

EXECUTIVE SUMMARY

In 2016, 457,223 households in Iowa — 37 percent — could not afford basic needs such as housing, child care, food, transportation, health care, and a smartphone.

This United Way ALICE Report for Iowa 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. Since it is well established that economic conditions worsened during the Great Recession, this report focuses on the period of recovery that began in 2010, and looks at how households have fared since.

Despite recent reports of overall improvement in employment and gains in median incomes, the economic recovery in Iowa has been uneven. Many families continue to face challenges from low wages, depleted savings, and the increasing cost of basic household goods. In fact, the total number of Iowa households that cannot afford basic needs increased 27 percent between 2010 and 2016.

This report focuses on what has changed in Iowa since the first United Way ALICE Report for Iowa was published two years ago. It updates the cost of basic needs in the **Household Survival Budget** for each county in Iowa, as well as the number of households earning below the amount needed to afford that budget (**the ALICE Threshold**). The report delves deeper 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. Finally, the report highlights emerging trends that will affect ALICE households in the future.

For the period of 2010 to 2016, the data reveals an ongoing struggle for ALICE households and a range of obstacles to achieving financial stability:

- **The extent of hardship:** Of Iowa's 1,250,638 households, 12 percent lived in poverty in 2016 and another 25 percent were ALICE households. Combined, 37 percent (457,223 households) had income below the ALICE Threshold — an increase of 27 percent since 2010.
- **The basic cost of living:** The cost of basic household expenses in Iowa increased steadily to \$56,772 for a family of four (two adults with one infant and one preschooler) and \$19,560 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 41 percent from 2010 to 2016 — more than four times the national rate of inflation of 9 percent during those years.
- **Jobs:** Low-wage jobs continued to dominate the employment landscape in Iowa, with 66 percent of all jobs paying less than \$20 per hour. Although unemployment rates fell, 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.
- **The role of public assistance:** Public and private assistance continued to provide support to many families living in poverty or earning slightly above the FPL, but it provided less support to ALICE families 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 rise 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* — With technological advances in health care outpacing the ability of many households to afford them, there will be increasing disparities in health according to income. The societal costs of having large numbers of U.S. residents in poor health will also grow.

Using the best available information about how many families 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 FPL is an outdated calculation, and inaccurate information about the number of people struggling distorts the identification of problems related to poverty, misguides policy solutions, and raises questions of equity, transparency, and fairness in the allocation of resources. The United Way ALICE Project develops these resources in order to move beyond stereotypes and judgments of “the poor,” and instead encourages the use of unbiased 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**mloyed — 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 smartphone) in Iowa, 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 Iowa. (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 personal technology category (smartphone and basic home internet) and 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.

DATA & METHODOLOGY

WHAT'S NEW

Every two years, the United Way *ALICE Project* engages a national Research Advisory Committee of external experts to scrutinize the ALICE methodology and sources and ensure that the best local data is presented. The focus remains on the county level because state averages mask significant differences between counties. For example, the percent of households below the ALICE Threshold in Iowa ranges from 26 percent in Plymouth County to 52 percent in Decatur County.

For a more detailed description of the methodology and sources, see the Methodology Overview on our website, UnitedWayALICE.org.

For this report, the following improvements have been incorporated:

The cost of a smartphone has been added to the Household Survival and Stability Budgets. Technology is increasingly essential to live and work in the modern economy, and smartphone use in particular has become an expectation for employment in many contexts. Therefore, the cost of a basic smartphone plan for each adult in the household has been added to the Household Survival Budget. The Household Stability Budget includes the cost of a smartphone for each adult in the family as well as basic home internet service.

The source for state taxes has been updated. In order to provide greater consistency across states and reduce the complexity of calculations while maintaining accuracy, the Tax Foundation's individual income tax rates and deductions for each state are used instead of state-level tax sources. Each state treasury's *Form 1040: Individual Income Tax, Forms and Instructions* is still used to confirm state tax deductions and exemptions, such as the Personal Tax Credit and Renter's Credit.

Change-over-time focus has shifted. The first ALICE Reports measured change before and after the Great Recession, in 2007 and 2010. This updated report focuses on the recovery, measures change from the baseline of 2010 followed by the even years since — 2012, 2014, and 2016 — and highlights trends since the end of the Recession. The 2016 results will also serve as an important baseline from which to measure the effects of the rollout of the Affordable Care Act (ACA) in 2014, as well as new policies implemented under the Trump administration.

Additional detail is provided at the sub-county level. With the development of our website, there is more ALICE data available at the local level, including subcounty, place, zip code, Public Use Microdata Area (PUMA), and Congressional district.

What remains the same: This 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 (HUD), the U.S. Department of Agriculture (USDA), the Bureau of Labor Statistics at the U.S. Department of Labor (BLS), the Internal Revenue Service (IRS), the Tax Foundation, Child Care Aware of America (formerly NACCRRA), and these agencies' Iowa state counterparts. 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.