



STATE OF VERMONT
GENERAL ASSEMBLY

BASIC NEEDS BUDGET TECHNICAL ADVISORY COUNCIL
MINUTES

Thursday, September 18, 2008
APPROVED 10/2/08

Members Present: Sen. Vince Illuzzi, 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; Katherine Cheney Taft, Vermont Society for Human Resource Management, Technical Connection, Inc.

Members Absent: Rep. Helen Head

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

Recording: CD 2008 – 3, 4, 5

Convene, Review and Approve 7/21/08 Meeting Minutes

At 10:05 a.m. Sen. Illuzzi convened the meeting. He welcomed Katherine Cheney Taft, the final appointment to the Council, to represent the Vermont Society of Human Resource Management. Sen. Illuzzi then asked members to introduce themselves.

Sen. Carris made a motion to accept the 7/21/08 meeting minutes. The motion passed unanimously on a voice vote.

Use of Basic Needs Budgets

Documents Distributed

- *Letter to Council from Duane Marsh, President, and Michael L. Belyea, Legislative Director, Vermont Chamber of Commerce, 9/16/08*
- *National Center for Children in Poverty, Mailman School of Public Health, Columbia University, Basic Needs Budget Calculator, Sara Teachout, Joint Fiscal Office, 9/18/08*

Sara Teachout, JFO, discussed the goals for the meeting. She also noted a letter from the Vermont Chamber of Commerce had been distributed, which in part said, "The Vermont Chamber of Commerce maintains that while wage rates can be a valuable economic indicator, defining the term 'livable wage' in statute could prove to be problematic or misleading to the Vermont business community." She then called the Council's attention to the National Center

for Children in Poverty's (NCCP) Basic Needs Budget Calculator, adding that staff had asked NCCP to explain to the Council, but no one was available for this meeting or the next. Sara Teachout said she would explain what she understood about the Calculator.

Pat Heffernan, Owner, Marketing Partners, Burlington, Vermont, said Marketing Partners was a small marketing and research firm. She said she came to speak about how her firm uses the Basic Needs Budgets, and that she considers it an invaluable tool to help achieve viable, strong, economic communities. She said it was helpful to have a specific number for a livable wage. She said she shared the livable wage information with her employees and used it as a base number to help determine wage and benefits. She said it is the employer's responsibility to look at market rates, and use Basic Budgets for education. She said her firm uses research and data in its work, and was appreciative the Basic Needs Budgets were available. She said it was information which was not otherwise available and was especially appreciative attention is being given to refine it.

In response to a question from Sen. Illuzzi regarding the Vermont Chamber of Commerce's letter to the Council, she said her firm belongs to two business organizations in Vermont: Vermont Businesses for Social Responsibility (VBSR), which completely supported the Basic Needs Budgets and livable wage; and the Lake Champlain Regional Chamber of Commerce, which she could not speak for.

Sen. Illuzzi also brought up the workers' compensation misclassification study also being undertaken by the Legislature. Pat Heffernan said this is a real issue, and her firm is frequently underbid by firms contracting with their workers.

Kathy Brooks, Vice President, Human Resources, Green Mountain Coffee Roasters (GMCR), said GMCR has 1,200 employees in 28 states. She said GMCR believes employees are key to business, and GMCR supported a livable wage. She said the livable wage is currently at \$11.41 per hour, but no one comes into a job at GMCR for less than \$11.00, which includes a comprehensive benefits package and many wellness programs. An \$11.00-hour worker would be paying less as a percentage for health care than a higher paid employee. She discussed GMCR's corporate goals.

Kathy Brooks requested simplifying and including other benefits not included in the Basic Needs calculation. She said it was a complicated business issue, and that a "livable wage" had to be looked at beyond the definition, because businesses each define livable wage differently, and a livable wage does not account for all "credits." She said simplicity and clarification were needed, as well as an education program for employees about a livable wage. She said Vermont was a leader in the Basic Needs calculation, and the calculation needed to be importable to other states.

Sen. Carris asked how it would be portable. Kathy Brooks said if Vermont could come up with a calculation which other states could use, that would be useful. There has to be transparency and an easy and consistent way to explain to employees and business so that they can interact. There should be a way to consider benefit structures different companies have. Sen. Carris said what Kathy Brooks was asking was assessing the cost to the employer as well as the benefit to the employee.

Ellen Kahler said the Council's challenge was to develop a tool an employer could use to include assumptions relating to a specific business.

David Murphey said it may be a mistake to call it a livable wage. He said what was being considered was looking at people's basic needs and the amount to meet those needs.

Colin Robinson, Director, livable wage Campaign, Peace and Justice Center, Burlington, said that although he had not participated in the legislative discussion during the past session the Center supported the Council's efforts to improve the study methodology.

He said the issue being discussed across America is that there is a poverty measure which does not reflect real life. He said in Vermont we have a great standard, developed over 10 years. Sen. Carris asked how best to describe what Vermont does. Colin Robinson said calling it a Basic Needs Budget is good language to use due to the fact there is a specific methodology relating to family budgets.

Ellen Kahler explained the history of the livable wage, and that in the original study it was referred to as a Livable Income.

Existing Methodology and Components

Documents Distributed

- *Chart, Single Parent with One Child, Urban and Rural, Sara Teachout, Joint Fiscal Office*

Sara Teachout, Joint Fiscal Office (JFO), continued the review of the NCCP Basic Needs Budget Calculator. She said David Murphey had brought the tool to her attention. She said the components can be adjusted but not the benefits offered by the company.

Ellen Kahler said the 1999 question was, what is actually needed for a livable wage? Sen. Carris said a calculator would be a good way of comparing. David Murphey asked what would be calculated. Sen. Carris said some needs are different. Sara Teachout said many states have used the words, Self-Sufficiency Budgets." David Paddock said a variety of pieces could be developed to meet different users' needs.

Housing

Documents Distributed

- *Chart, Rent (& Utilities) HUD FMR, Sara Teachout, Joint Fiscal Office*
- *Family Homelessness in Vermont, Fourth in a Series of VHFA Issue Papers, John Fairbanks, Vermont Housing Finance Agency (VHFA)*
- *Between a Rock and a Hard Place, Housing and Wages in Vermont, John Fairbanks, VHFA, 2008 Update*
- *Housing Wages, National Low Income Housing Coalition – Out of Reach 2007 – 2008, Erhard Mahnke, Vermont Affordable Housing Coalition*
- *Allowances for Tenant-Furnished Utilities and Other Services, U.S. Department of Housing and Urban Development, Erhard Mahnke, Vermont Affordable Housing Coalition*

Sara Teachout, JFO, discussed current mythology and data used for the housing Basic Needs Budget calculation. She mentioned the Vermont State Housing Authority and a database they have which she is going to have Tom Kavet look at. Sen. Illuzzi asked if only rental housing is looked at. Sara Teachout said yes, currently, but one suggestion was to also look at home ownership.

John Fairbanks, Vermont Housing Finance Agency (VHFA), distributed two reports. Sen. Illuzzi asked, regarding the Legislature's housing bill, how has it played out? John Fairbanks said it is going well, that the cost of borrowing the money VHFA uses from bonds would have become increasingly expensive.

John Fairbanks gave the Council some background and the current state of the finance and credit markets. He said the impact on Vermont was yet to be determined, but VHFA had concerns relating to turmoil, there was no direct affect due to the fact there is a small number of sub-prime loans in Vermont. However, it has become harder to sell housing bonds and attract investors. VHFA and housing organizations across the country are hoping investor confidence returns.

He then mentioned the Rock and a Hard Place report and discussed what it costs for a Vermonter to keep a roof over his/her head. He said over the past 10 years, rents and home prices have skyrocketed. He said Vermont has not seen prices drop as in other parts of the country. Median price of a house in Vermont is around \$200,000 and has been for a year. Rents have also increased dramatically.

John Fairbanks said it was important to take into consideration what Vermont's job picture looks like. Top 10 jobs in terms of employment are mostly low wage jobs; the fastest growing job category was social assistance, also low wage jobs. Most of our workforce is employed by low wage jobs, and it is projected to stay the same in the future.

He said housing was a basic necessity that has become increasingly expensive. Wages have stayed relatively flat, partly due to lack of supply. He said Vermont has one of the tightest housing markets in the country, and is one of the most unaffordable states in the country.

He said the suggestion about breaking out utilities was a good idea; there is a rapid run-up in those costs. Every fuel source has skyrocketed. He also said it may be time to look at getting a more accurate number for rent itself. If you are not a household earning \$50,000 or more, you have a problem in Vermont, which means one-half the State's population is in trouble. John Fairbanks also referenced the homeless families report. He said Vermont is seeing a growing number of homeless working families in Vermont, with at least one wage earner. Foreclosure rates in Vermont are below other states, but Vermont is seeing more foreclosures, which are coming on the heels of job loss.

John Fairbanks said there was a piece of good news. The Legislature's housing bill had been very helpful. As well, at the Federal level, there was a sweeping housing bill which was passed which will provide more resources for FHAs. He said leadership in the public sector in Government realized the situation and took action to try to provide more resources.

Erhard Mahnke, Director, Vermont Affordable Housing Coalition, addressed methodology details that are currently being used. He said out of 12,000 affordable housing units of housing statewide, 7,000 using oil or propane. Affordable housing providers do not have place to pass run-ups to. There has been a doubling of utility costs, which were at 10%, and now 20% of operating costs. He said this puts the entire affordable housing in jeopardy.

He said Vermont needed to look closely at Fair Market Rent (FMR.) He said it is a national standard, but it has some shortcomings: only 40th percentile of the market, not median of market, which does not reflect actual rental markets to pay rent; 9 months before it goes into effect, HUD develops, but there is a lag time, but because of timing this year, they do not reflect the new energy prices.

Erhard Mahnke suggested breaking out utilities from rent. He said the Vermont State Housing Authority (VSHA) has the flexibility to reflect differences in markets, based on its knowledge of the local market. Recommends not substituting VSHA, but not recommending because of Congressional budgetary recommendations and do not accurately reflect Vermont markets. Their database is something which should be investigated. The best statewide source for what the actual markets are doing. He said the housing component needs to reflect better larger family size. He also suggested breaking out home ownership costs.

Sara Teachout, JFO, explained HUD FMRs are the industry standard for estimating rents nationally. There are some concerns that in some markets they underestimate the rental markets and that the utilities portion of the FMRs – especially in the future as fuel costs increase – are not as accurate as they could be. JFO will look at the VSHA data and see if it could be used to refine the FMRs in any way.

Health and Dental Care

Documents Distributed

- *Draft Basic Needs Budget – Comparison of Health Care Methodologies, Nolan Langweil, Joint Fiscal Office, 9/18/08*
- *Health Insurance Coverage Profile of Vermont Residents, 2001 – 2006, Nolan Langweil, Joint Fiscal Office*

Nolan Langweil, Fiscal Analyst, JFO, explained what the Health Care methodology has been, a perspective on other data and the current methodology with suggestions.

At 12:15 p.m. the Council recessed for lunch and reconvened at 1:00 p.m.

Health and Dental Care Continued

Nolan Langweil, JFO, reviewed the Comparison of Health Care Methodologies and Health Insurance Coverage documents. He referred to the historical chart (located on page 16 of last year's report) and pointed out there had been some significant methodological changes since 1999, therefore, the year-to-year differences are not necessarily representative of what may have really happened. For instance the number for a single person with no employer- assisted health insurance decreased by 45% between 2004 and 2005. This was not because costs decreased, but because the methodology had changed. He briefly described the methodology used in 2005 and 2007, but could not speak to what methodology had been used prior to that.

Nolan Langweil recommended not only revamping the methodologies, but doing them retroactive to 1999 so there would be appropriate historical comparisons.

The health care methodology has also traditionally been divided up by those with employer-sponsored insurance (ESI) and those without ESI. For ESI, he recommended utilizing a national database called the Medical Expenditure Panel Survey (MEPS), which is updated and maintained by the Agency for Healthcare Research and Quality (AHRQ), which is part of the U.S. Department of Health and Human Services. This national dataset is consistently used by other states and organizations that have done similar studies and was also used in the Basic Needs study in 2005 and 2007. Nolan Langweil explained that the health care costs are a combination of premiums and out-of-pocket costs. He recommended using the MEPS data for premiums and then using median out-of-pocket costs by age cohort (0-17 and 18-64). He explained that in his opinion, this was the best way to cast the widest net to capture this group of people.

For those without ESI, often referred to as “the individual market,” it is much more difficult to generalize their health care premium and out-of-pocket experience because there is such a wide range of products, deductibles, etc., but very little data that captures this experience (unlike MEPS). In the past, the report assumed a family in the individual market would purchase an MVP indemnity product with a \$3,500 deductible, 30% co-insurance, and no out-of-pocket maximum. They also made assumptions employing utilization data (from BISHCA) and per-capital costs. Nolan Langweil pointed out that it is difficult to identify a one-size fits all methodology for this group for which there is very little available expenditure data. He also pointed out that this group represents only a small percentage of Vermonters. According to BISHCA data, in 2006 there were 8,304 people in the individual market representing less than 3% of Vermonters with private insurance (these numbers do not include Catamount Health because Catamount did not begin until November 2007). The individual market has been consistently declining over the years and as such it is fair to assume that in 2008, there are even less. Nolan Langweil recommended that the committee consider eliminating capturing those with no ESI going forward since they represent such a small percent of Vermonters. He also suggested that committee might want to consider using Catamount. Not only is there significant interest in Catamount but there is available data from which to draw upon, unlike the rest of the individual market. As of August, there were approximately 6,000 people on Catamount Health.

Sen. Illuzzi suggested looking at what the court uses for child support guidelines. Sara Teachout, JFO, asked if the Council wants to create a basic budget without any public assistance.

Sen. Illuzzi said there is fuel, health insurance, housing cost assistance. Karen Lafayette, Low Income Advocacy Council, commented.

David Murphey said basic needs are the responsibility of the sum total of the private and the public sector, and it is not solely the employer’s job, it is society’s job to ensure they are met. Nowhere are families’ basic needs met entirely by wages. He said it is a misuse of the concept of “livable wage” to put it solely on the employer’s shoulders.

Ellen Kahler asked to hear from Tom Kavet and Doug Hoffer at the next meeting to get their recommendations. Steve Paddock said there are different answers for different users, and asked how the Council wanted to accommodate that.

Dental

Nolan Langweil said that the study has used a Northeast Delta Dental plan premium for its estimate of dental costs for many years. He recommended also adding median out-of-pocket dental costs. Since a large number of dental plans have no deductibles for regular visits, it will not add much to the monthly estimates.

Lila Richardson, Attorney, Vermont Health Care Ombudsman's Office, said health care costs are very hard to estimate because they are very variable. Health status also can dramatically change and also affect the family status. She does not think Catamount is a good proxy. She recommended more of a calculator approach with individuals, with basic needs which are met, but having people understand it is an average.

Public Comment

There was no public comment.

Child Care

Sara Teachout, JFO, discussed the child care market rate data used in the study which comes from data collected by the DCF JFO is not recommending any changes to the child care portion of the methodology. The data collection has improved since the BNB study began (Carole Pomeroy can discuss the data in more detail) and is still the best source for the budgets. The only change in the child care data since the original study has been to calculate 52 weeks of child care instead of 50 annually. Past studies have assumed that children do not attend child care for two weeks of the year. In practice, child care centers charge tuition for time that children are not attending for vacations, holidays, etc. By including 52 weeks of child care expenses, the study is now more accurate, and this should be continued.

Carole Pomeroy, Department for Children and Families (DCF), Agency of Human Services (AHS), discussed the data DCF has available by AHS district.

Barbara Postman, Voices for Vermont's Children, said she would talk about child care but also about the Basic Needs calculation in general. She reiterated the reason for the calculation; the calculation is a hypothetical family making reasonable assumptions which is a benchmark. The number ends up being really high, but these are the items that it takes to live if you do not have help from the safety net or public policy decisions. This number is what it takes; she urged the Council not to yield to the temptation to make the number a little lower. She said there was a difference between communicating about what Basic Needs Budget is and calculating it.

Barbara Postman said child care is easier because the data is so good. DCF has done a good job and upgraded its data. She said this is the "silent budget buster." Over 70% of children in Vermont do not have a parent at home. She thanked the Council for doing this work. Barbara Postman said Vermont's Basic Needs Budgets are the gold standard, and she hopes Vermont can continue to be the gold standard.

Telephone Expenses

Sara Teachout, JFO, explained that the study only includes estimates for a land line and estimates the expenses to include only standard use measured service (SUMS) and \$10 per month for long-distance charges. She said there were questions about whether the long-distance charges should be changed and whether cell phones, cable or internet access should be included.

Tamera Pariseau, Coordinator, Consumer Affairs and Information Specialist, Department of Public Service (DPS), said she would answer the Council's questions. Sen. Illuzzi asked about cell phones. She said lower income people will forgo a land line to have a cell phone.

There was discussion about whether cable and Internet service were a basic need.

Components Options Review, Proposed Staff Recommendations, and Discussion

Sara Teachout, JFO, talked about the recommendations made today. Ellen Kahler asked about the process.

Steve Paddock asked what the end product would look like. Sen. Illuzzi said he thinks the categories need to be updated. Andrew Condon said the Basic Needs Wage is a guideline and a benchmark. He said he was less concerned about how accurate it was at the margins with very complicated issues. David Murphey said he was in agreement. Other Council members also agreed.

Committee Discussion, Information and Research Requests, Future Meeting Planning

The Council adjourned at approximately 3:00 pm.

Respectfully submitted,

/s/ Rachel Levin, Legislative Council