The 2014 Rhode Island Standard of Need

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

The Economic Progress Institute
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EXECUTIVE SUMMARY

Rhode Island is a beautiful state with sandy beaches, world class restaurants, and a vibrant arts and culture scene. Yet many workers in our state struggle just to pay for the basics, making it all but impossible for them to enjoy all that our state has to offer. In fact, many workers would not be able to get by if not for government funded work and income supports that 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 and income supports help households make ends meet?

The RISN calculates a household budget for families with two young children, and for single adults. The no-frills budget includes the cost 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.

Meeting Basic Needs			
	Single Parent Family*	Two-Parent Family*	Single Adult
Annual Expenses	$51,492	$56,088	$19,956
Annual Pre-tax Earnings Required	$59,083	$64,234	$24,666

** Assumes two children: a toddler and a school-aged child and that all parents are workng.*

Table 1

Key Findings:

1. It is expensive to live and raise a family in Rhode Island. It costs a single parent family $51,492 and a two-parent family $56,088 to raise a toddler and a school-aged child. It costs a single adult $19,956 to meet his or her basic needs.

2. Many Rhode Island households do not earn enough to make ends meet. Households need to earn more than their basic need expenses in order to cover taxes. For example, more than one-third (36%) of single adults earn less than the amount needed to meet basic needs.

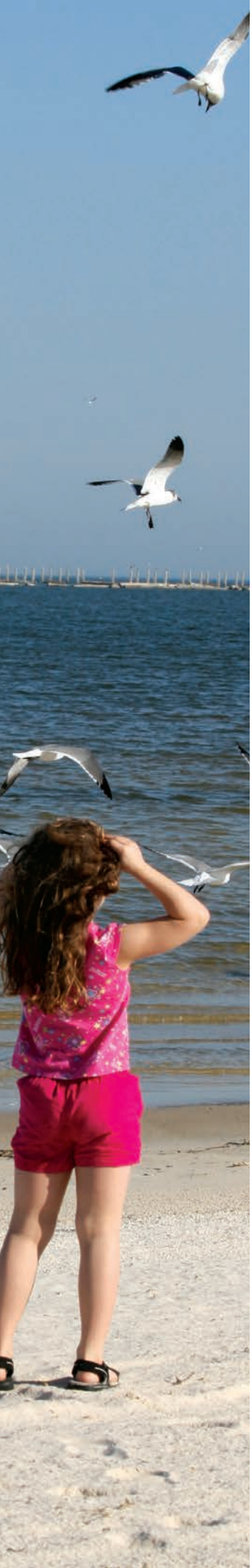
3. Households need to earn significantly more than the federal poverty level to make ends meet. The annual report of the numbers of Americans living in poverty, which is based on Census data of those with income less than the federal poverty level, does not tell the real story of how many people do not have sufficient resources to make ends meet. Working families with young children need income of more than twice the federal poverty level to make ends meet.

4. Many workers need government-funded work support programs to close the gap between wages and expenses. Child care and health care subsidies, tax credits, and nutrition assistance make a significant difference for families when wages aren't enough.

5. Recent expansions to the Child Care Assistance Program help struggling middle-class families. A pilot program ("Exit Pilot") was launched in 2013 allowing parents who receive child care assistance to increase their earnings and maintain their child care assistance up to a higher income limit. The "Exit Pilot" can be a real game-changer for families who are trying to work their way up the income ladder.

6. Workers earning the minimum wage still do not earn enough to meet their basic expenses. A worker earning the state's minimum hourly wage of $8.00 in 2014 faced a significant gap between earnings and expenses.

7. Rhode Islanders who receive 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 necessary to meet basic needs.



INTRODUCTION

Rhode Island is a beautiful state with sandy beaches, world class restaurants, and a vibrant arts and culture scene. Yet many workers in our state struggle just to pay for the basics, making it all but impossible for them to enjoy all that our state has to offer. In fact, many workers would not be able to get by if not for government funded work and income supports that help close the gap between earnings and expenses.

The Rhode Island Standard of Need (RISN) answers two fundamental questions:

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

How do state and federal work and income supports help households make ends meet?

The Rhode Island Standard of Need provides a more accurate measure of economic well-being than the commonly used federal poverty level. Developed in the 1960s, the federal poverty level (FPL) measures economic security based on the cost of food, which at that time represented a third of a family's budget. Today, other household expenses like child care and housing often cost more than food. The federal poverty level does not reflect the reality that living expenses are very different across the country, nor does it take into account the value of work support programs and tax credits that help working families meet basic needs.

The Rhode Island Standard of Need addresses many of these shortcomings. It calculates a no-frills budget that includes the costs of housing, food, transportation, health care, child care and other necessities such as 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 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.

Basic Needs Budget

EXPENSES	Single Parent Family*	Two-Parent Family*	Single Adult
Housing	$913	$913	$748
Food	$753	$978	$337
Transportation	$452	$575	$289
Child Care Costs	$1,373	$1,373	$0
Health Care	$410	$410	$138
Misc	$390	$425	$151
Total Monthly Expenses	**$4,291**	**$4,674**	**$1,663**
Total Yearly	$51,492	$56,088	$19,956
MONTHLY TAXES AND TAX CREDITS			
Sales Tax	$90	$96	$51
State and Federal Payroll Taxes	$819	$887	$341
Tax Credits	– $277	– $304	$0
Total Monthly Taxes	**$632**	**$679**	**$392**
PRE-TAX EARNINGS NEEDED TO MAKE ENDS MEET**			
Monthly	$4,924	$5,353	$2,055
Yearly	$59,083	$64,234	$24,666
Hourly	$28.41	$30.88	$11.86

** Assumes two children: a toddler and a school-aged child.*
*** Some totals may not add due to rounding. Earnings for two-parent family assumes both parents are working for a combined income of $64,234 a year.*

Table 2

KEY FINDINGS

1. It is expensive to live and raise a family in Rhode Island. The 2014 RISN calculates the cost of living for three households: a single- and a two-parent family with two young children, and a single adult. It costs a single-parent family $51,492 and a two-parent family $56,088 to raise a toddler and a school-aged child in the Ocean State. These families need pre-tax earnings of $59,083 and $64,234 respectively to make ends meet. A single adult has basic expenses of $19,956 annually, and needs to earn $24,666.

2. Many Rhode Island households do not earn enough to make ends meet. More than four in five (82%) single parent families with two or more children earn less than the $59,083 needed to meet the expenses calculated in the RISN, while just over one in four (26%) two-parent households with two or more children do not earn the required $64,234. More than one-third (36%) of single adults earn less than the $24,666 they need to meet basic needs.[i]

Housing and Child Care Account for More Than Half of Expenses for a Single Parent Working Family

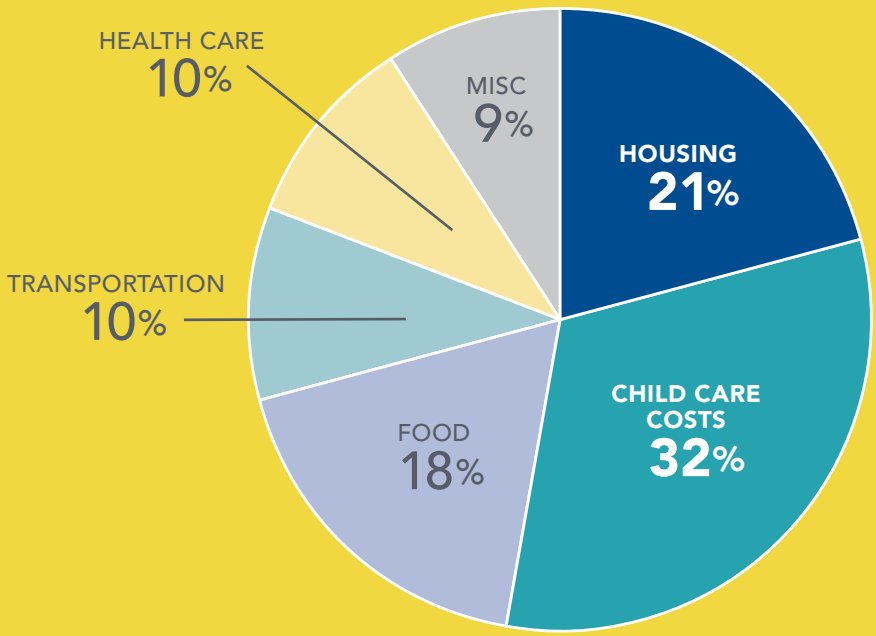


Chart 1

3. Households need to earn significantly more than the federal poverty level to make ends meet. Child Care and housing costs generally consume more than the cost of food, the household expense on which the federal poverty level is based *(See Chart 1).*

The annual report of the numbers of Americans living in poverty, which is based on Census data of those with income less than the federal poverty level, does not tell the real story of how many people do not have sufficient resources to make ends meet. Families with young children need income of more than twice the federal poverty level to make ends meet.

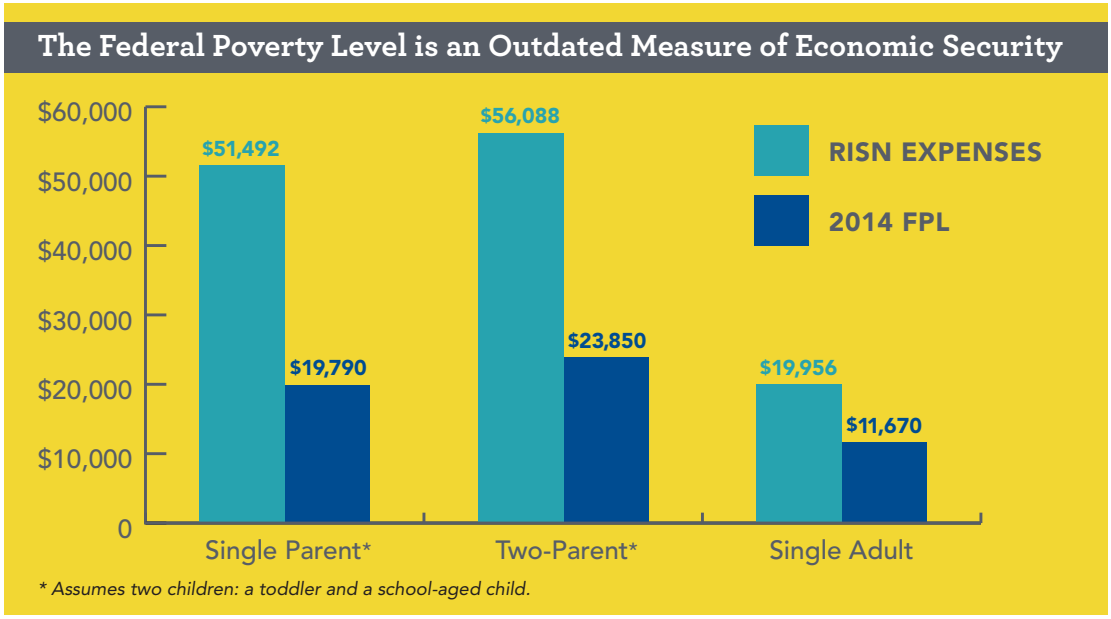


Chart 2

4. Many workers need government-funded work support programs to close the gap between wages and expenses. A single parent with two young children needs to earn $28 an hour to meet his or her family's basic needs. Yet, only 27% of Rhode Island's jobs pay a median hourly wage of $28 or more.[ii]

Child care and health care subsidies, tax credits, and nutrition assistance make a significant difference for families when wages aren't enough.

Cynthia is a single mom of eight-year old Sam and Emma, aged two and a half. Cynthia works as a bank teller and has annual earnings of $27,112. The health insurance offered through Cynthia's employer is unaffordable, but fortunately she is able to enroll her family in RIte Care Health Insurance at no cost. She also qualifies for help paying for full-time care for Emma and after-school care for Sam which together costs $1373 each month. Based on her income, Cynthia's co-pay through the Child Care Assistance program is $113/month. Without these child care and health care subsidies, Cynthia's basic-needs budget would be in the red $1,135 every month. With these subsidies, Cynthia is able to meet her basic expenses with $110 left over *(See Table 3).*

Families with Modest Earnings Need Work Supports to Make Ends Meet

Cynthia, a single mom with two children with earnings of $27,112 a year (138% FPL)

	With Child Care & Health Care Subsidies	Without Child Care & Health Care Subsidies
Housing	$913	$913
Food	$753	$753
Transportation	$452	$452
Child Care	**$113**	**$1,373**
Health Care	**$0**	**$410**
Miscellaneous	$390	$390
Total Expenses	**$2,621**	**$4,291**
Income*	$2,731	$3,156
Difference	**$110**	**– $1,135**

** 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

5. Recent expansions to the Child Care Assistance Program help struggling middle-class families. Until recently, working parents often found themselves needing to turn down a raise or extra hours at work to avoid earning a penny over the income limit for child care assistance (180% FPL). If the parent lost the child care subsidy, 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.

That changed in 2013 when lawmakers recognized that this "cliff effect" was trapping parents in lower-wage jobs. A pilot program ("Exit Pilot") was launched allowing parents who were receiving child care assistance to increase their earnings up to a new "exit income" (225% FPL) before losing this critical work support. As income rises, so does the family's required co-payment.

As Samantha's story illustrates, the Exit Pilot program can be a game-changer for families who are trying to work their way up the income ladder.

Samantha works as a medical secretary earning $17 an hour ($35,662 annually). She has two children, eight-year old Tim who goes to an after-school program and three-year old Zach who attends a full-day child care program. Samantha's income is just below the child care assistance income limit for a family of three and she pays $238 for her children's care.

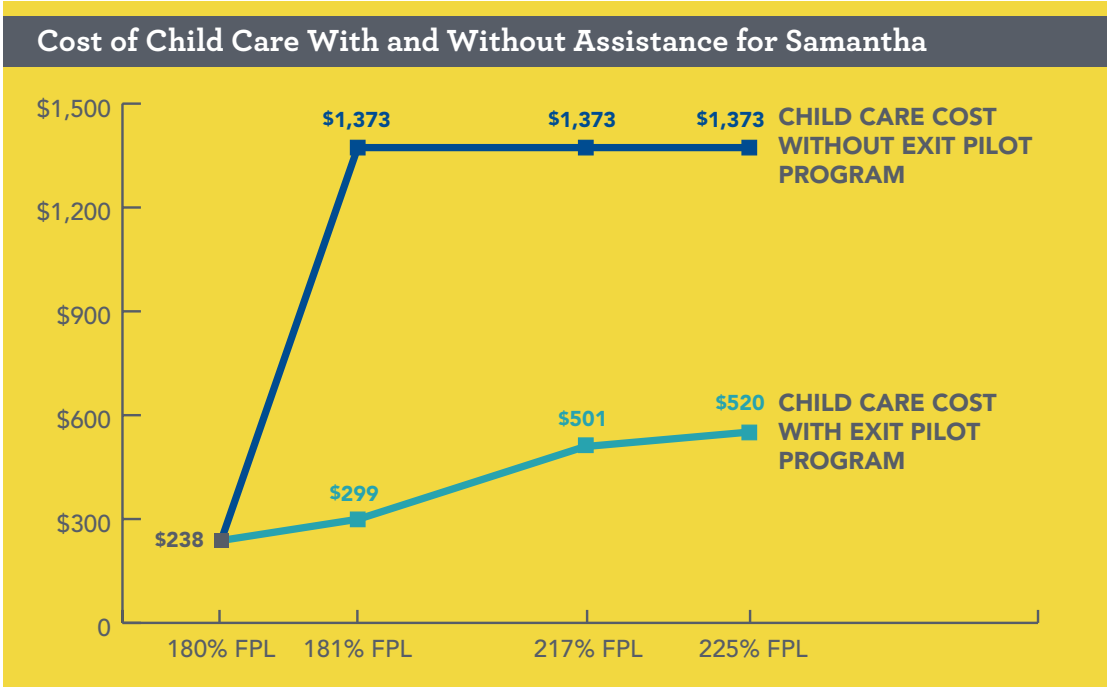


Chart 3

Samantha is offered a raise of 25 cents an hour, which would bring her income above the child care assistance limit. To keep her children in the same child care programs, her child care costs would rise from $238 to $1,373 a month, an increase of $1,135. Thanks to the Exit Pilot, Samantha can accept the raise, remain eligible for child care assistance and pay $299 a month for child care.[iii]

Samantha has been going to school and recently earned a licensed practical nurse degree. She is offered a job earning just under $43,000 (217% FPL) a year. Because of the Exit Pilot, she is still eligible for child care assistance. While her co-pay will increase from $299 to $501 a month, she will still be able to make ends meet. If she needed to pay the full cost of child care, her budget would be in the red by $755 monthly.

6. Workers earning the minimum wage still do not earn enough to meet their basic expenses. In January 2014, the minimum wage rose from $7.75 to $8.00 and low-income single adults became eligible for health insurance coverage through Medicaid for the first time. While a worker earning the new minimum wage, working 35 hours a week[iv] has a gap between income and expenses of close to $400 a month, he now has the peace of mind that comes with health insurance.[v] In January of 2015, the minimum wage will increase to $9.00 an hour.

7. Rhode Islanders who receive cash assistance through Rhode Island 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 2014, 6,130 families participated in the program, which included 14,559 individuals, two-thirds of whom are children.[vi]

The monthly benefit for a family of three is $554, an amount that has not been raised in over thirty years. With annual benefits of $6,648, families enrolled in RI Works have income that is 66 percent below the federal poverty level. Including SNAP and WIC benefits, a parent and two children have a gap between income and expenses of more than $1,400 every month.

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 33,600 individuals received SSI in Rhode Island in 2014, the majority of whom are younger people with disabilities.[vii] The monthly benefit in 2014 for a single adult is $761 ($721 from the federal grant and $40 from a state supplement). The federal portion is adjusted for inflation each year but the state portion is not. An SSI recipient has a gap between income and expenses of more than $600 a month. [ix]

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 FY2014 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 (June 2014) 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 2012 through 2nd quarter 2013 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 Costs in Rhode Island, 2013, conducted by the Charles Schmidt Jr. Labor Research Center of the University of Rhode Island and co-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") (2013), which documents the cost of employer-based coverage in Rhode Island as $1,339.75 a month for family coverage and $497 a month for individual coverage.

According to the MEPS, Rhode Island employees pay 26.4% of the cost of family coverage and 23.5% of individual coverage. Out of pocket expenses are based on the 2011 Medical Expenditure Panel Survey for the Northeast Region, which documents out-of-pocket expenses for individuals/families as $56.47 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 2014 tax law. The sales tax is calculated based on a study by the Institute on Taxation and Economic Policy (http://www.itep.org/pdf/ri.pdf).

TAX CREDITS

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

END NOTES

[i] Source: Economic Progress Institute calculations from 2008-2012 American Community Survey data.

[ii] RI DLT LMI, Occupational Wage Report 2013, Economic Progress Institute calculations.

[iii]

Samantha's Child Care Example	180% FPL	181% with Exit Pilot	181% without Exit Pilot	217% with Exit Pilot	217% without Exit Pilot
Yearly Income	$35,662	$35,820	$35,820	$42,953	$42,953
Monthly Income	$2,972	$2,985	$2,985	$3,579	$3,579
Total Taxes	– $395	– $398	– $398	– $555	– $555
Sales Tax	– $68	– $69	– $69	– $82	– $82
NET MONTHLY INCOME	**$2,508**	**$2,518**	**$2,518**	**$2,942**	**$2,942**
SNAP	+ $63	+ $78	+ $400	$0	$0
WIC	+ $55	+ $55	+ $55	$0	$0
Tax Credits	+ $405	+ $418	+ $468	+ $322	+ $322
TOTAL INCOME	**$3,032**	**$3,069**	**$3,441**	**$3,264**	**$3,264**
Housing	$913	$913	$913	$913	$913
Food	$753	$753	$753	$753	$753
Transportation	$452	$452	$452	$452	$452
Child Care	$238	$299	$1,373	$501	$1,373
Health Care	$138	$138	$138	$138	$138
Miscellaneous	$390	$390	$390	$390	$390
TOTAL EXPENSES	**$2,884**	**$2,945**	**$4,019**	**$3,147**	**$4,019**
DIFFERENCE BETWEEN INCOME AND EXPENSES*	**$148**	**$124**	**– $578**	**$117**	**– $755**

**Numbers may not add up due to rounding*

[iv] Majority of minimum wage workers do not work 40 hours per week. http://www.bls.gov/cps/minwage2013.pdf, Table 9.

[v]

Individual Earning Minimum Wage (35 hours a week at $8.00 an hour)	
Monthly Income	$1,213
Total Taxes	– $138
Sales Tax	– $41
Net Monthly Income	$1,034
SNAP	+ $96
WIC	$0
TOTAL INCOME	**$1,130**
Housing	$748
Food	$337
Transportation	$289
Child Care	$0
Health Care	$0
Miscellaneous	$151
TOTAL EXPENSES	**$1,525**
DIFFERENCE BETWEEN INCOME AND EXPENSES	**– $395**

[vi] Data from the Department of Human Services Caseload Estimating Conference Testimony, November 2014.

END NOTES, *continued*

vii

Parent with Two Children Receiving RI Works	
Monthly Income	$554
Total Taxes	$0
Sales Tax	– $19
Net Monthly Income	$535
SNAP	+ $511
WIC	+ $55
TOTAL INCOME	**$1,101**
Housing	$913
Food	$753
Transportation	$452
Child Care	$0
Health Care	$0
Miscellaneous	$390
TOTAL EXPENSES	**$2,508**
DIFFERENCE BETWEEN INCOME AND EXPENSES	**– $1,407**

viii Data from the Department of Human Services Caseload Estimating Conference Testimony, November 2014.

ix

Individual Receiving Supplemental Security Income	
Monthly Income	$761
Total Taxes	$0
Sales Tax	– $26
Net Monthly Income	$735
SNAP	+ $159
WIC	$0
TOTAL INCOME	**$894**
Housing	$748
Food	$337
Transportation	$289
Child Care	$0
Health Care	$0
Miscellaneous	$151
TOTAL EXPENSES	**$1,525**
DIFFERENCE BETWEEN INCOME AND EXPENSES	**– $631**

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