

THE SELF-SUFFICIENCY STANDARD FOR WASHINGTON

Press Statement of Diana Pearce

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The Self-Sufficiency Standard for Washington

Today we are releasing the 2009 Update of the Self-Sufficiency Standard for Washington State (previous reports were released in 2001 and 2006). The Self-Sufficiency Standard is a measure of income adequacy that gives detailed information on what it costs to live in different parts of Washington, for families with different compositions. Today, I will briefly describe what the Self-Sufficiency Standard is, how it differs from other poverty measures, how it is calculated, some of the findings for Washington, and finally, the implications of this report for Washington State. More detail on all of the topics can be found in the report itself.

What is the Self-Sufficiency Standard?

The Self-Sufficiency Standard measures what it costs to meet one's most basic needs, without public or private subsidies. (For example, public subsidies include Medicaid and Section 8 Housing, while private subsidies include doubled-up housing or babysitting by relatives at little or no cost.) The Standard is the economic equivalent of the minimum daily requirements we see on food packages—this is the minimum needed to adequately meet a family's most basic needs.

How does the Self-Sufficiency Standard Differ from the Federal Poverty Level?

While the Federal Poverty Level (FPL) was designed over four decades ago to measure poverty, it is now outdated and inadequate. The Self-Sufficiency Standard (SSS) has been designed to measure income adequacy using the most up-to-date methodology and data available, and to address the shortcomings of the poverty measure. Thus it contrasts sharply with the FPL in several ways:

- *The SSS Measures the Costs of Families with Working Adults:* The FPL is based on a demographic model developed in the 1960's which implicitly assumes that one parent works in a two-parent family and no adults work in a one-parent family. In contrast, the Self-Sufficiency Standard assumes that *all adults work*—both parents in a two-parent family and one parent in a one-parent family. This assumption reflects both the reality of a family's economic choices today as well as the reality of the "work-first" welfare system. This model also necessitates work-related costs such as child care, transportation, and taxes.
- *The SSS is Built on the Costs of ALL of a Family's Basic Needs:* The FPL is derived from multiplying the USDA emergency food budget by three (when the Federal Poverty Level was created, families spent an average of one-third of their budget on food). In contrast, the Self-Sufficiency

Standard is *built from the ground up*, using costs for all of a family's major basic needs—housing, child care, food, health care, transportation, and taxes—to determine what is a minimally adequate income for a given family, in a given place.

- *The SSS Varies Geographically:* With the exception of Hawaii and Alaska, the FPL is the same everywhere in the country—the same number in New York City as in Yakima, WA. In contrast, the Standard *varies geographically*, not only by state, but also by *county*, reflecting the real variation in the cost of living. The Self-Sufficiency Standard for Washington has been calculated for all 39 counties in Washington.
- *The SSS Varies by the Age as well as Number of Children:* The FPL assumes the same costs for all children, regardless of age. The Self-Sufficiency Standard varies costs based on the age of children, which is particularly important for child care, as well as health care and food costs.

How is the Self-Sufficiency Standard Calculated?

The Self-Sufficiency Standard uses geographically varied and annually updated data that has been calculated using a national or standardized methodology by the government or credible, disinterested sources. It reflects the level at which goods/services obtained are minimally adequate. After the various costs are totaled, taxes and tax credits are calculated.

The result is a set of “bare-bones, no frills” budgets: the food budget has no take-out or restaurant food—not a pizza, Happy Meal, or latte. Likewise, housing costs (which include utilities except telephone) are generally set at the 40th percentile (based on HUD Fair Market Rent's), meaning that 60% of the housing in the area is more expensive and 40% is less expensive.

What are the Results for Washington?

The Self-Sufficiency Standard varies by family type and location. For a single adult, to meet his/her needs at a minimum level requires at least \$7.31 per hour (\$15,430 annually) in Franklin, but at least \$11.90 per hour (\$25,126 annually) in East King County.

However, families with children require substantially more resources. The amount needed by a single parent with a preschooler and school age child ranges from a low of \$13.88 per hour (\$29,324 annually) in Wahkiakum County to a high of \$27.35 per hour (\$57,766 annually) in East King County.

Generally child care and housing costs account for the largest percentage of budget costs for families with children, often accounting for over half of the budget. For instance, for a family with one adult, one preschooler and one schoolage child in Spokane County, child care accounts for 31% of their costs, while housing is 22%. Food and health care account for 15% and 11%, respectively.

A family with one adult, one preschooler and one schoolage child in Thurston County requires \$42,463 to be self-sufficient. However, when we compare this amount to other income benchmarks, we see that:

- Welfare (Temporary Assistance for Needy Families) plus food assistance (Supplemental Nutrition Assistance Program/Food Stamps and WIC) only covers 32% of the family's basic needs;
- A full-time minimum wage job (subtracting taxes and adding tax credits) only provides 56% of the amount needed to be self-sufficient;

- Similarly, the Federal Poverty Level is set at only 43% of the amount necessary to meet this family's needs; and
- At the same time, the Standard is about 71% of median family income of \$59,700 for a three-person family in Thurston County. (Note that the U.S. Department of Housing and Urban Development designates those with incomes between 50% and 80% of the median area income as "low income" and eligible for housing assistance.)

How Do Seattle and Spokane Compare to Other Places?

The study compared the cost of living in Seattle and Spokane for a single adult with a preschooler and a schoolage child to eight other cities. For the family type compared for the study, Spokane (\$38,562) is the second most affordable city, following Portland, OR (\$31,327), while the cost of living in Seattle (\$50,268) is greater than Philadelphia (\$47,023), Sacramento (\$45,511), Cleveland (\$42,682), Denver (\$41,027), and Atlanta (\$38,807). At the same time, Boston (\$60,898) and San Francisco (\$56,970) exhibit higher costs of living than Seattle.

How Have Costs Increased Overtime in Washington?

The Self-Sufficiency Standards in Washington have risen significantly between 2001 and 2009 for most family types and in most counties. The increase in the Self-Sufficiency Standards is a result of rising costs, especially health care premiums, food, and child care. The Standard increased by 38% in Pierce County (Tacoma), 35% in King County (City of Seattle), 25% in Clark County, and 14% in Benton County (Kennewick/Richland).

How does the Consumer Price Index Compare to Changes over time in the Self-Sufficiency Standard?

If the 2006 Self-Sufficiency Standard were only updated to 2009 for inflation, using the Consumer Price Index (CPI), it would significantly underestimate the actual costs of what working families need to be self-sufficient. A Standard updated with the CPI would underestimate the increase in costs for King County (City of Seattle) by \$6,184 and by \$1,261 for Benton County (Kennewick/Richland).

What is the Impact of Work Supports?

While the Self-Sufficiency Wage may accurately reflect the actual amount needed for a particular family type in a particular area, it is not realistic to expect that all parents are able to earn their Self-Sufficiency Wage, especially if they are newly entering or re-entering the workforce or leaving welfare. Throughout Washington, in both urban and rural counties, Self-Sufficiency Wages for families are higher than the current federal minimum wage of \$8.55, some of them considerably higher. *However, work supports such as child support, child care assistance and Supplemental Nutritional Assistance Program (SNAP) can help families meet their needs, especially families with young children.*

We modeled several work supports for a single parent family with one preschooler and one schoolage child living in Kitsap County (Excluding Bainbridge Island) and found that:

- If this family receives the average child support in Washington, the wage required to meet basic needs is reduced from \$18.94 per hour with no assistance to \$18.27 per hour with child support.
- If this family receives Working Connections Child Care assistance as well as the average child support amount, the hourly wage needed is reduced to \$15.41.

- If transitioning off welfare, this family can typically qualify for Working Connections Child Care assistance, Basic Food (SNAP, formerly food stamps), and Medicaid, which reduces their wage to \$10.15 per hour.
- As this family type transitions from Medicaid (which covers adults as well as children) to Apple Health for Kids, the needed wage increases to \$11.30.
- If this family receives housing assistance, Working Connections Child Care assistance, Basic Food/WIC, and health care (Apple Health for Kids), the wages required to meet basic needs is cut nearly in half – from \$18.94 to \$9.90 per hour.

Looked at another way, a single parent family with one preschooler and one schoolage child in Kitsap County, working at the 2009 state minimum wage of \$8.55 per hour, has a “wage adequacy” of only 46%, that is, earnings only cover 46% of the costs of basic needs. With the help of Working Connections Child Care assistance, however, this wage now covers 64% of what is needed. Adding Basic Food, WIC and Apple Health for Kids increases the adequacy of a minimum wage job to 85%, and adding housing assistance (in addition to Working Connections Child Care, Basic Food, WIC and Apple Health for Kids) increases it to 98%.

Conclusion

The Self-Sufficiency Standard tells us that families have a hard time meeting basic expenses not because they lack responsibility, work ethic, or budgeting skills, but because they lack enough income. Reaching Self-Sufficiency involves many stakeholders-not just parents working or employers paying adequate wages and benefits, but also the state providing work supports to reduce costs and absent parents paying child support.

*For further information about how the Standard is calculated or the findings,
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