

Vermont Basic Needs Budgets and Livable Wage

House Committee on Ways and Means

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Definitions

What are the basic needs budgets and Vermont livable wage?



Basic Needs Budget

- Defined in 2 V.S.A. §526(a)(1) & (2)
- “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.
- “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.



Basic Needs Budget

What Expenses are in the 2024 Basic Needs Budget?

Required by Statute:

- Food
- Housing – including utilities
- Transportations
- Child care
- Health and Dental care
- Insurance – rental and life
- Miscellaneous Expenses
- Savings
- Taxes

Not required by statute

- Clothing and household expenses
- Telecommunications
- Person Care Products



Vermont Livable Wage

- 2 V.S.A. §526(a)(3)
 - “Livable wage” means the hourly wage required in an urban or rural area for a full-time worker who lives in shared housing and has employer assisted health insurance to pay for the basic needs budget.
- 2 V.S.A. §526(b)
 - On or before January 15 of each new legislative biennium, the Joint Fiscal Office shall report the calculated basic needs budgets of various representative household configurations and the calculated livable wage for both urban and rural areas 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.



Vermont Basic Needs Budget: Big Picture

- The Basic Needs Budget and Livable Wage Report's purpose is to calculate the cost to afford a household's basic needs in Vermont and the wage required to afford those needs without public assistance.
- The report is not meant to be a mandate, but rather another source of comparative data when considering wage levels in Vermont.



Basic assumptions

Overview of the basic assumptions used in the Basic Needs Budget Report



Household configurations

- Basic needs budgets and livable wages are calculated for seven household configurations:
 - Single person
 - Single person, in shared housing
 - Single Parent with One Child
 - Single Parent with Two Children
 - Two Adults with No Children – two wage earners
 - Two Adults with Two Children – one wage earner
 - Two Adults with Two Children – two wage earners
- These configurations are meant to show the variation in expenses for different household sizes and types



Urban and Rural Areas

- The report includes calculations for each of the household configurations for both urban and rural areas.
 - The urban designation refers to Burlington Metropolitan Statistical Area (MSA).
 - This Burlington MSA includes Chittenden, Franklin, and Grand Isle Counties.
 - MSA's are determined by the U.S. Office of Management and Budget (OMB) as a location with at least one urbanized area and at least 50,000 people.
 - The rural designation refers to the rest of the State.



Other Assumptions

- Single persons and single parents are the average costs between men and women ages 20 to 50 years old and work outside the home; all other adults are between 20 and 50 years old.
- All families 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, including singles in shared housing.
- Single parents receive no child support.
- *Public assistance is not included in the basic needs budget or the livable wage calculations.*



2023 Basic Needs Budget Technical Advisory Committee



2023 Technical Advisory Committee

- Act 54 (2023) established the Basic Needs Budget Technical Advisory Committee to review the methodology used in constructing the basic needs budget. The committee reviewed the methodology and assumptions used in the Basic Needs Budgets and Livable Wage Report and made recommendations that required either Joint Fiscal Committee Approval or a statutory change from the General Assembly.
- In total the committee recommended 10 methodological changes that required JFC approval. All but two of them were approved.
- The committee also recommended two statutory changes, both were passed and enacted.



2023 Technical Advisory Committee

- The technical advisory committee made recommendations relating the methodology used in the following spending categories:
 - Food
 - Child care
 - Clothing and household expenses
 - Telecommunications
 - Personal expenses (now miscellaneous expenses)
 - The addition of a new spending category for personal care products
- All of these recommendations were approved by JFC.



2023 Technical Advisory Committee

- The technical advisory committee made recommendations relating the household configurations included in the report:
 - Removal of the two adults, two children, one wage earner family configuration.
 - Addition of a new family configuration for a single person in shared housing.
- These recommendations were not approved by JFC. The reason given was these changes were directly related to the two recommended statutory changes, and could be dealt with via legislation.



2023 Technical Advisory Committee

- The technical advisory committee made two recommendations to the General Assembly that required statutory changes:
 - Make the basis for the official Livable Wage a single person in shared housing
 - Instead of the official Livable Wage being the average of calculated urban and rural wages to publish distinct official Livable Wages for the two regions
- These recommendations were passed into law during the 2024 legislative session.



2024 Basic Needs Budgets and Vermont Livable wage

What are the hourly and annual wages for 2024 and how to they compare to 2022?



2024 Basic Needs Budgets and Vermont Livable Wage

| Urban basic needs budgets - 2022 to 2024 | | | | | | |
|---|----------|-----------|--|----------|-----------|-------------------------|
| Family Type | 2022 | | | 2024 | | % change - 2022 to 2024 |
| | hourly | annual | | hourly | annual | |
| Single Person | \$ 20.03 | \$ 41,653 | | \$ 23.98 | \$ 49,873 | 19.7% |
| Single Person, shared housing | N/A | N/A | | \$ 19.53 | \$ 40,614 | N/A |
| Single Person, One Child | \$ 35.50 | \$ 73,850 | | \$ 35.80 | \$ 74,466 | 0.8% |
| Single Person, Two Children | \$ 45.92 | \$ 95,512 | | \$ 43.06 | \$ 89,573 | -6.2% |
| Two Adults, No Children | \$ 15.11 | \$ 31,431 | | \$ 17.81 | \$ 37,040 | 17.9% |
| Two Adults, Two Children (one wage earner) | \$ 37.43 | \$ 77,860 | | \$ 44.24 | \$ 92,015 | 18.2% |
| Two Adults, Two Children (two wage earners) | \$ 25.97 | \$ 54,015 | | \$ 25.08 | \$ 52,172 | -3.4% |
| **Wages for two-adult households are per person** | | | | | | |



2024 Basic Needs Budgets and Vermont Livable Wage

| Rural basic needs budgets - 2022 to 2024 | | | | | | |
|---|----------|-----------|--|----------|-----------|-------------------------|
| Family Type | 2022 | | | 2024 | | % change - 2022 to 2024 |
| | hourly | annual | | hourly | annual | |
| Single Person | \$ 18.80 | \$ 39,107 | | \$ 21.32 | \$ 44,346 | 13.4% |
| Single Person, shared housing | N/A | N/A | | \$ 17.68 | \$ 36,782 | N/A |
| Single Person, One Child | \$ 31.00 | \$ 64,484 | | \$ 29.87 | \$ 62,127 | -3.6% |
| Single Person, Two Children | \$ 39.47 | \$ 82,090 | | \$ 36.91 | \$ 76,782 | -6.5% |
| Two Adults, No Children | \$ 15.55 | \$ 32,341 | | \$ 17.01 | \$ 35,373 | 9.4% |
| Two Adults, Two Children (one wage earner) | \$ 36.71 | \$ 76,360 | | \$ 41.03 | \$ 85,335 | 11.8% |
| Two Adults, Two Children (two wage earners) | \$ 24.32 | \$ 50,595 | | \$ 23.48 | \$ 48,832 | -3.5% |
| **Wages for two-adult households are per person** | | | | | | |



2024 Basic Needs Budgets and Vermont Livable Wage

| | Single Person, Shared Housing | |
|-------------------------------|-------------------------------------|-------------------------------------|
| | Urban | Rural |
| Category | Cost estimates are <i>per month</i> | Cost estimates are <i>per month</i> |
| Food | 481 | 481 |
| Housing | 968 | 641 |
| Transportation | 534 | 627 |
| Health Care | 223 | 223 |
| Dental Care | 4 | 4 |
| Child Care | 0 | 0 |
| Clothing & Household Expenses | 153 | 153 |
| Personal Care Products | 47 | 47 |
| Miscellaneous Expenses | 152 | 152 |
| Telecommunications | 96 | 96 |
| Rental Insurance | 11 | 11 |
| Term Life Insurance | 0 | 0 |
| Savings | 133 | 122 |
| Total Monthly Expenses | 2,803 | 2,557 |
| Annual Expenses | 33,631 | 30,684 |
| Federal & State Taxes | 6,983 | 6,098 |
| Annual Income | 40,614 | 36,782 |
| Hourly "Livable" Wage | \$ 19.53 | \$ 17.68 |

| Tax Calculations | 2024 Tax Year - Single Filer | |
|---------------------------------|------------------------------|--------------|
| AGI | 40,614 | 36,782 |
| Standard Deduction | (14,600) | (14,600) |
| Taxable Income | 26,014 | 22,182 |
| Federal Tax (before credits) | 2,890 | 2,430 |
| Child Credit | - | - |
| Dependent Care Credit | - | - |
| Net Federal Tax | 2,890 | 2,430 |
| VT Standard Deduction | (7,400) | (7,400) |
| VT Personal Exemption(s) | (5,100) | (5,100) |
| VT Taxable Income | 28,114 | 24,282 |
| State Tax (before credits) | 942 | 813 |
| Child Credit | - | - |
| Dependent Care Credit | - | - |
| Renter Rebate | - | - |
| Net State Tax | 942 | 813 |
| FICA/Medicare | 3,107 | 2,814 |
| Child Care Contribution (0.11%) | 45 | 40 |
| Total | 6,983 | 6,098 |



Charts

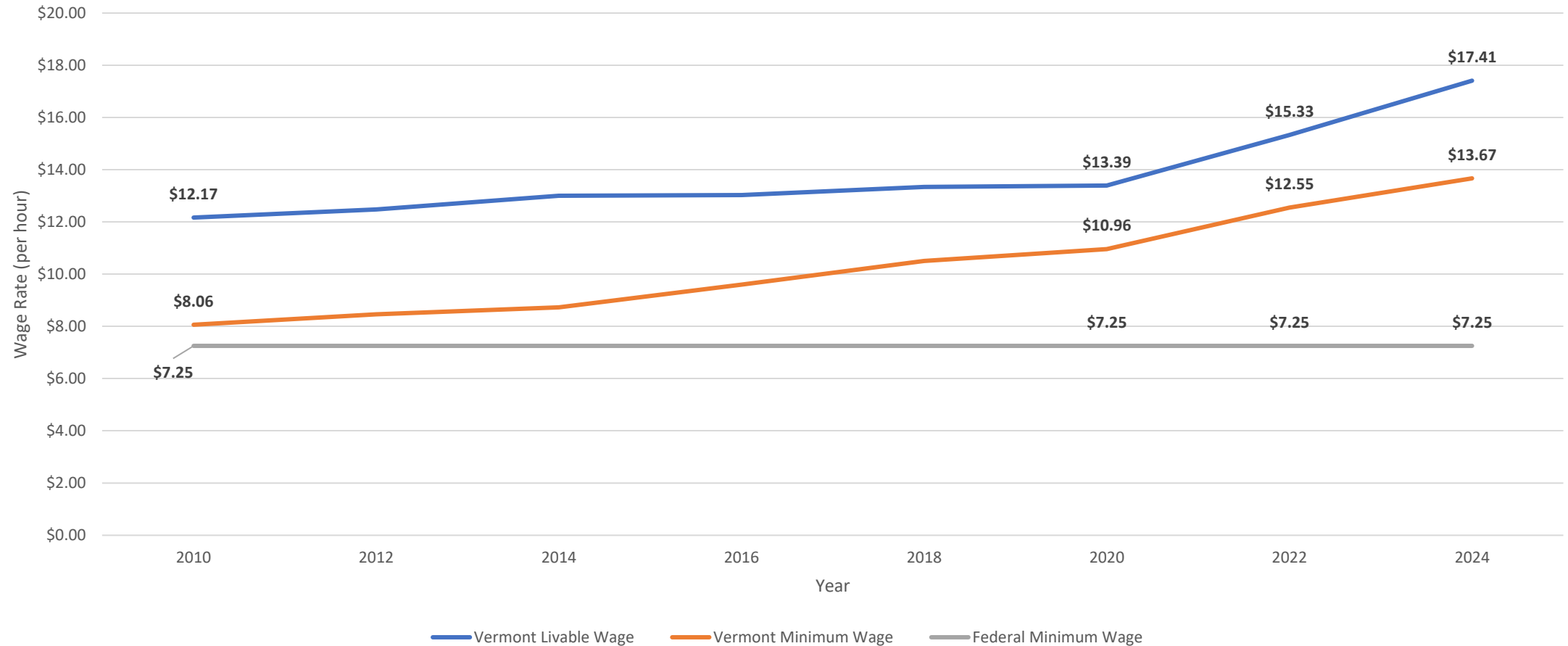
How does the 2022 Vermont livable wage compare to federal/state minimum wage?

What expenses drove the growth in basic needs budgets from 2020 to 2022?



Tracking wage rates from 2010 to 2024

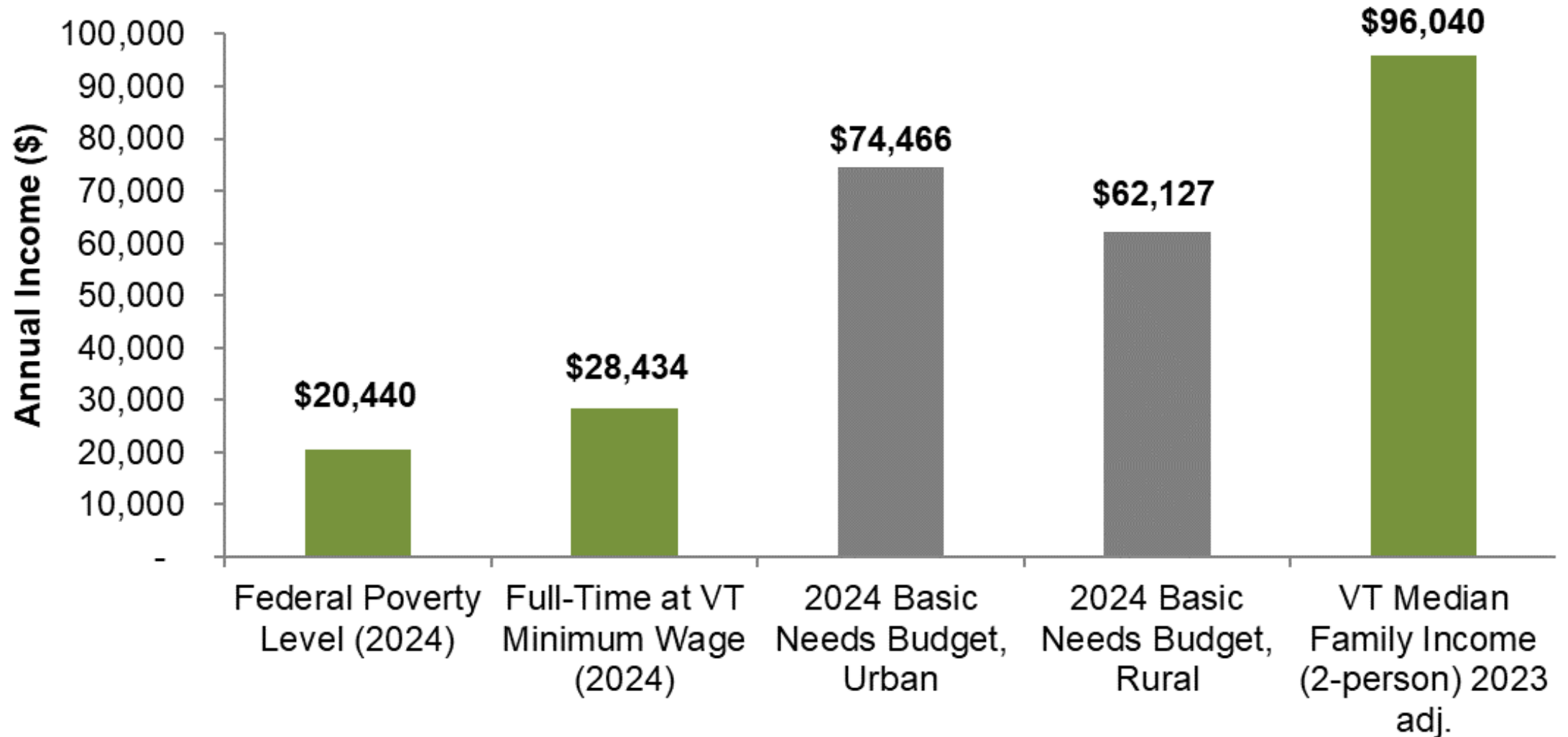
Brief History of Wage Rates - 2010 to 2024



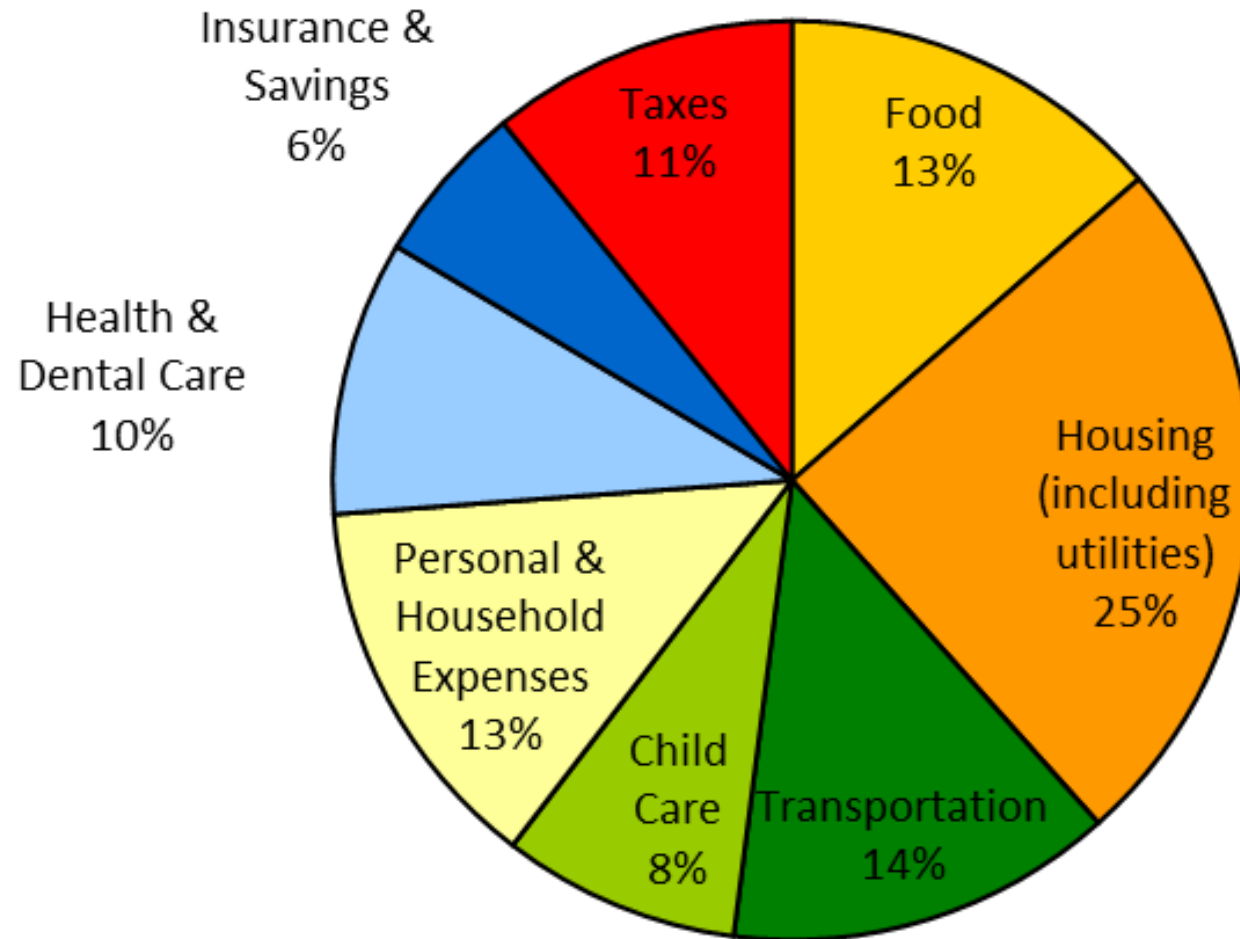
Note: For the purpose of this chart the shown Vermont Livable Wage refers to the pre-2024 definition of the Livable Wage. Two adults, no children.



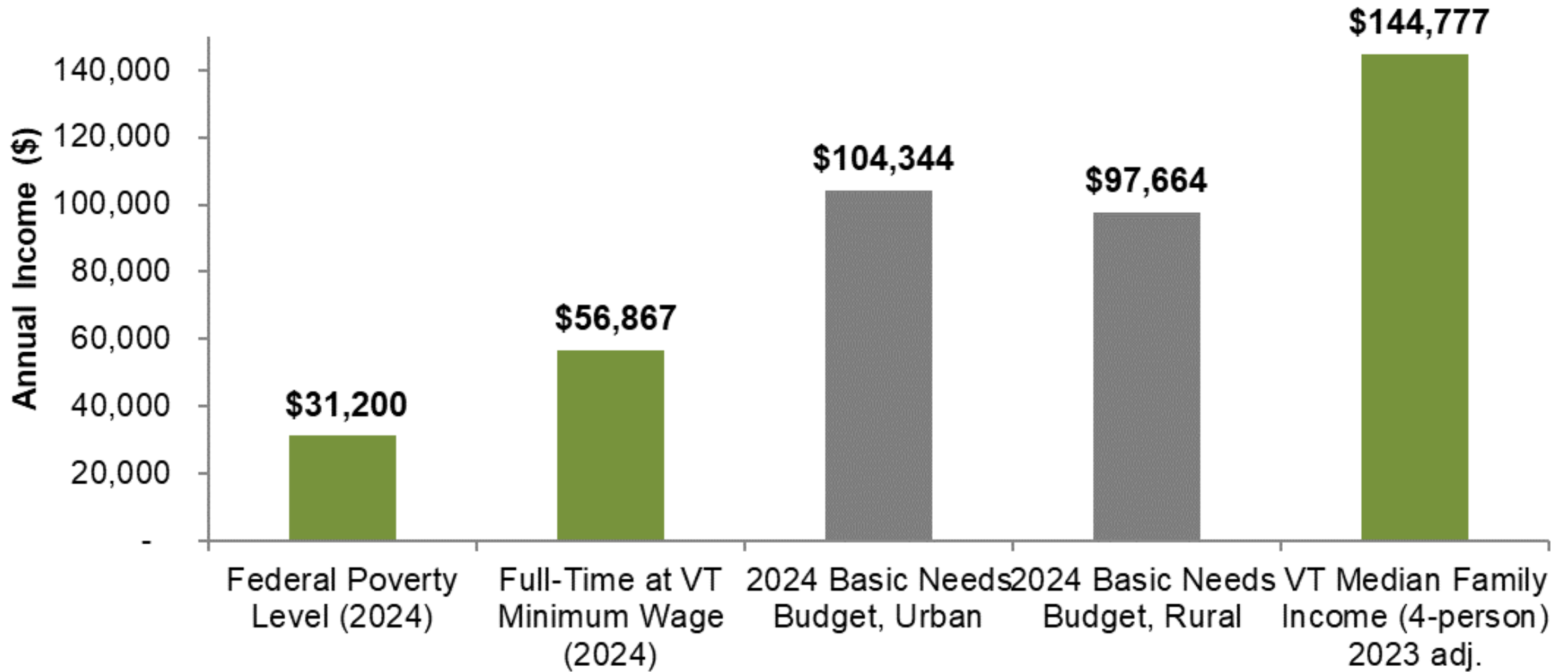
Single Adult, One Child Wage Comparison



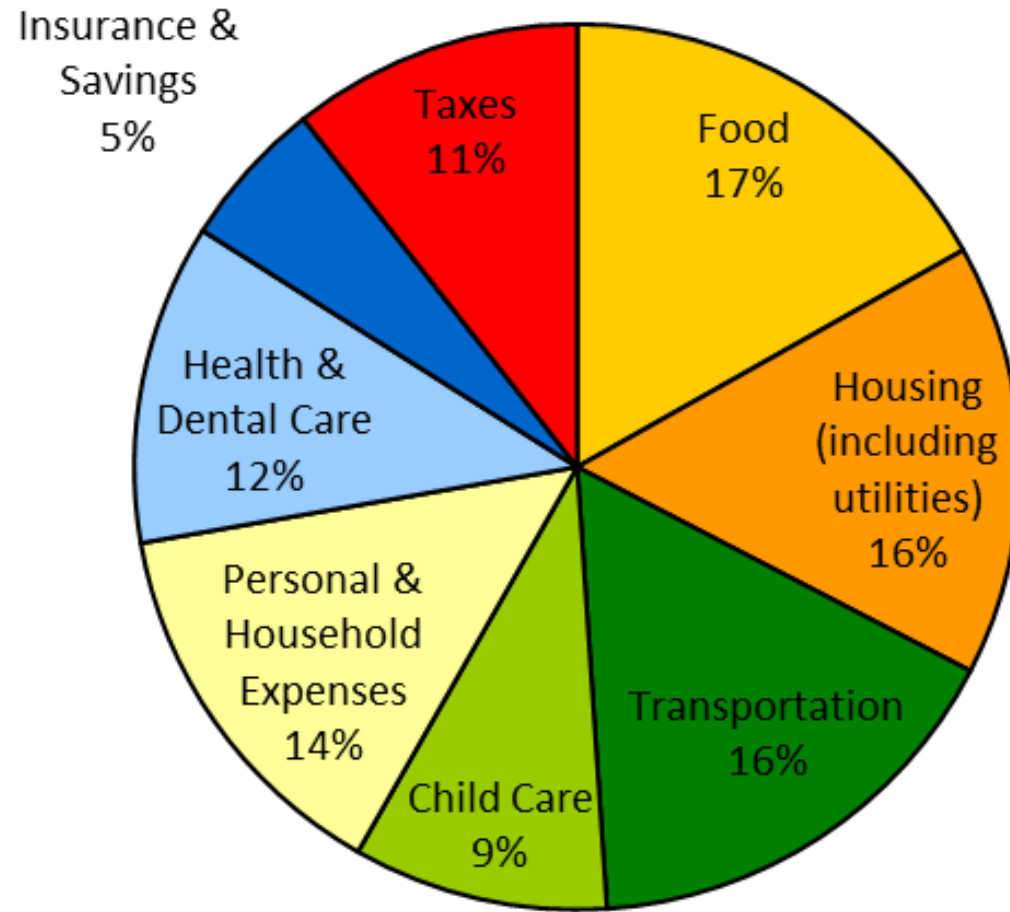
Single Adult, One Child BNB Breakdown



Two Adults, Two Children Wage Comparison



Two Adults, Two Children BNB Breakdown



Questions?

