

THE 2006 RHODE ISLAND STANDARD OF NEED

January 2007

The RI Standard of Need answers two fundamental questions:

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

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

Every two years The Poverty Institute publishes *The Rhode Island Standard of Need* (RISN) to show what it costs for families and single adults to pay for housing, food, transportation, health care, child care and other basic necessities. The RISN also documents state and federal work supports available to households at different income levels, such as the Earned Income Tax Credit (EITC) and subsidized child care and health care.

According to the 2005 Census, the number of Rhode Island family households with children under 18 is 126,338 (48.8 percent of all families). Of these families, 34 percent (42,918) are single parent families.

Why is the RISN Necessary?

The Poverty Institute calculates the Rhode Island Standard of Need because it is widely recognized by most experts that the Federal Poverty Level (FPL) is a seriously outdated measure of economic well-being.

What's Wrong with the Federal Poverty Level?

The Federal Poverty Level was developed in the 1960s and measured poverty based on the cost of food. At that 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 1960's. Costs such as housing and health care have risen faster than food costs and today many more people incur significant expenses because they work outside the home. An indication of the inadequacy of

the Federal Poverty Level is the growing frequency with which the government bases eligibility for work support programs on increased percentages of its own Federal Poverty Level.

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 a household budget. Where available, the RISN re-

fects local costs. The RISN includes expenses related to employment, such as transportation and child care, and accounts for changing taxes and the impact of tax credits and government subsidies at different income levels. The RISN also takes into consideration inflation rates on non-food items such as housing, which along with child care, consumes the greatest portion of a young working family's income.

The Rhode Island Standard of Need shows that because of work supports, particularly the Earned Income Tax Credit and child care and health care subsidies, families with lower earnings are able to meet basic needs.

The Poverty Institute

at the Rhode Island College School of Social Work

The Rhode Island Standard of Need shows what a family needs to earn to maintain a standard of living that does not ask them to choose between necessities such as food, medical care, housing, or child care. The cost assumptions are conservative. 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 the 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.

While other essentials such as phone, clothing, shoes and paper products are accounted for, the RISN does not take into consideration the need to buy household necessities like furniture, towels, kitchenware, bedding and car seats. It does not include the cost of child enrichment activities like school trips, music, or art lessons. Finally, the RISN does not include any funds for vacations, birthdays, holidays or other special occasions.

The RISN shows that because of work supports, particularly child care and health care subsidies, families with lower earnings are able to meet basic needs. Because of these two programs, a single parent with two young children who earns \$14.76/hour (\$30,710/year or 185% of the Federal Poverty Level of \$16,600) is able to make ends meet. As income rises, the parent loses eligibility for subsidized health insurance and child care costs increase, leaving the family with a deficit each month. The loss of the child care subsidy at 225% of the Federal Poverty Level plunges the family into a deficit of more than \$600/month (*see chart on page 5*).

A single parent family in which the parent earns minimum wage (89% of the Federal Poverty Level) is not able to make ends meet even with subsidized child care and health care. However, the EITC, child tax credit and supplement from the Family Independence Program add \$440/month to help close the gap between basic expenses and earnings. To meet basic needs without government subsidies, a single parent needs gross earnings of approximately \$27.50/hour or \$58,000/year.

THE RISN SHOWS WHAT IT TAKES FOR FAMILIES AND INDIVIDUALS TO MEET BASIC NEEDS:

	SINGLE PARENT*	TWO PARENT*	INDIVIDUAL
HOUSING	\$965	\$965	\$827
FOOD	\$536	\$746	\$217
TRANSPORTATION	\$324	\$437	\$216
CHILD CARE	\$1,283	\$1,283	\$0
MEDICAL	\$500	\$500	\$195
MISC. + SALES TAX	\$385	\$421	\$156
Total Monthly Expenses	\$3,993	\$4,352	\$1,611
Total Yearly Expenses**	\$47,916	\$52,224	\$19,332
2006 FPL	\$16,600	\$20,000	\$9,800

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

** As demonstrated in the charts that follow, to have sufficient net income to meet basic needs, the single parent family requires gross earnings of approximately \$58,000/year (3.5X the FPL), the two-parent family needs \$60,000 (3X FPL), and the single adult needs \$22,000 in annual gross earnings (2.5X FPL)

**INVESTMENTS IN CHILD CARE SUBSIDIES AND RITE CARE
HELP LOWER WAGE FAMILIES MEET BASIC NEEDS**

Single parent earning \$14.76/hour (\$30,710 which equals 185% of the Federal Poverty Level)

	WITHOUT SUBSIDY	WITH SUBSIDY
HOUSING	\$965	\$965
FOOD	\$536	\$536
TRANSPORTATION	\$324	\$324
CHILD CARE	\$1,283	\$179
HEALTH INSURANCE	\$500	\$61
MISCELLANEOUS	\$385	\$385
Total	\$3,993	\$2,450
Income	\$2,536	\$2,536
Difference	– \$1,457/month	\$86/month

A two-parent family (in which both parents are working full time) can meet basic needs when the parents' joint earnings are \$37,000 (185% of the Federal Poverty Level of \$20,000) and they take advantage of child care and health care subsidies. When the parents become ineligible for the health care subsidy (at income above 185% of the Federal Poverty Level) income is not sufficient to meet expenses. To meet basic needs without subsidies, a two-parent family needs annual gross earnings of approximately \$60,000/year or \$28.85/hour.

A single adult is not able to meet his/her basic needs until earnings exceed \$22,000 (more than twice the Federal Poverty Level of \$9,800). 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.

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.

FIP is the Family Independence Program. Slightly over 10,000 families rely on FIP cash assistance and the employment-readiness services offered by the program.

SSI is the Supplemental Security Income Program, the federal/state cash assistance program for people age 65 and older and people with disabilities. Over 31,000 individuals receive SSI in Rhode Island.

MEETING THE NEEDS FOR A SINGLE-PARENT FAMILY

MONTHLY INCOME

Percent Poverty	Yearly Wage	Hourly Wage	Monthly Gross	Taxes	Monthly Net	FIP	Food Stamps	WIC	EITC	Child Care Credit	Child Tax Credit	Net Income
FIP	\$0	\$0	\$0	\$0	\$0	\$554	\$408	\$54	\$0	\$0	\$0	\$1,016
Min. Wage	\$14,768	\$7.10	\$1,231	\$111	\$1,120	\$24	\$271	\$54	\$369	\$0	\$47	\$1,885
100%	\$16,600	\$7.98	\$1,383	\$125	\$1,258	\$0	\$234	\$54	\$335	\$0	\$70	\$1,951
125%	\$20,750	\$9.98	\$1,729	\$201	\$1,528	\$0	\$158	\$54	\$260	\$7	\$149	\$2,156
150%	\$24,900	\$11.97	\$2,075	\$280	\$1,795	\$0	\$0	\$54	\$203	\$31	\$167	\$2,250
185%	\$30,710	\$14.76	\$2,559	\$403	\$2,156	\$0	\$0	\$54	\$100	\$59	\$167	\$2,536
200%	\$33,200	\$15.96	\$2,767	\$462	\$2,305	\$0	\$0	\$54	\$45	\$95	\$167	\$2,666
225%	\$37,350	\$17.96	\$3,113	\$558	\$2,555	\$0	\$0	\$54	\$0	\$134	\$167	\$2,910
250%	\$41,500	\$19.95	\$3,458	\$654	\$2,804	\$0	\$0	\$54	\$0	\$131	\$167	\$3,156
275%	\$45,650	\$21.95	\$3,804	\$750	\$3,054	\$0	\$0	\$0	\$0	\$125	\$167	\$3,346
300%	\$49,800	\$23.94	\$4,150	\$847	\$3,303	\$0	\$0	\$0	\$0	\$125	\$167	\$3,595
325%	\$53,950	\$25.94	\$4,496	\$947	\$3,549	\$0	\$0	\$0	\$0	\$125	\$167	\$3,841
350%	\$58,100	\$27.93	\$4,842	\$1,046	\$3,796	\$0	\$0	\$0	\$0	\$125	\$167	\$4,088

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 Rhode Island 28% of all single female headed households received child support in 2004. Among those who received some child support, the average payment was \$7,744/year or \$645/month. When a family receives FIP cash assistance a child support order is established against the non-custodial parent. Any month in which a non-custodial parent makes a child support payment, the family receives \$50. (The balance of the payment is retained by the state to offset the cost of assistance provided to the family). Approximately 20% of FIP recipients receive this payment.

TAXES AND TAX CREDITS

Taxes include payroll taxes (FICA and TDI) and state and federal income taxes using the 2005 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

MEETING THE NEEDS FOR A SINGLE-PARENT FAMILY

MONTHLY EXPENSES

Percent Poverty	Housing	Food	Transp.	Child Care	Health Insurance	Misc.	Sales Tax	Total Expenses	Total Income	Difference Between Monthly Income & Expenses
FIP	\$965	\$536	\$20	\$0	\$0	\$360	\$25	\$1,906	\$1,016	- \$890
Min. Wage	\$965	\$536	\$324	\$0	\$0	\$360	\$25	\$2,210	\$1,885	- \$325
100%	\$965	\$536	\$324	\$0	\$0	\$360	\$25	\$2,210	\$1,951	- \$259
125%	\$965	\$536	\$324	\$17	\$0	\$360	\$25	\$2,227	\$2,156	- \$71
150%	\$965	\$536	\$324	\$83	\$0	\$360	\$25	\$2,293	\$2,250	- \$43
185%	\$965	\$536	\$324	\$179	\$61	\$360	\$25	\$2,450	\$2,536	\$86
200%	\$965	\$536	\$324	\$304	\$256	\$360	\$25	\$2,770	\$2,666	- \$104
225%	\$965	\$536	\$324	\$467	\$272	\$360	\$25	\$2,949	\$2,910	- \$39
250%	\$965	\$536	\$324	\$1,283	\$272	\$360	\$25	\$3,765	\$3,156	- \$609
275%	\$965	\$536	\$324	\$1,283	\$500	\$360	\$25	\$3,993	\$3,346	- \$647
300%	\$965	\$536	\$324	\$1,283	\$500	\$360	\$25	\$3,993	\$3,595	- \$398
325%	\$965	\$536	\$324	\$1,283	\$500	\$360	\$25	\$3,993	\$3,841	- \$152
350%	\$965	\$536	\$324	\$1,283	\$500	\$360	\$25	\$3,993	\$4,088	\$95

The chart shows the monthly expenses for a family of three: a mother, toddler and an elementary school-aged child.

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 2005, the refundable portion was 10% of the nonrefundable credit. For tax year 2005, working families earning \$35,263 (\$37,263 for married couples) could receive up to \$4,400 in federal EITC. Workers without children earning less than \$11,750 could receive a maximum of \$399. 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 any 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 2005, this refundable credit was available to workers with taxable income above \$11,000. The RISN shows the yearly Child Tax Credit averaged over 12 months.

MEETING THE NEEDS FOR A TWO-PARENT FAMILY

MONTHLY INCOME

Percent Poverty	Yearly Wage	Hourly Wage	Monthly Gross	Taxes	Monthly Net	FIP	Food Stamps	WIC	EITC	Child Care Credit	Child Tax Credit	Net Income
FIP	\$0	\$0	\$0	\$0	\$0	\$634	\$493	\$54	\$0	\$0	\$0	\$1,181
150%	\$30,000	\$14.42	\$2,500	\$314	\$2,186	\$0	\$0	\$54	\$149	\$34	\$167	\$2,590
185%	\$37,000	\$17.79	\$3,083	\$447	\$2,636	\$0	\$0	\$54	\$5	\$65	\$167	\$2,927
200%	\$40,000	\$19.23	\$3,333	\$515	\$2,818	\$0	\$0	\$54	\$0	\$101	\$167	\$3,140
225%	\$45,000	\$21.63	\$3,750	\$631	\$3,119	\$0	\$0	\$54	\$0	\$125	\$167	\$3,465
250%	\$50,000	\$24.04	\$4,167	\$747	\$3,420	\$0	\$0	\$54	\$0	\$125	\$167	\$3,766
275%	\$55,000	\$26.44	\$4,583	\$863	\$3,720	\$0	\$0	\$0	\$0	\$125	\$167	\$4,012
300%	\$60,000	\$28.85	\$5,000	\$979	\$4,021	\$0	\$0	\$0	\$0	\$125	\$167	\$4,313
325%	\$65,000	\$31.25	\$5,417	\$1,095	\$4,322	\$0	\$0	\$0	\$0	\$125	\$167	\$4,614

HOUSING

Costs: Rental costs are based on 2006 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 RI Housing and Mortgage Finance Corporation shows that actual rents are higher: newspaper advertisements between January and December 2006, show that the average rental cost statewide for a 2-bedroom apartment was \$1,172/month (including utilities) and \$903/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 (May 2006). For families, the costs for children are an average of costs for children ages 2-8. For the single adult, the cost is an average of the costs for a male (\$235/month) and a female (\$201/month). The food cost does 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 WIC vouchers for the toddler. WIC is a supplemental food program available to children under 5 and to pregnant and post-partum women.

MEETING THE NEEDS FOR A TWO-PARENT FAMILY

MONTHLY EXPENSES

Percent Poverty	Housing	Food	Transp.	Child Care	Health Insurance	Misc.	Sales Tax	Total Expenses	Total Income	Difference Between Monthly Income & Expenses
FIP	\$965	\$746	\$30	\$0	\$0	\$393	\$28	\$2,162	\$1,181	– \$981
150%	\$965	\$746	\$437	\$100	\$0	\$393	\$28	\$2,669	\$2,590	– \$79
185%	\$965	\$746	\$437	\$216	\$61	\$393	\$28	\$2,846	\$2,927	\$81
200%	\$965	\$746	\$437	\$367	\$500	\$393	\$28	\$3,436	\$3,140	– \$296
225%	\$965	\$746	\$437	\$563	\$500	\$393	\$28	\$3,632	\$3,465	– \$167
250%	\$965	\$746	\$437	\$1,283	\$500	\$393	\$28	\$4,352	\$3,766	– \$586
275%	\$965	\$746	\$437	\$1,283	\$500	\$393	\$28	\$4,352	\$4,012	– \$340
300%	\$965	\$746	\$437	\$1,283	\$500	\$393	\$28	\$4,352	\$4,313	– \$39
325%	\$965	\$746	\$437	\$1,283	\$500	\$393	\$28	\$4,352	\$4,614	\$262

The chart shows the monthly expenses for a family of four: a mother and father, a toddler and an elementary school-aged child.

TRANSPORTATION

For Families Receiving FIP 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. An additional \$20 (for the single parent family) and \$30 (for the two-parent family) is added for non-medical transportation costs.

For Families with Earnings:

Costs: Costs are based on U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, 2004 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, 2004, 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 225% of the Federal Poverty Level. For families with income above 100% FPL, co-payments range from 1% to 15% of income. (Above

100% – 125% FPL = 1% of income; above 125% – 150% FPL = 4% of income; above 150% – 185% FPL = 7% of income; above 185% – 200% FPL = 11% of income; above 200% – 225% FPL = 15% of income.) The cost of child care shows the parent’s co-payment under the subsidized program.

HEALTH INSURANCE

Cost: The RISN assumes the monthly cost of employer-based coverage is \$390/month for individual coverage and \$1,000/month for family coverage. (Based on the 2005 Rhode Island Employer Survey conducted by the Office of the Health Insurance Commissioner).

Generally, insurance carriers’ underwriting criteria require employers to pay at least 50% of the cost of the individual plan. The RISN assumes the employer pays 50% of family or individual coverage so the unsubsidized cost of health coverage is \$195 for individual coverage and \$500 for family coverage. This does not include the cost of co-pays or deductibles, nor does it include 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 185% 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 3 health plans – Neighborhood Health Plan, Blue Chip, or UnitedHealthcare. 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 150% of the Federal Poverty Level are required to pay a monthly family premium.

MEETING THE NEEDS FOR A SINGLE ADULT MONTHLY INCOME

Percent Poverty	Yearly Wage	Hourly Wage	Monthly Gross	Taxes	Monthly Net	Food Stamps	Net Income
SSI	\$7,920	N/A	\$660	\$0	\$660	\$122	\$782
Min. Wage	\$14,768	\$7.10	\$1,231	\$113	\$1,118	\$0	\$1,118
185%	\$18,130	\$8.72	\$1,511	\$177	\$1,334	\$0	\$1,334
200%	\$19,600	\$9.42	\$1,633	\$205	\$1,428	\$0	\$1,428
225%	\$22,050	\$10.60	\$1,838	\$253	\$1,585	\$0	\$1,585
250%	\$24,500	\$11.78	\$2,042	\$309	\$1,733	\$0	\$1,733

Premiums range from \$61 – \$92/ month: above 150% – 185% = \$61; above 185% – 200% = \$77; above 200% – 250% = \$92.

For the single parent family, the RISN assumes that when the family’s income is above 185% FPL (and the parent is ineligible for RIte Care) the parent purchases individual insurance through her employer (\$195/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 (\$500/month) when the family’s income is above 185% 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, it is more cost effective and practical to enroll the family in one health plan through one of the parent’s employers.

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

MEETING THE NEEDS FOR A SINGLE ADULT

MONTHLY EXPENSES

Percent Poverty	Housing	Food	Transp.	Health Insurance	Misc.	Sales Tax	Total Expenses	Total Income	Difference Between Monthly Income & Expenses
SSI	\$827	\$217	\$20	\$0	\$146	\$10	\$1,220	\$782	– \$438
Min. Wage	\$827	\$217	\$216	\$195	\$146	\$10	\$1,611	\$1,118	– \$493
185%	\$827	\$217	\$216	\$195	\$146	\$10	\$1,611	\$1,334	– \$277
200%	\$827	\$217	\$216	\$195	\$146	\$10	\$1,611	\$1,428	– \$183
225%	\$827	\$217	\$216	\$195	\$146	\$10	\$1,611	\$1,585	– \$26
250%	\$827	\$217	\$216	\$195	\$146	\$10	\$1,611	\$1,733	\$122

The single person is an adult of either gender.

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.



The Poverty Institute

at the Rhode Island College School of Social Work

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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