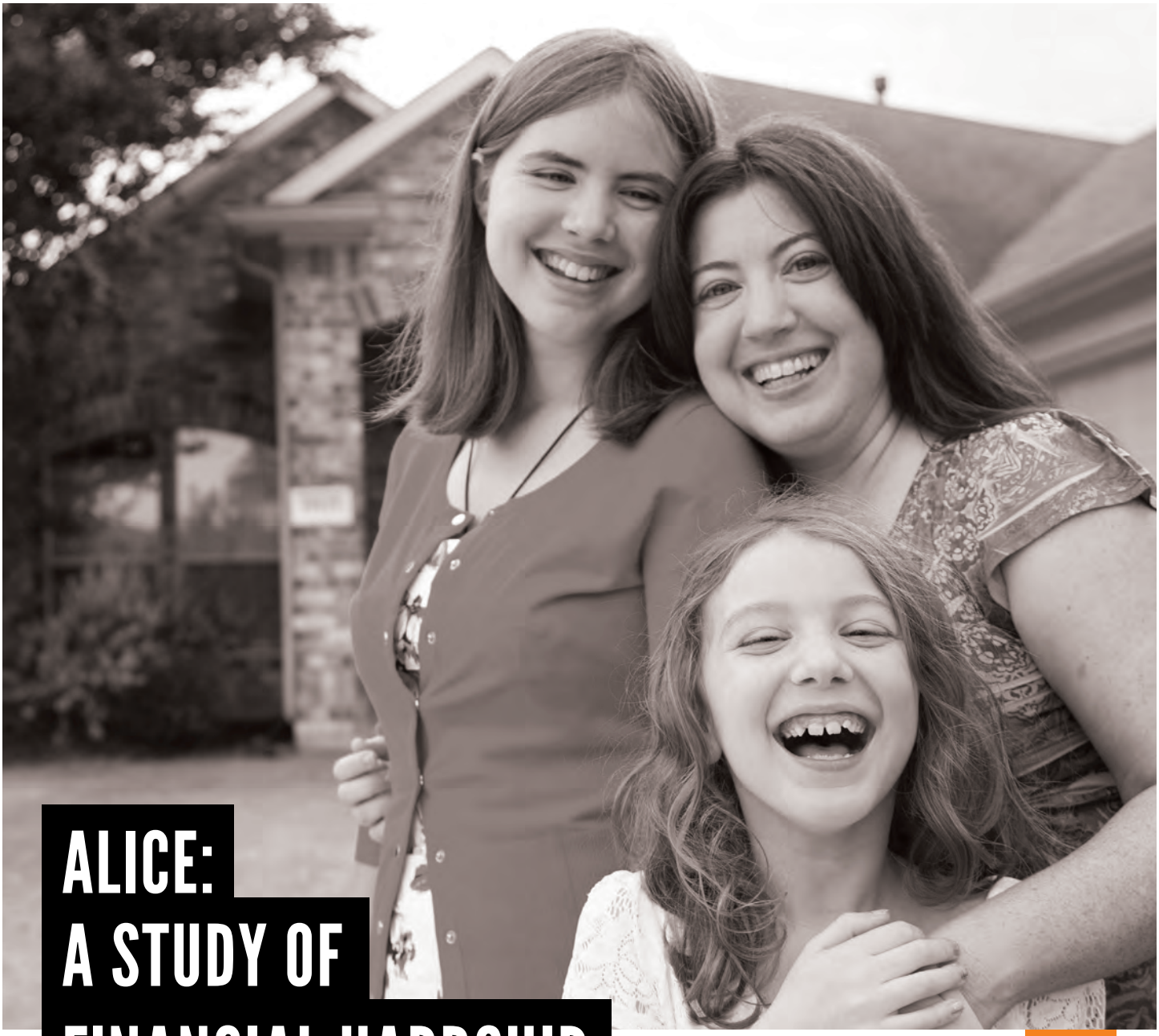

ALICE: A STUDY OF FINANCIAL HARDSHIP IN TEXAS

LIVE UNITED

2018 REPORT

United Ways of Texas

United Way of Greater Houston

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United Ways of Texas and United Way of Greater Houston are proud to sponsor this Report.

Learn more here: https://www.uwtexas.org/alice-texas

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ALICE: A GRASSROOTS MOVEMENT

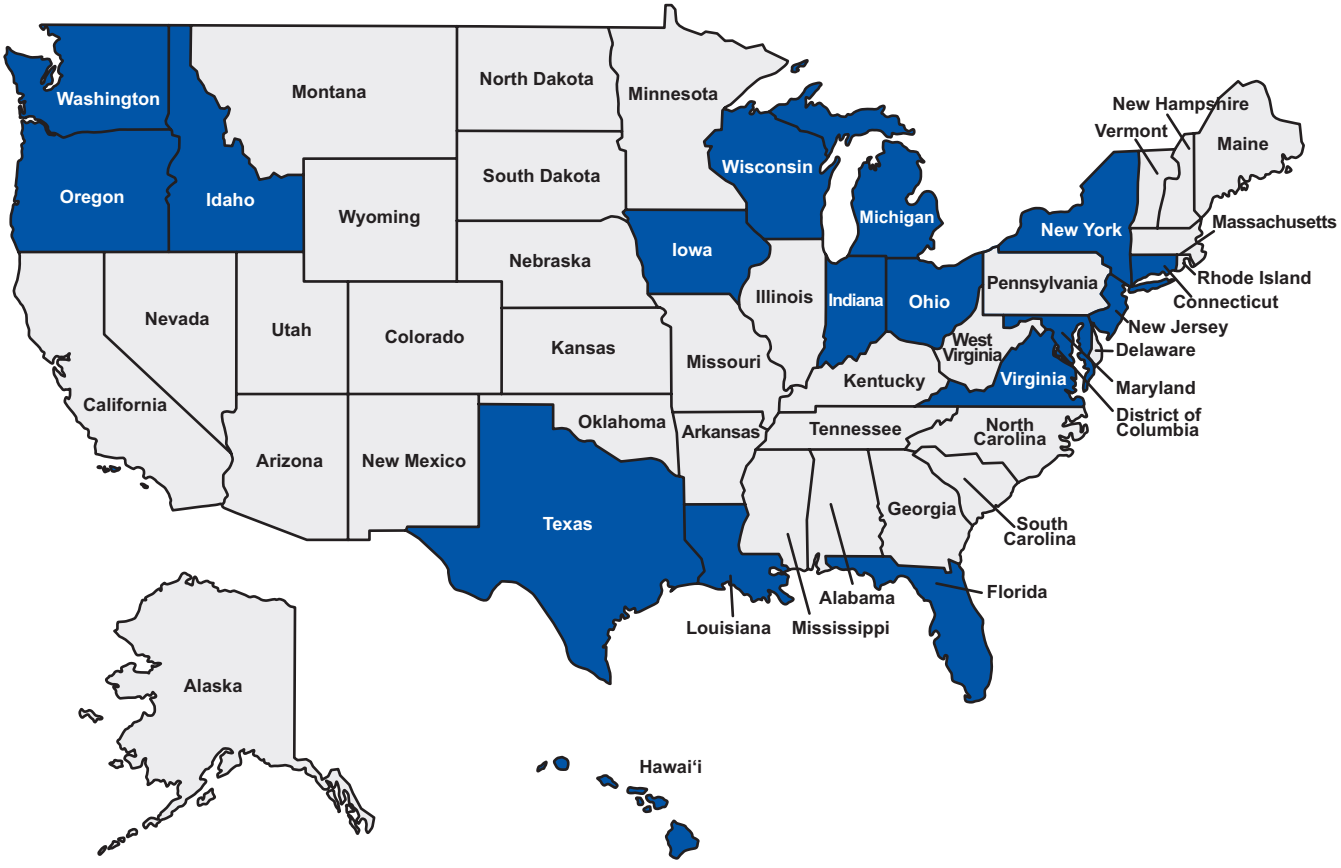
This body of research provides a framework, language, and tools to measure and understand the struggles of a population called **ALICE** — an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE represents the growing number of households in our communities that do not earn enough to afford basic necessities. This research initiative partners with United Ways, foundations, academic institutions, corporations, and other state organizations to present data that can stimulate meaningful discussion, attract new partners, and ultimately inform strategies for positive change.

Based on the overwhelming success of this research in identifying and articulating the needs of this vulnerable population, this work has grown from a pilot in Morris County, New Jersey in 2009, to the entire state of New Jersey in 2012, and now to 18 states. United Ways of Texas are proud to join the more than 540 United Ways in these states that are working to better understand ALICE's struggles. Organizations across the country are also using this data to address the challenges and needs of their employees, customers, and communities. The result is that ALICE is rapidly becoming part of the common vernacular, appearing in the media and in public forums discussing financial hardship in communities nationwide.

Together, United Ways, government agencies, nonprofits, and corporations have the opportunity to evaluate current initiatives and discover innovative approaches that give ALICE a voice, and create changes that improve life for ALICE and the wider community.

To access reports from all states, visit UnitedWayALICE.org

States With ALICE Reports



THE ALICE RESEARCH TEAM

ALICE Reports provide high-quality, research-based information to foster a better understanding of who is struggling in our communities. To produce the ALICE Report for Texas, a team of researchers collaborated with a Research Advisory Committee, composed of 13 representatives from across Texas, who advised and contributed to the report. This collaborative model, practiced in each state, ensures each report presents unbiased data that is replicable, easily updated on a regular basis, and sensitive to local context. Working closely with United Ways, this research initiative seeks to equip communities with information to create innovative solutions.

Lead Researcher

Stephanie Hoopes, Ph.D., is the lead researcher, director, and author of the ALICE Reports. Dr. Hoopes began this effort with a pilot study of a more accurate way to measure financial hardship in Morris County, New Jersey in 2009. Since then, she has overseen its expansion into a broad-based, state-by-state research initiative now spanning 18 states across the country. Her research on the ALICE population has garnered both state and national media attention.

Before joining United Way full time in 2015, Dr. Hoopes taught at Rutgers University and Columbia University. Dr. Hoopes has a doctorate from the London School of Economics, a master's degree from the University of North Carolina at Chapel Hill, and a bachelor's degree from Wellesley College.

Dr. Hoopes is on the board of directors of the McGraw-Hill Federal Credit Union, and she received a resolution from the New Jersey General Assembly for her work on ALICE in 2016.

Research Support Team

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Madeline Leonard

Dan Treglia, Ph.D.

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Texas Tech University

Jie Wu
Kinder Institute for Urban Research, Rice University

LETTER TO THE COMMUNITY

Dear Texans,

You may not realize it, but you already know ALICE.

We see ALICE every day – hard workers who keep the Texas economy running. We find ALICE working behind cash registers, serving us in restaurants and retail stores, and caring for our young and elderly. They are our friends, family, and people we rely on every day. Yet they aren't always sure that they can put food on their own tables or gas in their cars.

United Ways throughout Texas have come together to give an identity and a voice to people who work hard yet still struggle to make ends meet, people we call **ALICE** – **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE lives in every county, and every community, across the state of Texas.

To provide a better understanding of ALICE, United Ways throughout Texas are sharing this groundbreaking Report based on years of research and data. It shows that 28 percent of Texas families are ALICE. Combined with households in poverty, this means that 42 percent of Texas families do not earn enough money to meet the Household Survival Budget that uses conservative estimates on monthly expenses for housing, child care, food, transportation, health care, basic technology, and taxes. ALICE represents hardworking families that earn enough to exceed the Federal Poverty Level but too much to receive public assistance. They live in the gap. Often, this leaves them one illness or car repair from a financial crisis.

A goal in releasing this report is to inform Texas communities, policy makers, funders, coalitions, and organizations in order to more effectively help the ALICEs of our state. The data may help guide public policy or, as in the instance of another state's ALICE report, inform federal agencies, like FEMA, in their response to ALICE families impacted by disasters.

The ALICE Report for Texas with county-level information is available online at https://www.uwtexas.org/alice-texas. If you would like to contact us about ALICE, please email us at ALICEinTexas@uwtexas.org.

We ask that you read and share this Report to raise awareness of ALICE. Let it inspire you in a call to action to fight for ALICE and help them reach financial stability. Please connect with your local United Way and work to create more opportunities for ALICE to succeed. After all, this is Texas. To truly be Texas Strong, all Texas families need to be strong.

Very truly yours,

Adrianna Cuellar Rojas,
President and CEO,
United Ways of Texas

Anna Babin,
President and CEO,
United Way of Greater Houston

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EXECUTIVE SUMMARY

In 2016, 4,025,176 households in Texas — 42 percent — could not afford basic needs such as housing, child care, food, transportation, health care, and technology.

This ALICE Report for Texas describes the population called **ALICE**, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed — families with income above the Federal Poverty Level (FPL), but not high enough to afford basic household necessities. With the cost of living higher than what most people earn, ALICE households live in every county in Texas — urban, suburban, and rural — and they include women and men, young and old, of all races and ethnicities.

The Report tracks struggling Texas households before and after the Great Recession (2007 and 2010) and then during the recovery through 2016. Texas is one of the fastest-growing states in the country; from 2007 to 2016, the number of the state's households increased by 22 percent. Yet economic activity and financial hardship in the state were more uneven. Not surprisingly, the number of households that could not afford basic needs increased by 14 percent during the Recession — but that number then increased by another 17 percent during the recovery from 2010 to 2016, despite economic improvement (especially in employment and median income). Many families continued to face challenges from low wages, depleted savings, and the increasing cost of basic household goods.

This Report shows the cost of basic needs in the **Household Survival Budget** for each county in Texas, as well as the number of households earning below the amount needed to afford that budget **(the ALICE Threshold).** The Report delves into county and municipal data and looks at the demographics of ALICE and poverty-level households by race/ethnicity, age, and household type to reveal variations in hardship that are often masked by state averages. The Report asks where ALICE households work; how assets, credit, and assistance supplement their income; and how local conditions like affordable housing impact their financial stability. Finally, the Report highlights emerging trends that will affect ALICE families in the future.

The data reveals an ongoing struggle for ALICE households in Texas, and a range of obstacles to achieving financial stability:

- **The extent of hardship:** Of Texas' 9,557,706 households, 14 percent lived in poverty in 2016 and twice as many — another 28 percent — were ALICE households. Combined, 42 percent (4,025,176 households) had income below the ALICE Threshold.

- **The basic cost of living:** The cost of basic household expenses in Texas in 2016 was $52,956 for a family of four (two adults with one infant and one preschooler) and $19,428 for a single adult — significantly higher than the FPL of $24,300 for a family of four and $11,880 for a single adult. The cost of the family budget increased by 32 percent from 2007 to 2016.

- **Jobs:** Low-wage jobs continued to dominate the landscape in Texas, with 62 percent of all jobs paying less than $20 per hour. Although unemployment rates fell during this period, wages remained low for many occupations. With more contract work and on-demand jobs, job instability also increased, making it difficult for ALICE workers to meet regular monthly expenses or to save. In addition, gaps in wages varied based on the type of employer as well as the gender, education, race, and ethnicity of workers.

- **The role of public assistance:** Public and private assistance continued to provide support to many households living in poverty or earning slightly above the FPL, but it provided less support to ALICE households, whose income is above eligibility levels. Spending on health care and health insurance outpaced spending in other budget areas; there remained large gaps in assistance, especially in housing and child care.

- **Emerging trends:** Going forward, several trends could change the economic landscape for ALICE families:

    - *The Changing American Household* — Shifting demographics, including the coming of age of millennials, the aging of the baby boomers, and domestic and foreign migration patterns, are having an impact on who is living together in households and where and how people work. These changes, in turn, influence the demand for goods and services, ranging from the location of housing to the provision of caregiving.

    - *Market Instability* — Within a global economy, economic disruptions, natural disasters, and technological advances in other parts of the world trigger rapid change across U.S. industries and cause shifts in supply and demand. This will increasingly destabilize employment opportunities for ALICE workers.

    - *Growing Health Inequality* — As health costs rise, there will be increasing disparities in health according to income. Expensive medical advances that are out of reach of lower-income households will only further this divide. The societal costs of having large numbers of U.S. residents in poor health will also grow.

The FPL is an outdated calculation, and it no longer provides accurate information about the number of people facing hardship across the country. Using the best available information on those who are struggling, this Report offers an enhanced set of tools for stakeholders to measure the real challenges ALICE households face in trying to make ends meet. The *ALICE Project* develops these resources in order to move beyond stereotypes and judgments of "the poor," and instead encourages the use of data to inform programmatic and policy solutions for these households and their communities.

GLOSSARY

ALICE is an acronym that stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed — households with income above the Federal Poverty Level but below the basic cost of living. A household consists of all the people who occupy a housing unit. In this Report, households do not include those living in group quarters, such as a dorm, nursing home, or prison.

The Household Survival Budget calculates the actual costs of basic necessities (housing, child care, food, transportation, health care, and a low-cost smartphone plan) in Texas, adjusted for different counties and household types.

The ALICE Threshold is the average income that a household needs to afford the basic necessities defined by the Household Survival Budget for each county in Texas. (Unless otherwise noted in this Report, households earning below the ALICE Threshold include both ALICE and poverty-level households.)

The Household Stability Budget is greater than the basic Household Survival Budget and reflects the cost for household necessities at a modest but sustainable level. It adds a savings category and an expanded technology category (smartphone and basic home internet), and it is adjusted for different counties and household types.

The ALICE Income Assessment is the calculation of all sources of income, resources, and assistance for ALICE and poverty-level households. Even with assistance, the Assessment reveals a shortfall, or Unfilled Gap, between what these households bring in and what is needed for them to reach the ALICE Threshold.

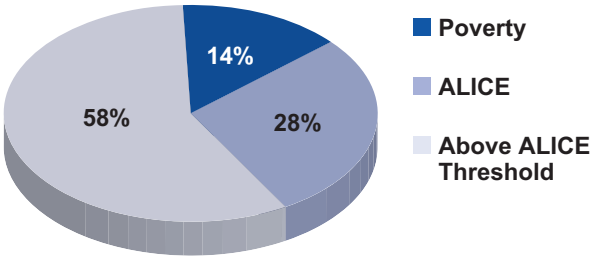
AT-A-GLANCE: TEXAS

2016 Point-in-Time Data

Population: 27,862,596 | **Number of Counties:** 254 | **Number of Households:** 9,557,706

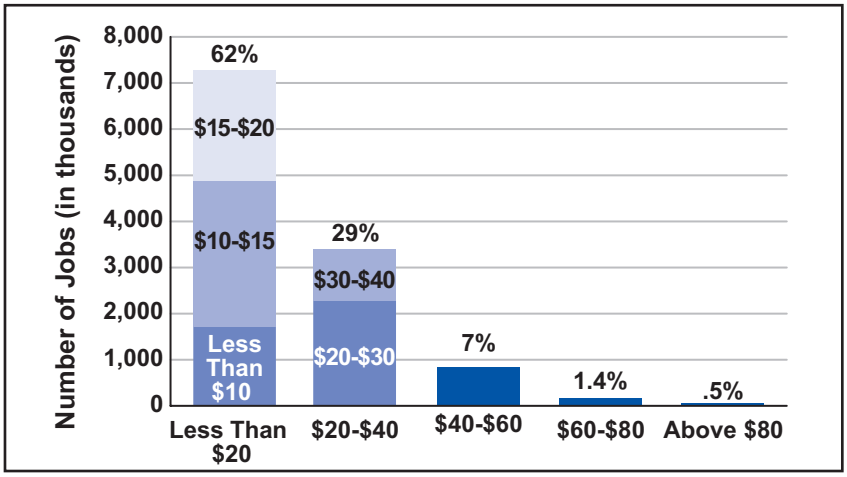
How many households are struggling?

ALICE, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, are households that earn more than the Federal Poverty Level (FPL), but less than the basic cost of living for the state (the ALICE Threshold). Of Texas' 9,557,706 households, 1,377,013 earn below the FPL (14 percent) and another 2,648,163 (28 percent) are ALICE households.



How much does ALICE earn?

In Texas, 62 percent of jobs pay less than $20 per hour, with two-thirds of those paying less than $15 per hour. Another 29 percent of jobs pay between $20 and $40 per hour. Less than 10 percent of jobs pay more than $40 per hour.



What does it cost to afford the basic necessities?

Despite low national inflation during the Recession recovery (9 percent from 2010 to 2016), the bare-minimum Household Survival Budget increased by 23 percent for a family and 21 percent for a single adult. Affording only a very modest living, this budget is still significantly more than the Federal Poverty Level of $11,880 for a single adult and $24,300 for a family of four.

Household Survival Budget, Texas Average, 2016

	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER
Monthly Costs		
Housing	$541	$751
Child Care	$-	$995
Food	$158	$525
Transportation	$329	$657
Health Care	$197	$731
Technology*	$55	$75
Miscellaneous	$147	$401
Taxes	$192	$278
Monthly Total	$1,619	$4,413
ANNUAL TOTAL	$19,428	$52,956
Hourly Wage*	*$9.71*	*$26.48*

**New to budget in 2016*
***Full-time wage required to support this budget*

AT-A-GLANCE: TEXAS

Texas Counties, 2016		
COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Anderson	16,572	57%
Andrews	5,392	35%
Angelina	30,210	50%
Aransas	9,552	45%
Archer	3,331	32%
Armstrong	702	30%
Atascosa	15,343	41%
Austin	11,222	42%
Bailey	2,317	57%
Bandera	8,256	38%
Bastrop	25,975	49%
Baylor	1,703	44%
Bee	8,698	52%
Bell	119,985	41%
Bexar	628,924	51%
Blanco	4,174	41%
Borden	251	17%
Bosque	7,098	40%
Bowie	33,031	43%
Brazoria	117,168	35%
Brazos	78,272	51%
Brewster	4,014	44%
Briscoe	698	41%
Brooks	2,031	73%
Brown	13,361	48%
Burleson	6,385	42%
Burnet	16,299	41%
Caldwell	12,664	55%
Calhoun	7,800	41%
Callahan	5,239	49%
Cameron	120,499	65%
Camp	4,544	47%
Carson	2,324	28%
Cass	11,770	45%
Castro	2,490	54%
Chambers	12,967	37%
Cherokee	17,683	49%
Childress	2,356	50%
Clay	4,106	38%
Cochran	1,007	52%
Coke	1,567	38%
Coleman	3,407	43%
Collin	334,794	24%
Collingsworth	1,097	51%
Colorado	7,624	42%
Comal	48,604	26%
Comanche	5,079	49%
Concho	790	65%
Cooke	14,896	40%
Coryell	22,682	44%
Cottle	679	51%
Crane	1,543	36%
Crockett	1,431	38%
Crosby	2,110	57%
Culberson	762	58%
Dallam	2,360	50%
Dallas	924,789	43%
Dawson	4,329	50%
Deaf Smith	6,081	49%
Delta	1,971	44%
Denton	281,964	29%
DeWitt	7,105	44%
Dickens	869	42%
Dimmit	3,457	56%
Donley	1,287	49%

Texas Counties, 2016		
COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Duval	3,892	58%
Eastland	6,752	58%
Ector	51,012	44%
Edwards	718	49%
El Paso	267,376	54%
Ellis	55,586	37%
Erath	14,197	54%
Falls	5,447	52%
Fannin	12,022	44%
Fayette	9,553	40%
Fisher	1,650	42%
Floyd	2,444	43%
Foard	526	40%
Fort Bend	230,121	30%
Franklin	4,114	44%
Freestone	7,339	45%
Frio	4,660	72%
Gaines	5,630	37%
Galveston	120,938	37%
Garza	1,625	31%
Gillespie	10,498	39%
Glasscock	438	32%
Goliad	2,798	39%
Gonzales	6,611	48%
Gray	8,201	43%
Grayson	47,135	38%
Gregg	45,231	48%
Grimes	9,000	46%
Guadalupe	51,935	29%
Hale	11,335	46%
Hall	1,235	67%
Hamilton	3,231	44%
Hansford	1,979	51%
Hardeman	1,590	53%
Hardin	20,408	37%
Harris	1,606,399	43%
Harrison	23,742	47%
Hartley	1,812	29%
Haskell	2,193	49%
Hays	71,267	34%
Hemphill	1,374	32%
Henderson	30,403	50%
Hidalgo	234,716	66%
Hill	12,806	48%
Hockley	8,103	42%
Hood	21,040	37%
Hopkins	13,259	46%
Houston	8,221	54%
Howard	11,229	49%
Hudspeth	940	64%
Hunt	31,377	51%
Hutchinson	7,910	41%
Irion	632	31%
Jack	3,066	46%
Jackson	5,164	35%
Jasper	11,910	48%
Jeff Davis	1,013	37%
Jefferson	95,801	45%
Jim Hogg	1,592	59%
Jim Wells	13,557	51%
Johnson	54,048	46%
Jones	5,580	37%
Karnes	4,288	53%
Kaufman	36,696	43%
Kendall	13,390	32%

AT-A-GLANCE: TEXAS

Texas Counties, 2016		
COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Kenedy	170	68%
Kent	284	37%
Kerr	20,476	42%
Kimble	2,119	41%
King	114	35%
Kinney	1,139	57%
Kleberg	10,777	56%
Knox	1,374	50%
La Salle	2,101	61%
Lamar	19,077	45%
Lamb	4,817	50%
Lampasas	7,583	35%
Lavaca	7,741	35%
Lee	6,014	42%
Leon	6,279	42%
Liberty	26,204	55%
Limestone	8,046	55%
Lipscomb	1,235	32%
Live Oak	3,670	49%
Llano	8,796	40%
Loving	37	44%
Lubbock	111,975	42%
Lynn	2,157	44%
Madison	4,121	43%
Marion	4,387	50%
Martin	1,629	37%
Mason	1,688	57%
Matagorda	13,666	49%
Maverick	16,221	59%
McCulloch	3,101	44%
McLennan	87,163	44%
McMullen	233	39%
Medina	15,104	38%
Menard	936	46%
Midland	56,178	34%
Milam	9,423	47%
Mills	1,875	43%
Mitchell	2,660	31%
Montague	8,083	40%
Montgomery	193,637	32%
Moore	6,772	45%
Morris	5,015	43%
Motley	475	46%
Nacogdoches	23,080	54%
Navarro	17,409	53%
Newton	4,629	55%
Nolan	5,625	49%
Nueces	129,254	42%
Ochiltree	3,587	41%
Oldham	616	32%
Orange	32,538	33%
Palo Pinto	10,416	52%
Panola	8,905	39%
Parker	44,098	38%
Parmer	3,219	46%
Pecos	4,334	49%
Polk	17,790	45%
Potter	42,179	48%
Presidio	2,565	63%
Rains	4,252	40%
Randall	49,728	30%
Reagan	1,190	34%
Real	1,192	51%
Red River	5,163	52%
Reeves	3,764	52%
Refugio	2,761	40%

Texas Counties, 2016		
COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Roberts	342	19%
Robertson	6,366	43%
Rockwall	29,392	30%
Runnels	3,792	46%
Rusk	17,795	42%
Sabine	3,682	55%
San Augustine	2,972	66%
San Jacinto	9,631	44%
San Patricio	23,761	45%
San Saba	2,110	51%
Schleicher	1,091	37%
Scurry	5,908	40%
Shackelford	1,317	36%
Shelby	9,120	53%
Sherman	1,017	35%
Smith	75,792	42%
Somervell	3,241	45%
Starr	16,219	74%
Stephens	3,338	47%
Sterling	453	37%
Stonewall	501	44%
Sutton	1,481	35%
Swisher	2,630	57%
Tarrant	696,887	37%
Taylor	48,607	43%
Terrell	396	55%
Terry	4,214	49%
Throckmorton	725	43%
Titus	10,573	45%
Tom Green	43,497	43%
Travis	457,810	34%
Trinity	5,459	52%
Tyler	7,608	44%
Upshur	13,941	48%
Upton	1,263	44%
Uvalde	8,512	55%
Val Verde	14,977	52%
Van Zandt	19,059	46%
Victoria	32,249	42%
Walker	20,695	60%
Waller	14,082	51%
Ward	3,926	38%
Washington	11,984	42%
Webb	73,483	66%
Wharton	14,979	46%
Wheeler	2,330	32%
Wichita	49,486	41%
Wilbarger	5,219	44%
Willacy	5,798	70%
Williamson	173,125	32%
Wilson	15,474	34%
Winkler	2,623	38%
Wise	21,427	47%
Wood	16,097	43%
Yoakum	2,674	39%
Young	7,146	39%
Zapata	4,501	60%
Zavala	3,638	67%

Sources: ***Point-in-Time Data:*** *American Community Survey, 2016.* ***ALICE Demographics:*** *American Community Survey and the ALICE Threshold, 2016.* ***Wages:*** *Bureau of Labor Statistics, 2016d.* ***Budget:*** *Bureau of Labor Statistics 2016a; Consumer Reports, 2017; Internal Revenue Service, 2016d; Tax Foundation, 2016, 2017; and Texas Workforce Commission, 2017; U.S. Department of Agriculture, 2016a; U.S. Department of Housing and Urban Development, 2016b.*

INTRODUCTION

The second-largest state in the U.S. by both land area and population, Texas is known for its oil fields and ranches, cowboy boots and Longhorn cattle, BBQ and chicken fried steak. The Lone Star State's energy resources have made it a natural leader in petroleum and chemical manufacturing. More recently, its research institutions have fostered nationally ranked technology hubs in Austin and Dallas-Fort Worth, and the state is home to 13 U.S. military bases. Texas also has one of the nation's largest and fastest-growing populations.

Yet despite being home to the oil industry and its major companies ExxonMobil, Phillips 66, Valero, and ConocoPhillips, as well as many other Fortune 100 companies such as AT&T and Sysco, Texas contains sharp disparities in wealth and income. What is often overlooked is the growing number of households that earn above the Federal Poverty Level (FPL) but are unable to afford the state's cost of living.

"None of the economic measures traditionally used to calculate the financial status of Texas' households, such as the FPL, consider the actual cost of living in each county in Texas or the wage rate of jobs in the state."

Traditional measures of financial well-being hide the reality that 42 percent of households in Texas struggle to make ends meet. Because income is distributed unequally in Texas, there is both great wealth and significant economic hardship. That inequality increased by 16 percent from 1979 to 2016; now, the top 20 percent of Texas' population earns 48 percent of all income earned in the state, while the bottom quintile earns only 4 percent (American Community Survey, 2016; Guzman, 2017; U.S. Census Bureau, 2016).

In 2016, Texas' poverty rate was 14 percent, just above the U.S. average of 13 percent, and the median annual household income was $56,565, just below the U.S. median of $57,617. Yet the state's overall economic situation is more complex. While unemployment is lower in Texas than it is in many other states, workers increasingly face a changing jobs landscape, where the number of higher-paying jobs has fallen and the number of lower-paying jobs has risen.

None of the economic measures traditionally used to calculate the financial status of Texas' households, such as the FPL, consider the actual cost of living in each county in Texas or the wage rate of jobs in the state. For that reason, those indices do not fully capture the number of households facing economic hardship across Texas' 254 counties.

The term "ALICE" describes a household that is Asset Limited, Income Constrained, Employed. An ALICE household is one with an income above the FPL but below a basic survival threshold — defined here as the ALICE Threshold. ALICE includes all households — those who are working, want to work, or have worked. Defying many stereotypes, ALICE households are composed of women and men, young and old, of all races and ethnicities, and they live in every county in Texas — urban, suburban, and rural.

This ALICE Report for Texas provides better measures and language to describe the sector of Texas' population that struggles to afford basic household necessities. It presents a more accurate picture of the economic reality in the state, especially regarding the number of households that are severely economically challenged.

The Report asks whether conditions have improved since the Great Recession, and whether families have been able to work their way above the ALICE Threshold. It includes a toolbox of ALICE measures that provide greater understanding of how and why so many families are still struggling financially. Some of the challenges Texas faces are unique, while others are trends that have been unfolding nationally for at least three decades.

"In Texas there are 4,025,176 households – 42 percent of the state's total – with income below the realistic cost of basic necessities; 1,377,013 of those households are living below the FPL and another 2,648,163 are ALICE households."

This Report is about far more than poverty: It reveals profound changes in the structure of Texas' communities and jobs. The Report documents the increase in the basic cost of living, the decrease in the availability of jobs that can support household necessities, and the shortage of housing that is affordable in areas where higher-paying jobs are located. The Great Recession was not as severe in Texas as in other states, but a steady increase in the number of households put additional stress on the state economy. As a result, the number of households with income below the ALICE Threshold increased by one-third, and their share of all households increased steadily, from 38 percent in 2007 to 40 percent in 2010 and to 42 percent in 2016. In contrast, the official U.S. poverty rate in Texas reports that only 14 percent were struggling in 2016. But the FPL was developed in 1965, and its formula and methodology have remained largely unchanged despite changes in budget composition and the cost of living over time (U.S. Government Accountability Office, 2009).

The ALICE measures show how many households in the state are struggling. These measures also provide the new language needed to discuss this segment of our communities and the economic challenges they face. In Texas there are 2,648,163 ALICE households that have income above the FPL but below the ALICE Threshold. **When combined with households below the poverty level, in total, 4,025,176 households in Texas — 42 percent — struggled to make ends meet in 2016.**

ALICE households are working households; they hold jobs, pay taxes, and provide services that are vital to the Texas economy. They serve in a variety of positions, such as retail salespeople, laborers and movers, customer service representatives, and office workers. The core issue is that these jobs do not pay enough to afford the basics of housing, child care, food, transportation, health care, and technology. Moreover, the growth of low-skilled jobs is projected to outpace that of medium- and high-skill jobs into the next decade. At the same time, the cost of basic household necessities continues to rise. Given these projections, ALICE households will continue to make up a significant percentage of households in the state.

REPORT OVERVIEW

Who is struggling in Texas?

Section I presents the **ALICE Threshold:** a realistic measure for income inadequacy in Texas that takes into account the current cost of basic necessities as well as geographic variation. In Texas there are 4,025,176 households — 42 percent of the state's total — with income below the realistic cost of basic necessities; 1,377,013 of those households are living below the FPL and another 2,648,163 are ALICE households. This section provides a statistical picture of ALICE household demographics, including geography, age, race/ethnicity, sex, gender, sexual orientation, family type, disability, education, military service, and immigrant status. Apart from a few notable exceptions, ALICE households generally reflect the demographics of the overall state population.

How costly is it to live in Texas?

Section II details the average minimum costs for households in Texas to simply survive — not to save or otherwise "get ahead." The cost of living in Texas varies greatly across the state, but in all counties, it outpaces the wages of most jobs. The annual Household Survival Budget quantifies the costs of the basic essentials of housing, child care, food, transportation, health care, a low-cost smartphone plan, and taxes. Using the thriftiest official standards, including those used by the U.S. Department of Agriculture and the U.S. Department of Housing and Urban Development, the average annual **Household Survival Budget** in 2016

was $52,956 for a Texas family of four (two adults with one infant and one preschooler) and $19,428 for a single adult. These numbers vary by county, but they all highlight the inadequacy of the 2016 adjusted U.S. poverty designation of $24,300 for a family and $11,880 for a single adult as an economic survival standard in Texas.

The Household Survival Budget is the basis for the ALICE Threshold, which redefines the basic economic survival standard for Texas households. Section II also details a **Household Stability Budget,** which reaches beyond survival to budget for savings and stability at a modest level. Even at this level, the Household Stability Budget is 92 percent higher than the Household Survival Budget for a family of four in Texas.

Where does ALICE work? How much does ALICE earn?

Section III examines where members of ALICE households work and how much they earn. With 62 percent of jobs in Texas paying less than $20 per hour, it is not surprising that so many households fall below the ALICE Threshold.

How much do ALICE households save and borrow, and how much income and assistance are necessary to reach the ALICE Threshold?

Section IV examines ALICE households' savings and assets — including vehicles, homes, and investment and retirement income — and their access to credit, often through use of costly Alternative Financial Products. The housing crisis and stock market crash that ushered in the Great Recession, along with the continued high cost of basic necessities, took a toll on household savings in Texas. In 2015, 51 percent of households did not have enough set aside to cover three months of expenses in case of an emergency.

"With 62 percent of jobs in Texas paying less than $20 per hour, it is not surprising that so many households fall below the ALICE Threshold."

This section also looks at how much households actually earn as well as the amount of public and private assistance they receive. The **ALICE Income Assessment** estimates that ALICE and poverty-level households in Texas earn 47 percent of what is required to reach the ALICE Threshold. Resources from nonprofits and federal, state, and local governments provide $23.6 billion in goods and services, with an additional $44.9 billion in health care spending. However, there remains an unfilled gap of $34 billion, or 18 percent of total need, in order for all households to reach the ALICE Threshold. There are even larger gaps in certain budget areas, including a 47 percent gap for housing and a 51 percent gap for child care.

What are the economic conditions for ALICE households in Texas?

Section V presents the conditions that Texas' ALICE households actually face in terms of housing affordability and community resources (in the areas of education, health, and civic engagement) across the state's counties. ALICE households across Texas are challenged to find both affordable housing and high levels of community resources in the same counties in which they work.

What are the consequences for ALICE households when there is not enough income?

Section VI reviews the difficult choices that ALICE households in Texas have to make when they do not have enough income to afford the basics. Families employ a range of strategies, each with associated risks to their health and safety. The chapter also reviews the consequences for the wider community when families do not have enough resources to meet their basic needs.

CONCLUSION AND NEXT STEPS

The Report concludes by outlining the structural issues that pose the greatest challenges to ALICE households going forward. These include changes in the age of Texas' population, the evolving structure of households, and migration into and out of the state; market instability resulting from economic disruptions, natural disasters, and technological advances within the global economy; and the effects of growing health inequality for ALICE workers. This section also presents some of the ideas currently being debated and piloted to improve life for households living below the ALICE Threshold — in Texas and across the country.

DATA & METHODOLOGY

This ALICE Report for Texas provides the most comprehensive look at the population called **ALICE** — an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE households have incomes above the Federal Poverty Level (FPL) but struggle to afford basic household necessities. The Report tracks household data from before and after the Great Recession (2007 and 2010) and then during the recovery through 2016.

This Report remains focused on the county level because state averages can mask significant differences between counties. For example, the percentage of households below the ALICE Threshold in Texas ranges from less than 25 percent in Borden, Collin, and Roberts counties to 70 percent or more in Brooks, Frio, Starr, and Willacy counties.

"ALICE households across Texas are challenged to find both affordable housing and high levels of community resources in the same counties in which they work."

The Report examines issues surrounding ALICE households from different angles to draw the clearest picture with the range of data available. Sources include the American Community Survey, the U.S. Department of Housing and Urban Development, the U.S. Department of Agriculture, the Bureau of Labor Statistics at the U.S. Department of Labor, the Internal Revenue Service, and the Tax Foundation, as well as these agencies' Texas state counterparts and the Texas Workforce Commission. State, county, and municipal data is used to provide different lenses on ALICE households.

The data are estimates; some are geographic averages, others are one- or five-year averages depending on population size. With the development of our website, there is more ALICE data available at the local or sub-county level, including place, county subdivision, zip code, Public Use Microdata Area (PUMA), and congressional district. For a breakdown of the data by county and municipality, see the County Pages and Data File on the website (under "Downloads") at UnitedWayALICE.org/texas.

In this Report, many percentages are rounded to whole numbers for ease of reading. In some cases, this may result in percentages totaling 99 or 101 percent instead of 100 percent.

Every two years, the *ALICE Project* engages external experts to scrutinize the ALICE methodology and sources and ensure that the best local data is presented. This rigorous process results in enhancements to the methodology and new ideas for how to more accurately measure and present data on financial hardship. **For a more detailed description of the methodology and sources, see the Methodology Overview on our website,** UnitedWayALICE.org/methodology**.**

I. WHO IS STRUGGLING IN TEXAS?

Measure 1 – The ALICE Threshold

AT-A-GLANCE: SECTION I

- **ALICE** — **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed — defined: Despite being employed, many households earning more than the Federal Poverty Level (FPL) still cannot afford housing, child care, food, transportation, health care, and a basic smartphone plan.
- In Texas, there are 2,648,163 ALICE households, while another 1,377,013 households live below the poverty level. In total, 42 percent of Texas households earn below the ALICE Threshold.
- Households with income below the ALICE Threshold make up between 17 and 74 percent of households in every county in Texas.
- At least one-third of each of Texas' four primary racial/ethnic groups has income below the ALICE Threshold.
- Nearly one-third — 31 percent — of senior households in Texas qualify as ALICE, well more than the 12 percent of senior households in poverty.
- There are 3,120,947 families with children under the age of 18 in Texas, and 43 percent of them have income below the ALICE Threshold.
- Reflecting the changing household composition across the country, "other" households — single or cohabiting households younger than 65 with no children under 18 — account for 41 percent of the state's households with income below the ALICE Threshold.
- Several demographic groups in Texas are more likely to fall into the ALICE population, including women; people with lower levels of education; those with a disability; recent, unskilled, or undocumented immigrants; lesbian, gay, bisexual, and transgender (LGBT) people; younger veterans; formerly incarcerated people; and immigrants facing language barriers.

"The FPL is no longer a realistic measure of financial hardship in households across each county in the U.S."

How many households are struggling financially across Texas? The Federal Poverty Level (FPL) provides one view: According to the U.S. Census, the federal poverty rate in Texas fluctuated between 14 and 16 percent from 2007 to 2016, ending the period at 14 percent. However, the continued demand for public and private assistance over the six years following the technical end of the Recession (2010 to 2016) tells a very different story, suggesting that a much higher percentage of households struggle to support themselves.

The FPL is no longer a realistic measure of financial hardship in households across each county in the U.S. Developed in 1965, the FPL no longer reflects the actual current cost of

basic household necessities. Adjustments for Alaska and Hawai'i were incorporated in 1970, but the overall methodology has not been updated since 1974 to accommodate changes over time in the cost of living or budget composition (e.g., food now takes up less of the family budget, and housing takes up more).

There have been extensive critiques of the FPL and arguments for better poverty measures (O'Brien & Pedulla, 2010; Uchitelle, 2001). The official poverty level is so understated that many government and nonprofit agencies use multiples of the FPL to determine eligibility for assistance programs. For example, Texas' Low Income Home Energy Assistance Program uses 150 percent of the FPL, and the Texas Department of State Health Services uses 150 percent of the FPL to determine program eligibility for Primary Home Care. Even Medicaid and the Children's Health Insurance Program use multiples of the FPL to determine eligibility across the country (National Conference of State Legislatures, 2014; Roberts, Povich, & Mather, 2012–2013; Texas Department of State Health Services, 2017; Texas Low Income Home Energy Assistance Program, 2013).

Recognizing the shortcomings of the FPL, the U.S. Census Bureau developed an alternative metric, the Supplemental Poverty Measure (SPM), which is based on expenditures reported in the Bureau of Labor Statistics' (BLS) Consumer Expenditure Survey and adjusted for geographic differences in the cost of housing. The SPM was meant to capture more struggling households, but in Texas it is slightly lower than the official FPL: The Texas SPM three-year average for 2014-16 was 14.7 percent, while the FPL three-year poverty estimate for the same time period was 14.9 percent (Fox, 2017). More importantly, because the SPM is not based on the actual cost of basic goods, it still does not come close to capturing the percentage of households in Texas that are actually struggling.

"The lack of accurate information about the number of people who are "poor" distorts the identification of problems related to poverty, misguides policy solutions, and raises questions of equality, transparency, and fairness."

Despite its shortcomings, the FPL has provided a standard measure over time to determine how many people in the U.S. are living in deep poverty. The needs and challenges that these people face are severe, and they require substantial community assistance. The definition of "poverty," however, is vague, often has moral connotations, and can be inappropriately — and inaccurately — associated only with the unemployed. **To clarify the economic challenges that working households face, this Report measures what it actually costs to live in each county in Texas, calculates how many households have income below that level, and offers an enhanced set of tools to describe the impact of financial hardship on them and on their communities.**

This is not merely an academic issue, but a practical one. The lack of accurate information about the number of people who are "poor" distorts the identification of problems related to poverty, misguides policy solutions, and raises questions of equality, transparency, and fairness. Using the FPL may also over-report the number of households facing financial hardship in areas with a low cost of living and under-report the number in areas with a high cost of living. For example, the Geography of Poverty project at the U.S. Department of Agriculture (USDA) finds that nearly 84 percent of persistent poverty counties — counties in which 20 percent or more of the population has lived in poverty during the last 30 years — are located in the South, a region of the country with a lower cost of living; included in that share are 37 counties in Texas (U.S. Department of Agriculture, 2015). By the same token, there may be just as many households struggling in other regions where the cost of living is higher, but they are often not counted in the official numbers. The ALICE Threshold, which takes into account the relative cost of living at the local level, enables more meaningful comparisons across the country.

INTRODUCING ALICE

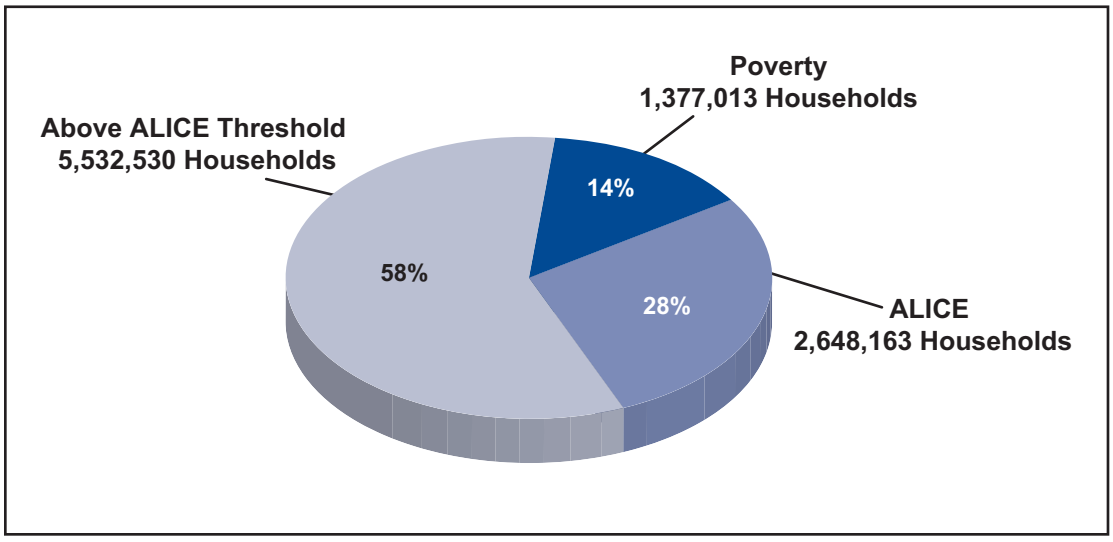
Many individuals and families in Texas do not earn enough to afford the basic household necessities of housing, child care, food, transportation, health care, and a basic smartphone plan. Even though many are working, their income does not cover the cost of living in the state, and they often require assistance to survive. Until recently, this group of people was loosely referred to as the working poor, or technically defined as the population in the lowest two income quintiles. The term **ALICE** — **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed — more clearly defines this population as households with income above the official FPL but below a newly defined basic survival income level. ALICE households are as diverse as the general population, composed of women and men, young and old, of all races and ethnicities, and living in rural, urban, and suburban areas.

"ALICE households are as diverse as the general population, composed of women and men, young and old, of all races and ethnicities, and living in rural, urban, and suburban areas."

THE ALICE THRESHOLD

In Texas, where the cost of living varies by region, it is especially important to have a current and realistic standard that reflects the true cost of economic survival and compares it to household incomes across each county. The **ALICE Threshold** is a realistic standard developed from the **Household Survival Budget**, a measure that estimates the minimal cost of the six basic household necessities — housing, child care, food, transportation, health care, and a basic smartphone plan. **Based on calculations from the American Community Survey and the ALICE Threshold, 4,025,176 households in Texas — 42 percent — are either in poverty or are ALICE households (Figure 1).**

Figure 1.
Household Income, Texas, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016. For the Methodology Overview, visit our website: UnitedWayALICE.org/methodology.

ALICE OVER TIME

"Texas has one of the largest and fastest-growing populations in the U.S., fueled by both a high birth rate and domestic and international migration."

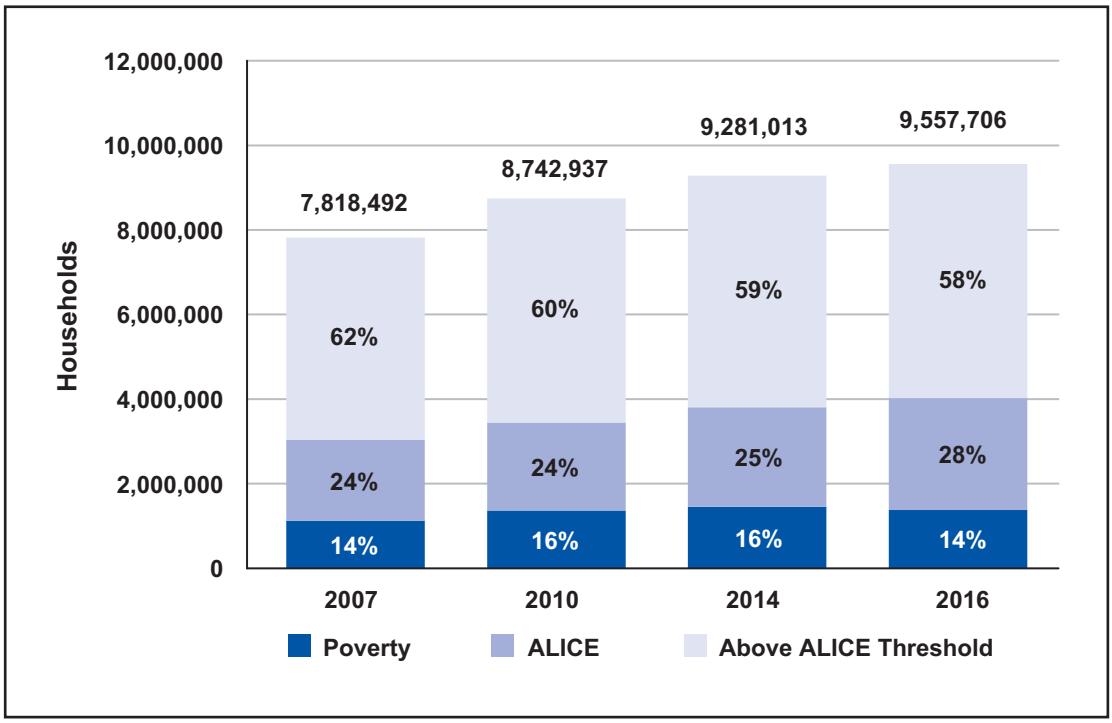
Texas has one of the largest and fastest-growing populations in the U.S., fueled by both a high birth rate and domestic and international migration. The population grew from 7,818,492 households in 2007 to 8,742,937 in 2010 and to 9,557,706 in 2016, a 22 percent total increase. The number of those households earning below the ALICE Threshold grew even faster, increasing by 33 percent.

During the Recession, from 2007 to 2010, the number of Texas households with income below the ALICE Threshold increased at the same rate as the overall population, so the percentage stayed flat at 39 percent. While the overall economic climate has improved since 2010, wages at the low end have remained flat while the cost of basic necessities has continued to rise, pushing up the number of ALICE and poverty-level households to 42 percent of all Texas households by 2016 (Figure 2).

- **Poverty:** The number of Texas households in poverty — defined through the FPL as those earning at or below $11,880 for a single adult and $24,300 for a family of four — rose steadily from 1.1 million in 2007 to 1.5 million in 2014 and then fell to 1.4 million in 2016. As a percentage of total households, the share in poverty fluctuated between 14 and 16 percent, ending at 14 percent.

- **ALICE:** The number of ALICE households rose steadily from 1.9 million in 2007 to 2.6 million in 2016. As a percentage of total households, the share of ALICE households increased from 24 percent in 2007 to 28 percent in 2016.

Figure 2.
Household Income, Texas, 2007 to 2016



Source: American Community Survey, 2007–2016, and the ALICE Threshold, 2007–2016. For the Methodology Overview and additional data, visit our website: UnitedWayALICE.org

These statistics don't capture fluidity. Beneath the static numbers, households are moving above and below the ALICE Threshold over time as economic and personal circumstances change. Nationally, the U.S. Census reports that between January 2009 and December 2011, 31.6 percent of the U.S. population lived in poverty for at least two months. By comparison, the national poverty rate for 2010 was 15 percent (Edwards, 2014). Household income is fluid: ALICE households may alternate between living in poverty and being more financially secure at different points during the year.

WHERE DO ALICE HOUSEHOLDS LIVE?

ALICE households live across Texas — in every county and every town. The importance of where one lives — particularly while growing up — in determining the directions that our lives take has been well demonstrated by the Harvard Equality of Opportunity Project (Chetty & Hendren, 2015). The ALICE data is developed at the county level, so it captures important differences within states and even within regions of a state.

ALICE by County

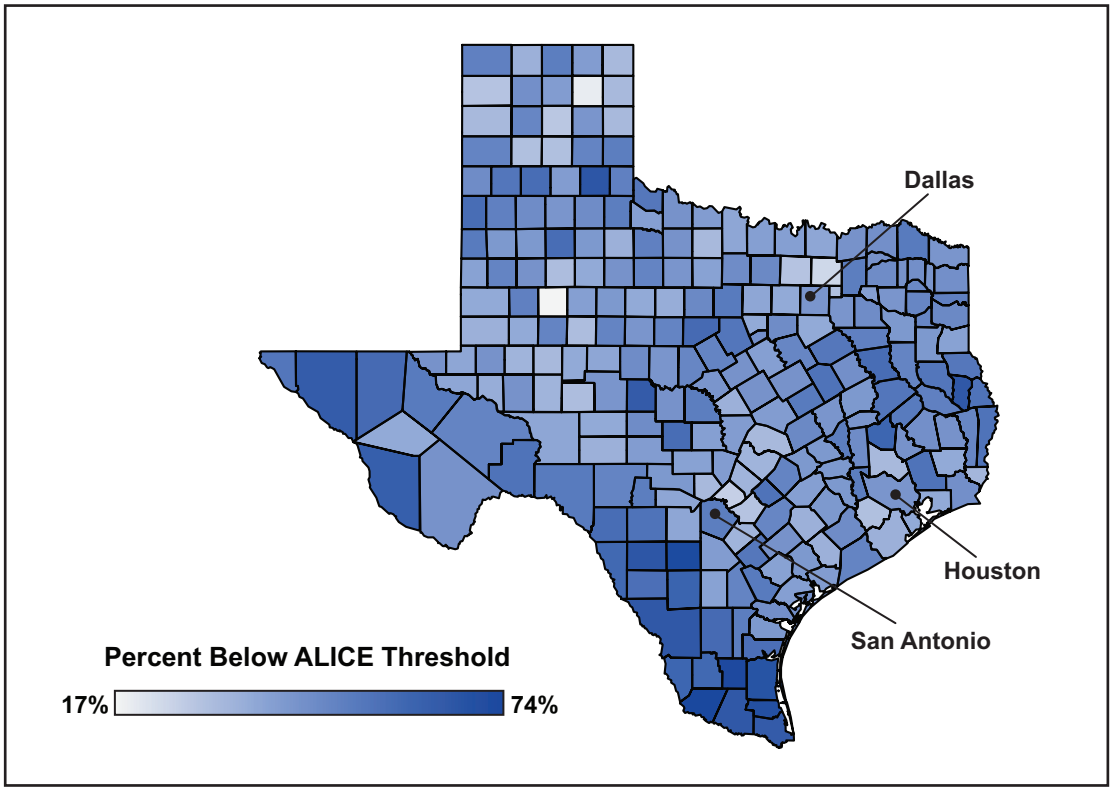
Counties are small enough to reveal regional variation and large enough to provide reliable, consistent data. Behind the Texas state average, there is enormous variation among counties. But contrary to some stereotypes that suggest financial hardship only exists in inner cities, ALICE families live in every county in Texas — across rural, urban, and suburban areas (Figure 3).

"ALICE households live across Texas – in every county and every town."

The total number of households and the number of households living below the ALICE Threshold vary widely across Texas counties. The smallest county is Loving, with 37 households in 2016, and the largest is Harris (which includes Houston), with 1.6 million households. Figure 3 shows that households living below the ALICE Threshold constitute a significant percentage of households in all Texas counties. However, there is variation between counties in terms of both numbers and shares of poverty-level and ALICE households:

- **Below the ALICE Threshold (including households in poverty):** Percentages range from less than 25 percent in Borden, Collin, and Roberts counties to 70 percent or more in Brooks, Frio, Starr, and Willacy counties.
- **Poverty:** Percentages range from less than 6 percent in Borden, Glasscock, King, Roberts, and Williamson counties to more than 35 percent in Brooks, Starr, Willacy, and Zavala counties.
- **ALICE:** Percentages range from 12 percent in Borden and Crockett counties to 50 percent in Concho and Frio counties.

Figure 3.
Percentage of Households Below the ALICE Threshold by County, Texas, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

"According to the USDA, 37 of Texas' 254 counties are persistent poverty counties, where 20 percent or more of the population has lived in poverty over the last 30 years."

Another measure of economic conditions in a county is the persistence of economic hardship over time. According to the USDA, 37 of Texas' 254 counties are persistent poverty counties, where 20 percent or more of the population has lived in poverty over the last 30 years (U.S. Department of Agriculture, 2015).

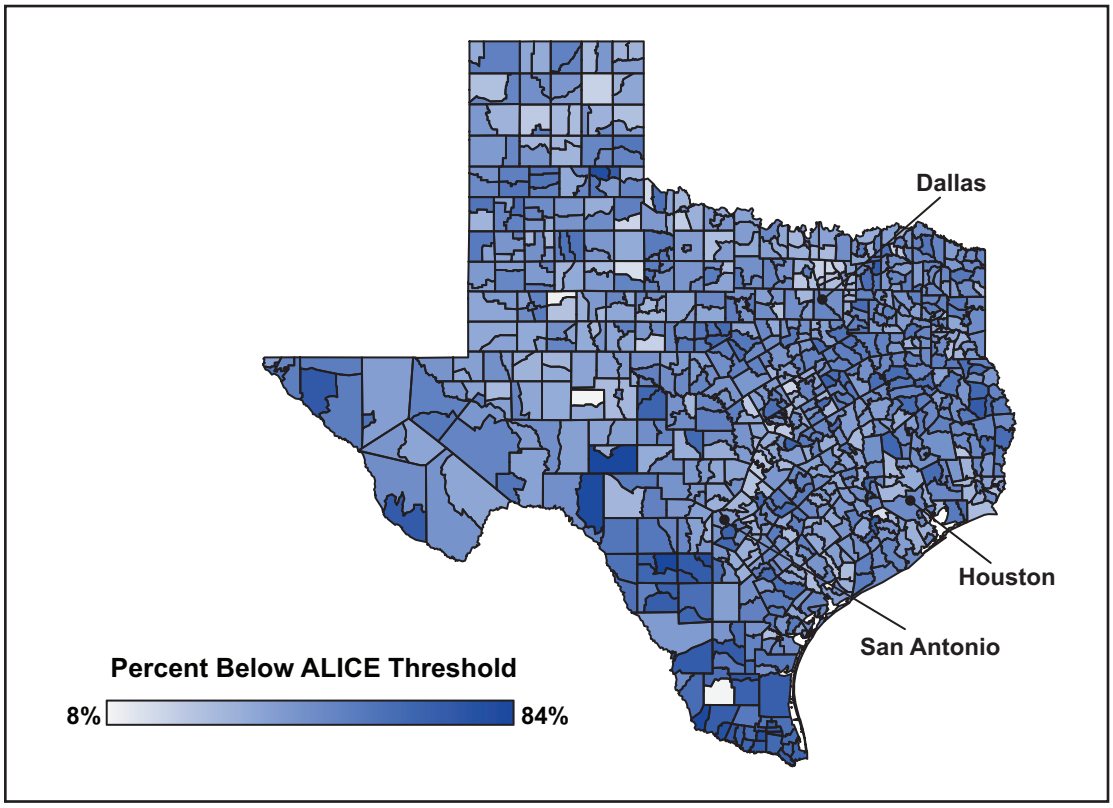
ALICE Breakdown Within Counties

ALICE and poverty-level households live in every area across the state. Because Texas has many geographic areas with very sparsely populated towns and cities where it can be difficult to get accurate data, the distribution of ALICE and poverty-level households in the state's towns and cities is shown instead on a map of county subdivisions (Figure 4). To provide a more complete view of local variation in household income, county subdivisions include towns and cities as well as their surrounding areas.

County subdivisions with the lowest percentage of households below the ALICE Threshold are shaded lightest blue on the map in Figure 4; those with the highest percentage are shaded darkest blue. Kamey-Sixmile in Calhoun County has the lowest percentage of households with income below the ALICE Threshold at 8 percent, and Batesville in Zavala County has the highest at 84 percent. Full data for cities and towns is available at UnitedWayALICE.org/texas, as is the percentage of households below the ALICE Threshold in each municipality (included in the municipal list on each County Page).

Nearly all (92 percent) of Texas' 843 county subdivisions have more than 30 percent of households living on an income below the ALICE Threshold; two-thirds have more than 40 percent. Only 68 county subdivisions (8 percent) have fewer than 30 percent of households with income below the ALICE Threshold.

Figure 4.
Percentage of Households Below the ALICE Threshold by County Subdivision, Texas, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

Note: Blank spaces on the map represent county subdivisions with populations of less than 100 households.

"Despite Texas' image as an agricultural and ranching state, 85 percent of the population lives in densely-populated urban areas."

ALICE by Towns and Cities

Another way to break down the ALICE population is by looking at cities. Despite Texas' image as an agricultural and ranching state, 85 percent of the population lives in densely-populated urban areas. Texas' 19 largest cities — those with more than 50,000 households — have a wide range of concentrations of households with income below the ALICE Threshold. Frisco has only 15 percent of households with income below the ALICE Threshold, while Laredo and Brownsville each have 65 percent. Most cities, however, have more than 40 percent (White, Potter, You, Valencia, Jordan, Pecotte, & Robinson, 2017b) (Figure 5).

Figure 5.
Households Below the ALICE Threshold, Largest Cities and Towns in Texas, 2016

Largest Cities and Towns (Above 50,000 Households)	Number of Households 2016	Percentage of Households Below ALICE Threshold 2016
Houston	867,915	50%
Dallas	514,588	50%
San Antonio	498,154	55%
Austin	372,327	36%
Fort Worth	287,401	49%
El Paso	225,891	53%
Arlington	135,348	51%
Corpus Christi	116,916	42%
Plano	106,062	24%
Lubbock	93,891	42%
Irving	85,407	39%
Garland	75,219	42%
Amarillo	74,687	41%
Laredo	69,849	65%
Grand Prairie	61,773	36%
McKinney	59,705	23%
Frisco	55,493	15%
Killeen	52,417	47%
Brownsville	50,289	65%

Source: American Community Survey, 2010–2016, and the ALICE Threshold, 2010–2016; For additional data, visit our website: UnitedWayALICE.org

ALICE DEMOGRAPHICS

"ALICE households vary in size and makeup; there is no typical configuration."

ALICE households vary in size and makeup; there is no typical configuration. In fact, contrary to some stereotypes, the composition of ALICE households mirrors that of the general population. There are young and old ALICE households, those with children, and those with a family member who has a disability. They vary in educational level attained, as well as in race and ethnicity. They live in cities, in suburbs, and in rural areas.

These households move above and below the ALICE Threshold over time. For instance, a young ALICE household may capitalize on their education and move above the ALICE Threshold. An older ALICE household may experience a health emergency, lose a job, or suffer a disaster and slip into poverty.

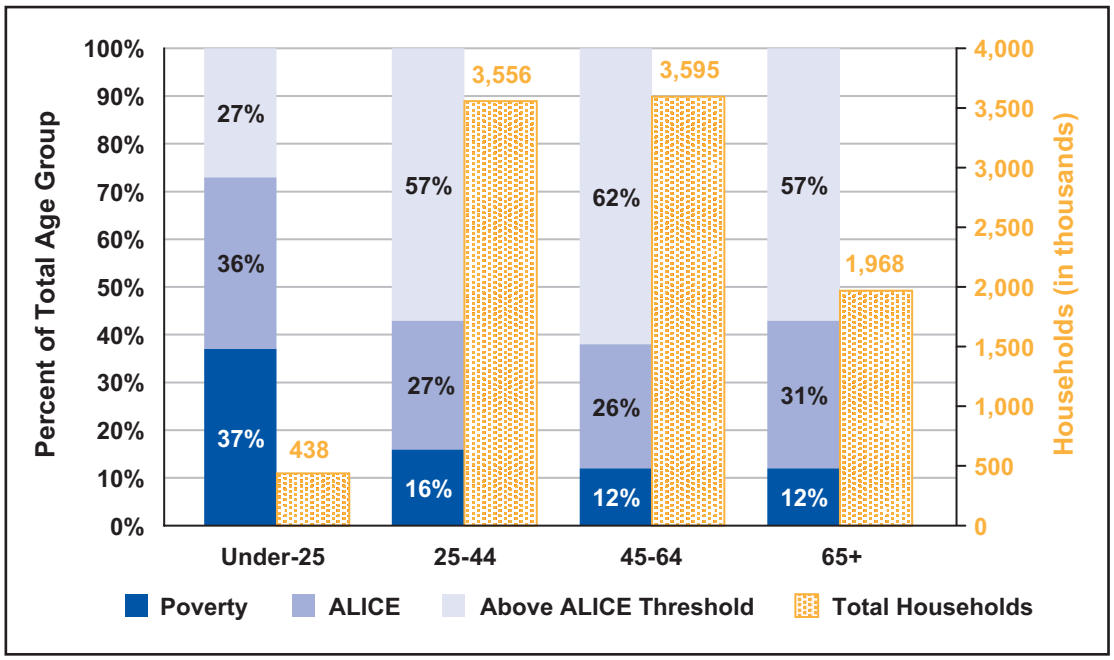
Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population. Differences are most striking for those groups who traditionally have the lowest wages: women; people with low levels of education; people with a disability; younger veterans; recent immigrants who are unskilled, undocumented, or in limited-English-speaking households; formerly incarcerated people; and lesbian, gay, bisexual, and transgender (LGBT) people. County statistics for race/ethnicity and age are presented at UnitedWayALICE.org/texas.

"The youngest Texas age group (under-25) has the largest percentage of households below the ALICE Threshold: 37 percent are in poverty, while an additional 36 percent are ALICE households."

Households by Age

There are ALICE households in every age bracket in Texas (Figure 6). Within each age group, the number of ALICE households and households in poverty generally reflect their proportion of the overall population. Where they differ, the youngest are overrepresented in both poverty and the ALICE population.

Figure 6.
Household Income by Age of Head of Household, Texas, 2016



Source: American Community Survey, 2010–2016, and the ALICE Threshold, 2010–2016

The youngest Texas age group (under-25) has the largest percentage of households below the ALICE Threshold: 37 percent are in poverty, while an additional 36 percent are ALICE households. As households get older, a smaller percentage of them are ALICE or are living in poverty. Middle-aged households (25 to 64 years) have the lowest percentage of households below the ALICE Threshold. Senior households (65 years and older) are less likely to be in poverty (12 percent) but still have the second-highest share of ALICE households (31 percent).

Two age groups are changing the overall demographics in Texas: the baby boomers and the millennials. The baby boomers (born between 1946 and 1964) are the largest generation in the U.S., and as they age, their needs and preferences change. The second-largest group is the millennials (born between 1981 and 1996, according to the Pew Research Center), who are making different lifestyle and working choices than previous generations. To analyze

general trends, the ALICE data on age is presented by household in more precise Census breaks: under-25, 25–44, 45–64, and 65+. Millennials are covered by the youngest two brackets and baby boomers by the oldest two (Dimock, 2018).

Millennials: Texas has one of the largest percentages of millennials of any state, at 25 percent of the population. In many ways, millennials differ from previous generations. First, they are more racially and ethnically diverse. In Texas, Asian, Black, and Hispanic millennials make up more than half of the millennial population. Among the state's 100 largest metropolitan areas, the city of McAllen, TX, in Hidalgo County is the most diverse, and 96 percent of its millennials identify as a race other than White. Millennials in Houston are similarly diverse, with 68 percent identifying as a race other than White (W. H. Frey, 2018).

Second, millennials, especially millennials of color, tend to prefer to live in urban centers. In Texas, there has been an influx of millennials to Houston, Austin, and San Antonio — three of the top 10 U.S cities with the largest increase in millennials from 2010 to 2015 (W. H. Frey, 2018).

Third, many millennials cannot afford to live on their own. Instead, they are more likely than previous generations to live with their parents or with roommates; and nationally, for the first time in more than a century, they are less likely to be living with a romantic partner. Of those under-25-year-olds who head a household in Texas, 73 percent have income below the ALICE Threshold (Cilluffo & Cohn, 2017; Cohn & Caumont, 2016; W. H. Frey, 2018) (Figure 6).

"Texas has one of the largest percentages of millennials of any state, at 25 percent of the population."

Aging Population: The comparatively low rate of senior households in poverty (12 percent) provides evidence that government benefits, including Social Security, are effective at reducing poverty among seniors (Haskins, 2011). But the fact that 31 percent of senior households qualify as ALICE highlights the reality that these same benefits are often not at a level that enables financial stability. This is especially true in some regions of Texas where the cost of living is high. This is reinforced by the fact that many senior households continue to work, some by choice and others because of low income. In Texas' 65- to 74-year-old age group, 26 percent are in the labor force, as are 7 percent of those 75 years and over (American Community Survey, 2016).

The number of households headed by those aged 45 to 64 remained flat from 2010 to 2016, but the number of households in this age group with income below the ALICE Threshold jumped 5 percent during that period. For a group in their prime earning years, it is surprising to see 48 percent with income below the ALICE Threshold (American Community Survey, 2010 and 2016).

Households by Race/Ethnicity

In terms of race and ethnicity, Texas is one of the most diverse states in the country, and ALICE and poverty-level households exist in every racial and ethnic group in Texas. The ALICE Reports follow U.S. Census classifications for the largest non-White populations — Black, Asian, Hispanic, and American Indian/Alaska Native, as well as people identifying as being of "Some Other Race" or "Two or More Races." Because people of any race, including Whites, can also be of Hispanic ethnicity, the ALICE data looks at White, Black, Asian, and American Indian/Alaska Native categories "alone" (i.e., not also Hispanic), as well as at Hispanic populations.

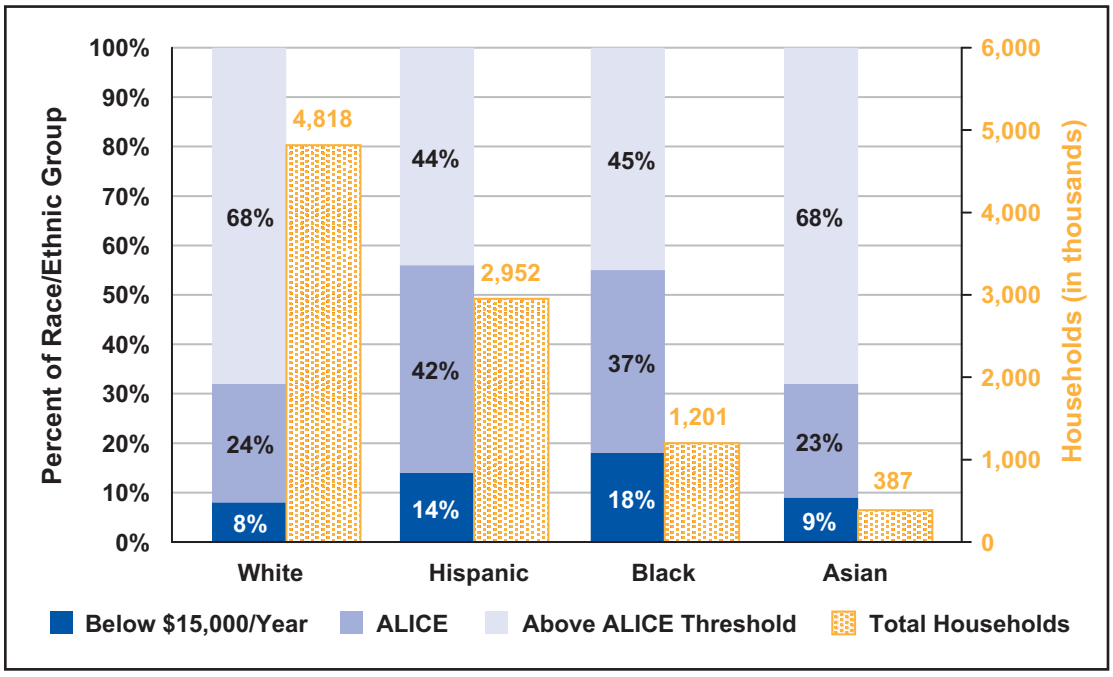
In 2016, White households were the largest racial group in Texas with 4,818,461 households, compared to 2,952,465 Hispanic households, 1,201,307 Black households,

and 386,736 Asian households (Figure 7). Statewide numbers, however, often mask important changes in smaller racial and ethnic groups. For example, the number of Hispanic, Black, and Asian households grew faster from 2007 to 2016 than the number of White households. Hispanic households increased by 45 percent, Black households increased by 55 percent, and Asian households doubled, while White households increased by 15 percent.

Some racial and ethnic groups in Texas are extremely small and the Census does not report their income, so ALICE data is not available for them. Fewer than 1 percent of households in Texas identify themselves as American Indian/Alaska Native (43,685 households); 1.5 percent identify as "Some Other Race" (34,775 households); and another 2 percent identify as being of "Two or More Races" (176,217 households) (American Community Survey, 2016).

"In terms of race and ethnicity, Texas is one of the most diverse states in the country, and ALICE and poverty-level households exist in every racial and ethnic group in Texas."

Figure 7.
Households by Race/Ethnicity and Income, Texas, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

Note: Data in all categories except Two or More Races is for one race alone. Because race and ethnicity are overlapping categories and Texas is a state with many races and ethnicities, the totals for each income category do not add to 100 percent exactly. This data is for households; because household size varies for different racial/ethnic groups, population percentages may differ from household percentages. Because household poverty data is not available for the American Community Survey's Race/Ethnicity categories, annual income below $15,000 is used as a proxy.

Within each of Texas' racial/ethnic groups, there is additional diversity in national origin.

White (non-Hispanic) households are the largest racial group in Texas, but their percentage of total households has been declining, falling from 54 percent in 2007 to 50 percent in 2016. For most of Texas' history, domestic migration has been the primary driver for population growth, and the majority of domestic migrants were non-Hispanic White households from Oklahoma and states in the Midwest, as well as other states in the South and West. By 2013, White individuals accounted for 54 percent of domestic in-migration and 58 percent of domestic out-migration. Domestic in-migration has slowed in recent years (Aisch, Gebeloff, & Quealy, 2014; Orrenius, Zavodny, & LoPalo, 2013; White, Potter, You, Valencia, Jordan, & Pecotte, 2016).

Hispanic households (an ethnicity, which can include people of any race) accounted for 31 percent of Texas' households in 2016. By 2014, the majority of Hispanic people in Texas were U.S.-born. Nationwide, the share of U.S.-born Hispanic individuals increased from almost 60 percent in 2000 to 66 percent in 2015. There are many Hispanic migrants to Texas from other U.S. states, primarily California, New Mexico, Florida, Illinois, and Arizona (Stepler & Lopez, 2016).

Texas' Hispanic population also includes immigrants as well as Tejanos, whose families have lived on the land that is now Texas since before statehood. Starting in the 1980s, immigration from Mexico began to shift Texas' migration patterns. Between 2010 and 2015, Texas saw the fastest growth of the Hispanic population in the nation — a 60 percent increase over this period (from 6.7 million in 2000 to 10.7 million in 2015). Of the state's foreign-born population, more than two-thirds are Hispanic, with the largest share of this population immigrating from Mexico (although the diversity in the immigrant population has grown over time). After Mexico, El Salvador and Honduras are the most common countries of origin. In general, immigrants in Texas arrived in the U.S. more recently than immigrants across the rest of the country (6 percent of arrivals in Texas before 1970 versus 10 percent across other states). Just over one third of immigrants in the state arrived after 2000. And date of entry impacts income: Hispanic immigrants who have lived in the U.S. the longest earn higher incomes than those who immigrated more recently (A. Flores, 2017; Gutiérrez, 2013; Orrenius, et al., 2013; Pew Research Center, 2017b; White, Potter, You, Valencia, Jordan, & Pecotte, 2016).

Black households, the next-largest population of color, make up 13 percent of all Texas households. The Black population in Texas is becoming more diverse: In addition to African-Americans who have lived in the state for generations or who migrated from other parts of the U.S., there is an increasing number of sub-Saharan African immigrants, who now account for 5 percent of Texas' foreign-born residents. During the period of 2011 to 2015, the largest share of sub-Saharan African immigrants in the U.S. settled in Texas (10 percent) and Harris County was one of the top four counties in the U.S. by concentration of sub-Saharan Africans. Nationally, African immigrants are the most recent immigrants to the country: Almost two-thirds (63 percent) arrived in the U.S. in 2000 or later (M. Anderson, 2015; Migration Policy Institute, 2016; Zong & Batalova, 2017).

"Hispanic households (an ethnicity, which can include people of any race) accounted for 31 percent of Texas' households in 2016. By 2014, the majority of Hispanic people in Texas were U.S.-born."

Asian households account for 4 percent of all Texas households and 21 percent of the foreign-born population. Asians are the fastest-growing racial/ethnic group in Texas, doubling in size from 2010 to 2016. During the period of 2009 to 2013, Texas was one of the top three states for Asian immigration (along with California and New York), and the metropolitan area of Houston-The Woodlands-Sugarland was in the top ten metropolitan areas in the country for concentration of Asian immigrants. Asian immigrants in Texas most commonly hail from India, Vietnam, China, and the Philippines. Nationwide, approximately one-quarter of the country's Asian population was born in the U.S., and 15 percent of Asian residents identify as Two or More Races — much higher than the comparable mixed-race share of Whites (3 percent), Hispanics (6 percent), or Blacks (7 percent) (Aisch, et al., 2014; Migration Policy Institute, 2016; Orrenius, et al., 2013; Pew Research Center, 2017a; White, Potter, You, Valencia, Jordan, & Pecotte, 2016; Zong & Batalova, 2017).

Unlike most immigrant groups, Asian households vary less in income status by year of entry to the U.S. and more by country of origin. For example, Indian-Americans lead all other Asian groups by a significant margin in their levels of income and education. Immigrants from India are more likely to have a college degree, followed by those from the Philippines and Japan. However, immigrants from Vietnam are more likely to have higher rates of poverty than the overall U.S. population. Interestingly, there is also a wide range of education and income among immigrants from Korea and China, including some of the best educated but also some with the lowest incomes (Pew Research Center, 2017a).

THE AMERICAN HOUSEHOLD IS CHANGING

Despite longstanding preconceptions about what types of families tend to be low-income, ALICE and poverty-level families exist in all configurations. There have been such dramatic changes in American demographics and living arrangements that it is important to re-evaluate old stereotypes.

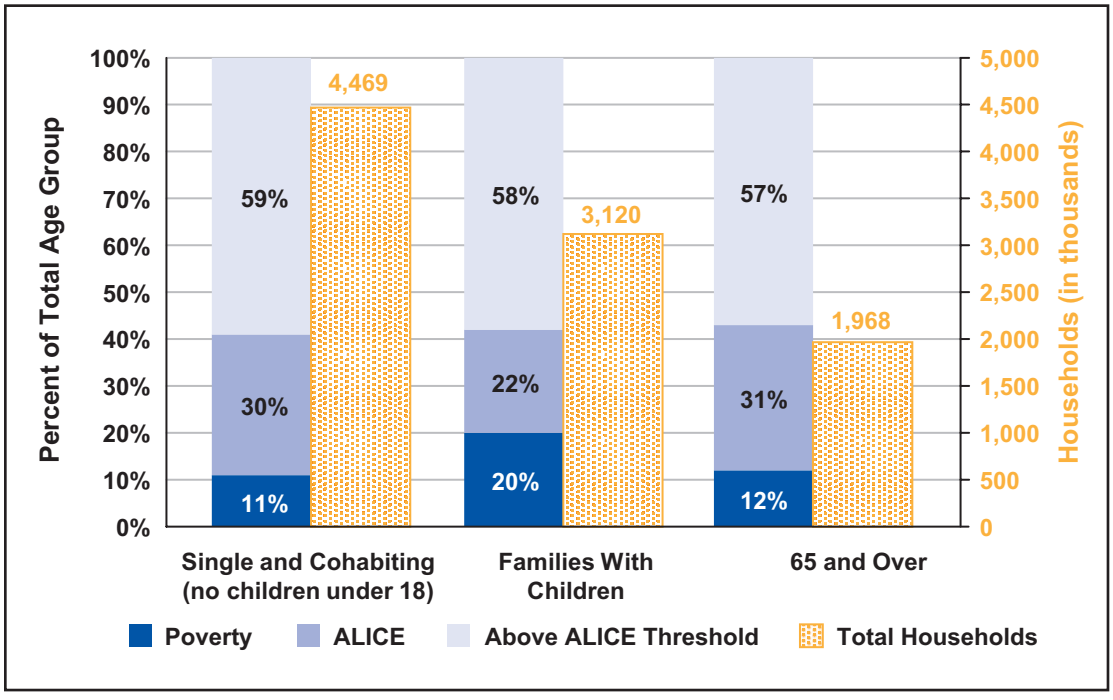
With millennials delaying marriage and children, as well as decades of declining marriage rates and rising levels of divorce, remarriage, and cohabitation, the household made up of a married couple with two children is no longer typical. Since the 1970s, there has been a trend toward smaller households, fewer households with children, and fewer married-couple households. People are increasingly living in a wider variety of arrangements, including singles living alone or with roommates and grown children living with parents. The share of American adults who have never been married is at a historic high.

"With millennials delaying marriage and children, as well as decades of declining marriage rates and rising levels of divorce, remarriage, and cohabitation, the household made up of a married couple with two children is no longer typical."

Single or cohabiting adults under age 65 with no children under age 18 make up the largest household type in Texas, accounting for 47 percent of households. This group also had the largest number of households below the ALICE Threshold in 2016: 1,847,191 households, or 41 percent (Figure 8).

This household type includes families with at least two members related by birth, marriage, or adoption but with no children under the age of 18; single adults younger than 65; or people who share a housing unit with non-relatives such as boarders or roommates. Nationally, from 1970 to 2012, the proportion of single-adult households increased from 17 percent to 27 percent, while the share of households comprised of married couples with children under 18 decreased by half, from 40 percent to 20 percent (Cohn & Caumont, 2016; Vespa, Lewis, & Kreider, 2013).

Figure 8.
Household Types by Income, Texas, 2016



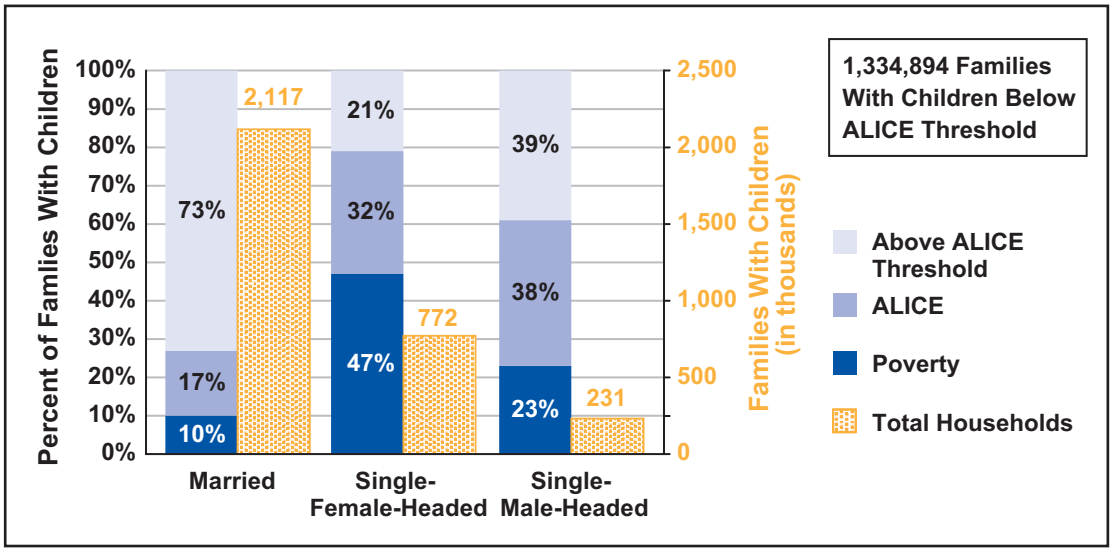
Source: American Community Survey, 2016, and the ALICE Threshold, 2016

Families With Children

With the rising cost of supporting a family, the increasing divorce rate, and millennials delaying marriage and children, the number of families with children is decreasing across the country. But with Texas' booming population, the number has increased steadily over time, rising 24 percent from 2007 to 2016. At the same time, the number of Texas families with children earning below the ALICE Threshold increased even more, by 36 percent.

Of Texas' 3.1 million families with children, 1,334,894 (43 percent) had income below the ALICE Threshold in 2016. In most (76 percent) of the state's families with children under 18, the parents in the family are married. However, children in families with income below the ALICE Threshold are more likely to live in single-parent families (Figure 9).

Figure 9.
Families With Children by Income, Texas, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

"Not surprisingly, the most expensive household budget is for a household with young children, due not only to larger size but also to the cost of child care, preschool, and after-school care."

Not surprisingly, the most expensive household budget is for a household with young children, due not only to larger size but also to the cost of child care, preschool, and after-school care (discussed further in Section II). The biggest factors determining the economic stability of a household with children are the number of wage earners, the gender of the wage earners, the number of children, and the costs of child care for children of different ages.

Married-Parent Families

With two income earners, married couples with children have greater means to provide a higher household income than households with one adult. For this reason, 73 percent of married-couple families with children in Texas had income above the ALICE Threshold in 2016. However, because they are such a large demographic group, married-couple families with children still accounted for 44 percent of all Texas families with children who live in poverty and 69 percent of ALICE families with children.

Single-Female-Headed Families

Families headed by single women with children are much more likely to struggle financially; in Texas, 79 percent of them earned below the ALICE Threshold in 2016.

These households accounted for 25 percent of all Texas families with children but 46 percent of families with children below the ALICE Threshold. Single-female-headed families are often highlighted as the most typical low-income household. With only one wage-earner, it is not surprising that single-parent families are over-represented among ALICE households. For women, this is compounded by the fact that in Texas, as in all states, they still earn significantly less than men, as detailed in Figure 11. Yet it is important to note that in 2016, single-female-headed families with children accounted for only 15 percent of all Texas households below the ALICE Threshold, and they made up only 19 percent of all working-age households below the ALICE Threshold. Many other types of households also struggle to afford basic necessities.

Single-Male-Headed Families

The number of households headed by single men with children is growing in Texas and across the country. While most single-parent families are still headed by mothers, single-father families accounted for 7 percent of all Texas families with children and 11 percent of families with income below the ALICE Threshold in 2016. Although they are less common than single-female-headed families, single-male-headed families face similar challenges. In fact, 61 percent of all single-male-headed families with children in Texas have income below the ALICE Threshold.

"Demographic groups that are especially vulnerable to underemployment, unemployment, and lower earning power are more likely than other groups to be in poverty or to be ALICE."

Because discussions of low-income families often focus on single parents, it is important to note that the lines between married couple and single-parent households are often blurred. The large number of single-parent families may in part be due to how that arrangement is defined, and to people becoming more comfortable self-identifying as single parents. According to the U.S. Census, the category of single-parent households includes one parent as the sole adult (37 percent), or a parent with a cohabiting partner (11 percent), or a parent with another adult age 18 or older who lives in the home, such as a grown child or grandparent (52 percent). In other words, in most single-parent families, there are nonetheless two adults in the home, and therefore potentially two income-earners (Vespa, et al., 2013).

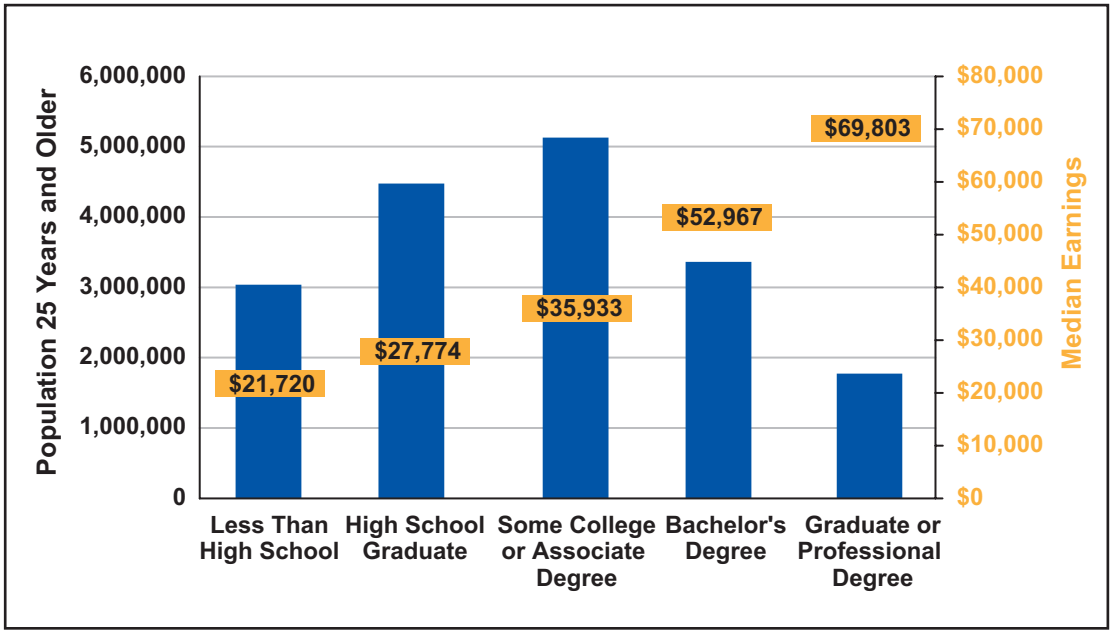
ADDITIONAL RISK FACTORS FOR BEING ALICE

Demographic groups that are especially vulnerable to underemployment, unemployment, and lower earning power are more likely than other groups to be in poverty or to be ALICE. In addition to the challenges faced by people of color discussed earlier in this section, a number of other demographic factors make a household more likely to fall into the ALICE population. These include households being headed by: someone with a low level of education; a woman; a recent or unskilled immigrant; someone with low proficiency in English; an LGBT individual; or someone living with a disability. Groups with more than one of these factors — younger combat veterans, for example, who may have both a disability and a low level of education, or formerly incarcerated people, many of whom are Black and may have a low level of education — are even more likely to fall below the ALICE Threshold. Awareness of these challenges has increased, and this Report highlights some examples of structural change in the workplace designed to increase opportunity for these groups. However, these systemic trends persist in Texas, as they do across the country (Bui, 2016).

People With Lower Levels of Education

Income continues to be highly correlated with education. In Texas, 25 percent of the population age 25 years and older have only a high school diploma, and 29 percent have some college education or an associate degree, but only 19 percent have a bachelor's degree and 10 percent have a graduate or professional degree. These numbers have significant implications for Texans given that median earnings increase significantly for those with higher levels of education (Figure 10).

Figure 10.
Education Attainment and Median Annual Earnings, Texas, 2016



Source: American Community Survey, 2016

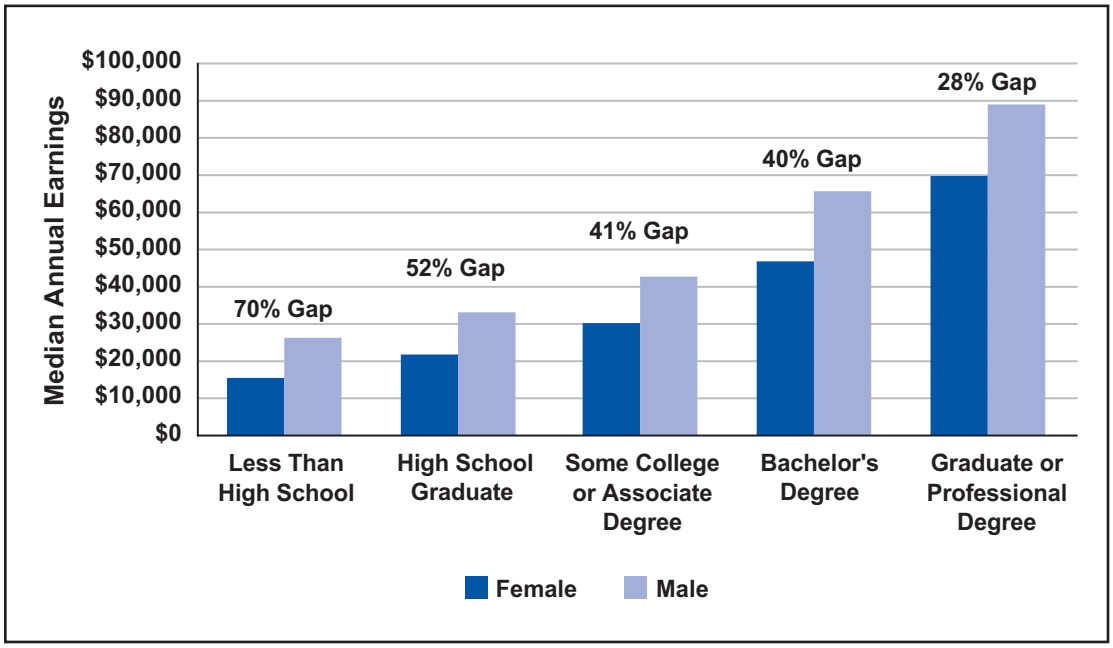
"Those residents with the least education are more likely to have earnings below the ALICE Threshold. Yet with the increasing cost of education over the last decade, college has become unaffordable for many and a huge source of debt for others."

Those residents with the least education are more likely to have earnings below the ALICE Threshold. Yet with the increasing cost of education over the last decade, college has become unaffordable for many and a huge source of debt for others. In 2016, Texas colleges and universities received more than $2.1 billion in federal Pell Grants, yet 56 percent of Texas' Class of 2016 still graduated with an average of $26,292 in student debt (Project on Student Debt, 2016; U.S. Department of Education, n.d.).

Many demographic factors impact a household's ability to meet the ALICE Threshold. For example, according to the National Center for Education Statistics, economically disadvantaged students, students with limited English proficiency, and students with disabilities all have graduation rates below the state and national averages for all students. In 2014, the public high school graduation rate in Texas was 89 percent for all students, but it was slightly lower for economically disadvantaged students (86 percent) and significantly lower for those with disabilities (78 percent) and those with limited English proficiency (74 percent). It is not surprising that these same groups also earn lower wages later in life (National Center for Education Statistics, 2017; U.S. Department of Education, 2017).

Within Texas and across all states, there is also a striking difference in earnings between men and women at all educational levels (Figure 11). **Men in Texas earn at least 28 percent more than women across all educational levels and as much as 70 percent more for those with less than a high school degree** (American Community Survey, 2007, 2010, 2012, and 2015). This, in part, helps explain why so many of Texas' single-female-headed households have incomes below the ALICE Threshold.

Figure 11.
Median Annual Earnings by Education and Gender, Texas, 2016



Source: American Community Survey, 2016

Women

Although women make up nearly half of the U.S. workforce, receive more college and graduate degrees than men, and are the equal or primary breadwinner in four out of ten families, they continue to earn significantly less than men in comparable jobs. According to the BLS Current Population Survey, women's median earnings are lower than men's in nearly all occupations. In 2016, female full-time workers still made only 80 cents on each dollar earned by men, a gap of 20 percent. In addition, male-dominated occupations tend to pay more than female-dominated occupations at similar skill levels. Despite many changes to the economy, these disparities remain persistent features of the U.S. labor market (Hegewisch & Ellis, 2015; Institute for Women's Policy Research, 2018). The persistence of the gender wage gap helps explain why female-headed households are disproportionately likely to live in poverty or to be ALICE.

"Although women make up nearly half of the U.S. workforce, receive more college and graduate degrees than men, and are the equal or primary breadwinner in four out of ten families, they continue to earn significantly less than men in comparable jobs."

In Texas, senior women are more likely to live longer; of those 65 years and older, there were 20 percent more women than men in 2016. A slightly higher percentage of these women were in poverty: 12 percent of women compared to 9 percent of men (American Community Survey, 2016).

People With Disabilities

"Texas residents with a disability are less likely to be employed: Only 26 percent of working-age residents (18–64 years old) with a disability are employed, compared to 62 percent of all adults. And for those who are working, they earn less."

Households with a member who is living with a disability are more likely than other households to be in poverty or to be ALICE. These households often have both increased health care expenses and reduced earning power. A total of 14 percent of adults in Texas have a lasting physical, mental, or emotional disability that impedes them from being independent or able to work. Approximately 20 percent of Texas residents aged 16 and over with a severe disability live in poverty, compared with 14 percent of all residents. The national median income for households where one adult is living with a disability ($43,300) is approximately 40 percent less than for those where no adults are living with disabilities ($68,700) (American Community Survey, 2016; Brault, 2012; Cornell Disability Statistics, 2018).

Texas residents with a disability are less likely to be employed: Only 26 percent of working-age residents (18–64 years old) with a disability are employed, compared to 62 percent of all adults. And for those who are working, they earn less. The median annual earnings for a Texas resident with a disability are $23,093, compared to $31,357 for the total population (American Community Survey, 2016).

Generally, disability is disproportionately associated with age; in Texas, 39 percent of residents 65 years or older are living with a disability, more than double the 14 percent average for all ages (American Community Survey, 2016).

The Integrated Benefits Institute estimates that each year, 5.6 percent of working Americans will experience a short-term disability, and the Social Security Administration finds that over one in four current 20-year-olds can expect to miss at least a year of work due to a disabling condition before they reach typical retirement age. The economic consequences of disability are profound: 61 percent of Americans with a disability experience a decline in earnings, 46 percent have lower after-tax income, and 25 percent have a lower housing value. The economic hardship experienced by the chronically and severely disabled is often more than twice as great as that of the average household (Meyer & Mok, 2013). In addition, those with a disability are more likely to live in severely substandard conditions and face significant adverse differential discrimination during the housing rental process (Council for Disability Awareness, 2018; U.S. Department of Housing and Urban Development, 2011, 2017).

The LGBT Community

According to Gallup surveys conducted in 2016, the percentage of Texas adults who identify as LGBT is 3.6 percent, just below the nationwide average of 4.1 percent (Movement Advancement Project, 2018). Despite having more education than the general population, the more than 4 percent of the U.S. workforce who identify as LGBT often earn less than their non-LGBT counterparts, experience greater unemployment, and are more likely to live in extreme poverty (earning $10,000 annually or less) and experience food insecurity (Badgett, Durso, & Schneebaum, 2013; Brown, Rhee, Saad-Lessler, & Oakley, 2016; Burns, 2012, 2013; Flores, Herman, Gates, & Brown, 2016; Harris, 2015; Harrison, Grant, & Herman, 2011–2012; The Williams Institute, 2015).

More than a quarter of married LGBT couples are now raising children, and the number of same-sex marriages more than doubled nationally from 2012 to 2015. During that time, the Supreme Court ruled in 2013 that the federal government must recognize state-sanctioned same-sex marriages, and then in 2015 it ruled that all states must allow same-sex marriages (Cohn & Caumont, 2016; Gates & Brown, 2015; Pew Research Center, 2015b).

Most same-sex households in Texas live in cities. According to the Human Rights Campaign's Municipal Equality Index on measures of inclusivity for LGBT residents and workers, scores for Texas counties vary widely across the state on a scale of 1 (worst) to 100 (most inclusive), ranging from 6 in Irving and Laredo to 100 in Austin, Dallas, and Fort Worth (Human Rights Campaign, 2017).

Recent, Unskilled, Undocumented, or Limited-English-Speaking Immigrants

Related to race and ethnicity is immigration, with Hispanics making up the majority of Texas' 4.7 million immigrants in 2016. In terms of place of birth, 69 percent of the state's immigrants were born in Latin America, 21 percent in Asia, 5 percent in Africa, and 4 percent in Europe (Migration Policy Institute, 2016).

Immigrant groups vary widely in language, education, age, and skills. **Nationally, immigrants are only slightly more likely to be in ALICE or poverty-level households than non-immigrants.** However, for some subsets of immigrant groups — such as noncitizens; more recent, less-skilled, or unskilled immigrants; and those who are in limited-English-speaking households (where no one in the household age 14 or older speaks only English or speaks English "very well") — the likelihood of economic instability increases (American Community Survey, 2016; Wilson, 2014).

Recent immigrants earn less than longer-term residents in general; the median annual income for foreign-born Texas residents who entered the state in or after 2010 is $41,184, while the median income for foreign-born residents who came to Texas before 2000 is $46,440 (American Community Survey, 2016).

When it comes to education, foreign-born residents living in Texas are more likely than residents born in Texas not to graduate from high school (29 percent compared to 10 percent for residents born in-state). Yet those who go to college achieve the same graduation rate as residents born in-state (15-16 percent), and they receive graduate degrees at a higher rate (15 percent compared to 7 percent for residents born in-state) (American Community Survey, 2016).

Research by the U.S. Census Bureau has found that English-speaking ability among immigrants influences their employment status, ability to find full-time employment, and earning levels, regardless of the particular language spoken at home. Those with the highest level of spoken English have the highest earnings, which approach the earnings of English-only speakers (Day & Shin, 2005; Theodore, et al, 2017). The American Community Survey reports more than 170 different foreign languages spoken in Texas; Spanish is the most common, spoken by 84 percent of foreign-language speakers. Of Texas households, 8 percent are limited-English-speaking households (American Community Survey, 2016).

"Immigrant groups vary widely in language, education, age, and skills. Nationally, immigrants are only slightly more likely to be in ALICE or poverty-level households than non-immigrants."

Veterans

As of 2016, there were nearly 1.5 million veterans living in Texas; 57 percent were in the labor force, and 3.6 percent of those were unemployed. Veterans who are out of the labor force or unemployed are most at risk of being in poverty or living in ALICE households, especially when they have exhausted their temporary health benefits and when their unemployment benefits expire. Younger veterans, in particular, are more likely to be ALICE for three reasons: They are dealing with the complex physical, social, and emotional

"Due to increased focus on the issue of veteran homelessness, there has been a significant reduction in the number of homeless veterans in Texas, which dropped 66 percent from 2010 to 2016."

consequences of military service; they are more likely to have less education and training than veterans of other service periods; and they are more likely to have a disability than older veterans (American Community Survey, 2016; Bureau of Labor Statistics, 2016e).

Unemployment is a major challenge for younger veterans. **The 12 percent of Texas veterans who are aged 18 to 34 are the most likely to be unemployed or in struggling ALICE households** (Figure 12). While state-level data on unemployed veterans is not available, at the national level, veterans 18 to 34 years old are up to twice as likely as their older counterparts to be unemployed, with 9 percent unemployed in 2016 (American Community Survey, 2016; Bureau of Labor Statistics, 2016e).

Due to increased focus on the issue of veteran homelessness, there has been a significant reduction in the number of homeless veterans in Texas, which dropped 66 percent from 2010 to 2016. While there are still 1,768 homeless veterans across the state, particular progress has been made in Houston, San Antonio, and Austin, where veteran homelessness has essentially been eliminated. Those veterans who are still homeless are more likely than the civilian homeless population to be single males with lower levels of education, to experience repeated episodes of homelessness, and to have Post-Traumatic Stress Disorders (Texas Department of Housing and Community Affairs, 2016a).

Figure 12.
Veterans by Age, Texas, 2016

Age	Number of Veterans (Texas)	Percent of Total Veterans (Texas)	Percent of Veterans Unemployed (U.S.)
18 to 34 Years	176,173	12%	9%
35 to 54 Years	402,191	28%	6%
55 to 64 Years	258,139	18%	4%
65 Years and Over	624,124	43%	4%

Source: American Community Survey, 2016; Bureau of Labor Statistics, 2016e

The root causes of higher unemployment and lower rates of labor participation for veterans from recent deployments are uncertain, but the Federal Reserve Bank of Chicago suggests a number of possibilities. First, wartime deployments often result in physical or psychological trauma that affects the ability of new veterans to find work. Second, deployed veterans receive combat-specific training that is often not transferable to the civilian labor market. Finally, new veterans are typically younger and less educated than average workers — two factors that predispose job-seekers to higher unemployment rates (Bureau of Labor Statistics, 2016e; Faberman & Foster, 2013).

Formerly Incarcerated People

According to the Bureau of Justice Statistics, 224,113 people were incarcerated in Texas in 2016 — a rate of 563 per 100,000 adults, below the national rate of 670 per 100,000 adults. The latest data from the National Institute of Corrections shows that the incarceration rate for Black Texans was 1,844 per 100,000, almost four times that for Whites (457 per 100,000). Black and Hispanic Texans face incarceration rates that are disproportionally higher than their percentage in the overall state population. For example, Black individuals make up only 12.6 percent of the state population but 26.8 percent of the jail population (ACLU, 2017; Bucknor & Barber, 2016; Carson, 2018; Carson & Anderson, 2016; Kaeble & Glaze, 2016; National Employment Law Project, 2016; Nellis, 2016; The Sentencing Project, 2016a, 2016b; Vera Institute for Justice, n.d.).

"People with past convictions in Texas and across the country are more likely to be unemployed or to work in low-wage jobs."

People with past convictions in Texas and across the country are more likely to be unemployed or to work in low-wage jobs. Research has documented that formerly incarcerated people are confronted by an array of barriers that significantly impede their ability to find work and otherwise reintegrate into their communities, including low levels of education, lack of skills and experience due to time out of the labor force, employer reluctance to hire formerly incarcerated job applicants, questions about past convictions on initial job applications, problems obtaining subsidized housing, and substance abuse issues.

A range of studies has found that formerly incarcerated people have employment rates between 9.7 and 23 percent lower than those of non-offenders. In 2014, those reductions lowered the total employment rate in the U.S. by 0.9 to 1.0 percentage points (and by 1.6 to 1.8 percentage points for men) and accounted for a loss of between $78 and $87 billion in GDP. Furthermore, nearly 75 percent of formerly incarcerated individuals are still unemployed a year after their release. When they do find employment, it tends to be in low-wage service jobs often held by ALICE workers, in industries including construction, food service, hotel/hospitality, landscaping/lawn care, manufacturing, telemarketing, temporary employment, and warehousing (ACLU, 2017; Bucknor & Barber, 2016; National Employment Law Project, 2016).

II. WHAT DOES IT COST TO LIVE IN TODAY'S ECONOMY?

Measure 2 – The Household Budget: Survival vs. Stability

AT-A-GLANCE: SECTION II

The Household Survival Budget

- The ALICE Household Survival Budget estimates what it costs to afford the basic household necessities: housing, child care, food, transportation, health care, a basic smartphone plan, and taxes.
- The average annual Household Survival Budget for a four-person family living in Texas is $52,956, more than double the federal poverty level (FPL) of $24,300 per year for a family of the same size.
- The Household Survival Budget for a family translates to an hourly wage of $26.48 for one parent (or $13.24 per hour each, if two parents work).
- The average annual Household Survival Budget for a single adult in Texas is $19,428, which translates to an hourly wage of $9.71.
- Child care represents a Texas family's greatest expense: an average of $1,133 per month for two children in licensed and accredited child care, or $995 for registered home-based care.

The Household Stability Budget

- The ALICE Household Stability Budget measures how much income is needed to support and sustain an economically viable household, including both a 10 percent savings plan and the cost of employer-sponsored health insurance.
- The average annual Household Stability Budget is $96,588 for a family of four, 82 percent higher than the Household Survival Budget.
- To afford the Household Stability Budget for a two-parent family, each parent must earn $24.15 per hour or one parent must earn $48.29 per hour.

"The cost of basic household necessities increased more than 30 percent in Texas from 2007 to 2016 despite low inflation during the Great Recession. As a result, 42 percent of households in Texas are challenged to afford the basic necessities."

The cost of basic household necessities increased more than 30 percent in Texas from 2007 to 2016 despite low inflation during the Great Recession. As a result, 42 percent of households in Texas are challenged to afford the basic necessities. This section presents the **Household Survival Budget,** a realistic measure estimating what it costs to afford the basic household necessities of housing, child care, food, transportation, health care, technology, and taxes. It also presents the **Household Stability Budget,** which reaches beyond survival to estimate the cost of maintaining a viable household in the modern economy, with a degree of future financial security.

THE HOUSEHOLD SURVIVAL BUDGET

The Household Survival Budget follows the original intent of the FPL as a standard for temporary sustainability (Blank, 2008). This budget identifies the minimum cost option for each of the basic household items needed to live and work in today's economy. Figure 13 shows a statewide average Household Survival Budget for Texas in two variations, one for a single adult and the other for a family with two adults, a preschooler, and an infant.

In 2016, the average Household Survival Budget in Texas was $52,956 for a four-person family and $19,428 for a single adult (Figure 13). These costs continue to outpace the national rate of inflation. The hourly wage necessary to support a family budget is $26.48 for one parent working 40 hours per week, 50 weeks per year (or $13.24 per hour each, if two parents work), and $9.71 per hour, full time, for a single adult. To see a Household Survival Budget for each county in Texas, visit our website: UnitedWayALICE.org/texas.

As a frame of reference, it is worth noting that the Household Survival Budget is lower than both the MIT Living Wage Calculator and the Economic Policy Institute's Family Budget Calculator (Economic Policy Institute, 2018a; MIT, 2016). These are compared with both the Survival and Stability budgets later in this section.

"In 2016, the average Household Survival Budget in Texas was $52,956 for a four-person family and $19,428 for a single adult. These costs continue to outpace the national rate of inflation."

Figure 13.
Household Survival Budget, Texas Average, 2016

Household Survival Budget, Texas Average, 2016			Percent Change 2007–2016	
	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER
Monthly Costs				
Housing	$541	$751	26%	34%
Child Care	$-	$995	N/A	10%
Food	$158	$525	8%	18%
Transportation	$329	$657	2%	1%
Health Care	$197	$731	112%	96%
Technology*	$55	$75	N/A	N/A
Miscellaneous	$147	$401	30%	31%
Taxes	$192	$278	36%	146%
Monthly Total	$1,619	$4,413	30%	32%
ANNUAL TOTAL	$19,428	$52,956	30%	32%
Hourly Wage*	*$9.71*	*$26.48*	*30%*	*32%*

**New to budget in 2016*
***Full-time wage required to support this budget*

Sources: Bureau of Labor Statistics, 2016a; Internal Revenue Service, 2016d; Tax Foundation, 2016, 2017; Texas Workforce Commission, 2017; U.S. Department of Agriculture, 2016a; U.S. Department of Housing and Urban Development, 2016b. For the Methodology Overview and additional data, visit our website: UnitedWayALICE.org.

SURVIVAL BUDGET COMPONENTS

Housing: The housing budget uses the U.S. Department of Housing and Urban Development's Fair Market Rent for an efficiency apartment for a single adult and a two-bedroom apartment for a family. The cost includes utilities but not telephone service, and it does not include a security deposit.

Child Care: The child care budget represents the cost of registered home-based child care for an infant and a 4-year-old. Home-based child care sites in Texas may be licensed, registered, or listed, with licensed care having the most stringent guidelines. Because homes are not required to be licensed, the quality of home-based care varies widely. Licensed facility-based child care centers, which are fully regulated to meet standards of quality care, are significantly more expensive.

Food: The food budget is based on the U.S. Department of Agriculture's (USDA) Thrifty Food Plan, which is also the basis for benefits provided by the Supplemental Nutrition Assistance Program and the Special Supplemental Nutrition Program for Women, Infants, and Children.

Like the USDA's original Economy Food Plan, the Thrifty Food Plan was designed to meet the nutritional requirements of a healthy diet, but it includes foods that need a lot of home preparation time with little waste, plus skill in both buying and preparing food. The cost of the Thrifty Food Plan takes into account broad regional variation across the country but not localized variation, which can be even greater, especially for fruits and vegetables (Hanson, 2008; Leibtag & Kumcu, 2011).

Transportation: The transportation budget is calculated using average annual expenditures for transportation by car and by public transportation from the Bureau of Labor Statistics' Consumer Expenditure Survey (CES). Since the CES is reported by metropolitan statistical areas and regions, counties are matched with the most local level possible.

Health Care: The health care budget includes nominal out-of-pocket health care spending, medical services, prescription drugs, and medical supplies using the average annual health expenditure reported in the CES, plus a penalty for not purchasing insurance as mandated by the Affordable Care Act. Because ALICE households do not qualify for Medicaid but cannot afford even the lowest-cost Bronze Plan premiums and deductibles, the budget uses the cost of the "shared responsibility payment" — the penalty for not having coverage, which was required in 2016. That year, the penalty was $695 annually for a single adult and $2,085 for a family of four.

Technology: Because cell phones have become essential for workers, the cost of a basic smartphone plan is added to the Household Survival Budget for each adult in the household. The cost is based on the cheapest available as reported by Consumer Reports. While there are government subsidies for low-income residents, the income eligibility threshold (135 percent of the FPL) is significantly less than the ALICE Threshold, so these subsidies are excluded.

Miscellaneous: The miscellaneous category includes 10 percent of the budget total (including taxes) to cover cost overruns. This category can also cover additional essentials such as toiletries, diapers, cleaning supplies, or work clothes.

Taxes: The tax budget includes both federal and state income taxes where applicable, as well as Social Security and Medicare taxes. These rates include standard federal and state deductions and exemptions, as well as the federal Child Tax Credit and the Child and Dependent Care Credit as defined in the Internal Revenue Service's Form 1040: Individual Income Tax, Forms and Instructions. They also include state tax deductions and exemptions such as the Personal Tax Credit and renter's credit as defined in each state Department of Revenue's Form 1040: Individual Income Tax, Forms and Instructions. In most cases, ALICE households do not qualify for the Earned Income Tax Credit eligibility limit.

In comparison to the annual Household Survival Budget, the FPL was $24,300 per year for a family of four and $11,880 per year for a single adult in 2016. In that same year, the Texas median family income was $67,025 per year and the median household income was $56,565.

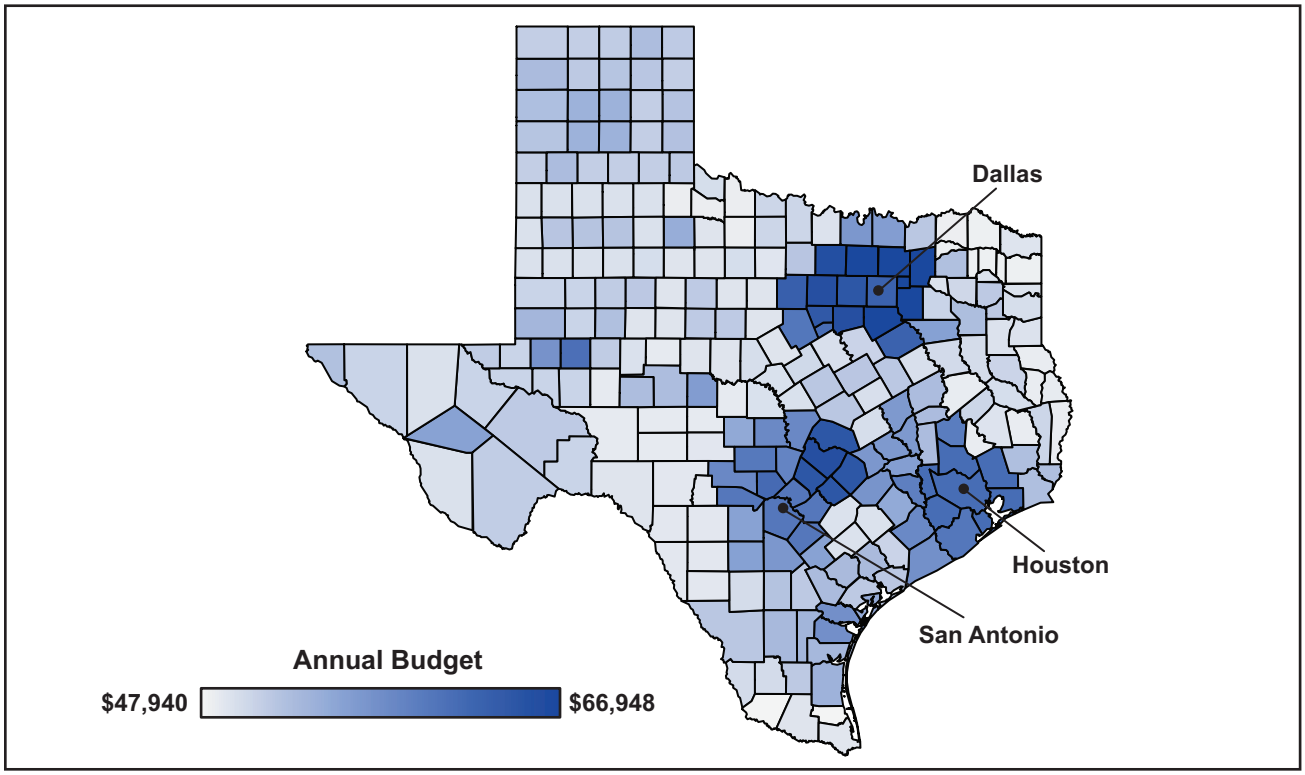
Overall, the cost of household basics in the Household Survival Budget — housing, child care, food, transportation, health care, a basic smartphone plan, and taxes — increased by 30 percent for a single adult and 32 percent for a family of four in Texas from 2007 to 2016. At the same time, median earnings increased by 18 percent in Texas (and only 12 percent nationally), putting greater strain on households. And the national inflation rate, which covers a larger number of budget items than the Household Survival Budget, was 15 percent during that period.

Most of the increases in budget costs occurred from 2010 to 2016, with the exception of housing. (From 2007 to 2010, rent for an efficiency apartment and a two-bedroom apartment each increased by 17 percent; from 2010 to 2016, rent increased by another 8 percent for an efficiency apartment and by 15 percent for a two-bedroom apartment.) Cost increases from 2010 to 2016 were driven primarily by increases in the cost of health care and by the addition of a basic smartphone plan to the budget in 2016.

Across the country, the cost of basic necessities has risen faster over the last 30 years than the cost of the wider range of goods included in the Consumer Price Index. While steady increases are difficult for ALICE families, volatility presents another set of challenges, especially for budgeting. Of all expenses, food and energy costs have been the most volatile (Bureau of Labor Statistics, 2010–2016; Church, 2015; Church & Stewart, 2013).

The Household Survival Budget varies across Texas' counties (Figure 14). In 2016, the basic essentials were least expensive for a Texas family in Starr and Willacy counties at $47,940 per year and for a single adult in Lavaca, Martin, and Morris counties at $17,100 per year. Essentials were most expensive for a family in Collin, Denton, Ellis, Hunt, Kaufman, and Rockwall counties at $66,948 per year and for a single adult in Concho County at $23,856 per year. A Household Survival Budget for each county in Texas is presented in the County Pages available on our website: UnitedWayALICE.org/texas.

Figure 14.
Household Survival Budget, Texas Counties, 2016



Sources: Bureau of Labor Statistics, 2016a; Internal Revenue Service, 2016d; Tax Foundation, 2016, 2017; Texas Workforce Commission, 2017; U.S. Department of Agriculture, 2016a; U.S. Department of Housing and Urban Development, 2016b

Housing

The cost of housing for the Household Survival Budget is based on the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rent for an efficiency apartment for a single adult and a two-bedroom apartment for a family. The cost includes utilities but not telephone service, and it does not include a security deposit.

Housing costs vary by county in Texas. Rental housing is least expensive for a two-bedroom apartment in many rural counties at $658 per month and for an efficiency apartment in Lavaca, Martin, and Morris counties at $406 per month. Rental housing is most expensive for a two-bedroom apartment in Midland County at $1,256 per month and for an efficiency apartment in Concho County at $811 per month. To put these costs in national context, the National Low Income Housing Coalition (NLIHC) reports that Texas was the 2^{1st} most expensive state in the country for housing in 2016 (National Low Income Housing Coalition, 2018).

In the Household Survival Budget, housing for a family accounts for 17 percent of the budget, which is well below HUD's affordability guidelines of 30 percent (PD&R Edge, n.d.). For a single adult, an efficiency apartment accounts for 33 percent of the Household Survival Budget, just over the threshold at which the renter would be considered "housing burdened." The availability of affordable housing units is addressed in Section V.

Child Care

In Texas, income inadequacy rates are higher for households with children at least in part because of the cost of child care. The Household Survival Budget includes the cost of registered home-based child care, the least expensive paid child care option. The average rate in Texas is $995 per month ($520 per month for an infant and $475 for a 4-year old) (Texas Workforce Commission, 2017).

"Child care for two children accounts for 23 percent of the family's budget, their greatest expense. The cost of child care in Texas increased by 10 percent from 2007 to 2016."

Registered Child Care Homes provide care in the caregiver's home for up to six children under age 14. They are required to be registered with the state; caregivers are required to complete a pre-application class and have cleared background checks; and homes are inspected every year or two. Licensed child care centers are regulated to meet more detailed standards of quality care, and they are significantly more expensive, with an average cost of $1,133 per month ($598 per month for an infant and $535 for a 4-year-old). Child care costs in Texas were compiled by the Texas Institute for Child & Family Wellbeing and the Ray Marshall Center for the Study of Human Resources, both at the University of Texas at Austin (Children at Risk, 2018; Texas Department of Family and Protective Services, 2017; Texas Workforce Commission, 2017).

Costs vary across counties: The least expensive home-based child care for two children, an infant and a preschooler, is found in Hidalgo, Starr, and Willacy counties at $814 per month, and the most expensive home-based child care is in Concho County at $1,426 per month.

Child care for two children accounts for 23 percent of the family's budget, their greatest expense. The cost of child care in Texas increased by 10 percent from 2007 to 2016. These increases have made child care costs prohibitive for many ALICE families.

Food

The original U.S. poverty level was based in part on the USDA's 1962 Economy Food Plan, which recognized food as a most basic element of economic well-being. The food budget for the Household Survival Budget is instead based on the USDA's Thrifty Food Plan, showing the minimal budget amount possible for food. Within the Household Survival Budget, the cost of food in Texas is $525 per month for a family of two adults and two young children and $158 per month for a single adult (U.S. Department of Agriculture, 2016a).

The cost of food increased in Texas by 8 percent for an adult and 18 percent for a family from 2007 to 2016. The original FPL was based on the premise that food accounts for one-third of a household budget, so that a total household budget was the cost of food multiplied by three. Yet with the large increases in the cost of other parts of the household budget, food now accounts for only 12 percent of the Household Survival Budget for a family or 10 percent for a single adult in Texas. Because the methodology of the FPL has not evolved in tandem with changing lifestyles and work demands, the FPL significantly underestimates the cost of even the most minimal household budget today.

"The average cost of transportation by car is several times greater than by public transport, but public transportation is not widely available in Texas."

Transportation

The fourth item in the Household Survival Budget is transportation, a prerequisite for most employment in Texas. The average cost of transportation by car is several times greater than by public transport, but public transportation is not widely available in Texas. According to the Consumer Expenditure Survey, a Texas family pays an average of $657 per month for gasoline, motor oil, and other vehicle expenses.

Transportation costs represent 15 percent of the average Household Survival Budget for a family and 20 percent for a single adult. These costs are lower than in other budgets for households with incomes similar to those of ALICE households. The Housing and Transportation Affordability Index finds that, for low-income Texas households, transportation costs take up more than 30 percent of the household budget in rural parts of Texas. Of all the budget items, transportation costs changed the least, primarily due to the low cost of gas during this period (Center for Neighborhood Technology, 2018).

Health Care

The fifth item in the Household Survival Budget is health care costs. The average minimal health care cost in Texas nearly doubled from 2007 to 2016, totalling $731 per month for a family (17 percent of the budget) and $197 per month for a single adult (12 percent of the budget). Since this cost does not include health insurance, such a low health care budget is not sustainable in Texas, especially if any household member has a serious illness or a medical emergency (Bureau of Labor Statistics, 2016a).

Most ALICE households do not qualify for Medicaid because the eligibility threshold is 138 percent of the FPL, well below the Household Survival Budget. Yet ALICE cannot afford the Silver Plan (depending on eligibility for subsidies) or even the high-deductible Bronze Plan through the Affordable Care Act. For this reason, the cost of the "shared responsibility payment" — the penalty for not having coverage — is added to the current out-of-pocket health care spending in the Household Survival Budget. The penalty for 2016 was the higher of these: 2.5 percent of household income, the yearly premium for the national average price of a Bronze Plan sold through the Marketplace, or the cost of the penalty, which was $695 for a single adult and $2,085 for a family of four in 2016 (Internal Revenue Service, 2018).

Technology

With changes in technology over the last decade, phone usage has shifted, so that a smartphone has become as essential to workers as a car or child care. Therefore, the cost of a basic smartphone plan is added to the Household Survival Budget in 2016 for each adult in the household. The average minimal monthly cost of a smartphone plan in Texas in 2016 was $75 for a family and $55 for a single adult.

Ninety-five percent of Americans own a cell phone of some kind and 77 percent own a smartphone, according to a 2016 Pew Research Center survey. These data do not vary greatly between urban and rural areas or across income brackets, and the only significant variation by age is for those 65 or older (who have lower rates than their younger counterparts) (Smith, 2017).

Taxes

Taxes are a legal requirement of earning income in Texas, even for low-income households. Taxes represent 12 percent of the average Household Survival Budget for a single adult, and with credits and exemptions, only 6 percent for a family. In 2016, a single adult in Texas earning $20,000 per year paid on average $2,300 annually in federal income tax; there is no state income tax in Texas. A family earning around $53,000 per year, benefiting from the federal Child Tax Credit and the Child and Dependent Care Credit, paid approximately $3,300. These rates include standard federal and state deductions and exemptions.

The large increase in taxes in the Household Survival Budget from 2007 to 2016 is primarily due to the increase in all other budget items. As the cost of these items increased, the earnings needed to cover the expenses increased, and higher earnings resulted in a larger tax bill. Federal income tax rates remained flat from 2007 to 2016, but the income brackets increased slightly. The largest portion of the tax bill is for payroll deduction taxes for Social Security and Medicare (Internal Revenue Service, 2016d).

The Earned Income Tax Credit (EITC), a benefit for working individuals with low to moderate incomes, is not included in the tax calculation because the gross income threshold for EITC in Texas in 2016 for a family with two children was $50,198, below the Household Survival Budget. However, many ALICE households at the lower end of the income scale are eligible for EITC (Internal Revenue Service, 2016a). The IRS estimates that the federal EITC helped more than 2.7 million families in Texas in 2016, with an average return of $2,714. More than 79 percent of those eligible received the credit in 2014 (latest available data year). In addition, between 2011 and 2013, the federal EITC and the Child Credit lifted 1.2 million Texas taxpayers and their households out of poverty, including 663,000 children. There is no additional state EITC or Child Tax Credit in Texas (Center on Budget and Policy Priorities, 2018; Internal Revenue Service, 2016f; Tax Credits for Workers and Their Families, n.d.).

In every state in the U.S., at least some low- or middle-income groups pay a higher share of their income in state and local taxes than wealthy families. Although Texas' sales tax excludes groceries, the lack of state income tax and other policies are regressive. According to the Institute on Taxation and Economic Policy's Tax Inequality Index, Texas has the third most inequitable state and local tax system in the country (Institute on Taxation and Economic Policy, 2015).

"Taxes are a legal requirement of earning income in Texas, even for low-income households. Taxes represent 12 percent of the average Household Survival Budget for a single adult, and with credits and exemptions, only 6 percent for a family."

What Is Missing From the Household Survival Budget?

The Household Survival Budget is a bare-minimum budget, not a "get-ahead" budget. The small Miscellaneous category, 10 percent of all costs, covers overflow from the six basic categories.

The Miscellaneous category is not enough to purchase cable service or cover automotive or appliance repairs. It does not allow for dinner at a restaurant, or tickets to the movies. There is no room in the Household Survival Budget for a financial indulgence such as holiday gifts, or a new television — something that many households take for granted. This budget also does not allow for any savings, leaving a family vulnerable to any unexpected expense, such as a costly car repair, natural disaster, or health issue. For this reason, a household on a Household Survival Budget is described as just surviving.

COST OF LIVING FOR SENIORS

The Household Survival Budget does not take into account different spending patterns for some seniors based on their health care needs. The budget's costs for housing, food, and transportation are on target for seniors who are healthy and working. However, many seniors face additional health-care-related expenses, including in-home health care, residential assisted living care, and residential nursing care. These expenses are compared in Figure 15.

Because seniors are the largest population by age in the U.S., it is particularly important to understand the financial challenges that they face. As people age, health issues increase along with associated costs of care. Even with Social Security and Medicare, many seniors struggle financially. As Figure 15 illustrates, Social Security provides, on average, sufficient funds for seniors to live above the FPL. According to a study by the Pew Foundation, without Social Security, the poverty rate among seniors in the U.S. would have been more than 50 percent in 2014 — more than triple the actual rate of 15 percent. Yet Social Security is not enough to cover a basic household budget, and the gap between benefits and expenses is getting wider. The purchasing power of Social Security payments dropped by 30 percent from 2000 to 2015, according to a study by the nonpartisan Senior Citizens League (Grovum, 2014; M. Johnson, 2017).

"Because seniors are the largest population by age in the U.S., it is particularly important to understand the financial challenges that they face. As people age, health issues increase along with associated costs of care."

While Medicare provides crucial health care coverage and many seniors would be far worse off without it, the benefit does not cover all health care. It notably omits most dental and foot care, eye exams and glasses, home health aides, and most health care equipment. Nor does it cover short-term custodial care or long-term care (Centers for Medicare & Medicaid Services, 2016b, 2018; Foster, 2016).

The Elder Economic Security Standard™ Index (the Elder Index), a budget tool from the Gerontology Institute at the University of Massachusetts Boston and the National Council on Aging, includes additional expenses that older people often incur, primarily in health care. The Elder Index is a measure of how much money seniors require in order to meet basic needs and age in place with dignity. As a basic budget, it does not include the cost of auto or home repairs, housekeeping services (such as cooking or cleaning), home health aide services for personal care (such as bathing and dressing), or adult day health care. Yet even at this basic level, for a senior renter in Texas in 2016, the Index's budget calculation was still 11 percent higher than the Household Survival Budget (Genworth, 2016; National Council on Aging, 2017a).

As more health care is required, basic budget costs for seniors increase:

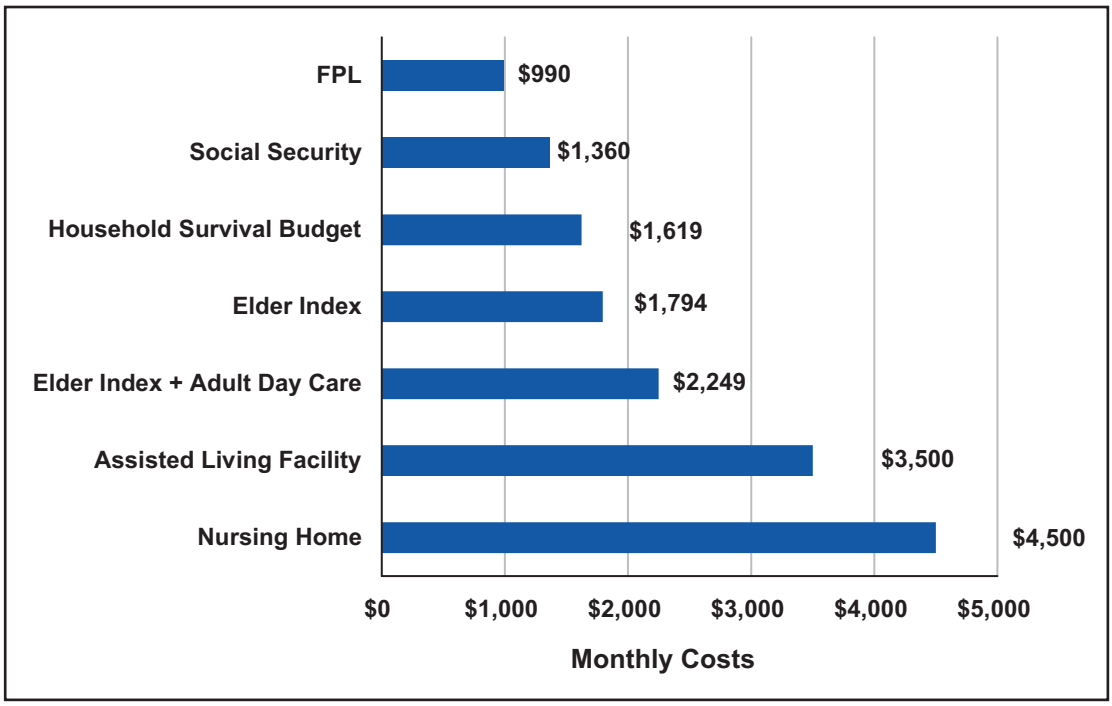
- **Adult day care:** Adding three days per week of adult day care to the Elder Index budget increases that budget by 25 percent, an additional expense almost as large as a mortgage. If a senior is injured, Medicare covers skilled nursing care necessary for recovery — 100 percent of the cost for the first 20 days and 80 percent for up to the 100-day mark — but it does not cover care for longer-term conditions (Genworth, 2016).

- **Assisted living:** The cost of assisted living arrangements adds even more expense — and the number of seniors needing these arrangements is increasing rapidly, in part due to higher rates of debilitating chronic conditions such as diabetes, cancer, high cholesterol, and high blood pressure. The median monthly rate for a semi-private room in an assisted living facility with personal care and health services in Texas was $3,500 ($42,000 annually) in 2016 –- 116 percent higher than the Household Survival Budget for a single adult.

- **Nursing home care:** A nursing home with 24-hour, on-site nursing care is even more expensive, at $4,500 ($54,000 annually) for a semi-private room — 177 percent higher than the Household Survival Budget in Texas.

  Medicare covers the cost of medically necessary care during short-term stays in a nursing facility, but it does not cover custodial care (such as help with bathing and dressing) or long-term care. Medicaid pays for an estimated half of total nursing home costs in the U.S. annually and is the largest payer of nursing home care. Yet it has strict eligibility guidelines: 100 percent of costs are covered only for those who make less than $26,460 annually and have less than $2,000 in assets (though requirements vary depending on age, marital status, veteran status, and state of residence) (Bradley, 2017; Genworth, 2016).

Figure 15.
Comparison of Senior Budgets for a Single Adult, Texas, 2016



Source: ALICE Household Survival Budget, 2016; Genworth, 2016; Mutchler, Li, & Xu, 2016; Social Security Administration, 2017; U.S. Department of Health and Human Services, 2016a

"The Stability Budget represents the basic household items necessary for a household to participate in the modern economy in a sustainable manner over time, with a reasonable quality of life and a measure of future financial security."

THE HOUSEHOLD STABILITY BUDGET

Reaching beyond the Household Survival Budget, the **Household Stability Budget** is a measure of how much income is needed to support and sustain an economically viable household. The Stability Budget represents the basic household items necessary for a household to participate in the modern economy in a sustainable manner over time, with a reasonable quality of life and a measure of future financial security. In Texas, the average Household Stability Budget is moderate in what it includes, yet it still totals $96,588 per year for a family of four — 82 percent more than the Household Survival Budget of $52,956, and 44 percent more than the Texas median family income of $67,025. To afford the Household Stability Budget for a two-parent family, each parent must earn $24.15 per hour, or one parent must earn $48.29 per hour.

The statewide average Household Stability Budget for a single adult totals $31,692 per year — 63 percent more than the Household Survival Budget of $19,428 and 1 percent more than the Texas median earnings for a single adult of $31,357. To afford the Household Stability Budget, a single adult must earn $15.85 per hour (Figure 16). The Stability Budget for various household types is available at UnitedWayALICE.org/texas.

Figure 16.
Average Household Stability Budget, Texas, 2016

Texas Average, 2016		
	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER
Monthly Costs		
Housing	$743	$967
Child Care	$-	$1,133
Food	$311	$1,022
Transportation	$385	$1,220
Health Care	$257	$1,082
Cell Phone	$109	$129
Savings	$220	$671
Miscellaneous	$220	$671
Taxes	$396	$1,154
Monthly Total	$2,641	$8,049
ANNUAL TOTAL	**$31,692**	**$96,588**
Hourly Wage	*$15.85*	*$48.29*

Sources: Bureau of Labor Statistics, 2016a; Internal Revenue Service, 2016d; Tax Foundation, 2016, 2017; Telogical Systems, 2016; Texas Workforce Commission, 2017; U.S. Department of Agriculture, 2016a; U.S. Department of Health and Human Services, 2014a, 2014b, 2014c; U.S. Department of Housing and Urban Development, 2016b. For the Methodology Overview and additional data, visit our website: UnitedWayALICE.org.

The spending amounts in the Household Stability Budget are those that can be maintained over time. Better quality housing that is safer and needs fewer repairs is represented in the median rent for single adults and single parents, and in a moderate house with a mortgage. Child care has been upgraded to licensed and accredited care, where quality is fully regulated. Food is elevated to the USDA's Moderate Food Plan, which provides more variety than the Thrifty Food Plan and requires less skill and time for shopping and cooking, plus one meal out per month, which is realistic for a working family. For transportation, the Stability Budget includes leasing a car, which allows drivers to more easily maintain a basic level of safety and reliability. For health care, the budget adds in health insurance and is represented by the cost of an employer-sponsored health plan. The Miscellaneous category represents 10 percent of the basic necessities; it does not include a contingency for taxes, as in the Household Survival Budget.

Because most jobs now require access to the internet and a smartphone, the Household Stability Budget includes the cost of basic internet access at home and a low-cost smartphone plan for each adult in the household. These are necessary for work schedules, changes in start time or location, access to work support services, and customer follow-up. The least expensive option has been selected from the Consumer Reports plan comparison and Telogical's annual survey of broadband costs (Consumer Reports, 2017; Telogical Systems, 2016).

Because savings are a crucial component of self-sufficiency, the Household Stability Budget also includes a 10 percent savings category. Savings of $671 per month for a family is probably enough to invest in education and retirement, while $220 per month for a single adult might be enough to cover the monthly payments on a student loan or build toward the down payment on a house. However, in many cases, the reality is that savings are used for an emergency and never accumulated for further investment.

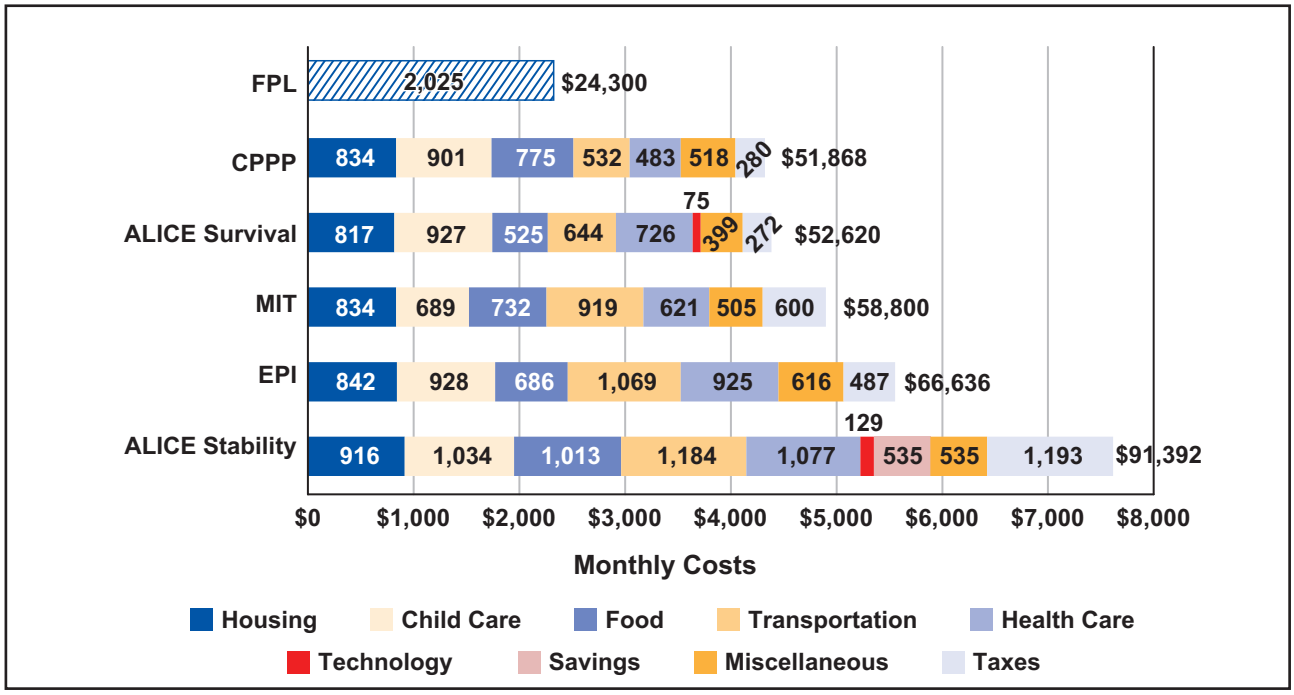
"Because savings are a crucial component of self-sufficiency, the Household Stability Budget also includes a 10 percent savings category."

HOW DOES THE SURVIVAL BUDGET COMPARE?

The Household Survival Budget measures the bare-minimum costs for a household to live and work in the modern economy, calculated for actual household expenditures. Here it is compared to less modest budgets created by other organizations, which use different sets of measures. The Center for Public Policy Priorities (CPPP) calculates the Texas Family Budget, which estimates the minimum possible family budget that maintains a safe and decent standard of living. The Massachusetts Institute of Technology's (MIT) Living Wage Calculator measures the minimum employment earnings necessary to meet a family's basic needs while also maintaining self-sufficiency. The Economic Policy Institute's (EPI) Family Budget Calculator measures the cost to provide a reasonably secure yet modest standard of living (Center for Public Policy Priorities, 2017a).

Comparing these budgets and the FPL for El Paso County, TX, helps put these different tools in perspective (Figure 17). Using the example of El Paso County, the FPL provides the lowest measure — $24,300 per year for a family of four (U.S. Department of Health and Human Services, 2016a). After the FPL, the CPPP Budget and the Household Survival Budget (2017 prices) have the lowest costs, though with different cost years, the comparisons are not exact. The MIT budget is 12 percent higher than the Household Survival Budget (using 2015 prices, the latest provided); the EPI budget is 27 percent higher (in 2017 prices). The Household Stability Budget is the most expensive, at 74 percent higher than the Survival Budget (ALICE Household Survival and Stability Budget, 2016; Center for Public Policy Priorities, 2017b; Economic Policy Institute, 2018a; MIT, 2016).

Figure 17.
Comparison of Household Budgets (Family of Four), El Paso County, Texas, 2016



Source: ALICE Household Survival and Stability Budgets, 2016; Center for Public Policy Priorities, 2017a; Economic Policy Institute, 2018a; MIT, 2016

A detailed comparison of the budgets is outlined below (Figure 18). The budgets all use similar calculations for taxes, but as each total budget increases, the income needed to cover the expenses also increases, and higher income results in a larger tax bill (Center for Public Policy Priorities, 2017b; Glasmeier, 2018; Glasmeier & Nadeau, 2017; Gould, Cooke, Kimball, & Davis, 2015).

Figure 18.
Comparison of Household Budgets by Category, Texas, 2016

	ALICE Household Survival Budget	CPPP Texas Family Budget	MIT Living Wage Calculator	EPI Family Budget Calculator	ALICE Household Stability Budget
OBJECTIVE	Calculate the bare minimum needed to live and work in the modern economy	Provide basic family expenses that only address immediate needs	Meet a family's basic needs while also maintaining self-sufficiency	Provide a reasonably secure yet modest standard of living	Support and sustain a secure and economically viable household
Housing	U.S. Dept. of Housing and Urban Development (HUD)'s 40th rent percentile for a two-bedroom apartment (which includes all utilities whether paid by landlord/owner or by renter)	HUD's 40th rent percentile for a two-bedroom apartment	HUD's 40th rent percentile for a two-bedroom apartment, plus additional utilities above HUD's estimate	HUD's 40th rent percentile for a two-bedroom apartment, plus additional utilities above HUD's estimate	Median rent for single adults and single parents, and a moderate house with a mortgage for a two-parent family
Child Care	Home-based child care for an infant and a preschooler	Median daily rate (center or home based not specified) for 250 work days per year for two children (age not specified) minus 10 percent for multiple child discount	Lowest-cost child care option available (usually home-based care) for a 4-year-old and a school-age child, whose care is generally less costly than infant care	Lowest-cost child care option available (center care in metro area or family care in non-metro area) for a 4-year-old; after-school and summer care for an 8-year-old; all generally less costly than infant care	Licensed and accredited center for an infant and a preschooler
Food	USDA's Thrifty Food Plan for a family of four	USDA's Low-Cost Food Plan for a family of four	USDA's Low-Cost Food Plan for a family of four	USDA's Low-Cost Food Plan national average for a family of four, adjusted for county-level variation	USDA's Moderate Food Plan plus one meal out per month
Transportation	Operating costs for a car, or public transportation where available	Operating costs for a car including vehicle purchase, repairs and maintenance, gasoline, oil, insurance, and registration fees	Operating costs for a car, vehicle expenses and financing, and public transportation	Operating costs for a car based on county-level data	Operating costs for a car, plus cost for leasing one car
Health Care	Out-of-pocket health care expenses plus the Affordable Care Act (ACA) penalty	Premium for the lowest-cost Silver plan available on the Exchange minus Texas subsidy plus out-of-pocket health care expenses	Employer-sponsored health insurance, medical services and supplies, and prescription drugs	ACA's least expensive plan, plus out-of-pocket health care costs	Employer-sponsored health insurance, plus out-of-pocket health care costs
Technology	Lowest-cost smartphone plan for each adult in household	Included in Miscellaneous	None	Included in Miscellaneous	Cost of smartphone for each adult in family and basic home internet service
Miscellaneous	Cost overruns, estimated at 10 percent of budget	Cellular telephone service, housekeeping supplies; laundry and cleaning supplies; electricity; personal care products; apparel; and footwear	Includes essential clothing and household expenses	"Other Necessities" includes apparel, entertainment, personal care expenses, household supplies, telephone services, and school supplies	Cost overruns contingency as well as savings; each is 10 percent of budget
Savings	None	None	None	None	To ensure stability over time, monthly savings set at 10 percent of budget
Data Year	2016	2017	2015	2017	2016

Sources: ALICE Methodology Overview, 2018 (available at UnitedWayALICE.org); Center for Public Policy Priorities, 2017a; Economic Policy Institute, 2018a; Glasmeier & Nadeau, 2017; Gould, et al., 2015; U.S. Department of Health and Human Services, 2016a

III. ALICE IN THE WORKFORCE

AT-A-GLANCE: SECTION III

- Both the Great Recession and the reshaping of the U.S. economy over the last 35 years have had an impact on the economy in Texas, although that impact has not been as harsh as in much of the rest of the country.
- In 2016, the unemployment rate in Texas was 4.6 percent*, slightly below the national rate of 4.9 percent — and the underemployment rate was 8.6 percent, below the national rate of 9.6 percent.
- In Texas, 62 percent of jobs pay less than $20 per hour, with two-thirds of those paying between $10 and $15 per hour.
- A full-time job that pays $15 per hour grosses $30,000 per year, which is just over half of the Household Survival Budget for a family of four in Texas.
- There are more than 383,080 retail sales jobs in Texas, paying on average of $10.77 per hour. This salary falls short of meeting the family Household Survival Budget by more than $30,000 per year.
- There are barriers to job and wage opportunities in Texas by geographic location, and for groups of workers including women, people of color, and other populations.
- Firm size also factors into job opportunity: Small firms employed almost half of the private-sector workforce in Texas in 2016 (46 percent), and the very smallest firms — those with fewer than 20 people — accounted for the largest share of small-business employment.

**Texas state average unemployment rate for 2016 from the Bureau of Labor Statistics (Bureau of Labor Statistics, 2016g). Note that the Texas County Pages use the 2016 Texas state average unemployment rate from the American Community Survey, which was 5.6 percent, and the national average of 5.8 percent.*

"Today, ALICE workers primarily hold jobs in occupations that build and repair our infrastructure and educate and care for the workforce. This range of jobs is broader than the service sector, and these occupations ensure that the economy runs smoothly."

Today, ALICE workers primarily hold jobs in occupations that build and repair our infrastructure and educate and care for the workforce. This range of jobs is broader than the service sector, and these occupations ensure that the economy runs smoothly. These workers were aptly described as "maintainers" by technology scholars Lee Vinsel and Andrew Russel in 2016. Yet despite ALICE workers' importance to the economy, improvements in employment and productivity still have not enabled many of them to earn enough to afford a basic household budget (Frey & Osborne, 2013; Vinsel & Russell, 2016).

ALICE workers across the U.S. are still struggling for several reasons:

- **The structure of the new economy** has shifted more risk and fewer gains to workers and added more technological disruption.
- **Low wages** and increasingly unstable work schedules make it harder to earn a viable annual income.
- **Barriers to job opportunities** come from many directions, including barriers by race/ethnicity, disability, sex, gender identity, sexual orientation, immigration status, level of education, and the location and size of businesses.

THE NEW ECONOMY: NATIONAL TRENDS

Changes in the labor market over the past 35 years — including labor-saving technological advances, the decline of manufacturing, growth of the service sector, increased globalization, declining unionization, and the failure of the minimum wage to keep up with inflation — have reshaped the U.S. economy. Most notably, middle-wage, middle-skill jobs have declined while lower-paying service occupation levels have grown (Autor, 2010; National Employment Law Project, 2014). These changes have greatly impacted the Texas economy.

While discussion of the economy today often focuses on novel jobs (such as Uber drivers) and automation, there are some larger, underlying national trends that are reshaping the financial landscape for families as well as businesses. These include the shift of risk from employers to workers, automation of processes and services, and the increasing importance of short-term productivity gains.

Workers at Risk

In 2016, as the economy approached full employment (defined as less than 5 percent unemployment) in many parts of Texas, ALICE workers were more likely to be employed, but their income still lagged behind the cost of living in most areas. In some cases, the problem is simply wages that are lower than the cost of living. But there is also the challenge of finding full-time, continuous work.

"Over the last decade there has been a shift away from traditional full-time, full-benefit jobs. In 2017, up to one-third of the workforce nationally was working as a consultant or contingent worker, temp, freelancer, or contractor within the so-called gig economy."

Over the last decade there has been a shift away from traditional full-time, full-benefit jobs. In 2017, up to one-third of the workforce nationally was working as a consultant or contingent worker, temp, freelancer, or contractor within the so-called gig economy. According to a National Bureau of Economic Research report, as much as 94 percent of U.S. net employment growth in the last decade has come from alternative or contingent labor.

Many gig-economy workers, though, are struggling financially. Some evidence of this hardship comes from data on a subset of the gig economy called non-employer firms, defined in most cases as a self-employed individual operating a very small, unincorporated business with no paid employees. Non-employer firms are growing at a greater rate than firms with employees; nationally, there were 25 million businesses classified as "non-employers" in 2016 (Abraham, Haltiwanger, Sandusky, & Spletzer, 2016; Economic Policy Institute, 2018a; Federal Reserve Banks, 2015; Katz & Krueger, 2016; Wald, 2014).

In 2016, there were 2.25 million non-employer firms in Texas. Average annual sales for these firms were $47,196, short of the average Household Survival Budget for a family of four in Texas of $52,956 (American Community Survey, n.d.).

Non-employer firms are concentrated in construction (288,107 firms), professional, scientific, and technical services (272,975 firms), administrative services (236,687), real estate (188,861 firms), and retail sales (185,915 firms). A large number also fall under the broad category of other services except public administration (336,731 firms). The fastest growing sector since 2010 was transportation, with the number of firms increasing by 71 percent to 175,572 firms and receipts increasing 44 percent to $9.8 billlion. Sales receipts for all non-employer firms in Texas totaled $106 billion in 2016, a 24 percent increase since 2010. The largest number of non-employer firms and the highest receipts are in Harris, Dallas, Tarrant, Bexar, and Travis counties (in that order) (American Community Survey, n.d.).

More and more gig-economy workers are experiencing gaps in employment and less regular schedules, and going without retirement plans, health insurance, and worker safety protections. Many gig-economy workers struggle to pay ongoing monthly expenses or to qualify for loans

or other financial products that require regular income. In addition, they are significantly more likely to report economic anxiety than regular full-time workers (Abraham, Haltiwanger, Sandusky, & Spletzer, 2016; Eden & Gaggl, 2015; Edison Research, 2018; Freelancers Union & Elance-oDesk, 2016; Katz & Krueger, 2016; U.S. Government Accountability Office, 2015a; Wald, 2014).

Automation

The automation of many jobs has improved safety, reducing the risk of injury for workers such as warehouse packers, and increasing quality control in services such as pharmaceutical dispensing. The regularity of these processes reduces room for human error and will continue to improve public safety through real-time monitoring and reaction in occupations such as long-distance driving and emergency response (Bond, 2017; McKinsey Global Institute, 2017).

"Compensation for most workers, especially in maintainer jobs, has not increased with the cost of living, even in cases where there have been significant gains in productivity."

Many are predicting the demise of ALICE workers' maintainer jobs due to automation; recent research and media coverage often focus on innovations that automate jobs, such as self-checkout lines at the grocery store. Yet jobs that repair the physical infrastructure and care for the workforce are actually predicted to grow faster than all other types of occupations in the coming decades. And many innovations, like online customer service, have created new maintainer jobs rather than replacing them with automation (as discussed further in Section VI). It is more realistic to acknowledge that ALICE workers' maintainer jobs, in one form or another, are here to stay (Frey & Osborne, 2013; Vinsel & Russell, 2016).

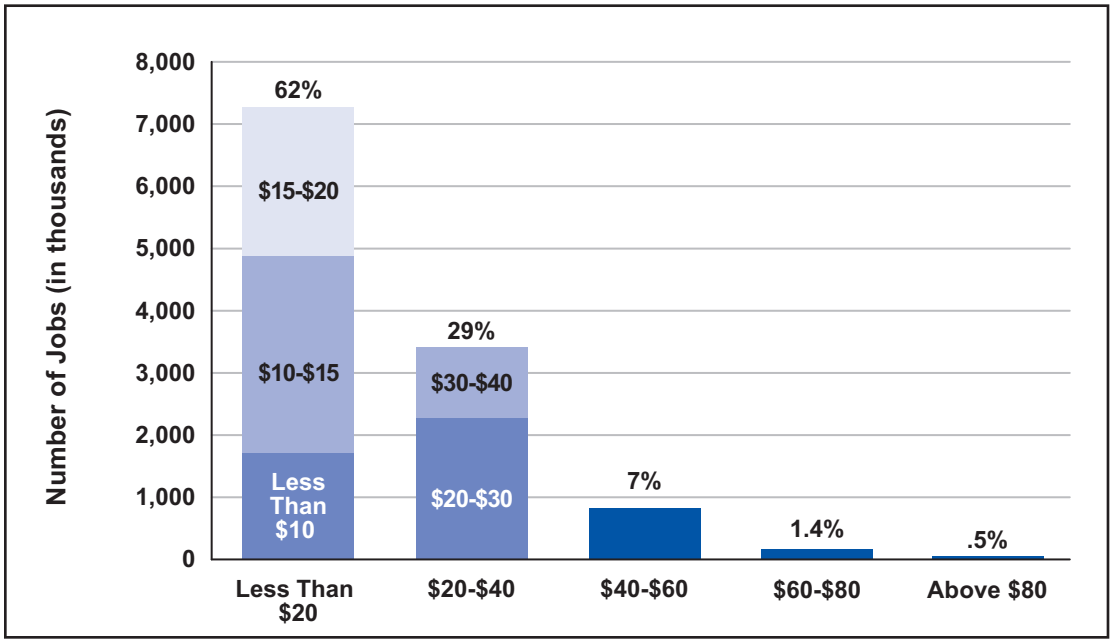
Productivity

Gains in productivity have traditionally been shared across the economy with workers, management, and even communities. In the last few decades, there has been a shift away from this shared prosperity. Compensation for most workers, especially in maintainer jobs, has not increased with the cost of living, even in cases where there have been significant gains in productivity. Instead of sharing gains with employees, companies have chosen to spend more on capital, and more recently on profits and dividends to increase stock prices. Since most corporate leaders' compensation is directly linked to stock prices, they have benefited hugely from this practice. The compensation of top U.S. executives has doubled or tripled since the first half of the 1990s, while workers' wages have remained flat. Investment in capital can have long-term benefits, but the shift in strategy to focus on short-term stock prices reduces prosperity — for wages and stock prices alike — in the long term (Economic Policy Institute, 2017; Lazonick, 2014; Sprague & Giandrea, 2017).

THE TEXAS ECONOMY: LOW WAGES

One of the defining characteristics of ALICE households is that they are "income constrained." Changes in Texas' economy over the last several decades have reduced the job opportunities for ALICE households. The state now faces an economy dominated by low-paying jobs. **In Texas, 62 percent of jobs pay less than $20 per hour, with two-thirds of those paying between $10 and $15 per hour** (Figure 19). **A full-time job that pays $15 per hour grosses $30,000 per year, which is just over half of the Household Survival Budget for a family of four in Texas.** Another 29 percent of jobs pay between $20 and $40 per hour, with two-thirds of those paying between $20 and $30 per hour. Only 7 percent of jobs pay between $40 and $60 per hour; 1.4 percent pay between $60 and $80 per hour, and another 0.5 percent pay above $80 per hour (Bureau of Labor Statistics, 2016d).

Figure 19.
Number of Jobs by Hourly Wage, Texas, 2016



Source: Bureau of Labor Statistics, 2016d

Despite record low unemployment, wages have not increased significantly. Downward pressure continues to come from the large pool of adults out of the workforce as well as compositional changes, such as millennials replacing long-time earners in the workforce. Interestingly, firms in Texas are increasingly competing for employees through non-wage benefits, such as seasonal bonuses or increased paid leave. The Center for Economic and Policy Research estimates that, relative to 1979, the national economy has lost about one-third of its capacity to generate good jobs — defined as those that pay at least $37,000 per year and offer employer-provided health insurance and an employer-sponsored retirement plan (Schmitt & Jones, 2012; Torres, Miller, & Woodson, 2018).

"While the economy has been changing over time, the period from 2007 to 2016 shows a continued reliance on low-wage jobs."

While the economy has been changing over time, the period from 2007 to 2016 shows a continued reliance on low-wage jobs. Unlike in many other states, the number of total jobs in Texas increased through the Great Recession and beyond, reaching 11.7 million jobs in 2016 (up from 10 million in 2007). The main change was a shift from jobs paying less than $10 per hour to those paying between $10 and $20 per hour: The percentage of all jobs paying less than $10 per hour fell from 26 to 15 percent, but those paying $10 to $15 per hour increased from 23 to 27 percent, and those paying $15 to $20 per hour doubled from 10 to 20 percent. Jobs paying above $20 per hour increased modestly; the biggest increase was in jobs paying $30 to $40 per hour, which rose from 4 percent to 10 percent of all jobs (Bureau of Labor Statistics, 2016d).

Service-sector jobs have become an essential and dominant component of Texas' economy, with occupations employing the largest number of workers now concentrated in this sector. Two hallmarks of the service-sector economy are that these jobs pay low wages and workers must be physically on-site; cashiers, nurses' aides, and security guards cannot telecommute or be outsourced. Of the top 20 largest occupations in terms of number of jobs (Figure 20), all require the worker to be there in person, yet only 22 percent of the jobs — stemming from just 6 of the 20 occupations — pay enough, at more than $26.48 per hour, to support the average Texas family's Household Survival Budget. This means that Texas' economy is dependent on jobs that pay wages so low that workers cannot afford to live near their jobs, even though most are required to work on-site.

"Low-paid, service-sector workers cannot afford the Household Survival Budget."

Low-paid, service-sector workers cannot afford the Household Survival Budget. For example, the most common occupation in Texas is retail salespersons; there are 383,080 retail sales jobs in the state, paying on average $10.77 per hour, or $21,540 full time, year-round. **These jobs fall short of meeting the family Household Survival Budget by $31,416 per year.**

Figure 20.
Occupations by Employment and Wage, Texas, 2016

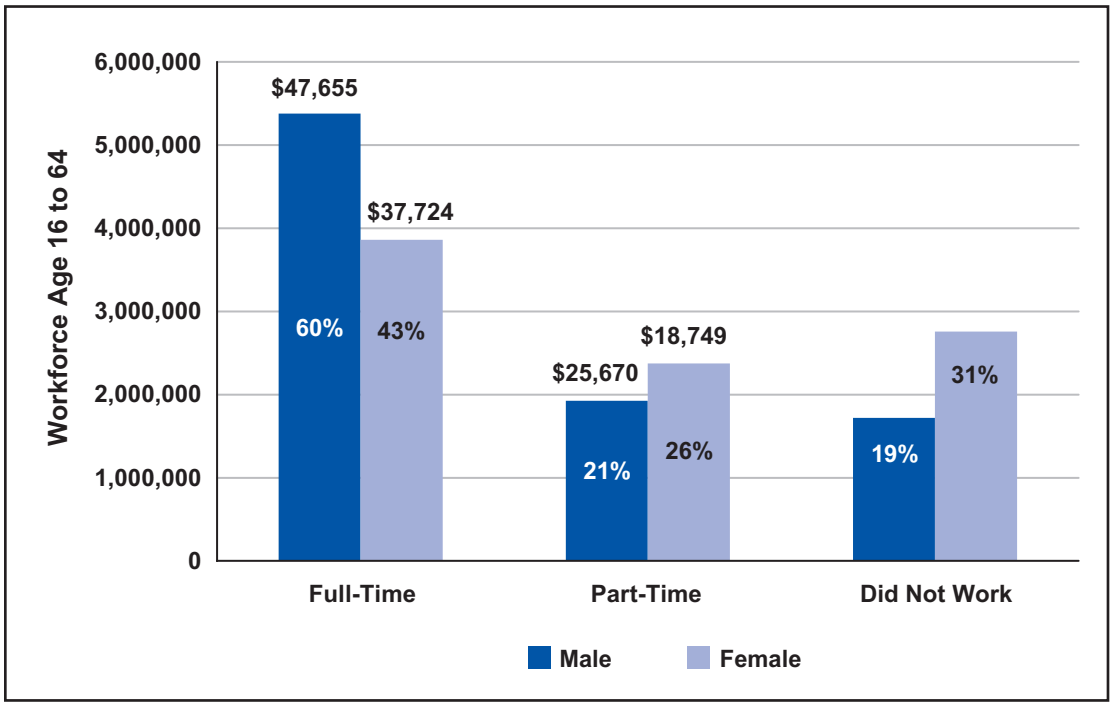
Occupation	Number of Jobs	Median Hourly Wage
Retail Salespersons	383,080	$10.77
Office Clerks	363,020	$15.11
Food Prep, Including Fast Food	330,510	$8.98
Cashiers	272,270	$9.44
Customer Service Representatives	257,600	$14.79
Waiters and Waitresses	219,680	$9.14
Registered Nurses	207,810	$33.02
Personal Care Aides	188,790	$8.81
Laborers and Movers, Hand	178,880	$11.96
Secretaries and Administrative Assistants	176,670	$15.58
Heavy and Tractor-Trailer Truck Drivers	175,780	$18.86
General and Operations Managers	168,610	$51.75
Janitors and Cleaners	168,060	$10.25
Stock Clerks and Order Fillers	165,180	$11.73
Elementary School Teachers	144,980	$27.07
Bookkeeping and Auditing Clerks	125,140	$18.37
Accountants and Auditors	118,320	$34.36
Sales Representatives	118,160	$28.92
First-Line Supervisors of Office Workers	115,950	$27.70
Maintenance and Repair Workers	110,920	$16.02

Source: Bureau of Labor Statistics, Occupational Employment Statistics (OES) Wage Survey – All Industries Combined, 2016

Part-time work also contributes to low household income. In addition to those who were unemployed in Texas (4.6 percent) as defined by the BLS unemployment rate in 2016, there are many residents who are underemployed — people who are employed part time for economic reasons or who have stopped looking for work but would like to work (8.6 percent) (Bureau of Labor Statistics, 2016f).

Jobs paying less than $20 per hour are more likely to be part time. Of the working-age population in Texas, 60 percent of men (5,379,167) and 43 percent of women (3,859,990) work full time (defined as more than 35 hours per week, 50 to 52 weeks per year). However, 21 percent of men and 26 percent of women work part time. In addition, 19 percent of men and 31 percent of women are not working (Figure 21). Even in full-time jobs, women earn less than men in Texas, and with women working more part-time jobs, their income is even lower than that of their male counterparts (American Community Survey, 2016).

Figure 21.
Full-Time and Part-Time Employment by Gender, With Median Earnings, Texas, 2016



Source: American Community Survey, 2016

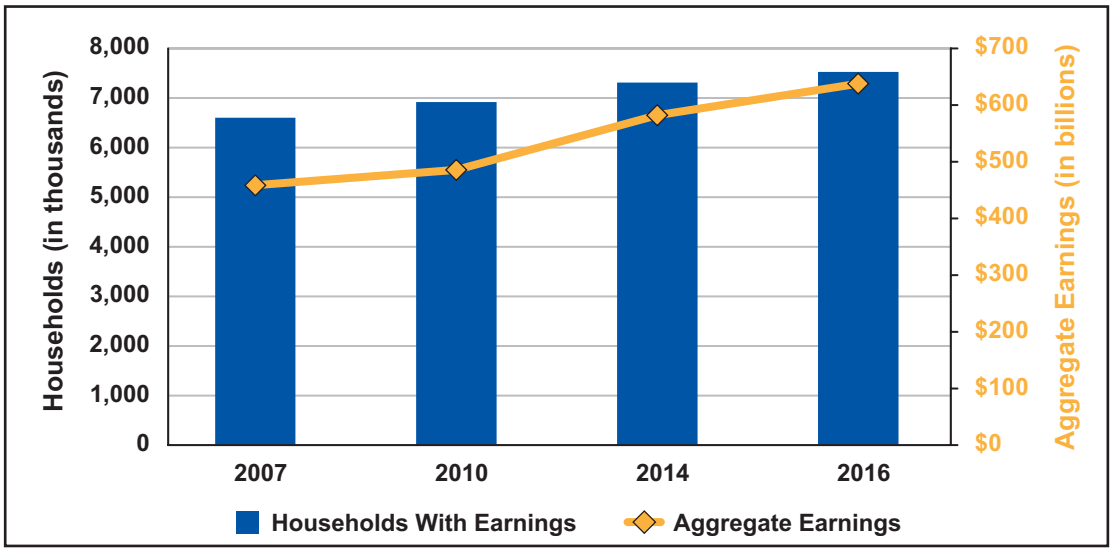
Sources of Income

The most important source of income for ALICE families is earnings. Both the number of Texas households with earnings and the amount of those earnings dipped slightly during the Recession, from 2007 to 2010. The amount of earnings has recovered better than has the number of households with earnings; some households are still struggling, while others are better off.

The number of Texas households earning a wage or salary income in 2007 was 6.6 million; that number increased 5 percent from 2007 to 2010, then increased 9 percent from 2010 to 2016 to 7.5 million (Figure 22). Because the population of Texas grew even faster during this period, the percentage of households with earned income actually fell from 80 percent in 2007 to 79 percent in 2016. The aggregate amount of earnings for all workers in Texas was $459 billion in 2007. In contrast to many other states that saw a dip during the Great Recession, aggregate earnings in Texas increased steadily, reaching $638 billion in 2016 (American Community Survey, 2007–2016).

"The number of Texas households earning a wage or salary income in 2007 was 6.6 million; that number increased 5 percent from 2007 to 2010, then increased 9 percent from 2010 to 2016 to 7.5 million."

Figure 22.
Earnings by Number of Households and Aggregate Total, Texas, 2016



Source: American Community Survey, 2016

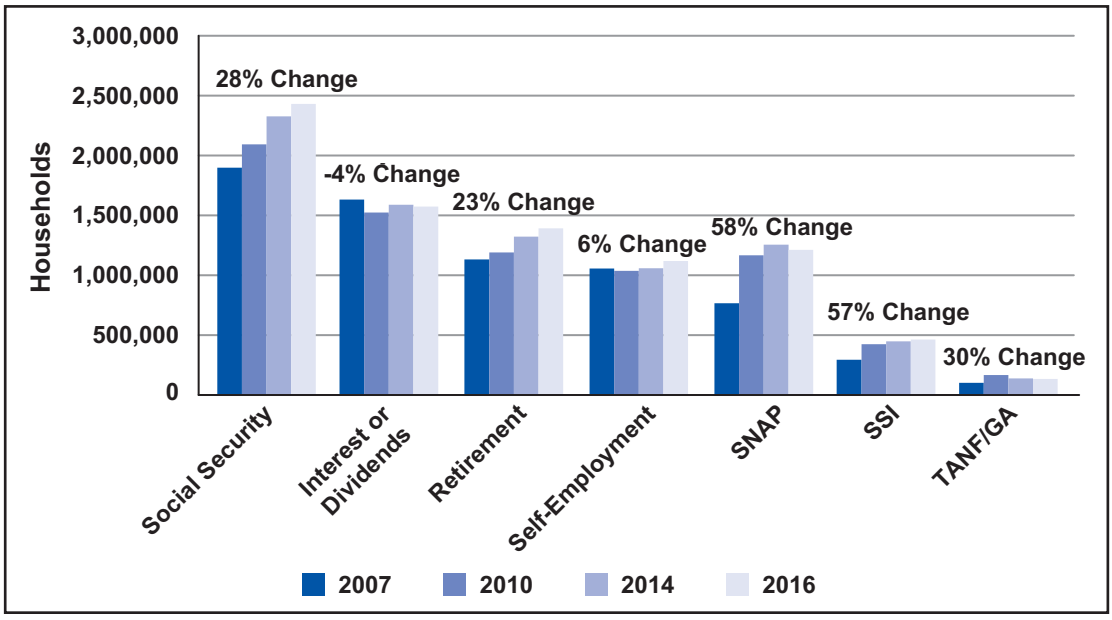
"The sources of income for Texas households shifted during the period from 2007 to 2016, which shows that the economy impacted different families in different ways."

The sources of income for Texas households shifted during the period from 2007 to 2016, which shows that the economy impacted different families in different ways (Figure 23).

The number of households with self-employment income increased by 6 percent from 2007 to 2016. Interest, dividend, and rental income decreased during the Great Recession and remained lower by 4 percent for that period (American Community Survey, 2007–2016).

Over the entire time period, the impact of the aging population was evident, resulting in a 23 percent increase in the number of households receiving retirement income, a 28 percent increase in households receiving Social Security income, and a 23 percent increase in retirement income. Texas had 41 percent of workers participating in employment-based retirement plans in 2013, compared to the national rate of 46 percent (Prosperity Now, 2016b).

Figure 23.
Sources of Income by Number of Households, Texas, 2007 to 2016



Source: American Community Survey, 2016

Despite steady growth in employment and GDP, the increase in the number of Texas households receiving income from government sources other than Social Security indicates that economic benefits did not reach all families. While not all ALICE households qualified for government support between 2007 and 2016, many that became unemployed began receiving government assistance for the first time. The number of households receiving Temporary Assistance for Needy Families or General Assistance, programs that provide income support to adults without dependents, increased by 30 percent. The number of households receiving Supplemental Security Income (SSI) increased by 57 percent; SSI includes welfare payments for low-income people who are 65 and older and for people of any age who are blind or disabled. And the largest assistance program, the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps), increased by 58 percent (American Community Survey, 2007–2016).

"Location often determines the availability of jobs and wages. Across Texas, there is wide variation in both wages and unemployment rates."

THE TEXAS ECONOMY: JOB OPPORTUNITIES

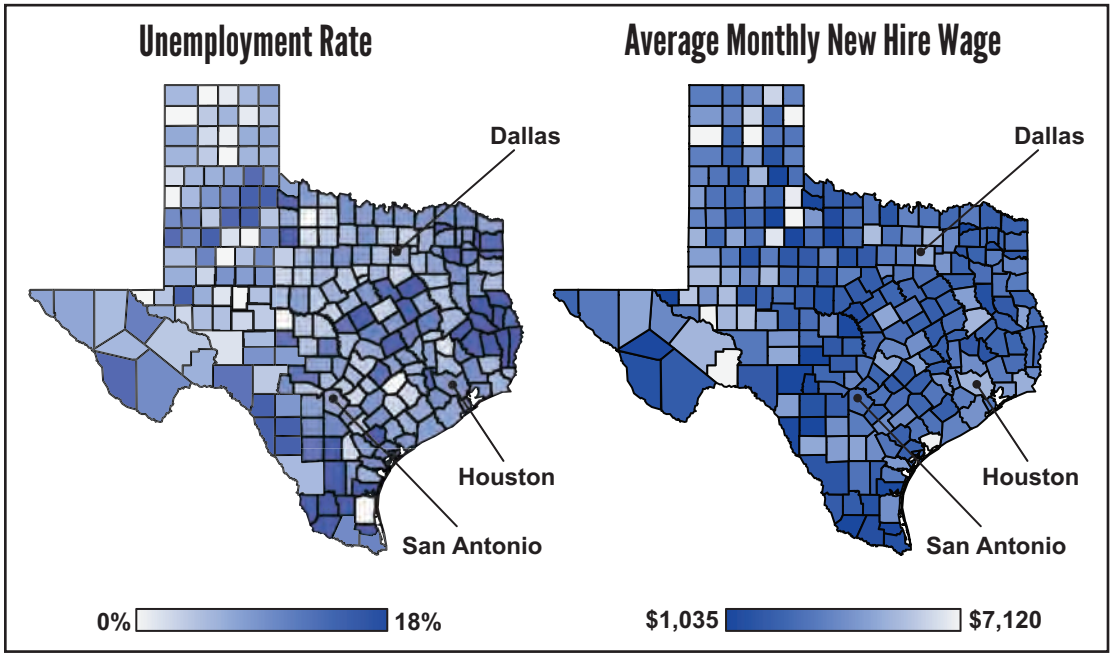
Technology is often said to be at the root of the split between "high-skill, high-wage" and "low-skill, low-wage" jobs. Yet there are other factors that better explain job inequality in Texas, including job location, company size, and discrimination faced by women, people of color, people with low levels of education, and LGBT people (Schmitt, Shierholz, & Mishel, 2013).

Job Location

Location often determines the availability of jobs and wages. Across Texas, there is wide variation in both wages and unemployment rates.

According to the American Community Survey, the unemployment rate in Texas was 5.6 percent in 2016, just below the 2016 U.S. rate of 5.8 percent; according to the Bureau of Labor Statistics, Texas' rate was 4.6 percent, just below their U.S. rate of 4.9 percent. Despite these relatively low overall rates, within Texas there is wide variation by county, with unemployment ranging from near zero in sparsely populated Kenedy (South Texas) and Loving (West Texas) counties to 18 percent in Jim Hogg County, near the U.S./Mexico border. Rates also vary by region, with higher unemployment in the areas closer to the southern counties along the Mexican border (Figure 24).

Figure 24.
Unemployment and Average New-Hire Wage by County, Texas, 2016



Sources: American Community Survey, 2016

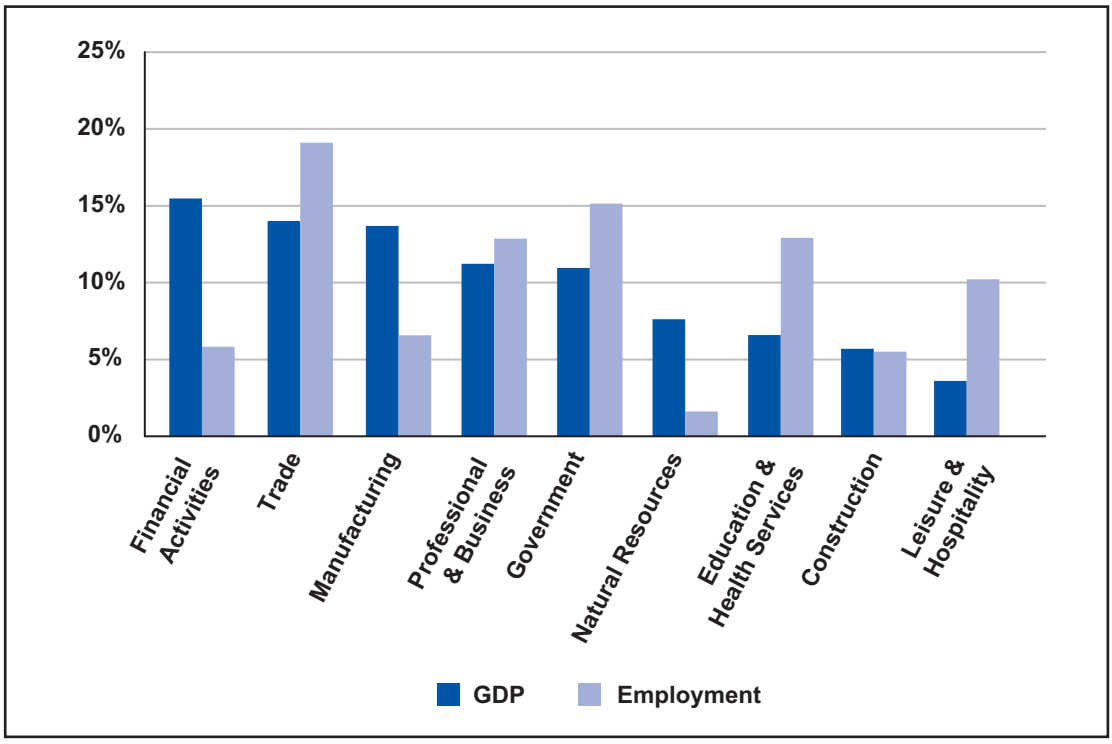
"Often, evaluation of a state economy focuses primarily on the amount of investment in given industries and their contribution to the state's Gross Domestic Product (GDP), the value of the goods and services produced in the state. Yet these factors do not always match what an industry contributes to employment or wages."

Location also impacts wages. The average monthly wage for a newly hired employee ranges from $1,035 in Delta County in East Texas to $7,120 in sparsely populated King County in West Texas, and the lowest wages are found in some rural counties and along the Mexican border (Figure 24). Wages and employment rates are often inversely correlated: Workers in the areas where unemployment rates are low tend to earn more, while those in areas with higher rates of unemployment tend to earn less, especially along the border. In addition, wages are affected by an employer's firm size, as discussed later in this section.

Industry: Contributions to Employment and GDP

Often, evaluation of a state economy focuses primarily on the amount of investment in given industries and their contribution to the state's Gross Domestic Product (GDP), the value of the goods and services produced in the state. Yet these factors do not always match what an industry contributes to employment or wages (Figure 25). For example, in Texas, the industry that contributes most to GDP is financial activities, yet employment in this industry ranks seventh out of the nine major industries statewide. Manufacturing and natural resources also have much larger contributions to GDP than to employment. Trade makes the second largest contribution to GDP and the largest to employment. Industries that contribute significantly more to employment than to GDP include government, education and health services, and leisure and hospitality (Bureau of Economic Analysis, 2016; Bureau of Labor Statistics, 2016g).

Figure 25.
Employment and GDP by Industry, Texas, 2016



Sources: Bureau of Economic Analysis, 2016; Bureau of Labor Statistics, 2016g

Texas GDP has increased steadily. While growth slowed through the Great Recession, it began to increase again during the recovery and reached $1.6 trillion in 2016, a 36 percent increase from 2007. Employment remained flat through the Great Recession but increased by 16 percent from 2010 to 2016 to $12.8 million. The state's near all-time low unemployment

rate of 4.6 percent in 2016 was a result of the increase in jobs, but also the decreased number of participants in the labor market. The labor participation rate has fallen from its 2003 high of 68 percent to 64 percent in 2016 (Bureau of Economic Analysis, 2007–2016; Bureau of Labor Statistics, 2007–2016).

The state's oil and gas resources provide a strong underpinning to the economy, offering jobs in mining and extraction as well as in the development of petroleum and chemical manufacturing. At the same time, a reliance on these resources makes the Texas economy vulnerable to international fluctuations in prices and demand. Financial activities, Texas' largest industry, also has fluctuations, but other sectors, including the state's research institutions and military installations, provide stability and have helped foster computer-related and other high-tech manufacturing. The development of these sectors explains some of the economic variation between regions of Texas. With most of the state's population located in urban areas, rural areas dependent on agriculture and ranching have a much different economy (Texas Comptroller of Public Accounts, n.d.; Torres, et al., 2018).

Public sector employment in Texas has fallen over time, and now the state has one of the lowest per capita rates of state and local employees in the country. While public sector jobs were once a guarantee of financial stability, many now offer low wages and fewer benefits. Other jobs that were once in the public sector, such as road repair, emergency services, or corrections, are now often contracted to private companies (Cohen & Gebeloff, 2018; Governing, 2018).

"By 2015, half of all U.S. income went to the top 10 percent of earners. Though there have been some recent improvements in median wages, the most striking trend is that disparities continue to grow not only between income groups, but within them."

Income Disparities: Women, People of Color, People With Low Levels of Education, and LGBT Communities

Beginning in the 1970s, income disparities began to widen across the country. Between 1980 and 2015, the average income for the top 0.01 percent of households grew 322 percent, to $6.7 million, whereas the average income of the bottom 90 percent increased only 0.03 percent. By 2015, half of all U.S. income went to the top 10 percent of earners. Though there have been some recent improvements in median wages, the most striking trend is that disparities continue to grow not only between income groups, but within them. These groups are divided by sex; race and ethnicity; knowledge and education; and gender identity and sexual orientation. This is true both nationally and in Texas (Gilson & Rios, 2016; Gould, 2016; Saez, 2017; Stone, Trisi, Sherman, & Horton, 2017).

Sex: In general, women's wages are lower than men's in Texas (see Figure 11); men earn 26 percent more in full-time jobs and 37 percent more in part-time jobs. However, there appears to be some slow but consistent closing of the gender wage gap for all but the highest earners. Nationally, the gender wage gap at the median fell from 2000 to 2015, with median women's wages rising from 78 percent to 83 percent of median men's wages. Unfortunately, the primary reason for this narrowing has been falling men's wages. For the bottom 70 percent of male workers, wages have stagnated or declined since 2007 (Gould, 2016; Davis & Gould, 2015).

Among the college-educated, men's wages grew more than twice as fast as women's wages nationally between 2000 and 2015. While gender wage gaps narrowed during those years for people without a college degree, they grew among people with an advanced degree.

Lack of opportunity can be an even more stubborn barrier than lack of equal pay for equal work. According to the research website PayScale.com, men and women tend to work

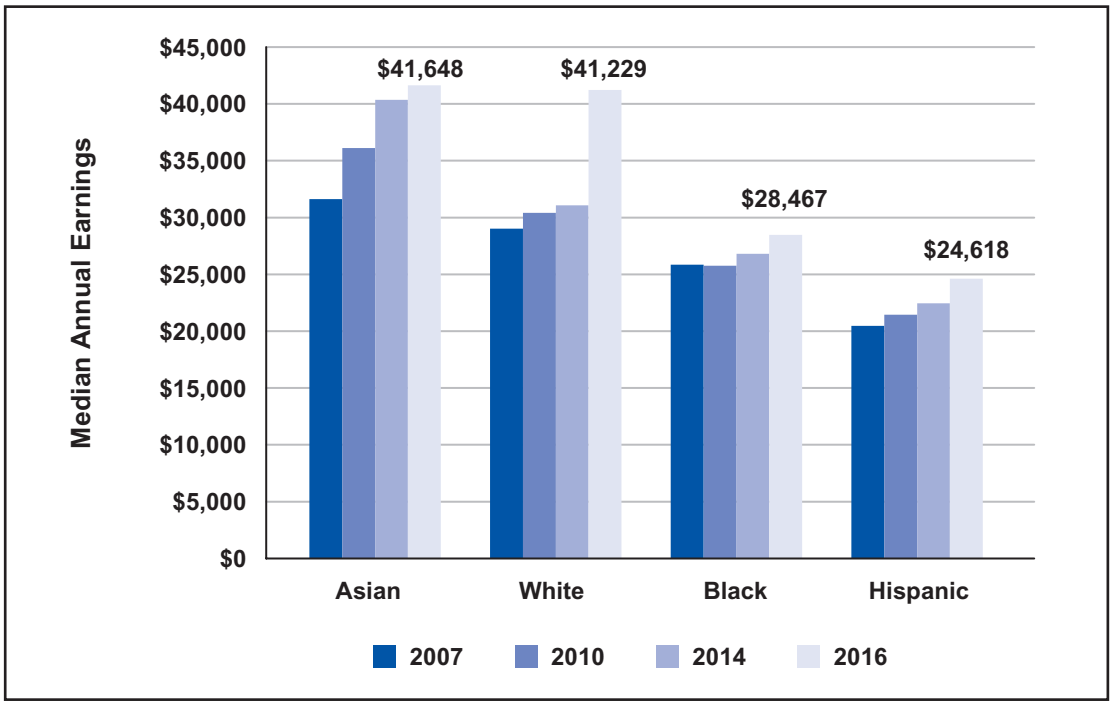
at similar job levels, most starting in similar entry-level positions. Over the course of their careers, both men and women move into manager- or supervisor-level roles, and eventually to director- and executive-level roles. But men tend to move into these roles more often and more quickly than women (PayScale, 2016).

"In both earnings and employment, the differences between racial and ethnic groups in Texas are stark."

Since 2010, unemployment rates in Texas have improved, but underemployment, or not consistently working enough hours, remains an issue for many workers. A greater percentage of women work part time (26 percent, compared to 21 percent of men). Perhaps more important is the percentage by gender who are out of the workforce in Texas — 31 percent of women and 19 percent of men in 2016 (American Community Survey, 2016). Nationally, for women 25 to 54 years old, the most common reason for not working was in-home responsibilities. According to a 2016 survey by the Brookings Institution and The Hamilton Project, the primary reason for women not working was caregiving for a relative or friend (36 percent of respondents); men were far less likely to be caregivers (only 3 percent of respondents) (Hipple, 2015; McCarthy, 2017).

Race and ethnicity: In both earnings and employment, the differences between racial and ethnic groups in Texas are stark. Since 2010, Asian and White workers have had the highest median earnings, and they have increased steadily, to $41,229 for White workers and $41,648 for Asian workers in 2016. Hispanic workers have seen smaller but steady increases in median earnings; since they started from a lower wage, those earnings still lag behind those of White and Asian workers, reaching $24,618 in 2016. Black workers have the smallest increase, reaching $28,467 in 2016 (American Community Survey, 2007, 2010, 2012, 2014, and 2016; Ura & Daniel, 2017) (Figure 26).

Figure 26.
Median Earnings for Asian, White, Black, and Hispanic Workers, Texas, 2007 to 2016

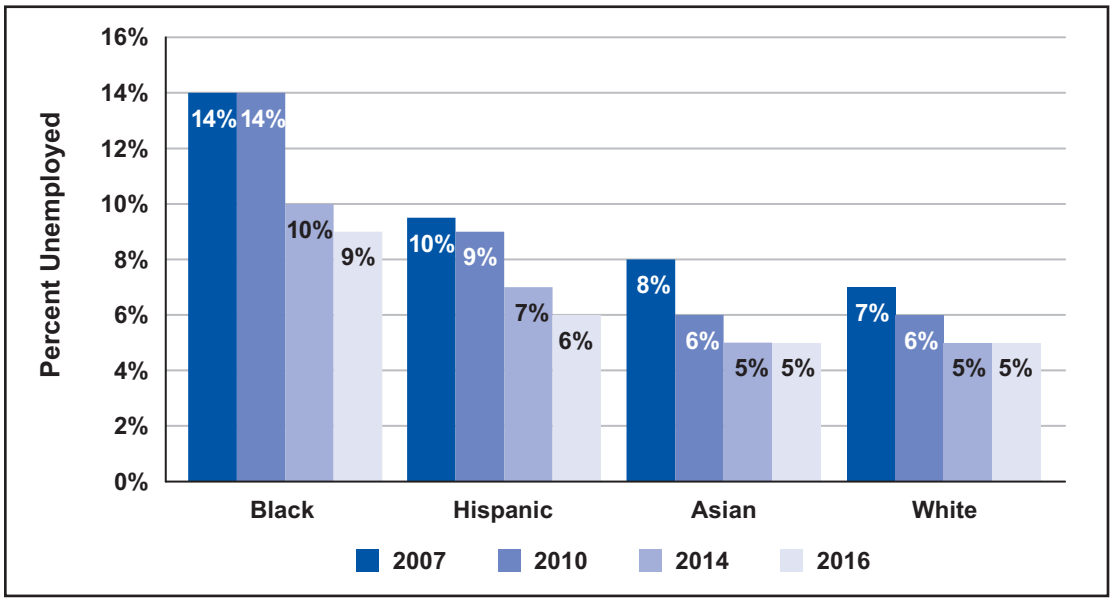


Source: American Community Survey, 2007–2016

Black and Hispanic workers in Texas — both men and women — are also more likely to be unemployed than Asian and White workers (Figure 27). Unemployment has improved for White and Asian workers, reaching a low of 5 percent in 2016. Unemployment for Hispanic workers improved significantly, falling from 10 percent in 2010 to 6 percent in 2016. The unemployment rate for Black workers also fell dramatically, but from a high of 14 percent

in 2010 to 9 percent in 2016 — still almost twice the rate for White and Asian workers. In addition, despite vast gains from 2007 to 2012, more than 10 percent of the overall Texas population was self-employed (proxy for business ownership) in 2015, but less than 5 percent of workers of color were self-employed (Hipple & Hammond, 2016).

Figure 27.
Unemployment Rates for Black, Hispanic, Asian, and White Workers, Texas, 2007 to 2016



Source: American Community Survey, 2010–2016

In addition to differences between racial and ethnic groups, there is significant and growing variation within these groups. Most notably, wages for the lowest earning 60 percent of Black workers in the U.S. were still lower in 2015 than in 2000, while wages for Blacks as a whole have increased slightly. For both Asian and White workers, there has been increased variation within each group, primarily due to stronger growth at the top of the income distribution than at the bottom. For Hispanic workers, wages have increased slightly across all earners, so the gap between higher and lower earners has not widened (Gould, 2016).

Education: As the complexity of a job (and the knowledge and skills required) rises, average hourly pay also rises. Nationally, the average hourly wage for workers in lower-skilled jobs such as cashiers or stock clerks is $9.16 (in Texas, $9.44 and $11.73, respectively). Wages steadily rise with each skill level, reaching $20.14 for bookkeeping clerks and customer service representatives (in Texas, $18.37 and $14.79, respectively), $37.44 for registered nurses ($33.02 in Texas), and $74.80 per hour for architects and engineers ($73.19 in Texas) in 2016. Access to medical and retirement benefits, paid sick leave, paid vacation, and holidays is also significantly higher in jobs with higher wages. These wage differences have increased over time: Real wages for those without a college degree dropped from 2007 to 2013, started to improve in 2014, but have not yet rebounded to their 2007 levels (Bureau of Labor Statistics, 2016d; Gould, 2016; Monaco, 2017; U.S. Census Bureau, 2016).

In terms of K–12 education, the evidence is clear that one needs, at minimum, a solid high school education to achieve economic success. Texans with more education earn more: Those with a high school diploma earned an average of $27,774 in 2016, while those with an associate degree earned $35,933, and those with a bachelor's degree earned $52,967. Nationally, the difference in lifetime earnings between high school graduates and those who hold a bachelor's degree is estimated to be $830,800. The difference in earnings between high school graduates and those with an associate degree is estimated at $259,000. And estimates of the difference in the net earnings of a high school graduate versus a high school

"Texans with more education earn more: Those with a high school diploma earned an average of $27,774 in 2016, while those with an associate degree earned $35,933, and those with a bachelor's degree earned $52,967."

"Small firms employed almost half of the private-sector workforce in Texas in 2016 (46 percent). The very smallest firms – those with fewer than 20 people – account for the largest share of small-business employment."

dropout range from $260,000 to $400,000 (when including income from tax payments, and minus the cost of government assistance, institutionalization, and incarceration) (Carnevale, Rose, & Cheah, 2011; Center for Labor Market Studies, 2009; Daly & Benagli, 2014; Klor de Alva & Schneider, 2013; Tyler & Lofstrom, 2009).

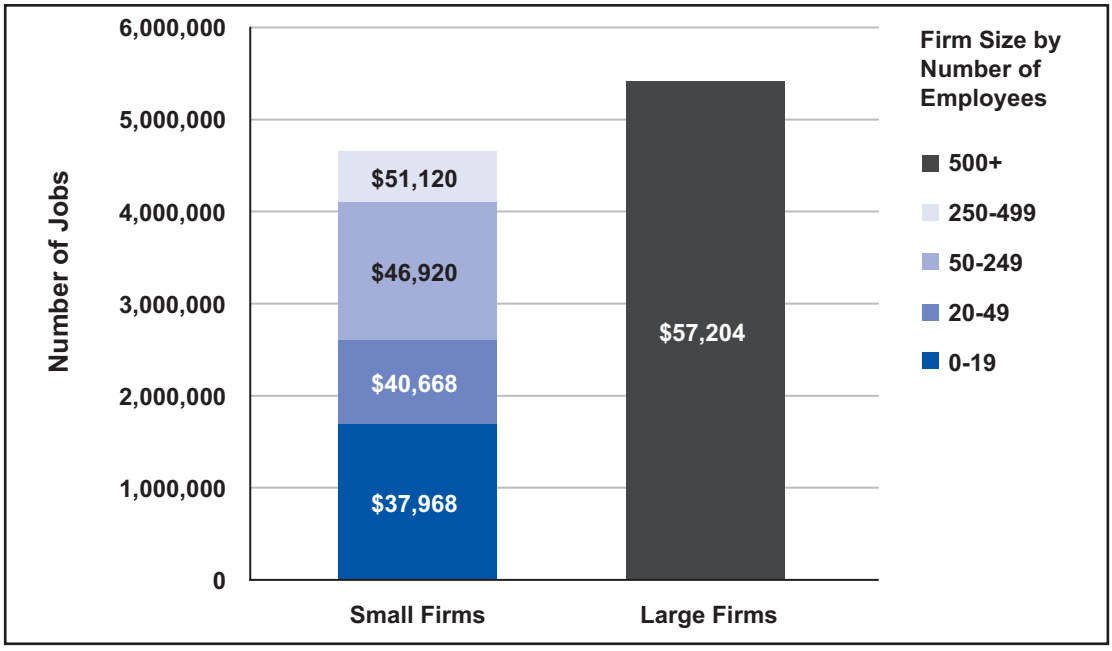
Gender identity and sexual orientation: Differences in employment and wages are even greater for the more than 4 percent of the U.S. workforce who identify as lesbian, gay, bisexual, or transgender (LGBT). Despite having more education than the general population, these workers are more likely to earn less than their non-LGBT counterparts, and as a result are more likely to experience financial hardship, such as poverty and food insecurity (Badgett, Durso, & Schneebaum, 2013; Brown, Romero, & Gates, 2016; Flores, et al., 2016; The Williams Institute, 2015).

Employer Size

One of the key determinants of an ALICE worker's wages, benefits, and job stability is the size of their employer. Large companies have greater resources to offer career growth opportunities, continuous employment, and better benefits. Small businesses, defined by the Bureau of Labor Statistics as firms with fewer than 500 workers nationally, have been an important engine for growth in the U.S. economy — driving job creation, innovation, and wealth — and traditionally have grown to become medium or large employers. However, small businesses are more vulnerable to changes in demand, price of materials, and transportation costs, as well as to cyberattacks and natural disasters. As a result, their employees face more instability, reduced wages, and a greater risk of job loss. The past two decades have been particularly tough for small businesses, with entrepreneurial growth in the U.S. largely down from the levels experienced in the 1980s and 1990s (Ewing Marion Kauffman Foundation, 2017; Haltiwanger, Jarmin, Kulick, & Miranda, 2017).

Small firms employed almost half of the private-sector workforce in Texas in 2016 (46 percent) (Figure 28). The very smallest firms — those with fewer than 20 people — account for the largest share of small-business employment.

Figure 28.
Private-Sector Employment by Firm Size With Average Annual Wage, Texas, 2016

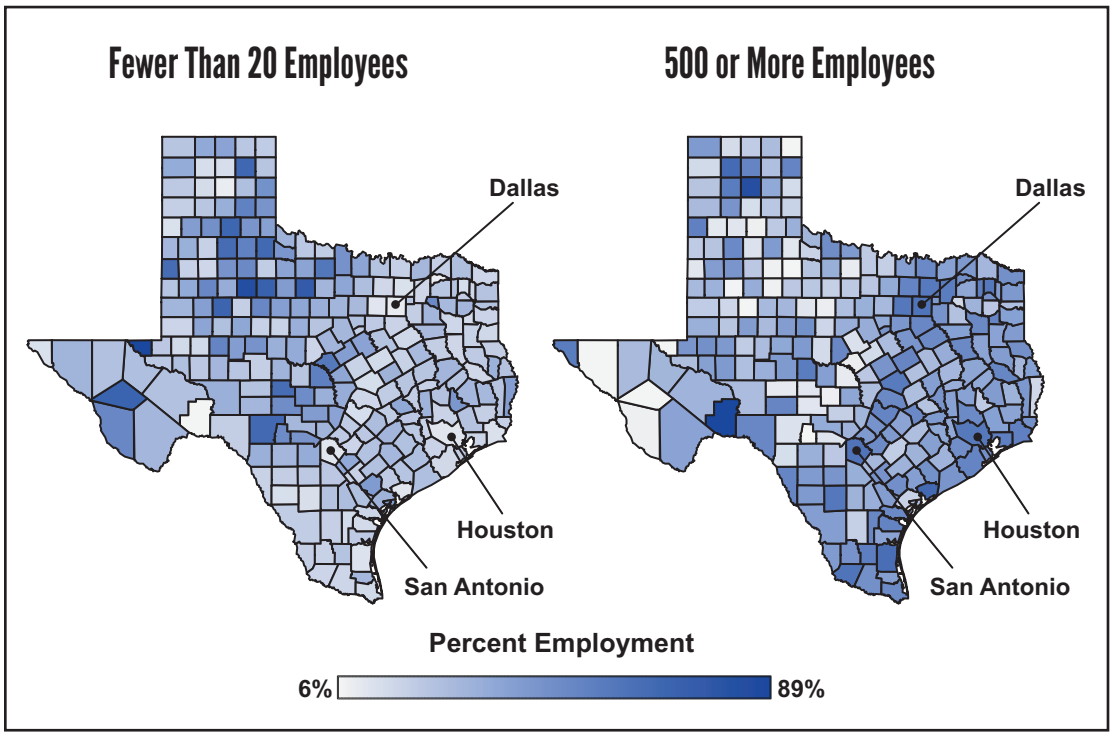


Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2016

The wages of employees in the smallest firms increased from 2007 to 2016: by 14 percent for employees in firms with fewer than 20 employees or with 20 to 49 employees, and by 19 percent for those in firms with 50 to 249 employees. Those in larger firms started with higher wages and those wages increased even more over the time period. While higher than the 9 percent national inflation rate, these increases were still below the 32 percent increase in the cost of the family Household Survival Budget. Workers in firms with 250 to 499 employees saw their wages increase by 21 percent, and wages for those in large companies — those with 500 or more employees — increased by 19 percent.

Firm size in Texas varies widely by location and by sector. Small businesses operate across the state, and areas dominated by small firms tend to have lower wages and less job stability. This is particularly the case in many rural counties, where more than half of employment is in firms with fewer than 20 employees (Figure 29). Large companies are more concentrated around Texas' largest cities.

Figure 29.
Employment Percentage by Firm Size and Location, Texas, 2016



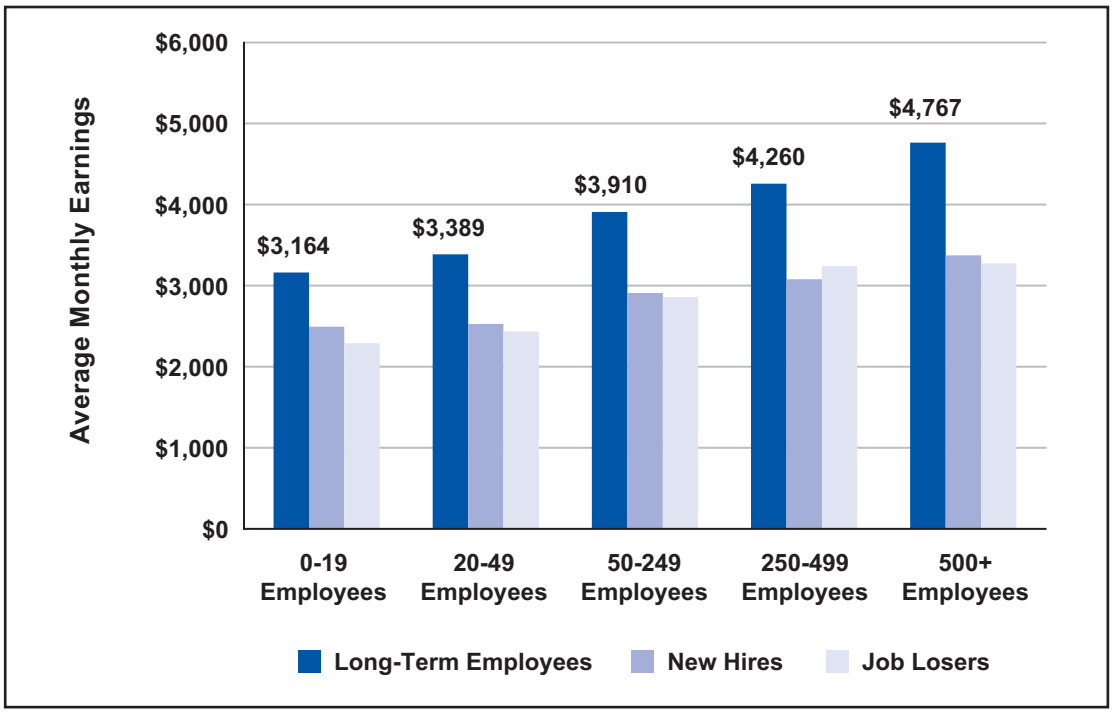
Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2016

"Small businesses operate across the state, and areas dominated by small firms tend to have lower wages and less job stability. This is particularly the case in many rural counties, where more than half of employment is in firms with fewer than 20 employees."

Small businesses and their employees experienced the largest shifts during the Great Recession, a trend that continued through 2016. In the second quarter of 2015, for example, 14,990 small businesses started up in Texas and 13,100 exited (i.e., closed, moved to another state, or merged with another company). Small business startups generated 62,607 new jobs, while exits caused 51,770 job losses (U.S. Census, 2016; U.S. Small Business Administration, 2018).

These changes affect the wages of workers moving in and out of employment. Long-term workers have significantly higher wages across all size firms; workers changing jobs have lower wages. Those who are newly hired or who have recently lost their jobs not only have lower wages but may have gaps of no pay between jobs. And since they typically have the least seniority or the lowest-level positions, they are the least likely to have resources to weather a period of unemployment (Figure 30).

Figure 30.
Earnings by Duration of Employment and Firm Size, Texas, 2016



Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2016

In terms of sectors, small businesses in Texas are most concentrated in agriculture and forestry (83 percent), other services (83 percent), and construction (68 percent) (Figure 31). Also, Texas' largest sector, health care and social assistance, had almost half of its employees working in small businesses (47 percent) in 2015. Some of the largest small-business sectors — services industries, accommodation and food service, and construction — tend to have less stability in daily and weekly schedules and in job security. They also tend to have lower wages (U.S. Small Business Administration, 2018).

"For many small businesses, there is a dual challenge when ALICE workers are both the employee and the customer. This is true in child care centers, where more than 90 percent of operators are sole proprietors."

For many small businesses, there is a dual challenge when ALICE workers are both the employee and the customer. This is true in child care centers, where more than 90 percent of operators are sole proprietors. On the one hand, child care workers are ALICE; according to the Bureau of Labor Statistics, there were 56,660 child care workers in Texas in 2016, earning an average wage of $9.25 per hour ($20,700 annually if full-time). Home-based care providers earn even less, with most relying on another source of income to support their family. On the other hand, ALICE families use child care so that parents can work, and it is often the most expensive item in an ALICE family budget, even more expensive than housing. The conundrum is that if these small businesses increase the wages of their employees (who are ALICE workers), those expenses are passed on to customers (who are also ALICE workers). Certain ALICE workers will earn more money, but child care will become more expensive for ALICE families overall (Bureau of Labor Statistics, 2016d; SBDCNet, 2014; U.S. Small Business Administration, 2016).

Figure 31.
Small Business Employment by Sector, Texas, 2015

	Small-Business Employment Share of Sector	Total Employment (excluding government positions)
Agriculture, Forestry	83%	7,674
Services (except Public Administration)	83%	437,504
Construction	68%	659,179
Real Estate and Rental and Leasing	61%	190,674
Arts, Entertainment, and Recreation	59%	133,714
Professional, Scientific, and Technical Services	59%	684,780
Accommodation and Food Services	56%	1,110,892
Wholesale Trade	54%	523,740
Educational Services	52%	183,617
All Sectors	61%	3,931,774

Source: U.S. Small Business Administration, 2018

"In terms of sectors, small businesses in Texas are most concentrated in agriculture and forestry (83 percent), other services (83 percent), and construction (68 percent)."

IV. BEYOND INCOME: ASSETS, CREDIT, AND ASSISTANCE

Measure 3 – The ALICE Income Assessment

AT-A-GLANCE: SECTION IV

- In 2016, 51 percent of Texas residents did not have money set aside to cover three months of expenses as protection against an emergency.
- Ninety-five percent of Texans own a vehicle because owning a car is essential for work, but many ALICE households need to borrow money in order to buy a vehicle. From 2003 to 2016, per capita auto debt in Texas more than doubled, to the highest level in the country.
- In 2016, 61 percent of all Texas households owned their homes (more than half with a mortgage), while 43 percent of the state's households with income below the ALICE Threshold owned their homes.
- In 2016, the use of high-cost payday, auto title, and other small dollar loan products by Texas households included 3.7 million small installment loans, 1.3 million payday loans, and 93,000 auto title loans, with fees that could result in an annual percentage rate of 574 percent for a typical two-week loan.
- In 2016, the total amount needed to ensure that all Texas households had income at the ALICE Threshold was $194 billion. Yet after adding all household income and public and private spending on Texas households below the ALICE Threshold, there was still an Unfilled Gap of $34 billion, or 18 percent of what was needed.
- For households living below the ALICE Threshold in Texas, the average benefit from federal, state, and local government and nonprofit sources in 2016 was $5,871 per household, plus another $11,148 in health care spending.
- Working households in Texas received an aggregate $7 billion in refunds and credits through the federal Earned Income Tax Credit (EITC) in 2016, for an average of $2,661 per eligible household.
- Without the support of public and nonprofit spending, ALICE households in Texas would face greater hardship, with many more categorized as living below the Federal Poverty Level (FPL).

"More than any demographic feature, ALICE households are defined by their jobs and their savings accounts."

More than any demographic feature, ALICE households are defined by their jobs and their savings accounts. As discussed in Section III, the ability to afford household needs is a function of income, but ALICE workers have low-paying jobs. Similarly, the ability to be financially stable is a function of savings, but ALICE households have little opportunity to amass liquid assets. This section looks at these households' assets, their access to credit, and the budget shortfalls they experience even when assistance supplements their earnings.

When families do not have enough income to cover current expenses, they cannot save, and without savings, they cannot generate returns that improve their household's well-being and economic stability over time. The lack of savings limits an ALICE family's ability to make a down payment on a house, for example, even if the monthly mortgage payments would be cheaper than renting. It limits their ability to invest in the future, such as in higher education or retirement savings. The lack of savings also leaves ALICE households vulnerable to unexpected economic events and emergencies. Savings and other assets are at least as powerful as income in reducing material hardship after an involuntary job loss or other negative event. Without them, many families with income below the ALICE Threshold find themselves in a vicious cycle of financial instability that often includes high-cost, high-interest financing or credit options (Barr & Blank, 2008; Hendey, McKernan, & Woo, 2012; Karlan, Ratan, & Zinman, 2014; Rothwell & Goren, 2011).

While savings and assets are a crucial aspect of an ALICE family's financial status, little information on household savings, assets, income, and wealth is collected at the state or local level. For this reason, we rely on national data for overall trends and cross-check it with the few state-level data points available. The national information available suggests that Texas fits within national trends of a decline in wealth for low-income households over the last three decades.

"The recovery has been uneven for different income groups, and despite gains in wealth in recent years for lower- and middle-income families, differences in wealth have actually grown."

Overall, American household wealth has not fully recovered from the Great Recession. In 2016, the median wealth of all U.S. households was $97,300, well below median wealth levels from before the Recession began in late 2007 ($139,700 in 2016 dollars). Wealth is much more concentrated than income, and as a result, disparities in wealth are even greater than those in income. The recovery has been uneven for different income groups, and despite gains in wealth in recent years for lower- and middle-income families, differences in wealth have actually grown. Nationally, the average wealth of the lower-income half of American households was $10,800 in 2016, 42 percent less than in 2007. The wealth for middle-income families was $110,100 in 2016, 33 percent lower than in 2007, while the wealth of upper-income families was $810,800 in 2016, 10 percent higher than in 2007 (Kochhar & Cilluffo, 2017; Yellen, 2014; Yun, 2017).

The racial wealth gap is even larger, explaining why some racial and ethnic groups are more likely to be part of the ALICE population. Black and Hispanic households have substantially less wealth than White households, a gap that has been widening in recent years. According to the Urban Institute, between 1983 and 2013, the wealth of median Black and Latino households decreased by 75 percent (from $6,800 to $1,700) and 50 percent (from $4,000 to $2,000), respectively, while median White household wealth rose by 14 percent (from $102,200 to $116,800) (Kochhar & Fry, 2014; McKernan, Ratcliffe, Steuerle, & Zhang, 2013; Pfeffer, Danziger, & Schoeni, 2013; Thompson & Suarez, 2015).

Disparities by race and ethnicity also exist within income groups. Among lower- and middle-income households, White families have four times as much wealth as Black families and three times as much as Hispanic families. These gaps have narrowed since 2007, primarily because lower-income White families lost roughly half of their wealth during the Great Recession, while losses for lower-income Black and Hispanic households were less than 5 percent. The larger losses for lower-income White families predominately stem from their greater exposure to the housing market crash. In 2007, the homeownership rate for lower-income White households was 56 percent, compared to 32 percent for lower-income Black and Hispanic households. The homeownership rate among lower-income White households fell to 49 percent in 2016, while the rate for Black and Hispanic households remained the same (Kochhar & Cilluffo, 2017).

Finally, there is a common misconception that working families do not need public or charitable assistance, but many ALICE families do turn to government and private sources for assistance with income and basic household necessities. This section looks at how much assistance is available, how close it brings families to the ALICE Threshold, and what gaps remain in specific budget areas.

ASSETS

"Given the mismatch between the cost of living and the preponderance of low-wage jobs, accumulating assets is difficult in Texas."

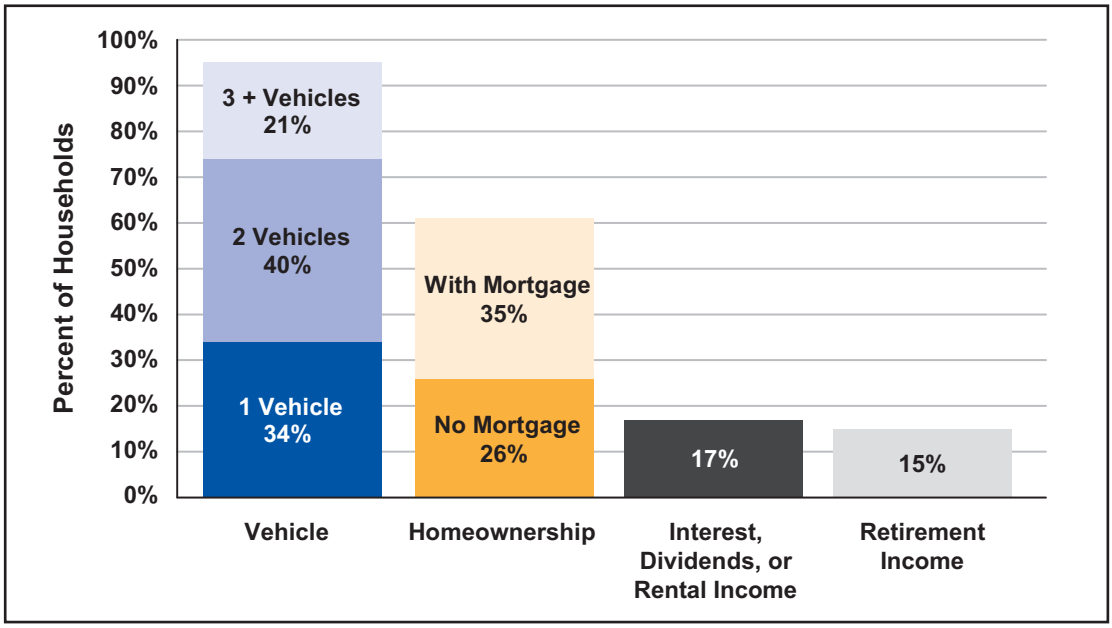
Given the mismatch between the cost of living and the preponderance of low-wage jobs, accumulating assets is difficult in Texas. Having savings can help families navigate job loss, pay unexpected bills, buy a home, start a business, or work toward a secure retirement. Yet in 2015, 51 percent of Texas residents did not have money set aside to cover expenses for a rainy day, as protection against an emergency such as illness or the loss of a job (FINRA Investor Education Foundation, 2016; Prosperity Now, 2018). And nationally, a 2015 survey by the Federal Reserve found that 47 percent of all respondents and two-thirds of respondents with a household income under $40,000 either could not cover an emergency expense costing $400, or would cover it by selling something or borrowing money (Federal Reserve, 2015).

Types of Assets

Almost by definition, those with lower incomes have fewer assets, but they also have different types of assets. Households with income in the lowest quintile are less likely than households in the highest income quintile to have assets of any kind, to have a regular checking account, or to own a motor vehicle. They are only half as likely to have interest-earning assets at financial institutions or to own a business or a home; they are far less likely to own stocks or mutual funds or to have an IRA or a 401(k) savings plan (U.S. Census Bureau, 2011).

After a bank account, the most common assets are vehicles, homes, and investments (Figure 32). Data on wealth and assets at the state level is limited, but the American Community Survey provides some basic figures.

Figure 32.
Household Assets, Texas, 2016



Source: American Community Survey, 2016

Vehicle Ownership

Ninety-five percent of households in Texas own a vehicle; most own two or three (Figure 32), well above the national average of 85 percent. “Vehicle” is a very broad category in the American Community Survey that includes cars, vans, sport utility vehicles, and trucks below one-ton capacity that are kept at home and used for non-business purposes; dismantled or immobile vehicles are not included. Nationally, the most commonly held type of non-financial asset in 2016 was a vehicle (Bricker, et al., 2017). While cars offer benefits beyond their cash value, they are not an effective means of accumulating wealth because the value of a car normally decreases over time.

Most households in Texas own a vehicle because owning a car is essential for work, but many ALICE households need to borrow money in order to buy a vehicle. From 2003 to 2016, the per-capita auto debt in Texas more than doubled to $6,370, the highest level in the country. At the same time, the delinquency rate on auto loans rose from 2.6 percent to 4.8 percent. Nationally, the number of auto loans has also increased, so that by 2016, 34 percent of U.S. households held a vehicle loan. With more people borrowing, the number with subprime credit increased as well. The squeeze on ALICE families is evident from the increase in delinquencies (of more than 60 days) among those with subprime auto loans, growing steadily since 2011 to above 5 percent by 2016 — a rate higher than during the Great Recession (Bricker, et al., 2017; Federal Reserve Bank of Dallas, 2016; Federal Reserve Bank of New York, 2018; Haughwout, Lee, Scally, & Van der Klaauw, 2017; Hoffman, 2018; Richter, 2018).

Nationally, low-income families are twice as likely to have a vehicle loan compared to the average for all families. For these families who are more often renters, it is usually their largest debt obligation. Since many low-wage workers do not have strong credit ratings and cannot qualify for traditional low-cost loans, they are forced to use non-traditional high-cost financing such as ”Buy Here Pay Here” loans. As a result, buyers with fair credit spend five times more to finance a vehicle than someone with excellent credit (Kiernan, 2018; National Consumer Law Center, 2016).

“Buy Here Pay Here” loans are products for buyers with subprime credit. They account for 14 percent of the used-car loan market nationally, and banks, credit unions, and especially wholly-owned finance subsidiaries of car manufacturers are also making subprime loans to customers. In fact, in 2016, 28 percent of new car loans and 57 percent of used car loans were subprime. In the current low-interest banking market, the average rate for a prime loan in 2014 was 5 percent, while the average subprime rate was far more attractive to lenders at 20 percent. That difference means that customers with fair credit spend about six times more to finance a vehicle than those with excellent credit, which equates to $6,176 in additional interest payments over the life of a $20,000, five-year loan (Jones, 2014; Kiernan, 2016).

“Most households in Texas own a vehicle because owning a car is essential for work, but many ALICE households need to borrow money in order to buy a vehicle.”

In addition to the cost of purchasing a car, low-income households are more likely to have higher vehicle running costs. Older cars require more maintenance and are less likely to be covered by warranty. Low-income households also face higher insurance costs based on their neighborhood, their credit score, and their race. Recent findings from Consumer Reports showed that on average, premiums were 30 percent higher in zip codes where most residents were people of color than in predominantly White neighborhoods with similar insurance losses (Angwin, Larson, Kirchner, & Mattu, 2017; Consumer Reports, 2017).

Cash strapped car owners can resort to car title loans, a secured loan with the vehicle title as collateral. In 2014, the average car title loan term in Texas was 187 days and costs exceeded 200 percent APR. An indicator of how difficult it is for borrowers to keep up is the fact that more than one out of five installment title loans were refinanced in the same quarter the loan was made. Another is that the loan volume of car title installment loans refinanced ($65 million) was just slightly lower than the amount originated ($73 million) in 2014 (Center for Responsible Lending, 2015; Texas Office of Consumer Credit Commissioner, 2015a, 2015b).

Homeownership

The next most common asset in Texas is a home, an asset that has traditionally provided financial stability and the primary means for low-income families to accumulate wealth. Homeownership can increase both financial and social stability for families: Children whose parents own their home tend to have higher educational attainment and lower rates of teen pregnancy. In 2016, 61 percent of all Texas households owned their homes, although more than half (58 percent) of those had a mortgage, while 43 percent of the state's households with income below the ALICE Threshold owned their homes (American Community Survey, 2016; Federal Reserve Bank of St. Louis, 2016b; National Association of Realtors, 2012).

Yet not all families can ride out housing market downturns. Overall, the number of homeowners in Texas has fallen over the last decade from its peak of 66 percent in 2007 to 61 percent in 2016. Many who sold their homes lost money, with some owing more than the sale price. The delinquency rate reached 4.5 percent in 2009 before falling to 1.3 percent in 2016 (Bricker, et al., 2017; Federal Reserve Bank of New York, 2018; Federal Reserve Bank of St. Louis, 2016a).

In general, the Texas housing market was not hit as hard by the real estate crash as other states. From 2009 to 2011, housing values dropped only slightly in Texas, according to the Federal Reserve's House Price Index, and with the growing population have increased each year since then. Widespread economic growth and relatively strict lending standards pulled the Texas foreclosure inventory below 1 percent in 2015, down from the high of 2 percent in 2010, which was significantly lower than in the rest of the country. Metropolitan areas along the Gulf Coast suffered from increased foreclosures, but extended grace periods on mortgage payments dampened the overall impact (Federal Reserve Bank of St. Louis, 2016b; Torres, et al., 2018).

"Overall, the number of homeowners in Texas has fallen over the last decade from its peak of 66 percent in 2007 to 61 percent in 2016. Many who sold their homes lost money, with some owing more than the sale price."

Black and Hispanic households are less likely than White households to own their own home in Texas. Hispanic Texans occupied 30.6 percent of the state's housing units, but only 27.7 percent of Hispanic households owned their home in 2014, according to the U.S. Census. Black Texans occupied 12.5 percent of housing units, but only 8.3 percent of Black households owned their home. In the same year, White Texans occupied 51.5 percent of housing units, and 58.8 percent of White households were homeowners. Some of this can be explained by age: Black and Hispanic households tend to be younger, and homeownership increases with age. But even when controlling for other demographic factors, the imbalance persists. Nationally, Black homeownership rates in 2016 were similar to those before the passage of the Fair Housing Act in 1968, while for every other group, homeownership rates have improved (Ford, 2018; Goodman, McCargo, & Zhu, 2018; Ura & McCullough, 2015).

In many locations, it would be more economical for ALICE households to buy a home rather than rent, but they often cannot save enough for a down payment and cannot qualify for a traditional low-rate mortgage. Many ALICE families have chosen

non-traditional, often high-risk and high-cost mortgage products, as the availability and outreach of such products have expanded. But the higher borrowing costs of these products reduce the borrower's overall investment opportunity (Acolin, Bostic, An, & Wachter, 2016; Federal Reserve, 2014; FINRA Investor Education Foundation, 2016; Herbert, McCue, & Sanchez-Moyano, 2013).

Homeownership is often the most important means for families to accumulate wealth, but it is highly correlated to income. In Texas in 2014, the rate of homeownership for the top income quintile was 86 percent (compared to 85 percent nationally), while the rate for the bottom income quintile was 38 percent (the same as the national average). While state-level data is not available, national data shows no change in this disparity through 2016. Low-income families are significantly affected by changes in home prices, and even more so for those who are highly leveraged. From 2007 to 2013, homeowners in the bottom half of households by wealth reported a drop of 61 percent in their home equity. However, because the backlog of foreclosures has decreased, interest rates have remained low, and the rate of foreclosures hit a two-decade low of 0.3 percent in 2016 (down from a high of 1.3 percent in 2010), homeownership remains an effective means of producing wealth (Federal Reserve Bank of New York, 2018; Herbert, et al., 2013; Prosperity Now, 2018; Statista, 2018; Yellen, 2014).

Investment and Retirement Assets

Investments that produce income, such as stocks or rental properties, provide families with an effective resource to weather an emergency. Yet they are a less common asset than vehicles or homes: In 2016, only 17 percent of Texas households (below the national average of 21 percent) had this type of investment, which can range from a checking account to a rental property to a stock or bond. In addition, there is likely large overlap between households receiving investment income and those receiving retirement income. Falling below the national average of 19 percent, 15 percent of Texas households in 2016 received retirement, survivor, or disability income from a former employer, a labor union, the government, or the U.S. military, or regular income from IRA and Keogh plans (see black and grey bars in Figure 32) (American Community Survey, 2016; FINRA Investor Education Foundation, 2016).

"Investments that produce income, such as stocks or rental properties, provide families with an effective resource to weather an emergency. Yet they are a less common asset than vehicles or homes: In 2016, only 17 percent of Texas households (below the national average of 21 percent) had this type of investment, which can range from a checking account to a rental property to a stock or bond."

Investment assets also provide the means to accumulate more assets. For example, by investing money in a small business or by owning a home, families can increase their resources over time. Assets also enable families to improve their social and economic situation through education and new technology, and they can allow families to finance a secure retirement (McKernan, Ratcliffe, & Shanks, 2011).

While the American Community Survey does not report the value of investments, nationally, the bottom half of households by wealth owned only 2 percent of the country's stocks in 2013. The number of Texas households receiving interest, dividend income, or net rental income decreased by 7 percent through the Great Recession, as the assets lost value in the stock market crash or were used to cover emergencies and periods of unemployment and underemployment. These events led many households to become part of the ALICE population and made things harder for those who were already struggling. This large reduction fits with the national trend of reduced assets for households of all income types.

The recovery has not helped investment income: In the six years following the end of the Recession, the number of households in Texas receiving interest, dividend income, or net rental income did not return to 2007 levels. When taking population growth into account, the percentage of the state's households with investment income remained at 17 percent from 2010 to 2016. Nationally, the number of

households with retirement, survivor, or disability income increased from 2010 to 2016, but their percentage of total households fell from 21 percent in 2010 to 17 percent in 2016 (though a recent Census report suggests that retirement income is underreported) (American Community Survey, 2007–2016; Bee & Mitchell, 2017; Bricker, et al., 2014; Federal Reserve, 2014; Yellen, 2014).

"The most common source of income for retirement, however, is Social Security. The aging of the U.S. population is evident in the 28 percent increase in the number of Texas households receiving Social Security between 2007 and 2016 – larger than the 23 percent increase in the number of Texas households receiving retirement income."

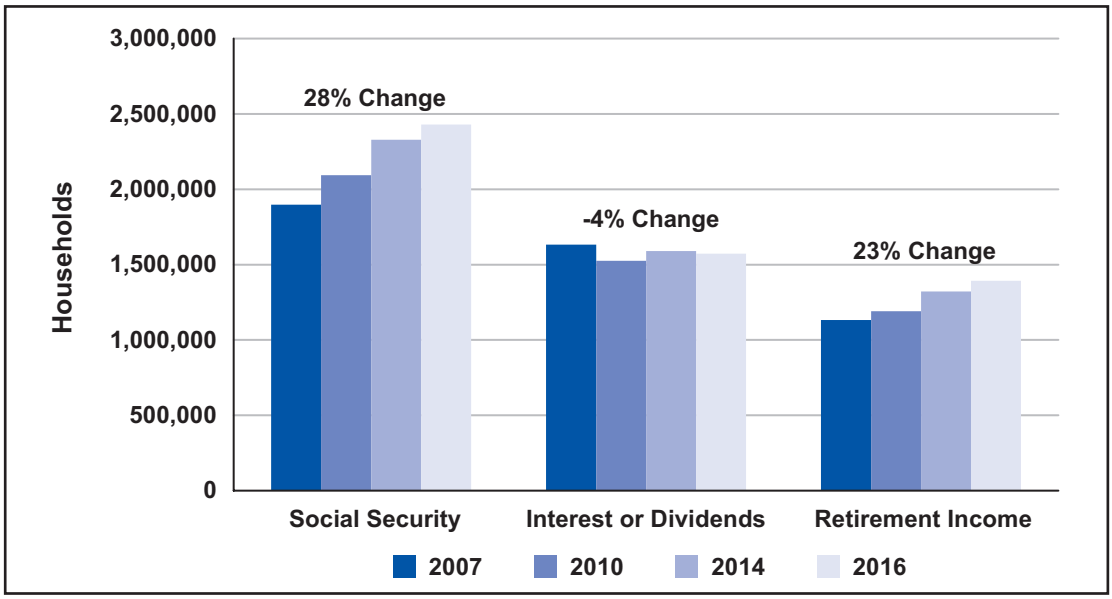
In terms of retirement assets, several indicators show that Americans are not financially prepared to maintain their standard of living in retirement:

- According to the National Retirement Risk Index, 52 percent of Americans are at risk of being unable to maintain their standard of living in retirement, even if households work to age 65 and annuitize all their financial assets, including the receipts from reverse mortgages on their homes (Board of Governors of the Federal Reserve System, 2017; Munnell, Hou, & Sanzenbacher, 2017).
- The National Institute on Retirement Security has found that the median retirement account balance is $3,000 for all working-age households and $12,000 for near-retirement households (Oakley & Kenneally, 2017).

The makeup of retirement plans has shifted since the 1970s, from defined benefit plans — traditional pensions that provide benefits for the lifespan of the participant — to defined contribution plans, such as a 401(k). By 2000, defined contribution plans accounted for more than 90 percent of retirement plans nationally. In 2016, 34 percent of private-sector workers had no employer-sponsored plan, 44 percent had employee-managed defined contribution plans, and 15 percent had employer-funded defined benefit plans (U.S. Government Accountability Office, 2017).

The most common source of income for retirement, however, is Social Security. The aging of the U.S. population is evident in the 28 percent increase in the number of Texas households receiving Social Security between 2007 and 2016 — larger than the 23 percent increase in the number of Texas households receiving retirement income. In contrast, the number receiving investment income fell by 4 percent (American Community Survey, 2010 and 2016) (Figure 33).

Figure 33.
Retirement and Investment Income, Texas, 2007 to 2016



Source: American Community Survey, 2016

The assets of an ALICE household are especially vulnerable when workers lose their jobs. According to The Pew Charitable Trusts' Economic Mobility Project, a national survey of working-age families from 1999 to 2012, a common strategy during unemployment is to draw down retirement accounts. Penalties are charged for early withdrawals, and retirement savings are diminished, putting future financial stability at risk (Boguslaw, Thomas, Sullivan, Meschede, Chaganti, & Shapiro, 2013). This will have an impact on those who retire before their assets can be replenished, as discussed in the conclusion of this Report.

A drop in wealth is also the reason many households fall below the ALICE Threshold. Drawing on financial assets that can be liquidated or leveraged, such as savings accounts, retirement accounts, home equity, and stocks, is often the first step households take to cope with unemployment. When these reserves are used up, financial instability increases (Asante-Muhammad, Collins, Hoxie, & Nieves, 2017; Boguslaw, et al., 2013).

ACCESS TO CREDIT

Once assets have been depleted, the cost of staying financially afloat increases for ALICE households. Generally, access to credit can provide a valuable source of financial stability, and in some cases does as much to reduce hardship as tripling family income (Barr & Blank, 2008; Mayer & Jencks, 1989). The ability to borrow varies greatly by income and assets: The higher the income and greater the assets, the more borrowing options a family has, and at better rates. Families with low incomes and no assets are often unable to borrow; as a result, in the face of an emergency, they buy less, and household hardship increases.

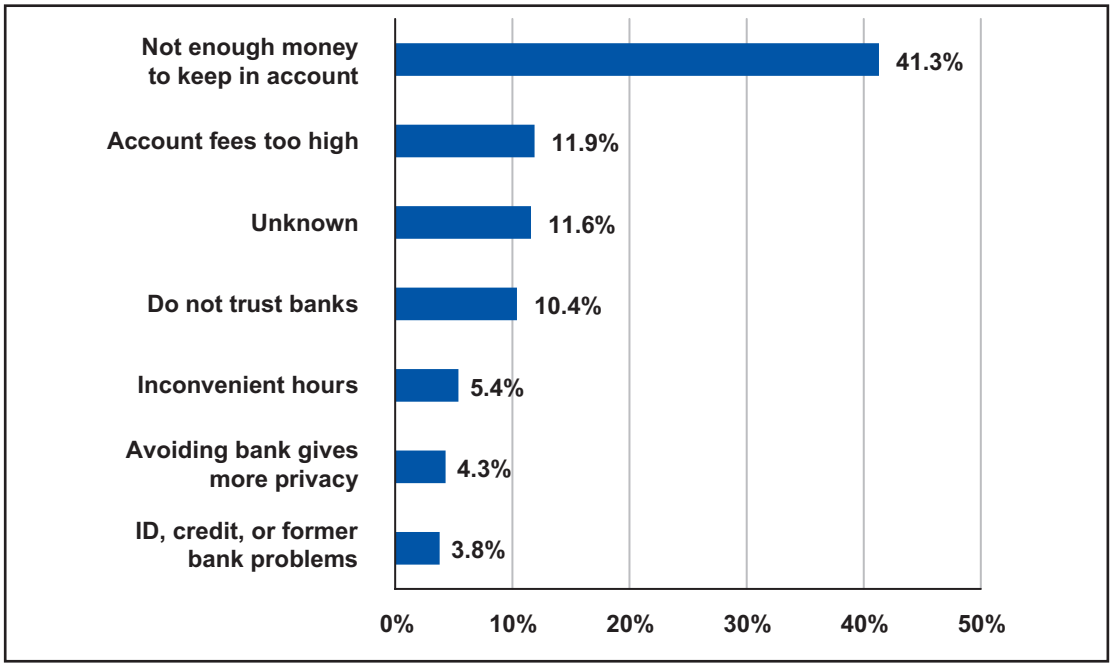
For those who are able to borrow, they typically pay higher rates, incur fees, and are more likely to be delinquent or default on their loans. For example, in Texas, the 90+-day delinquency rate for borrowers with subprime credit scores was 18 percent in 2016, compared to 2 percent for near-prime borrowers and almost zero for prime borrowers. Subprime borrowers represent a significant part of the Texas market, making up almost one-third of borrowers in Dallas County, for example. Nationally, subprime lending subsided after the housing crisis and the implementation of Dodd-Frank financial regulations, but it has been increasing in the last few years. Average credit card debt increased 9 percent from 2015 to 2016, but the increase was 26 percent for cardholders with deep subprime scores (Federal Reserve Bank of Dallas, 2018a, 2018b).

"The fact that families borrow at high interest rates and at an increased risk of predatory lending practices shows that in some cases, the need for these loans outweighs the risks they pose."

The fact that families borrow at high interest rates and at an increased risk of predatory lending practices shows that in some cases, the need for these loans outweighs the risks they pose. It may cost more to forgo heat or necessary medical care, for example, than to pay the higher rates of predatory loans. The continued use of high-risk lending, despite these higher costs, underlines the degree of hardship that these families are experiencing (McKernan, Ratcliffe, & Vinopal, 2009; Mills & Amick, 2011).

The most common way to access credit is borrowing from a bank. Just having a bank account lowers financial delinquency and increases credit scores (Shtauber, 2013). But not all adults have access to traditional banking, due to low income, location, immigration status, or, in some cases, community or cultural norms. According to the Federal Deposit Insurance Corporation (FDIC), 9.4 percent of Texas households are unbanked, meaning they do not have a checking, savings, or money market account — the 9th highest rate in the country. An additional 23.7 percent are under-banked (i.e., households that have a mainstream account but use alternative and often costly financial services for basic transaction and credit needs). In 2015, 41 percent of Texas' unbanked households were unbanked because they did not have enough money to keep in an account (Federal Deposit Insurance Corporation, 2015; G. M. Flores, 2012; Servon & Castro-Cosio, 2015; Texas Comptroller of Public Accounts, n.d.) (Figure 34).

Figure 34.
Top Reasons Households Report for Being Unbanked, Texas, 2015



Source: Federal Deposit Insurance Corporation, 2017

"Lower-income families (including many Black and Hispanic families, who are disproportionately lower-income) are also more likely to use Alternative Financial Products (AFPs) – non-traditional financial products such as payday, auto title, and other loans which charge higher interest rates."

Because the banking needs of low- to moderate-income individuals and small businesses are often not filled by community banks and credit unions, they frequently use local networks, especially for small financial transactions. Informal lending groups range from loans from friends and family to rotating savings and credit associations to loan sharks. For the over-16-year-old population in the U.S., the World Bank estimates that in 2011, 6 percent of the population participated in an informal lending group and 17 percent borrowed from family and friends. Studies of low-income families show that as many as 40 percent borrow or lend informally (Morduch, Ogden, & Schneider, 2014; Servon & Castro-Cosio, 2015).

Lower-income families (including many Black and Hispanic families, who are disproportionately lower-income) are also more likely to use Alternative Financial Products (AFPs) — non-traditional financial products such as payday, auto title, and other loans which charge higher interest rates. The impact is cumulative, with high rates leading to greater need of more high-risk borrowing and a vicious cycle of debt. Conversely, access to lower rates leads to greater savings and a better chance to pay off a loan. Such savings make an enormous difference in a family's budget and can also help them build equity and wealth (Board of Governors of the Federal Reserve System, 2017; Hendey, McKernan, & Woo, 2012; Lerman & Hendey 2011).

The most commonly used non-traditional financial products are check cashing and money orders; other products include "Buy Here Pay Here" auto loans, payday loans, prepaid cards, refund anticipation loans, and Rent-to-Own products. In 2016, there were 3.7 million small installment loans issued in Texas. Due to the high-cost nature of these loans, the cash advance amounts are limited by law to 80 to 113 percent with a maximum loan amount of $1,380, usually for 9 to 18 months. In addition, there were 1.3 million payday loans and 93,000 auto title loans. Payday and auto title loans are expensive due to the high fees lenders are allowed to charge in Texas — up to $23 for every $100 borrowed. These fees can result in an annual percentage rate (APR) of 574 percent for a typical two-week loan. For both single-payment and installment loans, fees and refinances account for two-thirds of the revenue of the Texas payday lending industry. The state's more than 8.4 million pawn loans

were the most popular small dollar loans in 2016, offering short-term credit to customers who pledge tangible personal property as collateral. Charges ranged from 240 percent for loans up to $207 to 12 percent for loans up to $17,250 (Baddour, Tegeler-Sauer, & Fowler, 2016; Baylor, 2014; Dancy, 2016; Texas Office of Consumer Credit Commissioner, 2017).

Tax-related small dollar loan products have evolved over time as regulation has increased. Refund Anticipation Loans, for example, were popular before 2012, when banks were either forced by federal regulators to shut down these high-cost loans or voluntarily nixed them. The loans have been largely replaced by Refund Anticipation Checks (RACs), which charge fees for advancing funds against tax returns and tax preparation. According to IRS data, about 21.4 million taxpayers obtained RACs in 2016, 80 percent of whom had adjusted gross incomes under $50,000 (Wu & Best, 2018).

A newly emerging AFP is the payroll card, a debit card used to pay wages to an estimated 5.8 million workers in 2013 and expected to double in use by 2017 nationally. Payroll cards deliver wages electronically with cost savings for employers and, in some cases, convenience and lower expenses for workers. However, virtually all payroll card programs charge fees. In many cases these have been excessive, reducing take-home pay for the lowest-paid workers and those without internet access — who, for example, can be charged a fee just for calling to learn their account balance. Though the Texas Payday Law does not directly address the use of payroll debit cards, the federal Fair Labor Standards Act (FLSA) is being reviewed in light of these cards (New York State Attorney General Eric T. Schneiderman, 2014; Saunders, 2015; Voltmer, 2016; Young, 2016).

Another common way to access credit, especially in the short term, is with a credit card. Nationally, there is wide variation in credit card usage by income level; for example, the share of families with at least one credit card was 65 percent for families with income below $40,000 in 2016 but more than 90 percent for families with income above that level. And location matters: Families living in low-income neighborhoods often find only high-cost lending options are available to them. In these neighborhoods, there is less saving and borrowing (Federal Reserve, 2017; Hendey, et al., 2012).

The repeated use of payday loans and high-interest credit cards greatly increases fees and interest charges, decreases the chance that the debts can be repaid, and is linked to a higher rate of moving out of one's home, delaying medical care or prescription drug purchases, and filing for Chapter 13 bankruptcy (Boguslaw, et al., 2013; Campbell, Jackson, Madrian, & Tufano, 2011; Montezemolo, 2013). In Texas, payday and auto title businesses often cluster around military installations and market towards military personnel. Yet for those personnel, payday loans are associated with declines in overall job performance and lower levels of retention. Indeed, to discourage firms from offering payday loans to military personnel, the 2007 National Defense Authorization Act capped rates on payday loans to service members at 36 percent annually (Campbell, et al., 2011; Texas Appleseed, 2014).

"The repeated use of payday loans and high-interest credit cards greatly increases fees and interest charges, decreases the chance that the debts can be repaid, and is linked to a higher rate of moving out of one's home, delaying medical care or prescription drug purchases, and filing for Chapter 13 bankruptcy."

PUBLIC AND PRIVATE ASSISTANCE

Forty-two percent of Texas households do not have enough income to reach the ALICE Threshold for financial security. But how far below the ALICE Threshold are their earnings? How much does the government spend in an attempt to help fill the gap? And how far short does it fall of enabling all households to meet their basic needs?

The persistence of low wages, underemployment, periods of unemployment, and loss of employer-sponsored benefits have led to financial insecurity for a large share of ALICE

households. As a result, many working ALICE households have turned to government and community supports and services — often for the first time — to feed their families, secure health insurance, pay rent, or meet other basic needs (Boguslaw, et al., 2013).

"Recent national studies have found that more than half government spending on public assistance goes to working families. But even with this assistance added to their income, many working families cannot cobble enough together to make ends meet."

A wide range of families have used public and private assistance. The Pew Charitable Trusts' Economic Mobility Project found that families facing unemployment and other financial hardship during the Great Recession turned to government, nonprofit, and private institutional resources as a safety net. More than two of every three families interviewed drew on one or more of these institutional resources, receiving help in categories as varied as income, food, health care, education and training, housing and utility a ssistance, and counseling. The financial situation of many of these families has not improved. Feeding America, for example, reports seeing more regular clients (Boguslaw, et al., 2013; Feeding America, 2014).

Recent national studies have found that more than half government spending on public assistance goes to working families. But even with this assistance added to their income, many working families cannot cobble enough together to make ends meet (Allegretto, et al., 2013; Dube & Jacobs, 2004; Feeding America, 2014; Jacobs, Perry, & MacGillvary, 2016; The Pew Charitable Trusts, 2013; U.S. Department of Agriculture, 2017; Wider Opportunities for Women, 2011).

The ALICE Income Assessment provides a tool to measure these resources for ALICE and poverty-level households. This tool is critical to understanding the financial dynamics and needs of poverty-level and ALICE households, especially those who are working. Because funds are allocated differently for different programs (some based on the FPL or multiples of it, others using local cost budgets), it is not possible to separate spending on ALICE from spending on those in poverty. In fact, some programs that are focused on those in poverty, such as Medicaid, end up supporting other low-income individuals as well (Finkelstein, Hendren, & Luttmer, 2015).

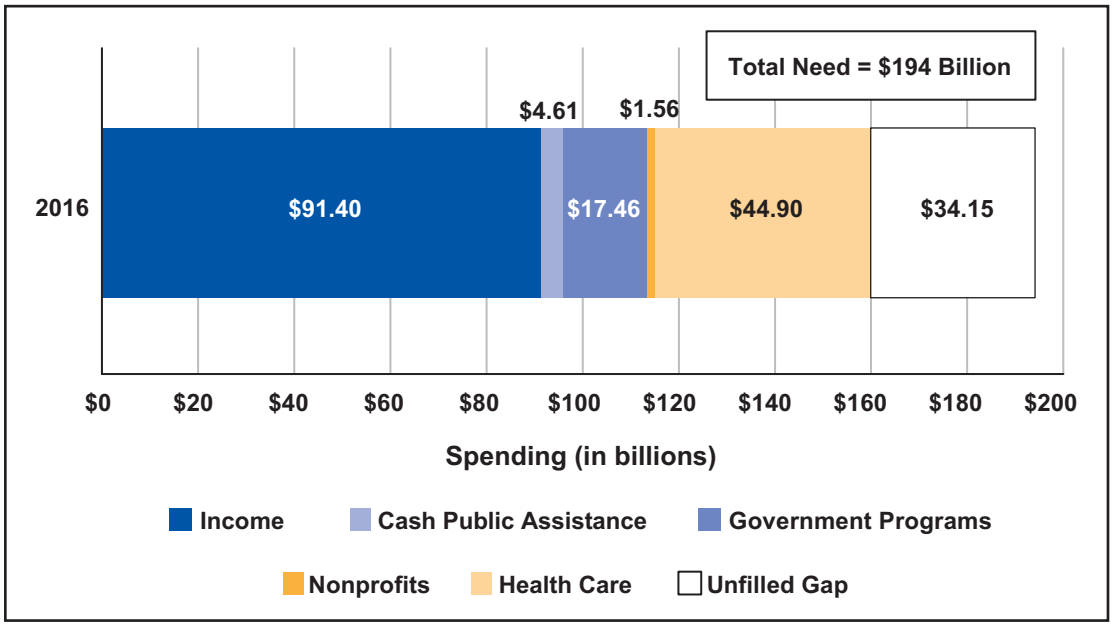
The ALICE Income Assessment

The ALICE Income Assessment quantifies the total need of all households below the ALICE Threshold and then compares it to their income and to the amount of public and nonprofit assistance directed toward low-income households. Even though assistance makes a significant contribution to financial stability for many families, there has not been enough assistance to bring all families above the ALICE Threshold in any state where the Income Assessment has been applied.

The total income of poverty-level and ALICE households in Texas in 2016 was $91 billion, which included wages and Social Security. This was only 47 percent of the amount needed just to reach the ALICE Threshold of $194 billion statewide. Government and nonprofit assistance to Texas households below the ALICE Threshold, which includes households in poverty, provided $68.5 billion, making up an additional 35 percent, but that still left an Unfilled Gap of 18 percent, or $34 billion (Figure 35).

In other words, it would require approximately $34 billion in additional wages or public resources for all Texas households to have income at the ALICE Threshold. The consequences of the Unfilled Gap for ALICE households are discussed in Section VI.

Figure 35.
Categories of Income and Assistance for Households Below the ALICE Threshold, Texas, 2016



Sources: American Community Survey, 2016; National Association of State Budget Officers, 2017; Office of Management and Budget, 2017; Urban Institute, 2012; U.S. Department of Agriculture, 2017; for more details, see the Methodology Overview on our website: UnitedWayALICE.org

Government and nonprofit assistance to Texas households earning below the ALICE Threshold — which includes households living in poverty — provided $23.6 billion, and health care assistance provided another $44.9 billion. Without health care spending, the Unfilled Gap rises to 41 percent: In other words, it would take an additional $79 billion in income or assistance to ensure that all Texas households meet the ALICE Threshold. When health care spending is added, the gap narrows, but as discussed below, there are several reasons why additional health care spending cannot provide financial stability for ALICE and poverty-level households.

DEFINITIONS

- **Earned Income** = Wages, dividends, Social Security
- **Health Care** = Medicaid, Children's Health Insurance Program (CHIP), community health benefits
- **Cash Public Assistance** = Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF)
- **Government Programs** = Head Start, Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the Earned Income Tax Credit (EITC), housing, and human services, federal and state
- **Nonprofits** = Human services revenue over and above what is provided by the government
- **Unfilled Gap** = Shortfall to ALICE Threshold

"Government and nonprofit assistance to Texas households earning below the ALICE Threshold – which includes households living in poverty – provided $23.6 billion, and health care assistance provided another $44.9 billion."

In 2016, the total annual public and private spending on Texas households below the ALICE Threshold was $68.5 billion, or 4 percent of Texas' $1.6 trillion Gross Domestic Product (Federal Reserve Bank of St. Louis, 2018). That spending included several types of assistance:

- Government Programs spent $17.5 billion, or 9 percent of the total required for ALICE families to reach the ALICE Threshold
- Cash Public Assistance delivered $4.6 billion, adding another 2 percent
- Nonprofits in the human services area provided $1.6 billion, or 1 percent
- Health Care assistance, the largest single category, provided $44.9 billion, or 34 percent (Figure 35)

Public assistance used in this analysis includes only programs that are directed specifically at low-income families and individuals; it does not include programs such as neighborhood policing, which are provided to all households regardless of income. In addition, the Assessment includes only programs that directly help ALICE families meet the basic Household Survival Budget, such as TANF and Medicaid; it does not include programs that assist low-income families in broader ways, such as college subsidies. The analysis is only of funds spent, not an evaluation of the efficiency of the programs or their efficacy in meeting household needs.

Challenges of Public and Private Assistance

Without public assistance, ALICE households would face even greater hardship and many more would be in poverty, especially in the wake of the Great Recession. Programs like SNAP, the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), Medicaid, and, increasingly, food banks and other community supports provide a critical safety net for basic household well-being and enable many families to work (Coleman-Jensen, Rabbitt, Gregory, & Singh, 2015; Dowd & Horowitz, 2011; Feeding America, 2014; Grogger, 2003; Rosenbaum, 2013; Sherman, Trisi, & Parrott, 2013).

"Without public assistance, ALICE households would face even greater hardship and many more would be in poverty, especially in the wake of the Great Recession."

As stated earlier, this analysis is not an evaluation of the efficiency of the programs in delivering good or services. However, research has shown that assistance is not always well-targeted, effective, and timely. There are four significant barriers to public and private assistance meeting basic needs:

1. **Duration of benefits:** The majority of government programs are intended to fill short-term needs, such as basic housing, food, clothing, health care, and education. By design, their goal is not to help households achieve long-term financial stability (Ben-Shalom, Moffitt, & Scholz, 2012; Haskins, 2011; Shaefer & Edin, 2013).

2. **Eligibility thresholds:** Crucial resources are often targeted to households near or below the FPL, meaning that many struggling ALICE households are not eligible for assistance. Federal public assistance programs do not have enough resources to reach all those in need. SNAP, the government's largest program, reached 1.2 million households in Texas in 2016, falling short of meeting the needs of almost all ALICE households that needed assistance in covering the cost of food (Figure 36). Other programs cover even fewer households: TANF, which provide payments from state or local welfare offices, reached about 133,764 households in 2016, just 3 percent of those below the ALICE Threshold. And Supplemental Security Income, which includes welfare payments to low-income people who are 65 and older and to people of any age who

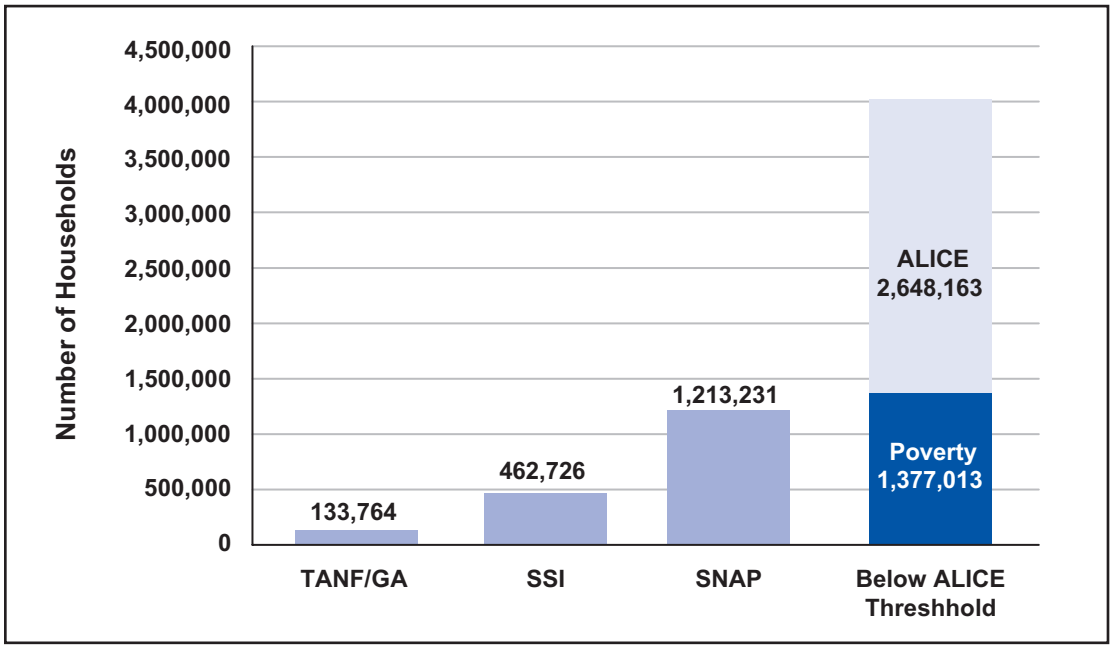
are blind or disabled, supported 462,726 households — only 12 percent of households below the ALICE Threshold (Kaiser Family Foundation, 2015a; U.S. Department of Health and Human Services, 2009, 2014d).

3. **Uneven funding or distribution of assistance:** Resources may not be available where they are needed, either because there are geographic disparities in distribution across Texas — such as food pantries in some locations but not all — or because there is not enough funding for a program.

4. **Targeted assistance and services:** Because public and nonprofit assistance is allocated for specific purposes and often delivered as services, it can only be used for specific parts of the household budget. Only 4 percent of the assistance provided in Texas is done through cash transfers, which households can use toward any of their most pressing needs. The remainder is earmarked for specific items, like food assistance or health care, for which the need varies across households below the ALICE threshold. This means that not all households benefit equally from assistance.

"A breakdown of public and nonprofit spending in Texas by category reveals that there are large gaps in key areas, particularly housing, child care, and transportation."

Figure 36.
Households by Benefits and Income Status, Texas, 2016



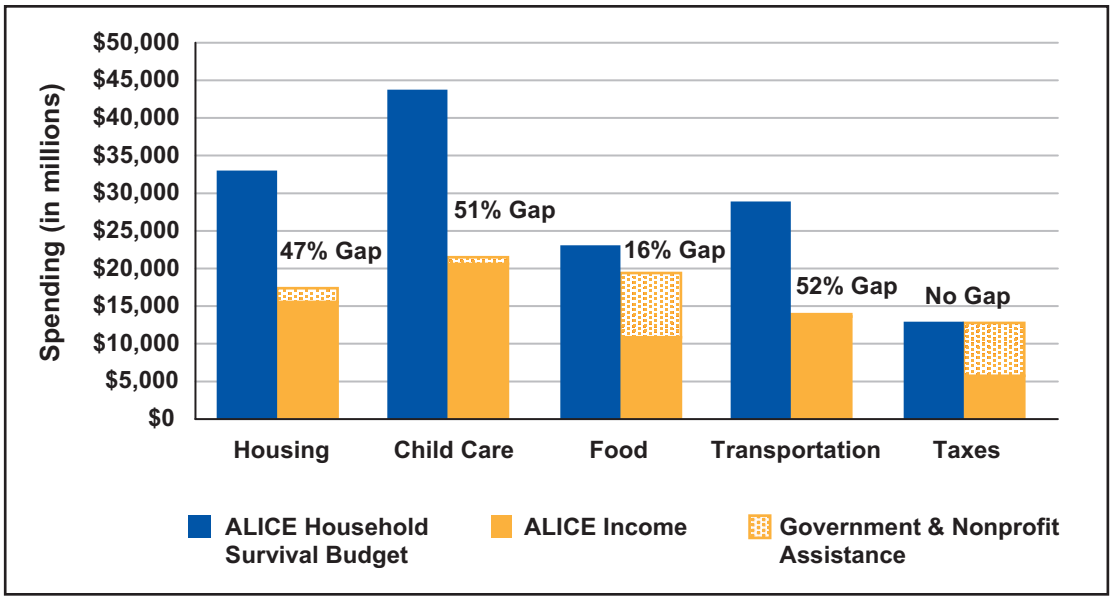
Note: TANF – Temporary Assistance for Needy Families; GA – General Assistance; SSI – Supplemental Security Income; SNAP – Supplemental Nutrition Assistance Program

Source: American Community Survey, 2016; ALICE Threshold, 2016

A breakdown of public and nonprofit spending in Texas by category reveals that there are large gaps in key areas, particularly housing, child care, and transportation. Figure 37 compares the budget amounts for each category of the Household Survival Budget for a family of four with income from households below the ALICE Threshold, plus the public and nonprofit spending in each category, to show the gap or surplus in each budget area. Earned income is appropriated based on its proportion of the Household Survival Budget; specific government programs are directed to their targeted budget areas, and nonprofit and cash assistance are evenly distributed across categories.

Figure 37.

Comparing Basic Need with Assistance, by Category, for Households Below the ALICE Threshold, Texas, 2016



Note: Excludes health care and miscellaneous expense categories.

Sources: ALICE Household Survival Budget, 2016; ALICE Threshold, 2016; American Community Survey, 2016; National Association of State Budget Officers, 2017; Office of Management and Budget, 2017; Urban Institute, 2012; U.S. Department of Agriculture, 2017

Housing

"In the Household Survival Budget for a Texas family of four, housing accounts for 17 percent of the family budget. Yet if ALICE households spend 17 percent of their income on housing, they are left far short of what is needed to afford rent at HUD's 40th percentile."

In the Household Survival Budget for a Texas family of four, housing accounts for 17 percent of the family budget. Yet if ALICE households spend 17 percent of their income on housing, they are left far short of what is needed to afford rent at HUD's 40th percentile. To make up the gap, federal housing programs — including Section 8 Housing Vouchers, the Low Income Home Energy Assistance Program, the Public Housing Operating Fund, and Community Development Block Grant Program — provide $1.5 billion in assistance. In addition, we estimate that nonprofits spend an estimated $313 million on housing assistance statewide. (Because nonprofit spending is not available by category, the estimate for each category here is one-fifth of the total nonprofit budget.) Yet when income and government and nonprofit assistance for housing are combined, **Texas households below the ALICE Threshold still fell 47 percent shy of their total housing need in 2016.** Given that gap, it is not surprising that most families spend more of their income on housing, which leaves less for other items.

Child Care

In the Household Survival Budget for a Texas family of four, child care accounts for 23 percent of the family budget, well above the 10 percent affordability threshold established by the U.S. Department of Health and Human Services. Yet for many ALICE households, 23 percent of what they actually earn is not enough to pay for even home-based child care, the least expensive organized care option with the fewest quality regulations (U.S. Government Accountability Office, 2016; Children at Risk, 2018). Additional child care resources available to Texas families include $77 million in federal education spending for Head Start, the program that helps children from low-income families meet their basic needs or that is necessary to enable their parents to work. Though advanced education

is vital to future economic success, it is not a component of the basic Household Survival Budget, so programs such as Pell grants are not included in the education spending figure. Nonprofits provide additional child care assistance, including vouchers and child care services estimated at $313 million. Yet when income and government and nonprofit assistance are combined, **there is still a 51 percent gap, meaning that Texas' households below the ALICE Threshold still had less than half of what they needed to afford basic child care in 2016.**

Food

In the Household Survival Budget for a Texas family of four, food accounts for 12 percent of the family budget, yet for many ALICE households, 12 percent of what they actually earn is insufficient to afford even the USDA Thrifty Food Plan. Food assistance for Texas households include $8.2 billion of federal spending on food programs, primarily SNAP, school breakfast and lunch programs, and WIC. Nonprofits also provide approximately $87.2 million in food assistance, including food pantries, food banks, and soup kitchens, based on the Urban Institute's nonprofit database. Yet when income and government and nonprofit food assistance are combined, **Texas' households below the ALICE Threshold still fell 16 percent short of what they required to meet their most basic food needs in 2016.**

"In the Household Survival Budget for a Texas family of four, food accounts for 12 percent of the family budget, yet for many ALICE households, 12 percent of what they actually earn is insufficient to afford even the USDA Thrifty Food Plan."

Transportation

In the Household Survival Budget for a Texas family of four, transportation accounts for 15 percent of the family budget. Yet for many ALICE households, 15 percent of what they actually earn is not enough to afford even the running costs of a car. While Texas' public transportation systems are state-funded, there is no government spending on transportation specifically for ALICE and poverty-level families. However, nonprofits provide additional programs, spending an estimated $313 million. When income and nonprofit assistance are combined, **there was still a 52 percent gap in resources to meet the basic cost for transportation for all Texas households below the ALICE Threshold in 2016.**

Taxes

In the Household Survival Budget for a Texas family of four, taxes account for 6 percent of the family budget, so this analysis assumes that 13 percent of income is allocated towards taxes. Texans receive $7 billion in refunds and credits from the federal Earned Income Tax Credit (EITC); approximately 80 percent of eligible working families participated in 2017. Texas does not have its own state Earned Income Tax Credit (Internal Revenue Service, 2018; National Conference of State Legislatures, 2018). Though earning enough to afford the Household Survival Budget would put some ALICE households above the eligibility level for the federal EITC, many households below the ALICE Threshold benefit from the EITC; the average income for households receiving EITC in Texas in 2016 was $16,020. The federal EITC provided $7 billion in tax credits and refunds for Texas' working families in 2016. Eligible households collected an average federal tax refund of $2,661. From 2011 to 2013, the federal EITC and the CTC lifted 1.2 million Texas taxpayers and their households out of poverty, including 663,000 children on average each year (Center on Budget and Policy Priorities, 2016). The per-household tax burden depends on a recipient's income and the number of children they have. When income and government credits and refunds are combined, the gap was filled, so if those resources were distributed evenly, **all Texas households below the ALICE Threshold would have been able to meet the basic cost of taxes in 2016.**

The Special Case of Health Care

Health care resources are separated from other government and nonprofit spending because they account for the largest single source of assistance to low-income Texas households: $44.9 billion, or 66 percent of all public and private spending on these households in 2016. Health care spending includes federal grants for Medicaid, CHIP, and Hospital Charity Care; state matching grants for Medicaid, CHIP, and Medicare Part D Clawback Payments; and the cost of unreimbursed or unpaid services provided by Texas hospitals (National Association of State Budget Officers, 2017; Office of Management and Budget, 2017; Urban Institute, 2012).

There are special challenges for estimating health care needs and costs and delivering health care efficiently to more than 4 million struggling Texas households. First, there is greater variation in the amount of money families need for health care than exists in any other single category. An uninsured (or even an insured) household with a severe and sudden illness could be burdened with hundreds of thousands of dollars in medical bills in a single year, while a healthy household would have few expenses. National research has shown that a small proportion of households facing severe illness or injury account for more than half of all health care expenses, and those expenses can vary greatly from year to year (Kaiser Family Foundation, 2012; Stanton, 2006; U.S. Department of Housing and Urban Development, 2010).

"There are special challenges for estimating health care needs and costs and delivering health care efficiently to more than 4 million struggling Texas households."

The difference between health care spending and other types of assistance is also obvious in the average amount of spending per household below the ALICE Threshold. In Texas, on average, health care spending per household in 2016 was $11,148, while the average spending per household through other types of assistance was $5,871. Combining the two categories, the average spending on each Texas household below the ALICE Threshold was $17,019 in cash and services, shared by all members of the household and spread throughout the year (Figure 38).

Figure 38.

Total Public and Nonprofit Assistance per Household Below the ALICE Threshold, Texas, 2016

Spending Per Household Below the ALICE Threshold, Texas		
HEALTH CARE ASSISTANCE ONLY	ASSISTANCE EXCLUDING HEALTH CARE	TOTAL ASSISTANCE
$11,148	$5,871	**$17,019**

Sources: ALICE Threshold, 2016; American Community Survey, 2017; National Association of State Budget Officers, 2017; Office of Management and Budget, 2017; Urban Institute, 2012

V. LOCAL CONDITIONS: HOUSING AND COMMUNITY RESOURCES

According to the Harvard Equality of Opportunity Project, our lives are profoundly influenced by where we live, and especially by where we grow up (Chetty & Hendren, 2015). This is particularly true for ALICE households: Local economic and social conditions largely determine how many households in a county or state struggle financially.

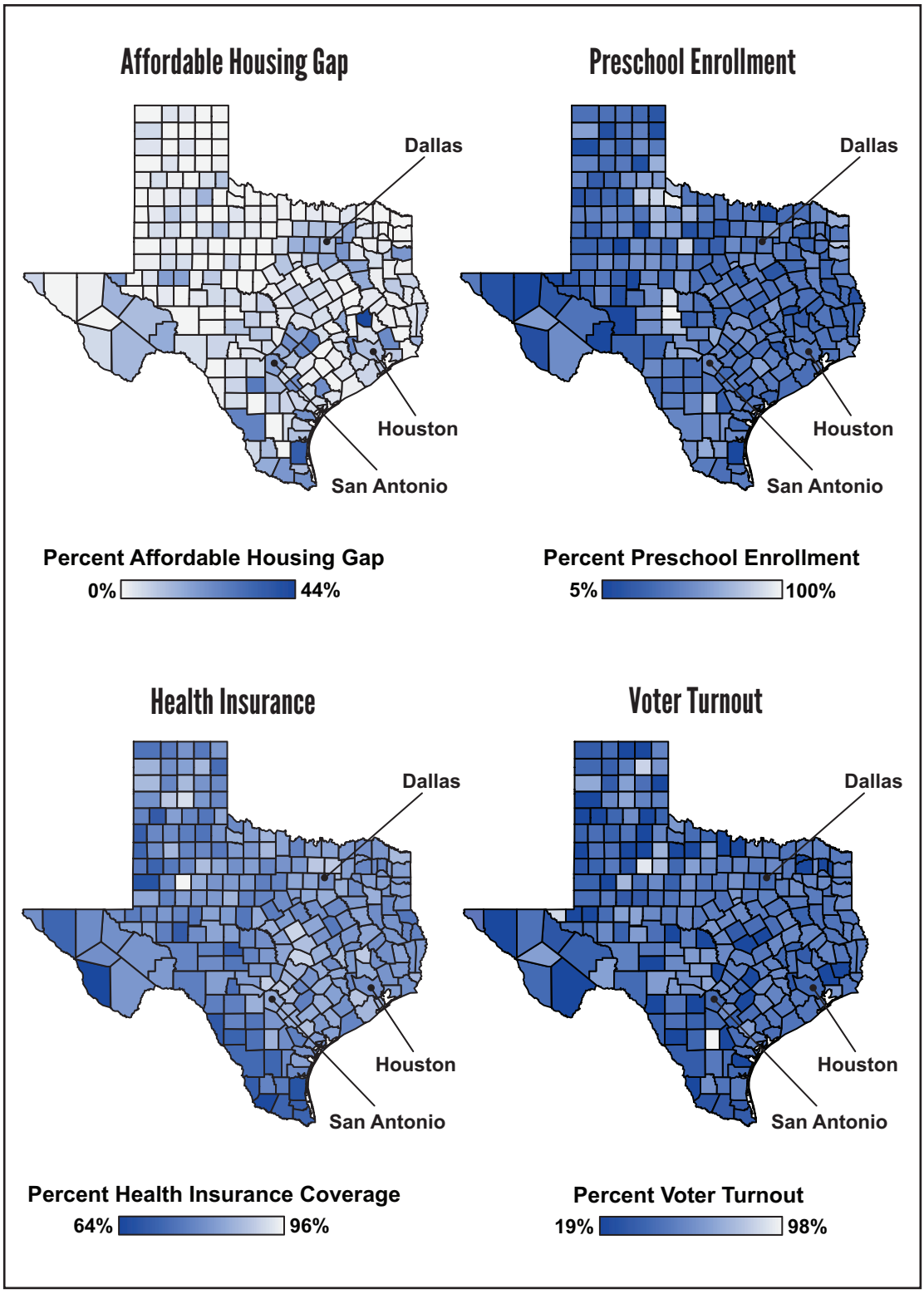
To understand the challenges that the ALICE population faces in Texas, it is important to recognize that local conditions do not impact all socioeconomic and geographic groups in the same way. For example, focusing only on Texas' cost of living obscures the problem of the lack of high-skill jobs in many counties. Likewise, while county unemployment statistics clearly reveal where there are not enough jobs, having a job is only part of the economic landscape for ALICE households.

"To understand the challenges that the ALICE population faces in Texas, it is important to recognize that local conditions do not impact all socioeconomic and geographic groups in the same way."

The full picture requires an understanding of the local conditions that matter most to ALICE households, along with the job opportunities, local wages, and public and private assistance discussed in Sections III and IV. The most important local conditions are housing affordability and the level of community resources in the areas of education, health, and civic engagement (represented here by preschool enrollment, health insurance coverage, and voter turnout) in each county. While the ideal for a county is to do well in each of these areas, the reality is that these conditions vary across Texas' counties. This section focuses on the recovery years after the Great Recession, 2010 to 2016. It looks at the indicators that help explain why so many households struggle to achieve basic economic stability throughout Texas, and why that struggle is harder in some parts of the state than in others. How these indicators are related is apparent in Figure 39, where the darker the blue on each map, the worse off the county is on that indicator.

Figure 39.

Affordable Housing Gap, Preschool Enrollment, Health Insurance, and Voter Turnout by County, Texas, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

"The most important local conditions are housing affordability and the level of community resources in the areas of education, health, and civic engagement (represented here by preschool enrollment, health insurance coverage, and voter turnout) in each county."

HOUSING AFFORDABILITY

The more affordable housing there is in a county, the easier it is for a household in that county to be financially stable. In Texas, while housing is generally less expensive than in many other states, it became more difficult to find affordable housing in many counties in the years following the end of the Recession. Yet there is variation between counties and metro areas across Texas, and a common challenge is to find job opportunities in the same counties where there are affordable places for ALICE households to live.

"The more affordable housing there is in a county, the easier it is for a household in that county to be financially stable. In Texas, while housing is generally less expensive than in many other states, it became more difficult to find affordable housing in many counties in the years following the end of the Recession."

The three key indicators of housing affordability for ALICE households in a given county are the affordable housing gap, the housing burden, and real estate taxes. These indicators, described below, show which counties offer an adequate supply of units that ALICE households can afford, a relatively low percentage of households that are "housing burdened," and low real estate taxes.

The Affordable Housing Gap

In Texas, housing is generally affordable for owners, and owning can be more affordable than renting in many parts of the state. But owning is still difficult for those at the low end of the market, since it requires a down payment, the ability to pay real estate taxes and insurance, and a credit rating that qualifies for a mortgage

While rental housing can be more expensive than home ownership, it became more accessible across Texas from 2010 to 2016. This is apparent from the affordable housing gap measure — an estimate of the difference between the total number of ALICE households (renters and owners) in a county and the number of available housing units that those households can afford while spending no more than one-third of their income on housing. This measure assesses the total housing stock in a county and includes subsidized as well as market-rate units that are affordable to ALICE and poverty-level households. The larger the gap, the harder it is for households below the ALICE Threshold to find affordable housing (Figure 39). For Texas renters, the average gap in affordable units has improved, falling from 12 percent in 2010 to 5 percent in 2016. Texas' affordable housing gap varies across counties and regions. The largest gap in 2016 was in Walker County, in Northwest Texas, at 44 percent; by contrast, there was no housing gap in Lamar and Polk counties in Northwest Texas and Potter County in West Texas, among others. The largest gaps are in urban areas, especially around Austin, Dallas, and Houston.

Housing Burden

The second key indicator of housing affordability in a county is housing burden — housing costs that exceed 30 percent of household income, as defined by the U.S. Department of Housing and Urban Development. That standard evolved from the United States Housing Act of 1937. While rent thresholds shifted over the ensuing decades, since 1981, the standard has been that 30 percent of income is the most a family can spend on housing and still afford other household necessities (Schwartz & Wilson, 2008).

The rate of housing burden in Texas is generally low for owners but remains much higher for renters, despite the fact that rates for both groups fell slightly from 2010 to 2016. On average in 2016, 47 percent of Texas renters paid more than 30 percent of their household income on rent in 2016, down from 50 percent in 2010. Among homeowners, 21 percent paid more than

30 percent of their income on monthly owner costs (which included their mortgage) in 2016, down from 26 percent in 2010 (American Community Survey, 2010 and 2016) (Figure 40).

Rates vary across the state. In 2016, the highest rates of housing burden across both renters and owners were in Brazos County in Central Texas (41 percent) and Webb County near the U.S./Mexico border (37 percent). Sparsely populated Borden County in West Texas and Kenedy County on the Gulf Coast had the lowest rates of housing burden at 6 and 8 percent, respectively, but their rates of housing burden were both higher than their 2010 levels (American Community Survey, 2016).

Real Estate Taxes

While related to housing cost, real estate taxes also reflect a county's standard of living. Even for renters, real estate taxes raise the cost of housing. The average annual real estate tax in Texas was $2,863 in 2016 (an 18 percent increase from $2,433 in 2010) (Figure 41). There is wide variation across counties, ranging from $376 in rural Borden County in West Texas to more than fifteen times that in populous Fort Bend County in Southeast Texas, at $5,658. From 2010 to 2016, taxes increased by more than 20 percent in half of Texas' counties. The largest increase was in Glasscock County in West Texas, where taxes rose by more than 138 percent (American Community Survey, 2010 and 2016).

Figure 40.
Housing Burden, Renters and Owners, Texas, 2016

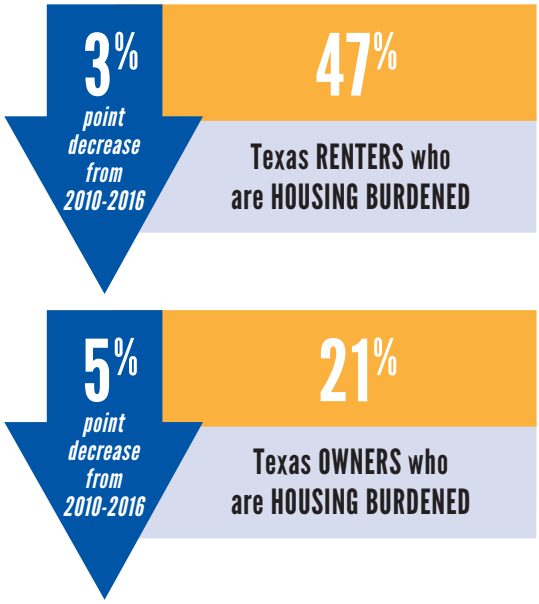
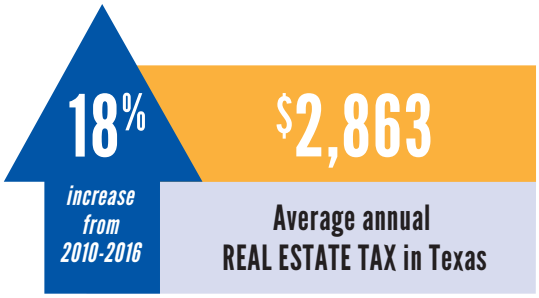


Figure 41.
Real Estate Taxes, Texas, 2016



COMMUNITY RESOURCES

Community resources — in the areas of education, health, and civic engagement — provide a fundamental support structure for working families. These resources can make a difference to the financial stability of ALICE households in both the short and long term. Yet it is a challenge across all Texas counties to find adequate key community resources, such as access to quality schools, high rates of health insurance coverage, and the types of community resources that create civic engagement.

Although there are concerns about educational achievement gaps by race and ethnicity, Texas is on par with the rest of the country overall in providing education resources (represented by preschool enrollment rates), but well behind most states in health insurance coverage and voter turnout. While some community resources are fairly evenly spread across Texas, others vary widely by county, suggesting that availability of these resources is determined by a combination of state-level factors and local policies.

Education Resources

The provision of public education has long been a fundamental American value, and education is widely regarded as a means to achieve economic success. Quality learning experiences have social and economic benefits for children, parents, employers, and society as a whole.

Education is also important for the health of communities: People with lower levels of education are often less able to be engaged in their communities and less able to improve conditions for their families. Over half of people without a high school diploma report not understanding political issues, while 89 percent of those with a bachelor's degree have at least some understanding of political issues. Similarly, having a college degree significantly increases the likelihood of volunteering, even controlling for other demographic characteristics (Baum, Ma, & Payea, 2013; Campbell, 2006; Mitra, 2011).

Early learning in particular enables young children to gain skills necessary for kindergarten learning and beyond, with 85 percent of brain development occurring by age 3 and 90 percent by age 5. Early education also enables parents to work, which enhances the family's current and future earning potential. For these reasons, the quality of education available to low-income children could be one of the most important determinants of their future success. In our analysis, the percentage of 3- and 4-year-olds enrolled in preschool is a proxy for the level of education resources in a county. The average share of 3- and 4-year-olds enrolled in preschool in Texas was 41 percent in 2016 (Figure 42). The Texas Public School Pre-Kindergarten Program is available in approximately 87 percent of Texas school districts. This free half-day program is open to students who meet at least one of the following conditions: qualify for free or reduced-price lunch (185 percent of FPL), are homeless, are in foster care, have a parent on active military duty or who was injured or killed on active duty, or are unable to speak or understand English. The program serves 7 percent of 3-year-olds and 49 percent of 4-year-olds in the state, and it meets 4 out of 10 benchmarks for quality standards (American Community Survey, 2016; Barnett, et al., 2017).

Figure 42.
Preschool Enrollment, Texas, 2016

Within Texas, preschool enrollment varies widely between counties. In 2016, 100 percent of 3- and 4-year-olds were enrolled in preschool in Foard County near the Oklahoma border and Menard County in West Texas, while just over 5 percent were enrolled in Crockett County in rural West Texas. This indicates that policies and resources devoted to early childhood education differ across the state according to population size, resource availability, and priorities (see Figure 39).

From early learning through post-secondary studies, ALICE households are challenged to find quality, affordable education and training at all levels in Texas. Secondary and higher education resources — including high school, two- and four-year colleges, and career and technical education — are important to the functioning of the state economy. Ultimately, basic secondary education remains essential for any job. According to the Alliance for Excellent Education, if only 5 percent more male students graduated from high school in Texas, annual earnings for that graduating class would increase by $119 million, and annual crime-related savings across the state would be $1.64 billion (Alliance for Excellent Education, 2013; National Skills Coalition and the Federal Reserve Banks of Atlanta and St. Louis, 2018).

Texas' public education system still does not produce equal results for all residents, as demonstrated by the educational achievement gap affecting students from low-income families and families of color. The Educational Equality Index ranked Texas 4th out of 34 states for which data was available with an

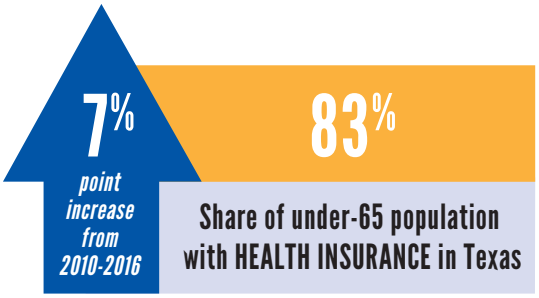
achievement gap below the national average, suggesting that some necessary changes are occurring. However, the state's K-12 achievement gap increased slightly between 2011 and 2014, underscoring the need for continued reforms to ensure that all Texas students have access to high-quality public education no matter where they live. Houston, the city with the state's largest non-White population, ranks 21st out of the nation's 100 largest cities on this measure (Education Equality Index, 2016).

These systemic differences affect high school performance and graduation rates. Among teenagers in Texas, 85 percent of Black students, 87 percent of Hispanic students, and 86 percent of all economically disadvantaged students (defined as qualifying for free or reduced-price lunch) graduated from high school compared to 93 percent of White students. As a result, their chances of going to college differ even more, with college enrollment nationally at 36 percent for Black teens and 39 percent for Hispanic teens, compared to 42 percent for White teens. In Texas, young Hispanic residents are almost four times more likely to have dropped out of high school and almost one-third as likely to have a bachelor's degree as their White peers. Young Black residents are almost twice as likely to have dropped out of high school and half as likely to have a bachelor's degree as their White peers (McFarland & Cui, 2018; National Center for Education Statistics, 2017; Postsecondary Analytics, 2018; Sanchez & Fowler, 2014).

Health Resources

For people living below the ALICE Threshold, poor health is both a cause and a consequence of being low-income. Access to quality, affordable health care is essential, and a strong predictor of receiving good care is having health insurance. Many ALICE families fall into a critical gap in health insurance coverage: They often earn more than Medicaid eligibility levels but not enough to afford the high deductibles of the lowest-cost Affordable Care Act plans.

Figure 43.
Health Insurance Coverage, Texas, 2016



The percentage of uninsured people in Texas decreased significantly over the last two decades, from 24.5 percent in 1995 to 17 percent in 2016 Barnett & Berchick, 2017; U.S. Census Bureau, 1995). With the introduction of the Affordable Care Act in 2014, low-income households have had more access to health insurance, though they are still slightly less likely to have coverage than higher-income households. Of Texas residents under age 65 with annual income below 200 percent of the FPL, 72 percent had health insurance in 2016, compared to 83 percent of residents under age 65 at all income levels (Kaiser Family Foundation, 2016c) (Figure 43).

Coverage rates vary across Texas, and as rates have improved, differences across counties have decreased. The highest rate of insured households is 96 percent in sparsely populated Borden County in West Texas, and the lowest is 64 percent in Presidio County, also in West Texas (see Figure 39) (American Community Survey, 2016).

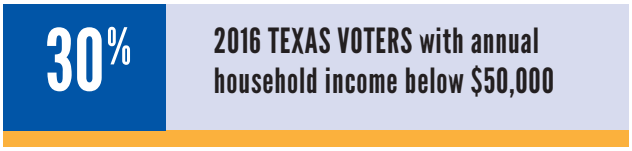
Texas was the 33rd healthiest state in the country in 2016, as measured by America's Health Rankings. Rankings are based on measures of behaviors, community and environment, policy, clinical care, and health outcomes. Texas' primary strengths were high rates of high school graduation, low rates of drug deaths, and a low prevalence of frequent mental distress. The state still struggles, however, with a high prevalence of diabetes and individuals without insurance, as well as a lower number of primary care physicians (United Health Foundation, 2016).

Civic Engagement

For this Report, voter turnout rates are a proxy for the level of civic engagement in a county. The share of voting-age Texas residents who voted in the 2016 presidential election (when turnout is traditionally highest) was 43 percent, well below the national average of 60 percent. According to Texas exit polls, ALICE households accounted for roughly one-third of the voting electorate: 30 percent of voters had household income below $50,000, 31 percent had income between $50,000 and $100,000, and 39 percent had income above $100,000 (CNN Politics, 2016; United States Elections Project, 2016; U.S. Election Assistance Commission, 2016) (Figure 44).

There was also great variation in voter turnout across the state: In counties where data was available, the turnout of voting-age residents in 2016 ranged from 19 percent in Winkler County on the New Mexico border to 98 percent in sparsely populated McMullen County in South Texas. Variation in voting is due not only to candidates and issues on the ballot for local elections, but also to the percentage of residents who are citizens and therefore eligible to vote. As a rough indicator, voter turnout shows that citizens are more active in some areas of the state than in others (American Community Survey, 2016; U.S. Election Assistance Commission, 2016) (see Figure 39).

Figure 44.
Voter Turnout, 2016 Presidential Election, Texas, 2016



VI. THE CONSEQUENCES OF INSUFFICIENT HOUSEHOLD INCOME

"When ALICE households cannot afford basic necessities, they are forced to make difficult choices and take costly risks."

When ALICE households cannot afford basic necessities, they are forced to make difficult choices and take costly risks. These decisions often include forgoing health care, high-quality child care, healthy food, or car insurance. But these cost-cutting strategies have direct impacts on the health, safety, and future of these households. The more financially burdened a family is, the more extreme the trade-offs and the risks. These decisions have consequences for the broader communities too, as they inadvertently reduce economic productivity, stress local health care and education systems, and raise insurance premiums and taxes for everyone (Figure 45).

This chapter reports the strategies that families in Texas are employing to survive, and how these strategies impact their immediate health and safety, their employment, where they live, what they eat, and how their children fare in school. While the challenges differ from family to family based on their own set of needs, the consequences are surprisingly similar. For more detailed information on consequences for ALICE households, and for a more national perspective, see the *ALICE Project* report *ALICE: The Consequences of Insufficient Household Income* on the ALICE website: UnitedWayALICE.org.

Figure 45.
Consequences of Insufficient Housing

	Impact on ALICE	Impact on Community
HOUSING		
Live in substandard housing	Inconvenience; health and safety risks; increased maintenance costs	Worker stressed, late, and/or absent from job: less productive; local economy suffers; higher health care costs; long-term impacts of toxin exposures; burdens on local code/ safety enforcement
Move farther away from job	Longer commute; increased costs and stress levels; safety risks in severe weather; less time for other activities; loss of nearby extended family support	More traffic on road; worker lateness and absenteeism affect co-workers, customers, and local economy; added costs of suburban sprawl; added demand for community support services
Homeless	Disruption to job, family, school, etc.	Costs for homeless shelters, foster care system, health care, law enforcement, and criminal justice

Suggested reference: ALICE Report – Texas, 2018

HOUSING

Housing is the cornerstone of financial stability, yet its high cost is a financial burden for many ALICE households. Homelessness is the worst possible outcome when ALICE cannot afford basic housing, but there are lesser consequences that also take a toll, including excessive spending on housing, living in substandard units or undesirable locations, or living far from work. Finding convenient and adequate housing that is affordable is challenging for low-wage

workers in many parts of Texas. A growing population and changing demographics have increased the demand for an already tight supply of smaller, low-cost housing units, especially rental units. In addition, the most recent economic challenges in Texas have cost many homeowners the equity in their homes and even forced some into foreclosure.

Strategy: Pay More for Housing Than a Family Can Afford

When faced with the cost of housing beyond their budget, most households pay more than they can afford. These families are called "housing burdened," defined as renters paying more than 30 percent of their income on rent, or owners paying more than 30 percent of their income on monthly homeowner costs, which include their mortgage. In Texas, 47 percent of renters were considered housing burdened in 2016, as were 21 percent of owners. Households with lower incomes are more likely to be housing burdened than those with higher incomes (American Community Survey, 2016; Texas Department of Housing and Community Affairs, 2016b).

To demonstrate how costly housing is in Texas, consider that at the Texas minimum wage of $7.25 per hour, a renter would have to work 97 hours per week in order to afford the Fair Market Rate for a two-bedroom apartment (Fischer & Sard, 2016; R. Johnson, 2015; National Low Income Housing Coalition, 2016).

Consequences

- **Less money for other necessities:** As a family's housing costs rise, they are often forced to forgo other basic needs, such as food, medicine, or child care.
- L**ess ability to save:** As more money is spent on housing, less is devoted to saving for an emergency or making investments in the future.
- **Greater risk of losing housing:** Rising costs result in more evictions and foreclosures.

Strategy: Rent or Buy in Less Desirable Locations

Because housing costs are linked to location, ALICE households are often forced to look for lower-cost housing in more remote or higher-crime areas located far from their jobs or lacking reliable public transportation.

Consequences

- **Living in unsafe and under-resourced neighborhoods:** These areas typically have high crime rates and run-down infrastructure. They are also often located far from full-service grocery stores, public services, and other necessities.
- **Increased transportation costs and longer commutes:** When ALICE homeowners live far from their employers, they end up spending more on transportation. Harvard University's Joint Center for Housing Studies estimates that low-income households that spend 30 percent or less of their income on housing (because it is in less desirable locations) in turn spend on average $100 more per month on transportation than those that allocate over half their income to housing (Annie E. Casey Foundation, 2015; Harvard University Joint Center for Housing Studies, 2016).

"When faced with the cost of housing beyond their budget, most households pay more than they can afford. These families are called "housing burdened," defined as renters paying more than 30 percent of their income on rent, or owners paying more than 30 percent of their income on monthly homeowner costs, which include their mortgage."

Strategy: Seek Rental Assistance

Subsidized housing units are an important source of affordable housing for ALICE families. Of the 1.3 million rental units across Texas that households with income below the ALICE Threshold can afford, approximately 21 percent are subsidized. Texas' affordable rental-housing programs reached 276,682 households across the state in 2016 (U.S. Department of Housing and Urban Development, n.d.).

Consequences

- **Forgoing work and career growth:** Because of eligibility cutoffs, ALICE and poverty-level families can lose their housing assistance if they get a better job, work more hours, or receive a raise that pushes their income above the cutoff. Some families make the difficult choice to forgo work or higher-paying jobs for fear of losing housing assistance, which is so hard to obtain in the first place.
- **Living in less desirable neighborhoods:** Subsidized housing is often located in neighborhoods that have run-down infrastructure, higher crime rates, and less access to necessities like full-service grocery stores and public services.

Strategy: Rent or Buy Substandard Apartments or Homes

Because housing costs are often linked to quality, ALICE households are often forced to choose homes that are in substandard condition. Inspections for code violations in Texas found pest infestation, mold, sewage leaks and dangerous living conditions that can persist for years (Moore, Middleton, & Todd, 2018; Texas Department of Housing and Community Affairs, 2016b; Way & Fraser, 2018).

"Living in unsafe housing for an extended period of time causes prolonged, elevated physiologic stress – often called "toxic stress" – which has a negative impact on mental and physical health. Toxic stress is particularly harmful to young children and can affect their performance in school."

Consequences

- **Physical and behavioral health risks:** Sixty-three percent of households living in the state's low-cost housing units report having at least one housing problem, including 72,056 units that lack complete kitchen and/or plumbing facilities. Poor health conditions in substandard housing increase the risks of asthma, respiratory illnesses, nosebleeds, and severe headaches, and exacerbate existing medical problems (American Community Survey, 2016; Texas Department of Housing and Community Affairs, 2018).
- **Maintenance costs:** Low-cost housing often needs maintenance, so ALICE families face the additional cost of upkeep as well as the safety risks of do-it-yourself repairs — and possibly greater risks when repairs are not made. A costly repair can threaten the safety or livelihood of an ALICE household.
- **Long-term effects on health and well-being:** Living in unsafe housing for an extended period of time causes prolonged, elevated physiologic stress — often called "toxic stress" — which has a negative impact on mental and physical health. Toxic stress is particularly harmful to young children and can affect their performance in school. It also reduces residents' earning potential, compromising their ability to save for emergencies or for the future (Duncan, Magnuson, & Votruba-Drzal, 2014; Moore, et al., 2018).

Strategy: Borrow at High Rates to Own a Home

In some locations, homeownership would be less expensive than renting, and would offer a way for a family to build equity — a key to economic mobility and stability. Texas is among the top 25 percent of states in affordability for homeownership according to Prosperity Now,

based on the ratio of median housing value to median income (Prosperity Now, 2018). However, many potential homeowners do not qualify for competitive financing rates or do not have savings for a down payment. Nationally, the two most common reasons renters cite for renting rather than owning a home are that they don't think they can afford the down payment (50 percent of respondents) or they don't believe that they will qualify for a mortgage (31 percent), according to the Federal Reserve's 2014 Survey of Household Economics and Decisionmaking (Federal Reserve, 2015).

"For an ALICE household, a foreclosure not only results in the loss of a stable place to live and an owner's primary asset but also reduces the owner's credit rating, making future home purchases and rentals more difficult."

Consequences

- **High-risk loans:** With the tightening of mortgage regulations, those who do not qualify for traditional mortgages look for alternatives, leading to an increased use of "contract for deed" or "rent-to-own" mortgages. The terms are not favorable to buyers; under a contract for deed in Texas, the buyer only has an equity interest after they have paid 40 percent of the loan or made 48 monthly payments. In addition, consumers can lose their homes by being a few days late on one payment. Even despite having made timely payments for years, they are forced to leave the property with no stake in the investment (Attorney General for Texas, n.d.).

  Contract for deed mortgages are especially common in colonias, a state designation of a neighborhood within 150 miles of the Mexico border comprised primarily of low-income households and defined by poor physical and economic conditions, including limited infrastructure and substandard housing (Ward, Way, & Wood, 2012).

- **Growth of the alternative financial products industry:** The need for high-risk loans — in both mortgages and other types of borrowing — is reflected in the growth of alternative financial products. With little regulation in Texas, there is widespread use of payday and auto title loans (Baylor, 2014; Edelman, Zonta, & Gordon, 2015; Kusisto, 2015; Texas Office of Consumer Credit Commissioner, 2017).

- **Greater hardship over time:** High-risk loans may assist households in the short term, but in the longer term those households incur both higher costs and lower returns on investment.

Strategy: Sacrifice a Home to Foreclosure

ALICE families who own their homes are more likely than higher-income families to have a sub-prime mortgage. Almost by definition, most sub-prime mortgages are sold to low-income households, and now these households make up the majority of foreclosures. An additional factor is often property tax: When rates increase faster than wages or the value of the home, homeowners may be burdened with additional expenses they cannot manage. Foreclosures have subsided in Texas with the current rate at .04 percent, below the national average of .05 percent, though rates are higher around Austin, Dallas, Houston, and San Antonio (RealtyTrac, 2018).

Consequences

- **Longer-term financial instability:** For an ALICE household, a foreclosure not only results in the loss of a stable place to live and an owner's primary asset but also reduces the owner's credit rating, making future home purchases and rentals more difficult. With few or no other assets to cushion the impact, ALICE households recovering from foreclosure often have difficulty finding new housing (Bernanke, 2008; Frame, 2010; Kingsley, Smith, & Price, 2009).

"Education is one of the few ways ALICE families can get ahead in the long run. Yet in the short-term, it is a challenge to find quality, affordable child care, strong public schools, and affordable higher education in many parts of Texas."

- **Homelessness:** Texas had 23,548 people homeless on a single night in January 2017, representing a 1.8 percent increase from the previous year. Of those people, 64 percent, or 15,055, were sleeping in a shelter or transitional housing while the remaining 8,493 were sleeping in a place not meant for human habitation (such as outside or in a bus terminal). Slightly less than one-third (6,840) were part of a homeless family, the vast majority of which were sleeping in shelters. Texas' total homeless population included 2,200 veterans and 1,318 unaccompanied youth under the age of 25 (U.S. Department of Housing and Urban Development, 2017).

Future Trends: Housing for ALICE Families

- The cost of housing will continue to add the biggest pressure to the Household Survival Budget.
- Geography, economics, and, in some places, zoning laws will continue to limit the potential for new small or low-cost units to be built in economically prosperous areas.
- Substandard units may be less available for ALICE renters in the future, as these units are most vulnerable to disasters and to redevelopment.
- Young adults and seniors will drive increased demand for smaller lower-cost homes and rental units.

CHILD CARE AND EARLY EDUCATION

Figure 46.
Consquences of Insufficient Child Care

	Impact on ALICE	Impact on Community
CHILD CARE AND EDUCATION		
Substandard child care	Health, safety and learning risks; limited future employment opportunity	Future need for education and social services to close achievement gaps; less productive worker; child care regulation demands
No child care	One adult in household cannot work; forgoing immediate income and future promotions	Future need for education and other social services; possible child welfare system involvement
Substandard public education	Learning risks; limited earning potential/ mobility; limited career opportunity	Stressed parents; lower-skilled workforce; future need for social services; reduced long-term economic growth; less civic engagement

Suggested reference: ALICE Report – Texas, 2018

Infancy to Kindergarten: Child Care and Early Education

Education is one of the few ways ALICE families can get ahead in the long run. Yet in the short-term, it is a challenge to find quality, affordable child care, strong public schools, and affordable higher education in many parts of Texas. As a result, ALICE families often forgo educational opportunities, with consequences both for their earning potential and for the development of human capital in their communities.

These challenges start early: Quality, affordable child care is one of the most important — and most expensive — budget items for ALICE families. The consequences for a family of not having child care are twofold: The child may not gain pre-learning skills necessary for success in kindergarten and beyond, and one parent has to forgo work, limiting both current income and future earning potential. A recent Texas Education Agency report shows the long-term impact of preschool: Eligible Texas students who participated in public pre-kindergarten in 1999 attended college at a 6.8 percent higher rate than their peers who were eligible but did not attend public pre-kindergarten. As discussed in Section II, child care in Texas is often the most expensive item in the Household Survival Budget (Texas Education Agency, 2017a, 2017b).

The broad need for child care in Texas is clear given that 80 percent of all Texas families with children had all available parents in the workforce in 2016 — one of the 10 highest rates in the country, compared to the national average of 88 percent (Working Poor Families Project, 2016).

The National Household Education Surveys (NHES) Program reports that nationally in 2016, about 60 percent of the 21.4 million children under 6 years old who were not yet enrolled in kindergarten were in a non-parental care arrangement on a regular basis. In Texas, 42.6 percent of 3- and 4-year-olds are enrolled in early childhood education, the 39th highest rate in the country (Prosperity Now, 2016a). The NHES Early Childhood Program Participation survey found that nationally in 2016, 57 percent of children under 6 years old had parents who reported that they felt there were good choices for child care where they lived; 32 percent of parents who had difficulty finding child care reported that cost was their primary challenge (National Center for Education Statistics, 2018).

Cost and quality of care varied based on family income levels; those with higher income felt they had better choices for their children. For example, 48 percent of households with annual incomes between $20,000 and $50,000 felt there were good choices for child care, compared with 69 percent of households with incomes of over $100,000 (National Center for Education Statistics, 2018).

"The average cost of registered home-based child care is $553 per month for an infant in Texas, and the cost for a 4-year-old is $434 per month. By comparison, a licensed, accredited child care center for an infant costs 32 percent more on average."

Strategy: Choose Home-Based Child Care

Families who cannot afford more highly regulated child care programs may opt for less expensive options, including registered home-based care or relying on friends and neighbors in formal and informal ways. The average cost of registered home-based child care is $553 per month for an infant in Texas, and the cost for a 4-year-old is $434 per month. By comparison, a licensed, accredited child care center for an infant costs 32 percent more on average. Cost also varies depending on where families live; the cost of child care in urban areas is 22 percent higher on average than in rural areas (Child Care Aware of America, 2016; Texas Workforce Commission, 2017).

Home-based care is also more common in low-income and rural areas, where there are "child care deserts" — areas with shortages of licensed child care options. In rural areas, the long travel time to work, the lack of public transportation, and the overall increased irregularity of work schedules make conveniently located child care even harder to find (Malik, Hamm, Adamu, & Morrissey, 2016).

"The U.S. Department of Health and Human Services sets the affordability guideline for household spending on child care at 10 percent of household income. Yet in the ALICE Household Survival Budget for a family with two children, the cost of child care equals approximately 25 percent of the family's budget."

Consequences

- **Less academic preparation:** Home-based care is the right fit for some families, and many home-based child care centers are of extremely high quality. Overall, however, center-based child care has been shown to consistently offer higher-quality academic preparation than informal settings, equipping children with higher levels of math and reading skills as they enter kindergarten. Children in home-based care may be at a disadvantage compared to those who attended center-based programs (Bassok, Fitzpatrick, Greenberg, & Loeb, 2016; Forry, et al., 2012).
- **Health and safety risks:** Higher-quality settings are likely to have better health and safety practices. In Texas, all organized care facilities serving thirteen or more children must be licensed by the Department of Family and Protective Services. Unlicensed, home-based child care, while often less expensive, is not fully regulated, so the safety of home-based care can vary greatly from site to site (National Economic Council and the President's Council of Economic Advisers, 2014; Texas Department of Family and Protective Services, 2018b, 2018c).

Strategy: Pay More for Care Than the Family Budget Allows

One option some families choose is to pay more of their budget for child care than they can afford. The U.S. Department of Health and Human Services sets the affordability guideline for household spending on child care at 10 percent of household income. Yet in the ALICE Household Survival Budget for a family with two children, the cost of child care equals approximately 25 percent of the family's budget. And beyond the cost of quality early education, there are additional expenses, including care before and after child center hours as well as transportation to and from child care (U.S. Department of Health and Human Services, 2013).

Consequences

- **No money for other necessities or for savings**
- **Increased debt**

Strategy: Access Child Care Support

The Texas Workforce Commission subsidizes child care for low-income families. Access to child care assistance is often provided on the condition that a parent is working or attending workforce training or education activities. Eligibility requirements and coverage amounts vary by service area as rates and eligibility are controlled by local workforce development boards. In many locations in Texas, the limit is above the FPL but below the Household Survival Budget, so many ALICE families do not qualify for assistance despite the fact that they struggle to afford quality early care and education. The demand for this assistance is evident by the waiting list in many service areas (Shaefer & Edin, 2013; Texas Workforce Commission, 2018; Workforce Solutions, 2018; Workforce Solutions North Central Texas, 2018).

Consequences

- **Income cliffs:** The "cliff effect" occurs when a household loses social benefits once its income surpasses the maximum income eligibility level for those benefits. The income or fiscal cliff is quite low in Texas for SNAP and Medicaid, and especially for child care subsidy programs (Hawley & Maurer, 2015; Welton, 2017).

- **Lost income opportunities:** Some workers forgo a raise or a new job in order to keep their household income below the eligibility limits for child care assistance (Welton, 2017).

Strategy: Live in a District with Publicly Funded Preschool

Public preschools provide great savings to ALICE and poverty-level families. In 2016, public preschool programs in Texas enrolled almost 20,000 children out of the total state pre-kindergarten enrollment of 220,640. That same year, the state ranked 28th nationally in terms of spending per preschool student, at $4,111 per year. In terms of quality, the Texas Public School Prekindergarten Initiative — which offers half-day preschool to children whose families have incomes up to 185 percent of the FPL or who are homeless, are in foster care, have a parent on active military duty, or don't speak or understand English — has contributed to Texas' preschool access ranking of 14th nationally for 3-year-olds and 10th nationally for 4-year-olds. However, there is still room for growth, as the program meets the benchmark for only four of 10 quality standards (National Institute for Early Education Research, 2016).

Consequences

- **Persistent gaps in care:** Most publicly funded preschool programs do not offer wraparound care (before- and after-school hours) or summer care.
- **Inconsistent enrollment:** Beginning in 2010, half of 4-year-olds and 6 to 7 percent of 3-year-olds in Texas attended preschool. Interestingly, with the broad availability of public preschool (available in 87 percent of school districts by 2016), overall preschool attendance is higher for children in low-income households than for those in higher-income households. Of the 227,568 students enrolled in Texas' state-provided Pre-K during the 2012-2013 school year, 87 percent were economically disadvantaged (National Institute for Early Education Research, 2017; Texas Education Agency, 2016).
- **Logistical challenges and additional costs:** The minimum schedule for public preschool in Texas is only three hours per day. This leaves many working parents needing additional child care that is often not subsidized, as well as transportation between two child care sites in the middle of the day (National Institute for Early Education Research, 2016).

"Public preschools provide great savings to ALICE and poverty-level families. In 2016, public preschool programs in Texas enrolled almost 20,000 children out of the total state pre-kindergarten enrollment of 220,640."

Strategy: Go Without Child Care

Faced with challenges of cost and access, some ALICE families simply forgo child care. With state-funded preschool, most children from low-income families in Texas have access to at least three hours a day of care, but for children younger than age three in these families, there is a gap. Nationally, child care and early-education attendance remain closely tied to income, particularly in terms of preschool. In 2014, less than half of 3- and 4-year-olds in families earning under $50,000 a year were enrolled in preschool, whereas 60 percent were enrolled among families earning more than $75,000 a year, and 76 percent were enrolled among families in the top income quintile.

Consequences

- **Lack of school readiness**
- **Loss of family income for family caregiver who stays at home**
- **Loss of education and career advancement for family caregiver who stays at home**

Strategy: Modify Work Schedules

In some ALICE families, one option is for one or both parents to modify their work schedule to minimize child care hours or conform to child care providers' standard hours. This includes working part time, working night shifts, or doing home-based work. In many cases, one parent stops working entirely until children reach school age (Ben-Ishai, Matthews, & Levin-Epstein, 2014; Golden, 2015; Han, 2005; Rachidi, 2015).

Consequences

- **Reduced income**
- **Difficulty of changing nonstandard schedules for low-income workers**
- **Added family stress**
- **Loss of work-related child care benefits**

K–12 Public Education

One area of particular concern for Texas' ALICE households is the achievement gap in the state's public schools. Across the state, low-income students and students of color performed lower on test scores throughout K–12 and had lower high school graduation rates than their White or higher-income counterparts.

"One area of particular concern for Texas' ALICE households is the achievement gap in the state's public schools."

Though Texas has a smaller achievement gap than most states, according to the Education Equality Index, the gap is growing, especially in the state's largest cities. In terms of overall student achievement, Texas ranks 24th in the U.S., according to Education Week's Quality Counts report. The most recent data from 2013 shows that only 29 percent of fourth graders in Texas were proficient in reading, as compared to the national average of 34 percent. In eighth grade reading, only 31 percent of Texas students were proficient, versus a national average of 34 percent, according to 2015 National Assessment of Educational Progress testing. Scores for Black and Hispanic students continued to lag behind those of White students in 2016. Average fourth-grade math scores for public school students were 9 percent lower for Black students and 7 percent lower for Hispanic students than for White students, and 9 percent lower for those eligible for the National School Lunch Program than for those who were not eligible (Education Equality Index, 2016; Education Week, 2016; Education Week Research Center, 2015; National Assessment of Educational Progress, n.d.).

By high school, the overall student achievement gap narrows somewhat. Texas' public high school graduation rate was 89 percent in 2016, higher than the national average of 83 percent. However, the rates were lower for economically disadvantaged students (86 percent), those with limited English proficiency (74 percent), and those in special education (78 percent). Rates also vary markedly by race: For the 2015–2016 school year in Texas, the graduation rate was 85 percent for Black students and 87 percent for Hispanic students, compared to 93 percent for White students. Graduation rates are lower for males than females in all racial and ethnic groups (Schott Foundation for Public Education, 2015; Texas Education Agency, 2017c).

Strategy: Move to a Better Performing School or District

Past policy choices and an array of systemic forces — including housing discrimination — have segregated many children into under-resourced neighborhoods and low-quality schools.

Although neighborhoods and schools are modestly more integrated by race than they were decades ago, significant racial segregation persists. In most states, there is wide variation in school performance across school districts. Parents in search of better-performing schools may change schools (if school choice is available) or move to a different neighborhood (if they have the means) (National Center for Education Statistics, 2014; U.S. Department of Housing and Urban Development, 2016a).

Consequences

- **Long commute:** Moving to a better school district may add a travel burden to working parents.
- **More expensive housing:** Housing is generally more expensive in higher-performing school districts.

Strategy: Drop Out of High School

Low-income students are less likely to graduate high school in Texas than their higher-income peers, with a dropout rate of 14 percent in 2016 (Texas Education Agency, 2017c).

Consequences

- **Lower wages:** Jobs that require less than a high school degree pay the least.
- **Lower lifetime earnings:** The estimated difference in the net earnings of a high school graduate versus a high school dropout in the U.S. ranges from $260,000 to $400,000 over that person's lifetime (Carnevale, Rose, & Cheah, 2011).

Higher Education

Less than half of low-income students in Texas attend college immediately after high school, while 80 percent of children from high-income families do. In 2013, economically disadvantaged (receiving free or reduced-price lunch), college-prepared high school graduates were 13 percent less likely than other college-prepared students (45 percent vs. 58 percent) to enroll in a Texas four-year college after graduation. Young adults in Texas with a bachelor's degree earned over $1 million more during their lifetime compared to their counterparts with only a high school degree (Fernandez, Fletcher, & Klepfer, 2016).

"In 2013, economically disadvantaged (receiving free or reduced-price lunch), college-prepared high school graduates were 13 percent less likely than other college-prepared students (45 percent vs. 58 percent) to enroll in a Texas four-year college after graduation."

The obstacles to higher education for low-income students include financial constraints as well as the lack of an educational foundation for college success. Without the minimum preparation in K–12, many low-income students do not have the skills needed to do well in college, such as sufficient reading and writing abilities. Some of these can be mastered in college, but that remediation takes time away from requirements to earn a college degree, costing students more time and money.

Strategy: Do Not Attend or Complete College

Many low-income students or their families do not have the resources to either afford college tuition or forgo earnings while attending college. Though many students have part-time jobs in college (40 percent of full-time students and 76 percent of part-time students in 2013), they often cannot earn enough to support themselves, meet their family obligations, and pay tuition. Working can also negatively impact grades and delay graduation, prolonging the period of little or no income, while adding to tuition costs (Carnevale, Smith, Melton, & Price, 2015; National Center for Education Statistics, 2016).

Consequences

- **Being passed over for well-paying jobs:** In an increasingly technology-based economy, workers will need digital skills to advance in the workplace.
- **Lower lifetime earnings:** Nationally, the difference in the net lifetime earnings of a high school graduate versus someone with a bachelor's degree is estimated at $830,800 (Daly & Bengali, 2014).
- **Poorer health in the future.** Higher levels of education – which contribute to both greater income and less toxic stress – have been linked to better health outcomes (Center on Society and Health, 2015; Zimmerman, Woolf, & Haley, 2015).

Strategy: Take on Student Loan Debt

Tuition debt has increased over time, and many students now incur ongoing loans. Student debt is often a reason why young adults become ALICE. Seven in 10 students (69 percent) who graduated from public and nonprofit colleges in 2014 had student loan debt, owing an average of $28,950 (Project on Student Debt, 2015). When students drop out of college, they are often saddled with loans, yet they miss out on earning a degree that would lead to a higher income and the ability to repay those loans.

"Tuition debt has increased over time, and many students now incur ongoing loans. Student debt is often a reason why young adults become ALICE."

Consequences

- **Higher loan default rates:** The default rate for students who entered repayment of loans in 2013 and 2014 is 11.5 percent nationally.
- **Increased mental and physical health problems:** Inability to repay student debt can lead to increased stress levels or contribute to poorer physical health (Walsemann, Gee, & Gentile, 2015).
- **Less money for current expenses or savings.**

Future Trends: Child Care and Education for ALICE Families

ALICE households have few means to change the educational trajectory that places low-income students in poorer quality schools and increases their risk for not graduating high school or not attending or completing college. There have been several national attempts at education reform in recent decades, with mixed results.

Trends in Child Care

- The number of families with children has been decreasing for the last decade, and with millennials delaying marriage and having children, this trend is expected to continue.
- The child care facility industry is dominated by single proprietors who are susceptible to changes in the job market.
- Low-paid child care workers are also ALICE. Increasing wages for these workers would also increase the cost of care for ALICE families.
- Given the ongoing issues with cost and availability of child care, it is expected that regular child care arrangements with a relative will continue to be the most commonly used form of care.

Trends in Education

- Charter schools will play an increased role in public education.
- Earning potential will continue to be tied to education.

FOOD

"According to Feeding America's 2015 Map the Meal Gap study, 17.6 percent of Texas' residents are food insecure, including 1,899,310 children."

Having enough food is a basic challenge for ALICE households. The U.S. Department of Agriculture (USDA) defines food insecurity as the lack of access, at times, to enough food for an active, healthy life for all household members and limited or uncertain availability of nutritionally adequate foods. Food insecurity is most widespread among the lowest income groups, and it is often a recurrent situation. USDA national data has found that on average, both households with low food security (lower quality, variety, and desirability of food) and those with very low food security (multiple instances of disrupted eating patterns and reduced food intake) were food insecure for seven months of the year. Chronic food insecurity leads to less healthy eating and increased stress, which both contribute to poor health (Coleman-Jensen, Rabbitt, Gregory, & Singh, 2016).

Figure 47.
Consquences of Insufficient Food

	Impact on ALICE	Impact on Community
FOOD		
Less healthy	Poor health; obesity	Less productive worker/student; increased future health care costs and demand
Not enough	Poor daily functioning; increased incidence and severity of illness	Even less productive worker/student; increased future need for and higher cost of social services and health care

Suggested reference: ALICE Report – Texas, 2018

According to Feeding America's 2015 Map the Meal Gap study, 17.6 percent of Texas' residents are food insecure, including 1,899,310 children. Similarly, according to the USDA, between 2013 and 2015, 15.4 percent of Texas households experienced food hardship, above the national average of 13.7 percent. There are also much higher rates of food insecurity in some counties, including 24 percent in Marion and Morris counties and more than 25 percent in San Augustine County (Coleman-Jensen, Rabbitt, Gregory, & Singh, 2016; Feeding America, 2015, 2016; Gundersen, Engelhard, Satoh, & Waxman, 2014; U.S. Department of Agriculture, 2015).

The cost of moving from food insecurity to security provides insight into how thin the line is between financial hardship and stability. Feeding America's Map the Meal Gap study found that the average cost to move a person to food security was less than $16 per week in 2012 (Gundersen, Engelhard, Satoh, & Waxman, 2014). And that investment creates badly needed savings: In 2014, the U.S. spent an estimated $160 billion on health care costs related to hunger and food insecurity (Cook & Poblacion, 2016).

Strategy: Eat Less Food and Less Healthy Food

When households do not have enough money for food, they not only reduce the amount of food they eat, but they eat fewer healthy foods, which are typically more expensive. According to a recent national survey from Feeding America, buying inexpensive, unhealthy food is the most commonly reported coping strategy for food insecure families (reported by 78.7 percent of respondents), followed by buying food that has passed its expiration date (56 percent) (Feeding America, 2014).

In addition to cost, many ALICE and poverty-level families have few healthy food options due, in part, to work schedules. Many low-income households work long hours at low-paying jobs and do not have time to regularly shop for and prepare low-cost meals. Even the USDA Thrifty Food Plan — the lowest of the federal government's four family food budgets — requires skill in buying and cooking foods that need a lot of home preparation time with little waste (AARP, 2015; Drewnowski & Eichelsdoerfer, 2010; Hanson, 2008; Leibtag & Kumcu, 2011).

Proximity to full-service grocery stores is also a problem. ALICE and poverty-level families are faced with higher prices for and often minimal access to fresh food in low-income neighborhoods, which makes healthy cooking at home difficult and unaffordable. In fact, 32 percent of Texas neighborhoods did not have healthy food retailers within a half-mile in 2014, higher than the national average of 29 percent. In Texas, 42.5 percent of adults and 42.1 percent of adolescents do not eat fruit daily, while 21.5 percent of adults and 47.4 percent of adolescents do not eat vegetables daily. Nationally, 37.7 percent of adults and adolescents eat less than an average of one fruit or vegetable per day (Centers for Disease Control and Prevention, n.d.-a, 2018).

"ALICE and poverty-level families are faced with higher prices for and often minimal access to fresh food in low-income neighborhoods, which makes healthy cooking at home difficult and unaffordable."

Consequences

- **Poorer health:** Numerous studies have shown associations between food insecurity and the general problems of low energy and poor nutrition, as well as specific adverse health outcomes such as coronary heart disease, cancer, stroke, diabetes, hypertension, and osteoporosis.
- **Increased obesity:** Food insecurity and obesity are linked. Low-income families with less money to buy healthy food are more likely to be obese (United Health Foundation, 2018).

Strategy: Seek Food Assistance

The second most common strategy among families who cannot afford enough food is to seek federal or charitable food assistance. The use of government food programs, as well as soup kitchens, food pantries, and food banks, has increased steadily through the Great Recession to the present.

- **SNAP:** Income eligibility for the federal Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) in Texas is approximately 150 percent of the FPL. Enrollment in SNAP almost doubled in Texas from 2010 to 2014 and stayed flat from 2014 to 2016, at 1.2 million households. The overall increase was the result of greater need as income declined and more households became eligible, along with the 2009 American Reinvestment and Recovery Act, which boosted SNAP eligibility and outreach. Funding for these efforts expired in 2013, at which point SNAP enrollment slowed, as some individuals no longer qualified and many others had their benefits

reduced (Betley, Szanton, Samuel, & Cahill, 2016; Dean & Rosenbaum, 2013; Texas Health and Human Services, 2018; U.S. Department of Agriculture, 2016b).

- **WIC:** The number of Texas children receiving the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) fell from 955,072 in 2013 (the year the WIC methodology was revised) to 859,819 in 2016, with the average monthly cost increasing from $26.46 to $29.81 per person. This was still well below the U.S. average of $41.23 in 2016 (U.S. Department of Agriculture, 2018).

- **Food pantries:** Many households also rely on food pantries for access to freely available necessities. Use of food pantries is highly correlated with economic indicators like long-term unemployment. In 2015, the Feeding Texas network of 21 food banks provided services to over 3.5 million Texans. Nationally, the number of unique clients served by Feeding America programs increased by roughly 25 percent from 2010 to 2014 and reached 46.5 million people in 2015 (Feeding America, 2014; Feeding Texas, 2016; Shackman, Yu, Edmunds, Clarke, & Sekhobo, 2015).

Consequences

- **Assistance not easily accessible:** Seeking food assistance takes time and requires knowledge of how to navigate benefits systems.
- **Stigma:** For many families, using public food assistance also brings an emotional toll.
- **Eligibility limits:** Not all hungry families can access federal food benefits.
- **Insufficient federal food benefits:** Federal food benefits fall short of meeting families' actual needs.

"Use of food pantries is highly correlated with economic indicators like long-term unemployment. In 2015, the Feeding Texas network of 21 food banks provided services to over 3.5 million Texans."

Strategy: Forgo Other Essentials

Low-income households often neglect other needs, such as medical care, in order to afford food.

Consequences

- **Forgoing medical care:** Food insecure families are more likely than other households to have no regular source of medical care and to put off buying or taking medications. Children in food insecure households are also more likely to skip recommended well-child visits (Ma, Gee, & Kushel, 2008). Dental care is even more likely to be ignored, with many food insecure households reporting that they had not visited a dentist in the last five years (Harrison, 2003).
- **Reduced housing budget:** In a survey commissioned by Feeding America, 57 percent of respondents reported choosing between food and rent or mortgage payments. Up to 69 percent could not cover the costs of both food and utility bills in the previous year, and 34 percent faced that dilemma every month (Feeding America, 2014).

Future Trends: Feeding ALICE

- The use of food pantries by young adults is increasing.
- As the U.S. population ages, the number of food insecure seniors will increase.
- The number of long-term food assistance users is rising.

TRANSPORTATION AND COMMUTING

Working households need access to transportation in order to get to their jobs reliably and on time. Transportation access also determines how easily a household can reach health care providers, grocery stores, and schools. Yet families struggling with insufficient income may not be able to lease or buy a car or find housing near public transit. This creates a wide range of possible consequences for all members of the household.

Figure 48.
Consequences of Insufficient Transportation

	Impact on ALICE	Impact on Community
TRANSPORTATION		
Old car	Unreliable transportation; risk of accidents; increased maintenance costs	Worker stressed, late, and/or absent from job; lower productivity and economic competitiveness; unsafe vehicles on road; increased pollution
No insurance/ registration	Risk of fine; accident liability; risk of license being revoked	Higher insurance premiums for all; unsafe vehicles on the road
Long commute	Increased costs and stress levels; safety risks in severe weather; less time for other activities	More traffic on road; workers late to job; lower productivity and economic competitiveness; increased demand for road maintenance and services; costs of urban sprawl
No car	Limited employment opportunities and access to health care/child care	Reduced economic productivity; higher taxes for specialized public transportation; greater stress on emergency response systems

Suggested reference: ALICE Report – Texas, 2018

"Given this public transportation landscape, as well as the sheer size of the state and its large rural areas, there are some unique commuting patterns in Texas. A majority of workers need a car to get to their jobs, and this poses particular challenges for ALICE workers, many of whom work in the service sector and are required to be on the job in person."

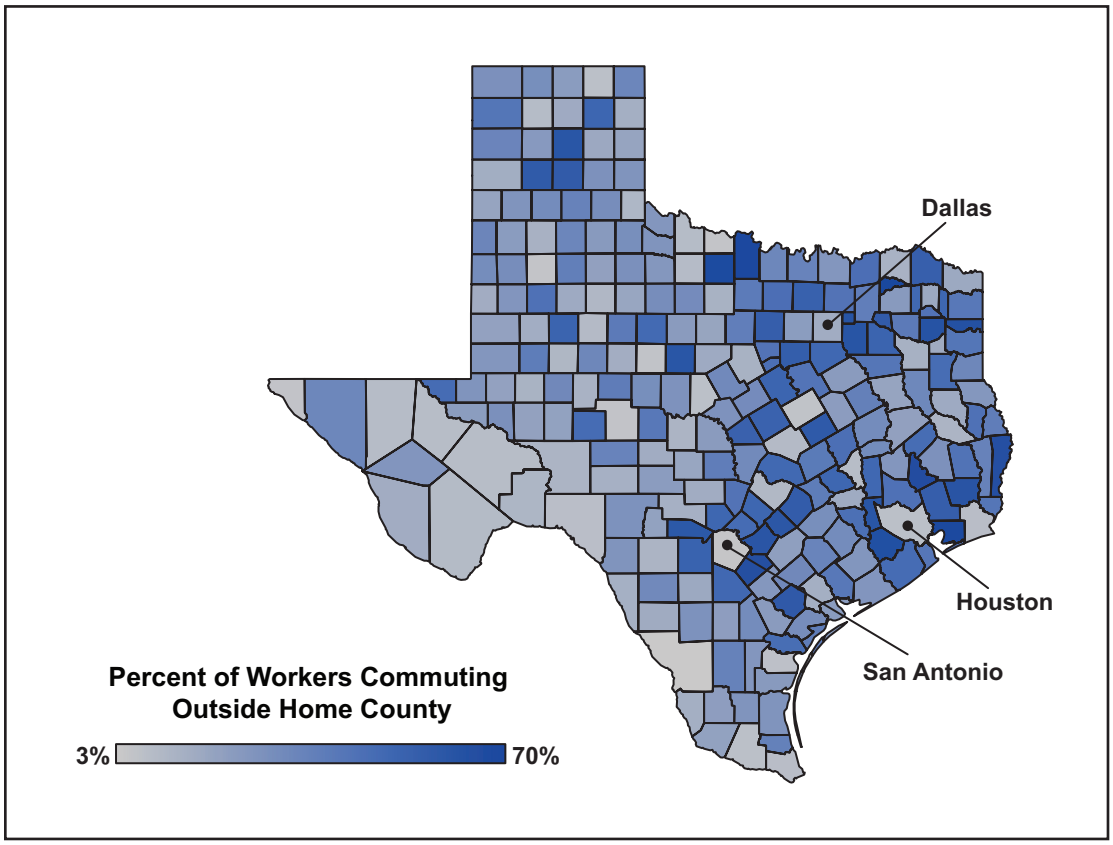
In most Texas counties, there is no public transportation available to workers. In almost all counties in the state, an average of only about 1 percent of workers use public transportation to get to their jobs (American Community Survey, 2016).

Given this public transportation landscape, as well as the sheer size of the state and its large rural areas, there are some unique commuting patterns in Texas. A majority of workers need a car to get to their jobs, and this poses particular challenges for ALICE workers, many of whom work in the service sector and are required to be on the job in person. In 2016, 80 percent of Texas workers drove alone to work; some chose this for convenience, while others with variable work hours had no choice (American Community Survey, 2016).

With many workers in rural areas living where they work, commutes in Texas are shorter than in many states; the mean travel time to work is equal to the national average of 26 minutes. However, travel time is higher in some parts of the state and especially near urban areas, where housing is more expensive. San Jacinto County in Southeast Texas has the state's longest commute, with workers commuting more than 40 minutes on average. Long commutes reduce time for other activities such as exercise, shopping for and cooking healthy food, and community and family involvement (County Health Rankings, 2016).

Another way to look at transportation is that 22 percent of commuters in Texas — predominantly using private transportation — commuted to another county for work in 2014 (the latest data available). There is variation across the state, with most commuting occurring in counties surrounding the large metro areas (U.S. Census Bureau, 2009–2013) (Figure 49).

Figure 49.
Percentage of Workers Commuting Outside Home County, Texas, 2014



Source: U.S. Census Bureau, 2014

Strategy: Forgo Other Expenses to Buy and Maintain a Car

Owning and operating a car in the U.S. is expensive: $8,558 annually on average, according to the American Automobile Association (AAA). The average cost of maintenance and repair of a car increases significantly after three years, and more than quadruples for most models after 10 years. Long commutes also add costs (such as car maintenance, gas, and child care) that ALICE households cannot afford (AAA, 2016; Bricker, Kennickell, Moore, & Sabelhaus, 2012; Consumer Reports, 2017).

"Owning and operating a car in the U.S. is expensive: $8,558 annually on average, according to the American Automobile Association (AAA)."

Consequences

- **Less money available for other necessities**

Strategy: Minimize Car Expenses

Since many ALICE families cannot afford the high cost of car ownership, they choose less expensive vehicles and keep them for longer. The median car value for low-income families is $4,000, or about one-third of the $12,000 median value of cars owned by middle-income families. While these older cars are more affordable upfront, they are more likely to be less fuel-efficient and to break down and require repairs — and ongoing expense — over time (AAA, 2016; Bricker, et al., 2012; U.S. Department of Housing and Urban Development, 2014).

Consequences

- **Disruption of work schedules**
- **Limited school choice**
- **Limited food choices**
- **Difficulty accessing social services and health care**

Strategy: Avoid Insurance, Registration, and Paying Traffic Fines

One way that low-income households try to close the income gap is by skimping on expenses associated with car ownership. Despite the fact that driving without insurance is a violation in all states except New Hampshire, an estimated 15 percent of drivers are uninsured. In Texas, 14.1 percent of motorists were uninsured in 2015 (Heller & Styczynski, 2016; Insurance Information Institute, 2017; Wiltz, 2015).

"Low-income households also face higher insurance costs based on their neighborhood, their credit score, and, according to recent findings from Consumer Reports, their race."

Low-income drivers are often charged more for insurance coverage than drivers with higher incomes. Insurers charge low-income drivers 59 percent more, or an extra $681 on average annually, due to "redlining," or raising quote prices based on characteristics related to socioeconomic status, including education level, occupation, homeownership status, insurance purchasing history, and marital status. More recently, insurance companies have started to use information from credit reports to determine insurance premiums, and in some states credit scores can have more of an impact on premiums than any other factor. These higher rates make it even harder for ALICE and poverty-level drivers to afford insurance, and increase the likelihood that they will skip payments or opt out altogether (Consumer Reports, 2015; Heller & Styczynski, 2016; Ong & Stoll, 2007).

Low-income households also face higher insurance costs based on their neighborhood, their credit score, and, according to recent findings from Consumer Reports, their race. Neighborhood location has long been used to establish rates of risk for insurance. Other factors that do not have direct bearing on risk to the vehicle, such as credit score and race, have been added both overtly and covertly. In terms of credit, insurance companies in Texas charge customers with good credit approximately 18 percent more than those with excellent credit and 60 percent more for those with poor credit. In terms of race, on average, premiums were 30 percent higher in zip codes where most residents were people of color than in predominantly White neighborhoods with similar with similar insurance losses (Angwin, et al., 2017; Consumer Reports, 2015).

The impact of disparities in insurance prices can be devastating — a roadblock to upward mobility, or even to getting by. Auto insurance coverage is required by law in almost all states. If a driver cannot pay for insurance, she can face fines for driving without insurance, have her license suspended, and even be jailed for driving with a suspended license. Higher prices

also increase the burden on those least able to bear it, forcing low-income consumers to opt for cheaper fly-by-night insurance providers, or to forgo other necessities in order to pay their car insurance bills.

Another cost-saving strategy is not registering a vehicle or getting it inspected, which avoids the annual fee and possibly the repairs needed for it to pass inspection. Other common but often unanticipated expenses associated with driving are speeding, parking, and other traffic tickets (American Association of Motor Vehicle Administrators, 2013; Consumer Reports, 2015; PBS NewsHour, 2014; Texas Department of Motor Vehicles, 2018).

Consequences

- **Long-term penalties:** In many states, if a driver cannot pay a traffic fine, their license can be suspended, and in some cases, they can even receive jail time or be sentenced to community service.
- **Disruption to regular transportation:** A car that is not registered can be impounded, and a driver with too many tickets can have their license suspended.

Strategy: Move Near Public Transportation

Public transportation is a far less expensive means to commute to work than driving a car, but it is not widely available in most parts of the country. In the U.S., only 11 percent of adults use public transit to commute to work, with most of these commuters concentrated in urban areas. Among households in rural areas, only 3 percent of workers report using public transit regularly. Illustrating its cost-effectiveness, the highest levels of public transit ridership are among immigrant (25 percent), Black (23 percent), Hispanic (15 percent), and low-income (15 percent) workers (Pew Research Center, 2016).

"In the U.S., only 11 percent of adults use public transit to commute to work, with most of these commuters concentrated in urban areas. Among households in rural areas, only 3 percent of workers report using public transit regularly."

Consequences

- **High cost of living:** Housing located near public transportation generally costs more.
- **Longer commutes:** Public transportation often takes longer than commuting by car; longer commutes can add other costs, such as extended child care fees.

Future Trends: Transportation for ALICE

- Housing and transportation are tightly linked: Saving on housing costs can add to transportation costs and vice versa.
- Jobs and transportation are also linked: Most ALICE workers are required to work on-site, so they must be able to cover the cost of transportation.
- Aging vehicles add costs to the ALICE budget.

HEALTH CARE

Low-income families face a range of circumstances that make it difficult for them to achieve and maintain good health. Quality of health directly correlates to income: Low-income households in the U.S. are more likely than higher-income households to be obese and to have poorer health in general. In Texas, people with household income below $25,000 were more than three times as likely to report merely fair or poor health as those with household income above $50,000, and those with income between $25,000 and $50,000 were twice as likely (Centers for Disease Control and Prevention, n.d.-b).

Figure 50.
Consquences of Insufficient Health Care

	Impact on ALICE	Impact on Community
HEALTH CARE		
Underinsured	Delaying or skipping preventative health care or mental health/substance abuse treatment; more out-of-pocket expense	Workers report to job sick; spread illness; less productive; absenteeism
No insurance	Forgoing preventative health care and mental health/substance abuse treatment; using emergency room (ER) for non-emergency care	Higher premiums for all to fill the gap; more expensive health care costs; risk of health crises; increased demand on social services and criminal justice systems; economic toll of family caregiving; fundamental inequality of health disparities

Suggested reference: ALICE Report – Texas, 2018

"Quality of health directly correlates to income: Low-income households in the U.S. are more likely than higher-income households to be obese and to have poorer health in general."

Research clearly shows that unmet basic needs — problems such as not having enough food, living in a dilapidated or unheated apartment, or being unemployed and not having the means to support one's family — lead to poor health. In fact, these nonmedical factors account for as much as 40 percent of poor health outcomes in the U.S. (Bachrach, Pfister, Wallis, & Lipson, 2014; Berkowitz, et al., 2015; Robert Wood Johnson Foundation, 2011).

- **Poor living conditions:** With lower incomes, ALICE families often live in housing and neighborhoods that contribute to poor health. Many less expensive housing options are located in areas with high violence and crime, a high risk of flooding, high pollution levels, poor and aging infrastructure, or other hazards such as exposure to toxic chemicals, mold, and lead (Bell & Ebisu, 2012; Clark, Millet, & Marshall, 2014; U.S. Department of Housing and Urban Development, 2016b; VanDerslice, 2011).

- **Toxic stress:** State and national research on "toxic stress" has found that living in chronically stressful situations, such as in a dangerous neighborhood or in a family that struggles to afford daily food, damages neurological functioning, which in turn can impede a person's ability to perform well in school, at work, and in daily life. This is especially true for young children, whose affected brains may never develop the executive functioning skills needed to succeed in each of these areas. Across the country, adverse childhood experiences (ACEs) are prevalent and are known risk factors for poor health outcomes, including depression, risky behaviors, and suicide. They are also associated with poorer self-rated health and life satisfaction (Dube, Felitti, Dong, Giles, & Anda, 2003; Mersky, Topitzes, & Reynolds, 2013).

- **Links between health and financial stability:** Poor health can be both a consequence and a cause of financial instability. Trying to maintain a household with a low income and few assets can lead to mental stress and poor health. And being in poor health can reduce income further while increasing expenses, often causing a downward spiral that forces a family to fall below the ALICE Threshold — or even into poverty (Centers for Disease Control and Prevention, n.d.-b, 2013; Choi, 2009; Currie & Tekin, 2011; Federal Reserve, 2014; Zurlo, Yoon, & Kim, 2014).

- **Poor access to health care:** Low-income families have increased health needs, but it is harder for them to afford and obtain health care than it is for families with higher incomes. The costs of health insurance and health care are out of reach for many low-income families. In addition, these families may experience access problems, including language and cultural barriers, transportation challenges, and difficulty making work and child care arrangements to accommodate health care appointments (U.S. Senate Committee on Health, Education, Labor & Pensions, 2012).

Strategy: Forgo Health Care

Preventative Health Care: The most common way to try to save on health care costs is to forgo preventative health care, which can mean that a family does not visit a primary care doctor, take regular medication as needed, get vaccinations, eat fresh food, and adhere to other ways of maintaining a healthy lifestyle. For many ALICE households, doctor visits and medications are seen as too expensive. Studies across the country find that having a lower income reduces access to and use of preventative services, and this disparity is true even when a member of the household is working (Cohen, Kirzinger, & Gindi, 2013; Commonwealth Fund, 2013).

"In Texas in 2013, 38 percent of adults who lived with mental illness received treatment, below the national rate of 43 percent."

Dental Care: Skipping preventative dental care is even more common. Low-income adults are almost twice as likely as higher-income adults not to have had a dental check-up in the previous year. Children are at particularly high risk; fewer than half of low-income children without health insurance receive preventative dental care. These gaps in care have long-term health and financial consequences. A $48 sealant can block tooth decay for nearly five years, yet only 25 percent of low-income children receive them, leading to untreated decay. The income discrepancy exists for seniors as well: 35 percent of seniors living in poverty have had a dental visit in the last year, compared to 80 percent of seniors with incomes of $45,000 or higher (Haley, Kenney, & Pelletier, 2008; Hinton & Paradise, 2016; Russell, 2015; The Pew Charitable Trusts, 2016).

Care for Mental Illness: More than 15 percent of adults in Texas experience mental illness in a given year, and 3 percent experience serious mental illness. This is only slightly lower than the national rate of 20 percent for mental illness and four percent for serious illness, yet treatment rates remain exceedingly low:

- In Texas in 2013, 38 percent of adults who lived with mental illness received treatment, below the national rate of 43 percent. However, this represents an improvement from 2007, when only 17 percent of adults nationally received treatment (National Alliance on Mental Illness, 2015; Substance Abuse and Mental Health Services Administration [SAMHSA], 2015).

- Lack of insurance coverage can be an obstacle to treatment. Those without insurance are twice as likely to skip mental health care/counseling due to costs as those with insurance (12 percent compared to 6 percent of insured Texans) (Rice University Baker Institute/Episcopal Health, 2015).

"The most preferable option for families is to get health insurance coverage through an employer or, if that is not available, through Medicaid. Yet most jobs where ALICE works, especially in the service sector, do not offer health insurance, although there are some exceptions."

- Across the U.S., state government funding for mental health services was cut during and after the Recession, while demand increased. The result has been longer waiting lists for care, less financial assistance to help people with mental illness find housing and jobs, and more people visiting ERs for psychiatric care (Aron, Honberg, & Duckworth, et al., 2009; Glover, Miller, & Sadowski, 2012; National Alliance on Mental Illness, 2015).

- In recent national surveys, over 65 percent of respondents cited money-related issues as the primary reason for not pursuing treatment. Even among individuals with private insurance, over half said that cost was the number one reason they do not seek mental health treatment (Center for Behavioral Health Statistics and Quality, 2012; Mojtabai, 2005; Parity Project, NAMI-New York City Metro, 2003).

Consequences

- **More serious health problems:** When health issues go untreated, they become more serious and more costly, and they lead to other poor outcomes.

- **Broader consequences of specific health issues:** Certain types of health problems can contribute to problems in other areas. Poor oral health, for example, causes pain, can result in poor nutrition, and increases the risk for diabetes, heart disease, and poor birth outcomes. For children, the list of oral health-related problems also includes infection and altered speech (McCarthy, Radley, & Hayes, 2015; U.S. Senate Committee on Health, Education, Labor & Pensions, 2012).

Strategy: Seek Subsidized Insurance Coverage

The most preferable option for families is to get health insurance coverage through an employer or, if that is not available, through Medicaid. Yet most jobs where ALICE works, especially in the service sector, do not offer health insurance, although there are some exceptions (Kim, 2014; Taylor, 2015).

Medicaid provides free health care coverage for many households in poverty, and in 2016 the Affordable Care Act (ACA) had expanded Medicaid to households with income below 138 percent of the FPL in 31 states plus Washington, D.C. (Garfield, Damico, Stephens, & Rouhani, 2015; Healthcare.gov, n.d.; Kaiser Family Foundation, 2016b). However, many low-income families earn too much to qualify for Medicaid coverage at their state's eligibility levels.

Consequences

- **Difficulty finding employer-sponsored health insurance coverage at low-wage jobs**

- **Loss of Medicaid's broader benefits:** Medicaid makes a difference for millions of Americans. Workers not eligible for Medicaid can miss improvements in health care usage and financial outcomes.

- **Skewed employment decisions:** Accessing insurance coverage can skew employment decisions.

Strategy: Go Without Insurance Coverage

Another way to save on health care costs is to go without health insurance. In 2016, 17 percent of Texans did not have health insurance: the highest rate in the country. The rate is higher for those with less income: 28 percent of those with income below 200 percent of the

FPL (roughly below the ALICE Threshold) were without insurance (Federal Reserve, 2014; Kaiser Family Foundation, 2016b, 2016c; Schmitt, 2012).

Nationally, the rate of health insurance coverage has improved, though rates remain higher for those with low income and for non-White households. The uninsured rate for low-income adults was 21 percent at the end of 2016 (down from 31 percent at the end of 2013), and the rate for Hispanics was 27 percent (down from 39 percent at the end of 2013). But by comparison, only 3 percent of high-income adults and 7 percent of White adults were uninsured at the end of 2016. Adults older than age 65 have the lowest uninsured rate, at 2 percent (Federal Reserve, 2014; Kaiser Comission on Medicaid and the Uninsured, 2016; Schmitt, 2012).

Initial reports on the impact of the ACA and the Health Insurance Marketplace in Texas suggest that, without the accompanying federal Medicaid expansion, they created only a modest reduction in the number of uninsured Texans. It is not surprising that the Commonwealth Fund finds that, in addition to the 17 percent uninsured in Texas, another 33 percent were underinsured in 2016 — having trouble covering the cost of their premium, deductibles, co-pays, and out-of-pocket expenses. Texas has the highest underinsurance rate in the country (Cohen & Martinez, 2015; Collins, Gunja, & Doty, 2017; Kaiser Family Foundation, 2014; Schoen, et al., 2014; Witters, 2015).

"Nationally, the rate of health insurance coverage has improved, though rates remain higher for those with low income and for non-White households."

Cost is the primary reason adults do not have insurance. Nationally, approximately 27 million nonelderly people lacked health insurance in 2016. Of these, 57 percent are not eligible for any type of financial assistance to obtain coverage. Of the remaining 43 percent, more than half are adults eligible for Medicaid or children eligible for Medicaid or CHIP who have not yet enrolled. In addition, 5.3 million people are eligible for premium tax credits (Kaiser Family Foundation, 2016b).

For workers earning above the FPL but not making enough to meet all of their basic needs, the ACA health plans may not be economical, especially when incorporating the high deductibles of the most affordable plans. The ADP Research Institute estimates the income threshold for choosing to participate in health care coverage was $45,000 in 2014, even when incorporating government subsidies. Initial research on the first wave of enrollment shows that families with income between 138 percent and 400 percent of the FPL (roughly $20,000 to $45,000 per year) had a lower rate of purchasing health insurance. Subsequently, these families have a higher rate of opting to pay the penalty for remaining uninsured ($695 annually for a single adult and $2,085 for a family of four in 2016). About 5 percent of these families paid the penalty, compared to an estimated 2 to 4 percent of higher-income families. With the increase in the cost of premiums and changes to the penalty, the numbers may change going forward (ADP Research Institute, 2014; Koskinen, 2015; Viebeck, 2015).

Many ALICE families also lack insurance coverage for specialty health issues, especially dental, vision, and medical management programs (for specific needs like weight management, back pain, and diabetes). Adults and children without insurance are more likely to have dental problems. Yet dental benefits are not covered by most private health insurance packages or Medicare, and Medicaid coverage is restricted in most states, offering no coverage for teeth cleaning or preventative care. In 2014, 36 percent of Americans did not have dental insurance (including children and seniors). Rates vary by income: In 2009, only 11 percent of nonelderly adults in poverty had dental insurance, compared to 27 percent of those earning between 100 and 199 percent of the FPL and 66 percent of people earning above 200 percent of the FPL (Hinton & Paradise, 2016; Medicare.gov, 2016c; National Association of Dental Plans, 2014).

Vision benefits are also limited in most private health plans and Medicaid, even though more than one-quarter of the adult population had a vision problem in 2016. Medicare does not cover routine eye exams, eyeglasses, and contact lenses, despite the fact that the risk of vision impairment increases with age. The ACA and Medicaid cover pediatric eye care, and Medicare and Medicaid cover medically necessary surgical procedures, including cataract surgery (Healthcare.gov, 2016; Medicare.gov, 2016c; National Eye Institute, 2010, 2016; O'Malley Watts, Cornachione, & Musumeci, 2016; U.S. Government Accountability Office, 2015b).

One area of improvement has been insurance coverage of mental health services. With the implementation of the ACA, most individual and small-employer health insurance plans, including all plans offered through the Health Insurance Marketplace, are required to cover mental health and substance use disorder services, including rehabilitative services. The Medicaid expansion has also extended mental health services to those with the lowest incomes; in fact, Medicaid is now the single largest payer for mental health services in the U.S. and is increasingly playing a larger role in the reimbursement of treatment for substance use disorders (Medicaid.gov, 2016; Medicare.gov, 2016a; U.S. Department of Health and Human Services, 2016b).

Consequences

- **Reduced health care and poor health outcomes:** Forgoing health insurance leads to reduced health care and poor health outcomes.
- **Medical debt:** With limits to insurance coverage, families with someone with a severe or chronic condition will increasingly face higher costs than they can afford.

Strategy: Buy Minimal Insurance

Due to the ACA's legal requirement of purchasing health insurance, many households now have coverage. But because of the high cost of health insurance, they often choose the lowest-cost option, which provides minimal coverage. As a result, there is a rise in the number of underinsured households — those that spend more than 10 percent of their household income per year on health care expenses not covered by their insurance (excluding premiums) (Commonwealth Fund, 2015).

"According to a 2015 Kaiser Family Foundation report, only 44 percent of respondents could pay a $500 health care bill without borrowing, and only 26 percent could manage to do so for a $1,500 bill."

Compounding the problem of underinsurance is the overall financial precariousness of American households. According to a 2015 Kaiser Family Foundation report, only 44 percent of respondents could pay a $500 health care bill without borrowing, and only 26 percent could manage to do so for a $1,500 bill (Hamel, Norton, Levitt, Claxton, & Brodie, 2015).

Consequences

- **Less health care:** Because minimal insurance plans cover less and often require co-pays, many low-income families defer or skip care.
- **Medical debt:** With health care costs increasing, families that include a person with a severe or chronic condition will increasingly face higher costs than they can afford.

Strategy: Provide Family Caregiving

Providing caregiving for a relative who is sick, elderly, or living with a disability is one way of saving money, but it can end up taking a physical, mental, and financial toll on caregivers.

There are an estimated 3.4 million family caregivers in Texas who provide day-to-day care for older people or those living with disabilities. National estimates of the number of caregivers vary, ranging from 9.4 percent of the adult population (in a 2014 RAND Corporation survey) to 18.2 percent (in a 2015 AARP survey) to 23 percent of workers and 16 percent of retirees (in the Employee Benefit Research Institute's 2015 Retirement Confidence Survey) (AARP Public Policy Institute, 2015; Helman, Copeland, & VanDerhei, 2015; Ramchand, et al., 2014; Texas Health and Human Services Commission, 2017).

"There are an estimated 3.4 million family caregivers in Texas who provide day-to-day care for older people or those living with disabilities."

While families of all income levels may choose to care for family members themselves, many caregivers are forced into the role because they cannot afford to hire outside care. In fact, half of caregivers report that they had no choice in taking on their caregiving responsibilities, and almost half of caregivers (47 percent) report household income of less than $50,000 per year (AARP Public Policy Institute, 2015).

Consequences

- **Added direct costs:** A 2015 national AARP survey among registered voters age 40 and older found that 40 million of them are providing unpaid care for an adult loved one who is ill, frail, elderly, or has a physical or mental disability. About two-thirds of those caregivers had to use their own money or modify their work schedules in order to provide this care, and 64 percent experienced increased stress as a result (Bonner, 2015).
- **Lost income due to decreased hours or loss of a job:** The cost impact of caregiving on an individual female caregiver in terms of lost wages and retirement benefits was $324,044 nationally in 2011 (MetLife Mature Market Institute, 2011b).
- **Mental and physical strain on the caregiver**

Future Trends: Health Care for ALICE Families

The trend for low-income households to have poorer overall health than those with higher incomes will increase, as health care and healthy food costs rise and the U.S. population ages. There are overall trends that will impact health care for ALICE and poverty-level families in the future:

- Despite gains in coverage rates, there remain small groups of people who are persistently uninsured, particularly in those states without Medicaid expansion (including Texas).
- The U.S. population is increasingly insured and is aging, both of which will increase the demand for doctors.
- Demand for caregivers is increasing.
- Having basic needs met is the strongest predictor of better health for ALICE and poverty-level families.

Finally, the full impact of the ACA is not yet clear, nor is its long-term future. Since 2014, when the coverage provisions of the ACA went into effect, the number of uninsured Americans has decreased — especially in low-income and vulnerable populations — and access to care, affordability of care, utilization of services, and financial security have improved for those who gained coverage. Studies also report that Medicaid expansion made it easier to seek employment and continue working (Antonisse, Garfield, Rudowitz, & Artiga, 2018; Glied, Ma, & Borja, 2017).

"While headlines often feature low-income households receiving government assistance, the United Way ALICE Reports show that ALICE households contribute to our economy by working, buying goods and services – and paying taxes."

Continuing changes to the ACA, such as repeal of the mandate and elimination of the personal responsibility penalty, may limit further coverage. The full removal of ACA would have a significant impact across the country. In Texas, 2.6 million people would lose health insurance and 40,550 jobs would be lost (Bivens, 2017; Blumberg, Buettgens, & Holahan, 2016; Economic Policy Institute, 2017).

TAXES

While headlines often feature low-income households receiving government assistance, the United Way ALICE Reports show that ALICE households contribute to our economy by working, buying goods and services — and paying taxes. There is some tax relief for seniors and the lowest-income earners, but most ALICE households pay about 22 percent of their income in income, property, and wage taxes. However, when households cannot afford to pay their taxes, they incur the risk of being audited and paying fines and interest in addition to the original amount due. And the wider community must cover both the shortfall and the cost of collection efforts: According to the Government Accountability Office, at the end of fiscal year 2011, individuals nationwide owed a total of $258 billion in federal unpaid tax debts, the latest estimate available (Bruckner, 2016; Sahadi, 2016; U.S. Government Accountability Office, 2012).

Figure 51.
Consquences of Insufficient Taxes

	Impact on ALICE	Impact on Community
TAXES		
Tax burden	Few credits available; households ineligible or unable to pay preparation fees; paying higher percentage of income in taxes, less money for necessities; risk of being audited and paying fines and interest if taxes not paid	Less money spent in community; higher costs for others if taxes not paid
Unpaid taxes	Short- and long-term financial penalties; lack of financial protections for contract and freelance workers	Higher taxes for all to cover shortfalls and collections

Suggested reference: ALICE Report – Texas, 2018

Taxes are a means to redistribute wealth and income and can be used to reduce inequality. In the U.S. there are myriad taxes, some regressive (the tax rate increases as the payer's income decreases) and others progressive (the tax rate increases as income increases). According to a new report from the National Bureau of Economic Research, after incorporating all income and taxes over a lifetime, the net effect is a reduction in wealth inequality, but the amounts different income groups can spend — that is, the value of benefits gained minus taxes paid — over a lifetime remain extremely unequal (Auerbach, Kotlikoff, & Koehler, 2016).

In fact, taxes are more burdensome to low-income families, who, according to the Institute on Taxation and Economic Policy, pay on average a higher percentage of their income in taxes than the top income earners. Only very low-income households — those below the FPL, earning less than $20,000 per year for a couple or $10,000 per year for an individual — are not required to file a tax return (Internal Revenue Service, 2015).

- **Federal income taxes:** The lowest income quintile pays more than 10 percent in income tax, while the highest-income quintile pays less than 8 percent after federal deductions.
- **Payroll taxes:** The lowest income quintile pays more than 8 percent of their income, while those in the highest-income quintile pay less than 6 percent.
- **State sales and excise taxes:** These are the most regressive taxes, with the lowest income group paying almost 8 percent of their income on average, while those in the highest income quintile pay less than 3 percent.

In the states with the most regressive taxes — Washington, Florida, Texas, and South Dakota — the rates for the bottom 20 percent of the income scale are six times higher than for the top 1 percent (Institute on Taxation and Economic Policy, 2015; Marr & Huang, 2012). The Institute on Taxation and Economic Policy's Tax Inequality Index ranks Texas' state and local tax system as the third most inequitable in the country. Texans with less income pay a higher percentage of their income in taxes due to the state having no personal income tax, a gross receipts tax in lieu of a corporate profits tax, and a lack of tax credits to low-income taxpayers to offset sales, excise, and property taxes (Institute on Taxation and Economic Policy, 2018).

Strategy: Seek Tax Credits

Tax credits and free tax preparation make a difference for many ALICE and poverty-level households. The most common credits, the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC), provide relief primarily for the lowest-income earners with children. Workers must be informed and able to complete the necessary forms in order to receive these credits. The credits are less available for other types of households, those with slightly higher-income earners, and those who cannot access or fully comprehend the tax reporting system.

"Tax credits and free tax preparation make a difference for many ALICE and poverty-level households. The most common credits, the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC), provide relief primarily for the lowest-income earners with children."

The credits encourage work, with little or no effect on the number of hours worked, and they supplement the wages of low-paid workers. For taxpayers (married or single) with qualifying children, many experience a reduction in poverty rates due to the EITC and CTC. For taxpayers with the lowest income, the two credits together more than offset income and payroll taxes to raise living standards.

Though very helpful for those who receive them, these credits are relatively small amounts. The average EITC amount in 2016 in Texas was $2,702. For comparison, the mortgage tax deduction for households earning $100,000 to $200,000 was $7,945, and deductions are even larger for those with higher incomes (Internal Revenue Service, 2016e).

EITC primarily helps those with the lowest incomes; the median adjusted gross income of EITC filers in 2016 in Texas was $16,020. By comparison, the average Household Survival Budget for a family of four was $52,956. Thus, these tax credits help families move above the FPL, but not to financial stability (Brookings Institution, 2015; Hungerford & Thiess, 2013; Marr, Huang, Sherman, & Debot, 2015).

Consequences

- **Missed tax credits.** There are few tax credits for low-income households in Texas, so they pay a larger percentage of their income in taxes than households with higher incomes.

- **High rates for tax preparation.** Many low-income workers are told they need assistance to access tax credits and are then charged high fees for that assistance.

"While income and payroll taxes are automatically taken out of a salaried worker's paycheck, contract and freelance workers are left to make tax payments themselves, typically as estimated quarterly taxes."

Strategy: Avoid Paying Taxes

With the rise of the gig economy, there are more opportunities than ever before to earn income "off the books," without paying income taxes. While this is not a new option, it has become much more common in the last decade with the advent of on-demand apps such as Uber, Etsy, and Airbnb. There are millions of service providers and sellers working and earning income in the on-demand platform economy, with an average monthly income ranging from $314 to $533 in 2015. This income is not readily identifiable by government tax authorities (Bruckner, 2016; Farrell & Greig, 2016; Morse, Karlinsky, & Bankman, 2009).

Even on-the-books freelance and contract workers, whose numbers are also growing, sometimes try to delay or avoid paying taxes. While income and payroll taxes are automatically taken out of a salaried worker's paycheck, contract and freelance workers are left to make tax payments themselves, typically as estimated quarterly taxes. These workers may delay or decide against paying quarterly taxes in order to keep more of their income. The misreporting of individual business income and related self-employment taxes accounts for more than 42 percent ($194 billion) of the taxes owed in a given year that are not paid voluntarily and in a timely manner (Bruckner, 2016).

Consequences

- **Short- and long-term financial penalties**
- **Lack of financial protections in contract and freelance work**

Future Trends: Taxing ALICE Families

- Changes in the tax structure could reduce or exacerbate inequality between income groups.
- The opportunity to avoid paying taxes will increase as the gig economy grows.

CONCLUSION

This Report on **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed **(ALICE)** households across Texas offers a new set of tools — on both the state and the county level — which policymakers and stakeholders can use to understand financial hardship in the state. Using the **Household Survival Budget,** the Report explains how much it costs to live at the most basic level in the local economy. In addition, the Report reveals that a full 42 percent of households in Texas cannot function at that most basic level because they earn below the **ALICE Threshold** for economic survival.

In order to address the state's economic challenges, it is important to recognize that ALICE families are forced to take risks in order to get by. Whether forgoing health insurance, car repairs, or even just a meal, these compromises affect not only the families involved but also their wider communities.

ALICE households range from young families with children to senior citizens. They face an array of challenges: low-wage jobs located far from their homes, with the attendant rise in commuting costs; financial barriers that limit access to low-cost community banking services; and having few or no assets to cushion the cost of an unexpected health emergency or caregiving need. Some households become ALICE after an emergency, while others have been struggling near the poverty line since the Great Recession. Effective policy solutions will need to reflect this reality.

What will it take to make a difference for ALICE families and expand the options they have? By surveying housing and community conditions, Texas policymakers and other stakeholders can better identify where there are job opportunities, where housing is affordable relative to local wages, where strong community resources exist for ALICE households — and where there are gaps.

"By surveying housing and community conditions, Texas policymakers and other stakeholders can better identify where there are job opportunities, where housing is affordable relative to local wages, where strong community resources exist for ALICE households – and where there are gaps."

The **ALICE Income Assessment** documents that despite aggregate ALICE household earnings of more than $91 billion and another $68.5 billion in spending by government, nonprofits, and health care, there are still 4 million households in Texas that struggle financially.

Without public assistance, ALICE households would face even greater hardship, and many more would slide into poverty. Because they struggle to satisfy their basic needs, it's almost impossible for them to gain enough traction to improve their overall circumstances. And so far, government assistance does little to address this predicament. The majority of programs aim to alleviate poverty and help the poor obtain basic housing, food, clothing, health care, and education — not to enable long-term economic stability (Haskins, 2011; Shaefer & Edin, 2013).

Economic insecurity is pervasive among ALICE households. This is clearest in Social Security spending: Most senior households have incomes that are above the Federal Poverty Level (FPL) but often still below the ALICE Threshold for economic survival. Quantifying the problem can help stakeholders best decide whether to fill that gap by increasing income for ALICE households or by decreasing for the cost of basic household necessities.

While ALICE families differ in their composition, obstacles, and magnitude of need, there are three broad trends that will influence who becomes ALICE in Texas and what the implications will be for the wider community:

- The changing American household;
- increasing market instability, both in the U.S. and globally; and
- growing inequality of health.

These trends will have significant implications for both local communities and Texas as a whole.

THE CHANGING AMERICAN HOUSEHOLD

Decades of shifting demographic trends have created new household configurations, many of them in ALICE families. Texas has led the nation in annual population growth since 2006, ranking second in 2016, with annual growth of 1.8 percent since 2010. As a result, demographics within the state are shifting. Baby boomers are aging, millennials are driving economic and social change, and immigration trends are changing the racial and ethnic composition of communities. These changes impact the demand for housing, health care, transportation, and community services. The resulting households are creating different kinds of communities, with many implications for who becomes ALICE and where ALICE households live and work (World Population Review, 2018).

"The growth of certain age groups is changing the landscape in Texas and across the country. Both millennials and baby boomers are powerful demographic forces."

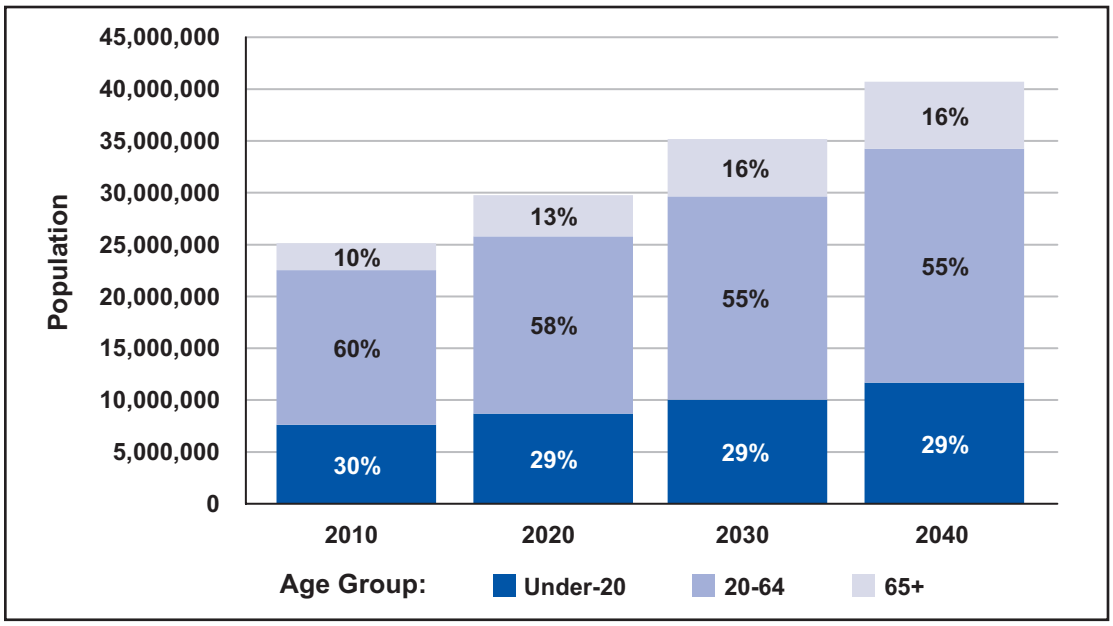
Growing Populations: Millennials and Baby Boomers

The growth of certain age groups is changing the landscape in Texas and across the country. Both millennials and baby boomers are powerful demographic forces. Unlike previous generations, millennials are more often choosing to live in urban areas and delaying both marriage and having children. The large boomer cohort encompasses a group that is working longer, remains involved in a wide array of activities, and is generally healthier than previous generations.

Seniors (65 years and over) are currently Texas' smallest population cohort by age, but the elderly population is projected to more than double over the next two decades, from 2.6 million (10 percent) in 2010 to 6.5 million (16 percent) by 2040 (Figure 47). In contrast, demographers predict that despite high growth rates for other age groups in the state through 2040, those groups' percentage of the overall population will actually decline. The number of 0- to 19-year-olds will grow from 7.6 million to 11.7 million, but their share of the state population will decline from 30 percent to 29 percent. And the number of 20- to 64-year-olds will grow from 14.9 million to 22.6 million and remain the largest age group, but their share will decline from 60 percent to 55 percent (Texas Demographic Center, 2016; Weldon Cooper Center for Public Service, 2016).

Another change in American households is the record number of people (nearly 61 million in 2014) living in multigenerational households — those that include two or more adult generations or those with grandparents and grandchildren. Growing racial and ethnic diversity in the U.S. helps explain some of the rise in multigenerational living. The Asian and Hispanic populations overall are growing more rapidly than the White population, and these groups are more likely than Whites to live in multigenerational family households (Cilluffo & Cohn, 2017).

Figure 52.
Population Projection, Texas, 2010 to 2040



Source: Weldon Cooper Center for Public Service, 2016

Texas' overall growth in population also masks differences across the state. Most growth is expected to continue within or near metropolitan areas, while many rural areas are experiencing population declines. In addition, the ethnic composition of the state's population is shifting. Younger Texans are increasingly Hispanic: Millennials in the state were 42 percent Hispanic and 38 percent White in 2015. In contrast, in that year, more than half of Texas baby boomers were White and fewer than a third were Hispanic (Benton & Green, 2016).

Millennials

Texas is among the youngest states in the country, so trends among millennials have a profound impact on the state overall. Notably, millennials are the most racially diverse generation in American history. In Texas, Hispanics represent a larger share of millennials than do Whites (42 percent to 38 percent), and Texas is one of fourteen states where the under-18 population is less than half non-Hispanic White. As this population ages, the overall state population will become more diverse (Benton & Green, 2016).

"Texas is among the youngest states in the country, so trends among millennials have a profound impact on the state overall."

Millennials are also on track to be the nation's most educated generation. Yet at the same time, they are more likely than previous generations to be in debt and living in their parents' homes (Cilluffo & Cohn, 2017; Cohn & Caumont, 2016; W. H. Frey, 2018).

Young workers are a state's future economic growth; Texans of millennial age accounted for a third of Texas employment in 2015. By 2025, millennials are expected to comprise 75 percent of the entire U.S. workforce. But college debt, low wages, and underemployment limit their economic contribution and may cause them to become part of the ALICE population.

Texas' student loan default rate was 10 percent in 2014 (the latest year available), near the national rate of 12 percent. This is one reason that many recent graduates and young workers have delayed living on their own, getting married, and having children. This is reflected in the decline in the number of Texas households headed by a younger millennial (someone under 25 years old), in the high rate of ALICE and poverty-level households among young people living alone, and in millennials having the lowest geographic mobility among young adults in 50 years.

The financial constraints of the under-25 population have a ripple effect on the wider economy as well: Housing construction slows, as do furniture and appliance manufacturing, and there are indirect effects on retail and utilities, all of which dampen economic growth (Benton & Green, 2016; Cilluffo & Cohn, 2017; Keely, Van Ark, Levanon, & Burbank, 2012; U.S. Department of Education, 2017).

Baby Boomers

On the other end of the population spectrum, the senior population (older baby boomers who are 65 and over) is growing even faster than the millennials. This senior generation also faces increased financial challenges — the added expenses of living longer, the increasing cost of health care, and minimal retirement savings. Because of these age-specific issues and the difficulties of working and saving as we age, the situation of the baby boomers raises well-founded concerns that extend beyond the impact on individual seniors to the potential slowing of the entire economy (Bloom, Canning, & Fink, 2011).

Workforce challenges have been especially severe for baby boomers. Because the demands of the labor market have changed — with job losses, lower-wage jobs, and less available work overall — many seniors do not have the retirement savings that they had planned on. In 2014, 18 percent of those over age 55 had no savings for retirement and 35 percent had less than $10,000 (though this did not include the value of a primary residence or defined benefit plan) (Employee Benefit Research Institute and Greenwald & Associates, 2014).

As a result, those on the brink of retirement are finding that they often cannot afford to fully leave the workforce. Even younger baby boomers feel these pressures: Nationally, those aged 55 and over are expected to make up a larger share of the labor force in the next decade. The over-55 age group steadily increased its share of the U.S. labor force from 12 percent in 1992 to 14 percent in 2002 and further to 21 percent in 2012; it is projected to increase to 26 percent by 2022. In Texas, 66 percent of the 65- to 69-year-old population was still in the workforce in 2016, as were 39 percent of 70- to 74-year-olds and 14 percent of those 75 years and older (American, Community Survey, 2016; Bricker, et al., 2014; Bureau of Labor Statistics, 2014b).

"Workforce challenges have been especially severe for baby boomers. Because the demands of the labor market have changed – with job losses, lower-wage jobs, and less available work overall – many seniors do not have the retirement savings that they had planned on."

Many ALICE seniors are healthy and continue to work. But for those whose health has declined, the costs of managing their health conditions are often prohibitive. Health care expenses rise considerably for seniors; 80 percent of adults 65 and older have at least one chronic condition, and 68 percent have at least two conditions and account for three-fourths of U.S. health care spending. Costs rise sharply for seniors who need residential health care, which can become essential for those with debilitating illnesses such as diabetes, cancer, or heart disease. The most expensive conditions, however, are Alzheimer's disease and other dementias, costing more than cancer and heart disease combined. The average Medicare spending for seniors with Alzheimer's is almost three times higher than average per-person spending for all other seniors. Today, there are about 5.2 million individuals treated for this disease in the U.S., and by 2050, that number is expected to triple (Alzheimer's Association, 2017; Bradley, 2017; Centers for Disease Control and Prevention, n.d.-c; National Council on Aging, 2017b).

As the population of U.S. seniors ages and needs more care, that demand will take a toll on younger ALICE workers who will struggle to continue working while providing caregiving to family members. With a growing young population, Texas also has one of the lowest ratios of elders (individuals 65 years and older) to children (under the age of 15), with approximately two children for every older adult. As a result, there will be more pressure on current workers to provide caregiving for both seniors and children (Texas Demographic Center, 2016). There will also be pressure on the government for additional revenue both to sustain Medicare and to accommodate the new infrastructure demands that seniors will make, which are discussed later in this section.

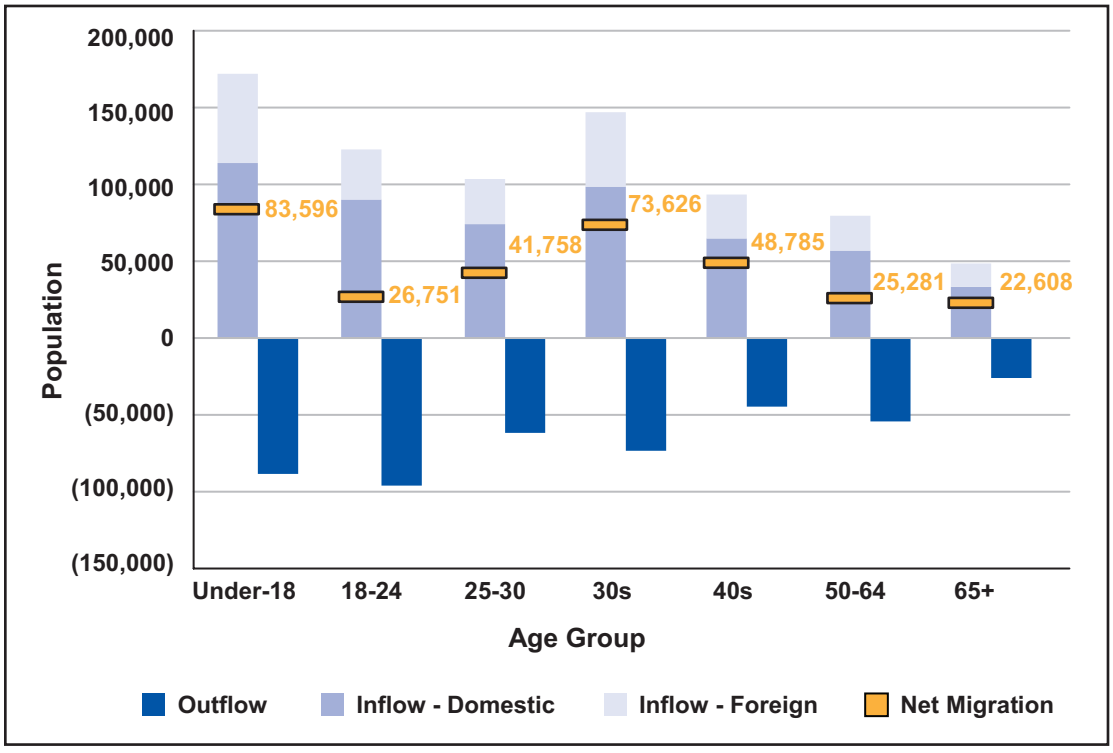
Growing Populations: Migration and Immigration

"In addition to internal growth and aging, Texas' population is increasing, diversifying, and urbanizing. Migration – internal, domestic, and international – plays a role in those changes."

In addition to internal growth and aging, Texas' population is increasing, diversifying, and urbanizing. Migration — internal, domestic, and international — plays a role in those changes. Four million Texans change residence each year: In 2016, 16 percent of this group moved to Texas from outside of the state (primarily from Oklahoma and Midwest states) and abroad, and the remaining 84 percent moved within the state. In Texas, there was significant variation in migration by age group in 2016, with the largest movement being those in their 30s along with their children under 18 years old (Aisch, et al., 2014; White, Potter, You, Valencia, Jordan, & Pecotte, 2017) (Figure 48).

The growth of Texas' urban centers has been occurring for decades, but it is no longer only due to internal migration from the farm to the city. Migrants from outside of Texas show overwhelming preferences for metropolitan living and are fueling both population growth and diversity in urban centers, while growth in rural areas of Texas remains largely flat and less diverse (Migration Policy Institute, 2018; Orrenius, et al., 2013; Orrenius, et al., 2018; White, Potter, You, Valencia, Jordan, & Pecotte, 2017; White, Potter, You, Valencia, Jordan, & Robinson, 2017a).

Figure 53.
Population Inflows and Outflows, Texas, 2016



Source: American Community Survey, 2016

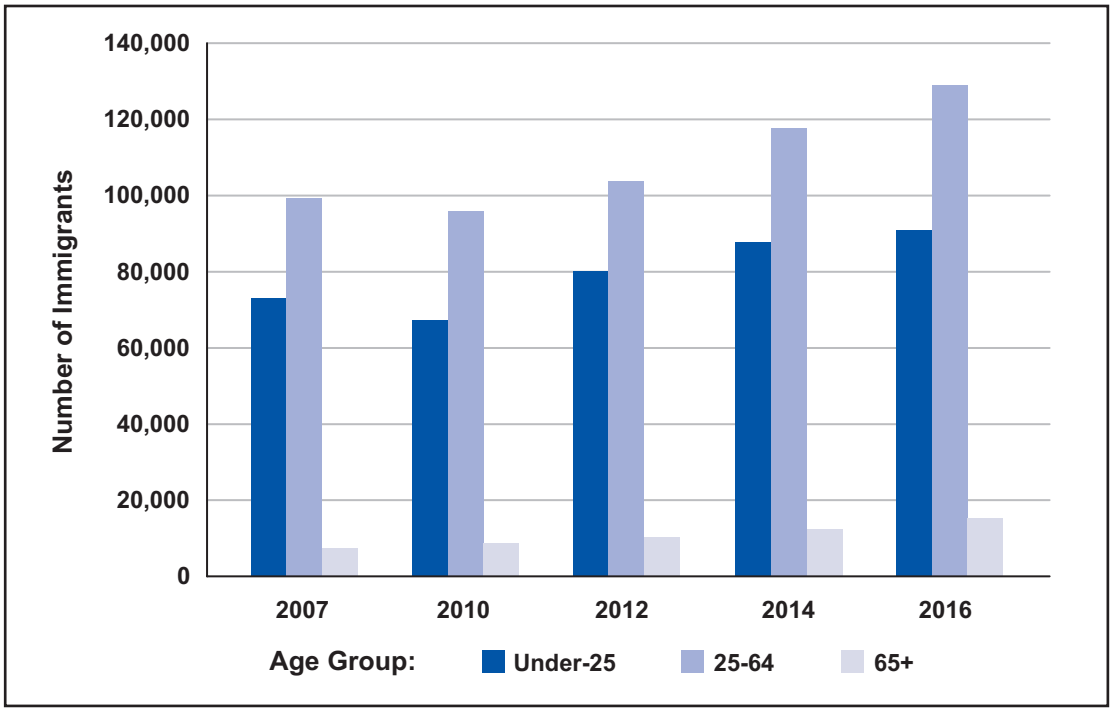
"Immigrants to Texas work in both low-skill and high-skill jobs, especially in construction, manufacturing, hospitality, retail sales, and health care."

Immigration

Immigration plays an increasing role in Texas' racial and ethnic composition. The number of immigrants has risen over time, from 179,578 in 2007 to 234,749 in 2016 (Figure 49). In 2016, the largest group was working-age people in their 30s and their children and teens under 18 years old. Immigration accounts for 11 percent of mobility in the state as a whole and as much as 27 percent in counties along the Mexican border (American Community Survey, 2007 and 2016; Migration Policy Institute, 2016; White, Potter, You, Valencia, Jordan, & Pecotte, 2017).

By 2016, foreign-born Texans had grown to 17 percent of the total population, up from 14 percent in 2000. More than a third of immigrants to the state (37 percent) have become citizens, 32 percent are legal permanent residents, and 31 percent are undocumented. The majority of current immigrants in Texas came from Mexico and Central American countries (69 percent), but also from Asia (21 percent), Africa (5 percent), and Europe (4 percent) (Aisch, et al., 2014; American Community Survey, 2016; Migration Policy Institute, 2014, 2016).

Figure 54.
Immigration by Age, Texas, 2007 to 2016



Source: American Community Survey, 2007–2016

Immigrants in Texas vary widely in language, education, age, and skills, as well as in their financial stability. Among foreign-born Texans aged 25 and older, 40 percent have less than a high school education, compared to 12 percent of the native-born population. However, 10 percent of the foreign-born population has a graduate or professional degree, compared to 7 percent of the native-born population. Immigrants to Texas work in both low-skill and high-skill jobs, especially in construction, manufacturing, hospitality, retail sales, and health care. Even though many work in agriculture, overall immigration selectively favors urban settings; in fact, urban areas have an immigration rate twice that of rural areas, with the Dallas and Houston metro areas being the largest destinations (American Community

Survey, 2016; American Immigration Council, 2017; Brannon & Albright, 2016; Cilluffo & Cohn, 2017; Colombo, 2016; White, Potter, You, Valencia, Jordan, Pecotte, & Robinson, 2017a; White, Potter, You, Valencia, Jordan, & Robinson, 2017b).

There are many well-educated and financially successful immigrants in Texas. Yet there are also immigrant families with distinct challenges that make them more likely to be unemployed or in a struggling ALICE household. These challenges can include lower levels of education, minimal English proficiency, and lack of access to support services (American Community Survey, 2016; Aspen Institute, 2013).

As both workers and entrepreneurs, foreign-born Texans are an important source of economic growth in Texas, making up 21 percent of the state's workforce (2.9 million workers) in 2015. Across the state, there were 361,493 immigrant-owned businesses that accounted for 27.5 percent of all self-employed Texas residents and generated $8.1 billion in business income in 2015, according to the U.S. Census Survey of Business Owners. As consumers, the state's immigrants had a combined purchasing power of about $90 billion in 2014 (American Immigration Council, 2017; New American Economy, 2017a, 2017b).

Texas' undocumented workers make up about 31 percent of the overall foreign-born Texas population, and come primarily from Mexico (about 71 percent), followed by El Salvador (8 percent) and Honduras (4 percent). Nationally, the estimated number of undocumented immigrants in the U.S. roughly doubled from about 5.7 million in 1995 to about 11.1 million in 2014. In Texas, the undocumented immigrant population works primarily in agriculture, hospitality and other services industries, and especially construction (W. Anderson, 2017; Gee, Gardner, Hill, & Wiehe, 2017; Hill, 2016; National Academies of Sciences, Engineering, and Medicine, 2017; Pew Research Center, 2012, 2017d; Theodore, Boggess, Cornejo, & Timm, 2017).

Foreign-born Texans who are undocumented make significant contributions to the state's economy and tax base; the consulting firm AngelouEconomics estimates that these workers contribute about $2.7 billion to the Texas economy while receiving about $2 billion in public services from the state. The Perryman Group estimates that the state's undocumented immigrants create 1.2 million permanent jobs, with a total net fiscal benefit of $32.9 billion each year: $20.1 billion to the federal government, $11.8 billion to the State of Texas, and $900 million to local governments. Without immigrants, including undocumented immigrants, Texas would not have enough working-age people to fill all existing positions. According to the U.S. Chamber of Commerce, removing undocumented workers would not lead to the same number of job openings for unemployed Americans for two reasons: because it would be a loss of entrepreneurs, consumers, and taxpayers from the economy; and because immigrants and native-born workers typically do not compete for the same jobs (AngelouEconomics, 2017; Colombo, 2016; The Perryman Group, 2016; U.S. Chamber of Commerce, 2013).

"As both workers and entrepreneurs, foreign-born Texans are an important source of economic growth in Texas, making up 21 percent of the state's workforce (2.9 million workers) in 2015."

Critics argue that undocumented workers use community resources. The total cost of the Texas undocumented population is estimated to be $12.8 billion per year, including $3.0 billion to the federal government, $3.1 billion to the State of Texas, and $6.7 billion to local entities within the state. However, these are primarily local government services, such as K–12 education, parks, and highways — services available to all Texas residents. Texas does not provide undocumented immigrant

families with cash assistance, food assistance, health coverage, or assistance for seniors or those with disabilities (Pereira, et al., 2012; Texas-Benefits.org, 2018; The Pew Charitable Trusts, 2014).

The fiscal impact of immigrants also shifts as the children of immigrants become adults. At working ages, children of immigrants are among the strongest economic and fiscal contributors within the U.S. (National Academies of Sciences, Engineering, and Medicine, 2017).

Overall, immigrants have a positive impact on long-term Texas and U.S. economic growth. Immigrant workers run businesses and pay taxes, contribute to a range of fields from engineering and science to the service sector, and in 2012 were 30 percent more likely to start their own businesses than native-born residents. Forty-four percent of Fortune 500 companies were founded by immigrants, including 18 in Texas. Nationally, these companies include Google, Intel, and eBay. At the other end of the occupational spectrum, in service jobs, lower-skilled immigrant workers such as child care providers or caregivers form the foundation that enables higher-income parents to pursue full-time careers while having children. All of these disparate factors contribute to economic growth and the tax base (Furman & Gray, 2012; Najarro, 2018; National Academies of Sciences, Engineering, and Medicine, 2017; New American Economy, 2018).

Immigrants and their children will account for the vast majority of current and future U.S. workforce growth. Nationally, the portion of the labor force that is foreign-born has risen from about 11 percent to just over 16 percent in the last 20 years. Without immigrants, there would be an estimated 18 million fewer working-age adults in the country in 2035, and U.S. population growth would be less than 1 percent annually, slow by historical standards (National Academies of Sciences, Engineering, and Medicine, 2017). The full size of the next wave of immigrant workers and their children is not yet clear and could impact the growth trajectories of all age groups in Texas.

"Texas has historically resettled a relatively large number of refugees compared to other states: 6,000 to 7,000 per year since 1990, and the second-highest number in the country in 2016."

Trends in Race and Ethnicity in Texas

Immigration to Texas includes refugee resettlement. Texas has historically resettled a relatively large number of refugees compared to other states: 6,000 to 7,000 per year since 1990, and the second-highest number in the country in 2016. The origin of refugees has shifted over time with the number from the Middle East (especially Iraq, Iran, and Syria) declining and those from Africa (Democratic Republic of the Congo) and Asia (Myanmar) increasing. Although refugee resettlement continues, numbers are expected to decline with the decreasing federal refugee admission cap. Texas withdrew from the federal Refugee Resettlement Program in October 2016 (Digilov & Sharim, 2018; Mossaad & Baugh, 2018; Pew Research Center 2017b; Radford, 2017; Ura, 2016; Ura & Cameron, 2018).

The number of the youngest millennial households is decreasing. The number of White under-25-year-old households fell by 12 percent from 2007 to 2016, driving a 4 percent overall decrease in the number of young households in Texas. This state average conceals a large increase in other race/ethnic groups: the number of under-25-year-old Asian households increased by 130 percent, Hispanic households by 26 percent, and Black households by 23 percent.

Increases also varied significantly among households headed by 25- to 44-year-olds. White households increased by 5 percent and all other groups increased as well: Asian households by 81 percent, Black households by 38 percent, and Hispanic households by 25 percent.

Seniors of all races and ethnic groups are increasing. White senior households (65 and over) are driving the overall growth in the senior population in Texas, increasing to 1,311,534 households (19 percent) from 2007 to 2016, but other senior groups are experiencing significant growth as well. The number of senior Asian households increased by 171 percent, senior Black households by 97 percent, and senior Hispanic households by 70 percent.

On a slightly different trajectory, White 45- to 64-year-old households increased by 9 percent, yet the number of households of all other ethnicities in this age group increased: Asian households by 108 percent, Hispanic households by 70 percent, and Black households by 63 percent.

"The growth of Texas' millennial, baby boomer, and immigrant populations will have an impact both on the wider economy and on the communities where ALICE lives and works."

Households earning below the ALICE Threshold increased across most groups. While the number of households earning below the ALICE Threshold in Texas increased across almost all age and racial/ethnic groups from 2007 to 2016, the largest increases were among older households. Black seniors below the ALICE Threshold increased by 97 percent, Hispanic seniors by 70 percent, and White seniors by 48 percent. Across all age groups, Asian households living below the ALICE Threshold increased the most, at more than 67 percent.

The only groups that saw a decrease in households below the ALICE Threshold — White under-25-year-old households — also experienced a decrease in total households.

Implications of Demographic Trends

The growth of Texas' millennial, baby boomer, and immigrant populations will have an impact both on the wider economy and on the communities where ALICE lives and works. As these changes unfold, there will be opportunities to improve financial stability for ALICE families in Texas, but there will also be additional pressures, particularly in two areas — infrastructure and elder care.

Infrastructure

There will be greater pressure on the state's infrastructure, especially within the housing market, with demands for smaller, affordable rental units. Different groups prioritize different amenities for these units: Many young millennials prefer housing near urban centers with shopping, restaurants, and public transportation; seniors generally want housing that is accessible to family, health care, and other services; and many immigrants want locations close to schools, jobs, and public transportation. However, unless changes are made to Texas' infrastructure or housing stock, the current shortage of affordable housing units will increase, pushing up prices for low-cost units and making it harder for ALICE households to find and afford basic housing (Department of Numbers, 2017; U.S. Department of Housing and Urban Development, 2016b, Vespa, 2017).

Changes in modes of transportation may offer Texans more options in the future. With the rise of new forms of transportation, from ride-sharing companies like Uber and Lyft to self-driving cars (which have been tested in Texas since 2015 and were made legal in 2017), there are more ways to be mobile than owning a car or using public transportation. With many millennials preferring not to own cars and many older adults no longer driving, these services will be desirable. While we have yet to see the definitive shift toward automation predicted to happen in the next decade, self-driving technology is already being used in the long-haul trucking industry, enabling more goods to be transferred to and from rural areas. Ride-sharing companies have already altered the urban transportation landscape, providing new options for passengers — but also impinging on the traditional taxi and livery industries, where many drivers are ALICE workers (Formby, 2017; Schmidt, 2017).

The changing transportation dynamic could also impact social service and health care delivery. For example, Lyft is currently working with nonprofits in Austin to provide free rides to doctor's appointments and job interviews for Texans in need. In the future, fleets of publicly owned self-driving cars could provide transportation for seniors and those with a disability to doctor's offices and social service providers at a fraction of the cost of building a new and easily accessible public transportation system (Arcadis, HR&A Advisors, and Sam Schwartz, 2017; Cakebread, 2017; United Way, 2018; Zimmer, 2016).

Housing could also be impacted by the evolution of self-driving cars. If they can offer lower-cost transportation and more productive commuting time, the proximity of housing to work and amenities might become less important, thereby increasing the range of locations for affordable housing. In addition, a reduced need for car ownership will change the demand for houses with garages, and for on-street parking (Jiao, Miró, & McGrath, 2017).

Elder Care

The aging population will increase demand for geriatric health services, including assisted living and nursing facilities and home health care. Seniors will face a number of challenges in getting the care they need, including not having enough savings and relying on fewer available caregivers.

"Despite the fact that the Texas population is relatively young, the state's caregiver support ratio – the number of potential caregivers aged 45 to 64 for each person aged 80 and older – is still set to fall dramatically over the next few decades."

Numbers of available caregivers: Despite the fact that the Texas population is relatively young, the state's caregiver support ratio — the number of potential caregivers aged 45 to 64 for each person aged 80 and older — is still set to fall dramatically over the next few decades. According to the AARP, the ratio in Texas was 9.2 to 1 in 2010 and is projected to fall to 4.8 to 1 by 2030 and then to 3 to 1 in 2050. Out of the 50 states, the Long-Term Services and Supports State Scorecard ranked Texas 33rd in 2014 in its support for family caregivers and 35th overall in its long-term support and services for older adults on a scale that measures affordability, access, and quality of life. Family caregivers in Texas report higher levels of stress, especially for those who live with their care recipient (AARP Public Policy Institute, 2015; Redfoot, Feinberg, & Houser, 2013; Reinhard, et al., 2017; Texas Health and Human Services Commission, 2017).

With the increased demand for caregivers, there is a growing need for more paid direct-care workers (home health aides, personal care aides, and nursing assistants), who are themselves likely to be ALICE workers. Personal care aides, one of the fastest-growing jobs in Texas, are paid only $8.81 per hour and require reliable transportation, which can consume a significant portion of the worker's wage. These jobs do not require extensive training and are not well regulated, yet they involve substantial responsibility for the health of vulnerable clients. Together, these factors may lead to poor-quality caregiving and the risk of physical, mental, and financial abuse and neglect. Elder abuse is on the rise in Texas, with more than 84,000 Adult Protective Services In-Home Investigations in 2016 (MetLife Mature Market Institute, 2011a; Texas Department of Family and Protective Services, 2018a; U.S. Bureau of Justice Statistics, 2015).

"Family caregiving has significant value; the presence of an informal caregiver can improve well-being and recovery and defray medical care and institutionalization costs. Yet caregiving is also costly for families in several ways, including, mental and physical strain on the caregiver, direct costs, and lost income due to decreased hours or job loss, which also impact future earnings."

Immigrants in the caregiving workforce: Immigrants make up a large share of employees at the nation's nursing homes, assisted living facilities, and home care agencies. A recent study found that one in four direct care workers is foreign-born, and that share is probably much higher among "gray market" workers — home care workers hired directly by families and often paid under the table (Espinoza, 2017).

The immigrant direct-care workforce is economically and politically vulnerable. These workers are largely women who work mostly part-time or seasonal jobs with a median annual income of $19,000. This is despite the fact that immigrant direct-care workers are more likely to have higher-education degrees than U.S.-born direct-care workers. Fewer immigrant direct-care workers are nursing assistants, who earn a higher income and more often have employer-sponsored health insurance. A large majority of immigrant direct-care workers come from Central American, Caribbean, and Southeast Asian countries, all regions targeted by recent immigration restrictions. Losing foreign-born direct-care workers at a time when the U.S. senior population is growing would both increase the cost and reduce the quality of care, adding pressure to families to provide their own care and increasing the burden on systems such as Adult Protective Services that protect vulnerable adults (Espinoza, 2017).

Unpaid family caregivers: Family caregiving has significant value; the presence of an informal caregiver can improve well-being and recovery and defray medical care and institutionalization costs. Yet caregiving is also costly for families in several ways, including, mental and physical strain on the caregiver, direct costs, and lost income due to decreased hours or job loss, which also impact future earnings. Many family caregivers are ALICE to begin with, with almost half (47 percent) reporting household income of less than $50,000 per year. And a recent report by AARP found that family caregivers earning less than $32,500 annually spent on average 44 percent of their income on caregiving ($5,114) in 2016 (AARP Public Policy Institute, 2015; Dixon, 2017; MetLife Mature Market Institute, 2011b; Rainville, Skufca, & Mehegan, 2016; Ramchand, et al., 2014; Tanielian, Ramchand, Fisher, Harris, & Harrell, 2013).

MARKET INSTABILITY

There are a few trends converging to destabilize markets and reshape the American, if not global, workforce: the ripple effects of natural and human-made disasters through a connected global economy; the shifting of risk from companies to workers and from high- to low-wage jobs; and the often disruptive effects of technology on jobs and workplaces.

Each of these trends is likely to become more prevalent going forward — and because ALICE workers have the fewest resources to weather instability and risk, these changes will impact them disproportionately. According to a recent workforce survey, more than three-quarters of U.S. workers live paycheck-to-paycheck at least some of the time, and nearly that many are in debt. What makes market instability especially difficult for ALICE families is their lack of financial resilience: They do not have savings or other resources that might sustain them through a low period of income or an unexpected disaster. Instead, an emergency can quickly spiral into a crisis, with devastating consequences for households (CareerBuilder, 2017).

Disasters Felt Globally

While some Americans may not think much about the global economy, our new economic reality is a complex, integrated system that features technological advances as well as disruptions. Technology has expanded international connections and increased the speed of these interactions, but that connectedness can function both for better and for worse. When an earthquake and tsunami pummeled Japan in 2011, the global supply chain of semiconductor equipment and materials was disrupted. With Japan responsible for 20 percent of the global semiconductor market, the cost of the world's semiconductor products increased, including those made for Apple's iPad. And there is no global governing body to help moderate the effects of cycles of disaster, inflation, or industry bubbles, as the U.S. has, for example, with the Federal Reserve (Amadeo, 2011; Morgenstern, 2011; Van Paasschen, 2017; World Economic Forum, 2017).

"What makes market instability especially difficult for ALICE families is their lack of financial resilience: They do not have savings or other resources that might sustain them through a low period of income or an unexpected disaster."

Increased Exposure to Environmental Hazards

The impact of natural and human-made disasters is often felt more by ALICE workers and low-income communities. More affordable homes are often located in vulnerable areas. Droughts, floods, crop failures, violent weather, rising sea levels, and ocean acidification directly threaten the homes of ALICE families and the jobs where ALICE works. For example, ALICE families who live in flood-prone areas may suffer the financial cost of flood damage, and an ALICE worker suffers lost wages when crops fail and there is less work (NASA, 2018; Van Paasschen, 2017). In Texas, floods, hurricanes, and droughts — the most common natural disasters in the state — threaten the homes and job sites of ALICE workers.

Where climate risk overlaps with social risk, natural disasters have the most devastating impacts. In Texas, there are eleven counties that rank high on measures of both social vulnerability and climate hazards, according to Oxfam America and the Hazards and Vulnerability Research Institute. These counties — primarily located on the Gulf Coast — include Cameron, Harris, Kenedy, Kleburg, Lavaca, Matagorda, Nueces, Refugio, San Patricio, and Wharton. However, there are an additional 45 counties that rank high for social vulnerability and medium for multiple hazards, and another 14 that rank high for multiple hazards and medium for social vulnerability. Factors for social vulnerability include economic standing (the most important factor in assessing community vulnerability to disaster), age extremes (with the young and elderly more dependent on care and less able to evacuate in times of disaster), rural and urban communities (extremes in population compound risks), special needs populations, vulnerable occupations (people who are unemployed or employed in low-paying jobs have a more difficult time preparing for, responding to, and recovering from disasters), housing quality, and racial and ethnic disparities (Oxfam America, 2009).

"Where climate risk overlaps with social risk, natural disasters have the most devastating impacts. In Texas, there are eleven counties that rank high on measures of both social vulnerability and climate hazards, according to Oxfam America and the Hazards and Vulnerability Research Institute."

Households with their own resources (like flood insurance) to put toward disaster recovery can often bounce back faster than households that rely on government assistance following a natural disaster. There is evidence that people with lower incomes face substantial barriers in obtaining aid following disasters, including difficulty getting to disaster assistance centers (due to transportation and child care issues) and a lack of knowledge of and comfort with governmental procedures. Even with assistance, many families are still not able to recover fully, especially in terms of lost and lowered wages (Fothergill & Peek, 2004).

Maintainer jobs commonly held by ALICE workers — those that build and repair infrastructure and support the workforce —are also key to recovery following natural disasters. Communities rely on ALICE workers to rebuild and recover, and when they can't work during these periods of recovery — because of relocation, injury, or caregiving responsibilities (e.g., due to closed schools or senior centers) — community resilience is negatively impacted overall, and ALICE households suffer lost wages.

Beyond impacts on work and wages, low-income families are also more likely to suffer from stress related to lack of housing and other resources and to experience a greater prevalence of mental and physical health issues, such as depression and post-traumatic stress disorder (SAMHSA, 2017).

ALICE AND HURRICANE HARVEY

Hurricane Harvey first made landfall in Texas on August 25, 2017 as a Category 4 hurricane (sustained winds over 130 mph). During the subsequent five days, over 60 inches of rain fell over the Texas coast, with flooding and other storm impacts resulting in the deaths of 82 people. Harvey was the costliest recorded hurricane in U.S. history, causing $160 billion in damages.

Because Harvey occurred after the time period covered in this Report, the impact of the storm is not reflected in the 2016 ALICE data for Texas. But because we know where ALICE households live and how financially vulnerable they are, we know that ALICE families suffered damage to their houses, property, possessions, and livelihoods. While 24 counties bore the brunt of the storm and the impacts were felt in other ways across the state, this disaster disproportionately impacted low-income residents, especially households of color. These findings are corroborated by assessments of the impact of Hurricane Harvey from The Kaiser Family Foundation and Episcopal Health Foundation, The Texas General Land Office, and the Rice Kinder Institute for Urban Research.

Hurricane Harvey impacted housing for thousands of ALICE families. Rental units — where ALICE and low-income families are more likely to live — were more heavily impacted by the storm (26 percent of renter-occupied units compared to 15 percent of owner-occupied units). Renters who applied for FEMA Individual and Households Program were not even half as likely to have received financial assistance five months after the storm compared to homeowners.

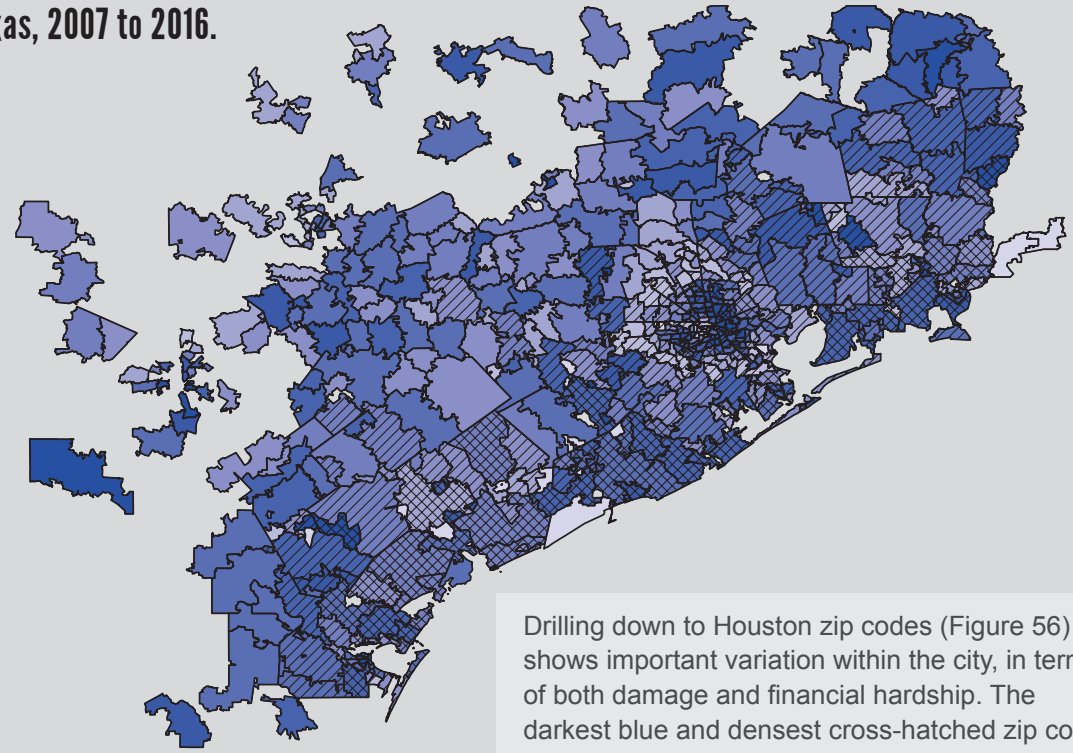
ALICE and low-income households are less able to move away from environmentally vulnerable areas or even to evacuate or prepare for a disaster. A survey by the Kaiser Family Foundation and Episcopal Health Foundation found that only one in four Texas households whose homes were damaged said that they had flood insurance, and of these impacted households, 40 percent reported that they do not expect to be compensated for their losses (through insurance or other forms of assistance). Lower-income households were more likely to report damage to their homes than those with higher incomes; 79 percent of people impacted by the storm had income below 100 percent of the FPL, compared to 65 percent of people with incomes from 100 to 200 percent of the FPL and 53 percent of people with incomes above 400 percent of the FPL. There were racial and ethnic disparities as well: Of the Gulf Coast residents impacted by Harvey, 79 percent were Hispanic, 73 percent were Black, and 55 percent were White. Researchers concluded that these racial and ethnic disparities persist even when controlling for income.

Harvey also negatively impacted employment in Texas. Almost half (46 percent) of survey respondents living in the counties most impacted by Harvey said that they or someone in their household suffered from an employment-related impact, such as losing their job or missing days of work. People with lower incomes were more likely to experience these employment-related impacts, as many of these workers hold contract-based or hourly jobs. To make matters worse, about half of people impacted by Harvey said that they did not have savings to sustain them through the disaster recovery.

Although the impact of Harvey was felt across the Gulf Coast, this disaster disproportionately impacted low-income residents in some areas. The relationship is mapped in Figures 55 and 56, in which the percentage of households below the ALICE Threshold (higher percentage = darker blue) is layered over the number of valid FEMA registrations after the hurricane (higher number = more cross-hatching). The metro Houston view (Figure 56) shows that zip codes that were the hardest hit and have vulnerable populations are blue and cross-hatched; the darker the blue and denser the cross-hatching, the more households below the ALICE Threshold in a zip code that incurred higher levels of damage. Zip codes where ALICE households were hardest hit were in Houston, followed by coastal communities.

Sources: Federal Emergency Management Agency, 2018; Kaiser Family Foundation & Episcopal Health Foundation, 2017; Rice University Kinder Institute for Urban Research, 2018; The Texas General Land Office Community Development and Revitalization Program, 2018

Figure 55.
Hurricane Harvey FEMA Registrations vs. Households Below the ALICE Threshold by Zip Code, Texas, 2007 to 2016.



FEMA Individual Registrations

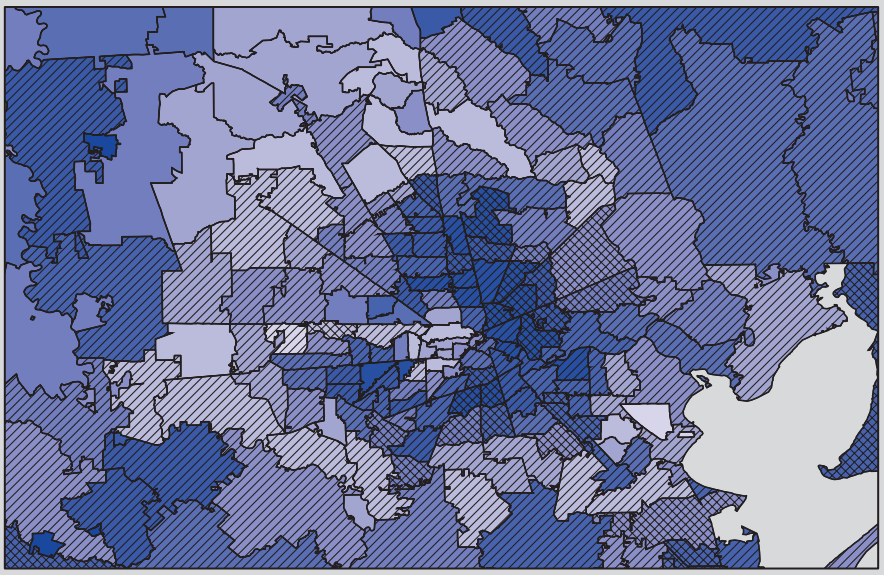
- Less Than 15%
- 16% to 50%
- 51% +

Percent Below ALICE Threshold

- 0% - 8%
- 10% - 22%
- 23% - 30%
- 31% - 37%
- 38% - 44%
- 45% - 51%
- 52% - 58%
- 59% - 67%
- 68% - 83%
- 86% - 100%

Drilling down to Houston zip codes (Figure 56) shows important variation within the city, in terms of both damage and financial hardship. The darkest blue and densest cross-hatched zip codes represent neighborhoods with a high percentage of households with income below the ALICE Threshold and extensive damage. These neighborhoods have the least resources to recover and will continue to be vulnerable to future natural or personal disasters.

Figure 56.
Hurricane Harvey FEMA Registrations vs. Households Below the ALICE Threshold by Zip Code, Houston, 2007 to 2016



Source: ALICE Threshold, 2016; FEMA, 2018

Workers at Risk

The changing economy has put pressure on businesses to seek new ways to improve productivity and reduce costs. A common practice has been to shift the risk of market fluctuations in supply and demand from the business to the worker. For example, when crops are reduced after a drought, there are lower wages for field hands due to less work, even if farm owners can charge more for limited output; and when demand for vacations falls after a hurricane in a tourist destination, hotels and restaurants can cut their losses by sending workers home. Risks from environmental hazards, natural and human-made, are also often pushed onto workers and low-income communities. Lower-income workers are particularly likely to be exposed to hazards such as pollutants in factory work, chemicals and pesticides in farming and manufacturing, and injuries in nursing and construction.

"The growing use of a contingent workforce – another recent structural shift among U.S. businesses – enables companies to scale up or down more nimbly, but it subjects workers to unexpected gains or losses in work hours, making it difficult for ALICE households to pay bills regularly or to make long-term financial plans."

Since these costs are often cumulative, intensifying as the volume of risk increases, years of such practices are being more harshly felt today, such as with the global effects of pollution and climate change. ALICE families are especially vulnerable to events that directly threaten their homes and their jobs: droughts, floods, crop failures, violent weather, rising sea levels, and ocean acidification (NASA, 2018; Van Paasschen, 2017).

The growing use of a contingent workforce — another recent structural shift among U.S. businesses — enables companies to scale up or down more nimbly, but it subjects workers to unexpected gains or losses in work hours, making it difficult for ALICE households to pay bills regularly or to make long-term financial plans. Contingent work also reduces the responsibility of employers to provide benefits, such as health insurance and retirement plans. This passes on costs to ALICE families and leaves them more vulnerable should they have a health crisis or have to retire early. And because some employer or government benefits — including paid and unpaid time off, health insurance, unemployment insurance, public assistance, and work supports — are tied to number of hours worked, unpredictable scheduling can put those benefits in jeopardy. For example, low-wage workers are two and a half times more likely to be out of work than other workers, but half as likely to receive unemployment insurance (Garfield, et al., 2015; U.S. Government Accountability Office, 2007; Watson, Frohlich, & Johnston, 2014).

Disruptive Technologies and Job Turnover

The cost of disruption is often borne disproportionately by ALICE workers. For example, when a business invests in a technological innovation, it increases productivity, eliminates some jobs, and creates new ones. The business increases profits, and the economy benefits from greater productivity. The employee with the new job benefits only if wages are high enough to cover the cost of training to gain the skills needed for the job and the transaction costs of getting a new job (job search, relocation, new clothes, etc.). The employee in the old job, who may have been excellent in that role, may not have the skills for the new job and/or may be unable to relocate, and therefore becomes unemployed, imposing huge and immediate costs on his or her family.

One of the clearest examples of the cost of job turnover for workers and the economy comes from the North American Free Trade Agreement (NAFTA). Included in the agreement were funds to help workers whose manufacturing jobs move abroad as a result of foreign trade — workers across across the U.S. but primarily in Texas, California, and Michigan. In 2014 this involved over 62,000 workers, and the cost to help them search for reemployment was just above $300 million, including funds for job training, job search and relocation allowances, income support, and assistance with health care premium costs. That was a cost of more than $4,800 per worker to secure new employment. Unemployed workers who aren't covered by NAFTA aren't offered such aid and must account for these costs alone, but if NAFTA's spending is indicative of typical costs, ALICE workers can't afford them (U.S. Department of Labor, 2014).

"Texas' workforce faces a future dominated by low-paying jobs requiring few advanced educational credentials."

Employee turnover is also costly for businesses. From a human resources perspective, experts estimate that turnover costs account for 20 to 30 percent of the annual salary of workers making less than $50,000, a cost that includes recruiting, interviewing, hiring, orientation and training, lost productivity, potential customer dissatisfaction, reduced or lost business, administrative costs, and lost expertise (Bersin, 2013; Bolden-Barrett, 2017; Boushey & Glynn, 2012; Merhar, 2016).

Finally, while new technologies ostensibly make everyday life easier, there are also costs for consumers, including the time it takes to learn about a new product or process, the actual cost of the item, cancellation fees, and psychological effort and time to implement and incorporate it into their lives. ALICE families especially do not have the time or funds to adapt, and the disruption can add to the ongoing stress of insufficient income (Klemperer, 1987; Zhang, Chen, Zhao, & Yao, 2014).

Future Jobs

Texas' workforce faces a future dominated by low-paying jobs requiring few advanced educational credentials. From 2016 to 2026, most of the fastest-growing jobs in Texas (79 percent) will pay less than $20 per hour. In terms of education, only 22 percent of new jobs will require a bachelor's degree, and only 6 percent will require some college or post-secondary non-degree award. Nearly half (47 percent) of new jobs will not require any formal educational credential at all, and 25 percent will require only a high school diploma (Bureau of Labor Statistics, 2016c; Projections Management Partnership, 2016) (Figure 52).

Many of these jobs are also at the greatest risk of being replaced by technology. In the next two decades, 80 percent of jobs in Texas' top-20 fastest-growing occupations could be replaced by technology. In addition to automating existing jobs, technology is creating new on-demand jobs and services, with the most attention going to gig economy jobs such as TaskRabbit work and Uber and Lyft driving (Frey & Osborne, 2013).

Predicting new occupations: There is a wide array of new jobs predicted to arise in the next 20 to 30 years, including augmented reality architects, alternative currency bankers, waste data managers, 3-D printing engineers, privacy managers, wind-turbine repair techs, nano-medics, drone dispatchers, robotic earthworm drivers, body-part and limb makers, memory augmentation therapists, and mass energy storage developers. In Texas, there has already been significant automation in the oil industry, and the state is also a leader in self-driving cars (Blum, 2016; T. Frey, 2011; Hagan, 2017; Mejia, 2017; Stoeltje, Antonio, & Goodin, 2017; World Economic Forum, 2016).

While these jobs seem a long way from today's mechanics and personal care providers, most are still maintainer jobs — largely filled by ALICE workers who care for the infrastructure and the workforce in occupations that ensure the economy runs smoothly. In other words, our physical infrastructure may change, but it will still need maintenance, and the maintainer workforce will still need to be educated and cared for (Vinsel & Russell, 2016).

The new jobs, however, will not necessarily be filled by the same workers who held the jobs that these new titles replace. For example, a cashier does not necessarily have the skills to repair digital checkout kiosks. Jobs that remain, especially those that require lower levels of education, will be service jobs that cannot be automated — such as health aides, janitors, sales representatives, and movers — and will continue to be the lowest-paid. Yet even these jobs will increasingly require digital skills (Brynjolfsson & McAfee, 2014; Frey & Osborne, 2013).

"In the face of rapidly rising computing power, an ability to work with data and make data-based decisions will become an increasingly vital skill even within maintainer jobs, so ALICE workers will need new skill sets."

Ability to work with technology: In the face of rapidly rising computing power, an ability to work with data and make data-based decisions will become an increasingly vital skill even within maintainer jobs, so ALICE workers will need new skill sets. The ability to work with technology will be increasingly important for jobs at all levels, from retail assistants to more senior positions. With the increasing amount of digital information being generated and stored, there will be more value placed on utilizing data to improve business productivity. And with increased mechanization, many jobs will require working alongside machines as well as building and repairing them. In Texas, this dynamic is already a big part of agriculture and manufacturing.

The McKinsey Global Institute estimates that in 60 percent of all occupations, an average of 30 percent of work activities are automatable, and therefore more workers will be required to work alongside machines (Manyika, 2017). For example, at Ford's Chicago Assembly Plant, operators used to spend 70 percent of their time scanning and 30 percent repairing defects. Now they spend 10 percent of their time scanning and 90 percent of their time finessing the final assembly of a vehicle (Hagan, 2017; Pete, 2013).

In addition, the pace of these changes may have to be faster than anticipated. By one estimate, 50 percent of subject knowledge acquired during the first year of a four-year technical degree in 2016 will be outdated by the time students graduate (Organisation for Economic Co-operation and Development, 2016; World Economic Forum, 2016).

More consultants, more risk: Initially, the gig economy was seen as a way for many ALICE households to fill short-term gaps in standard employment, with work that might be more lucrative than jobs in the traditional employment market. However, the size of the contingent workforce has increased to up to one-third of the overall workforce, with estimates that it could reach 40 to 50 percent by 2020. With more and more workers solely reliant on contract work, the number of people experiencing gaps in income and going without benefits is also rising, and this trend is expected to increase (Abraham, Haltiwanger, Sandusky, & Spletzer, 2016; Eden & Gaggl, 2015; Edison Research, 2018; Freelancers Union & Elance-oDesk, 2016; Intuit, 2017; Katz & Krueger, 2016; Manyika, et al., 2016; Smith, 2016; U.S. Government Accountability Office, 2015a).

Figure 57.
New Job Growth by Occupation, Texas, 2016 to 2026

Occupation	2016 Employment	Annual Average Growth	Hourly Wage	Education or Training	Likelihood of Being Replaced by Technology
Retail Salespersons	388,600	5,494	$10.77	None	92%
Office Clerks	369,950	2,466	$15.11	High school diploma or equivalent	96%
Food Prep, Including Fast Food	331,750	11,182	$8.98	None	92%
Cashiers	272,960	2,342	$9.44	None	97%
Farmers, Ranchers	259,100	1,040	$28.43	High school diploma or equivalent	5%
Customer Service Representatives	251,970	3,584	$14.79	High school diploma or equivalent	55%
Waiters and Waitresses	220,940	5,152	$9.14	None	94%
Registered Nurses	210,780	5,083	$33.02	Bachelor's degree	1%
Personal Care Aides	205,220	7,755	$8.81	High school diploma or equivalent	74%
Administrative Assistants	186,750	83	$15.58	High school diploma or equivalent	96%
Heavy and Tractor-Trailer Truck Drivers	185,220	3,227	$18.86	Postsecondary nondegree award	79%
Laborers and Movers, Hand	176,940	3,009	$11.96	None	85%
Janitors and Cleaners	174,560	3,188	$10.25	None	66%
General and Operations Managers	168,200	3,181	$51.75	Bachelor's degree	16%
Stock Clerks and Order Fillers	163,070	2,606	$11.73	High school diploma or equivalent	64%
Elementary School Teachers	143,960	2,939	$27.39	Bachelor's degree	0%
Bookkeeping and Auditing Clerks	131,300	925	$18.37	Some college, no degree	98%
Construction Laborers	130,430	2,662	$13.84	None	88%
Accountants and Auditors	126,450	2,389	$34.36	Bachelor's degree	94%
First-Line Supervisors of Retail Workers	125,980	1,748	$19.26	Bachelor's degree	1%

Source: Frey & Osborne, 2013; Projections Management Partnership, 2018

GROWING INEQUALITY OF HEALTH

The third trend that will affect ALICE households throughout Texas is an increasing level of inequality in health. The cost burden of health care is increasing for all but the healthiest Texas residents. That cost burden is also increasing for government and businesses — a trend that is not sustainable, and that will most likely result in less access to quality health care for ALICE families, more costly health emergencies, and poorer health overall.

Cost of and Access to Health Insurance

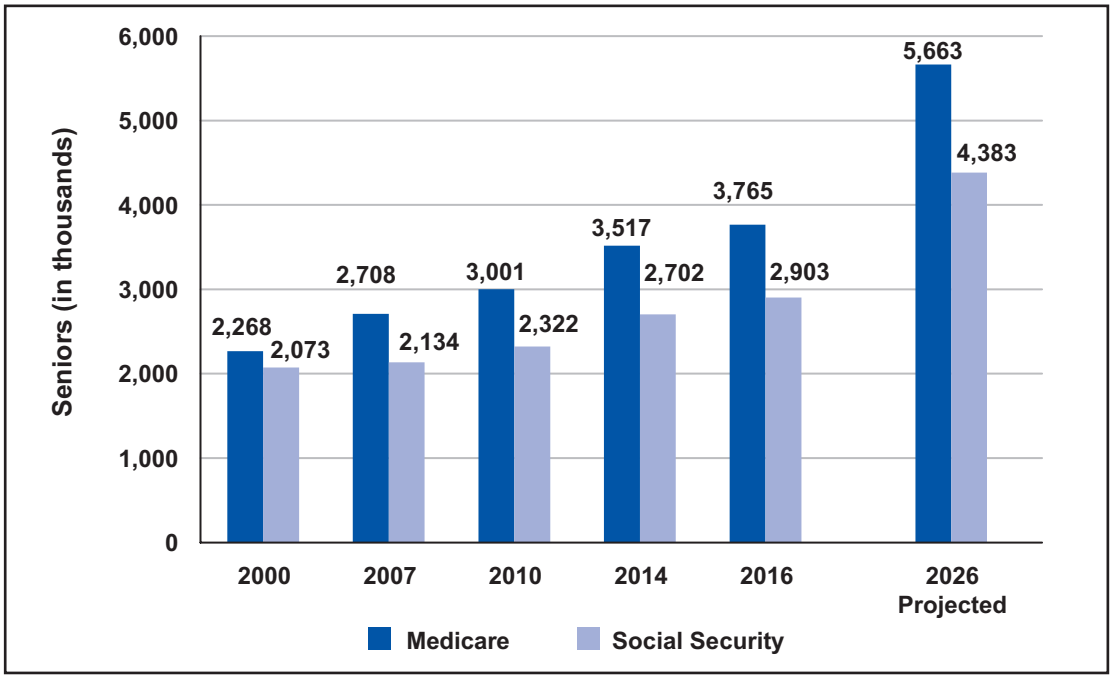
The dwindling power of Medicare and Medicaid: The number of Texans with health insurance increased steadily from 77 percent in 2012 to 83 percent in 2016. Without the state participating in the ACA Medicaid expansion, the number of Texans enrolled in Medicaid increased from 3.7 million in 2012 to 4.1 million in 2016 (Norris, 2018; Texas Department of Health and Human Services, 2018).

"As the Texas population ages, enrollment in Medicare and Social Security has increased steadily and is projected to increase even more."

With more people covered and a falling ratio of workers to both Medicaid recipients and seniors, there will be growing demand for care and shrinking sources of revenue. Aging, in particular, adds significant costs to health care. While many seniors are active and healthy, as they live longer they require more health care than their younger counterparts. Chronic conditions such as cancer, dementia, and diabetes increase with age, and older bodies are more prone to injury. As a result, health care costs for seniors are higher than for other age groups. For example, nationally in 2010, health care spending amounted to $18,424 per person for people aged 65 and older, tripling the $6,125 that was spent on working-age individuals. And that spending gap only widens as seniors reach 80 and 90 years old (Leatherby, 2016; Nardi, French, Jones, & McCauley, 2015; Neuman, Cubanski, Huang, & Damico, 2015).

An aging population and increasing health care costs will impact the effectiveness of Medicare and Medicaid and the demands on health care providers, beneficiaries, and taxpayers. As the Texas population ages, enrollment in Medicare and Social Security has increased steadily and is projected to increase even more. Medicare enrollment increased from 2.3 million Texans in 2000 to 3.8 million in 2016 and is projected to rise to 5.7 million in 2026 (a 50 percent increase from 2016 to 2026). The number of Texas residents collecting Social Security increased from 2.3 million in 2010 to 2.9 million in 2016 and is projected to reach 4.4 million in 2026 (a 51 percent increase from 2016 to 2026) (Figure 53).

Figure 58.
Enrollment in Medicare and Social Security, Texas, 2000 to 2026



Source: Centers for Medicare & Medicaid Services, 2000, 2007, 2010, 2014, 2017a; Social Security Administration, 2000, 2007, 2010, 2014, 2016

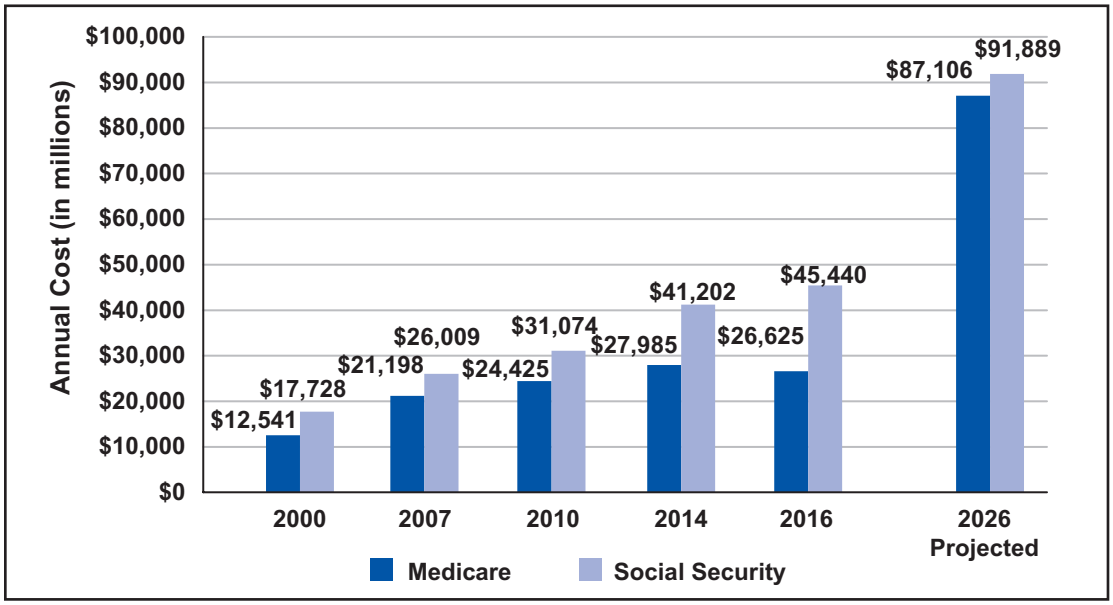
Medicare provides health care coverage primarily to adults ages 65 and over but also to younger adults with permanent disabilities. It has different sources of funding for different services, such as hospital care, physician care, and prescription drugs. Medicaid, which provides health coverage for low-income Americans, is often used by seniors to cover the long-term cost of nursing home facilities (Centers for Medicare & Medicaid Services, 2016a, 2016b).

Medicare spending is growing at a faster rate than the growth in the senior population, Social Security, or the overall economy. In Texas, spending on both Medicare and Social Security is growing faster than their rates of enrollment and outpaces the growth of the state economy. From 2000 to 2016, Medicare spending more than doubled, while Social Security increased by 156 percent. Both are projected to grow even faster from 2016 to 2026: Medicare spending will more than triple, and Social Security spending will double (Figure 54).

Nationally, Medicare expenditures are expected to grow at an average rate of 7.1 percent from 2016 to 2025, higher than the 5.4 percent rate of economic growth overall. As a percentage of the Gross Domestic Product, the cost of Medicare will increase from 3.6 percent in 2016 to 5.9 percent by 2091. Medicaid spending, which slowed in its growth from 2016 to 2017, is expected to quicken and to average nearly 6 percent each year through 2025 — a direct result of the increasing elderly and disabled U.S. population (Centers for Medicare & Medicaid Services, 2017b; Cubanski & Neuman, 2017; Van de Water, 2017).

"From 2000 to 2016, Medicare spending more than doubled, while Social Security increased by 156 percent. Both are projected to grow even faster from 2016 to 2026: Medicare spending will more than triple, and Social Security spending will double."

Figure 59.
Cost of Medicare and Social Security, Texas, 2000 to 2026



Source: Centers for Medicare & Medicaid Services, 2000, 2007, 2010, 2014, 2017b; Social Security Administration, 2000, 2007, 2010, 2014, 2016

Seniors will bear additional costs because Medicare does not cover all of their health care. Excluded are long-term services and supports as well as dental care, premiums, deductibles, and cost-sharing for Medicare-covered services. These costs are increasing to the point at which out-of-pocket health care costs are likely to use up half of a Medicare beneficiary's average Social Security income by 2030 (Cubanski, Neuman, Damico, & Smith, 2018).

Decreased availability of employer-sponsored health insurance: ALICE households also face the challenge of declining rates of employer-sponsored health insurance. Insurance through large employers has remained steady or even grown in some places,

but some small employers have dropped insurance benefits. Nationally, while 96 percent of employers with 50+ employees offered health benefits in 2016 (up from 95 percent in 2014), the share of businesses with fewer than 50 employees offering coverage dropped from 32 percent in 2014 to 29 percent in 2016 (Stearns, 2017). These struggles are exacerbated by the increasing proportion of workers who rely on contingent work, which typically offers no insurance coverage (Noguchi, 2017). In addition, the repeal of the ACA's individual mandate in the 2017 tax bill means that younger, healthier people will be more likely to forgo health insurance going forward, making insurance more expensive for those remaining in the market (Pear, 2017).

THE WEALTH-HEALTH GAP

Socioeconomic status has long been a powerful determinant of health. The National Academies of Sciences, Engineering, and Medicine project that, of people born in 1960, those in the lowest-income quintile have a shorter life expectancy than those in the highest-income quintile: 13 years shorter for men (76 years compared to 89 years) and 14 years shorter for women (78 years compared to 92 years) (National Center for Biotechnology Information, 2015).

The health-wealth divide is exacerbated by differences, depending on income, in the safety of both living and working environments. Those with the fewest resources live and often work in areas with unhealthy conditions, such as contaminated water and polluted air, because those areas are less expensive. The impact of pollution, toxic exposure, and disease compounds over time, and without resources, these families cannot afford to move to safer areas, mitigate these hazards, or avoid risky workplaces (Harari, 2014; Komlos & Kelly, 2016; Regalado, 2015).

"The health-wealth divide is exacerbated by differences, depending on income, in the safety of both living and working environments."

Race and ethnicity are also tied to the level of adverse environmental exposure people face in their neighborhoods and at their jobs. Several large studies have revealed an association between low socioeconomic status and greater harm from air pollution. A comprehensive review from Harvard University researchers revealed that compared to the rest of the population, Black, Asian, Hispanic, and Medicaid-eligible individuals had a higher likelihood of death from any pollution-related cause, with Black people almost three times as likely to die from exposure to air pollutants than other groups (Di, Wang, Zanobetti, & Wang, 2017). Moreover, a 30-year analysis of 319 commercial hazardous waste treatment and storage sites in the U.S. found a consistent pattern of placing hazardous waste facilities in low-income and primarily Black and Hispanic neighborhoods (Mohai & Saha, 2015).

These differences are projected to grow wider as the compound impact of unsafe living and working environments produces even poorer health outcomes for those with the fewest resources, while technical advances in medical care offer even better health outcomes to those with the most (Chetty, Stepner, Abraham, et al., 2016; Komlos & Kelly, 2016; National Academies of Sciences, Engineering, and Medicine, 2015).

The health care gap could increase in two ways. First, precision medicine — the ability to personalize medical treatments, products, and intervention — is increasingly effective, but costly and therefore out of reach for many patients. This is especially the case when it comes to treatments for cancer and rare diseases. Second, biotechnology and genetic engineering have made it possible to go beyond treatment of a specific injury or disease and upgrade preventative health care. Researchers are, for example, experimenting with procedures that could enable families to correct genes that cause illnesses like cystic fibrosis, or add genes that protect against infection or dementia, and pass those improvements on to future generations. Yet these types of innovations are all be extremely expensive if and when they reach the marketplace (Harari, 2014; Komlos & Kelly, 2016; Regalado, 2015).

THE DENTAL HEALTH DIVIDE

Nowhere are wealth-health disparities starker than in the divide in dental care. Higher-income Americans have dental insurance (most often separate from health insurance) and access to care that provides resistance to tooth decay and breakage, jaw comfort, clear speech, and easier maintenance — all of which lead to better overall health. The wealthiest families spend thousands of dollars on supplemental dental care to achieve whiter, straighter, stronger smiles, which leads to more social and job opportunities.

Those with the lowest incomes rarely have dental insurance, and Medicaid's dental coverage varies from state to state, so these families often forgo preventative care. They are far more likely to suffer from tooth decay and gum infection, which can increase the risk of cancer and cardiovascular diseases and can affect speech, nutrition, sleeping, learning, playing, and overall quality of life. In addition, crooked or yellow teeth can stigmatize people in social settings and reduce job prospects, as they are associated with low educational achievement and social mobility. According to a 2015 American Dental Association survey, 29 percent of low-income respondents reported that the appearance of their mouth and teeth affected their ability to interview for a job.

Dental coverage for those covered by Medicaid and CHIP in Texas (with income below 138 percent of the FPL) is available through Texas Medicaid for adults aged 19 and over and through the STAR Plan for those 18 and under. Though Texas covers a wide range of dental services (including preventative and emergency care) for children, their parents, and pregnant women, it covers no non-emergency dental services for childless adults. Due to the strength of its children's oral health plans, Texas has a "reverse" gap, meaning that dental care utilization among Medicaid-enrolled children (74 percent) is higher than dental care utilization among children with private dental benefits (71 percent). However, significant disparities in care persist for adults, with 85 percent of low-income Texans citing cost as a reason not to visit the dentist.

For adults 65 years and older in Texas and across the country, Medicare does not cover routine oral health and dental care. Those with dental needs that increase with age must purchase an insurance plan or pay out of pocket. Many seniors with severe needs such as root canals and crowns who are unable to afford additional expenses simply have their teeth pulled. As a result, nearly one in five Americans older than 65 do not have a single real tooth.

Making matters worse, dental coverage does not guarantee access to treatment in Texas. Even Texans with dental coverage have difficulty accessing care because of the limited number of dentists in the state and a shortage of those who accept Medicaid. Texas has 322 dental Health Professional Shortage Areas (HPSAs), many of them in rural areas. The state ranked 44th in rural access to dental care and 46th in rural access to primary care out of 47 states with rural counties in 2016.

In addition, with the eligibility cutoff for the STAR Plan at 138 percent of the FPL, there are many ALICE households that do not qualify for dental assistance but cannot afford ACA marketplace premiums. As a result, the U.S. Department of Health and Human Services estimates that only 75 percent of dental needs in Texas were met in 2016.

Sources: Barnett & Berchick, 2017; Center for Health Care Strategies, 2018; Frakt, 2018; Growing Family Benefits, 2018; Health Policy Institute, 2015; Hinton & Paradise, 2016; Jordan & Sullivan, 2017; Kaiser Family Foundation, 2017; Otto, 2017; Paradise, 2014; Texas Children's Health Plan, 2018a, 2018b; Texas Health and Human Services, 2017; Vujicic & Nasseh, 2015; Wall, Nasseh, & Vujicic, 2014

NEXT STEPS

There is a basic belief in America that if you work hard, you can support your family. Yet the data presented in this Report shows that for more than 4 million households in Texas, this is not the case: Working families are still struggling due to the mismatch between the basic cost of living and the wages of many jobs across the state, exacerbated by systemic inequities in opportunity and wealth. By making this clear, the ALICE data challenges persistent assumptions and stereotypes about people who can't afford to pay their bills or are forced to visit a food bank. The data on ALICE households shows that hardship in Texas exists across boundaries of race, age, and geography.

With projected demographic changes and persistent barriers to stability, many ALICE and poverty-level families will continue to face hardship. In particular:

- At least 51 percent of Texas households do not have enough money set aside to cover expenses for three months, let alone enough to be able to save for emergencies or for the future.
- The majority of adults under age 25 across the country are unable to afford to live on their own, and for both economic and cultural reasons are delaying getting married, having children, or moving for new job opportunities.
- More seniors are aging without saving for retirement.
- There are fewer workers to meet the growing demand for senior caregiving.
- Income and wealth disparities persist by race, ethnicity, sex, gender identity, and sexual orientation.

OVERCOMING THE OBSTACLES: IDEAS BEING DEBATED, CONSIDERED, AND PILOTED

Economic change will continue, and these changes will both provide opportunity and inflict costs. Yet the distribution of opportunity and cost is not usually even or equitable. To have a positive impact on ALICE families, communities need to consider a range of system changes that would help ALICE to weather downturns in the short term and become more financially secure in the long term. Policymakers, academics, and advocates have proposed a range of broad ideas that could be adapted on a local, statewide, or national front. The following are four of the biggest obstacles to financial stability for ALICE families, with a sample of ideas and pilot programs being debated and considered across the country.

Widening Skills Gap

1

Going forward, most jobs, and especially higher-paying jobs, will require digital skills. Since 2004, the share of occupations nationally that require high levels of digital skills has more than doubled, from 10 to 22 percent. In Texas, more than half of all jobs (56 percent) require more than a high school diploma but not a four-year degree — jobs known as middle-skill occupations. Yet only 42 percent of Texas workers have been educated to the middle-skill level (Liu, 2017; National Skills Coalition, 2017). For ALICE workers to maintain employment over time, they will need accessible, high-quality technology training throughout their lifetime. Public K–12 schools can incorporate digital skills into all aspects of the curriculum for students, higher education can offer more focused programs, and companies can invest in training for their employees.

2 Lack of Stable and Viable Employment

For ALICE, finding well-paying jobs with security and financial stability is becoming harder as low-wage and gig-economy jobs continue to dominate the landscape. Fluctuating income — through unpredictable schedules and on-demand work — is one of the biggest problems ALICE workers face. At the same time, employers are also trying to navigate a changing business environment, remain competitive, and offer comprehensive benefit packages. The following are several possible solutions that address these challenges that ALICE workers and businesses face:

- **Fewer barriers to employment:** ALICE's barriers can include lack of job skills, family care responsibilities, physical and mental health problems (including substance abuse), limited English proficiency, and lack of reliable transportation. There are several evidence-based solutions, such as work programs that provide direct connections to employment (including apprenticeships); an individualized approach (to address a wide range of challenges, from soft skills to housing); and the development of career pathways over time through work and education. Successful outcomes require employers, government agencies, and nonprofits to weave together larger webs of connected programs and resources (Tessler, 2013; U.S. Department of Health and Human Services, 2012; Van Horn, Edwards, & Greene, n.d.; Yellen, 2017).

- **Portable benefits:** Benefits such as health insurance, retirement plans like a 401(k), or paid leave could move with the worker from job to job, and across multiple jobs at once. These can be delivered in multiple forms — through programs that are not connected to work or the employer at all, or through programs that involve employers but establish benefits that can be provided across employers. Some examples of this approach already exist in the construction industry and business associations; legislators in New York and Washington are considering benefit management systems that would allow employers to pay into workers' benefit funds (Foster, Nelson, & Reder, 2016; Guillot, 2017; Maxim & Muro, 2018; Quinton, 2017; Small Business Majority, 2017a; Strom & Schmitt, 2016).

- **Small business support:** Because of the less stable nature of many small businesses, their employees would benefit from measures that helped them weather fluctuations in their schedule and long-term employment, which include establishing portable benefits as mentioned above. In addition, small business entrepreneurs and their employees need more support to help them overcome common barriers, including limited resources to invest in skill development; student debt, which limits an owner's ability to invest in their businesses; and lack of access to affordable child care, which increases absenteeism and decreases productivity (Beelsley, 2016; Small Business Majority, 2016, 2017b).

- **Lifetime employment:** Considering policy examples from other countries can expand thinking on this topic. For example, guaranteed employment is an innovative policy that has been utilized in Germany and Japan. In this scheme, companies guarantee employment for large numbers of workers. To avoid layoffs, the practice allows for transfers and defined reductions in hours and wages in lean times (Noorderhaven, Koen, & Sorge, 2015).

3 Lack of Savings and Assets

Without enough money for even current expenses, ALICE families find it nearly impossible to save for emergencies or invest in future goals like education or retirement. A lack of savings is one of the biggest problems facing low-income families. Programs and infrastructure are needed to help them weather emergencies and periods of low income. Here are two approaches for policymakers to consider:

- **Access to affordable credit:** For those with low incomes, saving for emergencies is nearly impossible. Access to credit at low rates has proven to be effective to help ALICE workers and employers — especially small businesses — weather an emergency. However, ALICE families still need to have enough income to repay the loan or they risk greater long-term financial crises (Collins & Gjertson, 2013; Mayer & Jencks, 1989).

- **Private and public financial tools:** These range from new types of financial products to a guaranteed income or allowance. Employers could make wages more immediately available (rather than wait two weeks until payday), and banks could do the same for deposited funds. Financial institutions and the government could offer insurance or credit, as well as tax credits and savings incentives, to protect workers against dips in income. Going even further, for centuries economists, theologians, and policymakers have proposed a minimum guaranteed income for all families, though proposals run the gamut of approaches. The idea has received more bipartisan attention recently as more workers face periods of low-wages or unemployment (Murray, 2016; Schiller, 2017; Shaefer & Edin, 2013; Van Parijs & Vanderborght, 2017).

4 Systemic Bias

Bias against marginalized groups persists in the workplace, the housing market, education, health care, and the law, despite positive shifts in public opinion and attitudes regarding differences in race and ethnicity, age, sex, gender identity, sexual orientation, and disability.

The most prevalent gaps in education, income, and wealth are those that exist along racial lines, and they reflect systemic policies and institutional practices that create different opportunities for people of different races and ethnicities. Discriminatory practices have been embedded in our social structures and legal system, especially in terms of housing policies, school funding, health care programs, immigration practices, voting rights, and job opportunities. To make a difference for ALICE households, changes need to be made within these systems and structures (Agency for Healthcare Research and Quality, 2015; Center for Elimination of Disproportionality and Disparities, 2015; Cramer, 2012; Goldrick-Rab, Kelchen, & Houle, 2014; Shapiro, Meschede, & Osoro, 2013; The Sentencing Project, 2018).

For solutions to be effective, they must be as comprehensive and as interconnected as the problems are. Siloed solutions do not work. Because conditions vary across counties and states, the solutions to the challenges that ALICE and poverty-level households face will vary as well. Stakeholders — family, friends, nonprofits, businesses, policymakers, academics, and the government — will need to work together with innovation and vision and be willing to change the structure of the local and national economy, and even the fabric of their communities.

Every Texan should have the opportunity to thrive. Ultimately, if ALICE households can become financially stable, Texas' economy will be stronger and its communities more vibrant — improving life not just for the ALICE population, but for everyone. The data detailed in this Report can be a jumping-off point to create new and better ideas that can help working families move toward this goal. There is no one solution: A range of strategies will be needed to ensure that working people and their families aren't left behind.