

METHODOLOGY APPENDIX

The Self-Sufficiency Standard for California 2011

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This 2011 Standard is the fifth edition of the California Self-Sufficiency Standard. Previous versions have been published in 1996, 2000, 2003, and 2008. This appendix and county-specific information for 156 family types is available online at www.selfsufficiencystandard.org/pubs.html and www.insightcced.org.

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). WOW established the national Family Economic Security (FES, formerly known as Family Economic Self-Sufficiency) Project in 1996. In partnership with the Ms. Foundation for Women, the Corporation for Enterprise Development, and the Insight Center for Community Economic Development (formerly the National Economic Development and Law Center), WOW designed the FES Project to put tools and resources in the hands of state-level policymakers, business leaders, advocates, and service providers to help move low-income, working families forward on the path to economic self-sufficiency. For more information about the FES Project, visit the website: www.wowonline.org/ourprograms/fess.

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.

The Self-Sufficiency Standard for California 2011

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Methodology Appendix: Assumptions and Sources

I. INTRODUCTION

Even without job loss or home foreclosure, the Great Recession has impacted the lives of American households across the economy in many ways. We entered the economic crisis with stagnating wages and widening income inequality, and these trends continue. At the same time, as a result, millions of parents find that even with full-time jobs they are unable to stretch their wages to pay for basic necessities. Many of these families lack enough income 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 longer-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 a decent, though very modest, standard of living.

Economic self-sufficiency is not achieved by wages alone. For some families to meet the costs of high-price 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, long-lasting self-sufficiency involves more than a job with a certain wage and benefits at one point in time. Central to attaining true self-sufficiency is access to education, job training, and

jobs that provide real potential for skill development and career advancement over the long-term.

Being “self-sufficient”, in this context, is not intended to imply that any family at any income should be completely self-reliant and independent of one another 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 2011 California Self-Sufficiency Standard. It begins with a discussion of how the Standard differs from the official federal poverty measure, known as the Federal Poverty Guidelines, 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 California 2011*.

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

The Federal Poverty Guidelines, commonly referred to as the Federal Poverty Level (FPL), is the official measurement used by the federal government to determine poverty status, although it was originally developed to measure economic inadequacy.¹ A family is characterized as “poor” if its income is below the measure 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 Despite the known problems with the federal poverty measure, it is still used to calculate eligibility for a number of work support programs.

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 measure 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, and California uses an income limit of 250% of the FPL to qualify for Healthy Families, California’s Children’s Health Insurance Program (CHIP).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. Nearly fifty years 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 or 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 spend an average of 13% of their income on food.⁶ At the same time, other 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 58% of two-parent families with children in 2010. Likewise, 67% of the mothers in single-mother families with children and 76% of the fathers in single-father families were employed in 2010.⁷ 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 San Mateo County, CA is the most expensive areas of the United States and costs over three times as much as in the least expensive areas.⁸ Even within states, costs vary considerably. In California, housing costs in Marin County are over two and a half times higher than the cost of housing in Glenn County; the monthly cost of a three-bedroom unit in Marin County is \$2,678 compared to \$994 in Glenn County.

Finally, the federal poverty measure provides no information or means to track how individual costs change, therefore making it impossible to capture the

impact of work supports, taxes, and tax credits that reduce those costs. When assessing the impact of work supports, taxes, and tax credits, poverty measures cannot trace the impact they have on reducing costs or increasing income unless they are explicitly included in the measure itself.

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, and respond to changes over time.⁹ 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 alternatives, now being developed by the Census Bureau as the Supplemental Poverty Measure.¹⁰

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 components of *The Self-Sufficiency Standard for California 2011* and the assumptions included in the calculations are described below.

Extended Family Types

Typically the Self-Sufficiency Standard is calculated for 70 different family types. The 70 family types range from a single adult with no children, to one adult with one infant, one adult with one preschooler, and so forth, up to two-adult families with three teenagers. However, in order to cover a wider and fully inclusive set of family types, the 2011 edition of the California Self-Sufficiency Standard is calculated for an additional 86 family types for a total of 156 family types. These additional types include all larger families, including multigenerational families and families with three or more adults and/or four or more children.¹¹ The four ages of children in the Standard are: (1) infants—0 to 2 years old (meaning 0 through 35 months), (2) preschoolers—3 to 5 years old, (3) school-age children—6 to 12 years old, and (4) teenagers—13 to 18 years old.

In order to remain consistent with the Standard’s methodology, it is assumed that all adults in one- and two-adult households are working full-time (as in the original 70 family types normally calculated for the Standard). The Self-Sufficiency Standard therefore includes all major costs associated with employment for adult household members (i.e., taxes, transportation, and child care for families with young children) up to two adults per household.

For households with more than two adults, it is assumed that all adults beyond two are non-working dependents of the first two working adults, as household composition analysis has shown that a substantial proportion of additional adults are under 25, often completing school and/or unemployed or underemployed.¹² The main effect of this assumption is that the costs for these adults do not include transportation (but do include all other costs such as food, housing, health care, and miscellaneous).

As in the original Standard calculations, it is assumed that adults and children do not share the same bedroom and that there are no more than two children or two adults per bedroom.

Food costs for additional adults (greater than two) are calculated using the assumption that the third adult is a female and the fourth adult is a male, with the applicable food costs added for each.

The first two adults are assumed to be a married couple and taxes are calculated for the whole household together (i.e., as a family), with additional adults counted as additional (adult) tax exemptions.

For the additional children in the extended families, the added costs of food, health care, and child care are based on the ages of the “extra” children and added to the total expenses of the household (before taxes and tax credits are calculated). As applicable, additional tax credits (child care and child tax credits) are calculated when eligible.

The Standard assumes that all non-teenage children are in paid child care. This is consistent with the methodology in the original 70 family types, and is also consistent with the principle that self-sufficiency means having enough to pay the full cost of each basic need without public or private subsidies. Some families in fact may choose to have older children or other non-employed adults in the family care for younger children; however, that is a form of private subsidy and thus would make these Standards inconsistent in methodology from those calculated for smaller size families.

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.¹³

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. In most cases, FMRs are set at the 40th percentile meaning 40% of the housing in a given area is less expensive than the FMR.¹⁴

The Self-Sufficiency Standard for California 2011 calculates housing using the proposed FY 2011 HUD Fair Market Rents. All of California’s FMRs are 40th percentile rents.

There are five HUD metropolitan areas in California that consist of more than one county: the Oakland-Fremont, CA HUD Metro FMR Area; the Riverside-San Bernardino-Ontario, CA MSA; the Sacramento-Arden Arcade-Roseville, CA HUD Metro FMR Area; the San Francisco, CA HUD Metro FMR Area; and the Yuba City, CA MSA.

Since HUD calculates only one set of FMRs for a metropolitan area, no matter how large, the Standard uses median gross rents calculated from the U.S. Census Bureau’s 2007-2009 American Community Survey for each of the counties included in the metropolitan areas listed above to adjust the metropolitan-wide FMRs to create housing costs for each individual county within the metropolitan area. The Self-Sufficiency Standard’s housing costs for the remaining counties in California are calculated using HUD FMRs without adjustments.

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 2011 Final Fair Market Rents for Existing Housing,” Data Sets, Fair Market

Rents, <http://www.huduser.org/portal/datasets/fmr.html> (accessed May 31, 2011).

County-Level Housing Costs. U.S. Census Bureau, “Factfinder, B25064 Median Gross Rent,” 2007-2009 American Community Survey 3-Year Estimates, Detailed Tables, <http://factfinder.census.gov/> (accessed May 31, 2011).

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 in employment, education and/or training. 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.¹⁵ Many states, including California, have continued to conduct or commission the surveys as well as reimburse child care at or close to this level. In California, the Regional Market Rate (RMR) maximum reimbursement ceilings are calculated at the 85th percentile. Data for the cost of child care in the *Self-Sufficiency Standard for California 2011* is obtained from the 2009 Regional Market Rate (RMR) Survey of California Child Care Providers, which is conducted by ICF Macro for the California Department of Education. The data is inflated to 2011 using the Bureau of Labor Statistics Consumer Price Index for the West region.¹⁶

Care by family relatives accounts for the largest proportion of care for children less than three years of age (30% compared to 15% in family day care and 18% in child care centers).¹⁷ However, 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.

Thus the question becomes, which paid setting is most used for infants (defined as children under three), family day care or center care? Some proportion of relative care is paid care, with estimates ranging from one-fourth to more than half. In addition, a substantial proportion of relative caregivers also provide care for non-relative children.¹⁸ As a result, relative care, when paid for, closely resembles the family day care home setting.

When even a minimal proportion of relative care is added to the paid family day care setting amount (e.g., it is assumed that just 20% of relative care is paid), then this combined grouping (family day care homes plus paid relative care) becomes the most common paid day care setting for infants. That is, 15% of children in family day care plus (at least) 6% who are in relative care (20% of the 30%) totals 21%, and thus is more than the 18% of infants who are in paid care in day care centers.¹⁹

For children three and four years old, however, clearly the most common child care arrangement is the child care center, accounting for 42% of the care (compared to 12% in family child care and 23% in relative care).²⁰

For *The Self-Sufficiency Standard for California 2011*, child care costs for infants (under two years of age) are calculated as the 85th percentile of the market rate cost of full-time care at licensed family child care homes. Child care costs for preschoolers (between the ages of two and five) are calculated as the 85th percentile of full-time care at licensed child care centers. The cost of child care for school-age children (ages six through twelve) are calculated as the 85th percentile of the market cost of part-time care at licensed child care centers.

Data Sources

Child Care Costs. California Department of Education, “2009 Regional Market Rate Survey of California Child Care Providers,” Personal Communication with Kathy Shea, CalWORKs Manager I, (916) 324-6611, Kshea@cde.ca.gov (received May 24, 2011).

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, SNAP (which is based on the Thrifty Food Plan) is intended to be only a temporary diet, as it does not provide an adequate caloric intake for long periods of time.²¹

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, 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 41% of their food budget on food prepared away from home.²²

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. *The Self-Sufficiency Standard for California 2011* uses data for June 2011.

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. Since the Low-Cost Food Plan varies adult food costs by gender, the Standard assumes for food costs that the first adult in a household is female and the second adult is male. Thus, a single-person household is one adult female, a single-parent household is one adult female, and a two-parent household is assumed to include one adult male and one adult female. The first adult is assumed to be female as the majority of single-parent households are headed by women.

Within-state geographic differences in food costs for the California 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 ACCRA 2010 annual average cost of groceries index is applied to 10 urban areas in California: Fresno, Los Angeles-Long Beach, Oakland, Orange County, Riverside City, Sacramento, San Diego, San Francisco, San Jose, and Truckee-Nevada County.

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, June 2011," Low-Cost Food Plan, <http://www.cnpp.usda.gov/Publications/FoodPlans/2011/CostofFoodJun11.pdf> (accessed July 27, 2011).

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 May 31, 2011).

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 August 3, 2011).

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 done 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.²³

The Standard assumes private transportation (a car) where public transportation use to commute to work is 7% or less. In California, five counties have more than 7% of the working population over the age of 16 who uses public transportation according to the 2005-2009 American Community Survey: Alameda (11.4%), Contra Costa (8.9%), Marin (8.3%), San Francisco (32.4%), and San Mateo (8.2%). In these counties, all of which are in the San Francisco Bay Area, transportation costs are calculated as the cost of express and commuter monthly passes or ticket books available from local transit authorities. For all San Francisco Bay area counties (excluding San Francisco itself), public transportation costs assume inter-bay travel for commuting to work and local intra-county travel for errands and shopping.²⁴

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. 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. For households with more than two adults, it is assumed that all adults beyond two are non-working dependents of the first two working adults, and therefore the Standard does not include transportation costs for these adults.

The statewide average cost of auto insurance is calculated using the most recent data from the National Association of Insurance Commissioners (NAIC) *2008 State Averages Expenditures and Premiums for Personal Automobile Insurance*. Within state variation in the cost of auto insurance premiums is calculated with sample premiums for three top market share companies in California—State Farm, Allstate, and Mercury—which are published by the California Department of Insurance.²⁵

The fixed costs of car ownership such as fire, theft, property damage and liability insurance, license, registration, taxes, repairs, monthly payments, and finance charges are included in the Standard’s account of transportation costs. To estimate private

transportation fixed costs, the Standard uses 2009 Consumer Expenditure Survey data for families with incomes between the 20th and 40th percentile living in the U.S. Census West region. The monthly variable costs of owning a car (e.g., gas, oil, tires, and maintenance) are also included in the Standard, and are obtained from the American Automobile Association publication, *Your Driving Costs: 2011*. The commuting distance is computed from the 2009 National Household Travel Survey; and the California statewide average round trip distance for commuting to work is 25.34 miles. However, the cost of purchasing a car, including the loan cost, is not included in the Standard’s transportation costs.

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. *Alameda:* Alameda-Contra Costa Transit District, “Bus Fares and Eligibility,” Rider Info, Transbay Service, <http://www.actransit.org/rider-info/bus-fares/#Transbay> (accessed June 1, 2011). *Contra Costa:* The County Connection, “Fares,” <http://cccta.org/fares/> (accessed June 1, 2011). *Marin:* Golden Gate Bridge Highway and Transportation District, Golden Gate Transit, “Fares and Fare Zone Map,” Golden Gate Transit Discount Fares, <http://goldengatetransit.org/fareprograms/> (accessed June 1, 2011). *San Francisco:* San Francisco Municipal Transit Authority (SFMTA), “Passes, Tickets, and Single Ride Ticket Books,” Fares and Sales, <http://www.sfmta.com/cms/mfares/passes.htm#aboutpasses> (accessed June 1, 2011). *San Mateo:* San Mateo County Transit District, “Fares,” <http://www.samtrans.com/fares.html> (accessed June 1, 2011).

Auto Insurance Premium. National Association of Insurance Commissioners, “Average Expenditures for Auto Insurance by State, 2008,” Insurance Information Institute, <http://www.iii.org/media/facts/statsbyissue/auto> (accessed April 22, 2011).

County-Level Insurance Premium. California Department of Insurance, “2011 Automobile Insurance,” Automobile Premium Survey, <http://interactive.web>.

insurance.ca.gov/survey/survey?type=autoSurvey&event=autoStart (accessed May 19, 2011).

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://www.nhts.ornl.gov> (accessed May 19, 2011).

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 2009, CE Databases, <http://www.bls.gov/data/> (accessed July 15, 2011).

Per Mile Costs. American Automobile Association, “Your Driving Costs,” 2011 Edition, AAA Association Communication, <http://www.aaexchange.com/Assets/Files/201145734460.DrivingCosts2011.pdf> (accessed April 15, 2011).

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 July 15, 2011).

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. In California, 63% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage.²⁶ Nationwide, employers pay 79% of the insurance premium for the employee and 73% of the insurance premium for the family on average. In California, the full-time worker’s employer pays an average of 78% of the insurance premium for the employee and 72% for the family.²⁷

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.

In order to calculate intra-state regional variation in health insurance premiums, sample quotes are used from

Table 1. California Counties by Health Net Regions

REGION 1	REGION 8
Los Angeles*	Alpine
REGION 2	Amador
Los Angeles*	Butte
REGION 3	Calaveras
El Dorado*	Colusa
Merced	Del Norte
Napa	El Dorado
Placer*	Glenn
Sacramento	Humboldt
San Joaquin	Inyo
Sonoma	Lake
Stanislaus	Lassen
Tulare	Madera
REGION 4	Mariposa
Riverside	Mendocino
San Bernardino	Modoc
Santa Barbara	Mono
Ventura	Monterey
REGION 5	Nevada
Contra Costa	Placer
Marin	Plumas
San Francisco	San Benito
San Mateo	Shasta
Santa Clara	Sierra
Santa Cruz	Siskiyou
Solano	Sutter
REGION 6	Tehama
Orange	Trinity
San Diego	Tuolumne
REGION 7	Yolo
Fresno	Yuba
Kern	REGION 9
Kings	El Dorado*
	Placer*

*If a county is included in more than one region an average of the two regions is calculated and applied to that county.

Health Net’s most commonly purchased PPO plan for nine regions in California (see Table 1 for list of regions). A ratio is created between each of the nine regions and the statewide premium to reflect intra-state variation in premium costs.

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.²⁸ 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.²⁹

Data Sources

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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 landline telephone service.

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.³⁰

Taxes

Taxes include federal and state income tax, payroll taxes, and state and local sales and use tax where applicable. Federal payroll taxes for Social Security and Medicare are calculated at 7.65% of each dollar earned. 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.

California state Individual Income Tax and California state and local Sales and Use Tax are calculated using the tax forms, instructions, and tax rate finders from the California Board of Equalization. California state Income Tax rates vary from 1.25% to 9.55% depending on the amount of taxable income. California also has local and district level sales taxes in some counties and localities. The total sales and use tax rate in a specific California location includes the sum of the state and local tax rate. Total sales tax in California including state, local, and district taxes vary from 7.25% to 8.75% depending on the county. 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. Taxes on gasoline and automobiles are included as a cost of owning and running a car.

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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 2011 of \$3,094 per year for families with one child, \$5,112 per year for families with two children, and \$5,751 per year for families with three or more children. While California does not have a state or local EITC, the City of San Francisco does offer a \$125 Working Families Credit (WFC) for qualified low-income families with working adults living in San Francisco. Due to budget cuts, the WFC is currently only available to families that have never received the WFC previously. The WFC program is not a local EITC; however it attempts to raise awareness of benefits available through the federal EITC.³¹

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. In 2011, 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. California has a state Child and Dependent Care Tax Credit that is up to 50% of the federal credit depending on income.

The Child Tax Credit (CTC) is a partially refundable federal tax credit. For 2011, 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. California does not have a state CTC.

California also has a Renter’s Credit. Single households with an adjusted gross income less than \$34,722 are eligible for a \$60 credit and married households or head of households with a California adjusted gross income less than \$69,444 are eligible for a \$120 credit.

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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>.

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9. 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).
10. 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).
11. The Self-Sufficiency Standard was originally designed to provide calculations for 70 family configurations, which includes all one- and two-adult families with from zero to three children (with four different ages of children). In order to increase the number of family configurations to encompass larger families, that is, those with more than two adults and/or more than three children, Dr. Pearce examined Census data to determine the most common sizes of larger families, and calculated Standards for these families. Once the addition of a particular family configuration added less than 1% to the number of households covered, Dr. Pearce created a “catchall” Standard to cover these remaining larger but relatively rare family types, e.g., one-adult families with six or more children, or families with four or more adults and three or more children.
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The Insight Center for Community Economic Development, formerly NEDLC, located in Oakland, California, is a national research, consulting, and legal organization dedicated to building economic health and opportunity in low-income communities. The Insight Center was one of four organizations that launched the Family Economic Self-Sufficiency Project, an innovative, nation-wide effort to gain support for proven strategies to help low-income families reach economic self-sufficiency. The Insight Center leads and/or supports economic security initiatives in California and Mississippi. The Self-Sufficiency Standard and the Elder Economic Security Standard Index, a county-and-family specific measure of the costs for retired adults 65+ years, are the primary organizing tools for these initiatives, which include over 400 advocates, service providers, public agencies, policymakers, funders, and grassroots groups committed to building economic security for families, seniors, and the communities in which they live. For more information, call (510) 251-2600 or visit www.insightcced.org.



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.
