

Basic Needs Budgets and the Livable Wage

Prepared in accordance with
2 V.S.A. § 505

REVISED FEBRUARY 1, 2017

This report was revised by the Joint Fiscal Office to correct an error in the calculation of federal and state income tax owed by the hypothetical families and to re-tabulate the clothing and household expenses.

Prepared by the Vermont Legislative Joint Fiscal Office

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Part I - Executive Summary

This is the tenth 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 lives in an urban or rural part of Vermont.

This version of the study will include seven hypothetical family configurations: six that are consistent with the original families chosen in the 1999 report, and an additional configuration that was new to the 2015 report. Configurations are as follows:

- Single Person
- Single Person, Shared Housing
- 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 seven family profiles in both urban and rural Vermont, 14 budgets in total.

Vermont Livable Wage Rate

The Vermont Livable Wage 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-sponsored health insurance, averaged for both urban and rural areas. **The 2016 Vermont Livable Wage is \$13.03 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 families without children. There are seven family configurations presented in this report to show the variation in livable wages for family types.

The Basic Needs Budgets and Livable Wage methodology was originally established in 1999 as the result of the Legislative Livable Income Study Committee. Comprehensive improvements to the study methodology were recommended in 2008 by a Basic Needs Technical Advisory Committee. The Legislative Joint Fiscal Committee has the authority to update the study methodology and adopted the Technical Advisory Committee's recommendations.¹

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.

¹ The last technical changes were approved in the Fall of 2014.
www.leg.state.vt.us/jfo/jfc/2014/2014_11_12/G.2. - Basic_Needs_Budget_Proposed_Methodology.pdf

Part II – Changes from the Last Report

Over the past biennium a number of potential improvements to the Basic Needs Budget methodology have been discussed. There are a range of reasons why a change may be considered from technical issues surrounding data access or suitability, to a new policy choice or objective. The decision to make a change involves balancing the value of the improvement with the continuity of the report. For this report, expenses for Clothing and Household items as were calculated using Consumer Expenditure Survey (CEX) tables that reflect income level as well as size of consumer unit. The calculation for health and dental expenses was based on data from both the Medical Expenditure Panel Survey (MEPS) and Northeast Delta Dental respectively.

Clothing and Household Expenses

Expenses for these items are matched to size of consumer unit and income level, as opposed to using the average by size of consumer unit. The final budgeted expenses will more closely reflect the level of income from which the expenses are derived. Consumer Expenditure Tables 3403, 3413, 3423 and 3443 (size of consumer unit by income before taxes) were used to calculate these numbers.

Health and Dental Care Expenses

The previous report utilized data on employer-sponsored insurance (ESI) premiums from the Blue Cross Blue Shield of Vermont Gold Plan to estimate a proxy for health care costs. This report reverts back to utilizing data from the Medical Expenditure Panel Survey (MEPS) as the proxy for individuals and families with ESI. The costs for dental insurance in this report are similar to those from the Northeast Delta Dental Premium Plus Plan. The previous report offered two health and dental care expense scenarios for family configurations, 1) utilizing employer-sponsored health and dental coverage; or, 2) purchasing coverage through Vermont Health Connect, the state-run health insurance exchange implemented as part of the federal Affordable Care Act. This report, recognizing that individuals and families purchasing insurance through VHC represent a very small percentage of the health insurance market in Vermont, reverts back to only presenting budgets for families receiving employer-sponsored health and dental insurance.

Prekindergarten Tuition

Starting on July 1, 2016, as per Act 166 of 2014, school districts were required to begin offering publicly funded prekindergarten education to children aged 3-5 years old at a minimum of 10 hours per week for 35 weeks annually. This will ultimately require a future adjustment to child care costs for the basic needs budgets. However, the adjustment has not been made for this edition of the Basic Needs Budget and Livable Wage report.

**Part III – 2016 Vermont Livable Wage
and Basic Needs Budgets**

2016 Livable Wage = \$13.03 per earner per hour [1]

2016 Basic Needs Budget Wages, Per Earner [2]

Family Type	Urban	Rural
Single Person	\$17.64	\$15.76
Single Person, Shared Housing	\$14.46	\$12.98
Single Parent, One Child	\$29.50	\$25.11
Single Parent, Two Children	\$38.16	\$32.52
Two Adults, No Children	\$13.54	\$12.51
Two Adults, Two Children (one wage earner)	\$32.63	\$30.67
Two Adults, Two Children (two wage earners)	\$21.97	\$20.35

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

[2] Basic Needs Budget wages are presented for family configurations with employer-sponsored health care.

The 2016 Livable Wage is \$13.03, up 3 cents from the 2014 value. The Livable Wage is based on the expenses and spending habits of two adults with no children. Although the Livable Wage remained relatively constant, food and transportation costs decreased as a result of reduced fuel prices; those declines were offset by increases in rental rates and health care costs. Because the cost of childcare also increased significantly, the Basic Needs Budget for families with children increased by 2-3%.

**2016 Vermont Basic Needs Budget
Single Person**

	Urban	Rural
Category	<i>Cost estimates (\$) are per month</i>	<i>Cost estimates (\$) are per month</i>
Food	321	321
Housing	1,080	793
Transportation	491	516
Health Care	149	149
Dental Care	9	9
Child Care	0	0
Clothing & Household Expenses	143	143
Personal Expenses	88	88
Telecommunications	81	81
Rental Insurance	13	13
Term Life Insurance	0	0
Savings	119	106
Total Monthly Expenses	2,495	2,220
Annual Expenses	29,942	26,638
Federal & State Taxes	6,751	6,147
Annual Income	36,693	32,785
Hourly "Livable" Wage	\$17.64	\$15.76

Tax Calculations	2016 Tax Year - Single Filer	
AGI	36,693	32,785
Standard Deduction	(6,300)	(6,300)
Personal Exemption(s)	(4,050)	(4,050)
Taxable Income	26,343	22,435
Federal Tax (before credits)	3,488	2,901
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	3,488	2,901
State Tax (before credits)	935	796
Dependent Care Credit	-	-
Renter Rebate	(479)	(59)
Net State Tax	456	737
FICA/Medicare	2,807	2,508
Total	6,751	6,147

**2016 Vermont Basic Needs Budget
Single Person, Shared Housing**

	Urban	Rural
Category	<i>Cost estimates (\$) are per month</i>	<i>Cost estimates (\$) are per month</i>
Food	321	321
Housing	698	492
Transportation	491	516
Health Care	149	149
Dental Care	9	9
Child Care	0	0
Clothing & Household Expenses	115	115
Personal Expenses	88	88
Telecommunications	67	67
Rental Insurance	13	13
Term Life Insurance	0	0
Savings	98	89
Total Monthly Expenses	2,049	1,859
Annual Expenses	24,584	22,310
Federal & State Taxes	5,498	4,690
Annual Income	30,082	27,000
Hourly "Livable" Wage	\$14.46	\$12.98

Tax Calculations	2016 Tax Year - Single Filer	
AGI	30,082	27,000
Standard Deduction	(6,300)	(6,300)
Personal Exemption(s)	(4,050)	(4,050)
Taxable Income	19,732	16,650
Federal Tax (before credits)	2,496	2,034
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	2,496	2,034
State Tax (before credits)	700	591
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	700	591
FICA/Medicare	2,301	2,066
Total	5,498	4,690

**2016 Vermont Basic Needs Budget
Single Parent, One Child**

	Urban	Rural
Category	<i>Cost estimates (\$) are per month</i>	<i>Cost estimates (\$) are per month</i>
Food	487	487
Housing	1,395	984
Transportation	480	459
Health Care	300	300
Dental Care	34	34
Child Care	860	758
Clothing & Household Expenses	222	222
Personal Expenses	133	133
Telecommunications	81	81
Rental Insurance	13	13
Term Life Insurance	35	35
Savings	202	175
Total Monthly Expenses	4,243	3,681
Annual Expenses	50,911	44,176
Federal & State Taxes	10,440	8,049
Annual Income	61,351	52,225
Hourly "Livable" Wage	\$29.50	\$25.11

Tax Calculations	2016 Tax Year - Head of Household	
AGI	61,351	52,225
Standard Deduction	(9,300)	(9,300)
Personal Exemption(s)	(8,100)	(8,100)
Taxable Income	43,951	34,825
Federal Tax (before credits)	5,930	4,561
Child Credit	(1,000)	(1,000)
Dependent Care Credit	(600)	(600)
Net Federal Tax	4,330	2,961
State Tax (before credits)	1,560	1,236
Dependent Care Credit	(144)	(144)
Renter Rebate	-	-
Net State Tax	1,416	1,092
FICA/Medicare	4,693	3,995
Total	10,440	8,049

**2016 Vermont Basic Needs Budget
Two Adults, No Children (both wage earners)**

	Urban	Rural
Category	<i>Cost estimates (\$) are per month</i>	<i>Cost estimates (\$) are per month</i>
Food	639	639
Housing	1,080	793
Transportation	981	1,019
Health Care	358	358
Dental Care	34	34
Child Care	0	0
Clothing & Household Expenses	227	227
Personal Expenses	177	177
Telecommunications	134	134
Rental Insurance	13	13
Term Life Insurance	33	33
Savings	184	171
Total Monthly Expenses	3,861	3,599
Annual Expenses	46,330	43,185
Federal & State Taxes	9,988	8,872
Annual Income	56,318	52,057
Hourly "Livable" Wage	\$27.08	\$25.03
<i>Average Wage PER Earner</i>	<i>\$13.54</i>	<i>\$12.51</i>
2016 Average Livable Wage		\$13.03
Tax Calculations	2016 Tax Year - Married Filing Jointly	
AGI	56,318	52,057
Standard Deduction	(12,600)	(12,600)
Personal Exemption(s)	(8,100)	(8,100)
Taxable Income	35,618	31,357
Federal Tax (before credits)	4,415	3,776
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	4,415	3,776
State Tax (before credits)	1,264	1,113
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,264	1,113
FICA/Medicare	4,308	3,982
Total	9,988	8,872

**2016 Vermont Basic Needs Budget
Two Adults, Two Children (one wage earner)**

	Urban	Rural
Category	<i>Cost estimates (\$) are per month</i>	<i>Cost estimates (\$) are per month</i>
Food	997	997
Housing	1,395	984
Transportation	917	1,089
Health Care	519	519
Dental Care	91	91
Child Care	0	0
Clothing & Household Expenses	260	260
Personal Expenses	266	266
Telecommunications	134	134
Rental Insurance	13	13
Term Life Insurance	39	39
Savings	232	220
Total Monthly Expenses	4,863	4,612
Annual Expenses	58,360	55,348
Federal & State Taxes	9,513	8,443
Annual Income	67,872	63,791
Hourly "Livable" Wage	\$32.63	\$30.67

Tax Calculations	2016 Tax Year - Married Filing Jointly	
AGI	67,872	63,791
Standard Deduction	(12,600)	(12,600)
Personal Exemption(s)	(16,200)	(16,200)
Taxable Income	39,072	34,991
Federal Tax (before credits)	4,933	4,321
Child Credit	(2,000)	(2,000)
Dependent Care Credit	-	-
Net Federal Tax	2,933	2,321
State Tax (before credits)	1,387	1,242
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,387	1,242
FICA/Medicare	5,192	4,880
Total	9,513	8,443

**2016 Vermont Basic Needs Budget
Two Adults, Two Children (two wage earners)**

	Urban	Rural
Category	<i>Cost estimates (\$) are per month</i>	<i>Cost estimates (\$) are per month</i>
Food	997	997
Housing	1,395	984
Transportation	917	1,089
Health Care	519	519
Dental Care	91	91
Child Care	1,411	1,255
Clothing & Household Expenses	335	335
Personal Expenses	266	266
Telecommunications	134	134
Rental Insurance	13	13
Term Life Insurance	50	50
Savings	306	287
Total Monthly Expenses	6,435	6,021
Annual Expenses	77,223	72,247
Federal & State Taxes	14,193	12,427
Annual Income	91,416	84,674
Hourly "Livable" Wage	\$43.95	\$40.71
<i>Average Wage PER Earner</i>	\$21.97	\$20.35
Tax Calculations		
	2016 Tax Year - Married Filing Jointly	
AGI	91,416	84,674
Standard Deduction	(12,600)	(12,600)
Personal Exemption(s)	(16,200)	(16,200)
Taxable Income	62,616	55,874
Federal Tax (before credits)	8,465	7,454
Child Credit	(2,000)	(2,000)
Dependent Care Credit	(1,200)	(1,200)
Net Federal Tax	5,265	4,254
State Tax (before credits)	2,223	1,984
Dependent Care Credit	(288)	(288)
Renter Rebate	-	-
Net State Tax	1,935	1,696
FICA/Medicare	6,993	6,478
Total	14,193	12,427

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.

2016 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	\$11,880	14,300	17,820	20,790	21,980	23,760	26,730	35,640
2	16,020	19,200	24,030	28,040	29,640	32,040	36,050	48,060
3	20,160	24,200	30,240	35,280	37,300	40,320	45,360	60,480
4	23,850	29,200	36,450	42,530	44,960	48,600	54,680	72,900
5	28,440	34,100	42,660	49,770	52,610	56,880	63,990	85,320
6	32,580	39,100	48,870	57,020	60,270	65,160	73,310	97,740
7	36,730	44,100	55,100	64,280	67,950	73,460	82,640	110,190
8	40,890	49,100	61,340	71,560	75,650	81,780	92,000	122,670
Each Add'l	4,160	5,000	6,240	7,280	7,700	8,320	9,360	12,480

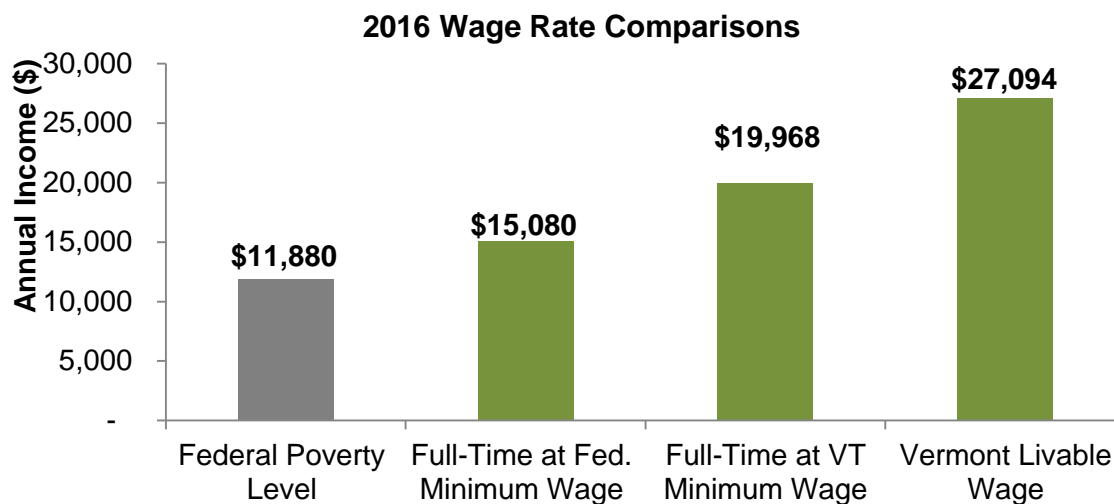
Source: <https://aspe.hhs.gov/computations-2016-poverty-guidelines>

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 \$7.25 per hour effective July 24, 2009. States also mandate minimum wage rates, and employees in Vermont are entitled to the higher of the two minimum wages. The Vermont minimum wage was \$9.60 as of January 1, 2016. The state minimum wage rate increased to \$10.00 per hour on January 1, 2017, and will rise to \$10.50 per hour in 2018. On January 1, 2019 and each year thereafter, the minimum wage rate will increase by the lesser of: 1) five percent or 2) the percentage increase of the Consumer Price Index, CPI-U, U.S. city average, not seasonally adjusted.

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 2016 is more than two times the federal poverty level (FPL) established for a single person. The federal minimum wage is only 56% of the Vermont Livable Wage, and the state (Vermont) minimum wage is 74% 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.

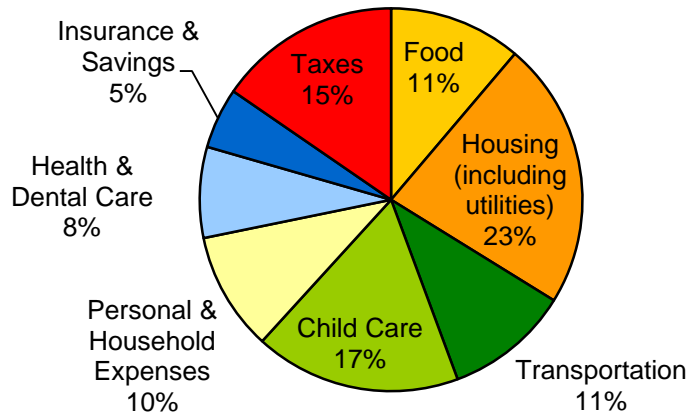
The first table and pie chart for each family configuration illustrate the breakdown of the major expense components of the family budget both pre-tax and within the overall budget. For the single-parent family, housing is the largest component of the budget at 23%, followed by child care, food and transportation. Transportation and child care are the two largest components of the two-parent family budget, followed by food and housing. The health and dental care costs for the single and two-parent families are 8% and 9% respectively. Federal and state taxes combined (including FICA and Medicare taxes) for each of the two family types are 15%.

The Basic Needs Budget for the single-parent rural family is \$52,225, 21% less than the median family income for a two-person family according to the most recent Census data. The budget is 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 92% of the median four-person family income in Vermont in 2015. Again, the budget for this family is well above both the FPL and the minimum wage.

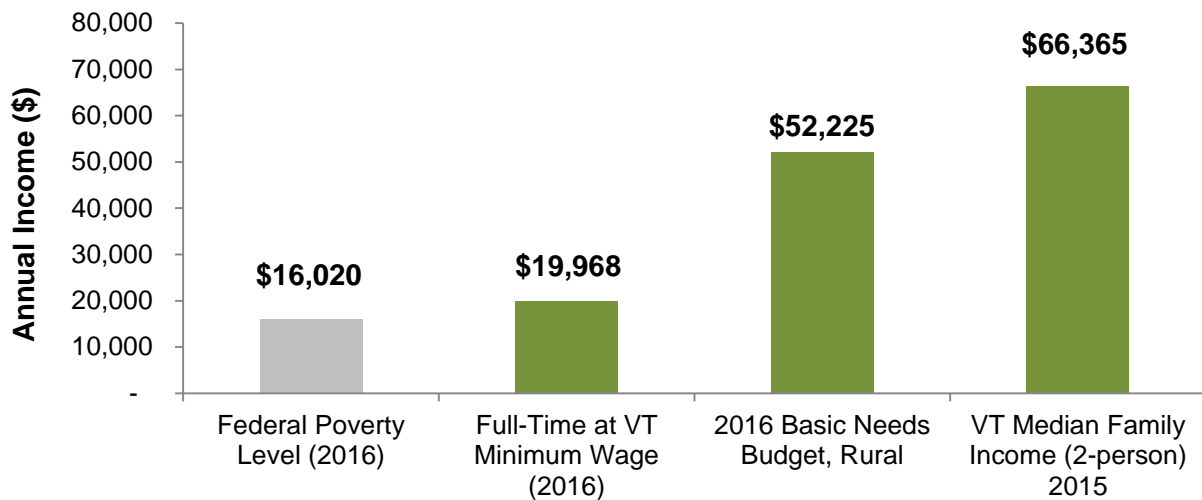
Single Parent with One Child (Rural)

Expense	Monthly	Annual	% of Budget
Food	487	5,849	11.2%
Housing (including utilities)	984	11,810	22.6%
Transportation	459	5,503	10.5%
Child Care	758	9,094	17.4%
Personal & Household Expenses	436	5,236	10.0%
Health & Dental Care	334	4,008	7.7%
Insurance & Savings	223	2,677	5.1%
Expense Budget	3,681	44,176	84.6%
Taxes	671	8,049	15.4%
Overall Budget	4,352	52,225	

Shares of Income Needed to Meet Basic Needs in Rural Vermont for a Single Parent with One Child, 2016



Rural Vermont Basic Needs Income for a Single Parent with One Child, Compared to Other Benchmarks, 2016

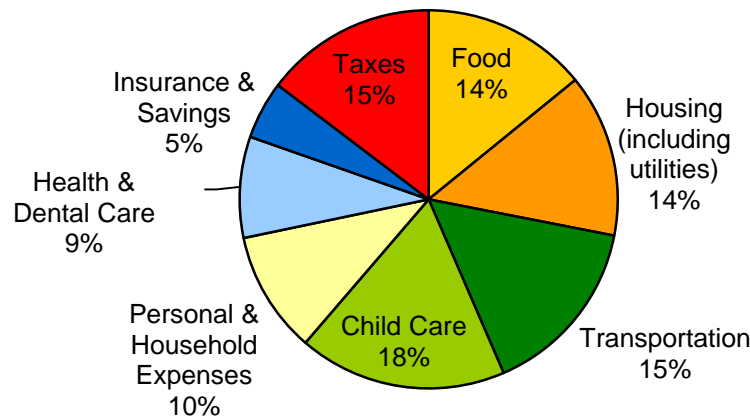


Source: American Community Survey: Median Income in the Past 12 Months by Family Size, 2015
https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_5YR_B19119&prodType=table

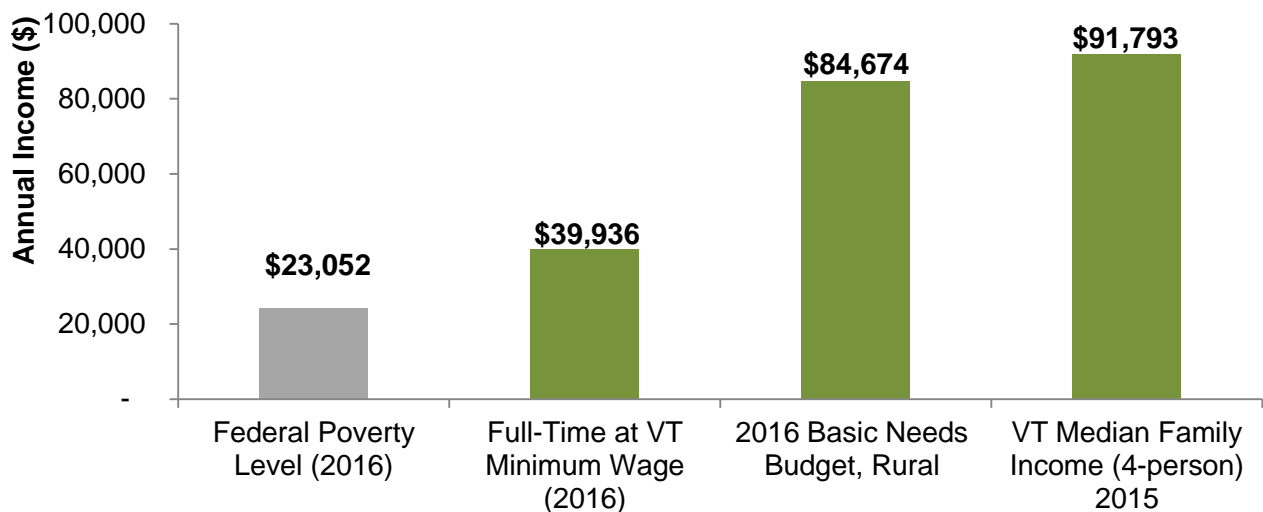
Two Working Parents with Two Children (Rural)

Expense	Monthly	Annual	% of Budget
Food	997	11,962	14.1%
Housing (including utilities)	984	11,810	13.9%
Transportation	1089	13,072	15.4%
Child Care	1255	15,063	17.8%
Personal & Household Expenses	735	8,822	10.4%
Health & Dental Care	610	7,320	8.6%
Insurance & Savings	350	4,199	5.0%
Expense Budget	6,021	72,247	85.3%
Taxes	1,036	12,427	14.7%
Overall Budget	7,056	84,674	

Shares of Income Needed to Meet Basic Needs in Rural Vermont for Two Working Parents with Two Children, 2016



Rural Vermont Basic Needs Income for Two Working Parents with Two Children, Compared to Other Benchmarks, 2016



Source: American Community Survey: Median Income in the Past 12 Months by Family Size, 2015
https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_5YR_B19119&prodType=table

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, except for singles with shared housing, 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.

Select USDA Monthly Food Plans: June 2016	
Age/Gender Group	Moderate (\$)
Child 4 – 5 years of age	167.90
Child 6 – 8 years of age	229.70
Adult Male 19 – 50 years of age	299.80
Adult Female 19 – 50 years of age	255.90

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

Family Size Adjustments	
<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 2017 data were finalized in fall of 2016. 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 the single person and the two adult with no children households, and two bedrooms for all other family configurations.

FY 2017 HUD Fair Market Rents (Monthly)		
County	1 Bedroom (\$)	2 Bedrooms (\$)
Addison	878	1,015
Bennington	833	988
Caledonia	689	916
Essex	629	781
Lamoille	844	1,006
Orange	773	979
Orleans	654	788
Rutland	769	948
Washington	781	1,033
Windham	815	1,035
Windsor	861	1,057
Burlington, VT MSA	1,080	1,395

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.

Data Sources:

U.S. Department of Housing and Urban Development (HUD), "Fair Market Rents," www.huduser.org/datasets/fmr.html

U.S. Census Bureau, County Level Population Data, 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 Vermont-specific 2009 National Household Transportation Survey (NHTS). Annual vehicle mileage per driver is estimated using a cross-tabulation of survey data. The following data sets were used: Vermont, Urban and Rural, and Household Lifecycle. The mileage rate is from the most recent IRS reimbursement rates for business travel. The IRS mileage rate is adjusted using AAA mileage rate data to reflect the lower cost-per-mile of driving greater miles.

Transportation (continued)

IRS Rate Adjusted by AAA Data

VMT	Cost Per Mile		
	2016	2014	2012
X			
10,000	54.0	56.0	55.5
11,000	51.3	53.4	53.0
12,000	48.6	50.8	50.4
13,000	45.9	48.1	47.9
14,000	43.2	45.5	45.3
15,000	40.5	42.9	42.8
16,000	39.1	41.6	41.5
17,000	37.7	40.3	40.2
18,000	36.3	38.9	38.9
19,000	34.9	37.6	37.6
20,000	33.5	36.3	36.3

NOTE: Bold is IRS Mileage Rate.

2009 NHTS		
Average Annual Vehicle Miles of Travel (VMT) Per Driver		
Vermont Household Life Cycle	Annual VMT / Driver (Mean)	
	Urban	Rural
one adult, no children	12,846	14,341
2+ adults, no children	12,827	15,093
one adult, youngest child 0-5	11,223	10,727
2+ adults, youngest child 0-5	10,731	18,728
one adult, youngest child 6-15	11,125	10,848
2+ adults, youngest child 6-15	10,620	15,297
one adult, youngest child 16-21	10,184	11,523
2+ adults, youngest child 16-21	9,327	12,232
one adult, retired, no children	4,794	8,802
2+ adults, retired, no children	7,936	10,439

Data Sources:

U.S. Department of Transportation, 2009 National Household Transportation Survey, <http://nhts.ornl.gov/>
 Internal Revenue Service, (IRS) Standard Mileage Rates, <https://www.irs.gov/uac/newsroom/2016-standard-mileage-rates-for-business-medical-and-moving-announced>
 AAA 2016 Your Driving Costs publication, <http://exchange.aaa.com/wp-content/uploads/2016/04/2016-YDC-Brochure.pdf>

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 4-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 two single-parent households as well as the two-parent, both-working household are the only households in this study that incur 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

Clothing and Household Expenses

Clothing and household expenses are from the 2015 Consumer Expenditure Survey tables reported by size of consumer unit and income before taxes. The tables report expenses by family size and income level in order to link clothing and household expenses more closely to household income. This category includes housekeeping supplies, apparel and services, and household furnishings and equipment. Major appliances and miscellaneous household equipment (except computer-related expenses) have been subtracted from the totals because these are renter households. There is no urban/rural distinction for clothing and household costs.

Data Sources:

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, www.bls.gov/cex/

Personal Expenses.

Personal expense began at \$2 per person per day in 1999. Indexed to 2016 by inflation (CPI) the amount is now \$2.91 per adult in the household per day and \$1.46 (rounded from \$1.455) per child per day.

Telecommunications Expenses

This category is intended to provide telephone, cable, internet, cell phone service, or some limited combination of these services as part of the household budget. These figures are from the 2015 Consumer Expenditure Survey Table 1203 categories of telephone services and computer information services. The costs represent an average over the lowest five income categories.

Data Sources:

U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, www.bls.gov/cex/

Rental Insurance

Insurance rates are from Crowley Insurance Agency in Burlington. Coverage includes \$25,000 replacement value, \$1,000 medical, \$500,000 liability, and a \$250 deductible. The estimates do not distinguish between urban and rural as the source claimed that there is, on average, not an appreciable difference between the two.

Savings

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

Health Care

This report looks at two components of health care costs: insurance premiums and out-of-pocket (OOP) costs which is spending for care not covered by insurance, including deductibles and co-insurance. Previous reports included a separate budget column for those families without employer-sponsored health insurance, but this was discontinued in the 2008 report, when it was estimated that at the time less than 1% of Vermonters were enrolled in individual plans.² With the implementation of the Affordable Care Act (ACA) and the Vermont Health Connect (VHC), the 2015 report included separate cost estimates for those with employer-sponsored insurance and those with individual coverage through Vermont Health Connect (VHC). However, since employer-sponsored insurance plans continue to represent the overwhelming majority of the commercial insurance market – individual plans through the Vermont Health Connect still only represent less than 5% of the commercial insurance market – this report will again only include estimates for those with employer-sponsored insurance. This is the same case with Dental coverage.

Employer-Sponsored Insurance

Prior to 2015, previous reports utilized data collected as part of the federal Medical Expenditure Panel Survey (MEPS) as the proxy for employer-sponsored insurance (ESI) premiums.³ For the 2015 report we used the Blue Cross Blue Shield of Vermont (BCBSVT) Standard Gold plan sold through VHC as the proxy for ESI based on a 2011 report to the legislature that determined at the time that for “medical and drug benefits, Vermont insurance plans already pay 87 percent of the costs on average, while the patient pays 13% in cost sharing” which was technically equivalent to a gold plan.⁴ This was also fairly consistent with both MEPS and the *Annual Survey of Employer Health Benefits* put out by the Kaiser Family Foundation and the Health Research and Education Trust (KFF/HRET). However, over the last several years we’ve seen a shift in both employer and employee behaviors regarding employer-sponsored health insurance,

² This does not include Catamount which was a state-subsidized individual plan.

³ MEPS is compiled and maintained by the Agency for Healthcare Research and Quality (AHRQ) which is part of the U.S. Department of Health & Human Services.

⁴ *Act 128 Health System Reform Design*, submitted by William Hsiao, PhD, Steven Kappel, MPA, and Jonathon Gruber, PhD. February 17, 2011.

particularly decreases in employer contributions to premiums and increases in employee out-of-pocket exposure (which impacts actuarial value).⁵

For this year’s report we are again basing our estimates on MEPS to estimate average costs of premiums (and adjusting for the two-year data lag). The average premium for ESI using MEPS as the base was slightly above the cost of a standard silver plan but less than a standard gold plan premium. These data are fairly consistent with other sources including KFF/HRET and a 2015 health benefit survey conducted by the University of Massachusetts Medical School on behalf of the Vermont Department of Labor.

Comparison of Total 2016 Estimated Premium Costs⁶

	<i>SINGLE</i>		<i>SINGLE + 1</i>		<i>Family</i>	
	Standard Silver	Standard Gold	Standard Silver	Standard Gold	Standard Silver	Standard Gold
BCBVT	\$484	\$573	\$969	\$1,147	\$1,361	\$1,611
MVP	\$493	\$589	\$987	\$1,177	\$1,386	\$1,654
MEPS (VT)	\$503		\$1,034		\$1,531	
VT DOL Survey	\$555		\$981		\$1,364	
Kaiser (US)	\$536		\$1,073		\$1,512	

To estimate employee contributions to premiums the report continues to use MEPS as the proxy distribution. According to the 2015 MEPS data, the employee share of the premiums for single coverage, single plus-one, and family coverage were 23%, 27%, and 27%, respectively, which is fairly consistent with other nationwide data as well as anecdotal data concerning Vermont.⁷

EMPLOYEE SHARE %

	Single	Single+1	Family
Based on MEPS (VT)	23%	27%	27%
VT DOL Survey (VT)	22%	30%	31%
Based on Kaiser/HRET (US)	18%	18%	29%

Out-of-Pocket Costs

This year’s report again employs VHCURES data which are Vermont-specific claims data collected and maintained by the Green Mountain Care Board.⁸ The report uses average OOP costs, by type of plan (single, two-person, and family plans) for everyone (whether they had an OOP expense or not) with private insurance for 12 months of continuous coverage. To control for extreme high-cost outliers, we’ve truncated the data excluding the highest 3% of out-of-pocket spenders.

⁵ At this time, we do not have data on the use of health savings accounts (HSA’s) or health reimbursement accounts (HRA’s).

⁶ MEPS data based on 2015 Vermont estimates. VT DOL survey based on the Vermont Employer Health Benefits Survey (June 2015). KFF/HRET based on the Kaiser Family Foundation and Health Research & Education Trust, 2016 National Survey of Employer Health Benefits. Both the MEPS and VTDOL data were adjusted for 2016 by JFO.

⁷ According to the Kaiser Family Foundation and Health Research and Education Trust annual survey on employer health benefits (2014), employees contributed on average approximately 18% and 28% for single and family premiums, respectively.

⁸ VHCURES stands for Vermont Healthcare Claims Uniform Reporting and Evaluation System.

Dental Care

Northeast Delta Dental has a significant market share in Vermont with approximately 82,000 subscribers covering approximately 169,000 lives.⁹ Previous reports used the Northeast Delta Dental Voluntary Dental Benefit Options (Option 3) as the premise for premiums but that product was discontinued at the end of 2013. Beginning in 2014, we used the stand-alone dental plan offered through Vermont Health Connect, which is also a Northeast Delta Dental plan, as the basis for estimating dental premium costs. The premium for this plan is similar to the premium for Delta Dental's Premium Plus plan which is their most popular small group plan.

Employer-Sponsored Insurance - Dental

Just as employer-sponsored health insurance represents an overwhelming majority of those with commercial insurance, so does employer-sponsored dental coverage. As of September 30, 2016, there were only 1,686 lives covered through individual market stand-alone dental plans, of which only 3 were children.¹⁰ It should be noted that health insurance plans sold through Vermont Health Connect include pediatric dental benefits embedded in those plans.

There appears to be a strong relationship between employer size and which employers offer dental benefits to their employees. For instance, 17% of firms with 3-9 employees offered a stand-alone dental benefit to full-time employees, while 78% of firms with 50-249 employees and 92% of firms with more than 250 employees offered dental benefits to both part-time and full-time employees.¹¹

For this year's report we could find no consistent proxy for employer contribution to dental plans. In the absence of statewide data, we used the same assumptions as the 2013 and 2015 reports which assumed 90% for single coverage, 70% for two-person coverage, and 50% for family coverage. For comparison, Vermont Education Health Initiative (VEHI) requires a minimum of 50% participation, although many employers cover as much as 100%.¹²

According to Northeast Delta Dental, 78% of small group subscribers are enrolled in the PPO Plus Premier Plan with no office visit co-payment. We used this plan as the proxy. This plan includes orthodontic coverage. While this the richest stand-alone plan offered by NE Delta Dental, the premium for this plan is lower than the premium used in the previous basic needs report. Finally since we are making assumptions about employer contributions, we used a 'contributory' plan which requires an employer contribution of at least 50%. 'Voluntary' plans which require no minimum employer contribution have slightly higher premiums.

Out-of-Pocket Costs - Dental

VHCURES does not collect data on dental claims. According to the American Dental Association using MEPS data, dental expenditures per capita were \$351 in 2014 nationally. And while dental spending grew by about 2% between 2002 and 2008, it's been relatively flat since 2008, actually decreasing by 0.4% between 2008 and 2014.¹³ Finally, according to the Center for Medicare and Medicaid Services (CMS), out-of-pocket spending accounted for 40%

⁹ As of August 31, 2016. Data provided by Northeast Delta Dental, September 2016.

¹⁰ Data received from Northeast Delta Dental, October 2016.

¹¹ 2015 Vermont Health Benefits Survey. Prepared by the University of Massachusetts Medical School for the Vermont Agency of Administration and Vermont Department of Labor. June 2015.

¹² VEHI is a large, non-profit purchaser of health care for Vermont public schools, covering over 19,000 employees and retirees.

¹³ *U.S. Dental Spending Continues to be Flat*. Thomas Wall, Marko Vujicic. American Dental Association, Health Policy Institute, Research Brief (2014).

of dental spending in 2014.¹⁴ However, these numbers are skewed by OOP spending by those with no insurance. We estimate that approximately 46% of that spending was by people who had access to dental insurance.¹⁵ Unfortunately we do not have Vermont specific data nor do we have the data to adjust for age, significant outliers in dental spending, or to corroborate the amount of OOP spending by those with dental coverage in Vermont.

Technical Information

The health and dental care numbers in the basic needs budgets are a combination of the employee-only share of premiums as well as OOP costs. For employers who use this report and would like to know just the premium impact alone, below we have provided a chart with just the estimated premium information for 2016.

Employer-Sponsored Insurance

Health Insurance Premiums (Monthly)

2016	Total	Employer Share	Employee Share
Single	503	386	117
Single + 1 child	971	745	225
Single + 2 children	1,531	1,110	421
Two Adults	1,034	751	283
Two Adults + 2	1,531	1,110	421

Dental Insurance Premiums (Monthly)

2016	Total	Employer Share	Employee Share
Single	44	40	4
Single + 1 child	81	57	24
Single + 2 children	141	71	71
Two Adults	81	57	24
Two Adults + 2	141	71	71

Life Insurance

National Life of Vermont continues to supply 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 ten to twelve times annual earnings as a proxy for the amount of coverage a family should have. In order to remain conservative, ten 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 \$0.60 per \$1,000 of coverage plus

¹⁴ National Health Expenditure 2014 Highlights, Center for Medicare and Medicaid Services.

¹⁵ *Dental Care Expenditures and Retirement*. Richard Manski, John Moeller, et al. Journal of Public Health Dentistry. Spring; 70(2): 148-155

an annual \$75 policy fee. This report assumes that single persons do not have life insurance coverage.

Federal and State Income Taxes and FICA/Medicare

The tax estimates included as part of the Basic Needs Budgets are for tax year 2016. The federal tax liability is calculated using standard deduction and exemption amounts for the various filing statuses (single, married filing jointly, 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 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 calculations are the amounts that would be withheld for Social Security and Medicare from an individual's paycheck. Employees and employers are both subject to the FICA tax. In 2016, the FICA rate for Social Security was 6.2% of all income up to \$118,500, and the Medicare rate is 1.45% of all income.

Appendix A – Statute

2 V.S.A. § 505. Basic needs budget and livable wage; report

§ 505. Basic needs budget and livable wage; report

(a) For the purposes of this section:

(1) "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) "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) 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 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. (Added 2005, No. 59, § 1; amended 2007, No. 202 (Adj. Sess.), § 1.)