

Vermont Basic Needs Budgets And Livable Wage

Prepared in accordance with
2 V.S.A. § 526

JANUARY 15, 2021

Prepared by the Vermont Legislative Joint Fiscal Office

TABLE OF CONTENTS

Part I	Executive Summary	1
Part II	Changes from the Last Report	3
Part III	2020 Vermont Livable Wage and Basic Needs Budgets	5
Part IV	Comparisons with Other Income Measures	14
Part V	Methodology and Sources	19
Appendix A – Statute		29
Appendix B – Comparison with Living Wage Calculators.....		30

[This page intentionally left blank]

Part I – Executive Summary

This is the 13th 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, renters 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 (single person, shared housing) starting in 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 2020 Vermont Livable Wage is \$13.39 per hour.¹ 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 (JFC) has the authority to update the study methodology and adopted the Technical Advisory Committee's recommendations. The Joint Fiscal Office strongly recommends that the General Assembly consider the appointment of another advisory committee to comprehensively review, and possibly recommend updates to the statute, methodology and available data prior to the release of the 2023 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 comparative data when considering wage levels in Vermont.

¹ The 2018 Vermont livable wage was \$13.34 per hour.

[This page intentionally left blank]

Part II – Changes from the Last Report

Each biennium, a number of potential improvements to the Basic Needs Budgets methodology are typically 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, some minor adjustments were made to improve the outputs for transportation and health/dental expenses. Other methodology changes will be discussed within the context of a comprehensive review of the basic needs budget and livable statute and methodology prior to the next report.

Modifications

Transportation Expenses

The 2017 National Household Travel Survey (NHTS) data was used for this report. Due to low response rates for Vermont compared to the 2009 report² a few adjustments were made in order to improve the reliability of the data:

- Vermont-specific vehicle miles traveled (VMT) data was adjusted by a multiplier based on VMT data for the United States as a whole. This was done in order to reduce the impact of outliers on the small number of Vermont samples while also remaining consistent with the transportation methodologies in past reports.
- Additionally, also due to the low response rates, NHTS data for households with children were compressed into one VMT number for one-adult households and one VMT number for two-adult households. This means that for households with children, transportation costs would only change based on number of adults, not number of children.

Health and Dental Care Expenses

Rather than basing out-of-pocket (OOP) cost estimates on mean (average) values taken from VHCURES data (medical) and Northeast Delta Dental data (dental) as had previously been done, OOP costs in this report will be based on median values. This has been done to reduce the impact of outliers on the data.

Upcoming changes

Renter Rebate reform

In 2020, the Vermont General Assembly passed and the Governor signed Act 160, an act relating to renter rebate reform. This modification to existing law is intended to increase utilization of the renter rebate program by low-income households and to provide additional flexibility for various types of household configurations. The act will be effective starting tax year 2021.

COVID-19 impacts

Much of the data used for 2020 basic needs budget calculations does not yet reflect the impacts of the COVID-19 pandemic. As of the writing of this report, multiple vaccines have been approved and are being distributed to Americans, but it is unclear how soon consumer behavior and economic activity will approach some sense of normalcy. The pandemic, and the economic fallout, will almost certainly impact the data that feeds the 2022 basic needs budgets.

² The 2017 NHTS had 509 Vermont-specific responses compared to 2,325 in the 2009 NHTS.

[This page intentionally left blank]

**Part III – 2020 Vermont Livable Wage
and Basic Needs Budgets**

2020 Livable Wage = \$13.39 per hour³

2020 Basic Needs Budget Wages⁴

Family Type	Urban	Rural
Single Person	\$18.49	\$15.72
Single Person, Shared Housing	\$14.97	\$12.89
Single Parent, One Child	\$32.58	\$26.43
Single Parent, Two Children	\$41.78	\$33.75
Two Adults, No Children	\$14.02	\$12.76
Two Adults, Two Children (one wage earner)	\$34.47	\$30.12
Two Adults, Two Children (two wage earners)	\$23.81	\$20.54

³ This is the average of the urban and rural rate for Two Adults with No Children. The 2018 livable wage was \$13.34.

⁴ All hourly wages given are per wage earner.

**2020 Vermont Basic Needs Budget
Single Person**

	Urban	Rural
Category	<i>Cost estimates are per month</i>	<i>Cost estimates are per month</i>
Food	336	336
Housing	1,265	791
Transportation	458	522
Health Care	147	147
Dental Care	4	4
Child Care	0	0
Clothing & Household Expenses	134	134
Personal Expenses	94	94
Telecommunications	117	117
Rental Insurance	19	19
Term Life Insurance	0	0
Savings	129	108
Total Monthly Expenses	2,703	2,273
Annual Expenses	32,438	27,279
Federal & State Taxes	6,020	5,422
Annual Income	38,458	32,702
Hourly "Livable" Wage	\$18.49	\$15.72
<i>Average Wage PER Earner</i>		
Tax Calculations	2020 Tax Year – Single Filer	
AGI	38,458	32,702
Standard Deduction	(12,400)	(12,400)
Taxable Income	26,058	20,302
Federal Tax (before credits)	2,931	2,241
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	2,931	2,241
VT Standard Deduction	(6,250)	(6,250)
VT Personal Exemption	(4,350)	(4,350)
VT Taxable Income	27,858	22,102
State Tax (before credits)	933	740
Dependent Care Credit	-	-
Renter Rebate	(787)	(60)
Net State Tax	147	680
FICA/Medicare	2,942	2,502
Total	6,020	5,422

**2020 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	336	336
Housing	814	485
Transportation	458	522
Health Care	147	147
Dental Care	4	4
Child Care	0	0
Clothing & Household Expenses	101	101
Personal Expenses	94	94
Telecommunications	93	93
Rental Insurance	19	19
Term Life Insurance	0	0
Savings	103	90
Total Monthly Expenses	2,168	1,890
Annual Expenses	26,017	22,682
Federal & State Taxes	5,123	4,127
Annual Income	31,140	26,809
Hourly "Livable" Wage <i>Average Wage PER Earner</i>	\$14.97	\$12.89
Tax Calculations	2020 Tax Year – Single Filer	
AGI	31,140	26,809
Standard Deduction	(12,400)	(12,400)
Taxable Income	18,740	14,409
Federal Tax (before credits)	2,053	1,533
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	2,053	1,533
VT Standard Deduction	(6,250)	(6,250)
VT Personal Exemption	(4,350)	(4,350)
VT Taxable Income	20,540	16,209
State Tax (before credits)	688	543
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	688	543
FICA/Medicare	2,382	2,051
Total	5,123	4,127

**2020 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	514	514
Housing	1,628	970
Transportation	483	536
Health Care	318	318
Dental Care	23	23
Child Care	1,088	912
Clothing & Household Expenses	233	233
Personal Expenses	142	142
Telecommunications	117	117
Rental Insurance	19	19
Term Life Insurance	42	42
Savings	230	191
Total Monthly Expenses	4,837	4,017
Annual Expenses	58,045	48,200
Federal & State Taxes	9,714	6,774
Annual Income	67,759	54,974
Hourly "Livable" Wage <i>Average Wage PER Earner</i>	\$32.58	\$26.43
Tax Calculations	2020 Tax Year – Head of Household	
AGI	67,759	54,974
Standard Deduction	(18,650)	(18,650)
Taxable Income	49,109	36,324
Federal Tax (before credits)	5,611	4,077
Child Credit	(2,000)	(2,000)
Dependent Care Credit	(600)	(600)
Net Federal Tax	3,011	1,477
VT Standard Deduction	(9,400)	(9,400)
VT Personal Exemption	(8,700)	(8,700)
VT Taxable Income	49,659	36,874
State Tax (before credits)	1,664	1,235
Dependent Care Credit	(144)	(144)
Renter Rebate	-	-
Net State Tax	1,520	1,091
FICA/Medicare	5,184	4,205
Total	9,714	6,774

**2020 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	759	759
Housing	1,628	970
Transportation	483	536
Health Care	540	540
Dental Care	68	68
Child Care	1,759	1,486
Clothing & Household Expenses	250	250
Personal Expenses	189	189
Telecommunications	117	117
Rental Insurance	19	19
Term Life Insurance	52	52
Savings	293	249
Total Monthly Expenses	6,157	5,235
Annual Expenses	73,888	62,821
Federal & State Taxes	13,022	7,388
Annual Income	86,909	70,209
Hourly "Livable" Wage	\$41.78	\$33.75
<i>Average Wage PER Earner</i>		
Tax Calculations	2020 Tax Year – Head of Household	
AGI	86,909	70,209
Standard Deduction	(18,650)	(18,650)
Taxable Income	68,259	51,559
Federal Tax (before credits)	9,365	5,905
Child Credit	(4,000)	(4,000)
Dependent Care Credit	(1,200)	(1,200)
Net Federal Tax	4,165	705
VT Standard Deduction	(9,400)	(9,400)
VT Personal Exemption	(13,050)	(13,050)
VT Taxable Income	64,459	47,759
State Tax (before credits)	2,496	1,600
Dependent Care Credit	(288)	(288)
Renter Rebate	-	-
Net State Tax	2,208	1,312
FICA/Medicare	6,649	5,371
Total	13,022	7,388

2020 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	670	670
Housing	1,265	791
Transportation	917	1,069
Health Care	345	345
Dental Care	23	23
Child Care	0	0
Clothing & Household Expenses	237	237
Personal Expenses	189	189
Telecommunications	185	185
Rental Insurance	19	19
Term Life Insurance	39	39
Savings	194	178
Total Monthly Expenses	4,083	3,745
Annual Expenses	48,992	44,938
Federal & State Taxes	9,334	8,123
Annual Income	58,325	53,061
Hourly "Livable" Wage	\$28.04	\$25.51
<i>Average Wage PER Earner</i>	\$14.02	\$12.76
2020 VT Livable Wage		\$13.39
Tax Calculations	2020 Tax Year – Married Filing Jointly	
AGI	58,325	53,061
Standard Deduction	(24,800)	(24,800)
Taxable Income	33,525	28,261
Federal Tax (before credits)	3,628	2,996
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	3,628	2,996
VT Standard Deduction	(12,500)	(12,500)
VT Personal Exemption(s)	(8,700)	(8,700)
VT Taxable Income	37,125	31,861
State Tax (before credits)	1,244	1,067
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,244	1,067
FICA/Medicare	4,462	4,059
Total	9,334	8,123

2020 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	1,052	1,052
Housing	1,628	970
Transportation	928	1,033
Health Care	540	540
Dental Care	68	68
Child Care	0	0
Clothing & Household Expenses	297	297
Personal Expenses	283	283
Telecommunications	185	185
Rental Insurance	19	19
Term Life Insurance	45	45
Savings	252	225
Total Monthly Expenses	5,298	4,717
Annual Expenses	63,580	56,609
Federal & State Taxes	8,118	6,036
Annual Income	71,698	62,645
Hourly "Livable" Wage	\$34.47	\$30.12
<i>Average Wage PER Earner</i>		
Tax Calculations	2020 Tax Year – Married Filing Jointly	
AGI	71,698	62,645
Standard Deduction	(24,800)	(24,800)
Taxable Income	46,898	37,845
Federal Tax (before credits)	5,233	4,146
Child Credit	(4,000)	(4,000)
Dependent Care Credit	-	-
Net Federal Tax	1,233	146
VT Standard Deduction	(12,500)	(12,500)
VT Personal Exemption	(17,400)	(17,400)
VT Taxable Income	41,798	32,745
State Tax (before credits)	1,400	1,097
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,400	1,097
FICA/Medicare	5,485	4,792
Total	8,118	6,036

2020 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	1,052	1,052
Housing	1,628	970
Transportation	928	1,033
Health Care	540	540
Dental Care	68	68
Child Care	1,759	1,486
Clothing & Household Expenses	309	309
Personal Expenses	283	283
Telecommunications	185	185
Rental Insurance	19	19
Term Life Insurance	59	59
Savings	342	300
Total Monthly Expenses	7,172	6,305
Annual Expenses	86,070	75,659
Federal & State Taxes	12,975	9,793
Annual Income	99,044	85,452
Hourly "Livable" Wage	\$47.62	\$41.08
<i>Average Wage PER Earner</i>	\$23.81	\$20.54
Tax Calculations	2020 Tax Year – Married Filing Jointly	
AGI	99,044	85,452
Standard Deduction	(24,800)	(24,800)
Taxable Income	74,244	60,652
Federal Tax (before credits)	8,514	6,883
Child Credit	(4,000)	(4,000)
Dependent Care Credit	(1,200)	(1,200)
Net Federal Tax	3,314	1,683
VT Standard Deduction	(12,500)	(12,500)
VT Personal Exemption	(17,400)	(17,400)
VT Taxable Income	69,144	55,552
State Tax (before credits)	2,371	1,861
Dependent Care Credit	(288)	(288)
Renter Rebate	-	-
Net State Tax	2,083	1,573
FICA/Medicare	7,577	6,537
Total	12,975	9,793

[This page intentionally left blank]

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. The 2018 Vermont livable wage exceeds 300% of the federal poverty level. All 2018 Vermont basic needs budgets, except for the rural single adult, shared housing, exceed the 300% threshold.

2020 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%	125%	150%	175%	200%	250%	300%	400%
1	12,760	15,950	19,140	22,330	25,520	31,900	38,280	51,040
2	17,240	21,550	25,860	30,170	34,480	43,100	51,720	68,960
3	21,720	27,150	32,580	38,010	43,440	54,300	65,160	86,880
4	26,200	32,750	39,300	45,850	52,400	65,500	78,600	104,800
5	30,680	38,350	46,020	53,690	61,360	76,700	92,040	122,720
6	35,160	43,950	52,740	61,530	70,320	87,900	105,480	140,640
7	39,640	49,550	59,460	69,370	79,280	99,100	118,920	158,560
8	44,120	55,150	66,180	77,210	88,240	110,300	132,360	176,480
Each Add'l Person:	4,480	5,600	6,720	7,840	8,960	11,200	13,440	17,920

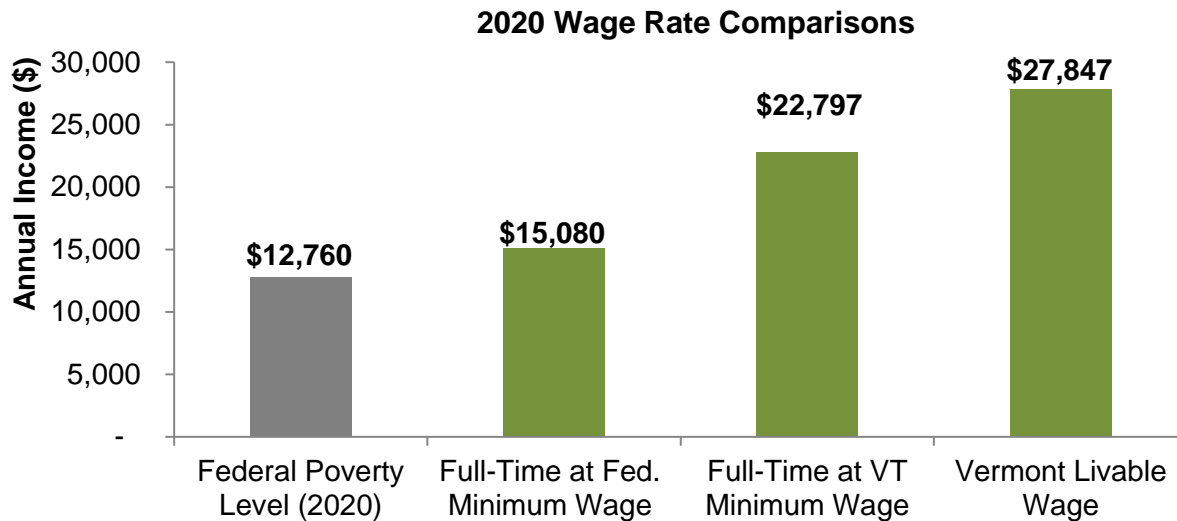
SOURCE: <https://aspe.hhs.gov/poverty-guidelines>

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 was \$10.96 as of January 1, 2020. On January 1, 2021, it increased to \$11.75 and on January 1, 2022, it will increase to \$12.55. Each year thereafter, the minimum wage rate will increase by the lesser of: 1) 5% or 2) the percentage increase of the Consumer Price Index, CPI-U, U.S. city average, not seasonally adjusted. The 2020 Vermont livable wage, as well as all basic needs budgets, exceeds the 2020 Vermont minimum wage.

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 2018 is nearly 2.2 times the federal poverty level (FPL) established for a single person. The federal minimum wage is only 54% of the Vermont Livable Wage, and the State (Vermont) minimum wage is 82% of the Livable Wage.



In addition, two different family configurations are used for comparison with the federal poverty guidelines, full-time minimum wage earnings and Vermont median family incomes: 1) the single parent with one child, and 2) two working parents with two children in rural Vermont. These comparisons are shown on pages 16 and 17.

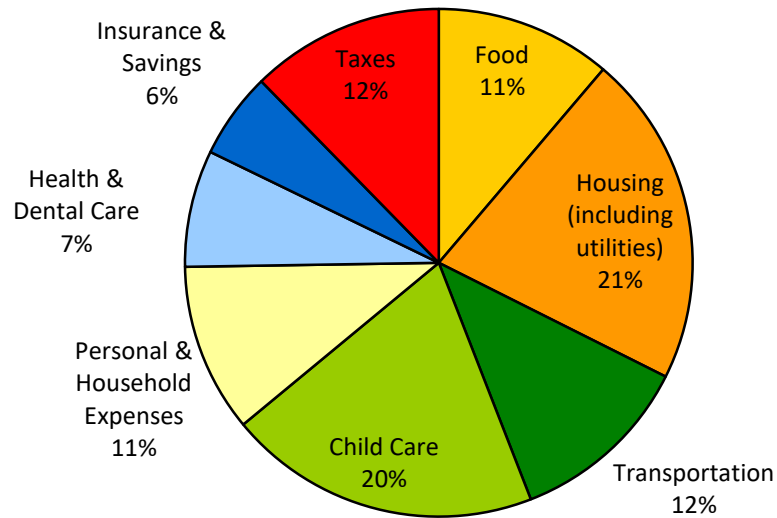
The first table and pie chart for each illustrate the breakdown of the major expense components of the family budget both pre-tax and within the overall budget. For the single-parent family, housing is the largest non-tax component of the budget at 21%, followed by child care, transportation, and food. Child care and food are the two largest non-tax components of the two-parent family budget, followed by transportation and housing. The health and dental care costs for each family are 7% and 9%, respectively. Federal and State taxes (including FICA and Medicaid) combined for each family are 11% and 12%, respectively.

The Basic Needs Budget for the rural single-parent family, shown on page 16, is about \$54,974 or 26% less than the Vermont median family income for a two-person family from the most recent 5-year Census data, released for 2019 and adjusted to November 2020 dollars. 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, shown on page 17, is 16% below the median four-person family income in Vermont in 2019 (adjusted). Again, the Budget for this family is well above both the FPL and the minimum wage.

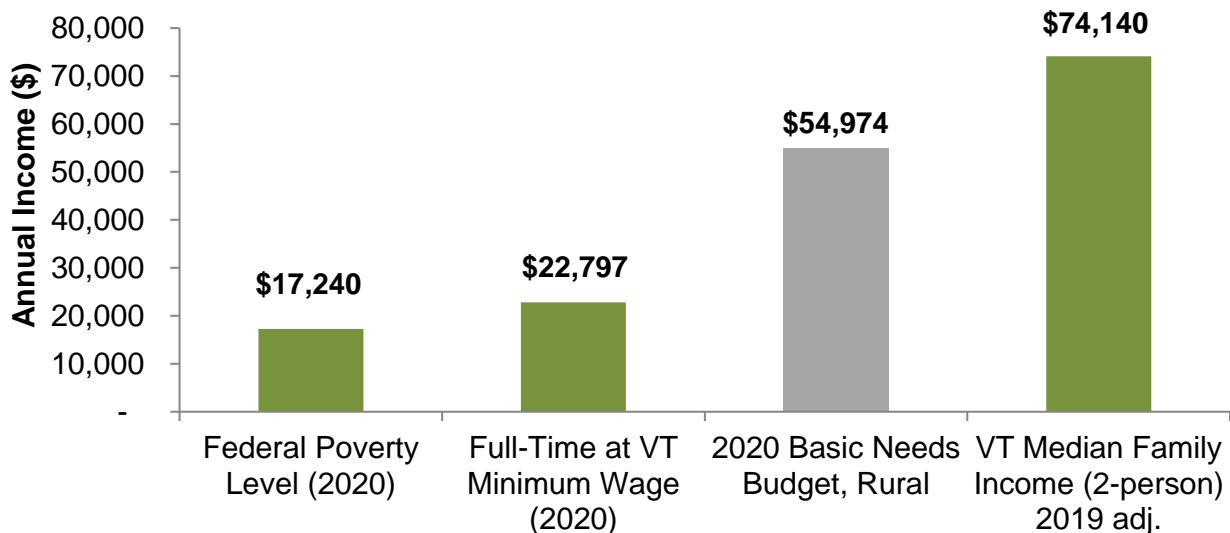
Single Parent with One Child (Rural)

Expense	Monthly	Annual	% of Budget
Food	514	6,167	11.2%
Housing (including utilities)	970	11,645	21.2%
Transportation	536	6,429	11.7%
Child Care	912	10,944	19.9%
Personal & Household Expenses	492	5,906	10.7%
Health & Dental Care	341	4,092	7.4%
Insurance & Savings	251	3,017	5.5%
Expense Budget	4,017	48,200	87.7%
Taxes	564	6,774	12.3%
Overall Budget	4,581	54,974	

Percentage of Income Needed to Meet Basic Needs in Vermont



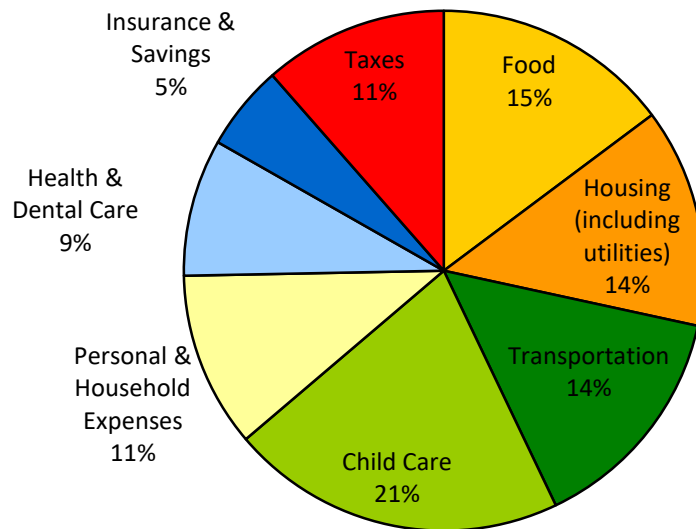
Vermont Basic Needs Income Compared to Other Benchmarks



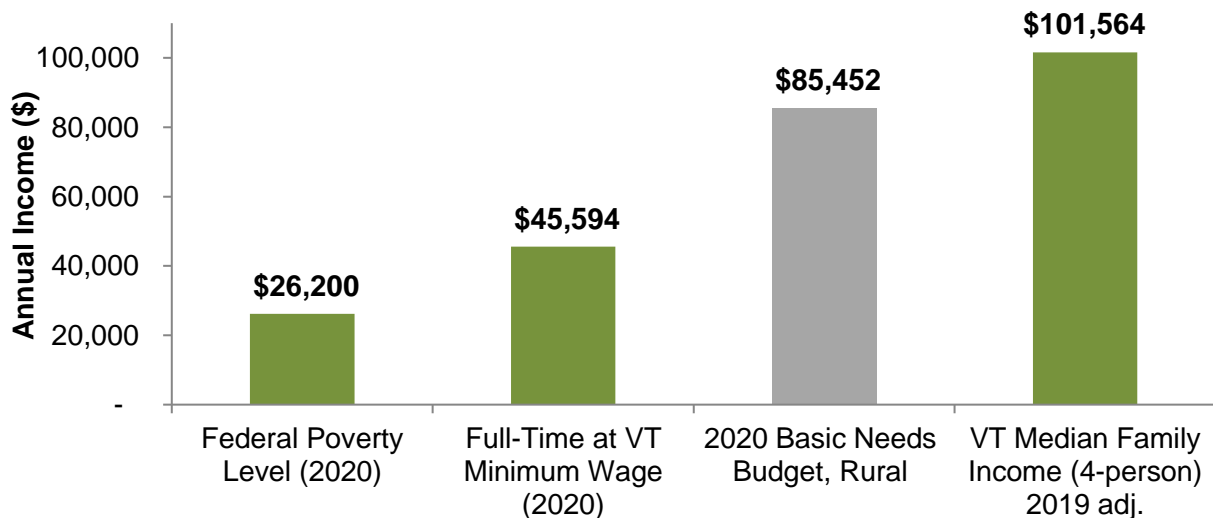
Two Working Parents with Two Children (Rural)

Expense	Monthly	Annual	% of Budget
Food	1052	12,629	14.8%
Housing (including utilities)	970	11,645	13.6%
Transportation	1033	12,393	14.5%
Child Care	1486	17,832	20.9%
Personal & Household Expenses	777	9,328	10.9%
Health & Dental Care	608	7,296	8.5%
Insurance & Savings	378	4,535	5.3%
Expense Budget	6,305	75,659	88.5%
Taxes	816	9,793	11.5%
Overall Budget	7,121	85,452	

Percentage of Income Needed to Meet Basic Needs in Vermont



Vermont Basic Needs Income Compared to Other Benchmarks



[This page intentionally left blank]

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 one 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. The moderate cost food plan has been used since the 2007 report.

USDA Monthly Moderate Cost Food Plan: November 2020	
Age/Gender Group	Moderate (\$)
Child 4 – 5 years	177.70
Child 6 – 8 years	242.30
Adult Male 19 – 50 years	312.10
Adult Female 19 – 50 years	264.90

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 Federal FY 2021 data were finalized in fall of 2020 for all counties in Vermont. The urban estimate consists of the counties that make up the Burlington-South Burlington metropolitan statistical area (MSA), which are Chittenden, Franklin, and Grand Isle counties, respectively. For the rural estimate, a population-weighted average of the remaining counties is used. FMRs are established for units of varying size (0 – 4 bedrooms) for every county in Vermont. Housing estimates are for rental units with one bedroom for the single person and the two adult with no children households, and two bedrooms for all other family configurations.

FY 2021 HUD Fair Market Rents (Monthly)		
County	1 Bedroom (\$)	2 Bedrooms (\$)
Addison	846	1,058
Bennington	819	940
Caledonia	739	842
Essex	583	741
Lamoille	793	1,016
Orange	745	982
Orleans	688	784
Rutland	779	918
Washington	824	1,086
Windham	798	993
Windsor	837	1,007
Burlington-South Burlington, VT MSA	1,265	1,628

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: 1) an estimate of vehicle miles traveled (VMT) per household, multiplied by 2) a mileage rate that encompasses all the fixed and operational costs of owning a vehicle. The VMT figures are from the Vermont-specific 2017 National Household Transportation Survey (NHTS), adjusted by VMT rates for the United States in order to minimize the effect of outliers on the small number of Vermont-specific samples. Annual vehicle mileage per driver is estimated using a cross-tabulation of survey data. The following NHTS data sets were used: (1) Geography – Vermont and the United States; (2) Populations – Urban, Urban Clusters and Rural; (3) Family Configuration – Household Lifecycle. The mileage rate is the 2020 IRS reimbursement rate for business travel adjusted using 2020 AAA mileage rate data to reflect the lower cost-per-mile of driving greater miles.

IRS Rate Adjusted by AAA Data

VMT	Cost Per Mile		
	2020	2018	2016
X			
10,000	57.5	54.5	54.0
11,000	54.5	52.0	51.3
12,000	51.5	49.5	48.6
13,000	48.4	47.0	45.9
14,000	45.4	44.4	43.2
15,000	42.4	41.9	40.5
16,000	40.9	40.7	39.1
17,000	39.4	39.5	37.7
18,000	37.9	38.3	36.3
19,000	36.4	37.0	34.9
20,000	34.9	35.8	33.5

NOTE: Bold is IRS Mileage Rate.

2017 NHTS Average Annual Vehicle Miles of Travel (VMT) Per Driver		
Vermont Household Life Cycle (Adj. by U.S. total)	Annual VMT / Driver (Mean)	
	Urban	Rural + Urban Clusters
one adult, no children	9,562	13,802
2+ adults, no children	19,143	30,265
one adult, youngest child 0-5	9,904	10,678
2+ adults, youngest child 0-5	19,249	28,233
one adult, youngest child 0-15	10,649	13,273
2+ adults, youngest child 0-15	19,376	29,237

Data Sources:

U.S. Department of Transportation, 2017 National Household Transportation Survey, <http://nhts.ornl.gov/>
Internal Revenue Service, (IRS) Standard Mileage Rates, <https://www.irs.gov/pub/irs-drop/n-20-05.pdf>

AAA 2020 Your Driving Costs publication, <https://newsroom.aaa.com/wp-content/uploads/2020/12/2020-Your-Driving-Costs-Brochure-Interactive-FINAL-12-9-20.pdf>

Child Care

The Vermont Agency of Human Services, Department for 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 calculations reflect the 2019 market rate survey adjusted to 2020 dollars using the average annual statewide child care market rate growth based on prior market rate surveys.

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,
<https://dcf.vermont.gov/cdd/reports>

Clothing and Household Expenses

These figures are from the 2019 Consumer Expenditure Survey (CES) tables reported by size of consumer unit and income before taxes. The tables report expenses by family size and income level in order to link clothing and household expenses more closely to household income. This category includes housekeeping supplies, apparel and services, and household furnishings and equipment. Major appliances and misc. household equipment have been subtracted from the totals because these are renter households. There is no urban/rural distinction for clothing and household costs. Because the CES tables reflect averages for the year 2019, the costs from the tables have been adjusted by CPI-U changes from November 2019 through November 2020.

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, <https://www.bls.gov/cpi/>

Personal Expenses

Personal expense began at \$2.00 per person per day in 1999. Indexed to November 2020 by changes to CPI-U, the amount is now \$3.10 per adult in the household per day and \$1.55 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 2019 Consumer Expenditure Survey Table 1203 categories of Telephone Services, and

Computer Information Services (a subset of Household Operations). The costs represent an average over the lowest six income categories. Telecommunications expenses were adjusted to reflect CPI-U changes from November 2019 through November 2020.

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_201712.pdf

Renters Insurance

Insurance rates reflect the lowest cost from the range provided on the VT Department of Financial Regulation webpage and adjusted by inflation. The estimates do not distinguish between urban and rural as previous sources have generally stated that there is, on average, not an appreciable difference between the two.

Data Source:

<http://www.dfr.vermont.gov/insurance/insurance-consumer/renters-insurance-advisory>

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. Since employer-sponsored insurance plans represent an overwhelming majority of the commercial insurance market, this report only provides estimates for those with employer-sponsored insurance, accounting for employer contributions towards premiums.⁵

Estimating the cost of health insurance premiums and out-of-pocket expenses borne by Vermonters to meet a basic standard of living is an imperfect science. We aim to provide sound estimates and assumptions using the most up-to-date information and data available to us at the time. As such, parts of the methodology have evolved over the years and this year is no different. As such we will highlight any methodological changes where applicable.

Employer-Sponsored Insurance

This report utilizes the 2019 Medical Expenditure Panel Survey (MEPS) estimates for Vermont as a proxy to estimate the average costs of premiums for employer-sponsored insurance (ESI) premiums.⁶ The MEPS data were then adjusted for 2020.⁷ When compared to the median of the

⁵ According to the 2018 Vermont Health Care Expenditure Analysis (published July 2020 by the Green Mountain Care Board), only approximately 5% of Vermonters were enrolled in individual group market plans.

⁶ 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.

⁷ MEPS 2019 data was adjusted by 3.8% (for single and single plus-one plans) and 4.1% (for family plans) annually based on growth in average annual worker premiums between 2017 and 2020 using KFF/HRET data.

second-lowest-cost silver and gold plan monthly premiums in Vermont's individual and small group market, the average premium for ESI using the adjusted MEPS data is only marginally higher.⁸ These data are also fairly consistent with the 2020 Kaiser Family Foundation and Health Research & Education Trust (KFF/HRET) national survey of employer health benefits.

	SINGLE		SINGLE + 1		FAMILY	
	Silver	Gold	Silver	Gold	Silver	Gold
2nd-Lowest-Cost Plan in Exchange*	\$571	\$664	\$1,142	\$1,327	\$1,605	\$1,865
<i>Median</i>	<i>\$617</i>		<i>\$1,235</i>		<i>\$1,735</i>	
MEPS (VT)**	\$633		\$1,287		\$1,859	
KFF/HRET (US)***	\$623		\$1,246		\$1,779	

* The second lowest cost silver and gold plans for 2020 were the MVP Silver HDHP and the MVP Standard Gold Plan, respectively.

** MEPS 2019 Vermont specific estimates adjusted for 2020

*** Kaiser family Foundation (KFF) and HRET 2020 National Survey of Employer Health Benefits

It should be noted that employers have been increasingly offering health savings accounts (HSAs) and health reimbursement accounts (HRAs) to their employees. At this time, the Basic Needs report does not account for this as we do not have data on the use of these accounts or the level of employer contributions that may further off-set employee out-of-pocket exposure.

The report also uses MEPS to estimate the levels of employee contributions to premiums as the proxy distribution. According to 2019 MEPS data, the employee share of the premiums for single, single plus-one, and family coverage were 21%, 22%, and 23%, respectively. This is also not too dissimilar to the 2020 KFF/HRET report.

EMPLOYEE SHARE %	Single	Single+1	Family
Based on MEPS	21%	22%	23%
Based on KFF/HRET	17%	-----	26%

Out-of-Pocket Costs

The report employs VHCURES data, which are Vermont-specific claims data collected and maintained by the Green Mountain Care Board, to analyze out-of-pocket (OOP) costs by type of insurance plan (single, two-person, and family plans) for everyone with insurance (whether they had an OOP expense or not) with 12 months of continuous coverage.⁹

Previous reports estimated OOP costs using the mean (average). To control for extreme outliers that could skew the data, the data were truncated, eliminating the top 3% of individual OOP costs. This year's report uses median OOP costs rather than mean. Median is the middle value, meaning that half of the sample was either above or below this value; extreme outliers have no

⁸ Both the federal government and the State use the second lowest-cost silver plan as a benchmark for exchange subsidies. Since premium costs can vary significantly, even within the same 'metal level', JFO felt using the second-lowest-cost silver and gold plans for comparison purposes seemed appropriate. The second-lowest cost silver plan in 2020 was the MVP Silver HDHP. The second-lowest-cost gold plan was the MVP Standard Gold Plan.

⁹ VHCURES stands for Vermont Healthcare Claims Uniform Reporting and Evaluation System.

influence. The chart below demonstrates the difference between using median, mean, or a truncated mean.

Out-of-Pocket Spending - Comparison of Median vs. Mean (Avg.)

Plan Type	Median	% OOP below Median	Average	% OOP below Average	3% Truncated Average	% OOP below Average
Individual	\$197	50%	\$736	71%	\$577	67%
Family	\$1,420	50%	\$2,210	61%	\$1,980	58%

As the chart above demonstrates, the mean OOP spending for those with individual plans was \$736.34 annually, yet the vast majority (71%) of this population spent less than this, whereas with the median (50%) spent above or below \$196.76 annually. Such examples demonstrate why utilizing the median value (of the VHCURES data) is a better representation of OOP costs for a typical Vermonter with health insurance than applying the mean.

Also, as noted earlier, the use of employer-funded HSAs and HRAs has increased significantly over the years. The VHCURES data does not differentiate whether the source of OOP spending was through an employer-funded HSA, HRA, or directly by the beneficiary. As such, estimated employee OOP spending may be overstated.

Dental Care

Just as employer-sponsored health insurance represents an overwhelming majority of those with commercial insurance, so does employer-sponsored dental coverage.¹⁰ There also appears to be a strong relationship between employer size and those that offer dental benefits to their employees. For instance, in 2015, 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.¹¹ It should be noted that health insurance plans sold through Vermont Health Connect include pediatric dental benefits imbedded in those plans.

Northeast Delta Dental has a significant market share in Vermont, with approximately 106,550 subscribers covering approximately 210,730 lives.¹² Given its vast market share in Vermont, we used the most popular Delta Dental plan as the proxy to estimate premiums.¹³

Finding consistent data regarding the average employer contribution to dental plans has proven elusive. In the absence of statewide data, we used the same assumptions as the previous reports, which assumed 90% for single coverage, 70% for two-person coverage, and 50% for family coverage. For comparison, Vermont Education Health Initiative (VEHI) required a minimum of 50% participation, although many employers cover as much as 100%.¹⁴

VHCURES does not collect data on dental claims, so to estimate OOP dental costs, the report uses OOP data provided by Northeast Delta Dental, specific to their Vermont book of business. Again, we used median rather than mean to control for outliers, which we feel provides a better

¹⁰ Based on data provided by NE Delta Dental, it is estimated that only roughly 7% of dental plans are individual plans.

¹¹ **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.

¹² As of July 31, 2020. Data provided by Northeast Delta Dental, August 2020.

¹³ SG Premium Plus Plan

¹⁴ VEHI is a large, non-profit purchaser of health care for Vermont public schools, covering over 19,000 employees and retirees.

representation of the OOP cost experience for a typical Vermonter with dental insurance. The chart below shows the difference between using median vs. mean.

**Out-of-Pocket Spending on Dental
Comparison of Median vs. Mean**

	Median	Mean
Adult	\$0	\$240
Child	\$0	\$257
Overall	\$0	\$245

A Note about COVID-19

The report uses data that pre-date the COVID-19 public health emergency. As such, the information does not reflect any potential increases or decreases in costs as a result of the pandemic.

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 readers of this report who would like to see the specific break-out of employer share, employee share, and OOP estimates used, we have provided a chart below.

Estimated Health Insurance Premiums + Out-of-Pocket Costs (Monthly \$)

	(a)			(b)	(a) + (b)
	<i>Health Insurance Premiums</i>			<i>Median</i>	<i>TOTAL est.</i>
	Total	Employer Share	Employee Share	OOP Costs	Employee Share
2020					
Single	633	502	131	16	147
Single + 1 child	1,222	970	252	66	318
Single + 2 children	1,859	1,437	422	118	540
Two Adults	1,287	1,008	279	66	345
Two Adults + 2 children	1,859	1,437	422	118	540

Estimated Dental Insurance Premiums + Out-of-Pocket Costs (Monthly \$)

	(a)			(b)	(a) + (b)
	<i>Dental Insurance Premiums</i>			<i>Median</i>	<i>TOTAL est.</i>
	Total	Employer Share	Employee Share	OOP Costs	Employee Share
2020					
Single	42	38	4	0	4
Single + 1 child	77	54	23	0	23
Single + 2 children	135	68	68	0	68
Two Adults	77	54	23	0	23
Two Adults + 2 children	135	68	68	0	68

Life Insurance

There are no changes in the recommended amounts of coverage from the last study. Insurers recommend 10 to 12 times annual earnings as a proxy for the amount of coverage a family should have. In order to remain conservative, 10 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. The premium pricing has been adjusted by inflation for this report to \$0.68 per \$1,000 and to a policy fee of \$85 annually. 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 2020 and reflect all federal changes from the 2017 Tax Cuts and Jobs Act (TCJA) as well as State personal income tax law changes made in 2018. The federal tax liability is calculated using TCJA-expanded standard deduction amounts for the various filing statuses (single, married filing jointly, and head of household for single parent families). The federal tax liability is net of any earned income tax credit (EITC), child tax credit (increased in TCJA), 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 net of the new State standard deduction and personal exemption amounts, the State earned income credit, which is 36% of the federal amount, the dependent care tax credit at 24% of the federal amount, and finally the Vermont renter rebate program. The renter rebate has not been calculated for the single person, shared housing configuration due to the likelihood that household income would exceed \$47,000 when earnings subject to the expense scenarios in this report are combined. The renter rebate law will change starting in tax year 2021. 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 2020, the FICA rate for Social Security is 6.2% of all income up \$137,700 and Medicare is 1.45% of all income.

[This page intentionally left blank]

Appendix A – Statute

2 V.S.A. § 526. Basic needs budget and livable wage; report

§ 526. 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; 2019, No. 144 (Adj. Session), §11(c) (redesignated from 2 V.S.A. §505).)

Appendix B – Comparison to Living Wage Calculators

The Joint Fiscal Office reviewed two separate living wage calculators to compare with the 2018 basic needs budgets (BNB). The two calculators both offered living wages by county in Vermont, rather than by urban/rural area, so for purposes of this comparison Chittenden County will serve as a proxy for the urban area and Windsor County will serve as a proxy for a rural area. The first calculator is produced by the Massachusetts Institute of Technology (MIT) and is titled “Living Wage Calculator.”¹⁵ The second calculator is provided by the Economic Policy Institute (EPI) and is titled “Family Budget Calculator.”¹⁶

The EPI calculator does not provide an estimate for family configurations of two adults (one working), and two children. Neither calculator provides an estimate for a single adult who shares housing with another unrelated adult. The MIT calculator wages are in 2019 dollars, while the EPI calculator wages are in 2017 dollars. Comparisons of hourly wages from the three sources are given in the table below.

Comparison of Living Wage Calculators

Family Type	Urban (hourly wages, per person)			Rural (hourly wages, per person)		
	BNB (2020 \$)	MIT (2019 \$)	EPI (2017 \$)	BNB (2020 \$)	MIT (2019 \$)	EPI (2017 \$)
Single	\$18.49	\$13.89	\$21.61	\$15.72	\$11.87	\$20.33
One Adult, One Child	\$32.58	\$29.27	\$39.66	\$26.43	\$25.61	\$32.96
One Adult, Two Child	\$41.78	\$34.03	\$47.15	\$33.75	\$30.37	\$39.01
Two Adults	\$14.02	\$10.91	\$15.11	\$12.76	\$9.62	\$14.24
Two Adults, Two Child	\$23.81	\$18.41	\$25.90	\$20.54	\$16.58	\$22.11
Two Adults (one works), Two Child	\$34.47	\$29.21	n/a	\$30.12	\$26.26	n/a

The table above shows that BNB wages tend to be approximately in the middle of the wages provided by MIT and EPI. The MIT wages were all lower than the BNB. The EPI wages were all higher than the BNB. There are differences in methodologies between all three comparison studies. The methodology¹⁷ differences are highlighted below:

1. *Food*: BNB assumes moderate-cost USDA food plans, while MIT and EPI assume low-cost USDA food plans.
2. *Housing*: BNB assumes that a single adult is in a one-bedroom unit, while MIT and EPI assume that a single adult rents an efficiency (studio) unit.
3. *Transportation*: There is variation between transportation methodologies in all three studies. BNB relies on the National Household Travel Survey, MIT relies on Consumer Expenditure Survey data, while EPI relies on the Housing and Transportation Affordability Index¹⁸ created by the Center for Neighborhood Technology.
4. *Child care*: BNB utilizes market survey data provided by the VT Department for Children and Families. MIT and EPI utilize a state-level survey provided by the National Child Care Resource and Referral Network.

¹⁵ MIT Living Wage Calculator: <http://livingwage.mit.edu/>

¹⁶ EPI Family Budget Calculator: <https://www.epi.org/resources/budget/>

¹⁷ MIT Living Wage Calculator methodology: <https://livingwage.mit.edu/resources/Living-Wage-Users-Guide-Technical-Documentation-2020.pdf>

EPI Family Budget Calculator methodology: <https://www.epi.org/publication/family-budget-calculator-documentation/>

¹⁸ CNT Housing + Transportation Affordability Index: <https://htaindex.cnt.org/map/>

5. *Health Care*: BNB and MIT assume that families have access to employer-sponsored plans. EPI assumes that all families purchase health insurance through the Affordable Care Act (ACA) exchanges. Neither MIT nor EPI include dental care in budgets.
6. *Savings*: BNB assumes savings of 5% of pre-tax income for all families. Neither MIT or EPI build in an itemized cost for savings.
7. *Telecommunications*: BNB builds in estimated telecommunications costs based on Consumer Expenditure Survey data. Neither MIT nor EPI build in an itemized cost for savings.
8. *Other Necessities*:
 - a. BNB: Does not have an “Other Necessities” category. Instead it itemizes costs for “clothing and household supplies,” “personal expenses,” “telecommunications,” “life and renters insurance,” and “savings.” When these costs are added up, they are significantly higher than MIT costs for “other necessities” but are very close, on average, to EPI costs for “other necessities.”
 - b. MIT: Incorporates Consumer Expenditure Survey costs for 1) apparel and services, 2) housekeeping supplies, 3) personal care products and services, 4) reading, and 5) miscellaneous. All costs were adjusted for regional variations.
 - c. EPI: Incorporates Consumer Expenditure Survey costs for 1) apparel, 2) personal care, 3) household supplies, 4) reading materials, and 5) school supplies.
9. *Taxes*: EPI bases budget calculations off pre-tax year 2018 tax codes for federal and state taxation purposes. MIT utilizes a micro-simulation model from the Urban-Brookings Tax Policy Center to calculate overall federal (income and payroll) tax burden and utilizes the CCH State Tax handbook to calculate state tax burden. EPI utilizes a micro-simulation model from the National Bureau of Economic Research to calculate the overall tax burden.