

SPRING 2004

An ACNJ Policy and Budget Brief



Getting Real About Poverty in New Jersey

In 2000, 10.5 percent of New Jersey children lived in families who earned less than the Federal Poverty Level, which was \$17,050 for a family of four. Does that mean that almost 90 percent of children lived in families able to provide their basic needs?

Not in New Jersey. It all comes down to how poverty is measured.

Federal poverty measures are used to define poverty across the U.S., with no regard for an area's real cost of living. These measures are also used to determine whether a family is eligible for many social programs, including welfare, child care, special education services and health assistance.

But the federal measure is based solely on the cost of food. It ignores the cost of housing, child care and transportation, which are significant in New Jersey. A much more realistic measure of the actual cost of living in a state—and whether a family needs assistance—is the Self-Sufficiency Standard, which details how much a working family must earn to meet all its basic needs. In New Jersey, that figure is nearly \$50,000 a year for two parents with two small children.

Although the federal government dictates eligibility for some its programs, New Jersey does have discretion in determining the income cutoffs for many support services, regardless of whether they are state or federally funded. These include assistance with child care, some health programs and certain special education services. If New Jersey used a realistic measure of poverty, more families would get assistance to provide the basics that help children grow into healthy, productive adults.

This Association for Children of New Jersey (ACNJ) policy brief compares the primary federal poverty measure with the Self-Sufficiency Standard. It examines how that standard compares to other states. And, it makes a case for re-evaluating the way we determine the real needs of New Jersey's children and families.

Federal Poverty Measures

Poverty guidelines are established by the U.S. Department of Health and Human Services (HHS) and are based on poverty thresholds, which the U.S. Census Bureau updates each year to determine the number of Americans living in poverty.

Poverty guidelines are often called the Federal Poverty Level, or FPL. However, HHS discourages use of this term, as it is not recognized in legislative and administrative situations. Poverty guidelines are usually issued in February or March of the year being measured.



The Association for
Children of
New Jersey
35 Halsey Street
Newark, NJ 07102

Ph: (973) 643-3876
Fax: (973) 643-9153

www.acnj.org
www.kidlaw.org

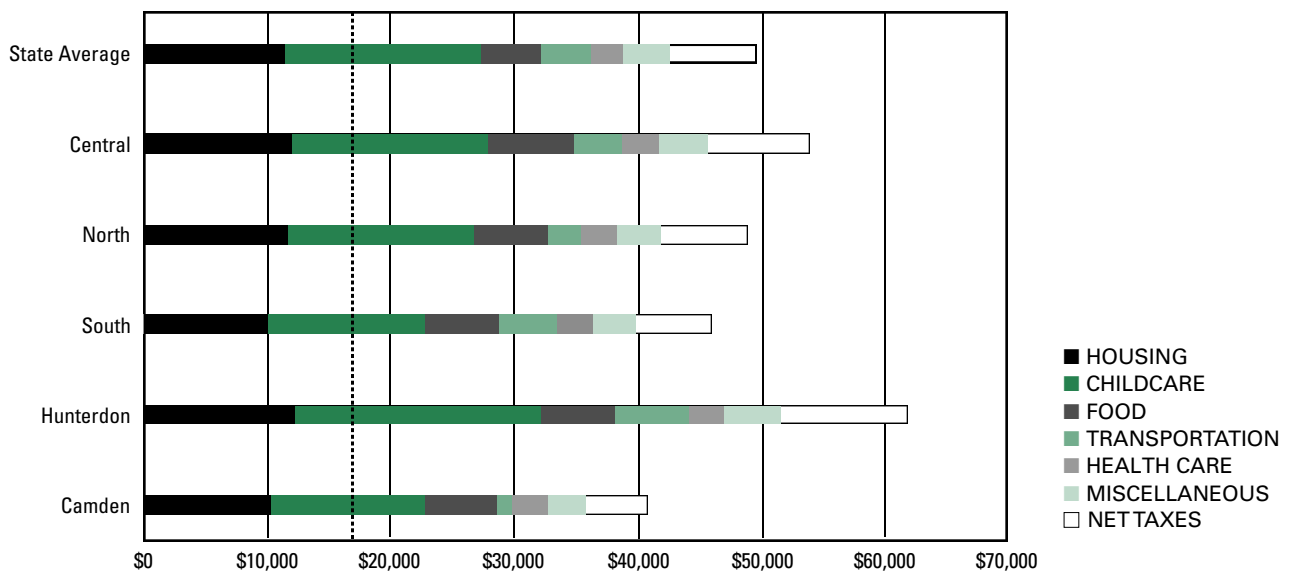
The Self-Sufficiency Standard

In response to the inadequacy of the federal poverty guidelines, Diana Pierce, Ph.D. of the University of Washington, developed the nationally-accepted Self-Sufficiency Standard. The Self-Sufficiency Standard measures how much income is needed for a family to adequately meet its basic needs — without public or private assistance. The measure is customized to each family's circumstances. It takes into account where a family lives (at least at the county level) and how old their children are.

With Jennifer Brooks, director of Self-Sufficiency Programs and Policy for Wider Opportunities for Women (WOW), Dr. Pierce has completed Self-Sufficiency Standards for more than 30 states. The standard for New Jersey was last updated in June 2002. The Poverty Research Institute of Legal Services of New Jersey coordinated that effort, with a significant portion of the cost underwritten by the Fund for New Jersey.

Annual Self-Sufficiency Wage for New Jersey by Region

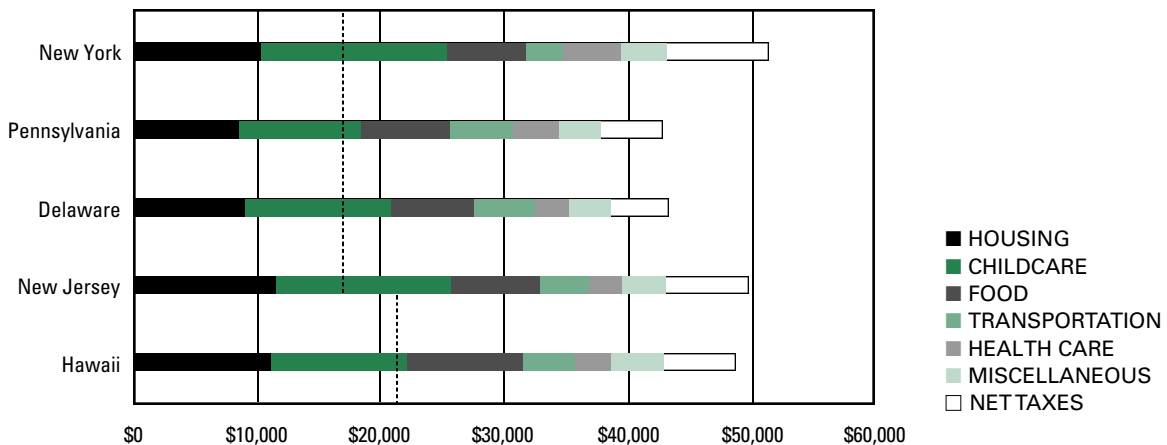
For a family with two adults, one infant and one pre-schooler



Note: Broken line indicates 2002 federal poverty guideline of \$18,100.

Annual Self-Sufficiency Wage for New Jersey, New York, Pennsylvania, Delaware and Hawaii

For a family with two adults, one infant and one pre-schooler



Note: Broken line indicates 2002 federal poverty guideline of \$18,100 for a family of four, except for Hawaii, which is \$20,820.

The major differences between the federal poverty guidelines and the Self-Sufficiency Standard are summarized as follows:

Category	Federal Poverty Guidelines	Self-Sufficiency Standard
Commodities Measured	Food	Housing, Child Care, Food, Transportation, Health Care, Net Taxes and Miscellaneous
Regional Adjustments	Only for Alaska and Hawaii; the other 48 states have the exact same guideline	In New Jersey, by county. Varies for other states and may include individual municipalities and smaller subdivisions
Family Size Adjustments	Calculation for first person and an incremental amount for each additional person	Different calculations for 70 family types containing one to five persons
Updating Methodology	Consumer Price Index (CPI)	Various government and professional data sets

Comparing Counties and Regions in New Jersey

One major aspect of the Self-Sufficiency Standard is that the cost of living data is specific to a town or county. So, these studies generally exclude state or regional averages. To calculate state and regional averages, ACNJ used U.S. Census data to create weighted averages for New Jersey as a whole and three geographic regions: North (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren counties); Central (Hunterdon, Mercer, Middlesex, Monmouth, Ocean and Somerset counties); and South (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester and Salem counties):

Monthly Costs	State Average	Central	North	South	Hunterdon	Camden
Housing	\$934	\$978	\$953	\$824	\$1,001	\$839
Child Care	1,249	1,331	1,273	1,069	1,360	1,052
Food	496	496	496	496	544	496
Transportation	330	436	226	402	508	108
Health Care	224	224	224	224	210	224
Miscellaneous	323	347	317	301	362	272
Net Taxes	595	679	573	516	737	408
Self-Sufficiency Wage:						
Hourly						
Per Adult	\$11.79	\$12.76	\$11.54	\$10.89	\$13.41	\$9.66
Monthly	\$4,151	\$4,491	\$4,062	\$3,832	\$4,722	\$3,399
Annual	\$49,811	\$53,887	\$48,746	\$45,984	\$56,664	\$40,788
2002 Federal Poverty Guidelines						
	\$18,100	\$18,100	\$18,100	\$18,100	\$18,100	\$18,100
Difference from Self-Sufficiency Wage						
	(31,711)	(35,787)	(30,646)	(27,884)	(38,564)	(22,688)
Self-Sufficiency Wage as a Percent of Poverty Guidelines						
	275%	298%	269%	254%	313%	225%

For a family of four—two adults, one infant and one pre-schooler—the average annual wage needed for self-sufficiency in 2002 was \$49,811. That's 275 percent higher than the 2002 federal poverty guideline for a family of four. Assuming both parents work 40 hours a week, each would have to earn \$11.79 an hour to be self-sufficient. Wages required for self-sufficiency are the lowest in Camden County (\$40,788 or 225 percent of the federal poverty guideline) and highest in Hunterdon County (\$61,716 or 341 percent of the poverty guideline).

In 2002, 739,778 New Jersey families—or nearly 34 percent—earned less than \$50,000, according to U.S. Census Bureau estimates. According to the Self-Sufficiency Standard, these families earned less than they need to pay for food, housing, child care and transportation.

It is important to note that the federal poverty guidelines ignore the cost of housing and child care and calculate poverty rates based solely on food costs. The average New Jersey family spends far more on housing and child care than on food. In fact, our sample family spends 30 percent of its monthly budget on child care, compared to just 12 percent for food. This family, if living below the federal poverty guideline, would have only enough money to finance one-half of its child care expenses, after paying for housing.

This is a crucial issue, as both child care and housing are generally costlier in New Jersey than in most other states. These high costs strand many working families in poverty.

Comparing New Jersey to Other States

ACNJ also computed weighted state averages based on recent self-sufficiency studies for New York (2000), Pennsylvania (2001), Delaware (2003) and Hawaii (2003), using U.S. Census data and the 2002 federal poverty guidelines. Hawaii was added to the neighboring states because the federal government establishes their poverty guidelines at a rate 15 percent higher than the 48 continental states (\$20,820 versus \$18,100 for 2002):

Monthly Costs	NJ	NY	PA	DE	HI
Housing	\$934	\$825	\$651	\$717	\$933
Child Care	1,249	1,256	950	1,003	934
Food	496	501	475	504	745
Transportation	330	259	457	426	357
Health Care	224	373	279	223	225
Miscellaneous	323	321	281	287	319
Net Taxes	595	712	409	381	567
Self-Sufficiency Wage:					
Hourly					
Per Adult	\$11.79	\$12.07	\$9.95	\$10.06	\$11.59
Monthly	\$4,151	\$4,248	\$3,501	\$3,541	\$4,080
Annual	\$49,811	\$50,979	\$42,016	\$42,486	\$48,959
2002 Federal Poverty Guidelines					
	\$18,100	\$18,100	\$18,100	\$18,100	\$20,820
Difference from Self-Sufficiency Wage					
	(31,711)	(32,879)	(23,916)	(24,386)	(28,139)
Self-Sufficiency Wage as a Percent of Poverty Guidelines					
	275%	282%	232%	235%	235%

It is more expensive to live in both New York and New Jersey than in Hawaii and, yet, neither state benefits from the additional cost of living consideration that Hawaii receives.

This adjustment has a significant impact, as eligibility for many public programs is determined by multiples of the federal poverty guideline. For example, eligibility for the Low-Income Home Energy Assistance Program (LIHEAP) is based on 175 percent of the federal poverty guidelines. This means a family of four in Hawaii can earn almost \$5,000 more than the same family in New Jersey and still be eligible for this federal program. The federal government should increase the federal poverty guidelines for other high-cost states like New Jersey.

A Look at New Jersey

Despite the evidence that federal poverty guidelines short-change New Jersey families, our state government cannot re-define these measures. That would — and should — be done at the federal level. However, the state can adopt a more realistic measure for many publicly-funded programs.

For example, the New Jersey Care program provides health services to the aged, blind and disabled residing in families earning between 100 and 185 percent of the federal poverty guideline. That means, based on 2002 data, a blind or disabled child age six or over, living with a single parent, was denied medical assistance if their family income exceeded the guide-

line of \$995 per month — even though the average housing cost alone was \$934.

Subsidized child care is a state-administered program that uses federal poverty guidelines to determine eligibility. While 85 percent of the State Median Income (SMI) is the statutory limit used for eligibility, families with incomes at or below 150 percent of the federal poverty guidelines are given priority. Since there are always fewer vouchers than families needing them, this prevents many from getting the child care they need.

Some state-administered programs do exceed the federal poverty levels. Family Care, for example, allows children living in families earning up to 350 percent of the federal poverty line to receive subsidized health insurance. A recent proposal to raise the income requirements for the Early Intervention Program, which provides therapy for young children with developmental disabilities, was successfully defeated. Originally, the state wanted to impose a co-pay on families earning more than 150 percent of federal poverty guidelines. With ACNJ support, that was replaced with a 350 percent limit.

So the state has recognized, on some levels, that the federal guidelines are an inappropriate tool to determine program eligibility, especially in high-cost New Jersey. Poverty measurement must include housing and child care — not just food — as both of these commodities represent a greater percentage of the cost of living. They also tend to increase in price faster than the Consumer Price Index. In New Jersey, assisting working poor families must be a top priority.