

## The 2003 Rhode Island Standard of Need

### **T**he Poverty Institute's 2003 Rhode Island Standard of Need Includes Single-Parent Families, Two-Parent Families and Single Adults

The 2003 Rhode Island Standard of Need (RISN) calculates the income that a single parent with two young children needs to adequately provide for her family's basic living expenses. It also provides calculations to show the income that a two-parent family with two young children needs to meet basic living expenses as well as the calculation for a single adult.

According to the 2000 Census, the number of Rhode Island families with children under 18 is 124,867 (30.6% of all families). Thirty-one percent (39,050) are single-parent families.

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

The Poverty Institute began calculating 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Standard of Need because it is widely recognized by most experts that the Federal Poverty Level (FPL) is a seriously outdated measure of economic well-being.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 FPL was developed in the 1960s and measured poverty, using 1950 data, based on the cost of food. At that time, food costs represented a third of a family's budget. The FPL is flawed because expenditure patterns

have changed significantly since the 1950s. 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. A further indication of the inadequacy of the Federal Poverty Level is the growing frequency with which the government bases eligibility for public benefit 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 allowing for differences in some regional prices and children's ages. The RISN includes

expenses related to employment, such as transportation and childcare, 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 childcare consumes the great-

est portion of a young working family's income.

**The RISN shows that because of work supports, particularly the Earned Income Tax Credit and childcare and health-care subsidies, families with lower earnings are able to meet basic needs.**

#### **The RISN Asks and Answers Two Fundamental Questions:**

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

*How do federal and state income supports (FIP cash assistance, Food Stamps, WIC, subsidies for childcare and health*

care, Earned Income Tax Credit, Childcare and Child Tax credits) help individuals and families meet their needs?

The Standard of Need reflects the ability of single adults, single-parent and two-parent families to maintain a standard of living that does not ask the family to choose between such necessities as food, medical care, housing, or childcare. 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 significantly 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 a phone, clothing, shoes and paper products are accounted for, the RISN does not take into consideration the need to buy household necessities like cribs, strollers, bedding, furniture, towels, cooking utensils, etc. It does not include the cost of child enrichment activities like school trips, music, or art lessons, or a family pet. 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 childcare and health-care subsidies, families with lower earnings are able to meet basic needs. A single parent with two young children who earns \$11.00/hour (150% of the Federal Poverty Level of \$15,260) is able to make ends meet. However, when the family becomes ineligible for the childcare subsidy (at income above 225% of the Federal Poverty Level of \$34,335), expenses exceed income.

A single-parent family in which the parent earns minimum wage is not able to make ends meet even with subsidized childcare and health care, but the Earned Income Tax Credit and a supplemental payment from the Family Independence Program (FIP) help close the gap between basic expenses and income.

A two-parent family (in which both parents are working full time) can also meet basic needs when the parents' joint earnings are slightly above 150% of the Federal Poverty Level of \$28,152 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 of \$34,040), income is not sufficient to meet expenses.

**The RISN Shows That To Meet Basic Monthly Needs, Families and Individuals Need:**

	Single Parent*	Two Parent*	Individual
Housing	\$678	\$678	\$564
Food	\$496	\$687	\$199
Transportation	\$289	\$391	\$206
Childcare	\$1,215	\$1,215	\$0
Medical	\$650	\$650	\$150
Misc. + Sales Tax	\$356	\$387	\$120
<b>Total</b>	<b>\$3,684</b>	<b>\$4,008</b>	<b>\$1,239</b>
<b>YEARLY</b>	<b>\$44,208</b>	<b>\$48,096</b>	<b>\$14,868</b>
<b>2003 FPL</b>	<b>\$15,260</b>	<b>\$18,400</b>	<b>\$8,980</b>

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

## Investments in Childcare Subsidies and Rtite Care Help Low-wage Families Meet Basic Needs

Single Parent Earning \$11/hr. (\$23,000/year) 150% FPL

	Without Subsidy	With Subsidy
Housing	\$678	\$678
Food	\$496	\$496
Transportation	\$289	\$289
Childcare	\$1,215	\$76
Health Insurance	\$650	\$0
Misc. + sales tax	\$356	\$356
<b>Total</b>	<b>\$3,684</b>	<b>\$1,895</b>
<b>Income</b>	<b>\$2,075</b>	<b>\$2,075</b>
<b>Difference</b>	<b>-\$1,609/mo</b>	<b>\$180</b>

A single adult is not able to meet his/her basic needs until earnings exceed 200% of the Federal Poverty Level (\$17,960). There are no subsidies (Food Stamps, EITC) available to adults at these income levels.

### 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 14,000 families rely on FIP cash assistance and the

employment-readiness services offered by the program. SSI is the Supplemental Security Income Program, the federal cash assistance program for people age 65 and older and people with disabilities. Close to 30,000 individuals receive SSI in Rhode Island.

#### Housing

*Costs:* Rental costs are based on 2004 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 2003, show that the average rental cost statewide for a 2-bedroom apartment was \$1,032/month

(including utilities) and \$796/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. For families, the costs for children are an average of costs for children ages 2 - 11. For the single adult, the cost is an average of the costs for a male (\$215/month) and a female (\$184/month). The food cost does not include the cost of any fast-food or restaurant meals.

*Subsidy:* Includes the Food Stamps for which the family is eligible. Includes 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.

## **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 through the RIte Care program. 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, 2001 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.

## **Childcare**

*Cost:* Childcare costs are based on the Statewide Survey of Childcare Costs in Rhode Island, 2002, conducted by the

Schmidt 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 childcare 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 childcare costs on a sliding scale basis for families with gross income below 225% of the Federal Poverty Level. In January 2004, the Department of Human Services revised the co-payment methodology. Under these rules, the parent's co-payment is based on a percentage of gross income regardless of the number of children receiving care or the number of hours of care. For families with income above 100% FPL, co-payments range from 1% to 14% of income (above 100% - 125% FPL = 1% of income; above 125% - 150% FPL = 4% of income; above 150% - 185% FPL = 6% of income; above 185% - 200% FPL = 10% of income; above 200% - 225% FPL = 14% of income). The cost of childcare shows the parent's co-payment under the subsidized program.

## **Health Care**

*Cost:* The RISN assumes the monthly cost of employer-based coverage is \$300/month for individual coverage and \$800/month for family coverage. Generally, insurance carriers' underwriting criteria require employers to pay at least 50% of the cost of the individual plan. The RISN assumes the unsubsidized cost of health coverage is \$150 for individual coverage and \$650 (\$800 - \$150) 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 medical coverage to 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 fami-

ly income is no more than 250% of the Federal Poverty Level. Families enrolled in RIte Care choose 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 150% of the Federal Poverty Level are required to pay a monthly family premium. Premiums, which were increased in August 2002, 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 the parent purchases individual insurance through her employer (\$150/month) when the family's income is above 185% FPL (and the parent is ineligible for RIte Care) 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 (\$650/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, 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 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. Rhode Island provides a state EITC and beginning in 2003 a small refundable EITC. The RISN shows the yearly federal and state EITC the family would receive averaged over 12 months.

*Childcare Tax Credit (CCTC):* The childcare tax credit is a federal tax credit that allows working parents to deduct a percentage of their childcare costs from the amount of federal taxes owed. The CCTC is not refundable and cannot be received in the monthly paycheck. The childcare 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. The credit is refundable for earners with taxable income above \$10,500. The RISN shows the yearly Child Tax Credit averaged over 12 months.



# Meeting the Needs for a Single-Parent Family

## Monthly Income

Percent Poverty	Yearly Wage	Hourly Wage	Monthly Gross	Taxes	Montly Net	FIP	Food Stamps	WIC	EITC	Childcare Credit	Child Tax Credit	Total Income
FIP	\$0	\$0	\$0	\$0	\$0	\$554	\$358	\$49.90	\$0	\$0	\$0	<b>\$962</b>
Min. Wage	\$14,040	\$6.75	\$1,170	\$109	\$1,061	\$54	\$189	\$49.90	\$350	\$0	\$30	<b>\$1,733</b>
100% FPL	\$15,260	\$7.34	\$1,272	\$119	\$1,153	\$0	\$177	\$49.90	\$327	\$0	\$40	<b>\$1,747</b>
125% FPL	\$19,075	\$9.17	\$1,590	\$182	\$1,408	\$0	\$62	\$49.90	\$267	\$6	\$91	<b>\$1,884</b>
150% FPL	\$22,890	\$11.00	\$1,908	\$255	\$1,653	\$0	\$0	\$49.90	\$207	\$30	\$136	<b>\$2,075</b>
185% FPL	\$28,231	\$13.57	\$2,353	\$367	\$1,986	\$0	\$0	\$49.90	\$120	\$49	\$167	<b>\$2,371</b>
200% FPL	\$30,520	\$14.67	\$2,543	\$421	\$2,122	\$0	\$0	\$49.90	\$70	\$86	\$167	<b>\$2,494</b>
225% FPL	\$34,335	\$16.51	\$2,861	\$510	\$2,351	\$0	\$0	\$49.90	\$0	\$125	\$167	<b>\$2,693</b>
250% FPL	\$38,150	\$18.34	\$3,179	\$600	\$2,579	\$0	\$0	\$49.90	\$0	\$115	\$167	<b>\$2,911</b>
275% FPL	\$41,965	\$20.18	\$3,497	\$689	\$2,808	\$0	\$0	\$0.00	\$0	\$105	\$167	<b>\$3,080</b>



# Meeting the Needs for a Single-Parent Family

## Monthly Expenses

Percent Poverty	Housing*	Food	Transp.	Childcare*	Medical*	Misc.	Sales Tax	Total Expenses	Total Income	Difference Between Monthly Income and Expenses
FIP	\$678	\$496	\$20	\$0	\$0	\$333	\$23	\$1,550	\$962	<b>-\$588</b>
Min. Wage	\$678	\$496	\$289	\$0	\$0	\$333	\$23	\$1,819	\$1,733	<b>-\$861</b>
100% FPL	\$678	\$496	\$289	\$0	\$0	\$333	\$23	\$1,819	\$1,747	<b>-\$72</b>
125% FPL	\$678	\$496	\$289	\$16	\$0	\$333	\$23	\$1,835	\$1,884	<b>\$49</b>
150% FPL	\$678	\$496	\$289	\$76	\$0	\$333	\$23	\$1,895	\$2,075	<b>\$180</b>
185% FPL	\$678	\$496	\$289	\$141	\$61	\$333	\$23	\$2,021	\$2,371	<b>\$350</b>
200% FPL	\$678	\$496	\$289	\$254	\$227	\$333	\$23	\$2,300	\$2,494	<b>\$194</b>
225% FPL	\$678	\$496	\$289	\$401	\$242	\$333	\$23	\$2,462	\$2,693	<b>\$231</b>
250% FPL	\$678	\$496	\$289	\$1,215	\$242	\$333	\$23	\$3,276	\$2,911	<b>-\$365</b>
275% FPL	\$678	\$496	\$289	\$1,215	\$650	\$333	\$23	\$3,684	\$3,080	<b>-\$604</b>

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

\*Housing: Housing costs are based on HUD Fair Market Rent. RIHMFC 2003 Rent Survey indicates that rents for an available apartment are actually higher: \$1,032/month for a 2-bedroom apartment.

\*Childcare: The chart shows the family's co-payment under the Childcare Assistance Program. Co-payment is based on a percentage of gross income: Above 100% FPL - 1%; above 125% FPL - 4%; above 150% FPL - 6%; above 185% FPL - 10%; above 200% FPL - 14%. Thus, just above each income limit shown on the chart, the parent's co-payment would increase to the next percentage. For example, at a penny above 125% FPL, the childcare co-payment would increase to \$64/month (4% of income).

\*Medical: Families are required to pay a monthly premium under the Rite Care/Rite Share program as follows: above 150% FPL: \$61; above 185% FPL: \$77; above 200% FPL: \$92. Thus, just above the income limit shown on the chart, the parent's co-payment would increase. For example, at a penny above 150% FPL, the family would be required to pay the premium of \$61/month.



# Meeting the Needs for a Two-Parent Family

## Monthly Income

Percent Poverty	Yearly Wage	Hourly Wage	Monthly Gross	Taxes	Montly Net	FIP	Food Stamps	WIC	EITC	Childcare Credit	Child Tax Credit	Total Income
FIP	\$0	\$0	\$0	\$0	\$0	\$634	\$434	\$49.90	\$0	\$0	\$0	<b>\$1,118</b>
Min. Wage (153% FPL)	\$28,080	\$13.50	\$2,340	\$297	\$2,043	\$0	\$0	\$49.90	\$132	\$49	\$160	<b>\$2,434</b>
185% FPL	\$34,040	\$16.37	\$2,837	\$411	\$2,426	\$0	\$0	\$49.90	\$15	\$53	\$167	<b>\$2,710</b>
200% FPL	\$36,800	\$17.69	\$3,067	\$464	\$2,603	\$0	\$0	\$49.90	\$0	\$92	\$167	<b>\$2,911</b>
225% FPL	\$41,400	\$19.90	\$3,450	\$577	\$2,873	\$0	\$0	\$49.90	\$0	\$105	\$167	<b>\$3,195</b>
250% FPL	\$46,000	\$22.12	\$3,833	\$684	\$3,149	\$0	\$0	\$49.90	\$0	\$100	\$167	<b>\$3,466</b>
275% FPL	\$50,600	\$24.33	\$4,217	\$785	\$3,432	\$0	\$0	\$0.00	\$0	\$100	\$167	<b>\$3,698</b>



# Meeting the Needs for a Two-Parent Family

## Monthly Expenses

Percent Poverty	Housing*	Food	Transp.	Childcare*	Medical	Misc.	Sales Tax	Total Expenses	Total Income	Difference Between Monthly Income and Expenses
FIP	\$678	\$687	\$30	\$0	\$0	\$362	\$25	\$1,782	\$1,118	<b>-\$664</b>
Min. Wage (153% FPL)	\$678	\$687	\$391	\$140	\$61	\$362	\$25	\$2,344	\$2,434	<b>\$90</b>
185% FPL	\$678	\$687	\$391	\$170	\$61	\$362	\$25	\$2,374	\$2,710	<b>\$336</b>
200% FPL	\$678	\$687	\$391	\$307	\$650	\$362	\$25	\$3,100	\$2,911	<b>-\$189</b>
225% FPL	\$678	\$687	\$391	\$483	\$650	\$362	\$25	\$3,276	\$3,195	<b>-\$81</b>
250% FPL	\$678	\$687	\$391	\$1,215	\$650	\$362	\$25	\$4,008	\$3,466	<b>-\$542</b>
275% FPL	\$678	\$687	\$391	\$1,215	\$650	\$362	\$25	\$4,008	\$3,698	<b>-\$310</b>

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

\*Housing: Housing costs are based on HUD Fair Market Rent. RIHMFC 2003 Rent Survey indicates that rents for an available apartment are significantly higher: \$1,032/month for a two-bedroom apartment.

\*Childcare: The chart shows the parents' co-payment under the Child Care Assistance Program. Co-payment is based on a percentage of gross income: Above 100% FPL - 1%; above 125% FPL - 4%; above 150% FPL - 6%; above 185% FPL - 10%; above 200% FPL - 14%. Thus, just above each income limit shown on the chart, the parent's co-payment would increase to the next percentage. For example, at a penny above 185% FPL, the childcare co-payment would increase to \$284/month (10% of income).



# Meeting the Needs for a Single Adult

## Monthly Income

Percent Poverty	Yearly Wage	Hourly Wage	Monthly Gross	Taxes	Monthly Net	Food Stamps	Total Income
SSI	\$7,456	N/A	\$621	\$0	\$621	\$98	<b>\$719</b>
Min. Wage (160% FPL)	\$14,040	\$6.75	\$1,170	\$181	\$989	\$0	<b>\$989</b>
185% FPL	\$16,613	\$7.99	\$1,384	\$238	\$1,146	\$0	<b>\$1,146</b>
200% FPL	\$17,960	\$8.63	\$1,497	\$270	\$1,227	\$0	<b>\$1,227</b>
250% FPL	\$22,450	\$10.79	\$1,871	\$375	\$1,496	\$0	<b>\$1,496</b>



# Meeting the Needs for a Single Adult

## Monthly Expenses

Percent Poverty	Housing*	Food	Transp.	Medical	Misc.	Sales Tax	Total Expenses	Total Income	Difference Between Monthly Expenses and Income
SSI	\$564	\$199	\$95	\$0	\$112	\$8	\$978	\$719	<b>-\$259</b>
Min Wage (160% FPL)	\$564	\$199	\$206	\$150	\$112	\$8	\$1,239	\$989	<b>-\$250</b>
185% FPL	\$564	\$199	\$206	\$150	\$112	\$8	\$1,239	\$1,146	<b>-\$93</b>
200% FPL	\$564	\$199	\$206	\$150	\$112	\$8	\$1,239	\$1,227	<b>-\$12</b>
250% FPL	\$564	\$199	\$206	\$150	\$112	\$8	\$1,239	\$1,496	<b>\$257</b>

The single person is an adult of either gender.

\*Housing: Housing costs are based on HUD Fair Market Rent. RIHMFC 2003 Rent Survey indicates that rents for an available apartment are actually higher: \$796 for a 1-bedroom apartment.



# The Poverty Institute

at the Rhode Island College School of Social Work

## Poverty Institute Staff

Nancy Gewirtz, PhD., Director

Linda Katz, Esq., Policy Director

Ellen Frank, Ph.D., Senior Economic Analyst

Jennifer Lang, Policy Associate

Ann-Marie Harrington, M.S.W., Design Consultant

Judith Gorman L.C.S.W., L.C.D.S., Web Manager

Lisa Casavecchia, Graduate Assistant

The Poverty Institute works to promote economic security for low- and moderate-income Rhode Islanders and equitable tax and budget policies through policy analysis, research, education and advocacy. The Poverty Institute is housed at the Rhode Island College School of Social Work. The Rhode Island College Foundation, a non-profit organization, is the Poverty Institute's fiscal agent. The Poverty Institute is separately funded by grants and private donations.

Contributions to help us continue our work can be sent to:

The Poverty Institute  
at the Rhode Island College  
School of Social Work  
Providence, RI 02908

Please make checks payable to:

The Rhode Island College Foundation  
(Write Poverty Institute on memo line.)

This project has been made possible by a grant from the ADDD Fund at The Rhode Island Foundation, a charitable community trust serving the people of Rhode Island.

## The Poverty Institute

Rhode Island College School of Social Work

Providence, RI 02908

P. 401.456.8512 | F. 401.456.9550

information@povertyinstitute.org

Visit The Poverty Institute's website at

www.povertyinstitute.org for more information about our work.