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Michael K. Smith, Secretary

MEMORANDUM

TO: Agency Secretaries, Commissioners and Deputies, Business Managers

FROM: Michael K. Smith, Secretary of Administration

DATE: September 05, 2006

RE: Fiscal Year 2008 Budget Process

With September upon us, we stand ready to begin the annual process of building the Governor's Budget for FY 2008.

Last year, we ended the fiscal year with a balanced budget, the stabilization funds full, and we have maintained our strong bond rating. We achieved this without raising taxes and by carefully controlling and monitoring our spending.

The Governor and his Administration are committed to presenting the Legislature with another fiscally responsible budget for FY 2008. We will continue to resist efforts to increase taxes and will match spending to available revenues. Our revenue growth for FY 2006 was, for the most part, above expectation. But, the growth curve began to slow during the latter part of FY 2006. We expect slower growth trends to continue, along with the continuing pressures in Medicaid, the Teachers' Retirement Fund, and Transportation.

At the annual Business Managers' Meeting tomorrow, Finance and Management will ask you to develop a "well-scrubbed" FY 2008 level-funded budget scenario. Jim Reardon, Commissioner of Finance and Management, will contact you with more specific budget instructions and a timetable. Your response needs to be submitted through the Budget Development System (BDS) with any additional materials sent electronically to ADM-FY08 BUDGET@state.vt.us by October 2, 2006, with summary level budget data and details on how level funding will impact your department's mission and programs. We count on you to provide a well thought out and reasoned response to the budget instructions.

I ask that you make certain that any statutory changes or legislative action required to implement your proposed FY 2008 budget be included in your response of October 2, 2006. Please include in your response any current fiscal year's budget changes that you want considered in the FY 2007 Budget Adjustment Act, which will be compiled by Finance and Management.

Creating the Governor's Budget is a challenging task, and we thank all of you for your efforts and hard work in meeting our financial responsibility to Vermont's taxpayers, in preparing what will be another sustainable budget.