

THE 2018 RHODE ISLAND STANDARD OF NEED

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







The Economic Progress Institute
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INTRODUCTION

Rhode Island is a wonderful place to live and raise a family. Our culinary and arts communities, scenic beaches and other recreational opportunities offer much about which to be proud. But not all Rhode Islanders are able to enjoy these pleasures and instead struggle just to feed and clothe their children and keep a roof over their heads. Many Rhode Islanders work at jobs that pay wages that are too low to meet basic living costs. Fortunately, work support programs can help close the gap between earnings and expenses.

The Economic Progress Institute publishes the Rhode Island Standard of Need (RISN) to answer two fundamental questions:

1. **What is the cost of meeting basic needs for families and individuals in Rhode Island?**
2. **How do state and federal work supports help households meet the cost of basic needs?**

The Rhode Island Standard of Need provides a more accurate measure of economic well-being than the commonly used federal poverty level (FPL). The federal poverty level was developed in the 1960's and measured economic security based on the cost of food, which at the time represented a third of the family's budget. Times have changed so that now other expenses such as child care and housing take up a larger share of a household budget than does food. The federal poverty level has not changed to reflect this new reality, or to reflect that expenses differ in different areas of the country. The federal poverty level also fails to take into account the value of work support programs and tax credits that can help working families meet their expenses.

The RISN calculates a household budget for families with two young children, and for single adults. The no-frills budget includes the costs of housing, food, transportation, health care, child care and other necessities including clothing, toiletries and telephone service. The RISN also demonstrates how work supports like food assistance, tax credits, and child care and health care subsidies help close the gap between income and basic need expenses. By taking all of these factors into account, the RISN provides a more realistic measure of the economic security of Rhode Islanders than the federal poverty level.

KEY FINDINGS

MEETING BASIC NEEDS	Single-Parent Family*	Two-Parent Family*	Single Adult
Annual Expenses	$55,115	$60,300	$21,842
Annual Pre-tax Earnings Required	$62,844	$68,310	$27,044

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

TABLE 1

1. **Raising a family in Rhode Island is expensive.** It costs a single-parent family $55,115 and a two-parent family $60,300 to raise a toddler and a school-aged child in Rhode Island. A single adult has basic expenses of $21,842 annually.
2. **Many Rhode Island households do not earn enough to make ends meet.** Two in three (67 percent) single-parent families with two or more children earn less than the $62,844 needed to meet their basic needs, while over one in four (28 percent) two-parent households with two or more children do not earn the $68,310 needed to pay basic expenses. More than two in five (43 percent) single adults earn less than the $27,044 needed to meet basic needs.
3. **RISN calculations highlight the inadequacy of the Federal Poverty Level as a measure of economic security.** The annual Census Bureau report documenting the number of Americans living in poverty under-counts the number of families struggling to make ends meet. Working families with young children need income more than two and a half times the federal poverty level to meet basic needs.
4. **Government funded work support programs help close the gap between income and expenses for many families with low wages.** Child care subsidies, tax credits, and SNAP benefits help families make ends meet when wages are not enough. Subsidized health insurance through Medicaid and HealthSource RI provide coverage for Rhode Islanders who do not have coverage through their job.
5. **Without subsidies from the Child Care Assistance Program (CCAP), working families have a large gap between income and expenses for basic needs.** A working parent with income slightly above the annual CCAP income limit ($37,404 for a family of 3) would need to pay $1,502/month for regulated care for her children. Even with SNAP, WIC and subsidized health care, the parent's monthly budget would be over $700 in the red.
6. **Increasing the Rhode Island minimum wage would close the gap between earnings and RISN expenses, especially for single adults.** At the current minimum wage ($10.10/hr.) a single adult earns over $6,000 less than needed to meet basic expenses.
7. **Rhode Islanders receiving cash assistance through RI Works or SSI have significant gaps between income and basic living expenses.** Seniors and people with disabilities who receive SSI benefits have income (including SNAP) that is just below the federal poverty level. Families receiving RI Works cash assistance have income (including food assistance) that is 37% below the poverty level.

FAMILY EXPENSES

1. **Raising a family in Rhode Island is expensive.** The 2018 RISN calculates the cost of living for three households: a single- and a two-parent family with two children, and a single adult. It costs a single-parent family $55,115 and a two-parent family $60,300 to raise a toddler and a school-aged child in Rhode Island. These families need pre-tax earnings of $62,844 and $68,310 respectively to make ends meet. A single adult has basic expenses of $21,842 annually, and needs to earn $27,044 before taxes to meet expenses.

HOUSING AND CHILD CARE ACCOUNT FOR MORE THAN HALF OF EXPENSES FOR A SINGLE-PARENT WORKING FAMILY

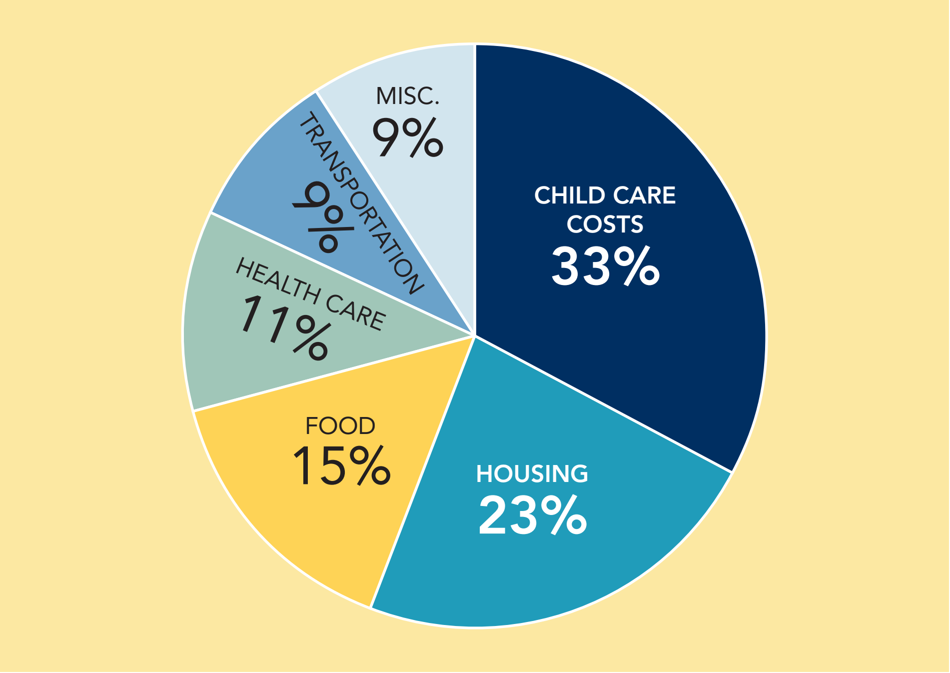


CHART 1

The federal poverty level measures economic security based on the cost of food. Child care and housing take up a larger share of a family's budget.

RHODE ISLAND STANDARD OF NEED BUDGET

EXPENSES	Single-Parent Family*	Two-Parent Family*	Single Adult
Housing	$1,038	$1,038	$862
Food	$703	$969	$333
Transportation	$427	$554	$294
Child Care Costs	$1,502	$1,502	$0
Health Care	$506	$506	$166
Miscellaneous	$418	$457	$165
Total Monthly Expenses	**$4,593**	**$5,025**	**$1,820**
Total Yearly Expenses	**$55,115**	**$60,300**	**$21,842**
MONTHLY TAXES AND TAX CREDITS			
Sales Tax	$94	$102	$54
State and Federal Payroll Taxes**	$1,008	$1,023	$379
Tax Credits	- $458	- $458	$0
Total Monthly Taxes	**$644**	**$667**	**$433**
Total Yearly Taxes	**$7,728**	**$8,004**	**$5,196**
MONTHLY TAXES AND TAX CREDITS			
Monthly	$5,237	$5,692	$2,254
Yearly	$62,844	$68,310	$27,044
Hourly***	$30	$33	$13

*Assumes two-children: a toddler and a school-aged child and that all parents are working
**Before credits
***Hourly wage needed assumes 52 weeks of work at 40 hrs a week

TABLE 2

HOUSEHOLD EARNINGS

2. **Many Rhode Island households do not earn enough to make ends meet.** Two in three (67 percent) single-parent households with two or more children earn less than the $62,844 needed to meet their basic needs, while over one in four (28 percent) two-parent households with two or more children do not earn the $68,310 needed to pay basic expenses. More than two in five (43 percent) single adults earn less than the $27,044 required to meet basic needs.[1]

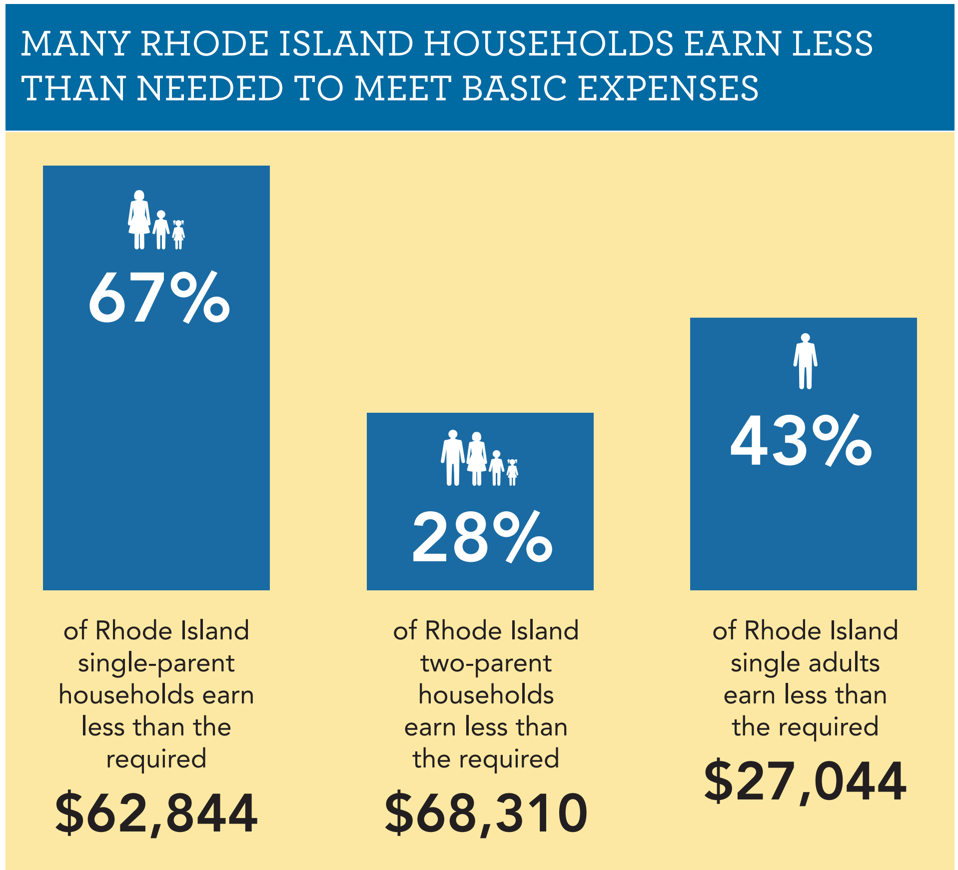
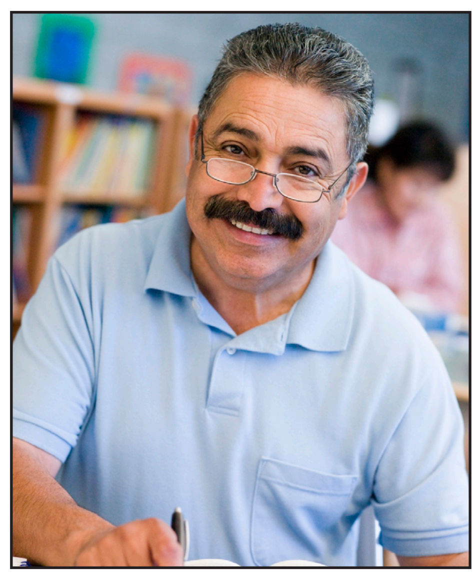


CHART 2





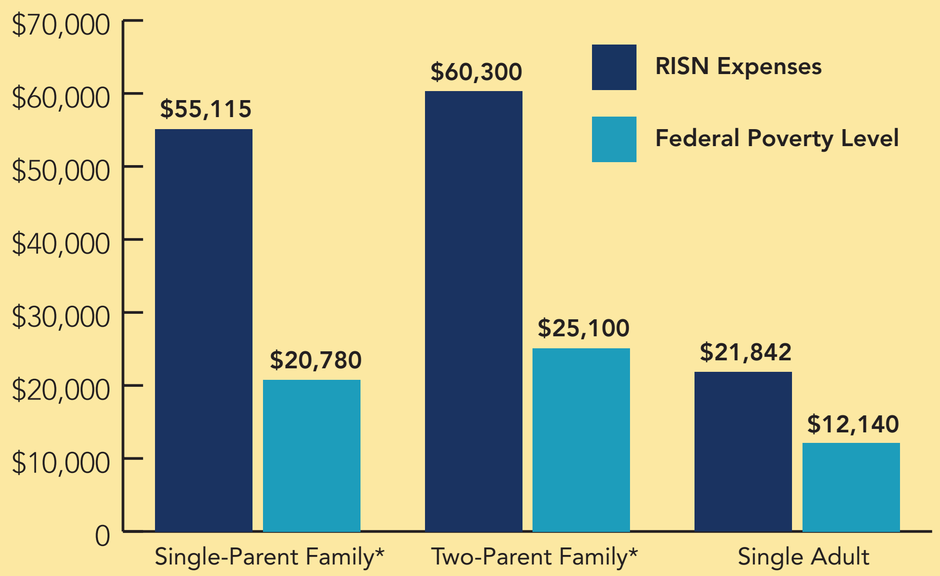
[1] Source: Economic Policy Institute analysis of American Community Survey microdata, 2012 - 2016.

MEASURING ECONOMIC SECURITY

3. **RISN calculations highlight the inadequacy of the Federal Poverty Level as a measure of economic security.** Because the federal poverty measure is calculated by inflation-adjusting an expense methodology that no longer reflects the reality of most families' lives, it is not an accurate measure of what it costs to make ends meet for families in the 21st century. Recently released federal poverty data show that about one in nine Rhode Islanders (11.6 percent) lived in poverty in 2017. Poverty rates for Latino (23.4%) and Black (24.3%) Rhode Islanders were three times the rate for White (8.0%) residents.[2] The significant gap between the federal poverty level and the costs identified by the RISN accounts for the much larger share of Rhode Island families unable to make ends meet.

   As seen in Chart 3, families with young children need income over two and a half times the federal poverty level to meet their basic needs.[3]

THE FEDERAL POVERTY LEVEL IS AN OUTDATED MEASURE OF ECONOMIC SECURITY



Source: US Department of Health and Human Services, Poverty Guidelines, 2018.
*Assumes two children, one toddler and one school-age. Poverty guidelines are calculated based on family size.

CHART 3

[2] Source: Economic Progress Institute calculations from the 2018 American Community Survey data.
[3] The federal poverty guidelines are annual estimates used to determine eligibility for various public benefits. The federal poverty threshold is calculated after the year is over, based on actual inflation during that year. Poverty rates are determined using the poverty threshold. The numbers used in this report for the federal poverty level are from the 2018 federal poverty guidelines. https://aspe.hhs.gov/poverty-guidelines

WORK SUPPORTS CAN HELP ELIGIBLE FAMILIES

4. **Government funded work support programs help close the gap between income and expenses for many families with low wages.** A single-parent with two young children needs to earn $30 an hour to meet her family's basic needs. Around one third of Rhode Island jobs[4] pay a median hourly wage of $30 or more, and the overall median wage for all Rhode Island jobs in 2017 was just $19.45. Child care and health care subsidies, tax credits, and food assistance make a significant difference for families when wages aren't enough, as Jenna's story shows.

   Jenna is a single mom of nine-year old Kevin and three-year old Erica. Jenna works as a manager at a grocery store and has annual gross earnings of $28,676.

   Because the health insurance offered through Jenna's employer is unaffordable, she has enrolled her family in RIte Care Health Insurance at no cost.

   She also qualifies for help paying for full-time child care for Erica and after-school care for Kevin, which otherwise would cost her $1,502 a month. Based on her income, Jenna's co-pay through the Child Care Assistance Program is $120 a month.[5] Without these child care and health care subsidies, Jenna's basic-needs budget would be in the red $1,270 every month. With these subsidies, Jenna can meet her basic expenses with $295 available for other needs such as school supplies for her children, the occasional meal out, and putting money aside for her children's education or to replace her aging car (See Table 3).

WORK SUPPORTS HELP FAMILIES WITH MODEST EARNINGS MAKE ENDS MEET

Jenna, a single mom with two children and earnings of $28,676

	With Child Care & Health Care Subsidies	Without Child Care & Health Care Subsidies
Housing	$1,038	$1,038
Food	$703	$703
Transportation	$427	$427
Child Care	**$120**	**$1,502**
Health Care	**$0**	**$506**
Miscellaneous	$418	$418
Total Expenses	**$2,706**	**$4,594**
Total Income*	**$3,001**	**$3,324**
Difference	$295	- $1,270

* Income is net income plus food assistance (SNAP and WIC) and tax credits. Child care costs are counted in determining the amount of SNAP benefits, with higher out-of-pocket costs resulting in higher SNAP benefits for eligible families. This accounts for the higher income reported in the "without subsidies" example.

TABLE 3

[4] "Jobs" as defined here refers to Rhode Island Department of Labor and Training's "Major Occupations", found here: http://www.dlt.ri.gov/lmi/oes/majorocc.htm.
[5] The Child Care Assistance Program determines out-of-pocket expenses on a sliding scale based on income. For those earning between 125 percent and 150 percent of the federal poverty level, the required co-pay is 5 percent of gross income. Jenna's gross income (at 138 percent of the federal poverty level) is $2,390/month.

WORK SUPPORTS CAN HELP ELIGIBLE FAMILIES

5. **Without subsidies from the Child Care Assistance Program, working families have a large gap between income and expenses for basic needs.** The Child Care Assistance Program ("CCAP") provides subsidies to parents to help pay for early learning programs for their young children and for safe after-school care. To qualify, the parent must be working (or in a short-term training program) for at least 20 hours per week and have income less than the "entry income limit" of 180 percent FPL ($37,404 for a family of 3). Eligibility is based on gross earned income, with no deductions for taxes or other work-related costs. If a parent is eligible for CCAP, she can continue to participate until income rises to an "exit income" limit of 225% FPL ($46,755 for a family of 3).[6]

   However, if the parent has earnings just slightly above the "entry income limit" and is ineligible for CCAP, she faces a large gap in her monthly budget, as Isabella's story illustrates.

   Isabella works as a Community Health Worker earning $37,612 a year. Isabella has two sons, Julio, age 3 and Marco, age 9. Isabella is enrolled in the insurance plan offered by her employer, but can't afford the family plan and her sons are enrolled in RIte Care.

An early learning program for Julio and after-school care for Marco would cost $1,502. If she were to pay this amount out-of-pocket so she could enroll her children in high quality early learning and after-school care, her monthly budget would be over $700 in the red, despite also qualifying for SNAP and WIC to help offset her family's monthly food costs (See Table 4).

WITHOUT CHILD CARE ASSISTANCE LOW-INCOME FAMILIES CANNOT MAKE ENDS MEET

Isabella, a single mom with two children and earnings of $37,612

EXPENSES	Without Child Care Subsidies
Housing	$1,038
Food	$703
Transportation	$427
Child Care	$1,502
Health Care	$166
Miscellaneous	$418
Total Expenses	**$4,254**
INCOME	
Net Earnings*	$3,056
SNAP	$418
WIC	$44
Total Income	**$3,518**
DIFFERENCE	**- $736**

* Net earnings includes yearly gross pay, tax deductions and credits reflected as a monthly amount.

TABLE 4

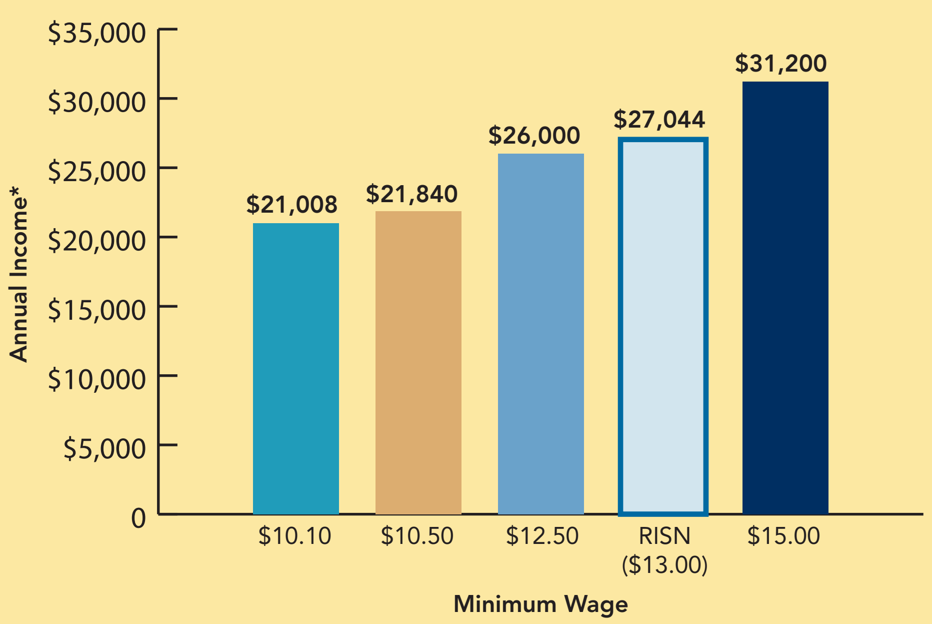
[6] The 'entry income limit for CCAP was reduced from 225% FPL to 180% FPL in 2007. In 2013 the "exit income limit" of 225% FPL was enacted as a pilot and made permanent in 2017.

A LIVING WAGE

6. **Increasing the Rhode Island minimum wage would close the gap between earnings and RISN expenses especially for single adults.** Rhode Island's current minimum wage is $10.10/hour and will rise to $10.50 on January 1, 2019. At the current minimum wage, annual earnings of $21,008 are over $6,000 less than what an adult working full-time (40 hrs.) year-round needs to earn to make ends meet. To close the gap for a single adult, the minimum wage would need to be raised to $13/hour (See Chart 4). However, close to one in four (23%) minimum wage workers in Rhode Island are parents and the minimum wage would need to be raised beyond $13 to close the gap between income and expenses for families.

Increasing the Rhode Island minimum wage would close the gap between earnings and RISN expenses especially for single adults.

RAISING THE RHODE ISLAND MINIMUM WAGE TO $15.00 WOULD HELP WORKERS MEET BASIC NEEDS



*Annual incomes assume full-time year-round employment, at 40 hours a week.

CHART 4

LARGE GAP FOR CASH ASSISTANCE RECIPIENTS

7. **Rhode Islanders receiving cash assistance through RI Works or SSI have significant gaps between income and basic living expenses.** The Rhode Island Works Program (RI Works) is the state's cash assistance and work-readiness program for families with children. In 2018, 4,180 families participated in the program, which included 9,942 individuals, close to three-fourths of whom are children.[7] This is a caseload decrease of 23 percent since 2016.

   While the cost of living continues to rise, the monthly benefit amount ($554 for a family of three) has not increased in over forty years. Taking food assistance into account, the annual income for a family of three ($13,032) is 37 percent below the federal poverty level. This family has a gap between income and expenses of $1,500 a month (See Table 5).

   The Supplemental Security Income Program (SSI) is the federal cash assistance program for low-income seniors and people with disabilities. Approximately 35,100 individuals received SSI in Rhode Island in 2018, the majority of whom are younger people with disabilities. The monthly benefit in 2018 for a single adult is $789.92 for an individual ($750 from the federal benefit and $39.92 from a state supplement). The federal portion is adjusted for inflation each year but the state portion is not. Annual income (cash and SNAP) is 7 percent below the federal poverty level. An SSI recipient has a gap between income and expenses of close to $700/month (See Table 6).

PARENT WITH TWO CHILDREN RECEIVING RHODE ISLAND WORKS (RI WORKS)	
Monthly Income from RI Works	$554
Income and Payroll Taxes	$0
Sales Tax	- $17
Net Monthly Income	**$537**
SNAP	$505
WIC	$44
TOTAL INCOME	**$1,086**
Housing	$1,038
Food	$703
Transportation	$427
Child Care	$0
Health Care	$0
Miscellaneous	$418
TOTAL EXPENSES	**$2,586**
Difference Between Income and Expenses	**- $1,500**

TABLE 5

INDIVIDUAL RECEIVING SUPPLEMENTAL SECURITY INCOME (SSI)	
Monthly Income from SSI	$790
Income and Payroll Taxes	$0
Sales Tax	- $24
Net Monthly Income	**$766**
SNAP	$192
WIC	$0
TOTAL INCOME	**$958**
Housing	$862
Food	$333
Transportation	$294
Child Care	$0
Health Care	$0
Miscellaneous	$165
TOTAL EXPENSES	**$1,654**
Difference Between Income and Expenses	**- $696**

TABLE 6

[7] Data from the Department of Human Services Caseload Estimating Conference Testimony, November 2018.

METHODOLOGY

FAMILY COMPOSITION
The RISN assumes the adults are working and are non-elderly. The sample families include a toddler and an elementary school-aged child. Since the majority of single-parents are women, the RISN assumes a mother and her two children. For the two-parent family, the RISN assumes a mother and father since that represents the majority of two-parent families. The single person is an adult of either gender.

HOUSING
Assumes the family lives in rental housing in the following apartment sizes:
Single adult = 1 bedroom
Single-parent and two-parent family = 2 bedroom

Rental costs are based on FY2016 U.S. Department of Housing and Urban Development (HUD) Fair Market Rent for the Providence metropolitan area which includes the vast majority of Rhode Island cities and towns. Rent includes all utilities except telephone. The Rhode Island rent survey compiled by RI Housing shows the average statewide rent for a two-bedroom apartment was $1,385 in 2017 (2018 Housing Fact Book, HousingWorksRI.org).

The RISN does not assume that families are eligible for housing assistance through either public/subsidized housing units or Housing Choice Vouchers, because the availability is so limited. According to the 2017 Housing Fact Book (HousingWorksRI.org), in 2017 there were 10,500 vouchers available, but many of the wait lists for vouchers throughout the state had been closed for many years and those on wait lists could wait for anywhere from 2 to 7 years.

FOOD
Food costs are based on the U.S. Department of Agriculture's Moderate-Cost Plan (June 2018) for the nation. The cost for the single adult is the average of the costs for adults 19-50. For the preschool-age child, the cost is the average of the costs for a 2-3 year old and for a 4-5 year old; the cost for a school-aged child is the average of the costs for a 6-8 year old and for a 9-11 year old. Food costs do not include the cost of any meals eaten outside the home.

The Supplemental Nutrition Assistance Program (SNAP) provides monthly benefits to households with income less than 185% of the federal poverty level ($38,443 for a family of 3). The amount of benefits is based on household size and income. Benefits are provided on an Electronic Benefits Transfer Card (EBT) which can be used at supermarkets and other certified food sites to purchase food. SNAP cannot be used to buy prepared meals or non-food items. The RISN includes SNAP benefits as part of the 'income calculation' in the examples provided.

The Supplemental Food Program for Women, Infants and Children (WIC) provides nutrition counseling and a monthly allowance to purchase nutritional food appropriate to the participant's age. Pregnant women, post-partum women who are breast feeding, infants and children under age five are eligible for WIC if they have nutritional needs and income is less than 250% of the federal poverty level ($4,329 for a family of 3). The RISN includes the value of the WIC monthly benefit for a toddler, $44 per month.

TRANSPORTATION
Costs are based on U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, 3rd quarter 2016 through 2nd quarter 2017 and include the cost for gas, motor oil and other vehicle expenses, exclusive of purchase. The cost is based on household size and number of earners in the household.

CHILD CARE
Child care costs are based on the Statewide Survey of Child Care Rates in Rhode Island, 2018, conducted at the Charles Schmidt Jr. Labor Research Center at the University of Rhode Island by Barbara E. Silver, Ph.D. The survey is jointly sponsored by the RI Department of Labor and Training and the RI Department of Human Services.

The cost reflects the cost of care at a child care center at the 75th percentile of the market rate. The toddler is assumed to be in full-time daycare. The toddler cost is the average of the toddler/preschool market rate amount. The school-aged sibling is in after-school care, plus fourteen weeks of full-time care during school vacation and holidays.

The Child Care Assistance Program (CCAP) provides subsidies to enroll children under age 13 in child care provided by a licensed child care center, family child care provider or certified relative to parents who are working at least 20 hours per week or participating in a short-term training program. Family income must be less than 180% of the federal poverty level ($37,404 for a family of 3) to enter the program and parents remain eligible until family income reaches 225% FPL ($46,755 for a family of 3). Families with income above 100% FPL pay a co-share based on a sliding scale of between 2% and 14% of gross income. In the examples, the RISN shows the parent's co-share based on family size and income.

HEALTH CARE
Health care costs include the employee's share of employer-sponsored insurance (ESI) and out-of-pocket expenses. The ESI is based on the US Department of Health and Human Services, Agency for Healthcare and Quality, Medical Expenditure Panel Survey ("MEPS") (2017), which documents the cost of employer-based coverage in Rhode Island as $1,520.42 a month for family coverage and $587.23 a month for individual coverage.

According to the MEPS, Rhode Island employees pay 29.2% of the cost of family coverage and 24.2% of individual coverage. Out-of-pocket expenses are based on the 2015 Medical Expenditure Panel Survey for the Northeast Region, which documents out-of-pocket expenses for individuals/families as $61.80 a month. Health care costs do not include the cost of dental coverage.

The Medicaid program provides comprehensive health insurance coverage for adults age 19 – 65 with income less than 138% FPL ($16,753) for parents with income less than 138% FPL ($28,676 for a family of 3), for children with income less than 266% FPL ($55,275 for a family of 3) and for seniors and people with disabilities with income less than 100% FPL ($12,140). People ineligible for Medicaid can purchase health insurance through HealthSource RI and if income is less than 400% FPL ($83,120 for a family of three) can qualify for tax credits to help offset the monthly premium cost.

MISCELLANEOUS
Miscellaneous expenses include clothing, shoes, paper goods, over-the-counter medications, personal hygiene items, cleaning and household products and telephone. Miscellaneous expenses are calculated as 10% of other (unsubsidized) costs.

TAXES
Taxes include payroll taxes (FICA and TDI) and federal and state income taxes using 2018 tax law. The sales tax is calculated based on Who Pays? 5th ed., a study by the Institute on Taxation and Economic Policy (ITEP) that models all 50 state tax systems. http://www.itep.org/whopays/states/rhode_island.php. Tax calculations specific to this study were undertaken by staff at ITEP using their micro-simulation model.

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

Two tax changes impacted the RISN examples compared to 2016: the changes in the federal Tax Cuts and Jobs Act that doubled the Child Tax Credit to $2,000 and eliminated the personal exemption; and the state increase in the EITC from 12.5% to 15% of the federal credit in 2017.

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