



Self-Sufficiency Standard for Colorado: A Family Needs Budget

Frequently Asked Questions and Answers

Q: What is the Self-Sufficiency Standard for Colorado?

A: The *Self-Sufficiency Standard for Colorado* defines the income working families require to meet their basic necessities without public or private assistance. The Standard is calculated for 70 different family types in 63 Colorado counties.

Q: How is the *Self-Sufficiency Standard* different from the *Colorado Family Needs Budget*?

A: The main difference between the two reports is that the Standard is larger in scope -- it calculates budgets for all 63 counties and 70 family types. The Standard also uses more recent data -- from 2000 and 2001, whereas the *Family Needs Budget* used 1999 data.

Q: What are considered to be basic needs in the Self-Sufficiency Standard?

A: The Standard includes the basic needs of *working* families. Those needs are identified as: Housing, Child Care, Food, Transportation, Health Care, Miscellaneous (telephone, clothing, household items). Taxes and applicable tax credits such as the state and federal EITC, and state and federal Child Tax Credit and Child Care Tax Credit are also included in calculating the Standard.

Q: How is the Self-Sufficiency Standard different from the Federal Poverty Level?

A: The federal poverty level (FPL) is a 4-decades-old calculation based the cost of food. The Standard is based on the costs of all basic needs of a working family, plus taxes and tax credits. The Standard, unlike the Federal Poverty Level, varies not only by number of children, but also by the age of the children. This is important because certain costs, such as child care vary with children's ages. The FPL is indexed for inflation every year while the Standard can be updated yearly allowing the cost of each basic need to increase at its own rate. Finally, the Standard is more geographically specific than the FPL – it varies by state and by county.

Q: How is the Self-Sufficiency Standard calculated?

A: First, the basic costs are added for each family type (which vary by number and age of children, and by number of adults) in each county or metropolitan statistical area. Ten percent of this total is added to account for miscellaneous costs. Second, taxes and tax credits are calculated using formulas that are specific with regard to state income and sales tax. Finally, the total income is checked for certain assumptions in the model – such as whether the proper Child Care Tax Credit rate has been used – and adjusted.

Q: Aren't the Self-Sufficiency Wages "Too High"?

A: No. Because the Self-Sufficiency Standard is calculated using the real costs of goods and services purchased in the regular marketplace, it reflects the real expenses consumers face. The Standard is a no-frills budget that does not allow for entertainment, any type of carry out or fast food (not even a pizza), or emergency expenses such as car repairs. Obviously, many families lack a Self-Sufficiency level income and manage to survive. If they do, however, it means that they are getting help meeting their needs with public or private subsidies, and/or they are foregoing one or more needs – using less desirable child care, doubling-up or living in substandard housing, obtaining free food or doing without, or not obtaining needed medical care.

Q: Isn't the Self-Sufficiency Standard Unrealistic for Most Welfare Recipients Entering Employment?

A: No, the Self-Sufficiency Standard sets a goal for welfare recipients. Achieving self-sufficiency is a process which involves not just finding a job with certain wages and benefits, but achieving income security over time. There are several ways – separately or in combination – that welfare recipients can achieve self-sufficiency. First, they can receive temporary subsidies until either their wages increase, or as is the case for child care, their needs decrease. (By definition, preschool children will age out of need for full-time care in just a few years.) Second, they can obtain training and/or education that will prepare them for high-wage jobs. Third, they can combine low-wage jobs with self-employment initiatives.

Q: Do You Expect Employers to Pay Workers These Wages?

A: Not entirely. Employers are only one of several stakeholders that have a role in ensuring that families have incomes sufficient to cover their costs. The government has a role in ensuring that job training and education, as well as work supports like child care, are affordable and accessible to families. Individuals are responsible for taking advantage of opportunities to invest in themselves and their potential. And finally, employers are responsible for paying decent wages and providing benefits, such as health insurance, transportation assistance, and retirement to their workers.

Q: How Can the Self-Sufficiency Standard be Used?

A: The Standard can be used in several ways: to establish a benchmark for creating and measuring the effects of programs and policies; to demonstrate the impact of policy alternatives; to target higher-wage jobs; to enhance education, job training and skills development programs; and to counsel clients transitioning from welfare and in workforce development programs.

Examples: In Massachusetts the Standard has been used to evaluate whether welfare reform is really working. Family incomes were compared to the wages in the *Self-Sufficiency Standard for Massachusetts* revealing that while three-quarters of families in the state are making wages higher than the Standard, one-quarter of Massachusetts families are not. The *Self-Sufficiency Standard for Pennsylvania* was used to assess how increasing child care co-payments change a family's ability to cover its costs.

Q: How Did You Decide Which Costs to Include?

A: Over the years, the Bureau of Labor Statistics produced various “family budgets” for the urban worker, based on the prices of various items such as food, clothing, and housing. More recently, experts with the National Academy of Sciences proposed a new poverty measure that included a list of costs based on a more comprehensive set of needs than just food. A number of academics, such as Trudi Renwick and Barbara Bergmann (*The Basic Needs Budget*), and Patricia Ruggles (*Drawing the Line*) have also proposed various alternative approaches. These proposals and budgets, reflecting changing family composition and increased employment of mothers, add to the basics – food, housing, and clothing – such needs as child care, medical care, transportation, and taxes.

The *Self-Sufficiency Standard for Colorado* was written for the Colorado Fiscal Policy Institute by Diana Pearce, PhD at the University of Washington and Wider Opportunities for Women.

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