

The Promise of Vermont

Building Generations of Opportunity



**Fiscal Year 2007
Executive Budget Recommendations**

**James H. Douglas
Governor of Vermont
January 17, 2006**



Dear Fellow Vermonters:

More Vermonters are working today than ever before. We have one of the lowest unemployment rates in the nation. We have created jobs and invested in education, the environment, and health care. We have signed the first in the nation Medicaid waiver with the federal government which will reduce, but not eliminate the burgeoning Medicaid deficit. Yet, we face challenges ahead both fiscal and demographic. As the cost of health care continues to rise, more Vermonters are unable to afford private health insurance. Our aging citizenry will further tax our health care resources and the aging of our state workforce will require strategic workforce planning. Rising home prices, fuel costs, property taxes, school budgets and college tuition mean Vermont is becoming unaffordable for many Vermonters. Despite having more colleges per capita than any other state, too many of our young Vermonters cannot afford to attend Vermont institutes of higher education. After graduating, too many choose to leave our Green Mountain State to seek a more affordable life elsewhere. The combination of older Vermonters retiring and younger Vermonters leaving the state will challenge our ability to fill skilled positions.

We must stay focused on maintaining a disciplined budget with fiscal policies that require state government to live within its means. Despite substantial growth in the General and Education Fund revenues, we face very difficult budget choices for the coming fiscal year. The fiscal pressures are largely due to five systemic challenges:

- o First and foremost, even with the savings we gain from The Global Commitment for Health Care Medicaid waiver, the deficit in Vermont's Medicaid program still remains a serious challenge in the years ahead.
- o Second, the State's budget is burdened by continued, large Human Services cost increases. Every sector of the Agency of Human Services is facing pressures to increase budgets to provide additional services and address increased caseload demand. And yet, we must find funding for programs that allow access to health care to uninsured Vermonters and promote cost savings by improving the health status of our fellow Vermonters.
- o An aging state workforce and a demographic shift with young people leaving Vermont will place new challenges on economic growth requiring a retooling of our state workforce with new technologies and a plan to retain our educated young adults.
- o Under funding in the Teachers' Retirement Plan must be addressed to maintain the Plan's integrity.
- o Despite strong General Fund and Education Fund revenues, diminished receipts from other sources (e.g., Federal government support and Transportation revenues) have put pressure on numerous state programs.

My Administration and the legislature collaborated to fully replenish our stabilization reserves and we intend to keep those reserves fully funded without increasing Vermont's tax burden. I look forward to working with the General Assembly to again pass a budget that is fiscally sustainable, funds essential government services, and addresses the continuing challenge of Medicaid. I stand ready to find common ground on a responsible fiscal course.

Sincerely,

A handwritten signature in blue ink, appearing to read "James H. Douglas".

James H. Douglas
Governor

FISCAL YEAR 2006 BUDGET ADJUSTMENT

Revenue Projections

The January 11, 2006 consensus forecast of \$1,070.4 million for the State of Vermont FY 2006 General Fund revenues, represents a \$11.4 million increase from the July 2005 consensus estimate of \$1,059.0 million at the start of the 2006 fiscal year.

The Transportation Fund and the Education Fund were both adjusted as a result of the January 2006 consensus estimate. The FY 2006 Transportation Fund projection was reduced by \$1.7 million, while the Education Fund projection was decreased by \$0.9 million. The following chart shows how the expectations for FY 2006 have been revised over the past 12 months.

Fiscal Year 2006 Revenue Forecasts
\$ Millions

| | January 2005 | July 2005 | January 2006 |
|-----------------------------|--------------|-------------|--------------|
| General Fund | \$1,014.5 m | \$1,059.0 m | \$1,070.4 m |
| Transportation Fund | \$220.8 m | \$ 217.3 m | \$ 215.6 m |
| Education Fund ¹ | \$154.9 m | \$ 156.4 m | \$ 155.5 m |

FY 2006 Appropriation Adjustments

The 2006 budget adjustment that the Governor has submitted to the Legislature reflects General Fund appropriation increases totaling approximately \$11.4 million. These upward adjustments are composed mainly of Human Services needs. Collectively, the Agency of Human Services had General Fund increases totaling \$14.0 million. Other increased appropriation needs outside of Human Services were more than covered by a \$3.3 million savings for two Health Plan rate holidays and lower than expected FY 2006 premium rates. The Administration also recommends a transfer from the General Fund totaling \$5.0 million to cover the July 2005 downward revenue adjustment to the FY 2006 Transportation Fund.

¹ This represents the non-property tax revenues, which in FY 2006 make up 13% of the total Education Fund. Property taxes comprise 65%; the transfer from the General Fund constitutes 21%; and other sources contribute 1%.

**Governor's FY 2006 Budget Adjustment
Appropriations and Transfers**

General Fund: Millions \$

Appropriations (FY 2006 BAA)

Agency of Human Services

| | | |
|--|----|---------|
| Office of the Secretary | \$ | 102.13 |
| Department of Health | | (38.58) |
| Department for Children & Families | | (18.86) |
| Department of Aging and Independent Living | | (36.39) |
| Department of Corrections | | 5.73 |

| | | |
|--|--|-------|
| | | 14.03 |
|--|--|-------|

Other

| | | |
|--|--|--------|
| Health Plan Rate Holidays & Lower Premiums | | (3.33) |
| Other | | 0.66 |

| | | |
|--|----|--------|
| | \$ | (2.67) |
|--|----|--------|

| | | |
|--|----|-------|
| | \$ | 11.36 |
|--|----|-------|

Transfers

| | | |
|---|----|------|
| Transportation Fund: Offset Revenue Reduction | \$ | 5.00 |
|---|----|------|

| | | |
|--|----|------|
| | \$ | 5.00 |
|--|----|------|

Governor Douglas recommends lesser adjustments to the current fiscal year budget for Transportation and Education Funds. The detailed listing of recommended budget adjustment appropriations appears on pages 14-16.

FISCAL YEAR 2007:

The latest revenue forecast approved by the Vermont Emergency Board (January 11, 2006) raised projected FY 2007 revenues from the previous forecast made six months earlier. The latest forecast increases projected General Fund revenues in fiscal year 2007 by \$11.6 million to \$1,092.6 million. Unfortunately, the FY 2007 Transportation Fund revenue projection was decreased by \$1.9 million to \$219.8 million. The forecast for the Education Fund decreased slightly by \$0.2 million for FY 2007. Looking ahead to FY 2008, the Consensus Revenue Forecast projects only a 2.3% increase in General Fund Revenues to \$1,117.4 million. An increase of 2.3% will require added discipline for FY 2008 than in this FY 2007 proposed budget.

The Governor's FY 2007 budget continues to offer a disciplined approach to the challenges faced by Vermont, including the rapid expansion of Medicaid, the rising cost of health care, access to healthcare, and the aging of our citizenry and state workforce. The Governor presents a thoughtful plan to live within our means and position Vermont to face these challenges now and into the future. The Governor's budget includes: entrance into *The Global Commitment for Health* Medicaid demonstration waiver; a health care reform program; a higher education scholarship program designed to educate and retain our young adults in Vermont; and a strategic 5 year initiative. Spending growth (FY 2006 adjusted to FY 2007) is proposed at 3.6% for the General Fund and 8.4% for the Transportation Fund, primarily due to increased state funded federal highway funds match.

The Governor's spending plan will allow state government to balance the 2007 budget without exacerbating the tax burden borne by individuals and businesses. This budget maintains a full General Fund Stabilization Reserve and the Transportation Fund and Education Fund reserves meet the statutory requirements.

Fiscal Year 2007 Revenue Forecasts \$ Millions

| | January 2005 | July 2005 | January 2006 |
|-----------------------------|--------------|-------------|--------------|
| General Fund | \$1,045.8 m | \$1,081.0 m | \$1,092.6 m |
| Transportation Fund | \$ 225.0 m | \$ 221.7 m | \$ 219.8 m |
| Education Fund ² | \$ 159.1 m | \$ 162.4 m | \$ 162.2 m |

² This represents the non-property tax revenues, which in FY 2007 make up 11% of the total Education Fund. Property taxes comprise 66%; the transfer from the General Fund constitutes 22%; and other sources contribute 1%.

Highlights of Governor Douglas's Fiscal Year 2007 Proposals

Health

Medicaid

Vermont has been a national leader in making affordable health coverage available to low income children and adults and people with disabilities. Vermont has been one of the few states to take the Medicaid program that was designed to cover the disabled and poor, and expand it through an 1115 demonstration waiver to cover children and working class families (i.e., VHAP, Dr. Dynasaur). As a result, nearly one in four Vermonters is covered by some form of Medicaid and the state has one of the lowest rates of uninsured people in the nation.

Vermont's achievements are now being jeopardized by the escalating cost of health care, changes in the rates of federal participation in this program, and dependence on state revenue sources that do not grow at the rate of medical inflation. The Vermont Medicaid program today faces the prospect of a cumulative deficit over the upcoming five fiscal years, if unaddressed, of approximately \$300 million in state funds through the initial 5 years of *The Global Commitment for Health waiver*.

Current Projection of Medicaid Deficit FY 2007 – FY 2011 (Q1)

| | <u>FY07</u> | <u>FY08</u> | <u>FY09</u> | <u>FY10</u> | <u>FY11 Q1</u> |
|-----------------------|--------------|--------------|---------------|---------------|----------------|
| Revenues | 430,885,033 | 428,446,528 | 443,716,154 | 459,778,443 | 119,107,428 |
| Medicaid Cost | 445,807,803 | 488,169,016 | 517,437,281 | 553,357,897 | 159,739,669 |
| Net Revenue/(deficit) | (14,922,770) | (59,722,488) | (73,721,127) | (93,579,454) | (40,632,241) |
| Carryforward | 14,922,770 | 0 | (59,722,488) | (133,443,615) | (227,023,069) |
| Year-end balance | 0 | (59,722,488) | (133,443,615) | (227,023,069) | (267,655,310) |

Health Care Reform

The Governor's health care reform proposal will launch for a partial year in FY 2007 at an estimated net cost to the state of \$6.73 million. The funds are spread among several departmental budgets including the Department of Health, the Office of Vermont Health Access (OVHA) and the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA).

The Governor's plan assures that every uninsured Vermonter has access to affordable health coverage, and offers a subsidy structure that targets the estimated 21,000 Vermonters who fall between 150% and 300% of the federal poverty limit. It does not require new revenues and is sustainable over the long run.

The Governor's plan provides for affordable basic insurance coverage which is available in most other states but not currently available in Vermont. The basic coverage would be offered by private insurance companies for an estimated premium cost of \$2,100 per year, and less for those who are eligible for a subsidy. It would cover basic primary and preventive services without a deductible, with other services, including major medical and hospitalization, subject to a \$2,500 deductible. It would also be qualified to include a tax advantaged "Health Savings Account".

In addition to affordability, the Governor's plan addresses increased Medicaid reimbursement to many physicians, access, quality improvement, improved consumer information and consumer empowerment, healthy behavior discounts, chronic disease management, and information technology development projects including disease registries, electronic medical records, common claims, etc.

Vermont Blueprint for Health

The Governor will expand the Vermont Blueprint for Health chronic care initiative. More than half of all Vermont adults have one or more chronic health conditions that can be expected to last a year or more, limit what they are able to do, and require ongoing medical care. The burden of these chronic conditions is both personal and financial; caring for Vermonters with chronic conditions consumes more than three-quarters of the \$2.8 billion spent in Vermont each year for health care.

The Vermont Blueprint for Health aims to fundamentally change the way health care is delivered and how Vermonters, living with life-long illnesses such as diabetes, asthma and cardiovascular disease, care for themselves. It is a collaborative project led by a public-private partnership that includes state government, health insurance plans, business and community leaders, health care providers, and consumers. When fully implemented, Vermont's health care system will be retooled with modern information systems, communities will offer effective and accessible programs, patients will have the tools and information they need to take action to improve and manage their own health, and health care providers will be better able to deliver the right care at the right time.

The FY 2007 budget expands activities in all areas as the project moves from two pilot hospital area communities to five and expands self-management and wellness programs statewide. Currently, pilot projects are underway in St. Johnsbury and Bennington. This budget also includes funding to expand Vermont's health care information system infrastructure to facilitate active care management, population-based assessment and performance-based payment; and the development of web interfaces to link pilot-community physician offices with data from laboratories and hospital systems.

Mental Health Services

The Administration has proposed a 7.5% General Fund increase to Community Mental Health providers to cover inflationary increases and increased caseload. It has also budgeted additional General Fund dollars to replace the loss in federal funds due to the erosion in the FY 2004 base, as a result of the decline in the federal financial participation rate. In addition, we have included the Administration's February 2005 recommendations for community enhancements to replace Vermont State Hospital (VSH) functions, which have been endorsed unanimously by the VSH Futures Advisory Group.

Vermont State Hospital

Inpatient services at Vermont State Hospital (VSH) are for involuntary emergency examinations and commitments in which adults have become dangerous to themselves or others, or for psychiatric evaluations of competency to stand trial in criminal cases. VSH is no longer certified by the Center for Medicare and Medicaid Services (CMS) and does not qualify for Medicaid funding. Recent reviews by the Department of Justice, Fletcher Allen Health Care, and, most recently, the Board of Health, have helped guide us in identifying areas which need improvement in the short and long term. These improvements will help ensure that we serve our patients to the best of our ability. We are actively addressing these issues and are continuing to build the hospital infrastructure, its services, and reporting capabilities. As a result, VSH will be well positioned to converge with our future hospital partner, as well as for CMS recertification and/or JCAHO accreditation. The Governor is recommending an increase in the General Fund appropriation to continue our commitment to provide safe, quality care to the Vermonters we serve.

DETER (Drug Education, Treatment, Enforcement and Rehabilitation)

Vermont continues its three-pronged approach of drug interdiction to constrain the flow of drugs, improve treatment and support for those who are combating addiction, and provide education and counseling to our children to help them avoid becoming involved in substance abuse. The Governor's budget includes resources for 65 additional substance abuse counselors in our schools, achieving our goal of having a counselor in every school with grades 7 and above for two days a week. This budget also provides increases for recovery centers; expands outpatient programs with an Incarcerated Women's Initiative and Adolescent Services expansion; begins a Correctional Treatment Services program; provides additional transitional housing for Vermonters who need a safe and drug-free bridge from treatment to recovery; increases Case Management services in Drug Courts; and provides funding for an additional 50 clients in opiate treatment.

Mentoring

Mentoring is a well-researched approach to connecting youth with adults to promote healthy lifestyle choices, improve self esteem, enhance academic performance, decrease initiation into drugs and violence, and inspire young people to make career choices they never thought possible. The *Vermont Mentors!* Initiative is designed to enhance the community and school-based mentoring programs throughout the state by significantly enhancing the recruitment effort to help create a "culture of mentoring"; providing technical assistance to those creating mentoring opportunities; and making direct program funding available to help stabilize and expand our mentoring capacity throughout the state.

Education

Vermont Promise Scholarships

A quiet crisis is unfolding in Vermont that, ignored, will subvert and undermine the state's long-term future prospects. The root of the problem is Vermont's changing demographics and its societal, economic and fiscal implications. Within twenty-five years the number of retirees will double while the number of working-age Vermonters will continue to shrink. In just the next decade there will be fifteen percent fewer Vermonters under the age of twenty than there were just five years ago.

Vermont is exporting much of its youth, and most do not return. We must aggressively pursue policies which entice them to “stay home”, to go on to a higher education in Vermont, and to stay in Vermont to fulfill their dreams of raising their families while successfully participating in the economy of the 21st century. We must make this generation of young Vermonters our **next** generation of working-age Vermonters.

To do so, we simply have to make it more affordable for Vermonters to go to college in Vermont, and to stay in Vermont. A critical strategy for this will be the Vermont Promise Scholarship program.

Over the course of a “generation” of first graders to high school seniors, more than 12,000 scholarships will be awarded to Vermont residents to attend a Vermont college. These scholarships may be awarded for an approved program at a Vermont post secondary institution leading to a degree or certificate other than a post graduate degree. One-half of each scholarship will be awarded as a “conditional” non-interest bearing loan. The loan will be forgiven if, upon receipt of a degree or certificate, and completion of any post graduate full-time studies, the recipient is a resident of Vermont for the subsequent three years.

The Vermont Promise Scholarships and Next Generation Jobs Investment in higher education’s economic development initiatives will insure that the next generation of Vermonters will have knowledge and opportunities to work in a robust economic environment designed to reflect Vermont’s values and qualities.

Property Taxes

Act 60 and Act 68 bring funding equity to Vermont’s school children and Vermont’s schools are well funded. Vermont is ranked 4th highest in the nation in per pupil spending, 30% above the national average. Our ratio of pupils to teachers is the best in the nation at 10.9, 31% better than the national average of 15.7.

However, Act 60 and Act 68 have yet to bring affordability to Vermont’s property taxpayers. Our property taxes are the 5th highest in the nation and growing at almost 8% per year. In an economy that is growing at only 4.7% annually, an 8% education spending growth rate is neither economically sustainable nor affordable to the average Vermonter.

For FY 2007, the Governor proposes to lower the statewide property tax rates by 4 cents each, to \$.98 for residential property and \$1.47 for non-residential property. Additionally, the Governor proposes the following changes, which will allow property tax rates in FY 2008 to be lowered by at least an additional 8 cents to \$.90 for residential and \$1.39 for non-residential.

Property Tax Relief through More Community Control

- Create an Affordability Zone for School Budget Approvals

- The State needs to help voters control property tax growth that is rising at an unsustainable rate.
- For FY 2008, a school district budget greater than 4.5% will require a 60% voter approval level.
- For FY 2009 and beyond, the state and local government inflation index (approximately 3.5%) shall be used as the benchmark for requiring a 60% voter approval level.

Lowering Statewide Property Tax Rates through Reforms in the Prebate Program

- Close loopholes and reconnect voters to tax bills

- Close loopholes that allow relatively wealthy households to access prebates and rebates by capping prebates at \$4,000 and rebates at \$6,000 (inclusive of any prebate) unless non-house site assets are below \$300,000.
- Fix the percentage of income associated with prebates at 2%
 - This provision passed the Senate last session and is recommended by the Summer Study Committee on Income Sensitivity.
- Limit prebates to an amount based on the average statewide per pupil spending level
 - Property tax payers in school districts with below average spending support high prebates in school districts with high spending per pupil. Given that Vermont's average spending per pupil is among the highest in the nation, it is not necessary to subsidize spending levels above the average.
- Rescind the expansion of income sensitivity to incomes greater than \$75,000
 - This expansion is expensive for all taxpayers. It is better to keep statewide property taxes lower for all property tax payers rather than expand the subsidy to this relatively upper income group.
 - But for the \$6,000 cap, those Vermonters eligible for rebates will not be affected.

Common Level of Appraisal (CLA) Cap

- Temper rapid changes in tax burdens due to rapid increases in property values

- Dramatic increases in property values result in similar changes in local CLA's and resulting tax burdens. For districts not experiencing a reappraisal in the prior year, CLA's will be capped at the level of increase at the 90th percentile of rank ordered CLA increases.

Enhanced Voter Awareness and Involvement in School Spending Decisions

- Adding transparency and enhancing community involvement in the budget process

- Each year, prior to school budget votes, the Department of Education will publish comparative data regarding teacher pupil ratios, spending per pupil, spending per capita and the relationship of spending to student outcomes.
- The Department of Education will develop a best practices manual and model contract language that both supports school quality and encourages cost containment.
- Prior to engaging in contract negotiations, school districts and/or supervisory unions will develop Strategic Outcomes for negotiations that shall be subject to public input and comment. Issues to be addressed include the incomes and income growth of district voters, desired outcomes relative to teacher/pupil ratios and per pupil spending, and the implementation of best practices and model contract language, among others.
- In addition to contract imposition and binding arbitration, school boards and union negotiators may agree to take contract differences to a binding vote of the voters.

Tax Equity for Working Farms

- Beginning in FY 2008, farmland owned by farmers who meet the 50% income test will be exempt from school property tax.
 - With the passage of Act 60, fixed assets such as machinery and equipment were eliminated from the property tax base, saving business owners \$23 million. Farmers fixed assets are substantially land resources, thus they could not benefit substantially from the elimination of the machinery and equipment tax. Farmers will still be required to pay school property taxes on their house site.
 - Approximately 1,700 farmers will receive an average benefit of \$3,500.

Information Technology and Improved Government Services

Strategic Enterprise Initiative

In the fall of 2005, the Governor launched a process known as the Strategic Enterprise Initiative (SEI) which will continue for 5 years. The goal of SEI is to transform the conduct of business and the delivery of services in state government. SEI requires each department and agency to engage in a structured process to bring together the themes of business process planning, workforce planning and information technology planning.

By redesigning business processes, and supporting strategic investments in training and technology, the Governor envisions that major efficiencies can be achieved. With 26% of the state workforce becoming eligible for retirement in the next five years, and with an equal number of positions turning over for other reasons, SEI will make it possible to handle the state's responsibilities without replacing every vacated position.

Department of Information and Innovation

The Governor has long recognized that Information Technology is increasingly vital to the functioning of government and improving government services to Vermont's citizens. The FY 2007 budget reflects this by changing the funding model for the Department of Information and Innovation (DII), which will serve all of state government as the central oversight and management authority for IT infrastructure, system development and in particular, enterprise solutions. The new funding model will help to ensure that DII has sufficient staffing and funding resources to carry out this critical function.

The Environment

Clean and Clear Statewide Action Plan

Administered by the Agencies of Agriculture, Natural Resources and Transportation, Clean and Clear is the Governor's priority program to improve and protect water quality in the Lake Champlain basin (encompassing all or part of 11 Vermont counties) as well as other Vermont lakes, rivers, and streams. Proposed funding for FY 2007 includes over \$9 million of state operating funds and capital investments. In addition, we anticipate more than \$7 million of Federal funds to support the state's efforts.

Economic Development

The Governor continues to invest in the economy and the growth of high paying jobs through additional support for the highly effective Vermont Training Program and the work done by Regional Development Corporations with Vermont companies. Under the FY 2007 budget proposal the Vermont Training Program will receive a \$400,000 base increase over FY 2006 and the Regional Development Corporations will see their base increase by \$135,000.

Furthermore, the Vermont Department of Tourism and Marketing will receive an additional \$100,000 to support Quadra Centennial (Lake Champlain) promotional and partnership activities, \$200,000 to begin the Fund for Tourism Marketing Initiative (FTMI) and \$250,000 of additional support for statewide tourism marketing. Each of these programs is designed to enhance the competitive position of Vermont in the state, national and international tourism marketplace.

Protection

Public Safety

In his FY 2007 budget, the Governor fulfills his commitment to eliminate all open positions in the State Police ranks by funding the final five (5) trooper vacancies. These five (5) are the last of thirty five (35) vacancies the Department was forced to carry due to funding shortages prior to Governor Douglas taking office. The Governor is also committing funding to sustain micro wave operation, the backbone of the statewide radio system that provides a communication life line for law enforcement and other first responders throughout the state.

Corrections

The steady year-over-year increases in Vermont's prison population during the past decade, averaging +7.4% per year, have placed both financial and physical stress on Vermont's Corrections System. The Department of Corrections (DOC) has received substantial budget increases, which have put fiscal pressure on other areas of State Government. To begin to address the chronic prison overcrowding issue, DOC opened the Southern State Correctional Facility and negotiated the most recent out-of-state prisoner housing contract. During the past year, Vermont's total prisoner population grew by 5.4%. While this slower growth is welcome, the Governor, in cooperation with the Legislature and the rest of the criminal justice system, has taken steps to address the recommendations of the Governor's Commission on Overcrowding. These initiatives include:

- Planning a second work camp for minimum-security prisoners similar to the current facility in St. Johnsbury. Work camp participation helps offenders contribute back to society in a tangible way while reducing their required incarceration time.
- Seeking proposals to double the number of transitional housing beds available around the state. This common sense step will enable the DOC to help offenders who have completed their sentences, but are unable to leave jail and reintegrate into society, due to a lack of transitional housing. The vacated prison beds will, in turn, be available to reduce reliance on out-of-state facilities.
- Introducing a new 90-day furlough rule to assist in reintegrating offenders.
- In cooperation with three Vermont communities, piloting a program to use several innovative electronic monitoring technologies (e.g., global positioning satellite offender-monitoring and transdermal blood alcohol monitoring systems) to enhance community supervision of a small number of offenders, who would otherwise be incarcerated.

Major increases in the FY 2007 Governor's Recommended Budget include: \$2.0 million to cover annualization of prior year pay increases, related payroll taxes, health insurance; \$2.5 million for general inflation including increases for inmate healthcare, mental health services, food and utility costs; \$1.3 million for increased out-of-state caseload costs over the initial FY 2006 figures; and \$1.9 million to cover the costs of recently increased Correctional Officer pay.

Supporting Members of the Military

The goal of the Agency of Human Services (AHS) is to do everything possible to assure that returning soldiers have access to needed services and supports as they adjust to life back in Vermont. We are creating an awareness and expectation among all human services agencies and programs, encouraging that special measures be taken to assist returning soldiers and their families during this time of transition. Additionally, Field Directors are working closely with the Local Family Assistance Staff of the Vermont National Guard all across the state, to serve as a district point of contact and resource for military personnel and their families as they access AHS services and supports.

Transportation

The Agency of Transportation (VTrans) FY 2007 budget emphasis areas are paving, bridges, and culverts. In the FY 2007 budget proposal, the Douglas Administration continues its history of strong support of paving projects for the state highway system by increasing overall funding for paving by \$15.3 million (38.2%). The Administration's commitment to bridges and culverts is evident from increases in Interstate and State Highway bridges of \$7.5 million (28.3%), Town Highway bridges of \$7.4 million (36.0%), and Bridge Maintenance of \$4 million (86.5%). Overall funding for bridge programs is increased by nearly \$19 million (36.6%). VTrans is also working to assure continued progress on selected major projects such as the Bennington Bypass, the Circumferential Highway, and completion of the Missisquoi Bay Bridge and reconstruction of US Route 7 in South Burlington.

| | FY2006 | FY2007 | % |
|------------------------------|---------------|---------------|----------|
| Paving | \$40.0 m | \$55.3 m | + 38.2% |
| Bridges | \$51.8 m | \$70.7 m | + 36.6% |
| Interstate and State Highway | \$26.6 m | \$34.0 m | + 28.3% |
| Town Highway Bridges | \$20.6 m | \$28.0 m | + 36.0% |
| Bridge Maintenance Program | \$ 4.7 m | \$ 8.7 m | + 86.5% |
| Town Highway Programs (all) | \$55.0 m | \$64.6 m | + 17.6% |

In this budget the Governor continues the effort to decrease reliance by other parts of state government on the Transportation Fund. Under this Administration, annual funding diverted from the Transportation Fund to non-transportation purposes (under the JTOC statute) has declined by \$3.6 million or -8.6% (from \$41.8 million in FY 2003 to \$38.2 million in FY 2007), retaining funding for vital transportation activities and projects. Governor Douglas proposes further decreasing this burden on the Transportation Fund by an additional \$1.2 million to \$37 million in FY 2008.

Recently passed federal transportation reauthorization legislation (SAFETEA-LU) will increase Vermont's available federal highway funding substantially. The five-year federal bill provides over \$60 million of additional federal funds, annually, through FY 2009. The increase in funding creates a need for additional state transportation funds to match the additional federal funds. Moreover, growth in base budget needs (including highway materials, salt, fuel, salaries, and benefits) that exceed forecasted growth in transportation revenues creates further demand for new state dollars. To meet these funding challenges, the Administration recommends a two-fold approach that includes \$9.82 million of additional revenues generated from increasing selective motor vehicle related fees, and dedicating an additional \$14.38 million of transportation source revenues to transportation by increasing the share of motor vehicle purchase and use tax that is retained in the Transportation Fund. The recommendation is to retain a full five sixths, or 5%, of the 6% purchase and use tax rate in the Transportation Fund. The remaining one sixth, or 1%, of the Purchase and Use Tax rate would continue to be directed to the Education Fund. This additional \$24.20 million of state transportation revenue is an appropriate strategy for ensuring that Vermont is positioned to fully leverage available federal funding without increasing the financial burden for Vermont's local communities. Each state dollar leverages, on average, at least \$4 federal dollars, providing a minimum 400% return on the investment. The Administration is confident that putting these additional funds to work in transportation is in the best interest of all Vermonters.

Fiscal Year 2006 Budget Adjustment Act
Governor's Recommendation
(\$ in Millions)

| | | General Fund | Transportation Fund | Special* Funds | Education Fund | Combined Funds |
|--|--|-----------------|------------------------|-------------------|-------------------|-------------------|
| FY 2006 base appropriation | | 1,053.94 | 225.36 | 414.04 | 1,240.17 | 2,933.51 |
| Recommended appropriation adjustments | | | | | | |
| Human Resources | To cover grade/step increases, temporary services & overtime expenses incurred during year-end tax document processing (statewide W-2's). | 0.07 | 0.02 | | | 0.09 |
| Human Resources | Savings due to vacant position that will remain unfilled for the year. Funds will be used to partially offset the increase in Operations. Maintains current General Fund/Transportation Fund split. | (0.04) | (0.01) | | | (0.05) |
| Tax | One-time increase for CAPTAP (Computer Assisted Property Tax Administration Program) appraisal software enhancements. | 0.03 | | | | 0.03 |
| Legislature | To cover costs of Statehouse chamber IT wiring project - for reimbursement to BGS Capital major maintenance appropriation (2005 Act 43 Sec 1(7)). | 0.05 | | | | 0.05 |
| Center for Crime Victim Services | To cover higher (\$675k) than expected payment to victims from the Restitution Special Fund, and increased costs associated with assumption of restitution management contract formerly handled by Corrections (\$37.5K). | | | 0.71 | | 0.71 |
| Military | To cover cleanup costs for Rutland Armory sewer backup; repair and maintenance of Vermont National Guard Air Base; increased costs due to night shift work for flying; and additional funds for Veterans' Services Officer position. | 0.10 | | | | 0.10 |
| Public Safety | To cover a study of recruitment and retention of VT volunteer firefighters. | 0.05 | | | | 0.05 |
| Judiciary | ADA-related renovation costs in Bennington Family Courts to accommodate an employee in a wheelchair | 0.02 | | | | 0.02 |
| Office of Vermont Health Access | To segregate non-global commitment and non-state-only Medicaid. | | | 62.97 | | 62.97 |
| Office of Vermont Health Access | To segregate state-only Medicaid. | | | 13.01 | | 13.01 |
| Office of Vermont Health Access | To conform to Emergency Board consensus PMPM. | | | 16.86 | | 16.86 |
| Health | To cover the cost of IMD exclusion on overhead allocation. | 0.30 | | | | 0.30 |
| Health | Agency of Human Services internal transfer from DOH to DCF. | (0.16) | | 0.04 | | (0.12) |
| Health | To cover costs for retention of men at Conifer Park. | 0.09 | | | | 0.09 |
| Health | To cover additional unbudgeted space cost in Bennington | 0.02 | | | | 0.02 |
| Health | To transfer of Families, Infants & Toddlers Program (FITP) to DCF. | (0.15) | | | | (0.15) |
| Health | To correct the budget for Medical Malpractice Board. | | | 0.19 | | 0.19 |
| Health | To increase the Legal Aid grant for additional costs of independent psychiatric exams. | 0.01 | | | | 0.01 |
| Health | To cover costs related to a mental health legal case settlement not covered by the Self-insurance program. | 0.26 | | | | 0.26 |
| Health | To cover FY05 Brattleboro Retreat inpatient reimbursement associated with Vermont State Hospital transfers and diversions to the Retreat. | 0.22 | | | | 0.22 |
| Health | To cover increase in Success Beyond Six. | | | 0.88 | | 0.88 |
| Health | To move new residential facility funding from VSH appropriation to Mental Health and increase program funding. | 0.25 | | | | 0.25 |
| Health | To move new residential facility funding from VSH appropriation to MH appropriation. | (1.01) | | | | (1.01) |
| Health | To cover the cost for additional nursing, record keeping and psychiatric service at Vermont State Hospital. | 0.82 | | | | 0.82 |
| Health | To cover the cost for the Vermont State Hospital Futures Staffing Plan (Communications Coordinator, Senior Health Care Policy Advisor and Assistant Attorney General). | 0.04 | | | | 0.04 |

Fiscal Year 2006 Budget Adjustment Act
Governor's Recommendation
(\$ in Millions)

| | | General Fund | Transportation Fund | Special* Funds | Education Fund | Combined Funds |
|--|---|-----------------|------------------------|-------------------|-------------------|-------------------|
| Children & Families | Agency of Human Services internal transfer to DCF from DOH. | 0.16 | | | | 0.16 |
| Children & Families | To cover an estimated increase in AABD caseload from 13,125 to 13,350 @ \$55. | 0.04 | | | | 0.04 |
| Children & Families | To cover Federal admin fee for AABD caseload increase of 225, 1/4 year @ \$9.06, 3/4 year @ \$9.29. | 0.01 | | | | 0.01 |
| Children & Families | To cover an increase in federal administrative charge \$9.06 to \$9.29 for 13,125 cases - AABD. | 0.01 | | | | 0.01 |
| Children & Families | To cover an estimated costs of evaluations (75 @ \$5,000 per evaluation) to meet Child Abuse Prevention and Treatment Act (CAPTA) requirements effective July 1, 2005. | 0.04 | | | | 0.04 |
| Children & Families | To cover reorganization transfer related to Families, Infants & Toddlers Program (FITP). | 0.15 | | | | 0.15 |
| Children & Families | Savings from an estimated decrease in Subsidized adoption caseload from appropriated 1,404 to an estimate of 1,380 (24X \$8,262 per case). | (0.09) | | | | (0.09) |
| Children & Families | To cover an increase in costs of Client transportation. | 0.05 | | | | 0.05 |
| Children & Families | To cover an increase in Subsidized adoption cost per case from \$8,263 to \$8,646 (\$383 X 1380). | 0.23 | | | | 0.23 |
| Children & Families | To cover costs of a retroactive increase in reimbursement to Brattleboro Retreat. | 0.03 | | | | 0.03 |
| Children & Families | To cover an estimated increase in costs for court-ordered evaluations. | 0.04 | | | | 0.04 |
| Children & Families | To cover substitute care increased cost per case - 4-E. | 0.24 | | | | 0.24 |
| Children & Families | To cover substitute care increased cost per case - Medicaid. | 0.07 | | | | 0.07 |
| Children & Families | To cover substitute care increased cost per case MCO-qualified cost. | 0.13 | | | | 0.13 |
| Children & Families | To replace declining Federal receipts from Title 4-E (Foster Care Maintenance payments) related to decreasing eligibility rates. | 0.18 | | | | 0.18 |
| Children & Families | Savings from an estimated decrease in Reach Up caseload from 13,100 to 12,400 (700 X \$ 201.96 X 12). | (0.96) | | | | (0.96) |
| Children & Families | To cover an increase in average Reach Up cost per case from \$201.96 to \$210.38 (\$8.42 X 12,400 X 12). | 0.52 | | | | 0.52 |
| Children & Families | To cover additional costs due to increased usage of overtime and temporary workforce at Woodside. | 0.11 | | | | 0.11 |
| Children & Families | To cover the estimated increase in operating expenses at Woodside. | 0.05 | | | | 0.05 |
| Disabilities, Aging & Independent Living | To fund Area Agency on Aging request for increased costs, primarily to volunteers. | 0.17 | | | | 0.17 |
| Disabilities, Aging & Independent Living | To restore MCO-qualified Flexible Family funding. | 0.16 | | | | 0.16 |
| Corrections | To cover costs of double fill of Parole Board Director position, increased Board member per diems and higher Board Chair compensation (per 2005 Act 63). | 0.11 | | | | 0.11 |
| Corrections | To cover new contract for Correctional mental health services - FY 2006 portion of increased contract related costs. | 0.19 | | | | 0.19 |
| Corrections | To cover cost of Prisoners to be outfitted in uniforms in additional Correctional facilities. | 0.13 | | | | 0.13 |
| Corrections | To cover costs of position reclassifications for Correctional Officer Is & Correctional Officer IIs, effective Oct 1 and Oct 30, 2005 respectively, depending on probationary status. | 1.26 | | | | 1.26 |
| Corrections | To replenish the appropriation for the \$3.5 M transfer to LIHEAP, per 11/1/05 Emergency Board. | 3.50 | | | | 3.50 |

**Fiscal Year 2006 Budget Adjustment Act
Governor's Recommendation
(\$ in Millions)**

| | | General Fund | Transportation Fund | Special* Funds | Education Fund | Combined Funds |
|--|---|-----------------|------------------------|-------------------|-------------------|-------------------|
| Corrections | To backfill additional \$3.2 M transferred to LIHEAP pending federal contingency award, per 11/1/05 Emergency Board. | 2.60 | | | | 2.60 |
| Education | Savings from change of one position from Federal funding to General fund. | (0.04) | | | | (0.04) |
| Education | To fund change of one position to General Fund from Federal funding. | 0.04 | | | | 0.04 |
| Education | To cover increase in education costs due to an increase in the rates and number of students placed by AHS in residential facilities and school districts outside the original school district. \$800,000 is to cover FY05 deficit paid for out of FY06 appropriation. | | | | 1.90 | 1.90 |
| Tax | To meet Property Tax Assistance - Income Sensitivity requirement, that remains after additional \$3.4M contingent appropriation in 2005 Act 71 Sec 264(a)(4). | | 0.35 | | | 0.35 |
| Natural Resources | To cover possible litigation relating to the International Paper Company proposed tire burn. | 0.25 | | | | 0.25 |
| Natural Resources | To cover the expected increase in PILOT cost of \$92,864 over the FY 2006 budget. | 0.09 | | | | 0.09 |
| Debt service | To corrects the debt service appropriation after allowing for carry forward from FY 2005. | - | 0.03 | | | 0.03 |
| Debt service | To cover additional cost (\$28,000) for anticipated short term borrowing, including \$8,500 locked-in cost for the line of credit and \$19,500 for estimated interest. | 0.03 | | | | 0.03 |
| Various | Reduce appropriations for Health Plan rate holidays and lower than expected CY 2006 premium rates | (3.33) | (1.38) | | | (4.71) |
| Total adjustments before Global Commitment | | 7.16 | (1.00) | 94.66 | 1.90 | 102.73 |
| Recommended appropriation adjustments - Global Commitment | | | | | | |
| Agency of Human Services Secretary's Office | To implement the Global Commitment waiver | 102.13 | | 136.56 | | 238.70 |
| Office of Vermont Health Access | To implement the Global Commitment waiver | | | (203.98) | | (203.98) |
| Health | To implement the Global Commitment waiver | (39.27) | | (5.20) | | (44.48) |
| Children & Families | To implement the Global Commitment waiver | (19.87) | | (0.73) | | (20.60) |
| Disabilities, Aging & Independent Living | To implement the Global Commitment waiver | (36.72) | | | | (36.72) |
| Corrections | To implement the Global Commitment waiver | (2.06) | | | | (2.06) |
| Total Global Commitment adjustments | | 4.20 | - | (73.35) | - | (69.15) |
| Total Adjustments | | 11.36 | (1.00) | 21.31 | 1.90 | 33.58 |
| Total adjusted recommended FY2006 appropriation | | 1,065.30 | 224.36 | 435.35 | 1,242.07 | 2,967.09 |

* Special funds include Tobacco Settlement Funds

Note: Totals may not add due to rounding

General Fund Summary
Fiscal Years 2004 - 2008
(\$ in Millions)

| | Actual FY 2004 | Actual FY 2005 | Governor Recommends FY 2006 | Governor Recommends FY 2007 | Forecast FY 2008 |
|---|-------------------|-------------------|-----------------------------------|-----------------------------------|---------------------|
| Sources | | | | | |
| Current law revenues | 921.65 | 1035.33 | 1,070.40 | 1,092.60 | 1,117.40 |
| 2003 Act 68 sales tax implementation | 28.90 | - | - | - | - |
| Streamline Sales Tax | - | - | - | (1.87) | - |
| VEDA debt forgiveness | (1.34) | (2.04) | - | - | - |
| Direct applications, transfers in & reversions | 17.30 | 20.65 | 6.45 | 16.43 | 7.50 |
| Additional Property Transfer Tax to GF | 5.88 | 13.77 | 12.16 | 9.67 | 8.25 |
| Property transfer tax to HATF | - | - | - | (0.50) | - |
| For approp from GF Reserve | - | 15.63 | 19.64 | 9.74 | - |
| Total sources | 972.39 | 1083.34 | 1,108.65 | 1,126.07 | 1,133.15 |
| Uses | | | | | |
| Base appropriations | 898.03 | 949.87 | 1,046.46 | 1,119.63 | 1,131.53 |
| Budget Adjustment | 18.36 | 68.87 | 11.36 | - | - |
| Other Bills | 0.00 | 1.51 | 0.05 | - | - |
| Federal Flexible Funding replacement | (50.00) | - | - | - | - |
| Enhanced Federal Financial Participation | (7.50) | - | - | - | - |
| Additional GF transfer to Ed Fund per 2003 Act 68 | 28.90 | - | - | - | - |
| Pay Act | 0.52 | 5.74 | 7.43 | 3.80 | - |
| One-time waterfall and other adjustments | 25.40 | 12.22 | 18.75 | - | - |
| Total appropriations | 913.71 | 1038.21 | 1,084.05 | 1,123.43 | 1,131.53 |
| Transfer from Human Services Caseload Reserve | 1.700 | - | 7.00 | - | - |
| Total uses | 915.41 | 1038.21 | 1,091.05 | 1,123.43 | 1,131.53 |
| Subtotal operating surplus (deficit) | 56.98 | 45.13 | 17.60 | 2.64 | 1.62 |
| Allocation of surplus | | | | | |
| Transfers (to) / from other funds | | | | | |
| Transportation Fund | (4.47) | (4.77) | (10.02) | - | - |
| Tobacco settlement | - | - | - | - | - |
| General Bond Fund | (1.71) | 1.71 | - | - | - |
| Human Services Caseload Reserve | (3.00) | - | 8.30 | - | - |
| Health Access Trust Fund | (2.00) | (14.29) | - | - | - |
| Internal Service Funds | (10.01) | (3.72) | - | - | - |
| Capital Funds FY2006 | - | - | - | - | - |
| Assorted Funds | (0.93) | (3.14) | - | - | - |
| Total transfers (to) / from other funds | (22.12) | (24.21) | (1.72) | - | - |
| Reserved in GF (designated) | | | | | |
| Budget Stabilization Reserve | (20.93) | (1.28) | (6.14) | (2.64) | (1.62) |
| Human Services Caseload Reserve | 1.70 | - | - | - | - |
| Reserved in GF Surplus Reserve | (15.63) | (19.64) | (9.74) | - | - |
| Total reserved in the GF (designated) | (34.86) | (20.92) | (15.88) | (2.64) | (1.62) |
| Total allocated | (56.98) | (45.13) | (17.60) | (2.64) | (1.62) |
| Unallocated operating surplus (deficit) | (0.00) | 0.00 | 0.00 | 0.00 | 0.00 |
| Stabilization Reserve 5% statutory level | 44.49 | 45.77 | 51.91 | 54.55 | 56.17 |
| GF Reserves (cumulative) | | | | | |
| Budget Stabilization Reserve | 44.49 | 45.77 | 51.91 | 54.55 | 56.17 |
| Human Services Caseload Reserve | 18.54 | 18.54 | 10.24 | 17.24 | 17.24 |
| Reserved in GF Surplus Reserve | 15.63 | 19.64 | 9.74 | - | - |
| Total GF reserve balances | 78.66 | 83.95 | 71.89 | 71.79 | 73.41 |

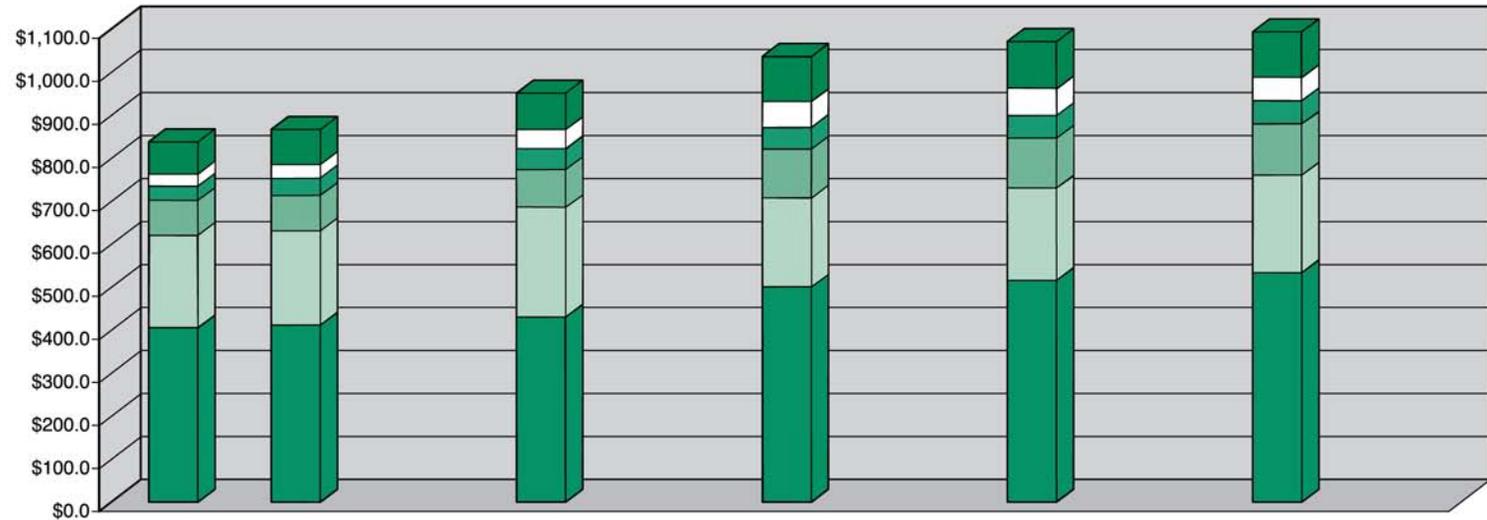
Transportation Fund Summary
Fiscal Years 2004 - 2008
(\$ in Millions)

| | Actual FY 2004 | Actual FY 2005 | Governor Recommends FY 2006 | Governor Recommends FY 2007 | Forecast FY 2008 |
|---|---------------------|--------------------|-----------------------------------|-----------------------------------|---------------------|
| Sources | | | | | |
| Current law revenues | 214.57 | 210.70 | 215.60 | 219.80 | 226.30 |
| Fees and retained revenue after FY06 | - | - | - | 24.20 | 24.65 |
| Other Revenue | - | - | 0.35 | - | - |
| Direct applications & reversions | 5.64 | 7.33 | 2.86 | 0.25 | 0.25 |
| Federal reimbursements | 3.91 | - | - | - | - |
| Current year sources | <u>224.12</u> | <u>218.03</u> | <u>218.81</u> | <u>244.25</u> | <u>251.20</u> |
| For approp from TF Reserve | - | - | - | - | - |
| Prior year unallocated operating surplus | - | - | - | - | - |
| Total sources | 224.12 | 218.03 | 218.81 | 244.25 | 251.20 |
| Uses | | | | | |
| Base appropriations | 221.03 | 220.54 | 221.41 | 239.00 | 245.12 |
| Budget Adjustment | 0.93 | 0.75 | - | - | - |
| Excess Receipts | 0.27 | 0.02 | - | - | - |
| Rescission | - | - | - | - | - |
| Pay Act | - | 1.46 | - | 2.41 | - |
| Other | - | - | 1.25 | - | 2.50 |
| One-time approps from prior year | - | 2.60 | - | - | - |
| Total uses | <u>222.24</u> | <u>225.37</u> | <u>222.66</u> | <u>241.41</u> | <u>247.62</u> |
| Subtotal operating surplus (deficit) | 1.89 | (7.34) | (3.85) | 2.84 | 3.58 |
| Allocation of surplus | | | | | |
| Transfers (to) / from other funds | | | | | |
| General Fund | 4.77 | 4.78 | 10.02 | - | - |
| Downtown Fund | (0.80) | (0.80) | (0.80) | (0.80) | (0.80) |
| Central Garage Fund | (2.11) | 2.60 | (5.00) | (1.50) | (1.61) |
| FMS Development Fund | (1.56) | 1.56 | - | - | - |
| VT Recreational Trail Fund | (0.37) | (0.37) | (0.37) | (0.37) | (0.37) |
| Total transfers (to) / from other funds | <u>(0.07)</u> | <u>7.77</u> | <u>3.85</u> | <u>(2.67)</u> | <u>(2.78)</u> |
| Reserved in the TF (designated) | | | | | |
| Bond Insurance Premium Reserve | (0.13) | 0.13 | - | - | - |
| Transportation FMS Development Fund | (0.31) | - | - | - | - |
| Budget Stabilization Reserve | (1.38) | (0.56) | - | (0.17) | (0.80) |
| Reserved in TF Surplus Reserve | - | - | - | - | - |
| Total reserved in the TF (designated) | <u>(1.82)</u> | <u>(0.43)</u> | <u>-</u> | <u>(0.17)</u> | <u>(0.80)</u> |
| Total allocated | (1.89) | 7.34 | 3.85 | (2.84) | (3.58) |
| Unallocated operating surplus(deficit) | - | - | - | - | - |
| Stabilization Reserve 5% Statutory Level | 10.54 | 11.10 | 10.91 | 11.27 | 12.07 |
| TF Reserves (cumulative) | | | | | |
| Bond Insurance Premium Reserve | 0.13 | - | - | - | - |
| Transportation FMS Development Fund | 0.31 | (1.56) | (1.56) | (1.56) | (1.56) |
| Budget Stabilization Reserve | 10.54 | 11.10 | 11.10 | 11.27 | 12.07 |
| Reserved in TF Surplus Reserve | - | - | - | - | - |
| Total TF reserve balance | <u><u>10.98</u></u> | <u><u>9.54</u></u> | <u><u>9.54</u></u> | <u><u>9.71</u></u> | <u><u>10.51</u></u> |

Education Fund Summary
Fiscal Years 2004 - 2008
(\$ in Millions)

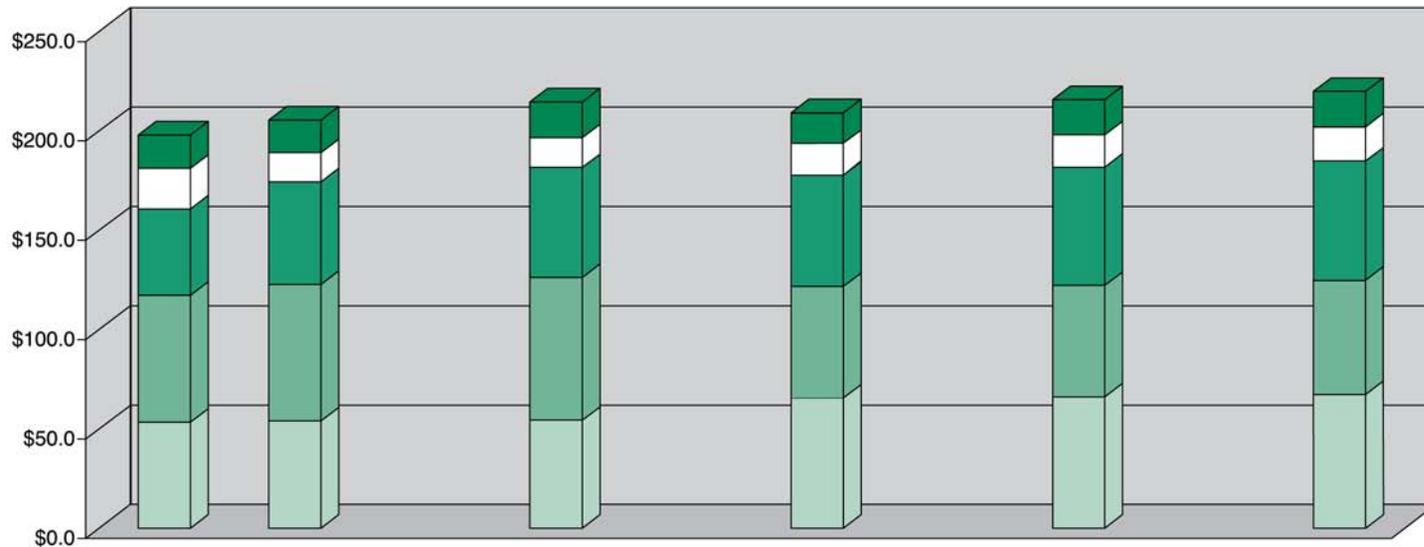
| | Actual FY 2004 | Actual FY 2005 | Governor Recommends FY 2006 | Governor Recommends FY 2007 | Forecast FY 2008 |
|---|-------------------|-------------------|-----------------------------------|-----------------------------------|---------------------|
| Sources | | | | | |
| Current law revenues | 79.41 | 29.92 | 29.90 | 16.28 | 16.73 |
| Sales Tax (after FY04) | - | 103.54 | 107.70 | 112.86 | 118.43 |
| Lottery Revenue | 20.30 | 20.38 | 20.30 | 19.90 | 19.40 |
| Statewide Property Tax/Non-Resident after FY04 | 487.54 | 385.82 | 430.26 | 469.30 | 454.36 |
| Local Share Property Tax/Residential after FY04 | 252.13 | 346.56 | 380.38 | 422.80 | 492.30 |
| Cap on common level of appraisal decrease | - | - | - | - | (1.30) |
| Farmers' Tax Exemption | - | - | - | - | (5.80) |
| General Fund Appropriations | 268.40 | 249.30 | 259.30 | 293.75 | 302.56 |
| Medicaid Reimbursement | 8.63 | 9.62 | 9.62 | 9.62 | 9.62 |
| Direct Applications/Reversions | - | - | - | - | - |
| Interest on Fund Balance | (0.32) | (0.51) | (0.50) | (0.30) | (0.40) |
| Total sources | 1,116.09 | 1,144.63 | 1,236.96 | 1,344.21 | 1,405.90 |
| Uses | | | | | |
| Base Appropriations | 859.69 | 1,154.75 | 1,240.50 | 1,340.66 | 1,404.30 |
| Local Share Payments | 225.87 | - | - | - | - |
| School Construction Assistance | 2.13 | 0.46 | 0.45 | 0.38 | 0.20 |
| Total uses | 1,087.69 | 1,155.21 | 1,240.95 | 1,341.04 | 1,404.50 |
| Subtotal operating surplus (deficit) | 28.40 | (10.58) | (3.99) | 3.17 | 1.40 |
| Allocation of surplus | | | | | |
| Transfer (to) / from other funds / reserves | | | | | |
| General Fund | - | - | - | - | - |
| Total transfers (to) / from other funds | - | - | - | - | - |
| Reserved in the EF (designated) | (1.87) | (1.75) | (2.02) | (3.16) | (1.41) |
| Budget Stabilization Reserve | (11.68) | (0.14) | (2.02) | (3.16) | (1.41) |
| Total reserved in the EF (designated) | (13.55) | (1.89) | (2.02) | (3.16) | (1.41) |
| Total allocated | (13.55) | (1.89) | (2.02) | (3.16) | (1.41) |
| Unallocated operating surplus (deficit) | 14.85 | 2.38 | (3.63) | (3.62) | (3.63) |
| EF Reserves (cumulative) | | | | | |
| Budget Stabilization Reserve | 11.68 | 0.14 | 2.02 | 3.16 | 1.41 |
| Total EF reserve balance | 22.76 | 22.90 | 24.92 | 28.08 | 29.49 |

General Fund Revenues FY 2002 to 2007



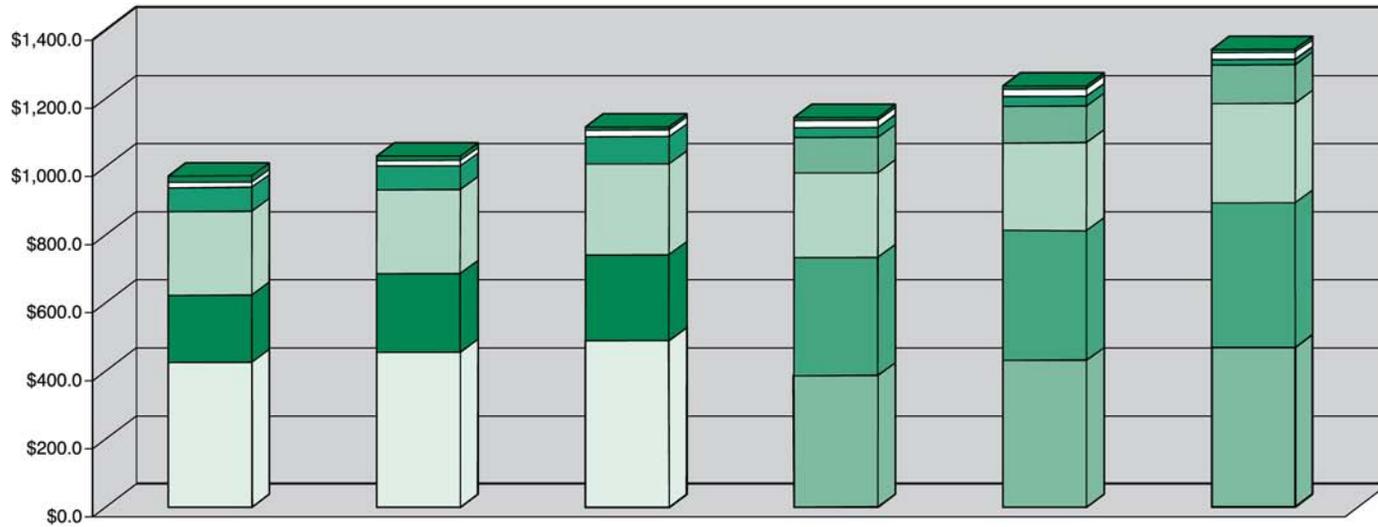
| | FY 2002 | FY 2003 | % Change | FY 2004 | % Change | FY 2005 | % Change | FY 2006 | % Change | FY 2007 | % Change |
|---------------------|----------------|----------------|-----------------|----------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| (\$ in Millions) | actual | actual | 2002-2003 | actual | 2003-2004 | actual | 2004-2005 | projected | 2005-2006 | projected | 2006-2007 |
| Other | \$74.9 | \$81.9 | 9.3% | \$84.4 | 3.1% | \$104.4 | 23.7% | \$108.6 | 4.0% | \$105.2 | -3.1% |
| Corporate | \$25.9 | \$28.6 | 10.5% | \$45.1 | 57.6% | \$60.4 | 33.9% | \$63.1 | 4.5% | \$53.8 | -14.7% |
| Insurance | \$34.9 | \$42.5 | 21.7% | \$47.0 | 10.7% | \$50.3 | 7.0% | \$52.9 | 5.2% | \$54.3 | 2.6% |
| Meals and Rooms | \$81.1 | \$83.1 | 2.5% | \$88.4 | 6.4% | \$113.0 | 27.9% | \$115.0 | 1.8% | \$118.6 | 3.1% |
| Sales and Use Taxes | \$214.8 | \$218.6 | 1.8% | \$255.8 | 17.0% | \$207.2 | -19.0% | \$215.4 | 4.0% | \$227.6 | 5.7% |
| Personal Income Tax | \$405.1 | \$411.2 | 1.5% | \$429.8 | 4.5% | \$500.5 | 16.4% | \$515.4 | 3.0% | \$533.1 | 3.4% |
| Total | \$836.7 | \$865.9 | 3.5% | \$950.6 | 9.8% | \$1,035.8 | 9.0% | \$1,070.4 | 3.3% | \$1,092.6 | 2.1% |

Transportation Fund Revenues FY 2002 to 2007



| (\$ in Millions) | FY 2002 | FY 2003 | % Change | FY 2004 | % Change | FY 2005 | % Change | FY 2006 | % Change | FY 2007 | % Change |
|--------------------|----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|
| | actual | actual | 2002-2003 | actual | 2003-2004 | actual | 2004-2005 | projected | 2005-2006 | projected | 2006-2007 |
| Diesel Fuel Tax | \$16.8 | \$16.4 | -2.4% | \$18.0 | 9.8% | \$15.5 | -14.0% | \$17.6 | 13.5% | \$17.9 | 1.7% |
| Other Revenues | \$20.4 | \$14.7 | -27.9% | \$15.2 | 3.3% | \$15.9 | 4.7% | \$16.3 | 2.5% | \$17.1 | 4.9% |
| Motor Vehicle Fees | \$43.5 | \$51.6 | 18.6% | \$55.2 | 6.9% | \$56.1 | 1.7% | \$59.6 | 6.2% | \$60.2 | 1.0% |
| Purchase & Use Tax | \$63.9 | \$68.7 | 7.5% | \$71.9 | 4.7% | \$56.1 | -22.0% | \$56.0 | -0.2% | \$57.5 | 2.7% |
| Gasoline Tax | \$53.3 | \$54.0 | 1.3% | \$54.3 | 0.5% | \$65.5 | 20.7% | \$66.1 | 0.9% | \$67.1 | 1.5% |
| Total | \$197.9 | \$205.4 | 3.8% | \$214.6 | 4.5% | \$209.1 | -2.5% | \$215.6 | 3.1% | \$219.8 | 1.9% |

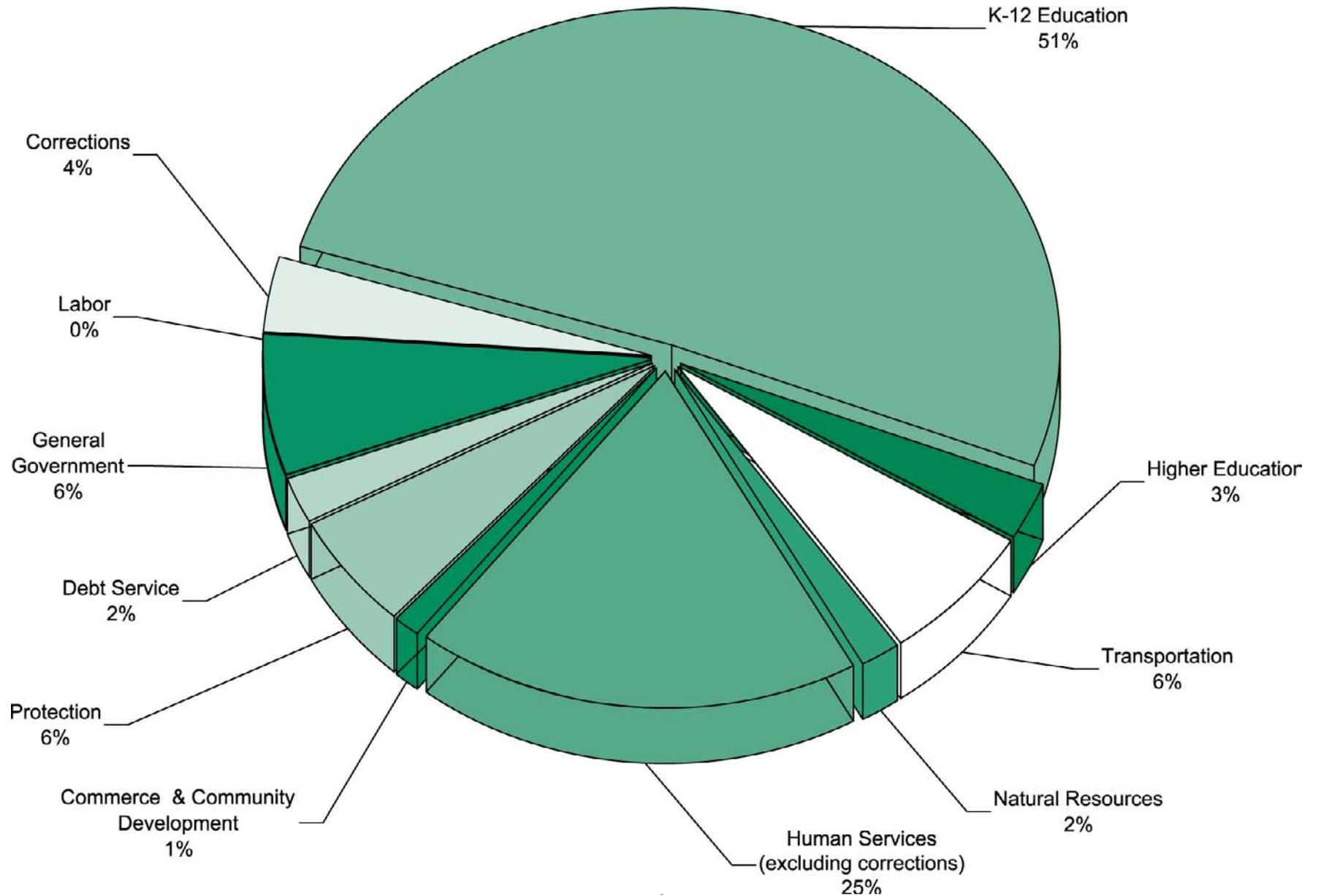
Education Fund Revenues FY 2002 to 2007



| | FY 2002 | FY 2003 | % Change | FY 2004 | % Change | FY 2005 | % Change | FY 2006 | % Change | FY 2007 | % Change |
|------------------------|-----------------|------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| (\$ in Millions) | actual | actual | 2002-2003 | actual | 2003-2004 | actual | 2004-2005 | projected | 2005-2006 | projected | 2006-2007 |
| Other | \$ 18.0 | \$13.8 | -23.5% | \$ 8.3 | -39.6% | \$ 9.1 | 9.6% | \$ 9.1 | 0.1% | \$ 9.3 | 2.2% |
| Lottery Revenue | \$ 16.6 | \$15.5 | -6.4% | \$ 20.3 | 30.7% | \$ 20.4 | 0.4% | \$ 20.3 | -0.4% | \$ 19.9 | -2.0% |
| Act 60 Splinter Taxes | \$ 69.8 | \$70.6 | 1.1% | \$ 79.4 | 12.5% | \$ 29.9 | -62.4% | \$ 29.9 | 0.1% | \$ 16.3 | -45.6% |
| Sales Tax (after '04) | - | - | - | - | - | \$ 103.6 | - | \$ 107.7 | 4.0% | \$ 112.9 | 4.8% |
| General Fund Approp.** | \$ 246.4 | \$245.7 | -0.3% | \$ 268.4 | 9.2% | \$ 249.3 | -7.1% | \$ 259.3 | 4.0% | \$ 293.7 | 13.3% |
| Local Share Prop Tax | \$ 197.4 | \$231.9 | 17.5% | \$ 252.1 | 8.7% | \$ 346.6 | 37.5% | \$ 380.4 | 9.8% | \$ 422.8 | 11.2% |
| Statewide Prop Tax | \$ 424.2 | \$454.0 | 7.0% | \$ 487.5 | 7.4% | \$ 385.8 | -20.9% | \$ 430.3 | 11.5% | \$ 469.3 | 9.1% |
| NonRes Property Tax* | - | - | - | - | - | \$ - | - | \$ - | - | \$ - | - |
| Resident Property Tax* | - | - | - | - | - | \$ - | - | \$ - | - | \$ - | - |
| Total | \$ 972.3 | \$1,031.4 | 6.1% | \$ 1,116.1 | 8.2% | \$ 1,144.6 | 2.6% | \$ 1,237.0 | 10.8% | \$ 1,344.2 | 17.4% |

FY2007 Appropriations

General, Transportation, and Special Funds Including Tobacco, & Education Fund



FISCAL YEAR 2007 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds
FISCAL YEAR 2007

| Agency/Department/Program | FY 2007 Gov Recommend GF | FY 2007 Gov Recommend TF | FY 2007 Gov Recommend Tobacco & SF | FY 2007 Gov Recommend GF,TF,SF,Tob | FY 2006 Gov Recommend GF,TF,SF,Tob | FY 06-07 % Change |
|---|--------------------------------|--------------------------------|--|--|--|-------------------------|
| GENERAL GOVERNMENT | | | | | | |
| Agency of Administration: | | | | | | |
| Secretary of Administration | 915,077 | 0 | 0 | 915,077 | 896,760 | 2.0% |
| Finance & Management | 1,104,189 | 0 | 74,272 | 1,178,461 | 928,009 | 27.0% |
| Human Resources | 2,908,694 | 0 | 290,500 | 3,199,194 | 2,812,890 | 13.7% |
| Buildings and General Services | 4,290,420 | 4,799,292 | 311,260 | 9,400,972 | 9,627,092 | -2.3% |
| Tax | 13,909,182 | 0 | 619,230 | 14,528,412 | 13,993,022 | 3.8% |
| Libraries | 2,546,703 | 0 | 219,026 | 2,765,729 | 2,556,006 | 8.2% |
| Total Agency of Administration | <u>25,674,265</u> | <u>4,799,292</u> | <u>1,514,288</u> | <u>31,987,845</u> | <u>30,813,779</u> | <u>3.8%</u> |
| GIS | 0 | 0 | 393,957 | 393,957 | 393,957 | 0.0% |
| Auditor of Accounts | 521,987 | 0 | 54,431 | 576,418 | 582,378 | -1.0% |
| State Treasurer | 1,028,843 | 0 | 1,315,253 | 2,344,096 | 2,416,627 | -3.0% |
| Labor Relations Board | 194,239 | 0 | 5,870 | 200,109 | 197,567 | 1.3% |
| Executive Office | 1,490,119 | 0 | 0 | 1,490,119 | 1,421,953 | 4.8% |
| VOSHA Review Board | 20,269 | 0 | 0 | 20,269 | 20,097 | 0.9% |
| Use Tax Reimbursement | 8,113,944 | 0 | 0 | 8,113,944 | 6,898,455 | 17.6% (1) |
| Property Tax Assistance | 16,995,000 | 0 | 0 | 16,995,000 | 10,716,276 | 58.6% (1) |
| Lt. Governor | 147,018 | 0 | 0 | 147,018 | 136,372 | 7.8% |
| Legislature | 5,073,677 | 0 | 0 | 5,073,677 | 5,161,921 | -1.7% |
| Legislative Council | 1,928,089 | 0 | 0 | 1,928,089 | 1,822,484 | 5.8% |
| Legislative Information Technology | 588,258 | 0 | 0 | 588,258 | 563,413 | 4.4% |
| Sergeant at Arms | 501,050 | 0 | 0 | 501,050 | 501,779 | -0.1% |
| Joint Fiscal Office | 1,151,940 | 0 | 0 | 1,151,940 | 1,118,373 | 3.0% |
| PILOT/Montpelier Services | 784,000 | 0 | 2,100,000 | 2,884,000 | 2,684,000 | 7.5% |
| Corrections PILOT | 40,000 | 0 | 0 | 40,000 | 40,000 | 0.0% |
| TOTAL GENERAL GOVERNMENT | <u>64,252,698</u> | <u>4,799,292</u> | <u>5,383,799</u> | <u>74,435,789</u> | <u>65,489,431</u> | <u>13.7%</u> (1) |
| PROTECTION TO PERSONS AND PROPERTY | | | | | | |
| Attorney General | 3,269,648 | 0 | 2,465,000 | 5,734,648 | 4,289,861 | 33.7% |
| Court Diversion | 1,204,534 | 0 | 400,000 | 1,604,534 | 1,525,071 | 5.2% |
| State's Attorneys | 7,467,231 | 0 | 100,578 | 7,567,809 | 7,365,064 | 2.8% |
| Center for Crime Victim Services | 1,085,253 | 0 | 4,411,155 | 5,496,408 | 5,272,299 | 4.3% |
| Sheriffs | 3,089,834 | 0 | 0 | 3,089,834 | 3,048,656 | 1.4% |
| Defender General | 8,849,021 | 0 | 602,502 | 9,451,523 | 8,971,035 | 5.4% |
| Military | 3,174,644 | 0 | 0 | 3,174,644 | 3,082,446 | 3.0% |
| Labor & Industry | 0 | 0 | 0 | 0 | 2,801,823 | -100.0% (2) |
| Criminal Justice Training Council | 1,156,978 | 0 | 505,452 | 1,662,430 | 1,684,604 | -1.3% |
| Liquor Control | 0 | 0 | 289,768 | 289,768 | 289,768 | 0.0% |

(1) Excluding Use Tax Reimbursement & Property Tax Assistance, General Government increase is 3.0 %.
(2) New Department of Labor (Department of Employment & Training merged with Department of Labor & Industry)

FISCAL YEAR 2007 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds
FISCAL YEAR 2007

| Agency/Department/Program | FY 2007 Gov Recommend GF | FY 2007 Gov Recommend TF | FY 2007 Gov Recommend Tobacco & SF | FY 2007 Gov Recommend GF,TF,SF,Tob | FY 2006 Gov Recommend GF,TF,SF,Tob | FY 06-07 % Change |
|--|--------------------------------|--------------------------------|--|--|--|----------------------|
| Racing Commission | 5,000 | 0 | 0 | 5,000 | 5,000 | 0.0% |
| Secretary of State | 586,693 | 0 | 3,819,885 | 4,406,578 | 4,274,705 | 3.1% |
| BISHCA | 1,671,857 | 0 | 13,322,399 | 14,994,256 | 13,377,234 | 12.1% |
| Public Safety | 6,950,447 | 38,221,563 | 10,034,510 | 55,206,520 | 52,808,613 | 4.5% |
| Agriculture | 5,549,719 | 0 | 6,782,672 | 12,332,391 | 12,038,334 | 2.4% |
| Public Service Department | 0 | 0 | 4,842,865 | 4,842,865 | 4,726,250 | 2.5% |
| Enhanced 911 Board | 0 | 0 | 2,478,194 | 2,478,194 | 2,417,588 | 2.5% |
| Public Service Board | 0 | 0 | 2,757,097 | 2,757,097 | 2,690,294 | 2.5% |
| Judiciary | 29,529,189 | 0 | 682,335 | 30,211,524 | 28,499,800 | 6.0% |
| Human Rights Commission | 288,006 | 0 | 0 | 288,006 | 277,299 | 3.9% |
| TOTAL PROTECTION | 73,878,054 | 38,221,563 | 53,494,412 | 165,594,029 | 159,445,744 | 3.9% |
| HUMAN SERVICES | | | | | | |
| Agency of Human Services: | | | | | | |
| AHS - Secretary's Office | 143,311,993 | 0 | 197,233,005 | 340,544,998 | 244,577,040 | 39.2% (3) |
| Human Services Board | 179,940 | 0 | 0 | 179,940 | 129,693 | 38.7% |
| Corrections | 108,757,963 | 0 | 1,637,417 | 110,395,380 | 111,526,245 | -1.0% (3) |
| Health | 27,391,384 | 0 | 12,024,659 | 39,416,043 | 42,342,696 | -6.9% (3) |
| Office of VT Health Access (OVHA) | 0 | 0 | 118,789,153 | 118,789,153 | 145,736,566 | -18.5% (3) |
| Approp to Health Access Trust Fund | 101,648,886 | 0 | 17,250,000 | 118,898,886 | 95,354,989 | 24.7% (3) |
| Department for Children and Families | 81,384,282 | 0 | 22,273,790 | 103,658,072 | 108,787,349 | -4.7% (3) |
| Aging and Independent Living | 16,889,632 | 0 | 1,295,909 | 18,185,541 | 28,597,393 | -36.4% (3) |
| Total Agency of Human Services | 479,564,080 | 0 | 370,503,933 | 850,068,013 | 777,051,971 | 9.4% |
| Commission on Women | 256,487 | 0 | 5,000 | 261,487 | 255,421 | 2.4% |
| RSVP | 131,096 | 0 | 0 | 131,096 | 131,096 | 0.0% |
| Veterans' Home | 913,047 | 0 | 10,193,494 | 11,106,541 | 11,151,621 | -0.4% |
| TOTAL HUMAN SERVICES | 480,864,710 | 0 | 380,702,427 | 861,567,137 | 788,590,109 | 9.3% |
| EMPLOYMENT & TRAINING / LABOR | | | | | | |
| Employment & Training | 2,390,220 | 0 | 2,906,651 | 5,296,871 | 0 | n/d (2) |
| Labor | 0 | 0 | 0 | 0 | 2,290,125 | -100.0% (2) |
| TOTAL EMPLOYMENT & TRAINING / LABOR | 2,390,220 | 0 | 2,906,651 | 5,296,871 | 2,290,125 | 131.3% (2) |

(2) New Department of Labor (Department of Employment & Training merged with Department of Labor & Industry).

(3) Reallocation of expenditures due to the Global Commitment for Health Care Medicaid waiver.

FISCAL YEAR 2007 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds
FISCAL YEAR 2007

| Agency/Department/Program | FY 2007 Gov Recommend GF | FY 2007 Gov Recommend TF | FY 2007 Gov Recommend Tobacco & SF | FY 2007 Gov Recommend GF,TF,SF,Tob | FY 2006 Gov Recommend GF,TF,SF,Tob | FY 06-07 % Change |
|---|--------------------------------|--------------------------------|--|--|--|----------------------|
| GENERAL EDUCATION | | | | | | |
| Department of Education | 13,816,960 | 0 | 2,317,476 | 16,134,436 | 15,713,624 | 2.7% |
| GF Appropriation to Education Fund | 293,746,282 | 0 | 0 | 293,746,282 | 259,300,000 | 13.3% (4) |
| Teachers' Retirement | 0 | 0 | 0 | 0 | 24,446,282 | -100.0% (4) |
| TOTAL GENERAL EDUCATION | 307,563,242 | 0 | 2,317,476 | 309,880,718 | 299,459,906 | 3.5% |
| HIGHER EDUCATION AND OTHER | | | | | | |
| University of Vermont | 40,749,022 | 0 | 0 | 40,749,022 | 39,276,166 | 3.7% |
| Vermont Public Television | 596,785 | 0 | 0 | 596,785 | 573,832 | 4.0% |
| Vermont State Colleges | 24,304,895 | 0 | 0 | 24,304,895 | 23,526,405 | 3.3% |
| Vermont Interactive TV | 839,791 | 0 | 0 | 839,791 | 815,331 | 3.0% |
| Vermont Student Assistance Corp. | 18,437,464 | 0 | 0 | 18,437,464 | 17,771,050 | 3.7% |
| N.E. Higher Education Compact | 80,000 | 0 | 0 | 80,000 | 80,000 | 0.0% |
| TOTAL HIGHER EDUCATION AND OTHER | 85,007,957 | 0 | 0 | 85,007,957 | 82,042,784 | 3.6% |
| TOTAL EDUCATION | 392,571,199 | 0 | 2,317,476 | 394,888,675 | 381,502,690 | 3.5% |
| NATURAL RESOURCES | | | | | | |
| Agency of Natural Resources: | | | | | | |
| ANR - Central Office | 6,138,284 | 0 | 1,079,756 | 7,218,040 | 6,943,235 | 4.0% |
| Environmental Conservation | 8,974,775 | 0 | 15,773,079 | 24,747,854 | 24,002,094 | 3.1% |
| Fish & Wildlife | 2,094,779 | 0 | 0 | 2,094,779 | 2,094,571 | 0.0% |
| Forests, Parks & Recreation | 6,725,662 | 0 | 8,505,768 | 15,231,430 | 14,136,684 | 7.7% |
| Total Agency of Natural Resources | 23,933,500 | 0 | 25,358,603 | 49,292,103 | 47,176,584 | 4.5% |
| Natural Resources Board | 1,058,883 | 0 | 1,689,726 | 2,748,609 | 2,712,331 | 1.3% |
| TOTAL NATURAL RESOURCES | 24,992,383 | 0 | 27,048,329 | 52,040,712 | 49,888,915 | 4.3% |
| COMMERCE & COMMUNITY DEVELOPMENT | | | | | | |
| Agency of Commerce & Comm Development: | | | | | | |
| ACCD - Administration | 2,129,945 | 0 | 0 | 2,129,945 | 1,946,607 | 9.4% |
| Housing & Community Affairs | 1,993,567 | 0 | 4,906,918 | 6,900,485 | 6,868,760 | 0.5% |
| Econ Development | 5,680,144 | 0 | 525,325 | 6,205,469 | 5,558,204 | 11.6% |
| Tourism & Marketing | 4,771,500 | 0 | 0 | 4,771,500 | 4,206,743 | 13.4% |
| Total Agency of Commerce & Comm Development | 14,575,156 | 0 | 5,432,243 | 20,007,399 | 18,580,314 | 7.7% |

(4) For FY07 Teachers' Retirement is included in General Fund transfer to Education Fund.

FISCAL YEAR 2007 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds
FISCAL YEAR 2007

| Agency/Department/Program | FY 2007 Gov Recommend GF | FY 2007 Gov Recommend TF | FY 2007 Gov Recommend Tobacco & SF | FY 2007 Gov Recommend GF,TF,SF,Tob | FY 2006 Gov Recommend GF,TF,SF,Tob | FY 06-07 % Change |
|--|--------------------------------|--------------------------------|--|--|--|----------------------|
| Council on the Arts | 529,618 | 0 | 0 | 529,618 | 494,618 | 7.1% |
| Vermont Symphony Orchestra | 112,780 | 0 | 0 | 112,780 | 101,960 | 10.6% |
| VT Historical Society | 733,393 | 0 | 0 | 733,393 | 630,653 | 16.3% |
| Housing & Conservation Trust | 0 | 0 | 14,038,180 | 14,038,180 | 14,088,426 | -0.4% |
| VT Humanities Council | 180,599 | 0 | 0 | 180,599 | 160,599 | 12.5% |
| TOTAL COMMERCE & COMMUNITY DEV. | 16,131,546 | 0 | 19,470,423 | 35,601,969 | 34,056,570 | 4.5% |
| DEBT SERVICE | 64,549,851 | 2,086,135 | 2,494,835 | 69,130,821 | 67,522,043 | 2.4% |
| TRANSPORTATION | | | | | | |
| Agency of Transportation: | | | | 0 | | |
| AOT Division Appropriations and Programs | 0 | 132,503,203 | 0 | 132,503,203 | 113,100,794 | 17.2% |
| AOT Dept. of Motor Vehicles | 0 | 22,744,734 | 0 | 22,744,734 | 20,586,370 | 10.5% |
| AOT Town Highway Programs | 0 | 38,564,621 | 0 | 38,564,621 | 37,638,055 | 2.5% |
| Total Agency of Transportation | 0 | 193,812,558 | 0 | 193,812,558 | 171,325,219 | 13.1% |
| Trans Bd & MV Arbitration Bd | 0 | 84,600 | 0 | 84,600 | 83,400 | 1.4% |
| TOTAL TRANSPORTATION | 0 | 193,897,158 | 0 | 193,897,158 | 171,408,619 | 13.1% |
| OTHER (Includes Pay Act and One-Time Appropriations) | 3,800,000 | 2,405,219 | 0 | 6,205,219 | 48,973,624 | -87.3% (5) |
| APPROPRIATION TOTAL | 1,123,430,661 | 241,409,367 | 493,818,352 | 1,858,658,380 | 1,769,167,870 | 5.1% |

(5) Includes one-time appropriations to the Health Access Trust Fund (HATF), Transportation, Capital Bill, Pay Act, Vermont Promise Scholarships and other programs.

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2003 - FY 2007

| Agency/Department/Program | FY 2003 Final Appropriation | FY 2004 Final Appropriation | FY 2005 Final Appropriation | FY 2006 Recommended Appropriation | FY 2007 Recommended Appropriation |
|---|-----------------------------------|-----------------------------------|-----------------------------------|---|---|
| GENERAL GOVERNMENT | | | | | |
| Agency of Administration: | | | | | |
| Secretary of Administration | 449,863 | 433,212 | 431,502 | 896,760 | 915,077 |
| Finance & Management | 744,834 | 929,223 | 882,742 | 928,009 | 1,178,461 |
| Human Resources | 2,503,262 | 2,503,619 | 2,513,861 | 2,812,890 | 3,199,194 |
| Buildings and General Services | 9,134,046 | 8,954,094 | 8,779,161 | 9,627,092 | 9,400,972 |
| Tax | 12,367,552 | 13,213,139 | 13,464,474 | 13,993,022 | 14,528,412 |
| Libraries | 2,279,150 | 2,509,490 | 2,527,481 | 2,556,006 | 2,765,729 |
| Total Agency of Administration | <u>27,478,707</u> | <u>28,542,777</u> | <u>28,599,221</u> | <u>30,813,779</u> | <u>31,987,845</u> |
| GIS | 370,360 | 376,992 | 376,992 | 393,957 | 393,957 |
| Auditor of Accounts | 587,686 | 570,481 | 565,323 | 582,378 | 576,418 |
| State Treasurer | 17,633,930 | 2,527,017 | 2,315,176 | 2,416,627 | 2,344,096 |
| Labor Relations Board | 180,188 | 179,818 | 182,127 | 197,567 | 200,109 |
| Executive Office | 1,323,137 | 1,345,371 | 1,357,809 | 1,421,953 | 1,490,119 |
| Governor-elect | 30,000 | 0 | 0 | 0 | 0 |
| VOSHA Review Board | 18,654 | 20,150 | 20,097 | 20,097 | 20,269 |
| Use Tax Reimbursement | 5,100,000 | 5,700,000 | 6,199,670 | 6,898,455 | 8,113,944 |
| Property Tax Assistance | 10,342,000 | 11,469,706 | 12,200,000 | 10,716,276 | 16,995,000 |
| Lt. Governor | 114,671 | 118,551 | 134,647 | 136,372 | 147,018 |
| Legislature | 5,343,065 | 4,952,270 | 5,432,314 | 5,161,921 | 5,073,677 |
| Legislative Council | 1,722,791 | 1,842,400 | 1,692,117 | 1,822,484 | 1,928,089 |
| Legislative Information Technology | 0 | 0 | 514,284 | 563,413 | 588,258 |
| Sergeant at Arms | 368,900 | 444,845 | 496,816 | 501,779 | 501,050 |
| Joint Fiscal Office | 971,826 | 955,220 | 966,184 | 1,118,373 | 1,151,940 |
| PILOT/Montpelier Services | 2,434,000 | 2,434,000 | 2,684,000 | 2,684,000 | 2,884,000 |
| Corrections PILOT | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| TOTAL GENERAL GOVERNMENT | <u>74,059,915</u> | <u>61,519,598</u> | <u>63,776,777</u> | <u>65,489,431</u> | <u>74,435,789</u> |
| PROTECTION TO PERSONS AND PROPERTY | | | | | |
| Attorney General | 3,460,387 | 3,865,372 | 3,924,391 | 4,289,861 | 5,734,648 |
| Court Diversion | 1,104,555 | 1,389,041 | 1,500,071 | 1,525,071 | 1,604,534 |
| State's Attorneys | 6,259,451 | 6,750,366 | 7,090,607 | 7,365,064 | 7,567,809 |
| Center for Crime Victim Services | 1,874,225 | 2,009,595 | 4,363,878 | 5,272,299 | 5,496,408 |
| Sheriffs | 2,639,303 | 2,689,580 | 2,879,048 | 3,048,656 | 3,089,834 |
| Defender General | 7,477,520 | 7,820,545 | 8,618,239 | 8,971,035 | 9,451,523 |
| Military | 2,908,772 | 2,829,536 | 3,100,631 | 3,082,446 | 3,174,644 |
| Labor & Industry | 5,350,627 | 5,621,790 | 5,888,737 | 2,801,823 | 0 |

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2003 - FY 2007

| Agency/Department/Program | FY 2003 Final Appropriation | FY 2004 Final Appropriation | FY 2005 Final Appropriation | FY 2006 Recommended Appropriation | FY 2007 Recommended Appropriation |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---|---|
| Criminal Justice Training Council | 1,249,707 | 1,367,160 | 1,391,759 | 1,684,604 | 1,662,430 |
| Liquor Control | 318,973 | 318,973 | 290,000 | 289,768 | 289,768 |
| Racing Commission | 2,001 | 5,000 | 5,000 | 5,000 | 5,000 |
| Secretary of State | 3,854,500 | 3,995,755 | 4,471,317 | 4,274,705 | 4,406,578 |
| BISHCA | 10,639,191 | 11,054,107 | 12,258,173 | 13,377,234 | 14,994,256 |
| Public Safety | 39,514,876 | 43,848,888 | 45,975,812 | 52,808,613 | 55,206,520 |
| Agriculture | 5,739,217 | 6,059,536 | 10,879,927 | 12,038,334 | 12,332,391 |
| Public Service Department | 4,286,106 | 4,459,443 | 4,710,976 | 4,726,250 | 4,842,865 |
| Enhanced 911 Board | 2,390,368 | 2,417,588 | 2,417,588 | 2,417,588 | 2,478,194 |
| Public Service Board | 2,484,447 | 2,532,516 | 2,624,677 | 2,690,294 | 2,757,097 |
| Judiciary | 24,035,409 | 25,743,890 | 26,868,195 | 28,499,800 | 30,211,524 |
| Human Rights Commission | 257,485 | 242,908 | 273,226 | 277,299 | 288,006 |
| Vt Radiological Emergency | 800,000 | 0 | 0 | 0 | 0 |
| Fire Service Training Council | 929,497 | 924,142 | 983,701 | 0 | 0 |
| TOTAL PROTECTION | 127,576,617 | 135,945,731 | 150,515,953 | 159,445,744 | 165,594,029 |
| HUMAN SERVICES | | | | | |
| Agency of Human Services: | | | | | |
| AHS - Secretary's Office | 5,156,245 | 6,236,669 | 5,248,081 | 244,577,040 | 144,259,434 |
| Human Services Board | 98,500 | 121,879 | 121,082 | 129,693 | 179,940 |
| Corrections | 80,320,660 | 41,090,085 | 102,320,013 | 111,526,245 | 110,395,380 |
| Health | 27,066,989 | 26,688,150 | 77,434,075 | 42,342,696 | 39,416,043 |
| PATH | 225,373,150 | 242,852,108 | 0 | 0 | 0 |
| Office of Vt Health Access (OVHA) | 0 | 0 | 248,797,665 | 145,736,566 | 118,789,153 |
| Approp to Health Access Trust Fund | 85,262,910 | 91,800,857 | 105,389,252 | 95,354,989 | 118,898,886 |
| State Economic Opportunity Office | 5,703,286 | 6,074,122 | 0 | 0 | 0 |
| Office of Child Support | 1,540,550 | 1,568,989 | 0 | 0 | 0 |
| Social & Rehabilitation Services | 40,578,630 | 46,940,218 | 0 | 0 | 0 |
| Department for Children and Families | 0 | 0 | 123,481,846 | 108,787,349 | 103,658,072 |
| Developmental & MH Services | 68,634,322 | 70,674,206 | 0 | 0 | 0 |
| Aging and Disabilities | 16,762,876 | 17,248,060 | 0 | 0 | 0 |
| Aging and Independent Living | 0 | 0 | 59,351,264 | 28,597,393 | 18,185,541 |
| Total Agency of Human Services | 556,498,118 | 551,295,343 | 722,143,278 | 777,051,971 | 653,782,449 |
| Children's Trust Fund | 192,705 | 152,705 | 170,651 | 0 | 0 |
| Commission on Women | 235,386 | 239,151 | 236,777 | 255,421 | 261,487 |
| RSVP | 130,071 | 123,567 | 131,096 | 131,096 | 131,096 |
| Disabled and Needy Veterans | 37,025 | 0 | 0 | 0 | 0 |
| Veterans' Home | 8,937,694 | 8,442,048 | 9,824,564 | 11,151,621 | 11,106,541 |
| Association for the Blind | 24,447 | 24,447 | 0 | 0 | 0 |
| TOTAL HUMAN SERVICES | 566,055,446 | 560,277,261 | 732,506,366 | 788,590,109 | 665,281,573 |

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2003 - FY 2007

| Agency/Department/Program | FY 2003 Final Appropriation | FY 2004 Final Appropriation | FY 2005 Final Appropriation | FY 2006 Recommended Appropriation | FY 2007 Recommended Appropriation |
|--|-----------------------------------|-----------------------------------|-----------------------------------|---|---|
| EMPLOYMENT & TRAINING / LABOR | | | | | |
| Employment & Training | 797,624 | 1,267,259 | 1,269,541 | 2,290,125 | 0 |
| Labor | 0 | 0 | 0 | 0 | 5,296,871 |
| TOTAL EMPLOYMENT & TRAINING / LABOR | 797,624 | 1,267,259 | 1,269,541 | 2,290,125 | 5,296,871 |
| GENERAL EDUCATION | | | | | |
| Department of Education | 16,659,213 | 16,384,121 | 16,172,896 | 15,713,624 | 16,134,436 |
| GF Appropriation to Education Fund | 245,705,935 | 268,400,000 | 249,300,000 | 259,300,000 | 293,746,282 |
| Teachers' Retirement | 30,653,682 | 20,446,282 | 20,446,282 | 24,446,282 | 0 |
| TOTAL GENERAL EDUCATION | 293,018,830 | 305,230,403 | 285,919,178 | 299,459,906 | 309,880,718 |
| HIGHER EDUCATION AND OTHER | | | | | |
| University of Vermont | 36,202,911 | 36,927,057 | 37,942,512 | 39,276,166 | 40,749,022 |
| Vermont Public Television | 593,507 | 563,832 | 563,832 | 573,832 | 596,785 |
| Vermont State Colleges | 21,361,961 | 22,068,900 | 22,488,403 | 23,526,405 | 24,304,895 |
| Vermont Interactive TV | 836,775 | 795,331 | 795,331 | 815,331 | 839,791 |
| Vermont Student Assistance Corp. | 16,581,671 | 16,683,804 | 17,167,609 | 17,771,050 | 18,437,464 |
| N.E. Higher Education Compact | 75,294 | 88,840 | 88,840 | 80,000 | 80,000 |
| Education Commission of the States | 100 | 0 | 0 | 0 | 0 |
| TOTAL HIGHER EDUCATION AND OTHER | 75,652,219 | 77,127,764 | 79,046,527 | 82,042,784 | 85,007,957 |
| TOTAL EDUCATION | 368,671,049 | 382,358,167 | 364,965,705 | 381,502,690 | 394,888,675 |
| NATURAL RESOURCES | | | | | |
| Agency of Natural Resources: | | | | | |
| ANR - Central Office | 4,251,035 | 4,397,287 | 4,893,450 | 6,943,235 | 7,218,040 |
| Environmental Conservation | 19,337,861 | 19,724,976 | 20,873,398 | 24,002,094 | 24,747,854 |
| Fish & Wildlife | 0 | 0 | 1,896,009 | 2,094,571 | 2,094,779 |
| Forests, Parks & Recreation | 12,994,485 | 13,234,350 | 14,129,565 | 14,136,684 | 15,231,430 |
| Total Agency of Natural Resources | 36,583,381 | 37,356,613 | 41,792,422 | 47,176,584 | 49,292,103 |

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2003 - FY 2007

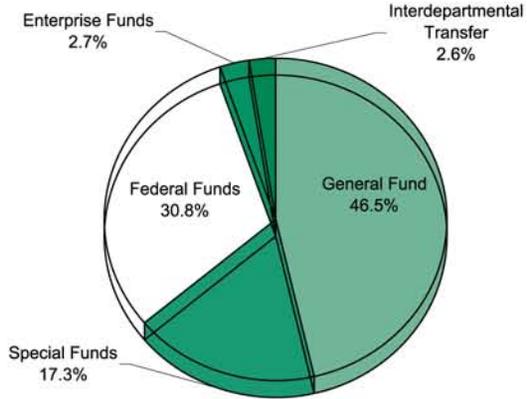
| Agency/Department/Program | FY 2003 Final Appropriation | FY 2004 Final Appropriation | FY 2005 Final Appropriation | FY 2006 Recommended Appropriation | FY 2007 Recommended Appropriation |
|--|-----------------------------------|-----------------------------------|-----------------------------------|---|---|
| Environmental Board | 2,381,046 | 2,505,104 | 0 | 0 | 0 |
| Natural Resources Board | 0 | 0 | 2,846,685 | 2,712,331 | 2,748,609 |
| Water Resources Board | 318,178 | 315,745 | 0 | 0 | 0 |
| TOTAL NATURAL RESOURCES | 39,282,605 | 40,177,462 | 44,639,107 | 49,888,915 | 52,040,712 |
| COMMERCE & COMMUNITY DEVELOPMENT | | | | | |
| Agency of Commerce & Comm Development: | | | | | |
| ACCD - Administration | 1,683,210 | 1,852,465 | 1,874,906 | 1,946,607 | 2,129,945 |
| Housing & Community Affairs | 6,606,572 | 6,686,295 | 6,795,645 | 6,868,760 | 6,900,485 |
| Econ Development | 3,732,412 | 4,412,474 | 5,395,103 | 5,558,204 | 6,205,469 |
| Tourism & Marketing | 4,806,462 | 4,957,085 | 4,678,637 | 4,206,743 | 4,771,500 |
| Total Agency of Commerce & Comm Development | 16,828,656 | 17,908,319 | 18,744,291 | 18,580,314 | 20,007,399 |
| Council on the Arts | 517,206 | 491,618 | 519,618 | 494,618 | 529,618 |
| Vermont Symphony Orchestra | 107,326 | 101,960 | 101,960 | 101,960 | 112,780 |
| VT Historical Society | 405,830 | 629,874 | 597,660 | 630,653 | 733,393 |
| Housing & Conservation Trust | 12,018,000 | 13,534,000 | 13,613,246 | 14,088,426 | 14,038,180 |
| VT Humanities Council | 137,473 | 130,599 | 150,599 | 160,599 | 180,599 |
| TOTAL COMMERCE & COMMUNITY DEV. | 30,014,491 | 32,796,370 | 33,727,374 | 34,056,570 | 35,601,969 |
| DEBT SERVICE | 74,280,858 | 70,152,851 | 67,331,459 | 67,522,043 | 69,130,821 |
| TRANSPORTATION | | | | | |
| Agency of Transportation: | | | | | |
| AOT Division Appropriations and Programs | 100,467,399 | 109,800,381 | 117,577,752 | 113,100,794 | 132,503,203 |
| AOT Dept. of Motor Vehicles | 16,434,068 | 17,235,903 | 19,117,258 | 20,586,370 | 22,744,734 |
| AOT Town Highway Programs | 36,894,889 | 37,296,666 | 40,812,623 | 37,638,055 | 38,564,621 |
| Total Agency of Transportation | 153,796,356 | 164,332,950 | 177,507,633 | 171,325,219 | 193,812,558 |
| Trans Bd & MV Arbitration Bd | 74,762 | 130,000 | 78,400 | 83,400 | 84,600 |
| VT Transportation Authority | 521,259 | 6,000 | 0 | 0 | 0 |
| TOTAL TRANSPORTATION | 154,392,377 | 164,468,950 | 177,586,033 | 171,408,619 | 193,897,158 |
| OTHER (Includes Pay Act and One-Time Appropriations) | 16,692,075 | 36,922,986 | 51,226,499 | 48,973,624 | 6,205,219 |
| APPROPRIATION TOTAL | 1,451,823,057 | 1,485,886,635 | 1,687,544,814 | 1,769,167,870 | 1,662,372,816 |

State Funds—Federal Funds Comparison

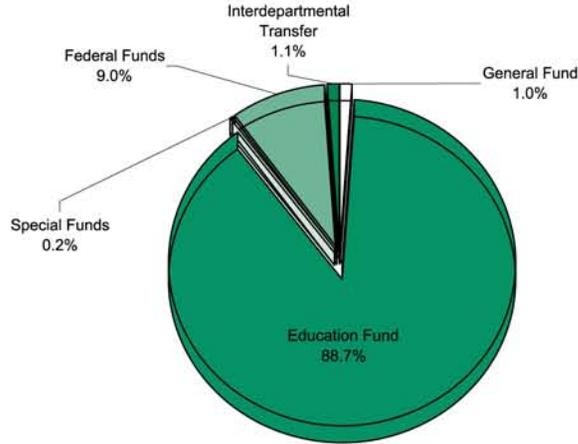
The following charts profile the amount of federal funds as part of the total funding available to major governmental functions. They demonstrate the dependence of important state functions on federal funds.

STATE FUNDS - FEDERAL FUNDS COMPARISON

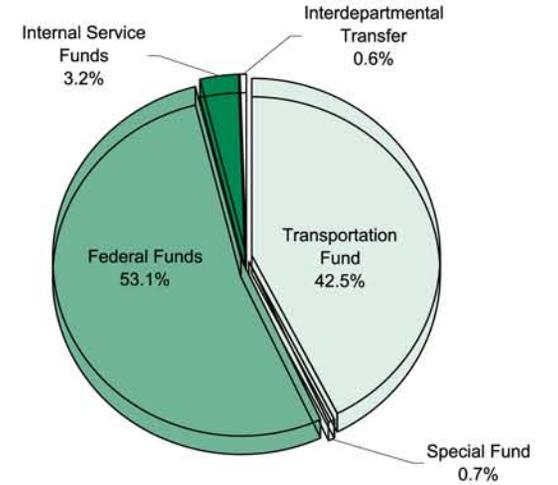
Agency of Commerce and Community Development



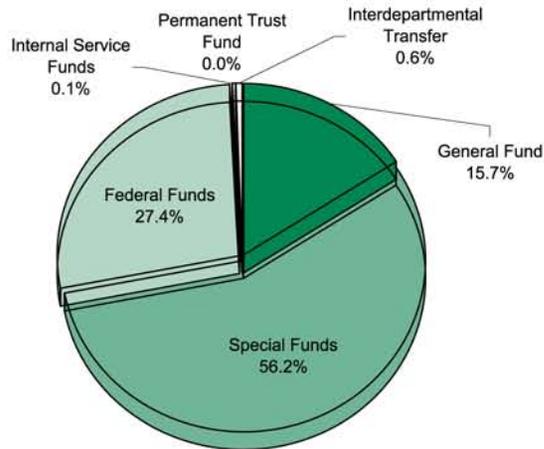
Department of Education



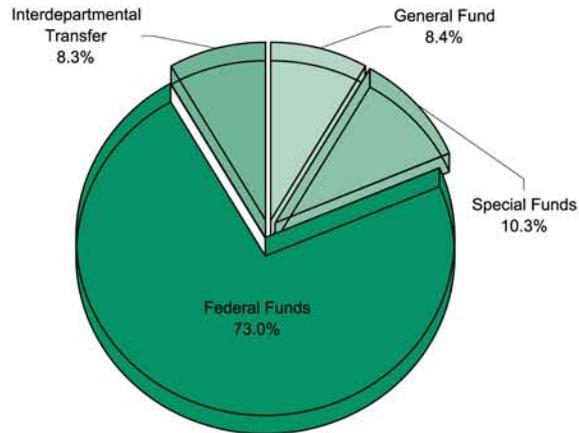
Agency of Transportation



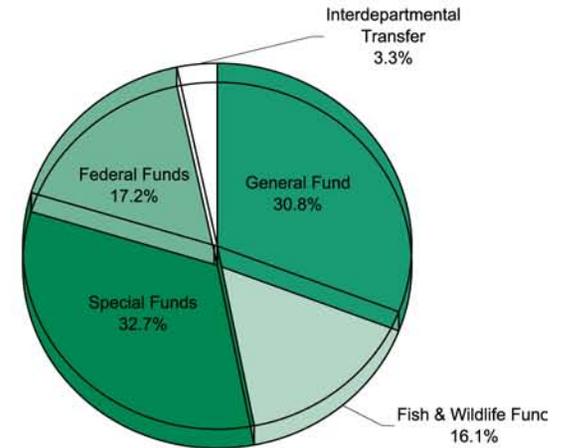
Agency of Human Services



Department of Labor



Agency of Natural Resources



*Differences due to rounding

Retirement Systems: Funding Update

As specified in 32 VSA §311, the following reports on the financial integrity of the State employees' and teachers' retirement systems.

Contribution Levels

As a result of the June 30, 2005 actuarial valuation, the State Employees' Retirement Board of Trustees recommended that during FY 2007 the state contribute 5.13% of payroll, estimated administrative expenses, and \$2,613,496 to liquidate a portion of the unfunded accrued liability. The resulting annual contribution for FY 2007 is \$40,189,812. The Governor's recommendation of a contribution of 9.7% of covered payroll provides full funding of the Board's recommendation. An annual reconciliation of estimated and actual administrative expenses for the Vermont State Employees Retirement System (VSERS) has been instituted and was performed for the FY 2005 plan year, completed last summer. The reconciliation proved that \$2.8 million had been over-contributed to the VSERS for administrative expenses during FY2005 and, in cooperation with the Treasurer's Office; the estimate of administrative expenses for the FY 2006 budget has been adjusted for that over-contribution.

The recommended funding for the State Teachers' Retirement System for FY 2007, as determined by the State Teachers' Retirement Board's actuary, is \$59,239,829. Last year the Legislature agreed with the Governor's funding recommendation of \$24,446,282; a 19.6% increase from the previous year and the first increase in base funding in five years. The Governor's FY 2007 budget recommends a further increase in funding by \$3,240,447 (13.3%) for a total contribution of \$27,686,729. To address longstanding actuarial underfunding, the 2005 General Assembly created the 13 member Commission on Funding the State Teachers' Retirement System of Vermont Pension Accumulation Fund, chaired by the State Treasurer and comprised of representatives from the General Assembly, administration, and other relevant parties, under Act 71 Sec 34b. The Commission concluded its analysis and reported several recommendations to the Governor and the General Assembly on November 15, 2005. The Administration agrees with the Commission's recommendations to adopt the Entry Age Normal actuarial methodology, increase the assumed rate of return for the fund by .25%, and to re-amortize the unfunded liability over 30 years. Further, the Governor stands ready to work with the Legislature to explore the options outlined by the Commission to secure full funding of the actuarial recommendation.

Funding Levels

Based on Governmental Accounting Standards Board Reporting Requirement Number 25 (GASB 25), the funded ratios for the State Employees' and Teachers' Retirement Funds for the period ending June 30, 2005 are 97.8% and 90.7% respectively. If the Entry Age Normal actuarial methodology referenced above is adopted, the funded ratio for Teachers' Retirement fund will be 81.1%. The funded ratios under the old GASB 5 methodology for the State Employees' and Teachers' Retirement Funds for the period ending June 30, 2005 are 99.7% and 86.0% respectively.

The Administration is working with the Treasurer, the Legislative Joint Fiscal Office and the Actuary to determine whether there exists a clearer measure of retirement system funding progress, since both the GASB 5 and GASB 25 methodologies have strengths and shortcomings. Given the current health of the retirement systems, the Governor's recommendations are consistent with the preservation of their overall financial integrity. The proposed funding levels are not expected to have an adverse impact on the long-term financial health of the respective plans.

Conclusion

The Governor is pleased to propose a budget which includes full funding for the State Employees' Retirement Plan, and maintains the increased level of contribution reached last year. As he did at the end of the last fiscal year, the Governor will again recommend that the Teachers' Retirement Plan receive an allocation of available surplus year-end revenues.

Acknowledgements

This Executive Summary and the Governor's Recommended Budget could not have been prepared without the extraordinary efforts of all the staff in the Budget Office of the Department of Finance and Management. Their concern for the State of Vermont, dedication, attention to detail and overall tenacity are greatly appreciated.

The Department of Finance and Management is also grateful for the efforts of all Agency and Department heads and their finance staff. Their contribution to the overall success of the Governor's budget strategy is appreciated.

Please contact any of the following with any questions regarding this booklet at 828-2376:

| | |
|-----------------|---|
| James Reardon | Commissioner |
| Susan Zeller | Deputy Commissioner |
| Otto Trautz | Director of Budget Operations |
| David Beatty | Analyst - Public Safety, Public Service and Treasurer |
| Toni Hartrich | Analyst - Protection functions and Agency of Commerce and Community Development |
| Aaron Brodeur | Analyst - Education, Labor and Agency of Administration |
| Jan Westervelt | Analyst - Agency of Human Services |
| Sarah Clark | Analyst - Agencies of Natural Resources, BISHCA and BDS System Administrator |
| Jason Aronowitz | Analyst - Agency of Transportation |
| Brenda Berry | Executive Assistant, Business Manager |
| Linda Morse | Administrative Assistant |

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Fiscal Year 2007
The Promise of Vermont
Building Generations of Opportunity

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James Reardon, Commissioner.

The purpose of this publication is to inform members of the Vermont
Legislature, state and local government officials, and
Vermont citizens of the Fiscal Year 2007 Budget
Recommendations of Governor James H. Douglas.

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