

METHODOLOGY APPENDIX

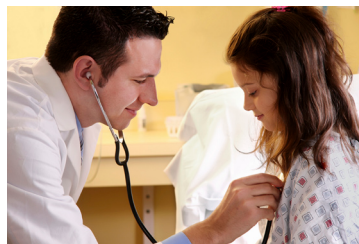
The Self-Sufficiency Standard for Virginia 2012

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This 2012 Standard is the third edition of the Virginia Self-Sufficiency Standard. Previous versions have been published in 2002 and 2006. This appendix and county-specific information for 70 family types is available online at www.selfsufficiencystandard.org/pubs.html and <http://www.dss.virginia.gov/>.

The Self-Sufficiency Standard was developed by Dr. Diana Pearce while she was the Director of the Women and Poverty Project at Wider Opportunities for Women (WOW). Over the past 15 years, the Standard has been calculated in 37 states as well as the District of Columbia and New York City, and it has revolutionized the way policies and programs for low-income workers are structured and what it means to be in need in the United States. For further information about any of the other states with the Standard, including the latest reports, the Standard data itself, and related reports such as demographic reports (which analyze how many and which households are above and below the Standard), please see www.selfsufficiencystandard.org. A list of Self-Sufficiency Standard state partners is also available at this website, or contact Lisa Manzer with the Center at (206) 685-5264/lmanzer@uw.edu, or the report author and Center Director, Dr. Diana Pearce, at (206) 616-2850/pearce@uw.edu.

The conclusions and opinions contained in this document do not necessarily reflect the opinions of those listed above. Any mistakes are the author's responsibility.

Methodology Appendix: Assumptions and Sources

I. INTRODUCTION

Even before the current economic crisis, the last four decades have seen wages stagnate and income inequality widen, and these trends have worsened during the Great Recession. At the same time, the costs of basic necessities have continued to rise, even in the last few years. As a result, millions of adults find that even with full-time jobs they are unable to stretch their wages to meet the rising costs of food, housing, transportation, health care, and other essentials.

To properly describe the growing gap between sluggish wages and ever increasing expenses requires an accurate measure of income adequacy. The Self-Sufficiency Standard represents such a measure. The Standard tracks and calculates the true cost of living faced by American families, illuminating the economic “squeeze” experienced by so many today.

The Self-Sufficiency Standard measures how much income a family of a certain composition in a given place needs to adequately meet their basic needs—without public or private assistance.

The Self-Sufficiency Standard calculates a family-sustaining wage that does not require choosing between basic necessities such as child care, nutritious food, adequate housing, or health care. At the same time, the Standard does not include financial savings plans for long-term needs such as retirement savings or college tuition, purchases of major items such as a car, emergency expenses, or extras such as gifts, video rentals, or soccer fees. The Standard therefore reflects the minimum needed to adequately meet one’s daily basic needs, with no extras.

For some families, even working full-time, wages alone are not adequate for meeting the costs of basic needs. In such cases, to meet the costs of necessities such as health care, child care, and housing, public work supports (e.g., Medicaid, child care assistance, or housing assistance) are often necessary, even critical. Moreover, to achieve long-lasting self-sufficiency generally takes more than just jobs with specific wages and benefits. Central to attaining

true economic self-sufficiency is access to education, job training, and jobs that provide real potential for skill development and career advancement over the long-term.

At the same time, being “self-sufficient”, however, does not imply that a family at any income should be completely self-reliant and independent of others or the community-at-large. Indeed, it is through interdependence among families and community institutions (such as schools or religious institutions), as well as informal networks of friends, extended family, and neighbors that many families are able to meet both their economic and non-economic needs.

This appendix explains the methodology, assumptions, and sources used to calculate the 2012 Virginia Self-Sufficiency Standard. It begins with a discussion of how the Standard differs from the official Federal Poverty Level, followed by the methodology and assumptions of how each cost is calculated in the Standard, ending with a list of data sources used to calculate The Self-Sufficiency Standard for Virginia 2012.

II. MEASURING INCOME ADEQUACY: PROBLEMS WITH THE FEDERAL POVERTY LEVEL

The Federal Poverty Level (FPL), or federal poverty measure, is the official measurement used by the federal government to determine poverty status.¹ Families are characterized as “poor” if their income is below the Federal Poverty Level and “not poor” if it is above the FPL. The federal poverty measure, however, has become increasingly outdated as a measure of income adequacy. Indeed, the Census Bureau itself states that the official poverty measure “...should be interpreted as a statistical yardstick rather than as a complete description of what people and families need to live.”²

The most significant shortcoming of the federal poverty measure is that for most families, in most places, the poverty level is simply too low. Because families can have incomes above the federal poverty measure and still lack sufficient resources to adequately meet their basic needs, most assistance programs use a multiple of the federal

poverty measures to determine eligibility. For instance, the federal Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program) uses a gross income limit of 130% of the FPL, the WIC (Women, Infants and Children) program uses 185% of the FPL, and S-CHIP (State Child Health Insurance Program) uses up to 400% of the FPL, depending on the state.³

Not only does the government consider the poverty line to be inadequate, but the general public does as well. When asked to indicate what they think the “smallest level of income needed to get along in their local communities is,” those surveyed responded on average that a family of four living in the United States needs about \$45,000 (about 60% of median income or 200% of the FPL).⁴

However, simply raising the poverty level, or using a multiple of the FPL, cannot solve the structural problems inherent in the official poverty measure. In addition to the fundamental problem of being too low, there are five basic methodological problems with the federal measure.

First, the measure is based on the cost of a single item—food—rather than a “market basket” of all basic needs. Over four decades ago, when the Federal Poverty Level was first developed by Mollie Orshansky, food was the only budget item for which the cost of meeting a minimal standard, in this case nutrition, was known. (The Department of Agriculture had determined household food budgets based on nutritional standards.) Having only the information on what portion of income families spent on food (about one-third), the food budget was multiplied by three to estimate the amount needed to meet other basic needs, and this became the FPL.⁵

Second, the measure’s methodology is “frozen,” not allowing for changes in the relative cost of food versus non-food items, nor the addition of new necessary costs. Since it was developed, the poverty level has only been updated annually using the Consumer Price Index. As a result, the percentage of the household budget devoted to food has remained at one-third of the FPL even though American families now spend an average of 13% of their income on food.⁶ At the same time, non-food costs have risen much faster and unevenly—such as health care, housing, and more

recently transportation and energy—and new costs have arisen, such as child care and taxes. Because the federal poverty measure is based on a “frozen” methodology, none of these changes are, or can be, reflected in it.

Third, the federal poverty measure is dated, implicitly using the demographic model of a two-parent family with a “stay-at-home” wife, or if a single parent, implicitly assumes she or he is not employed. This family demographic no longer reflects the reality of the majority of American families today. According to the U.S. Bureau of Labor Statistics, both parents were employed in 59% of two-parent families with children in 2011.⁷ Likewise, 66% of mothers in single-mother families with children and 80% of fathers in single-father families were employed in 2011.⁸ Thus, working and its associated costs such as child care, transportation, and taxes are the norm for the majority of families rather than the exception. Moreover, when the poverty measure was first developed, these employment-related items were not a significant expense for most families: taxes were relatively low, transportation was inexpensive, and child care for families with young children was not common. However, today these expenses are substantial, and thus these costs should be included in a modern poverty measure.

Fourth, the poverty measure does not vary by geographic location. That is, the federal poverty measure is the same whether one lives in Louisiana or in the San Francisco Bay Area of California (with Alaska and Hawaii the only exceptions to the rule). However, housing in the most expensive areas of the United States costs over three times as much as in the least expensive areas.⁹

Finally, the federal poverty measure provides no information on specific costs, such as housing or health care, it is essentially a “black box”. Because of this, it is difficult to capture the impact of work supports, taxes, and tax credits on family budgets. Assessing the impact of work supports, taxes, and tax credits, requires knowing how much is allocated to a given item, such as health care, in order to accurately measure the impact of meeting that need on poverty status.

For these and other reasons, many researchers and experts have proposed revising the federal poverty measure. Suggested changes would reflect twenty-

first century needs, incorporate geographically-based differences in costs, expand the definition of income and resources, and respond to changes in needs, work patterns, and demographics over time.¹⁰ In addition to the Self-Sufficiency Standard, examples of proposals for alternative measures of income adequacy include “living wages,” the Basic Needs Budget, and the National Academy of Science’s proposed alternative, now being developed by the Census Bureau as the Supplemental Poverty Measure.¹¹ None of these alternatives, however, address the methodological issues detailed above as thoroughly and comprehensively as the Self-Sufficiency Standard.

III. METHODOLOGY, ASSUMPTIONS, AND SOURCES

Making the Self-Sufficiency Standard as consistent and accurate as possible, yet varied by geography and the ages of children, requires meeting several criteria. To the extent possible, the data used in the Self-Sufficiency Standard are:

- collected or calculated using standardized or equivalent methodology nationwide;
- obtained from scholarly or credible sources such as the U.S. Census Bureau;
- updated regularly; and,
- geographically- and/or age-specific, as appropriate.

Costs that vary substantially by place, such as housing and child care, are calculated at the most geographically-specific level for which data are available. Other costs, such as health care, food, and transportation, are varied geographically to the extent there is variation and appropriate data available. In addition, as improved or standardized data sources become available, the methodology used by the Standard is refined accordingly, resulting in an improved Standard that is comparable across place as well as time.

The Self-Sufficiency Standard is calculated for 70 family types for all counties and independent cities in Virginia. The 70 family types range from a single adult with no children, to one adult with one infant, one adult with one preschooler, one adult with one school-age child, and so forth, up to two adults with

three teenagers. (The Standard can also be calculated for larger and multi-generational families upon request.)

The components of The Self-Sufficiency Standard for Virginia 2012 and the assumptions included in the calculations are described below.

HOUSING

For housing costs, the Standard uses the most recent Fiscal Year (FY) Fair Market Rents, which are calculated annually by the U.S. Department of Housing and Urban Development (HUD) for each state’s metropolitan and non-metropolitan areas, and are used to determine the level of rent for those receiving housing assistance through the Housing Choice Voucher Program.

The FMRs are based on data from the 2000 decennial census, the American Community Survey, the biannual American Housing Survey, and random digit dialing telephone surveys, and are updated for inflation. The survey sample includes renters who have rented their unit within the last two years, excluding new housing (two years old or less), substandard housing, and public/subsidized housing. Thus FMRs, which include utilities (except telephone and cable), are intended to reflect the cost of housing in the current market and that meets minimum standards of decency.¹² FMRs are typically set at the 40th percentile meaning 40% of the housing in a given area is less expensive than the FMR. In Virginia, counties in the Virginia Beach – Norfolk – Newport News, VA–NC and the Richmond, VA HUD Metro FMR Area metropolitan area are set at the 50th percentile. *The Self-Sufficiency Standard for Virginia 2012* calculates housing using the FY 2013 HUD Fair Market Rents.

Since HUD calculates only one set of FMRs for each metropolitan area, the Standard uses median gross rents calculated from the U.S. Census Bureau’s 2006–2010 American Community Survey for each of the counties included in the metropolitan areas listed above to adjust the metropolitan-wide FMRs to create an estimate of the housing costs for each county within the metropolitan area. The Self-Sufficiency Standard’s housing costs for the remaining counties in Virginia are calculated using HUD FMRs without adjustments. There are eleven HUD metropolitan

areas in Virginia that consist of more than one county. These HUD metropolitan areas and the Virginia counties and cities included in them are as follows:

1. Blacksburg - Christiansburg – Radford: Montgomery County, Radford City
2. Charlottesville: Albemarle County, Fluvanna County, Greene County, Nelson County, Charlottesville City
3. Danville: Pittsylvania County, Danville City
4. Harrisonburg: Rockingham County, Harrisonburg City
5. Kingsport – Bristol – Bristol, TN-VA: Scott County, Washington County, Bristol City
6. Lynchburg : Amherst County, Appomattox County, Bedford County, Campbell County, Bedford City, Lynchburg City
7. Richmond: Amelia County, Caroline County, Charles City County, Chesterfield County, Cumberland County, Dinwiddie County, Goochland County, Hanover County, Henrico County, King and Queen County, King William County, New Kent County, Powhatan County, Prince George County, Sussex County, Colonial Heights City, Hopewell City, Petersburg City, Richmond City
8. Roanoke: Botetourt County, Craig County, Roanoke County, Roanoke City, Salem City
9. Virginia Beach – Norfolk – Newport News VA-NC: Gloucester County, Isle of Wight County, James City County, Mathews County, Surry County, York County, Chesapeake City, Hampton City, Newport News City, Norfolk City, Poquoson City, Portsmouth City, Suffolk City, Virginia Beach City, Williamsburg City
10. Washington – Arlington – Alexandria, DC-VA- MD: Arlington County, Clarke County, Fairfax County, Fauquier County, Loudoun County, Prince William County, Spotsylvania County, Stafford County, Alexandria City, Fairfax City, Falls Church City, Fredericksburg City, Manassas City, Manassas Park City
11. Winchester, VA-WV: Frederick County, Winchester City.

To determine the number of bedrooms required for a family, the Standard assumes that parents and children do not share the same bedroom and no more than two

adults or two children share a bedroom. Therefore, the Standard assumes that single persons and couples without children have one-bedroom units, families with one or two children require two bedrooms, families with three or four children require three bedrooms, and families with five or six children require four bedrooms. Because there are few efficiencies (studio apartments) in some areas, and their quality is very uneven, the Self-Sufficiency Standard uses one-bedroom units for single adult and childless couples.

Data Sources

Housing Costs. U.S. Department of Housing and Urban Development, “Schedule B: FY 2013 Final Fair Market Rents for Existing Housing,” Data Sets, Fair Market Rents, <http://www.huduser.org/portal/datasets/fmr.html> (accessed October 29, 2012).

County-Level Housing Costs. U.S. Census Bureau, “Factfinder, B25064 Median Gross Rent,” 2006-2010 American Community Survey 5-Year Estimates, Detailed Tables, <http://factfinder2.census.gov> (accessed July 24, 2012).

CHILD CARE

The Family Support Act, in effect from 1988 until welfare reform in 1996, required states to provide child care assistance at market-rate for low-income families. States were also required to conduct cost surveys biannually to determine the market rate (defined as the 75th percentile) by setting, age, and geographic location or set a statewide rate.¹³ Data for this portion of the Standard has been provided to by the Virginia Department of Social Services and are derived from the Virginia 2012 market rate survey.

Child care costs for the Standard were calculated at the 75th percentile of child care costs from the 2012 Virginia market rate survey responses for each type of care facility and age group. For the 2012 Virginia Standard, infant and preschooler costs were calculated assuming full-time care and costs for school-age children were calculated using “before and after school” rates. Costs were calculated based on a weighted average of family child care and center child care. Since one of the basic assumptions of the Standard is that it

provides the costs of meeting needs without public or private subsidies, the “private subsidy” of free or low-cost child care provided by relatives and others is not assumed. For infants (defined as children under three), family child care accounts for 46% of the care and center child care accounts for 54%. For preschoolers, defined as three and four years old, family child care accounts for 27% of the care and center child care accounts for 73%. For school-age children, defined as five to twelve, family child care accounts for 53% of the care and center child care accounts for 53%.¹⁴

Data Sources

Child Care Costs. Virginia Department of Social Services, (2012) Office of Research and Planning, “2012 Child Care Market Rate Survey: Raw Data File”, Personal Communication August 21, 2012.

FOOD

Although the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program) uses the U.S. Department of Agriculture (USDA) Thrifty Food Plan to calculate benefits, the Standard uses the Low-Cost Food Plan for food costs. While both of these USDA diets were designed to meet minimum nutritional standards, the less expensive Thrifty Food Plan is intended to be only a short-term or emergency use diet.¹⁵

Although 25% more expensive than the Thrifty Food Plan, the Low-Cost Food Plan, is based on more realistic assumptions about food preparation time and consumption patterns, while still being a very conservative estimate of food costs. For instance, like the Thrifty Food Plan, the Low-Cost Food Plan also does not allow for any take-out, fast-food, or restaurant meals, even though according to the Consumer Expenditure Survey, the average American family spends about 42% of their food budget on food prepared away from home.¹⁶

The USDA Low-Cost Food Plan costs vary by month and the USDA does not give an annual average food cost; therefore, the Standard follows the SNAP protocol of using June data of the current year to represent the annual average. Both the Low-Cost Food Plan and the Standard’s budget calculations vary food costs by the number and ages of children

and the number and gender of adults. The Standard assumes that in a one adult household the adult is female and a two-adult household is assumed to include one adult female and one adult male.

Within-state geographic differences in food costs for the Virginia Standard are varied using the ACCRA Cost of Living Index, published by the Council for Community and Economic Research, and data from the U.S. Department of Agriculture Economic Research Service based on the Quality Food-at-Home Price Database (QFAHPD).

The ACCRA grocery index is standardized to price grocery items regardless of the shopper’s socio-economic status. The QFAHPD prices 52 separate food groups in 35 market groups that cover all 48 contiguous States. Using the QFAHPD, the USDA Economic Research Service priced out the cost of the Thrifty Food Plan for a family of four in each of the 35 market groups from 2002-2006. Counties not included in the ACCRA urban areas listed above are applied a ratio based on this data from the Economic Research Service.

Data Sources

Food Costs. U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, “Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, April 2012,” Low-Cost Food Plan, <http://www.cnpp.usda.gov/USDAFoodCost-Home.htm> (accessed July 6, 2012).

ACCRA County-Level Food Costs. Council for Community and Economic Research, ACCRA, “ACCRA Cost of Living Index: 2010 Annual Average Section 2 Index,” <http://www.c2er.org> (accessed July 6, 2012).

USDA County-Level Food Costs. “Thrifty Food Plan by Market Group,” U.S. Department of Agriculture, Economic Research Service, Personal Communication with Christian Gregory, Research Economist, cgregory@ers.usda.gov (received May 24, 2011). Jessica Todd, Lisa Mancino, Ephraim Leibtag, & Christina Tripodo, “Methodology Behind the Quarterly Food-at-Home Price Database,” Technical Bulletin No. 1926, U.S. Department of Agriculture, Economic Research Service, April 2010, <http://www.ers.usda.gov/Publications/TB1926/> (accessed July 6, 2012).

TRANSPORTATION

Public Transportation. If there is an “adequate” public transportation system in a given area, it is assumed that workers use public transportation to get to and from work. A public transportation system is considered “adequate” if it is used by a substantial percentage of the working population. According to a study by the Institute of Urban and Regional Development at the University of California, if about 7% of workers use public transportation that “translates” to approximately 30% of the low- and moderate-income working population using the public transportation system.¹⁷ The Standard assumes private transportation (a car) where public transportation use to commute to work is less than 7%.

According to commuting data from the 2006-2010 American Community Survey, within Virginia, the following cities and counties have public transportation use above 7%: Alexandria city, Arlington County, Charlottesville city, Fairfax city, Fairfax County, Falls Church city, and Richmond city.¹⁸ The cost of public transportation in Alexandria city, Arlington County, Fairfax city and Fairfax County assumes a Metrobus and Metrorail pass from the Washington Metropolitan Area Transit Authority (WMATA). In Charlottesville, the cost is based on an unlimited pass from CAT (Charlottesville Area Transit). In Richmond City, the cost is based on round-trip express trips from GRTC (Greater Richmond Transit Company).

Private Transportation. For private transportation the Standard assumes that adults need a car to get to and from work. Private transportation costs are based on the average costs of owning and operating a car, however, the initial cost of purchasing a car is not included in the Standard’s transportation costs. One car is assumed for households with one adult and two cars are assumed for households with two adults. It is understood that the car(s) will be used to commute to and from work five days per week, plus one trip per week for shopping and errands. In addition, one parent in each household with young children is assumed to have a slightly longer weekday trip to allow for “linking” trips to a day care site.

The auto insurance premium is the statewide average premium cost from the State Averages Expenditures

and Premiums for Personal Automobile Insurance Report, the most recent survey conducted by the National Association of Insurance Commissioners (NAIC). To account for within state variation (regional or county) in auto insurance premiums, ratios are created using sample premiums from the top market share companies in the state. In Virginia, ratios were created using quotes for the top five market share carriers (State Farm Mutual Automobile, State Farm F & C, United Services Automobile Association, Erie Insurance Exchange, and Allstate Insurance Company) from the Virginia Bureau of Insurance, State Corporation Commission Department’s Auto Insurance Sample Premium Tables, 2011/2012.

The fixed costs of car ownership such as fire, theft, property damage, liability insurance, license, registration, taxes, repairs, monthly payments, and finance charges are calculated using 2010 Consumer Expenditure Survey data for families with incomes between the 20th and 40th percentile living in the U.S. Census South region. The monthly variable costs of owning a car (e.g., gas, oil, tires, and maintenance) are obtained from the American Automobile Association publication, *Your Driving Costs: 2011*. The commuting distance is computed from the 2009 National Household Travel Survey; the round trip distance for commuting to work ranges from an average of 26.54 miles to 31.58 miles in Virginia.

Auto insurance premiums and fixed auto costs are adjusted for inflation using the most recent and area-specific Consumer Price Index.

Data Sources

Public Transportation. Charlottesville Area Transit (CAT), “Fares & Passes,” <http://www.charlottesville.org> accessed July 17, 2012); Greater Richmond Transit Company (GRTC), “Fares & Rates,” <http://www.ridegrtc.com> (accessed July 17, 2012); Washington Metropolitan Area Transit Authority (WMATA), “Metro Pass and Farecard Options,” <http://www.wmata.com/fares/purchase/passes.cfm> (accessed July 17, 2012).

Auto Insurance Premium. National Association of Insurance Commissioners, “Average Expenditures for Auto Insurance by State, 2009,” Insurance

Information Institute, <http://www.iii.org/media/facts/statsbyissue/auto> (accessed July 6, 2012).

Auto Insurance Sample Premiums.

Commonwealth of Virginia, State Corporation Commission, Bureau of Insurance, “Auto Insurance Sample Premium Tables 2011/2012,” <http://www.scc.virginia.gov/boi> (accessed July 17, 2012).

Distance to Work. U.S. Department of Transportation, 2009 National Household Transportation Survey, “Average Person Trip Length (Trip Purpose: to/from Work),” Online Analysis Tools, <http://nhts.ornl.gov/> (accessed July 6, 2012).

Fixed Auto Costs. Calculated and adjusted for regional inflation using Bureau of Labor Statistics data query for the Consumer Expenditure Survey. U.S. Department of Labor, Bureau of Labor Statistics, “Other Vehicle Expenses,” Consumer Expenditure Survey 2011, CE Databases, <http://www.bls.gov/data/> (accessed October 30, 2012).

Per Mile Costs. AAmerican Automobile Association, “Your Driving Costs,” 2011 Edition, AAA Association Communication, <http://exchange.aaa.com/wp-content/uploads/2012/04/DrivingCosts2011.pdf> (accessed July 6, 2012).

Inflation. U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Price Index – All Urban Consumers, U.S. city average,” Consumer Price Index, CPI Databases, <http://www.bls.gov/cpi/home.htm> (accessed October 30, 2012).

HEALTH CARE

The Self-Sufficiency Standard assumes that an integral part of a Self-Sufficiency Wage is employer-sponsored health insurance for workers and their families. Nationally, 68% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage.¹⁹ In Virginia, 73% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage. Nationwide, employers pay 79% of the insurance premium for the employee and 73% of the insurance premium for the

family on average. In Virginia, the worker’s employer pays an average of 78% of the insurance premium for the employee and 69% for the family.²⁰

Health care premiums are obtained from the Insurance Component of the 2010 Medical Expenditure Panel Survey (MEPS), produced by the Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends. The MEPS health care premiums are the average employment-based health premium paid by a state’s residents for a single adult and for a family. Health premium costs are adjusted for inflation using the Medical Care Services Consumer Price Index.

To vary the state premium costs for Virginia, the Standard calculates county-specific insurance rate ratios using sample premium rates for top market share companies in Virginia that have comparable state-wide coverage. The ratios are used to adjust the state level MEPS data by county.

Health care costs also include regional out-of-pocket costs calculated for adults, infants, preschoolers, school-age children, and teenagers. Data for out-of-pocket health care costs (by age) are also obtained from the MEPS, adjusted by Census region using the MEPS Household Component Analytical Tool, and adjusted for inflation using the Medical Care Consumer Price Index.

Note that although the Standard assumes employer-sponsored health coverage, not all workers have access to affordable health insurance coverage through their employers. Those who do not have access to affordable health insurance through their employers must either purchase their own coverage or do without health insurance. When an individual or a family cannot afford to purchase health coverage, an illness or injury can become a very serious financial crisis. Likewise, a serious health condition can make it extremely expensive to purchase individual coverage. However, in 2014 the Patient Protection and Affordable Care Act will require individuals who can afford it to either obtain minimal health insurance or contribute a fee towards the costs of uninsured Americans.²¹ By 2014 the Affordable Care Act will also prohibit all discrimination against pre-existing conditions; and, in the meantime, states

can opt to participate in a Pre-Existing Condition Insurance Plan, which provides coverage options for people who have been without health insurance for six months due to a pre-existing condition.²²

Data Sources

Out-of-Pocket Costs. U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, Medical Expenditure Panel Survey-Household Component Analytical Tool, “Total Amount Paid by Self/Family, all Types of Service, 2009,” MEPSnetHC, http://www.meps.ahrq.gov/mepsweb/data_stats/MEPSnetHC.jsp (accessed July 3, 2012).

Premiums. U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, “Tables II.C.2 and II.D.2: Average Total Employee Contribution (in Dollars) per Enrolled Employee for Single/Family Coverage at Private-Sector Establishments that Offer Health Insurance by Firm Size and State, United States, 2011,” Medical Expenditure Panel Survey-Insurance Component, http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2011/tiic2.htm and http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2011/tiid2.htm (accessed October 30, 2012).

Inflation. U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Price Index – All Urban Consumers, U.S. City Average,” Medical Care Services (for premiums) and Medical Services (for out-of-pocket costs), <http://www.bls.gov/cpi/> (accessed October 2, 2012).

MISCELLANEOUS

This expense category consists of other essential items including clothing, shoes, paper products, diapers, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone.

Miscellaneous expenses are calculated by taking 10% of all other costs except for taxes and tax credits. This percentage is a conservative estimate in comparison to estimates in other basic needs budgets, which

commonly use 15% and account for other costs such as recreation, entertainment, savings, or debt repayment.²³

TAXES

Taxes include federal and state income tax, payroll taxes, and state and local sales tax where applicable. Federal payroll taxes for Social Security and Medicare are calculated at 5.65% of each dollar earned in 2012. Although the federal income tax rate is higher than the payroll tax rate, federal exemptions and deductions are substantial. As a result, while payroll tax is paid on every dollar earned, most families will not owe federal income tax on the first \$10,000 to \$15,000 or more, thus lowering the effective federal tax rate to about 7% for some family types.

Virginia state income taxes were calculated using the tax forms and instructions from the Virginia Department of Revenue Services. The state income tax calculation includes state specific deductions, exemptions, and tax credits. For the 2011 tax year, Virginia’s income tax graduates from 2% to 5.75%.

State sales taxes are calculated only on “miscellaneous” items, as one does not ordinarily pay tax on rent, child care, and so forth. The Virginia state sales tax is calculated at 5% and grocery items are subject to a reduced sales tax rate of 2.5%.

Indirect taxes (e.g., property taxes paid by the landlord on housing) are assumed to be included in the price of housing passed on by the landlord to the tenant. Additionally, taxes on gasoline and automobiles are included as a cost of owning and running a car.

Data Sources

Federal Income Tax. Internal Revenue Service, “1040 Instructions,” <http://www.irs.gov/pub/irs-pdf/i1040gi.pdf> (accessed July 6, 2012); Internal Revenue Service, “Revenue Procedure 2011-12,” <http://www.irs.gov/pub/irs-drop/rp-11-12.pdf> (accessed July 6, 2012).

State Income Tax. SVirginia Department of Taxation, “2011 Virginia Form 760: Resident Income Tax Booklet,” <http://www.tax.virginia.gov/taxforms/Individual/Income%20Tax/2011/760Instr.pdf> (accessed July 25, 2012).

State Sales and Use Tax. Virginia Department of Taxation, “5% Virginia Sales Tax Table,” <http://www.tax.virginia.gov/taxforms/Business/Sales%20and%20Use%20Tax/5%20Sales%20Tax.pdf> (accessed August 28, 2012); Virginia Department of Taxation, “Food Tax Rate Reduction,” <http://www.tax.virginia.gov/site.cfm?alias=FoodTax> (accessed August 28, 2012).

TAX CREDITS

The Standard includes federal tax credits (the Earned Income Tax Credit, the Child Care Tax Credit, and the Child Tax Credit) and applicable state tax credits. Federal and state tax credits are shown as received monthly in the Standard. Tax credits are shown as negative numbers in the Standard, as they reduce the amount of income that a family must have to meet their needs, or put another way, tax credits offset other costs and taxes.

The Earned Income Tax Credit (EITC), also called the Earned Income Credit, is a federal tax refund intended to offset the loss of income from payroll taxes owed by low-income working families. The EITC is a “refundable” tax credit, meaning working adults may receive the tax credit whether or not they owe any federal taxes. The federal EITC has a maximum benefit in 2012 of \$3,169 per year for families with one child, \$5,236 per year for families with two children, and \$5,891 per year for families with three or more children.

The Child Care Tax Credit (CCTC), also known as the Child and Dependent Care Tax Credit, is a federal tax credit that allows working parents to deduct a percentage of their child care costs from the federal income taxes they owe. Unlike the EITC, the federal CCTC is not a refundable federal tax credit; that is, a family may only receive the CCTC as a credit against federal income taxes owed. Therefore, families who owe very little or nothing in federal income taxes will receive little or no CCTC. A percentage (which decreases as income increases) of up to \$3,000 in child care costs is deductible for one qualifying child and up to \$6,000 for two or more qualifying children.

The Child Tax Credit (CTC) is a partially refundable federal tax credit. The CTC provides parents with a

deduction of \$1,000 for each child under 17 years old or 15% of earned income over \$3,000, whichever is less.

Data Sources

Federal Child Care Tax Credit. Internal Revenue Service, “Publication 503. Child and Dependent Care Expenses,” <http://www.irs.gov/pub/irs-pdf/p503.pdf> (accessed July 6, 2012).

Federal Child Tax Credit. Internal Revenue Service, “Publication 972. Child Tax Credit,” <http://www.irs.gov/pub/irs-pdf/p972.pdf> (accessed April 21, 2011). U.S. Library of Congress, Thomas, “Title V: Additional Tax Relief and Other Tax Provisions, Sec. 501,” <http://thomas.loc.gov/> (accessed July 6, 2012).

Federal Earned Income Tax Credit. Internal Revenue Service, “Publication 596. Earned Income Credit,” <http://www.irs.gov/pub/irs-pdf/p596.pdf> (accessed July 6, 2012). Internal Revenue Service, “EITC for Individuals. EITC thresholds and tax law updates,” <http://www.irs.gov/individuals/article/0,,id=150513,00.html> (July 6, 2012). Internal Revenue Service, “Revised Procedures 2009-50, Section 3. 2010 Adjusted Items,” Publications, Index of pub/irs-pub/, Administrative, Procedural, and Miscellaneous, <http://www.irs.gov/pub/irs-drop/rp-09-50.pdf> (July 6, 2012).

Federal Tax Credits (General). Internal Revenue Service, “1040 Instructions,” <http://www.irs.gov/pub/irs-pdf/i1040gi.pdf> (accessed July 6, 2012).

EMERGENCY SAVINGS FUND

The Self-Sufficiency Standards are basic needs, no-frills budgets created for all family types in each county in a given state. As such, the Standard does not allow for anything extra beyond daily needs, such as retirement savings, education expenses, or emergencies. Of course, without question families need more resources if they are to maintain economic security and be able to weather through any unexpected income loss. Therefore, new to this Self-Sufficiency Standard update is the calculation of the most universal of economic security needs after basic needs are met at the Self-Sufficiency Standard level—that of savings for emergencies.

The emergency savings amount is calculated to make up for the earnings of one adult becoming unemployed over the average job loss period, less the amount expected to be received in unemployment benefits. In two adult households, it is assumed that the second adult continues to be employed, so that the savings only need to cover half of the family's basic living expenses over the job loss period. Since the median length of job tenure among Virginia workers is five years, it is assumed that workers save for job loss over a course of five years.

To determine the amount of resources needed, this estimate uses the average period of unemployment and assumes that the minimal cost of basic needs that must be met will stay the same, i.e., the family's Self-Sufficiency Standard. Since the monthly emergency savings contribution requires additional earnings, the estimate includes the calculation of taxes and tax credits of current earnings (at the Self-Sufficiency Standard level). Savings are assumed to have accumulated based on average savings account interest rates.

The emergency savings calculation is based on all current expenses in the Self-Sufficiency Standard.²⁴ The adult may not be commuting to and from work five days a week; however the overall transportation expenses may not change significantly. A weekly shopping trip is still a necessity, as is driving young children to and from child care. Actively seeking employment requires being available for job interviews, attending job fairs, and engaging in networking opportunities, in addition to the time spent looking for and applying for positions. Therefore, saving enough to cover the cost of continuing child care if unemployed is important for supporting active job seeking as well as the benefit of keeping children in their normal routine during a time of crisis.

In addition to the income needed to cover the costs of housing, food, child care and transportation, families need health insurance. The Self-Sufficiency Standard assumes that adults work full-time and in jobs that provide employer-sponsored health insurance. In households with two adults, it is assumed that if one

adult loses employment the spouse's health insurance will provide coverage for the entire family at no additional cost. In a one adult household, it is assumed coverage will be provided through the state operated Affordable Insurance Exchanges taking effect as of 2014 under the Patient Protection and Affordable Care Act, at approximately the same cost as when employed.²⁵ Until then, adults experiencing unemployment may have the option to continue health coverage through COBRA, in which case the cost of health care will increase to the full cost of coverage (which would increase the needed savings). In some cases, children, or the whole family, may be covered under state Medicaid and/or Virginia's Children Health Insurance Program, depending upon income, resources, and eligibility requirements in effect at the time, which would decrease health care costs below these estimates.²⁶

Data Sources

Job Tenure. U.S. Census Bureau, Current Population Survey, "Virginia: Median Years of Tenure with Current Employer, all workers" <http://dataferrett.census.gov/> (accessed September 10, 2012).

Unemployment Duration. U.S. Department of Labor, Employment and Training Administration, "Unemployment Insurance Data Summary," <http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp> (accessed September 10, 2012).

Unemployment Insurance. Virginia Employment Commission, "Benefit Table," <http://www.vec.virginia.gov/sites/default/files/bentable.pdf> (accessed September 10, 2012).

Savings Rate. Federal Deposit Insurance Corporation. "Weekly National Rates" <http://www.fdic.gov/regulations/resources/rates/previous.html> (accessed September 10, 2012).

IV. ENDNOTES

1. There are actually two versions of the federal poverty measure. A detailed matrix of poverty thresholds that varies by family composition is calculated each year by the U.S. Census Bureau and is used primarily for statistical purposes such as calculating the number of people in poverty for the previous year. The other form of the poverty measure is called the “federal poverty guidelines” or the “Federal Poverty Level” (FPG/FPL). The FPL is a simplified version of the federal poverty measure, varying only by household size but not by composition, and is calculated by the U.S. Department of Health and Human Services each February, based on the previous year’s detailed matrix and the previous year’s CPI. The FPL/FPG is primarily used by federal and state programs to determine eligibility and/or calculate benefits, such as for SNAP (formerly Food Stamps). The 2011 FPL for a family of three is \$18,530. For the purposes of this report, the Standard refers to the “Federal Poverty Level” as the federal measure of poverty. For more information about the federal poverty measures, see <http://aspe.hhs.gov/poverty/faq.shtml#thrifty> and <http://aspe.hhs.gov/poverty/11poverty.shtml>.
2. Carman DeNavas-Walt et al., “Income, Poverty, and Health Insurance Coverage in the United States: 2008,” U.S. Census Bureau, Current Population Reports, P60-236 (Washington, DC: Government Printing Office, 2009), p. 45, <http://www.census.gov/prod/2009pubs/p60-236.pdf> (accessed August 12, 2010).
3. USDA Food and Nutrition Service, Supplemental Nutrition Assistance Program, “Eligibility,” http://www.fns.usda.gov/snap/applicant_recipients/eligibility.htm (accessed July 12, 2011); USDA Food and Nutrition Service, WIC Program, “WIC Eligibility Requirements,” <http://www.fns.usda.gov/wic/howtoapply/eligibilityrequirements.htm>; USHHS Center for Medicaid and CHIP Services, “Children’s Health Insurance Program: Upper Income Limits,” <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Childrens-Health-Insurance-Program-CHIP/CHIP-Eligibility-Standards-.html>,
4. Jeffrey Jones, “Public: Family of Four Needs to Earn Average of \$52,000 to Get By,” Gallup News Service (February 9, 2007), Well Being, <http://www.gallup.com/poll/26467/Public-Family-Four-Needs-Earn-Average-52000-Get.aspx> (accessed September 16, 2010).
5. U.S. Department of Health and Human Services, Poverty Guidelines, Research, and Measurement, “Frequently Asked Questions Related to the Poverty Guidelines and Poverty,” <http://aspe.hhs.gov/poverty/faq.shtml> (accessed August 10, 2011).
6. In 2009 consumer expenditure on food was \$6,372 per year or 13% of total expenditures. U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Expenditures in 2009,” Economic News Release, <http://www.bls.gov/news.release/cesan.nr0.htm> (accessed July 14, 2011).
7. U.S. Department of Labor, Bureau of Labor Statistics, “Employment Characteristics of Families in 2011,” Economic News Releases, Employment and Unemployment, <http://www.bls.gov/news.release/pdf/famee.pdf> (accessed September 14, 2012).
8. Ibid.
9. Using the proposed 2011 Fair Market Rents, the cost of housing (including utilities) at the 40th percentile, for a two-bedroom unit in the most expensive place—San Mateo County, California, is \$1,833. This is over three and a half times as much as the least expensive housing, found in several counties in Kentucky, where two-bedroom units cost \$503 per month. U.S. Department of Housing and Urban Development, “2011 Fair Market Rents,” Data Sets, <http://www.huduser.org/portal/datasets/fmr.html> (accessed August 12, 2011).
10. One of the first persons to advocate implementing changes over time into the Federal Poverty Level was Patricia Ruggles, author of *Drawing the Line*. Ruggles’ work and the analyses of many others are summarized in Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach* (Washington, DC: National Academy Press, 1995), <http://www.census.gov/hhes/www/povmeas/povmeas.html> (accessed August 12, 2010).
11. A living wage is usually the wage a full-time worker would need to earn to meet basic needs without depending upon government assistance. Jeff Chapman and Jeff Thompson, “The Economic Impact of Local Living Wages,” Economic Policy Institute, Briefing Paper #170 (February 16, 2006), <http://www.epi.org/publications/entry/bp170/> (accessed August 17, 2010). While not as geographically or methodologically specific as the Standard is, the Basic Needs Budget encompasses families’ differing needs for child care, transportation, food, health care, regional differences in housing costs, taxes and non-cash benefits from government and private sources, and other miscellaneous items such as clothing and personal care products. The Basic Needs Budget was developed by Trudi Renwick and Barbara Bergmann. Barbara Bergmann and Trudi Renwick, “A Budget-based Definition of Poverty: With an Application to Single-parent Families,” *The Journal of Human Resources* 28 1 (1993): 1-24. The National Academy of Sciences proposed recommendations for changing the poverty measure in their 1995 report: Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach* (Washington, DC: National Academy Press, 1995), <http://www.census.gov/hhes/www/povmeas/povmeas.html> (accessed August 12, 2010).
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18. U.S. Census Bureau (2011), American Community Survey, 2006-2010 5-Year Estimates, "B08301. Means of Transportation to Work," Universe: Workers 16 Years and Over," <http://www.factfinder2.census.gov> (accessed June 1, 2012).

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20. U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, "Tables II.C.3 and II.D.3: Percent of Total Premiums Contributed by Employees Enrolled in Single/Family Coverage at Private-Sector Establishments

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26. Children are eligible for coverage under Virginia Children's Health Insurance Program if family income is less than 300% of the FPL.

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The Center for Women's Welfare at the University of Washington School of Social Work is devoted to furthering the goal of economic justice for women and their families. The main work of the Center focuses on the development of the Self-Sufficiency Standard. Under the direction of Dr. Diana Pearce, the Center partners with a range of government, non-profit, women's, children's, and community-based groups to research and evaluate public policy related to income adequacy; to create tools to assess and establish income adequacy, and to develop programs and policies that strengthen public investment in low-income women, children, and families. Initially through a partnership with WOW, and now independently, the Center has calculated the Self-Sufficiency Standard for 37 states, New York City, and the District of Columbia. Since 1996, through the reports, projects, and online tools, the Self-Sufficiency Standard has revolutionized the way policies and programs for low-income workers are structured and what it means to be in need in the United States. For more information and access to this data, call (206) 685-5264 or visit www.selfsufficiencystandard.org.
