The Self-Sufficiency Standard for West Virginia 2013

Full report available online at

http://workforcewv.org/lmi/SelfSufficiency/SelfSufficiencyStandard.html

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Introduction

Self-Sufficiency in West Virginia
Without Public or Private Assistance or Subsidies

How much money is needed by families throughout West Virginia to sustain themselves independent of others? The information in this report provides a new measure of how much income is required for a family of a particular structure in a particular location to satisfactorily meet its fundamental needs without public or private assistance.

Although there have been different ways of quantifying poverty over the years, the most notable measuring stick has been the federal poverty measure. Over time, however, as the definition of what constitutes a family has changed, the federal poverty measure has remained the same. Families' needs for survival in the twenty-first century, compared to family necessities in 1960 when the federal measure was first implemented, have changed drastically. In addition, the federal poverty measure is the same for a family in Idaho as it is for a family in Maryland. While the federal measure has remained static over time, the data in this report provide a significant difference in the following areas:

- The Self-Sufficiency Standard assumes that all adults work full-time and as a result, includes costs associated with employment.
- The Standard takes into account that many expenses differ not only by family size and makeup, but also by the age of children.
- The Standard incorporates regional and local variations in costs, when possible.
- The Standard includes the net effect of taxes and tax credits.
- The Standard is based on the costs of each basic need, determined independently, which allows each cost to increase at its own rate.

The resulting difference from these key components provides a measure for families that is not luxurious or comfortable, but not so low that it fails to adequately provide for a family. Self-sufficiency allows maintaining a standard of living that does not require choosing between basic necessities. The Standard is not endorsing an ideal of self-dependence in complete isolation. Community and governmental response to families struggling to attain sustainable wages should be encouraged as supportive of the goal of self-sufficiency.

How the Self-Sufficiency Standard is Calculated

The goal of making the Standard as consistent and accurate as possible, yet varied by geography and age, requires meeting several different criteria. To the extent possible, the data used in the Self-Sufficiency Standard are:

- collected or calculated using standardized or equivalent methodology;
- from scholarly or credible sources such as the U.S. Census Bureau;
- updated annually (or as soon as updates are available); and
- geographically and/or age-specific (where appropriate).

Thus, costs that rarely have regional variation are usually standardized, while costs that vary substantially, such as housing and child care, are calculated at the most geographically specific level available. In addition, as improved or standardized data sources become available, the methodology used by the Standard is refined to incorporate these improvements. This results in an improved Standard that is comparable across place as well as time.

The Self-Sufficiency Standard is calculated for 70 different family types in each of West Virginia's 55 counties. The 70 family types include all one-adult and two-adult families with up to three children. These 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.[1] We have included the cost of each basic need and the Self-Sufficiency Wages for eight selected family types for each West Virginia county in the Appendix. The cost of each basic need and the Self-Sufficiency Wages for all 70 family types for each county are available from Workforce West Virginia at http://www.workforcewv.org/LMI/selfsufficiency/.

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

Housing: The Standard uses the Fiscal Year 2013 Fair Market Rents, which are calculated annually by the U.S. Department of Housing and Urban Development (HUD) for every Metropolitan Statistical Area (MSA) and non-metropolitan county (totaling over 400 housing market areas). Fair Market Rents (FMRs) are based on data from the decennial census, the American Community Survey, and telephone surveys.[2] FMRs, which include utilities except telephone, cable or satellite service, and internet service, are intended to reflect the cost of housing that meets minimum standards of decency, but is not luxurious. In most cases, including West Virginia, the FMR is set at the 40th percentile (meaning 40% of the housing in a given area is less expensive than the FMR, while 60% is more expensive).

The Self-Sufficiency Standard assumes that parents and children do not share the same bedroom and that there are not more than two children per bedroom. Therefore, the Standard assumes that single persons and couples without children have one-bedroom units,[3] families with one or two children require two bedrooms, and families with three children have three bedrooms.

Child Care: The Standard uses the most accurate information available that is recent and specific to geography, age, and setting. The Family Support Act (in effect from 1988 until welfare reform in 1996) required states to provide child care at “market rate” for those needing it for employment and/or education and training. States were also required to conduct cost surveys to determine the “market rate” (defined as the 75th percentile) by setting, age, and geographical location (or use a statewide rate). Many states, including West Virginia, have continued to conduct (or commission) the surveys and to reimburse child care at this rate. For West Virginia, the Standard uses data from the West Virginia Child Care Market Rate Survey, which was updated through December 2012 as child care providers were re-evaluated or re-certified. This data have been calculated at the 75th percentile and specified by facility type and age.[4]

The Standard defines “infants” as children under three years old, “preschoolers” as children three to five years old, “school-age children” as six to 12 years old, and “teenagers” as 13 years old and older. Because it is more common for very young children to be in family day care homes rather than centers,[5] the Standard assumes that infants receive full-time care in day care homes. Preschoolers are assumed to go to day care centers and day care homes. School-age children are assumed to receive part-time care in before- and after-school programs. Teenagers are assumed not to require child care; therefore, the Standard does not include child care costs for teenagers.

Food: Although the Thrifty Food Plan and its successor have been used as the basis of both the poverty threshold and the Food Stamp Program, the Standard uses the Low-Cost Food Plan for food costs.[6] Although both of these U.S. Department of Agriculture (USDA) diets meet minimum nutritional standards, the Thrifty Food Plan was meant for emergency use only, while the Low-Cost Food Plan is based on more realistic assumptions about food preparation time and consumption patterns. While it is about 25% higher than the Thrifty Food Plan, the Low-Cost Food Plan is a conservative estimate as it does not allow for any takeout, fast-food, or restaurant meals (although according to the Consumer Expenditure Survey, the average American family spends about 41% of its food budget on food prepared away from home[7]). Both the Low-Cost Food Plan and the Standard’s budget calculations assume a single-*person* household is one adult male, while the single-*parent* household is one adult female.[8] A two-parent household is assumed to include one adult male and one adult female.

The food costs in the Standard are varied by the number and age of children and the number and gender of adults. Geographic differences in food costs are varied by using ACCRA’s Cost of Living Index, calculated to be about 8% lower in West Virginia than the national average.[9]

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 one study, if about 7% of the total public uses public transportation, that "translates" to about 30% of the low- and moderate-income population.[10] In West Virginia, less than 1% of all workers use public transportation;[11] therefore, we assume workers living in West Virginia use private transportation. If there are two adults in the family, we assume the family needs two cars, since it is unlikely that two adults with two jobs would be traveling to and from the same place of work at exactly the same time.

Private transportation costs are based on the costs of owning and operating an average car (or two cars if there are two adults). The fixed costs of owning a car include fire, theft, property damage and liability insurance, license, registration, taxes, repairs, monthly payments, and finance charges. Monthly variable costs (e.g., gas, oil, tires, and maintenance) are also included.

To estimate fixed and variable costs, the Standard uses the Consumer Expenditure Survey amounts for families in the second quintile of income (those whose incomes are between the 20th and 40th percentile). The auto insurance premium is the average premium cost for West Virginia from a survey conducted by the National Association of Insurance Commissioners.[12] To estimate county variation, ratios were created from averaged premium rates by metropolitan area from all insurance companies responding to the 2012 West Virginia Annual Automobile Survey.[13]

Health Care: Families cannot be truly self-sufficient without health insurance. Employer sponsored health insurance coverage is assumed in the Self-Sufficiency Standard as the norm for full-time workers. In fact, nationally, the majority (67%) of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage. In West Virginia, 72% of individuals in households with a full-time worker have employer-sponsored coverage.[14]

We also assume that the full-time worker's employer pays 79% of the insurance premium for families and 83% for the employee only, the current percentages of coverage in West Virginia.[15] Yet, as the cost of health insurance rises, employers shift more of that cost onto workers by paying a lower percentage of premiums and offering plans that provide less coverage. Thus, many workers do not have access to affordable health insurance coverage through their employers, and those who do not often must "do without."

Health care costs in the Standard include both the employee's share of insurance premiums plus additional out-of-pocket expenses, such as the co-payment, non-covered expenses (e.g., dental care and prescriptions), and the insurance deductible.

The cost of the health insurance premium is based on the average premium paid by West Virginia residents, according to the national Medical Expenditure Panel Survey (MEPS). Data for out-of-pocket health care costs (by age) are also obtained from the MEPS, adjusted by region using the *MEPSnet* Household Component analytical tool.

Miscellaneous: This expense category includes all other essentials including clothing, shoes, paper products, diapers, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone service. It does not allow for recreation, entertainment, savings, or debt repayment. Miscellaneous expenses are calculated by taking 10% of all other costs. This percentage is a conservative estimate in comparison to estimates in other basic needs budgets, which commonly use 15%.[16]

Taxes: Taxes include state sales tax, federal and state income taxes, and payroll taxes where applicable. West Virginia has a 6% statewide general sales tax and a 1% sales tax on groceries.[17] For the Self-Sufficiency Standard, sales taxes are calculated only on "miscellaneous" items, as one does not ordinarily pay tax on rent, child care, and so forth. 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.

West Virginia state income taxes are calculated using the tax forms and instructions from the West Virginia State Tax Department. The state income tax calculation includes state specific deductions, exemptions, and tax credits.

Although the federal income tax rate (15% on most income for the majority of family types) is higher than the payroll tax rate, federal exemptions and deductions are substantial. As a result, while the payroll tax is paid on every dollar earned, families do not pay federal income tax on the first $10,000 to $15,000 or more, thus lowering the effective federal tax rate to about 7% for most family types. Payroll taxes for Social Security and Medicare are calculated at 7.65% of each dollar earned.

Earned Income Tax Credit (EITC): The EITC, or as it is sometimes 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; that is, working adults may receive the tax credit whether or not they owe any federal taxes.

Child Care Tax Credit (CCTC): The federal CCTC is a tax credit that allows working parents to deduct a percentage of their child care costs from the federal income taxes they owe. Like the EITC, the CCTC is deducted from the total amount of money a family needs to be self-sufficient. Unlike the EITC, the federal CCTC is not a "refundable" tax credit. A family may only receive the CCTC as a credit against federal income taxes owed. Therefore, families who owe very little or nothing to the federal government in income taxes receive little or no CCTC.

Child Tax Credit (CTC): The CTC is a "refundable" federal tax credit, like the EITC, that provides parents a deduction of up to $1,000 for each child under 17 years old if earned income requirements are met.

Endnotes

[1] These 70 family types cover about 90% of households.

[2] These costs are based on a survey of renters who have rented their unit within the last two years, excluding new housing (two years old or less), substandard housing, and public housing. For West Virginia, we created ratios (based on data from the National Low Income Housing Coalition's Local Area Low Income Housing Database) for five West Virginia MSAs: Charleston, WV; Huntington-Ashland WV-KY-OH; Parkersburg-Marietta-Vienna WV-OH; Steubenville-Weirton OH-WV; and Wheeling WV-OH. The ratios for thirteen counties within these five MSAs were then applied to the FMRs. It was not necessary to apply a ratio to Boone County. *NLIHC West Virginia Renter Households Data*. http://www2398.ssldomain.com/nlihc/doc/lalihdWestVirginia.pdf

[3] Because of the lack of availability of efficiencies (studio apartments) in some areas and their very uneven quality, the Self-Sufficiency Standard uses one-bedroom units for the single adult and childless couple.

[4] West Virginia Department of Health and Human Resources, Bureau for Children and Families, Division of Early Care and Education: *West Virginia Child Care Market Rate Survey 2011.* Survey data have been updated through December 2012 as child care providers were re-evaluated or re-certified.

[5] Veum, J.R. & Gleason, P.M. (1991). Child care arrangements and costs. *Monthly Labor Review*, 114(10), 10-17. Note also that relative care (other than the parent), particularly for younger children and lower-income parents, accounts for a significant amount of child care for children under three (27% compared to 17% in family day care and 22% in child care centers). Day care by relatives is usually, but not always, in the relative's home, and is usually, though not always, paid. Thus relative care more closely resembles (and may actually be) day care homes rather than day care centers. For children three years and older, the predominant child care arrangement is the child care center, accounting for 45% of the care, compared to 14% in family child care and 17% in relative care. Capizzano, J., Adams, G. & Sonenstien, F. (2000). Child care arrangements for children under five; variation across states. *New federalism: National survey of America's families.* (Series B, No. B07). Washington, DC: the Urban Institute.

[6] Although the Standard does not follow the Food Stamp Program (which uses the Thrifty Food Plan), both the Standard and the Food Stamp Program use the most recent food costs as an annual average because the USDA does not produce annual averages for food costs. US Department of Agriculture, Center for Nutrition Policy and Promotion. *Official USDA Food Plans: Cost of food at home at four levels, US Average, May 2012.* http://www.cnpp.usda.gov/Publications/FoodPlans/2012/CostofFoodMay2012.pdf

[7] US Department of Labor, Bureau of Labor Statistics. (September 2012). *Consumer Expenditure Survey, 2011. Table 1. Quintiles of income before taxes: Average annual expenditures and characteristics.* http://www.bls.gov/cex/2011/standard/quintile.pdf

[8] In this report, single parents are referred to as "she" because 83% of one parent families are headed by females. Casper, L. & Fields, J. (2001). *America's families and living arrangements: 2000*. (US Census Bureau, Current Population Reports, Series P20-537). Washington, DC: US Government Printing Office.

[9] *ACCRA Cost of Living Index: Comparative Data for 309 Urban Areas, Volume 44(3), Data for Third Quarter 2011.* The Council for Community and Economic Research (October 2011). Note that although the ACCRA Cost of Living Index is generally intended for upper middle income families, the ACCRA grocery index is standardized to price budget grocery items regardless of the shopper's socioeconomic status.

[10] Porter, C. & Deakin, E. (1995). *Socioeconomic and journey-to-work data: A compendium for the 35 largest US metropolitan areas.* Berkeley, CA: Institute of Urban and Regional Development, University of California.

[11] US Census Bureau, 2010 American Community Survey. *Sex of Workers by Means of Transportation to Work for Workers 16 Years and Over, West Virginia.* http://factfinder2.census.gov

[12] National Association of Insurance Commissioners (NAIC). (January 2012). *2008/2009 Auto Insurance Database Report*. Table 4 - Average premiums and expenditures 2005-2009 (2009 average expenditure).

[13] West Virginia Insurance Commission. 2012 West Virginia Annual Automobile Survey. *Table 1. Rate Comparison by Metropolitan Area (Rank Ordered)*. http://www.wvinsurance.gov/Reports.aspx

[14] Kaiser Family Foundation. State Health Facts Online. West Virginia: Health Coverage and Uninsured, Nonelderly with Employer Coverage. *Employer Sponsored Coverage Rates for the Nonelderly by Family Work Status (States 2010 - 2011, U.S. 2011)*. http://www.statehealthfacts.org

[15] Kaiser Family Foundation. State Health Facts Online. West Virginia: Health Costs and Budgets, Employer-Based Health Premiums (Single Coverage and Family Coverage), 2011. http://www.statehealthfacts.org

[16] Citro, C. & Michael, R., Eds. (1995). *Measuring Poverty: A New Approach*. Washington, DC: National Academy Press.

[17] West Virginia Department of Revenue, State Tax Department. Tax Information. State Tax Table. http://www.wva.state.wv.us/wvtax/taxinformation.aspx

The Cost of Living for Families in West Virginia: An Example

The Self-Sufficiency Standard varies by family type and geographic location; therefore, the amount of money needed by a family to be considered economically self-sufficient depends upon family size and composition, the age of children, and where the family resides.

In the following example, Kanawha County is broken down into four selected family types: one adult; one adult, one preschooler; one adult, one preschooler, one school age; and two adults, one preschooler, one school age.

Monthly costs are then broken out by component and include housing, child care, food, transportation, health care, miscellaneous, and taxes. Earned income tax credits, child care tax credits, and child tax credits are provided for those families with children.

According to the Self-Sufficiency Standard, one adult residing in Kanawha County and working full-time must earn $9.26 an hour to be considered self-sufficient. The adult's monthly expenses and the percent of the total budget of these expenses are then provided. Housing costs, including utilities except telephone, cable, and internet, are calculated at $517 per month for one working adult in Kanawha County. This cost is calculated at 31.7% of total budget. Food costs excluding all food prepared outside the home is calculated at $214 a month, or 13.1% of the monthly budget. Transportation costs, which include insurance, license, registration, taxes, repairs, monthly payments, finance charges, gas, oil, tires, and maintenance on a private vehicle, are calculated at $425 per month. The cost of health care (employer-sponsored health insurance coverage is assumed in the Standard), miscellaneous expenses (including clothing), and taxes is also presented.

These monthly costs are then presented for three other family types. Because these remaining family types contain a child or children, child care costs have been included in the monthly expenses.

The Self-Sufficiency Standard for Selected Family Types*
Charleston, WV MSA, 2013
Kanawha County
Monthly Expenses and Shares of Total Budgets

Monthly Costs	One Adult		One Adult, One Preschooler		One Adult, One Preschooler, One Schoolage		Two Adults, One Preschooler, One Schoolage	
	Costs	*% of total*	*Costs*	*% of total*	*Costs*	*% of total*	*Costs*	*% of total*
Housing	517	31.7	617	26.3	617	20.9	617	15.7
Child Care	0	0.0	434	18.5	720	24.4	720	18.3
Food	214	13.1	307	13.1	483	16.4	697	17.7
Transportation	425	26.1	425	18.1	425	14.4	851	21.6
Health Care	126	7.7	252	10.8	346	11.7	389	9.9
Miscellaneous	128	7.9	204	8.7	259	8.8	327	8.3
Taxes	219	13.4	383	16.3	507	17.2	643	16.4
State Income Tax	48	3.0	82	3.5	110	3.7	147	3.8
Federal Income Tax	161	9.9	285	12.2	377	12.8	469	11.9
Sales & Use Tax	10	0.6	15	0.7	20	0.7	27	0.7
Earned Income Tax Credit (-)	0	0.0	-122	-5.2	-118	-4.0	-50	-1.3
Child Care Tax Credit (-)	0	0.0	-73	-3.1	-125	-4.2	-100	-2.5
Child Tax Credit (-)	0	0.0	-83	-3.6	-167	-5.7	-167	-4.2
Total Percent	---	100%	---	100%	---	100%	---	100%
Self-Sufficiency Wage								
-Hourly*	**$9.26**		**$13.32**		**$16.75**		**$11.16**	***per adult****
-Monthly	**$1,629**		**$2,344**		**$2,948**		**$3,929**	***combined****
-Annual	**$19,550**		**$28,125**		**$35,375**		**$47,145**	***combined****

* *The Standard is calculated by adding expenses and taxes and subtracting tax credits. Taxes include federal, state, and city income taxes (including state tax credits except state EITC) and payroll taxes.*

** *The hourly wage is calculated by dividing the monthly wage by 176 hours (8 hours per day times 22 days per month).*

*** *The hourly wage for families with two adults represents the hourly wage that each adult would need to earn, while the monthly and annual wages represent both parents' wages combined.*

Note: Totals may not add exactly due to rounding.

West Virginia Counties by Level of Annual Self-Sufficiency Wage, 2013
(One Adult with One Preschooler)