



STATE OF VERMONT
GENERAL ASSEMBLY

BASIC NEEDS BUDGET TECHNICAL ADVISORY COUNCIL
MINUTES

Monday, July 21, 2008
APPROVED 9/18/08

Members Present: Rep. Helen Head, Co-chair; Sen. Bill Carris; Ellen Kahler, Director, Vermont Sustainable Jobs Fund; Steve Paddock, Director, Agriculture Program, Addison County Economic Development Corporation, Vermont Small Business Development Center; David Murphey, Senior Policy Analyst, Planning Division, Agency of Human Services; Andrew Condon, Director, Research and Analysis, Economic and Labor Market Information, Department of Labor

Members Absent: Sen. Vince Illuzzi, (Vermont Society for Human Resources Management Designee not yet appointed)

Also Present: Joint Fiscal and Legislative staff, and the public

Recording: CD 2008 – 1, 2

Introduction and Organization

At 1:05 p.m. Rep. Head convened the meeting. She asked Council members to introduce themselves, as well as interested parties in attendance.

Vermont Basic Needs Budget Presentation – Act 202, H.776
Computation of the Basic Needs Budget and the Livable Wage

Documents Distributed

- *Act 202, H.776*
- *Act 21 Research and Analysis in Support of the Livable Income Study Committee Summary, Tom Kavet, Deborah Brighton, Douglas Hoffer, Elaine McCrate, 11/9/99*
- *Basic Needs Budgets and the Livable Wage, Sara Teachout, Joint Fiscal Office, 3/2007*
- *Two Charts, Ratio of Mean U.S. Household Income of the Top 5% to the Lowest 20%; Growth in Real U.S. Household Income, by Income Class, Tom Kavet, Economist, Consultant to the Joint Fiscal Office, 7/21/08*

Tom Kavet, Economist, Consultant to the Joint Fiscal Office, reviewed the 1999 Livable Wage Study. Economic impacts of changing the minimum wage. He said the original work was authored by the Vermont Peace and Justice Center and there was a lot of interest from the Legislature. The Legislature wanted to do something consistent with its policies and formed a committee.

One of the discoveries the committee made was the disincentives for people to give up their public benefits to achieve a livable income. This indicated a need to look at cliffs to public assistance that could be structured in different ways and the calculation of what is a livable income. Questions arose about the definition of poverty, what is the norm for a standard of living?

Tom Kavet reviewed two charts. The first "Ratio of Mean US Household Income of Top 5% to Lowest 20%" shows in a line graph that the ratio between these two groups has increased dramatically since the late 1960's. This is one measure that shows the widening gap between the wealthy and poor in the US. The second chart "Growth in Real US Household Income, by income class" shows the percent change in household income over three decades for the population divided into 5ths as well as the richest 5%. This demonstrates how the real income gains of the 80's and 90's have been erased by the changes in the most recent years with all but the richest 5% showing positive percent changes throughout the entire time period.

Tom Kavet said the original study was done, by the Legislative Committee developing questions for the Joint Fiscal Office. He said Basic Needs Budgets give the pulse and should be done every year. How prices have changed and the effect on various groups of people give a real world measure about what is going on. One benchmark at the low end that is different from a poverty level measure. As a society, what do we consider to be a decent standard of living? Benchmark is specific to Vermont. We can construct it in a way that does not need a lot of expense to update.

Steve Klein, Chief, and Sara Teachout, of the Joint Fiscal Office, reviewed the resources available to the Council through the Joint Fiscal Office.

Sara Teachout explained the history of the Basic Needs Budgets, more about the group which created the original study, and the Joint Fiscal Office's update study each year. She said questions come up every year about data and how to use it. Today the goal is to try to set up a baseline and go forward, knowing there is a process to give it more consistency and credibility.

Sen. Carris asked how long a life would a revised methodology have? Tom Kavet said the intention is to have something that is ongoing and a mechanism that ensures there is a process for making changes. Steve Klein said there is a statutory process which involves bringing suggested changes to the Joint Fiscal Committee for its decision on whether to approve.

Vermont Basic Needs Budget Presentation – History and Background

Sara Teachout began to review the budget structure and methodology.

Vermont Basic Needs Budget Presentation – National Perspective and Examples of Other Basic Needs Budgets

Documents Distributed

- *Organization description; More Than Numbers, How the Self-sufficiency Standard is Changing Policy and Communities, Spring, 2008; The Self-sufficiency Standard for Pennsylvania 2008; Wider Opportunities for Women, Washington, D.C.*

Joan Kuriansky, Esq., Director; Susan Rees, Director, National Programs and Policy; and Shawn McMahon, Research Associate; Wider Opportunities for Women (WOW), Washington, D.C., testified via telephone. Rep. Head asked Council members to introduce themselves. She then asked Wider Opportunities for Women witnesses to introduce themselves.

Rep. Head asked how Vermont structures its Basic Needs Budgets in contrast with WOW.

Joan Kuriansky said WOW, since 1994, has produced self-sufficiency budgets. Now 35 states and Washington, D.C. have budgets which look at what a self-sufficiency standard is. As well, in the last two years, WOW has a new program to look at what it takes for elders to age with dignity with economic security.

Susan Rees said WOW was founded in 1954 as women were reentering the workforce, and the organization was established to help open opportunities for women and girls. Now WOW works with everyone toward the goal of gaining economic security. WOW developed the self-sufficiency standard and assists states in providing policy information and as a partner in organizing steering groups and state stakeholders.

Shawn McMahon reviewed WOW's methodology and data sources. He said WOW was dissatisfied with the Federal Poverty level and developed the self-sufficiency standard, which differs from Vermont's Basic Needs Budget. He said developing standards is the first hurdle which has to be overcome and where a threshold is developed. WOW is looking at what are basic needs, what is self-sufficiency, what is true economic security? He then reviewed some of the expenses in a WOW self-sufficiency budget.

Documents Distributed

- *Organization description; 3 charts: Distribution of EPI Family Budgets as a Percentage of Poverty Thresholds, 2008; Family Budgets in Burlington, VT, by Family Type and Contribution, 2008; Family Budgets in Rural VT, by Family Type and Contribution, 2008; Economic Policy Institute, Washington, D.C.*

James Lin, Research Assistant, Living Standards, Economic Policy Institute (EPI), Washington, D.C., testified via telephone. He gave an overview of family budgets and how highlights of EPI's budgets compliment the Joint Fiscal Office's Basic Needs Budgets. He discussed what EPI's budgets do and do not say and the differences in the way economic need is measured.

James Lin discussed the results from EPI's latest update and noted that budgets vary widely among different areas of the U.S.

Issues and Uses of Budgets Overview

Doug Hoffer, Independent Policy Analyst; author of the Job Gap Study (including Phase 1 in January 1997); and a member of the consulting team for the 1999 Joint Legislative Study Committee on a Livable Income, said he supports the effort to update the methodology and believes there can be agreement on changes. He said he was concerned about deviating from the original goal, however, which was that a livable wage be sufficient to meet basic needs without recourse to public assistance. Vermont's current methodology was vetted in a thorough tri-partisan legislative process in 1999 and is a gold standard. Testimony from EPI and Wider Opportunities for Women about their budget methodologies indicated that they do not meet that standard. He elaborated on key differences including budget categories not included by EPI & WOW such as dental insurance, renter's insurance, life insurance, and savings. In addition, EPI & WOW chose different food and transportation measures that are not defensible because they fail to consider life cycle costs. He also discussed drivers of the cost of living and explained why the livable wage increases faster than the CPI. He noted the Livable Wage is not prescriptive, only a guideline used by some employers so comparisons with other states should not be a factor in the Council's deliberations. He said Vermont has set a higher standard and we should not retreat simply to conform with others whose methodologies don't meet our standards. He reiterated his support for a review of the technical aspects of the methodology but that the framework should remain.

Document Provided

- *Remarks, Paul A. Cillo, 7/21/08*

Paul A. Cillo, President, Public Assets Institute, Montpelier, thanked members for serving on the Council. He said we are fortunate the State recognizes the importance of doing the basic needs budgets and livable wage calculations for Vermont. He said the Public Assets Institute used the basic needs budgets in its analysis of the "cliff" problem and the impacts health care reform had on the cliff. He said that it was a significant improvement to have one calculated livable wage as is defined in Act 202 because it makes it easier for employers to use. He said it was important to be clear about what basic needs budgets are - the amount families need to live, not what they need to survive. He encouraged the council to focus on reviewing the data sources and options used in these calculations, but not to rethink the entire calculation methodology. The work done in 1999 was fundamentally solid. Vermont's basic needs budget methodology is considered the gold standard among some who do these calculations in other states. He urged the council to resist incorporating changes into Vermont's system just because of what is being done in other states. He said he would monitor the process and his organization would assist in any way it could be useful.

Rep. Head said the methodology established in 1999 is what we are building on in the Council's process. She said it was key that for the first time livable wage was defined.

Council Discussion – Existing Methodology and Introduction to the Components

Sara Teachout continued the discussion of existing methodology.

Rep. Head encouraged Council members to suggest data sources, and Sara Teachout mentioned they should be able to be updated.

Ellen Kahler suggested Council members discuss the expertise they bring to the table. Council members discussed their backgrounds and what they can provide to the Council.

Council Discussion – Issues and Topics for Future Discussion and Analysis

Documents Distributed

- *Proposed Meeting Agendas, Sara Teachout, Joint Fiscal Office*

Council Discussion – Council Work Plan, Future Meeting Dates, Staffing

The Council scheduled future meetings, from 10 a.m. to 4 p.m. at the Vermont State House in Montpelier on the following dates: Thursday, September 18; Thursday, October 2; Tuesday, October 21.

Rep. Head discussed the need to have the last member of the Council appointed.

The Council adjourned at approximately 3:35 pm.

Respectfully submitted,

/s/ Rachel Levin, Legislative Council