

THE SELF-SUFFICIENCY STANDARD FOR OKLAHOMA

Press Statement of Diana Pearce

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The Self-Sufficiency Standard for Oklahoma

Today we are releasing the 2009 Update of the Self-Sufficiency Standard for Oklahoma (a previous report was released in 2002). The Self-Sufficiency Standard is a measure of income adequacy that gives detailed information on what it costs to live in different parts of Oklahoma, for families with different compositions. Today, I will briefly describe what the Self-Sufficiency Standard is, how it differs from other poverty measures, how it is calculated, some of the findings for Oklahoma, and finally, the implications of this report for Oklahoma. More detail on all of the topics can be found in the report itself.

What is the Self-Sufficiency Standard?

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

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

While the Federal Poverty Level (FPL) was designed over four decades ago to measure poverty, it is now outdated and inadequate.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

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

child care, food, health care, transportation, and taxes—to determine what is a minimally adequate income for a given family, in a given place.

- ***The SSS Varies Geographically:*** With the exception of Hawaii and Alaska, the FPL is the same everywhere in the country—the same number in New York City as in Jackson, MS. In contrast, the Standard *varies geographically*, not only by state, but also by *county*, reflecting the real variation in the cost of living. The Self-Sufficiency Standard for Oklahoma has been calculated for all 77 counties in Oklahoma plus the City of Tulsa.
- ***The SSS Varies by the Age as well as Number of Children:*** The FPL assumes the same costs for all children, regardless of age. The Self-Sufficiency Standard varies costs based on the age of children, which is particularly important for child care, as well as health care and food costs.

How is the Self-Sufficiency Standard Calculated?

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

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

What are the Results for Oklahoma?

The Self-Sufficiency Standard varies by family type and location. For a single adult, to meet his/her needs at a minimum level requires at least \$7.27 per hour (\$15,350 annually) in Grady County, but at least \$9.23 per hour (\$19,497 annually) in Tulsa County (City of Tulsa and Suburbs).

However, families with children require substantially more resources. The amount needed by a single parent with a preschooler ranges from a low of \$11.42 per hour (\$24,111 annually) in Grady County to a high of \$16.54 per hour (\$34,933 annually) in Tulsa County (City of Tulsa and Suburbs). The Self-Sufficiency Wage for a two-parent working family with a preschooler and a schoolage child ranges from a low of \$8.41 per hour for each parent (\$35,515 annually) in Grady County, to a high of \$11.10 per hour for each parent (\$46,868 annually) in Tulsa County (City of Tulsa and Suburbs).

Generally child care and housing costs account for the largest percentage of budget costs for families with children, often accounting for over half of the budget. For instance, for a family with one adult, one preschooler and one schoolage child in Comanche County, child care accounts for 27% of their costs, while housing is 22%. Food and health care account for 19% and 14%, respectively.

A family with one adult, one preschooler and one schoolage child in Cleveland County requires \$34,817 to be self-sufficient. However, when we compare this amount to other income benchmarks, we see that:

- Welfare (Temporary Assistance for Needy Families) plus food assistance (Supplemental Nutrition Assistance Program/Food Stamps and WIC) only covers 30% of the family’s basic needs;

- A full-time minimum wage job (subtracting taxes and adding tax credits) only provides 64% of the amount needed to be self-sufficient;
- Similarly, the Federal Poverty Level is set at only 53% of the amount necessary to meet this family's needs; and
- At the same time, the Standard is about 66% of median family income of \$52,700 for a three-person family in Cleveland County. (Note that the U.S. Department of Housing and Urban Development designates those with incomes between 50% and 80% of the median area income as "low income" and eligible for housing assistance.)

How Does Oklahoma City Compare to Other Places?

The study compared the cost of living in Oklahoma City for a single adult with a preschooler and a schoolage child to ten other cities. For the family type compared for the study, Oklahoma City (\$16.74) is the fifth most affordable city, following Richmond, VA (\$15.22), Jackson, MS (\$15.12), Portland, OR (\$14.97), and New Orleans, LA (\$14.60). The cost of living in Oklahoma City is less than Sioux Falls, SD (\$17.35), Nashville, TN (\$17.82), Atlanta, GA (\$18.59), Springfield, IL (\$18.88), Denver, CO (\$19.60), and Cleveland, OH (\$20.36).

How Have Costs Increased Overtime in Oklahoma?

The Self-Sufficiency Standards in Oklahoma have risen significantly between 2002 and 2009 for most family types and in most counties. For example, the Self-Sufficiency Standard for a single adult with a preschooler and a schoolage child increased 26% between 2002 and 2009 in Custer County. The increase in the Self-Sufficiency Standards is a result of rising costs, especially health care premiums, which have increased by over 50% in many Oklahoma counties.

What is the Impact of Work Supports?

While the Self-Sufficiency Wage may accurately reflect the actual amount needed for a particular family type in a particular area, it is not realistic to expect that all parents are able to earn their Self-Sufficiency Wage, especially if they are newly entering or re-entering the workforce or leaving welfare. Throughout Oklahoma, in both urban and rural counties, Self-Sufficiency Wages for families are higher than the current federal minimum wage of \$7.25, some of them considerably higher. *However, work supports such as child support, child care assistance and the Supplemental Nutritional Assistance Program (SNAP) can help families meet their needs, especially families with young children.*

We modeled several work supports for a single parent family with one preschooler and one schoolage child living in Payne County and found that:

- If transitioning off welfare, this family can typically qualify for child care assistance, SNAP (formerly food stamps), and Medicaid, which reduces their wage to \$9.37 per hour.
- As this family type transitions from Medicaid (which covers adults as well as children) to SoonerCare, Oklahoma's Children's Health Insurance Program (CHIP), the needed wage increases to \$11.14.
- If this family receives housing assistance, child care assistance, SNAP/WIC, and health care, the wages required to meet basic needs is cut nearly in half—from \$15.27 to \$9.12 per hour.

Looked at another way, a single parent family with one preschooler and one schoolage child in Payne County, working at the 2009 federal minimum wage of \$7.25 per hour, has a "wage adequacy" of only 45%,

that is, earnings only cover 45% of the costs of basic needs. With the help of child care assistance, however, this wage now covers 57% of what is needed. Adding SNAP, WIC, and SoonerCare (CHIP) increases the adequacy of a minimum wage job to 81%, and adding housing assistance (in addition to child care assistance, SNAP, WIC and CHIP) increases it to 101%.

Conclusion

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

For further information about how the Standard is calculated or the findings, please contact Dr. Diana Pearce, at 206-616-2850 (W), 206-852-3759 (cell), or at pearce@u.washington.edu