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April 2009 Economic Review and Revenue Forecast Update

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

April 24, 2009

Economic Review and Revenue Forecast Update

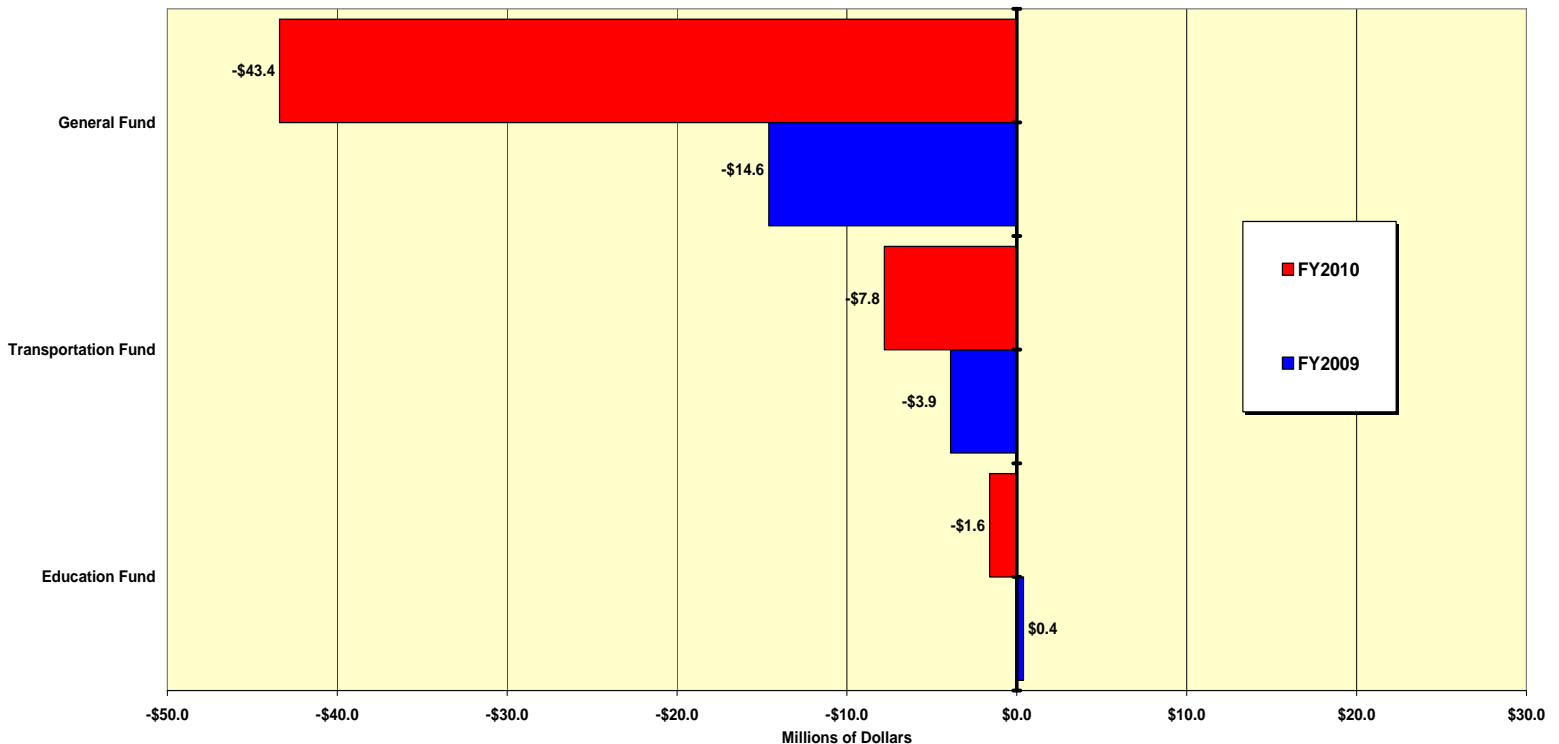
April 2009

Overview

External economic conditions collapsed rapidly during the first quarter of 2009, underscoring the severity and reach of this recession. Virtually no region in the country and virtually no country in the world has been immune from the effects of what has now been dubbed the “Great Recession.” Despite wishful visions of “glimmers of hope” from the White House, leading economic indicators suggest otherwise. With no clear bottom yet in sight, conditions are likely to become substantially worse before the decline is over and recovery takes hold.

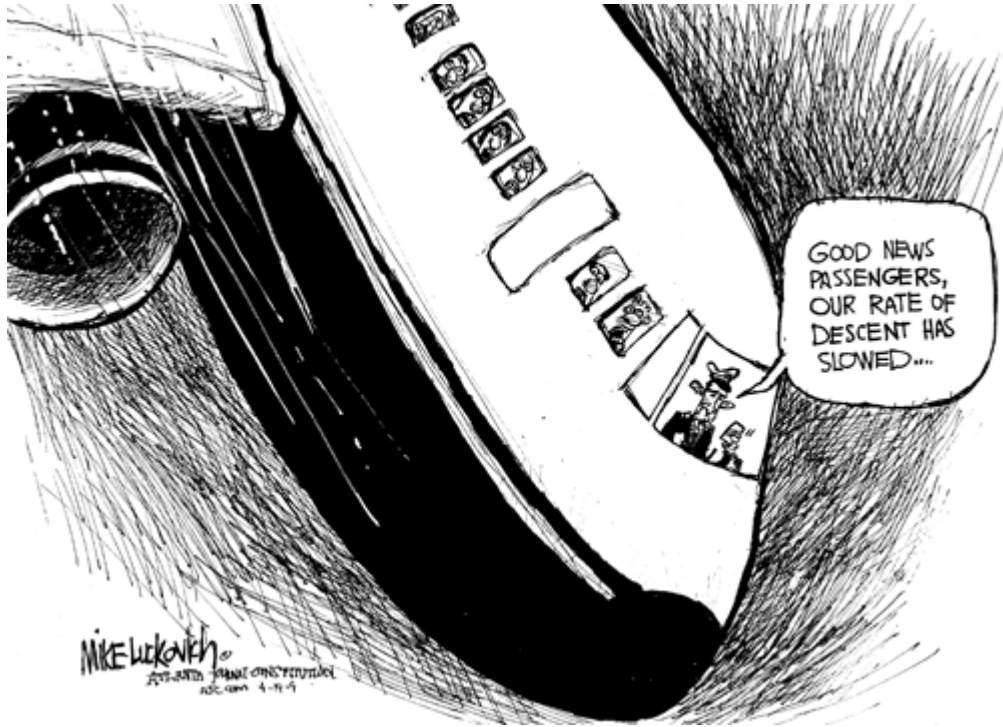
Given this deteriorating environment, State revenue collections have been further downgraded in both FY09 and, especially, FY10. Including about \$9 million in State revenue reductions associated with the American Recovery and Reinvestment Act (ARRA) in FY10, total FY10 revenues are now expected to be more than \$50 million below prior January estimates. Although revenues in the first quarter of 2009 were within 0.5% of estimates, and April personal income tax revenues to date were close to targets, weaker economic conditions in the final quarter of FY09 will reduce prior projections by about \$18 million. The below chart details recommended revenue reductions in the three major funds.

Recommended Net Revenue Changes from January 2009 Forecast



April 2009 Interim Forecast Commentary

- Since the January 2009 forecast update, the best that can be said about most key economic indicators is that the second derivative of economic activity (the rate of change in the rate of change) may be improving. This means the economy is still sinking fast, but at a slightly slower rate of decline – hardly the basis for the “shoots of green” the Federal Reserve Chairman recently sighted as spring-like harbingers of imminent economic revival.

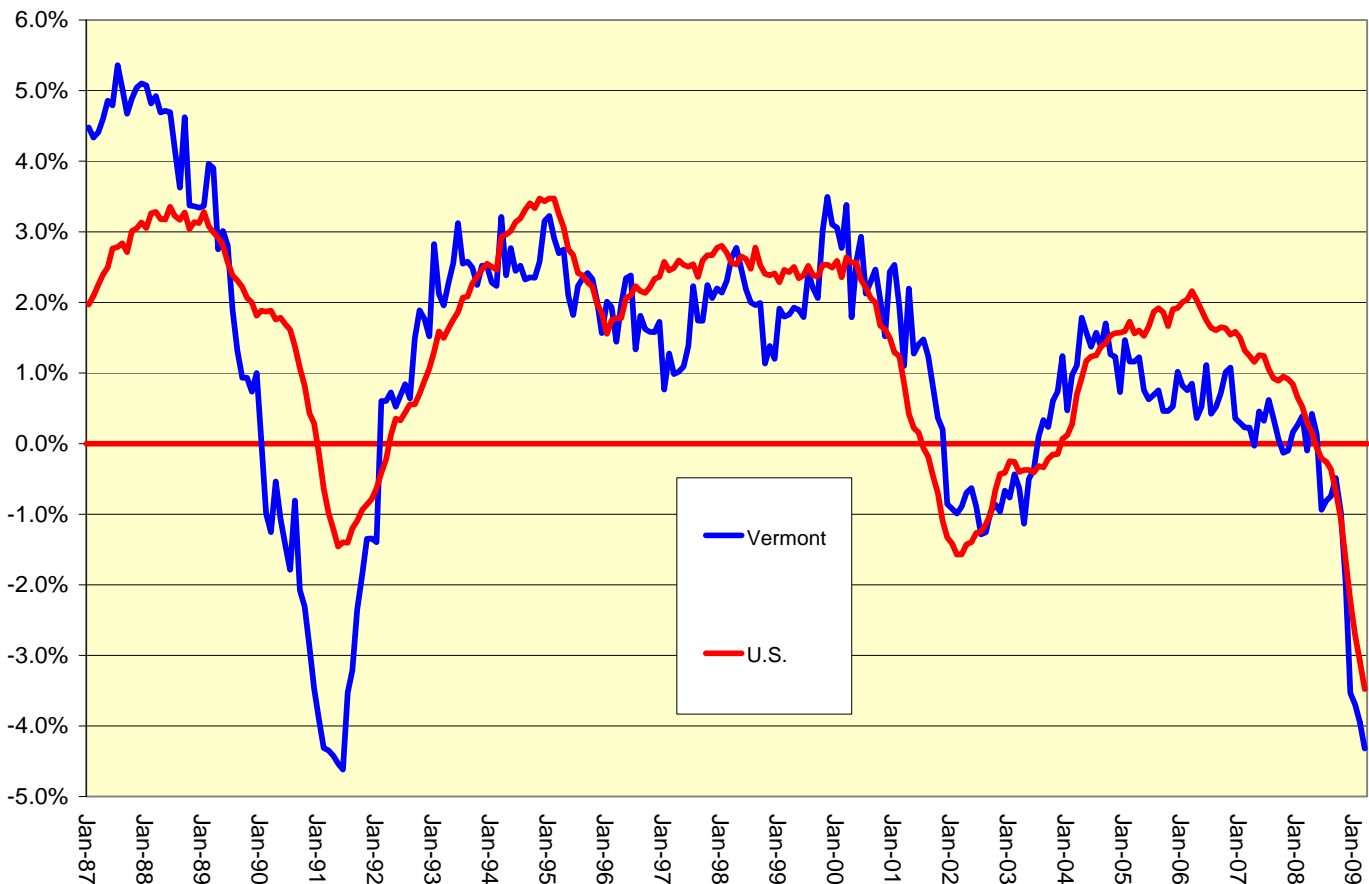


- In fact, the Index of Leading Economic Indicators has now declined for 9 consecutive months, constructions starts are at a standstill, initial unemployment insurance claims are still at record levels, more than half a million jobs are being shed every month, consumer spending has declined at rates not seen since the Great Depression, industrial output is at a 10 year low – its largest contraction in 60 years, and most importantly, despite massive federal intervention, the credit markets that instigated this downturn are still far from “normal.” There is good reason this contraction is now being referred to as the “Great Recession,” and its negative impacts are far from over.
- Global credit markets are still in disarray, with the IMF now estimating that total losses at banks and financial institutions will exceed \$4.1 trillion, with about \$2.7 trillion of this in the U.S. To date only about \$1.3 trillion of these losses have been recognized, with about \$800 billion in the U.S. and about \$400 billion in Europe. With another \$2.8 trillion to digest, this suggests it could be a long time before credit markets are stable and fully functional.

- The IMF also downgraded its forecast of global growth, from +0.5% in January to -1.3% in April – the steepest decline in more than 50 years. Citing a “massive financial crisis and acute loss of confidence,” the IMF now expects global trade to contract by 12% in 2009 – crippling U.S. and international companies dependent upon imports and exports. The IMF World Economic Outlook states, **“By any measure, this downturn represents by far the deepest global recession since the Great Depression.”**
- Employment losses have been severe in both the U.S. and Vermont in the past quarter and year, with more than 5 million U.S. jobs lost since January of 2008, and nearly 15,000 jobs lost in Vermont since the cyclical peak in November of 2007.

U.S. and Vermont Labor Markets Tank

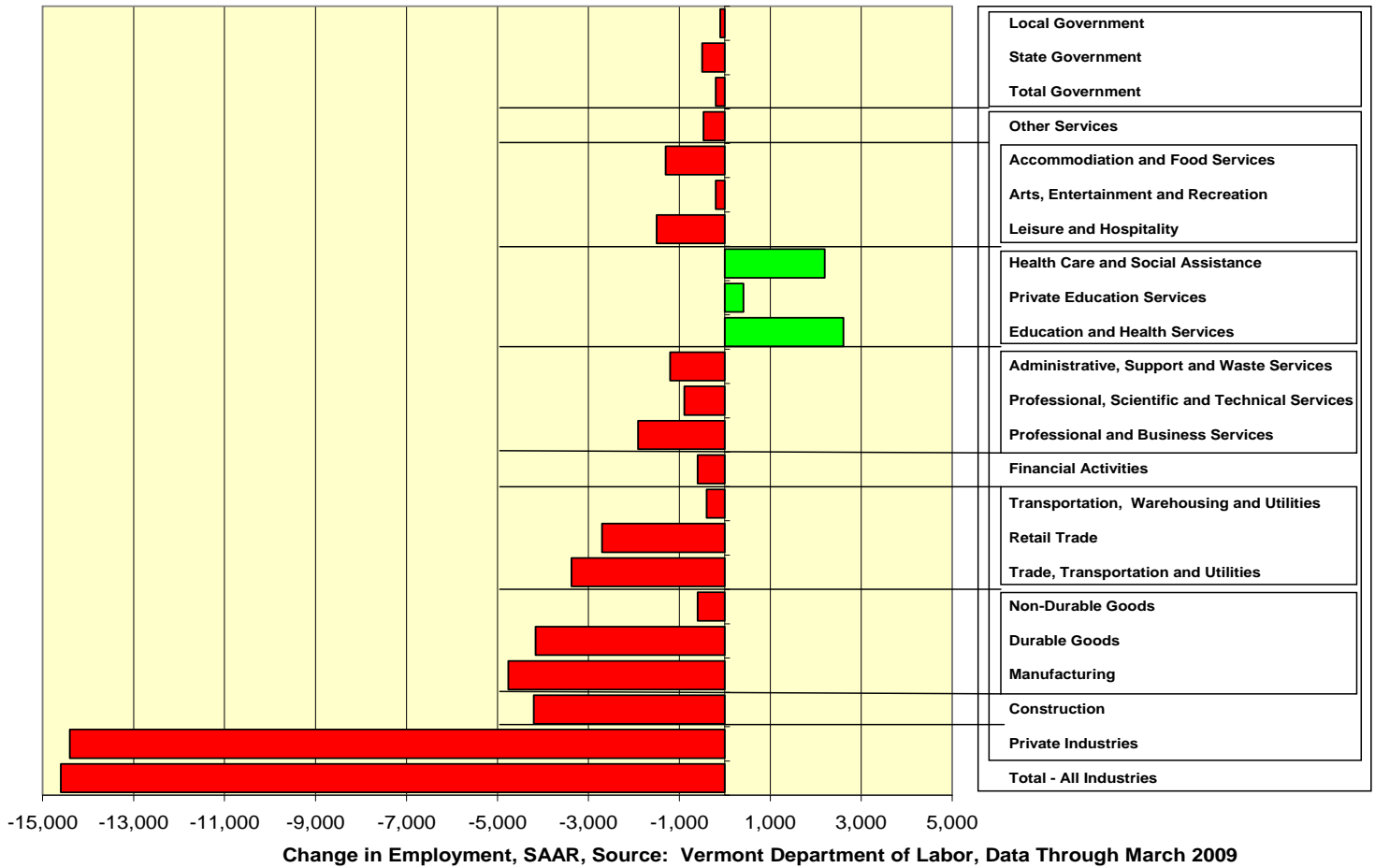
(Total Nonagricultural Employment, Percent Change vs. Year Ago, Seasonally Adjusted Data)



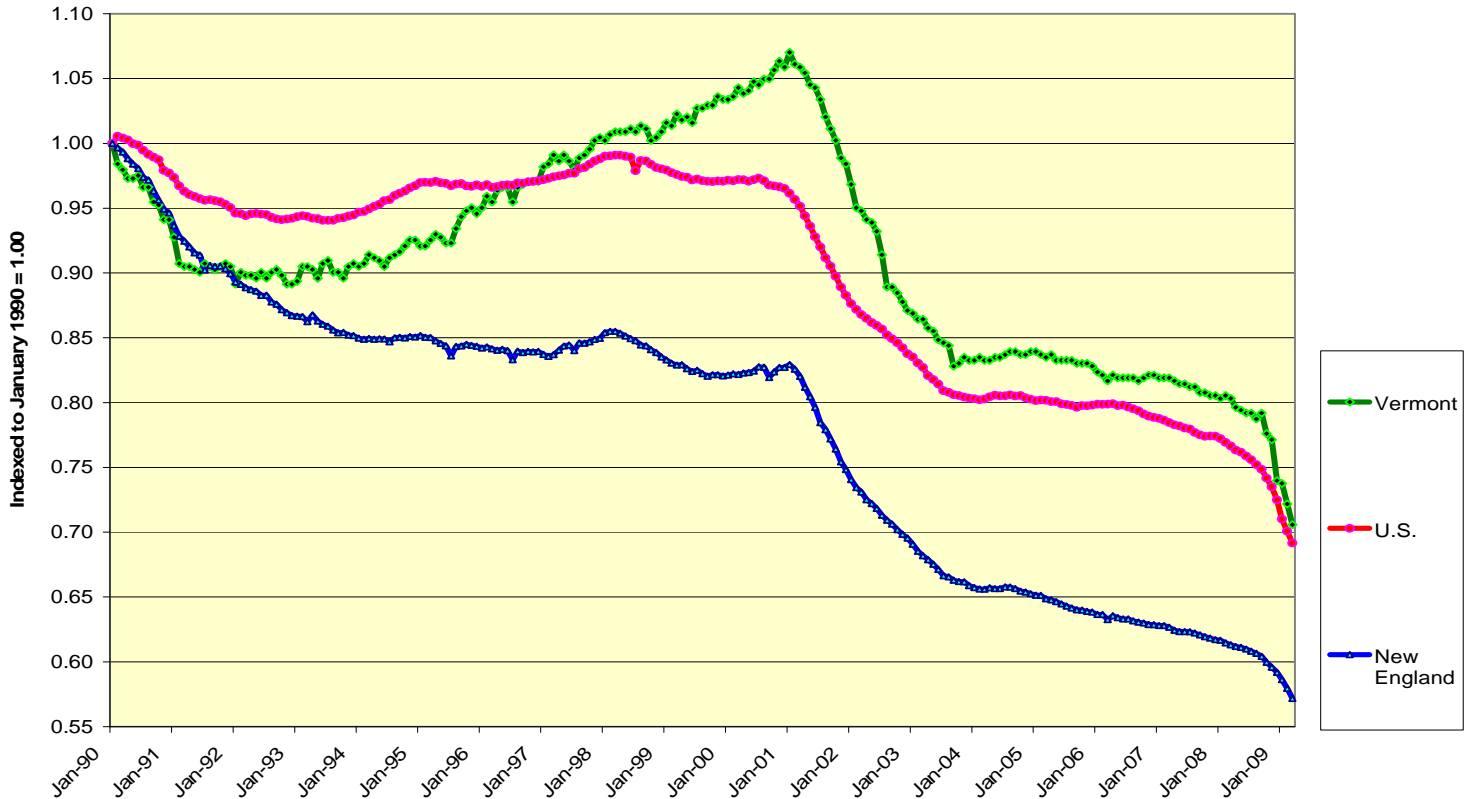
Source: Bureau of Labor Statistics, U.S. Department of Labor

- As shown in the chart on the following page, virtually every major sector of the Vermont economy shed jobs over this period, with the most pronounced losses occurring in the manufacturing and construction sectors. Only health care and private education services have not suffered declines over this period.

Net Employment Changes in Vermont Since Start of Recession (November 2007)

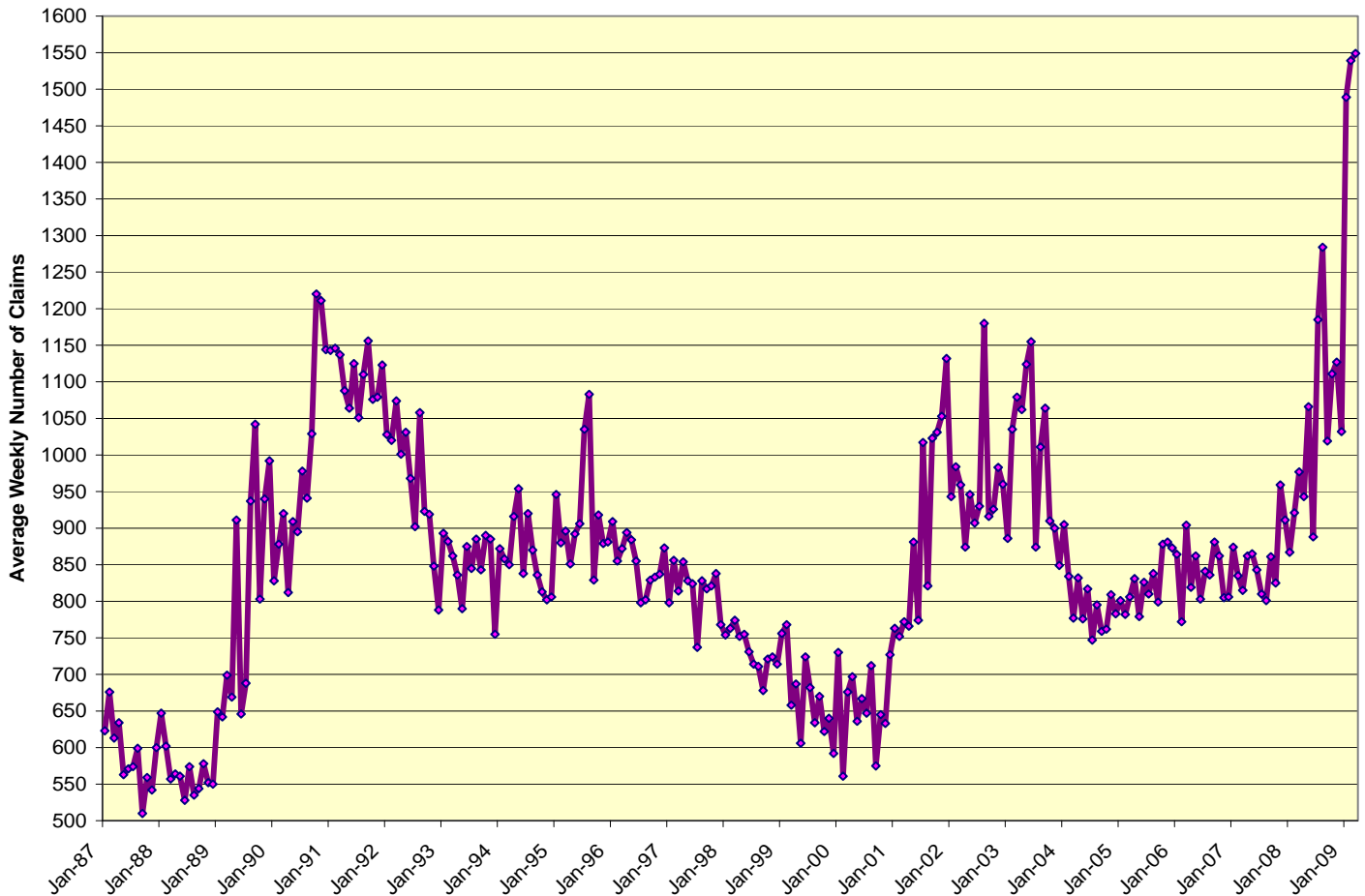


Structural Change: Manufacturing Employment in Vermont, N.E. and the U.S. (seasonally adjusted data, indexed, January 1990 = 1.00)



- With layoffs accumulating, the U.S. unemployment rate has soared to 8.5%, while the Vermont rate has ascended to 7.2%. Broader measures of underemployment, which include workers forced from full time to part time work and marginally attached workers, now exceed 15% at the national level and 9% in Vermont. The revised macro-economic projections used herein now anticipate the U.S. unemployment rate will top 10% in 2010, while the Vermont rate will reach 9% for the first time in more than 30 years.
- Underlying these dismal projections, initial claims for unemployment insurance have continued to rise, spiking in Vermont in recent months at record levels (see below chart).

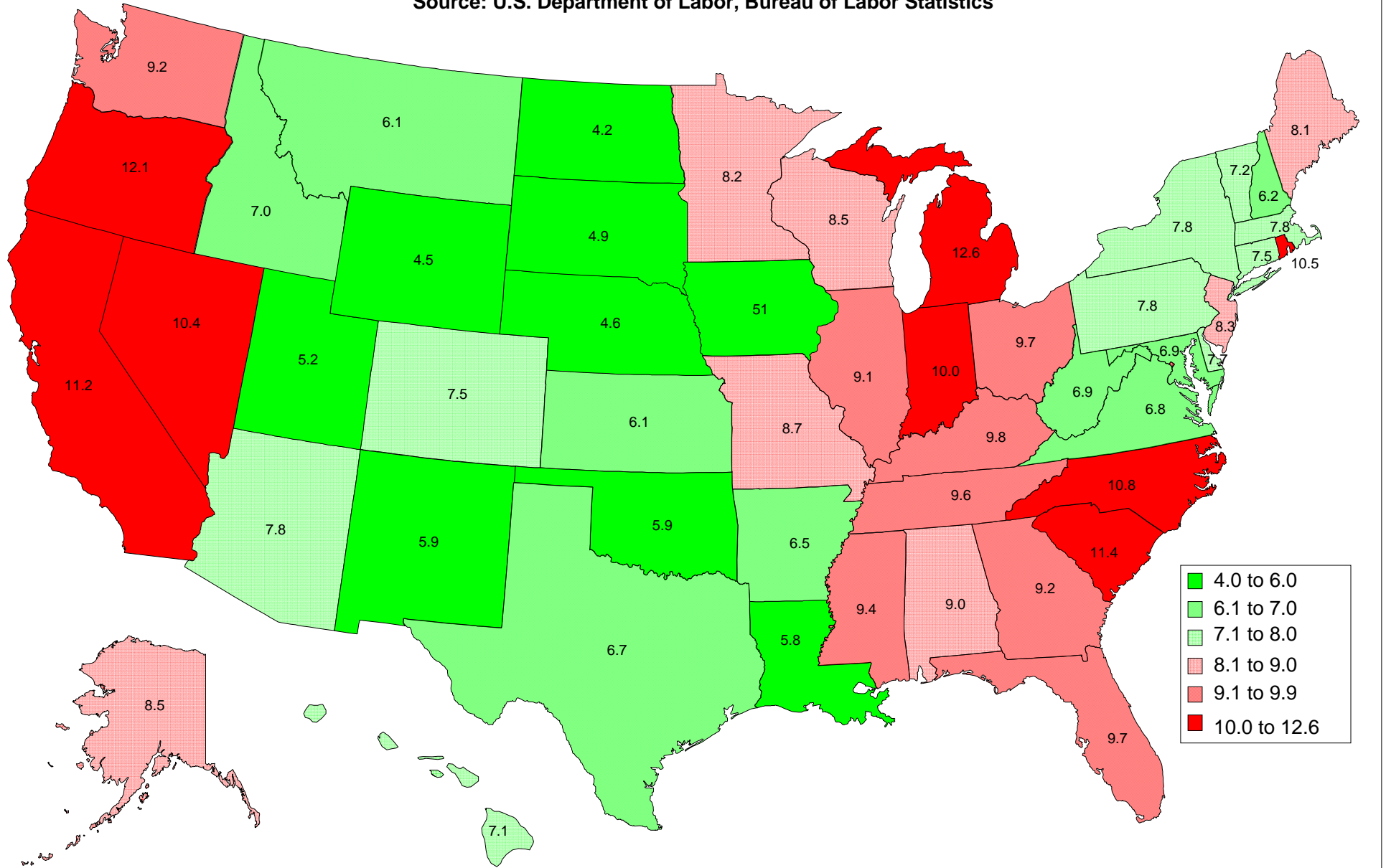
Surge in Vermont UI Claims Portend Dire Labor Market Conditions Ahead
 (Average Weekly Initial Claims for Unemployment in Vermont, Seasonally Adjusted, Source: BLS and Boston Fed)



- As shown on the map on the following page, while virtually every U.S. state has experienced worsening economic conditions, energy-producing states (including, prominently, ethanol) have seen the least dislocation to date. Manufacturing oriented states – especially those connected with the auto industry – and those at the epicenter of the subprime disaster (such as CA and NV) have experienced

State Unemployment Rates - March 2009

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

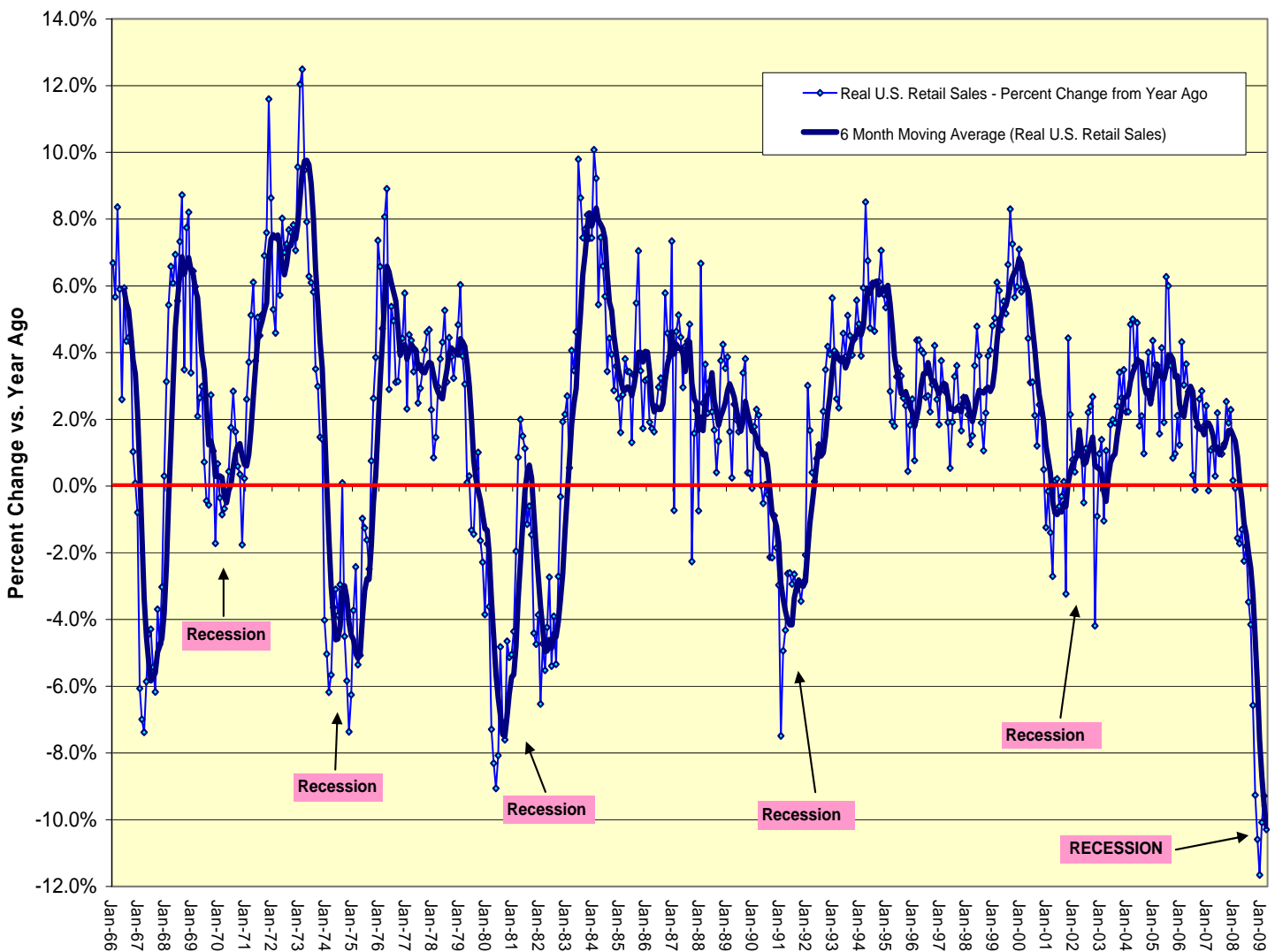


the most extreme economic distress. The New England region was slower to enter the recession, but with the implosion of the financial industry in New York, Connecticut and Massachusetts, has been quick to follow – and will probably be slower in recovering than the rest of the country.

- With U.S. household wealth plunging by more than \$15 trillion since late 2007, consumer spending, which accounts for more than two-thirds of all economic activity, has experienced its steepest reversal since the Great Depression. In recent months, the declines have been especially severe, with inflation adjusted spending dropping by more than 10% in 4 of the last 5 months. Consumption taxes in Vermont are expected to recede accordingly, with sales and use revenues expected to be down 5% in FY09 and meals and rooms receipts off 3%, with further declines anticipated in FY10 – *the first consecutive annual declines for these two important revenue sources ever.*

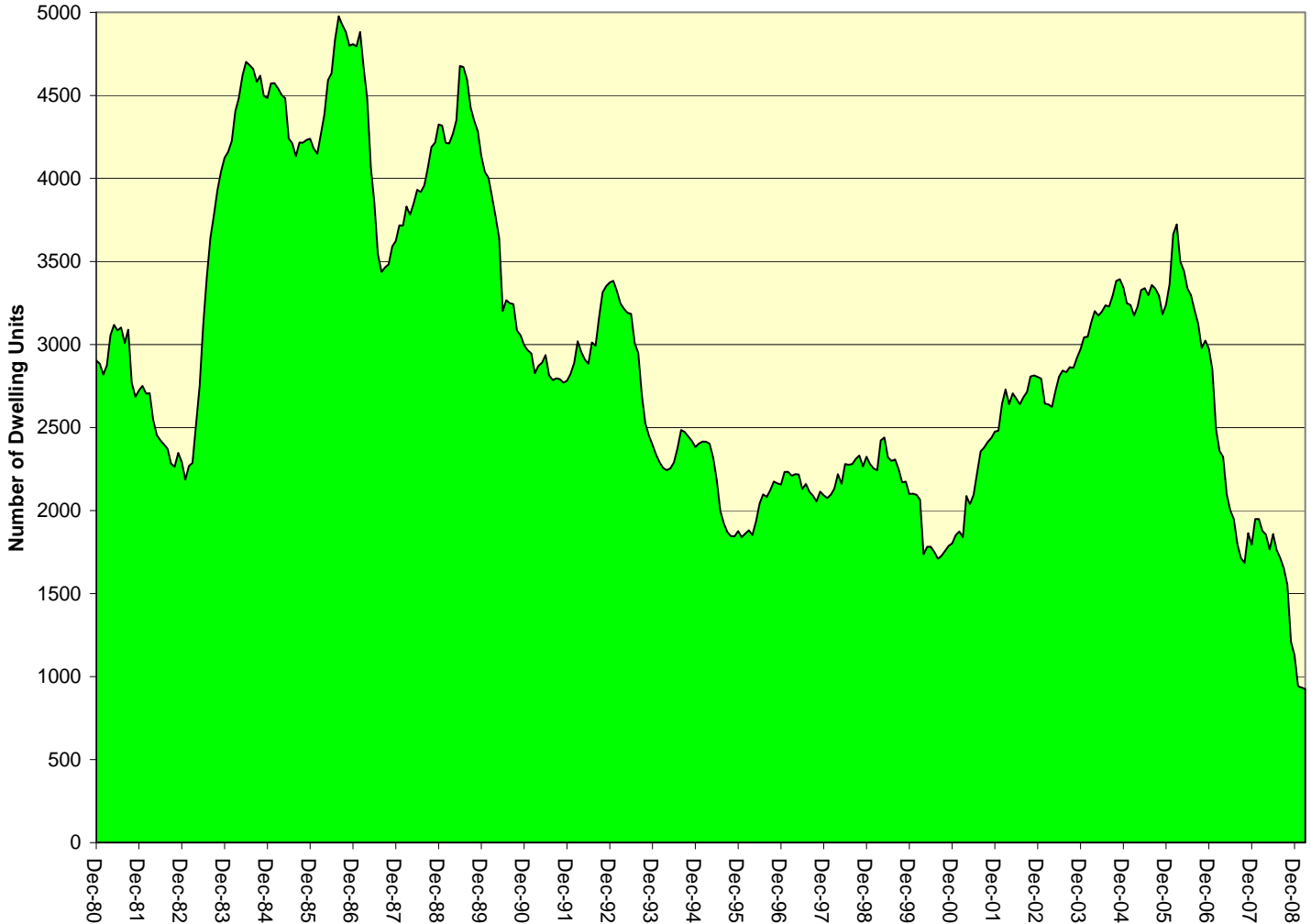
Consumer Spending Plunges as Wealth, Credit and Jobs Evaporate

Total Constant Dollar U.S. Retail Sales - Percent Change from Year Ago, Source: U.S. Census Bureau



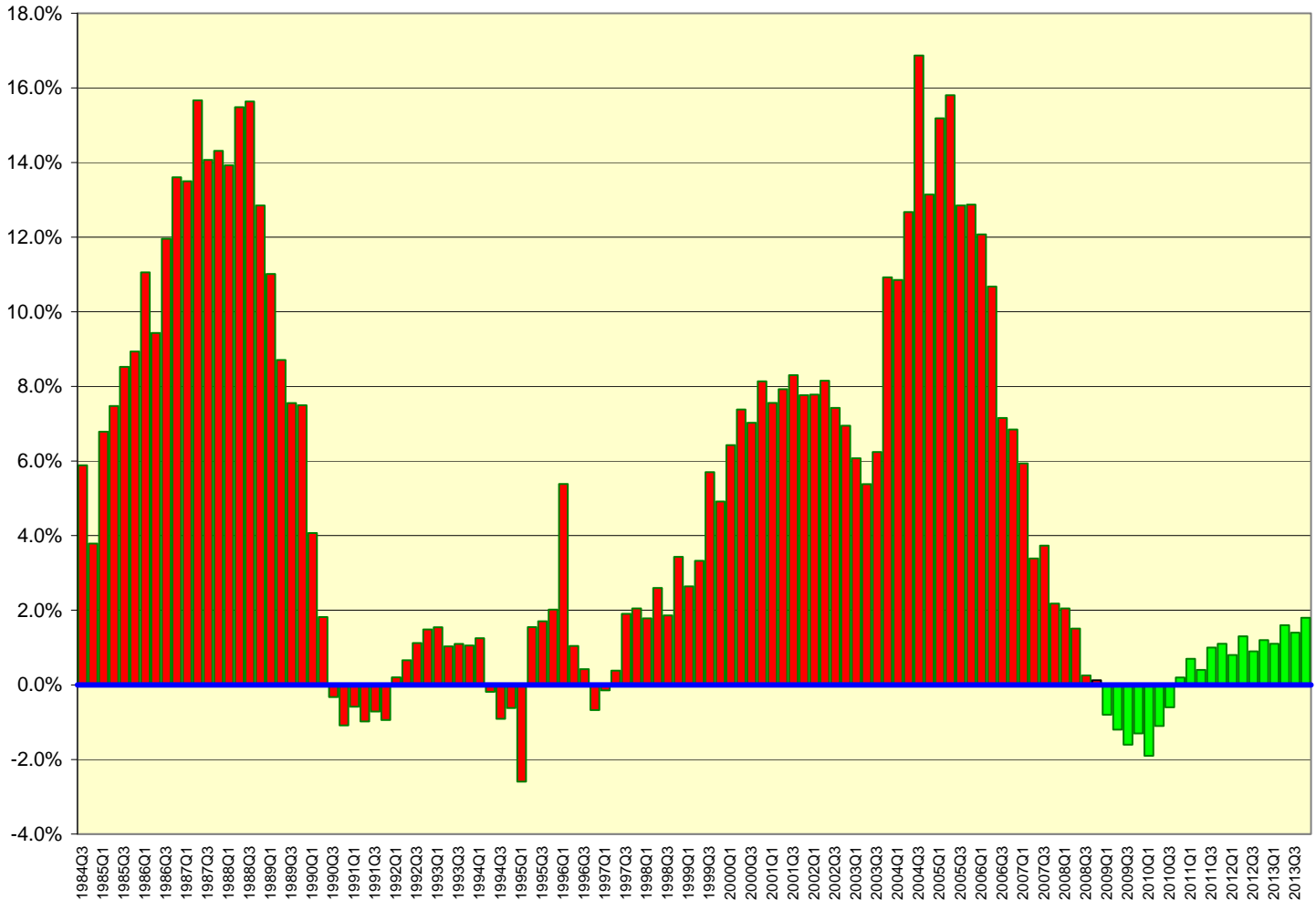
- Residential construction has come to a virtual halt in Vermont and in many states across the country, registering the lowest 12 month totals on record during the past several months. With lending institutions in disarray, unemployment rising, wealth shrinking, excess housing supply flooding the market and consumer sentiment at an all time low, investment in new residential construction has declined by nearly 65% in the U.S. and nearly 70% in Vermont.

Total Housing Starts in Vermont Plunge 75% from 2006 Peak, Setting Record Lows
 (12 Month Moving Totals, Source: F.W. Dodge Division of McGraw-Hill)



- With weakness in Vermont second home markets mounting in the face of regional job losses, housing price declines are likely in the next 4-7 quarters, with very low property price appreciation for an extended period of at least 4-5 years. This will ultimately have a significant impact on Grand List growth and the tax base for the largest component of the Education Fund (forecast separately from the Education Fund components in Table 3 herein).

The Anatomy of Asset Price Bubbles: What Goes Up, Must Come Down...
 (OFHEO Vermont Housing Price Index Percent Change Vs. Year Ago)



- With all that is wrong with the economy at this time, what could mitigate against an even steeper decline? Presently there are several factors that are leaning against the prevailing winds and could offer hope for an emergent recovery: 1) U.S. (and global) fiscal and monetary policies are as stimulative as they have ever been, with even additional capacity and willingness if further measures are required to right the economy. Although the last round of federal stimulus spending is trickling into the economy more slowly than hoped, it will have a significant impact by the second half of 2009 and throughout 2010. 2) Inflation and related energy prices have been subdued, lowering consumer gas and heating bills and providing billions in additional disposable income. For the first time in 55 years, the Consumer Price Index is expected to post an annual decline in 2009 (see Table A). 3) Business inventories have been dramatically reduced, setting the stage for rapid gains in output and hiring once demand resumes. And, 4) The stock market, while not a reliable leading indicator of recovery, has at least reflected a potential improvement in business and investor confidence with its recent rally.

- Some of the federal tax changes associated with the ARRA, while offering stimulus to the U.S. economy, will result in reduced State tax revenues. The below table outlines expected revenue reductions associated with various provisions in this measure and included in the revenue estimates herein.

Estimated Current Law Impacts of the American Recovery and Reinvestment Act of 2009 (Preliminary)

Provision	Fiscal 2010	Fiscal 2011	Component Impacted
<i>Expansion of the Earned Income Tax Credit</i>	\$ (0.8)	\$ (0.8)	Personal Income
<i>Suspend Taxation of Unemployment Insurance (Tax Year 2009)</i>	\$ (3.3)	\$ -	Personal Income
<i>Investment Tax Credit Election for Energy Projects</i>	\$ (2.0)	\$ (0.5)	Personal Income
<i>Sales Tax Credit for Vehicle Purchases (Tax Year 2009)</i>	\$ (1.5)	\$ -	Personal Income
<i>Miscellaneous Incentives</i>	\$ (1.5)	\$ (0.2)	Personal, Corporate Income
Total by Fiscal Year	\$ (9.1)	\$ (1.5)	

Source: Vermont Department of Taxes-Legislative Joint Fiscal Office

- The U.S. and Vermont macro-economic forecast upon which the revenue forecasts in this Update are based were prepared in March and April of 2009 by Moody's/Economy.com (E.com) with JFO and Administration consensus adjustments. Unlike most regular revenue updates, which have relied on New England Economic Partnership (NEEP) projections usually prepared in October and May, changes in the external economic environment in the past three months necessitated the use of more current projections. Although consensus model adjustments were made to the E.com forecasts, it was not possible to run a complete consensus macro-economic forecast scenario with full feedback effects due to time and budget constraints. Accordingly, the below projections summarized in Tables A and B are E.com projections with selected consensus adjustments.

TABLE A
Comparison of Recent NEEP/Economy.com U.S. Macroeconomic Forecasts
July-08 Through April-09, Selected Variables, Calendar Year Basis

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP Growth									
July-08	3.6	3.1	2.9	2.2	1.9	2.2	3.5	2.9	2.6
October-08	3.6	2.9	2.8	2.0	1.5	-0.4	3.2	4.9	3.5
December-08	3.6	2.9	2.8	2.0	1.2	-1.5	2.1	4.8	5.1
April -09	3.6	2.9	2.8	2.0	1.1	-2.6	1.6	4.8	5.9
S&P 500 Growth (Annual Avg.)									
July-08	17.3	6.8	8.6	12.7	-7.8	11.8	8.2	5.6	6.2
October-08	17.3	6.8	8.6	12.7	-22.3	7.0	18.3	12.5	6.2
December-08	17.3	6.8	8.6	12.7	-18.3	-12.4	30.8	7.6	8.8
April-09	17.3	6.8	8.6	12.7	-17.3	-23.0	36.6	7.7	8.0
Employment Growth (Non-Ag)									
July-08	1.1	1.7	1.8	1.1	0.0	0.6	1.7	1.4	0.8
October-08	1.1	1.7	1.8	1.1	-0.1	-1.6	-0.7	1.5	3.2
December-08	1.1	1.7	1.8	1.1	-0.2	-2.2	0.4	2.5	3.1
April-09	1.1	1.7	1.8	1.1	-0.4	-3.7	-0.3	2.8	3.7
Unemployment Rate									
July-08	5.5	5.1	4.6	4.6	5.5	6.2	5.8	5.2	5.1
October-08	5.5	5.1	4.6	4.6	5.6	7.3	8.4	7.8	6.5
December-08	5.5	5.1	4.6	4.6	5.7	8.0	8.7	7.4	5.9
April-09	5.5	5.1	4.6	4.6	5.8	8.8	9.6	8.2	6.1
West Texas Int. Crude Oil \$/Bbl									
July-08	41.4	56.5	66.1	72.4	113.7	97.3	83.8	75.9	66.7
October-08	41.4	56.5	66.1	72.4	103.5	78.8	83.8	75.9	67.9
December-08	41.4	56.5	66.1	72.4	101.2	53.4	77.5	85.4	82.4
April-09	41.4	56.5	66.1	72.4	100.8	51.8	73.8	84.5	82.4
Prime Rate									
July-08	4.34	6.19	7.96	8.05	5.32	5.44	7.09	7.84	7.50
October-08	4.34	6.19	7.96	8.05	5.25	4.31	4.72	7.12	8.19
December-08	4.34	6.19	7.96	8.05	4.96	3.28	5.02	7.34	7.60
April-09	4.34	6.19	7.96	8.05	5.09	3.15	4.22	6.17	7.32
Consumer Price Index Growth									
July-08	2.7	3.4	3.2	2.9	4.2	2.5	1.7	1.5	1.8
October-08	2.7	3.4	3.2	2.9	4.4	2.4	1.3	1.1	1.3
December-08	2.7	3.4	3.2	2.9	4.2	0.9	2.7	1.8	1.7
April-09	2.7	3.4	3.2	2.9	3.8	-1.0	1.9	2.1	2.0
Avg. Home Price Growth									
July-08	9.6	11.7	8.0	2.7	-2.1	-5.1	0.2	4.5	3.8
October-08	9.6	11.6	7.8	2.6	-2.1	-6.8	-7.7	-2.4	0.8
December-08	9.6	11.6	7.8	2.5	-3.0	-8.1	-6.4	1.7	4.4
April-09	10.5	12.6	8.4	2.3	-3.9	-8.3	-7.1	1.0	4.0

TABLE B
Comparison of Adjusted NEEP/Economy.com/JFO Vermont State Forecasts
October-07 Through April-09, Selected Variables, Calendar Year Basis

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GSP Growth									
October-07	4.1	2.5	2.8	-0.3	1.7	3.5	3.6	3.2	
May-08	4.1	2.5	2.8	1.7	0.4	3.3	3.7	3.1	
July-08	3.4	2.0	1.2	1.5	-0.4	1.6	4.0	3.4	2.4
October-08	3.4	2.0	1.2	1.5	1.3	0.1	2.8	3.3	3.2
December-08	3.4	2.0	1.2	1.5	1.2	-0.8	1.8	3.9	4.5
April-09	3.4	2.0	1.2	1.5	1.4	-3.9	0.3	3.8	4.2
Population Growth									
October-07	0.4	0.3	0.2	0.3	0.5	0.4	0.3	0.3	
May-08	0.3	0.2	0.2	0.1	0.2	0.2	0.2	0.4	0.5
July-08	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.3	0.4
October-08	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
December-08	0.3	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.3
April-09	0.3	0.1	0.1	0.1	0.1	0.0	0.1	0.2	0.2
Employment Growth									
October-07	1.3	0.9	0.6	0.6	0.3	0.7	0.9	0.7	
May-08	1.3	0.9	0.7	0.0	-0.6	0.3	1.0	0.9	0.7
July-08	1.3	0.9	0.7	0.0	-0.5	-0.1	1.3	1.1	0.6
October-08	1.3	0.9	0.7	0.0	-0.3	-1.7	-0.6	1.0	1.4
December-08	1.3	0.9	0.7	0.0	-0.2	-1.3	0.2	1.6	1.6
April-09	1.3	0.	0.7	0.2	-0.7	-4.5	-1.8	2.3	3.1
Unemployment Rate									
October-07	3.7	3.5	3.6	3.9	4.1	3.9	3.8	3.7	
May-08	3.7	3.5	3.7	3.9	4.3	4.6	4.3	3.8	3.7
July-08	3.7	3.5	3.7	3.9	4.9	5.4	5.0	4.6	4.4
October-08	3.7	3.5	3.7	3.9	4.9	6.3	6.7	6.0	5.3
December-08	3.7	3.5	3.7	3.9	4.9	6.6	7.2	6.3	5.1
April-09	3.7	3.5	3.7	4.0	4.8	7.8	8.9	7.6	5.8
Personal Income Growth									
October-07	4.3	4.3	4.7	5.5	4.3	4.2	4.2	4.2	
May-08	5.6	2.9	6.3	5.0	2.6	3.8	3.9	4.0	4.2
July-08	5.7	2.9	6.4	5.2	3.7	2.8	4.0	4.1	4.3
October-08	5.7	2.5	7.6	6.6	3.6	1.9	2.9	3.8	3.9
December-08	5.7	2.5	7.6	6.6	3.9	1.3	2.5	3.6	4.5
April-09	5.7	2.5	7.6	6.6	3.6	0.7	1.5	2.8	3.3
Home Price Growth (JFO*)									
October-07	13.5	14.2	9.9	3.6	-2.0	-1.5	1.1	1.2	
May-08	13.5	14.2	9.7	4.3	-0.8	-0.9	1.0	1.7	2.0
July-08	13.5	14.2	9.4	4.0	0.1	-1.4	0.2	1.1	1.8
October-08	13.5	14.2	9.2	4.0	0.8	-2.7	0.2	1.6	1.5
December-08*	13.4	14.1	9.1	3.9	0.7	-1.3	0.1	1.1	1.5
April-09	13.4	14.1	9.1	3.8	1.0	-2.7	-1.3	0.0	1.5

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 and Mark Perrault have contributed to numerous policy and revenue impact analyses and coordinated JFO forecast production and related legislative committee support functions. Sandy Noyes 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 30 years of data for each of the 25 General Fund categories (three aggregates), 27 years of data for each of the Transportation Fund categories (one aggregate), and 9 to 30 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 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 - April 2009**

SOURCE G-FUND

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

	FY 2005	%	FY 2006	%	FY 2007	%	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%
	<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>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE														
Personal Income	\$500.5	16.4%	\$542.0	8.3%	\$581.2	7.2%	\$622.3	7.1%	\$531.7	-14.6%	\$501.9	-5.6%	\$538.6	7.3%
Sales & Use*	\$310.8	14.2%	\$325.5	4.7%	\$333.7	2.5%	\$338.4	1.4%	\$321.3	-5.0%	\$315.8	-1.7%	\$327.7	3.8%
Corporate	\$60.4	8.3%	\$75.9	25.8%	\$72.8	-4.1%	\$74.6	2.4%	\$61.2	-18.0%	\$48.2	-21.2%	\$55.3	14.7%
Meals and Rooms	\$113.0	4.1%	\$111.8	-1.1%	\$114.9	2.8%	\$121.1	5.4%	\$117.7	-2.8%	\$116.9	-0.7%	\$121.2	3.7%
Cigarette and Tobacco**	\$48.8	-8.7%	\$48.9	0.3%	\$64.3	31.4%	\$59.2	-7.9%	\$63.9	7.9%	\$60.3	-5.6%	\$57.9	-4.0%
Liquor	\$12.5	7.1%	\$13.2	5.1%	\$13.7	4.0%	\$14.2	3.7%	\$15.1	6.4%	\$15.4	2.0%	\$16.0	3.9%
Insurance	\$50.3	7.0%	\$52.5	4.2%	\$52.9	0.8%	\$54.8	3.8%	\$57.0	3.9%	\$56.7	-0.5%	\$58.8	3.7%
Telephone	\$10.5	1.6%	\$10.4	-1.4%	\$10.0	-4.0%	\$9.5	-4.6%	\$9.2	-3.2%	\$9.1	-1.1%	\$8.9	-2.2%
Beverage	\$5.3	2.0%	\$5.4	2.8%	\$5.5	1.3%	\$5.6	1.9%	\$5.6	0.4%	\$5.7	0.5%	\$5.7	0.5%
Electric	\$2.6	-6.0%	\$2.6	0.0%	\$2.6	1.2%	\$2.7	3.3%	\$2.8	3.0%	\$2.8	1.1%	\$2.8	0.4%
Estate	\$18.9	28.2%	\$26.2	39.0%	\$17.8	-32.1%	\$15.7	-11.9%	\$9.3	-40.7%	\$10.8	16.1%	\$7.4	-31.5%
Property	\$45.2	33.2%	\$43.7	-3.4%	\$39.3	-10.0%	\$34.0	-13.5%	\$26.7	-21.5%	\$22.8	-14.6%	\$23.4	2.6%
Bank	\$8.6	32.0%	\$10.2	18.3%	\$10.5	3.6%	\$10.2	-3.4%	\$20.5	101.7%	\$10.7	-47.8%	\$10.9	1.9%
Other Tax	\$6.6	52.1%	\$7.2	9.1%	\$6.5	-10.2%	\$3.2	-51.1%	\$2.9	-8.5%	\$2.8	-3.4%	\$3.0	7.1%
Total Tax Revenue	\$1193.9	13.0%	\$1275.4	6.8%	\$1325.7	3.9%	\$1365.5	3.0%	\$1244.9	-8.8%	\$1179.9	-5.2%	\$1237.6	4.9%
Business Licenses	\$2.8	2.9%	\$2.8	-0.5%	\$2.8	-1.0%	\$2.7	-1.0%	\$2.9	6.0%	\$2.8	-3.4%	\$2.9	3.6%
Fees	\$12.5	9.9%	\$13.2	6.1%	\$14.2	7.4%	\$14.7	3.6%	\$18.7	27.0%	\$19.2	2.7%	\$19.7	2.6%
Services	\$2.0	22.9%	\$1.3	-35.3%	\$1.5	17.1%	\$1.7	15.9%	\$1.6	-7.9%	\$1.7	6.3%	\$1.8	5.9%
Fines	\$4.4	-40.2%	\$3.2	-26.7%	\$3.2	-2.1%	\$4.4	38.6%	\$8.3	88.4%	\$3.9	-53.0%	\$4.0	2.6%
Interest	\$1.6	894.1%	\$2.7	67.0%	\$3.6	33.5%	\$3.9	10.1%	\$1.6	-59.4%	\$1.7	6.3%	\$3.1	82.4%
Lottery	\$20.4	0.4%	\$21.9	7.3%	\$23.3	6.5%	\$22.7	-2.5%	\$19.6	-13.7%	\$19.7	0.5%	\$20.2	2.5%
All Other	\$0.4	-9.9%	\$0.2	-40.9%	\$1.1	365.2%	\$0.6	-44.1%	\$0.7	12.4%	\$0.6	-14.3%	\$0.7	16.7%
Total Other Revenue	\$44.1	0.1%	\$45.3	2.9%	\$49.6	9.5%	\$50.9	2.5%	\$53.4	5.0%	\$49.6	-7.1%	\$52.4	5.6%
TOTAL GENERAL FUND	\$1238.0	12.5%	\$1320.8	6.7%	\$1375.4	4.1%	\$1416.4	3.0%	\$1298.3	-8.3%	\$1229.5	-5.3%	\$1290.0	4.9%

* 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

***FY08 data are forecast, not actual

**TABLE 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - April 2009**

CURRENT LAW BASIS

including all Education Fund

allocations and other out-transfers

	FY 2005	%	FY 2006	%	FY 2007	%	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%
	<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>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE														
Personal Income	\$500.5	16.4%	\$542.0	8.3%	\$581.2	7.2%	\$622.3	7.1%	\$531.7	-14.6%	\$501.9	-5.6%	\$538.6	7.3%
Sales and Use*	\$207.2	-23.9%	\$216.9	4.7%	\$222.5	2.6%	\$225.6	1.4%	\$214.2	-5.0%	\$210.5	-1.7%	\$218.5	3.8%
Corporate	\$60.4	33.6%	\$75.9	25.8%	\$72.8	-4.1%	\$74.6	2.4%	\$61.2	-18.0%	\$48.2	-21.2%	\$55.3	14.7%
Meals and Rooms	\$113.0	27.8%	\$111.8	-1.1%	\$114.9	2.8%	\$121.1	5.4%	\$117.7	-2.8%	\$116.9	-0.7%	\$121.2	3.7%
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	\$12.5	7.1%	\$13.2	5.1%	\$13.7	4.0%	\$14.2	3.7%	\$15.1	6.4%	\$15.4	2.0%	\$16.0	3.9%
Insurance	\$50.3	7.0%	\$52.5	4.2%	\$52.9	0.8%	\$54.8	3.8%	\$57.0	3.9%	\$56.7	-0.5%	\$58.8	3.7%
Telephone	\$10.5	1.6%	\$10.4	-1.4%	\$10.0	-4.0%	\$9.5	-4.6%	\$9.2	-3.2%	\$9.1	-1.1%	\$8.9	-2.2%
Beverage	\$5.3	2.0%	\$5.4	2.8%	\$5.5	1.3%	\$5.6	1.9%	\$5.6	0.4%	\$5.7	0.5%	\$5.7	0.5%
Electric	\$2.6	-6.0%	\$2.6	0.0%	\$2.6	1.2%	\$2.7	3.3%	\$2.8	3.0%	\$2.8	1.1%	\$2.8	0.4%
Estate**	\$18.9	28.2%	\$26.2	39.0%	\$17.8	-32.1%	\$15.7	-11.9%	\$9.3	-40.7%	\$10.8	16.1%	\$7.4	-31.5%
Property	\$14.8	33.1%	\$13.5	-8.9%	\$12.8	-4.5%	\$10.7	-16.3%	\$8.7	-18.8%	\$7.4	-14.6%	\$7.6	2.6%
Bank	\$8.6	216.6%	\$10.2	18.3%	\$10.5	3.6%	\$10.2	-3.4%	\$20.5	101.7%	\$10.7	-47.8%	\$10.9	1.9%
Other Tax	\$6.6	52.1%	\$7.2	9.1%	\$6.5	-10.2%	\$3.2	-51.1%	\$2.9	-8.5%	\$2.8	-3.4%	\$3.0	7.1%
Total Tax Revenue	\$1011.1	6.9%	\$1087.7	7.6%	\$1123.7	3.3%	\$1170.3	4.1%	\$1056.0	-9.8%	\$999.0	-5.4%	\$1054.8	5.6%
Business Licenses	\$2.8	2.9%	\$2.8	-0.5%	\$2.8	-1.0%	\$2.7	-1.0%	\$2.9	6.0%	\$2.8	-3.4%	\$2.9	3.6%
Fees	\$12.5	40.4%	\$13.2	6.1%	\$14.2	7.4%	\$14.7	3.6%	\$18.7	27.0%	\$19.2	2.7%	\$19.7	2.6%
Services	\$2.0	22.9%	\$1.3	-35.3%	\$1.5	17.1%	\$1.7	15.9%	\$1.6	-7.9%	\$1.7	6.3%	\$1.8	5.9%
Fines	\$4.4	-40.2%	\$3.2	-26.7%	\$3.2	-2.1%	\$4.4	38.6%	\$8.3	88.4%	\$3.9	-53.0%	\$4.0	2.6%
Interest	\$2.1	438.3%	\$3.4	60.7%	\$4.9	43.9%	\$5.3	7.2%	\$1.2	-77.1%	\$1.4	16.7%	\$2.8	100.0%
All Other	\$0.4	-9.9%	\$0.2	-40.9%	\$1.1	365.2%	\$0.6	-44.1%	\$0.7	12.4%	\$0.6	-14.3%	\$0.7	16.7%
Total Other Revenue	\$24.2	12.6%	\$24.2	-0.1%	\$27.7	14.3%	\$29.5	6.5%	\$33.4	13.3%	\$29.6	-11.4%	\$31.9	7.8%
TOTAL GENERAL FUND	\$1035.3	7.1%	\$1111.9	7.4%	\$1151.4	3.5%	\$1199.7	4.2%	\$1089.4	-9.2%	\$1028.6	-5.6%	\$1086.7	5.6%

* 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 - April 2009**

SOURCE T-FUND

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

	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009		FY 2010		FY 2011	
	(Actual)	% Change	(Actual)	% Change	(Actual)	% Change	(Actual)	% Change	(Forecast)	% Change	(Forecast)	% Change	(Forecast)	% Change
REVENUE SOURCE														
Gasoline	\$65.5	0.7%	\$63.8	-2.7%	\$63.6	-0.3%	\$62.6	-1.6%	\$60.4	-3.5%	\$60.2	-0.3%	\$61.5	2.2%
Diesel	\$15.5	-13.8%	\$17.7	14.0%	\$18.0	1.7%	\$16.6	-7.8%	\$14.9	-10.2%	\$14.8	-0.7%	\$15.4	4.1%
Purchase and Use*	\$84.1	-2.5%	\$80.3	-4.4%	\$80.6	0.4%	\$79.0	-2.0%	\$66.5	-15.9%	\$66.9	0.6%	\$71.0	6.1%
Motor Vehicle Fees	\$56.1	1.6%	\$57.4	2.3%	\$65.4	14.1%	\$67.5	3.2%	\$65.5	-3.0%	\$67.9	3.7%	\$69.3	2.1%
Other Revenue**	\$16.7	7.3%	\$18.2	8.6%	\$20.2	11.1%	\$23.7	17.2%	\$17.5	-26.1%	\$17.4	-0.6%	\$17.9	2.9%
TOTAL TRANS. FUND	\$238.0	-0.9%	\$237.4	-0.3%	\$247.8	4.4%	\$249.4	0.6%	\$224.8	-9.9%	\$227.2	1.1%	\$235.1	3.5%

**TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - April 2009**

CURRENT LAW BASIS

including all Education Fund
allocations and other out-transfers

	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009		FY 2010		FY 2011	
	(Actual)	% Change	(Actual)	% Change	(Actual)	% Change	(Actual)	% Change	(Forecast)	% Change	(Forecast)	% Change	(Forecast)	% Change
REVENUE SOURCE														
Gasoline	\$65.5	20.8%	\$63.8	-2.7%	\$63.6	-0.3%	\$62.6	-1.6%	\$60.4	-3.5%	\$60.2	-0.3%	\$61.5	2.2%
Diesel	\$15.5	-13.8%	\$17.7	14.0%	\$18.0	1.7%	\$16.6	-7.8%	\$14.9	-10.2%	\$14.8	-0.7%	\$15.4	4.1%
Purchase and Use*	\$56.0	-22.1%	\$53.9	-3.8%	\$53.7	-0.3%	\$52.7	-2.0%	\$44.3	-15.9%	\$44.6	0.6%	\$47.3	6.1%
Motor Vehicle Fees	\$56.1	1.6%	\$57.4	2.3%	\$65.4	14.1%	\$67.5	3.2%	\$65.5	-3.0%	\$67.9	3.7%	\$69.3	2.1%
Other Revenue**	\$15.9	4.9%	\$17.1	7.6%	\$19.2	11.9%	\$23.7	23.5%	\$17.5	-26.1%	\$17.4	-0.6%	\$17.9	2.9%
TOTAL TRANS. FUND	\$209.1	-2.5%	\$209.9	0.4%	\$219.9	4.8%	\$223.1	1.4%	\$202.6	-9.2%	\$204.9	1.1%	\$211.4	3.2%

*As of FY04, includes MV Rental Tax revenues

**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 - April 2009**

CURRENT LAW BASIS

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

	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009		FY 2010		FY 2011	
	(Actual)	% Change	(Actual)	% Change	(Actual)	% Change	(Actual)	% Change	(Forecast)	% Change	(Forecast)	% Change	(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***	\$103.6	533.1%	\$108.5	4.8%	\$111.2	2.5%	\$112.8	1.4%	\$107.1	-5.0%	\$105.3	-1.7%	\$109.2	3.8%
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	(\$0.5)	NM	(\$0.7)	NM	(\$1.3)	NM	(\$1.3)	-0.8%	\$0.4	NM	\$0.3	-25.0%	\$0.3	0.0%
Lottery	\$20.4	0.4%	\$21.9	7.3%	\$23.3	6.5%	\$22.7	-2.5%	\$19.6	-13.7%	\$19.7	0.5%	\$20.2	2.5%
TRANSPORTATION FUND														
Gasoline	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Purchase and Use****	\$28.0	96.2%	\$26.4	-5.8%	\$26.9	1.8%	\$26.3	-2.0%	\$22.2	-15.9%	\$22.3	0.6%	\$23.7	6.1%
TOTAL	\$151.5	53.8%	\$156.1	3.0%	\$160.1	2.6%	\$160.5	0.3%	\$149.3	-7.0%	\$147.6	-1.1%	\$153.4	4.0%

** Note: After Travel Tourism out-transfer of \$1.56 million ***Includes Telecommunications Tax; includes \$1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors ****Includes MV ental revenues, restated.