

## **'Basic needs' strain families**

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**By Lynn Arditi**

**Journal Staff Writer**

It may come as no surprise that Rhode Island families who live entirely on public assistance cannot make ends meet. What's less well known is the financial plight of families who earn too much to qualify.

Some families may find they are actually worse off financially when their earnings rise because they lose government subsidies such as child care, according to a report released yesterday by The Poverty Institute at Rhode Island College.

For example, the report's authors calculated that a two-parent family of four with pretax household income of \$50,000 a year will wind up short \$586 each month after paying all of their basic expenses. The same family's shortfall would shrink to \$167 a month if their earnings dipped to \$45,000 a year, the report shows.

The reason — the family that earned more lost their subsidized child care.

The Poverty Institute reports that child-care costs can consume nearly one-third of a family's budget, with the cost of infant care running ahead of the price of public college tuition.

"The amount a family needs to earn to meet these expenses depends largely on whether the family is eligible to receive work supports, including tax credits and subsidies for child care and health care," Kate Brewster, executive director of the Poverty Institute, said in a statement read at a State House news conference. "Families earning close to poverty-level wages can't make ends meet even with these supports."

The report concluded that with no government subsidies, a two-parent family of four needs gross earnings of about \$60,000 a year to meet basic expenses. The same holds true, the report said, for single-parent families with young children, who represent a growing proportion of households unable to make ends meet.

The Rhode Island Standard of Need report, published every two years, aims to show the cost to families and single adults for such "basic necessities" as housing, food, transportation, child care and other daily expenses. The state "standard of need" used in the report includes housing, health care and child care — expenses not accounted for in the federal poverty level, which was developed in the 1960s and measured poverty based on the cost of food.

The rising cost of health care and housing, plus wages that have remained basically flat in the state for the last five years, all have exacerbated the problem for households attempting to meet basic needs. For example, the rent for a two-bedroom apartment during the last three years rose 42 percent, according to data from the federal Department of Housing and Urban Development.

Child-care assistance and RIte Care/RIte Share medical assistance premiums and copays also have gone up. "We know about 150 families fall off of RIte Care every month," said Ellen Frank, senior economist at The Poverty Institute, "because they can't keep up with the monthly premiums."

The problem of families losing their child-care subsidies when their earnings rise is a problem that poverty advocates had hoped to overcome in the years after the 1998 passage of the state's Welfare-to-Work legislation, said Frank.

"When welfare was reformed, the intent was to help parents get into the work force and certainly child-care subsidies were a huge part of the equation," Frank said. "The original goal was to have people eligible up to 250 percent [of the federal poverty level] or \$50,000 a year for a family of four. But that goal was never realized."

Instead, the state's child-care subsidies are frozen at 225 percent of the poverty level, which means that if a family of four earns more than \$45,000 a year, they don't qualify. So a two-parent family of four earning \$50,000 winds up paying the full freight for child care, estimated at \$1,283 per month, rather than the subsidized rate of \$563 per month if they'd earned \$45,000.

State subsidies appear to work best for families earning about \$30,000 a year. Those lower-income families who are eligible for public assistance — including the earned-income tax credit, RIte Care health insurance and child care subsidies — can meet their basic needs, the report found.

The full report can be viewed at The Poverty Institute's Web site at:  
<http://www.povertyinstitute.org/matriarch/default.asp>