

**The attached charts compare Vermont State spending to gross state product (GSP), adjusted gross income (AGI), and personal income.**

**1. All numbers beyond FY 13 are estimates.**

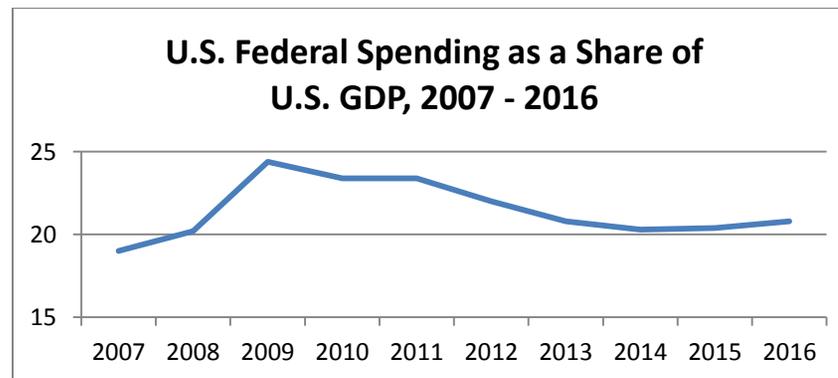
- Projected growth rates for GSP are consensus estimates but are higher than alternative source estimates.
  - For example, CBO projects real GDP growth of 2.8 percent and 3.0 percent for 2015 and 2016. The consensus forecast for Vermont shows real GSP growth of 3.3 percent and 3.6 percent. Using the lower growth rates would bring the share of spending closer to flat rather than declining in 2015 and 2016.
- The spending projections do not include spending for clean water or health care, bills that have not yet been approved but could change the numbers. Nor do the projections include final true-up of spending in the FY 2015 budget adjustment.

**2. The particular years used reflect a unique period of economic activity.** This period includes the Great Recession, yet state spending as a share of GSP was relatively stable. The relationship could change in the future.

**3. The comparisons of spending to GSP and income were done in response to a request.** The nonpartisan Joint Fiscal Office does not advocate using the comparisons to justify or challenge spending decisions. How one interprets the ratio of state spending to GSP is largely a political choice.

**4. GSP is not equally distributed among people in Vermont.** State spending affects people at different income levels differently, and the burden of raising revenue affects people at different income levels differently. As income inequality increases in Vermont, who benefits from spending and who bears the tax burden is changing over time.

**5. The level and trend of the ratio of federal spending to U.S. GDP is commonly cited by people who want both more and less federal spending.** No conclusion can be drawn without weighing both political and economic factors about the effectiveness and desirability of spending (see chart).



## Data Sources and Definitions

Vermont state spending includes federal ARRA funds for FMAP in FY09-FY11 but no other federal funds

<http://www.leg.state.vt.us/jfo/appropriations/5%20Year%20Approps%20Summ%20FY11-FY16%20.pdf>

FY2007-FY2014: actual appropriations

FY2015: Rescission and BAA

FY2016: As passed by the House Appropriations Committee; excludes health care bill and water quality bill

### Vermont GSP

Gross state product is a measurement of the economic output of a state equal to the sum of all value added by industries within the state.

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3#reqid=70&step=26&isuri=1&7022=36&7023=0&7024=non-industry&7025=0&7001=336&7029=36&7090=70&7031=0>

FY2007-FY2013: Quarterly Vermont GSP from BEA

FY2014-FY2016: Consensus estimates (January 2015) for projected growth; Revised on April 16, 2015, to correct an error.

### Vermont AGI

Vermont adjusted gross income is the sum of individual gross income minus specific deductions for Vermont resident tax filers.

<http://www.state.vt.us/tax/statisticsincome.shtml>, various years

FY2007-FY2013: Vermont Department of Taxes, State Total AGI

FY2014-FY2016: JFO estimate of AGI growth uses the Vermont Consensus estimates (January 2015) for projected growth in personal income

### Vermont Personal Income

Personal income, sometimes called gross income, is defined as total compensation received by an individual from salaries, wages, and bonuses; dividends and distributions received from investments, rental receipts from real estate investments; profit-sharing from a business, and other sources.

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3#reqid=70&step=26&isuri=1&7022=36&7023=0&7024=non-industry&7025=0&7001=336&7029=36&7090=70&7031=0>

FY2007-FY2013: Quarterly Vermont Personal Income from BEA

FY2014-FY2016: Consensus estimates (January 2015) for projected growth in Vermont personal income

Consensus estimates of growth in GSP and AGI from “January 2015 Economic Review and Revenue Forecast Update”

[http://www.leg.state.vt.us/jfo/state\\_forecasts/2015-01%20January%20Forecast.pdf](http://www.leg.state.vt.us/jfo/state_forecasts/2015-01%20January%20Forecast.pdf)

