

Basic Family Budgets

Economic Policy Institute

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Definition of a 'Family'

- Family budgets with six configurations: 1 and 2 parents; 1, 2, and 3 children
- 1-parent household: head of household is employed, lives with children and files as HH for federal income tax purposes;
- 2-parent household: both parents are employed, live together with their children;

Definition of a 'Family' (continued)

- Families with 1 child: child is four years old
- Families with 2 children: 1 child is eight years old and 1 child is four years old;
- Families with 3 children: 1 child is 12 years old (teenager), 1 child is eight, 1 child is four;
- Budget generated by the EPI is for a safe and comfortable but modest standard of living for each family configuration.





Components of the 2008 EPI Basic Family Budgets (BFB)

- Rent
- Food
- Childcare
- Transportation
- Health Care
- Taxes
- Other Necessities



Rent Component of BFB

- Source: US Department of Housing and Urban Development
- Fair Market Rents (FMR) available from HUD User
- FMR: 'privately owned, decent, safe rental housing of a modest (non-luxury) nature with suitable amenities
- FMR: gross rent estimate including water, gas and sewer service
- FMR: 40th percentile of county-level rental market prices – 60 percent above and 40 percent below



Rent Component of BFB (con'd)

- Families with one or two children: HUD FMR for a 2-bedroom unit
- Families with three children: HUD FMR for a 3-bedroom unit
- All counties not in MSAs or Housing Market Fair Market Rent Areas (HMFAs) are considered 'rural' with rents the average of rental prices in the rural counties weighted by the 2007 Census Intercensal Population estimate



Food Component of the BFB

- Source: Center for Nutrition Policy and Promotion: US Department of Agriculture
- USDA costs out four types of food plans: Thrifty Plan; Low-Cost Plan; Moderate-Cost Plan; and Liberal Food Plan
- EPI BFB uses the USDA Low-Cost Plan
- Low Cost Plan: all food bought at a grocery store and prepared at home
- Food cost calculations vary by size of family and not by geographic area
- Prices of raw, unprepared food vary little over geographic areas, so EPI lets food costs vary by family size only



Childcare Component of BFB

- Source: Children's Defense Fund report and update calculations by Economic Policy Institute
- Childcare costs based on CDF's 2000 report called 'The High Cost of Health Care Puts Quality Care above Reach for Many Families'
- CDF reports has childcare center costs for urban areas and child care center costs for rural areas
- New Mexico: Urban costs are used for both urban and rural areas because of data limitations in the CDF report



Transportation Component of BFB

- Source: US Dept. of Transportation National Household Travel Survey (NHTS); Internal Revenue Service (IRS)
- NHTS breaks down travel patterns by five MSA sizes and areas not considered an MSA (called Rural) for six categories
- EPI calculates transportation costs for 1- and 2-parent families
- EPI calculates the number of miles traveled per person per MSA category for work and non-social trips from the NHTS
- The IRS cents per mile estimate is then applied to the miles traveled estimates this was \$0.505 per mile in 2008



Health Care Component of BFB

- Sources: Current Population Survey-Annual Social and Economic Supplement (CPS-ASEC); US Dept. of Health and Human Services-Medical Expenditure Panel Survey; E-Healthinsurance website
- Weights for each component are from the CPS-ASEC
- Employer-sponsored health care premiums – from Medical Expenditure Panel Survey (MEPS)
- Medicaid – no premium from the family
- Non-group premiums –from E-Healthinsurance site
- Out-of-pocket costs – derived from the MEPS



Taxes Component of BFB

- Source: Citizens for Tax Justice computes taxes paid for the tax year 2008
- Taxes include: federal personal income taxes; federal Social Security and Medicare payroll taxes (direct worker contributions only) and state income taxes;
- State sales and property taxes are not included in this section: sales taxes are included in the cost of other necessities and property taxes are included in the cost of housing
- Taxpayer family types are: married couples with one, two or three children filing jointly for federal income taxes and single parent with one, two and three children filing federally as head of household
- Assumptions: all income is from wages; no adults are elderly; all families are renters and all couples have two wage-earners (with one earner making two thirds of total wages)
- Included: federal tax credits for children i.e. the Earned Income Tax Credit (refundable); the per child tax credit (often refundable); and the dependent care tax credit (non-refundable)
- Families with two earners are assumed to have dependent care expenses of \$3,000 for one child and \$6,000 for two children
- State credits for children are also included (like New Mexico's Working Families Tax Credit)



'Other Necessities' Component of BFB

- Source: US Bureau of Labor Statistics-Consumer Expenditure Survey (CES)
- Items under necessities include: apparel, entertainment, personal care products and services, reading, education, and miscellaneous
- 24 percent of the cost of food and housing from the CES in 2006 – this percentage is used for 2008 as well



Note on Population Weights

- 2004 edition of the Basic Family Budget used the 2000 Decennial Census for all population weights
- 2008 edition updates weights using the 2007 intercensal population estimates
- Rent and transportation components use these weights extensively

