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EXHIBIT
5
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Missouri Public
Service Commission

July 26, 2012

Public Hearing Statement Regarding 14.6% Electric Rate Increase Sought by Ameren Missouri.

On February 3, 2012, Ameren Missouri filed a request with the Missouri Public Service Commission for a $376 million increase in annual electric rates (Case No. ER-2012-0166). The proposed rate increase would impose a 14.6% increase in electric rates, or an average of $14 per month per customer. Approval of this increase would be detrimental to the families served by Legal Services of Eastern Missouri, Inc.

Legal Services of Eastern Missouri, Inc. (LSEM) provides free civil legal assistance to elderly, disabled and low-income individuals in twenty-one (21) counties in eastern Missouri:

Adair	Macon	Scotland
Clark	Marion	Shelby
Franklin	Monroe	St. Charles
Jefferson	Montgomery	St. Louis City
Knox	Pike	St. Louis County
Lewis	Ralls	Warren
Lincoln	Schuyler	Washington

Witness Exhibit No. 5
Date 7-26-12 Reporter SMZ
File No. ER-2012-0166

Through our legal assistance, clients achieve:

- Meaningful economic opportunity and economic stability (e.g., increased self-sufficiency by removing barriers to employment, reducing debt problems through enforcement of consumer law rights);
- Shelter (e.g., safe, stable, secure housing);
- Safety (e.g., freedom from violence and abuse);
- Health care, security and well-being (e.g., access to health care, basic nutrition, and disability benefits);
- Education (e.g., access to appropriate educational opportunities);
- Family stability (e.g., assistance with family law issues); and
- Systemic change in such areas as public benefits, individuals experiencing homelessness, individual civil rights, human trafficking and refugee assistance.

LSEM provides holistic services to help stabilize clients. To that end, we employ a team of lawyers, paralegals and social workers to provide not only legal representation, but also community education and outreach. Issues impacting our clients' stability are of great concern.

For over 50 years, LSEM has fought for equal access to justice, with the help of bar associations and volunteer lawyers. Our advocates work closely with over 150 other social service agencies, and participate in over 36 various collaborations and task forces to address systemic problems facing the community – such as foreclosures, access to affordable housing, healthcare coverage and services, family stability, community economic development, and education.

My work has been focused on a medical-legal partnership between Legal Services of Eastern Missouri, Grace Hill Neighborhood Health Center, SSM Cardinal Glennon Children's Medical Center, St. Louis Children's Hospital and St. Louis University School of Law.

LSEM receives approximately 17,000 calls for assistance a year. There is a justice gap where nearly 80% of the legal needs of low-income persons go unmet. From those calls, we helped over 21,000 people in completed cases in 2011 (7664 clients plus their 13,000+ household members).

Of those families LSEM assists, it is rare for a client to come to LSEM with any issue -- be it housing, public benefits or family law -- and not discover that the client has an outstanding utility bill causing or contributing to a substantial barrier to housing, medical care, education or employment. The following are typical stories that illustrate common problems our clients face and the choices they must make each and every day.

1. K, a mother of a 4 and an 8-year-old, had to decide whether to turn on her air conditioner at home. She lives in a drafty unit that does not hold in the cool air despite her best efforts but the home is all she can afford at this time. The utility bills are already too high. She knew that if she turned on the air conditioner that would cut into other areas of her already tenuous budget, including money for food for her children.

2. H, suffering with a brain tumor, had to decide whether to pay his Medicaid spend down to continue to receive assistance with medical bills or pay his electricity bill. If his electricity is cut off, he will lose his Section 8 housing assistance.

3. The state removed C's children from her custody because her electricity was disconnected. She lost her job because she could not find adequate child care for her daughter with a disability and frequently had to take off work when child care fell through. Upon losing her job, C fell behind in her utility payments, her electricity was disconnected and her children were removed from their home.

4. V, a homeless mother of four, had to pay out the remaining cash in her pocket to a family member so that she and her children together would have the same roof above their heads for the night. This is a scene repeated day in and day out for this family experiencing homelessness for the past three years. V is in poor health and requires frequent hospitalizations. Her children often have to split up and stay with different family members when V is hospitalized. V was a resident in a shelter program that would allow her to move into affordable housing together with her four children. Unfortunately, the

family was not able to move into the shelter's transitional housing program because of a prior outstanding electric bill.

More than half of Ameren's current customer base is located in St. Louis City and St. Louis County, the two largest counties in the LSEM service area when you take into account the poverty populations eligible for free legal assistance through our office.

In 2010, LSEM conducted a needs assessment survey of low-income persons throughout our service area and held focus groups with representatives of counties in the greater St. Louis region and Northeastern Missouri. Utility concerns were one of the top five areas of need identified in both survey responses and focus groups. LSEM knows also from the seasoned professionals in the social service agencies with whom we work that problems paying utilities are among the greatest problems destabilizing low-income households.

This summer of sustained crisis level heat illustrates how serious the problem of high utility bills is for families and households struggling to get by with low-income—balancing safety and housing with food and medical needs and the very right and ability of their household to stay together as a family unit. Lack of sustainable utility access creates systemic problems throughout the many communities LSEM serves through poor educational outcomes, weak housing markets, poor health outcomes, and an inadequate workforce.

The energy affordability gap in our community is rapidly increasing. Research indicates that we would need approximately $700 million dollars in order to fill the affordability gap in the state of Missouri alone. Programs like "Budget Billing" simply are not sufficient to meet the needs of this population. Similarly, other programs designed to help low-income households, like the Low Income Home Energy Assistance Program (LIHEAP) and other such programs continue to experience decreases in funding. These programs cannot meet the increased burdens that this proposed increase will place on those least able to bear it. These or other programs to aid low-income households with utility bills need to be substantially better funded in any event, even without a proposed Ameren rate increase. There must be a better solution to preserving our community.

Approximately 270,000 families in our service areas are within the federal poverty level. The already dire circumstances of hundreds of thousands of low-income people must be considered by the Public Service Commission in evaluating whether to grant Ameren a rate increase. For this reason, Legal Services of Eastern Missouri, Inc. opposes the requested rate increase.

Respectfully Submitted,

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APPENDIX

I. National Low Income Energy Consortium. 2004. *Paid But Unaffordable: The Consequences of energy Poverty in Missouri and Elsewhere.* Maryland.

II. Allegretto, Sylvia. 2005. *Basic Family Budgets: Working families' income often fail to meet living expenses around the U.S.*. Washington, D.C.: Economic Policy Institute.

Building Bridges

NATIONAL
LOW INCOME
ENERGY
CONSORTIUM

June 2004

Paid But Unaffordable:

The Consequences of Energy Poverty in Missouri — and Elsewhere

An overview of a study
commissioned by the
National Low Income Energy Consortium (NLIEC)
and conducted by economist Roger D. Colton

The National Low Income Consortium (NLIEC) is solely responsible for the content in this document. The information and perspectives contained herein, as well as in the report that serves as a basis for this document, do not necessarily represent the individual views of the organizations, corporations, agencies and individuals that make up the NLIEC Board of Directors, or are otherwise affiliated with NLIEC. This overview and the report upon which it is based were authorized by NLIEC to present facts and findings of economist Roger D. Colton, of Fisher, Sheehan, and Colton, through the study he undertook for NLIEC. Details of the study are provided in the report, *Paid But Unaffordable: The Consequences of Energy Poverty in Missouri*, available at www.nliec.org.

Paid But Unaffordable:

The Consequences of Energy Poverty in Missouri

Unaffordable home energy is a fact of life for more than a *quarter of a million* Missouri households. They face a daily struggle to cope with energy poverty — an excessive energy cost burden that frequently affects their health and well-being.

People living in energy poverty are our neighbors. They are young and old, men and women, working and unemployed, living with disabilities, raising children, and on their own. They live in cities and small towns and on farms.

And for most of these 265,000-plus Missourians, the increasingly high cost of heating and cooling their homes is a hardship making their daily lives a challenge.

The National Low Income Energy Consortium (NLIEC) determined the severity of that hardship in its 2004 *Missouri Energy Poverty Study*. The results are both clear and disheartening.

Key findings from the study include:

- Households with incomes below 50% of the federal poverty level pay a staggering 38% or more of their annual incomes simply for their home energy bills.

- Forty-six percent of the households surveyed went without food in order to pay their home energy bills.

- Forty-five percent failed to take medicines, as prescribed by their doctors, in order to pay their home energy bills.

- To cope with unaffordable energy bills, households took actions considered to be detrimental to children's educational achievement: frequently uprooting their children and not making needed purchases of school materials. Seventy percent of the highly transient households were families with children — 35% of whom, in order to pay their home energy bills, also had to forgo the purchase of needed books and school supplies.

The purpose of this study was to document in detail the extent and effect of energy poverty in Missouri — to measure the insecurity experienced by low-income households that face energy poverty and to document the adverse impacts energy poverty has on vital aspects of the lives of the poor — and to draw conclusions that go to remedying the problems, applicable to Missouri and the entire nation.

About the Study

The National Low Income Energy Consortium chose Missouri as the location to conduct the study for a variety of reasons. Its geographic position in America's heartland results in both cold-weather and hot-weather hardships. It has both urban and rural areas, each presenting energy challenges. And its residents use a mix of home heating fuels, including natural gas, electricity and propane.

Poverty in Missouri is extensive. More than 115,000 Missouri households have incomes at or below 50% of the federal poverty level (the federal poverty level being defined by the U.S. Department of Health and Human Services as $18,850 in 2004 for a family of four); another 70,000 have incomes between 50% and 74% of the poverty level; and 80,000 have incomes from 75% to 99% of the poverty level. More than three-fourths of the Missourians surveyed are living at or below the federal poverty level. A majority of respondents were helped by energy assistance, but still had overwhelming energy burdens.

NLIEC commissioned economist Roger D. Colton of Fisher, Sheehan and Colton to examine both the extent of energy poverty and how Missourians cope with unaffordable home energy costs. Self-administered questionnaires were distributed by organizations and agencies engaged in intake for the federal Low Income Home Energy Assistance Program (LIHEAP). Surveys, which gathered data about the previous year, were collected from January 2004 through March 2004, with a total of 734 usable responses coming from Missouri's 19 community action agencies and directly from the Missouri State LIHEAP office.

The study found that unaffordability of home energy affects the full spectrum of a household's physical, economic and social well-being.

In addition to threatening home energy service, energy poverty contributes substantially to hunger, inadequate housing, educational underachievement, health and safety dangers, and the inability to retain employment.

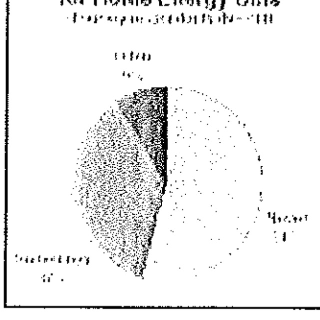
Consequences of Energy Poverty

Unaffordable home energy has a variety of serious impacts on low-income households already struggling to meet other bills. In addition to threatening home energy service, energy poverty contributes substantially to hunger, inadequate housing, educational underachievement, health and safety dangers and the inability to retain employment.

Hunger

Low income energy advocates often state that no one should have to choose between heating and eating. These statements are by no means overly dramatic. Nearly half of the survey population — 46% — went without food to pay home energy bills.

Skipping Meals to Save Money for Home Energy Bills



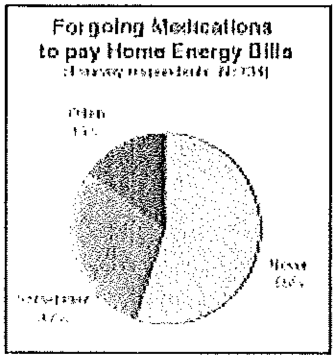
46% went without food to pay home energy bills

Energy-bill induced hunger was found to occur throughout the range of energy burdens and demographic groups. Wage earners, commonly referred to as the "working poor", had the highest incidence of going without food in order to have enough money to pay home energy bills. Households with young children also had a high incidence of skipped meals. And 44% of the households with incomes below 50% of the federal poverty level went without food in order to pay their home energy bills.

Health Care

In order to pay their energy bills, many low-income Missourians go without prescribed medicines and needed medical care.

Skipping medicines to save money to pay home energy bills is common within the survey population. Nearly half the respondents — 45% — failed to take their medicine, or they took less medicine than their doctors prescribed, in order to pay their home energy bill.



Forgoing prescribed medicines or taking less than the prescribed dosage occurred most often in the most extreme poverty levels. More than 40% of those who took such measures had incomes below 50% of the federal poverty level, and three-quarters of those who did so had incomes below 100% of the federal poverty level.

Low-income Missourians also went without seeing doctors and dentists altogether because of unaffordable home energy bills. Public assistance recipients and households with unemployed persons had the highest incidence of forgoing medical care.

In order to pay their energy bills, many low-income Missourians go without prescribed medicines and needed medical care.

Compounding this problem is the fact that failing to take prescribed medicines and failing to seek needed medical care in order to pay energy bills are coping mechanisms that rarely are independent of each other. Among respondents who frequently went without medicine in order to pay for their home energy bills, 93% also had skipped medical visits. Likewise, 74% of respondents who frequently had forgone medical visits had also gone without prescribed medicines.

Housing

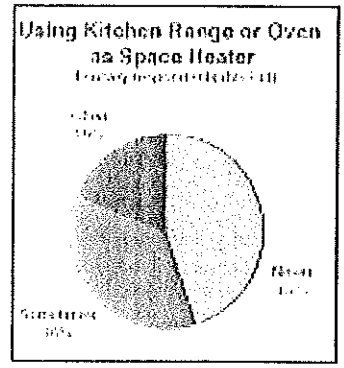
Shelter is intended to protect people from the elements. But when a home becomes uninhabitable because the resident cannot afford to heat or cool it, the housing is not performing one of its most basic functions.

Unaffordable energy bills unquestionably result in some households being denied the use of parts of their homes during hot or cold weather. More than 60% of those surveyed said they closed off one or more rooms because they could not afford to heat or cool the space.

In addition, unaffordable home energy bills can force low-income households to abandon their homes altogether for all or parts of a day because they cannot stay warm or cool in their homes.

Households that had a member with a disability, as well as those receiving public assistance, most frequently needed to abandon their homes because they could not afford to heat or cool them. With their rates for frequently leaving home reaching 10% and 8% respectively, those respondents were twice as likely as the general survey population to be denied the full use of their homes due to a lack of heat.

In both the cases where energy poverty causes a household to close off portions of a home, and where the household must abandon a home altogether for full or partial days, unaffordable energy bills deprive a household of the use of its home in its most fundamental capacity.



Safety

Energy poverty presents substantial safety risks to low-income households in Missouri. Of particular note is the risk of fire.

According to the National Fuel Funds Network, "the winter heating season presents the most dangerous time for home heating fires."

It is common for low-income households to use their kitchen ovens as space heaters when having trouble paying their heating bills.

Among survey respondents, 54% reported having used their ovens for space heating. And a high percentage of those 397 households that reported using the oven for space heating — 59% — had experienced disconnections or discontinuances of service for nonpayment.

Using an oven for space heating, and the accompanying safety risk of carbon monoxide poisoning or fire, occurs most frequently among those with the highest energy burdens. While 11% of the households with the lowest home energy burdens had often used their ovens for heating, the frequency of doing so more than doubled to 23% of households for those with energy burdens exceeding 20%.

Education

Energy poverty has an adverse affect on children's educational achievement. Unaffordable energy bills were documented as a substantial contributor to the transience of low-income households with children, which in turn, harms educational achievement. When students are frequently uprooted, they have difficulty keeping pace with the educational curriculum.

In addition, teachers have more difficulty assessing the knowledge, strengths and weaknesses of transient students. Third-grade students who have changed schools frequently are *two-and-a-half times more likely* to repeat a grade than third graders who have never changed schools. Highly transient students are more likely to be below grade level in both reading and math.

Energy poverty has an adverse affect on children's educational achievement. Third-grade students who have changed schools frequently are two-and-a-half times more likely to repeat a grade than third graders who have never changed schools.

Among survey respondents, 22% were frequent movers. This includes households that either had moved twice in two years or had moved once in the past year and intended to move again in the next year. Transience has a substantial effect on households with children. More than 70% of all frequent-mover households in the study had children under age 18; 44% had children under age 6.

A second way that energy poverty affects educational achievement is by impairing the ability of parents to provide adequate school books and supplies. Of the 159 frequent-mover households responding to a question about school books and supplies, 35% did not buy school books or supplies for their children in order to pay for the home energy bill.

Employment

Transience also has an impact on employment, particularly among low-wage workers. Transience for low-wage workers reduces wages earned by reducing the hours worked, as households seek out new housing. This occurs even if the worker succeeds in keeping his or her job after the move.

Many employment problems can be traced to unaffordable home energy.

Many employment problems can be traced to unaffordable home energy. Nearly one in six frequent-mover households cited an energy-related reason as the primary reason for their most recent move. Of the 161 highly transient households, 23 indicated that the primary reason for their move was to have lower energy bills.

Measures Taken in Order to Pay Energy Bills

Percentage of Respondents (N=734)

Action	Often	Sometimes	Never
Skipping meals	9	37	54
Skipping medicines	15	30	55
Avoided medical appointments	24	36	40
Used kitchen oven for space heating	19	35	46
Left home temporarily (could not afford to heat it)	6	25	69
Left home temporarily (could not afford to cool it)	7	31	62
Closed off space in home (could not afford to heat)	32	34	34
Closed off space in home (could not afford to cool)	32	31	37

The Home Energy Insecurity Scale

The extent of the problem of energy poverty was measured in this study employing a scale that had been developed previously by the survey analyst, Roger D. Colton, for the U.S. Department of Health and Human Services. The scale uses five thresholds measuring energy self-sufficiency in a household:

- A ***thriving*** household has achieved generally accepted standards of well-being without outside assistance or financial strain.
- A ***capable*** household is secure, even though not having achieved the full range of generally accepted standards of well-being.
- A ***stable*** household does not face significant threats and is unlikely to be in immediate crisis.
- A ***vulnerable*** household is not in immediate danger, but may be avoiding danger only through temporary or inappropriate solutions.
- An ***in-crisis*** household faces immediate needs that threaten the household's physical and/or emotional well-being.

Home Energy Insecurity Ratings
of Survey Respondents (N=734)

	In Crisis	Vulnerable	Stable	Capable	Thriving
Number	361	334	22	14	3
Percentage	49.1	45.5	3.0	2.0	0.4

Missouri low-income households were ***in-crisis*** if they frequently were denied full use of their home in hot or cold weather, used dangerous methods of space heating, went without basic household necessities in order to pay their home energy bill or were subject to disconnection or discontinuance of service.

49% of In-Crisis households said they did not go to the doctor or dentist in order to pay their home energy bill. In addition, 31% said they went without medicine as prescribed by the doctor.

Households were ***vulnerable*** if they frequently: lacked enough money to pay a home energy bill on time without outside help, failed to pay the bill when due or received service disconnection notices, reduced energy use to uncomfortable or inconvenient levels, or had to forgo use of some part of the home because they could not afford to heat or cool it, and occasionally: experienced disconnection of service, used the oven as a source of space heating, or went without food, health care or medicine in order to pay a home energy bill.

Going without medical care (49%), experiencing occasional disconnection of service (39%) and using inappropriate appliances for space heating (46%) were the three indicators most frequently experienced by these Missouri low-income households.

Households were ***stable*** if they frequently: could not afford to heat or cool their home to a comfortable temperature, could not use hot water or appliances as much as they wished, and worried about whether their home energy bill would become due before they could get money to pay it; and occasionally: left home for all or part of the day because they could not afford to either heat or cool their home, or turned off their hot water because there was not enough money to pay the home energy bill; and frequently or occasionally received a warning that service would be disconnected or discontinued due to nonpayment, but did not actually reach the point of having service terminated.

More than three-quarters of the Stable households (77%) received frequent disconnection warnings without actually having experienced the loss of energy service. In addition, 36% said they frequently worried about whether their bill would become overdue before they could get money to pay for it.

Capable households no more than occasionally: worried about whether their home energy bill would become due without having money to pay for it; either did not pay their home energy bill due to a lack of money or had their energy bill become due without having money to pay it absent outside help; had to adjust their use of heating, cooling, hot water or appliances because they did not have money to pay the energy bill; or had to forgo the use of part of their home because they could not afford to heat or cool it.

In households classified as Capable, 100% of the respondents said they worried about whether their home energy bill would become overdue before they could pay it. A somewhat smaller percentage, but still very large, reported that their bill occasionally became due without their having the money to pay it unless someone else helped them.

A household was ***thriving*** if it never experienced any of the energy insecurity indicators. Only three respondents were classified as thriving, an insufficient number to provide a quantitative description of the population.

Affordability of Home Energy

Affordable energy is defined as an energy cost of 6% or less of annual household income. But energy is far from affordable for low-income Missourians. In fact, the number of Missouri households facing a crippling energy burden is staggering.

Among the survey respondents, 87.6% reported home energy bills well above the 6% affordability threshold.

The more than 115,000 Missouri households who have incomes below 50% of the federal poverty level face a home energy burden that is 38% of their incomes or higher. Another 70,000 households in the state have incomes from 50% to 74% of poverty and have a home energy burden of 16% of their income, while 80,000 Missouri households with incomes from 75% to 99% of the federal poverty level have home energy burdens of 11%.

Data published by the U.S. Census Bureau in 1992 show that poor families are three times as likely as higher-income families to be unable to pay their utility bills: 32.4% compared with 9.8%. There is a clear difference, however, between non-payment of home energy bills and energy affordability.

While survey respondents experienced both service disconnections and the frequent receipt of disconnect warnings from their energy suppliers, the inability to pay does not necessarily lead to non-payment. In fact, energy bill payment occurred in the majority of cases. The problems arise from the sacrifices poor families make to pay those bills.

Among the survey respondents, 87.6% reported home energy bills well above the 6% affordability threshold ... (yet) energy bill payment occurred in the majority of cases. The problems arise from the sacrifices poor families make to pay those bills.

LIHEAP in Missouri and Nationwide

Although proven important in reducing energy hardships both nationally and in Missouri, energy assistance, alone, is insufficient at its current levels to adequately serve the entire population of low-income households in need. And the support provided through energy assistance frequently still leaves households with unmanagable expenses, along with the social and economic problems associated with energy poverty. Nearly three-quarters of the energy assistance respondents reported receiving a warning that service was to be disconnected or discontinued for nonpayment.

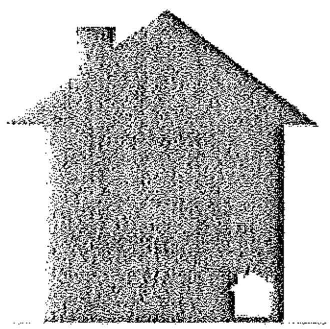
The LIHEAP statute requires states to target benefits to those households with the lowest incomes and the highest energy costs, or households with high energy burdens and very young children, individuals with disabilities, and frail older individuals (vulnerable households).

Under federal law, states may establish their own income eligibility guidelines, within federally legislated parameters, but the limited amount of LIHEAP funding highlights the careful balance states must make in setting eligibility criteria and benefits levels. Missouri's LIHEAP program sets eligibility at 125% of the federal poverty level. Obviously, it does not serve all low-income households, hence the emphasis on targeting assistance to the most vulnerable households is paramount. And even with its eligibility restrictions, as is typical with many states throughout the nation, Missouri's LIHEAP crisis funds were depleted before its heating season ended and, therefore, this emergency support was unavailable to potentially qualified applicants.

Although setting a broader eligibility standard and further outreach to potentially eligible low-income households might increase participation in the state's energy assistance program, increased participation would not result in increased funding. As a result, higher participation rates would result in a lower home energy support for each LIHEAP recipient. Already inadequate funding would become even more inadequate if spread more thinly because of increased participation.

The gap between energy assistance support and household need is not unique to Missouri. There are indications that similar situations occur throughout the nation.

Total
Energy Need
in Missouri
$286 million



LIHEAP funds
for Missouri
$40.8 million

Actual low-income energy bills exceeded affordable energy bills in Missouri by nearly $286 million at 2003 fuel prices, and Missouri's 2003 LIHEAP allocation was only $40 million.

Easing the Energy Poverty Gap

The nationwide Home Energy Affordability Gap for heating and cooling in 2003 has been calculated to be nearly $18.2 billion. The primary means of bridging this gap involves funding for energy bill assistance.

Low Income Home Energy Assistance Program

LIHEAP money is allocated by the federal government to the states through a complex formula that takes into account a state's low-income population, weather (heating degree days), home heating and total residential energy expenditures. LIHEAP nationwide is currently only funded at about $2 billion per year. As a result, less than 15% of those eligible for the program have been served.

During 2003, approximately 4.6 million households nationwide received LIHEAP — only 13 percent of the more than 34.6 million households that were eligible. In Missouri, about 105,000 households received LIHEAP during 2003, 17% of the 611,700 households that were eligible.

As is the case nationally, energy assistance at its current funding level is inadequate to help alleviate energy poverty problems facing Missouri's low-income population. Actual low-income energy bills exceeded affordable energy bills in Missouri by nearly $286 million at 2003 fuel prices, and Missouri's 2003 LIHEAP allocation was only $40 million.

Nationwide and in Missouri, LIHEAP funding is grossly inadequate to sufficiently serve all the households in need. Additional funding for the Low Income Home Energy Assistance Program would reduce the energy burdens of low-income households.

State-Funded Programs

One of the most effective low-income fuel assistance program structures outside LIHEAP and federally subsidized housing utility allowances involves the delivery of rate discounts through public utilities.

... during 2003, more than $7 million in energy assistance funding was leveraged through Missouri fuel funds.

Not all low-income households use utility fuels such as natural gas and electricity as their primary heating source, yet the existence of electricity is nearly universal, and the combination of gas and electricity heating covers the vast majority of low-income households throughout the nation. A variety of program designs, target populations, and justifications exist for the utility programs that operate across the nation. The experience from these public benefits programs merits consideration of their use in other states.

The Pennsylvania Customer Assistance Program (CAP) is an exemplary, comprehensive statewide effort by utilities to address the payment problems of low-income households. Generally, customers enrolled in a CAP agree to make monthly payments based on household family size and gross income in exchange for continued provision of utility service.

Other state public benefits programs of note include New Hampshire's Electric Assistance Program, providing tiered discounts; New Jersey's Universal Service Fund, operating as a "fixed credit" program; Maryland's Electric Universal Service Program, operating as a supplement to LIHEAP; and Ohio's Percentage of Income Payment Plan, which is based on a straight percentage of income. Illinois, Wisconsin, Oregon, Texas, Montana and California also operate public benefits programs that provide rate affordability assistance.

Fuel Funds

Fuel funds are local agencies that provide charitable energy assistance, generally to prevent disconnection of service for non-payment. Missouri has a number of long-established and successful fuel funds. In fact, during 2003 over $7 million in energy assistance funding was leveraged by Missouri fuel funds. Public utilities across the country should recognize the benefits of engaging in aggressive fundraising efforts to local fuel funds. Aggressive fundraising can occur in at least the following ways:

- Utilities can engage in direct outreach to customers on a periodic basis. Ideally, utilities could provide fuel fund solicitation no fewer than four times a year.

- Utilities can seek to enroll customers in regular contribution programs rather than merely seeking one-time contributions. Program enrollment involves customers agreeing to donate on a regular basis through a line-item on the bill. Once enrolled, the participation continues until the customer opts out of the program.

- Utilities also can solicit customers to donate refunds or other rebates provided by the utility. This refund might involve excess earnings sharing of a utility operating under an earnings cap, refunds of interim base rate increases collected under bond subject to refund, gas pipeline refunds or other money directed back to the customer.

- Finally, they can adopt fuel fund contribution mechanisms to be used during on-line payment. As an increasing number of customers move to on-line payment of bills, the proportion of contributions decreases in the absence of a specific on-line contribution mechanism.

Additional Measures

Generating additional funding for bill payment assistance is certainly not the only means of easing energy poverty. Weatherizing low-income homes, for example, can reduce energy needs for many low-income households. Like fuel assistance, however, weatherization efforts are limited by funding.

Federal Weatherization Assistance Program dollars will never be adequate to serve all eligible low-income homes needing weatherization within a reasonable period of time. According to the National Association of State Community Service Programs, Missouri weatherized roughly 6,200 housing units from 1999 through 2001 — the most recent data available. But with 265,000 Missouri households living in energy poverty, weatherization makes only a small dent in the statewide needs of low-income households. And for some households with very low incomes, no amount of weatherization, alone, will lower their bills to an affordable energy burden.

The Energy Poverty Study identifies two additional programs that provide relief for low-income energy consumers. In both cases, what is needed to make these sources most effective is more advocacy and oversight to ensure that those in need have total access to funds earmarked to serve them.

The first of these is the federally subsidized housing utility allowance, provided year round to low-income families through public- and assisted-housing programs that receive funding from and are regulated by the U.S. Department of Housing and Urban Development (HUD). The report raises concerns that some local managing agencies, Public Housing Authorities (PHAs), may be providing lower levels of utility support than is intended by HUD regulation, to the detriment of the programs' recipients. This is an opportunity for the low income energy community to help reduce energy poverty by participating in the oversight of PHA activities related to utility allowances, and to advocate for those payments to be at levels that reflect current energy prices and usage.

The second source mentioned by the study is the calculation of federal Food Stamp benefits provided by the U.S. Department of Agriculture. Here, the household energy costs as part of overall shelter costs are a factor in determining the monthly food stamp allotment. As with PHA utility allowances, oversight is needed to ensure that increases in energy costs are recognized and that shelter costs and standard utility allowances are regularly recalculated, so as to provide low-income households maximum benefits.

Addressing the affordability issue reaches well beyond the primary goal of ensuring adequate home energy for the poor. It also has the potential to generate a much wider range of benefits, as well. For this reason, the study went beyond discussing payments that are directly tied to unaffordable energy bills.

As an example, the Earned Income Tax Credit (EITC) is a program that offers financial support to some of the poorest households. Moreover, it has the potential to provide that support in the latter part of the heating season, a time of year when so many low-income households are suffering the effects of unaffordable energy bills. EITC is underutilized, and better outreach is needed to maximize public awareness and increase low-income households' participation in the program.

The low income energy community must build bridges with the communities that advocate for support of other basic household needs of the poor.

Building Bridges

As has been stated, there are many avenues for reducing the home energy affordability gap. They involve advocacy, outreach, oversight, and partnerships between governments, energy providers and community-based agencies; and of course, they involve additional funding.

This study makes it clear that energy poverty affects the full spectrum of a household's economic, social and physical well being. In addition to being a direct threat to the ability to retain home energy service, energy poverty is a substantive contributor to hunger, inadequate housing, educational underachievement, health and safety dangers, and the inability to retain employment.

The low income energy community must build bridges with the communities that advocate for support of other basic household needs of the poor. Together, these networks can do much more!

Building Bridges

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Children's Sentinel Nutrition Assessment Program (C-SNAP) in collaboration with Citizens Energy Corporation

Fuel for Our Future

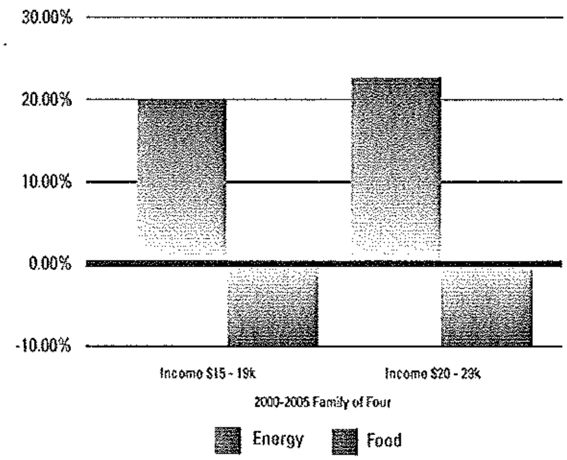
Impacts of Energy Insecurity on Children's Health, Nutrition, and Learning

September 2007

Increasing Energy Costs Threaten Children's Health

Rising energy prices affect all households, yet the impact is greatest on low-income families. The lower a family's income, the higher the percentage of their total income they must spend for energy. A dramatic price increase of 42.1% between 2000 and 2005 coupled with low-income families' tight budgets poses serious threats to children's health and well-being.[i] Compounding the problem, incomes have stagnated or decreased for nearly all but the wealthiest families. [ii] [iii]

As Energy Expenditures Increase, Food Expenditures Decrease



Source: US Department of Labor, Bureau of Labor Statistics

Doctor's Orders: Prevention and Treatment

Low-income families need a strong and comprehensive safety net in order to ensure the health of their children. This requires:

1. **Funding the Low Income Home Energy Assistance Program (LIHEAP),** the best available way of preventing and treating energy insecurity, at the maximum authorized level to allow the program to meet the yearly need from more eligible households.
2. Continuing to **support consumer shut-off protections** that protect the most vulnerable—the disabled, the elderly, the sick, and young children—from extreme weather conditions and high energy prices.
3. Supporting the comprehensive safety-net through **adequate food and energy assistance programs.** Policy trade-offs force dangerous household trade-offs which compromise the health of children in low-income families.
4. Helping low-income families **improve the energy-efficiency of their homes** by providing more funds for home weatherization programs and rebates for energy efficient appliances and products. The less low-income families spend on energy due to improved efficiency, the farther their LIHEAP assistance dollars will stretch.
5. **Collecting energy insecurity data** in the same uniform, annual manner currently used to track food insecurity. Proper data collection is a critical prerequisite for correctly-targeted programs and evidence-based policymaking.

Until both nutrition assistance and energy assistance are adequately supported, our society can expect accelerating disparities in the health and future prospects between children from low-income families and their higher-income peers. Not only are these assistance programs good social policy, they also make economic sense, enabling the proper growth and learning that will allow today's children to enter the productive workforce of tomorrow's America.

An Epidemic of Energy Insecurity

The majority of energy use in American homes is for heating and cooling. For households in northern states, where winters can be long and intensely cold, home heating is essential for protecting health. In the South and Southwest, cooling can be just as critical for health, requiring large expenditures for air conditioning and fans.

Energy costs represent only a portion of a household's monthly expenses, which also include food, housing, transportation, telephone, medical, and other important expenses. Given the budget squeeze that low-income families feel with rising prices, this home energy burden contributed to a record number of utility shut-offs that have occurred in 2007. From March to May 2007 alone, electricity and natural gas service to an estimated 1.2 million households was disconnected due to overdue winter energy bills. [iv]

FAQ: Home Energy Burden

A family's home energy burden is defined as the percentage of total household income that is required to meet energy costs.

$$\text{Energy Burden} = \frac{\text{Home energy expenditures}}{\text{Total household income}} = \begin{array}{l}\text{percentage of}\\ \text{household income}\\ \text{spent on energy}\end{array}$$

Balancing Survival Needs

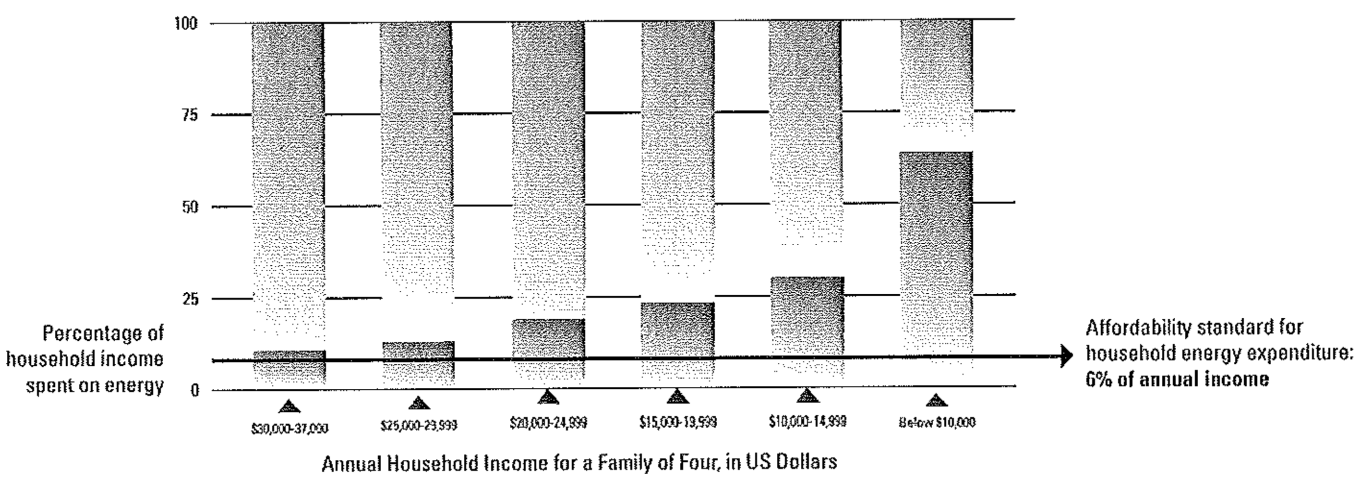
When most of us think about poverty and hunger, our minds direct us to the bare kitchen table or the empty refrigerator. Few of us would also imagine the thermostat turned to 'off' or the electricity shut-off notice arriving in the mail. The reality is that America's low-income families must struggle constantly to protect their children from multiple threats to their health and growth, of which energy insecurity may be the most immediately life-threatening.

Energy costs rise when temperatures increase in the summer and fall in the winter. Even families with a stable but low income are often unable to meet the demands of the higher-cost months. For poor or near-poor families, saving for colder or hotter months is simply not possible. As a result, the increased heating or cooling costs incurred during extreme weather months can place severe strains on household budgets leading to unavoidable trade-offs, often between food and energy.

In "heat or eat" situations, families strive in vain for a safe balance between paying for food and paying for energy. Some resort to alternative heat sources, like using their kitchen ovens, thereby jeopardizing their children's health and safety by increasing risk of fires, burns, and carbon monoxide poisoning.[ix] Even if families avoid these catastrophic outcomes, children suffer from extreme temperatures, poor ventilation, and unsafe food due to inadequate refrigeration and lack of energy for cooking. In efforts to pay for energy, parents buy less food since food is usually the only elective part of a poor family's budget. This unavoidable survival strategy may entail long-term negative side effects. When parents are financially forced to limit food, children's growth and development suffers. For many families, chronic shortage of both energy and food is often inevitable.

As Income Decreases Family Budgets Stretched to Breaking Point by Energy Costs

While 6% of income for energy is considered affordable, low-income families pay far more. Low-income families must spend a greater percentage of their income on home energy costs, leaving less money available for food and other necessities.



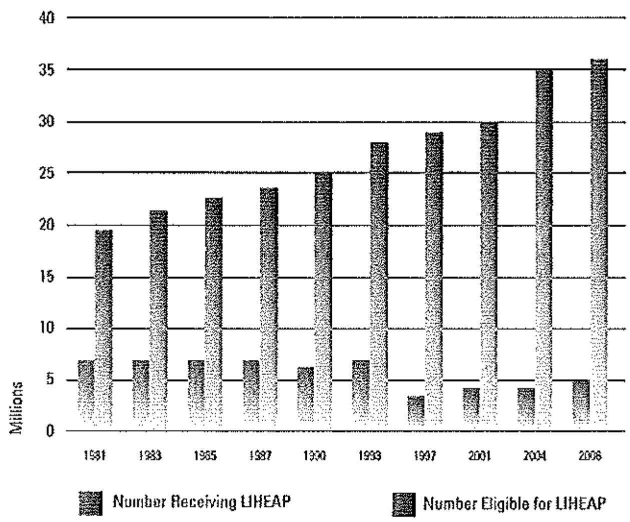
Source: www.homeenergyaffordabilitygap.com/index.html, 2006 Massachusetts data

Effective Medicine Exists but Underprescribed and Dose Too Low

The primary federal government program for assisting low-income families in paying their energy bills is the Low Income Home Energy Assistance Program (LIHEAP). LIHEAP provides states with annual grants to help low-income families pay their heating and cooling bills.

For individuals and families receiving assistance, LIHEAP is very effective at keeping them safe and healthy. However, in 2006, only 16.1% of eligible households received LIHEAP.[v] Federal and state budgets currently provide only a fraction of the money needed and most years Congress appropriates less than half of the annual funding for which LIHEAP is authorized. Annual LIHEAP funding of $2 to $3 billion pales in comparison to the estimated $64 billion spent by low- and moderate-income families annually on their energy bills.[vi] Households received an average of $427.81 in FY 2005 and received an estimated $370 in FY 2007.[vii] As the amount of federal money allocated to households remains flat or decreases, increasing numbers of families are falling behind in their struggle to shield their children from cold and heat stress.

The Gap Between Number of Households Eligible for LIHEAP and the Number Receiving LIHEAP Continues to Widen



Source: LIHEAP Home Energy Notebook. US Dept of Health & Human Services, June 2006. Data for 2006 estimated on NEADA data and trend in eligible households.

Energy Security:

Ability to afford sufficient energy to sustain a healthy and safe life in the geographic area where a household is located. An energy-secure household's members are able to obtain the energy needed to heat/cool their home, operate lighting, refrigeration and appliances while maintaining expenditures for other necessities (e.g., rent, food, clothing, transportation, child care, medical care, etc.)

Why Energy Matters for Children's Health: The Medical Research

C-SNAP research over the last ten years shows that LIHEAP is a crucial resource for protecting the health of America's youngest and most vulnerable children. When low-income families do not receive energy support, they are often forced to make stark choices. The health consequences of trade-offs in spending can be serious, especially for the youngest children.

The first three years of life are a uniquely sensitive period of extraordinary brain and body growth; the cognitive and physical development that takes place at this stage will never occur to the same degree again.[xi] Young children in this phase are especially vulnerable to any deficiencies in family resources or well-being. **Babies and toddlers who live in energy insecure households are more likely to:**

- **be in poor health;**
- **have a history of hospitalizations;**
- **be at risk for developmental problems, and;**
- **be food insecure.[xii]**

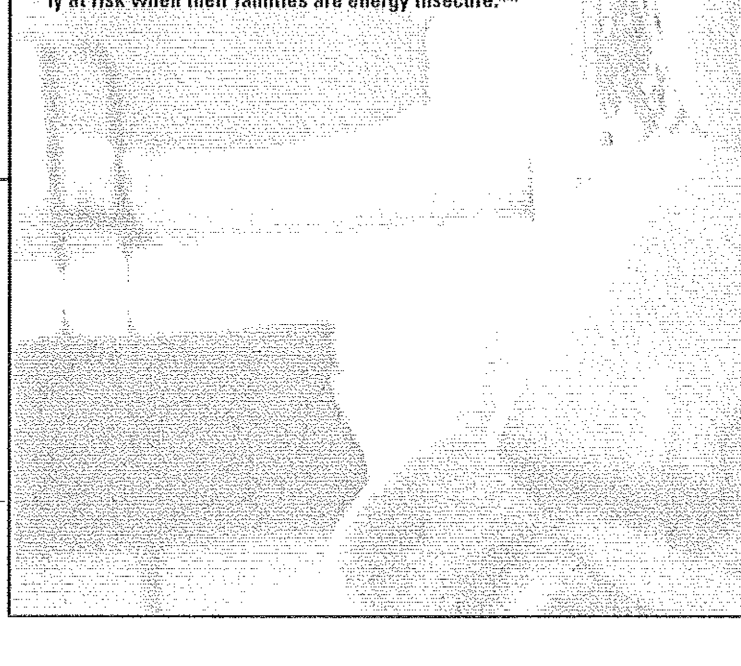
Food insecurity itself is associated with:

- **more hospitalizations,**
- **poor health,**
- **iron deficiency anemia,**
- **problems with cognitive development, and;**
- **behavioral and emotional problems.[xiii]**

Disproportionate Impact on Children of Color

Children of color are at particular risk for energy insecurity, not because of their race or ethnicity in and of itself, but rather because of the economic context in which they live. Children of color more often live in low-income households and therefore their families are more likely to have to choose between heat and food, or cooling and food.

C-SNAP data show that young children of color are more likely to be hospitalized, food insecure, in poor health and developmentally at risk when their families are energy insecure.[xix]



Doctors see the impact of energy insecurity written on the bodies of young children. The youngest children are more likely to get sick from extreme temperatures because their small size makes it difficult to maintain their body heat.[xiv] Research conducted at the former Boston City Hospital found that children aged 6-24 months receiving acute emergency care within three months of the coldest month of the year had significantly lower weight-for-age than children needing care the rest of the year.[xv xvi] Moreover, C-SNAP research shows that compared to babies and toddlers whose families receive LIHEAP, **babies and toddlers in income-eligible families who do not receive LIHEAP benefits are:**

- **significantly more likely to be underweight,**
- **32% more likely to be admitted to the hospital on the day of the C-SNAP interview.**[xvii]

Since young children of all ethnicities from poor and near-poor families are not yet in formal educational settings, they are largely invisible to policymakers and other responsible adults, except to their parents, health and child care providers. These "invisible" children are the most vulnerable to the insults to growth and development caused by energy and food insecurity. Food insecure children are less likely to have the social and cognitive skills and abilities that help them to do well in school.[xviii]

The Children's Sentinel Nutrition Assessment Program (C-SNAP):

A national research center of pediatricians and public health experts whose original, clinical research informs the development of public policies affecting the health and well-being of children ages 0 to 3 years old.

Food Insecurity:

A technical term many frontline workers call hunger, food insecurity refers to limited or uncertain access to enough nutritious food for all household members to lead an active and healthy life.

Child Food Insecurity:

This is the most severe form of food insecurity, meaning that the supply of food is so short that the parents can no longer buffer their children from the lack of food. Essentially, this is child hunger.

US Department of Agriculture, Household Food Insecurity in the United States, 2005

Young Black Children

- Black babies and toddlers whose families experienced moderate energy insecurity were *38% more likely to be admitted* to the hospital on the day that their parents sought care for them in an emergency room.
- Black babies and toddlers whose families experienced severe energy insecurity were *183% more likely to be in a food insecure household.*
- Black babies and toddlers whose families experienced severe energy insecurity were almost *200% more likely to have child food insecurity.*
- Black babies and toddlers whose families experienced severe energy insecurity were *43% more likely to be in fair or poor health.*
- Black babies and toddlers whose families experienced severe energy insecurity were *82% more likely to be developmentally at risk.*

Young Latino Children

- Latino babies and toddlers whose families experienced moderate energy insecurity were *45% more likely to have had a past hospitalization.*
- Latino babies and toddlers whose families experienced severe energy insecurity were *more than 200% more likely to be in a food insecure household.*
- Latino babies and toddlers whose families experienced severe energy insecurity were *nearly 200% more likely to experience child food insecurity.*
- Latino babies and toddlers whose families experienced severe energy insecurity were *93% more likely to be developmentally at risk.*

The children described are compared to young Black or Latino children, respectively, in low-income, energy secure families after taking into account background factors.

Why Worry?

If families of color, or of any ethnicity, are better able to manage their energy bills, they are likely to have more money to feed their children. Children who eat well are more likely to grow and develop normally and less likely to get sick and need extra doctor visits, which could mean fewer health care expenses. Additionally, healthy children are less likely to miss school and more able to perform well in school, so that they will be able to contribute to America's skilled workforce.

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BASIC FAMILY BUDGETS

Working families' incomes often fail to meet living expenses around the U.S.

By Sylvia Allegretto

The ability of families to meet their most basic needs is an important measure of economic stability and well-being. While poverty thresholds are used to evaluate the extent of serious economic deprivation in our society, family budgets—that is, the income a family needs to secure safe and decent-yet-modest living standards in the community in which it resides—offer a broader measure of economic welfare.[1]

The family budgets presented in this report take into account differences in both geographic location and family type. In total, this report presents basic budgets for over 400 U.S. communities and six family types (either one or two parents with one, two, or three children). That the budgets differ by location is important, since certain costs, such as housing, vary significantly depending on where one resides. This geographic dimension of family budget measurements offers a comparative advantage over using poverty thresholds, which only use a national baseline in its measurements.

Basic family budget measurements are adjustable by family type because expenses vary considerably depending on the number of children in a family and whether or not a family is headed by a single parent or a married couple.

The second part of this analysis compares data on actual working family incomes and the associated basic family budgets. Such a comparison can show, for example, what percentage of two-parent families with two children in Pittsburgh, Pa., are actually earning enough income to meet basic family budget thresholds.[2] These comparisons can also show not only the share of *families* falling below family budget thresholds, but the number of *total people*—parents and children—that are affected. Given recent policies that emphasize work as the solution to poverty and economic hardship, this analysis is important because it shows that sometimes work simply isn't enough.

The following are major findings from this analysis:

- The range of basic family budgets for a two-parent, two-child family is $31,080 (rural Nebraska) to $64,656 (Boston, Massachusetts). The median family budget of $39,984 is well above the $19,157 poverty threshold for this size family.
- Over three times more working families fall below the basic family budget levels as fall below the official poverty line.
- Of the six family types examined, over 14 million people (28%) live in families with incomes below the basic family budget thresholds.
- The incorporation of cost-of-living differences into basic family budgets makes them advantageous in many ways. For example, when using poverty thresholds, approximately 37% of families fall below "twice poverty" (i.e., double the poverty line), whether they reside in cities or rural areas. But when using family budget measures, which embody the higher cost of living in cities, one finds that 42% of families living in cities and 30% of families residing in rural areas fall short of basic family budget thresholds.

Beyond measures of poverty to measures of economic hardship

Limitations and problems of poverty thresholds

Poverty thresholds are absolute income levels used to measure the number and percentage of those who are the most impoverished and economically deprived in our society. Conceptually, the poverty measure is an important one, and one that is fundamentally different than family budgets. Family budgets are a *relative* measure of the dollar amount families need to live modestly in the communities where they reside.

It is also the case that the poverty measure is woefully outdated and little has been done officially to remedy the situation. For instance, the current methodology for poverty thresholds was designed over four decades ago in 1963 and has only been updated using the Consumer Price Index. Academics, policy analysts, and social scientists—most of whom overwhelming agree that the Census poverty measure is seriously outdated—have been engaged in dialogue and debate about alternative measures for some time.[3]

Most analyses of alternative poverty measures find that an updated poverty measure would increase the percentage of those classified as poor (Bernstein 2001).[4] Hence, one barrier to redefining poverty thresholds is political, with most presidents reluctant to have official poverty numbers revised upward during their administrations. The basic family budgets presented here go beyond measures of severe deprivation to encompass a broader spectrum of economic hardship.

The added value of basic family budgets

Basic family budget calculations constitute the income required to adequately afford a safe and decent standard of living for one of six family types living in any of 400 specific U.S. communities.[5] These budgets are calculated for six different family types (one or two parents with one to three children) and incorporate regional, state, or local variations in prices (depending on item). Therefore, cost-of-living differences are built into the budget calculations. The basic budgets are relative measures of what incomes are necessary to attain a specific standard of living. The budget items that are included in the basic family budgets are: housing, food, child care, transportation, health care, other necessities, and taxes.[6]

The following is a brief description of each budget item and the restrictions and/or working assumptions employed for basic family budget calculations:

Housing. Housing costs are based on the Department of Housing and Urban Development's fair market rents (FMRs). FMRs represent 40th percentile rents (shelter rent plus utilities) for privately owned, decent, structurally safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities. Rents for two-bedroom apartments were used for families with one or two children, and rents for three-bedroom apartments were used for families with three children (these assumptions were based on HUD guidelines).

Food. Food costs are based on the "low-cost plan" taken from the Department of Agriculture's report, "Official USDA Food Plans: Cost of Food at Home at Four Levels." The USDA food plans represent the amount families need to spend to achieve nutritionally adequate diets.

Transportation. Transportation expenses are based on the costs of owning and operating a car for work and other necessary trips. The National Travel Household Survey is used to derive costs that are based on average miles driven per month by size of the metropolitan statistical or rural area multiplied by the cost-per-mile.

Child care. Child care expenses are based on center-based child care or family child care centers for four and eight year olds, as reported by the Children's Defense Fund.

Health care. Health care expenses are based on an amount that recognizes that not all families receive employer-provided health care. We use a weighted average of the employee share of the premium for employer-sponsored health insurance and non-group premium costs from an online insurance quote, plus the cost of out-of-pocket medical expenses.

Other necessities. The cost of other necessities includes the cost of clothing, personal care expenses, household supplies, reading materials, school supplies, and other miscellaneous items of necessity from the Consumer Expenditure Survey.

Taxes. Citizens for Tax Justice (CTJ) computed the taxes for tax year 2004. The six line items from above represent after-tax budgets. CTJ determined the amount of tax liability that each after-tax budget would incur. Therefore, the after-tax budget along with the additional tax burden represents the total pre-tax budget. Taxes included federal personal income taxes, federal Social Security and Medicare payroll taxes (direct worker payments only), and state income taxes. Local income or wage taxes were also included. Included in the calculation are federal tax credits for children and the earned-income tax credit.

The 2004 basic family budgets

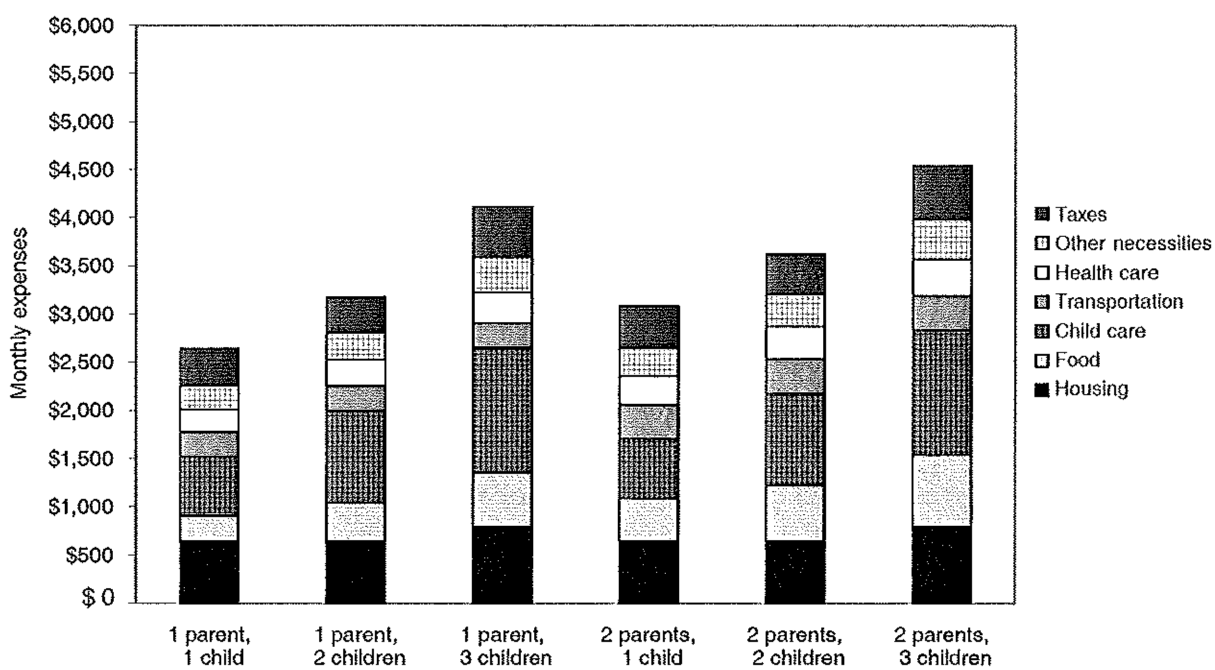
In all, basic budgets are calculated for six family types: one or two parents with one, two, or three children, for over 400 communities. The budgets reflect the costs that families actually encounter when they form households in specific geographical areas. The budget costs reflect the income that is necessary for a family to enjoy a relatively safe, modest standard of living.

For illustrative purposes, the basic family budgets for six different family types in Pittsburgh, Pa. are depicted in **Figure A**. One of the first items of interest when looking at these budgets is the large share of costs that come from child care. The largest monthly expense faced by families in Pittsburgh with more than one child is child care costs. This is not always the case, especially in areas that have very high property values, such as the District of Columbia and Oakland, California. **Figure B** shows that in these areas rental expenses exceed all other individual budgetary items.

Figure A examined only one community—(Pittsburgh, Pa.)—but six different family types. This

FIGURE A

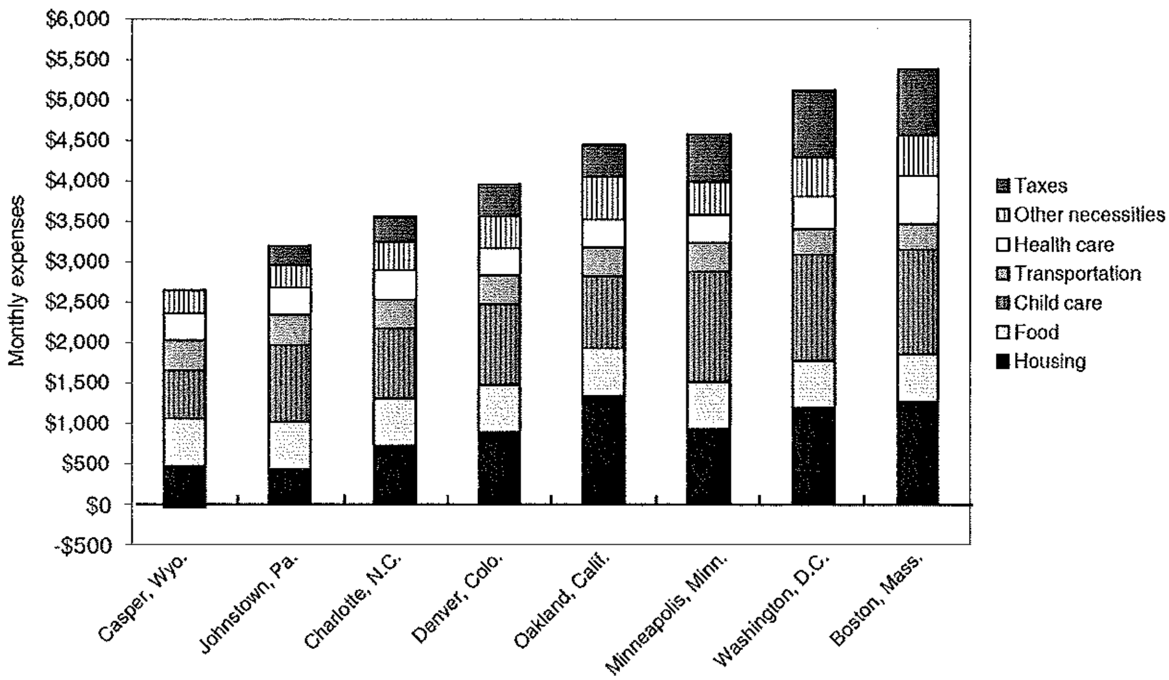
Monthly family budgets for six family types living in Pittsburgh, Pa.



Source: Author's analysis.

FIGURE B

Monthly family budgets in eight communities for a family with two parents and two children



Source: Author's analysis.

analysis provides insight into how the budgets vary by family size. Figure B, on the other hand, holds the family type constant—two parents and two children—while varying the geographic location. Figure B illustrates how, given a family type, the budgets differ substantially by location. For example, rental property in Oakland, California is almost three times what it is in Casper, Wyoming. Monthly rent for a two bedroom apartment is $470 in Casper, Wyoming, $888 in Denver, Colorado, and $1,342 in Oakland, California.

Figure B demonstrates the importance of accounting for cost-of-living variations when calculating relative budgets. In other words, these basic family budgets allow for comparisons that hold living standards constant. In contrast, the single poverty threshold for a family of four—$19,157 in 2004—applies regardless of location. A family of four is deemed to subsist in poverty if its income is below this level, whether it resides in Casper, Wyoming or Oakland, California.

Table 1 provides individual budget item outlays for the geographic locations shown in Figure B. Annual totals are also calculated. Family budgets as a percent of the poverty threshold are given in the last row of the table. For example, Table 1 shows that the annual basic family budget for Casper, Wyoming is 163% of the poverty level, while it is 338% in Boston, Massachusetts.

Family budgets and the budgets of working families

TABLE 1
Sample family budgets in eight areas for a family with two parents and two children

Budget item	Casper, Wyo.	Johnstown, Pa.	Charlotte, N.C.	Denver, Colo.	Oakland, Calif.	Minneapolis-St. Paul, Minn.	Washington, D.C.	Boston, Mass.
Housing	$470	$428	$719	$888	$1,342	$928	$1,187	$1,266
Food	587	587	587	587	587	587	587	587
Child care	595	954	866	1,001	892	1,364	1,316	1,298
Transportation	375	375	358	358	358	358	321	321
Health care	335	338	368	334	345	345	398	592
Other necessities	285	274	353	398	521	409	479	500
Taxes	-40	243	310	394	406	588	832	824
Monthly total	*$2,607*	*$3,199*	*$3,561*	*$3,960*	*$4,451*	*$4,579*	*$5,120*	*$5,388*
Annual total	**$31,284**	**$38,388**	**$42,732**	**$47,520**	**$53,412**	**$54,948**	**$61,440**	**$64,656**
Percent of poverty threshold	163%	200%	223%	248%	279%	287%	321%	338%

As stated before, family budgets represent the amount of money a family needs to manage at a basic level. These budgets are not based on what families actually spend, but rather on the realistic costs of the seven basic items that constitute the budgets. Using data from the March Current Population Survey (CPS), a nationally representative survey by the U.S. Bureau of the Census, allows for a comparison of reported family incomes and basic family budgets.[7] The CPS contains extensive information on families, including income, geographic location, and number of children. The CPS allows for a comparison of income data for a two-parent, two-child family living in Denver, Colorado to the basic family budget threshold for that family type and location.

Certain family types and demographic particulars add to the likelihood that a family's income will fall below basic budget levels. **Table 2** presents the share of families with incomes that fall short of basic family budget levels. Families headed by single parents, young workers, or workers with less than a college degree are the most likely to face economic hardship. For comparative purposes, the share of families with incomes less than poverty and twice poverty are also shown in Table 2.

Overall, 29.7% of working families in the United States have incomes below basic family budget levels. As for poverty measurements, the CPS data finds that 9.4% of working families are below the official poverty thresholds, and the percentage of families living below twice poverty—28.0%—is similar to those subsisting below basic family budget levels.

The remainder of Table 2 gives demographic breakdowns of the shares of families that fall below the three threshold measures. A majority of African American and Hispanic working families and over two-thirds of families headed by someone with less than a high school degree earn less than what is needed to meet the basic family budget threshold. Even a college degree does not completely insulate a family from economic struggles, as 8.7% of families headed by someone with at least a bachelor's degree have incomes below family budget levels.

TABLE 2
Share of families with income less than family budget, poverty line, and twice poverty (by demographic characteristics)

	Share of families below:		
	Family budget	Poverty line	Twice poverty line
ALL	29.7%	9.4%	28.0%
Race/ethnicity			
White	20.1%	5.5%	19.8%
African American	52.8	21.2	47.6
Hispanic	56.8	18.7	52.8
Other	28.3	7.3	25.3
Education			
Less than high school degree	69.2%	28.9%	68.7%
High school degree only	41.5	13.6	40.5
Some college	29.8	7.8	26.9
College degree	8.7	1.7	7.4
Age			
18-30	47.9%	17.9%	46.8%
31-45	21.3	5.4	19.5
46+	21.9	6.0	20.1
Work status			
Full-time, full-year	22.8%	4.2%	20.6%
Less than full-time, full-year	42.5	19.0	42.1
Family type			
One adult with one child	59.9%	20.8%	50.8%
One adult with two children	73.7	31.4	67.0
One adult with three children	92.5	55.6	86.9
Two adults with one child	18.5	3.7	16.0
Two adults with two children	19.8	5.5	22.1
Two adults with three children	36.2	10.4	34.4
Location			
City	42.5%	14.2%	37.6%
Suburbs	23.3	5.7	19.7
Rural	30.5	12.3	37.0
Region			
Northeast	30.4%	7.4%	22.5%
Midwest	23.4	7.6	24.1
South	31.3	11.8	32.6
West	32.7	8.9	29.2

More than two out of 10 families headed by a full-time, full-year worker fall below basic budget levels. Households headed by single parents rarely attain incomes above family budget thresholds: just 40.1%, 26.3%, and 7.5% of single parent families with one, two, or three children, respectively, have incomes that meet basic family budget thresholds. Single parents face serious challenges to economic sustainability.

Perhaps predictably, families headed by those with less education, by single parents, or by younger workers (or a combination of such) struggle to attain incomes that meet family budget thresholds. But maybe not so expected are the significant percentages of families headed by educated workers, full-time, full-year workers, and older workers who are also finding it difficult to have a standard of living that is above the *basic* level represented by these family budgets.

Table 2 offers insight into the importance and value of incorporating cost-of-living differences into economic hardship measures. Families living in cities or rural areas are more likely to have incomes that fall below poverty or twice poverty levels, and their percentages are similar for either locale. For example, approximately 37% of families living in a city or a rural area have incomes below twice poverty. These percentages differ significantly when family budget levels are the measure of comparison. Generally, the cost of living in cities is higher than in suburbs or rural areas. Hence, the percentage of families living below family budget levels is much higher in cities (42.5%) compared to those living in suburbs (23.3%) or rural areas (30.5%).

Regional poverty rates are highest in the South. But when hardship is measured using basic family budgets, it is the Western region that has the largest share of families with income less than the family budget threshold (32.7%). The Midwest region has the lowest percentage of families falling below basic family budget levels (23.4%).

Table 3 offers additional insight into cost-of-living variances in the family budgets. It is one thing to discuss the number of *families* that don't earn enough to meet their basic budgetary needs, but what does that mean in terms of actual numbers of *people*? Table 3 gives, by state and region, the percentage and number of *persons* in families with incomes less than family budget levels. Of the six family types examined, over 14 million people (about 28% of those examined) live in families with incomes below the basic family budget thresholds. Again, it is the Western region that has the largest percentage of people living below family budget thresholds (32.1%). The Southern region (due to its large share of the overall population) has the greatest number of persons—almost 5.5 million—living in families with incomes below family budget levels.

States that traditionally have high levels of poverty, such as Arkansas and Mississippi, also have high percentages of people—26.8% and 29.6%, respectively—living in families with incomes below basic budget levels. However, some high cost-of-living states, such as New York and California, have even higher percentages of people below family budget levels (35.3% and 33.7%, respectively). The District of Columbia, at 48.0%, has the highest *share* of persons in families with incomes less than family budget levels, and California, at 2 million people, has the greatest *number of persons* living in families with incomes below basic budget amounts.

Across the country significant numbers of working families are finding it difficult to make ends meet. Something has got to give when families do not have the means to subsist at a basic level. Under such circumstances, health insurance or safe, dependable child care could possibly be out of reach. Public policy, especially in the form of work supports, is critical to help working families attain a safe and decent standard of living.

The role of public policy

Even in the best of times, many parents in low-wage jobs will not earn enough market-based income to meet their family's basic needs. When work is not enough, publicly provided work supports are needed to assist workers. It is telling that a full-time, full-year worker who is paid $6.00 per hour (.85¢ *above* the minimum wage) will earn pre-tax about $12,500 a year, which is below the poverty line of $13,020 for a single parent with one child. Work supports such as the Earned Income Tax Credit (EITC), child care

TABLE 3
Percentage and number of persons in families with incomes less than family budgets (by state)

	Below family budgets			Below family budgets	
State/region	Percent	Number (in thousands)	State/region	Percent	Number (in thousands)
Northeast	**28.5%**	**2,638**	**Midwest**	**21.6%**	**2,445**
Maine	28.9	47	Ohio	22.3	439
New Hampshire	21.9	43	Indiana	24.1	267
Vermont	20.3	22	Illinois	22.0	488
Massachusetts	31.8	350	Michigan	22.6	409
Rhode Island	28.9	50	Wisconsin	17.8	172
Connecticut	22.3	151	Minnesota	18.3	169
New York	35.3	1,106	Iowa	20.5	96
New Jersey	23.3	383	Missouri	22.6	200
Pennsylvania	23.5	485	North Dakota	26.2	25
			South Dakota	14.9	15
South	**29.9%**	**5,494**	Nebraska	19.5	61
Delaware	23.4	31	Kansas	22.5	102
Maryland	20.2	179			
District of Columbia	48.0	31	**West**	**32.1%**	**3,728**
Virginia	23.4	284	Montana	40.3	44
West Virginia	38.1	86	Idaho	37.5	92
North Carolina	32.7	476	Wyoming	16.3	11
South Carolina	25.2	177	Colorado	27.6	255
Georgia	25.6	451	New Mexico	35.3	119
Florida	31.0	822	Arizona	33.5	345
Kentucky	27.7	217	Utah	26.9	120
Tennessee	25.8	287	Nevada	32.0	126
Alabama	33.8	308	Washington	26.9	292
Mississippi	29.6	134	Oregon	29.9	176
Arkansas	26.8	124	California	33.7	2,048
Louisiana	28.2	227	Alaska	28.2	35
Oklahoma	34.9	198	Hawaii	37.2	63
Texas	35.0	1,462			
			United States	**28.3%**	**14,305**

subsidies and tax credits, and subsidies for housing, transportation, and health care have been effective in increasing post-tax incomes and consumption for working families. But more needs to be done to assist struggling low- and middle-wage workers. Being a working member of our economy has associated costs, such as transportation to and from work and the expense of child care. As shown in the family budgets, child care costs, on average, account for around 25% of the typical budget for a family with two children. Thus, this particular expenditure is clearly an important leverage point for using work supports to narrow the gap between earnings and needs.

Endnotes

1. For a historical overview of family budgets, see Johnson, et al. (2001).

2. This Briefing Paper may be used in conjunction with the interactive web-based basic family budget calculator that is available on the Economic Policy Institute's Web site: http://www.epi.org/content.cfm/ datazone_fambud_budget.

3. See Bernstein (2001).

4. For a dissenting view, see Robert Rector, *Understanding Poverty and Economic Inequality in the United States*, http://www.heritage.org/Research/Welfare/bg1796.cfm.

5. For information on family budget and self-sufficiency budgets, their components, and conceptual issues, see Bernstein, Brocht, and Spade-Aguilar (2000) and Wider Opportunities for Women at www.wowonline.org.

6. A detailed technical documentation that describes the methodological approach employed in the budget calculations of each budget item is available at: www.epi.org.

7. For more on CPS methodology, see Boushey, et al. (2001) Appendix B.

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Wider Opportunities for Women Self-Sufficiency Standards can be found at: www.wowonline.org.

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