News and Commentary

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A Reader Response to the Basic Needs Budget

Our October, 1995 issue of the Review featured an article by Stephanie Seguino entitled: "Back to basics: Measuring economic performance using a basic needs budget approach." We include here a letter to the editor, submitted in response to this article. The reader presents a thoughtful, personal illustration of the basic needs budget approach.

The basic needs budget approach originally was designed to more accurately measure household economic status than the official poverty measure. The intent in this approach is to provide a series of budgets that describe the amount of income required by 'self-sufficient' households to meet basic needs. (Self-sufficient households are defined as those not receiving transfers from other households or from state, local, or federal government sources.) In her October, 1995 article, Seguino uses the example of a single parent household to illustrate this approach. How-ever, she could easily have used a two-adult household as household composition is incidental to the larger argument of more accurately measuring economic status in self-sufficient households. As this reader's analysis so aptly demonstrates: More generalized use of a basic needs budget approach would in fact require the development of a series of baseline budgets for households of different sizes and age compositions. Further, ascertainment of self-sufficiency would require consideration of all household sources of revenue and expenditure in order to obtain an accurate assessment of household economic status.

I read with interest Stephanie Seguino's article "Back to basics: Measuring economic performance using a basic needs budget approach" in the October, 1995 issue. Seguino has chosen to use a "single parent family with two children" as the assumption for her basic needs monthly budget model. However, a single parent family will usually (not always) be the result of a divorce, and other economic factors need, then, to be considered as well for the analysis to be valid:

1. Disposition of the marital residence.
2. Obligation of the non-custodial parent to pay child support, childrens' health insurance premiums, a portion of children' uninsured medical expenses, and a portion of custodial parent's childcare expenses.
3. Reduced expenses by the custodial parent as a result of visitation with the non-custodial parent.

In addition, although difficult to document, the "single" parent may be living with another unrelated adult who is contributing income to the household.

Seguino's model assesses the basic needs of just a part of a previously intact nuclear family. The absent parent, as well, has basic needs. However, current media attention on deadbeat parents and the need for rigorous enforcement of child support obligations ignores this reality.

As Seguino notes, traditional measures of economic status such as poverty are limited because they ignore certain categories of income and expense. Using Seguino's model, and actual income and cost data from my own circumstance, a very different picture of the single parent family emerges.

The real test of Seguino's approach is whether, in fact, it models reality. Let me incorporate real numbers from my own experience.

I am divorced, and my ex-wife was awarded custody of our three children, ages 8, 10, and 12. She is employed full time, and earns a gross salary of $15,800. Applying Seguino's model as illustrated in the October, 1995 Maine Policy Review, it would appear that this single parent family falls below the poverty level with an income far short of basic needs. In contrast, my gross salary is $45,000, and although Seguino's model does not address the economic needs of single individuals, I would appear quite comfortable. However, incorporating the additional economic factors listed [on the next two pages], a very different picture emerges. I hope that you will consider this alternate analysis of basic economic needs.

Basic needs monthly budget for single parent and non-custodial parent

Categories of expenditure	**Budget: 1 Three children over 6**	**Budget 2: Non-custodial parent**
1. Housing (l)	$354	$508
2. Transportation	$170	$170
3. Childcare (2)	$208	
4. Health insurance (3)	$35	$87
5. Out-of-pocket health expenses	$26	$78
6. Clothing (4)	$68	$17
7. Food (4)	$412	$103
Subtotal	**$1,273**	**$963**
8. Personal care expenses	$25	$19
Annual Subtotal	**$15,228**	**$11,784**
Categories of income		
Salary	$15,800	$45,000
Child support	$13,676	($13,676)
Subtotal	**$29,476**	**$31,324**

Annual tax obligations		
F.I.C.A.	$1,106	$3,375
Federal Income Tax (5)	$58	$7,900
Childcare credit (6)	($624)	
Earned income credit	($1,674)	
State income tax	$9	$2,738
Total tax obligation	**($559)**	**$14,013**
Net income after expenses and tax obligations	**$14,807**	**$5,527**

1. Housing Expenses: By divorce decree, the marital residence was awarded to the custodial parent. The following housing expenses are listed in the custo-dial parent's financial disclosure statement filed with the Court: property taxes, $900; fire insurance, $220; repairs and maintenance, $500; electricity, $1080; telephone, $600; heating oil and propane, $850; snow plowing, $100; for a total of $4,250 per year or $354 per month. In order to maintain any reasonable visitation with the children, the non-custodial parent needs to rent an apartment with enough space (2 bedroom) for the children to spend the night.
2. Childcare: Seguino's estimate of $16 per child per week for children over 6 has been used, but this is a high estimate given that in this case the children's ages are 8, 10, and 12.
3. Healthcare: As is usually the case, the divorce decree requires the non-custodial parent to provide health insurance for the children. In addition, both parents must share the uninsured medical expenses of the children in proportion to gross income.
4. Clothing and Food: These expenses have been adapted from Seguino's model on a per capita basis. In reality, food expenses will be lower on a per capita basis for a family of four than for a single individual. This allocation also under-estimates the expense of the non-custodial parent and over-estimates the expense of the custodial parent because it does not recognize costs incurred and saved as a result of visitation. For example, if the children visit the non- custodial parent every other weekend and for one week during the summer (16% of the year), this would result in an increased expense to the non-custodial parent and a decreased expense to the custodial parent of $68 per month just for food alone.
5. Federal tax: Child support is non-taxable income to the custodial parent and non-deductible to the non-custodial parent. Regardless of amount of financial support, the custodial parent claims the children as dependents.
6. Childcare credit: Although the non-custodial parent has paid 75% of the custodial parent's child care expenses with after tax dollars in this case, the custodial parent only may claim the tax credit.

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