Vermont’s Economy in 2018

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2018 Outlook

- Global economy
- U.S. economic health
- Surprises?
- 2018=2017-2016…….
2017: A Good Year in Vermont

• Low and falling unemployment
• Jobs increase
• GDP and GDP per capita growth
• Record high state tax revenues
• Stock market gains
• Record high family and household income
## How Much do Vermonters Earn?

<table>
<thead>
<tr>
<th></th>
<th>All Households</th>
<th>All Family Households</th>
<th>Married Couple Families</th>
<th>Non-Family Households</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Income</strong></td>
<td>$56,000</td>
<td>$71,000</td>
<td>$82,000</td>
<td>$33,000</td>
</tr>
<tr>
<td><strong>Percent of All Vermonters</strong></td>
<td>100%</td>
<td>76%</td>
<td>61%</td>
<td>22%</td>
</tr>
</tbody>
</table>
VT and US Unemployment

[Diagram showing unemployment rates for VT and the US from Jan-76 to Jan-16. The graph compares the trends of unemployment, with VT generally showing lower rates than the US.]
Alternative VT Unemployment Measures

U-6 (Broadest)

U-3 (Standard)
Vermont Median Family Income
Married couples, adjusted for inflation
Vermont Employment

What we knew last January

What we know now
# 2016 Was Worse Than We Thought Last December

<table>
<thead>
<tr>
<th>Sector</th>
<th>As of Dec 2016</th>
<th>As of Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>2,900</td>
<td>1,000</td>
</tr>
<tr>
<td>Health</td>
<td>1,600</td>
<td>700</td>
</tr>
<tr>
<td>Leisure</td>
<td>600</td>
<td>400</td>
</tr>
<tr>
<td>Construction</td>
<td>500</td>
<td>200</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>500</td>
<td>200</td>
</tr>
<tr>
<td>Government</td>
<td>500</td>
<td>100</td>
</tr>
<tr>
<td>Retail</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Private Education</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Financial Services</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-500</td>
<td>-1,000</td>
</tr>
<tr>
<td>Sector</td>
<td># Jobs in 2017</td>
<td>2016-17</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td>Total</td>
<td>315,200</td>
<td>3,000</td>
</tr>
<tr>
<td>Health</td>
<td>51,800</td>
<td>900</td>
</tr>
<tr>
<td>Leisure</td>
<td>38,100</td>
<td>1,800</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>28,400</td>
<td>700</td>
</tr>
<tr>
<td>Construction</td>
<td>15,400</td>
<td>100</td>
</tr>
<tr>
<td>Private Education</td>
<td>13,600</td>
<td>200</td>
</tr>
<tr>
<td>Government</td>
<td>55,600</td>
<td>200</td>
</tr>
<tr>
<td>Retail</td>
<td>37,900</td>
<td>0</td>
</tr>
<tr>
<td>Financial Services</td>
<td>11,800</td>
<td>-200</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>28,800</td>
<td>-1,200</td>
</tr>
</tbody>
</table>
## What will 2018 look like?

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official State Forecast Dec 2016</td>
<td>2,900</td>
<td>5,000</td>
<td>5,400</td>
<td>4,800</td>
</tr>
<tr>
<td>My Estimate in Jan 2017</td>
<td>2,200</td>
<td>2,300</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Actual Through Oct 2017</td>
<td>2,500</td>
<td>1,000</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Forecast</td>
<td></td>
<td></td>
<td>1,300</td>
<td>1,200</td>
</tr>
</tbody>
</table>
What we knew last January

What we know now

Forecast
No it’s not.
Vermont Population
Sources of Vermont Population Change I: Natural Increase

- Births
- Deaths

Years: 2001 to 2017

Births and Deaths Numbers:
- Births: 5,000 to 7,000
- Deaths: 2,000 to 4,000
Births in Vermont

Down 25%
Sources of Vermont Population Change II: Immigrants
Sources of Vermont Population Change

- Natural Increase
- Immigration
- Net Domestic Migration

1. Lower marginal rates—no impact on VT revenues
2. Pass-through deduction—lower revenues IF it affects taxable income, not AGI
3. Other base-broadening provisions—higher revenues
4. Limits on property tax deductibility and SALT--???
82,000 Vermont filers take SALT deduction

- 28,000 earn under $75,000
- SALT averages $2,000
- 8,400 earn $200k - $500k
- SALT averages $18,000
- 1,100 earn $500k - $1m
- SALT averages $53,000
- 500 earn $1m+
- SALT averages $217,000

83,000 Vermont filers take property tax deduction

- 31,000 earn under $75,000
  - Property taxes average $4,000

- 10,000 earn over $200,000
  - Property taxes average $15,000
Impact on Education Finance

- Education fund shortfall means property tax increase
- Federal tax law change means an effective property tax increase
VT and US Real Spending per Pupil

- Vermont
- U.S.

- Act 60


Spending levels:
- $6,000
- $8,000
- $10,000
- $12,000
- $14,000
- $16,000
- $18,000
- $20,000
Challenges for 2018 and beyond

- How low can unemployment go?
- How will labor scarcity play out?
  - Higher wages
  - Offshoring
  - Technology
- Persistent revenue shortfalls

- Longer term problems:
  - Labor
  - Pensions and OPEB
  - Medical issues: physicians, staff, nursing homes
  - Out-migration
  - Education costs and finance
  - Business cycle dynamics
  - Voting patterns