

Basic Needs Budgets and the Livable Wage

Prepared in accordance with
2 V.S.A. § 505

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Prepared by the Vermont Legislative Joint Fiscal Office

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Part I - Executive Summary

This is the eleventh edition of the Vermont Basic Needs Budgets and Livable Wage Report. A Basic Needs Budget is a market-based analysis that accounts for estimated monthly living expenses in Vermont. These basic needs budgets include the costs for essential items such as food, housing, transportation, child care, clothing and household expenses, telecommunications charges, health and dental care, renter's insurance, life insurance, and savings. The budgets differ based on family size and whether the family lives in an urban or rural part of Vermont.

This version of the study will include seven hypothetical family configurations: six that are consistent with the original families chosen in the 1999 report, and an additional configuration that is new to this study. The new configuration, Single Person- Shared Housing, has been added based on evidence from the Census that there may be a small but significant number of people in Vermont who share the costs of housing with a non-family member. All configurations are as follows:

- Single Person
- **Single Person, Shared Housing (New in the 2015 report)**
- Single Parent with One Child
- Single Parent with Two Children
- Two Adults with No Children – both wage earners
- Two Adults with Two Children – one wage earner
- Two Adults with Two Children – both wage earners

Tax obligations are then added to annual household expenses. Finally, hourly wage figures are calculated by dividing the total by a year of full-time work. Annual budgets and hourly wages are computed for each of the seven family profiles in both urban and rural Vermont, 14 budgets in total.

Vermont Livable Wage Rate

The Vermont Livable Wage is defined in statute as the hourly wage required for a full-time worker to pay for one-half of the basic needs budget for a two-person household, with no children, and employer-sponsored health insurance, averaged for both urban and rural areas. **The 2014 Vermont Livable Wage is \$13.00 per hour.** The Livable Wage is different from the wage for a single person because it accounts for the economies achieved by multiple-person households. This figure does not, however, include all potential household expenses because it is for families without children. There are seven family configurations presented in this report to show the variation in livable wages for family types.

The Basic Needs Budgets and Livable Wage methodology was originally established in 1999 as the result of the Legislative Livable Income Study Committee. Comprehensive improvements to the study methodology were recommended in 2008 by a Basic Needs Technical Advisory Committee. The Legislative Joint Fiscal Committee has the authority to update the study methodology and adopted the Technical Advisory Committee's recommendations. Additional changes, described in Part II of this report, were approved in the fall of 2014 and are incorporated into the 2015 report.

The purpose of the Basic Needs Budgets and Livable Wage calculation is to provide information for the public on what it costs to live in Vermont, based on certain assumptions. This is not meant to be a mandate, but another source of reliable data when considering wage levels in Vermont.

Part II – Changes from the Last Report

Over the past biennium a number of potential improvements to the Basic Needs Budget methodology have been discussed. There are a range of reasons why a change may be considered from technical issues surrounding data access or suitability, to a new policy choice or objective. The decision to make a change involves balancing the value of the improvement with the continuity of the report. Four changes have been made to the methodology used in the last report: 1) the data used for the clothing and household expense category is changed back to an income-based match; 2) the data used to calculate telecommunications expenses have been revised; 3) personal expenses have been applied to children as well as adults; and 4) different data sources for health care and dental costs have been utilized.

Clothing and Household Expenses

Expenses for these items will be matched once again to income level rather than family type to minimize the disparities between Consumer Expenditure Survey incomes and the livable wage incomes in this report. While this reintroduces the issue of circularity within the calculations, the final budgeted expenses will more closely reflect the level of income from which the expenses are derived. Tables 1400, 1600 and 1702 of the Consumer Expenditure Survey were used to calculate these numbers.

Telecommunications Expenses

The telecommunications calculation will solely utilize Table 1800: Region of Residence from the 2013 Consumer Expenditure Survey (CEX) rather than the combination of data reported by telecommunications companies in SEC filings and CEX data. The telecommunications calculation combines the telephone services expense and internet services expense for the northeast region. The telephone services calculation is the average between cellular phone service and residential phone service (with VOIP). The internet service expense was taken from the category “other household expenses.”

Personal Expenses

Personal expenses have once again been calculated for each person – adult or child – in the household. Adults have been budgeted \$2.86 per day for personal expenses and children have been budgeted \$1.43 per day, half the amount of adults. Daily personal expense numbers are indexed to inflation (CPI).

Health and Dental Care Expenses

The previous report utilized data on employer-sponsored insurance (ESI) premiums from the federal Medical Expenditure Panel Survey (MEPS) to estimate a proxy for health care costs. This report utilizes the Blue Cross Blue Shield of Vermont Gold Plan as the proxy for individuals and families with ESI. The cost for dental insurance was previously taken from the Northeast Delta Dental Plan but for this report the cost has been taken from dental plans offered through Vermont Health Connect. In addition, for this report, two health and dental care expense scenarios are being presented for each family configuration: 1) expenses for those utilizing employer-sponsored health and dental coverage and 2) expenses for those purchasing coverage through Vermont Health Connect, the state-run health insurance exchange implemented as part of the federal Affordable Care Act. The livable wage has been based on families with employer-sponsored insurance as required by statute.

**Part III – 2014 Vermont Livable Wage
and Basic Needs Budgets**

2014 Livable Wage = \$13.00 per hour ^[1]

2014 Basic Needs Budget Wages ^[2]

Family Type	Urban	Rural
Single Person	\$17.26	\$15.42
Single Person, Shared Housing	\$14.52	\$13.11
Single Parent, One Child	\$28.84	\$24.57
Single Parent, Two Children	\$35.94	\$30.97
Two Adults, No Children	\$13.48	\$12.51
Two Adults, Two Children (one wage earner)	\$32.41	\$30.90
Two Adults, Two Children (two wage earners)	\$20.96	\$19.66

[1] This is the average of the urban and rural rate for Two Adults with No Children.

[2] Basic Needs Budget wages are presented for family configurations with employer-sponsored health care.

**2014 Vermont Basic Needs Budget
Single Person**

	Urban		Rural	
	Vermont Health Connect	Employer- Sponsored Health Care	Vermont Health Connect	Employer- Sponsored Health Care
Category	<i>Cost estimates are per month</i>		<i>Cost estimates are per month</i>	
Food	330	330	330	330
Housing	1,017	1,017	733	733
Transportation	515	515	544	544
Health Care	352	131	314	131
Dental Care	51	9	51	9
Child Care	0	0	0	0
Clothing & Household Expenses	131	131	131	131
Personal Expenses	87	87	87	87
Telecommunications	87	87	87	87
Rental Insurance	13	13	13	13
Term Life Insurance	0	0	0	0
Savings	129	116	114	103
Total Monthly Expenses	2,711	2,435	2,403	2,167
Annual Expenses	32,530	29,222	28,831	26,000
Federal & State Taxes	8,189	6,689	7,069	6,064
Annual Income	40,719	35,911	35,900	32,065
Hourly "Basic Needs" Wage	\$19.58	\$17.26	\$17.26	\$15.42
<i>Average Wage PER Earner</i>				
Tax Calculations	2014 Tax Year – Single Filer			
AGI	40,719	35,911	35,900	32,065
Standard Deduction	(6,200)	(6,200)	(6,200)	(6,200)
Personal Exemption(s)	(3,950)	(3,950)	(3,950)	(3,950)
Taxable Income	30,569	25,761	25,750	21,915
Federal Tax (before credits)	4,132	3,410	3,409	2,833
Child Credit	-	-	-	-
Dependent Care Credit	-	-	-	-
Net Federal Tax	4,132	3,410	3,409	2,833
State Tax (before credits)	1,085	915	914	778
Dependent Care Credit	-	-	-	-
Renter Rebate	(142)	(383)	-	-
Net State Tax	943	532	914	778
FICA/Medicare	3,115	2,747	2,746	2,453
Total	8,189	6,689	7,069	6,064

**2014 Vermont Basic Needs Budget
Single Person, Shared Housing**

	Urban		Rural	
	Vermont Health Connect	Employer-Sponsored Health Care	Vermont Health Connect	Employer-Sponsored Health Care
Category	<i>Cost estimates are per month</i>		<i>Cost estimates are per month</i>	
Food	330	330	330	330
Housing	664	664	463	463
Transportation	515	515	544	544
Health Care	231	131	185	131
Dental Care	51	9	51	9
Child Care	0	0	0	0
Clothing & Household Expenses	119	119	119	119
Personal Expenses	87	87	87	87
Telecommunications	87	87	87	87
Rental Insurance	13	13	13	13
Term Life Insurance	0	0	0	0
Savings	105	98	94	89
Total Monthly Expenses	2,201	2,053	1,972	1,872
Annual Expenses	26,414	24,631	23,668	22,459
Federal & State Taxes	6,211	5,578	5,236	4,807
Annual Income	32,625	30,209	28,905	27,267
Hourly "Basic Needs" Wage	\$15.69	\$14.52	\$13.90	\$13.11
<i>Average Wage PER Earner</i>				
Tax Calculations	2014 Tax Year – Single Filer			
AGI	32,625	30,209	28,905	27,267
Standard Deduction	(6,200)	(6,200)	(6,200)	(6,200)
Personal Exemption(s)	(3,950)	(3,950)	(3,950)	(3,950)
Taxable Income	22,475	20,059	18,755	17,117
Federal Tax (before credits)	2,917	2,555	2,359	2,114
Child Credit	-	-	-	-
Dependent Care Credit	-	-	-	-
Net Federal Tax	2,917	2,555	2,359	2,114
State Tax (before credits)	798	712	666	608
Dependent Care Credit	-	-	-	-
Renter Rebate	-	-	-	-
Net State Tax	798	712	666	608
FICA/Medicare	2,496	2,311	2,211	2,086
Total	6,211	5,578	5,236	4,807

**2014 Vermont Basic Needs Budget
Single Parent, One Child**

	Urban		Rural	
	Vermont Health Connect	Employer- Sponsored Health Care	Vermont Health Connect	Employer- Sponsored Health Care
Category	<i>Cost estimates are per month</i>		<i>Cost estimates are per month</i>	
Food	502	502	502	502
Housing	1,328	1,328	926	926
Transportation	499	499	477	477
Health Care	571	319	495	319
Dental Care	51	40	51	40
Child Care	806	806	715	715
Clothing & Household Expenses	193	193	193	193
Personal Expenses	130	130	130	130
Telecommunications	87	87	87	87
Rental Insurance	13	13	13	13
Term Life Insurance	39	36	33	32
Savings	211	198	182	172
Total Monthly Expenses	4,429	4,151	3,812	3,605
Annual Expenses	53,152	49,809	45,745	43,256
Federal & State Taxes	11,356	10,169	8,726	7,843
Annual Income	64,509	59,978	54,471	51,098
Hourly "Basic Needs" Wage	\$31.01	\$28.84	\$26.19	\$24.57
<i>Average Wage PER Earner</i>				
Tax Calculations	2014 Tax Year – Head of Household			
AGI	64,509	59,978	54,471	51,098
Standard Deduction	(9,100)	(9,100)	(9,100)	(9,100)
Personal Exemption(s)	(7,900)	(7,900)	(7,900)	(7,900)
Taxable Income	47,509	42,978	37,471	34,098
Federal Tax (before credits)	6,479	5,799	4,973	4,467
Child Credit	(1,000)	(1,000)	(1,000)	(1,000)
Dependent Care Credit	(600)	(600)	(600)	(600)
Net Federal Tax	4,879	4,199	3,373	2,867
State Tax (before credits)	1,687	1,526	1,330	1,210
Dependent Care Credit	(144)	(144)	(144)	(144)
Renter Rebate	-	-	-	-
Net State Tax	1,543	1,382	1,186	1,066
FICA/Medicare	4,935	4,588	4,167	3,909
Total	11,356	10,169	8,726	7,843

**2014 Vermont Basic Needs Budget
Single Parent, Two Children**

	Urban		Rural	
	Vermont Health Connect	Employer- Sponsored Health Care	Vermont Health Connect	Employer- Sponsored Health Care
Category	<i>Cost estimates are per month</i>		<i>Cost estimates are per month</i>	
Food	739	739	739	739
Housing	1,328	1,328	926	926
Transportation	499	499	477	477
Health Care	711	466	592	466
Dental Care	51	89	51	89
Child Care	1,258	1,258	1,128	1,128
Clothing & Household Expenses	274	274	274	274
Personal Expenses	173	173	173	173
Telecommunications	87	87	87	87
Rental Insurance	13	13	13	13
Term Life Insurance	46	44	39	38
Savings	259	248	226	220
Total Monthly Expenses	5,447	5,217	4,752	4,630
Annual Expenses	65,370	62,608	57,021	55,561
Federal & State Taxes	14,360	12,148	9,374	8,855
Annual Income	79,730	74,757	66,394	64,417
Hourly "Basic Needs" Wage	\$38.33	\$35.94	\$31.92	\$30.97
<i>Average Wage PER Earner</i>				
Tax Calculations	2014 Tax Year – Head of Household			
AGI	79,730	74,757	66,394	64,417
Standard Deduction	(9,100)	(9,100)	(9,100)	(9,100)
Personal Exemption(s)	(11,850)	(11,850)	(11,850)	(11,850)
Taxable Income	58,780	53,807	45,444	43,467
Federal Tax (before credits)	9,108	7,864	6,169	5,873
Child Credit	(1,750)	(2,000)	(2,000)	(2,000)
Dependent Care Credit	(1,200)	(1,200)	(1,200)	(1,200)
Net Federal Tax	6,158	4,664	2,969	2,673
State Tax (before credits)	2,392	2,053	1,613	1,543
Dependent Care Credit	(288)	(288)	(288)	(288)
Renter Rebate	-	-	-	-
Net State Tax	2,104	1,765	1,325	1,255
FICA/Medicare	6,099	5,719	5,079	4,928
Total	14,360	12,148	9,374	8,855

2014 Vermont Basic Needs Budget
Two Adults, No Children (both wage earners)

	Urban		Rural	
	Vermont Health Connect	Employer- Sponsored Health Care	Vermont Health Connect	Employer- Sponsored Health Care
Category	<i>Cost estimates are per month</i>		<i>Cost estimates are per month</i>	
Food	657	657	657	657
Housing	1,017	1,017	733	733
Transportation	1,029	1,029	1,079	1,079
Health Care	556	328	519	328
Dental Care	98	35	98	35
Child Care	0	0	0	0
Clothing & Household Expenses	228	228	228	228
Personal Expenses	173	173	173	173
Telecommunications	141	141	141	141
Rental Insurance	13	13	13	13
Term Life Insurance	37	34	34	32
Savings	197	183	184	171
Total Monthly Expenses	4,147	3,838	3,859	3,590
Annual Expenses	49,761	46,060	46,308	43,083
Federal & State Taxes	11,334	10,020	10,108	8,963
Annual Income	61,094	56,080	56,416	52,046
Hourly "Basic Needs" Wage	\$29.37	\$26.96	\$27.12	\$25.02
<i>Average Wage PER Earner</i>	\$14.69	\$13.48	\$13.56	\$12.51
	2014 Livable Wage			13.00
Tax Calculations	2014 Tax Year – Married Filing Jointly			
AGI	61,094	56,080	56,416	52,046
Standard Deduction	(12,400)	(12,400)	(12,400)	(12,400)
Personal Exemption(s)	(7,900)	(7,900)	(7,900)	(7,900)
Taxable Income	40,794	35,780	36,116	31,746
Federal Tax (before credits)	5,212	4,460	4,510	3,854
Child Credit	-	-	-	-
Dependent Care Credit	-	-	-	-
Net Federal Tax	5,212	4,460	4,510	3,854
State Tax (before credits)	1,448	1,270	1,282	1,127
Dependent Care Credit	-	-	-	-
Renter Rebate	-	-	-	-
Net State Tax	1,448	1,270	1,282	1,127
FICA/Medicare	4,674	4,290	4,316	3,981
Total	11,334	10,020	10,108	8,963

2014 Vermont Basic Needs Budget
Two Adults, Two Children (one wage earner)

	Urban		Rural	
	Vermont Health Connect	Employer- Sponsored Health Care	Vermont Health Connect	Employer- Sponsored Health Care
Category	<i>Cost estimates are per month</i>		<i>Cost estimates are per month</i>	
Food	1,025	1,025	1,025	1,025
Housing	1,328	1,328	926	926
Transportation	955	955	1,174	1,174
Health Care	529	466	477	466
Dental Care	98	93	98	93
Child Care	0	0	0	0
Clothing & Household Expenses	274	274	274	274
Personal Expenses	260	260	260	260
Telecommunications	141	141	141	141
Rental Insurance	13	13	13	13
Term Life Insurance	42	40	39	38
Savings	233	230	221	221
Total Monthly Expenses	4,896	4,825	4,648	4,631
Annual Expenses	58,755	57,895	55,775	55,576
Federal & State Taxes	9,831	9,526	8,773	8,702
Annual Income	68,586	67,421	64,548	64,279
Hourly "Basic Needs" Wage	\$32.97	\$32.41	\$31.03	\$30.90
<i>Average Wage PER Earner</i>				
Tax Calculations	2014 Tax Year – Married Filing Jointly			
AGI	68,586	67,421	64,548	64,279
Standard Deduction	(12,400)	(12,400)	(12,400)	(12,400)
Personal Exemption(s)	(15,800)	(15,800)	(15,800)	(15,800)
Taxable Income	40,386	39,221	36,348	36,079
Federal Tax (before credits)	5,150	4,976	4,545	4,504
Child Credit	(2,000)	(2,000)	(2,000)	(2,000)
Dependent Care Credit	-	-	-	-
Net Federal Tax	3,150	2,976	2,545	2,504
State Tax (before credits)	1,434	1,392	1,290	1,281
Dependent Care Credit	-	-	-	-
Renter Rebate	-	-	-	-
Net State Tax	1,434	1,392	1,290	1,281
FICA/Medicare	5,247	5,158	4,938	4,917
Total	9,831	9,526	8,773	8,702

2014 Vermont Basic Needs Budget
Two Adults, Two Children (two wage earners)

	Urban		Rural	
	Vermont Health Connect	Employer- Sponsored Health Care	Vermont Health Connect	Employer- Sponsored Health Care
Category	<i>Cost estimates are per month</i>		<i>Cost estimates are per month</i>	
Food	1,025	1,025	1,025	1,025
Housing	1,328	1,328	926	926
Transportation	955	955	1,174	1,174
Health Care	827	466	774	466
Dental Care	98	93	98	93
Child Care	1,258	1,258	1,128	1,128
Clothing & Household Expenses	282	282	282	282
Personal Expenses	260	260	260	260
Telecommunications	141	141	141	141
Rental Insurance	13	13	13	13
Term Life Insurance	53	50	50	47
Savings	312	294	294	278
Total Monthly Expenses	6,561	6,164	6,176	5,833
 Annual Expenses	 78,733	 73,966	 74,113	 69,994
Federal & State Taxes	15,084	13,215	13,267	11,805
Annual Income	93,817	87,181	87,379	81,799
 Hourly "Basic Needs" Wage	 \$45.10	 \$41.91	 \$42.01	 \$39.33
<i>Average Wage PER Earner</i>	<i>\$22.55</i>	<i>\$20.96</i>	<i>\$21.00</i>	<i>\$19.66</i>
Tax Calculations	2014 Tax Year – Married Filing Jointly			
AGI	93,817	87,181	87,379	81,799
Standard Deduction	(12,400)	(12,400)	(12,400)	(12,400)
Personal Exemption(s)	(15,800)	(15,800)	(15,800)	(15,800)
Taxable Income	65,617	58,981	59,179	53,599
Federal Tax (before credits)	8,935	7,940	7,969	7,132
Child Credit	(2,000)	(2,000)	(2,000)	(2,000)
Dependent Care Credit	(1,200)	(1,200)	(1,200)	(1,200)
Net Federal Tax	5,735	4,740	4,769	3,932
State Tax (before credits)	2,460	2,094	2,101	1,903
Dependent Care Credit	(288)	(288)	(288)	(288)
Renter Rebate	-	-	-	-
Net State Tax	2,172	1,806	1,813	1,615
FICA/Medicare	7,177	6,669	6,685	6,258
Total	15,084	13,215	13,267	11,805

Part IV – Comparisons with Other Income Measures

The Vermont Basic Needs Budgets is one type of income benchmark. To put the Basic Needs Budgets and the Livable Wage measures in context, it is helpful to compare them with two other well-known income thresholds, the federal poverty guidelines and minimum wage rates.

Federal Poverty Guidelines

The federal poverty guidelines are a version of the federal poverty measure developed in the 1960s. These figures are issued each year in the *Federal Register* by the Department of Health and Human Services (HHS). The guidelines are a simplification of the poverty thresholds used for administrative purposes. Many government programs, both federal and state, determine eligibility using these guidelines. Often programs use a multiple of the federal poverty level to measure need because it is generally recognized that many families with incomes above these guidelines lack sufficient resources to meet basic needs.

2014 Health and Human Services (HHS) Federal Poverty Guidelines (48 Contiguous States and Washington D.C.)

Yearly Rates with Percentage Multiples								
Size of Family Unit	100%	120%	150%	175%	185%	200%	225%	300%
1	\$11,670	14,000	17,510	20,420	21,590	23,340	26,260	35,010
2	15,730	18,900	23,600	27,530	29,100	31,460	35,390	47,190
3	19,790	23,700	29,690	34,630	36,610	39,580	44,530	59,370
4	23,850	28,600	35,780	41,740	44,120	47,700	53,660	71,550
5	27,910	33,500	41,870	48,840	51,630	55,820	62,800	83,730
6	31,970	38,400	47,960	55,950	59,140	63,940	71,930	95,910
7	36,030	43,200	54,050	63,050	66,660	72,060	81,070	108,090
8	40,090	48,100	60,140	70,160	74,170	80,180	90,200	120,270
Each Add'l	4,060	4,900	6,090	7,110	7,510	8,120	9,140	12,180

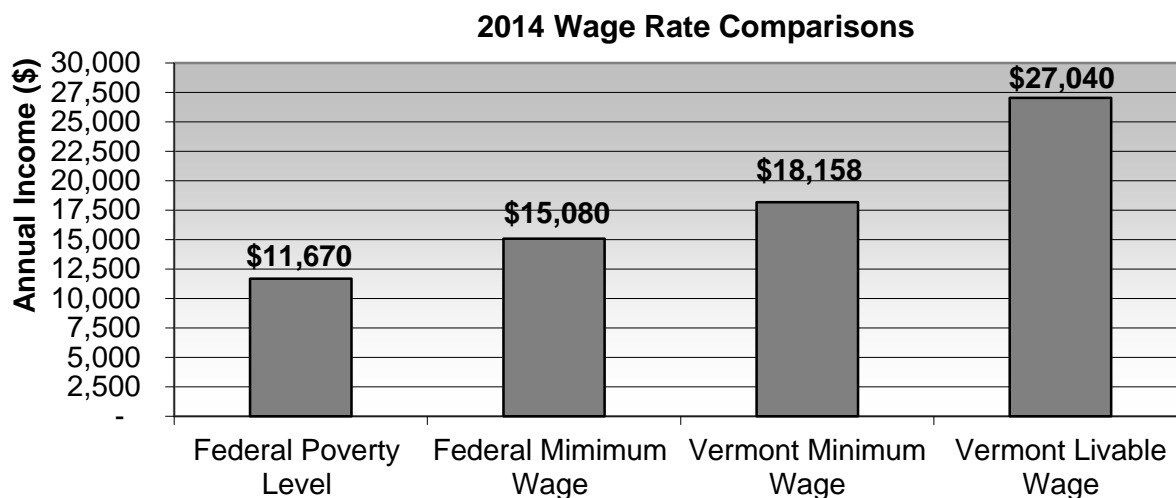
SOURCE: <http://aspe.hhs.gov/poverty/14poverty.cfm>

Minimum Wage

The minimum wage was established in 1938 as part of the Fair Labor Standards Act. Minimum wage increases are passed at the will of Congress and generally have not kept pace with inflation. The federal minimum wage is currently \$7.25 per hour effective July 24, 2009. States also mandate minimum wage rates, and employees in Vermont are entitled to the higher of the two minimum wages. The Vermont minimum wage is \$8.73 as of January 1, 2014. The state minimum wage rate will increase to \$9.15 per hour on January 1, 2015, \$9.60 per hour in 2016, \$10.00 per hour in 2017 and \$10.50 per hour in 2018. On January 1, 2019 and each year thereafter, the minimum wage rate will increase by the lesser of: 1) five percent or 2) the percentage increase of the Consumer Price Index, CPI-U, U.S. city average, not seasonally adjusted.

Comparisons

The first comparison is between the Vermont Livable Wage rate and the federal poverty guideline, as well as federal and state minimum wage rates. This shows that the Vermont Livable Wage calculation for 2014 is more than two times the federal poverty level (FPL) established for a single person. The federal minimum wage is only 56% of the Vermont Livable Wage, and the state (Vermont) minimum wage is 67% of the Livable Wage.



In addition, two family configurations are used for comparison with the federal poverty guidelines, full-time minimum wage earnings and median family incomes: 1) the single parent with one child, and 2) two working parents with two children in rural Vermont.

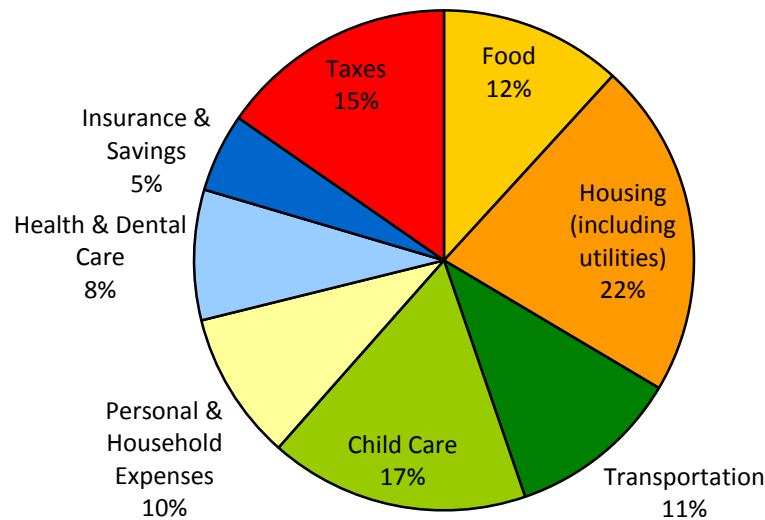
The first table and pie chart for each illustrate the breakdown of the major expense components of the family budget both pre-tax and within the overall budget. For the single-parent family, housing is the largest component of the budget at 22%, followed by child care, food and transportation. Transportation and child care are the two largest components of the two-parent family budget, followed by food and housing. The health and dental care costs for both families are 8%. Federal and state taxes (including FICA and Medicaid) combined for each of the two family types are 15% and 14% respectively.

The Basic Needs Budget for the single-parent family is about \$51,098 or 17% less than the median family income for a two-person family from the most recent Census data. The Budget is well above both the federal poverty level and the equivalent of working full-time for the Vermont state minimum wage. The Basic Needs Budget for the family with two working adults with two children is almost equal to the median four-person family income in Vermont in 2013. Again, the Budget for this family is well above both the FPL and the minimum wage.

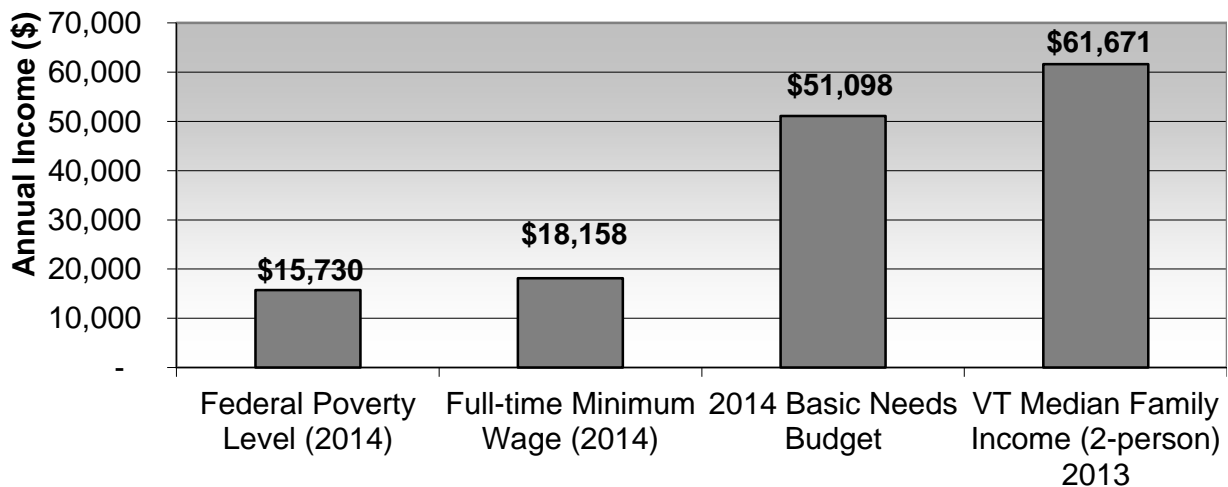
Single Parent with One Child (Rural)

Expense	Monthly	Annual	% of Budget
Food	502	6,022	11.8%
Housing (including utilities)	926	11,112	21.7%
Transportation	477	5,726	11.2%
Child Care	715	8,575	16.8%
Personal & Household Expenses	410	4,915	9.6%
Health & Dental Care	359	4,308	8.4%
Insurance & Savings	216	2,597	5.1%
Expense Budget	3,605	43,256	84.7%
Taxes	654	7,843	15.3%
Overall Budget	4,258	51,098	

Percentage of Income Needed to Meet Basic Needs in Vermont



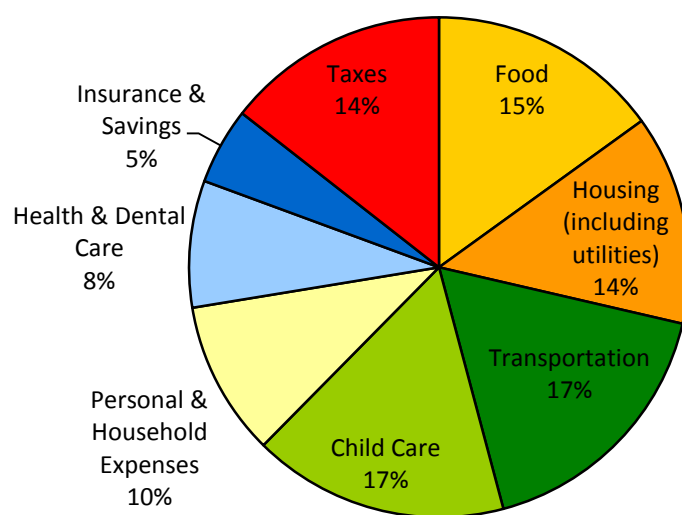
Vermont Basic Needs Income Compared to Other Benchmarks



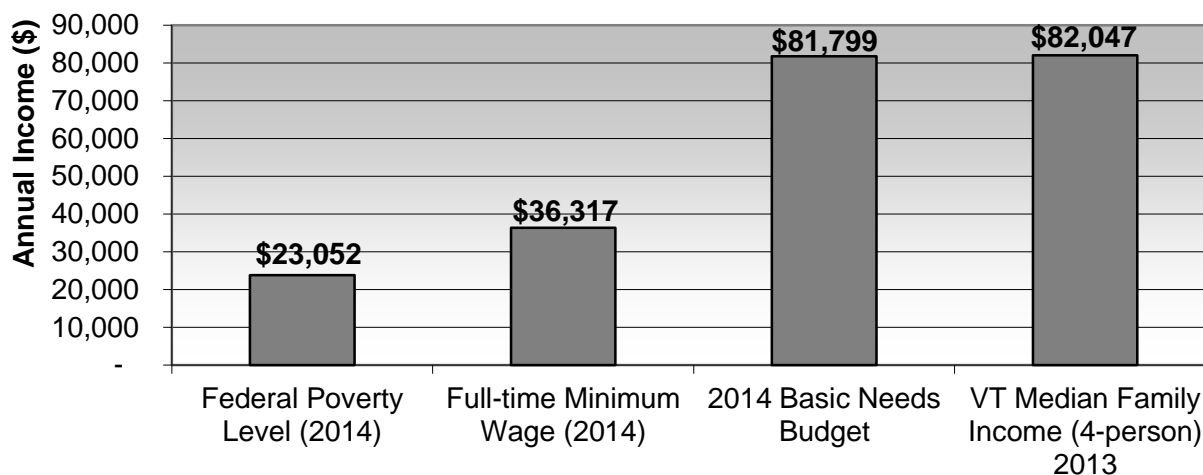
Two Working Parents with Two Children (Rural)

Expense	Monthly	Annual	% of Budget
Food	1025	12,304	15.0%
Housing (including utilities)	926	11,112	13.6%
Transportation	1174	14,091	17.2%
Child Care	1128	13,533	16.5%
Personal & Household Expenses	683	8,192	10.0%
Health & Dental Care	559	6,708	8.2%
Insurance & Savings	338	4,055	5.0%
Expense Budget	5,833	69,994	85.6%
Taxes	984	11,805	14.4%
Overall Budget	6,817	81,799	

Percentage of Income Needed to Meet Basic Needs in Vermont



Vermont Basic Needs Income Compared to Other Benchmarks



Part V – Methodology and Sources

Assumptions

- Single persons and single parents are women between 20-and 50-years-old and work outside the home; all other adults are between 20-and 50-years-old
- All families, except for singles with shared housing, live independently (i.e., not as sub-families living with others)
- One child is 4-years-old; two children are 4-and 6-years-old
- The younger child is a boy, the older child is a girl
- Housing estimates are for rental units with 1 bedroom for singles and married with no children; two bedrooms for all other family configurations
- Single parents receive no child support
- The urban designation is for Chittenden County and rural is the rest of the state

Food

USDA has four levels of food plans for the cost of food at home: thrifty, low-cost, moderate, and liberal plans. The Vermont Basic Needs Budgets use the moderate cost food plans.

Select USDA Monthly Food Plans: June 2014	
Age/Gender Group	Moderate (\$)
Child 4 – 5 years	170.30
Child 6 – 8 years	232.60
Adult Male 19 – 50 years	302.70
Adult Female 19 – 50 years	258.80

In addition, a percentage adjustment is applied to the monthly food costs depending on the family size as recommended by USDA below:

Family Size Adjustments	
<u>Family size</u>	<u>Percentage adjustment (%)</u>
1-person	20
2-person	10
3-person	5
4-person	No adjustment

Lastly, these figures are adjusted for regional variation by the 10-year differential between the amount spent for food in the Northeast compared to the United States as a whole on the Consumer Expenditure Survey. There is no difference between the urban and rural food costs.

Data Sources:

U.S. Department of Agriculture (USDA), Center for Nutrition Policy and Promotion

<http://www.usda.gov/cnpp/>

Bureau of Labor Statistics, Consumer Expenditure Survey <http://www.bls.gov/cex/>

Housing (Rent and Utilities)

The Housing data are from HUD's Fair Market Rents (FMR) survey. The FY 2015 data were finalized in fall of 2014. FMRs are established for units of varying size (0 – 4 bedrooms) for every county in Vermont. The FMR for the Burlington Metropolitan Statistical Area (MSA) is used for the urban housing estimate. For the rural estimate, a population-weighted average of the remaining counties is used. Housing estimates are for rental units with 1 bedroom for the single person and the two adult with no children households, and two bedrooms for all other family configurations.

FY 2015 HUD Fair Market Rents (Monthly)		
County	1 Bedroom (\$)	2 Bedrooms (\$)
Addison	780	925
Bennington	719	935
Caledonia	679	805
Essex	603	715
Lamoille	775	966
Orange	747	894
Orleans	637	762
Rutland	713	904
Washington	793	983
Windham	729	972
Windsor	735	1,017
Burlington, VT MSA	1,017	1,328

Utilities are included in the HUD data. In order to calculate the Vermont renter rebate, the rent alone must be separate from utility costs. Utilities are estimated to be 15% of the FMRs.

Data Sources:

U.S. Department of Housing and Urban Development (HUD), "Fair Market Rents," www.huduser.org/datasets/fmr.html

U.S. Census Bureau, County Level Population Data, www.census.gov/popest/states/

Transportation

The methodology for calculating transportation expenses consists of two parts, an estimate of vehicle miles traveled (VMT) per household, multiplied by a mileage rate which encompasses all the fixed and operational costs of owning a vehicle. The VMT figures are from the Vermont-specific 2009 National Household Transportation Survey (NHTS). Annual vehicle mileage per driver is estimated using a cross-tabulation of survey data. The following data sets were used: Vermont, Urban and Rural, and Household Lifecycle. The mileage rate is from the most recent IRS reimbursement rates for business travel. The IRS mileage rate is adjusted using AAA mileage rate data to reflect the lower cost-per-mile of driving greater miles.

Transportation (continued)

IRS Rate Adjusted by AAA Data

VMT	Cost Per Mile		
	2014	2012	2010
X			
10,000	56.0	55.5	50.0
11,000	53.4	53.0	47.4
12,000	50.8	50.4	44.8
13,000	48.1	47.9	42.1
14,000	45.5	45.3	39.5
15,000	42.9	42.8	36.9
16,000	41.6	41.5	35.6
17,000	40.3	40.2	34.2
18,000	38.9	38.9	32.9
19,000	37.6	37.6	31.5
20,000	36.3	36.3	30.2

NOTE: Bold is IRS Mileage Rate.

2009 NHTS		
Average Annual Vehicle Miles of Travel (VMT) Per Driver		
Vermont Household Life Cycle	Annual VMT / Driver (Mean)	
	Urban	Rural
one adult, no children	12,846	14,341
2+ adults, no children	12,827	15,093
one adult, youngest child 0-5	11,223	10,727
2+ adults, youngest child 0-5	10,731	18,728
one adult, youngest child 6-15	11,125	10,848
2+ adults, youngest child 6-15	10,620	15,297
one adult, youngest child 16-21	10,184	11,523
2+ adults, youngest child 16-21	9,327	12,232
one adult, retired, no children	4,794	8,802
2+ adults, retired, no children	7,936	10,439

Data Sources:

U.S. Department of Transportation, 2009 National Household Transportation Survey, <http://nhts.ornl.gov/>

Internal Revenue Service, (IRS) Standard Mileage Rates, <http://www.irs.gov/2014-Standard-Mileage-Rates-for-Business,-Medical-and-Moving-Announced>

AAA 2014 Your Driving Costs publication <http://publicaffairsresources.aaa.biz/wp-content/uploads/2014/05/Your-Driving-Costs-2014.pdf>

Child Care

The Vermont Agency of Human Services, Department of Children and Families conducts ongoing market surveys. This information shows, by county, average weekly child care rates by age of the child (infant, toddler, preschooler), and type of child care (either in a Registered Home or Licensed Center). The rural estimates are an average of all the counties except Chittenden and the two types of child care. The urban estimate is the average of the two types of care in Chittenden County.

The four-year-old child (single-child configurations) is assumed to require 52 weeks of full-time child care, while the 6-year-old child (two-child configurations) is assumed to require 15 weeks of full-time care and 37 weeks of part-time care. The two single-parent households as well as the two-parent, both-working household are the only households in this study that incur child-care costs.

None of these families qualify for a child care subsidy from the State of Vermont.

Data Sources:

Vermont Agency of Human Services, Department for Children and Families

Clothing and Household

These figures are from the 2013 Consumer Expenditure Survey tables 1400, 1600 and 1702. The tables were varied for different family configurations in order to link clothing and household expenses more closely to household income. This category includes housekeeping supplies, household furnishings and equipment, and apparel and services. Major appliances and misc. household equipment have been subtracted from the totals because these are renter households. There is no urban/rural distinction for these costs.

Data Sources:

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, www.bls.gov/cex/

Personal Expenses.

Personal expense began at \$2 per person per day in 1999. Indexed to 2014 by inflation (CPI) the amount is now \$2.86 per adult in the household per day and \$1.43 per child per day.

Telecommunications Expenses

This category is intended to provide telephone, cable, internet, cell phone service, or some limited combination of these services as part of the household budget.

Data Sources:

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, www.bls.gov/cex/

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, www.bls.gov/CPI/

Rental Insurance

Insurance rates are from Crowley Insurance Agency in Burlington. Coverage includes \$25,000 replacement value, \$1,000 medical, \$500,000 liability, and a \$250 deductible. The estimates do not distinguish between urban and rural as the source claimed that there is, on average, not an appreciable difference between the two.

Savings

All family configurations savings amounts are 5% of the before-tax expenses. Savings could encompass any sort of family savings priorities, including retirement, college, and emergency accounts.

Health Care

This report looks at two components of health care costs: insurance premiums and out-of-pocket (OOP) costs which is spending for care not covered by insurance, including deductibles and co-insurance. Previous reports included a separate budget for those families without employer-sponsored health insurance, but this was discontinued in the 2008 study, when it was estimated that less than 1% of Vermonters were enrolled in individual plans.¹ However, with the implementation of the Affordable Care Act (ACA) and the Vermont Health Connect (VHC), it is estimated that over 30,000 Vermonters will have enrolled in individual market plans through VHC in 2014, the majority of whom will likely be receiving some form of subsidy. As such, in addition to the costs for those with employer-sponsored health insurance, this report will also take into consideration costs related to individual market plans sold through the exchange. It should be noted, however, that there are methodological complexities and numbers will be preliminary at best. Finally, the livable wage will continue to use employer-sponsored insurance as the proxy for health and dental care costs.

Employer-Sponsored Insurance

Previous reports utilized data collected as part of the federal Medical Expenditure Panel Survey (MEPS) as the proxy for employer-sponsored insurance (ESI) premiums.² For the 2014 report, the Blue Cross Blue Shield of Vermont (BCBSVT) Standard Gold plan, which is a qualified health plan that is sold through VHC, was chosen as the proxy for ESI. A gold plan was chosen because it is estimated that insured Vermonters on average have health coverage equivalent to a gold plan. An analysis done as part of the Act 128 Health System Reform Report (also known as “the Hsiao Report”) using VHCURES data determined that “for medical and drug benefits Vermont insurance plans already pay 87 percent of the costs on average, while the patient pays 13% in cost sharing” which is technically equivalent to a gold plan.³ Finally, this standard gold plan premium is fairly consistent with both MEPS and the *Annual Survey of Employer Health Benefits* put out by the Kaiser Family Foundation and the Health Research and Education Trust. It should be noted that the higher average actuarial value is largely driven by the large group coverage, which not only represents a significant portion of the private insurance market, but also tends to have a high average actuarial value.

¹ This does not include Catamount which was a state-subsidized individual plan.

² MEPS is compiled and maintained by the Agency for Healthcare Research and Quality (AHRQ) which is part of the U.S. Department of Health & Human Services.

³ *Act 128 Health System Reform Design*, submitted by William Hsiao, PhD, Steven Kappel, MPA, and Jonathon Gruber, PhD. February 17, 2011.

To estimate the employer and employee contributions to premiums the report continues to use MEPS as the proxy. According to the 2013 MEPS data, the employee share of the premiums for single coverage, single plus-one, and family coverage were 20%, 26%, and 27%, respectively, which is fairly consistent with other nationwide data as well as anecdotal data concerning Vermont.⁴

No Employer-Sponsored Insurance

For individuals and families on the exchange, we calculated what the premiums would be with the advance premium tax credits (APTC) which are applied on a sliding scale up to 400% FPL for the federal APTC and up to 300% FPL for the additional (1.5%) state APTC. The level of federal APTC ranges from 3.5% to 9.5% of household income depending on federal poverty level as determined by modified adjusted income (MAGI). We use the estimated livable wage income to estimate the premium based on the ACA criteria, and then use an algorithm to recalibrate the basic needs wage.

Out-of-Pocket Costs

The 2012 report made a small methodology change concerning out-of-pocket (OOP) costs. Previous reports used MEPS data to estimate OOP costs, however these data are national data and not Vermont-specific. As with the 2012 report, this year's report employs VHCURES data which are Vermont specific data collected and housed by the Green Mountain Care Board.⁵ The report uses average OOP costs, by type of plan (single, two-person, and family plans) for everyone (whether they had an OOP expense or not) with private insurance for 12 months of continuous coverage. To control for extreme high cost outliers, we've truncated the data excluding the highest 3% of out-of-pocket spenders. As a result of the methodology change, readers may notice that reported total health care costs differ from previous reports.

Dental Care

Northeast Delta Dental has a significant market share in Vermont with approximately 80,000 subscribers covering approximately 166,000 lives. Previous reports used the Northeast Delta Dental Voluntary Dental Benefit Options (Option 3) as the premise for premiums. However, that product has been discontinued. For this report we used one of the two Dental plan options offered through Vermont Health Connect, both of which were also Northeast Delta Dental plans, as the basis for estimating dental costs.

Employer-Sponsored Insurance

There appears to be a strong relationship between employer size and those that offer dental benefits to their employees. For instance, 17% of firms with 1-9 employees offered a dental benefit to both part and full-time employees, while 85% of firms with 50-249 employees and 94% of firms with more than 250 employees offered dental benefits to both part and full-time employees.⁶

For this year's report we could find no consistent proxy for employer contribution to dental plans. In the absence of statewide data, we used the same assumptions as the 2012 report which assumed 90% for single coverage, 70% for two-person coverage, and 50% for family coverage. For comparison, Vermont Education Health Initiative (VEHI), requires a minimum of 50%

⁴ According to the Kaiser Family Foundation and Health Research and Education Trust annual survey on employer health benefits (2014), employees contributed on average approximately 18% and 28% for single and family premiums, respectively.

⁵ VHCURES stands for Vermont Healthcare Claims Uniform Reporting and Evaluation System.

⁶ 2011 Fringe Benefit Survey, Vermont Department of Labor. April 2012.

participation, although many cover as much as 100%.⁷ We were unable to obtain data on average distribution for these plans.

No Employer-Sponsored Insurance

For health insurance products sold through the exchange, pediatric dental is already covered up to age 21, so for purposes of this report only adult dental will be addressed for those with no ESI. It should be noted that as of November 2014, there were only 1,761 lives covered through these individual market stand-alone dental plans, of whom only 6 were children.⁸

Out-of-Pocket Costs

The same methodology was used for estimating OOP costs as previous years. VHCURES data were not available so national MEPS data were used and trended forward.

Technical Information

The health and dental care numbers in the basic needs budgets are a combination of the employee-only share of premiums as well as OOP costs. For employers who use this report and would like to know just the premium impact alone, below we have provided a chart with just the estimated premium information for 2014.

Employer-Sponsored Insurance

Health Insurance Premiums (Monthly)

2014	Total	Employer Share	Employee Share
Single	497	396	101
Single + 1 child	959	714	246
Single + 2 children	1,397	1,025	372
Two Adults	994	740	254
Two Adults + 2	1,397	1,025	372

Dental Insurance Premiums (Monthly)

2014	Total	Employer Share	Employee Share
Single	47	42	5
Single + 1 child	111	78	33
Single + 2 children	160	80	80
Two Adults	90	63	27
Two Adults + 2	160	80	80

Life Insurance

National Life of Vermont continues to supply advice on the average term life insurance policies and premiums. There are no changes in either the recommended amounts of coverage or the cost from the last study. Insurers recommend ten to twelve times annual earnings as a proxy for the amount of coverage a family should have. In order to remain conservative, ten times annual

⁷ VEHI is a large, non-profit purchaser of health care for Vermont public schools, covering over 19,000 employees and retirees.

⁸ Data received from Delta Dental, November 2014.

income was used for these calculations. The average annual income across a family profile, for example, a single parent with one child in both urban and rural areas is used to estimate the coverage amount. For premium pricing, the “rule of thumb” is \$0.60 per \$1,000 of coverage plus an annual \$75 policy fee. This report assumes that single persons do not have life insurance coverage.

Federal and State Income Taxes and FICA/Medicare

The tax estimates included as part of the Basic Needs Budgets are for tax year 2014. The federal tax liability is calculated using standard deduction and exemption amounts for the various filing statuses (single, married filing joint, and head of household for single parent families). The federal tax liability is net of any earned income tax credit (EITC), child tax credit, and dependent tax care credits. These calculations do not assume other forms of tax savings such as medical or dependent care savings accounts. The state tax liability is also net of the state earned income credit which is 32% of the federal amount, and the dependent care tax credit at 24% of the federal amount, and finally the Vermont renter rebate program. None of the families in the study qualify for either the federal or state earned income tax credit because the budgets are well above the federal income phase-out thresholds.

The FICA calculations are the amounts that would be withheld for Social Security and Medicare from an individual’s paycheck. Employees and employers are both subject to the FICA tax. In 2014, the FICA rate for Social Security is 6.2% of all income up \$117,000 and Medicare is 1.45% of all income.

Appendix A – Statute

2 V.S.A. § 505. Basic needs budget and livable wage; report

§ 505. Basic needs budget and livable wage; report

(a) For the purposes of this section:

(1) "Basic needs" means the essentials needed to run a household, including food, housing, transportation, child care, utilities, health and dental care, taxes, rental and life insurance, personal expenses, and savings.

(2) "Basic needs budget" is the amount of money needed by a Vermont household to maintain a basic standard of living, calculated using current state and federal data sources for the costs of basic needs.

(3) "Livable wage" means the hourly wage required for a full-time worker to pay for one-half of the basic needs budget for a two-person household with no children and employer-assisted health insurance averaged for both urban and rural areas.

(b) On or before January 15 of each new legislative biennium, beginning in 2009, the joint fiscal office shall report the calculated basic needs budgets of various representative household configurations and the calculated livable wage for the previous year. This calculation may serve as an additional indicator of wage and other economic conditions in the state and shall not be considered official state guidance on wages or other forms of compensation.

(c) The methodology for calculating basic needs budgets shall be built on methodology described in the November 9, 1999 livable income study committee report, modified as appropriate by any statutory changes made by the general assembly and subsequent modifications adopted by the joint fiscal committee under subsection (d) of this section.

(d) The joint fiscal committee may adopt modifications to the methodology used to determine the basic needs budget calculations under subsection (c) of this section to account for public policy changes, data availability, or any other factors that have had an impact on any aspects of the methodology. Changes or revisions in methodology adopted by the committee shall be effective no later than November in the year preceding the release of the report. (Added 2005, No. 59, § 1; amended 2007, No. 202 (Adj. Sess.), § 1.)