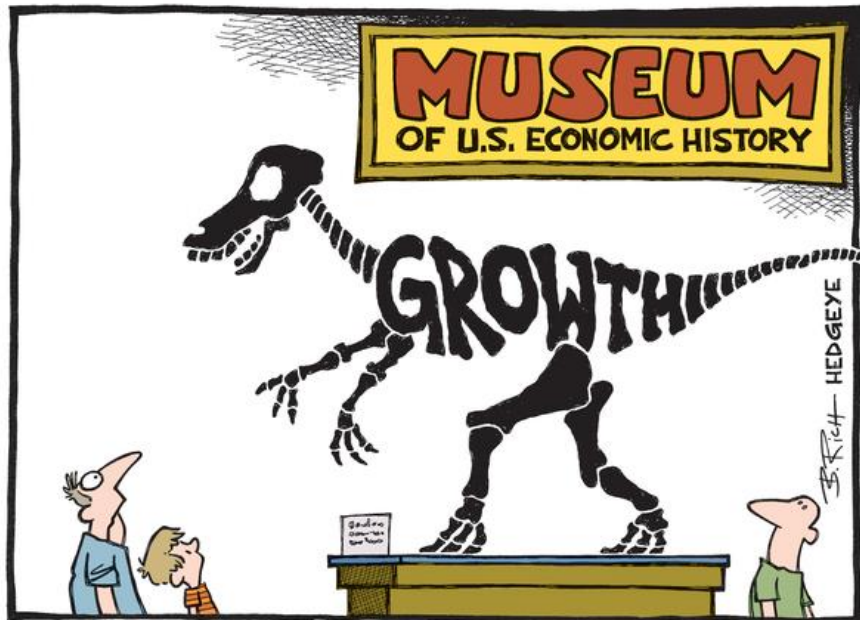


The Fiscal 2017-18 Revenue Outlook for the General Fund, Transportation Fund, and Education Fund [Partial]



Prepared for the Vermont Emergency Board

July 21, 2016

Prepared by:

Economic & Policy Resources, Inc.
400 Cornerstone Drive, Suite 310
P.O. Box 1660
Williston, Vermont 05495-1660
(802) 878-0346
www.epreconomics.com

A. Discussion of the Updated Staff Recommended Consensus Revenue Forecast Update

- The combination of a maturing U.S. and Vermont economic expansion, a small one percent under-performance in fiscal 2016 revenues, a poor Winter tourism season, and a series of special and technical factors have combined to produce a roughly one percent downgrade in the Staff Recommended Consensus Forecast (hereafter “the staff recommendation”) across all three fund aggregates this July relative to what would have been expected combining the January consensus forecast and the initial estimates of the fee, payment, and other revenue changes as passed during the 2016 legislative session.
 - The relatively small consensus forecast downgrade (on an “apples-to-apples basis) incorporates all technical re-specifications and updated estimates of the changes in fee and revenue measures across all three fund aggregates as of the date of the staff recommendation update.
- On a straight dollars-to-dollars basis in the G-Fund, the results of the consensus revenue forecast update for July 2016 includes a small increase in collections of \$7.0 million (or 0.5 percent) in fiscal year 2017 and \$5.1 million (or 0.3%) for fiscal year 2018. The staff recommendation turns out to be lower than the additive math of the January consensus forecast for the G-Fund at \$1,473.5 million plus the initial estimates during legislative deliberations of the impacts of the fee, payment, and other revenue changes—which were initially scored for fiscal 2017 at \$28.04 million (See Addendum A).
 - The staff recommendation on a straight dollar-to-dollar basis also includes a more significant increase in receipts for the T-Fund of roughly 2½ percent for both fiscal years—reflecting the motor fuel taxable base changes, the increase in the cap for the Motor Vehicle Purchase & Use Tax related to sales of trucks, and the other changes as passed in the 2016 fee bill.
 - For fiscal year 2017, the staff recommendation is for a \$6.4 million increase in T-Fund receipts, or an increase 2.4 percent versus the consensus forecast of January 2016. The staff recommendation calls for a \$7.0 million increase in receipts (or 2.6 percent) for fiscal year

2018. The staff recommendation includes updated estimates for all fee and tax changes passed by the 2016 session of the Vermont General Assembly which were initially scored during legislative deliberations at \$9.9 million.

- For the E-Fund [Partial], the straight dollar-to-dollar staff recommendation for both fiscal year 2017 and fiscal 2018 calls for a forecast decline in receipts downgrade of roughly 1.7 percent versus last January—or by \$3.3 million and \$3.4 million, respectively. The forecast update reflects a mix of factors including the slower pace of consumption tax increases and various technical re-specifications and changes [Partial] (see Table 1 below). The fee and tax changes were initially scored at \$0.1 million for the E-Fund as estimated by analysts during the 2016 session of the Vermont General Assembly.
- The straight dollar-to-dollar staff recommendation also includes a slight upgrade in Gas TIB¹ receipts for fiscal 2017 and fiscal 2018 of less than one percent over the two fiscal years. For Diesel TIB receipts, the staff recommendation includes a forecast downgrade of between 2.0 percent in fiscal year 2017 and 1.5 percent in fiscal year 2018 reflecting the motor fuel taxable base changes. The staff recommendation changes in the Diesel TIB forecast involve dollar amounts of less than \$0.1 million.
- The comparative change statistics from the January 2016 Consensus Forecast to the July 2016 staff recommendation are complicated this Summer by the revenue-fee changes enacted by the 2016 Vermont General Assembly.
 - The comparative change statistics are further complicated by the existence of impact estimates for these changes that cover only fiscal year 2017.

¹ TIB refers to Transportation Infrastructure Bond Fund.

Table 1: Staff Recommended Consensus Forecast Update—Change from January 2016

	2017		2018	
	Dollars	Percent	Dollars	Percent
General Fund <i>[Available to the General Fund]</i>	\$7.0	0.5%	\$5.1	0.3%
Transportation Fund <i>[Available to the Transportation Fund]</i>	\$6.4	2.4%	\$7.0	2.6%
Education Fund <i>[Partial]</i>	(\$3.3)	-1.7%	(\$3.4)	-1.7%
Total--"Big 3 Funds"	\$10.1	0.5%	\$8.7	0.4%
MEMO #1: TIB: [1]				
Gasoline	\$0.0	0.3%	\$0.1	0.6%
Diesel	(\$0.0)	-2.0%	(\$0.0)	-1.5%
Total TIB	(\$0.0)	-0.1%	\$0.0	0.3%
Note: [1] Totals in the TIB may not add due to rounding.				
Prepared by: Economic & Policy Resources, Inc.				

- As such, Table 2 below presents the July 2016 staff recommendation comparative statistics using the fiscal year 2017 fee and revenue change statistics for fiscal year 2017. According to the table, the forecast downgrade for the General Fund on a more “apples-to-apples” basis indicates a \$21.0 forecast downgrade for fiscal year 2017 using the January Consensus forecast and the revenue-fee changes as estimated by fiscal analysts during the 2016 legislative session. If the fiscal year 2017 estimate by fiscal analysts for the revenue-fee changes were carried out to fiscal year 2018, the staff recommendation would amount to a two-year \$44.0 million (or 1.5 percent) forecast downgrade assuming adoption by the Emergency Board.
- For the Transportation Fund, the forecast downgrade on this more “apples-to-apples” basis indicates a \$6.4 million forecast downgrade for fiscal year 2017 if the staff recommendation is accepted by the Emergency Board. If the fiscal year 2017 estimate by fiscal analysts for the revenue-fee changes were carried out to fiscal year 2018, the staff recommendation would amount to a two-year \$6.4 million (or 1.2 percent) forecast downgrade, again if the staff recommendation is accepted by the Emergency Board.

Table 2: Comparative Statistics by Fund—Staff Recommended

	2017
January 2016 Consensus Forecast General Fund	\$1,473.5
Revenue-Fee Changes [Fiscal 2017 Estimate]	\$28.0
July 2016 Consensus Forecast General Fund <i>[Including Fee and Revenue Changes from 2016 Session]</i>	\$1,480.5
Difference General Fund	(\$21.0)
January 2016 Consensus Forecast Transportation Fund	\$271.3
Revenue-Fee Changes [Fiscal 2017 Estimate]	\$9.9
July 2016 Consensus Forecast Transportation Fund <i>[Including Fee and Revenue Changes from 2016 Session]</i>	\$277.7
Difference Transportation Fund	(\$3.5)
January 2016 Consensus Forecast Education Fund	\$196.7
Revenue-Fee Changes [Fiscal 2017 Estimate]	\$0.1
July 2016 Consensus Forecast Education Fund <i>[Including Fee and Revenue Changes from 2016 Session]</i>	\$193.4
Difference Education Fund	(\$3.4)
January 2016 Consensus Forecast TIB [Total]	\$14.7
Revenue-Fee Changes [Fiscal 2017 Estimate]	\$0.1
July 2016 Consensus Forecast TIB [Total] <i>[Including Fee and Revenue Changes from 2016 Session]</i>	\$14.7
Difference TIB	(\$0.1)
Note: [1] Totals in the TIB may not add due to rounding.	
Prepared by: Economic & Policy Resources, Inc.	

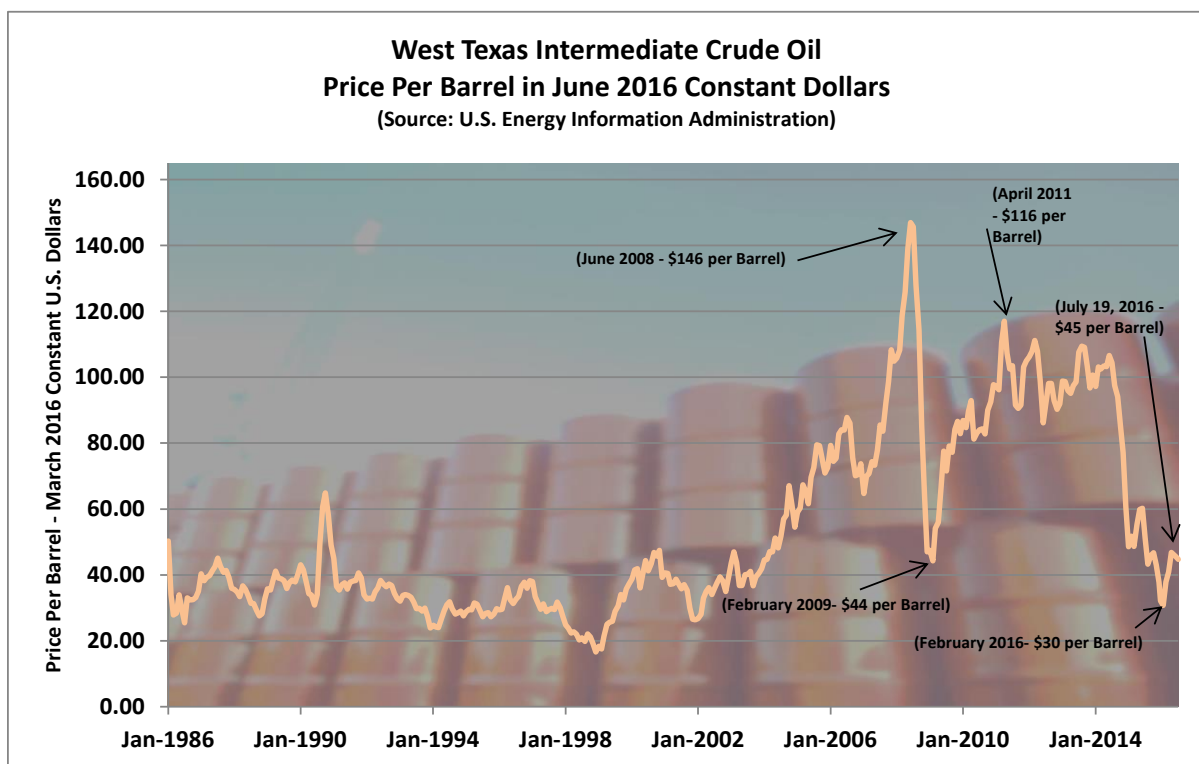
- For the Education Fund, the forecast downgrade on this more “apples-to-apples” basis indicates a \$6.9 million forecast downgrade for fiscal year 2017 if the staff recommendation is accepted by the Emergency Board. If the fiscal year 2017 estimate by fiscal analysts for the revenue-fee changes were carried out to fiscal year 2018, the staff recommendation would amount to a two-year \$6.4 million (or 1.7 percent) forecast downgrade, assuming the staff recommendation is accepted by the Emergency Board.

- For the TIB Fund, the forecast downgrade on this more “apples-to-apples” basis indicates a two-year \$0.1 million (or 0.4 percent) forecast downgrade assuming the staff recommendation is accepted by the Emergency Board.
- In total or across all funds (including TIB), the more “apples-to-apples” basis indicates a \$28.0 million forecast downgrade for fiscal year 2017 if the staff recommendation is accepted by the Emergency Board. If the fiscal year 2017 estimate by fiscal analysts for the revenue-fee changes were carried out to fiscal year 2018, the staff recommendation would amount to a two-year \$57.3 million (or 1.4 percent) forecast downgrade for all funds, again assuming the staff recommendation is accepted by the Emergency Board.

B. Discussion of Recent Economic Trends—Updated Consensus Economic Forecast

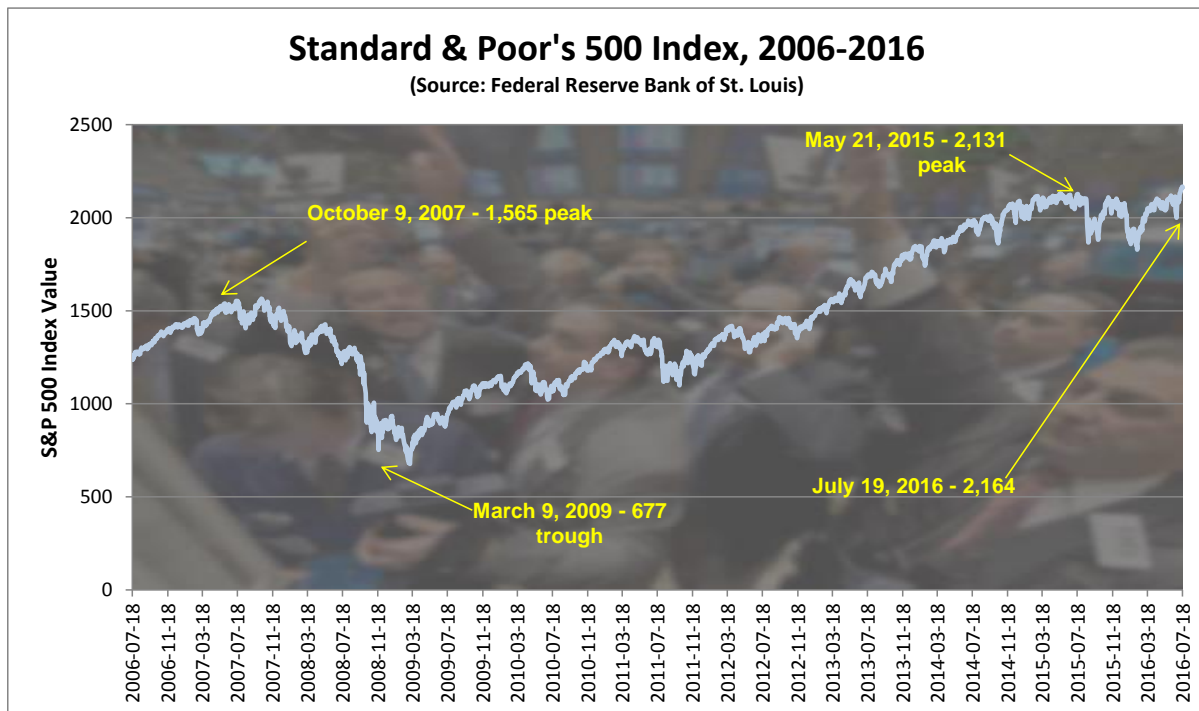
- At least part of the forecast downgrade is a function of the Winter-Spring downshifting in economic activity and the most recent update in the near-term economic outlook for the U.S. and Vermont economies. These dynamics are reflected in the consensus economic forecast update tables (see Table 3 and Table 4 below), when compared to the most recent consensus economic forecast update last January.
 - For the maturing U.S. economic upturn, these differences include:
 1. U.S. GDP growth has been reduced by 0.7 percentage points in calendar 2016 (following a 0.1 percentage point downward adjustment in calendar year 2015), followed by a 0.2 percentage point reduction in both calendar year 2017, and calendar year 2018.
 2. The rate of payroll job creation was adjusted downward by 0.2 percentage points in both calendar year 2016 and calendar year 2017 (following no change to the payroll job growth rate for calendar year 2015). For calendar year 2018, the payroll job growth rate is expected to be 0.4 percentage points lower than was envisioned six months ago in the January 2016 consensus forecast update.

3. Interest rates are expected to increase significantly over the 2016 through 2018 period (although not rising as high as was expected last January) following an unprecedented period of continued low interest rates dating back to the Great Recession's period of financial crisis.
4. Energy prices are also expected to remain relatively low and increases restrained over the forecast period, with the benchmark West Texas Intermediate Crude Oil price remaining at or below \$55 per barrel through calendar year 2018.



5. The U.S. stock market, using the S&P 500 indicator, is expected to have under a 2.0% annual average rate of gain in calendar year 2017 and 2018, after experiencing an expected flat to slightly negative performance during calendar year 2016—on an average annual basis.
6. Consumer prices over the calendar year 2015 to 2018 time frame are expected to form and begin a gradual ascent into the more typical +2.0 percent to +2.5 percent range over the forecast period. This firming in the inflation rate is underpinning the

expected tightening in U.S. monetary policy in the outer years of the consensus U.S. macro forecast.



- The updated short-term economic forecast for the State of Vermont also includes a slower pace to output growth, and personal income growth over the near-term, with a small decline in the payroll job growth rate through calendar year 2018.
 - Among the major macro variables:
 1. Output growth in Vermont that is expected to be 0.9 percentage points weaker in calendar 2016, followed by slightly weaker output growth in calendar year 2017 (at -0.1 percentage points) and 0.3 percentage points weaker output growth in calendar year 2018. This weaker outlook for output growth is a function of the -2.3 percentage point revision for calendar year 2015 to a -0.1 percentage point change for the year as a whole that is constraining the forward looking output growth estimates. Clearly, the negative year for calendar year 2015—making it two negative years over the last three years—is problematic for this important revenue forecasting series going forward.

2. Even though the State's unemployment rate is expected to remain very low,² the job recovery rate in Vermont is expected to be roughly equal (at -0.1 percentage points slower versus last January in calendar 2016, 2017 and 2018) following a 0.7 percentage point reduction in the calendar year 2016 actual estimated growth rate—following the Spring 2016 re-benchmark revisions for calendar year 2015 and part of calendar year 2014. If calendar year 2015's sub-1.0% payroll job growth rate holds, that would be two consecutive years of sub-1.0% payroll job growth in Vermont over the last two calendar years.
3. Consistent with the above, the Personal Income growth rate in calendar year 2016 is forecasted to be only about two-thirds of the rate of growth expected last January with roughly ½ percentage point slower Personal Income growth expected for calendar year 2018 and calendar year 2019



versus what was expected over the period in last January's Consensus Forecast. Again, the 1.5 percentage point lower estimate for "actual" Personal Income growth in calendar year 2015 has resulted in a significant constraint on the forward-looking data for the calendar year 2016 through calendar year 2018 short-term forecast time frame.

² Among the lowest is the U.S. economy among all states.

Table 3
Comparison of Recent Consensus U.S. Macroeconomic Forecasts
December 2014 through June 2016, Selected Variables, Calendar Year Basis

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real GDP Growth									
December-14	2.5	1.6	2.3	2.2	2.2	3.6	3.8	3.1	2.6
June-15	2.5	1.6	2.3	2.2	2.4	2.6	3.2	3.0	2.8
December-15	2.5	1.6	2.2	1.5	2.4	2.5	2.9	3.1	2.8
June-16	2.5	1.6	2.2	1.5	2.4	2.4	2.2	2.9	2.6
S&P 500 Growth (Annual Avg.)									
December-14	20.3	11.4	8.7	19.1	17.5	7.1	1.3	2.2	5.3
June-15	20.3	11.4	8.7	19.1	17.5	7.8	1.9	2.3	6.8
December-15	20.3	11.4	8.7	19.1	17.5	-0.7	2.7	4.8	6.9
June-16	20.3	11.4	8.7	19.1	17.5	6.8	-2.1	1.5	0.2
Employment Growth (Non-Ag)									
December-14	-0.7	1.2	1.7	1.7	2.0	2.4	2.6	1.7	0.8
June-15	-0.7	1.2	1.7	1.7	1.9	2.2	2.2	2.3	1.6
December-15	-0.7	1.2	1.7	1.7	1.9	2.1	2.0	2.0	1.9
June-16	-0.7	1.2	1.7	1.6	0.9	2.1	1.8	1.8	1.5
Unemployment Rate									
December-14	9.6	8.9	8.1	7.4	6.2	5.4	5.1	4.8	4.6
June-15	9.6	8.9	8.1	7.4	6.1	5.3	4.9	4.7	4.7
December-15	9.6	8.9	8.1	7.4	6.2	5.3	4.8	4.7	4.9
June-16	9.6	8.9	8.1	7.4	6.2	5.3	4.7	4.6	4.5
West Texas Int. Crude Oil \$/Bbl									
December-14	79	95	94	98	94	63	76	81	85
June-15	79	95	94	98	94	58	70	79	80
December-15	79	95	94	98	93	49	55	64	71
June-16	80	95	94	98	93	49	43	53	55
Prime Rate									
December-14	3.25	3.25	3.25	3.25	3.25	3.37	5.12	6.52	6.95
June-15	3.25	3.25	3.25	3.25	3.25	3.30	4.70	6.20	6.83
December-15	3.25	3.25	3.25	3.25	3.25	3.26	3.97	5.74	6.91
June-16	3.25	3.25	3.25	3.25	3.25	3.26	3.50	4.20	5.50
Consumer Price Index Growth									
December-14	1.6	3.1	2.1	1.5	1.6	1.5	2.3	2.6	2.5
June-15	1.6	3.1	2.1	1.5	1.6	0.5	2.5	2.6	2.5
December-15	1.6	3.1	2.1	1.5	1.6	0.2	2.2	2.9	3.1
June-16	1.6	3.1	2.1	1.5	1.6	0.1	1.2	2.1	2.4
Average Home Price Growth									
December-14	-4.0	-3.7	-0.1	4.1	5.7	5.0	5.4	5.7	5.9
June-15	-4.1	-3.7	-0.1	4.1	5.7	4.7	5.1	5.5	6.1
December-15	-4.1	-3.7	-0.1	4.0	5.6	5.5	5.7	5.9	6.1
June-16	-4.1	-3.8	-0.2	4.0	5.5	5.6	5.7	5.9	6.1

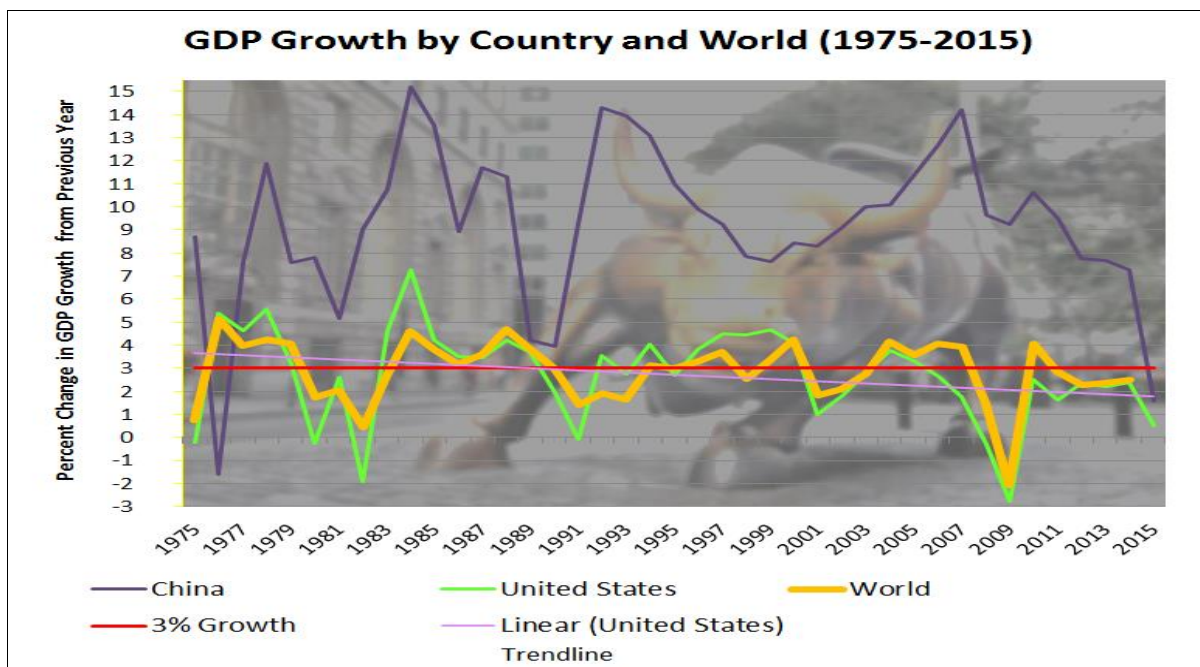
Table 4
Comparison of Consensus Administration and JFO Vermont State Forecasts
December 2013 through June 2016, Selected Variables, Calendar Year Basis

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real GSP Growth									
December-13	5.6	1.3	1.2	1.4	3.1	4.1	2.9	2.2	
June-14	5.6	1.3	1.2	0.5	2.9	4.0	3.2	2.4	
December-14	4.4	2.2	1.1	1.9	1.0	3.3	3.6	2.8	1.9
June-15	4.4	2.2	1.1	1.9	1.2	2.4	3.0	2.6	2.1
December-15	3.7	2.8	0.4	-0.3	0.6	2.2	2.8	2.4	2.0
June-16	3.7	2.9	0.6	-0.9	0.3	-0.1	1.9	2.3	1.7
Population Growth									
December-13	0.2	0.1	-0.1	0.1	0.1	0.1	0.2	0.2	
June-14	0.2	0.1	-0.1	0.1	0.1	0.1	0.2	0.2	
December-14	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.3	0.2
June-15	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.3	0.2
December-15	0.2	0.1	-0.1	0.1	-0.1	-0.1	0.2	0.2	0.3
June-16	0.2	0.1	-0.0	0.1	-0.1	-0.1	0.1	0.2	0.3
Employment Growth									
December-13	-0.2	0.7	1.2	1.0	1.3	2.2	1.9	1.4	
June-14	0.3	0.8	1.3	0.5	1.4	2.0	1.8	1.6	
December-14	0.3	0.8	1.3	0.5	1.0	1.6	1.9	1.3	0.7
June-15	0.3	0.9	1.3	0.8	1.0	1.7	1.9	1.8	1.3
December-15	0.3	0.9	1.3	0.8	1.0	1.6	1.7	1.8	1.6
June-16	0.3	0.9	1.3	0.7	0.9	0.9	1.6	1.7	1.5
Unemployment Rate									
December-13	6.4	5.6	5.0	4.4	4.1	3.6	3.3	3.0	
June-14	6.4	5.6	4.9	4.4	3.9	3.6	3.3	3.0	
December-14	6.4	5.6	4.9	4.4	3.7	3.5	3.2	2.9	2.8
June-15	6.1	5.5	4.9	4.4	4.1	3.6	3.2	2.9	2.8
December-15	6.1	5.5	4.9	4.4	4.1	3.7	3.4	3.3	3.2
June-16	6.1	5.5	4.9	4.4	4.0	3.7	3.3	3.2	3.1
Personal Income Growth									
December-13	3.3	4.7	3.4	3.8	5.7	6.2	5.1	4.5	
June-14	1.7	7.1	3.7	2.9	4.9	5.6	5.0	4.6	
December-14	1.7	7.1	3.7	2.9	3.8	5.1	5.4	4.7	4.4
June-15	1.6	7.2	3.4	2.5	4.0	4.8	5.2	4.7	4.4
December-15	2.2	6.8	3.6	1.4	3.5	4.5	5.1	4.6	4.6
June-16	2.2	6.8	3.6	1.4	3.5	3.0	3.3	4.1	4.2
Home Price Growth (JFO)									
December-13	-1.2	-0.6	0.5	0.5	1.5	2.1	3.1	3.7	
June-14	-1.2	-0.6	0.5	0.2	0.4	1.7	2.9	3.7	
December-14	-1.2	-0.6	0.5	0.2	0.9	2.1	2.7	3.4	4.1
June-15	-1.2	-0.7	0.4	0.2	0.7	2.3	2.8	3.4	4.1
December-15	-1.2	-0.8	0.4	0.1	0.7	2.5	2.9	3.4	4.1
June-16	-1.3	-0.8	0.4	0.1	0.6	2.2	2.3	3.0	3.8

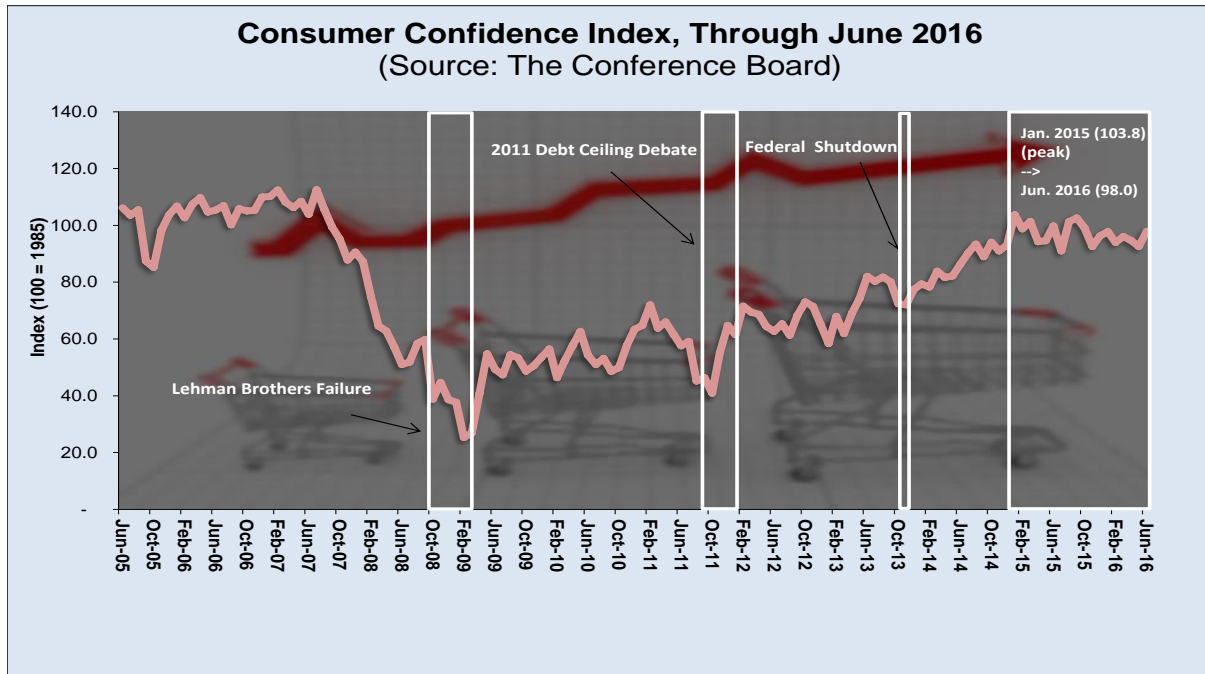
- The above downshift in the consensus economic forecast is a reflection of actual data and on-going concerns about the “maturing” U.S. and Vermont economic expansions, on-going volatility on U.S. and global stock markets, the on-going uncertainty about economic conditions and future performance in China and many key parts of the developing world, the proliferation in terrorist activity, and now the expected somewhat negative economic fall-out (according to most published news reports) associated with the recent “Brexit” vote in the United Kingdom (“U.K.”).



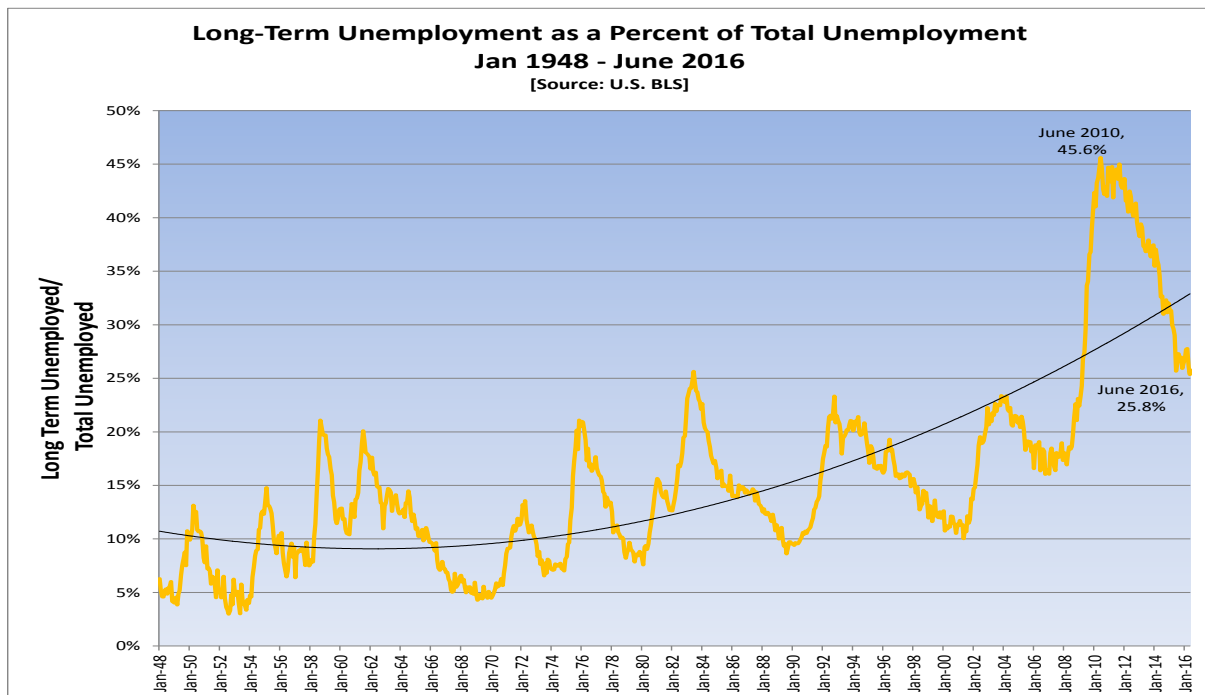
- Uncertainty in the economy about the global growth outlook and in global financial markets (including equity markets) continues to weigh heavily and negatively on the near-term economic outlook.
- Although the macro economic ramifications of Brexit are expected to be mostly regional—that is largely confined to the U.K. and the Euro region in general—the “Brexit” vote has caused some global political and global financial sector uncertainty at a time when output growth has been decelerating and there has been a significant level of uncertainty overall within the global and U.S. economies.



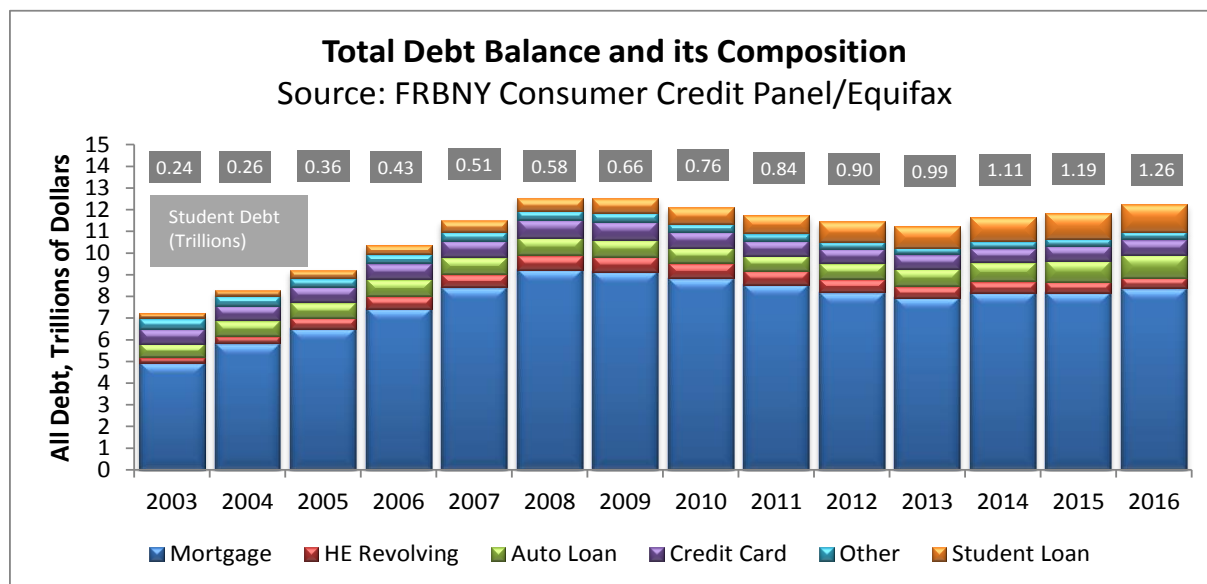
- As a result, consumer confidence has “flattened,” which has led to a restrained outlook for consumption—down to the 2.5 percent to 3.0 percent range—in part due to the erosion in the Sales Tax base.



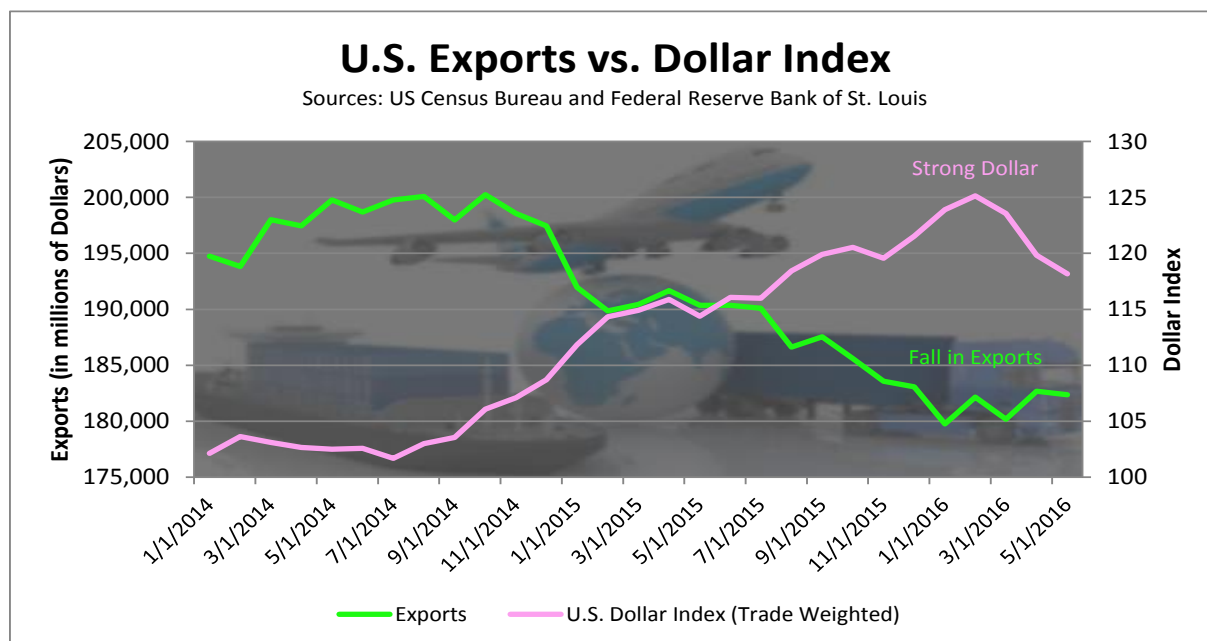
- In addition, confidence has also likely been restrained by the still “too high” number of the long-term unemployed.



- And there is too much “student debt” which has exploded by roughly \$1.0 trillion between the dollars since calendar year 2003 (see the update below of a chart first presented two years ago). While the pace of student debt increases has slowed, the amount outstanding is second only to mortgage debt outstanding.



- All this uncertainty is encouraging a “flight to quality” where investors are increasingly seeking the safety of U.S. investments—resulting in a strengthening of the U.S. dollar. A strong U.S. dollar tends to curtail U.S. export activity (see the chart below), and represents a drag on activity.



- Although the current economic upcycle is “maturing,” it is notable that there currently are none of the usual precursors that are signaling that the U.S. economy is headed for a recession.
 - While only about 1 of 5 economists-analysts believe the U.S. economy will fall into recession over the next year, it is notable that roughly three-quarters of U.S. economists surveyed by the Wall Street Journal in a recent survey believe that it is more likely that U.S. GDP economic growth will be on the downside over the next twelve months versus only 15 percent that indicated there is upside GDP growth risk.



- However, it goes without saying that there will be a recession sometime in the future, with it being “more likely than not” there will be a recession within the next five fiscal years.
- The principal sources of downside economic forecast risk includes: (1) the persistent European economic and fiscal crisis (now being driven by “Brexit),” (2) slowing productivity gains in the corporate sector and its likely slowing impact on corporate profits and tax payments, (3) the on-going terrorist threat complicated by the on-going unrest in the Middle

East (e.g. the on-going refugee crisis) and the developing world and its impact on energy prices and its resulting braking effect on U.S. exports, (4) the slowdown in China and a large portion of the developing world due to commodity price weakness and deflation, (5) ongoing weakness in the state and local governments' fiscal situation in many parts of the U.S., and (6) the political uncertainty in Washington over fiscal policy-tax matters.

- On the other side of the risk ledger for the “consensus” economic forecast, there is: (1) strengthening labor markets that could help improve confidence that would bolster consumption spending, (2) the strong balance sheet condition of U.S. businesses which provides a supportive financial basis for additional hiring activity and higher wages, (3) the continued recovery in the housing market that is beginning to aid in the recovery of household wealth which can be supportive of additional consumption spending, and (4) the Federal Reserve’s on-going commitment to continued U.S. growth—despite the statements indicating a transition to the “normalization” of monetary policy (which would translate into a trend towards higher short-term interest rates³).

C. Discussion of Recent Revenue Performance by Major Fund

Another reason why the staff recommendation this July includes a roughly 1.5 percent downward adjustment in the G-Fund is the roughly 1.1 percent under-performance in the G-Fund during fiscal year 2016 (see Table 5 below).

- The negative forecast variance in the Personal Income Tax component (at -\$13.8 million) was nearly off-set by the positive forecast variance in the Corporate Tax (at +\$12.8 million)⁴ for fiscal 2016.
- The under-performance in the two consumption taxes (at -\$4.9 million in the G-Fund portion of the Sales & Use Tax and the -\$1.4 million under-performance in the Meals & Rooms Tax), along with the -\$8.0 million forecast miss in the Estate Tax totals to another \$14.3 million under performance between these key G-Fund components.

³ For example, it could be helpful if short-term interest rates rose for the “right reasons.”

⁴ The profile of this recent performance is potentially problematic as the Corporate Tax, which is highly concentrated among a relative few significant payers, has entered the period of the economic cycle where profits are generally declining and where overall Corporate Tax receipts are highly vulnerable to “profitability” developments at a relative few companies with a “tax presence” in Vermont. This can, at times, result in large swings in net Corporate Tax revenues year-to-year.

- With the \$0.8 million under-performance in the Insurance Tax and the roughly \$1.0 million under-performance spread among the other G-Fund items, the downside miss in the January 2016 consensus G-Fund forecast is accounted for.

Table 5—Cumulative G-Fund Fiscal 2016 Results Versus Forecast

FY 2016--Cumulative June Component (\$ Thousands)	Cumulative Receipts	Cumulative Target	Dollar Difference	Percent Difference
Personal Income	\$ 746,991.1	\$ 760,800.0	\$ (13,808.9)	-1.8%
<i>Withholding</i>	\$ 577,441.0	\$ 575,200.0	\$ 2,241.0	0.4%
<i>PI Estimates</i>	\$ 152,950.9	\$ 155,800.0	\$ (2,849.1)	-1.8%
<i>PI Paid Returns</i>	\$ 118,657.7	\$ 133,000.0	\$ (14,342.3)	-10.8%
<i>PI Refunds</i>	\$ (140,585.8)	\$ (139,700.0)	\$ (885.8)	-0.6%
<i>PI Other</i>	\$ 38,527.3	\$ 36,500.0	\$ 2,027.3	5.6%
Net Sales & Use Tax	\$ 240,987.4	\$ 245,896.4	\$ (4,909.0)	-2.0%
Corporate Income Tax	\$ 116,978.6	\$ 104,200.0	\$ 12,778.6	12.3%
<i>Corporate Paid Returns</i>	\$ 126,361.7	\$ 123,800.0	\$ 2,561.7	2.1%
<i>Corporate Refunds</i>	\$ (9,383.1)	\$ (19,600.0)	\$ 10,216.9	52.1%
Meals & Rooms	\$ 154,150.9	\$ 155,600.0	\$ (1,449.1)	-0.9%
Property Transfer Tax	\$ 11,521.9	\$ 11,836.1	\$ (314.2)	-2.7%
Other	\$ 141,792.1	\$ 150,267.4	\$ (8,475.4)	-5.6%
<i>Estate Tax</i>	\$ 12,508.8	\$ 20,500.0	\$ (7,991.2)	-39.0%
<i>Insurance Tax</i>	\$ 56,245.3	\$ 57,000.0	\$ (754.7)	-1.3%
<i>Total Telephone Tax</i>	\$ 3,160.4	\$ 3,100.0	\$ 60.4	1.9%
<i>Bank Franchise Tax</i>	\$ 10,682.2	\$ 10,300.0	\$ 382.2	3.7%
<i>Fees</i>	\$ 22,984.9	\$ 22,100.0	\$ 884.9	4.0%
<i>Other</i>	\$ 36,210.4	\$ 37,267.4	\$ (1,057.0)	-2.8%
Total Net General Fund	\$ 1,412,421.9	\$ 1,428,600.0	\$ (16,178.1)	-1.1%
[1] Figures for the Corporate component are still adjusting to technology changes.				
Basic Data Source: VT Agency of Administration				

- The end result of this negative cumulative forecast variance is that fiscal year 2017 starts out from a lower fiscal 2016 revenue base—which reduces overall revenue expectations for fiscal year 2017 and beyond where receipts appear to now be on a somewhat lower growth rate trajectory.⁵
- For the net revenues available to the T-Fund, fiscal year 2016 receipts finished the year at -\$2.3 million or -0.8% below the January 2016 consensus forecast target (see Table 6 below).

⁵ As mentioned above, with the very strong performance by the Corporate Tax, the profile of receipts strength versus weakness relative to consensus expectations is also becoming a concern from the standpoint of volatility.

Table 6—Cumulative T-Fund Fiscal 2016 Results Versus Forecast

FY 2016--Cumulative June Component (\$ Thousands)	Cumulative Receipts	Cumulative Target	Dollar Difference	Percent Difference
Gasoline Tax	\$ 78,019.9	\$ 78,300.0	\$ (280.1)	-0.4%
Diesel Tax	\$ 18,307.7	\$ 19,500.0	\$ (1,192.3)	-6.1%
MvP&U Tax	\$ 66,759.3	\$ 68,200.0	\$ (1,440.7)	-2.1%
MvFees	\$ 81,963.8	\$ 81,800.0	\$ 163.8	0.2%
Other Fees-Revenues	\$ 19,558.7	\$ 18,900.0	\$ 658.7	3.5%
Total Transportation Fund	\$ 264,609.4	\$ 266,700.0	\$ (2,090.6)	-0.8%
Gasoline -TIB	\$ 13,040.9	\$ 13,038.0	\$ 2.9	0.0%
Diesel-TIB	\$ 1,910.9	\$ 2,090.6	\$ (179.7)	-8.6%
Total Transportation Fund (w/TIB)	\$ 279,561.2	\$ 281,828.6	\$ (2,267.4)	-0.8%
Basic Data Source: VT Agency of Administration				

- The fiscal 2016 revenue under-performance occurred primarily in the MvP&U Tax and Diesel Tax components among the five major T-Fund components, and arose over the final quarter⁶ of fiscal year 2016.
 - As shown in Table 6, Gas tax finished the 2016 fiscal year close to expectations versus the January 2016 consensus forecast.
 - Like the G-Fund above, the end result of this negative cumulative forecast variance in the T-Fund is that fiscal year 2017 starts out from a lower fiscal 2016 revenue base. This explains a significant portion of the downward revision in the staff recommendation for the T-Fund in this forecast update.
- For the net revenues available to the E-Fund [Partial], fiscal year 2016 receipts were -\$0.5 million or -0.3% below expectations relative to the January 2016 consensus forecast target (see Table 7 below).

Table 7—Cumulative E-Fund Fiscal 2016 Results Versus Forecast

FY 2016--Cumulative June Component (\$ Thousands)	Cumulative Receipts	Cumulative Target	Dollar Difference	Percent Difference
Sales & Use Tax	\$ 129,762.4	\$ 132,403.6	\$ (2,641.1)	-2.0%
MvP&U Tax	\$ 33,379.7	\$ 34,100.0	\$ (720.3)	-2.1%
Lottery	\$ 26,403.6	\$ 23,600.0	\$ 2,803.6	11.9%
Interest	\$ 168.8	\$ 100.0	\$ 68.8	68.8%
Total Education Fund [Partial]	\$ 189,714.5	\$ 190,203.6	\$ (489.1)	-0.3%
Notes: NM=Not Meaningful				
Basic Data Source: VT Agency of Administration				

⁶ Corresponding to the April to June time frame of fiscal year 2016.

- While the Sales and Use Tax and MvP&U Tax portion of the E-Fund followed the under-performing trend of their G-Fund and T-Fund counterparts, the Lottery experienced a very positive performance due to a record Powerball jackpot which generated significantly profits during the fiscal year.
- While the positive performance by the Lottery component during fiscal 2016 was a plus, it is very likely a non-recurring event that has to be removed from the fiscal year 2017 and beyond forecasting base.

D. Discussion of Recent Key Vermont Economic Trends

- Developments in the Vermont economy over the most recent 6 to 9 months were generally positive except for very poor weather conditions during the 2015-16 Winter tourism season which undercut an otherwise positive tone to economic and labor market activity.
 - This was so, despite some struggles at key “economic driver” employers such as Green Mountain Keurig which terminated its experiment with its struggling cold beverage unit—resulting in roughly 300 announced layoffs at its Vermont operations over the past 12-15 months.
 - State labor markets have also been impacted by some publicly announced “right-sizing” layoffs at key employers and at M&A targets over the last 18-24 months. In addition, state labor markets have had to deal with the job impacts associated with the closure of the Vermont Yankee generation facility in Vernon.
 - Even so, the most recent labor market data available on Vermont labor markets point to an on-going, though still uneven, upward movement in payroll jobs (at roughly 4,900 jobs seasonally adjusted since last October) and employed residents (at 2,750 employed resident Vermonters over the past year), with a corresponding decline in the seasonally-adjusted unemployment rate to 3.1 percent in May of 2016—or 1.6 percentage points below the U.S. average for that month.⁷
- Using comparative payroll job data through May, year-over-year nonfarm

⁷ This ranked Vermont 4th lowest in terms of its unemployment rate in the U.S. as of May 2016.

payroll employment change comparisons in Tables 8 and 9 (below) indicate that payroll job change in Vermont ranked second in New England for year-over-year job change in Total Payroll jobs and 3rd in year-over-year change in Private Sector jobs.

- Total Payroll jobs posted a 1.2 percent gain year-over-year through May while the Private Sector jobs component registered a 1.1 percent positive job change performance through May.
- Within the context of the U.S. as a whole, Vermont through May ranked 27th in total nonfarm payroll job increase and 32nd in private sector payroll job growth from May 2015 to May 2016.

Table 8: Year-Over-Year Job Change by State Total Payroll Jobs (May 2015-May 2016)		
Rank	State	% Change
1	Oregon	3.3%
2	Utah	3.2%
3	Florida	3.2%
4	Idaho	3.2%
5	Washington	3.2%
6	Georgia	2.9%
7	California	2.8%
22	Texas	1.4%
23	Massachusetts	1.4%
27	Vermont	1.2%
33	New York	0.9%
34	New Hampshire	0.9%
38	Connecticut	0.6%
43	Rhode Island	0.0%
44	Oklahoma	0.0%
45	Maine	-0.1%
46	Kansas	-0.4%
47	Alaska	-0.6%
48	Louisiana	-1.0%
49	Wyoming	-3.3%
50	North Dakota	-3.6%

Source: U.S. Department of Labor, BLS

Table 9: Year-Over-Year Job Change by State Private Sector Payroll Jobs (May 2015-May 2016)		
Rank	State	% Change
1	Utah	3.5%
2	Oregon	3.5%
3	Idaho	3.5%
4	Florida	3.5%
5	Washington	3.4%
9	California	2.8%
25	Massachusetts	1.4%
26	South Dakota	1.4%
27	New Hampshire	1.4%
28	Indiana	1.3%
29	Texas	1.3%
32	Vermont	1.1%
35	New York	1.0%
36	Connecticut	0.8%
42	Rhode Island	0.1%
43	Maine	0.0%
46	Louisiana	-1.0%
47	West Virginia	-1.2%
48	Alaska	-1.2%
49	Wyoming	-4.6%
50	North Dakota	-5.2%

Source: U.S. Department of Labor, BLS

- On a sector-by-sector basis, the year-over-year job change numbers show that Vermont's strongest relative private sector year-over-year performance over the last year came in the education and Health Services Sector (at +3.2% versus May of 2015), ranking it 1st in New England and 22nd nationally—see Table 10 below.

- Professional and Business Services sector also registered a decent year-over-year job performance at +1.8% versus May of 2015—ranking it 3rd in New England and 24th nationally among the 50 states.
- The State also had a considerable positive performance in the Trade, Transportation and Utilities sector, at +1.1% versus May of 2015. The Leisure and Hospitality sector, reflecting the weak Winter tourism season fell by 0.3 percent year-over-year, ranking Vermont 4th in New England and 46th nationally—its poorest national ranking.
- The State's Manufacturing sector contracted by -1.9% over the last year, ranking it 6th in New England and 42nd among the 50 states. Only the Information sector lost more jobs (at -6.4 percent year-over-year)—although other states in both New England and the U.S. fared more poorly in this sector that has been losing jobs as the industry goes through dramatic changes.

Table 10: Payroll Job Performance By NAICS Supersector May 2015 vs. May 2016

Industry Supersector	% Change in VT	VT Rank in New England	VT Rank in U.S.	Highest Ranked New England State	# of States Reporting Job Losses
Total Nonfarm	1.2%	2	27	MA (23)	6
Total Private	1.1%	3	32	MA (25)	7
Construction	0.6%	5	35	MA (8)	12
Manufacturing	-1.9%	6	42	ME (6)	26
Information	-6.4%	5	41	CT (6)	30
Financial Activities	1.7%	4	24	NH (3)	7
Trade, Transportation, Utilities	1.1%	2	30	NH (10)	9
Leisure and Hospitality	-0.3%	4	46	MA (28)	6
Education and Health Services	3.2%	1	22	VT (22)	1
Professional and Business Services	1.8%	3	24	MA (19)	11
Government	1.6%	1	11	VT (11)	14

Notes: NAICS means North American Industry Classification System

Source: U.S. Department of Labor, BLS

E. Notes and Comments on Methods:

- All figures presented above are presented as described, including current law “net” revenues for the respective funds listed in the consensus forecast estimate for fiscal years 2017 and 2018 that are part of the official Emergency Board motion.
- The revenue forecasting process is a collaborative one involving the staff of the Vermont Department of Taxes, VTrans, the Legislative Joint Fiscal Office,

Kavet Rockler & Associates, LLC, and many others throughout state government and the staff of Economic & Policy Resources. Special thanks are due to Sharon Asay (of the Vermont Department of Taxes), Mary Cox (of the Vermont Department of Taxes), Rebecca Samero (of the Vermont Department of Taxes), Doug Farnham (of the Vermont Department of Taxes), Terry Edwards (of the Vermont Department of Taxes), Lenny LeBlanc of VTrans), Sara Teachout, Stephanie Barrett, Catherine Benham, Neil Strickner, Theresa Utton-Jerman, and Mark Perrault (of the JFO), and many others in both the Administration and the JFO. All contributed time and energy to assembling data, providing analysis, or technical assistance that was crucial to completing these forecasts.

- The consensus forecasting process involves the discussion and agreement of two independent forecasts completed by Thomas E. Kavet of the JFO and the staff at Economic & Policy Resources. Agreement on the consensus forecast occurs after a complete discussion-vetting and reconciliation of these independent forecasts.
- The State continues to develop an internal State macroeconomic model which may eventually replace the model maintained at Moody's Analytics through the New England Economic Partnership (NEEP). The NEEP forecast for Vermont is managed by Economic & Policy Resources, Inc., who also currently supports the Vermont Agency of Administration with the Administration's part of the consensus forecasting process. Since October of 2001, input and review of initial Vermont NEEP model design and output prior to its release has been provided by KRA, as the State Economist and Principal Economic Advisor to the Vermont Legislature. Since May of 2015, the NEEP organization has not developed a Vermont macro forecast. The macro forecast employed at that time was independent of the NEEP forecasting process. The November 2015 NEEP forecast and the June 2016 NEEP macro presentation was developed using the internal State macroeconomic model used to inform this forecast update in terms of the macroeconomic environment or background.
- Dynamic and other input/output-based models for the State of Vermont, including those from Regional Economic Models, Inc. (REMI), the REDYN input-output model as currently maintained by Economic Analytics, LLC, and IMPLAN are also occasionally employed in the analytic process for completing the consensus economic and revenue forecasts.

F. Detailed Forecast Tables.

TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE/ADMINISTRATION
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2016 [Including Fee-Tax Changes]

SOURCE G-FUND

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

	FY 2011 (Actual)	% Change	FY 2012 (Actual)	% Change	FY 2013 (Actual)	% Change	FY 2014 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Preliminary)	% Change	FY 2017 (Forecast)	% Change	FY 2018 (Forecast)	% Change
REVENUE SOURCE																
Personal Income	\$553.3	11.1%	\$597.0	7.9%	\$660.6	10.7%	\$671.1	1.6%	\$705.9	5.2%	\$747.0	5.8%	\$776.4	3.9%	\$803.6	3.5%
Sales & Use*	\$325.6	4.7%	\$341.8	5.0%	\$346.8	1.4%	\$353.6	2.0%	\$364.6	3.1%	\$370.7	1.7%	\$383.2	3.4%	\$394.0	2.8%
Corporate	\$89.7	42.7%	\$85.9	-4.2%	\$95.0	10.5%	\$94.8	-0.1%	\$121.9	28.5%	\$117.0	-4.0%	\$102.7	-12.2%	\$98.1	-4.5%
Meals and Rooms	\$122.6	4.0%	\$126.9	3.5%	\$134.8	6.2%	\$142.7	5.9%	\$150.8	5.7%	\$154.2	2.2%	\$161.0	4.4%	\$166.2	3.2%
Cigarette and Tobacco**	\$72.9	4.0%	\$80.1	9.9%	\$74.3	-7.2%	\$71.9	-3.3%	\$76.8	6.7%	\$80.7	5.2%	\$77.6	-3.9%	\$75.6	-2.6%
Liquor and Wine	\$15.4	3.1%	\$16.4	7.0%	\$17.0	3.4%	\$17.7	4.0%	\$18.2	2.9%	\$18.3	0.8%	\$19.0	3.7%	\$19.6	3.2%
Insurance	\$55.0	3.3%	\$56.3	2.5%	\$55.0	-2.3%	\$57.1	3.7%	\$55.3	-3.1%	\$56.2	1.7%	\$56.8	1.0%	\$57.5	1.2%
Telephone	\$11.4	44.4%	\$9.6	-15.3%	\$9.4	-2.6%	\$9.1	-2.9%	\$7.7	-14.9%	\$3.2	-59.2%	\$6.3	99.3%	\$6.1	-3.2%
Beverage	\$5.8	2.2%	\$6.0	3.3%	\$6.2	3.3%	\$6.4	3.6%	\$6.7	4.2%	\$6.7	0.6%	\$6.9	3.0%	\$7.1	2.9%
Electric***	\$2.9	0.8%	\$2.9	0.3%	\$8.9	204.5%	\$13.1	46.9%	\$9.4	-28.2%	\$0.0	NM	\$0.0	NM	\$0.0	NM
Estate****	\$35.9	153.3%	\$13.3	-62.8%	\$15.4	15.4%	\$35.5	131.0%	\$9.9	-72.2%	\$12.5	26.5%	\$17.3	38.3%	\$19.2	11.0%
Property	\$25.6	7.7%	\$24.1	-6.0%	\$28.5	18.3%	\$30.9	8.5%	\$33.6	8.6%	\$35.7	6.2%	\$39.0	9.2%	\$41.6	6.7%
Bank	\$15.4	49.0%	\$10.7	-30.9%	\$10.7	0.2%	\$11.0	2.7%	\$10.7	-2.0%	\$10.7	-0.6%	\$12.5	17.4%	\$10.8	-13.6%
Other Tax	\$3.7	1.7%	\$1.2	-66.7%	\$1.8	42.9%	\$1.9	9.6%	\$2.0	4.5%	\$1.8	-9.0%	\$2.0	8.6%	\$2.2	10.0%
Total Tax Revenue	\$1,335.1	11.6%	\$1,372.4	2.8%	\$1,464.3	6.7%	\$1,517.0	3.6%	\$1,573.5	3.7%	\$1,614.7	2.6%	\$1,660.8	2.9%	\$1,701.6	2.5%
Business Licenses																
Fees	\$2.9	-1.2%	\$3.0	3.4%	\$2.8	-8.0%	\$1.1	-61.4%	\$1.1	0.2%	\$1.1	-1.6%	\$1.10	3.1%	\$1.13	2.7%
Services	\$20.5	6.4%	\$20.9	2.1%	\$21.4	2.2%	\$20.6	-3.4%	\$22.1	7.0%	\$23.0	4.2%	\$45.1	96.2%	\$46.4	2.9%
Fines	\$1.1	-8.7%	\$2.3	105.8%	\$2.5	8.3%	\$1.3	-47.3%	\$1.5	12.5%	\$2.8	86.6%	\$3.3	18.4%	\$3.8	15.2%
Interest	\$5.7	-22.2%	\$7.4	28.7%	\$4.7	-35.9%	\$3.6	-24.2%	\$3.5	-3.1%	\$3.7	5.5%	\$3.9	6.7%	\$4.1	5.1%
Lottery	\$0.3	-46.0%	\$0.4	32.8%	\$0.6	26.3%	\$0.2	-59.2%	\$0.3	40.4%	\$0.7	130.6%	\$0.975	33.3%	\$1.185	21.5%
All Other*****	\$21.4	-0.7%	\$22.3	4.2%	\$22.9	2.7%	\$22.6	-1.6%	\$22.8	0.8%	\$26.4	16.1%	\$24.2	-8.3%	\$24.5	1.2%
	\$0.7	115.7%	\$0.9	19.7%	\$1.7	86.8%	\$1.3	-24.0%	\$1.0	-20.4%	\$1.3	25.9%	\$3.7	190.9%	\$1.5	-59.5%
Total Other Revenue	\$52.8	-1.1%	\$57.3	8.6%	\$56.6	-1.3%	\$50.7	-10.4%	\$52.2	3.0%	\$58.9	12.9%	\$82.3	39.7%	\$82.6	0.4%
TOTAL GENERAL FUND	\$1,387.9	11.0%	\$1,429.7	3.0%	\$1,520.9	6.4%	\$1,567.6	3.1%	\$1,625.7	3.7%	\$1,673.6	2.9%	\$1,743.0	4.1%	\$1,784.2	2.4%

Notes:

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

** Includes Cigarette Tax, Tobacco Products Tax and Floor Stock Tax revenues.

*** Reflects closure of Vermont Yankee in December of 2014. Taxed per Act 143 of 2012 effective in FY 2013. Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

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

***** Excludes \$5.0 million payment from Energy in fiscal year 2015 that is earmarked for a Special Fund received in fiscal year 2015. Includes \$2.3 million in one-time payments in fiscal year 2017 by tax software vendors for errors related to the deductions changes effective in tax year 2015.

**TABLE 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE/ADMINISTRATION
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2016 [Including Fee-Tax Changes]**

CURRENT LAW BASIS <i>Including all Education Fund allocations and other out-transfers</i>	FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		FY 2016		FY 2017		FY 2018	
	%	Change	%	Change	%	Change	%	Change	%	Change	%	Change	%	Change	%	Change
	<i>(Actual)</i>		<i>(Actual)</i>		<i>(Actual)</i>		<i>(Actual)</i>		<i>(Actual)</i>		<i>(Preliminary)</i>		<i>(Forecast)</i>		<i>(Forecast)</i>	
REVENUE SOURCE																
Personal Income	\$553.3	11.1%	\$597.0	7.9%	\$660.6	10.7%	\$671.1	1.6%	\$705.9	5.2%	\$747.0	5.8%	\$776.4	3.9%	\$803.6	3.5%
Sales and Use**	\$217.1	4.7%	\$227.9	5.0%	\$231.2	1.4%	\$229.9	-0.6%	\$237.0	3.1%	\$240.9	1.7%	\$249.1	3.4%	\$256.1	2.8%
Corporate	\$89.7	42.7%	\$85.9	-4.2%	\$95.0	10.5%	\$94.8	-0.1%	\$121.9	28.5%	\$117.0	-4.0%	\$102.7	-12.2%	\$98.1	-4.5%
Meals and Rooms	\$122.6	4.0%	\$126.9	3.5%	\$134.8	6.2%	\$142.7	5.9%	\$150.8	5.7%	\$154.2	2.2%	\$161.0	4.4%	\$166.2	3.2%
Cigarette and Tobacco **	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Liquor	\$15.4	3.1%	\$16.4	7.0%	\$17.0	3.4%	\$17.7	4.0%	\$18.2	2.9%	\$18.3	0.8%	\$19.0	3.7%	\$19.6	3.2%
Insurance	\$55.0	3.3%	\$56.3	2.5%	\$55.0	-2.3%	\$57.1	3.7%	\$55.3	-3.1%	\$56.2	1.7%	\$56.8	1.0%	\$57.5	1.2%
Telephone	\$11.4	44.4%	\$9.6	-15.3%	\$9.4	-2.6%	\$9.1	-2.9%	\$7.7	-14.9%	\$3.2	-59.2%	\$6.3	99.3%	\$6.1	-3.2%
Beverage	\$5.8	2.2%	\$6.0	3.3%	\$6.2	3.3%	\$6.4	3.6%	\$6.7	4.2%	\$6.7	0.6%	\$6.9	3.0%	\$7.1	2.9%
Estate****	\$24.9	75.6%	\$13.3	-46.4%	\$15.4	15.4%	\$35.5	131.0%	\$9.9	-72.2%	\$12.5	26.5%	\$17.3	38.3%	\$19.2	11.0%
Property	\$8.4	7.6%	\$7.9	-6.1%	\$9.2	16.5%	\$10.0	9.3%	\$10.9	8.7%	\$11.5	6.0%	\$12.6	9.5%	\$13.5	6.7%
Bank	\$15.4	49.0%	\$10.7	-30.9%	\$10.7	0.2%	\$11.0	2.7%	\$10.7	-2.0%	\$10.7	-0.6%	\$12.5	17.4%	\$10.8	-13.6%
Other Tax	\$3.7	1.7%	\$1.2	-66.7%	\$1.8	42.9%	\$1.9	9.6%	\$2.0	4.5%	\$1.8	-9.0%	\$2.0	8.6%	\$2.2	10.0%
Total Tax Revenue	\$1,125.4	11.8%	\$1,162.1	3.3%	\$1,255.0	8.0%	\$1,300.3	3.6%	\$1,346.4	3.5%	\$1,380.0	2.5%	\$1,422.6	3.1%	\$1,480.0	2.6%
Business Licenses																
Fees	\$2.9	-1.2%	\$3.0	3.4%	\$2.8	-8.0%	\$1.1	-61.4%	\$1.1	0.2%	\$1.1	-1.6%	\$1.1	3.1%	\$1.1	2.7%
Services	\$20.5	6.4%	\$20.9	2.1%	\$21.4	2.2%	\$20.6	-3.4%	\$22.1	7.0%	\$23.0	4.2%	\$45.1	96.2%	\$46.4	2.9%
Fines	\$1.1	-8.7%	\$2.3	105.8%	\$2.5	8.3%	\$1.3	-47.3%	\$1.5	12.5%	\$2.8	86.6%	\$3.3	18.4%	\$3.8	15.2%
Interest	\$5.7	-22.2%	\$7.4	28.7%	\$4.7	-35.9%	\$3.6	-24.2%	\$3.5	-3.1%	\$3.7	5.5%	\$3.9	6.7%	\$4.1	5.1%
All Other*****	\$0.3	-45.9%	\$0.4	36.3%	\$0.5	20.5%	\$0.2	-66.6%	\$0.2	51.9%	\$0.6	136.1%	\$0.8	42.2%	\$1.0	25.0%
Total Other Revenue	\$0.7	115.7%	\$0.9	19.7%	\$1.7	86.8%	\$1.3	-24.0%	\$1.0	-20.4%	\$1.3	25.9%	\$3.7	190.9%	\$1.5	-59.5%
	\$31.3	-1.2%	\$34.9	11.6%	\$33.5	-3.9%	\$28.0	-16.4%	\$29.4	4.7%	\$32.3	10.1%	\$57.9	79.1%	\$57.9	0.1%
TOTAL GENERAL FUND	\$1,156.7	11.4%	\$1,197.0	3.5%	\$1,288.6	7.7%	\$1,328.4	3.1%	\$1,375.8	3.6%	\$1,412.4	2.7%	\$1,480.5	4.8%	\$1,517.9	2.5%

Notes:

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

** Includes Cigarette Tax, Tobacco Products Tax and Floor Stock Tax revenues.

*** Reflects closure of Vermont Yankee in December of 2014. Taxed per Act 143 of 2012 effective in FY 2013. Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

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

***** Excludes \$5.0 million payment from Entergy in fiscal year 2015 that is earmarked for a Special Fund received in fiscal year 2015. Includes \$2.3 million in one-time payments in fiscal year 2017 by tax software vendors for errors related to the deductions changes effective in tax year 2015.

TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE/ADMINISTRATION
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2016 [Including Fee-Tax Changes]

CURRENT LAW BASIS <i>Including all Education Fund allocations and other out-transfers</i>	FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		FY 2016		FY 2017		FY 2018	
	<i>(Actual)</i>	<i>% Change</i>	<i>(Actual)</i>	<i>% Change</i>	<i>(Actual)</i>	<i>% Change</i>	<i>(Actual)</i>	<i>% Change</i>	<i>(Actual)</i>	<i>% Change</i>	<i>(Preliminary)</i>	<i>% Change</i>	<i>(Forecast)</i>	<i>% Change</i>	<i>(Forecast)</i>	<i>% Change</i>
REVENUE SOURCE																
Gasoline	\$60.6	-0.6%	\$59.3	-2.2%	\$59.9	1.1%	\$76.5	27.6%	\$77.6	1.5%	\$78.020	0.5%	\$78.6	0.7%	\$78.6	0.0%
Diesel	\$15.4	2.0%	\$16.0	3.9%	\$15.6	-2.2%	\$17.2	9.7%	\$19.1	11.5%	\$18.308	-4.4%	\$19.5	6.5%	\$19.9	2.1%
Purchase and Use*	\$51.4	10.5%	\$59.6	16.0%	\$55.7	-6.5%	\$61.2	9.9%	\$64.8	5.9%	\$66.759	2.9%	\$69.8	4.6%	\$72.5	3.9%
Motor Vehicle Fees	\$72.3	-0.3%	\$73.5	1.7%	\$77.9	5.9%	\$79.0	1.5%	\$80.1	1.4%	\$81.964	2.3%	\$90.0	9.8%	\$90.8	0.9%
Other Revenue**	\$17.9	-2.0%	\$18.3	2.2%	\$19.1	4.2%	\$19.5	2.3%	\$19.5	0.0%	\$19.559	0.3%	\$19.8	1.2%	\$20.2	2.0%
TOTAL TRANS. FUND	\$217.617	2.0%	\$226.688	4.2%	\$228.195	0.7%	\$253.383	11.0%	\$261.2	3.1%	\$264.6	1.3%	\$277.7	4.9%	\$282.0	1.6%
OTHER																
TIB Gasoline	\$16.5	23.6%	\$20.9	26.6%	\$21.2	1.4%	\$19.2	-9.5%	\$18.2	-5.2%	\$13.0	-28.4%	\$12.6	-3.4%	\$12.6	0.2%
TIB Diesel and Other***	\$2.0	31.7%	\$1.9	-1.7%	\$1.8	-8.6%	\$1.8	4.5%	\$2.1	11.4%	\$1.9	-6.1%	\$2.1	8.4%	\$2.1	2.1%
Total TIB	\$18.5	24.4%	\$22.8	23.6%	\$23.0	0.6%	\$21.0	-8.4%	\$20.2	-3.8%	\$15.0	-26.1%	\$14.7	-1.9%	\$14.7	0.5%

Notes:

* 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

*** Includes TIB Fund Interest Income of less than \$17,000

TABLE 3 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE/ADMINISTRATION
AVAILABLE EDUCATION FUND* REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2016 [Including Fee-Tax Changes]

CURRENT LAW BASIS

Source: General and Transportation Fund taxes allocated to or associated with the Education Fund only.

	FY 2011	% Change	FY 2012	% Change	FY 2013	% Change	FY 2014	% Change	FY 2015	% Change	FY 2016	% Change	FY 2017	% Change	FY 2018	% Change
	(Actual)		(Actual)		(Actual)		(Actual)		(Actual)		(Preliminary)		(Forecast)		(Forecast)	
GENERAL FUND																
Sales & Use**	\$108.5	4.7%	\$113.9	5.0%	\$115.6	1.4%	\$123.8	7.1%	\$127.6	3.1%	\$129.8	1.7%	\$134.1	3.4%	\$137.9	2.8%
Interest	\$0.0	NM	\$0.0	NM	\$0.1	NM	\$0.1	NM	\$0.1	NM	\$0.2	NM	\$0.2	NM	\$0.2	NM
Lottery	\$21.4	-0.7%	\$22.3	4.2%	\$22.9	2.7%	\$22.6	-1.6%	\$22.8	0.8%	\$26.4	16.1%	\$24.2	-8.3%	\$24.5	1.2%
TRANSPORTATION FUND																
Purchase and Use***	\$25.7	10.5%	\$27.3	6.3%	\$27.9	2.0%	\$30.6	9.9%	\$32.4	5.9%	\$33.4	2.9%	\$34.9	4.6%	\$36.3	3.9%
TOTAL	\$155.7	4.8%	\$163.6	5.1%	\$166.5	1.7%	\$177.0	6.3%	\$182.9	3.3%	\$189.7	3.7%	\$193.4	1.9%	\$198.9	2.8%

Notes:

NM means "Not meaningful"

FY1998 revenues represent partial year allocations prior to Act 60 Technical Corrections

** 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

Addendum:

Administration and JFO

Revenue Comparison

FY17 Revenue Assumption Comparison

Fund	January 2016	Session Changes	May 2016*	July 2016	
	Revenue Forecast	as Originally Estimated	Revenue Assumption	Revenue Forecast**	Variance***
General Fund	\$ 1,473.5	\$ 28.0	\$ 1,501.5	\$ 1,480.5	\$ (21.0)
Transportation Fund	\$ 271.3	\$ 9.9	\$ 281.2	\$ 277.7	\$ (3.5)
Education Fund	\$ 196.7	\$ 0.1	\$ 196.8	\$ 193.4	\$ (3.4)
TIB Fund	\$ 14.7	\$ 0.1	\$ 14.8	\$ 14.7	\$ (0.1)

*May 2016 revenue assumptions did not include any update to the January revenue forecasts

**Proposed Consensus recommendation

***Variance includes re-estimated session changes, changes in macroeconomic assumptions and technical adjustments
