



Achieving Prosperity Through Affordability



**Fiscal Year 2009
Executive Budget Recommendations**

**James H. Douglas
Governor of Vermont
January 22, 2008**



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Dear Fellow Vermonters:

The current national economic uncertainty requires us to muster the long-held can-do attitude that has always inspired Vermonters to be more resourceful. As resourceful as we are, however, we will be required to make some tough choices among important priorities.

We're very fortunate that over the last several years we've made wise investments in economic growth, focused on affordability, resisted tax increases and restrained spending. As a result, we're in a much better position than many other states to overcome national economic conditions.

In light of our challenges, achieving real results requires we rethink how we deploy taxpayer dollars – evaluate every program, every service and every investment – to ensure maximum effectiveness and efficiency and the best return on these investments. We must revitalize what works well and we must reform what must work better. We can achieve prosperity through affordability, if we make the best use of our limited resources and invest every dollar given to us by taxpayers as if we earned it ourselves.

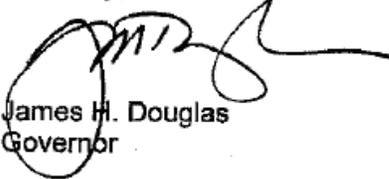
Today, I present to you a fiscal year 2009 budget of \$4.3 billion – which includes a General Fund budget of \$1.2 billion, a 3.2% increase in base appropriations over the current fiscal year. My budget meets three key criteria: it protects the most vulnerable; it invests in immediate economic growth and job creation initiatives like health care reform, telecommunications infrastructure, affordable home ownership and tax relief; and it positions Vermont to emerge from this challenge with a stronger, more innovative and more resilient economy for the long-term.

There are six major increases totaling \$64.37 million that consume virtually all of the available General and Tobacco Fund revenues, and, in some cases, require the redeployment of resources previously spent elsewhere. They include: nearly \$35 million for Catamount Health and Medicaid; \$10.93 million transferred from the General Fund to the Education Fund; \$6.42 million for the Municipal Tax - Homeowner Rebate to help alleviate the property tax burden; \$6.78 million to the Department of Corrections; and \$5.39 million to the Department for Children and Families. After these necessary investments are accounted for, there is little room for spending increases in the remaining areas of state government.

This underscores the difficult task ahead. Crafting a budget that is compassionate and balanced requires difficult choices and a partnership among officials that puts progress first. By keeping one eye on the vision and the other on the bottom line, our budget can protect the most vulnerable, invest in immediate economic growth, and ensure prosperity and peace of mind for future generations.

I look forward to working with the General Assembly and finding common ground to keep Vermont on a responsible fiscal course and able to weather the financial turbulence of the national economy.

Sincerely,



James H. Douglas
Governor

FISCAL YEAR 2008 BUDGET ADJUSTMENT

Revenue Projections

The January 16, 2008 consensus forecast of \$1,186.0 million for the State of Vermont fiscal year 2008 General Fund revenues represents a \$15.8 million increase from the July 2007 consensus estimate of \$1,170.2 million at the beginning of the 2008 fiscal year.

The Transportation Fund and the Education Fund were both adjusted as a result of the January 2008 consensus estimate. The January 2008 consensus forecast of \$228.0 million for fiscal year 2008 Transportation Fund revenues represents a \$1.4 million decrease from the July 2007 consensus estimate of \$229.4 million at the beginning of the 2008 fiscal year. This downgrade is net of a correction which added \$3.7 million to the Transportation Fund for Jet Fuel taxes which had been incorrectly recorded in the General Fund. The Transportation Fund continues to underperform due to increases in fuel prices, a shift to less expensive new vehicle purchases, and a slowing of new vehicle purchases overall. Lastly, the Education Fund projection was decreased by \$4.3 million due to the underperformance of the Motor Vehicle Purchase & Use Tax and the Sales & Use Tax. The following chart shows how the expectations for fiscal year 2008 have been revised over the past 12 months.

Fiscal Year 2008 Revenue Forecasts			
\$ Millions			
	January 2007	July 2007	January 2008
General Fund	\$1,152.7 m	\$1,170.2 m	\$1,186.0 m
Transportation Fund	\$ 232.3 m	\$ 229.4 m	\$ 228.0 m
Education Fund	\$ 168.5 m	\$ 166.4 m	\$ 162.1 m

Fiscal Year 2008 Appropriation Adjustments

The 2008 budget adjustment submitted by the Governor to the Legislature reflects General Fund appropriation increases totaling \$17.79 million. These upward adjustments are composed mainly of a \$6.48 million refund to the Department of Corrections for funds borrowed to pay Low Income Home Energy Assistance (LIHEAP) to Vermonters, \$2.35 million to the Department of Corrections for increases in both inmate medical services and out-of-state bed placement, \$2.64 million for increased caseload in the Department for Children & Families, \$1.72 million for increased cost pressures on the Facilities Operations Fund, and \$4.7 million for Municipal Tax - Homeowner Rebate. The changes for the remaining various units of government (+\$1.84 million) were offset by a dental plan rate holiday (\$-0.4 million) and a one-time reduction in liability insurance premiums rates (-\$1.54 million).

The Governor has also submitted fiscal year 2008 budget adjustments for the Transportation Fund totaling appropriation decreases of -\$1.24 million. These adjustments reflect reductions necessitated by the reduction in the fiscal year 2008 revenue forecast. A summary of the FY 2008 General and Transportation Fund Budget Adjustments is shown on the next page.

Governor's FY 2008 Budget Adjustment Recommendation

General and Transportation Fund Appropriations

\$ millions

	General Fund	Transportation Fund
	<hr/>	<hr/>
Appropriations - FY 2008 Budget Adjustment:		
<u>Agency of Human Services:</u>		
Office of the Secretary	\$ -4.43	\$ -
Office of Vermont Health Access	+4.44	-
Department of Health	+0.33	-
Department of Mental Health	+0.17	-
Department for Children & Families	+2.64	-
Department of Disabilities, Aging and Independent Living	0.00	-
Department of Corrections	+2.35	-
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Sub-total Agency of Human Services	\$ +5.50	\$ -
 <u>Other Units of Government:</u>		
General Fund repayment of LIHEAP funding transferred from the Department of Corrections	\$ +6.48	\$ -
Legislature	+0.12	-
Judiciary	+0.42	-
Dental Plan Rate Holidays	-0.40	-0.09
Department of Public Safety	+0.93	-
Municipal Tax - Homeowner Rebate	+4.70	-
Buildings and General Services	+1.72	-
Liability Insurance Premium Savings	-1.54	-0.66
All other Departments	-0.14	-0.03
Agency of Transportation	-	-0.46
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Sub-total Other	\$ +12.29	\$ -1.24
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Total Appropriation Adjustments	\$ +17.79	\$ -1.24
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Governor Douglas recommends other adjustments to the current fiscal year budget for the Global Commitment, Special and other funds. Please see PAGES 17 - 19 for the fiscal year 2008 Budget Adjustment Recommendation Detail.

FISCAL YEAR 2009 RECOMMENDATIONS

Revenue Projections

On January 16, 2008, the Vermont Emergency Board approved the current consensus revenue estimate, reducing the projected fiscal year 2009 revenues from the previous forecast made six months earlier. The latest forecast reduced projected General Fund revenues in fiscal year 2009, from the July forecast, by \$14.0 million to \$1,184.8 million. The fiscal year 2009 Transportation Fund revenue projection was decreased by \$6.5 million from the July forecast. The forecast for the Education Fund decreased to \$167.4 million, a reduction of \$4.6 million for fiscal year 2009.

Looking forward to fiscal year 2010, the Consensus Revenue Forecast projects a 3.3% increase in General Fund revenues to \$1,224.5 million and a 3.2% increase in Transportation Fund revenues to \$235.2 million.

For fiscal year 2009, the State is faced with reduced General Fund revenue, falling Transportation Fund revenue, the challenges presented by the current economic decline, and the normal inflationary pressures of government costs. The Governor's fiscal year 2009 budget has once again kept the growth within the range of normal inflation plus population growth. The Governor continues to believe that we must live within our means and position Vermont to face these challenges now and into the future. Base spending growth (FY 2008 to FY 2009) is proposed at 3.2% for the General Fund and -1.5% for the Transportation Fund.

This budget maintains a full General Fund Stabilization Reserve, with the Transportation Fund and Education Fund reserves meeting the statutory requirements.

Fiscal Year 2009 Revenue Forecasts			
\$ Millions			
	January 2007	July 2007	January 2008
General Fund	\$1,191.0 m	\$1,198.8 m	\$1,184.8 m
Transportation Fund	\$ 237.1 m	\$ 234.4 m	\$ 227.9 m
Education Fund	\$ 174.1 m	\$ 172.0 m	\$ 167.4 m

Highlights of Governor Douglas' Fiscal Year 2009 Proposals

Economic Development

The Governor's budget fully funds the recommended amounts for the Next Generation Initiative. Of the \$8 million the Governor has budgeted, \$3.4 million or 43% of the total amount is for workforce development. These programs include: \$1.4 million to enhance skills for the unemployed, underemployed and workers in transition. The funds can also be used by employers to provide internship opportunities to students in Vermont colleges, high schools, and technical centers; \$700,000 to the Vermont Employment Training Fund for the Vermont Training Program (VTP), which funds training, in partnership with Vermont's employers, for new and current workers; \$500,000 for out-of-school youth, at-risk youth, and youth at risk of remaining unemployed; \$500,000 to fund technical centers and comprehensive high schools engaging in adult education; and \$300,000 to the University of Vermont for acquiring patents and commercializing technology created at UVM that will generate employment opportunities for Vermonters.

The remainder of the \$8 million is for student loan repayment programs, college scholarships, non-degree grants and dual enrollment programs (see Education section below).

Vermont is positioned to become a leader in the development of innovative environmental technology, products and services. The Governor proposes that we build on his environmental engineering initiative by modifying the Vermont Employment Growth Incentive (VEGI) program to make "green economy" companies eligible for significantly larger incentive levels to create jobs here.

These businesses would have to meet the same eligibility and approval requirements and any approved incentives would fall under the existing VEGI cap. If an existing Vermont company or a new company will add new jobs in research, design, development, or manufacturing of certain environmental technologies or provide certain environmental services, they would be eligible for a significantly enhanced VEGI incentive.

In addition, the Governor urges the Legislature to join him in encouraging the State retirement boards to designate a percentage of their funds for investment in the creation of green jobs. This could generate up to \$10 million in additional capital for investment in entrepreneurship and job creation.

Vermont needs more commercial kitchen infrastructure. The Governor is proposing that the Agency of Commerce and Community Development, in collaboration with the Agency of Agriculture, make \$1 million of Community Development Block Grant funds available to establish two new Vermont Entrepreneurial Kitchens. These kitchens will serve not only as a facility where Vermonters can create their food products and package them for shipment, but also where they will be supported by professionals who can help them to grow their businesses.

Governor Douglas has launched PursueVT, an innovative marketing program designed to reach out to people living beyond our borders. PursueVT puts Vermont in a position to seek the return of the best and brightest to the state to work here or establish a business of their own. PursueVT is proactive in providing real time information and networking opportunities to reconnect people who love Vermont with the opportunities that exist here. The goal of PursueVT is to market what is best about life in Vermont to those who wish to return and build a life here for themselves and their families and to contribute to our economic and community well being. The Governor proposes \$150,000 for this endeavor.

Property Tax Relief

The Governor has laid out a series of proposals to achieve prosperity through affordability and to rethink how state government invests its resources, to revitalize time-tested programs that work well, and to reform those programs and services that must work better. To this end, the Governor has proposed an innovative and responsible way for Vermont to leverage its lottery that can make it more valuable, help us invest in school modernization and provide millions of dollars in relief to Vermont's beleaguered property taxpayers.

Under this proposal, Vermont would lease the administration of the lottery to a private entity. The state would retain control over the entity leasing the lottery, and safeguards in the contract would ensure that the lottery is managed properly.

In return, the state would receive an upfront payment of approximately \$50 million with an additional guaranteed payment of approximately \$23 million annually to the Education Fund, which would increase over the duration of the lease. There will also be a profit sharing mechanism that would ensure the state receives a percentage of the increased sales. Currently, the lottery transfers approximately \$23 million annually to the Education Fund – a transfer that has remained essentially level since 1996. Vermont's percentage of the increase in sales – a condition of the lease – would increase the lottery's contribution to the Education Fund, and help constrain property tax increases over the life of the agreement.

With the upfront payment of \$50 million, the Governor is proposing to lower the burden on property owners by investing \$25 million in direct property tax relief and an additional \$25 million in local school modernization projects. Not only will this proposal ease the financial strain on property taxpayers, it will begin to clear the backlog of school construction, giving our students 21st century learning environments in energy efficient buildings, which will save money for taxpayers in the long run.

It is the obligation of state government to continually look for responsible, innovative ways to maximize revenues. Taking advantage of a market eager to invest and willing to pay a significant premium to do so is a responsible method to in-

crease revenues for the State of Vermont without raising taxes.

Some have suggested that lower income earners would be targeted, but the reality is that any organization leasing the lottery would look for expansion of sales among those with middle and higher incomes, while at the same time providing more marketing and promotion assistance to our state's 720 current lottery retailers. In addition, we would require the organization to fund gambling addiction programs and provide financial counseling to anyone who wins significant prizes.

With strict oversight by the Lottery Commission and a contractual arrangement that safeguards the best interest of Vermonters, leasing the lottery is a unique and responsible way to fund \$50 million in property tax relief.

Housing

The Urban Homestead Program is a creative new approach to providing incentives for the redevelopment of upper floors in older buildings located in our Designated Downtowns and Village Centers by converting that space into housing. The intent of the program is to provide property transfer tax credits as incentives to owners to turn upper story "shells" into completed units of housing. The program will draw more homeowners into our downtowns, providing not only new housing stock but a new population that will invigorate the main streets of our cities, towns and villages. Leveraging potential from conventional sources for the Urban Homestead Program is substantial. Estimates indicate a leveraging ratio of at least 20:1 private capital to incentive, yielding \$5.6 million in private investment on \$280,000 of incentives.

Designed to increase the supply of much needed affordable housing, the Governor's New Neighborhoods plan is property tax revenue positive. Land that is appropriate for New Neighborhoods would yield the same taxes as they currently provide, but as new homes are built on this land, and the grand list value rises, not only would the taxes the land previously yielded continue to be realized, but 25% of the new incremental tax from construction of homes would accrue to the Education Fund for three years. After the initial three years, all of the new taxes generated from these homes will enhance Education Fund revenues indefinitely. This could result in millions of dollars in new revenues.

The Vermont Housing and Conservation Board (VHCB) has maintained over the last seven fiscal years (FY 2001-2007) an average cash balance of more than \$10 million. This money is ultimately used to fund approved projects, but not all projects are in need of immediate funding. In fiscal year 2007, VHCB committed funds in two major categories: \$4.6 million for conservation projects, and \$8.4 million for housing projects. The Governor is recommending lowering the VHCB appropriation in Fiscal Year 2009 by \$4.6 million and reallocating these funds to the Medicaid program for one year only. Approved housing and conservation projects can continue to be funded when ready through the existing cash balance,

and with an emphasis on housing, new housing projects will continue uninterrupted. In Fiscal Year 2010, the Governor has earmarked the \$4.6 million to be again appropriated to VHCB.

Health Care and Medicaid

The Governor is committed to the success of the Catamount Health plan, and therefore has included \$7.5 million in General Fund moneys to enable people with incomes between 200% and 300% of the Federal Poverty Level to receive premium subsidies while he continues to seek federal support. In addition, he has included funds to continue efforts to conduct aggressive outreach and enrollment to ensure that Vermonters know their health care options and receive health care coverage.

The Governor is committed to bending the curve on health care inflation. Continuing to strengthen implementation of the Blueprint for Health will help us assure that Vermonters with chronic conditions get the right care at the right time. Also, with no new additional funds needed, and without jeopardizing its success, the Blueprint budget has been re-arranged to support several new initiatives to improve health care quality and ultimately bring down costs. It provides funding to assist smaller primary care practices to have electronic health information systems starting this year, with the goal of having every primary care doctor in Vermont using a health information system by the end of 2010. It also supports the placement of a prevention specialist in each district office to focus on the prevention of obesity, a major contributor to the prevalence of disease and health care expenditures. To further this effort, the budget contains an additional \$300,000 for communities to develop specific programs that target this epidemic. The Governor also proposes to continue the funding made available in 2007 to implement the Immunization Program within the Department of Health to enable Vermonters to get their recommended vaccines.

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 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 persons in the nation. Faced with a significant deficit in the Medicaid fund, the Governor has appropriated an additional \$27.35 million of General and Tobacco Fund revenues to Medicaid programs to eliminate the projected FY 2009 Medicaid deficit and thereby protect Vermont's most vulnerable. The largest components of this additional revenue include: \$14.58 million slated for the General Fund, \$4.60 million of one-time funds from VHCB (as described above) and \$8.17 million in Tobacco Fund moneys for fiscal years 2008 and 2009, while still protecting the core Tobacco Settlement Fund and the base appropriation for tobacco cessation programs. The \$8.17

million is comprised of the following: \$3.2 million of interest income; \$1.0 million of redirected contingency funding; and \$3.9 million gained by reconfiguring the amortization schedule for moneys due to the Tobacco Trust Fund.

To augment this large infusion in General Fund and Tobacco Fund investments, the Governor is requesting that program participants also contribute through targeted minimal changes in premiums and co-pays. First, we are requesting that VHAP and Dr. Dynasaur premiums be returned to the 2007 levels after being reduced this past year in an effort to help our outreach and enrollment. We also are requesting that premiums for the pharmacy-only programs be increased by 10%, which is a very modest increase of between \$1.50 - \$2.40 per month, depending on income. Although pharmacy costs continue to rise each year, it has been two years since premiums have been raised. Third, we are requesting to reinstate nominal pharmacy co-pays in the VHAP and pharmacy-only programs, which were eliminated in January, 2004. In total, these changes will contribute \$4.41 million toward the full cost of keeping these vital programs and benefits available to Vermonters.

Energy Efficiency Investment Program

The Governor's budget recommends \$1.6 million for a new Energy Efficiency Investment Program for an innovative public-private partnership that will invest \$20 million in energy efficiency efforts over the next four years, without raising taxes. The money would be used to provide resources to the Vermont Weatherization Program, VHFA, VEDA, the four Community Action Agencies and the Northeast Employment and Training Program, to implement this program. The Energy Efficiency Investment Program creates a pool of private capital to provide \$20 million in no-interest or low interest loans allowing homeowners and small businesses to make their buildings more fuel efficient at no net cost, and save them significant amounts of money over time. These resources would be combined with the approximately \$8 million of weatherization grants currently available each year, and which the Governor has funded, to low income Vermonters. In addition, the state would provide \$3.3 million to insure the loans against losses and other expenses. Households of four people with an annual income up to \$41,300 are eligible for the existing weatherization grant program. Those with incomes ranging from \$41,301 to \$61,950 would qualify for no-interest loans. Those above \$61,950 would receive low interest loans. Businesses would also qualify for lower interest loans. Energy audits would be free depending on income. The savings in the first few years could easily repay the loans, making the retrofitting of homes or businesses free. All the savings after that is money back in the pocket of program participants.

Education

Critical to making college more affordable is maintaining our commitment for financial assistance directly to Vermonters and the state institutions that either educate them or provide financial assistance to them. The Governor's budget recommends \$4.6 million in assistance to the following programs: \$3 million in scholarships split evenly among the University of Vermont (UVM), Vermont State Colleges (VSC), and the Vermont Student Assistance Corporation (VSAC); \$500,000 for loan repayments for health care professionals; \$700,000 to VSAC for grants to Vermonters taking part in post-secondary training programs that improve job skills and employment opportunities, but are not degree or certificate related; and \$400,000 in scholarships for secondary school students enrolled in dual enrollment courses at Vermont State Colleges. In addition, even in these tight budget times, the Governor is recommending a 2.5% budget increase using state funds going to UVM, VSC, and VSAC. The Capital Bill recommends an additional \$1.6 million for UVM and \$1.6 million for VSC. Working with the State Treasurer, the Governor is also recommending that the state extend an amount of its moral obligation pledge to future borrowings by UVM and VSC on projects related to deferred maintenance. This could result in lower borrowing costs for both institutions. Higher Education must be a centerpiece of our new economy, producing new leaders with new skills and talents to build the Vermont of tomorrow.

The General Fund will transfer to the Education Fund an increased amount of \$10.9 million for a total of \$291.1 million.

In 2010, Act 82 becomes effective, requiring high spending school districts to seek two approvals from voters. The first will be to allow spending up to inflation plus 1% and the second vote would be necessary to allow any spending above that allowed by the first vote. However, between now and 2010, school budgets for 2009 will be placed before voters. If the Legislature does nothing – and based on current projections – residential property taxes will rise by over 7% and non-residential by almost 10%. Income sensitivity will help mitigate some of the increase for many, but not all, residential taxpayers, but there is no relief for non-residential taxpayers (a large percentage of non-residential property owners are Vermonters).

The Governor proposes to use \$25 million in one-time funds from leasing the lottery to provide one-time property tax relief in 2009. With the use of these lottery funds, residential and non-residential property tax increases can be cut by one-third.

Transportation

Consistent with the Governor's "Affordability Agenda," the Agency of Transportation (VTrans) in fiscal year 2008 began a realignment of priorities called "The Road to Affordability." The Governor believes that the preservation and safety of ex-

isting transportation assets should be VTrans' highest priority so that these assets do not deteriorate to the point where they require major reconstruction at substantial cost. The Road to Affordability continues to be the major focus of the fiscal year 2009 budget, which also includes an increased emphasis on initiatives designed to reduce Vermont's carbon footprint.

In the Governor's fiscal year 2009 budget proposal, there is continued emphasis on preserving and maintaining Vermont's existing transportation system and continued commitment to traveler safety. The Governor's budget, however, remains committed to a limited number of major projects including the Bennington Bypass, Circumferential Highway and the Morrisville Bypass. Setting realistic timetables for these and other large roadway projects will allow funding a 47% increase (\$7.6 million) for critical preservation activities including culverts, bridge maintenance, ditching and ledge and slope repairs. This means a 160% funding increase (\$14.6 million) in these critical areas since FY 2007.

Bridges are an integral part of Vermont's highway infrastructure, and VTrans makes it a high priority to keep them in a safe and usable condition. The transportation budget includes \$56.6 million for bridges – a \$4.2 million increase (8%) over FY 2008 – in the four bridge categories: interstate, state highway, town highway and bridge maintenance. The \$4.5 million decrease (19%) in the Town Highway Bridge Program reflects (a) the large number of federal earmarks that have already been put to work, and (b) the significant gains that have already occurred with regard to the overall condition of our town highway bridges relative to other categories. This budget funds construction on numerous culverts and 53 bridges, including 35 town highway bridges, 16 state highway bridges and two interstate bridges.

Governor Douglas proposes to relieve the burden on the Transportation Fund for FY 2009 by an additional \$1.15 million by reducing the amount that the General Fund uses from the Transportation Fund to fund public safety and replace it with General Fund money. The use of transportation money for General Fund purposes has been reduced steadily by approximately \$8 million under Governor Douglas, with the Governor committed to further reduction in future budget years. The FY 2009 budget also includes the use of \$4.65 million in bonding authority to help address transportation needs.

e-State

Last year the Governor announced that Vermont is striving to be the first e-state by 2010. It is critical that the infrastructure be in place to meet this deadline. The Governor is recommending \$400,000 for the Vermont Telecommunications Authority for personnel and operating expenses. In order to fully utilize the e-state initiative, the Governor is also recommending funding of \$100,000 for the e-communities grant program. The intent of the e-communities grant program is to encourage towns to create local content and applications for their web sites. The funds will be used to support and/or

develop online communities at the municipal level through the use of web sites, blogs, wikis, discussion forums and other innovative methods. The goal of the grants will be to encourage civic involvement and to increase the use of broadband services in the state. The program will be administered by the Department of Information and Innovation. The grant selection committee will consist of one representative each from the Vermont League of Cities and Towns, the Agency of Commerce and Community Development, the Vermont Telecommunications Authority, the Department of Information and Innovation, and the Department of Libraries. The grant selection committee will establish the application process and award criteria on an annual basis. In addition, the Governor is proposing to invest \$150,000 in a partnership with Champlain College and the University of Vermont's Center for Emerging Technologies to provide grants to start-up businesses that are developing cutting edge software.

The Environment

The Clean and Clear Action Plan provides strong on-going efforts by the Agency of Natural Resources and the Agency of Agriculture to reduce non-point source phosphorus pollution. The proposed funding for FY 2009 includes over \$9 million in state operating funds and capital investments that support the Clean and Clear Action Plan in Agriculture, Transportation and Natural Resources. The budget calls for \$150,000 of new capital money to support unregulated stormwater management activities and \$100,000 of new capital money to support additional stream stability projects. The State will provide financial and technical assistance to the NRCS (Natural Resources Conservation Service, USDA) in spending over \$21 million on agricultural water quality projects at Vermont farms. In addition, the State will continue investment of federal funds to support the state's water quality improvement efforts.

Clean and Clear is giving initial emphasis to improving water quality in northern Lake Champlain, particularly the Missisquoi and St. Albans Bay watersheds, by undertaking innovative steps to control land-side phosphorus loads.

Protection

The Governor's Drug Education, Treatment, Enforcement and Rehabilitation Program (DETER) is a comprehensive substance abuse initiative first introduced by Governor Douglas in the fiscal year 2004 budget. The Governor proposes increasing his DETER program budget by \$600,000. \$250,000 is recommended for care management to work with clients being treated for opiate dependence by primary care physicians; \$250,000 for three sites to integrate co-occurring substance abuse and mental health services using the Blueprint model (builds on the Vermont Integrated Services Initiative and links with Federal Qualified Health Centers); \$50,000 for one new recovery center; and \$50,000 for one new adoles-

cent treatment site. Since DETER was initiated by Governor Douglas in fiscal year 2004, the State has invested \$10.9 million of General Fund and a total of \$27.8 million of General, Tobacco, and federal funds to fight substance abuse in the State of Vermont.

The Governor's budget appropriates an additional \$150,000 to the Center for Crime Victims for a grant to The Vermont Network against Domestic and Sexual Violence.

In the fiscal year 2009 budget, the Governor provides \$2.8 million in additional funding for operational and personnel costs to the Vermont Department of Public Safety. Public Safety will use the additional funding to effectively sustain essential drug enforcement efforts.

Agriculture

Last year, the Governor protected the state's farmers who were facing challenging times with low milk prices, high energy costs and wet weather. Farm energy remains a priority in the Governor's Budget. The spending plan includes \$300,000 for renewable energy grants. By committing dollars to these green energy projects, Vermont, for example, will continue to research turning algae into bio-diesel or hay pellets into fuel. These initiatives would generate farm income and preserve the state's green environment.

The Vermont brand is strong. The Agency of Agriculture will continue to provide help to our specialty food industry, Vermont's wineries and artisan cheese makers. The Governor's budget includes \$20,000 for Vermont's Seal of Quality program. This marketing and voluntary inspection program will ensure Vermont's products from maple syrup to cheese remain the highest quality, generating a premium price in the marketplace and making our farms more profitable.

Our fairs and field days remain an important part of our agriculture. The Governor's budget includes \$175,000 so our fairs and field days remain vibrant. The fairs provide education to our young people while also fueling the local economy.

The Governor's budget includes continuation of funding for the Farm to School Program. The budget connects agriculture to classrooms and the state's school cafeterias. This program not only enhances the farm economy, but also offers a lifelong skill to children while providing them healthy food choices.

The Agency of Agriculture will dedicate \$50,000 to the State's Buy Local Program. This program helps Vermonters and visitors connect with Vermont's diverse agricultural products. The Agency has spent the last several years building partnerships that highlight agriculture's multiple impacts on life in Vermont including economy, health, environment and cul-

tural heritage. The Buy Local Program is a leading source for farmers, food producers and retailers seeking to build their markets. A continued investment in Buy Local work is an important part of agricultural viability efforts.

Human Services

In these challenging fiscal times, the Governor remains committed to doing everything possible to support Vermonters who find themselves most in need. First and foremost, the Governor has asked the Agency of Human Services (AHS) to rethink how it delivers services to ensure that our investment is leveraged to achieve the most positive outcomes for Vermonters.

AHS is developing a new and integrated approach to preventing and reducing homelessness that we are calling *HousingNow*. The goal is to reduce the number of homeless persons by: developing community teams to solve problems for individuals and families; using General Assistance dollars more flexibly to prevent homelessness when possible; providing supportive housing services to persons who are homeless or at risk of homelessness to resolve the root causes of homelessness; and developing close working partnerships with housing developers and landlords to make the best use of housing units in return for AHS supporting the person in that housing.

The Agency will also focus on integrating all services and funding for children with disabilities. We spend close to \$100 million on this population in DAIL (Department of Disabilities, Aging and Independent Living), Mental Health, OVHA (Office of Vermont Health Access), the Department of Health, DCF (Department for Children and Families), and in special education. We believe that by more completely integrating our efforts, we can provide more service for the same amount of money, improve customer and provider satisfaction, and most importantly, improve outcomes for our children.

Unlike many states across the country, we have been able to not only sustain our current programs, but infuse additional dollars in some key programs to enhance services. We provide the most generous fuel assistance benefit in the nation. The Governor recommends allocating \$10 million more for services to people with developmental disabilities, \$6 million more for our long-term Choices for Care Waiver, \$6 million more for Children and Adult Mental Health services, \$300,000 more for youth aging out of foster care, \$700,000 more for people with traumatic brain injury, \$700,000 more for the Family Infant and Toddler Program, \$1 million more for providers of children's residential services, and \$2 million for new Early Periodic Screening Diagnostic and Treatment services.

In the past year, Vermont experienced a welcome pause from the steady increases in prison population that have sapped state resources during the past 25 years. The average incarcerated population for the first half of FY 2008 (2,154 in-

mates) was actually down from the average for FY 2007 (2,196 inmates). Additionally, the number of offenders on probation dropped to the lowest level (7,197) in over a decade and 26.6% below the peak in FY 2003. Also for the first time in a decade, the number of women offenders grew more slowly than for male offenders, actually dropping by 4.2% in FY 2008.

Factors contributing to these successes include the following efforts by the Governor, in cooperation with the Legislature and the criminal justice system: implementation of term probation and the 90-day reintegration furlough; the AHS Incarcerated Women's Initiative; expansion of transitional housing and residential drug treatment; and piloted use of electronic monitoring.

Despite this progress and the predicted slowing of Vermont's prison population growth rate from 95% in the past decade (1997-2007) to 23% in the coming decade (2008-2018), we must expand our efforts. If unaddressed, Corrections spending will continue to place an unsustainable burden on the General Fund and divert scarce resources from other valuable programs. Currently the three branches of state government are engaged in an effort with the Council of State Governments to identify policy options to reduce Corrections' expense in a way that protects community safety while freeing up resources for promising initiatives. Complementing this effort is the comprehensive study of Corrections' cost-saving options which include difficult choices. The Governor looks forward to working with the Legislature and others in the current session to responsibly address this reality.

Major increases in the FY 2009 Governor's Recommended Budget of \$135.1 million for Corrections (all funds a 5.7% increase) include: \$3.8 million to cover annualization of prior year employee pay increases, related payroll taxes, staff health insurance and retirement cost; \$1.8 million for general inflation including increases for inmate health services, mental health services, food, utility and internal service fund costs; and \$2.5 million for increased out-of-state incarceration costs.

Capital Bill

The Capital Appropriation recommendation of \$79.65 million reflects the Governor's firm commitment to achieving sustainability while serving the needs of our state.

Specifically, the recommendation continues support for construction projects commenced in prior years. The continued funding of the Vermont Health and Forensics Laboratories to meet accreditation requirements must be honored. Similarly, this year's Capital Bill provides support to complete the third and final phase of the geothermal heating system in-

stallation and rehabilitation project for the Vermont Veterans Home. The bill also includes additional funding for the Clean and Clear Initiatives for the Agencies of Natural Resources and Agriculture.

This year's Capital Bill also maintains the State's obligation to our 3.9 million square feet of infrastructure including the rehabilitation of the Bennington Office Building and Thayer School complex. The bill also provides for \$4.65 million of general obligation bonds to be appropriated to support road and bridge projects.

Finally, this Capital Appropriation recommendation significantly improves our position in regards to our School Construction Aid obligation of \$54.0 million. The Governor recommends that we authorize \$25.0 million to be transferred toward this obligation from a transaction involving the lease of the Vermont State Lottery.

**Fiscal Year 2008 Budget Adjustment Act
Governor's Recommendation - Summary by Appropriation**

FUNCTION / Department	Name of appropriation	2007 Act 65 sec. amended	General Fund	Transportation Fund	Education Fund	Special Funds	Tobacco Fund	Global			Combined Funds
								Commitment Fund	Federal Funds	Other Funds (1)	
	FY08 As Appropriated:		1,175,261,448	230,880,340	1,259,249,933	236,059,848	37,220,133	860,086,762	1,307,676,072	348,053,806	5,454,488,342
GENERAL GOVERNMENT:											
Secretary of Administration	Secretary's Office	5	150,000	-	-	-	-	-	-	-	150,000
Exempt position reduction & vacancy savings	Exempt position reduction & vacancy savings	7(a)	14,018	-	-	(158,671)	-	-	-	-	(144,653)
Human Resources	Operations	12	(37,516)	-	-	-	-	-	-	-	(37,516)
Buildings & General Services	Information Centers	20	-	-	-	(50,000)	-	-	-	-	(50,000)
Buildings & General Services	Fee For Space	32	-	-	-	-	-	-	-	1,869,899	1,869,899
Legislative Council	Legislative Council	36	42,000	-	-	-	-	-	-	-	42,000
Legislature	Legislature	37	57,200	-	-	-	-	-	-	-	57,200
Legislative Info. Technology	Legislative Information Technology	38	3,000	-	-	-	-	-	-	-	3,000
Sergeant At Arms	Sergeant At Arms	40	20,500	-	-	-	-	-	-	-	20,500
VOSHA Review Board	VOSHA Review Board	49	3,000	-	-	-	-	-	-	3,000	6,000
Tax Department	Municipal Tax-Homeowner Rebate	50a	4,700,000	-	-	-	-	-	-	-	4,700,000
	Total General Government		4,952,202	-	-	(208,671)	-	-	-	1,872,899	6,616,430
PROTECTION TO PERSONS & PROPERTY:											
Attorney General	Attorney General	56	337,703	-	-	-	-	-	-	-	337,703
Attorney General	Legal Costs	56(d)	(100,000)	-	-	-	-	-	-	-	(100,000)
Defender General	Public Defense	58	91,500	-	-	-	-	-	-	-	91,500
Judiciary	Judiciary	60	420,000	-	-	-	-	-	-	-	420,000
Sheriffs	Sheriffs	65	125,474	-	-	-	-	-	-	-	125,474
Public Safety	State Police	68	926,122	-	-	-	-	-	-	-	926,122
Military	Army Service Contract	75	60,000	-	-	-	-	-	-	-	60,000
Military	Building Maintenance	76	(60,000)	-	-	-	-	-	-	-	(60,000)
	Total Protection to Persons & Property		1,800,799	-	-	-	-	-	-	-	1,800,799
HUMAN SERVICES:											
Agency of Human Services	Secretary's Office	104	65,758	-	-	-	-	-	-	-	65,758
Agency of Human Services	Secretary's Office - Global Commitment	105	(4,498,472)	-	-	-	-	-	(12,143,139)	(2,722,933)	(19,364,544)
Agency of Human Services	Rate Setting	107	-	-	-	-	-	809,169	-	(809,169)	-
Office of Vermont Health Access	Administration	110	-	-	-	-	-	479,051	-	(362,794)	116,257
Office of Vermont Health Access	Global Commitment	111	-	-	-	-	-	(42,079,120)	-	-	(42,079,120)
Office of Vermont Health Access	Medicaid - Long-Term Care Waiver	112	868,386	-	-	-	-	-	1,250,145	-	2,118,531
Office of Vermont Health Access	Medicaid - Nonwaiver Matched	113	(329,278)	-	-	-	-	-	(818,031)	-	(1,147,309)
Office of Vermont Health Access	Medicaid - State Only	114	3,901,802	-	-	-	-	988,892	-	-	4,890,694
Health	Administration & Support	115	59,976	-	-	-	-	382,966	-	68,000	510,942
Health	Blueprint for Health	117	-	-	-	-	-	(387,395)	-	-	(387,395)
Health	Health Surveillance	119	350,000	-	-	-	-	(350,000)	-	-	-
Health	Health Improvement	120	(74,000)	-	-	-	-	207,000	-	-	133,000
Health	Community Public Health	121	-	-	-	(3,000,000)	-	(3,920,681)	1,875,000	-	(5,045,681)
Health	Alcohol and Drug Abuse Programs	122	-	-	-	-	-	10,000	-	-	10,000

**Fiscal Year 2008 Budget Adjustment Act
Governor's Recommendation - Summary by Appropriation (1)**

FUNCTION / Department	Name of appropriation	2007 Act 65 sec. amended						Global			Combined Funds
			General Fund	Transportation Fund	Education Fund	Special Funds	Tobacco Fund	Commitment Fund	Federal Funds	Other Funds (1)	
Mental Health	Mental Health	123	70,636	-	-	-	-	(256,577)	42,780	-	(143,161)
Mental Health	Vermont State Hospital	124	104,242	-	-	50,000	-	-	40,000	-	194,242
Dept for Children & Families	Administration & Support Services	126	(577,969)	-	-	-	-	2,583,970	(1,003,704)	(910,556)	91,741
Dept for Children & Families	Family Services	127	550,569	-	-	-	-	(2,138,530)	104,178	-	(1,483,783)
Dept for Children & Families	Child Development	128	(80,630)	-	-	-	-	1,603,601	-	-	1,522,971
Dept for Children & Families	Office of Child Support	129	(129,158)	-	-	-	-	-	(296,211)	-	(425,369)
Dept for Children & Families	Woodside Rehabilitation Center	133	237,710	-	-	-	-	-	-	-	237,710
Dept for Children & Families	Disability Determination Services	134	-	-	-	-	-	246,517	-	(246,517)	-
Dept for Children & Families	Aid to Aged, Blind, & Disabled	135	175,330	-	-	-	-	-	-	-	175,330
Dept for Children & Families	General Assistance	136	370,000	-	-	-	-	(70,000)	-	-	300,000
Dept for Children & Families	Reach Up	138	2,093,685	-	-	(1,203,000)	-	(45,685)	2,253,000	-	3,098,000
Disabilities, Aging, and Independent Living	Administration & Support	146	172,970	-	-	-	-	(400,000)	-	100,000	(127,030)
Disabilities, Aging, and Independent Living	DAIL Grants	148	(197,781)	-	-	-	-	-	-	-	(197,781)
Disabilities, Aging, and Independent Living	TBI Home & Community-Based Waiver	151	-	-	-	-	-	280,000	-	-	280,000
Disabilities, Aging, and Independent Living	Developmental Services	152	18,655	-	-	-	-	1,251,979	46,345	-	1,316,979
Corrections	Correctional Services	156	114,176	-	-	-	-	200,000	-	-	314,176
Corrections	Correctional Services, Out Of State	157	2,236,526	-	-	-	-	-	-	-	2,236,526
Total Human Services			5,503,133	-	-	(4,153,000)	-	(40,604,843)	(8,649,637)	(4,883,969)	(52,788,316)
EDUCATION:											
Department of Education	Adult Education & Literacy	175	-	-	750,000	-	-	-	-	-	750,000
Education	Adjusted Education Payment	176	-	-	(5,404,192)	-	-	-	-	-	(5,404,192)
Education	Capital Debt Service Aid	180	-	-	(55,593)	-	-	-	-	-	(55,593)
Total K-12 Education			-	-	(4,709,785)	-	-	-	-	-	(4,709,785)
TRANSPORTATION											
Transportation	Aviation	237	-	(200,000)	-	-	-	-	-	-	(200,000)
Transportation	Program Development	239	-	(965,000)	-	-	-	-	(5,535,000)	-	(6,500,000)
Transportation	Rest Areas	240	-	(300,000)	-	-	-	-	(2,700,000)	-	(3,000,000)
Transportation	Rail	243	-	(500,000)	-	-	-	-	(1,600,000)	-	(2,100,000)
Transportation	Department of Motor Vehicles	247	-	1,500,000	-	-	-	-	-	-	1,500,000
Total Transportation			-	(465,000)	-	-	-	-	(9,835,000)	-	(10,300,000)
DEBT SERVICE											
Debt Service	Debt Service	259	(723,964)	1,967	-	-	-	-	-	-	-
Total Debt Service			(723,964)	1,967	-	-	-	-	-	-	(721,997)
OTHER APPROPRIATION CHANGES											
Refund to Corrections \$\$ used for LIHEAP per August 2007 Emergency Board			6,477,655	-	-	-	-	-	-	-	6,477,655
Transportation Fund Pay Act Reduction			2007 Act 47 Sec 9(a)(3)(A)	-	(18,061)	-	-	-	-	-	(18,061)

**Fiscal Year 2008 Budget Adjustment Act
Governor's Recommendation - Summary by Appropriation (1)**

FUNCTION / Department	Name of appropriation	2007 Act 65 se.c. amended	General Fund	Transportation Fund	Education Fund	Special Funds	Tobacco Fund	Global Commitment Fund	Federal Funds	Other Funds (1)	Combined Funds
OTHER APPROPRIATION CHANGES (continued)											
	Reduce appropriations for rate holidays for dental plan premiums		(396,430)	(97,181)	-	-	-	-	-	-	(493,611)
	Reduce appropriations for liability insurance premium holiday		(1,541,856)	(660,404)	-	-	-	-	-	-	(2,202,260)
	Increase appropriations for increased Facilities Operations (Fee-For-Space) charges		1,718,787	-	-	-	-	-	-	-	1,718,787
Total Other Appropriations			6,258,156	(775,646)	-	-	-	-	-	-	5,482,510
TOTAL APPROPRIATION CHANGE			17,790,326	(1,238,679)	(4,709,785)	(4,361,671)	-	(40,604,843)	(18,484,637)	(3,011,070)	(54,620,359)
FY 2008 APPROPRIATION AFTER BAA RECOMMENDATION			1,193,051,774	229,641,661	1,254,540,148	231,698,177	37,220,133	819,481,919	1,289,191,435	345,042,736	5,399,867,983

Differences due to rounding

(1) Other Funds includes: Fish & Wildlife, State Health Care Resources Fund, Catamount Fund, Local Match, Pension & other Trust Funds, Enterprise Funds, Internal Service Funds and Interdepartmental Transfers

General Fund Summary
Fiscal Years 2006 - 2010
(\$ in Millions)

	Actual FY 2006	Actual FY 2007	Governor Recommends FY 2008	Governor Recommends FY 2009	Forecast FY 2010
Sources					
Current law revenues	1,111.91	1,151.36	1,186.00	1,184.80	1,224.50
Revenue Changes - fee bill	-	-	-	0.28	-
Streamline Sales Tax & Other Tax Credits	-	-	-	(0.28)	-
Liquidated debt service & bond prem. reserve	0.10	-	-	-	-
Funding Change GF to SF - Judiciary	-	-	-	(2.87)	-
Direct applications, transfers in & reversions	14.79	25.69	17.60	27.35	10.39
Additional property transfer tax to GF	10.33	8.29	4.43	10.04	6.85
For approp from GF reserve	19.64	21.84	10.87	16.42	-
Total sources	1,156.77	1,207.18	1,218.90	1,235.74	1,241.74
Uses					
Base appropriations	1,053.29	1,120.68	1,162.70	1,212.20	1,223.69
Budget adjustment	6.31	4.20	11.75	-	-
	1,059.60	1,124.88	1,174.45	1,212.20	1,223.69
Budget adjustment - one time	16.27	8.90	6.14	-	-
Other bills	1.06	3.20	-	-	-
One-time appropriations	11.78	14.76	12.46	4.60	-
One-time waterfall and other adjustments	24.72	8.24	-	1.13	-
Total uses	1,113.43	1,159.98	1,193.05	1,217.93	1,223.69
Subtotal operating surplus (deficit)	43.34	47.20	25.85	17.81	18.05
Allocation of surplus					
Transfers (to) / from other funds					
Transportation fund	(10.02)	(8.00)	-	-	-
Education fund	-	(13.66)	4.70	-	-
Reserve for bond issuance premium	(0.70)	(0.18)	-	-	-
Catamount fund	-	-	(3.50)	(7.50)	(7.50)
Human services caseload reserve	12.30	-	-	-	-
Federal funds (Part "D" refund)	-	8.53	-	-	-
Internal service funds	(2.50)	(6.26)	(0.45)	(0.50)	(0.30)
Assorted funds	(13.03)	(5.00)	(7.56)	(8.00)	(9.00)
Total transfers (to) / from other funds	(13.95)	(24.57)	(6.81)	(16.00)	(16.80)
Reserved in GF (designated)					
Budget Stabilization Reserve	(6.04)	(3.41)	(2.62)	(1.81)	(1.25)
Human Services Caseload Reserve	(2.21)	(8.53)	-	-	-
Reserved in GF Surplus Reserve	(21.14)	(10.69)	(16.42)	-	-
Total reserved in the GF (designated)	(29.39)	(22.63)	(19.04)	(1.81)	(1.25)
Total allocated	(43.34)	(47.20)	(25.85)	(17.81)	(18.05)
Unallocated operating surplus (deficit)	0.00	0.00	0.00	0.00	0.00
Stabilization Reserve up to 5% statutory level	51.81	55.22	57.84	59.65	60.90
GF Reserves (cumulative)					
Budget Stabilization Reserve	51.81	55.22	57.84	59.66	60.90
Human Services Caseload Reserve	8.45	16.98	16.98	16.98	16.98
Reserved in GF Surplus Reserve	21.84	10.87	16.42	-	-
Total GF Reserve Balance	82.10	83.07	91.24	76.64	77.88
Results may not add due to rounding.					

Transportation Fund Summary
Fiscal Years 2006 - 2010
(\$ in Millions)

	<u>Actual FY 2006</u>	<u>Actual FY 2007</u>	<u>Governor Recommends FY 2008</u>	<u>Governor Recommends FY 2009</u>	<u>Forecast FY 2010</u>
Sources					
Current law revenues	209.82	219.97	228.00	227.90	235.20
Proposed fee bill	-	-	-	0.20	-
Direct applications & reversions	6.34	0.88	1.62	-	-
For approp from TF Reserve	-	-	3.22	0.60	-
Total sources	216.16	220.85	232.84	228.70	235.20
Uses					
Base appropriations	220.07	223.98	229.64	226.13	237.32
Budget adjustment	-	-	-	-	-
One-time approps from prior year	-	-	-	-	-
Total uses	220.07	223.98	229.64	226.13	237.32
Subtotal operating surplus (deficit)	(3.91)	(3.13)	3.20	2.57	(2.12)
Allocation of surplus					
Transfers (to) / from other funds					
General Fund	10.02	8.00	-	-	-
Downtown Fund	(0.80)	(0.80)	(0.80)	(0.80)	(0.80)
Central Garage Fund	(4.99)	(0.85)	(0.90)	(1.12)	(1.12)
VT Recreational Trail Fund	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
Total transfers (to) / from other funds	3.86	5.98	(2.07)	(2.29)	(2.29)
Reserved in the TF (designated)					
Budget Stabilization Reserve	0.05	0.37	(0.53)	(0.28)	0.17
Reserved in TF Surplus Reserve	-	(3.22)	(0.60)	-	-
Total reserved in the TF (designated)	0.05	(2.85)	(1.13)	(0.28)	0.17
Total allocated	3.91	3.13	(3.20)	(2.57)	(2.12)
Unallocated operating surplus(deficit)	-	-	-	-	-
Stabilization Reserve up to 5% Statutory Level	11.04	10.67	11.20	11.48	11.31
TF Reserves (cumulative)					
Transportation FMS Development Fund	(1.56)	-	-	-	-
Budget Stabilization Reserve	11.04	10.67	11.20	11.48	11.31
Reserved in TF Surplus Reserve	-	3.22	0.60	-	-
Total TF Reserve Balance	9.48	13.89	11.80	11.48	11.31

Results may not add due to rounding.

Education Fund Summary ⁽¹⁾
Fiscal Years 2006 - 2009
(\$ in Millions)

	Actual FY 2006	Actual FY 2007	Governor's Recommend FY 2008	Projection FY 2009
Sources				
Current law revenues	28.78	28.73	28.90	29.20
Sales & Use Tax	108.46	111.24	114.40	118.00
Lottery Revenue	22.88	23.30	22.60	23.60
Lottery Lease Revenue ⁽²⁾	-	-	-	25.00
Non-residential Tax	418.08	455.06	478.17	525.17
Homestead Tax	394.49	422.58	313.55	306.91
General Fund Appropriations	259.30	282.38	280.20	291.13
Medicaid Reimbursement	7.29	5.63	5.46	2.79
Direct Applications/Reversions	-	-	-	-
Interest on Fund Balance	(0.68)	(1.28)	(3.27)	(1.60)
Total sources	1,238.60	1,327.64	1,240.01	1,320.20
Uses				
Base Appropriations ^{(3) (4)}	1,237.22	1,307.66	1,259.02	1,315.34
Local Share Payments	-	-	-	-
School Construction Assistance	0.93	-	0.22	0.22
Total uses	1,238.15	1,307.66	1,259.24	1,315.56
Subtotal operating surplus (deficit)	0.45	19.98	(19.23)	4.64
Allocation of surplus/(deficit)				
Transfer to/(from) the Stabilization Reserve	1.42	3.92	(1.07)	4.64
Transfer to/(from) Continuing Appropriations	3.28	(0.04)	(2.06)	-
Transfer to/(from) Unallocated	(4.25)	16.10	(16.10)	-
Total allocated	0.45	19.98	(19.23)	4.64
EF Reserves				
Budget Stabilization Reserve	24.32	28.24	27.17	31.82
Maximum Statutory Reserve at 5%	26.79	28.24	29.39	32.12

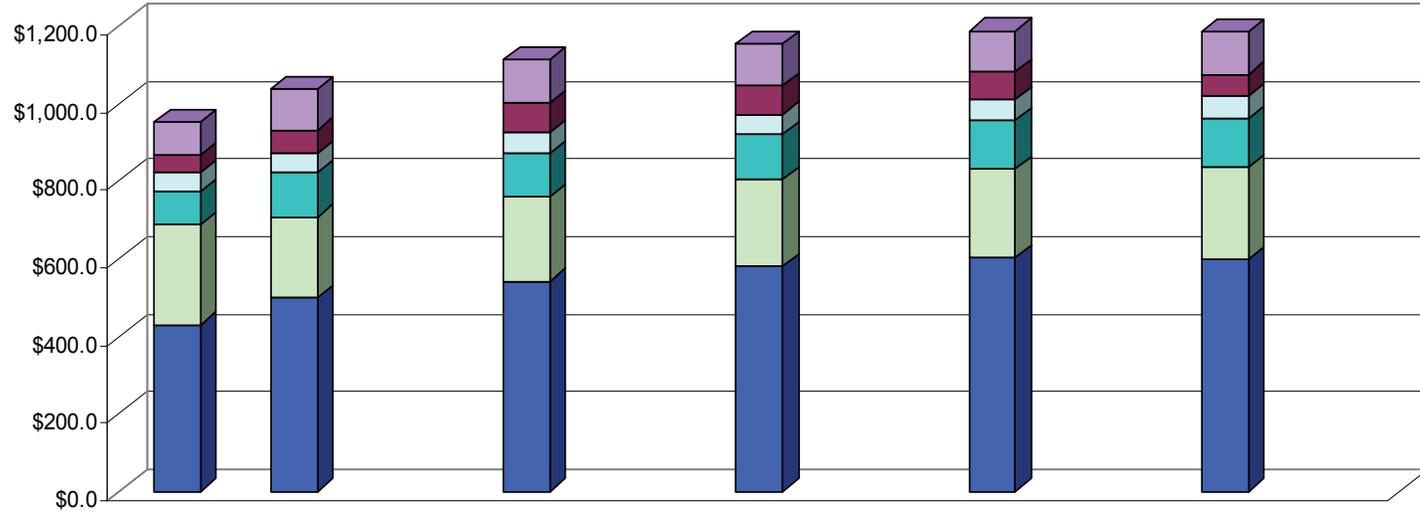
(1) Results may not add due to rounding.

(2) Up-front payment from lease of State Lottery used to reduce Property Tax.

(3) Includes the \$4.7M transfer to the General Fund for use by the Homeowner Rebate Program

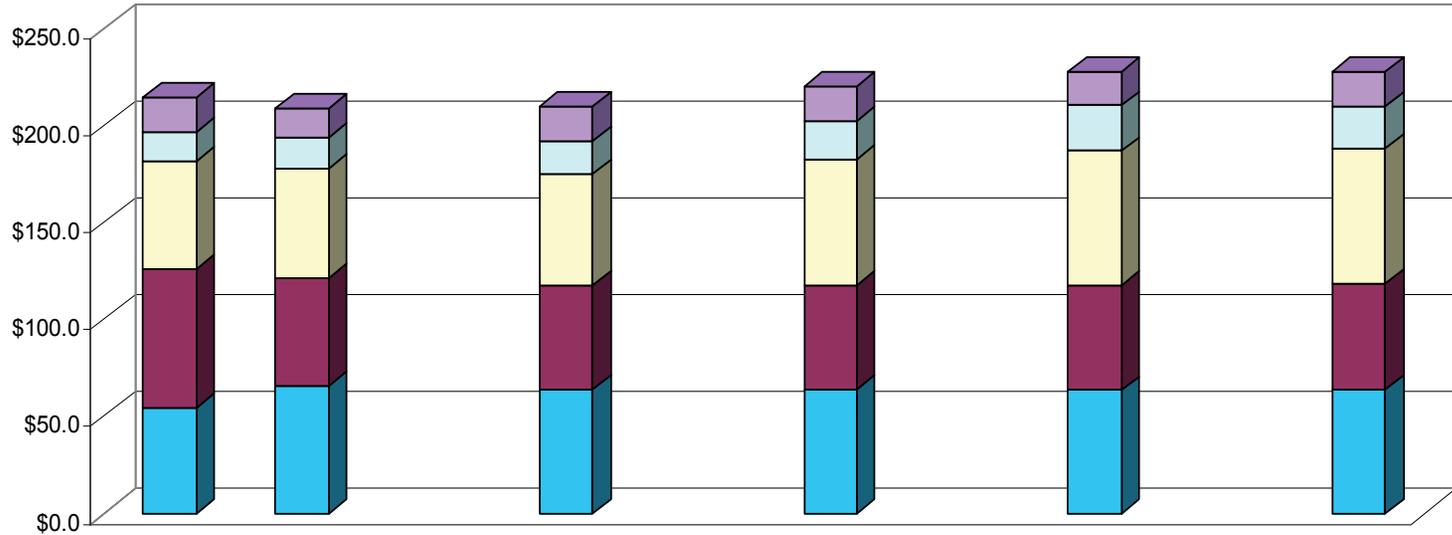
(4) The Administration believes the growth in education spending could be restrained to 4.1% in FY09.

General Fund Revenues FY 2004 to 2009



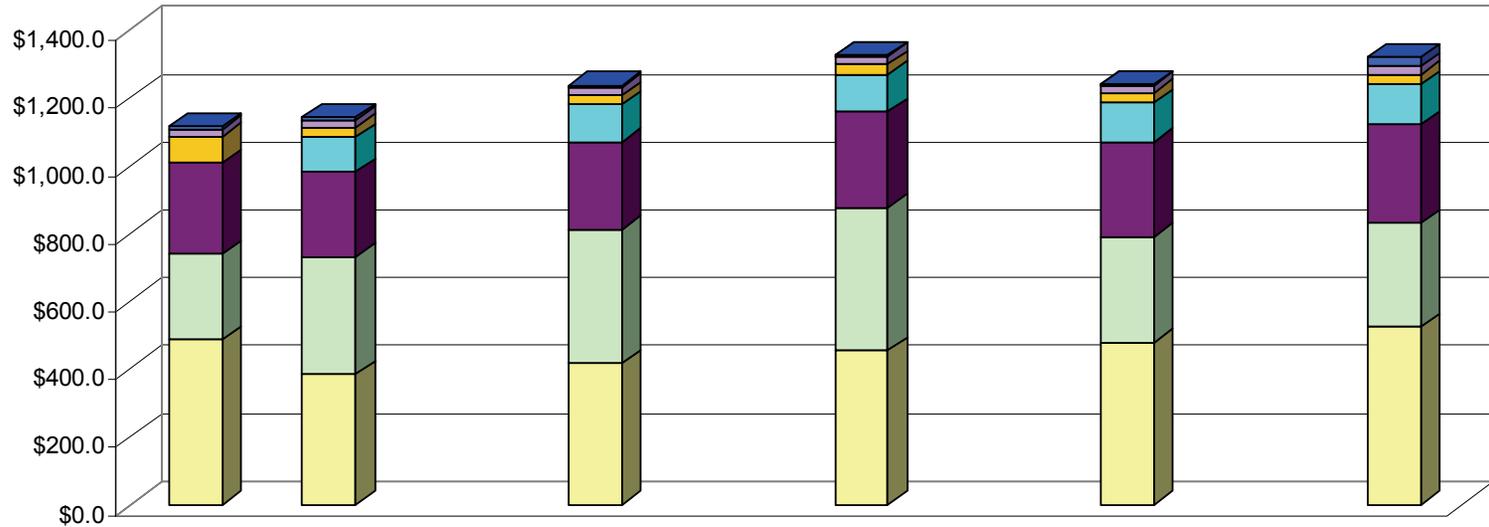
(\$ in Millions)	FY 2004 actual	FY 2005 actual	% Change 2004-2005	FY 2006 actual	% Change 2005-2006	FY 2007 actual	% Change 2006-2007	FY 2008 projected	% Change 2007-2008	FY 2009 projected	% Change 2008-2009
Other	\$ 84.4	\$ 103.9	23.1%	\$ 112.7	8.5%	\$ 107.2	-4.9%	\$ 106.4	-0.7%	\$ 110.1	3.5%
Corporate	\$ 45.1	\$ 60.4	33.9%	\$ 75.9	25.7%	\$ 72.8	-4.1%	\$ 69.3	-4.8%	\$ 58.0	-16.3%
Insurance	\$ 47.0	\$ 50.3	7.0%	\$ 52.5	4.4%	\$ 52.9	0.8%	\$ 54.2	2.5%	\$ 55.4	2.2%
Meals and Rooms	\$ 88.4	\$ 113.0	27.9%	\$ 111.8	-1.1%	\$ 114.9	2.8%	\$ 124.0	7.9%	\$ 126.9	2.3%
Sales and Use Taxes	\$ 255.8	\$ 207.2	-19.0%	\$ 217.0	4.7%	\$ 222.5	2.5%	\$ 228.8	2.8%	\$ 236.1	3.2%
Personal Income Tax	\$ 429.8	\$ 500.5	16.4%	\$ 542.0	8.3%	\$ 581.2	7.2%	\$ 603.3	3.8%	\$ 598.3	-0.8%
Total	\$ 950.6	\$ 1,035.3	8.9%	\$ 1,111.9	7.4%	\$ 1,151.5	3.6%	\$ 1,186.0	3.0%	\$ 1,184.8	-0.1%

Transportation Fund Revenues FY 2004 to 2009



(\$ in Millions)	FY 2004 actual	FY 2005 actual	% Change 2004-2005	FY 2006 actual	% Change 2005-2006	FY 2007 actual	% Change 2006-2007	FY 2008 projected	% Change 2007-2008	FY 2009 projected	% Change 2008-2009
Diesel Fuel Tax	\$ 18.0	\$ 15.5	-13.9%	\$ 17.7	14.2%	\$ 18.0	1.7%	\$ 17.8	-1.1%	\$ 18.2	2.2%
Other Revenues	\$ 15.2	\$ 15.9	4.6%	\$ 17.0	6.9%	\$ 19.2	12.9%	\$ 23.5	22.4%	\$ 21.6	-8.1%
Motor Vehicle Fees	\$ 55.2	\$ 56.1	1.6%	\$ 57.3	2.1%	\$ 65.4	14.1%	\$ 69.5	6.3%	\$ 69.7	0.3%
Purchase & Use Tax	\$ 71.9	\$ 56.1	-22.0%	\$ 53.9	-3.9%	\$ 53.7	-0.4%	\$ 53.9	0.4%	\$ 54.7	1.5%
Gasoline Tax	\$ 54.3	\$ 65.5	20.6%	\$ 63.9	-2.4%	\$ 63.6	-0.5%	\$ 63.3	-0.5%	\$ 63.7	0.6%
Total	\$ 214.6	\$ 209.1	-2.6%	\$ 209.8	0.3%	\$ 219.9	4.8%	\$ 228.0	3.7%	\$ 227.9	0.0%

Education Fund Revenues FY 2004 to 2009



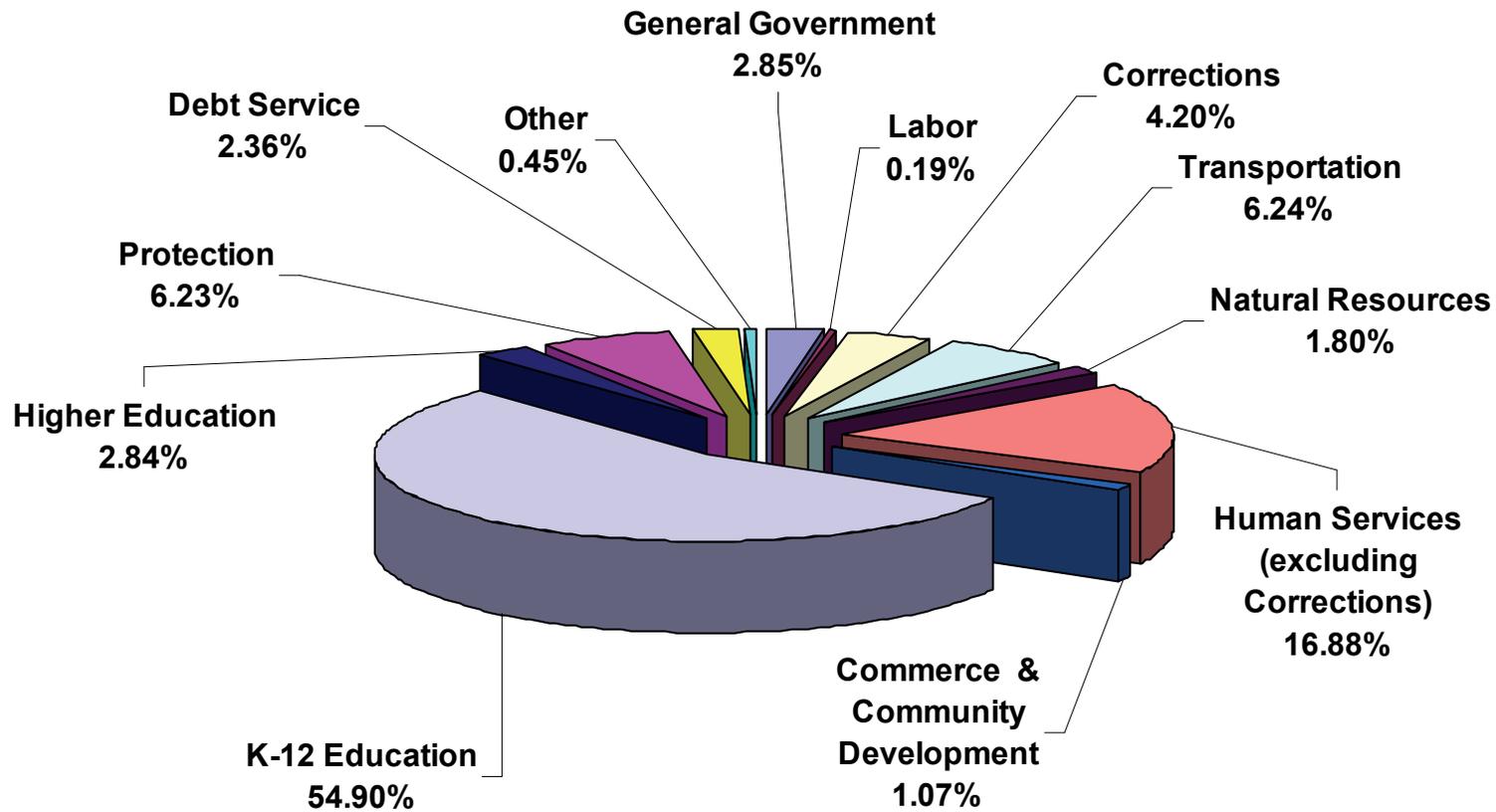
	FY 2004	FY 2005	% Change	FY 2006	% Change	FY 2007	% Change	FY 2008	% Change	FY 2009	% Change
(\$ in Millions)	actual	actual	2004-2005	actual	2005-2006	actual	2006-2007	projected	2007-2008	projected	2008-2009
Other (a)	\$ 8.3	\$ 9.1	9.6%	\$ 6.6	-27.4%	\$ 4.3	-34.9%	\$ 2.2	-48.8%	\$ 26.2	1090.9%
Lottery Revenue	\$ 20.3	\$ 20.4	0.5%	\$ 22.8	11.8%	\$ 23.3	2.2%	\$ 22.6	-3.0%	\$ 23.6	4.4%
Current Law Revenue	\$ 79.4	\$ 29.9	-62.3%	\$ 28.8	-3.7%	\$ 28.8	0.0%	\$ 28.9	0.3%	\$ 29.2	1.0%
Sales & Use Tax	\$ -	\$ 103.6	-	\$ 108.5	-	\$ 111.2	2.5%	\$ 114.4	2.9%	\$ 118.0	3.1%
General Fund Approp.	\$ 268.4	\$ 249.3	-7.1%	\$ 259.3	4.0%	\$ 282.4	8.9%	\$ 280.2	-0.8%	\$ 291.1	3.9%
Homestead Tax (b)	\$ 252.1	\$ 346.6	37.5%	\$ 394.5	13.8%	\$ 422.5	7.1%	\$ 313.5	-25.8%	\$ 306.9	-2.1%
Non-Residential Tax (c)	\$ 487.5	\$ 385.8	-20.9%	\$ 418.1	8.4%	\$ 455.1	8.9%	\$ 478.2	5.1%	\$ 525.2	9.8%
Total	\$ 1,116.1	\$1,144.7	2.6%	\$ 1,238.6	8.2%	\$ 1,327.6	7.2%	\$ 1,240.0	0.1%	\$ 1,320.2	-0.6%

(a) FY 2009 includes \$25.0 million Lottery Lease Revenues.

(b) Local Share Property Tax in FY 2004.

(c) Statewide Property Tax in FY 2004.

FY 2009 Appropriations General, Transportation, Special ⁽¹⁾ and Education Funds



(1) Special Funds includes the Tobacco Fund. Excluded funds include: Global Commitment; Catamount; State Health Care Resources; Local Match; Enterprise; Pension & Trust, Fish & Wildlife; Internal Service; and Interdepartmental Transfers.

FISCAL YEAR 2009 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

Agency/Department/Program	FY 2009 Governor Recommend GF	FY 2009 Governor Recommend TF	FY 2009 Governor Recommend Tobacco & SF	FY 2009 Governor Recommend GF,TF,SF,Tob	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 08-09 % Change	Notes
GENERAL GOVERNMENT							
Administration Agency:							
Secretary of Administration	834,122	-	-	834,122	919,707	-9.31%	(4) (5)
Information and Innovation	414,836	-	330,824	745,660	736,644	1.22%	
Finance & Management	945,847	-	67,637	1,013,484	1,051,163	-3.58%	(3) (4)
Human Resources	2,211,227	-	297,761	2,508,988	2,750,344	-8.78%	(6)
Buildings and General Services	9,581,768	-	361,260	9,943,028	9,657,853	2.95%	
Tax	13,992,457	-	966,436	14,958,893	14,739,520	1.49%	
Libraries	2,611,964	-	152,482	2,764,446	2,805,032	-1.45%	
Total Agency of Administration	30,592,221	-	2,176,400	32,768,621	32,660,263	0.33%	
GIS	-	-	430,210	430,210	430,210	0.00%	
Auditor of Accounts	526,254	-	54,431	580,685	578,577	0.36%	
State Treasurer	1,240,693	-	1,522,872	2,763,565	2,671,687	3.44%	(1)
Labor Relations Board	209,480	-	2,935	212,415	209,998	1.15%	
Executive Office	1,583,578	-	-	1,583,578	1,525,210	3.83%	
VOSHA Review Board	25,047	-	-	25,047	23,168	8.11%	(7)
Use Tax Reimbursement	9,850,000	-	-	9,850,000	8,861,267	11.16%	(8)
Municipal Tax - Homeowner rebate	12,921,868	-	-	12,921,868	11,206,140	15.31%	(9)
Renter Rebate	2,386,756	-	-	2,386,756	2,277,149	4.81%	(10)
Lt. Governor	161,613	-	-	161,614	154,635	4.51%	
Legislature	7,832,363	-	-	7,832,363	7,561,208	3.59%	
Legislative Council	2,150,854	-	-	2,150,854	2,120,439	1.43%	
Legislative Information Technology	825,221	-	-	825,221	624,258	32.19%	(11)
Sergeant at Arms	612,553	-	-	612,553	618,871	-1.02%	
Joint Fiscal Office	1,298,032	-	-	1,298,032	1,270,768	2.15%	
PILOT/Montpelier Services	184,000	-	4,200,000	4,384,000	3,634,000	20.64%	(12)
Corrections PILOT	40,000	-	-	40,000	40,000	0.00%	
TOTAL GENERAL GOVERNMENT	72,440,533	-	8,386,848	80,827,382	76,467,848	5.70%	

FISCAL YEAR 2009 COMBINED BUDGET RECOMMENDATIONS

General, Transportation and Special Funds ^(a)

Agency/Department/Program	FY 2009 Governor Recommend GF	FY 2009 Governor Recommend TF	FY 2009 Governor Recommend Tobacco & SF	FY 2009 Governor Recommend GF,TF,SF,Tob	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 08-09 % Change	Notes
PROTECTION TO PERSONS AND PROPERTY							
Attorney General	4,519,248	-	1,585,235	6,104,483	6,257,228	-2.44%	
Court Diversion	1,204,534	-	520,000	1,724,534	1,604,534	7.48%	(13)
State's Attorneys	9,023,446	-	184,476	9,207,922	8,619,746	6.82%	(1) (14)
Center for Crime Victim Services	1,274,809	-	5,782,390	7,057,199	6,777,259	4.13%	
Sheriffs	3,463,669	-	-	3,463,669	3,362,457	3.01%	
Defender General	10,398,666	-	628,357	11,027,023	10,087,848	9.31%	(1) (15)
Military	3,707,776	-	66,000	3,773,776	3,388,186	11.38%	(1) (16)
Criminal Justice Training Council	1,419,664	-	532,539	1,952,203	1,896,060	2.96%	
Liquor Control	-	-	289,645	289,645	289,645	0.00%	
Racing Commission	1,000	-	-	1,000	1,000	0.00%	
Secretary of State	591,642	-	4,030,264	4,621,906	4,560,987	1.34%	
BISHCA	308,251	-	13,299,841	13,608,092	13,289,661	2.40%	
Public Safety	16,106,407	33,725,324	10,858,422	60,690,153	58,395,395	3.93%	(1) (17) (32)
Agriculture	5,852,082	-	7,260,614	13,112,696	13,587,180	-3.49%	(2) (18)
Public Service Department	-	-	10,268,977	10,268,977	10,151,456	1.16%	
Enhanced 911 Board	-	-	3,661,252	3,661,252	3,356,610	9.08%	(19)
Public Service Board	-	-	2,857,376	2,857,376	2,826,024	1.11%	
Judiciary	28,256,999	-	6,609,229	34,866,228	33,062,806	5.45%	(1) (20)
Human Rights Commission	312,426	-	-	312,426	311,667	0.24%	
TOTAL PROTECTION	86,440,619	33,725,324	68,434,617	188,600,560	181,825,749	3.73%	
HUMAN SERVICES							
Human Services Agency:							
AHS - Secretary's Office	4,225,416	-	404,538	4,629,954	4,620,658	0.20%	
AHS - Secretary's Office - Global Commitment	133,984,324	-	54,052,108	188,036,432	159,781,427	17.68%	(21)
Human Services Board	50,030	-	-	50,030	50,030	0.00%	
Corrections	125,526,310	-	1,623,461	127,149,771	122,197,245	4.05%	(1) (22)
Health	8,766,922	-	9,939,618	18,706,540	18,151,880	3.06%	(23)
Mental Health	15,721,757	-	170,000	15,891,757	21,406,757	-25.76%	(24)
Office of Vt Health Access	127,717,992	-	-	127,717,992	132,133,656	-3.34%	

FISCAL YEAR 2009 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

Agency/Department/Program	FY 2009 Governor Recommend GF	FY 2009 Governor Recommend TF	FY 2009 Governor Recommend Tobacco & SF	FY 2009 Governor Recommend GF,TF,SF,Tob	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 08-09 % Change	Notes
Department for Children and Families	84,761,930	-	40,183,483	124,945,413	121,300,959	3.00%	
Disabilities, Aging and Independent Living	18,965,329	-	1,350,598	20,315,927	19,876,654	2.21%	
Total Agency of Human Services	519,720,010	-	107,723,806	627,443,816	599,519,266	4.66%	
Commission on Women	275,538	-	5,000	280,538	265,596	5.63%	
RSVP	139,096	-	-	139,096	131,096	6.10%	
Veterans' Home	-	-	10,675,489	10,675,489	10,466,920	1.99%	
TOTAL HUMAN SERVICES	520,134,644	-	118,404,295	638,538,939	610,382,878	4.61%	
LABOR							
Labor	2,354,673	-	3,316,108	5,670,781	5,283,270	7.33%	(13)
TOTAL LABOR	2,354,673	-	3,316,108	5,670,781	5,283,270	7.33%	
GENERAL EDUCATION							
Department of Education	13,763,525	127,483	15,695,107	29,586,115	33,239,972	-10.99%	(30)
GF Appropriation to Education Fund	291,127,800	-	-	291,127,800	280,200,000	3.90%	
Teachers' Retirement	32,549,097	-	-	32,549,097	32,549,097	0.00%	
TOTAL GENERAL EDUCATION	337,440,422	127,483	15,695,107	353,263,012	345,989,069	2.10%	
HIGHER EDUCATION AND OTHER							
University of Vermont	39,328,122	-	-	39,328,122	38,271,188	2.76%	
Vermont Public Television	645,737	-	-	645,737	605,737	6.60%	
Vermont State Colleges	25,441,180	-	-	25,441,180	24,810,775	2.54%	
Vermont Interactive TV	858,163	-	-	858,163	858,163	0.00%	
Vermont Student Assistance Corp.	19,632,602	-	-	19,632,602	19,153,758	2.50%	
N.E. Higher Education Compact	84,000	-	-	84,000	84,000	0.00%	
TOTAL HIGHER EDUCATION AND OTHER	85,989,804	-	-	85,989,804	83,783,621	2.63%	
TOTAL EDUCATION	423,430,226	127,483	15,695,107	439,252,816	429,772,690	2.21%	

FISCAL YEAR 2009 COMBINED BUDGET RECOMMENDATIONS

General, Transportation and Special Funds ^(a)

Agency/Department/Program	FY 2009 Governor Recommend GF	FY 2009 Governor Recommend TF	FY 2009 Governor Recommend Tobacco & SF	FY 2009 Governor Recommend GF,TF,SF,Tob	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 08-09 % Change	Notes
NATURAL RESOURCES							
Agency of Natural Resources:							
ANR - Central Office	6,846,716	-	1,128,752	7,975,468	7,354,026	8.45%	(25)
Environmental Conservation	9,063,839	-	16,520,757	25,584,596	25,746,384	-0.63%	(25) (18)
Fish & Wildlife	2,033,348	-	-	2,033,348	2,131,151	-4.59%	(25) (26)
Forests, Parks & Recreation	7,392,535	-	8,640,946	16,033,481	15,645,211	2.48%	(25)
Total Agency of Natural Resources	25,336,438	-	26,290,455	51,626,893	50,876,772	1.47%	(25)
Natural Resources Board	1,030,755	-	1,844,506	2,875,261	2,830,353	1.59%	
TOTAL NATURAL RESOURCES	26,367,193	-	28,134,961	54,502,154	53,707,125	1.48%	
COMMERCE & COMMUNITY DEVELOPMENT							
Agency of Commerce & Comm Development							
ACCD - Administration	2,886,912	-	-	2,886,912	2,899,251	-0.43%	
Housing & Community Affairs	1,935,586	-	5,240,752	7,176,338	7,142,782	0.47%	
Econ Development	5,027,403	-	622,350	5,649,753	5,733,406	-1.46%	(31)
Tourism & Marketing	4,101,359	-	6,000	4,107,359	4,108,992	-0.04%	
Total Agency of Commerce & Comm Development	13,951,260	-	5,869,102	19,820,362	19,884,431	-0.32%	
Council on the Arts	559,258	-	-	559,258	545,618	2.50%	
Vermont Symphony Orchestra	125,402	-	-	125,402	122,343	2.50%	
VT Historical Society	932,515	-	-	932,515	828,342	12.58%	(27)
Housing & Conservation Trust	-	-	10,768,258	10,768,258	15,383,258	-30.00%	(28)
VT Humanities Council	195,599	-	-	195,599	185,599	5.39%	
TOTAL COMMERCE & COMMUNITY DEV.	15,764,034	-	16,637,360	32,401,394	36,949,591	-12.31%	
DEBT SERVICE	67,048,726	1,914,650	2,495,675	71,459,051	68,698,028	4.02%	

FISCAL YEAR 2009 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

Agency/Department/Program	FY 2009 Governor Recommend GF	FY 2009 Governor Recommend TF	FY 2009 Governor Recommend Tobacco & SF	FY 2009 Governor Recommend GF,TF,SF,Tob	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 08-09 % Change	Notes
TRANSPORTATION							
Agency of Transportation							
AOT Division Appropriations and Programs	-	127,601,724	-	127,601,724	128,503,720	-0.70%	
AOT Dept. of Motor Vehicles	-	23,854,657	-	23,854,657	24,841,574	-3.97%	
AOT Town Highway Programs	-	37,603,136	-	37,603,136	39,380,378	-4.51%	(33)
Total Agency of Transportation	-	189,059,517	-	189,059,517	192,725,672	-1.90%	
Trans Bd & MV Arbitration Bd	-	89,991	-	89,991	87,796	2.50%	
TOTAL TRANSPORTATION	-	189,149,508	-	189,149,508	192,813,468	-1.90%	
Pay Act	-	1,210,258	-	1,210,258	1,192,197	1.51%	
OTHER (includes one-time appropriations)	3,940,272	-	8,500,000	12,440,272	34,518,900	-63.96%	(29)
APPROPRIATION TOTAL	1,217,920,920	226,127,223	270,004,971	1,714,053,115	1,691,611,744	1.33%	

(a) Does not include the following funds: Education, Fish & Wildlife, Global Commitment, State Health Care Resources, Catamount, Enterprise, Local Match, Pension & Trust, Internal Service Funds, and Interdepartmental transfers.

Notes:

- (1) Due to annualization of increases in salary and benefits.
- (2) Due to elimination of one-time expenditures in FY 2008 for an IT project.
- (3) Due to position reduction(s).
- (4) Position transferred to Secretary's office from Finance & Management.
- (5) \$150k for Law Enforcement Study.
- (6) Due to positions transferred to the Technical Services Division.
- (7) Due to caseload increase.
- (8) Increase in enrollment, local spending and appraisal values.
- (9) Appropriation moved to General Government section from Education section.
- (10) Appropriation moved to General Government section from Education section.
- (11) Consolidation of DII internal service fund charges into this appropriation for legislature.
- (12) Increased participation in the local option tax program.
- (13) Increase base funding to reflect actual receipts.
- (14) Cost associated with new Northeast Kingdom Special Investigative Unit plus additional investigative services.
- (15) Due to increases costs for transcripts, expert witnesses, and sheriffs.

Notes continued next page.

FISCAL YEAR 2009 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

Agency/Department/Program	FY 2009 Governor Recommend GF	FY 2009 Governor Recommend TF	FY 2009 Governor Recommend Tobacco & SF	FY 2009 Governor Recommend GF,TF,SF,Tob	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 08-09 % Change	Notes
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Notes: (continued)

- (16) Costs associated with 24/7 alert status.
- (17) Backfill JTOC reduction with General Fund.
- (18) Position transferred from Natural Resources to Agriculture for Clean & Clear.
- (19) Telecommunications costs - Verizon truck line tariff increase.
- (20) Base appropriation increase to reflect actual costs.
- (21) Medicaid trend increases
- (22) Increase costs of inmate health plan and out-of-state beds.
- (23) Program increases for Fit & Healthy Vermonters & DETER.
- (24) Reduction due to recertification of Vermont State Hospital.
- (25) 3 positions moved to central office from Fish & Wildlife (1), Environmental Conservation (1) and Forests, Parks and Recreation (1); Central Office increase PILOT payments of \$434k due to reappraisal of all Agency managed lands.
- (26) Fish & Wildlife Fund and other funds are not included here. Total Fish & Wildlife appropriation including all funds increased 10%.
- (27) Continuation of multi-year plan to bring funding to 50% General Fund .
- (28) Funds reallocated to the Medicaid Program.
- (29) FY 2008 "Other" appropriations were either added to base departmental appropriations or if one-time in nature were eliminated for FY 2009. Therefore, FY 2008 "Other" is not comparable to FY 2009.
- (30) Decrease due to anticipated federal action.
- (31) Job Start program funding no longer passed through Economic Development; now funded through AHS.
- (32) FY 2009 General Fund budget includes \$2.8 million additional funding for operational & personnel costs.
- (33) Less state funds needed due to lower federal earmarks, town highway bridge goals met relative to other state bridges, and no need to fill the town highway emergency fund. All other town highway programs are level funded..

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds ^(a)

FY 2005 - FY 2009

Agency/Department/Program	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Final Appropriation	FY 2008 Recommended Appropriation	FY 2009 Recommended Appropriation
GENERAL GOVERNMENT					
Administration Agency:					
Secretary of Administration	431,502	903,399	984,985	919,707	834,122
Information and Innovation	-	-	-	736,644	745,660
Finance & Management	882,742	919,343	1,174,751	1,051,163	1,013,484
Human Resources	2,513,861	2,817,134	3,177,942	2,750,344	2,508,988
Buildings and General Services	8,779,161	9,545,372	9,358,802	9,657,853	9,943,028
Tax	13,464,474	13,824,197	14,446,934	14,739,520	14,958,893
Libraries	2,527,481	2,536,482	2,754,540	2,805,032	2,764,446
Total Agency of Administration	28,599,221	30,545,927	31,897,954	32,660,263	32,768,621
GIS	376,992	393,957	411,685	430,210	430,210
Auditor of Accounts	565,323	577,708	574,336	578,577	580,685
State Treasurer	2,315,176	2,405,161	2,343,296	2,671,687	2,763,565
Labor Relations Board	182,127	195,085	204,362	209,998	212,415
Executive Office	1,357,809	1,408,494	1,482,508	1,525,210	1,583,578
VOSHA Review Board	20,097	19,533	19,998	23,168	25,047
Use Tax Reimbursement	6,199,670	6,898,455	8,113,944	8,861,267	9,850,000
Property Tax Assistance	12,200,000	10,716,276	2,250,000	-	-
Municipal Tax - Homeowner rebate	-	-	-	11,206,140	12,921,868
Renter Rebate	-	-	-	2,277,149	2,386,756
Lt. Governor	134,647	135,807	146,747	154,635	161,614
Legislature	5,432,314	5,747,840	7,199,906	7,561,208	7,832,363
Legislative Council	1,692,117	1,797,567	2,005,212	2,120,439	2,150,854
Legislative Information Technology	514,284	558,122	585,415	624,258	825,221
Sergeant at Arms	496,816	496,378	600,801	618,871	612,553
Joint Fiscal Office	966,184	1,107,901	1,256,470	1,270,768	1,298,032
PILOT/Montpelier Services	2,684,000	2,684,000	3,484,000	3,634,000	4,384,000
Corrections PILOT	40,000	40,000	40,000	40,000	40,000
TOTAL GENERAL GOVERNMENT	63,776,777	65,728,211	62,616,634	76,467,848	80,827,382

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds ^(a)

FY 2005 - FY 2009

Agency/Department/Program	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Final Appropriation	FY 2008 Recommended Appropriation	FY 2009 Recommended Appropriation
PROTECTION TO PERSONS AND PROPERTY					
Attorney General	3,924,391	4,261,525	5,713,360	6,257,228	6,104,483
Court Diversion	1,500,071	1,525,071	1,604,534	1,604,534	1,724,534
State's Attorneys	7,090,607	7,276,928	7,976,620	8,619,746	9,207,922
Center for Crime Victim Services	4,363,878	5,297,299	6,001,408	6,777,259	7,057,199
Sheriffs	2,879,048	3,005,069	3,093,503	3,362,457	3,463,669
Defender General	8,618,239	8,915,997	9,543,838	10,087,848	11,027,023
Military	3,100,631	3,054,800	3,270,409	3,388,186	3,773,776
Labor & Industry	5,888,737	2,795,366	-	-	-
Criminal Justice Training Council	1,391,759	1,677,087	1,845,067	1,896,060	1,952,203
Liquor Control	290,000	289,768	289,768	289,645	289,645
Racing Commission	5,000	5,000	1,000	1,000	1,000
Secretary of State	4,471,317	4,268,723	4,592,792	4,560,987	4,621,906
BISHCA	12,258,173	12,243,320	12,975,828	13,289,661	13,608,092
Public Safety	45,975,812	52,287,700	57,103,194	58,395,395	60,690,153
Agriculture	10,879,927	11,994,086	12,746,380	13,587,180	13,112,696
Public Service Department	4,710,976	4,726,250	9,642,865	10,151,456	10,268,977
Enhanced 911 Board	2,417,588	2,417,588	3,931,601	3,356,610	3,661,252
Public Service Board	2,624,677	2,690,294	2,757,097	2,826,024	2,857,376
Judiciary	26,868,195	28,227,710	30,522,025	33,062,806	34,866,228
Human Rights Commission	273,226	272,541	285,925	311,667	312,426
Fire Service Training Council	983,701	-	-	-	-
TOTAL PROTECTION TO PERSONS & PROPERTY	150,515,953	157,232,122	173,897,214	181,825,749	188,600,560
HUMAN SERVICES					
Human Services Agency:					
AHS - Secretary's Office	5,248,081	5,167,216	4,318,906	4,620,658	4,629,954
AHS - Secretary's Office - Global Commitment	-	228,921,613	158,692,085	159,781,427	188,036,432
Human Services Board	121,082	30,957	49,283	50,030	50,030
Corrections	102,320,013	110,355,959	111,052,492	122,197,245	127,149,771
Health	77,434,075	40,710,444	42,561,960	18,151,880	18,706,540
Mental Health	-	-	-	21,406,757	15,891,757
Office of Vt Health Access	248,797,665	143,077,243	121,225,950	132,133,656	127,717,992

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds ^(a)

FY 2005 - FY 2009

Agency/Department/Program	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Final Appropriation	FY 2008 Recommended Appropriation	FY 2009 Recommended Appropriation
Approp to Health Access Trust Fund	105,389,252	95,354,989	-	-	-
Department for Children and Families	123,481,846	108,365,133	98,623,312	121,300,959	124,945,413
Disabilities, Aging and Independent Living	59,351,264	28,109,540	19,631,950	19,876,654	20,315,927
Total Agency of Human Services	722,143,278	760,093,094	556,155,938	599,519,266	627,443,816
Children's Trust Fund	170,651	-	-	-	-
Commission on Women	236,777	252,744	260,201	265,596	280,538
RSVP	131,096	131,096	131,096	131,096	139,096
Veterans' Home	9,824,564	10,404,621	10,193,494	10,466,920	10,675,489
TOTAL HUMAN SERVICES	732,506,366	770,881,555	566,740,729	610,382,878	638,538,939
EMPLOYMENT & TRAINING / LABOR					
Employment & Training	1,269,541	2,251,839	-	-	-
Labor	-	-	5,220,335	5,283,270	5,670,781
TOTAL EMPLOYMENT & TRAINING / LABOR	1,269,541	2,251,839	5,220,335	5,283,270	5,670,781
GENERAL EDUCATION					
Department of Education	16,172,896	31,381,989	33,658,474	33,239,972	29,586,115
GF Appropriation to Education Fund	249,300,000	259,300,000	268,720,000	280,200,000	291,127,800
Teachers' Retirement	20,446,282	24,446,282	24,446,729	32,549,097	32,549,097
TOTAL GENERAL EDUCATION	285,919,178	315,128,271	326,825,203	345,989,069	353,263,012
HIGHER EDUCATION AND OTHER					
University of Vermont	37,942,512	36,478,096	36,976,719	38,271,188	39,328,122
Vermont Public Television	563,832	573,832	596,785	605,737	645,737
Vermont State Colleges	22,488,403	23,243,250	23,971,763	24,810,775	25,441,180
Vermont Interactive TV	795,331	815,331	847,944	858,163	858,163
Vermont Student Assistance Corp.	17,167,609	17,771,050	18,481,892	19,153,758	19,632,602
N.E. Higher Education Compact	88,840	80,000	80,000	84,000	84,000
TOTAL HIGHER EDUCATION AND OTHER	79,046,527	78,961,559	80,955,103	83,783,621	85,989,804
TOTAL EDUCATION	364,965,705	394,089,830	407,780,306	429,772,690	439,252,816

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds ^(a)
FY 2005 - FY 2009

Agency/Department/Program	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Final Appropriation	FY 2008 Recommended Appropriation	FY 2009 Recommended Appropriation
NATURAL RESOURCES					
Agency of Natural Resources:					
ANR - Central Office	4,893,450	6,904,054	7,174,286	7,354,026	7,975,468
Environmental Conservation	20,873,398	24,308,448	25,021,910	25,746,384	25,584,596
Fish & Wildlife	1,896,009	3,063,518	2,096,314	2,131,151	2,033,348
Forests, Parks & Recreation	14,129,565	13,080,811	15,244,555	15,645,211	16,033,481
Total Agency of Natural Resources	<u>41,792,422</u>	<u>47,356,831</u>	<u>49,537,065</u>	<u>50,876,772</u>	<u>51,626,893</u>
Natural Resources Board	2,846,684	2,699,549	2,742,438	2,830,353	2,875,261
TOTAL NATURAL RESOURCES	<u>44,639,106</u>	<u>50,056,380</u>	<u>52,279,503</u>	<u>53,707,125</u>	<u>54,502,154</u>
COMMERCE & COMMUNITY DEVELOPMENT					
Agency of Commerce & Comm Development					
ACCD - Administration	1,874,906	1,932,078	2,184,996	2,899,251	2,886,912
Housing & Community Affairs	6,795,645	6,847,747	7,266,119	7,142,782	7,176,338
Econ Development	5,395,103	5,539,595	5,699,910	5,733,406	5,649,753
Tourism & Marketing	4,678,637	4,191,656	4,338,938	4,108,992	4,107,359
Total Agency of Commerce & Community Development	<u>18,744,291</u>	<u>18,511,076</u>	<u>19,489,963</u>	<u>19,884,431</u>	<u>19,820,362</u>
Council on the Arts	519,618	494,618	529,618	545,618	559,258
Vermont Symphony Orchestra	101,960	101,960	118,780	122,343	125,402
VT Historical Society	597,660	630,653	733,393	828,342	932,515
Housing & Conservation Trust	13,613,246	14,088,426	14,630,883	15,383,258	10,768,258
VT Humanities Council	150,599	160,599	180,599	185,599	195,599
TOTAL COMMERCE & COMM. DEVELOPMENT	<u>33,727,374</u>	<u>33,987,332</u>	<u>35,683,236</u>	<u>36,949,591</u>	<u>32,401,394</u>
DEBT SERVICE	<u>67,331,459</u>	<u>67,252,930</u>	<u>69,129,965</u>	<u>68,698,028</u>	<u>71,459,051</u>

COMBINED FUND APPROPRIATION HISTORY

General, Transportation and Special Funds ^(a)

FY 2005 - FY 2009

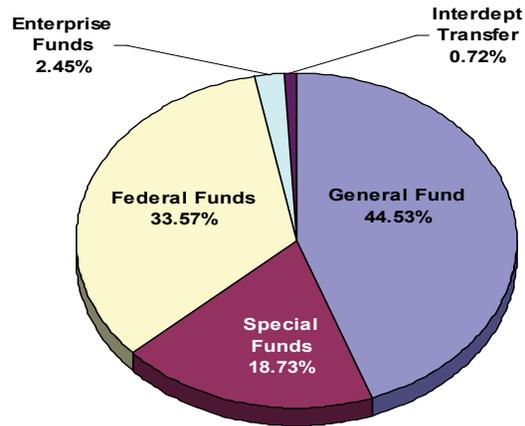
Agency/Department/Program	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Final Appropriation	FY 2008 Recommended Appropriation	FY 2009 Recommended Appropriation
TRANSPORTATION					
Agency of Transportation					
AOT Division Appropriations and Programs	117,577,752	109,743,174	123,249,032	128,503,720	127,601,724
AOT Dept. of Motor Vehicles	19,117,258	20,376,646	19,315,280	24,841,574	23,854,657
AOT Town Highway Programs	40,812,623	37,638,054	40,740,841	39,380,378	37,603,136
Total Agency of Transportation	<u>177,507,633</u>	<u>167,757,874</u>	<u>183,305,153</u>	<u>192,725,672</u>	<u>189,059,517</u>
Trans Bd & MV Arbitration Bd	78,400	81,850	84,600	87,796	89,991
TOTAL TRANSPORTATION	<u>177,586,033</u>	<u>167,839,724</u>	<u>183,389,753</u>	<u>192,813,468</u>	<u>189,149,508</u>
Pay Act	7,202,499	5,268,231	5,805,219	1,192,197	1,210,258
OTHER (includes one-time appropriations)	<u>44,024,000</u>	<u>83,646,019</u>	<u>47,427,402</u>	<u>34,518,900</u>	<u>12,440,272</u>
APPROPRIATION TOTAL	<u>1,687,544,813</u>	<u>1,798,234,173</u>	<u>1,609,970,296</u>	<u>1,691,611,744</u>	<u>1,714,053,115</u>

(a) Does not include the following funds: Education, Fish & Wildlife, Global Commitment, State Health Care Resources, Catamount, Enterprise, Local Match, Pension & Trust, Internal Service Funds, and Interdepartmental transfers.

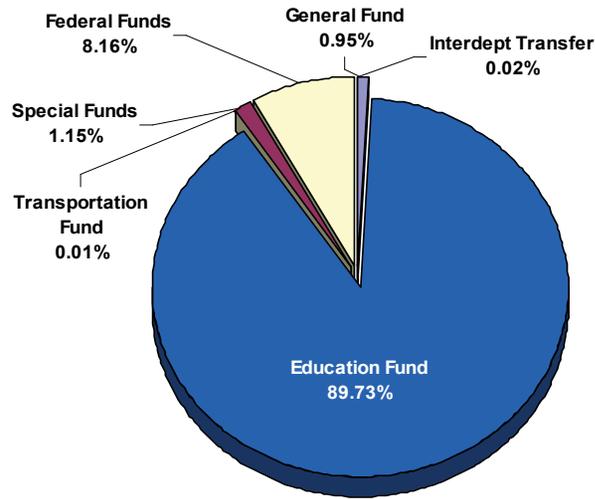
State Funds - Federal Funds Comparison

The following charts profile the proportion of state and federal funds as part of total funding. They demonstrate the dependence of important state functions on federal funds.

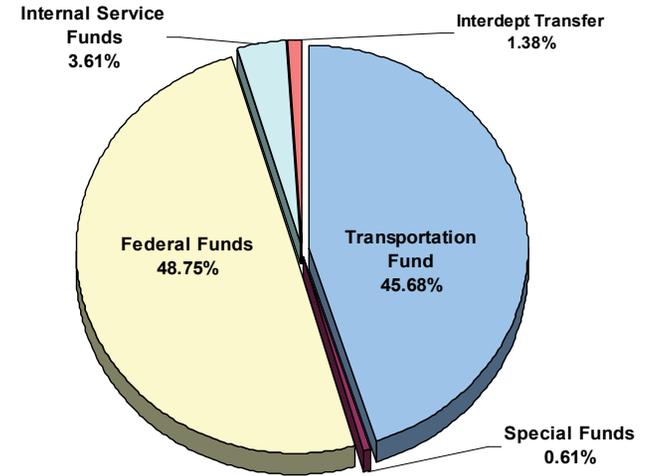
Agency of Commerce and Community Development



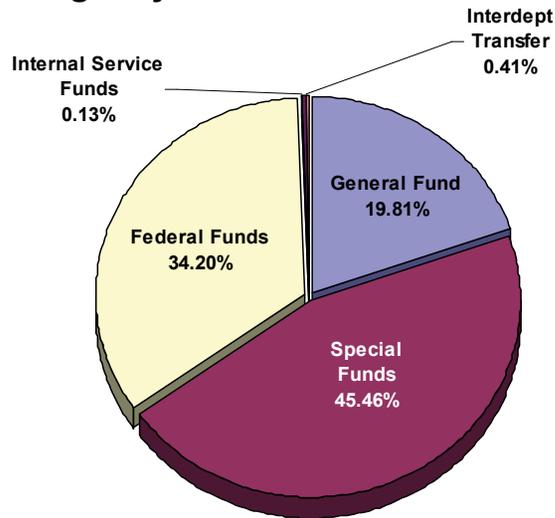
Department of Education



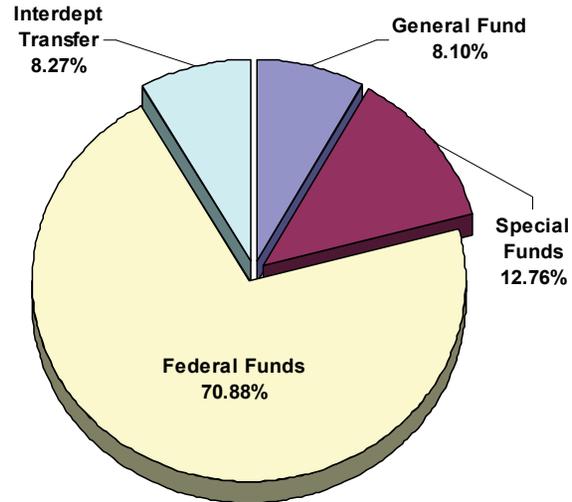
Agency of Transportation



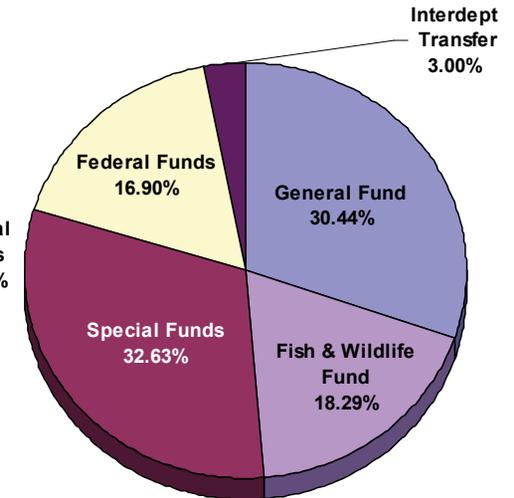
Agency of Human Services



Department of Labor



Agency of Natural Resources



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, 2007 actuarial valuation, the Vermont State Employees' Retirement System (VSERS) Board of Trustees recommended that the State contribute \$25,333,307 during fiscal year 2009. This amount incorporates the actuary's recommended normal contribution of \$26,604,796 (6.58% of estimated payroll) less \$1,271,489, a credit for the annual contribution towards the unfunded liability which is being re-amortized over the next 11 years. The actuarial recommendation has also been reduced by \$332,575 for the contribution by town participants in VSERS. The state also contributes an amount to cover estimated administrative expenses, adjusted from a reconciliation of the budgeted versus actual contributions and expenses for the most recently completed fiscal year. The reconciliation for fiscal year 2007 identified a \$1,113,249 under-contribution which has been added to the Treasurer's estimate of \$26,966,006 for fiscal year 2009 administrative expenses. Additional adjustments have been made to decrease the state contribution so as not to pre-pay \$4,175,008 in estimated investment fees, which is commonly not prepaid in other retirement plans. These adjustments result in requiring the State to make a total contribution of \$48,904,979. \$46,792,369 (95.7%) of the total recommended contribution will be funded. The \$2.1 million difference will be made up by the overfunding in VSERS described below.

The recommended funding for the State Teachers' Retirement System (STRS) for fiscal year 2009, as determined by the actuary for the State Teachers' Retirement Board, is \$43,157,974. The Administration is proposing that a combination of \$32,549,097 in General Funds, an estimated \$1.2 million of Medicare Part D reimbursement funds, one-time settlements due the General Fund, and the potential fiscal year 2008 waterfall be utilized to achieve funding at the actuarially recommended level.

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, 2007 are 100.8% and 84.9% respectively.

Statement 45 (GASB 45) by the Government Accounting Standards Board (GASB) requires the state to report an actuarial valuation of other post-employment benefits (OPEB) similar to the treatment of pension benefits. GASB 45 rules are effective for Vermont beginning with its reporting for fiscal year 2008. OPEBs include medical and dental benefits for retirees. The Vermont State Treasurer's actuary has completed OPEB valuations for the State Employees' (VSERS) and State Teachers' (VSTRS) retirement systems that measure the current liabilities of each system for its post-retirement benefits program, determine the level of contribution necessary to assure sound funding of such benefits and provide reporting and disclosure information for financial statements, etc. The Administration, Treasurer's office, Legislature and other affected parties will need to work together to develop a multi-year plan to address funding this liability.

Acknowledgements

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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.

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Fiscal Year 2009
Achieving Prosperity Through Affordability

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James Reardon, Commissioner.

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Vermont citizens of the Fiscal Year 2009 Budget
Recommendations of Governor James H. Douglas.

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