The Fiscal 2017-19 Revenue Outlook for the General Fund, Transportation Fund, and Education Fund [Partial]

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PREPARED BY:

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ECONOMIC, POLICY, AND FINANCIAL ANALYSTS

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

- The aging U.S. and Vermont economic expansions, the implications of a significant structural change in the State's Corporate Income Tax,[1] another small, but less than one percent under-performance in first half fiscal 2017 revenues,[2] and updates covering a number of special and technical factors have all come together to produce a combined $28.2 million forecast downgrade (or -1.5% versus last July's consensus forecast) for fiscal year 2017. This change is recommended by staff (hereafter referred to as the "staff recommendation") across all three fund aggregates this January relative to the consensus forecast approved by the Vermont Emergency Board in July of calendar year 2016 (see Table 1 below).

    - For fiscal year 2018, the staff recommendation across all three fund aggregates in total calls for a total downward adjustment of $9.4 million across all three fund aggregates (or -0.5% versus the consensus forecast of last July). For fiscal year 2019, the staff recommendation across all three fund aggregates is for an additional -$12.1 million downward adjustment in the consensus forecast (corresponding to a downward adjustment of -0.6% versus the consensus forecast of last July).

- For the G-Fund, the staff recommendation for January 2017 includes a downward adjustment in collections of -$24.6 million (or -1.7%) in fiscal year 2017, -$7.7 million (or -0.7%) for fiscal year 2018, and -$10.4 million (or -0.7%) for fiscal year 2019—assuming the staff recommendation is accepted by the Emergency Board. The staff recommendation reflects current tax and fee law, including expected receipts due to base recovery actions in consumption taxes that have gone into effect as of the date of this consensus forecast update.

    - The January 2017 consensus forecast update results for the G-Fund are dominated by the revenue effects of major structural changes which have occurred in the State's highly-concentrated Corporate Tax base. Over the past two years, there has been an increase in

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[1] This structural change in receipts activity is primarily the result of the effects of mergers and acquisitions activity.

[2] Across all three major fund aggregates (including the G-Fund, T-Fund, and E-Fund [Partial]) that are part of the consensus forecasting process, receipts were a combined $7.4 million or 0.80% below the consensus cash flow target through the first half of fiscal year 2017 versus a combined fund aggregate target of $917.6 million.

mergers and acquisitions activity and a shift in the tax paying status of other major Corporate Tax taxpayers that have adversely impacted Corporate Tax receipts. As a result, since the "high water mark" in Corporate Income Tax receipts for the G-Fund in fiscal year 2015 where they were just under $122.0 million, the total revenue received from the State's largest Corporate Tax taxpayers has declined sharply—causing significant downward adjustments in the consensus forecast for Corporate tax receipts.

Table 1: Staff Recommended Consensus Forecast—Change from Last July

Staff Recommended January 2017 Consensus Forecast Update-Difference from July 2016 Forecast						
	2017		2018		2019	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
General Fund	($24.6)	-1.7%	($7.7)	-0.5%	($10.4)	-0.7%
[Available to the General Fund]						
Transportation Fund	($3.2)	-1.2%	($2.3)	-0.8%	($2.7)	-0.9%
[Available to the Transportation Fund]						
Education Fund	($0.4)	-0.2%	$0.7	0.4%	$0.9	0.4%
[Partial]						
Total--"Big 3 Funds"	($28.2)	-1.5%	($9.4)	-0.5%	($12.1)	-0.6%
MEMO #1: G-Fund Excl. Corporate Tax	$1.8	0.1%	$3.3	0.2%	$2.9	0.2%
MEMO #2: TIB: [1]						
Gasoline	($0.1)	-0.5%	$0.1	0.4%	($0.6)	-4.7%
Diesel	($0.0)	-2.1%	($0.0)	-2.0%	($0.0)	-1.5%
Total TIB	($0.1)	-0.7%	$0.0	0.0%	($0.7)	-4.4%

Notes:
[1] G-Fund receipts excluding the change in Corporate Tax is listed separately due to extraordinary impact on the forecast update.
[2] Totals in the TIB may not add due to rounding.

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- For the G-Fund, the staff recommendation calls for a reduction in the consensus forecast for the Corporate Tax of -$26.4 million for fiscal year 2017, -$11.0 million for fiscal year 2018, and another -$13.3 million in fiscal year 2019.

    - Outside of the Corporate Tax, the staff recommendation calls for a gradually improving Vermont economy to result in a small +$1.8 million increase (or +0.1% versus the consensus forecast last July) for the G-Fund, increasing to +$3.3 million (or +0.2% versus the consensus forecast last July) for fiscal year 2018. For fiscal year 2019, the staff recommendation calls for a +$2.9 million (or +0.2% versus the consensus forecast last July) forecast upgrade outside of the Corporate Tax.

- These revised expectations reflect all updates associated with the initial implementation of the fee increase for the G-Fund as passed by the 2016 Vermont General Assembly and other factors.

▪ The staff recommendation for the T-Fund includes a forecast downgrade of -$3.2 million (or 1.2% versus the consensus forecast last July) for fiscal year 2017. The staff recommendation for fiscal year 2018 calls for a downward adjustment of -$2.3 million (or -0.8% versus the consensus forecast last July). For fiscal year 2019, the staff recommendation calls for a -$2.7 million downward adjustment (or -0.9% versus the consensus forecast last July)—assuming the staff recommendation is accepted by the Emergency Board.

    - These revised expectations reflect updates associated with the initial implementation of the various tax (for the MVP&U Tax) and fee changes (in the MvFees component) for the T-Fund as passed by the 2016 Vermont General Assembly.

▪ For the E-Fund [Partial], the staff recommendation includes an expected forecast downgrade of -$0.4 million (or -0.2% versus the consensus forecast last July) for fiscal year 2017. For fiscal year 2018 and fiscal year 2019, the staff recommendation includes a slight +$0.7 million (or +0.4% versus the consensus forecast last July) forecast upgrade for fiscal 2018, and a +$0.9 million (or 0.2% versus the consensus forecast last July) for fiscal 2019—assuming the staff recommendation is accepted by the Emergency Board.

    - The forecast update reflects a mix of factors, including the base recovery actions on the Sales & Use Tax component and the recent changes in the MvP&U Tax component as passed by the 2016 Vermont General Assembly.

▪ The staff recommendation also includes mostly small forecast downgrades for each TIB component across the fiscal year 2017 through fiscal year 2019 forecast time frame—again assuming the staff recommendation is accepted by the Emergency Board. For Gas TIB[3] receipts for fiscal year 2017, fiscal year 2018, and fiscal year 2019, the staff recommendation calls for -$0.1 million (or -0.5% versus the consensus forecast last July), a +$0.1 million upgrade for fiscal 2018 (or +0.5% versus the consensus forecast last July), and a -$0.6 million forecast downgrade (or -4.7% versus the consensus

[3] The term TIB refers to Transportation Infrastructure Bond Fund.

forecast last July) for fiscal year 2019.

- For Diesel TIB receipts, the staff recommendation includes a forecast downgrade of between -1.5% in fiscal year 2019 and -2.1% in fiscal year 2017. The staff recommendation for Diesel TIB receipts includes changes that are in dollar amounts that are all less than $0.1 million.

B. Recent Trends Impacting the Updated Consensus Economic Forecast

- Although much of the revenue forecast downgrade is tied to mergers and acquisitions activity in the State's corporate sector (and is therefore not necessarily directly based on the State's economic performance), at least part of the forecast downgrade is a function of the sluggish job and wage recovery-growth performance in Vermont.

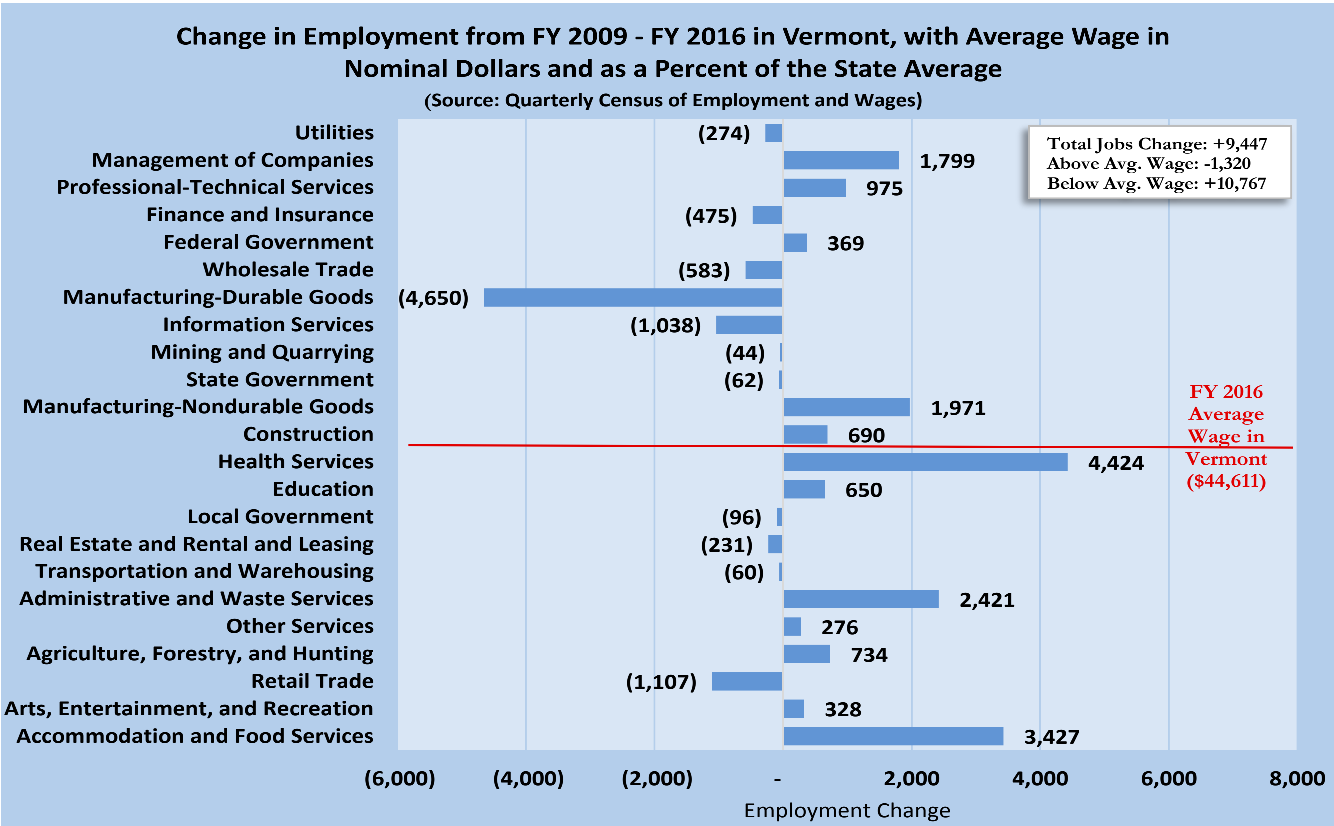
    - For example, it is noteworthy that all of the State's job recovery-growth since the end of the "Great Recession" (covering the period from the second quarter of calendar year 2009 through the second quarter of calendar year 2016[4]), has occurred in "lower than average-paying sectors" (see the chart on the following page) of the Vermont economy.

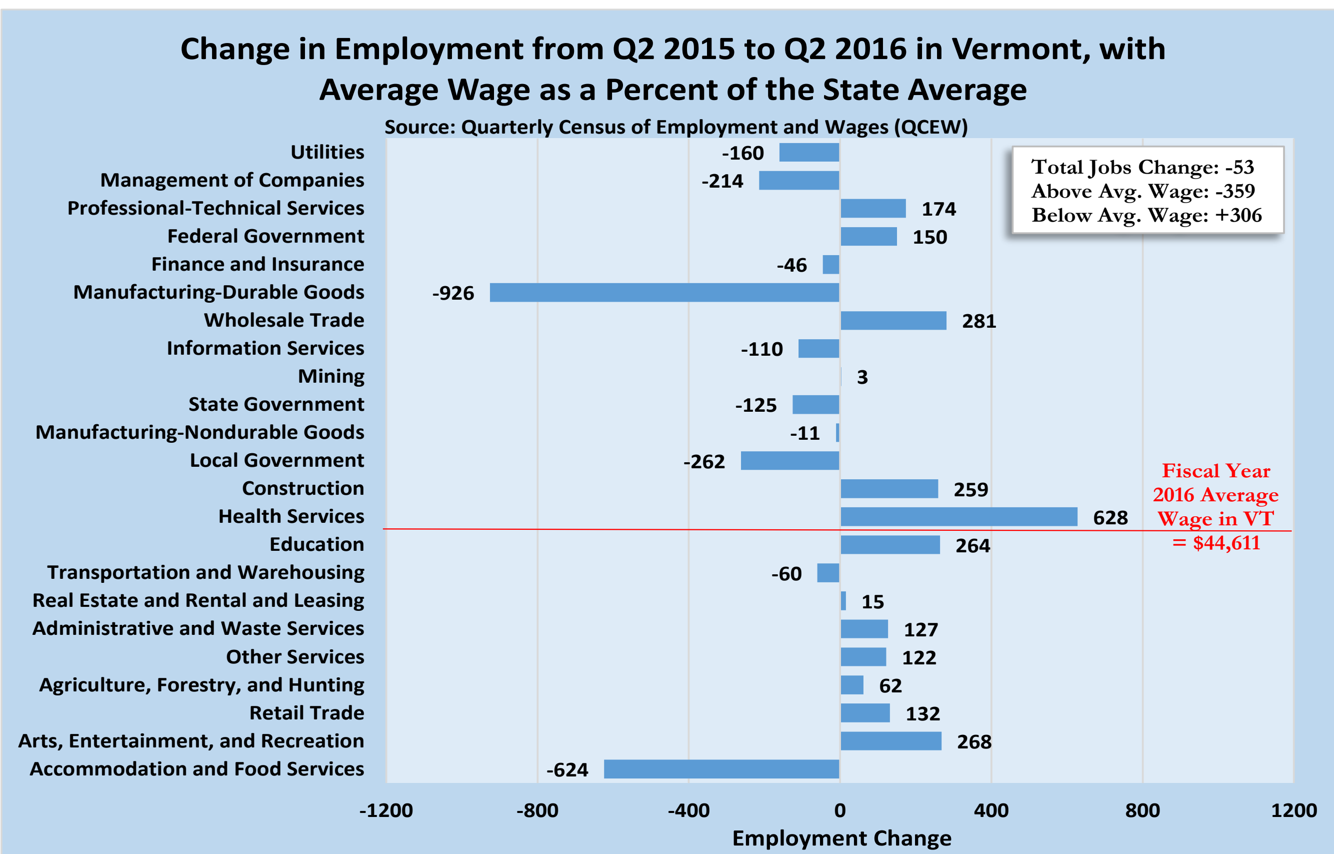
- Looking at the most recent 12 month period of recovery-expansion[5] from the "Great Recession" corresponding to fiscal year 2016, the State experienced a "flat" labor market performance—including a loss of 53 "covered jobs" with more than half of the sectors which added jobs over the past year (7 of 12) pay a lower than average annual wage.

    - In fact, over the last fiscal year where QCEW job and wage data are available (including fiscal year 2016 versus fiscal year 2015), the State's "Top Ten" wage-paying job sectors combined to lose a total of 973 jobs.
    - From the data, the job losses in the Durable Goods sector and the Non-Durable Goods sector of the State's manufacturing industry (which appear to be related to M&A activity) is cause for some concern.

    - The job declines in Accommodation and Food Services also clearly demonstrates the impact of the poor Winter tourism season last year.

[4] With the April to June quarter of calendar year 2016 representing the latest three month period where Quarterly Census of Employment and Wages (or "QCEW") job and wage data are available from the Vermont Department of Labor. This period represents the first 7 years of recovery-expansion in Vermont from the "Great Recession."
[5] Defined as the 12 month period ended June of 2015 and the 12 month year period ended June 30, 2016.


Change in Employment from FY 2009 - FY 2016 in Vermont, with Average Wage in Nominal Dollars and as a Percent of the State Average
(Source: Quarterly Census of Employment and Wages)
Utilities (274)
Management of Companies 1,799
Professional-Technical Services 975
Finance and Insurance (475)
Federal Government 369
Wholesale Trade (583)
Manufacturing-Durable Goods (4,650)
Information Services (1,038)
Mining and Quarrying (44)
State Government (62)
Manufacturing-Nondurable Goods 1,971
Construction 690
Health Services 4,424
Education 650
Local Government (96)
Real Estate and Rental and Leasing (231)
Transportation and Warehousing (60)
Administrative and Waste Services 2,421
Other Services 276
Agriculture, Forestry, and Hunting 734
Retail Trade (1,107)
Arts, Entertainment, and Recreation 328
Accommodation and Food Services 3,427
Total Jobs Change: +9,447
Above Avg. Wage: -1,320
Below Avg. Wage: +10,767
FY 2016 Average Wage in Vermont ($44,611)
(6,000) (4,000) (2,000) - 2,000 4,000 6,000 8,000
Employment Change


Change in Employment from Q2 2015 to Q2 2016 in Vermont, with Average Wage as a Percent of the State Average
Source: Quarterly Census of Employment and Wages (QCEW)
Utilities -160
Management of Companies -214
Professional-Technical Services 174
Federal Government 150
Finance and Insurance -46
Manufacturing-Durable Goods -926
Wholesale Trade 281
Information Services -110
Mining 3
State Government -125
Manufacturing-Nondurable Goods -11
Local Government -262
Construction 259
Health Services 628
Education 264
Transportation and Warehousing -60
Real Estate and Rental and Leasing 15
Administrative and Waste Services 127
Other Services 122
Agriculture, Forestry, and Hunting 62
Retail Trade 132
Arts, Entertainment, and Recreation 268
Accommodation and Food Services -624
Total Jobs Change: -53
Above Avg. Wage: -359
Below Avg. Wage: +306
Fiscal Year 2016 Average Wage in VT = $44,611
-1200 -800 -400 0 400 800 1200
Employment Change

- In addition to the above data from the QCEW data, more recent readings on the status of labor market conditions in the Vermont economy over the most recent 5 to 6 months remain generally mixed. Despite a 3.2% unemployment rate (corresponding to the 7th lowest State unemployment rate in the U.S.), the seasonally adjusted total payroll job count appears to be in the midst of a softening trend—with seasonally-adjusted payroll jobs actually declining over a total of 7 of the last 12 months.

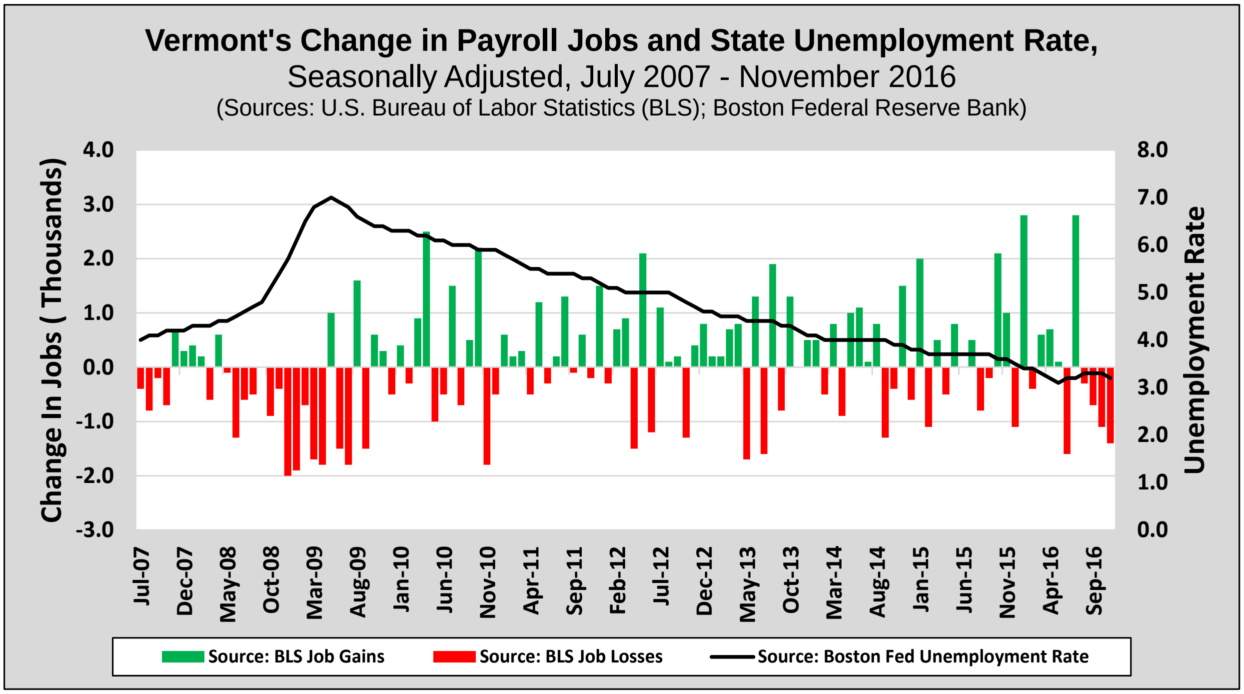
  - This was reinforced by the latest reading on seasonally-adjusted payroll jobs during the month of November (the latest month where data is available) where the Vermont economy registered a -1,400 job decline. In addition to November being the fourth consecutive month of payroll job decline (seasonally-adjusted), the November job change performance makes it a total of five of the past 6 months during which Vermont has lost payroll jobs—a stretch of poor payroll jobs performance that is reminiscent of job change low points last experienced during the trying times of the "Great Recession."

  - In fact, for the three-month period from September through November 2016, Vermont has experienced a decline of -3,200 jobs (seasonally adjusted), the largest three-month decline in payroll jobs for the State going back to February through April in 2009.

- Overall, the recent four month swoon in Vermont labor markets has reduced the calendar year 2016 to-date estimate of added payroll jobs to just 1,500 new jobs in calendar year 2016 through the month of November.

  - At only 1,500 payroll jobs added (seasonally adjusted) for calendar year 2016, a poor month of December performance with another significant drop-off (seasonally-adjusted) could result in an actual net job loss for the 2016 calendar year as a whole.

  - While these numbers have a tendency to bounce-around for a number of technical reasons related to the seasonality of these data, the reality in Vermont labor markets probably still is found somewhere between the monthly "highs" and "lows" of these data.



- From the tables below, Vermont established a 0.0% year-over-year growth rate during the month of November. Total Private Sector payroll jobs over the November 2015-November 2016 period actually declined by -0.2% over the past year—placing Vermont last in the New England region among the six New England States over the past year.

  - Amongst the individual sectors, Vermont's best year-over-year performing sector continues to be the Education & Health Services category, with job additions on a year-over-year basis of +1.7%. That performance places Vermont 36th among the 50 states in the U.S. overall and third among the six New England states.

  - The Government sector, at +0.8% year-over-year, ranks Vermont 20th in the U.S and second in the New England region overall. It is worth noting that the Professional & Business Services sector was essentially flat year-over-year during the month of November, ranking Vermont 42nd nationally and fifth among the six states in the New England region.

Table 2: Year Over Year Job Change by Selected States (*Total Payroll* and *Total Private Payroll* Jobs)

Total Payroll Jobs (November 2015-November 2016)				*Private Sector Payroll Jobs (November 2015-November 2016)*		
Rank	State	% Change		Rank	State	% Change
1	Florida	3.2%		1	Florida	3.5%
2	Washington	3.1%		2	Utah	3.5%
3	Utah	3.0%		3	Washington	3.2%
4	Oregon	2.9%		4	Oregon	3.0%
5	Nevada	2.7%		5	Nevada	2.9%
				6	New Hampshire	2.7%
8	California	2.3%				
				17	Massachusetts	2.0%
13	New Hampshire	2.1%		18	Michigan	2.0%
14	Missouri	2.0%		19	Texas	1.7%
15	Massachusetts	2.0%				
				24	New York	1.3%
19	Texas	1.8%		25	Minnesota	1.2%
				26	Rhode Island	1.2%
23	Rhode Island	1.2%				
				39	Maine	0.6%
27	New York	1.1%		40	West Virginia	0.2%
				41	Connecticut	0.1%
40	Maine	0.4%		42	Louisiana	-0.2%
41	Connecticut	0.1%		43	Vermont	-0.2%
42	Vermont	0.0%				
46	Louisiana	-0.3%		46	Kansas	-0.4%
47	Alaska	-0.9%		47	Oklahoma	-1.1%
48	Oklahoma	-0.9%		48	Alaska	-1.2%
49	North Dakota	-1.6%		49	North Dakota	-2.0%
50	Wyoming	-3.1%		50	Wyoming	-3.8%
Source: U.S. Department of Labor, BLS				Source: U.S. Department of Labor, BLS		

- Across the nine NAICS[6] super-sectors, the data shows that six of Vermont's nine payroll job categories have declined over the last year. While the year-over-year decline in payroll jobs in the Leisure and Hospitality sector and the Manufacturing sector would be expected given: (1) the very poor 2015-16 Winter tourism season (for the Leisure and Hospitality sector), and (2) the strong U.S. dollar and the heightened level of merger and acquisitions activity (which have adversely affected jobs within the State's manufacturing sector), declines in NAICS supersectors like Construction, Financial Activities and Trade, Transportation and Utilities were not widely expected.

  - Among the NAICS supersectors, the weakest year-over-year job changes were in the Information sector with a -4.4% decline from November of 2015 to November of 2016. Manufacturing experienced a -2.0% year-over-year drop from the previous November—no doubt the result of some significant mergers and acquisitions activity in the State and a number of announced employer downsizings—such as the

[6] For this comparative payroll job analysis, the acronym NAICS refers to the North American Industry Classification System.

termination of the cold beverage system initiative at Keurig-Green Mountain.

– In addition, Vermont's overall higher than average reliance on manufacturing activity in a time of the recent strengthening of the U.S. dollar versus the currencies of most U.S. trading partners has been, at least in the recent past, a bit of a drag on State job growth.

Table 3: Payroll Job Performance by NAICS Supersector (November 2015-November 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	**0.0%**	**6**	**42**	**NH (13)**	**8**
Total Private	**-0.2%**	**6**	**43**	**NH (6)**	**9**
Construction	-1.8%	4	43	MA (15)	14
Manufacturing	-2.0%	6	41	MA (16)	28
Information	-4.4%	6	44	NH (12)	27
Financial Activities	-0.8%	5	43	NH (12)	10
Trade, Transportation, Utilities	-0.4%	4	40	NH (3)	14
Leisure and Hospitality	-0.9%	6	49	RI (3)	8
Education and Health Services	1.7%	3	36	MA (18)	0
Professional and Business Services	0.0%	5	42	RI (12)	7
Government	0.8%	2	20	MA (8)	12

Notes: NAICS means North American Industry Classification System

Source: U.S. Department of Labor, BLS

- From the household survey of employed and unemployed Vermonters, the unemployment rate has remained fairly steady in Vermont between 3.2% and 3.3% over the past six months, resulting from a decline in the civilian labor force offsetting the decline in the number of employed residents.

  – Year-over-year, Vermont's unemployment rate has declined from 3.6% in November 2015 to 3.2% in November 2016. The Vermont unemployment rate in November was the eighth lowest in the nation and third lowest in New England behind the State of New Hampshire's 2.7% rate and Massachusetts's 2.9% rate. This is against the backdrop of a 4.6% U.S. unemployment rate in total for November.

- The updated consensus short-term economic forecast for the calendar year 2016 to calendar year 2019 period, which forms the basis of the updated consensus revenue forecast for fiscal years 2017 through 2019, reinforces the expected near-term downshifting in overall economic activity that was first presented in the consensus forecast presented last July—with only minor changes to reflect actual data observations received since last Summer. For the years beyond calendar year 2017, the changes in U.S. macro-economic, regulatory and fiscal policies are likely to result in modest increases in economic activity.

- However, the lack of details and specifics on U.S. policies by the incoming Administration likely means that these expected, relatively small upticks in U.S. and Vermont economic activity remain uncertain and are subject to revision in upcoming consensus forecast updates unless and until they "prove themselves to be real."

C. Updated Consensus Economic Forecast through Calendar Year 2019

- The most recent update in the near-term economic outlook for the U.S. and Vermont economies and the dynamics of the updated consensus economic forecast are reflected in Table 4 and Table 5 below. These tables show the most recent consensus macroeconomic forecast along with previous consensus economic forecasts that were employed in the revenue forecast updates back to June of 2015 (for the U.S. economy) and back to June of 2014 (for the Vermont economy).

  - For the maturing, but still sturdy U.S. economic upturn and the upcoming policy implications of the newly-elected administration, these differences include:

    1. U.S. GDP growth has been reduced by 0.5 percentage points in calendar 2016 (following an actual uptick of 0.2 percentage points for calendar year 2015), followed by an unchanged 2.9 percent U.S. GDP growth rate for calendar year 2017.[7] For calendar year 2018, U.S. GDP is expected to increase by 3.1%--representing a forecast upgrade of 0.5 percentage points versus last Sumer's consensus forecast. Calendar year 2019 then is expected to experience a 2.2% GDP growth rate, up 0.4 percentage points versus the consensus economic forecast last July.

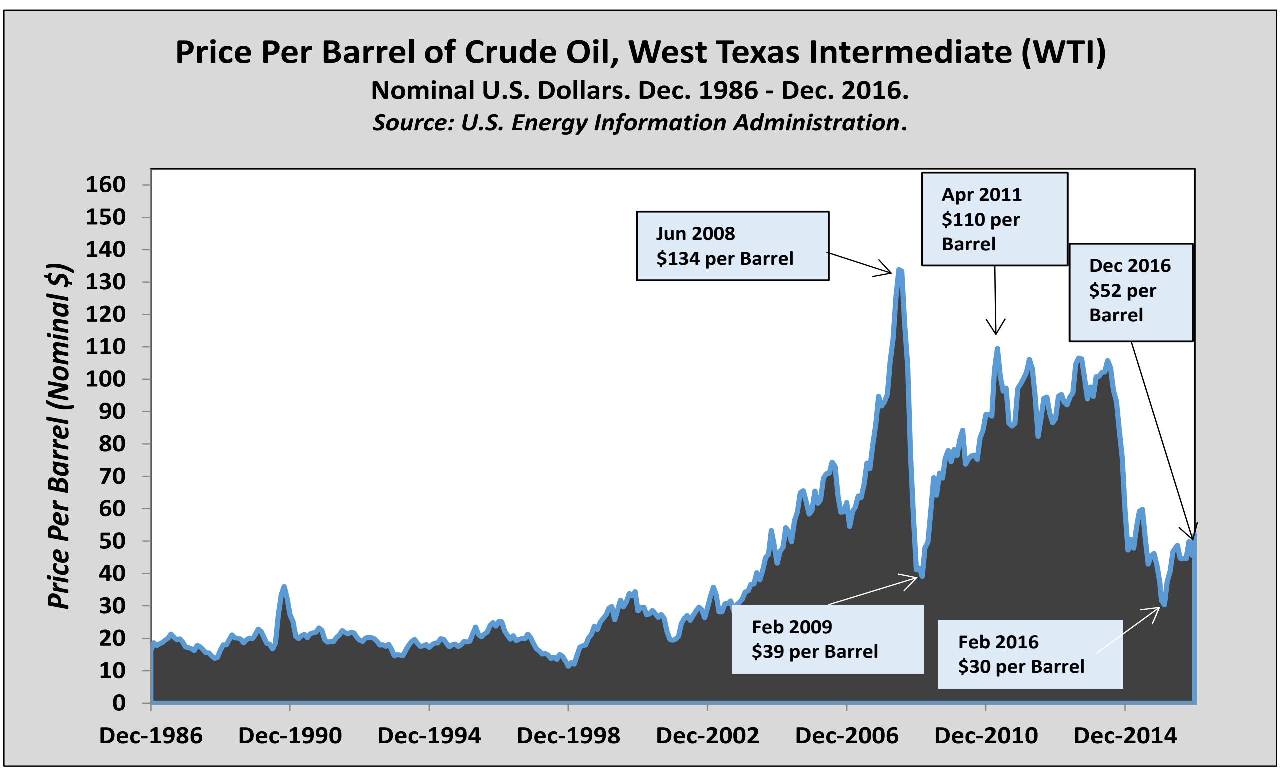
    2. The rate of payroll job creation was adjusted downward again this forecast cycle by between 0.1 and 0.2 percentage points over

[7] For the most part, the proposals of the new U.S. Administration are not expected to impact the U.S. economy significantly (beyond the usual "expectations" effects) until at least the second half of calendar year 2017 (or the during first half of fiscal year 2018). This is because there is a typical policy implementation lag that always accompanies policy proposals of any new Administration.

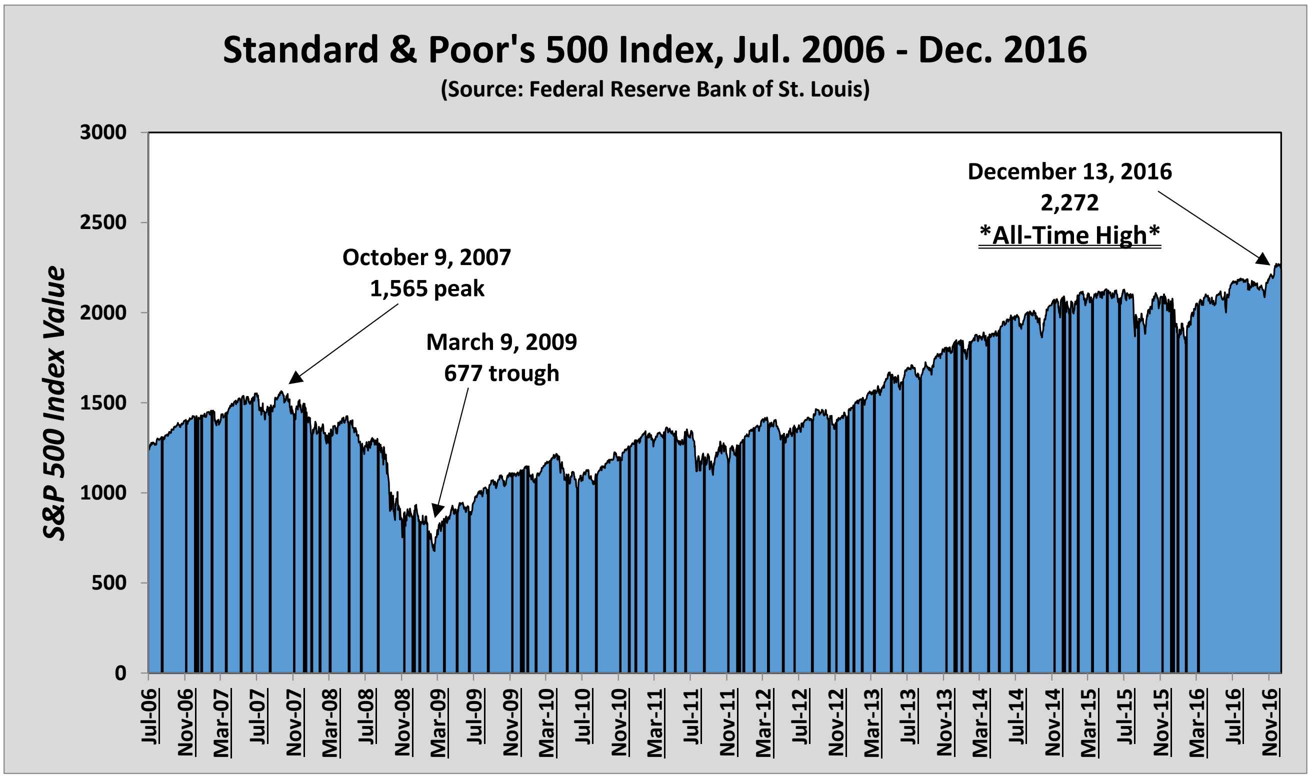
the calendar year 2016 through calendar year 2018 period. For calendar year 2019, the payroll job growth rate is expected to be 0.2 percentage points higher than was envisioned six months ago in the July 2016 consensus forecast update—reflecting a modest bounce from the policies of the new Administration which are initially designed to provide some economic stimulus to the aging U.S. economic upturn.

3. Interest rates are also, like last July's consensus forecast, expected to increase significantly over the calendar year 2017 through 2019 period—although not rising as quickly or as high as was expected last July).

4. Energy prices are also expected to remain relatively low and increases restrained over the forecast period, even with the production reduction agreement recently agreed-to by members of OPEC. Although the updated consensus economic forecast includes oil prices that are somewhat higher than the level of oil prices expected last July, the benchmark West Texas Intermediate Crude Oil price is expected to average at or below $70 per barrel for each year through calendar year 2019.



5. The U.S. stock market, using the S&P 500 indicator, is expected to follow-up this year's gain of 1.5% (when last July we expected the S&P Stock index to actually decline in calendar year 2016 by 2.1%), with another 5.4% gain for calendar year 2017 (last July the consensus economic forecast included just a 1.5% increase for calendar year 2017). For calendar years 2018 and 2019, the consensus economic forecast expects the S&P Index to decline by 1.6% and 2.0%, respectively—on an average annual basis.



6. Consumer prices over the calendar year 2017 to 2019 time frame are expected to firm and begin a restrained, but sharper rate of increase year-to-year than was expected last July. Beginning in calendar year 2017, consumer prices are expected to increase at a rate in excess of 2.5% over the forecast update period. In calendar year 2019, consumer process are expected to increase by 3.1%. If that forecast holds, calendar year 2019 would mark the first year since calendar year 2011 when consumer prices increased by more than 3.0%. Just like the consensus economic forecast published last July, this firming in consumer prices is expected to underpin the tightening in U.S. monetary policy over the three year period associated with the consensus U.S. macro forecast.

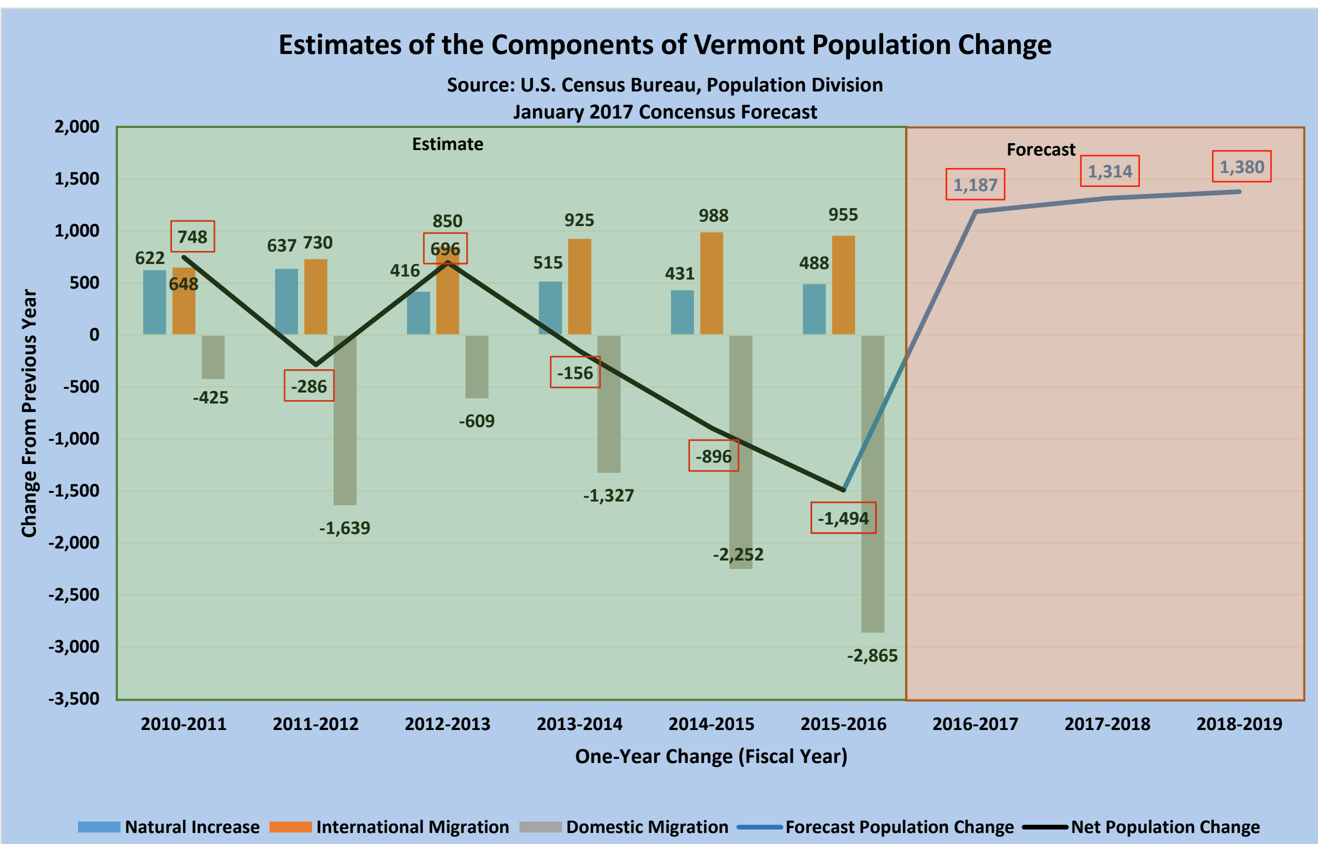
Table 4
Comparison of Recent Consensus U.S. Macroeconomic Forecasts
June 2015 through December 2016, Selected Variables, Calendar Year Basis

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real GSP Growth									
June-14	*1.3*	*1.2*	*0.5*	*2.9*	*4.0*	*3.2*	*2.4*		
December-14	*2.2*	*1.1*	*1.9*	*1.0*	*3.3*	*3.6*	*2.8*	*1.9*	*1.8*
June-15	*2.2*	*1.1*	*1.9*	*1.2*	*2.4*	*3.0*	*2.6*	*2.1*	*1.7*
December-15	*2.8*	*0.4*	*-0.3*	*0.6*	*2.2*	*2.8*	*2.4*	*2.0*	*1.6*
June-16	*2.9*	*0.6*	*-0.9*	*0.3*	*-0.1*	*1.9*	*2.3*	*1.7*	*1.2*
December-16	*2.8*	*0.0*	*-0.4*	*1.5*	*0.2*	*1.8*	*2.4*	*2.0*	*1.5*
Population Growth									
June-14	*0.1*	*-0.1*	*0.1*	*0.1*	*0.1*	*0.2*	*0.2*		
December-14	*0.1*	*0.0*	*0.1*	*0.0*	*0.1*	*0.2*	*0.3*	*0.2*	*0.2*
June-15	*0.1*	*0.0*	*0.1*	*0.0*	*0.1*	*0.2*	*0.3*	*0.2*	*0.2*
December-15	*0.1*	*-0.1*	*0.1*	*-0.1*	*-0.1*	*0.2*	*0.2*	*0.3*	*0.3*
June-16	*0.1*	*-0.0*	*0.1*	*-0.1*	*-0.1*	*0.1*	*0.2*	*0.3*	*0.3*
December-16	*0.1*	*-0.1*	*0.1*	*-0.0*	*-0.1*	*-0.2*	*0.2*	*0.2*	*0.2*
Employment Growth									
June-14	*0.8*	*1.3*	*0.5*	*1.4*	*2.0*	*1.8*	*1.6*		
December-14	*0.8*	*1.3*	*0.5*	*1.0*	*1.6*	*1.9*	*1.3*	*0.7*	*0.4*
June-15	*0.9*	*1.3*	*0.8*	*1.0*	*1.7*	*1.9*	*1.8*	*1.3*	*0.8*
December-15	*0.9*	*1.3*	*0.8*	*1.0*	*1.6*	*1.7*	*1.8*	*1.6*	*1.0*
June-16	*0.9*	*1.3*	*0.7*	*0.9*	*0.9*	*1.6*	*1.7*	*1.5*	*1.1*
December-16	*0.9*	*1.3*	*0.7*	*0.9*	*0.9*	*1.6*	*1.7*	*1.5*	*1.2*
Unemployment Rate									
June-14	*5.6*	*4.9*	*4.4*	*3.9*	*3.6*	*3.3*	*3.0*		
December-14	*5.6*	*4.9*	*4.4*	*3.7*	*3.5*	*3.2*	*2.9*	*2.8*	*2.9*
June-15	*5.5*	*4.9*	*4.4*	*4.1*	*3.6*	*3.2*	*2.9*	*2.8*	*3.0*
December-15	*5.5*	*4.9*	*4.4*	*4.1*	*3.7*	*3.4*	*3.3*	*3.2*	*3.3*
June-16	*5.5*	*4.9*	*4.4*	*4.0*	*3.7*	*3.3*	*3.2*	*3.1*	*3.2*
December-16	*5.5*	*4.9*	*4.4*	*4.0*	*3.7*	*3.2*	*3.1*	*3.0*	*3.0*
Personal Income Growth									
June-14	*7.1*	*3.7*	*2.9*	*4.9*	*5.6*	*5.0*	*4.6*		
December-14	*7.1*	*3.7*	*2.9*	*3.8*	*5.1*	*5.4*	*4.7*	*4.4*	*4.1*
June-15	*7.2*	*3.4*	*2.5*	*4.0*	*4.8*	*5.2*	*4.7*	*4.4*	*3.9*
December-15	*6.8*	*3.6*	*1.4*	*3.5*	*4.5*	*5.1*	*4.6*	*4.6*	*3.7*
June-16	*6.8*	*3.6*	*1.4*	*3.5*	*3.0*	*3.3*	*4.1*	*4.2*	*3.4*
December-16	*6.3*	*3.3*	*1.7*	*3.3*	*2.9*	*3.0*	*3.4*	*3.7*	*3.4*
Home Price Growth (JFO)									
June-14	*-0.6*	*0.5*	*0.2*	*0.4*	*1.7*	*2.9*	*3.7*		
December-14	*-0.6*	*0.5*	*0.2*	*0.9*	*2.1*	*2.7*	*3.4*	*4.1*	*4.8*
June-15	*-0.7*	*0.4*	*0.2*	*0.7*	*2.3*	*2.8*	*3.4*	*4.1*	*4.8*
December-15	*-0.8*	*0.4*	*0.1*	*0.7*	*2.5*	*2.9*	*3.4*	*4.1*	*4.8*
June-16	*-0.8*	*0.4*	*0.1*	*0.6*	*2.2*	*2.3*	*3.0*	*3.8*	*4.4*
December-16	*-0.8*	*0.4*	*0.1*	*0.5*	*1.9*	*1.4*	*2.4*	*3.1*	*3.7*

- Consistent with the updated U.S macroeconomic forecast update, the updated consensus short-term economic forecast for Vermont also includes a slightly faster pace to output growth and a somewhat slower pace to personal income growth over the near term forecast horizon.

  - While the annual payroll job growth rate essentially unchanged through calendar year 2019, labor market conditions are expected to tighten marginally with the State unemployment rate falling by 0.2 percentage points further over the calendar year 2017 through 2019 time frame.

  - Population growth in Vermont, following the mid-2016 estimate of Vermont's population by the U.S. Census Bureau which showed an estimated 0.2 percent decline in Vermont's mid-2016 resident population, is expected to experience a turnaround and resume a small, positive upward trend following three years[8] of estimated population declines.



[8] Assuming these Census Bureau estimates of the State's resident population actually hold up under subsequent revision.

- **The obvious concern associated with this potential period of "Census Bureau estimate-indicated" population decline going forward is that a period of declining population in Vermont over an extended period of time could limit the ability of the State's labor force to grow—to the long-term detriment of the State's future payroll job and other economic growth potential.**

- More specifically, among the major macroeconomic variables:

    1. Output growth in Vermont is expected to be 0.1 percentage points weaker in calendar 2016, followed by slightly improved output growth in calendar year 2017, calendar year 2018 and calendar year 2019. This output growth overall follows the significantly downward-revised track adopted for last July's forecast revision. The current growth track was adopted following the significant and downward revisions in State Gross Product numbers (following a stronger than expected rate of growth for calendar year 2014). The January consensus economic forecast update continues the relatively restrained period of output growth for the State. Therefore, a relatively extended period of restrained GSP growth remains the basis of the forecast until details on proposed economic stimulus policies of the new Administration are debated and their potentially stimulative properties actually begin to take hold.

    2. Relative to the State's 3.2% unemployment rate for all of calendar year 2016, the updated consensus economic forecast calls for the State's unemployment rate to remain very low and to fall an additional 0.2 percentage points through calendar year 2019—relative to the State's calendar year 2016 reading.

    3. Consistent with the above consensus economic forecast update, the Personal Income growth rate in calendar years 2015 and 2016 have been adjusted downward slightly for estimated data in this series (yet again). For calendar year 2017, the updated consensus forecast takes another 0.7 percentage points off the forecast relative to the consensus last July, and another 0.5 percentage points off of the consensus forecast for calendar year 2017. For calendar year 2018, the forecast is unchanged as inflation picks up to account for more than 3.0 percentage points of the anticipated 3.4% consensus forecast.

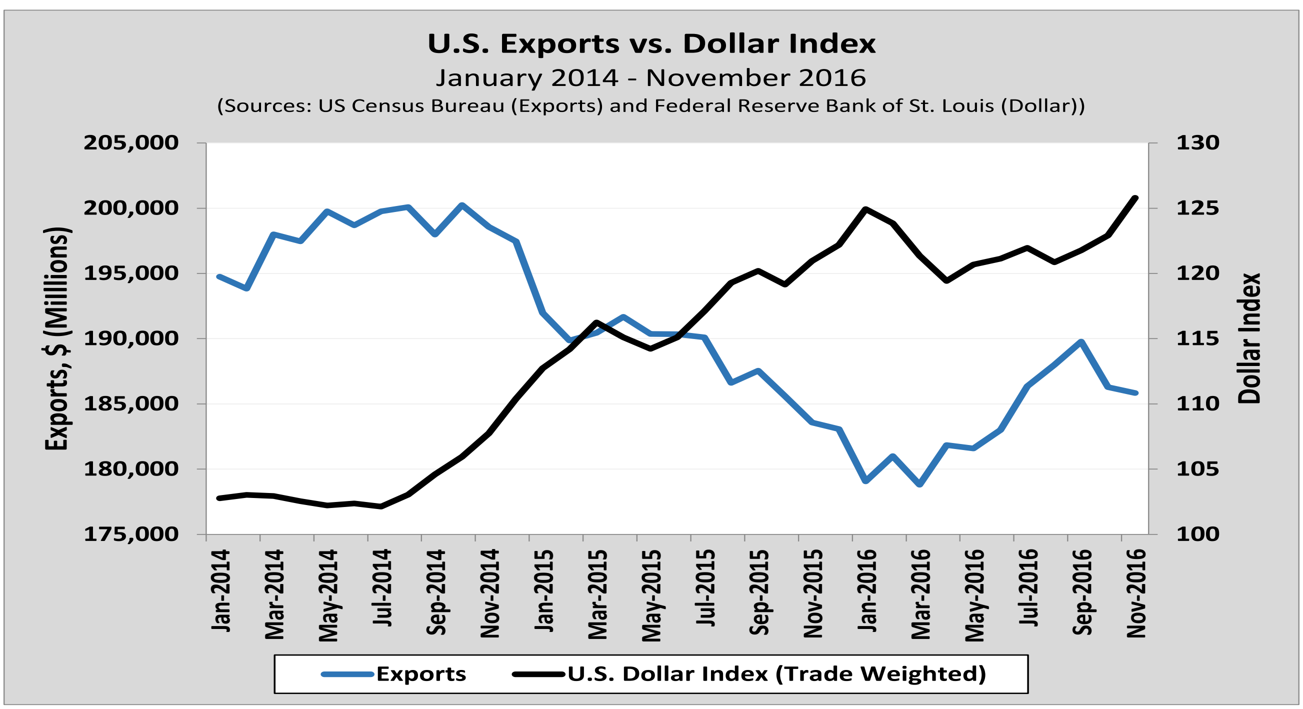
Table 5
Comparison of Consensus Administration and JFO Vermont State Forecasts
June 2014 through December 2016, Selected Variables, Calendar Year Basis

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Real GSP Growth									
June-14	*1.3*	*1.2*	*0.5*	*2.9*	*4.0*	*3.2*	*2.4*		
December-14	*2.2*	*1.1*	*1.9*	*1.0*	*3.3*	*3.6*	*2.8*	*1.9*	*1.8*
June-15	*2.2*	*1.1*	*1.9*	*1.2*	*2.4*	*3.0*	*2.6*	*2.1*	*1.7*
December-15	*2.8*	*0.4*	*-0.3*	*0.6*	*2.2*	*2.8*	*2.4*	*2.0*	*1.6*
June-16	*2.9*	*0.6*	*-0.9*	*0.3*	*-0.1*	*1.9*	*2.3*	*1.7*	*1.2*
December-16	*2.8*	*0.0*	*-0.4*	*1.5*	*0.2*	*1.8*	*2.4*	*2.0*	*1.5*
Population Growth									
June-14	*0.1*	*-0.1*	*0.1*	*0.1*	*0.1*	*0.2*	*0.2*		
December-14	*0.1*	*0.0*	*0.1*	*0.0*	*0.1*	*0.2*	*0.3*	*0.2*	*0.2*
June-15	*0.1*	*0.0*	*0.1*	*0.0*	*0.1*	*0.2*	*0.3*	*0.2*	*0.2*
December-15	*0.1*	*-0.1*	*0.1*	*-0.1*	*-0.1*	*0.2*	*0.2*	*0.3*	*0.3*
June-16	*0.1*	*-0.0*	*0.1*	*-0.1*	*-0.1*	*0.1*	*0.2*	*0.3*	*0.3*
December-16	*0.1*	*-0.1*	*0.1*	*-0.0*	*-0.1*	*-0.2*	*0.2*	*0.2*	*0.2*
Employment Growth									
June-14	*0.8*	*1.3*	*0.5*	*1.4*	*2.0*	*1.8*	*1.6*		
December-14	*0.8*	*1.3*	*0.5*	*1.0*	*1.6*	*1.9*	*1.3*	*0.7*	*0.4*
June-15	*0.9*	*1.3*	*0.8*	*1.0*	*1.7*	*1.9*	*1.8*	*1.3*	*0.8*
December-15	*0.9*	*1.3*	*0.8*	*1.0*	*1.6*	*1.7*	*1.8*	*1.6*	*1.0*
June-16	*0.9*	*1.3*	*0.7*	*0.9*	*0.9*	*1.6*	*1.7*	*1.5*	*1.1*
December-16	*0.9*	*1.3*	*0.7*	*0.9*	*0.9*	*1.6*	*1.7*	*1.5*	*1.2*
Unemployment Rate									
June-14	*5.6*	*4.9*	*4.4*	*3.9*	*3.6*	*3.3*	*3.0*		
December-14	*5.6*	*4.9*	*4.4*	*3.7*	*3.5*	*3.2*	*2.9*	*2.8*	*2.9*
June-15	*5.5*	*4.9*	*4.4*	*4.1*	*3.6*	*3.2*	*2.9*	*2.8*	*3.0*
December-15	*5.5*	*4.9*	*4.4*	*4.1*	*3.7*	*3.4*	*3.3*	*3.2*	*3.3*
June-16	*5.5*	*4.9*	*4.4*	*4.0*	*3.7*	*3.3*	*3.2*	*3.1*	*3.2*
December-16	*5.5*	*4.9*	*4.4*	*4.0*	*3.7*	*3.2*	*3.1*	*3.0*	*3.0*
Personal Income Growth									
June-14	*7.1*	*3.7*	*2.9*	*4.9*	*5.6*	*5.0*	*4.6*		
December-14	*7.1*	*3.7*	*2.9*	*3.8*	*5.1*	*5.4*	*4.7*	*4.4*	*4.1*
June-15	*7.2*	*3.4*	*2.5*	*4.0*	*4.8*	*5.2*	*4.7*	*4.4*	*3.9*
December-15	*6.8*	*3.6*	*1.4*	*3.5*	*4.5*	*5.1*	*4.6*	*4.6*	*3.7*
June-16	*6.8*	*3.6*	*1.4*	*3.5*	*3.0*	*3.3*	*4.1*	*4.2*	*3.4*
December-16	*6.3*	*3.3*	*1.7*	*3.3*	*2.9*	*3.0*	*3.4*	*3.7*	*3.4*
Home Price Growth (JFO)									
June-14	*-0.6*	*0.5*	*0.2*	*0.4*	*1.7*	*2.9*	*3.7*		
December-14	*-0.6*	*0.5*	*0.2*	*0.9*	*2.1*	*2.7*	*3.4*	*4.1*	*4.8*
June-15	*-0.7*	*0.4*	*0.2*	*0.7*	*2.3*	*2.8*	*3.4*	*4.1*	*4.8*
December-15	*-0.8*	*0.4*	*0.1*	*0.7*	*2.5*	*2.9*	*3.4*	*4.1*	*4.8*
June-16	*-0.8*	*0.4*	*0.1*	*0.6*	*2.2*	*2.3*	*3.0*	*3.8*	*4.4*
December-16	*-0.8*	*0.4*	*0.1*	*0.5*	*1.9*	*1.4*	*2.4*	*3.1*	*3.7*

- The above updated downshift in the consensus economic forecast remains a reflection of the "maturing" U.S. and Vermont economic expansions and on-going volatility in the global economy (including uncertainty in the EU in the aftermath of the recent "Brexit" vote in the United Kingdom). In addition, there are new concerns about the future performance in the rising global economic power, China—including fears of an asset bubble in Chinese real estate markets and concerns about over-capacity in many basic Chinese industries. Beyond the above, many key parts of the developing world have been experiencing some degree of economic stress (e.g. Brazil, Russia, Venezuela, and other commodity-producing countries in the Middle East and Eastern Europe) as global commodity (oil) prices remain weak. In addition, the economic outlook also has been somewhat negatively impacted by the recent increase in terrorist activity, and now by the new and heightened degree of U.S. policy uncertainty that has accompanied the results of last November's national elections.

- In fact, the increase in global economic and political uncertainty appears to be 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.

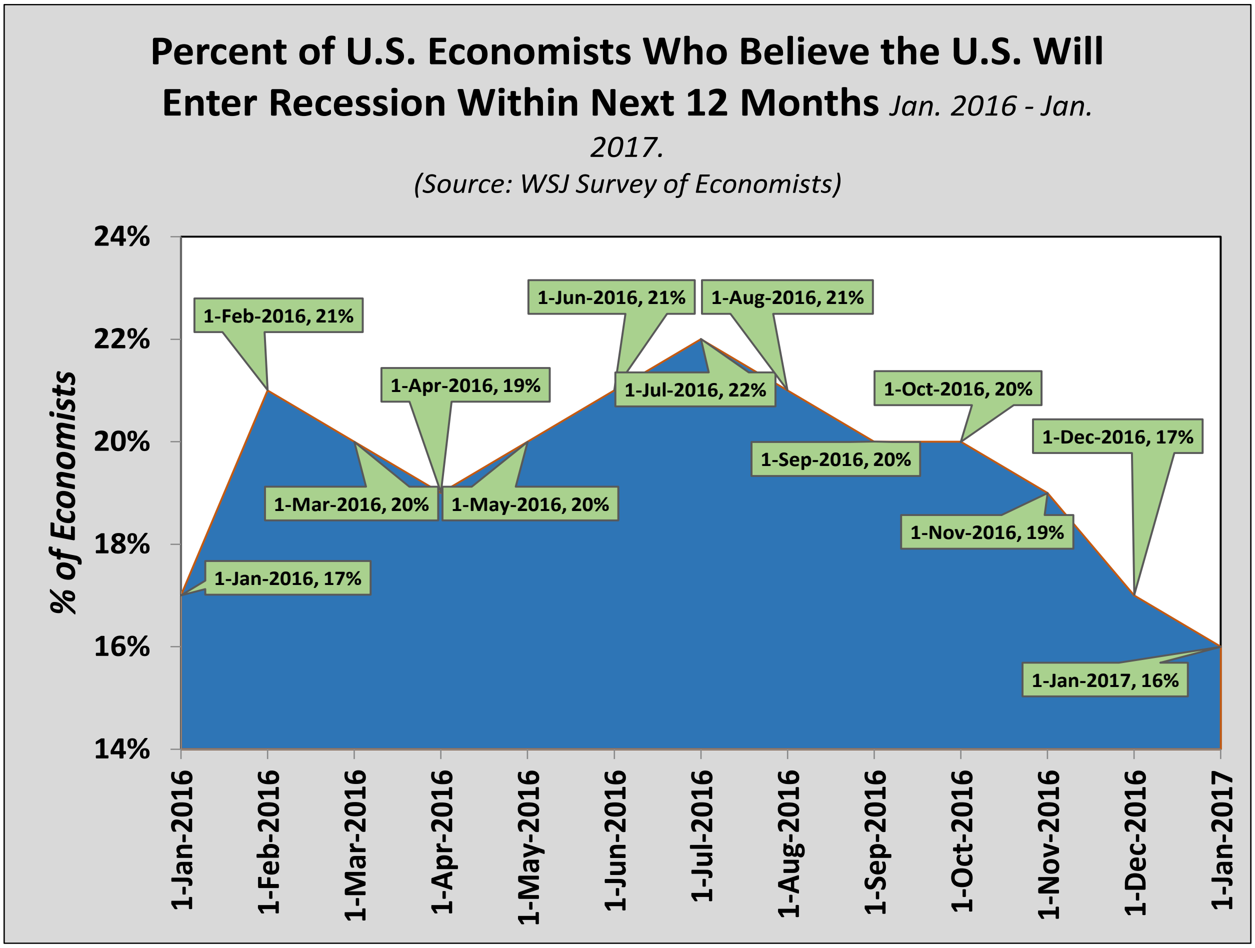
    - A strong U.S. dollar tends to curtail U.S. export activity (see the chart below), and this represents a drag on activity.



- Lastly, even though the current economic upcycle is "maturing," it remains significant that there currently are few, if any, signs that the current U.S. economic upturn is nearing an end. The U.S. and Vermont economies are not "over-heating," and both are showing no signs of the type of recession precursors that would indicate that the U.S. or Vermont economies are headed for a downturn.

  - In fact, only about 1 of 5 economists-analysts believe the U.S economy will fall into recession over the next year,--according to a recent survey of economists-economic analysts by the Wall Street Journal. However, similar to the survey as reported last July, more of the economists-economic analysts surveyed believe it is likely the U.S. economy will under-perform over the next 12 months versus expectations than will "over-perform" versus expectations during that same period.

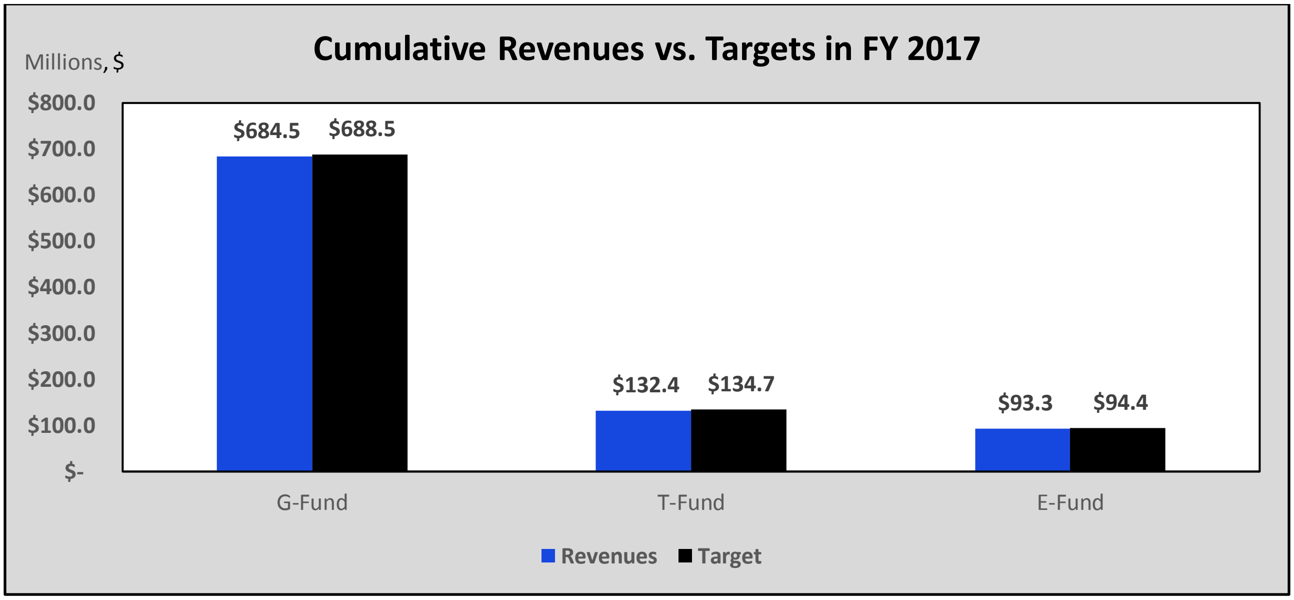
  - Even so, it goes without saying that no one has repealed the fundamental law of business cycles in the U.S. and Vermont economies. **There is going to be an economic downturn at some point in our future. It remains "more likely than not" there will be a recession in the U.S. and Vermont economies within the next five fiscal years.**



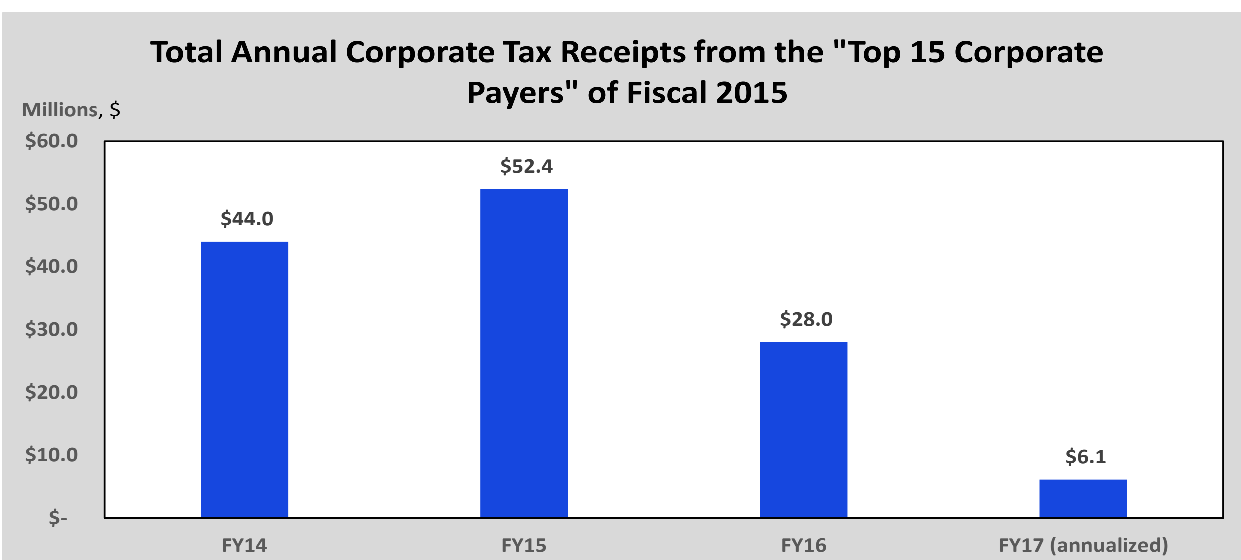
D. Discussion of Recent Revenue Performance by Major Fund

- Over the first half of the 2017 fiscal year, receipts overall have tracked close to consensus expectations. In the G-Fund, receipts are within $3.0 million and 0.6% of the consensus first half, cash flow target—even with the sharp decline in the Corporate Tax (on a consensus first half receipts target of $688.5 million). For the T-Fund and E-Fund receipts aggregates, the differences versus consensus forecast for the first half of fiscal year 2017 clocked in at -$2.3 million on a first half consensus receipts target of $134.7 million (or -1.7% versus consensus expectations), and -$1.0 million on a consensus first half receipts target of $94.4 million (or -1.1% versus consensus expectations), respectively.

- For net revenues available to the G-Fund, the primary reason behind the staff recommended forecast downgrade are the matters-issues currently impacting, and those that are expected to continue to impact, the Corporate Income Tax. This is true, even though the Corporate Tax overall ended the first half of fiscal 2017 only -$2.8 million versus its first half cumulative receipts target.



– However, it is worth noting that the Corporate Tax missed its monthly target for December by -$9.0 million (or -50.3% versus consensus cash flow target expectations), following a significant downward miss versus the September monthly consensus target. This recent performance represented a "reversal" from the otherwise positive performance by the Corporate Tax as recently as this Summer. It appears to mainly be the outcome of recent mergers and acquisitions activity and some additional factors that have adversely impacted key Corporate Tax payers. The staff recommendation includes the expectation that Corporate Tax receipts have now turned "decidedly negative."



- In addition to the under-performance by Corporate Tax revenues paid-in, as of December 31, 2016 there remain significant amount of unpaid Corporate Refunds refund requests that have now been fully incorporated into the updated consensus forecast.

Table 6—July through December FY 2017 Cumulative G-Fund Results Versus Forecast

FY 2017--Cumulative December Component ($ Thousands)		Cumulative Receipts		Cumulative Target		Dollar Difference	Percent Difference
Personal Income	**$**	**348,701.5**	**$**	**348,248.4**	**$**	**453.2**	**0.1%**
Withholding	$	293,056.5	$	295,289.3	$	(2,232.8)	-0.8%
PI Estimates	$	61,337.8	$	60,501.5	$	836.3	1.4%
PI Paid Returns	$	11,044.4	$	7,985.0	$	3,059.4	38.3%
PI Refunds	$	(29,633.2)	$	(28,553.0)	$	(1,080.2)	-3.8%
PI Other	$	12,896.0	$	13,025.6	$	(129.6)	-1.0%
Net Sales & Use Tax	**$**	**122,677.9**	**$**	**124,645.5**	**$**	**(1,967.6)**	**-1.6%**
Corporate Income Tax	**$**	**37,849.2**	**$**	**47,216.7**	**$**	**(9,367.5)**	**-19.8%**
Corporate Revenues	$	38,779.3	$	57,011.4	$	(18,232.1)	-32.0%
Corporate Refunds	$	(930.1)	$	(9,794.7)	$	8,864.7	90.5%
Meals & Rooms	**$**	**86,110.5**	**$**	**82,602.7**	**$**	**3,507.8**	**4.2%**
Property Transfer Tax	**$**	**7,150.6**	**$**	**7,058.6**	**$**	**92.0**	**1.3%**
Other	**$**	**82,048.8**	**$**	**78,766.2**	**$**	**3,282.7**	**4.2%**
Estate Tax	$	9,423.2	$	9,503.0	$	(79.8)	-0.8%
Insurance Tax	$	17,157.6	$	16,976.3	$	181.3	1.1%
Total Telephone Tax	$	3,074.8	$	3,052.6	$	22.2	0.7%
Bank Franchise Tax	$	5,934.2	$	5,420.7	$	513.5	9.5%
Fees	$	23,770.2	$	22,073.2	$	1,697.0	7.7%
Other	$	22,688.8	$	21,740.4	$	948.4	4.4%
Total Net General Fund	**$**	**684,538.6**	**$**	**688,538.0**	**$**	**(3,999.5)**	**-0.6%**

Basic Data Source: VT Agency of Administration

- For the net revenues available to the T-Fund, fiscal year 2016 receipts finished the first half of the 2017 fiscal year at -$2.3 million or -0.8% below the January 2016 consensus forecast target (see Table 7 below).

Table 7—July through December Fiscal 2017 T-Fund Results Versus Forecast

FY 2017--Cumulative December Component ($ Thousands)		Cumulative Receipts		Cumulative Target		Dollar Difference	Percent Difference
Gasoline Tax (non-TIB)	$	40,748.5	$	40,773.8	$	(25.3)	-0.1%
Diesel Tax (non-TIB)	$	9,420.2	$	9,564.7	$	(144.6)	-1.5%
MvP&U Tax	$	33,239.2	$	33,936.9	$	(697.8)	-2.1%
MvFees	$	40,042.4	$	41,209.4	$	(1,167.0)	-2.8%
Other Fees-Revenues	$	8,966.1	$	9,260.8	$	(294.7)	-3.2%
Total Transportation Fund (no TIB)	**$**	**132,416.3**	**$**	**134,745.7**	**$**	**(2,329.4)**	**-1.7%**
Gasoline -TIB	$	6,534.0	$	6,669.2	$	(135.2)	-2.0%
Diesel-TIB	$	1,221.5	$	991.7	$	229.8	23.2%
Total Transportation Fund (w/TIB)	**$**	**140,171.7**	**$**	**142,406.6**	**$**	**(2,234.9)**	**-1.6%**

Basic Data Source: VT Agency of Administration

- The first half revenue under-performance occurred primarily in the MvFees and MvP&U Tax, as well as other minor under-performances within all the remaining T-Fund [Non-TIB] components. It is apparent that the anticipated revenue effect of the Fee changes made during the 2016 Legislative Session have not yielded the level of revenue originally anticipated.

- The Diesel TIB was the only positive cumulative performer for the T-Fund during the first half of the fiscal year.

▪ The Gas Tax finished the first half very close to expectations versus its first half cumulative consensus cash flow target (at less than 0.1% below its cumulative target for the end of December)—or essentially "on-target."

  - Like the G-Fund above, the end result of this negative cumulative forecast variance in the T-Fund over the first half of fiscal year 2017 means that the T-Fund starts out the second half of fiscal year 2017 from a slightly lower revenue base. This alone 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], cumulative receipts were +$0.6 million or +0.7% ahead of expectations relative to the July 2017 consensus forecast target (see Table 8 below).

Table 8—Cumulative E-Fund Fiscal 2016 Results Versus Forecast

FY 2017--Cumulative December Component ($ Thousands)	Cumulative Receipts	Cumulative Target	Dollar Difference	Percent Difference
Sales & Use Tax	$ 66,057.3	$ 67,116.8	$ (1,059.5)	-1.6%
MvP&U Tax	$ 16,619.6	$ 16,968.5	$ (348.9)	-2.1%
Lottery	$ 10,483.5	$ 10,223.5	$ 260.0	2.5%
Interest	$ 158.3	$ 43.7	$ 114.6	NM
Total Education Fund [Partial]	**$ 93,318.7**	**$ 94,352.4**	**$ (1,033.8)**	**-1.1%**

Notes: NM=Not Meaningful

Basic Data Source: VT Agency of Administration

  - While the Sales and Use Tax contribution to the E-Fund followed the under-performing trend of their G-Fund counterpart, the Lottery transfer and MvP&U tax both posted a positive performance during the first half of the fiscal year.

E. Notes and Comments on Methods:

- All figures presented above reflect current law revenues for the respective funds listed in the consensus forecast estimate for fiscal years 2017, 2018 and 2019 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 several staff members of the Vermont Department of Taxes, including Sharon Asay, Mary Cox, Rebecca Sameroff, Andrew Stein, Jake Feldman, and Doug Farnham. Special thanks also is due to Lenny LeBlanc and Kelly Lawrence of VTrans). The JFO staff also provided immeasurable assistance to this forecast update. Key staff include Sara Teachout, Stephanie Barrett, Catherine Benham, Neil Strickner, Theresa Utton-Jerman, Dan Dickson, Chloe Wexler, and Mark Perrault. There also were many others in both the Administration and the JFO who contributed time and energy to assembling data, providing analysis, or technical assistance that was crucial to completing these forecasts that are too numerous to mention here.

- 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 currently supports the Vermont Agency of Administration with the Administration's part of the consensus forecasting process. Since October 2001, input and review of initial Vermont NEEP model design and output prior to its release has been provided by Tom Kavet of KRA, as the State Economist and Principal Economic Advisor to the Vermont Legislature. For this consensus forecast update, a full consensus economic forecast was developed. The consensus economic forecast used in this revenue forecast updated was also presented at the NEEP outlook conference at the Boston Federal Reserve Bank on January 17, 2017.

F. Detailed Forecast Tables.

LEGISLATIVE JOINT FISCAL OFFICE/ADMINISTRATION
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2017

SOURCE G-FUND

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

	FY 2012 (Actual)	% Change	FY 2013 (Actual)	% Change	FY 2014 (Actual)	% Change	FY 2015 (Actual)	% Change	FY 2016 (Revised)	% Change	FY 2017 (Forecast)	% Change	FY 2018 (Forecast)	% Change	FY 2019 (Forecast)	% Change
REVENUE SOURCE																
Personal Income	$597.0	7.9%	$660.6	10.7%	$671.1	1.6%	$705.9	5.2%	$746.991	5.8%	$770.300	3.1%	$795.200	3.2%	$818.700	3.0%
Sales & Use*	$341.8	5.0%	$346.8	1.4%	$353.6	2.0%	$364.6	3.1%	$370.750	1.7%	$382.100	3.1%	$396.600	3.8%	$407.000	2.6%
Corporate	$85.9	-4.2%	$95.0	10.5%	$94.8	-0.1%	$121.9	28.5%	$116.979	-4.0%	$76.300	-34.8%	$87.100	14.2%	$83.400	-4.2%
Meals and Rooms	$126.9	3.5%	$134.8	6.2%	$142.7	5.9%	$150.8	5.7%	$154.151	2.2%	$165.800	7.6%	$172.100	3.8%	$177.900	3.4%
Cigarette and Tobacco**	$80.1	9.9%	$74.3	-7.2%	$71.9	-3.3%	$76.8	6.7%	$80.740	5.2%	$77.330	-4.2%	$75.300	-2.6%	$73.450	-2.5%
Liquor and Wine	$16.4	7.0%	$17.0	3.4%	$17.7	4.0%	$18.2	2.9%	$18.325	0.8%	$19.000	3.7%	$19.600	3.2%	$20.200	3.1%
Insurance	$56.3	2.5%	$55.0	-2.3%	$57.1	3.7%	$55.3	-3.1%	$56.245	1.7%	$57.300	1.9%	$58.300	1.7%	$59.100	1.4%
Telephone	$9.6	-15.3%	$9.4	-2.6%	$9.1	-2.9%	$7.7	-14.9%	$3.160	-59.2%	$6.300	99.3%	$6.100	-3.2%	$5.900	-3.3%
Beverage	$6.0	3.3%	$6.2	3.3%	$6.4	3.6%	$6.7	4.2%	$6.700	0.6%	$6.900	3.0%	$7.100	2.9%	$7.300	2.8%
Electric***	$2.9	0.3%	$8.9	204.5%	$13.1	46.9%	$9.4	-28.2%	$0.000	NM	$0.000	NM	$0.000	NM	$0.000	NM
Estate****	$13.3	-62.8%	$15.4	15.4%	$35.5	131.0%	$9.9	-72.2%	$12.509	26.5%	$17.300	38.3%	$19.200	11.0%	$20.400	6.3%
Property	$24.1	-6.0%	$28.5	18.3%	$30.9	8.5%	$33.6	8.6%	$35.700	6.2%	$39.400	10.4%	$41.900	6.3%	$44.100	5.3%
Bank	$10.7	-30.9%	$10.7	0.2%	$11.0	2.7%	$10.7	-2.0%	$10.682	-0.6%	$12.700	18.9%	$11.000	-13.4%	$11.100	0.9%
Other Tax	$1.2	-66.7%	$1.8	42.9%	$1.9	9.6%	$2.0	4.5%	$1.842	-9.0%	$2.000	8.6%	$2.200	10.0%	$2.400	9.1%
Total Tax Revenue	$1,372.4	2.8%	$1,464.3	6.7%	$1,517.0	3.6%	$1,573.5	3.7%	$1,614.775	2.6%	$1,632.730	1.1%	$1,691.700	3.6%	$1,730.950	2.3%
Business Licenses	$3.0	3.4%	$2.8	-8.0%	$1.1	-61.4%	$1.1	0.2%	$1.067	-1.6%	$1.1000	3.1%	$1.130	2.7%	$1.160	2.7%
Fees	$20.9	2.1%	$21.4	2.2%	$20.6	-3.4%	$22.1	7.0%	$22.985	4.2%	$47.6000	107.1%	$49.000	2.9%	$50.300	2.7%
Services	$2.3	105.8%	$2.5	8.3%	$1.3	-47.3%	$1.5	12.5%	$2.788	86.6%	$2.9000	4.0%	$3.100	6.9%	$3.200	3.2%
Fines	$7.4	28.7%	$4.7	-35.9%	$3.6	-24.2%	$3.5	-3.1%	$3.654	5.5%	$4.4000	20.4%	$4.200	-4.5%	$4.300	2.4%
Interest	$0.4	32.8%	$0.6	26.3%	$0.2	-59.2%	$0.3	40.4%	$0.731	130.6%	$1.4500	98.2%	$2.150	48.3%	$2.850	32.6%
Lottery	$22.3	4.2%	$22.9	2.7%	$22.6	-1.6%	$22.8	0.8%	$26.404	16.1%	$24.6000	-6.8%	$24.800	0.8%	$25.000	0.8%
All Other*****	$0.9	19.7%	$1.7	86.8%	$1.3	-24.0%	$1.0	-20.4%	$1.272	25.9%	$3.7000	190.9%	$1.700	-54.1%	$1.800	5.9%
Total Other Revenue	$57.3	8.6%	$56.6	-1.3%	$50.7	-10.4%	$52.2	3.0%	$58.901	12.9%	$85.750	45.6%	$86.080	0.4%	$88.610	2.9%
TOTAL GENERAL FUND	**$1,429.7**	**3.0%**	**$1,520.9**	**6.4%**	**$1,567.6**	**3.1%**	**$1,625.7**	**3.7%**	**$1,673.7**	**2.9%**	**$1,718.5**	**2.7%**	**$1,777.8**	**3.5%**	**$1,819.6**	**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 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 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE/ADMINISTRATION
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2017

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	**FY 2013** *(Actual)*	**%** Change	**FY 2014** *(Actual)*	**%** Change	**FY 2015** *(Actual)*	**%** Change	**FY 2016** *(Revised)*	**%** Change	**FY 2017** *(Forecast)*	**%** Change	**FY 2018** *(Forecast)*	**%** Change	**FY 2019** *(Forecast)*	**%** Change
REVENUE SOURCE														
Personal Income	$660.6	10.7%	$671.1	1.6%	$705.9	5.2%	$747.0	5.8%	$770.3	3.1%	$795.2	3.2%	$818.7	3.0%
Sales and Use*	$231.2	1.4%	$229.9	-0.6%	$237.0	3.1%	$241.0	1.7%	$248.4	3.1%	$257.8	3.8%	$264.6	2.6%
Corporate	$95.0	10.5%	$94.8	-0.1%	$121.9	28.5%	$117.0	-4.0%	$76.3	-34.8%	$87.1	14.2%	$83.4	-4.2%
Meals and Rooms	$134.8	6.2%	$142.7	5.9%	$150.8	5.7%	$154.2	2.2%	$165.8	7.6%	$172.1	3.8%	$177.9	3.4%
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	$17.0	3.4%	$17.7	4.0%	$18.2	2.9%	$18.3	0.8%	$19.0	3.7%	$19.6	3.2%	$20.2	3.1%
Insurance	$55.0	-2.3%	$57.1	3.7%	$55.3	-3.1%	$56.2	1.7%	$57.3	1.9%	$58.3	1.7%	$59.1	1.4%
Telephone	$9.4	-2.6%	$9.1	-2.9%	$7.7	-14.9%	$3.2	-59.2%	$6.3	99.3%	$6.1	-3.2%	$5.9	-3.3%
Beverage	$6.2	3.3%	$6.4	3.6%	$6.7	4.2%	$6.7	0.6%	$6.9	3.0%	$7.1	2.9%	$7.3	2.8%
Electric***	$8.9	204.5%	$13.1	46.9%	$9.4	-28.2%	$0.0	-100.0%	$0.0	NM	$0.0	NM	$0.0	NM
Estate****	$15.4	15.4%	$35.5	131.0%	$9.9	-72.2%	$12.5	26.5%	$17.3	38.3%	$19.2	11.0%	$20.4	6.3%
Property	$9.2	16.5%	$10.0	9.3%	$10.9	8.7%	$11.5	6.0%	$12.7	10.6%	$13.6	6.3%	$14.3	5.3%
Bank	$10.7	0.2%	$11.0	2.7%	$10.7	-2.0%	$10.7	-0.6%	$12.7	18.9%	$11.0	-13.4%	$11.1	0.9%
Other Tax	$1.8	42.9%	$1.9	9.6%	$2.0	4.5%	$1.8	-9.0%	$2.0	8.6%	$2.2	10.0%	$2.4	9.1%
Total Tax Revenue	$1,255.0	8.0%	$1,300.3	3.6%	$1,346.4	3.5%	$1,380.1	2.5%	$1,395.007	1.1%	$1,449.240	3.9%	$1,485.212	2.5%
Business Licenses	$2.8	-8.0%	$1.1	-61.4%	$1.1	0.2%	$1.1	-1.6%	$1.1	3.1%	$1.1	2.7%	$1.2	2.7%
Fees	$21.4	2.2%	$20.6	-3.4%	$22.1	7.0%	$23.0	4.2%	$47.6	107.1%	$49.0	2.9%	$50.3	2.7%
Services	$2.5	8.3%	$1.3	-47.3%	$1.5	12.5%	$2.8	86.6%	$2.9	4.0%	$3.1	6.9%	$3.2	3.2%
Fines	$4.7	-35.9%	$3.6	-24.2%	$3.5	-3.1%	$3.7	5.5%	$4.4	20.4%	$4.2	-4.5%	$4.3	2.4%
Interest	$0.5	20.5%	$0.2	-66.6%	$0.2	51.9%	$0.6	136.1%	$1.2	113.3%	$1.8	50.0%	$2.4	33.3%
All Other*****	$1.7	86.8%	$1.3	-24.0%	$1.0	-20.4%	$1.3	25.9%	$3.7	190.9%	$1.7	-54.1%	$1.8	5.9%
Total Other Revenue	$33.5	-3.9%	$28.0	-16.4%	$29.4	4.7%	$32.3	10.1%	$60.900	88.4%	$60.930	0.0%	$63.160	3.7%
TOTAL GENERAL FUND	**$1,288.6**	**7.7%**	**$1,328.4**	**3.1%**	**$1,375.8**	**3.6%**	**$1,412.4**	**2.7%**	**$1,455.9**	**3.1%**	**$1,510.2**	**3.7%**	**$1,548.4**	**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 changes in deductions effect in tax year 2016.**

TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE/ADMINISTRATION
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2017

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	**FY 2012** *(Actual)*	% Change	**FY 2013** *(Actual)*	% Change	**FY 2014** *(Actual)*	% Change	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Revised)*	% Change	**FY 2017** *(Forecast)*	% Change	**FY 2018** *(Forecast)*	% Change	**FY 2019** *(Forecast)*	% Change
REVENUE SOURCE																
Gasoline	$59.3	-2.2%	$59.9	1.1%	$76.5	27.6%	$77.6	1.5%	$78.0	0.5%	$78.2	0.2%	$78.4	0.3%	$78.2	-0.3%
Diesel	$16.0	3.9%	$15.6	-2.2%	$17.2	9.7%	$19.1	11.5%	$18.3	-4.4%	$19.1	4.3%	$19.5	2.1%	$19.9	2.1%
Purchase and Use*	$59.6	16.0%	$55.7	-6.5%	$61.2	9.9%	$64.8	5.9%	$66.8	2.9%	$68.9	3.2%	$71.2	3.4%	$73.7	3.5%
Motor Vehicle Fees	$73.5	1.7%	$77.9	5.9%	$79.0	1.5%	$80.1	1.4%	$82.0	2.3%	$89.0	8.6%	$90.8	2.0%	$90.9	0.1%
Other Revenue**	$18.3	2.2%	$19.1	4.2%	$19.5	2.3%	$19.5	0.0%	$19.6	0.3%	$19.3	-1.3%	$19.8	2.6%	$20.2	2.0%
TOTAL TRANS. FUND	**$226.688**	**4.2%**	**$228.195**	**0.7%**	**$253.383**	**11.0%**	**$261.2**	**3.1%**	**$264.6**	**1.3%**	**$274.5**	**3.7%**	**$279.7**	**1.9%**	**$282.9**	**1.1%**
OTHER																
TIB Gasoline	$20.9	26.6%	$21.2	1.4%	$19.2	-9.5%	$18.2	-5.2%	$13.0	-28.4%	$12.5	-3.9%	$12.7	1.1%	$13.0	3.0%
TIB Diesel and Other***	$1.9	-1.7%	$1.8	-8.6%	$1.8	4.5%	$2.1	11.4%	$1.9	-6.1%	$2.0	6.2%	$2.1	2.1%	$2.1	2.1%
Total TIB	**$22.8**	**23.6%**	**$23.0**	**0.6%**	**$21.0**	**-8.4%**	**$20.2**	**-3.8%**	**$15.0**	**-26.1%**	**$14.6**	**-2.6%**	**$14.7**	**1.3%**	**$15.2**	**2.9%**

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 - January 2017

CURRENT LAW BASIS *Source General and Transportation Fund taxes allocated to or associated with the Education Fund only.*	**FY 2012** *(Actual)*	% Change	**FY 2013** *(Actual)*	% Change	**FY 2014** *(Actual)*	% Change	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Revised)*	% Change	**FY 2017** *(Forecast)*	% Change	**FY 2018** *(Forecast)*	% Change	**FY 2019** *(Forecast)*	% Change
GENERAL FUND																
Sales & Use**	$113.9	5.0%	$115.6	1.4%	$123.8	7.1%	$127.6	3.1%	$129.8	1.7%	$133.7	3.1%	$138.8	3.8%	$142.5	2.6%
Interest	$0.0	NM	$0.1	NM	$0.1	NM	$0.1	NM	$0.2	NM	$0.250	NM	$0.350	NM	$0.450	NM
Lottery	$22.3	4.2%	$22.9	2.7%	$22.6	-1.6%	$22.8	0.8%	$26.4	16.1%	$24.6	-6.8%	$24.8	0.8%	$25.0	0.8%
TRANSPORTATION FUND																
Purchase and Use***	$27.3	6.3%	$27.9	2.0%	$30.6	9.9%	$32.4	5.9%	$33.4	2.9%	$34.4	3.2%	$35.6	3.4%	$36.8	3.5%
TOTAL	**$163.6**	**5.1%**	**$166.5**	**1.7%**	**$177.0**	**6.3%**	**$182.9**	**3.3%**	**$189.7**	**3.7%**	**$193.0**	**1.7%**	**$199.6**	**3.4%**	**$204.7**	**2.6%**

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.**