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Economy

Budget gap widens for R.I. families

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PROVIDENCE – To meet basic needs in Rhode Island without any government subsidies, a single parent would have to earn at least three times the federal poverty level, according to a report today by The Poverty Institute.

Basic annual costs for one adult and two children – one a toddler, one school-aged – amount to \$47,352 per year, the research and policy group said. To achieve that take-home pay, a single parent would have to earn at least \$52,800, or 300 percent the federal poverty level of \$17,600.

A two-parent family in Rhode Island – with two adults and the same two children – needs \$52,188 per year to meet “no-frills” expenses, The Poverty Institute found. To bring home that much money without government subsidies, the parents would have to earn at least \$58,300, or 275 percent of the federal poverty level of \$21,200.

A single Rhode Islander with no children needs to bring home \$20,280 per year to meet the same basic expenses. That means he or she must earn at least \$20,800 per year, or two times the federal poverty level for a family of one.

The Poverty Institute report designates the income level currently needed to meet those basic expenses, for each type of family, its 2008 Rhode Island Standard of Need (RISN).

The RISN includes housing costs, but not moving expenses or first and last month’s rent, The Poverty Institute noted. It assumes parents have access to employer-sponsored and -subsidized insurance. And it covers “moderate” food in the home, but not meals outside the home. “While essentials such as phone, clothing, shoes and paper products are accounted for, the RISN does not include the cost of child enrichment activities like school trips, participation in team sports, music or art lessons,” the group added. “Finally, the RISN does not include any funds for vacations, birthdays, holidays or other special occasions.”

Families with incomes below the RISN face a big budget gap, the group found.

A single adult earning minimum wage for a 40-hour week makes too much money to qualify for the Earned Income Tax Credit or Food Stamps, the institute said. And without

children, he or she is not eligible for any health-care subsidy. But that adult's take-home pay will fall short of basic needs by nearly \$600 per month.

For a two-parent family earning less than \$38,160 per year – 180 percent of the federal poverty line – “work supports [child care and health-insurance subsidies] help narrow, but do not close, the gap between earnings and expenses,” The Poverty Institute said. But parents who earn more than that lose the child-care aid and are left facing a monthly gap of as much as \$1,179.

For single-parent families, the situation is even more dire. A man or woman with two young children who earns \$14.81 per hour – \$30,800 per year, or 175 percent of the official poverty level – comes up \$48 short each month, even after health and child-care supports. But if the parent gets an 84-cent-per-hour raise, to 185 percent of the poverty level, his or her family loses those supports and faces a budget gap of \$1,114 per month.

The results, the group said, underline the need for “a realistic standard for measuring the economic well-being of families and single adults,” to replace the “seriously outdated” federal poverty level. They also emphasize the importance of such “work supports” in keeping parents in the work force.

“The shrinking safety net has caused the basic needs budgets for low- and modest-income families to go from black to red,” Kate Brewster, executive director of The Poverty Institute, said in a statement today. “Today, work supports narrow but no longer close the gap between earnings and expenses.”

“Ensuring that families have access to affordable child care and health care is critical, especially in these harsh economic times.”

The Poverty Institute, located at the Rhode Island College (RIC) School of Social Work in Providence, is a nonpartisan research and policy group that promotes budget and tax policies that are “equitable and adequate to fund vital public services” and defends the economic security of low- and modest-income Rhode Islanders. Additional information – including today’s 13-page report, “The 2008 Rhode Island Standard of Need,” based on an analysis that assumes a 40-hour work week for each adult – is available at [Uwww.PovertyInstitute.org](http://www.PovertyInstitute.org).