



## 30% OF U.S. WORKING FAMILIES WITH CHILDREN EARN LESS THAN THE COST OF A DECENT, NO-FRILLS LIVING STANDARD

Online family budget calculator tallies the cost of the essentials, by family size, in more than 600 cities, towns and rural areas nationwide

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With income on the decline, unemployment rising, and experts predicting a potentially long dry spell for the economy, people are understandably worried about how they can make ends meet. A newly updated online tool gives families an important reality check for evaluating where they stand now as the first step toward understanding and balancing their own family's income and expenditures.

The Economic Policy Institute's online [Family Budget Calculator](#) includes data on the cost of the essentials for families of various sizes wherever they may live across the country. This 2008 update has been expanded to include data for more than 600 locations, including cities, towns, and rural areas in all 50 states and the District of Columbia. The calculator is accompanied by two papers, released today, that give an overview of family budget trends and describe the kinds and sources of costs covered and the reasoning behind their inclusion.

The overview paper, "[What We Need to Get By](#)," notes that for a two-parent, two-child family, meeting the basic family budget requires, on average, pre-tax income of \$48,778. Nationwide, about three out of every ten families earn less income than is required in their area to meet the basic needs of their family. Three times as many families are below the basic family budget line as fall below the official poverty line.

"If we judge our economy's health by looking at benchmarks like the stock market or GDP, we learn little about the basic needs of working families," said EPI senior economist Jared Bernstein. "The family budgets fill that gap, providing a window that enables us to see whether working families with kids have the income they need to get by."

In major urban areas the requirements for the two-parent, two-child family span a nearly \$30,000 range – from the low of \$42,106 in Oklahoma City to \$71,913 in the New York City suburbs of Nassau and Suffolk Counties, followed closely by Boston (\$68,908) and New York City (\$68,758), and by San Francisco (\$60,826).

For a non-urban two-parent family of four, the pre-tax income needed ranges from \$35,733 in Marshall County, Mississippi, to a nationwide high of \$73,345 in Nantucket and Dukes Counties, Massachusetts.

Much of the regional variation in basic costs reflects price differences in housing, health care, and child care. Housing prices, however, make up the lion's share of the differential. Housing costs in Flint, Michigan, for example, consume about one fifth of the \$39,539 basic family budget for two parents/two children; in San Francisco,

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housing's share for a family of the same size is about one-third of a basic family budget that is the fourth highest among urban areas.

Some kinds of families run a higher risk of falling below the basic family budget threshold: Families that are young, larger, urban, minority, and headed by someone who is not college educated are over-represented among those below the income cut-off. Over 50% of African American and Hispanic families fall below the family budget levels, compared to 20% of white families. Single parents are likelier to fall below the line, and more so as family size increases: Over 90% of one-parent, three-child households fall below the family budget line.

The calculator includes data for six types of families: one- and two-parent households with one to three children. For the purposes of these calculations, the children are assumed to be four years old in a one-child family; four and eight in a two-child family; and four, eight, and twelve in a three-child family.

A basic family budget includes the essential costs a family incurs for the fundamental elements of a decent but no-frills standard of living. Like the poverty line, the basic family budget calculation takes family size into account. But unlike the poverty line, which is based primarily on food costs and does not reflect geographic differences, the basic family budget includes prices for the full array of family essentials for each city, town or rural area. It does not include money for savings, whether for college, vacations, emergencies, or retirement.

The included costs are grouped into seven categories, outlined below. (For more details, see the second paper released today, "[2008 Economic Policy Institute Family Budgets: Technical Documentation](#).") The cost groups are:

1. **Housing** costs are based on HUD data for rental housing at the 40<sup>th</sup> percentile (or 50<sup>th</sup> in some cases). Housing unit sizes assume that children share a bedroom; thus the housing cost for a one- or two-child family is based on a two-bedroom housing unit. Housing costs also include the cost of tenant-paid essential utilities, but do not include telephone, cable, satellite television or internet service.
2. **Food** costs are based on the USDA's "low-cost plan," a nutritionally adequate diet that is almost entirely prepared in the home.
3. **Child care** costs, based on Children's Defense Fund data, reflect the costs of center-based child care for four- and eight-year-olds.
4. **Transportation** costs are derived from national data on distance traveled per household and from the IRS's cents-per-mile estimate of costs.
5. **Health care** costs assume that families have health insurance either through an employer or a privately purchased non-group plan.
6. **Other necessities** include costs such as clothing, entertainment, personal care products and services, reading and educational materials and other necessary items.
7. **Taxes** include state and federal taxes due on the income required to pay for items 1-6 above.

Journalists please note: Data for all locations included in the calculator can be downloaded from the calculator page as an Excel spreadsheet.

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