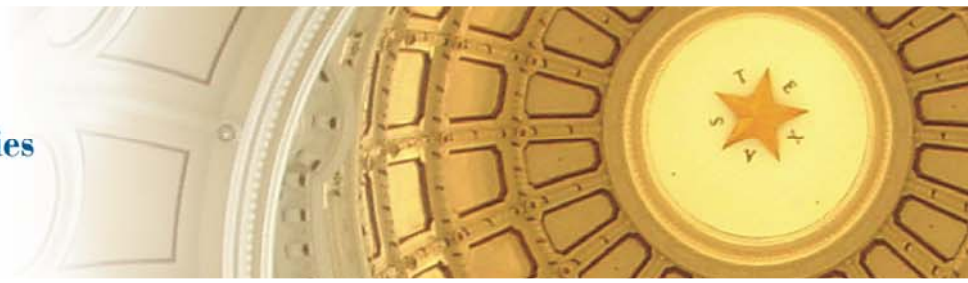




Center *for* Public Policy Priorities



# **The *Family Budget Estimator*: An alternative to the Federal Poverty Measure**

Community Action Network – Resource Council  
January 11, 2008

Celia Hagert, Senior Policy Analyst ([hagert@cphp.org](mailto:hagert@cphp.org))

**THE FAMILY BUDGET ESTIMATOR:  
What It Really Takes To Get By In Texas**

*A project of the Center for Public Policy Priorities on the cost of Texas families' basic needs*



The Family Budget Estimator (FBE) Project provides a realistic picture of how much it costs Texas families in different areas of the state to meet their basic needs.

Invoice

INVOICE #  
485

Final Notice  
Pending Foreclosure

# Why?

- **Changing the debate.** What's acceptable? Poverty is a measure of deprivation; FBE is measure of safe and decent standard of living.
- **Education.** Raise public awareness of the hardships faced by families with limited income.
- **Policy Change.** Build public support & political will for policies that will increase economic security for all Texans.
- **Planning.** Provide a realistic benchmark for program planning and evaluation at the local and state level.

# 2007 Federal Poverty Guidelines

- Family of 2 < \$13,690/year
- Family of 3 < \$17,710/year
- Family of 4 < \$20,650/year

# The Federal Poverty Measure Is Outdated

- The FPL is no longer an accurate measure of need or the ability of families to get by  
Methodology for determining the “federal poverty level” established in 1960s, based on 3 X the cost of food
- Household expenses have shifted drastically since then
- Does not account for regional variation

*The current measure ... no longer provides an accurate picture of the differences in the extent of economic poverty among population groups or geographic areas of the country, nor an accurate picture of trends over time.”*

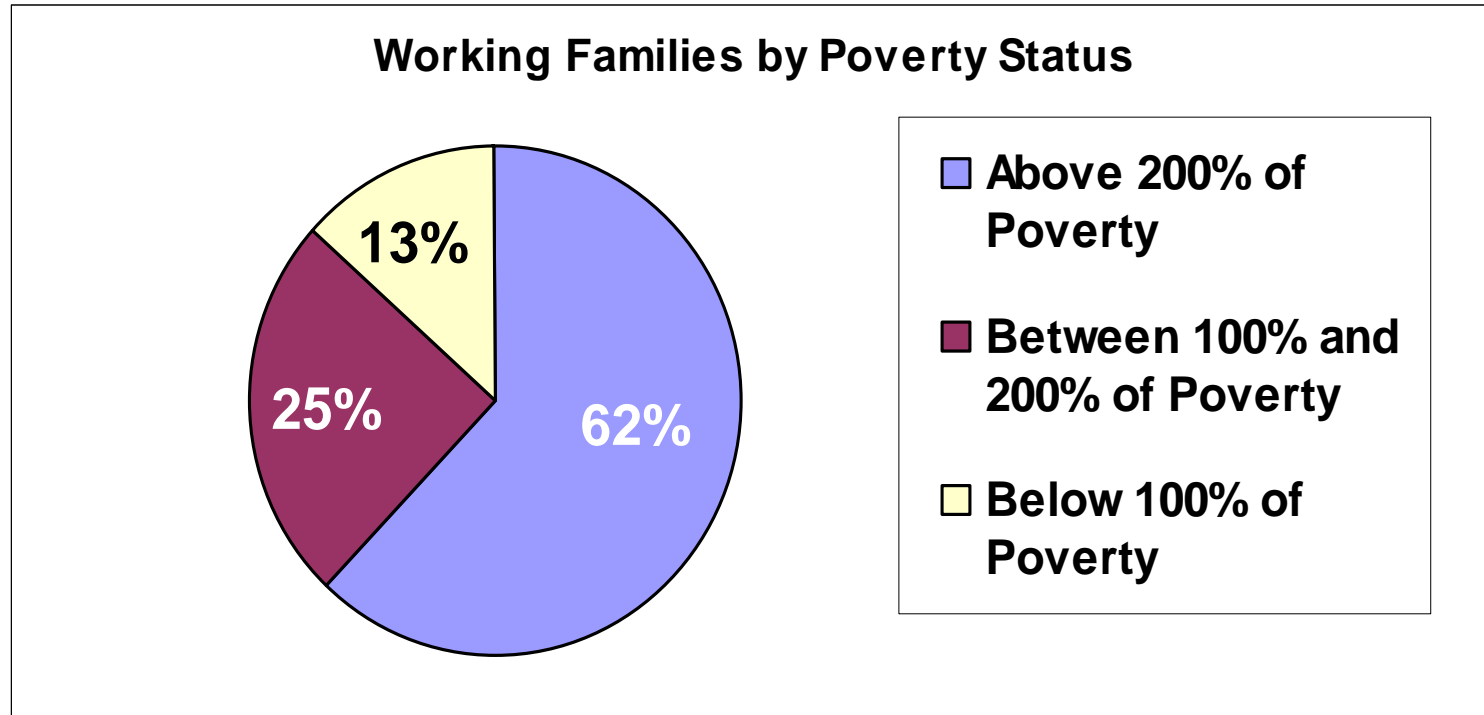
SOURCE: 1995 panel of the National Research Council of the National Academy of Science

# Why the Federal Poverty Measure Needs to Change

- Used to estimate the number of poor
- Determines eligibility for public work supports and “safety net” services
- Most federal/state programs define the needy as those with incomes below the poverty line.
- As a result, many low-income workers do not qualify for government aid even though they may earn too little to support their families.

# Many needy families are not officially “poor”

- Almost half (49% percent) of Texas children live in low-income working families.



# FBE Overview

- The FBE estimates family budgets for:
  - 8 different family types
  - 27 metropolitan areas
  - With and without employer-sponsored health insurance
- Assumes no work supports

432 total budgets!

Online at <http://www.cppp.org/fbe/>

# FBE Methodology

- FBE conservatively estimates the cost of living in Texas metro areas
  - ❑ Housing budget based on cost of public housing subsidies
  - ❑ Food budget assumes family will buy bulk groceries, never eat out, and rarely purchase meat.
  - ❑ Cost of health insurance based on state ERS coverage (50% of family premium paid) – an unlikely scenario!
  - ❑ Does not provide for any debt repayment or savings for a home or education.

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# Overview of Findings

- Cost-of-living has outpaced growth in wages/earnings
  - Low-income families earn too little to afford basic needs without work supports (i.e., public housing, child care subsidy, public health insurance, Food Stamps)
  - Families face juggling act, tough choices – in other words, *decent housing may compete with safe child care*
  - Work supports help many families bridge the gap between earnings and expenses, but strict eligibility rules, inadequate funding & other barriers keep many needy families from receiving these supports
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# Employment & Wages

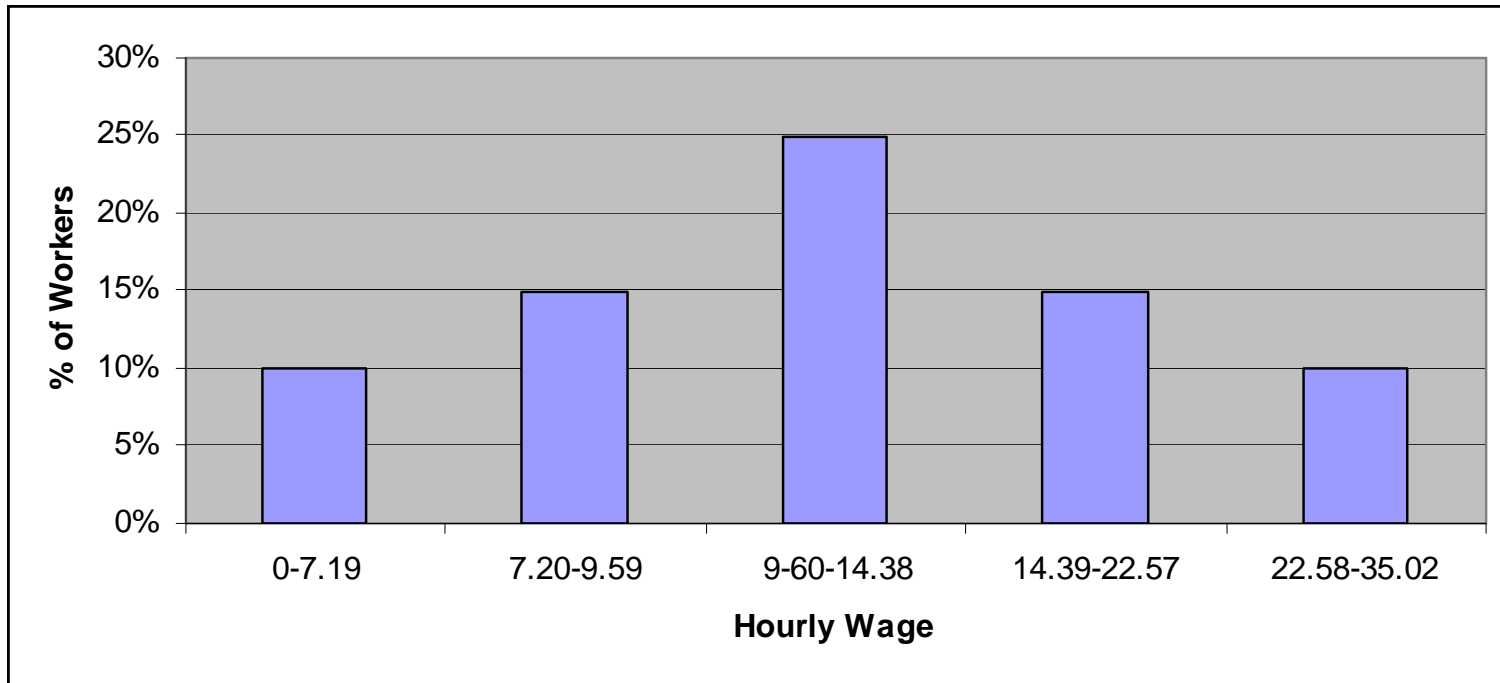
- FBE estimates necessary household income based upon total basic expenses, taxes, and potential tax credits.
- For two-parent households, assumes both adults work.
- In each of Texas' metropolitan areas, necessary household income is at least \$15 per hour to cover basic expenses for a two-parent, two-child family.
- Across Texas' metro areas, half of all jobs (or 5.6 million) are in occupations with a median wage under \$15/hour.

# Austin/Round Rock Area

- Median wage for all occupations in the area is \$14.38/hour
- A two-parent two-child family *with* employer-sponsored health insurance needs to earn \$22/hour to cover cost of living
- Child care costs in the area for 2 children is \$841/month.
- A two-bedroom apartment costs at least \$836/month.



# Austin Area Income Distribution



- 10% make less than \$7.19/hour
- 25% make less than \$9.59/hour
- 50% make less than \$14.38/hour
- 75% make less than \$22.57/hour
- 90% make less than \$35.02/hour

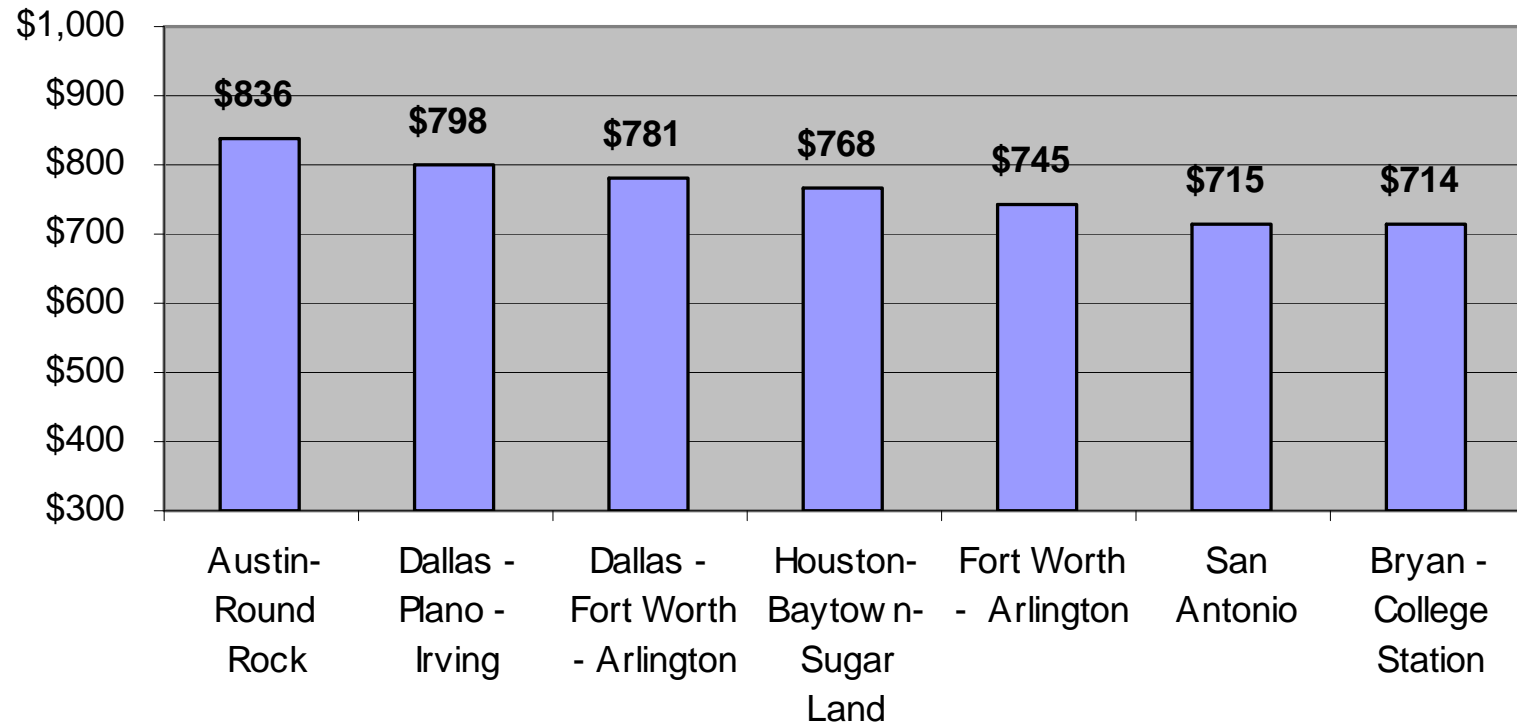
# Expenses

## Housing *(Findings for two-parent/two-child family)*

- Considerable regional variation
- Ranging from \$506/month for a two-bedroom in Odessa metro area to \$836/month in Austin-Round Rock metro area.

# Austin-Round Rock Area

**Comparison of Housing Costs for a Two-Bedroom Apartment  
in the Seven Most Expensive Housing Markets**



# Major Findings - Expenses

## Child Care *(Findings for two-parent/two-child family)*

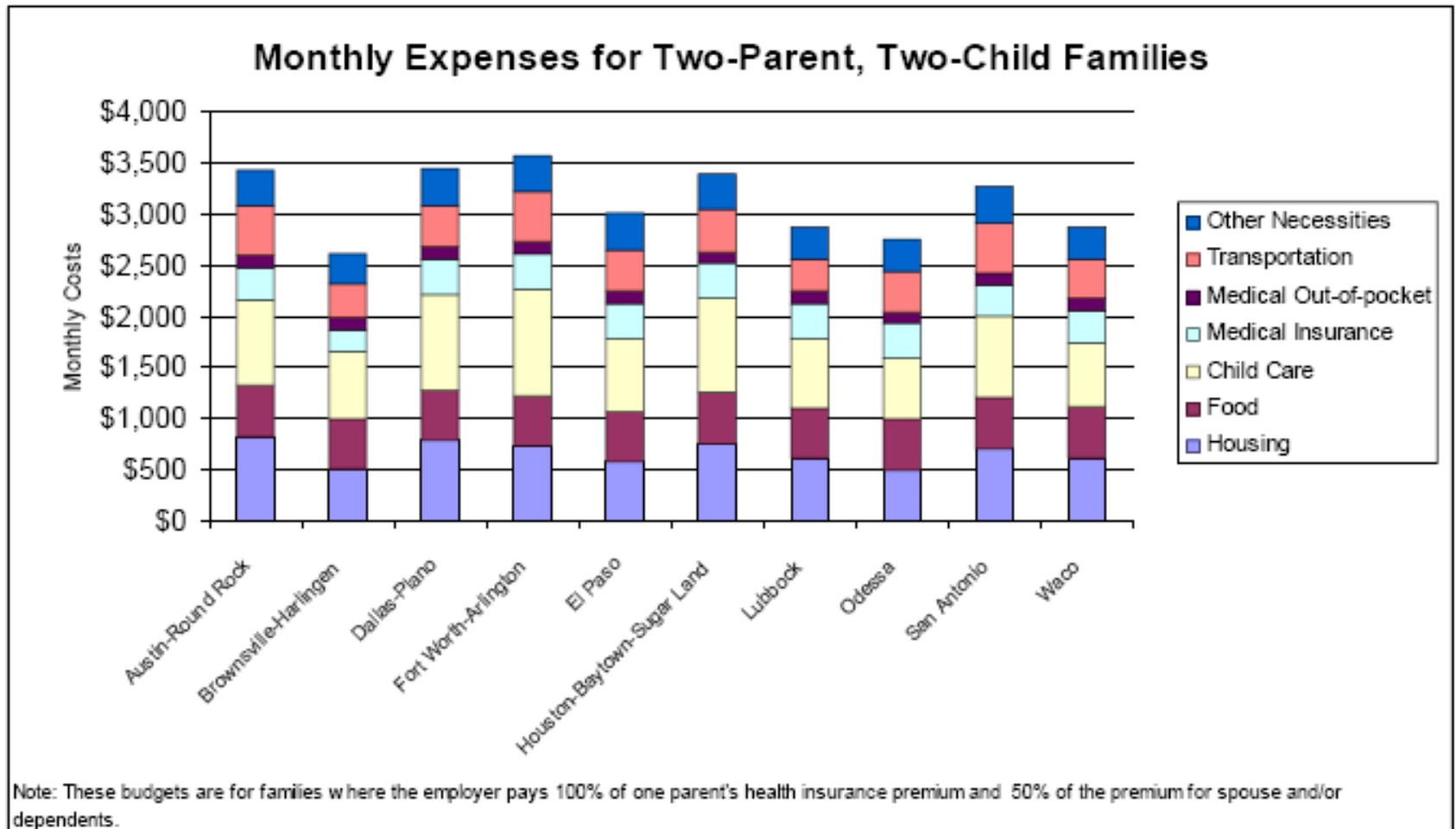
- Monthly child care expenses exceed the cost of housing in all 27 of the state's metro areas.
- Child care expenses for two children range from \$584/month in Abilene to \$1,034 in the Fort Worth-Arlington metro area.
- Child care for two children is \$841 in Austin, representing one-fifth to nearly one-fourth of a family's monthly expenses.\*
- \* Depending on whether the family has employer-sponsored health coverage

# Major Findings - Expenses

## Medical *(Findings for two-parent/two-child family)*

- Even **with** a significant employer premium contribution, medical expenses are as high as \$462 per month in 14 of the state's metropolitan areas (including Austin-RR).
- **Without** employer-sponsored health insurance, medical costs range from \$794/month in two metro areas on the border to over \$1,000/month in 14 metro areas.
- **Without** employer-sponsored health insurance, medical costs represent more than one-quarter of an Austin family's total expenses.

# Austin is the third-most expensive area in Texas.



# Monthly Expenses

	Employer Sponsored Insurance	No Employer Sponsored Insurance
Housing	\$836	\$836
Food	\$491	\$491
Child Care	\$841	\$841
Medical	\$427	\$1,061
Transportation	\$482	\$482
Other Necessities	\$360	\$334
<b>Monthly Expenses</b>	<b>\$3,437</b>	<b>\$4,045</b>

*(For a family of two adults and two children in the Austin/Round Rock MSA)*

# Federal Taxes

	Employer Sponsored Insurance	No Employer Sponsored Insurance
Payroll Tax	\$278	\$328
Income Tax	\$188	\$307
EITC	NA	NA
Child Tax Credit	(\$167)	(\$167)
Child and Dependent Care Credit	(\$100)	(\$100)
<b>Taxes and Tax Credits</b>	<b>\$200</b>	<b>\$378</b>

*(For a family of two adults and two children in the Austin/Round Rock MSA)*

# Cost of Living: Austin-Round Rock

	<b>Employer Sponsored Insurance</b>	<b>No Employer Sponsored Insurance</b>
<b>Necessary Monthly Income</b>	<b>\$3,637</b>	<b>\$4,423</b>
<b>Necessary Annual Income</b>	<b>\$43,641</b>	<b>\$53,080</b>
<b>Household hourly Wage</b>	<b>\$22</b>	<b>\$27</b>
<b>2007 Poverty Threshold</b>	<b>\$20,650</b>	<b>\$20,650</b>
<b>Percent Poverty Threshold</b>	<b>211%</b>	<b>257%</b>

*(For a family of two adults and two children in the Austin/ Round Rock MSA)*

# The Role of Work Supports

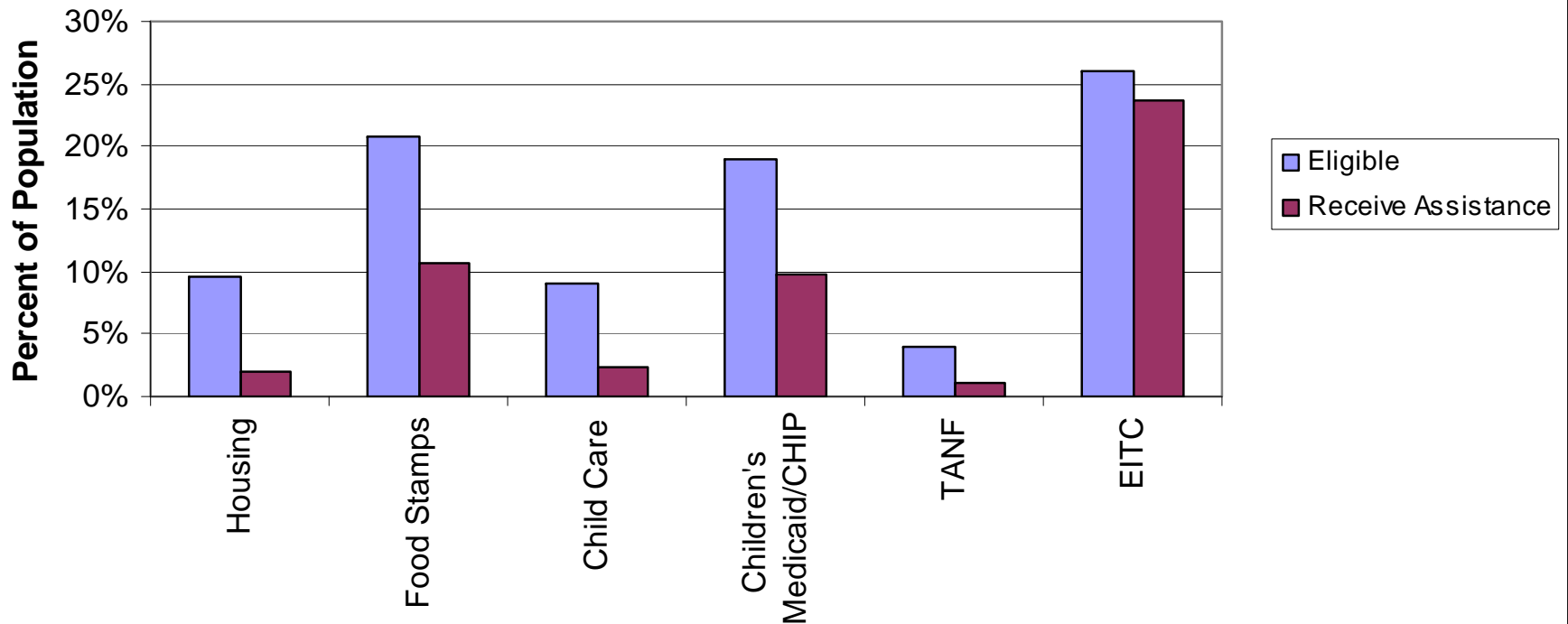
- “Work supports” are public benefits that help low-income families make ends meet
  - earned income tax credits
  - public health insurance
  - Food Stamps
  - child care subsidies
  - housing assistance
- Work supports play a critical role in bridging the gap between earnings & expenses
- Work supports are “Means-Tested” – based on the Federal Poverty Level

# Work Supports in Texas

- Highly limited compared to other states
- Many needy families do not receive assistance:
  - ✓ Don't qualify due to strict eligibility guidelines
  - ✓ Qualify for assistance when they have low or no earnings, but become ineligible while their income is still too low to cover their basic needs.
  - ✓ Lack of outreach
  - ✓ Inadequate funding
  - ✓ Enrollment barriers make the benefits hard to access

# Many Texans qualify for assistance but do not receive it.

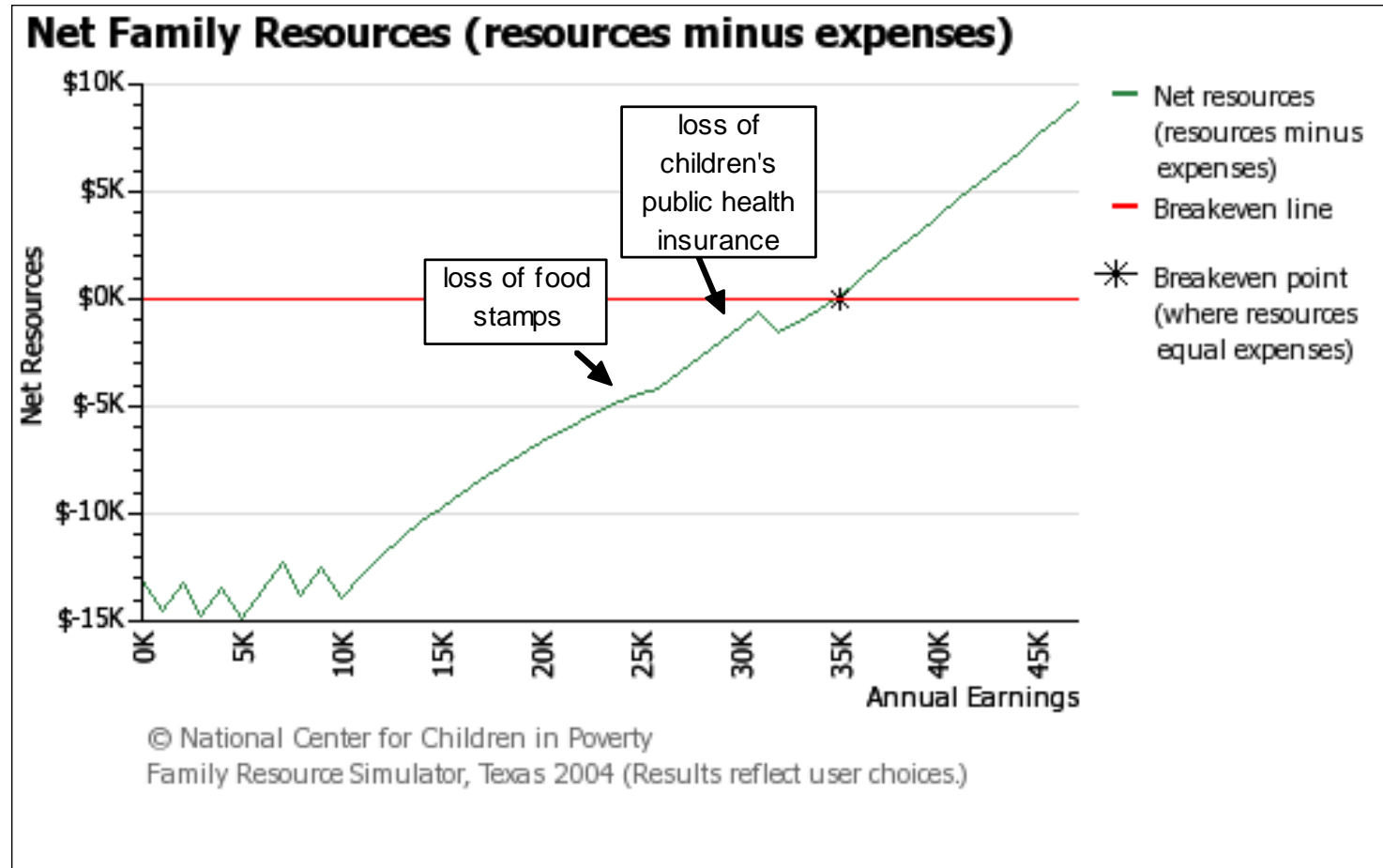
## Many More Texans Eligible for Work Supports than Receive Them



Source: Bridging the Gaps Project, Center for Economic and Policy Research, [www.bridgingthegaps.com](http://www.bridgingthegaps.com)

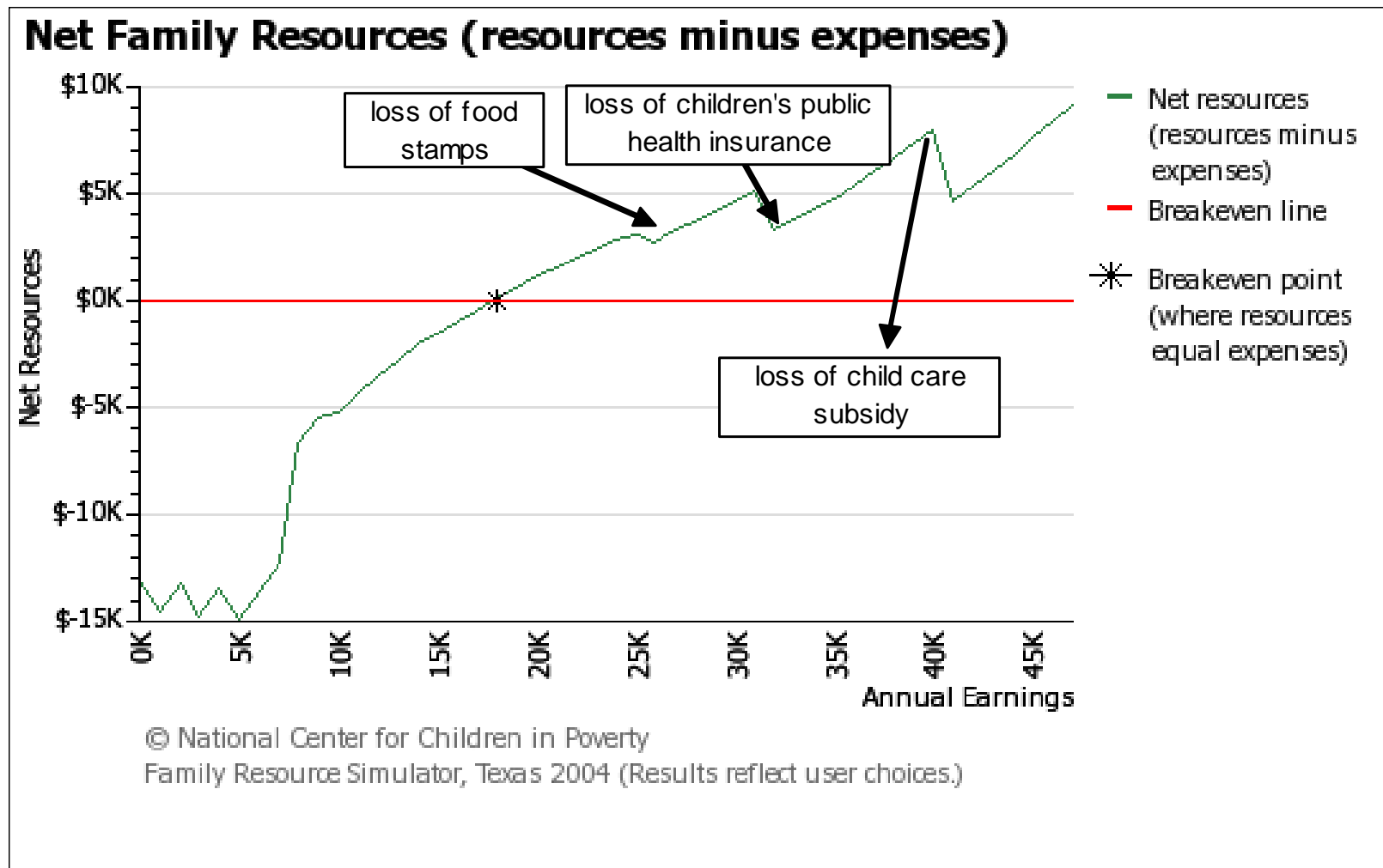
# Work supports don't always support work

Resources Before and After Subtracting Basic Expenses for a Single-Parent, Two-Child Family in Austin-RR – NO child care subsidy



# Work supports don't always support work

Resources Before and After Subtracting Basic Expenses for a Single-Parent, Two-Child Family in Austin-RR – with child care subsidy



# Recommendations

- Make higher education more accessible and affordable, including establishing incentives for college savings.
- Expand jobs training and career development opportunities for working adults.
- Use economic development incentives to increase workers' skills and raise wages.
- Strengthen asset development policies that help low-income families build economic security.
- Protect consumers from predatory lending.

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**Center for Public Policy Priorities  
900 Lydia Street  
Austin, TX 78702  
P 512/320-0222 F 512/320-0227**