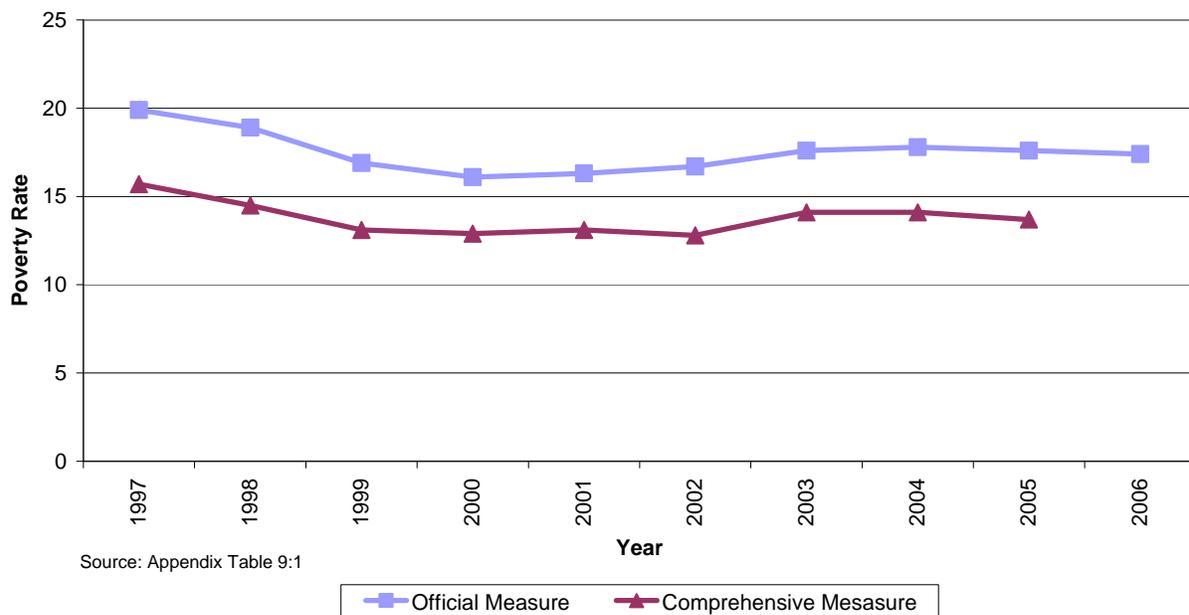


## IX. CHILD POVERTY AND TANF

Annual Federal poverty measures are generated from Census Bureau surveys of household income by looking at the amount of cash income received by the individual or family. Non-cash transfers (e.g., Food Stamps and housing subsidies) are not included in the income definition, nor are subtractions or additions to income made through the tax system. An individual's or a family's poverty status is assessed by comparing its total cash income to a standard of basic needs (the poverty threshold) which varies by the size and composition of the family. In 2006, the Federal poverty threshold for a family of four (two adults plus two children) was \$20,444.

The 2006 child poverty rate stood at 17.4 percent, down 0.2 percentage points from the prior year and well below both the 1996 level of 20.5 percent and the previous peak of 22.7 percent in 1993. The reduction in poverty since 1996 is even more marked for specific groups: the African American child poverty rate was 33.0 percent in 2006 compared with 39.9 percent in 1996 and the Hispanic child poverty rate was 26.9 percent in 2006 down from 40.3 percent in 1996.

**Figure A**  
**Poverty Rate for All Children**  
**1997 - 2006**



There are also significant differences in the child poverty rate by marital status. Children in married, two-parent families are about one-fifth as likely to be poor as children in female-headed, single-parent families (8.5 percent vs.42.7 percent).

The Census Bureau also produces a series of poverty statistics using alternative definitions of income that incorporate other additions and reductions to income, such as capital gains and losses, near-cash transfers (e.g., food stamps), and Federal and State taxes including the payroll tax and the Earned Income Tax Credit (EITC). Using this expanded definition of income, the 2005 child poverty rate is reduced to 13.7 percent from 17.6 percent based on the official definition of cash income.

While the poverty rate indicates the proportion of the population that is poor, the poverty gap illustrates the income profile of those in poverty by measuring the amount of money that would be required to raise all poor families to the poverty line. Table A displays the poverty gap for families with children from 1997 to 2005 using a pre-transfer measure of the poverty gap, the official measure of income poverty, and an alternative, comprehensive measure of income that includes near-cash transfers and Federal and State taxes, including the EITC.

**Table A**  
**Income Poverty Gap<sup>1</sup> for All Families with Children 1997 - 2005**  
**Official and Comprehensive Definitions of Income<sup>2</sup>**  
**(Dollars in Billions)**

YEAR	Official Poverty Measure Gap	Pre-Transfer Poverty Gap	Comprehensive Measure of Poverty Gap	Reduction in Gap Between Pre-Transfer and Official (pretransfer - official)	Reduction in Gap Between Pre-Transfer and Comprehensive (pretransfer - comprehensive)
1997	84.0	52.9	32.4	-31.1	-51.6
1998	74.4	49.7	30.6	-24.7	-43.8
1999	67.6	44.8	28.0	-22.8	-39.6
2000	63.0	43.7	28.3	-19.3	-34.7
2001	66.2	45.8	30.0	-20.4	-36.2
2002	69.7	47.3	30.7	-22.4	-39.0
2003	75.0	51.8	34.4	-23.3	-40.7
2004	75.1	52.8	34.2	-22.3	-40.8
2005	73.8	51.7	32.6	-22.1	-41.2

<sup>1</sup>The poverty gap indicated the income deficit for those in poverty, that is, it is the amount of money that would be required to raise all poor families to the poverty line. This table displays the poverty gap for all families with children from 1997 to 2005 using the official measure of income poverty, a pretransfer measure of the poverty gap, and an alternative, comprehensive definition of income poverty which includes near-cash transfers (e.g., food stamps) and Federal and state taxes including the Earned Income Tax Credit.

<sup>2</sup>constant 2005 dollars

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

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

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

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

### **The TANF Child Poverty Regulation**

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

HHS published a final rule to implement this section of the law on June 23, 2000 (65 FR 39233). To date, based on child poverty rates for 1996 through 2004, no State has been required to submit a corrective action plan or any additional information for these child poverty assessment periods. Child poverty rates by State are presented in Tables 9:2 through 9:9 in the Appendix.



