



# ALICE IN THE CROSSCURRENTS: COVID AND FINANCIAL HARDSHIP

## Frequently Asked Questions for the 2023 ALICE Reports

**ALICE** stands for **A**sset Limited, **I**ncome Constrained, **E**mployed. ALICE households earn above the Federal Poverty Level (FPL) but not enough to afford the basics in the communities where they live. Importantly, despite struggling to make ends meet, ALICE households often do not qualify for public assistance.

The number of households in financial hardship in the U.S. continues to be undercounted in official measures. According to the FPL, 13% of households in the U.S. — 16 million — lived in poverty in 2021. Yet United For ALICE data shows that another 29%, or 36 million households — almost three times as many — were ALICE. In total, 52 million households in the U.S., or 41%, were below the ALICE Threshold (poverty + ALICE) in 2021.

### Report Data Year

**What year is the ALICE data based on in the 2023 ALICE in the Crosscurrents Report?** The Report uses data from 2021 and 2022:

- **2021:** Our standard ALICE data is based on the American Community Survey (ACS) — both [household tabulated data](#) and [individual-level data](#) from the Public Use Microdata Sample (PUMS) records. At the time of publication, 2021 data was the latest ACS data available. Data from 2022 is not expected to be released until December 2023. The Report also includes 2021 data from [the Federal Reserve Board's Survey of Household Economics and Decisionmaking \(SHED\)](#).
- **2022:** In addition, this Report includes our analysis of the [U.S. Census Bureau's COVID-19 Household Pulse Survey](#) (Household Pulse Survey) that captures the experiences of a nationally representative sample of households in 2022 (September 14–November 14, 2022; and December 9–December 19, 2022)

**Why did you compare 2019 to 2021 for the change in financial hardship in the Report, rather than using data from our last state report or 2020?** We used 2019 because we wanted to compare to the most recent pre-pandemic level of financial hardship. Additionally, we thought it was important to show that nationally and in many states, levels of financial hardship improved from 2018 to 2019. We could not include 2020 data due to the pandemic's disruption of data collection during the 2020 Census. For the ACS, the closure of its processing center in mid-March 2020 impacted printing and sending surveys; reduced staff and social distancing limited mailing capabilities following the shutdown; and in-person follow-ups were suspended for almost three months. The Census Bureau has acknowledged that the 2020 ACS data had the lowest response rate in the history of the survey at 71% (down from 86% in 2019 and 92% in 2018) and did not meet their quality standards.



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By securing racial and economic equity for ALICE we can improve life for all.



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## The ALICE Population

**Do all ALICE households include someone who is employed?** ALICE analysis includes all households, regardless of work status, as employment is fluid and most households have members who are working, have worked, or are looking for work.

**Does the ALICE data refer to individuals or households?** Most ALICE data refers to households, and Household Survival Budget costs are based on household expenses. In some cases we include data on individuals, namely respondents to SHED and the Household Pulse Survey, and our 2022 ALICE in Focus series uses ACS PUMS records. In our Reports, words like “households,” “individuals,” and “respondents” are used to make the reference point clear for each data point.

**Why are certain demographic groups not included in the demographic figures in the ALICE Report or website?** In some geographic areas, small sample sizes within certain racial/ethnic population groups do not allow us to report representative and reliable data. For our demographic tables and figures, populations smaller than 100 households are not included.

**Are college students included in the ALICE data? Does this skew the data for “college towns”?** People living in Census-defined group quarters (including those in group homes, college dormitories, military barracks, and nursing homes) are not included in the ALICE metrics because the cost of living in these settings differs substantially from the cost of living in a household. Therefore, college students who live in dormitories and are financially dependent on parents or others to cover their housing costs would not be included. However, college students who live in the community as their primary residence are included in the Census data. If you have a high percentage of college students living in your community, it is important to consider this distinction when reviewing the data. Across the U.S., the youngest households (under age 25) have some of the highest rates of financial hardship. We see including off-campus college students not as skewing the data, but as capturing the stark realities of financial hardship among students struggling to make ends meet.

**Why do the total households for my state in the ALICE Reports not match ACS totals?** The state ALICE numbers are a summation of county-level data (one- or five-year averages depending on population size), so ALICE household totals may differ slightly from reported state-level household totals. Also, if you are comparing to Census data, make sure to look at household totals, not population totals, and to use the same source year (one- or five-year estimates).

**How is it possible for the population size to decrease, while the number of households is increasing in my county, (or vice versa)?** Population size and the number of households in a county are two distinct statistics. Population growth reflects the increase or decrease in the number of individuals in a county, while the number of households captures the number of households only, regardless of how many people live in a household. This data comes directly from the Census: <https://data.census.gov> (one-year estimates; Tables DP02 and DP05).

**When I add together the percentage of households that are in poverty, ALICE, and Above the ALICE Threshold in my state/county, it does not equal 100%. Why not?** The data used in this Report are estimates; some are geographic averages, others are one- or five-year averages depending on population size. Percentages are rounded to whole numbers, sometimes resulting in percentages totaling 99% or 101%.

**Can we talk about the ALICE Threshold and what ALICE earns as a multiple of the FPL – “households that earn 150% of the FPL”, for example?** We don’t recommend using a multiple of the FPL to quantify ALICE households, as the ALICE Threshold varies from county to county and over time from one report cycle to the next. Rather, we suggest comparing the FPL for a single adult and family of four to the annual costs of the Household Survival Budget for a single adult or family of four in your state or county.

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## The ALICE Data on Race/Ethnicity

**Can I compare ALICE data by race/ethnicity over time?** Due to changes to the way the U.S. Census Bureau collects and codes data on race/ethnicity starting in 2020, there is not a reliable way to compare the 2021 race/ethnicity data with previous years. See links below for more details:

- Information and figures which show the expansion of categories and write-in responses:  
<https://www.census.gov/newsroom/blogs/random-samplings/2021/08/improvements-to-2020-census-race-hispanic-origin-question-designs.html>
- Note from the Census:  
*"It is important to note that these data comparisons between the 2020 Census and 2010 Census race data should be made with caution, taking into account the improvements we have made to the Hispanic origin and race questions and the ways we code what people tell us."* <https://www.census.gov/newsroom/press-releases/2021/population-changes-nations-diversity.html>

## Inflation and the Household Survival Budget

**Does the ALICE data take inflation into account when calculating the Household Survival Budget?** ALICE budgets are re-calculated each year based on updated data from our budget sources to match the data year of the latest ACS data (2021 for these Reports). Because the budgets are updated, we do not have to adjust costs year to year based on inflation (like the FPL does), as those increases are reflected in the costs of the budget items.

**Things are even more expensive now than they were in 2021. How do we factor that in?** Costs are rising, and we know that ALICE households are the first to feel that crunch. We will have additional information available on this topic with the release of our ALICE Essentials Index in June 2023.

**Since costs have been rising due to inflation, how is it possible that the Household Survival Budget went down in some counties?** Between 2019 and 2021, inflation led to increased costs for most household basics, especially for [energy, food, and housing](#). Yet during the pandemic, there were unusual factors that impacted the budgets. First, the expanded Child Tax Credit (CTC) and Child and Dependent Care Tax Credit (CDCTC) were refundable credits that substantially reduced the total budget for families with children. In addition, migration during the pandemic impacted demand for housing, in some cases reducing costs in the short term; for example, New York City experienced out-migration that reduced rents at the start of the pandemic. However, in many of these locations, prices have now returned to or even surpassed their pre-pandemic levels. Another challenge during the pandemic was child care; with supply and demand fluctuating greatly, data collection for child care costs was difficult. The research team at United For ALICE worked with each state and their Research Advisory Committee to get the most accurate data possible. Finally, there were some policy changes that impacted costs: For example, the cost of minimum auto insurance in Michigan, which is the highest in the country, was lowered, and that decrease filtered through the transportation budget.

See the Household Survival Budget Categories section below for additional information about the factors that impacted overall costs in 2021.

## Household Survival Budget Categories

**The cost of housing seems unrealistic in my county. Why are costs so low?** The Household Survival Budget reflects costs that are often hard to afford or require sacrifice in terms of comfort or safety – especially when it comes to housing, as units are often not readily available at Fair Market Rent. If you compare housing costs from a prior data year to 2021, you may see a decrease because this year we separated out costs for housing (rent or mortgage) and

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utilities. If you are interested in comparing housing costs in 2021 to a prior year, add the 2021 housing and utility costs together to get the total combined cost.

**Why did you separate out housing and utility costs this year?** This was a methodology change that came out of our biannual methodology review, conducted with our National Research Advisory Committee. The costs of utilities (natural gas, electricity, fuel oil and other fuels, and water and other public services) continue to challenge ALICE households. Additionally, ALICE households often have fewer resources to maintain furnaces, air conditioners, or water heaters or to replace windows, etc., leading to higher energy costs. ALICE partners have expressed an interest in utilities cost data to help support expanding access to energy assistance for ALICE.

**Why are tax credits being shown on a separate budget line this year?** Tax credits have always been included in the taxes for the Household Survival Budget. In 2021, tax credits were expanded for families with children, as part of many measures to mitigate the impact of the pandemic. Because these are refundable credits, the tax line item became negative in 2021 for most families with children in most locations. Reporting the tax credits separately this year makes it easier to explain that change. To reiterate, this is just a change in presentation for this unusual year, not a change in methodology.

**Did child care costs go up or down in 2021?** That depended on location. The child care budget is for registered Family Child Care Homes for infants (0–2 years), preschool-age (3–4), and school-age children (5–17), using data provided by each state's governmental department in charge of child care regulations. During the pandemic, data collection of child care costs was severely impacted due to COVID-19 shutdowns and stay-at-home orders, and many states filed waivers to extend their collection period. The Household Budgets use the latest market rate survey data available. In many counties, child care costs went up; however, some counties saw decreases. Fluctuation in costs from data year to data year is expected, particularly in smaller counties where there are fewer providers.

**Is it possible that transportation costs decreased in my county from 2019 to 2021?** The transportation budget is calculated using average annual expenditures for transportation by car or by public transportation (public transportation is used when 8% or more of the metropolitan statistical area and county population use public transportation to commute to work). The drastic reduction in ridership on public transportation during the pandemic largely excluded onsite ALICE workers who still had to commute, and transit fares did not decrease during this period. Therefore, to best reflect the actual cost of public transportation in 2021, the budget uses the average annual expenditures for public transportation in 2019. For counties where transportation by car is used, costs may go down or up depending on changes in the annual costs for minimum liability car insurance and other car-related expenses (gas, oil, vehicle maintenance costs).

**What is included in the Miscellaneous budget category?** The miscellaneous category covers cost overflow from the basic household expenses and is estimated at 10% of the budget, excluding taxes, to cover one-time unanticipated costs within the other categories.

**When was the cost of technology added to the Household Survival Budget?** Technology was added into the Household Survival Budget as a line item in 2014, in recognition of the fact that technology is now a “necessity” for U.S. households. The technology budget line item includes the cost of a basic smartphone plan only, as reported by Consumer Reports. In 2021, costs were upgraded from a 5GB to a 10GB monthly plan to reflect the increased need for internet access.

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## Creating Change for ALICE

### What strategies help to address the needs of ALICE households in each community?

- In the short-term, minimal intervention – by family, employers, nonprofits, and government – can prevent a household from becoming ALICE, or sliding from ALICE into poverty.
- However, only large-scale economic and social changes will significantly reduce the number of households below the ALICE Threshold, or ease the consequences and hardship of those struggling to achieve economic stability.
- First, we need to recognize that ALICE is a real and significant population in our community. It is only once we see ALICE that we can come together to have an open dialogue about how, together, we can remove the barriers keeping ALICE from achieving financial security.
- There is no magic bullet, and no single entity can change this dynamic on its own.
- However, small changes across sectors will add up to broad-scale differences for this vulnerable population. Together, we can envision a better future for ALICE.

Learn more about what partners are doing to help ALICE using our [ALICE in Action](#) database.

## United For ALICE

Founded and fueled by United Way of Northern New Jersey, [United For ALICE](#) is a driver of innovation, research, and action that began sounding the alarm about the ALICE demographic at the height of the Great Recession, in 2009. Since then, more than 600 United Ways, corporations, nonprofits, and foundations have joined what has become a grassroots movement in 27 states and the District of Columbia – and counting.

## A Proven Methodology

Unlike the one-size-fits-all model of the Federal Poverty Level, the United For ALICE data reflects the actual costs of a Household Survival Budget at the county level and shows how many households earn below that amount. The budget consists of the [lowest-cost options](#) for housing, child care, food, transportation, health care, a smartphone plan, and taxes. ALICE data is available for all counties in each state.

The [ALICE methodology](#) was originally developed by National Director Stephanie Hoopes, Ph.D., who continues to lead a [team of researchers](#). The methodology and new Reports are reviewed by local data and subject-matter experts from our state [Research Advisory Committees](#), with more than 250 external professionals engaged from our 27 partner states and the District of Columbia.

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