Making It:




What it **really** takes to live in Texas

featuring The Family Security Index and The Family Security Portfolio

September 2002

Family Security Index

Center for Public Policy Priorities

Primary Researcher:

Dayna Finet

Research Assistant:

Greg Hammond

Editorial Assistance Provided by:

Dianne Stewart, Patrick Bresette, Anne Dunkelberg, Dick Lavine, Eva DeLuna Castro, Celia Hagert, Janet Hutchison, Chris Pieper

Special Thanks to the Texas Family Security Advisory Committee:

Dr. Jenna Anding, Kenneth Apfel, Dr. Jared Bernstein, DeAnn Friedholm, Nancy Hard, John Henneberger, Dr. Christopher King, Tina Janek, Dr. Laura Lein, Rick Levy, Dr. Lawrence Mishel, Dr. Elizabeth Mueller, Dr. Steve Murdock, Karen Paup, Paula Traffas

Executive Summary

Family Security in a Time of Uncertainty

In America, a set of values about opportunity and prosperity has long enjoyed widespread public support. Some of these beliefs derive from the founding tenets of our country, and texts, such as the Declaration of Independence and the Constitution. Others are deeply ingrained in our common vision of the United States as a country that has enjoyed sustained prosperity and demonstrates to the world the benefits of individual responsibility within a free enterprise system.

As Americans, we generally believe that economic opportunity is available to anyone willing to work hard. We acknowledge that more and better opportunities exist for those with greater natural abilities and those who pursue education. But we also assume that even those who do not attend college—or even finish high school—can live decently if they are willing to work. We accept as a given that two parents working full-time can provide for their children. We expect that anyone who wishes to work full-time can. We assume that only those who refuse to exert themselves will lack basic necessities. The America we hold in our hearts and minds offers family security to anyone willing to work for it.

Only a couple of decades ago these assumptions often were true. But in Texas today, this vision of economic well-being has become illusive. It is out of reach for the more than three million Texans living in poverty, and for the millions more in families with one or more working adults, who live on incomes above poverty level but still too small to adequately support their basic needs. As recently as the1980s, one full-time minimum-wage job could keep a family of three out of poverty. Since the early 1980s, though, the actual purchasing power of the minimum wage has slipped further and further. Despite rapid job growth in the 1990s, millions of Americans involuntarily work part-time, and some are forced to labor at multiple low-wage jobs in order to cobble together a full-time income. Even those with earnings substantially above the poverty line may live on the economic margins, doing without many basics that most of us consider essential to a decent standard of living.

We have just emerged from an unprecedented era of sustained prosperity. This time was also unprecedented because its "rising tide" did not "lift all boats" equally. Although the economic well-being of many at the low end of the income spectrum did improve during this period, relief came late and benefits were meager compared to the escalating wealth enjoyed by upper-income families. Some of the poor and near-poor are actually worse off now than they were five years ago, having lost Food Stamps, Medicaid, and other public benefits even though their incomes remained low enough for them to qualify for assistance. And now, as we enter a recession, the poorest are being hit first and hardest.

The economic well-being of families still requires individual effort, but when families with two parents working three jobs still cannot meet basic needs, something additional is required. We must develop a new paradigm for family security that makes good on our common belief that hard work brings prosperity—or at least basic sustenance. We must put together the portfolio of wages, employee benefits, nonprofit and faith-based services, government resources, and private philanthropy that will create family security. We must examine the role each of us—employers, nonprofit and faith-based service providers, local, state and federal officials, and philanthropists—can play in constructing a portfolio for family economic security. Let us exclude no one from the land of opportunity.

With this publication, the Center for Public Policy Priorities offers the Family Security Index (FSI) and the Family Security Portfolio (FSP) as two new tools to help build economic security for all families in our neighborhoods, our cities, and our state.

Documenting Family Security

Documenting the income that Texas families actually require to support their essential needs, the Family Security Index is a significant new effort designed to facilitate a fact-based, productive discussion of strategies for helping working families across the state. The Family Security Index represents an innovative tool useful for several important purposes.

First, it can enhance public understanding of the constraints that low- and moderate-income families regularly confront. Some of us who do not experience these challenges directly may not think ourselves privileged. With economic concerns of our own—paying the monthly mortgage or car note, saving for college or retirement—we do not feel wealthy. It may be surprising to discover that 30 percent of Texas families have annual household incomes below $25,000 and that those households making $83,000 or more earn more than 80 percent of all Texas families (Texas Office of the Comptroller of Public Accounts, 2001, p. 48). Awareness of the daily struggles of our neighbors is, in itself, an important objective.

The Family Security Index uses a "market-basket" approach to determine how much income working families require to meet their basic needs.

Second, the FSI can serve as a benchmark to evaluate public policies and programs affecting low- and moderate-income working families. For instance, the FSI can help to assess the transition of families from welfare to work, or to predict the benefits and costs of proposed economic development projects.

Finally, the FSI can help to guide the planning and coordination of local efforts to create or refine the mix of wages, benefits, programs and services that will guarantee family security in communities throughout the state.

The Family Security Index uses a "market-basket" approach to determine how much income working families require to meet their basic needs. The Family Security Index details actual living expenses for an array of different family types in 27 metropolitan areas throughout the state. The Index estimates family budgets for housing, food, child care, medical expenses, and transportation—the minimal items families require to maintain safety and basic well-being. Combining the costs for these budget items, and taking into account the effects of federal taxes and tax credits, the FSI specifies the minimum income needed to support these families at a basic level in the communities where they live.

The Family Security Index provides the most current available data detailing the specific costs faced by families of various size and composition, and documents variation in costs across different regions of the state. Policy makers, researchers on poverty, and advocates for the poor have traditionally relied on the federal poverty threshold, established annually by the US Census Bureau, to determine economic hardship. In recent years critics of the poverty measure—including, significantly, the Census Bureau itself—have called the measure an antiquated standard that no longer reflects contemporary economic and social circumstances. Most of these observers agree that the federal poverty threshold understates the degree of economic insecurity among working families today.

As a more reality-based measure of the cost of raising families in Texas, the Family Security Index reinforces these concerns. The Index demonstrates a significant gap between what families actually earn through work and what they need to support a decent, yet modest, lifestyle.

The Family Security Index provides a realistic, yet conservative, estimate of the income needed to support working families in Texas. Some readers of this document will question whether a family really can rent a decent apartment or buy enough to eat on the budgets detailed here. In fact, these family budgets are purposefully understated because the CPPP made the most conservative choices with each data item which, based on a set of rigorous methodological criteria, we could still defend. For instance, the housing budget is based on the US

Department of Housing and Urban Development's "Fair Market Rents," the amount allowed for public housing subsidies in local rental markets. The food budget is based on the US Department of Agriculture's "Thrifty Food Plan" which assumes that a family will buy bulk groceries, never eat out, and rarely purchase meat. These family budgets are notable for what they don't include: birthday and holiday presents, entertainment, cable television, furniture, appliances, consumer debt payments, sports team fees and uniforms or school photos. We took this approach because we wanted to focus on the most basic economic realities that families confront, not on whether these costs were inflated or whether families use their resources wisely.

What It *Really* Takes to Live in Texas

As a benchmark for measuring the real income required to provide for families' most essential needs, the Family Security Index documents the economic vulnerability of a significant proportion of working families across all parts of Texas.

Combined with local poverty and labor market statistics, these data show that, throughout the state, a significant proportion of working families struggle paycheck-to-paycheck to make ends meet. Not earning enough to pay all their essential expenses, they juggle endlessly the cost of rent, groceries and child care. Unpredictable major expenses like medical emergencies or costly car repairs can transform these families' daily

financial worries into full-blown economic crisis. For families who spend all they earn just to pay the bills, opportunities to create long-term economic security through savings for education and retirement, or through the development of even modest assets, remain out of reach. In fact, these families often find themselves the victims of predatory lending and carry debt loads that guarantee continued poverty. As the prosperity of the 1990s evolves into recession, families who remained economically marginal during the good times will undoubtedly confront even tougher financial stress.

The core of this report is a set of profile pages for the 27 Metropolitan Statistical Areas (MSAs) in Texas. While these profiles individually offer a Family Security Index specific to each MSA, together they reveal a set of provocative findings relevant to the state as a whole, which we note here.

- Using the Family Security Index methodology, the necessary annual income for a family of two parents and two children ranged from a low of $35,131 in the El Paso metropolitan area to a high of $44,044 in the Austin-San Marcos metropolitan area. The availability of employee benefits, such as subsidized health insurance, or local services and resources from philanthropic, non-profit and faith-based providers and government programs could reduce this required income.

- Household hourly income needed to provide this family's essential needs varied from $18 in Abilene, El Paso, Laredo, Odessa-Midland and Waco, to $22 in Austin-San Marcos and Dallas.

- In 17 out of 27 Texas metropolitan areas, half of total employment is in occupational categories with a median wage under $10.

- In the five largest Texas metropolitan areas, 2.1 million jobs are in occupational categories with a median wage of less than $10 per hour.

- Housing budgets demonstrated considerable regional variation. The lowest-cost two-bedroom unit, at $424 in the McAllen-Edinburg-Mission metropolitan area, was just under half the cost of the most expensive unit of that size, $858 in the Austin-San Marcos metropolitan area.

- For families with three children, monthly child care expenses exceeded the cost of housing in 21 out of 27 of the state's metropolitan areas.

The Family Security Portfolio represents a comprehensive approach to insure the well-being of all working families in Texas, anchored by both private and public commitments.

- The amount required to support families' medical needs represented a significant economic burden. Medical expenses, chiefly representing the premium for family health insurance coverage, were as high as $847 per month in seven of the state's metropolitan areas.

- For families earning enough to meet expenses estimated in the FSI, payroll taxes represented nearly as significant a financial burden as income taxes.

- A single parent with one child is the only family type that qualifies for the Earned Income Tax Credit at budget levels calculated for the Family Security Index. Other families earning enough to cover expenses would make too much to receive this credit, the primary tax vehicle providing tax relief to low-income families.

- At income levels required to meet expenses detailed in the FSI, all family types in every metropolitan area were eligible for the entire $500 per child federal Child Tax Credit.

Compiling a Family Security Portfolio

The Family Security Portfolio is a repair kit for that cherished, but broken belief: that hard work will bring prosperity—or at least sustenance. As a rigorous and conservative estimate of living costs in local communities throughout Texas, the Family Security Index reflects the reality that low- and moderate-income families labor under. Resembling little our common conceptions about what it takes to make it, the FSI substantiates the sizeable gap between actual wages and the income necessary to support even an austere standard of family life. The Family Security Portfolio envisions a mix of wages, employment benefits, non-profit, faith-based and local governmental services and state and federal resources mobilized in a deliberate and coordinated manner to fill these gaps.

The Family Security Portfolio represents a comprehensive approach to insure the well-being of all working families in Texas, anchored by both private and public commitments. While employment is the most desirable way for families to achieve financial security, the FSI demonstrates how easily families in which all adults work can find it impossible to meet expenses for essential needs. To complement available wages and benefits, the Portfolio outlines a comprehensive set of programs and services to assist families in meeting basic housing, food, child care, medical, and transportation needs. The Family Security Portfolio suggests a mix of wages, employee benefits, private and public resources, and nonprofit, faith-based, or government services, for each community in Texas, that will make it possible for hard-working people to achieve family security. The specific formula for FSP supports should vary locally, tailored to the demands and resources characteristic of individual communities. Across Texas' towns and cities, the extent of human needs, employment opportunities, tax bases, public infrastructure, service provider networks, and philanthropic dollars varies widely. In one location high housing costs may make low-cost housing a priority, while in others the difficulty of commuting long distances to find better paying jobs may make affordable transportation the predominant concern.

Improved wages and benefits represent a key component of the Family Security Portfolio. Wages and benefits should represent the mainstay of any family security portfolio, yet they often fall far short of the amounts that families need to pay basic expenses. Ideally, our economy would generate only jobs that pay a living wage. In fact, our economic system depends upon a certain portion of the workforce making low wages and, indeed, a significant number of workers being unemployed at any given time. Concerns about this labor market reality have stimulated minimum wage increases and more recently, have encouraged the passage of "living wage" legislation in a growing number of localities nationwide. Despite these developments, though, it remains unlikely that the minimum wage will ever guarantee that a full-time job will cover expenses for a family of three in every part of the state. Various work supports are another component in building economic security. Employer-subsidized benefits, particularly health insurance and child care subsidies, can offset basic living expenses and provide a cushion against economic catastrophe. However, such benefits are often not available to those making the lowest wages. Given these realities, ensuring family security will require other resources beyond wages and employee benefits.

To supplement wages and benefits, the Family Security Portfolio reflects a comprehensive set of services and programs to help families meet basic needs and build economic opportunity. Creation of a family security portfolio will take a shift in our approach to government spending, service provision, and private philanthropy. Rather than thinking in terms of programs targeted to specific, discrete needs, we instead must begin with a comprehensive view of what families require. We should insist that families do all they can to procure what they need for themselves. But we also must recognize that despite hard work, some families will not make enough to meet basic expenses. Approaching service delivery as a coordinated effort to fill in those gaps will go a long way toward the creation of a family security portfolio.

Construction of a family security portfolio will demand the involvement of all segments of the community.

First, it will require public awareness. The daily struggle many families face in making ends meet often happens out of the public eye. Too few people understand just how many families in their communities work very hard and yet cannot meet basic needs.

Second, it will require an unprecedented, concerted effort among all key sectors. Business leaders can use the FSI as a tool to review their wages and benefits and make improvements wherever possible. They can also acknowledge and support the role played by public and private services in picking up where wage and benefit increases do not meet all family needs. All community leaders can play a particularly important role in the development of a family security portfolio by guiding their community into acting on the other components, encouraging federal, state and local policies that help build a local family security portfolio and providing resources to programs that contribute directly to a FSP. Federal and state officials can examine how the distribution of government resources can offset major disparities across communities in their level of need and their capacity to raise resources locally. They can also consciously direct funds to state and local efforts that address families' basic needs. Local non-profit and faith-based service providers can coordinate efforts to emphasize building family security in their communities. Philanthropists can use a family security strategy in setting funding priorities.

Making Family Security A Priority

In America we view the willingness to work as the ticket to partake in our nation's bounty. The belief that all of us can earn that ticket is a motivating and animating factor in our economic prosperity and our social stability. If we are to keep open the door to prosperity for our nation, we can deny admission to no one. We must make good on the promise of opportunity and make family security a priority.

Introduction

In America, a set of values about opportunity and prosperity has long enjoyed widespread public support. As Americans, we generally believe that economic opportunity is available to anyone willing to work hard. We acknowledge that more and better opportunities exist for those with greater natural abilities and those who pursue education. But we also assume that even those who do not attend college—or even finish high school—can live decently if they are willing to work. We accept as a given that two parents working full-time can provide for their children. We expect that anyone who wishes to work full-time can. We assume that only those who refuse to exert themselves will lack basic necessities. The America we hold in our hearts and minds offers family security to anyone willing to work for it.

Only a couple of decades ago these assumptions often were true. But in Texas today, this vision of economic well-being has become illusive. It is out of reach, for the more than three million Texans living in poverty, and for the millions more, in families with one or more working adults, who live on incomes above poverty level but still too small to adequately support their basic needs. Some of the poor and near-poor are actually worse off now than they were five years ago, having lost Food Stamps, Medicaid, and other public benefits even though their incomes remained low enough for them to qualify for assistance. And now, as we enter a recession, the poorest are being hit first and hardest.

The economic well-being of families still requires individual effort, but when families with two parents working three jobs still cannot meet basic needs, something additional is required. We must develop a new paradigm for family security that makes good on our common belief that hard work brings prosperity—or at least basic sustenance. We must put together the portfolio of wages, employee benefits, nonprofit and faith-based services, government resources, and private philanthropy that will create family security.

With this publication, the Center for Public Policy Priorities offers the Family Security Index (FSI) and the Family Security Portfolio (FSP) as two new tools to help build the economic security of all families in our neighborhoods, our cities, and our state.

Documenting the income that Texas families actually require to support their essential needs, the Family Security Index is a significant new effort designed to facilitate a fact-based, productive discussion of strategies for helping working families across the state. The Family Security Index details actual living expenses for an array of different family types in 27 metropolitan areas throughout the state. As a reality-based measure of the cost of raising families in Texas, the FSI demonstrates a significant gap between what families actually earn through work and what they essentially need to support a decent, yet modest, lifestyle. Some readers of this document will question whether a family really can, for example, rent a decent apartment or buy enough to eat on the budgets detailed here. And in fact, these family budgets are purposefully understated because the CPPP made the most conservative choices with each data item which, based on a set of rigorous methodological criteria, we could still defend.

As a benchmark measuring the real income required to provide for families' most essential needs, the Family Security Index documents the economic vulnerability of a significant proportion of working families across all parts of Texas.

Combined with local poverty and labor market statistics, these data show that, throughout the state, a significant proportion of working families struggle paycheck-to-paycheck to make ends meet.

The core of this report is a set of profile pages for the 27 Metropolitan Statistical Areas (MSAs) in Texas. While these profiles individually offer a Family Security Index specific to each MSA, together they reveal a set of provocative findings relevant to the state as a whole, which we note here.

- Using the Family Security Index methodology, the necessary annual income for a family of two parents and two children ranged from a low of $35,131 in the El Paso metropolitan area to a high of $44,044 in the Austin-San Marcos metropolitan area. The availability of employee benefits, such as subsidized health insurance, or local services and resources from philanthropic, non-profit and faith-based providers and government programs could reduce this required income.

- Household hourly income needed to provide this family's essential needs varied from $18 in Abilene, El Paso, Laredo, Odessa-Midland and Waco, to $22 in Austin-San Marcos and Dallas.

- In 17 out of 27 Texas metropolitan areas, half of total employment is in occupational categories with a median wage under $10.

- In the five largest Texas metropolitan areas, 2.1 million jobs are in occupational categories with a median wage of less than $10 per hour.

- Housing budgets demonstrated considerable regional variation. The lowest-cost two-bedroom unit, at $424 in the McAllen-Edinburg-Mission metropolitan area, was just under half the cost of the most expensive unit of that size, $858 in the Austin-San Marcos metropolitan area.

- For families with three children, monthly child care expenses exceeded the cost of housing in 21 out of 27 of the state's metropolitan areas.

- The amount required to support families' medical needs represented a significant economic burden. Medical expenses, chiefly representing the premium for family health insurance coverage, were as high as $847 per month in seven of the state's metropolitan areas.

- For families earning enough to meet expenses estimated in the FSI, payroll taxes represented nearly as significant a financial burden as income taxes.

- A single parent with one child is the only family type that qualifies for the Earned Income Tax Credit at budget levels calculated for the Family Security Index. Other families earning enough to cover expenses would make too much to receive this credit, the primary tax vehicle providing tax relief to low-income families.

- At income levels required to meet expenses detailed in the FSI, all family types in every metropolitan area were eligible for the entire $500 per child federal Child Tax Credit.

The Family Security Portfolio is a repair kit for that cherished, but broken belief: that hard work will bring prosperity—or at least sustenance. The Family Security Portfolio envisions a mix of wages, employee benefits, private and public resources, and nonprofit, faith-based, or government services, for each community in Texas, that will make it possible for hard-working people to achieve family security. Wages and benefits should represent the mainstay of any family security portfolio, yet they often fall far short of the amounts that families need to pay basic expenses. To complement available wages and benefits, the Portfolio outlines a comprehensive set of programs and services to assist families in meeting basic housing, food, child care, medical, and transportation needs. Creation of a family security portfolio will take a shift in our approach to government spending, service provision, and private philanthropy. Rather than thinking in terms of programs targeted to specific, discrete needs, we instead must begin with a comprehensive view of what families require.

In America we view the willingness to work as the ticket to partake in our nation's bounty. The belief that all of us can earn that ticket is a motivating and animating factor in our economic prosperity and our social stability. If we are to keep open the door to prosperity for our nation, we can deny admission to no one. We must make good on the promise of opportunity and make family security a priority.

Documenting Family Security

Throughout the last decade of unprecedented prosperity, a sizeable proportion of working families—largely unseen—have grappled to provide even a modest standard of living for their children and themselves (Boushey, Brocht, Gundersen & Bernstein, 2001). Through work, these families earn more than the official federal poverty level and more than the minimum wage. Yet, in a recent study of these families by the Economic Policy Institute, one quarter of respondents with this level of income lacked the resources to pay for housing or utilities every month. Forty percent worried about hunger and one-fifth reported skipping meals for lack of food. Without health insurance, a third relied on emergency room services when they needed medical care (Boushey, Brocht, Gundersen & Bernstein, 2001).

The Family Security Index uses a "market-basket" approach to determine how much income working families require to meet their basic needs.

Awareness of the economic hardships that working families face poses an essential question. How much income does it really take for Texas families to provide for a list of reasonable necessities—adequate housing, sufficient food, suitable child care, basic medical care, and reliable transportation? We developed the Family Security Index to address this important question.

The Family Security Index uses a "market-basket" approach to determine how much income working families require to meet their basic needs.

The Family Security Index adopts a methodology similar to the "self-sufficiency standard" and "basic family budget" approaches utilized by a growing number of researchers (Bernstein, Brocht & Spade-Aguilar, 2000). These approaches provide an alternative to the official poverty threshold, which many experts now believe substantially understates the level of income necessary to pay the real market costs of the basic budget items that all families need.

Like the self-sufficiency and basic family budget methods, with the Family Security Index we began by identifying each of the major expenses that families face in order to secure a safe and decent standard of living and maintain participation in the paid labor force. In the Index, these items include housing, food, child care, medical, transportation, and other necessary costs such as local telephone, clothing, and personal care and household expenses. Then we documented the actual cost of each budget item. Combining these amounts, we specified the total income necessary to support families' essential needs. In the Index, we subtracted from income the non-discretionary expenses of payroll and income taxes, which reduce the amount of money that families have available to pay for other needs. Tax credits including the Earned Income Tax Credit, the Child Tax Credit, and the Child and Dependent Care Credit function like income, in effect reducing the amount of money that families need to bring in through paid employment.

In our development of the FSI, we used the following data sources to calculate local costs of family budget items:

Housing: We estimated housing costs using 2001 Fair Market Rent rates published by the US Department of Housing and Urban Development.

Food: We used the US Department of Agriculture's Thrifty Food Plan for July 2001 as the basis for our food budget estimates.

Child Care: To calculate expenses associated with child care, we relied on 1999 local market rate data for home and center based care for infants, preschoolers, and school-age children collected by the Texas Association of Child Care Resource and Referral Agencies.

Medical: Estimates for the medical budget item incorporate two components, representing health insurance premiums and out-of-pocket costs. We used the full premium from the Texas State Employees' 2001-2002 health insurance plan to model premium costs. Out-of-pocket expenses are based on figures reported for the southern region of the United States by the 1998-1999 Consumer Expenditure Survey.

Transportation: We used the Internal Revenue Service mileage deduction rate, multiplied by personal mileage data from the 1995 National Personal Transportation 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. The 1998-1999 Consumer Expenditure Survey provided data for our calculations of this budget item.

Federal Tax Payments and Credits: We calculated payroll taxes as a percentage of the combined cost of housing, food, child care, medical, transportation, and other necessary expenses, then added this result into family budgets as an additional mandatory expense. To generate federal income tax payments and credits, we completed federal tax returns for each specific type of family represented in the Index. 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.

A later section of this report provides more detailed description of our measurement strategy for each budget item.

In our conceptualization, the Family Security Index does not incorporate the cash-equivalent value of subsidies such as employment-based health insurance, housing vouchers, food stamps, child care assistance, and Medicaid or CHIP. Budgets contained in the Index represent straightforward estimates of actual market costs for those items that families cannot safely do without. To account for subsidies in budget calculations would distort the accurate representation of these actual market costs. We also omitted the value of subsidies from our calculation of the Index for another reason. Budget figures from the Index sometimes are more than 200 percent of the official poverty line, so families earning enough to pay for their basic needs would have incomes above current eligibility limits for many means-tested programs.

Though not used in budget calculations, subsidies do play an important role relevant to the Family Security Index. The Index specifies the level of income various types of families need in order to provide the basic items for a modest, but safe and decent, standard of living in communities throughout the state. In actuality, a sizeable proportion of working families in Texas earn much less. To effectively assist these families will require a comprehensive array of public, private, and nonprofit programs and services that together alleviate the disparity between families' wages and their minimum economic needs. In a later section of this report, we model such a holistic approach, which we call the Family Security Portfolio.

The Family Security Index provides the most current available data detailing the specific costs faced by families of various size and composition, and documents variation in costs across different regions of the state.

In several of its key features, the Family Security Index measures economic hardship with more precision than the official poverty threshold.

Family size and structure largely determine both economic resources and economic need. The poverty measure adjusts for family size by equivalence scaling, designed to account for economies of scale in families of various sizes. Critics (Citro & Michael, 1995) consider equivalence scaling problematic because it treats family members—an infant and a teenager, for example—identically in terms of the demands they make on family income.

The Family Security Index provides the most current available data detailing specific costs faced by families of various size and composition, and documents variation in costs across different regions of the state.

The Family Security Index adjusts for family size and composition by calculating separate budget estimates for eight representative family types. Using this approach, we were able to match the cost of each budget item exactly with the number of adults and ages of children within each family type. As a result, our budget estimates capture variation across family types that equivalence scaling tends to obscure.

The Family Security Index provides a realistic, yet conservative, estimate of the income needed to support working families in Texas.

Some of the budget items in the Family Security Index are subject to substantial regional variation. Housing, child care, and medical costs often demonstrate the most substantial geographic differences, while food and transportation typically vary less. Because the official poverty threshold applies equally across the entire United States, it cannot reflect regional disparities in the amount of money families need to provide for essential budget items. Accurate information about the economic needs of local families is especially important as the federal government has devolved responsibility for transitioning former welfare clients into paid employment to state and local levels. The relevance of local and regional data on families' economic circumstances may hold particularly for Texas, a vast state with significant, and in many ways dissimilar, urban and rural populations.

To accommodate regional diversity across Texas, we developed a separate Index for each of the state's 27 metropolitan statistical areas (MSAs). State, metropolitan area, and county data were not available for every budget item in the Index. As a rule, however, we used the most geographically detailed data available to estimate the cost of each budget item in each MSA.

Across several decades, family spending patterns have undergone substantial reconfiguration. As more mothers have entered paid employment and the number of single parent households has increased, child care has emerged as a significant expenditure category. Relatively higher rates of inflation for housing and medical expenses have enlarged their proportionate share of families' overall costs. The share of income families spend on food has declined from about one third in the early 1960s to about one fifth today. Because the poverty threshold is adjusted annually using the overall inflation rate from the Consumer Price Index, it cannot reflect these shifting patterns of demand on families' economic resources.

The Family Security Index estimates the cost of each budget item separately, using the most current data from publicly available sources subject to regular and predictable updating. By adopting this approach, the Index corresponds to changing relationships among budget items, and can accommodate the addition or deletion of items, as families actually experience these in their own spending.

The Family Security Index provides a realistic, yet conservative, estimate of the income needed to support working families in Texas.

The creators of basic family and self-sufficiency budgets confront an immediate, fundamental question. What budget items count as necessities? Intended to model actual consumption patterns, some of these budgets include costs for items such as television and cable, fast food and restaurant meals, credit card debt, and savings.

The Family Security Index adopts a more conservative approach, which has guided both the selection of budget items to include and the measurement strategy used to estimate them. Although it counts the expense of budget items that families cannot safely do without, the Family Security Index represents a lifestyle standard that many Texans would find uncomfortably—perhaps distressingly—austere.

Income levels calculated for the Index allow working families to afford their essential month-to-month expenses. But these budgets leave no slack to accommodate many items that families take for granted on an everyday basis. The Index omits spending for common purchases such as meals away from home, video rentals, movies, cable television, birthday and holiday gifts, sports team fees and uniforms, and school photos. It does not count in the expense of major, but common, purchases such as furniture or household and electronic appliances. Although working families commonly carry credit card debt that requires regular payment, the Index does not estimate this budget item. The Index also excludes the use of families' financial resources to encourage long-term economic security. It does not include estimates of the financial reserves to deal with serious illness, major car repairs, or other emergencies. The Index does not contain any cost of savings for education or retirement, both crucial to fostering families' long-term economic security. While the Index does include conservative estimates of the cost of absolutely essential items, it is important that its users understand the many necessary additional expenses that working families still confront.

Austerity Check

✓ The Family Security Index does not include the cost of video rentals, movies, cable television, other entertainment, or long distance telephone.

✓ The Index omits expenditures for birthday and holiday gifts.

✓ The Index does not include any expenses for credit card debt, or for saving to cover education, retirement, or family emergencies.

✓ The Thrifty Food Plan assumes that families never purchase fast food or restaurant meals.

✓ Some studies suggest that only 10 percent of families spending the amount allotted by the Thrifty Food Plan maintain a nutritionally adequate diet.

✓ While the Index builds in the cost of low-income housing, the supply is extremely limited. Families often remain on Section 8 waiting lists for several years before receiving housing assistance.

✓ The yearly cost of full time child care can exceed annual public college tuition.

✓ Texas' waiting list for child care subsidies currently numbers more than 40,000 children.

✓ In 1999 only 16 percent of Americans below poverty were covered by employer-sponsored health insurance.

Budget Items in the Family Security Index

The Family Security Index begins by identifying each of the major expenses that families face in order to secure a safe and decent standard of living and maintain participation in the paid labor force. These items include housing, food, child care, medical, transportation, and other necessary costs such as local telephone, clothing and personal care and household expenses.

Data Selection Criteria

To guide our selection of data sources for the budget items we first established a set of methodological criteria.

The first of these criteria was that data used in the Index be both valid and reliable. To meet these standards, we primarily relied on public data, generally gathered and analyzed by federal and state agencies, as the basis for our budget estimates. Much of this data has been collected over time from large samples using rigorous measurement, data collection, and analysis procedures.

As a second standard, we also assessed data sources based on their capacity to accommodate vital features of the Family Security Index. As a rule, we chose data sources that would permit us to make specific estimates for each of the individual family types represented in the Index. Where available, we selected sources that provide data at the most specific geographic level possible, particularly for the housing, child care, and medical budget items that show the greatest amount of regional disparity. To precisely measure ongoing changes in the cost of individual budget items and in overall patterns of family spending, we chose sources that revise data regularly and predictably, using the latest data available from each source.

Finally, we wanted our data selection to avoid any unwarranted inflation of costs for budget items in the Index. We wanted to present only the very basic expenses households face so that the FSI would represent the income floor necessary to meet these needs. To satisfy this standard we generally used data sources that would produce the most conservative estimates for each item.

Family Types

Like other basic family budget measuring tools (Bernstein, Brocht & Spade-Aguilar, 2000), the FSI serves to benchmark the level of income that families need to meet basic expenses. In principle, it is possible to calculate a separate budget for every conceivable family type. However, this effort might not prove particularly informative. Our criteria for selecting family types to use in the Family Security Index was designed to represent the range of expenses faced by various household configurations, yet to avoid the presentation of an overwhelming set of data. A limited but representative number of family types makes the Index broadly relevant as a benchmark while keeping it interpretable to its users.

In the Index we present basic budget estimates for eight separate family types.

In common use, the term “family” often refers specifically to households with children. While recognizing this understanding, we decided to include two household types without children in the FSI. A sizeable number of Texas households consist of one or two adults without children. To extend its usefulness to this population, the Index calculates basic expenses for single adult and childless married couple households.

To provide a representative range of the expenses encountered by other families of varied size and composition, the Index gives budget estimates for single-parent and two-parent families with one, two, and three children. We expect that families will do all they can to support themselves, so in each of the family types represented in the Index, all adults work. Cost pressure, particularly for child care, is most evident for parents of preschoolers who (unlike school-age children) need full-time child care but (unlike infants) are less likely to be cared for informally by extended families or friends. For this reason, we calculated basic expenses for a preschooler in one-child families. For families with two children, we calculated basic budgets associated with one preschooler and one school-age child. This approach reflects less expensive part-time child care for school-age children. To reflect, in a conservative way, more costly infant care, we based estimates for three-child families on the costs associated with one infant, one preschooler, and one school-age child.

Housing

For many working families, housing represents the single largest expenditure of family income. To estimate housing costs, we used Fair Market Rent (FMR) rates for 2001, published by the federal Department of Housing and Urban Development (HUD). Housing costs typically display marked regional variation and the FMR rates allowed us to incorporate MSA-specific figures into the Index. Although a number of low-income families own their homes, these families more commonly live in rental housing, making the use of rental data appropriate. Section 8 occupancy standards requiring "safe and sanitary" living conditions provide non-arbitrary criteria of housing adequacy. Fair Market Rent figures incorporate utility expenses but exclude the cost of local or long distance phone service.

Although the FMR figures offer a reasonable method for estimating affordable housing costs, they do not address the problem of limited supply of low-cost housing in many parts of the state. While many low-income families in Texas may be able to afford the lowest cost housing options, in many locations finding available units at this cost may be an insurmountable challenge.

Used to establish the amount for Section 8 housing subsidies, FMR rates provide a conservative estimate of housing costs. Generally, they represent the 40th percentile of the distribution of monthly rent and utility costs (excluding telephone) for standard quality housing in each MSA and for rural counties in each state. In other words, 40 percent of rental housing in a given market costs less than the FMR rates, while 60 percent costs more. In some markets with unusually high housing costs, the FMR rates are set at the 50th percentile. For 2001, HUD established 50th percentile FMR rates for the Austin-San Marcos, Dallas, Fort Worth-Arlington, Houston, and San Antonio MSAs.

HUD provides FMR figures for housing that ranges in size from efficiency to four-bedroom units. Corresponding to the family types represented in the Family Security Index, we used FMR amounts for efficiency, one-, two-, and three-bedroom dwelling units. Section 8 standards, requiring that parents and children occupy separate bedrooms and that no more than two people share a bedroom, determined the size of unit assigned to each family type.

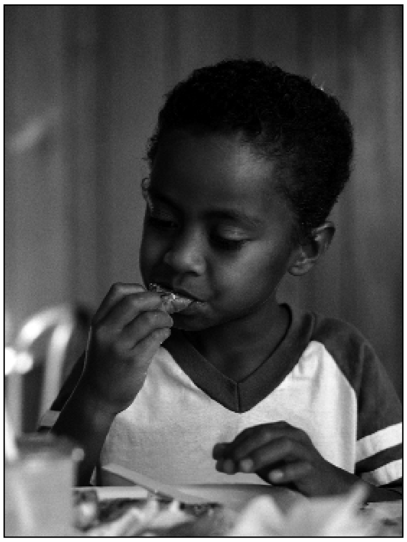
We wanted to present only the very basic expenses households face so that the Index can represent the income floor necessary to meet these needs.

Food

Underlying the family budget item for food was an assumption that families' expenditures for food not only should prevent hunger, but also should supply adults and children with a nutritionally adequate diet.

We calculated expenses for food using figures from the July 2001 Thrifty Food Plan, published by the U.S. Department of Agriculture (USDA), Center for Nutrition Policy and Promotion. Each month, USDA estimates the cost of food for children, adults, and families based on food consumption patterns at four expenditure levels. Based on the spending patterns of families eligible for Food Stamps, the Thrifty Food Plan provides USDA's lowest estimate of food expenditures and so maintains consistency with our most-conservative criteria for calculating family budget items.

USDA's food plans do not give regionally specific figures for expenditures on food. The cost of food varies little across regions, however, making the absence of geographically specific information about this budget item less problematic than for other items where significant cost differences exist across regions of the state.



Two features of the Thrifty Food Plan make it a particularly conservative strategy for establishing the Index's family food budget. Because the Thrifty Food Plan estimates the cost of food prepared and consumed at home, it assumes adequate time and facilities for food preparation, some basic nutritional knowledge, and available transportation to supermarkets or warehouse stores, which, in practice, may be a challenge for many low-income families. The Thrifty Food Plan does not include spending for fast food or restaurant meals, even though adults working full-time are likely to pay for at least some meals away from home. It also does not accommodate money spent to purchase school lunches.

The Thrifty Food Plan also does not include spending for fast food or restaurant meals, even though adults working full-time are likely to pay for at least some meals away from home.

To calculate the food budget for each of the Index's family types, we first extracted the estimates of food costs for individual children and adults from the Thrifty Food Plan. For infants, we used the USDA cost estimate for one-year-olds. For preschoolers, we used the plan's food expenditures for three-to-five-year-olds. For school-age children, we used figures from USDA's six-to-eight-year-old category. For the Index's single adult households, we applied the average of food costs for females and males between 20 and 50 years old. For two-adult households without children, we summed the USDA estimates for 20-to-50 year-old females and 20-to-50-year-old males. Because women head most single parent families, we assigned food costs for females between 20 and 50 years old to adults in single parent families. For two parent families, we added together the USDA figures for females between 20 and 50 and for males between 20 and 50. To obtain a total food budget for each family type, we summed the amounts assigned to individual children and adults it contained. Since USDA provides food costs for individuals in four-person families, it recommends an adjustment for other family sizes, adding 20 percent for one-person households, 10 percent to food costs in two-person families, five percent to costs for three-person families, and subtracting five percent for five-person households. Our food estimates incorporated this family size adjustment.

Child Care

Over recent decades the increased participation of women in the paid labor force and the growing number of single parent families have made full- or part-time child care essential. Few low-income working families can rely on informal networks to consistently supply suitable child care services. Reliable, safe, and developmentally appropriate child care is expensive, representing for many families the second most costly budget item after housing. The burden of paying for child care is especially pronounced for families with more than one child, and for those with younger children. Limited availability of acceptable child care options imposes an additional strain on working families, particularly those who work outside standard business hours and encounter an even more restricted supply of child care services on evenings and weekends.

To measure child care costs, we used source data from the Texas Association of Child Care Resource and Referral Agencies' (TACCRRA) 1999 Texas Child Care Portfolio, which reports on the cost of regulated home- and center-based child care services for all 254 Texas counties. TACCRRA data gives the average weekly cost of full-time care for infants and toddlers (up to 36 months), preschoolers (three to five years) and school-age children (six years and older).

We performed a series of calculations on this source data to generate child care expenses for children in each age group within each MSA. First, for each county we calculated a weighted average of the weekly cost of home- and center-based care for each age group, based on Texas' relative proportions of existing spaces for each type of care. We then calculated the weekly cost of care for each age group within each MSA by averaging weekly county costs, weighted by the under-14 population within each county in the MSA. These amounts were multiplied by 52, and then divided by 12, to create a monthly cost for care, for each age group, within each MSA.

The number and ages of children included within each family type determined its total child care cost. All families with children were assigned full-time child care for each child in the family.

Medical

Without health security for both children and adults, family well-being remains precarious. For this reason, the Index incorporates a budget item to cover families' reasonable medical costs. This estimate combines an amount representing the total premium for a large employer-sponsored group health insurance plan and a figure to cover out-of-pocket medical expenses.

Medical expenses are particularly difficult to measure accurately. Access to employer-sponsored health insurance is inconsistent, with workers in lower-paid jobs disproportionately unlikely to have this coverage. Out-of-pocket medical expenses vary significantly when, for example, families experiencing acute or chronic conditions may pay much higher out-of-pocket costs than families with few health problems.

No reliable and ongoing public data source details the cost of health insurance premiums. To approximate this component of the medical budget item, we used the 2001-2002 health insurance plan for State of Texas employees. This measurement strategy yields a conservative estimate of families' health insurance premium costs, because it represents premium costs for a large-group plan rather than the more expensive insurance typically available to individuals and smaller employers. Our approach also satisfies two other of our methodological criteria for the Index. The state employee insurance plan permits regional precision in the estimation of premium costs because the premium differs across the state. It is subject to predictable updates because the state annually revises the plan to reflect rate and coverage changes.

Reliable, safe, and developmentally appropriate child care is expensive, representing for many families the second most costly budget item after housing.

The state employees' health insurance program divides the state into 21 regional service areas. Fourteen of these areas are served by only one insurance plan while in the rest, employees can choose one or more optional plans. Where several plans were available, we selected the lowest-priced option as our estimate of premium costs. Because the service areas do not exactly correspond to the 27 MSAs in Texas, we identified the area serving every county within each MSA. Premium costs remained consistent across counties in most MSAs. Dallas County, in the Dallas MSA, and Tarrant County, in the Fort Worth MSA, each had available a lower-priced plan than other counties in its respective MSA. In both cases we applied the more conservative, lower amount to estimate premium cost across all counties in these MSAs.

We estimated out-of-pocket medical expenses using two-year data from the 1998 and 1999 Consumer Expenditure (CE) Survey, an annual survey that measures household expenditures. The CE can provide data at the regional level, but not for states, counties, or most MSAs. Pooling two years of survey data made it possible to select CE data specific to the Southern region while maintaining sample size. The CE contains four items reporting medical-related spending. We used the medical services item as our measure for out-of-pocket medical costs. Because the CE gives this data as an annual figure, we divided it by 12 to convert to a monthly amount. We excluded CE items measuring the amounts spent on insurance and drugs.

Transportation

Transportation represents a significant expense for working families. Adults and children need dependable and reasonably convenient transportation to work and school. Families need transportation for essential personal and family business such as shopping, errands, medical appointments, and children's activities.

In some parts of the country, relatively abundant and accessible public transit can reduce the amount that families need to spend on transportation. In Texas, though, meager public transit resources, sprawling urban areas, and vast rural distances make auto travel a virtual necessity. Like other parts of the country, some regions in Texas also experience what researchers term a "spatial mismatch" when workers live long distances from their jobs and driving by private vehicle is their only realistic travel alternative. For these reasons, we estimated the cost of travel by private vehicle as the Index's budget item for transportation.

We approximated transportation expenses by multiplying the Internal Revenue Service's 2000 per-mile deduction rate, which accommodates vehicle purchase, repairs and maintenance, gasoline, oil, insurance, and registration fees, by the number of miles families drive for work and other essential travel.

The 1995 National Personal Transportation Survey (NPTS) served as source data for measuring families' automobile travel. The NPTS provides data on the number of miles driven annually by individuals at national and state levels, but not for specific MSAs. The NPTS does detail annual miles driven by individuals in MSAs overall, categorized by MSA size ranging from less than 250,000 population to 3,000,000 or more residents. To calculate annual mileage estimates for each Texas MSA, we first extracted national and state mileage data from the NPTS, and then calculated the ratio between the national and state amounts. We then multiplied this "Texas mileage conversion factor" of about 110 percent by the overall mileage rate for MSAs corresponding to each Texas MSA in terms of population size. We divided the annual mileage figures by 12 to convert them to monthly amounts.

Because the Index budgets only for essential needs, we used a series of calculations to obtain adjusted mileage figures for non-social and non-recreational travel only. According to the 1995 NPTS, 69 percent of individual miles driven involve work-related (28 percent) trips or travel for shopping (13.5 percent), doctor and dentist visits (1.5 percent), family and personal business (19.9 percent), and for school and church activities (5.7 percent). For family types with one adult, we generated an adjusted essential travel mileage amount for each Texas MSA by calculating 69 percent of the total individual monthly miles for that MSA. In family types with two adults, the second adult would not repeat the 41 percent of miles accounted for by non-work-related but necessary travel. For those families, we estimated essential travel mileage by calculating 69 percent of individual miles within MSAs for the first adult and 28 percent of individual MSA miles for the second adult, then summing these amounts.

Other Necessities

Major budget items from housing to transportation account for the bulk of families' essential spending. Considered item-by-item, other necessities such as local telephone service, clothing, housekeeping supplies, and personal care products appear to make a smaller demand on families' financial resources. Together, though, these items represent a nontrivial necessary expense.

Because the Index estimates family budgets conservatively, we have excluded from our measures many items that families with moderate and high incomes take for granted, such as entertainment, dining out, vacations, credit card debt, and savings. So although it accounts for the essential budget items that families cannot safely do without, the Index represents a standard of living that many Texans would find uncomfortably austere. We include expenditures for reading as a component of the miscellaneous necessities budget because it supports the acquisition of information vital to effective workforce and civic participation.

We measured the cost of other necessities using two-year data from the 1998 and 1999 Consumer Expenditure Survey. To begin, we extracted CE data on annual household spending for local telephone service, housekeeping supplies, personal care products, apparel for men, women, infants, boys, and girls, footwear, and reading. Since women head most single-parent families, we used women's apparel expenditures for family types with one adult. We combined men's and women's apparel costs for two-adult families. Estimates of spending on school-age children's apparel are the average of boys' and girls' apparel costs.

The CE provides expenditure data at income groupings that range from less than $5,000 to more than $70,000 in annual earnings. To approximate families' income, we totaled housing, food, child care, medical, and transportation costs for each family type. We then selected expenditures from the CE income level corresponding to that amount, and summed these to obtain an estimate of the total cost of other necessities for each family type. The use of pooled two-year CE data helped to correct for the reduction in sample size resulting from the selection of expenditure data from these income groups.

Taxes and Tax Credits

The FSI aims to assess, as accurately and comprehensively as possible, the income families need to cover their obligatory expenses. For this reason, we have factored in the federal taxes that working families pay as a non-discretionary expense that reduces resources available to meet other essential needs. The Index includes only federal payroll and federal income taxes as expense items (because Texas has no income tax). Families who pay federal income taxes may also qualify for the Child Tax Credit and the Child and Dependent Care Credit. Some lower-income working families may also benefit from the refundable Earned Income Tax Credit (EITC), which they can receive even if they pay no income taxes at all. These credits lower families' total expenses, effectively functioning as income available to support other budgetary obligations.

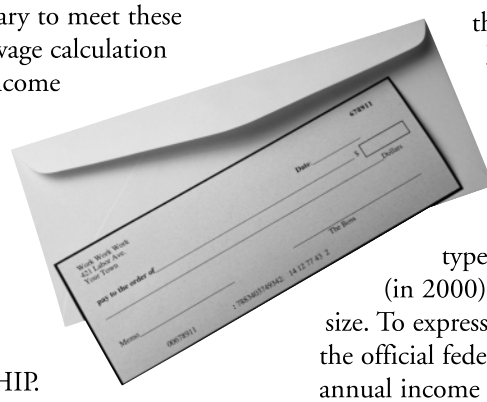
Because Texas has no state income tax, the Index includes only federal payroll and federal income taxes as expense items.

We do not separately estimate property taxes or sales taxes. The Fair Market Rent rates used to measure housing costs incorporate property taxes. The Consumer Expenditure Survey absorbs sales taxes within its data on household expenditures for miscellaneous necessary items.

To estimate taxes for the Index, we first totaled the cost of housing, food, child care, medical, transportation, and other necessities. This amount approximates the income families require to meet the cost of basic necessities. We then added in 7.65 percent of that amount, in effect treating payroll tax as an additional budgetary expense. We used this total to represent families' adjusted gross income, then completed federal tax returns for 2000 in order to generate income tax and tax credit figures for each family type. For single adult households tax returns were completed using the "single" filing status. For single parent families we used the "head of household" filing status. Tax returns for families with two adults were completed using the "married filing jointly" filing status. We entered the standard deductions for each filing status into our tax calculations for corresponding family types. Exemptions matched the number of adults and children in each family type.

Wage Calculations

The FSI not only compiles the cost of budget items described above but also translates those costs into the wages necessary to meet these household expenses. This wage calculation illustrates the amount of income necessary to pay for basic needs when households receive no subsidies or benefits (other than tax credits), such as housing assistance, Food Stamps, subsidized child care, employer-provided health insurance, Medicaid, or CHIP.



This is an important exercise for two reasons. First, it is essential to recognize the full cost of providing basic family needs. Many families face these costs alone. Despite our conservative methodology, these budget figures and the income necessary to meet them may surprise some readers. Second, these calculations make it clear that many working families do not earn wages adequate to provide basic household necessities. In these cases, it will take a portfolio of wages, benefits and other resources and services to provide economic security for many low-income households. Without such a portfolio, too many families in Texas are forced into untenable choices between paying rent and affording health care, keeping food on the table or their children in safe child care.

The income calculations provided in the Index present necessary annual and monthly income and a corresponding household hourly wage. These calculations are based on an assumption of full-time employment – forty hours per week for fifty weeks a year. This approach reflects our conservative methodology and the assumption that families will do all they can to earn the income necessary to meet their needs. In actuality, though, many low-wage jobs do not offer consistent or full-time work. Low-income families frequently find themselves patching together two or three part-time jobs to make ends meet, adding additional stress and difficult logistics to their lives. The hourly wage calculation represents the amount households must earn to meet expenses. In households with two adults, this wage can be met by any combination of the wages of each worker. In single-adult households, the household hourly wage reflects the income that one worker would have to earn.

The final wage calculation provided in the Index is a comparison of the annual income required for each family type to the federal poverty threshold (in 2000) for households of comparable size. To express this relationship, we present both the official federal poverty threshold, and the FSI annual income as a percentage of this measure.

Conclusion

The Family Security Index is a tool that helps us gauge economic reality for low and moderate income working families. With this tool we have a benchmark against which to examine wages, benefits and the network of services within each community. To the extent that working families are playing by the rules, working hard, and yet still not making it, we can begin to build a portfolio of resources that will fill in the gaps.

Compiling A Family Security Portfolio

The Family Security Portfolio is a repair kit for that cherished, but broken belief: that hard work will bring prosperity—or at least sustenance. Like most myths, the belief that willingness to work is always a way out of poverty has its roots in an element of truth. Just over two decades ago, a single minimum-wage worker in Texas could earn enough to pay the costs of essential needs for a family of three. Over time, the reality that was the basis for this myth merged into illusion. The conviction that work alone can pay the bills persists in public consciousness, just as it continues to steer the course of public policy. But it no longer holds true for a significant number of Texas families.

As a rigorous and conservative estimate of living costs in local communities throughout Texas, the Family Security Index reflects the reality that low- and moderate-income families labor under. Resembling little our common conceptions about what it takes to make it, the FSI substantiates the sizeable gap between actual wages and the income necessary to support even an austere standard of family life.

The Family Security Portfolio envisions a mix of wages, employment benefits, non-profit, faith-based and local governmental services and state and federal resources mobilized in a deliberate and coordinated manner to fill these gaps. The specific Portfolio for each community will differ depending on the degree of need, prevailing wages, labor market, local revenue and philanthropic resources, infrastructure and a number of other factors influencing the well being of moderate income families.

To create a Family Security Portfolio will require a shift in our thinking about how to design services. Presently governments, philanthropists and churches allocate resources by identifying a “program” they wish to support. Service providers lose sight of the purpose of their service. Instead, we should use a tool like the Family Security Index to identify specific needs of low-income working families in a particular community and ensure that the services necessary to create family security are available.

Creating the Family Security Portfolio also will require a new kind of participation from business leaders. Recognizing the gaps left by the wages and benefits they provide, employers should become vocal advocates for the use of federal, state and local resources to ensure that services that supplement and support employment, such as health care and child care, are systematically available to low and moderate income families across the state. It is a wise business investment to make work pay for all employees. Enlisting government as a partner in that effort—and supporting the use of public resources for that purpose—is an efficient way to achieve that goal.

The Family Security Portfolio represents a comprehensive approach for insuring the well-being of all working families in Texas, anchored by both private and public commitments.

The Family Security Portfolio represents a comprehensive approach for insuring the well-being of all working families in Texas, anchored by both private and public commitments.

Long-held American beliefs about opportunity and prosperity inspire the conviction that work will provide enough income to sustain a family in a safe and decent manner. The Family Security Index documents the earnings that a range of representative families must achieve to support themselves. In every region of Texas, thousands of working families toil to get by on incomes short of this standard. The Family Security Portfolio enumerates a comprehensive array of wages and benefits, public, private, non-profit and faith-based services, and government resources that will create family security and ensure that those who work can make ends meet.

Wages must be the central element of a Family Security Portfolio, since, ideally, wages and benefit levels would be adequate to meet family needs. Through employer initiative, minimum wage increases, or the adoption of living wage measures, improved compensation and benefits can raise some family incomes to the basic budget levels specified by the Family Security

Index. However, our economy has come to rely on the availability of a large pool of low-paid workers, and in fact, depends on some level of unemployment as well. For this reason it is unrealistic to expect that all jobs will pay wages that offer the income workers need to provide for their families' economic needs. Even a substantial enhancement of the minimum wage would leave some workers with earnings below the minimum they need to get by.

Improved wages and benefits represent a key component of the Family Security Portfolio.

For these families, the Family Security Portfolio outlines a mix of programs and services to supplement low wages and ensure that families can meet immediate basic needs. To alleviate the acute financial vulnerability of low-income working families, the Portfolio envisions more comprehensive and effective housing, food, child care, medical, and transportation services. In many communities, some of the services described in the Portfolio exist to some degree for some residents, but these services are usually so limited in scope that there are long waiting lists and the levels of service are not adequate to meet the needs of those who are served.

Meaningful assistance to working families should also encourage economic opportunity. Comprehensive employment and training programs outlined in the Portfolio emphasize not just immediate job placement. They also support strategic career planning and ongoing post-employment assistance, which enhance workers' competitive potential in more highly skilled and better-paid occupations.

Improved wages and benefits represent a key component of the Family Security Portfolio.

During the last decade, profound structural change in the economy effectively suppressed the value of earnings for millions of workers in Texas. The rapid growth in low-wage service, retail and construction occupations contributed to this development. Technological innovation shut low-skilled workers out of the well-paid jobs that require more sophisticated education and training to obtain. Corporate downsizing increased companies' reliance on part-time, temporary, or contract workers as full-time permanent staff declined. American workers faced unprecedented competition from foreign workers and immigrants to the United States. Largely due to these factors, the real value of wages for workers in the lowest fifth of income distribution declined from \$7.43 (in 2000 dollars) in 1979 to \$7.08 in 2000 (Mishel, Bernstein & Schmitt, 2001). Increased wages would be a valuable contribution to a Family Security Portfolio for communities in every part of the state. Still, structural constraints in the labor market will likely limit improvement in families' economic security through wages alone.

State and local wage policies have potential to contribute to a Family Security Portfolio. Currently equivalent to the federal level at \$5.15 per hour, the state minimum wage has steadily lost earning power since the 1970s. Adjusted for inflation, the minimum wage is now 24% lower than its 1979 level (Bernstein, Brocht, & Spade-Aguilar, 2000). Family budgets estimated in the Family Security Index confirm that minimum wage work—even in families with two wage earners—does not supply enough income to satisfy families' basic needs. Improvement in the state minimum wage could reduce the gap between earnings and expenses for Texas' lowest-paid workers. The Center on Budget and Policy Priorities (Tenny & Zahradnik, 2001) estimates that each 25-cent increase in the state minimum wage would generate an additional \$480 in annual income for a full-time minimum wage worker. Local living wage legislation can raise the local wage floor. Currently enacted in over 100 localities nationwide—including Austin and San Antonio—living wage laws employ different formulas linked to local conditions, but typically compel local governments and businesses with local government contracts or subsidies to pay their workers at a rate several dollars higher than the minimum wage.

Typically, unionized workers enjoy better pay, benefits, and working conditions than their non-unionized counterparts. With incomes at or near the bottom of the wage distribution, low-income service, retail, and construction workers stand to gain income indirectly through the enactment and enforcement of stronger collective organizing rights. Also largely unorganized and earning limited incomes, the substantial workforce of part-time, temporary and contract employees would likely benefit from more widespread unionization as well.

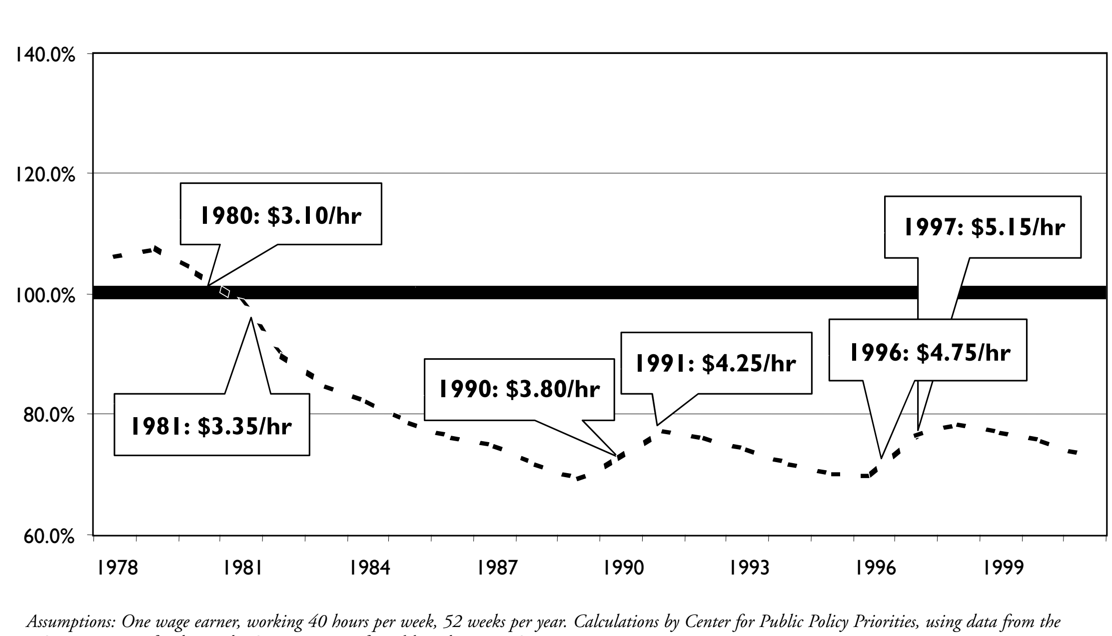
Short of unionization, wage improvement strategies can be found in other creative workplace arrangements such as employee-management partnerships and profit sharing. Federal and state policies have a role to play in encouraging the improvement of wages and benefits and should be pursued as a part of building family economic security.

To supplement wages and benefits, the Family Security Portfolio reflects a comprehensive set of services and programs to help families meet basic needs and build economic opportunity.

Ideally, even low-income families could achieve minimal financial security through work alone. Reflecting the actual expenses that families confront in communities throughout Texas, however, the Family Security Index reveals a troubling gap between the cost of living at a very modest level and the realistic earnings of thousand of Texas families. Better wages and benefits can repair a part of this shortfall. To make up for the rest, the Family Security Portfolio models a holistic strategy to provide immediate housing, food, child care, medical, and transportation assistance through a combination of private and public resources, programs, and services. The FSP concept also includes a component designed to foster working families' long-term economic stability through the resourceful use of education, training, and other employment supports to help workers find and keep better-paying and more stable jobs. In a coordinated effort to build a Family Security Portfolio, every sector of the community—business and community leadership, non-profit and faith-based services, and private philanthropy—can do its part to help working families meet basic needs and build economic opportunity.

Minimum Wage Earnings as Percent of Poverty

Poverty for a family of three equals $14,630 in 2001



Assumptions: One wage earner, working 40 hours per week, 52 weeks per year. Calculations by Center for Public Policy Priorities, using data from the US Department of Labor and US Department of Health and Human Services.

Housing

Housing often represents low- and moderate-income working families' single largest non-discretionary expense. Working poor households confront serious problems of housing affordability, availability, size, and quality. Most federal housing programs specify that affordable housing, including the cost of utilities, should require no more than 30 percent of family income. Yet in no county, metropolitan area, or state can a family earning the equivalent of full-time minimum wage work afford the Fair Market Rent for a one- or more bedroom unit without spending more than 30 percent of its earnings (Tenny & Zahradnik, 2001). Housing instability inhibits low-income workers' capacity to find and keep decent jobs that will sustain their families. Families that spend more than 30 percent of their income on housing keep too little of their earnings to support other work-related expenses such as child care and transportation. Insurmountable housing costs may result in eviction or force families to live with a succession of relatives, creating a serious obstacle to stable employment (Tenny & Zahradnik, 2001).

To supplement wages and benefits, the Family Security Portfolio reflects a comprehensive set of services and programs to help families meet basic needs and build economic opportunity.

The growing cost pressure and declining availability of reasonable housing options demands a more significant state response. The state of Texas, which provides very limited housing support to low-income working families, could contribute significantly to family economic security through expanding support for low-income housing. Federal policy permits states to use Temporary Assistance for Needy Families (TANF) funds to offer temporary housing vouchers to working poor families. This resource could meaningfully supplement limited federal Section 8 housing subsidies. In the past several years a number of states and counties throughout the country have directed TANF funds into precedent-setting state and local housing assistance programs. Historically, only 20 percent of clients with TANF support (the poorest of the poor who receive a maximum monthly benefit of only $208 for a family of three) have received any housing assistance. More recent research by the Texas Department of Human Services suggests that an even smaller number of families—15 percent of former TANF clients—have been helped by public housing programs in the state (Center for Public Policy Priorities, 1999).

Housing vouchers supplied through state and local rental assistance initiatives might alleviate the gap between reasonable rental costs and the amount low-income families can afford to spend for housing. Utilized in at least five other states that, like Texas, do not levy a broad-based income tax, a renters' tax credit could also give effective housing cost relief. Any meaningful housing assistance plan also must address the constrained supply of affordable housing in communities throughout the state. Because Texas has only around 91,000 Section 8 vouchers, in many Texas cities families commonly spend years on housing subsidy waiting lists. State and local housing programs that promote the construction and rehabilitation of affordable housing could indirectly aid low- and moderate-income working families. A growing number of community-based initiatives, such as Habitat for Humanity, offer creative, though limited, local solutions.

Food

Food hardship is more widespread than many of us would assume. In a recent study of family hardships, 17.5 percent of respondents in households earning twice the federal poverty threshold reported skipping meals for lack of money to spend on food. More than 40 percent of respondents with incomes at that level worried about having enough food (Boushey, Brocht, Gundersen & Bernstein, 2001). An estimated 13.6 percent of Texas' population experiences either food insecurity or outright hunger. This level of food hardship compromises the quality of life and future prospects of individuals and families, particularly children. Abundant research has linked sound nutrition to proper brain development in children under three, while malnutrition, or a poorly balanced diet, reduces children's energy and ability to learn. Food hardship also invites social and economic costs—higher health care expenditures, special education costs, and lost productivity—that impact communities and the state. The extremely frugal food budgets calculated in the Family Security Index suggest that many low-income families may have to routinely cut back on food intake, skip meals, and make difficult tradeoffs in trying to also pay for rent, child care, or medication.

A host of federal programs are designed to ensure that low-income families receive adequate food. Chief among these, the Food Stamp Program offers a nutritional safety net to 1.3 million Texans, half of them children. Food Stamps contribute to family economic security as they help families to work their way out of low-wage jobs and into positions that will sustain families' essential needs. Even with food stamps, many families run out of food at the end of the month, resorting to other community resources to feed their families.

Supported primarily through private sector donations, an extensive emergency feeding network also assists Texas families during periods of crisis when they cannot make ends meet alone. With the recent decline in welfare and food stamp participation—unaccompanied by any significant change in the population in poverty—this emergency network has evolved into a year-round source of assistance for families, including those who work full-time. The increased demand has strained the network's limited resources, which were never intended to provide the same level of support as government benefits do. State and local action to increase the Food Stamp Program participation of eligible households can factor in a Family Security Portfolio. Recent state-level policy changes have reduced some former barriers to Food Stamp participation. They include allowing telephone interviews instead of face-to-face office meetings, and more realistic resource limits such as the amount of savings or other assets, including vehicles, that families can have and still retain eligibility for benefits. The state could extend its effort to ease Food Stamp participation by further streamlining documentation requirements. Initiated in 2000, continued Food Stamp outreach also has potential to improve the participation rate of eligible families which has declined significantly in recent years.

Child Care

Child care expenses can represent a significant obstacle to working families' financial security. A current study by the Children's Defense Fund found that in all but one state, the yearly cost of child care exceeds annual public college tuition (Schulman, 2000). Federal and state policies recognize that child care assistance may be the definitive factor influencing employment stability for both low- and moderate-income families. Yet many families eligible for child care subsidies do not receive them. Recent research shows that less than one-third of former welfare families who qualify for child care help receive it (Schumacher & Greenberg, 2000). Only 15 percent of all eligible families nationwide—both former welfare recipients and low-income families with no connection to the welfare system—actually obtain this support (US Department of Health and Human Services, 1999).

Federal regulations allow states broad flexibility to extend child care assistance for low- and moderate-income families. During 2000, at least 27 states used these options to move funds from the TANF program to the Child Care and Development Fund (CCDF) and thereby increase available resources for child care subsidies. Other states raised income eligibility guidelines, in some cases allowing families with incomes over 200 percent of the federal poverty level to qualify for child care support (Tenny & Zahradnik, 2001). Adopting these policies, Texas could substantially improve its contribution to working families' economic security. By taking full advantage of the transferability of TANF funds to CCDF and expanding eligibility, the state could reduce its waiting list for child care assistance, currently estimated to include more than 40,000 children. Unfortunately, Texas is now only one of two states with no TANF to CCDF transfers, having eliminated nearly $80 million in TANF transfers in the recent legislative session. After several years of funding improvements, the state's commitment to child care is slipping.

More adequate funding is essential if Texas is to improve access to child care for low-income working families. The quality of care also depends, in part, on resources. Despite limited funding, a number of localities are increasing reimbursement rates overall, with enhanced reimbursement available to providers that offer care during the evening and weekend hours when many low-wage parents work. Investment in better training, pay, and benefits for child care workers also would likely enrich the quality of care and provide these workers with more economic security as well. Supported by a combination of state and local resources, more comprehensive, timely and accessible resource and referral services could also contribute importantly to a Family Security Portfolio in communities throughout Texas.

It is hard to single out a Portfolio element more central to working families than child care. Federal, state and local investments in this benefit not only enable adults to find and retain stable employment, but quality care builds the foundation for the next generation workforce.

Medical

For most low- and many moderate-income families, health security represents an especially difficult challenge. Low-wage jobs often do not provide health insurance protection—in 1999 only 16 percent of Americans below poverty were covered by employer-sponsored insurance. Employer coverage grew to 36 percent for persons from 100 to 149 percent of poverty and 51% for persons between 150 and 199 percent of poverty, compared to 80 percent of Americans above 200 percent of poverty (Fronstin, 2000). Some employer-supported insurance plans may require higher employee premium shares, co-payments, and deductibles than low-income workers can afford (Tenny & Zahradnik, 2001). Although Medicaid and the Children's Health Insurance Program (CHIP) together offer health coverage for children in families earning up to 200 percent of the federal poverty threshold, publicly-funded health insurance coverage in Texas excludes most parents, except those in the very lowest-income families near the threshold for receiving TANF cash assistance. A working single parent of two children must have income below 32 percent of poverty to qualify for Texas Medicaid, so the program thus does not cover the majority of working poor parents, let alone parents in near-poor families. With limited public options available, working families without employer-sponsored health insurance are exposed to severe medical risk, with potentially devastating economic results.

Recent policy changes at the federal level now permit states to expand Medicaid coverage to low-income working parents formerly ineligible for this support. In at least 17 states, parents in families with income below the official poverty threshold now can receive Medicaid benefits, and 10 of these states extend coverage well above the poverty line (Guyer, 2001). The extension of Medicaid protection to low-income working parents would encourage working families' economic security in more than one important way. To guarantee low-income working parents the same access to health care as parents who collect welfare would enhance the viability of employment in the low-wage job market, reduce absenteeism, and improve job retention. It would insulate working families from the disastrous financial consequences of major medical emergencies and long-term serious illness.

The medical component of the Family Security Index is often the most volatile. If a working family has access to employer-paid health coverage, or to the CHIP and Medicaid programs, the amount of income the family needs to receive directly through wages is dramatically reduced. If not, these costs can be budget breakers, forcing families into untenable tradeoffs with other household expenses. This portfolio item offers important roles for all levels of government—federal, state and local—as well as for the private sector. As described above, federal and state policies can expand the availability of health benefits to low-income workers. State and local efforts are essential to ensure that all families and children who are eligible actually receive benefits such as Medicaid and CHIP. Employers can examine their responsibility and capacity in offering health coverage options. Community-based efforts through hospital districts and clinics offer additional responses to families with health care needs. Positive developments in health care options are emerging. Recent attention to Texas' woeful rates of access to health insurance helped to usher in the CHIP program and improvements to Children's Medicaid—a good beginning.

Transportation

To find and keep jobs that will support their families at a basic level, workers in Texas must cope with formidable transportation challenges. As in many other parts of the country, Texas experiences a pervasive "spatial mismatch" because a growing majority of the entry-level jobs most accessible to low-income workers are located in outlying suburbs far from the central cities and rural communities where most low-income families live. Unless structured to accommodate reverse commuting, public transportation often does not represent a viable travel option for these workers. Inadequate off-hour public transit limits its usefulness for low-income employees who work non-standard schedules. Public transportation complicates travel for families who must stop at child care facilities or handle necessary family errands while traveling to and from work. And in most of the state's vast rural areas, public transportation is extremely limited. For these reasons, transportation by private vehicle is a virtual necessity for many working families in Texas, and evidence suggests an association between car ownership and the successful employment of former welfare clients and other low-income workers (Tenny & Zahradnik, 2001). The cost of car ownership and maintenance can represent a significant ongoing expense for low- and moderate-income working families, estimated in the Family Security Index at nearly $400 per month for households with two working adults.

States have experimented with various transportation supports targeted to low- and moderate-income families (Tenny & Zahradnik, 2001). Transportation assistance in the form of transit passes, reimbursements, vouchers, and cash payments can help families meet the cost of travel to and from work and for other necessary purposes. In some communities, alternative "paratransit" providers serve the transportation needs of specific populations, such as elderly or disabled persons, on an on-demand basis. Operated by public, non-profit, or for-profit interests, such paratransit systems could serve as models for transportation networks targeted to low-income workers in communities throughout Texas. Because travel by private vehicle remains the most practical transportation alternative in many Texas communities and is associated with positive employment-related outcomes, strategies to support car ownership can potentially contribute to a Family Security Portfolio in many parts of the state. Several states provide funds directly to help former welfare clients and other low-income workers purchase vehicles. Non-profit programs that solicit used car donations operate in many communities, including some in Texas. Typically, families that participate in these programs contribute toward the cost of vehicle purchase and maintenance. Several states, including Texas, also use TANF funds to support these programs.

Education, Training, and Employment Support

At times, working families desperately need the temporary housing, food, child care, medical, and transportation assistance that represent core elements of a Family Security Portfolio. But routine reliance on these supports ultimately limits low-income families' prospects for achievement. It contradicts the goal of genuine family security—eventual self-sufficiency at a level of income that can sustain a family's immediate needs and permit investment in its economic future. To accompany support for basic needs, a Family Security Portfolio should also contain the resources to help recent welfare clients and other low-income workers become more employable in jobs that pay adequately, provide reasonable benefits, and offer job stability and advancement opportunity.

Perhaps ironically, during an exceptionally robust economic climate in the years surrounding welfare reform, the number of jobs offering better pay, benefits, and prospects to low-skilled workers declined (Tenny & Zahradnik, 2001). Typically, welfare reform sought to move former clients into employment as rapidly as possible, often with little regard for the quality or potential of these jobs. As a result, many post-welfare workers earned too little to support their families while their employment-related costs increased and their means-tested work supports, such as Food Stamps and Medicaid, disappeared. Nationally, about a third returned to public assistance within two years (Tenny & Zahradnik, 2001).

In a number of states, innovative employment programs now feature more strategic career planning and ongoing job support (Tenny & Zahradnik, 2001). At both state and local levels, Texas could replicate many aspects of these programs to create a continuum of employment services imperative to long-term economic security for low- and moderate-income families. As a first priority, employment programs for low-income Texans should help clients find the best jobs they can potentially attain. To accomplish this goal, employment programs, especially those offered through Texas' 28 Local Workforce Development Boards (LWDBs) should guide clients as they explore occupational competencies and affinities and map out well-considered career plans. These programs should help workers set appropriate wage targets and locate jobs that offer higher pay and decent benefits. If necessary, they should offer client referrals to social service providers, including mental health and substance abuse professionals.

The second objective of an expanded employment assistance system involves ongoing case management for employed workers and their families. Case management services should first ensure that eligible families continue to receive transitional work supports including Food Stamps and Medicaid, and offer family financial management assistance. Clients should receive ongoing career counseling, mentoring, and skills training from their case management program. A complete follow-up program would also include immediate re-employment services for clients who lose their jobs. Finally, a comprehensive system of employment assistance should guarantee access to continuing education and training. Combinations of part-time work with career-driven educational activities should count toward the work requirement for clients transitioning out of welfare, and TANF funds should be made available to support occupationally relevant education and training.

Like other states, Texas has experienced a significant decline in its welfare caseload since the 1996 enactment of national welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). As in other states, most former clients in Texas find employment soon after leaving the welfare rolls. However, most of the jobs available to these new workers are located at or near the bottom of the wage distribution. Upon employment, former welfare recipients lose benefits at the same time their employment-related expenses, including child care and transportation to work, increase. Temporary earnings disregards, earnings supplements, and work expense allowances paid to former clients through the TANF system can allow new workers to retain some benefits and improve the odds that, through work, they can successfully sustain their families at an income level adequate to provide basic needs.

Fortunately, Texas is beginning to experiment with some of these approaches. While the state has followed the national trend toward a job placement-oriented workforce system, recognition of the low-wages being obtained by most participants is prompting adjustments to state and local policies and programs. Pilot projects involving comprehensive case management with concentrated job retention and advancement services are showing positive results. New legislation offers an incentive program for placing welfare recipients in higher-wage jobs.

However, these nascent efforts will be unsustainable if state funding trends are not reversed. Despite years of TANF surpluses, the per capita spending on employment services for welfare recipients has actually declined steadily over the last few years. Local Workforce Development Boards struggle to patch together funding for education and training initiatives and increases in unemployment levels will tax their capacity further. Another long-term challenge is not only to prepare workers for good jobs, but to ensure that good jobs actually exist. This will require a more deliberate linkage between economic development and workforce development efforts at both the state and local levels. Ultimately, family security is intricately linked to community economic security and both should be state priorities.

Making Family Security a Priority

The Family Security Index and the Family Security Portfolio offer a new framework for thinking about the challenges facing low-income working families and for creating a coordinated network of public and private efforts to make good on our common belief in the rewards of hard work. By highlighting the real costs for Texas' families, the Family Security Index can help community leaders recognize the struggles that their neighbors contend with on a daily basis, despite hard work and self-sacrifice. The Family Security Portfolio can help philanthropists and policy makers approach resource allocation in a new way, emphasizing the importance of filling the gaps left by low wages and the lack of employment-based benefits. Together they can help us move toward a time when those who play by the rules and work hard will truly achieve family security.

In America we view the willingness to work as the ticket to partake in our nation's bounty. The belief that all of us can earn that ticket is a motivating and animating factor in our economic prosperity and our social stability. If we are to keep open the door to prosperity for our nation, we can deny admission to no one. We must make good on the promise of opportunity and make family security a priority.

The Family Security Portfolio: A Monthly Scenario

The Family Security Index presents the most basic costs of living for various family types. The wage calculations show the income necessary to meet all of those expenses without public or private subsidies or benefits. Clearly, many families in Texas do not earn the income levels represented. This is where our concept of a Family Security Portfolio comes into play. When families do not make the wages necessary to meet their basic needs, an array of public, private and community supports will be required to ensure that families can live a basic, safe and secure existence.

The table below illustrates how the concept of a Family Security Portfolio might work. We start with a two-parent, two-child family residing in the Houston MSA. The FSI income level for this family is a combination of both adults' wages adding up to $20 per hour ($3,389 monthly, $40,669 annually). What if the family earned only a combined household wage of $15.50 per hour ($2,583 monthly, $31,000 annually)? For what subsidies or benefits might it be eligible? Can a "portfolio" of assistance help a family at this income level meet the Family Security Index threshold?

To complete this scenario we examined the public benefits for which this family might be eligible and used these calculations to offset the expenses of various budget items. It is important to note that many of these benefits are of very limited availability in Texas. For this exercise we assumed that families would actually receive all of the benefits for which they are eligible, but this is a best-case scenario. Additionally, we assumed that both adults receive employer-paid health coverage for themselves. This, too, is an optimistic assumption. Most low-income families do not receive employer-provided health insurance. Nonetheless, using these best-case scenarios shows just how a portfolio of subsidies and benefits could help in ensuring family security.

What we are unable to calculate here are any other community-level supports to which this family might be able to turn. Whether they are provided though city and county offices, churches or community-based organizations, local support services can fill critical gaps in a Family Security Portfolio. To the extent families are unable to receive the federal/state services and employer benefits illustrated here, community-level assistance may be the only option available, but these services are often limited as well.

Understanding the Table

The first set of figures on the left is the monthly expenses, taxes and tax credits for a two-adult, two-child household, taken from our FSI for Houston. The monthly income necessary to meet these expenses is $3,389. The next two columns show the subsidies or benefits a family making only $2,583 might receive, and their remaining out-of-pocket costs.

The notes to the right raise important considerations about each "portfolio" component. As the table shows, despite housing being one of the most expensive budget items, the family will probably not receive any significant assistance in meeting this need. The potential public and private benefits for child care and medical care are the portfolio components that allow the family's total resources (wages and subsidies) to approach a family security threshold. If their employers did not provide health insurance or the family was on the long wait-list for subsidized child care, the parents would face daily tradeoffs that would soon become untenable.

This table provides a glimpse into the concept of a Family Security Portfolio. It also illustrates just how incomplete this portfolio currently is in Texas. Building a reasonable portfolio of public, private and community supports to ensure family security will take this kind of careful examination and a focused response to filling the gaps that exist.

The Family Security Portfolio: A Monthly Scenario
Two working parents and two children residing in Houston MSA

Family Security Index

Household wage is $3,389 monthly—combined wages from two adults equal $20 per hour ($40,669 in annual income, which is 233% of the federal poverty level).

Family Security Portfolio

Public and private subsidies or benefits and remaining costs for a family earning $2,583 monthly, based on each adult working full time at $7.75 per hour ($31,000 in annual income, which is 178% of the federal poverty level).

Expenses		Public or Private Subsidy	Remaining cost to family	Description
Housing	**$684**	**$48**	**$636**	Not eligible for Section 8 or Public Housing. Eligible for the Affordable Housing Disposition Program, but few properties are available (only 41 in Houston).
Food	**$418**		**$418**	Not eligible for Food Stamps; might be eligible for the Women, Infants and Children (WIC) program if nutritional needs are identified, could seek emergency aid through a local food pantry.
Child Care	**$606**	**$322**	**$284**	Eligible for subsidized child care, with a co-pay, but waiting lists are very long (41,000 statewide).
Medical	**$652**	**$591**	**$61**	Subsidy includes Children's Health Insurance Program for the two children (valued at $173) and employer-paid insurance for the adults ($209 each).
Transportation	**$376**		**$376**	No specific public or private assistance; some community organizations offer emergency transportation assistance.
Other Necessities	**$321**		**$321**	No specific public or private assistance; might be eligible for emergency assistance through community organizations.
Subsidies/Benefits		**$961**		If the family received every subsidy or benefit for which it qualified ***and*** their employers provided health coverage, this would be the total value.
Monthly Expenses	**$3,057**		**2,096**	
Federal Taxes				
Payroll Tax	**$234**		**$198**	While income taxes are reduced by more than $106, payroll taxes only decline by $36. Also, at this wage level the household is just barely eligible for the Earned Income Tax Credit (EITC)—about $2 monthly or $27 for the year. The child tax credit remains the same and at this income level, the household's co-pay for child care still makes it eligible for the child & dependent care credit.
Income Tax	**$262**		**$156**	
Earned Income Tax Credit	**$0**		**($2)**	
Child Tax Credit	**($83)**		**($83)**	
Child & Dependent Care Credit	**($80)**		**($59)**	
Tax Payments and Credits	**$332**		**$209**	
After-Tax Income	**$3,389**		**$2,374**	
Subsidies/Benefits			**$961**	
Total Resources (Income & Subsidies)	**$3,389**		**$3,335**	$2,583 in wages minus $209 in net taxes paid plus $961 in subsidies/benefits=$3,335
Balance			**$278**	Receiving ***all*** available public and private assistance leaves this family with $278 per month above basic expenses ($3,057), allowing it to save or pay for some of the many expenses not included in the FSI. However, losing health care or child care benefits would throw this family below the FSI threshold.

References and Data Sources

Bernstein, J., C. Brocht, and M. Spade-Aguilar (2000). *How Much Is Enough? Basic Family Budgets for Working Families*. Washington, D.C.: Economic Policy Institute.

Boushey, H., C. Brocht, B. Gundersen, and J. Bernstein (2001). *Hardships in America: The Real Story of Working Families*. Washington, D.C.: Economic Policy Institute.

Center for Public Policy Priorities (1999). *Working But Poor: A Study of the Forgotten Texans Who Work Hard and Yet Remain in Poverty*. Austin, TX: CPPP.

Citro, C. and R. Michael (1995). *Measuring Poverty: A New Approach*. Washington, D.C.: National Academy Press.

Fronstin, Paul (2000). *Issue Brief. Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2000 Current Population Survey*. Washington, D.C.: Employee Benefits Research Institute.

Guyer, Jocelyn (2001). *Congress has a $28 Billion Opportunity to Expand Coverage for Low-Income Working Families with Children*. Washington, D.C.: Center on Budget and Policy Priorities.

Mishel, L., J. Bernstein, and J. Schmitt (2001). *The State of Working America 2000/2001*. Ithaca, NY: ILR Press.

Schulman, K. (2000). *The High Cost of Child Care Puts Quality Care Out of Reach For Many Families*. Washington, D.C.: Children's Defense Fund.

Schumacher, R. and M. Greenberg (2000). *Child Care After Leaving Welfare: Early Evidence from State Studies*. Washington, D.C.: Center for Law and Social Policy.

US Census Bureau (2001). *Profile of General Demographic Characteristics*, Census 2000.

US Census Bureau (2001). *Small Area Income and Poverty Estimates*, 1997.

US Department of Agriculture (2001, July). *Thrifty Food Plan*, July 2001.

US Department of Labor, Bureau of Labor Statistics (2000). *Consumer Expenditure Survey*, 1998-1999.

US Department of Labor, Bureau of Labor Statistics (2000). *Occupational Employment Statistics*, 1999.

US Deaprtment of Health and Human Services, Administration for Children and Families (1999). *Access to Child Care for Low-Income Working Families*. Washington, D.C.: US Department of Health and Human Services.

US Department of Housing and Urban Development (2001). *Fair Market Rents*, 2001.

US Department of Transportation, Federal Highway Administration (1995). *National Personal Transportation Survey*, 1995.

Tenny, D., and B. Zahradnik (2001). *The Poverty Despite Work Handbook: Data and Guidelines for Preparing a Report on the Working Poor in Each State*. Washington, D.C.: Center on Budget and Policy Priorities.

Texas Association of Child Care Resource and Referral Agencies (1999). *1999 Texas Child Care Portfolio*.

Texas Employees Retirement System (2001). *Health Premium Cost to Full-Time Employees*, 2001-2002.

Texas Office of the Comptroller of Public Accounts (2001, January). *Tax Exemptions and Tax Incidence*.