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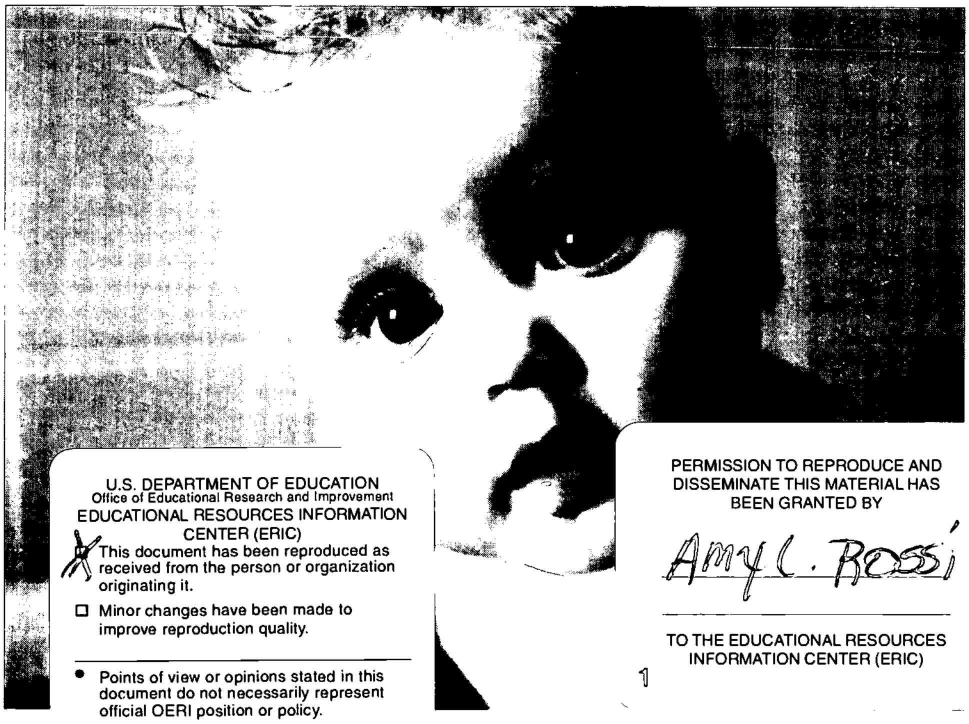
ABSTRACT

The Family Income Standard (FIS), developed in Arkansas as a more adequate measure of families' economic well-being than the widely-criticized Federal Poverty Level (FPL), is defined as the amount of money a working family must earn to meet its daily living needs without assistance from charities. This report details the effort to update and improve the FIS for the state, providing FIS estimates for 75 Arkansas counties and statewide. The FIS was calculated for six family types varying in the number of parents in the household, the number of children, and the number of employed parents in the household. Findings indicated that the FIS ranged from $21,668 annually for two parents (one employed) with one child to $35,658 for two parents (both employed) with two children. Because two-parents families with a stay-at-home parent do not pay for childcare and have lower transportation costs and a different tax burden, their FIS was considerably lower than parents who are both employed. The largest expenses for families depended on the number of children and whether both parents were employed. The FIS was found to be roughly twice the FPL and higher than prevailing federal minimum wages. County-level FIS differences resulted from differences in costs of four major FIS components: housing, childcare, taxes, and other basic necessities, such as personal care and household items. Delineated in the report are FIS data for each family type in each county and statewide. The report also discusses implications for tax policy, subsidized early care and education, health care, and workforce education. The report concludes by noting that Arkansas has an opportunity to develop state policies that help families achieve economic self-sufficiency and more adequately meet their basic needs. (KB)

The *New and Improved* Arkansas Family Income Standard



How Much Does It Really Cost to Raise a Family?

ARKANSAS ADVOCATES
FOR CHILDREN & FAMILIES

AUGUST, 2003

Helping children be healthy, wealthy and wise.

The Family Income Standard (FIS) is the amount of money a working Arkansas family needs to earn to meet all of its daily living needs without assistance from government or private charities.

INTRODUCTION

Arkansas Advocates for Children and Families works toward – in Benjamin Franklin's words – helping children be healthy, wealthy and wise. The results of this report demonstrate how the state's healthcare, taxation and education policies influence a family's economic well being.

In 1999, Arkansas Advocates for Children & Families (AACF) released *Making It Day-to-Day, A New Family Income Standard for Arkansas Families*[1]. The study was the first serious and comprehensive effort to answer this question for Arkansas families and policymakers. It helped set the stage for an ongoing public discussion about how best to support the state's working families, many of whom have been struggling the past two years during the economic slowdown.

AACF developed the Family Income Standard (FIS) because it believes that for the state to thrive and grow, so too must its children. Families must have the resources to provide the basic necessities of life for their children, such as adequate food and shelter, health care, and clothing. Parents must work to earn the incomes to provide these necessities. Being employed demands they have the resources to pay for quality care for their young children during work hours and to pay their taxes.

Most agree that all children deserve access to the basic necessities of life, but policymakers, researchers, and advocates disagree about the level of income families need. The federal poverty level (FPL), the standard long used by researchers and policymakers to measure the well being of families, has been widely criticized. Most observers regard it as an inadequate measure for families with children to meet their basic needs. A major criticism of the measure has been its one-size-fits-all approach – the same level of income is used for all states and localities.

AACF responded to the shortcomings of the FPL by developing the FIS as a more accurate standard of what Arkansas families need. Our 1999 study revealed that Arkansas families require an income nearly twice the federal poverty measure (200 percent of poverty) to meet their basic daily living needs. It also revealed what many policymakers, advocates, and families already knew: that full-time low-wage work is not enough to meet the basic needs of families. In fact, a 2000 AACF study revealed that 36 percent of all families (and 66 percent of single-parent families) did not earn an income that would enable them to meet the FIS standard and meet all of their basic needs.[2]

Many things have changed since 1999. The cost of living continues to rise. At the same time, the boom economy of the 1990s began to stagnate and has yet to recover. As a result, job prospects have dwindled for many of our most vulnerable citizens and least skilled low-income workers. This situation makes it increasingly difficult for them to meet their basic needs.

On the positive side, however, there is greater support among the public and policymakers for policies that support working families with children. In the face of a declining economy and less-than-anticipated tax revenues, Arkansas made tough policy changes to protect and even expand critical Medicaid-funded health care programs such as ARKids First. The state dedicated a substantial portion of federal TANF (Temporary Assistance for Needy Families) grant to expand access to subsidized childcare for low-income working families. And, it created a new beer tax to expand access to quality preschool education for low-income children.

Perhaps most importantly, as a result of a historic ruling by the Arkansas Supreme Court in the Lake View case, the state has a once in a lifetime opportunity to restructure the state's preschool through grade 12 education system. This opportunity could have major implications for a myriad of issues, ranging from education to health care, and impacting the state's most vulnerable families with children.

Finally, AACF has made advancements in the methodologies we use to measure the costs for families. AACF is now able to produce even more accurate and reliable estimates.

In this study, AACF updates and improves the FIS for Arkansas and all 75 counties. We hope these new and updated estimates will be used to improve the economic well being and quality of life for children and their families.

Overview of the FIS

The Family Income Standard (FIS) is the amount of money a working Arkansas family with children needs to earn to meet all of its daily living needs without assistance from government or private charities. Such assistance is excluded because the FIS represents the income level at which a family can be completely self-sufficient and still meet the basic needs of all family members.

The FIS includes the basic living expenses of children with families, such as: food, housing and utilities, health care, transportation, childcare, taxes, and other necessities including clothing, personal care and household items.

AACF made some important changes to its FIS research to reflect new methodologies that have recently been developed. Several important changes were made in calculating FIS expenses for health care, transportation, other necessities, and taxes (mostly because of changes in state and federal tax law). An explanation is available on the AACF website at www.aradvocates.org/finances/newfismethodology.html.

The Arkansas FIS was calculated for six family types: a single parent with one child, a single parent with two children, two parents (both employed) with one child, two parents (both employed) with two children, two parents (one employed) with one child, and two parents (one employed) with two children. In one-child families, the child is assumed to be age one. In two-child families, the children are ages one and three. In a departure from the 1999 study, this analysis also presents FIS estimates for two-parent families in which one parent stays home. This reflects a growing interest among policymakers for initiatives that better support these families, such as state tax credits for families that have a stay-at-home mother or father caring for a young child.

Younger families tend to have lower incomes and therefore face the most challenges. Thus, much public policy is centered around this group.

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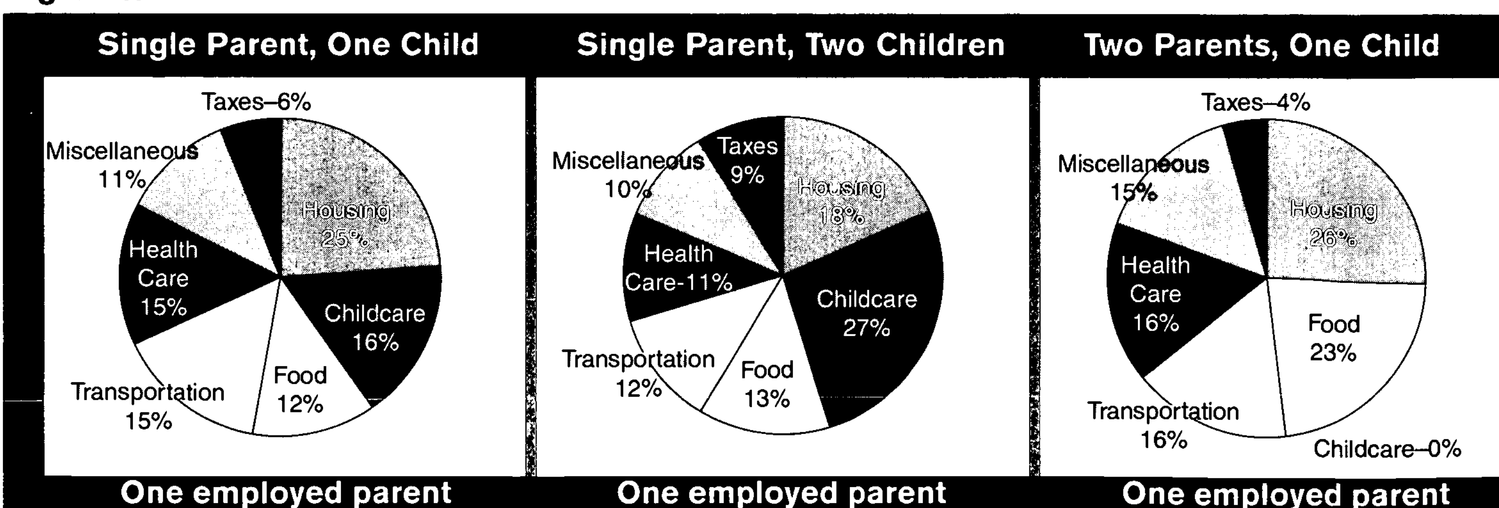
Family Income Standard for the State of Arkansas

	Single Parent Employed One Child	Single Parent Employed Two Children	Two Parents One Employed One Child	Two Parents Two Employed One Child	Two Parents One Employed Two Children	Two Parents Two Employed Two Children
Annual Living Expenses						
Housing	5,509	5,509	5,509	5,509	5,509	5,509
Childcare	3,769	8,037	0	3,769	0	8,037
Food	2,860	4,030	4,902	4,902	6,084	6,084
Transportation	3,488	3,488	3,488	4,904	3,488	4,904
Health Care	3,348	3,348	3,572	3,572	3,572	3,572
Miscellaneous	2,594	2,957	3,227	3,227	3,594	3,594
Taxes[1]						
Federal Taxes						
Soc. Sec	1,426	1,860	1,343	1,808	1,356	2,211
Medicare	333	435	314	423	317	517
Income	1,014	1,615	482	1,246	203	1,771
Federal Income Tax Credits[2]						
(Childcare)	552	960	0	480	0	960
(Child Tax Credit)	462	655	482	600	203	811
(EITC)	995	664	1,362	164	2,591	0
State Taxes						
Income	840	1,290	760	1,231	653	1,546
State Tax Credits						
(Personal Credits)	40	60	60	60	80	80
(Childcare Credit)	110	192	0	96	0	192
(Working Taxpayer Credit)	29	38	27	36	27	45
Family Income Standard[3]						
Annual	22,993	30,000	21,668	29,154	21,875	35,658
Monthly	1,916	2,500	1,806	2,430	1,823	2,971
Hourly Wage	10.89	14.20	10.26	13.80	10.36	16.88

Table 1. Estimates as of December, 2002.

Notes
[1]Taxes represent living expenses, just like food or housing, that must be included in the FIS.
[2]Federal and state tax credits reduce the amount of taxes owed and therefore reduce annual living expenses. Tax credits are subtracted from annual living expenses and the FIS.
[3]The FIS is derived by adding living expenses, including taxes, and subtracting tax credits.

Figure 1.



THE COST OF THE FIS

The FIS represents the amount a family must earn to be self-sufficient and to meet their basic living needs. The FIS varies depending on the type of family (single vs. two-parent families), the number of children (one or two), and employment (whether both parents are employed in two-parent families).

For families with all parents employed (i.e., the parent in a single-parent family is employed and both parents in a two-parent family are employed), the annual FIS ranges from $22, 993 for a single-parent family with one child to $35,658 for a two-parent family with children. The average hourly wage that a family would have to earn to meet the FIS income level ranges from $10.89 for a single-parent family with one child to $16.88 for a two-parent family with two children.

Because two-parent families with a stay-at-home parent don't pay for childcare and have lower transportation costs and a different tax burden, their FIS is considerably lower than parents who are both employed. For example, the FIS for a two-parent family with two children and both parents employed is $35,658, while the FIS for a two-parent, two-child family with a stay-at-home parent is $21,875.

The FIS for a two-parent family with a stay-at-home parent is similar regardless of whether they have one or two children. The FIS ranges from $21,688 for two-parent families with one child to $21,875 for families with two children. The average hourly wage needed to meet the FIS ranges from $10.26 (one child) to $10.36 (two children). Why are the FIS levels for two-parent families with a stay-at-home parent so similar for one-child and two-child families? The reason is simple. While the two-child family has higher living expenses for some FIS needs such as food, clothing, and other personal care items, it also qualifies for a refundable federal Earned Income Tax Credit (EITC) that is much higher than that for which a one-child family might qualify. For a two-parent family with a stay-at-home parent and two children, the additional cost of another child is almost offset by a higher federal EITC that results in a refund to the family (at least compared to the one-child FIS for this type of family).

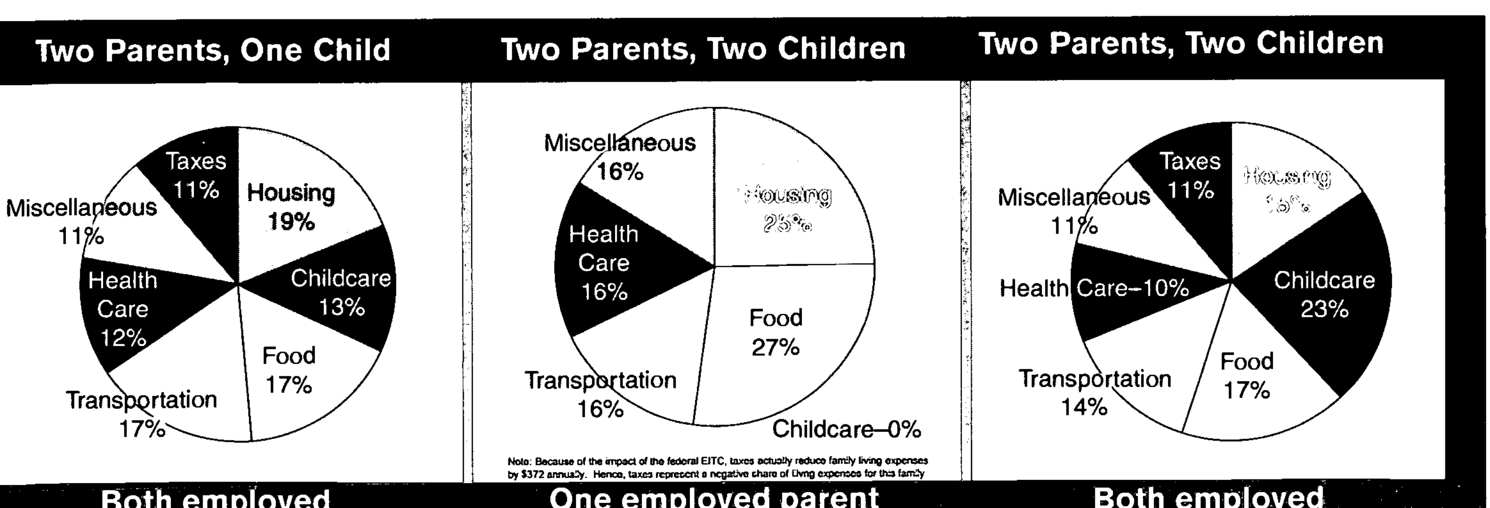
WHAT ARE THE LARGEST EXPENSES FOR FAMILIES?

It depends on the number of children in the family and whether all parents in the household are employed.

For families with working parents (i.e., a single parent who is employed or a two-parent family in which both parents are employed) with one child, housing represents the largest cost, ranging from 19 percent (two-parents) to 25 percent (single parent). For families with all working parents and two children, childcare is the biggest cost, comprising 23 percent for two-parent families and 27 percent of the budget for single-parent families.

The other components of the FIS for families with all working parents vary slightly, depending on the size of the family. Food and transportation represent 12 to 17 percent of the FIS, while health care consumes 10 to 15 percent. The costs of other daily living expenses (such as personal care and household items) are a smaller portion at 10 to 11 percent of the FIS. State and federal taxes impose the small burden at 6 to 11 percent of the family's budget.

The FIS cost structure is dramatically different for two-parent families in which only one parent works. Because one of the parents stays home to care for the children, these families are assumed to pay nothing for



childcare. Consequently, all other components of the FIS assume a much larger, relative importance. For two-parent families with a stay-at-home parent, food comprises 23 percent and 27 percent, respectively, of the FIS for one-child and two-child families. Since the cost of childcare is not included in the FIS for these families, and an employer is not covering insurance for the nonworking parent, health care comprises a much larger role, consuming 16 percent of the FIS budget for these families.

Taxes represent a much smaller part of the FIS for stay-at-home-parent families because the overall FIS income level is lower for them because they have no childcare costs and pay less for transportation. Because their incomes are lower, they qualify for a more generous federal earned income tax credit, essentially wiping out their federal tax liability. For two-parent families with one child, taxes (mostly state) comprise only four percent of their FIS costs. For two-parent families with two children, federal credits eliminate any state or federal tax liability for the families (0 percent of the FIS). Because the federal EITC is refundable and the parents get back any excess credit in the form of a refund, it also wipes out any state tax liability the family may have had at this income level.

Poverty-Level Wages Do Not Meet Basic Needs

The federal poverty level (FPL) has been widely criticized by policymakers, researchers, and advocates as an inadequate measure of the economic well being of families. According to AACF estimates, the FIS for Arkansas families, in which all parents are employed, is significantly higher than the FPL. In fact, the FIS is roughly twice the FPL. For single-parent families, the FIS is 185 percent of the FPL for one-child families ($22,993 vs. only $12,400) and 207 percent of the FPL for two-child families ($30,000 vs. $12,494). For two-parent families in which both parents are employed, the FIS is 201 percent of FPL for one-child families and 195 percent for two-child families. These results are slightly higher, but consistent with the result from the 1999 FIS study.

There is also a striking difference between the FIS and the FPL for Arkansas families with a stay-at-home parent. Although their costs are lower, these families have major needs that would likely go unmet if they earned wages equal to the FPL. For two-parent families with a stay at-home mother or father and one child, FIS is 50 percent higher than the FPL (FIS equal to 150 percent of FPL). For families with two children, the FIS is 20 percent higher (FIS equal to 120 percent of FPL).

The FIS Is Higher than Prevailing Wages

An Arkansas family with children cannot adequately meet all of its basic needs if it earns the federal minimum wage of $5.15 per hour (Arkansas has no state minimum wage). As figure 2 shows, the federal minimum wage is far below the hourly FIS required by each of the six family types (ranging from $10.26 to $16.88 per hour). A single parent would have to earn at least $10.89 (for one-child families) to $14.20 per hour (for two-child families) to meet all of the family's basic needs.

Two-parent families, in which both parents are employed, would have to earn a combined household hourly wage of $13.80 ($6.90 per parent) if they have one child or at least $16.88 per hour for two children

Federal Poverty Line vs. Family Income Standard

	Single Parent Employed One Child	Single Parent Employed Two Children	Two Parents One Employed One Child	Two Parents Two Employed One Child	Two Parents One Employed Two Children	Two Parents Two Employed Two Children
Federal Poverty Line*	$12,400	$14,494	$14,480	$14,480	$18,244	$18,244
FIS	$22,993	$30,000	$21,668	$29,154	$21,875	$35,658
FIS as percent of Poverty Line	185%	207%	150%	201%	120%	195%
Dollar Difference	$10,593	$15,506	$7,188	$14,674	$3,631	$17,414
Percent Difference	85%	107%	50%	101%	20%	95%

Table 2. Arkansas, 2002

*Note: These estimates reflect the 2002 federal poverty "thresholds." They should not be confused with the federal poverty "guidelines." The thresholds are the original version of the federal poverty line and are used for counting the number of Americans in poverty. The "guidelines" are a simplified version of the thresholds, and are used for determining eligibility for some federal programs.

Arkansas FIS vs. Minimum Wage and Typical State Wage

Figure 2.

($8.44 per parent). At the federal minimum wage, the combined household hourly wage would be only $10.30 ($5.15 per parent).

For two-parent families with a stay-at-home mother or father, the single wage earner would have to make an hourly wage ranging from $10.26 to $10.36 per hour to pay for all FIS costs and meet their basic daily living needs.

Figure 2 shows that many Arkansas workers do not earn an hourly wage that meets the FIS and provides for all basic needs. In 2002 (the latest year such estimates were available), the state median hourly wage was only $10.76[3]. A state median wage of $10.76 means that half of the state's workers earn less than $10.76 an hour. Families with only one worker earning less than $10.76 would be unable to meet their family's basic needs. This scenario helps to explain why both parents work in many two-parent families. If they didn't, they would be unlikely to meet their family's day-to-day expenses such as food, shelter and clothing.

The FIS Varies Depending on Where You Live

The cost of raising a family with children and meeting their basic needs is not the same in all regions of Arkansas. Local market structures differ, which means costs vary between regions and counties. For example, ownership of retail outlets or property is concentrated in a smaller number of hands or companies. Or, geographic location makes some areas harder to get to than others, which impacts the costs of food and goods. County-level differences in FIS estimates are the result of differences in the costs of four major components of the FIS: housing, childcare, taxes, and "other basic necessities" such as personal care and household items.

Annual FIS estimates for each county are presented on the following pages. Among the major differences in the FIS for each family type and size by county:

Single-parent family with one child. The average annual FIS for Arkansas is $22,993. The annual FIS ranges from a low of $20,455 in Howard County to a high of $27,468 in Crittenden County.

Single-parent family with two children. The average annual FIS for Arkansas is $30,000. The annual FIS ranges from a low of $25,117 in Howard County to a high of $35,487 in Washington County.

Two-parent family with one child (both parents employed). The average annual FIS for Arkansas is $29,154. The annual FIS ranges from a low of $26,453 in Howard County to a high of $32,882 in Crittenden County.

Two-parent family with two children (both parents employed). The annual FIS ranges from a low of $31,775 in Howard County to a high of $40,276 in Washington County.

Two-parent family with one child (only one parent employed). The annual FIS ranges from a low of $20,357 in Clay County to a high of $25,378 in Crittenden County.

Two-parent family with two children (one parent employed). The annual FIS ranges from a low of $20,464 in Clay County to a high of $25,486 in Crittenden County.

"Do we borrow against our credit card...?"

Annual Family Income Standard, 2003, by County

County	Single Parent Employed One Child	Single Parent Employed Two Children	Two Parents One Employed One Child	Two Parents Two Employed One Child	Two Parents One Employed Two Children	Two Parents Two Employed Two Children
Arkansas	21,194	27,955	20,357	27,204	20,464	34,220
Ashley	21,194	26,825	20,357	27,204	20,464	33,111
Baxter	22,536	29,424	21,315	28,715	21,501	35,320
Benton	26,119	34,176	23,276	31,810	23,553	38,965
Boone	21,650	28,050	20,804	27,656	20,937	34,279
Bradley	21,194	27,128	20,357	27,204	20,464	33,417
Calhoun	21,194	27,128	20,357	27,204	20,464	33,417
Carroll	21,573	29,886	20,357	27,578	20,464	35,672
Chicot	20,825	26,322	20,357	26,823	20,464	32,602
Clark	21,312	27,257	20,467	27,315	20,579	33,533
Clay	21,194	27,535	20,357	27,204	20,464	33,825
Cleburne	21,573	27,955	20,357	27,578	20,464	34,220
Cleveland	21,573	27,709	20,357	27,578	20,464	33,985
Columbia	21,194	26,724	20,357	27,204	20,464	33,009
Conway	21,562	27,524	21,087	27,568	21,259	33,814
Craighead	23,354	30,154	22,122	29,416	22,369	35,651
Crawford	22,926	30,262	21,704	28,867	21,914	35,734
Crittenden	27,468	33,883	25,378	32,882	25,486	38,688
Cross	21,952	28,374	20,357	28,020	20,464	34,529
Dallas	20,825	26,322	20,357	26,823	20,464	32,602
Desha	20,825	26,681	20,357	26,823	20,464	32,967
Drew	21,982	27,578	21,515	28,065	21,713	33,866
Faulkner	25,002	31,978	23,169	31,010	23,453	37,068
Franklin	20,825	27,535	20,357	26,823	20,464	33,825
Fulton	21,383	27,752	20,357	27,386	20,464	34,028
Garland	22,609	29,664	21,378	28,788	21,568	35,499
Grant	21,952	29,362	20,357	28,020	20,464	35,270
Greene	21,194	27,535	20,357	27,204	20,464	33,825
Hempstead	20,825	25,574	20,357	26,823	20,464	32,182
Hot Spring	21,194	27,535	20,357	27,204	20,464	33,825
Howard	20,455	25,117	20,357	26,453	20,464	31,775
Independence	20,825	26,724	20,357	26,823	20,464	33,009
Izard	20,825	27,128	20,357	26,823	20,464	33,417
Jackson	20,825	25,856	20,357	26,823	20,464	32,430
Jefferson	23,081	29,612	21,859	29,068	22,078	35,245
Johnson	21,383	28,170	20,357	27,386	20,477	34,375
Lafayette	21,194	27,650	20,357	27,204	20,464	33,927

“Which bill goes unpaid so we can feed our children this month?”

County	Single Parent Employed One Child	Single Parent Employed Two Children	Two Parents One Employed One Child	Two Parents Two Employed One Child	Two Parents One Employed Two Children	Two Parents Two Employed Two Children
Lawrence	21,194	27,535	20,357	27,204	20,464	33,825
Lee	20,825	25,809	20,357	26,823	20,464	32,386
Lincoln	21,331	27,276	20,485	27,333	20,610	33,564
Little River	21,331	27,930	20,485	27,333	20,610	34,207
Logan	21,013	27,332	20,357	27,012	20,464	33,621
Lonoke	24,521	31,003	23,169	30,635	23,453	36,327
Madison	22,835	31,385	20,485	29,083	20,610	36,802
Marion	21,573	27,955	20,357	27,578	20,464	34,220
Miller	23,511	30,481	22,059	29,619	22,303	35,905
Mississippi	21,932	27,524	21,087	28,008	21,259	33,814
Monroe	20,825	26,322	20,357	26,823	20,464	32,602
Montgomery	21,533	27,913	20,357	27,538	20,464	34,189
Nevada	21,194	26,724	20,357	27,204	20,464	33,009
Newton	21,313	28,084	20,357	27,315	20,464	34,313
Ouachita	21,194	26,724	20,357	27,204	20,464	33,009
Perry	21,194	28,578	20,357	27,204	20,464	34,684
Phillips	20,825	25,574	20,357	26,823	20,464	32,182
Pike	20,825	26,322	20,357	26,823	20,464	32,602
Poinsett	21,573	28,214	20,357	27,578	20,464	34,406
Polk	20,920	26,422	20,357	26,918	20,464	32,704
Pope	22,687	30,412	21,087	28,902	21,259	36,063
Prairie	21,533	27,913	20,357	27,538	20,464	34,189
Pulaski	25,472	33,040	23,169	31,385	23,453	37,871
Randolph	21,194	26,724	20,357	27,204	20,464	33,009
St. Francis	20,825	25,809	20,357	26,823	20,464	32,386
Saline	25,809	33,933	23,169	31,647	23,453	38,764
Scott	20,635	26,925	20,357	26,634	20,464	33,213
Searcy	21,194	27,535	20,357	27,204	20,464	33,825
Sebastian	23,305	30,262	21,704	29,355	21,914	35,734
Sevier	21,071	26,303	20,357	26,784	20,464	32,559
Sharp	20,825	26,724	20,357	26,823	20,464	33,009
Stone	21,194	27,535	20,357	27,204	20,464	33,825
Union	21,956	27,959	20,731	28,025	20,870	34,224
Van Buren	21,573	27,955	20,357	27,578	20,464	34,220
Washington	26,829	35,487	23,276	32,372	23,553	40,276
White	20,825	26,724	20,357	26,823	20,464	33,009
Woodruff	20,825	26,724	20,357	26,823	20,464	33,009
Yell	21,383	28,170	20,357	27,386	20,464	34,375

Table 3. Source: AACF estimates as of December 2002

What Does the FIS Mean for Public Policy?

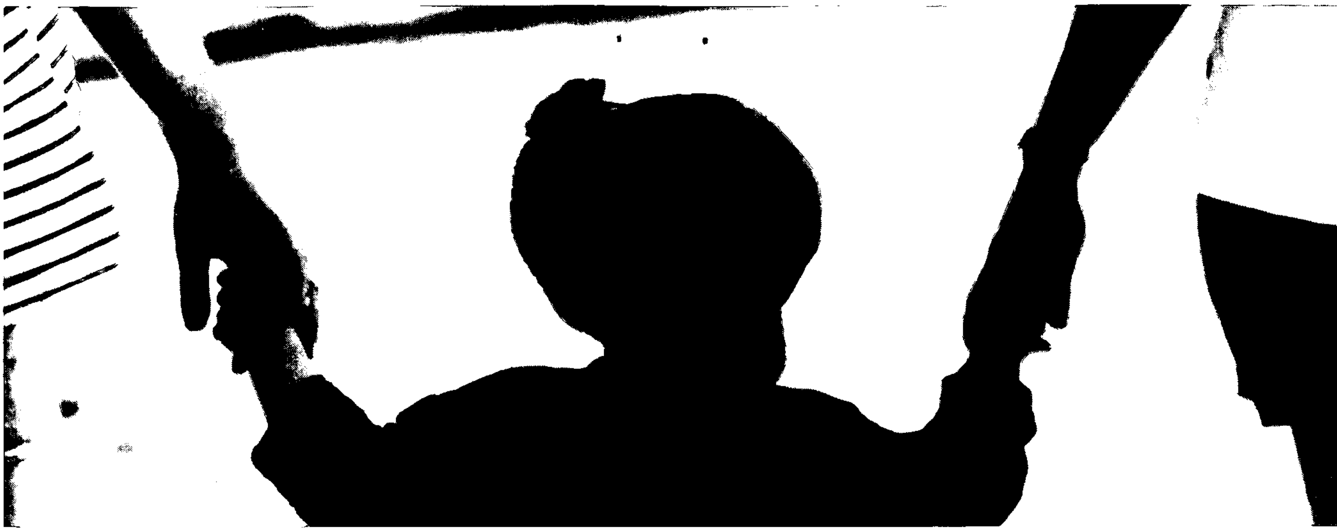
The FIS results provide a clear and compelling case that it costs more to raise a family and meet their basic needs than annual statistics based on the FPL might suggest. The cost of meeting basic needs is nearly twice the FPL. Half of the state's existing jobs do not provide an hourly wage that is sufficient to provide FIS-level wages that would meet basic needs without government assistance.

When families don't earn the FIS income needed to be self-sufficient and meet all of their basic needs on a day-to-day basis, they have to make dangerous choices that no one should have to make. For instance: "Which bill goes unpaid so we can feed our children this month?" "How are we going to pay for childcare and be able to pay the rent too?" "Do we (the parents) go without health care so our children have warm clothes for winter?" Or, as more often the case: "Do we borrow against our credit card so we can meet our needs this month?" Lacking adequate incomes, low-income working families routinely have to make difficult of choices.

The FIS results are not surprising. During recent years, policymakers have increasingly recognized what the state's families already knew: many of Arkansas families struggle to get by day to day and have great difficulty providing their children with all of the things they need to grow up, thrive and become healthy, wealthy, and wise. As previous AACF studies have shown, many of Arkansas' families work full-time yet continue to struggle. Full-time work, especially in sectors that pay low wages, does not guarantee an income that allows the state's families to be self-sufficient.

The FIS has implications across a wide range of issues impacting low-income families, including housing, economic development, workforce development, transportation, nutrition, etc. Several issues will be major agenda items for policymakers during the coming year. These include:

Tax policy. In recent years, federal tax changes have improved the economic well-being of low-income families. At the state level, however, Arkansas continues to have a very regressive tax system whereby low-income families have a state and local tax burden that, as a percentage of income, is nearly twice that of upper-income families. According to one study, the poorest 20 percent of Arkansas families pay over 11 percent of their income in state and local taxes, while the richest one percent of taxpayers pay less than 6 percent[4]. This situation could worsen during late 2003 when the Arkansas General Assembly holds a special legislative session to revamp its K-12 education system. Although the results of an education adequacy study will not be completed until September, preliminary estimates suggest that $450 million to $1 billion in new revenue might be needed to adequately fund education. This has major implications for the Arkansas tax system and low-income families. One option is an increase in the state sales tax, a regressive tax that disproportionately impacts families. The Arkansas General Assembly will



have major decisions to make about whether to use more progressive taxes — such as personal or corporate income taxes or property taxes— to fund education or whether to offset any increases with measures designed to relieve the tax burden on the poor— such as a state-level earned income tax credit or a sales tax rebate.

Subsidized early care and education. The General Assembly will consider whether to fund quality preschool for at-risk children. During the regular 2003 legislative session, the Arkansas General Assembly passed Act 1332—legislation requiring all school districts to provide quality preschool education for all three and four-year old children in families with incomes up to 200 percent of the FPL (an income level similar to the Family Income Standard). The legislature has not yet funded this act. The greatest opportunity to fund this initiative will likely occur when the legislature considers funding for preschool education as part of the broader K-12 debate this fall.

Health care. Arkansas has advanced its ability to provide health care for children in families with incomes up to 200 percent of the FPL with initiatives such as ARKids First. Health care for low-income families, especially the parents in these families, continues to be a major concern. The Arkansas Department of Human Services has submitted a federal Medicaid waiver that would allow employers to buy into the program (using their contributions as the state's federal match) and provide health care for their employees. At press time, the state was still waiting for federal approval of their waiver. Regardless of the outcome, access to Medicaid funded health care will continue to be a major issue for low-income families. Rising health care costs, competing demands for state tax revenue (such as for K-12 education, corrections, and higher education) will require that the state continue to look for new and innovative ways to fund health care for families. Any reductions in health care, especially for families who are unable to earn an income that meets the FIS, could jeopardize the health of the state's most vulnerable children and their families.

Workforce education. A well-trained workforce is essential to the state's economic development efforts. Without it, the state will be unable to compete for industries with jobs that pay higher wages. The General Assembly's response to the Supreme Court's Lake View decision could be a major turning point in the state's history. Its willingness to make dramatic changes to adequately fund a new K-12 system, could mean the difference in whether the state stagnates or moves forward in its ability to compete for higher-wage jobs.

One of the greatest lessons that has been learned during the state's welfare reform efforts has been that families coming out of the state transitional employment program (TEA) need education and training and other job supports to find and retain employment, compete for better jobs, and advance into jobs that pay FIS-level wages. It is important to remember that obtaining a job is a critical first step for families making the transition from welfare to work. This will have a positive impact on the economic well being of families. Over the long run, families must have the skills and training to compete for better jobs that pay better and allow for economic self-sufficiency.

Arkansas is a proud state that places great emphasis on self-sufficiency and self-reliance. Over the years, these beliefs have strongly influenced the state's public policy supports for the state's families. As the FIS shows, Arkansas has a long way to go before families all have the tools to achieve economic self-sufficiency and the short-term supports to adequately meet the basic needs of their families. The decisions we make as a state during the coming months could change all of that.

The New and Improved Arkansas Family Income Standard: how much does it really cost to raise a family? is a publication of the State Fiscal Analysis Initiative, a project of Arkansas Advocates for Children & Families. SFAI is a national initiative, which seeks to strengthen the contributions of state-level, nonprofit organizations to policy debates by enhancing their ability to provide reliable budget and tax analyses. SFAI is funded by the Annie E. Casey Foundation, the Ford Foundation, the Charles Stewart Mott Foundation, the Open Society Institute and the Stoneman Family Fund, with technical assistance and support provided by the Center on Budget and Policy Priorities.

Notes

[1]Arkansas Advocates for Children and Families. *Making It Day-to-Day: A New Family Income Standard for Arkansas*. October 1999.

[2]Dr. Paul Boldin, Arkansas Families and the New Economy: *Do Working Arkansans Have Adequate Incomes to Meet Their Basic Needs? Part 1*.A study done for the Arkansas Working Families Project. Arkansas Advocates and the Good Faith Fund. October 2000.

[3]Unpublished estimate from Economic Policy Institute, August, 2003.

[4]Matthew Gardner, Rich Huddleston, James Metzger, and Richard Sims. *Tax Options for Arkansas: Funding Education After the Lakeview Case*. A study conducted for the Winthrop Rockefeller Foundation, July 2003.

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Helping Children Be Healthy, Wealthy and Wise.

ARKANSAS ADVOCATES FOR CHILDREN & FAMILIES

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