



Vermont's Economic Climate

6-3-1



Key Indicators

How the Scott Administration will Measure Progress

- **Growing the Economy**

- Size of the workforce--as a percent of the population (statewide and by county)
- Employer growth rate--total size and by employee count
- Wage growth--by region

- **Making Vermont More Affordable**

- Average percent of household income spent on healthcare, housing (includes utility and heating costs, etc.), and taxes & fees

- **Protecting the Vulnerable**

- Percent of the population living below 200% of the Federal Poverty Level (FPL)
- Rate of homelessness/housing stability
- Kindergarten readiness
- Percent of the population with access to comprehensive healthcare

4 Key Factors in Vermont's Job Market

- The State's **economy appears to be entering a more sluggish period**: The May 2017 job statistics show that the Vermont nonfarm payroll job count **declined by 2,200 jobs** over the four month period since the last month where the number of jobs increased in January 2017.
- **Labor market conditions are expected to tighten** marginally with Statewide employment growth following a more restrained trajectory than anticipated in the January update.
- According to the household survey of employed and unemployed Vermonters, the unemployment rate in Vermont has hovered around 3.0%, resulting from recent employment trends but also a **decline in the civilian labor force**.
- The updated consensus economic forecast for Vermont also includes a slightly **slower pace of output growth** and a somewhat **slower pace to personal income growth** over the near term forecast horizon.

Vermont's Preparedness for a Recession

Recession Type	Total Fiscal Shock ¹	Fiscal Shock Ratio ²	Reserve Shortfall
Moderate	\$ (200.8) million	-13.3%	-7.1%
Severe	\$ (276.6) million	-18.3%	N/A

Source: Moody's

¹Total tax revenue shortfall

²Shortfall as a % of revenue

- In the event of a recession, Vermont could face severe fiscal consequences
 - For a moderate recession, the total estimated negative shock to revenues is **\$200.8 million**, or **13.3% of total revenues**
 - For a severe recession, the total estimated negative shock to revenues is **\$276.8 million**, or **18.3% of total revenues**
 - In the case of just a moderate recession, **7.1% of the fiscal shock would not be covered by actual reserves**. In other words, Vermont would not be able to make up for the fiscal shock.
- Compared to other states, Vermont is ill-prepared for a recession
 - Our fiscal shock ratios rank us **41st** and **34th** in the nation in preparedness for moderate and severe recessions, respectively.
 - Our reserve shortfall is the **12th** highest in the nation

Credit Ratings Considerations for Vermont

Positives

- Strong financials (i.e. sufficient reserves, liquidity, unrestricted cash flows)
- Positive government framework (i.e. use of fiscal best practices, budget management structure, consensus economic forecasts)

Making Progress

- This year, we've taken steps to get our fiscal house in order and provide relief for Vermonters
 - \$35 million towards affordable housing
 - 6 new Tax Increment Financing (TIF) districts
 - \$150,000 to Small Business Development Centers
 - \$100,000 to support regional microbusinesses
 - \$250,000 for economic development marketing
 - \$200,000 in new downtown tax credits to support economic growth
 - \$2.5 million towards the Child Care Financial Assistance Program
 - \$3 million to the Vermont State College System to stabilize tuition
 - A budget with no new taxes or fees for the first time in memory

Rating Agencies

- Standard & Poor's (S&P): AA+
- Moody's: Aaa
- Fitch: AAA

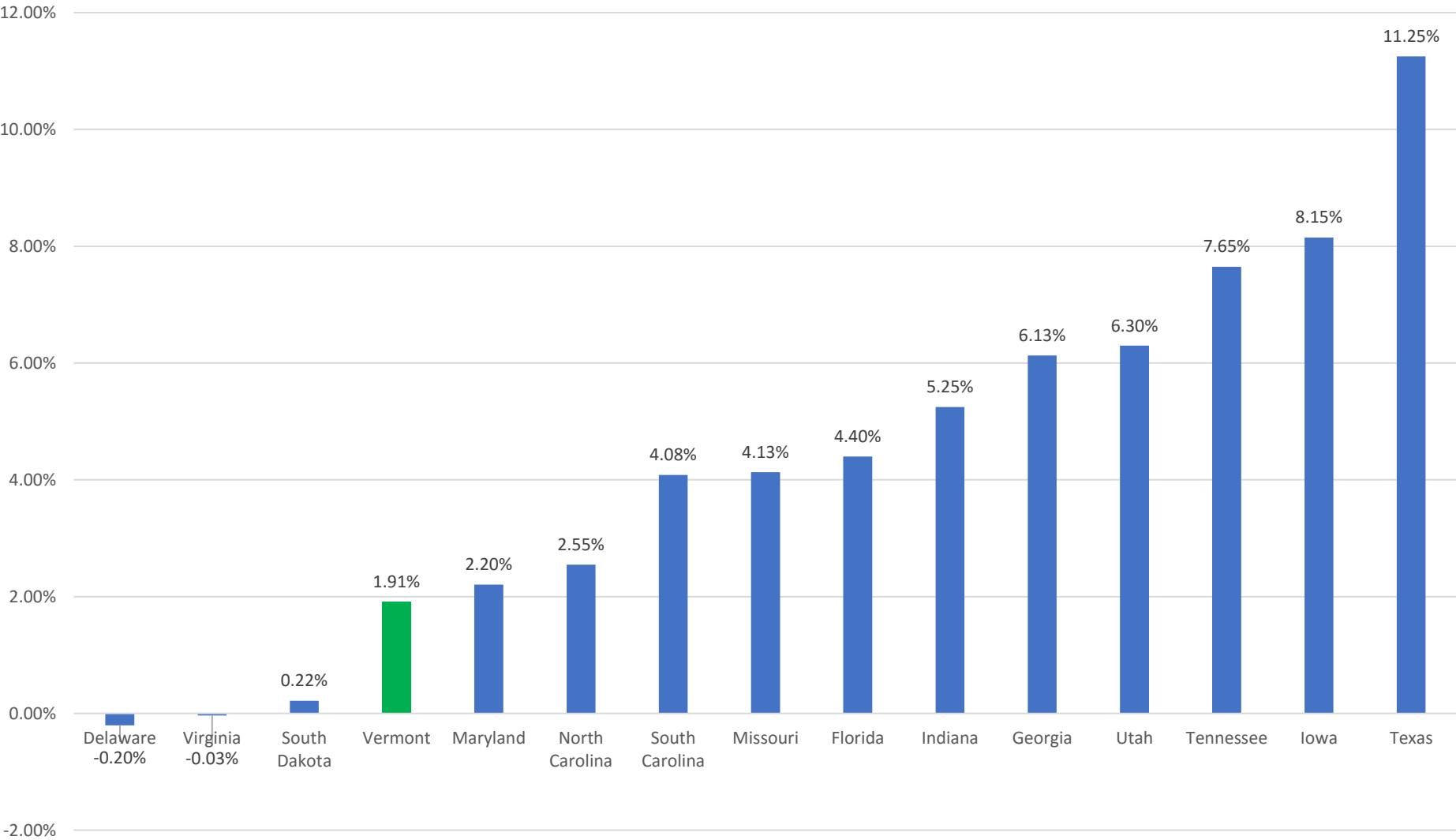
Credit Ratings Considerations for Vermont

Negatives

- Slower than average economic growth
 - Shrinking workforce
 - Population and demographic considerations
- Debt profile (i.e. debt ratios relative to peers)
- Pension liabilities

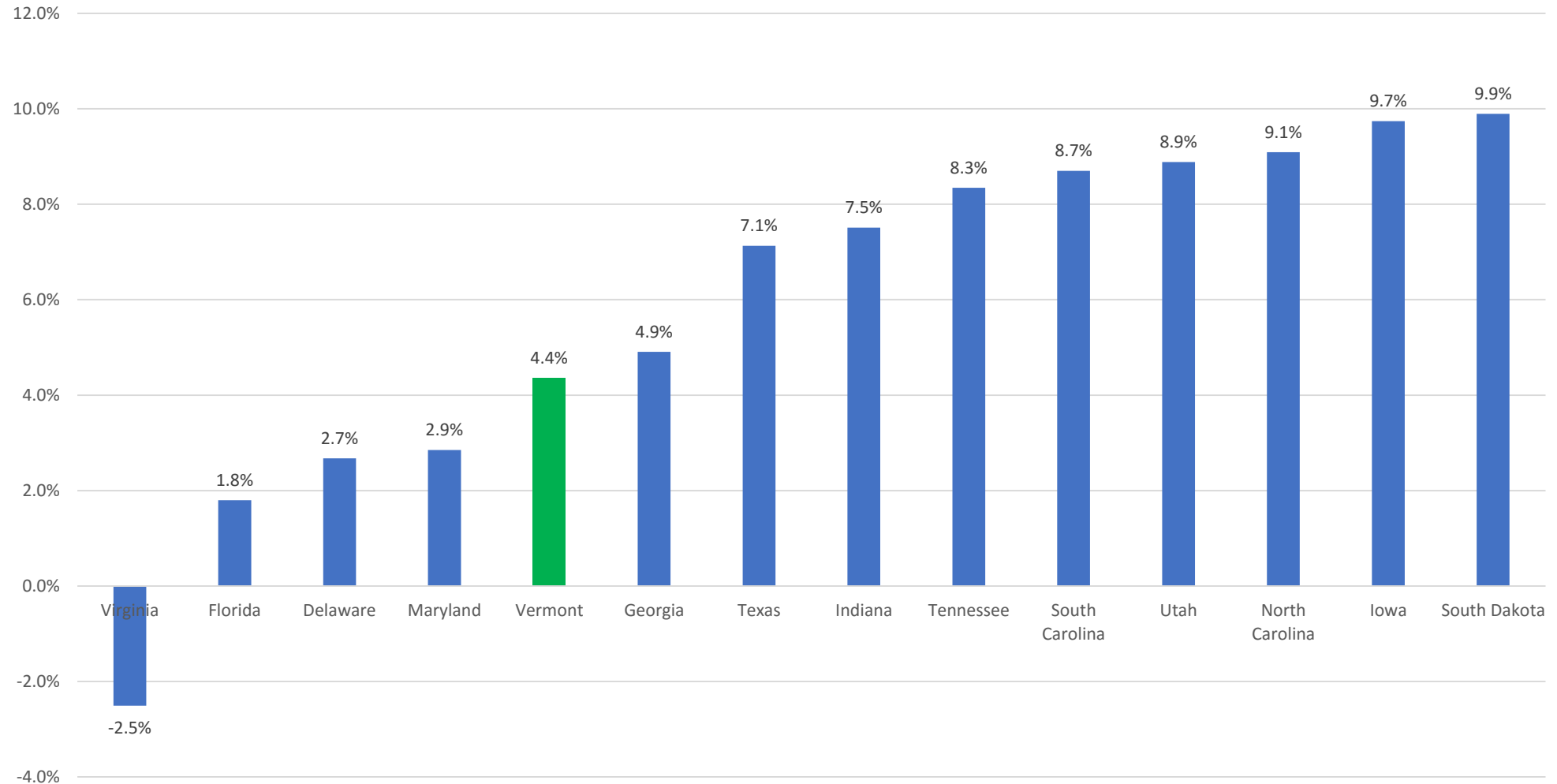
Real GDP Growth Compared to Other Triple-A States

Percent Change in Real Per Capita GDP (2011-2016)
(Source: Bureau of Economic Analysis)

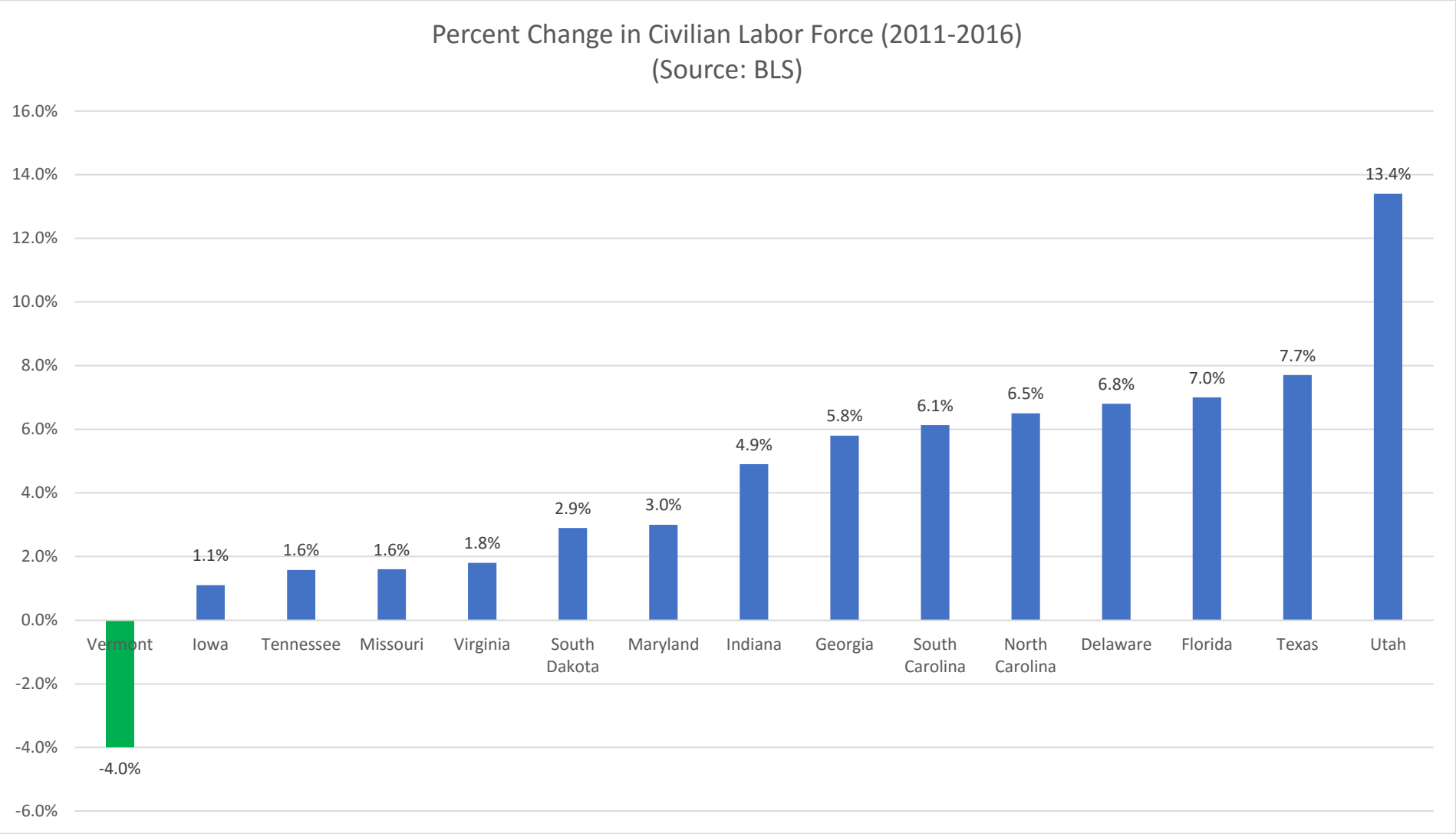


Median Household Income Growth Compared to Other Triple-A States

Percent Change in Median Household Income, 2011-2016
(Source: Census/CPS, three-year rolling average)



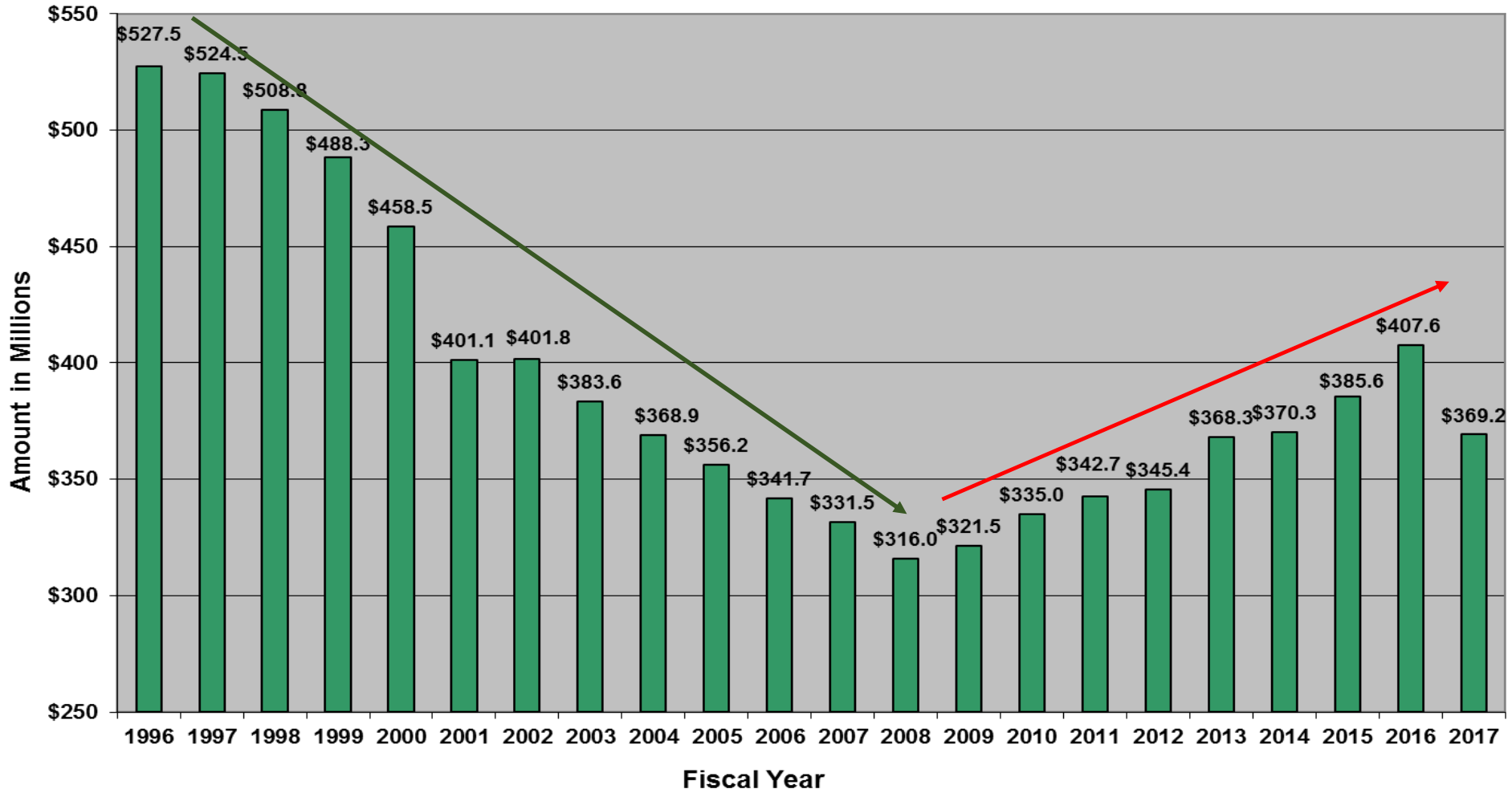
Workforce Growth Compared to Other Triple-A States



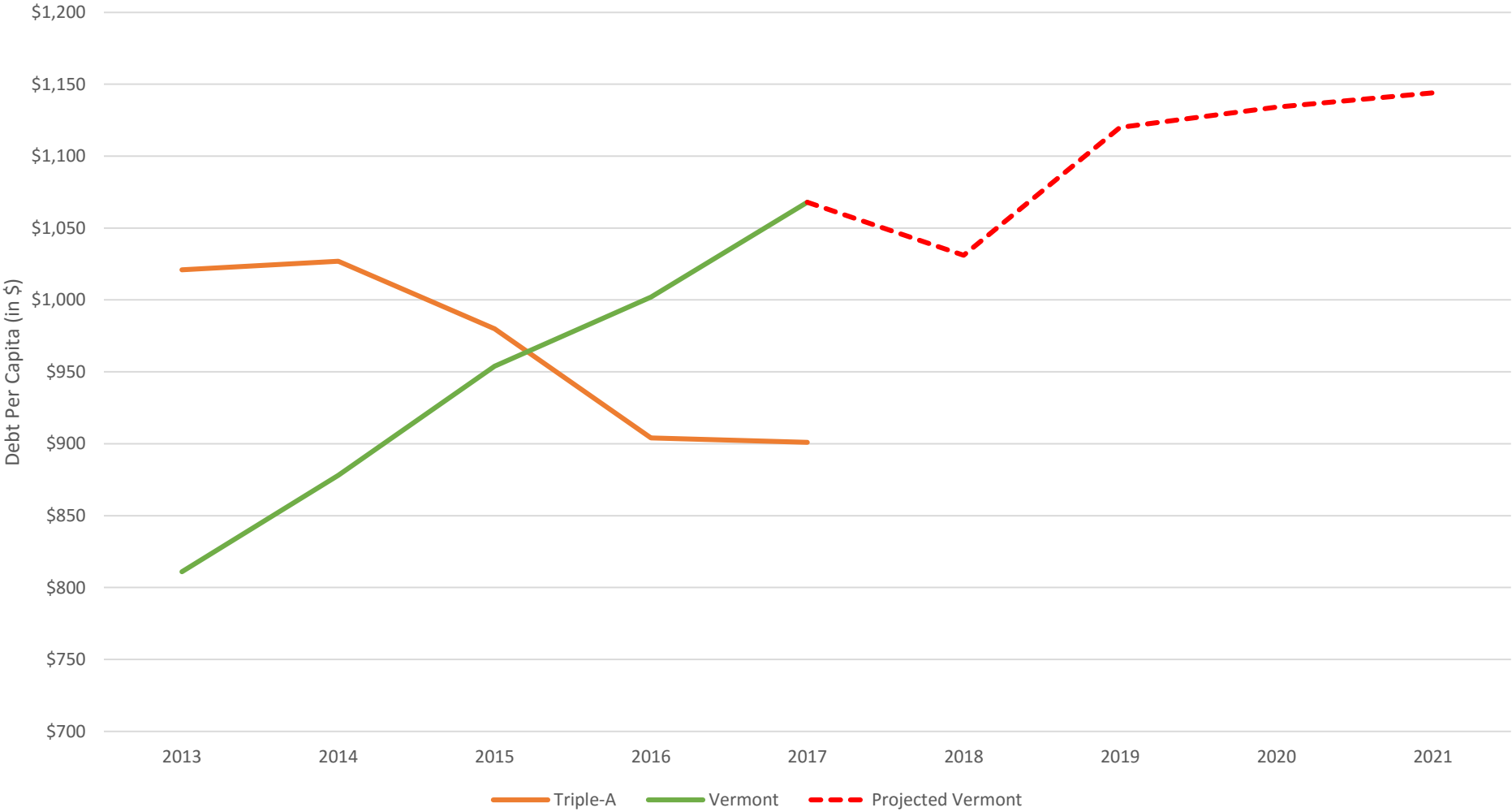
Our Demographic Trends Must Reverse

- Vermont has 25,000 fewer Vermonters aged 20 and under than we did in the year 2000.
- Vermont has 60,000 more Vermonters over the age of 65 than we did in that same year.
- Vermont has one of the oldest populations—in fact the **second oldest population** in the country behind only Maine.
- This “higher than average percentage of older residents” or “older than average” population status is forecasted to **continue through calendar year 2025** as **Vermont’s population share over 65 is expected to grow at a significantly faster rate** than is the case for the U.S. as a whole.
- We **must grow our working-age population** to grow our workforce and our tax base.

Vermont General Obligation Debt Outstanding FY 96-17 (Inflation-Adjusted)



Historic and Projected Debt Per Capita Ratio Vermont vs. Triple-A Average

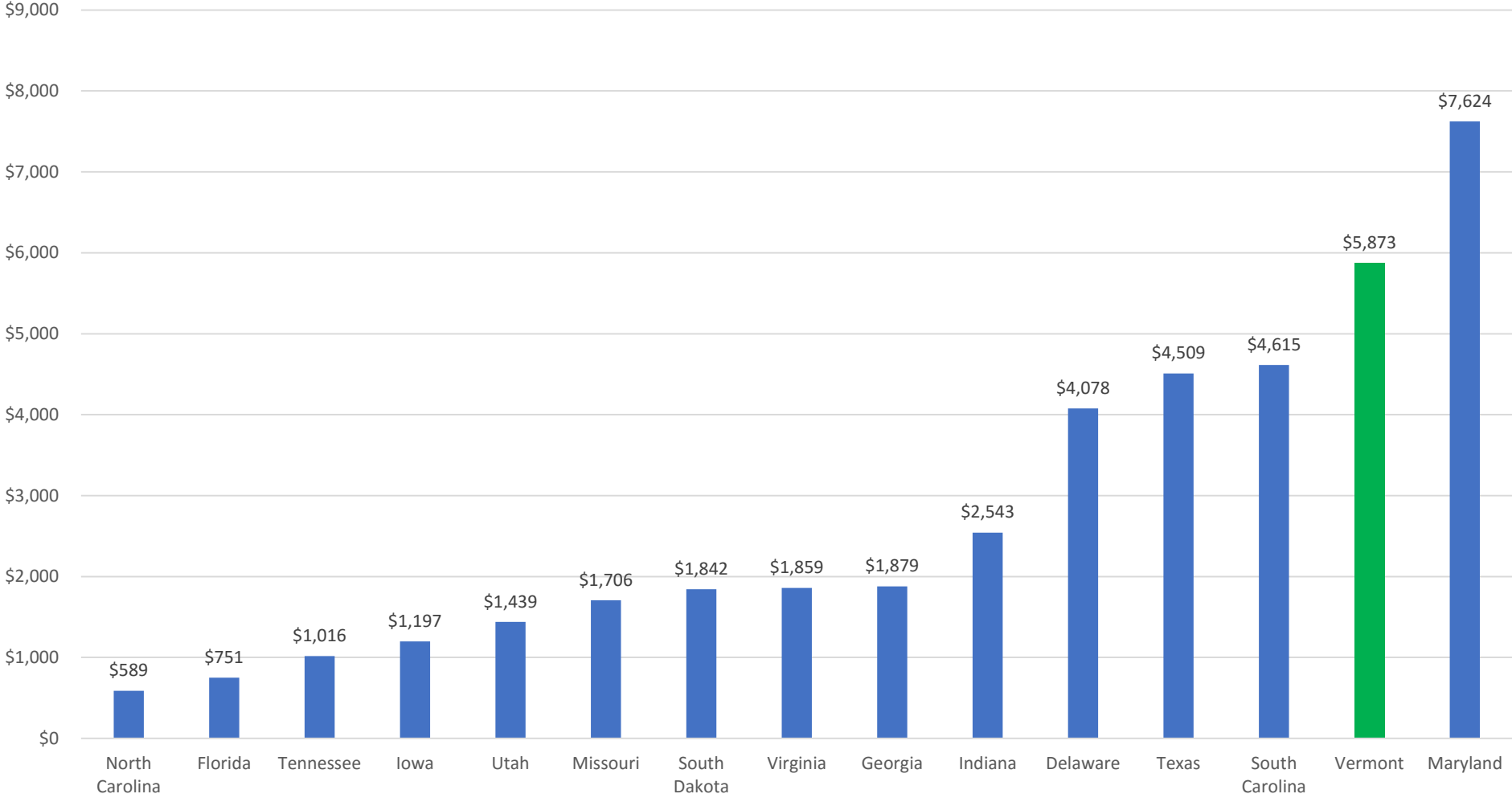


Mean Debt Ratios: Vermont vs. Triple-A Average

Debt Per Capita	2013	2014	2015	2016	2017	Net Change
Triple-A Average	\$1,021	\$1,027	\$980	\$904	\$901	-\$120
Vermont	\$811	\$878	\$954	\$1,002	\$1,068	\$257
Debt as a % of Personal Income	2013	2014	2015	2016	2017	Net Change
Triple-A Average	2.6%	2.4%	2.3%	2.1%	2.0%	-0.6%
Vermont	1.9%	2.0%	2.1%	2.1%	2.2%	0.3%
Debt as a % of GSP	2013	2014	2015	2016	2017	Net Change
Triple-A Average	2.1%	2.0%	1.8%	1.8%	1.7%	-0.4%
Vermont	2.0%	2.0%	2.0%	2.1%	2.2%	2.2%

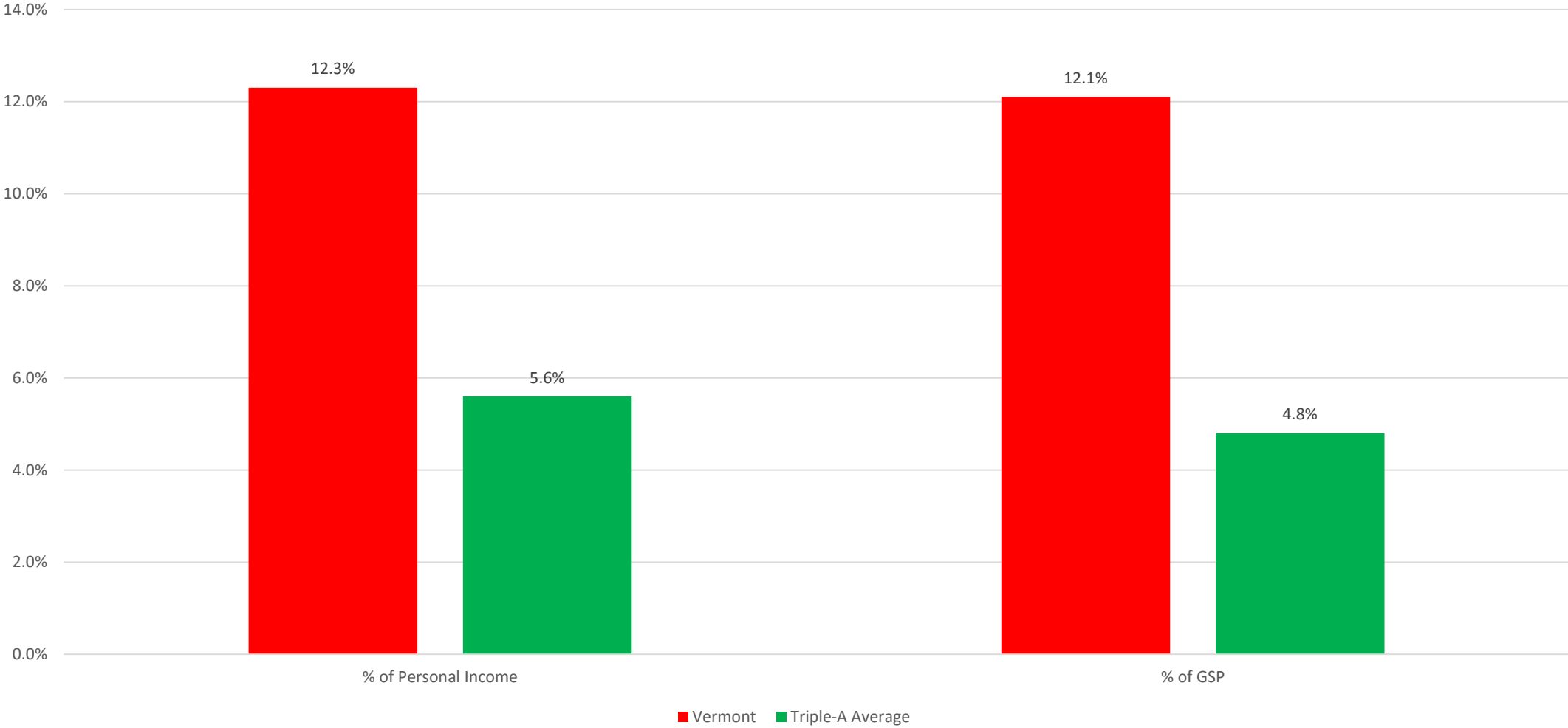
Pension Liabilities Compared to Other Triple-A States

Adjusted Net Pension Liability Per Capita
(Source: Moody's)



Moody's Adjusted Net Pension Liability Metrics, 2017

Vermont vs. Triple-A Average



Moving Forward

- By growing the economy, making Vermont more affordable, and protecting the most vulnerable, we CAN reverse these trends
- We need pull together and focus on the fiscal fundamentals
- Together, we can put Vermont back on the right track