

Basic Needs Budgets and the Livable Wage

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

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Part I - Executive Summary

This is the ninth 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

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-assisted health insurance, averaged for both urban and rural areas. **The 2012 Vermont Livable Wage is \$12.48 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 six 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. In 2008, in recognition of the need for a thorough review of the methodology and data sources, a Basic Needs Technical Advisory Council, composed of eight members was created to make recommendations for comprehensive improvements to the study. The Legislative Joint Fiscal Committee has the authority to update the study methodology and adopted the Technical Advisory Committee's recommendations. Additional changes, described in Part II of this report, were approved in the fall of 2012 and are incorporated into the 2013 report.

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 – 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. Four changes have been made to the methodology used in the last report: 1) the data used for the clothing and household expense category is changed from an income-based match one based on family configuration; 2) the measure and allowance for telecommunications expenses is revised, 3) the federal payroll tax is calculated at its full level; and 4) a different data source for the health care out-of-pocket costs is utilized.

Clothing and Household Expenses

The proposed change is to match the expenses by the type of family rather than by income level (Table 5: Composition of Consumer Unit rather than Table 4 and Table 2301 combined) While neither of these is a perfect match, it prevents some of the circular nature of the calculation.

Telecommunications

A separate telecommunications calculation utilizes the Consumer Expenditure Survey Table 1500: Composition of Consumer Unit and include expenses for a) telephone services - this item includes residential phone, cell, phone cards and VoIP services, and b) computer information services. Personal expenses are separated from telecommunications and \$2.75 per adult - rather than person - in the household, per day is included (1999 \$2.00 per person per day indexed by the CPI to 2012).

Tax Calculations

The federal payroll tax was reduced from 6.2% to 4.2% effective in 2011 and 2012. It is anticipated that Congress will allow the tax cut to expire in 2013. The upcoming BNB is based on 2012 tax year laws, but the report is released in 2013. The payroll tax amount is calculated at the full 6.2% level.

Health Care

The health care category is comprised of both estimated costs for health insurance premiums and out-of-pocket costs. JFO has new access to the Vermont Healthcare Claims Uniform Reporting and Evaluation System (VHCURES) data which are Vermont specific-data collected for the Vermont Department of Financial Regulation. The former out-of-pocket spending estimates from the national MEPS data has been replaced with the VHCURES data to better reflect the actual out-of-pocket costs by Vermonters with health insurance.

The results of the changes proposed above are not evenly distributed increases or decreases, but have mixed results based on family configuration.

**Part III – 2012 Vermont Basic Needs Budgets
and the 2012 Vermont Livable Wage**

2012 Livable Wage = \$12.48 per hour^[1]

2012 Livable Wage Rates

Family Type	Urban	Rural
Single Person	\$15.81	\$15.74
Single Parent with One Child	\$25.29	\$23.41
Single Parent with Two Children	\$29.82	\$28.03
Two Adults with No Children	\$12.46	\$12.51
Two Adults with Two Children (One Wage Earner)	\$29.10	\$30.12
Two Adults with Two Children (Two Wage Earners)	\$18.56	\$18.72

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

**2012 Vermont Basic Needs Budget
Single Person**

	Urban	Rural
Category	<i>cost estimates are per month</i>	
Food	323	323
Housing	788	742
Transportation	513	542
Health Care	129	129
Dental Care	10	10
Child Care	0	0
Clothing & Household Expenses	169	169
Personal Expenses	84	84
Telecommunications	81	81
Rental Insurance	11	15
Term Life Insurance	0	0
Savings	105	105
Total Monthly Expenses	2,213	2,200
Annual Expenses	26,554	26,400
Federal & State Taxes	6,327	6,332
Annual Income	32,881	32,732
Hourly "Livable" Wage	\$ 15.81	\$ 15.74
<i>Average Wage PER Earner</i>		
Tax Calculations	2012 Tax Year - Single Filer	
AGI	32,881	32,732
Standard Deduction	(5,950)	(5,950)
Personal Exemption(s)	(3,800)	(3,800)
Taxable Income	23,131	22,982
Federal Tax (before credits)	3,035	3,012
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	3,035	3,012
State Tax (before credits)	821	816
Dependent Care Credit	-	-
Renter Rebate	(44)	-
Net State Tax	777	816
FICA/Medicare	2,515	2,504
Total	6,327	6,332

**2012 Vermont Basic Needs Budget
Single Parent with One Child**

	Urban	Rural
Category	<i>cost estimates are per month</i>	
Food	488	488
Housing	1,029	923
Transportation	495	473
Health Care	280	280
Dental Care	39	39
Child Care	737	633
Clothing & Household Expenses	231	231
Personal Expenses	84	84
Telecommunications	81	81
Rental Insurance	11	15
Term Life Insurance	32	32
Savings	175	164
Total Monthly Expenses	3,682	3,443
Annual Expenses	44,179	41,318
Federal & State Taxes	8,426	7,368
Annual Income	52,604	48,686
Hourly "Livable" Wage	\$ 25.29	\$ 23.41
<i>Average Wage PER Earner</i>		
Tax Calculations	2012 Tax Year - Head of Household	
AGI	52,604	48,686
Standard Deduction	(8,700)	(8,700)
Personal Exemption(s)	(7,600)	(7,600)
Taxable Income	36,304	32,386
Federal Tax (before credits)	4,826	4,238
Child Credit	(1,000)	(1,000)
Dependent Care Credit	(600)	(600)
Net Federal Tax	3,226	2,638
State Tax (before credits)	1,320	1,150
Dependent Care Credit	(144)	(144)
Renter Rebate	-	-
Net State Tax	1,176	1,006
FICA/Medicare	4,024	3,725
Total	8,426	7,368

**2012 Vermont Basic Needs Budget
Single Parent with Two Children**

	Urban	Rural
Category	<i>cost estimates are per month</i>	
Food	716	716
Housing	1,029	923
Transportation	495	473
Health Care	377	377
Dental Care	101	101
Child Care	1,075	990
Clothing & Household Expenses	231	231
Personal Expenses	84	84
Telecommunications	81	81
Rental Insurance	11	15
Term Life Insurance	36	36
Savings	212	201
Total Monthly Expenses	4,448	4,229
Annual Expenses	53,380	50,752
Federal & State Taxes	8,652	7,556
Annual Income	62,033	58,308
Hourly "Livable" Wage	\$ 29.82	\$ 28.03
<i>Average Wage PER Earner</i>		
Tax Calculations	2012 Tax Year - Head of Household	
AGI	62,033	58,308
Standard Deduction	(8,700)	(8,700)
Personal Exemption(s)	(11,400)	(11,400)
Taxable Income	41,933	38,208
Federal Tax (before credits)	5,692	5,134
Child Credit	(2,000)	(2,000)
Dependent Care Credit	(1,200)	(1,200)
Net Federal Tax	2,492	1,934
State Tax (before credits)	1,703	1,449
Dependent Care Credit	(288)	(288)
Renter Rebate	-	-
Net State Tax	1,415	1,161
FICA/Medicare	4,745	4,461
Total	8,652	7,556

2012 Vermont Basic Needs Budget
Two Adults with No Children (2 wage earners)

	Urban	Rural
Category	<i>cost estimates are per month</i>	
Food	640	640
Housing	788	742
Transportation	1,024	1,077
Health Care	280	280
Dental Care	40	40
Child Care	0	0
Clothing & Household Expenses	273	273
Personal Expenses	168	168
Telecommunications	133	133
Rental Insurance	11	15
Term Life Insurance	32	32
Savings	169	170
Total Monthly Expenses	3,558	3,570
Annual Expenses	42,694	42,839
Federal & State Taxes	9,121	9,204
Annual Income	51,815	52,043
Hourly "Livable" Wage	\$ 12.46	\$ 12.51
<i>Average Wage PER Earner</i>	LIVABLE WAGE	12.48
Tax Calculations	2012 Tax Year - Married Filing Jointly	
AGI	51,815	52,043
Standard Deduction	(11,900)	(11,900)
Personal Exemption(s)	(7,600)	(7,600)
Taxable Income	32,315	32,543
Federal Tax (before credits)	4,010	4,044
Child Credit	-	-
Dependent Care Credit	-	-
Net Federal Tax	4,010	4,044
State Tax (before credits)	1,147	1,179
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,147	1,179
FICA/Medicare	3,964	3,981
Total	9,121	9,204

2012 Vermont Basic Needs Budget
Two Adults with Two Children (one wage earner)

	Urban	Rural
Category	<i>cost estimates are per month</i>	
Food	995	995
Housing	1,029	923
Transportation	947	1,174
Health Care	377	377
Dental Care	105	105
Child Care	0	0
Clothing & Household Expenses	352	352
Personal Expenses	168	168
Telecommunications	133	133
Rental Insurance	11	15
Term Life Insurance	37	37
Savings	208	214
Total Monthly Expenses	4,362	4,493
Annual Expenses	52,342	53,913
Federal & State Taxes	8,189	8,747
Annual Income	60,531	62,660
Hourly "Livable" Wage	\$ 29.10	\$ 30.12
<i>Average Wage PER Earner</i>		
Tax Calculations	2012 Tax Year - Married Filing Jointly	
AGI	60,531	62,660
Standard Deduction	(11,900)	(11,900)
Personal Exemption(s)	(15,200)	(15,200)
Taxable Income	33,431	35,560
Federal Tax (before credits)	4,334	4,654
Child Credit	(2,000)	(2,000)
Dependent Care Credit	-	-
Net Federal Tax	2,334	2,654
State Tax (before credits)	1,224	1,300
Dependent Care Credit	-	-
Renter Rebate	-	-
Net State Tax	1,224	1,300
FICA/Medicare	4,631	4,793
Total	8,189	8,747

2012 Vermont Basic Needs Budget
Two Adults with Two Children (two wage earners)

	Urban	Rural
Category	<i>cost estimates are per month</i>	
Food	995	995
Housing	1,029	923
Transportation	947	1,174
Health Care	377	377
Dental Care	105	105
Child Care	1,075	990
Clothing & Household Expenses	352	352
Personal Expenses	168	168
Telecommunications	133	133
Rental Insurance	11	15
Term Life Insurance	45	45
Savings	262	264
Total Monthly Expenses	5,499	5,540
Annual Expenses	65,983	66,484
Federal & State Taxes	11,218	11,396
Annual Income	77,201	77,880
Hourly "Livable" Wage	\$ 18.56	\$ 18.72
<i>Average Wage PER Earner</i>		
Tax Calculations	2012 Tax Year - Married Filing Jointly	
AGI	77,201	77,880
Standard Deduction	(11,900)	(11,900)
Personal Exemption(s)	(15,200)	(15,200)
Taxable Income	50,101	50,780
Federal Tax (before credits)	6,956	7,058
Child Credit	(2,000)	(2,000)
Dependent Care Credit	(1,200)	(1,200)
Net Federal Tax	3,756	3,858
State Tax (before credits)	1,844	1,869
Dependent Care Credit	(288)	(288)
Renter Rebate	-	-
Net State Tax	1,556	1,581
FICA/Medicare	5,906	5,958
Total	11,218	11,396

Part VI – 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.

2012 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	\$11,170	13,400	16,760	19,550	20,660	22,340	25,130	33,510
2	15,130	18,200	22,700	26,480	27,990	30,260	34,040	45,390
3	19,090	22,900	28,640	33,410	35,320	38,180	42,950	57,270
4	23,050	27,700	34,580	40,340	42,640	46,100	51,860	69,150
5	27,010	32,400	40,520	47,270	49,970	54,020	60,770	81,030
6	30,970	37,200	46,460	54,200	57,290	61,940	69,680	92,910
7	34,930	41,900	52,400	61,130	64,620	69,860	78,590	104,79
8	38,890	46,700	58,340	68,060	71,950	77,780	87,500	116,67
Each add'l	3,960	4,800	5,940	6,930	7,330	7,920	8,910	11,880

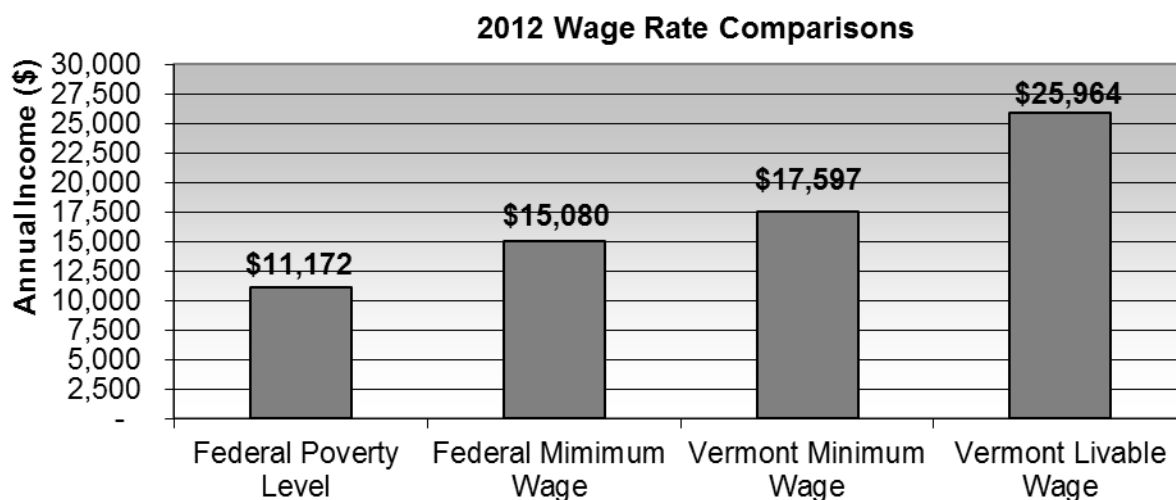
SOURCE: <http://aspe.hhs.gov/poverty/12poverty.shtml>

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 is \$8.46 as of January 1, 2012. 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.

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 2012 is more than two times the federal poverty level (FPL) established for a single person. The federal minimum wage is only 58% of the Vermont Livable Wage, and the state (Vermont) minimum wage is 68% 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.

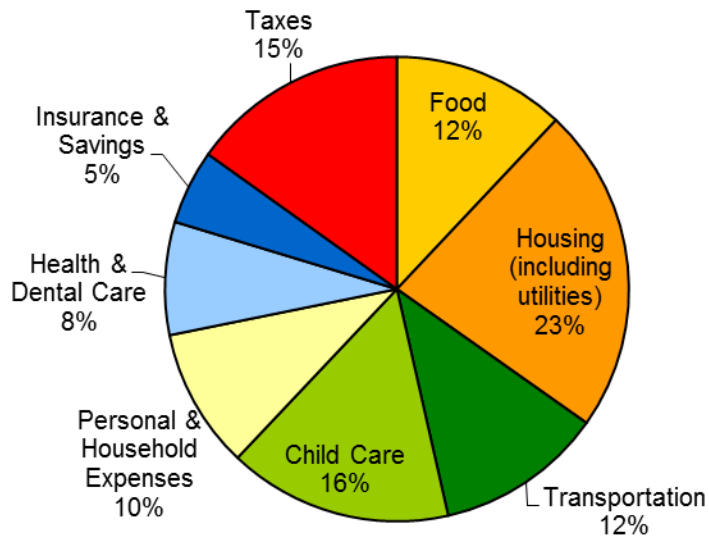
The first table and pie chart for each illustrate the breakdown of the major expense components of the family budget both pre-tax and within the overall budget. For the single-parent family, housing is the largest component of the budget at 23%, followed by child care and transportation. Transportation 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 over 7%. federal and state taxes (including FICA and Medicaid) combined for both families are between approximately 15%.

The Basic Needs Budget for the single-parent family is about \$48,686 or 20% 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 7% below the median four-person family income in Vermont in 2011. Again, the Budget for this family is well above both the FPL and the minimum wage.

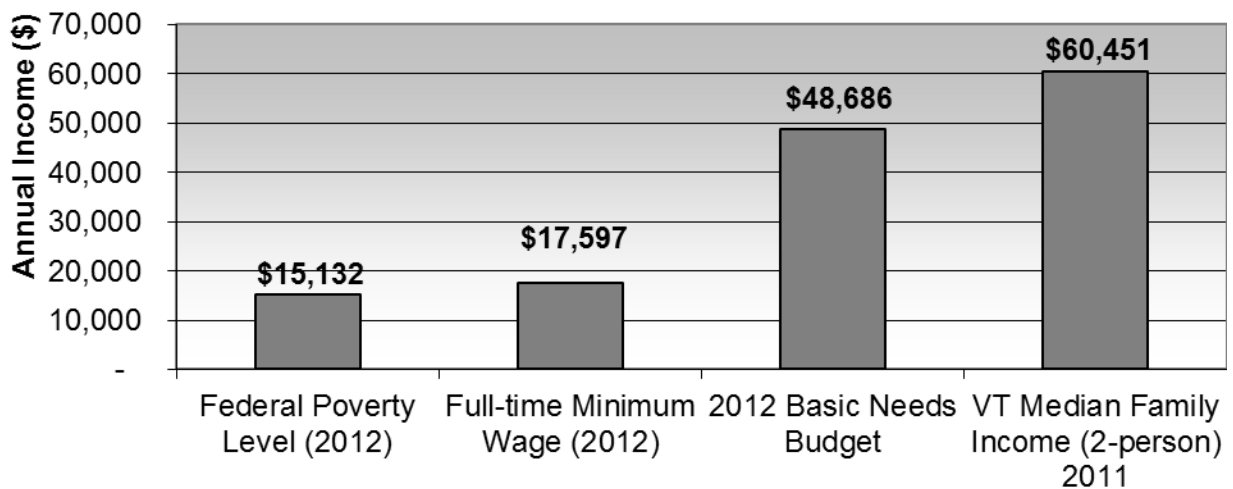
Single Parent with One Child (Rural)

Expense	Monthly	Annual	% of Budget
Food	488	5,854	12.0%
Housing (including utilities)	923	11,079	22.8%
Transportation	473	5,681	11.7%
Child Care	633	7,600	15.6%
Personal & Household Expenses	396	4,754	9.8%
Health & Dental Care	319	3,824	7.9%
Insurance & Savings	211	2,526	5.2%
Expense Budget	3,443	41,318	84.9%
Taxes	614	7,368	15.1%
Overall Budget	4,057	48,686	

Percentage of Income Needed to Meet Basic Needs in Vermont



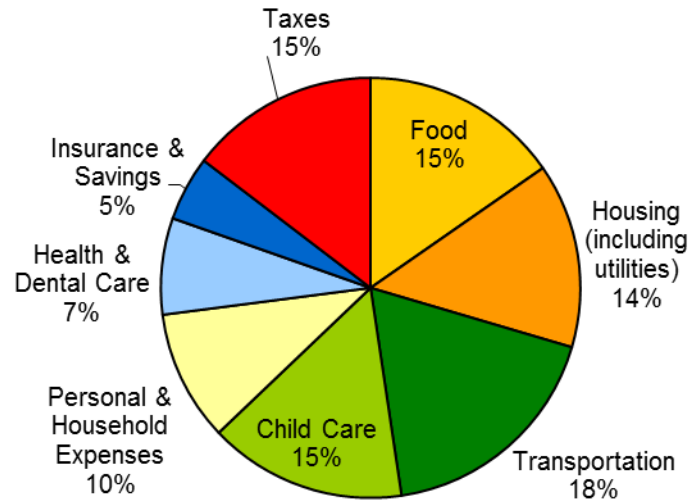
Vermont Basic Needs Income Compared to Other Benchmarks



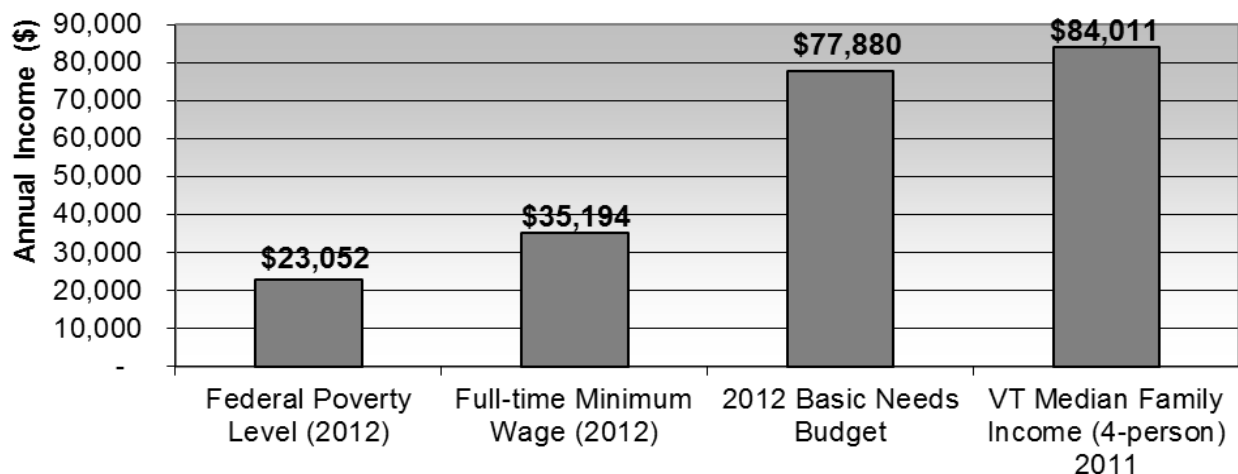
Two Working Parents with Two Children (Rural)

Expense	Monthly	Annual	% of Budget
Food	995	11,941	15.3%
Housing (including utilities)	923	11,079	14.2%
Transportation	1,174	14,083	18.1%
Child Care	990	11,877	15.3%
Personal & Household Expenses	653	7,837	10.1%
Health & Dental Care	482	5,781	7.4%
Insurance & Savings	324	3,886	5.0%
Expense Budget	5,540	66,484	85.4%
Taxes	950	11,396	14.6%
Overall Budget	6,490	77,880	

Percentage of Income Needed to Meet Basic Needs in Vermont



Vermont Basic Needs Income Compared to Other Benchmarks



Part IV – 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.

Select USDA Monthly Food Plans: June 2012	
Age/Gender Group	Moderate (\$)
Child 4 – 5 years	163.30
Child 6 – 8 years	223.00
Adult Male 19 – 50 years	292.80
Adult Female 19 – 50 years	251.40

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 2013 data were finalized in October 2012. 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 2013 HUD Fair Market Rents (Monthly)		
County	1 Bedroom (\$)	2 Bedrooms (\$)
Addison	807	957
Bennington	749	939
Caledonia	622	737
Essex	636	754
Lamoille	796	992
Orange	785	940
Orleans	634	758
Rutland	712	902
Washington	780	967
Windham	724	931
Windsor	789	1,024
Burlington, VT MSA	788	1,029

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		
	2012	2010	2008
X			
10,000	55.5	50.0	54.5
11,000	53.0	47.4	51.9
12,000	50.4	44.8	49.3
13,000	47.9	42.1	46.6
14,000	45.3	39.5	44.0
15,000	42.8	36.9	41.4
16,000	41.5	35.6	40.1
17,000	40.2	34.2	38.7
18,000	38.9	32.9	37.4
19,000	37.6	31.5	36.0
20,000	36.3	30.2	34.7

NOTE: Bold is IRS Mileage Rate. 2008 is the average of the two rates published that year; 58.5 and 50.5.

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,

<http://www.irs.gov/newsroom/article/0,,id=216048,00.html>

AAA 2012 Your Driving Costs publication <http://newsroom.aaa.com/wp-content/uploads/2012/04/YourDrivingCosts2012.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 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

Clothing and Household

These figures are from the 2011 Consumer Expenditure Survey Table 5 which shows expenditures by the composition of the consumer unit. 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.

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 2012 by inflation (CPI) the amount is now \$2.75 per adult in the household 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.

Data Sources:

Verizon and U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, www.bls.gov/CPI/

Rental Insurance

Insurance rates are from Smith, Bell & Thompson in Burlington. Coverage includes \$25,000 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

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 also included a column for those without employer-sponsored health insurance, but this was discontinued in the 2008 study.

This report uses Vermont-specific information on employer-sponsored insurance premiums, 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).¹ There is usually a lag in the availability of data, therefore information on employee premium costs are based on the most recent data available and trended forward.² There are some short-comings with the MEPS data as they pertain to Vermont, but in the absence of a better Vermont-specific data source for this type of information, this is the best available information at this time.

According to the 2011 MEPS data, the employee share of the premiums for single coverage, single plus-one coverage, and family coverage were 21%, 25%, and 25%, respectively, which is fairly consistent with both other nationwide data as well as anecdotal data concerning Vermont.³

For the 2012 report, there was a small methodology change concerning out-of-pocket (OOP) costs. Previous reports used MEPS data to estimate OOP cost's, however these data are national data and not Vermont-specific. This year's report employs VHCURES data which are Vermont specific data collected by Onpoint Health Data on behalf of the Vermont Department of Financial Regulations.⁴ The report uses mean 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. According to the data, almost half of this population had no out-of-pocket expense, while only approximately 3% had out-of-pocket expenses that exceeded \$2,500. To control for these outliers, we've truncated the data excluding the highest 3% of out-of-pocket spenders. As a result of the methodology change, readers may notice that reported total health care costs differ from previous reports. As such, we were unable to do an apples-to-apples comparison of costs prior to 2007 for the appendix.

There are several variables and moving pieces that have impacted health care spending over the past many years and will affect future spending on health care services nationally and in Vermont:

The Affordable Care Act - In March 2010, Congress passed and the president signed the Patient Protection and Affordable Care Act of 2010 (PPACA). While there were several provisions that had more immediate impacts on health insurance (such as requiring plans that offer dependent coverage to offer coverage for adult children up to age 26), the biggest changes will come in 2014 when the state health insurance exchange is up and running.

Vermont Health Care Reform - Recent legislation (Act 48 of 2011 and Act 171 of 2012) laid out a framework for implementing the exchange in 2014 with a goal of realizing a universal and unified health care system, known as Green Mountain Care by 2017. Act 48 also created the

¹ AHRQ is part of the U.S. Department of Health & Human Services.

² MEPS data for 2011 were released in July 2012.

³ According to the Kaiser Family Foundation and Health Research and Education Trust annual survey on employer health benefits (2011), employees contributed on average approximately 17% and 27% for single and family premiums, respectively.

⁴ VHCURES stands for Vermont Healthcare Claims Uniform Reporting and Evaluation System.

Green Mountain Care Board for the purpose of providing regulatory oversight and controlling health care costs amongst other things.

Recent Trends - Health care utilization and spending trends have been lower than expected over the past several years. One major factor has been the economic downturn. According to an article in *Health Affairs*, private insurance spending was expected to remain low in 2012 and 2013 for many reasons.⁵ First, consumers are expected to remain sensitive to their use of health care services, particularly where out-of-pocket costs are involved. Additionally, employers are expected to continue to look at controlling costs through tighter management, reduced benefits, and/or higher cost sharing which can also have a utilization effect. Additional research suggests that individuals and families shifted to plans with lower premiums in order to offset higher overall costs of coverage as well as spent less on pharmaceuticals by shifting from brand-name to generic drugs.⁶ Given these dynamics, making projections for 2012 health care dollar has proven challenging.

Dental Care

Beginning in 2008, attempts were made to address cost-sharing by estimating median out-of-pocket costs. VHCURES data were not available so national MEPS data were used.

It should be noted that there appears to be a strong relationship between employer size and those that offer dental benefits to their employees. For instance, 17% of firms with 1-9 employees offered a dental benefit to both part and full-time employees, while 85% of firms with 50-249 employees and 94% of firms with more than 250 employees offered dental benefits to both part and full-time employees.⁷ Approximately 206,346 Vermonter's are covered by dental policies.⁸

The study used the Northeast Delta Dental plan as the premise for premiums. NE Delta Dental has a significant market share in Vermont with over 65,000 subscribers covering almost 137,000 enrollees.⁹ Using "Option 3" is the equivalent of the former "Preventer 1" plan used in previous years.

In the absence of statewide data concerning the average premium cost-sharing with employees, this study utilized the Vermont Education Health Initiative (VEHI), as a proxy for estimating dental cost-sharing for this report.¹⁰ 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.

Finally it should be noted that the numbers in the appendix concerning dental coverage may not reflect data presented in previous basic needs reports. Up until 2007, dental costs captured

⁵ Keehan, S., Cuckler, A., et al. National Health Expenditure Projections: Modest Annual Growth Until Coverage Expands and Economic Growth Accelerates. *Health Affairs*, 31, No.7, 2012.

⁶ Cunningham, P.J. Despite Recession's Effects On Income and Jobs, The Share of People with High Medical Costs was Mostly unchanged. *Health Affairs*, 31, No.11, 2012.

⁷ 2011 Fringe Benefit Survey, Vermont Department of Labor. April 2012.

⁸ Department of Financial Regulations. Preliminary data as of 12/31/11.

⁹ Data provided by NE Delta Dental (as of 6/30/10).

¹⁰ VEHI is a large, non-profit purchaser of health care for Vermont public schools, covering over 19,000 employees and retirees.

both employer and employee share. The numbers have been restated to address only employee share of dental premiums as well as OOP costs.

Technical Information

The health and dental care numbers in the appendix are a combination of the employee- only share of premiums as well 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 premium information for 2012.

Health Insurance Premiums (Monthly)

2012	Total	Employer Share	Employee Share
Single	491	389	102
Single + 1 child	1,008	754	254
Single + 2 children	1,432	1,072	360
Two Adults	1,008	754	254
Two Adults + 2	1,432	1,072	360

Dental Insurance Premiums (Monthly)

2012	Total	Employer Share	Employee Share
Single	64	58	6
Single + 1 child	109	76	33
Single + 2 children	185	93	93
Two Adults	109	76	33
Two Adults + 2	185	93	93

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 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 the before-tax expenses. 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 2012. 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 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 2012, the FICA rate was temporarily reduced to 4.2% (from 6.2%) on the first \$110,100 of wage and salary income. For this report the full 6.2% was used. This is for the employee share only and does not include the employer's matching amount. Medicare 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.)