

Overview of Consensus Revenue Forecast and Key Considerations

Senate Committee on Appropriations

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January 16, 2025



Budget and Revenue

- Vermont generates State revenues mostly from taxes and fees.
- Most taxes flow to the three major funds (General, Education, Transportation) and are appropriated in the Big Bill. Some fees flow to the major funds, others flow to special funds and pay for specific programs/activities.
- Vermont balances its budget. How do legislators know how much money is available to support the budget?



Consensus Revenue Forecast



(l to r) Tom Kavet, Legislative Economist; Jeff Carr, Administration Economist.

- For decades, Vermont has used a consensus revenue forecasting process to determine how much is expected to be available in the next two fiscal years (though a 5-year projection is typically provided).
- The Legislature and Executive Branch each hire economists, who work together to develop a consensus revenue forecast. The forecast is customarily accompanied by a narrative on economic conditions.
- Two forecasts are prepared each year – January and July.
- Emergency Board convenes to formally adopt the forecasts.
 - Governor, plus 4 legislative “money chairs”
- Next forecast: **January 22, 2025**
 - The Big Bill is built around the January revenue forecast.



Title 32 : Taxation and Finance

Chapter 005 : Budget

(Cite as: 32 V.S.A. § 305a)

§ 305a. Official State revenue estimate

(a) On or about January 15 and again by July 31 of each year, and at such other times as the Emergency Board or the Governor deems proper, the Joint Fiscal Office and the Secretary of Administration shall provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Transportation Infrastructure Bond, and Education Funds. The January revenue estimate shall be for the current and next two succeeding fiscal years, and the July revenue estimate shall be for the current and immediately succeeding fiscal years. Federal fund estimates shall be provided at the same times for the current fiscal year.

Per 32 V.S.A. 306:

The Governor's budget recommendation "shall be based upon the official State revenue estimates...adopted by the Emergency Board pursuant to section 305a of this title"



Why Is It Important?

- Consensus process = Legislature and Governor do not argue about how much is available.
- Bond rating agencies consistently cite Vermont's strong fiscal management and consensus revenue process as a positive factor.
- Note – forecast includes revenues to the **three major funds**
 - General Fund
 - Child Care Contribution
 - Transportation/TIB Funds
 - Education Fund (non-property tax revenues)
- **Forecast generally does not encompass most revenues dedicated to special funds.**



FitchRatings

The State of Vermont's 'AA+' Long-Term Issuer Default Rating (IDR) and GO bond rating reflect a track record of disciplined financial management and cautious revenue forecasting that, when coupled with the state's healthy fiscal reserves and ample expenditure-cutting capacity, position Vermont well to absorb budgetary challenges associated with future economic downturns. Vermont's 'AA+' rating also reflects a moderate long-term liability (LTL) burden consisting of direct debt and net pension liabilities (NPLs) supported by the state's economic resource base. Fitch expects Vermont's liability burden to remain stable for the near term.

Vermont's superior gap-closing capacity derives from institutional and statutory mechanisms and a demonstrated ability to manage through economic downturns. Official revenue forecasts are updated at a minimum of twice a year through the E-Board, a consensus process involving the administration and legislature. In 2020, Vermont implemented more frequent revenue forecasts.

Vermont uses a consensus revenue forecast that is based on recommendations from the state's two economists (representing the legislature and the administration) and is required to be approved each January and July by the state's Emergency Board (the E-Board), which includes the governor and chairpersons from each of the legislature's finance-related committees. The state monitors and reports revenues and spending monthly, while the E-Board meets at least twice a year to adopt the updated consensus forecast and make budgetary adjustments. The E-Board can hold interim meetings to evaluate the budget and has done so in the past during periods of heightened economic uncertainty, such as during the Great Recession and the pandemic.

S&P Global Ratings

MOODY'S RATINGS

Vermont's governance is strong. The state updates its consensus revenue forecast twice per year, in January and July. The January update covers the remainder of the current fiscal year as well as the two upcoming fiscal years. The July update then revises the forecast for the newly begun fiscal year and the immediately following fiscal year. The two forecast updates are required by statute. During economic downturns, such as the 2007-09 recession, the state has updated its revenue forecast more frequently to aid responses to weakened revenue performance.

Fitch Ratings, June 4, 2024: <https://www.vermonttreasurer.gov/sites/treasurer/files/documents/Fitch%20Credit%20Opinion%202024-06-04.pdf>

S&P Global Ratings, May 30, 2024: <https://www.vermonttreasurer.gov/sites/treasurer/files/documents/S%26P%20Credit%20Opinion%202024-05-31.pdf>

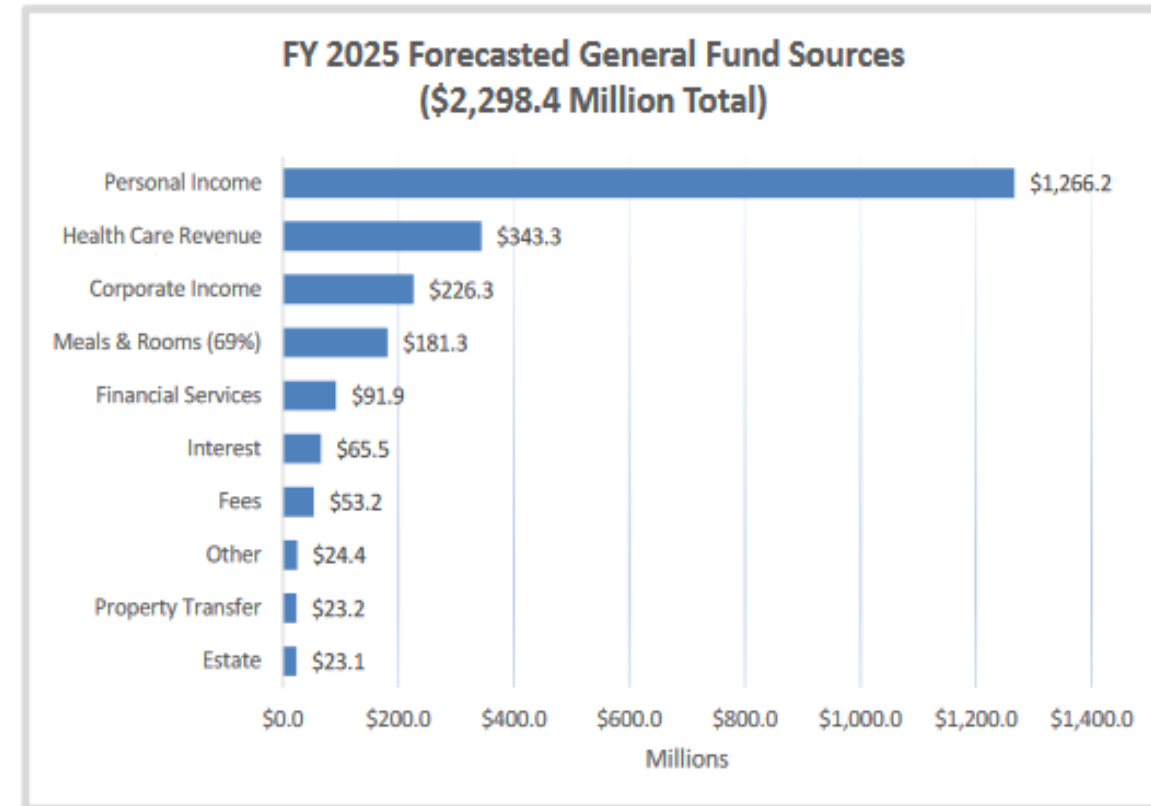
Moody's Ratings, May 31, 2024: <https://www.vermonttreasurer.gov/sites/treasurer/files/documents/Moody's%20Credit%20Opinion%202024-05-31.pdf>



July 2024 Forecast – General Fund

Tax Type	FY 2025 Forecast (In Millions)	Percentage of Total
Personal Income	\$ 1,266.2	55%
Health Care Revenue*	343.3	15%
Corporate Income	226.3	10%
Meals & Rooms (69% of total)	181.3	8%
Financial Services	91.9	4%
Interest	65.5	3%
Fees	53.2	2%
Other	24.4	1%
Property Transfer Tax	23.2	1%
Estate Tax	23.1	1%
Total	\$ 2,298.4	

*health care revenue includes provider taxes, tobacco product taxes, and claims assessment

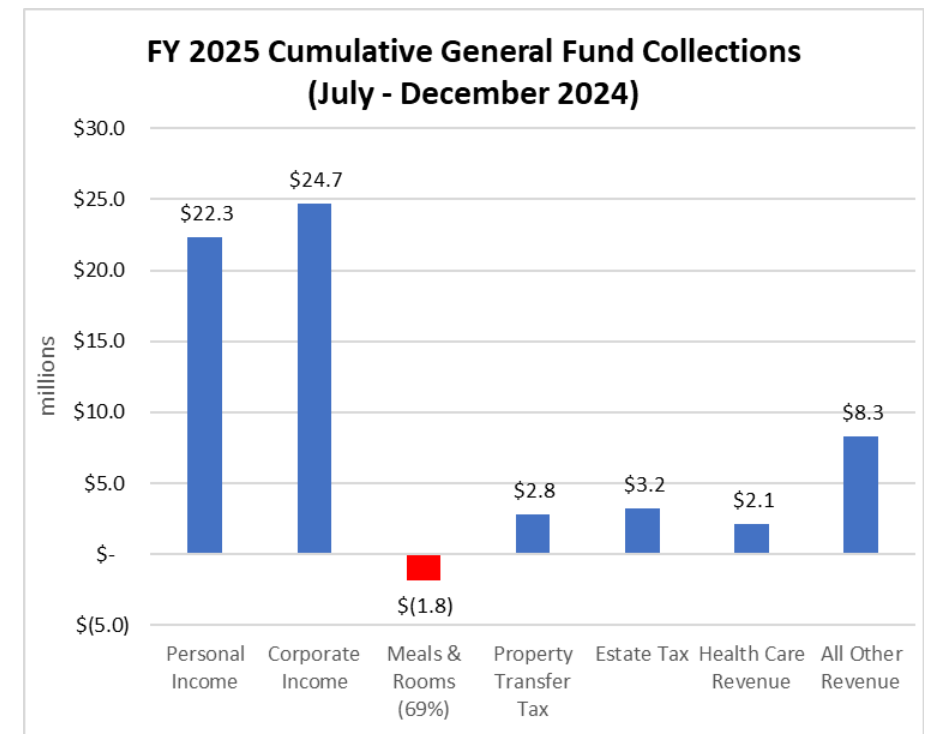
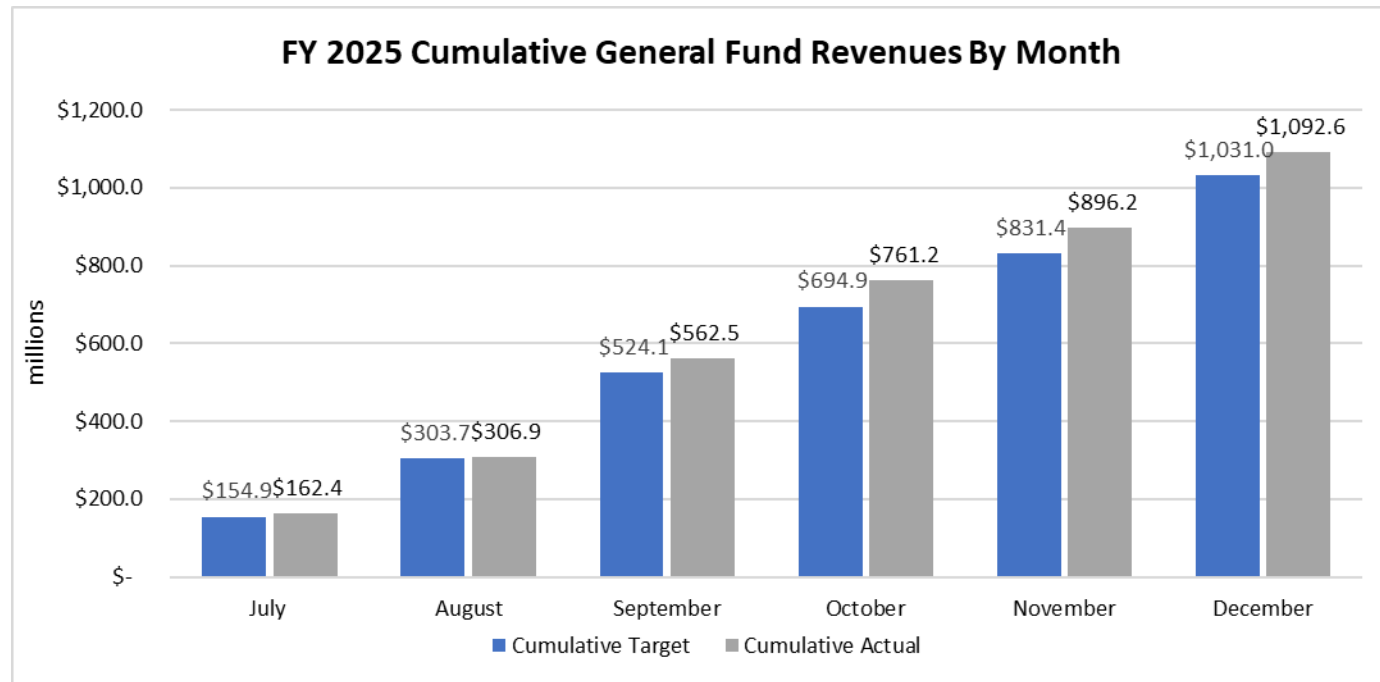


Based on the July 2024 adopted consensus revenue forecast



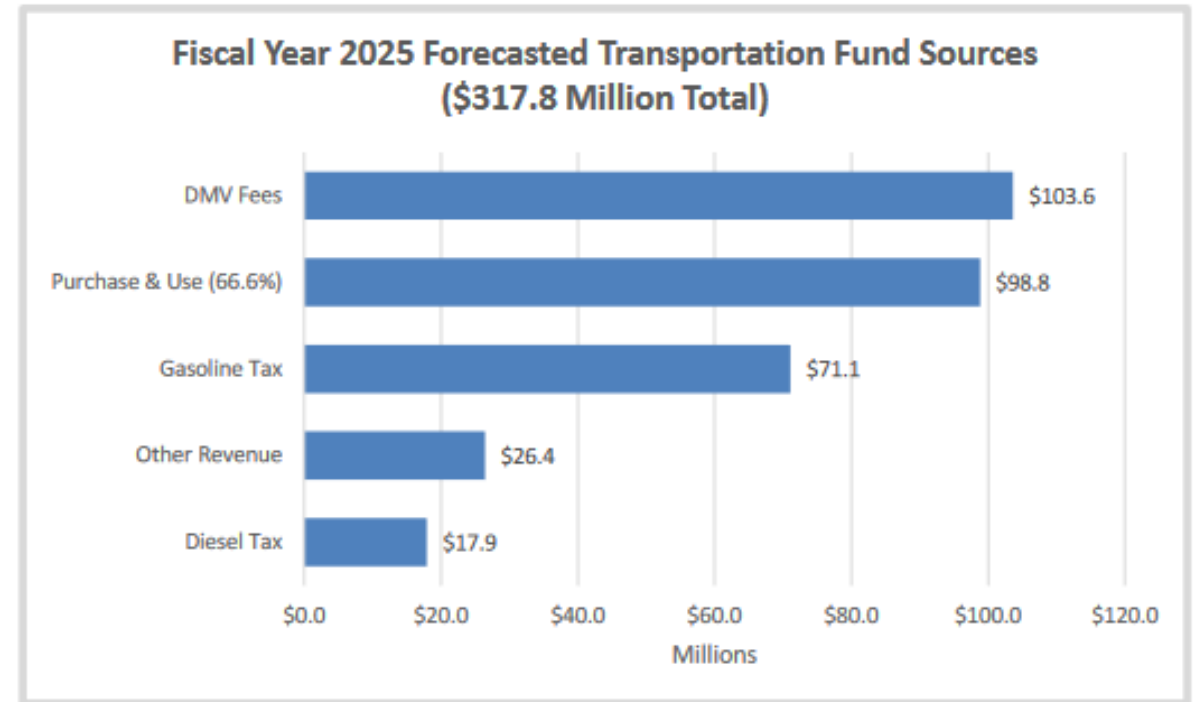
FY 2025 General Fund Performance

- YTD through December 2024, actual General Fund revenues are \$61.6 million (6.0%) above forecast.
- April is the most significant month for General Fund collections.



July 2024 Forecast – Transportation Fund

Tax Type	FY 2025 Forecast (In Millions)	Percentage of Total
DMV Fees	\$ 103.6	33%
Purchase & Use (2/3 of total)	98.8	31%
Gasoline Tax	71.1	22%
Other Revenue	26.4	8%
Diesel Tax	17.9	6%
Total	\$ 317.8	

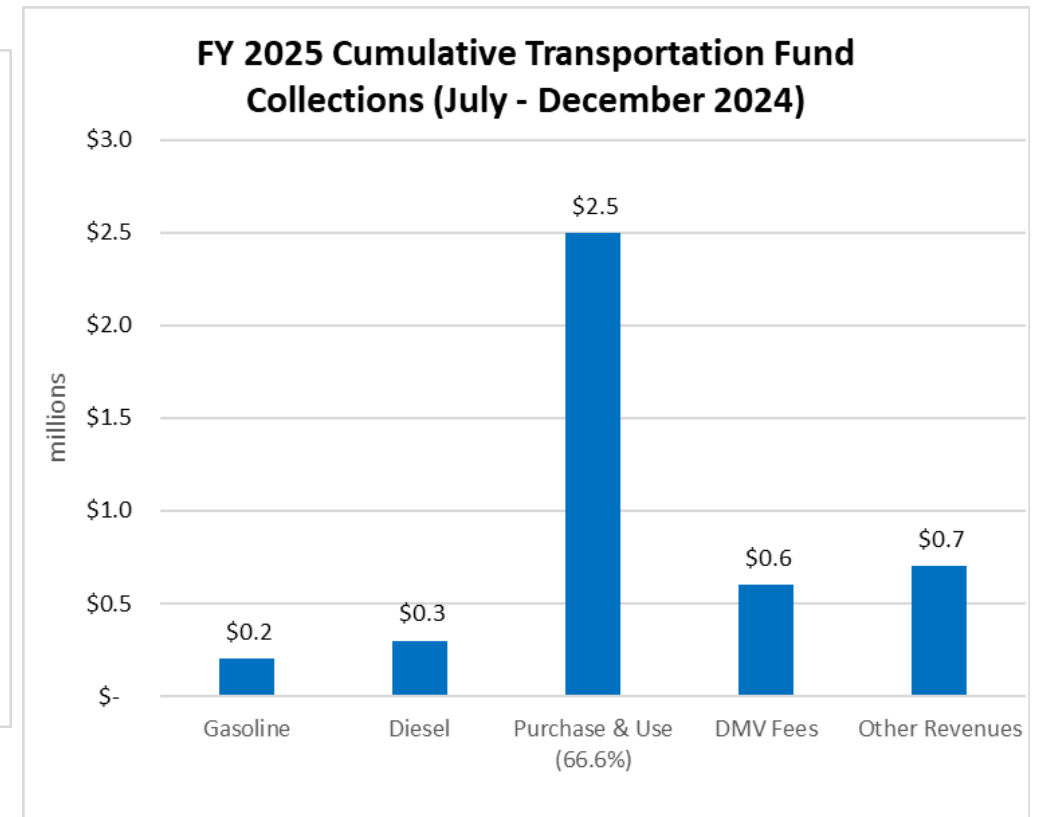
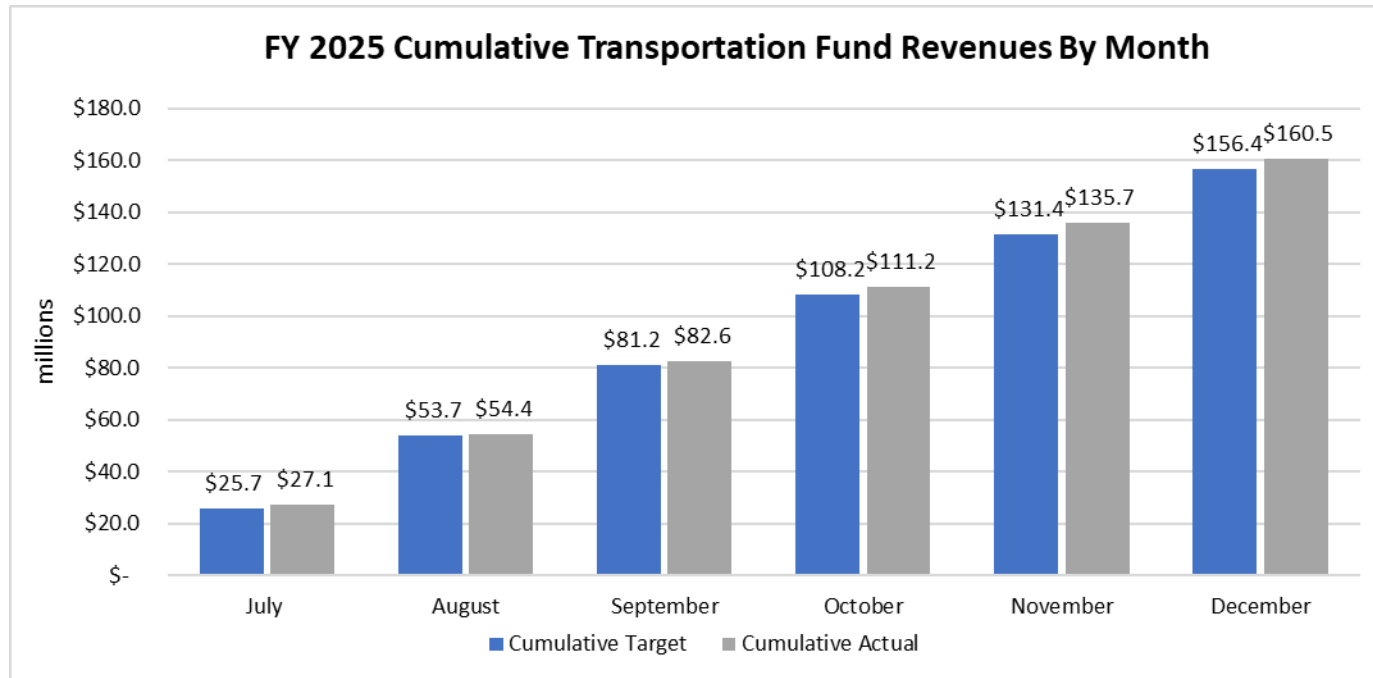


Based on the July 2024 adopted consensus revenue forecast



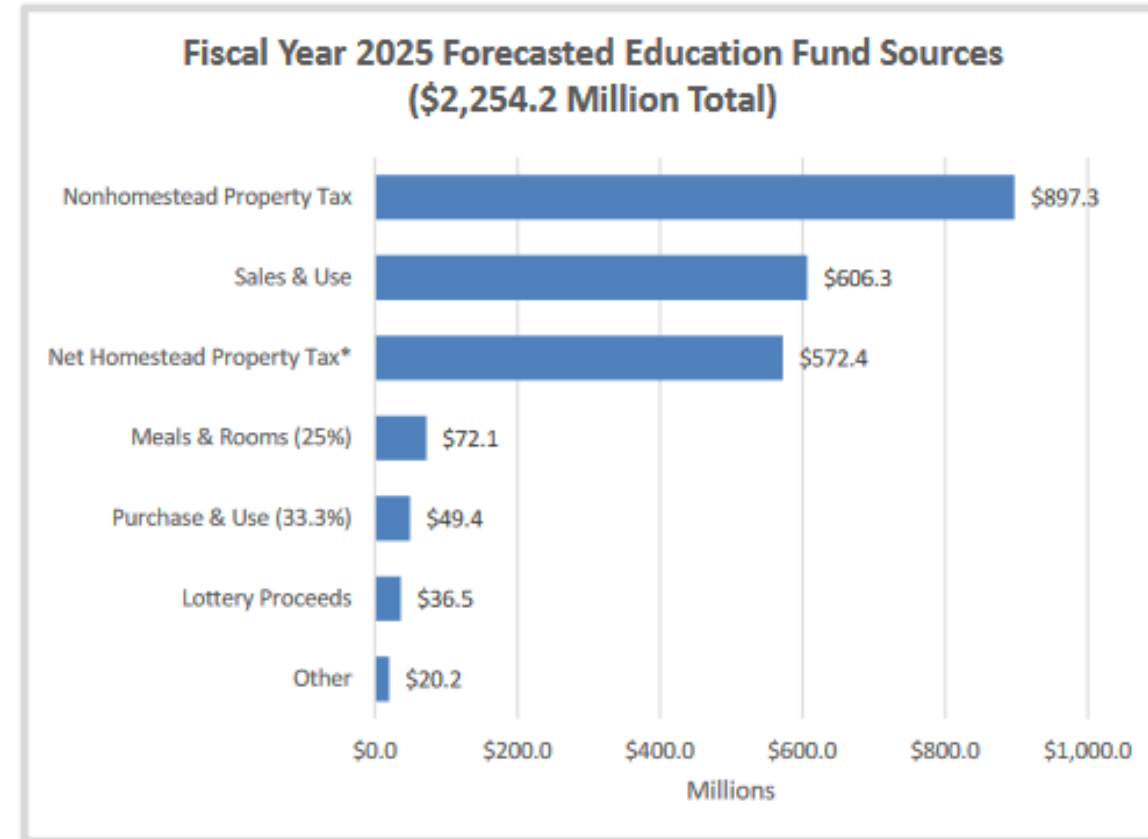
FY 2025 Transportation Fund Performance

- YTD through December 2024, actual Transportation Fund revenues are \$4.2 million (2.7%) above forecast.



July 2024 Forecast – Education Fund

Tax Type	FY 2025 Forecast (In Millions)	Percentage of Total
Nonhomestead Property Tax	\$ 897.3	40%
Sales & Use	606.3	27%
Net Homestead Property Tax	572.4	25%
Meals & Rooms (1/4 of total)	72.1	3%
Purchase & Use (1/3 of total)	49.4	2%
Lottery Proceeds	36.5	2%
Other	20.2	1%
Total	\$ 2,254.2	



*net homestead property tax = gross homestead property tax less property tax credit

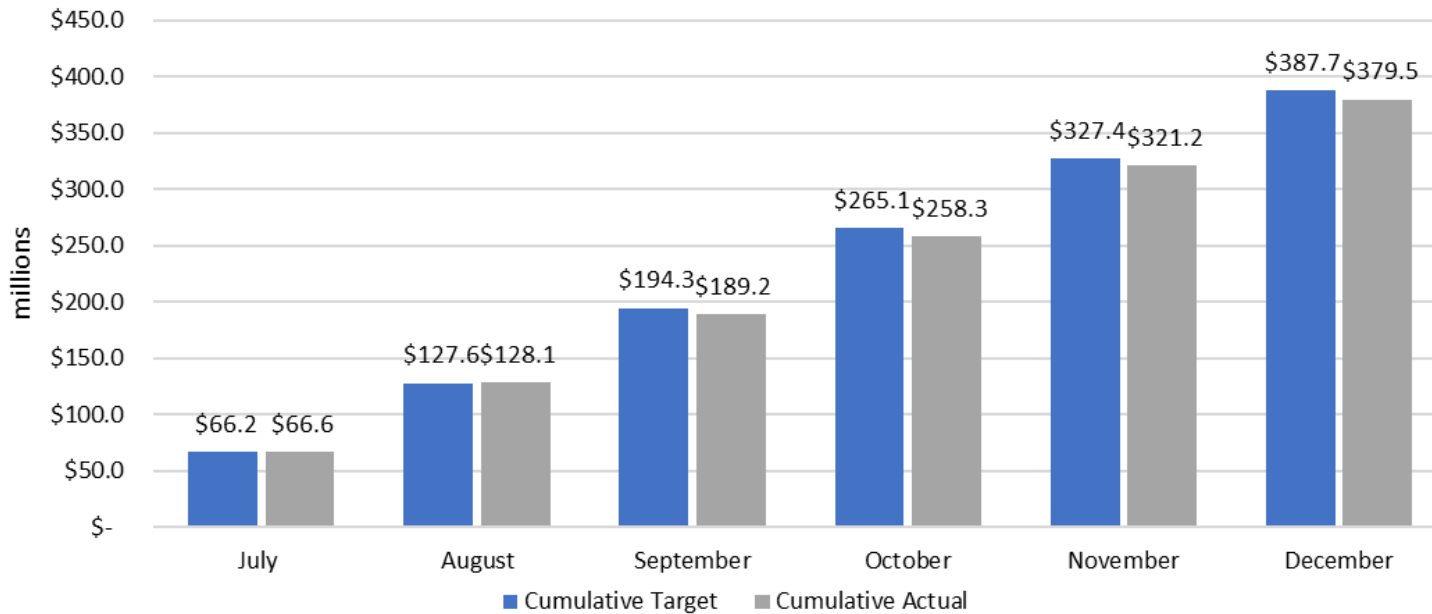
Based on the July 2024 adopted consensus revenue forecast and adopted education property yields



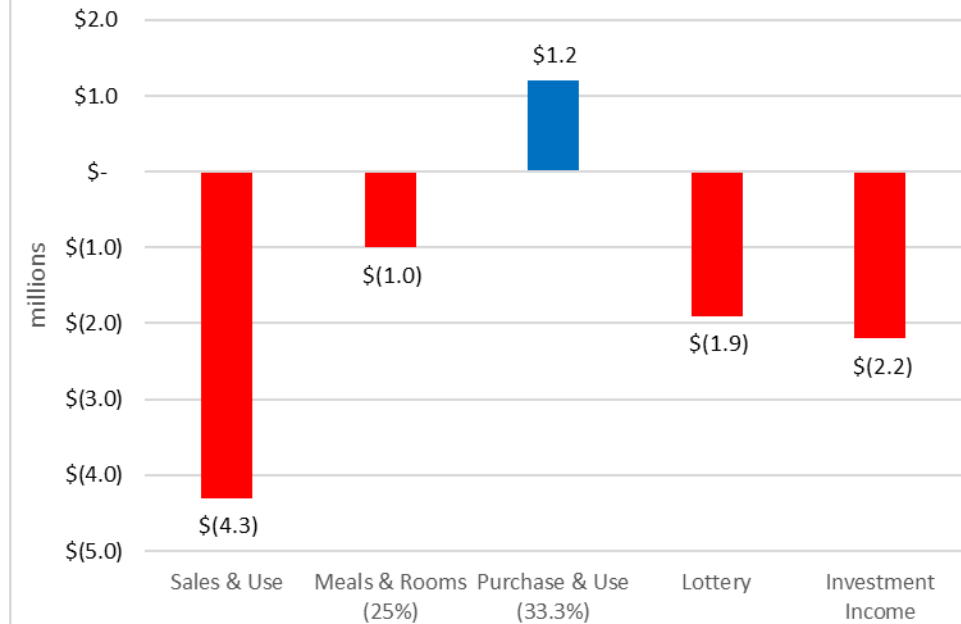
FY 2025 Education Fund Performance

- YTD through December 2024, actual Education Fund non-property tax revenues are \$8.2 million (-2.1%) below forecast.

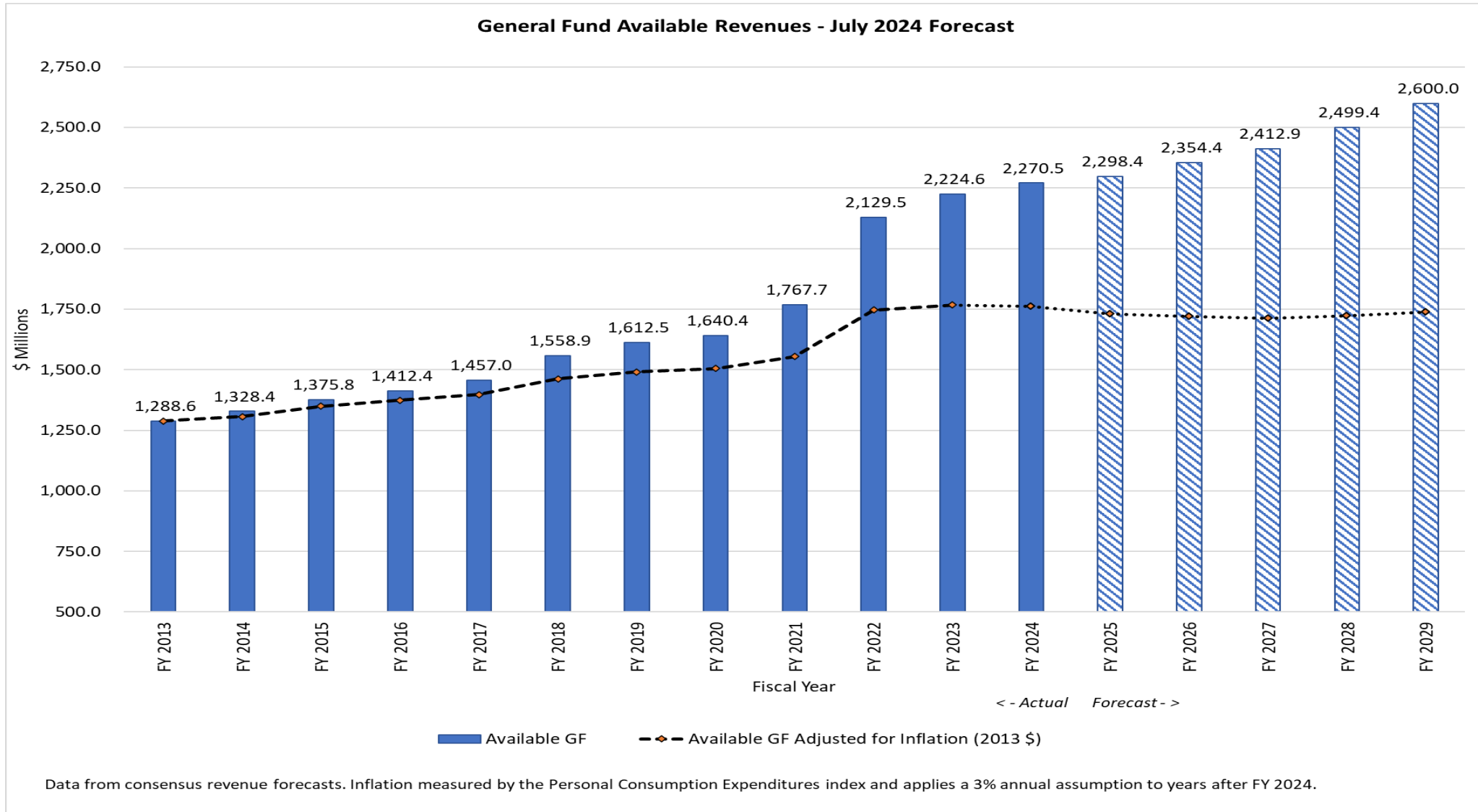
FY 2025 Cumulative Education Fund Revenues By Month



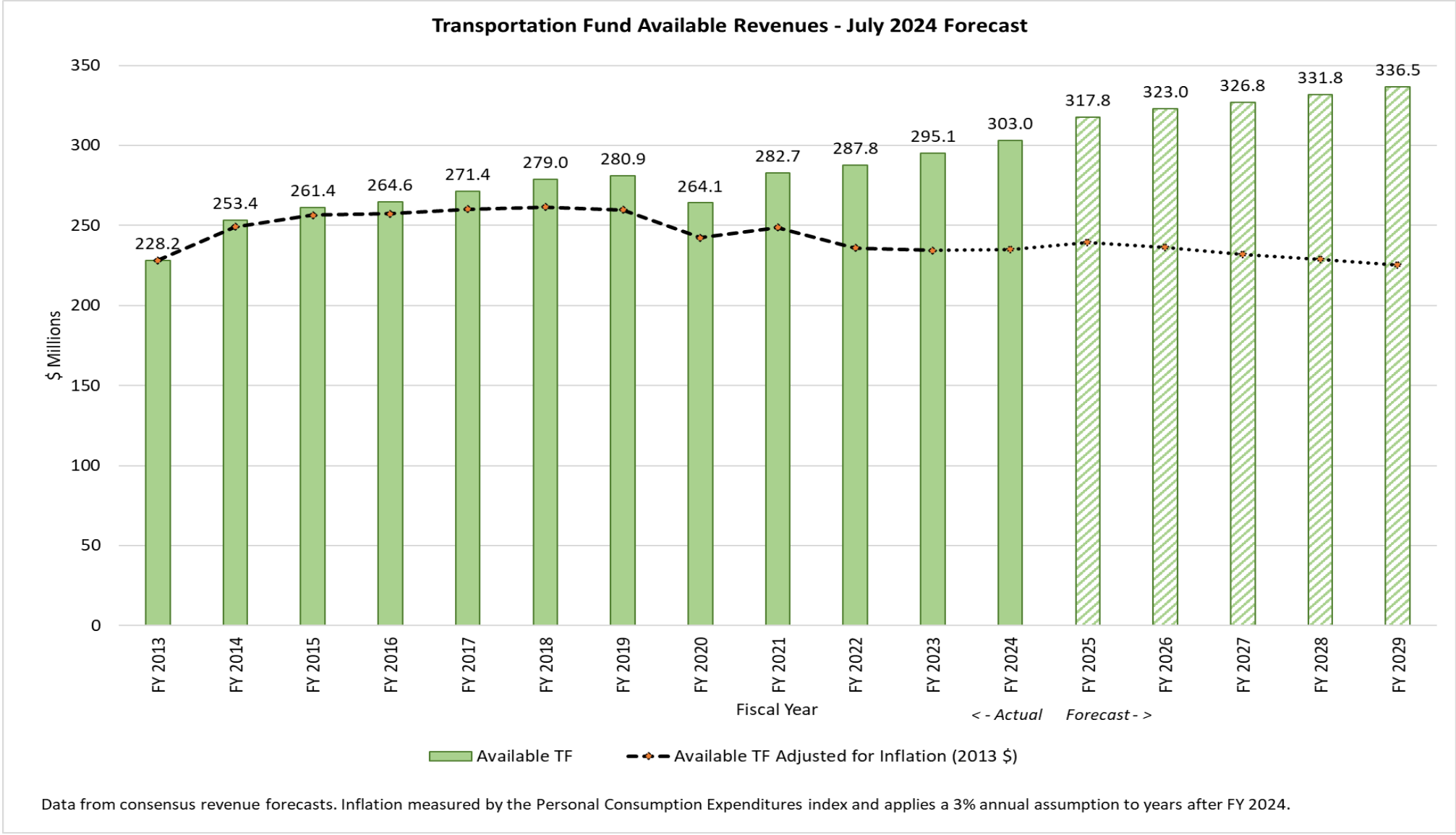
FY 2025 Cumulative Education Fund Collections (July - December 2024)



General Fund – Past and Forecast (July 2024)

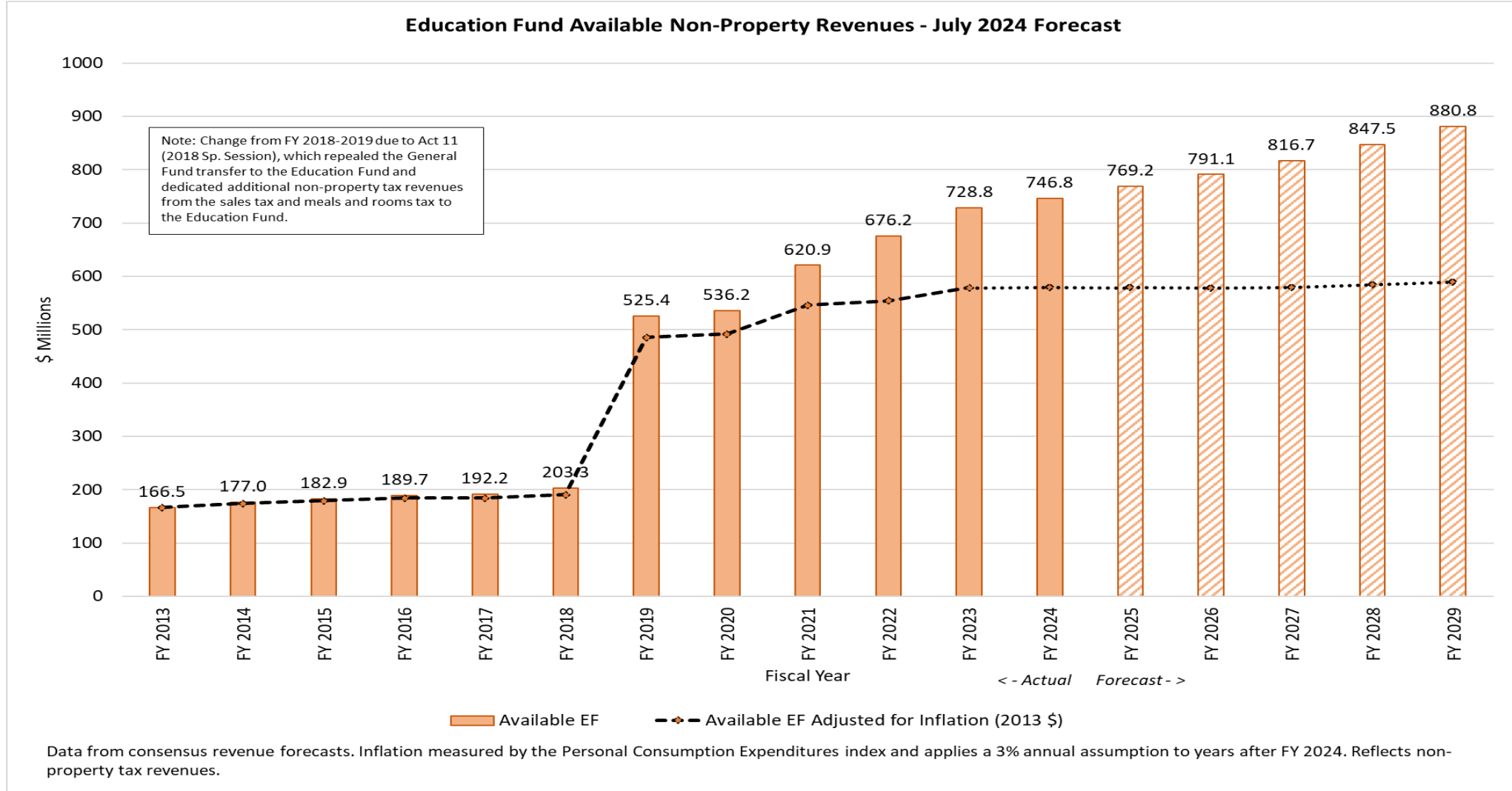


Transportation Fund – Past and Forecast (July 2024)



Education Fund – Past and Forecast (July 2024)

(non-property tax revenues)



**TABLE 1 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE GENERAL FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2024**

CURRENT LAW BASIS

*including all Education Fund
allocations and other out-transfers*

	FY2021	%	FY2022	%	FY2023	%	FY2024	%	FY2025	%	FY2026	%	FY2027	%	FY2028	%	FY2029	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Preliminary)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE																		
Personal Income	\$1069.8	15.5%	\$1267.8	18.5%	\$1210.0	-4.6%	\$1243.1	2.7%	\$1266.2	1.9%	\$1294.8	2.3%	\$1335.4	3.1%	\$1384.4	3.7%	\$1440.6	4.1%
Sales and Use ¹	\$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
Corporate	\$133.4	-9.8%	\$223.3	67.3%	\$281.4	26.0%	\$238.8	-15.1%	\$226.3	-5.2%	\$234.7	3.7%	\$245.6	4.6%	\$259.1	5.5%	\$274.8	6.1%
Meals and Rooms	\$99.2	-14.5%	\$149.6	50.8%	\$164.0	9.6%	\$169.8	3.5%	\$181.3	6.7%	\$187.7	3.6%	\$193.4	3.0%	\$199.5	3.1%	\$206.0	3.3%
Liquor ⁵	\$4.8	32.8%	\$5.0	5.0%	\$5.1	2.1%	\$5.0	-1.8%	\$5.1	1.2%	\$5.2	2.0%	\$5.3	1.9%	\$5.4	1.9%	\$5.5	1.9%
Insurance	\$60.4	4.0%	\$65.7	8.7%	\$68.8	4.8%	\$75.6	9.8%	\$76.0	0.5%	\$77.3	1.7%	\$78.8	1.9%	\$80.5	2.2%	\$82.3	2.2%
Telephone (Discontinued as of FY26)	\$2.3	-28.8%	\$2.5	10.9%	\$2.4	-5.7%	\$2.6	9.4%	\$2.5	-3.7%	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM
Beverage	\$7.2	1.3%	\$7.0	-2.9%	\$7.3	3.1%	\$6.9	-4.4%	\$6.9	-0.6%	\$6.9	-0.4%	\$6.8	-0.4%	\$6.8	-0.3%	\$6.8	-0.3%
Estate ²	\$23.4	54.1%	\$14.0	-40.1%	\$18.6	33.1%	\$23.9	28.2%	\$23.1	-3.3%	\$24.1	4.3%	\$25.1	4.1%	\$26.1	4.0%	\$27.2	4.2%
Property	\$23.1	79.6%	\$24.3	5.3%	\$21.6	-11.2%	\$19.4	-10.2%	\$23.2	19.9%	\$27.1	16.8%	\$28.4	4.7%	\$30.1	6.2%	\$32.0	6.3%
Bank	\$13.9	14.6%	\$16.9	22.1%	\$17.8	4.9%	\$16.6	-6.6%	\$15.9	-4.1%	\$15.5	-2.5%	\$15.7	1.3%	\$16.2	3.2%	\$16.8	3.7%
Cannabis Excise	\$0.0	NM	\$0.0	NM	\$6.7	NM	\$0.0	-100.0%	\$0.0	NM	\$16.8	NM	\$17.5	4.3%	\$18.2	3.6%	\$18.7	3.1%
Other Tax	\$0.7	74.6%	\$1.3	91.3%	\$1.4	11.7%	\$1.3	-9.5%	\$1.0	-21.1%	\$1.1	10.0%	\$1.2	9.1%	\$1.3	8.3%	\$1.4	7.7%
Total Tax Revenue	\$1438.1	10.4%	\$1777.4	23.6%	\$1805.1	1.6%	\$1803.0	-0.1%	\$1827.5	1.4%	\$1891.2	3.5%	\$1953.3	3.3%	\$2027.6	3.8%	\$2112.2	4.2%
Business Licenses	\$1.3	13.9%	\$1.2	-4.4%	\$0.6	-54.5%	\$1.3	130.2%	\$1.3	2.7%	\$1.4	3.0%	\$1.4	2.9%	\$1.5	2.8%	\$1.5	2.7%
Fees	\$42.7	-4.5%	\$42.2	-1.3%	\$45.6	8.1%	\$44.3	-3.0%	\$53.2	20.2%	\$53.7	0.9%	\$54.4	1.3%	\$55.2	1.5%	\$56.1	1.6%
Services	\$3.0	24.3%	\$2.8	-7.7%	\$3.7	33.2%	\$4.1	10.0%	\$3.9	-5.2%	\$4.0	2.6%	\$4.1	2.5%	\$4.2	2.4%	\$4.3	2.4%
Fines	\$3.1	-35.6%	\$3.3	7.5%	\$2.6	-21.1%	\$2.5	-6.8%	\$2.8	13.8%	\$3.0	7.1%	\$3.2	6.7%	\$3.4	6.3%	\$3.6	5.9%
Interest	\$0.8	-75.5%	\$2.3	187.4%	\$51.2	2129%	\$87.2	70.5%	\$65.5	-24.9%	\$45.8	-30.1%	\$28.5	-37.8%	\$26.0	-8.8%	\$26.5	1.9%
All Other ⁴	\$0.5	-34.4%	\$1.0	96.4%	\$1.5	58.7%	\$0.6	-60.1%	\$0.9	47.6%	\$1.0	11.1%	\$1.1	10.0%	\$1.2	9.1%	\$1.3	8.3%
Total Other Revenue	\$51.5	-9.9%	\$52.9	2.6%	\$105.2	99.1%	\$139.9	33.0%	\$127.6	-8.8%	\$108.9	-14.7%	\$92.7	-14.8%	\$91.5	-1.4%	\$93.3	2.0%
Healthcare Revenue⁶	\$278.1	-1.0%	\$299.3	7.6%	\$314.3	5.0%	\$327.5	4.2%	\$343.3	4.8%	\$354.3	3.2%	\$366.9	3.6%	\$380.3	3.6%	\$394.5	3.7%
TOTAL GENERAL FUND	\$1767.7	7.8%	\$2129.5	20.5%	\$2224.6	4.5%	\$2270.5	2.1%	\$2298.4	1.2%	\$2354.4	2.4%	\$2412.9	2.5%	\$2499.4	3.6%	\$2600.0	4.0%
CHILDCARE TAX REVENUE	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$0.0	NM	\$92.8	NM	\$98.6	6.2%	\$102.7	4.1%	\$106.7	3.8%	\$110.7	3.8%

TABLE 2 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE TRANSPORTATION FUND REVENUE FORECAST UPDATE
Consensus JFO and Administration Forecast - July 2024

CURRENT LAW BASIS

Including all Education Fund allocations and other out-transfers

	FY2021	%	FY2022	%	FY2023	%	FY2024	%	FY2025	%	FY2026	%	FY2027	%	FY2028	%	FY2029	%
	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Actual)</i>	<i>Change</i>	<i>(Preliminary)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>	<i>(Forecast)</i>	<i>Change</i>
REVENUE SOURCE																		
Gasoline	\$67.3	-5.3%	\$71.9	6.9%	\$73.8	2.7%	\$71.5	-3.2%	\$71.1	-0.5%	\$70.9	-0.3%	\$70.6	-0.4%	\$70.0	-0.8%	\$69.2	-1.1%
Diesel	\$17.9	0.2%	\$18.3	2.0%	\$17.6	-3.7%	\$17.8	1.2%	\$17.9	0.4%	\$17.8	-0.6%	\$17.7	-0.6%	\$17.6	-0.6%	\$17.5	-0.6%
Purchase and Use ¹	\$89.4	27.2%	\$91.4	2.3%	\$94.8	3.7%	\$96.6	1.9%	\$98.8	2.3%	\$102.2	3.4%	\$106.3	4.0%	\$110.7	4.1%	\$114.7	3.7%
Motor Vehicle Fees	\$87.6	4.7%	\$86.0	-1.9%	\$87.5	1.8%	\$93.6	6.9%	\$103.6	10.7%	\$104.3	0.7%	\$105.2	0.9%	\$105.9	0.7%	\$106.8	0.8%
Other Revenue ²	\$20.5	-3.4%	\$20.3	-1.1%	\$21.4	5.3%	\$23.6	10.4%	\$26.4	11.8%	\$27.8	5.3%	\$27.0	-2.9%	\$27.6	2.2%	\$28.3	2.5%
TOTAL TRANS. FUND	\$282.7	7.0%	\$287.8	1.8%	\$295.1	2.5%	\$303.0	2.7%	\$317.8	4.9%	\$323.0	1.6%	\$326.8	1.2%	\$331.8	1.5%	\$336.5	1.4%
OTHER (TIB³)																		
TIB Gasoline	\$10.2	-19.5%	\$15.1	48.2%	\$20.1	32.6%	\$17.55	-12.6%	\$16.97	-3.3%	\$16.96	-0.1%	\$16.84	-0.7%	\$16.90	0.4%	\$17.00	0.6%
TIB Diesel and Other ⁴	\$1.9	-4.5%	\$1.9	1.7%	\$2.2	13.6%	\$2.23	0.8%	\$2.18	-2.1%	\$2.08	-4.6%	\$1.99	-4.3%	\$1.94	-2.5%	\$1.91	-1.5%
TOTAL OTHER (TIB)	\$12.1	-17.5%	\$17.1	40.8%	\$22.3	30.4%	\$19.8	-11.2%	\$19.2	-3.2%	\$19.0	-0.6%	\$18.8	-1.1%	\$18.8	0.1%	\$18.9	0.4%

**TABLE 3 - STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE
AVAILABLE EDUCATION FUND¹ REVENUE FORECAST UPDATE**
(Partial Education Fund Total - Includes Source General and Transportation Fund Allocations Only)
Consensus JFO and Administration Forecast - July 2024

CURRENT LAW BASIS

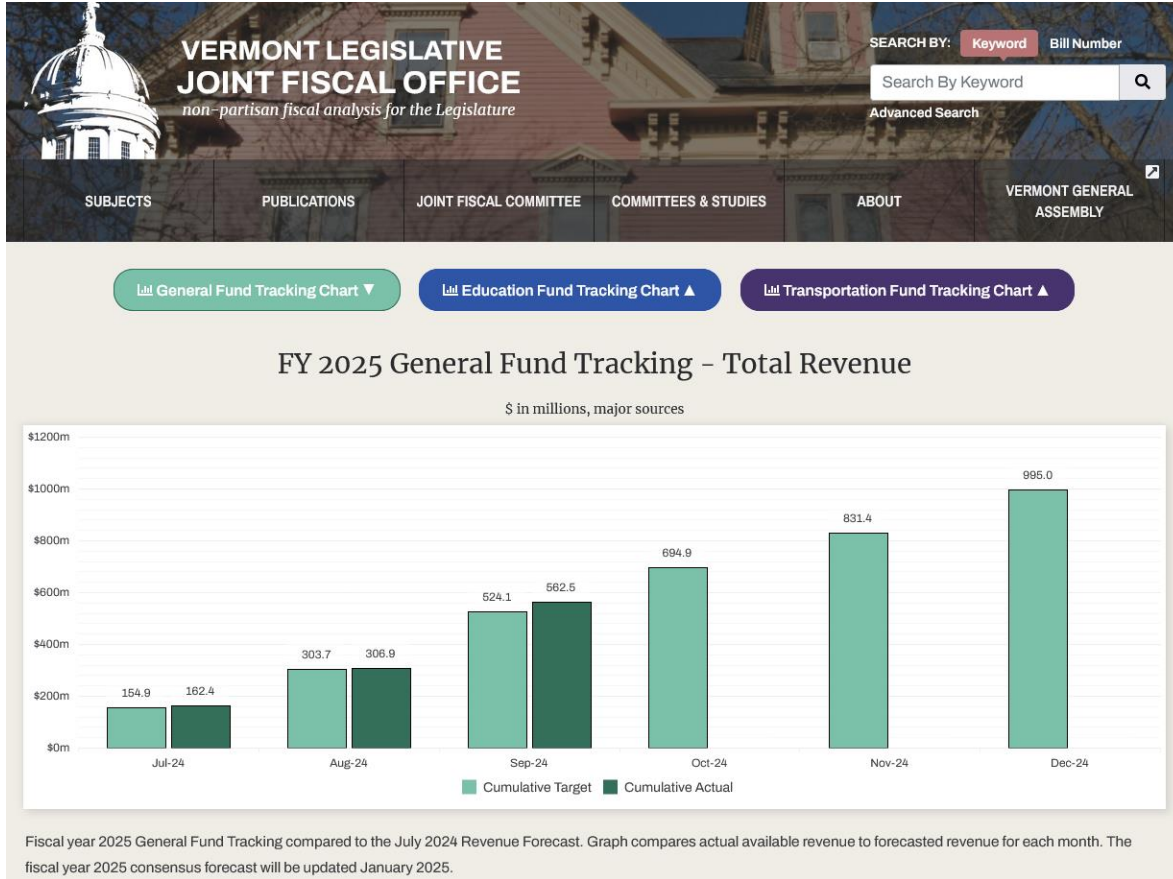
Source General and Transportation

Fund taxes allocated to or associated
with the Education Fund only

	FY2021	%	FY2022	%	FY2023	%	FY2024	%	FY2025	%	FY2026	%	FY2027	%	FY2028	%	FY2029	%
	(Actual)	Change	(Actual)	Change	(Actual)	Change	(Preliminary)	Change	(Forecast)	Change	(Forecast)	Change	(Forecast)	Change	(Forecast)	Change	(Forecast)	Change
GENERAL FUND																		
Meals and Rooms	\$36.0	-12.1%	\$54.2	50.8%	\$59.4	9.6%	\$61.5	3.5%	\$72.1	17.2%	\$76.1	5.4%	\$78.3	2.9%	\$80.6	3.0%	\$83.2	3.2%
Sales & Use ⁴	\$507.6	17.4%	\$545.2	7.4%	\$584.0	7.1%	\$595.2	1.9%	\$606.3	1.9%	\$622.5	2.7%	\$644.1	3.5%	\$669.1	3.9%	\$696.5	4.1%
Interest	\$0.1	-87.1%	\$0.3	169.1%	\$5.8	1892%	\$5.8	0.3%	\$4.9	-15.5%	\$4.0	-18.4%	\$2.8	-30.0%	\$2.9	3.6%	\$2.91	0.3%
Lottery	\$32.5	21.2%	\$30.8	-5.2%	\$32.1	4.3%	\$36.0	12.1%	\$36.5	1.4%	\$37.4	2.5%	\$38.5	2.9%	\$39.6	2.9%	\$40.8	3.0%
TRANSPORTATION FUND																		
Purchase and Use ³	\$44.7	27.2%	\$45.7	2.3%	\$47.4	3.7%	\$48.3	1.9%	\$49.4	2.3%	\$51.1	3.4%	\$53.1	4.0%	\$55.3	4.1%	\$57.4	3.7%
TOTAL EDUCATION FUND	\$620.9	15.8%	\$676.2	8.9%	\$728.77	7.8%	\$746.8	2.5%	\$769.2	3.0%	\$791.1	2.8%	\$816.7	3.2%	\$847.5	3.8%	\$880.8	3.9%

Resources

Monthly revenue tracking charts on main JFO webpage:
ljo.vermont.gov



Consensus Revenue Forecast and detailed revenue trackers available on JFO website under
 Subjects/Revenue-Taxes & Fees



Revenue - Taxes & Fees

Related Links: [House Committee on Ways and Means](#) [Senate Committee on Finance](#)

This page contains information concerning all of Vermont's non-property, non-transportation revenue sources. These include Personal and Corporate Income Taxes, the Sales & Use Tax, the Meals & Rooms Tax, and all other revenue streams.

Monthly Revenue Tracking for FY 2025 5 Resources	Consensus Revenue Forecasts 143 Resources	Friday Tax Workshops 4 Resources	Executive Branch Fees 18 Resources
Ten Year Tax Studies 8 Resources	Issue Briefs Relating to Revenue/Tax 16 Resources	Tax Expenditure Reports 14 Resources	Reviews and Reports 14 Resources
Tax Structure Commission 210 Resources	Emergency Board Documents 60 Resources		

