



# BARE BONES BUDGETS

*“Measuring the minimum income needed for the bare necessities of families in New Mexico.”*

## A COLLABORATIVE RESEARCH PROJECT, 2003

Sherri L. Alderman, M.D., M.P.H., Kelly O'Donnell, Ph.D., and Kay Monaco, J.D.  
New Mexico Voices for Children

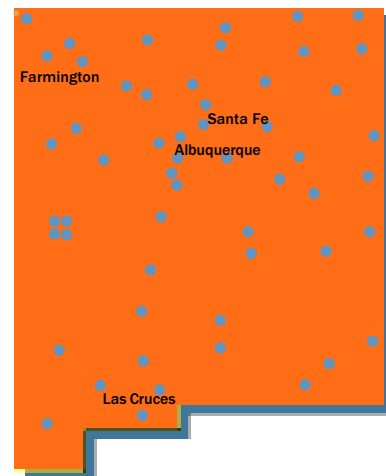
### **Summary**

What does it really cost to raise a family in New Mexico? That depends on your family and where you live.

And what are the basic necessities – *the bare bones* – for a family?

The **Bare Bones Budget** identifies the extreme minimum annual income needed for each of 4 representative family types in 52 communities. Every county in New Mexico is represented in the survey (see map).

It's important to have an accurate measure of what the bare necessities are and what they cost a family because this defines poverty-level income. Assistance funds and entitlement programs are linked to income. Yet the historical definition of poverty income, the Federal Poverty Threshold, is an out-dated and inaccurate measure (see page 2).



52 Communities were Surveyed Statewide

The **Bare Bones Budget** research shows that the cost of providing the basic necessities of a family far exceeds the federal definition of the income associated with poverty. Thus we now know what the actual income (both through earned income and subsidies) for a family must be. The **Bare Bones Budget** research shows that low-income families in NM have budgetary needs of anywhere from 136% to 247% of the Federal Poverty Level just to meet this new “bare bones” income definition of poverty (see page 7).

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## Why Is an Accurate Measure of Poverty Important?

We need an accurate definition of poverty – based on income levels for various family configurations – in order to know how to craft policies that will really alleviate poverty. Currently, the “Federal Poverty Threshold,” a measure developed in 1963, sets financial income levels defining poverty that are artificially low, thereby underestimating poverty. In turn, the “Federal Poverty Level” is based on the Federal Poverty Threshold and is used to determine eligibility for assistance programs, which means that fewer people receive benefits than need them.

Many people are working hard and wondering why they just can’t make ends meet. By having a more accurate definition of poverty-level incomes, we can see more clearly how many of our citizens are struggling. The necessary elements of their budgets (food, housing, child care, health care, transportation) are being juggled and hard choices are being made, which impact the well-being of the family. The **Bare Bones Budget** research allows families and policy makers to see that expenses for the necessities are still above incomes for many families, in spite of hard work.

## How Does the Bare Bones Budget Redefine “Poverty”?

The **Bare Bones Budget**, an expenditure-based measure, reflects current minimum economic costs defined for a geographic community and relevant to specific family types. *Therefore, the Bare Bones Budget survey establishes a new baseline, and provides an accurate definition of poverty in New Mexico.*

The **Bare Bones Budget** research uses:

- More data specific to communities rather than state or national figures.
- Budget expenditures adjusted for the family composition (gender and age specific) in each community.



The **Federal Poverty Threshold (FPT)**, based on the “Thrifty Food Plan” by the U.S. Dept. of Agriculture, is commonly used as a poverty measure.

The FPT is considered by many to be obsolete. Limitations of this definition of poverty include:

- It was created in 1963 and was based on food expenditures (then the largest family expense), and is no longer valid.
- It has not been adjusted for changes in standards of living (such as telephones and child care, which are now considered necessities). It has been adjusted only for inflation.
- It is not geographically specific and is not applicable to elderly, poor or rural residents.

## Poverty in New Mexico...

Poverty can be defined as the lack of basic necessities and inability to function economically in society at a basic level. New Mexico has:

- The highest child poverty rate in U.S; nearly 25% of our children are living in poverty.
- An average income that is 74.4% of the national average
- Higher than average unemployment rates
- One of the highest rates of uninsured in the country
- The highest rate of food insecurity and the third highest rate of hunger in the nation

## ...and its Consequences

- Lack of health insurance/health care
- No access to quality child care
- Doing without necessities and /or making choices between needs
- Hunger and food insecurity, unhealthy diets; high rates of childhood obesity and diabetes
- Crowded or substandard housing, or homelessness
- High teen pregnancy rates
- Poor educational achievement and high school drop-out rates
- Disengagement from family and society; higher substance abuse and crime rates

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## What does the BBB Measure?

The Bare Bones Budgets include only those expenses that everyone would reasonably agree upon as part of a household budget: the very basic items commonly considered necessary for family survival. A Bare Bones Budget does not provide for all of the expenses families have (see what is not included, below); it only gives us a more accurate definition of poverty-level incomes.

Family expenditure categories included:

1. Housing (including rent, utilities, phone); 1 or 2 bedrooms, depending on family size
2. Food (NM version of USDA Low-Cost Food Plan)
3. Transportation (10-year-old vehicle, gas, basic maintenance, insurance, minor repairs)
4. Clothing (basics for each family member; replacements only for adults)
5. Health Care (private insurance, co-pays for routine visits only, hospitalization, Medicare out-of-pocket for elders, routine annual dental visits with no fillings)
6. Child Care (paid care for families with children, except grandparents are assumed to be retired and caring for the grandchild)
7. Miscellaneous (personal items, cleaning supplies, first aid, infant car seat & crib, laundry costs, etc.)
8. Taxes (state and local sales taxes, excise and vehicle taxes, FICA, and state/federal income taxes when applicable)

**How were these family expenditures measured?** Unlike most poverty research, much of the Bare Bones Budget survey data was collected on a local level. For example, researchers went to local grocery stores in New Mexico to write down the actual prices of the standard shopping list. Community-level data was collected for food, rent, utilities, some of the transportation costs, health insurance and hospital costs, child care and some miscellaneous expenses. State or federal data were used for phone costs, some of the transportation costs (such as insurance), clothing (from a major discount store found in most communities), Medicare, some of the miscellaneous expenses, and for taxes.

## Just how “Bare Bones” are these Budgets?

### Assumptions

- These families are not receiving any subsidies such as food stamps, child care or housing, nor employer benefits such as health insurance. The only subsidy included was Medicare for the elderly.
- Everyone in the household is in good health; there are no expenses for chronic or acute illnesses and no medications of any kind are needed except for the elderly.
- Health insurance estimates are based on the assumption that there are no smokers in the household (whereas, in reality, 25% of New Mexicans smoke).
- Individuals are assumed to have good credit, with existing utility/phone connections.
- The single vehicle is assumed to be 10 years old when purchased (used) in Albuquerque.
- There are no other factors that could impede or make more costly full socio-economic functioning. For example, it assumed that no one has a disability, that no criminal record exists, that there isn't even a traffic ticket (which would cause the automobile insurance to be more costly).

### What's not included?

- No recreation: no videos, movies, vacations or trips to the state fair, etc.
- No school supplies, uniforms, athletic equipment
- No business or social/recreational travel
- No dental care other than cleaning, routine x-rays and fluoride treatment (no fillings or other care)
- No eye exams or eyeglasses
- No alcohol and no tobacco
- No meals eaten outside of the home
- No pets or pet expenses
- No tune-ups or tires for the 10-year-old vehicle
- No credit card payments
- No savings
- No pensions or retirement accounts
- No legal fees or resolution expenses
- No behavioral health care
- No expenses related to emergencies or traumatic events of any kind
- No birthday or holiday gifts

# Our Bare Bones Families

## Family Composition Design

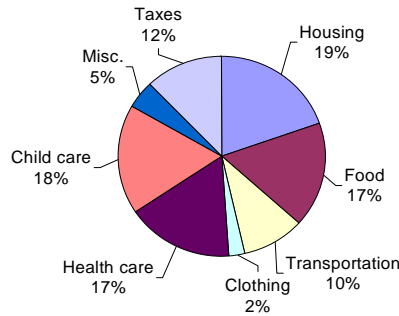
Four hypothetical, representative family configurations are used in these analyses

Pie charts reflect statewide averages.

### Mother, Father, Child, Infant



Father, Mother, infant, school age child (\$30,777)



In the hypothetical 4-person family for the Bare Bones study, it was assumed that both parents are 30-35 years old and that they both work full time (52 weeks per year). Housing is assumed to be a two-bedroom rental and the one car, which they share, is 10 years old. The older child is assumed to be 6-8 years old, attending school, and needing child care only after school. The infant, assumed to have been breast fed for the first 6 months (thereby requiring a reduced food allotment), is in child care full-time.

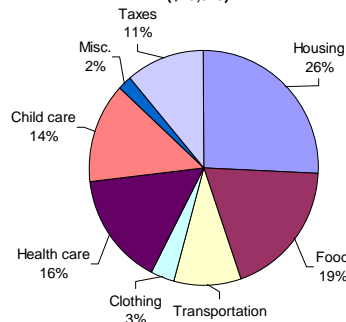
Married couples with one or more children account for 32% of households in New Mexico.

### Mother, 2 Children

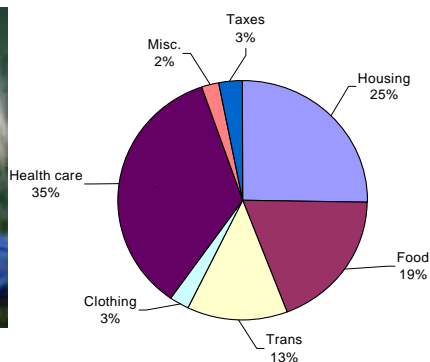
The second hypothetical BBB family is a single mother with two school-age children (6-8 years and 9-11 years). The mother is assumed to be 30-35 years old, working full-time year-round, and driving a 10 year old car. The children are assumed to be in school and in half-day child care, and the family lives in a two-bedroom rental.

Single mothers with 1 or more children make up 13% of family households in New Mexico.

Mother + 2 School age children (\$23,319)



Grandparents, 1 grandchild family type (\$23,825)



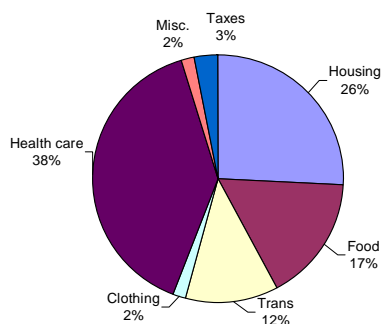
### Grandparents raising a Child

The third family type for this study lives in a two-bedroom rental and shares one older car. It is assumed that the grandparents are 65 years old, retired, and on Medicare. The child is assumed to be 6-8 years old, in school, with child care provided without cost by the grandparents.

### Retired Couple

For the purposes of this study, the fourth family type was assumed to be a man and woman, each 65 years old, who are receiving Medicare. They are assumed to be sharing one car and living in a one-bedroom rental.

Retired couple family type (18,883)



## How Do New Mexico Communities Compare?

Comparing Expenditures for the Mother, Father, Infant and Child Family Configuration  
(statewide rankings of 3 major costs for this family type by community)

Community <small>(alpha list of 52 communities)</small>	Housing Costs Ranking <sup>1</sup>	Food Costs Ranking <sup>1</sup>	Child Care Ranking <sup>1</sup>
Alamogordo	21	11	18
Albuquerque	5	34	7
Anthony	20	25	32
Artesia	21	23	9
Belen	7	29	n/a
Bloomfield	16	30	1
Carlsbad	21	38	31
Carrizozo	14	16	13
Chama	19	28	n/a
Clayton	21	6	34
Clovis	15	20	23
Crownpoint	12	4	35
Cuba	23	8	n/a
Datil	21	12	n/a
Deming	13	37	28
Des Moines	21	7	n/a
Espanola	19	28	27
Farmington	16	30	11
Fort Sumner	21	27	14
Gallup	12	17	5
Glenwood	21	10	n/a
Grants	21	36	19
Hatch	22	32	n/a
Hobbs	21	26	33
Las Cruces	11	24	8
Las Vegas	18	15	26
Lordsburg	21	19	24
Los Alamos	3	1	n/a
Los Lunas	6	5	4
Moriarty	21	3	12
Portales	21	18	21
Quemado	21	14	n/a
Questa	4	9	30
Raton	21	7	n/a
Reserve	21	10	20
Rio Rancho	1	33	2
Roswell	17	2	29
Roy	21	15	n/a
Ruidoso	14	21	n/a
Santa Fe	2	22	6
Santa Rosa	21	35	25
Shiprock	16	30	n/a
Silver City	8	13	22
Socorro	21	12	n/a
Springer	21	7	n/a
Taos	4	9	3
To'hajiilee	10	34	n/a
Truth or Consequences	21	31	15
Tucumcari	9	35	n/a
Tularosa	21	21	10
Vaughn	21	35	n/a
Wagon Mound	21	15	n/a

Surprisingly, the BBB shows that for a given family type, the expense for the same commodity can vary widely among the 52 communities surveyed. Expenses for the 4-person household (mother, father, child, infant) are shown here and, for example, the housing expense for this family type was most expensive in Rio Rancho (\$982/month), was average in To'hajiilee (\$473/month), and least expensive in Cuba (\$277/month). They are ranked #1, #10, and #23 respectively. Food for this family was most expensive in Los Alamos (\$656/month) and least expensive in Carlsbad. Child care, a major expense for families with children, ranked most expensive in Bloomfield, then Rio Rancho and Taos, with Clovis having the lowest rates (among the 35 communities where we collected local child care cost data).

The full BBB study includes the actual projected expenses and ranking for each commodity in each community for each family type. See the back page of this report for how to receive a copy of the complete research.

Average annual costs: (Family of 4)	Housing: \$6,074	Food: \$5,171	Child Care: \$5,589
As % of Budget:	19%	17%	18%

<sup>1</sup>Rankings are highest to lowest cost with #1 as highest. Where two or more communities have the same cost, they are given the same ranking.

## What are the Annual Budgets of Families by Community and How Much Do the Workers Need to Earn?

Comparing Incomes Needed\* by Family Type Across Communities

Community	Family Type					
	Mother, Father, Infant, Child		Single Mother with Two Children		Grandparents and Child	Retired Couple
	Adjusted Bare Bones Budget <sup>1</sup>	Combined Hourly Wages Needed <sup>2</sup>	Adjusted Bare Bones Budget <sup>1</sup>	Hourly Wage Needed <sup>2</sup>	Adjusted Bare Bones Budget <sup>1</sup>	Adjusted Bare Bones Budget <sup>1</sup>
Alamogordo	\$28,653	\$14	\$20,472	\$10	\$23,348	\$18,264
Albuquerque	\$33,171	\$16	\$24,340	\$12	\$25,347	\$20,266
Anthony	\$28,428	\$14	\$19,011	\$9	\$22,807	\$17,963
Artesia	\$25,477	\$12	\$17,253	\$8	\$23,018	\$18,133
Belen	\$29,209	\$14	\$19,941	\$10	\$23,469	\$18,448
Bloomfield	\$37,763	\$18	\$20,017	\$10	\$22,857	\$18,192
Carlsbad	\$24,274	\$12	\$16,904	\$8	\$22,251	\$17,598
Carrizozo	\$29,354	\$14	\$21,387	\$10	\$23,622	\$18,406
Chama	\$28,342	\$14	\$19,185	\$9	\$22,911	\$18,138
Clayton	\$26,746	\$13	\$19,203	\$9	\$23,813	\$18,869
Clovis	\$27,750	\$13	\$19,611	\$9	\$23,120	\$18,085
Crownpoint	\$26,612	\$13	\$19,610	\$9	\$24,891	\$19,340
Cuba	\$26,624	\$13	\$18,016	\$9	\$22,348	\$17,662
Datil	\$28,389	\$14	\$19,785	\$10	\$23,272	\$18,418
Deming	\$25,902	\$12	\$17,596	\$8	\$22,489	\$17,746
Des Moines	\$27,171	\$13	\$19,508	\$9	\$24,097	\$19,128
Espanola	\$27,093	\$13	\$19,151	\$9	\$22,935	\$18,230
Farmington	\$28,750	\$14	\$20,618	\$10	\$22,869	\$18,212
Fort Sumner	\$28,008	\$13	\$18,703	\$9	\$22,327	\$17,669
Gallup	\$32,675	\$16	\$24,550	\$12	\$23,937	\$18,804
Glenwood	\$28,923	\$14	\$20,510	\$10	\$23,856	\$18,782
Grants	\$26,380	\$13	\$17,989	\$9	\$22,294	\$17,630
Hatch	\$26,640	\$13	\$17,640	\$8	\$21,427	\$16,915
Hobbs	\$24,663	\$12	\$17,306	\$8	\$22,634	\$17,921
Las Cruces	\$30,731	\$15	\$21,963	\$11	\$23,210	\$18,684
Las Vegas	\$27,870	\$13	\$19,817	\$10	\$23,124	\$17,839
Lordsburg	\$27,274	\$13	\$18,298	\$9	\$22,837	\$17,988
Los Alamos	\$44,356	\$21	\$35,466	\$17	\$30,422	\$23,615
Los Lunas	\$37,753	\$18	\$29,207	\$14	\$26,555	\$20,708
Moriarty	\$31,556	\$15	\$23,067	\$11	\$24,562	\$19,394
Portales	\$27,436	\$13	\$18,815	\$9	\$23,010	\$18,116
Quemado	\$28,701	\$14	\$20,415	\$10	\$23,271	\$18,391
Questa	\$31,942	\$15	\$25,020	\$12	\$26,570	\$20,319
Raton	\$30,857	\$15	\$22,094	\$11	\$24,211	\$19,042
Reserve	\$26,329	\$13	\$18,687	\$9	\$23,810	\$18,746
Rio Rancho	\$44,629	\$21	\$31,830	\$15	\$29,544	\$23,512
Roswell	\$30,285	\$15	\$21,841	\$11	\$25,298	\$19,631
Roy	\$25,412	\$12	\$18,289	\$9	\$22,828	\$18,205
Ruidoso	\$22,678	\$11	\$20,574	\$10	\$23,205	\$18,195
Santa Fe	\$37,376	\$18	\$28,306	\$14	\$27,117	\$21,650
Santa Rosa	\$26,367	\$13	\$18,195	\$9	\$22,223	\$17,392
Shiprock	\$27,617	\$13	\$19,034	\$9	\$22,816	\$18,170
Silver City	\$29,656	\$14	\$20,367	\$10	\$24,328	\$19,113
Socorro	\$28,730	\$14	\$18,786	\$9	\$23,015	\$18,128
Springer	\$30,522	\$15	\$21,358	\$10	\$24,211	\$19,042
Taos	\$36,540	\$18	\$27,521	\$13	\$26,455	\$20,258
To'hajiilee	\$24,449	\$12	\$17,694	\$9	\$23,163	\$18,405
Truth or Consequences	\$27,687	\$13	\$19,222	\$9	\$22,404	\$17,670
Tucumcari	\$36,984	\$18	\$17,894	\$9	\$23,222	\$18,698
Tularosa	\$29,048	\$14	\$21,706	\$10	\$22,857	\$17,917
Vaughn	\$23,987	\$12	\$18,548	\$9	\$22,207	\$17,395
Wagon Mound	\$25,448	\$12	\$18,329	\$9	\$23,146	\$18,120

\* Income needed to cover items listed on page 3 and assuming all adults (other than grandparents and retired couple) are working full-time 52 weeks/year.

<sup>1</sup> Adjusted Annual Bare Bones Budget is the annual income needed for expenditures (Bare Bones Budget) minus applicable federal and state taxes or credits.

<sup>2</sup> The hourly wage is calculated by dividing the annual adjusted income needed by 2080 hours (52 weeks, 40 hrs/wk).

Family Type	Mother, Father, Child, Infant	Single Mother with Two Children	Grandparents with Child	Retired Couple
Statewide Average Adjusted Bare Bones Budget	\$29,408	\$20,782	\$23,761	\$18,715
Federal Poverty Level (FPL) for this Family	\$18,100	\$15,020	\$15,020	\$11,940
Statewide Adjusted BBB as % of FPL	162%	138%	158%	157%

The Adjusted Bare Bones Budgets, calculated by adding the necessary expenses and taxes and subtracting applicable tax credits, show that the Federal Poverty Level (FPL) grossly underestimates what a family needs to survive in New Mexico. Depending on family configuration and geographic location, families in NM actually need from 136% to 247% of the FPL to cover the basics.

For example, the Federal Poverty Level for a family of four is \$18,100 a year, yet the true costs of supporting this family with the basics in NM averages \$29,408 annually. This amounts to 62% more than the FPL. Similarly, a single mom with two children needs to earn much more per hour than the FPL estimates: \$10.00 (\$20,782/2080 hours) rather than \$7.22 (\$15,020/2080 hours). To state this differently, at minimum wage (\$5.15/hr) she would need to work 78 hours a week.

## Bridging the Gaps

Major gaps exist between what families make in income and what they need. Some families get some federal and state assistance; others receive little or none. There are additional gaps caused by all those expenses commonly faced by families but not covered by the Bare Bone Budgets (see page 3 for the list).

The Bare Bones Budget (BBB) research shows why many NM families, working hard and living frugally, are still not making ends meet. And yet they may not be considered officially poor by federal standards. They still lack sufficient income and resources to meet their basic needs without government or private subsidies. They simply do not have enough to make it work for their families if their income is below the BBB level. This refutes the popular notion that getting a job – any job – is the sole solution to the economic problems of the poor, including those leaving Temporary Assistance to Needy Families (TANF, formerly known as welfare).

To cover the gaps, workers in New Mexico need to earn even more than the BBB figures indicate or they need assistance (such as food stamps or housing subsidies) to make ends meet. Some examples of how people bridge the income gap include:

- Working two jobs
- Living in substandard/crowded housing
- Doing without basics and/or making choices among needs
- Using credit and carrying debt
- Receiving help from family members and friends
- Bartering and/or working “under the table”

The overall result is that families live with insecurity, dependence, stress and deprivation.



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## What is the significance of this research for New Mexico?

The Bare Bones Budgets show us that the bare minimum income for families in NM – poverty – is actually 136% to 247% of the commonly used Federal Poverty Level measure. This means that the number of families considered to be in poverty is seriously underestimated.

As a state, it would benefit all of us to take another look at how we can reduce poverty. When families don't make enough, the difference comes as consequences for the families themselves in the lack of basic necessities, such as health care or food. The expenses that strain the financial resources of low-income families – the “budget busters” – are actually essential monthly costs: food, housing, child care and health care. Additional expenses, things most of us consider normal, such as car repairs, prescriptions, travel to a family funeral, a minor legal expense, even the slightest traumatic event, can send a bare bones budget into ruin.

How can the gap between what a family needs and what they actually earn be addressed? Part of the answer is to reduce expenses and increase income.

Some ways to increase income and assets:

- increase wages (through economic development, pay equity, etc.)
- encourage and support microenterprise development
- invest in workforce development and job training
- support Individual Development Accounts, a savings plan used for home purchase, higher education, business start-up

Some ways to reduce expenses:

- increase affordable housing
- provide health insurance
- increase affordable, quality child care

Ultimately, poverty impacts us all. Living in a state with high rates of poverty means we have fewer resources spread too thinly: there is not enough for schools, recreational facilities, road maintenance and many other services we all use. Quality of life is impacted. Similarly, when families fail to thrive in their jobs, schools and communities, the stress they experience impacts their lives and they may need to depend on subsidies. Those subsidies, in turn, draw from state and federal funds that might otherwise be used for education, workforce training, economic development and other purposes which could improve the economics of the state as a whole.

### The Bare Bones Budget Report, Spring 2003

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