

**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

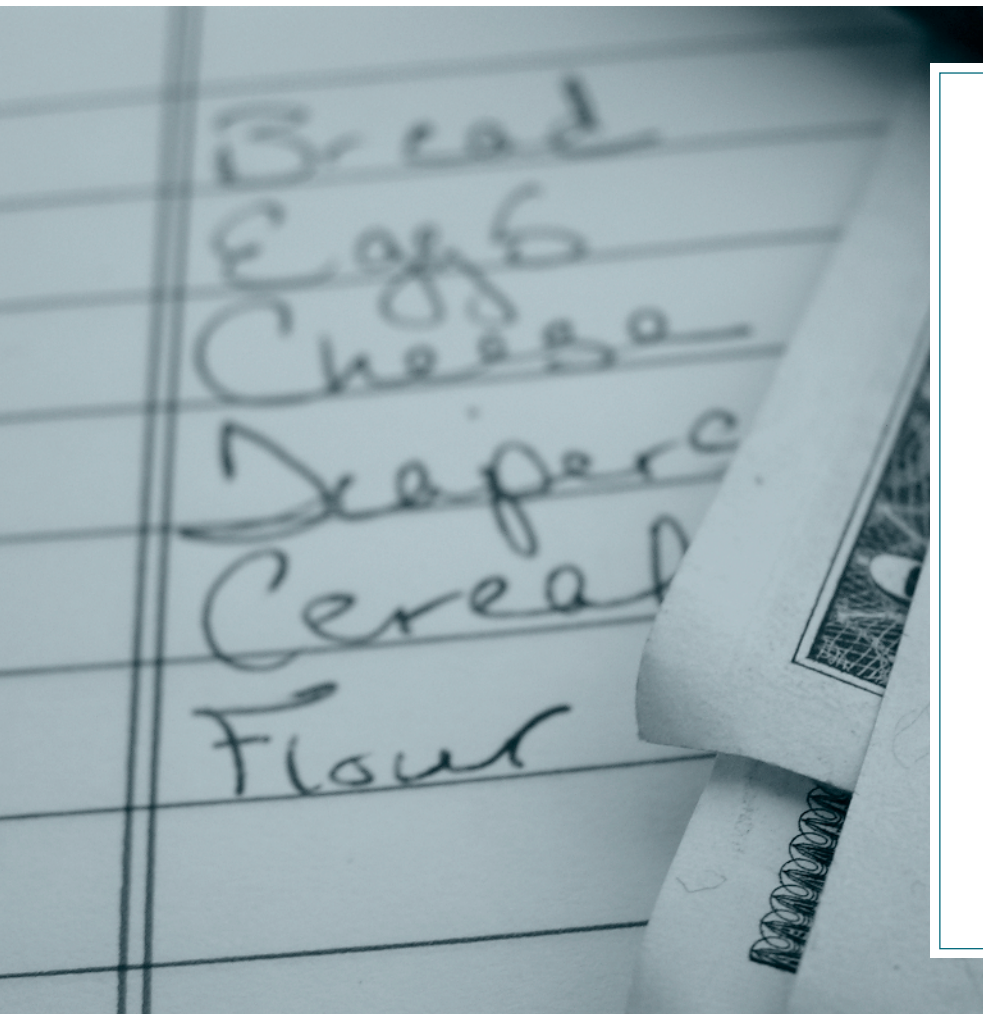
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THE FAMILY BUDGET ESTIMATOR:
Online at www.cppp.org

The *Family Budget Estimator* provides a realistic picture of how much it costs Texas families in different areas of the state to meet their basic needs, such as housing, food, child care, and health care. Uses include:

Education—The *Family Budget Estimator* can raise public awareness of the hardships faced by families with limited income, in turn building public support and political will for policies that will increase economic security for all Texans.

Planning—The *Family Budget Estimator* can serve as a realistic benchmark for program planning and evaluation at the local and state level.

Advocacy—The *Family Budget Estimator* provides hard data to support advocacy for policy and budgetary changes needed to increase family economic security.

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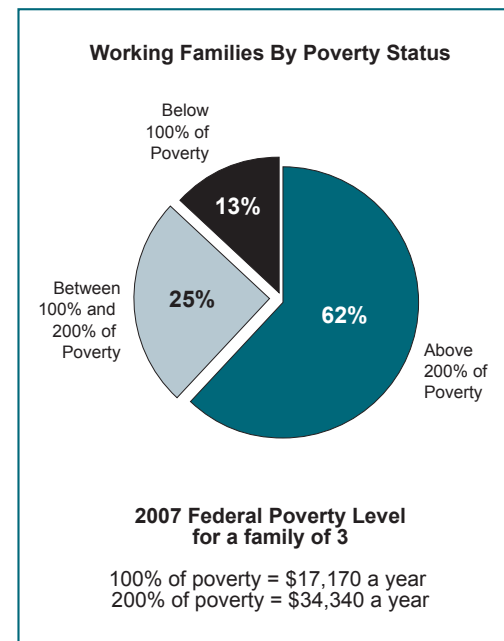
Deanna Dumas, 30, lives with her three young children in Houston, where she works full time as an Administrative Specialist, earning \$15.40 an hour (\$30,000 a year). Her income is over two-and-a-half times higher than that of someone working full time at the federal minimum wage (\$5.85 an hour) and almost one-and-a-half times more than the government's official poverty level of \$20,650 for a family of four. Yet Deanna, a veteran and part-time student at the University of Houston, struggles to afford her family's basic needs.

Deanna is not alone. Over the last several decades, low-wage workers in Texas and across the country have seen the earning power of their work decline. With living expenses rising faster than incomes, more and more working families in Texas are struggling to afford housing, food, child care, health care, transportation, and other basic needs. These families are not struggling because they do not work enough—they are struggling because they do not earn enough. Simply put, for too many Texas families, hard work alone does not pay enough to meet life's basic expenses.

Several factors beyond individual control have contributed to this phenomenon: the decline in the real value of wages, diminishing employer-sponsored benefits, corporate downsizing and a weak job market, and regressive state tax policies that hit lower-paid workers the hardest.

More than one-third (38%) of working families in Texas are low-income, with earnings below twice the federal poverty level (FPL). The majority of these families are not officially poor by government standards. In fact, for every low-income working family who falls under the official federal poverty line, there are almost two low-income families who are above it. Almost half (43% percent) of Texas children live in low-income working families.¹

Most federal and state safety net or work support 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.



PROBLEMS WITH THE FEDERAL POVERTY MEASURE

For more than four decades, the federal government has annually set poverty levels to estimate the number of poor people and determine eligibility for government assistance. The poverty measure was originally designed to reflect the minimum amount of income that American households need to subsist. This amount was derived by multiplying by three the cost of food for each family size. This method for determining household budget needs was established in the early 1960s based on the assumption that the cost of food accounted for one-third of household spending.



“There’s a huge gap between what it costs to live, and the wages are so behind being able to keep up with that. The gap is getting bigger and bigger. Soon there’s only going to be poor and rich. There’s going to be no middle class.”

– **Bridget Feeney**

Bridget, 47, earns \$30,000 a year as a full-time Account Manager for a small insurance company. She lives with her 17-year-old daughter Kelley in Austin, TX.

Although the poverty levels are updated annually for inflation, they are still based on a food-cost-to-income ratio of one to three, despite significant shifts in household expenses. For example, the cost of housing as a share of household income has increased significantly since the 1960s, and families today are more likely to have child care expenses and pay a much higher share of health care costs than was typical in the 1960s. Yet, food costs remain the *only* expense considered in determining how much income today’s families need to make ends meet. In addition, except in the case of Alaska and Hawaii, the poverty guidelines do not take into account geographical differences in the cost of living, or the effects of a rising standard of living.

Many research organizations, including the U.S. Census Bureau, have concluded that the official poverty measure is an antiquated standard that is no longer capable of capturing true economic need or determining whether working families earn enough to get by. In 1995, a panel of the National Research Council of the National Academy of Science 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 ESTIMATOR


So, how much income is enough for a working family to cover the bare necessities? This is the question that the *Family Budget Estimator* (FBE) seeks to answer. The Center for Public Policy Priorities developed the *Family Budget Estimator* as an alternative to the federal poverty measure. Using data from the U.S. Census Bureau and other government sources, we have created family budgets that measure the cost of meeting basic needs, including housing and utilities, food, medical care, child care, transportation, and other necessities (such as clothing and local telephone service) for 27 metropolitan areas³ and eight different family types.

The report also includes poverty, demographic, and labor market statistics for each metro area along with individual family profiles and fact sheets about the various programs and services available to help families bridge the gaps between their earnings and their expenses. We identify gaps in these services and recommend policy changes that would reward work and enable working Texans to provide for their families.

METHODOLOGY

The following is a brief description of each budget item with the data sources and conservative assumptions we used to calculate its cost. If data were from a year prior to 2007, those cost estimates were converted to 2007 dollars using the specialized Consumer Price Indices for all urban consumers for March 2007.

- ❑ **Housing:** We estimated housing costs using 2007 Fair Market Rent rates published by the U.S. Department of Housing and Urban Development.
- ❑ **Food:** We used the U.S. Department of Agriculture’s Thrifty Food Plan for June 2006 as the basis for our food budget estimates.

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- A stack of coins is shown on the right side of the page, resting on a document with financial text. The text visible on the document includes "TKER", "LONG", "Tot:", "Tot:", "CR", and "C". The coins are stacked vertically, with the top coin being a quarter and the others being pennies.
- ❑ **Child Care:** To calculate child care expenses, we relied on 2005 local market rate data for home and center-based care for infants, preschoolers, and school-age children collected for the Texas Workforce Commission by The University of Texas at Austin’s School of Social Work and Ray Marshall Center.
 - ❑ **Medical Care:** Estimates for the medical budget item incorporate two components, representing health insurance premiums and out-of-pocket costs.
 - **Health Insurance Premiums:** We used the Texas Employees Retirement System’s (ERS) 2007 health insurance plan to model premium costs. The FBE includes budget estimates for families with and without employer-sponsored health insurance coverage. In the budget scenario for families without employer-sponsored health insurance, we estimated health insurance costs based upon the full premium costs—both the portion normally paid by the state and the worker’s share—for ERS coverage for the given family type (i.e., employee only, employee plus spouse, employee plus children, or employee plus both spouse and children). In the budget scenario for families with employer-sponsored health insurance, we used the ERS’s cost to their employee for coverage (using the same family compositions as described above). We recognize that this is a conservative estimate of the family’s out-of-pocket cost of coverage as the ERS pays 100% of their employee’s health insurance premium and 50% of the premium for the employee’s dependents. This is in keeping, however, with our effort to use conservative measures of basic expenses.
 - **Out-of-Pocket Medical Expenses:** We based out-of-pocket medical expenses on figures reported for the southern region of the United States by the 2004 Medical Expenditure Panel Survey.
 - ❑ **Transportation:** We used the 2007 Internal Revenue Service’s mileage deduction rate, multiplied by personal mileage data for work-related and non-social trips by metro area size from the 2001 National Household Travel Survey, to measure transportation expenses.
 - ❑ **Other Necessary Expenses:** Other necessary expenses include local telephone service, clothing and shoes, personal care products, household items, and reading materials. We used 2004-2005 data from the Consumer Expenditure Survey to calculate this budget item.
 - ❑ **Federal Tax Payments and Credits:**⁴ We developed a tax calculator based on 2007 federal tax rules to calculate the payroll taxes, income tax, and tax credits for each family type to estimate the net income needed to cover basic estimated expenses. To check the accuracy of our calculations, we completed 2007 tax returns for approximately 20% of the family types and metro areas.

The *Family Budget Estimator* does not incorporate the cash-equivalent value of work support programs such as housing vouchers, Food Stamps, child care assistance, and Medicaid or CHIP. We chose to omit the value of these benefits because the FBE is intended to show how much earnings a family would need to meet its basic needs *without* relying on government assistance. We discuss below the role of work support programs in helping families bridge the gap between their earnings and their expenses.



Being Uninsured Has Plunged the Everett Family Into Debt

Corrine Everett of Fort Worth, TX, has Multiple Sclerosis (MS), a debilitating disease that confines her to a wheelchair. Corrine's husband Clifford works in pest control and earns around \$35,000 a year, but his income fluctuates seasonally and his employer offers no health insurance. They have two children, who are also uninsured because the family earns \$50 a month too much to qualify for Medicaid or CHIP. Being uninsured has led the Everetts to incur exorbitant medical bills, which are hard to pay on a limited budget. The family often has to use credit cards just to buy food. Unable to pay their credit card bills on time, the Everetts have ruined their credit and are mired in debt.

The *Family Budget Estimator* offers a no-frills estimate of the cost of living in Texas. For instance, the housing budget is based on the cost of public housing subsidies. The food budget assumes that a family will buy bulk groceries, never eat out, and rarely purchase meat. We used the state's comparatively generous health insurance benefits (the state pays 100% of the employee's and 50% of the dependent's premium) to estimate the cost of health insurance. The *Family Budget Estimator* does not include the costs of many items that most people consider ordinary expenses, such as holiday and birthday gifts for children, school and extracurricular expenses, entertainment, or meals away from home (including fast food). The *Family Budget Estimator* also does not provide for any debt repayment. Notably, the *Family Budget Estimator* makes no provision for expenses that can help move poor families into the middle class, such as savings for a home or education. We took this approach because we wanted to focus on the most basic economic realities confronted by families.

The Importance of Savings and Assets to Building the Middle Class

The ability of Texas' working families to save for the future and accumulate assets such as a home, education, or retirement investments is critical to their long-term financial security. However, *asset* poverty is even more pronounced in Texas than *income* poverty—one-third (33.6%) of households are considered to be asset poor, while 16% of households live in poverty. Texas lags behind other states on most major asset measures:

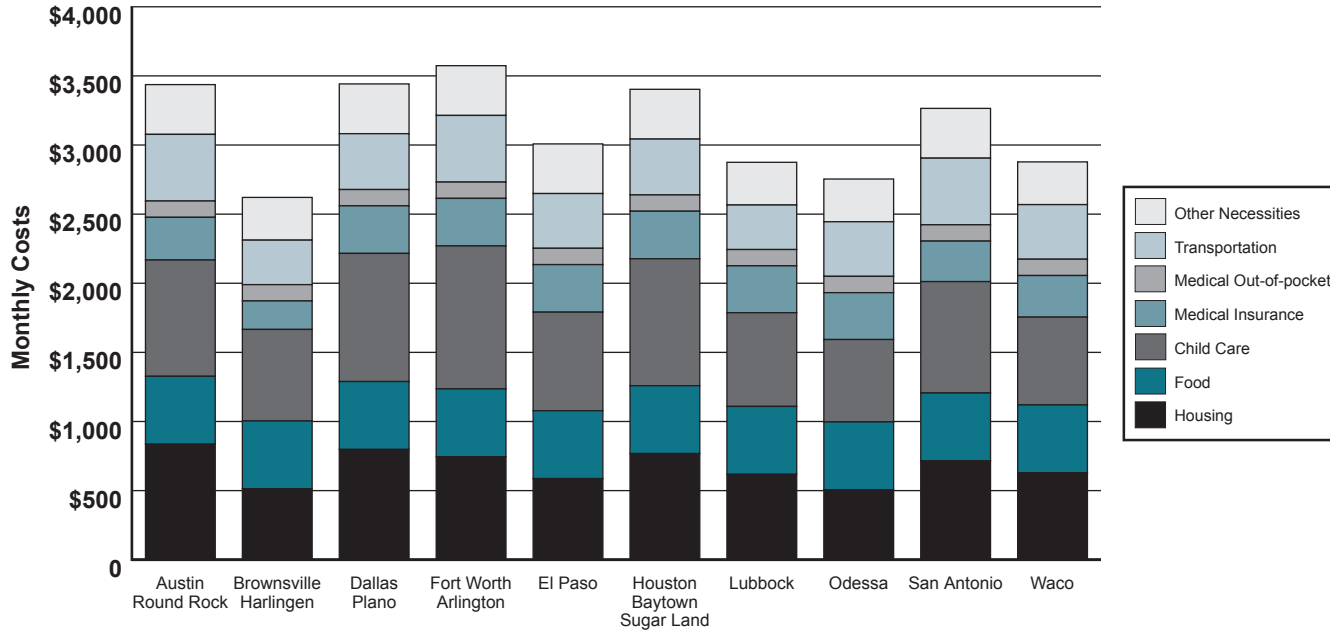
- ◆ *The state ranks 43rd in the nation in asset poverty.⁵ One-fifth of Texas households have zero net worth.*
- ◆ *Texas ranks 42nd in the percentage (50.7%) of residents without a savings account.*
- ◆ *Texans have the lowest average credit scores in the nation (TX average=666; US average=692).*
- ◆ *Texas ranks 44th in the rate of homeownership.*
- ◆ *Texas households have an average net worth of \$34,500, ranking 48th nationally.*

SOURCES: CFED Asset Development Report Card, 2006; CFED Assets and Opportunities Scorecard, 2007; Experian National Score Index, July 2007.

FINDINGS

The core of this report is a set of profile pages for the 25 Metropolitan Statistical Areas (MSAs) and two Metropolitan Divisions in Texas that detail expenses and necessary income across eight family types.⁶ While the individual profiles offer a specific *Family Budget Estimator* for each metro area, together they reveal a set of provocative findings relevant to the state as a whole. For illustrative purposes in this summary, we highlight data for a two-parent, two-child family where 100% of the employee's and 50% of the dependent's premiums are borne by the employer.⁷

Monthly Budgets for Two-Parent, Two-Child Families



Note: These budgets are for families where the employer pays 100% of one parent's health insurance premium and 50% of the premium for the spouse and/or dependents.

Income

- The necessary annual income for a family of two parents and two children ranges from a low of \$29,982 in the Brownsville-Harlingen metro area to a high of \$45,770 in the Fort Worth-Arlington metro area.
- Combined household income needed to support this family's essential needs varies from \$14.99 an hour in Brownsville-Harlingen to \$22.89 an hour in Fort Worth-Arlington.
- In other words, a two-parent, two-child family bringing home a total of \$13 an hour—Texas' median wage—would need work supports (i.e. Food Stamps, child care, CHIP) to meet their basic needs.



One Family's "Balancing Act"

Carol Staton, 42, works full time as a teacher's aide in Georgetown, outside of Austin. She earns \$20,000 a year and lives in an apartment with her 13-year-old son Dylan, who has chronic asthma. Public assistance helps the Staton family make ends meet. A housing voucher keeps their rent at \$516 a month, and they benefit from the EITC and CHIP. Carol's job subsidizes most of her health insurance. Without these work supports, Carol's earnings would fall more than \$500 short of meeting her basic needs every month. Even with this assistance, Carol describes her budget as a "balancing act." Last year, when Dylan lost CHIP coverage for a month due to bureaucratic errors, he developed strep throat, which cost an unforeseen \$125 in out-of-pocket doctor's fees and antibiotics. In addition, Carol's car is old and regularly in need of repairs. Because of these unanticipated costs, Carol constantly struggles to get ahead, often cutting back on food or phone service to avoid falling into debt.

Since 1979, median wages in Texas have only risen 0.5% (wages adjusted for inflation). In contrast, U.S. wages have risen nearly 9%.

SOURCE: Economic Policy Institute's analysis of Current Population Survey data from 2006.

Federal Tax Credits for Working Families

- The Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), and the Child and Dependent Care Credit (CDCC) are tax benefits for low- and moderate-income working families.
- The EITC lifts more children out of poverty than any other government program.
- The CDCC allows families with child care expenses to receive up to a \$3,000 credit for one child or up to \$6,000 for two or more children. Unlike the EITC or the CTC, the CDCC can only reduce or eliminate the amount of taxes owed; workers are not issued a refund for amounts exceeding their income tax.

Expenses

- Housing budgets demonstrate considerable regional variation, from \$506 a month for a two-bedroom unit in the Odessa metro area to \$836 a month in the Austin-Round Rock metro area.
- For families with two or three children, monthly child care expenses exceed the cost of housing in all 27 of the state's metropolitan areas.
- The amount required to support families' medical needs represents a significant economic burden, in particular the cost of spouse and dependent insurance premiums. Even with a significant employer premium contribution, medical expenses are as high as \$462 per month in 14 of the state's metropolitan areas. For a family of four with two children, on average, medical expenses represent approximately 15% of the family's budget.
- Without employer-sponsored health insurance, medical costs represent 25% of the family's total expenses, ranging from \$794 per month in two metro areas on the Texas border to over \$1,000 per month in 14 metro areas.
- Child care expenses are another significant family responsibility. Child care expenses for two children⁸ range from \$584 per month in Abilene to \$1,034 in the Fort Worth-Arlington metro area. On average, child care represents nearly one-fourth of a two-parent, two-child family's monthly expenses.

Employment and Wages

- The FBE estimates necessary annual, monthly, and hourly household income based upon total basic expenses, taxes, and potential tax credits. For two-parent households, we assume that both adults work, and therefore both incomes would contribute to the necessary income to meet expenses.
- In each of Texas' metropolitan areas, the FBE estimates a necessary household income of at least \$15 per hour to cover basic expenses for a two-parent, two-child family. In Fort Worth-Arlington, Texas' most expensive metro area, the necessary hourly wage is \$23 per hour.⁹
- Across Texas' metro areas, half of all jobs (or 5.6 million) are in occupations with a median wage under \$15 per hour.¹⁰

Taxes and Tax Credits

- Given the necessary income to cover basic expenses for families with employer-sponsored health insurance, half of all family types with children qualify for the EITC. The average EITC refund in Texas was \$2,109 in tax year 2005.
- All family types in every metropolitan area are eligible for the entire \$1,000 per child federal Child Tax Credit.
- The FBE calculates payroll and income taxes as well as federal tax credits. What is not explicitly represented in our calculations is how state and local consumption taxes (e.g., sales and gasoline taxes) affect low-income families. Texas has the fifth-most regressive tax system in the nation, meaning that those who make the least pay the highest percentage of their income in state and local taxes.¹¹

Health Insurance: Unavailable and Unaffordable

- ◆ Texas has the highest percentage of people without health insurance in the nation. As of 2005, one in four Texans (5.4 million) is uninsured. That's the equivalent of every man, woman, and child in the entire Houston metro area.
- ◆ Being uninsured is not something that is limited to the very poor or unemployed. In fact, almost one in three working-age Texans (30%, or 4.1 million) goes without health insurance, and 72% have incomes above the poverty line.
- ◆ Texans are far less likely to receive employer-sponsored health insurance than people in other states (55% of non-elderly Texans versus 63% nationwide).

SOURCE: 2006 Current Population Survey, U.S. Census Bureau

THE POLICY GAP: DO WORK SUPPORT PROGRAMS SUPPORT WORK?

Millions of low-wage workers in Texas do not earn the necessary income represented in the *Family Budget Estimator* and must rely on outside help to support themselves and their families. “Work supports” refers to the public benefits that are intended to help low-income families make ends meet—earned income tax credits, public health insurance, Food Stamps, child care subsidies, and housing assistance.


These benefits play a critical role in helping millions of low-income Texans bridge the gap between their earnings and basic expenses. However, many needy families do not qualify for assistance due to strict eligibility guidelines. Others may qualify for assistance when they have low or no earnings, but become ineligible when they earn more, even if their income is still too low to cover their basic needs. Often, families do not receive services for which they qualify due to a lack of outreach, or because the state has not provided adequate funding for the services or has erected barriers that make the benefits hard to access. Together, these shortcomings create a “policy gap,” leaving millions of Texans without enough resources to meet their basic needs.

Supportive services for working families are extremely limited in Texas

Eligibility for public assistance programs in Texas is very restrictive compared to other states.¹² Cash assistance benefits are lower, health coverage for poor adults is severely limited, and subsidized child care is largely restricted to families on welfare. The state's commitment to employment and training programs for low-income Texans is also insufficient. Our workforce and economic development programs focus mainly on connecting people to low-wage jobs. They don't do enough to create jobs that pay well or prepare people for those jobs.



Many families are caught in a “policy gap” where they earn too much to qualify for assistance, but too little to support their families.



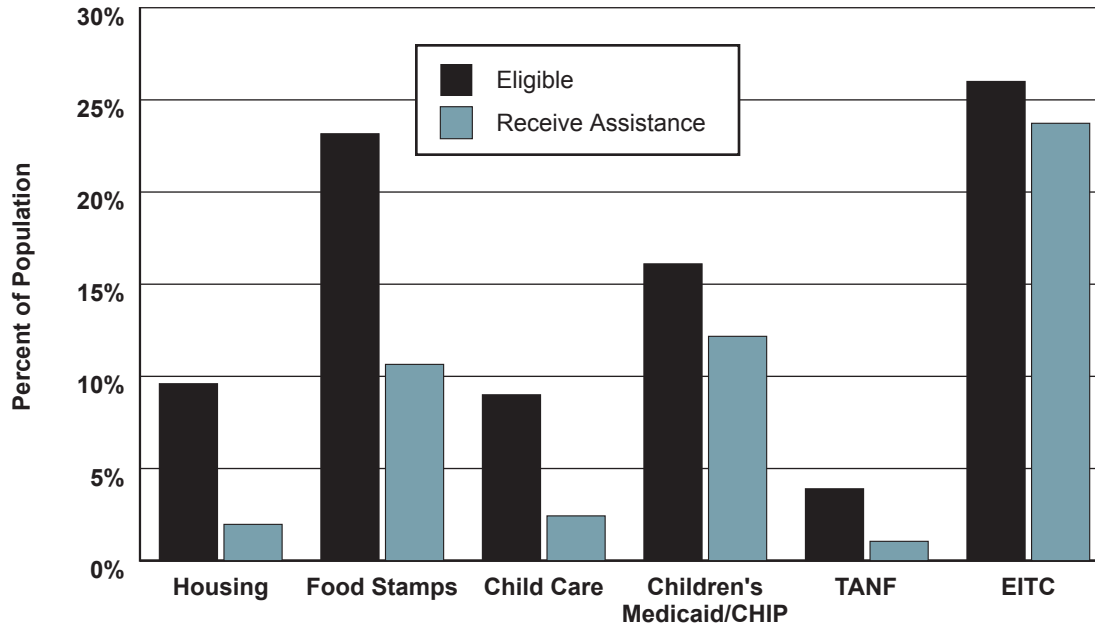
The most expensive budget items in the Family Budget Estimator—housing and child care—are also the expenses for which public assistance is most limited.

- **Texas ranks 42nd in the nation in per capita spending on the major work support programs** (Medicaid, CHIP, Food Stamps, EITC, and child care). Texas spent \$2,575 per capita on work supports in 2005, compared to the national average of \$3,264 per person.¹³
- **Fewer than 7% of poor households receive cash assistance.**¹⁴ Even though Texas has one of the highest rates of poverty in the nation, the state ranks in the bottom ten in providing cash assistance to needy households. This is because cash welfare is only available to families with income below 13.5% of the poverty level (\$2,317 per year for a family of three in 2007).
- **Public health insurance for poor parents is extremely limited.** The only non-elderly, non-disabled adults who qualify for Medicaid are low-income pregnant women and parents on welfare or parents with earnings that are low enough to qualify for welfare (below \$2,317 per year for a family of three in 2007). Able-bodied childless adults are not eligible for Medicaid.
- **Low-income housing is scarce.** Five out of six low-income Texas families who qualify for government housing assistance do not receive it because of Texas' shortage of subsidized housing.¹⁵
- **Millions of Texans eligible for work support programs do not receive these benefits.** Fewer than half of families eligible for Food Stamps—over 2 million Texans—do not participate in the program.¹⁶ At least 700,000 uninsured children—half of the uninsured children in Texas—are eligible for public health insurance but aren't enrolled in it.¹⁷ Many factors contribute to low participation in public benefits programs, including a complicated enrollment process that may deter applicants, lack of awareness or outreach, the stigma associated with public assistance, and shortages in the number of caseworkers needed to enroll eligible families.

- ◆ *Almost one in three working-age Texans goes without health insurance.*
- ◆ *Texas families are the second-most likely in the nation to be at risk of going hungry.*
- ◆ *More than half (53%) of low-income working families spend more than one-third of their income on housing.*

SOURCES: "Texas Health Care: What Has Happened and What Work Remains," CPPP, June 19, 2006. (<http://www.cppp.org/research.php?aid=535>); Household Food Security in the United States, 2005, By Mark Nord, Margaret Andrews, and Steven Carlson, U.S. Department of Agriculture's Economic Research Service, November 2006; Texas Low-Income Housing Information Service.

Many More Texans Are Eligible for Work Supports than Receive Them



Source: Bridging the Gaps Project, Center for Economic and Policy Research, www.bridgingthegaps.org

When Work Support Programs Don't Reward Work

Work supports are “means-tested,” which means that only families with income below a certain level are eligible, and families lose their eligibility as they work and earn more. In most cases, even a small increase in earnings triggers a sharp reduction or loss in the family’s benefits, leaving families no better off—or even worse off—than before. In short, while families may earn more, they get less. Using the basic expenses as estimated by the FBE,¹⁸ the graph on the next page shows how a family’s available resources after expenses do not always rise with income. In this scenario, the family faces these “cliffs” at around \$28,000 in earnings and again at around \$38,000. These cliffs happen when an increase in income actually results in a decrease in available resources due to the loss or reduction of such work supports as Food Stamps or the federal Earned Income Tax Credit.

For all family budgets and additional information visit www.cppp.org.



Earning More Did Not Improve the De La Fuente Family's Bottom Line

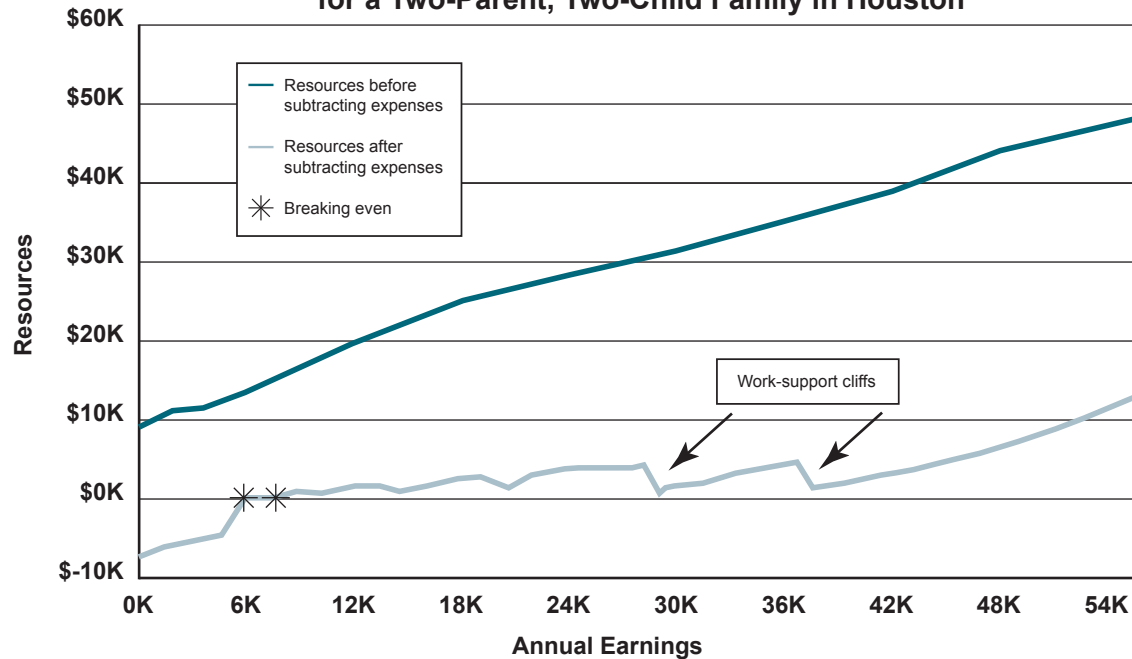
“I had to quit my second job so that my daughter could have health insurance. I can't afford her health care on my own.”

— Aidee De La Fuente

Aidee De La Fuente, 29, and her 8-year-old daughter Victoria live rent-free with her mother in Donna, in the Rio Grande Valley. Aidee finished three years of a bachelor's degree at The University of Texas-Pan-American, but couldn't afford to finish her education. Her full-time job as a loan officer pays \$12 an hour (\$25,000 a year). Her mother watches Victoria during the day. Aidee is uninsured, but her daughter is enrolled in CHIP. Aidee took a second job to try to get ahead, but this caused Victoria to lose CHIP by putting the family \$3,000 over the annual income limits. While Victoria was uninsured, Aidee paid \$800 in medical bills, an expense she can't afford. Aidee worries about how she would make ends meet if her mother couldn't watch Victoria. Placing Victoria in paid day care would require taking a second job to pay for it, again risking the loss of her daughter's health benefits.



Resources Before and After Subtracting Basic Expenses for a Two-Parent, Two-Child Family in Houston



© National Center for Children in Poverty. Family Resource Simulator, TX 2004 (Results reflect user choices.)

MAKING FAMILY SECURITY A PRIORITY

Lasting economic security requires adequate income; savings and assets that help families weather crises and build better futures; and human and social capital achieved through education, skills development, and family and other support systems. Making economic security a reality for all Texas families is achievable. We offer the following recommendations¹⁹ for policies and programs to advance this goal:

- ❑ **Develop a work support system that enables working families to meet their basic needs.** Texas should examine its work support policies to ensure that families remain eligible for assistance until they earn enough to meet their basic needs. The state should expand Medicaid coverage for low-income working parents, eliminate waiting lists for subsidized child care, and take immediate actions to address the affordable housing crisis in Texas.

- ❑ **Make higher education more accessible and affordable for Texans.** Texas must increase its commitment to community colleges—the quickest pathway to higher paying jobs—and ensure that higher education—the pathway to the highest paying jobs—remains affordable.
- ❑ **Expand job training and career development opportunities for working adults.** Texas should make work pay with policies that help low-wage workers move into jobs with wages high enough to support a family. Texas can do this by expanding the focus of its workforce programs to target jobs with wages that provide basic economic security to workers and their families.
- ❑ **Use economic development incentives to increase workers' skills and raise wages.** As an incentive for employers to offer higher-paying jobs, Texas should link its workforce development and economic development efforts. State and local tax abatements should be tied directly to employment and wage policies that require family-supporting wages and benefits.
- ❑ **Strengthen asset development policies and programs that help low-income working families build lasting economic security.** Texas should invest in policies and programs that increase homeownership, higher education, and retirement savings. For example, the state could provide matching funds to low-income families saving for a child's education. Texas should also develop tax-based incentives for businesses that contribute to their employees' savings for a home, education, or retirement.

CONCLUSION

As our *Family Budget Estimator* shows, too many working Texans aren't earning enough to meet their family's most basic needs. These families are unable to save for the future, or purchase the assets they need to move into the middle class. Though work support programs play an important role in helping low-wage workers bridge the gap between their earnings and expenses, restrictive policies and inadequate funding leave too many needy families ineligible for or unable to access these services.

The long-term damage caused by intermittent or chronic economic distress is well documented. Children who are sick or poorly nourished cannot learn. Parents who forgo medical care can develop serious health problems that affect their ability to work and care for their children. Families in substandard or overcrowded housing face health hazards and emotional strain.

These problems have real consequences for all Texans. People who cannot afford to go to the doctor turn to emergency rooms. Emergency room costs are then passed to the rest of us in higher private health insurance premiums and increased local taxes. Low-income students perform worse in school and are more likely to drop out. Adults without a high school degree or post-secondary education are more likely to be unemployed or underemployed. This in turn makes Texas' workforce less competitive and hurts our economy.

Texas must tackle the challenges facing low-income working families, not only to increase individual prosperity, but to create a more vibrant economy that will benefit all Texans.

Paying the Cost of Poverty

- Hunger doesn't just take a toll on the 1.3 million Texas families who experience food insecurity; it costs the state more than \$9 billion a year in charity, treatment of diet-related illnesses, and lowered productivity.²⁰
- Health care for the uninsured is not free. Federal, state, and local governments pay approximately 85% of the \$40 billion in annual costs for uncompensated care nationally.²¹
- Economists estimate that two-thirds to three-quarters of the cost of uncompensated health care is directly shifted to higher hospital charges and health insurance premiums.²²
- Low-income kids are more likely to dropout of high school. Drop outs cost the state \$730 billion in foregone income and tax revenue. Drop outs are more likely to rely on government assistance and eight times as likely to be incarcerated as high school graduates.²³

ENDNOTES

¹ Working Poor Families Project, 2007. A low-income family is defined as one that earns less than 200% of the federal poverty level, which is \$34,340 for a family of three in 2007. (<http://www.workingpoorfamilies.org/>)

² “Measuring Poverty: A New Approach.” C.F. Citro, and R.T. Michaels, Washington D.C. National Academy Press. 1995.

³ The 27 metropolitan areas represented in the Family Budget Estimator are the 25 Metropolitan Statistical Areas (MSAs) and two Metropolitan Divisions (MDs: Dallas-Plano-Irving and Fort Worth-Arlington) as defined for Texas by the U.S. Office of Management and Budget. For the purposes of this report, we will refer to both MSAs and MDs as metropolitan areas.

⁴ At this writing, Texas is one of a few states with no state income tax, so our budgets do not include state income tax as an expense item. In addition, we do not include a separate estimate for property taxes as they are included in the housing cost estimate or sales taxes as they are included in the costs for other necessities.

⁵ Asset poverty measures the number of people who do not have enough cash reserves (banking accounts; stock; bonds; equity in retirement savings, homes or businesses) to live above the poverty line for three months if their income is disrupted.

⁶ The Dallas-Fort Worth-Arlington MSA is broken into two Metropolitan Divisions: Dallas-Plano-Irving and Fort Worth-Arlington.

⁷ Please see the full *Family Budget Estimator* online to view the budgets for other family sizes and for families who must pay out-of-pocket for health insurance for all of their family members.

⁸ For our estimates, we assume that a two-child family consists of one preschool-aged child requiring full-time child care and one school-aged child requiring part-time care during the school year and full-time care during the summer.

⁹ Minimum wage in Texas was \$5.85 per hour at the time of publication.

¹⁰ May 2005 Occupational Employment and Wage Estimates, U.S. Bureau of Labor Statistics.

¹¹ For more information on Texas’ regressive tax system, see “Who Pays Texas Taxes,” CPPP, March 20, 2007. (<http://www.cppp.org/files/7/POP%20284%20taxincidence.pdf>)

¹² For an overview of poverty in Texas and the eligibility limits for public benefits, see “Poverty 101,” CPPP, January 2007. (<http://www.cppp.org/research.php?aid=96>)

¹³ “Trends in Work Supports for Low-Income Families with Children,” The Urban Institute’s Low-Income Working Families Project, July 10, 2007. (<http://www.urban.org/url.cfm?ID=311495>)

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¹⁸ All values entered into the National Center on Children in Poverty’s (NCCP) Family Resource Simulator are based on the 2007 Family Budget Estimator’s cost estimates for a two-parent, two-child family living in the Houston-Baytown-Sugar Land metropolitan area except for child care costs and medical out-of-pocket expenses. As the FRS does not allow for customization of child care costs or the inclusion of additional out-of-pocket medical costs, we used FRS’s preset child care estimates of \$412 per month for a preschooler and \$260 per month for a school-aged child. NCCP’s Family Resource Simulator is online at <http://www.nccp.org/tools/frs/>.

¹⁹ Many of these recommendations are explored in greater detail in CPPP’s 2006 report, “Moving Forward: Common Sense Policies to Promote Prosperity for Working Texans.” (<http://www.cppp.org/files/2/Workingtexas.pdf>)

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