

Standards for Calculating a Living Wage

In this draft, we have elected 130% of the federal poverty level as the standard for determining our living wage. We have chosen this index for two primary reasons. First, we believe it is the minimum acceptable standard for a public university. Public dollars should not be used to keep employees in poverty, and implementing such a standard would help to raise families out of poverty. Second, the federal poverty level is adjusted annually to account for inflation; thus, by adjusting the minimum starting wage to this index annually, Texas A&M can guarantee that their living wage keeps up with inflation. Because we recognize that there are many different standards for determining a living wage, in this appendix we include two alternative indexes which the Faculty Senate might elect to use in their resolution. More information about these indexes can be found at <http://livingwagecampaign.org/index.php?id=1954>

Fair Market Rent

Fair Market Rents are estimated annually by the Department of Housing and Urban Development to help ensure sufficient, affordable rental housing is available. They are gross rent estimates and include shelter rent and the cost of utilities, except telephone. By fair market rent standards, a rental unit is considered affordable if the rent does not exceed 30% of the renter's income. If you want to recommend that Texas A&M chooses to index the living wage to fair market rent, you must first select a unit size ranging from efficiency to four bedroom. The table below lists the fair market rent and necessary wages to afford one and two-bedroom units in Brazos County in 2003. Further information can be found at the National Low Income Housing Coalition website:

<http://www.nlihc.org/oor2003/data.php?getstate=on&getcounty=on&county%5B%5D=brazoscounty&state%5B%5D=TX>

Unit Size	One Bedroom	Two Bedroom
Fair Market Rent	\$472.00	\$596.00
Hourly Income	\$9.08	\$11.46
Annual Income	\$18,880	\$23,840

Family Budgets and Self-Sufficiency Standards

Although the federal poverty guidelines are a common indicator of poverty, they are not without weaknesses. The official poverty measure is based solely on food costs and the percentage of income families spent on food in the 1950s. Although it is refigured annually, it does not take into account the increased share of income families are spending on costs such as housing and child care relative to food. In contrast, family budgets calculate the costs for every major budget item, including housing, childcare, healthcare, food, transportation, and taxes.¹ If you want to recommend that Texas A&M choose to index the living wage to Self-Sufficiency Standards, you must first choose a family size. As an example, in the table below, we have listed the hourly wage and annual income for a family of one working parent

with 1 child and one working parent with two children living in Brazos County.ⁱⁱ More information on these budgets can be found on the Economic Policy Institute website at:
<http://www.epinet.org/cgioutput.cfm?template=epiucalc.XaFMys&title=Basic%20Family%20Budget%20Calculator>

Family Size	1 Parent/1 Child	1 Parent/2 Children
Hourly Income	\$12.28	\$14.92
Annual Income	\$25,537	\$31,033

Federal Poverty Guidelines

We have chosen 130% of the federal poverty level as our recommended guideline because it is the cut-off for determining food stamp eligibility. Families that make less than 130% of the federal poverty guideline are considered poor enough to qualify for public assistance. However, you may choose to raise this level or choose a different family size. Should you want to use a different percentage of federal poverty level or a different family size, the chart below lists the 2004 federal poverty level guidelines as determined by the U.S. Department of Health and Human Services. Available at <http://aspe.hhs.gov/poverty/04fedreg.htm>

2004 Poverty Guidelines for the 48 Contiguous States	
Size of Family Unit	Poverty Guidelines
1	\$9,310
2	\$12,490
3	\$15,670
4	\$18,850
5	\$22,030
6	\$25,210
7	\$28,390
8	\$31,570
For family units with more than 8 members, add \$3,180 for each additional member. (The same increment applies to smaller family sizes also, as can be seen in the figures above.)	

ⁱ Self-sufficiency budgets include a monthly expenditure for health care. In the two examples featured (1 parent/1 child and 1 parent/2 children) the monthly health care allocation is \$256.00. Because A&M pays for some of the employee's health care premiums, this budget allocation may be decreased. According to the 2004 annual enrollment booklet, A&M premiums for employee and child range from \$25.59 - \$196.55 per month depending upon the chosen plan. For example, if the 1 parent/1 child budget is chosen and the employee elects Scott & White as their health care provider, the necessary allocation for health care may decrease from \$256 to \$126.73 (provided no co-pay is needed in that particular month). Thus, the annual budget total is \$23,985.72 and the hourly wage is \$11.53.

ⁱⁱ Budget numbers on EPI's website are based upon 1999 data. To calculate the equivalent amount in 2004, these numbers have been multiplied by the change in cost of living between 1999 and 2004 (<http://data.bls.gov/cgi-bin/epicalc.pl>)