



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee Members
From: Daniel Dickerson, Fiscal Analyst
Date: November 5, 2014
Subject: 2015 Basic Needs Budget proposed methodology

In accordance with 2 V.S.A. § 505, the Joint Fiscal Office must report the basic needs budget (BNB) and livable wage on or before January 15 of each new legislative biennium. Any modifications to the existing methodology shall be approved by the Joint Fiscal Committee no later than November of the year preceding the release of the report. For the 2015 basic needs budget report, the Joint Fiscal Office has suggested five modifications to the methodology from the previous report. These suggested modifications stem in part from a public roundtable discussion that took place on October 8, 2014¹. The suggested changes are outlined below.

1. Health Care –

- a. Proposal Summary: The previous report did not include costs for those without employer-sponsored health insurance (ESI). The 2015 budget will provide estimates for Vermonters with ESI as well as for those who purchase individual market plans through the Vermont Health Connect (VHC). The livable wage will continue to be calculated using ESI.
- b. Rationale: The inclusion of those without employer-sponsored insurance was discontinued in 2008 because it was estimated that less than 1% of Vermonters were enrolled in individual plans. However, with the implementation of the Affordable Care Act (ACA) and the Vermont Health Connect (VHC), it is estimated that over 40,000 Vermonters will have enrolled in individual market plans through VHC in 2014, the majority of whom will likely be receiving some form of subsidy. As such, the report will take into consideration costs related to individual market plans sold through the exchange. It should be noted, however, that there are methodological complexities and numbers will be preliminary at best. In terms of determining premiums and out-of-pocket costs, JFO plans to use data from VHCURES, the Medical Expenditure Panel Survey (MEPS), and benefits package data from qualified health plans on the exchange.

¹ Participants: Ellen Kahler, Vermont Sustainable Jobs Fund; Doug Hoffer, Auditor of Accounts; Jack Hoffman, Public Assets Institute; Kari Bradley, Hunger Mountain Coop; Dan Barlow, Vermont Businesses for Social Responsibility; Deb Brighton, consultant; Steve Kappel, consultant; Sara Teachout, Nolan Langweil, and Dan Dickerson, Vermont Joint Fiscal Office.

2. Family Configuration –

- a. Proposal Summary: A sixth configuration is recommended, to be titled “Single w/ Shared Housing.”
- b. Rationale: This inclusion is suggested because data from the American Community Survey indicate that 10 – 15% of single Vermont residents between the ages of 20 and 50 may be living in shared housing, although the survey pool is small and there is no indication of the level of income of these individuals. The only difference between this configuration and that of “Single” would be that the costs for housing (2-bedroom apartment) and for household expenses would be halved.

3. Personal Expenses –

- a. Proposal Summary: The personal expense category would be expanded to each member of the household, not solely adults. Personal expenses are currently calculated as a “per diem” sum and are indexed to inflation for each biennial report. The additional personal expense for children would be calculated at one-half of the daily rate as that of adults.
- b. Rationale: The participants in the roundtable discussion felt that the category of Personal Expenses should reflect an expense for each member of the household, not solely adults. The rationale was that children needed at least some toys, books, etc. for healthy development and the best way to accommodate those types of expenses would be to extend personal expenses to children as well as adults. This will not impact the livable wage calculation as that calculation is not based on a family configuration.

4. Clothing & Household –

- a. Proposal Summary: Calculations for clothing and household expenses would once again be linked to household income rather than household configuration.
- b. Rationale: Expenses in Table 1500 of the 2013 Consumer Expenditure Survey (CEX) are derived from average household incomes that in some cases vary significantly from the approximate incomes in the BNB. The 2013 BNB report utilized the 2011 version of this table for calculating clothing and household expenses. The 2015 report would utilize different CEX tables in order to match clothing and household expenses more closely to household incomes. A table has been added below to show the differences between Table 1500 and the tables suggested to be utilized in the 2015 report.

Comparison of Data for Clothing/Household Expense Calculations

Household Configuration	JFO Household Incomes for 2015 BNB report (approx.)	Annual Household Incomes/ Monthly Clothing & Household expenses (CEX Table 1500)	Annual Household Incomes/ Monthly Clothing & Household expenses (CEX suggested tables)
Single	~\$34,000	\$40,137/ \$162	\$32,292/ \$131 (Table 1400)
Single, 1 child	~\$55,000	\$35,012/ \$201	\$48,565/ \$193 (Table 1702)
Single, 2 children	~\$68,000	\$35,012/ \$201	\$60,151/ \$274 (Table 1600)
2 Adults, no children	~\$50,000	\$82,773/ \$277	\$55,386/ \$228 (Table 1702)
2 adults, 2 children	~\$85,000	\$97,441/ \$347	\$77,316/ \$282 (Table 1400)
2 adults (one working), 2 children	~\$65,000	\$97,441/ \$347	\$60,151/ \$274 (Table 1600)

5. Telecommunications –

- a. Proposal Summary: Shift the data source for calculating telecommunications expenses from Average Revenue per Unit (ARPU) data reported by telecom companies in SEC filings to a table from the Consumer Expenditure Survey (CEX) that reports on regional costs for telephone and Internet. For phone service, the expense will be the average between residential land-line service and cellular telephone service for residents in the northeast region
- b. Rationale: This BNB category consists of costs for phone service and Internet. The 2015 report would utilize table 1800 (Region of Residence) from the Consumer Expenditure Survey for computing telecommunications expenses. The reason for using the average between land lines and cellular is that there is still a mix of users of both services in Vermont and to highlight costs for only one or the other would be inaccurate. In Table 1800, Internet expenses are itemized under the category of “Other Household Expenses.” The previous method of calculating telecommunications expenses using ARPU was unreliable due to different companies reporting ARPU in inconsistent ways.

6. Dental –

- a. Proposal Summary: Use dental plans sold through the Vermont Health Connect as the proxy for the costs of dental insurance in the Basic Needs Budget.
- b. Rationale: Previous reports used the Northeast Delta Dental Voluntary Dental Benefit Options (Option #3) as the premise for premiums. That product has been discontinued.

The Joint Fiscal Committee will be expected to vote on these proposed modifications at its meeting on November 12, 2014.