

2020 VT Livable Wage and Basic Needs Budgets

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Legislative Joint Fiscal Office

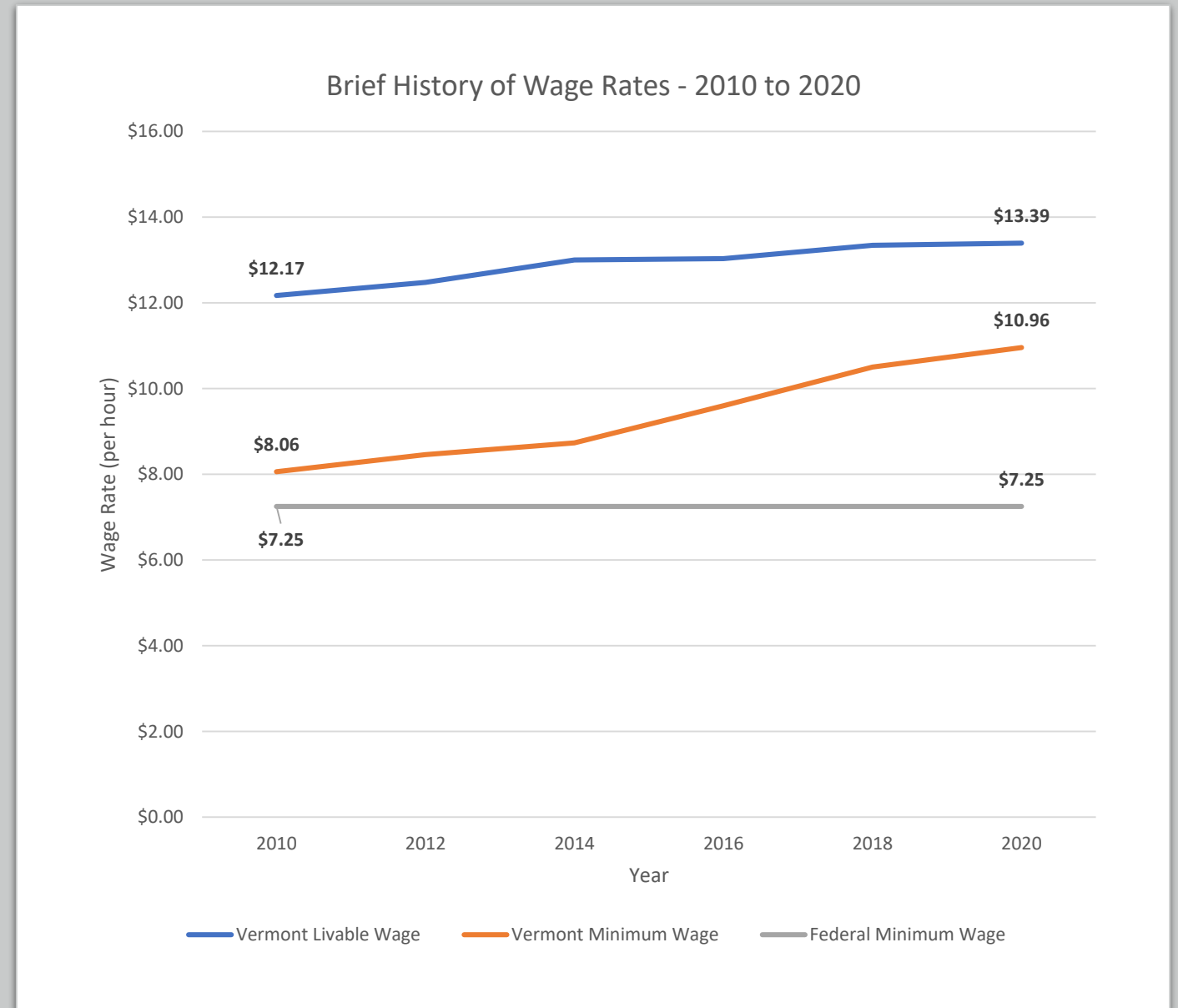
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Statutory Definitions

- 2 V.S.A. §526
- (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.

Vermont Livable Wage

- 2020 Wage = \$13.39/hour
- 2018 Wage = \$13.34/hour
- The Story:
 - Growth in cost of urban housing and telecom
 - moderated by decreases in dental out-of-pocket (OOP) costs – explained further on
 - relatively flat costs elsewhere



Basic Needs Budgets

2020 Basic Needs Budgets	Hourly Wages			percent change		
	Urban		Rural	Urban		Rural
Single Person	\$18.49		\$15.72	2.2%		-0.4%
Single Person, Shared Housing	\$14.97		\$12.89	1.0%		-0.7%
Single Person, One Child	\$32.58		\$26.43	7.1%		5.3%
Single Person, Two Children	\$41.78		\$33.75	6.9%		4.9%
Two Adults, No Children	\$14.02		\$12.76	0.4%		0.4%
Two Adults, Two Children (one wage earner)	\$34.47		\$30.12	5.1%		-1.9%
Two Adults, Two Children (two wage earners)	\$23.81		\$20.54	5.8%		0.8%

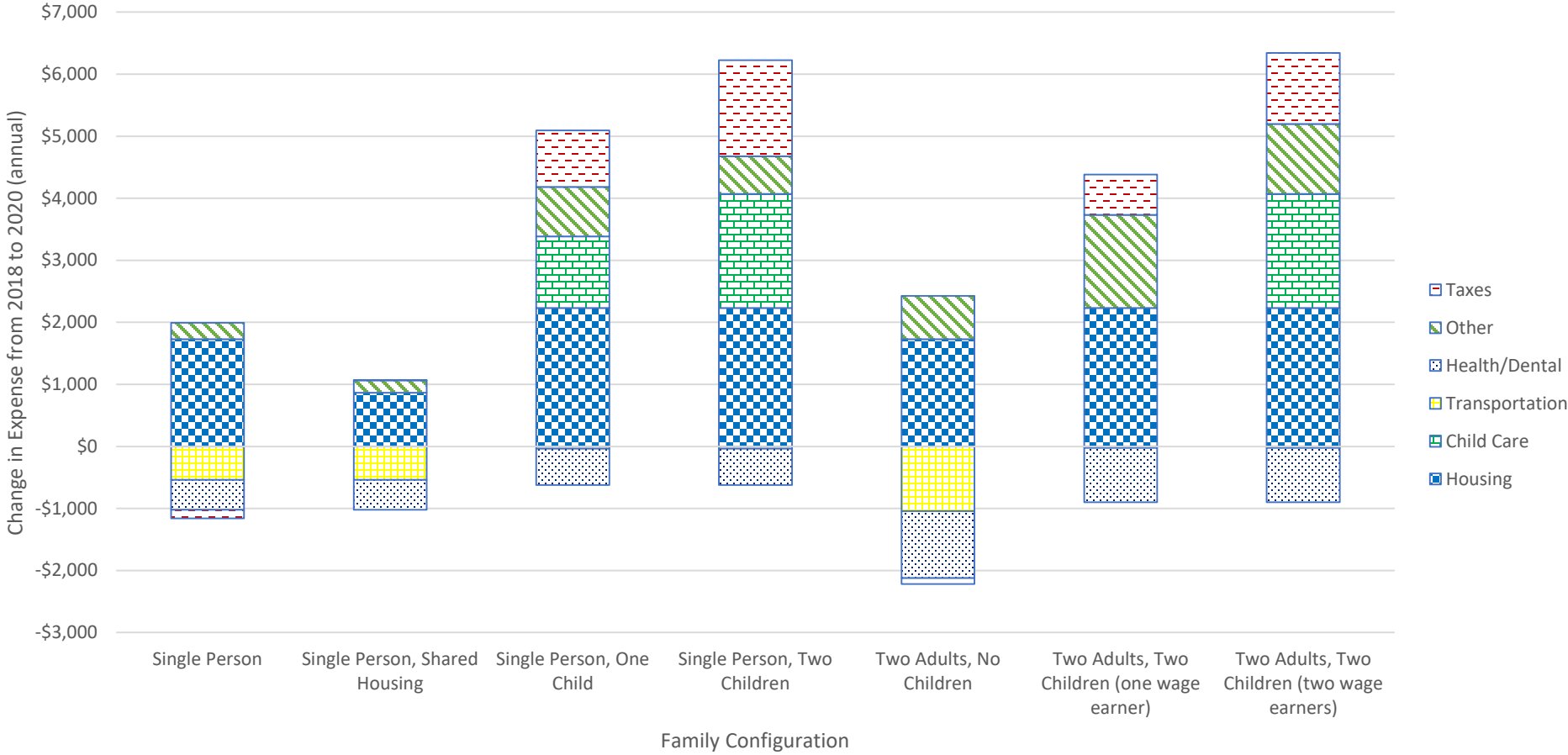
Basic Needs Budgets

- Major Cost Drivers
 - Housing – Increases for urban, generally flat for rural
 - Child Care – Increases for urban and rural
 - Transportation – Updated data, changes somewhat erratic
 - Health and Dental – Decreased due to out-of-pocket cost changes
- Smaller Cost Drivers
 - Telecommunications – Significant increase but still small overall cost
 - Other expenses based on wages – savings, insurance

Basic Needs Budgets

Changes to Basic Needs Budget Expenses (2018 to 2020) - Urban

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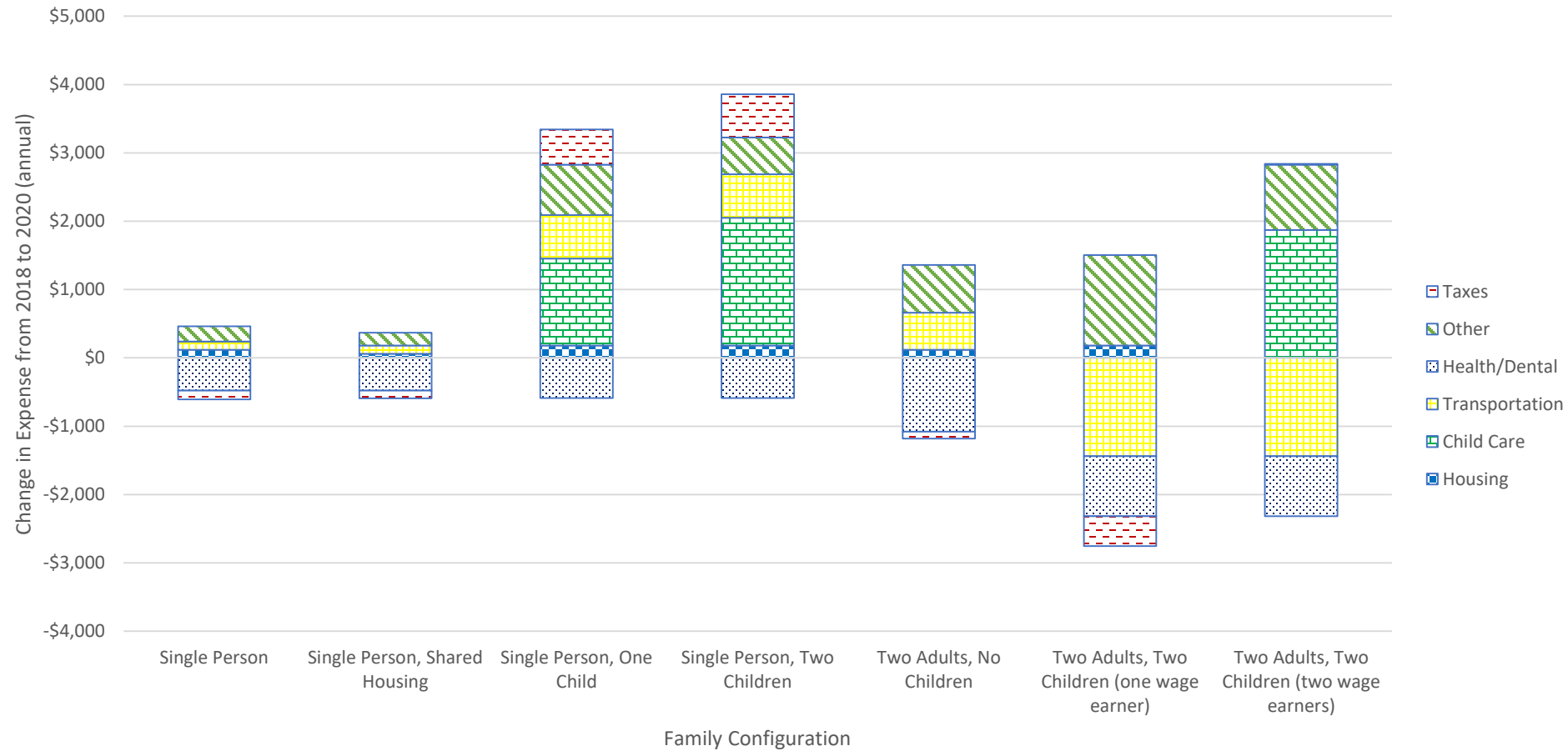


Basic Needs Budgets

Changes to Basic Needs Budget Expenses (2018 to 2020) - Rural

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Changes from Last Report

- Transportation
 - Now using 2017 National Household Travel Survey responses for vehicles miles traveled (VMT) data
 - Very few Vermont responses in 2017
 - Adjusted VT numbers by NHTS data for the U.S. to smooth out spikes in Vermont data
- Health and Dental
 - Out-of-pocket costs based on median values from data rather than averages
 - Major outliers impacted the averages

Looking to 2022 report

- Renter Rebate reform
 - Begins in tax year 2021
 - Could result in tax expense changes – likely minimal
- Potential federal tax changes?
 - Most likely changes appear to be to Child Tax Credit and Child & Dependent Care Credit – these could significantly impact wage calculations
 - Lots of uncertainty with anything else
- Impacts of pandemic on data in 2021-22

Review of statute and methodology

- JFO recommends a review of the livable wage and basic needs budgets statute and methodology prior to the next report
 - Report is now over 20 years old... potential for improvements?
 - New data and/or better methodologies?
- A technical advisory committee could be considered
 - Legislators – legislative input would be helpful
 - Subject matter experts
 - Advocates

Review of Statute and Methodology

- Areas of concern for JFO staff
 - “Basic Needs” expenses based primarily on averages
 - Do families have different spending priorities today than 20 years ago?
 - Quality of transportation data
 - Clothing and household goods – methodology has changed frequently
 - Infrequency of wage updates – possibility for interactive calculator?
- Potential Process
 - Potential statute review and updates in 2021
 - Potential data/methodology review and updates in 2022