

TO: Workforce Investment Board

DATE: 5/13/04

FROM: Executive Committee

For Action

For Information

For Discussion

SUBJECT: Self-Sufficiency Wage

PROPOSED MOTION(S): Ratify the Executive Committee's decision to adopt a new method for establishing the Self-Sufficiency Wage to incorporate family size and primary living expenses.

DISCUSSION : At present the WB approved Self-Sufficiency Wage is \$11.06 per hour and is based on a weighted national average at the 25th percentile of wages of adults (aged 25 years and older) who have a high school diploma or less and are in full time employment. The hourly rate is adjusted for Merced County cost of living and inflation. What the Self-Sufficiency Wage does not take into account is family size and the cost to live in Merced County such as housing, utilities, food, transportation, childcare, and health care.

A new formula based on a California Budget Project allows for family size and living expenses to be considered. The information used is tailored to Merced County and can reviewed periodically and updated as changes occur, or yearly at a minimum. The advantage of this newer calculation is that more individuals with families will be eligible for intensive or training services. For example, today's calculation sets the self-sufficiency wage at \$11.06 per hour, regardless of family size. Using the new calculation, a single parent family member will have a self-sufficiency wage of \$16.59, and the wage rate for a two parent family with one working member will be \$15.00 per hour. In other words, a family member needing WIA services will be qualified if he or she is making less that the respective \$16.59 or \$15.00. Now those same individuals must be making less that \$11.06 to qualify.

Staff reports that the vast majority of individuals seeking WIA assistance will benefit from the Self-sufficiency Basic Family Wage calculation.

ATTACHMENT(S): Self-Sufficiency Basic Family Wage Calculation

**Basic Family Wage Calculation
For Merced County Residents
Based on California Budget Project Methodology**

EXPENSE CATEGORIES	Single Adult (a)	Single Parent Family (b)	Two Parent Family (One Working) (c)	Two Working Parent Family (d)
Housing and Utilities	\$ 444	\$ 608	\$ 608	\$ 608
Food	\$ 190	\$ 465	\$ 667	\$ 667
Transportation	\$ 290	\$ 290	\$ 290	\$ 522
Child Care	\$ 0	\$ 668	\$ 0	\$ 668
Health Care	\$ 161	\$ 349	\$ 468	\$ 436
Miscellaneous	\$ 131	\$ 232	\$ 312	\$ 327
Taxes	\$ 244	\$ 264	\$ 255	\$ 403
Total (monthly)	\$ 1,460	\$ 2,876	\$ 2,600	\$ 3,631
Total (annual)	\$17,520	\$34,512	\$31,200	\$43,572
Basic Family Wage*	\$8.42	\$16.59	\$15.00	\$10.47

*Basic Family Wage is *per working adult*, per hour

Methodology

Housing and Utilities – Based on Fair Market Rent for the County of Merced, 2003

Food – Based on United States Department of Agriculture national Low-Cost Food Plan, 2003

Transportation – Based on statewide average derived from the California Energy Commission’s Driver Diary Study, 1995

Child Care – Based on California Child Care Resource and Referral estimates of child care expenditures for different family types (23% of total budget for family type b, 19% for family type d).

Health Care – Based on State-wide average of premiums quoted by leading HMOs, from which an estimate for each family type was derived (11% of budget for family type a, 12% for family type b, 18% for family type c, and 12% for family type d).

Miscellaneous – Based on estimates from the 2003 Consumer Price Index (9% for family a, 8% for family b, 12% for family c, and 9% for family d).

Taxes – Based on estimates derived from Federal and State tax returns for California residents from 2002 (16.7% for family a, 9.1% for family b, 9.8% for family c, and 11.1% for family d).