METHODOLOGY APPENDIX

The Self-Sufficiency Standard for Illinois 2009

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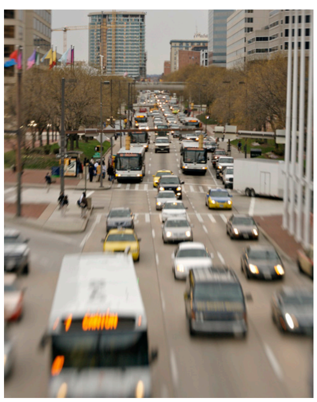

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This 2009 Standard is the third edition of the Illinois Self-Sufficiency Standard. The first version was published in 1998 and the second in 2001. This appendix and county-specific information for 152 family types is available online at www.selfsufficiencystandard.org/pubs.html and www.heartlandalliance.org/research

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 Illinois 2009

Methodology Appendix: Assumptions and Sources

I. INTRODUCTION

Even before the current economic crisis, the first decade of the twenty-first century in the United States has been characterized by stagnant wages and increasing income inequality. As a result, more and more families are finding they are unable to stretch their wages to meet the costs of basic necessities. Many of these families are not deemed "poor" by the official federal poverty measure, yet they lack enough income to meet the rising costs of food, housing, transportation, health care, and other essentials. A more accurate measure of income adequacy is the Self-Sufficiency Standard. The Standard tracks and measures 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. Yet the Standard excludes 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 and therefore reflects a decent, though very modest, standard of living.

Economic self-sufficiency cannot necessarily be achieved by wages alone. While the Standard is calculated without public or private assistance, public work supports (e.g., Medicaid, child care assistance, or housing assistance) are often necessary, even critical, for some families to meet the costs of high-price necessities such as health care, child care, and housing. 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," however, does not 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 Illinois Self-Sufficiency Standard. It begins with a discussion of how the Standard differs from the official Federal Poverty Level, 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 Standard in Illinois.

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

The Federal Poverty Level (FPL), or federal poverty measure, is the official measurement used by the federal government to determine poverty status.[1] Families are characterized as "poor" if their income is below the Federal Poverty Level 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, "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.[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 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 poverty measure.

- *First, the measure is based on the cost of a single item—food—rather than a "market basket" of all basic needs.* Over four decades 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 now spend an average of over one-tenth 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 food and energy—and new costs have arisen, such as child care and taxes. None of these changes are, or can be, reflected in the federal poverty measure based on a "frozen" methodology.
- *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 62% of two-parent families with children in 2007. Likewise, over 76% of the adults in single adult families with children were employed in 2007.[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.
- *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 the most expensive areas of the U.S. costs over three times as much as in the least expensive areas.[8] Even within states, costs vary considerably. In Illinois, housing costs in Will County are nearly 80% higher than the cost of housing in Franklin County; the monthly cost of a three-bedroom unit in Will County is $1,217 compared to $678 in Franklin 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 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.[10]

III. METHODOLOGY, ASSUMPTIONS, AND SOURCES

Making the 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 annually
- 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 Illinois* and the assumptions included in the calculations are described below.

Extended Family Types

The prior two editions of the Illinois Self-Sufficiency Standard were calculated for 70 different family types. The 70 different family types ranged 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, the 2009 edition of the Illinois Self-Sufficiency Standard is calculated for an additional 82 family types for a total of 152 family types representing a wider and fully inclusive range of families, including larger and multigenerational families (from a one adult family with four children to families with four or more adults and three or more children).[11] The ages of children in the Standard are: infants are zero to two years old (meaning zero through 35 months), preschoolers are three to five years old, schoolage children are 6 to 12 years old, and teenagers are 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 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, 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 per bedroom. When there are three or more adults in a household, it is assumed that there are no more than 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, calculated annually by the U.S. Department of Housing and Urban Development (HUD) for each state's metropolitan and non-metropolitan areas. Section 8(c)(1) of the United States Housing Act of 1937 requires the Secretary to publish Fair Market Rents (FMRs) periodically, but not less than annually, to be effective on October 1 of each year. On October 1, 2008, HUD published final FMRs for FY 2009.

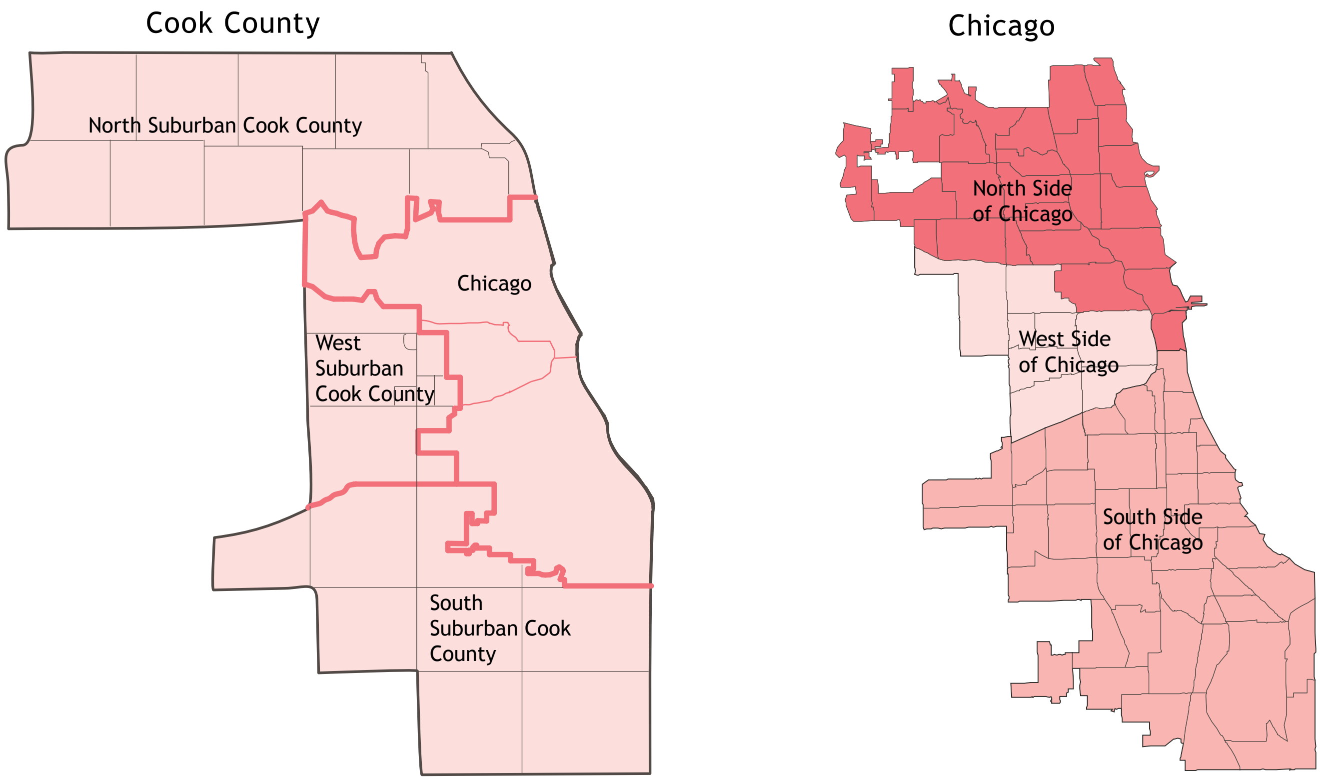
Annual FMRs, used to determine the level of rent for those receiving housing assistance through Section 8 vouchers, are based on data from the 2000 decennial census, the biannual American Housing Survey, and random digit dialing telephone surveys, updated for inflation. The survey sample includes renters who have rented their unit within the last two years, excluding new housing (two years old or less), substandard housing, and public housing. FMRs, which include utilities (except telephone and cable), are intended to reflect the cost of housing 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.[13]

For the 2009 Illinois Self-Sufficiency Standard, housing is calculated using the FY 2009 HUD Fair Market Rents. All of Illinois' FMRs are set at the 40th percentile, except for counties in the Chicago-Naperville-Joliet HUD Metro FMR Area, which are set at the 50th percentile.

There are seven HUD metropolitan areas in Illinois that consist of more than one county: Champaign-Urbana MSA, including Champaign, Ford, and Piatt Counties; Chicago-Naperville-Joliet HMFA, including Cook, DuPage, Kane, Lake, McHenry, and Will Counties; Davenport-Moline-Rock Island MSA, including Henry, Mercer, and Rock Island Counties; Peoria MSA, including Marshall, Peoria, Stark, Tazewell, and Woodward Counties; Rockford MSA, including Boone and Winnebago Counties; Springfield MSA, including Menard and Sangamon Counties; and St. Louis HMFA, including Calhoun, Clinton, Jersey, Madison, Monroe, and St. Clair Counties.

Since HUD calculates only one set of FMRs for an entire metropolitan area, the Standard uses median gross rent ratios calculated from the U.S. Census Bureau's 2005-2007 American Community Survey (ACS) 3-Year Estimates or the 2000 Census for each of the counties included in the metropolitan areas listed above to obtain the individual county housing costs. For two counties—Cook and St. Clair—housing costs are further adjusted for within-county variation. Housing costs are varied for six areas within Cook County. Housing costs for suburban Cook County (excluding Chicago) are varied by three areas (North Suburban, South Suburban, and West Suburban Cook County) using 2005-2007 ACS median gross rent ratios for "townships" and "places" within those areas of the county. Housing costs for three areas within Chicago (North Side, South Side, and West Side Chicago) are varied using 2000 Census median gross rent ratios for "community areas" in Chicago. For a map and table of geographic boundaries of the six Cook County tables, see **Figure 1** and **Table 1**. St. Clair County housing costs are varied for East St. Louis and St. Clair County (excluding East St. Louis) using 2005-2007 ACS median gross rent ratios for the East St. Louis "township" and St. Clair County townships outside of East St. Louis. The Standard's housing costs for the remaining counties

Figure 1. **Geographic Areas Included in Cook County Tables, 2009**



in Illinois 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 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, and families with three children require three 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.

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 and/or education and 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.[14] Many states, including Illinois, have continued to conduct or commission the surveys as well as reimburse child care at or close to this level. Data for the cost of child care in the Illinois Standard is obtained from the FY 2008 *Market Rate Survey of Licensed Child Care Programs in Illinois*, prepared for the Illinois Department of Human Services by the Department of Human and Community Development at the University of Illinois at Urbana-Champaign.[15]

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).[16] 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

Table 1. **Geographic Areas Included in Cook County Tables, 2009**

City of Chicago, Chicago Community Areas*				
North Side of Chicago		South Side of Chicago		West Side of Chicago
Albany Park	Logan Square	Archer Heights	Hyde Park	Austin
Avondale	Loop	Armour Square	Kenwood	East Garfield Park
Belmont Cragin	Montclare	Ashburn	McKinley Park	Humboldt Park
Dunning	Near North Side	Auburn Gresham	Morgan Park	Lower West Side
Edgewater	North Center	Avalon Park	Mount Greenwood	Near West Side
Edison Park	North Park	Beverly	Near South Side	North Lawndale
Forest Glen	Norwood Park	Bridgeport	New City	South Lawndale
Hermosa	O'Hare	Brighton Park	Oakland	West Garfield Park
Irving Park	Portage Park	Burnside	Pullman	
Jefferson Park	Rogers Park	Calumet Heights	Riverdale	
Lake View	Uptown	Chatham	Roseland	
Lincoln Park	West Ridge	Chicago Lawn	South Chicago	
Lincoln Square	West Town	Clearing	South Deering	
		Douglas	South Shore	
		East Side	Washington Heights	
		Englewood	Washington Park	
		Fuller Park	West Elsdon	
		Gage Park	West Englewood	
		Garfield Ridge	West Lawn	
		Grand Boulevard	West Pullman	
		Greater Grand Crossing	Woodlawn	
		Hegewisch		
Cook County Excluding Chicago, Townships and Places*****				
North Cook County		South Cook County		West Cook County
Arlington Heights village	New Trier township	Bloom township	Oak Forest city	Berwyn township
Bartlett village	Niles township	Blue Island city	Oak Lawn village	Cicero township
Buffalo Grove village	Northbrook village	Bremen township	Orland township	Elmwood Park village
Des Plaines city	Northfield township	Burbank city	Palos township	Leyden township
Elk Grove township	Palatine township	Calumet City city	Park Forest village	Lyons township
Evanston township	Park Ridge city	Chicago Heights city	Rich township	Maywood village
Glenview village	Rolling Meadows city	Dolton village	South Holland village	Melrose Park village
Hanover Park village	Schaumburg township	Harvey city	Thornton township	Oak Park township
Hanover township	Schaumburg village	Lansing village	Tinley Park village	Proviso township
Hoffman Estates village	Skokie village	Lemont township	Worth township	Stickney township
Maine township	Streamwood village			
Morton Grove village	Wheeling township			
Mount Prospect village	Wilmette village			

* The Northeasern Illinois Planning Commission defines Chicago Community Areas as 77 neighborhood areas within the City of Chicago, which are commonly used for statistical purposes. They comprise groups of census tracts, consecutively numbered in most cases.

** The U.S. Census Bureau defines townships as Minor Civil Divisions (MCD) which are primary governmental and/or administrative subdivision of a county, such as a township, precinct, or magisterial district. MCDs exist in 28 states and the District of Columbia. In 20 states, all or many MCD's are general-purpose governmental units: Connecticut, Illinois, Indiana, Kansas, Maine, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Dakota, Vermont, and Wisconsin. Most of these MCD's are legally designated as towns or townships.

*** According to the U.S. Census Bureau a 'place' is a concentration of population either legally bounded as an incorporated place, or identified as a Census Designated Place (CDP) including comunidades and zonas urbanas in Puerto Rico. Incorporated places have legal descriptions of borough (except in Alaska and New York), city, town (except in New England, New York, and Wisconsin), or village.

of relative caregivers also provide care for non-relative children.[17] 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.[18]

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).[19]

For the Illinois 2009 Standard infant rates were calculated by using the 75th percentile of the market rate costs of full-time care at licensed family day care home settings for infants, toddlers, and "twos" (children ages six weeks up to three years of age). The 75th percentile of full-time licensed center care rates were used to calculate child care costs for preschoolers (children three through five years of age). Costs for schoolage children (children 6 to 12 years of age) were calculated using before and after school licensed center care 75th percentile market rates.

The 2008 *Market Rate Survey of Licensed Child Care Programs in Illinois* provides the 75th percentile of market rate child care costs by county as well as by three regions in Illinois: Chicago area, urban areas, and rural areas. Child care costs in the Illinois Standard are varied by county, with the exception of 30 rural area counties that were missing data for one or more age groups, in which cases the appropriate rural region rates by age group were applied.

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 safety net.[20]

The Low-Cost Food Plan, although 25% higher than the Thrifty 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 44% of their food budget on food prepared away from home.[21]

The USDA Low-Cost Food Plan varies by month and does not give an annual average food cost, so the Standard follows the SNAP protocol of using June data of the current year to represent the annual average.

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. The Standard assumes that a single-person household is one adult male, while the single-parent household is one adult female. A two-parent household is assumed to include one adult male and one adult female.

Within-state geographic differences in food costs were varied using the ACCRA Cost of Living Index, published by the Council for Community and Economic Research. Food costs in Illinois range from 12% lower than the national average cost of food in the Danville metropolitan area to 8% higher than the national average in the Chicago-Naperville-Joliet metropolitan area. ACCRA's 2007 annual average cost of groceries index was applied to 10 geographic areas in Illinois: Bloomington-Normal, Champaign-Urbana, Chicago-Naperville-Joliet (excluding Will County), Will County, Danville, Galesburg, Peoria, Quincy, Rockford, and Springfield. These 10 geographic areas represent 22 counties. A statewide average ACCRA ratio was applied to the counties in Illinois not included in those 10 areas. 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 groceries regardless of the shopper's socio-economic status.

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 the total population uses public transportation that "translates" to approximately 30% of the low- and moderate-income population using the public transportation system.[22] The Standard assumes private transportation (a car) where public transportation use to commute to work is less than 7%. All areas in Cook County as well as East St. Louis (St. Clair County) have over 7% public transportation use to commute to work.[23] Therefore, the Standard uses public transportation to calculate transportation costs in Cook County and East St. Louis (St. Clair County). The cost of public transportation in Cook County is calculated as $86 per month per adult for an unlimited transit pass for rail and buses operated by Chicago Transit Authority and Pace. The cost of public transportation in East St. Louis is calculated as $68 per month per adult for a monthly transit pass from East St. Louis Public Transit. Private transportation is used to calculate transportation costs for the remainder of Illinois counties, including St. Clair County (excluding East St. Louis).

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 per-mile costs, driving cost data from the American Automobile Association is used. The commuting distance is computed from the most recent national data available, the National Household Travel Survey 2001.

The auto insurance premium cost is the average premium cost for Illinois from the National Association of Insurance Commissioners (NAIC) *2005-2006 State Averages Expenditures and Premiums for Personal Automobile Insurance*. To create within state variation (regional or county) in the cost of auto insurance premiums, ratios were created using sample premiums from Allstate Insurance Company and American Family Mutual Insurance Company (the second and third highest market share companies) for each county in Illinois. The top market share company, State Farm Auto Mutual Insurance Company, was not used because it does not provide accessible premium data for each county in Illinois.

The fixed costs of car ownership such as fire, theft, property damage and liability insurance (Illinois's minimum coverage requirements), license, registration, taxes, repairs, monthly payments, and finance charges are included. The monthly variable costs (e.g., gas, oil, tires, and maintenance) are also included, but the initial cost of purchasing a car is not. To estimate private transportation fixed costs, the Standard uses 2007 Consumer Expenditure Survey data for families with incomes between the 20th and 40th percentile living in the U.S. Census Midwest region.

Auto insurance premiums and fixed auto costs are adjusted for inflation using the most recent and area-specific Consumer Price Index (March 2009).

Health Care

The Standard assumes that an integral part of a Self-Sufficiency Wage is employer-sponsored health insurance for workers and their families. Nationally, 70% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage. In Illinois, 75% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage.[24] Nationally, the employer pays 81% of the insurance premium for the employee and 75% of the insurance premium for the family. In Illinois, the full-time worker's employer pays an average of 81% of the insurance premium for the employee and 77% for the family.[25]

Health care premiums are obtained from the 2006 Medical Expenditure Panel Survey (MEPS), Insurance Component 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.[26] These costs are then adjusted for inflation using the Medical Care Services Consumer Price Index.

To create within state variation (regional or county) in the cost of health care premiums, the Standard uses average premiums from the health care insurance companies with the largest market shares or with the widest coverage to create ratios. Blue Cross Blue Shield of Illinois holds the highest (47%) market share of health insurance companies in the state.[27] Sample premiums were obtained from Blue Cross Blue Shield of Illinois for each county in Illinois and were used to create ratios to vary the statewide MEPs health care premium. Blue Cross Blue Shield of Illinois had little geographic variation in the cost of health insurance premiums across the state, with the exception of urban areas near Chicago for which health premiums were up to 35% higher than the statewide average.

Health care costs also include regional out-of-pocket costs calculated for adults, infants, preschoolers, schoolage 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 March 2009 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, and there are some indicators of employee costs rising through increased premiums, increased deductibles and co-payments, and more limited coverage. In Illinois, between 2000 and 2007, the worker's share of health care premiums increased on average by 73% while the average worker's earnings increased by only 13%.[28] 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.

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 telephone service.

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% and account for other costs such as recreation, entertainment, savings, or debt repayment.[29]

Taxes

Taxes include federal and state income tax, payroll taxes, and state and local sales 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.

Illinois state and county income and sales taxes were calculated using the tax forms, instructions, and tax rate finders from the Illinois Department of Revenue. Illinois state income tax is 3% of net income. Illinois has a 6.25% state sales and use tax, a 1% state grocery tax, as well as various local city- and county-level sales and use taxes. 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.

Tax Credits

The Standard includes federal tax credits (the Earned Income Tax Credit, the Child Care Tax Credit, the Child

Tax Credit, and the Making Work Pay Tax Credit) and applicable state tax credits. Federal and state tax credits are shown as received monthly in the Standard.

Additionally, changes to taxes and tax credits as a result of the *2009 American Recovery and Reinvestment Act* are incorporated into the 2009 Illinois Standard.

The Earned Income Tax Credit (EITC), or as it is 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.

Illinois has a state EITC that is 5% of the federal EITC. The federal EITC has a maximum benefit of $3,043 per year for families with one child, $5028 per year for families with two children, and $5,657 per year for families with 3 or more children.

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. 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 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 2009, 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.

Illinois does not have a state child and dependent care tax credit.

The Child Tax Credit (CTC) is like the EITC in that it is a refundable federal tax credit. For 2009 and 2010, 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.

Illinois does not have a state CTC.

The Making Work Pay Tax Credit, recently passed in the 2009 American Recovery and Reinvestment Act, is a refundable federal tax credit up to $400 per year for single adults and $800 per year for married couples. The credit is available to working adults and begins to phase out at $75,000 per year for single adults and $150,000 per year for married couples.

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February 16, 2009, from http://www.irs.gov/newsroom/article/0,,id=204447,00.html; and, Senate Finance, House Ways and Means Committees. (2009). *The American Recovery and Reinvestment Act of 2009: Full summary of provisions from senate finance, house ways and means committees*. Retrieved on February 16, 2009, from http://finance.senate.gov/press/Bpress/2009press/prb021209.pdf

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V. ENDNOTES

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[8] Using the 2009 Fair Market Rents, the cost of housing (including utilities) at the 40th percentile, for a two-bedroom unit in the most expensive place in the country—Fairfield County, Connecticut, is $1,703. This is nearly three and a half times as much as the least expensive housing, found in several counties in New Mexico, where two-bedroom units cost $502 per month. U.S. Housing and Urban Development Department. (2009). *Fair market rents*. Retrieved October 29, 2008, from http://www.huduser.org/datasets/fmr.html

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About the Author

Diana M. Pearce, PhD teaches at the School of Social Work, University of Washington in Seattle, Washington, and is Director of the Center for Women's Welfare. Recognized for coining the phrase "the feminization of poverty," Dr. Pearce founded and directed the Women and Poverty Project at Wider Opportunities for Women (WOW). She has written and spoken widely on women's poverty and economic inequality, including testimony before Congress and the President's Working Group on Welfare Reform. While at WOW, Dr. Pearce conceived and developed the methodology for the Self-Sufficiency Standard and first published results in 1996 for Iowa and California. Her areas of expertise include low-wage and part-time employment, unemployment insurance, homelessness, and welfare reform as they impact women. Dr. Pearce has helped found and lead several coalitions, including the Women, Work and Welfare Coalition and the Women and Job Training Coalition. She received her PhD degree in Sociology and Social Work from the University of Michigan.

THE FAMILY ECONOMIC SELF-SUFFICIENCY PROJECT (FESS)

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 Self-Sufficiency (FESS) Project in 1996. In partnership with the Ms. Foundation for Women, the Corporation for Enterprise Development, and the National Economic Development and Law Center, WOW designed the FESS 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. Through a partnership between WOW and the Center for Women's Welfare at the University of Washington, the Self-Sufficiency Standard has now been calculated in 37 states, New York City, and the District of Columbia. Over 2,500 community- and state-based organizations and agencies, representing a broad range of sectors, are connected through the FESS Project network. In twelve years, the FESS Project 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 about the FESS Project, visit the website: www.wowonline.org/ourprograms/fess

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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.