percent for every quintile of the income distribution. For the bottom three quintiles, this is the strongest growth since at least the 1970s. The 10.3 percent increase in incomes for the bottom quintile over the last 5 years represents a particularly dramatic turnaround from the 4.4 percent decline between 1981 and 1993.
- Over the last 5 years typical families have seen their income rise by 12.1 percent and African American families have seen their incomes rise by 21.0 percent. That represents more than $5,100 in income for the typical African American family.
- In 1998, the Earned Income Tax Credit (EITC) lifted 4.3 million people out of poverty – twice the number of people lifted out of poverty by the EITC in 1993.

II. WHY MACROECONOMIC POLICY MATTERS FOR POVERTY REDUCTION

Despite this impressive progress, a common critique of the Administration's record goes something like this: The President came into office with an ambitious investing-in-people agenda that might have addressed poverty, but ultimately he had to sacrifice this agenda to address the worsening deficit projections.

Behind this critique lies two false premises. First, as I will establish, this President has fought – successfully – for significant investments in anti-poverty initiatives. The second, and the most fundamental misconception is that only significant government investments and not sound fiscal and macroeconomic policies are tools to reduce poverty. However much any of us believe in the power of wisely-crafted public policies to invest in people, no one should be blind to the fact that the experience of the last 6 years demonstrates definitively that macroeconomics and fiscal policy do matter for poverty reduction and they matter enormously.

The old paradigm assumed that fiscal discipline would hurt poverty reduction efforts for two reasons: one, public investments would have to be sacrificed or put on hold in the name of deficit reduction and two, deficit reduction would lead to short-term economic contractions that could freeze or hurt economic opportunities for poorer Americans even if in the long-run it led to savings, capital formation, and faster productivity growth.

The new fiscal paradigm of the last six years has told a rosier story – even and especially for the short-term. Serious debt reduction eliminated what Bob Rubin called the "deficit premium" leading to a virtuous cycle of lower interest rates and higher investment that increased capacity enough to allow for continuing expansion without inflation. Experts from Alan Greenspan to Paul Volcker credit the fiscal deficit reduction since 1993 as a key component of our near record expansion.[1]

[1] Alan Greenspan, Humprey-Hawkins testimony to House Banking Committee, February 20, 1996 and Paul Volcker, in *Audacity Magazine*, Fall 1994.

In short, strong deficit reduction helped create the conditions for an exceptionally strong, steady, and long economic expansion that has, in turn, led businesses to seek out more and more minority and economically disadvantaged Americans who had traditionally been left behind, ignored, or at least left on the fringe of the labor market.

As the expansion has lengthened and unemployment has fallen, expanding businesses in search of workers have had to recruit and offer training to people they would never even have looked twice at in a shorter or less robust expansion. Therefore, to the degree that deficit reduction has been integral to the high investment / low inflation environment necessary to allow such a sustained expansion, and such significant hiring of disadvantaged workers, one must recognize the integral contribution that fiscal discipline has made to reducing poverty and increasing economic opportunity. Consider the following:

African American unemployment fell from 14.3 percent at the end of 1992 to 7.8 percent last month – and this year reached the lowest level on record. Over this period, Hispanic unemployment fell from 11.5 percent to 6.5 percent, the lowest on record. At the same time, the expanding economy, and the policies I will discuss in a moment, have brought new workers into the economy. The labor force participation rate of single mothers rose from 73.7 percent in 1992 to 84.2 percent in 1997. At the same time, the percentage of single women with children who received welfare fell from 19.3 percent in 1992 to 8.3 percent in 1997.[2]

Furthermore, the low unemployment rate may be creating a virtuous employment circle. The European economies saw large increases in their unemployment rates in the 1980s translate into what appears to be permanently higher levels of unemployment, a process some economists have called "hysteresis."[3] One explanation for why this might happen is that high unemployment rates lead to people being unemployed for longer periods, during which time they start to lose both their productive skills and their ability to search for jobs effectively. As a result of these changes, the unemployment rate could stay permanently higher. Although the definitive evidence for the United States is not in yet, there is good reason to hope that if we keep the expansion going with so many previously disadvantaged and unemployed workers in the workforce for so long, we will create a far larger pool of ready and able American workers for years to come.

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[2] Council of Economic Advisers, "Good News for Low-income Families: Expansions in the Earned Income Tax Credit and the Minimum Wage," *A report by the Council of Economic Advisers*, December 1998.

[3] Olivier Blanchard and Lawrence Summers, "Hysteresis and the European Unemployment Problem." In Stanley Fischer, ed., *NBER Macroeconomics Annual*, Vol 1, 1986, MIT Press: Cambridge.

III. WHY MACROECONOMIC POLICY IS NECESSARY, BUT NOT SUFFICIENT

However flawed the premise that fiscal discipline has no impact on poverty reduction, the notion that there should be a sole and exclusive focus on deficit reduction is equally if not more flawed. Ensuring that growth is shared and inclusive cannot simply be assumed.

Growth has not always led to higher incomes for the poorest and falling poverty rates for the Nation. After observing the poverty rate rise and incomes at the bottom fall despite the expansion of the 1980s, David Cutler and Lawrence Katz published a paper arguing that "a long-standing, positive relationship between the economic well-being of the poor and the growth of the economy has changed."[4]

However, in the 1990s, falling unemployment rates and higher growth have once again led to falling poverty rates and higher incomes for all Americans. An important part of this shift has been the President's policies that have helped give people the tools, incentives and opportunities so that they can all benefit from, and contribute to, the strong economy.

While fiscal discipline and the resulting low-interest rates can fund investment growth and give more disadvantaged Americans job opportunities, they cannot ensure that a generation of young children won't be lost to poor schools, poor nutrition, and crime and drug ridden opportunities. Fiscal discipline may lead businesses to help some Americans who have fallen behind to get new training opportunities, but new technological and capital investments without a skilled and motivated workforce is like a bat without a ball. Necessary but not sufficient.

In the new economy, productivity growth is being driven by the high technology sector. The potential of the new economy is to provide rising wages for everyone. But the risk is that, without proper investments in people, the new economy has the potential to create a skills gap, between those who know how to take advantage of our new technologies and those who do not.

We have already begun to see the emergence of a skills gap. Improvements in technology and other changes continue to raise the gap between the wages of college educated workers and those with only a high school degree or less. In 1998, the average college graduate made 75 percent more than the typical high school graduate, compared to only 46 percent more in 1980.[5] As Katz summarized, "these findings imply that physical capital and new technologies are relative complements with more-skilled

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[4] David Cutler and Lawrence Katz, "Macroeconomic Performance and the Disadvantaged." *Brookings Papers on Economic Activity* 2:1991.

[5] Lawrence Katz, "Technological Change, Computerization, and the Wage Structure." Harvard University and NBER, September 1999.

workers. Such evidence is certainly consistent with the view that the spread of computer technologies may have contributed to rapid increases in the demand for skill in recent decades."

The skills gap does not just matter for wages, but for unemployment as well. In the last 7 years, the unemployment rate for high school dropouts has averaged 9.3 percent, while the unemployment rate for college graduates has only averaged 2.5 percent.

Study after study has documented that each additional year of a college can increase a worker's future earnings by 5 to 15 percent with evidence that such returns have risen in recent years.[6] Caroline Hoxby, for instance, finds that the return to a college education was 12 percent from 1992 to 1996, compared to 5 percent from 1972 to 1978.[7]

That is why even in a period of fiscal contraction, a sound growth strategy must not only bring down deficits, but also increase educational investments and work incentives. The 1993 Budget was an example of such a balanced approach. While it called for $505 billion in deficit reduction, the total gross savings were over $600 billion. In other words, the 1993 budget made over $100 billion in additional tough choices so that the largest EITC expansion ever could be passed and solid investments could be made in Head Start and the Special Supplemental Income Program for Women, Infants, and Children (WIC) – even in the midst of deficit reduction. Indeed, dropping the President's bold increase in the EITC could have allowed the President to avoid his most politically costly decision – raising the gas tax by 4.3 cents. Yet the new Census data show that there are at least 2.3 million fewer Americans in poverty because the President expanded EITC, made tough decisions, and chose a balanced approach over a sole focus on deficit reduction.

Contrary to any notion that poverty reduction initiatives were put on hold until the budget was balanced, the President has sought the right balance between debt reduction and creating and expanding upon programs that enhance economic opportunities for poorer Americans. The President and his Office of Management and Budget Directors from Panetta to Rivlin to Raines to Lew have all battled hard with yearly appropriations negotiations to protect and strengthen key anti-poverty programs. Even in the midst of the dramatic deficit reduction we have seen over the past 6 years, President Clinton has successfully increased funding for several anti-poverty programs and indeed has passed several new economic opportunity initiatives.

As a result, today we spend substantially more on a wide-range of poverty reduction programs (see Table 5 for numbers and Appendix 1 for selected details). To name one example, we now spend nearly $3 billion more each year for Head Start and

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[6] See Thomas Kane and Cecilia Rouse, "Labor Market Returns to Two and Four-year College: Is a Credit a Credit and Do Degrees Matter?" *American Economic Review*, 85:3, 1995 and Orley Ashenfelter and Alan Krueger, "Estimates of Economic Returns to Schooling From a New Sample of Twins." *American Economic Review* December 1994.

[7] Caroline Hoxby, "Tax Incentives for Higher Education." *Tax Policy and the Economy 12* 1998 MIT Press: Cambridge.

WIC than we did in 1993 even as discretionary spending as a percentage of our economy has been reduced from 8.4 percent in 1993 to less than 6.6 percent in 1999.

The 1997 balanced budget agreement – although perhaps best known for the nearly half trillion in entitlement savings over 10 years and significant tax cuts – had more than $70 billion over 5 years to help families making less than $30,000 (Appendix 2). Indeed, the last issue that held up the final agreement was the President's insistence on getting $24 billion over 5 years and $48 billion over 10 years for health insurance for children under 200 percent of the poverty line and his opposition to Republican proposals that would have denied the benefits of the child tax credit to families with more than half of the 13 million children on the EITC. Ultimately, because of the President, families earning less than $30,000 got an $18.5 billion tax cut from the child tax credit. In addition, in 1997 the President fought for and secured $12 billion to restore disability and health benefits to 350,000 legal immigrants, $3 billion for welfare to work programs, and the largest Pell Grant increase in at least two decades.

Likewise, the President has proposed and signed an impressive number of new initiatives that either focus on lower income Americans or which are at least targeted to disproportionately benefit more economically distressed Americans. One can see a complete list of initiatives in Appendix 3. Initiatives that focus on lower-income people include:

- Empowerment Zones, Community Development Banks, Community Reinvestment Act reform, Child Health Initiative, Welfare to Work programs, Brownfields, GEAR-UP, Youth Opportunity Grants, and Individual Development Accounts.

Other programs that disproportionately target low-income Americans include the Reading Excellence program and the Technology Literacy Challenge.

IV. BURDEN OF FISCAL UNCERTAINTY SHOULD NOT FALL ON THE POOR

In making the difficult choices between fiscal discipline and investments, any government should be guided by the principle that the burden of fiscal uncertainty should never fall first on the poor. This is not to say that low-income programs should never bear any burden of fiscal discipline – but it should be a last resort – not a first. This principle is based not just on equity, but also because any government should feel concern about imposing irreparable damage in the name of deficit reduction – in case the altered budgetary projections ultimately make cuts unnecessary. Even if one believed that balancing the budget should be the sole motivation of fiscal policy, those who called for major cuts in Medicaid, Food Stamps, and the EITC in 1995 turned out to be asking for a painful sacrifice from the poorest and most politically powerless population that was proven to have been unnecessary. On the other hand, freezes or even cuts to those Americans most able to handle them are easily reversed when times improve.

V. REWARDING WORK

The Clinton-Gore focus on poverty reduction has been very much grounded in a vision of rewarding work for poorer families. This coherent and comprehensive vision is a consistent strand running from sections of Putting People First to a comprehensive set of policies to reward work.

Economists are in strong agreement that lower income Americans are quite responsive to both economic incentives to enter the workforce or to disincentives that punish work efforts. In the past a single mother who wanted to work risked losing health care for her children, and faced large child care, transportation, and clothing costs. At the same time, if this single mother was on Aid to Families with Dependent Children (AFDC), she would face one-for-one reductions in welfare payments for each dollar she earned above a relatively small amount. These child care, health care, and transportation costs, together with AFDC, served as a prohibitive tax on work for too many poor Americans.

The Clinton-Gore agenda has been to reward work and to launch an all-out assault on such work disincentives through measures from expanding the EITC to raising the minimum wage to welfare reform to expanded children's health insurance to greater child care.

Expanding the EITC and Raising the Minimum Wage: Eliminating Poverty For Full-time Working Families With Children

When he was running for office in 1992, then governor-Clinton called for increases in the minimum wage and expansions of the EITC in furtherance of his goal that no full-time working parent should have to raise their child in poverty. Consider what this has meant for our most hard-pressed working families. A working parent with two children earning the minimum wage in 1993 made $10,569 with the EITC (in 1998 dollars), well below the poverty line. With increases in the EITC and minimum wage, that same family in 1998 is above the poverty line – making $13,268 – a 27 percent inflation-adjusted increase in their standard of living.

Indeed, both Census data and academic studies show how powerful the impact of the EITC has been. The latest poverty statistics from the Census provide alternative measures of poverty with and without the EITC (see Tables 6 and 7). They demonstrate that in 1998, 4.3 million people were raised out of poverty by the EITC – of which more than half were children. This is an increase of 2.3 million over the number of Americans lifted out of poverty by the EITC in 1993. The result suggests that more than one-quarter of the reduction in poverty between 1993 and 1998 (7.7 million people according to the poverty measure that includes the EITC) is directly attributable to the expansion of the EITC.

In reality, the benefits of this tax credit have probably been even greater than these simple statistics suggest. There is now an increasing academic literature

confirming that the EITC has been effective in bringing people, particularly single women, into the workforce:

- Liebman and Eissa find that the EITC significantly increases labor force participation among single mothers, especially less educated women. Dickert, Hauser, and Scholz present findings consistent with this, predicting that the 1993 EITC expansion would induce 516,000 families to move from welfare to work.[8]
- Partly as a result, 84.2 percent of single mothers were in the labor force in 1997, up from 73.7 percent in 1992.

The minimum wage has also played an important role in increasing the return to work and expanding labor force participation. In the past, there has been a concern that raising the minimum wage created a trade-off between higher wages and lower employment. A series of studies by David Card and Alan Krueger, however, debunked this premise, showing that higher minimum wages could enhance the income of working people while maybe even increasing employment.[9] At the same time, they showed that low-income families receive most of the benefits of higher minimum wages. This is especially true if one takes into account recent research at the Urban Institute and Council of Economic Advisors which shows the interaction of the minimum wage with the EITC, and their effectiveness in moving people from welfare to work.

A study by Mark Turner of the Urban Institute and Johns Hopkins University indicates that increases in the minimum wage can create an important incentive to move from welfare to work.[10] He found that raising the minimum wage by 50 cents would lead to a 1.3 to 2.5 percentage point decrease in the welfare rolls, as between 97,000 and 187,000 women chose to move from welfare to work. This finding is consistent with a recent study by the Council of Economic Advisers which found that the expansion of the minimum wage explained between 10 and 16 percent of the decline in welfare caseloads between 1996 and 1998.[11]

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[8] Nada Eissa and Jeffrey Liebman, "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics*, 111(2) 1996, Bruce Meyer and Dan Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Employment of Single Mothers." Joint Center for Poverty Research Working Paper May 1998 #2, and Stacy Dickert, Scott Houser, and John Karl Scholz, "The Earned Income Tax Credit and Transfer Programs: A Study of Labor Market and Program Participation." *Tax Policy and the Economy 9* 1995 MIT Press: Cambridge.

[9] David Card and Alan Krueger, *Myth and Measurement*, Princeton: Princeton University Press, 1995.

[10] Mark Turner, "The Effects of Minimum Wages on Welfare Recipiency," Joint Center for Poverty Research Working Paper July 1999 #4.

[11] Council of Economic Advisers, "The Effects of the Economic Expansion on Welfare Caseloads: An Update." *A report by the Council of Economic Advisers* August 3, 1999.

Health Care, Child Care, and Welfare Reform: Removing the Disincentives to Work

Health Care

Limited access to health insurance in entry-level jobs – as well as poor health to begin with – can discourage work. Historically, government assistance in providing affordable, accessible health insurance was limited to poor, single-parent families receiving welfare. As a result, work would generally end Medicaid coverage – keeping many people on the welfare rolls out of fear of losing their health coverage.[12] This can be an especially serious problem because many low-wage jobs lack employer-sponsored health insurance, many Temporary Assistance to Needy Families (TANF) parents have health problems, and the fact that uninsured children typically have more sick days at school.[13]

Clearly, passage of some variant of the President's health care plan in 1994 would have been a major pro-work, anti-poverty step. Since that didn't happen, the President has focused on targeted policies to achieve similar goals. Three major policy initiatives have provided access to affordable health insurance to low-income working families. First, the President and advisors such as Secretary Shalala and Bruce Reed have worked to de-link Medicaid from welfare program, making Medicaid accessible to working as well as poor families. This has been accomplished within the context of welfare reform in 1996, but also before that through state waiver programs and aggressive administrative action. This approach appears to be working, as can be seen in one study which found that the proportion of Medicaid-enrolled children with an unemployed parent fell from 75 percent in 1987 to 47 percent in 1996.[14]

Perhaps the most important step was the Children's Health Insurance Program (CHIP) – the largest children's health care investment since the creation of Medicaid in 1965. This program is targeted at working families who lack health insurance for their children but have too much income to qualify for Medicaid. Too many of these parents skip work to care for children who are sick but lack access to doctors or needed medicines. CHIP was created in 1997 with bipartisan Congressional support at a cost of $24 billion dollars over five years. To date, about 1.3 million children have been enrolled in state programs, all of whom come from working families – a number that is expected

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[12] See Robert Moffitt and Barbara Wolfe, "The Effect of the Medicaid Program on Welfare Participation and Labor Supply." *Review of Economic Studies*, November 1992 and Aaron Yelowitz, "The Medicaid Notch, Labor Supply, and Welfare Participation: Evidence from Eligibility Expansions." *Quarterly Journal of Economics* 110(4) November 1995 for two good studies documenting this point.

[13] One study finds that only about 43 percent of people in near-poor families have employer-sponsored insurance (O'Brien E; Feder J. (May 1999). *Employment-Based Health Insurance Coverage and Its Decline: The Growing Plight of Low-Wage Workers.* Washington, DC: The Kaiser Commission on Medicaid and the Uninsured.). It may be worse for people leaving welfare, with one study finding that less than one in four received health insurance on the job: Loprest P. (1999). *Families Who Left Welfare: Who Are They and How Are They Doing?* Washington, DC: Discussion Paper: Assessing the New Federalism.

[14] Banthin JS; Cohen JW. (August, 1999). Changes in the Medicaid Community-Based Population: 1987-96. Rockville, MD: Agency for Health Care Policy and Research. MEPS Research Findings No. 9 AHCPR Pub. No. 99-0042.

to double by September 2000.[15]

Finally, the President has taken an initial step – and continues to push for legislation – that ensures that people with disabilities are not kept from productive employment by their fear of losing their health insurance. In 1997, the President created an option that would allow people with disabilities who have income below 250 percent of poverty to buy into Medicaid. However, we believe this doesn't go far enough. The Work Incentives Improvement Act, which was funded in the President's FY 2000 budget and has unanimously passed the Senate, would take additional steps to ensure that no person has to choose between work and health coverage.

Child Care

Research shows that women are highly responsive to the costs of child care in making decisions to work. A recent National Bureau of Economic Research working paper finds that if the costs of childcare could be lowered by 50 cents per hour, the result would be an 18 percent rise in labor force participation by unmarried women with children and a 39 percent rise for unmarried high school dropouts with kids.[16]

Under the Clinton-Gore Administration, federal funding for child care has increased by 80 percent, helping parents pay for the care of about 1.25 million children out of the 10 million that are eligible. The 1996 welfare reform law increased child care funding by $4 billion over six years to provide child care assistance to families moving from welfare to work. Last year, the President succeeded in securing $140 million in new funds for after-school care and $173 million for child care quality activities. Over the next five years, the President has proposed to expand child care to another 1.15 million children from low-income families.

Welfare Reform

The President's health care and child care initiatives have been an integral part of his strategy to make welfare reform work, by providing people with the opportunities to move into the workforce. The President's efforts began in the first days of the Administration, with the Secretary of Health and Human Services granting waivers to 43 states between 1993 and 1996 to try a broad range of experiments to help provide an incentive for people to move from welfare to work. These measures included "sticks" like time limits and work requirements, and incentives like allowing welfare recipients to keep more benefits when they went to work or to exclude items like cars when calculating their assets for the purposes of program eligibility.

Welfare reform in 1996 pushed this further, abolishing AFDC and replacing it with TANF – a new program based on block grants with time limits and a wide latitude

[15] Smith V. (July 30, 1999). Enrollment Increases in State CHIP Programs: December 1998 to June 1999. Washington, DC: The Kaiser Commission on the Future of Medicaid and the Uninsured.
[16] Patricia Anderson and Philip Levine, "Child Care and Mother's Employment Decisions." *NBER Working Paper No. W7058* March 1999.

for states to design their own rules. One consequence has been the proliferation of rules that allow people to continue to receive benefits when they first work and other incentives like childcare, transportation, reimbursement of work-related expenses, and earnings supplements. The result has been a powerful incentive for people to move from welfare to work – with evidence documented in one study indicating that these measures like these increased the employment rate by 2.8 to 11.8 percentage points in different experiments across the United States and Canada.[17]

Welfare reform is working. Welfare rolls are down by nearly half to their lowest level in 30 years, nearly four times more of those on welfare are working, and the employment rate of people receiving welfare in the previous year has increased by 70 percent. All fifty states are meeting the law's overall work requirement.

Recent studies by the Urban Institute, the General Accounting Office, and others have documented that the vast majority of recipients leave the rolls for jobs.[18] The recent poverty statistics bear witness to the tremendous gains that have been made by single mothers as a result of the wide-range of policies I have discussed: poverty rates for single women with children have fallen from 46.1 percent in 1993 to 38.7 percent in 1998 – a 16 percent decline.

At the same time, we cannot let ourselves lose sight of the fact that the job is not done. More still needs to be done for families struggling to balance childcare needs for jobs. More needs to be done to ensure that the many people who need and are eligible for food stamps and Medicaid actually sign up for these programs. And we need to continue monitoring to ensure that people are indeed leaving welfare for good jobs.

VI. THE CLINTON ECONOMIC OPPORTUNITY AGENDA: LIFTING UP PEOPLE AND PLACES

The most frustrating and frequent debate in policy circles on economic development is whether the focus should be on empowering people or places. The President's policies and common sense dictate a focus on both.

As I will discuss, policies that give people the skills or mobility to move to jobs or homes in other neighborhoods can be quite successful in creating opportunity and a better, safer standard of living. Yet these strategies only confirm that neighborhoods and schools matter – it hardly seems right to rely only on moving people out of poor neighborhoods and into better neighborhoods without any effort to strengthen the distressed neighborhoods where people currently live.

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[17] Rebecca Blank, David Card, and Philip Robins, "Financial Incentives for Increasing Work and Income Among Low-income Families," Joint Center for Poverty Research Working Paper February 1999 #1.
[18] Pamela Loprest, "Families Who Left Welfare: How Are They Doing?" Urban Institute Discussion Papers 99-02, 1999 and General Accounting Office, "Welfare Reform: Information on Former Recipients Status," April 1999.

When the President and the Vice President ran for office, there was an increasingly counter-productive tug-of-war between government and laissez-faire approaches to our Nation's struggling urban and rural communities. The President and Vice President believe that there is a third way -- an activist effort by government to bring private sector capital, free enterprise and entrepreneurial activity to our nation's underserved areas.

In order to accomplish this goal and breathe life into their third way vision, President Clinton and Vice President Gore set out in 1993 to put in place a comprehensive community empowerment agenda. Among other things, this agenda has included the creation of Empowerment Zones and Enterprise Communities, the establishment of the Community Development Financial Institution Fund, the Department of Housing and Urban Development's Economic Development Initiative, reform of the Community Reinvestment Act regulations, a greater commitment to affordable housing, and the New Markets Initiative.

To focus private and public sector resources and encourage local leadership on transforming distressed communities, this Administration created the first-ever federal Empowerment Zones and Enterprise Communities (EZs and ECs). Under the leadership of Vice President Gore, as Chair of the Community Empowerment Board, we now have designated two rounds of Empowerment Zones -- 24 urban and 8 rural ones -- and 115 additional Enterprise Communities, which are helping to bring growth and economic opportunity to some of the most economically-distressed communities in our nation.

This approach has proven successful. Early reports demonstrate that Round One EZs are making major strides toward accomplishing their objectives. To date, Empowerment Zones/Enterprise Communities federal seed money has leveraged over $10 billion in additional public and private sector investment in community revitalization efforts.[19] One study from the Rockefeller Institute labeled the EZ initiative "among the most significant efforts launched by the federal government in decades on behalf of this nation's distressed inner cities and rural areas" and another report by Standard and Poors stated that "When successful, such (EZ) efforts can contribute to the improvement of a local economy and lead to an improvement in an issuer's credit rating."[20]

To encourage the development of private lending and investment institutions focused on low- and moderate-income communities, this Administration has through the creation of a Community Development Financial Institution (CDFI) Fund made over $300 million in investments, grants, and loans to Community Development Financial Institutions and mainstream financial institutions, helping to support a network of institutions that provide capital to economically-distressed communities. A study of the

[19] 1998 aggregate numbers from the HUD and USDA Performance Measurement Systems, which rely on self-reporting by the EZs and ECs

[20] Nelson A. Rockefeller Institute of Government, "Empowerment Zone Initiative: Building a Community Plan For Strategic Change -- Findings From the First Round of Assessment" 1997 and Standard & Poor's "Credit Week Municipal," December 22, 1997. For other studies, see GAO, "Status of Empowerment Zones." GAO Report, December 1996, and Price Waterhouse, "The Urban Empowerment Zones: Highlights from the First 18 Months." September 1996.

first year of the CDFI Fund awards found that every dollar of Fund investments leveraged nearly $17 in non-federal investments.[21]

To spur the development of neighborhood transforming economic development projects, this Administration, under the leadership of Secretary Andrew Cuomo, established the Economic Development Initiative (EDI), which combines grants and low-interest loans to leverage private investment for economic development. Over the past 5 years, $3.5 billion in EDI loan commitments have been made – these will create an estimated 300,000 jobs in low- and moderate-income communities during the life of the EDI program.[22] As part of the EDI program, the Department of Housing and Urban Development (HUD) has launched the Community Empowerment Fund Trust, a pilot program which will enable the pooling of loans and the creation of a private secondary market for economic development loans.

To make communities more livable for people and more attractive for economic development, we passed a brownfields tax incentive to encourage private sector help in cleaning up nearly 11,000 environmentally contaminated sites in our inner cities and rural areas, and bring them back to life – and we asked Congress to make this incentive a permanent part of our tax code. In an effort to expand private investment in affordable housing, we have also made the Low-Income Housing Tax Credit permanent.

To boost additional community development lending by mainstream financial institutions, this Administration reformed the Community Reinvestment Act (CRA) regulations to emphasize performance standards – a move ultimately hailed by the Independent Bankers Association of America as a big step in regulatory burden reduction for community banks.[23] The CRA today encourages financial institutions to provide capital to distressed communities, helping to build homes, creating jobs, and restoring hope all across the country. According to the National Community Reinvestment Coalition, the private sector has pledged nearly $1 trillion in community development loans since 1992 – an amount that represents over 95 percent of all CRA pledges made since the legislation's enactment in 1977. Lending commitments under CRA have increased dramatically from the pre-1993 era, from an average of $2.6 billion per year between 1977 and 1992 to about $180 billion the past 6 years.[24] In 1998, banks made $16 billion in community development loans and $33 billion in small business loans in low- and moderate-income communities.[25] There is evidence that lending to minority and low-income borrowers is also on the rise. From 1993 to 1998, the number of home mortgage loans to African Americans have increased by 87 percent, to Hispanics, to Native Americans by 52 percent and to low and moderate income borrowers by 64 percent.[26] That is why the White House, along with Secretary Rubin and Secretary

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[21] Community Development Financial Institution Fund, "CDFI Fund Survey of 1996 Awardees," 1999.
[22] "Consolidated Annual Report To Congress For HUD's Community Development Programs," 1996.
[23] Independent Bankers Association of America, Press Release, April 19, 1995.
[24] April 1999Report by the National Community Reinvestment Coalition, "CRA Dollar Commitments"
[25] Federal Financial Institution Examinations Council Report on CRA, July 29, 1999.
[26] July 29, 1999, Federal Financial Institution Examinations Council Report on Home Mortgage Disclosure Act

Summers, have taken a tough line against any efforts to weaken CRA in financial modernization legislation.

While the current economic expansion is one of the strongest in history, there are still too many communities in our Nation that are defined more by their lack of opportunity than by their prosperity. As our next step, the President this year challenged the private sector to join him in a New Markets initiative to bring equity capital, jobs, and economic opportunity to America's most underserved urban and rural communities. The New Markets Initiative is designed to spur $15 billion in new investment in low- and moderate-income communities through our New Markets Tax Credit and loan guarantees. The New Markets Tax Credit is worth up to 25 percent of the original investments in a wide range of vehicles and will be available to investment funds, banks and institutions that are financing businesses in low- and moderate-income communities.

The New Markets Initiative also creates America's Private Investment Companies (APIC) – just as America's support for the Overseas Private Investment Corporation helped promote growth in emerging markets abroad, APIC will help encourage private investment in our own country's untapped markets. In addition, the New Markets Initiative involves the creation of another new type of investment vehicle – the New Markets Venture Capital (NMVC) firm. NMVC firms will provide incentives to increase the availability of venture capital in low and moderate-income communities for small businesses. Lastly, under the leadership of Administrator Aida Alvarez, the Small Business Administration has begun a specific initiative to ensure that the existing Small Business Investment Companies program reaches out to low and moderate-income communities.

Government can help provide the tools for businesses to grow through other efforts that are part of the New Markets Initiative, such as BusinessLINC – a program launched by the Vice President and supported by the Business Roundtable -- that encourages mentoring and protégé relationships between small businesses and large companies. These are examples of this Administration's efforts to encourage more private sector investment and partnerships in economically-distressed areas.

VII. NEW DIRECTIONS: INVESTING IN PEOPLE

Investing in people has been a primary focus of the Clinton-Gore agenda from day one. I will not even attempt to catalog everything that the Administration has done – but I do want to point to six areas that we feel are critical to future poverty reduction and are at stake in our current budget battle.

Moving to Opportunity

Research dating back to the Chicago Gautreaux case has shown that poor families who are given the opportunity to move to better neighborhoods have better

education and job experiences.[27] New research on HUD's experimental housing mobility program – moving to opportunity – in two separate studies in Boston and Baltimore are showing that increased housing mobility brings not only economic opportunity but also a significant reduction in behavioral problems for children including reduced juvenile arrest rates, injuries, victimization of crime, while having positive health and mental health impacts for parents and heads of households.[28] These are some of the reasons that this President and Vice President believe that Secretary Cuomo's efforts to add 100,000 housing vouchers is a valuable anti-poverty proposal and worth fighting hard for in the current VA-HUD appropriations bill.

Closing the Digital Divide

As our nation seeks to close the race and income gaps that have too often divided us, it's critical that we not allow a new divide. We all know children who have become computer literate at a young age and watched their knowledge accelerate as their older relatives stagnate – still uncomfortable and awkward with the computer age. If we let a generation of middle-class children grow up whizzing from one computer to another while a generation of poorer children stays computer illiterate, we will be sitting by as a new divide helps widen the race and income gap we seek to close.

History shows that public policy can make a difference in determining whether or not the demand for higher-skilled workers that creates higher wages across the board or instead leads to increasing wage inequality.[29]

In the first three decades of this century, the United States faced the technological challenge of adapting the economy and society to benefit from the invention of electricity and the spread of mass production. At the same time, the "high school movement" in the United States helped to produce an educated and skilled workforce to meet this challenge. As a result, people had the skills to benefit from the increasingly demanding jobs, resulting in higher wages across-the-board and even a reduction in inequality.[30]

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[27] The two classic studies are by James Rosenbaum: "Black Pioneers — Do Their Moves to the Suburbs Increase Economic Opportunity for Mothers and Children?" *Housing Policy Debate* 2, 1992 and "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program." *Housing Policy Debate* 6, 1995. David Cutler and Edward Glaeser have shown that a decrease in segregation would eliminate a substantial fraction of the black-white difference in schooling, employment, and single parenthood, see "Are Ghettos Good or Bad?" *Quarterly Journal of Economics* August 1997.

[28] Lawrence Katz, Jeffrey Kling, and Jeffrey Liebman "Moving to Opportunity in Boston: Early Impacts of a Housing Mobility Program." Harvard University, Princeton University, and NBER. September 1999 and Jens Ludwig, Greg Duncan and Paul Hirschfield, "Urban Poverty and Juvenile Crime: Evidence from a Randomized Housing-Mobility Experiment," Joint Center for Poverty Research, Northwestern University and University of Chicago, working paper.

[29] See the discussion in Lawrence Katz, "Technological Change, Computerization, and the Wage Structure." Harvard University and NBER, September 1999.

[30] Claudia Goldin and Lawrence Katz, "The Returns to Skill in the United States Across the Twentieth Century." *NBER Working Paper No. W7126* May 1999.

The question we face today is whether policy can help spur a wave of technology literate workers who can meet the demands of the information economy with broadly shared gains in income. The challenge is significant. Households with incomes over $75,000 are 20 times more likely to be connected to the Internet than the poorest families and nine time more likely to have a computer. Black and Hispanic families are less than 40 percent as likely as white families to access to the Internet at home.[31]

The President and the Vice President deserve significant credit for seizing on this issue at an early stage. Under their leadership, investment in educational technology has risen by more than 3,000 percent – from $23 million to $698 million through our new Technology Literacy Challenge initiative which asks each state to create a plan to close the digital divide. The E-Rate provides $2.25 billion in discounts to community schools and libraries that want to connect to the Internet – where poorer schools are eligible for 90 percent discounts. Through our technology literacy initiative and E-Rate, nearly $3 billion a year is now being spent to bring technology literacy to all Americans.

This year we are fighting – so far unsuccessfully – to fully fund our next steps and to ensure middle schools have teachers trained in technology and to expand dramatically our Community Technology Centers – to bring computer learning to the places in our poorest neighborhoods most likely to serve disadvantaged young people.

Investing in Children From Birth

Everything we know about the importance of learning and everything we know about the exceptionally high poverty rates for African-American and Hispanic children, and everything we believe about the value of a fair start in life, compels us to focus attention on the education and health of a child from the earliest possible time. That's why even in the toughest budget fights, the President has always insisted on budget increases in WIC and Head Start.

As Mrs. Clinton emphasized in her 1997 White House conference on early childhood development, pre-school that begins at age 4 may be too late for America's children. Scientists have determined that the human brain achieves approximately 90 percent of its total growth by age 3.[32] And the data demonstrates that experiences in a baby's earliest months help determine a person's physical and mental health, and ability to learn over a lifetime.

To do this, we have not only expanded Head Start and set a goal of reaching one million participants by 2002 – participation is now at 833,000 – but also created Early Head Start in 1994 to provide comprehensive early childhood development services for 0-3 year olds.

[31] NTIA, "Falling Through the Net: Defining the Digital Divide", July 1999.
[32] Rand Foundation, "Investing in Our Children, What We Know and Don't Know About the Costs and Benefits of Early Childhood Interventions." 1998.

And we've also proposed the creation of a $3 billion Early Learning Fund that would boost community efforts to improve child care for the youngest children through home visitation (where a nurse or trained professional comes in to counsel new parents about development and health issues), parent counseling, efforts to help parents find child care, and a variety of other activities focused on early childhood.

Inspiring Disadvantaged Youths to Go to College and Enabling Them To Finish

We are clearly proud of the efforts we have made through the Direct Student Loan programs, our income contingent loan repayment plans, national service, HOPE Scholarships, increases in Pell Grants, and the many other initiatives led by Secretary Riley to open the doors of college to all young and older Americans. This is no doubt a wise public policy investment when we consider that each year that a person from a disadvantaged background goes to college, he or she increase his or her projected lifetime earning by 8 to 15 percent.[33]

Yet, if we are serious about the importance of a college education, we need to do more in two often-neglected areas, the time *before* entry to college and the time *after*. First, although more students are going to college, there are still many from disadvantaged backgrounds that lack the hope, expectations and incentives to choose college over dropping out. But getting students to enroll in college is only the first step. The second often-neglected challenge is keeping them there, reversing the trend toward greater college enrollment being accompanied by lower college completions.[34]

Mentoring Programs, GEAR-UP, and Preventing Children from Dropping Out

We have too often failed to focus on encouraging adolescents to stay in school and go to college. While excellent programs like TRIO do exist, when one considers the differential between the difficulty of getting dropouts back on track – and the disturbingly high Hispanic drop out rate – and the benefits of higher education, this is an area that deserves considerably more attention from public policy makers.

In seeking to get dropouts back on track it is important to reject the congressional impulse to thinly distribute funds geographically. Instead we have focused on providing concentrated benefits so that enough opportunities are offered in particular neighborhoods so that a dropout who says no to the streets will face some critical mass of peer support instead of ridicule and ostracism for doing the right thing.[35] Our new $250 million Youth Opportunities Act – which Sec. Herman calls the "YO" program – follows that research by concentrating its benefits in 25-30 communities to help 58,000 disadvantaged youth between 14-21 years old. The fact that this has been zeroed out in

[33] David Card, "Earnings, Schooling, and Ability Revisited." Princeton University, Industrial Relations Section Working Paper No. 311, May 1994.

[34] Caroline Hoxby, "Tax Incentives for Higher Education." *Tax Policy and the Economy 12* 1998 MIT Press: Cambridge.

[35] For the importance of these effects, see Anne Case and Lawrence Katz, "The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youths." *National Bureau of Economic Research Working Paper 3705*, May 1991.

the House Republican budget is one more reason that overall fiscal policy is not sufficient.

Although the YO program is smart and well-designed, there is also no question that getting young people back on track after they have dropped out has historically been one of the most difficult public policy tasks.

The best approach – confirmed by both research and common sense – is to reach disadvantaged youth at a young age, to provide continuity through one-on-one mentors and role-models, and most of all, to encourage the expectation that they will finish high school and go to college.[36] One striking example comes from a recent study by Public/Private Ventures of Big Brother/Big Sister programs. The results, based on a scientific random experiment, are striking. Children in Little Brother / Little Sister programs were 46 percent less likely to start abusing drugs, 27 percent less likely to start abusing alcohol, 52 percent less likely to skip a day of school, and 37 percent less likely to lie to a parent.[37]

Perhaps even more striking is the success of the Quantum Opportunities Program, a comprehensive program that works with disadvantaged youths from ninth grade through twelfth grade, providing depth of service, continuity, and a sense of community. One study found that students in this program, compared to youths that were not, were more likely to graduate from high school (63 percent versus 42 percent), more likely to attend a four-year college (18 percent versus 5 percent), and less likely to become teen parents (24 percent versus 38 percent).[38]

Eugene Lang's "I Have A Dream" program reaches out to disadvantaged youth at a young age with the promise of college while challenging private sector individuals to play the role of mentors and role models. In city after city, when the overwhelming majority of young people in this program graduate from high school despite the fact that they live in neighborhoods where the overwhelming majority of their peers drop out.[39]

Last year, using these programs and research as models and inspiration, the President proposed and signed the new GEAR-UP initiative. GEAR-UP asks colleges to

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[36] For an overview of the research emphasizing these themes see Lawrence Katz, "Active Labor Market Policies to Expand Employment and Opportunity." In *Reducing Unemployment: Current Issues and Policy Options*, Proceedings of a Symposium of the Federal Reserve Bank of Kansas City, August, 1994.

[37] Joseph Tierney and Jean Baldwin Grossman, with Nancy Resch, "Making a Difference: an Impact Study of Big Brothers / Big Sisters." A report by Public/Private Ventures, November 1995.

[38] Andrew Hahn, with Tom Leavitt and Paul Aaron, "Evaluation of the Quantum Opportunities Program (QOP): Did the Program Work?" Brandeis University, June 1994.

[39] Arthur Levine, the President of Teachers College, Columbia University, writes, "The results of Lang's efforts were astounding. Ten years after he first made his promise, 90 percent of P.S. 121 sixth-graders had graduated from high school or obtained a GED degree. (The original estimate, based on prior history, was that at least 75 percent of the students would drop out of school.)" In Arthur Levine and Jana Nidiffer, *Beating the Odds: How the Poor Get into College*, 1996, Jossey-Bass Publishers, San Francisco. For documentation of how the "I Have a Dream" program has improved educational outcomes, see Robert McGrath and Judy Hayman, "The Paterson New Jersey, I Have a Dream Program: Academic Performance and Outcomes." 1999, Fairleigh Dickinson University, Teaneck, New Jersey.

work with non-profits to adopt classes of middle school students from nearby disadvantaged schools and stay with these classes through the end of high school, providing information about college, one-on-one mentoring with college students or local professionals. Most of all, GEAR-UP gives many young people the gift that many of us were lucky enough to have automatically: the strong and sustained expectation that whatever the temptations of adolescence are to go off track, we would graduate and go to college. The Ford Foundation has highly praised this new initiative and is working with the first partnerships. One of the best things we can do is invest in this type of initiative, a program that gives hope and high expectations to disadvantaged young people. While several Republicans, including Congressman Mark Souder and Senator Jeffords, joined the White House and Congressman Chaka Fattah in helping to pass this legislation, it was eliminated in the bill voted out of the House Subcommittee on Labor, Health, and Human Services. This happened even as the Administration seeks to increase its funding to help meet the overload of demand expressed in the first competition.

America's Quiet Crisis: Enabling People to Finish College

Although there has been great and deserved focus on getting disadvantaged and minority young people into college, too little attention has been paid to ensure that those young people who enter college – either two- or four-year institutions – stay there. Although the college completion rate has been falling, this quiet crisis has yet to receive the attention that it merits.

Although America has the highest college enrollment rate in the world, its college completion rate is toward the bottom of OECD countries.[40] Roughly one-third of community college students drop out by the end of the first semester – and about one-half leave within the first year. Among four-year students, attrition is highest in the first two years. This problem is particularly acute in certain minority communities. Although Hispanic high school graduates are as likely to attend college as whites, their college completion rates are much lower.[41] 29 percent of African Americans and 31 percent of Hispanics drop out of college after less than one year, compared to 18 percent of whites. 48 percent of African Americans and 50 percent of Hispanics drop out by the end of the first year. And only 11 percent of African Americans and 10 percent of Hispanics finish college, as compared to 24 percent of whites.[42]

This quiet crisis in college education needs more attention from all of us. We need to make it a priority. We need to carefully analyze issues related to college aid, support services, as well as programs around the country that provide intensive summer programs or pre-college education boot camps, to help low-income and minority high school students enter college ready to succeed.

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[40] Organization for Economic Cooperation and Development, *Education at a Glance: OECD Indicators 1998*, OECD: Paris, 1998.

[41] See Philip Ganderton and Richard Santos, "Hispanic College Attendance and Completion: Evidence from the High School and Beyond Surveys." *Economics of Education Review* 14(1), 1995.

[42] U.S. Department of Education, "Trends in Postsecondary Credit Production, 1972 and 1980 High School Graduates." National Center for Education Statistics, June 1990.

Reducing Widow Poverty

While policy makers often celebrate the dramatic reduction in elderly poverty, particularly since the creation and expansion of Medicare, the recent policy debate on Social Security has opened the eyes of many Americans to the fact that within those low elderly poverty rates lie very different circumstances for different portions of the elderly population. While married elderly women for example have extremely low poverty rates of less than 5 percent, the poverty rates for elderly widowed women who often live alone is at a disturbingly high rate of 18 percent.[43]

One of the important reasons for addressing Social Security reform sooner rather than later is not only the opportunity to extend solvency for most of the 21st century, but also to address the flaws in the Social Security system that are certainly contributing to this unacceptable high poverty rate for elderly women living alone.

There are several ideas for how best to address this including proposals to increase the percentage of Social Security benefits that a widow is eligible for after her husband passes away. On a related issue, experts who are examining whether or not the measure of the poverty rate should be altered, have become increasingly concerned that the current poverty rate formula does not adequately account for the huge degree of out-of-pocket health costs that many elderly Americans pay for. If a new standard is devised, the adjustment for the poverty of single elderly women could be even higher, showing again further evidence that comprehensive Medicare and Social Security reform addressing both solvency and poverty-related issues should remain a top priority for Congress and this Administration.

Closing Wealth Inequality Through Universal Savings

Before closing, I want to briefly move from the issue of income and wage inequality to wealth inequality. The gap between the wealth of the rich and poor, like the income gap, is very large. The wealthiest 6 percent of the population have almost half of all of the assets. The typical white (non-Hispanic) family has $73,900 in financial assets, while the typical African American or Hispanic family has only $16,500.[44]

Perhaps even larger is the gap between those who participate in financial markets and save for retirement and those who do not. According to the Department of the Treasury, 73 million Americans, workers and their spouses, are not covered by any employer-sponsored retirement plan. According to Census data, only 10 percent of the bottom 40 percent of households had IRAs or Keoghs in 1993. Glenn Loury has pointed

[43] National Economic Council, Interagency Working Group on Social Security, "Women and Retirement Security." October 1998.

[44] Based on the Survey of Consumer Finances as discussed in Arthur Kennickell, Martha Starr-McCluer, and Annika Sundén, "Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin*, Vol. 83, January 1997.

out that only 14 percent of African Americans owned mutual funds in 1994, compared to 41 percent for the population as a whole.[45]

This financial participation gap has been felt especially strongly over the last decade, and particularly over the last several years, as Americans who were fortunate enough to have savings they could invest in the stock market, through tax preferred IRAs or employer provided pensions have experienced a significant increase in their wealth and retirement security. Those without the savings to invest in the market have certainly been left behind.

In our tax system we today give significant incentives – exclusions from taxable income – to employer provided pension, IRAs and 401ks in order to encourage Americans to save. Our choice to provide incentives for such savings is clearly based on the public policy determination that we benefit as a nation when our savings rate is higher and when individuals take more responsibility for their retirement security. Yet the unfortunate irony is that by designing such incentives only in the form of tax deductions and income exclusions, we leave out the very Americans who have the lowest income and the hardest time saving because their income is almost entirely consumed by the basic necessities of life.

By what possible public policy rationale do we justify the fact that less than 10 percent of tax incentives for savings and retirement go to families making under $50,000?[46] For the large number of families in the bottom two quintiles that pay little income tax, such incentives are an empty offer. Most cannot afford to save virtually anything; many owe no income taxes because of their low income and even those who can save a little get only 15 cents to the dollar as an incentive – far below what is offered to those in the upper-income brackets. If we are serious about closing the wealth inequality gap, if we are serious about encouraging more low-income Americans to save for their retirement to participate in the process of investment, wealth creation and the wonders of compound returns, then we need to find new proposals that will let all Americans participate in savings and wealth creation.

The President's Universal Savings Accounts (USAs) seek to do just this. These accounts would give an automatic tax credit to low- and moderate-income working families so that those families would have an individual savings account and then they would provide matching returns to encourage Americans to contribute their own savings as well. Whether or not the USA account is the only way to achieve this goal, I believe that these are the type of savings and wealth creation incentives that must be provided for all Americans – even those at the lowest income bracket – if we are to close the wealth inequality gap in the future.

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[45] Glenn Loury, "Opting Out of the Boom: Why More Blacks Don't Invest." *New York Times* June 7, 1998.

[46] Department of Treasury.

VIII. CONCLUSION

I have tried today to marshal evidence to demonstrate that public policy efforts to reduce poverty and increase economic opportunity have significant cost-benefit savings for our society and are consistent with a pro-growth economic strategy. Yet I would be being less than straight-forward if I suggested that I believe that the justification for our anti-poverty and economic opportunity efforts rest solely on efficiency or economic growth.

We are a country that not only tolerates, but truly celebrates the wealth and riches any American can fairly earn by virtue of their hard work, skill, innovation, entrepreneurship, or even dumb luck. The core of our strong belief in our unique American value of free enterprise is the specific American value that any one person can rise by virtue of their individual talent and efforts.

And while there will always be the rare individual who will rise from the cruelest of situations, there are too many neighborhoods, too many streets, too many families where a child born today faces overwhelming obstacles. When the accident of birth and not the content of one's efforts and God-given talents becomes the best indicator of too many children's life opportunities, it strikes at the heart of our belief system.

When more than one-third of all African-American and Hispanic children are born into poverty, when a single street in a single city marks a divide between children born into a home with computerized Pokemon games and children born into homes with inferior nutrition, low educational aspirations, and neighborhoods with failing schools and crime-filled streets, we fail to live up to the values and aspirations we hold dear. Yet every dedicated mentor, every successful pre-school program, every excellent teacher, every creative after-school program, every additional college grant can make our ideals a little more real for each child touched by such an opportunity who chooses to accept the responsibility to take advantage of it. Beneath the big picture politics, the headline soundbites, and the defining issues for the next election, are a multitude of below-the-screen budgetary decisions that each by themselves will determine whether another 10,000 or 100,000 or even million young people will get such an opportunity. Shame on all of us if we ever forget that.

TABLE 1 POVERTY RATES FOR SELECTED GROUPS				
	1993	1998	Percent Change	1998 Is the Lowest Since
All Persons	15.1	12.7	-15.9%	1979
Black	33.1	26.1	-21.1%	Record
Hispanic	30.6	25.6	-16.3%	1979
Children	22.7	18.9	-16.7%	1980
Black children	46.1	36.7	-20.4%	Record
Hispanic children	40.9	34.4	-15.9%	Record
Single mothers	46.1	38.7	-16.1%	Record
Black single mothers	57.7	47.5	-17.7%	Record
Hispanic single mothers	60.5	52.2	-13.7%	Record
Elderly	12.2	10.5	-13.9%	Record

(Note: the poverty threshold for a family of four is $16,660)

TABLE 2 NUMBER OF PEOPLE IN POVERTY FOR SELECTED GROUPS (thousands)			
	1993	1998	Change
All Persons	39,265	34,476	-4,789
Black	10,877	9,091	-1,786
Hispanic	8,126	8,070	-56
Children	15,727	13,467	-2,260
Black children	5,125	4,151	-974
Hispanic children	3,873	3,837	-36
Single mothers	4,424	3,831	-593
Black single mothers	1,780	1,397	-383
Hispanic single mothers	706	707	+1*
Elderly	3,755	3,386	-369

Note: This population grew 16.1 percent between 1993 and 1998.

TABLE 3			
CHANGE IN INCOME			
	1993	1998	Increase
All families	41,691	46,737	+5,046
Black families	24,300	29,404	+5,104
Hispanic families	26,682	29,608	+2,926
Married couple	25,816	28,330	+2,514
Single female	43,256	46,637	+3,381

TABLE 4					
INCOME GROWTH FROM 1981-1998					
	1981	1993	1998	1981-93	1993-98
All families	40,502	41,691	46,737	2.9%	12.1%
Black families	24,000	24,300	29,404	1.3%	21.0%
Hispanic families	29,671	26,682	29,608	-10.1%	11.0%
Bottom quintile	8,749	8,361	9,223	-4.4%	10.3%
Second quintile	20,966	21,044	23,288	0.4%	10.7%
Third quintile	34,628	35,276	38,967	1.9%	10.5%
Fourth quintile	51,581	54,821	60,266	6.3%	9.9%
Top quintile	90,350	114,216	127,529	26.4%	11.7%

TABLE 5				
GROWTH IN SELECTED POVERTY-REDUCTION PROGRAMS (In millions of dollars)				
	FY 1993	FY 1999	Growth 1993-99	Increase 1993-99
Head Start	2,776	4,660	+68%	+1,884
WIC	2,928	3,924	+34%	+996
EITC (calendar year estimates)	15,537	31,855	+105%	+16,318
Dislocated Worker Funding	517	1,406	+172%	+889
Job Corps	966	1,309	+36%	+343
Pell Grants Max. Award*	$2,300	$3,125	+36%	+$825

* Dollars per person.

TABLE 6						
POVERTY WITH AND WITHOUT THE EITC						
	POVERTY RATE			PEOPLE IN POVERTY (thousands)		
	w/o EITC	w/ EITC	Lifted Out	w/o EITC	w/ EITC	Lifted Out
1992	16.2	15.2	1.0	41,561	38,995	2,565
1993	16.3	15.5	0.8	42,262	40,188	2,074
1994	15.8	14.6	1.2	41,335	38,196	3,139
1995	14.8	13.4	1.4	39,032	35,340	3,692
1996	14.9	13.3	1.6	39,666	35,407	4,259
1997	14.3	12.7	1.6	38,393	34,097	4,296
1998	13.6	12.0	1.6	36,864	32,527	4,337

Note: poverty without the EITC is Census definition 1a and with the EITC is Census definition 1b

TABLE 7						
POVERTY WITH AND WITHOUT THE EITC IN 1998						
	POVERTY RATE			PEOPLE IN POVERTY (thousands)		
	w/o EITC	w/ EITC	Lifted Out	w/o EITC	w/ EITC	Lifted Out
Americans	13.6	12.0	1.6	36,864	32,527	4,337
Black	27.6	24.5	3.1	9,626	8,545	1,081
Hispanic	27.4	23.6	3.8	8,635	7,438	1,198
Children	20.2	17.0	3.2	14,410	12,127	2,283
Black children	38.5	32.9	5.6	4,357	3,723	634
Hispanic Children	36.6	30.9	5.7	4,082	3,446	636
Single mom	43.2	36.7	6.5	12,614	10,716	1,898

Note: poverty without the EITC is Census definition 1a and with the EITC is Census definition 1b.

APPENDIX 1 – THE CLINTON ADMINISTRATION'S CONTRIBUTION TO POLICIES TO HELP PEOPLE LIFT THEMSELVES OUT OF POVERTY

1. REWARDING WORK

Expanded EITC to Put Money Back in Working Families' Pockets

- The EITC helps working families supplement their earnings through tax credits. In President Clinton's 1993 Economic Plan, EITC was expanded to make work pay for 15 million working families.

- In 1998, the EITC lifted 4.3 million Americans out of poverty – more than twice as many as in 1993. The average family received an EITC credit of $1,890.

Minimum Wage Hike Increased Pay By $1,800 for Full-time Workers

- In 1996, the President and Vice President fought for and won a minimum wage increase from $4.25 to $5.15 per hour for nearly 10 million workers.

- Now, the President is fighting for another minimum wage increase – $1 over two years – to make work pay for 11.4 million workers and help ensure that parents who work hard and play by the rules can raise their children out of poverty.

Provided Health Care to Low-Income Working Families

- The President has successfully fought to increase low-income families' access to health care by allowing states to expand Medicaid to cover low-income two-parent families who work and working with states to ensure that uninsured families receive Medicaid when eligible.

Enacted Single Largest Investment in Health Care for Children since 1965

- The President, with bipartisan support from the Congress, created the Children's Health Insurance Program (CHIP). The Balanced Budget Act of 1997 allocated $24 billion over five years to provide affordable health insurance to children in families with incomes too high to qualify for Medicaid but too low to purchase private insurance through State-designed programs.

- On September 8, 1999, President Clinton announced that all 50 states and every territory are participating in this new program, bringing us closer to our goal of providing insurance for up to 5 million children through a combination of Medicaid and CHIP.

Improved Access to Affordable and Quality Child Care

- Under the Clinton-Gore Administration, federal funding for child care has increased by 80 percent, helping parents pay for the care of about 1.25 million children.

- The 1996 welfare reform law increased child care funding by $4 billion over six years to provide child care assistance to families moving from welfare to work. Last year,

the President succeeded in securing $140 million in new funds for after-school care and $173 million for child care quality activities.

Initiated $3 Billion Welfare-to-Work Initiative

- The Clinton-Gore Administration fought for a $3 billion Welfare-to-Work initiative as part of the 1997 Balanced Budget Agreement.

- During FY 1998 and FY 1999, nearly $2.7 billion in grants have been awarded to states, local communities, and tribes across the nation to help long-term welfare recipients, and certain low-income fathers, work and support their families.

- Funds are targeted at individuals and communities facing the greatest challenges. To date, these resources are helping nearly 100,000 individuals to get or keep a job.

Helping People Get to Work

- With the Administration's leadership, the Transportation Equity Act for the 21st Century (TEA-21) authorized $750 million over five years for the President's Job Access initiative and reverse commute grants.

- The Omnibus Budget Act included $75 million for this program in FY 1999, and in May, Vice President Gore awarded grants to 179 communities in 42 states around the country to assist states and localities to develop flexible transportation alternatives for welfare recipients and other low-income workers.

Welfare-to-Work Housing Vouchers

- In 1999, the President proposed and Congress approved $283 million for 50,000 new housing vouchers for current and former welfare recipients who need housing assistance to get or keep a job.

- Families will use these welfare-to-work housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing that will help eliminate emergencies which keep them from getting to work every day on time.

Helping People Who Want to Work but Can't Find a Job

- Acknowledging that finding a job often takes time, the Balanced Budget Act of 1997 provided funds for work slots and food stamp benefits to help those who are willing to work, but through no fault of their own, have not yet found employment.

Passage of Welfare-to-Work Tax Credit and Work Opportunity Tax Credit

- The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent of the first $10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients.

- This credit complements the Work Opportunity Tax Credit, which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities.

- In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

2. Supporting Hard-Pressed Working Families

Introduced $500 Per-Child Tax Credit, Benefiting 13 Million Children from Low-income Families

- 27 million families with 45 million children are receiving the $500 per-child tax credit included in the 1997 Balanced Budget Agreement.

- As a result of the President's efforts, 13 million children from families receiving the EITC will also benefit from the $500 child tax credit.

Increased WIC by $1 Billion

- Under President Clinton, participation in WIC has expanded by 1.7 million – from 5.7 million in 1993 to 7.4 million women, infants, and children in 1999. Funding has risen from $2.9 billion to $3.9 billion.

Helping Working Families to Buy Food

- In July 1999, the President took executive actions to help ensure working families who need Food Stamps have access. These steps include:
  - ✔ new policy guidance making it easier for working families to own a car and still receive food stamps
  - ✔ new regulations simplifying rules so that families do not have to report income as often and states won't be penalized for small errors in projecting families' future earnings
  - ✔ a new public education campaign to educate working families about food stamps

Established of Individual Development Accounts (IDAs)

- In 1992, the President proposed to establish IDAs to empower low-income families to save for a first home, post-secondary education, or to start a new business. The 1996 welfare reform law authorized the use of welfare block grants to create IDAs.

- Last year, the President signed legislation creating a five-year IDA demonstration program for low-income households. The first 40 grants announced in September will match the savings of 10,000 working families.

Providing Community Resources

- Community Development Block Grant (CDBG) funds activities such as economic and neighborhood revitalization, job creation, public services, community development and renewal of distressed communities.

- In 1999, CDBG funds assisted nearly 200,000 households in up to 900 communities around the country that are eligible for CDBG funding.

3. Investments in Education: From Head Start to Gear-Up to Pell Grants

Expanded Head Start By Nearly 70 Percent

- Since 1993, President Clinton and Congressional Democrats have expanded Head Start by 57 percent, from nearly $2.8 billion in FY 1993 to nearly $4.7 billion in FY 1999.

- The program now serves an estimated 835,000 children, reaching more kids than at any time since its creation in 1965 and more than 200,000 additional children than in 1992.

Launched the Reading Excellence Program

- Two years ago, President Clinton launched the America Reads Challenge, a multi-faceted effort to help states and communities ensure that all children can read well and independently by the end of the third grade.

- The program received $260 million in FY 1999 and another $286 million has been requested in FY 2000 to allow the program to continue. The funds help to train reading tutors and coordinate after-school, weekend and summer reading programs linked to in-school instruction. In addition, over 1,000 colleges have pledged to use federally-financed work-study positions for tutoring programs.

Helping Students Most in Need

- Title I funds provide over $8 billion to help 11 million low-income students benefit from higher expectations and a challenging curriculum geared to higher standards.

Strong Investments in Educational Technology

- The Clinton-Gore Administration has made strong investments in educational technology. Funding for education technology at the Department of Education has increased from $23 million (FY 1993) to $698 million (FY 1999) to $801 million (FY 2000 request).

- States and local communities are given a great deal of flexibility in how they use the money for computers, teacher training and software -- but they are required to develop a plan for ensuring equity.

- The "E-rate" provides $2.25 billion in discounts to connect schools and libraries to the Internet. Discounts are 90 percent for the poorest schools that need it most, and 20 percent for the wealthiest schools. E-rate was a critical part of the Telecommunications Act of 1996, which the President signed into law.

Providing Safe After-School Opportunities

- Under the Clinton-Gore Administration, the 21st Century Community Learning Centers program has been expanded to provide safe and academically enriching after-school opportunities for nearly 400,000 school-age children in rural and urban communities each year.

- In his FY 2000 budget, the President proposes to triple funding to $600 million, reaching 1.1 million students.

Creation of Youth Opportunity Grants

- President Clinton proposed the $1.25 billion Youth Opportunities Grants program, a five year grants initiative that was authorized as part of the 1998 Workforce Investment Act. This program focuses primarily on out-of-school youths. The program provides them with job training and has a strong emphasis on mainstreaming youth into the private sector, both in terms of immediate job placement and work-based learning opportunities to increase long-term employment prospects.

- The Youth Opportunities program will receive $250 million this fall and will make a significant attack on concentrated poverty and unemployment. This initiative represents a strong investment in Empowerment Zones and Communities and other urban and rural areas that are considered high-poverty areas.

- The main goal of the program is to increase employment in the private sector, increase college enrollment and decrease dropout rates.

Creation of the GEAR-UP Initiative

- Under the Clinton-Gore Administration, the new mentoring initiative GEAR-UP was created to better prepare up to an estimated 260,000 low-income middle school children for entrance to and success in higher education.

- GEAR UP grants will fund partnerships involving more than 1,000 organizations, such as the YMCA, Boys and Girls Clubs, 4-H programs, Salvation Army, libraries, arts organizations, local chambers of commerce, and individual companies such as Wal-Mart, Unisys, Hewlett-Packard, Bell Atlantic, and the New York Times Newspaper in Education Program.

- In August 1999, $120 million in grants were awarded to 164 partnerships and 21 grants to states (for statewide program).

Assisting Migrant Children and Families

- Migrant families face difficult obstacles to gaining the education and training they may need to improve their standard of living. President Clinton improved the Migrant Education Program in the 1994 reauthorization, and won a 16 percent increase in FY 1999.

Expanding Pell Grants

- President Clinton and the Congressional Democrats have increased the Pell Grant maximum grant amount from $2,300 in FY 1993 to $3,215 in 1999. In 1999, nearly 4 million students will receive a Pell Grant of up to $3,125, the largest maximum award ever.

4. Helping to Bring Private Enterprise and Capital to Distressed Areas

Expanding Microenterprise Lending and Technical Assistance

- Microenterprise development programs provide access to capital, other financial services, and training to those traditionally bypassed by the mainstream financial sector, such as the poor women, minorities and those in economically distressed areas.

- President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over $75 million in new microlending.

- The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.

Created the Community Development Financial Institutions (CDFI) Fund

- In 1994, President Clinton proposed and signed into law the CDFI Fund. Through grants, loans, and equity investments, the Fund has created a network of approximately 270 CDFIs in distressed areas across the nation. CDFI activities leverage investments from banks, foundations, and other sources.

- Since the Fund's creation, it has made more than $190 million in awards to community development institutions and financial institutions. This investment is expected to leverage three to four times the amount of the investments in total capital raised for CDFIs over the next few years. In FY 1999, funding for the CDFI Fund was increased 19 percent to $95 million.

Strengthened and Simplified the Community Reinvestment Act (CRA)

- In April 1995, the Clinton-Gore Administration reformed the CRA regulations to emphasize performance.

- According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than $1 trillion going forward in loans to distressed communities – and more than 95 percent of these financial commitments have been made since 1992.

- Banks made $18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.

135 Empowerment Zones and Enterprise Communities

- After pushing to have Empowerment Zones (EZs) and Enterprise Communities (ECs) passed into law, the Clinton-Gore Administration has designated 135 urban and rural EZs and ECs across the country. The First Round EZ/EC initiative, which included 105 EZs/ECs, was proposed by President Clinton and passed by Congress in 1993. The Second Round of 30 EZs/ECs was also proposed by the President, and in FY 1999 the President and Congress provided first-year funding for the new EZs and ECs.

- Designated communities were chosen on the basis of their strategic revitalization plans, and receive special incentives and resources to help carry out their plans. The EZ/EC initiative has already leveraged over $10 billion in additional public and private sector investment in community revitalization efforts.

The Economic Development Initiative (EDI) and Section 108 Loan Guarantee

- EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities.

- Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded $3.5 billion for more than 650 separate project commitments.

Cleaning Up the Urban Environment through Brownfields Redevelopment

- The Clinton-Gore Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites.

- In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between $5 billion and $28 billion in private investment and creating and supporting 196,000 jobs.

APPENDIX 2 – THE 1997 BALANCED BUDGET AGREEMENT ALLOCATED MORE THAN $70 BILLION FOR FAMILIES EARNING LESS THAN $30,000

$18.5 Billion – Child Tax Credit for those Earning Less than $30,000

- As a result of the President's efforts, 13 million children from families receiving the EITC will also benefit from the $500 child tax credit.

$24 Billion – Children's Health Insurance

- The President insisted on increasing the investment for children's health from $16 billion to $24 billion. Because of the President's leadership, this budget contained the largest investment in children's health insurance since the enactment of Medicaid in 1965.

$1.5 Billion – To Help Pay Premiums for Low-income Medicare beneficiaries

- The Balanced Budget Act of 1997 established a "Qualified Individual" program to help Medicare beneficiaries with incomes up to 175 percent of poverty pay their premiums.

$12 Billion – To Restore Benefits to Immigrants

- The President restored disability and health benefits for 350,000 legal immigrants who are currently receiving assistance or become disabled, ensuring that they will not be turned out of their homes, nursing facilities or become otherwise helpless.

$1.5 Billion – Food Stamps For Adults Looking For Work But Have Not Found Jobs

- The Balanced Budget Act of 1997 provided assistance through food stamps to help adults who want to work but have not yet found jobs.

$3 Billion – Welfare to Work Programs

- The President created a proposal that established a $3 billion Welfare to Work Jobs Challenge to move long-term welfare recipients into lasting jobs through a range of means including job placement efforts and wage subsidies for private employers.

$7 Billion (at least) – Largest Pell Grant increase in two decades

- Congress adopted President Clinton's proposal to increase the maximum Pell Grant to $3,000 – *the largest increase in two decades*. Approximately 3.7 million students have received the $300 increase, and an additional 220,000 low- and moderate-income families that were not previously eligible received Pell Grants.

$3 Billion (at least) – Tax Incentives to Revitalize Our Nation's Distressed Urban Areas

- A new tax cut to help clean up and redevelop Brownfields, with a three year cost of $1.5 billion expected to leverage more than $6 billion for private sector cleanups nationwide.

- The budget also provided $1.65 billion for a second round of Empowerment Zones – 15 urban and 5 rural.

APPENDIX 3 – THE CLINTON ADMINISTRATION'S NEW INITIATIVES TO HELP PEOPLE LIFT THEMSELVES OUT OF POVERTY

- Technology Literacy Program
- GEAR-UP Initiative
- Reading Excellence Program
- Youth Opportunity Grants
- Community Development Financial Institutions Fund (CDFI)
- Strengthened and Simplified the Community Reinvestment Act (CRA)
- Empowerment Zones (EZs) and Enterprise Communities (ECs)
- Economic Development Initiative (EDI) and Section 108 Loan Guarantee
- Brownfields Tax Incentive
- $500 Per-Child Tax Credit
- Children's Health Insurance Program (CHIP)
- Established of Individual Development Accounts (IDAs)
- Welfare-to-Work Initiative
- Passage of Welfare-to-Work Tax Credit and Work Opportunity Tax Credit
- Welfare-to-Work Housing Vouchers

POVERTY

Andrea Kane 10/26/98 12:10:42 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Jeanne Lambrew/OPD/EOP

cc:

Subject: Poverty Measures

Gene is likely to talk to Bruce and Jack Lew about several pending issues related to the Census Poverty Measures. I've sent over by red dot copies of the latest draft memo to principals (dated 8/25) that Gene just reviewed with NEC staff, a 10/22 summary from OMB of more alternative measures they'd like Census to include, and a draft outline of Census' report (though this appears to have changed a bit). Here's where things stand: attached

Back in late July, the major unresolved issue was whether Census should produce some unbenchmarked measures along with benchmarked measures. At our last meeting on this (7/20, which I think Elena attended), we also discussed whether staff were comfortable with what we thought was Census' plan to highlight only 3-4 measures and consensus was this should go to principals too. Though there was talk of doing a principal's meeting on these issues (hence draft memo), it got overtaken by events. NEC staff were waiting to discuss the issues, and the memo, with Gene and that finally happened this weekend. Gene doesn't think there's a need for a big meeting on this -- instead he plans to talk to Bruce and Jack "sooner rather than later".

Benchmarking

Census was, and still is, inclined to only publish benchmarked measures (so any alternative povery rates would equal the official 1997 rate in aggregate, though rates for difference groups might change). Bruce, this was your preference anyway, but the memo lays out lots of pros and cons. It's my understanding is Gene hasn't taken a firm position on this but is generally sympathetic to keeping our options open.

Number of measures

As the draft memo and the OMB summary indicate, Census is planning to highlight 3-4 "combination" measures. An earlier chapter of their proposed report will deal with a broader range of issues (such as geographic variation and housing), but Census would then pick several combinations of these variables to highlight. OMB feels very strongly that Census should publish every permutation and combination, otherwise it will appear that decisions have already been made about which direction the Administration is heading. NEC also believes Census should highlight more measures (though maybe around 8 rather than 12). Earlier, we had thought Census would provide more info on the broader set of alternatives before highlighting the 3-4. It now appears that they will only provide minimal information about the broader set.

It's my understanding that the product Census plans to publish in March is a report, not a notice in the federal register for comment. However the research and academic community is eagerly awaiting this report and U. of WI has already scheduled a big conference on it for April. The report is not an official indication of how the government intends to change the poverty measure; rather it is more like a response to the NAS/NRC recommendation with a range of alternatives. Nevertheless, there's considerable concern from NEC and OMB about avoiding any perception of political influence and a feeling that if Census only highlights a narrow range of options, it will appear that either there was influence, decisions had already been made about some issues, or it might be harder to go back and pick up other options later.

If there is a decision to suggest to Census that they highlight more measures, both OMB and NEC would argue that some of these should not be benchmarked.

I don't have a substantive problem with having more measures highlighted -- this could diffuse the reaction to any one alternative measure, and make it more technical/less political. However, from a process standpoint, telling Census to publish more measures may risk some of the same concern about meddling. If we do nothing, Census will likely highlight 3-4 benchmarked measures. I'd be glad to discuss if that would be helpful.

August 25, 1998

DRAFT MEMORANDUM FOR EOP PRINCIPALS

FROM: ???

SUBJECT: RECOMMENDATIONS TO THE CENSUS BUREAU ON THE NRC-BASED INCOME AND POVERTY MEASURES

As discussed at the last EOP Principals meeting, in early 1999 the Census Bureau will publish an analysis of alternative measures of poverty based on the proposals contained in the 1995 National Research Council (NRC) report, *Measuring Poverty: A New Approach.* The purpose of this report is to analyze the effects of the individual recommendations made by the NRC panel, explain data issues, and highlight areas for future research. Because OMB is the statutory arbiter of the "official" poverty measurement methodology, the Census Bureau has asked for advice on the proposed alternative measures to be highlighted (among many that will be published as part of the analysis).

Currently, to illustrate how the individual NRC recommendations would fit together, the Census Bureau plans to highlight 3-4 "combination" poverty estimates, all of which would be benchmarked to a recent (likely 1997) poverty rate. (Note, however, that non-benchmarked estimates will appear in the analysis portion of the report.) We believe they intend to highlight only benchmarked estimates in order to emphasize the differences between the NRC and current methodologies for measuring poverty, [and possibly because they believe that benchmarked estimates would be more politically feasible.] They plan to highlight only 3-4 estimates in order to analyze the effects of combining several of the NRC recommendations into a single measure.

(1) There are two issues that warrant consideration. The first is whether we want to advise Census to highlight a few series that are not benchmarked, to advise that only benchmarked estimates be highlighted, or simply to remain silent on the issue (which will result in only benchmarked estimates being highlighted). This decision does not settle the issue of whether, in the event the Administration does select a new official poverty measure, it would or would not be benchmarked, but it would make selecting a non-benchmarked alternative more difficult.

(2) The second issue is whether we want to advise Census to highlight more than 3-4 alternative methodologies for calculating poverty (at this time we do not know which 3-4 they will choose) or to remain silent on the issue.

In order to develop fully the issues involved, this memo has two parts. The first part explains the concept and presents the pros and cons of benchmarking. Much of this information was contained in the background memo for the last Principals meeting; we include it here for ease of access. The second part outlines the potential implications of advising the Census Bureau to highlight some series that are not benchmarked and of advising the Census bureau to highlight more than 3-4 series. These two issues are related because the easiest way to increase the number of alternative measures is to include non-benchmarked versions of the highlighted

measures. Also attached is an Appendix describing the implications of changing the official poverty line for Federal spending on, and eligibility for, a few important social programs.

Part I: Background on Benchmarking

Poverty measurement involves two concepts: (1) a definition of family resources, and (2) a "threshold" against which resources are compared to determine if a family is poor. The NRC panel recommends basing the threshold on expenditures on "necessities" (food, shelter, and clothing) plus a little more. However, the NRC panel cautioned that setting the level below which a family is considered poor is more of an art than a science. The panel therefore suggested a range of alternatives and left it to policymakers to determine the most appropriate levels. Specifically, the NRC panel recommends selecting the 30th to 35th percentile in the distribution of annual expenditures on food, shelter, and clothing among families of four (two adults and two children), and then multiplying this expenditure level by between 1.15 and 1.25. Thresholds for other family sizes and types would be determined by an equivalency scale calculation.

Because there is some discretion in the setting of the poverty threshold, Table 1 shows poverty rates between 1991 and 1996 using the current methodology (column 1) and using three alternative ways to determine the threshold for the NRC experimental measure -- one benchmarked and two not benchmarked:

- The "Benchmarked" measure (column 2) is the NRC measure benchmarked to the 1996 poverty rate; in this case the thresholds are "backed out" by first setting the new aggregate poverty rate to the current rate and then setting the thresholds at the level that achieves this rate given the new resource definitions. In this case, the threshold falls to approximately the 25th percentile in the distribution of expenditures;
- The "NRC Experimental (midpoint)" (column 3) is based on selecting approximately the 32.5 percentile in the distribution of annual expenditures and then multiplying this expenditure by approximately 1.2 -- the midpoints of the NRC recommendations;
- The "NRC Experimental (lower bound)" (column 4) is based on selecting the 30th percentile in the distribution of annual expenditures and then multiplying this expenditure by 1.15 -- the lower bound of the NRC recommendations.

Both the NRC Experimental "midpoint" and "lower bound" estimates would not match the current overall poverty rate and thus would be considered "not benchmarked."

It is important to understand that benchmarking only assures that the aggregate poverty rate is identical for the official and the alternative measure in the benchmarked year. However, the distribution of poverty among subgroups will change whether or not the estimates are benchmarked (see Table 2). In general, working families and families with large out-of-pocket medical expenses would more likely be measured as poor, and nonworking families with substantial in-kind benefits would less likely be measured as poor with the NRC experimental series. This would have geographic as well as subgroup poverty rate implications. For example,

the estimated poverty rate would increase in the northeast and west, and decline slightly in the south with a benchmarked measure, but would increase in all regions with a non-benchmarked measure. And, even though the relative proportion of poor who are Black declines under both alternatives (not shown in Table 2), the estimated Black poverty rate falls with benchmarking but rises or stays constant with a non-benchmarked measure. In addition, both historical and future trends would differ. For instance, the benchmarked measure would be identical to the current rate in 1996 but higher in 1991. (The faster fall using the alternative measure is largely due to the expansion in the EITC.)

In addition, it is important to note that a variety of non-benchmarked estimates are already available in the public domain. Some of these have been published by Census in earlier working papers; some are available from individual researchers who have worked with the NRC report. Hence, highlighting only benchmarked alternatives does not mean that non-benchmarked estimates are not available from government publications.

Pros and Cons of Benchmarking and Not Benchmarking

Pros of benchmarking:

- Focuses the arguments on the relative distribution of who is poor rather than on how many people are poor; experts would say that the results on the distribution of who is poor are more objective and scientific than those on the total number of poor.

- May provide an easier transition to the new official measure of poverty because there will not be a change in the overall level of poverty. (Critics, of course, will still charge that this level is arbitrary.) In addition, with a benchmarked measure it may be easier to implement changes in the poverty guidelines issued by HHS for program purposes.

Cons of benchmarking:

- There is a perceived illogic in using an overall poverty rate from a method we say is flawed to determine a key part of a methodology we say is better.

- Violates the NRC recommendation that the threshold should be based on the 30th-35th percentile in the expenditure distribution. In order to benchmark, the threshold falls to about the 25th percentile of expenditures on food, shelter, and clothing. This may subject us to a charge of not following a nonpartisan expert panel, and may raise questions of motive.

- Highlights the distributional consequences of moving to an NRC-based alternative more clearly than under the non-benchmarked alternatives (although they have the same distributional consequences); for instance the poverty rate for some groups would fall in absolute terms with benchmarking.

Pros of not benchmarking:

- Incorporates the recommendations of the NRC panel, based on their professional judgement from the best available evidence (though, as noted, this judgement is

subjective), and therefore provides some limited political cover.

Cons of not benchmarking:

- Results in a higher poverty rate (although the trends over time are similar.)

Part II: Key Decisions

Benchmarking

There are basically three options: (1) Advise the Census Bureau to highlight some non-benchmarked estimates along with benchmarked estimates; (2) Advise the Census Bureau to highlight only benchmarked estimates; (3) Remain silent on the issue (with the likely result that Census will only highlight benchmarked estimates).

Pros of advising the Census Bureau to highlight some non-benchmarked estimates

- Keeps the option of non-benchmarked estimates in the public dialog, which may preserve the option of not benchmarking when and if we decide to move to a new official measure of poverty.

- Narrowing the range of options in any dimension may be perceived as moving us closer to a final decision, and might limit our flexibility.

- The Census report may appear more credible if it includes a non-benchmarked alternative, given that the NRC's recommendation did not involve benchmarking.

- If we decide to change to an NRC-based measure as the official measure of poverty and if we decide to benchmark the official measure, it may make the change look small compared to selecting the non-benchmarked alternative. It gives us an ability to look "reasonable" by adopting a less extreme change.

Cons of advising the Census Bureau to highlight some non-benchmarked estimates

- Critics may use the estimates published by the government to say that poverty is really higher than the current rate.

- Alternatively, some of our traditional allies may like the non-benchmarked estimates and feel abandoned should we ultimately choose to benchmark.

Pros of advising the Census Bureau to highlight only benchmarked estimates

- It may raise less of a political "uproar" about the extent of poverty. This would be particularly valuable if we believe we are likely to benchmark any new official measure anyway.

Cons of advising the Census Bureau to highlight only benchmarked estimates

- It may make it more difficult not to benchmark in the future.

- If Census does not closely follow the NRC recommendation (and only highlights benchmarked estimates), it may appear that it had been inappropriately influenced by political considerations, particularly since non-benchmarked estimates are already in the public domain.

Pros of remaining silent on the issue of benchmarking

- Given that, at this point, Census plans to highlight only benchmarked estimates this contains all of the advantages of advising Census to only present benchmarked estimates outlined above.

- In addition, it may give us political cover by allowing an independent, statistical agency to make the judgement about how the level of poverty should be measured for analytical purposes.

Cons of remaining silent on the issue of benchmarking

- Likely (because Census currently plans to highlight only benchmarked estimates) contains all of the cons of advising Census to present only benchmarked estimates.

- We may not want Census to make the decision that non-benchmarked estimates will not be highlighted without our input.

Recommendation: The EOP Policy Working Group does not have a recommendation regarding the Administration's advice to the Census Bureau regarding benchmarking.

<u>Number of Highlighted Series</u>

The second issue to be determined is whether we want to advise the Census Bureau to highlight more than 3 alternative ways of calculating the rate of poverty. Our options are: (1) advise the Census Bureau to publish more than three series or (2) remain silent on the issue.

Pros of advising Census to highlight more than three series

- Highlighting more alternative measurements of poverty may give us more flexibility in the future should we eventually choose to change the methodology by which we calculate the official poverty rate.

Cons of advising Census to highlight more than three series

- The report may become more confusing.

- It may raise the specter of political influence on the Census Bureau.

Pros of remaining silent on the number of highlighted series

- Again, it may give us political cover by allowing an independent, statistical agency to make the judgement about the best of the alternative ways of calculating poverty.

Cons of remaining silent on the number of highlighted series

- The Census Bureau may only publish three of them which may narrow our options in the future.

Recommendation: There is a strongly held view among the EOP Policy Working Group that more than 3 alternatives should be highlighted.

Table 1. Poverty Rates and Thresholds under Alternative Measures, 1991-96, CPS

	Official measure	Benchmarked to 1996	NRC Experimental (midpoint)	NRC Experimental (lower bound)
Poverty Rates				
1991	14.2	14.5	18.9	16.7
1992	14.8	15.3	19.6	17.4
1993	15.1	15.7	20.2	18.0
1994	14.6	14.7	19.0	16.8
1995	13.8	13.8	18.2	16.0
1996	13.7	13.7	18.0	15.8
Thresholds for 2 adults and 2 children (in dollars)				
1991	13,812	11,891	13,891	12,883
1992	14,228	12,249	14,309	13,270
1993	14,654	12,616	14,738	13,668
1994	15,029	12,938	15,115	14,018
1995	15,455	13,305	15,543	14,415
1996	15,911	13,698	16,002	14,840

Table 2. Poverty Rates under Alternative Measures, 1996, CPS

	Official measure	Benchmarked to 1996	NRC Experimental (midpoint)	NRC Experimental (lower bound)
All persons	**13.7**	**13.7**	**18.0**	**15.8**
Children	20.5	18.1	23.8	20.9
Nonelderly adults	11.4	11.5	15.0	13.2
Elderly	10.8	15.6	20.4	18.0
White	11.2	11.8	15.6	13.7
Black	28.4	25.2	32.0	28.5
Hispanic origin	29.4	28.5	37.7	33.1
One or more workers	9.5	10.0	13.6	11.8
Persons in family of type:				
Married couple	6.9	7.8	11.1	9.5
Female householder	35.8	32.3	40.4	36.3
Geographic regions:				
Northeast	12.7	14.3	18.8	16.5
Midwest	10.7	10.3	13.8	12.1
South	15.1	14.2	18.3	16.2
West	15.4	16.1	21.0	18.5
Metropolitan/Central City	19.6	19.2	24.7	21.8
Not Central City	9.4	10.6	14.1	12.4
Nonmetropolitan	15.9	13.5	17.5	15.5

Technical Appendix:
What a Change in the Official Measure of Poverty Would Mean for Social Programs

At the last meeting, there was an interest in understanding the implications for social programs of moving to a new official measure of poverty. Although at this time we do not have a definitive analysis of many of the implications for these programs, we do have some further information that may be helpful.

This Appendix describes how the official statistical poverty thresholds affect the calculation of eligibility for social programs and gives a rough illustration of the potential effect on some of the larger programs, such as Medicaid, of implementing a benchmarked version of an NRC-based poverty measure.

The Relationship Between the Official Poverty Measure and Social Programs

The official poverty, measurement primarily affects programs through the administrative poverty guidelines a series of simplified poverty thresholds published by HHS. In fact, most nongrant programs and all the big programs, such as Medicaid and Food Stamps that are affected by the poverty measure are tied through the guidelines. It is important to stress that the guidelines are not the same as the poverty thresholds used by Census to calculate the actual poverty rate, but are tabulated by HHS and include a variety of simplifying changes to those thresholds. As a result, it is impossible to simulate the program effects of a change in the official poverty thresholds without making some assumptions about how HHS would change their calculation of the guidelines under an alternative measure of poverty.

In addition, there is no consistency across programs in how family income and eligibility are measured. This means that while the guidelines may change, some programs could alter eligibility by changing either their definition of family resources or by changing the multiple of the poverty guideline below which a family would be eligible (e.g., eligibility for some programs could be based on 130% or 115% of the poverty guidelines). For nearly all programs, a change in definition of resources or in the multiple of the guidelines would require legislation.

Should the Administration choose to change how poverty is calculated, the amount of Federal spending and the numbers of individuals eligible for these programs would be affected *unless the current method for calculating the guidelines and/or eligibility requirements are also changed.*

The method by which HHS transforms the official statistical measure of poverty thresholds into poverty guidelines, though publicly available, is not set by legislation or regulation. The Administration could revise the methodology by publishing the change in the Federal Register. Making such an important change without Congressional involvement and approval, however, may anger the Congress — who could remove this authority from the Executive Branch.

An Illustration

The following estimates are based on an exercise in which:

- the poverty guidelines (as issued by HHS) are assumed to be based on the NRC-based poverty measure
- while program eligibility criteria are left unchanged.

It is important to emphasize that these estimates are preliminary and based on the information OMB had available without going to outside agencies, such as HCFA.

The Alternative Thresholds

- Under the current procedure, the poverty guideline for a family of two adults and two children in 1996 is $15,911. The NRC reference (i.e., non-benchmarked) level is $16,002. Although the thresholds are similar, the poverty rate is significantly higher using the NRC recommendation because income is reduced by out-of-pocket medical expenditures, child care, work expenses, and taxes before the comparison is made (which has a larger effect than adding EITC, food stamps, school lunches, and rental assistance to income). Because of the significant change in poverty rates under this scenario, the analysis focuses on the alternative below.

- Using the NRC recommendation but "benchmarking" to match the official poverty rate in 1996 (13.7 percent), the equivalent 1996 guideline would be $13,698. Therefore, *if there is no concurrent adjustment in the definition of family resources*, the distribution of eligible individuals would change and many individuals would lose eligibility for programs.

Specific program effects

Mandatory Programs

Medicaid

Assuming no change in State eligibility criteria in their waiver programs or in poverty-related optional eligibility categories (which are easy to do), a benchmarked NRC poverty measure (with no geographic adjustment) would result in an estimated one million fewer full-year equivalent enrollees, 850,000 of whom would be children. Federal spending would decline by $1.5 billion in the first year, and $7 to $8 billion over five years. These effects would be felt by pregnant women, infants and children up to age 6 in families with incomes under 133 percent of the poverty level, and children 6 to 19 years old in families at or below the poverty level. Other poverty-related eligibility groups include people covered by Medicaid under waivers, those covered under optional poverty-related eligibility expansions (mostly pregnant women and children), and Medicare beneficiaries who receive Medicaid reimbursement of Medicare cost-

sharing and premiums. These numbers are not official estimates and have not been reviewed by Department actuaries.

States could potentially fix these adverse effects through waivers or through their existing authority to alter their methodology for evaluation of income and expenditures, though they would save money if they did not. Alternatively, the Administration could alter the guidelines to negate these effects, although doing so would expose us to Hill criticism.

Food Stamps

For food stamps, OMB estimates a reduction of about 1.0 million participants. However, those participants would be the ones who currently receive the smallest benefits, and so the reduction in Federal cost would be only about $280 million per year at current levels.

Discretionary Grants

Again assuming a benchmarked NRC-based poverty measure (without geographic adjustment), OMB estimates significant shifts in the distribution across States in their share of the total number of poor and therefore in their likely funding through poverty-related grant programs. States that have higher poverty rates would receive higher shares of most grants; States with lower poverty rates would receive less. While this would be a logical (and desirable) result of a refined measure of poverty, it would raise political conflicts. (The estimated State impacts are based on income data averaged over the most recent three years to reduce sampling error in single year data at the State level.)

Title I of the Elementary and Secondary Education Act

Poverty is one of three criteria for the distribution of funds for Title I, see Table 3. Ten States would receive increases of at least 20 percent in their shares of total poor children aged 5 to 17. On the other side, the District of Columbia, Alaska and Hawaii would experience decreases of at least 20 percent. New York would lose 12 percent; California would lose 10 percent. Funds are further distributed according to poverty incidence at the school-district level, however OMB does not have data to estimate how this step would change the final allocation.

Head Start

In Head Start, the State share of poor children up to age 5 is a factor in the distribution of two-thirds of program funds, see Table 4. Six States would have an increase of 20 percent or more in their share of such poor children. Alaska, Hawaii and the District of Columbia would experience at least a 20 percent decrease in their share of eligible poor children.

WIC

The shifts among States in their shares of poverty among eligible WIC recipients would result in seven States experiencing at least a 20 percent increase in their share while three States and the District of Columbia would lose at least 20 percent.

CHIP

Children's Health Improvement Program (CHIP) grants would be affected by changes in measured poverty. Five States would receive at least 20 percent increases in their shares, while New York, the District of Columbia, Alaska and Hawaii would lose at least 10 percent.

Other Big Programs

Finally, CDBG and other HUD programs use the official poverty rate as one of two factors determining the allocation of grants. However, OMB is unable to provide estimates without involving HUD.

OMB

October 22, 1998

Experimental poverty measures

By the end of the technical advisory group meeting yesterday, Census seemed to be planning to include the following combinations in Part IV of the upcoming report.

Census 1: The full array of NRC recommendations, but with the NRC threshold level set so that the overall poverty rate is the same as the official rate for 1997 (i.e., "benchmarked").

Census 2: Census 1, but not implementing the NRC recommendation for geographic variation of the thresholds.

Census 3: Census 1, but reflecting variation in medical needs by variation in the thresholds instead of by subtracting medical out-of-pocket expenditures (moop) from resources.

Census 4: Census 1, but reflecting variation in moop, plus necessary child care and other work expenses in the thresholds rather than by subtractions from resources.

Two points to note. First, all Census combinations are "benchmarked." They all would have overall poverty rates equal to the official 1997 rate. Second, programming for Census 3 and Census 4 has not been done yet. These alternatives were finally included after an August meeting with outside experts hosted by The Brookings Institute and the Institute for Research on Poverty. For the most part, programming to implement Census 3 and Census 4 will amount to simplifications of Census 1, but there are conceptual issues still being worked, and Census staff caution that Census 3 and Census 4 may not be practical for inclusion.

The OMB suggested alternatives total twelve. The dimensions of variation suggested by OMB are mostly the same ones underlying the Census alternatives.
However, unlike the Census combinations, the principle behind the OMB approach is to vary systematically along these dimensions, in order to avoid highlighting some as favored over others.

The OMB dimensions of variation are:

Geography
OMB A: Vary thresholds by geography.
OMB B: Do not vary thresholds by geography.

Medical out-of-pocket expenses and work expenses
OMB C: Subtract moop and work expenses from income.
OMB D: Vary thresholds by moop and work expenses.

Threshold level
OMB E: Set reference family threshold at NRC recommended level.
OMB F: Set it to "benchmark" to the official poverty rate.
OMB G: Set it equivalent to the current threshold on a comparable basis.

The twelve OMB combinations and their Census counterparts are:

OMB 1: ACE	
OMB 2: ACF	Census 1
OMB 3: ACG	
OMB 4: ADE	
OMB 5: ADF	Census 4
OMB 6: ADG	
OMB 7: BCE	
OMB 8: BCF	Census 2
OMB 9: BCG	
OMB 10: BDE	
OMB 11: BDF	
OMB 12: BDG	

Census 3 has no exact OMB counterpart. It includes moop in the thresholds and subtracts child care and other work expenses from resources.

In summary, Census does not include one of the dimensions of variation that OMB recommends – threshold level – and does not vary the other three dimensions systematically. Census does not propose to show a combination that includes moop and work expenses in the thresholds but does not vary the thresholds by geography. (OMB 11)

March 99

Report on Poverty Measurement
Outline

I. Summary

II. Introduction
- A. Background of National Academy of Sciences Report
- B. Plan of this report

III. Marginal effects on poverty rates using CEX for thresholds and CPS for resources: 1997
- A. Experimental thresholds with official resources
  - 1. Equivalence scales
  - 2. Geographic adjustments
- B. Experimental resources with official thresholds
  - 1. Food stamps and school lunch
  - 2. Housing subsidy valuation
  - 3. Energy assistance
  - 4. Work expenses including child care
  - 5. Taxes
  - 6. Medical care
- C. Resources and thresholds redefined
  - 1. Owner-occupied housing
  - 2. Unit of analysis
- D. Updating thresholds over time

IV. "Combination" measures
- A. For each "combination" measure
  - 1. Poverty measures by subgroup 1997
  - 2. Time series estimates 1990-1997

V. Data issues
- A. SIPP
- B. CEX
- C. Decennial census and American Community Survey
- D. Other surveys

VI. Summary/Future Research

VII. Technical Appendix

FYI: This is the current outline for the Census Bureau report on alternative poverty measures. It's now scheduled for March 1999.

Becky Blank

July 21, 1998

DRAFT PLAN FOR EXPERIMENTAL POVERTY MEASUREMENT REPORT

Bureau of the Census:

Kathleen Short
Patricia Doyle
Donald J. Hernandez
Alfred Meier
Mary Naifeh
Martina Shea

Bureau of Labor Statistics:

Thesia I. Garner
David S. Johnson

This is a report -- not a policy document -- not part of the process of making this [illegible]

TABLE SHELL PLANS

Section III. Marginal Effects:

Each sub-section within section III of the report outline will include a table presenting poverty rates for all persons under the official measure and under each individual variation measure. The variations in III.A. on the thresholds will be compared to official money income to compare the effect on poverty rates, and the variation in III.B. on the resource side will be compared to the official thresholds. The variations presented in section III.C. require adjustments to both thresholds and resources.

Each set of estimates will represent one variation on the official measure. The following page presents the planned tables listing the measures that will be examined. Sub-sections may include additional tables needed to elucidate particular issues, however, most detail will be included in the technical appendices.

Section III. Tables Planned
A. Thresholds

Table A1. Number Poor and Poverty Rates: 1997

	Poor	
	Number	Percent
Official Measure		
Equivalence Scales		
*Using (adults + p * children)^f*		
f=0.65 p=0.70		
f=0.75 p=0.70		
f=0.70 p=0.70		
f=0.50 p=1.00		
f=0.65 p=0.85		
f=0.66 p=1.00		
Betson Scale		
Canadian Scale		
Geographic Adjustment		
NAS Geographic Adjustment		

B. Resources

Table B1. Number Poor and Poverty Rates: 1997

	Poor	
	Number	Percent
Official Measure		
Foodstamps and School Lunch		
With foodstamps		
With school lunch		
Housing Subsidies		
Valuation methods:		
1985 AHS		
1997 AHS		
Model I		
Model II		
FMRs		
Energy Assistance		
With energyassistance		
Work related expenses including child care		
Child care expense only - NAS model		
Childcare expense only - medians		
Other work-related expenses only		
All expenses - child care NAS model		
All expenses - child care medians		
Taxes		
Social Security Taxes		
Federal Income Tax		
+ EIC		
State Income Tax		
All taxes		
Medical Care		
Deducting MOOP		
Adding fungible value of Medicaid		
Adding fungible value of Medicare		

C. Both Thresholds and Resources

Table C1. Number Poor and Poverty Rates: 1997

	Poor	
	Number	Percent
Official Measure		
Owner occupied housing		
Thresholds by housing tenure		
Unit of analysis		
Cohabiting couples		
Housemate/Roomate		
Household		

TABLE SHELL PLANS

Section IV. Combination Measures:

There are several tables planned here. There will be three (or four) combination measures selected, which combine many of the dimensions examined in section III in different ways, for illustration. We begin with a general table showing poverty rates for combination measures for several summary subgroups. Another table shows the distribution of the poverty population relative to the total population under the different measures. Next is a table with more detail, finer age groups, education status, and other selected characteristics. The final set of tables will display time-series estimates of all combination measures.

Section IV. Combination Measures

Table 1. Poverty Rates: 1997

	Official Measure	Experimental Measures Exp1	Exp2	Exp3
All persons				
Children				
Nonelderly adults				
Elderly				
White				
Black				
Other				
Hispanic origin				
No workers				
One or more workers				
In family of type:				
Married couple				
Male Householder				
Female Householder				
Geographic regions:				
Northeast				
Midwest				
South				
West				
Metropolitan Area				
Central city				
Not central city				
Nonmetropolitan Area				

Table 2. Distribution of the Population: 1997

	Total Population	Poverty Population			
		Official Measure	Experimental Measures Exp1	Exp2	Exp3
All					
Children					
Nonelderly adults					
Elderly					
White					
Black					
Other					
Hispanic origin/2					
No workers					
One or more workers					
In family of type:					
Married couple					
Male householder					
Female Householder					
Geographic regions:					
Northeast					
Midwest					
South					
West					
Metropolitan Area					
Central city					
Not central city					
Nonmetropolitan Area					

Section IV. Combination Measures

Table 3: Poverty Rates by Detailed Characteristics: 1997

	Official Measure	Experimental Measures		
		EXP1	EXP2	EXP3
All persons				
Age groups				
Less than 3 years				
3 to 6				
6 to 12				
12 to 18				
18 to 22				
22 to 45				
45 to55				
55 to 60				
60 to 65				
65 to 75				
75+				
Race/origin				
White not Hispanic				
White Hispanic				
Black not Hispanic				
Black Hispanic				
Other not Hispanic				
Other Hispanic				
Family size				
One person				
2				
3				
4				
5				
6				
7				
8				
9				
10+				
Marital status				
Married spouse present				
Married spouse absent				
Widowed				
Divorced				
Never married				
Gender				
Male				
Female				
Education				
No high school diploma				
High school diploma				
Some college				
College degree				
Foreign born				
Native				
Naturalized citizen				
Not a citizen				

Section IV Time Series

Table 4: Poverty Rates: 1990 to 1997

Official poverty measure

	1990	1991	1992	1993	1994	1995	1996	1997
All persons								
Children								
Nonelderly adults								
Elderly								
White								
Black								
Other								
Hispanic origin								
No workers								
One or more workers								
In family of type:								
Married couple								
Male Householder								
Female Householder								
Geographic regions:								
Northeast								
Midwest								
South								
West								
Metropolitan Area								
Central city								
Not central city								
Nonmetropolitan Area								

Experimental measures - controlled to 1997 rate for all persons

	1990	1991	1992	1993	1994	1995	1996	1997
All persons								
Children								
Nonelderly adults								
Elderly								
White								
Black								
Other								
Hispanic origin								
No workers								
One or more workers								
In family of type:								
Married couple								
Male Householder								
Female Householder								
Geographic regions:								
Northeast								
Midwest								
South								
West								
Metropolitan Area								
Central city								
Not central city								
Nonmetropolitan Area								

PRESS BRIEFING ON 1997 INCOME AND POVERTY ESTIMATES

Dr. Daniel H. Weinberg
Chief, Housing and Household Economic Statistics Division
U.S. Census Bureau

September 24, 1998

Welcome to the press briefing on the 1997 income and poverty estimates. Your press packets contain a press release, a copy of my remarks, a copy of the charts I will be using today, and the two reports we are releasing. Additional unpublished detailed tables can be obtained from the Census Bureau directly or on our web site.

Let me introduce some of the analysts who worked on the reports; they will be available to answer your questions after the briefing: Charles Nelson (Assistant Division Chief), Mary Naifeh (Acting Chief of the Poverty and Health Statistics Branch), Edward Welniak (Chief of the Income Statistics Branch), and the primary authors of the reports, Robert Cleveland, Joe Dalaker, Carmen DeNavas-Walt, and Arthur Jones. I'd also like to thank all the Field Representatives who work so hard to collect these data.

Please hold your questions unless it's a technical clarification. The main presentation should take about 20 minutes.

Let me first summarize the main findings. Increases in income and declines in poverty were widespread in 1997. For the third consecutive year, households in the United States experienced an annual increase in their real median income. Between 1996 and 1997, median household income adjusted for inflation increased 1.9 percent, to $37,005 (that means that half of households had incomes above $37,005). In addition, the poverty rate fell from 13.7 percent in 1996 to 13.3 percent in 1997. Despite this increase in income, however, the number of poor remained statistically unchanged -- the number of poor in 1997 was 35.6 million people. In statistical terms, both median income and the poverty rate have returned to their 1989 levels. Finally, there was no change in income inequality from 1996 to 1997.

Data from the March Supplement to the Current Population Survey or CPS are the basis for these statistics. The CPS is a sample survey of approximately 50,000 households nationwide, conducted each month for the Bureau of Labor Statistics. These data reflect 1997 and not current conditions.

As in all surveys, the data in these reports are estimates, subject to sampling variability and response errors. All statements made in the reports and in this briefing have been tested statistically. All historical income data are expressed in 1997 dollars and were adjusted using the Consumer Price Index; inflation was 2.3 percent between 1996 and 1997. The poverty thresholds are updated each year for inflation as well; for a family of four in 1997 the threshold was $16,400, for a family of three, $12,802.

This chart presents the key estimates of median household income. As I noted earlier, median income for all U.S. households rose 1.9 percent or $700 between 1996 and 1997 to $37,005. Households in all regions except the Northeast experienced a significant increase in income.

After adjusting for inflation, median household income is now equal to its 1989 level, the most recent business cycle and income peak. Overall, median household income has risen 17.2 percent since 1967, the first year median household income was computed.

The poverty rate for all persons declined significantly by one-half a percentage point, from 13.7 percent in 1996 to 13.3 percent in 1997.[1] The number of poor did not change statistically from 1996 to 1997. Despite the overall reduction in the U.S. poverty rate, there was no statistically significant change in any region. The number of poor is now 3.2 million above the 1989 level when 32.4 million people were poor and the poverty rate was 13.1 percent. However, the number of poor is now 3.7 million people below its most recent peak of 39.3 million in 1993.

This next chart presents the changes in real median household income by race and ethnicity between 1996 and 1997. Households with a White householder had a 2.5 percent increase in income, those with a Black householder had a 4.3 percent increase, and those with an Asian or Pacific Islander householder had no significant increase. Households with a Hispanic householder, who may be of any race, had a 4.5 percent increase in median income between 1996 and 1997.[2]

Per capita income showed an increase between 1996 and 1997 only for Whites among the race groups, and also for Hispanics.

As this next chart shows, there was a different pattern for poverty by race and ethnicity than for income. Blacks experienced a decline in their poverty rate by 2.0 percentage points, down to 26.5 percent. Similarly, Hispanics experienced a decline in their poverty rate by 2.3 percentage points, down to 27.1 percent, which was not statistically different from the rate for Blacks. Compared to the overall poverty rate of 13.3 percent, both poverty levels remain high. Nevertheless, as this pie chart shows, more than two-thirds of all poor are White and 46 percent of all poor are non-Hispanic Whites.

Children are 40 percent of the poor though they are but 26 percent of the total population. Their poverty rate is higher than for any other age group, 19.9 percent in 1997, unchanged from 1996, but down from its recent peak of 22.7 percent in 1993. Poverty for children has been at or above 20 percent since the early 1980's.

The real median earnings of men who worked full time, year round increased by 2.4 percent between 1996 and 1997, while that for comparable women rose by 3.0 percent.[3] This was the first year that full-time year-round male workers experienced an increase in their median earnings since 1991. The ratio of female-to-male earnings for full-time year-round workers remained at its all-time high, 74 percent.

---

1. The difference rounds to 0.5 even though the difference in the rounded percentages for the two years is only 0.4.

2. The differences among the 1996-1997 percent changes in median household income for the race and Hispanic origin groups were not statistically significant.

3. The difference between the percent increases in the earnings of men and women was not statistically significant.

As I mentioned earlier, increases in income and declines in poverty were widespread in 1997. As a result, statistically speaking many population groups have reached or surpassed their 1989 peak levels. The groups that have surpassed their 1989 levels of median household income are households whose householder is Black, all family households, married-couple households, households with a householder 55 to 64, households located outside metropolitan areas, and households in the Midwest and the South.

This companion chart shows the groups whose poverty rates have come down to or are below their 1989 levels. Those whose poverty rates are below their 1989 level are Blacks, the elderly, those in the Midwest and the South, and married-couple families.

It is clear that the economic recovery to 1989 levels is quite widespread. The most notable group whose recovery seems to have been delayed is households and individuals in the Northeast. They however had the largest increase in median household income in the 1980s of any region.

This is the fourth consecutive year in which there was no year-to-year change in overall income inequality -- there was no statistically significant change in quintile income shares between 1996 and 1997 nor did the Gini index of inequality show a change between 1996 and 1997.

Based on a comparison of two-year moving averages, real median household income increased between 1995 and 1997 for twelve states and fell for four. In the same period, three states had a drop in their poverty rate while two showed an increase.

The Census Bureau also produces a series of experimental estimates of income, in an attempt to gauge the effect on income and poverty of noncash benefits and taxes, which are not considered in the official measures. Seventeen experimental definitions of income are computed, and tables based on those results are presented in the reports.

The Bureau's research in this area has shown that the distribution of income is more equal under a broadened definition that takes into account the effects of taxes and noncash benefits than under the official cash income definition. Government benefits play a much more equalizing role on income than do taxes.

Valuing noncash benefits and subtracting taxes also affects the estimated poverty rate. Under the broadened definition of income, the estimated poverty rate was 10.0 percent or 26.9 million people, compared to 13.3 percent and 35.6 million people under the official income definition. Regardless of the method chosen to measure income, as you can see in this chart, the pattern of change in poverty over time is similar.

Census Bureau and the Bureau of Labor Statistics researchers are examining the recommendations of a recent National Academy of Sciences panel for changing the official poverty definition. We expect to release a special report on the effects of these recommendations on poverty measures this Spring. You can follow our progress on a special "Poverty Measurement" web site: [http://www.census.gov/hhes/www/povmeas.html].

In the past, we have usually released information on health insurance coverage at this press conference as well. That information is available in a press release to be sent this afternoon under embargo until next Tuesday.

Let me call to your attention that this is the fiftieth anniversary of income data from the Current Population Survey. The Census Bureau will release a special report at a press conference

next Tuesday to mark the occasion. We have invited a panel of four distinguished economic experts to comment on the usefulness of these data for understanding our economy and society. The panelists are Katharine Abraham, Commissioner of Labor Statistics; Alan Blinder, Professor of Economics at Princeton University; Marvin Kosters, Research Scholar at the American Enterprise Institute; and Charles Schultze, Senior Fellow Emeritus at the Brookings Institution.

Let me again summarize the main findings. For the third consecutive year, households in the United States experienced an annual increase in their real median income. Between 1996 and 1997, median household income adjusted for inflation increased 1.9 percent, to $37,005. In addition, the poverty rate fell from 13.7 percent in 1996 to 13.3 percent in 1997. Despite this increase in income, however, the number of poor remained statistically unchanged -- the number of poor in 1997 was 35.6 million people. Finally, there was no change in income inequality from 1996 to 1997.

I'll be glad to answer questions from the press at this time. Please identify yourself and your affiliation.

Income and Poverty: 1997

September 1998

U.S. Department of Commerce
Economics and Statistics Administration
Census Bureau

Highlights

Increase in real median household income of 1.9 percent from 1996 to 1997

- $37,005 in 1997
- Now at 1989 level

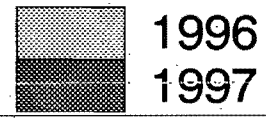
Decline in poverty rates; no change in number of poor

- 35.6 million poor
- 13.3 percent poverty rate
- Poverty rate now down to 1989 level

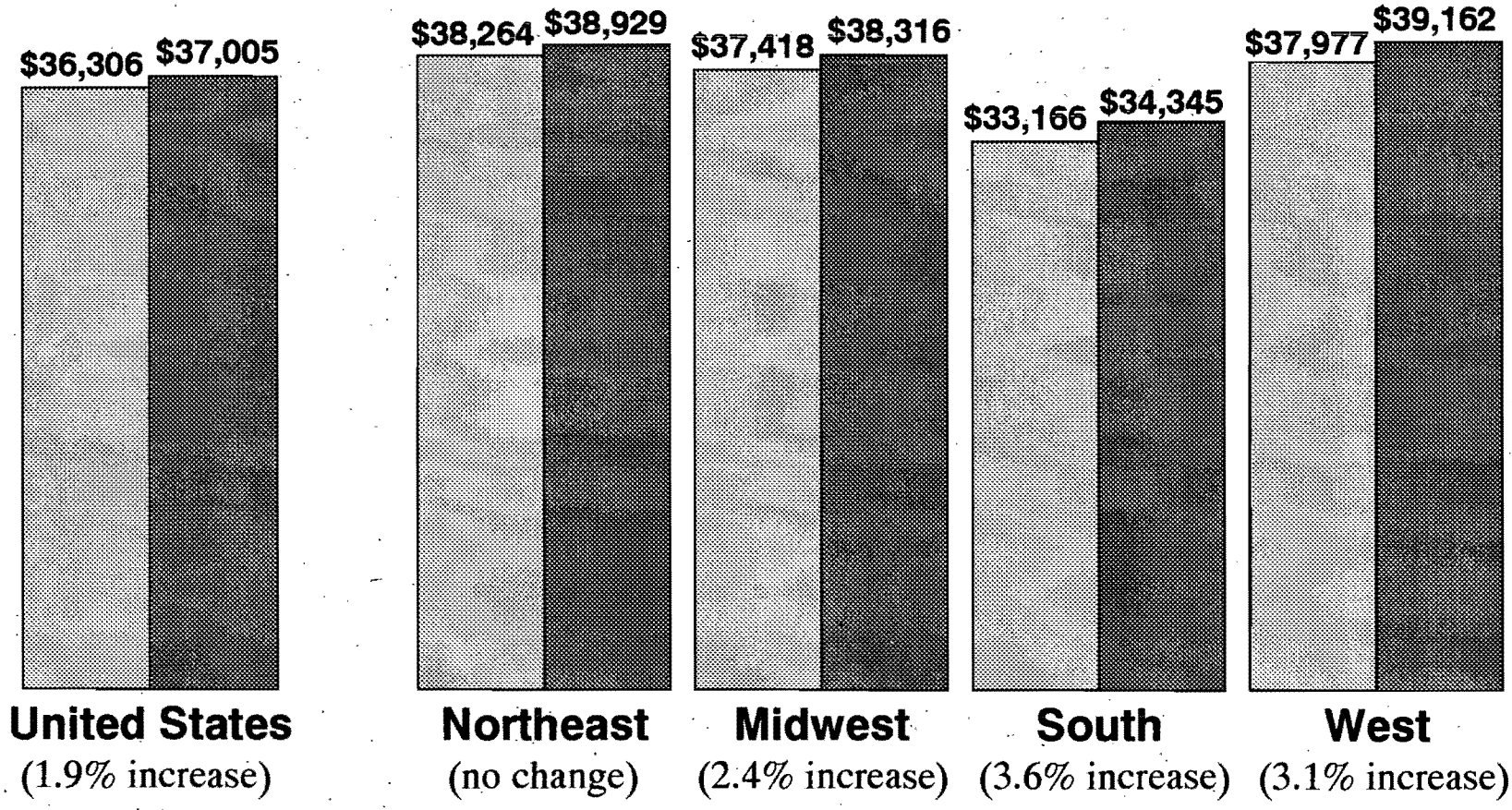
No change in income inequality from 1996 to 1997

Source: Census Bureau, March Current Population Survey.

Median Household Income by Region: 1996 and 1997



(In 1997 dollars)



Source: Census Bureau, March Current Population Survey.

Median Household Income by Region: 1996 and 1997

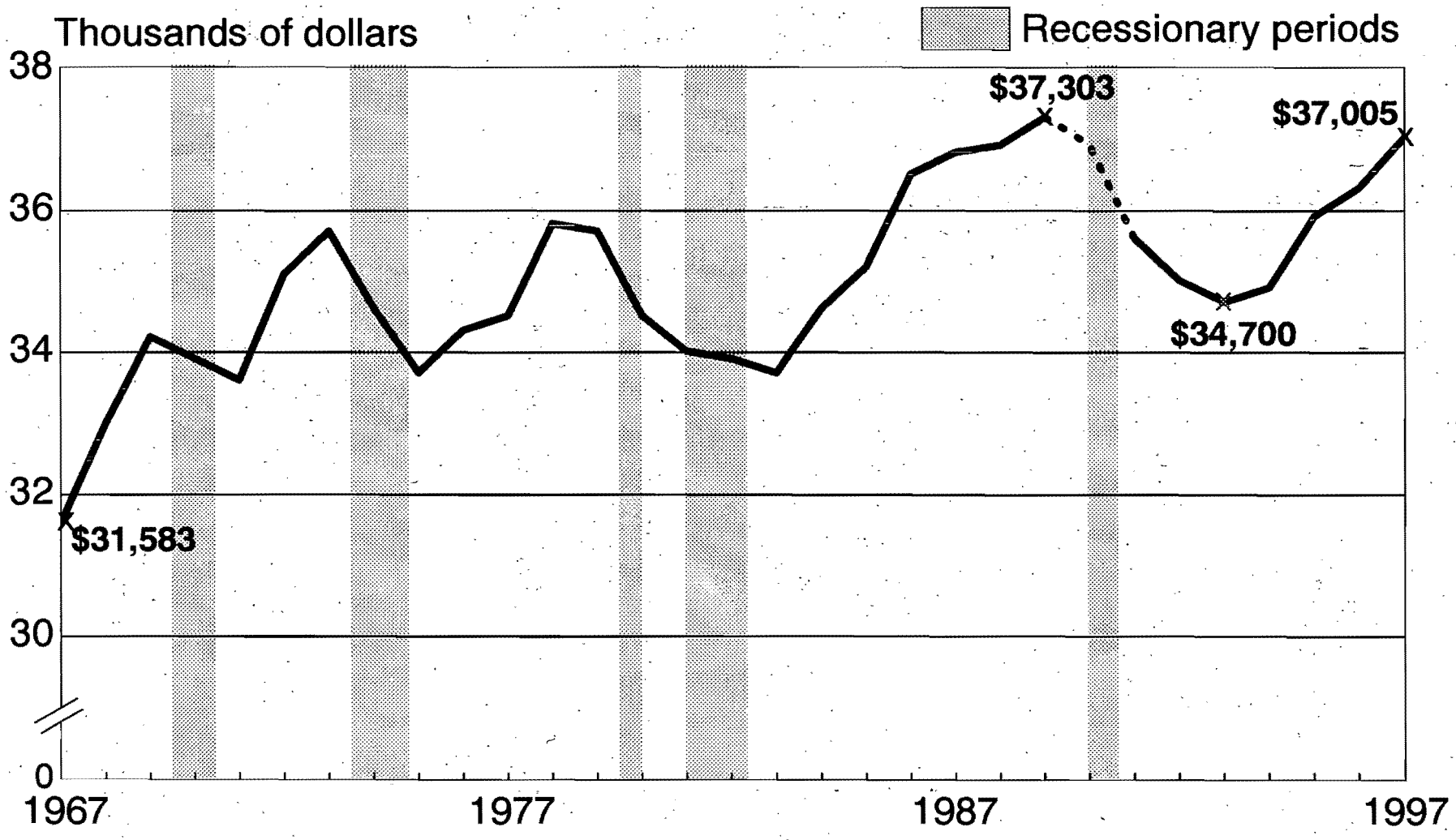
(In 1997 dollars)

Region	1996	1997
United States	**$36,306**	**$37,005**
Northeast	$38,264	$38,929
Midwest	$37,418	$38,316
South	$33,166	$34,345
West	$37,977	$39,162

Source: Census Bureau, March Current Population Survey.

Median Household Income: 1967-1997

(In 1997 dollars)



Source: Census Bureau, March Current Population Survey.

Median Household Income: 1967-1997

(In 1997 dollars)

Year	Median household income	Year	Median household income
1997	$37,005	1981	$33,978
1996	36,306	1980	34,538
1995	35,887	1979	35,703
1994	34,942	1978	35,819
1993	34,700	1977	34,467
1992[r]	35,047	1976	34,278
1991[r]	35,608	1975	33,699
1990[r]	36,880	1974	34,627
1989[r]	37,303	1973	35,745
1988	36,937	1972	35,053
1987	36,820	1971	33,619
1986	36,460	1970	33,942
1985	35,229	1969	34,173
1984	34,626	1968	32,964
1983	33,655	1967	31,583
1982	33,864		

[r] Revised. Income data for 1989, 1992 and later years reflect 1990 census population controls. The 1990 Census based estimates are not available for income years 1990 and 1991. The 1990 and 1991 income estimates were derived through ratio estimation.

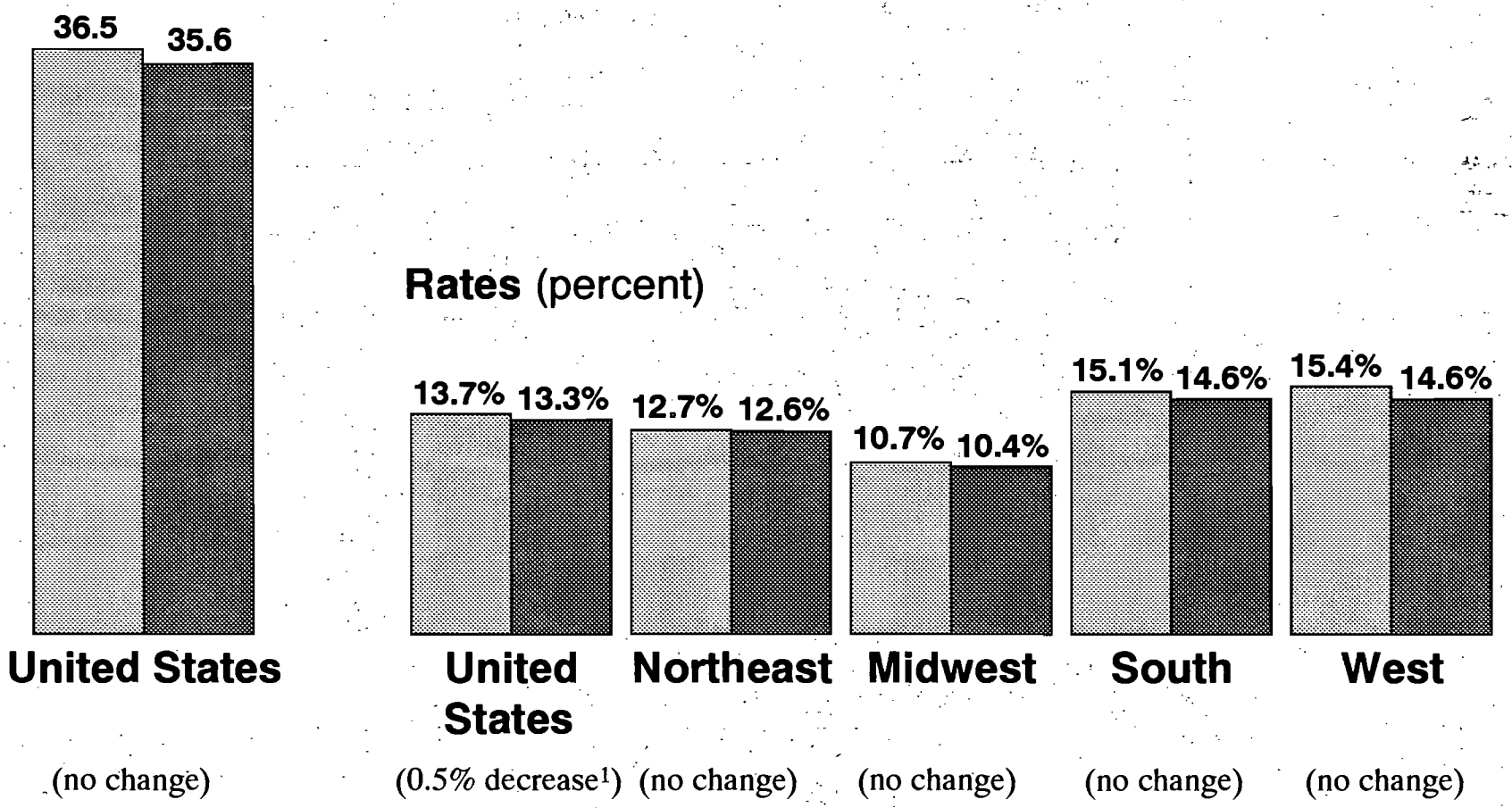
Source: Census Bureau, March Current Population Survey.

Periods of Recession

Peak month	Year	Trough month	Year
November	1948	October	1949
July	1953	May	1954
August	1957	April	1958
April	1960	February	1961
December	1969	November	1970
November	1973	March	1975
January	1980	July	1980
July	1981	November	1982
July	1990	March	1991

Source: National Bureau of Economic Research, Inc.

People in Poverty by Region: 1996 and 1997



[1] As a result of rounding, some differences may appear to be slightly higher or lower than the differences of the reported rates.

Source: Census Bureau, March Current Population Survey.

People in Poverty by Region: 1996 and 1997

	1996	1997	Change
United States Number (millions)	**36.5**	**35.6**	**(no change)**
United States Rates (percent)	**13.7**	**13.3**	**(0.5% decrease*)**
Northeast	12.7	12.6	(no change)
Midwest	10.7	10.4	(no change)
South	15.1	14.6	(no change)
West	15.4	14.6	(no change)

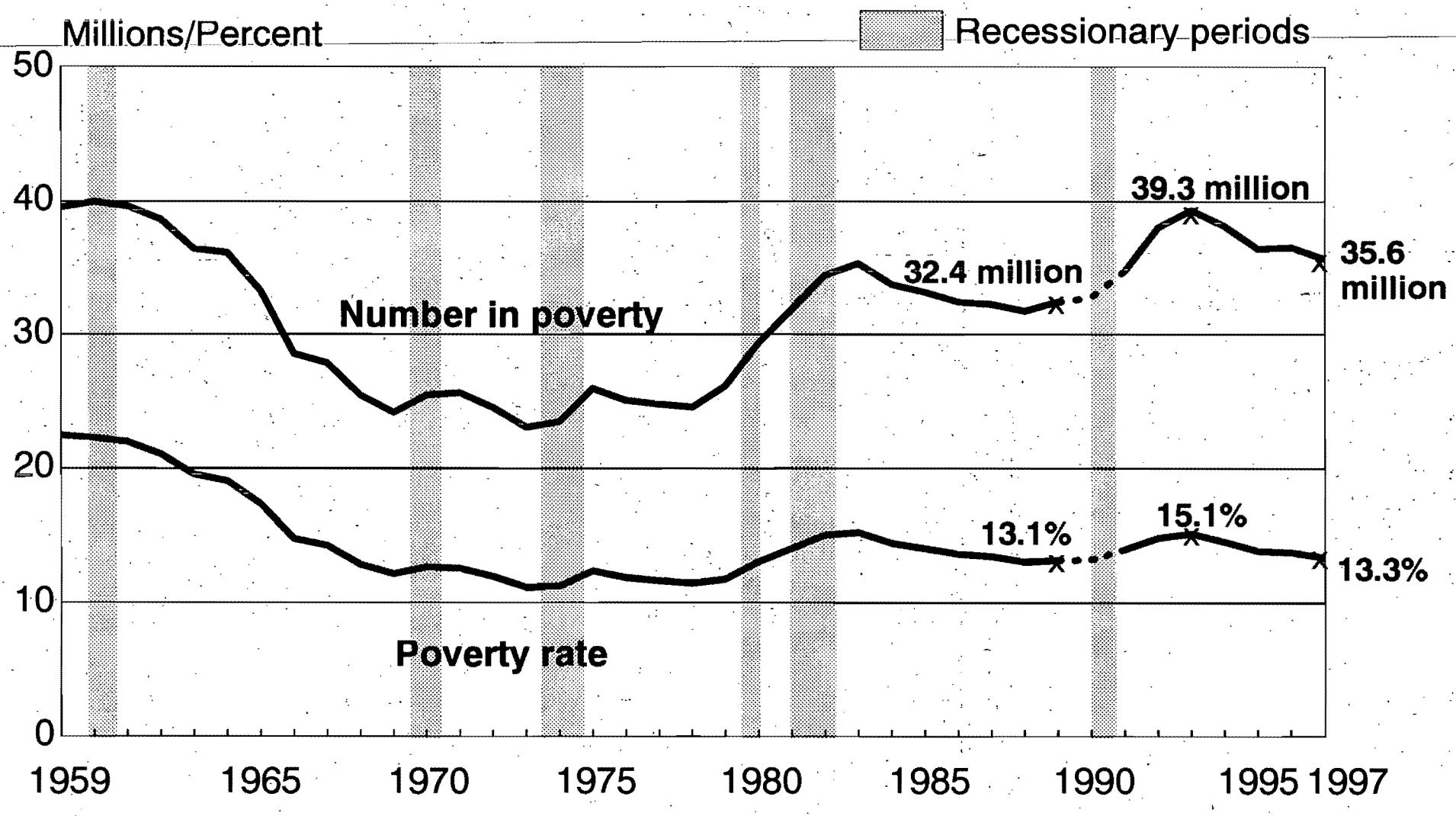
*As a result of rounding, some differences may appear to be slightly higher or lower than the differences of the reported rates.

Weighted Average Poverty Thresholds in 1997

Size of family unit	Threshold
One person (unrelated individual)	$8,183
Under 65 years	8,350
65 years and over	7,698
Two people	$10,473
Householder under 65 years	10,805
Householder 65 years and over	9,712
Three people	$12,802
Four people	16,400
Five people	19,380
Six people	21,886
Seven people	24,802
Eight people	27,593
Nine people or more	32,566

Source: Census Bureau, March Current Population Survey.

Poverty: 1959-1997



Source: Census Bureau, March Current Population Survey.

Poverty: 1959-1997

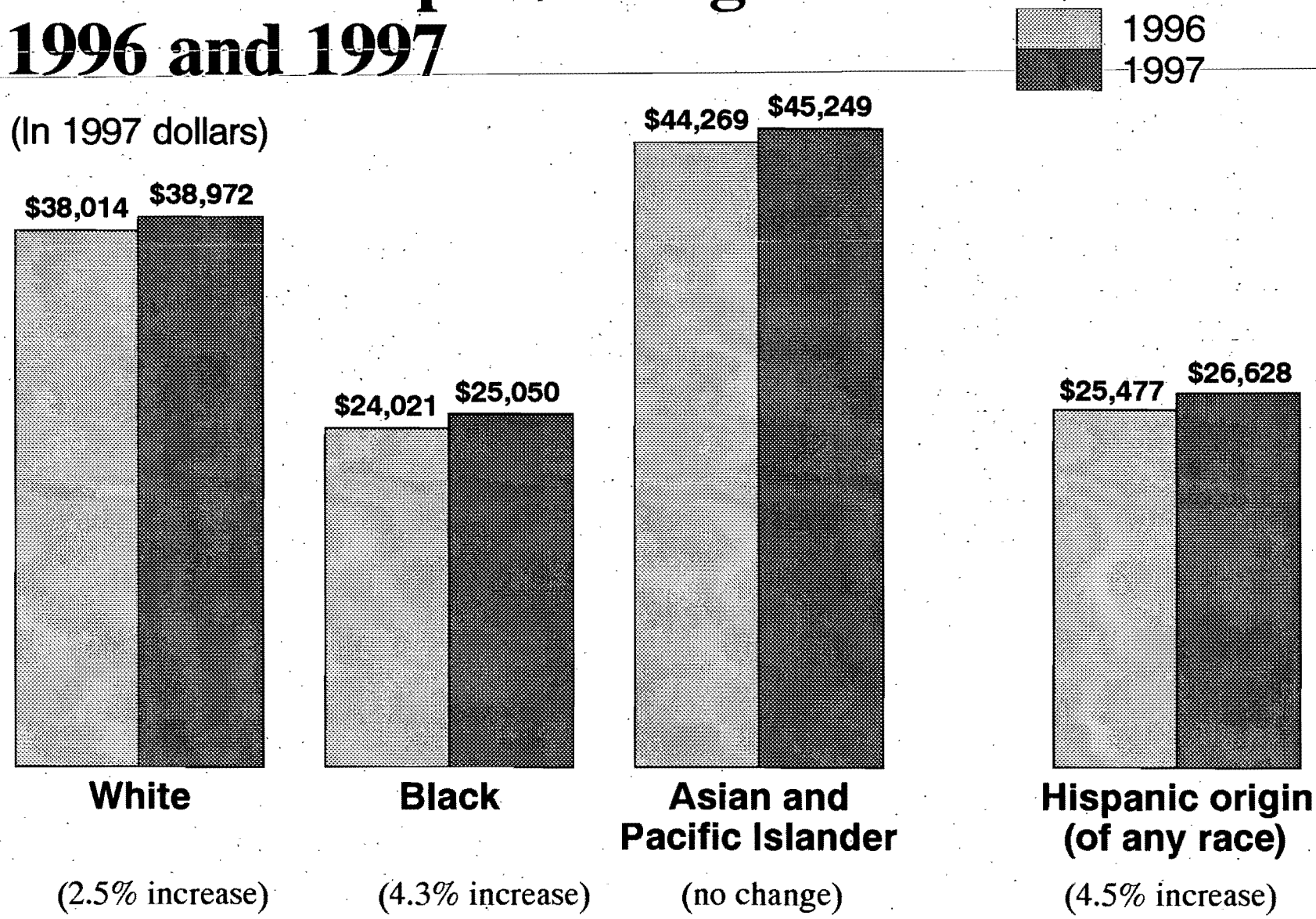
Millions/Percent

Year	Number in poverty	Poverty rate	Year	Number in poverty	Poverty rate
1959	39.5	22.4	1979	26.1	11.7
1960	39.9	22.2	1980	29.3	13.0
1961	39.6	21.9	1981	31.8	14.0
1962	38.6	21.0	1982	34.4	15.0
1963	36.4	19.5	1983	35.3	15.2
1964	36.1	19.0	1984	33.7	14.4
1965	33.2	17.3	1985	33.1	14.0
1966	28.5	14.7	1986	32.4	13.6
1967	27.8	14.2	1987	32.2	13.4
1968	25.4	12.8	1988	31.7	13.0
1969	24.1	12.1	1989[r]	32.4	13.1
1970	25.4	12.6	1990[r]	32.7	13.2
1971	25.6	12.5	1991[r]	34.7	13.9
1972	24.5	11.9	1992[r]	38.0	14.8
1973	23.0	11.1	1993	39.3	15.1
1974	23.4	11.2	1994	38.1	14.5
1975	25.9	12.3	1995	36.4	13.8
1976	25.0	11.8	1996	36.5	13.7
1977	24.7	11.6	1997	35.6	13.3
1978	24.5	11.4			

[r] Revised. Poverty data for 1989, 1992 and later years reflect 1990 census population controls. The 1990 Census based estimates are not available for 1990 and 1991. The 1990 and 1991 poverty estimates were derived through ratio estimation.

Source: Census Bureau, March Current Population Survey.

Median Household Income by Race and Hispanic Origin: 1996 and 1997



Source: Census Bureau, March Current Population Survey.

Median Household Income by Race and Hispanic Origin: 1996 and 1997

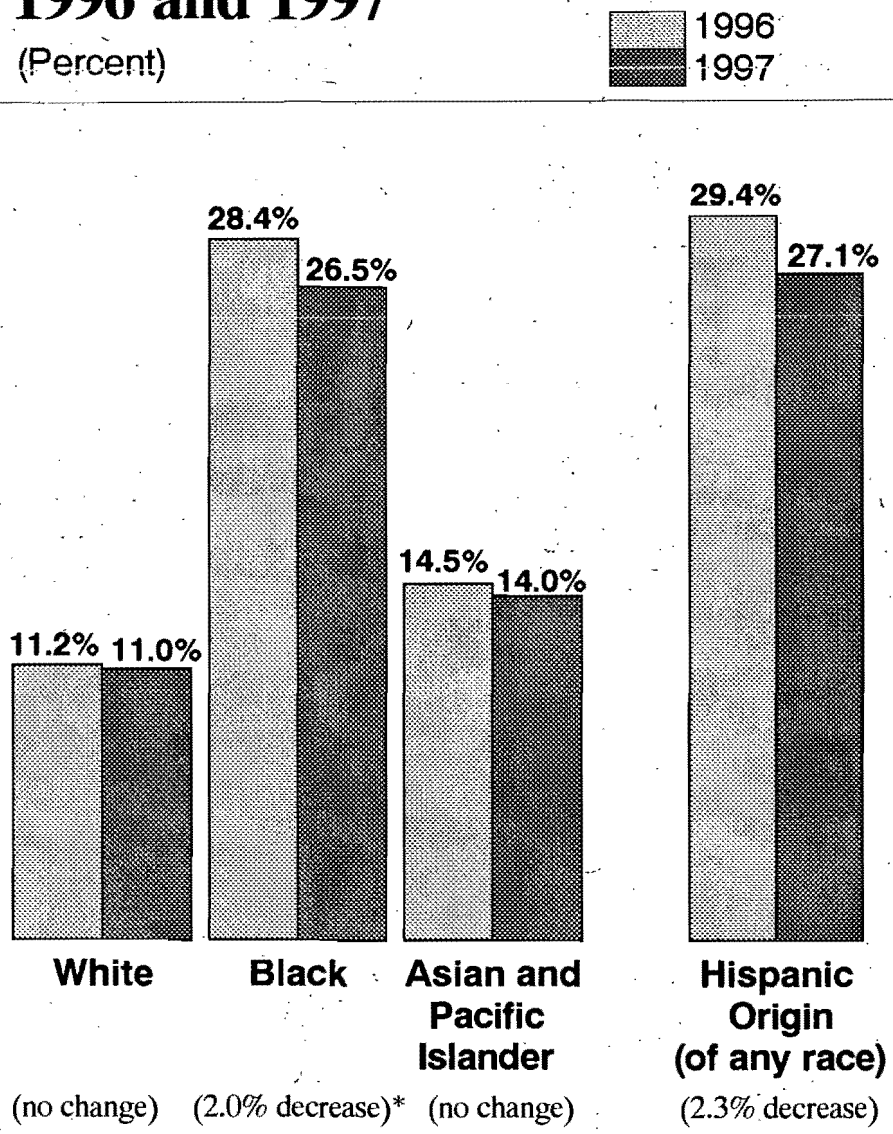
(In 1997 dollars)

	1996	1997	Change
White	$38,014	$38,972	(2.5% increase)
Black	$24,021	$25,050	(4.3% increase)
Asian and Pacific Islander	$44,269	$45,249	(no change)
Hispanic origin (of any race)	$25,477	$26,628	(4.5% increase)

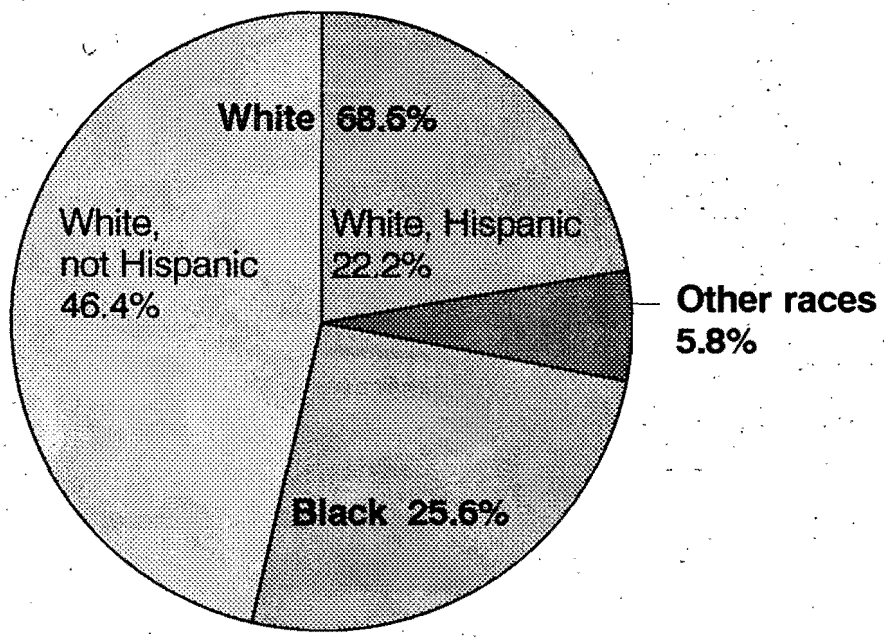
Source: Census Bureau, March Current Population Survey.

Poverty Rates of People by Race and Hispanic Origin: 1996 and 1997

(Percent)



Proportion of People Below Poverty by Race: 1997



Note: People of Hispanic origin are 23.4 percent of the poor.

* As a result of rounding, some differences may appear to be slightly higher or lower than the differences of the reported rates.

Source: Census Bureau, March Current Population Survey.

Poverty Rates of People by Race and Hispanic Origin: 1996 and 1997

Percent

	1996	1997	Difference
White	11.2	11.0	(no change)
Black	28.4	26.5	(2.0% decrease)*
Asian and Pacific Islander	14.5	14.0	(no change)
Hispanic Origin (of any race)	29.4	27.1	(2.3% decrease)

* As a result of rounding, some differences may appear to be slightly higher or lower than the differences of the reported rates.

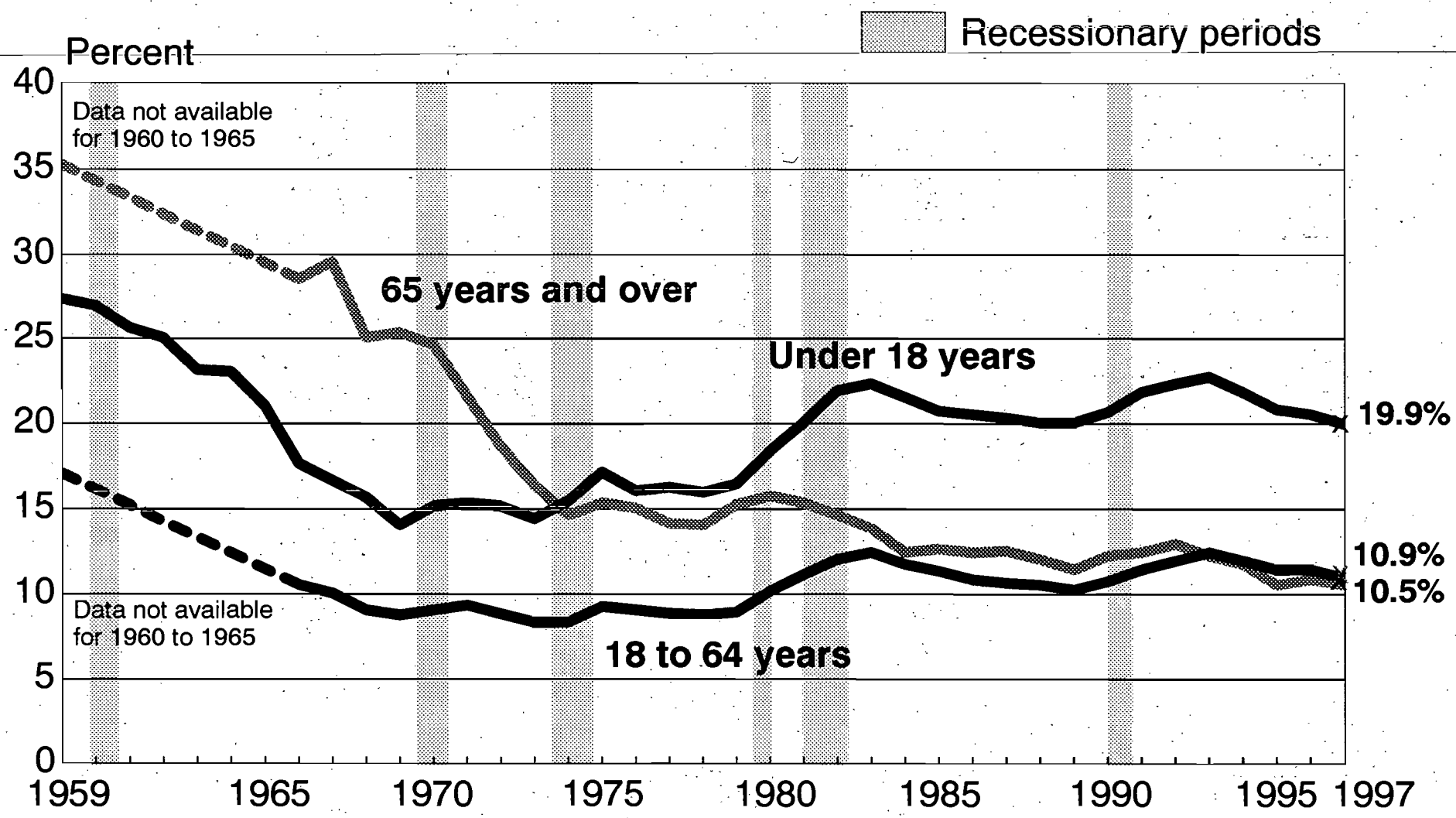
Proportion of People Below Poverty by Race: 1997

Percent

White	68.6
White, Hispanic	22.2
White, not Hispanic	46.4
Black	25.6
Other races	5.8

Note: People of Hispanic origin are 23.4 percent of the poor.
Source: Census Bureau, March Current Population Survey.

Poverty Rates by Age: 1959-1997



Source: Census Bureau, March Current Population Survey.

Poverty Rates by Age: 1959 - 1997

Percent

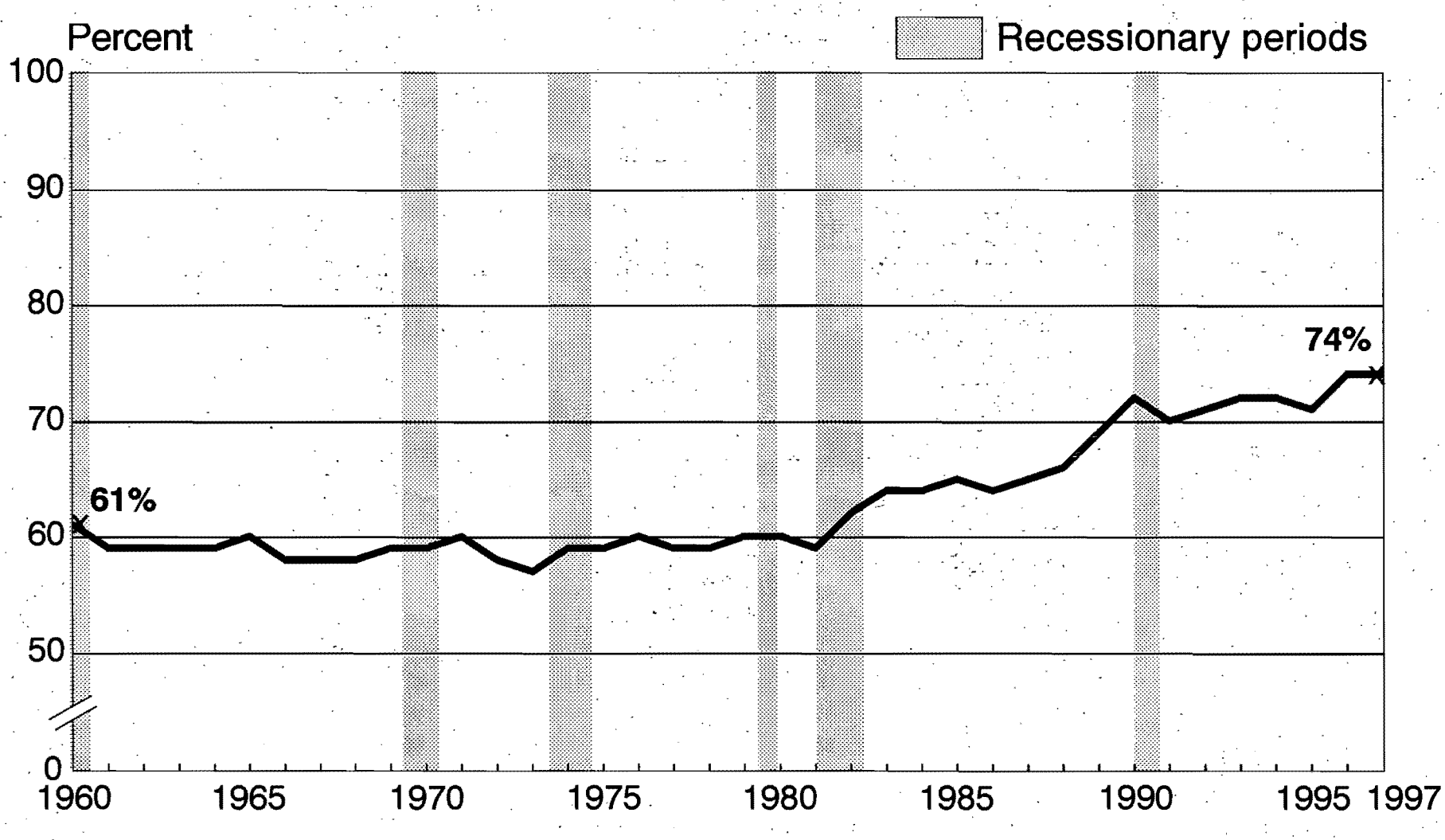
	Under 18 years of age	18 to 64 years	65 years and over		Under 18 years of age	18 to 64 years	65 years and over
1959	27.3	17.0	35.2	1979	16.4	8.9	15.2
1960	26.9	(NA)	(NA)	1980	18.3	10.1	15.7
1961	25.6	(NA)	(NA)	1981	20.0	11.1	15.3
1962	25.0	(NA)	(NA)	1982	21.9	12.0	14.6
1963	23.1	(NA)	(NA)	1983	22.3	12.4	13.8
1964	23.0	(NA)	(NA)	1984	21.5	11.7	12.4
1965	21.0	(NA)	(NA)	1985	20.7	11.3	12.6
1966	17.6	10.5	28.5	1986	20.5	10.8	12.4
1967	16.6	10.0	29.5	1987	20.3	10.6	12.5
1968	15.6	9.0	25.0	1988	19.5	10.5	12.0
1969	14.0	8.7	25.3	1989	19.6	10.2	11.4
1970	15.1	9.0	24.6	1990	20.6	10.7	12.2
1971	15.3	9.3	21.6	1991	21.8	11.4	12.4
1972	15.1	8.8	18.6	1992	22.3	11.9	12.9
1973	14.4	8.3	16.3	1993	22.7	12.4	12.2
1974	15.4	8.3	14.6	1994	21.8	11.9	11.7
1975	17.1	9.2	15.3	1995	20.8	11.4	10.5
1976	16.0	9.0	15.0	1996	20.5	11.4	10.8
1977	16.2	8.8	14.1	1997	19.9	10.9	10.5
1978	15.9	8.7	14.0				

Source: Census Bureau, March Current Population Survey.

NA Not available.

Women's Earnings as a Percentage of Men's Earnings: 1960-1997

(Full-time, year-round workers)



Source: Census Bureau, March Current Population Survey.

Women's Earnings as a Percentage of Men's Earnings: 1960-1997 (Full-Time, Year-Round Workers)

	Median Earnings (In 1997 dollars)				Median Earnings (In 1997 dollars)		
Year	Women	Men	Percent	Year	Women	Men	Percent
1997	$24,973	$33,674	74	1978	22,232	37,402	59
1996	24,254	32,882	74	1977	21,886	37,144	59
1995	23,693	33,170	71	1976	21,884	36,356	60
1994	24,048	33,415	72	1975	21,430	36,435	59
1993	24,155	33,774	72	1974	21,555	36,686	59
1992	24,453	34,545	71	1973	21,542	38,037	57
1991	24,220	34,670	70	1972	21,339	36,879	58
1990	24,341	33,989	72	1971	20,828	35,001	60
1989	24,294	35,376	69	1970	20,686	34,844	59
1988	23,886	36,165	66	1969	20,274	34,442	59
1987	23,893	36,658	65	1968	18,975	32,628	58
1986	23,770	36,985	64	1967	18,349	31,755	58
1985	23,305	36,090	65	1966	17,992	31,261	58
1984	22,831	35,866	64	1965	17,965	29,979	60
1983	22,423	35,260	64	1964	17,474	29,542	59
1982	21,849	35,386	62	1963	16,990	28,823	59
1981	21,378	36,090	59	1962	16,696	28,156	59
1980	21,836	36,297	60	1961	16,371	27,631	59
1979	22,017	36,902	60	1960	16,234	26,757	61

Source: Census Bureau, March Current Population Survey.

1997 Compared to 1989

At or Above 1989 Median Income Level (In 1997 dollars)

Households

All households
White
* Black
Asian and Pacific Islander
White, not Hispanic
* All family households
* Married-couples
Family households maintained by women with no husband present
Nonfamily households maintained by women
25 to 34 year old householders
* 55 to 64 year old householders
65 year old and over householders
* Outside metropolitan areas
* Midwest
* South
West

* Surpassed 1989 level.

Source: Census Bureau, March Current Population Survey.

1997 Compared to 1989

At or Below 1989 Poverty Rate

People

All people
White, not Hispanic
* Black
Asian and Pacific Islander
Hispanic origin
Under 18 years
* 65 years and over
* Midwest
* South
Inside metropolitan areas
Inside central cities
Outside metropolitan areas

Families

All families
* Married-couple
Female householder, no husband present

*Below the 1989 level.
Source: Census Bureau, March Current Population Survey.

Changes by State: 1995-1997

Two-year moving averages

Median Household Income

- **Increase**
  - Alabama
  - Delaware
  - Indiana
  - Kansas
  - Louisiana
  - New Mexico
  - North Carolina
  - Oklahoma
  - South Carolina
  - Utah
  - Virginia
  - Washington
- **Decrease**
  - Hawaii
  - Iowa
  - Maine
  - Wisconsin

Poverty Rate

- **Decrease**
  - Alabama
  - Mississippi
  - South Carolina
- **Increase**
  - Arkansas
  - New Hampshire

Source: Census Bureau, March Current Population Survey.

	poverty rates			distribution of poverty population		
	official poor	NRC "benchmark" poor **with** interarea variation	NRC "benchmark" poor **without** interarea variation	official poor	NRC "benchmark" poor **with** interarea variation	NRC "benchmark" poor **without** interarea variation
overall	13.7%	13.8%	13.8%	100%	100%	100%
younger than 18	20.5%	18.2%	18.1%	39.6%	35.0%	34.9%
18-64	11.4%	11.5%	11.6%	51.0%	51.3%	51.5%
65 and older	10.8%	15.7%	15.7%	9.4%	13.6%	13.6%
white	11.2%	11.8%	12.0%	67.5%	70.8%	71.6%
black	28.4%	25.4%	25.0%	26.5%	23.6%	23.2%
other	17.5%	16.4%	15.4%	6.0%	5.6%	5.2%
northeast	12.7%	14.3%	12.2%	18.0%	20.1%	17.1%
midwest	10.7%	10.4%	11.4%	18.2%	17.6%	19.2%
south	15.1%	14.3%	16.0%	38.6%	36.2%	40.5%
west	15.4%	16.1%	14.3%	25.2%	26.2%	23.3%
central city	19.9%	20.1%	18.2%	35.9%	36.2%	32.7%
other metro	9.2%	10.7%	9.8%	28.1%	32.6%	29.8%
non-metro	16.0%	13.5%	17.3%	22.6%	19.1%	24.3%
unknown	13.2%	12.0%	13.1%	13.4%	12.2%	13.2%

Poverty rates

	official			NRC "benchmark" poor **with** interarea variation			NRC "benchmark" poor **without** interarea variation		
	all persons	children	aged	all persons	children	aged	all persons	children	aged
Maine	11.2%	16.4%	10.6%	15.3%	21.3%	22.2%	13.6%	20.0%	18.8%
New Hampshire	6.4%	9.5%	6.3%	9.9%	13.4%	14.2%	7.5%	11.6%	6.9%
Vermont	12.6%	17.7%	9.0%	15.0%	18.6%	16.9%	12.0%	15.5%	11.7%
Massachusetts	10.1%	14.7%	9.0%	13.1%	16.3%	16.6%	10.5%	13.7%	12.3%
Rhode Island	11.0%	15.0%	17.7%	11.8%	13.1%	19.0%	10.3%	12.2%	15.8%
Connecticut	11.7%	22.7%	5.5%	12.6%	21.6%	7.7%	10.9%	19.6%	6.2%
New York	16.7%	25.1%	13.0%	17.9%	24.5%	19.4%	15.0%	20.2%	15.8%
New Jersey	9.2%	14.2%	10.0%	11.2%	15.3%	15.7%	8.7%	12.3%	12.2%
Pennsylvania	11.6%	15.7%	10.7%	12.3%	15.3%	14.2%	11.9%	14.4%	13.7%
Ohio	12.7%	18.8%	10.8%	12.2%	16.9%	15.6%	12.9%	17.0%	16.2%
Indiana	7.5%	9.2%	7.5%	8.9%	10.6%	8.9%	10.5%	11.8%	11.4%
Illinois	12.1%	18.6%	8.7%	11.5%	16.0%	12.2%	11.6%	15.9%	12.8%
Michigan	11.2%	17.7%	8.7%	11.4%	15.9%	15.5%	11.8%	16.5%	15.1%
Wisconsin	8.8%	12.5%	9.4%	8.6%	10.2%	15.8%	10.5%	13.0%	16.7%
Minnesota	9.8%	13.2%	10.0%	8.1%	7.6%	15.5%	9.6%	9.9%	19.2%
Iowa	9.6%	12.3%	9.6%	8.2%	9.0%	9.9%	10.5%	12.1%	12.9%
Missouri	9.5%	12.0%	11.4%	9.4%	12.7%	11.3%	10.1%	13.1%	12.6%
North Dakota	11.0%	13.0%	10.3%	8.8%	5.7%	14.0%	11.8%	9.7%	18.9%
South Dakota	11.8%	13.9%	10.9%	11.3%	12.2%	16.2%	14.0%	15.6%	20.1%
Nebraska	10.2%	15.1%	9.0%	9.6%	11.2%	14.7%	11.4%	12.6%	18.9%
Kansas	11.2%	13.5%	10.3%	9.9%	9.2%	16.5%	11.9%	11.2%	17.9%
Delaware	8.6%	14.3%	6.7%	12.3%	15.5%	19.4%	11.1%	13.4%	19.4%
Maryland	10.3%	16.6%	6.2%	11.1%	16.0%	9.6%	9.8%	14.8%	8.4%
District of Columbia	24.1%	38.6%	23.1%	22.9%	30.2%	34.0%	19.0%	24.5%	26.4%
Virginia	12.3%	17.7%	11.8%	13.3%	17.9%	18.6%	13.2%	17.6%	18.7%
West Virginia	18.5%	26.7%	16.3%	16.5%	21.5%	16.6%	19.3%	25.3%	19.7%
North Carolina	12.2%	18.8%	13.5%	14.2%	19.8%	23.0%	14.7%	19.4%	25.9%
South Carolina	13.0%	19.4%	14.7%	10.9%	14.9%	12.1%	13.1%	18.2%	16.9%
Georgia	14.8%	21.3%	15.4%	15.0%	17.9%	18.8%	14.9%	17.5%	18.6%
Florida	14.2%	22.2%	8.9%	15.9%	21.1%	15.0%	16.3%	21.4%	15.1%
Kentucky	17.0%	24.9%	13.9%	12.7%	19.0%	12.0%	17.7%	24.7%	15.7%
Tennessee	15.9%	23.7%	14.8%	11.7%	15.3%	15.6%	15.7%	21.4%	19.3%
Alabama	14.0%	22.0%	11.6%	13.2%	18.2%	16.4%	16.8%	23.1%	21.4%
Mississippi	20.6%	29.6%	16.5%	17.4%	23.5%	17.6%	21.5%	27.6%	25.2%
Arkansas	17.2%	23.2%	15.7%	15.3%	20.4%	13.3%	19.8%	26.0%	20.0%
Louisiana	20.5%	31.8%	17.3%	15.8%	20.1%	24.7%	19.6%	24.6%	27.8%
Oklahoma	16.6%	26.4%	10.9%	14.5%	20.2%	16.1%	16.9%	22.7%	19.0%
Texas	16.6%	24.4%	14.7%	14.5%	19.2%	18.4%	16.8%	22.2%	21.1%
Montana	17.0%	26.9%	9.0%	15.0%	22.6%	13.0%	18.3%	27.5%	15.0%
Idaho	11.9%	17.3%	7.0%	11.1%	14.8%	11.5%	13.9%	18.2%	14.3%
Wyoming	11.9%	14.8%	8.4%	10.8%	12.1%	12.4%	12.3%	13.7%	13.4%
Colorado	10.6%	12.5%	8.0%	8.6%	9.3%	5.3%	9.9%	10.8%	7.8%
New Mexico	25.5%	34.2%	18.6%	21.5%	26.5%	17.0%	23.5%	29.1%	19.6%
Arizona	20.5%	31.7%	13.9%	17.1%	23.4%	18.2%	18.5%	25.9%	19.4%
Utah	7.7%	9.6%	3.9%	7.2%	7.9%	3.9%	7.5%	8.0%	3.9%
Nevada	8.1%	11.4%	7.9%	10.3%	14.4%	11.4%	10.0%	13.5%	11.4%
Washington	11.9%	16.7%	7.8%	11.9%	14.8%	15.0%	10.6%	14.2%	11.3%
Oregon	11.8%	20.1%	6.7%	14.7%	22.8%	8.4%	14.5%	22.7%	10.0%
California	16.9%	25.5%	8.1%	18.9%	24.6%	18.1%	15.2%	19.6%	13.9%
Alaska	8.2%	10.6%	4.6%	5.3%	5.2%	7.1%	5.7%	5.6%	8.8%
Hawaii	12.1%	17.0%	8.3%	10.3%	10.2%	10.6%	10.4%	10.6%	10.6%

Source: Bureau of the Census dataset that will be used in experimental poverty report on NRC recommendations. Note that the Current Population Survey which is the input data to the dataset does not have a sample designed to provide state-level estimates for all states. Small state values on the table are particularly likely to vary from those shown.

State shares of the population and poverty population

	population			officially poor			NRC "benchmark" poor with interarea variation			change in share of poor from switch to NRC poverty measure with interarea variation			NRC "benchmark" poor without interarea variation			change in share of poor from switch to NRC poverty measure without interarea variation		
	all persons	children	aged	all persons	children	aged	all persons	children	aged	all persons	children	aged	all persons	children	aged	all persons	children	aged
Maine	0.5%	0.4%	0.5%	0.4%	0.3%	0.5%	0.5%	0.4%	0.7%	36%	46%	43%	0.4%	0.4%	0.6%	20%	37%	21%
New Hampshire	0.4%	0.4%	0.4%	0.2%	0.2%	0.2%	0.3%	0.3%	0.4%	54%	59%	55%	0.2%	0.3%	0.2%	16%	38%	-25%
Vermont	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	19%	19%	29%	0.2%	0.2%	0.1%	-5%	-1%	-11%
Massachusetts	2.3%	2.2%	2.3%	1.7%	1.6%	1.9%	2.2%	2.0%	2.5%	29%	25%	26%	1.8%	1.6%	1.8%	3%	5%	-6%
Rhode Island	0.4%	0.3%	0.5%	0.3%	0.2%	0.8%	0.3%	0.2%	0.6%	7%	-1%	-27%	0.3%	0.2%	0.5%	-7%	-8%	-39%
Connecticut	1.3%	1.3%	1.4%	1.1%	1.4%	0.7%	1.1%	1.5%	0.7%	7%	7%	-3%	1.0%	1.4%	0.6%	-8%	-2%	-22%
New York	6.9%	6.8%	7.0%	8.4%	8.3%	8.4%	8.9%	9.2%	8.6%	7%	10%	2%	7.5%	7.6%	7.0%	-11%	-9%	-17%
New Jersey	3.0%	2.6%	3.2%	2.0%	1.8%	3.0%	2.4%	2.2%	3.2%	21%	21%	7%	1.9%	1.8%	2.5%	-7%	-3%	-17%
Pennsylvania	4.5%	4.2%	5.4%	3.8%	3.2%	5.4%	4.0%	3.5%	4.9%	6%	10%	-9%	3.8%	3.3%	4.7%	2%	4%	-13%
Ohio	4.2%	4.3%	4.6%	3.9%	3.9%	4.6%	3.7%	4.0%	4.5%	-4%	2%	-1%	4.0%	4.0%	4.7%	2%	3%	3%
Indiana	2.1%	1.9%	2.5%	1.2%	0.9%	1.7%	1.4%	1.1%	1.4%	17%	31%	-19%	1.6%	1.3%	1.8%	38%	45%	4%
Illinois	4.4%	4.6%	4.1%	3.9%	4.2%	3.3%	3.7%	4.0%	3.2%	-5%	-3%	-4%	3.7%	4.0%	3.3%	-5%	-4%	0%
Michigan	3.6%	3.6%	3.8%	2.9%	3.1%	3.1%	3.0%	3.2%	3.7%	2%	1%	22%	3.1%	3.3%	3.6%	5%	5%	19%
Wisconsin	2.0%	2.0%	1.9%	1.3%	1.2%	1.6%	1.2%	1.1%	1.9%	-3%	-9%	15%	1.5%	1.5%	2.0%	18%	17%	21%
Minnesota	1.8%	1.9%	1.4%	1.3%	1.2%	1.3%	1.0%	0.8%	1.4%	-18%	-35%	6%	1.2%	1.0%	1.7%	-2%	-15%	31%
Iowa	1.1%	1.2%	1.1%	0.8%	0.7%	1.0%	0.6%	0.6%	0.7%	-15%	-17%	-29%	0.8%	0.8%	0.9%	9%	11%	-8%
Missouri	2.0%	2.0%	2.3%	1.4%	1.2%	2.5%	1.4%	1.4%	1.7%	-1%	19%	-32%	1.4%	1.4%	1.9%	5%	23%	-24%
North Dakota	0.2%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%	0.1%	0.2%	-20%	-50%	-7%	0.2%	0.1%	0.3%	7%	-15%	26%
South Dakota	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.2%	0.3%	-4%	-2%	2%	0.3%	0.2%	0.4%	18%	27%	26%
Nebraska	0.6%	0.7%	0.7%	0.5%	0.5%	0.6%	0.4%	0.4%	0.6%	-6%	-16%	12%	0.5%	0.5%	0.8%	12%	-5%	43%
Kansas	1.0%	1.1%	1.1%	0.8%	0.7%	1.1%	0.7%	0.5%	1.2%	-12%	-23%	10%	0.8%	0.7%	1.2%	6%	-6%	19%
Delaware	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	43%	22%	97%	0.2%	0.2%	0.3%	29%	6%	97%
Maryland	1.9%	1.9%	1.8%	1.4%	1.5%	1.0%	1.5%	1.6%	1.1%	8%	9%	7%	1.4%	1.5%	1.0%	-5%	0%	-6%
District of Columbia	0.2%	0.2%	0.2%	0.4%	0.3%	0.5%	0.3%	0.3%	0.5%	-5%	-12%	1%	0.3%	0.2%	0.4%	-22%	-28%	-22%
Virginia	2.4%	2.1%	2.3%	2.2%	1.8%	2.6%	2.3%	2.0%	2.8%	8%	14%	8%	2.3%	2.0%	2.8%	7%	12%	8%
West Virginia	0.7%	0.5%	0.9%	0.9%	0.6%	1.4%	0.8%	0.6%	1.0%	-11%	-9%	-30%	0.9%	0.7%	1.1%	3%	7%	-17%
North Carolina	2.7%	2.5%	2.7%	2.4%	2.3%	3.4%	2.8%	2.8%	3.9%	16%	19%	17%	2.9%	2.7%	4.4%	20%	17%	31%
South Carolina	1.4%	1.3%	1.1%	1.3%	1.3%	1.6%	1.1%	1.1%	0.9%	-17%	-14%	-44%	1.3%	1.4%	1.2%	0%	6%	-21%
Georgia	2.8%	2.7%	2.4%	3.0%	2.9%	3.4%	3.0%	2.7%	2.8%	1%	-5%	-17%	3.0%	2.6%	2.8%	0%	-7%	-18%
Florida	5.4%	4.7%	7.8%	5.6%	5.1%	6.4%	6.2%	5.4%	7.5%	12%	7%	16%	6.3%	5.5%	7.5%	14%	9%	16%
Kentucky	1.5%	1.4%	1.5%	1.8%	1.7%	2.0%	1.3%	1.5%	1.2%	-25%	-14%	-41%	1.9%	1.9%	1.5%	4%	12%	-23%
Tennessee	2.1%	2.1%	2.1%	2.4%	2.4%	2.9%	1.8%	1.8%	2.1%	-26%	-27%	-28%	2.4%	2.5%	2.6%	-2%	2%	-11%
Alabama	1.6%	1.6%	1.9%	1.6%	1.7%	2.0%	1.5%	1.6%	1.9%	-6%	-7%	-3%	2.0%	2.0%	2.5%	20%	19%	26%
Mississippi	1.1%	1.2%	0.9%	1.6%	1.7%	1.3%	1.3%	1.5%	1.0%	-16%	-11%	-27%	1.6%	1.8%	1.4%	4%	5%	4%
Arkansas	1.0%	1.1%	1.0%	1.2%	1.2%	1.5%	1.1%	1.2%	0.9%	-11%	-1%	-42%	1.4%	1.5%	1.3%	14%	27%	-13%
Louisiana	1.6%	1.6%	1.5%	2.4%	2.5%	2.4%	1.8%	1.8%	2.4%	-23%	-29%	-2%	2.3%	2.2%	2.7%	-5%	-12%	10%
Oklahoma	1.3%	1.3%	1.4%	1.5%	1.7%	1.5%	1.3%	1.5%	1.5%	-13%	-14%	1%	1.5%	1.7%	1.7%	1%	-3%	19%
Texas	7.2%	7.8%	5.6%	8.7%	9.3%	7.7%	7.6%	8.2%	6.6%	-13%	-12%	-14%	8.8%	9.6%	7.5%	1%	3%	-2%
Montana	0.3%	0.4%	0.3%	0.4%	0.5%	0.3%	0.4%	0.5%	0.3%	-12%	-5%	-1%	0.5%	0.6%	0.3%	7%	15%	14%
Idaho	0.4%	0.5%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.3%	-7%	-3%	13%	0.4%	0.5%	0.4%	17%	19%	40%
Wyoming	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	-10%	-8%	1%	0.2%	0.1%	0.1%	2%	4%	9%
Colorado	1.5%	1.4%	1.1%	1.1%	0.9%	0.8%	0.9%	0.7%	0.4%	-20%	-16%	-54%	1.0%	0.9%	0.5%	-7%	-2%	-33%
New Mexico	0.7%	0.9%	0.6%	1.3%	1.5%	1.0%	1.1%	1.3%	0.6%	-16%	-13%	-37%	1.2%	1.4%	0.7%	-8%	-4%	-28%
Arizona	1.8%	2.0%	1.8%	2.7%	3.1%	2.4%	2.2%	2.6%	2.1%	-17%	-17%	-10%	2.4%	2.9%	2.3%	-10%	-8%	-4%
Utah	0.8%	0.9%	0.6%	0.4%	0.4%	0.2%	0.4%	0.4%	0.2%	-6%	-7%	-31%	0.4%	0.4%	0.2%	-2%	-5%	-32%
Nevada	0.6%	0.6%	0.6%	0.4%	0.3%	0.5%	0.5%	0.5%	0.4%	26%	43%	-2%	0.4%	0.4%	0.4%	22%	34%	-2%
Washington	2.1%	2.1%	1.6%	1.6%	1.7%	1.2%	1.8%	1.7%	1.5%	0%	0%	32%	1.6%	1.7%	1.1%	-12%	-5%	-1%
Oregon	1.2%	1.1%	1.3%	1.0%	1.1%	0.8%	1.3%	1.4%	0.7%	24%	28%	-14%	1.3%	1.4%	0.8%	22%	28%	2%
California	12.1%	12.9%	10.4%	15.0%	16.0%	7.9%	16.7%	17.4%	12.0%	11%	9%	52%	13.4%	13.9%	9.2%	-11%	-13%	17%
Alaska	0.2%	0.3%	0.1%	0.1%	0.2%	0.0%	0.1%	0.1%	0.0%	-36%	-45%	4%	0.1%	0.1%	0.1%	-31%	-41%	30%
Hawaii	0.4%	0.4%	0.5%	0.4%	0.3%	0.4%	0.3%	0.2%	0.3%	-15%	-32%	-12%	0.3%	0.2%	0.3%	-14%	-29%	-12%

Source: Bureau of the Census dataset that will be used in experimental poverty report on NRC recommendations. Note that the Current Population Survey which is the input data to the dataset does not have a sample designed to provide state-level estimates for all states. Small state values on the table are particularly likely to vary from those shown.

Poverty

POVERTY QUESTIONS -- MEDICAID

1. How would reducing the poverty threshold by 14% impact Medicaid program spending levels, geographic allocation, eligibility and/or participation?

Based on TRIM runs performed by BRD, the Health Division estimates, on a preliminary and highly speculative basis, that the poverty threshold change could result in the following:

- A decrease of approximately 1 million full-year equivalent enrollees in FY99, approximately 850,000 of which would be children.
- A one-year decrease in FY99 of approximately a billion and a half dollars in federal Medicaid spending.
- A five-year federal Medicaid spending decrease of approximately $7-$8 billion.
- A potential change in the allocation of funds among States to provide Medicare premium assistance to low-income elderly and disabled people between 120 and 175 percent of poverty.

Caveats: This analysis assumes that States do not choose to change the eligibility criteria in their waiver programs or make changes in poverty-related optional eligibility categories. This analysis is based on an extrapolation of changes in enrollment from 1995 TRIM model data to the FY 1999 President's Budget Medicaid baseline assumptions. These OMB staff estimates are preliminary and have not been reviewed by the HCFA actuaries.

Background: Changes in the poverty thresholds could affect at least three major Medicaid eligibility groups. First, Title 19 of the Social Security Act requires every state to extend coverage to pregnant women, infants and children up to age 6 with family incomes below 133 percent of the Federal poverty level and to children who are between age 6 and 19 with incomes at or below the poverty level (this provision is being phased-in for all poor children under 19 by 2002)

Second, most States have chosen to expand poverty-based eligibility beyond mandatory levels using current law and waiver authority. At least 12 States have Medicaid waivers that extend coverage beyond current law requirements to additional families, children and uninsured based on their income in relation to Federal poverty guidelines. For example, Minnesota has a Medicaid waiver to cover all children under 270 percent of poverty. Since waivers are not generally reflected in the TRIM model, it is likely that the number of individuals who could lose coverage as a result of a change in the poverty guideline is underestimated. In addition, it is unclear whether TRIM captures flexibility States have under current law to develop methodologies for counting income and resources in determining eligibility for certain groups, which could also lead to an underestimation of the number of individuals who might lose assistance due to changes in the poverty guideline.

Third, Medicaid eligibility has also been expanded to provide partial coverage for new groups of low-income Medicare beneficiaries. State Medicaid programs are required to pay for Medicare premiums and some cost-sharing for Medicare beneficiaries below 120 percent of poverty. In addition, the BBA established a new Medicare low-income assistance grant program ($1.5 billion over five years) to provide some premium assistance to Medicare beneficiaries whose incomes fall between 120 and 175 percent of poverty. These grants are determined based on poverty levels.

2. What can be done administratively or legislatively to address unfortunate affects of this guideline change?

The most important possible unfortunate effect of the guideline change in Medicaid is the potential reduction in enrollees. As noted above, changing the poverty threshold could result in a decrease of approximately 1 million full-year equivalent enrollees in FY99, including 850,000 children and 60,000 elderly.

The effect on children can potentially be mitigated administratively at the discretion of the States. First, States can request waivers (or renegotiate existing waivers) of the Social Security Act to address eligibility. Second, section 1902(r)(2) of the Social Security Act gives States the option to adjust the methodology used in evaluating income and resources for determining eligibility for pregnant women and children. The adjusted methodology can be no more restrictive but may be more liberal than the methodology that would be applied under the most closely related cash assistance program. States can use this option to allow for more types and greater amounts of income and resource disregards, and can structure their eligibility policies so that more children and pregnant women could qualify for Medicaid coverage and the accompanying Federal matching. Many States have used the option to revise their methodologies to disregard parental income of pregnant women living in their parents' home. Washington effectively expanded coverage to all children under 19 with incomes below poverty. Minnesota increased its coverage to all pregnant women and children under 19 with incomes below 270 percent of poverty. Other States could use section 1902(r)(2) to expand eligibility to children and pregnant women in the event a change in the poverty threshold leads to a reduction in coverage among children.

States have less flexibility to act to mitigate the effect on elderly and disabled individuals who receive Medicaid assistance to pay Medicare premiums. States could request waivers to expand coverage to these individuals, but there is no authority similar to the wide flexibility States have with respect to income and resource methodologies for children and pregnant women.

3. How confident are we in the numbers and answers given above? How much more confident would we be if we could share these questions with the agencies to get their input? What other caveats or uncertainties (e.g. State behavior and

waiver adjustments) would we like to include in our analysis?

The Health Division believes that additional analysis is necessary by HCFA to confirm the numbers provided above. We traditionally work very closely with HCFA actuaries who have the most in-depth knowledge and understanding of Medicaid eligibility issues and budgetary interactions. Before proceeding on a policy of this magnitude, we strongly recommend consulting with the agency and seeking their analytic input.
We are confident that States have wide latitude to address any potential reduction in child enrollees that results from a change in the poverty guidelines.

Poverty

July 20, 1998

Impacts of NRC poverty measure on allocation of grants among States

The attached sheets present hypothetical impacts on grants to States from adopting the poverty measure recommended by the National Research Council in its 1995 report, Measuring Poverty: A New Approach. The impacts are generated by comparing State shares of the 1996 poverty population calculated by the current thresholds and by the proposed new thresholds. With most grant programs, poverty is only one factor in allocation formulas. So the hypothetical impacts on grant funds on the following sheets reflect only the portions of program funds that are determined by poverty shares. Several other qualifications need to be kept in mind.

"Benchmark" NRC thresholds with no interarea variation: These comparisons employ what are being termed the "benchmark" NRC thresholds, meaning the ones that yield the same overall national poverty rate for 1996 as the official poverty measure. One NRC recommendation, that the thresholds vary by geographic location, was not employed. Other tables are available which show the State-level effects of this recommendation on the distribution of the poverty population.

Datasets for State-level poverty determinations: The dataset employed for the comparisons is the March 1997 Current Population Survey that provides demographic data as of the March 1997 interview date, and income data for calendar year 1996. The CPS is not designed to provide state-level estimates, so the simulated poverty count or rate for particular states, especially small states, are subject to significant sampling error. However, because the comparisons of poverty calculated with different thresholds both use the same dataset, we can have confidence in the direction and whether the magnitude of the changes resulting from adopting the NRC thresholds is small or large.

Most of the programs simulated on the attached sheets use decennial census data in their allocation formulas in order to get more accurate State-level counts of the poor. In the past, the decennial census has asked about family composition and pre-tax money income, the factors needed to make poverty determinations under the current measure. It is already too late to modify the 2000 decennial census to obtain information sufficient for the more complex NRC measure of poverty. It is hoped that the American Community Survey, an ongoing survey intended to replace the decennial census long-form, can be made suitable to provide State-level poverty counts reflecting the NRC recommendations.

Allocation of Title I basic grant funds among states
poor children aged 5 to 17

	official poor	NRC "benchmark" poor without interarea variation	change in shares	change in 1998 basic grants (millions)
Maine	0.29%	0.40%	40.2%	6.7
New Hampshire	0.15%	0.25%	62.8%	5.6
Vermont	0.20%	0.22%	7.8%	0.9
Massachusetts	1.54%	1.59%	3.3%	3.0
Rhode Island	0.19%	0.21%	8.7%	1.0
Connecticut	1.69%	1.73%	2.4%	2.3
New York	8.87%	7.88%	-11.2%	(58.1)
New Jersey	1.96%	1.81%	-7.5%	(8.6)
Pennsylvania	3.66%	3.94%	7.7%	16.4
Ohio	3.72%	3.66%	-1.8%	(3.9)
Indiana	0.84%	1.24%	48.2%	23.6
Illinois	4.02%	3.62%	-10.0%	(23.5)
Michigan	3.04%	3.14%	3.5%	6.3
Wisconsin	1.13%	1.43%	26.1%	17.3
Minnesota	1.36%	1.12%	-17.3%	(13.8)
Iowa	0.72%	0.80%	11.1%	4.7
Missouri	1.29%	1.64%	27.2%	20.5
North Dakota	0.14%	0.12%	-12.0%	(1.0)
South Dakota	0.18%	0.24%	35.5%	3.7
Nebraska	0.43%	0.45%	4.8%	1.2
Kansas	0.58%	0.55%	-5.9%	(2.0)
Delaware	0.18%	0.19%	0.6%	0.1
Maryland	1.39%	1.49%	7.8%	6.3
District of Columbia	0.33%	0.25%	-24.6%	(4.7)
Virginia	1.85%	2.20%	18.8%	20.4
West Virginia	0.61%	0.66%	8.2%	2.9
North Carolina	2.38%	2.87%	20.7%	28.9
South Carolina	1.59%	1.63%	2.1%	2.0
Georgia	2.90%	2.52%	-13.3%	(22.7)
Florida	4.81%	5.18%	7.8%	21.9
Kentucky	2.05%	2.25%	9.5%	11.5
Tennessee	2.42%	2.65%	9.4%	13.4
Alabama	1.74%	2.01%	15.9%	16.1
Mississippi	1.69%	1.84%	9.0%	8.9
Arkansas	1.09%	1.49%	36.7%	23.5
Louisiana	2.48%	2.25%	-9.3%	(13.5)
Oklahoma	1.84%	1.82%	-1.1%	(1.2)
Texas	8.96%	9.09%	1.5%	7.8
Montana	0.49%	0.61%	25.2%	7.2
Idaho	0.42%	0.52%	24.4%	5.9
Wyoming	0.10%	0.13%	28.0%	1.7
Colorado	0.96%	0.96%	-0.8%	(0.5)
New Mexico	1.39%	1.36%	-2.8%	(2.3)
Arizona	3.12%	2.72%	-12.8%	(23.3)
Utah	0.42%	0.34%	-19.4%	(4.8)
Nevada	0.27%	0.42%	54.7%	8.6
Washington	1.65%	1.59%	-3.3%	(3.2)
Oregon	1.17%	1.51%	28.2%	19.4
California	15.20%	13.12%	-13.7%	(121.5)
Alaska	0.18%	0.10%	-43.1%	(4.4)
Hawaii	0.35%	0.23%	-32.4%	(6.5)

Source: Bureau of the Census dataset that will be used in experimental poverty report on NRC recommendations. Note that the Current Population Survey which is the input data to the dataset does not have a sample designed to provide state-level estimates for all states. Small state values on the table are particularly likely to vary from those shown.

Note: Changes in $6.098b basic grants are approximations using state shares. In practice, funding to states reflects per-pupil expenditures in counties, as well as poor children aged 5-17. Change in basic grants due to changes in poverty counts assumes that 96 percent of basic grants are determined by this factor.

Allocation of Head Start funds among states
poor children 5 and younger

	official poor	NRC "benchmark" poor without interarea variation	change in shares	change in 1998 allocations (millions)
Maine	0.3%	0.4%	21.0%	1.3
New Hampshire	0.2%	0.2%	0.8%	0.0
Vermont	0.2%	0.1%	-12.2%	(0.4)
Massachusetts	1.6%	1.6%	3.0%	1.0
Rhode Island	0.3%	0.2%	-34.6%	(2.1)
Connecticut	1.1%	0.9%	-15.9%	(3.7)
New York	7.4%	6.7%	-9.0%	(13.6)
New Jersey	1.7%	1.8%	1.9%	0.7
Pennsylvania	2.4%	2.1%	-11.7%	(5.8)
Ohio	4.2%	4.2%	0.6%	0.5
Indiana	1.0%	1.3%	38.5%	7.6
Illinois	4.3%	4.3%	-0.8%	(0.7)
Michigan	3.2%	3.4%	5.5%	3.6
Wisconsin	1.4%	1.5%	12.2%	3.4
Minnesota	1.1%	0.9%	-11.6%	(2.5)
Iowa	0.7%	0.7%	6.4%	0.9
Missouri	1.0%	1.1%	13.5%	2.6
North Dakota	0.2%	0.1%	-21.7%	(0.7)
South Dakota	0.2%	0.2%	9.2%	0.3
Nebraska	0.6%	0.5%	-23.6%	(3.0)
Kansas	0.9%	0.7%	-21.4%	(4.0)
Delaware	0.2%	0.2%	22.2%	0.7
Maryland	1.8%	1.5%	-16.4%	(5.9)
District of Columbia	0.3%	0.2%	-41.8%	(2.8)
Virginia	1.8%	1.6%	-10.6%	(3.9)
West Virginia	0.7%	0.7%	1.9%	0.3
North Carolina	2.3%	2.5%	5.5%	2.6
South Carolina	0.6%	0.8%	28.0%	3.6
Georgia	2.9%	2.9%	-1.6%	(0.9)
Florida	5.5%	5.4%	-0.4%	(0.5)
Kentucky	1.0%	1.2%	26.8%	5.3
Tennessee	2.8%	2.4%	-12.6%	(7.1)
Alabama	1.6%	1.8%	16.2%	5.2
Mississippi	1.8%	1.6%	-6.9%	(2.5)
Arkansas	1.3%	1.4%	5.4%	1.5
Louisiana	2.6%	2.0%	-22.8%	(12.2)
Oklahoma	1.6%	1.3%	-16.2%	(5.3)
Texas	10.1%	9.8%	-3.0%	(6.2)
Montana	0.5%	0.4%	-4.8%	(0.4)
Idaho	0.4%	0.4%	8.3%	0.7
Wyoming	0.2%	0.1%	-29.9%	(1.2)
Colorado	0.7%	0.7%	-9.0%	(1.4)
New Mexico	1.5%	1.3%	-11.1%	(3.4)
Arizona	3.0%	2.9%	-4.2%	(2.6)
Utah	0.5%	0.5%	1.2%	0.1
Nevada	0.4%	0.4%	16.4%	1.2
Washington	1.9%	1.7%	-10.4%	(3.9)
Oregon	0.9%	1.1%	27.3%	5.0
California	17.1%	14.0%	-17.8%	(62.3)
Alaska	0.2%	0.1%	-45.9%	(1.7)
Hawaii	0.3%	0.2%	-34.4%	(2.4)

Source: Bureau of the Census dataset that will be used in experimental poverty report on NRC recommendations. Note that the Current Population Survey which is the input data to the dataset does not have a sample designed to provide state-level estimates for all states. Small state values on the table are particularly likely to vary from those shown.

Note: In 1998, 87 percent of $4,355 million was available for distribution to states. First, each State an amount equal to its 1981 allocation. Then two-thirds of the remainder was allocated based upon the number of poor children 5 years old or younger. Those are the funds on the table above.

WIC "fair share" funds: Infants and children with family incomes less than 185 percent of poverty

	official poor	NRC "benchmark" poor **without** interarea variation	change in shares	change in 1998 fair share (millions)
Maine	0.29%	0.29%	2.2%	0.2
New Hampshire	0.26%	0.31%	19.2%	1.5
Vermont	0.18%	0.16%	-9.4%	(0.5)
Massachusetts	1.73%	1.81%	4.8%	2.4
Rhode Island	0.26%	0.29%	11.4%	0.9
Connecticut	0.86%	0.85%	-1.7%	(0.4)
New York	7.12%	6.88%	-3.3%	(6.8)
New Jersey	1.74%	1.69%	-2.9%	(1.5)
Pennsylvania	2.68%	2.91%	8.4%	6.7
Ohio	4.18%	4.24%	1.4%	1.7
Indiana	1.23%	1.73%	40.8%	14.7
Illinois	3.90%	4.17%	6.9%	8.0
Michigan	3.16%	2.97%	-6.1%	(5.7)
Wisconsin	1.52%	1.64%	8.1%	3.6
Minnesota	1.29%	1.45%	13.0%	4.9
Iowa	0.95%	1.12%	17.4%	4.9
Missouri	1.93%	1.69%	-12.1%	(6.8)
North Dakota	0.14%	0.18%	24.8%	1.0
South Dakota	0.24%	0.23%	-4.7%	(0.3)
Nebraska	0.60%	0.61%	1.1%	0.2
Kansas	1.09%	1.15%	5.3%	1.7
Delaware	0.22%	0.20%	-8.6%	(0.6)
Maryland	1.73%	1.79%	3.8%	1.9
District of Columbia	0.26%	0.24%	-8.0%	(0.6)
Virginia	1.91%	2.02%	5.6%	3.2
West Virginia	0.65%	0.59%	-9.1%	(1.7)
North Carolina	2.30%	2.43%	5.8%	3.9
South Carolina	1.08%	1.17%	8.0%	2.5
Georgia	2.89%	2.71%	-6.1%	(5.2)
Florida	5.43%	5.33%	-1.9%	(3.0)
Kentucky	1.24%	1.36%	9.3%	3.4
Tennessee	2.31%	2.32%	0.2%	0.1
Alabama	1.75%	1.84%	5.0%	2.6
Mississippi	1.63%	1.55%	-5.3%	(2.5)
Arkansas	1.51%	1.52%	0.4%	0.2
Louisiana	2.01%	1.86%	-7.5%	(4.4)
Oklahoma	1.47%	1.46%	-0.9%	(0.4)
Texas	9.71%	9.38%	-3.4%	(9.8)
Montana	0.46%	0.43%	-6.1%	(0.8)
Idaho	0.55%	0.53%	-4.0%	(0.7)
Wyoming	0.21%	0.21%	-2.2%	(0.1)
Colorado	1.00%	0.99%	-1.2%	(0.4)
New Mexico	1.30%	1.24%	-4.8%	(1.8)
Arizona	2.75%	2.50%	-9.2%	(7.4)
Utah	0.74%	0.96%	29.7%	6.5
Nevada	0.41%	0.45%	10.0%	1.2
Washington	2.24%	2.18%	-2.6%	(1.7)
Oregon	1.17%	1.27%	8.2%	2.8
California	15.04%	14.41%	-4.2%	(18.5)
Alaska	0.19%	0.20%	2.3%	0.1
Hawaii	0.46%	0.50%	7.8%	1.1

Source: Bureau of the Census dataset that will be used in experimental poverty report on NRC recommendations. Note that the Current Population Survey which is the input data to the dataset does not have a sample designed to provide state-level estimates for all states. Small state values on the table are particularly likely to vary from those shown.

Note: Reflects $2.9b "fair share" funds. Other WIC "stabilization funds" are distributed based on prior year's allocations.

1998 CHIP grants under current poverty measure and NRC "benchmark," no interarea variation

	uninsured children less than 200% official poverty	uninsured children less than 200% NRC poverty	state cost factor	official product	nrc product	official share	nrc share	1998 CHIP grants official share (millions)	nrc share (millions)	change with nrc (millions)	percentage change to current grant
Maine	26,659	31,391	0.8863	23,628	27,822	0.31%	0.34%	13.0	14.2	(1.2)	9.6%
New Hampshire	19,937	24,975	0.976	19,458	24,376	0.25%	0.30%	10.7	12.5	(1.8)	16.6%
Vermont	3,370	3,370	0.8604	2,900	2,900	0.04%	0.04%	1.6	1.5	0.1	-6.9%
Massachusetts	95,404	101,082	1.0576	100,899	106,905	1.32%	1.30%	55.5	54.7	0.8	-1.4%
Rhode Island	6,844	6,844	0.958	8,556	6,556	0.09%	0.08%	3.6	3.4	0.2	-6.9%
Connecticut	63,658	63,999	1.1237	71,532	71,916	0.94%	0.88%	39.3	36.8	2.5	-6.4%
New York	476,282	511,847	1.0914	519,815	558,630	6.80%	6.80%	285.9	286.0	(0.1)	0.0%
New Jersey	204,635	229,597	1.1241	230,031	258,090	3.01%	3.14%	126.5	132.1	(5.6)	4.4%
Pennsylvenia	170,714	177,162	1.0005	170,799	177,251	2.23%	2.16%	93.9	90.8	3.2	-3.4%
Ohio	213,116	238,801	0.9617	204,954	229,654	2.68%	2.80%	112.7	117.6	(4.9)	4.3%
Indiana	77,818	80,820	0.9169	71,351	74,104	0.93%	0.90%	39.2	37.9	1.3	-3.3%
Illinois	177,659	194,312	0.9892	175,740	192,213	2.30%	2.34%	96.7	98.4	(1.7)	1.8%
Michigan	122,210	123,137	1.0001	122,222	123,149	1.60%	1.50%	67.2	63.1	4.2	-6.2%
Wisconsin	48,873	57,813	0.9229	45,105	53,356	0.59%	0.65%	24.8	27.3	(2.5)	10.1%
Minnesota	68,894	76,431	0.9675	66,655	73,947	0.87%	0.90%	36.7	37.9	(1.2)	3.3%
Iowa	51,502	61,228	0.8253	42,504	50,531	0.56%	0.62%	23.4	25.9	(2.5)	10.7%
Missouri	113,742	120,728	0.9075	103,221	109,560	1.35%	1.33%	56.8	56.1	0.7	-1.2%
North Dakota	11,556	14,728	0.8587	9,923	12,647	0.13%	0.15%	5.5	6.5	(1.0)	18.6%
South Dakota	8,265	9,454	0.8559	7,074	8,092	0.09%	0.10%	3.9	4.1	(0.3)	6.5%
Nebraska	22,023	31,593	0.844	18,587	26,664	0.24%	0.32%	10.2	13.7	(3.4)	33.5%
Kansas	48,320	49,288	0.8704	42,058	42,900	0.55%	0.52%	23.1	22.0	1.2	-5.1%
Deleware	20,353	22,189	1.0553	21,479	23,416	0.28%	0.29%	11.8	12.0	(0.2)	1.5%
Maryland	79,002	82,815	1.0498	82,937	86,939	1.09%	1.06%	45.6	44.5	1.1	-2.4%
District of Columbia	11,005	12,267	1.2857	14,150	15,772	0.19%	0.19%	7.8	8.1	(0.3)	3.8%
Virginia	130,080	133,846	0.9862	128,285	131,998	1.68%	1.61%	70.6	67.6	3.0	-4.2%
West Virginia	21,892	23,885	0.8937	19,565	21,346	0.28%	0.26%	10.8	10.9	(0.2)	1.6%
North Carolina	217,536	241,493	0.9815	213,512	237,025	2.79%	2.89%	117.4	121.4	(3.9)	3.3%
South Carolina	152,157	152,157	0.9843	149,768	149,768	1.96%	1.82%	82.4	76.7	5.7	-6.9%
Georgia	202,499	228,500	0.9923	200,940	226,741	2.63%	2.76%	110.5	116.1	(5.6)	5.0%
Florida	433,805	451,289	1.0368	449,769	467,896	5.88%	5.70%	247.4	239.6	7.8	-3.2%
Kentucky	129,499	135,713	0.9146	118,439	124,123	1.55%	1.51%	65.1	63.5	1.6	-2.4%
Tennessee	242,909	208,164	0.9799	238,027	203,980	3.11%	2.48%	130.9	104.4	26.5	-20.2%
Alabama	106,259	108,585	0.951	101,052	103,265	1.32%	1.26%	55.6	52.9	2.7	-4.9%
Mississippi	121,305	133,425	0.8675	105,232	115,746	1.38%	1.41%	57.9	59.3	(1.4)	2.4%
Arkansas	118,364	134,076	0.8871	105,001	118,939	1.37%	1.45%	57.8	60.9	(3.1)	5.4%
Louisiana	215,408	227,668	0.8934	192,446	203,399	2.52%	2.48%	105.8	104.1	1.7	-1.6%
Oklahoma	149,080	177,786	0.8588	128,030	152,682	1.67%	1.86%	70.4	78.2	(7.8)	11.0%
Texas	1,065,890	1,149,898	0.9275	988,613	1,066,530	12.93%	12.99%	543.8	546.0	(2.3)	0.4%
Montana	22,321	23,607	0.8333	18,600	19,671	0.24%	0.24%	10.2	10.1	0.2	-1.6%
Idaho	31,098	32,713	0.8726	27,136	28,545	0.35%	0.35%	14.9	14.6	0.3	-2.1%
Wyoming	12,773	11,315	0.8758	11,187	9,910	0.15%	0.12%	6.2	5.1	1.1	-17.5%
Colorado	111,736	140,539	0.9888	110,485	138,965	1.45%	1.69%	60.8	71.1	(10.4)	17.1%
New Mexico	99,244	100,463	0.9169	90,997	92,114	1.19%	1.12%	50.1	47.2	2.9	-5.8%
Arizona	318,446	328,013	1.0472	333,477	343,495	4.36%	4.18%	183.4	175.9	7.6	-4.1%
Utah	49,468	54,001	0.8977	44,407	48,476	0.58%	0.59%	24.4	24.8	(0.4)	1.6%
Nevada	47,979	55,562	1.2046	57,796	66,930	0.76%	0.82%	31.8	34.3	(2.5)	7.8%
Washington	147,448	147,448	0.9352	137,893	137,893	1.80%	1.68%	75.8	70.6	5.2	-6.9%
Oregon	100,744	111,955	0.9947	100,210	111,361	1.31%	1.36%	55.1	57.0	(1.9)	3.4%
California	1,201,351	1,314,797	1.1365	1,365,335	1,494,267	17.86%	18.20%	751.0	765.0	(14.1)	1.9%
Alaska	15,548	19,691	1.0669	16,588	21,009	0.22%	0.26%	9.1	10.8	(1.6)	17.9%
Hawaii	14,960	15,611	1.1722	17,536	18,300	0.23%	0.22%	9.6	9.4	0.3	-2.9%

Source: Bureau of the Census dataset that will be used in experimental povarty report on NRC recommendations. Note that the Current Population Survey which is the input data to the dataset does not have a sample designed to provide state-level estimates for all states. Small state values on the table are particularly likely to vary from those shown.

Shares of rural poor, a factor used in allocation of rural development program funds

	official poor	NRC "benchmark" poor **without** interarea variation	change in shares
Maine	1.15%	1.24%	7.2%
New Hampshire	0.52%	0.55%	5.1%
Vermont	0.83%	0.73%	-12.1%
Massachusetts	0.51%	0.48%	-7.5%
Rhode Island	0.00%	0.00%	
Connecticut	0.00%	0.00%	
New York	1.86%	1.83%	-1.6%
New Jersey	0.00%	0.00%	
Pennsylvania	2.13%	2.92%	37.3%
Ohio	3.56%	3.76%	5.6%
Indiana	2.49%	3.29%	31.9%
Illinois	3.70%	3.27%	-11.8%
Michigan	1.51%	1.42%	-6.3%
Wisconsin	2.35%	2.41%	2.6%
Minnesota	2.32%	2.47%	6.2%
Iowa	2.10%	2.06%	-1.7%
Missouri	2.41%	2.32%	-3.6%
North Dakota	0.52%	0.57%	8.0%
South Dakota	0.76%	0.80%	5.0%
Nebraska	0.73%	1.01%	37.7%
Kansas	1.41%	1.54%	9.3%
Delaware	0.15%	0.22%	50.6%
Maryland	0.00%	0.00%	
District of Columbia	0.00%	0.00%	
Virginia	2.19%	2.42%	10.1%
West Virginia	1.93%	1.89%	-2.3%
North Carolina	2.96%	3.84%	29.9%
South Carolina	2.50%	2.26%	-9.6%
Georgia	6.00%	5.56%	-7.3%
Florida	1.88%	2.52%	34.2%
Kentucky	5.07%	5.29%	4.5%
Tennessee	3.87%	3.87%	0.2%
Alabama	3.23%	3.60%	11.5%
Mississippi	5.56%	4.83%	-13.3%
Arkansas	3.43%	3.53%	3.0%
Louisiana	2.63%	1.66%	-36.9%
Oklahoma	3.00%	2.59%	-13.6%
Texas	6.80%	7.96%	17.0%
Montana	1.63%	1.60%	-1.7%
Idaho	1.29%	1.42%	10.3%
Wyoming	0.51%	0.52%	1.0%
Colorado	1.25%	1.03%	-17.2%
New Mexico	3.08%	2.44%	-20.8%
Arizona	2.72%	2.09%	-23.2%
Utah	0.55%	0.41%	-25.4%
Nevada	0.07%	0.11%	61.3%
Washington	3.13%	2.29%	-26.9%
Oregon	1.68%	1.94%	15.5%
California	1.07%	0.89%	-16.6%
Alaska	0.39%	0.19%	-51.4%
Hawaii	0.55%	0.37%	-32.7%

Source: Bureau of the Census dataset that will be used in experimental poverty report on NRC recommendations. Note that the Current Population Survey which is the input data to the dataset does not have a sample designed to provide state-level estimates for all states. Small state values on the table are particularly likely to vary from those shown.

7/21/98

POVERTY

TO: Elena Kagan, Bruce Reed, Cynthia Rice
CC: Jeanne Lambrew
FROM: Andrea Kane

Poverty Measure - information from 7/20 meeting (per email).

Program	1998 outlays (millions)	BEA category	Poverty thresholds a factor in allocations to states or other grantees?	Is this by statute?	Poverty guidelines a factor in eligibility of families and individuals?	Is this by statute?	Income deductions and adjustments	Is this by statute?	Sensitivity to change in poverty measures
Medicaid	101,260	mandatory	No. Spending depends on the number of eligible applicants.	not applicable	A subset of recipients, mainly children, are eligible based on family income under 133 percent of poverty (pregnant women, infants and children under 6), or 100 percent of poverty (other children)	yes	States apply income rules consistent with their cash welfare programs for families with children, or with SSI. However, states may apply more liberal deductions to cover pregnant women and children.	yes	Because full benefit is available up to the income ceiling, changes to poverty guidelines could have significant cost and participation impacts.
Food Stamp Program	22,416	mandatory	No. Spending depends on the number of eligible applicants.	not applicable	Family gross income must be below 130 percent of poverty and net income (after deductions) must be below 100 percent of poverty.	yes	The following are subtracted from gross regular money income: a) a standard deduction ($134 in 1996); b) 20 percent of gross earnings; c) dependent care expenses up to $200/month per child under age 2, $175/month for other children; c) for households with	yes	Additional analysis is needed to size impacts.
Child nutrition programs, including the National School Lunch Program, school breakfasts, summer food service program for children, and child and adult care feeding.	8,796	mandatory	No. Spending depends on the number of eligible applicants.	not applicable	Children with family incomes below 130 percent of the guidelines receive free meals. Those with incomes between 130 percent and 185 percent receive meals at a reduced price.	yes	no	not applicable	Very sensitive: a change in the poverty guidelines that decreased the number of children considered poor would decrease the number of children currently eligible for free meals. A change that increased the number of children considered poor would have t
Title I of the Elementary and Secondary Education Act	7,229	discretionary	Allocation to States based on county-level counts of children aged 5-17 who are: 1) in poor families, based on the most recent decennial census; 2) families receiving TANF or SSI; 3) in certain institutions for neglected and delinquent foster children.	yes	no	not applicable	not applicable	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.
Community Development Block Grant	4,989	discretionary	CDBG allocations to States and entitlement communities are determined by the use of two formulas. Formula A weights share of poor at 50 percent, population at 25 percent, and overcrowded housing at 25 percent. Formula B weights the percentage of housing units built before 1940 at 50 percent, poverty at 30 percent, and population growth lag at 20 percent.	yes	no	not applicable	not applicable	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation.
Rural development programs, including direct and guaranteed loans for: single and multifamily housing, community facilities, water and wastewater treatment facilities, and rural businesses as well as supporting grants for all loan types and rental assista	Obligations, direct loans, and loan guarantees of 7,706 in 1998	discretionary	A state's share of the poor rural population is a factor in allocation of funds.	yes	no	not applicable	not applicable	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation.

Program	1998 outlays (millions)	BEA category	Poverty thresholds a factor in allocations to states or other grantees?	Is this by statute?	Poverty guidelines a factor in eligibility of families and individuals?	Is this by statute?	Income deductions and adjustments	Is this by statute?	Sensitivity to change in poverty measures
Head Start	4,128	discretionary	Each state's share of poor children up to age 5 is a factor in determining distribution of about two-thirds of funds.	yes	At least 90 percent of children in a local program must be from poor families, or families receiving cash welfare, or foster care.	yes	no	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.
WIC (Special Supplemental Nutrition Program for Women, Infants, and Children)	3,949	discretionary	Part of funding based on each state's share of pregnant and lactating women, infants, and children up to age 5 with family incomes below 185 percent of poverty.	yes	States may set eligibility levels up to 185 percent of the poverty income guidelines.	yes	no	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.
Job Training Partnership Act	1,870	discretionary	State shares of the poverty population are used to distribute one-third of funds under title II-A Adult, II-C youth, and II-B Summer Jobs programs.	yes	At least 90 percent of participants must be "economically disadvantaged." One criterion is family income below the poverty guidelines.	yes	Unemployment compensation, child support payments, and welfare payments are excluded from countable income.	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.
Child Health Insurance Program block grants	Enacted in 1997. Outlays for 1999, 1,865m	mandatory	Allocation factors include uninsured children from families with incomes below 200 percent of poverty.	yes	Beneficiaries must have family income below 200 percent of poverty guidelines.	yes	States may allow deductions from gross income.	yes	Annual state allocations are based on state shares of uninsured children with family incomes under 200 percent of poverty in three years of pooled CPS data. Changes to the thresholds would change the shares, and changes to the guidelines would change eligible population.
HOME (Home Investment Partnership Program)	1,438	discretionary	The formula for determining allocations uses six factors. Four of the six factors take poverty criteria into consideration: 10 percent by vacancy-adjusted rental units where the household head is at or near the poverty level; 20 percent by rental units b	yes	no	not applicable	not applicable	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation.
LIHEAP (Low Income Home Energy Assistance Program)	1,022	discretionary	Allocations based on share of eligibles. One criterion of low-income is family income below 150 percent of poverty. However, unless appropriation again rises above 1984 level of 1,975m, funds are distributed based on state shares of funds in 1981.	yes	Households must have low income. Criteria include 150 percent of the poverty guidelines and 60 percent of state median income. In most states, the latter criterion is higher.	yes	no	not applicable	Funding subject to appropriation. Unless funding nearly doubles, a change in distribution of poor would not change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pres
Child Care and Development Block Grant	978	discretionary	Poverty guidelines have and indirect effect on state allocations. One factor in allocation formula is the percentage of child receiving free or reduced price school lunches.	yes	No	not applicable	not applicable	not applicable	Funding subject to appropriation. Overall impact on allocations is mediated through changes to school lunch participation.

Program	1998 outlays (millions)	BEA category	Poverty thresholds a factor in allocations to states or other grantees?	Is this by statute?	Poverty guidelines a factor in eligibility of families and individuals?	Is this by statute?	Income deductions and adjustments	Is this by statute?	Sensitivity to change in poverty measures
Maternal and Child Health Services block grant	683	discretionary	A state's share of low income children is a factor in allocation.	yes	Grants are to provide access to health care to low income mothers and children.	yes	no	not appliceble	Same as LIHEAP
Consolidated Health Centers, formerly Community Health Centers, Migrant Health Centers, health centers for the homeless, and health centers for residents of public housing	815	discretionary	Poor population is a factor in determining that an area is "medically underserved."	no	Free care is available to families with income below poverty.	no	no	not applicable	Same as LIHEAP
Trio programs, including Upward Bound, Student Support Centers, Talent Search, Educational Opportunity Centers, Ronald E. McNair Post-baccalaureate Achievement	463	discretionary	no	not applicable	Participants must have family income below 150 percent of the poverty thresholds.	yes	Eligibility is determined based on "taxable" income, which excludes some government cash and all noncash transfers.	yes	Increase in the number counted as poor would mean a smaller proportion of eligibles could be served at current levels, creating upward pressure on appropriations.
Senior Community Service Employment Program	454	discretionary	no	not applicable	Participants must be at least 55 years of age and have incomes below 125 percent of the poverty guidelines.	yes	no	not applicable	Same as Trio.
Legal Services Corporation	283	discretionary	no	not applicable	Clients must have incomes below 125 percent of the poverty guidelines (150 percent in some cases).	no	No set deductions, but medical expenses, child care, and other work expenses may be taken into account in providing services to families with gross income above the ceiling.		Same as Trio.
Title X Family Planning Services	203	discretionary	Number of poor women is a factor in allocation of funds.	yes	Free services are available to persons with famity income below the poverty guidelines.		no	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.
Medicaid grant program for low-income Medicare beneficiaries	200	mandatory	State allocations based on share of Medicare beneficiaries with famity incomes from 120-175 percent of poverty thresholds.	yes	Beneficiaries must have family income from 120-175 percent of poverty guidelines.	yes	Deductions from income must be consistent with SSI rules.	yes	Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.
Emergency Shelter Grants	165	discretionary	Similar to CDBG above.	yes	no	not applicable	not applicable	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation.
Weatherization assistance	112	discretionary	Number of households with incomes below 125 percent of poverty is a factor in allocation.	yes	Recipients must have incomes below 125 percent of poverty guidelines (150 percent under some circumstances), or be recipients of cash welfare.	yes	no	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.
Foster Grandparents	83	discretionary	Number of persons 60 and older with incomes below 100 percent of poverty is a factor in allocation.	yes	Participants must have incomes below 125 percent of the poverty guidelines (with some exceptions).	yes	no	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.

Program	1998 outlays (millions)	BEA category	Poverty thresholds a factor in allocations to states or other grantees?	Is this by statute?	Poverty guidelines a factor in eligibility of families and individuals?	Is this by statute?	Income deductions and adjustments	Is this by statute?	Sensitivity to change in poverty measures
Senior Companions	45	discretionary	Number of persons 60 and older with incomes below 100 percent of poverty is a factor in allocation.	yes	Participants must have incomes below 125 percent of the poverty guidelines (with some exceptions).	yes	no	not applicable	Funding subject to appropriation. Change in distribution of poor would change allocation. Increase in number of poor would mean smaller proportion of eligibles could be served at current funding, creating upward pressure on appropriations.

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July 10, 1998

The Honorable William J. Clinton
President of the United States
The White House
Washington, DC 20010

Dear Mr. President,

I am happy to provide you with the following summary of the new Research Brief from the National Center for Children in Poverty (NCCP): "Young Child Poverty in the States—Wide Variation and Significant Change." This report continues our work on the demography of young child poverty. As you may know, *One in Four: America's Youngest Poor*, described the changing face of young child poverty and illustrated how it cuts across racial and geographic boundaries. Our March 1998 publication, "Young Children in Poverty: A Statistical Update," used an alternative measure of young child poverty to demonstrate the powerful impact of the Earned Income Tax Credit as a tool against young child poverty.

The key findings of the Research Brief include:

Wide Differences Among the States: There is great variation in both trends and levels of young child poverty among the states. Over the last two decades, changes in state young child poverty rates ranged from a 53 percent increase in Oklahoma to a 39 percent fall in Vermont.

More than half of the increase in the average number of poor young children in the United States over the last two decades can be attributed to the nation's three most populous states, California, New York, and Texas. These three states each experienced *disproportionately* steep rises in their young child poverty rates over the past two decades (24, 21, and 24 percent respectively). The number of poor children under age six in California, New York, and Texas rose to an average of 2.0 million in 1992-1996—up from an average of 1.2 million in 1979-1983.

Several smaller states also experienced significant increases in their YCPRs during that period, including Montana (51 percent), Arizona (46 percent), West Virginia (45 percent), and Louisiana (40 percent). Two states saw their YCPRs fall dramatically, with a 26 percent drop in New Jersey in addition to the 39 percent fall in Vermont.

Young Child Poverty is an American Problem: This report confirms that young child poverty is an American problem that affects regions all across the nation. We found states with either high rates of poverty and/or steep increases in their poverty levels in the West (CA), Northeast (NY), South (LA, WV), Southwest (AZ) and in the Rockies (MT).

Welfare Reform: It is still too early to fully evaluate the impact that welfare reform has had on young child poverty rates, as the most recent Census data predate the implementation of the changes in the 1996 federal welfare law. You are well aware that two-thirds of welfare recipients are children. Welfare reform cannot be a success if it leaves millions of children in poverty. It is not enough to end welfare as we know it. We also have to end child poverty as we know it.

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As you know, our report is being released at a time when a key deadline in the 1996 federal welfare overhaul has been recently missed. The law requires each of the 50 states to provide an annual current estimate of its child poverty rate by May 31 of each year, beginning in 1998. If a state's child poverty rate increases by five percent or more, and the increase can be attributed to welfare reform, the new law requires the state to file a corrective action plan with the Department of Health and Human Services (DHSS). It is critically important for DHHS to complete the task of developing an appropriate methodology to track year-to-year changes in state child poverty rates.

The Working Poor: It is also important to remember that most poor young children live in working families (63 percent) and that states need to develop strategies to help non-welfare families to get out of poverty.

Demographic Factors: NCCP conducted statistical analyses in order to examine the degree to which three demographic factors (single motherhood, maternal education, and parental employment) could account for the wide variation in state child poverty trends. Changes in these three variables accounted for all of the change in the YCPR in seven states and none of the change in 12 states. The median percentage of the change in the YCPR that is explained by these variables was 30 percent. We also found that immigration constitutes an important but not exclusive factor in the growth of family poverty in the three most populous states: California, New York, and Texas.

Future Research: Over the next year, NCCP intends to intensively examine other factors at the state level--such as economic and policy variables--that affect young child poverty rates, and to issue additional reports.

Leadership from the White House could be critically important in encouraging a "race to the top" among the states to see who can do the most to reduce young child poverty. We at NCCP hope that this report can in some way serve that goal.

I would be happy to brief you in more detail about our research or any other relevant issues at your earliest convenience. My home number is 212-579-2424 and my direct line at NCCP is 212-304-7101. Please do not hesitate to contact me if you should have any further questions.

Sincerely,

J. Lawrence Aber
Director

Cc: Bruce Reed
Debra Waxman

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Early Childhood Poverty

RESEARCH BRIEF

1 Young Child Poverty in the States — Wide Variation and Significant Change

by Neil G. Bennett and Jiali Li

NATIONAL CENTER FOR CHILDREN IN POVERTY

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Overview

The purpose of this research brief from the National Center for Children in Poverty (NCCP) is to describe levels and trends of young child poverty in the states and to understand some of the important reasons behind the differences across the states. Key findings from the research brief include:

- Considerable variation exists among the states' young child poverty rates (YCPRs). In particular, seven states and the District of Columbia have rates significantly higher than the national average and 15 states have rates that are significantly lower. Young child poverty rates for 1992–1996 ranged from 11 percent in Utah to 41 percent in Louisiana.
- Ten states have experienced significant changes in their YCPRs between 1979–1983* and 1992–1996. Specifically, eight states' YCPRs increased, while the rates of two states decreased. Changes in state young child poverty rates ranged from a 53 percent increase in Oklahoma to a 39 percent fall in Vermont. Nationally, the young child poverty rate (YCPR) increased from 22.0 to 24.7 percent during the period covered by the study —an increase of 12 percent. The number of poor young children in the United States grew from an average of 4.4 million to an average of 5.9 million over the same period.
- California, New York, and Texas each experienced steep increases (24, 21, and 24 percent respectively) in their YCPRs between 1979–1983 and 1992–1996. These increases were significantly higher than the national increase of 12 percent. Indeed, more than half of the increase in the average number of poor young children in the United States over the period covered in this study can be attributed to these three states.
- Three demographic factors—changes in family structure, employment patterns, and educational attainment—accounted for a notable proportion of the changes in state young child poverty rates over the past two decades.

Introduction

With the passage of federal welfare reform in 1996 (The Personal Responsibility and Work Opportunity Reconciliation Act or PRA), accountability for the well-being of low-income families has shifted substantially from the federal government to the states. The legislation requires that each state provide an annual current estimate of its child poverty rate by May 31st, starting in 1998. If that rate exceeds the previous year's rate by more than 5 percent (e.g., from 20 percent to more than 21 percent), and this increase can be attributed to the effects of welfare reform, then the state must submit a corrective action plan. The logic of this requirement is clear: two-thirds of welfare recipients are children[1] and welfare reform cannot be deemed a success if it leads to higher child poverty rates.[2]

As of July 1998, the federal government is in the process of determining two critical methodologies: (1) how to estimate state-level poverty rates and (2) how to isolate the causes of poverty increases so that the conditions underlying the requirement for proposing a corrective action plan can, in fact, be met. With respect to the latter point, it is clear that if such a methodology is unavailable to the states, then it will be impossible to determine whether a corrective action plan is necessary. The federal government is months behind their anticipated schedule of developing the means necessary for the states to fulfill the obligations outlined for them in the welfare reform act.[3]

* This research brief discusses young child poverty since 1979 because NCCP plans to use these statistics as a baseline for a future report that will use alternative measures of poverty—for which the necessary data only became available in 1979—to examine the effects of policy changes on young child poverty rates.

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In the end, it may be that the major outcome of the reporting requirement will be simply to help shine a spotlight on the problem of child poverty in the United States: its level, trends over time, differences across states and various subgroups, and its causes and consequences.

This research brief focuses primarily on variation among the 50 states in young child poverty,[4] that is, poverty among children under age six. These young children have the highest poverty rates of any age group and are the most vulnerable to the impact of poverty. Preventing poverty in early childhood can reduce the incidence of several negative outcomes—e.g., costly medical problems, developmental delays, teen pregnancy, and adult unemployment—that are associated with young child poverty.[5] The report addresses three sets of questions:

- For the five-year period prior to the passage and implementation of the PRA, 1992 through 1996,[6] how much did states vary in their YCPRs?
- For the period from the late 1970s/early 1980s (1979–1983) through the early 1990s (1992–1996), how much did states vary in their rates of change in the YCPR?
- Are there key demographic factors that help to explain the differences among the states in the extent to which their YCPRs have changed?

As America enters a new era of increased state responsibility for children's well-being, this report provides baseline information on state child poverty rates to help establish a context in which individual state child poverty trends can be better understood.

State Rates of Poverty, Extreme Poverty, and Near Poverty Among Young Children

For the five-year period prior to the passage and implementation of the PRA, 1992 through 1996, how much did states vary in their YCPRs? Maps 1 through 3 display the poverty, extreme poverty, and near poverty rates of the states according to three categories—whether each state's rate was: (1) statistically similar to the national rate, (2) statistically significantly higher than the national rate, or (3) statistically significantly lower than the national rate. Actual estimates and their associated 90 percent confidence intervals are presented in Appendix Tables 1 through 3.[7]

Map 1 and Appendix Table 1 (Poverty rates of children under age six, by state, 1992–1996) reveal that the economic well-being of young children varied substantially across the United States. (The official poverty threshold in the United States in 1996 was $16,036 for a family of four.) The young child poverty rate ranged from under 12 percent in New Hampshire and Utah to 40 percent or more in Louisiana and West Virginia. The District of Columbia and seven states—the large states of California, New York, and Texas, plus Louisiana, Mississippi, New Mexico, and West Virginia—had young child poverty rates that significantly exceeded the 1992–1996 national rate of 24.7 percent. Fifteen states had rates of poverty that were significantly lower than the national rate. These were distributed around the country and included large states like Pennsylvania and New Jersey and small states like Vermont and North Dakota.

Map 2 and Appendix Table 2 (Extreme poverty rates of children under age six, by state, 1992–1996) show that extreme poverty (the proportion of young children in families with incomes of less than 50 percent of the poverty line) varied to an even greater extent across the states. Fewer than 3 percent of young children in Hawaii and Vermont found themselves in extreme poverty compared to more than 20 percent in Louisiana, Mississippi, West Virginia, and the District of Columbia. All together, eight states (the large states of Florida, New York, and Texas, in addition to New Mexico, Oklahoma, and the

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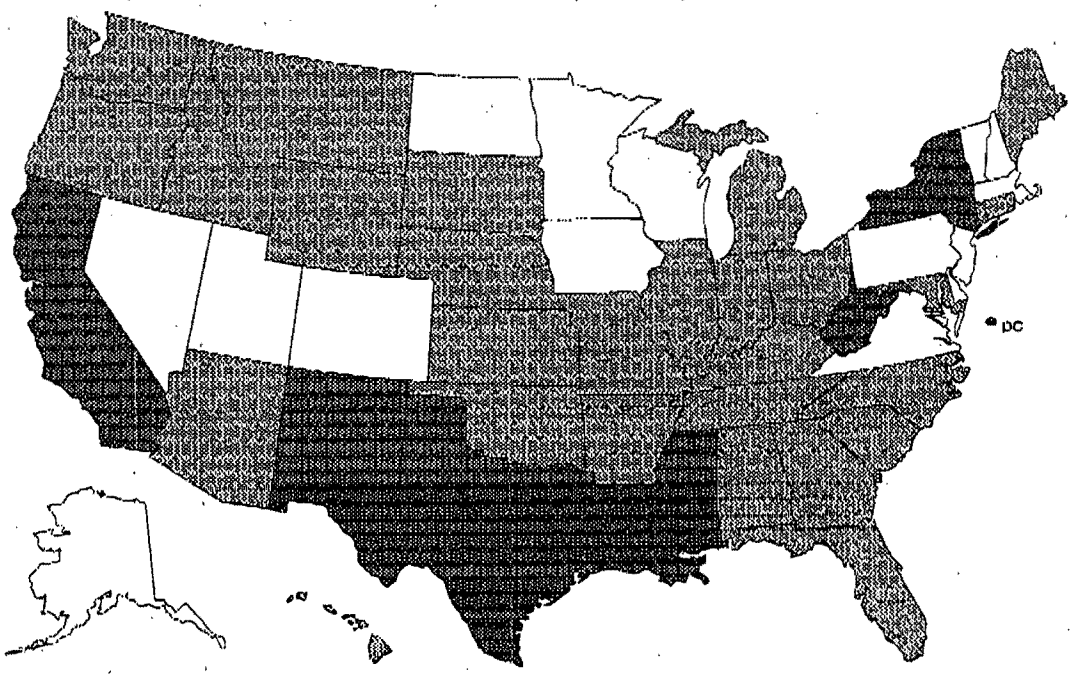
latter group just mentioned) and the District of Columbia had extreme poverty rates that were significantly higher than the U.S. average of 11.7 percent. Fifteen states had rates that were significantly lower than the U.S. average.

Last, Map 3 and Appendix Table 3 (Near poverty rates of children under age six, by state, 1992–1996) reveal that the near poverty rate (the proportion of young children in families with incomes below 185 percent of the poverty line)* among young children ranged from less than 30 percent in Massachusetts and New Jersey to greater than 60 percent in Mississippi, West Virginia, and the District of Columbia. Twelve states had near poverty rates that were significantly lower than the national average of 44.2 percent, whereas 11 states—including California, Florida, and Texas—and the District of Columbia had rates that were significantly greater than the national rate.

MAP 1
Poverty rates of children under age six, by state, 1992–1996



States with poverty rates significantly lower than the national rate [15]

States with poverty rates similar to the national rate [28]

States with poverty rates significantly higher than the national rate [8]

* Children in families with incomes between 100 and 185 percent of the federal poverty line are considered near poor because they are served by a number of government assistance programs for low-income people—such as Medicaid, the School Lunch and School Breakfast programs, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)—that use 185 percent of the poverty line as the upper limit to determine eligibility.

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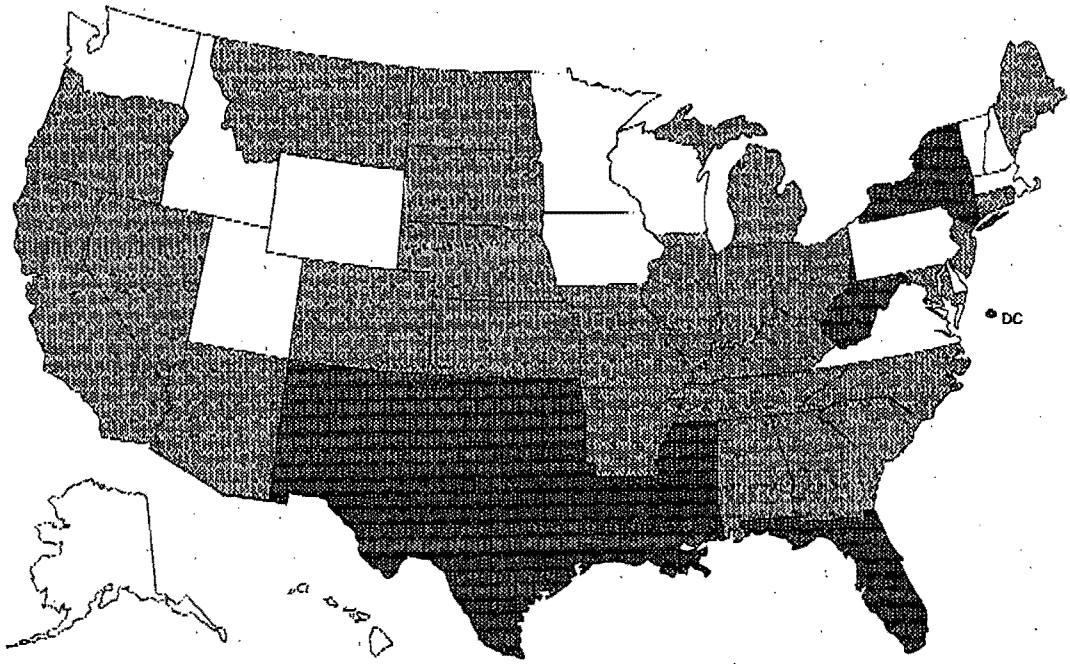
MAP 2

Extreme poverty rates* of children under age six, by state, 1992–1996



States with extreme poverty rates significantly lower than the national rate [15]

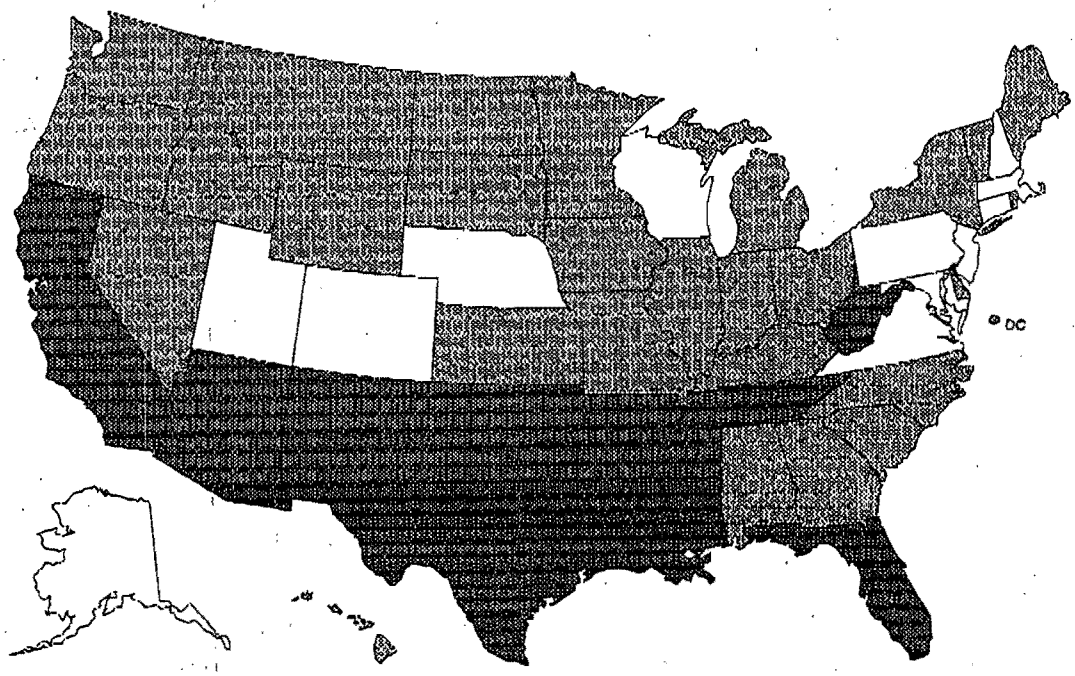
States with extreme poverty rates similar to the national rate [27]

States with extreme poverty rates significantly higher than the national rate [9]

* Children in families with incomes of less than 50 percent of the federal poverty line.

MAP 3

Near poverty rates* of children under age six, by state, 1992–1996



States with near poverty rates significantly lower than the national rate [12]

States with near poverty rates similar to the national rate [27]

States with near poverty rates significantly higher than the national rate [12]

* Children in families with incomes below 185 percent of the federal poverty line.

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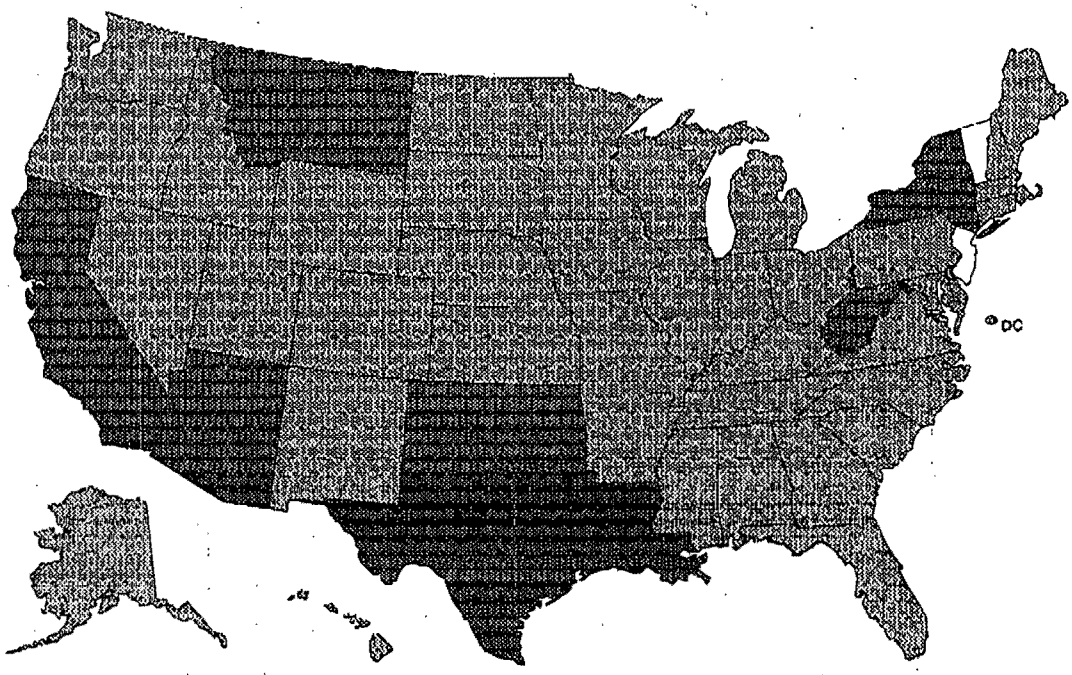
Changes in State Young Child Poverty Rates from 1979–1983 to 1992–1996

For the period from 1979–1983 through 1992–1996, how much did states vary in their rates of change in their YCPRs? Map 4 and Appendix Table 4 (Change in the percentage of children under age six in poverty, by state, 1979–1983 to 1992–1996) examine the levels of poverty in each of the two time periods and the percentage change that took place in each state. Here, too, there is abundant variation by state. Nationally, the YCPR climbed by 12 percent over the time period observed. The rate appeared to increase by over 20 percent in 15 states, including Connecticut (62 percent), Wyoming (55 percent), Oklahoma (53 percent), and Montana (51 percent). At the same time, the poverty rate decreased by more than 20 percent in five states: Alabama (-20 percent), Alaska (-23 percent), Delaware (-24 percent), New Jersey (-26 percent), and Vermont (-39 percent).

Ten states exhibit statistically significant changes in their YCPRs.[8] In particular, the YCPR increased significantly in eight states—the three largest states in the union, California, New York, and Texas, as well as West Virginia, Louisiana, Oklahoma, Montana, and Arizona (see Appendix Table 4). California, New York, and Texas each experienced disproportionately steep rises in their young child poverty rates over the past two decades (24, 21, and 24 percent respectively). Indeed, these three states accounted for 53 percent (nearly 800,000) of the total national increase of 1.5 million in the average number of poor young children. On the other hand, New Jersey and Vermont are the only states that experienced significant declines in their YCPRs between 1979–1983 and 1992–1996. The fact that only ten states showed statistically significant trends does not imply that other states' YCPRs did not change, even dramatically, over the time period observed. For many states the number of individuals interviewed was simply insufficient to draw such a conclusion.

MAP 4
Change in the percentage of children under age six in poverty, by state, 1979–1983 to 1992–1996



States where poverty rate decreased significantly [2]

States where poverty rate did not change by a statistically significant margin [41]

States where poverty rate increased significantly [8]

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Why Do State Poverty Trends Differ?

Are there key demographic factors that help to explain the differences among the states in the extent to which their YCPRs changed? States differ considerably with respect to how they fared over the period 1979–1983 to 1992–1996. This variation may be caused by the possible differences among the states in the trends for a wide range of factors. On the basis of prior research,[9] NCCP focused on three of these variables which are potentially relevant to all of the states: the proportions of children with (1) single mothers (family structure), (2) mothers who completed high school (maternal education), and (3) at least one parent employed full time (parental employment). (See Appendix Table 5.)

Single Motherhood

The increase in the nationwide proportion of young children with single mothers was 25 percent since 1979–1983. However, the change varied from increases of more than three-quarters in New Mexico (99 percent), Kentucky (88 percent), Montana (84 percent), and Nebraska (77 percent), to decreases in the District of Columbia (-3 percent), and the three states of Maryland (-4 percent), Arkansas (-6 percent), and New Jersey (-15 percent).

Maternal Education

Similar variation existed across the states in the changes in the proportion of mothers who completed high school. The proportion increased nationally by 4 percent, but increases were much more pronounced in states such as Mississippi (17 percent; its percentage in 1979–1983 was the lowest among all states), Arkansas (16 percent), and Indiana (16 percent). The proportion actually decreased in the District of Columbia (-12 percent) and eight states, including Montana (-7 percent) and California (-6 percent).

Parental Employment

Although the employment scene generally improved for the nation over this time period, with a 3 percent increase in the proportion of young children with at least one parent employed full time, the situation differed dramatically among the states. The employment environment deteriorated in the District of Columbia (-18 percent) and many states, including New Hampshire (-14 percent) and Connecticut (-13 percent). At the opposite end of the spectrum, six states saw increases of 15 percent or more—Alaska (48 percent), Hawaii (21 percent), Arkansas (17 percent), Virginia (16 percent), Delaware (15 percent), and Washington (15 percent).

NCCP conducted statistical analyses (details of which are available on request) to assess the degree to which these three factors explain the rise or fall of individual state poverty rates. Family structure, maternal education, and parental employment variables account for all of the change in the YCPR in seven states and none of the change in 12 states. The median percentage of the change in the YCPR that is explained by these variables is 30 percent. Thus, once again there is great variation among the states—this time not only in the magnitude of change that they had experienced in the YCPR, but in the degree to which the three factors drove these changes. A summary measure of the distribution across states of the explanatory power of these factors—the 30 percent median—indicates that these factors played an important role in state poverty trends. In many political and policy discussions, either the breakdown of the two-parent family *or* high school dropout rates *or* the lack of full-time employment is cited as the major cause of increases in young child poverty. This analysis suggests that all three factors combine to influence rates of states' growth in the YCPR and that policymakers would do well to monitor each of them closely.

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Because this study found that more than half of the national increase in the average number of young children in poverty occurred in California, New York, and Texas, NCCP examined the impact of immigration on the increase in young child poverty in those states. Indeed, each of these states has a large and growing immigrant population. In preliminary analyses, NCCP finds that immigration trends constitute an important, though not exclusive factor in the growth of family poverty in California, New York, and Texas. NCCP is now embarking on further research to refine our understanding of immigration's place in the larger picture of the many elements that influence the economic well-being of children and families in the states.

The effects of additional factors on state YCPRs—especially economic and policy factors—remain to be explored. In collaboration with other researchers, NCCP plans to intensively examine these factors over the next year. These may include, for example, variables that describe a state's business climate, which surely has substantial effects on individual low-income families' economic well-being. A potential state policy variable would be the extent to which a state's child care policies help low-income parents gain access to affordable child care and enter the work force. NCCP will also use an alternative measure of poverty to determine the impact of state tax policies, particularly state earned income tax credits, which are currently available in only ten states.[10]

Conclusion

NCCP has sought in this research brief to describe current variation in young child poverty rates across the 50 states, as well as in the trends that have taken place over the period 1979–1996. This study has been motivated in part by the shift of responsibility for the well-being of low-income families from the federal to state governments.

The dramatic state variation in both the levels of the YCPR and their rates of growth over time underscores the wisdom of focusing on poverty at the state level. The analyses described here, however, highlight the technical difficulty in detecting annual changes of as little as 5 percent in the YCPR, given current data sources. Only ten states experienced statistically significant changes in their YCPRs, in this analysis, as measured by the differences in two five-year averages separated by more than a decade.

The federal government has mandated a focus upon the difference in child poverty rates obtained by comparing consecutive years of data. The U.S. Bureau of the Census is currently engaged in work aimed towards decreasing the uncertainty surrounding poverty estimates by developing new methodologies and supplementing existing data from the Current Population Survey with new data from other sources. It will be difficult to fully judge the impact of welfare reform on children and families until such time as rigorous and sensitive means to detect annual changes in state poverty rates are devised.

The simple analyses presented in this research brief do not by any means yield a comprehensive knowledge of state variation in young child poverty. Yet it is NCCP's hope that this publication will focus greater attention on young child poverty within individual states and also help to encourage a "race to the top" among the states to find the most targeted and effective strategies to prevent young child poverty.

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APPENDIX 1
The Interpretation of Confidence Intervals

The poverty rates in this publication were obtained from survey data collected from each state by the U.S. Bureau of the Census. In some instances, the state samples upon which the estimates are based are as small as a few hundred individuals. It is important to recognize the degree to which poverty estimates can fluctuate merely because of small sample sizes. A random sample of 300 people might yield one poverty rate; however, another sample of 300 might result in a rather different rate. The 90 percent confidence intervals shown in the tables detailing the poverty, extreme poverty, and near poverty rates of states reflect this variability. There is a 90 percent probability that the actual poverty rate falls within the upper and lower estimates indicated for each of the states. The precise poverty rates are unknown because the Census Bureau does not interview everyone but instead relies on samples that include only a fraction of the population.

The national young child poverty rate (YCPR) for 1992–1996 was 24.7 percent, with a 90 percent confidence interval of 23.9 to 25.4 percent. There are two reasons that a state would fall in the middle group of states, that is, with a rate that appears to be similar to the national rate: (1) The estimated rate for the state is very close to the national rate—North Carolina is an appropriate example of this, since its estimated rate is 24.6 percent; or (2) the estimated rate is quite low or high, but small sample sizes prevent concluding with certainty that the state rate truly differs from the national rate. Wyoming, which appears to have a relatively low YCPR, 19.4 percent, is a suitable example of this. Once again, there is fair uncertainty about pinpointing that rate due to the small sample size on which that estimated rate was based. In Wyoming's case (and that of other states with small populations), there is a wide confidence interval (in this case, between 12.7 and 26.0 percent). Because the national YCPR of 24.7 percent falls within the possible range for the YCPR of Wyoming, NCCP cannot say that Wyoming has a significantly lower YCPR than the nation as a whole. This is true for the large group of states shown in the middle of Appendix Tables 1 through 3 and Maps 1 through 3. Technically speaking, the uncertainty of the poverty estimates of the states comprising the middle group does not permit one to infer whether true differences exist between their rates and the national rate. None of them, then, has a YCPR that is statistically distinguishable from the national rate. The shorthand description of this concept that is invoked in the text, maps, and tables is simply that these rates are "similar" to the national rate.

On the other hand, the confidence intervals of the District of Columbia and the seven states at the bottom of Appendix Table 1 lie entirely above the national rate of 24.7 percent. Consequently, the District of Columbia and these seven states—California, Louisiana, Mississippi, New Mexico, New York, Texas, and West Virginia—have YCPRs that are significantly higher (in a statistical sense) than the national rate. In contrast, 15 states have YCPRs that are significantly lower than the national rate.

Last, it may be confusing to note that Hawaii, for example, appears to have a lower YCPR than, let's say, Pennsylvania, and yet Pennsylvania falls in the lowest category while Hawaii falls in the middle category. This is due to the fact that the larger sample size for Pennsylvania results in a much narrower confidence interval than the small sample size does for Hawaii. Thus, while the interval for Pennsylvania (15.2 percent to 21.5 percent) falls safely below the confidence interval associated with the national rate—23.9 percent to 25.4 percent—the interval for Hawaii does not.

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APPENDIX 2
Discerning the Influence of Key Factors on Changes in State YCPRs

In order to ascertain the extent to which three factors—single motherhood, maternal education, and parental employment—explain changes in individual state poverty rates, two regression analyses were conducted for each state. The dependent variable in both regressions was whether a young child is in poverty.[11] The first regression simply included one independent variable, namely a dummy reflecting the time period 1992–1996. (The omitted variable, reflected in the constant term, referred to the time period 1979–1983.) Thus, the coefficient of the time dummy is identical to the change in the YCPR, positive or negative, that took place between 1979–1983 and 1992–1996.

The second regression added the three control variables to the model. The extent to which the coefficient of the time dummy moved toward zero is the amount of the change that can be attributed to the effects of the three control variables. If the coefficient moves to zero or switches signs, then it can be said that the three variables account for 100 percent of the change observed in the YCPR. In the latter instance, the poverty rate actually would have increased, for example, rather than decreased had it not been for the trends in the state's three factors. If the coefficient moves further away from zero, then it can be said that the factors account for none of the change in the YCPR, because the YCPR actually would have increased (or decreased) further had the observed trends in the three control variables not taken place.

Endnotes

1. U.S. Department of Health and Human Services, Administration for Children and Families. (1996). *Characteristics and financial circumstances of AFDC recipients: FY 1993.* Washington, DC: U.S. Department of Health and Human Services.

2. See Collins, A. & Aber, J. L. (1997). *How welfare reform can help or hurt children* (Children and Welfare Reform Issue Brief 1). New York, NY: National Center for Children in Poverty, Columbia School of Public Health.

3. On May 29th the U.S. Department of Health and Human Services (DHHS) issued a "Program Instruction" to all state agencies administering the Temporary Assistance for Needy Families (TANF) program, informing them that the states need not submit their estimates of their child poverty rates for the time being. Rather, DHHS will send the states child poverty estimates as soon as the U. S. Bureau of the Census develops them. The particular methodology by which child poverty rates should be estimated and how the requirement for a corrective action plan will be carried out will be contained in a Notice of Proposed Rulemaking, which is scheduled to be published in summer 1998.

4. State-specific estimates of young child poverty rates do not yet take into account differences in the cost of living by state. This data is simply not available and the differences are substantial. The federal government, for example, has determined that in 1996 the fair market rent including utilities for a two-bedroom apartment in Birmingham, Alabama was $447, while it was $817 in New York City. NCCP will address this issue in a subsequent work.

5. Duncan, G. J. & Brooks-Gunn, J. (Eds.). *Consequences of growing up poor.* New York, NY: Russell Sage Foundation.

6. It is not possible at this time to study the impact of federal welfare reform, in the form of the Temporary Assistance for Needy Families (TANF) program, on young child poverty because the reform was implemented only in late 1996. For a brief discussion of the possible impact of state-initiated welfare changes on the YCPR, see p. 12 of: Li, J. & Bennett, N. (1998). *Young children in poverty: A statistical update, March 1998 Edition.* New York, NY: National Center for Children in Poverty, Columbia School of Public Health. Data for 1997 will be available fall 1998.

7. All poverty estimates are based on data from the March Current Population Surveys (CPS), conducted annually by the U.S. Bureau of the Census. The CPS is a nationally representative survey of approximately 50,000 households. For an in-depth discussion of the interpretation of confidence intervals, see Appendix 1.

8. Statistical significance is measured at the .10 level. Thus, for each of these ten states there is a 90 percent probability that the actual change in the YCPR is different from zero. The precise changes in poverty rates are unknown because the Census Bureau does not interview everyone in a given state for a particular time period, but instead relies on samples that include only a fraction of the population.

9. See, for example, Li & Bennett in endnote 6 and National Center for Children in Poverty. (1996). *One in four: America's youngest poor.* New York, NY: National Center for Children in Poverty, Columbia School of Public Health.

10. The ten states that supplement the federal EITC program with their own are Iowa, Kansas, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, and Wisconsin.

11. Typically, one does not apply ordinary least squares regression analysis when the dependent variable is dichotomous. Here it is done for ease of explication. Logistic regression analyses yield findings that are consistent with those that are described.

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APPENDIX TABLE 1
Poverty rates of children under age six, by state, 1992–1996

	Poverty rate (%)	Number of children		Confidence Interval (90%)	
		In poverty	Total	Lower	Upper
USA	**24.7**	**5,877,088**	**23,827,204**	**23.9**	**25.4**
States with poverty rates significantly lower than the national rate					
Alaska	13.8	8,749	63,469	9.5	18.0
Colorado	17.2	55,659	323,119	11.6	22.9
Delaware	15.3	8,750	57,297	9.3	21.3
Iowa	17.1	45,228	264,617	11.8	22.4
Massachusetts	16.6	84,557	507,916	13.3	20.0
Minnesota	17.2	68,142	396,345	11.6	22.8
Nevada	16.6	20,938	125,914	11.1	22.1
New Hampshire	11.9	12,236	103,215	6.5	17.2
New Jersey	15.4	107,412	698,922	12.4	18.4
North Dakota	17.3	8,614	49,905	11.6	23.0
Pennsylvania	18.4	179,569	976,732	15.2	21.5
Utah	11.4	26,338	231,845	7.6	15.1
Vermont	13.3	7,521	56,502	8.0	18.6
Virginia	17.4	92,544	530,930	12.2	22.6
Wisconsin	16.2	73,080	452,219	11.1	21.2
States with poverty rates similar to the national rate					
Alabama	25.9	100,936	390,292	19.7	32.1
Arizona	26.9	124,350	430,433	23.0	34.8
Arkansas	27.0	59,990	222,046	20.7	33.3
Connecticut	24.0	67,250	280,726	16.7	31.2
Florida	26.6	313,231	1,179,706	23.3	29.8
Georgia	23.7	152,241	641,174	18.0	29.5
Hawaii	18.3	19,015	103,648	12.3	24.4
Idaho	21.7	22,397	103,016	16.2	27.3
Illinois	24.3	271,890	1,120,426	20.9	27.6
Indiana	21.5	118,010	549,748	15.6	27.3
Kansas	20.2	50,245	248,334	14.8	25.7
Kentucky	29.4	90,042	306,544	22.4	36.3
Maine	22.4	19,567	87,170	15.2	29.6
Maryland	18.6	94,425	508,369	13.0	24.1
Michigan	25.7	225,756	876,795	22.2	29.2
Missouri	23.9	102,202	426,772	17.2	30.7
Montana	25.9	20,019	77,160	19.8	32.1
Nebraska	18.7	29,478	157,568	13.4	24.0
North Carolina	24.6	144,267	586,772	20.8	28.4
Ohio	23.1	223,470	969,149	19.7	26.5
Oklahoma	32.0	92,384	288,395	25.4	38.7
Oregon	20.1	51,635	256,487	13.7	26.5
Rhode Island	20.4	15,266	74,879	13.2	27.5
South Carolina	24.0	74,702	311,445	18.0	30.0
South Dakota	21.9	13,437	61,295	16.2	27.6
Tennessee	27.8	123,466	443,652	21.4	34.3
Washington	18.4	89,168	483,589	12.9	24.0
Wyoming	19.4	7,710	39,788	12.7	26.0
States with poverty rates significantly higher than the national rate					
California	29.0	950,269	3,280,728	26.6	31.3
District of Columbia	44.2	23,424	53,032	35.9	52.4
Louisiana	40.6	158,447	389,800	33.5	47.8
Mississippi	35.5	86,319	243,200	28.9	42.1
New Mexico	34.0	58,049	170,793	27.8	40.1
New York	28.8	464,551	1,615,424	26.0	31.5
Texas	30.3	572,180	1,889,967	27.1	33.4
West Virginia	40.0	47,963	119,935	31.8	48.2

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APPENDIX TABLE 2

Extreme poverty rates of children under age six, by state, 1992–1996

	Extreme poverty rate (%)	Number of children		Confidence interval (90%)	
		In poverty	Total	Lower	Upper
USA	**11.7**	**2,785,214**	**23,827,204**	**11.1**	**12.2**
States with extreme poverty rates significantly lower than the national rate					
Alaska	3.5	2,225	63,469	1.2	5.8
Delaware	5.4	3,067	57,297	1.6	9.1
Hawaii	2.7	2,766	103,648	0.2	5.2
Idaho	7.5	7,732	103,016	4.0	11.0
Iowa	6.9	18,206	264,617	3.3	10.4
Massachusetts	7.9	39,908	507,916	5.4	10.3
Minnesota	4.6	18,361	396,345	1.5	7.8
New Hampshire	6.1	6,260	103,215	2.1	10.0
Pennsylvania	8.6	84,434	976,732	6.4	10.9
Utah	3.4	7,931	231,845	1.3	5.6
Vermont	2.7	1,549	56,502	0.2	5.3
Virginia	6.8	36,291	530,930	3.4	10.3
Washington	4.9	23,571	483,589	1.8	8.0
Wisconsin	5.4	24,339	452,219	2.3	8.5
Wyoming	6.7	2,657	39,788	2.5	10.9
States with extreme poverty rates similar to the national rate					
Alabama	14.7	57,434	390,292	9.7	19.7
Arizona	12.9	55,336	430,433	8.5	17.2
Arkansas	12.2	27,178	222,046	7.6	16.9
California	9.7	319,344	3,280,728	8.2	11.3
Colorado	8.6	27,709	323,119	4.4	12.8
Connecticut	8.3	23,304	280,726	3.6	13.0
Georgia	13.8	88,551	641,174	9.1	18.5
Illinois	13.6	152,502	1,120,426	11.0	16.3
Indiana	8.7	47,917	549,748	4.7	12.8
Kansas	7.9	19,515	248,334	4.2	11.5
Kentucky	16.3	49,990	306,544	10.7	22.0
Maine	9.4	8,184	87,170	4.4	14.4
Maryland	9.1	46,439	508,369	5.0	13.3
Michigan	14.6	127,917	876,795	11.8	17.4
Missouri	11.1	47,284	426,772	6.1	16.0
Montana	10.1	7,802	77,160	5.9	14.3
Nebraska	8.8	13,864	157,568	4.9	12.7
Nevada	9.4	11,800	125,914	5.1	13.7
New Jersey	8.9	62,524	698,922	6.6	11.3
North Carolina	11.9	69,595	586,772	9.0	14.7
North Dakota	8.3	4,162	49,905	4.2	12.5
Ohio	12.5	121,264	969,149	9.8	15.2
Oregon	8.2	20,918	256,487	3.8	12.5
Rhode Island	8.6	6,431	74,879	3.6	13.6
South Carolina	13.0	40,624	311,445	8.3	17.8
South Dakota	13.1	8,035	61,295	8.5	17.7
Tennessee	14.9	66,020	443,652	9.8	20.0
States with extreme poverty rates significantly higher than the national rate					
District of Columbia	26.3	13,926	53,032	19.0	33.6
Florida	15.3	180,698	1,179,706	12.6	18.0
Louisiana	24.3	94,631	389,800	18.0	30.5
Mississippi	23.1	56,134	243,200	17.3	28.9
New Mexico	18.3	31,193	170,793	13.2	23.3
New York	14.8	239,037	1,615,424	12.7	16.9
Oklahoma	18.4	53,005	288,395	12.9	23.9
Texas	14.8	279,260	1,889,967	12.4	17.2
West Virginia	22.0	26,388	119,935	16.1	28.9

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APPENDIX TABLE 3

Near poverty rates of children under age six, by state, 1992–1996

	Near poverty rate (%)	Number of children		Confidence interval (90%)	
		In poverty	Total	Lower	Upper
USA	**44.2**	**10,531,506**	**23,827,204**	**43.3**	**45.1**
States with near poverty rates significantly lower than the national rate					
Alaska	31.7	20,094	63,469	25.9	37.4
Colorado	35.4	114,407	323,119	28.3	42.5
Connecticut	32.6	91,641	280,726	24.7	40.6
Maryland	35.2	178,970	508,369	28.4	42.0
Massachusetts	29.9	152,034	507,916	25.8	34.1
Nebraska	35.7	56,225	157,588	29.2	42.2
New Hampshire	30.0	30,931	103,215	22.4	37.6
New Jersey	27.7	193,577	698,922	24.0	31.4
Pennsylvania	35.7	348,638	976,732	31.8	39.6
Utah	35.4	82,120	231,845	29.8	41.0
Virginia	33.2	176,406	530,930	26.8	39.7
Wisconsin	30.4	137,598	452,219	24.1	36.8
States with near poverty rates similar to the national rate					
Alabama	45.7	178,465	390,292	38.7	52.8
Delaware	39.0	22,336	57,297	30.8	47.1
Georgia	43.6	280,893	641,174	37.1	50.5
Hawaii	39.5	40,906	103,648	31.9	47.1
Idaho	51.5	53,060	103,016	44.8	58.2
Illinois	40.3	451,858	1,120,426	36.5	44.1
Indiana	43.3	238,167	549,748	36.2	50.4
Iowa	40.9	108,117	264,617	33.9	47.8
Kansas	41.1	101,976	248,334	34.4	47.8
Kentucky	47.8	146,449	306,544	40.1	55.4
Maine	40.9	35,659	87,170	32.4	49.4
Michigan	41.8	366,764	876,795	37.9	45.8
Minnesota	36.6	145,003	396,345	29.4	43.8
Missouri	50.5	215,685	426,772	42.6	58.4
Montana	52.0	40,130	77,160	45.0	59.0
Nevada	38.2	48,046	125,914	31.0	45.3
New York	46.1	744,077	1,615,424	43.1	49.1
North Carolina	44.7	262,040	586,772	40.3	49.0
North Dakota	38.1	19,010	49,905	30.8	45.4
Ohio	42.6	413,097	969,149	38.6	46.6
Oregon	47.8	122,702	256,487	39.9	55.8
Rhode Island	37.9	28,400	74,879	29.3	46.5
South Carolina	50.7	157,920	311,445	43.6	57.8
South Dakota	43.7	26,764	61,295	36.9	50.5
Vermont	38.0	21,466	56,502	30.4	45.5
Washington	38.5	186,125	483,589	31.5	45.5
Wyoming	45.1	17,941	39,768	36.7	53.5
States with near poverty rates significantly higher than the national rate					
Arizona	53.1	228,665	430,433	46.6	59.6
Arkansas	56.2	124,737	222,046	49.1	63.2
California	48.9	1,603,205	3,280,728	46.3	51.5
District of Columbia	63.4	33,598	53,032	55.4	71.4
Florida	49.0	578,378	1,179,706	45.3	52.7
Louisiana	55.3	215,659	389,800	48.1	62.6
Mississippi	61.5	149,620	243,200	54.8	68.2
New Mexico	58.8	100,458	170,793	52.4	65.2
Oklahoma	53.4	153,902	288,395	46.3	60.5
Tennessee	54.2	240,357	443,652	47.0	61.4
Texas	51.5	973,683	1,889,967	48.1	54.9
West Virginia	61.3	73,547	119,935	53.2	69.5

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APPENDIX TABLE 4

Change in the percentage and number of children under age six in poverty, by state, 1979–1983 to 1992–1996

	1979–1983		1992–1996		% Change in rate	Change in number
	Rate	Number	Rate	Number		
USA	**22.04**	**4,420,791**	**24.67**	**5,877,075**	**12**	**1,456,284**
Connecticut	14.75	30,440	23.98	67,250	62	36,810
Wyoming	12.50	6,075	19.38	7,710	55	1,635
Oklahoma	***20.94***	***54,643***	***32.03***	***92,384***	***53***	***37,741***
Montana	***17.22***	***14,626***	***25.95***	***20,019***	***51***	***5,393***
Arizona	***19.76***	***49,025***	***28.89***	***124,950***	***46***	***75,325***
West Virginia	***27.65***	***48,739***	***39.99***	***47,962***	***45***	***-777***
Louisiana	***29.14***	***133,557***	***40.85***	***158,447***	***40***	***24,890***
Kentucky	21.37	73,950	29.37	90,042	37	16,092
District of Columbia	33.09	13,791	44.17	23,424	33	9,632
Maryland	13.94	40,545	18.57	94,425	33	53,879
Texas	***24.99***	***358,482***	***30.27***	***572,180***	***24***	***213,698***
California	***23.40***	***516,759***	***28.97***	***950,269***	***24***	***433,510***
Missouri	19.38	81,911	23.95	102,202	24	20,291
New York	***23.75***	***338,754***	***28.76***	***464,551***	***21***	***125,797***
Minnesota	14.30	55,640	17.19	68,142	20	12,503
Ohio	19.55	188,078	23.06	223,470	18	35,392
New Mexico	28.62	39,598	33.99	58,049	18	18,450
North Carolina	20.90	94,869	24.59	144,267	18	49,398
Nevada	14.22	10,790	16.63	20,938	17	10,148
North Dakota	14.79	9,744	17.26	8,613	17	-1,131
Michigan	22.82	188,947	25.75	225,755	13	36,809
Maine	20.20	18,634	22.45	19,567	11	933
Massachusetts	14.99	66,137	16.65	84,557	11	18,420
Wisconsin	14.60	64,074	16.16	73,080	11	9,006
New Hampshire	10.85	7,761	11.85	12,236	9	4,475
Georgia	21.93	107,270	23.74	152,241	8	44,971
Kansas	18.84	41,567	20.23	50,245	7	8,678
Illinois	23.27	232,025	24.27	271,889	4	39,864
Indiana	20.60	107,121	21.47	118,010	4	10,889
Colorado	16.66	43,763	17.23	55,659	3	11,896
Iowa	16.64	41,564	17.09	45,228	3	3,664
Florida	26.35	199,106	26.55	313,231	1	114,125
Washington	18.31	69,858	18.44	89,168	1	19,310
Oregon	20.34	50,535	20.13	51,635	-1	1,101
Nebraska	19.42	29,290	18.71	29,478	-4	188
Tennessee	28.90	114,313	27.83	123,466	-4	9,153
Virginia	18.41	79,434	17.43	92,544	-5	13,110
Mississippi	38.01	87,044	35.49	86,319	-7	-726
South Carolina	25.90	88,330	23.99	74,702	-7	-13,628
Arkansas	30.04	60,633	27.02	59,990	-10	-643
Pennsylvania	20.60	179,593	18.38	179,569	-11	-23
Idaho	24.59	26,458	21.74	22,397	-12	-4,061
South Dakota	24.94	18,767	21.92	13,437	-12	-5,330
Rhode Island	24.47	16,862	20.39	15,266	-17	-1,596
Hawaii	22.03	20,490	18.35	19,015	-17	-1,475
Utah	14.14	32,778	11.36	26,338	-20	-6,440
Alabama	32.46	118,385	25.66	100,936	-20	-17,449
Alaska	18.01	9,452	13.78	8,749	-23	-703
Delaware	20.07	10,709	15.27	8,750	-24	-1,959
New Jersey	***20.89***	***119,125***	***15.37***	***107,412***	***-26***	***-11,713***
Vermont	***21.91***	***10,754***	***13.31***	***7,521***	***-39***	***-3,233***

* States in bold italic letters had significantly positive or significantly negative growth as indicated. Other states may have had similar changes but because of small sample sizes these changes are considered statistically insignificant. Changes in poverty rates are rounded to the nearest whole number.

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APPENDIX TABLE 5

Percentage of children under age six living with mother only, whose mothers have completed high school, and with at least one parent employed full time, by state, 1979–1983, 1992–1996, and percentage change

	% living with mother only			% mothers completed high school			% with at least one parent employed full time		
	1979–83	1992–96	% change	1979–83	1992–96	% change	1979–83	1992–96	% change
USA	**19.23**	**23.99**	**24.77**	**78.71**	**82.00**	**4.18**	**64.96**	**66.97**	**3.09**
Alabama	25.02	30.21	20.75	71.57	81.25	13.53	58.37	65.06	11.47
Alaska	15.35	15.93	3.73	87.75	92.59	5.51	45.77	67.60	47.69
Arizona	17.45	24.01	37.56	75.85	76.18	0.43	68.31	64.82	-5.12
Arkansas	22.66	21.20	-6.42	74.42	86.16	15.77	59.49	69.52	16.86
California	19.19	22.33	16.36	72.89	68.73	-5.71	58.89	62.26	5.72
Colorado	14.47	20.16	39.37	87.82	86.14	-1.92	71.88	73.51	2.26
Connecticut	17.81	23.06	29.50	85.75	90.98	6.10	77.11	67.13	-12.95
Delaware	20.39	24.87	21.97	84.12	91.92	9.27	64.26	73.90	14.99
District of Columbia	55.25	53.75	-2.71	74.87	66.20	-11.58	51.45	42.02	-18.32
Florida	27.17	29.98	10.34	75.65	82.11	8.54	62.38	65.42	4.86
Georgia	23.36	28.72	22.82	75.53	82.97	9.85	67.07	71.59	6.73
Hawaii	14.85	22.25	49.87	87.94	88.96	1.16	54.35	65.61	20.71
Idaho	10.05	16.79	67.06	85.08	84.01	-1.26	67.32	66.65	-1.00
Illinois	22.04	26.69	21.10	78.78	81.99	4.07	63.76	66.63	4.49
Indiana	18.48	22.29	20.61	76.55	88.67	15.84	61.21	69.95	14.28
Iowa	13.45	16.46	22.40	89.89	90.46	0.64	76.65	78.16	1.97
Kansas	17.56	20.89	18.94	89.94	90.68	0.83	70.96	74.03	4.33
Kentucky	13.92	26.17	88.03	74.85	82.55	10.28	68.50	66.11	-3.49
Louisiana	25.71	37.14	44.45	72.58	73.85	1.75	58.26	52.73	-9.49
Maine	12.74	20.19	58.48	85.45	88.46	3.52	69.64	67.04	-3.74
Maryland	19.81	19.07	-3.72	85.84	85.43	-0.47	74.03	70.17	-5.22
Massachusetts	17.08	22.18	29.87	82.87	88.79	7.15	72.09	71.42	-0.93
Michigan	21.06	25.19	19.63	81.12	85.51	5.41	58.80	62.33	6.01
Minnesota	11.76	20.26	72.22	91.57	92.90	1.45	71.70	78.25	9.14
Mississippi	27.61	38.71	40.21	67.70	79.18	16.96	59.81	56.93	-4.82
Missouri	17.66	29.70	68.19	79.83	86.67	8.57	65.96	65.57	-0.59
Montana	9.76	17.95	83.90	91.29	84.75	-7.17	71.71	68.13	-5.00
Nebraska	11.07	19.55	76.53	91.49	93.85	2.58	77.77	79.92	2.76
Nevada	14.60	20.58	40.93	83.26	81.76	-1.80	63.18	68.63	8.63
New Hampshire	10.87	17.69	62.74	84.60	91.27	7.89	76.60	65.75	-14.16
New Jersey	21.73	18.57	-14.55	78.99	89.59	13.42	68.55	73.07	6.61
New Mexico	14.07	27.98	98.91	74.54	79.12	6.15	61.61	62.51	1.47
New York	23.85	27.75	16.38	78.03	81.69	4.69	66.39	62.63	-5.66
North Carolina	18.10	24.51	35.44	79.33	83.18	4.86	66.55	69.18	3.96
North Dakota	8.80	14.43	63.98	92.98	94.10	1.20	70.25	78.15	11.24
Ohio	17.54	23.18	32.10	82.64	87.50	5.89	67.61	68.83	1.81
Oklahoma	16.88	25.00	48.11	79.65	85.07	6.80	63.88	62.47	-2.20
Oregon	18.60	22.47	20.83	87.89	86.25	-1.87	58.76	63.35	7.82
Pennsylvania	16.24	19.80	21.90	85.24	89.05	4.47	64.55	70.01	8.45
Rhode Island	19.76	21.05	6.52	70.82	80.49	13.65	60.96	66.21	8.61
South Carolina	23.96	29.70	23.95	72.39	80.90	11.75	59.12	64.52	9.13
South Dakota	11.57	15.94	37.79	90.12	89.21	-1.02	72.40	80.33	10.95
Tennessee	25.63	28.97	13.02	71.54	80.91	13.09	64.39	63.77	-0.96
Texas	17.83	23.44	31.48	68.03	73.09	7.44	68.68	67.41	-1.86
Utah	8.89	10.25	15.32	89.55	91.94	2.67	72.47	78.37	8.15
Vermont	12.56	12.63	0.63	88.93	94.16	5.89	71.70	73.41	2.39
Virginia	17.53	20.40	16.39	81.28	87.76	7.97	65.48	76.19	16.35
Washington	15.66	18.93	20.90	85.73	89.66	4.58	58.71	67.80	15.48
West Virginia	13.39	23.33	74.31	71.62	77.62	8.38	54.53	50.42	-7.54
Wisconsin	14.01	21.07	50.45	88.54	91.35	3.17	70.80	75.26	6.30
Wyoming	10.14	17.23	69.98	86.38	92.82	7.22	73.74	75.71	2.68

180 P18 JUL 13 '98 12:34

Early Childhood Poverty Research Briefs

This research brief series has been established to present timely research findings on the nature, scope, and impact of young child poverty in the United States, primarily based on analyses by researchers at or affiliated with the National Center for Children in Poverty (NCCP). This series will explore the causes and consequences of young child poverty as well as identify and critically examine promising strategies to reduce the incidence of young child poverty. As with much of NCCP's work, there will be a strong state and local focus on young child poverty and related issues.

The first brief in this series describes the considerable variation among the states' young child poverty rates (YCPRs) and suggests that changes in three demographic factors—family structure, maternal education, and parental employment—account for almost one-third of the changes in state young child poverty rates over the last two decades. It concludes that more than half of the increase in poor young children can be attributed to the nation's three most populous states—California, New York, and Texas. Five additional states experienced notable increases in their YCPRs, while two states saw their YCPRs fall dramatically. The findings of this research brief are important in light of the states' obligation to monitor their child poverty rates under provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and to submit corrective action plans if the rates have increased by more than 5 percent from the previous year due to the effects of welfare reform.

Primary support for this research brief was provided by generous funding from the Charles Stewart Mott Foundation. Additional support was provided by the Carnegie Corporation of New York and the Ford Foundation. NCCP takes responsibility for the facts and opinions presented in the research brief.

Early Childhood Poverty Research Brief 1

Young Child Poverty in the States—Wide Variation and Significant Change

by Neil G. Bennett, Director of Demographic Research and Analysis and Jiali Li, Associate Research Scientist at NCCP

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NATIONAL CENTER FOR CHILDREN IN POVERTY (NCCP) was established in 1989 at the School of Public Health, Columbia University, with core support from the Ford Foundation and the Carnegie Corporation of New York. The Center's mission is to identify and promote strategies that reduce the number of young children living in poverty in the United States, and that improve the life chances of the millions of children under age six who are growing up poor.

The Center:

- Alerts the public to demographic statistics about child poverty and to the scientific research on the serious impact of poverty on young children, their families, and their communities.
- Designs and conducts field-based studies to identify programs, policies, and practices that work best for young children and their families living in poverty.
- Disseminates information about early childhood care and education, child health, and family and community support to government officials, private organizations, and child advocates, and provides a state and local perspective on relevant national issues.
- Brings together public and private groups to assess the efficacy of current and potential strategies to lower the young child poverty rate and to improve the well-being of young children in poverty, their families, and their communities.
- Challenges policymakers and opinion leaders to help ameliorate the adverse consequences of poverty on young children.

180 P19 JUL 13 '98 12:35

FAX TRANSMITTAL

DATE: 6/2 URGENT

TO: Bruce Reed

FAX NUMBER 456-2878

VOICE NUMBER

FROM: Don Oellerich

FAX NUMBER 690 6805

VOICE NUMBER

NUMBER OF PAGES, INCLUDING COVER 2

Comments

Poverty Population 1995

Central City	45%
Outside Central City	33%
Outside Metro areas	22%

Total persons in poverty 36,425,000

Poverty Rate All Persons 1995

Central City	20.6
Outside Central City	9.1
Outside Metro areas	15.6

Total US Population

Urban	75%
Non Urban	25%

AFDC/TANF: TOTAL FAMILIES AND RECIPIENTS BY STATE

		Jan 1997 Families	State's Share of Total	Cumulative Distribution	Jan 1997 Recipients	State's Share of Total	Cumulative Distribution
			%	%		%	%
1	California	839,716	20.5	20.5	2,474,689	21.8	21.8
2	New York	393,395	9.6	30.1	1,074,100	9.5	31.2
3	Texas	228,468	5.6	35.6	625,376	5.5	36.7
4	Illinois	205,518	5.0	40.6	599,629	5.3	42.0
5	Ohio	192,747	4.7	45.3	518,595	4.6	46.6
6	Florida	182,075	4.4	49.8	478,329	4.2	50.8
7	Pennsylvania	170,589	4.2	53.9	483,625	4.3	55.1
8	Michigan	155,558	3.8	57.7	460,793	4.1	59.1
9	Georgia	115,161	2.8	60.5	305,732	2.7	61.8
10	North Carolina	103,300	2.5	63.0	252,564	2.2	64.0
11	New Jersey	102,500	2.5	65.5	256,000	2.3	66.3
12	Washington	95,982	2.3	67.9	263,792	2.3	68.6
13	Massachusetts	77,811	1.9	69.8	207,932	1.8	70.4
14	Missouri	75,349	1.8	71.6	208,132	1.8	72.3
15	Tennessee	74,445	1.8	73.4	194,860	1.7	74.0
16	Kentucky	66,991	1.6	75.0	161,150	1.4	75.4
17	Maryland	61,730	1.5	76.6	169,723	1.5	76.9
18	Louisiana	60,226	1.5	78.0	206,582	1.8	78.7
19	Arizona	56,250	1.4	79.4	151,526	1.3	80.0
20	Connecticut	56,036	1.4	80.8	155,578	1.4	81.4
21	Virginia	55,962	1.4	82.1	135,908	1.2	82.6
22	Minnesota	54,494	1.3	83.4	159,855	1.4	84.0
23	Puerto Rico	48,359	1.2	84.6	145,749	1.3	85.3
24	Indiana	45,965	1.1	85.7	121,224	1.1	86.4
25	Wisconsin	43,888	1.1	86.8	123,758	1.1	87.5
26	Mississippi	40,655	1.0	87.8	108,365	1.0	88.4
27	Alabama	37,908	0.9	88.7	91,569	0.8	89.2
28	South Carolina	36,990	0.9	89.6	97,146	0.9	90.1
29	West Virginia	36,700	0.9	90.5	68,600	0.6	90.7
30	Oklahoma	32,879	0.8	91.3	87,144	0.8	91.4
31	Colorado	31,288	0.8	92.1	87,074	0.8	92.2
32	New Mexico	29,984	0.7	92.8	89,814	0.8	93.0
33	Iowa	28,854	0.7	93.5	78,076	0.7	93.7
34	Oregon	25,874	0.6	94.2	66,919	0.6	94.3
35	Dist. of Col.	24,752	0.6	94.8	67,871	0.6	94.9
36	Kansas	21,732	0.5	95.3	57,528	0.5	95.4
37	Arkansas	21,499	0.5	95.8	54,751	0.5	95.9
38	Hawaii	21,469	0.5	96.3	65,312	0.6	96.4
39	Rhode Island	20,028	0.5	96.8	54,588	0.5	96.9
40	Maine	18,983	0.5	97.3	51,031	0.4	97.4
41	Nebraska	13,476	0.3	97.6	36,490	0.3	97.7
42	Utah	12,850	0.3	97.9	35,442	0.3	98.0
43	Alaska	12,224	0.3	98.2	36,189	0.3	98.3
44	Nevada	11,688	0.3	98.5	28,817	0.3	98.6
45	Delaware	10,079	0.2	98.8	23,141	0.2	98.8
46	Montana	9,072	0.2	99.0	26,294	0.2	99.0
47	Vermont	8,434	0.2	99.2	23,515	0.2	99.2
48	New Hampshire	8,293	0.2	99.4	20,627	0.2	99.4
49	Idaho	8,131	0.2	99.6	19,925	0.2	99.6
50	South Dakota	5,311	0.1	99.7	14,050	0.1	99.7
51	North Dakota	4,393	0.1	99.8	11,904	0.1	99.8
52	Wyoming	3,778	0.1	99.9	10,117	0.1	99.9
53	Guam	2,349	0.1	100.0	7,370	0.1	100.0
54	Virgin Islands	1,335	0.0	100.0	4,712	0.0	100.0
	United States	4,103,523	100.0	--	11,359,582	100.0	--

AFDC Cases 1993

MSA v Non MSA

80% 20%

File:
1) Rhas seen
2) Poverty

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
12-9-96

December 7, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN
HELEN HOWELL

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

Mark Nel 3 copies Send copies to Rubin, Gens, Bowed

(A) **Shalala memo on poverty.** Concerns recent poverty trends and the role the federal safety net has played in reducing poverty. She concludes that, although critics may discount the importance of federal safety net programs, they have played a major role in safeguarding poor children and families. Indeed, in 1995, more than 30 million people -- over half of all those who were "pre-transfer" poor (i.e., before factoring in taxes or government support) were lifted out of poverty by government benefits. She notes that, as the welfare reform act is implemented, we will need to look at the effects on poverty of a wide range of Federal and state policy changes. She suggests that, just as your first-term support for EITC expansion and an increase in the minimum wage aided the working poor, in the second term we will need to increase employment opportunities for low-income people and fix the food stamp and immigration provisions of the welfare law.

(B) **Gotbaum (Treasury) follow-up on real wages.** Via Rubin. You forwarded a recent Business Week article claiming that real wages are still falling based upon a report of the Economic Policy Institute. The article argues that the mix of jobs is getting worse and the average person is earning less. Gotbaum urges you to take the article with a grain of salt. There are a variety of measures of real wages -- many have shown an improvement since 1993, and some have not. "Overall, we believe that the fall has stopped and may have begun to turn up." He also notes that to the extent the CPI overstates increases in the cost of living, all measures of the growth in real wages reflected in this memo are *understated.*

cc Spencer Reed

(C) **"Clinton urged to spare poor the budget knife," Washington Times, November 28.** Via Erskine. Bob Greenstein, director of the Center for Budget and Policy Priorities, stated that programs for the poor cannot afford further cuts while the two big middle-class entitlements continue to grow unchecked. "Sooner or later we'll have to come back and take a look at Medicare premiums." Greenstein also endorsed a 0.2 to 0.5% yearly reduction in Social Security COLAs, and said the CPI change ought to be on the table. "If there is a consensus that the CPI slightly overstates the cost of living, it is appropriate to take that into account."

cc Spencer

THE PRESIDENT HAS SEEN
12-9-96

Memo reply
Read in
2 copies

(D) **Memo from Jude Wanniski.** He has forwarded a May 6, 1939 essay by Walter Lippman, arguing that the problem with the conduct of American foreign policy is that the Congress and President do not cooperate adequately -- "no effective machinery of consultation now exists." Given the respective, interlocking constitutional roles of the Executive and Legislative branches, Lippman warns that the absence of such machinery could be dangerous. Wanniski also sent this memo to Trent Lott and New Gingrich.

Send reply

(E) **Sen. Leahy letter on your legacy and foreign policy.** Complimentary letter congratulating you on reelection and your Asia trip. He praises your commitment to democracy and the bold steps you've taken in Bosnia, Haiti, the FSU and Northern Ireland. He says more steps will be needed to preserve NATO, bolster the UN, face the reality of China, and lead the worldwide ban on the use of antipersonnel landmines.

(F) **Jane Sherburne letter to the editor.** Via Harold. Jane sharply criticizes USA Today story on November 27 suggesting that the White House expects Kenneth Starr to take action against present or former White House officials. She says she does not believe the Independent Counsel has any basis whatsoever for such action.

We have also received the following items:

Sec. Glickman thank you note. He thanks you for the pewter cup you sent him for his 52nd birthday. "I also appreciate the birthday gift of being allowed to participate in the APEC Manila conference, and for service in the Administration generally."

Letter from Don Henley re: Betsy Myers. Henley has known Betsy for many years and holds in her high esteem. "She brings great energy and dedication" to her position as Director of the Women's Initiatives and Outreach office.

Send to Betsy
No reply

THE PRESIDENT HAS SEEN
12-9-96

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

DEC 2 1996

'96 DEC 6

MEMORANDUM TO THE PRESIDENT

I would like to share with you an analysis of recent poverty trends and the role Federal safety net programs have had in ameliorating poverty.

In September, the Bureau of the Census reported that poverty in America declined in 1995: overall, the percentage of people who are poor in America dropped from 14.5 percent in 1994 to 13.8 percent or about 1 in 7 Americans. For children, the poverty rate was down by a full percentage point from the previous year to 20.8 percent or 1 in 5 children, and for the elderly, the rate dropped from 11.7 percent to 10.5 percent.

This downward trend is certainly good news for the country, although the percentage of people who remain in poverty--especially the percentage of children-- is troubling.

Poverty Trends Over Time

There are a number of ways to look at poverty trends (see Table One). The number of people who are poor before taxes or any government support ("pre-transfer poor") is an indicator of how well Americans are doing on their own.

Pre-transfer poverty for adults and children has fluctuated over time and in general is considerably higher during recessions. In 1995, one in five Americans was pre-transfer poor while one in four children and one out of two seniors was pre-transfer poor. For all groups this poverty rate was down significantly from its peak in 1993. Clearly Americans of all ages are doing better as the economy moves beyond the recession.

The "official" poverty rate takes into account government cash assistance, including social insurance programs (Social Security and Workmen's Compensation) and means-tested income support programs (Supplemental Security Income and Aid to Families with Dependent Children).

The performance of government cash transfers in reducing poverty for the elderly is remarkable. In 1995, almost 80 percent of pre-transfer poor elderly were removed from poverty, dropping their poverty rate from 49.9 percent to 10.5 percent. This is primarily due to Social Security benefits. Unfortunately, the impact of cash transfers on children is much less impressive. In 1995, child poverty was reduced by just 14 percent (from 24.2 percent to 20.8 percent) as a result of government support.

Defining Poverty

As measured by the U.S. Bureau of the Census, the current official definition of poverty measures pretax money income, including government cash transfers (AFDC and SSI benefits) but excluding income gains or losses attributable to capital gains. The official measure does not include the value of non-cash benefits, many of which are means-tested and directly targeted toward the poor (child care, child support enforcement, JOBS, emergency assistance and foster care, Medicaid, SSI, Food Stamps, child nutrition programs, and housing subsidies). The official measure also excludes tax transfers, such as the Earned Income Tax Credit. Consequently, the current official measure does not capture the full extent to which our nation's safety net programs ameliorate poverty -- only 18 percent of Federal expenditures for low income families are included in the official statistics. If all noncash transfers were included with the exception of Medicaid, 56 percent of Federal safety net expenditures could have a significant additional anti-poverty effect. (Medicaid is excluded because of the difficulty in assigning a dollar value to it and to private health insurance).

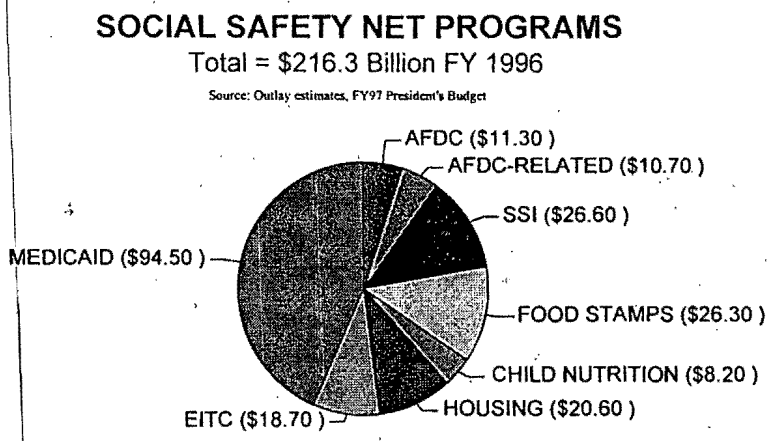
Recently, there has been much discussion regarding the appropriate measure of poverty. A National Academy of Sciences report recommended a number of changes in how poverty is measured, including expanding the definition of what counts as income for people of all income levels to include noncash benefits and exclude out of pocket expenses for medical and child care. In addition, the report recommended modifying the poverty threshold. While no change in method of measuring poverty has been made to date, it is useful to assess the impacts of noncash government transfers on poverty to capture the fuller effect of the safety net.

Effectiveness of Safety Net Programs

Table Two measures the effectiveness of our Federal anti-poverty programs. The table uses published Census data to compare the number of *pre-transfer poor*, or those who were poor *before* benefits from safety net programs are counted, to the number of *post-transfer poor*, or the number of those in poverty *after* benefits from safety net programs are counted.

Over the past fifteen years, cash benefits have removed significant numbers of people from poverty. In 1980, cash benefits moved approximately 17.6 million people out of poverty, lowering the pre-transfer poverty rate of 20.8 percent to the official rate of 13.0 percent. The effectiveness of cash benefits increased in 1995. Approximately 21.4 million people were removed from poverty, reducing the overall number of poor from 57.8 million to 36.4 million. In percentage terms, the poverty rate was reduced by over one-third, from 21.9 to 13.8 percent.

When both cash and noncash government benefits are counted, the number of pre-transfer poor who are removed from poverty increases even more significantly. While cash benefits moved approximately 21.4 million people above poverty in 1995, counting noncash benefits (including benefits from programs such as Food Stamps, Housing Assistance, and School Lunches) lifts an additional 9.2 million people out of poverty.



The combination of cash and noncash benefits dropped the pre-transfer poverty rate of 21.9 percent to 10.3 percent -- the lowest post-transfer rate since 1980. In total, nearly 53 percent of the pre-transfer poor would be lifted out of poverty, if both cash and noncash benefits are counted.

A combination of cash and noncash benefits provided by safety net programs have a much greater impact in reducing child poverty than cash benefits alone have. In 1995, 2.4 million children -- 14.1 percent of all pre-transfer poor children -- were removed from poverty by cash transfer benefits. The combination of cash and noncash benefits lifted 7.1 million children above the poverty line--41.3 percent of all pre-transfer poor children. Thus the post-transfer child poverty rate counting both cash and noncash benefits is 14.2 percent, down from the official definition rate of 20.8 percent.

Of particular note is the effect of the Earned Income Tax Credit, a Federal refundable tax credit designed exclusively for working Americans. The number of families and children assisted by the EITC has increased steadily since the early 1990's, when your legislation significantly expanded it. Analysis of published data from the Census Bureau indicates that in 1995, the EITC rewarded the work of 15 million working families and alone removed 3.2 million people from poverty, 1.6 million of whom were children. In 1995, the EITC was responsible for moving nearly 10 percent of all pre-transfer poor children from poverty.

Effects of Safety Net Programs During Recessionary Periods

An important characteristic of government benefits, whether cash or noncash, has been that they expand during recessionary periods to counteract the increases in poverty that naturally occur. As can be seen in Table Two, the safety net programs performed better during the recession of the early 1990's than during the recession in the early 1980's.

When poverty crested during the recession of the early 1980's, the number of pre-transfer poor was nearly 53.3 million. During 1983, when safety net programs had been weakened as a result of the Reagan-era policy changes, cash and non-cash benefits lifted 44.8 percent of the pre-transfer poor out of poverty. In 1993, however, when the safety net programs were considerably stronger and EITC expansions had begun to take effect, cash and non-cash benefits were able to lift 48.3 percent of pre-transfer individuals out of poverty. Furthermore, as the recessionary effects have receded and the economy has continued to improve, the array of safety net programs has been able to lift even more people out of poverty. In 1995, nearly 30.6 million people, or 53 percent of the pre-transfer poor, were lifted out of poverty. Historically, this represents the most effective performance ever of our nation's safety net.

Conclusion

While critics may continue to discount the viability and importance of the Federal safety net, it is clear that our anti-poverty programs have been effective in safeguarding poor children and families. In 1995 alone, more than 30 million people--greater than half of all who were pre-transfer poor--were lifted out of poverty as a direct result of government benefits. In sum, our anti-poverty programs continue to lift more people out of poverty than ever before.

Clearly, as the Personal Responsibility and Work Opportunity Act is implemented, we will need to look at the effects on poverty of a wide range of Federal and state policy changes. The Act itself requires that each state report child poverty data annually and calls for the state to submit a corrective action plan to reduce child poverty if its rate increases by five percent or more within a year. The Act also gives the Department resources to conduct research and evaluation studies, requires that states collect and submit a large amount of data annually, and directs the Census Bureau to launch a new longitudinal study of children and families. All of these mechanisms should yield important new information. In addition, the first report to the Congress required by the Welfare Indicators Act of 1994 calls for the annual reporting of indicators of welfare dependence. The report also supports reporting on the status of children. The report has just been submitted to the Congress; it was prepared by HHS with the assistance of a bipartisan advisory board that supported tracking the poverty levels and status of children as welfare reform progresses. During the next year, we will narrow the list of data elements to be tracked and prepare the first annual report of the data.

Your successful battles to expand the EITC and increase the minimum wage will significantly help the working poor in the coming years. In the second term, we will move ahead to increase employment opportunities for low income individuals, solidify mechanisms for collecting the information and data that will be vital to assessing the impact of federal and state policy changes, and fix the flawed parts of the new welfare law you identified in July--including the Food Stamps and immigration provisions. All of these actions are necessary to ensure that the downward trend in poverty continues.

Donna E. Shalala

Table One

Poverty Trends
1980-1995

Defintion	1980	1983	1985	1987	1990	1993	1995
Pre-Transfer Poor							
All persons							
Rate	20.8	23.0	21.3	20.4	20.5	23.4	21.9
Total Number	46,806	53,291	50,395	49,160	50,972	60,671	57,758
Children							
Rate	22.0	25.9	23.7	23.0	23.5	26.3	24.2
Total Number	13,841	16,144	14,902	14,558	15,287	18,198	17,077
Seniors							
Rate	54.2	50.4	49.2	47.6	46.4	50.8	49.9
Total Number	13,380	13,262	13,442	13,560	13,963	15,636	15,797
Official Definition, including cash benefits							
All persons							
Rate	13.0	15.2	14.0	13.4	13.5	15.1	13.8
Total Number	29,254	35,218	33,123	32,292	33,567	39,151	36,395
Children							
Rate	18.3	22.3	20.7	20.3	20.6	22.7	20.8
Total Number	11,513	13,900	13,015	12,849	13,400	15,727	14,665
Seniors							
Rate	15.7	13.8	12.6	12.5	12.2	12.2	10.5
Total Number	3,876	3,631	3,443	3,561	3,671	3,755	3,324
Post-Transfer, including Non-Cash Transfer							
All Persons							
Rate	10.1	12.7	11.7	11.0	10.9	12.1	10.3
Total Number	22,728	29,426	27,681	26,508	27,102	31,373	27,164
Children							
Rate	13.5	18.2	16.8	16.1	15.8	17.5	14.2
Total Number	8,493	11,345	10,563	10,190	10,278	12,126	10,020
Seniors							
Rate	11.7	10.1	9.7	9.3	9.5	9.5	8.5
Total Number	2,888	2,658	2,650	2,649	2,859	2,924	2,691

Table Two

Persons Removed From Poverty Resulting From Government Transfers

	1980	1983	1985	1987	1990	1993	1995
ALL PERSONS							
Pre-Transfer Poor, All Persons	46,806	53,291	50,395	49,160	50,972	60,671	57,758
Number of Persons Removed							
Using Official Definition	17,552	18,073	17,271	16,869	17,405	21,520	21,362
Percent of Pre-Transfer Poor	37.5%	33.9%	34.3%	34.3%	34.1%	35.5%	37.0%
Including Non-Cash Transfers (def. 14)	24,078	23,865	22,713	22,652	23,870	29,298	30,593
Percent of Pre-Transfer Poor	51.4%	44.8%	45.1%	46.1%	46.8%	48.3%	53.0%
Additional Impact of Including							
Non-Cash Transfers	6526	5793	5442	5784	6465	7778	9231
Percent of Pre-Transfer Poor	13.9%	10.9%	10.8%	11.8%	12.7%	12.8%	16.0%
Removed as Result of EITC	675	463	237	723	1,243	1,815	3,165
Percent of Pre-Transfer Poor	1.4%	0.9%	0.5%	1.5%	2.4%	3.0%	5.5%
CHILDREN							
Pre-Transfer Poor, Children under 18	13,841	16,144	14,902	14,558	15,287	18,198	17,077
Number of Children Removed							
Using Official Definition	2,328	2,244	1,886	1,709	1,886	2,471	2,412
Percent of Pre-Transfer Poor Children	16.8%	13.9%	12.7%	11.7%	12.3%	13.6%	14.1%
Including Non-Cash Transfers (def. 14)	5,348	4,800	4,338	4,367	5,009	6,072	7,057
Percent of Pre-Transfer Poor Children	38.6%	29.7%	29.1%	30.0%	32.8%	33.4%	41.3%
Additional Impact of Including Non-Cash Transfers							
Number of Pre-Transfer Poor Children	3,020	2,556	2,452	2,658	3,122	3,601	4,645
Percent of Pre-Transfer Poor Children	21.8%	15.8%	16.5%	18.3%	20.4%	19.8%	27.2%
Removed as Result of EITC	315	187	189	316	520	832	1,623
Percent of Pre-Transfer Poor Children	2.3%	1.2%	1.3%	2.2%	3.4%	4.6%	9.5%
ELDERLY							
Pre-Transfer Poor, Elderly	13,380	13,262	13,442	13,560	13,963	15,636	15,797
Number of Elderly Removed							
Using Official Definition	9,504	9,631	10,000	9,999	10,292	11,881	12,473
Percent of Pre-Transfer Poor Elderly	71.0%	72.6%	74.4%	73.7%	73.7%	76.0%	79.0%
Including Non-Cash Transfers (def. 14)	10,492	10,604	10,792	10,911	11,104	12,712	13,106
Percent of Pre-Transfer Poor Elderly	78.4%	80.0%	80.3%	80.5%	79.5%	81.3%	83.0%
Additional Impact of Including Non-Cash Transfers							
Number of Pre-Transfer Poor Elderly	987	974	792	912	813	831	633
Percent of Pre-Transfer Poor Elderly	7.4%	7.3%	5.9%	6.7%	5.8%	5.3%	4.0%
Removed as Result of EITC	0	26	0	0	0	62	32
Percent of Pre-Transfer Poor Elderly	0.0%	0.2%	0.0%	0.0%	0.0%	0.4%	0.2%

'96 DEC 6 PM5:05

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 6, 1996

THE PRESIDENT HAS SEEN
12-9-96

MEMORANDUM FOR THE PRESIDENT

Through: Robert E. Rubin

From: Joshua Gotbaum
Assistant Secretary for Economic Policy

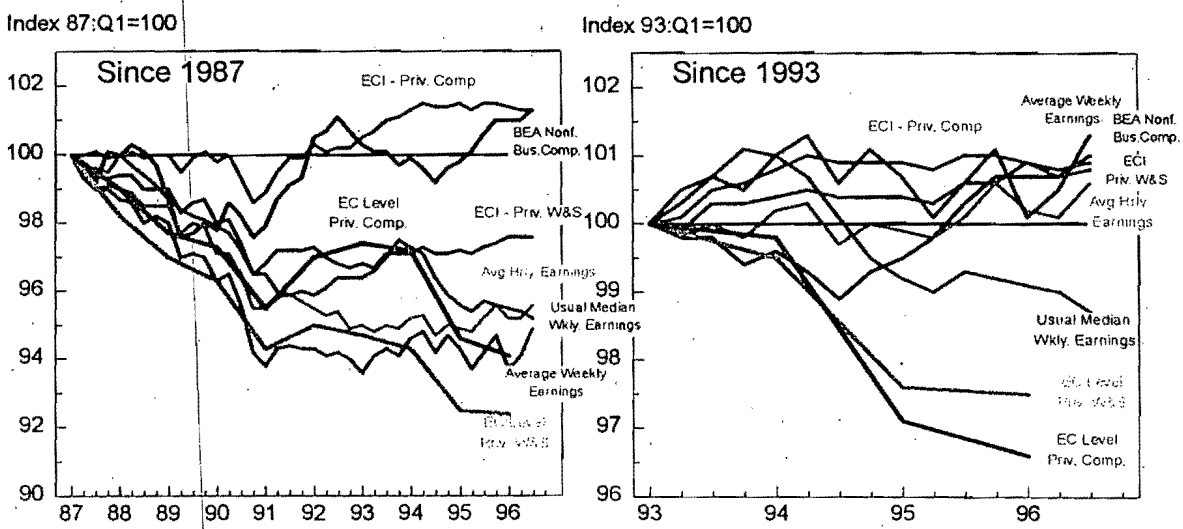
Re: **Are real wages really falling?**

You sent over a recent *Business Week* article that claimed real wages are still falling, based upon a report of the Economic Policy Institute. It notes that, while the official Employment Cost Index (ECI) for hourly compensation had been about flat in real terms since 1987 – and risen in your Administration – another measure, based on the same underlying data, shows a continued drop. Since the difference between the two is that the ECI controls for changes in the mix of industry and occupation, the article argues that the mix of jobs is getting worse and that the average person is earning less.

Take it with a grain of salt. There are, as you know, a variety of measures of real compensation and real wages. As the charts below show, many of them have shown an improvement since 1993, though some have not. Overall, we believe that the fall has stopped and may have begun to turn up.

However, there are measures, including the one that the *Business Week* article highlights (shown in red), that continue to show a decline. The Economic Policy Institute has, in its work over the years, focused on those measures. This narrow focus paints an overly pessimistic picture.

It is also worth noting that, to the extent the CPI overstates increases in the cost of living, all of the measures below understate the growth in real wages.



Note: All series deflated by CPI-U except for average hourly and weekly earnings, which are deflated by the CPI-W.
Usual weekly earnings series shown as a four-quarter moving average, since it is not seasonally adjusted.

Prepared by Robert Gillingham, John Roberts, and Karen Hendershot

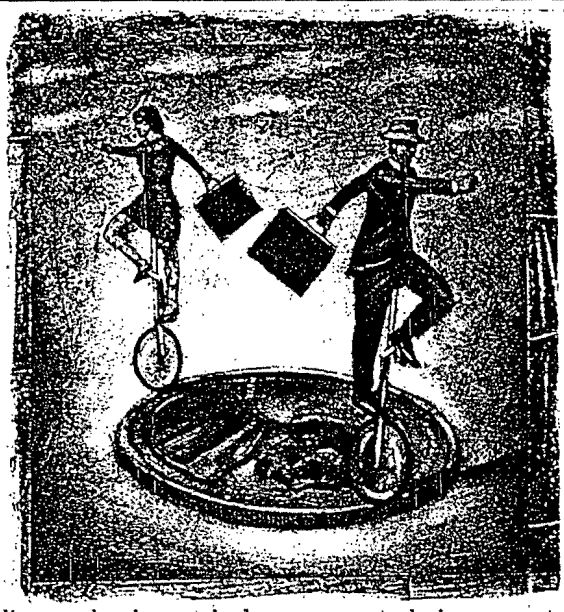
cc Leon Panetta
Erskine Bowles
Laura Tyson
Bruce Reed

COMMENTARY

By Aaron Bernstein

BIGGER PAYCHECKS, YES. BETTER PAY, NO

Annual incomes finally rose last year after six flat years. Wage hikes periodically spook the bond market. And President Clinton announces every chance he gets that the economy has turned the corner. It's all true, and many Americans are doing better since job growth finally picked up in the past year or so. But don't celebrate yet: There's strong evidence that the two-decade trend of wage stagnation continues unabated.

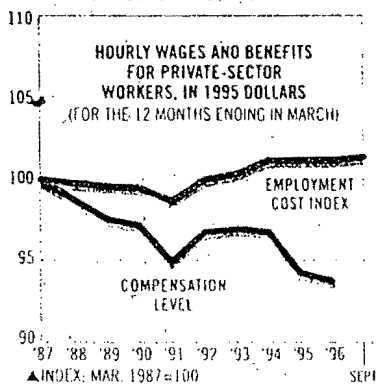


It's easy to get a misleading picture, since the government conducts a half-dozen wage surveys that all tell different stories. The monthly series that bond hawks watch, which shows pay outpacing inflation, is so erratic that most labor economists dismiss it. The better assessment comes from a once-a-year snapshot taken each March as part of the Bureau of Labor Statistics' survey of labor costs. The 1996 figure, released in mid-October, shows that compensation growth still trails consumer prices. These numbers "are the best measure of the income of average American workers over the long term," says BLS Commissioner Katharine G. Abraham. And while the figures don't include the past seven months, there's little reason to suspect a sharp turn off the long-term course.

DETROIT SWAP. So how can incomes be rising if wages aren't? Simple. Strong job growth lets people work more hours, so households have more to spend. But that doesn't mean employees are earning more per hour. In other words, paychecks are up because Americans are working harder and longer, not because the long-term trends holding down wages—the shift to services, globalization, weak unions, and so on—have been checked. "All the long-term wage problems haven't gone away," says Marvin H. Kosters, an economist at the American Enterprise Institute, a conservative think tank in Washington.

To see why he's right, look at the BLS Employment Cost series. The data come in two versions. The more closely watched one, a quarterly index, tries to measure the same type of labor year to year. It assumes that the proportion of every type of worker in the economy—factory, service, professional, blue-collar—doesn't change. The second version, the so-called compensation-level survey done each March, includes occupational, industry, and other shifts. It shows that compensation has trailed inflation by six percentage points since the bureau began keeping track in 1987, while pay and benefits as gauged by the quarterly index have outpaced consumer prices (chart).

WAGES: STILL GOING NOWHERE



DATA: BUREAU OF LABOR STATISTICS, ECONOMIC POLICY INSTITUTE

While the index offers the best picture of what employers pay for labor, the so-called level is better for gauging what employees earn, says Kosters and other labor economists. The two aren't the same. Take Detroit auto makers. They recently granted above-inflation raises to union workers, whose pay and benefits run $43 an hour. But in recent years, the Big Three have outsourced jobs to suppliers that often pay only $20 an hour. If suppliers also raise pay above inflation, the index would register real compensation gains. But in reality, thousands of high-wage jobs were swapped for lower-paid ones, reducing average wages. This only shows up in the level survey. Indeed, auto workers battled Detroit over outsourcing in their just-concluded contracts precisely because the practice lowers wages in the industry.

TEMP TIDE. Similarly, because the level method accounts for the shifting mix of job types, it's the only one that factors in such trends as the spread of lower-wage jobs. And these trends have been big in recent years. For instance, employment in the temporary help industry has soared by 70% since 1990, to 2.2 million. This pulls down average wages, because temp jobs pay $8.79 an hour, vs. $11.44 for full-time ones, according to the BLS.

The same holds true when service jobs, which average $15 an hour, proliferate, replacing factory ones that pay $20, according to the Economic Policy Institute, a liberal think tank in Washington. Since 1989, 1 million factory jobs have vanished while service jobs have soared by 10 million, EPI figures show. "The shift to low-wage industries continues to pull down wages," says EPI Chief Economist Larry Mishel.

Americans are doing better in a healthier job market, true enough. But don't mistake the good news for the whole story. Plenty of evidence still weighs wages down.

Bernstein watches workplace trends from Washington.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
12-9-96

December 2, 1996

'96 DEC 6 AM 11:12

MEMORANDUM TO THE PRESIDENT

FROM: **ERSKINE B. BOWLES**

RE: **Attached Article**

I thought that you would find the attached Washington Times article to be of interest.

The Washington Times THURSDAY, NOVEMBER 28, 1996

A8

Clinton urged to spare poor the budget knife

THE PRESIDENT HAS SEEN
12-9-96

By Patrice Hill
THE WASHINGTON TIMES

A leading advocate for the poor is calling on Congress and President Clinton to reduce the Social Security and Medicare budgets next year because poverty programs have already been trimmed to the bone.

In what may mark a turning point for liberal activists, Robert Greenstein, director of the Center for Budget and Policy Priorities, acknowledged that programs for the poor can afford no further cuts as long as the two big middle-class entitlements continue to grow unchecked, crowding other programs out of the budget.

Mr. Greenstein released a study that showed that poverty programs were the target of more than half the budget cuts in the last year. "All the other parts of the budget should be on the table" in the next round of budget balancing negotiations, he said at a press briefing.

"Both the GOP and Blue Dog [moderate Democratic] budgets this year sought modest increases in Medicare premiums and income-testing for Medicare. That was perfectly reasonable," he said, "though they probably won't be on the table this year because of the political charges that flew" during the campaigns.

Mr. Greenstein was referring to charges by President Clinton that the Republican premium increases constituted harsh "cuts" on the elderly. Mr. Clinton vetoed the premium change one year ago.

"Sooner or later we'll have to come back and take a look at Medicare premiums," Mr. Greenstein said, noting that both Medicare and Social Security are due to go bankrupt in the next century when baby boomers retire. "We need to begin to make the tough decisions to shore up those programs."

On Social Security, Mr. Greenstein endorsed a 0.2 to 0.5 percent yearly reduction in cost-of-living adjustments (COLAs) included in the Blue Dog budget and a counterpart proposal in the Senate authored by Sen. John B. Breaux, Louisiana Democrat, and Sen. John H. Chafee, Rhode Island Republican.

Sponsors of the centrist budgets called for the COLA curbs because most experts believe the Consumer Price Index, which currently determines the level of yearly benefit increases, overestimates the rate of inflation by as much as 1 percentage point.

"The CPI change ought to be on the table" in the budget negotiations next year, Mr. Greenstein said. "If there is a consensus that the CPI slightly overstates the cost of living, it is appropriate to take that into account."

Mr. Greenstein said he would not rule out curbs in Medicaid, the health care program for the poor and disabled, but he would particularly scrutinize hospital spending and the large part of the program servicing "formerly middle-class" people.

"Two-thirds of Medicaid is for the elderly and disabled. Many are people formerly in the middle class" who divest themselves of cash and assets to qualify for assistance under the poverty program, he said. "That drains Medicaid."

Mr. Greenstein, who also called for cuts in Pentagon weapons procurement and for both Congress and the White House to drop their tax-cut plans, was joined in endorsing curbs in the retirement programs by Martha Phillips, executive director of the Concord Coalition, and representatives of the Catholic Church.

It was not clear whether other liberal advocacy groups would follow his lead.

12/2/96
Erskine
per
our conversation
SMART COMPANY

5

Copy to all DPC Staff

CENSUS BUREAU REPORT ON INCOME AND POVERTY: THE AMERICAN ECONOMY IS ON THE RIGHT TRACK FOR THE 21ST CENTURY

September 26, 1996

TODAY'S INCOME & POVERTY NUMBERS SHOW THAT THE AMERICAN ECONOMY ON THE RIGHT TRACK, GROWING STRONG, AND GROWING TOGETHER AGAIN.

- **Typical Household Income Up $898 In 1995 -- Largest Increase In A Decade.** In 1995, median household income increased 2.7 percent -- or $898 -- in 1995 after adjusting for inflation, from $33,178 to $34,076 -- that's the largest one-year increase since 1986.

- **Typical Family Income Up $1,631 Since The President's Economic Plan Passed.** Median family income has increased from $38,980 in 1993 to $40,611 in 1995 -- that's a $1,631 increase in income, adjusted for inflation, since President Clinton's Economic Plan passed in 1993.

- **Under President Clinton, The Typical African-American Family's Income Is Up $3,000.** Since 1992, the median income of African-American families has increased from $22,923 to $25,970 -- that means their income was $3,047 higher in 1995 than the year before President Clinton took office.

- **The Largest Decline In Income Inequality In 27 Years.** In 1995, household income inequality fell, as every income group -- from the most well-off to the poorest -- experienced a real increase in their income for the second straight year. One measure of inequality -- the Gini coefficient -- dropped more in 1995 than in any year since 1968.

- **The Number Of People In Poverty Fell By 1.6 Million -- Largest Drop In 27 Years.** The number of people in poverty dropped 1.6 million, from 38.06 million in 1994 to 36.43 million in 1995 -- that's the largest one-year decline since 1968.

- **Poverty Rate Fell To 13.8 Percent -- Biggest Drop In Over A Decade.** In 1995, the poverty rate dropped from 14.5 percent in 1994 to 13.8 percent -- that's the largest one-year fall in the poverty rate since 1984. Since President Clinton's Economic Plan was signed into law, the poverty rate has declined from 15.1 percent in 1993 to 13.8 percent last year -- that's the biggest two-year drop in the poverty rate since 1973.

- **The African-American Poverty Rate Dropped To It Lowest Level In History.** In 1995, the African-American poverty rate declined from 30.6 percent to 29.3 percent -- that's the first time it dropped below 30 percent and its lowest level since data were first collected in 1959.

- **Elderly Poverty Rate Dropped To 10.5 Percent -- Lowest Level Ever.** In 1966, 28.5 percent of America's elderly citizens lived in poverty. In 1995, the elderly poverty rate declined from 11.7 percent to 10.5 percent -- that's a new record low for the elderly poverty rate.

- **Biggest Drop In Child Poverty In 20 Years.** In 1995, the child poverty rate declined from 21.8 percent to 20.8 percent -- that's the largest one-year drop since 1976. Since President Clinton's Economic Plan was signed into law, the child poverty rate has declined from 22.7 percent to 13.8 percent -- that's the biggest two-year drop since 1968.

- **Largest Drop In The Poverty Rate of Female-Headed Households In 30 Years.** In 1995, percentage of female-headed households living in poverty fell from 38.6 percent to 36.5 percent -- that is the largest one-year decline since 1966.

INCOME

Median Household Income:
1992: $33,278 1993: $32,949
1993: $33,178 1995: $34,076

- Up 2.7% in 1995 -- up $898 in real terms from 1994
- Largest increase since 1986
- $798 higher in 1995 than 1992
- Under Bush fell $1,795 between 1988 and 1992

Median Family Income:
1992: $39,727 1993: $38,980
1994: $39,881 1995: $40,611

- Up 1.8% in 1995 -- up $730 in real terms from 1994
- $1,631 increase since Economic Plan passed (1993)
- Under Bush fell $1,743 between 1988 and 1992

African American Families:
1992: $22,923 1993: $22,720
1994: $25,398 1995: $25,970

- Up 2.3% in 1995 -- up $572 in real terms from 1994
- Up 13.3% since 1992 -- $3,047 higher in real terms.
- Under Bush fell $1,978 between 1988 and 1992

INEQUALITY

Household Inequality:
1994: 0.456
1995: 0.450

- Largest decline in inequality since 1968
- Every income group rose for the 2nd straight year and every group is up since 1992
- Largest rise in share of income going to middle-class since 1968.
- Under Bush, every group's income fell

Family Inequality:
1993: 0.429
1994: 0.426
1995: 0.421

- Down two years in a row -- first time since 1974
- Largest two-year decline since 1968
- Every income group grew for 2nd straight year and every group is up since 1992

POVERTY

Overall Poverty:
1992: 14.8% 1993: 15.1%
1994: 14.5% 1995: 13.8%

- Largest drop in poverty rate since 1984
- Largest 2-year drop in poverty rate since 1973
- 1.6 million drop in people in poverty -- largest drop since 1968 (38.05 million in 1994 vs. 36.43 million in 1995)

Black Poverty:
1992: 33.4% 1993: 33.1%
1994: 30.6% 1995: 29.3%

- Lowest ***EVER*** -- Below 30%.
- Largest two-year drop since 1968

Elderly Poverty:
1992: 12.9% 1993: 12.2%
1994: 11.% 1995: 10.5%

- Lowest ***EVER*** -- 600,000 fewer than in 1992.
- In 1966, eldery poverty rate was 28.5%.

Female-Headed Households:
1992: 39.0% 1993: 38.7%
1994: 38.6% 1995: 36.5%

- Largest drop since 1966

Child Poverty:
1992: 22.3% 1993: 22.7%
1994: 21.8% 1995: 20.8%

- Largest drop since 1976
- Largest 2-year drop since 1968

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

January 18, 1996

MEMORANDUM FOR BRUCE REED

FROM: JOSEPH STIGLITZ JS

SUBJECT: Poverty Among the Elderly

Here is a little article that we did on the economic status of the elderly. The graph on the second page shows the marked decline in the poverty among the elderly which is largely attributable to social security.

~~EYES ONLY~~

DS 2/5/95

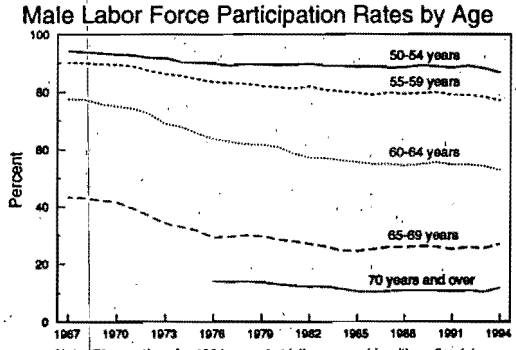
TREND

The Economic Status of the Elderly

Over the past three decades, three important changes in the demographic and economic status of the elderly have taken place: First, the elderly now make up a larger fraction of the population. Second, the labor force participation of older men has dropped sharply, while that of women has increased. And third, poverty among the elderly has become much less prevalent—indeed, slightly less prevalent than among the rest of the population.

Demographics. In 1940, the first year in which Social Security benefits were available, only 6.8 percent of the population was 65 or older. By 1994, this fraction had nearly doubled, to 12.7 percent. And by 2030 it is expected to rise to 20 percent. The aging of the population is one of the key factors generating the projected deterioration in the financial condition of the Social Security system over the next 30 years or so.

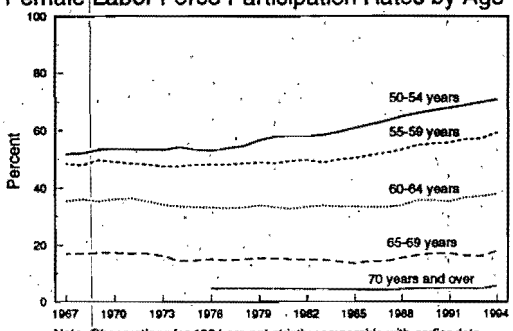
Male Labor Force Participation Rates by Age



Note: Observations for 1994 are not strictly comparable with earlier data due to the revision of the Current Population Survey.

Labor force participation. Between the mid-1960s and the mid-1980s, the labor force participation of older men shifted down markedly (see chart). Although this decline was widespread across age groups, the most dramatic reduction occurred among men aged 60-64. In 1967, 78 percent of such men were in the labor force, but by 1985 only 56 percent were. In part, this trend toward earlier retirement may reflect the fact that men aged 62-64 first became eligible for a reduced level of Social Security benefits in 1961. Since the mid-1980s, the trend toward earlier retirement appears to have abated.

Female Labor Force Participation Rates by Age



Note: Observations for 1994 are not strictly comparable with earlier data due to the revision of the Current Population Survey.

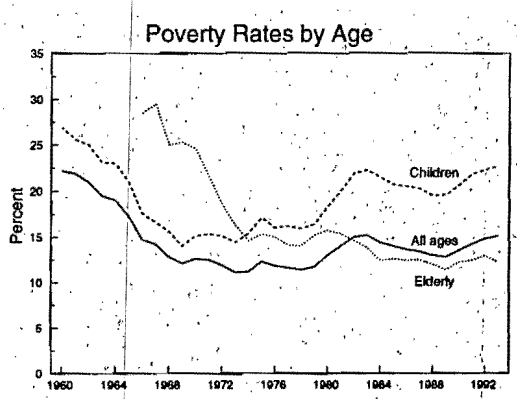
Labor force participation trends for older women have been dramatically different (see chart). Participation rates among women 60 and over changed little on net during the past three decades, while rates among women in their 50s trended up markedly. Greater labor force attachment should bode well for the retirement income security of some of these women who are currently (or will soon be) reaching retirement age. For others, however, it may have little effect. For example, some women will qualify for a larger Social Security benefit based on their husbands' earnings

~~EYES ONLY~~

RDS 2/5/95

history rather than their own earnings history. For these women, additional years in the labor force do little or nothing to boost Social Security benefits.

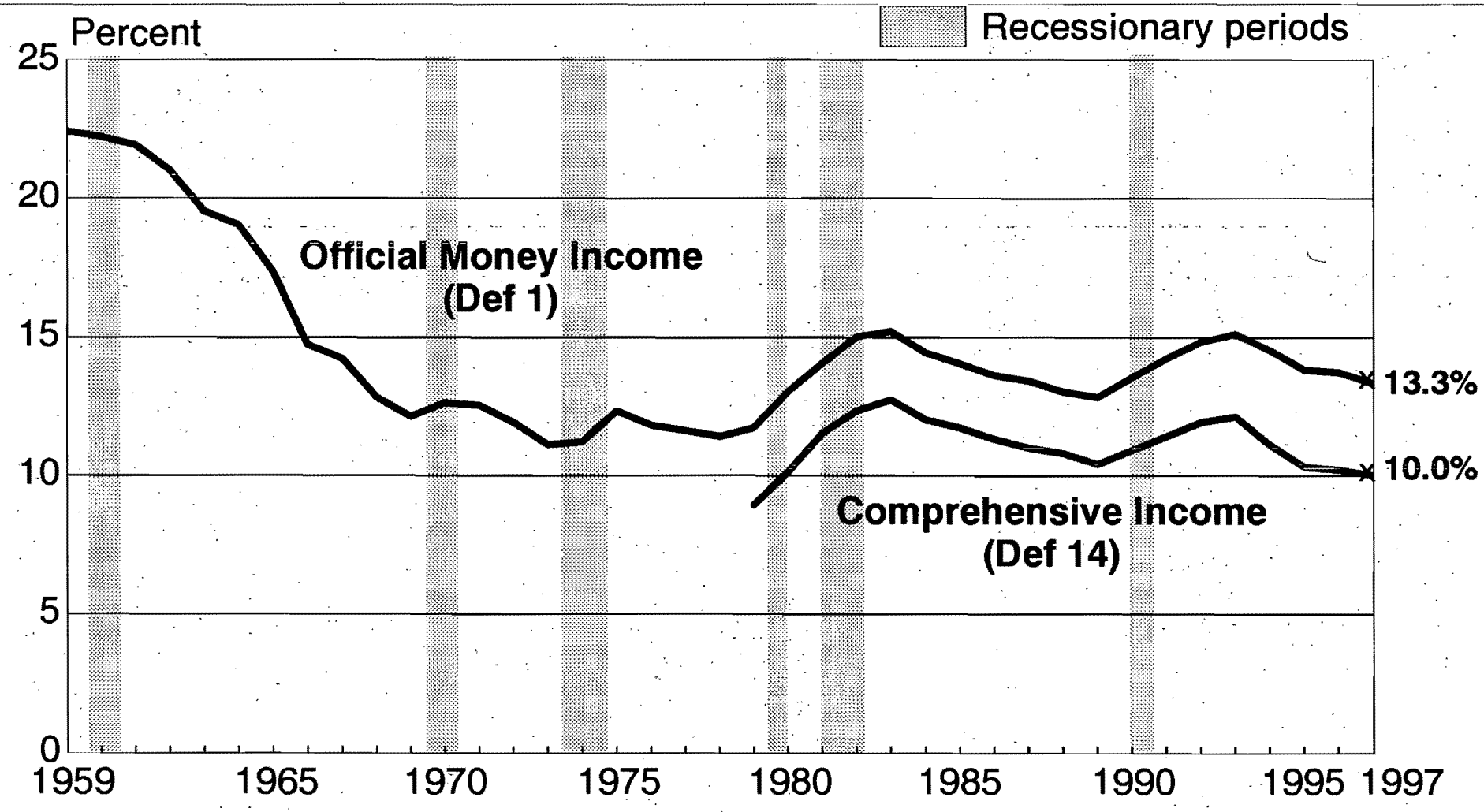
The nature of retirement. Many workers retire in stages, moving from a career job to a bridge job, and from there to full retirement. Less than three-fourths of all wage and salary workers and only half of all self-employed workers retire in one fell swoop. In many cases, a bridge job involves a change of industry and occupation from the career job, and commonly requires a lower level of skill. Phased retirement may be most common among poor workers, who cannot afford immediate full retirement, and more affluent workers, who face broader opportunities for enriching and enjoyable part-time work.



Poverty. According to official statistics, poverty rates among the elderly have declined sharply since the mid-1960s (see chart). Indeed, for the last decade or so measured poverty rates have been slightly lower for the elderly than for the population as a whole. Most of the reduction in poverty among the elderly took place in the late 1960s and early 1970s, coincident with large increases in the real value of social security benefits. In contrast to the experience of the elderly, children have suffered a marked increase in poverty rates since the 1970s. Today, the poverty rate among children is 50 percent higher than it was in 1970.

Despite the substantial reduction in the overall poverty rate of the elderly, significant pockets of poverty remain. For example, the rate among elderly Hispanics is twice as high as the rate for non-Hispanic whites, while the rate for blacks is three times as high. The rate for elderly people living alone (80 percent of whom are women) is 25 percent, compared with only 6 percent for married couples. And the rate for those 85 and older is about 20 percent—roughly twice the rate for those age 65-74. In addition, a disproportionate number of the elderly are near-poor, even if not below the official poverty line.

Poverty Rates Using Alternative Definitions of Income: 1959-1997



Source: Census Bureau, March Current Population Survey.

Poverty Rates Using Alternative Definitions of Income: 1959 - 1997

Percent

Year	Official Money Income (Def. 1)	Including value of noncash benefits: Comprehensive Income (Def. 14)	Year	Official Money Income (Def. 1)	Including value of noncash benefits: Comprehensive Income (Def. 14)
1959	22.4	(NA)	1979	11.7	8.9
1960	22.2	(NA)	1980	13.0	10.1
1961	21.9	(NA)	1981	14.0	11.5
1962	21.0	(NA)	1982	15.0	12.3
1963	19.5	(NA)	1983	15.2	12.7
1964	19.0	(NA)	1984	14.4	12.0
1965	17.3	(NA)	1985	14.0	11.7
1966	14.7	(NA)	1986	13.6	11.3
1967	14.2	(NA)	1987	13.4	11.0
1968	12.8	(NA)	1988	13.0	10.8
1969	12.1	(NA)	1989	12.8	10.4
1970	12.6	(NA)	1990	13.5	10.9
1971	12.5	(NA)	1991	14.2	11.4
1972	11.9	(NA)	1992	14.8	11.9
1973	11.1	(NA)	1993	15.1	12.1
1974	11.2	(NA)	1994	14.5	11.1
1975	12.3	(NA)	1995	13.8	10.3
1976	11.8	(NA)	1996	13.7	10.2
1977	11.6	(NA)	1997	13.3	10.0
1978	11.4	(NA)			

Source: Census Bureau, March Current Population Survey.

NA Not available.

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, DC 20230

ECONOMICS AND STATISTICS ADMINISTRATION

BUREAU OF THE CENSUS

EMBARGOED UNTIL: 9 A.M. EDT, SEPTEMBER 24, 1998 (THURSDAY)

Public Information Office
301-457-3030/301-457-3670 (fax)
301-457-4067 (TDD)
e-mail: pio@census.gov

CB98-175

Income and Poverty Information Staff
301-457-3242

Poverty Rate Down, Household Income Up — Both Return To 1989 Pre-Recession Levels, Census Bureau Reports

Three years of positive growth in real median income have restored household income and poverty rates to their 1989 pre-recessionary levels, according to reports released today by the Commerce Department's Census Bureau.

(The reports, *Money Income in the United States: 1997* and *Poverty in the United States: 1997*, include data for states and valuation of noncash benefits. These reports are available on our web site — at <http://www.census.gov/hhes/www/income97.html> for income, and <http://www.census.gov/hhes/www/povty97.html> for poverty.)

"Nationwide, the proportion of the population living below the poverty level declined from 13.7 percent in 1996 to 13.3 percent in 1997. The 1997 rate was not statistically different from the pre-recessionary rate in 1989," said Daniel Weinberg, chief of the Census Bureau's Housing and Household Economic Statistics Division. "This decline in the nation's overall poverty rate was mostly caused by declines in poverty experienced by African Americans and Hispanics."

To illustrate, the number of poor African Americans dropped by 600,000 to 9.1 million between 1996 and 1997, while their poverty rate fell from 28.4 percent to 26.5 percent. For Hispanics, who may be of any race, the number in poverty declined from 8.7 million to 8.3 million, and their poverty rate dropped from 29.4 percent to 27.1 percent. In both years, the poverty rate for Hispanics did not differ statistically from that of African Americans. Although the poverty rates dropped for African Americans and Hispanics, they remained significantly higher than the rates for Whites (11.0 percent) and for Asians and Pacific Islanders (14.0 percent).

(more)

Some groups had poverty rates in 1997 that were lower than their adjusted 1989 rate: persons 65 and older; residents of the Midwest and the South; African Americans; married-couple families; African American married-couple families; and African American female householder families.

The poverty threshold for a family of four was $16,400 in annual income in 1997; it was $12,802 for a family of three.

Between 1996 and 1997, the real, or inflation-adjusted, median income level for the nation's households rose 1.9 percent, from $36,306 to $37,005. In real terms, 1997 median household income is not statistically different from its 1989 pre-recessionary peak ($37,303).

Certain subgroups achieved or surpassed their 1989 income levels in real terms in 1997: White households; households maintained by a person 25 to 34; households maintained by a person 65 and over; households outside metropolitan areas; households in the West; family households; and nonfamily households maintained by a woman.

Some subgroups that had recently achieved their 1989 pre-recessionary income level in real terms continued to sustain or exceed that level in 1997: African American households; households in the Midwest and the South; those maintained by a person 55 to 64; married-couple households; and family households maintained by a woman with no husband present.

Other highlights:

Poverty

- The number of poor people in the United States in 1997 was 35.6 million, statistically unchanged from 1996.

- Based on comparisons of two-year moving averages (1995-96 and 1996-97), the poverty rate dropped in three states (Alabama, Mississippi and South Carolina) and increased in two states (Arkansas and New Hampshire).

- Using three-year averages (1995-97), state poverty rates ranged from 6.9 percent in New Hampshire to 24.0 percent in New Mexico.

- None of the four regions (Northeast, Midwest, South and West) had a statistically significant change in poverty between 1996 and 1997.

- Poverty rates in 1997 for all children (19.9 percent), adults ages 18 to 64 (10.9 percent) and people ages 65 and over (10.5 percent) were not statistically different from the previous year's rates. The 1997 poverty rates for the elderly and for those ages 18 to 64 did not differ statistically from each other.

(more)

- Between 1996 and 1997, there was a decline in both the number of poor families (from 7.7 million to 7.3 million) and the poverty rate for families (from 11.0 percent to 10.3 percent). More than half of the decline in the number of poor families occurred among African American families.

- Central cities of metropolitan areas experienced a decline in poverty rate from 19.6 percent in 1996 to 18.8 percent in 1997.

Income

- Based on comparisons of two-year moving averages (1995-96 and 1996-97), real median household income increased for 12 states (Alabama, Delaware, Indiana, Kansas, Louisiana, New Mexico, North Carolina, Oklahoma, South Carolina, Utah, Virginia and Washington) and decreased in four states (Hawaii, Iowa, Maine and Wisconsin).

- Using a three-year average (1995-97), the median household income for Alaska ($50,829) led all states and the District of Columbia.

- All regions, except for the Northeast, experienced a significant increase in real median household income between 1996 and 1997.

- This is the fourth consecutive year that family households experienced an annual increase in real median income. The change in nonfamily household income was not statistically significant between 1996 and 1997. Prior to 1997, nonfamily households experienced two years of annual increases in median income.

- Between 1996 and 1997, the real median income of family households maintained by a woman with no husband present increased 4.4 percent, while the median income of family households maintained by a man showed no statistically significant change.

- The median income of White households in 1997 ($38,972) was 2.5 percent higher than in 1996 in real terms. The median income of African American households in 1997 ($25,050) was up 4.3 percent. There was no statistically significant increase in real median household income for Asian and Pacific Islander households. Households maintained by a person of Hispanic origin ($26,628), experienced an increase of 4.5 percent between 1996 and 1997. (The differences between the 1996 and 1997 percent increases in the medians of White, African American and Hispanic households were not statistically significant.)

- In 1997, households located outside metropolitan areas surpassed their pre-recessionary income level by 3.9 percent. Although this is the third consecutive year that households inside metropolitan areas experienced an annual increase in real median household income, their 1997 income remained 1.9 percent lower than their 1989 pre-recessionary level.

(more)

- Real per capita income increased 3.7 percent between 1996 and 1997, from $18,552 to $19,241. The per capita income of the White population increased 4.1 percent, from $19,621 to $20,425. The Hispanic-origin population, which may include any race, also experienced an increase in per capita income between 1996 and 1997 of 4.8 percent, from $10,279 to $10,773. (Differences between the 1996 and 1997 percent increases in the per capita incomes of the total, White and Hispanic-origin populations were not statistically significant.)

- The real median earnings of men and women who worked full time and year-round increased by 2.4 percent and 3.0 percent, respectively. (The difference between the percent increases in the earnings of men and women was not statistically significant.) The last time men experienced an annual increase in median earnings was in 1991. For women, this is the second consecutive year of increases. The female-to-male earnings ratio was 0.74 in 1997, not statistically different from its all-time high.

- In addition to the official income and poverty data released today, the Census Bureau also released income and poverty estimates based on 17 other definitions of income.

The data are from the March 1998 Current Population Survey. As in all surveys, the data are subject to sampling variability and other sources of error.

-X-

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CB98-176

Income and Poverty Information Staff
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Number of African Americans in Poverty Declines While Income Rises, Census Bureau Reports

The number of poor African Americans in the nation decreased significantly between 1996 and 1997, while their real median household income improved, according to reports released today by the Commerce Department's Census Bureau.

(The reports, *Money Income in the United States: 1997* and *Poverty in the United States: 1997,* are available on our web site — at <http://www.census.gov/hhes/www/income97.html> for income, and <http://www.census.gov/hhes/www/povty97.html> for poverty.)

"African Americans accounted for 60 percent of the decline in the number of poor persons in America between 1996 and 1997," said Daniel Weinberg, chief of the Census Bureau's Housing and Household Economic Statistics Division. "Nationwide, about 400,000 fewer families were poor in 1997 than in 1996, and more than half of them were African American families."

The number of poor African Americans dropped from 9.7 million in 1996 to 9.1 million in 1997, while their poverty rate decreased from 28.4 percent to 26.5 percent. For African American families, the number and percentage in poverty fell from 2.2 million to 2.0 million and from 26.1 percent to 23.6 percent, respectively.

In 1997, the poverty rate of African American married-couple families; female householder families with no husband present; and individuals was lower than their 1989 pre-recessionary rate.

The poverty threshold for a family of four was $16,400 in annual income in 1997 and $12,802 for a family of three.

(more)

African American households experienced an increase in real median income of 4.3 percent between 1996 and 1997 — from $24,021 to $25,050. Also, in the past three years (1995-1997), median income levels of African American households achieved or surpassed their 1989 pre-recessionary peak level.

Other highlights:

Poverty

- In 1997, the number and poverty rate of African Americans was 9.1 million and 26.5 percent, compared with 24.4 million and 11.0 percent for Whites; 1.5 million and 14.0 percent for Asians and Pacific Islanders; and 8.3 million and 27.1 percent for Hispanics. The poverty rate for Hispanics did not differ statistically from the rate for African Americans.

- For families, the number and percentage of poor in 1997 was 2.0 million and 23.6 percent for African Americans; 5.0 million and 8.4 percent for Whites; 244,000 and 10.2 percent for Asians and Pacific Islanders; and 1.7 million and 24.7 percent for Hispanics. The poverty rate for Hispanics did not differ statistically from the rate for African Americans.

- African American families with a female householder, no husband present, experienced a significant drop in both the number and percentage of families who were poor: 1.6 million and 39.8 percent in 1997, down from 1.7 million and 43.7 percent in 1996.

Income

- In 1997, African American households had a median income of $25,050, lower than that of Asian and Pacific Islander households ($45,249), White households ($38,972) and households maintained by a person of Hispanic origin, who may be of any race, ($26,628).

- African American households had an average income per household member of $11,998, based on an average household size of 2.75 people. The average for White households was $20,093, with an average size of 2.58 people; and the estimate for Asian and Pacific Islander households was $18,569, with an average size of 3.17 people.

- The per capita income of African Americans was $12,351 in 1997, compared with $20,425 for Whites, $18,226 for Asian and Pacific Islanders, and $10,773 for Hispanics.

The data are from the March 1998 Current Population Survey. As in all surveys, the data are subject to sampling variability and other sources of error.

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Asians and Pacific Islanders Have Nation's Highest Median Household Income in 1997, Census Bureau Reports

Asians and Pacific Islanders had the highest median household income among the nation's major race groups in 1997, although their income per household member fell in comparison to Whites, according to reports released today by the Commerce Department's Census Bureau.

(The reports, *Money Income in the United States: 1997* and *Poverty in the United States: 1997*, are available on our web site — at <http://www.census.gov/hhes/www/income97.html> for income, and <http://www.census.gov/hhes/www/povty97.html> for poverty.)

"Asians and Pacific Islanders as a group had the highest median household income in 1997 at $45,249," said Daniel Weinberg, chief of the Census Bureau's Housing and Household Economic Statistics Division. "However, this is the first time in six years that the income-per-household-member estimate of White households was higher than that of Asian and Pacific Islander households."

The larger average size of Asian and Pacific Islander households (3.17 people) compared with White households (2.58 people) produced an income estimate of $18,569 per household member, lower than the $20,093 estimate for White households.

The median household income of Asians and Pacific Islanders ($45,249) was highest, while White households had the second highest ($38,972), followed by African American households ($25,050). Households maintained by a person of Hispanic origin, who may be of any race, had a median income of $26,628.

(more)

Other highlights:

Poverty

- Both the number (1.5 million) and percentage (14.0 percent) of Asians and Pacific Islanders who were poor in 1997, statistically were unchanged from the previous year. In 1997, the number and poverty rate of Whites was 24.4 million and 11.0 percent; 9.1 million and 26.5 percent for African Americans; and 8.3 million and 27.1 percent for Hispanics. The poverty rate for Hispanics did not differ statistically from the rate for African Americans.

- For families, the number and percent who were poor in 1997 was 244,000 and 10.2 percent for Asians and Pacific Islanders; 5.0 million and 8.4 percent for Whites; 2.0 million and 23.6 percent for African Americans; and 1.7 million and 24.7 percent for Hispanics. The poverty rate for Hispanics did not differ statistically from the rate for African Americans.

- The poverty threshold for a family of four was $16,400 in annual income in 1997.

Income

- The Asian and Pacific Islander group was the only race group that did not experience a statistically significant increase in real median, or inflation-adjusted, household income between 1996 and 1997.

- The Asian and Pacific Islander population trailed the White population, which had the highest per capita income in 1997 at $20,425. The per capita income for Asians and Pacific Islanders was $18,226, followed by African Americans at $12,351 and Hispanics at $10,773.

The data are from the March 1998 Current Population Survey. As in all surveys, the data are subject to sampling variability and other sources of error.

The Asian and Pacific Islander population consists of many distinct groups, which differ in socioeconomic characteristics, culture and recency of immigration. Since there are differences among the individual groups, data users should exercise caution when interpreting aggregate data for this population group.

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Poverty Level of Hispanic Population Drops, Income Improves, Census Bureau Reports

The number of the nation's Hispanic population who were poor declined significantly between 1996 and 1997, while their real median household income increased significantly, according to reports released today by the Commerce Department's Census Bureau.

(The reports, *Money Income in the United States: 1997* and *Poverty in the United States: 1997,* are available on our web site — at <http://www.census.gov/hhes/www/income97.html> for income, and <http://www.census.gov/hhes/www/povty97.html> for poverty.)

"The decline in poverty rates of Hispanics accounted for a significant share of the decrease in the overall poverty rate between 1996 and 1997," said Daniel Weinberg, chief of the Census Bureau's Housing and Household Economic Statistics Division.

Overall, the number of poor and the poverty rate for people of Hispanic origin, who may be of any race, dropped to 8.3 million and 27.1 percent, respectively, in 1997, down from 8.7 million and 29.4 percent in 1996.

Hispanic families also experienced a decline in their poverty rate in 1997, from 26.4 percent in 1996 to 24.7 percent.

The poverty threshold for a family of four was $16,400 in annual income in 1997 and $12,802 for a family of three.

(more)

Hispanic households had a 4.5 percent increase in their real, or inflation-adjusted, median income between 1996 and 1997, from $25,477 to $26,628. Meanwhile, the real per capita income of Hispanics rose during the same period, from $10,279 to $10,773 — an increase of 4.8 percent.

Other highlights:

Poverty

- In 1997, the number and poverty rate of the Hispanic population was 8.3 million and 27.1 percent. For Whites, it was 24.4 million and 11.0 percent; for African Americans, it was 9.1 million and 26.5 percent; and for Asians and Pacific Islanders, it was 1.5 million and 14.0 percent. The poverty rate for Hispanics did not differ statistically from the rate for African Americans.

- For Hispanic families, the number and percentage who were poor in 1997 was 1.7 million and 24.7 percent; for White families, 5.0 million and 8.4 percent; for African American families, 2.0 million and 23.6 percent; and for Asian and Pacific Islander families, 244,000 and 10.2 percent. The poverty rate for Hispanics did not differ statistically from the rate for African Americans.

Income

- In 1997, the median income of households maintained by a person of Hispanic origin, who may be of any race, was $26,628; White households, $38,972; African Americans, $25,050; and Asians and Pacific Islanders, $45,249.

- Between 1996 and 1997, real per capita income of Hispanics and Whites increased to $10,773 and $20,425, respectively. African Americans had a per capita income of $12,351 in 1997, while that of Asians and Pacific Islanders was $18,226. The latter two were statistically unchanged from the previous year.

The data are from the March 1998 Current Population Survey. As in all surveys, the data are subject to sampling variability and other sources of error.

The Hispanic origin population consists of many distinct groups which differ in socioeconomic characteristics, culture and recency of immigration. Since there are differences among the individual groups, data users should exercise caution when interpreting aggregate data for this population group.

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CENSUS BUREAU MEDIA ADVISORY

Census Bureau News Conference Marks 50 Years of Income Data

Washington, D.C. — The Commerce Department's Census Bureau will hold a news conference and panel discussion on economic change in the United States over the past 50 years. The event will take place on Tuesday, Sept. 29, 1998, at the National Press Club. A new multi-color chart book, "Measuring 50 Years of Economic Change Using the March Current Population Survey," also will be released at that time.

Scheduled to participate are James Holmes, acting director, U.S. Census Bureau; and Daniel Weinberg, chief of the bureau's Housing and Household Economic Statistics Division. There also will be a panel of four distinguished economic experts: Katharine Abraham, commissioner, Bureau of Labor Statistics; Alan Blinder, professor of economics at Princeton University; Marvin Kosters, resident scholar at the American Enterprise Institute; and Charles Schultze, senior fellow emeritus at the Brookings Institution.

The news conference and panel discussion will be held at:

9:30 a.m. EDT

National Press Club
Holeman Lounge
14th and F Streets, N.W.
Washington, D.C. 20045

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NEWS RELEASE

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FOR IMMEDIATE RELEASE:
September 26, 1996

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Improvements in Poverty and Income in 1995 Are Substantial But Tempered by Disturbing Long-term Trends Affecting Hispanics, Wages, Income Inequality, and Health Care

The Census Bureau issued data today showing that poverty declined and median income rose in 1995 as the economic recovery continued. The data also show that the poverty rate for African-Americans and the elderly reached the lowest levels on record last year, although at 29.3 percent the African-American poverty rate remains high. The Census data reflect a year in which economic growth was not only strong but broad-based, reaching the bottom end of the population and the middle class.

This good news is tempered, however, by four elements of disturbing news in the Census data, according to an analysis of the new data by the Center on Budget and Policy Priorities. The disturbing elements reflect a continuation of long-term economic trends.

- The Hispanic poverty rate failed to show any statistically significant improvement in 1995, remained near its all-time high, and surpassed the African-American poverty rate for the first time. In addition, the median income of Hispanic households fell 5.1 percent in 1995 and has declined 14.6 percent since 1989. The Center said the Hispanic poverty rate is virtually certain to climb and reach record highs in coming years as the provisions of the new welfare bill, which contains severe cuts in basic assistance for legal immigrants, take effect.

- While income grew for lower- and middle-income households and income inequality lessened slightly in 1995, only the wealthiest fifth of the U.S. population has seen its average income return to pre-recession levels. The average income of each of the bottom four-fifths of the population remains below 1989 levels. By contrast, the average income of the wealthiest five percent of the population was $19,000 higher in 1995 than in 1989, although a portion of this $19,000 is due to changes in Census methodology and not to true income gains.

— more —

- One reason the poverty rate fell was that a larger proportion of the population was working in 1995, certainly good news. But while employment rose, median wages for full-time, year-round workers did not. The median wage earned by women working full time throughout the year fell $337 to $22,497. The median wage of men working full time throughout the year showed no statistically significant change.[1]

- Despite the increase in employment, there was no improvement in health care coverage. The number of Americans lacking health insurance throughout the year changed from 39.7 million in 1994 to 40.6 million in 1995, although this change was not statistically significant.

  The number of people without health insurance has risen steadily since 1987, the first year for which comparable data are available. The number of uninsured rose by nine million from 1987 to 1995 while the proportion of the population without coverage increased from 12.9 percent to 15.4 percent.

Black and Hispanic Poverty Rates

At 29.3 percent, the black poverty rate was lower in 1995 than in any year since the Census Bureau began collecting such data in 1966. The Hispanic poverty rate, on the other hand, failed to show any statistically significant improvement last year and surpassed the black poverty rate for the first time.

In 1994, the black and Hispanic poverty rates were statistically the same — 30.6 percent for blacks and 30.7 percent for Hispanics. The Hispanic poverty rate edged down to 30.3 percent in 1995, but this did not represent a statistically significant change from the 1994 level.

The Hispanic poverty rate for 1995 is high compared with the rates in earlier years. The rate never surpassed 30 percent until 1993, hitting all-time highs in 1993 and 1994. The Hispanic poverty rate has been pushed up in recent years by the erosion of wages of low-paid work — a very large share of poor Hispanics live in working families — and probably by immigration as well.

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[1] One factor contributing to the disappointing trend in wages may have been that employment may have expanded most rapidly among lower-skilled workers who receive below-average wages. That would make the median wages appear smaller.

— more —

"The failure of the Hispanic poverty rate to show significant improvement in 1995 despite the robust performance of the economy is disturbing," said Robert Greenstein, the Center's director. Greenstein noted that "the severe cuts in basic assistance for *legal* immigrants included in the recently enacted welfare bill are virtually certain to drive the Hispanic poverty rate to record levels in the years ahead."

Passage of the pending immigration bill, which includes still deeper cuts and additional restrictions on the receipt of such assistance as child care by legal immigrants, would further aggravate this problem, he said.

Trends in Income Gains by Income Groups

Between 1994 and 1995, the average income of households of all income levels rose, although some of the changes were not statistically significant. In addition, income inequality declined, with the share of national income going to middle and low-income households edging upward; some of these changes are statistically significant, while others are not.

When longer-term trends are examined, however, the Census data show that only the most affluent fifth of U.S. households — and possibly only the top five percent — have average income above their level in 1989, the last year before the recession of the early 1990s. The average incomes of all other income groups remains below their 1989 levels.

Since the early 1970s, there has been a marked long-term trend in the U.S. economy toward widening income disparities between the wealthy and other Americans. While changes between 1994 and 1995 moved in the opposite direction and lessened inequality, the change is small and is heavily outweighed by the long-term trend. The following table shows the average income of different income groups for several years: for 1995; for 1994; for 1989, the peak year of the economic recovery of the 1980s; and for 1979, the peak year of the recovery of the late 1970s.

Changes in the early 1990s in Census methodology account for a fraction of the income increase shown in the table for the top fifth and top five percent of households between 1995 and earlier years. On the other hand, these Census data do *not* include capital gains income, which accrues primarily to the very affluent. The top income groups would be shown to have received much larger average income gains in 1995 if capital gains income were included.

Average Income by Household Income Group (in constant 1995 dollars)						
Year	Bottom Fifth	Next-to-Bottom Fifth	Middle Fifth	Next-to-Top Fifth	Top Fifth	Top 5%
1995	$8,350	$20,397	$34,106	$52,429	$109,411	$188,828
1994	7,982	19,769	33,303	51,823	108,947	188,231
1989	8,629	21,386	35,550	53,774	105,118	169,834
1979	8,473	20,638	33,971	49,824	88,536	132,211
% change 94-95	+4.6%	+3.2%	+2.4%	+1.2%	+0.4%	+0.3%
% change 89-95	-3.2%	-4.6%	-4.1%	-2.5%	+4.1%	+11.2%

Note: Figures in table do not include capital gains income, the earned income tax credit, or non-cash benefits.

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, and specializes in issues related to fiscal policy. It is supported primarily by foundation grants.

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CENTER ON BUDGET AND POLICY PRIORITIES

Poverty

FOR IMMEDIATE RELEASE:
Monday, October 4, 1993

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LARGEST 3-YEAR RISE IN NUMBER OF POOR PUSHES TOTAL TO 30-YEAR HIGH, ANALYSIS FINDS

The number of Americans living in poverty reached its highest level in 30 years in 1992, as 1.2 million more people became poor, an analysis of just-issued Census data by the Center on Budget and Policy Priorities said today. The 36.9 million people living in poverty last year was higher than in any year since 1962.[1]

Between 1989 and 1992, the number of poor people rose by 5.4 million, the largest three-year increase on record, the Center noted. The poverty rate, at 14.5 percent, was higher than in any year since 1966 except for the high unemployment years of the 1982 and 1983, but the increase in the poverty rate between 1991 and 1992 was not large enough to be statistically significant.

The Center's analysis also said that the number of Americans without health insurance rose for the fifth consecutive year, jumping by two million, the largest one-year increase since the Census Bureau began collecting these data in 1987.

Median household income — the income of the typical middle-class household — edged down last year. While the decline of $248 between 1991 and 1992 was too small to be statistically significant, the three-year decline from 1989 to 1992 was significant, totaling $1,920. The 5.9 percent decline between 1989 and 1992 in the income of the typical middle-class household was the largest percentage decline in any three-year period since 1966 to 1969, the Center reported.

In addition, the Center pointed out that the average incomes of the wealthiest Americans rose in 1992 while those of poor and middle-income Americans stagnated or declined. The average income of the wealthiest five percent of households climbed more than $3,500 per household. By contrast, the average income of each of the bottom and middle income "fifths" fell by $100 to $500, although these declines were not statistically significant in most cases.

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[1] In 1962, the number of people below the poverty line was 38.7 million. (In 1964, the number was 36.1 million, a figure lower than, but not significantly different from, the 36.9 million figure for 1992. As a result, the Census press release states that the number of poor people last year was higher than in any year since 1964. But the Census poverty book issued today, *Poverty in the United States: 1962*, says the number is higher than in any year since 1962; see pages viii and 2.)

— more —

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Rise in Unemployment, Reductions in Benefits Contribute to Poverty Increase

"The increase in the number of poor people last year may seem surprising since 1992 was the first year of economic recovery," Center director Robert Greenstein noted. "But the recovery was so weak that the unemployment rate continued to climb — from 6.7 percent in 1991 to 7.4 percent in 1992." In addition, he said, the number of people out of work for long periods of time soared.

In 1991, there were 1.1 million long-term unemployed people in an average month, he noted. In 1992, this number climbed to 1.9 million. The long-term unemployed are those out of work at least six months and still looking for a job. They are the group among the unemployed that has the highest poverty rate.

Also of significance, many states made sharp cuts in safety net programs in 1991, Greenstein said. These cuts took effect on a year-round basis in 1992.

States reduced benefits in the Aid to Families with Dependent Children program, the basic assistance program for low-income families with children, more in 1991 than in any year in at least a decade, he noted, with 40 states freezing or cutting AFDC benefits. In addition, 24 states froze or cut state supplemental benefits in the Supplemental Security Income program, the basic aid program for the elderly and disabled poor. A number of states also made deep cuts in their general assistance programs, which cover other groups of low-income people, with states such as Michigan terminating this aid for large categories of the poor.

These state-level cuts deepened in 1992, when 44 states froze or cut AFDC benefits for the coming fiscal year, 26 states froze or cut state SSI benefits, and a number of additional states cut or terminated general assistance benefits. Most of those cuts took effect in the latter months of 1992.

The Census data issued today provide evidence that reductions in benefit programs for the poor since the late 1970s have contributed to a long-term increase in poverty, Greenstein commented. For example, the data show that in 1992, fewer than one in every seven children who were poor before receipt of government benefits was lifted from poverty by these benefits. In 1979, nearly one in five children who were poor before receipt of benefits was lifted from poverty by them.[2]

---

[2] This decline in the proportion of children raised from poverty by government benefits is likely to reflect the combined effect of benefit reductions and wage erosion. Declining wages left many working families with children further below the poverty line, thus reducing the chances that the combination of wages and government benefits would lift them to the poverty line. Reductions in benefits, themselves, also made it less likely that families would be raised from poverty.

At the same time, the increase in poverty in 1992 was moderated somewhat by the enactment of the federal emergency unemployment compensation program for the long-term unemployed, according to Greenstein. In some months of 1991, he said, the number of jobless who exhausted their regular unemployment benefits without being able to receive further assistance reached record levels. At the end of 1991, the federal government plugged this hole by establishing the emergency unemployment program, which was in effect throughout 1992. Had it not been for this program, Greenstein observed, the increase in poverty last year would have been larger.

Ironically, this program expired yesterday, despite the fact that the number of long-term unemployed — now 1.7 million — is 50 percent larger than when the program was established in late 1991. Congress is considering legislation to extend the program through the rest of this year, but the program is virtually certain to end at that time, Greenstein observed.

In short, Greenstein said, states weakened the safety net in 1992 through cuts in basic assistance programs for the poor, while federal action strengthened the safety net through the emergency unemployment compensation program. He noted that the state actions are likely to be permanent, while the federal action is temporary.

Greenstein forecasts that the weak nature of the recovery and the continued erosion in safety net programs at the state level — along with two long-term trends, a decline in wages and an increase in single-parent families — are likely to result in disappointingly modest reductions in poverty rates in 1993 and 1994.

Also of concern, he said, is that those who are poor are becoming poorer. More than two-fifths of those living in poverty last year — 40.7 percent — had incomes so low they fell below *half* of the poverty line. This is the largest proportion of the poor to fall into the group that might be termed the "poorest of the poor" since at least 1975.

Similarly, close to half of all poor children — 46.9 percent — fell below half the poverty line last year. This, too, is the highest such percentage since at least 1975. Half of the poverty line was $5,593 for a family of three last year.

Loss of Health Insurance

The Center's analysis noted that the number of Americans who reported going all year without either public or private health insurance rose by two million in 1992, reaching 37.4 million. (See separate analysis.)

More than one in every seven Americans — 14.7 percent of the population — reported going without insurance. The number without insurance for at least part of the year is much higher. A Census report issued last year found while 32.6 million people lacked

health insurance coverage for all of 1988, some 61 million people — one quarter of the U.S. population — lacked coverage for at least one month during a 28-month period starting in 1987.

Among the poor, 28.5 percent — or 10.5 million people — had no health insurance in 1992. Lack of insurance was not, however, limited to the poor. More than 70 percent of those without insurance were above the poverty line.

"The number of Americans without insurance has increased every year since the Census Bureau began collecting these data in 1987," Greenstein said. "It has risen in recession years; it has risen in recovery years. The figures released today suggest it will go on rising — affecting growing numbers of both middle-class and poor people — unless national health care reform is implemented that reverses this trend."

Household Income Stagnates for Some Groups, Declines for Others

While the decline in median income between 1991 and 1992 was too small to be statistically significant for U.S. households as a whole, a number of groups did encounter significant income losses. The income of the typical middle-class household living in a city of over one million people fell $800 (or three percent), while the typical household living in the suburbs of a large city saw its income fall $700.

The income of the typical renter household fell $600. Both families with one earner and those with no earner also lost ground, as did very young households — those headed by someone aged 15 to 24 — and very old households, those headed by someone 75 or over. All these declines were statistically significant.

So was the decline in median household income in the Northeast. The typical middle-class household in the Northeast lost $1,280 between 1991 and 1992. Declines in median income in the other regions were not large enough to be statistically significant.

Blacks also suffered income losses. The income of the typical black household declined 3.7 percent, a decline too small to be significant. But the income of the typical black *family* fell 4.7 percent — or $1,000 — a decline that was significant.

The income of one major group — two-earner families — increased. Median income for two-earner families rose 1.9 percent, or about $800.

Income Gaps between the Rich, the Poor, and the Middle Class

With the incomes of poor and middle-class households typically stagnating or slipping, the gap between the wealthy and other Americans widened a bit in 1992. While the change in the income gap from 1991 to 1992 was not large enough to be statistically significant, the

Changes in Median Household Income

Household Type	Median Income 1989	Median Income 1990	Median Income 1991	Median Income 1992	Dollar Change 1989-1992	Percent Change 1989-1992
	(All figures in 1992 dollars)					
All	$32,706	$32,142	$31,033	$30,786	-$1,920	-5.9%
White	34,403	33,525	32,519	32368	-2,035	-5.9
Black	20,460	20,048	19,373	18,660	-1,800	-8.8
Hispanic	24,803	23,970	23,374	22,848	-1,955	-7.9
Northeast	36,934	35,076	34,471	33,194	-3,740	-10.1
Midwest	32,529	32,093	30,828	32,911	-1,618	-5.0
South	29,271	28,921	27,996	27,741	-1,530	-5.2
West	35,172	34,094	33,226	33,621	-1,551	-4.4
Married-Couple Families	43,614	42,825	42,229	42,064	-1,550	-3.6
Female-Headed Families	18,603	18,176	17,197	17,221	-1,382	-7.4

Note: All changes are statistically significant

Center on Budget and Policy Priorities
Source: U.S. Census Bureau

figures on the distribution of income in 1992 are striking. Since the late 1980s, the gap between the rich and the poor — and between the rich and the middle class — have been wider than at any time since 1947, when these data were first collected.

- Nearly half of national family income in 1992 — 44.6 percent — went to the top fifth of families. This figure, which was also attained in 1989, is the highest proportion on record since these data began being collected.

- By contrast, the share going to the poorest fifth of families in 1992 — 4.4 percent — was the lowest figure that has been recorded. This figure was not significantly lower, however, than the figures for the past few years.

- The share going to the middle three-fifths of families — 51 percent — was lower than that recorded for any year except 1989. Here also, the difference over the past few years are not statistically significant.

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Poverty Data:
1989, 1990, 1991, and 1992

	1989	1990	1991	1992
Unemployment Rate	5.3%	5.5%	6.7%	7.4%
Poverty Rate				
All Persons	12.8%	13.5%	14.2%	14.5%
White	10.0	10.7	11.3	11.6
Black	30.7	31.9	32.7	33.3
Hispanic	26.2	28.1	28.7	29.3
Child Poverty Rate				
All Children	19.6%	20.6%	21.8%	21.9%
White	14.8	15.9	16.8	16.9
Black	43.7	44.8	45.9	46.6
Hispanic	36.2	38.4	40.4	39.9
Elderly Poverty Rate	11.4%	12.2%	12.4%	12.9%
Regional Poverty Rate				
Northeast	10.0%	11.4%	12.2%	12.3%
Midwest	11.9	12.4	13.2	13.1
South	15.4	15.8	16.0	16.9
West	12.5	13.0	14.3	14.4
Area Poverty Rate				
Metropolitan Areas	12.0%	12.7%	13.7%	13.9%
Cities	18.1	19.0	20.2	20.5
Suburbs	8.0	8.7	9.6	9.7
Non-metropolitan Areas	15.7	16.3	16.1	16.8
Persons in Poverty (in thousands)	31,528	33,585	35,708	36,880
Children in Poverty (in thousands)	12,590	13,431	14,341	14,617

Center on Budget and Policy Priorities
Source: U.S. Census Bureau

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Three-Year Increases in Poverty, Declines in Income

While the increase in the poverty rate between 1991 and 1992 was not significant, the three-year increase between 1989 and 1992 was significant for most groups. The year 1989 marked the peak of the economic recovery of the 1980s.

During this three-year period, the number of Americans living in poverty rose 5.4 million, while the poverty rate climbed from 12.8 percent to 14.5 percent.

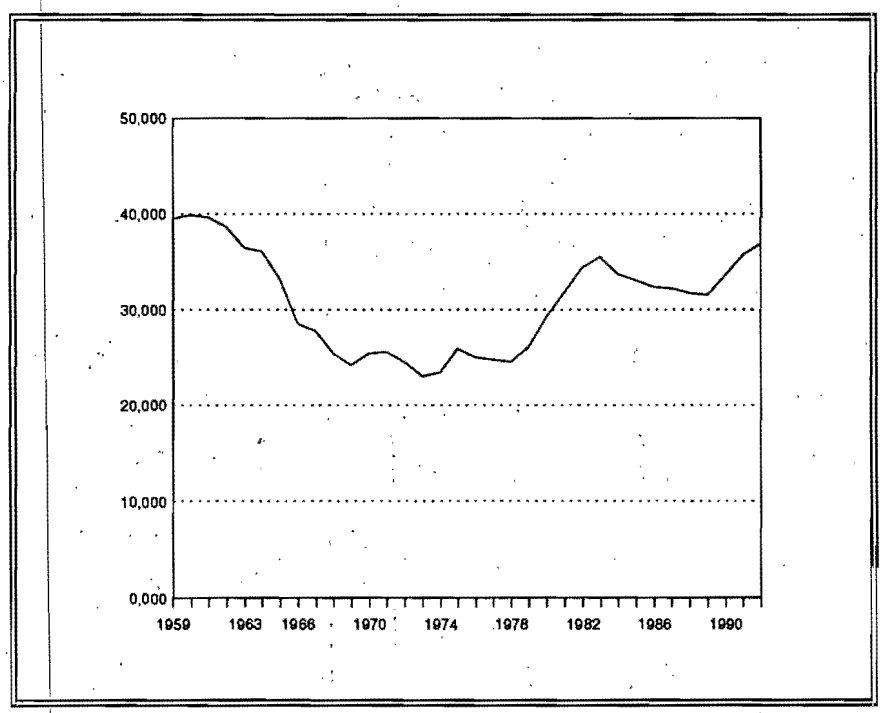
Both the poverty rate and the number of poor increased significantly during this period both for the population as a whole and for whites, blacks, and Hispanics. The number of non-Hispanic white poor climbed 2.7 million. The number of black poor rose 1.3 million. The number of Hispanic poor increased 1.2 million.

Similarly, during this period, median household income fell $1,920, after adjusting for inflation, for the population as a whole, while declining $1,785 for non-Hispanic whites, $1,800 for blacks, and $1,955 for Hispanics.

Long-Term Increase in Poverty

While rising unemployment fueled much of the rise in poverty between 1989 and 1992, poverty has been trending upward over a longer period. During the recovery of the 1980s, poverty rates declined much less than would normally be expected, in part because of erosion in wages for workers at the low end of the wage scale. In 1989, the peak recovery

Number of Poor in the United States



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year, the poverty rate was higher than in any year of the 1970s, including the deepest recession years of that decade.

Factors contributing to the longer-term increase in poverty include erosion in wages — especially for low-skilled jobs — and increases in the proportion of families headed by a single parent, as well as the weakening of the safety net for the non-elderly poor. In 1992, average hourly wages for non-supervisory jobs slipped again, reaching their lowest level since 1967, after adjusting for inflation.

The growth in the proportion of families headed by a single parent also has been important; such families have much higher poverty rates than two-parent families. While this trend has contributed significantly to the increase in poverty over the long term, it did not contribute to the increase in the number of poor people between 1991 and 1992. The proportion of poor families headed by a female actually declined a bit last year and was at about the same level as in 1989.

The Center on Budget and Policy Priorities conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and moderate-income families and individuals. It is supported primarily by foundation grants.

Non-Cash Benefits and Alternative Measures of Poverty

The Census report issued today includes 17 experimental ways of measuring poverty, including measures that count non-cash benefits as income. Under the 17 measures, the poverty rate for 1992 ranged from 10.4 percent to 23.2 percent. The 17 measures show a common characteristic — under all of the measures, poverty increased between 1991 and 1992, although the increases generally were not large enough to be statistically significant. These experimental measures, however, should be used with caution.

Poverty experts are divided about whether medical benefits — the principal non-cash benefit — should be counted as income to a poor household. Experts attending a 1985 Census Bureau conference could not agree on this matter. But as the Census Bureau has reported, the experts did reach consensus that if the value of medical benefits were to be counted as income, the poverty line would have to be raised. The experimental measures of poverty published today that produce the lowest poverty rates count medical benefits as income *without* raising the poverty line. In fact, the measure yielding the lowest rate both count Medicaid benefits as income and lowers the poverty line.

Furthermore, the Census Bureau has noted there are "many issues surrounding the accuracy of the poverty definition." These include whether non-cash benefits should be counted as income, whether the poverty line should be changed, whether to continue using a lower poverty line for the elderly than for the non-elderly, the omission of many of the homeless from the official poverty data, and whether to include the value of assets. Some of these issues, such as the counting of non-cash benefits, are addressed in the Census Bureau's experimental poverty measures. A number of the other issues the Census Bureau has identified are not addressed by these measures.

If all issues concerning the measurement of poverty were resolved, it is not clear whether the number of people counted as poor would increase or decrease. Some adjustments, such as counting non-cash benefits as income, would lower the poverty count. Other adjustments would raise it. For example, if the lower poverty line for the elderly were discarded, as many analysts believe it should be, the number of elderly people considered poor would rise nearly 25 percent. (The poverty line was originally based on food costs; since elderly people typically eat less, their poverty line was set at a lower level. But this assumes that the elderly have lower living costs for other necessities also, which may not be the case. Their average out-of-pocket health care costs, for example, exceed those of non-elderly households. This problem has led a number of analysts to call for dropping the lower poverty line for the elderly.)

In addition, some analysts believe the poverty threshold should be raised. The poverty line was first set in 1966 and is indexed for inflation each year. Since then, however, rent burdens have risen faster for poor families than for others, which has led some analysts to conclude that the purchasing power represented by the poverty line has fallen and should be increased to reflect the higher rents that poor households now pay. Other analysts note that expenditures for items such as child care are much higher now than when the poverty line was set, and that the poverty line needs to be raised to take this into account. Raising the poverty line would, of course, increase the poverty rate.

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