

What is the Purpose of the Basic Needs Budget?

Basic Needs Budget Technical Advisory Committee

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Outline

1. Introduction and review
 - a. For whom are basic needs budgets constructed?
 - b. Should state and federal programs that support households be included?
2. Who uses the Basic Needs Budget Report and why?
3. How does defining the purpose of the BNB affect JFO's choice of data inputs?
4. How do other family budget measures or living wage calculators compare?



1. Introduction and Review

The statute: 2 V.S.A. §526(a)(1) & (2)

- “Basic needs” means **the essentials needed to run a household**, including food, housing, transportation, 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.



Questions that arise

- Should JFO report the expenses of a household with “low” income or a household with “moderate” or “average” income?
- Should JFO continue to ignore state and federal programs that support households with lower incomes?



2. Who uses the BNB Report and why?

Various groups and individuals use the BNB for widely divergent reasons

- Some groups use the BNB to define “the earnings necessary to live in Vermont.” If a household does not earn at least the BNB amount, then it does not have the earnings necessary to live in Vermont. Government support plays no role here. (Vermont Insight)
- Other groups refer to it as “the subsistence budget needs of families.” They argue that household benefit programs should provide support equal to those subsistence budget needs. (Vermont Reach Up Coalition)
- Some employers, such as the Hunger Mountain Food Co-op and the Designated Agencies in Vermont, use the BNB as a guide for setting wage levels.
- Some groups argue that the minimum wage should be increased to at least match the livable wage. The minimum wage lies below the “livable wage,” defined as the BNB hourly wage for an adult living in a two-earner household. (Rights and Democracy)
- JFO has not identified ways in which the Vermont legislature uses the BNB.



3. How does defining the purpose of the BNB affect JFO's choice of data inputs?

- Three examples illustrate why the intended purpose of the BNB matters
 - The food budget could be based on either the low-cost USDA food plans or the moderate-cost USDA food plans. JFO currently uses the moderate-cost food plan, but other well-known measures use the low-cost food plan (see below).
 - The cost of housing depends on the choice of housing category. JFO assumes a single adult lives in a one-bedroom apartment rather than a studio apartment.
 - The cost of health insurance varies substantially depending on whether the household obtains employer-sponsored insurance (often not available for people in low-wage jobs), qualifies for Medicaid, or obtains health insurance (perhaps subsidized) on Vermont HealthConnect using the health insurance exchange. JFO currently assumes health insurance comes through employer-sponsored plans.



4. How do other family budget or living wage calculators compare?

Two existing calculators seem most comparable, and each looks at living wages by county in Vermont

- Neither calculator provides an estimate for a single adult who shares housing with another unrelated adult (the household configuration for the “living wage”)
- Note that the BNB is in 2022 dollars
- Massachusetts Institute of Technology (MIT): “Living Wage Calculator”
 - Stated in 2021 dollars
 - The living wage shown is the hourly rate that an **individual** in a household must earn **to support his or herself and family**. The assumption is the sole provider is working full-time (2080 hours per year). The tool provides information for individuals, and households with one or two working adults and zero to three children. In the case of households with two working adults, all values are **per working adult, single or in a family** unless otherwise noted.
 - Relatively close to Vermont’s Basic Needs Budget, but higher or lower in some cases.



The second comparable calculator

- Economic Policy Institute (EPI): “Family Budget Calculator”
 - Stated in 2020 dollars
 - **EPI’s Family Budget Calculator** measures the income a family needs in order **to attain a modest yet adequate standard of living**. The budgets estimate community-specific costs for 10 family types (one or two adults with zero to four children) in all counties and metro areas in the United States. Compared with the federal poverty line and the Supplemental Poverty Measure, EPI’s family budgets provide a more accurate and complete measure of economic security in America.
 - The urban hourly wage is higher than Vermont’s Basic Needs Budget; the rural hourly wage is lower than Vermont’s BNB for some household types.



Key methodology differences among the three calculators

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: Transportation methodologies vary across 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 Index created by the Center for Neighborhood Technology.
4. 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 appear to include dental care in budgets.
5. Savings: BNB assumes savings of 5% of pre-tax income for all families. Neither MIT nor EPI builds in an itemized cost for savings.



Other methodology differences

1. Child care: BNB utilizes market survey data provided by the VT Department for Children and Families. MIT relies on various state market rate surveys while EPI utilizes a state-level survey provided by the National Child Care Resource and Referral Network.
2. Telecommunications: BNB builds in estimated telecommunications costs based on Consumer Expenditure Survey data. MIT includes an estimated cost for broadband, which includes cell phone service, using data from service providers. EPI does not include an itemized estimate for telecommunications.
3. Other Necessities: BNB does not have an “Other Necessities” category. When other 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.”
4. Taxes: BNB bases budget calculations off tax year 2022 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 called TAXSIM from the National Bureau of Economic Research to calculate the overall tax burden.



Comparison of Living Wage Calculators

Family Type	Urban (hourly wages, per person)			Rural (hourly wages, per person)		
	BNB (2022 \$)	MIT (2021 \$)	EPI (2020 \$)	BNB (2022 \$)	MIT (2021 \$)	EPI (2020 \$)
Single	\$20.03	\$19.64	\$23.37	\$18.80	\$16.80	\$20.15
One Adult, One Child	\$35.50	\$40.14	\$42.15	\$31.00	\$34.28	\$32.52
One Adult, Two Child	\$45.92	\$50.78	\$49.91	\$39.47	\$43.31	\$38.23
Two Adults	\$15.11	\$15.30	\$16.18	\$15.55	\$13.62	\$14.53
Two Adults, Two Child	\$25.97	\$28.50	\$27.95	\$24.32	\$25.04	\$22.30
Two Adults (one works), Two Child	\$37.43	\$42.89	n/a	\$36.71	\$38.01	n/a

Source: Joint Fiscal Office, “2022 Vermont Basic Needs Budgets and Livable Wage Report,” January 17, 2022.

Note: For the MIT and EPI calculators, JFO uses Chittenden County to represent JFO’s “urban” estimate; JFO uses Windsor County to represent JFO’s “rural” estimate.



Concluding thoughts

Questions remain

- Should JFO report the expenses of a household with “low” income or a household with “moderate” or “average” income?
- Should JFO continue to ignore state and federal programs that support households with lower incomes?

Thank you!

