An economist looking at Vermont statistics can see that the state is benefiting from the U.S. economic expansion, which became the longest on record last summer: There are more jobs, higher wages, fewer children in poverty.¹

At the same time, many Vermonters can look at their paychecks and wonder when the recession is going to end. The state’s economic growth continues to favor those who are well off, while low- and moderate-income families wait for things to pick up.

Both views are true.

Much of what this report shows—through indicators based largely on U.S. Census and economic data through 2018—is good news:

- Vermont’s economy expanded. Gross state product, a primary measure of economic activity, grew 1.2 percent last year after adjusting for inflation.
- Private sector job numbers in Vermont hit a new peak in 2018.
- Real wages grew for all income groups from 2010 to 2018.
- The number of children living below the federal poverty threshold hit its lowest level in 15 years.
- Vermont’s state and local taxes were among the least regressive in the country.

Unfortunately, some of this progress was sluggish, and it did not reach all of the state’s residents.

- From 2010 to 2018, Vermont’s economy grew at less than one-third the rate of the U.S. economy, which is having its slowest recovery since at least 1947.²
- The typical Vermont household’s buying power in 2018 was no better than it was for the typical household before the recession over 10 years ago.
- Wages rose faster after the recession for the highest-paid hourly workers than for those at the bottom.
- Last year’s median income for families headed by single mothers, $29,215, was less than it had been in 2010, after taking inflation into account.
- More than one in 10 Vermont children lived in poverty in 2018.

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¹ Economic recessions and expansions tracked by the National Bureau of Economic Research date back to 1854. The previous record for economic expansions, 120 months, occurred after the recession in the early 1990s. [http://www.nber.org/cycles/cyclesmain.html](http://www.nber.org/cycles/cyclesmain.html)

What do these mixed signals say about Vermont’s policies?

Policy makers recognize the importance of shared prosperity and the need to support working Vermonters and low-income families. Vermont enacted a law in 2012 stating that the purpose of the state budget is to “address the needs of the people of Vermont in a way that advances human dignity and equity.” The statute also says: “Spending and revenue policies will reflect the public policy goals established in state law and recognize every person’s need for health, housing, dignified work, education, food, social security, and a healthy environment.”

In many cases Montpelier has followed through on that pledge. The year after that law was passed, the Legislature rejected an attempt by Gov. Peter Shumlin to reduce Vermont’s earned income tax credit (EITC), which provides essential support for low-wage workers. In 2018, at Gov. Phil Scott’s urging, the Legislature increased the amount of the EITC.

Vermont recently closed loopholes in its tax structure to make it fairer. Vermont’s rate of uninsured people in 2018 was the second lowest in the country, thanks in part to its expansion of Medicaid eligibility in 2014 and to earlier decisions to cover more children and pregnant women. And in the 2019 session the Legislature approved funding increases for the Child Care Financial Assistance Program and, for the first time in 15 years, Reach Up, which provides cash assistance for children in extremely poor families.

While these were steps in the right direction, the increases were modest and long overdue. More than 10 percent of Vermont children still live in poverty, which for a single mother with two children means trying to make ends meet on just over $20,000 a year. More Vermonters were relying on 3SquaresVT to put food on the table in 2018 than before the start of the recession in 2007.

And in spite of broad agreement that children, families, and workers would benefit from high-quality, affordable child care throughout Vermont, the major state investment necessary to accomplish that has so far fallen outside policy makers’ comfort zone. Efforts to enact paid family and medical leave have also foundered. The first time, the governor vetoed the legislation. In the most recent session, the Legislature didn’t get the bill to his desk. A payroll tax of one-half of one percent made policy makers nervous—more nervous than they were about denying Vermont workers the right and ability to be home when their families needed them.

3 32 V.S.A. §306a
4 3SquaresVT is Vermont’s name for the federal Supplemental Nutrition Assistance Program (SNAP), commonly referred to as food stamps.
For more than 20 years Montpelier has been guided by an unwritten policy: “Manage to the money.” This means that the amount Vermont spends each year is determined not by the state’s needs but by how much money the current revenue system will generate in the next fiscal year. That principle has stifled more ambitious plans that would have required balancing needs and revenues.

**Needs and revenues: Recalibrating the balance**

Whether intentionally or not, policy makers have locked themselves into a revenue structure that is unresponsive to social and economic changes. Taxes collected by state and local government as a share of Vermonters’ total annual income have been flat for 25 years (see chart). Vermont is committing the same percentage of available resources to public investments as it did in 1992.

By managing to the money, policy makers are saying the level of effort made a generation ago is adequate to meet today’s challenges. But we can see from the current indicators that this is not so.

Vermonters are feeling the effects of the state’s failure to make timely investments.

Two examples: In 1991, policy makers decided they couldn’t afford the recommended contributions to the state pension funds and started a 14-year stretch of underfunding. Now it’s costing much more to catch up. State officials have been discussing pollution of Lake Champlain and other state waters for decades, but have not raised the money to reverse it. Now pollution has reached levels so dangerous that authorities are regularly closing beaches, and the costs of cleanup continue to rise.

**Public investment remained flat** Vermont state and local taxes as a share of personal income, 1992-2017

Note: Shaded periods indicate recessions.

Data sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau

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The 2012 law establishing the purpose of the state budget refers to the two levers elected officials have to address Vermonters’ needs and promote their economic well-being: revenue policies and spending policies. Two questions confront us:

- Are the revenue policies adopted a quarter of a century ago adequate to meet Vermonters’ needs today and into the future?
- Will the investments Montpelier fails to make today become as costly as investments it failed to make in the past?

**How can we tell if we’re making progress?**

No single statistic or measure tells us whether Vermonters’ lives are improving. We can monitor factors that contribute to the expansion of the middle class: economic growth, job creation, income distribution, public policies, and public investments. But even when those indicators appear to be positive—such as a rising gross state product—it is crucial to look at what is happening to people and how the benefits of growth are distributed.

Measures such as poverty rates, income growth and disparity, housing affordability and homelessness, labor force expansion and job growth, health care coverage, and the availability of social and educational services let us see, at least statistically, who is getting ahead and who is falling behind. Putting these statistics together helps us understand where policy changes could make a difference to working families and start to break down some of the systemic barriers holding back single parents, people of color, and women.

It’s our elected officials’ job to understand these disparate signals—to hear from economists about the big picture and to listen to Vermonters about what their lives are like. It’s also their job to enact policies that make Vermont a state that works for everyone who lives here.
GROSS STATE PRODUCT

Gross state product (GSP) is the state’s counterpart of gross domestic product (GDP), the nation’s output and perhaps the most commonly recognized economic measure. Real GSP is the total value of goods and services produced by the state after adjusting for inflation.

From 2010—the first full year after the official end of the Great Recession—to 2018, Vermont’s economy, as measured by gross state product, grew at less than one-third the rate of the country’s overall. Vermont’s annual growth rate, after adjusting for inflation, averaged 0.7 percent per year, compared with 2.3 percent for the U.S. That was also slower than Vermont’s own annual growth rate during the previous recovery (2002-07), which was 1.8 percent. From 2017 to 2018 Vermont’s real GSP grew by 1.2 percent.

Note: To address concerns that GSP was not the best way to measure economic well-being and that maximizing economic growth was not sustainable, in 2012 the Vermont Legislature officially adopted an additional metric: the genuine progress indicator (GPI), which was calculated for Vermont from 2000 to 2015. GPI estimates the dollar value of the net economic benefit produced in the state. Along with the growth captured by GSP, GPI incorporates other economic and social factors such as negative environmental impacts, the value of unpaid labor, and the economic drag from increasing income inequality. Between 2005 and 2015 Vermont’s GSP grew 8.7 percent while GPI declined slightly, due primarily to the cost of non-renewable energy and the negative effects of income inequality. GPI grew faster than GSP from 2013 to 2015.
Vermont wages grew, but most at the top

Change in real hourly wages for low-, middle-, and high-wage workers, 2010 to 2018

- **90th percentile**: +8.3%
- **Median (50th percentile)**: +5.2%
- **10th percentile**: +4.7%

Vermont’s annual unemployment rate has remained among the lowest in the nation for the past several years. At the same time, its labor force was smaller last year than in 2010, just after the recession. A tight labor market usually produces an increase in wages because employers have to compete for workers. But wages did not rise during most of this recovery—at least not for low- and middle-wage workers. In fact, from 2010 to 2018, these workers’ wages did not even keep pace with Vermont’s slowly growing economy, which increased 5.8 percent during the same period. Wages for those at the top, however, grew faster than the overall economy.
PROGRESSIVE TAXES: BASED ON ABILITY TO PAY

Progressive tax systems impose higher rates on those with more income and lower rates on those with less income. Regressive systems tax the poor more heavily than the rich. There are various mechanisms to make systems more progressive that Vermont has adopted: an income tax with higher rates on higher income; sales tax exemptions on necessities that take a bigger bite of smaller earnings, such as food and medicine; and school taxes based not on property value but on income, which better conforms with ability to pay.

Vermont’s tax system is minimally regressive
Share of household income paid in state and local taxes (non-elderly filers), 2018

Vermont is 1 of 5 states whose taxes do not increase inequality
States with tax systems that don’t widen the income gap between the top 1% and everyone else, 2018

Data source: Institute on Taxation and Economic Policy ©2019 Public Assets Institute

Vermont’s tax system won kudos, of a sort, from the Institute on Taxation and Economic Policy (ITEP) in 2018. It was one of five states, including California, Minnesota, Delaware, and New Jersey, plus the District of Columbia, whose tax systems “do not worsen income inequality.” In most states, low- and moderate-income people pay a larger share of their income in taxes than do the top 1 percent of taxpayers. In recent years Vermont has increased progressivity, for instance, by curbing some tax breaks that favor people with higher incomes.

FEDERAL TAX CHANGES

Tax policy changes at the federal level have an impact on Vermont, both because they affect the amount of total taxes Vermonters pay and because they can lead to cuts in federal services that Vermonters use.

Federal tax changes since 2000, including the Tax Cuts and Jobs Act of 2017—the Trump tax cuts—have disproportionately benefited the wealthiest Vermonters. The average Vermonter in the top 1 percent had an income of $1 million, and got a new annual federal tax break of just over $30,000 in 2018. In contrast, Vermont’s lowest earners saved about $150. In both dollars and percentages of income, the tax cuts were larger for the top 20 percent than for the bottom 80 percent. The total windfall for those in the top 20 percent of tax filers came to more than $350 million in 2018, and the tax breaks will continue until they expire or change.

Data source: Institute on Taxation and Economic Policy
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Richest Vermonters benefit most from federal tax breaks
Estimated average federal tax reductions per filer by income category, 2018

- Richest 1%: $30,120
- Next 4%: $9,550
- Next 15%: $2,990
- Fourth 20%: $1,390
- Middle 20%: $840
- Second 20%: $420
- Poorest 20%: $150

Data source: Institute on Taxation and Economic Policy
©2019 Public Assets Institute
MEDIAN INCOME BY HOUSEHOLD TYPE
The U.S. Census collects information by households, grouped as family or non-family. Family households include at least two people related by birth, marriage (including same-sex couples), or adoption. Non-family households comprise individuals living alone or homes with two or more unrelated residents; these include unmarried couples without children. Data on the unmarried partners of single parents are not counted in the parent’s household statistics. Median income is the middle amount of annual income for a given category: Half have income greater than the median and half have less.

Vermont women made 85 cents to a man’s dollar Median earnings for full-time, year-round workers, 2018

Women faced an income gap whether or not they had children Median household income by household type, Vermont, 2018

Overall, Vermont women earned 85 cents to each dollar men earned in 2018. And women earned less than men whether they had kids to care for or not. The median income for a female-headed household with children in the state was $29,215 in 2018, a little more than 60 percent of what single fathers brought home. There was a similar, though smaller, gap between single females and single males living alone: respectively, $28,151 to $31,806. Unsurprisingly, families headed by married couples did the best. Their median income was $96,343 in 2018. For all households in Vermont, the median income in 2018 was $60,782. That was essentially the same as the inflation-adjusted median household income in 2007, before the start of the recession.
More than 66,000 Vermonters, or one in nine, lived below the federal poverty threshold last year. The total number of Vermonters in poverty exceeded the number before the Great Recession, but remained lower than the 2010 peak. While Vermont’s poverty rate, at 11 percent, was below the national average, the state rate did not budge much from last year and remained above the 18-year low of 8.5 percent in 2002. Vermont stood in the middle among New England states—New Hampshire, Massachusetts, and Connecticut had lower poverty rates.

Note: To address concerns that the poverty thresholds were outdated, in 2011 the U.S. Census Bureau began producing the Supplemental Poverty Measure (SPM), which accounts for regional differences in costs, particularly housing, but also factors in non-cash public benefits like food stamps and housing assistance. The SPM also uses a more realistic measure of basic needs, including child care and medical expenses. State-level SPMs are calculated using a three-year average. The 2016-2018 rate for Vermont was 9.4 percent, making it one of 10 states where the SPM was not statistically different from the official poverty rate.
POVERTY RATE BY RACE

The U.S. Census tracks poverty by many demographics, including race. Because the number of Vermonters of color is relatively small, five-year estimates—based on surveys collected over five years and therefore representing a larger population sample—provide a more reliable picture of the differences. The Census began providing five-year estimates in 2009.

Vermonters of color were more likely to experience poverty

Poverty rates by race and Vermont average, with margin-of-error bars 2018

Data Source: U.S. Census Bureau, American Community Survey 2018 5-year estimates
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Poverty rates for people of color in Vermont exceeded the state average in 2018. Nearly a quarter of black Vermonters lived in poverty, compared with 11 percent of Vermonters overall. This is despite higher employment rates for black Vermonters than for the state population. Poverty rates were also greater among people who included themselves in two or more racial groups, or identified as American Indian or of Hispanic or Latino origin. Given the relatively small number of Vermonters of color, estimates of poverty are not as precise for these groups as they are for the state average. But people of color continue to have higher poverty rates even at the lowest end of the estimates.

6 The range of the estimates or margin of error is represented by the thin bars in the chart.
Most children in Vermont lived with married couples, but most kids in poverty lived with single mothers

In 2018, child poverty in Vermont stood at 11.1 percent. That was its lowest rate since 2004, and well below the peak of 15.9 percent—or 20,000 kids—in 2010. But some children were more likely to experience poverty. Kids with single moms accounted for more than half of Vermont children in poverty: over 7,000 of a total of 12,000. More than a third of these families faced poverty in 2018, the highest rate of any family configuration in the state.

CHILD POVERTY RATE

The child poverty rate is the share of children under 18 living below the federal poverty threshold. The U.S. Census Bureau tracks the poverty rate by many demographics, including whether there are related children under 18 in the household and how many parents are present.

Child poverty fell, but still afflicted 12,000 children

Number of Vermont children in poverty, with trendline, 2008-2018

Data source: U.S. Census Bureau, American Community Survey 1-year estimates, 2008-2018
©2019 Public Assets Institute
PRICE AND WAGE GAP

The U.S. Bureau of Economic Analysis gathers price data for a variety of items, including food, transportation, housing, medical services, and other goods and services, and creates a parity index that shows state and regional prices in relation to a national average of prices. The U.S. Bureau of Labor Statistics collects wage data from employers and publishes average annual wages for the U.S. and individual states. The wage index is a ratio of state wages to the national wage, where the national average equals 100. Viewed together, these two figures show the gap between prices and wages.

The affordability gap many Vermonters face is more a problem of wages than prices. Vermont’s prices are in line with the rest of the country—just 2.5 percent higher than the U.S. average. But when it comes to wages, Vermont lingers on the low end of the New England states, and well below the U.S. as a whole. Vermont ranked 38th in the country in annual average wages in 2017.
Low-income renters and homeowners both struggle with housing costs. Number of households with incomes under $50,000 in affordable and unaffordable housing, by unit type, 2018

Two-thirds of the 100,000 Vermont households with incomes less than $50,000 had trouble paying for housing in 2018. The share of those renters who pay more than 30 percent of their income in rent has increased over the last decade, to 70 percent. While prices for most common goods and services—such as food and transportation—are average in Vermont, rents are higher than the national average by 16.4 percent. Housing costs for owner-occupied units were also a stretch for lower-income homeowners, with over three-fifths spending more than 30 percent of their income on housing costs.
POINT-IN-TIME HOMELESS COUNT

The point-in-time homeless count is a measure of the number of people living in emergency shelters and hotels, transitional housing, and places not meant for human habitation. The figure is based on a census taken each year in one 24-hour period in January. Vermont housing organizations conduct the survey using methods established by the U.S. Department of Housing and Urban Development.

In any year over the last decade at least 1,000 Vermonters did not have a place to live. In the 2019 annual count, two-fifths of the homeless were parents and their children. That census, done during a 24-hour period in January, showed a decline in homelessness from 2018 to 2019. However, this may have been due to above-average temperatures on the day of the count, which can affect the results. In bad weather, more people seek housing assistance, not just because they can’t stay outside, but because the state often relaxes eligibility rules for emergency hotel vouchers. People are easier to count when they are in indoor shelters than when they are on the streets.

Data sources: Vermont Coalition to End Homelessness; Chittenden County Homeless Alliance

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Despite falling for the fifth straight year in 2018, the number of Vermon ters relying on food assistance remained above pre-recession levels. This reflects both elevated need and a federal policy change during the recession that increased 3SquaresVT eligibility for households up to 185 percent of poverty. The 3SquaresVT program is funded with federal dollars, and the Trump administration has taken steps to limit eligibility and reduce benefits.
HEALTH INSURANCE COVERAGE

Health insurance coverage is the percentage of the population with either publicly funded or private health insurance or both. The U.S. Census has been tracking coverage since 2008 by many different demographics, including employment status.

Fewer lacked health insurance in Vermont than in the U.S., with the unemployed worst off

Uninsured rate by employment status under age 64, Vermont and U.S., 2018

Vermont’s uninsured rate ticked down to 4.1 percent in 2018, after rising in 2017, and remained below the rate for the U.S. as a whole. “Uninsured” means lacking either public or private coverage. Vermonters under 19 had the lowest percentage of uninsured, half the overall state rate. Vermont has extended health care coverage to an increasing number of children with the Dr. Dynasaur program since 1989, and to more adults and children with Medicaid expansion under the Affordable Care Act in 2014. Many Vermonters receive health insurance through their employers, so the unemployed—those actively looking for work—faced the biggest gap in coverage.
State aid fell short of child care costs in every Vermont county Weekly market rate for full-time preschool-age child care (75th percentile), by county, 2017

Vermont’s Child Care Financial Assistance Program pays child care providers on behalf of qualifying families, with assistance based on a provider’s quality rating. Vermont’s goal is to meet federal guidelines: subsidies to 4- and 5-star-rated providers adequate to give parents access to 75 percent of the child care market. In 2017 that number was $250 per week for a full-time, preschool-aged child. But the state paid $173 to four-star providers in 2017 and 2018, failing to meet costs in any county. As of July 2019, it pays $215, exceeding the cost of care in six counties. This should help bring up wages for child care workers, whose median annual earnings were $27,600 in 2018, about 130 percent of poverty for a family of three.8

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PRIVATE SECTOR JOBS

The number of nonfarm private sector jobs is estimated through the Current Employee Statistics (CES) program, a monthly survey of employers conducted by the U.S. Bureau of Labor Statistics with the Vermont Department of Labor. This is the number of jobs, not workers. One worker can hold multiple jobs. Private sector jobs by county are an actual count of the jobs reported by employers covered by federal unemployment insurance laws in the Quarterly Census of Employment and Wages (QCEW). Because the two methodologies differ, the QCEW counts slightly fewer jobs than the CES.

Half of counties gained jobs since the recession

Change in annual average private jobs by county, pre-recession peak to 2018

In 2018 Vermont reached 259,100 private sector jobs, the highest annual average since 1990. This number represents a net gain of 5,000 jobs since 2006, the year before the Great Recession began, and growth of over 16,000 jobs since the recession ended. Despite gains, job growth in Vermont was slow in 2018: just 400 jobs, the second-slowest growth rate in the nation. Within Vermont, job growth continued to be uneven. Seven of 14 counties gained jobs since their pre-recession peak. The other seven, in southern Vermont and the Northeast Kingdom, still had not recovered jobs lost during the Great Recession. Four were still hurting from the 2001 slump: Bennington, Essex, Orange, and Windham.
Services dominated job growth Vermont goods-producing and service-providing jobs, 1990-2018

From 1990 to 2018 Vermont gained more than 57,000 nonfarm jobs. But three-quarters of those were added before 2005, and in the 14 years since Vermont saw a net gain of just 12,000 jobs—all in service-providing industries. Goods-producing jobs began to decline after a peak of 62,200 at the turn of the century. Before 2000, goods production consistently accounted for one out of every five jobs, but fell to one in seven jobs in 2018.

Data source: Vermont Department of Labor
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COUNTY EMPLOYMENT

County employment is the number of people working, including farmworkers and those who are self-employed, by county of residence. County-level data reveal regional differences within the state.

Only 3 Vermont counties had more people working than before the recession. Change in annual employment by county, pre-recession peak to 2018

In three Vermont counties the number of people working in 2018 increased from the pre-recession peak: Chittenden, Franklin, and Washington. In the remaining 11 counties fewer people were working than before the recession. About 65 percent of Vermonters 16 and older worked in 2018, down from 69 percent in 2006. These numbers include the self-employed.

Data source: Vermont Department of Labor
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9 Before the recession, most counties had their highest levels of employment in 2006. In Windham, the peak came in 2005. But Chittenden didn’t fully recover after the recession of early 2001. Its pre-recession peak came in 1999.
Vermont’s labor force saw biggest drop in New England

Change in labor force between 2010 and 2018

Vermont’s labor force shrank by 13,000 people from 2010 to 2018, the largest percentage drop in New England. The reasons: Baby boomers were reaching retirement age; the population included fewer people ages 35 to 54; and workforce participation—the share of working-age people working or looking for work—decreased among prime-age workers. A higher percentage of Vermonters 65 and older were working in 2018 than in 2010 (27 percent versus 23 percent), but that did not offset the losses.

Data source: U.S. Bureau of Labor Statistics
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LABOR FORCE DEMOGRAPHICS

Labor force is a count of people age 16 and over available to work. The U.S. Census breaks down the labor force by different demographics through the Current Population Survey, including sex, age, race, and education level.

Racially, Vermont hasn’t changed as much as the rest of the country

Vermont’s labor force was older, whiter, and more educated than the nation’s

Share of labor force by demographic characteristic, 2018


Vermont’s labor force was older, had more college graduates, and was less racially diverse than the U.S. workforce as a whole in 2018. Over the last 40 years, the white share of the U.S. labor force dropped from 83 percent to 62 percent, while Vermont’s went from 99 percent to 94 percent. Other demographic trends tracked the nation’s: Women and older workers made up an increasing share of the Vermont labor force; and the share of the workforce with college degrees more than doubled.
Vermont has lost lower-income households to emigration. Total number of federal tax filers who moved between Vermont and other U.S. states, by income group, 2011 to 2016.

About 4,000 more households moved out of Vermont than moved in from 2012 to 2016—a loss of about 800 a year. Between 15,000 and 20,000 people moved in and out each year during this period. Only households with higher incomes—over $200,000 annually—saw a net gain during the period: about 126 households, of which 80 percent comprised 26-to-44-year-olds. The Legislative Joint Fiscal Office found that Vermont was losing a larger percentage of households headed by people ages 45 to 64 with incomes between $25,000 and $75,000 than all but five other states.10

CENSUS POPULATION ESTIMATES
The U.S. Census Bureau produces cumulative population estimates in July of each year from the starting point of April 1, 2010. Population estimates include data on births, deaths, and net international and domestic migration. Data come from the National Center for Health Statistics, the Federal-State Cooperative for Population Estimates, the IRS, Medicare, the Social Security Administration, American Community Survey, and international population registers and censuses.

Vermont gained 555 people this decade
Components of Vermont’s population change, 2010-2018

Vermont’s population increased by 555 people since the start of the decade—less than half the people needed to fill the Flynn Theater in Burlington. New births drove the increase, with 2,513 more births than deaths. Population loss through migration to other states was mostly offset by foreign migration into the state. Among the new arrivals were 2,656 refugees who came through the U.S. Refugee Admissions Program. The numbers of refugees has fallen since 2015 and will likely continue to do so, due to more restrictive federal policy on migration and refugee resettlement.

Fewer refugees arrived in Vermont
Number of refugees settled in Vermont by calendar year, 2010-2018

Data source: Refugee Processing Center
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Terms not defined in this report

Adjusted for inflation  Dollar amounts are adjusted for inflation to reflect their equivalent value over time. For example, $1 in 1977, adjusted for inflation, would be worth $3.70 in 2018. Amounts are adjusted for inflation in this report using the Consumer Price Index Urban Research Series (CPI-U-RS). The exception is the gross state product, which is adjusted based on the quantity index from the U.S. Bureau of Economic Analysis.

Annual average wages  Total annual wages paid divided by the annual average number of people employed

Average annual growth rate  In this report the average annual growth rate is the compound annual growth rate, defined as the proportional growth rate from year to year. This measure smooths annual changes over a number of years, as if the growth had proceeded steadily each year.

Buying power  The financial capacity to purchase goods or services

Expansion  An increase in the level of economic activity

Great Recession  The most recent recession, which began in December 2007 and ended in June 2009

Income inequality  Uneven distribution of income in a population, with a large concentration of total income going to a small number of people

Inflation  An increase in prices and decline in buying power

Nonfarm jobs  The number of people on the payroll of private sector businesses or organizations and government payroll. This excludes the self-employed, unpaid volunteer or family workers, farm workers, domestic workers, military personnel, and other national security staff.

Personal income  Income received by persons from all sources. This includes income received from participation in production, as well as from government and business transfer payments, but it does not include capital gains. Total personal income is a major economic indicator.

Real  When used as a modifier for economic terms such as “growth” or “income,” real means adjusted for inflation.

Recession  A significant decline in activity across the economy, lasting longer than a few months. The technical indicator of a recession is two consecutive quarters (six months) of economic decline as measured by a country’s gross domestic product (GDP).

Recovery  The period following a recession during which lost employment and jobs are regained

Revenue  A state’s annual income, from which public expenses are met. State revenue comes from taxes, fees, fines, and transfers from the federal government.

Self-employed  People who work for profit or fees in their own business, profession, trade, or farm. Only the unincorporated self-employed are included in this category.

State pension funds  Money invested by the state for public employees’ retirement plans

Tight labor market  A job market where employers have a high demand for employees and employees are in limited supply. This can be driven by an increase in new jobs or a decline in the number of people seeking work.

Wages  Money paid to an employee for work completed, often in fixed regular payments on a weekly or biweekly basis