

Forecast of Fuel Gross Receipts Tax for FY 2017

The Fuel Gross Receipts tax is a tax of 0.5% on the retail sales of the following fuels:

- Heating oil, kerosene, and other dyed diesel fuels delivered to a business or residence.
- Propane gas delivered to a business or residence.
- Natural gas
- Electricity
- Coal

It is not imposed on sales for resale or delivery of fuel by a Vermont seller to an out-of-state address.

The JFO Forecast

The first 9 months of FY 2016 indicate a sharp drop in the Fuel Gross Receipts (FGR) tax revenue that is likely to continue into FY 2017. FGR revenues for FY 2016 reflect taxes due on retail sales of fuels during the 2nd quarter of 2015 through the 1st quarter of 2016, as the revenues are collected in the quarter following the retail sales.

	Actual (mil)	Forecast (mil)
FY 2014	\$8.70	
FY 2015	\$8.10	
FY 2016*	\$4.70	\$6.90
FY 2017		\$6.80

* first 3 quarters actual to date: revenue for the January-to-March quarter of FY 2015 was \$2.8 mil.

Three factors explain the decline in FY 2016 that carries into FY 2017:

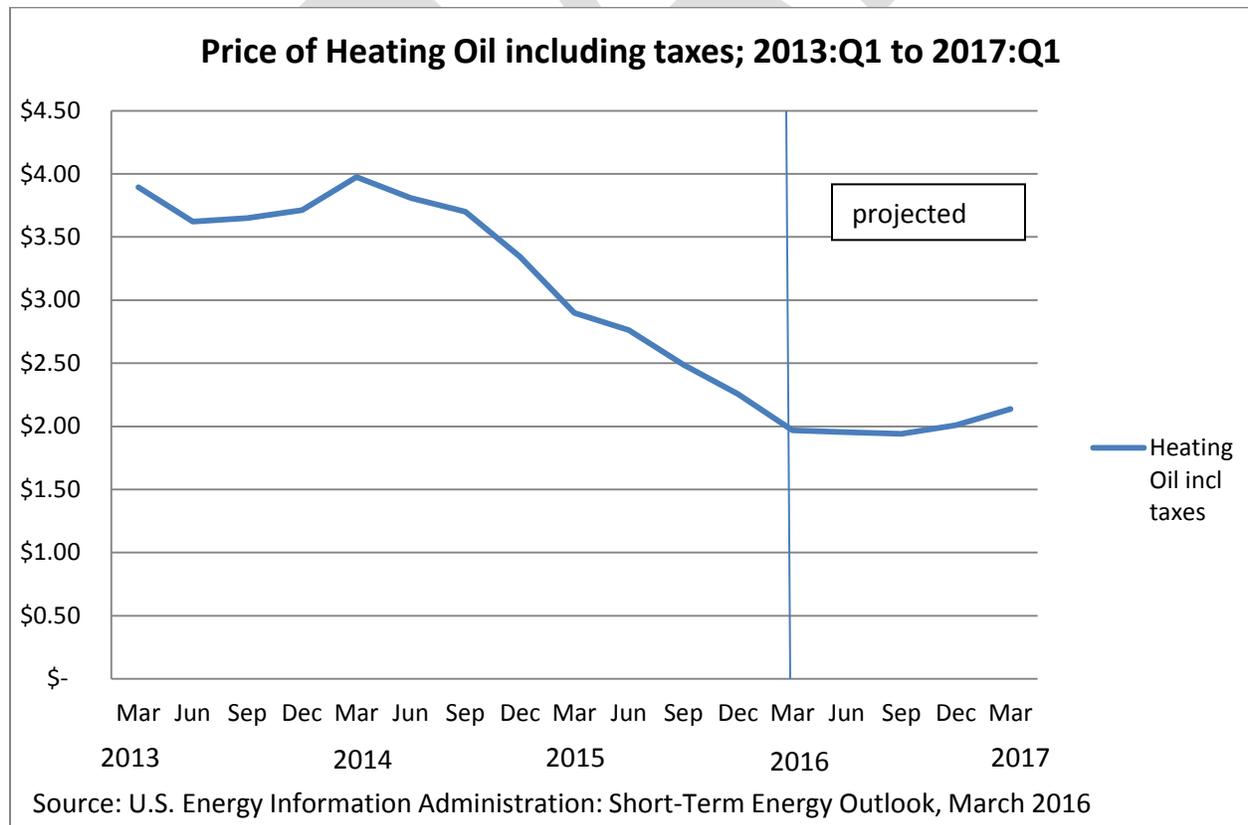
- Prices for fuels have dropped significantly. For example, as of the first quarter of 2016, the retail price of heating oil was down about 32 percent relative to its price in the first quarter of 2015. The price of natural gas was down about 10 percent.
- Demand for fuels has been relatively low. Heating degree days and cooling degree days in the 12 months ending March 2016 are expected to be about 20 percent lower than for the 12 months ending March 2015. We expect demand to return to “normal” levels in the next 12 months.
- Prices for heating oil and natural gas are expected to remain low through the rest of 2016, but demand is expected to rise if temperatures are closer to average for the next 12 months.

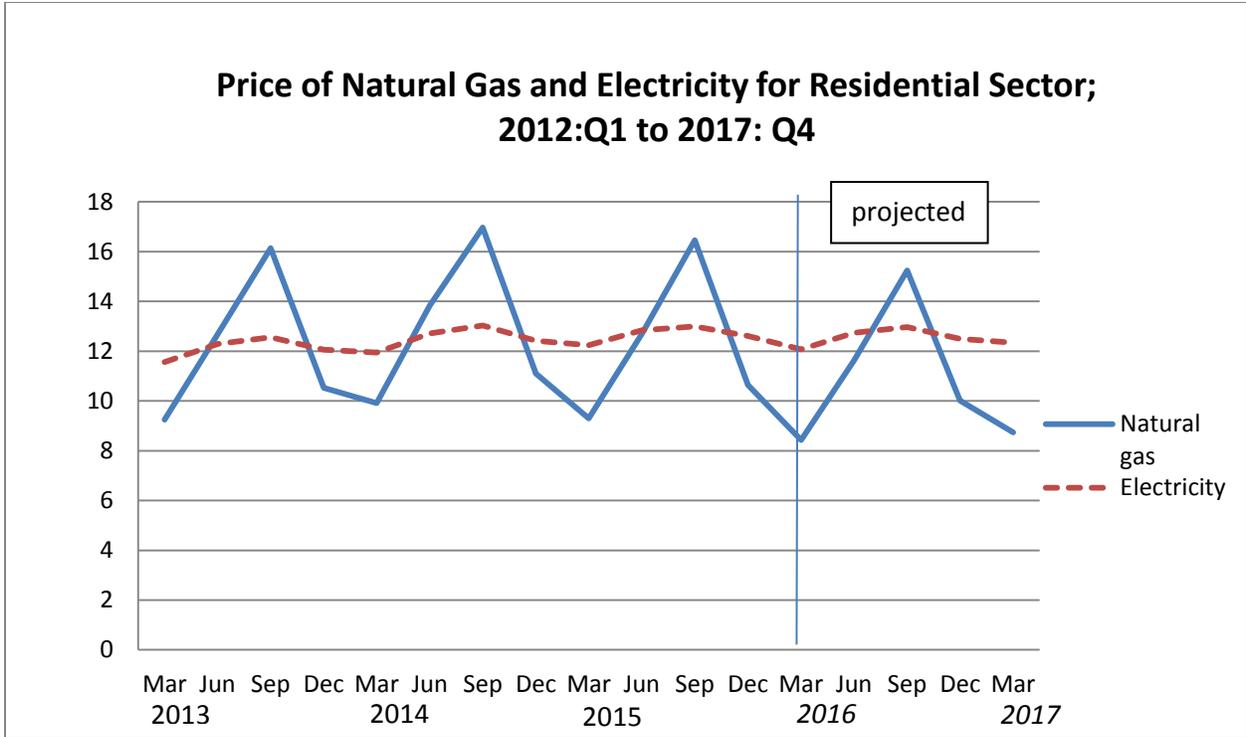
Background Information

U.S. Energy Information Administration: Short-Term Energy Outlook, March 2016

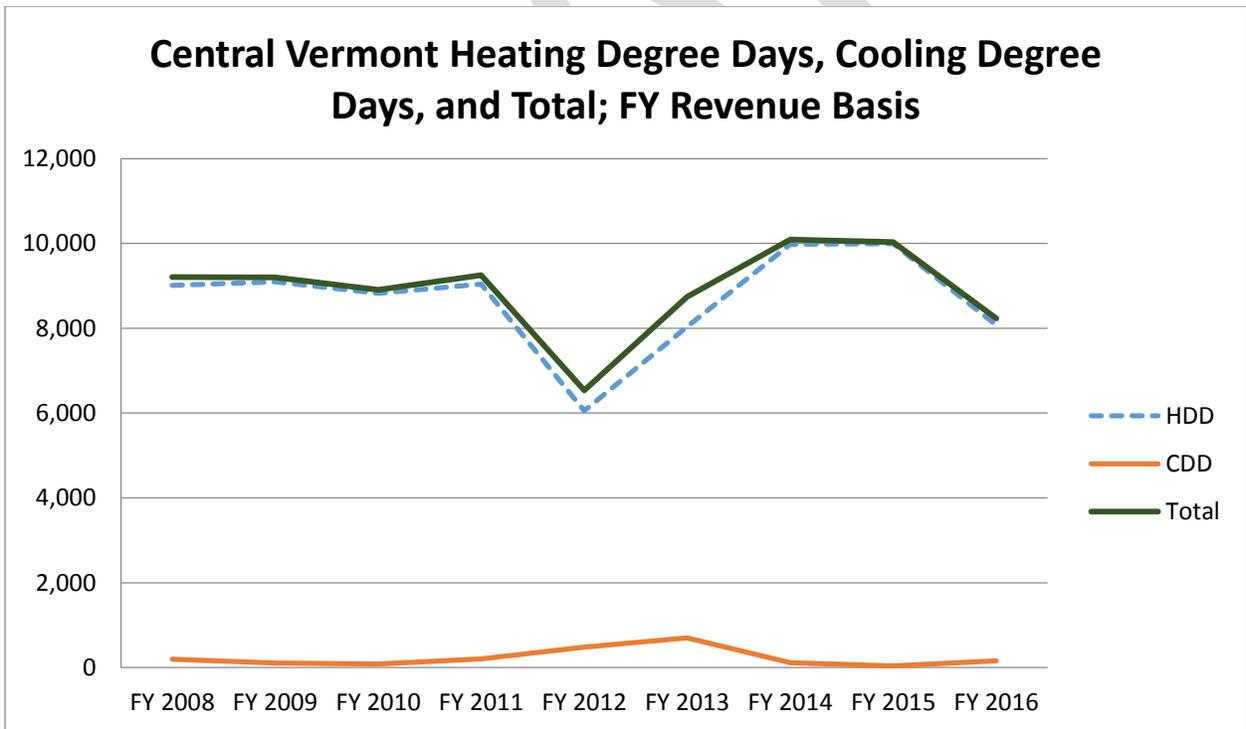
Change in prices, 1st quarter over 1st quarter (* denotes forecast)

	2013	2014	2015	2016*	2017*
	1st qtr				
Heating Oil including taxes (dollars per gal)	3.90	3.98	2.90	1.97	2.14
%chg, 1st qtr over 1st qtr	2.4%	2.1%	-27.1%	-32.0%	8.5%
Natural Gas (\$ per 1000 cu ft)					
Residential Sector	9.24	9.91	9.29	8.43	8.74
%chg, 1st qtr over 1st qtr	-6.0%	7.2%	-6.2%	-9.3%	3.7%
Electricity (cents/kwh)					
Residential Sector	11.57	11.95	12.24	12.08	12.34
%chg, 1st qtr over 1st qtr	0.2%	3.3%	2.5%	-1.4%	2.2%

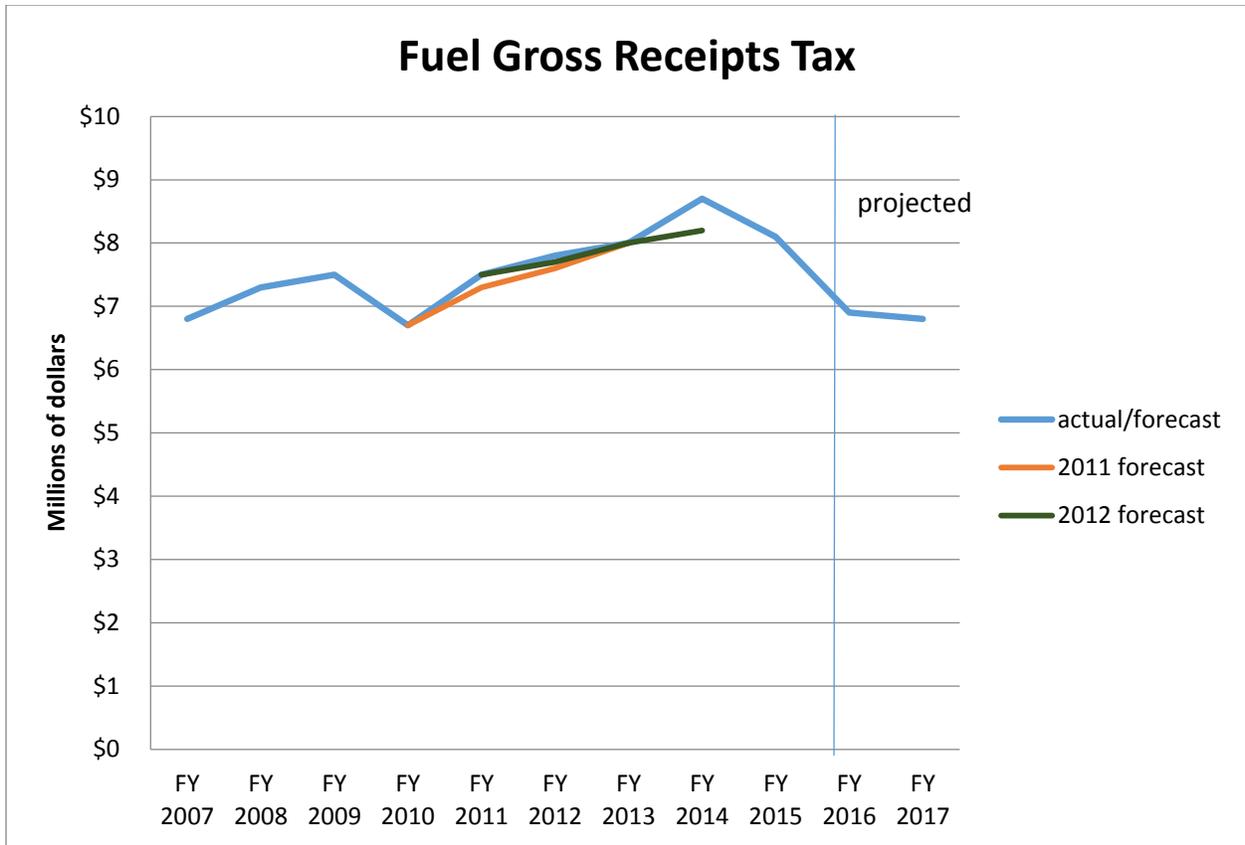




Source: U.S. Energy Information Administration: Short-Term Energy Outlook, March 2016



Source: Weather Data Depot, March 2016



Actual and Forecast (millions of dollars)

	Actual	Forecast 2011	Forecast 2012	Forecast 2016
FY 2007	\$6.80			
FY 2008	\$7.30			
FY 2009	\$7.50			
FY 2010	\$6.70			
FY 2011	\$7.50	\$7.30		
FY 2012	\$7.80	\$7.60	\$7.70	
FY 2013	\$8.00	\$8.00	\$8.00	
FY 2014	\$8.70		\$8.20	
FY 2015	\$8.10			
FY 2016*	\$4.70			\$6.90
FY 2017				\$6.80

* first 3 quarters actual to date