

Bare Bones Budget

What is the bare minimum cost of living in New Mexico?
and
How does it vary from community to community?



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and

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NM Commission on the Status of Women

NM Voices for Children



Federal Poverty Threshold

History



- M. Orshansky, 1963-1964
 - research analyst, Social Security Admin.
- Purpose:

“...to develop a measure to assess the relative risk of a low economic state...differentials in opportunity...among different demographic groups of families with children.”



Federal Poverty Threshold History



-M. Orshansky-

“If it is not possible to state unequivocally how much is enough, it should be possible to assert with confidence how much, on an average, is too little.”



Federal Poverty Threshold Limitations



- Thrifty Food Plan (USDA) “emergency”
- Food expenditures no longer greatest expense
- Standard of living changes over time
- Lack of geographic specificity
- Urban-based
- Does not estimate inflation experienced by elderly & poor (BLS)



Federal Poverty Threshold

Limitations

Harold Watts, 1986



“...our (official poverty) measures are not grounded in some self-evident principle or expert consensus but are simply a collection of more or less arbitrary and eminently vulnerable rules.

Their most remarkable feature is their widespread and persistent acceptance by the public and by those who make and criticize public policies.”

Source: Sawhill (1988)



Perpetuation of Poverty



Poverty

lack of basic necessities

FPT

underestimates poverty

Necessaries

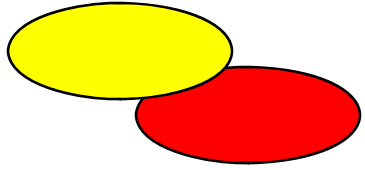
“...not only the commodities which are indispensably necessary for the support of life, but also whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.” --Adam Smith, 1776

FPL

defines who may receive federal program services

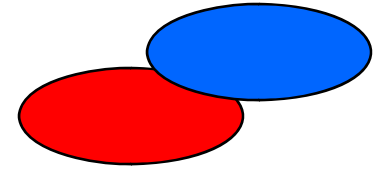
New Mexico



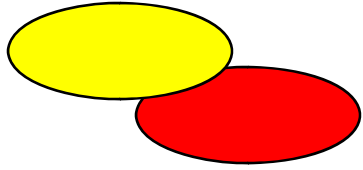


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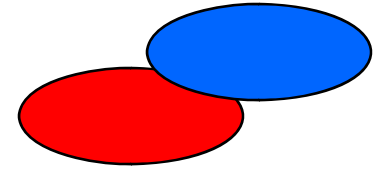
Research Questions



- What is the bare minimum cost of living in New Mexico?
- How does it vary from community to community?



BBB Methods



1. Community selection
2. Family composition design
3. Expenditure categories determination
4. Data collection



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1. Community Selection

to represent highly variable demographics

- n=52
- 33/33 counties
- Population range 177 (Des Moines) to 450,000
58% (n=30) population < 10K
- Race/ethnicity (as % population)
 - Hispanic 1% (Crownpoint) to 96% (Anthony)
 - White, Non-Hispanic <1% (To'hajiilee) to 84% (Quemado)
 - Native Am. 0% (Wagon Mound) to 97% (Shiprock)





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1. Community Selection

to represent highly variable demographics

- Annual pc income \$6,674 (Anthony) to \$34,240 (Los Alamos)
- Percent pop. < FPT 2% (Los Alamos) to 38% (Shiprock)
- Percent families headed by single, female parent 1% (Los Alamos) to 21% (Cuba)



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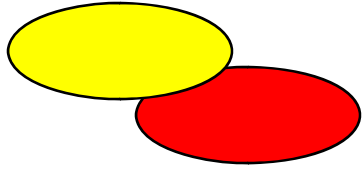
2. Family Composition Design



4 hypothetical families

(with % NM family households, Census 2000)

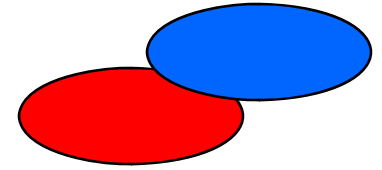
- Father, mother, infant, school age child
(married couples with 1 or more children, 32%)
- Single mother with 2 school age children
(single mothers with 1 or more children, 13%)
- Grandparents and 1 school age child
(grandparents with 1 or more grandchildren, 2%)
- Retired couple



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Assumptions

common to all families



- No factors that would/could impede or make more costly full socio-economic functioning (e.g., disability, acute, chronic illness or Rx, poor credit rating, criminal record including traffic tickets)
- No government program services or employer benefits (except elderly receiving Medicare)



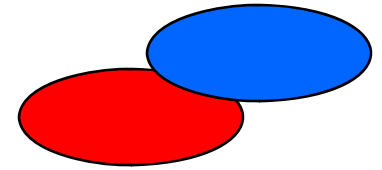
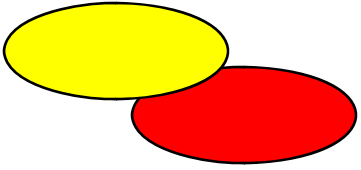
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3. Expenditure Categories

- Housing (including rent, utilities, phone)
- Food
- Transportation
- Child Care
- Clothing
- Health Care (including medical & dental)
- Misc.
- Taxes

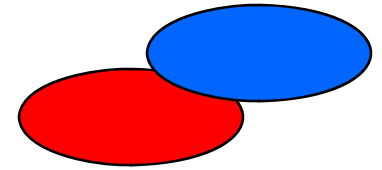
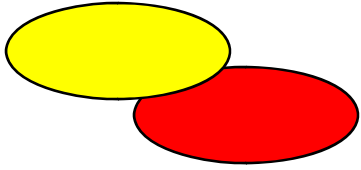
Not included: education, savings, recreation, vacation, meals out, entertainment



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4. Data Collection

Community	State	National
Housing (rent, util.)	Housing (phone)	
Food		
Transportation (gas, insurance)	Transportation (vehicle)	Transportation (maint., repairs)
Health care (insurance, hosp.)	Health care (admits)	Health care (Medicare)
Child care		

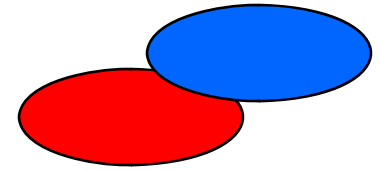
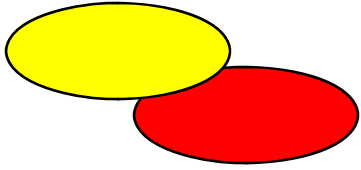


BBB Findings

By Family Type & as a Percent of FPL

	F/M/I/C	Mother + 2
Statewide average annual BBB	\$30,777 (= \$15/hr)	\$23,319 (= \$11/hr)
BBB range	\$25,981-\$44,630 (\$12 - \$21/hr)	\$20,412-\$35,586 (\$10 - \$17/hr)
FPL (2002)	\$18,100	\$15,020
BBB as % FPL (range)	170% (150%-247%)	155% (136%-237%)

New Mexico

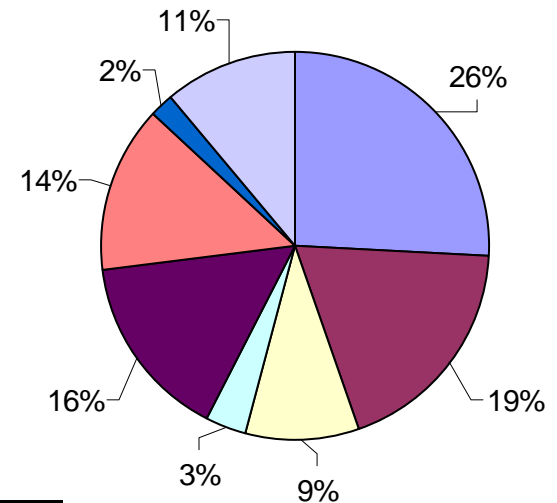
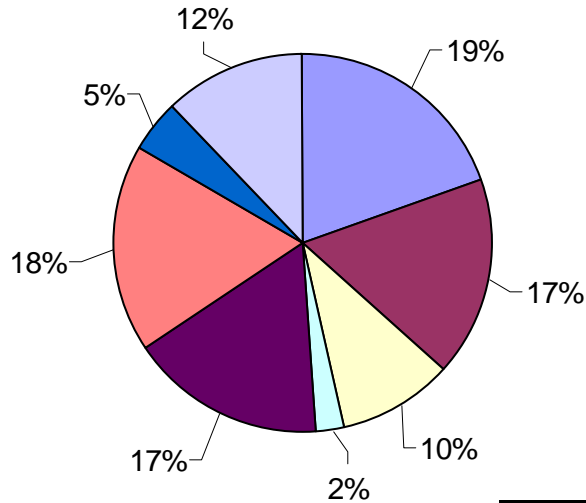


BBB Findings

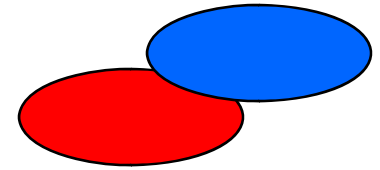
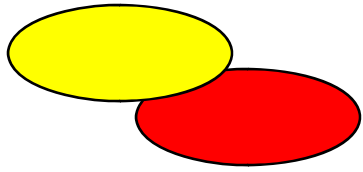
Statewide Average Expenditure Category Distribution

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

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



19%	Housing	26%
17%	Food	19%
10%	Transportation	9%
2%	Clothing	3%
17%	Health care	16%
18%	Child care	14%
5%	Misc.	2%
12%	Taxes	11%

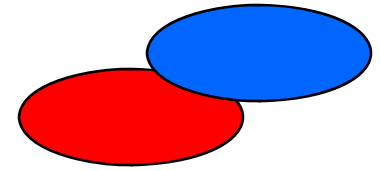
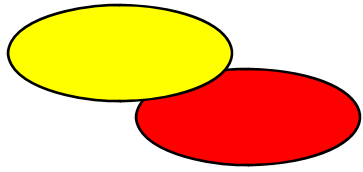


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Policy Application Example

(Mother + 2 children)

Community	BBB Hrly. Wages	TANF Hrly. Earnings ¹	Adj. BBB ² Hrly. Wages
Alamogordo	\$11	\$6	\$10
Albuquerque	\$13	\$8	\$11
Belen	\$11	\$6	\$10
Gallup	\$13	\$9	\$11
Las Cruces	\$12	\$7	\$10

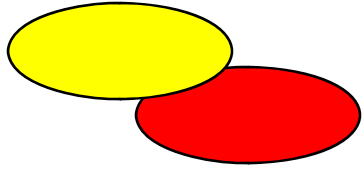


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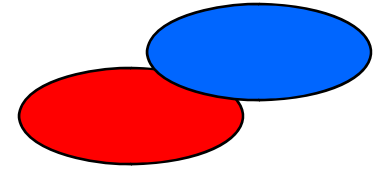
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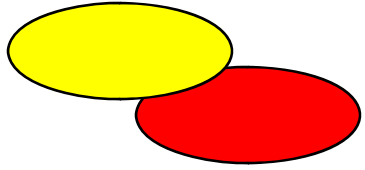
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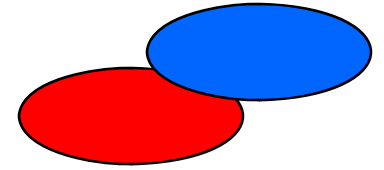
BBB Summary



- FPT does not adequately measure poverty especially in New Mexico
- FPL have inherent shortcomings in determining qualification for services meant to address poverty
- NM BBB's are 140% to 250% FPL
- NM BBB's can be used to illustrate the favorable impact social services have on low-income families



BBB Summary



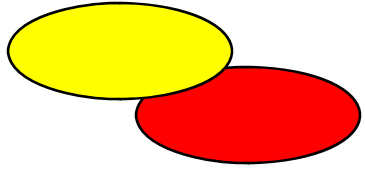
- Understanding NM BBB's can serve as a foundation for more geographically and family relevant economic analyses leading to more effective policy and creative solutions to address basic family needs.



BBB Limitations

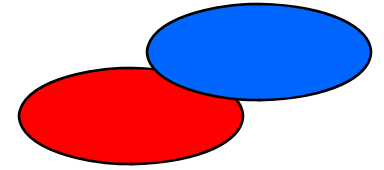


- Some data sources national & not specific to New Mexico
- Did not account for individual or family conditions that might impede ideal, most efficient socio-economic functioning
- Did not include budgetary expenses such as savings, retirement, education costs which promote long-term & cross-generational self-sufficiency



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Limitations



- The BBB shows the relationship of safety net programs and economic development policies to poverty reduction.
- We can more carefully design public policy with the specific goal of reducing poverty.

