



House Commerce and Economic Development Committee
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Testimony of Stephanie Yu, Policy Analyst
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Good afternoon, Mr. Chairman, members of the committee.

My name is Stephanie Yu. I'm a policy analyst with Public Assets Institute here in Montpelier. We're a nonprofit, nonpartisan, public policy think tank that was established in 2003.

For those of you who don't know about Public Assets Institute, we analyze Vermont fiscal policy—tax, budget, and economic policy— with the ordinary Vermonter in mind. We gather the facts, usually from state or federal data bases, and explain what they mean in a way that people can understand.

We regularly publish reports, fact sheets, and blog posts on our website www.publicassets.org. One of our regular publications is a monthly jobs report—published on the day the Bureau of Labor Statistics releases its monthly employment data. If you're not on our list to receive notices of our publications and would like to be, please let me know.

We do this because we believe that facts matter. And that government should be using the people's money for the people's well being. And giving Vermonters the tools and information to speak up in the public debate is the best way to make that happen.



We do this because we believe it is important to fulfill the purpose of the state budget, which is, according to the statute adopted in 2012, to “address the needs of the people of Vermont in a way that advances human dignity and equity” and that “[s]pending and revenue policies will ... recognize every person’s need for health, housing, dignified work, education, food, social security, and a healthy environment.”

And we do this because we believe it is important to take a long-term perspective on the Vermont we want and how to get there. There is a tendency to focus on fixing this year’s budget gap at the expense of making smart long-term investments. It’s also easy to fall into reaction mode, where we respond to the ups and downs in the economy rather than plan for them.

I’d like to talk today about our two newest reports, *A Framework for Progress: Investing in Vermont’s people, infrastructure, and good government*, which came out in September, and *State of Working Vermont 2016*, which we published at the end of December. We shared *A Framework for Progress* with all candidates before the election, and you should also have gotten a one-page summary of the report in your mailboxes today. This report was really a roadmap of what we see as urgent, manageable policy recommendations that would improve the lives of thousands of Vermonters and the state itself. *State of Working Vermont* is an annual report that is really our state of the state. We analyze the previous year’s data about the Vermont economy, jobs, and employment and publish it in chartbook format. The 2016 report is based on the 2015 US Census data as well as data available from the State of Vermont. I’ve provided electronic copies to the committee and would like to review them with you briefly. I’ll start with *State of Working Vermont* because it establishes the facts on which the recommendations in *Framework* are based.

First of all, there are many Vermonters struggling to make ends meet. We saw improvements in both income and the poverty rate in 2015, but these were really just recovering lost ground. (p. 6 & 17-19) But income inequality continues to grow (p. 5) and the middle class in Vermont has shrunk (p. 4). And certain groups are much more likely to live in poverty, among them single

mothers (p. 7), Vermonters without high school diplomas (p. 8), and people of color. Nearly half of single mothers with young children live in poverty – that accounts for more than half of the 15,000 Vermont kids in poverty. And the poverty rate for those who drop out of high school is double that of the overall population.

We also know the costs of basic needs like housing and child care are growing faster than Vermonters' ability to pay. (p. 10-11). Nearly three-quarters of single-parent families can't meet their basic needs, and even among families of four with two earners, more than a third struggle to get by.

And the opportunities for these Vermonters are limited. Since 2000, job growth has slowed significantly (p. 14), and more new jobs are in the service sector, which tend to be lower-paying. In every county except Chittenden, employment is still below the pre-recession peak.

So that is where we are in a nutshell. Many Vermonters are struggling with increasing costs and stagnant wages, and there are particular groups that seem permanently left behind.

So what can we do about all this? Our Framework for Progress identified three main categories where state policy can make a big difference:

1. Ensure that work pays and families meet their basic needs.
2. Make smart, evidence-based investments.
3. Restore public confidence in state government.

Under number 1, we recommend increasing the minimum wage to \$15/hour, which would benefit 85,000 working Vermonters, and increasing the state Earned Income Tax Credit. We believe that all families should have a livable income, but what that means will vary according to family size, so both the minimum wage and EITC should be addressed.



Under number 2, we focus on smart, evidence-based investments in education and infrastructure – efforts that make Vermont an attractive place to live, raise a family, and start a business. These efforts create jobs in the short term and long term.

The third category, restoring public confidence in state government, identifies some process changes that would help with sound fiscal planning, like longer-range spending estimates and more usable rainy day funds. But of particular interest to this committee may be our recommendations on business tax incentives. Recent research has shown that tax breaks to individual businesses are ineffective job creation tools. The state's resources would be better spent on programs that benefit a wide range of businesses – like physical and technological infrastructure and workforce training.

These are just some of the suggestions in the report, but we'd be glad to discuss any of these further. The report also contains links to all of the studies that we've cited that support the effectiveness of these ideas.

One more thing I'd like to mention briefly. In addition to our analytical work, Public Assets also serves as the coordinator of the One Vermont coalition. The coalition is a group of organizations and individuals, including Voices for Vermont's Children, Vermont NEA, Disability Rights VT, and others. As the name suggests, One Vermont wants Vermont to be a state that works for all Vermonters. Its mission is to develop and promote fiscal policies that support the public investments that Vermont requires for a vibrant and sustainable economy that offers opportunities for all Vermonters to live healthy, secure and productive lives. We focus on big picture state budget issues that affect us all, like tax reform. You may hear from One Vermont this session and I wanted you to be aware of us.

I know that I've covered a lot of ground, so I would sum up by saying that we believe it's important to consider the Vermont we want in five, or ten, or twenty years, and think about the steps we can take now toward that vision. We believe that state government has a critical role to play in moving us



toward that vision. We hope that the information and recommendations we've offered contribute to a conversation we know you're already having: how to make Vermont a better place for all of us.

I'd be happy to answer any questions.