

Texas Family Budgets: Methodology

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Introduction

How much income is enough for a working family to cover the basic necessities? Frankly, the answer is complex. It depends on who is in the family (e.g., one or two working adults, number of children), where you live, and what kind of job-based benefits you have. And what does it take for families to move from just getting by to getting ahead, building stability, and reaching the American Dream? For most families, that means saving for retirement or their child's college education, or even just to have a small cushion of emergencies.

These questions have profound implications for social policy. The Center for Public Policy Priorities' *Texas Family Budgets* project¹ seeks to provide some answers to help policymakers think about the direct impact of their policies on Texas families' pocketbooks. The *Texas Family Budgets* are not intended to be a financial planning tool for individual families. Rather, they are designed to be used as a tool for public education, community planning, and advocacy. The *Texas Family Budgets* can be used for education by raising public awareness of the hardships faced by families with limited income, as well as to build public support and political will for policies that will increase economic security for all Texans. They can also serve as a realistic benchmark for program planning and evaluation at the local and state level.

The *Better Texas Family Budgets*: A Market-Basket Approach

Using data from the U.S. Census Bureau and other government sources, we created family budgets that measure the cost of meeting basic needs, including housing and utilities, food, health care (insurance and out-of-pocket costs), child care, transportation, and other necessities (such as clothing and telephone service) across 27 metropolitan areas for twelve different family types. The *Texas Family Budgets* adopt a methodology similar to the "self-sufficiency standard" and "basic family budget" approaches used by a growing number of researchers.² 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.³ Our *Texas Family Budgets* differs from these national calculators by using data unique to Texas (e.g., cost of child care) and including analyses for savings.

Because the *Texas Family Budgets* estimate family budgets conservatively, we have excluded from our basic expenses many items that families with moderate and high incomes take for granted, such as

¹ The *Texas Family Budgets* are the fourth revision of the center's family budgets work. Prior reports were titled *Family Economic Security Index* (2001), *The Family Budget Estimator* (2007), and *The Better Texas Family Budgets* (2012). Although revisions, the current and prior budgets cannot be compared as the methodology changed between each revision, including changes in the metropolitan statistical areas; changes in the sources for the food, health insurance, and child care estimates; and the addition of savings estimates.

² See the Economic Policy Institute's Basic Family Budget Calculator (<http://www.epi.org/resources/budget/>) and The Institute for Women's Policy Research's *Economic Security Database* (<http://www.basiceconomicsecurity.org/>).

³ For more information, see the Census Bureau's report, *The Supplemental Poverty Measure: 2016* at <https://www.census.gov/library/publications/2017/demo/p60-261.html>

dining out, entertainment, vacations, and credit card debt. The *Texas Family Budgets* represent a standard of living that many Texans would find uncomfortably austere.

Because our basic family expenses only address immediate needs and do not allow for families to plan for the future and move from surviving to thriving, we added three savings categories in the 2012 revision (i.e., emergency, college, and retirement) that the user can opt to include when building an estimated family budget. In addition, to provide context to the family budget data, we have also added a comparison of the estimated wage necessary to cover a family’s expenses for that metro area’s job market.

Metropolitan Areas

The 27 metropolitan areas selected for the *Texas Family Budgets* are the 25 Metropolitan Statistical Areas (MSA) and two Metropolitan Divisions (MD) defined for Texas by the U.S. Office of Management and Budget.⁴ This report refers both to MSAs and MDs as metropolitan areas.

In 2005, the U.S. Office of Management and Budget reorganized the nation’s MSAs, resulting in Dallas, Fort Worth, and Arlington being combined into one large MSA. Due largely to its size, the Dallas-Fort Worth-Arlington MSA also is broken into two Metropolitan Divisions: Dallas-Plano-Irving and Fort Worth-Arlington. We have included budgets for the larger MSA as well as the “smaller” Metropolitan Divisions within this MSA due to distinct economic and cultural differences between the two areas. The metro areas included in the *Texas Family Budgets* are based on the OMB’s 2015 designations:

Texas Metro Areas	
Abilene	Longview
Amarillo	Lubbock
Austin-Round Rock	McAllen-Edinburg-Mission
Beaumont-Port Arthur	Midland
Brownsville-Harlingen	Odessa
College Station-Bryan	San Angelo
Corpus Christi	San Antonio-New Braunfels
Dallas-Fort Worth-Arlington	Sherman-Denison
Dallas-Plano-Irving MD	Texarkana
Fort Worth-Arlington MD	Tyler
El Paso	Victoria
Houston-The Woodlands-Sugar Land	Waco
Killeen-Temple	Wichita Falls
Laredo	

We do not include rural areas at this time due to the limitations of some of our data sources, but hope to add them in our next revision.

⁴ To learn more, visit <https://obamawhitehouse.archives.gov/sites/default/files/omb/bulletins/2015/15-01.pdf>

Family Types

The *Texas Family Budgets* present basic budget estimates for twelve family types. In common use, the term “family” often refers specifically to households with children. We acknowledge, however, that a sizeable number of Texas households consist of one or two adults without children. We have also included family types with two adults but only one worker to explore the differences in household expenses and necessary income when one versus two adults are in the workforce. Therefore, the *Texas Family Budgets* include the following household types:

1 Working Adult	2 adults, 1 worker	2 adults, 2 workers
0 children	0 children	0 children
1 child	1 child	1 child
2 children	2 children	2 children
3 children	3 children	3 children

There are an infinite range of expenses that a family could face depending on the ages and composition of their children (e.g., child care). In order to enhance the consistency and clarity of our estimates, we made the following assumptions regarding the child composition when calculating budgets for each of our family types:

- 1-child families: preschooler
- 2-child families: 1 preschooler + 1 school-age child
- 3-child families: 1 infant + 1 preschooler + 1 school-age child

Basic Expenses: A Realistic, Yet Conservative, Estimate of Minimum Necessary Income

The intention of the base expenses is to estimate the minimum possible budget for a family that maintains a safe and decent standard of living. To achieve this goal, we used the most current and reliable data available that still provides a conservative estimate of a family’s basic expenses. For example, we estimated the housing budget using the U.S. Department of Housing and Urban Development’s “Fair Market Rents,” the amount allowed for public housing subsidies in local rental markets. We estimated the food budget using the U.S. Department of Agriculture’s “Low-Cost Food Plan”, the USDA’s second lowest estimate of food expenditures. Each plan meets minimum dietary standards recommended but achieves lower costs by including cheaper foods such as bananas versus higher cost berries to get recommended levels of nutrients.⁵

The *Texas Family Budgets* also are notable for what they do not include: birthday and holiday presents, entertainment, cable television, furniture, appliances, consumer debt payments, child school activity 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.

⁵ Nord, M. & Hopwood, H. (2007). Higher cost of food in some areas may affect Food Stamp households’ ability to make healthy food choices. *Economic Information Bulletin*, 29-3. Washington, DC: U.S. Department of Agriculture, Economic Research Service.

To be included in the *Texas Family Budgets*, the data first had to be both valid and reliable. To meet these standards, we primarily relied on public data gathered and analyzed by federal and state agencies as the basis for our budget estimates. Much of this data was collected over time from large samples using rigorous measurement, data collection, and analysis procedures.

We also chose data sources that would permit us to make specific estimates for each of the individual family types. 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 which show the greatest amount of regional variation.

Finally, we presented only the very basic expenses households face so that the *Texas Family Budgets* would represent the income floor necessary to meet these needs. To satisfy this standard we generally used data sources that produce conservative estimates for each item.

What it Costs: 2017 Dollars

The *Texas Family Budgets* were created to represent expenses for a family in 2017. We chose 2017 because, for many of our data sources, this was the most recent data available at the time of data collection.

However, because of the long time lag that can occur before data is publicly available, the most recent data available was not always for 2017. We used the Consumer Price Index for all urban consumers (CPI-U),⁶ a general estimate for cost escalation, to adjust the Medical Out-of-Pocket (2013) and Other Necessities (2016) data to 2017 dollars. This allowed us to approximate annual change while making the data as current as possible.

Housing

For many working families, housing represents one of the largest expenditures of family income. To estimate housing costs, we used Fair Market Rent (FMR) rates for 2017,⁸ 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 figures specific to each metro area. Although some low-income families own their homes, these families more commonly live in rental housing, making the use of rental data appropriate. In the Housing Choice Voucher program, the FMR for an area is the “amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities.”⁹

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

⁶ The CPI measures the average change in the prices paid for goods and services. See <http://www.bls.gov/cpi/cpi1998d.htm> for general information on the CPI, and <http://www.bls.gov/cpi/#tables> for the conversion tables.

⁸ See https://www.huduser.gov/portal/datasets/fmr.html#2017_data

⁹ <https://www.regulations.gov/document?D=HUD-2016-0093-0001>

low-income families in Texas may be able to afford the lowest cost housing options, finding available units at this cost may be an insurmountable challenge in many areas.

Used to establish the amount for the Housing Choice Voucher program¹⁰, 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 metro area 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 2017, HUD established 50th percentile FMR rates for the Dallas HUD Metro FMR Area. However, given that we were using the Dallas-Plano-Irving Metro Division, we used the 40th percentile rates for that area.

HUD provides FMR figures for housing that ranges in size up to four-bedroom units; we used FMR amounts for one-, two-, and three-bedroom units. The housing units were assigned to the family types as follows:

Family Type (regardless of # of workers)	HUD Housing Unit Sizes
One Adult/No Children	One Bedroom
Two Adults/No Children	One Bedroom
One Parent/One Child	Two Bedrooms
One Parent/Two Children	Two Bedrooms
One Parent/Three Children	Three Bedrooms
Two Parents/One Child	Two Bedrooms
Two Parents/Two Children	Two Bedrooms
Two Parents/Three Children	Three Bedrooms

HUD does not provide aggregated data for the Dallas-Fort-Worth MSA. We are just using the Dallas-Plano-Irving data for Dallas-Fort Worth-Arlington.

Food

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

We calculated expenses for food using figures from the June 2017 Low-Cost Food Plan¹¹, 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, but do not provide regionally specific figures for expenditures on food.

The Low-Cost Food Plan provides the USDA's second lowest estimate of food expenditures and is more realistic than the thrifty food plan because it includes the cost of prepared foods to be used within

¹⁰ U.S. Department of Housing & Urban Development, Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program and other Programs Fiscal Year 2017.

https://www.huduser.gov/portal/datasets/fmr/fmr2017/FY2017_FMR_Notice.pdf

¹¹ We used June data because USDA uses that month to represent the annual average.

recipes and requires fewer preparations from scratch. It also more adequately accounts for food waste including 10% for such instances compared to the 5% of the Thrifty Food Plan. Researchers have found this plan is generally in line with what low- and moderate-income families report that they need to spend on food, as opposed to the lower amount of the Thrifty Food Plan. None of the plans however 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.¹²

To calculate the food budget for each of the family types, we first extracted the estimates of food costs for individual children and adults from the USDA’s Low-Cost Food Plan¹³ as follows.

Age of Family Member	Food Cost Age-group
Infants	one-year-olds
Preschoolers	three-to-five-year-olds
School-age children	food costs for six-to-eight-year-olds
Single adult households	average of food costs for females and males 20 to 50 years old
Two adults, no children	sum of the estimates for 20 to 50 year-old females and 20 to 50 year-old males
Adults in single-parent families	food costs for females 20 to 50 years-old (because women head most single-parent families)
Adults in two-parent families	sum of the estimates for 20 to 50 year-old females and 20 to 50 year-old males

To obtain a total food budget for each family type, we summed the amounts assigned to the individual children and adults it contained. Since USDA provides food costs for individuals assuming that they live 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, and 5 percent to costs for three-person families, and subtracting 5 percent for five-person households. Our food estimates incorporate these family size adjustments.

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. According to the Kids Count Data Center, 60 percent of children under age 6 have all available parents in the labor force.¹⁵ Few low-income working families can rely on informal networks for consistent and suitable child care

¹² Nord, M. & Hopwood, H. (2007). Higher cost of food in some areas may affect Food Stamp households’ ability to make healthy food choices. *Economic Information Bulletin*, 29-3. Washington, DC: U.S. Department of Agriculture, Economic Research Service.

¹³ See <https://www.cnpp.usda.gov/USDAFoodPlansCostofFood> for the original data.

¹⁵ Data for the percentage of Texas children under age 6 with all available parents in the labor force from U.S. Census Bureau’s 2015 American Community Survey as reported by the Kids Count Data Center. <http://datacenter.kidscount.org/data/tables/5057-children-under-age-6-with-all-available-parents-in-the-labor-force?loc=1&loct=2#detailed/2/2-52/false/870,573,869,36,868/any/11472,11473>

services. Reliable, safe, and developmentally appropriate child care is expensive, representing for many working families the first or second most-costly item in their budget.

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.¹⁶

To estimate child care costs, we relied on 2017 local market rate data for home and center-based care for infants, preschoolers, and school-age children collected for the Texas Workforce Commission by The University of Texas at Austin's School of Social Work and Ray Marshall Center. The 2017 Texas Child Care Market Rate Survey (TCCMRS)¹⁷ reports on the cost of licensed child care centers, licensed child care homes, and registered child care homes for the state's 28 local workforce development boards.¹⁸ From this report, we used the median daily rate of full- and part-time care for infants and toddlers (up to 17 months), preschoolers (three to five years) and school-age children (six years and older) from the TCCMRS.

We performed a series of calculations on this source data to generate child care expenses for children in each age group in each metro area. Child care expenses for a family could range widely depending on the ages and composition of their children also have a dramatic effect on the cost of child care. In order to enhance the consistency and clarity of our estimates, we made the following assumptions regarding the child composition when calculating budgets for each of our family types:

- 1-child families: preschooler
- 2-child families: 1 preschooler + 1 school-age child
- 3-child families: 1 infant + 1 preschooler + 1 school-age child

For our one parent and two parents with two workers families, we estimated child care costs assuming that parents' work schedules would equate to 250 work days per year, allowing for weekends and two weeks of vacation or other leave time during which the children would not need outside care. We assumed that infants and preschoolers would each need full-time care for all 250 days the parents work. We estimated that school-age children would need part-time care for the average 180 days in the school year,²⁰ and 70 days of full-time care during the summer. Total days of child care were multiplied by the

¹⁶ Schexnayder, D., Juniper, C., & Schroeder, D. (Oct 2012). Texas Early Education Needs Assessment: Gaps between need and availability of early care and education. Ray Marshall Center.

http://raymarshallcenter.org/files/2011/06/FINAL_Gap_Analysis_Nov_7_2012.pdf

¹⁷ 2017 Texas Child Care Market Rate Survey: Final Report. Retrieved from

https://txicfw.socialwork.utexas.edu/wp-content/uploads/2017/07/FinalReport_2017_Market_Rate_7.10.17_Publish.pdf

¹⁸ See <http://www.twc.state.tx.us/dirs/wdbs/wdbmap.html> for a map of the state's workforce board regions.

²⁰ "House Bill (HB) 2610, passed by the 84th Texas Legislature, amends the Texas Education Code (TEC), §25.081, by striking language requiring 180 days of instruction and replacing this language with language requiring districts and charter schools to operate for a minimum of 75,600 minutes (including intermissions and recess). The bill also allows school districts and charter schools to add minutes as necessary to compensate for minutes of instruction lost due to school closures caused by disaster, flood, extreme weather conditions, fuel curtailment, or another calamity." See <https://tea.texas.gov/WorkArea/DownloadAsset.aspx?id=51539613958>. This calculation of minutes per day equates to 180 days. So, for simplicity, we used 180 days in our calculations, recognizing that some families may need one or two half days added or removed from their child care costs depending on how their particular school system allots the minutes for that school year.

appropriate daily rate (e.g., annual cost for school-age children = (70 days x full-time rate) + (180 days x part-time rate). These annual costs were then divided by 12 to calculate the average monthly expense.²¹

Most metro areas are contained within one local workforce development area. When they were not,²² we calculated a weighted median cost based on the 0-12 population²³ in each of the representative counties. We calculated weights by using the percentage of the 0-12 population that the workforce area represented of the total 0-12 population for all counties in the metro area combined. We took that percentage and multiplied it by the cost for each child type within the workforce area and summed across all workforce areas in that metro area.

Once the cost for each child type was calculated, we derived a total child care estimate by summing the cost for the children within each family type. Because many child care providers give a small discount for multiple children from the same family, we then subtracted 10 percent from the cost of the second child's care for two- and three-children families.²⁴

For two-adult, one-worker families with children, we assumed that the parent who did not work outside the home would be providing all needed child care and would not need outside paid care. For those families (i.e., Two adults, one worker), child care costs were estimated to be \$0.

Health Insurance Premiums and Out-of-Pocket Medical Expenses

Health insurance is a critical component in ensuring positive outcomes for both children and adults. For this reason, the *Texas Family Budgets* incorporates two budget items to cover families' reasonable medical costs: direct costs to the family for health insurance premiums and 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.²⁵ Out-of-pocket medical expenses vary significantly when, for example, families experiencing

²¹ We recognize that child care expenses will change across the year as children age (i.e., move from an infant to a toddler room) or, for older children, when school is out for the summer. However, for clarity we chose to estimate child care expenses as consistent from month-to-month.

²² This more complex calculation was necessary for the Austin-Round Rock MSA, Beaumont-Port Arthur MSA, Dallas-Fort Worth-Arlington MSA, Dallas-Plano-Irving MD, and Fort Worth-Arlington MD. Although the Houston-The Woodlands-Sugarland MSA represents 2 WDAs (Gulf Coast & Deep East Texas), we only used the Gulf Coast WDA child care market rates to estimate the cost of child care for this MSA. This is because only one county in the Deep East Texas WDA, San Jacinto County, falls within the Houston MSA AND that this county's 0-12 population accounts for <1% of the total 0-12 population across the counties represented within the entire Houston MSA.

²³ Population data from 2010 Decennial Census, U.S. Census Bureau.

²⁴ To determine the appropriate amount to apply for the multiple-child discount, we randomly surveyed 51 child care providers across the metro areas regarding their discount policies for our 2007 version (see Family Budget Estimator). Twenty-five percent gave less than a 10 percent discount while 26 percent gave a 10 percent or greater discount.

²⁵ Based on Census Bureau's 2017 Current Population Survey, only 17% of people ages 0-64 living below poverty, and only 34% of Texans living between 100-200% of poverty had employment-based insurance in 2017. By comparison, 72% of Texans living in households with incomes greater than 200% of poverty had employment-based insurance in 2017.

acute or chronic conditions may pay much higher out-of-pocket costs than families with few health problems.

Health Insurance Premiums. We believe that having health insurance coverage is necessary to insure a safe and decent standard of living, but recognize that the costs differ dramatically depending upon employer-sponsored coverage options. In 2017, 58 percent of Texans under 65 years of age had health insurance through their own or a family member's job, down from 61 percent in 2000.²⁶ This means that 47 percent of nonelderly Texans pay for private health insurance, rely on public health coverage, or are uninsured. To estimate these differences, the *Texas Family Budgets* includes estimates for families with and without employer-sponsored health insurance coverage.

Employer-sponsored Health Insurance. We used the Texas Employees Retirement System's (ERS) 2017 health insurance plan for state government employees to model premium costs for families with access to employer-sponsored health insurance.²⁷ This approach 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 another two of our methodological criteria. ERS plan data permits regional precision in estimating costs because the premiums differ across the state, and the data are subject to predictable updates because the state annually revises the plan to reflect rate and coverage changes.

ERS offers five health insurance plans for full-time state employees. Prices vary across the state depending on which plans are available in their area. The HealthSelect of Texas and Consumer Directed HealthSelect Plans are available to all state employees, regardless of location. The remaining plans (Community First Health Plans, KelseyCare powered by Community Health Choice, and the Scott & White Health Plan) are offered in some areas, but not all. Because the service areas do not exactly correspond to the 27 metro areas used in this report, we identified plans that served every county within each metro area. Eighteen metro areas are served only by the two HealthSelect options. The remaining nine metro areas have three or more options to choose from. For metro areas where several plans were available, we selected the lowest-priced option as our estimate of premium costs.

In the Houston-The Woodlands-Sugarland MSA, the cheapest available health insurance plan (KelseyCare) was not universally offered across the entire MSA. In this case, we decided to still select KelseyCare because the areas where it was offered covered 91 percent of the MSA population²⁸.

We estimated family budget costs using the ERS plans' cost to the employee for coverage (using the same family compositions as described above). We recognize that this is a conservative estimate of the family's cost of coverage as the state pays 100 percent of the employee's health insurance premium and 50 percent of the premium for the employee's dependents, which is a fairly unusual benefit in today's employer-sponsored benefit market. This is in keeping, however, with our effort to use conservative measures of basic expenses.

²⁶U.S. Census Bureau, Current Population Survey Table HIB-6.

http://www.census.gov/hhes/www/hlthins/data/historical/HIB_tables.html

²⁷ New Employee Benefits Guide: Plan Year 2017 retrieved on 10/4/17 from <https://ers.texas.gov/PDFs/NEBG-State>.

²⁸ Calculated the population percentage using Texas State Data Center 2015 population estimates for the counties within the Houston-The Woodlands-Sugarland metro area.

Costs differed for families depending upon whether they had one or two working adults. In keeping with our conservative methodology, we assumed that if both adults in the household were working, they both would have 100% of their health insurance premium paid by their employer. For two-adult, one-worker households, we assumed that the second adult would be insured as a dependent under the worker’s insurance plan. See table below for insurance categories we used to estimate costs to the family.

	1 Working Adult	2 adults, 1 worker	2 adults, 2 workers
0 children	Member (no cost)	Member & Spouse	Member (no cost)
1 child	Member & Child(ren)	Member & Family	Member & Child(ren)
2 children	Member & Child(ren)	Member & Family	Member & Child(ren)
3 children	Member & Child(ren)	Member & Family	Member & Child(ren)

Direct-Purchase Health Insurance – Health Insurance Marketplace. The second health insurance option we offer is to estimate costs for families that do not have employer-sponsored health insurance available to them and have to buy it privately. Since our last revision, Congress passed the Affordable Care Act and created www.healthcare.gov to help families review and select the best health insurance plan options for their needs in their region. Health insurance providers set their rates each year, based on family composition, county of residence, and the age of the head of household.²⁹ We used the following categories to select premium costs for our hypothetical families from the:

	1 Working Adult	2 adults, 1 worker	2 adults, 2 workers
0 children	Premium Adult Individual, Age 30	Premium Couple 30	Premium Couple 30
1 child	Individual +1 child, Age 30	Couple +1 child, Age 30	Couple +1 child, Age 30
2 children	Individual +2 children, Age 30	Couple +2 children, Age 30	Couple +2 children, Age 30
3 children	Individual +3 or more children, Age 30	Couple +3 or more children, Age 30	Couple +3 or more children, Age 30

Plans in the Health Insurance Marketplace have four “metal” categories based on cost-sharing percentages for care. Research shows that 73 percent of Texans who selected plans during 2017 open enrollment chose “Silver” plans,³⁰ which typically have a 70-30 cost sharing plan, requiring the patient to pay 30 percent of the cost of service up to a designated deductible amount.³¹

Using similar methodology as the employer-sponsored health insurance costs, we selected the cheapest plan within the silver category that were available in each metro area. This choice is supported by data

²⁹ 2017 QHP Landscape Individual Market Medical Excel (updated August 23, 2017). Retrieved November 2017 from <https://data.healthcare.gov/dataset/2017-QHP-Landscape-Individual-Market-Medical-Excel/t99m-dgwg>.

³⁰ 2017 Marketplace Open Enrollment Period Public Use Files. Centers for Medicare and Medicaid Services. Retrieved on 11/13/17 from https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/Plan_Selection_ZIP.html.

³¹ To learn more, visit <https://www.healthcare.gov/choose-a-plan/plans-categories/>.

showing many Americans shop based on premium cost and tend to choose the lowest cost plan within their preferred metal tier.³²

Few metro areas had silver plans that covered all of the counties within it. To ensure we were selecting a plan that would cover the majority of people in that metro area, we used 2015 county population data to determine that the plan we selected served the majority of the MSA. The only MSA where this methodology did not work was the Dallas-Fort Worth-Arlington MSA. For this area, the cheapest plan covered only a minority of the population in the MSA. Therefore we chose the cheapest silver plan that covered a majority of people across the counties within the Dallas-Fort Worth-Arlington MSA.

Another important cost consideration for our 2017 revision was the fact that families earning less than 400 percent of the federal poverty guidelines³³ may be eligible for subsidies to reduce the cost of their monthly premiums.³⁴ We estimated subsidies using the 2017 Kaiser Family Foundation's Health Insurance Marketplace Calculator (<https://www.kff.org/interactive/subsidy-calculator/>). We made the following assumptions to estimate the subsidies our example families could receive:

- Annual income estimate = 12 * (sum of housing, food, child care, transportation and other necessities);
- Adults were both 30 years old;
- Neither adult had employer-sponsored health insurance available to them;
- No adults or children uses tobacco;
- When necessary, the county and zip code requested were based on where city hall was located for largest city in the metro area.

NOTE: The subsidy estimates in the Kaiser Family Foundation calculator are based on an assumption that the user will choose the second lowest cost silver plan. This differs slightly from our premium selection methodology of choosing the lowest cost silver plan. However, because the different silver plans available in each MSA tended to be very close in cost, we decided that these estimates were sufficient to estimate the subsidy given the illustrative purposes of the *Texas Family Budgets*.

Out-of-Pocket Medical Expenses. We estimated out-of-pocket medical expenses using data from the 2013 Medical Expenditure Survey (MEPS), a large-scale survey of families and individuals, their medical providers (doctors, hospitals, pharmacies, etc.), and employers across the U.S. MEPS collects data on the specific health services that Americans use, how frequently they use them, the cost of the services, and how they paid for them. We used the Household Component of the MEPS, which provides data from individual households and their members.³⁵ We used the "Total Amount Paid by Self/Family" item as our measure for out-of-pocket medical costs. This item does not include expenses for monthly insurance premiums.

³² Avery, K. et al. (Oct 30, 2015). *Health plan choice and premiums in the 2016 Health Insurance Marketplace*. Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. Retrieved 11/13/17 from <https://aspe.hhs.gov/system/files/pdf/135461/2016%20Marketplace%20Premium%20Landscape%20Issue%20Brief%2010-30-15%20FINAL.pdf>.

³³ To view 2017 Federal Poverty Guidelines, visit the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services at <https://aspe.hhs.gov/poverty-guidelines>.

³⁴ *Explaining health care reform: Questions about health insurance subsidies*. (Nov 8, 2017). Kaiser Family Foundation. Retrieved on 11/13/17 from <https://www.kff.org/health-reform/issue-brief/explaining-health-care-reform-questions-about-health/>.

³⁵ For more information on the MEPS, see: <http://meps.ahrq.gov/mepsweb/>

MEPS provides data at the regional level and by age group. We selected MEPS data specific to the Southern region and by age group for employed persons with full year insurance coverage status. We divided the MEPS annual data by 12 to convert it to an average monthly amount. Once the individual categories' averages were calculated, we summed across the different family compositions to estimate each family type's out-of-pocket medical expenses. The data used for each family type are as follows:

Family Type (regardless of # of workers)	MEPS Age-Group Categories
One Adult/No Children	One adult age 25-44
Two Adults/No Children	Two adults age 25-44
One Parent/One Child	One adult age 25-44 + one child age 0-4
One Parent/Two Children	One adult age 25-44 + one child age 0-4 + one child age 5-17
One Parent/Three Children	One adult age 25-44 + two children ages 0-4 + one child age 5-17
Two Parents/One Child	Two adults age 20-50 + one child age 0-4
Two Parents/Two Children	Two adults age 20-50 + one child age 0-4 + one child age 5-17
Two Parents/Three Children	Two adults age 20-50 + two children ages 0-4 + one child age 5-17

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 a private vehicle is their only realistic travel alternative.³⁶ For these reasons, we estimated the cost of travel by private vehicle as the budget item for transportation.

We approximated transportation expenses by multiplying the Internal Revenue Service's 2017 per-mile deduction rate (\$0.51), 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.

³⁶ Ihlanfeldt, K. (1994). Proceeding of the Regional Growth and Community Development Conference, November 1993. CityScape, U.S. Department of Housing and Urban Development. <http://www.huduser.org/Periodicals/CITYSCPE/VOL1NUM1/ch11.pdf>

The 2009 National Household Travel Survey (NHTS) from the U.S. Department of Transportation's Bureau of Transportation Statistics served as source data for measuring families' automobile travel. The NHTS provides data on the number of drivers and number of miles driven annually at national and state levels and by size of metropolitan area, ranging from populations of less than 250,000 to 3 million or more. Because our budget estimates include only essential needs, we used mileage figures for work-related and non-social travel only. Using the NHTS data, we created transportation calculation tables using the average monthly privately-operated vehicle miles per driver for work-related and non-social trips. We calculated the average number of work-related and non-social vehicle miles driven per person by dividing the number of vehicle miles traveled by the number of drivers in Texas in different MSA sizes.

Once calculations were completed, we mapped the NHTS data onto each of Texas' metro areas using their population size categories according to the U.S. Census Bureau's 2011-2015 American Community Survey 5-year average population estimates. We then applied the final transportation cost estimates to each family type based on whether they had one or two adults in the family. For family types with one working adult (this could be a one adult household or a two adult household with one worker), we totaled the average monthly miles for work-related and non-social trips and multiplied this sum by the 2017 IRS mileage reimbursement rate. In family types with two working adults, we assumed that the second adult would repeat the work-related travel but not the social travel, and then multiplied this sum by the 2017 IRS mileage reimbursement rate. These monthly transportation expenses were calculated within each metro area range of the NHTS.

Other Necessities

Major budget items, such as housing and child care, account for the bulk of families' essential spending. Considered item by item, other necessities such as 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.

We measured the cost of other necessities using two-year data from the U.S. Bureau of Labor Statistics' 2016 Consumer Expenditure (CEX) Survey. To calculate the monthly costs of "other necessities", we summed the annual 2016 CEX data on annual household spending for cellular telephone service³⁷; housekeeping supplies; laundry and cleaning supplies; electricity; personal care products and services; apparel for men, women, infants, boys, and girls; and footwear and divided that sum by 12. We then adjusted the monthly cost to 2017 dollars using the Consumer Price Index.

For the apparel costs in single adult households, we averaged the "Men, 16 and over" and "Women, 16 and over" categories and then added the "Footwear" category to determine total spent on apparel for the year. For the two adult, no children household, we summed the "Men, 16 and over" and "Women, 16 and over" categories and then added the "Footwear" category to determine total spent on apparel

³⁷ This is a change from prior versions of the family budgets tool. Most young adult families use a cell phone as their primary phone and do not have a landline home phone. In the U.S. more than 70 percent of adults ages 25-34 live in households with only wireless phones; 62.5 percent for adults ages 35-44. Blumberg, S. J., & Luke, J.V. (March 2017). *Wireless substitution: Early release of estimates from the National Health Interview Survey, July-December 2016*. National Health Interview Survey Early Release Program, National Center for Health Statistics. Retrieved 11/13/17 from <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201705.pdf>.

for the year. Since women head most single-parent families, we used the “Women, 16 and over” apparel expenditures for family types with one adult. Estimates of spending on school-age children’s apparel are the average of boys’ and girls’ apparel costs.

Taxes and Tax Credits

The *Texas Family Budgets* aim to assess, as accurately and comprehensively as possible, the income families need to cover their 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 *Texas Family Budgets* include only *federal* payroll and personal income taxes as expense items.³⁸ 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.

Because the tax code is complex, we make a number of simplifying assumptions that may differ from the circumstances of any specific family:

- All income is from wages;
- For two adult households with two workers, income is split evenly between two the two earners;
- Income does not vary over the course of the year (e.g., as it would with seasonal jobs); and
- Taxpayers claim the standard deduction instead of itemized deductions.

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

To estimate federal taxes for the *Texas Family Budgets*, we first totaled the cost of housing, food, child care, medical insurance, medical out-of-pocket, transportation, and other necessities and multiplied this sum by 12 to estimate the base necessary annual net income for each family type in each metro area. This amount approximates the earned income that families would need to pay their basic expenses.

To calculate the income tax, we needed to determine the family’s taxable income. We first calculated the personal exemptions for each family. In 2016 (the most current tax year at the time of publication), personal exemptions were the number of family members multiplied by \$4050. We then determined the standard deduction for each family type based on IRS tax data.³⁹ Single adults with no children were classified as “single”. Single adult families with children were classified as “head of household”. And two adult families were classified as “married filing jointly”.

³⁸ Texas is one of a few states with no state personal income tax. Therefore, our budgets do not include state income taxes as an expense (or credit) item.

³⁹ See <https://www.irs.gov/newsroom/in-2016-some-tax-benefits-increase-slightly-due-to-inflation-adjustments-others-are-unchanged> for information from the IRS on the personal exemptions and standard deductions for 2016.

2016 Standard deductions	
Head of Household	9300
Single	6300
Married filing jointly	12600

We then calculated the “taxable income” by subtracting the personal exemptions and standard deductions from our estimated annual earned income. Taxable income and family composition was then used to determine whether and how much a family would receive in a Child Tax Credit, the Child and Dependent Care Credit, or Earned Income Tax Credit. For more information, see http://www.taxpolicycenter.org/press/quickfacts_CDCTC.cfm.

Savings Calculations

Over the last sixteen years, our *Texas Family Budgets* project has sought to help answer the question of what it really takes to “get by”, and has become highly influential in the advocacy and policy worlds. In the 2012 revision, *The Texas Family Budgets* broadened the scope of defining basic family economic security to include basic savings. Today, the *Texas Family Budgets* project provides data on both the minimum amount that it takes for a family to make ends meet and also what it takes to “get ahead” in Texas.

Unfortunately, Prosperity Now’s *2017 Prosperity Now Scorecard* ranked Texas 41st in the country overall for how their residents fare in terms of achieving prosperity across 60 measures in five different issue areas.⁴⁰ In our online tool, we include the following savings options for the user to include in the basic budget if they choose: no savings, emergency savings, retirement savings, and/or college savings.

Emergency Savings. Many of Texas' residents have jobs, but they lack adequate savings or other assets to cover expenses for three months if they lose a steady income. Even in a strong economy, households at every level of the economic spectrum can be negatively impacted by unexpected changes in needs or resources. Such economic shocks can include loss or reduction of income through job loss, loss of income supports (e.g., child support), or an unexpected increase in expenses (e.g., health crisis).⁴¹

According to the 2017 Prosperity Now Scorecard, 24.6 percent of Texas households are "asset poor," meaning they do not have enough money to live even at the poverty level for three months if unemployment or another emergency leads to a loss of income. Excluding important assets such as a vehicle or home, the (liquid) asset poverty rate increases to 42.6 percent of Texas residents.⁴²

⁴⁰ Prosperity Now (2017). *Prosperity Now Scorecard*. Retrieved 11-13-17 from <http://scorecard.prosperitynow.org/data-by-location#state/tx>

⁴¹ Urban Institute (2012) *Can Savings Help Overcome Income Instability?* <http://www.urban.org/publications/412290.html>

⁴² See note 40.

We include emergency savings because we believe that such savings are a critical component to insuring family economic security, particularly during a time of hardship for families or the economy at large.⁴³

We calculated emergency expenses using the following assumptions:

- Most financial experts agree that households should have at least three months of expenses saved for emergencies.
- The average time a person age 35-44 is in a job is 4.9 years.⁴⁴ Thus, we assumed that our hypothetical families in our *Family Budgets* would have 4.9 years (or 58.8 months) to build up their emergency savings before a potential job loss.
- For our purposes, annual salary equals the *Family Budget's* estimated total necessary annual income each household type.
- Money would be saved monthly and placed in an interest bearing account. We calculated the savings interest (i.e., 4.9 years), assuming the interest would be equivalent to the average interest earned on average from 2014-2016, or 6 percent, in a non-jumbo savings account.⁴⁸ We calculated the interest via the compound savings rate (see formula below).
- The household would cease to save during their time of unemployment, reducing their monthly expenses to just their basic expenses (i.e, expense categories listed above).
- The cost of basic expenses after 4.9 years of work would increase 8.07 percent (or 4.9 multiplied by 1.65 percent, the average annual increase in the Consumer Price Index for All Urban Consumers (CPI-U) from 2007-2016). Thus, the family would need to save enough for three months of expenses factoring in inflation.

To calculate the monthly payment needed to save enough for three months of expenses 4.9 years in the future, we used the following compound interest formula:

Variables		
A	Total mount need to save plus interest	(Expenses*3) * 1.08
PMT	Monthly Savings Deposit (payment)	THIS IS WHAT WILL GO IN THE FAMILY BUDGETS ONLINE
r	Annual interest on savings acct (using Annual national rate on non-jumbo deposits: Savings)	0.06
n	# compounds per investment period (i.e., months per yr)	12
$1 + r/n$		1.005
t	# periods \$ is invested (i.e., YRS EMPLOYMENT TENURE)	4.9

⁴³ Baylor, D., & Rosen, L. (2012). *Dollar for Dollar: Incentives and Innovations to Boost Savings in Texas*. Center for Public Policy Priorities. http://www.opportunitytexas.org/images/stories/dollar_for_dollar.pdf

⁴⁴ Bureau of Labor Statistics (Sept 2016). *Table 1. Median years of tenure with current employer for employed wage and salary workers by age and sex, selected years, 2006-2016*. Retrieved on 10-17-17 from <https://www.bls.gov/news.release/tenure.t01.htm>

⁴⁸ *National rate on non-jumbo deposits (less than \$100,000): Savings*. Federal Reserve Bank of St. Louis. Retrieved on 11-13-17 from <https://fred.stlouisfed.org/series/SAVNRNJ>.

n * t		58.8
$A = PMT * [(((1+(r/n))^{(nt)}) - 1)/(r/n)]$		
$PMT = A / [(((1+(r/n))^{(nt)}) - 1)/(r/n)]$		
PMT		146.4763645
Given constants above for the 2017 calculations, the simplified formula for PMT =	$[(((1+(r/n))^{(nt)}) - 1)/(r/n)]$	68.16026551
so, PMT = A / 68.16026551	(3.2420208 EXP)/68.16026551	146.4763645
OR		
Formula will need to be updated as savings rate, Employment tenure, etc. change at next update		

Retirement Savings. Savings experts advise saving between 10-20 percent of your income for retirement.⁵⁰ Texas’ Employee Retirement System has a mandatory 9.5% deduction for state employees.⁵¹ Only 50 percent of full-time, full-year private sector workers have access to an employer-sponsored retirement plan, and only 11 percent of Americans had access to pension plans.⁵³ Although a significant number of Texans do not have access to employer-based retirement savings, we included the option for our hypothetical families’ budgets because of the importance retirement savings plays for a family’s long-term financial security. Further, we created the *Texas Family Budgets* data so that it can speak to the components that define a “good job” in Texas.

To simplify our tax calculations, we assumed that the tax contributions were being taken pre-tax from the employee’s paycheck and put into a 401(k) or similar pre-tax vehicle. To calculate the amount of monthly retirement savings, we multiplied the base necessary annual income divided by 12 (i.e., the annual income with taxes that covers the basic expenses of housing, food, etc.—but excluding income that would be needed to cover any of the savings options or taxes—divided by 12 to determine the monthly contribution) by 10 percent. We assumed the retirement contribution was made pre-tax, and thus would have no impact on the taxes calculated for the *Family Budgets*.

⁵⁰ See: [Investopedia](#), [US News & World Report](#), [TIAA](#) and [Bloomberg News](#).

⁵¹ Texas Payroll/Personnel Resource. *Mandatory Retirement Plan Contributions*. Retrieved on 11/13/17 from https://fmx.cpa.state.tx.us/fm/pubs/paypol/mandatory_deductions/index.php?section=retirement&page=retirement

⁵³ Rosen, L. (July 2017). *Working Texans face an alarming retirement savings shortfall: How the state can help*. Center for Public Policy Priorities. https://forabettertexas.org/images/EO_2017_04_RetirementSavings.pdf

College Savings. A postsecondary degree generates upward mobility for economically disadvantaged students. A low-income child who earns a college degree is four times more likely to become a top-income earner in adulthood compared to a low-income child without a college degree.⁵⁶

In growing numbers, Texas college students are attending community colleges as opposed to four-year universities. Over half (53 percent) of Texas college students attend community colleges, where the majority of enrollment growth has occurred since 2000.⁵⁷ For this reason, we estimate that if the user selects to include college savings in the hypothetical family's budget, the savings amount will be based upon the cost for Texas public two-year colleges.

To estimate the monthly amount needed to invest for college savings, we made the following assumptions:

- The family would be saving via the Texas Tuition Promise Fund (see below for more details) for all children selected by the user for 30 semester credit hours of tuition and required fees at the weighted average cost of all eligible Texas public two-year colleges or universities.
- The ages of the children in the hypothetical family are based on the age groups described above for child care expenses. In order to estimate the needed monthly saving amount, the Texas Tuition Promise Fund Tuition Planning Calculator⁵⁸ requires a birth date be included for each child. The hypothetical birthdates of the children are as follows:
 - 1-child families: preschooler (7/1/2014)
 - 2-child families: 1 preschooler (7/1/2014) + 1 school-age child (7/1/2010)
 - 3-child families: 1 infant (7/1/2016) + 1 preschooler (7/1/2014) + 1 school-age child (7/1/2010).
- Savings began during this budget planning period, and assumes no other college funds have been saved to date. In other words, a hypothetical family with three children would have approximately 18 years to pay for an infant's 30 credit hours, but only 11 years to pay for the school-age child, thus leading to a higher needed monthly contribution.

The Texas Tuition Promise Fund is designed to help families and individuals prepay for all or some future tuition and required fees at any two- or four-year Texas public college or university. Account holders purchase Tuition Units, which represent a fixed amount of undergraduate resident tuition and required fees charged by Texas public colleges and universities.

Using the Texas Tuition Promise Fund Tuition Planning Calculator, we estimated that our hypothetical families would need to save the following monthly amount:

⁵⁶ Brookings Tabulations of PSID data, Isaacs, Sawhill & Haskings, February 2008, Children in the Bottom income Quartile. For more, see Helmcamp, L. (2012). *The Cost of College: How Texas Students and Families are Financing College Education*. Center for Public Policy Priorities.

http://www.forabettertexas.org/images/EO_2012_05_RE_FinancialAid.pdf

⁵⁷ TG Research and Analytic Services, State of Student Aid and Higher Education in Texas (SOSA), January 2017, retrieved from www.tgslc.org/pdf/sosa.pdf.

⁵⁸ See the Texas Tuition Promise Fund Tuition Planning Calculator at <http://www.archimedes.com/oppenheimer/promisefund.phtml>

	Monthly Savings Amount
1 child	\$50.98
2 children	\$115.48
3 children	\$162.55

Wage Calculations

The *Texas Family Budgets* not only compile the cost of budget items described above but also translate 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 federal tax credits), such as housing assistance, the Supplemental Nutrition Assistance Program (SNAP, formerly known as 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 support, too many Texas families often are forced into choices such as between paying health care bills or keeping food on the table.

The income calculations in the *Texas Family Budgets* present necessary annual and monthly gross income and a corresponding household hourly wage. We base these calculations on an assumption of full-time employment—40 hours per week for 52 weeks per year or 2080 hours. The final wage numbers reflect the total amount that the family must bring home, whether from a single worker or from two workers combined. If one worker from a two-parent family has a job that pays a wage that is high enough, the family’s expenses may be reduced by the cost of child care if the other parent is able to stay home with the children.

Texas Family Budgets Jobs Data

Data on the availability of jobs that pay enough to meet basic needs was obtained from U.S. Census Bureau’s American Community Survey 2015 5-year estimates, tables C24020 (Sex by occupation for the full-time, year-round civilian employed population 16 year and over), B24021 (Occupation by median earnings in the past 12 months for the full-time, year-round civilian employed population 16 years and over) and B24022 (Sex by occupation and median earnings for the full-time, year-round civilian employed population 16 year and over). From these tables, we calculated the top five most common jobs in each metro area and the median hourly wage for each of those jobs, as well as for the metro area as a whole.

Because nearly two-thirds of Texas families with children rely entirely or substantially on women's incomes,⁶⁰ we have added data this year examining the median wages of women compared to men for the top five most common jobs in each metro area. This will allow the user to see the additional financial burden that wage disparities place on female headed households.

Conclusion

The *Texas Family Budgets* is a tool that helps us gauge economic reality for low- and moderate-income working families. The *Texas Family Budgets* provide 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 use this data to help build a portfolio of resources that will fill in the gaps.

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⁶⁰ Dallas Women's Foundation (2017). *Economic Issues for Women in Texas* series. Retrieved on 11-13-17 from <https://www.dallaswomensfdn.org/economicissues2017>.