

THE COST OF LIVING IN IOWA

Computing a Basic Needs Budget for Working Families

Everyone knows the costs of certain necessities, such as gasoline, vary widely throughout the country. Even within Iowa, families can expect to pay different prices for basic necessities such as housing, transportation, food, clothing, health care and child care. Whatever the cost, though, families need enough income to cover these basic needs. The income needed to provide these basic needs varies within the state by family size, ages of children, number of working adults, and geographic area.

“*The Cost of Living in Iowa*” from IPP presents basic-needs budgets for seven family types; budgets are adjusted for each county and metropolitan area in Iowa.

The table below presents basic-needs budgets showing that a two-parent family with one parent working and one child needs a family-supporting wage of \$15.05 to makes ends meet. This is nearly one dollar above Iowa’s median wage. With two children, the family-supporting wage rises to \$16.56 – more than \$2.40 above Iowa’s median wage. At least 24 percent of two-parent families with one full-time worker earn less than the family-supporting wage.

The report presents information on the cost of living for four different family types in each of Iowa’s Metropolitan Statistical Areas (MSAs) and non-metropolitan regions. Of the four family types included in these tables, the median wage is enough to support a family only in the last scenario of two full-time working parents. These tables demonstrate Iowans in every region of the state have a difficult time making ends meet for their families.

The appendix to the report presents basic-needs budgets and family-supporting wages for seven different family types for every county in Iowa.

\$14.15
Median Wage (statewide)

\$16.53
Family-supporting wage for a single parent of one child in Iowa

67%
Estimate of single-parent families earning less than the family-supporting wage in Iowa

Table 1. Costs for Two-Parent Families, One Parent Working

	Monthly Costs	
	One Child	Two Children
Child Care	\$0	\$0
Clothing/Other Necessities	318	329
Food	549	690
Health Care	482	544
Housing	626	814
Transportation	480	480
Income Taxes	154	13
Monthly Total	\$2,609	\$2,870
Annual Total	\$31,308	\$34,440
Family Supporting Wage	\$15.05	\$16.56
Median/FS Wage Gap	-\$0.90	-\$2.41
	-27%	-33%

Our basic needs budgets provide a realistic portrait of what it takes to support a family in Iowa. The family budgets represent a very frugal and modest living standard without luxuries and without government assistance. (See appendix for a complete explanation of the methodology.) No money is included for debt payments or skill training; for entertainment, vacations or restaurant meals; or even for savings for retirement or a child's college education.

Comparing a Family-Supporting Wage to a Poverty Wage

The family-supporting wages in this report are significantly higher than the federal poverty guidelines.

The reason is that the federal poverty guidelines are outdated and based on flawed assumptions. These guidelines assume that families spend one-third of their income on food and two-thirds on other basic needs. In reality, food now accounts for only one-sixth of the family budget.

Housing, transportation, child care and utilities are now much larger components of family spending than in the past.

The federal poverty calculation fails to properly account for these costs and totally excludes the cost of child care.

Key Assumptions in Basic Needs Budgets

- All income is earned; workers are employed full-time and year-round.
- The family cooks and eats all meals at home, at the cost of the USDA Low-Cost family food plan.
- The cost of rent and utilities is based on the HUD Fair Market Rent (FMR) at the 40th percentile level for a house of appropriate size in the local area.
- Health care expenses include insurance costs as well as out-of-pocket costs. Insurance premium costs are divided between the employee share of employer-sponsored insurance and the costs of non-group or private insurance policies.
- Workers drive to work, and families have other expenses for basic transportation needs, but social uses of transportation are not included.
- All children are in child-care centers when not in school, except those in two-parent families with only one parent working.
- Child-care costs are calculated using the regional average for a toddler of two years and a school-age child of six years based on data from Iowa Child Care Resource and Referral Networks.
- Net taxes are figured by preparing federal and state income tax returns for each family using standard deductions from 2008 tax schedules, and by computing Social Security taxes, Earned Income Tax Credits, and federal and state child-care credits.
- A basic needs budget must include expenses for clothing, telephone service, and other household maintenance items.

The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization based in Mount Vernon, with its principal office at 20 E. Market Street, Iowa City, IA 52245. All reports produced by the Iowa Policy Project are made available to the public, free of charge, via the organization's website at <http://www.IowaPolicyProject.org>. The Iowa Policy Project is a 501(c)3 organization. Contributions to support our work are tax-deductible. We may be reached at the address above, by phone at (319) 338-0773, or through other contacts available at our website.