

Basic Needs Budgets and the Livable Wage

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

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Part I - Executive Summary

This is the twelfth 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 was new to the 2015 report. All configurations are as follows:

- Single Person
- Single Person, Shared Housing
- 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 2016 Vermont Livable Wage is \$13.16 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. For this report, expenses for Clothing and Household items as well as for Telecommunications were calculated using a different table from the Consumer Expenditure Survey (CEX) than the previous report. Additionally, the calculation for health and dental expenses was based once again on data from both the Medical Expenditure Panel Survey (MEPS) and Northeast Delta Dental respectively.

Clothing and Household Expenses

Expenses for these items have been calculated based on the average of the lowest five income levels in Table 1203: Income before Taxes from the 2015 Consumer Expenditure Survey (CEX). This is a slight variation from the change made in the previous report to match these expenses more closely to income rather than family configuration. Rather than rely on numbers from multiple CEX tables, this report will utilize numbers from only one.

Telecommunications Expenses

As for clothing and household expenses above, telecommunications expenses were calculated using an average of the lowest five income categories from Table 1203: Income before Taxes from the 2015 CEX. The telecommunications calculation combines the telephone services expense and internet services expense for the northeast region. The telephone services calculation is a weighted average between cellular phone service and residential phone service (with VOIP) based on data from the National Center for Health Statistics on cellular phone usage by State. The internet service expense was taken from the category “other household expenses” and is a simple average.

Health and Dental Care Expenses

The previous report utilized data on employer-sponsored insurance (ESI) premiums from the Blue Cross Blue Shield of Vermont Gold Plan to estimate a proxy for health care costs. This report reverts back to utilizing data from the Medical Expenditure Panel Survey (MEPS) as the proxy for individuals and families with ESI. The costs for dental insurance in this report are similar to those from the Northeast Delta Dental Premium Plus Plan. The previous report offered two health and dental care expense scenarios for family configurations either, 1) utilizing employer-sponsored health and dental coverage; or, 2) purchasing coverage through Vermont Health Connect, the state-run health insurance exchange implemented as part of the federal Affordable Care Act. This report, recognizing that individuals and families purchasing insurance through VHC represent a very small percentage of the health insurance market in Vermont, reverts back to only presenting budgets for families receiving employer-sponsored health and dental insurance.

Prekindergarten Tuition

Starting on July 1, 2016, as per Act 166 of 2014, school districts were required to begin offering publicly funded prekindergarten education to children aged 3-5 years old at a minimum of 10 hours per week for 35 weeks annually. This will ultimately require a future adjustment to child care costs for the basic needs budgets. However, the adjustment has not been made for this edition of the Basic Needs Budget and Livable Wage report.

**Part III – 2016 Vermont Livable Wage
and Basic Needs Budgets**

2016 Livable Wage = \$13.16 per hour [1]

2016 Basic Needs Budget Wages [2]

Family Type	Urban	Rural
Single Person	\$18.33	\$16.26
Single Person, Shared Housing	\$14.76	\$13.20
Single Parent, One Child	\$29.57	\$25.03
Single Parent, Two Children	\$37.67	\$31.73
Two Adults, No Children	\$13.69	\$12.63
Two Adults, Two Children (one wage earner)	\$32.30	\$30.33
Two Adults, Two Children (two wage earners/wage each)	\$21.71	\$20.08

[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.

**2016 Vermont Basic Needs Budget
Single Person**

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	321	321
Housing	1,080	793
Transportation	491	516
Health Care	149	149
Dental Care	9	9
Child Care	0	0
Clothing & Household Expenses	153	153
Personal Expenses	88	88
Telecommunications	81	81
Rental Insurance	13	13
Term Life Insurance	0	0
Savings	119	106
Total Monthly Expenses	2,506	2,231
Annual Expenses	30,073	26,769
Federal & State Taxes	8,044	7,059
Annual Income	38,117	33,828
Hourly "Livable" Wage	\$18.33	\$16.26
<i>Average Wage PER Earner</i>		
Tax Calculations	2016 Tax Year - Single Filer	
AGI	40,719	35,900
Standard Deduction	(6,200)	(6,200)
Personal Exemption(s)	(3,950)	(3,950)
Taxable Income	30,569	25,750
Federal Tax (before credits)	4,122	3,399
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	4,122	3,399
State Tax (before credits)	1,085	914
Dependent Care Credit	-	-
Renter Rebate	(277)	-
Net State Tax	808	914
FICA/Medicare	3,115	2,746
Total	8,044	7,059

**2016 Vermont Basic Needs Budget
Single Person, Shared Housing**

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	321	321
Housing	698	492
Transportation	491	516
Health Care	149	149
Dental Care	9	9
Child Care	0	0
Clothing & Household Expenses	108	108
Personal Expenses	88	88
Telecommunications	67	67
Rental Insurance	13	13
Term Life Insurance	0	0
Savings	97	88
Total Monthly Expenses	2,042	1,852
Annual Expenses	24,501	22,227
Federal & State Taxes	6,201	5,226
Annual Income	30,703	27,453
Hourly "Livable" Wage <i>Average Wage PER Earner</i>	\$14.76	\$13.20
Tax Calculations	2016 Tax Year - Single Filer	
AGI	32,625	28,905
Standard Deduction	(6,200)	(6,200)
Personal Exemption(s)	(3,950)	(3,950)
Taxable Income	22,475	18,755
Federal Tax (before credits)	2,907	2,349
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	2,907	2,349
State Tax (before credits)	798	666
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	798	666
FICA/Medicare	2,496	2,211
Total	6,201	5,226

**2016 Vermont Basic Needs Budget
Single Parent, One Child**

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	321	321
Housing	1,080	793
Transportation	491	516
Health Care	149	149
Dental Care	9	9
Child Care	0	0
Clothing & Household Expenses	153	153
Personal Expenses	88	88
Telecommunications	81	81
Rental Insurance	13	13
Term Life Insurance	0	0
Savings	119	106
Total Monthly Expenses	2,506	2,231
Annual Expenses	30,073	26,769
Federal & State Taxes	8,044	7,059
Annual Income	38,117	33,828
Hourly "Livable" Wage	\$ 18.33	\$ 16.26
<i>Average Wage PER Earner</i>		
Tax Calculations	2016 Tax Year - Single Filer	
AGI	40,719	35,900
Standard Deduction	(6,200)	(6,200)
Personal Exemption(s)	(3,950)	(3,950)
Taxable Income	30,569	25,750
Federal Tax (before credits)	4,122	3,399
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	4,122	3,399
State Tax (before credits)	1,085	914
Dependent Care Credit	-	-
Renter Rebate	(277)	-
Net State Tax	808	914
FICA/Medicare	3,115	2,746
Total	8,044	7,059

**2016 Vermont Basic Needs Budget
Single Parent, Two Children**

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	717	717
Housing	1,395	984
Transportation	480	459
Health Care	519	519
Dental Care	86	86
Child Care	1,411	1,255
Clothing & Household Expenses	164	164
Personal Expenses	177	177
Telecommunications	81	81
Rental Insurance	13	13
Term Life Insurance	46	39
Savings	255	225
Total Monthly Expenses	5,345	4,720
Annual Expenses	64,135	56,643
Federal & State Taxes	14,213	9,359
Annual Income	78,348	66,002
Hourly "Livable" Wage	\$ 37.67	\$ 31.73
<i>Average Wage PER Earner</i>		
Tax Calculations	2016 Tax Year - Head of Household	
AGI	79,730	66,394
Standard Deduction	(9,100)	(9,100)
Personal Exemption(s)	(11,850)	(11,850)
Taxable Income	58,780	45,444
Federal Tax (before credits)	8,993	6,154
Child Credit	(1,750)	(2,000)
Dependent Care Credit	(1,200)	(1,200)
Net Federal Tax	6,043	2,954
State Tax (before credits)	2,359	1,613
Dependent Care Credit	(288)	(288)
Renter Rebate	-	-
Net State Tax	2,071	1,325
FICA/Medicare	6,099	5,079
Total	14,213	9,359

2016 Vermont Basic Needs Budget
Two Adults, No Children (both wage earners)

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	639	639
Housing	1,080	793
Transportation	981	1,019
Health Care	358	358
Dental Care	34	34
Child Care	0	0
Clothing & Household Expenses	169	169
Personal Expenses	177	177
Telecommunications	134	134
Rental Insurance	13	13
Term Life Insurance	37	34
Savings	181	169
Total Monthly Expenses	3,804	3,539
Annual Expenses	45,648	42,474
Federal & State Taxes	11,314	10,088
Annual Income	56,961	52,561
Hourly "Livable" Wage	\$ 27.39	\$ 25.27
<i>Average Wage PER Earner</i>	13.69	12.63
2016 Livable Wage		13.16
Tax Calculations	2016 Tax Year - Married Filing Jointly	
AGI	61,094	56,416
Standard Deduction	(12,400)	(12,400)
Personal Exemption(s)	(7,900)	(7,900)
Taxable Income	40,794	36,116
Federal Tax (before credits)	5,192	4,490
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	5,192	4,490
State Tax (before credits)	1,448	1,282
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,448	1,282
FICA/Medicare	4,674	4,316
Total	11,314	10,088

2016 Vermont Basic Needs Budget
Two Adults, Two Children (one wage earner)

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	997	997
Housing	1,395	984
Transportation	917	1,089
Health Care	519	519
Dental Care	91	91
Child Care	0	0
Clothing & Household Expenses	180	180
Personal Expenses	266	266
Telecommunications	134	134
Rental Insurance	13	13
Term Life Insurance	41	39
Savings	228	216
Total Monthly Expenses	4,780	4,527
Annual Expenses	57,365	54,328
Federal & State Taxes	9,811	8,753
Annual Income	67,176	63,081
Hourly "Livable" Wage	\$ 32.30	\$ 30.33
<i>Average Wage PER Earner</i>		
Tax Calculations	2016 Tax Year - Married Filing Jointly	
AGI	68,586	64,548
Standard Deduction	(12,400)	(12,400)
Personal Exemption(s)	(15,800)	(15,800)
Taxable Income	40,386	36,348
Federal Tax (before credits)	5,130	4,525
Child Credit	(2,000)	(2,000)
Dependent Care Credit	-	-
Net Federal Tax	3,130	2,525
State Tax (before credits)	1,434	1,290
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,434	1,290
FICA/Medicare	5,247	4,938
Total	9,811	8,753

**2016 Vermont Basic Needs Budget
Two Adults, Two Children (two wage earners)**

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	997	997
Housing	1,395	984
Transportation	917	1,089
Health Care	519	519
Dental Care	91	91
Child Care	1,411	1,255
Clothing & Household Expenses	180	180
Personal Expenses	266	266
Telecommunications	134	134
Rental Insurance	13	13
Term Life Insurance	53	50
Savings	299	279
Total Monthly Expenses	6,275	5,857
Annual Expenses	75,304	70,288
Federal & State Taxes	15,023	13,247
Annual Income	90,327	83,534
Hourly "Livable" Wage	\$ 43.43	\$ 40.16
<i>Average Wage PER Earner</i>	\$ 21.71	\$ 20.08
Tax Calculations	2016 Tax Year - Married Filing Jointly	
AGI	93,817	87,379
Standard Deduction	(12,400)	(12,400)
Personal Exemption(s)	(15,800)	(15,800)
Taxable Income	65,617	59,179
Federal Tax (before credits)	8,915	7,949
Child Credit	(2,000)	(2,000)
Dependent Care Credit	(1,200)	(1,200)
Net Federal Tax	5,715	4,749
State Tax (before credits)	2,419	2,101
Dependent Care Credit	(288)	(288)
Renter Rebate	-	-
Net State Tax	2,131	1,813
FICA/Medicare	7,177	6,685
Total	15,023	13,247

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.

2016 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	\$11,880	14,300	17,820	20,790	21,980	23,760	26,730	35,640
2	16,020	19,200	24,030	28,040	29,640	32,040	36,050	48,060
3	20,160	24,200	30,240	35,280	37,300	40,320	45,360	60,480
4	23,850	29,200	36,450	42,530	44,960	48,600	54,680	72,900
5	28,440	34,100	42,660	49,770	52,610	56,880	63,990	85,320
6	32,580	39,100	48,870	57,020	60,270	65,160	73,310	97,740
7	36,730	44,100	55,100	64,280	67,950	73,460	82,640	110,190
8	40,890	49,100	61,340	71,560	75,650	81,780	92,000	122,670
Each Add'l	4,160	5,000	6,240	7,280	7,700	8,320	9,360	12,480

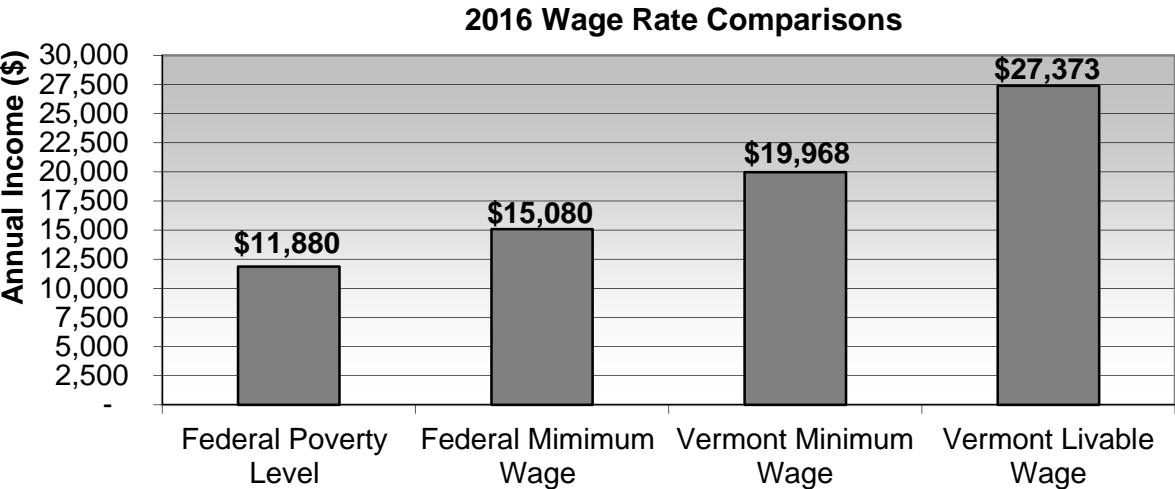
SOURCE: <https://aspe.hhs.gov/computations-2016-poverty-guidelines>

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 \$9.60 as of January 1, 2016. The state minimum wage rate will increase to \$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 2016 is nearly two-and-a-half times the federal poverty level (FPL) established for a single person. The federal minimum wage is only 55% of the Vermont Livable Wage, and the state (Vermont) minimum wage is 73% 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.

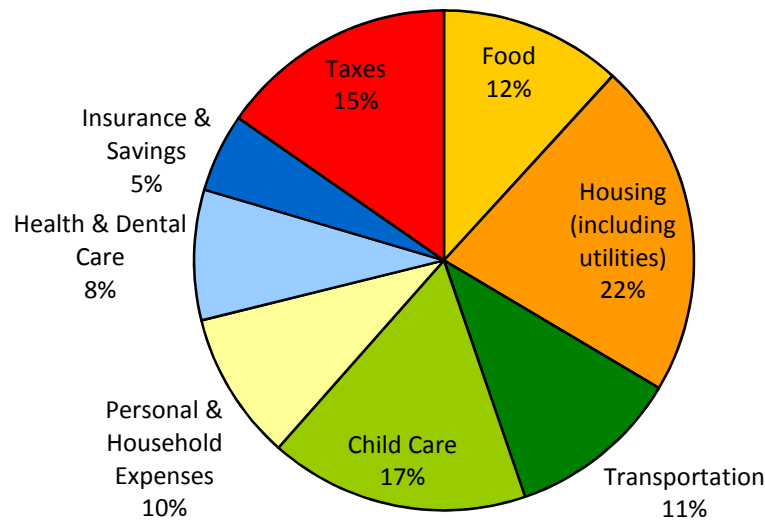
The first table and pie chart for each illustrate the breakdown of the major expense components of the family budget both pre-tax and within the overall budget. For the single-parent family, housing is the largest component of the budget at 22%, followed by child care, food and transportation. Transportation 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.

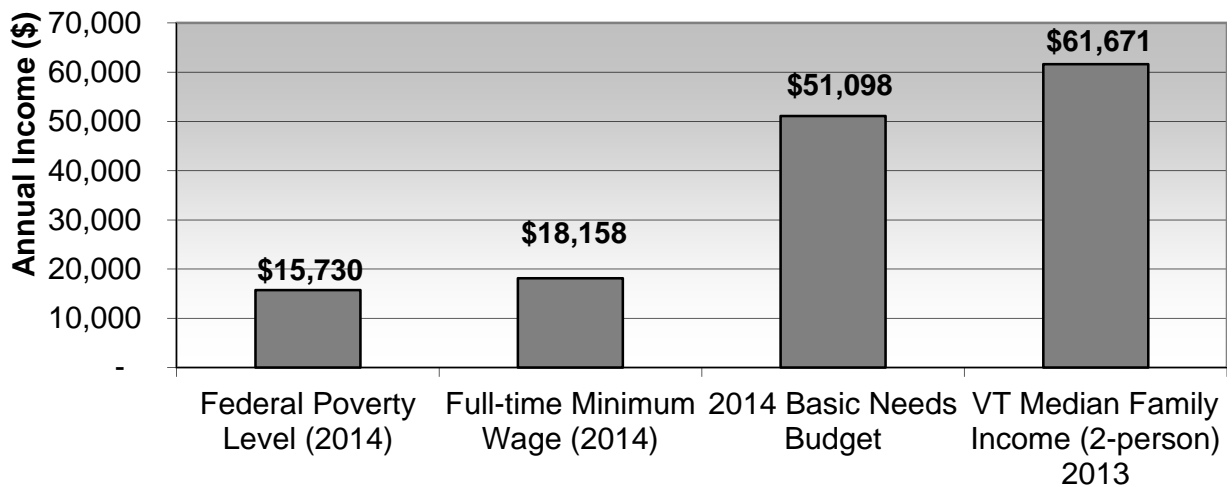
Single Parent with One Child (Rural)

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



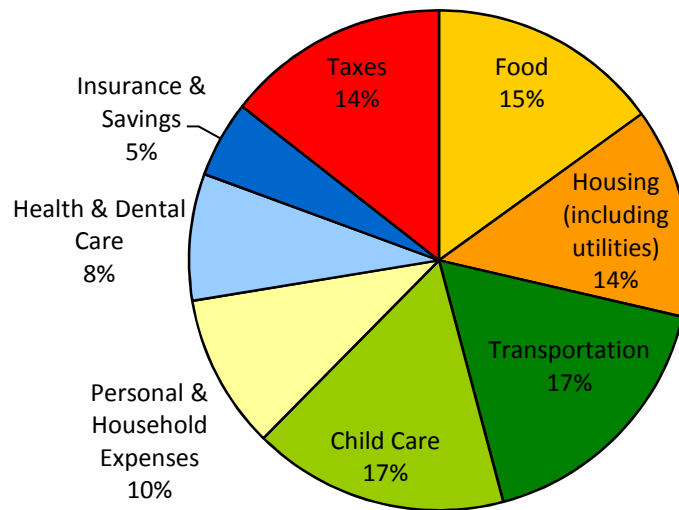
Vermont Basic Needs Income Compared to Other Benchmarks



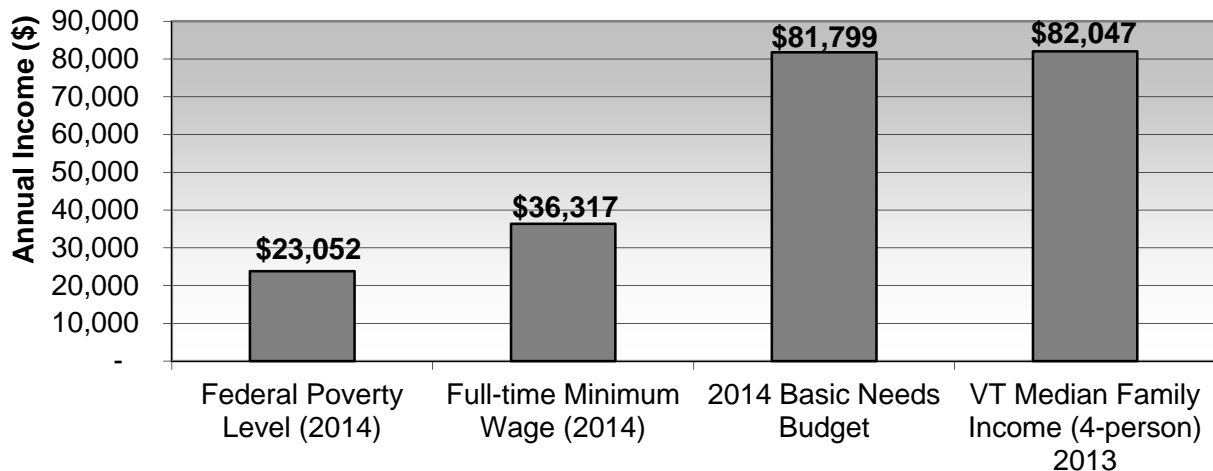
Two Working Parents with Two Children (Rural)

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 2016	
<u>Age/Gender Group</u>	<u>Moderate (\$)</u>
Child 4 – 5 years	167.90
Child 6 – 8 years	229.70
Adult Male 19 – 50 years	299.80
Adult Female 19 – 50 years	255.90

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 2017 data were finalized in fall of 2016. 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 2017 HUD Fair Market Rents (Monthly)		
County	1 Bedroom (\$)	2 Bedrooms (\$)
Addison	878	1,015
Bennington	833	988
Caledonia	689	916
Essex	629	781
Lamoille	844	1,006
Orange	773	979
Orleans	654	788
Rutland	769	948
Washington	781	1,033
Windham	815	1,035
Windsor	861	1,057
Burlington, VT MSA	1,080	1,395

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		
	2016	2014	2012
X			
10,000	54.0	56.0	55.5
11,000	51.3	53.4	53.0
12,000	48.6	50.8	50.4
13,000	45.9	48.1	47.9
14,000	43.2	45.5	45.3
15,000	40.5	42.9	42.8
16,000	39.1	41.6	41.5
17,000	37.7	40.3	40.2
18,000	36.3	38.9	38.9
19,000	34.9	37.6	37.6
20,000	33.5	36.3	36.3

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, <https://www.irs.gov/uac/newsroom/2016-standard-mileage-rates-for-business-medical-and-moving-announced>

AAA 2016 Your Driving Costs publication, <http://exchange.aaa.com/wp-content/uploads/2016/04/2016-YDC-Brochure.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 2015 Consumer Expenditure Survey table 1203. The costs represent an average over the lowest five income categories. This category includes housekeeping supplies, apparel and services, and household furnishings and equipment. Major appliances and misc. household equipment (except computer-related expenses) have been subtracted from the totals because these are renter households. There is no urban/rural distinction for clothing and household 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 2016 by inflation (CPI) the amount is now \$2.91 per adult in the household per day and \$1.46 (rounded from \$1.455) 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. These figures are from the 2015 Consumer Expenditure Survey Table 1203 categories of telephone services and computer information services. The costs represent an average over the lowest five income categories.

Data Sources:

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, www.bls.gov/cex/
U.S. C.D.C. National Center for Health Statistics, Household Telephone Status by State, https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless_state_201608.pdf

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 column for those families without employer-sponsored health insurance, but this was discontinued in the 2008 report, when it was estimated that at the time less than 1% of Vermonter's were enrolled in individual plans.¹ With the implementation of the Affordable Care Act (ACA) and the Vermont Health Connect (VHC), the 2015 report included separate cost estimates for those with employer-sponsored insurance and those with individual coverage through Vermont Health Connect (VHC). However, since employer-sponsored insurance plans continue to represent the overwhelming majority of the commercial insurance market – individual plans through the Vermont Health Connect still only represent less than 5% of the commercial insurance market – this report will again only include estimates for those with employer-sponsored insurance. This is the same case with Dental coverage.

Employer-Sponsored Insurance

Prior to 2015, 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 2015 report we used the Blue Cross Blue Shield of Vermont (BCBSVT) Standard Gold plan sold through VHC as the proxy for ESI based on a 2011 report to the legislature that determined at the time 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 was technically equivalent to a gold plan.³ This was also 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 (KFF/HRET). However, over the last several years we've seen a shift in both employer and employee behaviors regarding employer-sponsored health insurance, particularly decreases in employer contributions to premiums and increases in employee out-of-pocket exposure (which impacts actuarial value).⁴

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.

⁴ At this time, we do not have data on the use of health savings accounts (HSA's) or health reimbursement accounts (HRA's).

For this year's report we are again basing our estimates using MEPS to estimate average costs of premiums (and adjusting for the two-year data lag). The average premium for ESI using MEPS as the base was slightly above the cost of a standard silver plan but less than a standard gold plan premium. These data are fairly consistent with other sources including KFF/HRET and a 2015 health benefit survey conducted by the University of Massachusetts Medical School on behalf of the Vermont Department of Labor.

Comparison of Total 2016 Estimated Premium Costs⁵

	<i>SINGLE</i>		<i>SINGLE + 1</i>		<i>Family</i>	
	Standard Silver	Standard Gold	Standard Silver	Standard Gold	Standard Silver	Standard Gold
BCBVT	\$484	\$573	\$969	\$1,147	\$1,361	\$1,611
MVP	\$493	\$589	\$987	\$1,177	\$1,386	\$1,654
MEPS (VT)	\$503		\$1,034		\$1,531	
VT DOL Survey	\$555		\$981		\$1,364	
Kaiser (US)	\$536		\$1,073		\$1,512	

To estimate employee contributions to premiums the report continues to also use MEPS as the proxy distribution. According to the 2015 MEPS data, the employee share of the premiums for single coverage, single plus-one, and family coverage were 23%, 27%, and 27%, respectively, which is fairly consistent with other nationwide data as well as anecdotal data concerning Vermont.⁶

EMPLOYEE SHARE %

	Single	Single+1	Family
Based on MEPS (VT)	23%	27%	27%
VT DOL Survey (VT)	22%	30%	31%
Based on Kaiser/HRET (US)	18%	18%	29%

Out-of-Pocket Costs

This year's report again employs VHCURES data which are Vermont specific claims data collected and maintained by the Green Mountain Care Board.⁷ 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.

Dental Care

Northeast Delta Dental has a significant market share in Vermont with approximately 82,000 subscribers covering approximately 169,000 lives.⁸ Previous reports used the Northeast Delta

⁵ MEPS data based on 2015 Vermont estimates. VT DOL survey based on the Vermont Employer Health Benefits Survey (June 2015). KFF/HRET based on the Kaiser Family Foundation and Health Research & Education Trust, 2016 National Survey of Employer Health Benefits. Both the MEPS and VTDOL data were adjusted for 2016 by JFO.

⁶ 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.

⁷ VHCURES stands for Vermont Healthcare Claims Uniform Reporting and Evaluation System.

⁸ As of August 31, 2016. Data provided by Northeast Delta Dental, September 2016.

Dental Voluntary Dental Benefit Options (Option 3) as the premise for premiums but that product was discontinued at the end of 2013. Beginning 2014, we used the stand-alone dental plan offered through Vermont Health Connect, which is also a Northeast Delta Dental plan, as the basis for estimating dental premium costs. The premium for this plan is similar to the premium for Delta Dental's Premium Plus plan which is their most popular small group plan.

Employer-Sponsored Insurance - Dental

Just as employer-sponsored health insurance represents an overwhelming majority of those with commercial insurance, so does employer-sponsored dental coverage. As of September 30, 2016, there were only 1,686 lives covered through individual market stand-alone dental plans, of which only 3 were children.⁹ It should be noted that health insurance plans sold through Vermont Health Connect include pediatric dental benefits imbedded in those plans.

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 3-9 employees offered a stand-alone dental benefit to full-time employees, while 78% of firms with 50-249 employees and 92% of firms with more than 250 employees offered dental benefits to both part and full-time employees.¹⁰

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 2013 and 2015 reports 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% participation, although many employers cover as much as 100%.¹¹

According to Northeast Delta Dental, 78% of small group subscribers are enrolled in the PPO Plus Premier Plan with no office visit co-payment. We used this plan as the proxy. This plan includes orthodontic coverage and while this the richest stand-alone plan offered by NE Delta Dental, the premium for this plan is lower than the premium used in the previous basic needs report. Finally since we are making assumptions about employer contributions, we used a 'contributory' plan which requires an employer contribution of at least 50%. 'Voluntary' plans which require no minimum employer contribution have slightly higher premiums.

Out-of-Pocket Costs - Dental

VHCURES does not collect data on dental claims. According to American Dental Association using MEPS data, dental expenditures per capita were \$351 in 2014 nationally. And while dental spending grew by about 2% between 2002 and 2008, it's been relatively flat since 2008, actually decreasing by 0.4% between 2008 and 2014.¹² Finally, according to the Center for Medicare and Medicaid Services (CMS), out-of-pocket spending on dental accounted for 40% of dental spending in 2014.¹³ However, these numbers are skewed by OOP spending by those with no insurance. We estimate that approximately 46% of that spending was by people who had access to dental insurance.¹⁴ Unfortunately we do not have Vermont specific data nor do

⁹ Data received from Northeast Delta Dental, October 2016.

¹⁰ 2015 Vermont Health Benefits Survey. Prepared by the University of Massachusetts Medical School for the Vermont Agency of Administration and Vermont Department of Labor. June 2015.

¹¹ VEHI is a large, non-profit purchaser of health care for Vermont public schools, covering over 19,000 employees and retirees.

¹² *U.S. Dental Spending Continues to be Flat*. Thomas Wall, Marko Vujicic. American Dental Association, Health Policy Institute, Research Brief (2014).

¹³ National Health Expenditure 2014 Highlights, Center for Medicare and Medicaid Services.

¹⁴ *Dental Care Expenditures and Retirement*. Richard Manski, John Moeller, et al. Journal of Public Health Dentistry. Spring; 70(2): 148-155

we have the data to adjust for age, significant outliers in dental spending, or corroborate the amount of OOP spending by those with dental coverage in Vermont.

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 2016.

Employer-Sponsored Insurance

Health Insurance Premiums (Monthly)

2016	Total	Employer Share	Employee Share
Single	503	386	117
Single + 1 child	971	745	225
Single + 2 children	1,531	1,110	421
Two Adults	1,034	751	283
Two Adults + 2	1,531	1,110	421

Dental Insurance Premiums (Monthly)

2016	Total	Employer Share	Employee Share
Single	44	40	4
Single + 1 child	81	57	24
Single + 2 children	141	71	71
Two Adults	81	57	24
Two Adults + 2	141	71	71

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 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 2016. 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 2016, the FICA rate for Social Security is 6.2% of all income up \$118,500 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.)