

# THE 2008 RHODE ISLAND STANDARD OF NEED



**The Poverty Institute**  
at the Rhode Island College School of Social Work

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December 2008

## EXECUTIVE SUMMARY

EVERY TWO YEARS, The Poverty Institute publishes *The Rhode Island Standard of Need* (RISN) to provide a realistic standard for measuring the economic well-being of families and single adults. The RISN uses the costs of housing, food, transportation, health care, child care and other basic necessities to calculate a no-frills budget for families with two young children and for single adults. The RISN also demonstrates how Food Stamps, tax credits and subsidies for child care and health care (RIte Care) help close the gap between income and basic need expenses.

*The 2008 RISN shows what it costs to live in the Ocean State:*

- It costs a single parent \$47,352 to raise two children. The parent needs earnings of over \$52,800 (300% of the federal poverty level) to meet this budget.
- It costs a two-parent household \$52,188 to raise two children. The family needs earnings of over \$58,300 (275% of the federal poverty level) to meet this budget.
- It costs a single adult \$20,280 to meet basic needs with earnings of over \$20,800 (200% of the federal poverty level) needed to meet this budget.

*The 2008 RISN shows how work supports help narrow the gap between earnings and expenses:*

- A single parent with two children who earns \$30,800 (twice the minimum wage of \$7.40/hour) and receives subsidized health care and child care has a gap between income and expenses of \$48/month. With income just over this amount, the parent becomes ineligible for RIte Care and the gap increases to at least \$109/month. If the parent earns an additional \$146/month, the family is ineligible for child care assistance and the gap between earnings and expenses increases to \$1,114/month.
- A two-parent family earning \$37,100 and receiving subsidized health care and child care has a gap between income and expenses of \$103/month. With income just over that amount, the parents become ineligible for RIte Care and the gap increases to at least \$229/month. If the family earns an additional \$88/month, the family becomes ineligible for child care assistance and the gap increases to \$1,179/month.
- A single adult earning minimum wage of \$15,392 has income which is too high to qualify for the Earned Income Tax credit or Food Stamps, the two work supports available for adults without children. The gap between income and expenses is just under \$600/month.
- Adults who are unable to work because of age or disability and rely on SSI benefits for their support have a gap between income and expenses of over \$600/month. While health care is provided at no cost, Food Stamps cover only one-half of the cost of food.

### *The 2008 Rhode Island Standard of Need Shows What it Costs for Single Parent Families, Two-Parent Families and Single Adults to Meet Basic Needs*

*The 2008 Rhode Island Standard of Need (RISN)* calculates the income needed for three different types of Rhode Island households to meet basic living expenses: a single parent family with two young children, a two-parent family with two young children and a single adult.

According to the Census Bureau, in 2007 there were 8,900 single parent families with two children in Rhode Island, 30,784 two-parent families with two children, and 140,300 single adult households between the ages of 18 and 64.

#### **Why is the RISN Necessary?**

The Poverty Institute calculates *The Rhode Island Standard of Need* to provide a realistic standard for measuring the economic well-being of families and single adults. Most experts recognize that the federal poverty level (FPL), which is the commonly-used measure of economic well-being, is seriously outdated.

#### **Why is the Federal Poverty Level an Inadequate Measure of Economic Well-Being?**

The federal poverty level was developed in the 1960's and measured poverty, using 1950's data, based on the cost of food. At the time, food costs represented a third of a family's budget. The federal poverty level is flawed because expenditure patterns have changed significantly

since the 1950's. Food costs now represent only one-seventh of an average family's expenses, while housing costs often consume more than one-third of a family's budget. Health care and other costs have risen faster than food costs and today many families incur significant expenses because both parents work outside the home.

In addition, the federal poverty level does not reflect geographical variations in living costs. It also does not take into account tax credits and Food Stamps and other government subsidies that are available to help meet basic needs.

### ***The Rhode Island Standard of Need answers two fundamental questions:***

*What is the cost of meeting basic needs for a single parent family, two-parent family and a single adult in Rhode Island?*

*How do federal and state work supports help individuals and families meet the cost of basic needs?*

#### **Why is the RISN a Better Measure of Individual and Family Need?**

The RISN corrects these and other limitations of the federal poverty level by using current data sources for major components of family and individual budgets. It includes expenses attributable to employment including child care and commuting costs.

The cost assumptions are conservative and limited to basic expenses. Housing costs are based on the U.S. Department

of Housing and Urban Development's Fair Market Rents, which are lower than the average cost of available apartments. Housing costs do not include first and last month's rent often required when a family moves. Food costs are based on the U.S. Department of Agriculture's moderate food plan and do not include any money for meals eaten outside the home. Health care costs assume that the parent has access to employer sponsored insurance and that the employer makes a significant contribution to the cost.

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While essentials such as phone, clothing, shoes and paper products are accounted for, the RISN does not include the cost of child enrichment activities like school trips, participation in team sports, music or art lessons. Finally, the RISN does not include any funds for vacations, birthdays, holidays or other special occasions.

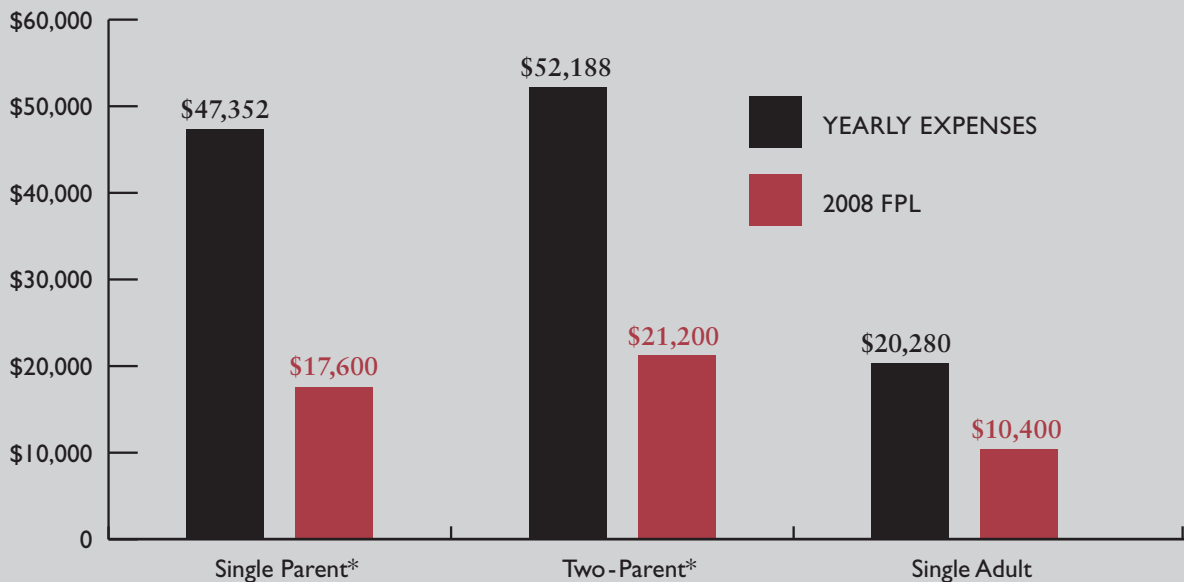
The RISN shows the impact of tax credits (including the Earned Income Tax Credit), near cash payments (such as Food Stamps) and subsidies available to help families and individuals meet basic needs (such as subsidized child care and RIte Care).

## THE COST OF MEETING BASIC NEEDS FOR FAMILIES AND INDIVIDUALS

	SINGLE PARENT*	TWO-PARENT*	SINGLE ADULT
HOUSING	\$1,020	\$1,020	\$874
FOOD	\$594	\$846	\$301
TRANSPORTATION	\$386	\$497	\$258
CHILDCARE	\$1,314	\$1,314	\$0
MEDICAL	\$251	\$251	\$93
MISC. + SALES TAX	\$381	\$421	\$164
<b>Total</b>	<b>\$3,946</b>	<b>\$4,349</b>	<b>\$1,690</b>
<b>YEARLY</b>	<b>\$47,352</b>	<b>\$52,188</b>	<b>\$20,280</b>

\* Assumes two children, a toddler and school-aged child.

## YEARLY COSTS COMPARED TO 2008 FEDERAL POVERTY LEVEL



\* Assumes two children, a toddler and school-aged child.

**KEY FINDINGS**

**WHAT IT COSTS FOR RHODE ISLAND HOUSEHOLDS TO MAKE ENDS MEET:**

**Single Parent Family:** It costs \$47,352 for a single parent to meet basic needs. The parent needs earnings of more than \$52,800 (300% of the federal poverty level) to meet this budget without government subsidies.

**Two-Parent Family:** It costs \$52,188 for a two-parent household to meet basic needs. The family needs earnings of more than \$58,300 (275% of the federal poverty level) to meet this budget without government subsidies.

**Single Adult:** It costs \$20,280 for a single adult to meet basic needs with earnings of more than \$20,800 (200% of the federal poverty level) to meet this budget.

**EXAMPLES OF HOW WORK SUPPORTS HELP:**

The RISN shows how work supports, especially subsidized child care and health care, help narrow the gap between earnings and the cost of meeting basic needs for working families.

**Single Parent Family:** A single parent with two young children who earns twice the minimum wage, \$14.81/hour (\$30,800 annually, 175% of the federal poverty level), is eligible for subsidized child care and health care for herself and her children. This family has a gap between income and expenses of \$48/month.

A parent earning an additional 84 cents/hour (\$146/month) (185% of the federal poverty level) is ineligible for subsidized child care and health care and the gap between income and expenses for her family is \$1,114/month.<sup>1</sup>

**Two-Parent Family:** For a two-parent family, in which both parents are working full time, work supports help narrow, but do not close, the gap between earnings and expenses for families earning less than \$38,160/year (180% of the federal poverty level). The loss of subsidized child care for families with income above this level creates a gap of up to \$1,179/month.

**Single Adult:** A single adult earning minimum wage has income too high to qualify for the Earned Income Tax

Credit or Food Stamps. There is no health care subsidy for adults without children. The gap between income and expenses is just under \$600 a month.

Adults with disabilities or age 65 and older who rely on SSI benefits for their support have a gap between income and expenses of over \$600/month. For these adults, who have been determined unable to work, Food Stamps cover only about one-half the cost of food and a one-bedroom apartment is beyond their means.

**SUBSIDIES HELP FAMILIES WITH LOWER WAGES MAKE ENDS MEET, BUT DO NOT CLOSE THE GAP BETWEEN EARNINGS AND EXPENSES**

Single parent earning \$2,567/month or \$14.81/hour (175% FPL)

	WITH SUBSIDIES	WITHOUT SUBSIDIES
HOUSING	\$1,020	\$1,020
FOOD	\$594	\$594
TRANSPORTATION	\$386	\$386
CHILD CARE	\$205	\$1,314
HEALTH INSURANCE	\$85	\$251
MISC. & SALES TAX	\$381	\$381
Total Expenses	\$2,671	\$3,946
Net Income	\$2,623	\$2,623
DIFFERENCE	– \$48	– \$1,323

## MEETING THE NEEDS FOR A SINGLE PARENT FAMILY

PERCENT OF 2008 FEDERAL POVERTY LEVEL	RI Works Cash Assistance (38% FPL)	Minimum Wage (\$7.40/hr) (85% FPL)	100%	125%	133%	150%	175%	180%	185%	200%	225%	250%	275%	300%	325%	350%
<b>INCOME</b>																
Yearly Income	\$6,648	\$15,392	\$17,600	\$22,000	\$23,408	\$26,400	\$30,800	\$31,680	\$32,560	\$35,200	\$39,600	\$44,000	\$48,400	\$52,800	\$57,200	\$61,600
Hourly Wage	\$0	\$7.40	\$8.46	\$10.58	\$11.25	\$12.69	\$14.81	\$15.23	\$15.65	\$16.92	\$19.04	\$21.15	\$23.27	\$25.38	\$27.50	\$29.62
Monthly Income	\$554	\$1,283	\$1,467	\$1,833	\$1,951	\$2,200	\$2,567	\$2,640	\$2,713	\$2,933	\$3,300	\$3,667	\$4,033	\$4,400	\$4,767	\$5,133
(Minus) Monthly Taxes	\$0	\$115	\$131	\$210	\$236	\$293	\$383	\$403	\$423	\$484	\$586	\$687	\$789	\$891	\$989	\$1,096
<b>Net Monthly Earnings</b>	<b>\$554</b>	<b>\$1,168</b>	<b>\$1,336</b>	<b>\$1,623</b>	<b>\$1,715</b>	<b>\$1,907</b>	<b>\$2,184</b>	<b>\$2,237</b>	<b>\$2,290</b>	<b>\$2,449</b>	<b>\$2,714</b>	<b>\$2,980</b>	<b>\$3,244</b>	<b>\$3,509</b>	<b>\$3,778</b>	<b>\$4,037</b>
Food Stamps	\$463	\$332	\$288	\$211	\$201	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WIC	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$0	\$0	\$0	\$0
EITC	\$0	\$408	\$367	\$295	\$270	\$222	\$149	\$134	\$106	\$56	\$0	\$0	\$0	\$0	\$0	\$0
Child Care Tax Credit	\$0	\$0	\$0	\$14	\$37	\$40	\$69	\$69	\$163	\$150	\$125	\$125	\$125	\$125	\$125	\$125
Child Tax Credit	\$0	\$46	\$73	\$150	\$161	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167
<b>Total Monthly Income</b>	<b>\$1,071</b>	<b>\$2,008</b>	<b>\$2,118</b>	<b>\$2,347</b>	<b>\$2,438</b>	<b>\$2,390</b>	<b>\$2,623</b>	<b>\$2,661</b>	<b>\$2,780</b>	<b>\$2,876</b>	<b>\$3,060</b>	<b>\$3,326</b>	<b>\$3,536</b>	<b>\$3,801</b>	<b>\$4,070</b>	<b>\$4,329</b>
<b>MONTHLY EXPENSES</b>																
Housing	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020
Food	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594	\$594
Transportation	\$0	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386	\$386
Child Care	\$0	\$0	\$0	\$37	\$98	\$110	\$205	\$211	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314
Medical	\$0	\$0	\$0	\$0	\$45	\$85	\$85	\$178	\$199	\$207	\$207	\$207	\$251	\$251	\$251	\$251
Miscellaneous	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356	\$356
Sales Tax	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
<b>Total Monthly Expenses</b>	<b>\$1,995</b>	<b>\$2,381</b>	<b>\$2,381</b>	<b>\$2,418</b>	<b>\$2,524</b>	<b>\$2,576</b>	<b>\$2,671</b>	<b>\$2,770</b>	<b>\$3,894</b>	<b>\$3,902</b>	<b>\$3,902</b>	<b>\$3,902</b>	<b>\$3,946</b>	<b>\$3,946</b>	<b>\$3,946</b>	<b>\$3,946</b>
<b>Difference Between Total Monthly Income and Expenses</b>	<b>-\$924</b>	<b>-\$373</b>	<b>-\$263</b>	<b>-\$71</b>	<b>-\$86</b>	<b>-\$186</b>	<b>-\$48</b>	<b>-\$109</b>	<b>-\$1,114</b>	<b>-\$1,026</b>	<b>-\$842</b>	<b>-\$576</b>	<b>-\$410</b>	<b>-\$145</b>	<b>\$124</b>	<b>\$383</b>

## MEETING THE NEEDS FOR A TWO-PARENT FAMILY

PERCENT OF 2008 FEDERAL POVERTY LEVEL	RI Works Cash Assistance (36% FPL)	Twice Minimum Wage (\$7.40/hr) (145% FPL)	150%	175%	180%	185%	200%	225%	250%	275%	300%	325%	350%
<b>INCOME</b>													
Yearly Income	\$7,608	\$30,784	\$31,800	\$37,100	\$38,160	\$39,220	\$42,400	\$47,700	\$53,000	\$58,300	\$63,600	\$68,900	\$74,200
Hourly Wage	\$0	\$14.80	\$15.29	\$17.84	\$18.35	\$18.86	\$20.38	\$22.93	\$25.48	\$28.03	\$30.58	\$33.13	\$35.67
Monthly Income	\$634	\$2,565	\$2,650	\$3,092	\$3,180	\$3,268	\$3,533	\$3,975	\$4,417	\$4,858	\$5,300	\$5,742	\$6,183
(Minus) Monthly Taxes	\$0	\$309	\$329	\$429	\$449	\$469	\$540	\$662	\$785	\$907	\$1,029	\$1,152	\$1,274
<b>Net Monthly Earnings</b>	<b>\$634</b>	<b>\$2,256</b>	<b>\$2,321</b>	<b>\$2,663</b>	<b>\$2,731</b>	<b>\$2,799</b>	<b>\$2,993</b>	<b>\$3,313</b>	<b>\$3,632</b>	<b>\$3,951</b>	<b>\$4,271</b>	<b>\$4,590</b>	<b>\$4,909</b>
Food Stamps	\$576	\$189	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WIC	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$54	\$0	\$0	\$0	\$0
EITC	\$0	\$186	\$156	\$58	\$35	\$12	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Child Care Tax Credit	\$0	\$0	\$78	\$71	\$73	\$138	\$131	\$125	\$125	\$125	\$125	\$125	\$125
Child Tax Credit	\$0	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167	\$167
<b>Total Monthly Income</b>	<b>\$1,264</b>	<b>\$2,852</b>	<b>\$2,776</b>	<b>\$3,013</b>	<b>\$3,060</b>	<b>\$3,170</b>	<b>\$3,345</b>	<b>\$3,659</b>	<b>\$3,978</b>	<b>\$4,243</b>	<b>\$4,563</b>	<b>\$4,882</b>	<b>\$5,201</b>
<b>MONTHLY EXPENSES</b>													
Housing	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020
Food	\$846	\$846	\$846	\$846	\$846	\$846	\$846	\$846	\$846	\$846	\$846	\$846	\$846
Transportation	\$0	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497	\$497
Childcare	\$0	\$128	\$133	\$247	\$254	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314	\$1,314
Medical	\$0	\$45	\$85	\$85	\$251	\$251	\$251	\$251	\$251	\$251	\$251	\$251	\$251
Miscellaneous	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393	\$393
Sales Tax	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28	\$28
<b>Total Monthly Expenses</b>	<b>\$2,287</b>	<b>\$2,957</b>	<b>\$3,002</b>	<b>\$3,116</b>	<b>\$3,289</b>	<b>\$4,349</b>	<b>\$4,349</b>	<b>\$4,349</b>	<b>\$4,349</b>	<b>\$4,349</b>	<b>\$4,349</b>	<b>\$4,349</b>	<b>\$4,349</b>
<b>Difference Between Total Monthly Income and Expenses</b>	<b>-\$1,023</b>	<b>-\$105</b>	<b>-\$226</b>	<b>-\$103</b>	<b>-\$229</b>	<b>-\$1,179</b>	<b>-\$1,004</b>	<b>-\$690</b>	<b>-\$371</b>	<b>-\$106</b>	<b>\$214</b>	<b>\$533</b>	<b>\$852</b>

## MEETING THE NEEDS FOR A SINGLE ADULT

PERCENT OF 2008 FEDERAL POVERTY LEVEL	SSI Cash Assistance (80% FPL)	Minimum Wage (\$7.40/hr) (148% FPL)	150%	175%	200%	250%	275%
<b>INCOME</b>							
Yearly Income	\$8,323	\$15,392	\$15,600	\$18,200	\$20,800	\$26,000	\$28,600
Hourly Wage	\$0	\$7.40	\$7.50	\$8.75	\$10.00	\$12.50	\$13.75
Monthly Income	\$694	\$1,283	\$1,300	\$1,517	\$1,733	\$2,167	\$2,383
(Minus) Monthly Taxes	\$0	\$191	\$195	\$251	\$311	\$431	\$491
<b>Net Monthly Earnings</b>	<b>\$694</b>	<b>\$1,092</b>	<b>\$1,105</b>	<b>\$1,266</b>	<b>\$1,422</b>	<b>\$1,736</b>	<b>\$1,892</b>
Food Stamps	\$145	\$0	\$0	\$0	\$0	\$0	\$0
EITC	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Monthly Income</b>	<b>\$839</b>	<b>\$1,092</b>	<b>\$1,105</b>	<b>\$1,266</b>	<b>\$1,422</b>	<b>\$1,736</b>	<b>\$1,892</b>
<b>MONTHLY EXPENSES</b>							
Housing	\$874	\$874	\$874	\$874	\$874	\$874	\$874
Food	\$301	\$301	\$301	\$301	\$301	\$301	\$301
Transportation	\$126	\$258	\$258	\$258	\$258	\$258	\$258
Medical	\$0	\$93	\$93	\$93	\$93	\$93	\$93
Miscellaneous	\$153	\$153	\$153	\$153	\$153	\$153	\$153
Sales Tax	\$11	\$11	\$11	\$11	\$11	\$11	\$11
<b>Total Monthly Expenses</b>	<b>\$1,465</b>	<b>\$1,690</b>	<b>\$1,690</b>	<b>\$1,690</b>	<b>\$1,690</b>	<b>\$1,690</b>	<b>\$1,690</b>
<b>Difference Between Total Monthly Income and Expenses</b>	<b>– \$626</b>	<b>– \$598</b>	<b>– \$585</b>	<b>– \$424</b>	<b>– \$268</b>	<b>\$46</b>	<b>\$202</b>



### Methodology

#### FAMILY COMPOSITION

The sample families include a toddler and an elementary school-aged child. Since the majority of single parents are women, the RISN assumes a mother and her two children. For the two-parent family, the RISN assumes a mother and father since that represents the majority of two-parent families. The single person is an adult of either gender.

#### INCOME/WAGES

Wages are based on a 40 hour work week. In the two-parent family, both are working full-time.

The Rhode Island Works Program (RI Works) replaced the Family Independence Program (FIP) as Rhode Island's cash assistance program for needy families effective October, 2008. Benefit levels remained the same. Approximately 8,000 Rhode Island families rely on cash assistance and the employment-readiness services offered by the program.

SSI is the Supplemental Security Income Program, the federal cash assistance program for people age 65 and older and people with disabilities. Close to 32,000 individuals receive SSI in Rhode Island.

While not reflected in the RISN because it is not received by all families, child support is an important source of income for single parent families. In 2006, there were 58,082 child support cases. Of these cases, close to eighty percent were families that were not receiving FIP cash assistance, although over half had received FIP cash assistance in the past. The average child support order for these families, of \$342/month is a critical source of support. For a single parent earning \$9/hour, for example, child support represents twenty percent of monthly income. Families receiving cash assistance through the RI Works Program receive \$50 in any month in which a non-custodial parent makes a child support payment. (The balance of the

payment is retained by the state to offset the cost of assistance provided to the family.) Approximately 11% of cash assistance recipients receive this payment.

#### HOUSING

**Costs:** Rental costs are based on 2008 U.S. Department of Housing and Urban Development (HUD) Fair Market Rent for the Providence metropolitan area which includes the vast majority of Rhode Island cities and towns. Rent includes all utilities except telephone. The HUD fair market rent is set at the 40th percentile of average rents. The rental costs for the single and two-parent family assumes a 2-bedroom apartment. The rental cost for the single adult is for a 1-bedroom apartment.

The rental survey conducted by the Rhode Island Housing and Mortgage Finance Corporation shows that rents for available apartments are higher. Newspaper advertisements between January and December 2007 show that the average rental cost statewide for a 2-bedroom apartment was \$1,142/month (including utilities) and \$905/month (including utilities) for a single bedroom apartment.

**Subsidy:** No subsidy is assumed for housing costs. Housing assistance is not available to the majority of low-income Rhode Islanders.

#### FOOD

**Costs:** Food costs are based on the U.S. Department of Agriculture's Moderate-Cost Plan (June 2008). For families, the costs for children are an average of costs for children ages two to eight. For the single adult, the cost is an average of the costs for a male (19-50 years old) (\$325/month) and a female (\$278/month). These costs do not account for regional variation, which the Economic Research Service at USDA estimated to be 8% higher in the Northeast than the nation-wide numbers. Including the adjustment recommended by the USDA, the food costs for a family of three would be \$641 per

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month, for example, compared to the \$594 used in the RISN. Food costs do not include the cost of any fast-food or restaurant meals.

**Subsidy:** Food subsidies include the Food Stamps to which the family is entitled and the value of the “WIC” vouchers for the toddler. WIC, the commonly used name for the Supplemental Nutrition Program for Women, Infants, and Children, is a supplemental food program available to children under 5 and to pregnant and post-partum women.

## TRANSPORTATION

*For Families Receiving cash assistance as only income:* The RISN assumes the family does not have a car and uses public transportation with a bus pass provided by the state.

*For Families with Earnings:*

**Costs:** Costs are based on U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, 2006 and includes the cost for gas, motor oil and other vehicle expenses, exclusive of purchase. The cost is based on household size and number of earners in the household.

## CHILD CARE

**Cost:** Child care costs are based on the Statewide Survey of Child Care Costs in Rhode Island, 2006, conducted by the Charles Schmidt Jr. Labor Research Center of the University of Rhode Island and sponsored by the RI Department of Labor and Training and the RI Department of Human Services. The cost reflects the cost of care at a child care center at the 75th percentile of the market rate.

The toddler is in full-time daycare. The school-aged sibling is in after-school care, plus fourteen weeks of full-time care during school vacation and holidays.

**Subsidy:** Rhode Island provides a subsidy for child care costs on a sliding scale basis for families with gross income at or below 180% of the federal poverty

level. For families with income above 100% FPL, co-payments range from 2% to 8% of income<sup>11</sup> (101% – 125% FPL = 2% of income; 126% – 150% FPL = 5% of income; 151% – 180% FPL = 8% of income). The cost of child care shows the parent’s co-payment under the subsidized program.

## HEALTH CARE

**Cost:** Health care costs include the employee’s share of employer sponsored insurance (ESI) and out of pocket expenses. The ESI is based on the 2006 Medical Expenditure Panel Survey (MEPS), which documents the cost of employer-based coverage in Rhode Island as \$994/month for family coverage and \$383/month for individual coverage.<sup>111</sup> According to the MEPS, Rhode Island employees pay 20% of the cost of family coverage (\$199/month) and 19% of individual coverage (\$73/month). Out of pocket expenses are based on the 2005 Medical Expenditure Panel Survey for the Northeast Region which documents out of pocket expenses for families as \$52/month. The individual out of pocket expenses are \$20/month. Thus, the total health care costs assumed in the RISN are \$251 (\$199 + 52) for a family and \$93 (\$73 + \$20) for an individual. This does not include the cost of dental coverage.

**Subsidy:** The RIte Care / RIte Share program provides low or no-cost health insurance for families with children under age 19. Parents are eligible if family income is no more than 175% of the federal poverty level. Children are eligible if family income is no more than 250% of the federal poverty level. Families in RIte Care enroll in one of three health plans (Neighborhood Health Plan, Blue Chip or United Health Care). Under RIte Share, if a parent’s employer offers a health insurance plan that meets certain coverage and cost requirements, the family enrolls in the employer-sponsored coverage and the state pays the employee’s share of the cost. Families in both RIte Care and RIte Share with income above 133% of the federal poverty level are

required to pay a monthly family premium. Premiums range from \$45 – \$114/month: 133% – 149% = \$45; 150% – 184% = \$85; 185% – 199% = \$106; 200% – 250% = \$114.<sup>1v</sup>

For the single parent family, the RISN assumes that when the family's income is above 175% FPL (and the parent is ineligible for RIte Care) the parent purchases individual insurance through her employer (\$93/month) and pays the RIte Care premium to enroll her children in RIte Care. This assures that both the parent and children have health insurance.

For the two-parent family, the RISN assumes that the family enrolls in the employer's insurance (\$251/month) when the family's income is above 175% FPL (and the parents are ineligible for RIte Care). While RIte Care is still available to the children as long as family income is less than 250% FPL, the only way for both parents to have health insurance is for the parent to enroll in the employer's family coverage.

There is no subsidized medical coverage for able-bodied adults under age 65. Adults who receive SSI benefits receive Medical Assistance coverage.

### MISCELLANEOUS

**Cost:** Miscellaneous expenses include clothing, shoes, paper goods, over-the-counter medications, personal hygiene items, cleaning and household products and telephone. The RISN shows the cost of miscellaneous expenses at 10% of other (unsubsidized) costs.


### TAXES AND TAX CREDITS

Taxes include payroll taxes (FICA and TDI) and state and federal income taxes using the 2007 Federal 1040 tax form. Total yearly income taxes were averaged over 12 months.

Sales tax is 7% on non-perishable items. The RISN assumes sales tax in the amount of 7% of the miscellaneous cost.

**Earned Income Tax Credit (EITC):** The EITC is a refundable federal tax credit available to low wage earners to help reduce taxes and raise income. Part of the payment may be received in the paycheck or the entire amount may be received as a tax refund/credit at the end of the year. The Rhode Island EITC is 25% of the federal EITC, but unlike the federal EITC, is not fully refundable. In 2007, the state refundable portion was 15% of the nonrefundable credit. For tax year 2007, working families with two children earning \$37,783 (\$39,783 for married couples) could receive up to \$4,716 in federal EITC. Workers without children earning less than \$14,590 could receive a maximum of \$428. The RISN shows the yearly federal and state EITC the family would receive averaged over 12 months.

**Child Care Tax Credit (CCTC):** The child care tax credit is a federal tax credit that allows working parents to deduct a percentage of their child care costs from the amount of federal taxes owed. The CCTC is not refundable and cannot be received in the monthly paycheck. The child care tax credit is based on the parent's out of pocket expense, exclusive of subsidy. The RISN shows the yearly CCTC averaged over 12 months.

**Child Tax Credit:** A federal tax credit of up to \$1,000 for each child under age 17 is applied against the amount of federal taxes owed. In 2007, this refundable credit was available to workers with taxable earned income above \$11,750. The RISN shows the yearly Child Tax Credit averaged over 12 months. 

<sup>I</sup> Until September 2007, this family would have been eligible for subsidized child care and until October 2008 the parent would have qualified for RItE Care. The significant gap between earnings and expenses is primarily attributable to the loss of these work supports.

<sup>II</sup> Since the release of the 2006 RISN, the income limit for subsidized child care was reduced from 225% to 180% of the federal poverty level and monthly family co-payments were increased as reflected in the chart below. The chart shows income and co-payment for a family of three.

### CHILD CARE CO-PAYMENT INCREASES

PERCENT OF FPL	MONTHLY INCOME	FAMILY CO-PAYMENT/MONTH	CURRENT FAMILY CO-PAYMENT <i>eff. 9/07</i>
100% – 125%	\$1,467 – \$1,833	\$15 – \$18 <i>(1% of income)</i>	\$29 – \$37 <i>(2% of income)</i>
126% – 150%	\$1,834 – \$2,200	\$73 – \$88 <i>(4% of income)</i>	\$92 – \$110 <i>(5% of income)</i>
151% – 180%	\$2,201 – \$2,640	\$154 – \$185 <i>(7% of income)</i>	\$176 – \$211 <i>(8% of income)</i>
181% – 185%	\$2,641 – \$2,713	\$185 – \$190 <i>(7% of income)</i>	Ineligible
186% – 200%	\$2,714 – \$2,933	\$299 – \$323 <i>(11% of income)</i>	Ineligible
201% – 225%	\$2,934 – \$3,300	\$441 – \$495 <i>(15% of income)</i>	Ineligible

<sup>III</sup> This is the first year that the RISN uses the MEPS as the source for health care costs. This has resulted in a significant reduction in the assumed cost for unsubsidized health care compared to previous RISNs. The MEPS was chosen because it provides a consistently available data source, unlike previously used sources for health care costs.

<sup>IV</sup> Since the release of the 2006 RISN, the income eligibility limit for parents has been reduced from 185% to 175% (effective 10/1/08) of the federal poverty level and monthly premiums for families were increased as reflected in the chart below. The chart shows income and monthly premium for a family of three.

### RITE CARE PREMIUM INCREASES

PERCENT OF FPL	MONTHLY INCOME	MONTHLY FAMILY PREMIUM	CURRENT MONTHLY FAMILY PREMIUM
133% – 149%	\$1,950 – \$2,199	\$0	\$45 <i>(eff. 11/1/08)</i>
150% – 184%	\$2,200 – \$2,712	\$61	\$85 <i>(eff. 10/1/08)</i>
185% – 199%	\$2,713 – \$2,932	\$77	\$106 <i>(eff. 10/1/08)</i>
225% – 250%	\$2,933 – \$3,666	\$92	\$114 <i>(eff. 10/1/08)</i>



# The Poverty Institute

at the Rhode Island College School of Social Work

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THE POVERTY INSTITUTE develops and promotes public policies that improve economic security for low and modest-income Rhode Islanders and works to ensure that tax and budget policies are fair and adequate to fund public services.

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