



BASIC FAMILY BUDGETS: HOW MUCH DOES IT TAKE TO GET BY

“Ask not where
poverty ends,
but where economic
independence begins”

-
a quote from a
Boston Globe
newspaper editorial.



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The number of families below the poverty level has long been an important measure of economic stability. In the past, policy-makers, advocates, and work support programs have relied on the federal poverty measure to determine eligibility based on income.

What is the federal poverty level and why doesn't it work?

In May of 1965 the U.S. Office of Economic Opportunity (OEO) adopted a poverty definition that was based on Mollie Orshansky's 1963 economic food plan thresholds to be used for statistical planning and budget purposes. Since its inception, this poverty measure has only been updated to reflect inflation. There are several problems with the current poverty measure:

- It is based solely on food and assumes that food and all other needs are based on a fixed ratio.
- The poverty threshold is the same regardless of where you live. It does not vary by geographic region. The cost of living differs significantly depending upon where you live, especially for housing costs.
- The current measure was based on a demographic model of a two parent family with a stay-at-home mom. This has changed drastically since its inception and new needs such as transportation, child care, and taxes must now be considered.

Given these problems inherent in the current poverty measure, Voices for Utah Children stated in their 2001 report *The Self-Sufficiency Standard for Utah*¹ that “not only is the federal poverty measure too low, but it is based on outdated assumptions, thus not incorporating new needs, changing demographics and widening geographic differentials.” And in 1995 a panel of the National Research Council of the National Academy of Science in addressing rising concerns about the official poverty measure stated, “the current measure needs to be revised: it 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.”²



The Family Budget Concept

This same panel recommended that new poverty thresholds should be constructed that took into account a budget for food, clothing, shelter (including utilities) and a small amount to allow for other needs. Since then, many organizations including Wider Opportunities for Women, the National Center for Children in Poverty, and the Economic Policy Institute have created formulas that realistically quantify basic living costs in a variety of locations.

These family budget measures share the idea that the ability of a family to meet their most basic needs is an important measure of economic stability and well-being. And, in general, across the country, families need an income of about twice the official poverty level to meet basic needs. In this Issue Brief we present a family budget created by The Economic Policy Institute. In their report a family budget is defined as the income a family needs to secure safe and decent-yet-modest living standards in the community in which they reside. The basic budgets are relative measures of what incomes are necessary to attain a specific standard of living. The budget items that are included in the basic family budget are: housing, food, child care, transportation, health care, other necessities and taxes. The major findings from their analysis include:

- The range of basic family budgets for a two-parent, two-child family is \$31,080 (rural Nebraska) to \$64,656 (Boston, Massachusetts). The median family budget of \$39,984 is well above the \$19,157 poverty threshold for this size family.
- Over three times more working families fall below the basic family budget levels as fall below the official poverty line.
- Of the six family types examined, over 14 million people (28%) live in families with incomes below the basic family budget thresholds.
- The incorporation of cost-of-living differences into basic family budgets makes them advantageous in many ways. For example, when using poverty thresholds, approximately 37% of families fall below “twice poverty” (i.e., double the poverty line), whether they reside in cities or rural areas. But when using family budget measures, which embody the higher cost of living in cities, one finds that 42% of families living in cities and 30% of families residing in rural areas fall short of basic family budget thresholds.

Methodology

The following is a brief description of each budget item and the restrictions and/or working assumptions employed for basic family budget calculations by the Economic Policy Institute which is provided on their website at www.epi.org. A more detailed look at the methodology can be found at http://www.epinet.org/datazone/fambud/fam_bud_calc_tech_doc.pdf.

- **Housing.** Housing costs are based on the Department of Housing and Urban Development’s fair market rents (FMRs). FMRs represent 40th percentile rents (shelter rent plus utilities) for privately owned, decent, structurally safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities. Rents for two-bedroom apartments were used for families with one or two children, and rents for three-bedroom apartments were used for families with three children (these assumptions were based on HUD guidelines).



- **Food.** Food costs are based on the “low-cost plan” taken from the Department of Agriculture’s report, “Official USDA Food Plans: Cost of Food at Home at Four Levels.” The USDA food plans represent the amount families need to spend to achieve nutritionally adequate diets.
- **Transportation.** Transportation expenses are based on the costs of owning and operating a car for work and other necessary trips. The National Travel Household Survey is used to derive costs that are based on average miles driven per month by size of the metropolitan statistical or rural area multiplied by the cost-per-mile.
- **Child care.** Child care expenses are based on center-based child care or family child care centers for four and eight year olds, as reported by the Children’s Defense Fund.
- **Health care.** Health care expenses are based on an amount that recognizes that not all families receive employer-provided health care. We use a weighted average of the employee share of the premium for employer-sponsored health insurance and non-group premium costs from an online insurance quote, plus the cost of out-of-pocket medical expenses.
- **Other necessities.** The cost of other necessities includes the cost of clothing, personal care expenses, household supplies, reading materials, school supplies, and other miscellaneous items of necessity from the Consumer Expenditure Survey.
- **Taxes.** Citizens for Tax Justice (CTJ) computed the taxes for tax year 2004. Taxes included federal personal income taxes, federal Social Security and Medicare payroll taxes (direct worker payments only), and state income taxes. Local income or wage taxes were also included. Included in the calculation are federal tax credits for children and the earned-income tax credit.

To update the budget items for 2007, Voices for Utah Children used a spreadsheet provided by the Economic Policy Institute which allowed us to use the same sources and update for inflation. A detailed look at the formulas and methodology used in the 2007 update are available at http://www.epinet.org/issueguides/poverty/poverty_issueguide.pdf . We ran a budget for a two parent family with a three year old and a young school age child. For child care we used actual costs that were obtained by polling Child Care Resource and Referral agencies throughout the state to find out the average cost at child care centers for their area. Where center care was not available, we used family care and where no family care rates were available we used the monthly local market rate maximums as per the Department of Workforce Services.

Results

The Economic Policy Institute ran the Basic Family Budget Calculator for three different areas in Utah and for 6 different family types in 2004. The results can be seen in Table 1. For example, in the Salt Lake City-Ogden area, the calculator estimates that a two parent family with two children would need \$3,116 a month or \$37,392 a year to meet their basic needs. Monthly totals are less in rural areas and for the Provo-Orem area. You can see that within the budget, costs differ for the rural and urban areas. Notable, transportation costs are higher in rural areas while housing is less.



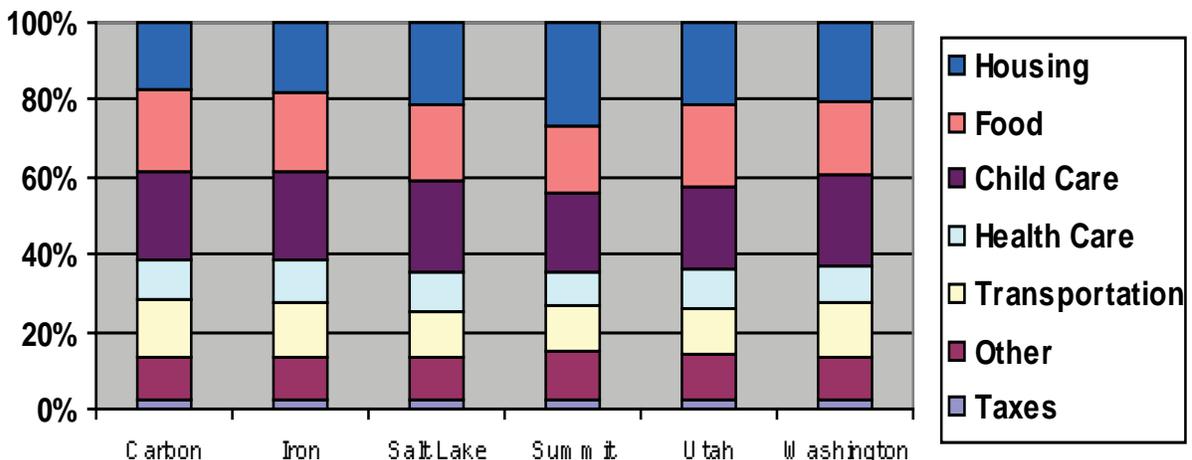
The results of our 2007 update of the family budget can be seen in Table 2. We looked only at a two-parent family with two children but calculated a budget for every county in Utah. The family budget had changed very little since 2004. In Salt Lake County, the basic budget for a two-parent, two-child family was \$3,303 per month compared to the 2004 rate of \$3,116. Rural areas saw a larger increase from \$2,911 in 2004 to \$3,136 in 2007. Summit, Wasatch and Salt Lake counties had the highest necessary family budgets and Carbon, Daggett and Emery had the lowest. A comparison of 6 communities can be seen in Table 1.

Discussion

As with other estimates of family budgets, typical family budgets in Utah are twice the federal poverty rate. For example in 2004, the family budget for a family in the Salt Lake-Ogden area was \$37,392 for a family of four. This is well above the poverty threshold in 2004 for a family of four of \$18,850. The Economic Policy Institute estimates that in 2004 almost 25% (120,000) of the individuals in the 6 family types they examined fell below the family budget line in Utah. This compares to only a 10.5% poverty rate for families with children in the 2005 American Community Survey (which used 2004 data).

Another way to look at the data is to examine the salaries of various occupations and see if they meet the family budget. Table 3 shows salary rates for 5 common jobs in Utah. All the starting wages fall well below the family budget for a two parent two child household. Even the average salaries are only a few thousand above the family budget.

Table 1. Monthly Family Budget in Four Utah Communities For a Family with Two Parents and Two Children



Source: Voices for Utah Children, KIDS COUNT Project, based on formulas provided by the Economic Policy Institute



Table 3. Utah Occupation Salaries, 2006

Occupation	Starting Salary	Average Salary
Fire Fighters	\$26,830	\$36,850
Police and Sheriff's Patrol Officers	\$29,952	\$38,896
Elementary School Teachers	\$28,280	\$39,890
Utah Highway Patrol Officers	\$30,285	\$36,500
Licensed Practical Nurses	\$26,280	\$33,730

Source: Department of Workforce Services and Internal Revenue Service

Parent(s) in Utah would have to work four minimum wage jobs to make enough money to meet all their economic needs. Even at \$7.50 an hour, two and three quarter jobs would be needed. That would mean both parents in a two parent family would need to work and in a one parent family it would be impossible to meet their families needs without work supports (i.e. food stamps, CHIP, transitional child care benefits) of some kind.

One of the important items of interest when looking at the budget results is the large share that is allocated to child care costs. On average, child care costs account for 20 to 25% of the typical family budget. Clearly, policy decisions involving child care will significantly impact our low-income working families.

Recommendations

The Basic Family Budget can provide important guidance for policymakers and program providers regarding how to target their education, job training, workforce development, and welfare-to-work resources. It can also assist policymakers evaluate the impact of proposed policy changes, such as the restructuring and funding of programs, on the ability of families to make ends meet.

- Support a refundable Earned Income Tax Credit that would increase post-tax income.
- Encourage the state to use the Family Budget to develop a calculation for determining government assistance and incentives for accountable, equitable economic development.
- Encourage lawmakers to use the Family Budget when making important decisions around TANF, food stamps, child care benefits, the Children's Health Insurance Program (CHIP) and Medicaid.



Table 1

Basic Family Budget - Salt Lake City - Ogden, Utah, 2004

Monthly items	1 Parent 1 Child	1 Parent 2 Child	1 Parent 3 Child	2 Parent 1 Child	2 Parent 2 Child	2 Parent 3 Child
Housing	\$682	\$682	\$960	\$682	\$682	\$960
Food	\$265	\$405	\$562	\$448	\$587	\$744
Child Care	\$454	\$693	\$932	\$454	\$693	\$932
Transportation	\$255	\$255	\$255	\$358	\$358	\$358
Health Care	\$195	\$220	\$246	\$256	\$280	\$304
Other	\$256	\$293	\$411	\$305	\$343	\$460
taxes	\$195	\$84	\$348	\$257	\$173	\$349
Total	\$2,301	\$2,632	\$3,714	\$2,760	\$3,116	\$4,107

Basic Family Budget - Provo - Orem, Utah, 2004

Monthly items	1 Parent 1 Child	1 Parent 2 Child	1 Parent 3 Child	2 Parent 1 Child	2 Parent 2 Child	2 Parent 3 Child
Housing	\$632	\$632	\$919	\$632	\$632	\$919
Food	\$265	\$405	\$562	\$448	\$587	\$744
Child Care	\$454	\$693	\$932	\$454	\$693	\$932
Transportation	\$239	\$239	\$239	\$324	\$324	\$324
Health Care	\$195	\$220	\$246	\$256	\$280	\$304
Other	\$242	\$280	\$400	\$292	\$329	\$449
taxes	\$122	\$12	\$320	\$225	\$140	\$312
Total	\$2,149	\$2,481	\$3,618	\$2,631	\$2,985	\$3,984

Basic Family Budget - Rural, Utah, 2004

Monthly items	1 Parent 1 Child	1 Parent 2 Child	1 Parent 3 Child	2 Parent 1 Child	2 Parent 2 Child	2 Parent 3 Child
Housing	\$590	\$590	\$805	\$590	\$590	\$805
Food	\$265	\$405	\$562	\$448	\$587	\$744
Child Care	\$347	\$596	\$846	\$347	\$596	\$846
Transportation	\$313	\$313	\$313	\$420	\$420	\$420
Health Care	\$195	\$220	\$246	\$256	\$280	\$304
Other	\$231	\$269	\$369	\$280	\$318	\$418
taxes	\$43	\$(31)	\$237	\$181	\$120	\$256
Total	\$1,984	\$2,362	\$3,378	\$2,522	\$2,911	\$3,793



Table 2

***Basic Family Budget Update by County, 2007
Two parents with Two Children Ages 3 and 5***

Budget Item

County	Housing	Food	Child Care	Health Care	Transportation	Other	Taxes	Monthly Total
Beaver	612.00	629.20	701.00	316.48	456.91	335.12	85.00	3,136.00
Box Elder	598.00	629.20	668.00	316.48	456.91	331.34	84.00	3,084.00
Cache	615.00	629.20	769.00	316.48	456.91	335.93	87.00	3,210.00
Carbon	535.00	629.20	701.00	316.48	456.91	314.33	83.00	3,036.00
Daggett	555.00	629.20	701.00	316.48	456.91	319.73	83.00	3,062.00
Davis	639.00	629.20	773.00	316.48	456.91	342.41	87.00	3,176.00
Duchesne	555.00	629.20	851.00	316.48	456.91	319.73	88.00	3,216.00
Emery	555.00	629.20	701.00	316.48	456.91	319.73	83.00	3,062.00
Garfield	612.00	629.20	701.00	316.48	456.91	335.12	85.00	3,136.00
Grand	558.00	629.20	851.00	316.48	456.91	320.54	88.00	3,220.00
Iron	555.00	629.20	721.00	316.48	456.91	319.73	84.00	3,082.00
Juab	675.00	629.20	713.00	316.48	456.91	352.13	88.00	3,231.00
Kane	612.00	629.20	701.00	316.48	456.91	335.12	85.00	3,136.00
Millard	612.00	629.20	713.00	316.48	456.91	335.12	86.00	3,148.00
Morgan	639.00	629.20	798.00	316.48	456.91	342.41	89.00	3,271.00
Piute	612.00	629.20	701.00	316.48	456.91	335.12	85.00	3,136.00
Rich	618.00	629.20	850.00	316.48	456.91	336.74	90.00	3,297.00
Salt Lake	714.00	629.20	801.00	316.48	389.29	362.66	90.00	3,303.00
San Juan	555.00	629.20	771.00	316.48	456.91	319.73	85.00	3,134.00
Sanpete	612.00	629.20	780.00	316.48	456.91	335.12	88.00	3,217.00
Sevier	612.00	629.20	751.00	316.48	456.91	335.12	87.00	3,188.00
Summit	1,018.00	629.20	784.00	316.48	456.91	444.74	102.00	3,752.00
Tooele	652.00	629.20	608.00	316.48	456.91	345.92	84.00	3,093.00
Uintah	519.00	629.20	772.00	316.48	456.91	310.01	84.00	3,088.00
Utah	675.00	629.20	659.00	316.48	389.29	352.13	84.00	3,067.00
Wasatch	796.00	629.20	804.00	316.48	456.91	384.80	97.00	3,544.00
Washington	650.00	629.20	743.00	316.48	456.91	345.38	88.00	3,229.00
Wayne	612.00	629.20	701.00	316.48	456.91	335.12	85.00	3,136.00
Weber	639.00	629.20	718.00	316.48	389.29	342.41	85.00	3,119.00

Source: Voices for Utah Children, KIDS COUNT Project, based on formulas provided by the Economic Policy Institute



Conclusion

The Family Budget can provide important guidelines for policymakers and program providers in terms of how to target their education, job training, workforce development, and welfare-to-work resources. It clearly shows policymakers how subsidizing child care, housing, and health care impacts the wages necessary for working families to make ends meet. “Across the country significant numbers of working families are finding it difficult to make ends meet. Something has got to give when families do not have the means to subsist at a basic level. Under such circumstances, health insurance or safe, dependable child care could possibly be out of reach. Public policy, especially in the form of work supports, is critical to help working families attain a safe and decent standard of living.”³

Endnotes

1. The Self-Sufficiency Standard for Utah. 2001, Diana Pearce, Wider Opportunities for Women
2. Measuring Poverty: A New Approach. 1995, C.F. Citro, and R.T. Michaels, Washington D.C. National Academy Press
3. Basic Family Budgets: Working families’ incomes often fail to meet living expenses around the U. S. 2004, Sylvia Allegretto, Economic Policy Institute Briefing Paper

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