

# Basic Needs Budgets and the Livable Wage

Prepared in accordance with  
Act No. 202 of 2008

**JANUARY 15, 2009**

Prepared by the Joint Fiscal Office



**2008 BASIC NEEDS BUDGET  
TECHNICAL ADVISORY COUNCIL**

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## Part I - Executive Summary

This is the seventh edition of the Vermont Basic Needs Budgets and Livable Wage Report. A Basic Needs Budget is a market-based analysis that accounts for estimated monthly living expenses in Vermont. These basic needs budgets include the costs for essential items such as food, housing, transportation, child care, clothing and household expenses, telecommunications charges, health and dental care, renter's insurance, life insurance, and savings. The budgets differ based on family size and whether the family live in an urban or rural part of Vermont.

The study uses six hypothetical family configurations that are consistent with the original families chosen in the 1999 report. These are as follows:

- Single Person
- Single Parent with One Child
- Single Parent with Two Children
- Two Adults with No Children – both wage earners
- Two Adults with Two Children – one wage earner
- Two Adults with Two Children – both wage earners

Tax obligations are then added to annual household expenses. Finally, hourly wage figures are calculated by dividing the total by a year of full-time work. Annual budgets and hourly wages are computed for each of the six family profiles in both urban and rural Vermont, 12 budgets in total.

### Vermont Livable Wage Rate

For the first time, a Vermont Livable Wage guideline is published explicitly in this report. This is defined in statute as the hourly wage required for a full-time worker to pay for one-half of the basic needs budget for a two-person household with no children and employer-assisted health insurance averaged for both urban and rural areas. **The 2008 Vermont Livable Wage is \$13.07 per hour.** The Livable Wage is different from the wage for a single person because it accounts for the economies achieved by multiple-person households. This figure does not, however, include all potential household expenses because it is for adults without children.

The Basic Needs Budgets and Livable Wage methodology was originally established in 1999 as the result of the Legislative Livable Income Study Committee. The study has been updated in the 10-year interim by the Joint Fiscal Committee. The Legislature recognized the need for a thorough review of the methodology and data sources because of the possible cumulative effect of a number of minor changes over several years. In response, a Basic Needs Technical Advisory Council, composed of eight members, was created during the fall of 2008 to make recommendations for improvements to the study. The Council reviewed and made a determination of what items and level of resources should be part of the basic needs package. Recommendations for changes to the methodology were subsequently submitted to the Joint Fiscal Committee for approval in November. This updated Basic Needs Budget and Livable Wage Report is the result of the Council's effort.

The purpose of the Basic Needs Budgets and Livable Wage calculation is to provide information for the public on what it costs to live in Vermont, based on certain assumptions. This is not meant to be a mandate, but another source of reliable data when considering wage levels in Vermont.



## Part II – 2008 Methodology Changes

The Basic Needs Technical Advisory Council met over the summer and fall of 2008 to review the methodology and recommend any changes to the Joint Fiscal Committee. The Council reviewed all of the data sources to ensure that the most accurate, reliable, and up-to-date information is used for the budgets. Each component of the Basic Needs Budgets was also reviewed. The Council attempted to balance the need for ongoing continuity and changes that would improve the methodology. Every attempt has been made to use Vermont-specific data when they are available. The sections below summarize the changes made to the 2008 study. For more details on the calculations of the components of the budgets see the Part IV – Methodology and Sources section of the report.

### *Health Care*

The health care component is one of the most complex, and financially the most important, part of the Basic Needs Budgets. This report includes a revised methodology for calculating the cost to a family of employer-sponsored health care, including out-of-pocket costs. The non-employer-sponsored health care calculations have been eliminated from the study.

The committee deliberated extensively on the issue of whether to include those who do not have employer-assisted health care in this year's report. The discontinuation of this category in the Basic Needs study is in no way meant to discount the experience of those in the individual market (also known as the non-group market). The Council recognized that many of these Vermonters do not have access to employer-assisted health insurance, are not eligible or choose not to participate in Medicaid, and/or cannot afford a more comprehensive insurance product (and may be enrolled in high deductible plans). Mindful of this and the belief that health care is truly a basic need for all, the Council decided to put more focus on those with employer-assisted health care for this report and discontinue the "no employer-assisted health care" category. A number of factors in this decision are outlined below.

*Those without employer-sponsored health care who purchase private insurance in the individual market represent less than 3% of the private insurance market.* The vast majority (91%) of privately insured Vermont residents receives health insurance through employers.<sup>1</sup> Private-sector employees, who are not self-employed, make up roughly 82% of Vermont's workforce.<sup>2</sup> Approximately, 72% of private sector employees are offered insurance through their employer, and 50% are enrolled.<sup>3</sup> Of the approximate 360,000 Vermonters insured in the private market, less than 3% do not have employer-sponsored insurance and are insured in the individual market which has been steadily decreasing since 2001.<sup>4</sup> In 2001, there were 17,138 people in the individual market. By 2006, there were 8,304 people in the individual market and, given the trend, it was likely less throughout 2008.<sup>5</sup>

*There is no precise body of data concerning the individual market in Vermont that could be used to effectively and accurately capture the level of coverage, utilization, and spending of this*

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<sup>1</sup> 2005 Household Health Insurance Survey, Vermont Department of Banking, Insurance, Securities, and Health Care Administration, August 2006.

<sup>2</sup> Vermont Department of Labor, Labor Market Information.

<sup>3</sup> Vermont Department of Labor, Fringe Benefits in Vermont, 2005.

<sup>4</sup> Vermont Department of Banking, Insurance, Securities, and Health Care Administration, Health Insurance Coverage Profile of Vermont Residents, 2001 – 2006.

<sup>5</sup> Data concerning individual market population not available for 2008 at this time. These numbers do not include Catamount Health.

*group.* While there is relatively good data concerning those with employer-assisted insurance, data on those who are insured without employer-assistance (generally in the non-group market) are sparse, making it hard to produce an accurate and reliable estimate for purposes of this study. There are no national or statewide data sets summarizing a generalized experience. For instance, it is not known what number of people pay what premium amounts; have what deductible and/or out-of-pocket costs, etc. Previous analysts also toiled in determining a reliable methodology for this group. Given the broad range of plans, deductibles, and utilization experience, it is difficult to identify a common insurance coverage experience or even an appropriate proxy for this group.

The Council also considered and later rejected including a separate calculation for persons covered under the state's Catamount Health plan. Catamount Health is often cited as an example of a comprehensive individual market product, and there is significant interest in Catamount in general. For a number of reasons, this was not added to the study.

#### *Dental Care*

There are two important changes to this year's dental methodology. First, cost-sharing between employers and employees for dental coverage was included. Past studies assumed that all dental insurance costs were covered by employees on their own. However, more than one-half of Vermont employers offer dental insurance and of those, more than 75% pay some, or all, of the dental premium.<sup>6</sup> Second, median out-of-pocket (OOP) costs were added to the calculation. No OOP costs were included in previous studies.

#### *Telecommunications Expenses*

The former "personal expenses" and the "telephone expenses" categories were combined into one "telecommunications expenses" category. The Council debated the importance of telephone access, cellular telephone service, internet access, and cable television. For different households in different situations, various services could be considered a basic need. Therefore, this new category is intended to provide some limited combination of these services as part of the various household budgets.

#### *Food, Housing, Transportation, and Clothing/Household Expenses*

Each of these components has minor changes to the original methodology:

- The northeast adjustment from the Consumer Expenditure Survey will be a 10-year average instead of the one-year differential.
- The data from the Consumer Expenditure Survey used to estimate clothing and household expenses will be the average for families with less than \$70,000 of income, rather than matching the expenses with the various income levels.
- For the Housing component, the percentage of gross rent used to estimate utilities will be changed from 13% to 15% in calculating the renter rebate.
- The IRS mileage rate used to calculate transportation expenses will be adjusted to reflect the lower cost-per-mile of driving longer distances.

#### *Tax Calculations*

There were no changes to the calculation of federal and state income tax liability or the employee share of FICA/Medicare taxes. In tax year 2008, however, a large number of U.S. taxpayers received "Economic Stimulus Payments" and most likely, all of the hypothetical families in the Basic Needs Budgets would have qualified for these rebates. If these payments, between \$600 for the single taxpayers and up to \$1,800 for the four-person families, were

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<sup>6</sup> Vermont Department of Labor. Fringe Benefits in Vermont, 2005.

included as a rebate in the tax portions of the budgets, the hourly livable wages would be reduced by between 39 cents and 59 cents per hour. For several reasons, the Basic Needs Budget Technical Advisory Council decided not to include these payments in the Basic Needs Budget study. The Council decided that these payments were an unanticipated tax benefit, and there is no way of knowing if there will be any stimulus payments in the future. In addition, the 2008 Livable Wage estimates would be artificially low in 2008 and then would likely, without additional stimulus payments, increase substantially in two years.

There were no changes recommended to the method of calculating the costs of child care, rental insurance, life insurance, and the savings categories of the Basic Needs Budgets.

#### *Areas for Future Review*

There were several components of the Basic Needs Budgets that were not changed for the 2008 report, but that the Council noted could be reviewed in the future. These included:

**Housing:** The Council would have liked to further explore homeownership for some of the families. A review of homeownership data by family income in Vermont would help to determine which families would more likely be homeowners. A direct comparison between identical families under a homeownership scenario (reconfiguring the budget components and taxes) and a renter situation would show whether the rents included are an accurate proxy of the costs associated with homeownership. If homeownership calculations show a substantial difference in living costs, then Basic Needs Budgets for families in these two different situations might be desirable.

**Transportation:** Minimal changes were made to the transportation expenses category this year in anticipation of new, Vermont-specific data in 2008. Vermont is participating in the 2008 National Household Transportation Survey Add-on Program and for the first time will have data from Vermont transportation surveys. When these data are available, the transportation methodology should be comprehensively reviewed.



**Part III - 2008 Vermont Basic Needs Budget  
and 2008 Vermont Livable Wage**

**2008 Livable Wage = \$13.07 per hour<sup>[1]</sup>**

**2008 Livable Wage Rates**

| <b>Family Type</b>                                 | <b>Urban</b> | <b>Rural</b> |
|--|--------------|--------------|
| Single Person                                      | \$17.08      | \$16.41      |
| Single Parent with One Child                       | \$25.04      | \$23.04      |
| Single Parent with Two Children                    | \$31.37      | \$28.58      |
| Two Adults with No Children                        | \$13.10      | \$13.04      |
| Two Adults with Two Children<br>(One Wage Earner)  | \$31.23      | \$30.11      |
| Two Adults with Two Children<br>(Two Wage Earners) | \$20.07      | \$18.75      |

[1] This is the average of the urban and rural rate for Two Adults with No Children.



Two Adults with No Children  
(Two Wage Earners)

| Category                       | Urban                                  | Rural           |
|--------------------------------|--|-----------------|
|                                | <i>cost estimates are per month</i>    |                 |
| Food                           | 587                                    | 587             |
| Housing                        | 883                                    | 674             |
| Transportation                 | 1354                                   | 1545            |
| Health Care                    | 239                                    | 239             |
| Dental Care                    | 32                                     | 32              |
| Child Care                     | 0                                      | 0               |
| Clothing & Household Expenses  | 207                                    | 207             |
| Telecommunications             | 183                                    | 183             |
| Rental Insurance               | 11                                     | 14              |
| Term Life Insurance            | 21                                     | 21              |
| Savings                        | 176                                    | 175             |
| Total Monthly Expenses         | 3,693                                  | 3,679           |
| Annual Expenses                | 44,322                                 | 44,147          |
| Federal & State Taxes          | 10,173                                 | 10,111          |
| Annual Income                  | 54,495                                 | 54,257          |
| <b>Hourly "Livable" Wage</b>   | <b>\$ 13.10</b>                        | <b>\$ 13.04</b> |
| <i>Average Wage PER Earner</i> | <b>Livable Wage</b>                    | <b>13.07</b>    |
| Tax Calculations               | 2008 Tax Year - Married Filing Jointly |                 |
| Adjusted Gross Income (AGI)    | 54,495                                 | 54,257          |
| Standard Deduction             | (10,900)                               | (10,900)        |
| Personal Exemption(s)          | (7,000)                                | (7,000)         |
| Taxable Income                 | 36,595                                 | 36,357          |
| Federal Tax (before credits)   | 4,687                                  | 4,651           |
| Child Credit                   | -                                      | -               |
| Dependent Care Credit          | -                                      | -               |
| <b>Net Federal Tax</b>         | <b>4,687</b>                           | <b>4,651</b>    |
| State Tax (before credits)     | 1,317                                  | 1,309           |
| Dependent Care Credit          | -                                      | -               |
| Renter Rebate                  | -                                      | -               |
| <b>Net State Tax</b>           | <b>1,317</b>                           | <b>1,309</b>    |
| FICA/Medicare                  | 4,169                                  | 4,151           |
| <b>Total</b>                   | <b>10,173 -</b>                        | <b>10,111</b>   |

## 2008 Vermont Basic Needs Budget

### Single Person

| Category                       | Urban                               | Rural           |
|--------------------------------|-------------------------------------|-----------------|
|                                | <i>cost estimates are per month</i> |                 |
| Food                           | 295                                 | 295             |
| Housing                        | 883                                 | 674             |
| Transportation                 | 640                                 | 763             |
| Health Care                    | 99                                  | 99              |
| Dental Care                    | 8                                   | 8               |
| Child Care                     | 0                                   | 0               |
| Clothing & Household Expenses  | 189                                 | 189             |
| Telecommunications             | 119                                 | 119             |
| Rental Insurance               | 11                                  | 14              |
| Term Life Insurance            | 0                                   | 0               |
| Savings                        | 112                                 | 108             |
| <b>Total Monthly Expenses</b>  | 2,356                               | 2,270           |
| <br>                           |                                     |                 |
| Annual Expenses                | 28,271                              | 27,238          |
| Federal & State Taxes          | 7,261                               | 6,893           |
| Annual Income                  | 35,532                              | 34,131          |
| <br>                           |                                     |                 |
| <b>Hourly "Livable" Wage</b>   | <b>\$ 17.08</b>                     | <b>\$ 16.41</b> |
| <i>Average Wage PER Earner</i> |                                     |                 |
| <br>                           |                                     |                 |
| Tax Calculations               | 2008 Tax Year - Single Filer        |                 |
| Adjusted Gross Income (AGI)    | 35,532                              | 34,131          |
| Standard Deduction             | (5,450)                             | (5,450)         |
| Personal Exemption(s)          | (3,500)                             | (3,500)         |
| Taxable Income                 | 26,582                              | 25,181          |
| Federal Tax (before credits)   | 3,586                               | 3,376           |
| Child Credit                   | -                                   | -               |
| Dependent Care Credit          | -                                   | -               |
| <b>Net Federal Tax</b>         | <b>3,586</b>                        | <b>3,376</b>    |
| State Tax (before credits)     | 957                                 | 907             |
| Dependent Care Credit          | -                                   | -               |
| Renter Rebate                  | -                                   | -               |
| <b>Net State Tax</b>           | <b>957</b>                          | <b>907</b>      |
| FICA/Medicare                  | 2,718                               | 2,611           |
| <b>Total</b>                   | <b>7,261 -</b>                      | <b>6,893</b>    |

## 2008 Vermont Basic Needs Budget

Single Parent with One Child

|                                | Urban                                    | Rural           |
|--------------------------------|--|-----------------|
| <b>Category</b>                | <i>cost estimates are per month</i>      |                 |
| Food                           | 449                                      | 449             |
| Housing                        | 1108                                     | 811             |
| Transportation                 | 549                                      | 709             |
| Health Care                    | 221                                      | 221             |
| Dental Care                    | 31                                       | 31              |
| Child Care                     | 689                                      | 580             |
| Clothing & Household Expenses  | 194                                      | 194             |
| Telecommunications             | 183                                      | 183             |
| Rental Insurance               | 11                                       | 14              |
| Term Life Insurance            | 20                                       | 20              |
| Savings                        | 173                                      | 161             |
| <b>Total Monthly Expenses</b>  | <b>3,626</b>                             | <b>3,371</b>    |
| <br>                           |  |                 |
| Annual Expenses                | 43,511                                   | 40,453          |
| Federal & State Taxes          | 8,563                                    | 7,474           |
| Annual Income                  | 52,074                                   | 47,928          |
| <br>                           |  |                 |
| <b>Hourly "Livable" Wage</b>   | <b>\$ 25.04</b>                          | <b>\$ 23.04</b> |
| <i>Average Wage PER Earner</i> |  |                 |
| <br>                           |  |                 |
| <b>Tax Calculations</b>        | <b>2008 Tax Year - Head of Household</b> |                 |
| Adjusted Gross Income (AGI)    | 52,074                                   | 47,928          |
| Standard Deduction             | (8,000)                                  | (8,000)         |
| Personal Exemption(s)          | (7,000)                                  | (7,000)         |
| Taxable Income                 | 37,074                                   | 32,928          |
| Federal Tax (before credits)   | 4,989                                    | 4,367           |
| Child Credit                   | (1,000)                                  | (1,000)         |
| Dependent Care Credit          | (600)                                    | (600)           |
| <b>Net Federal Tax</b>         | <b>3,389</b>                             | <b>2,767</b>    |
| State Tax (before credits)     | 1,335                                    | 1,185           |
| Dependent Care Credit          | (144)                                    | (144)           |
| Renter Rebate                  | -  | -               |
| <b>Net State Tax</b>           | <b>1,191</b>                             | <b>1,041</b>    |
| FICA/Medicare                  | 3,984                                    | 3,666           |
| <b>Total</b>                   | <b>8,563 -</b>                           | <b>7,474</b>    |

## 2008 Vermont Basic Needs Budget

Single Parent with Two Children

|                                | Urban                                    | Rural           |
|--------------------------------|--|-----------------|
| <b>Category</b>                | <i>cost estimates are per month</i>      |                 |
| Food                           | 658                                      | 658             |
| Housing                        | 1108                                     | 811             |
| Transportation                 | 549                                      | 709             |
| Health Care                    | 313                                      | 313             |
| Dental Care                    | 80                                       | 80              |
| Child Care                     | 1,127                                    | 953             |
| Clothing & Household Expenses  | 200                                      | 200             |
| Telecommunications             | 255                                      | 255             |
| Rental Insurance               | 11                                       | 14              |
| Term Life Insurance            | 23                                       | 23              |
| Savings                        | 216                                      | 201             |
| <b>Total Monthly Expenses</b>  | <b>4,538</b>                             | <b>4,216</b>    |
| <br>                           |  |                 |
| Annual Expenses                | 54,461                                   | 50,597          |
| Federal & State Taxes          | 10,794                                   | 8,846           |
| Annual Income                  | 65,255                                   | 59,443          |
| <br>                           |  |                 |
| <b>Hourly "Livable" Wage</b>   | <b>\$ 31.37</b>                          | <b>\$ 28.58</b> |
| <i>Average Wage PER Earner</i> |  |                 |
| <br>                           |  |                 |
| <b>Tax Calculations</b>        | <b>2008 Tax Year - Head of Household</b> |                 |
| Adjusted Gross Income (AGI)    | 65,255                                   | 59,443          |
| Standard Deduction             | (8,000)                                  | (8,000)         |
| Personal Exemption(s)          | (10,500)                                 | (10,500)        |
| Taxable Income                 | 46,755                                   | 40,943          |
| Federal Tax (before credits)   | 6,751                                    | 5,569           |
| Child Credit                   | (2,000)                                  | (2,000)         |
| Dependent Care Credit          | (600)                                    | (600)           |
| <b>Net Federal Tax</b>         | <b>4,151</b>                             | <b>2,969</b>    |
| State Tax (before credits)     | 1,795                                    | 1,474           |
| Dependent Care Credit          | (144)                                    | (144)           |
| Renter Rebate                  | -  | -               |
| <b>Net State Tax</b>           | <b>1,651</b>                             | <b>1,330</b>    |
| FICA/Medicare                  | 4,992                                    | 4,547           |
| <b>Total</b>                   | <b>10,794 -</b>                          | <b>8,846</b>    |

## 2008 Vermont Basic Needs Budget

Two Adults with Two Children  
(One Wager Earner)

| Category                       | Urban                                  | Rural           |
|--------------------------------|--|-----------------|
|                                | <i>cost estimates are per month</i>    |                 |
| Food                           | 914                                    | 914             |
| Housing                        | 1108                                   | 811             |
| Transportation                 | 1367                                   | 1524            |
| Health Care                    | 342                                    | 342             |
| Dental Care                    | 83                                     | 83              |
| Child Care                     | 0                                      | 0               |
| Clothing & Household Expenses  | 218                                    | 218             |
| Telecommunications             | 326                                    | 326             |
| Rental Insurance               | 11                                     | 14              |
| Term Life Insurance            | 24                                     | 24              |
| Savings                        | 220                                    | 213             |
| <b>Total Monthly Expenses</b>  | <b>4,612</b>                           | <b>4,469</b>    |
| <br>                           |  |                 |
| Annual Expenses                | 55,345                                 | 53,627          |
| Federal & State Taxes          | 9,619                                  | 9,008           |
| Annual Income                  | 64,965                                 | 62,635          |
| <br>                           |  |                 |
| <b>Hourly "Livable" Wage</b>   | <b>\$ 31.23</b>                        | <b>\$ 30.11</b> |
| <i>Average Wage PER Earner</i> |  |                 |
| <br>                           |  |                 |
| Tax Calculations               | 2008 Tax Year - Married Filing Jointly |                 |
| Adjusted Gross Income (AGI)    | 64,965                                 | 62,635          |
| Standard Deduction             | (10,900)                               | (10,900)        |
| Personal Exemption(s)          | (14,000)                               | (14,000)        |
| Taxable Income                 | 40,065                                 | 37,735          |
| Federal Tax (before credits)   | 5,207                                  | 4,858           |
| Child Credit                   | (2,000)                                | (2,000)         |
| Dependent Care Credit          | -                                      | -               |
| <b>Net Federal Tax</b>         | <b>3,207</b>                           | <b>2,858</b>    |
| State Tax (before credits)     | 1,442                                  | 1,358           |
| Dependent Care Credit          | -                                      | -               |
| Renter Rebate                  | -                                      | -               |
| <b>Net State Tax</b>           | <b>1,442</b>                           | <b>1,358</b>    |
| FICA/Medicare                  | 4,970                                  | 4,792           |
| <b>Total</b>                   | <b>9,619 -</b>                         | <b>9,008</b>    |

## 2008 Vermont Basic Needs Budget

Two Adults with Two Children  
(Two Wager Earners)

| Category                       | Urban                                  | Rural           |
|--------------------------------|--|-----------------|
|                                | <i>cost estimates are per month</i>    |                 |
| Food                           | 914                                    | 914             |
| Housing                        | 1108                                   | 811             |
| Transportation                 | 1367                                   | 1524            |
| Health Care                    | 342                                    | 342             |
| Dental Care                    | 83                                     | 83              |
| Child Care                     | 1,127                                  | 953             |
| Clothing & Household Expenses  | 218                                    | 218             |
| Telecommunications             | 326                                    | 326             |
| Rental Insurance               | 11                                     | 14              |
| Term Life Insurance            | 28                                     | 28              |
| Savings                        | 276                                    | 261             |
| <b>Total Monthly Expenses</b>  | <b>5,799</b>                           | <b>5,474</b>    |
| <br>                           |  |                 |
| Annual Expenses                | 69,592                                 | 65,688          |
| Federal & State Taxes          | 13,885                                 | 12,292          |
| Annual Income                  | 83,476                                 | 77,980          |
| <br>                           |  |                 |
| <b>Hourly "Livable" Wage</b>   | <b>\$ 20.07</b>                        | <b>\$ 18.75</b> |
| <i>Average Wage PER Earner</i> |  |                 |
| <br>                           |  |                 |
| Tax Calculations               | 2008 Tax Year - Married Filing Jointly |                 |
| Adjusted Gross Income (AGI)    | 83,476                                 | 77,980          |
| Standard Deduction             | (10,900)                               | (10,900)        |
| Personal Exemption(s)          | (14,000)                               | (14,000)        |
| Taxable Income                 | 58,576                                 | 53,080          |
| Federal Tax (before credits)   | 7,984                                  | 7,160           |
| Child Credit                   | (2,000)                                | (2,000)         |
| Dependent Care Credit          | (600)                                  | (600)           |
| <b>Net Federal Tax</b>         | <b>5,384</b>                           | <b>4,560</b>    |
| State Tax (before credits)     | 2,259                                  | 1,911           |
| Dependent Care Credit          | (144)                                  | (144)           |
| Renter Rebate                  | -                                      | -               |
| <b>Net State Tax</b>           | <b>2,115</b>                           | <b>1,767</b>    |
| FICA/Medicare                  | 6,386                                  | 5,965           |
| <b>Total</b>                   | <b>13,885 -</b>                        | <b>12,292</b>   |

## Part IV – Comparisons with Other Income Measures

The Vermont Basic Needs Budgets is one type of income benchmark. To put the Basic Needs Budgets and the Livable Wage measures in context, it is helpful to compare them with two other well-known income thresholds, the federal poverty guidelines and minimum wage rates.

### *Federal Poverty Guidelines*

The federal poverty guidelines are a version of the federal poverty measure developed in the 1960s. These figures are issued each year in the *Federal Register* by the Department of Health and Human Services (HHS). The guidelines are a simplification of the poverty thresholds used for administrative purposes. Many government programs, both federal and state, determine eligibility using these guidelines. Often programs use a multiple of the federal poverty level to measure need because it is generally recognized that many families with incomes above these guidelines lack sufficient resources to meet basic needs.

### **2008 Health and Human Services (HHS) Federal Poverty Guidelines** (48 Contiguous States and Washington D.C.)

| Yearly Rates with Percentage Multiples |          |        |        |        |        |        |        |         |
|--|----------|--------|--------|--------|--------|--------|--------|---------|
| Size of Family Unit                    | 100%     | 120%   | 150%   | 175%   | 185%   | 200%   | 225%   | 300%    |
| 1                                      | \$10,400 | 12,480 | 15,600 | 18,200 | 19,240 | 20,800 | 23,400 | 31,200  |
| 2                                      | 14,000   | 16,800 | 21,000 | 24,500 | 25,900 | 28,000 | 31,500 | 42,000  |
| 3                                      | 17,600   | 21,120 | 26,400 | 30,800 | 32,560 | 35,200 | 39,600 | 52,800  |
| 4                                      | 21,200   | 25,440 | 31,800 | 37,100 | 39,220 | 42,400 | 47,700 | 63,600  |
| 5                                      | 24,800   | 29,760 | 37,200 | 43,400 | 45,880 | 49,600 | 55,800 | 74,400  |
| 6                                      | 28,400   | 34,080 | 42,600 | 49,700 | 52,540 | 56,800 | 63,900 | 85,200  |
| 7                                      | 32,000   | 38,400 | 48,000 | 56,000 | 59,200 | 64,000 | 72,000 | 96,000  |
| 8                                      | 35,600   | 42,720 | 53,400 | 62,300 | 65,860 | 71,200 | 80,100 | 106,800 |
| For each additional person add:        | 3,600    | 4,320  | 5,400  | 6,300  | 6,660  | 7,200  | 8,100  | 10,800  |

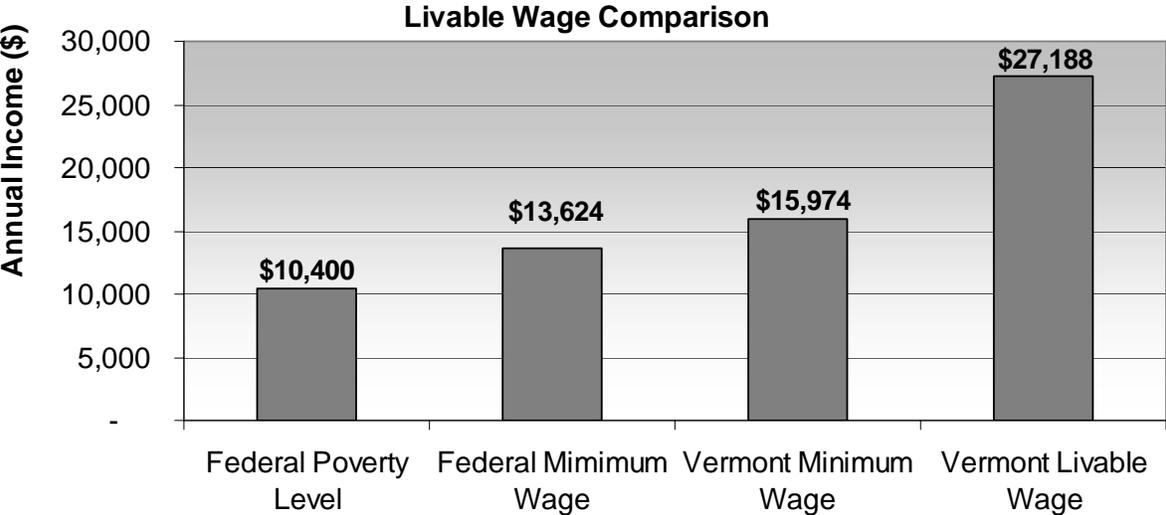
**SOURCE:** *Federal Register*, Vol. 73, No. 15, January 23, 2008, pp. 3971–3972.

### *Minimum Wage*

The minimum wage was established in 1938 as part of the Fair Labor Standards Act. Minimum wage increases are passed at the will of Congress and generally have not kept pace with inflation. The federal minimum wage is currently \$6.55 per hour for all covered non-exempt workers (effective July 24, 2008); and will increase to \$7.25 per hour effective July 24, 2009. States also mandate minimum wage rates, and employees are entitled to the higher of the two minimum wages. The Vermont minimum wage is \$8.06 as of January 1, 2009. The Vermont minimum wage rate is increased by five percent or the percentage increase of the Consumer Price Index, or city average, not seasonally adjusted each year. More data on the minimum wage are in Appendix C.

*Comparisons*

The first comparison is between the Vermont Livable Wage rate and the federal poverty guideline, as well as federal and state minimum wage rates. This shows that the Vermont Livable Wage calculation for 2008 is slightly more than two and one-half times the federal poverty level (FPL) established for a single person. The federal minimum wage is equal to roughly one-half of the Vermont Livable Wage, and the state (Vermont) minimum wage is only 59% of the Livable Wage.



In addition, two family configurations are used for comparison with the federal poverty guidelines, full-time minimum wage earnings and median family incomes: 1) the single parent with one child, and 2) two working parents with two children in rural Vermont.

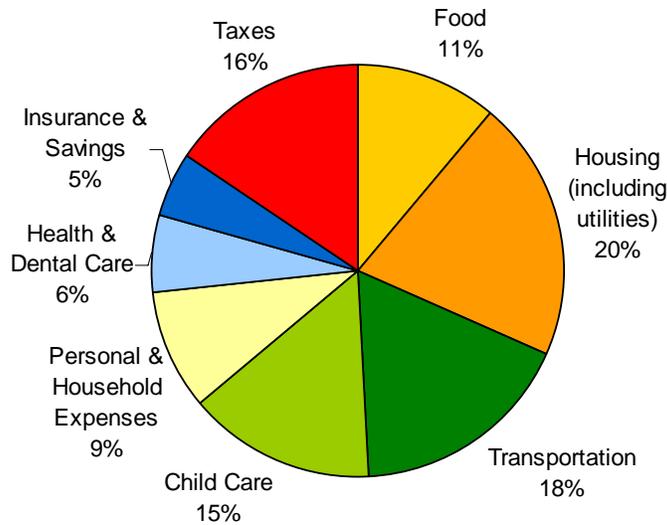
The first table and pie chart for each illustrate the breakdown of the major expense components of the family budget both pre-tax and within the overall budget. For the single-parent family, housing is the largest component of the budget at 20%, followed by child care and transportation. Transportation is the largest component of the two-parent family budget, followed by child care, food, and housing. The health and dental care costs for both families are between 6 and 7%. Federal and state taxes (including FICA and Medicaid) combined for both families are between 13 and 16%.

The Basic Needs Budget for the single-parent family is about \$8,400 or 15% less than the median family income for a two-person family from the most recent Census data. The Budgets are well above both the federal poverty level and the equivalent of working full-time for the Vermont state minimum wage. The Basic Needs Budget for the family with two working adults with two children is actually higher than the median four-person family income in Vermont in 2007. Again, the Budget for this family is well above both the FPL and the minimum wage.

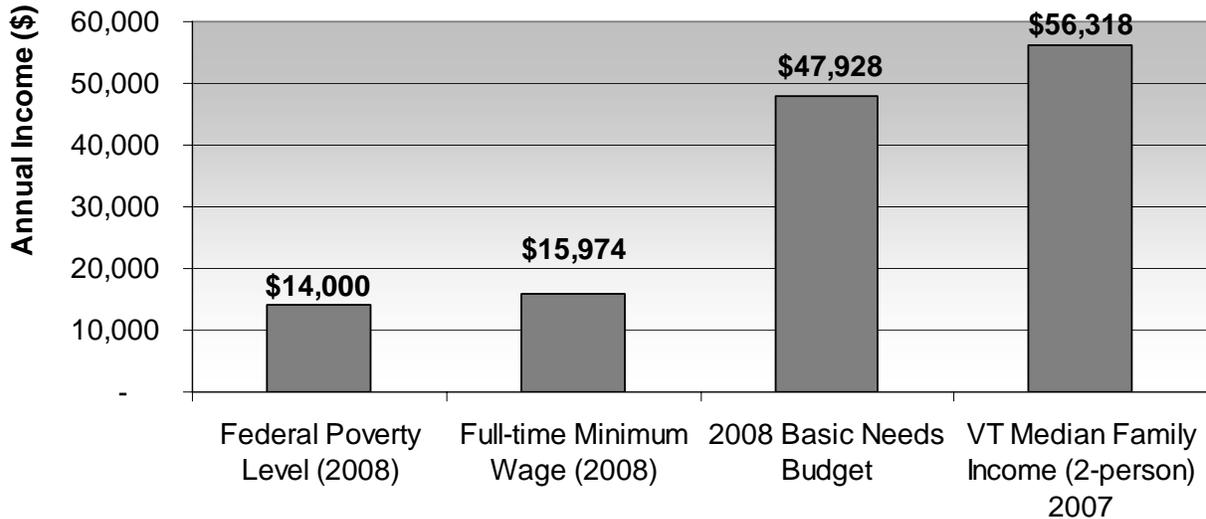
### Single Parent with One Child (Rural)

|                               | Monthly (\$) | Annual (\$)   | % of Budget  |
|-------------------------------|--------------|---------------|--------------|
| Food                          | 449          | 5,386         | 11.2%        |
| Housing (including utilities) | 811          | 9,729         | 20.3%        |
| Transportation                | 709          | 8,508         | 17.8%        |
| Child Care                    | 580          | 6,955         | 14.5%        |
| Personal & Household Expenses | 377          | 4,519         | 9.4%         |
| Health & Dental Care          | 252          | 3,021         | 6.3%         |
| Insurance & Savings           | 195          | 2,336         | 4.9%         |
| <b>Expense Budget</b>         | <b>3,371</b> | <b>40,453</b> | <b>84.4%</b> |
| Taxes                         | 623          | 7,474         | 15.6%        |
| <b>Overall Budget</b>         | <b>3,994</b> | <b>47,928</b> |              |

### Percentage of Income Needed to Meet Basic Needs in Vermont



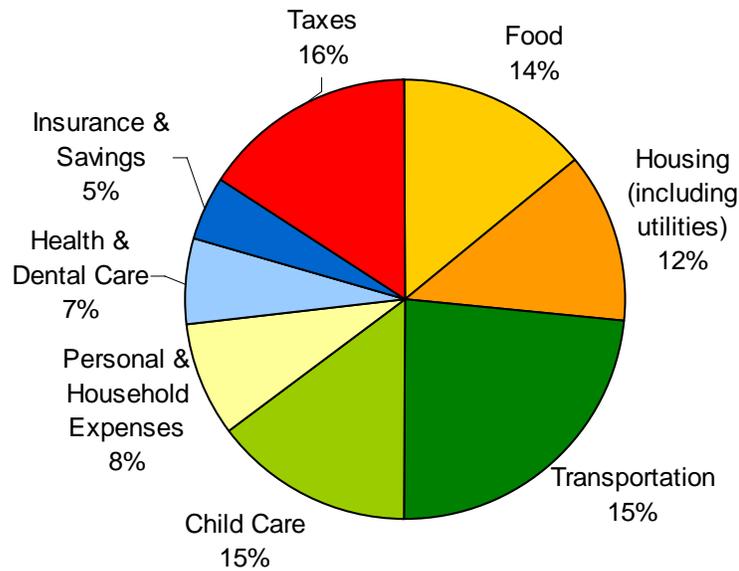
### Vermont Basic Needs Income Compared to Other Benchmarks



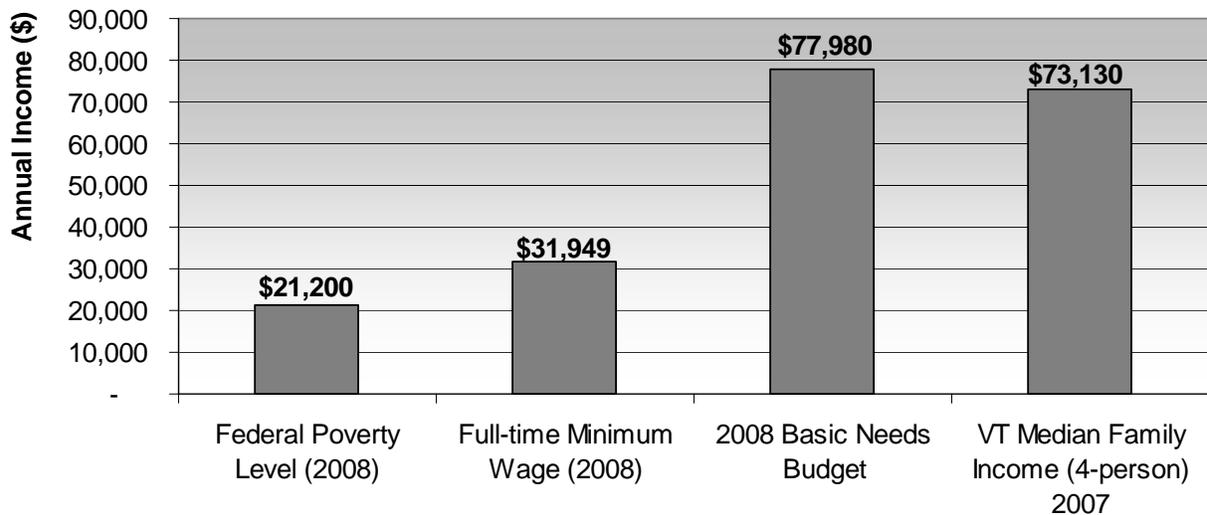
### Two Working Parents with Two Children (Rural)

| Expense                       | Monthly               | Annual       | % of Budget   |              |
|-------------------------------|-----------------------|--------------|---------------|--------------|
| Food                          | 914                   | 10,971       | 14.1%         |              |
| Housing (including utilities) | 811                   | 9,729        | 12.5%         |              |
| Transportation                | 1,524                 | 18,288       | 23.5%         |              |
| Child Care                    | 953                   | 11,440       | 14.7%         |              |
| Personal & Household Expenses | 544                   | 6,532        | 8.4%          |              |
| Health & Dental Care          | 425                   | 5,096        | 6.5%          |              |
| Insurance & Savings           | 303                   | 3,632        | 4.7%          |              |
|                               | <b>Expense Budget</b> | <b>5,474</b> | <b>65,688</b> | <b>84.2%</b> |
| Taxes                         | 1,024                 | 12,292       | 15.8%         |              |
|                               | <b>Overall Budget</b> | <b>6,498</b> | <b>77,980</b> |              |

### Percentage of Income Needed to Meet Basic Needs in Vermont



### Vermont Basic Needs Income Compared to Other Benchmarks



## Part V – Methodology and Sources

### Assumptions

- Single persons and single parents are women between 20-and 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 1 bedroom for singles and married with no children; two bedrooms for all other family configurations
- Single parents receive no child support
- The urban designation is for Chittenden County and rural is the rest of the state

### Food

USDA has four levels of food plans for the cost of food at home: thrifty, low-cost, moderate, and liberal plans. The Vermont Basic Needs Budgets use the moderate cost food plans.

| <b>Select USDA Monthly Food Plans: June 2008</b> |               |
|--|---------------|
| Age/Gender Group                                 | Moderate (\$) |
| Child 3 – 5 years                                | 152.20        |
| Child 6 – 8 years                                | 205.50        |
|  |               |
| Adult Male 20 – 50 years                         | 270.70        |
| Adult Female 20 – 50 years                       | 231.60        |

In addition, a percentage adjustment is applied to the monthly food costs depending on the family size as recommended by USDA below:

| <b>Family Size Adjustments</b> |                                  |
|--------------------------------|----------------------------------|
| <u>Family size</u>             | <u>Percentage adjustment (%)</u> |
| 1-person                       | 20                               |
| 2-person                       | 10                               |
| 3-person                       | 5                                |
| 4-person                       | No adjustment                    |

Lastly, these figures are adjusted for regional variation by the 10-year differential between the amount spent for food in the Northeast compared to the United States as a whole on the Consumer Expenditure Survey. There is no difference between the urban and rural food costs.

### *Data Sources:*

U.S. Department of Agriculture (USDA), Center for Nutrition Policy and Promotion

<http://www.usda.gov/cnpp/>

Bureau of Labor Statistics, Consumer Expenditure Survey <http://www.bls.gov/cex/>

## Housing (Rent and Utilities)

The Housing data are from HUD's Fair Market Rents (FMR) survey. The FY 2009 data were finalized in October 2008. FMRs are established for units of varying size (0 – 4 bedrooms) for every county in Vermont. The FMR for the Burlington Metropolitan Statistical Area (MSA) is used for the urban housing estimate. For the rural estimate, a population-weighted average of the remaining counties is used. Housing estimates are for rental units with 1 bedroom for singles and two bedrooms for all other family configurations.

| <b>FY 2009 HUD Fair Market Rents (Monthly)</b> |                       |                        |
|--|-----------------------|------------------------|
| <b>County</b>                                  | <b>1 Bedroom (\$)</b> | <b>2 Bedrooms (\$)</b> |
| Addison  | 720                   | 866                    |
| Bennington                                     | 719                   | 837                    |
| Caledonia                                      | 563                   | 707                    |
| Chittenden                                     | 629                   | 764                    |
| Essex  | 680                   | 792                    |
| Franklin                                       | 683                   | 795                    |
| Grand Isle                                     | 564                   | 630                    |
| Lamoille                                       | 678                   | 788                    |
| Orange   | 666                   | 834                    |
| Orleans  | 703                   | 924                    |
| Rutland  | 711                   | 837                    |
| Washington                                     | 720                   | 866                    |
| Windham  | 719                   | 837                    |
| Windsor  | 563                   | 707                    |
| Burlington, VT MSA                             | 883                   | 1108                   |

Utilities are included in the HUD data. In order to calculate the Vermont renter rebate, the rent alone must be separate from utility costs. Utilities are estimated to be 15% of the FMRs. (*This was changed for the 2008 study from 13%.*)

### *Data Sources:*

U.S. Department of Housing and Urban Development (HUD), "Fair Market Rents,"

[www.huduser.org/datasets/fmr.html](http://www.huduser.org/datasets/fmr.html)

U.S. Census Bureau, County Level Population Data, [www.census.gov/popest/states/](http://www.census.gov/popest/states/)

## Transportation

The methodology for calculating transportation expenses consists of two parts, an estimate of vehicle miles traveled (VMT) per household, multiplied by a mileage rate which encompasses all the fixed and operational costs of owning a vehicle. The VMT figures are from the dated, 2001 National Household Transportation Survey (NHTS), while the mileage rate is from the most recent IRS reimbursement rates for business travel.

The NHTS figures are seven-years-old, but it is anticipated that new, 2008, Vermont-specific data will be available in the next year. Vermont-specific surveys are being conducted, and the new data will be incorporated in future Basic Needs Reports. The 2008 IRS mileage rates for business travel are 50.5 cents per mile from January through June and 58.5 cents per mile from

July through December. The average of these two, which is used for this study, is 54.5 cents per mile. The IRS mileage rate is then adjusted using AAA mileage rate data to reflect the slightly lower cost-per-mile of driving greater than 15,000 miles, and slightly higher costs of driving fewer miles due to fixed expenses of owning a vehicle. (*This is the only change to the transportation methodology for the 2008 study.*)

Annual vehicle mileage per driver is estimated using a cross-tabulation of survey data. The following data sets were used: Northeast, Urban and Rural, and Household Lifecycle

| 2001 NHTS<br>Average Annual Vehicle Miles of Travel (VMT) Per Driver |                            |        |
|--|----------------------------|--------|
|  | Annual VMT / Driver (Mean) |        |
| Household Life Cycle   | Northeast                  |        |
|  | Urban                      | Rural  |
| HH life cycle one adult, no children                                 | 11,030                     | 17,201 |
| HH life cycle 2+ adults, no children                                 | 12,755                     | 17,555 |
| HH life cycle one adult, youngest child 0-5                          | 8,334                      | 15,309 |
| HH life cycle 2+ adults, youngest child 0-5                          | 13,165                     | 17,152 |
| HH life cycle one adult, youngest child 6-15                         | 10,118                     | 16,264 |
| HH life cycle 2+ adults, youngest child 6-15                         | 12,522                     | 15,234 |
| HH life cycle one adult, youngest child 16-21                        | 10,928                     | 11,164 |
| HH life cycle 2+ adults, youngest child 16-21                        | 13,189                     | 13,224 |
| HH life cycle one adult, retired, no children                        | 6,007                      | 8,419  |
| HH life cycle 2+ adults, retired, no children                        | 8,532                      | 9,853  |

*Data Sources:*

U.S. Department of Transportation, 2001 National Household Transportation Survey, <http://nhts.ornl.gov/>  
 Internal Revenue Service, (IRS) Standard Mileage Rates, [www.irs.gov/taxpros/article/0,,id=156624,00.html](http://www.irs.gov/taxpros/article/0,,id=156624,00.html)

Child Care

The Vermont Agency of Human Services, Department of Children and Families conducts ongoing market surveys. This information shows, by county, average weekly child care rates by age of the child (infant, toddler, preschooler), and type of child care (either in a Registered Home or Licensed Center). The rural estimates are an average of all the counties except Chittenden and the two types of child care. The urban estimate is the average of the two types of care in Chittenden County.

The four-year-old child (single-child configurations) is assumed to require 52 weeks of full-time child care, while the 6-year-old child (two-child configurations) is assumed to require 15 weeks of full-time care and 37 weeks of part-time care. The single-adult household and the two-parent one-wage-earner households are the only family configurations without any child care costs. None of these families qualify for a child care subsidy from the State of Vermont.

*Data Sources:*

Vermont Agency of Human Services, Department for Children and Families, [http://dcf.vermont.gov/child\\_care](http://dcf.vermont.gov/child_care)

## Clothing and Household

These figures are from the 2007 Consumer Expenditure Survey (Table 2301 “Higher Income before taxes”) and are the average for all consumer units with less than \$70,000 of income. This category includes housekeeping supplies, household furnishings and equipment, and apparel and services. Major appliances and misc. household equipment have been subtracted from the totals because these are renter households. There is no urban/rural distinction for these costs. *The use of the new table in 2008, rather than matching expenditures to income, is to reflect expenditures on basic needs rather than all reported expenditures.*

### *Data Sources:*

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, [www.bls.gov/cex/](http://www.bls.gov/cex/)

## Telecommunications Expenses

*This new category for the 2008 study* combines the “personal expenses” category which began at \$2 per person per day in 1999 and has since been indexed by the CPI to \$2.58 in 2008. In addition, the former basic “Telephone” expenses (Verizon Standard Use Measured Service, or SUMS, FCC line charges and taxes) plus \$10 per month per household of long distance expenses also increased by the CPI. This new category is intended to provide telephone, cable, internet, cell phone service, or some limited combination of these services as part of the household budget.

### *Data Sources:*

Verizon and

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, [www.bls.gov/CPI/](http://www.bls.gov/CPI/)

## Rental Insurance

Insurance rates are from Smith, Bell & Thompson in Burlington. Coverage includes \$20,000 replacement value, \$1,000 medical, \$500,000 liability, and a \$250 deductible. The estimates distinguish between urban (Chittenden County – Class 3) and rural (Orleans County – Class 9) coverage costs. Rural premiums are higher than those in urban areas mainly because rural fire protection is predominantly done by volunteers.

## Health Care

Health care costs have two components: insurance premiums and out-of-pocket (OOP) costs which is spending for care not covered by insurance, including deductibles and co-insurance. Previous studies also included a column for those without employer-sponsored health insurance. This year’s study does not include a column for this information.

This report uses Vermont-specific information on employer-sponsored insurance, collected as part of the federal Medical Expenditure Panel Survey (MEPS), which is compiled and maintained by the Agency for Healthcare Research and Quality (AHRQ).<sup>7</sup> Information on

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<sup>7</sup> AHRQ is part of the U.S. Department of Health & Human Services.

employee premium costs was collected in 2006 and trended forward utilizing information from the Kaiser Family Foundation Survey of employer-sponsored insurance, BISHCA expenditure data, and MEPS.

Out-of-pocket costs were also estimated employing MEPS data. The study uses median OOP costs, by age cohorts (under 18 and 18-64) for everyone (not just those who had an expense) with private insurance. This MEPS data only extend through 2005, so a regression analysis was used to trend the data forward through 2008. Also, these data are national data (not Vermont-specific) since MEPS does not have state-specific OOP costs to the level of detailed preferred.

Not only has the methodology used in this year's study for determining health care costs been completely revamped, it has been applied retroactively. While the methodology has been changed several times since the study was first conducted in 1999, it was never reapplied to previous years. As a result, previous longitudinal information was not useful for trending or comparison purposes.

### Dental Care

There are two important changes to this year's dental methodology. First, an attempt was made to address cost-sharing. More than one-half of Vermont employers offer dental insurance, and of those more than 75% pay some or all of the dental premium.<sup>8</sup> Second, median out-of-pocket costs were added.

The study used the Northeast Delta Dental plan as the premise for premiums. NE Delta Dental has a significant market share in Vermont with 63,000 subscribers covering 137,000 enrollees.<sup>9</sup> Using "Option 3" is the equivalent of the former "Preventer 1" plan used in previous years.

Approximately 54% of private-sector employees are offered dental insurance through their employer, and 34% are enrolled. Of these employers, 48% and 36% pay the full premium for single coverage and family coverage, respectively.<sup>10</sup> In the absence of systemwide data concerning the overall average cost-sharing, this study utilized the Vermont Education Health Initiative (VEHI) as a model for determining cost-sharing.<sup>11</sup> Although each school district participating in VEHI varies, the average employer share is approximately 90% for single coverage, 70% for two-person coverage, and 50% for family coverage.

Out-of-pocket costs were added to this year's study. Again, median OOP costs were used and trended forward through 2008 using a regression analysis. As with the health care data, these OOP costs are national data (not Vermont-specific).

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<sup>8</sup> Vermont Department of Labor. Fringe Benefits in Vermont, 2005.

<sup>9</sup> Data provided by NE Delta Dental.

<sup>10</sup> Vermont Department of Labor. Fringe Benefits in Vermont, 2005.

<sup>11</sup> VEHI is a large, nonprofit purchaser of health care for Vermont Public Schools, covering over 19,000 employees and retirees.

## Life Insurance

National Life of Vermont continues to supply annual advice on the average term life insurance policies and premiums. There are no changes in either the recommended amounts of coverage or the cost from the last study. Insurers recommend eight times annual earnings as a proxy for the amount of coverage a family should have. In order to remain conservative, six times annual income was used for these calculations. The average annual income across a family profile, for example, a single parent with one child in both urban and rural areas is used to estimate the coverage amount. For premium pricing, the “rule of thumb” is \$0.59 per \$1,000 of coverage plus an annual \$75 policy fee. This report assumes that single persons do not have life insurance coverage.

## Savings

All family configurations savings amounts are 5% of before-tax income. Savings could encompass any sort of family savings priorities, including retirement, college, and emergency accounts.

## Federal and State Income Taxes and FICA/Medicare

The tax estimates included as part of the Basic Needs Budgets are for tax year 2008. The federal stimulus checks issued in tax year 2008 were not included in the tax calculations. The federal tax liability is calculated using standard deduction and exemption amounts for the various filing statuses (single, married filing joint, and head of household for single parent families). The federal tax liability is net of any earned income tax credit (EITC), child tax credit, and dependent tax care credits. These calculations do not assume other forms of tax savings such as medical or dependent care savings accounts. The state tax liability is also net of the state earned income credit which is 32% of the federal amount, and the dependent care tax credit at 24% of the federal amount, and finally the Vermont renter rebate program. None of the families in the 2008 study qualify for either the federal or state earned income tax credit because the budgets are well above the federal income phase-out thresholds.

The FICA and Medicare calculations are the amounts that would be withheld for Social Security and Medicare from an individual’s paycheck. In 2008, the FICA rate is 6.2% on the first \$102,000 of wage and salary income, while Medicare is 1.45% of all income. This is for the employee share only and does not include the employer’s matching amount.

# Appendices



## Appendix A – Statutory History

### 2008 Act No. 202

### An Act Relating To Computation Of The Basic Needs Budget And The Livable Wage (H.776)

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 2 V.S.A. § 505 is amended to read;

§ 505. LIVABLE WAGE ANALYSIS; BASIC NEEDS BUDGET CALCULATION AND LIVABLE WAGE; REPORT

(a) ~~Every other year beginning January 1, 2007, the joint fiscal office shall issue a report on or before January 15. The report shall be updated as needed on or before January 1 of the interim year to reflect any significant economic, policy, or statutory changes that substantially affect the information in the report issued the previous January 15. The report shall include a computation of baseline data of the cost of living in Vermont and the current wage levels within various sectors of the economy using the methodology used by the livable income study committee in its report issued on November 9, 1999. The report shall include; For the purposes of this section:~~

~~(1) A set of “basic needs budgets” for various household configurations for the previous year. The “basic needs budgets” are calculations of the amount of money needed by various households to maintain a decent standard of living in Vermont, using current state and federal data sources for determining such basic monthly expenses as food, housing, transportation, child care, utilities, tax burden assessment, personal expenses, and health care.~~

~~“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.~~

~~(2) Any changes in the federal minimum wage and in the minimum wage rates of surrounding and comparable states “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.~~

~~(3) “Livable wage” means the hourly wage required for a full-time worker to pay for one-half of the basic needs budget for a two-person household with no children and employer-assisted health insurance averaged for both urban and rural areas.~~

~~(b) Recommendations for changes or revisions in the methodology used to determine the basic needs budget calculations as needed shall be approved by the joint fiscal committee. On or before January 15 of each new legislative biennium, beginning in 2009, the joint fiscal office shall report the calculated basic needs budgets of various representative household configurations and the calculated livable wage 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.~~

~~(c) The report and any revisions shall be presented to the house committee on general, housing and military affairs and the senate committee on economic development, housing and general affairs. The methodology for calculating basic needs budgets shall be built on methodology described in the November 9, 1999 livable income study committee report, modified as appropriate by any statutory changes made by the general assembly and subsequent modifications adopted by the joint fiscal committee under subsection (d) of this section.~~

~~(d) The joint fiscal committee may adopt modifications to the methodology used to determine the basic needs budget calculations under subsection (c) of this section to account for public~~

policy changes, data availability, or any other factors that have had an impact on any aspects of the methodology. Changes or revisions in methodology adopted by the committee shall be effective no later than November in the year preceding the release of the report.

Sec. 2. BASIC NEEDS BUDGET TECHNICAL ADVISORY COUNCIL;  
ESTABLISHED; DUTIES

(a) A basic needs budget technical advisory council is established to work with the joint fiscal office and a panel of experts. The council shall:

(1) Review the current methodology for calculating the basic needs budget and determining livable wage.

(2) Take testimony from a variety of stakeholders, including employers and employees, in order to acquire broad public comment.

(3) Make written recommendations for revisions to the methodology to the joint fiscal committee by November 15, 2008.

(b) The basic needs budget technical advisory council shall consist of eight members, who shall serve from July 1, 2008, until January 15, 2009, when the basic needs budget and livable wage report is issued. Members of the council shall include:

(1) One member appointed by the speaker of the house who shall be co-chair and of a different political party from the legislative member appointed under subdivision (2) of this subsection.

(2) One member appointed by the senate president pro tempore who shall be co-chair and of a different political party from the legislative member appointed under subdivision (1) of this subsection.

(3) One member jointly appointed by the speaker of the house and the president pro tempore of the senate who may be from either chamber of the legislature.

(4) Five additional members with expertise and experience with the data and methodology used to calculate the basic needs budgets and who shall include a representative of each of the following selected by the organization:

(A) The Vermont sustainable jobs fund.

(B) The Vermont small business development center.

(C) The agency of human services, division of operations and planning.

(D) The department of labor, economic and labor market information division.

(E) The Vermont society for human resources management.

(c) The chairs of the house committee on general, housing and military affairs and the senate committee on economic development, housing and general affairs, or their designees shall be co-chairs of the council. The joint fiscal office shall provide administrative support and shall engage a panel of independent experts to assist with data analysis and methodological considerations. For service on the council, members of the council who are members of the general assembly shall be entitled to per diem compensation and reimbursement for expenses as provided in 2 V.S.A. § 406; and other members of the council who are not also state employees shall be entitled to per diem compensation and reimbursement for expenses as provided to members of state boards by 32 V.S.A. § 1010.

Approved: June 10, 2008

**2005 Act No. 71 Sec. 48a. REPEAL**

(a) Sec. 4 of No. 119 of the Acts of 2000 is repealed. No further report on the basic needs budget calculation pursuant to this section shall be required. However, the report shall be updated as needed on or before January 1 of the interim year, 2006, to reflect any significant economic, policy, or statutory changes that substantially affect the information in the report issued the previous January 15.

**2005 Act No. 59**

**An Act Relating to Basic Needs Budget Calculations to Determine Livable Wages (H.403)**

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 2 V.S.A. § 505 is added to read:

§ 505. LIVABLE WAGE ANALYSIS; BASIC NEEDS BUDGET CALCULATION; REPORT

(a) Every other year beginning January 1, 2007, the joint fiscal office shall issue a report on or before January 15. The report shall be updated as needed on or before January 1 of the interim year to reflect any significant economic, policy, or statutory changes that substantially affect the information in the report issued the previous January 15. The report shall include a computation of baseline data of the cost of living in Vermont and the current wage levels within various sectors of the economy using the methodology used by the livable income study committee in its report issued on November 9, 1999. The report shall include:

(1) A set of “basic needs budgets” for various household configurations for the previous year. The “basic needs budgets” are calculations of the amount of money needed by various households to maintain a decent standard of living in Vermont, using current state and federal data sources for determining such basic monthly expenses as food, housing, transportation, child care, utilities, tax burden assessment, personal expenses, and health care.

(2) Any changes in the federal minimum wage and in the minimum wage rates of surrounding and comparable states.

(b) Recommendations for changes or revisions in the methodology used to determine the basic needs budget calculations as needed shall be approved by the joint fiscal committee.

(c) The report and any revisions shall be presented to the house committee on general, housing and military affairs and the senate committee on economic development, housing and general affairs.

Approved: June 14, 2005

**2003 Act No. 66 Sec. 4.**

**BASIC NEEDS BUDGET CALCULATIONS; JOINT FISCAL OFFICE**

The joint fiscal office shall issue a report on or before January 15 of each year until January 15, ~~2004~~ 2006 that includes a computation of base line data of the cost of living in Vermont and the current wage levels within various sectors of the economy, using the methodology of the report prepared for the livable income study committee issued on November 9, 1999. The report shall include:

(1) A set of “basic needs budgets” for various household configurations for the previous year. The “basic needs budgets” are calculations of the amount of money needed by various household configurations to maintain a decent standard of living in Vermont, using current

state and federal data sources for determining such basic monthly expenses as food, housing, transportation, child care, utilities, personal expenses and health care.

(2) A review of current state wage distributions.

(3) Changes in the federal minimum wage and in the minimum wage rates of surrounding and comparable states.

**2000 Act. No. 119 Sec. 4.**

**Basic Needs Budget Calculations; Joint Fiscal Office**

The joint fiscal office shall issue a report on or before January 15 of each year until January 15, 2004 that includes a computation of base line data of the cost of living in Vermont and the current wage levels within various sectors of the economy, using the methodology of the report prepared for the livable income study committee issued on November 9, 1999. The report shall include:

(1) A set of "basic needs budgets" for various household configurations for the previous year.

The "basic needs budgets" are calculations of the amount of money needed by various household configurations to maintain a decent standard of living in Vermont, using current state and federal data sources for determining such basic monthly expenses as food, housing, transportation, child care, utilities, personal expenses and health care.

(2) A review of current state wage distributions.

(3) Changes in the federal minimum wage and in the minimum wage rates of surrounding and comparable states.

**1999 Act No. 21 Sec. 2.**

**Livable Wage Rate Study Committee; Report**

(a) A committee is created to study the issues related to minimum wage and providing livable compensation to Vermont wage earners and to submit a report to the General Assembly on or before December 17, 1999, outlining findings, conclusions and recommendations. The committee shall consist of 10 members: three members from the House Committee on General, Housing and Military Affairs, one member each from the House Committee on Commerce and the House Committee on Health and Welfare appointed by the speaker; and three members from the Senate Committee on General Affairs and Housing and one member each from the Senate Committee on Finance and the Senate Committee on Health and Welfare appointed by the committee on committees. The members of the committee shall be entitled to compensation and reimbursement of expenses as provided in 2 V.S.A. § 406 for six meetings to be held during adjournment of the General Assembly, with the intention that at least one organization and planning meeting will be held before adjournment of the 1999 session. The committee shall have the assistance of the staff of the joint fiscal office, the legislative council and the departments of taxes, labor and industry, employment and training and social welfare. The committee shall also enlist the participation of Vermont business and labor organizations and other entities in gathering data and providing input. The committee may contract for additional professional research to provide data and analysis.

(b) The committee shall:

(1) Determine the amount of a minimum livable wage rate with recommendations for achieving it in a reasonable time, a system for maintaining a livable minimum wage in light of inflation and any other economic factors that may affect buying power.

(2) Consider the impact of a livable wage on public assistance payments and other employee benefits, including the cost to the state and employers of providing those benefits.

(3) Consider how wage increases may affect the economy and propose innovative methods to assure the economic viability of businesses if the minimum wage is increased.

(4) Consider the effects of the increasing use of temporary and part-time employees not receiving benefits.

- (5) Consider the effect of multi-state employers on the ability of Vermont businesses to pay a living wage and be competitive.
- (c) The committee shall issue a report that includes, at a minimum, all the following:
- (1) A profile, including age, gender, educational and training level and location of the full and part-time workers at various wage rate levels, beginning at minimum wage with 50-cent increments to a livable wage.
  - (2) A profile of the numbers, types and percentage of jobs that pay less than a livable wage. The profile shall include the types of businesses or occupations, the economic sector of these jobs, the turnover rate and the level of education and training required for each job.
  - (3) An analysis of how increased earnings might affect taxes and public assistance, including food stamps, LIHEAP, Dr. Dynasaur, TANF, Medicaid and any other relevant income-sensitive public assistance benefits.
  - (4) An analysis, using historic data available in Vermont and other states and countries, of the impact of minimum wage increases on the number of jobs, the buying power of workers, wage compression, costs of goods and services, business closures and growth, economic development and any other factors deemed relevant.
  - (5) A methodology to track, to the extent possible, the factors listed in subdivision (4) of this subsection to provide data for future policy making.
  - (6) Proposals for effective and realistic preferential policies, including procedures and criteria, for awarding state service contracts and state construction contracts to Vermont-based employers who pay all employees at livable wage rates.
  - (7) An analysis of the correlation between workforce training efforts and increased wages, including the impact on workers who participate in those training programs. This analysis shall integrate available data from the human resources investment council and other related data.
  - (8) Proposals for tax credit plans and other similar programs that would assist Vermont businesses to compete with multi-state companies as wages increase.
  - (9) A comparison of the cash value of employment to basic needs as identified in studies such as the Vermont Job Gap Study and an assessment of the availability, type and amount of public assistance that has been provided to low-wage workers during the past ten years and projected public assistance expenditures during the next five years.
  - (10) An analysis of the advisability of implementing a probationary, training or apprentice wage that is lower than the minimum wage and, if advisable, the rate and criteria of such a wage.



## **Appendix B – 2008 Technical Advisory Council**

### **Basic Needs Budget Technical Advisory Council 2008 Interim**

#### **Members**

Representative Helen Head, Co-chair, appointed by the Speaker of the House  
Senator Vince Illuzzi, Co-chair, appointed by the President Pro Tempore of the Senate  
Senator Bill Carris, appointed by the Speaker and the Pro Tempore  
Katherine Cheney, Vermont Chapter of the Society for Human Resource Management  
Andrew Condon, Director, Research and Analysis, Economic and Labor Market Information,  
Department of Labor  
Ellen Kahler, Director, Vermont Sustainable Jobs Fund  
David Murphey, Senior Policy Analyst, Planning Division, Agency of Human Services;  
Steve Paddock, Director, Agriculture Program, Vermont Small Business Development Center

#### **Meetings**

The Council met July 21, September 18, October 2, and October 21 at the Vermont State House, and then presented its recommendations to the November 18 Joint Fiscal Committee meeting.

#### **Witnesses**

##### **Agency of Human Services**

Carole Pomeroy, Department for Children and Families

##### **Department of Public Service**

Tamera Pariseau, Coordinator, Consumer Affairs and Information Specialist

##### **Economic Policy Institute**

James Lin, Research Assistant, Living Standards Program - via telephone

##### **Green Mountain Coffee Roasters**

Kathy Brooks, Vice President, Human Resources

##### **Health Care Ombudsman's Office**

Lila Richardson, Attorney

##### **Independent Policy Analyst**

Doug Hoffer, Job Gap Study Author (1st Job Gap Study Phase 1, Jan. 1997);  
1999 Joint Legislative Study Committee on a Livable Income, Consulting Team Member

##### **Marketing Partners**

Pat Heffernan, Owner

##### **Peace and Justice Center**

Colin Robinson, Director, Livable Wage Campaign

## Appendix B – 2008 Technical Advisory Council

### Witnesses (continued)

#### **Public Assets Institute**

Paul A. Cillo, President

#### **Recycle North**

Bethany Johnson, Human Resources and Training Manager

#### **United Way of Chittenden County**

Beth Kuhn, Project Director

#### **Vermont Affordable Housing Coalition**

Erhard Mahnke

#### **Vermont Campaign to End Childhood Hunger**

Dorigen Keeney, M.S.; Director, Public Policy and Research

#### **Vermont Chamber of Commerce, Letter**

Duane Marsh, President and Michael Belyea, Legislative Director

#### **Vermont Housing Finance Agency**

John Fairbanks

#### **Voices for Vermont's Children**

Barbara Postman

#### **Wider Opportunities for Women**

Joan Kuriansky, Esq., Director - via telephone

Susan Rees, Director, National Programs and Policy - via telephone

Shawn McMahon, Research Associate - via telephone

#### **Joint Fiscal Office**

Steve Klein, Chief

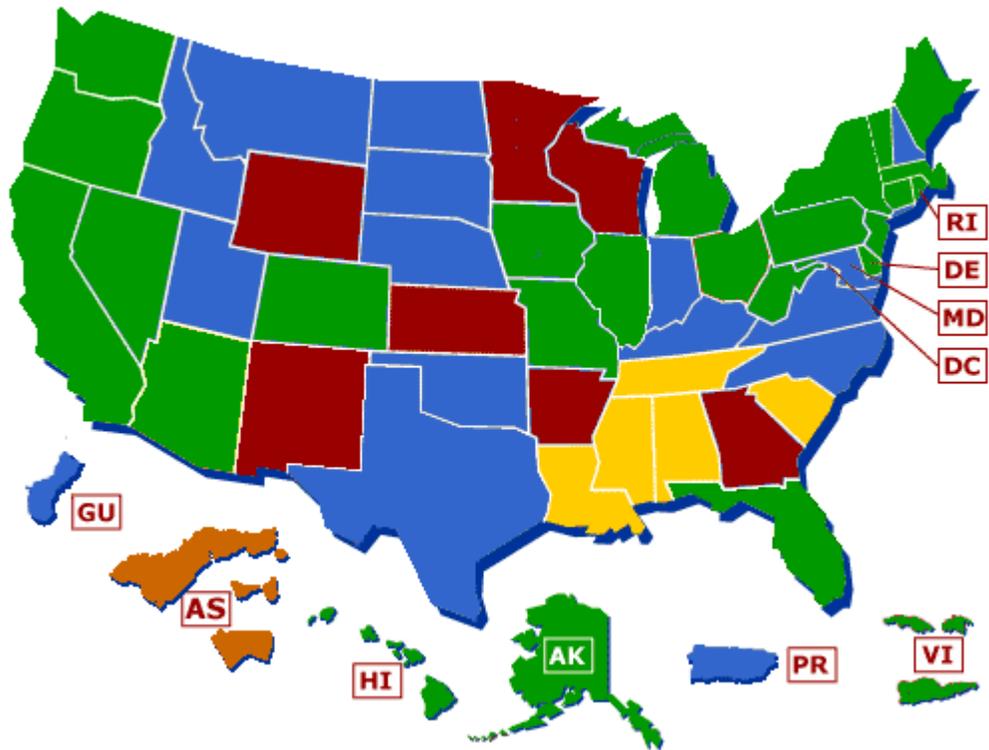
Tom Kavet, Economist, Consultant

Sara Teachout, Fiscal Analyst

Nolan Langweil, Fiscal Analyst

## Appendix C – Wage Data

### Minimum Wage Laws in the States July 24, 2008



-  States with minimum wage rates higher than the Federal
-  States with minimum wage rates the same as the Federal
-  American Samoa has [special minimum wage rates](#)
-  States with no minimum wage law
-  States with minimum wage rates lower than the Federal

Note: Where Federal and state law have different minimum wage rates, the higher standard applies.

Source: U.S. Department of Labor (<http://www.dol.gov/esa/minwage/america.htm>)

## Appendix C – Wage Data

### Comparison of Vermont and Federal Minimum Wage Rates 1991 to 2008

| Year | Federal | Vermont | Difference |
|------|---------|---------|------------|
| 1991 | 4.25    | 3.95    | -0.30      |
| 1992 | 4.25    | 3.95    | -0.30      |
| 1993 | 4.25    | 3.95    | -0.30      |
| 1994 | 4.25    | 3.95    | -0.30      |
| 1995 | 4.25    | 4.50    | 0.25       |
| 1996 | 4.75    | 4.75    | 0.00       |
| 1997 | 5.15    | 5.00    | -0.15      |
| 1998 | 5.15    | 5.25    | 0.10       |
| 1999 | 5.15    | 5.75    | 0.60       |
| 2000 | 5.15    | 6.25    | 1.10       |
| 2001 | 5.15    | 6.25    | 1.10       |
| 2002 | 5.15    | 6.25    | 1.10       |
| 2003 | 5.15    | 6.25    | 1.10       |
| 2004 | 5.15    | 6.75    | 1.60       |
| 2005 | 5.15    | 7.00    | 1.85       |
| 2006 | 5.15    | 7.25    | 2.10       |
| 2007 | 5.85    | 7.53    | 1.68       |
| 2008 | 6.55    | 7.68    | 1.13       |
| 2009 | 7.25    | 8.06    | 0.81       |

Beginning January 1, 2007, and on each subsequent January 1, the minimum wage rate in Vermont is increased by five percent or the percentage increase of the Consumer Price Index, or city average, not seasonally adjusted.

### Comparison of New England States as of January 1, 2006

| State         | (\$)<br>Effective<br>7/24/2008 | % Difference<br>from Federal |
|---------------|--------------------------------|------------------------------|
| Connecticut   | 7.65                           | 17                           |
| Maine         | 7.00                           | 7                            |
| Massachusetts | 8.00                           | 22                           |
| New Hampshire | 6.55                           | 0                            |
| New York      | 7.15                           | 9                            |
| Rhode Island  | 7.40                           | 13                           |
| Vermont       | 7.68                           | 17                           |
| NE Average    | 7.35                           |                              |
| Federal       | 6.55                           |                              |

## Appendix C – Wage Data

### Appendix D – State Wage Distribution

#### Average Annual Wage by Vermont County (\$)

| County     | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Addison    | 26,032 | 27,015 | 28,502 | 29,556 | 30,576 | 31,827 | 32,453 | 33,828 | 34,878 |
| Bennington | 24,628 | 25,457 | 27,037 | 27,919 | 28,704 | 30,174 | 30,939 | 32,030 | 34,204 |
| Caledonia  | 22,631 | 23,617 | 24,385 | 25,536 | 26,272 | 27,514 | 28,773 | 30,303 | 31,952 |
| Chittenden | 32,896 | 34,301 | 35,583 | 36,370 | 37,432 | 38,433 | 39,766 | 41,903 | 43,349 |
| Essex      | 24,815 | 24,694 | 25,510 | 25,976 | 25,500 | 27,824 | 29,141 | 29,689 | 29,263 |
| Franklin   | 25,017 | 26,390 | 27,362 | 28,711 | 30,102 | 31,442 | 32,566 | 33,640 | 34,411 |
| Grand Isle | 19,317 | 20,624 | 21,395 | 21,507 | 22,396 | 24,299 | 24,846 | 26,500 | 27,440 |
| Lamoille   | 20,833 | 21,829 | 23,562 | 24,516 | 25,421 | 27,003 | 27,638 | 28,773 | 29,795 |
| Orange     | 22,606 | 23,240 | 24,775 | 25,524 | 26,479 | 27,513 | 28,662 | 29,984 | 31,111 |
| Orleans    | 21,956 | 23,177 | 23,971 | 24,539 | 26,114 | 26,637 | 27,613 | 28,363 | 29,400 |
| Rutland    | 25,202 | 26,570 | 27,894 | 28,717 | 30,074 | 31,445 | 32,194 | 32,986 | 34,196 |
| Washington | 26,825 | 28,306 | 29,820 | 30,531 | 31,902 | 33,331 | 34,530 | 35,581 | 37,345 |
| Windham    | 26,782 | 27,888 | 29,229 | 30,939 | 31,883 | 32,919 | 33,060 | 33,949 | 35,219 |
| Windsor    | 25,829 | 27,421 | 28,047 | 29,167 | 30,083 | 31,445 | 32,240 | 33,795 | 35,162 |

Source: VT Department of Labor and Industry, UI Covered Employment and Wages  
 (<http://www.vtmi.info/indareanaics.cfm?areatype=04>)