
METHODOLOGY REPORT

ASSUMPTIONS & DATA SOURCES USED IN THE
SELF-SUFFICIENCY STANDARD TO CALCULATE
TRUE POVERTY LEVEL FOR NEW JERSEY in 2019

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NOTE: The Poverty Research Institute of Legal Services of New Jersey inflation-adjusted all data in the study to 2019 using Bureau of Labor Statistics' (BLS) Consumer Price Index.

PREFACE

This methodology report outlines the methodology, assumptions, and data sources in *The Self-Sufficiency Standard for New Jersey 2017*. This measure calculates how much income a family must earn to meet basic needs, with the amount varying by family composition and county. The Standard is a tool that can be used in a variety of ways—by clients of workforce and training programs seeking paths to self-sufficiency, by program managers to evaluate program effectiveness, and by policymakers and legislators seeking to create programs and pathways that lead to self-sufficiency for working families.

The Self-Sufficiency Standard for New Jersey 2017 is the sixth calculation of this data. The Standard for New Jersey has been previously published in 1999, 2002, 2005, 2008, and 2011. As with all Self-Sufficiency Standard reports, this one was authored by Dr. Diana M. Pearce and produced by the Center for Women’s Welfare at the University of Washington. This report, plus tables providing county-specific information for over 700 family types, is available online at www.selfsufficiencystandard.org/new-jersey and www.lsnj.org.

Over the past 20 years the Standard has been calculated in 38 states as well as the District of Columbia and New York City. Its use has transformed the way policies and programs for low-income workers are structured and has contributed to a greater understanding of what it takes to have adequate income to meet one’s basic needs in the United States. For further information about any of the other states with the Standard, including the latest reports, the Standard data itself, and related publications such as demographic reports (which analyze how many and which households are above and below the Standard), please see www.selfsufficiencystandard.org. Questions can be directed to Lisa Manzer with the Center at (206) 685-5264/lmanzer@uw.edu, or the report author and Center Director, Dr. Diana Pearce, at (206) 616-2850/pearce@uw.edu.

Dr. Diana Pearce developed the Self-Sufficiency Standard while she was the Director of the Women and Poverty Project at Wider Opportunities for Women (WOW). The Ford Foundation provided funding for the Standard’s original development. *The Self-Sufficiency Standard for New Jersey 2017* has been prepared through the cooperative efforts of Lisa Manzer, Lisa Mikesell, and Karen Segar at the University of Washington, Center for Women’s Welfare.

A number of other people have also contributed to the development of the Standard, its calculation, and the writing of state reports over the past 20 years. Jennifer Brooks, Maureen Golga, and Kate Farrar, former Directors of Self-Sufficiency Programs and Policies at WOW, were key to the early development of initiatives that promoted the concept of self-sufficiency and the use of the Standard, and were instrumental in facilitating and nurturing state coalitions. Additional past contributors to the Standard have included Laura Henze Russell, Janice Hamilton Outtz, Roberta Spalter-Roth, Antonia Juhasz, Alice Gates, Alesha Durfee, Melanie Lavelle, Nina Dunning, Maureen Newby, and Seook Jeong. The conclusions and opinions contained within this document do not necessarily reflect the opinions of those listed above. Any mistakes are the author’s responsibility.

THE SELF-SUFFICIENCY STANDARD FOR NEW JERSEY 2017

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ASSUMPTIONS AND DATA SOURCES FOR THE NEW JERSEY STANDARD

The Self-Sufficiency Standard for New Jersey 2017 defines the amount of income necessary to meet the basic needs of New Jersey families, differentiated by family type and where they live. The Standard calculates the costs of six basic needs plus taxes and tax credits. It assumes the full cost of each need, without help from *public* subsidies (e.g., public housing, Medicaid, or child care assistance) or *private/informal* assistance (e.g., unpaid babysitting by a relative or friend, food from food banks, or shared housing). This methodology report explains the assumptions and data sources used to calculate *The Self-Sufficiency Standard for New Jersey 2017*.

We begin with a discussion of our general approach, followed by the specifics of how each cost is calculated, ending with a list of data sources. Making the Standard as consistent and accurate as possible, yet varied by geography and the age of children, requires meeting several different criteria. To the extent possible, the data used in the Self-Sufficiency Standard are:

- Collected or calculated using standardized or equivalent methodology nationwide
- Obtained from scholarly or credible sources such as the U.S. Census Bureau
- Updated regularly
- Geographically and age specific

Costs that vary substantially by place, such as housing and child care, are calculated at the most geographically specific level for which data are available. Other costs, such as health care, food, and transportation, are varied geographically to the extent there is variation and appropriate data available. In addition, as improved or standardized data sources become available, the methodology used by the Standard is refined accordingly, resulting in an improved Standard that is comparable across place as well as time.

The Self-Sufficiency Standard assumes adult household members work full time and therefore includes all major costs associated with employment for every adult household member (i.e., taxes, transportation, and child care for families with young children). The Self-Sufficiency Standard does not calculate costs for adults with disabilities or elderly household members who no longer work. It should be noted that for families with persons with disabilities or elderly family members there are costs that the Standard does not account for, such as increased transportation and health care costs.

The Standard assumes adults work eight hours per day for 22 days per month and 12 months per year. Each cost component in the Standard is first calculated as a

monthly cost. Hourly and annual Self-Sufficiency Wages are calculated based on the monthly Standard by dividing the monthly Self-Sufficiency Standard by 176 hours per month to obtain the hourly wage and multiplying by 12 months per year to obtain the annual wage.

The Self-Sufficiency Standard differentiates costs by the number of adults plus the number *and* age of children in a family. The four ages of children in the Standard are: (1) infants—0 to 2 years old (meaning 0 through 35 months), (2) preschoolers—3 to 5 years old, (3) school-age children—6 to 12 years old, and (4) teenagers—13 to 18 years old.

The 2017 edition of the New Jersey Self-Sufficiency Standard is calculated for over 700 family types. The family types include all one, two, and three adult families with zero to six children and range from a single adult with no children, to one adult with one infant, one adult with one preschooler, and so forth, up to three-adult families with six teenagers.^a Additionally, Standards are calculated based on a weighted average cost per child for families with one, two, and three adults with seven to ten children and families with four to ten adults with zero to ten children.

All adults in one- and two-adult households are working full time. For households with more than two adults, it is assumed that all adults beyond two are non-working dependents of the first two working adults, as household composition analysis has shown that a substantial proportion of additional adults are under 25, often completing school, unemployed, or underemployed.^b The main effect of this assumption is that the costs for these adults do not include transportation (but do include all other costs such as food, housing, health care, and miscellaneous).

The cost components of *The Self-Sufficiency Standard for New Jersey 2017* and the assumptions included in the calculations are described below.

HOUSING

The Standard uses the most recent fiscal year Fair Market Rents (FMRs), calculated annually by the U.S. Department of Housing and Urban Development (HUD), to calculate housing costs for each state's metropolitan and non-metropolitan areas, and are used to determine the level of rent for those receiving housing assistance through the Housing Choice Voucher Program. Section 8(c)(1) of the United States Housing Act of 1937 (USHA) requires the Secretary to publish Fair Market Rents periodically, but not less than annually, to be effective on October 1 of each year. Housing

costs in the 2017 New Jersey Self-Sufficiency Standard are calculated using the FY2017 HUD Fair Market Rents.

The FMRs are based on data from the 1-year and 5-year American Community Survey, and are updated for inflation using the Consumer Price Index. The survey sample includes renters who have rented their unit within the last two years, excluding new housing (two years old or less), substandard housing, and public housing. FMRs, which include utilities (except telephone and cable), are intended to reflect the cost of housing that meets minimum standards of decency. In most cases, FMRs are set at the 40th percentile; meaning

40% of the housing in a given area is less expensive than the FMR.³ All of New Jersey's FMRs are set at the 40th percentile except those in the Bergen-Passaic, NJ MSA, and the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA, which are set at the 50th percentile.

The FMRs are calculated for Metropolitan Statistical Areas (MSAs), HUD Metro FMR Areas (HMFAs), and non-metropolitan counties. The term MSA is used for all metropolitan areas. HUD calculates one set of FMRs for an entire metropolitan area. In New Jersey there are five MSAs with more than one county sharing the same FMR: Bergen-Passaic, NJ MSA, Middlesex-Somerset-Hunterdon, NJ HUD Metro FMR Area, Monmouth-Ocean, NJ HUD Metro FMR Area, Newark, NJ HUD Metro FMR Area, and the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA. Because HUD only calculates one set of FMRs for each of these metropolitan areas, we used HUD's Small Area Fair Market Rents (SAFMR) to create county variation to adjust the metropolitan FMR. A Census zip code to county relationship file was used to weight SAFMR by county and by MSA.

To determine the number of bedrooms required for a family, the Standard assumes that parents and children do not share the same bedroom and no more than two children share a bedroom. Therefore, the Standard assumes that single persons and couples without children have one-bedroom units, families with one or two children require two bedrooms, families with three or four children require three bedrooms, and families with five or six children require four bedrooms. Because there are few efficiencies (studio apartments) in some areas, and their quality is very uneven, the Self-Sufficiency Standard uses one-bedroom units for the single adult and childless couple.

Housing Costs: U.S. Department of Housing and Urban Development, "Schedule B: FY 2017 Fair Market Rents for Existing Housing," Data Sets, Fair Market Rents, <http://www.huduser.org/portal/datasets/fmr.html> (accessed September 8, 2016).

County Index: U.S. Department of Housing and Urban Development, "FY2017 Small Area FMRs (Based on Final

FY2017 Metropolitan FMRs)," Datasets, Fair Market Rents, https://www.huduser.gov/portal/datasets/fmr/fmr2017/final_fy2017_hypothetical_safmrs.xlsx (accessed August 30, 2016).

Population Weights: U.S. Census Bureau, "2010 ZCTA to County Relationship File," Geography, Maps and Data, https://www.census.gov/geo/maps-data/data/zcta_rel_download.html (accessed March 17, 2016).

CHILD CARE

The Family Support Act, in effect from 1988 until welfare reform in 1996, required states to provide child care assistance at market rate for low-income families in employment or education and training. States were also required to conduct cost surveys biannually to determine the market rate (defined as the 75th percentile) by facility type, age, and geographical location or set a statewide rate.^d The Child Care and Development Block Grant (CCDBG) Act of 2014 reaffirms that the 75th percentile is an important benchmark for gauging equal access. The CCDBG Act requires states to conduct a market rate survey every three years for setting payment rates. Data for New Jersey child care costs are from the New Jersey Association of Child Care Resource and Referral Agencies.

Child care rates at the 75th percentile are provided in the 2012 data for both center and family child care by county. Missing data was replaced with data that was imputed using median rates. Rates were updated for inflation using the Consumer Price Index. For the 2017 New Jersey Standard, infant and preschooler costs were calculated assuming full-time care and costs for school-age children were calculated using part-time rates during the school year and full-time care during the summer. Costs were calculated based on a weighted average of family child care and center child care. Since one of the basic assumptions of the Standard is that it provides the cost of meeting needs *without* public or private subsidies, the "private subsidy" of free or low-cost child care provided by older children, relatives, and others is not assumed.

Forty-three percent of infants are in family child care and 57% are in child care centers. These proportions are 26% and 74% respectively, for preschoolers, and 46% and 54% for school-age children.^e

DATA SOURCES

Child Care Rates. The New Jersey Association of Child Care Resource and Referral Agencies "The High Price of Child Care 2013: A Study of the Cost of Child Care in New Jersey." <http://www.ccanj.org/documents/employersPublications/>

The%20High%20Price%20of%20Child%20Care%202013Final.pdf (accessed June 29, 2017).

Inflation: U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Price Index–All Urban Consumers, Northeast Region Average,” Consumer Price Index, CPI Databases, [http:// data.bls.gov/cgi-bin/surveymost?cu](http://data.bls.gov/cgi-bin/surveymost?cu) (accessed June 28, 2017).

FOOD

Although the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program) uses the U.S. Department of Agriculture (USDA) Thrifty Food Plan to calculate benefits, the Standard uses the Low-Cost Food Plan for food costs. While both of these USDA diets were designed to meet minimum nutritional standards, SNAP (which is based on the Thrifty Food Plan) is intended to be only a temporary safety net.^f

The Low-Cost Food Plan costs 25% more than the Thrifty Food Plan, and is based on more realistic assumptions about food preparation time and consumption patterns, while still being a very conservative estimate of food costs. For instance, the Low-Cost Food Plan also does not allow for any take-out, fast-food, or restaurant meals, even though, according to the Consumer Expenditure Survey, the average American family spends about 40% of their food budget on food prepared away from home.^g

The USDA Low-Cost Food Plan costs vary by month and the USDA does not give an annual average food cost; therefore, the Standard follows the SNAP protocol of using June data of the current year to represent the annual average. The New Jersey Standard for 2017 uses data for June 2016.

Both the Low-Cost Food Plan and the Standard’s budget calculations vary food costs by the number and ages of children and the number and gender of adults. The Standard assumes that a single-person household is one adult male, while the single-parent household is one adult female. A two-adult household is assumed to include one adult male and one adult female. Additional adults (greater than two) are calculated using the assumption that the third adult is a female and the fourth adult is a male, with the applicable food costs added for each.

Geographic differences in food costs within New Jersey are varied using *Map the Meal Gap* data provided by Feeding America. To establish a relative price index that allows for comparability between counties, Nielsen assigns every sale of UPC-coded food items in a county to one of the 26 food categories in the USDA Thrifty Food Plan (TFP). The cost to purchase a market basket of these 26 categories is then calculated for each county. Due to a small sample

size, counties with a population less than 20,000 have their costs imputed by averaging them with those of the surrounding counties.^h A county index is calculated by comparing the county market basket price to the statewide average cost of food in New Jersey. The county index is applied to Low-Cost Food Plan.

DATA SOURCES

Food Costs: U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, “Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, June 2016,” [http:// www.cnpp.usda.gov/sites/default/files/ CostofFoodJun2016.pdf](http://www.cnpp.usda.gov/sites/default/files/CostofFoodJun2016.pdf) (accessed August 17, 2016).

County Index: Craig Gundersen, Adam Dewey, Amy Crumbaugh, Michael Kato, and Emily Engelhard, Feeding America 2017, “Map the Meal Gap 2017: A Report on County and Congressional District Food Insecurity and County Food Cost in the United States in 2015,” received from research@feedingamerica.org (May 22, 2017).

TRANSPORTATION

PUBLIC TRANSPORTATION. If there is an “adequate” public transportation system in a given area, it is assumed that workers use public transportation to get to and from work. A public transportation system is considered “adequate” if it is used by a substantial percentage of the working population to commute to work. According to a study by the Institute of Urban and Regional Development, University of California, if about 7% of the general public uses public transportation, then approximately 30% of the low- and moderate-income population use public transit.ⁱ The Standard assumes private transportation (a car) in counties where less than 7% of workers commute within county by public transportation. For New Jersey, the Standard examined 2013 1-Year and 2009-2013 American Community Survey 5-Year estimates to calculate the percentage of the county population that commutes within county by public transportation. While three counties have rates of use among commuters that meet the 7% threshold (Essex, Hudson, and Passaic), only Essex and Hudson are calculated using public transportation costs in the Standard.^j Public transit is not assumed in Passaic County as the transit system is not adequate in North Passaic County. In Essex and Hudson Counties, each adult is assumed to purchase a five-zone monthly bus pass from New Jersey Transit.

PRIVATE TRANSPORTATION. For private transportation, the Standard assumes that adults need a car to get to work. Private transportation costs are based on the average costs of owning and operating a car. One car is assumed for households with one adult and two cars are assumed

for households with two adults. It is understood that the car(s) will be used for commuting five days per week, plus one trip per week for shopping and errands. In addition, one parent in each household with young children is assumed to have a slightly longer weekday trip to allow for “linking” trips to a day care site. Per-mile driving costs (e.g., gas, oil, tires, and maintenance) are from the American Automobile Association. The commuting distance is computed from the 2009 National Household Travel Survey (NHTS). The average round trip commute to work distance in the Philadelphia-Wilmington-Atlantic City metropolitan area (including Atlantic, Cape May, Cumberland, Burlington, Camden, Gloucester, and Salem counties) is 25.48 miles, and in the New York--Northern New Jersey--Long Island metropolitan area (including Ocean, Monmouth, Middlesex, Mercer, Hunterdon, Somerset, Union, Essex, Hudson, Bergen, Passaic, Morris, Sussex, and Warren counties) it is 25.02 miles.

The auto insurance premium is the average premium cost for a given state from the National Association of Insurance Commissioners (NAIC) 2013 State Average Expenditures for Auto Insurance. To create within state variation by county in auto insurance premiums, ratios are created using sample premiums from the New Jersey Department of Banking and Insurance, *2015 Auto Insurance Premium Comparison*. These sample premiums are used to create county-specific ratios for the cost of auto insurance. The state average auto insurance premium is adjusted by a county index calculated from the county specific premium rates for the top market share companies.

The fixed costs of car ownership such as fire, theft, property damage and liability insurance, license, registration, taxes, repairs, monthly payments, and finance charges are also included in the cost of private transportation for the Standard. However, the initial cost of purchasing a car is not. Fixed costs are from the 2014 Consumer Expenditure Survey data for families with incomes between the 20th and 40th percentile living in the Census Northeast region of the U.S. Auto insurance premiums and fixed auto costs are adjusted for inflation using the most recent and area-specific Consumer Price Index.

DATA SOURCES

Public Transportation Use: U.S. Census Bureau, “Table B08101: Means of Transportation to Work,” 2010-2014 American Community Survey 5-Year Estimates, Detailed Tables, [http:// www.factfinder.census.gov](http://www.factfinder.census.gov) (accessed June 9, 2016).

Public Transportation Costs: NJ Transit, “Northern - Intrastate Fare Chart (Northern New Jersey Local Bus Fares),” [http:// www.njtransit.com/pdf/sf_bu_fare_ Local_2015.pdf](http://www.njtransit.com/pdf/sf_bu_fare_Local_2015.pdf) (accessed June 9, 2016).

Auto Insurance Premium: National Association of Insurance Commissioners, “Average Expenditures for Auto Insurance by State, 2009-2013,” Insurance Information Institute, [http:// www.iii.org/fact-statistic/auto-insurance](http://www.iii.org/fact-statistic/auto-insurance) (accessed August 19, 2016).

Auto Insurance Market Share: State of New Jersey Department of Banking and Insurance, “2015 Auto Insurance Consumer Information Report,” [http:// www.state.nj.us/dobi/division_consumers/pdf/autoconsumerrpt15.pdf](http://www.state.nj.us/dobi/division_consumers/pdf/autoconsumerrpt15.pdf) (accessed August 8, 2016).

Fixed Auto Costs: Calculated and adjusted for regional inflation using Bureau of Labor Statistics data query for the Consumer Expenditure Survey. U.S. Department of Labor, Bureau of Labor Statistics, “Other Vehicle Expenses,” Consumer Expenditure Survey 2013, CE Databases, [http:// data.bls.gov/pdq/querytool.jsp?survey=cx](http://data.bls.gov/pdq/querytool.jsp?survey=cx) (accessed August 22, 2016).

County Index: State of New Jersey Department of Banking and Insurance, “2015 Auto Insurance Premium Comparison,” [http:// www.state.nj.us/dobi/division_consumers/insurance/ autopremiumcomparison.htm](http://www.state.nj.us/dobi/division_consumers/insurance/autopremiumcomparison.htm) (accessed August 8, 2016).

Inflation: U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Price Index--All Urban Consumers, U.S. City Average,” Consumer Price Index, CPI Databases, [http:// data.bls.gov/cgi-bin/surveymost?cu](http://data.bls.gov/cgi-bin/surveymost?cu) (accessed July 5, 2017).

Per-Mile Costs: American Automobile Association, “Your Driving Costs,” Behind the Numbers 2015 Edition, AAA Association Communication, [http:// publicaffairsresources.aaa.biz/resources/yourdrivingcosts/index.html](http://publicaffairsresources.aaa.biz/resources/yourdrivingcosts/index.html) (accessed August 22, 2016).

HEALTH CARE

The Standard assumes that an integral part of a Self-Sufficiency Wage is employer-sponsored health insurance for workers and their families. In New Jersey, 70% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance (nationally 64% have employer sponsored health insurance).^k The full-time worker’s employer pays an average of 75% of the insurance premium for the employee and 73% for the family in New Jersey. Nationally, the employer pays 79% of the insurance premium for the employee and 73% of the insurance premium for the family.^l

Health care premiums are obtained from the Medical Expenditure Panel Survey (MEPS), Insurance Component produced by the Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends. The MEPS health care premiums are the average

employment-based health premium paid by a state's residents for a single adult and for a family. In New Jersey the average premium paid by the employee is \$131 for a single adult and \$410 for a family. The premium costs are then adjusted for inflation using the Medical Care Services Consumer Price Index.

As a result of the Affordable Care Act, companies can only set rates based on established rating areas. To vary the state premium by county, the Standard uses rates for the second-lowest cost Silver plan (excluding health savings accounts) available through the health insurance marketplace dataset published by the U.S. Centers for Medicare & Medicaid Services for states in the Federally-facilitated Marketplace or State Partnership Marketplaces. However, in New Jersey, there is only one rating area and there is no adjustment to the state-level MEPS average premium.

Health care costs also include out-of-pocket costs calculated for adults, infants, preschoolers, school-age children, and teenagers. Data for out-of-pocket health care costs (by age)

are also obtained from the MEPS, adjusted by Census region using the MEPS Household Component Analytical Tool, and adjusted for inflation using the Medical Care Consumer Price Index.

Although the Standard assumes employer-sponsored health coverage, not all workers have access to affordable health insurance coverage through employers. However, as a result of the Patient Protection and Affordable Care Act of 2010, large employers are required to provide health insurance or pay a fine.^l Those who do not have access to affordable health insurance through their employers, and who are not eligible for the expanded Medicaid program, must purchase their own coverage individually or through the federal marketplace, or pay a fine.^m Individuals who cannot afford health insurance may be eligible for a premium tax credit or lower copayments, deductibles, and out of pocket cost maximums.ⁿ

DATA SOURCES

Inflation: U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Price Index – All Urban Consumers, U.S. City Average," Medical Care Services (for premiums) and Medical Services (for out-of-pocket costs), [http:// www.bls.gov/cpi/](http://www.bls.gov/cpi/) (accessed October 4, 2016).

Out-of-Pocket Costs: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, Medical Expenditure Panel Survey-Household Component Analytical Tool, "Total Amount Paid by Self/Family, all Types of Service, 2013" MEPSnetHC, [http:// www.meps.ahrq.gov/](http://www.meps.ahrq.gov/)

mepsweb/data_stats/MEPSnetHC.jsp (accessed August 18, 2016).

State Premiums: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, "Tables II.C.2 and II.D.2: Average Total Employee Contribution (in Dollars) per Enrolled Employee for Single/Family Coverage at Private-Sector Establishments that Offer Health Insurance by Firm Size and State, United States, 2015," Medical Expenditure Panel Survey-Insurance Component, http://meps.ahrq.gov/mepsweb/data_stats/quick_tables.jsp (accessed August 22, 2016).

County Index: Healthcare.gov, RESOURCES: For Researchers, 2016 plan data: Health plan data, download (ZIP file) "Individual Market Medical," [https:// data.healthcare.gov/download/s8rp-rr6e/application/zip](https://data.healthcare.gov/download/s8rp-rr6e/application/zip) (accessed July 29, 2016).

MISCELLANEOUS

This expense category consists of all other essentials including clothing, shoes, paper products, diapers, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone service.

Miscellaneous expenses are calculated by taking 10% of all other costs. This percentage is a conservative estimate in comparison to estimates in other basic needs budgets, which commonly use 15% and account for other costs such as recreation, entertainment, savings, or debt repayment.^o

TAXES

Taxes calculated in the Standard include federal and state income tax, payroll taxes, and state and local sales tax where applicable. The first two adults in a family are assumed to be a married couple and taxes are calculated for the whole household together (i.e., as a family), with additional adults counted as additional (adult) tax exemptions.

Income tax calculations for the Standard include state and local income tax. In New Jersey, state income tax varies from 1.4% to 8.97%, depending on income.

Federal payroll taxes for Social Security and Medicare are calculated at 7.65% of each dollar earned. Although the federal income tax rate is higher than the payroll tax rate, federal exemptions and deductions are substantial. As a result, while payroll tax is paid on every dollar earned, most families will not owe federal income tax on the first \$10,000

to \$15,000 or more, thus lowering the effective federal tax rate to about 7% for some family types.

New Jersey has a 7% state sales and use tax. Salem county has a special reduced tax rate of 3.5%. Groceries and apparel are not taxed in New Jersey.

Indirect taxes (e.g., property taxes paid by the landlord on housing) are assumed to be included in the price of housing passed on by the landlord to the tenant. Taxes on gasoline and automobiles are included in the calculated cost of owning and running a car.

DATA SOURCES

Federal Income Tax: Internal Revenue Service, “1040 Instructions,” [http:// www.irs.gov/pub/irs-pdf/i1040gi.pdf](http://www.irs.gov/pub/irs-pdf/i1040gi.pdf) (accessed January 31, 2017). Internal Revenue Service, “Revenue Procedure 2016-55,” [https:// www.irs.gov/pub/irs-drop/rp-16-55.pdf](https://www.irs.gov/pub/irs-drop/rp-16-55.pdf) (accessed October 28, 2016).

State Income Tax: State of New Jersey, Department of the Treasury, “2015 Income Tax Information” [http:// www.state.nj.us/treasury/taxation/2015taxinfo.shtml](http://www.state.nj.us/treasury/taxation/2015taxinfo.shtml) (accessed June 9, 2015). [Jerseytaxes.com/Individual_Taxes/Individual_Tax_Types/Income_Tax/Tax_Information/Tax_Rates](http://www.jerseytaxes.com/Individual_Taxes/Individual_Tax_Types/Income_Tax/Tax_Information/Tax_Rates) (accessed April 18, 2016).

State Sales Tax: State of New Jersey, Department of the Treasury. “Sales and Use Tax (N.J.S.A.54:32B-1 et seq.) Overview.” [http:// www.state.nj.us/treasury/taxation/su_over.shtml](http://www.state.nj.us/treasury/taxation/su_over.shtml) (accessed June 9, 2016). State of New Jersey, Department of the Treasury, “New Jersey Sales Tax Guide, Bulletin S&U-4.” [http:// www.state.nj.us/treasury/taxation/pdf/pubs/sales/su4.pdf](http://www.state.nj.us/treasury/taxation/pdf/pubs/sales/su4.pdf) (accessed June 9, 2016).

TAX CREDITS

The Standard includes federal tax credits (the Earned Income Tax Credit, the Child Care Tax Credit, and the Child Tax Credit) and applicable state tax credits. Tax credits are shown as received monthly in the Standard.

The Earned Income Tax Credit (EITC), or as it is also called, the Earned Income Credit, is a federal tax refund intended to offset the loss of income from payroll taxes owed by low-income working families. The EITC is a “refundable” tax credit, meaning working adults may receive the tax credit whether or not they owe any federal taxes.

The New Jersey EITC is 30% of Federal EITC, and is refundable. The New Jersey Property Tax Deduction/Credit allows renters to consider 18% of their annual rent as property taxes paid, and both renters and homeowners may deduct property taxes up to \$10,000.

The Child Care Tax Credit (CCTC), also known as the Child and Dependent Care Tax Credit, is a federal tax credit that allows working parents to deduct a percentage of their child care costs from the federal income taxes they owe. Like the EITC, the CCTC is deducted from the total amount of money a family needs to be self-sufficient. Unlike the EITC, the federal CCTC is not a refundable federal tax credit; that is, a family may only receive the CCTC as a credit against federal income taxes owed. Therefore, families who owe very little or nothing in federal income taxes will receive little or no CCTC. In 2015, up to \$3,000 in child care costs was deductible for one qualifying child and up to \$6,000 for two or more qualifying children.

The Child Tax Credit (CTC) is like the EITC in that it is a refundable federal tax credit. In 2015, the CTC provided parents with a deduction of \$1,000 for each child under 17 years old, or 15% of earned income over \$3,000, whichever was less. For the Standard, the CTC is shown as received monthly.

DATA SOURCES

Federal Child Care Tax Credit: Internal Revenue Service, “Publication 503. Child and Dependent Care Expenses,” [http:// www.irs.gov/pub/irs-pdf/p503.pdf](http://www.irs.gov/pub/irs-pdf/p503.pdf) (accessed January 31, 2017).

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EMERGENCY SAVINGS FUND

The Self-Sufficiency Standards are basic needs, no-frills budgets created for all family types in each county in a given state. As such, the Standard does not allow for anything extra beyond daily needs, such as retirement savings, education expenses, or emergencies. Of course, without question families need more resources if they are to maintain economic security and be able to weather any unexpected income loss. Therefore, the Self-Sufficiency Standard now includes the calculation of the most universal of economic security needs after basic needs are met at the Self-Sufficiency Standard level—that of savings for emergencies.

The emergency savings amount is calculated to make up for the earnings of one adult becoming unemployed over the average job loss period, less the amount expected to be received in unemployment benefits. In two-adult households, it is assumed that the second adult continues to be employed, so that the savings only need to cover half of the family's basic living expenses over the job loss period. Since the median length of job tenure among New Jersey workers is five years, it is assumed that workers save for job loss over a course of five years.

To determine the amount of resources needed, this estimate uses the average period of unemployment and assumes that the minimal cost of basic needs that must be met will stay the same, i.e., the family's Self-Sufficiency Standard. Since the monthly emergency savings contribution requires additional earnings, the estimate includes the calculation of taxes and tax credits of current earnings (at the Self-Sufficiency Standard level). Savings are assumed to have accumulated based on average savings account interest rates.

The emergency savings calculation is based on all current expenses in the Self-Sufficiency Standard.^p The adult may not be commuting to work five days a week; however the overall transportation expenses may not change significantly. A weekly shopping trip is still a necessity, as is driving young children to child care. Actively seeking employment requires being available for job interviews, attending job fairs, and engaging in networking opportunities, in addition to the time spent looking for and applying for positions. Therefore, saving enough to cover the cost of continuing child care if unemployed is important for supporting active job seeking as well as the benefit of keeping children in their normal routine during a time of crisis.

In addition to the income needed to cover the costs of housing, food, child care and transportation, families need health insurance. The Self-Sufficiency Standard assumes that adults work full time and in jobs that provide employer-sponsored health insurance. In households with

two adults, it is assumed that if one adult loses employment

the spouse's health insurance will provide coverage for the entire family at no additional cost. In a one-adult household, it is assumed coverage will be provided through the state-operated Affordable Insurance Exchanges under the Patient Protection and Affordable Care Act, at approximately the same cost as when employed.^q In some cases, children, or the whole family, may be covered under state Medicaid or the Children Health Insurance Program, depending upon income, resources, and eligibility requirements in effect at the time, which would decrease health care costs below these estimates.^r

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ABOUT THE AUTHOR

Diana M. Pearce, PhD is on the faculty at the School of Social Work, University of Washington in Seattle, Washington, and is Director of the Center for Women's Welfare. Recognized for coining the phrase "the feminization of poverty," Dr. Pearce founded and directed the Women and Poverty Project at Wider Opportunities for Women (WOW). She has written and spoken widely on women's poverty and economic inequality, including testimony before Congress and the President's Working Group on Welfare Reform. While at WOW, Dr. Pearce conceived and developed the methodology for the Self-Sufficiency Standard and first published results in 1996 for Iowa and California. Her areas of expertise include low-wage and part-time employment, unemployment insurance, homelessness, and welfare reform as they impact women. Dr. Pearce has helped found and lead several coalitions, including the Women, Work, and Welfare Coalition and the Women and Job Training Coalition. She received her PhD degree in Sociology and Social Work from the University of Michigan.

LEGAL SERVICES OF NEW JERSEY

Legal Services of New Jersey (LSNJ) coordinates the statewide Legal Services system in New Jersey, which provides free legal assistance to low-income people in civil matters. Part of LSNJ's mission is to make people more aware of poverty in New Jersey and the serious effects that poverty has on the lives of low-income people. Accurate, state-specific data concerning the nature and the extent of poverty, especially how it relates to employment, welfare and other government programs is essential to sound judgments and policymaking concerning the needs and problems of low-income people. To this end, in 1998 Legal Services of New Jersey formed The New Jersey Poverty Research Institute (NJPRI) to carry out research on the incidence, effects and other aspects of poverty in the state, as well as on the relationships among poverty, work and public policy. This fourth edition of the Self-Sufficiency Standard for New Jersey is another in an ongoing series of publications, studies and lectures through which NJPRI will make its findings available to the public. For further information on NJPRI, go to [https:// www.lsnj.org/PRI.aspx](https://www.lsnj.org/PRI.aspx).



THE CENTER FOR WOMEN'S WELFARE

The Center for Women's Welfare at the University of Washington School of Social Work is devoted to furthering the goal of economic justice for women and their families. The main work of the Center focuses on the development of the Self-Sufficiency Standard and related measures, calculations, and analysis. Under the direction of Dr. Diana Pearce, the Center partners with a range of government, non-profit, women's, children's, and community-based groups to:

- research and evaluate public policy related to income adequacy;
- create tools, including online calculators, to assess and establish income adequacy and benefit eligibility; and
- develop programs and policies that strengthen public investment in low-income women, children, and families.

For more information about the Center's programs, or work related to the Self-Sufficiency Standard, call (206) 685-5264. This report and more can be viewed at www.selfsufficiencystandard.org

