METHODOLOGY APPENDIX

The Self-Sufficiency Standard for Nebraska 2010

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This 2010 Standard is the second edition of the Nebraska Self-Sufficiency Standard. The first version was published in 2002. This appendix and county-specific information for 152 family types is available online at www.selfsufficiencystandard.org/pubs.html.

The Self-Sufficiency Standard was developed by Dr. Diana Pearce while she was the Director of the Women and Poverty Project at Wider Opportunities for Women (WOW). WOW established the national Family Economic Security (FES, formerly known as Family Economic Self-Sufficiency) Project in 1996. In partnership with the Ms. Foundation for Women, the Corporation for Enterprise Development, and the National Economic Development and Law Center, WOW designed the FES Project to put tools and resources in the hands of state-level policymakers, business leaders, advocates, and service providers to help move low-income, working families forward on the path to economic self-sufficiency. Over 2,500 community- and state-based organizations and agencies, representing a broad range of sectors, are connected through the FES Project. For more information about the FES Project, visit the website: www.wowonline.org/ourprograms/fess.

The conclusions and opinions contained in this document do not necessarily reflect the opinions of those listed above. Any mistakes are the author’s responsibility.
I. INTRODUCTION

Even before the current economic crisis, the first decade of the twenty-first century in the United States has been characterized by stagnant wages and increasing income inequality. As a result, more and more families are finding they are unable to stretch their wages to meet the costs of basic necessities. Many of these families are not deemed “poor” by the official federal poverty measure, yet they lack enough income to meet the rising costs of food, housing, transportation, health care, and other essentials. A more accurate measure of income adequacy is the Self-Sufficiency Standard. The Standard tracks and measures the true cost of living faced by American families, illuminating the economic “squeeze” experienced by so many today.

The Self-Sufficiency Standard measures how much income a family of a certain composition in a given place needs to adequately meet their basic needs—without public or private assistance.

The Self-Sufficiency Standard calculates a family-sustaining wage that does not require choosing between basic necessities such as child care, nutritious food, adequate housing, or health care. At the same time, the Standard does not include longer-term needs such as retirement savings or college tuition, purchases of major items such as a car, emergency expenses, or extras such as gifts, video rentals, or soccer fees. The Standard therefore reflects a decent, though very modest, standard of living.

Economic self-sufficiency cannot necessarily be achieved by wages alone. For some families to meet the costs of high-price necessities such as health care, child care, and housing, public work supports (e.g., Medicaid, child care assistance, or housing assistance) are often necessary, even critical. Moreover, long-lasting self-sufficiency involves more than a job with a certain wage and benefits at one point in time. Central to attaining true self-sufficiency is access to education, job training, and jobs that provide real potential for skill development and career advancement over the long-term.

Being “self-sufficient”, however, does not imply that any family at any income should be completely self-reliant and independent of one another or the community-at-large. Indeed, it is through interdependence among families and community institutions (such as schools or religious institutions), as well as informal networks of friends, extended family, and neighbors that many families are able to meet both their economic and non-economic needs.

This appendix explains the methodology, assumptions, and sources used to calculate the 2010 Nebraska Self-Sufficiency Standard. It begins with a discussion of how the Standard differs from the official Federal Poverty Level, followed by the methodology and assumptions of how each cost is calculated in the Standard, ending with a list of data sources used to calculate The Self-Sufficiency Standard for Nebraska 2010.

II. MEASURING INCOME ADEQUACY: PROBLEMS WITH THE FEDERAL POVERTY LEVEL

The Federal Poverty Level (FPL), or federal poverty measure, is the official measurement used by the federal government to determine poverty status. Families are characterized as “poor” if their income is below the Federal Poverty Level and “not poor” if it is above the FPL. The federal poverty measure, however, has become increasingly outdated as a measure of income adequacy. Indeed, the Census Bureau itself states that the official poverty measure “…should be interpreted as a statistical yardstick rather than as a complete description of what people and families need to live.” Despite the known problems with the federal poverty measure, it is still used to calculate eligibility for a number of work support programs.

The most significant shortcoming of the federal poverty measure is that for most families, in most places, the poverty level is simply too low. Because families can have incomes above the federal poverty measure and still lack sufficient resources to adequately meet their basic needs,
most assistance programs use a multiple of the federal poverty measure to determine eligibility. For instance, the federal Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program) uses a gross income limit of 130% of the FPL, and Nebraska uses an income limit of 200% of the FPL to qualify for Kids Connection, Nebraska’s Children’s Health Insurance Program (CHIP).³

Not only does the government consider the poverty line to be inadequate, but the general public does as well. When asked to indicate what they think the “smallest level of income needed to get along in their local communities is,” those surveyed responded on average that a family of four living in the United States needs about $45,000 (about 60% of median income or 200% of the FPL).⁴

However, simply raising the poverty level, or using a multiple of the FPL, cannot solve the structural problems inherent in the official poverty measure. In addition to the fundamental problem of being too low, there are five basic methodological problems with the federal measure.

First, the measure is based on the cost of a single item—food—rather than a “market basket” of all basic needs. Over four decades ago, when the Federal Poverty Level was first developed by Mollie Orshansky, food was the only budget item for which the cost of meeting a minimal standard, in this case nutrition, was known. (The Department of Agriculture had determined household food budgets based on nutritional standards.) Having only the information on what portion of income families spent on food (about one-third), the food budget was multiplied by three to estimate the amount needed to meet other basic needs, and this became the FPL.⁵

Second, the measure’s methodology is “frozen,” not allowing for changes in the relative cost of food or non-food items, nor the addition of new necessary costs. Since it was developed, the poverty level has only been updated annually using the Consumer Price Index. As a result, the percentage of the household budget devoted to food has remained at one-third of the FPL even though American families spend an average of 13% of their income on food.⁶ At the same time, other costs have risen much faster and unevenly—such as health care, housing, and more recently transportation and energy—and new costs have arisen, such as child care and taxes. Because the federal poverty measure is based on a “frozen” methodology, none of these changes are, or can be, reflected in it.

Third, the federal poverty measure is dated, implicitly using the demographic model of a two-parent family with a “stay-at-home” wife, or if a single parent, implicitly assumes she or he is not employed. This family demographic no longer reflects the reality of the majority of American families today. According to the U.S. Bureau of Labor Statistics, both parents were employed in 59% of two-parent families with children in 2009. Likewise, 68% of the mothers in single-mother families with children and 77% of the fathers in single-father families were employed in 2009.⁷ Thus, working and its associated costs such as child care, transportation, and taxes are the norm for the majority of families rather than the exception. Moreover, when the poverty measure was first developed, these employment-related items were not a significant expense for most families: taxes were relatively low, transportation was inexpensive, and child care for families with young children was not common. However, today these expenses are substantial, and thus these costs should be included in a modern poverty measure.

Fourth, the poverty measure does not vary by geographic location. That is, the federal poverty measure is the same whether one lives in Louisiana or in the San Francisco Bay area of California (with Alaska and Hawaii the only exceptions to the rule). However, housing in the most expensive areas of the United States costs over three times as much as in the least expensive areas.⁸ Even within states, costs vary considerably. In Nebraska, housing costs in Sarpy County are 172% of the cost of housing in Dawes County; the monthly cost of a three-bedroom unit in Sarpy County is $1,104 compared to $643 in Dawes County.

Finally, the federal poverty measure provides no information or means to track how individual costs change, therefore making it impossible to capture the impact of work supports, taxes, and tax credits that reduce those costs. When assessing the impact of work supports, taxes, and tax credits, poverty measures cannot
trace the impact they have on reducing costs unless they are explicitly included in the measure itself.

For these and other reasons, many researchers and experts have proposed revising the federal poverty measure. Suggested changes would reflect twenty-first century needs, incorporate geographically-based differences in costs, and respond to changes over time. In addition to the Self-Sufficiency Standard, examples of proposals for alternative measures of income adequacy include “living wages,” the Basic Needs Budget, and the National Academy of Science’s proposed alternatives.9

III. METHODOLOGY, ASSUMPTIONS, AND SOURCES

Making the Self-Sufficiency Standard as consistent and accurate as possible, yet varied by geography and the ages of children, requires meeting several 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/or age-specific, as appropriate

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 components of The Self-Sufficiency Standard for Nebraska 2010 and the assumptions included in the calculations are described below.

Extended Family Types

The Self-Sufficiency Standard for Nebraska 2002 was calculated for 70 different family types. The 70 family types ranged from a single adult with no children, to one adult with one infant, one adult with one preschooler, and so forth, up to two-adult families with three teenagers. However, in order to cover a wider and fully inclusive set of family types, the 2010 edition of the Nebraska Self-Sufficiency Standard is calculated for an additional 82 family types for a total of 152 family types. These additional types include all larger families, including multigenerational families and families with three or more adults and/or four or more children.10 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.

In order to remain consistent with the Standard’s methodology, it is assumed that all adults in one- and two-adult households are working full-time (as in the original 70 family types normally calculated for the Standard). The Self-Sufficiency Standard therefore includes all major costs associated with employment for adult household members (i.e., taxes, transportation, and child care for families with young children) up to two adults per household.

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 and/or unemployed or underemployed.12 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).

As in the original Standard calculations, it is assumed that adults and children do not share the same bedroom and that there are no more than two children or two adults per bedroom.

Food costs for 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.

The first two adults 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.
For the additional children in the extended families, the added costs of food, health care, and child care are based on the ages of the “extra” children and added to the total expenses of the household (before taxes and tax credits are calculated). As applicable, additional tax credits (child care and child tax credits) are calculated when eligible.

The Standard assumes that all non-teenage children are in paid child care. This is consistent with the methodology in the original 70 family types, and is also consistent with the principle that self-sufficiency means having enough to pay the full cost of each basic need without public or private subsidies. Some families in fact may choose to have older children or other non-employed adults in the family care for younger children; however, that is a form of private subsidy and thus would make these Standards inconsistent in methodology from those calculated for smaller size families.

**Housing**

For housing costs, the Standard uses the most recent Fiscal Year (FY) Fair Market Rents, which are calculated annually by the U.S. Department of Housing and Urban Development (HUD) for each state’s metropolitan and non-metropolitan areas, and are used to determine the level of rent for those receiving housing assistance through Section 8 vouchers.

The FMRs are based on data from the 2000 decennial census, the biannual American Housing Survey, and random digit dialing telephone surveys, and are updated for inflation. 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. Thus FMRs, which include utilities (except telephone and cable), are intended to reflect the cost of housing in the current market and 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.

*The Self-Sufficiency Standard for Nebraska 2010* calculates housing using the proposed FY 2011 HUD Fair Market Rents. All of Nebraska’s FMRs are 40th percentile rents.

There are two HUD metropolitan areas in Nebraska that consist of more than one county: the Omaha-Council Bluffs area (including Cass, Douglas, Sarpy, and Washington Counties) and the Sioux City area (including Dakota and Dixon Counties).

Since HUD calculates only one set of FMRs for a metropolitan area, no matter how large, the Standard uses median gross rents calculated from the U.S. Census Bureau’s 2000 Census for each of the counties included in the metropolitan areas listed above to adjust the metropolitan-wide FMRs to create housing costs for each individual county within the metropolitan area. The Self-Sufficiency Standard’s housing costs for the remaining counties in Nebraska are calculated using HUD FMRs without adjustments.

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 adults or 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, and families with three children require three 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 single adult and childless couples.

**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, education and/or training. States were also required to conduct cost surveys biannually to determine the market rate (defined as the 75th percentile) by setting, age, and geographic location or set a statewide rate. Many states, including Nebraska, have continued to conduct or commission the surveys as well as reimburse child care at or close to this level. Data for the cost of child care in the *Self-Sufficiency Standard for Nebraska 2010* is obtained from the Nebraska Health and Human Services, *Child Care Market Rate Survey 2009 Final*.

Care by family relatives accounts for the largest proportion of care for children less than three years of age (30% compared to 15% in family day care and 18% in child care centers). However, since one of the basic
assumptions of the Standard is that it provides the costs of meeting needs without public or private subsidies, the “private subsidy” of free or low-cost child care provided by relatives and others is not assumed.

Thus the question becomes, which paid setting is most used for infants (defined as children under three), family day care or center care? Some proportion of relative care is paid care, with estimates ranging from one-fourth to more than half. In addition, a substantial proportion of relative caregivers also provide care for non-relative children. As a result, relative care, when paid for, closely resembles the family day care home setting.

When even a minimal proportion of relative care is added to the paid family day care setting amount (e.g., it is assumed that just 20% of relative care is paid), then this combined grouping (family day care homes plus paid relative care) becomes the most common paid day care setting for infants. That is, 15% of children in family day care plus (at least) 6% who are in relative care (20% of the 30%) totals 21%, and thus is more than the 18% of infants who are in paid care in day care centers.

For children three and four years old, however, clearly the most common child care arrangement is the child care center, accounting for 42% of the care (compared to 12% in family child care and 23% in relative care).

For The Self-Sufficiency Standard for Nebraska 2010, child care costs for infants (ages six weeks to eighteen months) are calculated as the 75th percentile of the market rate cost of full-time care at licensed family child care homes. Child care costs for preschoolers are calculated as the 75th percentile of full-time care at licensed child care centers for toddlers and preschoolers (ages eighteen months to school-age). The cost of child care for school-age children (children attending kindergarten and above) are calculated as the 75th percentile of the market rate cost of part-time care (five hours per day for five days per week) at licensed child care centers.

The Nebraska Health and Human Services Child Care Market Rate Survey 2009 Final provides the 75th percentile of market rate child care costs for two groups of Nebraska counties: those with population greater than 100,000 (includes Douglas, Dakota, Lancaster, and Sarpy Counties) and those with population under 100,000 (the rest of Nebraska counties).

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 diet.

The Low-Cost Food Plan, although 25% more expensive than the Thrifty Food Plan, 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 42% of their food budget on food prepared away from home.

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 Self-Sufficiency Standard for Nebraska 2010 uses data for June 2010.

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-parent household is assumed to include one adult male and one adult female.

Within-state geographic differences in food costs for the Nebraska Standard are varied using the ACCRA Cost of Living Index, published by the Council for Community and Economic Research. The ACCRA grocery index is standardized to price grocery items regardless of the shopper’s socio-economic status. The ACCRA 2009 annual average cost of groceries index is applied to two geographic areas in Nebraska: the Omaha-Council
Bluffs MSA (Cass, Douglas, Sarpy, and Washington Counties) and the Hastings micro area (Adams County). A statewide average ACCRA ratio is applied to the rest of Nebraska’s counties. Food costs in Nebraska range from 92% of the national average cost of food in the Omaha-Council Bluffs MSA to 96% of the national average for most of Nebraska counties and to just over 100% of the national average in the Hastings metropolitan area.

**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. According to a study done by the Institute of Urban and Regional Development at the University of California, if about 7% of workers use public transportation that “translates” to approximately 30% of the low- and moderate-income working population using the public transportation system. The Standard assumes private transportation (a car) where public transportation use to commute to work is less than 7%. In all counties in Nebraska, less than 7% of workers use public transportation to commute to work.

**Private Transportation.** For private transportation the Standard assumes that adults need a car to get to and from 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 to commute to and from work 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. 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, and therefore the Standard does not include transportation costs for these adults.

For per-mile driving costs, the Standard uses data from the American Automobile Association. The commuting distance is computed from the 2009 National Household Travel Survey; and the Nebraska statewide average round trip distance for commuting to work is 17.72 miles.

The statewide average cost of auto insurance is calculated using the National Association of Insurance Commissioners (NAIC) 2006-2007 State Averages Expenditures and Premiums for Personal Automobile Insurance. Within state variation in the cost of auto insurance premiums is calculated with sample premiums for the top five market share companies in Nebraska, which are published in the Nebraska Department of Insurance 2009 Auto Insurance publication, A Rate Comparison Guide. The Department of Insurance guide provides sample insurance premiums for the top market share companies for eight regions of Nebraska.

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 included in the Standard’s account of transportation costs. To estimate private transportation fixed costs, the Standard uses 2008 Consumer Expenditure Survey data for families with incomes between the 20th and 40th percentile living in the U.S. Census Midwest region. The monthly variable costs of owning a car (e.g., gas, oil, tires, and maintenance) are also included in the Standard, and are obtained from the American Automobile Association publication, Your Driving Costs: 2009. However, the initial cost of purchasing a car is not included in the Standard’s transportation costs.

Auto insurance premiums and fixed auto costs are adjusted for inflation using the most recent and area-specific Consumer Price Index.

**Health Care**

The Self-Sufficiency Standard assumes that an integral part of a Self-Sufficiency Wage is employer-sponsored health insurance for workers and their families. Nationally, 70% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage. In Nebraska, 72% of non-elderly individuals in households with at least one full-time worker have employer-sponsored health insurance coverage. Nationally, employers pay 80% of the insurance premium for the employee and 73%
of the insurance premium for the family on average. In Nebraska, the full-time worker's employer pays an average of 80% of the insurance premium for the employee and 71% for the family.²⁷

Health care premiums are obtained from the Insurance Component of the 2009 Medical Expenditure Panel Survey (MEPS), 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.²⁸ Health premium costs are adjusted for inflation using the Medical Care Services Consumer Price Index.

To create within state variation (regional or county) in the cost of health care premiums, the Standard uses average premiums from the health care insurance companies with the largest market shares or with the widest coverage to create ratios. Blue Cross Blue Shield of Nebraska (BCBS) holds the highest market share (44%) of health insurance companies in the state and United Healthcare holds the second highest with 25% of the state's health insurance market share.²⁹ Sample premiums from BCBS and United Healthcare are used to create ratios weighted by market share to vary the statewide MEPS health care premium for each county. BCBS does not vary rates geographically and United Healthcare varies rates for three regions in Nebraska.

Health care costs also include regional out-of-pocket costs calculated for adults, infants, preschooers, 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 Househould Component Analytical Tool, and adjusted for inflation using the Medical Care Consumer Price Index.

Note that although the Standard assumes employer-sponsored health coverage, not all workers have access to affordable health insurance coverage through their employers, and there are some indicators of employee costs rising through increased premiums, increased deductibles and co-payments, and more limited coverage. In Nebraska, between 2000 and 2007, the worker's share of health care premiums for family coverage increased by 69% while the median earnings of Nebraska workers increased by only 21%.³⁰ Those who do not have access to affordable health insurance through their employers must either purchase their own coverage or do without health insurance. When an individual or a family cannot afford to purchase health coverage, an illness or injury can become a very serious financial crisis. Likewise, a serious health condition can make it extremely expensive to purchase individual coverage. However, in 2014 the Patient Protection and Affordable Care Act will require individuals who can afford it to either obtain minimal health insurance or contribute a fee towards the costs of uninsured Americans.³¹ By 2014 the Affordable Care Act will also prohibit all discrimination against pre-existing conditions; and, in the meantime, states can opt to participate in a Pre-Existing Condition Insurance Plan, which provides coverage options for people who have been without health insurance for six months due to a pre-existing condition.³²

**Miscellaneous**

This expense category consists of other essential items 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 except for taxes and tax credits. 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.³³

**Taxes**

Taxes include federal and state income tax, payroll taxes, and state and local sales and use tax where applicable. 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.

Nebraska state Individual Income Tax and Nebraska state and local Sales and Use Tax are calculated using
the tax forms, instructions, and tax rate finders from the Nebraska Department of Revenue. Nebraska state Income Tax rates vary between 2.56% to 6.84% depending on the amount of taxable income. Nebraska has a 5.5% state Sales and Use Tax, as well as local city-level Sales and Use Taxes that vary from no local sales tax up to 1.5%. The local Sales and Use Tax of the largest population city in each county is calculated for the county as a whole. 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 as a cost of owning and running a car.

**Tax Credits**

The Standard includes federal tax credits (the Earned Income Tax Credit, the Child Care Tax Credit, the Child Tax Credit, and the Making Work Pay Tax Credit) and applicable state tax credits. Federal and state tax credits are shown as received monthly in the Standard. Additionally, *The Self-Sufficiency Standard for Nebraska 2010* incorporates changes to federal taxes and tax credits as a result of the 2009 American Recovery and Reinvestment Act (ARRA). Tax credits calculated in the Standard that have been impacted by ARRA are: the Earned Income Tax Credit, the Child Tax Credit, and the Making Work Pay Tax Credit. Note however that the ARRA changes to tax credits are set to expire at the end of 2010. President Obama's proposed budget for Fiscal Year 2011 includes an extension of the ARRA changes, however it has not yet been brought up by Congress.

The Earned Income Tax Credit (EITC), 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.

Nebraska has a state EITC that is 10% of the federal EITC. The federal EITC has a maximum benefit of $3,050 per year for families with one child, $5,036 per year for families with two children, and $5,666 per year for families with three or more children.

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 2010, up to $3,000 in child care costs is deductible for one qualifying child and up to $6,000 for two or more qualifying children.

Nebraska has a state Child and Dependent Care Tax Credit that is up to 100% of the federal credit depending on income.

The Child Tax Credit (CTC) is a partially refundable federal tax credit. For 2010, the CTC provides parents with a deduction of $1,000 for each child under 17 years old or 15% of earned income over $3,000, whichever is less. Nebraska does not have a state CTC.

The Making Work Pay Tax Credit, passed in the 2009 American Recovery and Reinvestment Act, is a refundable federal tax credit up to $400 per year for single adults and $800 per year for married couples. The credit is available to working adults with incomes up to $75,000 per year for single adults and $150,000 per year for married couples. For the Standard, the Making Work Pay Tax Credit is shown monthly. The Making Work Pay Tax Credit is currently effective through the end of 2010, and is proposed to be extended through 2011 in the Office of Management and Budget’s *Budget of the United States Government, Fiscal Year 2011*.

**IV. DATA SOURCES**

**HOUSING**


**CHILD CARE**


**FOOD**


**PUBLIC TRANSPORTATION**


**PRIVATE TRANSPORTATION**


**Auto Insurance Market Share.** Nebraska Department of Insurance, Consumer Affairs Division, Personal Communication with Consumer Affairs Representative on August 5, 2010.


**HEALTH CARE**


TAXES


TAX CREDITS


V. ENDNOTES

1. There are actually two versions of the federal poverty measure. A detailed matrix of poverty thresholds that varies by family composition is calculated each year by the U.S. Census Bureau and is used primarily for statistical purposes such as calculating the number of people in poverty for the previous year. The other form of the poverty measure is called the “federal poverty guidelines” or the “Federal Poverty Level” (FPG/FPL). The FPL is a simplified version of the federal poverty measure, varying only by household size but not by composition, and is calculated by the U.S. Department of Health and Human Services each February, based on the previous year’s detailed matrix and the previous year’s CPI. The FPL/FPG is primarily used by federal and state programs to determine eligibility and/or calculate benefits, such as for SNAP (formerly Food Stamps). The 2009 FPL for a family of three is $18,310. The 2009 FPL has been extended through the remainder of 2010 and until the 2011 FPL is available (February 2011) due to deflation which would have caused the 2010 FPL to be lower than the 2009 FPL. For the purposes of this report, the Standard refers to the “Federal Poverty Level” as the federal measure of poverty. For more information about the federal poverty measures, see http://aspe.hhs.gov/poverty/faq.shtml#thrift and http://aspe.hhs.gov/poverty/10poverty.shtml.


8. Using the proposed 2011 Fair Market Rents, the cost of housing (including utilities) at the 40th percentile, for a two-bedroom unit in the most expensive place—San Mateo County, California, is $1,833. This is over three and a half times as much as the least expensive housing, found in several counties in Kentucky, where two-bedroom units cost $503 per month. U.S. Department of Housing and Urban Development, “2011 Fair Market Rents Proposed Data,” Data Sets, http://www.huduser.org/datasets/fmr.html (accessed August 12, 2010).


11. The Self-Sufficiency Standard was originally designed to provide calculations for 70 family configurations, which includes all one- and two-adult families with from zero to three children (with four different ages of children). In order to increase the number of family configurations to encompass larger families, that is, those with more than two adults and/or more than three children, Dr. Pearce examined Census data to determine the most common sizes of larger families, and calculated Standards for these families. Once the addition of a particular family configuration added less than 1% to the number of households covered, Dr. Pearce created a “catchall” Standard to cover these remaining larger but relatively rare family types, e.g., one-adult
families with six or more children, or families with four or more adults and three or more children.


36. Changes to tax credits due to the American Recovery and Reinvestment Act (ARRA) are currently effective through the 2010 tax year. Following are the changes that are incorporated into the calculations for the 2010 Nebraska Standard. The Making Work Pay Tax Credit is a refundable credit of up to $400 for working individuals and $800 for working married couples. The maximum Earned Income Tax Credit for taxpayers with three or more qualifying children is increased to $5,657 per year due to ARRA. The minimum earned income amount used to calculate the additional Child Tax Credit has reduced from $12,550 to $3,000 due to ARRA. Recovery.gov, “Benefits and Tax Credits,” Frequently Asked Questions and Resources, http://www.recovery.gov/FAQ/Pages/benefits.aspx (accessed May 3, 2010).


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**About the Author**

Diana M. Pearce, PhD teaches 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.
The Nebraska Appleseed Center for Law in the Public Interest is a nonprofit, nonpartisan public interest law firm and advocacy organization working for equal justice and full opportunity for all Nebraskans. Appleseed uses litigation, public policy reform, and community education to positively impact immigrants, children in foster care, low-income families, and access to healthcare. For more information call (402) 438-8853 or visit www.neappleseed.org.

Nebraska Children and Families Foundation is a nonprofit organization that invests, sparks and advances community solutions to create positive change for children. For more information call (402) 476-9401 or visit www.nebraskachildren.org.

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. 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; to create tools to assess and establish income adequacy, and to develop programs and policies that strengthen public investment in low-income women, children, and families. Initially through a partnership with WOW, and now independently, the Center has calculated the Self-Sufficiency Standard for 37 states, New York City, and the District of Columbia. Since 1996, through the reports, projects, and online tools, the Self-Sufficiency Standard has revolutionized the way policies and programs for low-income workers are structured and what it means to be in need in the United States. For more information and access to this data, call (206) 685-5264 or visit www.selfsufficiencystandard.org.