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# July 2011
# Economic Review and Revenue Forecast Update

Prepared for the
State of Vermont
Emergency Board and
Legislative Joint Fiscal Committee

July 21, 2011

# Economic Review and Revenue Forecast Update
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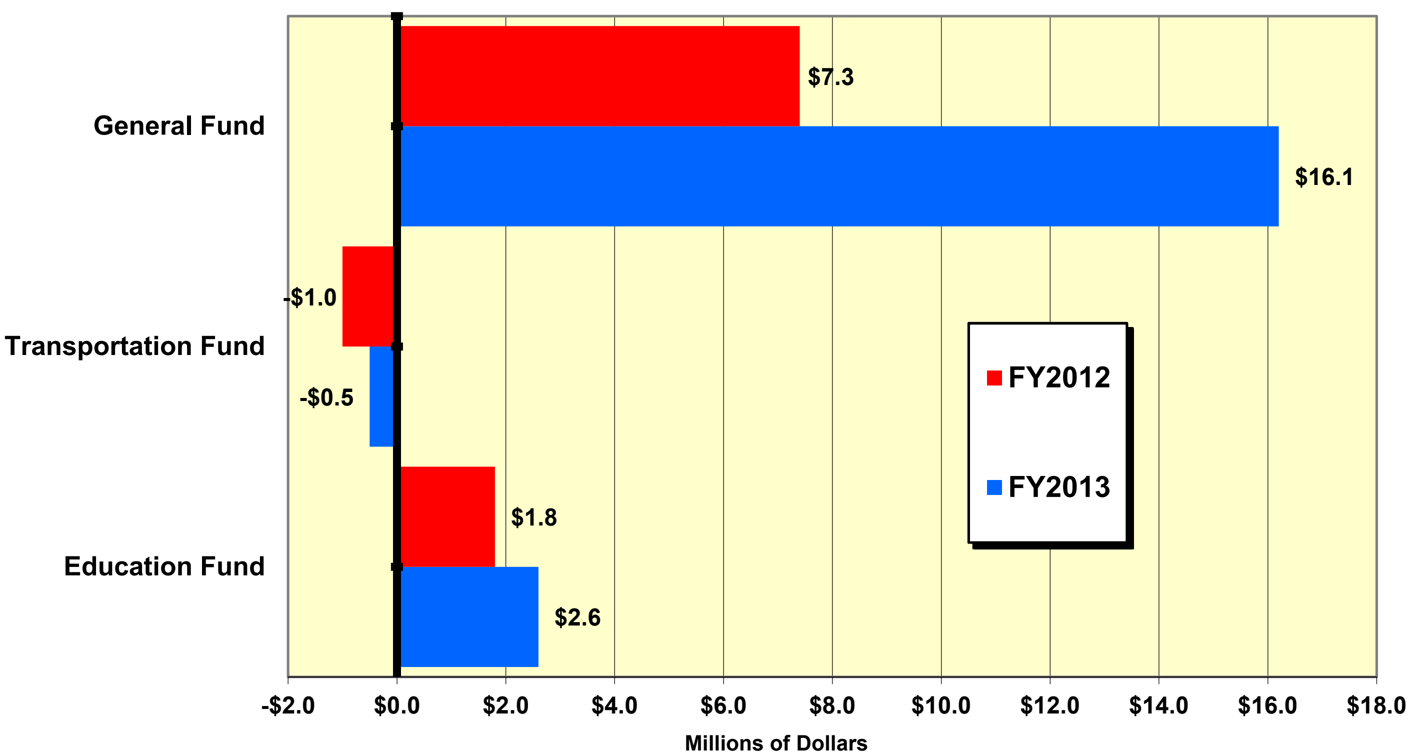
## Overview

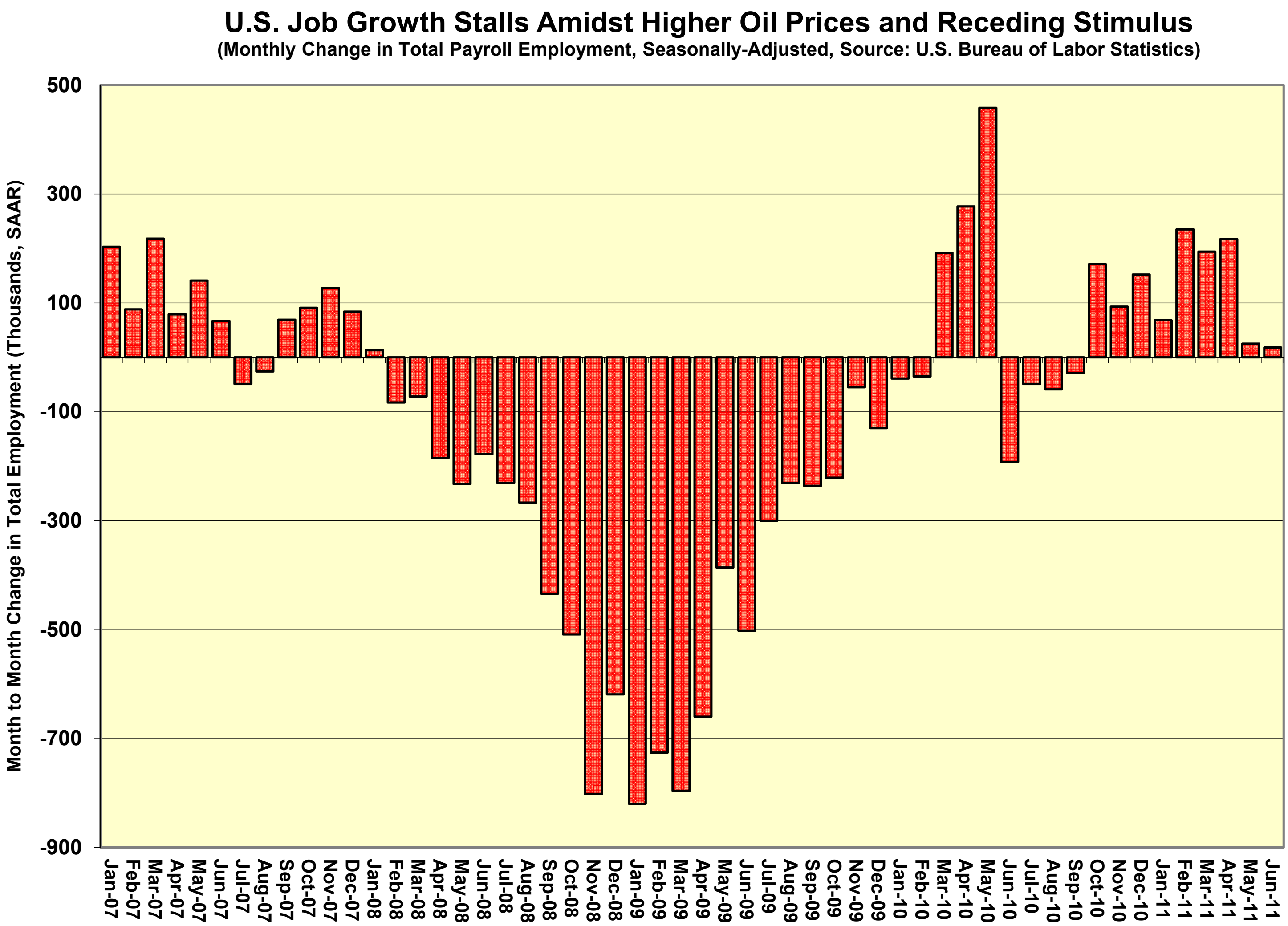
*Mounting headwinds from higher oil prices, receding federal fiscal stimulus, manufacturing losses associated with the Japanese earthquake and tsunami, festering European sovereign debt crises, and political gridlock in Washington that threatens the nation's financial integrity, have all conspired to stall the emerging recovery, bringing job growth to a virtual standstill and lowering projections of economic activity in FY12. Despite all this, the Vermont economy has generally outperformed the U.S. as a whole, and closed FY11 with tax revenues slightly above (+2.5%) January projections.*

*Virtually all of the FY11 revenue surpluses were in personal and corporate income taxes, which collectively added nearly $30 million in above-target receipts. The estate tax logged its highest single year ever, netting more than $35 million, about 70% of which went to the General Fund and the remainder to the Higher Ed Trust Fund. However, the one-time nature of many of these FY11 revenue events and lower projected economic growth in FY12 will limit G-Fund upgrades to about $7 million in FY12 and $16 million in FY13. Transportation Fund revenues closed FY11 less than one-tenth of one percent (0.1%) below prior estimates and received a slight downgrade in the upcoming two fiscal years, due primarily to higher oil price assumptions.*

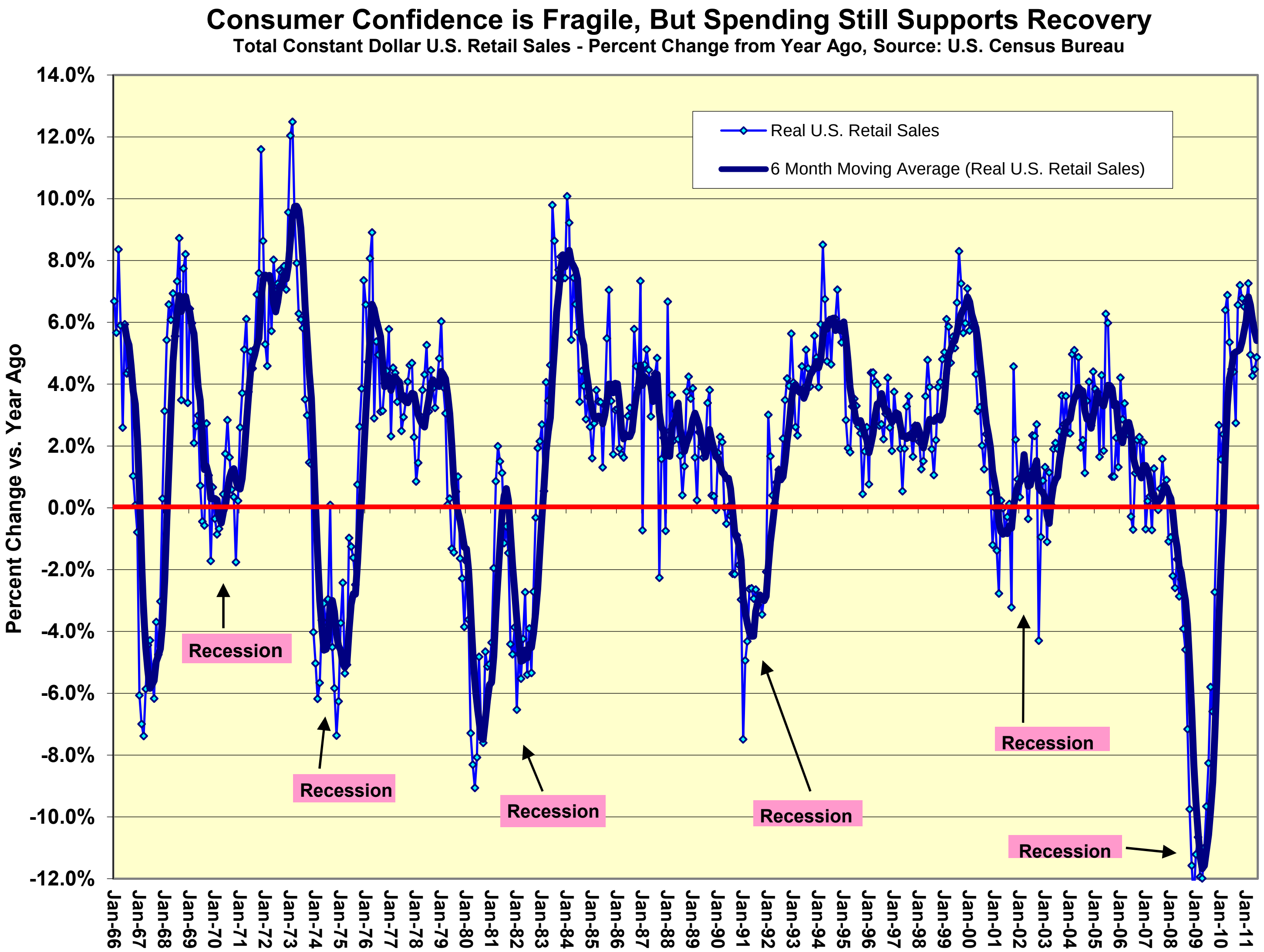
**Recommended Net Revenue Changes from January 2011 Forecast**



- Although the multiple headwinds the U.S. economy has encountered have been stiff, it has managed to eke out continued growth throughout the past six months. Real U.S. GDP, however, slowed to less than 2% in the first and second quarters of 2011, while job gains dropped precariously close to zero in both May and June, as public sector job losses associated with reduced stimulus spending negated most private sector gains (see below chart). While expected to improve over the next year as some of these headwinds ease, real FY12 growth in both the U.S. and Vermont have been downgraded (see Tables A and B), with a stronger recovery delayed until FY13.

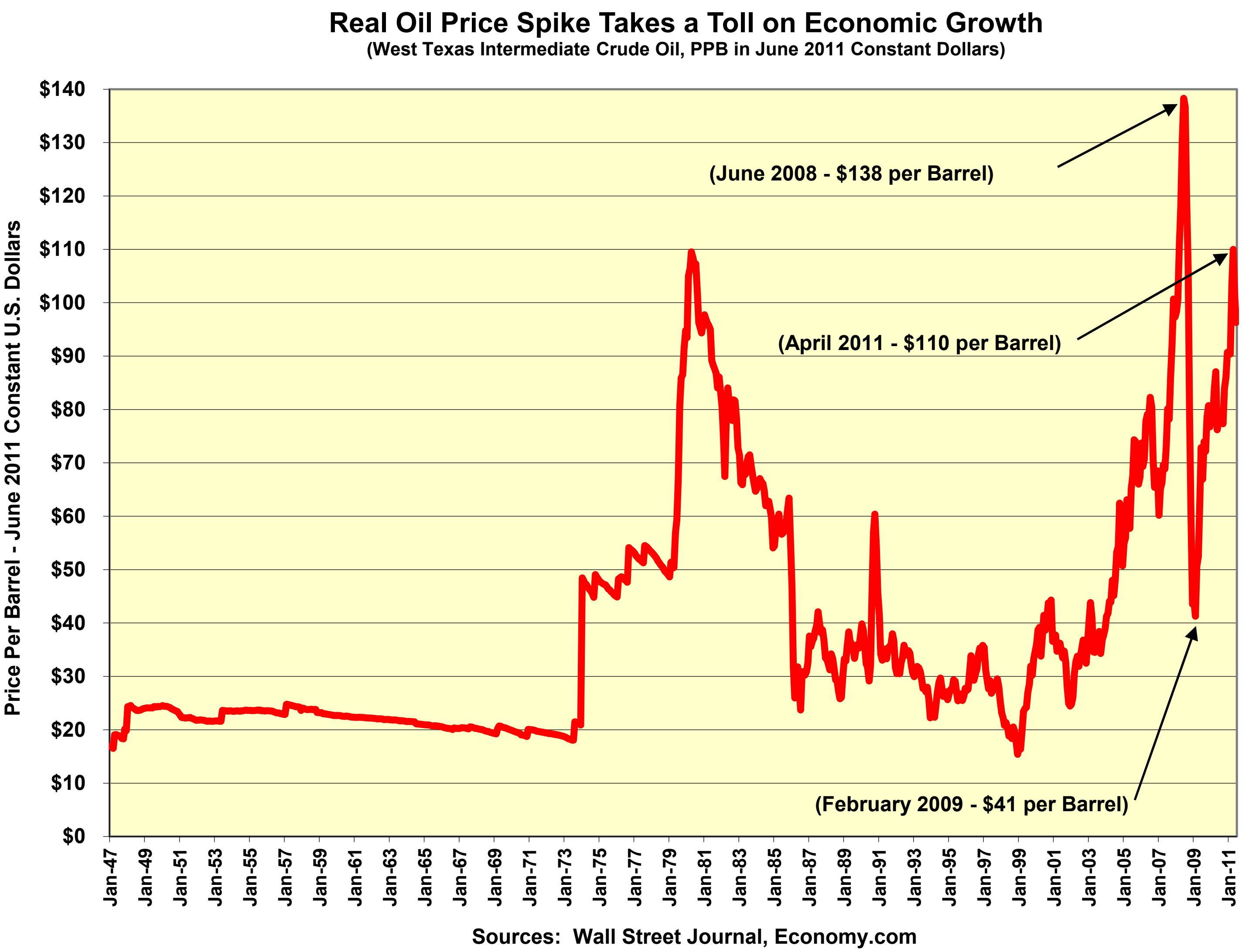



- Real U.S. and Vermont GDP growth is expected to accelerate in the second half of 2011 to more than 3%, as oil prices retreat from their April high of $110/Bbl to about $100 over the balance of 2011, Japanese auto and parts manufacturing supply chains resume production and the weak U.S. dollar drives improved export demand. Although consumer confidence remains fragile and wary, consumer spending has continued to underpin the recovery (see below chart). The primary downside risks to the macro-economic forecast are related to potential economic policy errors in Washington, Brussels and Beijing.




- As this review went to press, there was still no political agreement in Washington on raising the U.S. debt ceiling. Although the forecasts herein assume some provision will be enacted that does not result in a default on U.S. debt or financial obligations to its citizenry, this is by no means a foregone conclusion. The economic consequences of such a default could be severe and would probably necessitate an interim State revenue forecast revision if this occurs. Aside from higher debt servicing costs and related interest rate increases, the direct expenditure reductions that would be required of the federal government from such a self-inflicted wound could hardly come at a worse time for the economy.

- Related to this political folly, any decision to further reduce near-term federal fiscal support for the economy could also have counter-productive economic consequences. Although there is no question that longer-term debt reduction is essential, an immediate contraction in fiscal policy could end the recovery in much the way that premature fiscal constraint did so after the Great Depression in 1937-38. Federal Reserve Chairman, Ben Bernanke, alluded to this in recent Congressional testimony, in which he stated that persistent economic weakness would necessitate additional "policy support." With virtually no political prospect for additional fiscal policy support, monetary policy remains the only mechanism for near-term federal intervention.

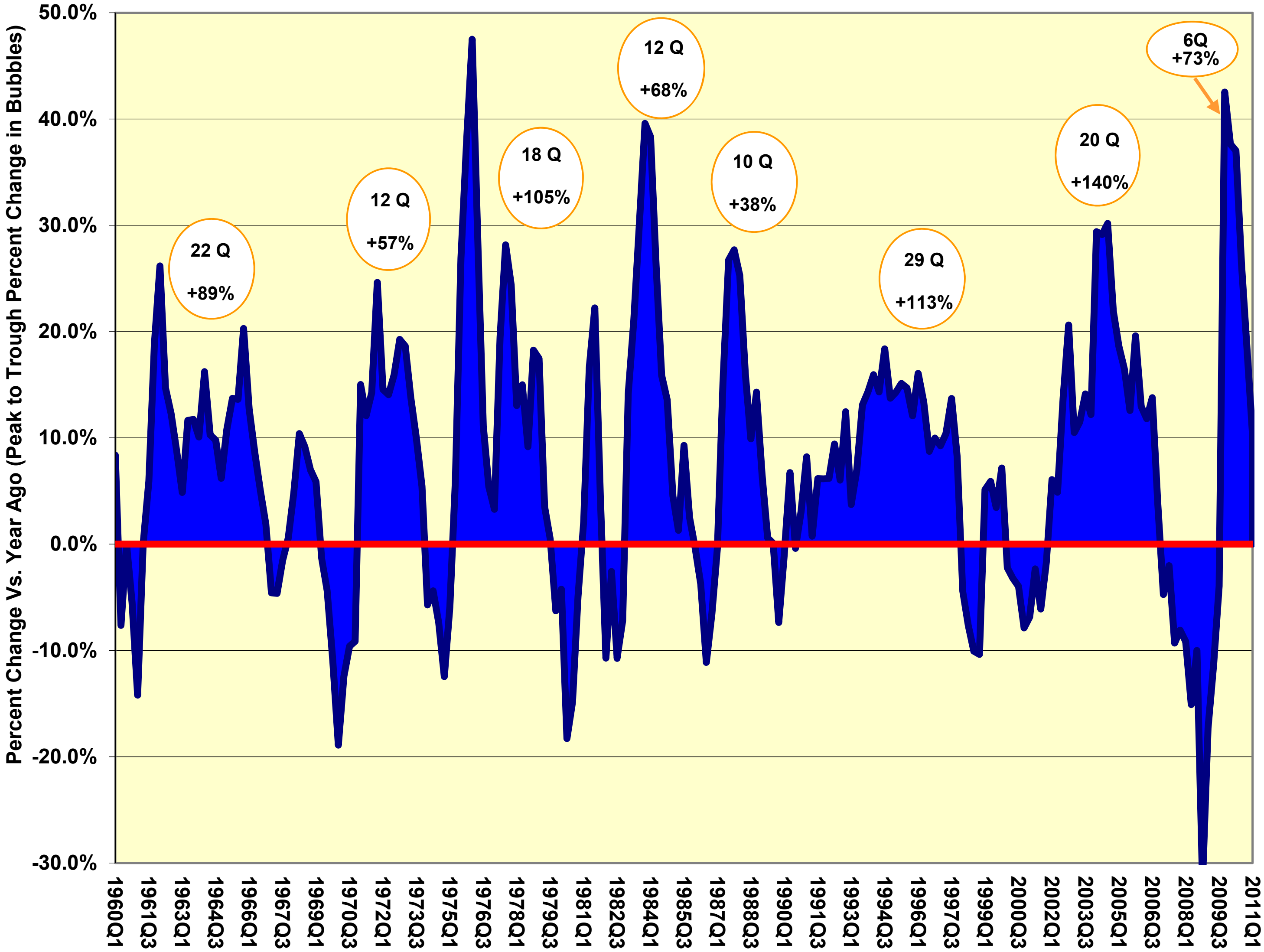



- European Union policy decisions affecting sovereign nation debt have also remained behind the curve and failed to resolve pressing financial issues. As a result, there has been endless speculation about how the most extreme EU debtor nation balance sheets may be resolved and an expanding list of potential "next Greece" economies that could undergo the same gauntlet of uncertainty, investor panic and fiscal pain. Whether such hard decisions can be made within the loose political framework of the EU is an open question, but the risks associated with continued irresolution and the potential unraveling of the EU currency could have widespread negative impacts that extend across the Atlantic.

- Unlike Europe and the U.S., in Beijing, the relevant policy issues have to do with how to slow their economy, not accelerate it. With risks of rampant inflation looming, especially in real estate markets, China has raised interest rates, transaction taxes and tightened lending standards, but is still contending with reported inflation rates of more than 6%. It is under pressure to revalue the yuan, but to also protect its huge exporting sector and the millions of jobs connected to it. U.S. dollar reserves in China now top $3 trillion, making it both a critical lender and end-market for U.S. products. Of note, China is now Vermont's second largest export destination, after Canada, with its share of Vermont exports rising from only 3% in the first quarter of 2007 to more than 15% in the first quarter of 2011.

- Labor markets remain extraordinarily weak at this phase of the recovery, with employers enjoying record profits (up 73% over the past 2 years, per the chart on page 6) and extraordinary productivity gains, but remaining cautious about future demand growth and reluctant to hire. Temporary help employment, which is usually a good indicator of future full-time hiring, is up nearly 28% since its recessionary low, whereas total employment is up a mere 1.4% since its low in February of 2010. This disconnect could imply an imminent acceleration of job growth or a new labor market dynamic that relies ever more heavily on out-sourced, part-time and temporary workers.

**Corporate Profits Soar, With Commensurate Growth in Tax Revenues**
**(U.S. corporate profits with inventory valuation and capital consumption adjustment; Source: US BEA)**



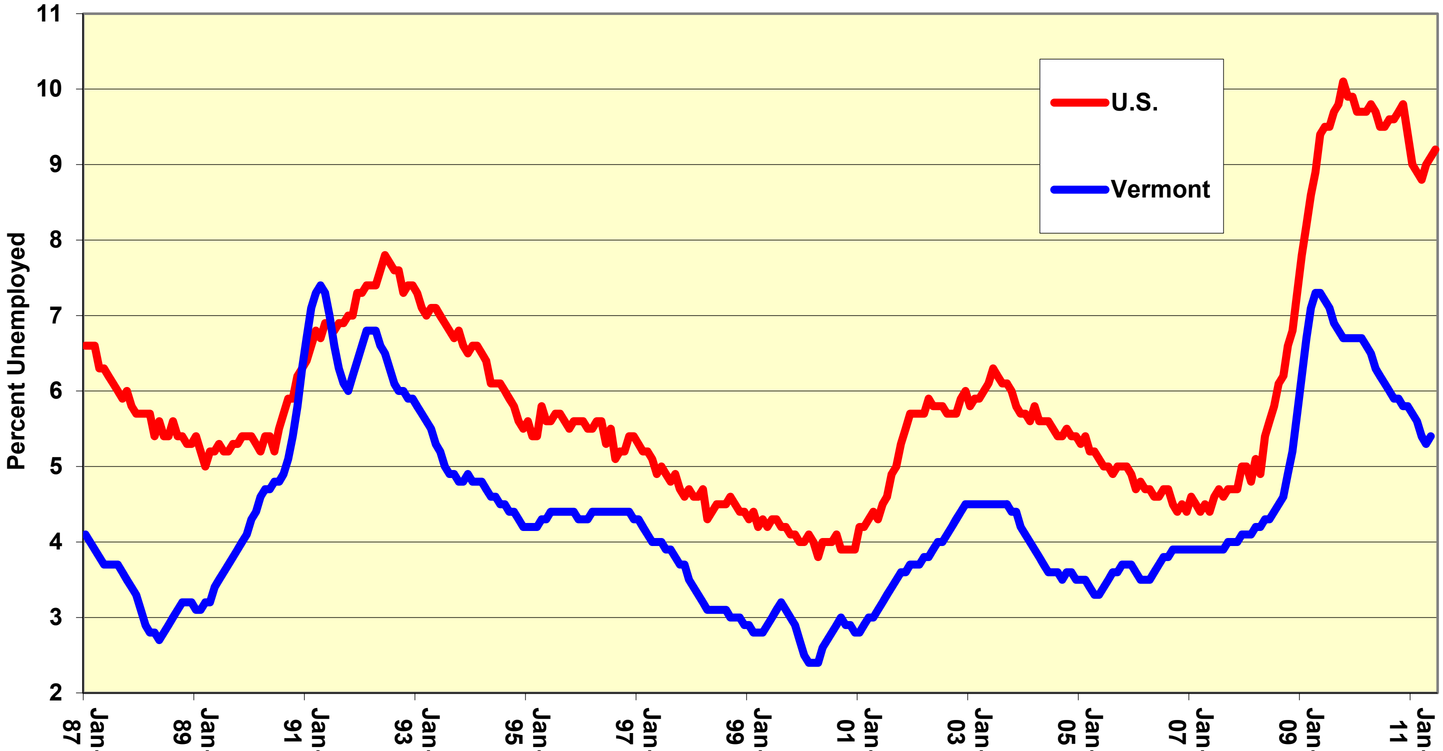

- As illustrated in the charts on the next page, Vermont labor markets have continued to outpace the U.S. average, with the 6th lowest unemployment rate in the nation in May at 5.4%, vs. 9.1% for the U.S. in the same month, and erratic, but positive, employment growth.

- Initial claims for unemployment insurance in Vermont, a good leading indicator of employment growth, have declined more than 30% from their peak levels in February of 2009, but remain at historically elevated levels.

- Slack labor markets have also taken a toll on wages. The BLS reports that real average hourly earnings actually declined about 1% between June 2009 when the recovery began and the first quarter of 2011. As a result of this, virtually all of the growth in real U.S. aggregate income since the recovery began in June of 2009 has accrued to corporate income (92%) and for the first time on record, none can be attributed to wage and salary growth.

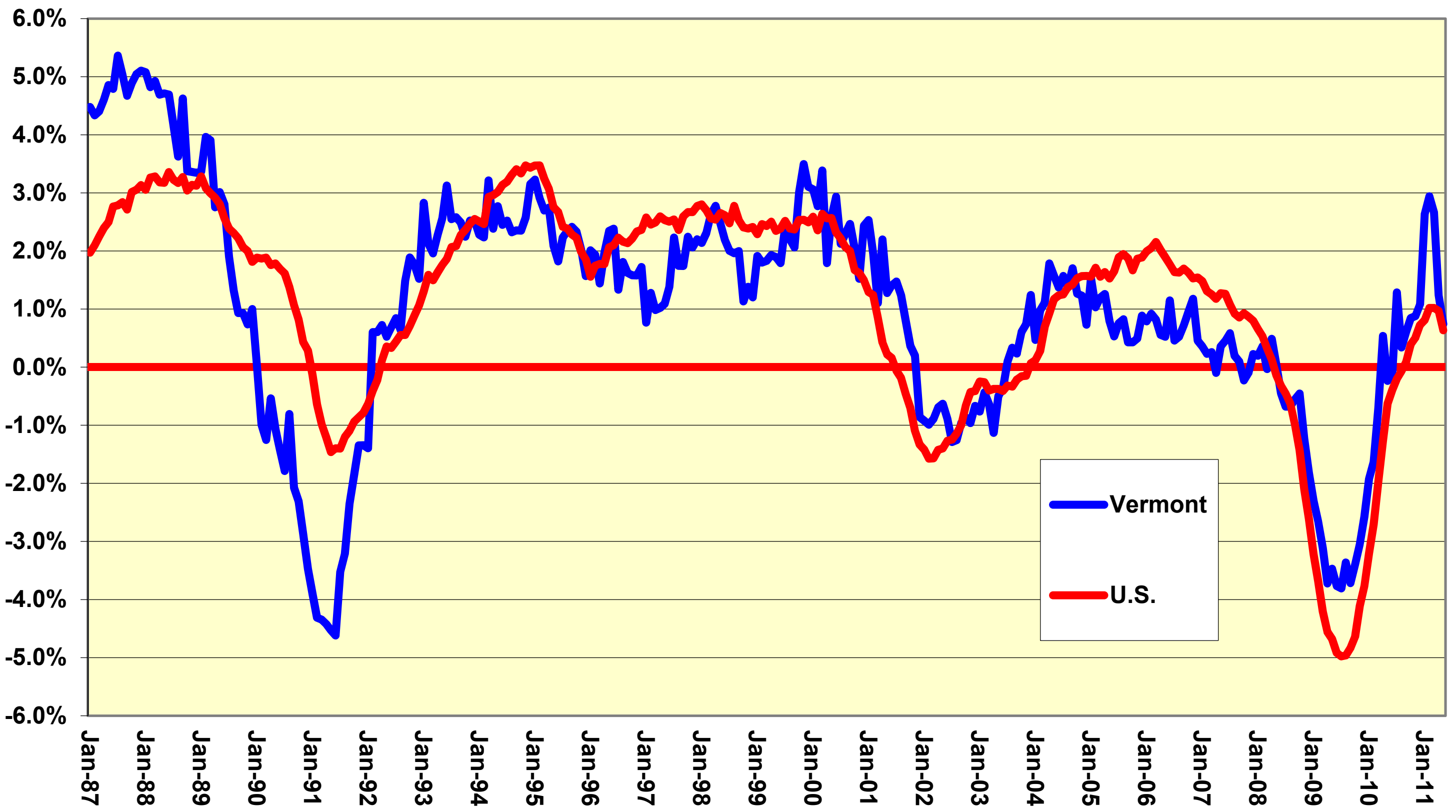
## Sluggish Vermont Labor Market Still Outpaces U.S. in Recovery...

(Seasonally adjusted data, Source: Bureau of Labor Statistics, U.S. Department of Labor)




## ...While Employment Growth Slows but Remains Positive

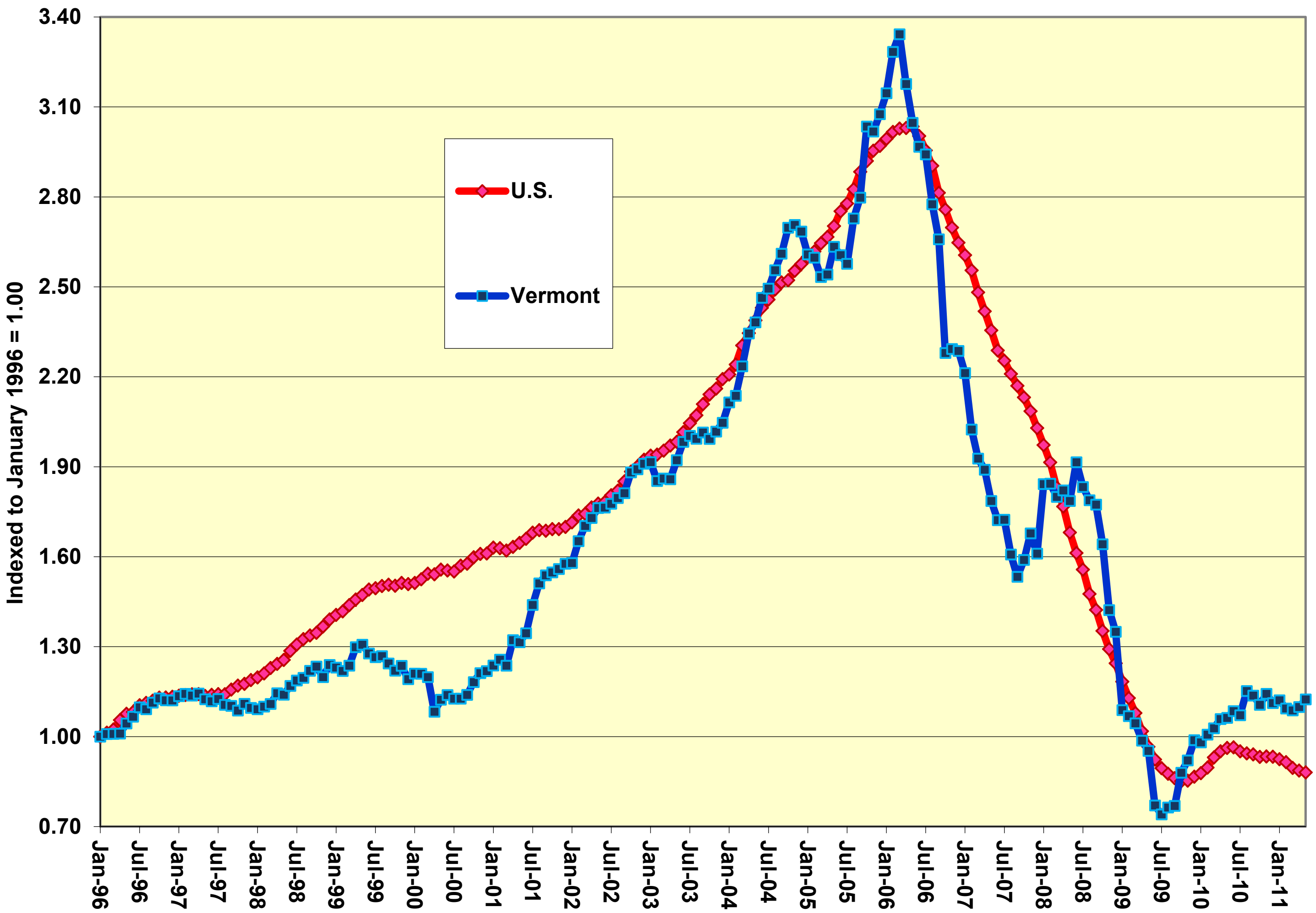
(Total Nonagricultural Employment, Percent Change vs. Year Ago, Seasonally Adjusted Data)




Source: Bureau of Labor Statistics, U.S. Department of Labor

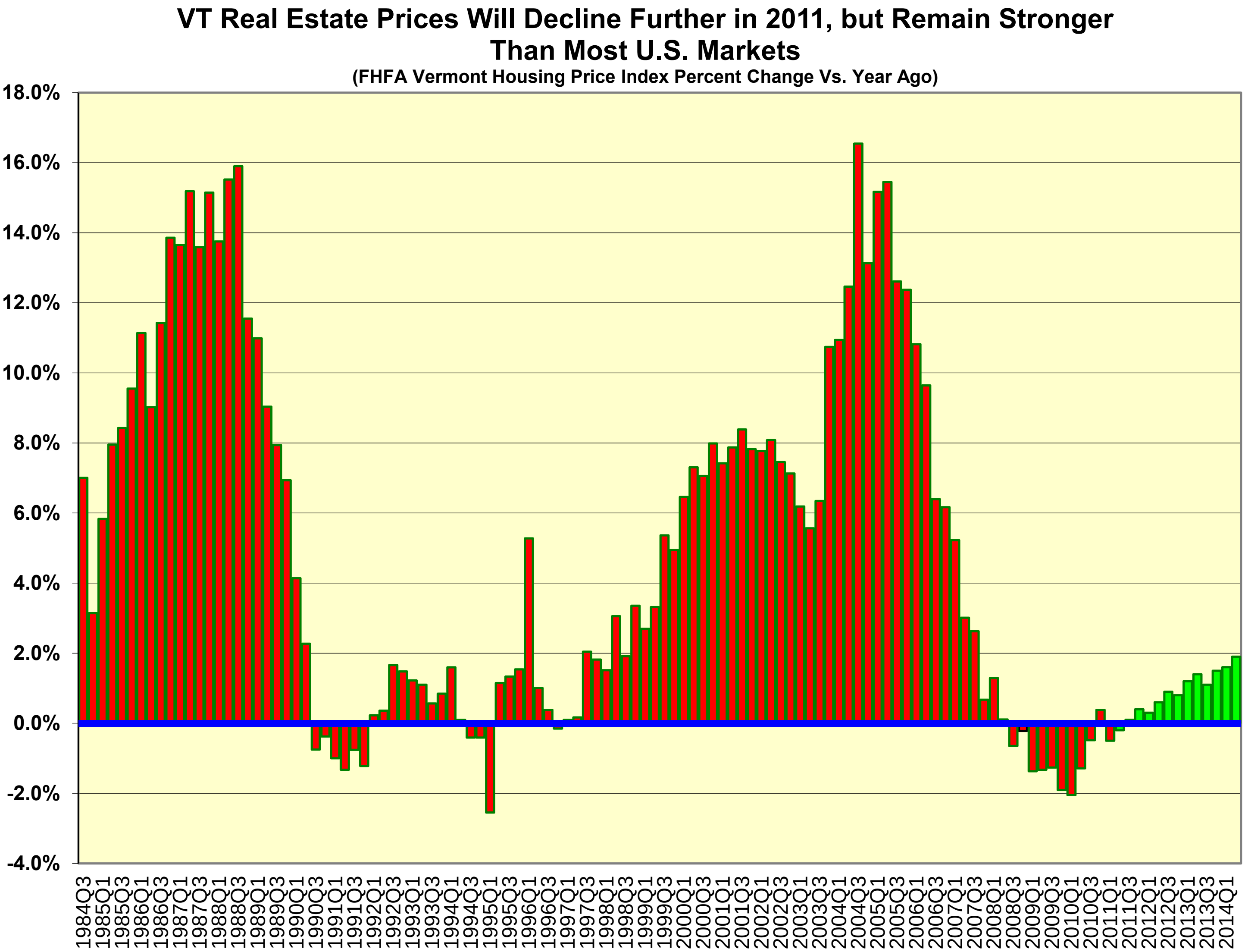
- Construction and real estate markets in Vermont and the nation continue to struggle. Although new construction has bottomed out, the recovery has stalled amidst further housing price declines, stricter lending standards and other financing restrictions, and a massive inventory of foreclosed properties clogging the market. As shown in the below chart, new residential construction investment in both Vermont and the nation remains stagnant at about *one-third* of their peak levels reached in the second quarter of 2006. For Vermont, this represents an investment reduction of *nearly $500 million per year*, in addition to the loss of substantial downstream spending on furniture, appliances, landscaping, etc., that often follows new home construction.

**Residential Construction Spending Struggles as Price Declines Continue**
**(Indexed Value of Residential Construction Starts, January 1996=1.00)**




**Source: F.W. Dodge, McGraw-Hill**

- Housing prices continued to decline in most states in the first quarter of 2011 and became more widespread for the first time in several quarters. There were only five states reporting price appreciation in the first quarter of 2011 versus 15 in the third quarter of 2010. As expected, Vermont was among those experiencing continued minor price declines, however, with a decline of only 0.5%, it ranked among the "least bad" in the country (9th). Vermont residential real estate prices will likely decline for about one more quarter in 2011 before bottoming out and beginning an extended period of very low price appreciation.

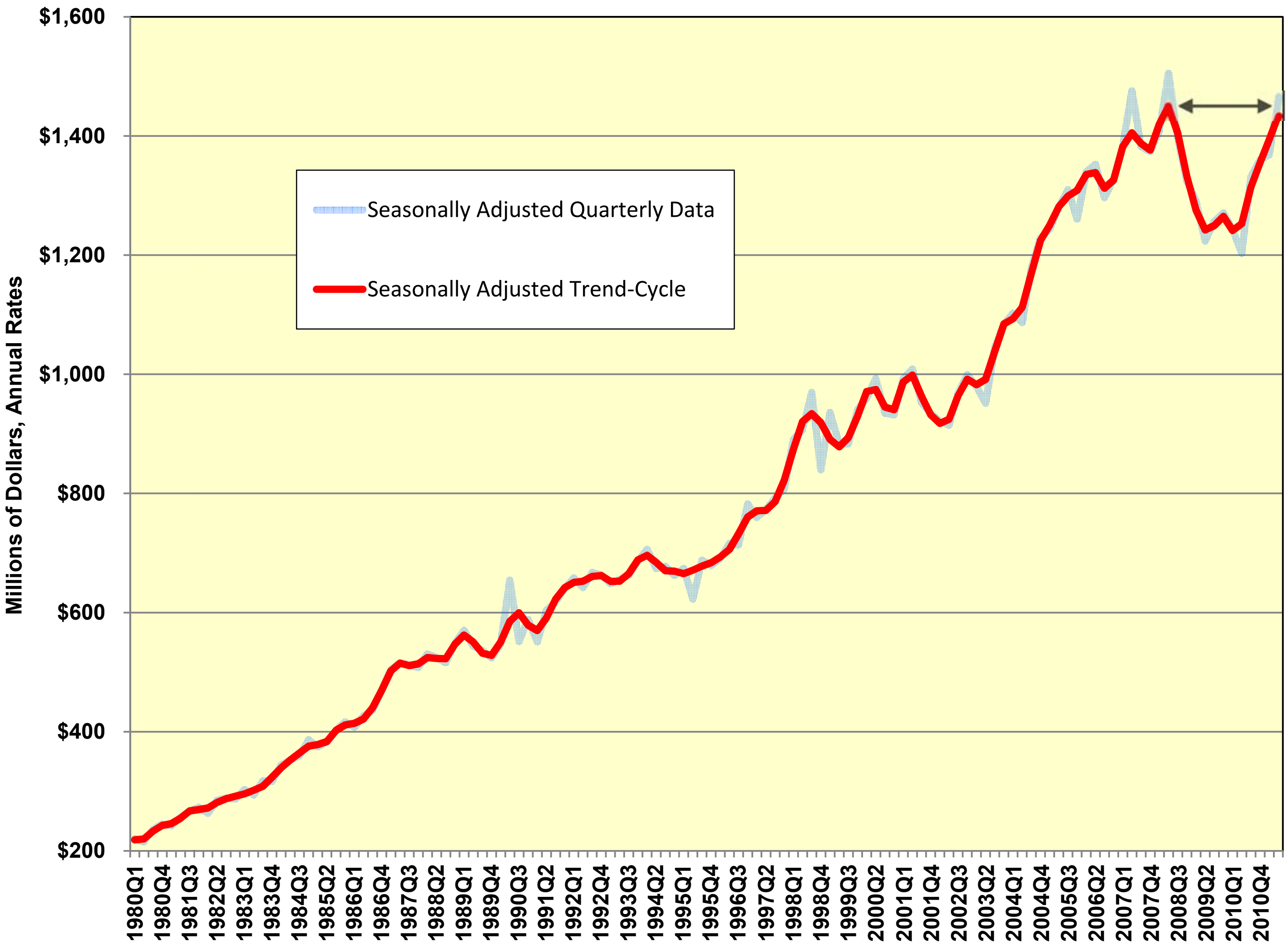



- As the primary tax base for the Education Fund property tax (which is forecast in October and not included in the portion of the E-Fund projected herein), declining or weak real estate price growth will present significant policy challenges, as almost any expenditure growth connected to this resource will have to be funded with either rate increases, transfers from other funds or new revenue sources.

- Aggregate Vermont revenues closed FY11 very close to expectations, with exceptional strength in personal income, corporate income and estate taxes pushing total receipts about 2.5% above targets. Unfortunately, much of this strength was concentrated in one-time events, which are unlikely to recur in

FY12 or beyond. Accordingly, lower expected economic growth in FY12 will almost entirely offset remaining gains. Underscoring the severity of the "Great Recession," on a seasonally adjusted basis, total "Source" General Fund revenues (before transfers to other funds and including taxes such as cigarettes and tobacco products, per Table 1A) in the second quarter of 2011 finally approached previous peak revenue levels reached in the second quarter of 2008 (see below chart), a full three years hence.

**Total Source General Fund Revenues Finally Approach Prior 2008 Peak**
**(Seasonally Adjusted Annual Rates, Sources: Vermont Department of Taxes, JFO, KRA Analysis)**



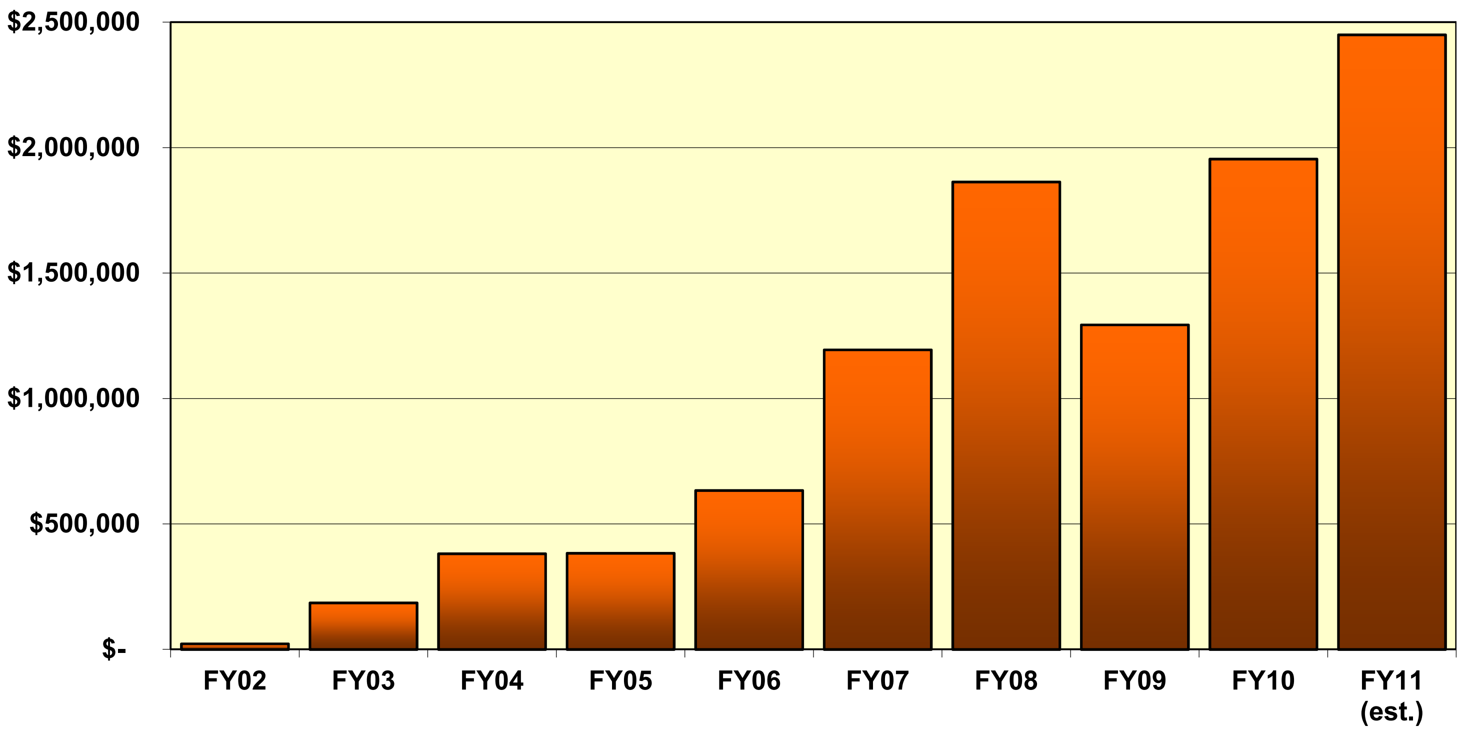

- The large consumption taxes (S&U, MVP&U and M&R) ended FY11 about 1% above targets, with all three categories posting year over year gains in excess of 4%. Although FY12 growth may be slightly more subdued, as consumers are limited by higher energy prices, limited employment gains and dismal wage and salary growth, FY13 could yield substantial growth in all of these categories as the external economy improves.

- Corporate income tax revenues hit record levels in FY11, closing the year at almost $90 million, however, a substantial portion of this income was episodic and is not expected to recur in FY12. As a result of this, FY12 will show declines in corporate income, with a resumption of growth in FY13 and beyond.

- Bank revenues in FY11 also included one-time revenues that inflated year-end results. In FY12, bank franchise tax receipts will drop to about $10.8 million and show very little growth over the forecast horizon in large part because of an ever-growing list of credits taken against bank revenues before they are reported. This illustrates the way in which seemingly "poor revenue growth" can actually be the result of tax expenditures such as these.

**Tax Expenditures Sap Bank Revenues**

**Development Subsidy Tax Credits Applied Against Bank Revenues, Source: VT Tax Dept., BISHCA and JFO**




- In their first full year of collection, Transportation Infrastructure Bond (TIB) revenues, which are essentially additional gasoline and diesel taxes with a price-based component, performed very close to projections, closing the fiscal year about six tenths of one percent (0.6%) above January forecasts. This should reinforce the very high debt ratings awarded to these bonds, since these dedicated revenues are the source of bond interest payments.

- The U.S. and Vermont macro-economic forecasts upon which the revenue forecasts in this Update are based are summarized in the below Tables A and B, and represent a consensus JFO and Administration macro-economic forecast developed using internal JFO and Administration State economic models with input from Moody's Analytics June 2011 projections and New England Economic Partnership (NEEP) May 2011 forecasts. These forecasts assume a U.S. federal debt limit extension without incident and no significant near-term fiscal or monetary policy contraction.

**TABLE A**
**Comparison of Recent Consensus U.S. Macroeconomic Forecasts**
**November 2009 Through June 2011, Selected Variables, Calendar Year Basis**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| **Real GDP Growth** | | | | | | | | |
| November-09 | *2.7* | *2.1* | *0.4* | *-2.6* | *1.8* | *3.9* | *5.4* | *3.6* |
| June-10 | *2.7* | *2.1* | *0.4* | *-2.4* | *3.1* | *3.9* | *5.0* | *3.4* |
| December-10 | *2.7* | *1.9* | *0.0* | *-2.6* | *2.9* | *3.9* | *4.5* | *4.4* |
| June-11 | *2.7* | *1.9* | *0.0* | *-2.6* | *2.9* | *2.7* | *4.2* | *4.1* |
| **S&P 500 Growth (Annual Avg.)** | | | | | | | | |
| November-09 | *8.6* | *12.7* | *-17.3* | *-23.9* | *24.6* | *8.0* | *7.4* | *5.0* |
| June-10 | *8.6* | *12.7* | *-17.3* | *-22.5* | *21.2* | *5.8* | *4.2* | *5.9* |
| December-10 | *8.6* | *12.7* | *-17.3* | *-22.5* | *20.5* | *12.4* | *6.8* | *5.8* |
| June-11 | *8.6* | *12.7* | *-17.3* | *-22.5* | *20.5* | *18.4* | *1.2* | *-2.4* |
| **Employment Growth (Non-Ag)** | | | | | | | | |
| November-09 | *1.8* | *1.1* | *-0.4* | *-3.7* | *-1.0* | *2.2* | *3.5* | *3.3* |
| June-10 | *1.8* | *1.1* | *-0.6* | *-4.3* | *-0.4* | *1.5* | *2.9* | *3.2* |
| December-10 | *1.8* | *1.1* | *-0.6* | *-4.3* | *-0.5* | *1.7* | *2.3* | *3.3* |
| June-11 | *1.8* | *1.1* | *-0.6* | *-4.4* | *-0.7* | *1.2* | *2.0* | *2.6* |
| **Unemployment Rate** | | | | | | | | |
| November-09 | *4.6* | *4.6* | *5.8* | *9.2* | *10.0* | *8.9* | *7.0* | *5.8* |
| June-10 | *4.6* | *4.6* | *5.8* | *9.3* | *9.9* | *9.5* | *7.5* | *6.1* |
| December-10 | *4.6* | *4.6* | *5.8* | *9.3* | *9.6* | *9.5* | *8.0* | *6.4* |
| June-11 | *4.6* | *4.6* | *5.8* | *9.3* | *9.6* | *9.0* | *8.4* | *7.3* |
| **West Texas Int. Crude Oil $/Bbl** | | | | | | | | |
| November-09 | *66.1* | *72.4* | *100.8* | *60.6* | *75.9* | *87.5* | *89.4* | *90.2* |
| June-10 | *66.1* | *72.4* | *99.6* | *61.7* | *79.5* | *87.3* | *89.4* | *90.2* |
| December-10 | *66.1* | *72.4* | *99.6* | *61.7* | *79.4* | *93.0* | *96.4* | *97.9* |
| June-11 | *66.1* | *72.4* | *99.6* | *61.7* | *79.4* | *101.2* | *99.4* | *100.5* |
| **Prime Rate** | | | | | | | | |
| November-09 | *7.96* | *8.05* | *5.09* | *3.22* | *3.35* | *5.15* | *7.01* | *7.50* |
| June-10 | *7.96* | *8.05* | *5.09* | *3.25* | *3.20* | *4.60* | *6.78* | *7.07* |
| December-10 | *7.96* | *8.05* | *5.09* | *3.25* | *3.23* | *3.21* | *4.43* | *6.55* |
| June-11 | *7.96* | *8.05* | *5.09* | *3.25* | *3.25* | *3.24* | *3.63* | *5.05* |
| **Consumer Price Index Growth** | | | | | | | | |
| November-09 | *3.2* | *2.9* | *3.8* | *-0.5* | *1.7* | *1.9* | *2.1* | *2.0* |
| June-10 | *3.2* | *2.9* | *3.8* | *-0.3* | *1.8* | *2.1* | *3.1* | *2.8* |
| December-10 | *3.2* | *2.9* | *3.8* | *-0.3* | *1.6* | *1.5* | *2.6* | *3.0* |
| June-11 | *3.2* | *2.9* | *3.8* | *-0.3* | *1.6* | *3.0* | *1.9* | *2.5* |
| **Avg. Home Price Growth** | | | | | | | | |
| November-09 | *7.4* | *2.0* | *-2.6* | *-5.0* | *-10.4* | *-1.5* | *4.2* | *5.7* |
| June-10 | *7.2* | *2.0* | *-3.0* | *-4.0* | *-4.6* | *-0.7* | *0.4* | *1.5* |
| December-10 | *7.2* | *2.0* | *-3.0* | *-4.0* | *-3.7* | *-1.1* | *0.3* | *1.4* |
| June-11 | *7.2* | *1.7* | *-3.1* | *-4.0* | *-3.7* | *-1.1* | *0.3* | *1.4* |

**TABLE B**
**Comparison of Consensus Administration and JFO Vermont State Forecasts December 2008 Through June 2011, Selected Variables, Calendar Year Basis**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| **Real GSP Growth** | | | | | | | | |
| December-08 | *1.2* | *1.5* | *1.2* | *-0.8* | *1.8* | *3.9* | *4.5* | |
| June-09 | *1.3* | *1.7* | *1.7* | *-3.3* | *0.5* | *3.4* | *5.1* | |
| November-09 | *1.3* | *1.7* | *1.7* | *-3.1* | *-0.5* | *4.5* | *5.3* | *4.3* |
| June-10 | *1.3* | *1.7* | *1.7* | *-0.3* | *3.5* | *4.0* | *5.1* | *3.2* |
| December-10 | *1.2* | *0.1* | *2.0* | *-0.7* | *3.4* | *4.1* | *5.3* | *3.8* |
| June-11 | *1.2* | *-0.7* | *0.4* | *-2.3* | *3.2* | *3.5* | *4.0* | *3.9* |
| **Population Growth** | | | | | | | | |
| December-08 | *0.2* | *0.1* | *0.2* | *0.3* | *0.3* | *0.3* | *0.3* | |
| June-09 | *0.1* | *0.1* | *0.1* | *0.0* | *0.1* | *0.3* | *0.3* | |
| November-09 | *0.1* | *0.1* | *0.1* | *0.0* | *0.2* | *0.3* | *0.3* | *0.3* |
| June-10 | *0.2* | *0.1* | *0.1* | *0.1* | *0.1* | *0.3* | *0.3* | *0.3* |
| December-10 | *0.2* | *0.1* | *0.1* | *0.1* | *0.1* | *0.3* | *0.4* | *0.5* |
| June-11 | *0.2* | *0.2* | *0.2* | *0.1* | *0.2* | *0.3* | *0.3* | *0.3* |
| **Employment Growth** | | | | | | | | |
| December-08 | *0.7* | *0.0* | *-0.2* | *-1.3* | *0.2* | *1.6* | *1.6* | |
| June-09 | *0.7* | *0.2* | *-0.7* | *-4.6* | *-1.7* | *1.4* | *2.9* | |
| November-09 | *0.7* | *0.2* | *-0.7* | *-3.8* | *-1.1* | *1.3* | *2.3* | *2.9* |
| June-10 | *0.7* | *0.2* | *-0.4* | *-3.3* | *-0.4* | *0.8* | *2.2* | *1.9* |
| December-10 | *0.7* | *0.2* | *-0.4* | *-3.3* | *-0.9* | *0.5* | *1.8* | *2.7* |
| June-11 | *0.8* | *0.2* | *-0.4* | *-3.2* | *0.1* | *2.6* | *1.0* | *1.9* |
| **Unemployment Rate** | | | | | | | | |
| December-08 | *3.7* | *3.9* | *4.9* | *6.6* | *7.2* | *6.3* | *5.1* | |
| June-09 | *3.7* | *4.0* | *4.8* | *8.0* | *8.9* | *7.7* | *6.1* | |
| November-09 | *3.7* | *4.0* | *4.8* | *7.2* | *8.1* | *7.4* | *6.0* | *5.1* |
| June-10 | *3.7* | *3.9* | *4.5* | *6.9* | *6.7* | *6.6* | *5.4* | *4.5* |
| December-10 | *3.7* | *3.9* | *4.5* | *6.9* | *6.2* | *6.1* | *5.2* | *4.1* |
| June-11 | *3.7* | *3.9* | *4.5* | *6.9* | *6.2* | *5.7* | *5.5* | *4.6* |
| **Personal Income Growth** | | | | | | | | |
| December-08 | *7.6* | *6.6* | *3.9* | *1.3* | *2.5* | *3.6* | *4.5* | |
| June-09 | *7.6* | *6.7* | *3.8* | *0.1* | *0.7* | *2.4* | *4.4* | |
| November-09 | *7.6* | *6.7* | *4.3* | *1.4* | *1.1* | *2.4* | *3.5* | *5.1* |
| June-10 | *8.0* | *4.8* | *2.7* | *-0.3* | *2.8* | *3.4* | *5.5* | *6.0* |
| December-10 | *8.0* | *4.8* | *2.7* | *0.2* | *2.5* | *2.8* | *5.8* | *6.5* |
| June-11 | *7.9* | *5.5* | *3.7* | *-0.3* | *3.4* | *5.5* | *4.8* | *6.8* |
| **Home Price Growth (JFO*)** | | | | | | | | |
| December-08* | *9.1* | *3.9* | *0.7* | *-1.3* | *0.1* | *1.1* | *1.5* | |
| June-09* | *8.9* | *3.4* | *0.9* | *-1.7* | *-1.6* | *0.5* | *1.1* | |
| November-09* | *8.5* | *3.2* | *0.8* | *-1.8* | *-1.9* | *0.4* | *1.1* | *2.1* |
| June-10 | *8.4* | *3.1* | *0.4* | *-1.5* | *-2.1* | *0.1* | *1.1* | *2.1* |
| December-10 | *8.3* | *3.0* | *0.3* | *-1.5* | *-1.3* | *-0.1* | *0.7* | *1.3* |
| June-11 | *8.2* | *2.9* | *0.1* | *-1.5* | *-0.9* | *0.0* | *0.7* | *1.3* |

## Methodological Notes and Other Comments

- This analysis has benefited significantly from the input and support of Tax Department and Joint Fiscal Office personnel. In the Joint Fiscal Office, Sara Teachout, Stephanie Barrett, Catherine Benham, Neil Schickner and Mark Perrault have contributed to numerous policy and revenue impact analyses and coordinated JFO forecast production and related legislative committee support functions. Theresa Utton-Jerman has diligently organized and maintained large tax and other databases in support of JFO revenue forecasting activities. In the Tax Department, Susan Mesner, Tax Department Economist, has made invaluable analytic contributions to many tax and revenue forecasts, including tax law change analyses and Rachel Stanger, Tax Research and Statistics Analyst, has provided custom research and statistical and related background information from the detailed tax databases she maintains. Our thanks to all of the above for their many contributions to this analysis.

- The analysis in support of JFO economic and revenue projections are based on statistical and econometric models, and professional analytic judgment. All models are based on 35 years of data for each of the 25 General Fund categories (three aggregates), 31 years of data for each of the Transportation Fund categories (one aggregate), and 13 to 35 years for each of the Education Fund categories. The analyses employed includes seasonal adjustment using the X-11 and X-12 Census methods, various moving average techniques (such as Henderson Curves, etc.), Box-Jenkins ARIMA type models, pressure curve analysis, comparable-pattern analysis of monthly, quarterly and half year trends for current year estimation, and behavioral econometric forecasting models.

- Because the State does not currently fund an internal State or U.S. macro-economic model, this analysis relies primarily on macro-economic models from Moody's/Economy.com and the New England Economic Partnership (NEEP). The NEEP forecast for Vermont is managed by Jeff Carr, of Economic & Policy Resources, Inc., who is also the current Administration economist. Since October of 2001, input and review of initial Vermont NEEP model design and output prior to its release has been provided by the JFO Consulting Economist. Dynamic and other input/output-based models for the State of Vermont, including those from Regional Economic Models, Inc. (REMI), Regional Dynamics, Inc. (REDYN), and IMPLAN are also maintained and managed by the JFO for use in selected economic impact and simulation analyses used herein.

- The Consensus JFO and Administration forecasts are developed following discussion, analysis and synthesis of independent revenue projections produced by Administration and Joint Fiscal Office economic advisors.

## TABLE 1A - STATE OF VERMONT
## LEGISLATIVE JOINT FISCAL OFFICE
## SOURCE GENERAL FUND REVENUE FORECAST UPDATE
**Consensus JFO and Administration Forecast - July 2011**

***SOURCE G-FUND***

*revenues are prior to all E-Fund allocations and other out-transfers. Used for analytic and comparative purposes only.*

| | FY 2007 (Actual) | % Change | FY 2008 (Actual) | % Change | FY 2009 (Actual) | % Change | FY 2010 (Actual) | % Change | FY 2011 (Preliminary) | % Change | FY 2012 (Forecast) | % Change | FY 2013 (Forecast) | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *REVENUE SOURCE* | | | | | | | | | | | | | | |
| Personal Income | $581.2 | 7.2% | $622.3 | 7.1% | $530.3 | -14.8% | $498.0 | -6.1% | $553.3 | 11.1% | $596.0 | 7.7% | $650.2 | 9.1% |
| Sales & Use* | $333.7 | 2.5% | $338.4 | 1.4% | $321.2 | -5.1% | $311.1 | -3.1% | $326.3 | 4.9% | $338.6 | 3.8% | $352.8 | 4.2% |
| Corporate | $72.8 | -4.1% | $74.6 | 2.4% | $66.2 | -11.3% | $62.8 | -5.1% | $89.7 | 42.7% | $77.9 | -13.1% | $81.7 | 4.9% |
| Meals and Rooms | $114.9 | 2.8% | $121.1 | 5.4% | $117.1 | -3.3% | $118.0 | 0.8% | $122.8 | 4.1% | $126.9 | 3.3% | $131.5 | 3.6% |
| Cigarette and Tobacco** | $64.3 | 31.4% | $59.2 | -7.9% | $64.1 | 8.3% | $70.1 | 9.2% | $72.9 | 4.0% | $76.2 | 4.5% | $73.9 | -3.0% |
| Liquor | $13.7 | 4.0% | $14.2 | 3.7% | $15.0 | 6.0% | $14.9 | -1.0% | $15.4 | 3.1% | $15.8 | 2.9% | $16.3 | 3.2% |
| Insurance | $52.9 | 0.8% | $54.8 | 3.8% | $53.7 | -2.1% | $53.3 | -0.9% | $55.0 | 3.3% | $56.5 | 2.7% | $57.8 | 2.3% |
| Telephone | $10.0 | -4.0% | $9.5 | -4.6% | $9.1 | -3.8% | $7.9 | -13.9% | $11.4 | 44.4% | $9.3 | -18.1% | $9.2 | -1.1% |
| Beverage | $5.5 | 1.3% | $5.6 | 1.9% | $5.6 | 0.3% | $5.7 | 0.4% | $5.8 | 2.2% | $5.9 | 2.0% | $6.0 | 1.7% |
| Electric | $2.6 | 1.2% | $2.7 | 3.3% | $2.8 | 4.0% | $2.9 | 2.5% | $2.9 | 0.8% | $1.4 | -50.7% | $0.0 | -100.0% |
| Estate | $17.8 | -32.1% | $15.7 | -11.9% | $23.4 | 49.1% | $14.2 | -39.5% | $35.9 | 153.3% | $20.8 | -42.0% | $21.6 | 3.8% |
| Property | $39.3 | -10.0% | $34.0 | -13.5% | $25.9 | -23.7% | $23.8 | -8.2% | $25.6 | 7.7% | $27.0 | 5.3% | $29.1 | 7.8% |
| Bank | $10.5 | 3.6% | $10.2 | -3.4% | $20.6 | 102.5% | $10.4 | -49.7% | $15.4 | 49.0% | $10.8 | -30.0% | $11.0 | 1.9% |
| Other Tax | $6.5 | -10.2% | $3.2 | -51.1% | $2.8 | -12.7% | $3.7 | 32.1% | $3.7 | 1.7% | $3.8 | 2.2% | $4.0 | 5.3% |
| *Total Tax Revenue* | $1325.7 | 3.9% | $1365.5 | 3.0% | $1257.9 | -7.9% | $1196.5 | -4.9% | $1336.0 | 11.7% | $1366.9 | 2.3% | $1445.1 | 5.7% |
| Business Licenses | $2.8 | -1.0% | $2.7 | -1.0% | $3.0 | 9.4% | $3.0 | -0.2% | $2.9 | -1.2% | $3.0 | 1.8% | $3.1 | 3.3% |
| Fees | $14.2 | 7.4% | $14.7 | 3.6% | $19.1 | 29.5% | $19.2 | 0.9% | $20.5 | 6.4% | $21.1 | 3.1% | $21.8 | 3.3% |
| Services | $1.5 | 17.1% | $1.7 | 15.9% | $1.5 | -11.0% | $1.2 | -19.9% | $1.1 | -8.7% | $1.2 | 6.0% | $1.3 | 8.3% |
| Fines | $3.2 | -2.1% | $4.4 | 38.6% | $9.8 | 122.0% | $7.4 | -24.8% | $5.7 | -22.2% | $5.4 | -5.6% | $5.6 | 3.7% |
| Interest | $3.6 | 33.5% | $3.9 | 10.1% | $1.4 | -63.9% | $0.6 | -57.0% | $0.3 | -46.0% | $0.4 | 21.3% | $1.0 | 150.0% |
| Lottery | $23.3 | 6.5% | $22.7 | -2.5% | $20.9 | -7.7% | $21.6 | 3.0% | $21.4 | -0.8% | $21.9 | 2.3% | $22.4 | 2.3% |
| All Other | $1.1 | 365.2% | $0.6 | -44.1% | $0.2 | -64.7% | $0.3 | 57.4% | $0.7 | 115.7% | $0.5 | -33.1% | $0.6 | 20.0% |
| *Total Other Revenue* | $49.6 | 9.5% | $50.9 | 2.5% | $56.0 | 10.0% | $53.3 | -4.7% | $52.7 | -1.1% | $53.5 | 1.4% | $55.8 | 4.3% |
| ***TOTAL GENERAL FUND*** | **$1375.4** | **4.1%** | **$1416.4** | **3.0%** | **$1313.9** | **-7.2%** | **$1249.9** | **-4.9%** | **$1388.8** | **11.1%** | **$1420.4** | **2.3%** | **$1500.9** | **5.7%** |
| ***OTHER*** | | | | | | | | | | | | | | |
| Fuel Gross Receipts Tax | $6.8 | 9.0% | $7.3 | 6.3% | $7.5 | 3.7% | $6.7 | -10.6% | $7.3 | 8.3% | $7.6 | 4.0% | $8.0 | 5.3% |

* Includes Telecommunications Tax; includes $3.76M transfer in FY08 to the T-Fund for prior years Jet Fuel tax processing error

** Includes Cigarette, Tobacco Products and Floor Stock tax revenues

## TABLE 1 - STATE OF VERMONT
## LEGISLATIVE JOINT FISCAL OFFICE
## AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
**Consensus JFO and Administration Forecast - July 2011**

| ***CURRENT LAW BASIS*** *including all Education Fund allocations and other out-transfers* | **FY 2007** *(Actual)* | **%** Change | **FY 2008** *(Actual)* | **%** Change | **FY 2009** *(Actual)* | **%** Change | **FY 2010** *(Actual)* | **%** Change | **FY 2011** *(Preliminary)* | **%** Change | **FY 2012** *(Forecast)* | **%** Change | **FY 2013** *(Forecast)* | **%** Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *REVENUE SOURCE* | | | | | | | | | | | | | | |
| Personal Income | $581.2 | 7.2% | $622.3 | 7.1% | $530.3 | -14.8% | $498.0 | -6.1% | $553.3 | 11.1% | $596.0 | 7.7% | $650.2 | 9.1% |
| Sales and Use* | $222.5 | 2.6% | $225.6 | 1.4% | $214.1 | -5.1% | $207.4 | -3.1% | $217.6 | 4.9% | $225.7 | 3.8% | $235.2 | 4.2% |
| Corporate | $72.8 | -4.1% | $74.6 | 2.4% | $66.2 | -11.3% | $62.8 | -5.1% | $89.7 | 42.7% | $77.9 | -13.1% | $81.7 | 4.9% |
| Meals and Rooms | $114.9 | 2.8% | $121.1 | 5.4% | $117.1 | -3.3% | $118.0 | 0.8% | $122.8 | 4.1% | $126.9 | 3.3% | $131.5 | 3.6% |
| Cigarette and Tobacco | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM |
| Liquor | $13.7 | 4.0% | $14.2 | 3.7% | $15.0 | 6.0% | $14.9 | -1.0% | $15.4 | 3.1% | $15.8 | 2.9% | $16.3 | 3.2% |
| Insurance | $52.9 | 0.8% | $54.8 | 3.8% | $53.7 | -2.1% | $53.3 | -0.9% | $55.0 | 3.3% | $56.5 | 2.7% | $57.8 | 2.3% |
| Telephone | $10.0 | -4.0% | $9.5 | -4.6% | $9.1 | -3.8% | $7.9 | -13.9% | $11.4 | 44.4% | $9.3 | -18.1% | $9.2 | -1.1% |
| Beverage | $5.5 | 1.3% | $5.6 | 1.9% | $5.6 | 0.3% | $5.7 | 0.4% | $5.8 | 2.2% | $5.9 | 2.0% | $6.0 | 1.7% |
| Electric | $2.6 | 1.2% | $2.7 | 3.3% | $2.8 | 4.0% | $2.9 | 2.5% | $2.9 | 0.8% | $1.4 | -50.7% | $0.0 | -100.0% |
| Estate** | $17.8 | -32.1% | $15.7 | -11.9% | $21.9 | 39.4% | $14.2 | -35.2% | $24.9 | 75.6% | $20.8 | -16.4% | $21.6 | 3.8% |
| Property | $12.8 | -4.5% | $10.7 | -16.3% | $8.5 | -21.1% | $7.8 | -8.2% | $8.4 | 7.7% | $8.7 | 4.2% | $9.4 | 7.8% |
| Bank | $10.5 | 3.6% | $10.2 | -3.4% | $20.6 | 102.5% | $10.4 | -49.7% | $15.4 | 49.0% | $10.8 | -30.0% | $11.0 | 1.9% |
| Other Tax | $6.5 | -10.2% | $3.2 | -51.1% | $2.8 | -12.7% | $3.7 | 32.1% | $1.4 | -61.2% | $3.8 | 167.8% | $4.0 | 5.3% |
| *Total Tax Revenue* | $1123.7 | 3.3% | $1170.3 | 4.1% | $1067.7 | -8.8% | $1006.7 | -5.7% | $1123.8 | 11.6% | $1159.6 | 3.2% | $1233.9 | 6.4% |
| Business Licenses | $2.8 | -1.0% | $2.7 | -1.0% | $3.0 | 9.4% | $3.0 | -0.2% | $2.9 | -1.2% | $3.0 | 1.8% | $3.1 | 3.3% |
| Fees | $14.2 | 7.4% | $14.7 | 3.6% | $19.1 | 29.5% | $19.2 | 0.9% | $20.5 | 6.4% | $21.1 | 3.1% | $21.8 | 3.3% |
| Services | $1.5 | 17.1% | $1.7 | 15.9% | $1.5 | -11.0% | $1.2 | -19.9% | $1.1 | -8.7% | $1.2 | 6.0% | $1.3 | 8.3% |
| Fines | $3.2 | -2.1% | $4.4 | 38.6% | $9.8 | 122.0% | $7.4 | -24.8% | $5.7 | -22.2% | $5.4 | -5.6% | $5.6 | 3.7% |
| Interest | $4.9 | 43.9% | $5.3 | 7.2% | $1.2 | -77.8% | $0.5 | -56.3% | $0.3 | -43.9% | $0.4 | 39.9% | $0.9 | 125.0% |
| All Other | $1.1 | 365.2% | $0.6 | -44.1% | $0.2 | -64.7% | $0.3 | 57.4% | $0.7 | 115.7% | $0.5 | -33.1% | $0.6 | 20.0% |
| *Total Other Revenue* | $27.7 | 14.3% | $29.5 | 6.5% | $34.8 | 18.0% | $31.7 | -8.9% | $31.3 | -1.2% | $31.6 | 1.0% | $33.3 | 5.4% |
| ***TOTAL GENERAL FUND*** | **$1151.4** | **3.5%** | **$1199.7** | **4.2%** | **$1102.5** | **-8.1%** | **$1038.4** | **-5.8%** | **$1155.1** | **11.2%** | **$1191.2** | **3.1%** | **$1267.2** | **6.4%** |

* Includes $2.5M transfer to the T-Fund in FY08 for prior years Jet Fuel tax processing errors

** Excludes transfer to the Higher Education Trust Fund of $2.4M in FY05, $5.2M in FY06 and $11.0M in FY11

## TABLE 2A - STATE OF VERMONT
## LEGISLATIVE JOINT FISCAL OFFICE
## SOURCE TRANSPORTATION FUND REVENUE FORECAST UPDATE
### Consensus JFO and Administration Forecast - July 2011

| ***SOURCE T-FUND*** *revenues are prior to all E-Fund allocations and other out-transfers. Used for analytic and comparative purposes only.* | **FY 2007** *(Actual)* | % Change | **FY 2008** *(Actual)* | % Change | **FY 2009** *(Actual)* | % Change | **FY 2010** *(Actual)* | % Change | **FY 2011** *(Preliminary)* | % Change | **FY 2012** *(Forecast)* | % Change | **FY 2013** *(Forecast)* | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *REVENUE SOURCE* | | | | | | | | | | | | | | |
| Gasoline | $63.6 | -0.3% | $62.6 | -1.6% | $60.6 | -3.1% | $61.0 | 0.6% | $60.6 | -0.6% | $61.1 | 0.8% | $62.2 | 1.8% |
| Diesel | $18.0 | 1.7% | $16.6 | -7.8% | $15.5 | -6.5% | $15.1 | -2.6% | $15.4 | 2.0% | $15.8 | 2.6% | $16.3 | 3.2% |
| Purchase and Use* | $80.6 | 0.4% | $79.0 | -2.0% | $65.9 | -16.6% | $69.7 | 5.7% | $77.1 | 10.5% | $83.4 | 8.2% | $87.9 | 5.4% |
| Motor Vehicle Fees | $65.4 | 14.1% | $67.5 | 3.2% | $65.5 | -3.0% | $72.5 | 10.7% | $72.3 | -0.3% | $74.7 | 3.3% | $75.9 | 1.6% |
| Other Revenue** | $20.2 | 11.1% | $23.7 | 17.2% | $18.0 | -24.0% | $18.2 | 1.4% | $17.9 | -2.0% | $18.3 | 2.3% | $18.9 | 3.3% |
| ***TOTAL TRANS. FUND*** | **$247.8** | **4.4%** | **$249.4** | **0.6%** | **$225.6** | **-9.6%** | **$236.6** | **4.9%** | **$243.3** | **2.8%** | **$253.3** | **4.1%** | **$261.2** | **3.1%** |

## TABLE 2 - STATE OF VERMONT
## LEGISLATIVE JOINT FISCAL OFFICE
## AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
### Consensus JFO and Administration Forecast - July 2011

| ***CURRENT LAW BASIS*** *including all Education Fund allocations and other out-transfers* | **FY 2007** *(Actual)* | % Change | **FY 2008** *(Actual)* | % Change | **FY 2009** *(Actual)* | % Change | **FY 2010** *(Actual)* | % Change | **FY 2011** *(Preliminary)* | % Change | **FY 2012** *(Forecast)* | % Change | **FY 2013** *(Forecast)* | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *REVENUE SOURCE* | | | | | | | | | | | | | | |
| Gasoline | $63.6 | -0.3% | $62.6 | -1.6% | $60.6 | -3.1% | $61.0 | 0.6% | $60.6 | -0.6% | $61.1 | 0.8% | $62.2 | 1.8% |
| Diesel | $18.0 | 1.7% | $16.6 | -7.8% | $15.5 | -6.5% | $15.1 | -2.6% | $15.4 | 2.0% | $15.8 | 2.6% | $16.3 | 3.2% |
| Purchase and Use* | $53.7 | -0.3% | $52.7 | -2.0% | $44.0 | -16.6% | $46.5 | 5.7% | $51.4 | 10.5% | $55.6 | 8.2% | $58.6 | 5.4% |
| Motor Vehicle Fees | $65.4 | 14.1% | $67.5 | 3.2% | $65.5 | -3.0% | $72.5 | 10.7% | $72.3 | -0.3% | $74.7 | 3.3% | $75.9 | 1.6% |
| Other Revenue** | $19.2 | 11.9% | $23.7 | 23.5% | $18.0 | -24.0% | $18.2 | 1.4% | $17.9 | -2.0% | $18.3 | 2.3% | $18.9 | 3.3% |
| ***TOTAL TRANS. FUND*** | **$219.9** | **4.8%** | **$223.1** | **1.4%** | **$203.6** | **-8.7%** | **$213.3** | **4.8%** | **$217.6** | **2.0%** | **$225.5** | **3.6%** | **$231.9** | **2.8%** |
| ***OTHER*** | | | | | | | | | | | | | | |
| TIB Gasoline | | | | | | | $13.4 | NM | $16.5 | 23.6% | $18.6 | 12.8% | $19.8 | 6.3% |
| TIB Diesel | | | | | | | $1.5 | NM | $2.0 | 31.7% | $1.9 | -3.2% | $2.0 | 3.2% |
| Total TIB | | | | | | | $14.9 | NM | $18.5 | 24.4% | $20.5 | 11.1% | $21.8 | 6.0% |

* As of FY04, includes Motor Vehicle Rental tax revenue

** Beginning in FY07, includes Stabilization Reserve interest; FY08 data includes $3.76M transfer from G-Fund for prior Jet Fuel tax processing errors and inclusion of this tax in subsequent years

## TABLE 3 - STATE OF VERMONT
## LEGISLATIVE JOINT FISCAL OFFICE
## AVAILABLE EDUCATION FUND* REVENUE FORECAST UPDATE

**(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)**

**Consensus JFO and Administration Forecast - July 2011**

***CURRENT LAW BASIS***

| ** Source General and Transportation Fund taxes allocated to or associated with the Education Fund only.* | **FY 2007** *(Actual)* | % Change | **FY 2008** *(Actual)* | % Change | **FY 2009** *(Actual)* | % Change | **FY 2010** *(Actual)* | % Change | **FY 2011** *(Preliminary)* | % Change | **FY 2012** *(Forecast)* | % Change | **FY 2013** *(Forecast)* | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *GENERAL FUND* | | | | | | | | | | | | | | |
| Meals and Rooms | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM |
| Sales & Use** | $111.2 | 2.5% | $112.8 | 1.4% | $107.1 | -5.1% | $103.7 | -3.1% | $108.8 | 4.9% | $112.9 | 3.8% | $117.6 | 4.2% |
| Bank | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM |
| Corporate | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM |
| Security Registration Fees | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM | $0.0 | NM |
| Interest | ($1.3) | 82.5% | ($1.3) | -0.8% | $0.3 | NM | $0.1 | -60.2% | $0.0 | -56.8% | $0.0 | NM | $0.1 | NM |
| Lottery | $23.3 | 6.5% | $22.7 | -2.5% | $20.9 | -7.7% | $21.6 | 3.0% | $21.4 | -0.8% | $21.9 | 2.3% | $22.4 | 2.3% |
| *TRANSPORTATION FUND* | | | | | | | | | | | | | | |
| Purchase and Use*** | $26.9 | 1.8% | $26.3 | -2.0% | $22.0 | -16.6% | $23.2 | 5.7% | $25.7 | 10.5% | $27.8 | 8.2% | $29.3 | 5.4% |
| ***TOTAL*** | **$160.1** | **2.6%** | **$160.5** | **0.3%** | **$150.2** | **-6.4%** | **$148.6** | **-1.1%** | **$155.9** | **4.9%** | **$162.6** | **4.3%** | **$169.4** | **4.2%** |

** Includes Telecommunications Tax; Includes $1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors

*** Includes Motor Vehicle Rental revenues, restated