

To: Basic Needs Budget Technical Advisory Committee

From: Stephanie Yu, Executive Director, Public Assets Institute

Date: Sept. 13, 2023

Re: Basic Needs Budget

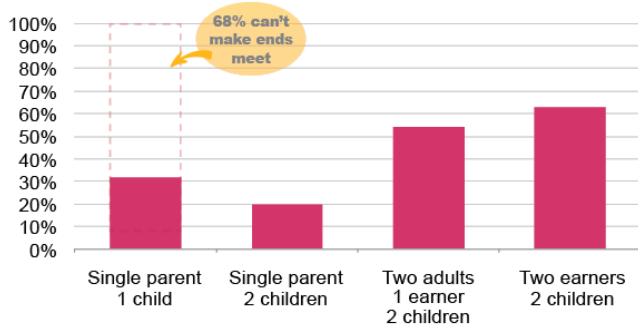
Thank you for the opportunity to provide written testimony to the committee since we could not be there in person for the first meeting. We appreciate the work you’re doing and recognize the need to periodically re-evaluate the methodology behind important benchmarks like the Basic Needs Budget. We also appreciate the questions raised in the latest edition of the report and the charge of this committee: essentially asking the best way to calculate what it really takes for Vermonters to “maintain a basic standard of living” and clarifying how the report is intended to be used and whether that has changed or should change.

Our answers to those questions would be: **The Basic Needs Budget reports should be used to determine how well Vermont families are meeting their basic needs. That assessment, in turn, should be used to guide state fiscal policy.** We can tweak the methodology, but it won’t change the fundamental conclusion of much of our analysis over the years: many Vermonters can’t meet their basic needs and government policy should make sure those gaps are filled.

We read the reports as a fair estimate of the cost for various Vermont family configurations to support themselves. For each of the family types in the report, we view the basic needs budget as one side of a coin—the cost side. The flip side of that coin is what we refer to as a “livable income.” Simply put: A livable income is what is required for typical Vermont families—as defined in the report—to meet their basic needs.

**Single parents struggle the most to pay the bills**

Percent of families with annual household income above a basic needs budget, by family type, 2016



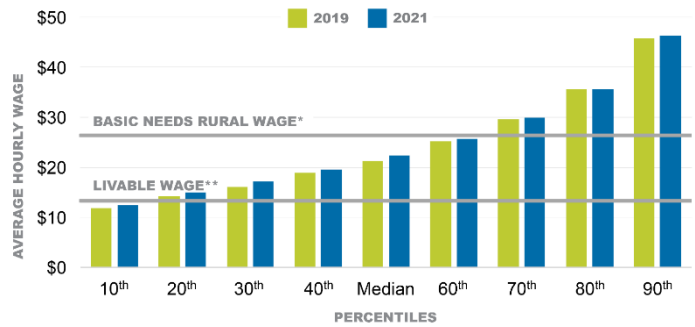
Data source: IPUMS-USA, University of Minnesota, 2014-2016 1-yr. samples  
©2017 Public Assets Institute

Starting with that basic premise, we have applied the basic needs standard to assess how Vermonters are doing and how we can improve policies to better meet their basic needs. In our annual State of Working Vermont report, we use U.S. Census microdata to estimate how many Vermont families have a livable income, how many have the wherewithal to meet their basic needs. In [2017](#), we found that more than two-thirds of single parents with one child did not have adequate income to meet their basic needs. Even more surprising, the same was true for over a third of families with two earners and two

children. While the basic needs budget report does not account for all family types, it does provide a sense of which families are struggling the most. More recently, in our [2022 report](#), we looked at Vermonters' wages compared to the basic needs standards for both a two-earner household with no children and a single parent with one child. What we found was that more than 10 percent of Vermont workers earned less than the state's livable wage, and very few Vermonters earned enough to support one child as a single parent.

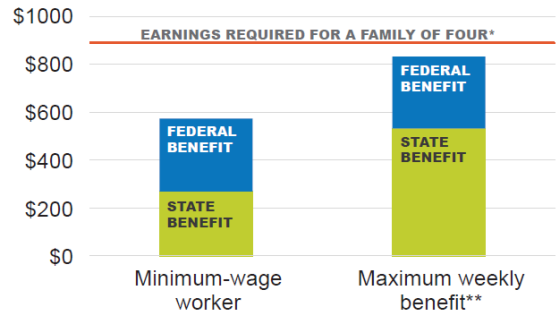
**The state's goal should be establishing economic and tax policies that make it possible for all Vermonters to meet their basic needs.** Full-time workers should be able to meet their basic needs through wage and tax policy. For Vermonters who cannot work either temporarily or permanently, the combination of support services and tax policies should also allow them and their families to meet their basic needs. Over the years, we have used the basic needs budget as a way of measuring whether our benefit programs are adequate. For example, when the federal government provided additional unemployment benefits on top of state benefits during the pandemic, we found that even at the maximum benefit level, a family of four would struggle if earners were out of work. Similarly, we have worked to understand whether the combination of common benefits such as Reach Up, LIHEAP and 3SquaresVT would get families to their basic needs and found that it did not in many cases. We recognize that it this is not a comprehensive list of available benefits, but applying the basic needs standards as a way of understanding where benefit programs fall short is a good use of them.

**Low-wage workers made gains, but many still can't meet basic needs** Wages by selected percentiles, 2019 and 2021, adjusted for inflation, and 2021 Vermont livable wage



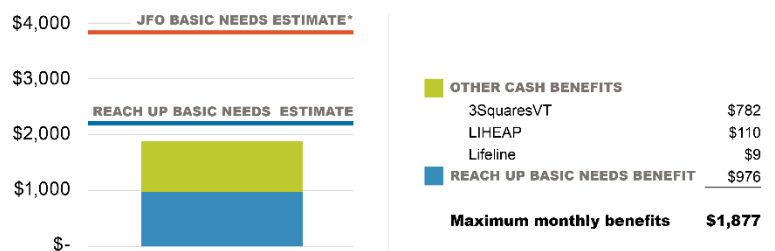
\* Single parent with one child \*\* Per person for two-adult family, no children  
Data sources: Economic Policy Institute analysis of Current Population Survey data; Vermont Joint Fiscal Office ©2022 Public Assets Institute

**Extra jobless support leaves some families short** Estimated weekly unemployment benefits for selected workers; weekly earnings per worker to meet basic needs, family of 4, 2021



\* Weekly per worker, assuming two workers  
\*\* Paid to workers earning Vermont's average weekly wage or higher  
Data sources: Vermont Department of Labor, Joint Fiscal Office ©2021 Public Assets Institute

**Reach Up plus other cash benefits still fall short of basic needs** Maximum monthly benefits, Reach Up basic needs and Joint Fiscal Office basic needs estimate, family of four, 2021



\*Excludes health care, child care, rental and life insurance, and savings  
Data sources: Department for Children and Families, Joint Fiscal Office, U.S. Department of Agriculture, Department of Public Service, and LIHEAP Clearinghouse ©2022 Public Assets Institute

The Basic Needs Budget reports provide a good benchmark for measuring Vermonters' prosperity. We try to use the reports to see how well the state measures up to that benchmark. Perhaps that measurement could be incorporated into the annual reports. Following the main body of the report, where you detail the basic needs cost for various family types, perhaps you could add a new section: Vermont families: How are they doing?

After all of the effort that goes into determining the costs of families' basic needs, assessing the ability of families to cover those costs seems like an obvious next step. And in light of the "[purpose of the state budget](#)" statute adopted in 2012, measuring Vermonters' ability to meet their basic needs should be an important tool for the executive branch and the Legislature to evaluate state fiscal policy. Ultimately, we would hope that the basic needs budgets, coupled with assessments of Vermont family incomes, would lead to policies designed to help Vermonters achieve livable incomes.

## **Methodology**

We don't have specific thoughts or suggestions on the basic needs report methodology. However, if you're not familiar with the self-sufficiency standards developed by the [Center for Women's Welfare at University of Washington](#), we would encourage you to review them. One advantage we see in the self-sufficiency standards is that they are calculated by county. Another consideration is that the self-sufficiency standards have been calculated for 42 states, which allows for comparisons based on the same standards. We also rely on the Economic Policy Institute's [Family Budget Calculator](#), MIT's [Living Wage Calculator](#) and the [Cost of Living](#) research from the Federal Reserve Bank of St. Louis.

It is also worth understanding the basic needs definition used by the Reach Up program. The Basic Needs Budget report from the Joint Fiscal Office can be read as more of a self-sufficiency standard, while the Reach Up program is focused on the cost of the bare essentials of food, clothing and shelter.