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Jeb Spaulding, Secretary

August 11, 2014

Joint Fiscal Committee
State House
Montpelier, Vermont

Dear Members of the Joint Fiscal Committee,

As you know, the State's revised official consensus revenue forecast, approved by the Vermont Emergency Board on July 24, 2014, resulted in a \$28.8 million reduction in projected General Fund receipts for fiscal year (FY) 2015. Once related adjustments are factored in, the actual reduction in revenues available to the General Fund this year on, a budgetary basis, is projected to be \$31.28 million.

Governor Shumlin remains consistent in his opposition to raising taxes or relying on the Budget Stabilization Reserve to address the updated revenue projection. Instead, he is committed to reducing General Fund spending and making adjustments in a thoughtful fashion to match the projected available revenues. By taking quick action early in the fiscal year, we can soften the impacts of reduced spending. If we were to delay action, balancing our budget this year would become significantly more difficult and painful down the road.

The plan we present today is consistent with statute and represents a collaborative effort between the executive and legislative branches to be proactive in addressing the current fiscal challenge.

32 V.S.A. § 704 (b) (1) states:

If the official State revenue estimates of the Emergency Board for the General Fund, the Transportation Fund, or federal funds, determined under section 305a of this title have been reduced by one percent or more from the estimates determined and assumed for purposes of the general appropriations act or budget adjustment act, and if the General Assembly is not in session, in order to adjust appropriations and their sources of funding under this subdivision the Secretary shall prepare a plan for approval by the Joint Fiscal Committee, and authorized appropriations and their sources of funding may be adjusted and funds transferred pursuant to a plan approved under this section.

Vermont has been well served by being proactive in adapting to changing fiscal conditions in the past, which is one reason we are the only Triple-A rated state in New England. The Governor very much appreciates the willingness of the Joint Fiscal Committee to consider and act on our rescission plan this week.



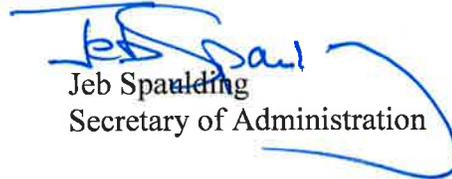
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It is worth noting that today's fiscal environment is very different than the one Governor Douglas and legislators faced in FY 2009 and FY 2010 when State revenues were actually plummeting dramatically and multiple painful rescissions, as well as lay-offs of hundreds of employees, were necessary. Today's situation is caused by revenue that continues to grow, but at a more modest level than projected earlier. This is a situation our country and many other states are experiencing. Although General Fund revenue is projected to rise by three percent this year in Vermont, both the State and Legislative economists have clearly stated that there is more downside risk in the forecast than upside risk. Making prudent spending adjustments now will provide protection against this risk. As we move forward towards FY 2016 and beyond, it will be important to continue to work together to reduce the use of "one-time" funds and match base spending growth to projected ongoing revenue growth. Today's plan is another step in that direction. Of the total \$31.28 million in spending adjustments, approximately 50% are "base" in nature.

In developing our rescission plan, we kept in mind that the economic forces that resulted in the updated revenue forecast are also affecting many Vermont families. Thus, we did not make indiscriminate or across-the-board cuts. Instead, while spreading the burden broadly, we developed a plan that maintains essential programs and services for our most vulnerable, for example, by not reducing the Low Income Heating Assistance program, while continuing to invest in our jobs and economic future.

We appreciate the input we have received in the development of our rescission plan and regret the hardship it will cause for some. We have worked hard to minimize that and, again, emphasize that making thoughtful and prudent adjustments now will be in all Vermonters best interest. Delay in taking action to make spending adjustments will only make the job of balancing the FY 2015 budget more difficult and painful in the future. Thank you very much for your consideration.

Sincerely,


Jeb Spaulding
Secretary of Administration