



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: House Committee on General, Housing, and Military Affairs
From: Daniel Dickerson, Senior Fiscal Analyst
Joyce Manchester, Senior Economist
Date: January 12, 2022
Subject: Basic Needs Budgets and Livable Wage study

In January 2021, the Joint Fiscal Office issued the thirteenth basic needs budgets and livable wage (BNB-LW) report. Statute¹ requires the report to be produced every two years, and it has been regularly updated since 1999. JFO believes that a review of the statute and methodology for the BNB-LW calculations prior to the next report is necessary.

The basic needs budgets are calculated to reflect the wages necessary to meet living expenses for various family types. Living expenses include, but are not limited to, housing, food, health care, childcare, and taxes, based on state and federal data. The livable wage is calculated from the basic needs budget for one family type.

JFO recommends that the General Assembly review the statute concerning the BNB-LW study during the upcoming 2022 legislative session. Any changes that are enacted could then be considered as part of the methodological review described below and used for the 2023 BNB-LW calculations.

JFO also recommends that the General Assembly consider appointing a technical advisory council, or similar body, to review the methodology concerning the BNB-LW and incorporate statutory changes, if any. This type of review was last completed in 2008 and resulted in significant changes to the methodology.

Areas that could be included in the statute/methodology review include the following:

1. Philosophy – Do the basic needs budgets and livable wage reflect reality for low-income families? Should public assistance be a part of the calculations?
2. Philosophy – Is it appropriate to use data that reflects “average costs” at the state and national level to determine “basic needs” wages?
3. Statute – Review the definitions of “basic needs” and “livable wage” to determine whether changes are appropriate.
4. Statute – Consider whether additional statutory direction is appropriate.
5. Methodology – The current data source for transportation cost calculations is inadequate. A new data source should be utilized going forward.

¹ 2 V.S.A. §526

6. Methodology – Review 2020 Census data and evaluate how Vermont has changed since the 2010 Census, and whether the BNB-LW methodological assumptions accurately reflect the current Vermont populace.
7. Methodology – Consider whether to merge some more minor costs (i.e. savings, telecommunications, clothing) into one category, as in other livable wage calculators.

Given the demands on the General Assembly, in lieu of a review of the BNB-LW statute during the 2022 session, the advisory council described above could accomplish a two-step process whereby 1) any methodological changes that are necessary to accomplish the 2023 report could be proposed to and adopted by the Joint Fiscal Committee in fall of 2022 and 2) any proposed statutory revisions would be up for consideration during the 2023-24 biennium and, if enacted, incorporated into the 2025 report.