

Family Budgets—Statewide Averages, 2006

In the following pages we measure the cost of meeting basic needs for seven different types of families. These costs are statewide averages computed from 2006 sources. (See the section on Budget Methodology for a discussion of these sources.) We also show the share of jobs in Minnesota that pay less than the required wage for each type of family.

Key Assumptions Made in Deriving Basic Needs Budgets

- All income is earned; workers are employed full-time and year-round.
- The family cooks and eats all its 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. At this level, 40 percent of the rents in a given area would cost less than the FMR, while 60 percent would cost more. The housing category includes heating, water, electricity and gas.
- Health care expenses include insurance costs as well as out-of-pocket costs. The worker pays an average of just under 25 percent of the premiums for an employer-sponsored health insurance policy.
- All workers drive to work. Transportation costs necessary for meeting basic family needs are included; but social and recreational uses are not included.
- All children are in child care, except those in two-parent families with only one parent working full-time. Child care costs are the regional average for pre-school and school-age children in homes and child care centers.
- Pre-school children are in licensed day care full-time; and school-age children require after-school care of 15 hours a week for 40 weeks a year and full-time day care for 10 weeks in the summer.
- Expenses are included for clothing, telephone service, and other household maintenance items.
- Net taxes include both income taxes and payroll taxes. Income taxes are calculated by preparing federal and state income tax returns for each family using standard deductions. All relevant income tax credits are figured as part of this process—including Earned Income Tax Credits, Minnesota Working Family Credits, and federal and state Child Care Credits. Sales taxes are not included, since they are already reflected in the cost of other budget items.
- Our budgets make NO allowance for items such as:
 - education or training beyond high school;
 - debt payments, life insurance, retirement and other savings;
 - down payments for a home mortgage;
 - vacations, pets, movies, gifts, and restaurant meals; or
 - big ticket items such as washers, dryers, or refrigerators.

See the section on Budget Methodology and Sources for further information on the procedures used to arrive at the costs of each component of the family budgets.