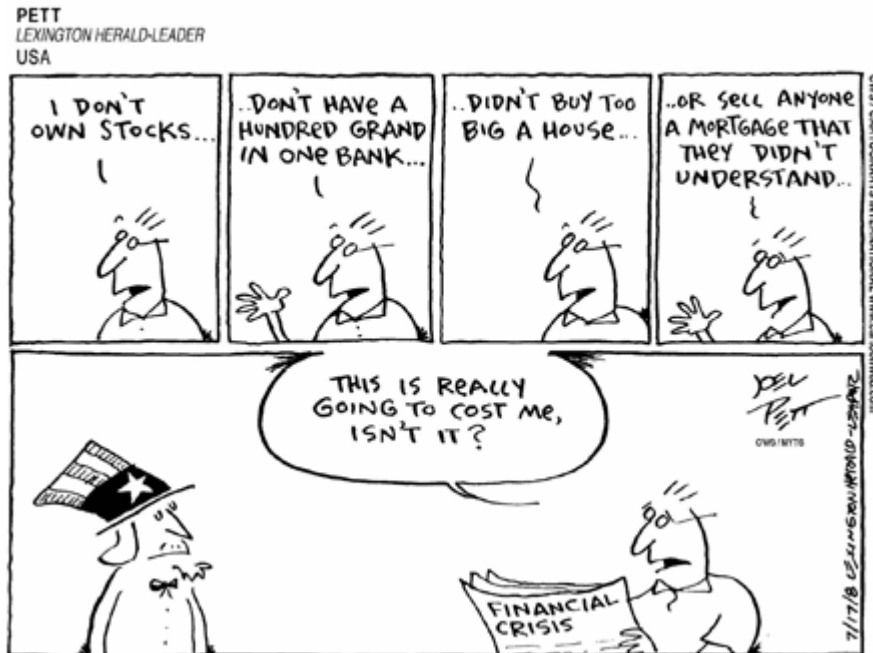


The Revised Fiscal 2010-11 Revenue Outlook

General Fund, Transportation Fund, and Education Fund



Prepared for the Vermont Emergency Board

July 16, 2009

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I. The State of the Economy and the Updated Proposed Staff Consensus Forecast for Fiscal 2010 through Fiscal 2011.

a. Economic Forecast Overview:

- It has been a long 19 months since the beginning of the national “Great Recession” in December 2007. This downturn, extraordinary in its breadth and depth, is now also by far the longest recession in the post-Great Depression time horizon.¹
 - Most macro indicators continue to paint a mixed picture of the U.S. economy. These developments suggest that while the period of free-fall for the national economy may in fact finally be over, it is still premature to have any confidence that a bottoming in the economy is nearby or that a genuine turnaround in the economy is beginning to take form.
- The employment report of July 2nd was far more negative than expected, showing increased numbers of lost jobs, and reversing the trend of “slowing job losses” in the labor market that was underpinning the increasing crescendo of talk about “green shoots” and “glimmers of hope” in the economy.
 - The fact remains, heavy job losses continue and there are only two sectors of the economy that are now adding jobs. Further, nearly all 50 states (49 in total in June 2009 compare to June 2008)² are in the minus job column through June, and delinquencies on U.S. home equity loans reached record highs in the first quarter of 2009.
- The American Recovery and Reinvestment Act (the AARA or Stimulus Package), signed into law in February has recently begun to have an impact on the economy. As of the beginning of July, \$174.9 billion has been made available and \$60.4 billion has actually been expended. The amount expended represents less than 20% of the total amount to be expended under ARRA over the two year Stimulus Program period.
- On the up side, recent readings for consumer confidence and some housing market indicators suggest that the pace of decline in housing may now finally be beginning to level off. However, the housing numbers are unassailably negative, and there are no—at least as yet—concrete signs of any housing market bottoming, with a substantial level of existing and so-called “shadow inventory” yet to be worked off.

¹ The previous longest recession record holders were the November 1973-March 1975 and July 1981-November 1982 recessions at 16 months each.

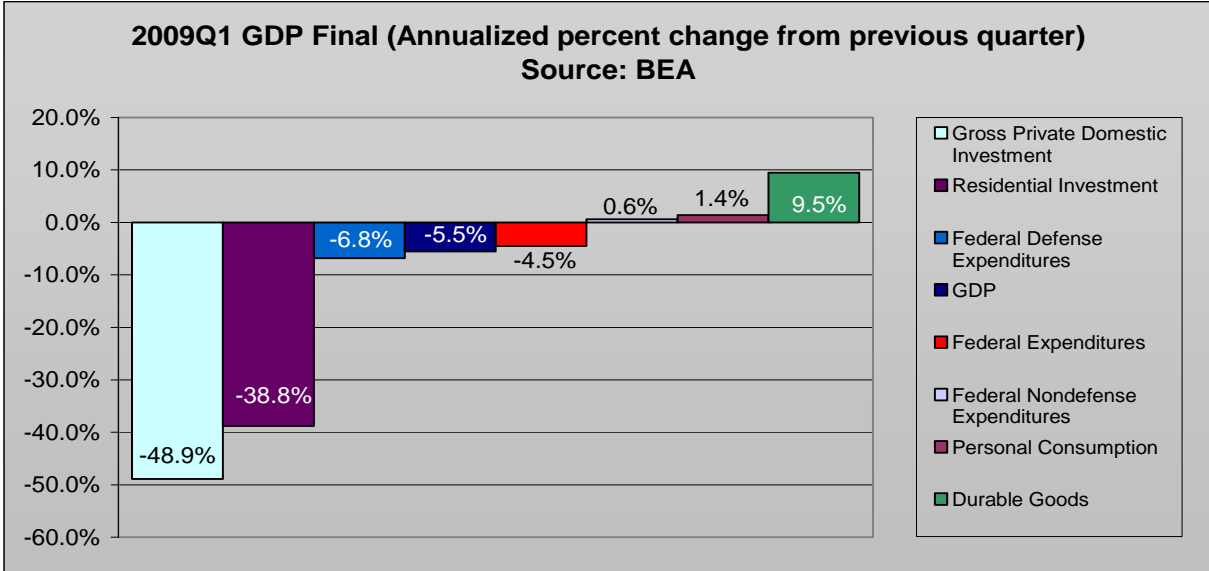
² Only the state of North Dakota had year-over-year job growth during June.

- Turning to Vermont, the state unemployment rate has increased to an 18-year high, even though it remains considerably lower than the national average.
 - The state has been losing payroll jobs at a higher than national average rate as Vermont's construction, manufacturing and visitor sectors have been contending with the full impact of the U.S., indeed global, economic recession—including the recent “economic free-fall.”
 - While the pace of payroll job loss in Vermont (and the U.S. economy) has recently been slowing, the level of job loss remains high. Payroll job losses are expected to continue both nationally and in Vermont until the second quarter of calendar year 2010.
- The most important factor in the state's prospective economic turnaround remains a bottoming and subsequent recovery in the U.S. and New England regional economies.
 - The real questions going forward are the timing and profile of any turnaround and whether the shape of the recovery will be a rounded “U”, with perhaps a flatter slope to the right hand side, or the possibility of a “W”-shaped, halting and uneven recovery.
- At this point, most analysts expect the U.S. economy to form some sort of a bottom over the next 3 to 4 months, with a historically slow pace of recovery. At this point, it looks like the Stimulus Program and some signs of life in Emerging Markets (China, India, and East Asia) will be the main factors driving the global economic recovery.

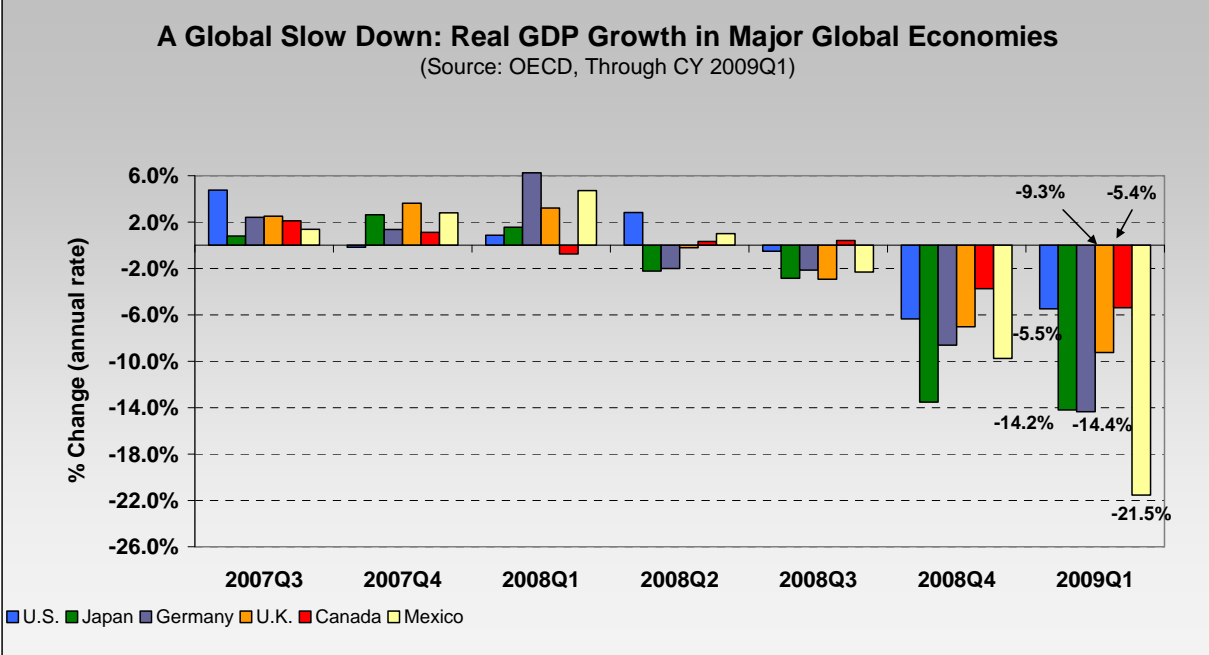
b. Economic Charts

1. U.S. GDP in the Global Recession

- The final of the GDP data releases for the first quarter of calendar year 2009 showed the U.S. economy contracted at a rate of -5.5% (a seasonally-adjusted annual rate) in the first quarter of 2009—a rate only marginally better than the -6.3% decline experienced during the fourth quarter of 2008, which posted a contraction of -6.3% (SAAR).
 - The two consecutive quarters of historically strong contraction is indicative of the severity of the still on-going period of recession, with only the Personal Consumption Expenditures (PCE) component—particularly the durable goods component of PCE—a bit of a bright spot (at +1.4%).
- This was offset by a painful 38.8% (SAAR) decline in residential investment.

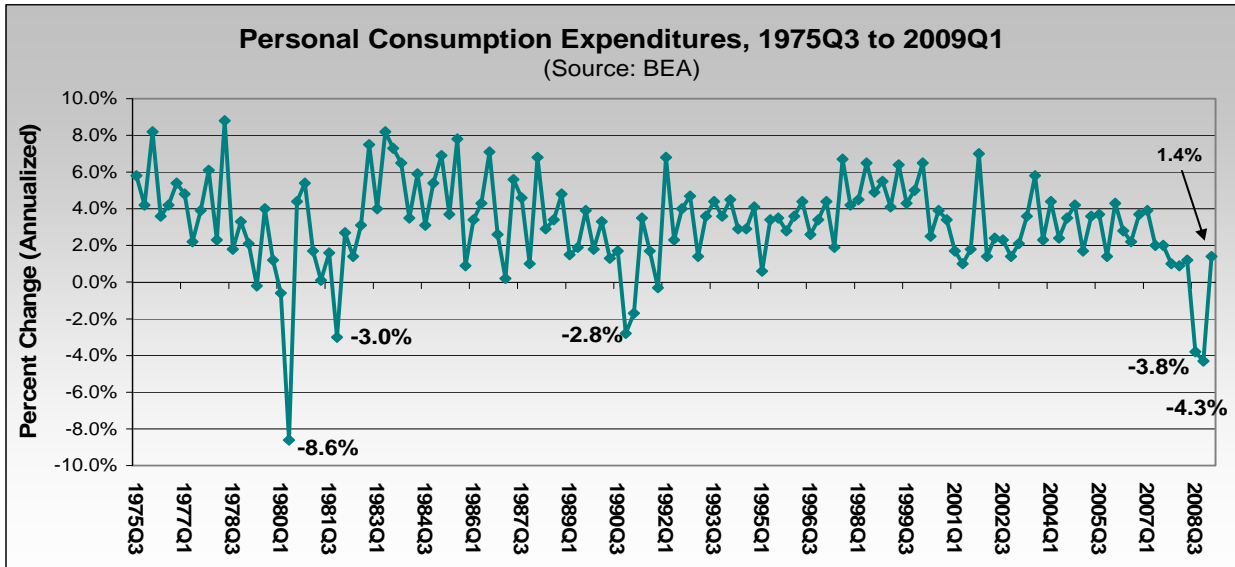


- While a -5.5% decline in inflation-adjusted GDP represents a significant contraction the U.S. economy, the contraction continues to be less severe than those of important trading partners—particularly Mexico (which contracted at a -21.5% annual rate in part due to the swine flu), and Germany and Japan, which both contracted at a rate greater than -14.0%. Canada likewise has also been negative for two consecutive quarters.

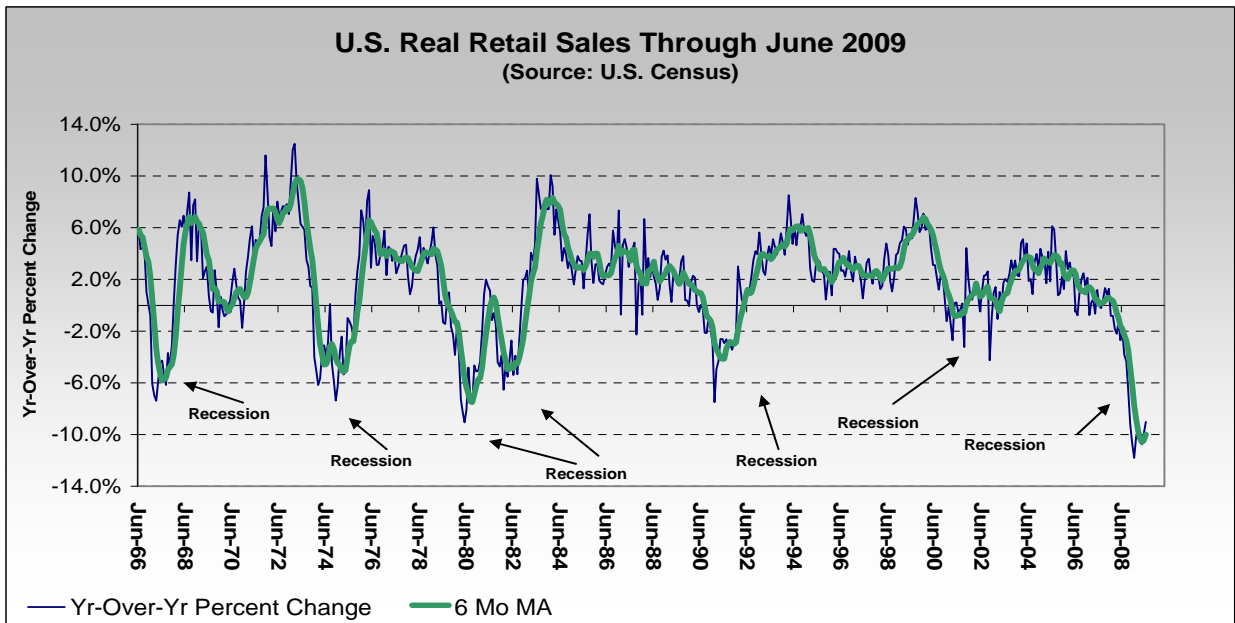


2. Deep Recession-Like Consumption

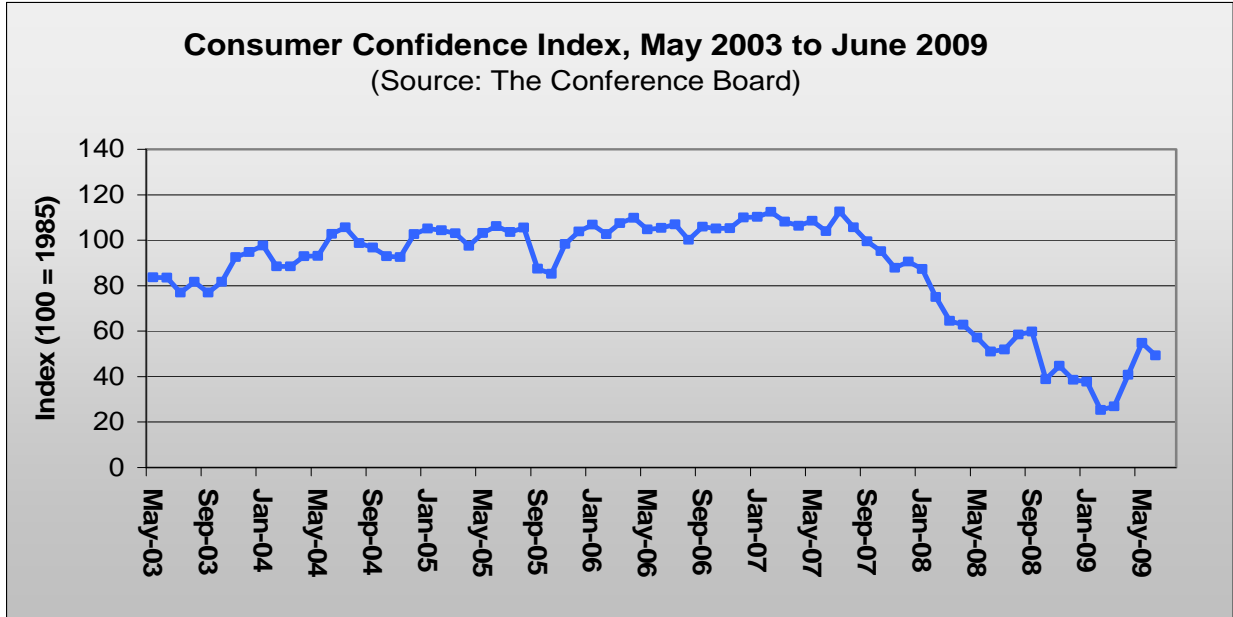
- The decline in consumption has been a primary culprit behind the weak GDP performance. Even though consumption appears to have improved somewhat, it remains at recessionary levels and has only appeared to have returned to the low “pre-free-fall” levels that occurred the recessionary first 3 quarters of calendar 2008.



- This is likewise borne out by the poor performance of retail sales, where inflation-adjusted retail sales remain nearly 10% below levels of one year earlier, despite signs of a flattening trend!

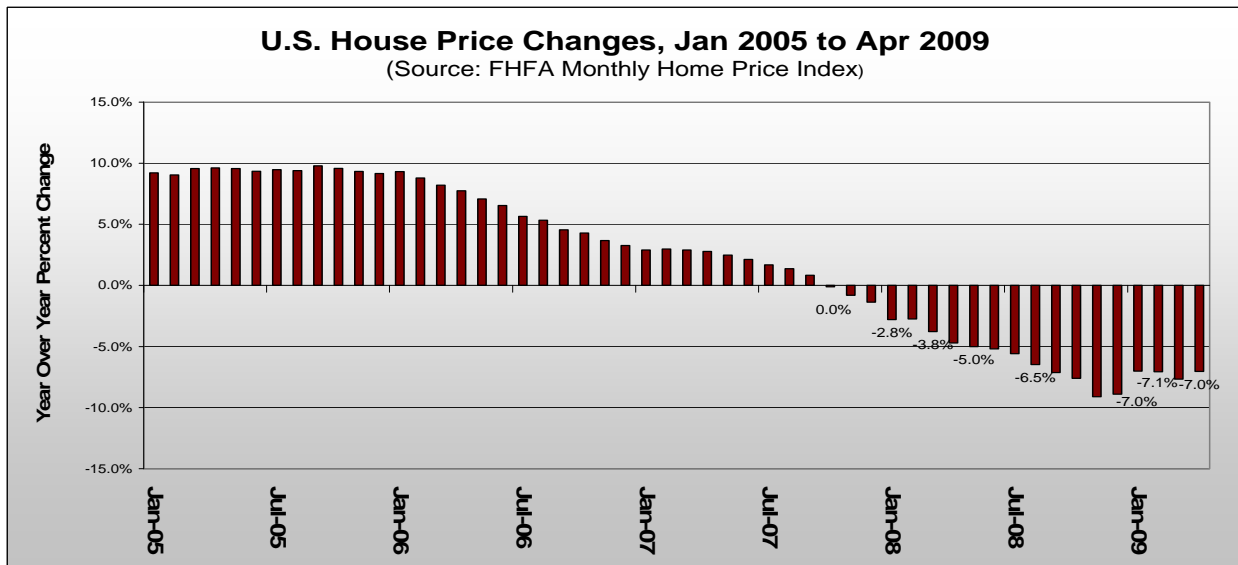


- Consumer Confidence also remains at very depressed levels, with the Consumer Confidence Index falling slightly in June of 2009 after two consecutive months of improvement. Even so, the fact remains, consumer confidence remains at deep recessionary levels.

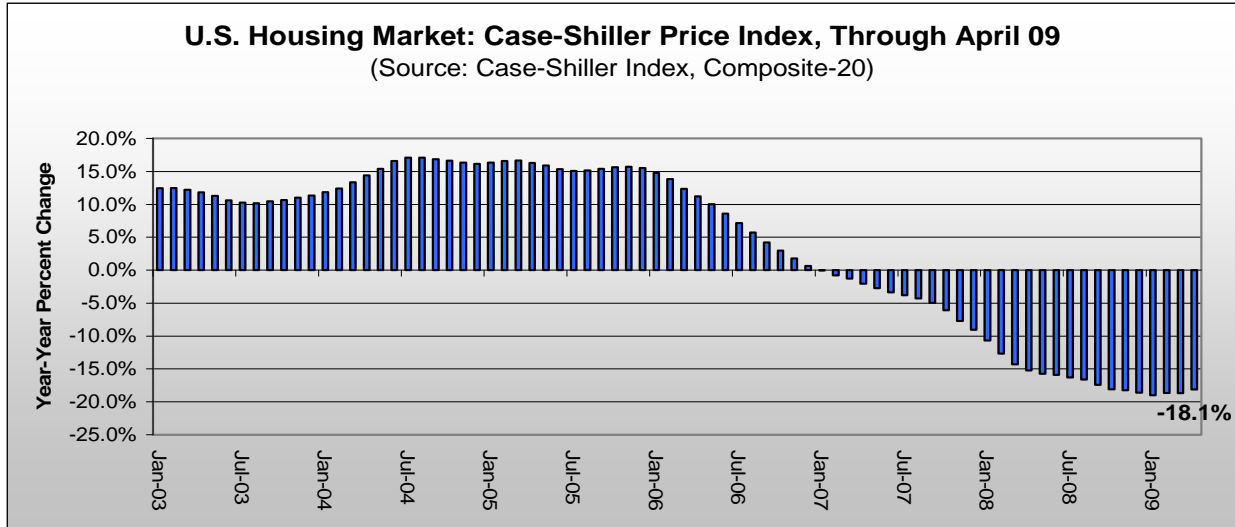


3. Housing Markets

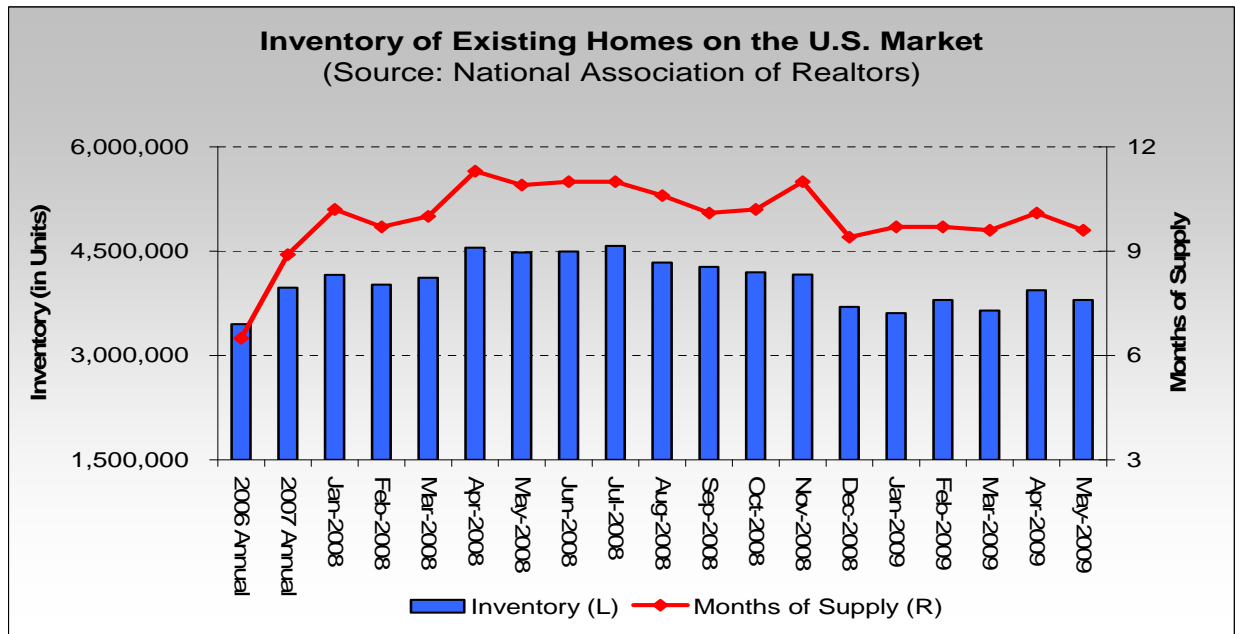
- The national housing market continues at epic lows, but recent mixed signs are suggesting that a housing market bottom may not be too far out in the future (e.g. within 6 months?). One positive development was the flat March to April performance by the Federal Housing Finance Authority's (FHFA) monthly home price index. Year-over-year declines have eased from their highest levels during the November-December of calendar 2008.



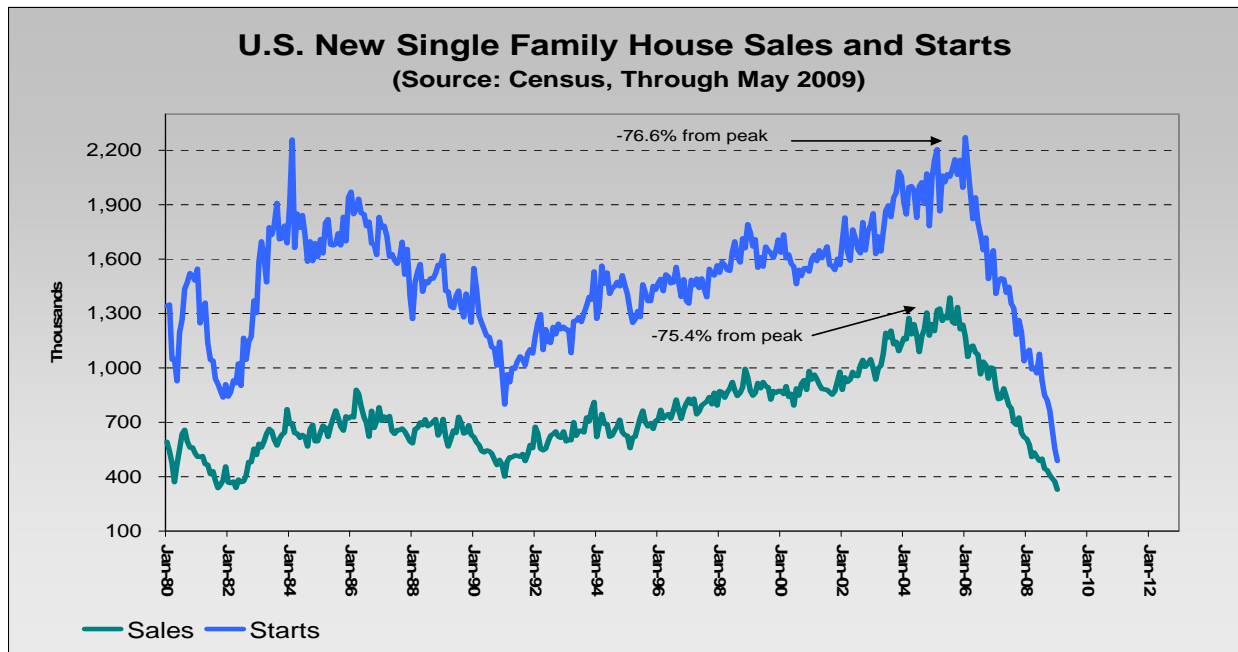
- Reinforcing this is the Case-Shiller Composite-20 Housing Price Index, which declined by only -0.9% decline over the month—the smallest monthly decline since August 2007. Even so, prices are down by -18.1% since April 2008, and the index overall is 32.0% below the peak level in May 2006. Price levels measured by this index are now near levels last experienced in calendar year 2003.



- Looking beyond the price data, the National Association of Realtors (NAR) data shows that houses continue to spend a long time (at least nine months) on the market and the inventory of unsold houses remains very high. What sales there are have a very large number of distressed or foreclosure sales (currently estimated at 1/3 of total sales).

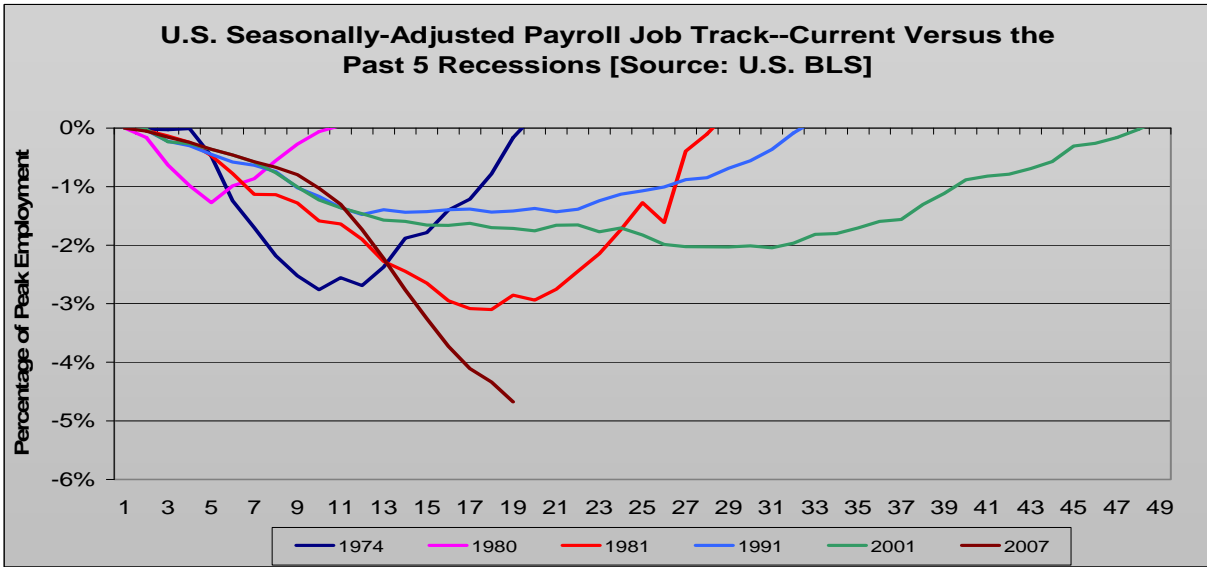
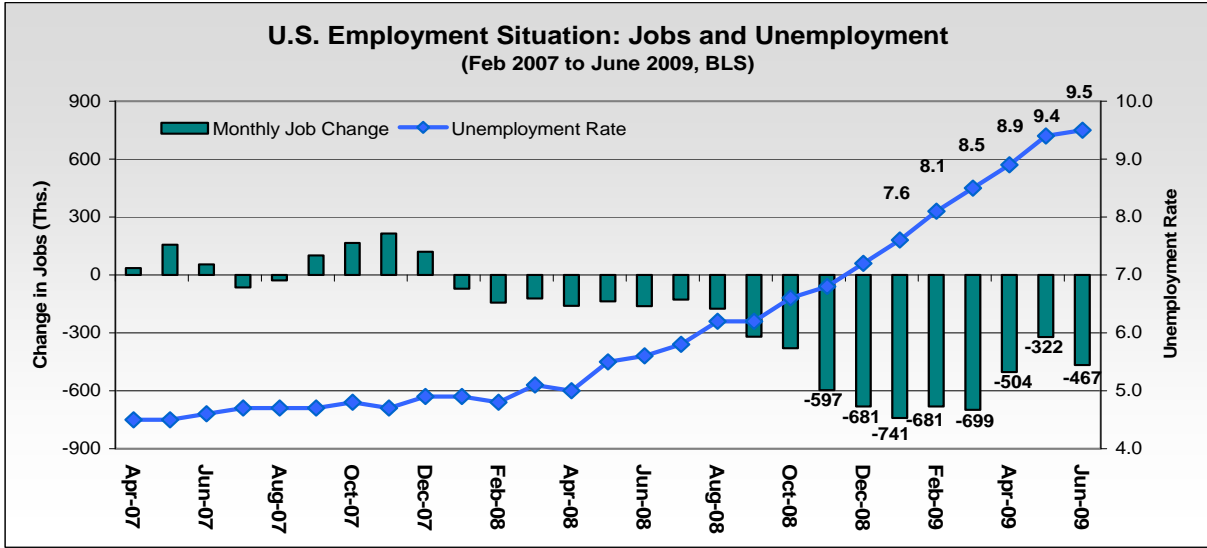


- New housing starts increased in May 17.2% over April, but still remain 45.2% down from a year ago. Only 7.4% of all single family home sales in May were new housing (versus a 16% average from 1990 to 2005), and this represents the lowest percentage since data on this measure was first recorded back in 1968.
- As a result, both housing starts and sales are off by nearly 80% from their peaks just three years ago.

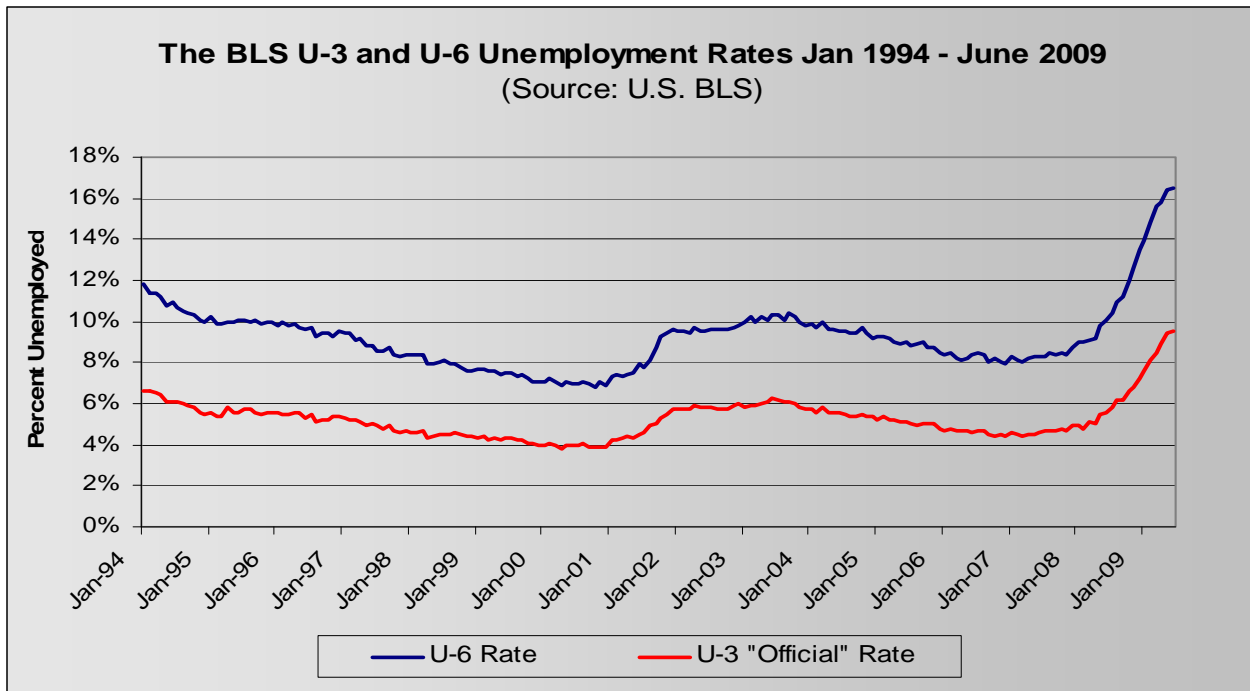


4. Update on Labor Markets

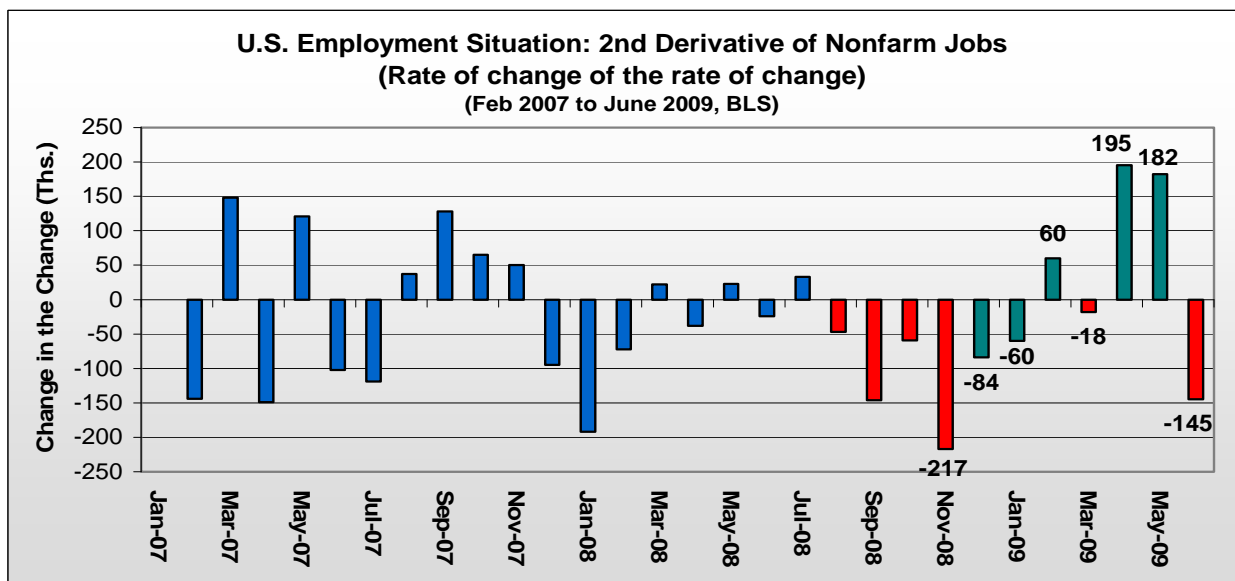
- On the labor market front, the national employment report released on July 2nd showed that total nonfarm payroll employment declined by -467,000 jobs in June. May's payroll job loss was revised up, from a disheartening -345,000 to a still difficult -322,000 payroll job loss.
 - The seasonally-adjusted unemployment rate for the nation rose from 9.4% to 9.5%, and now sits at its highest level since 1983.
 - Since the national economy fell into recession back in December 2007, nonfarm total payroll employment has declined by nearly 6.5 million jobs or -4.7%, with job losses widespread across almost all industry sectors and in every region of the country.



- Moreover, if those who are so discouraged they are presently not looking for work (even though they are presently out of a job) are counted, the unemployment rate nearly doubles (the so-called U-6 unemployment rate) at 16.5%.

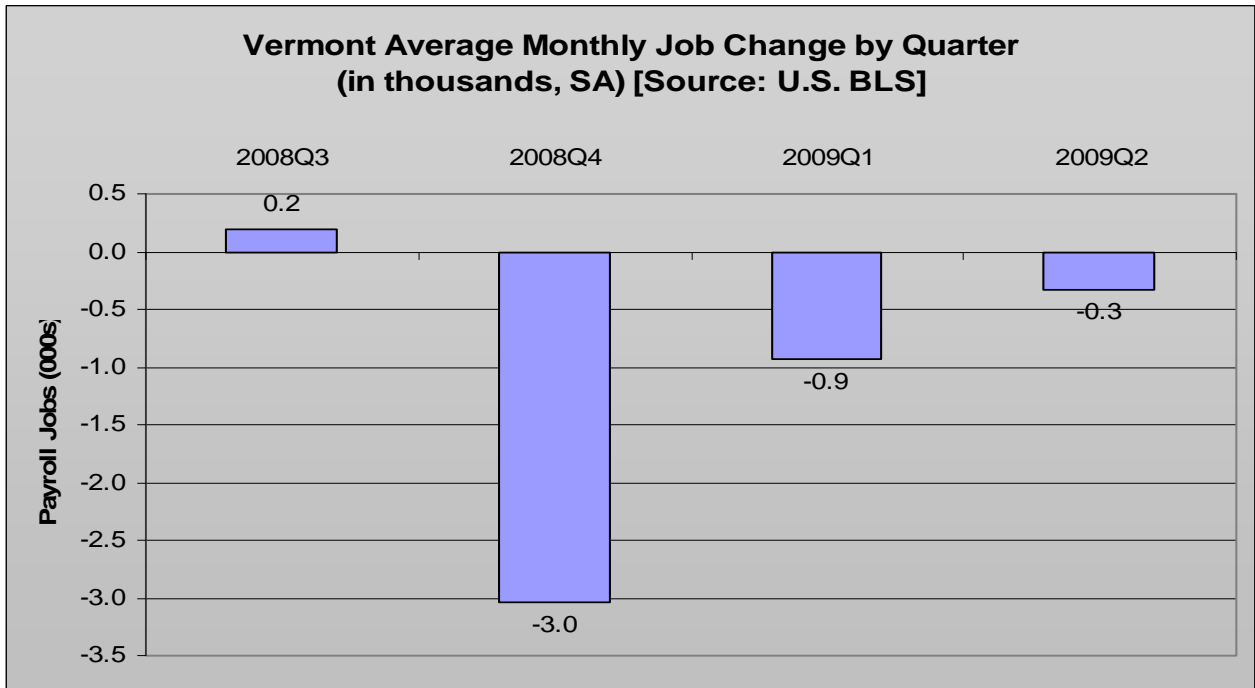
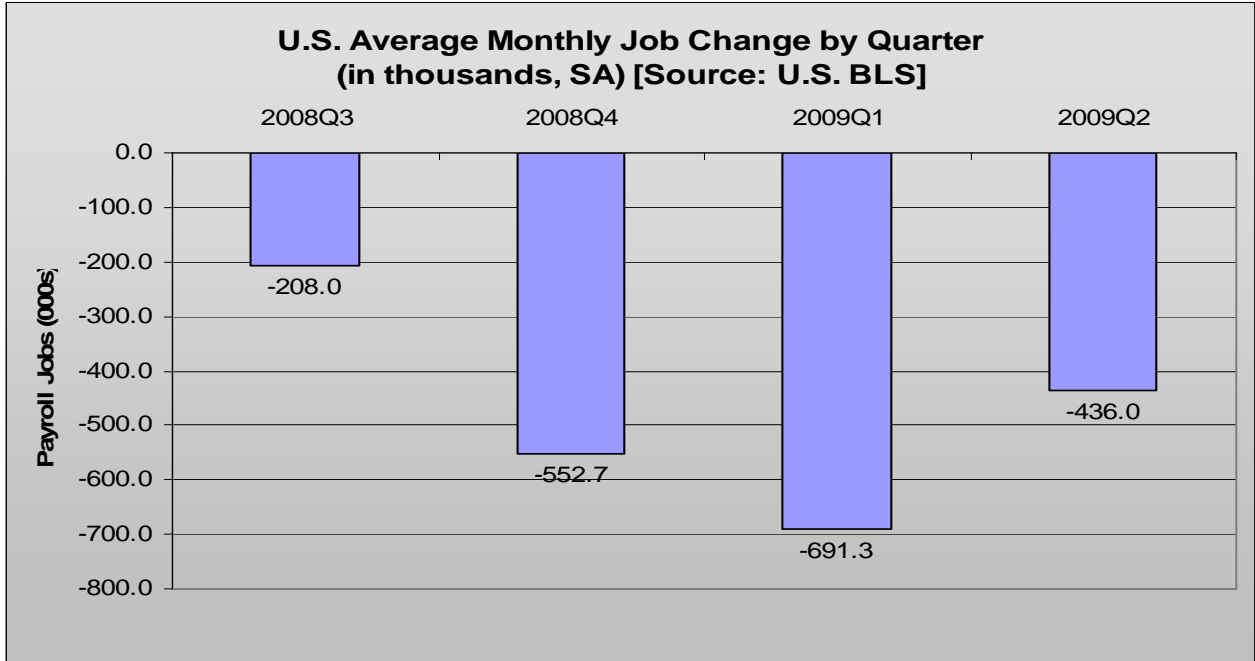


- The increase in monthly job loss trend in June was a change in the trend of decreasing job losses that had generally been seen since November of 2008. This “second derivative” (e.g. the change in the change), was negative in June, after posting two second derivative “improvements” during April-May.



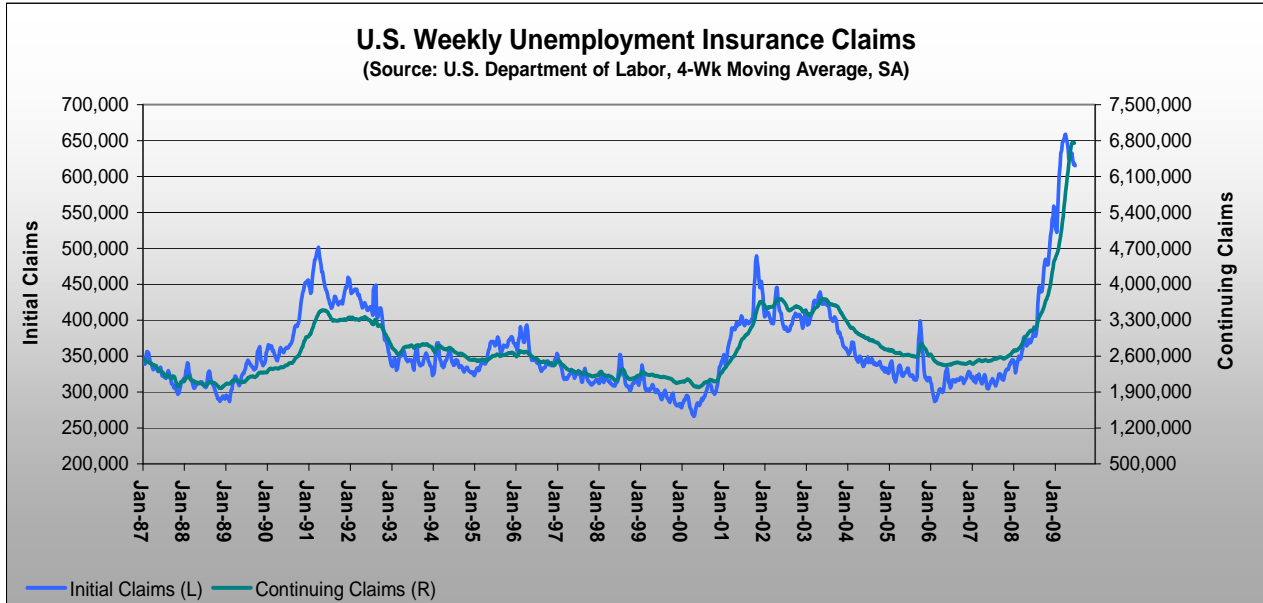
- Although second derivative improvement is not real improvement (e.g. a decline in the rate of decrease), the improving, or “less negative,” trend is a precursor to a bottom and subsequent actual improvement.

- This can perhaps best be seen in the quarterly progression in payroll job losses which smooth out the month-to-month variability. Quarterly job losses have moderated both for the U.S. and Vermont economies since the economy’s “free-fall.”



- There also has been some improvement in initial claims for unemployment insurance. Recently, claims have eased off their record peaks of seasonally adjusted figures between 650,000-675,000 in late March and early April, but

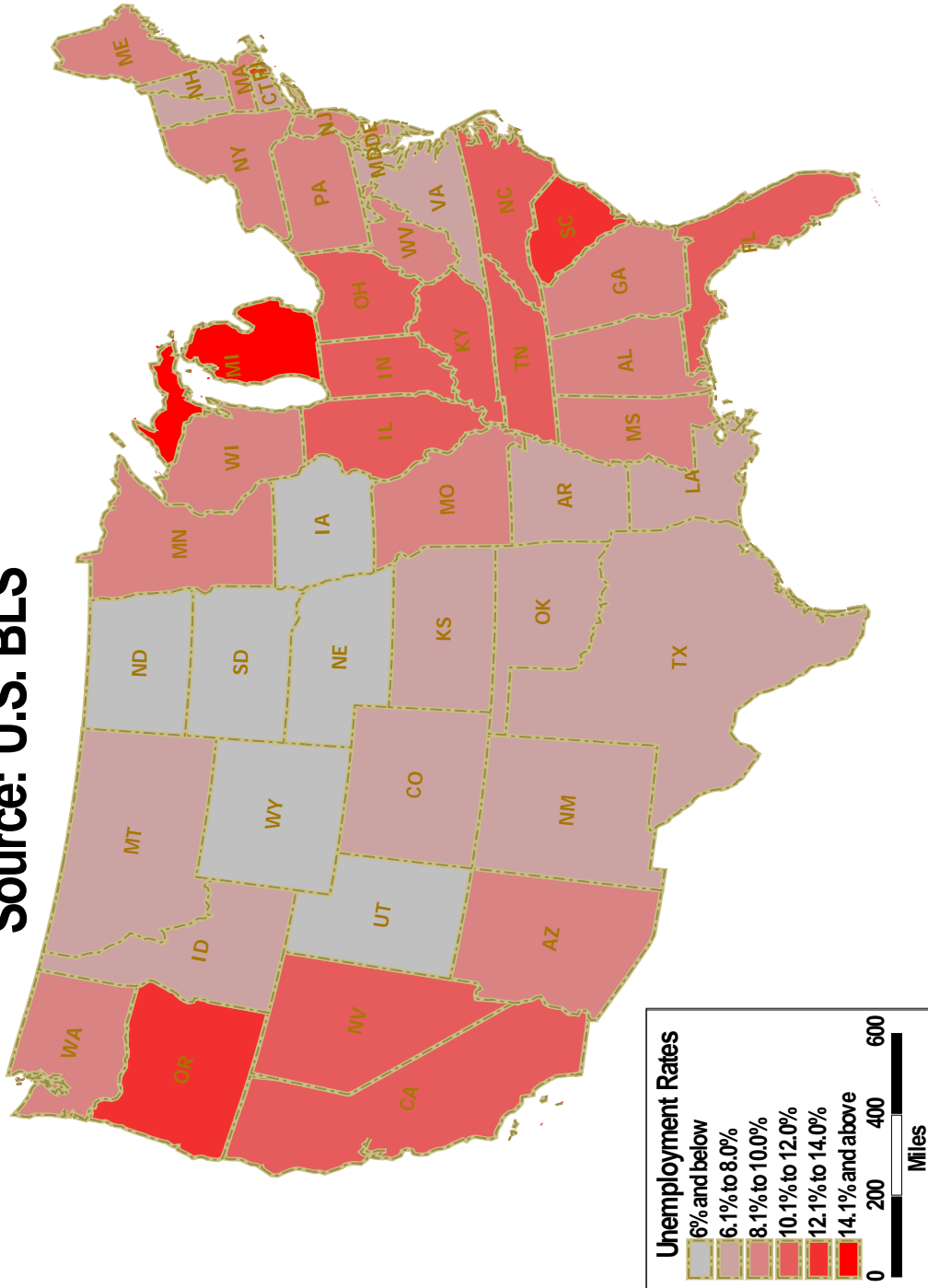
near 600,000 initial claims per week. A year ago, initial claims for unemployment benefits stood at only 405,000.



- Metropolitan employment and unemployment figures for May were released June 30th. All 372 metropolitan statistical areas (MSA) reported higher unemployment rates compared to a year ago. A total of 112 MSAs reported unemployment rates of greater than 10.0%.
- The Burlington-South Burlington MSA, Vermont's only metro area, had an unemployment rate of 6.1% (unadjusted for seasonality), below Vermont's seasonally unadjusted 7.1% and the nation's seasonally unadjusted 9.1% unemployment rates.
- The chart on the following page displays unemployment rates by state. The states facing the highest rates of unemployment are generally concentrated in the southwest, midwest and southeast parts of the country.

Unemployment Rate by State for May 2009

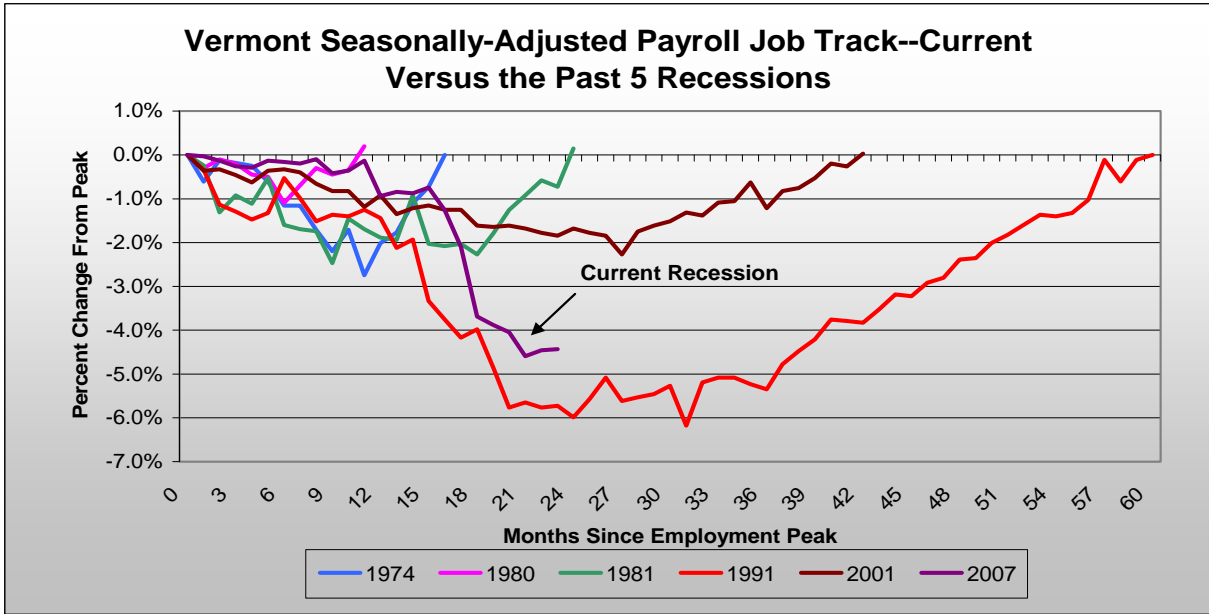
Source: U.S. BLS



c. The Vermont Economic Situation and Outlook

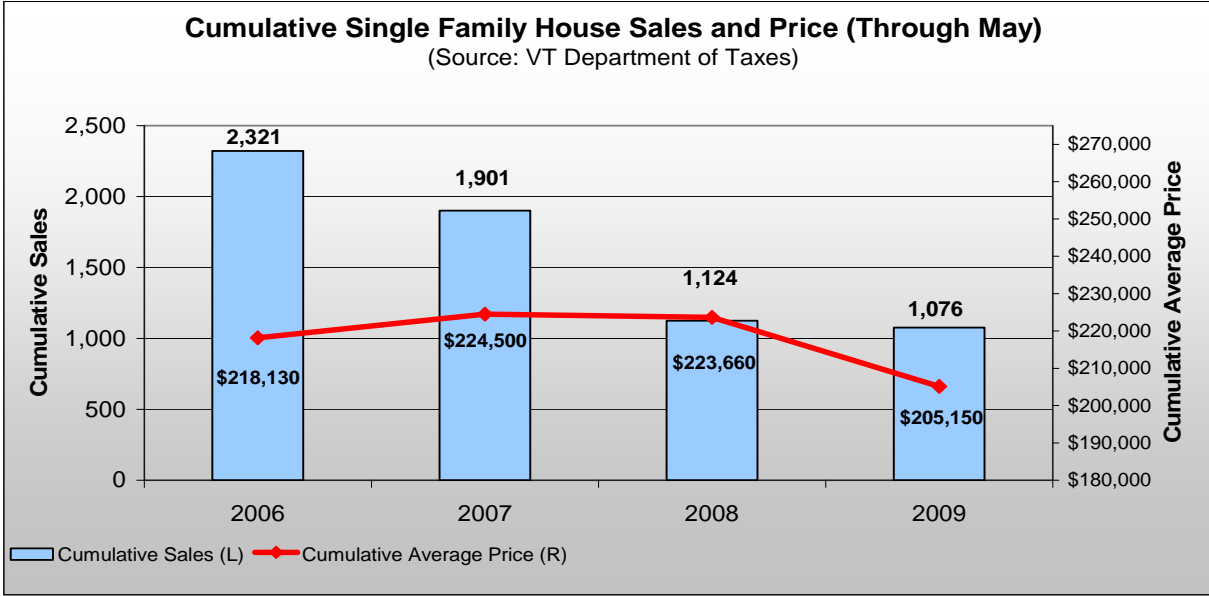
- The most significant development for the Vermont economy over the last two months is what appears to be stabilization in the unemployment rate. The Bureau of Labor Statistics released unemployment rates for the states for April and May, with 48 states reporting increases in the unemployment rate. Vermont was one of only two states to avoid a higher unemployment rate from the previous month (along with the state of Nebraska).
 - Vermont's seasonally adjusted unemployment rate at 7.3% in May was considerably lower than both the national average rate of 9.5% and the New England region at 8.3%. However, that level remains high by historical standards and represents an 18-year high in the rate dating back to the particularly difficult recession in Vermont during the early 1990s.
 - Vermont's non-seasonally adjusted total nonfarm payroll employment increased by 3,700 in May, but this appears to have been mostly expected seasonal increases as total payroll jobs were essentially flat after seasonal-adjustment. This is the second month of relatively flat seasonally-adjusted changes in the Vermont labor market—a welcome development after a harsh fourth quarter of calendar year 2008 and a troubling first quarter of calendar year 2009.
 - While the Vermont labor market is doing somewhat better than the U.S. overall, there is still considerable weakness in Vermont's labor markets as evidenced by the 238 workers laid off from Ethan Allen Furniture announced at the end of June (the full effect of these layoffs will be felt by August—which will hit the labor market numbers in September).
- This development underscores the fragile nature of Vermont labor markets and the likelihood for continued job losses as employers remain under pressure to cut costs. So far during Vermont's labor market recession, a total of 4.0% of the state's pre-recession employment peak payroll jobs (representing 14,000 payroll jobs) have been lost following Vermont's payroll jobs peak in June of 2007.
 - While the April and preliminary May 2009 labor market readings offer some hope that the economic free-fall in the Vermont economy—like the U.S. economy—may have ended, the payroll job decline from peak in excess of 4.0% (which still trails the early 1990s downturn in the state) is a testament to the harshness of the current Vermont economic recession. Conditions in Vermont's labor markets are still likely to worsen further before they begin to improve.

- It is very unlikely that any prospective recovery will be a V-shaped recovery, with a U-shaped or rounded L-shaped recovery much more likely. This suggests a slow and halting recovery in the Vermont labor market despite the **unusual length and severity of the current recession where a sharper rebound would logically be expected. However, these are truly unusual economic and fiscal times, and a “W-shaped” recovery still remains an unfortunate possibility.**

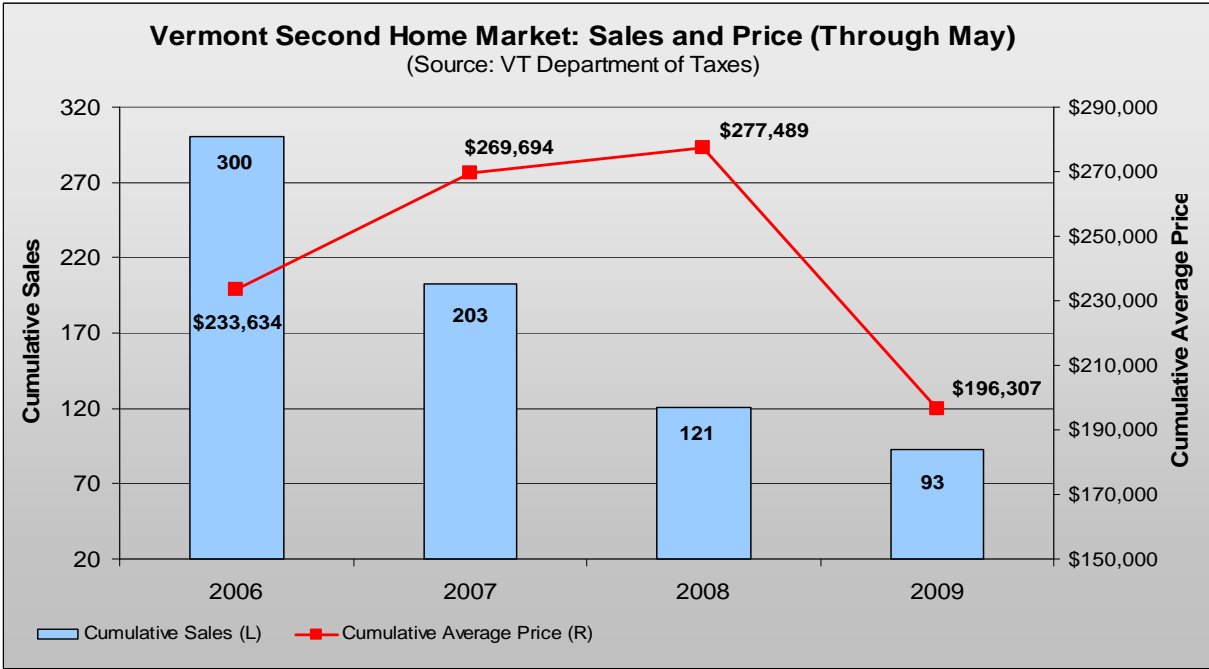


- Turning to housing markets, the housing situation in Vermont continues to show considerable variance from the national housing market, particularly with respect to housing prices where housing prices in Vermont have not declined dramatically off their peak.³
- Looking at Tax Department data, cumulative housing sales through May for residential housing under 6 acres sales shows that that the average sales price has declined by 8.6% from 2007’s peak, while the number of sales has declined by 53.6% from the peak in calendar year 2006.
- So far, Vermont appears to have been able to avoid the delinquency-foreclosure-forced liquidation sale cycle, which often pushes the housing values of all of the housing stock down with their 30% to 35% price discounts. In addition, supply and demand still appears tight in the lower end of the price range, propping up prices and helping to resist additional price declines.

³ By only by about 1.5% using the FHFA index of sales of identical houses with conforming mortgages.



- What pressure there has been in Vermont's housing markets has come mostly from the second home market. Tax Department data show that for second homes, volume and price are off considerably since markets peaked in early calendar year 2006.



- This situation is reflected in the state's construction spending record over the past 3 plus years. Overall, construction spending has experienced dramatic and economically-punishing declines of nearly 50 percent off its peak expenditure levels—although recently there was a modest pick-up due to the

contract to upgrade the electric transmission system in the southern part of the state.

- This downturn in construction spending has taken a very heavy toll on the labor-intensive construction sector which had been a large generator of jobs for the Vermont economy during the early 2000s.

II. Forecast Overview—Staff Recommendation by Major Fund Aggregate:

- Within this challenging, unprecedented revenue forecasting environment, the chief forecasting unknown is the precise timing and pace of the economic and revenue receipts turnaround.
 - Will the economic bottom be during this current fiscal quarter or next (or sometime beyond)?
 - Following that prospective economic bottoming, will revenues—with their typical lags—follow?
 - And once they reach bottom, what will the pace and profile of any prospective economic and then revenue recovery actually be?
- The answers to those currently difficult questions will determine the pace and profile of any prospective rebound in revenues that at this point looks to be a multi-year endeavor.
 - It will unquestionably be a recovery (and then eventually an expansion) that will “break the mold” in terms of both its slow rate and profile—against the Stimulus Program and the re-shaping of the global financial structures (not to mention health care).
- **General Fund before FY2010 Fee/Tax Changes [Apples-to-Apples Comparison]:** Against this economic backdrop, the staff recommends downward revisions in pre-fee/tax adjusted revenues in the General Fund for both fiscal year 2010 and 2011. For fiscal year 2010, staff recommends a before fee/tax adjustment revenue forecast for the G-Fund of \$1,004.5 million, -\$24.1 million (or -2.3%) relative to the April 2009 consensus forecast. For fiscal 2011, staff recommends a \$1,063.9 million forecast for the G-Fund in fiscal 2011, a -\$22.8 million downward adjustment (corresponding to a -2.1% pre-tax/fee adjusted decline versus the April 2009 consensus forecast).
 - Table 1 (below) outlines the staff recommended consensus forecast changes (including fee-tax estimates) for fiscal 2010 and 2011 for this July 2009 consensus forecast update relative to the April 2009 consensus forecast on a pre-fee/tax adjusted and current law (including all new fees/taxes) basis.

Table 1: Final Staff Recommended Revision for Fiscal 2010-11--Change from April 2009

Staff Consensus	July '09 Update	April '09 Concensus	Dollar Difference	Percent Difference
	[\$ Millions]	[\$ Millions]	[\$ Millions]	
Pre-Tax Changes				
Fiscal 2010 Projected:				
Net General Fund	\$ 1,004.5	\$ 1,028.6	\$ (24.1)	-2.3%
Net Transportation Fund	\$ 204.0	\$ 204.9	\$ (0.9)	-0.5%
Education Fund [Partial]	\$ 145.8	\$ 147.6	\$ (1.8)	-1.2%
Fiscal 2011 Projected:				
Net General Fund	\$ 1,063.9	\$ 1,086.7	\$ (22.8)	-2.1%
Net Transportation Fund	\$ 209.9	\$ 211.4	\$ (1.5)	-0.7%
Education Fund [Partial]	\$ 151.0	\$ 153.4	\$ (2.4)	-1.6%
Estimated Tax Change Revenues				
Fiscal 2011 Projected:				
Net General Fund	\$ 20.0	\$ -	\$ 20.0	NM
Net Transportation Fund	\$ 23.4	\$ -	\$ 23.4	NM
Education Fund [Partial]	\$ 1.4	\$ -	\$ 1.4	NM
Fiscal 2011 Projected:				
Net General Fund	\$ 20.0	\$ -	\$ 20.0	NM
Net Transportation Fund	\$ 25.5	\$ -	\$ 25.5	NM
Education Fund [Partial]	\$ 1.9	\$ -	\$ 1.9	NM
Total "Current Law" Receipts				
Fiscal 2010 Projected:				
Net General Fund	\$ 1,024.6	\$ 1,028.6	\$ (4.0)	-0.4%
Net Transportation Fund	\$ 227.4	\$ 204.9	\$ 22.5	11.0%
Education Fund [Partial]	\$ 147.2	\$ 147.6	\$ (0.4)	-0.3%
Fiscal 2011 Projected:				
Net General Fund	\$ 1,084.0	\$ 1,086.7	\$ (2.7)	-0.2%
Net Transportation Fund	\$ 235.4	\$ 211.4	\$ 24.0	11.4%
Education Fund [Partial]	\$ 152.9	\$ 153.4	\$ (0.5)	-0.3%

Basic Data Source: VT Agency of Administration

- The staff recommended downward adjustment in pre-fee/tax revenues for all funds for fiscal years 2010 and 2011 reflects the reality of the still recessionary economy and the recent trends in revenues where collections have recently been deteriorating during the last half, and particularly during the final quarter, of fiscal 2009.
 - Prior to this forecast, staff had at most two or three data points on actual collections related to the unprecedented (at least in modern times) free-fall in the economy that has impacted revenues in its typically lagged fashion.
 - Fourth quarter collections show declining trends in nearly all major receipts categories, and this updated consensus staff forecast expects there will be a turnaround in receipts during the 2010 fiscal year but that the pace of recovery will be subdued by historical standards.
 - This also reflects the epic, heretofore unheard of recent historical record of poor receipts activity (e.g. the strong prospect for two consecutive years of negative nominal dollar change in the Personal Income Tax), and the significant unknowns with respect to the structural changes in consumption, financial services and lending, and the ambitious federal domestic policy agenda (e.g. the stimulus program, foreclosure forbearance, and health care reform) that has yet to clearly come into focus.

- **Transportation Fund before the FY2010-11 Fee/Tax Changes [Apples-to-Apples Comparison]:** For the Transportation Fund, staff is recommending a -\$1.8 million (or -0.5%) downward adjustment for fiscal 2010 on a pre-fee/tax adjusted basis versus the April 2009 consensus forecast, and a -\$1.5 million (or -0.7%) change on a pre-fee/tax adjusted basis for fiscal 2011 versus the April 2009 consensus forecast.
 - Like the G-Fund above, these proposed adjustments reflect the poor conditions in the economy and the impact of the recession that has, among other impacts, reduced consumer demand for vehicles. Concerns over energy price expectations have also encouraged some consumers to alter their driving behavior and reduce fuel consumption, also impacting T-Fund revenues.

- **Education Fund [Partial] before the FY2010 Tax Changes [Apples-to-Apples Comparison]:** The staff recommends a current law downward adjustment in the Education Fund [Partial] for fiscal year 2010 of -\$1.8 million (or -1.2%) on a pre-fee/tax adjusted basis relative to the April 2009 consensus forecast. Staff also recommends a downward revision of -\$2.4 million (or -1.6%) on a pre-fee/tax adjusted basis relative to the April 2009 consensus forecast for the Education Fund [Partial] for fiscal year 2011.

- These changes are likewise an artifact of the fact that the Education Fund [Partial] is tied to two very weak revenue components, the Sales & Use Tax in the G-Fund and the Motor Vehicle Purchase and Use Tax in the T-Fund. These two components were revised downward, and these revisions carry through to the Education Fund forecast.

a. Overview of Fee/Tax Changes in This Forecast Update:

- Unlike most recent forecast updates, this forecast includes several fee/tax measures totaling \$103.8 million over the next two fiscal years that were passed by the 2009 General Assembly and became law. As such, they are part of the current law forecast that was the final work product of this consensus forecast update.
- Table 2 below presents these “as passed” items by component (for those components that are forecasted under the consensus forecasting process) and by major fund aggregate.
- These items total \$40.2 million for fiscal years 2010 and 2011 for the G-Fund, \$48.9 million for the two fiscal year period for the T-Fund, and \$3.3 million for the E-Fund over the 2010 and 2011 fiscal year period.
 - The fee-tax measures also include an \$11.4 million increase in the Cigarette Tax over the fiscal 2010 and 2011 period.

Table 2: 2009 Legislative Fee-Tax Changes by Component

Tax Category	FY 2010	FY 2011
Personal Income	\$ 13.6	\$ 13.1
Sales and Use	\$ 3.3	\$ 4.7
Meals and Rooms	\$ 0.6	\$ 0.3
Corporate	\$ 0.4	\$ 0.2
Cigarette	\$ 5.9	\$ 5.5
Estate	\$ 3.3	\$ 3.4
MV Fees	\$ 5.6	\$ 5.7
Other Revenue - TF	\$ 2.6	\$ 2.6
MVP&U (includes EF and TF Portions)	\$ 0.9	\$ 0.9
Gasoline	\$ 13.3	\$ 14.8
Diesel	\$ 1.3	\$ 1.8
Total	\$ 50.8	\$ 53.0

Memo: Totals By Fund Aggregate

Total General Fund	\$ 20.1	\$ 20.1
Total Transportation Fund	\$ 23.4	\$ 25.5
Total Education Fund	\$ 1.4	\$ 1.9
Cigarette	\$ 5.9	\$ 5.5
Total	\$ 50.8	\$ 53.0

July 2009 Administration-JFO Consensus Estimate

b. Overview of the Post-Fee/Tax Changes Forecast Update:

- **General Fund Current Law Forecast [Including the 2009 Fee/Tax Changes]:** The staff recommends downward revisions in pre-fee/tax adjusted revenues in the General Fund for both fiscal year 2010 and 2011 even after consideration of the fee/tax changes. For fiscal year 2010, staff recommends a revenue forecast for the G-Fund of \$1024.6 million, -\$4.0 million (or -0.4%) relative to the April 2009 pre-fee/tax consensus forecast for fiscal 2010 and a \$1,084.0 million forecast for the G-Fund in fiscal 2011, a -\$2.7 million downward adjustment for fiscal 2011 (corresponding to a -0.2% decline versus the April 2009 pre-fee/tax consensus forecast).
- **Transportation Fund Current Law Forecast [Including the 2009 Fee/Tax Changes]:** For the Transportation Fund, staff is recommending a +\$22.5 million (or +11.0%) up adjustment for fiscal 2010 on a current law basis versus the April 2009 pre-fee/tax consensus forecast, and a +24.0 million (or +11.4%) change on a current law basis for fiscal 2011 versus the April 2009 pre-fee/tax consensus forecast.
- **Education Fund [Partial] Current Law Forecast [Including the 2009 Fee/Tax Changes]:** The staff recommends a current law downward adjustment in the Education Fund [Partial] for fiscal year 2010 of -\$0.4 million (or -0.3%) on a current law basis relative to the April 2009 pre-fee/tax law changes consensus forecast. Staff also recommends a downward revision of

-\$0.5 million (or -0.3%) on a current law basis relative to the April 2009 pre-fee/tax change consensus forecast for the Education Fund [Partial] for fiscal year 2011.

c. Gross Receipts Forecast:

- The staff recommended consensus forecast update includes an updated forecast of tax revenue to be collected by the state from Fuel Gross Receipts Tax on Heating Oil/Kerosene, Propane, Natural Gas, Electricity, and Coal for fiscal years 2010 through fiscal 2011.⁴ The staff recommends Gross Receipts of \$7.3 million in fiscal 2010 and \$7.8 million in fiscal 2011.
 - A tax rate of 0.5% on gross receipts of the above mentioned components was first implemented in 1990 and extended in 1998, 2003 and again in 2008. The current extension will expire April 1, 2011.
 - The receipts raised from this revenue source are dedicated to the Home Weatherization Assistance Program.
- The staff recommended consensus was reached based on receipts and tax revenue data provided by the Tax Department covering the calendar year period 1991 to 2009 (3 quarters), data obtained from the Energy Information Administration (EIA), and the Vermont Department of Public Service.
 - The methods used to develop the forecast included Autoregressive Integrated Moving Average (ARIMA) and Ordinary Least Squares (OLS) techniques-models.

d. Budgetary Impacts of the Current Law Consensus Forecast Update:

- Table 3 below presents this staff recommended current law consensus forecast update into budgetary terms. The data show significant budgetary shortfalls for fiscal years 2010 and 2011.

e. Technical Notes of Interest:

- All figures presented above are presented as described, including current law “net” revenues available to cover appropriations for the respective funds listed in the consensus forecast estimate for fiscal years 2010 and 2011 that are part of the official Emergency Board motion. They are current law estimates, including the expected results of the federal stimulus package and all statutory adjustments in effect for the 2010-11 fiscal year period as they are now understood. These include:

⁴ The consensus forecast actually covers five years through fiscal 2014.

- Two one-day Sales Tax holidays during fiscal 2010 on August 22, 2009 and March 6, 2010.
- A 2% sales tax imposed on the retail price of a gallon of gasoline.
- A 30% corporate income tax credit for research and development.
- Several changes to personal income tax including changes to capital gains, lowered marginal rates, a cap on the state income tax deduction for itemizers, the gasoline tax change, the Diesel Tax change, the increase in the Cigarette Tax, and other changes.

Table 3: Budget Impact of the Staff Recommended "Current Law" Consensus Revenue Forecast

	General Fund		Transportation Fund		Education Fund	
	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011
April 2009	1028.6	1086.7	204.9	211.4	147.6	153.4
Other - PTT*	5.5	0	0	0	0	0
Orig. Est. Tax Changes	22.6	20.5	9.1	9.1	0.6	0.6
Budget Revenue Level	1056.7	1107.2	214.0	220.5	148.2	154.0
July 2009 incl.changes	1024.6	1084.1	212.0	217.9	147.2	152.9
Other - PTT	4.1	0	0	0	0	0
	1028.7	1084.1	212.0	217.9	147.2	152.9
difference	-28.0	-23.1	difference	-2.0	difference	-1.0
				-2.6		-1.1

PTT =property transfer tax redirected from formula

Newly created Transportation Infrastructure Bond (TIB) Fund special fund revenues are \$15.4 million in FY10 which is \$2.8 million above the FY10 budgeted TIB level. In FY11 the TIB revenues are \$17.5 million which is \$4.9 million above the FY10 budgeted TIB level.

Consensus Administration-JFO Forecast (July 2009)

III. Detailed Forecast Tables.

Table 4: Staff Recommended 2010-11 Forecast Update

GENERAL FUND/EDUCATION FUND [1]	FY 2006	%	FY 2007	%	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%
Component	(Actual)	Change	(Actual)	Change	(Actuals)	Change	(Preliminary)	Change	(Forecast)	Change	(Forecast)	Change
TAXES/FEES (\$ Millions):												
Personal Income	\$542.0	8.3%	\$581.2	7.2%	\$622.3	7.1%	\$530.3	-14.8%	\$480.3	-9.4%	\$522.6	8.8%
Memo:Tax Changes									\$13.6		\$13.1	
Personal Income Including Tax Changes									\$493.9	-6.9%	\$535.7	8.5%
Sales & Use	\$325.4	4.7%	\$333.7	2.6%	\$338.4	1.4%	\$321.2	-5.1%	\$309.5	-3.6%	\$319.7	3.3%
Gross S&U Tax Revenues [Includes Telecomm Tax after 2004]	\$325.4	4.7%	\$333.7	2.6%	\$338.4	1.4%	\$321.2	-5.1%	\$309.5	-3.6%	\$319.7	3.3%
Transfer to the Education Fund [2]	\$108.5		\$111.2	2.6%	\$112.8	1.4%	\$107.0	-5.1%	\$103.2	-3.6%	\$106.6	3.3%
Available to General Fund [2]	\$216.9	4.7%	\$222.5	2.6%	\$225.6	1.4%	\$214.1	-5.1%	\$206.3	-3.6%	\$213.1	3.3%
Memo:Tax Changes									\$3.3		\$4.7	
Sales & Use Tax Including Tax Changes									\$312.8	-2.6%	\$324.4	3.7%
Transfer to the Education Fund--Including Tax Changes [2]									\$104.3	-2.6%	\$108.1	3.7%
Available to General Fund--Including Tax Changes [2]									\$208.5	-2.6%	\$216.3	3.7%
Corporate Income	\$75.9	25.8%	\$72.8	-4.1%	\$74.6	2.4%	\$66.2	-11.3%	\$54.5	-17.7%	\$55.3	1.5%
Memo:Tax Changes			\$0.0	0.0%					\$0.4		\$0.2	
Corporate Income Tax Including Tax Changes	\$75.9	25.8%	\$72.8	-4.1%					\$54.9	-17.0%	\$55.5	1.1%
Rooms & Meals	\$111.8	-1.1%	\$114.9	2.8%	\$121.1	5.4%	\$117.1	-3.3%	\$113.8	-2.8%	\$118.1	3.8%
Available to the General Fund	\$111.8	-1.1%	\$114.9	2.8%	\$121.1	5.4%	\$117.1	-3.3%	\$113.8	-2.8%	\$118.1	3.8%
Memo:Tax Changes									\$0.6		\$0.3	
Rooms & Meals Tax Including Tax Changes									\$114.4	-2.3%	\$118.4	3.5%
Cigarette and Tobacco Products [3]	\$48.9	0.2%	\$64.3	31.5%	\$59.2	-7.9%	\$64.1	8.3%	\$62.5	-2.6%	\$60.2	-3.7%
Memo:Tax Changes	\$0.0	NM	\$0.0	NM					\$5.9		\$5.5	
Cigarette Tax Including Tax Changes									\$68.4	6.6%	\$65.7	-3.9%
Liquor	\$13.2	5.1%	\$13.7	4.0%	\$14.2	3.7%	\$15.0	6.0%	\$15.4	2.4%	\$15.9	3.2%
Insurance	\$52.5	4.2%	\$52.9	0.8%	\$54.8	3.8%	\$53.7	-2.1%	\$54.2	0.9%	\$55.7	2.8%
Telephone Receipts	\$0.6	63.4%	\$0.5	-10.9%	\$0.4	-31.2%	\$0.2	-54.1%	\$0.2	17.9%	\$0.1	-50.0%
Telephone Property	\$9.8	-3.7%	\$9.4	-3.6%	\$9.1	-3.1%	\$9.0	-1.8%	\$8.8	-1.9%	\$8.7	-1.1%
Beverage	\$5.4	2.8%	\$5.5	1.3%	\$5.6	1.9%	\$5.64	0.3%	\$5.67	0.6%	\$5.7	0.5%
Electrical Energy	\$2.6	0.0%	\$2.6	1.2%	\$2.7	3.3%	\$2.8	4.0%	\$2.8	0.1%	\$2.8	0.4%
Estate [4]	\$26.2	39.0%	\$17.8	-32.1%	\$15.7	-11.9%	\$21.9	39.4%	\$13.3	-39.2%	\$13.8	3.8%
Memo:Tax Changes									\$3.3		\$3.4	
Estate Tax Including Tax Changes									\$16.6	-24.1%	\$17.2	3.6%
Property-Transfer	\$43.7	-3.4%	\$39.3	-10.0%	\$34.0	-13.5%	\$25.9	-23.7%	\$20.8	-19.8%	\$21.8	4.8%
Transfers Out (Planning, etc.)	\$30.2	-0.7%	\$26.5	-12.4%	\$23.2	-12.2%	\$17.5	-24.8%	\$14.0	-19.8%	\$14.7	4.8%
Available to the General Fund [5]	\$13.5	-8.9%	\$12.8	-4.5%	\$10.7	-16.3%	\$8.5	-21.1%	\$6.8	-19.8%	\$7.1	4.8%
Bank Franchise	\$10.2	18.3%	\$10.5	3.6%	\$10.2	-3.4%	\$20.6	102.5%	\$10.7	-48.0%	\$10.9	1.9%
Transfer to the Education Fund	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Available to the General Fund	\$10.2	18.3%	\$10.5	3.6%	\$10.2	-3.4%	\$20.6	102.5%	\$10.7	-48.0%	\$10.9	1.9%
Other	\$7.2	9.1%	\$6.5	-10.2%	\$3.2	-51.1%	\$2.8	-12.7%	\$2.6	-6.0%	\$2.7	3.8%
TOTAL TAXES	\$1,087.7	7.6%	\$1,123.7	3.3%	\$1,170.3	4.1%	\$1,067.7	-8.8%	\$975.4	-8.6%	\$1,032.6	5.9%

Table 4 (Continued): Staff Recommended 2010-12 Forecast Update

GENERAL FUND/EDUCATION FUND													
Component	FY 2006	%	FY 2007	%	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%	
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Preliminary)	Change	(Forecast)	Change	(Forecast)	Change	
TAXES/FEES (\$ Millions):													
OTHER REVENUES:													
Business Licenses	\$2.8	-0.5%	\$2.8	-1.0%	\$2.7	-1.0%	\$3.0	9.4%	\$2.8	-6.4%	\$2.9	3.6%	
Fees	\$13.2	6.1%	\$14.2	7.4%	\$14.7	3.6%	\$19.1	29.5%	\$19.6	2.8%	\$20.2	3.1%	
Transfer to the Education Fund	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	
Available to the General Fund	\$13.2	6.1%	\$14.2	7.4%	\$14.7	3.6%	\$19.1	29.5%	\$19.6	2.8%	\$20.2	3.1%	
Services	\$1.3	-35.3%	\$1.5	17.1%	\$1.7	15.9%	\$1.5	-11.0%	\$1.6	3.5%	\$1.7	3.1%	
Fines, Forfeits	\$3.2	-26.7%	\$3.2	-2.1%	\$4.4	38.6%	\$9.8	122.0%	\$4.3	-56.0%	\$4.4	2.3%	
Interest, Premiums	\$2.7	69.4%	\$3.6	31.6%	\$3.9	10.1%	\$1.4	-63.5%	\$0.8	-44.5%	\$2.5	212.5%	
Education Fund Interest	-\$0.7	33.5%	-\$1.3	NM	-\$1.3	NM	\$0.3	NM	-\$0.2	NM	\$0.1	NM	
Available to the General Fund	\$3.405	60.7%	\$4.9	43.9%	\$5.3	7.2%	\$1.2	-77.4%	\$0.5	-57.8%	\$1.8	260.0%	
Lottery Transfer	\$22.9	12.3%	\$23.3	1.8%	\$22.7	-2.5%	\$20.9	-7.7%	\$21.1	0.7%	\$21.6	2.4%	
Act 60 Allocation	\$22.9	12.3%	\$23.3	1.8%	\$22.7	-2.5%	\$20.9	-7.7%	\$21.1	0.7%	\$21.5	1.9%	
Available to the General Fund	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	
Other	\$0.2	-40.9%	\$1.1	365.2%	\$0.6	-44.1%	\$0.2	-69.3%	\$0.3	56.8%	\$0.4	33.3%	
TOTAL OTHER	\$24.195	-0.1%	\$27.7	14.3%	\$29.5	6.5%	\$34.8	17.9%	\$29.1	-16.3%	\$31.4	7.7%	
TOTAL "NET" AVAILABLE--GENERAL FUND	1,111.9	7.4%	\$1,151.4	3.5%	\$1,199.8	4.2%	\$1,102.5	-8.1%	\$1,004.5	-8.9%	\$1,063.9	5.9%	
TOTAL "NET" AVAILABLE--GENERAL FUND w/Tax Changes									\$1,024.6	-7.1%	\$1,084.1	5.8%	
Total "Gross" G-Fund Revenues [1]	\$1,321.7	6.8%	\$1,375.4	4.1%	\$1,416.4	3.0%	\$1,312.4	-7.3%	\$1,205.6	-8.1%	\$1,207.5	0.2%	
<i>MEMO: Total G-Fund Revenues to the E-Fund</i>	<i>130.7</i>		<i>\$133.2</i>		<i>\$134.2</i>		<i>\$128.3</i>		<i>\$124.1</i>		<i>\$128.2</i>		
<i>MEMO: Total G-Fund Revenues to the E-Fund w/ Tax Changes</i>									<i>\$125.2</i>		<i>\$129.7</i>		
Gross Receipts			\$7.0	10.6%	\$7.3	4.7%	\$7.4	-0.4%	\$7.3	-1.4%	\$7.8	6.8%	

NOTES:

NM means Not Meaningful. TOTALS MAY NOT ADD DUE TO ROUNDING.

[1] Less Cigarette Taxes.

[2] For fiscal 2008, Sales & Use tax is adjusted for the October 2007 Jet Fuel Adjustment which totaled \$3.7 million in General and Education Funds.

[3] Includes Tobacco Products and Floor Stock tax revenues.

[4] Includes \$5.2 million in fiscal 2006 and \$1.5 million in fiscal 2009 in Estate Tax revenues that was transferred to the Higher Education Trust Fund per statute. This would have been available to the G-Fund but for the Higher Education Endowment Trust Fund transfer in that year.

[5] Net of PTT transfers to the HLCTF and Act 200 Municipal Planning, including \$0.5 million in additional transfers to the HLCTF in fiscal 2008 for forecasted PTT revenues in excess of \$34.8 million for the year.

Basic Data Source: VT Agency of Administration

Table 5: Staff Recommended 2009-11 Forecast Update

TRANSPORTATION FUND/EDUCATION FUND												
Component	FY 2006	%	FY 2007	%	FY 2008	%	FY 2009	%	FY 2010	%	FY 2011	%
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Preliminary)	Change	(Forecast)	Change	(Forecast)	Change
TAXES/FEES (\$ Millions):												
Gas Tax	\$63.8	-2.7%	\$63.6	-0.3%	\$62.6	-1.6%	\$60.6	-3.1%	\$59.8	-1.4%	\$60.9	1.8%
Memo: Fee Bill Changes	\$0.0		\$0.0						\$13.3		\$14.8	
Gas Tax Including Fee Bill Changes	\$63.8	-2.7%	\$63.6	-0.3%					\$73.1	20.6%	\$75.7	3.6%
Diesel Tax	\$17.7	14.0%	\$18.0	1.7%	\$16.6	-7.8%	\$15.5	-6.5%	\$15.0	-3.2%	\$15.6	4.0%
Memo: Fee Bill Changes									\$1.3		\$1.8	
Diesel Tax Including Fee Bill Changes									\$16.3	5.1%	\$17.4	6.7%
Motor Vehicle P&U Tax [1]	\$80.3	-4.4%	\$80.6	0.4%	\$79.0	-2.0%	\$65.9	-16.6%	\$65.2	-1.1%	\$68.5	5.1%
Transfer to the Education Fund [2]	\$26.4	-5.8%	\$26.9	1.8%	\$26.3	-2.0%	\$22.0	-16.6%	\$21.7	-1.1%	\$22.8	5.1%
Available to the Transportation Fund	\$53.9	-3.8%	\$53.7	-0.3%	\$52.7	-2.0%	\$44.0	-16.6%	\$43.5	-1.1%	\$45.7	5.1%
Memo: Fee Bill Changes									\$0.9		\$0.9	
Gross MvP&U Tax Including Fee Bill Changes									\$66.1	0.3%	\$69.4	5.0%
Transfer to the Education Fund--Including Fee/Tax Changes									\$22.0	0.3%	\$23.1	5.0%
Available to the Transportation Fund--Including Fee/Tax Changes									\$44.1	0.3%	\$46.3	5.0%
Motor Vehicle Fees	\$57.4	2.3%	\$65.4	14.1%	\$67.5	3.2%	\$65.5	-3.0%	\$67.9	3.6%	\$69.3	2.1%
Memo: Fee Bill Changes									\$5.6		\$5.7	
MvFees Including Fee Bill Changes									\$73.5	12.2%	\$75.0	2.0%
Other Revenues [4] [5]	\$17.1	7.6%	\$19.2	11.9%	\$23.7	23.5%	\$18.0	-24.0%	\$17.8	-1.1%	\$18.4	3.4%
Memo: Fee Bill Changes									\$2.6		\$2.6	
Other Revenues Including Fee Bill Changes									\$20.4	13.7%	\$21.0	2.9%
TOTAL GROSS T-FUND REVENUES	\$236.3	-0.4%	\$246.8	4.4%	\$249.4	1.1%	\$225.6	-9.6%	\$225.7	0.1%	\$232.7	3.1%
<i>MEMO: T-Fund Revenues to E-Fund</i>	\$26.4	-5.8%	\$26.9	1.8%	\$26.3	-2.0%	\$22.0	-16.6%	\$21.7	-1.1%	\$22.8	5.1%
TOTAL NET AVAILABLE--TRANS. FUND	\$209.9	0.4%	\$219.9	4.8%	\$223.1	1.4%	\$203.6	-8.7%	\$204.0	0.2%	\$209.9	2.9%
TOTAL NET AVAILABLE--TRANS. FUND w/Fee Bill Changes									\$227.4	11.7%	\$235.4	3.5%
<i>MEMO: T-Fund Revenues to E-Fund w/Fee Bill Changes</i>									\$22.0	0.3%	\$23.1	5.0%
<i>MEMO: Total G-Fund/T-Fund Revenues to the E-Fund</i>	\$157.0	3.7%	\$160.1	1.9%	\$160.5	0.3%	\$150.2	-6.4%	\$145.8	-2.9%	\$151.0	3.6%
<i>MEMO: Total G-Fund/T-Fund Revenues to the E-Fund w/Tax and Fee Changes</i>									\$147.2	-2.0%	\$152.9	3.9%
NET: Total G-Fund and T-Fund	\$1,321.8	6.2%	\$1,371.3	3.7%	\$1,422.9	3.8%	\$1,306.1	-8.2%	\$1,208.5	-7.5%	\$1,273.8	5.4%

NOTES:

NM=Not Meaningful

[1] Includes the cap change to \$1,680 effective July 1, 2006.

[2] At 2 percentage points beginning on July 1, 2004.

[3] Includes all fee changes effective July 1, 2006 per the actions of the 2006 General Assembly.

[4] Includes "net interest" beginning in fiscal 2007.

[5] Includes expected "net" revenues from stepped up enforcement for collections of traffic ticket debtors by the Judiciary.