Consensus Revenue Forecast Update for the General Fund, Transportation Fund, and Education Fund [Partial]

Fiscal Years 2019 through 2020

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Prepared for the Vermont Emergency Board

PREPARED BY:

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- **Background and Context: Discussion of the Updated Staff Recommended January 2019 Consensus Economic and Revenue Forecast Update**

  - The January 2019 consensus forecast update reflects a combination of factors - chief among them, the likely continuation of the national and State economic upturns over at least the near-term timeframe, which is tempered by the realization there are rising levels of volatility and uncertainty in the national and State economic outlook.

    - The volatility and uncertainty has been brought on by a number of events. These include: (1) the now ebbing federal fiscal stimulus tied to the December 2017 passage of the Tax Cuts and Jobs Act ("TCJA"), (2) the increasingly late-cycle dynamics at play in the maturing U.S. and State economic expansions, (3) a slowdown in the global economy (especially in Europe, China, and the developing world—where commodity price trends are important), and (4) a growing number of challenges in economic policy[1] that have resulted in an additional layer of uncertainty in the economic outlook.

    - As a result, it is no longer a forgone conclusion that the path forward for the U.S. economy and the Vermont economy over the next two to five fiscal years is for a continuous and strongly paced economic upcycle. There are a number of observable, expansion-threatening developments which suggest that the uninterrupted continuation of the current, nearly record-breaking economic upcycle over the next two to five fiscal years now require at least some equivocation.

  - Even with the rising levels of uncertainty and volatility in the economy and financial markets, the staff recommended consensus forecast update includes the expectation that both the U.S. and Vermont economies will continue their forward progress in an uninterrupted manner over the entire forecast update period through fiscal year 2024.

    - This remains the consensus forecast, even though the staff recommendation for the economic outlook does expect that the State will experience a period of slowing economic-revenue growth

[1] Ranging from mostly unnecessary provocations in trade policy (which has also sent "shock waves" through U.S. equities markets over the last two quarters), the economic fallout tied to the stubborn, partial federal government shutdown, and the on-going "quantitative tightening" posture of the Federal Reserve—which has led to significant increases in short-term interest rates.

during the middle of the five year fiscal planning time horizon.

- As a result, the staff recommended consensus economic outlook update for the U.S. and Vermont economies and for G-Fund, T-Fund and E-Fund [Partial] revenues through fiscal year 2024 includes a significant slowing in the pace of economic growth and revenue growth to occur during the later half of fiscal year 2020 and for much of fiscal year 2021.

    - The staff recommended consensus forecast update therefore expects that the U.S. and Vermont economies (and by association State revenues) will manage to avoid a full-fledged economic recession, and therefore will also avoid the associated negative fiscal effects of such an economic downturn.

    - This staff recommended consensus forecast does mean that year-to-year revenue growth will be very slow during the middle years of the forecast update period—with the fiscal year 2021 year-over-year change in revenues available to the General Fund essentially registering a flat performance.

- From an economic outlook perspective, both the natural aging of the second longest period of national economic recovery-expansion in the nation's history[2] and the easing back of the powerful calendar year 2018 economic stimulus associated with the TCJA were widely expected. Those economic growth dynamics were in fact incorporated into the previous two consensus revenue forecasts for the State presented in July of 2018 and January of 2018.

    - However, the recent global economic slowdown, in part tied to largely unnecessary and unprovoked trade disruptions, the failure of the EU and Britain to reach agreement on an orderly plan for "Brexit," and recent declines in commodity prices—mostly oil—were largely unexpected.

    - Still others, such as the current partial federal government shutdown, and what some analysts contend to be an "overly aggressive" tightening posture in monetary policy as recently pursued by Federal Reserve, support a conclusion that some of the factors contributing to the economy's reported slowdown and recent

[2] Dating back to the beginning of charted economic history in 1854.

rise in uncertainty and volatility have been unexpected. Because these unexpected developments have been largely tied to largely inconsistent and chaotic policy design along with disorganized execution, in many respects the recent slowdown and increased uncertainty/volatility have been largely "self-inflicted." The negative consequences associated with those policy failures can likely only be addressed by appropriate course corrections to address those errors.

- Indeed, going forward through the second half of fiscal year 2019 and into fiscal year 2020, the ability of policymakers in the U.S., China, the E.U., and the developing world to effect those needed course corrections and avoid future policy missteps (and at least not make matters worse) will be one of the keys to maintaining the economy's future forward momentum.

▪ In Vermont, it is no secret that the relative performance of many of the State's "top line" macroeconomic indicators continue to be dominated by sluggish population and associated labor force growth, the uneven urban-rural character to economic and job growth, and the recent performance of the State's real estate markets.

  - In labor markets, payroll job change in Vermont has been mostly flat overall, with widely divergent zig-zags in the month-to-month, seasonally-adjusted time series for the greater part of the last 24-36 months.

  - Household employment growth has followed a similarly restrained path, with sluggish labor force growth since 2010 contributing to a very low statewide unemployment rate—currently tracking at below 3.0 percent (or at 2.7% as of November of 2018).

▪ In addition to the more uncertain and more volatile economic backdrop, the tight labor market dynamics in both the U.S. and Vermont economies, and the adverse rural demographic factors that are constraining economic and job growth in Vermont, the factors impacting State tax collections trends have changed very little from the July 2018 consensus forecast update.

  - However, these factors do continue to evolve, and they continue to result in significant changes in receipts activity and expectations.

- As a result, while there has been a significant amount of churning below the surface of overall revenue collections in the State's major funds (including within their major revenue sources and sub-components), there has been little change in the overall bottom-line of the State's major Fund aggregates as most of this churning has been largely "off-setting" in nature.

- Among the State's major revenue sources, the following factors appear to be continuing to impact receipts activity:

  1. The "second wave" of State tax receipts impacts associated with the Corporate Tax changes resulting from the passage and still evolving implementation of the Tax Cuts and Jobs Act of 2017 ("TCJA")—which included the most significant structural change in the federal tax code to the Corporate Income Tax since 1986,[3]

  2. The second wave and subsequent revenue effects tied to the implementation of the significant Personal Income Tax changes in the TCJA. These changes, among others, included measures that were intended to limit individual income tax deductions available to taxpayers in "high tax states" (such as the capping of the so-called state and local tax deduction at $10,000 per filer) and the elimination of a number of miscellaneous and business tax deductions intended to reduce the number of higher tax deduction seeking "Schedule A" itemizing taxpayers,

  3. The impact of the State tax changes as passed by the 2018 Vermont General Assembly that were principally designed to offset the inadvertent federal personal income tax increase associated with the passage of the federal TCJA tax legislation,[4]

  4. The significant revenue effects on the Sales & Use Tax associated

[3] Including the so-called repatriation of significant amounts of corporate profits that have been "parked off-shore" in order to avoid U.S. taxation but which have been provided incentives to return to the U.S. under the provisions of the federal TCJA.
[4] Including the passage of a measure to reduce the State personal income tax burden of social security income on certain lower income Vermont resident retirees.

with the so-called Wayfair decision by the U.S. Supreme Court,[5] and

5. The evolving, but still uncertain ways that the federal and state changes have impacted the financial incentives for deduction taking and the sequencing of their actual tax payments for certain groups of taxpayers. Currently, the implementation and taxpayer responses to the TCJA and the 2018 State changes are entering the period of second order and third order responses (following last year's round of initial taxpayer responses).

    - At this point, it remains very uncertain how the subsequent rounds of taxpayer responses will play out across the State's next several fiscal years. The level of taxpayer knowledge and how those evolving behaviors may specifically impact State revenue receipts over time remain a "work-in-progress." To a certain degree, taxpayer knowledge is imperfect and the resulting behavior may or may not follow what is intuitive. For many key provisions of the TCJA, definitive guidance from the IRS is still missing—especially for the critical State revenue matter of the repatriation of Corporate profits from overseas—and that only seems to be adding to the State's revenue outlook uncertainty.

    - Also of particular concern to the consensus revenue forecast update in this area is how these changing incentives are impacting the timing and flow of tax receipts across the fiscal year related to the very significant structural changes to the Personal Income Tax and the Corporate Income Tax representing about $947.4 million of the $1,282.0 million consensus revenue forecast for the G-Fund in fiscal year 2018. Differences between actual cash payments over the course of the State's fiscal year and accrued liabilities can differ significantly.

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[5] The Quill decision in 1992 affirmed an earlier Supreme Court decision from 1967 regarding the need for a retailer to have a physical presence or nexus in a state—a "bricks and mortar" store—before the retailer would be required to collect and remit sales taxes to a state from sales made to another state's residents.

- Many of these new structural relationships in the State's Personal Income Tax system and Corporate Income Tax system under the State's water's edge Unitary Tax are still developing and subject to on-going changes and refinement. It is likely that these relationships may take several more fiscal years to fully develop and become more routine—to the detriment of stable and predictable tax revenue receipts flows into State coffers for the General Fund.

- At least for fiscal year 2018 and so far during fiscal year 2019, the revenue implications of many of the federal tax changes under the TCJA and the State's change in 2018 have been significantly positive for Vermont revenues.

  - This may or may not continue over the next wave and succeeding waves of behavioral adjustments to these structural changes.

  - This is particularly true for receipts levels in the State's Corporate Income Tax and Personal Income Tax sources (see the update on this issue in Addendum I below regarding the repatriation of corporate profits and Corporate Tax collections in Vermont).

- **The Staff Consensus Forecast Recommendations for Fiscal Year 2019, Fiscal Year 2020, and Fiscal Year 2021**

  - With the above as background and context, the staff recommends a near-term consensus forecast upgrade for the General Fund for fiscal years 2019 and fiscal year 2020, with a modest downgrade in revenues for fiscal year 2021, and a modest rebound in receipts for the fiscal year 2022 through fiscal year 2024 period as outlined below.

    - The near-term G-Fund forecast upgrade continues to reflect the remnants of the large "late cycle" federal fiscal stimulus from the federal TCJA legislation, the evolving factors underpinning the economy's late cycle growth, and local demographic and labor force factors that have been constraining economic growth in Vermont).

  - Like the consensus forecast update published last July, the staff recommendation includes the likelihood that economic growth beyond the next six to eighteen months will slow as the federal fiscal stimulus ebbs—and may actually start to restrain economic growth to at least some degree[6]—resulting in slower rates of economic and revenue growth in the middle of the out-years of the State's five year fiscal planning period.

- In the current staff recommended consensus forecast update, this slowing dynamic in the pace of the economy's forward progress (and therefore the rate of revenue growth) is expected to principally occur during fiscal year 2021—at least at this stage of the economic and revenue outlook.

▪ This profile continues to reflect a character to economic growth that is typical for "late cycle" expansions.

- Such "late cycle" expansion dynamics include rising inflation rates, low unemployment rates with slowing job growth, rising housing prices and concurrently rising interest rates—in response to "tightening" monetary policy and moderating equity price gains.

▪ For the General Fund, Transportation Fund and Education Fund [Partial] Table 1 (below) outlines the staff recommended changes from the July 2018 consensus revenue forecast—including the post-Act 11 fund allocation changes for Sales & Use Tax and Meals & Rooms Tax receipts.

- For the General Fund, the staff recommended consensus forecast update calls for a modest $11.2 million forecast upgrade for fiscal year 2019—in comparison to last July's post-Act 11 forecast fund allocations.

- For fiscal year 2020, the staff recommendation calls for a smaller $4.1 million upgrade to the staff recommended forecast compared to last July's consensus forecast. The staff recommendation for fiscal 2020 also includes full consideration of the revenue re-allocations as enacted by Act 11 of the 2018 Vermont General Assembly.

- For fiscal year 2021 (although outside of the E-Board resolution), the staff recommends a small forecast downgrade of $2.6 million relative

[6] For example, as the structural federal budget deficit potentially contributes to higher to higher short-term interest rates that may "squeeze out" or displace private sector activity.

to the consensus forecast presented in July 2018 after Act 11 allocations.

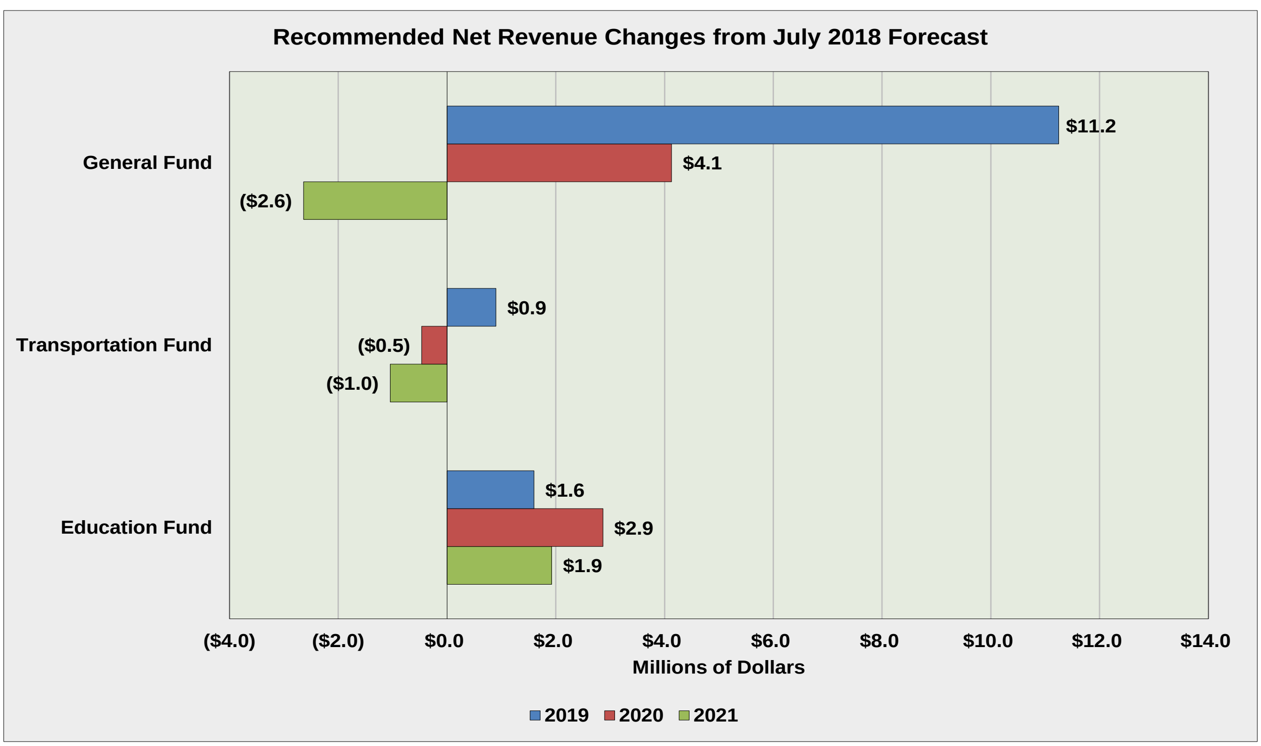
Table 1: Staff Recommended Consensus Revenue Forecast Update—Change from the July Consensus Forecast (FY 2019-FY 2021)

Current Law—Includes all Changes in Fund Allocations per Act 11 of the 2018 Session

Differences-January 2019 Proposed Consensus Forecast versus the July 2018 Consensus Forecast (By Fund)	2019		2020		2021	
Current Law	Dollars	Percent	Dollars	Percent	Dollars	Percent
General Fund	$11.2	0.9%	$4.1	0.3%	($2.6)	10.1%
Available to the General Fund-Including Act 11 Fund Allocations						
Transportation Fund	$0.9	0.3%	($0.5)	-0.2%	($1.0)	-0.4%
Available to the Transportation Fund						
Education Fund	$1.6	0.3%	$2.9	0.5%	$1.9	0.4%
Partial-Including Act 11 Fund Allocations						
Total--"Big 3 Funds"	$13.7	0.7%	$6.5	0.3%	($1.8)	-0.1%
MEMO #1: TIB [3]						
Gasoline	($0.7)	-4.7%	($1.5)	-9.9%	($0.5)	-3.3%
Diesel	$0.0	0.3%	($0.0)	-0.7%	($0.0)	-1.2%
Total TIB	($0.7)	-4.1%	($1.5)	-8.8%	($0.6)	-3.0%

Notes:
[1] Current Law (Incl. Act 11 of the 2018 Vermont General Assembly and Federal Tax Reform-State Changes).
[2] Totals in the TIB may not add due to rounding.
Prepared by: Economic & Policy Resources, Inc.

- The staff recommended forecast update is presented graphically below for the next three fiscal years by fund.



- For the T-Fund, the staff recommendation calls for between a staff recommended forecast upgrade of $0.9 million in fiscal year 2019 to a staff recommended downgrade of -$1.0 million in fiscal year 2021 relative to the July consensus forecast.

    - For fiscal year 2020, staff recommends a $1.5 million consensus forecast upgrade versus the January 2018 consensus forecast for fiscal years 2019 and 2020, respectively.

    - These near-term forecast changes reflect the late cycle economic growth dynamics that include softening vehicle sales, somewhat lower (than last Summer) but still generally rising energy prices, and a relatively healthy consumer sector over the fiscal year 2019 and 2020 period—with some weakening in demand for the out-years of the forecast.

- For the portion of the E-Fund that is included in the consensus forecasting process, the updated staff recommended consensus forecast includes an upgrade of $1.6 million for fiscal year 2019 and $2.9 million for fiscal year 2020—representing a two year total of $4.5 million. For fiscal year 2021, the staff recommends a $1.9 forecast upgrade.

    - The staff recommended consensus forecast upgrade for the Education Fund incorporates the revenue impacts associated with the growth of e-commerce retail sales—organically as the economy continues its forward progress and as a result of the growth of e-commerce overall. It is well documented that e-commerce as a percentage of overall retail activity has grown significantly, and this portion of the retail sales revenue for the State is expected to grow even more considerably as the base of State-taxable e-commerce retail sales increases associated with greater taxpayer compliance following the so-called Wayfair decision by the U.S. Supreme Court last Summer (which overturned the Quill decision of 1992).

- For the TIB portion for the Transportation Fund, the staff recommended forecast includes a significant staff recommended forecast downgrade for the Gas TIB component and an essentially flat Diesel TIB forecast for fiscal year 2019 and for fiscal year 2020. For fiscal year 2021, the staff recommended forecast update calls for a modest consensus forecast downgrade for each component.

- For Gas TIB[7] receipts for fiscal year 2019 and fiscal year 2020, the staff recommendation calls for a -$0.7 million forecast downgrade and a -$1.5 million forecast downgrade for fiscal year 2020—reflecting the changed gas prices forecast versus the forecast scenario last July. For fiscal year 2021, Gas TIB receipts are forecasted to decline by $0.5 million versus July's consensus forecast.

- For Diesel TIB receipts, the staff recommendation includes a small forecast upgrade for fiscal year 2019 of +$0.01 million versus consensus expectations of last July) and a -$0.01 million forecast downgrade in fiscal year 2020 versus last July. For fiscal year 2021, the staff recommends a Diesel TIB forecast at -$0.02 million below the consensus forecast of July 2018.

▪ With respect to the changes outlined above, Table 2 (below) presents the dollar levels of the staff recommended forecast for the Emergency Board motion for the General Fund, Transportation Fund, and Education Fund [Partial] based on current law and including the post-Act 11 fund allocations.

  - For the G-Fund, the staff recommends a consensus forecast of $1,282.0 million for fiscal year 2019, and $1,295.1 million for fiscal year 2020.

  - For the T-Fund, the staff recommends a forecast of $284.1 million for fiscal year 2019 and $286.6 million in fiscal year 2020.

  - For the E-Fund [Partial], the staff recommends a forecast of $527.6 million for fiscal year 2019 and a forecast of $544.4 million for fiscal year 2020.

  - For the TIB funds, the staff recommends a Gas TIB forecast of $14.3 million for fiscal year 2019 and a forecast of $13.8 million for fiscal year 2020. The staff recommended forecast for Diesel TIB includes a total of $2.0 million for fiscal year 2019 and $2.0 million for fiscal year 2020.

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

Table 2: Staff Recommended Consensus Forecast Revenue Collections by Fund

($ Millions)	2019	2020
Available to the General Fund	$1,282.0	$1,295.1
Available to the Transportation Fund	$284.1	$286.6
E-Fund [Partial]	$527.6	$544.4
Total	$2,093.6	$2,126.1
TIB Funds		
Gasoline TIB	$14.3	$13.8
Diesel TIB	$2.0	$2.0
Total TIB Funds	$16.3	$15.8
		Prepared by: Economic & Policy Resources, Inc.

- **Fiscal Year 2019 First Half Actual Receipts/Collections Versus Expectations**

  - The January 2019 revenue forecast update reflects and incorporates recent revenue collection trends and component-by-component receipts performance, the revised economic outlook for the U.S. and Vermont economies, the significant, structural changes in federal tax law, the Vermont State changes, the forecasted impact of the recent U.S. Supreme Court decision (known as the "Wayfair decision"), and changes in the allocations percentage of Source Sales & Use Tax and Meals & Rooms Tax between the G-Fund and the E-Fund beginning in fiscal year 2019 under Act 11 of the 2018 Session.

    - For the first half of fiscal year 2019, actual receipts across all three fund aggregates tracked at or above consensus expectations—depending on the fund aggregate.

    - Combined receipts finished the first half of fiscal year 2019 +$22.0 million above consensus expectations—corresponding to a difference of +2.3% versus the combined fund forecast of $997.63 million for the first half of fiscal year 2019.

  - For net revenues available to the G-Fund though December 31st of fiscal year 2019, cumulative receipts finished the year at +$20.4 million above last July's consensus cash flow target expectations (corresponding to a difference of +3.5%).

    - Receipts through the first half of fiscal year 2019 reflected a combination of upbeat receipts activity in the State's Personal Income Tax (in part tied to the State's tight labor market and higher than expected receipts due to the use of the prior year's State PI Withholding Tax Tables—despite the federal and State tax changes), and stronger than expected receipts in the Corporate Income Tax (which look to at least be partially attributable to the effect of receipts tied to "repatriated corporate profits" by some taxpayers).

- Meals & Rooms completed the same period +$0.9 million or +1.2% above its cumulative target.

▪ Although overall General Fund revenue receipts through the first half of fiscal year 2019 were up significantly versus the first half consensus cash flow target, the on-going changes to taxpayer financial incentives concerning the timing of making their tax payments likely means that a significant portion of this "ahead of target status" is likely overstated.

  - In fact, it seems apparent that much of the +$20.4 million was not real, given the low level of Personal Income Estimated Payments during December that were well below expectations.

Table 3: 1st Half Fiscal Year 2019 General Fund Results versus Consensus Target

FY 2019--Cumulative December Component (Thousands)		Cumulative Receipts		Cumulative Target		Dollar Difference	Percent Difference
Personal Income	**$**	**383,336.3**	**$**	**375,282.8**	**$**	**8,053.6**	**2.1%**
Withholding	$	325,681.5	$	315,102.5	$	10,579.0	3.4%
PI Estimates	$	55,277.0	$	62,687.0	$	(7,410.0)	-11.8%
PI Paid Returns	$	11,492.8	$	8,666.2	$	2,826.6	32.6%
PI Refunds	$	(35,714.5)	$	(30,031.8)	$	(5,682.7)	-18.9%
PI Other	$	26,599.5	$	18,858.8	$	7,740.7	41.0%
Corporate Income Tax	**$**	**55,988.6**	**$**	**43,632.8**	**$**	**12,355.7**	**28.3%**
"Gross" Corporate Receipts	$	63,625.4	$	53,787.6	$	9,837.7	18.3%
Corporate Refunds	$	(7,636.8)	$	(10,154.8)	$	2,518.0	24.8%
Meals & Rooms	**$**	**71,166.1**	**$**	**70,315.5**	**$**	**850.6**	**1.2%**
Property Transfer Tax	**$**	**7,268.9**	**$**	**7,250.2**	**$**	**18.8**	**0.3%**
Other	**$**	**79,209.8**	**$**	**80,078.7**	**$**	**(868.9)**	**-1.1%**
Estate Tax	$	9,126.4	$	10,070.2	$	(943.8)	-9.4%
Insurance Tax	$	17,230.3	$	17,876.0	$	(645.7)	-3.6%
Total Telephone Tax	$	2,125.4	$	2,050.2	$	75.2	3.7%
Bank Franchise Tax	$	6,153.3	$	6,145.6	$	7.8	0.1%
Fees	$	23,553.4	$	23,282.6	$	270.8	1.2%
Other	$	21,021.0	$	20,654.1	$	366.9	1.8%
Total Net General Fund	**$**	**596,969.8**	**$**	**576,559.9**	**$**	**20,409.8**	**3.5%**

Basic Data Source: VT Agency of Administration

▪ Looking more closely, a good portion of the G-Fund's "top line" ahead of target status appears to reflect changes in taxpayer behavior tied to the change in the "financial incentives" associated with the passage of the Tax Cuts and Jobs Act of 2017 (the "TCJA")—passed in December of calendar year 2017.

  - Retrospectively, those behavior changes—or "first order" effects—so far have generally been positive in nature from a tax receipts collections perspective for the State.

- But in December and looking forward, as the second round of these effects unfold, this may not always be the case over the next 12 to 18 months as those first round, generally positive revenue-enhancing initial effects of the TCJA experience the back end, "second-order" effects of these very significant structural changes.

- Since these "second order" effects involved second year reconciliations of the first tax year timing effects of those TCJA changes (e.g. associated with the capping of the State and Local Tax—or SALT—deduction at $10,000 per year which resulted in very large 4th quarter Personal Income Tax Estimated Payments during December of 2017), the second-order effects may not all be positive because of the timing dynamics of how tax liabilities are paid in over the course of a tax year (and into the next year during the settlement process) and how they flow to the State Treasury over the course of the State's fiscal year (versus tax years or calendar years).

  - Indeed, one of the largest forecast update questions of the January 2019 consensus forecast update concerned the magnitude of fiscal year 2018 Personal Income tax revenues that were received on an accelerated basis during fiscal year 2018 (e.g. Personal Income Withholding Tax payments) that would have, under normal circumstances, been received by the State during fiscal year 2019, if not for the initial forward tax payment incentives tied to the late-December 2017 passage of the TCJA.

- The first hint of a possible negative "back-end" or "second order" effect emerged last month with the large receipts under-performance in December PI Estimated Payments (at -$11.7 million versus expectations).

  - The limitation of the federal deduction to $10,000 in total for state and local taxes, the elimination of many miscellaneous business and other deductions, and the significant expansion of the dollar amount of the so-called standard deduction has altered the financial incentive for individual taxpayers to itemize deductions and therefore the timing of when such estimated payments are received and processed by the Tax Department.

- This will, and clearly already has, changed taxpayer behavior in terms of the timing-pattern of year-end Personal Income Estimated Tax Payments between the months of December and January. The cash flow targets of last

July’s consensus forecast update included an expected decline in the dollar amount of December Personal Income Estimated Payments of -21.9% in December of fiscal year 2019 versus December of fiscal year 2018.

- The actual change was more than three times that decline at -68.2%—with only just over $8.0 million in Personal Income Estimates paid in during the month—a total of $17.3 million lower than receipts during December of fiscal year 2018 and $8.7 million lower than the average of the five previous fiscal years before 2018 (or for the period between fiscal year 2013 and fiscal year 2017).

- Personal Income Estimated Payments receipts last month were the lowest since fiscal year 1996—or 23 years ago when total Personal Income Estimated Payment receipts overall were just $59.3 million for the entire fiscal year—versus $165.9 million last year.

▪ Just how the status quo has changed in the post-TCJA environment and how those changes—following the initial positive payment amount changes—may impact the combined overall December and January combined total of Personal Income Estimated Payments this fiscal year and beyond is only now emerging.

  - This changed dynamic will clearly require close monitoring through the end of January as these evolving numbers were and will continue to be critical to the overall performance for fiscal year 2019 in the Personal Income Tax and beyond.

▪ For net revenues available to the Transportation Fund, actual receipts results through first half of fiscal year 2019 were a total of +$1.8 million or +1.3% above consensus expectations. This was primarily the result of a large revenue over-performance related to Other Fees and sizeable receipts for the Gas Tax and MvFees.

  - Regarding the two principal fuels taxes, Diesel Tax finished the first half fiscal year 2019 below its consensus cumulative target through December by a total of +$0.1 million or +0.8% versus consensus expectations. Gasoline Tax ended the first half fiscal year 2019 above its consensus target by +$0.4 million or +1.0% versus consensus expectations.

- MvP&U Tax finished behind its cumulative consensus cash flow target for the first half fiscal year 2019 by -$0.6 million or -1.6% through December—reflecting weakening market conditions for new vehicles and increasing financing pressures..

- MvFees completed first half fiscal year 2019 over its cumulative consensus target by +$0.3 million or +0.9%.

- Other Fees were +$1.6 million or +15.4% versus its first half fiscal year 2019 cumulative consensus cash flow target.

- The TIB revenue sub-components ended the first half fiscal year 2019 with the Gasoline TIB at -$0.24 million or a total of -3.1% versus its cumulative consensus target and the Diesel TIB +$0.06 million or +5.8% versus its through December cumulative consensus cash flow target.

Table 4: First Half Fiscal Year 2019 Transportation Fund Results versus Forecast

FY 2019--Cumulative December Component (Thousands)		Cumulative Receipts		Cumulative Target		Dollar Difference	Percent Difference
Gasoline Tax (non-TIB)	$	40,536.5	$	40,144.2	$	392.4	1.0%
Diesel Tax (non-TIB)	$	9,881.6	$	9,801.1	$	80.4	0.8%
MvP&U Tax	$	36,765.8	$	37,382.5	$	(616.7)	-1.6%
MvFees	$	40,212.2	$	39,866.4	$	345.8	0.9%
Other Fees-Revenues	$	12,297.0	$	10,656.4	$	1,640.6	15.4%
Total Transportation Fund (no TIB)	**$**	**139,693.1**	**$**	**137,850.5**	**$**	**1,842.6**	**1.3%**
Gasoline -TIB	$	7,737.6	$	7,982.0	$	(244.4)	-3.1%
Diesel-TIB	$	1,051.0	$	993.3	$	57.7	5.8%
Total Transportation Fund (w/TIB)	**$**	**148,481.7**	**$**	**146,825.8**	**$**	**1,655.8**	**1.1%**

Basic Data Source: VT Agency of Administration

- For the net revenues available to the E-Fund [Partial], cumulative receipts were -$0.2 million or essentially at its consensus forecast target of $261.21 million established last July (see Table 5 below). The E-Fund met performance through mixed results among the components.

  - The Sales & Use Tax was -$1.2 million or -0.6% behind its cumulative consensus cash flow target through first half fiscal year 2019—improved from this component's -$4.9 million cumulative behind target status as of the end of October.

  - The Meals & Rooms component ended the first half fiscal year 2019 +$0.3 million or +1.2% over its cumulative target.

- MvP&U finished the first half fiscal year 2019 at -$0.3 million or -1.7% short of its cumulative consensus target.

- Lottery revenues stood at +$0.9 million or +8.3% versus their first half fiscal year 2019 target. We are looking forward to a decent next few months as the recent large jackpots may result in higher Lottery profits and resulting transfers over the period.

Table 5: First Half Fiscal Year 2019 Education Fund Results versus Forecast

FY 2019--Cumulative December Component (Thousands)		Cumulative Receipts		Cumulative Target		Dollar Difference	Percent Difference
Sales & Use Tax	$	206,345.6	$	207,496.7	$	(1,151.1)	-0.6%
Meals & Rooms	$	23,722.0	$	23,438.5	$	283.5	1.2%
MvP&U Tax	$	18,382.9	$	18,691.2	$	(308.3)	-1.6%
Lottery	$	12,114.5	$	11,189.0	$	925.5	8.3%
Interest	$	402.4	$	389.7	$	12.7	NM
Total Education Fund [Partial]	**$**	**260,967.5**	**$**	**261,205.1**	**$**	**(237.6)**	**-0.1%**

Notes: NM=Not Meaningful

Basic Data Source: VT Agency of Administration

- **Recent Economic Trends of Significance to the Updated Consensus Economic Forecast**

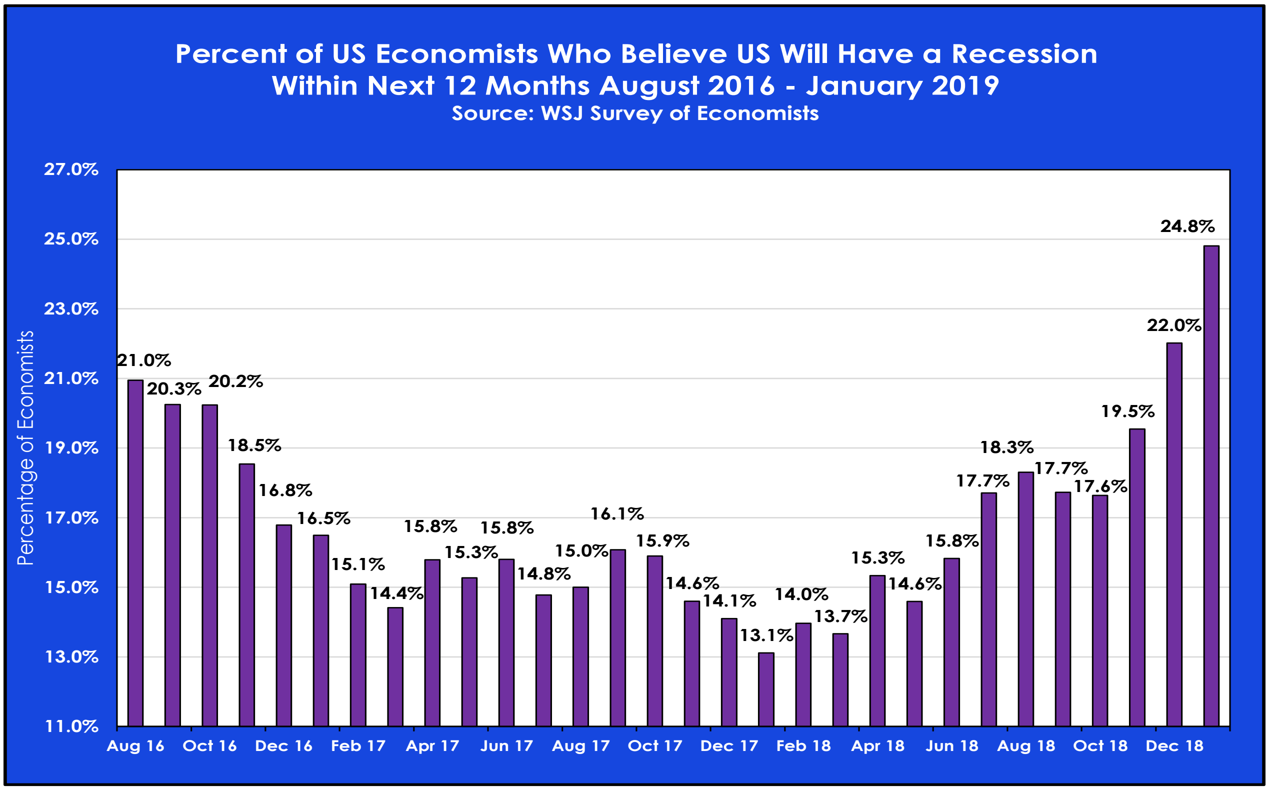
  - As of January 2019, the 115 month U.S. economic expansion is the second longest in recorded economic history. Even with the fiscal stimulus from the federal TCJA winding down, the U.S. economy looks to be on course to maintain its forward momentum through June of 2019—earning the distinction of being the longest economic upcycle in recorded economic history.

    - As of this month, a survey of roughly 50 economists conducted each month by the Wall Street Journal pegged the probability that there will be a U.S. economic recession within the next 12 months at 24.8%.[8]

    - Therefore, even though the noise of recession has risen recently, the likelihood of an economic downturn in the U.S. economy within the next 12 months was still a decidedly minority view.

  - For an economic upcycle that is over nine years old, the current performance for the U.S. economy may go down as "one for the ages."

[8] Although at an only a 24.8% probability of recession within the next 12 months according to the economists surveyed, the percentage was the highest since November 2011. It also is noteworthy that this percentage back in November 2007—only one month before the "Great Recession" actually began—was 33.5%.



- This is likely so, despite uncertainties associated with the global trade,[9] recently more volatile equity markets, the increasing threat from rising energy prices (which can be traced to the rising geopolitical uncertainties in the Middle East region and the Korean Peninsula in Asia), and political brinksmanship between the White House and Congress that has resulted in the partially shutting down the federal government (which has been estimated by the White House's Council of Economic Advisors to reduce U.S. GDP by approximately 0.1 percentage points for each two week period the partial shutdown continues—according to a recently revised estimate).

▪ This is because there still appears to be a significant amount of "late-cycle juice" in the economy, from increasing wage growth as labor market conditions continue to tighten, still generally increasing asset prices (e.g. in U.S. equity markets—despite the increased level of volatility—and in U.S. real estate values), on top of last year's large federal fiscal stimulus from the TCJA—which while ebbing, is still creating some stimulus.

[9] Which so far macro-economically has been more rhetorical than impactful, although the retaliation taken by affected countries has been carefully directed at specific industries in specific geographical areas. This approach has had measurable impacts on some U.S. firms and producers—particularly those in agriculture and for those who rely on imported steel and aluminum as part of their supply chain.

- Combined with the current U.S. Administration's deregulation efforts—a significant portion of which has been successfully implemented—the U.S. economy may be able to postpone the onset of typical "late economic cycle" slowing growth dynamics.

    - In fact, if the federal policy of deregulation has been successful in expanding the productive capacity of the U.S. economy by reducing growth-slowing regulations, the U.S. upturn may have quite a bit more room to go because it in actuality may have increased "supply-side capacity" and additional room to grow without experiencing the typical strains of a "late cycle" economy.[10] The U.S. economy, this reasoning goes, is not really as close to "full employment" or "full capacity" as a conventional macroeconomic analysis might indicate.

    - The U.S. economy is instead poised for further sustainable expansion once the analysts get beyond their conventional—and all too pessimistic assessment—of where the U.S. economy actually is in terms of the business cycle. Economic growth prospects are not receding, they are actually brightening and growth will once again solidify and be reenergized.

- However, as noted above, an objective economic analysis cannot ignore the recent warnings of a slowdown in the economy looming on the horizon, and only the most optimistic assessment of economic growth cannot unequivocally state that the U.S. economic outlook is unencumbered by at least some measurable recessionary threats.

    - There are at least some concerns in the current economic outlook about the recent, consistent bias by the Federal Reserve to tighten monetary policy.[11]

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[10] Along with the attendant price or inflationary pressures that economies operating at or near full capacity typically engender.

[11] Including those who think the Fed is moving to tighten too quickly and ill-advisedly, and another that its timidity in raising short-term interest rates has already missed its chance to head off inflationary pressures that will force more draconian measures of monetary restraint to fight "unnecessarily high rates of future inflation" that will, in turn, prematurely end the current U.S. economic expansion if the Fed had only acted more aggressively earlier in this economic upcycle.

- In addition, there are also concerns about what looks to be unsettling conventional measures indicating that the economy may currently be operating above its non-inflation-accelerating capacity, and financial markets may in fact be entering precarious financial territory with respect to the flattening of so-called "Yield Curve", a leading indicator that the end of the U.S. economic expansion may not be too far out into the future.

▪ Regarding the first, this school of thought looks at economic history from the standpoint that the Federal Reserve tends to make its monetary policy errors that push the U.S. economy into a downturn only when it is in a "tightening" mode, versus times when the Fed is implementing steps to accommodate economic growth.

  - With monetary policy currently biased towards a "tightening" posture, the chance of an expansion-ending monetary policy mistake is much higher now than it has been in more than 10 years of the most historically growth-accommodating period of monetary policy since the Great Depression.

  - At least some economic forecasters/monetary policy analysts believe the current "tightening" bias in monetary policy by the Federal Reserve represents a "clear and present danger" to the current, almost record-breaking U.S. economic upturn.

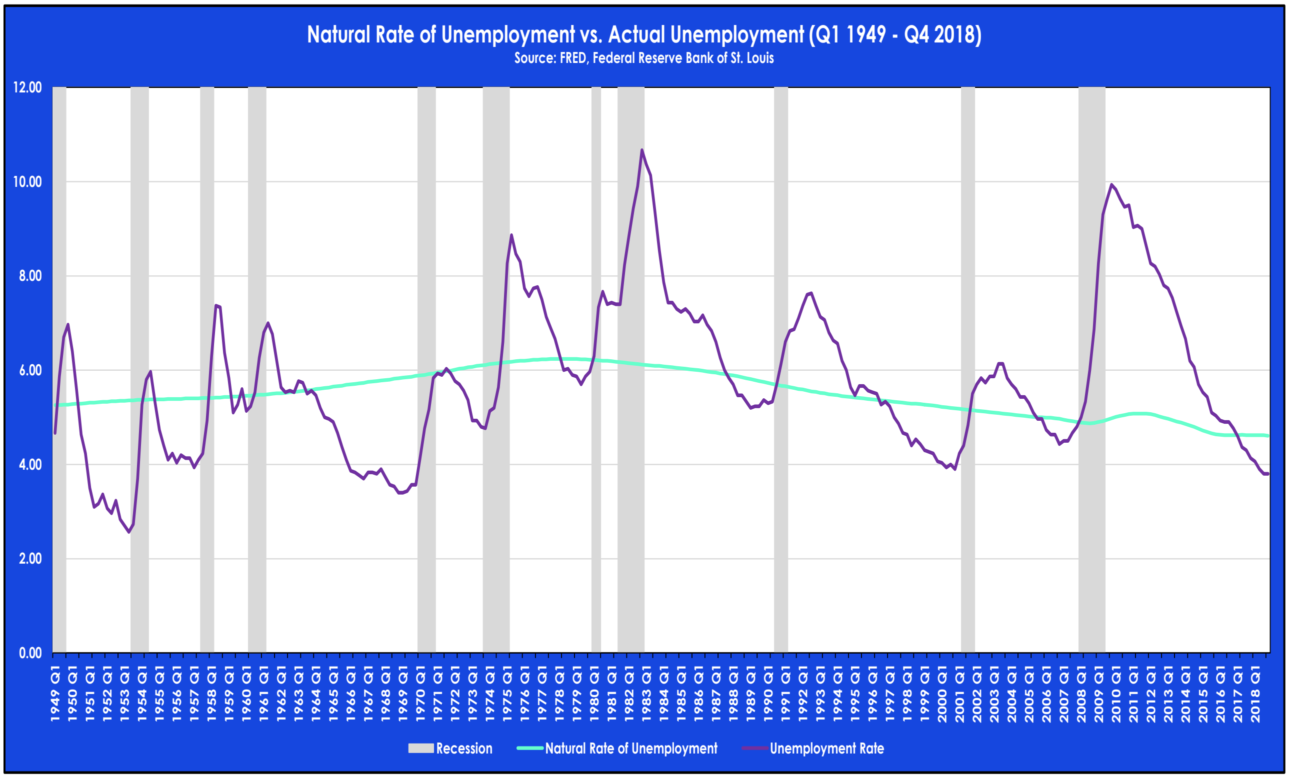
▪ Regarding the second factor (and obviously related to the first factor), there has been—and continues to be—a significant amount of discussion about how near the U.S. economy is to operating at or above its "non-inflationary" capacity. Concerns that the U.S. labor market is now operating above its "**N**on-**I**nflation **A**ccelerating **R**ate of **U**nemployment" (or "NIARU") has been a key part of those discussions.

  - One side believes that NIARU is a constantly moving target and has recently increased—meaning that the economy has significantly more room to keep on growing.

  - The other side believes that actual U.S. unemployment moved below the NIARU during the Summer of calendar year 2017, and is living on "borrowed time."

- The traditional analysis of NIARU is that the U.S. economy typically devolves into recession within three calendar years of actual unemployment moving below NIARU.

- Based on that traditional analysis, the U.S. economy is currently about one to two years away from its next downturn since the U.S. unemployment rate nudged above NIARU a year-and-a-half ago.



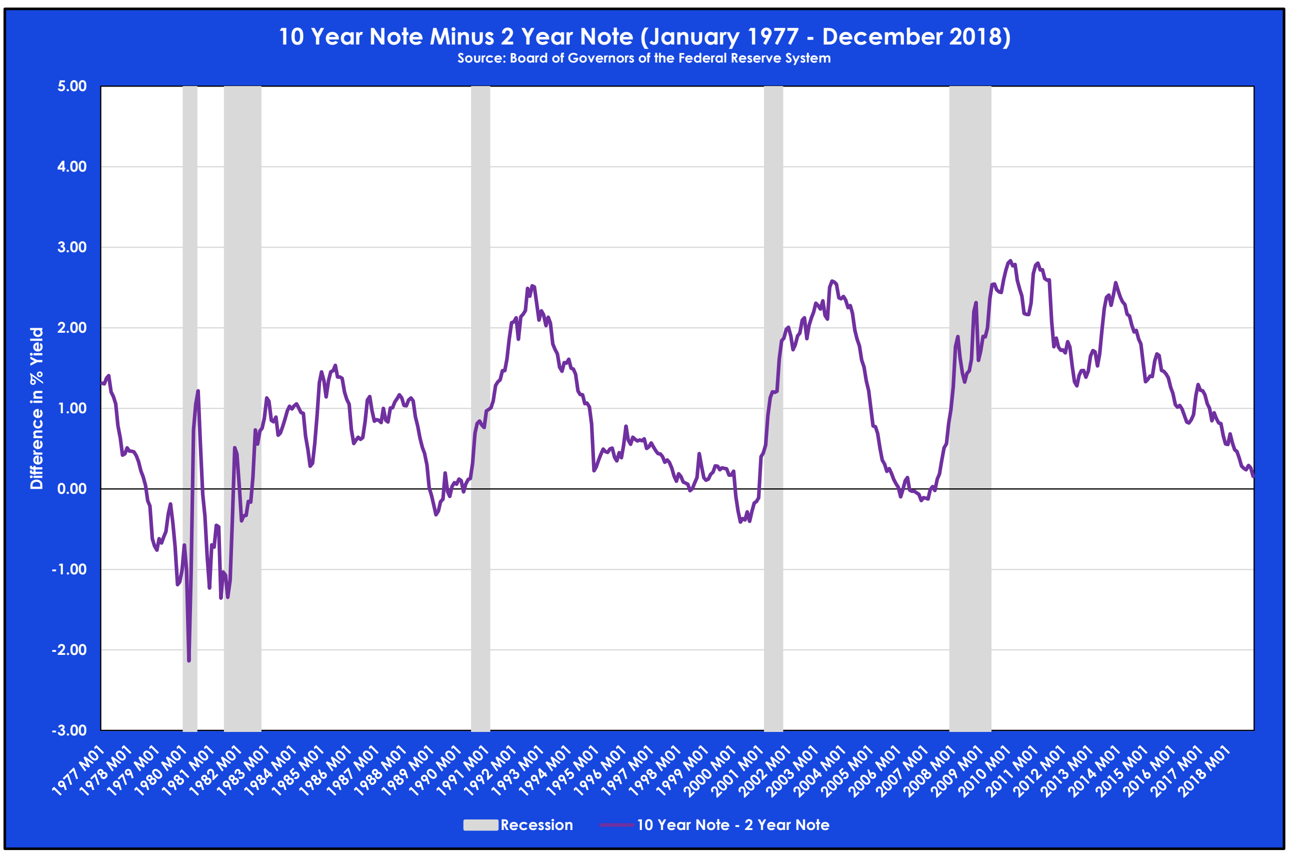
- Regarding the third (and also related to the above two concerns), traditionalists have been recently watching the movement of short-term and long-term interest rates and expressing concern about the narrowing of the difference between them—commonly referred to as the "flattening of the yield curve." The flattening of the "yield curve" is significant because of its implication on the supply of credit needed to fuel-support the financial needs of an expanding U.S. economy and the ability—or inability—of the financial sector to supply that needed credit.

  - The question currently weighing on the U.S. expansion is, as the "yield curve flattens," will it actually "invert" and signal trouble for the U.S. expansion, or will it be a near-miss and the expansion will continue?

- Some "yield curve" watchers have also recently questioned the validity of the current "flattening yield curve analysis" under current circumstances where the Federal Reserve has dramatically increased its presence in U.S. bond markets as it has executed its program of "quantitative easing" (or "QE")—which was designed to lower long term interest rates.

- This, in turn, contributed to an artificial reduction in the level of long-term rates. Without Fed intervention in this regard, long-term interest rates would actually be at a significantly much higher level.

- As such, there has been no actual "flattening of the yield curve"—but for the actions of the Fed.



- As a result, there is a group of analysts that believes the real spread between long-term and short-term rates is actually higher than this indicator is currently showing, and the U.S. economy is actually much farther away from an actual inversion than the current spread is suggesting—and is therefore flashing a false recessionary concern.

- As the Federal Reserve moves to reduce its portfolio through its "normalizing" of monetary policy, only time will tell who is actually correct in the above-referenced business cycle turning point debate.

▪ The most recent consensus update in the near-term economic outlook for the U.S. and Vermont economies and the dynamics of the updated consensus economic forecast are reflected in Table 6 and Table 7 (respectively—see below).

  - These tables show the most recent consensus macroeconomic forecast along with previous consensus economic forecasts that were employed in the revenue forecast updates back to June of 2017 (for the U.S. economy) and back to June of 2016 (for the Vermont economy).

  - The updated forecasts reflect a maturing, but still securely forward-moving U.S. upturn as a backdrop for this State consensus revenue forecast update.

▪ In Vermont, the State's economy for its part, reflects a generally "steady-as-you-go" to essentially flat outlook, with the State's various macro-indicators still demonstrating below the national average rates of change.

  - Although the State's most recent mid-year population estimate from the U.S. Census Bureau reflected modest gains in population in Vermont recently, the State's flat performance continues to reflect the largely negative demographic factors that have emerged over the decade.

  - The negative factors impacting Vermont appear to be identical to those factors that are impacting largely rural areas over the past ten or so years across the entire northern New England region and in the greater parts of rural upstate New York.

Table 6: Comparison of Recent Administration and JFO Consensus U.S. Macroeconomic Forecasts

June 2017 through December 2018, Selected Variables, Calendar Year Basis

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Real GDP Growth									
June-17	*1.7*	*2.4*	*2.6*	*1.6*	*2.3*	*2.6*	*2.2*	*1.3*	*1.5*
December-17	*1.7*	*2.6*	*2.9*	*1.5*	*2.3*	*2.8*	*2.5*	*1.1*	*2.2*
June-18	*1.7*	*2.6*	*2.9*	*1.5*	*2.3*	*3.0*	*2.6*	*0.9*	*2.3*
December-18	*1.8*	*2.5*	*2.9*	*1.6*	*2.2*	*3.0*	*2.4*	*1.1*	*1.9*
S&P 500 Growth (Annual Avg.)									
June-17	*19.1*	*17.5*	*6.8*	*1.5*	*5.4*	*-0.7*	*-4.5*	*5.5*	*7.8*
December-17	*19.1*	*17.5*	*6.8*	*1.5*	*17.0*	*7.1*	*-8.4*	*3.5*	*11.6*
June-18	*19.1*	*17.5*	*6.8*	*1.5*	*17.0*	*9.5*	*-9.7*	*2.3*	*10.3*
December-18	*19.1*	*17.5*	*6.8*	*1.5*	*17.0*	*12.2*	*-2.5*	*-4.7*	*9.0*
Employment Growth (Non-Ag)									
June-17	*1.6*	*1.9*	*2.1*	*1.8*	*1.5*	*1.3*	*1.2*	*0.5*	*0.2*
December-17	*1.6*	*1.9*	*2.1*	*1.8*	*1.5*	*1.6*	*1.1*	*0.1*	*0.5*
June-18	*1.6*	*1.9*	*2.1*	*1.8*	*1.6*	*1.6*	*1.4*	*0.2*	*0.0*
December-18	*1.6*	*1.9*	*2.1*	*1.8*	*1.6*	*1.6*	*1.3*	*0.5*	*0.0*
Unemployment Rate									
June-17	*7.4*	*6.2*	*5.3*	*4.9*	*4.4*	*4.1*	*3.9*	*4.2*	*4.8*
December-17	*7.4*	*6.2*	*5.3*	*4.9*	*4.3*	*3.8*	*3.7*	*4.5*	*5.1*
June-18	*7.4*	*6.2*	*5.3*	*4.9*	*4.4*	*3.8*	*3.3*	*4.0*	*4.8*
December-18	*7.4*	*6.2*	*5.3*	*4.9*	*4.4*	*3.8*	*3.6*	*3.9*	*4.5*
West Texas Int. Crude Oil $/Bbl									
June-17	*98*	*93*	*49*	*43*	*51*	*55*	*60*	*68*	*71*
December-17	*98*	*93*	*49*	*43*	*51*	*54*	*60*	*66*	*72*
June-18	*98*	*93*	*49*	*43*	*51*	*65*	*62*	*70*	*76*
December-18	*98*	*93*	*49*	*43*	*51*	*65*	*60*	*68*	*72*
Prime Rate									
June-17	*3.25*	*3.25*	*3.26*	*3.51*	*4.08*	*4.80*	*5.70*	*6.20*	*6.00*
December-17	*3.25*	*3.25*	*3.26*	*3.51*	*4.09*	*5.52*	*7.03*	*7.32*	*6.71*
June-18	*3.25*	*3.25*	*3.26*	*3.51*	*4.10*	*4.97*	*6.56*	*6.81*	*6.46*
December-18	*3.25*	*3.25*	*3.26*	*3.51*	*4.10*	*4.90*	*5.98*	*6.54*	*6.31*
Consumer Price Index Growth									
June-17	*1.5*	*1.6*	*0.1*	*1.3*	*2.1*	*2.3*	*2.7*	*2.6*	*2.3*
December-17	*1.5*	*1.6*	*0.1*	*1.3*	*2.1*	*2.5*	*2.9*	*2.8*	*2.5*
June-18	*1.5*	*1.6*	*0.1*	*1.3*	*2.1*	*2.7*	*2.5*	*2.4*	*2.3*
December-18	*1.5*	*1.6*	*0.1*	*1.3*	*2.1*	*2.4*	*2.5*	*2.1*	*2.3*
Average Home Price Growth									
June-17	*4.0*	*5.3*	*5.4*	*5.7*	*5.2*	*5.4*	*4.8*	*3.4*	*3.1*
December-17	*3.9*	*5.2*	*5.3*	*5.7*	*6.2*	*6.4*	*5.8*	*5.1*	*3.1*
June-18	*3.9*	*5.2*	*5.3*	*5.6*	*6.3*	*6.5*	*6.8*	*5.6*	*4.8*
December-18	*3.9*	*5.2*	*5.2*	*5.6*	*6.2*	*6.5*	*6.8*	*5.8*	*5.1*

Table 7: Comparison of Consensus Administration and JFO Vermont State Forecasts

June 2016 through December 2018, Selected Variables, Calendar Year Basis

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Real GSP Growth									
June-16	*-0.9*	*0.3*	*-0.1*	*1.9*	*2.3*	*1.7*	*1.2*	*1.1*	*1.3*
December-16	*-0.4*	*1.5*	*0.2*	*1.8*	*2.4*	*2.0*	*1.5*	*1.0*	*1.3*
June-17	*-0.2*	*0.3*	*0.9*	*0.8*	*1.1*	*1.3*	*0.8*	*0.3*	*0.8*
December-17	*-0.2*	*0.5*	*0.9*	*0.7*	*0.9*	*1.4*	*0.8*	*0.1*	*0.9*
June-18	*-0.2*	*0.5*	*0.7*	*1.5*	*1.1*	*1.9*	*1.6*	*0.3*	*2.1*
December-18	*-0.2*	*0.5*	*0.7*	*1.5*	*1.1*	*2.2*	*1.9*	*0.6*	*1.9*
Population Growth									
June-16	*0.1*	*-0.1*	*-0.1*	*0.1*	*0.2*	*0.3*	*0.3*	*0.2*	*0.2*
December-16	*0.1*	*-0.0*	*-0.1*	*-0.2*	*0.2*	*0.2*	*0.2*	*0.1*	*0.1*
June-17	*0.1*	*-0.0*	*-0.1*	*-0.2*	*0.1*	*0.1*	*0.2*	*0.2*	*0.1*
December-17	*0.1*	*-0.1*	*-0.2*	*-0.2*	*0.1*	*-0.0*	*0.1*	*0.1*	*0.1*
June-18	*0.1*	*-0.1*	*-0.2*	*-0.2*	*0.1*	*0.0*	*0.1*	*0.1*	*0.1*
December-18	*0.0*	*-0.2*	*0.0*	*-0.2*	*0.1*	*0.3*	*0.1*	*0.2*	*0.2*
Employment Growth									
June-16	*0.7*	*0.9*	*0.9*	*1.6*	*1.7*	*1.5*	*1.1*	*0.7*	*0.5*
December-16	*0.7*	*0.9*	*0.9*	*1.6*	*1.7*	*1.5*	*1.2*	*0.6*	*0.1*
June-17	*0.7*	*1.0*	*0.8*	*0.3*	*0.9*	*1.0*	*0.8*	*0.3*	*0.1*
December-17	*0.7*	*1.0*	*0.8*	*0.3*	*0.9*	*1.2*	*0.7*	*0.1*	*0.4*
June-18	*0.7*	*1.0*	*0.8*	*0.3*	*0.3*	*0.5*	*0.9*	*0.1*	*0.0*
December-18	*0.7*	*1.0*	*0.8*	*0.3*	*0.3*	*-0.1*	*0.4*	*0.2*	*-0.2*
Unemployment Rate									
June-16	*4.4*	*4.0*	*3.7*	*3.3*	*3.2*	*3.1*	*3.2*	*3.4*	*3.6*
December-16	*4.4*	*4.0*	*3.7*	*3.2*	*3.1*	*3.0*	*3.0*	*3.4*	*3.7*
June-17	*4.4*	*3.9*	*3.6*	*3.3*	*3.1*	*3.0*	*3.0*	*3.3*	*3.7*
December-17	*4.4*	*3.9*	*3.6*	*3.3*	*3.0*	*2.8*	*2.9*	*3.3*	*3.7*
June-18	*4.4*	*4.0*	*3.6*	*3.2*	*3.0*	*2.7*	*2.6*	*3.2*	*3.8*
December-18	*4.4*	*4.0*	*3.6*	*3.2*	*3.0*	*2.8*	*2.7*	*3.2*	*3.6*
Personal Income Growth									
June-16	*1.4*	*3.5*	*3.0*	*3.3*	*4.1*	*4.2*	*3.4*	*2.8*	*3.0*
December-16	*1.7*	*3.3*	*2.9*	*3.0*	*3.4*	*3.7*	*3.4*	*2.8*	*2.4*
June-17	*1.7*	*3.3*	*2.9*	*3.3*	*2.4*	*2.1*	*2.7*	*2.0*	*1.8*
December-17	*1.7*	*3.3*	*3.6*	*2.0*	*2.4*	*2.0*	*2.5*	*1.9*	*2.1*
June-18	*1.7*	*3.3*	*3.6*	*2.0*	*2.1*	*3.4*	*3.4*	*2.8*	*2.9*
December-18	*1.4*	*3.9*	*3.5*	*2.3*	*3.2*	*3.0*	*2.8*	*2.6*	*2.5*
Home Price Growth (JFO)									
June-16	*0.1*	*0.6*	*2.2*	*2.3*	*3.0*	*3.8*	*4.4*	*5.0*	*5.6*
December-16	*0.1*	*0.5*	*1.9*	*1.4*	*2.4*	*3.1*	*3.7*	*4.1*	*4.3*
June-17	*0.1*	*0.3*	*2.0*	*1.4*	*2.6*	*3.1*	*3.7*	*4.1*	*4.3*
December-17	*0.1*	*0.2*	*2.0*	*1.6*	*2.1*	*3.2*	*3.8*	*4.5*	*5.4*
June-18	*0.0*	*0.2*	*2.0*	*1.5*	*2.7*	*3.4*	*4.2*	*5.1*	*5.4*
December-18	*0.0*	*0.1*	*1.9*	*1.6*	*2.6*	*4.5*	*5.3*	*6.2*	*6.1*

- Finally, for the greater part of the last five or so years, these consensus economic and revenue forecast update reports have made mention of the fact that at the time of publication: **"...there were few signs of the type of economic-cyclical imbalances in the economy that normally pre-sage an economic downturn is in the near future..."**

  - With this current consensus forecast update, this statement can no longer be made without equivocation.

  - There are some "late cycle" signs of concern in the area of the quality of some recent corporate bond issues, the slowing manufacturing sector, concerns about student debt levels impacting real estate markets, and the on-going concern about credit quality in auto revolving debt.

- It therefore remains clear that that the current U.S. economic and Vermont economic upcycles will not go on indefinitely. While the staff recommended consensus economic forecast does call for a sub-cycle for the U.S. and Vermont economies principally in fiscal year 2021, there currently is no full-fledged economic downturn forecasted for the five fiscal year planning period.

  - The concern, as it was last Summer, is that the currently expected mid-forecast economic-revenue sub-cycle could expand into a more significant slowdown, given the current uncertainty and volatility in the economic environment.

  - A more significant slowdown, in turn, could then possibly devolve into a full-fledged economic downturn...especially if a mistake is made on either trade policy or in monetary policy.

- **Recent Economic Trends of Significance in the Vermont Economy**

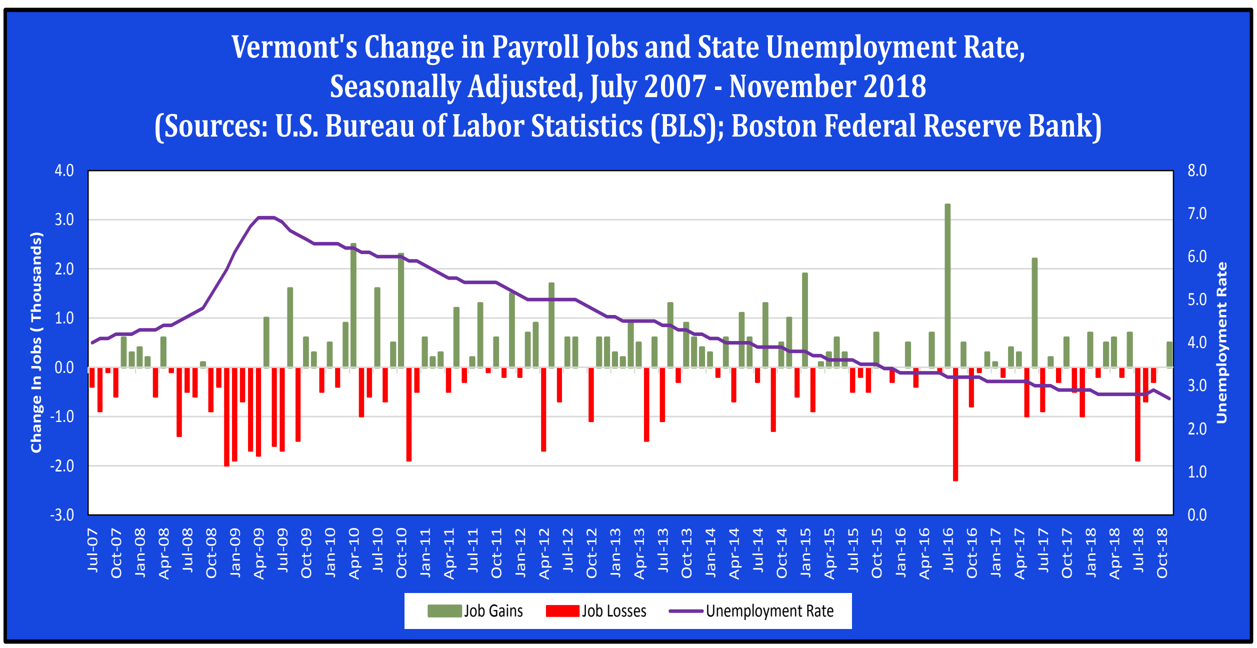
  - Looking more closely at Vermont economic activity and trends, the State's employment situation on a seasonally-adjusted basis has entered somewhat of an uncertain phase. The three-month period from September 2018 through November 2018 job statistics, showed that the total number of Vermont nonfarm payroll jobs increased by 200—seasonally adjusted.

- According to the latest seasonally-adjusted payroll job data, job creation was mixed in all three months, with 300 payroll jobs lost in September 2018, 0 payroll jobs lost or gained in October 2018, and 500 payroll jobs gained during November 2018.

- This marked a welcomed improvement from the previous three-month period from June 2018 through August 2018 which experienced a 1,900 job loss.

- The data have always been a bit choppy (or "up and down") on a month-to-month basis since the end of the "Great Recession," and could also reflect federally-mandated changes in the way Vermont tracks significant month-to-month payroll job changes.

- However, the "choppiness" may be extending beyond a monthly timeframe. Vermont needed to create 300 seasonally adjusted jobs in December, barring revisions in November and October, to avoid an annual average payroll job decline in calendar year 2018.



- Tables 8 and 9 below compare the Total Nonfarm and Private sector payroll job changes by state over the last 12 months by major North American Industry Classification System (NAICS) industry sector over the most recent year where comparable annual job change data is available for all 50 states (or for the period November 2017 - November 2018).

- From the tables, the data show that Vermont had a -0.6% year-over-year growth rate during the month of November of calendar year 2018 (versus November of calendar year 2017).

- Total Private Sector payroll jobs over the November 2017- November 2018 period declined by -0.7% over the past year—placing Vermont 6th among the six New England States over the past year and 50th among the U.S. as a whole relative to all 50 states covering the calendar year from November 2017 through November 2018.

▪ Among the various key job sectors (see Table 9 below), the weakest year-over-year job change was in the Leisure & Hospitality sector with a -3.4% decline from November of 2017 to November of 2018.

  - Trade, Transportation, & Utilities decreased -2.2%. The information sector also declined -2.3% year-over-year. The Government sector and Professional & Business Services sector were flat from November 2017 to November 2018.

Table 8: Year Over Year Job Change by Selected States (*Total Payroll* and *Total Private Payroll* Jobs)

Year-Over-Year Job Change by State *Total Payroll Jobs (November 2017-November 2018)*		
Rank	State	% Change
1	Nevada	3.9%
2	Arizona	3.6%
3	Wyoming	3.4%
4	Washington	2.9%
5	Texas	2.9%
11	New Hampshire	2.3%
19	California	1.8%
25	Massachusetts	1.7%
34	Connecticut	1.3%
36	New York	1.2%
39	Rhode Island	1.1%
46	Illinois	0.9%
47	Kentucky	0.9%
48	Maine	0.8%
49	Alaska	-0.4%
50	Vermont	-0.6%
Source: U.S. Department of Labor, BLS		

Year-Over-Year Job Change by State *Private Sector Payroll Jobs (November 2017-November 2018)*		
Rank	State	% Change
1	Wyoming	4.5%
2	Arizona	4.1%
3	Nevada	4.0%
4	Oregon	3.7%
5	Washington	3.5%
6	Texas	3.4%
15	New Hampshire	2.4%
22	Massachusetts	1.9%
23	California	1.9%
28	Connecticut	1.7%
37	New York	1.4%
38	Rhode Island	1.2%
46	West Virginia	0.9%
47	Maine	0.9%
48	Illinois	0.8%
49	Alaska	-0.5%
50	Vermont	-0.7%
Source: U.S. Department of Labor, BLS		

- Vermont's best performing sector year-over-year was the Financial Activities category, with payroll job additions at +0.8% over the same period the previous year. Factory jobs expanded by +0.7% over the period. Construction jobs increased by +0.6% year-over-year.

Table 9: Payroll Job Performance by NAICS Supersector (Nov. 2017-Nov. 2018)

Industry Supersector	% Change in VT	VT Rank in New England	VT Rank in U.S.	Highest Ranked New England State	# of States Reporting Job Losses
Total Nonfarm	**-0.6%**	**6**	**50**	**NH (11)**	**2**
Total Private	**-0.7%**	**6**	**50**	**NH (15)**	**2**
Construction	0.6%	4	41	CT (5)	7
Manufacturing	0.7%	4	41	NH (4)	5
Information	-2.3%	5	34	MA (7)	32
Financial Activities	0.8%	5	32	NH (6)	9
Trade, Transportation, and Utilities	-2.2%	6	50	RI (21)	7
Leisure and Hospitality	-3.4%	6	50	NH (3)	6
Education and Health Services	0.6%	5	44	NH (19)	2
Professional and Business Services	0.0%	5	46	MA (11)	4
Government	0.0%	4	38	NH (9)	11

Notes: NAICS means North American Industry Classification System

Source: U.S. Department of Labor, BLS

- It is clear that industry sectors in the state which are heavily dependent on international trade and international tourism are showing year-to-year declines in payroll jobs.

  - The conventional explanation for this would be the trade disputes initiated by the U.S. since the beginning of 2018, but this can only be a speculative analysis as very little of substance has actually changed with regard to international commodities and intermediate goods prices.

  - However, it is important to note that the current international trade disputes have been occurring against the backdrop of a strengthening U.S. dollar—at least in part brought about by the current round of tightening monetary policy by the Fed.

  - Both of these factors, along with the activity declines in the developing world, began to influence international trade prior to the beginning of the increasing rhetoric surrounding the still developing U.S.-China, U.S.-European, and ongoing nearly world-wide aluminum and steel tariffs-based trade disputes.

- The strong U.S. dollar, especially if the fed continues to tighten, will not likely be helpful to U.S. exports and Vermont companies which participate in those trade-sensitive sectors.

▪ The Vermont unemployment rate in June was the fifth lowest in the nation and second lowest in New England behind the State of New Hampshire's 2.5% rate (against the backdrop of a 3.7% U.S. "top-line" November unemployment rate).

  - Vermont unemployment rates over the past two decades have been generally below the average for the U.S. as a whole, as has the unemployment rates for most of the New England region—except for the States of Rhode Island and Connecticut.

  - For the most part, this continued standing likely reflects the current demographics of the State (e.g. Vermont's higher median age of the population is consistent with that for the northern New England region).

▪ With respect to the South Burlington-Burlington NECTA[12] comparison, the data show that the labor markets in the northwest region of the State (see the purple line for the Burlington-South Burlington NECTA in relation to the blue line representing the U.S. average rate of job recovery/expansion since the "Great Recession") have persisted below the U.S. recovery-expansion average since November 2017.

  - Labor markets overall in Vermont appear "flat," even in the northwest portion of the State. The northwest region has historically been the State's strongest region and has consistently tracked ahead of the U.S. average until the last year.

  - The current performance appears to be an extension of constraints on labor supply that are unlikely to ease appreciably over the near-term future.

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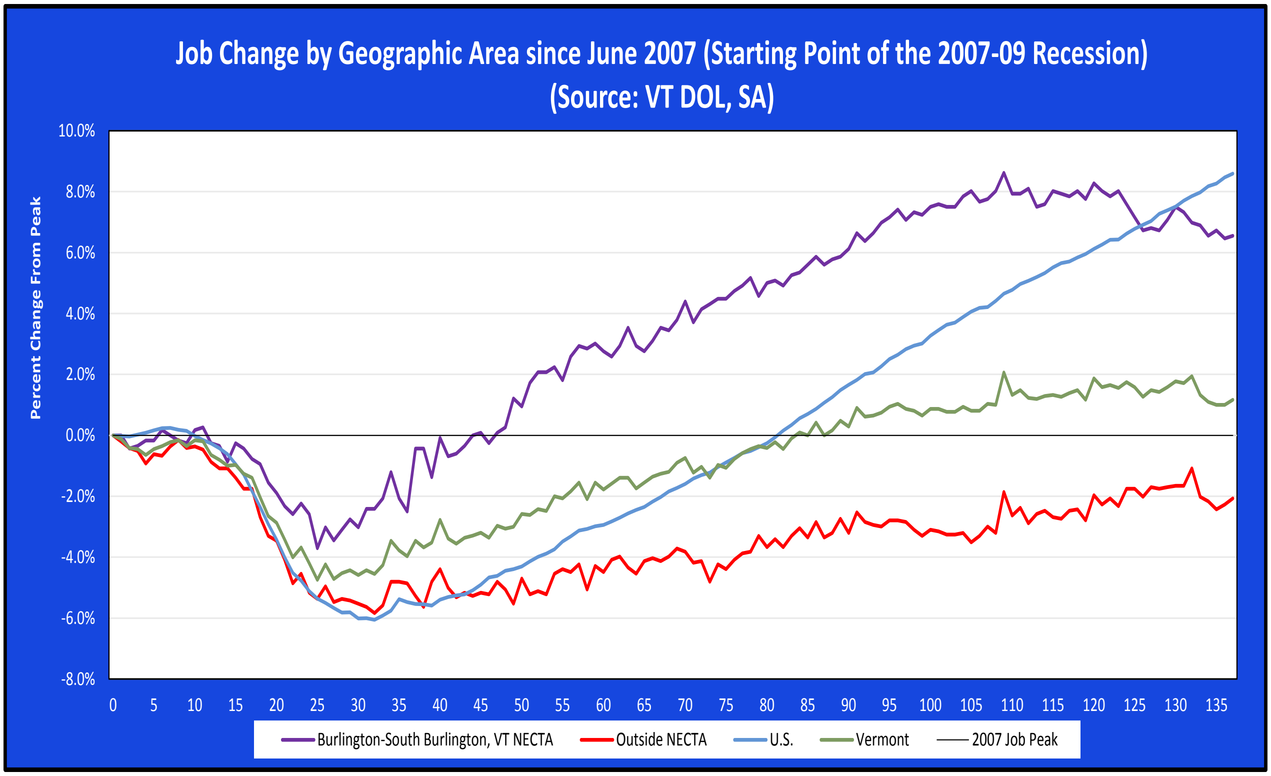
[12] NECTA stands for **N**ew **E**ngland **C**ity and **T**own **A**rea.


Job Change by Geographic Area since June 2007 (Starting Point of the 2007-09 Recession)
(Source: VT DOL, SA)
Percent Change From Peak
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
0
5
10
15
20
25
30
35
40
45
50
55
60
65
70
75
80
85
90
95
100
105
110
115
120
125
130
135
Burlington-South Burlington, VT NECTA
Outside NECTA
U.S.
Vermont
2007 Job Peak

- **Notes and Comments on Methods:**

  - All figures presented above reflect current law revenues for the respective funds listed in the consensus forecast estimate for fiscal years 2019 through fiscal year 2020 that are part of the official Emergency Board motion. Fiscal year 2021 through 2024 staff recommended consensus forecasts are presented for fiscal planning purposes only.

  - The revenue forecasting process is a collaborative process that involves on-going involvement by the staff of the Vermont Department of Taxes, VTrans, the Legislative Joint Fiscal Office, Kavet Rockler & Associates, LLC, and many others throughout state government and the staff of Economic & Policy Resources. Special thanks are due to several staff members of the Vermont Department of Taxes, including Sharon Asay, Mary Cox, Jake Feldman, and Douglas Farnham. Special thanks also is due to Lenny LeBlanc, Carma Flowers, and Renea Bordeau (all at VTrans). The JFO staff also provided key assistance to this forecast update, including Graham Campbell, Stephanie Barrett, Dan Dickenson, Catherine Benham, Neil Strickner, Theresa Utton-Jerman, Chloe Wexler, Joyce Manchester, and Mark Perrault. There also were many others in both the Administration and the JFO who contributed time and energy to assembling data, providing analysis, or technical assistance that was crucial to completing these forecasts that are too numerous to mention here.

  - The consensus forecasting process involves the discussion and agreement of two independent forecasts completed by Thomas E. Kavet of the JFO and the staff at Economic & Policy Resources. Agreement on the consensus forecast occurs after a complete discussion-vetting and reconciliation of these independent forecasts.

  - The State continues to develop an internal State macroeconomic model which may eventually replace the model maintained at Moody's Analytics through the New England Economic Partnership (NEEP). The NEEP forecast for Vermont is managed by Economic & Policy Resources, Inc., who currently supports the Vermont Agency of Administration with the Administration's part of the consensus forecasting process. Since October 2001, input and review of initial Vermont NEEP model design and output prior to its release has been provided by Tom Kavet of KRA, as the State Economist and Principal Economic Advisor to the Vermont Legislature.

Addendum I (January 2019 Update):
On-Going Developments in the Wildcard in the Forecast: Corporate Revenues from Repatriation[13]

One of the most important provisions in the Federal Tax Cut and Jobs Act of 2017 ("TCJA") continues to impart a considerable degree of complexity and uncertainty in the consensus revenue forecast. Information regarding actual revenue receipts attributable to this factor still remains sparse and companies who remain as potential candidates for the repatriation of accumulated overseas profits appear to be keeping their options open until sufficient IRS guidance is published regarding the specific rules of profits repatriation and the associated tax liabilities associated with those actions are spelled out in more detail. To-date, current State estimates of the likely State revenue impacts associated with this activity are based largely on circumstantial evidence. For example, initial estimates of the "first wave" of State revenue impacts from profits repatriation have been derived by tracking unusually large Corporate Tax payments made from a "living list" of more than 300 corporations with publicly-announced and large potential Corporate Profits repatriation liabilities based on publicly available information. What information the State has received regarding actual payments that could be tied to repatriation have been incomplete and unclear—reflecting the state of affairs in terms of this change.

Although initial estimates of potentially $3.0 trillion or more in accumulated U.S. corporate offshore earnings (including an estimated $2.7 trillion of potential repatriated profits potential in play from the State's list of candidate companies) have been discussed extensively in the business press, the "first wave" of actual results appear to have been lower than that initially-indicated repatriation potential. However, as is often the case with such significant structural changes, it remains unclear whether this initially lower than potential profits repatriation activity reflects fully-informed corporate decision-making or a higher than expected amount of uncertainty concerning the actual federal, and corresponding state, rules governing this activity. In addition, published reports indicate that potentially clarifying IRS rulemaking regarding this matter appear to have been impacted by the on-going partial federal government shutdown. The initially published timeline for final rules and guidance regarding profits repatriation may now be extended beyond the IRS' original goal of having final rules published by June of calendar year 2019.

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[13] This section is nearly identical to a similar section in the JFO forecast update report dealing with this subject. This has the potential to be a major issue for years in the consensus forecast process going forward. This language has been reviewed for content by technical personnel in the Vermont Department of Taxes.

In conjunction with the Tax Department, we continue to refine expectations associated with potential State Corporate tax receipts from this factor. Although the amount of potential State Corporate receipts remains as initially estimated (as high as $100-$200 million over five to ten fiscal years), the uncertainty around the timing and exact amount of liability to be paid by Vermont-affected corporations also remains highly uncertain at this time. The receipts outlook from this factor is still clouded by concern that some companies may eventually contest the ability of states to tax this repatriated income—making it possible that the final receipt of any amounts could be subject to lengthy compliance proceedings. Such proceedings could ultimately involve litigation to collect any receipts initially tied to the State's current interpretation that such income is taxable by Vermont and to prevent the possible claw-back of any payments to the State under this provision that might be contested by tax-avoiding corporations in the future.

As a result, the January 2019 consensus forecast update included a rounder peak (relative to the overall estimate of revenue potential) and a somewhat fatter and longer tail through fiscal year 2024 associated with this activity. For example, a total expected revenue impact in fiscal year 2019 of over $25.0 million in receipts is expected to decline to under $5.0 million by fiscal year 2021. Forecasted impacts of between $1.0 million to $3.0 million in additional Corporate Tax revenues from repatriation is expected thereafter as part of the so-called "tail."

The Tax Department has indicated it may publish guidance to Corporate Tax taxpayers on this issue once the federal guidelines and the specifics of compliance in Vermont are finalized. With this additional information and the receipt of more complete information regarding actual repatriated profits activity reported on federal and state tax returns, we will be in a better position to identify payments linked to this liability and establish a more accurate sense of both potential liabilities and tax payment timing. We will continue to track this issue closely over the rest of fiscal year 2019 and beyond, since it may contribute to significant revenue variances—both up and down—over future consensus revenue forecast update periods.

Staff Recommended Consensus Forecast Update Tables

TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

SOURCE G-FUND

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

	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Actual)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change
REVENUE SOURCE														
Personal Income	$705.9	5.2%	$747.0	5.8%	$756.5	1.3%	$832.0	10.0%	$824.9	-0.8%	$853.2	3.4%	$858.7	0.6%
Sales & Use*	$364.6	3.1%	$370.7	1.7%	$376.7	1.6%	$397.8	5.6%	$415.1	4.3%	$429.5	3.5%	$435.3	1.4%
Corporate	$121.9	28.5%	$117.0	-4.0%	$95.8	-18.1%	$96.4	0.6%	$122.5	27.2%	$97.5	-20.4%	$85.2	-12.6%
Meals and Rooms	$150.8	5.7%	$154.2	2.2%	$165.3	7.3%	$173.2	4.8%	$181.5	4.8%	$187.6	3.4%	$192.5	2.6%
Cigarette and Tobacco**	$76.8	6.7%	$80.7	5.2%	$76.7	-5.0%	$71.1	-7.3%	$71.1	0.0%	$68.4	-3.8%	$65.9	-3.7%
Liquor	$18.2	2.9%	$18.3	0.8%	$19.1	4.4%	$19.8	3.6%	$20.2	1.9%	$20.7	2.5%	$21.1	1.9%
Insurance	$55.3	-3.1%	$56.2	1.7%	$57.0	1.3%	$57.5	1.0%	$57.8	0.5%	$58.3	0.9%	$58.7	0.7%
Telephone	$7.7	-14.9%	$3.2	-59.2%	$5.7	80.6%	$4.7	-16.8%	$4.1	-13.7%	$3.6	-12.2%	$3.2	-11.1%
Beverage	$6.7	4.2%	$6.7	0.6%	$6.9	2.9%	$7.1	2.5%	$7.2	1.3%	$7.4	2.7%	$7.5	2.0%
Electric***	$9.4	-28.2%	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Estate	$9.9	-72.2%	$12.5	26.5%	$16.7	33.3%	$22.9	37.6%	$19.1	-16.7%	$20.9	9.4%	$21.8	4.3%
Property	$33.6	8.6%	$35.7	6.2%	$38.7	8.4%	$40.9	5.6%	$44.1	7.9%	$47.1	6.8%	$49.1	4.2%
Bank	$10.7	-2.0%	$10.7	-0.6%	$13.2	24.0%	$13.1	-1.3%	$12.4	-5.2%	$12.6	1.6%	$12.8	1.6%
Other Tax	$2.0	4.5%	$1.8	-9.0%	$2.2	18.0%	$1.8	-15.2%	$2.4	30.3%	$2.5	4.2%	$2.6	4.0%
Total Tax Revenue	$1573.5	3.7%	$1614.8	2.6%	$1630.4	1.0%	$1738.3	6.6%	$1782.4	2.5%	$1809.2	1.5%	$1814.4	0.3%
Business Licenses	$1.1	0.2%	$1.1	-1.6%	$1.2	16.8%	$1.2	-2.9%	$1.0	-17.3%	$1.1	12.0%	$1.1	1.2%
Fees	$22.1	7.0%	$23.0	4.2%	$48.5	110.8%	$47.1	-2.9%	$47.6	1.1%	$48.4	1.7%	$49.1	1.4%
Services	$1.5	12.5%	$2.8	86.6%	$3.0	7.9%	$2.9	-4.2%	$3.3	14.5%	$3.4	3.0%	$3.5	2.9%
Fines	$3.5	-3.1%	$3.7	5.5%	$4.4	21.0%	$3.5	-19.8%	$3.6	1.0%	$3.6	1.7%	$3.7	1.1%
Interest	$0.3	40.4%	$0.7	130.6%	$1.5	111.5%	$2.8	80.1%	$6.1	118.9%	$6.5	6.6%	$6.8	3.8%
Lottery	$22.8	0.8%	$26.4	16.1%	$25.5	-3.3%	$27.1	6.4%	$28.2	3.9%	$28.5	1.1%	$28.9	1.4%
All Other****	$1.0	-20.4%	$1.3	25.9%	$2.9	128.5%	$2.4	-18.8%	$1.1	-53.4%	$1.3	18.2%	$1.4	7.7%
Total Other Revenue	$52.2	3.0%	$58.9	12.9%	$87.1	47.9%	$87.0	-0.1%	$90.88	4.5%	$92.86	2.2%	$94.47	1.7%
TOTAL GENERAL FUND	**$1625.7**	**3.7%**	**$1673.7**	**2.9%**	**$1717.5**	**2.6%**	**$1825.3**	**6.3%**	**$1873.3**	**2.6%**	**$1902.1**	**1.5%**	**$1908.9**	**0.4%**

* 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.

*** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13; Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

**** Excludes $5 million Vermont Yankee settlement agreement transitional payment in FY2015.

****Includes $2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

TABLE 1 - STATE OF VERMONT (POST- H.911 REVENUE ALLOCATIONS)
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Actual)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(Forecast)*	% Change	**FY2021** *(Forecast)*	% Change
REVENUE SOURCE														
Personal Income	$705.9	5.2%	$747.0	5.8%	$756.5	1.3%	$832.0	10.0%	$824.9	-0.8%	$853.2	3.4%	$858.7	0.6%
Sales and Use*	$237.0	3.1%	$241.0	1.7%	$244.9	1.6%	$258.6	5.6%	$0.0	NM	$0.0	NM	$0.0	NM
Corporate	$121.9	28.5%	$117.0	-4.0%	$95.8	-18.1%	$96.4	0.6%	$122.5	27.2%	$97.5	-20.4%	$85.2	-12.6%
Meals and Rooms	$150.8	5.7%	$154.2	2.2%	$165.3	7.3%	$173.2	4.8%	$136.1	-21.4%	$140.7	3.4%	$144.4	2.6%
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	$18.2	2.9%	$18.3	0.8%	$19.1	4.4%	$19.8	3.6%	$20.2	1.9%	$20.7	2.5%	$21.1	1.9%
Insurance	$55.3	-3.1%	$56.2	1.7%	$57.0	1.3%	$57.5	1.0%	$57.8	0.5%	$58.3	0.9%	$58.7	0.7%
Telephone	$7.7	-14.9%	$3.2	-59.2%	$5.7	80.6%	$4.7	-16.8%	$4.1	-13.7%	$3.6	-12.2%	$3.2	-11.1%
Beverage	$6.7	4.2%	$6.7	0.6%	$6.9	2.9%	$7.1	2.5%	$7.2	1.3%	$7.4	2.7%	$7.5	2.0%
Electric**	$9.4	-28.2%	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Estate***	$9.9	-72.2%	$12.5	26.5%	$16.7	33.3%	$22.9	37.6%	$19.1	-16.7%	$20.9	9.4%	$21.8	4.3%
Property	$10.9	8.7%	$11.5	6.0%	$12.6	9.0%	$12.4	-1.5%	$13.5	8.8%	$14.4	7.2%	$15.1	4.5%
Bank	$10.7	-2.0%	$10.7	-0.6%	$13.2	24.0%	$13.1	-1.3%	$12.4	-5.2%	$12.6	1.6%	$12.8	1.6%
Other Tax	$2.0	4.5%	$1.8	-9.0%	$2.2	18.0%	$1.8	-15.2%	$2.4	30.3%	$2.5	4.2%	$2.6	4.0%
Total Tax Revenue	$1346.4	3.5%	$1380.1	2.5%	$1395.7	1.1%	$1499.5	7.4%	$1220.2	-18.6%	$1231.8	0.9%	$1231.1	-0.1%
Business Licenses	$1.1	0.2%	$1.1	-1.6%	$1.2	16.8%	$1.2	-2.9%	$1.0	-17.3%	$1.1	12.0%	$1.1	1.8%
Fees	$22.1	7.0%	$23.0	4.2%	$48.5	110.8%	$47.1	-2.9%	$47.6	1.1%	$48.4	1.7%	$49.1	1.4%
Services	$1.5	12.5%	$2.8	86.6%	$3.0	7.9%	$2.9	-4.2%	$3.3	14.5%	$3.4	3.0%	$3.5	2.9%
Fines	$3.5	-3.1%	$3.7	5.5%	$4.4	21.0%	$3.5	-19.8%	$3.6	1.0%	$3.6	1.7%	$3.7	1.1%
Interest	$0.2	51.9%	$0.6	136.1%	$1.2	108.2%	$2.3	96.1%	$5.2	126.4%	$5.5	5.8%	$5.7	3.6%
All Other****	$1.0	-20.4%	$1.3	25.9%	$2.9	128.5%	$2.4	-18.8%	$1.1	-53.4%	$1.3	18.2%	$1.4	7.7%
Total Other Revenue	$29.4	4.7%	$32.3	10.1%	$61.2	89.3%	$59.4	-3.0%	$61.8	4.1%	$63.4	2.6%	$64.5	1.8%
TOTAL GENERAL FUND	**$1375.8**	**3.6%**	**$1412.4**	**2.7%**	**$1457.0**	**3.2%**	**$1558.9**	**7.0%**	**$1282.0**	**-17.8%**	**$1295.1**	**1.0%**	**$1295.6**	**0.0%**

* Includes $2.5M transfer to the T-Fund in FY08 for prior years Jet Fuel tax processing errors; Transfer to the Education Fund increases from 33.3% to 35.0% effective in FY14 and 35.0% to 36.0% effective in FY19.

** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13;

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

*** Excludes transfer to the Higher Education Trust Fund of $2.4M in FY05, $5.2M in FY06 and $11.0M in FY11.

**** Excludes $5 million Vermont Yankee settlement agreement transitional payment in FY2015.

****Includes $2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

TABLE 2A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

SOURCE T-FUND *revenues are prior to all E-Fund allocations and other out-transfers; used for analytic and comparative purposes only*	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Actual)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(Forecast)*	% Change	FY2021 *(Forecast)*	% Change
REVENUE SOURCE														
Gasoline	$77.6	1.5%	$78.0	0.5%	$78.2	0.3%	$78.2	0.0%	$78.2	0.0%	$78.1	-0.1%	$77.6	-0.6%
Diesel****	$19.1	11.5%	$18.3	-4.4%	$18.2	-0.5%	$18.9	3.6%	$19.1	1.3%	$19.2	0.5%	$19.1	-0.5%
Purchase and Use*	$97.3	5.9%	$100.1	2.9%	$103.2	3.1%	$109.4	6.0%	$114.1	4.3%	$115.6	1.3%	$115.1	-0.4%
Motor Vehicle Fees	$80.1	1.4%	$82.0	2.3%	$86.2	5.2%	$86.0	-0.3%	$86.3	0.4%	$87.4	1.3%	$87.9	0.6%
Other Revenue**	$19.7	0.8%	$19.6	-0.5%	$19.9	1.8%	$23.0	15.3%	$24.4	6.2%	$24.8	1.6%	$25.0	0.8%
TOTAL TRANS. FUND	**$293.8**	**3.5%**	**$298.0**	**1.4%**	**$305.8**	**2.6%**	**$315.4**	**3.1%**	**$322.1**	**2.1%**	**$325.1**	**0.9%**	**$324.7**	**-0.1%**

TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Actual)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(Forecast)*	% Change	FY2021 *(Forecast)*	% Change
REVENUE SOURCE														
Gasoline	$77.6	1.5%	$78.0	0.5%	$78.2	0.3%	$78.2	0.0%	$78.2	0.0%	$78.1	-0.1%	$77.6	-0.6%
Diesel****	$19.1	11.5%	$18.3	-4.4%	$18.2	-0.5%	$18.9	3.6%	$19.1	1.3%	$19.2	0.5%	$19.1	-0.5%
Purchase and Use*	$64.8	5.9%	$66.8	2.9%	$68.8	3.1%	$73.0	6.0%	$76.1	4.3%	$77.1	1.3%	$76.7	-0.4%
Motor Vehicle Fees	$80.1	1.4%	$82.0	2.3%	$86.2	5.2%	$86.0	-0.3%	$86.3	0.4%	$87.4	1.3%	$87.9	0.6%
Other Revenue**	$19.7	0.8%	$19.6	-0.5%	$19.9	1.8%	$23.0	15.3%	$24.4	6.2%	$24.8	1.6%	$25.0	0.8%
TOTAL TRANS. FUND	**$261.4**	**3.2%**	**$264.6**	**1.2%**	**$271.4**	**2.6%**	**$279.0**	**2.8%**	**$284.1**	**1.8%**	**$286.6**	**0.9%**	**$286.3**	**-0.1%**
OTHER (TIB)***														
TIB Gasoline	$18.2	-5.2%	$13.0	-28.4%	$12.6	-3.3%	$12.9	2.2%	$14.3	11.1%	$13.8	-3.6%	$16.1	16.6%
TIB Diesel and Other****	$2.1	11.4%	$1.9	-6.1%	$1.7	-11.3%	$2.0	16.1%	$2.0	3.1%	$2.1	0.5%	$2.0	-0.5%
TOTAL OTHER (TIB)	**$20.2**	**-3.8%**	**$15.0**	**-26.1%**	**$14.5**	**-2.9%**	**$14.9**	**2.4%**	**$16.3**	**10.0%**	**$15.8**	**-3.1%**	**$18.1**	**14.4%**

* 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.

*** Transportation Infrastructure Bond revenues

**** Includes TIB Fund interest income (which has never exceeded $35,000 per year); Includes FY17 adjustment of $215,000 from reported TIB Diesel revenue to Diesel revenue due to a data entry error

TABLE 3 - STATE OF VERMONT (POST- H.911 REVENUE ALLOCATIONS)
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE EDUCATION FUND* REVENUE FORECAST UPDATE

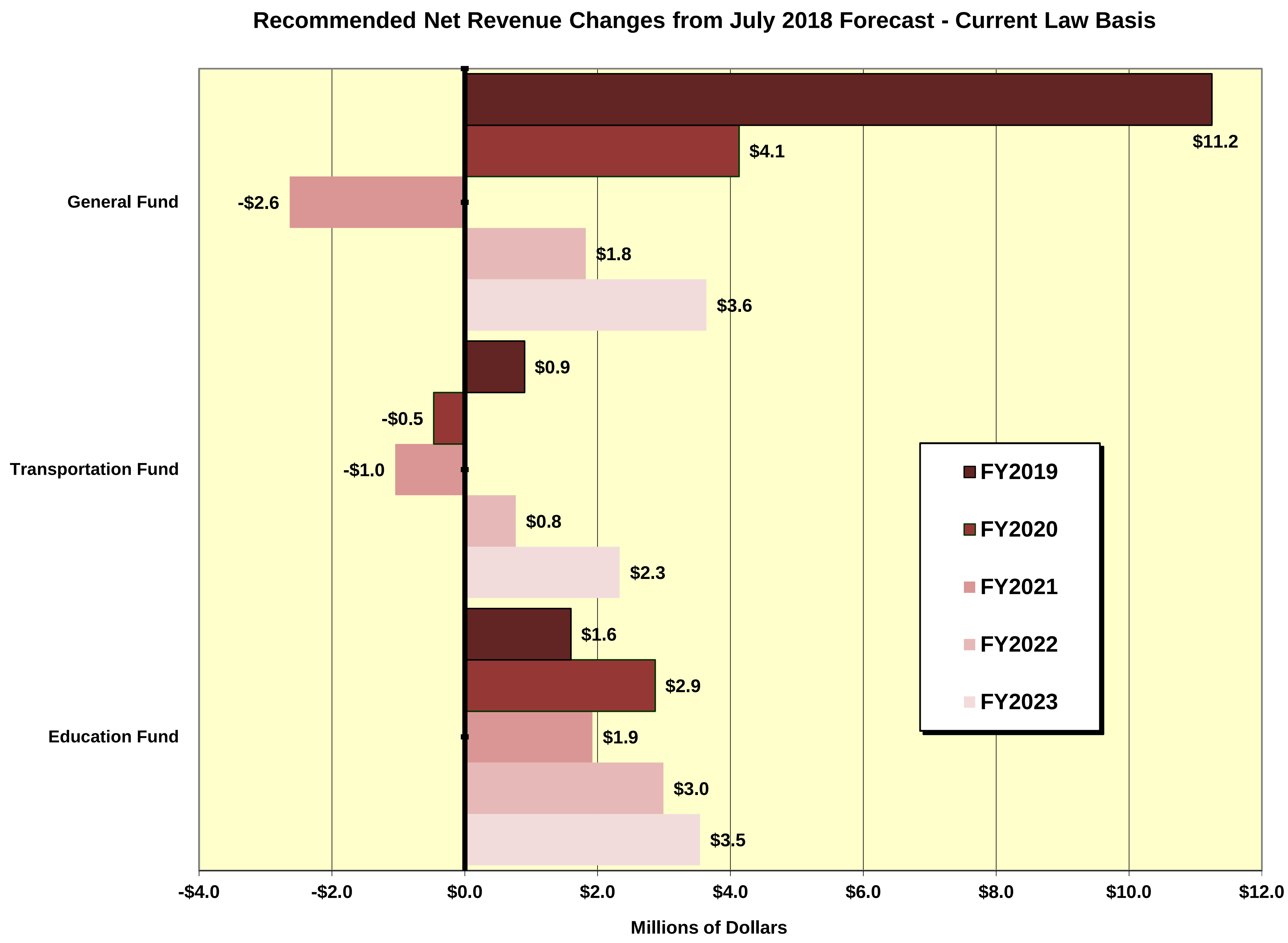
(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)
Consensus JFO and Administration Forecast - January 2019

CURRENT LAW BASIS

Source General and Transportation Fund taxes allocated to or associated with the Education Fund only	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Actual)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(Forecast)*	% Change	**FY2021** *(Forecast)*	% Change
GENERAL FUND														
Meals and Rooms	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$45.4	NM	$46.9	3.4%	$48.1	2.6%
Sales & Use**	127.6	3.1%	$129.8	1.7%	$131.8	1.6%	$139.2	5.6%	$415.1	198.1%	$429.5	3.5%	$435.3	1.4%
Interest	0.1	3.6%	$0.2	135.7%	$0.4	122.7%	$0.5	30.3%	$0.9	83.8%	$1.0	11.1%	$1.1	5.0%
Lottery	22.8	0.8%	$26.4	16.1%	$25.5	-3.3%	$27.1	6.4%	$28.2	3.9%	$28.5	1.1%	$28.9	1.4%
TRANSPORTATION FUND														
Purchase and Use***	32.4	5.9%	$33.4	2.9%	$34.4	3.1%	$36.5	6.0%	$38.0	4.3%	$38.5	1.3%	$38.4	-0.4%
TOTAL EDUCATION FUND	**182.9**	**3.3%**	**$189.7**	**3.7%**	**$192.2**	**1.3%**	**$203.3**	**5.8%**	**$527.6**	**159.5%**	**$544.4**	**3.2%**	**$551.8**	**1.3%**

* Includes only General and Transportation Fund taxes allocated to the Education Fund.
This Table excludes all Education Fund property taxes, which are updated in October/November of each year and are the largest Education Fund tax sources.
** Includes Telecommunications Tax; Includes $1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors; Transfer percentage from the General Fund increases from 33.3% to 35.0% effective in FY14 and to 36.0% in F19
*** Includes Motor Vehicle Rental revenues, restated

Five-Year Staff Recommended Consensus Forecast Detail by Fund/Five-Year Change Data from July 2018 Consensus Forecast



Recommended Net Revenue Changes from July 2018 Forecast - Current Law Basis
General Fund
Transportation Fund
Education Fund
$11.2
$4.1
-$2.6
$1.8
$3.6
$0.9
-$0.5
-$1.0
$0.8
$2.3
$1.6
$2.9
$1.9
$3.0
$3.5
FY2019
FY2020
FY2021
FY2022
FY2023
-$4.0
-$2.0
$0.0
$2.0
$4.0
$6.0
$8.0
$10.0
$12.0
Millions of Dollars

TABLE 1A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

SOURCE G-FUND *revenues are prior to all E-Fund allocations and other out-transfers; used for analytic and comparative purposes only*	FY 2015 (Actual)	% Change	FY 2016 (Actual)	% Change	FY 2017 (Actual)	% Change	FY 2018 (Actual)	% Change	FY 2019 (Forecast)	% Change	FY2020 (Forecast)	% Change	FY2021 (Forecast)	% Change	FY2022 (Forecast)	% Change	FY2023 (Forecast)	% Change	FY2024 (Forecast)	% Change
REVENUE SOURCE																				
Personal Income	$705.9	5.2%	$747.0	5.8%	$756.5	1.3%	$832.0	10.0%	$824.9	-0.8%	$853.2	3.4%	$858.7	0.6%	$881.3	2.6%	$912.6	3.6%	$944.8	3.5%
Sales & Use*	$364.6	3.1%	$370.7	1.7%	$376.7	1.6%	$397.8	5.6%	$415.1	4.3%	$429.5	3.5%	$435.3	1.4%	$444.7	2.1%	$457.7	2.9%	$474.8	3.7%
Corporate	$121.9	28.5%	$117.0	-4.0%	$95.8	-18.1%	$96.4	0.6%	$122.5	27.2%	$97.5	-20.4%	$85.2	-12.6%	$88.5	3.9%	$95.7	8.0%	$100.4	4.9%
Meals and Rooms	$150.8	5.7%	$154.2	2.2%	$165.3	7.3%	$173.2	4.8%	$181.5	4.8%	$187.6	3.4%	$192.5	2.6%	$198.8	3.3%	$206.3	3.8%	$214.7	4.1%
Cigarette and Tobacco**	$76.8	6.7%	$80.7	5.2%	$76.7	-5.0%	$71.1	-7.3%	$71.1	0.0%	$68.4	-3.8%	$65.9	-3.7%	$63.7	-3.4%	$61.6	-3.2%	$59.7	-3.1%
Liquor	$18.2	2.9%	$18.3	0.8%	$19.1	4.4%	$19.8	3.6%	$20.2	1.9%	$20.7	2.5%	$21.1	1.9%	$21.7	2.8%	$22.3	2.8%	$22.9	2.7%
Insurance	$55.3	-3.1%	$56.2	1.7%	$57.0	1.3%	$57.5	1.0%	$57.8	0.5%	$58.3	0.9%	$58.7	0.7%	$59.2	0.9%	$59.7	0.8%	$60.1	0.7%
Telephone	$7.7	-14.9%	$3.2	-59.2%	$5.7	80.6%	$4.7	-16.8%	$4.1	-13.7%	$3.6	-12.2%	$3.2	-11.1%	$3.0	-6.3%	$2.8	-6.7%	$2.6	-7.1%
Beverage	$6.7	4.2%	$6.7	0.6%	$6.9	2.9%	$7.1	2.5%	$7.2	1.3%	$7.4	2.7%	$7.5	2.0%	$7.7	2.7%	$7.9	2.6%	$8.1	2.5%
Electric***	$9.4	-28.2%	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Estate	$9.9	-72.2%	$12.5	26.5%	$16.7	33.3%	$22.9	37.6%	$19.1	-16.7%	$20.9	9.4%	$21.8	4.3%	$22.7	4.1%	$23.5	3.5%	$24.3	3.4%
Property	$33.6	8.6%	$35.7	6.2%	$38.7	8.4%	$40.9	5.6%	$44.1	7.9%	$47.1	6.8%	$49.1	4.2%	$50.8	3.5%	$52.5	3.3%	$54.2	3.2%
Bank	$10.7	-2.0%	$10.7	-0.6%	$13.2	24.0%	$13.1	-1.3%	$12.4	-5.2%	$12.6	1.6%	$12.8	1.6%	$12.9	0.8%	$13.0	0.8%	$13.2	1.5%
Other Tax	$2.0	4.5%	$1.8	-9.0%	$2.2	18.0%	$1.8	-15.2%	$2.4	30.3%	$2.5	4.2%	$2.6	4.0%	$2.7	3.8%	$2.8	3.7%	$2.9	3.6%
Total Tax Revenue	$1573.5	3.7%	$1614.8	2.6%	$1630.4	1.0%	$1738.3	6.6%	$1782.4	2.5%	$1809.2	1.5%	$1814.4	0.3%	$1857.7	2.4%	$1918.4	3.3%	$1982.7	3.4%
Business Licenses	$1.1	0.2%	$1.1	-1.6%	$1.2	16.8%	$1.2	-2.9%	$1.0	-17.3%	$1.1	12.0%	$1.1	1.2%	$1.2	1.8%	$1.2	1.7%	$1.2	1.7%
Fees	$22.1	7.0%	$23.0	4.2%	$48.5	110.8%	$47.1	-2.9%	$47.6	1.1%	$48.4	1.7%	$49.1	1.4%	$50.0	1.8%	$50.9	1.8%	$51.7	1.6%
Services	$1.5	12.5%	$2.8	86.6%	$3.0	7.9%	$2.9	-4.2%	$3.3	14.5%	$3.4	3.0%	$3.5	2.9%	$3.6	2.9%	$3.7	2.8%	$3.8	2.7%
Fines	$3.5	-3.1%	$3.7	5.5%	$4.4	21.0%	$3.5	-19.8%	$3.6	1.0%	$3.6	1.7%	$3.7	1.1%	$3.7	1.6%	$3.8	1.9%	$3.9	2.1%
Interest	$0.3	40.4%	$0.7	130.6%	$1.5	111.5%	$2.8	80.1%	$6.1	118.9%	$6.5	6.6%	$6.8	3.8%	$7.0	3.7%	$7.2	2.1%	$7.3	2.1%
Lottery	$22.8	0.8%	$26.4	16.1%	$25.5	-3.3%	$27.1	6.4%	$28.2	3.9%	$28.5	1.1%	$28.9	1.4%	$29.4	1.7%	$29.9	1.7%	$30.4	1.7%
All Other****	$1.0	-20.4%	$1.3	25.9%	$2.9	128.5%	$2.4	-18.8%	$1.1	-53.4%	$1.3	18.2%	$1.4	7.7%	$1.5	7.1%	$1.6	6.7%	$1.7	6.3%
Total Other Revenue	$52.2	3.0%	$58.9	12.9%	$87.1	47.9%	$87.0	-0.1%	$90.88	4.5%	$92.86	2.2%	$94.47	1.7%	$96.40	2.0%	$98.24	1.9%	$99.99	1.8%
TOTAL GENERAL FUND	**$1625.7**	**3.7%**	**$1673.7**	**2.9%**	**$1717.5**	**2.6%**	**$1825.3**	**6.3%**	**$1873.3**	**2.6%**	**$1902.1**	**1.5%**	**$1908.9**	**0.4%**	**$1954.1**	**2.4%**	**$2016.6**	**3.2%**	**$2082.7**	**3.3%**

* 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.

*** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13; Stated Electric Energy Tax revenues exclude appropriations to the Clean Energy Development Fund and Education Fund.

**** Excludes $5 million Vermont Yankee settlement agreement transitional payment in FY2015.

****Includes $2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

TABLE 1 - STATE OF VERMONT (POST- H.911 REVENUE ALLOCATIONS)
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

CURRENT LAW BASIS																				
including all Education Fund	**FY 2015**	**%**	**FY 2016**	**%**	**FY 2017**	**%**	**FY 2018**	**%**	**FY 2019**	**%**	**FY2020**	**%**	**FY2021**	**%**	**FY2022**	**%**	**FY2023**	**%**	**FY2024**	**%**
allocations and other out-transfers	*(Actual)*	Change	*(Actual)*	Change	*(Actual)*	Change	*(Actual)*	Change	*(Forecast)*	Change	*(Forecast)*	Change	*(Forecast)*	Change	*(Forecast)*	Change	*(Forecast)*	Change	*(Forecast)*	Change
REVENUE SOURCE																				
Personal Income	$705.9	5.2%	$747.0	5.8%	$756.5	1.3%	$832.0	10.0%	$824.9	-0.8%	$853.2	3.4%	$858.7	0.6%	$881.3	2.6%	$912.6	3.6%	$944.8	3.5%
Sales and Use*	$237.0	3.1%	$241.0	1.7%	$244.9	1.6%	$258.6	5.6%	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Corporate	$121.9	28.5%	$117.0	-4.0%	$95.8	-18.1%	$96.4	0.6%	$122.5	27.2%	$97.5	-20.4%	$85.2	-12.6%	$88.5	3.9%	$95.7	8.0%	$100.4	4.9%
Meals and Rooms	$150.8	5.7%	$154.2	2.2%	$165.3	7.3%	$173.2	4.8%	$136.1	-21.4%	$140.7	3.4%	$144.4	2.6%	$149.1	3.3%	$154.7	3.8%	$161.0	4.1%
Cigarette and Tobacco	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Liquor	$18.2	2.9%	$18.3	0.8%	$19.1	4.4%	$19.8	3.6%	$20.2	1.9%	$20.7	2.5%	$21.1	1.9%	$21.7	2.8%	$22.3	2.8%	$22.9	2.7%
Insurance	$55.3	-3.1%	$56.2	1.7%	$57.0	1.3%	$57.5	1.0%	$57.8	0.5%	$58.3	0.9%	$58.7	0.7%	$59.2	0.9%	$59.7	0.8%	$60.1	0.7%
Telephone	$7.7	-14.9%	$3.2	-59.2%	$5.7	80.6%	$4.7	-16.8%	$4.1	-13.7%	$3.6	-12.2%	$3.2	-11.1%	$3.0	-6.3%	$2.8	-6.7%	$2.6	-7.1%
Beverage	$6.7	4.2%	$6.7	0.6%	$6.9	2.9%	$7.1	2.5%	$7.2	1.3%	$7.4	2.7%	$7.5	2.0%	$7.7	2.7%	$7.9	2.6%	$8.1	2.5%
Electric**	$9.4	-28.2%	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM
Estate***	$9.9	-72.2%	$12.5	26.5%	$16.7	33.3%	$22.9	37.6%	$19.1	-16.7%	$20.9	9.4%	$21.8	4.3%	$22.7	4.1%	$23.5	3.5%	$24.3	3.4%
Property	$10.9	8.7%	$11.5	6.0%	$12.6	9.0%	$12.4	-1.5%	$13.5	8.8%	$14.4	7.2%	$15.1	4.5%	$15.6	3.6%	$16.2	3.5%	$16.7	3.4%
Bank	$10.7	-2.0%	$10.7	-0.6%	$13.2	24.0%	$13.1	-1.3%	$12.4	-5.2%	$12.6	1.6%	$12.8	1.6%	$12.9	0.8%	$13.0	0.8%	$13.2	1.5%
Other Tax	$2.0	4.5%	$1.8	-9.0%	$2.2	18.0%	$1.8	-15.2%	$2.4	30.3%	$2.5	4.2%	$2.6	4.0%	$2.7	3.8%	$2.8	3.7%	$2.9	3.6%
Total Tax Revenue	$1346.4	3.5%	$1380.1	2.5%	$1395.7	1.1%	$1499.5	7.4%	$1220.2	-18.6%	$1231.8	0.9%	$1231.1	-0.1%	$1264.5	2.7%	$1311.2	3.7%	$1357.0	3.5%
Business Licenses	$1.1	0.2%	$1.1	-1.6%	$1.2	16.8%	$1.2	-2.9%	$1.0	-17.3%	$1.1	12.0%	$1.1	1.8%	$1.2	1.8%	$1.2	1.7%	$1.2	1.7%
Fees	$22.1	7.0%	$23.0	4.2%	$48.5	110.8%	$47.1	-2.9%	$47.6	1.1%	$48.4	1.7%	$49.1	1.4%	$50.0	1.8%	$50.9	1.8%	$51.7	1.6%
Services	$1.5	12.5%	$2.8	86.6%	$3.0	7.9%	$2.9	-4.2%	$3.3	14.5%	$3.4	3.0%	$3.5	2.9%	$3.6	2.9%	$3.7	2.8%	$3.8	2.7%
Fines	$3.5	-3.1%	$3.7	5.5%	$4.4	21.0%	$3.5	-19.8%	$3.6	1.0%	$3.6	1.7%	$3.7	1.1%	$3.7	1.6%	$3.8	1.9%	$3.9	2.1%
Interest	$0.2	51.9%	$0.6	136.1%	$1.2	108.2%	$2.3	96.1%	$5.2	126.4%	$5.5	5.8%	$5.7	3.6%	$5.9	3.5%	$6.0	1.7%	$6.1	1.7%
All Other****	$1.0	-20.4%	$1.3	25.9%	$2.9	128.5%	$2.4	-18.8%	$1.1	-53.4%	$1.3	18.2%	$1.4	7.7%	$1.5	7.1%	$1.6	6.7%	$1.7	6.3%
Total Other Revenue	$29.4	4.7%	$32.3	10.1%	$61.2	89.3%	$59.4	-3.0%	$61.8	4.1%	$63.4	2.6%	$64.5	1.8%	$65.9	2.1%	$67.2	2.0%	$68.4	1.8%
TOTAL GENERAL FUND	**$1375.8**	**3.6%**	**$1412.4**	**2.7%**	**$1457.0**	**3.2%**	**$1558.9**	**7.0%**	**$1282.0**	**-17.8%**	**$1295.1**	**1.0%**	**$1295.6**	**0.0%**	**$1330.4**	**2.7%**	**$1378.3**	**3.6%**	**$1425.4**	**3.4%**

* Includes $2.5M transfer to the T-Fund in FY08 for prior years Jet Fuel tax processing errors; Transfer to the Education Fund increases from 33.3% to 35.0% effective in FY14 and 35.0% to 36.0% effective in FY19.

** Reflects closure of Vermont Yankee in December of 2014, taxed per Act 143 of 2012 effective in FY13;

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

*** Excludes transfer to the Higher Education Trust Fund of $2.4M in FY05, $5.2M in FY06 and $11.0M in FY11.

**** Excludes $5 million Vermont Yankee settlement agreement transitional payment in FY2015.

****Includes $2.3 million in one-time payments in FY2017 by tax software vendors for errors related to Personal Income tax deduction changes effective in tax year 2015.

TABLE 2A - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
SOURCE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

SOURCE T-FUND *revenues are prior to all E-Fund allocations and other out-transfers; used for analytic and comparative purposes only*	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Actual)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(Forecast)*	% Change	**FY2021** *(Forecast)*	% Change	**FY2022** *(Forecast)*	% Change	**FY2023** *(Forecast)*	% Change	**FY2024** *(Forecast)*	% Change
REVENUE SOURCE																				
Gasoline	$77.6	1.5%	$78.0	0.5%	$78.2	0.3%	$78.2	0.0%	$78.2	0.0%	$78.1	-0.1%	$77.6	-0.6%	$77.3	-0.4%	$76.8	-0.6%	$76.3	-0.7%
Diesel****	$19.1	11.5%	$18.3	-4.4%	$18.2	-0.5%	$18.9	3.6%	$19.1	1.3%	$19.2	0.5%	$19.1	-0.5%	$19.2	0.5%	$19.4	1.0%	$19.7	1.5%
Purchase and Use*	$97.3	5.9%	$100.1	2.9%	$103.2	3.1%	$109.4	6.0%	$114.1	4.3%	$115.6	1.3%	$115.1	-0.4%	$117.6	2.2%	$121.1	3.0%	$124.9	3.1%
Motor Vehicle Fees	$80.1	1.4%	$82.0	2.3%	$86.2	5.2%	$86.0	-0.3%	$86.3	0.4%	$87.4	1.3%	$87.9	0.6%	$89.2	1.5%	$89.8	0.7%	$90.9	1.2%
Other Revenue**	$19.7	0.8%	$19.6	-0.5%	$19.9	1.8%	$23.0	15.3%	$24.4	6.2%	$24.8	1.6%	$25.0	0.8%	$25.3	1.2%	$25.7	1.6%	$26.1	1.6%
TOTAL TRANS. FUND	**$293.8**	**3.5%**	**$298.0**	**1.4%**	**$305.8**	**2.6%**	**$315.4**	**3.1%**	**$322.1**	**2.1%**	**$325.1**	**0.9%**	**$324.7**	**-0.1%**	**$328.6**	**1.2%**	**$332.8**	**1.3%**	**$337.9**	**1.5%**

TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - January 2019

CURRENT LAW BASIS *including all Education Fund allocations and other out-transfers*	**FY 2015** *(Actual)*	% Change	**FY 2016** *(Actual)*	% Change	**FY 2017** *(Actual)*	% Change	**FY 2018** *(Actual)*	% Change	**FY 2019** *(Forecast)*	% Change	**FY2020** *(Forecast)*	% Change	**FY2021** *(Forecast)*	% Change	**FY2022** *(Forecast)*	% Change	**FY2023** *(Forecast)*	% Change	**FY2024** *(Forecast)*	% Change
REVENUE SOURCE																				
Gasoline	$77.6	1.5%	$78.0	0.5%	$78.2	0.3%	$78.2	0.0%	$78.2	0.0%	$78.1	-0.1%	$77.6	-0.6%	$77.3	-0.4%	$76.8	-0.6%	$76.3	-0.7%
Diesel****	$19.1	11.5%	$18.3	-4.4%	$18.2	-0.5%	$18.9	3.6%	$19.1	1.3%	$19.2	0.5%	$19.1	-0.5%	$19.2	0.5%	$19.4	1.0%	$19.7	1.5%
Purchase and Use*	$64.8	5.9%	$66.8	2.9%	$68.8	3.1%	$73.0	6.0%	$76.1	4.3%	$77.1	1.3%	$76.7	-0.4%	$78.4	2.2%	$80.7	3.0%	$83.3	3.1%
Motor Vehicle Fees	$80.1	1.4%	$82.0	2.3%	$86.2	5.2%	$86.0	-0.3%	$86.3	0.4%	$87.4	1.3%	$87.9	0.6%	$89.2	1.5%	$89.8	0.7%	$90.9	1.2%
Other Revenue**	$19.7	0.8%	$19.6	-0.5%	$19.9	1.8%	$23.0	15.3%	$24.4	6.2%	$24.8	1.6%	$25.0	0.8%	$25.3	1.2%	$25.7	1.6%	$26.1	1.6%
TOTAL TRANS. FUND	**$261.4**	**3.2%**	**$264.6**	**1.2%**	**$271.4**	**2.6%**	**$279.0**	**2.8%**	**$284.1**	**1.8%**	**$286.6**	**0.9%**	**$286.3**	**-0.1%**	**$289.4**	**1.1%**	**$292.4**	**1.0%**	**$296.3**	**1.3%**
OTHER (TIB)***																				
TIB Gasoline	$18.2	-5.2%	$13.0	-28.4%	$12.6	-3.3%	$12.9	2.2%	$14.3	11.1%	$13.8	-3.6%	$16.1	16.6%	$17.7	9.9%	$18.7	5.7%	$19.6	4.8%
TIB Diesel and Other****	$2.1	11.4%	$1.9	-6.1%	$1.7	-11.3%	$2.0	16.1%	$2.0	3.1%	$2.1	0.5%	$2.0	-0.5%	$2.1	0.5%	$2.1	1.1%	$2.1	1.5%
TOTAL OTHER (TIB)	**$20.2**	**-3.8%**	**$15.0**	**-26.1%**	**$14.5**	**-2.9%**	**$14.9**	**2.4%**	**$16.3**	**10.0%**	**$15.8**	**-3.1%**	**$18.1**	**14.4%**	**$19.7**	**8.8%**	**$20.7**	**5.2%**	**$21.7**	**4.4%**

* 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.

*** Transportation Infrastructure Bond revenues

**** Includes TIB Fund interest income (which has never exceeded $35,000 per year); Includes FY17 adjustment of $215,000 from reported TIB Diesel revenue to Diesel revenue due to a data entry error

TABLE 3 - STATE OF VERMONT (POST- H.911 REVENUE ALLOCATIONS)
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 - January 2019

CURRENT LAW BASIS

Source General and Transportation Fund taxes allocated to or associated with the Education Fund only	FY 2015 *(Actual)*	% Change	FY 2016 *(Actual)*	% Change	FY 2017 *(Actual)*	% Change	FY 2018 *(Actual)*	% Change	FY 2019 *(Forecast)*	% Change	FY2020 *(Forecast)*	% Change	FY2021 *(Forecast)*	% Change	FY2022 *(Forecast)*	% Change	FY2023 *(Forecast)*	% Change	FY2024 *(Forecast)*	% Change
GENERAL FUND																				
Meals and Rooms	$0.0	NM	$0.0	NM	$0.0	NM	$0.0	NM	$45.4	NM	$46.9	3.4%	$48.1	2.6%	$49.7	3.3%	$51.6	3.8%	$53.7	4.1%
Sales & Use**	127.6	3.1%	$129.8	1.7%	$131.8	1.6%	$139.2	5.6%	$415.1	198.1%	$429.5	3.5%	$435.3	1.4%	$444.7	2.1%	$457.7	2.9%	$474.8	3.7%
Interest	0.1	3.6%	$0.2	135.7%	$0.4	122.7%	$0.5	30.3%	$0.9	83.8%	$1.0	11.1%	$1.1	5.0%	$1.1	4.8%	$1.2	4.5%	$1.2	4.3%
Lottery	22.8	0.8%	$26.4	16.1%	$25.5	-3.3%	$27.1	6.4%	$28.2	3.9%	$28.5	1.1%	$28.9	1.4%	$29.4	1.7%	$29.9	1.7%	$30.4	1.7%
TRANSPORTATION FUND																				
Purchase and Use***	32.4	5.9%	$33.4	2.9%	$34.4	3.1%	$36.5	6.0%	$38.0	4.3%	$38.5	1.3%	$38.4	-0.4%	$39.2	2.2%	$40.4	3.0%	$41.6	3.1%
TOTAL EDUCATION FUND	**182.9**	**3.3%**	**$189.7**	**3.7%**	**$192.2**	**1.3%**	**$203.3**	**5.8%**	**$527.6**	**159.5%**	**$544.4**	**3.2%**	**$551.8**	**1.3%**	**$564.1**	**2.2%**	**$580.7**	**3.0%**	**$601.7**	**3.6%**

* Includes only General and Transportation Fund taxes allocated to the Education Fund.
This Table excludes all Education Fund property taxes, which are updated in October/November of each year and are the largest Education Fund tax sources.
** Includes Telecommunications Tax; Includes $1.25M transfer to T-Fund in FY08 for prior Jet Fuel Tax processing errors; Transfer percentage from the General Fund increases from 33.3% to 35.0% effective in FY14 and to 36.0% in F19.
*** Includes Motor Vehicle Rental revenues, restated