

Poverty Rates Reach Record Lows in 2000

Key indicators of financial well-being showed significant progress at the end of the 1990s, according to data from the Census Bureau. The percentage of Americans living below the federal poverty line dropped from 11.8% in 1999 to 11.3% in 2000 – virtually matching the record low set in 1973.¹ At the same time, the inflation-adjusted median household income of \$42,148 in 2000 remained steady at the 1999 level, which was the highest ever recorded, and the unemployment rate of 4.0% reached a 31-year low.²

Poverty rates among all major racial and ethnic groups were equal to or lower than historic lows. Disparities continue to exist, however, with poverty being much more common among people of color than among whites.

Ethnic Group	2000 Poverty Rate
White non-Hispanic	7.5%
Asians and Pacific Islanders	10.8%
Hispanics	21.2%
Blacks	22.1%
American Indian and Alaska Native	25.9% (average 1998-2000) ³

Poverty is also more prevalent among young people than among any other age group, with 16.2% of people under 18 years old being poor. However, this is the lowest child poverty rate measured since 1979.

The Poor Are Getting Poorer

Further analysis suggests that, although there were fewer poor people in 2000 as defined by the federal poverty line, the average poor person fell further below the poverty line than in any year since 1979, the first year such data is available. After taking into account the impact of government food and housing benefits and federal taxes and tax credits, the income of the average poor person in 2000 was \$2,527 below the poverty line.⁴

One reason for lower incomes among the poor is a decline in participation in safety net programs. Between 1995 and 2000, the number of poor children dropped by 22%, but the number of poor children receiving cash assistance fell by 55% and the number receiving food stamps declined 37%.

Minnesota Outperforms the National Averages

Minnesota shows lower levels of poverty, higher median household income, fewer people lacking health insurance, and lower levels of unemployment than the comparable national figures.

¹ The poverty rate measures the percentage of persons living below the federal poverty line, which in 2000 was \$13,738 for a family of three and \$17,603 for a family of four.

² The median household income is the income of a household in the middle of the income scale – half of all households have higher incomes and half lower. The Census Bureau definition of household income includes the earned income (including wages and salaries, income from farm employment, and income from self-employment) and unearned income (including cash income from public assistance, Social Security benefits, investment income, rental income, and retirement income) of all household residents. The measure does not include the value of in-kind benefits (such as food stamps), the effect of taxes or tax credits, or capital gains.

³ The American Indian and Alaska Native population is relatively small; using a three-year average gives a more reliable estimate.

⁴ Data in this section from Center on Budget and Policy Priorities, *Poverty Rates Fell in 2000 As Unemployment Reached 31-Year Low*.

Indicator, 1999-2000	U.S.	MN
Median Household Income	\$42,168	\$49,846
Poverty Rate	11.5%	6.6%
Unemployment Rate	4.1%	3.1%
No Health Insurance Rate	14.2%	8.1%

The percentage of Minnesotans living below the federal poverty line dropped significantly from 8.8% in 1998-99 to 6.6% in 1999-2000. The state's poverty rate is among the lowest in the nation.⁵ Minnesota's

median household income of \$49,846 for 1999-00 is significantly higher than the national average, although it showed no significant growth over its 1998-99 level.

Minnesotans are also more likely to have health insurance than are Americans generally. In 1999-2000, 14.2% of Americans reported that they were without health insurance coverage for a full year, while only 8.1% of Minnesotans were without health insurance.

Poverty Expected to Increase in 2001

Unfortunately, 2000 appears to have been the peak of the last business cycle. Unemployment rates have been rising, and the country is facing an economic slowdown. Poverty rates in 2001 are expected to be higher than those measured in 2000.

In addition, the official poverty measurement underestimates the true number of families who are struggling to make ends meet. The federal poverty line was developed over 30 years ago and has only been adjusted for inflation. It does not take into account the changes in family consumption patterns since the early 1960s, such as the growing use of child care.

⁵ The Census Bureau recommends using two-year averages of state data for comparisons over time and three-year averages for comparisons to other states.