



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

To: Basic Needs Budget Technical Advisory Committee
Date: 20 September 2023
Re: SAO responses to JFO BNB questions

Part IV of JFO's 2022 Livable Wage report (p.30) offered some questions directed to the legislature. I offer my thoughts on the questions here.

1. Philosophy – Does the General Assembly find the basic needs budget and livable wage calculations to be useful for shaping public policy? If not, how could the study evolve?

Good question. Not for me to say.

2. Philosophy – Do the basic needs budgets and livable wage reflect reality for low-income families? Should public assistance be a part of the calculations?

We could have a good discussion about revising the poverty measure to include public assistance but that's not what the LW is about. From the very beginning, the LW was intended to estimate the cost of meeting basic needs without relying on public assistance. As the name suggests, it's about wages and the failure of the economy to provide enough jobs that allow people to live independently and with dignity.

3. Philosophy – Is it appropriate to use data that reflects "average costs" at the state and national level to determine "basic needs" wages?

Not sure that's a fair characterization.

- Food: The Moderate food plan could be considered average, but it assumes all meals are prepared and eaten at home (i.e., no meals out). Thus, it is hardly an extravagant standard or "average".
- Housing: The BNB assumes rental housing, which is not average as most families own. Second, FMR is the 40th percentile and the annual HUD survey doesn't even include new units, so it is very conservative and not average.
- Transportation: JFO uses the NHTS for the calculation and multiplies miles driven by household size times the IRS mileage rate, which is the estimated cost of owning and maintaining a car (not an average). The miles driven figure could be considered an average,

but most working folks in rural states without convenient public transit have no alternative than to drive for work and essential errands, so there is no alternative to the figures used. The miles driven figures are Vermont-specific, although dated. The alternative approach used by MIT (BLS CES) has some limitations that we can discuss.

- Health Care: JFO assumes average employment-based coverage, which may be overly generous for the industries with high a % of low-wage jobs. I know JFO will present to the committee on this issued and I look forward to the discussion.
- Clothing & Household expenses: These figures come from the Consumer Expenditure Survey (BLS), but we should be matching each hypothetical LW family unit with figures for a comparable family size and income; not the average.

4. Statute – Review the definitions of “basic needs” and “livable wage” to determine whether changes are appropriate.

The only change I would recommend is (a)(3), which refers to the average LW for both urban and rural areas. The average LW is low for urban employers and high for rural employers. I think JFO should publish both figures as “official.”

5. Statute – Consider whether additional statutory direction is appropriate.

Not in my view.

6. Methodology – The current data source for transportation cost calculations is inadequate. A new data source should be considered going forward.

The VT-specific NHTS is dated but could easily be updated. MIT uses the CES but, for reasons I will share in another memo, it’s not appropriate. They use the [regional table](#), and the household has \$100k in income so it’s not a good match for a single person LW.

7. Methodology – Review 2020 Census data and evaluate how Vermont has changed since the 2010 Census, and whether the basic needs budget and livable wage assumptions accurately reflect the current Vermont populace.

In my view, the only demographic issue is the decision by JFO to assume the official LW is based on half the BNB for a married couple in a one-bedroom apartment. That has important implications for housing costs and taxes. I think it’s better to assume two friends living in a two-bedroom apartment.

8. Methodology – Consider whether to merge some more minor costs (i.e. savings, telecommunications, clothing) into one category, as in other livable wage calculators.

I do not support this as it is not intended to improve the BNB, only reduce the amount of work. These reporting choices are also less transparent.