



The Self-Sufficiency Standard for Virginia

Making Ends Meet in Virginia

July, 2002

How much money does it take to live in Virginia?

Changes to welfare policy and an uncertain economy have given new urgency to the question of self-sufficiency. As many parents leave welfare and enter the labor market, they join a growing pool of families who are unable to stretch their wages to meet the costs of basic necessities. Many of these families are not poor according to the federal poverty measure, but their incomes are inadequate. What is an adequate income? The Self-Sufficiency Standard for Virginia is a new measure of income adequacy that varies by family type, locality and children's ages.

The Self-Sufficiency Standard calculates the cost of living for 70 family types for each of Virginia's 134 localities. The income measure is set at a level of adequacy. It is not luxurious or comfortable. The Standard provides income sufficient to meet minimum needs: standard housing, child care, food, transportation, health care, and miscellaneous expenses (clothing, telephone, household items).

With the passage of the 1996 welfare legislation, particularly with the advent of work requirements and time limits, helping low income persons become self-sufficient has become a top priority. The Self-Sufficiency Standard documents the cost of living that different size families must meet to live independently, without public or private assistance. The Standard shows, for most families, earnings above the official poverty measure or earnings that are high enough to disqualify them from welfare, but are far below what they need to meet their families' basic needs.

The Self-Sufficiency Level for Virginia Communities

Table 1 depicts the wage needed for a single parent or each of two working parents to cover basic expenses for a sample of Virginia localities.

The Self-Sufficiency Standard concludes that a single parent with an infant and a preschooler needs to earn a minimum of \$22.15 per hour to cover basic expenses in the City of Manassas. A family with two workers, an infant, and a preschooler needs an hourly wage of more than \$9.10 per hour, per adult, in the City of Norfolk and \$10.14 per hour in Henrico County.

Table 1 shows the hourly wages needed to cover *basic* expenses: rent, child care, minimum food to stay healthy, transportation to and from work with one weekly trip to the grocery store, taxes, and health

insurance. This budget does not allow for any fast food meals, movies, babysitters, or transportation to a house of worship. It is a bare-bones budget.

Table 1. Hourly-Wage Needed to Reach Self-Sufficiency in Selected Localities in Virginia

Locality	Hourly wage needed by a single adult with one infant and one preschooler	Hourly wage needed by each parent in a 2-parent family with one infant and one preschooler
Albemarle County	\$16.90	\$9.91 <i>per adult</i>
Alexandria City	\$22.93	\$12.96
Buchanan County	\$14.22	\$8.73
Emporia City	\$10.75	\$7.69
Fairfax County	\$23.50	\$13.25
Fauquier County	\$20.30	\$11.64
Halifax County	\$11.04	\$7.78
Harrisonburg City	\$14.02	\$8.66
Henrico County	\$17.29	\$10.14
Loudoun County	\$22.40	\$12.69
Lynchburg City	\$11.48	\$7.90
Manassas City	\$22.15	\$12.57
Norfolk City	\$15.25	\$9.10
Northampton County	\$11.04	\$7.78
Richmond City	\$16.34	\$9.67
Minimum wage	\$5.15	

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The Importance of Supports for Working Families

Work supports or aid such as Temporary Assistance to Needy Families (TANF), housing assistance, child care subsidies, health care, food, and transportation subsidies help families as they struggle to become self-sufficient. At this crucial point during the transition to work, subsidies can help a family maintain employment, obtain adequate nutrition, and secure child care.

Supports for working families can have an enormous impact, especially for families with young children. A single mother in Richmond with two young children would need to earn \$16.34 per hour to cover basic needs with no public or private help. However, if she received child support payments and a child care subsidy she would only need to earn \$9.47 per hour, as seen in Table 2 on page 2.

(continued from page 1)

Table 2. Dollar Impacts of Work Supports on Monthly Costs and the Self-Sufficiency Wage of a Single Parent with One Infant and One Preschooler, City of Richmond, Virginia, 2002.

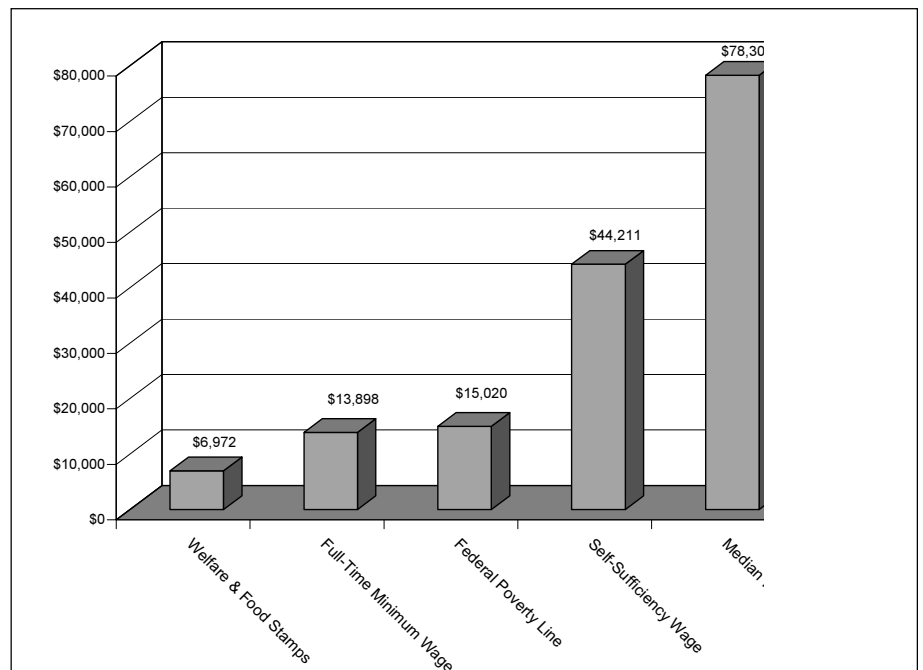
	#1 Self-Sufficiency Standard	Work Supports			
		#2 Child Support	#3 Child Care & Child Support	#4 Welfare to Work: Child Care & Health Care (Medicaid)	#5 Post-Transitional Working Poor: Child Care, Health Care (FAMIS)
Monthly Costs:					
Housing	\$693	\$693	\$693	\$693	\$693
Child Care	\$803	\$803	\$167	\$184	\$803
Food	\$345	\$345	\$345	\$345	\$345
Transportation	\$239	\$239	\$239	\$239	\$239
Health Care	\$172	\$172	\$172	\$0	\$86
Miscellaneous	\$225	\$225	\$225	\$225	\$225
Taxes	\$578	\$459	\$251	\$299	\$227
Earned Income Tax Credit	0	#	#	#	#
Child Care Tax Credit (-)	-\$80	-\$80	-\$42	-\$42	-\$80
Child Tax Credit (-)	-\$100	-\$100	-\$83	-\$100	-\$100
Child Support		-\$301	-\$301	0	0
Self-Sufficiency Wage					
Hourly	\$16.34	\$13.95	\$9.47	\$10.48	\$15.66
Monthly	\$2,876	\$2,455	\$1,667	\$1,844	\$2,756
Annual	\$34,510	\$29,466	\$19,999	\$22,127	\$33,075
Total Federal EITC (annual)#	0	\$556	\$2,550	\$2,102	0
Child Tax Credit (annual refundable)#	0	\$43	\$804	\$691	0

In the modeling columns, refundable credits are shown as they are usually received, as an annual lump sum when taxes are filed early the next year. The child tax credit is split, with the part that is a credit against taxes owed, received monthly, and the refundable portion shown as received annually. EITC is not received as a credit against taxes, so it is shown annually.

Comparing the Standard to other Benchmarks

Figure 1 compares the Self-Sufficiency Standard to four other benchmarks for Loudoun County, Virginia: the welfare grant package, the federal poverty measure, federal minimum wage and the median family income. The concept of self-sufficiency assumes a gradual progression of increased independence over time. The Standard in Figure 1 is for a three-person family consisting of one adult, one preschooler, and one school age child. The Standard for this family type is \$44,211 for Loudoun County, Virginia. The other benchmarks presented are also for three-person families, where relevant. None of the measures are as specific as the Standard in terms of age and number of children and geographic location.

Figure 1. Self-Sufficiency Wage Compared to Other Benchmarks in Loudoun County, VA



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Frequently Asked Questions about the Self-Sufficiency Standard

What is the Self-Sufficiency Standard for Virginia?

The Self-Sufficiency Standard for Virginia defines the wages working families need to meet their basic needs without public or private assistance. Basic needs include: housing, child care, food, transportation, health care, miscellaneous expenses (clothing, telephone, household items) and taxes (minus federal and state tax credits.) The Standard is calculated for 70 different family types in each of Virginia's 134 counties and cities.

How is the Self-Sufficiency Standard different from the Official Federal Poverty Measure?

The federal poverty level (FPL) is a 4-decades-old calculation based on the cost of food. The FPL also assumes that food is one-third of a family's budget, no matter where that family lives. The Standard is based on the costs of all basic needs of a working family—food, housing, child care, health care, transportation, miscellaneous costs, taxes and tax credits. Unlike the poverty standard's one-size-fits-all model, these costs vary, not just by the size of the family and number of children, as with the FPL, but also by the age of the children. Some costs, particularly child care, differ dramatically by age. The FPL is indexed for inflation every year while the Standard can be updated yearly allowing the cost of each basic need to increase at its own rate. Finally, the Standard is more geographically specific than the FPL, varying by state and by county.

Where does the data come from?

Data are collected or calculated using standardized or equivalent methodology from scholarly, credible sources, such as the U.S. Bureau of the Census. Data are updated at least annually; and are age- and/or geographically-specific (where appropriate). Please see the methodology on page 4.

How is the Self-Sufficiency Standard calculated?

First, the basic costs for each family type, which vary by number and age of children, and by number of adults, are

added in each county or metropolitan statistical area. Ten percent of this total is added to account for miscellaneous costs. Second, taxes and tax credits are calculated using formulas that are specific with regard to state income and sales tax. Finally, the total income is checked for certain assumptions in the model—such as whether the proper Child Care Tax Credit rate has been used—and adjusted as appropriate.

Aren't the Self-Sufficiency wages too high?

No. Because the Self-Sufficiency Standard is calculated using the *real* costs of goods and services purchased in the regular marketplace, it reflects the real expenses consumers face. The Standard is a no-frills budget that does not allow for entertainment, carry out or fast food (not even a pizza), savings, or emergency expenses such as car repairs. Obviously, many families lack a Self-Sufficiency level income and manage to survive. If they do, however, it means that they are getting help meeting their needs with public or private subsidies, and/or they are foregoing one or more needs—using less desirable child care, doubling-up or living in substandard housing, obtaining free food or doing without, or not obtaining needed medical care.



Isn't the Self-Sufficiency Standard unrealistic for most welfare recipients entering employment?

No. The Self-Sufficiency Standard sets a goal for welfare recipients. Achieving self-sufficiency is a process that involves not just finding a job with certain wages and benefits, but achieving income security over time. There are several ways—separately or in combination—that welfare recipients can achieve self-sufficiency. First, they can receive temporary subsidies until either their wages increase, or their needs decrease, as is the case for child care. (By definition, preschool children will “age out” of need for full-time care in just a few years.) Second, they can obtain training and/or education that will prepare them for high-wage jobs. Third,

they can combine low-wage jobs with self-employment initiatives.

Do you expect employers to pay these wages?

Not entirely. Employers are only one of several stakeholders that have a role in ensuring that families have incomes sufficient to cover their costs. The government has a role in ensuring that job training and education, as well as work supports like child care, are affordable and accessible to families. Individuals are responsible for taking advantage of opportunities to invest in themselves and their potential. And finally, employers are responsible for paying decent wages and providing benefits, such as health insurance, transportation assistance, and benefits to their workers.

How can the Self-Sufficiency Standard be used?

The Standard has been used by government, advocates and service providers to assess and to change policies and programs in a number of ways including: as a benchmark to measure effects of programs and policies; to demonstrate the impact of policy alternatives; to identify and help parents move into higher-wage jobs; and to change how welfare and workforce development caseworkers counsel clients.

Does the report have implications for Federal Reauthorization of the Welfare Law?

Yes. As Congress considers reauthorizing the welfare law in 2002, it has the opportunity to use the Self-Sufficiency Standard to change the welfare discussion: from one just about reducing the number of people on the welfare rolls, to one about the quality of life for people on and off the rolls. The Standard can be used to demonstrate the importance of access to education and training; to demonstrate why new workers need work supports by showing how wages and supports—like child care, food stamps, health care—fit together to help families on their path to economic independence; and to assess whether states are meeting the federal law's goal of moving families to self-sufficiency.

Aren't needed hourly wages lower for married couples?

Yes. But marriage is not always a viable option for all families, as is the case when one parent is deceased or abusive. No parent should be encouraged to remain in an abusive situation.

When there are two working adults, each needs to earn less per hour than a single parent. For example, in Bath County, a single parent with an infant and a preschooler would need to earn \$12.96 per hour. A married couple would need to earn \$8.30 per hour each. This is more than the minimum wage.

Wouldn't it be better for a married couple to have one parent stay home so the family could avoid child care costs?

For some two parent families, this may be the best option. Other families may feel the need to have two workers

in the family for increased stability in these tumultuous economic times. Many families need to have both parents work in order to earn wages sufficient to support a family.

The reality is that most parents work. Nationally, only about 30 percent of families have a stay-at-home parent.

Would raising taxes make it harder for families to be self-sufficient?

It depends on the tax. Lower income families pay more of their income in sales tax, which makes buying basics (like clothes and diapers) more expensive. Raising the sales tax means that families must earn more to buy the same products. Since a family at the Self-Sufficiency level is spending all of their income, increases in sales tax would hit this family the hardest.

Income taxes in Virginia increase as the family income increases, so lower income families pay less of their income in taxes. Single Virginians must file taxes if their adjusted gross earned income is \$5,000 or more. Married

couples must file state taxes if their total Virginia adjusted gross earned income for both spouses is \$8,000 or more.

How can I find out more about the Virginia's Self-Sufficiency Standard?

Virginia's full report can be downloaded from Action Alliance for Virginia's Children and Youth web site: www.vakids.org. Or, contact Cindy Dixon at (804) 649-0184 ext. 23.

To learn more about the Standard in general, visit www.sixstrategies.org.

Action Alliance for Virginia's Children and Youth is the Commonwealth's only statewide, multi-issue organization advocating on behalf of children. The non-profit, non-partisan organization seeks to build a powerful voice for children, and to inspire the people of Virginia to act on their behalf. The Action Alliance is a persistent voice of reason on issues of early learning, violence prevention, health care, and economic security for families.

Methodology & Sources

Researchers at the University of Washington, headed by Dr. Diana Pearce, calculated the Self-Sufficiency Standard for Virginia.

Wider Opportunities for Women coordinates the Standard nationally. www.6strategies.org.

Child care costs are based on the Virginia 1999 Market Rate Survey. Rates are calculated at the 75th percentile. Infant: 0-23 mo, family child care. Preschool: 24mo-4yrs, child care ctr. School age: 5-12yrs, child care ctr.

Food costs are based on the USDA Low-Cost Food Plan, June 2000.

Health Insurance costs are based on the Virginia State Corporation Commission, Bureau of Insurance, *Top Ten Health Management Companies*; **Premium Amounts**: Medical Expenditure Panel Survey (<http://www.meps.ahrq.gov/MEPSnet/IC/MEPSnet/IC.asp>); **Out of Pocket Costs**:

(*Household Component Analytical Tool (MEBSnet/HC)*). December 2001. Agency for Healthcare Research and Quality, Rockville, MD. (<http://www.meps.ahrq.gov/mepsnet/HC/MEBPSnetHC.asp>)

Housing figures are based on Department of Housing and Urban Development; *Fair Market Rents for the Section 8 Housing Assistance Payments Program - Fiscal Year 2001*. (10/01/01). (www.huduser.org). Approved Plans from Public Housing Authorities. Fair Market Rents by county, independent city and/or MSA.

Taxes include state sales tax, federal and state income taxes and payroll taxes. Federal taxes include credits such as the earned income tax credit, child care tax, and child tax credit. State tax information was obtained from the Virginia Department of Revenue:

www.tax.state.va.us.

Transportation insurance costs are derived using premiums for the top five insurance carriers obtained from the Virginia State Corporation Commission (SCC), ratios were created to determine auto insurance costs. Virginia State Corporation Commission, Property and Casualty Division, *Market Conduct Examination*. U.S. Census "Travel to Work Characteristics for the 50 Largest Metropolitan Areas by Population in the US: 1990 Census." www.census.gov. *State Averages Expenditures & Premiums for Personal Automobile Insurance in 1998*, April 1998. National Association of Insurance Commissioners. www.naic.org.

Miscellaneous expenses are 10% of all other costs. Includes: clothing, shoes, telephone, diapers, personal hygiene items.

Self-Sufficiency Standard Advisory Committee

- Action Alliance for Virginia's Children and Youth
- ALIVE!
- Capital Area Workforce Investment Board
- Center for Housing Research-Virginia Polytechnic Institute and State University
- CHIP of Virginia
- Council of Community Services
- Family Lifeline
- Fresh Start Jobs
- Hanover County Department of Social Services
- Henrico Community Housing Corporation
- Homeless Action Council
- Homeward
- Housing Opportunities Made Equal, Inc.
- Innovations for Schools, Youth, Neighborhoods and Communities (In-SYNC) Partnerships

- The Jewish Community Center of Richmond
- Junior League of Richmond
- Memorial Child Guidance Clinic
- Office of Mental Health Services, Fairfax-Falls Church Community Services Board
- Opportunity, Inc.
- Partnership for the Future
- Places and Programs for Children
- Portsmouth Redevelopment and Housing Authority
- Prevent Child Abuse Virginia
- Prince William County Department of Social Services
- Refugee & Immigration Services, Catholic Diocese of Richmond
- Richmond Community Action Program
- Richmond Department of Juvenile Justice Services
- Richmond Memorial Foundation

- SignUpNow
- Total Action Against Poverty, Roanoke
- United Way Services of Greater Richmond
- Urban League of Greater Richmond
- US Department of Housing and Urban Development
- Virginia Poverty Law Center
- Virginia Commonwealth University, Department of Social Work
- Virginia Department of Health, Division of Child and Adolescent Health
- Virginia Interfaith Center for Public Policy
- Virginia Organizing Project
- Virginia Poverty Law Center
- Workforce Improvement Network/ Virginia Literacy Foundation
- YWCA