

*Workforce Region Two
Self-Sufficiency Study*

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Prepared by: Haas Center for Business Research and Economic Development

Contact: Melissa Neal, PhD
Associate Director
850.833.9113
mneal@uwf.edu

Project Team: Melissa Neal, PhD
Phyllis K. Pooley, MBA, JD

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Introduction

The Workforce Investment Act permits each local workforce board to establish local Self Sufficiency Standards for welfare recipients, adult workers, and dislocated workers. This commissioned study is intended to provide a basis for the Workforce Development Board to adopt these three standards for Region 02, comprised of Okaloosa and Walton Counties. In 2002, The Workforce Development Board of Okaloosa and Walton Counties adopted a self-sufficiency standard of \$11.00 per hour. The basis of the standard was the entered employment wage rate based on the locally adjusted Lower Living Standard Income Level guidelines. The standard was not intended to determine an actual living wage required for complete self-sufficiency.

In July 2004, the JobsPlus Council elected to set the development of a localized self-sufficiency budget as a council objective. The goal was to develop a budget from which a rational, localized self-sufficiency standard could be derived. The standard provided a basic guideline that was used to determine what income level would be necessary for a family to provide for their own basic needs without any type of income support. The final result of this Council Project was the following budgets and wage levels.

Monthly cost	Single Adult	Adult preschooler	+ Adult toddler preschooler	+ & preschooler	2 adults preschooler (both work)	+ 2 adults preschooler (one works)	2 adults toddler preschooler (both work)	+ 2 adults toddler preschooler (one works)
Housing	850	850	850	850	850	850	850	850
Food	182	306	401	533	533	583	583	583
Health Care	121	400	617	530	530	738	738	738
Child Care	-0-	475	950	475	-0-	950	0	0
Transportation	365	430	430	591	430	591	430	430
Miscellaneous	152	246	325	298	234	371	260	260
Taxes	185	211	232	288	209	307	232	232
Self-sufficiency wage								
-Hourly	\$10.70	\$16.83	\$21.95	\$10.28	\$16.07	\$12.66	\$17.84	
				Per parent (\$20.56)		Per parent (\$25.32)		
- Monthly	\$1855	\$2918	\$3805	\$3565	\$2786	\$4390	\$3093	
- Annual	\$22,260	\$35,016	\$45,660	\$42,780	\$33,432	\$52,680	\$37,116	

All of the hourly wages were averaged to come to an average self-sufficiency wage rate of \$14.36.

The Haas Center for Business Research and Economic Development has been asked by The Workforce Development Board of Okaloosa and Walton Counties to update the self-sufficiency budget for 2008. In reviewing material for this project, we found that a statewide project calculating a self sufficiency wage standard for each of the Florida counties was conducted in 2002.

The Self-Sufficiency Standard for Florida

The Self-Sufficiency Standard for Florida was developed by Dr. Diana Pearce in 2002 and then updated in 2007. The Self-Sufficiency Standard (the Standard) defines the amount of income necessary to meet basic needs (including paying taxes) in the regular "marketplace" without public subsidies—such as public housing, food stamps, Medicaid or child care—or private/informal subsidies—such as free babysitting by a relative or friend, food provided by churches or local food banks, or shared housing. The Standard, therefore, estimates the level of income necessary for a given family type—whether working now or making the transition to work—to be independent of welfare and/or other public and private subsidies. According to the documentation:

- The Standard does not try to combine, or average together, the very different circumstances of families in which adults work, compared to those in which they do not. Rather, for the most part, the Self-Sufficiency Standard assumes that all adults (whether married or single) work full-time, or forty hours per week, and therefore, includes costs associated with employment, specifically, transportation, taxes, and child care for families with young children.
- The Standard takes into account that many costs differ not only by family size and composition (as does the official poverty measure), but also by the age of children. While food and health care costs are slightly lower for younger children, child care costs are much higher—particularly for children not yet in school—and are a substantial budget item not included in the official poverty measure.

- The Standard incorporates regional and local variations in costs. This is especially important for housing, although regional variation also occurs for child care, health care and transportation. Unlike some approaches suggested for a revised poverty standard, however, the Standard does not assume a fixed ratio of urban to rural costs, but uses actual costs. Although rural areas and small towns usually have lower costs than the metropolitan areas in a given state, cost ratios vary and there are exceptions. For example, living costs in rural areas that have become desirable tourist or second-home destinations are often as high or higher than in a state's urban areas. Availability of housing in rural and urban areas can also increase costs. In addition, the lack of public transportation in rural areas, and the long distances people typically travel to places of employment, may mean higher transportation costs as a percent of the family budget.
- The Standard includes the net effect of taxes and tax credits. It provides for state sales taxes, as well as payroll (Social Security and Medicare) taxes, and federal and state income taxes. Three federal credits available to workers and their families are "credited" against the income needed to meet basic needs: the Child Care Tax Credit, the Earned Income Tax Credit, and the Child Tax Credit.
- While the poverty standard is based on the cost of a single item, food, and assumes a fixed ratio between foods and nonfood, the Standard is based on the costs of each basic need, determined independently, which allows each cost to increase at its own rate. Thus, the Standard does not assume that food is always 33% of a family's budget, or constrain housing to 30%.

The present study compares the WDR 2 previous study methodology with that of the Standard, as well as looking at additional factors, to determine the best methodology for calculating a 2008 self-sufficiency budget for The Workforce Development Board of Okaloosa and Walton Counties.

Family Demographic

As in the earlier study, undertaking the development of budgets for every imaginable family demographic is too broad in scope for this project. Demographic family units used in this study include 1 adult, 1 adult with 1 preschooler, 1 adult female with 2 pre-school age children, and 2 adults with 2 pre-school children. In addition, separate calculations were done for a two parent family in which both parents work and one parent stays home with the children, eliminating child care costs and reducing the cost of transportation.

Housing Cost

While literature suggests that as many as 50 percent of poor families own their own homes, the focus of the current project is young adults with young children. There is a strong correlation between a household's family structure type, as well as the age of the householder, and homeownership. Female singles, who have the lowest median income of any household type, are least likely to own a home. Age also plays a significant role, with homeownership increasing with the age of the householder until age 65. After age 65 we see a slight decrease in the percentage of homeowners. The lowest homeownership rate, 13.6%, has been recorded for single females under the age of twenty-five. Yet, single females had an overall higher homeownership rate than single males and single mothers (US Census Bureau Home Ownership Rates).

Both the prior study and the Standard assume that the families rent housing. The prior study used Census 2000 data adjusted for inflation, further adjusted based on rental advertisements plus an allowance of \$150 for utilities. The Standard uses Fair Market Rent (FMR) surveys that are compiled annually by the Department of Housing and Urban Development (HUD). They reflect the cost of a given size unit at the 40th percentile level (at the 40th percentile level, 40% of the housing in a given area would be less expensive than the FMR, while 60% would cost more than the FMR). FMR calculations include all utilities except telephone, cable TV or Internet connections.

Data from the 2006 American Community Survey shows a Median Contract Rent of \$727 (with a margin of error of +/- \$61) and a Median Gross Rent (includes an estimate of utilities) of \$852 (with a margin of error of +/- \$58). This information is used by HUD in calculating FMR. Given that the self-sufficiency budget represents a bare bones approach, it is reasonable to assume that FMR are reasonably reflective of actual rental costs for lower income families.

As of October 1, 2007, the 2008 Fair Market Rent for a 2-bedroom rental in Okaloosa County was \$769. It was \$655 in Walton County, making an average for the Workforce Region 2 of \$712 (U.S. Dept. of Housing and Urban Development, 2007). Given the relative population differences in the counties and factoring in the higher cost of living nearer the coast, we determined that using the Okaloosa County FMR was more reflective of the rental costs in the area. The Section 8 housing voucher program from HUD, which reduces a family's rental costs, was not considered since the self-sufficiency budget is premised on survival without government assistance.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Housing Rent	- 684	769	769	769	769	769	769

Food Cost

Both the previous study and the Standard make use of United States Department of Agriculture (USDA) Food Plans. USDA estimates the cost of consuming a nutritious diet, as defined by the 2005 Dietary Guidelines for Americans (U.S. Department of Health and Human Services & USDA, 2005) for a family of four eating at home, at four expenditure levels: the Thrifty Food Plan (TFP) and the Low-Cost, Moderate-Cost, and Liberal Food Plans. Each plan is a representative and healthful diet and provides a cost estimate for food. The TFP cost level serves as the basis for the maximum food stamp allotment, and the market basket produced from the TFP is used to adjust the allotment for inflation, using the Consumer Price Indexes for

food. The Low-Cost Plan is used by bankruptcy courts to set food budgets and by the U.S. Department of State to set a food allowance for visiting students. The U.S. Department of Defense uses the Liberal Plan to set the Basic Allowance for Subsistence rate for all service members.

Because the basic premise behind development of a self-sufficiency budget is to determine the amount of money necessary to be self-sufficient without government assistance, we used the USDA Low-Cost Food Plan to estimate food costs for each of the demographics.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Food	200	307	423	520	520	636	636

Health Care Costs

The earlier study utilized Blue Cross/Blue Shield insurance premium rates for adults and Florida Kid Care for children. No additional out-of-pocket medical costs were calculated. The Standard assumes employer- provided health insurance coverage, with workers paying 21% or 30% of the premium (average Florida cost from Medical Expenditure Panel Survey (MEPS) adjusted by the Medical Consumer Price Index) plus MEPS out-of-pocket costs adjusted by region and the Medical CPI.

The 2006 Current Population statistics for the state of Florida indicate that approximately 21 percent of the state population is uninsured. Of the 79 percent who are insured, only 63 percent had private health insurance (the remaining had some form of government provided insurance). And of those 63 percent, 84 percent had employer-provided insurance. Or in other words, only about 33 percent of the total population has employer-provided health insurance. Thus we cannot necessarily assume that a family has employer provided insurance in Florida.

The present study assumes no employer sponsored insurance coverage; and uses Florida Health Plan One quotes for a 30 year old adult female with a \$7,500 annual deductible, children aged 2 and 4 years old; and IRS National Standards for Out-of-Pocket Healthcare cost for those less than 65 years of age in calculating monthly health care costs. Florida Kid Care was not used in calculating child insurance coverage as it is a government program and the budget is based on surviving without government assistance.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Health Care	117	200	283	352	352	379	379

Child Care Costs

The prior study utilized information from the Okaloosa Walton Child Care Services which included an average cost of care based on local market studies. This data is more precise than that of the Standard, which used a market rate survey of full-time child care rates conducted in September 2001 by Florida Partnership for School Readiness.

For the present study, an average of the weekly rates charged by different types of facilities was calculated using the most current data from Okaloosa Walton Child Care Services.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Child Care	0	472	992	472	0	992	0

Transportation Costs

The prior study and the Standard use widely varying techniques to create formulas for estimating transportation costs. The prior study used the 2000 Census mean travel time to work, 2001 National Household Travel Survey (NHTS) conducted by the U.S. Department of Transportation, IRS cost-per mile - calculated using the average vehicle mileage NHTS minus mileage for social and recreational driving (29% of the total). For a two parent family the

calculation included the above mileage for the first vehicle and the work mileage only (which is 32% of annual mileage) for the second vehicle. For single individuals, the calculation included 85% of the average mileage for non-recreational purposes.

The Standard's data for private transportation costs was based on the costs of owning and operating an average car (or two cars, if there are two adults). The costs included the fixed costs of owning a car (including a car payment, fire and theft insurance, property damage and liability, license, registration, taxes, repairs, and finance charges), as well as monthly variable costs (e.g., gas, oil, tires, and maintenance), but did not include the initial cost of purchasing a car. The data used were Consumer Expenditure Survey data for families in the region in the second quintile (those whose incomes are between the 20th and 40th percentile); Florida average insurance costs (ratio); and AAA Your Driving Costs for per mile variable costs.

The assumption that private vehicles are required seems reasonable as public transportation is not a factor in Okaloosa and Walton counties. Additionally, both methods for calculating vehicle ownership costs make sense. The present study uses the formulas from the prior study with the new IRS mileage reimbursement rate of 58.5 cents per mile, which includes insurance and is comparable to AAA Your Driving Costs in per mile variable costs. These are:

For a single individual: [71% of the average annual VMT (Vehicle Miles Traveled) x IRS 2005 cost per mile rate] x 85% /12 (to get monthly budget amount).

For a single parent: [71% of the average annual VMT x IRS 2008 cost per mile rate] /12

For a two-parent family: [71% of the average annual VMT x IRS 2008 cost per mile rate] + [32% of the average annual mileage VMT x IRS 2008 cost per mile rate] /12

The purchase price of a car or monthly car payments is not included in the estimate.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Transportation	362	426	426	618	618	618	618

Miscellaneous Costs

Both the prior study and the Standard use 10 percent of other costs to estimate miscellaneous expenses. These include the cost of regularly purchased items such as clothing, personal care, telephone cost, banking fees and household items, such as diapers and cleaning products, but does not allow for recreation, entertainment or savings. However, the conservative nature of selecting this percentage is acknowledged in both studies, and the Standard notes that other basic needs budgets use 15 percent of other costs for miscellaneous expenses.

Prices of all of the items in the miscellaneous category are rising. Additionally, the Florida cost of living price index, which uses 100 to represent the state average, indicates that in the personal goods and services category, both Okaloosa and Walton counties are over 98 – at 98.53 and 98.23 respectively. This indicates that the cost of these items within the counties is not significantly cheaper than the rest of the state. Additionally, unlike food items, these items are subject to Florida sales tax. Given these factors, the present study estimates miscellaneous costs at 15 percent of other costs.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Miscellaneous Expenses	204	326	434	410	339	509	360

Taxes

Both the prior study and the Standard included tax burdens in their calculations of a self-sufficiency wage. The prior study calculations for taxes were completed after all of the other

budget components were in place. For each family demographic, taxes were calculated using the 2005 tax tables (www.irs.gov) and adding 7.65% for payroll taxes. Earned Income Tax Credit (EITC), and child care, and child tax credits were included in the calculation. In the Standard, sales taxes were calculated on the cost of “miscellaneous” items; an effective federal tax rate of 7% to 10% was used for most family types; payroll taxes for Social Security and Medicare were calculated at 7.65% of each dollar earned; and the calculation included federal tax credits (EITC; child care; child tax).

The present study uses payroll taxes, the 2007 tax tables from the IRS and calculates the appropriate tax credit for each family type.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Income and Payroll Taxes	307	737	562	701	583	885	637
Earned Income Tax Credit	0	-238	0	0	0	0	-393
Child Care Tax Credit	0	-71	-107	-67	0	-113	0
Child Tax Credit	0	-83	-167	-83	-83	-167	-167

The Final Budget

The following budgets and wage levels result from the various calculations discussed previously. Income was calculated with an annual total and broken down by a monthly salary and an hourly wage. When all of the hourly wages are averaged, the estimated average self-sufficiency wage rate is \$15.14 per hour.

Monthly cost	Single Adult	Adult + preschooler	Adult Female + toddler & preschooler	2 adults + preschooler (both work)	2 adults + preschooler (one works)	2 adults + toddler & preschooler (both work)	2 adults + toddler & preschooler (one works)
Housing - Rent	684	769	769	769	769	769	769
Food	200	307	423	520	520	636	636
Health Care	117	200	283	352	352	379	379
Child Care	0	472	992	472	0	992	0
Transportation	362	426	426	618	618	618	618
Subtotal	\$ 1,363	\$ 2,174	\$ 2,893	\$ 2,731	\$ 2,259	\$ 3,394	\$ 2,402
Miscellaneous Expenses	\$ 204	\$ 326	\$ 434	\$ 410	\$ 339	\$ 509	\$ 360
Income and Payroll Taxes	307	737	562	701	583	885	637
Earned Income Tax Credit	0	-238	0	0	0	0	-393
Child Care Tax Credit	0	-71	-107	-67	0	-113	0
Child Tax Credit	0	-83	-167	-83	-83	-167	-167
Self-sufficiency wage Rent							
-Hourly	\$10.81	\$16.42	\$20.86	\$10.65 per adult	\$17.87	\$13.00 per adult	\$16.38
- Monthly	\$1,874	\$2,846	\$3,616	\$3,692	\$3,098	\$4,507	\$2,839
- Annual	\$22,493	\$34,151	\$43,390	\$44,299	\$37,178	\$54,086	\$34,071

Summary

As stated in the prior study, calculating a local self-sufficiency budget is not an exact science. Variations exist and changing economic and social conditions require us to regularly rethink our calculation methods. The above study attempts to paint as accurate picture as possible of the wage needed currently in order to be self sufficient in Okaloosa and Walton counties.

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