



THE SELF-SUFFICIENCY STANDARD FOR ARIZONA 2018

Prepared for The Women's Foundation of Southern Arizona



WOMEN'S FOUNDATION OF SOUTHERN ARIZONA

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THE SELF-SUFFICIENCY STANDARD FOR ARIZONA 2018

By Diana M. Pearce, PhD • February 2019

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PREFACE

The Self-Sufficiency Standard for Arizona 2018 has been prepared through the cooperative efforts of Lisa Manzer and Lisa Mikesell at the University of Washington, Center for Women's Welfare, and Krista Millay of the Women's Foundation of Southern Arizona. IKEA provided funding for the calculation of the 2018 Self-Sufficiency Standard data.

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 22 years. Jennifer Brooks, Maureen Golga, and Kate Farrar, former Directors of Self-Sufficiency Programs and Policies at Wider Opportunities for Women, 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.

As with all Self-Sufficiency Standard reports, *The Self-Sufficiency Standard for Arizona 2018* 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 at www.womengiving.org or www.selfsufficiencystandard.org/arizona.

Dr. Diana Pearce developed the Self-Sufficiency Standard while she was the Director of the Women and Poverty Project at the former Wider Opportunities for Women (WOW). The Ford Foundation provided funding for the Standard's original development.

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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.

INTRODUCTION

This report presents and analyzes *The Self-Sufficiency Standard for Arizona 2018*. Though often not deemed “poor” by the official poverty measure, many Arizona families lack enough income to meet the rising costs of essentials such as food, housing, transportation, and health care. The Self-Sufficiency Standard addresses the shortcomings of the official poverty measure by defining how much is enough for Arizona families to be economically secure.

The Self-Sufficiency Standard for Arizona 2018 defines the amount of income necessary to meet the basic needs of Arizona 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).

The Standard presented here 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.

A REAL-WORLD APPROACH TO MEASURING NEED

The official poverty measure (OPM), was developed five decades ago and today has become increasingly problematic and outdated as a measure of income adequacy.¹ Indeed, the Census Bureau itself states, “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.”² Despite the many limitations of the official poverty measure, it is still used to set the eligibility guidelines for numerous poverty and work support programs.

The most significant drawback of the OPM is that for most families, in most places, the threshold is simply too low. While the Standard changes by family type to account for the increase in costs specific to the type of family member—whether this person is an adult or child, and for children, by age—the OPM increases by a constant amount for each additional family member, regardless of age or need and therefore does not adequately account for the real costs of meeting basic needs.

However, simply raising the level of the official poverty measure, or using a multiple of the poverty guidelines, cannot solve the structural problems inherent in the official poverty measure. The OPM is based only on the cost of food, is the same no matter where one lives, and the demographic model of a two-parent family with a “stay-at-home” mom no longer reflects the majority of families today. *A real-world approach to measuring need is necessary.*

The Self-Sufficiency Standard is a unique measure of income adequacy that uses a modern, comprehensive, and detailed approach to determine what it takes for today’s families to make ends meet. Community organizations, academic researchers, policy institutes, legal advocates, training providers, community action agencies, workforce development agencies, and state and local officials are using the Standard. The key elements of the Standard that distinguish it from

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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.

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HOW IS THE SELF-SUFFICIENCY STANDARD CALCULATED?

The Self-Sufficiency Standard is the amount needed to meet each basic need at a minimally adequate level, without public or private assistance. The Standard is calculated for over 700 family types for all Arizona counties. The data components and assumptions included in the calculations are briefly described below. For more details and the specific data sources for Arizona, see the *Appendix A: Methodology, Assumptions, and Data Sources*.



HOUSING. Housing costs are based on the U.S. Department of Housing and Urban Development Fair Market Rents (FMRs). FMRs include utilities, except telephone and cable, and reflect the cost of housing that meets basic standards of decency. FMRs are set at the 40th percentile, meaning that 40% of the decent rental housing in a given area is less expensive than the FMR and 60% is more expensive. FMRs within a multi-county metropolitan area are adjusted using Small Area FMRs. Sub-county areas are adjusted using American Community Survey data.



CHILD CARE. Child care includes the expense of full-time care for infants and preschoolers and part-time-care for school-age children (before and after school). The cost of child care is calculated from market-rate costs (defined as the 75th percentile) taken from a state-commissioned survey by facility type, age, and geographic location. It does not include extracurricular activities or babysitting when not at work.



FOOD. Food assumes the cost of nutritious food prepared at home based on the U.S. Department of Agriculture Low-Cost Food Plan. The Low-Cost Food Plan was designed to meet minimum nutritional standards using realistic assumptions about food preparation time and consumption patterns. The food costs do not allow for any take-out or restaurant meals. Food costs are varied by county using Feeding America's Map the Meal Gap data based on Nielsen scans of grocery receipts.



TRANSPORTATION. Public transportation is assumed if 7% or more of workers use public transportation to get to and from work. Private transportation costs assume the expense of owning and operating a car. Per-mile costs are calculated from the American Automobile Association. Commuting distance is computed from the National Household Travel Survey. Auto insurance premiums are the average statewide premium cost from the National Association of Insurance Commissioners indexed by county using premiums from top market share automobile insurance companies. Fixed costs of car ownership are calculated using Consumer Expenditure Survey amounts for families with incomes between the 20th and 40th percentile. Travel is limited to commuting to work and day care plus one shopping trip per week.



HEALTH CARE. Health care costs assume the expenses of employer-sponsored health insurance. Health care premiums are the statewide average paid by workers, for single adults and for families, from the Medical Expenditure Panel Survey. A county index is calculated from rates for the second-lowest cost Silver plan via the state marketplace. Out-of-pocket costs are from the Medical Expenditure Panel Survey Insurance Component.



MISCELLANEOUS. Miscellaneous expenses are calculated by taking 10% of all other costs. 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.



TAXES AND TAX CREDITS. Taxes include federal income tax, payroll taxes, and state and local sales taxes where applicable. Tax credits calculated in the Standard include: the federal Earned Income Tax Credit (EITC), Child and Dependent Care Tax Credit (CCTC), and the Child Tax Credit (CTC).



EMERGENCY SAVINGS. Emergency savings is the amount needed to cover living expenses when there is job loss net of the amount expected to be received in unemployment benefits. The amount calculated takes into account the average tenure on a job and the average length of unemployment of Arizona workers. In two-adult households, the second adult is assumed to be employed so that the savings only need to cover half of the family's basic living expenses over the job loss period.

other measures of income adequacy or poverty are the following:

A FOCUS ON MODERN FAMILIES WITH WORKING ADULTS.

Because paid employment is the norm for supporting families today in the United States,³ the Standard assumes all adults work to support their families, and thus includes the costs of work-related expenses such as child care (when needed), taxes, and transportation.

GEOGRAPHIC VARIATION IN COSTS. The Standard uses geographically specific costs that are calculated at the county level as data availability allows.

VARIATION BY FAMILY COMPOSITION. Because the costs of some basic needs vary substantially by the age of children, the Standard varies by both the number and age of children. While food and health care costs are slightly lower for younger children, child care costs are generally much higher—particularly for children not yet in school—and therefore become a substantial budget item for workers with young children.

INDIVIDUAL AND INDEPENDENT PRICING OF EACH COST.

Rather than assume that any one item is a fixed percentage of family budgets, the Standard calculates the real costs of meeting each of the major budget items families encounter independently. The costs—which include housing, child care, food, health care, transportation, miscellaneous items, and taxes—are set at a minimally adequate level, which is determined whenever possible by using what government sources have defined as minimally adequate for those receiving assistance, e.g., child care subsidy benefit levels.

TAXES AND TAX CREDITS ARE INCLUDED AS BUDGET ITEMS.

Instead of calculating needs “pretax,” taxes and tax credits are included in the budget itself. Taxes include state and local sales tax, payroll (including Social Security and Medicare) taxes, federal and state income taxes, plus applicable state and federal tax credits.

PERMITS MODELING OF THE IMPACT OF SUBSIDIES.

Because the Standard specifies the real cost of each major necessity, it is possible to model the impact of specific subsidies (such as the Supplemental Nutrition Assistance Program, child care assistance, or

Medicaid) on reducing costs. Likewise, the adequacy of a given wage for a given family, with and without various subsidies, can be evaluated using the family’s Standard as the benchmark.

Altogether, the above elements of the Standard make it a more detailed, modern, accurate, and comprehensive measure of economic well-being than the official poverty measure. Across America today many families are struggling to stretch their wages to meet the costs of basic necessities. The Self-Sufficiency Standard meets the need for a measure of income adequacy that more accurately tracks and measures the true cost of living facing families today.

The Self-Sufficiency Standard highlights the growing gap between sluggish wages and ever-increasing expenses, clearly illuminating the economic “crunch” experienced by so many families today.⁴ Moreover, by tracking and calculating the true cost of living facing American families, the Standard allows for comparisons of geographic differences as well as documentation of historical trends.

This report presents the Standard and what it means for Arizona families. Below is a summary of the sections included in this report:

- The introduction provides background on the development of the Standard, followed by a description of the unique features of the Self-Sufficiency Standard and how it is calculated.
- The report then presents the details of the Standard for Arizona: how much a self-sufficient income is for Arizona families, how the Standard varies by family type and county, how the Arizona Standard compares to other places across the United States, how the cost of living has changed overtime, and how the Standard compares to other income benchmarks.
- At the end of the report, refer to *Appendix A: Methodology, Assumptions, and Sources* for the detailed description of the data, sources, and assumptions used to calculate the Standard.

WHAT IT TAKES TO MAKE ENDS MEET IN ARIZONA

How much income families need to be economically self-sufficient depends both on family composition—the number of adults, the number of children, and the children’s ages—and where they live. Table 1 illustrates how substantially the Standard varies by family type by showing the Standard for four different family configurations in Pima County.

- A single adult needs to earn \$9.66 per hour working full time to be able to meet his or her basic needs, which is just under the 2018 Arizona minimum wage (\$10.50 per hour).
- Adding a child nearly doubles this requirement; one parent caring for one preschool-aged child needs to earn \$18.29 per hour to be self-sufficient.
- Adding a second child further increases the needed wages: one parent with two children—a preschooler and school-age child—needs \$22.86 per hour to meet her family’s basic needs. This is the equivalent of over two full-time minimum wage jobs in Arizona, even at the newly implemented statewide minimum wage of \$10.50 per hour.⁵
- When there are two adults, the additional adult adds some costs, but splits the economic burden; nevertheless, two parents with one preschooler and one school-age child each need to earn a minimum of \$13.38 per hour, working full time, to meet their family’s basic needs.

TABLE 1. The Self-Sufficiency Standard for Select Family Types*
Pima County, AZ 2018

	1 ADULT	1 ADULT 1 PRESCHOOLER	1 ADULT 1 PRESCHOOLER 1 SCHOOL-AGE	2 ADULTS 1 PRESCHOOLER 1 SCHOOL-AGE
MONTHLY COSTS				
Housing	\$642	\$854	\$854	\$854
Child Care	\$0	\$808	\$1,332	\$1,332
Food	\$243	\$369	\$557	\$749
Transportation	\$314	\$321	\$321	\$612
Health Care	\$128	\$350	\$372	\$466
Miscellaneous	\$133	\$270	\$344	\$398
Taxes	\$240	\$494	\$676	\$766
Earned Income Tax Credit (-)	\$0	(\$24)	\$0	\$0
Child Care Tax Credit (-)	\$0	(\$58)	(\$100)	(\$100)
Child Tax Credit (-)	\$0	(\$167)	(\$333)	(\$333)
SELF-SUFFICIENCY WAGE				
Hourly**	\$9.66	\$18.29	\$22.86	\$13.38 <i>per adult</i>
Monthly	\$1,700	\$3,219	\$4,0223	\$4,711
Annually	\$20,398	\$38,626	\$48,273	\$56,530
Emergency Savings Fund	\$54	\$187	\$264	\$111

* The Standard is calculated by adding expenses and taxes and subtracting tax credits. The “Taxes” row includes payroll and sales taxes plus federal income taxes.

** The hourly wage is calculated by dividing the monthly wage by 176 hours (8 hours per day times 22 days per month). The hourly wage for families with two adults represents the hourly wage that each adult would need to earn, while the monthly and annual wages represent both parents’ wages combined.

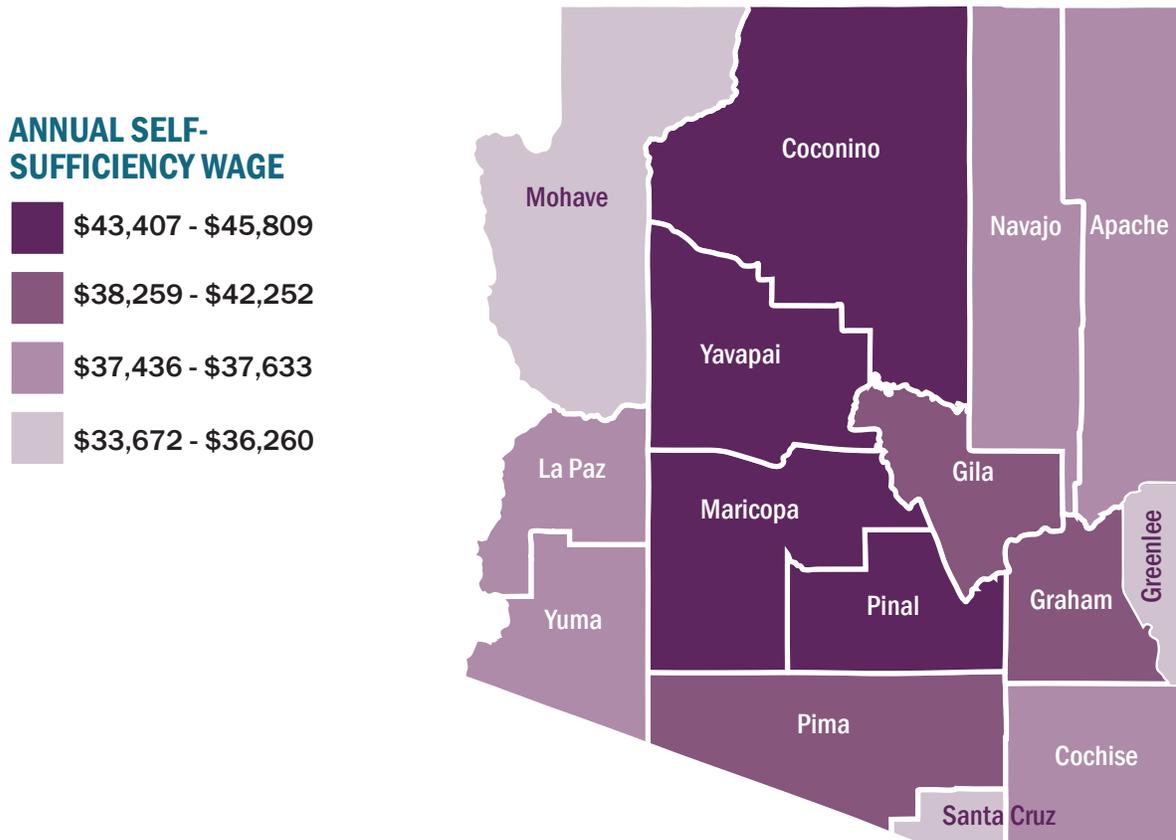
Note: Totals may not add exactly due to rounding.

In addition to varying by family composition, the Self-Sufficiency Standard also varies by geographic location. The map in Figure A displays the geographic variation in the cost of meeting basic needs across Arizona for families with one adult and one preschooler. The 2018 Self-Sufficiency Standard for a single adult with one preschooler ranges from \$33,672 to \$45,809 per hour, depending on the county, or 205% of the federal poverty guidelines to 278% of the federal poverty guidelines for a family of two.

- The most affordable areas in Arizona are rural areas far from major metropolitan centers. These counties require between \$33,673 and \$36,260 annually at a full-time job for a family with one adult and one preschooler.

- The second lowest cost group requires between \$37,436 and \$37,633 annually for a family with one adult and one preschooler. The second lowest cost group requires between counties in rural areas far from metropolitan centers.
- The second highest cost group requires wages between \$38,259 and \$42,252 per year, working full time, to meet basic needs. These include Pima County, home to the Tucson metropolitan area, and several counties east of Phoenix.
- The most expensive counties, including the greater Phoenix area, and Flagstaff, require wages between \$43,407 and \$45,809 per year for this single parent to make ends meet.

FIGURE A. Map of Counties by Level of Annual Self-Sufficiency Wage One Adult and One Preschooler, AZ 2018



HOW DO FAMILY BUDGETS CHANGE AS FAMILIES GROW?

As a family grows and changes composition, the amounts they spend on basic expenses (such as food and shelter) change, and new costs are added, most notably child care. **Figure B** demonstrates how these changes occur, as the family composition changes, for a family in Coconino County. Each bar shows the percentage of the total budget needed for each expense and how it differs as the family changes composition.

When there are just two adults, they need to earn a total of \$3,299 per month to make ends meet, plus a small monthly amount of savings for emergencies. For families with two adults and no children in Coconino County:

- Housing is a quarter of the Self-Sufficiency Standard budget.

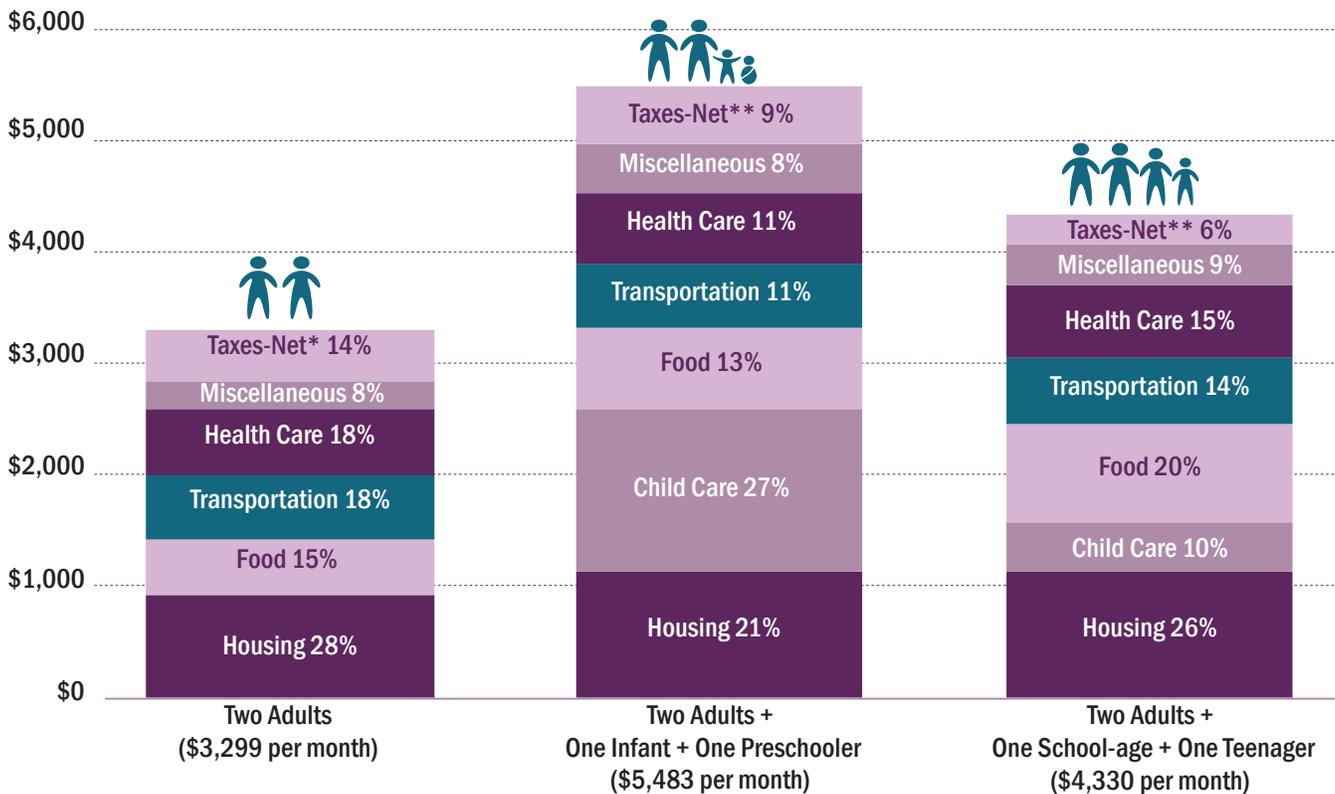
- Food takes up about a fifth of the budget.
- Transportation is 18% of the budget.
- Health care accounts for 18% of the total household budget.
- Taxes account for 14% of household expenses and there are no tax credits.

When a family expands to include two young children (one infant and one preschooler), the total budget nearly doubles to \$5,483 per month. At the same time, with the addition of child care, the proportions spent on each basic need change:

- Child care alone accounts for almost a third of the family's budget; when one adds housing, together these two items account for 48% of expenses. This

FIGURE B. Percentage of Standard Needed to Meet Basic Needs for Three Family Types* Coconino County, AZ 2018

MONTHLY EXPENSES



* While the column heights are different to represent the different totals, the percentages for each cost add to 100% for each column.

** The two-adult family is not eligible for any tax credits and therefore the taxes-net is the same as gross taxes owed. The actual percentage of income needed for taxes without the inclusion of tax credits is 15% for two adults with one infant and one preschooler and 14% for two adults with one school-age child and one teenager. However, as the Standard includes tax credits, the amount owed in taxes is reduced.

is quite common: across the country, it is typical for Self-Sufficiency Standard budgets for families with two children (when at least one is under school-age) to have roughly half the budget going for housing and child care expenses alone.

- Food costs are 13% of total income. This is the same as the national average expenditure on food, and much lower than the 33% assumed by the methodology of the federal poverty guidelines.⁶
- Health care accounts for 10% of the family budget, including both the employees' share of the health care premium (\$150 per month) and out-of-pocket costs (\$472 per month).⁷ If neither adult had employer sponsored health insurance, and they got a Silver health care plan through the Arizona health care marketplace, the premium amount alone would be about \$472 per month after estimated tax credits.⁸
- Net taxes for the family now reflect a tax burden that is about 9%, due to the offsetting effects of tax credits. Note that tax credits are treated as if they were received monthly in the Standard, although most credits are not received until the following year when taxes are filed. If it were assumed that tax credits are not received monthly, but instead annually in a lump sum, then the monthly tax burden would be 17% of total expenses for this family.

The third bar in **Figure B** shows the shift in the budget as the children get older, and are now a school-age child and a teenager, and no longer need as much child care. The total cost of basic needs drops to \$4,330 per month and without the large amount for child care, the proportions for the other budget items all increase.

- The larger proportion of the budget for food, at 20%, is due in part to increased food costs for the teenager.
- Housing costs are now 26% of the family budget.
- Transportation is 14% of the total family budget.
- Health care accounts for 15% of the family budget.
- The decreased amount for child care for the school-age child accounts for just 10% of the basic needs budget for this family type, a much smaller proportion than was necessary when the children were younger.
- Net taxes have actually become 6% of the family's budget. If it were assumed, as noted above, that tax credits are received annually in a lump sum, then the monthly tax burden without tax credits would be 16% of the total costs for two adults with one school-age child and one teenager.

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ACROSS THE COUNTRY, IT IS TYPICAL FOR SELF-SUFFICIENCY STANDARD BUDGETS FOR FAMILIES WITH TWO CHILDREN (WHEN AT LEAST ONE IS UNDER SCHOOL-AGE) TO HAVE ROUGHLY HALF THE BUDGET GOING FOR HOUSING AND CHILD CARE EXPENSES ALONE.

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HOW DOES THE STANDARD IN ARIZONA CITIES COMPARE TO OTHER U.S. CITIES?

The cost of living varies not only within Arizona, but across the United States as well.

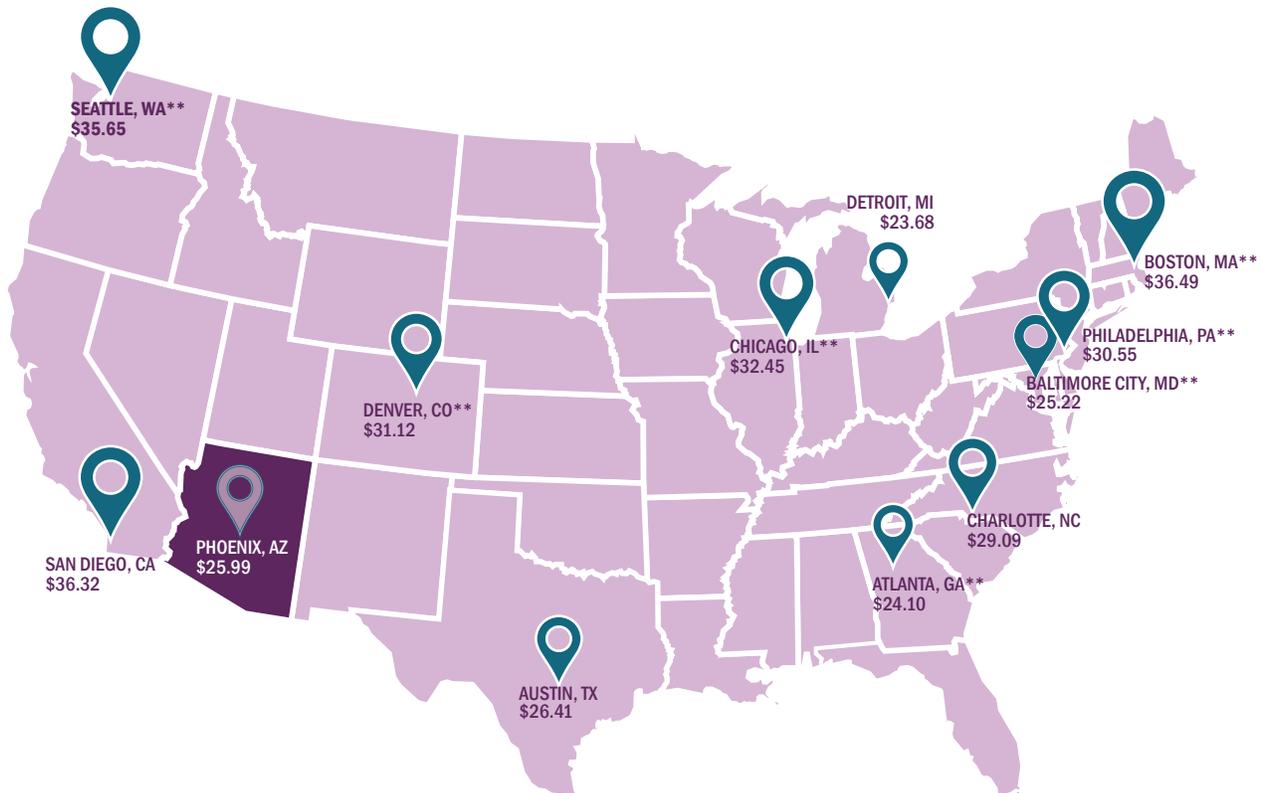
PHOENIX. In **Figure C**, the Self-Sufficiency Standard for a family with one parent, one preschooler, and one school-age child in Phoenix is compared to the Standard for the same family type in twelve other large U.S. cities: Atlanta, GA; Austin, TX; Baltimore, MD; Boston, MA; Charlotte, NC; Chicago, IL; Denver, CO; Detroit, MI; Philadelphia, PA; San Diego, CA; and Seattle, WA.⁹

- The full-time, year-round wages required to meet the Self-Sufficiency Standard in these cities range from a low of \$23.68 (Detroit, MI) to a high of \$36.49 per hour (Boston, MA), or \$50,012 to \$77,067 annually.

- Phoenix requires a Self-Sufficiency Wage of \$25.99 per hour for this family type and is most comparable in cost to Austin, TX. It is less expensive than Denver, CO, Seattle, WA, and San Diego, CA. However, Phoenix is more expensive than cities like Baltimore, MD and Atlanta, GA.

While all the budget items in the Standard vary geographically, housing and child care costs in particular vary considerably. For example, a two-bedroom rental costs over \$1,500 in Seattle compared to less than \$990 per month in Atlanta. Additionally, public transportation costs are significantly less than the cost of owning and operating a car; thus, in areas where private transportation costs are assumed, the Self-Sufficiency Standard wage reflects higher transportation expenses.

**FIGURE C. The Self-Sufficiency Wage for Phoenix, AZ Compared to Other U.S. Cities, 2018*
One Adult, One Preschooler, and One School-age Child**



*The Self-Sufficiency Standard for each city represents the county in which the city is located. Wages for cities not calculated in 2018 updated using the Consumer Price Index.

** Wage calculated assuming family uses public transportation.

Overall, if the parent in this comparison has a minimum wage job with a large employer who provides medical benefits, they will need to work over 100 hours per week, or 2.5 minimum wage jobs at \$10.50 per hour, to meet the families' basic needs in Phoenix.

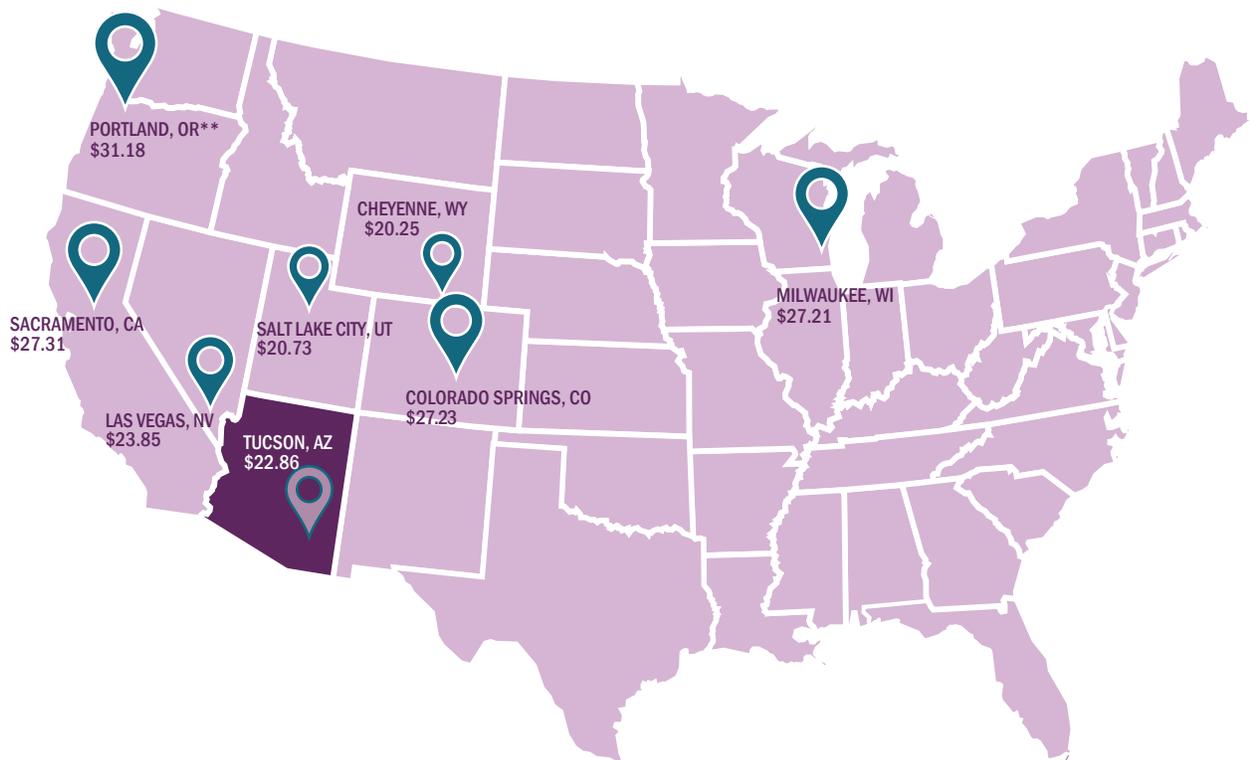
TUCSON. Figure D compares Tucson to other midsize cities throughout the country, particularly in the West: Sacramento, CA; Colorado Springs, CO; Las Vegas, NV; Salt Lake City, UT; Milwaukee, WI; and Cheyenne, WY.

In Tucson, a parent with one preschooler and one school-age child requires a wage of \$22.86 per hour to meet the families' basic needs.

- The hourly Self-Sufficiency wage for these mid-sized cities ranges from a low of \$20.25 in Cheyenne, WY to a high of \$31.18 in Portland, OR.
- The Self-Sufficiency Wage for Tucson is most comparable in cost to Las Vegas, NV. Housing, and food costs are less expensive in Phoenix. However, child care is less expensive in Las Vegas.

A Tucson parent with two young children needs to work more than two minimum wage jobs at \$10.50 per hour to meet his/her family's basic needs.

**FIGURE D. The Self-Sufficiency Wage for Tucson, AZ Compared to Other U.S. Cities, 2018*
One Adult, One Preschooler, and One School-age**



*The Self-Sufficiency Standard for each city represents the county in which the city is located. Wages for cities not calculated in 2018 are updated using the Consumer Price Index.

** Wage calculated assuming family uses public transportation.

HOW HAS THE COST OF LIVING CHANGED OVER TIME IN ARIZONA?

This is the third time the Self-Sufficiency Standard has been calculated for Arizona. This section examines how the 2018 Self-Sufficiency Standard and cost components compare to the results in 2002 and 2012.

The map in **Figure E** depicts the changes in the cost of living (as measured by the Self-Sufficiency Standard) for one family type—two adults, one preschooler, and one school-age child—by county between 2002 and 2018.

Over the last 16 years, the Self-Sufficiency Standard for this four-person family has increased on average across all Arizona counties by 45%, or an annual

average growth rate of 2.4% per year. However, there is considerable variation by county, ranging from 29% to 62%. Counties on the outskirts of Phoenix increased at the fastest rates: in 2002, a family with two adults, one preschooler, and one school-age child in Gila County needed just under \$37,000 per year to meet their basic needs, but by 2018 that amount had increased to about \$60,000, an increase of about \$23,000. Above average housing and child care costs for Arizona were the primary driver of the increased cost of living in Gila County and most other places where the Standard rose faster than the statewide average.

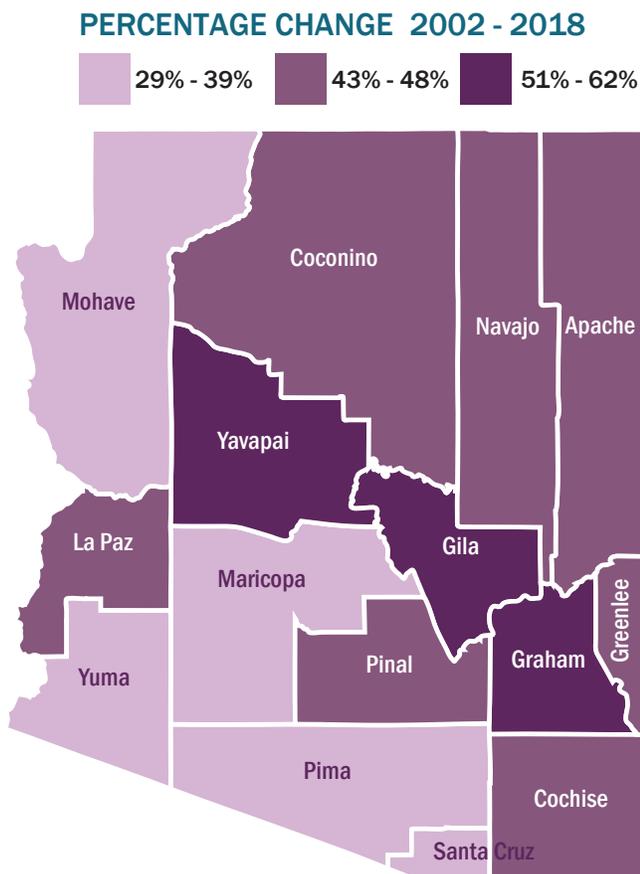
Over time, costs have increased fairly steadily, although with some variation, as can be seen in **Figure F** on **page 11**. Tracing the changes in the Standard for this four-person family in four counties illustrates a few trends. First, while all counties increased over the 16 years, some counties have increased by different amounts. Yavapai County, for example, was originally on par with Yuma County, but over time has become more expensive than both Yuma and Pima counties.

Second, there is no significant slowing of cost increases during the Great Recession or the recovery after 2009 (shown by the vertical band in **Figure F**). That is, despite the slowdown in the economy, when many people experienced job loss, decreased hours, and/or stagnant wages, the cost of living continued to rise in Arizona.

Although the Standard increased to various degrees in different counties in Arizona (fairly steadily), different budget items increased by different amounts. Using the same four-person family as above (two adults, one preschooler, and one school-age child), **Table 2** shows the actual cost and percentage of change for each basic need statewide since 2002.

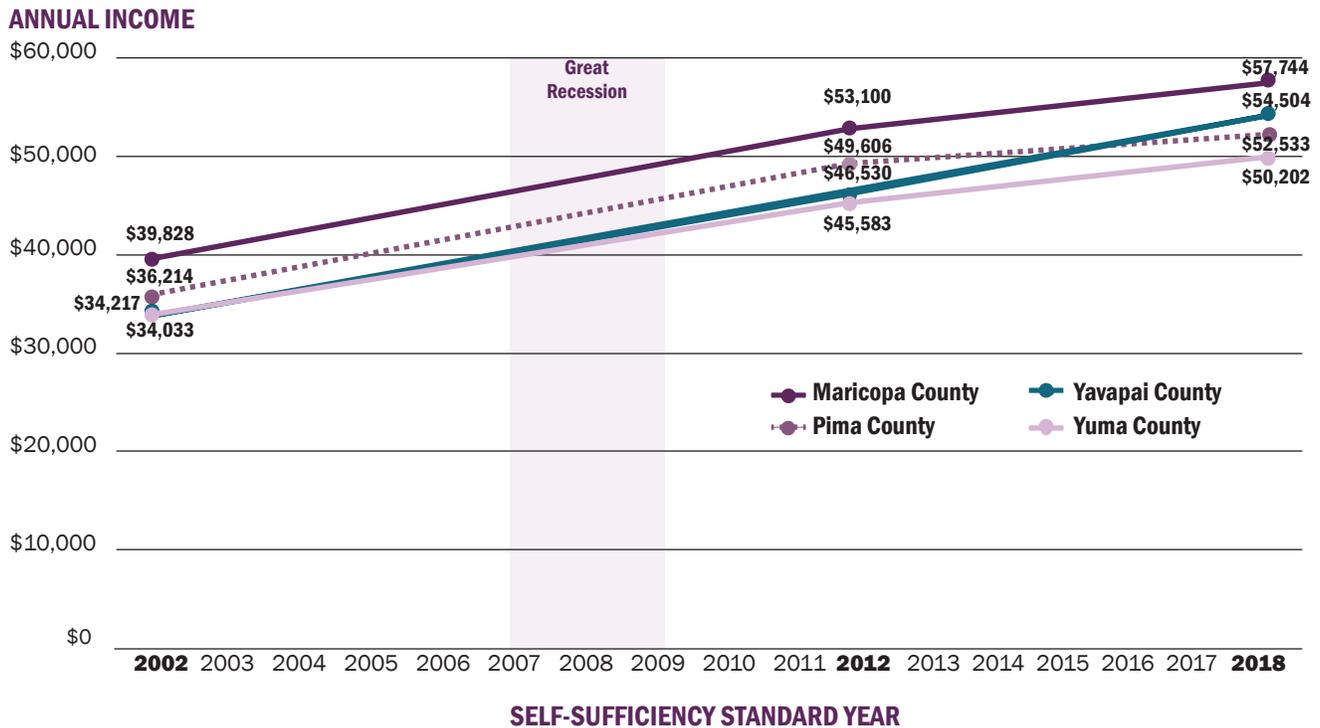
- Health care was the budget area with the largest increase in Arizona, with an average increase of \$282 per month, or 85%.
- The second highest statewide percentage increase was child care, with costs going up by 70% over 16 years. However, it was the largest absolute increase, at \$486 per month.

FIGURE E. Percentage Change in the Self-Sufficiency Standard for Arizona between 2002-2018
Two Adults, One Preschooler, and One School-Age Child: AZ 2018



Note: In 2002, Maricopa County was calculated by multiple areas. Subsequent calculations have calculated Maricopa County as one entity. For this comparison, the 2002 Maricopa County sub-areas are averaged.

**FIGURE F. The Self-Sufficiency Standard for Arizona by Year for Select Counties
Two Adults, One Preschooler, and One School-age Child: 2002, 2012, and 2018**



- Housing was the budget item with the next largest increase statewide, going up 41% on average, or \$232 per month. Seeing the most growth were counties surrounding Maricopa County (Phoenix).
- Food costs have only gone up by 38% across the state. However, this is still an extra \$206 per month for this family.
- Transportation costs increased statewide by 31%, or about \$139.

COST OF LIVING INCREASES VERSUS EARNINGS

INCREASES. While the Self-Sufficiency Standard for this four-person family statewide increased by 45% on average over the past 16 years, workers’ median earnings increased by just 38% (from \$23,390 to \$32,183). Clearly, the fact that cost increases have outstripped wage increases puts pressure on family budgets.

**TABLE 2. Percent Change in the Self-Sufficiency Standard Over Time, 2002-2018
Arizona Average: Two Adults, One Preschooler, and One School-Age Child**

COSTS	2002	2018	PERCENT CHANGE 2002-2018
Housing	\$598	\$830	39%
Child Care	\$693	\$1,179	70%
Food	\$544	\$750	38%
Health Care	\$330	\$611	85%
Transportation	\$448	\$587	31%
Miscellaneous	\$261	\$396	51%
Taxes	\$547	\$760	39%
Tax Credits*	(\$180)	(\$433)	142%
SELF-SUFFICIENCY WAGE			
Monthly	\$3,241	\$4,679	44%
Annual	\$38,895	\$56,143	
MEDIAN EARNINGS**			
Statewide	\$23,390	\$32,183	38%

* Total Tax Credits is the sum of the monthly EITC, CCTC, and CTC.
 ** U.S. Census Bureau, 2016 American Community Survey, B20002, and Census 2000 Summary File 3, P085, <http://factfinder2.census.gov> (accessed August 8, 2018). Median earnings from 1999 and 2016 updated using the Employment Cost Index (ECI). U.S. Department of Labor, Bureau of Labor Statistics, Employment Cost Index, <http://www.bls.gov/ncs/ect/sp/econst.pdf>, and <http://data.bls.gov/cgi-bin/srgate>, Series CIS10200000000001 (accessed August 8, 2018).

HOW DOES THE SELF-SUFFICIENCY STANDARD COMPARE TO OTHER BENCHMARKS OF INCOME?

As a measure of income adequacy, how does the Standard compare to other commonly used measures? **Figure G** compares the Cochise County Self-Sufficiency Standard for one adult, one preschooler, and one school-age child to the following income benchmarks for three-person families:

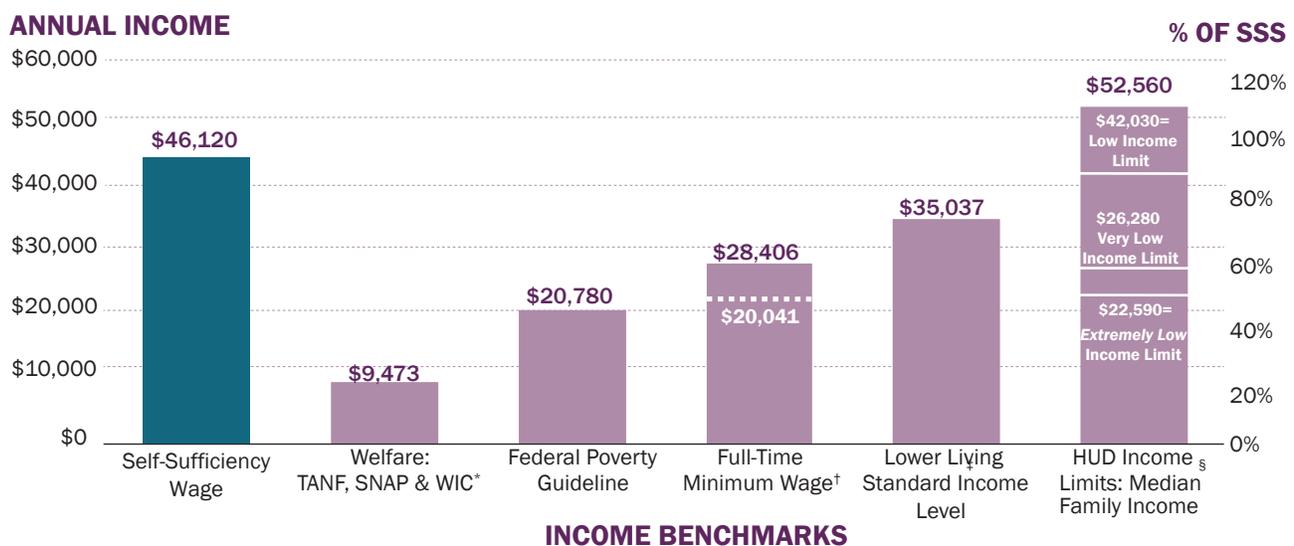
- Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamps Program), and WIC (Women, Infants and Children)
- The U.S. Department of Health and Human Service’s federal poverty guidelines (the FPG, also called federal poverty level, or FPL)
- The Arizona minimum wage of \$10.50 per hour
- The U.S. Department of Labor’s Lower Living Standard Income Level (LLSIL)
- The U.S. Department of Housing and Urban Development’s Median Family Income

As indicated in the first bar in **Figure G**, the Self-Sufficiency Wage for this family type in Cochise County is \$46,120 per year.

TANF, SNAP AND WIC. The second bar on the left in **Figure G** calculates the cash value of the basic public assistance package, assuming no other income, and includes the cash value of SNAP (formerly food stamps), WIC, and TANF. This public assistance package totals \$9,473 per year for three-person families in Arizona, which is just one quarter of the Standard for this three-person family in Cochise County.

FEDERAL POVERTY GUIDELINES. According to the 2018 federal poverty guidelines, a three-person family, regardless of composition or where they live, would be considered “poor” with an income of \$20,780 annually or less. The FPG for three-person families is just 45% of the Self-Sufficiency Standard for this Cochise County family.

FIGURE G. The Self-Sufficiency Standard Compared to Other Benchmarks One Adult, One Preschooler, and One School-Age Child: Cochise County, AZ 2018



* The maximum TANF benefit is \$3,336 annually, the SNAP benefit is \$5,623 annually, and the WIC benefit is \$514 annually for a family of three in Arizona.
 †The 2018 Arizona minimum wage is \$10.50 per hour. This amounts to \$22,176 per year; however, assuming this family pays federal and state taxes and receives tax credits, the net yearly income would be a larger amount, \$28,406 as shown. The dashed line shows the annual income received after accounting for taxes (\$20,041) but without the addition of tax credits, which are received as a yearly lump sum after filing taxes the following year.
 ‡ The U.S. Department of Labor, Employment and Training Administration used the Lower Living Standard Income Level (LLSIL) to define low income individuals for eligibility purposes. The LLSIL is the 2018 adjusted metropolitan West region for a three-person family.
 § The U.S. Department of Housing and Urban Development (HUD) uses area median family income as a standard to assess families’ needs for housing assistance. The HUD median family income limits are for FY 2018.

This comparison is for just one family type. For other family types in Cochise County with lower Self-Sufficiency Standard budgets, such as a household with one adult and two teenagers, the FPG is 80% of the Self-Sufficiency Standard, but for a household with a higher budget, such as a household consisting of one adult with two infants the FPG is only 42% of the Self-Sufficiency Standard.

There is also considerable variation by place. **Table 3** compares the percentage of the FPG needed to meet basic needs for one adult, one preschooler, and one school-age child across Arizona, and finds that the Self-Sufficiency Standard for this family type ranges from 200% of the FPG in Santa Cruz County to 264% of the FPG in Maricopa County.

MINIMUM WAGE. Arizona’s minimum wage is incrementally increasing, so that as of 2018, it is \$10.50 per hour, or \$20,780 per year working full time. Because this is earned income, taxes are subtracted and eligible tax credits are added. Because the tax credits the family qualifies for are more than the taxes owed, the net total income of \$28,406 is more than the worker’s earnings alone.

A full-time minimum wage job in Arizona provides 61% of the amount needed to be self-sufficient for this family type in Cochise County. If a more realistic assumption is made that the worker pays taxes *monthly* through withholding, but receives tax credits *annually* (as is true of all workers), her take-home income would be \$20,041 over the year, shown by the dashed line on the third bar in **Figure H**. Without including the impact of tax credits in either the minimum wage or Self-Sufficiency Standard income (but still accounting for payment of taxes), a minimum wage job amounts to just 50% of the Self-Sufficiency Standard for this family type in Cochise County.

Put another way, including the value of tax credits, at the minimum wage she would need to work nearly two full-time jobs to meet her basic costs of living. If tax credits are excluded from current income (as they are actually received the next year at tax filing), she would need to work 96 hours per week at the minimum wage to meet her basic costs.

LOWER LIVING STANDARD INCOME LEVEL. The LLSIL was originally calculated for metropolitan areas across the country to reflect the variation in the cost of living

facing urban workers. However, it was last revised in 1981 by the Bureau of Labor Statistics and has only been updated for inflation since then. Under the Workforce Innovation and Opportunity Act, a family is considered low-income, and thus has first priority for workforce training services, if family income does not exceed the higher of the FPG or 70% of the LLSIL.¹¹ For 2018 the LLSIL for a three-person family in the metropolitan West is \$35,037 and 70% of the LLSIL is \$24,526, which is less than \$2,000 above the FPG for this family size.¹²

MEDIAN FAMILY INCOME LIMITS. The U.S. Department of Housing and Urban Development (HUD) uses percentages of area median family income (by family size) to determine families’ eligibility for housing assistance on the assumption that area median income is a rough measure of the local cost of living. The median is the midpoint, which means that half of families in the area have incomes above this amount, and half below. HUD defines three levels of need: (1) “Low income”, which is between 50% and 80% of median income; (2) “Very Low Income”, which is between 30% and 50% of median income, and (3) Extremely Low Income, which is income less than 30% of median income.

The HUD median income for a three-person family in Cochise County is \$52,560 annually.¹³ For a three-person family in Cochise County, HUD income limits for three-person families in Cochise County are as follows:

- **Low income.** Income between \$26,280 and \$42,030.
- **Very low income.** Income between \$22,590 and \$26,280.
- **Extremely Low Income.** Income less than \$22,590.¹⁴

The Self-Sufficiency Standard of \$46,120 for this family type in Cochise County is in the HUD “Low Income” range, demonstrating that the Standard is a conservative measure of the minimum required to be self-sufficient in Cochise County. (Due to limited resources, most federal housing assistance goes to families with incomes that are considered “Very Low Income” or “Extremely Low Income”).

TABLE 3. The Self-Sufficiency Standard as a Percentage of Other Benchmarks of Income, 2018
Two Family Types, All Arizona Counties

COUNTY	SELF-SUFFICIENCY STANDARD FOR ONE ADULT + ONE PRESCHOOLER + ONE SCHOOL-AGE				SELF-SUFFICIENCY STANDARD FOR TWO ADULTS + ONE PRESCHOOLER + ONE SCHOOL-AGE			
	Annual Self-Sufficiency Standard	As Percentage of:			Annual Self-Sufficiency Standard	As Percentage of:		
		Federal Poverty Guidelines	Minimum Wage	Median Family Income		Federal Poverty Guidelines	Minimum Wage	Median Family Income
Apache County	\$46,222	222%	208%	146%	\$54,386	217%	123%	155%
Cochise County	\$46,120	222%	208%	88%	\$53,900	215%	122%	92%
Coconino County	\$53,841	259%	243%	80%	\$62,100	247%	140%	83%
Gila County	\$51,462	248%	232%	115%	\$59,591	237%	134%	119%
Graham County	\$46,743	225%	211%	90%	\$54,804	218%	124%	95%
Greenlee County	\$45,018	217%	203%	82%	\$52,988	211%	119%	87%
La Paz County	\$45,919	221%	207%	116%	\$54,026	215%	122%	123%
Maricopa County	\$54,899	264%	248%	88%	\$63,307	252%	143%	92%
Mohave County	\$44,998	217%	203%	101%	\$53,082	211%	120%	107%
Navajo County	\$46,120	222%	208%	104%	\$54,101	216%	122%	110%
Pima County	\$48,273	232%	218%	89%	\$56,530	225%	127%	93%
Pinal County	\$52,388	252%	236%	84%	\$60,385	241%	136%	87%
Santa Cruz County	\$41,484	200%	187%	99%	\$50,361	201%	114%	108%
Yavapai County	\$50,929	245%	230%	93%	\$59,093	235%	133%	97%
Yuma County	\$45,694	220%	206%	108%	\$53,497	213%	121%	114%
Minimum (Santa Cruz County)	\$41,484	200%	187%	80%	\$50,361	201%	114%	83%
Maximum (Maricopa County)	\$54,899	264%	248%	146%	\$63,307	252%	143%	155%

Definitions: The federal poverty guidelines for family of three = \$20,780 and for a family of four = \$25,100. Annual minimum wage is the gross amount of full-time, year-round work at an hourly wage of \$10.50 per hour (assumes both adults work). Median family income varies by county and calculated from HUD's FY2018 Income Limits.

OTHER APPROACHES TO POVERTY MEASUREMENT

For a more in-depth look at how the Standard compares to the official poverty measure (OPM or FPL) and the Supplemental Poverty Measure (SPM) please visit www.selfsufficiencystandard.org/measuring-poverty

CONCLUSION

To develop strategies to ensure Arizona families reach economic security requires data that defines how much is enough. *The Self-Sufficiency Standard for Arizona 2018* defines the income needed to realistically support a family without public or private assistance in Arizona. The Standard is a realistic, geographically specific, and family composition-specific measure income adequacy, and thus a more accurate alternative to the official poverty measure. By utilizing the Self-Sufficiency Standard, Arizona has the opportunity to lay the foundation to achieve a strong workforce and thriving communities. For most workers, the Standard shows that earnings above the official poverty measure are nevertheless far below what is needed to meet families' basic needs.

The Self-Sufficiency Standard was first calculated in 1996 by Diana Pearce and was originally designed to measure progress of workforce program participants towards the goal of economic self-sufficiency. Since then, it has been used in a wide variety of settings, to evaluate programs, analyze policy impacts, guide clients' career choices, provide expert testimony in court cases and legislative initiatives, and *to document the nature and extent of true poverty*. Over the past 22 years the Standard has been calculated for 41 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 MORE INFORMATION ABOUT THE STANDARD

In addition to Arizona, the Standard has been calculated for Alabama, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New York, New York City, North Carolina, Oklahoma, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington State, West Virginia, Wisconsin, Wyoming, and the Washington, DC metropolitan area.

For further information about the Standard, how it is calculated or used, or the findings reported here, as well as information about other states or localities, contact Dr. Diana Pearce at pearce@uw.edu or (206) 616-2850, or the Center for Women's Welfare staff at (206) 685-5264, or visit www.selfsufficiencystandard.org.

For more information on *The Self-Sufficiency Standard for Arizona 2018* this publication, the Standard wage tables for Arizona counties, or to find out more about the Women's Foundation of Southern Arizona, visit www.womengiving.org.

ENDNOTES

1. There are two versions of the official poverty measure. A detailed matrix of poverty thresholds is calculated each year by the U.S. Census Bureau, which varies by the number of adults and the number of children in the household, and by age for one- and two-adult households. The threshold is used to calculate 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 FPG is calculated by the U.S. Department of Health and Human Services in late January and is primarily used by federal and state programs to determine eligibility and/or calculate benefits, such as for SNAP (formerly the Food Stamps Program). The FPG only varies by family size, regardless of composition; the 2018 FPG for a family of three is \$20,780. The Standard generally references the FPG in this report. For more information about the federal poverty measurements, see <http://aspe.hhs.gov/poverty/>
2. Carmen DeNavas-Walt, Bernadette Proctor, and Jessica C. Smith, “Income, Poverty, and Health Insurance Coverage in the U.S.: 2012,” U.S. Census Bureau, Current Population Reports, Series P60-245, Washington, D.C. (U.S. Government Printing Office), <http://www.census.gov/prod/2013pubs/p60-245.pdf> (accessed June 24, 2014).
3. According to the U.S. Bureau of Labor Statistics, both parents were employed in 60% of two-parent families with children in 2014. Likewise, 69% of single mothers and 82% of single fathers were employed in 2014. Although about 75% of employed women with children under 18 years of age worked full time in 2014, working part time is clearly the desirable option under many circumstances such as when the children are very young or in need of special care, or when affordable/appropriate child care is not available. For many low-income mothers it is equally clear that economic necessity, as well as the TANF requirements that limit benefits and stipulate that recipients participate in job searches, preclude this option. U.S. Department of Labor, Bureau of Labor Statistics, “Employment Characteristics of Families in 2014,” Economic News Releases, Employment and Unemployment, <http://www.bls.gov/news.release/pdf/famee.pdf> (accessed December 2, 2015).
4. Jared Bernstein, *Crunch: Why Do I Feel so Squeezed (and other Unsolved Economic Mysteries)*, (San Francisco, CA: Berrett-Koehler Publishers, Inc., 2008).
5. Arizona’s minimum wage is \$10.50 per hour in 2018. U.S. Department of Labor, Wage and Hour Division. “Minimum Wage Laws in the States - July 1, 2018,” <https://www.dol.gov/whd/minwage/america.htm> (accessed September 4, 2018).
6. In 2016 the average consumer expenditure on food was \$7,203 per year or 12.6% of total expenditures. U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Expenditures in 2016,” <http://www.bls.gov/news.release/cesan.nr0.htm> (accessed September 5, 2018).
7. Health care premiums are the statewide average paid by workers for single adults and for families, from the national Medical Expenditure Panel Survey (MEPS), which is 32.6% of the premium for family coverage and 24.5% of the premium for individual coverage in Arizona. U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Center for Financing, Access, and Cost Trends, “Tables II.C.3 and II.D.3: Percent of total premiums contributed by employees enrolled in single (family) coverage at private-sector establishments that offer health insurance by firm size and State: Arizona 2018” Medical Expenditure Panel Survey- Insurance Component, http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=2&subcomponent=2&year=2018&tableSeries=2&tableSubSeries=&searchText=&searchMethod=1&Action=Search (accessed September 5, 2018).
8. The lowest cost Silver plan for a family with two adults (age 30) living in Coconino County and earning \$65,793 annually with one year old and 4 year old is \$472 per month after estimated tax credits. Healthcare.gov, “2018 health insurance plans & prices” <https://www.healthcare.gov/see-plans> (accessed September 5, 2018).
9. The Self-Sufficiency Wage for each of these places has been updated to current dollars using the Consumer Price Index for the appropriate regions. U.S. Department of Labor, Bureau of Labor Statistics, “All Items, 1982-84=100 - CUURA101SA0,” Consumer Price Index, <http://data.bls.gov/cgi-bin/surveymost?cu> (accessed August 8, 2018).
10. U.S. Department of Labor, Bureau of Labor Statistics, “West Region All Items, 1982-84=100 - CUURA101SA0,” Consumer Price Index, <http://data.bls.gov/cgi-bin/surveymost?cu> (accessed August 8, 2018).

11. Workforce Innovation and Opportunity Act, HR 803, 113th Congress, 2nd Session, 2014, <https://www.congress.gov/113/bills/hr803/BILLS-113hr803enr.pdf> (accessed July 28, 2016).

12. Employment and Training Administration, Workforce Innovation and Opportunity Act (WIOA) 2014; Lower Living Standard Income Level (LLSIL), 81 Federal Register 16217 (July 28, 2016), pp 16217-16223, <https://federalregister.gov/a/2016-06764> (accessed July 28, 2016).

13. U.S. Department of Housing and Urban Development, "FY 2018 Income Limits Summary, Coconino County," Data Sets, Income Limits, FY 2018 Income Limits Documentation System, <https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn> (accessed October 3, 2017).

14. Although these income limits are based on 80%, 50%, and 30% of the median income, the final income limit benchmarks are calculated after various adjustments are accounted for, such as high or low housing cost adjustments. Therefore, the final income limits are not necessarily an exact percent of the original median income. Additionally, if 30% of median income is less than the federal poverty guidelines, then the low income limit is set at the federal poverty guidelines. Most housing assistance is limited to the "Very Low Income" category, and in some instances to the "Extremely Low Income" category. U.S. Department of Housing and Urban Development, "U.S. Department of Housing and Urban Development, "FY 2018 Income Limits Summary, Cochise County," Data Sets, Income Limits, FY 2018 Income Limits Documentation System, <https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn> (accessed October 3, 2018).

APPENDIX A: METHODOLOGY AND DATA SOURCES FOR THE ARIZONA SELF-SUFFICIENCY STANDARD

This appendix explains the methodology, assumptions, and sources used to calculate the Self-Sufficiency Standard. 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 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 (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 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 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 2018 edition of the Arizona 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. 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.¹

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.² 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 Arizona 2018* and the assumptions included in the calculations are described below.

HOUSING

The Standard uses the most recent Fiscal Year (FY) 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 (FMRs) periodically, but not less than annually, to be effective on October 1 of each year. Housing costs in the 2018 Arizona Self-Sufficiency Standard are calculated using the FY 2018 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 Arizona's FMRs are set at the 40th 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 Arizona there is one MSA with more than one county sharing the same FMR: Phoenix-Mesa-Scottsdale MSA. Because HUD only calculates one set of FMRs for each of these metropolitan area, 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.

DATA SOURCES

HOUSING COST. Department of Housing and Urban Development, "Schedule B: FY2018 Fair Market Rents for Existing Housing," Data Sets, Fair Market Rents, <http://www.huduser.org/portal/datasets/fmr.html> (accessed September 19, 2018).

COUNTY HOUSING INDEX. Department of Housing and Urban Development, "FY2018 Small Area FMRs (Based on Final FY2018 Metropolitan FMRs)," Datasets, Fair Market Rents, <https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html> (accessed September 19, 2018).

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.⁴ 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. Thus, the Standard assumes child care costs at the 75th percentile, unless the state sets a higher definition of market rate.

Infant and preschooler costs were calculated assuming full-time care and costs for school-age children were calculated using part-time rates. 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 relatives and others is not assumed.

For infants, family child care accounts for 43% of the care and center child care accounts for 57%. For preschoolers, family child care accounts for 26% of the care and center child care accounts for 74%. For school-age children, family child care accounts for 46% of the care and center child care accounts for 54%.⁵

Several counties with low populations in the Market Rate Survey were missing values for some categories. In these cases, the average for the child care region was substituted for the missing data.

DATA SOURCES

CHILD CARE RATES. Maricopa County Office of Research and Reporting, “Child Care Market Rate Survey 2014,” Arizona Department of Economic Security Division of Employment and Rehabilitation Services Child Care Administration, <https://des.az.gov/sites/default/files/legacy/dl/MarketRateSurvey2014.pdf> (accessed October 31, 2018).

INFLATION. U.S. Department of Labor, Bureau of Labor Statistics, “Consumer Price Index—All Urban Consumers,” Child care and nursery school in U.S. city average, Series ID CUUR0000SEEB03, <https://data.bls.gov/cgi-bin/srgate> (accessed December 4, 2018).

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.⁶

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 41% of their food budget on food prepared away from home.⁷ That is, it covers groceries only.

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 Arizona Standard for 2018 uses data for June 2018.

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. 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 Arizona 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. Because not all stores are sampled, in low-population counties this could result in an inaccurate representation of the cost of food. For this reason, counties with a population less than 20,000 have their costs imputed by averaging them with those of the surrounding counties.⁸

A county index is calculated by comparing the county market basket price to the national average cost of food. The county index is applied to the 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 2018,” [http:// www.cnpp.usda.gov/sites/default/files/CostofFoodJun2018.pdf](http://www.cnpp.usda.gov/sites/default/files/CostofFoodJun2018.pdf) (accessed August 2, 2018).

COUNTY INDEX. Craig Gundersen, Adam Dewey, Amy Crumbaugh, Michael Kato, and Emily Engelhard, Feeding America 2018, “Map the Meal Gap 2018: 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, 2018).

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.⁹ The Standard assumes private transportation (a car) in counties where less than 7% of workers commute by public transportation. No counties in Arizona meet the 7% threshold, so all counties are assumed to use private transportation.

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 Arizona statewide average round trip commute to work distance is 19 miles.

In Arizona, the average expenditure for auto insurance was \$72.66 per month in 2014 based on data from the National Association of Insurance Commissioners (NAIC). County variation in the cost of auto insurance for the 2018 Arizona Standard is calculated using rate filings by top insurers via the Arizona Office of the Insurance Commissioner.

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 2015 Consumer Expenditure Survey data for families with incomes between the 20th and 40th percentile living in the Census West region of the United States. Auto insurance premiums and fixed auto costs are adjusted for inflation using the most recent and area-specific Consumer Price Index.

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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 Arizona, 59% 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).¹⁰ The full-time worker’s employer pays an average of 79% of the insurance premium for the employee and 70% for the family in Arizona. Nationally, the employer pays 79% of the insurance premium for the employee and 73% of the insurance premium for the family.¹¹

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 insurance premiums are the statewide average employee-contribution at private-sector establishments. In Arizona the average premium paid by the employee was \$107 for a single adult and \$442 for a family in 2016. The premium costs are adjusted for inflation using the Medical CareServices Consumer Price Index.

As a result of the Affordable Care Act, companies can only set rates based on established rating areas. In Arizona, there are 7 rating areas based on

county groupings.¹² To vary the state premium by the Arizona rating areas, the Standard uses rates for the second lowest cost Silver plan (excluding HSAs) available through the state marketplace. However, in some counties in Arizona there is only one silver plan available, in which cases the only silver plan available is used. The state-level MEPS average premium is adjusted with the index created from the county-specific premium rates.

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. 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.¹³ Individuals who cannot afford health insurance may be eligible for a premium tax credit or lower copayments, deductibles, and out of pocket cost maximums.¹⁴ Additional assistance programs also exist such as Arizona KidsCare (CHIP), which provide health insurance to children in families with income below 312% of the federal poverty guidelines.¹⁵

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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.¹⁶

FEDERAL TAXES

Taxes calculated in the Standard include federal and state income tax, payroll taxes, and state and local sales tax where applicable. Note that the 2018 Standard reflects the federal tax code changes signed into law December of 2018. The main implications for federal tax calculations in the Standard include the elimination of personal exemptions, the doubling of the standard deduction, and an increase in the Child Tax Credit.

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.

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 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. Up to \$3,000 in child care costs are 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. Under the new tax bill for 2018, the CTC provides parents with a nonrefundable credit up \$2,000 for each child under 17 years old and up to \$1,400 as a refundable credit. For the Standard, the CTC is shown as received monthly.

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STATE TAXES

State taxes calculated in the Standard include income tax, payroll taxes, and state and local sales tax where applicable. State sales taxes are assumed to apply to the miscellaneous amount plus food where it is taxed.

If the state has an EITC, child tax credit, child care tax credit, or similar family or low-income credit, it is included in the tax calculations. Renter’s credits and other tax credits that would be applicable to the population as a whole are included as well.

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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 saving for retirement, 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 Arizona workers is four years, it is assumed that workers save for job loss over the course of four 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.¹⁷ 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 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.¹⁸ 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.¹⁹

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ENDNOTES FOR APPENDIX A

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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;
- develop programs and policies that strengthen public investment in low-income women 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.

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