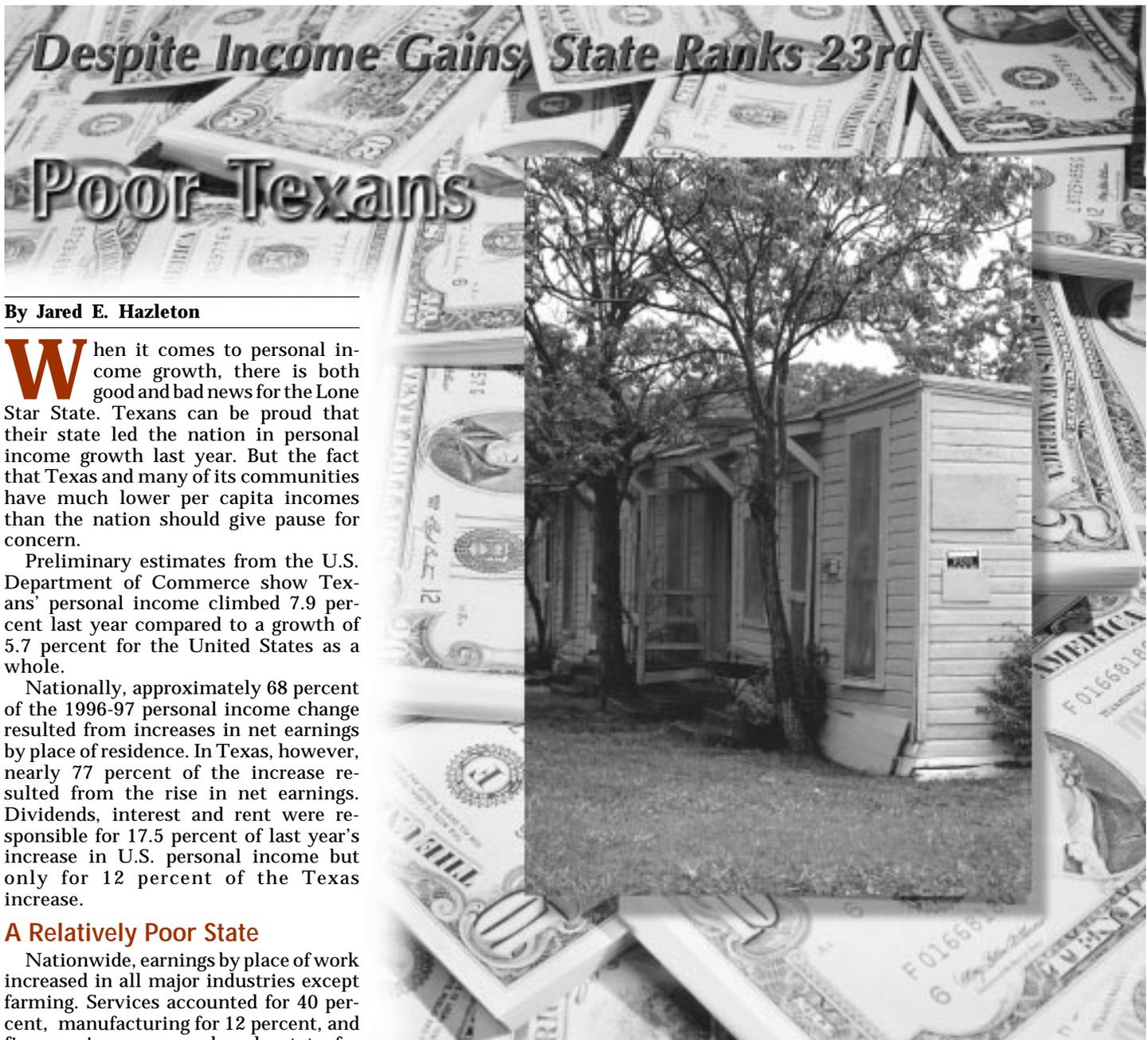


A Reprint from *Tierra Grande*, the Real Estate Center Journal



By Jared E. Hazleton

When it comes to personal income growth, there is both good and bad news for the Lone Star State. Texans can be proud that their state led the nation in personal income growth last year. But the fact that Texas and many of its communities have much lower per capita incomes than the nation should give pause for concern.

Preliminary estimates from the U.S. Department of Commerce show Texans' personal income climbed 7.9 percent last year compared to a growth of 5.7 percent for the United States as a whole.

Nationally, approximately 68 percent of the 1996-97 personal income change resulted from increases in net earnings by place of residence. In Texas, however, nearly 77 percent of the increase resulted from the rise in net earnings. Dividends, interest and rent were responsible for 17.5 percent of last year's increase in U.S. personal income but only for 12 percent of the Texas increase.

A Relatively Poor State

Nationwide, earnings by place of work increased in all major industries except farming. Services accounted for 40 percent, manufacturing for 12 percent, and finance, insurance and real estate for 11.4 percent of the total 1996-97 personal income change.

In Texas, 37 percent of the personal income change could be attributed to services, 13 percent to manufacturing, and 6.8 percent to finance, insurance and real estate. Texas had nearly 11 percent of the U.S. gain in manufacturing earnings last year. And, unlike the nation, Texas farmers saw a rise in proprietor's income that resulted in nearly 4 percent gain in total income.

Despite its recent stellar performance, Texas remains a relatively poor state. Its 1997 per capita personal income totaled \$23,656, or 91.2 percent of the

national average. However, the 1997 growth was sufficient to enable the state to improve its overall ranking from 31st to 28th.

Texans are permitted to keep more of what they earn than residents of many other states. With a disposable or after tax income of \$20,868, Texas is at 95 percent of the national average, ranking 23rd among all states.

Five of Ten Poorest Metropolitan Areas

The U.S. Department of Commerce also has released new 1994-96 estimates

of personal income for 316 local areas. These data highlight the marked disparities that exist among Texas cities in relative income.

Only two Texas metropolitan areas, Dallas and Houston, had a per capita income exceeding the 1996 national average. Dallas ranked 29th and Houston 39th among all cities that year.

At the other end of the spectrum, Texans may be dismayed to learn that in 1996 the state had five of the nation's ten poorest metropolitan areas. Four cities along the Texas-Mexico border ranked at the bottom of the income

distribution: McAllen-Edinburg-Mission at 47 percent of the U.S. average, Laredo at 50 percent, Brownsville-Harlingen-San Benito at 51 percent, and El Paso at 59 percent. Ranking 306th among 316 metropolitan areas was Bryan-College Station with a per capita personal income only 69 percent of the U.S. average.

Thus, poverty remains a persistent reality for many Texans. The strong economic growth recorded in recent years has reduced the incidence of poverty in both the United States and Texas. In 1996, however, the 13.7 percent U.S. rate and the 16.6 percent Texas rate was slightly higher than the low points each reached in 1990.

Demographics Influence Poverty

Poverty does not strike evenly across the population. Demographic factors heavily influence who will be in poverty at any given time.

- In both the United States and Texas, women were more likely to be in poverty than men.
- Children under the age of six had the highest poverty rate nationally (23.2 percent) and in Texas (27.9 percent).
- Of the elderly population age 75 and older, 16.6 percent lived in poverty in Texas but only 10.8 percent in the nation as a whole.
- Almost one-third of the U.S. and Texas Hispanic population had income below the poverty level, while among blacks the percentage of poor was 28.1 percent in the nation and 23 percent in Texas.
- Approximately 11 percent of U.S. families and nearly 14 percent of Texas families had incomes below the poverty level; but among married couples, only 5.6 percent in the nation and 8.7 percent in Texas were below the poverty threshold.

Comparable rates for female-headed families were 32.6 percent for the United States and 34.1 percent for Texas.

- Five Texas cities had poverty rates for 1995, 1996 and 1997 of more than 30 percent, including McAllen-Edinburg-Mission—45.3 percent, Brownsville-Harlingen-San Benito—38.1 percent, Corpus Christi—35 percent, El Paso—34 percent, and Laredo—31.3 percent.

Most Texans do not see evidence of poverty on a daily basis. But seen or unseen, it affects everyone. Lone Star State residents are economically linked to each other. If some Texans are poor, the state as a whole is poorer.

Poverty is about people, young and old, who lack access to health care,

education and employment opportunities needed to be in full control of their lives. The results of poverty show up in crime statistics, the prison population, and child and spousal abuse.

Given the state's projected demographic changes in the years to come, poverty levels are likely to increase more rapidly than the population. To meet this challenge, the state and its communities need to focus on the services required—early childhood education, improvement in reading skills and literacy, child care, transportation and job training—to assist families in moving out of poverty and into the economic mainstream. ☐

Dr. Hazleton is a research fellow with the Real Estate Center and director of the Center for Business and Economic Analysis at Texas A&M University.

Texas Poverty 1996				
Metropolitan Area	1996 Per Capita Income	Personal Income % Change 1995-96	Percent of U.S. Personal Income Average	Rank Among 316 Metro Areas
Abilene	\$20,198	5.1	82.7	228
Amarillo	21,215	4.0	86.8	187
Austin-San Marcos	23,669	8.5	96.9	109
Brazoria	20,405	6.2	83.5	221
Brownsville-Harlingen-San Benito	12,461	6.1	51.0	313
Bryan-College Station	16,748	5.7	68.5	306
Corpus Christi	19,034	6.1	77.9	277
Dallas	28,513	7.8	116.7	29
El Paso	14,480	4.5	59.3	312
Fort Worth-Arlington	23,690	6.6	96.9	106
Galveston-Texas City	22,154	5.5	90.7	155
Houston	27,195	6.4	111.3	39
Killeen-Temple	17,117	4.9	70.0	301
Laredo	12,199	7.6	49.9	314
Longview-Marshall	19,950	5.9	81.6	238
Lubbock	21,065	6.3	86.2	193
McAllen-Edinburg-Mission	11,478	7.1	47.0	315
Odessa-Midland	22,493	5.3	92.0	140
San Angelo	19,996	4.8	81.8	237
San Antonio	21,237	5.6	86.9	184
Sherman-Denison	20,080	7.1	82.2	235
Texarkana	18,666	4.9	76.4	285
Tyler	22,506	6.8	92.1	139
Victoria	22,065	6.2	90.3	158
Waco	19,655	4.4	80.4	250
Wichita Falls	20,706	4.9	84.7	210
Texas	22,324	6.4	91.4	
United States	24,436	5.6	100.0	

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, 78,5 (May 1998), 7-55 and Center for Business and Economic Analysis, Lowry Mays College and Graduate School of Business, Texas A&M University.

REAL ESTATE CENTER

©1998, Real Estate Center. All rights reserved.

Director, Dr. R. Malcolm Richards; **Associate Director**, Gary Maler; **Chief Economist**, Dr. Mark G. Dotzour; **Senior Editor**, David S. Jones; **Associate Editor**, Wendell E. Fuqua; **Assistant Editor**, Jenifer V. Hofmann; **Assistant Editor**, Kammy Baumann; **Art Director**, Robert P. Beals II; **Circulation Manager**, Gary Earle; **Typography**, Real Estate Center; **Lithography**, Wetmore & Company, Houston.

Advisory Committee: Gloria Van Zandt, Arlington, chairman; Joseph A. Adame, Corpus Christi, vice chairman; Celia Goode-Haddock, College Station; Carlos Madrid, Jr., San Antonio; Catherine Miller, Fort Worth; Kay Moore, Big Spring; Angela S. Myres, Houston; Jerry L. Schaffner, Lubbock; John P. Schneider, Jr., Austin; and Pete Cantu, Sr., San Antonio, ex-officio representing the Texas Real Estate Commission.

Tierra Grande (ISSN 1070-0234), formerly *Real Estate Center Journal*, is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115.

Subscriptions are free to Texas real estate licensees. Other subscribers, \$30 per year, including 12 issues of *Trends*.

Views expressed are those of the authors and do not imply endorsement by the Real Estate Center, the Lowry Mays College & Graduate School of Business or Texas A&M University.