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July 2013 Economic Review and Revenue Forecast Update

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

July 23, 2013

Economic Review and Revenue Forecast Update

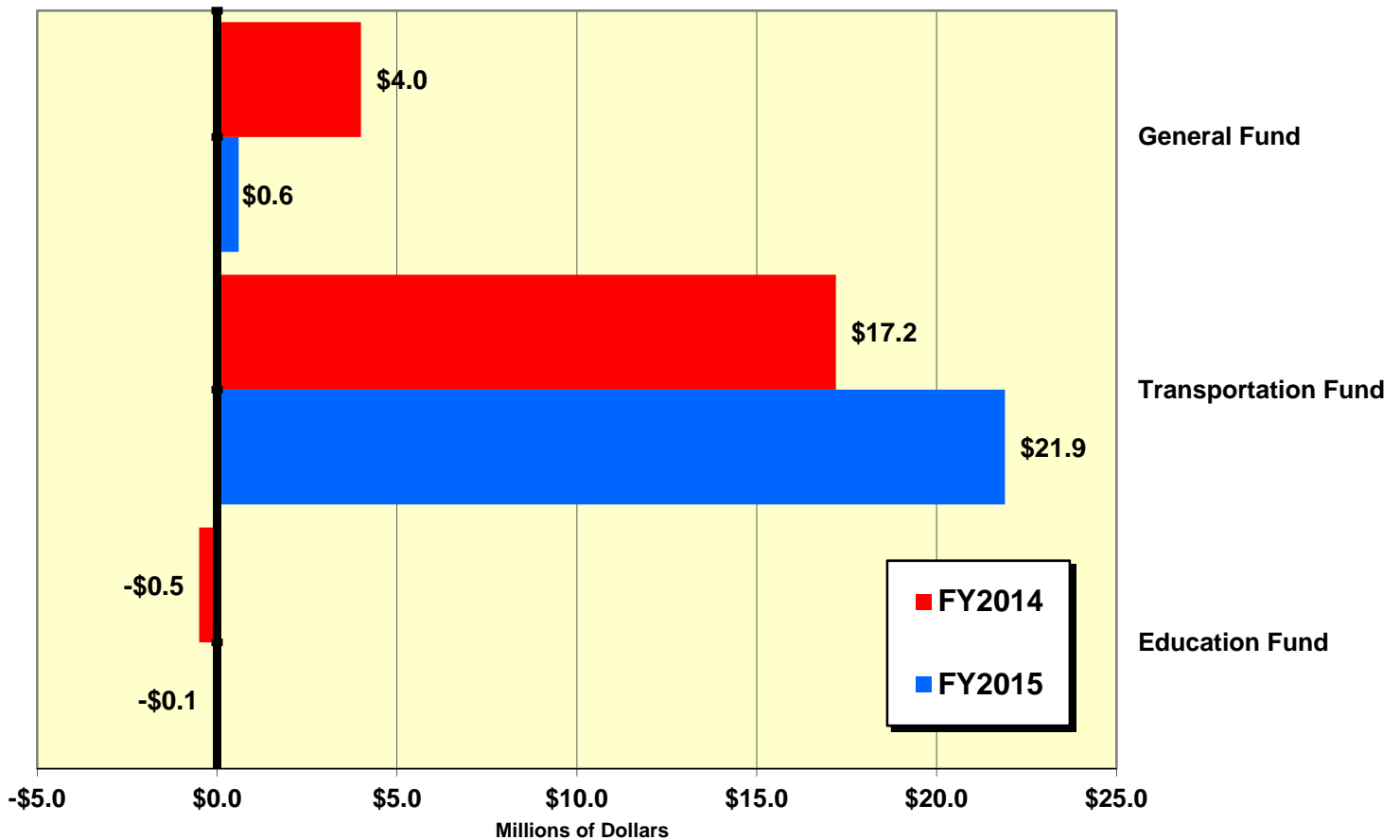
July 2013

Overview

Reflecting a continued lack of policy consensus in Washington, monetary policy is now at full throttle while fiscal policy is firmly applying the brakes - leaving the U.S. economy struggling to attain takeoff speed. With offsetting economic effects, these contradictory policies have left job growth in low gear (see chart on next page) and frustrated achievement of potential economic growth and full employment. In accord with this trudging recovery, FY14 State revenue growth (excluding T-Fund tax increases enacted in the recent legislative session) is expected to be subdued before accelerating in FY15.

State revenues across all three major funds closed FY13 about 1.5% above expectations, due primarily to exceptionally strong April income tax receipts. Relative to prior January 2013 projections, recent tax law changes will add about \$20 million per year to future Transportation Fund revenues, while only minor adjustments were made to both the General and Education Funds (see below chart).

Recommended Net Revenue Changes from January 2013 Forecast

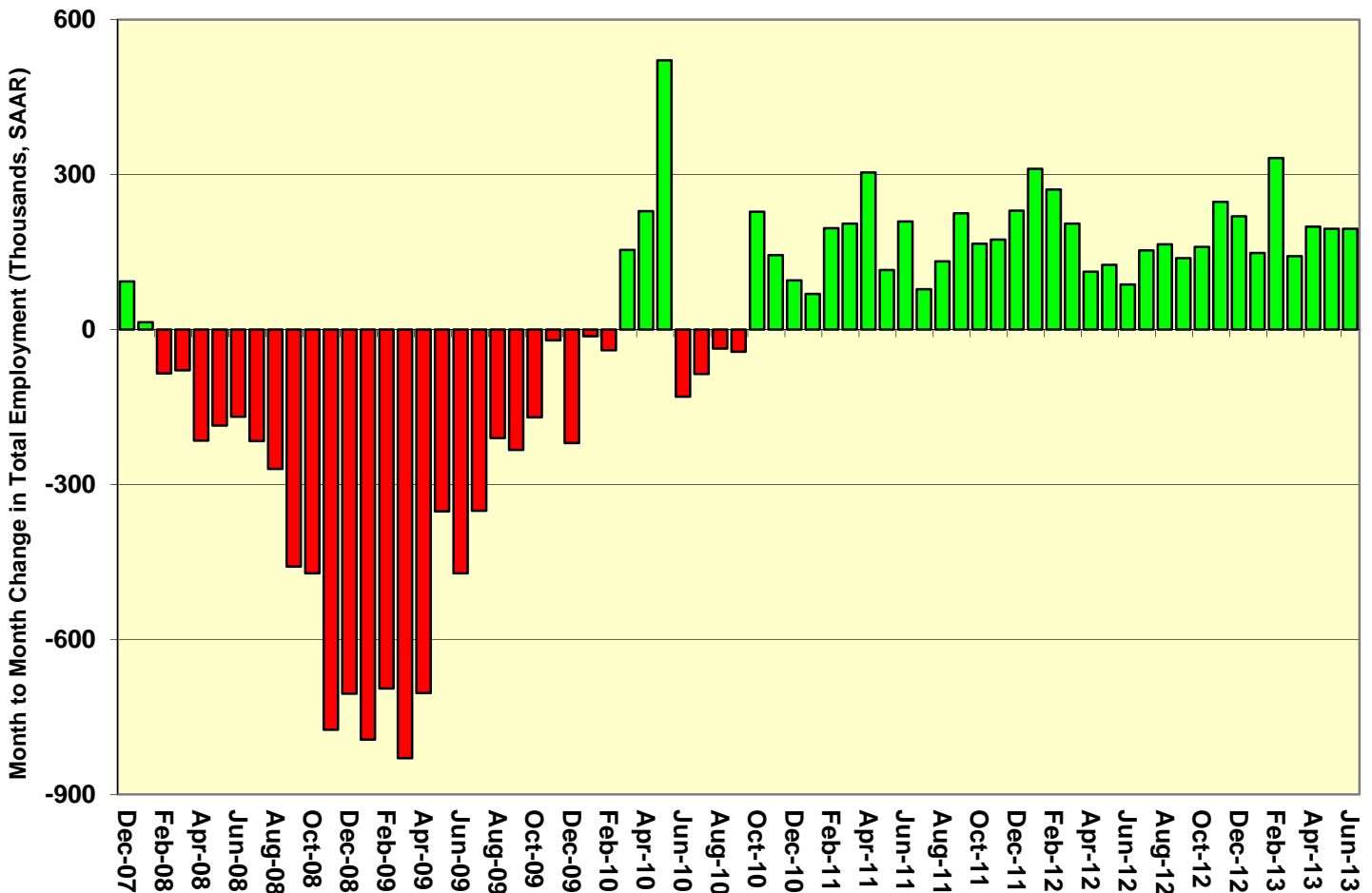


July 2013 Economic and Revenue Forecast Commentary

- Recent federal tax increases and spending cuts associated with sequestration will shave about 1.5 percentage points off 2013 GDP growth and could even drop second quarter GDP into negative territory. This untimely drag on the economy is expected to delay stronger employment, income and tax revenue growth until later in 2014 and 2015. The economy's lifeline over the past two years has been accommodative Fed policy, which has kept interest rates at record lows. This is why even the mention of reduced Fed support a few weeks ago sent stocks tumbling and spooked bond markets, raising mortgage interest rates by nearly a full percentage point. The longest serving Fed Chairman, William McChesney Martin, famously quipped that the Fed's job is to "take away the punchbowl just as the party gets going." For the average U.S. worker, this party is still waiting for the music to start.

No Party Yet, As Fiscal Austerity Dilutes the Fed's Punchbowl

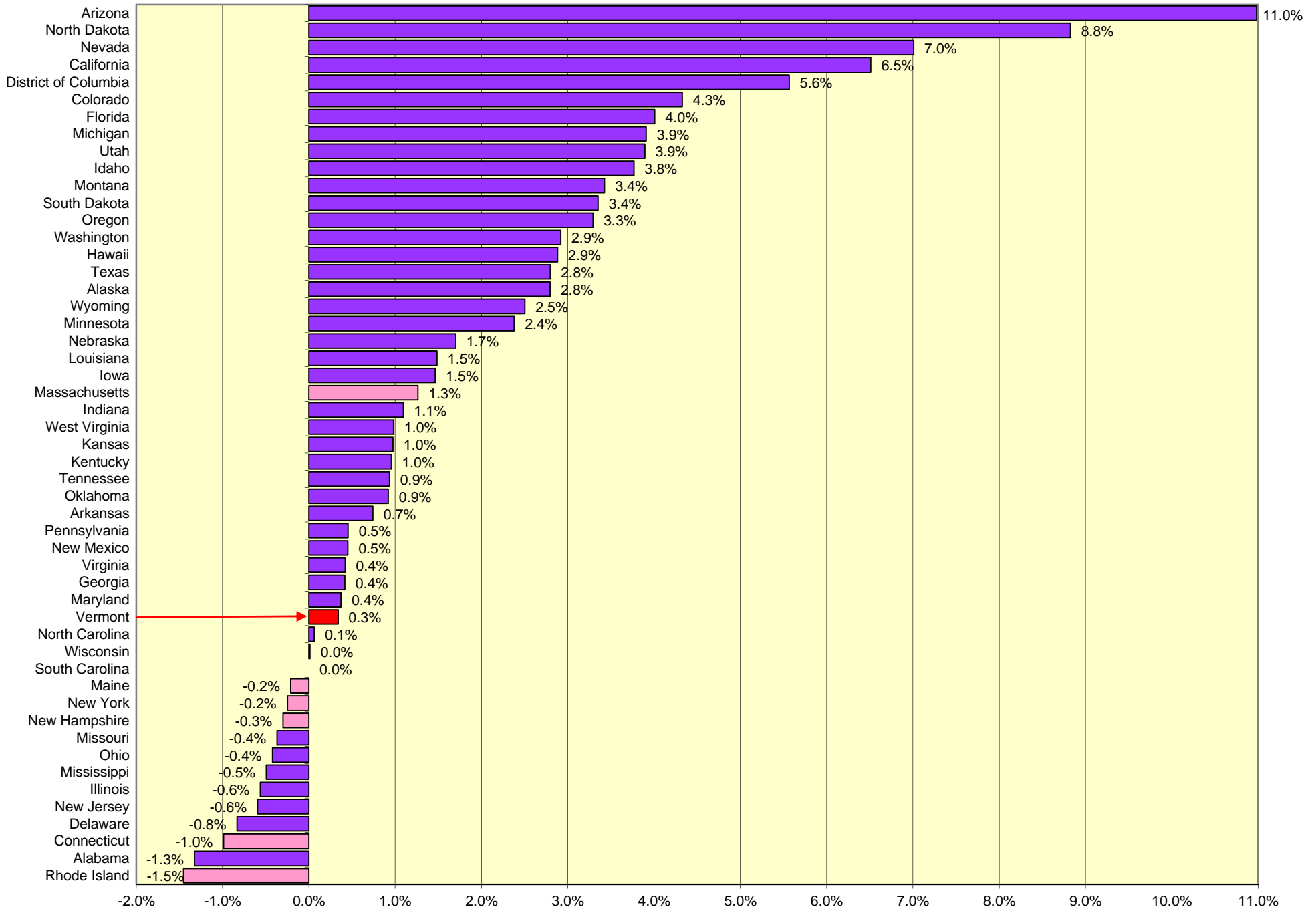
(Monthly Change in Total Payroll Employment, Seasonally-Adjusted, Source: U.S. Bureau of Labor Statistics)



- Housing markets continue to heal, and will be a source of support for the economy going forward, but have a long way to go in most states before exceeding prior price levels reached during the 2005-2009 peak period (see charts on pages 3-4). New residential construction activity will also register large year over year gains, but will take several years before it recovers to

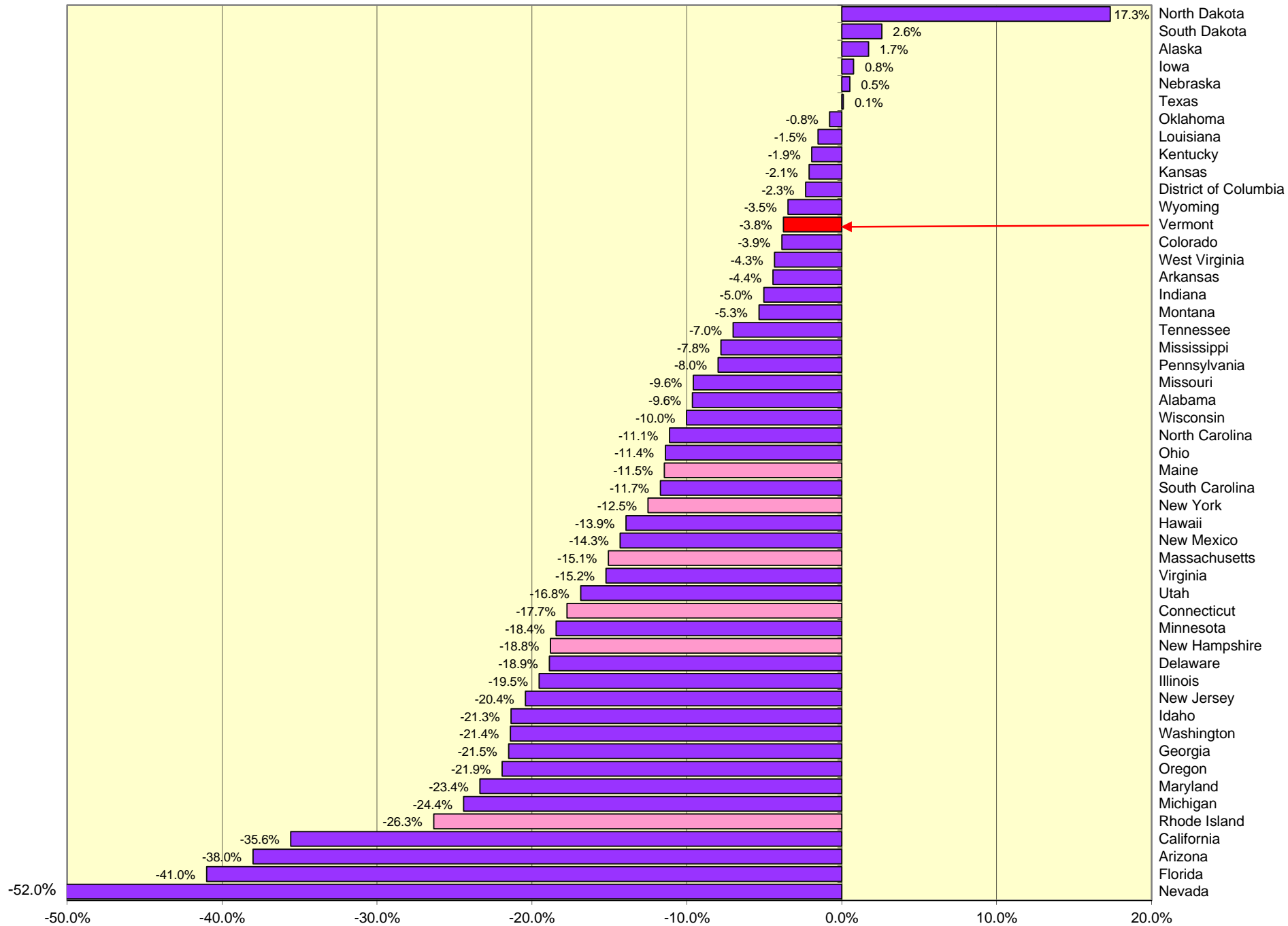
All But 13 States Show Home Price Gains in the First Quarter of 2013...

Percent Change, First Quarter of 2013 vs. First Quarter of 2012, Source: FHFA Home Price Index



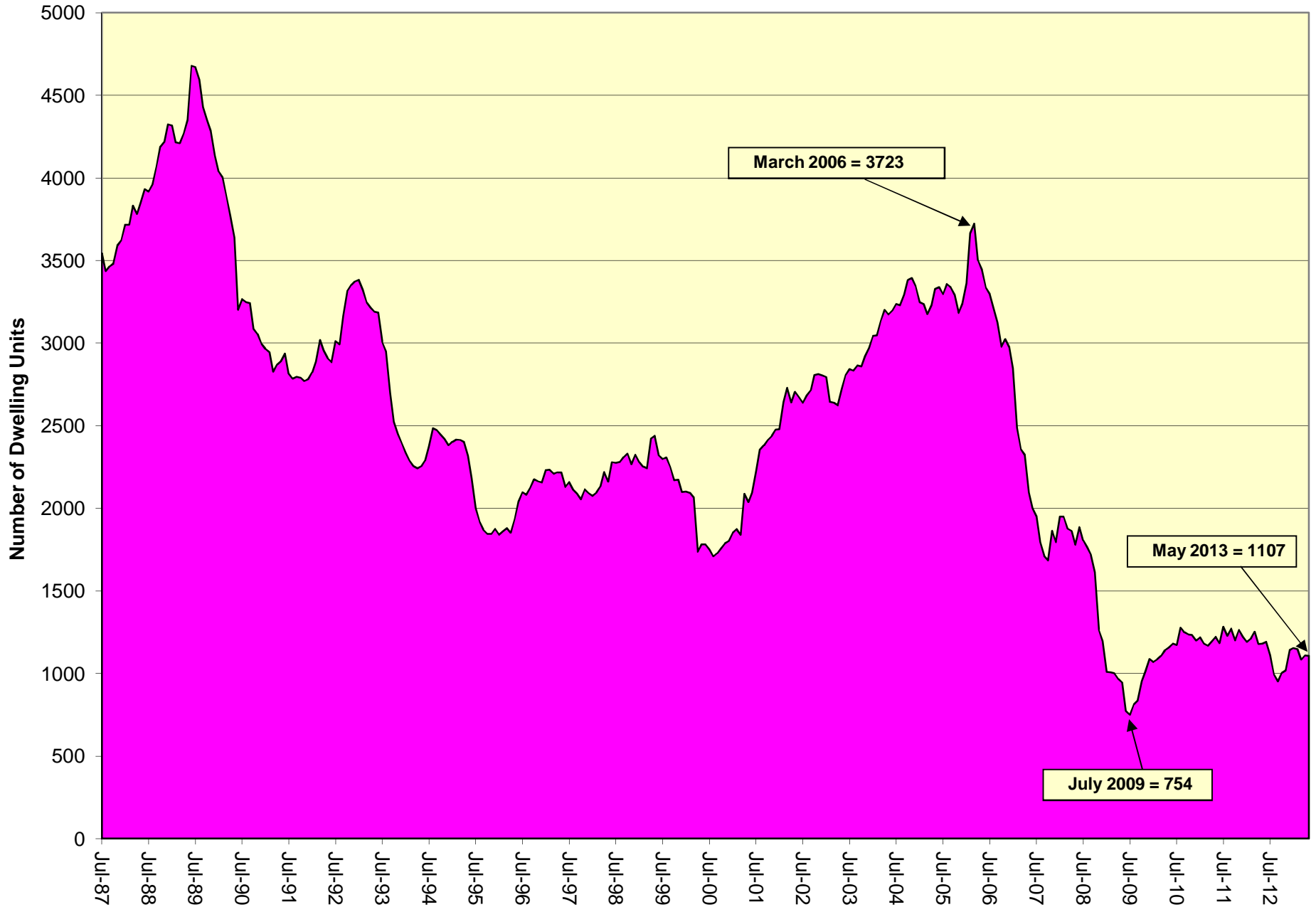
...But Most Still Have a Long Way to Go

Percent Change, First Quarter of 2013 vs. Peak Price by State Reached Between 2005Q3 and 2009Q1, Source: FHFA Home Price Index



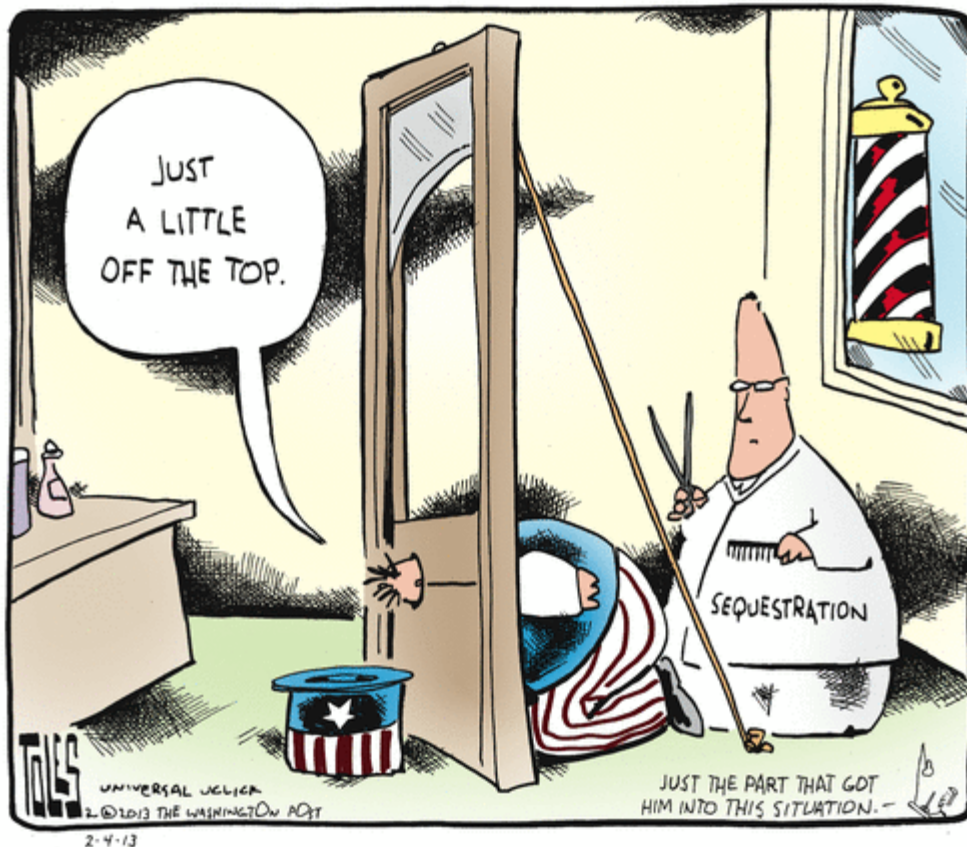
Up 48% or Down 70%? Vermont Residential Construction Struggles as Home Prices Bottom Out

(Total Housing Starts, 12 Month Moving Totals, Source: F.W. Dodge Division of McGraw-Hill, Kavet, Rockler & Associates, LLC)



levels even close to prior peaks in most markets. As illustrated in the chart on page 5, Vermont has seen a 48% increase in new housing units started since the low point in July of 2009, but is still more than 70% below prior peak levels of 3,723 units reached in March of 2006.

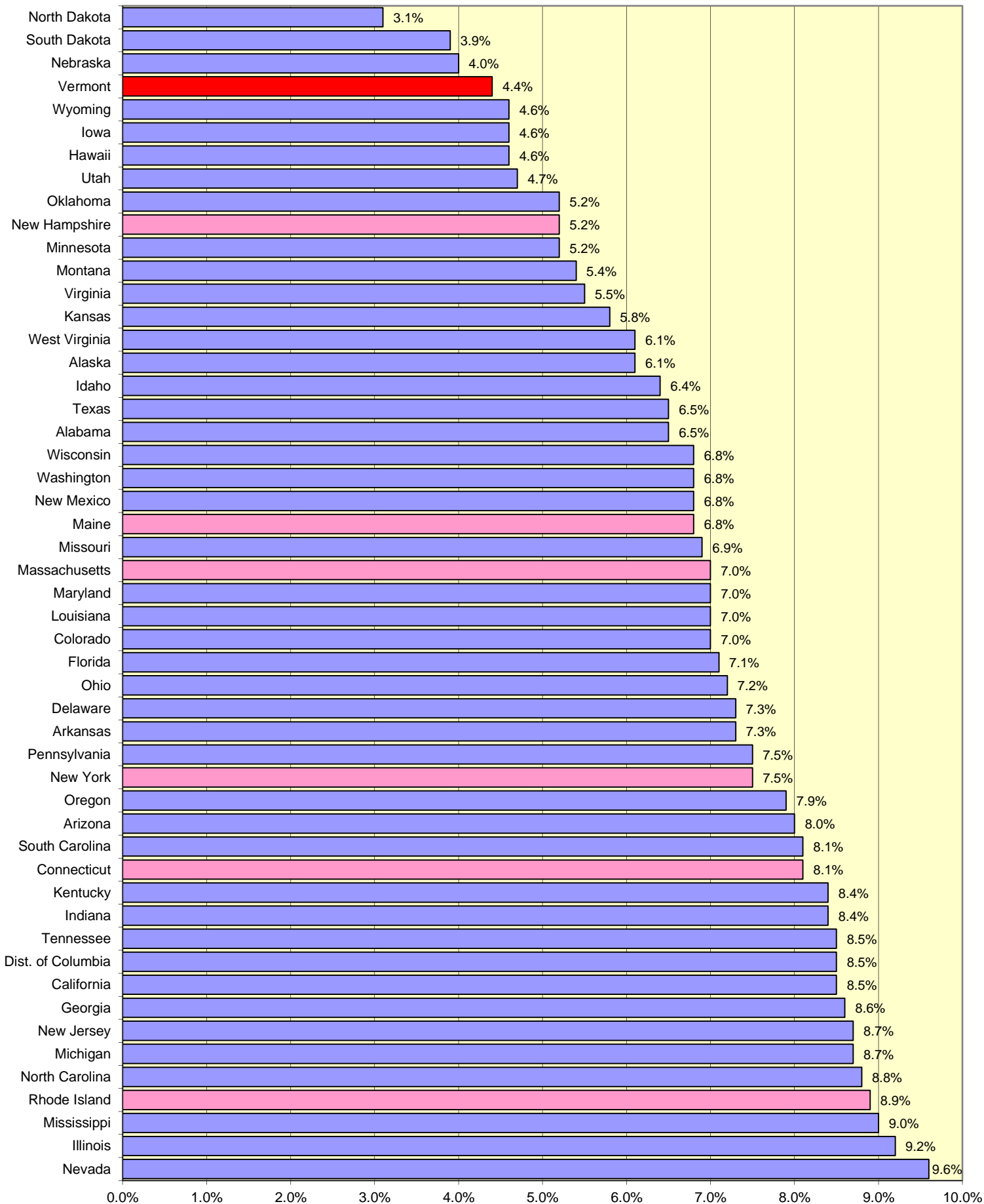
- With nonbuilding construction (streets, highways, dams, pipelines, septic and water systems, bridges, transmission lines, etc.) down more than \$350 million from the stimulus induced levels of 2009-2010, only nonresidential construction (offices, stores, warehouses, schools, public buildings, etc.) has been providing support for contractors and building suppliers of late. Nonresidential construction projects started in the last 12 months in Vermont totaled \$317 million as of May 2013, up nearly 28% over May 2012 levels and more than \$90 million more than all residential projects started over the same period.



- Labor markets in Vermont and the U.S. have yet to return to their pre-recession levels in what is now the slowest employment recovery in more than 50 years. Vermont's unemployment rate, however, continues to be substantially lower than the U.S. and regional New England state rates, with the U.S.-Vermont differential in recent months reaching its largest spread in nearly 25 years and Vermont boasting the lowest rate in New England for the 24th consecutive month. Since January of 1990, New Hampshire has had the lowest unemployment rate in New England for 131 months and Vermont, for

Unemployment Rate by State - June 2013

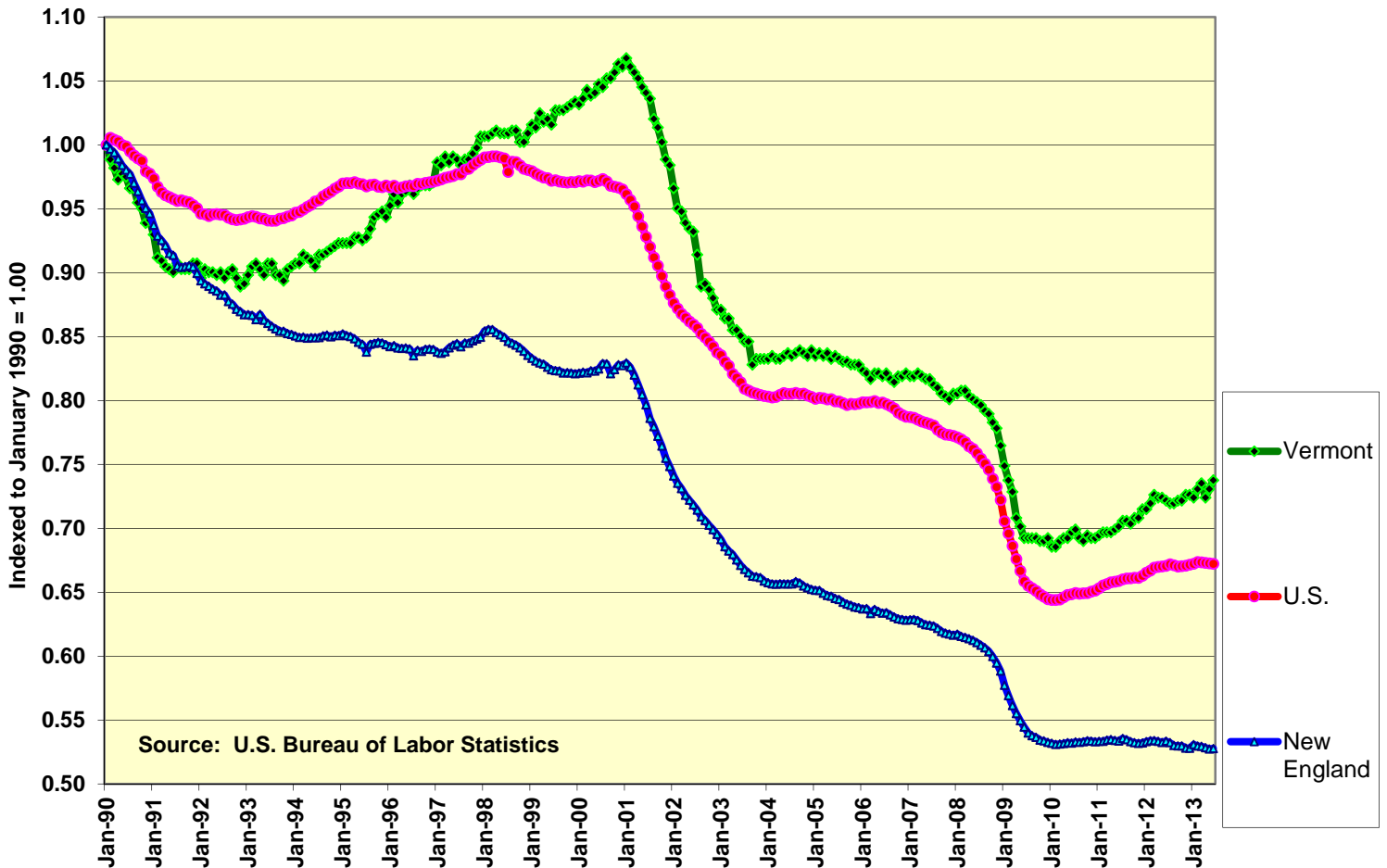
Seasonally Adjusted Data, Source: U.S. Bureau of Labor Statistics



132 months. Per the chart on the preceding page, despite an uptick to 4.4% in June 2013, Vermont's unemployment rate was the 4th lowest in the nation.

Manufacturing Employment in Vermont: It Could be Worse...

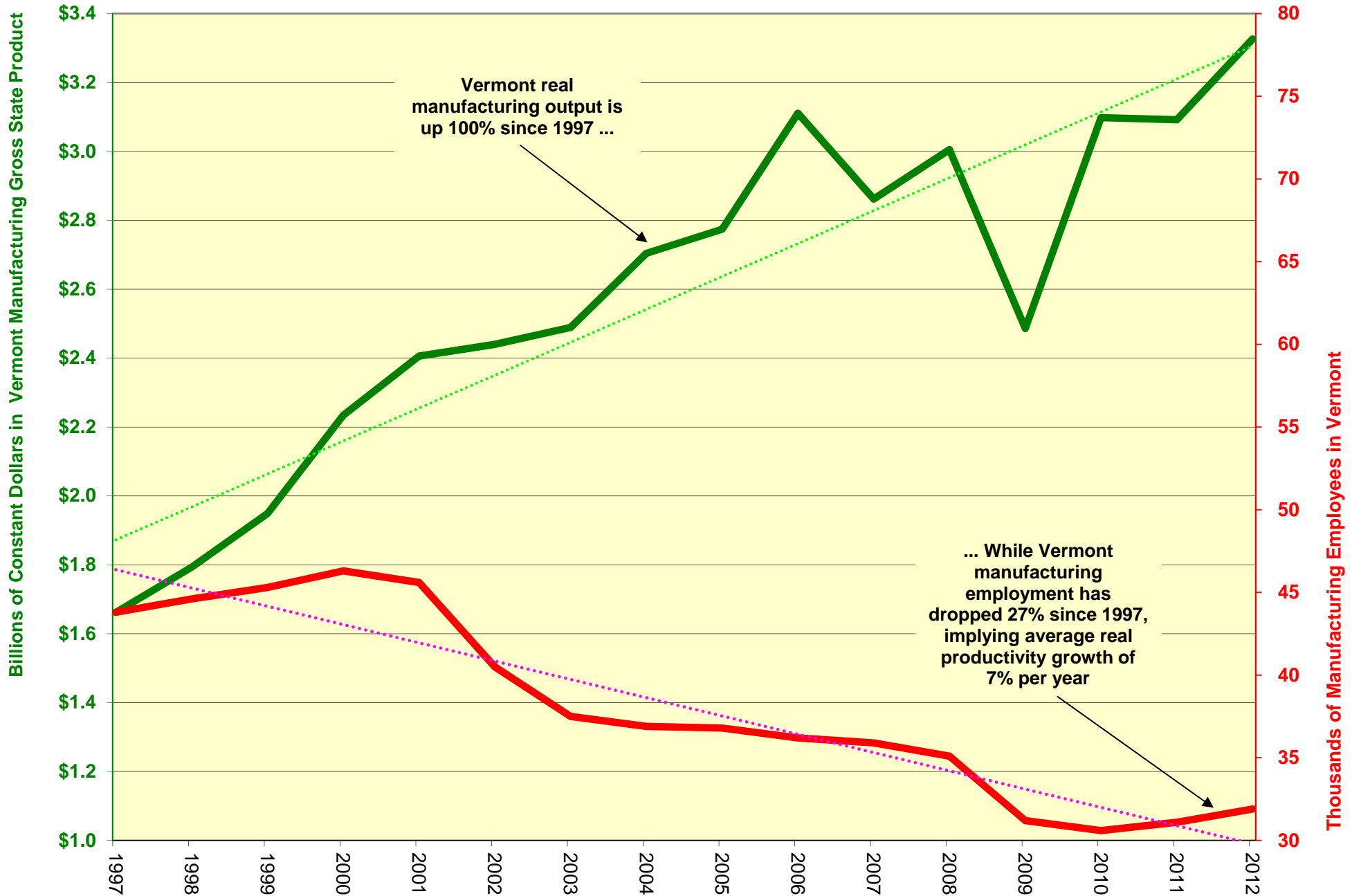
...even at less than 75% of its 1990 level, seasonally adjusted data, indexed, January 1990 = 1.00



- Amidst the general improvement in unemployment in both the U.S. and Vermont, one sector that has experienced significant employment declines - and may never reach its pre-recession peak levels - is manufacturing. As depicted in the above chart, manufacturing employment has been declining in the U.S., New England and Vermont for most of the last 20+ years and now represents less than 75% of its 1990 level in Vermont, about 67% of its 1990 level in the U.S. and less than 55% of its former level in New England.
- The decline in manufacturing employment in Vermont has been highlighted by the recent announcement of 419 layoffs by what is now the *second* largest private employer in the State, IBM. With a workforce of more than 8,000 workers at the turn of the century, IBM is estimated to now employ only about half as many workers in its Essex Junction facility. Although plant-specific output information is not available, from aggregate sectoral GSP data, it is likely that despite this huge reduction in employment, output has expanded. This dichotomy has characterized industrial activity in Vermont and the U.S., as high value-added manufacturing replaces lower value-added plants and products.

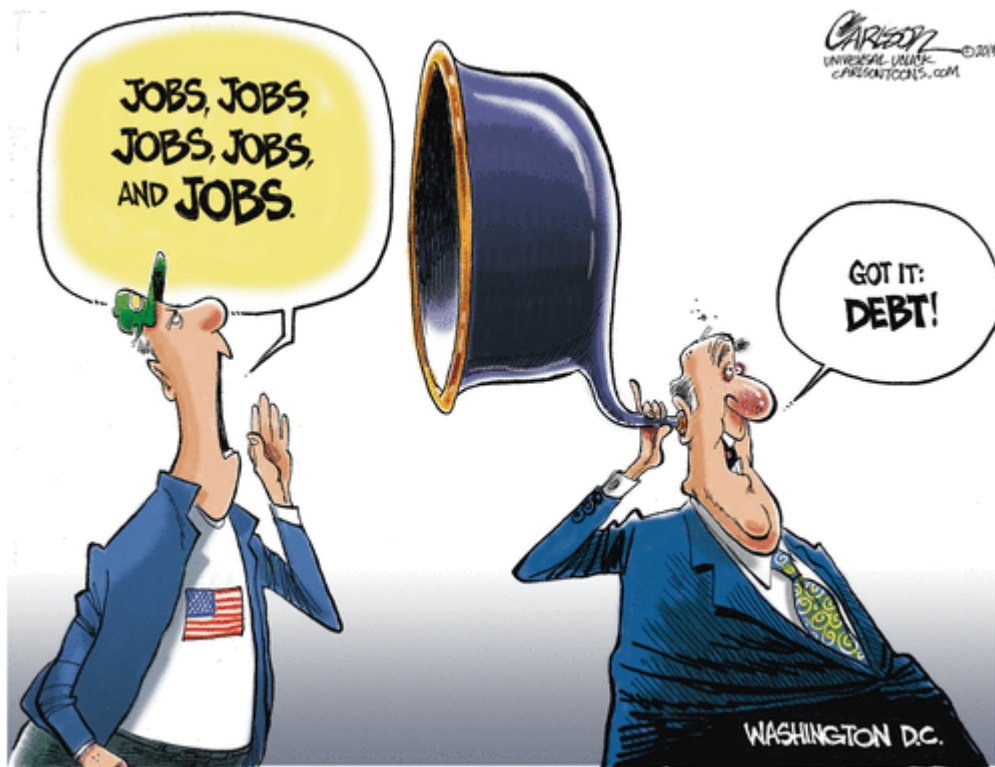
IBM Layoffs Mirror the Evolution of Manufacturing in Vermont: Ever Higher Output, Ever Fewer Jobs and Extraordinary Productivity Growth

Real Manufacturing GSP (green line, left scale) vs. Manufacturing Employment (red line, right scale)



Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis

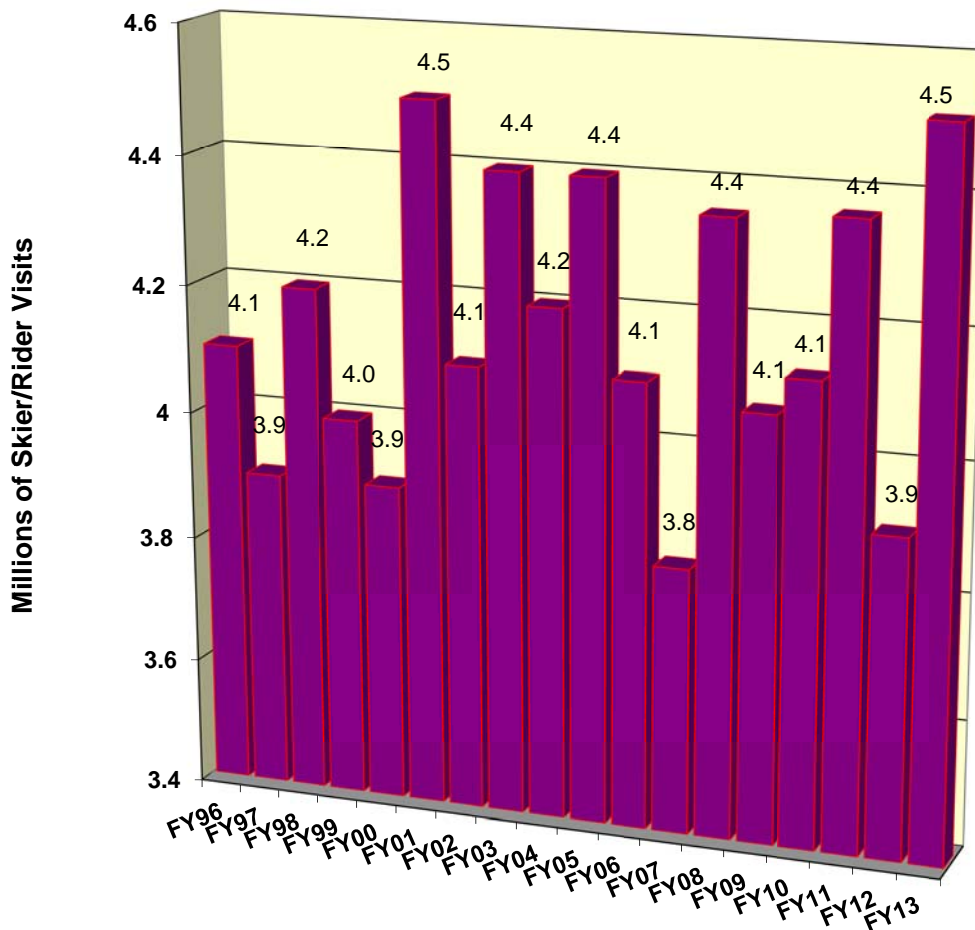
- The chart on the preceding page illustrates this dramatic change in Vermont manufacturing over the past 15 years. While manufacturing employment in Vermont has declined by more than 27%, *real (inflation-adjusted) manufacturing output has doubled*. This implies extraordinary compound average annual growth in labor productivity of 7% per year over this entire period. While both the mix of companies and products produced have contributed to this change, it is aligned with the reality that only very high value-added products are competitive to manufacture in the U.S.. Cheap global labor and increasingly fluid access to this labor by multinational firms has driven lower value-added manufacturing to China and other lower wage venues.
- As stressed in recent Congressional testimony by the Federal Reserve Chairman, the primary downside forecast risk is now excessively contractionary near-term federal fiscal policy. Whether through additional debt ceiling impasses, limited sequestration exceptions or new spending cuts, further fiscal retrenchment could measurably slow job growth and make the economy considerably more vulnerable to an array of potential negative external economic threats. These include a deepening recession in Europe and attendant financial market chaos that could affect both U.S. exports and U.S. financial concerns; Middle Eastern violence that could escalate and spread throughout the region, impacting global energy prices and U.S. military expenditures; and civil unrest and a more rapid slowing of growth in key developing economies that could impact growing markets for U.S. exports.



- Total General Fund revenues closed FY13 2.1% above prior January projections, as personal income receipts surged in April and strong corporate income collections offset much larger than anticipated refunding activity. As U.S. corporate income growth enters its 15th consecutive quarter of growth, refunding is likely to grow, limiting overall FY14 and FY15 corporate tax revenues. A significant portion of the personal income growth in FY13 can be attributed to accelerated capital gains realizations in anticipation of the 2013 tax increases and other one-time events. Accounting for these, personal income growth in FY14 will slow to about 4%, before stronger external economic conditions in FY15 allow growth that should top 7%.
- The weakest major FY13 revenue categories included estate revenues, which are typically volatile and can be affected a very small number of events, and insurance premiums, which were affected by losses in taxable healthcare business. The healthcare insurance losses are likely to continue for several years, culminating in the elimination of most such business with the adoption of a single-payer system. Estate taxes are expected to rebound in FY14 and beyond, exceeding FY13 levels by nearly \$4 million per year.

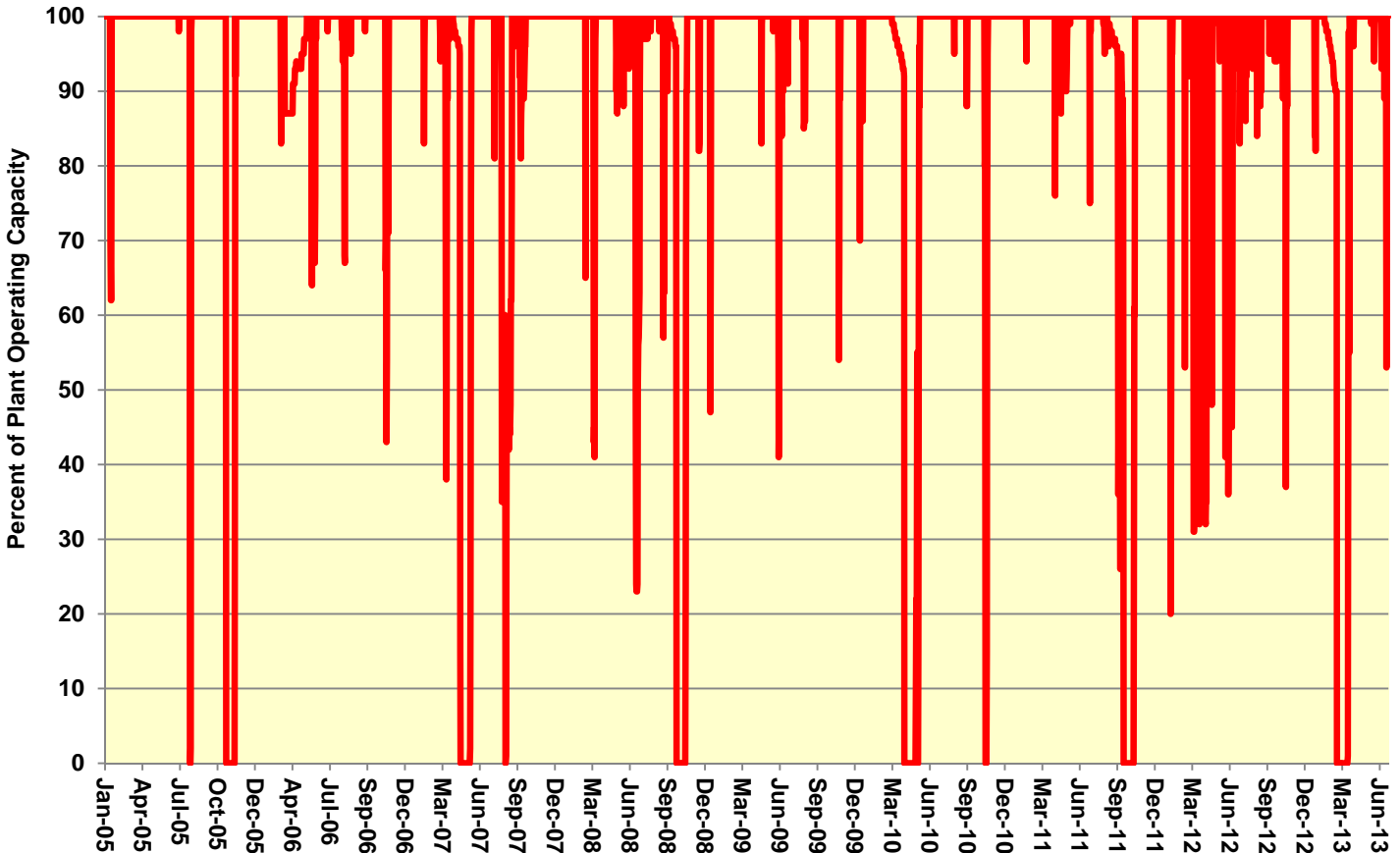
Timely and Well-Placed Snowfall Generates Near Record Year in Skier Visitation, Adding About \$2.5 Million to FY13 Meals and Rooms Receipts

(Source: Vermont Ski Areas Association)



- Meals and rooms revenues benefitted from one of the best ski seasons on record, combining good snowfall near critical holiday periods, blizzards in core market locales in southern New England and Mid-Atlantic states and relatively poor conditions in a number of competitive western destinations. A more “normal” winter in the 2013-2014 ski season will limit revenue growth to about 2% in FY14 before expanding at 3.5% to 4.0% in subsequent years.
- The new electric energy tax yielded slightly less revenue in FY13 than originally anticipated as operating capacity at the Vermont Yankee plant between refueling periods was below prior expectations. As shown in the below chart based on NRC daily operating capacity status data, there has been more downtime in recent years at the aging plant, and future output assumptions have been adjusted accordingly. Absent any major plant shutdowns due to an incident or accident, and pending regulatory approval to operate the plant, annual revenues should range between about \$11.7 and \$12.5 million per year (depending upon refueling timing), with no long term revenue growth possible.

Vermont Yankee Daily Operating Capacity Status
(Source: U.S. Nuclear Regulatory Commission)

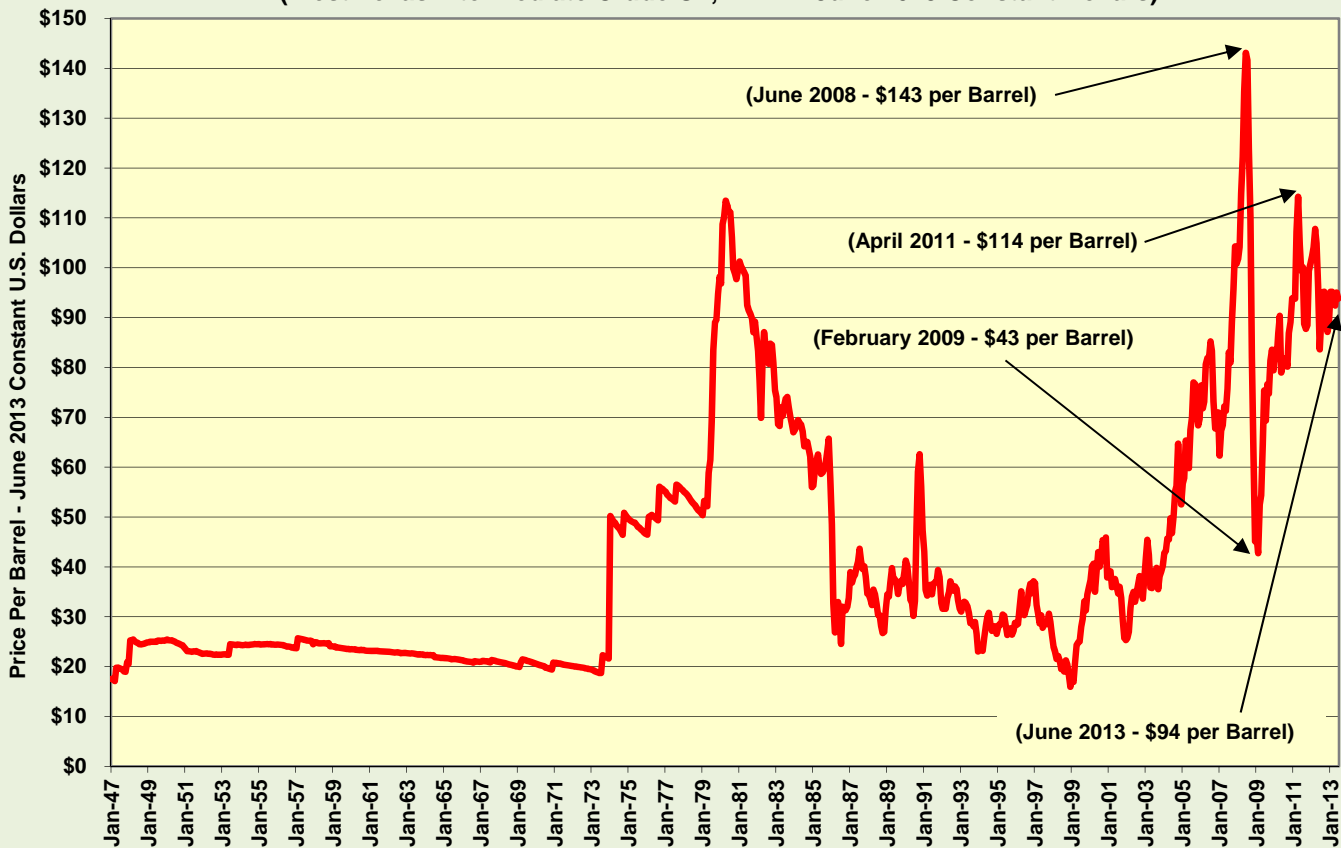


- Higher federal taxes in 2013 and ever-growing internet sales took a toll on sales and use tax revenues in FY13, with total revenues ending the year about -0.7% below target. This \$2.4 million miss pushed total FY13

Changing State Tax Mix Will Exacerbate Revenue Volatility

Recent tax law changes implementing a new price-based gasoline tax and related Transportation Infrastructure Bond (TIB) funding (a nearly identical gasoline "assessment," without the ceiling and floor price mechanism) will generate significant additional revenues for the State, but introduce heightened potential revenue volatility. Oil and gasoline prices have been notoriously volatile since the early 1970's and are subject to not only economic forces of supply and demand, but also unpredictable political, military, environmental and oligopolistic influences. These are reflected in the below chart, illustrating inflation-adjusted oil prices, expressed in June 2013 dollars, over the past 65 years.

Real Oil Prices Exhibit Pronounced Historical Volatility (West Texas Intermediate Crude Oil, PPB in June 2013 Constant Dollars)



Sources: Wall Street Journal, Moody's Analytics, KRA

In addition to these energy price-based revenue sources, the State's increasing reliance on both personal and corporate income taxes will also add to future revenue volatility. These two tax sources represented a record 58.6% of all General Fund revenues in FY13, up from about 50% ten years ago. By 2016, they are expected to comprise more than 60% of all General Fund revenues. Although these two tax sources have many payers, they are increasingly dominated by very large payers and discrete economic events affecting these payers. As a result of this, a single event or change in the fortunes of a relatively small number of taxpayers could have revenue effects in excess of \$10M or more.

Although these taxes are likely to provide substantial future revenue growth, the increased volatility associated with them suggests the need for larger State reserve funds to balance magnified downside revenue risks.

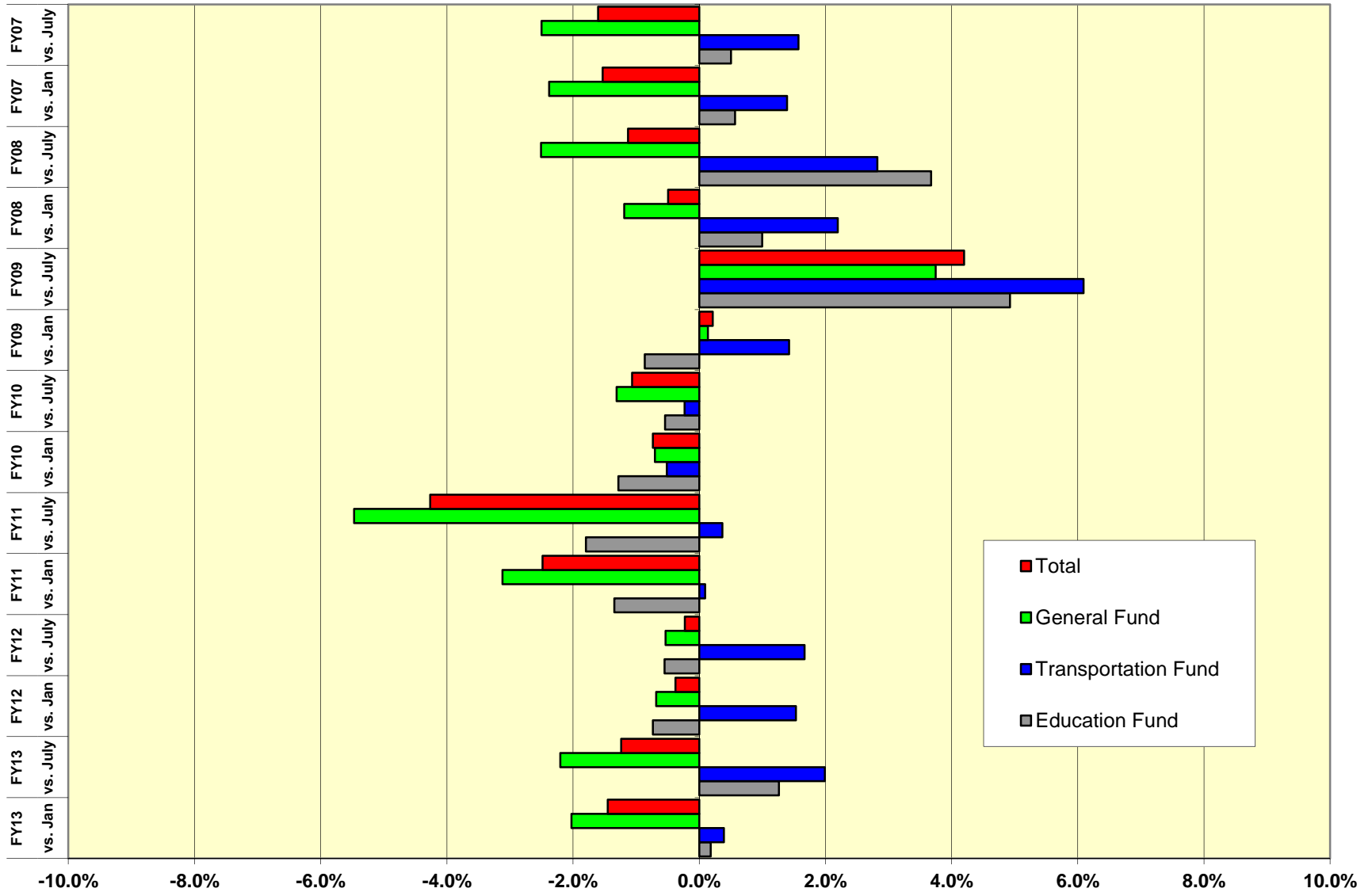
Education Fund revenues about -0.2% below previous January forecast expectations. Further tax base erosion from internet sales is expected to continue, limiting sales and use revenue growth to only about 3% per year over the forecast period.

- Two record-setting Powerball jackpots and a larger than usual transfer of unclaimed prizes at the end of the fiscal year helped Lottery receipts close FY13 \$0.5 million ahead of target. New game introductions and associated promotional costs planned for the coming year will limit profit transfers in FY14 to about the same level as FY13, but should contribute to stronger growth in FY15 and beyond of more than 2% per year.
- Transportation Fund revenues closed FY13 about 0.4% below prior projections, as gasoline demand weakened further and expected gains from fee increases did not fully materialize. As detailed on the preceding page and in Table 2 on page 21, the new price-based gasoline tax and diesel tax increase will add about \$20 million per year to prior T-Fund projections, but will also add considerable volatility to future T-Fund revenue flows.
- The U.S. and Vermont macro-economic forecasts upon which the revenue forecasts in this Update are based are summarized in Tables A and B on pages 16 and 17, and represent a consensus JFO and Administration forecast developed using internal JFO and Administration State economic models with input from Moody's Analytics June 2013 projections and New England Economic Partnership (NEEP) May 2013 forecasts.
- Forecast versus actual revenue variance data for the most recent seven years are illustrated in the chart on the following page. The below table summarizes the same data for the past thirteen years. As would be expected, January projections are generally more accurate than July – though not always... Since fiscal year 2001, there have been 26 regular Consensus forecasts (January and July for each year) for each of the three major funds (General Fund, Transportation Fund and Education Fund) for a total of 78 observations. Over this thirteen year period, there have been 38 variances that were low (under-forecast actuals) and 40 variances that were high (over-forecast actuals). The average absolute value of the variance for these 13 years was 2.1% for total revenues across all three major funds.

AVERAGE ABSOLUTE VALUE OF FORECAST VS. ACTUAL VARIANCE			
(FY2001 to FY2013)			
Fund	Forecast Period		
	January	July	All Periods
Education Fund	1.0%	2.3%	1.6%
Transportation Fund	1.3%	2.2%	1.7%
General Fund	2.2%	3.6%	2.9%
Total	1.5%	2.6%	2.1%

Vermont Consensus Revenue Forecasting Record

(Forecast Percent Variance from Actual, FY2007 to FY2013 - Source: Joint Fiscal Office)



	FY13 vs. Jan	FY13 vs. July	FY12 vs. Jan	FY12 vs. July	FY11 vs. Jan	FY11 vs. July	FY10 vs. Jan	FY10 vs. July	FY09 vs. Jan	FY09 vs. July	FY08 vs. Jan	FY08 vs. July	FY07 vs. Jan	FY07 vs. July
Total	-1.4%	-1.2%	-0.4%	-0.2%	-2.5%	-4.3%	-0.7%	-1.1%	0.2%	4.2%	-0.5%	-1.1%	-1.5%	-1.6%
General Fund	-2.0%	-2.2%	-0.7%	-0.5%	-3.1%	-5.5%	-0.7%	-1.3%	0.1%	3.7%	-1.2%	-2.5%	-2.4%	-2.5%
Transportation Fund	0.4%	2.0%	1.5%	1.7%	0.1%	0.4%	-0.5%	-0.2%	1.4%	6.1%	2.2%	2.8%	1.4%	1.6%
Education Fund	0.2%	1.3%	-0.7%	-0.6%	-1.3%	-1.8%	-1.3%	-0.5%	-0.9%	4.9%	1.0%	3.7%	0.6%	0.5%

TABLE A
Comparison of Recent Consensus U.S. Macroeconomic Forecasts
December 2011 Through June 2013, Selected Variables, Calendar Year Basis

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real GDP Growth									
December-11	-0.3	-3.5	3.0	1.8	2.6	3.4	4.1	3.7	
June-12	-0.3	-3.5	3.0	1.7	2.2	2.6	4.0	3.7	
December-12	-0.3	-3.1	2.4	1.8	2.2	2.0	3.9	4.2	3.5
June-13	-0.3	-3.1	2.4	1.8	2.2	2.0	3.4	4.3	3.3
S&P 500 Growth (Annual Avg.)									
December-11	-17.3	-22.5	20.3	0.0	9.2	11.5	8.7	2.9	
June-12	-17.3	-22.5	20.3	11.4	4.8	0.6	2.1	2.1	
December-12	-17.3	-22.5	20.3	11.4	8.1	6.9	7.1	-0.4	1.7
June-13	-17.3	-22.5	20.3	11.4	8.7	14.4	3.6	-0.7	0.4
Employment Growth (Non-Ag)									
December-11	-0.6	-4.4	-0.7	1.0	1.0	1.5	3.0	2.0	
June-12	-0.6	-4.4	-0.7	1.2	1.4	1.5	2.3	2.6	
December-12	-0.6	-4.4	-0.7	1.2	1.4	1.3	2.1	2.6	2.2
June-13	-0.6	-4.4	-0.7	1.2	1.7	1.4	1.6	2.7	2.4
Unemployment Rate									
December-11	5.8	9.3	9.6	9.0	8.8	8.4	7.0	5.9	
June-12	5.8	9.3	9.6	9.0	8.1	7.8	6.9	6.0	
December-12	5.8	9.3	9.6	9.0	8.1	7.8	7.1	6.3	5.8
June-13	5.8	9.3	9.6	8.9	8.1	7.7	7.0	6.2	5.7
West Texas Int. Crude Oil \$/Bbl									
December-11	99.6	61.7	79.4	94.7	104.2	106.5	106.8	107.0	
June-12	99.6	61.7	79.4	95.1	98.1	100.9	110.7	108.9	
December-12	99.6	61.7	79.4	95.1	94.4	95.7	105.3	110.3	114.0
June-13	99.6	61.7	79.4	95.1	94.2	96.8	104.6	110.3	114.0
Prime Rate									
December-11	5.09	3.25	3.25	3.21	3.08	3.32	4.69	6.43	
June-12	5.09	3.25	3.25	3.25	3.13	3.12	4.30	6.02	
December-12	5.09	3.25	3.25	3.25	3.25	3.25	3.32	4.92	6.86
June-13	5.09	3.25	3.25	3.25	3.25	3.25	4.26	6.60	7.30
Consumer Price Index Growth									
December-11	3.8	-0.3	1.6	3.2	2.1	2.4	2.9	2.4	
June-12	3.8	-0.3	1.6	3.1	1.9	1.9	2.7	2.7	
December-12	3.8	-0.3	1.6	3.1	2.1	2.2	2.6	2.6	2.4
June-13	3.8	-0.3	1.6	3.1	2.1	1.7	2.1	2.3	2.5
Average Home Price Growth									
December-11	-4.3	-4.6	-3.6	-3.9	-0.4	1.0	4.1	4.7	
June-12	-4.5	-4.8	-3.7	-3.9	-0.9	0.0	3.1	4.7	
December-12	-4.6	-5.1	-3.8	-3.9	-0.5	0.8	4.6	5.3	3.5
June-13	-4.7	-5.3	-3.9	-3.6	-0.1	2.7	4.9	3.7	2.3

TABLE B
Comparison of Consensus Administration and JFO Vermont State Forecasts
December 2010 Through June 2013, Selected Variables, Calendar Year Basis

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real GSP Growth									
December-10	2.0	-0.7	3.4	4.1	5.3	3.8			
June-11	0.4	-2.3	3.2	3.5	4.0	3.9	3.0		
December-11	0.4	-2.3	3.2	2.3	2.8	3.5	3.6	3.3	
June-12	-0.2	-3.6	4.1	0.5	2.3	2.9	3.3	3.4	
December-12	-0.2	-3.6	4.1	0.5	2.0	2.2	3.7	4.0	3.1
June-13	-0.2	-2.9	5.6	1.3	1.2	1.3	3.0	4.2	2.9
Population Growth									
December-10	0.1	0.1	0.1	0.3	0.4	0.5			
June-11	0.2	0.1	0.2	0.3	0.3	0.3	0.3		
December-11	0.2	0.1	0.2	0.3	0.3	0.3	0.4	0.3	
June-12	0.1	0.1	0.2	0.1	0.3	0.3	0.4	0.4	
December-12	0.1	0.1	0.2	0.1	0.3	0.3	0.3	0.4	0.5
June-13	0.1	0.1	0.2	0.1	-0.1	0.3	0.3	0.3	0.4
Employment Growth									
December-10	-0.4	-3.3	-0.9	0.5	1.8	2.7			
June-11	-0.4	-3.2	0.1	2.6	1.0	1.9	2.4		
December-11	-0.4	-3.2	0.1	1.8	1.3	1.9	2.5	2.2	
June-12	-0.3	-3.3	0.2	0.7	1.2	1.1	2.0	2.3	
December-12	-0.3	-3.3	0.2	0.7	1.1	0.9	1.8	2.3	1.8
June-13	-0.4	-3.3	-0.2	0.7	1.2	1.0	0.9	2.2	1.9
Unemployment Rate									
December-10	4.5	6.9	6.2	6.1	5.2	4.1			
June-11	4.5	6.9	6.2	5.7	5.5	4.6	3.4		
December-11	4.5	6.9	6.2	5.5	5.4	5.1	4.4	3.5	
June-12	4.6	6.9	6.4	5.6	4.8	4.7	4.3	3.9	
December-12	4.6	6.9	6.4	5.6	5.0	5.0	4.4	3.9	3.5
June-13	4.6	6.9	6.4	6.6	5.0	4.4	4.1	3.6	3.3
Personal Income Growth									
December-10	2.7	0.2	2.5	2.8	5.8	6.5			
June-11	3.7	-0.3	3.4	5.5	4.8	6.8	6.1		
December-11	3.7	-1.3	3.4	4.0	5.0	5.3	5.1	4.8	
June-12	4.4	-1.3	3.4	4.3	3.3	4.4	6.0	6.2	
December-12	4.4	-2.2	3.3	4.7	3.2	3.4	5.6	6.3	5.2
June-13	4.4	-2.2	3.3	4.7	3.4	1.0	2.8	4.2	3.7
Home Price Growth									
December-10	0.3	-1.5	-1.3	-0.1	0.7	1.3			
June-11	0.1	-1.5	-0.9	0.0	0.7	1.3	1.5		
December-11	0.1	-1.5	-0.8	-0.5	0.5	1.2	1.6	2.1	
June-12	0.0	-1.6	-0.9	-0.4	0.6	1.1	1.6	2.0	
December-12	0.0	-1.9	-1.0	-0.4	0.5	1.0	1.5	2.0	3.1
June-13	0.0	-2.0	-1.1	-0.5	0.5	0.7	1.5	2.0	3.2

Methodological Notes and Other Comments

- This analysis has benefited significantly from the input and support of Tax Department and Joint Fiscal Office personnel. In the Joint Fiscal Office, Sara Teachout, Stephanie Barrett, Catherine Benham, Neil Schickner and Mark Perrault have contributed to numerous policy and revenue impact analyses and coordinated JFO forecast production and related legislative committee support functions. Theresa Utton-Jerman has diligently organized and updated large tax and other databases in support of JFO revenue forecasting activities. In the Tax Department, Sharon Asay, Doug Farnham and Terry Edwards provided significant analytic contributions to many tax and revenue forecasts, including tax law change analyses and statistical and related background information associated with the detailed tax databases they maintain. Our thanks to all of the above for their many contributions to this analysis.
- The analysis in support of JFO economic and revenue projections are based on statistical and econometric models, and professional analytic judgment. All models are based on 36 years of data for each of the 25 General Fund categories (three aggregates), 32 years of data for each of the Transportation Fund categories (one aggregate), and 14 to 36 years for each of the Education Fund categories. The analyses employed includes seasonal adjustment using the X-11 and X-12 Census methods, various moving average techniques (such as Henderson Curves, etc.), Box-Jenkins ARIMA type models, pressure curve analysis, comparable-pattern analysis of monthly, quarterly and half year trends for current year estimation, and behavioral econometric forecasting models.
- Because the State does not currently fund an internal State or U.S. macro-economic model, this analysis relies primarily on macro-economic models from Moody's/Economy.com and the New England Economic Partnership (NEEP). The NEEP forecast for Vermont is managed by Jeff Carr, of Economic & Policy Resources, Inc., who is also the current Administration economist. Since October of 2001, input and review of initial Vermont NEEP model design and output prior to its release has been provided by KRA, as the State Economist and Principal Economic Advisor to the Vermont Legislature. Dynamic and other input/output-based models for the State of Vermont, including those from Regional Economic Models, Inc. (REMI), Regional Dynamics, Inc. (REDYN), and IMPLAN are also maintained and managed by the JFO for use in selected economic impact and simulation analyses used herein.
- The Consensus JFO and Administration forecasts are developed following discussion, analysis and synthesis of independent revenue projections, econometric models and source data produced by Administration and Joint Fiscal Office economic advisors.

**TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2013**

SOURCE G-FUND

revenues are prior to all E-Fund allocations

and other out-transfers; used for
analytic and comparative purposes only

	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%	FY 2012	%	FY 2013	%	FY 2014	%	FY 2015	%
	<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																
Personal Income	\$622.3	7.1%	\$530.3	-14.8%	\$498.0	-6.1%	\$553.3	11.1%	\$597.0	7.9%	\$660.6	10.7%	\$686.3	3.9%	\$738.6	7.6%
Sales & Use*	\$338.4	1.4%	\$321.2	-5.1%	\$311.1	-3.1%	\$325.6	4.7%	\$341.8	5.0%	\$346.8	1.4%	\$357.2	3.0%	\$369.1	3.3%
Corporate	\$74.6	2.4%	\$66.2	-11.3%	\$62.8	-5.1%	\$89.7	42.7%	\$85.9	-4.2%	\$95.0	10.5%	\$91.8	-3.3%	\$94.6	3.1%
Meals and Rooms	\$121.1	5.4%	\$117.1	-3.3%	\$118.0	0.8%	\$122.6	4.0%	\$126.9	3.5%	\$134.8	6.2%	\$137.3	1.9%	\$142.5	3.8%
Cigarette and Tobacco**	\$59.2	-7.9%	\$64.1	8.3%	\$70.1	9.2%	\$72.9	4.0%	\$80.1	9.9%	\$74.3	-7.2%	\$72.5	-2.6%	\$70.5	-2.7%
Liquor	\$14.2	3.7%	\$15.0	6.0%	\$14.9	-1.0%	\$15.4	3.1%	\$16.4	7.0%	\$17.0	3.4%	\$17.4	2.4%	\$18.0	3.4%
Insurance	\$54.8	3.8%	\$53.7	-2.1%	\$53.3	-0.9%	\$55.0	3.3%	\$56.3	2.5%	\$55.0	-2.3%	\$54.3	-1.3%	\$53.6	-1.3%
Telephone	\$9.5	-4.6%	\$9.1	-3.8%	\$7.9	-13.9%	\$11.4	44.4%	\$9.6	-15.3%	\$9.4	-2.6%	\$9.3	-0.8%	\$9.2	-1.1%
Beverage	\$5.6	1.9%	\$5.6	0.3%	\$5.7	0.4%	\$5.8	2.2%	\$6.0	3.3%	\$6.2	3.3%	\$6.3	2.1%	\$6.5	3.2%
Electric***	\$2.7	3.3%	\$2.8	4.0%	\$2.9	2.5%	\$2.9	0.8%	\$2.9	0.3%	\$8.9	204.5%	\$12.5	39.7%	\$11.7	-6.3%
Estate	\$15.7	-11.9%	\$23.4	49.1%	\$14.2	-39.5%	\$35.9	153.3%	\$13.3	-62.8%	\$15.4	15.4%	\$19.1	24.1%	\$19.7	3.1%
Property	\$34.0	-13.5%	\$25.9	-23.7%	\$23.8	-8.2%	\$25.6	7.7%	\$24.1	-6.0%	\$28.5	18.3%	\$31.7	11.2%	\$36.2	14.2%
Bank	\$10.2	-3.4%	\$20.6	102.5%	\$10.4	-49.7%	\$15.4	49.0%	\$10.7	-30.9%	\$10.7	0.2%	\$10.8	1.1%	\$10.85	0.5%
Other Tax	\$3.2	-51.1%	\$2.8	-12.7%	\$3.7	32.1%	\$3.7	1.7%	\$1.2	-66.7%	\$1.8	42.9%	\$2.2	24.4%	\$2.5	13.6%
Total Tax Revenue	\$1365.5	3.0%	\$1257.9	-7.9%	\$1196.5	-4.9%	\$1335.1	11.6%	\$1372.4	2.8%	\$1464.3	6.7%	\$1508.6	3.0%	\$1583.5	5.0%
Business Licenses	\$2.7	-1.0%	\$3.0	9.4%	\$3.0	-0.2%	\$3.0	-0.6%	\$3.0	2.8%	\$2.8	-8.0%	\$3.0	7.0%	\$3.2	6.7%
Fees	\$14.7	3.6%	\$19.1	29.5%	\$19.2	0.9%	\$20.5	6.4%	\$20.9	2.1%	\$21.4	2.2%	\$21.7	1.6%	\$22.6	4.1%
Services	\$1.7	15.9%	\$1.5	-11.0%	\$1.2	-19.9%	\$1.1	-8.7%	\$2.3	105.8%	\$2.5	8.7%	\$1.8	-28.9%	\$1.9	5.6%
Fines	\$4.4	38.6%	\$9.8	122.0%	\$7.4	-24.8%	\$5.7	-22.2%	\$7.4	28.7%	\$4.7	-35.9%	\$5.9	25.1%	\$6.3	6.8%
Interest	\$3.9	10.1%	\$1.4	-63.9%	\$0.6	-57.0%	\$0.3	-49.7%	\$0.4	42.4%	\$0.6	26.3%	\$1.20	117.0%	\$2.80	133.3%
Lottery	\$22.7	-2.5%	\$20.9	-7.7%	\$21.6	3.0%	\$21.4	-0.7%	\$22.3	4.2%	\$22.9	2.7%	\$22.9	-0.2%	\$23.4	2.2%
All Other	\$0.6	-44.1%	\$0.2	-64.7%	\$0.3	57.4%	\$0.7	115.7%	\$0.9	15.8%	\$1.7	93.1%	\$1.0	-40.1%	\$1.1	10.0%
Total Other Revenue	\$50.9	2.5%	\$56.0	10.0%	\$53.3	-4.7%	\$52.8	-1.1%	\$57.3	8.6%	\$56.6	-1.2%	\$57.5	1.6%	\$61.3	6.6%
TOTAL GENERAL FUND	\$1416.4	3.0%	\$1313.9	-7.2%	\$1249.9	-4.9%	\$1387.9	11.0%	\$1429.7	3.0%	\$1520.9	6.4%	\$1566.1	3.0%	\$1644.8	5.0%

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

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

*** Assumes Vermont Yankee continues to operate beyond FY12, pending legal and regulatory rulings, and is taxed per Act 143 of 2012 effective in FY13;

Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund

**TABLE 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2013**

CURRENT LAW BASIS

including all Education Fund

allocations and other out-transfers

	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%	FY 2012	%	FY 2013	%	FY 2014	%	FY 2015	%
	<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																
Personal Income	\$622.3	7.1%	\$530.3	-14.8%	\$498.0	-6.1%	\$553.3	11.1%	\$597.0	7.9%	\$660.6	10.7%	\$686.3	3.9%	\$738.6	7.6%
Sales and Use*	\$225.6	1.4%	\$214.1	-5.1%	\$207.4	-3.1%	\$217.1	4.7%	\$227.9	5.0%	\$231.2	1.4%	\$232.2	0.4%	\$239.9	3.3%
Corporate	\$74.6	2.4%	\$66.2	-11.3%	\$62.8	-5.1%	\$89.7	42.7%	\$85.9	-4.2%	\$95.0	10.5%	\$91.8	-3.3%	\$94.6	3.1%
Meals and Rooms	\$121.1	5.4%	\$117.1	-3.3%	\$118.0	0.8%	\$122.6	4.0%	\$126.9	3.5%	\$134.8	6.2%	\$137.3	1.9%	\$142.5	3.8%
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	\$14.2	3.7%	\$15.0	6.0%	\$14.9	-1.0%	\$15.4	3.1%	\$16.4	7.0%	\$17.0	3.4%	\$17.4	2.4%	\$18.0	3.4%
Insurance	\$54.8	3.8%	\$53.7	-2.1%	\$53.3	-0.9%	\$55.0	3.3%	\$56.3	2.5%	\$55.0	-2.3%	\$54.3	-1.3%	\$53.6	-1.3%
Telephone	\$9.5	-4.6%	\$9.1	-3.8%	\$7.9	-13.9%	\$11.4	44.4%	\$9.6	-15.3%	\$9.4	-2.6%	\$9.3	-0.8%	\$9.2	-1.1%
Beverage	\$5.6	1.9%	\$5.6	0.3%	\$5.7	0.4%	\$5.8	2.2%	\$6.0	3.3%	\$6.2	3.3%	\$6.3	2.1%	\$6.5	3.2%
Electric**	\$2.7	3.3%	\$2.8	4.0%	\$2.9	2.5%	\$2.9	0.8%	\$2.9	0.3%	\$8.9	204.5%	\$12.5	NM	\$11.7	NM
Estate***	\$15.7	-11.9%	\$21.9	39.4%	\$14.2	-35.2%	\$21.0	48.3%	\$13.3	-36.5%	\$15.4	15.4%	\$19.1	24.1%	\$19.7	3.1%
Property	\$10.7	-16.3%	\$8.5	-21.1%	\$7.8	-8.2%	\$8.4	7.7%	\$7.9	-6.2%	\$9.2	16.5%	\$10.3	12.0%	\$11.7	14.2%
Bank	\$10.2	-3.4%	\$20.6	102.5%	\$10.4	-49.7%	\$15.4	49.0%	\$10.7	-30.9%	\$10.7	0.2%	\$10.8	1.1%	\$10.9	0.5%
Other Tax	\$3.2	-51.1%	\$2.8	-12.7%	\$3.7	32.1%	\$3.7	1.7%	\$1.2	-66.7%	\$1.8	42.9%	\$2.2	24.4%	\$2.5	13.6%
Total Tax Revenue	\$1170.3	4.1%	\$1067.7	-8.8%	\$1006.7	-5.7%	\$1121.6	11.4%	\$1162.1	3.6%	\$1255.0	8.0%	\$1289.7	2.8%	\$1359.4	5.4%
Business Licenses	\$2.7	-1.0%	\$3.0	9.4%	\$3.0	-0.2%	\$3.0	-0.6%	\$3.0	2.8%	\$2.8	-8.0%	\$3.0	7.0%	\$3.2	6.7%
Fees	\$14.7	3.6%	\$19.1	29.5%	\$19.2	0.9%	\$20.5	6.4%	\$20.9	2.1%	\$21.4	2.2%	\$21.7	1.6%	\$22.6	4.1%
Services	\$1.7	15.9%	\$1.5	-11.0%	\$1.2	-19.9%	\$1.1	-8.7%	\$2.3	105.8%	\$2.5	8.7%	\$1.8	-28.9%	\$1.9	5.6%
Fines	\$4.4	38.6%	\$9.8	122.0%	\$7.4	-24.8%	\$5.7	-22.2%	\$7.4	28.7%	\$4.7	-35.9%	\$5.9	25.1%	\$6.3	6.8%
Interest	\$5.3	7.2%	\$1.2	-77.8%	\$0.5	-56.3%	\$0.3	-49.9%	\$0.4	52.6%	\$0.5	20.5%	\$1.1	134.2%	\$2.6	136.4%
All Other	\$0.6	-44.1%	\$0.2	-64.7%	\$0.3	57.4%	\$0.7	115.7%	\$0.9	15.8%	\$1.7	93.1%	\$1.0	-40.1%	\$1.1	10.0%
Total Other Revenue	\$29.5	6.5%	\$34.8	18.0%	\$31.7	-8.9%	\$31.3	-1.2%	\$34.9	11.5%	\$33.6	-3.8%	\$34.5	2.8%	\$37.7	9.3%
TOTAL GENERAL FUND	\$1199.7	4.2%	\$1102.5	-8.1%	\$1038.4	-5.8%	\$1152.8	11.0%	\$1197.0	3.8%	\$1288.6	7.7%	\$1324.2	2.8%	\$1397.1	5.5%

* Includes \$2.5M transfer to the T-Fund in FY08 for prior years Jet Fuel tax processing errors; Transfer to the Education Fund increases from 33.3% to 35.0% effective in FY14

** Assumes Vermont Yankee continues to operate beyond FY12, pending legal and regulatory rulings, and is taxed per Act 143 of 2012 effective in FY13;

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 \$11.0M in FY11

**TABLE 2A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2013**

SOURCE T-FUND

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

	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%	FY 2012	%	FY 2013	%	FY 2014	%	FY 2015	%
	<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	\$62.6	-1.6%	\$60.6	-3.1%	\$61.0	0.6%	\$60.6	-0.6%	\$59.3	-2.2%	\$59.9	1.1%	\$77.5	29.3%	\$81.1	4.6%
Diesel	\$16.6	-7.8%	\$15.5	-6.5%	\$15.1	-2.6%	\$15.4	2.0%	\$16.0	3.9%	\$15.6	-2.2%	\$17.2	9.9%	\$18.3	6.4%
Purchase and Use*	\$79.0	-2.0%	\$65.9	-16.6%	\$69.7	5.7%	\$77.1	10.5%	\$81.9	6.3%	\$83.6	2.0%	\$88.1	5.4%	\$94.4	7.2%
Motor Vehicle Fees	\$67.5	3.2%	\$65.5	-3.0%	\$72.5	10.7%	\$72.3	-0.3%	\$73.5	1.7%	\$77.9	5.9%	\$78.2	0.4%	\$79.8	2.0%
Other Revenue**	\$23.7	17.2%	\$18.0	-24.0%	\$18.2	1.4%	\$17.9	-1.9%	\$18.3	2.2%	\$19.1	4.2%	\$19.3	1.3%	\$19.7	2.1%
TOTAL TRANS. FUND	\$249.4	0.6%	\$225.6	-9.6%	\$236.6	4.9%	\$243.3	2.8%	\$249.0	2.3%	\$256.0	2.8%	\$280.3	9.5%	\$293.3	4.6%

**TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2013**

CURRENT LAW BASIS

including all Education Fund
allocations and other out-transfers

	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%	FY 2012	%	FY 2013	%	FY 2014	%	FY 2015	%
	<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	\$62.6	-1.6%	\$60.6	-3.1%	\$61.0	0.6%	\$60.6	-0.6%	\$59.3	-2.2%	\$59.9	1.1%	\$77.5	29.3%	\$81.1	4.6%
Diesel	\$16.6	-7.8%	\$15.5	-6.5%	\$15.1	-2.6%	\$15.4	2.0%	\$16.0	3.9%	\$15.6	-2.2%	\$17.2	9.9%	\$18.3	6.4%
Purchase and Use*	\$52.7	-2.0%	\$44.0	-16.6%	\$46.5	5.7%	\$51.4	10.5%	\$54.6	6.3%	\$55.7	2.0%	\$58.7	5.4%	\$62.9	7.2%
Motor Vehicle Fees	\$67.5	3.2%	\$65.5	-3.0%	\$72.5	10.7%	\$72.3	-0.3%	\$73.5	1.7%	\$77.9	5.9%	\$78.2	0.4%	\$79.8	2.0%
Other Revenue**	\$23.7	23.5%	\$18.0	-24.0%	\$18.2	1.4%	\$17.9	-1.9%	\$18.3	2.2%	\$19.1	4.2%	\$19.3	1.3%	\$19.7	2.1%
TOTAL TRANS. FUND	\$223.1	1.4%	\$203.6	-8.7%	\$213.3	4.8%	\$217.6	2.0%	\$221.7	1.9%	\$228.2	2.9%	\$250.9	10.0%	\$261.8	4.3%

OTHER

TIB Gasoline					\$13.4	NM	\$16.5	23.6%	\$20.9	26.6%	\$21.2	1.4%	\$21.0	-1.0%	\$22.0	4.6%
TIB Diesel and Other***					\$1.5	NM	\$2.0	32.1%	\$1.9	-2.1%	\$1.8	-8.1%	\$1.8	3.2%	\$1.9	5.5%
Total TIB					\$14.9	NM	\$18.5	24.4%	\$22.8	23.5%	\$23.0	0.6%	\$22.8	-0.7%	\$23.9	4.6%

* 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 \$15,000

**TABLE 3 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE EDUCATION FUND* REVENUE FORECAST UPDATE
(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)
Consensus JFO and Administration Forecast - July 2013**

CURRENT LAW BASIS

* Source General and Transportation

Fund taxes allocated to or associated
with the Education Fund only

	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%	FY 2012	%	FY 2013	%	FY 2014	%	FY 2015	%
	<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>
GENERAL FUND																
Sales & Use**	\$112.8	1.4%	\$107.1	-5.1%	\$103.7	-3.1%	\$108.5	4.7%	\$113.9	5.0%	\$115.6	1.4%	\$125.0	8.2%	\$129.2	3.3%
Interest	(\$1.3)	-0.8%	\$0.3	NM	\$0.1	-60.2%	\$0.1	-48.8%	\$0.0	-7.5%	\$0.1	72.8%	\$0.1	19.9%	\$0.2	100.0%
Lottery	\$22.7	-2.5%	\$20.9	-7.7%	\$21.6	3.0%	\$21.4	-0.7%	\$22.3	4.2%	\$22.9	2.7%	\$22.9	-0.2%	\$23.4	2.2%
TRANSPORTATION FUND																
Purchase and Use***	\$26.3	-2.0%	\$22.0	-16.6%	\$23.2	5.7%	\$25.7	10.5%	\$27.3	6.3%	\$27.9	2.0%	\$29.4	5.4%	\$31.5	7.2%
TOTAL	\$160.5	0.3%	\$150.2	-6.4%	\$148.6	-1.1%	\$155.7	4.8%	\$163.6	5.1%	\$166.5	1.7%	\$177.4	6.6%	\$184.3	3.9%

** Includes Telecommunications Tax; Includes \$1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors; Transfer percentage from the General Fund increases from 33.3% to 35.0% effective in FY14

*** Includes Motor Vehicle Rental revenues, restated