

THE 2016 RHODE ISLAND STANDARD OF NEED

What it costs to live in Rhode Island
and how work supports help families meet basic needs



EXECUTIVE SUMMARY

Rhode Island is a wonderful place to live and raise a family. Our scenic beaches, culinary and arts communities, and higher education institutions offer much about which to be proud. But not all Rhode Islanders are able to enjoy these pleasures and instead struggle just to feed and clothe their children and keep a roof over their heads. Many Rhode Islanders work at jobs that pay wages that are too low to meet basic living costs. Fortunately, work support programs can help close the gap between earnings and expenses.

The Economic Progress Institute publishes the Rhode Island Standard of Need (RISN) to answer two fundamental questions:

What is the cost of meeting basic needs for families and individuals in Rhode Island?

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

The RISN calculates a household budget for families with two young children, and for single adults. The no-frills budget includes the costs of housing, food, transportation, health care, child care and other necessities including clothing, toiletries and telephone service. The RISN also demonstrates how family-friendly work policies including the minimum wage, and work supports like food assistance, tax credits, and child care and health care subsidies help close the gap between income and basic need expenses. By taking all of these factors into account, the RISN provides a more realistic measure of the economic security of Rhode Islanders than the federal poverty level.

MEETING BASIC NEEDS			
	Single Parent Family*	Two-Parent Family*	Single Adult
Annual Expenses	\$52,932	\$58,054	\$20,500
Annual Pre-tax Earnings Required	\$63,238	\$68,098	\$25,751
<i>* Assumes two children: a toddler and a school-aged child and that all parents are working.</i>			

TABLE 1

KEY FINDINGS:

- 1. Raising a family in Rhode Island is expensive.** It costs a single parent family \$52,932 and a two-parent family \$58,054 to raise a toddler and a school-aged child. It costs a single adult \$20,500 to meet his or her basic needs.
- 2. Many Rhode Island households do not earn enough to make ends meet.** More than one in three (36 percent) single adults earn less than the amount required by the Rhode Island Standard of Need (RISN); nearly three-quarters (72 percent) of single parent families fall short, as do a quarter (26 percent) of two-parent families.
- 3. RISN calculations highlight the inadequacy of the Federal Poverty Level as a measure of economic security.** The annual Census Bureau report documenting the number of Americans living in poverty undercounts the number of families struggling to make ends meet. Working families with young children need income more than double the federal poverty level to meet basic needs.
- 4. Increasing the Rhode Island minimum wage would close the gap between earnings and RISN expenses especially for single adults.** At the current minimum wage (\$9.60/hr.) a single adult earns \$5,783 less than needed to meet basic expenses.
- 5. Government funded work support programs help close the gap between income and expenses for many working families.** Child care and health care subsidies, tax credits, and SNAP benefits make a significant difference for families when wages aren't enough.
- 6. The Child Care Assistance Program (CCAP) subsidies help ensure that working parents can afford safe and consistent care for their children.** The "exit income limit" in CCAP encourages working families who are receiving benefits to increase earnings by maintaining eligibility for CCAP assistance. However, many low-wage working families with income just above the current "entry income limit" struggle to make ends meet.
- 7. Rhode Islanders receiving cash assistance through RI Works or SSI have significant gaps between income and basic living expenses.** The income support provided by SSI (Supplemental Security Income) and Rhode Island Works leave recipients, the majority of whom are children and people with disabilities, without the resources they need to meet expenses.

INTRODUCTION

Rhode Island is a wonderful place to live and raise a family. Our scenic beaches, culinary and arts communities, and higher education institutions offer much about which to be proud. But not all Rhode Islanders are able to enjoy these pleasures and instead struggle just to feed and clothe their children and keep a roof over their heads. Many Rhode Islanders work at jobs that pay wages that are too low to meet basic living expenses. Fortunately, work support programs can help narrow the gap between income and expenses.

The Economic Progress Institute publishes the Rhode Island Standard of Need (RISN) to answer two fundamental questions:

What is the cost of meeting basic needs for families and individuals in Rhode Island?

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

The Rhode Island Standard of Need provides a more accurate measure of economic well-being than the commonly used federal poverty level (FPL). The federal poverty level was developed in the 1960's and measured economic security based on the cost of food, which at the time represented a third of the family's budget. Times have changed so that now other expenses such as child care and housing take up a larger share of a household budget than does food. The federal poverty level has not changed to reflect this new reality, or to reflect that expenses differ in different areas of the country. The federal poverty level also fails to take into account the value of work support programs and tax credits that can help working families meet their expenses.

The RISN calculates a household budget for families with two young children, and for single adults. The no-frills budget includes the costs of housing, food, transportation, health care, child care and other necessities including clothing, toiletries and telephone service. The RISN also demonstrates how work supports like food assistance, tax credits, and child care and health care subsidies help close the gap between income and basic need expenses. By taking all of these factors into account, the RISN provides a more realistic measure of the economic security of Rhode Islanders than the federal poverty level.

RHODE ISLAND STANDARD OF NEED BUDGET			
EXPENSES	Single Parent Family*	Two-Parent Family*	Single Adult
Housing	\$972	\$972	\$801
Food	\$703	\$970	\$335
Transportation	\$414	\$535	\$271
Child Care Costs	\$1,487	\$1,487	\$0
Health Care	\$434	\$434	\$146
Misc.	\$401	\$440	\$155
Total Monthly Expenses	\$4,411	\$4,838	\$1,708
Total Yearly Expenses	\$52,932	\$58,054	\$20,500
MONTHLY TAXES AND TAX CREDITS			
Sales Tax	\$95	\$102	\$52
State and Federal Payroll Taxes **	\$1,056	\$1,027	\$386
Tax Credits	– \$292	– \$292	\$0
Total Monthly Taxes	\$859	\$837	\$438
Total Yearly Taxes	\$10,308	\$10,044	\$5,256
PRE-TAX EARNINGS NEEDED TO MAKE ENDS MEET			
Monthly	\$5,270	\$5,675	\$2,146
Yearly	\$63,238	\$68,098	\$25,751
Hourly ***	\$30.40	\$32.74	\$12.38
* Assumes two children: a toddler and a school-aged child.		** Before credits.	
*** Hourly wage needed assumes 52 weeks of work at 40 hours a week.			

TABLE 2

KEY FINDINGS

1. Raising a Family in Rhode Island is expensive. The 2016 RISN calculates the cost of living for three households: a single- and a two-parent family with two children, and a single adult. It costs a single parent family \$52,932 and a two-parent family \$58,054 to raise a toddler and a school-aged child in Rhode Island. These families need pre-tax earnings of \$63,238 and \$68,098 respectively to make ends meet. A single adult has basic expenses of \$20,500 annually, and needs to earn \$25,751 before taxes to meet expenses.

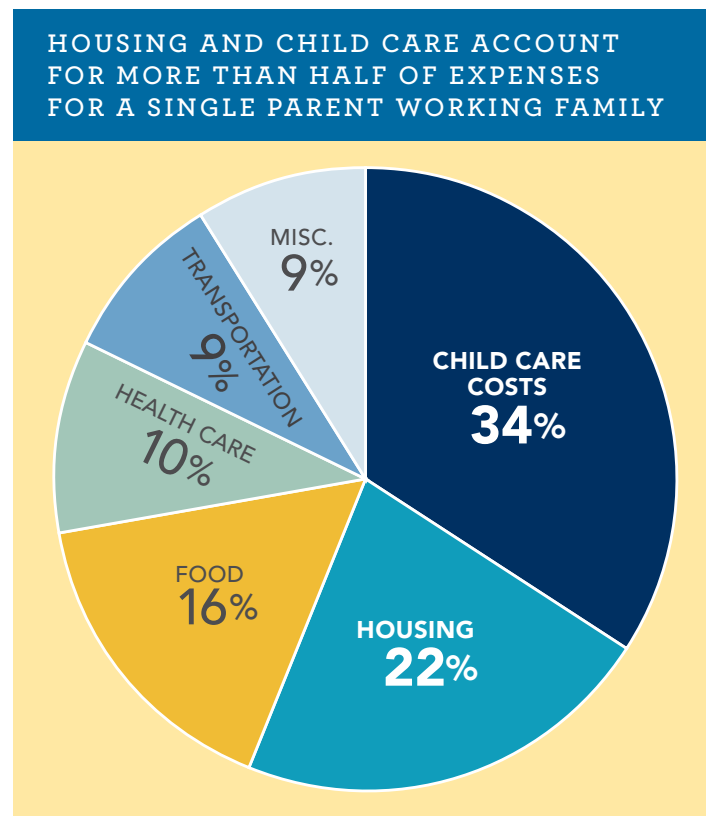


CHART 1

2. Many Rhode Island households do not earn enough to make ends meet. Nearly three quarters (72 percent) of single parent families with two or more children earn less than the \$63,238 needed to meet their basic needs, while a quarter (26 percent) of two-parent households with two or more children do not earn the \$68,098 needed to pay basic expenses. More than a third (36 percent) of single adults earned less than the \$25,751 needed to meet basic needs.



3. RISN calculations highlight the inadequacy of the Federal Poverty Level as a measure of economic security. Because the federal poverty measure is calculated by inflation-adjusting an expense methodology that no longer reflects the reality of most families' lives, it is not an accurate measure of what it costs to make ends meet for families in the 21st century. Recently released federal poverty data show that about one in seven Rhode Islanders (13.9 percent) lived in poverty in 2015.¹ The significant gap between the federal poverty level and the costs identified by the RISN accounts for the much larger share of Rhode Island families unable to make ends meet.

As seen in *Chart 2*, families with young children need income about two and a half times the federal poverty level to meet their basic needs.²

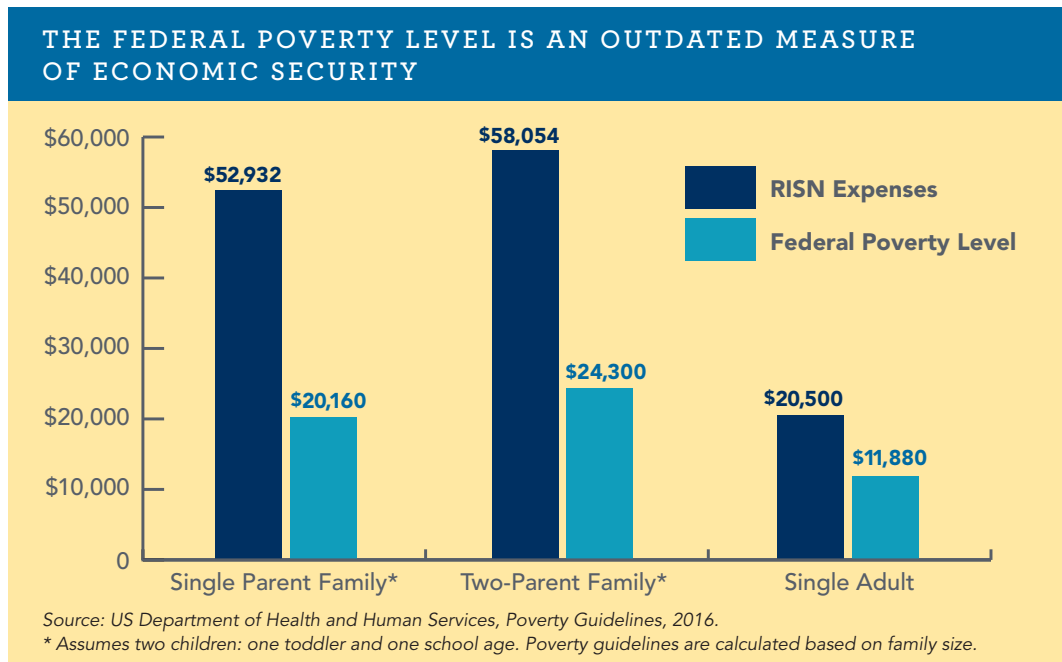


CHART 2

¹ Source: Economic Progress Institute calculations from the 2016 American Community Survey data.

² The federal poverty guidelines are annual estimates used to determine eligibility for various public benefits. The federal poverty threshold is calculated after the year is over, based on actual inflation during that year. Poverty rates are determined using the poverty threshold. The numbers used in this report for the federal poverty level are from the 2016 federal poverty guidelines. <https://aspe.hhs.gov/poverty-guidelines>.

4. Increasing the Rhode Island minimum wage would close the gap between earnings and RISN expenses especially for single adults. Rhode Island’s current minimum wage is \$9.60 an hour. Working 40 hours a week, year-round, a minimum wage earner would earn \$19,968 a year, nearly \$6,000 a year less than the RISN amount for a single adult. To close the gap between earned income and RISN income needed, the Rhode Island minimum wage would need to be raised to \$12.38 (See Chart 3).

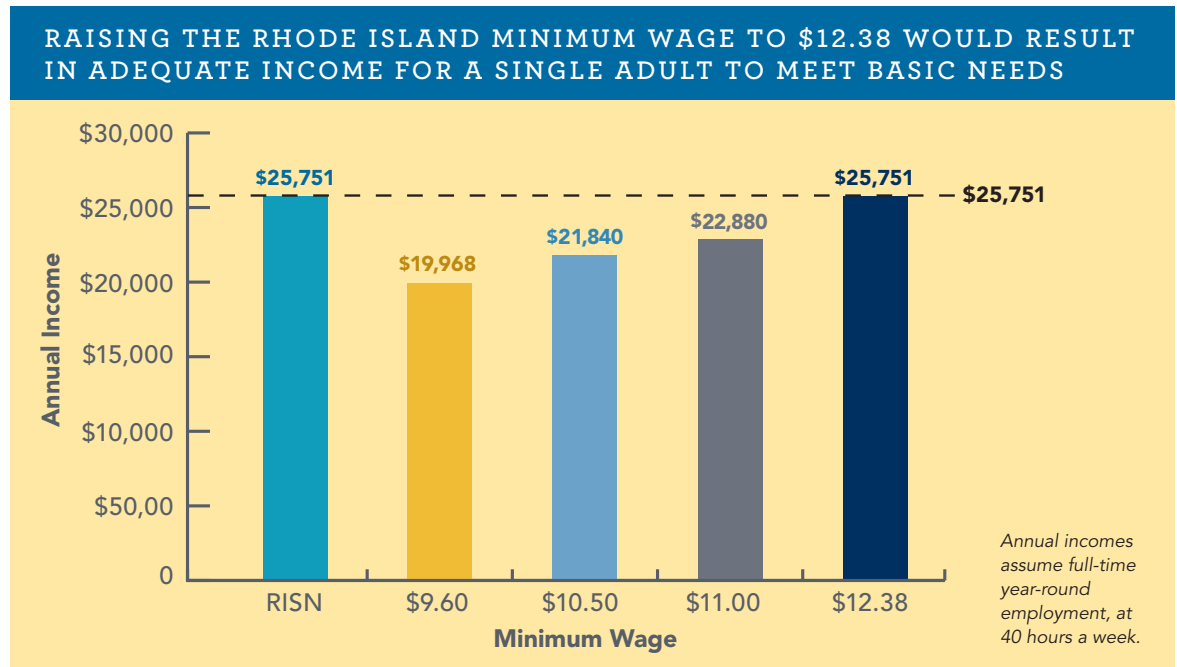


CHART 3



5. Government funded work support programs help close the gap between income and expenses for many working families. A single parent with two young children needs to earn \$30 an hour to meet his or her family’s basic needs. Yet, only three in ten Rhode Island jobs³ pay a median hourly wage of \$30 or more, and the overall median wage for all Rhode Island jobs in 2015 was just \$18.77. Child care and health care subsidies, tax credits, and food assistance make a significant difference for families when wages aren’t enough, as Jessica’s story shows.

Jessica is a single mom of nine-year old Conner and three-year old Elise. Jessica works as a manager at a grocery store and has annual earnings of \$27,821.

³ “Jobs” as defined here refers to Rhode Island Department of Labor and Training’s “Major Occupations”, found here: <http://www.dlt.ri.gov/lmi/oes/majorocc.htm>.

Because the health insurance offered through Jessica’s employer is unaffordable, she has enrolled her family in Rlte Care Health Insurance at no cost.

She also qualifies for help paying for full-time care for Elise and after-school care for Conner, which otherwise would cost her \$1,487 a month. Based on her income, Jessica’s co-pay through the Child Care Assistance Program is \$116 a month.⁴

Without these child care and health care subsidies, Jessica’s basic-needs budget would be in the red \$1,296 every month. With these subsidies, Jessica can meet her basic expenses with \$190 left over (See Table 3).

WORK SUPPORTS HELP FAMILIES WITH MODEST EARNINGS MAKE ENDS MEET		
<i>Jessica, a single mom with two children and earnings of \$27,821 (138% FPL)</i>		
	With Child Care & Health Care Subsidies	Without Child Care & Health Care Subsidies
Housing	\$972	\$972
Food	\$703	\$703
Transportation	\$414	\$414
Child Care	\$116	\$1,487
Health Care	\$0	\$434
Miscellaneous	\$401	\$401
Total Expenses	\$2,606	\$4,411
Total Income*	\$2,796	\$3,115
Difference	\$190	– \$1,296
* Income is net income plus food assistance (SNAP and WIC) and tax credits. Child care costs are counted in determining the amount of SNAP benefits, with higher out-of-pocket costs resulting in higher SNAP benefits for eligible families. This accounts for the higher income reported in the "without subsidies" example.		

TABLE 3

6. The Child Care Assistance Program (CCAP) subsidies help ensure that working parents can afford safe and consistent care for their children. The Child Care Assistance Program (“CCAP”) provides subsidies to parents to help pay for early learning programs for their young children and for safe after-school care. To qualify, the parent must be working (or in a short-term training program) for at least 20 hours per week and have income less than the “entry income limit” of 180 percent FPL (\$35,288 for a family of 3).

Families receiving CCAP remain eligible until income exceeds the “exit income limit” of 225 percent FPL (\$45,360 for a family of 3). Before the implementation of the “exit income limit”, working parents needed to turn down a raise or extra hours at work to

⁴ The Child Care Assistance Program determines out of pocket expenses on a sliding scale based on income. For those earning between 125 percent and 150 percent of the federal poverty level, the required co-pay is 5 percent of gross income. Jessica’s gross income (at 138 percent of the federal poverty level) is \$27,821.

avoid earning a penny over the limit. If the parent became ineligible for the program, the full cost of care could go up as much as 500 percent, leaving the family in a worse financial position than they had been without the raise or extra income. With the “exit income limit”, the parent’s co-payment rises as earnings increase, keeping child care affordable.

As Emma’s story illustrates, the “exit income limit” is a game-changer for families who are trying to work their way up the income ladder.

Emma works as a dental hygienist earning \$17.50 an hour (\$36,288 annually). She has two children, eight-year old Tammy who goes to an after-school program and three-year old Zach who attends a full-day child care program. Emma’s income is just below the child care assistance income limit for a family of three and she pays \$242 monthly for her children’s care.⁵

Emma is offered a raise of 10 cents an hour (about \$17/month) which would bring her gross income to just above the 180 percent limit. With the “exit income limit”, Emma keeps her eligibility for CCAP and pays a higher co-pay of \$304/month (10% of her income). Without the “exit income limit”, her child care costs would have jumped from \$242 to \$1,487, leaving her worse off than before the raise. Emma can continue to receive the CCAP subsidy until her earnings reach 225 percent FPL, with increasing co-pays as her income rises.

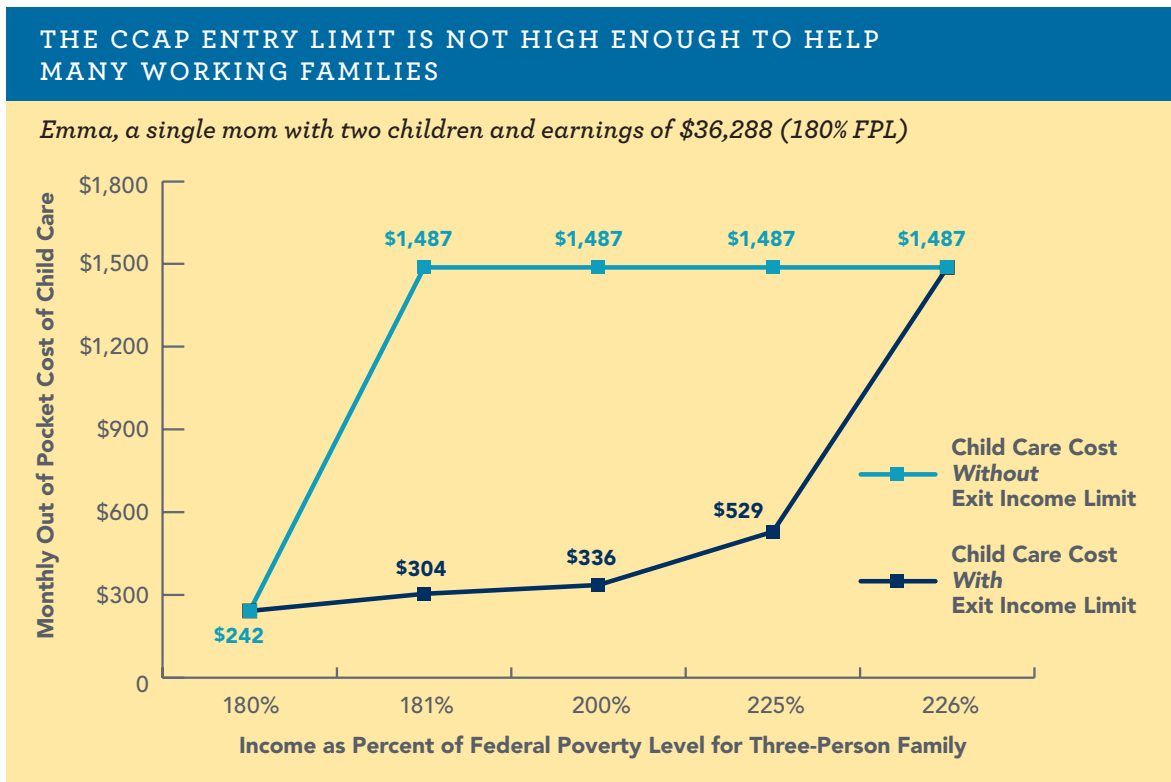


CHART 4

⁵ For those with earnings between 150 percent and 180 percent of the federal poverty level, the required co-pay is 8 percent of gross income. Emma’s gross income (at 180 percent of the federal poverty level) is \$36,288.



Families with income above the CCAP entry income limit struggle to make ends meet, as Veronica’s story shows. Veronica, a single mom with two children, works as a medical records technician, and earns twice the federal poverty level (\$40,320 annually). The monthly cost of licensed care for her toddler, Juan, and after-school program for her first-grader Karina is \$1,487/month – 34 percent of the family’s income. Allowing Veronica to participate in CCAP would mean she would pay 10 percent of her income or \$336/month to enroll her toddler in a quality early learning program and her first-grader in a safe and supportive after-school program.

THE CCAP EXIT INCOME ALLOWS FAMILIES TO INCREASE EARNINGS AND AFFORD SAFE AND CONSISTENT CARE FOR THEIR CHILDREN

Veronica, a single mom with two children and earnings of \$40,320 (200% FPL)

	200% With Child Care & Health Care Subsidies	200% With Health Care & No Child Care Subsidies
Yearly (Gross) Income	\$40,320	\$40,320
Monthly Income	\$3,360	\$3,360
Total Income & Payroll Taxes	– \$529	– \$529
Sales Tax	– \$77	– \$77
Net Monthly Income	\$2,754	\$2,754
Tax Credits	\$390	\$390
TOTAL INCOME*	\$3,192	\$3,192
Housing	\$972	\$972
Food	\$703	\$703
Transportation	\$414	\$414
Child Care	\$336	\$1,487
Health Care	\$146	\$146
Miscellaneous	\$401	\$401
TOTAL EXPENSES	\$2,972	\$4,123
Difference	\$220	– \$931

* Income is net income plus the value of WIC and tax credits. This example assumes Veronica purchases health insurance through her employer for her own coverage and has enrolled her children in Rite Care.

TABLE 4

7. Rhode Islanders receiving cash assistance through RI Works or SSI have significant gaps between income and basic living expenses. The Rhode Island Works Program (RI Works) is the state’s cash assistance and work-readiness program for families with children. In 2016, 4,699 families participated in the program, which included 12,941 individuals, two-thirds of whom are children.⁶ This is a caseload decrease of 23 percent since 2014.

While the cost of living continues to rise, the monthly benefit amount (\$554 for a family of three) has not increased in over thirty years. Even when taking food assistance into account, the annual income for a family with two children of \$13,140 is 35 percent below the federal poverty level. This family has a gap between income and expenses of \$1,395 a month (See Table 5).

The Supplemental Security Income Program (SSI) is the federal cash assistance program for low-income seniors and people with disabilities who have limited resources and income. Approximately 32,900 individuals received SSI in Rhode Island in 2016, the majority of whom are younger people with disabilities. The monthly benefit in 2016 for a single adult is \$772.92 for an individual (\$733 from the federal benefit and \$39.92 from a state supplement). The federal portion is adjusted for inflation each year but the state portion is not. A SSI recipient has a gap between income and expenses of more than \$600 a month (See Table 6).

PARENT WITH TWO CHILDREN RECEIVING RHODE ISLAND WORKS (RI WORKS)	
Monthly Income from RI Works	\$554
Income and Payroll Taxes	\$0
Sales Tax	– \$18
Net Monthly Income	\$536
SNAP	\$511
WIC	\$48
TOTAL INCOME	\$1,095
Housing	\$972
Food	\$703
Transportation	\$414
Child Care	\$0
Health Care	\$0
Miscellaneous	\$401
TOTAL EXPENSES	\$2,490
Difference Between Income & Expenses	– \$1,395

TABLE 5

INDIVIDUAL RECEIVING SUPPLEMENTAL SECURITY INCOME (SSI)	
Monthly Income from SSI	\$773
Income and Payroll Taxes	\$0
Sales Tax	– \$25
Net Monthly Income	\$748
SNAP	\$194
WIC	\$0
TOTAL INCOME	\$942
Housing	\$801
Food	\$335
Transportation	\$271
Child Care	\$0
Health Care	\$0
Miscellaneous	\$151
TOTAL EXPENSES	\$1,558
Difference Between Income & Expenses	– \$616

TABLE 6

⁶ Data from the Department of Human Services Caseload Estimating Conference Testimony, October 2016.

METHODOLOGY

FAMILY COMPOSITION

The RISN assumes the adults are working and are non-elderly. 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.

HOUSING

Assumes the family lives in rental housing in the following apartment sizes:

Single adult = 1 bedroom

Single parent and two-parent family = 2 bedroom

Rental costs are based on FY2016 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.

FOOD

Food costs are based on the U.S. Department of Agriculture's Moderate-Cost Plan (May 2016) for the nation. The cost for each adult is the average of the costs for adults 19-50. For the *preschool age child*, the cost is the average of the costs for a 2-3 year old and for a 4-5 year old; the cost for a *school-aged child* is the average of the costs for a 6-8 year old and for a 9-11 year old. These costs do not account for regional variation, which the Economic Research Service at USDA estimated to be 8 percent higher in the Northeast than the nationwide numbers. Food costs do not include the cost of any meals eaten outside the home.

TRANSPORTATION

Costs are based on U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, 3rd quarter 2014 through 2nd quarter 2015 and include 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

Child care costs are based on the Statewide Survey of Child Care Rates in Rhode Island, 2015, conducted at the Charles Schmidt Jr. Labor Research Center at the University of Rhode Island by Matthew M. Bodah. The survey is jointly 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 assumed to be in full-time daycare. The toddler cost is the average of the toddler/preschool market rate amount. The school-aged sibling is in after-school care, plus fourteen weeks of full-time care during school vacation and holidays.

HEALTH CARE

Health care costs include the employee's share of employer-sponsored insurance (ESI) and out-of-pocket expenses. The ESI is based on the US Department of Health and Human Services, Agency for Healthcare and Quality, Medical Expenditure Panel Survey ("MEPS") (2015), which documents the cost of employer-based coverage in Rhode Island as \$1,465.83 a month for family coverage and \$542.42 a month for individual coverage.

According to the MEPS, Rhode Island employees pay 25.6% of the cost of family coverage and 23.0% of individual coverage. Out of pocket expenses are based on the 2013 Medical Expenditure Panel Survey for the Northeast Region, which documents out-of-pocket expenses for individuals/families as \$59.24 a month. Health care costs do not include the cost of dental coverage.

MISCELLANEOUS

Miscellaneous expenses include clothing, shoes, paper goods, over-the counter medications, personal hygiene items, cleaning and household products and telephone. Miscellaneous expenses are calculated as 10% of other (unsubsidized) costs.

TAXES

Taxes include payroll taxes (FICA and TDI) and federal and state income taxes using 2016 tax law. The sales tax is calculated based on *Who Pays? 5th ed.*, a study by the Institute on Taxation and Economic Policy (ITEP) that models all 50 state tax systems. http://www.itep.org/whopays/states/rhode_island.php. Tax calculations specific to this study were undertaken by staff at ITEP using their microsimulation model.

TAX CREDITS

Tax Credits include the federal and state Earned Income Tax Credits (EITC), the federal Dependent Care Credit, the state Child Care Tax Credit (CCTC), and the federal Child Tax Credit.

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