



Vermont Sustainable Jobs Fund

2.1.17

Comments from Ellen Kahler, Executive Director

2017 Basic Needs Budget Report

A general observation: The hypothetical for the official LW is characterized as two adults with no children in a one-bedroom apartment. That implies a couple, not two adults sharing an apartment. The legislature should direct JFO to switch to a two-bedroom unit for this hypothetical.

Change from 2015: For several categories, JFO shifted from using CEX tables chosen to best match the income of various household (HH) configurations to using the average of the lowest five income classes from Table 1203. I disagree with this choice. The point of this report is to provide examples of what it costs to live in Vermont given different family configurations. Since this report does not mandate that employers should pay these level of wages, but rather that it is intended to be a point of information about what it costs to live in VT, then the methodology and data tables used should match the household configuration as best as possible. That's the whole point of having these different household configurations in the first place.

Clothing & Household: Using the average for the lowest five income classes from Table 1203 lowers the figure for a single person and reduces the figure significantly for the family units. For example, the figure for this category for the official LW (one person sharing a one-bedroom unit) dropped from \$228/mo. In 2015 to \$169 this year. The point of this biennial BNB exercise is to show what it costs to live in Vermont for different family configurations. We should not be worried about the 'sticker shock' effect – everyone knows it's expensive to live here. So we should really show that it is based on the best data we have available ... and then let the policy conversation follow re: what could be done to either improved wages/income or reduce expenses for families.

Telecom: The average of land line residential and cellular is not appropriate. JFO is taking the average of the two components, rather than the Telephone total. That is, the total represents the average amount spent for telephone services regardless of which type of service (land line, cell, etc.). Averaging the components assumes every HH buys both types of services, which is obviously not true. In the end, it doesn't matter what the mix of services are; the total is all that matters. This approach under-represents telephone costs by about 50%.

Health Care: In general, the methodology is not unsound, but I question the decision to use average data for employer contributions when we're dealing with people at the low end of the pay scale. JFO is making the assumption that the average employer contribution is 77%, but I just don't know if that's true for workers earning \$13/hr. Likewise, using average out of pocket figures may not represent those at the low end because their policies may have higher deductibles and co-pays. I don't have the data on this, but I think it's a fair question for JFO to be asked.

Personal expenses: It may be time to revisit this category. The estimated figure for one adult is \$88.50 per month or \$2.95 per day. Adjusting this over time with the CPI may not be appropriate. The CPI covers a market basket of goods and services, some of which are flat or go down over time (e.g., cheap clothing and electronics from China). But this category may include purchases that increase faster than the CPI. We have never looked closely at this. This may be an area to spend some time considering anew.

NOTE: This testimony was developed in consultation with Doug Hoffer. Since Doug and I worked together for many years on developing the VT Job Gap Study and Doug is one of the principal authors of the BNB methodology and knows the data sets inside and out, I always consult with him on these matters.