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July 2010
Economic Review and Revenue Forecast Update

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

July 15, 2010

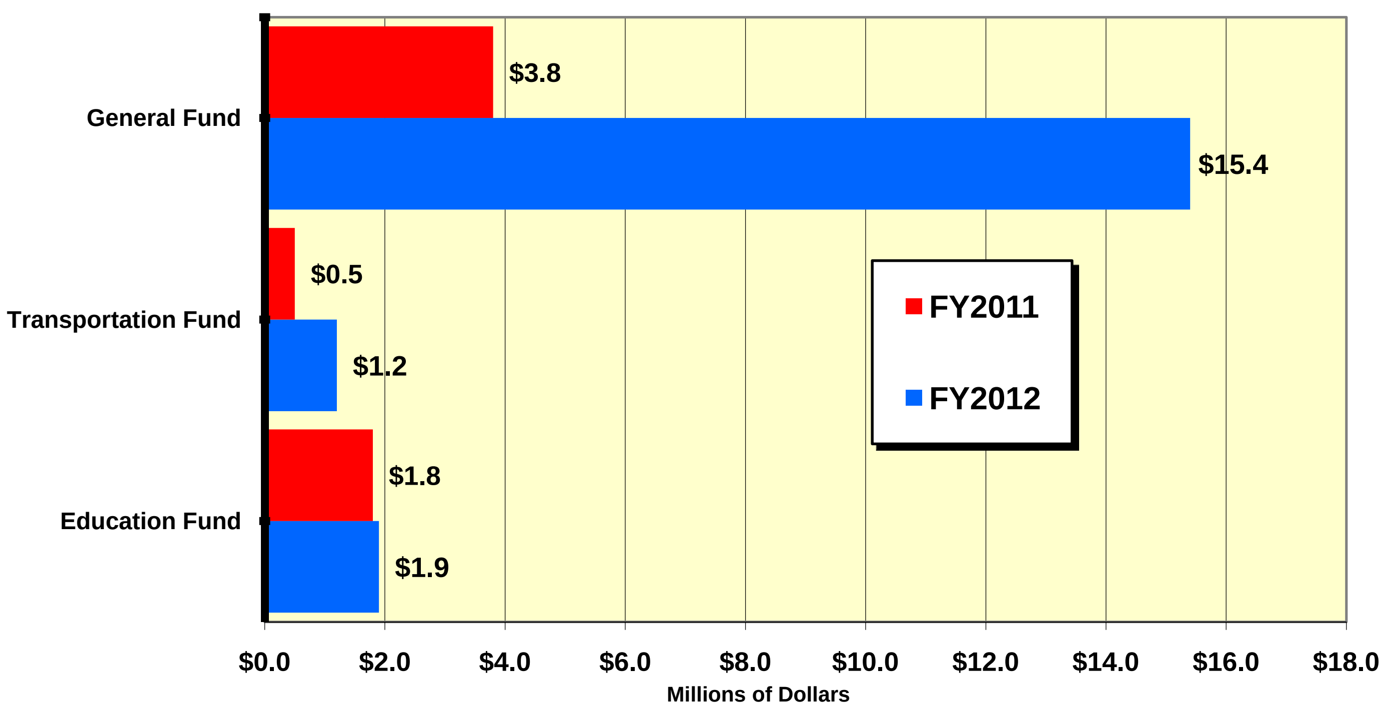
Economic Review and Revenue Forecast Update July 2010

Overview

A tentative and uneven economic recovery is now underway, supporting FY2010 year-end State revenue receipts that were very close to expectations. Risks of slower growth ahead or even a double dip recession remain, however, as the European debt crisis weighs on fragile financial markets and the removal of critical federal fiscal and monetary props could offset any near-term growth in private sector demand. Real estate and construction remain mired in an epic downturn that still has about a year of declining home prices and continued high foreclosure rates to endure. Labor markets, which typically lag the business cycle, are also still experiencing extreme stress, as businesses resume spending, sales growth and profitability, but not hiring. Despite all this, real U.S. GDP grew 5.6% in the fourth quarter of 2009, 2.7% in the first quarter of this year and is poised to grow between 2.0% and 5.5% throughout the forecast period.

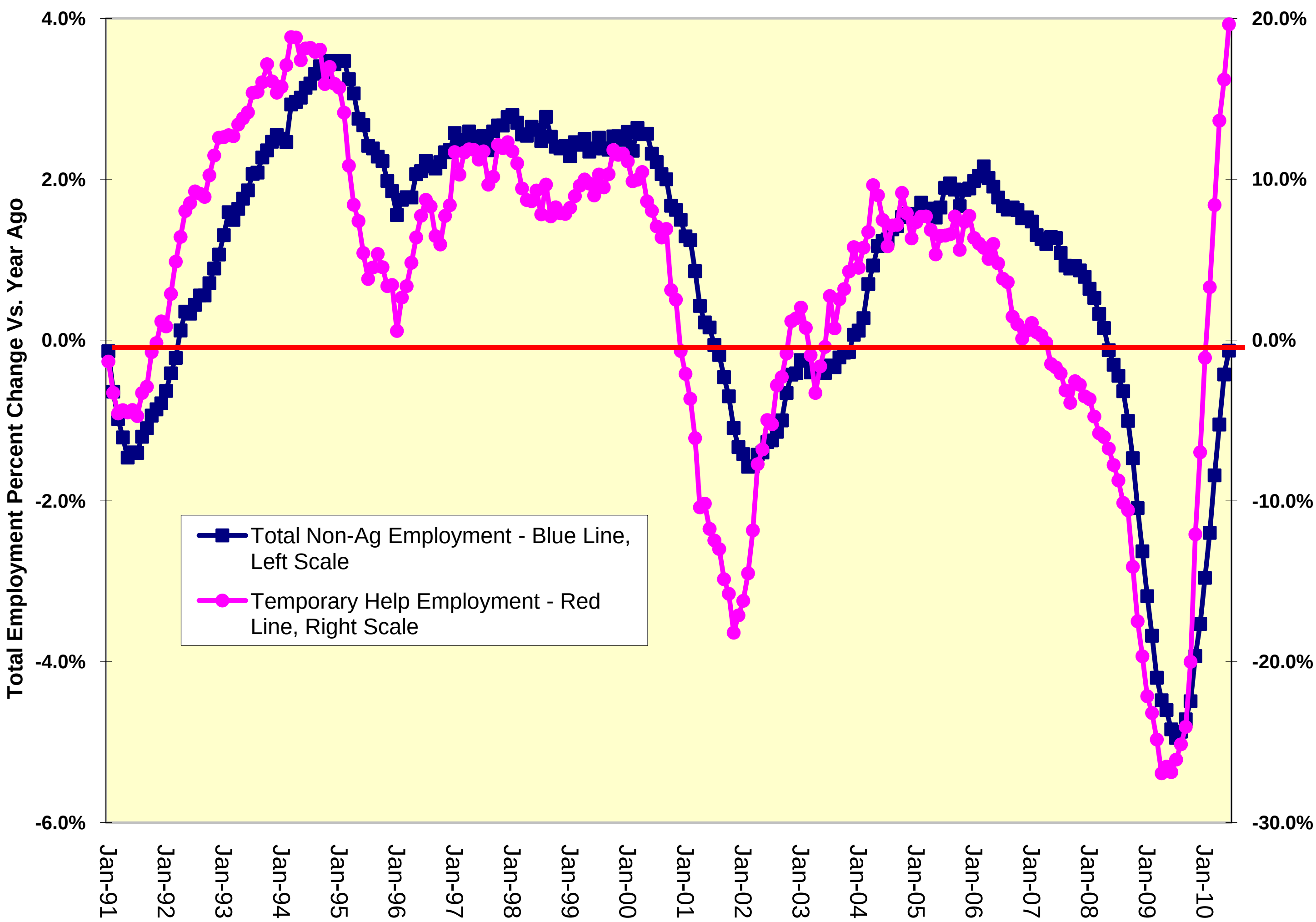
Total revenues for all three major funds closed FY10 less than 1% above forecast targets. Even with mounting downside risks, current external economic projections are close to or slightly above those used in January of 2010. Accordingly, most revenue changes in the forecasts herein represent technical adjustments, most of which resulted in expectations of additional revenues in the three major funds in FY11 and FY12 (see chart below).

Recommended Net Revenue Changes from January 2010 Forecast



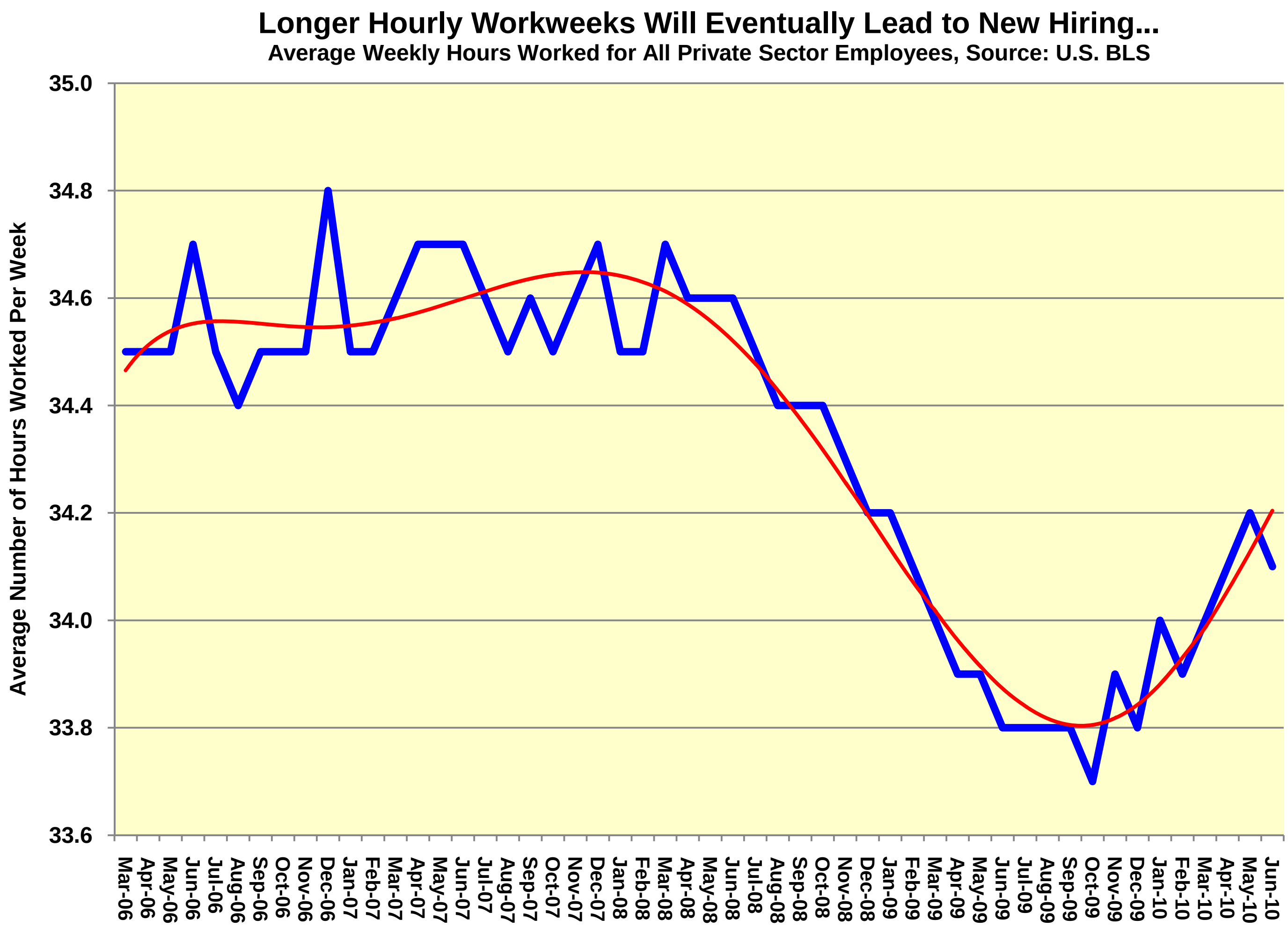
- One year ago, Federal Reserve Board Chairman Ben Bernanke boldly reported sighting “green shoots” of growth sprouting throughout the economic landscape. Although these visions proved to be a mirage, clear signs of growth now clearly abound: real GDP has been positive since the third quarter of 2009, corporate balance sheets – especially among larger firms – are exceptionally strong, with profits up more than 40%, consumer spending is again expanding and forward-looking indicators, such as the Conference Board’s Leading Economic Index portend continued future growth through at least the end of the year. Only lagging indicators, such as employment, and real estate markets, which are responding to a longer and unique sectoral cycle, remain depressed.

Temp Employment Gains Suggests U.S. Job Growth Will Resume Soon
Year Ago Percent Change, Seasonally Adjusted Data, Source: U.S. Bureau of Labor Statistics

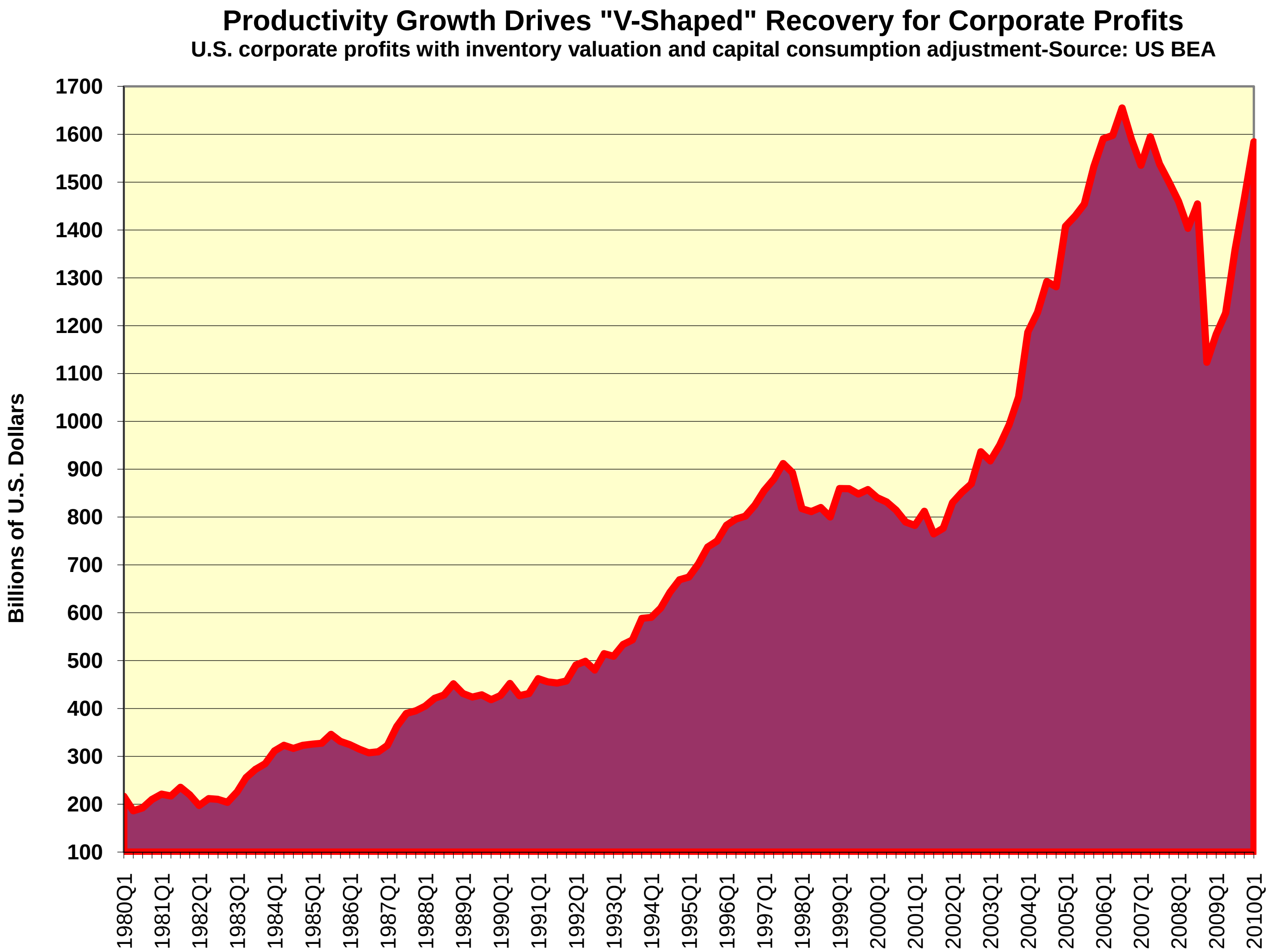


- While there are many risks to the continued expansion, there are also some signs that it may soon take a firmer hold and finally result in more widespread hiring and employment growth. As illustrated in the above chart, temporary help employment growth has tended to be an extraordinarily accurate harbinger of total employment changes, both during periods of recession and recovery. During the past 5 months, year over year hiring of temps has increased dramatically. As businesses experience more sustained demand growth, many of these positions will turn into permanent jobs.

- Longer average hourly work weeks also suggest stronger employment growth may be at hand. Economy.com estimates that every 6 minute increase in the average workweek is the equivalent in productive capacity to the addition of about 300,000 jobs. By this accounting, the uptick in hours worked since the October 2009 low of 33.7 hours to the current June 2010 level of 34.1 hours represents an equivalent demand for approximately 1.2 million jobs. As this figure continues to climb back to historic averages, job growth is likely to follow.

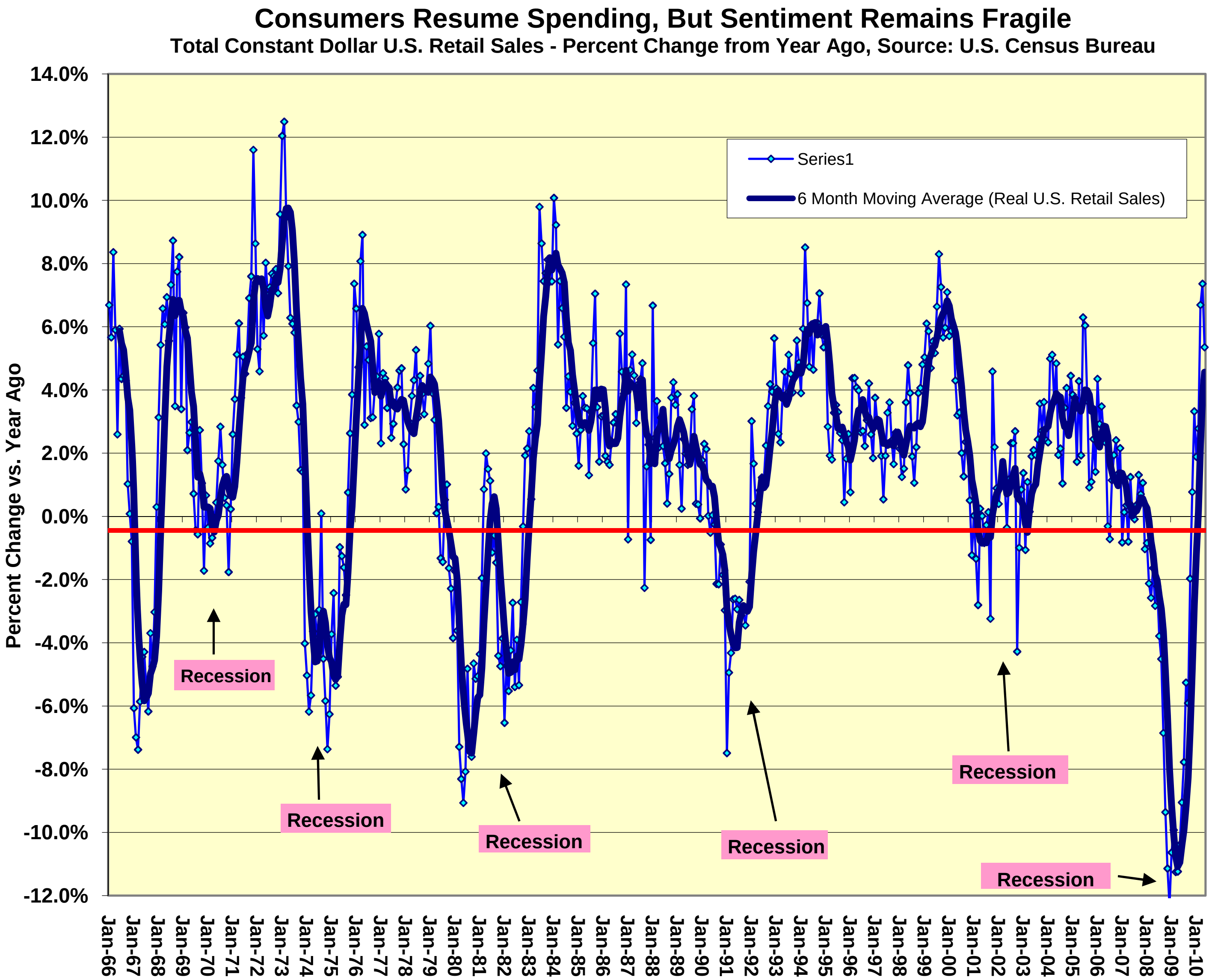


- Rebounding corporate profit growth, as illustrated in the chart on the following page, is another reason job growth could pick up soon. Corporate balance sheets are exceptionally healthy, benefiting from extraordinary productivity growth – recently as high as 6% - as outsized profit growth accompanies resumed growth in sales. These productivity gains should also leave U.S. firms in a strong global competitive position during the recovery, especially with a relatively weak dollar. All this will eventually lead to new hiring as sustained demand outstrips capacity.



- While large businesses have experienced plentiful access to capital and healthy profitability, there are indications small business growth continues to be severely hampered by limited access to credit. Despite low interest rates, bank lending standards for loans to small businesses tightened sharply in 2008 and 2009, leaving these firms with limited access to critical capital flows for expansion, new hiring and in some cases, survival. While the most recent Federal Reserve survey on bank lending standards in April reported that lending standards to small businesses are no longer tightening, Fed Chairman Bernanke noted that "credit conditions [for small businesses] remain very difficult." Fed data shows that outstanding loans to small businesses actually *declined* by $40 billion between 2008 and 2010. Given that small firms employ about half of all U.S. workers and account for about 60% of all new job creation, the resumption of normal credit flows to these companies is essential to a revival of U.S. job growth in the years ahead.

- Per the below chart, consumer spending, which represents almost 70% of the U.S. economy, continued to bounce back in the first half of 2010, with consistent year-over-year growth. This, in turn, fueled slightly stronger consumption tax revenues in Vermont, with Sales and Use, Motor Vehicle Purchase and Use, and Meals and Rooms revenues all ending FY10 above target. The magnitude of the decline in U.S. consumer demand, however, is illustrated by the fact that inflation-adjusted retail sales in May of 2010 were exceeded by levels reached nearly 7 years ago (in mid-2003!).



- Like the economy at large, and despite recent and significant improvement, consumers remain cautious and vulnerable to setback. This was illustrated in the June Consumer Confidence Index, which dropped sharply after 3 consecutive monthly gains. Apprehension associated with weaker job growth and stock market declines left the Index at 52.9 in June vs. 62.7 in May. Of the 5,000 U.S. households who were surveyed, those claiming "jobs are hard to get" increased from 43.9% to 44.8%, while those saying "jobs are plentiful" declined from 4.6% to 4.3%.

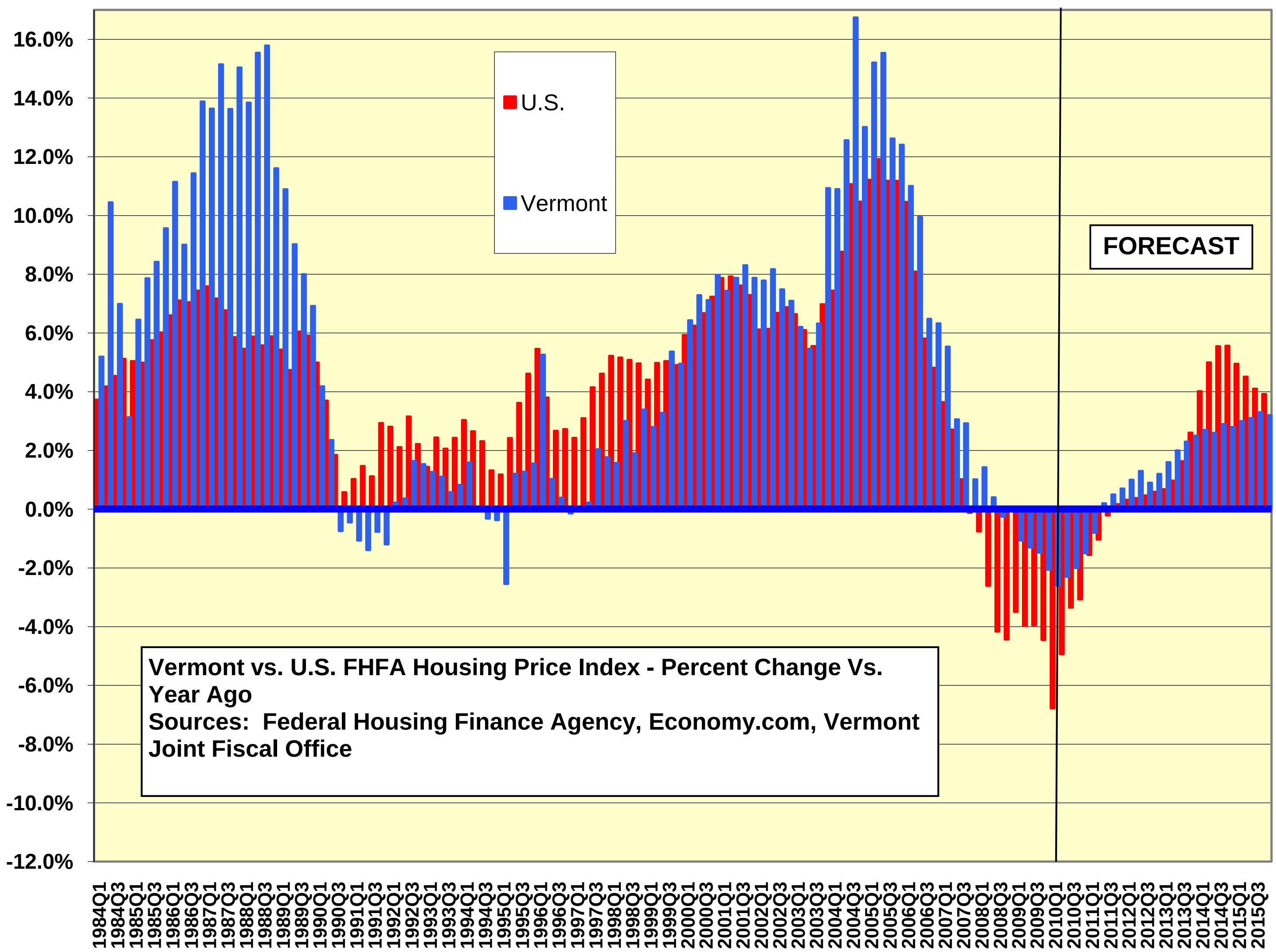
- Such vulnerability is characteristic of conditions at this phase of the business cycle, with downside risks heightened. The unprecedented reliance on federal fiscal and monetary support during this recovery and the increasing global interconnectivity of the world's economies exacerbates these risks.

- The European sovereign debt crisis is a case in point, with the sudden realization by credit rating agencies, banks and other investors that they may have facilitated too much lending to debt-heavy euro-zone countries like Greece, Portugal and Spain – especially now that economic growth has slowed in the wake of the Great Recession. The ensuing credit panic, withdrawal of credit, and contagion to other countries shows how fragile the global financial system still is and how mismatched existing political and monetary institutions are in the face of such challenges. Although European countries may yet respond with enough collective money and institutional creativity to solve this dilemma, there are many less attractive possible endings – all of which could negatively impact the U.S. economy.

- While Europe may achieve a double-dip recession through financial market chaos, the most likely near term threat to the U.S. economy probably comes from the premature withdrawal of federal fiscal and monetary support. This support has totaled nearly $1 trillion to date, almost 7% of total U.S. GDP, and was pivotal to ending the recession and stimulating recovery in both the U.S. and Vermont. The spendout of stimulus funding accelerated through the fourth quarter of last year, but is now winding down and will have largely expired by the end of FY11. This economic drag will need to be offset with private sector growth or a double dip recession will result. While no one would argue that long term debt reduction must be a priority, the premature shift away from fiscal and monetary stimulus could be even more costly.

- Real estate markets are another continuing source of downside risk, with housing price declines in most markets expected to persist for at least another few quarters and foreclosure rates to hover near all-time highs during this period as well. Until prices stabilize, very little recovery will be possible in this sector, limiting both new construction and demand for products associated with housing resale activity.

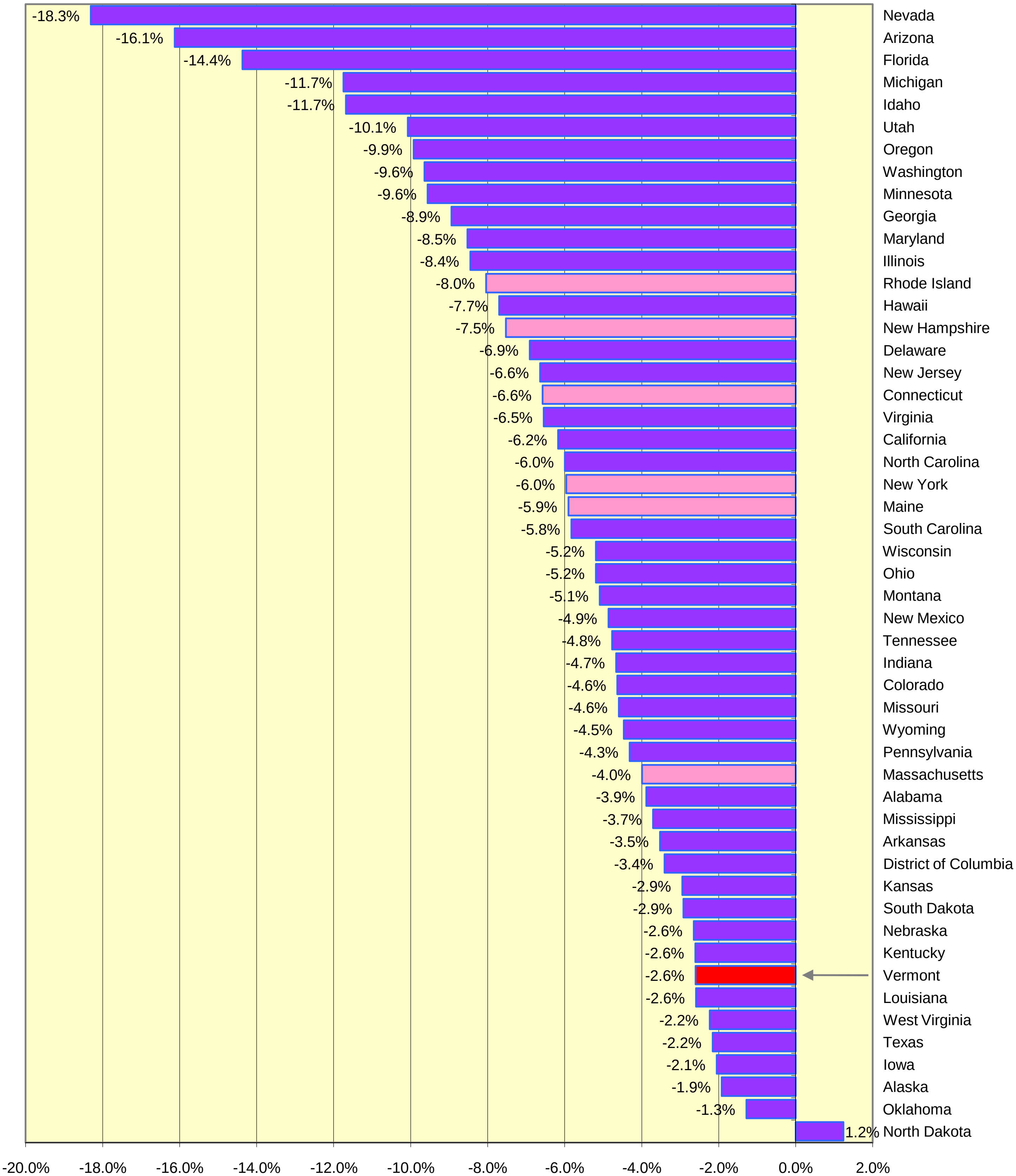
More Pain Ahead As Price Declines Continue to Weigh on Real Estate Markets



- As illustrated in the charts on the following three pages, housing price declines in Vermont have been the lowest in New England and well below average among all U.S. states over almost any time period in recent years.

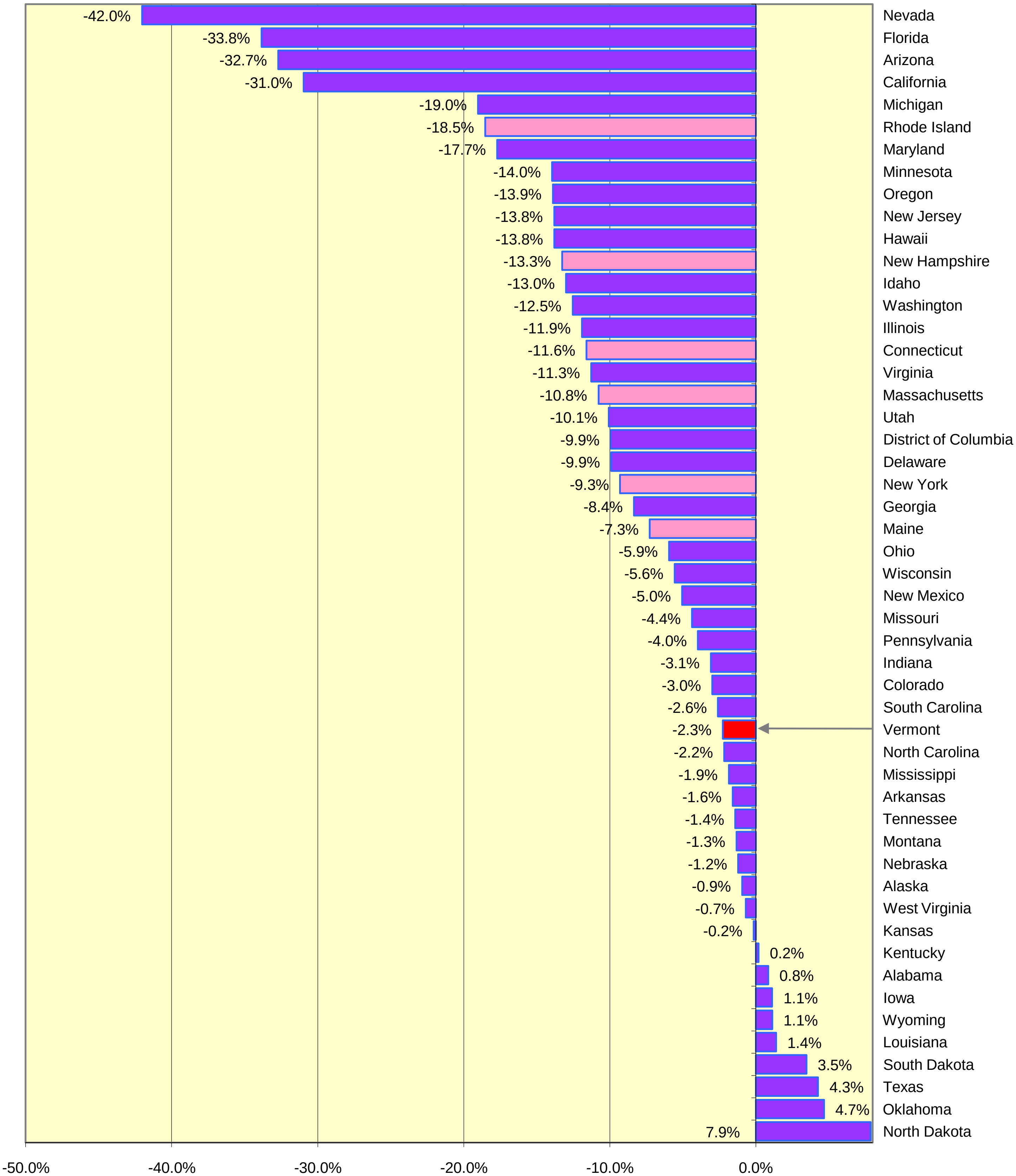
Real Estate Markets are Regional: Home Price Changes in 2010Q1

Percent Change, First Quarter of 2010 vs. First Quarter of 2009, Source: FHFA Home Price Index



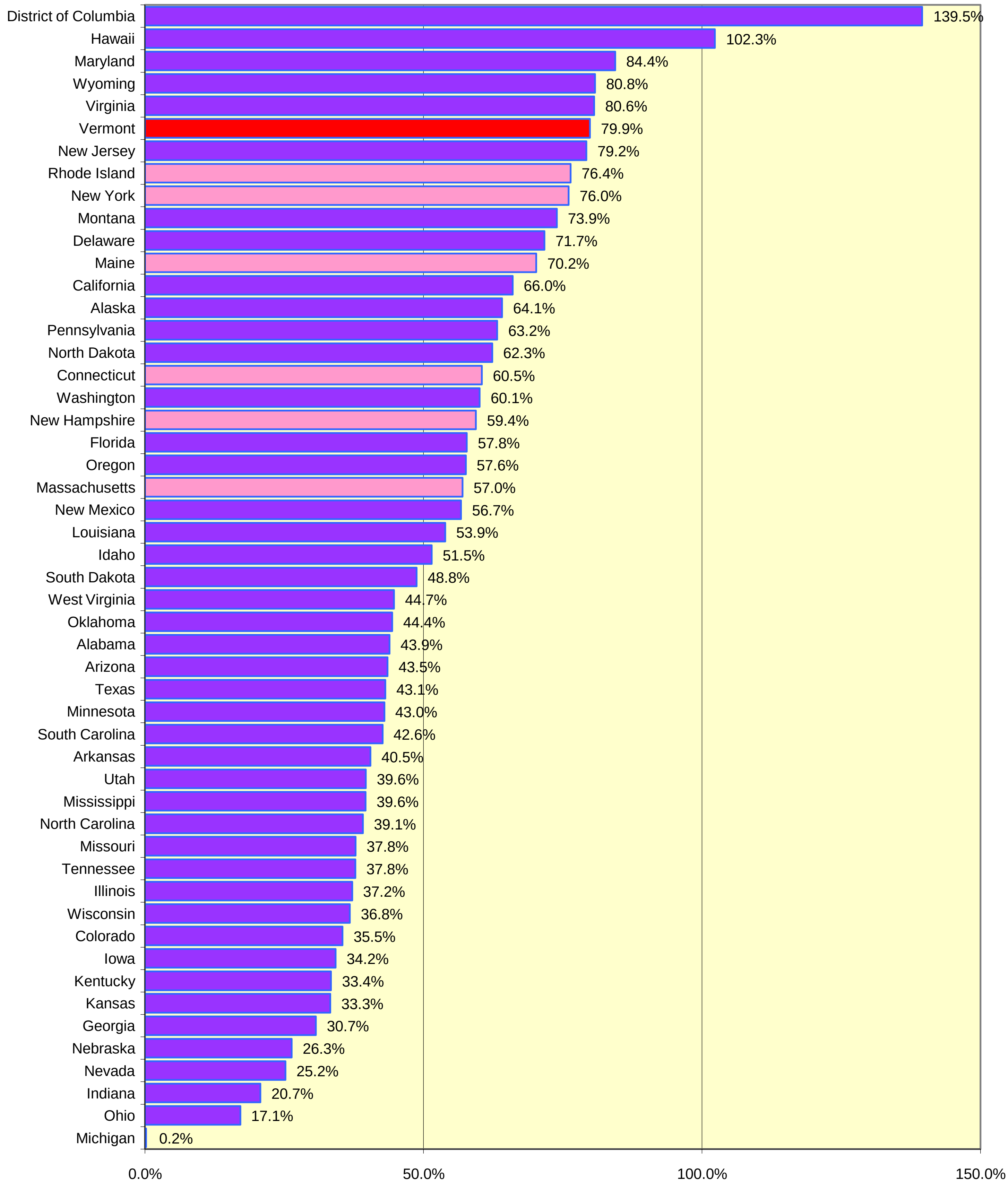
Real Estate Markets are Regional: 3 Year Change in Home Prices

Percent Change, First Quarter of 2010 vs. First Quarter of 2007, Source: FHFA Home Price Index



Real Estate Markets are Regional: 10 Year Growth in Home Prices

Percent Change, First Quarter of 2010 vs. First Quarter of 2000, Source: FHFA Home Price Index



Unlike the real estate cycle in the late 1980's, in which New England states were among the most severely affected, the current real estate downturn has been most extreme in the high growth states of Nevada, Arizona, Florida and California, as well as an assortment of other states in which sub-prime mortgage lending was rampant. As illustrated in the chart depicting 10 year growth between 2000 and 2010, the relatively low price declines in recent years in Vermont are not the result of low home price appreciation preceding the real estate bubble. Vermont had higher than average appreciation during this period than all but 5 states but markets were not as overpriced as many states due to an extended period of very low price appreciation in the early and mid-1990's in response to the last major real estate cycle.

- Vermont revenue performance in FY10 was within 1% of expectations in all three major funds. Virtually all major revenue subcategories were close to targets, after adjustment for a revenue accounting issue that overstated Corporate revenues and understated Personal Income by a offsetting amounts. As detailed in Table 1, restated Personal Income revenue in FY10 was approximately $498 million (-6.1%) and Corporate Income revenue was approximately $63 million (-5.1%).

- After an unprecedented two consecutive years of revenue declines, the General Fund is expected to grow by about 5% in FY11, with growth accelerating to more than 7.5% in FY12. The Transportation Fund is expected to grow 2.4% in FY11 and 4.3% in FY12, in part due to the normal cycle of two year motor vehicle registrations and in part due to improving external economic conditions. The Education Fund components reported herein (those derived from prior General and Transportation Fund sources only), are expected to grow 3.4% in FY11 and 4.5% in FY12. As previously mentioned, these changes represent relatively minor adjustments from the prior January 2010 projections – with most changes amounting to less than 2% of prior forecast levels.

- The U.S. and Vermont macro-economic forecasts upon which the revenue forecasts in this Update are based are summarized in the below Tables A and B, and represent a blend of both Moody's Economy.com (E.com) projections and New England Economic Partnership (NEEP) forecasts. The NEEP forecasts were prepared in March-April of 2010 with JFO input and review, while the E.com projections utilized a more recent June forecast purchased by the JFO and Administration. Although there were extensive historical data revisions to many economic series used in this analysis, most changes to the economic outlook were slightly positive, on balance. These adjustments suggest a earlier and slightly stronger recovery than previously forecast, largely due to the impacts of federal stimulus spending (especially in Vermont) and continued monetary ease.

TABLE A

Comparison of Recent NEEP/Economy.com U.S. Macroeconomic Forecasts

December-08 Through June-10, Selected Variables, Calendar Year Basis

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real GDP Growth									
December-08	*2.9*	*2.8*	*2.0*	*1.2*	*-1.5*	*2.1*	*4.8*	*5.1*	
June-09	*2.9*	*2.8*	*2.0*	*1.1*	*-3.0*	*1.2*	*4.4*	*5.8*	
November-09	*3.1*	*2.7*	*2.1*	*0.4*	*-2.6*	*1.8*	*3.9*	*5.4*	*3.6*
June-10	*3.1*	*2.7*	*2.1*	*0.4*	*-2.4*	*3.1*	*3.9*	*5.0*	*3.4*
S&P 500 Growth (Annual Avg.)									
December-08	*6.8*	*8.6*	*12.7*	*-18.3*	*-12.4*	*30.8*	*7.6*	*8.8*	
June-09	*6.8*	*8.6*	*12.7*	*-17.3*	*-23.7*	*31.1*	*8.2*	*7.5*	
November-09	*6.8*	*8.6*	*12.7*	*-17.3*	*-23.9*	*24.6*	*8.0*	*7.4*	*5.0*
June-10	*6.8*	*8.6*	*12.7*	*-17.3*	*-22.5*	*21.2*	*5.8*	*4.2*	*5.9*
Employment Growth (Non-Ag)									
December-08	*1.7*	*1.8*	*1.1*	*-0.2*	*-2.2*	*0.4*	*2.5*	*3.1*	
June-09	*1.7*	*1.8*	*1.1*	*-0.4*	*-3.7*	*-0.8*	*2.4*	*3.6*	
November-09	*1.7*	*1.8*	*1.1*	*-0.4*	*-3.7*	*-1.0*	*2.2*	*3.5*	*3.3*
June-10	*1.7*	*1.8*	*1.1*	*-0.6*	*-4.3*	*-0.4*	*1.5*	*2.9*	*3.2*
Unemployment Rate									
December-08	*5.1*	*4.6*	*4.6*	*5.7*	*8.0*	*8.7*	*7.4*	*5.9*	
June-09	*5.1*	*4.6*	*4.6*	*5.8*	*9.3*	*9.9*	*8.6*	*6.6*	
November-09	*5.1*	*4.6*	*4.6*	*5.8*	*9.2*	*10.0*	*8.9*	*7.0*	*5.8*
June-10	*5.1*	*4.6*	*4.6*	*5.8*	*9.3*	*9.9*	*9.5*	*7.5*	*6.1*
West Texas Int. Crude Oil $/Bbl									
December-08	*56.5*	*66.1*	*72.4*	*101.2*	*53.4*	*77.5*	*85.4*	*82.4*	
June-09	*56.5*	*66.1*	*72.4*	*100.8*	*58.1*	*74.6*	*84.5*	*82.4*	
November-09	*56.5*	*66.1*	*72.4*	*100.8*	*60.6*	*75.9*	*87.5*	*89.4*	*90.2*
June-10	*56.5*	*66.1*	*72.4*	*99.6*	*61.7*	*79.5*	*87.3*	*89.4*	*90.2*
Prime Rate									
December-08	*6.19*	*7.96*	*8.05*	*4.96*	*3.28*	*5.02*	*7.34*	*7.60*	
June-09	*6.19*	*7.96*	*8.05*	*5.09*	*3.25*	*3.53*	*5.32*	*7.07*	
November-09	*6.19*	*7.96*	*8.05*	*5.09*	*3.22*	*3.35*	*5.15*	*7.01*	*7.50*
June-10	*6.19*	*7.96*	*8.05*	*5.09*	*3.25*	*3.2*	*4.6*	*6.78*	*7.07*
Consumer Price Index Growth									
December-08	*3.4*	*3.2*	*2.9*	*4.2*	*0.9*	*2.7*	*1.8*	*1.7*	
June-09	*3.4*	*3.2*	*2.9*	*3.8*	*-0.6*	*1.7*	*2.0*	*2.0*	
November-09	*3.4*	*3.2*	*2.9*	*3.8*	*-0.5*	*1.7*	*1.9*	*2.1*	*2.0*
June-10	*3.4*	*3.2*	*2.9*	*3.8*	*-0.3*	*1.8*	*2.1*	*3.1*	*2.8*
Avg. Home Price Growth									
December-08	*11.6*	*7.8*	*2.5*	*-3.0*	*-8.1*	*-6.4*	*1.7*	*4.4*	
June-09	*11.5*	*7.5*	*2.2*	*-2.5*	*-5.5*	*-9.9*	*-0.1*	*4.0*	
November-09	*11.5*	*7.4*	*2.0*	*-2.6*	*-5.0*	*-10.4*	*-1.5*	*4.2*	*5.7*
June-10	*11.4*	*7.2*	*1.8*	*-3.0*	*-4.0*	*-4.6*	*-0.7*	*0.4*	*1.5*

TABLE B
Comparison of Adjusted NEEP/Economy.com/JFO Vermont State Forecasts
July-08 Through June-10, Selected Variables, Calendar Year Basis

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real GSP Growth									
July-08	2.0	1.2	1.5	-0.4	1.6	4.0	3.4	2.4	
October-08	2.0	1.2	1.5	1.3	0.1	2.8	3.3	3.2	
December-08	2.0	1.2	1.5	1.2	-0.8	1.8	3.9	4.5	
June-09	2.2	1.3	1.7	1.7	-3.3	0.5	3.4	5.1	
November-09	2.2	1.3	1.7	1.7	-3.1	-0.5	4.5	5.3	4.3
June-10	2.2	1.3	1.7	1.7	-0.3	3.5	4.0	5.1	3.2
Population Growth									
July-08	0.2	0.2	0.1	0.1	0.2	0.2	0.3	0.4	
October-08	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	
December-08	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.3	
June-09	0.1	0.1	0.1	0.1	0.0	0.1	0.3	0.3	
November-09	0.1	0.1	0.1	0.1	0.0	0.2	0.3	0.3	0.3
June-10	0.1	0.2	0.1	0.1	0.1	0.1	0.3	0.3	0.3
Employment Growth									
July-08	0.9	0.7	0.0	-0.5	-0.1	1.3	1.1	0.6	
October-08	0.9	0.7	0.0	-0.3	-1.7	-0.6	1.0	1.4	
December-08	0.9	0.7	0.0	-0.2	-1.3	0.2	1.6	1.6	
June-09	0.9	0.7	0.2	-0.7	-4.6	-1.7	1.4	2.9	
November-09	0.9	0.7	0.2	-0.7	-3.8	-1.1	1.3	2.3	2.9
June-10	0.8	0.7	0.2	-0.4	-3.3	-0.4	0.8	2.2	1.9
Unemployment Rate									
July-08	3.5	3.7	3.9	4.9	5.4	5.0	4.6	4.4	
October-08	3.5	3.7	3.9	4.9	6.3	6.7	6.0	5.3	
December-08	3.5	3.7	3.9	4.9	6.6	7.2	6.3	5.1	
June-09	3.5	3.7	4.0	4.8	8.0	8.9	7.7	6.1	
November-09	3.5	3.7	4.0	4.8	7.2	8.1	7.4	6.0	5.1
June-10	3.5	3.7	3.9	4.5	6.9	6.7	6.6	5.4	4.5
Personal Income Growth									
July-08	2.9	6.4	5.2	3.7	2.8	4.0	4.1	4.3	
October-08	2.5	7.6	6.6	3.6	1.9	2.9	3.8	3.9	
December-08	2.5	7.6	6.6	3.9	1.3	2.5	3.6	4.5	
June-09	2.5	7.6	6.7	3.8	0.1	0.7	2.4	4.4	
November-09	2.5	7.6	6.7	4.3	1.4	1.1	2.4	3.5	5.1
June-10	2.3	8.0	4.8	2.7	-0.3	2.8	3.4	5.5	6.0
Home Price Growth (JFO*)									
July-08	14.2	9.4	4.0	0.1	-1.4	0.2	1.1	1.8	
October-08	14.2	9.2	4.0	0.8	-2.7	0.2	1.6	1.5	
December-08*	14.1	9.1	3.9	0.7	-1.3	0.1	1.1	1.5	
June-09*	14.0	8.9	3.4	0.9	-1.7	-1.6	0.5	1.1	
November-09*	14.0	8.5	3.2	0.8	-1.8	-1.9	0.4	1.1	2.1
June-10	13.9	8.4	3.1	0.4	-1.5	-2.1	0.1	1.1	2.1

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 organized and maintains large tax and other databases in support of JFO revenue forecasting activities. In the Tax Department, Susan Mesner, Tax Department Economist, has made important analytic contributions to many tax and revenue forecasts, including tax law change analyses and Bill Smith, Tax Department Statistician and Policy Analyst, has provided a wealth of statistical and related background information from the detailed tax databases he has developed and maintained. 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 32 years of data for each of the 25 General Fund categories (three aggregates), 29 years of data for each of the Transportation Fund categories (one aggregate), and 11 to 32 years for each of the Education Fund categories. The analyses employed includes seasonal adjustment using the X-11 and X-12 Census methods, various moving average techniques (such as Henderson Curves, etc.), Box-Jenkins ARIMA type models, pressure curve analysis, comparable-pattern analysis of monthly, quarterly and half year trends for current year estimation, and behavioral econometric forecasting models.

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

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

TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2010

SOURCE G-FUND *revenues are prior to all E-Fund allocations and other out-transfers. Used for analytic and comparative purposes only.*	**FY 2006** *(Actual)*	**%** Change	**FY 2007** *(Actual)*	**%** Change	**FY 2008** *(Actual)*	**%** Change	**FY 2009** *(Actual)*	**%** Change	**FY 2010** *(Preliminary)*	**%** Change	**FY 2011** *(Forecast)*	**%** Change	**FY 2012** *(Forecast)*	**%** Change
REVENUE SOURCE														
Personal Income	$542.0	8.3%	$581.2	7.2%	$622.3	7.1%	$530.3	-14.8%	$498.0	-6.1%	$530.4	6.5%	$590.8	11.4%
Sales & Use*	$325.5	4.7%	$333.7	2.5%	$338.4	1.4%	$321.2	-5.1%	$311.1	-3.1%	$321.0	3.2%	$335.1	4.4%
Corporate	$75.9	25.8%	$72.8	-4.1%	$74.6	2.4%	$66.2	-11.3%	$62.8	-5.1%	$66.4	5.7%	$73.1	10.1%
Meals and Rooms	$111.8	-1.1%	$114.9	2.8%	$121.1	5.4%	$117.1	-3.3%	$118.0	0.8%	$121.1	2.7%	$126.0	4.0%
Cigarette and Tobacco**	$48.9	0.3%	$64.3	31.4%	$59.2	-7.9%	$64.1	8.3%	$70.1	9.2%	$67.3	-4.0%	$65.1	-3.3%
Liquor	$13.2	5.1%	$13.7	4.0%	$14.2	3.7%	$15.0	6.0%	$14.9	-1.0%	$15.2	2.1%	$15.7	3.3%
Insurance	$52.5	4.2%	$52.9	0.8%	$54.8	3.8%	$53.7	-2.1%	$53.3	-0.9%	$54.5	2.3%	$56.0	2.8%
Telephone	$10.4	-1.4%	$10.0	-4.0%	$9.5	-4.6%	$9.1	-3.8%	$7.9	-13.9%	$11.0	39.9%	$9.3	-15.5%
Beverage	$5.4	2.8%	$5.5	1.3%	$5.6	1.9%	$5.6	0.3%	$5.7	0.4%	$5.8	1.6%	$5.9	2.6%
Electric	$2.6	0.0%	$2.6	1.2%	$2.7	3.3%	$2.8	4.0%	$2.9	2.5%	$2.9	-0.6%	$1.4	-50.0%
Estate	$26.2	39.0%	$17.8	-32.1%	$15.7	-11.9%	$23.4	49.1%	$14.2	-39.5%	$16.8	18.6%	$16.2	-3.6%
Property	$43.7	-3.4%	$39.3	-10.0%	$34.0	-13.5%	$25.9	-23.7%	$23.8	-8.2%	$26.3	10.4%	$29.5	12.2%
Bank	$10.2	18.3%	$10.5	3.6%	$10.2	-3.4%	$20.6	102.5%	$10.4	-49.7%	$10.6	2.4%	$10.8	1.9%
Other Tax	$7.2	9.1%	$6.5	-10.2%	$3.2	-51.1%	$2.8	-12.7%	$3.7	32.1%	$2.8	-23.4%	$3.1	10.7%
Total Tax Revenue	$1275.4	6.8%	$1325.7	3.9%	$1365.5	3.0%	$1257.9	-7.9%	$1196.5	-4.9%	$1252.0	4.6%	$1338.0	6.9%
Business Licenses	$2.8	-0.5%	$2.8	-1.0%	$2.7	-1.0%	$3.0	9.4%	$3.0	-0.2%	$3.1	3.9%	$3.2	3.2%
Fees	$13.2	6.1%	$14.2	7.4%	$14.7	3.6%	$19.1	29.5%	$19.2	0.9%	$19.5	1.4%	$20.3	4.1%
Services	$1.3	-35.3%	$1.5	17.1%	$1.7	15.9%	$1.5	-11.0%	$1.2	-19.9%	$1.3	4.9%	$1.4	7.7%
Fines	$3.2	-26.7%	$3.2	-2.1%	$4.4	38.6%	$9.8	122.0%	$7.4	-24.8%	$5.4	-26.6%	$5.6	3.7%
Interest	$2.7	67.0%	$3.6	33.5%	$3.9	10.1%	$1.4	-63.9%	$0.6	-56.0%	$0.9	43.9%	$1.8	100.0%
Lottery	$21.9	7.3%	$23.3	6.5%	$22.7	-2.5%	$20.9	-7.7%	$21.0	0.1%	$21.4	2.0%	$21.9	2.3%
All Other	$0.2	-40.9%	$1.1	365.2%	$0.6	-44.1%	$0.2	-64.7%	$0.3	57.3%	$0.4	15.7%	$0.5	25.0%
Total Other Revenue	$45.3	2.9%	$49.6	9.5%	$50.9	2.5%	$56.0	10.0%	$52.8	-5.7%	$52.0	-1.4%	$54.7	5.2%
TOTAL GENERAL FUND	**$1320.8**	**6.7%**	**$1375.4**	**4.1%**	**$1416.4**	**3.0%**	**$1313.9**	**-7.2%**	**$1249.3**	**-4.9%**	**$1304.0**	**4.4%**	**$1392.7**	**6.8%**
OTHER														
Fuel Gross Receipts Tax***	$6.3	8.0%	$7.0	10.6%	$7.3	4.7%	$7.3	-0.2%	$6.9	-5.4%	$7.3	4.9%	$7.6	4.1%

* 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

*** FY09 Fuel Gross Receipts data are forecast, not preliminary or actual, due to data processing delays

TABLE 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2010

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	**FY 2006** *(Actual)*	**%** Change	**FY 2007** *(Actual)*	**%** Change	**FY 2008** *(Actual)*	**%** Change	**FY 2009** *(Actual)*	**%** Change	**FY 2010** *(Preliminary)*	**%** Change	**FY 2011** *(Forecast)*	**%** Change	**FY 2012** *(Forecast)*	**%** Change
REVENUE SOURCE														
Personal Income	$542.0	8.3%	$581.2	7.2%	$622.3	7.1%	$530.3	-14.8%	$498.0	-6.1%	$530.4	6.5%	$590.8	11.4%
Sales and Use*	$216.9	4.7%	$222.5	2.6%	$225.6	1.4%	$214.1	-5.1%	$207.4	-3.1%	$214.0	3.2%	$223.4	4.4%
Corporate	$75.9	25.8%	$72.8	-4.1%	$74.6	2.4%	$66.2	-11.3%	$62.8	-5.1%	$66.4	5.7%	$73.1	10.1%
Meals and Rooms	$111.8	-1.1%	$114.9	2.8%	$121.1	5.4%	$117.1	-3.3%	$118.0	0.8%	$121.1	2.7%	$126.0	4.0%
Cigarette and Tobacco	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Liquor	$13.2	5.1%	$13.7	4.0%	$14.2	3.7%	$15.0	6.0%	$14.9	-1.0%	$15.2	2.1%	$15.7	3.3%
Insurance	$52.5	4.2%	$52.9	0.8%	$54.8	3.8%	$53.7	-2.1%	$53.3	-0.9%	$54.5	2.3%	$56.0	2.8%
Telephone	$10.4	-1.4%	$10.0	-4.0%	$9.5	-4.6%	$9.1	-3.8%	$7.9	-13.9%	$11.0	39.9%	$9.3	-15.5%
Beverage	$5.4	2.8%	$5.5	1.3%	$5.6	1.9%	$5.6	0.3%	$5.7	0.4%	$5.8	1.6%	$5.9	2.6%
Electric	$2.6	0.0%	$2.6	1.2%	$2.7	3.3%	$2.8	4.0%	$2.9	2.5%	$2.9	-0.6%	$1.4	-50.0%
Estate**	$26.2	39.0%	$17.8	-32.1%	$15.7	-11.9%	$21.9	39.4%	$14.2	-35.2%	$16.8	18.6%	$16.2	-3.6%
Property	$13.5	-8.9%	$12.8	-4.5%	$10.7	-16.3%	$8.5	-21.1%	$7.8	-8.2%	$8.6	10.4%	$9.6	12.2%
Bank	$10.2	18.3%	$10.5	3.6%	$10.2	-3.4%	$20.6	102.5%	$10.4	-49.7%	$10.6	2.4%	$10.8	1.9%
Other Tax	$7.2	9.1%	$6.5	-10.2%	$3.2	-51.1%	$2.8	-12.7%	$3.7	32.1%	$2.8	-23.4%	$3.1	10.7%
Total Tax Revenue	$1087.7	7.6%	$1123.7	3.3%	$1170.3	4.1%	$1067.7	-8.8%	$1006.7	-5.7%	$1060.0	5.3%	$1141.4	7.7%
Business Licenses	$2.8	-0.5%	$2.8	-1.0%	$2.7	-1.0%	$3.0	9.4%	$3.0	-0.2%	$3.1	3.9%	$3.2	3.2%
Fees	$13.2	6.1%	$14.2	7.4%	$14.7	3.6%	$19.1	29.5%	$19.2	0.9%	$19.5	1.4%	$20.3	4.1%
Services	$1.3	-35.3%	$1.5	17.1%	$1.7	15.9%	$1.5	-11.0%	$1.2	-19.9%	$1.3	4.9%	$1.4	7.7%
Fines	$3.2	-26.7%	$3.2	-2.1%	$4.4	38.6%	$9.8	122.0%	$7.4	-24.8%	$5.4	-26.6%	$5.6	3.7%
Interest	$3.4	60.7%	$4.9	43.9%	$5.3	7.2%	$1.2	-77.8%	$0.5	-54.7%	$0.7	32.5%	$1.6	128.6%
All Other	$0.2	-40.9%	$1.1	365.2%	$0.6	-44.1%	$0.2	-64.7%	$0.3	57.3%	$0.4	15.7%	$0.5	25.0%
Total Other Revenue	$24.2	-0.1%	$27.7	14.3%	$29.5	6.5%	$34.8	18.0%	$31.7	-8.8%	$30.4	-4.1%	$32.6	7.2%
TOTAL GENERAL FUND	**$1111.9**	**7.4%**	**$1151.4**	**3.5%**	**$1199.7**	**4.2%**	**$1102.5**	**-8.1%**	**$1038.4**	**-5.8%**	**$1090.4**	**5.0%**	**$1174.0**	**7.7%**

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

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

TABLE 2A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2010

SOURCE T-FUND *revenues are prior to all E-Fund allocations and other out-transfers. Used for analytic and comparative purposes only.*	**FY 2006** *(Actual)*	% Change	**FY 2007** *(Actual)*	% Change	**FY 2008** *(Actual)*	% Change	**FY 2009** *(Actual)*	% Change	**FY 2010** *(Preliminary)*	% Change	**FY 2011** *(Forecast)*	% Change	**FY 2012** *(Forecast)*	% Change
REVENUE SOURCE														
Gasoline	$63.8	-2.7%	$63.6	-0.3%	$62.6	-1.6%	$60.6	-3.1%	$61.0	0.6%	$62.1	1.8%	$63.6	2.4%
Diesel	$17.7	14.0%	$18.0	1.7%	$16.6	-7.8%	$15.5	-6.5%	$15.1	-2.6%	$15.7	4.0%	$16.3	3.8%
Purchase and Use*	$80.3	-4.4%	$80.6	0.4%	$79.0	-2.0%	$65.9	-16.6%	$69.8	5.8%	$73.4	5.2%	$78.6	7.1%
Motor Vehicle Fees	$57.4	2.3%	$65.4	14.1%	$67.5	3.2%	$65.5	-3.0%	$72.4	10.5%	$72.9	0.7%	$76.0	4.3%
Other Revenue**	$18.2	8.6%	$20.2	11.1%	$23.7	17.2%	$18.0	-24.0%	$18.2	1.4%	$18.9	3.6%	$19.5	3.2%
TOTAL TRANS. FUND	**$237.4**	**-0.3%**	**$247.8**	**4.4%**	**$249.4**	**0.6%**	**$225.6**	**-9.6%**	**$236.5**	**4.8%**	**$243.0**	**2.7%**	**$254.0**	**4.5%**

TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2010

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	**FY 2006** *(Actual)*	% Change	**FY 2007** *(Actual)*	% Change	**FY 2008** *(Actual)*	% Change	**FY 2009** *(Actual)*	% Change	**FY 2010** *(Preliminary)*	% Change	**FY 2011** *(Forecast)*	% Change	**FY 2012** *(Forecast)*	% Change
REVENUE SOURCE														
Gasoline	$63.8	-2.7%	$63.6	-0.3%	$62.6	-1.6%	$60.6	-3.1%	$61.0	0.6%	$62.1	1.8%	$63.6	2.4%
Diesel	$17.7	14.0%	$18.0	1.7%	$16.6	-7.8%	$15.5	-6.5%	$15.1	-2.6%	$15.7	4.0%	$16.3	3.8%
Purchase and Use*	$53.9	-3.8%	$53.7	-0.3%	$52.7	-2.0%	$44.0	-16.6%	$46.5	5.8%	$48.9	5.2%	$52.4	7.1%
Motor Vehicle Fees	$57.4	2.3%	$65.4	14.1%	$67.5	3.2%	$65.5	-3.0%	$72.4	10.5%	$72.9	0.7%	$76.0	4.3%
Other Revenue**	$17.1	7.6%	$19.2	11.9%	$23.7	23.5%	$18.0	-24.0%	$18.2	1.4%	$18.9	3.6%	$19.5	3.2%
TOTAL TRANS. FUND	**$209.9**	**0.4%**	**$219.9**	**4.8%**	**$223.1**	**1.4%**	**$203.6**	**-8.7%**	**$213.3**	**4.7%**	**$218.5**	**2.5%**	**$227.8**	**4.2%**
OTHER														
TIB Gasoline									$13.4	NM	$16.1	20.6%	$17.8	10.4%
TIB Diesel									$1.5	NM	$1.9	26.1%	$2.0	4.3%
Total TIB									$14.9	NM	$18.0	21.2%	$19.8	9.7%

* As of FY04, includes Motor Vehicle Rental tax revenue

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

TABLE 3 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE EDUCATION FUND* REVENUE FORECAST UPDATE
(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)
Consensus JFO and Administration Forecast - July 2010

CURRENT LAW BASIS

** Source General and Transportation Fund taxes allocated to or associated with the Education Fund only.*	**FY 2006** *(Actual)*	% Change	**FY 2007** *(Actual)*	% Change	**FY 2008** *(Actual)*	% Change	**FY 2009** *(Actual)*	% Change	**FY 2010** *(Preliminary)*	% Change	**FY 2011** *(Forecast)*	% Change	**FY 2012** *(Forecast)*	% Change
GENERAL FUND														
Meals and Rooms	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Sales & Use**	$108.5	4.8%	$111.2	2.5%	$112.8	1.4%	$107.1	-5.1%	$103.7	-3.1%	$107.0	3.2%	$111.7	4.4%
Bank	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Corporate	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Security Registration Fees	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Interest	($0.7)	NM	($1.3)	NM	($1.3)	-0.8%	$0.3	NM	$0.1	NM	$0.2	NM	$0.2	0.0%
Lottery	$21.9	7.3%	$23.3	6.5%	$22.7	-2.5%	$20.9	-7.7%	$21.0	0.1%	$21.4	2.0%	$21.9	2.3%
TRANSPORTATION FUND														
Purchase and Use***	$26.4	-5.8%	$26.9	1.8%	$26.3	-2.0%	$22.0	-16.6%	$23.3	5.8%	$24.5	5.2%	$26.2	7.1%
TOTAL	**$156.1**	**3.0%**	**$160.1**	**2.6%**	**$160.5**	**0.3%**	**$150.2**	**-6.4%**	**$148.0**	**-1.5%**	**$153.1**	**3.4%**	**$160.0**	**4.5%**

** 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

TABLE 4 - JFO BUDGET SUMMARY
Budget Impact of Revenue Forecast
(JFO Budgetary Statement Consistent With July 2010 Revenue Forecasts)

General Fund

	FY 2011	FY 2012
Jan 2010	1086.6	1158.6
Other - PTT*	5.9	0.0
Tax Changes estimate	1.0	(9.1)
Budget Revenue Level	**1093.5**	**1149.46**
July 2010 incl.changes	1090.4	1174.0
Other - PTT	7.9	0.0
	1098.3	**1174.0**
difference	**4.8**	**24.5**

PTT-property transfer tax formula redirected, FY12 no redirect yet

Transportation Fund

	FY 2011	FY 2012
Jan 2010	218.0	226.6
Other	0.0	0.0
Tax Changes estimate	0.2	0.2
Budget Revenue Level	**218.2**	**226.8**
July 2010 incl.changes	218.5	227.8
Other	0.0	0.0
	218.5	**227.8**
difference	**0.3**	**1.0**

Education Fund

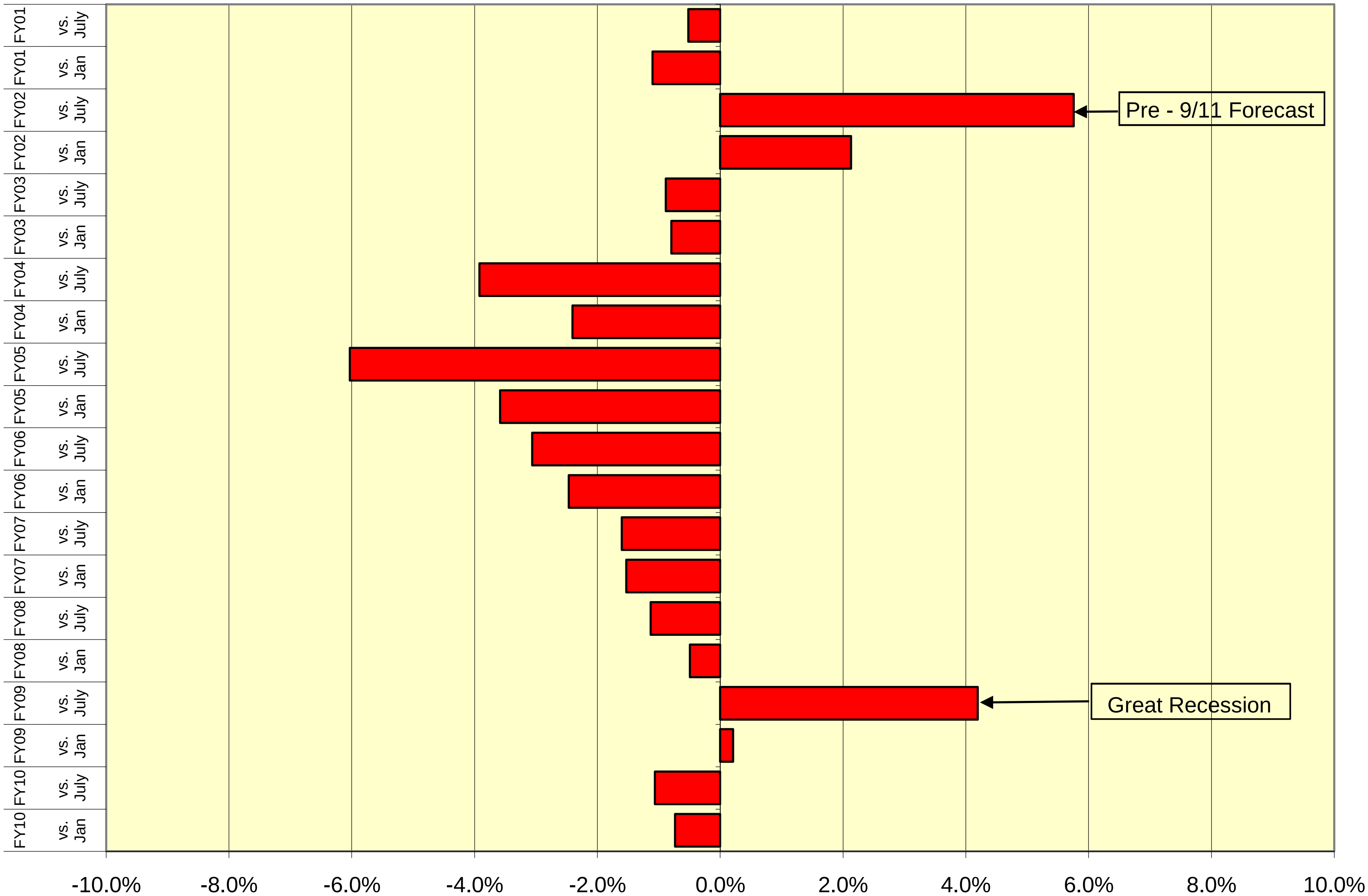
	FY 2011	FY 2012
Jan 2010	151.3	158.1
Other	0.0	0.0
Tax Changes estimate	0.0	0.0
Budget Revenue Level	**151.3**	**158.1**
July 2010 incl.changes	153.1	160
Other	0.0	0.0
	153.1	**160**
difference	**1.8**	**1.9**

TIB Fund

Jan 2010	18.6	20.9
July 2010	18.0	19.8
difference	**-0.6**	**-1.1**

Vermont Consensus Revenue Forecasting Accuracy

(Percent Difference, Estimated to Actual Values, FY2001 to FY2010 - Source: Joint Fiscal Office)



	FY10 vs. Jan	FY10 vs. July	FY09 vs. Jan	FY09 vs. July	FY08 vs. Jan	FY08 vs. July	FY07 vs. Jan	FY07 vs. July	FY06 vs. Jan	FY06 vs. July	FY05 vs. Jan	FY05 vs. July	FY04 vs. Jan	FY04 vs. July	FY03 vs. Jan	FY03 vs. July	FY02 vs. Jan	FY02 vs. July	FY01 vs. Jan	FY01 vs. July
Total	-0.7%	-1.1%	0.2%	4.2%	-0.5%	-1.1%	-1.5%	-1.6%	-2.5%	-3.1%	-3.6%	-6.0%	-2.4%	-3.9%	-0.8%	-0.9%	2.1%	5.8%	-1.1%	-0.5%