

FY 2019 EXECUTIVE BUDGET SUMMARY



Fiscal Year 2019 Executive Budget Recommendations

Philip B. Scott
Governor of Vermont
January 23, 2018



January 23, 2018

Dear Members of the General Assembly and Fellow Vermonters:

It is my pleasure to present the Fiscal Year (FY) 2019 budget for your consideration.

This budget continues to invest in our top strategic priorities and offers a new, more fiscally responsible way to determine an appropriate spending level. We began by asking a question: How can we better align the budget of our state government with what Vermonters can afford? To do this, we decided to hold growth in state spending – all state spending in all funds – at or below a six-year rolling average of real wage growth. This *Growth Rate Calculation* ensures growth in state spending no longer outpaces Vermonters' ability to pay and mitigates the risk of building a budget based on forward-looking projections that end up being off target. This year's Growth Rate Calculation was set at 2.36%.

As a matter of principle, I do not believe the cost of state government – or the service areas we regulate – should be permitted to grow faster than the paychecks of the Vermonters footing the bill. My Administration will apply the Growth Rate Calculation to all future budget proposals, and to our policy and regulatory work in other areas. One of the key performance indicators of our strategic plan is the

percent of household income devoted to taxes and fees. The Growth Rate Calculation is one important tool to reduce this percentage over time. And this goal is why, for the second year in a row, my recommended budget does not raise taxes or fees—because I believe Vermonters needed a break.

Containing spending growth is hard work, particularly when you consider the years of underfunding longer-term liabilities and the cost pressures of old systems embedded in state government. We had to make difficult decisions. Most importantly, we had to prioritize our spending.

From the first day of my administration, I emphasized three strategic goals: strengthen the economy, make Vermont more affordable, and protect the most vulnerable.

My budget prioritizes investments that will make it easier to create jobs, expand small businesses and boost wages. It confronts stagnant growth in our workforce by expanding training, recruitment and retention tools. It reaches out to senior members, or former members, of our workforce and helps them to take on a new challenge, if they are seeking one. And it creates a wider path into the workforce for newly minted college graduates or high school graduates who prefer to go directly into the trades.

Another opportunity to strengthen the economy is through our work to address climate change and meet our clean energy goals. Our Clean Energy Plan identified wood heat as a critical way to achieve Vermont's goal of 90% renewable energy by 2050. We will fund a program to help homeowners replace old, non-EPA certified wood stoves with modern, efficient ones. This initiative not only improves air quality in and outside the home, but also saves folks money by reducing what they burn. It helps small businesses by driving sales at local stove shops, and supporting our forest products economy. We will also support an innovation-driven, entrepreneurial approach to our water quality challenges that we hope will result in net tax revenue and new jobs.

As you know, one major challenge in making Vermont more affordable is the ever-rising cost of education. Year after year, Vermonters have endured property tax increases they can no longer afford. We all want every child, regardless of address, to have the best education possible. But we must be honest about whether we're achieving that vision, and whether we're receiving the best value we can get for the \$1.6 billion we are investing. My administration has already reached out to the legislature to help find solutions and chart a path forward. We know investment in education brings long-term benefits for our kids, families and the economy, but we must have the courage to reform our K-12 education system.

While economic growth and affordability are strategic priorities in my administration, an equal priority is offering assistance to those in need. To face the growing mental health needs in our state, my budget replaces our temporary secure residential facility and funds a new forensic psychiatric facility. To get people the care they need when they need it, we partner with communities and healthcare providers to put mental health outreach workers in key areas throughout the state. And, to prevent costly and debilitating healthcare problems, my budget launches two innovative, preventative programs: a school-based dental program and a universal home visit pilot for pregnant women and babies.

As we make strides in the battle against substance abuse disorders, we can do more to help Vermonters in recovery find and keep a job. That's why I've directed the Department of Labor, within the resources provided in this budget, to provide comprehensive employment services directly to those in recovery, through regular service hours at Vermont's Recovery Centers. Employment counselors will serve three recovery centers by the end of this Spring, and every recovery center in the state by the end of the year - at no additional cost to Vermonters.

This year's budget will also provide additional funds for teachers' retirement (up \$16 million) and teachers' healthcare (up \$4 million) – because we have an obligation to keep the promises we made to

these retired public servants. It fully funds the annual transfer of general funds to the education fund (up \$8 million), and normal salary and benefit increases for the state workforce.

Balancing this budget without raising taxes or fees required a lot of hard work. The truth is, for many decades, the cost of state government has been designed to grow about 5 percent each year. The budget I present today grows at less than half that rate while still investing in our economy and protecting the most vulnerable. This required careful, diligent work and often difficult decisions. I want to thank my entire Administration – every secretary, commissioner, director, and every hardworking state employee – for their willingness to think differently, to innovate, prioritize, modernize and put the state in a much better fiscal position for the future.

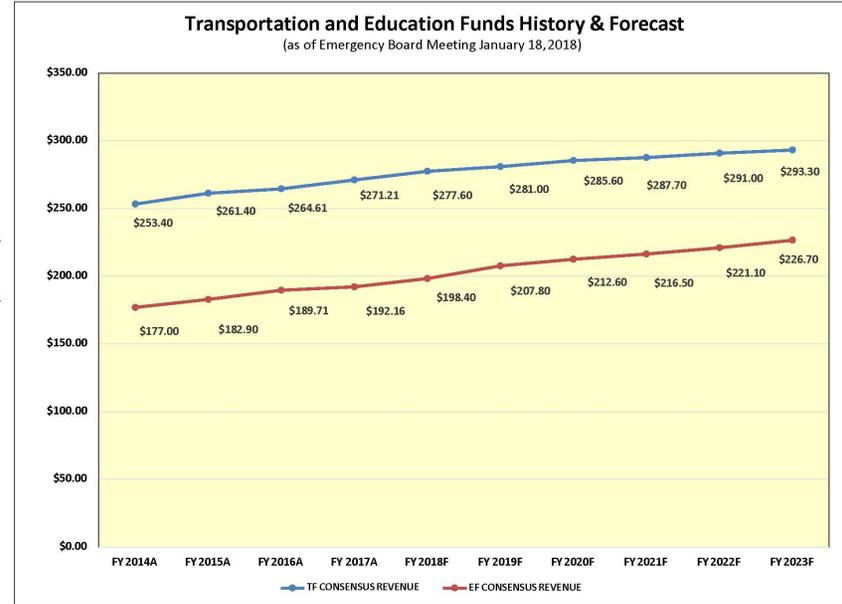
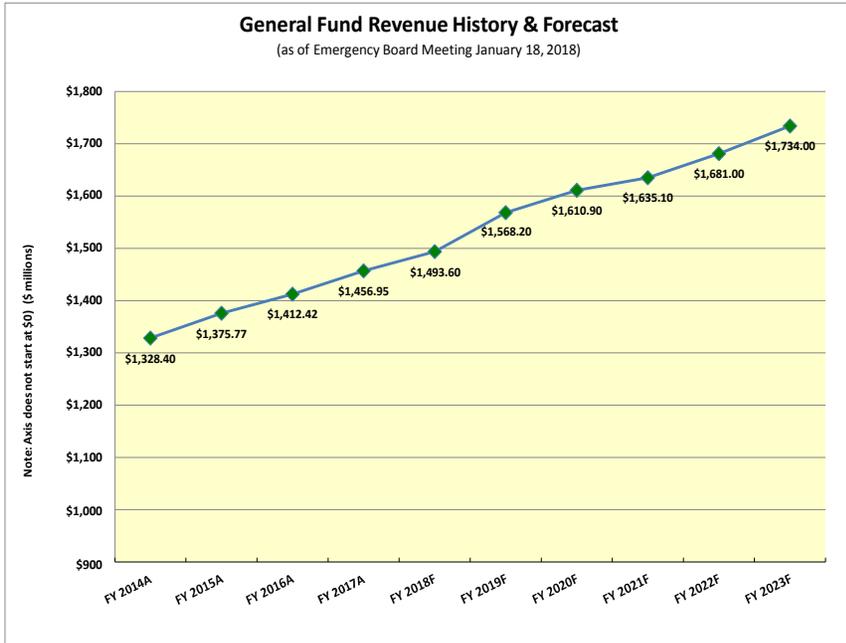
Sincerely,

A handwritten signature in black ink, appearing to read 'P. Scott', with a long horizontal line extending to the right.

Philip B. Scott
Governor

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CONSENSUS REVENUE HISTORY AND FORECAST

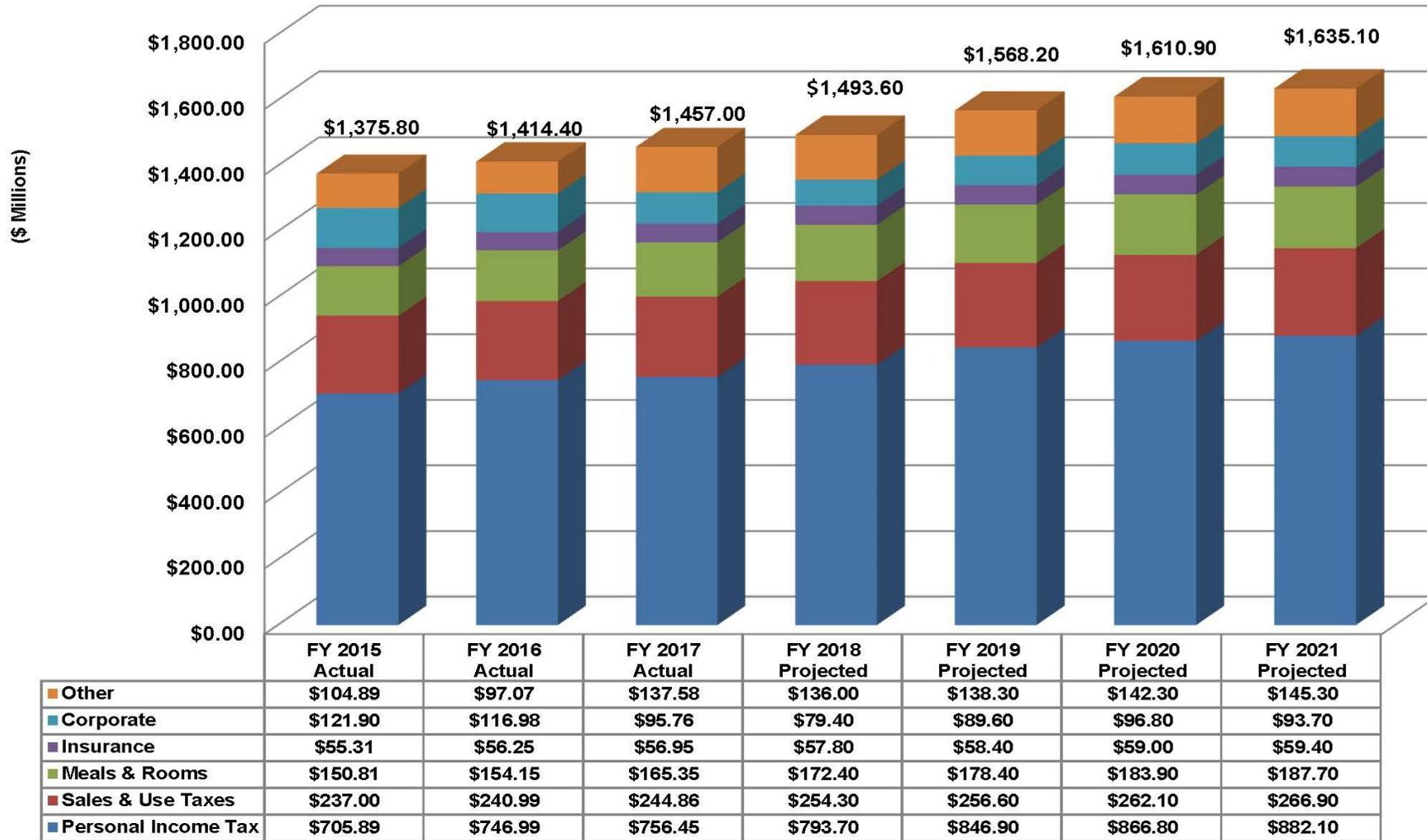


On January 18, 2018, the Vermont Emergency Board adopted revised General, Transportation and Education Fund Consensus Revenue Forecasts for the remainder of FY2018, FY2019 and FY2020 as compared to the adopted July 2017 forecast. The General Fund (GF) for FY2018 was projected to be \$1,493.6 million (+\$8.1 million, +0.5%) while the FY2019 GF was projected at \$1,568.2 million (\$29.7 million, +1.9%). The Transportation Fund forecast for the remainder of FY2018 was projected at \$277.6 million (+\$1.4 million, +0.5 %) and for FY2019 was projected at \$281.0 million (+\$2.1 million, +0.8 %). The Education Fund (portion subject to consensus revenue forecast) was projected to be \$198.4 million for FY2018 (+\$0.4 million, +0.2%) and \$207.8 million for FY2019 (+\$1.1 million, +0.5%).

General Fund Revenue by Component

FY 2015 - FY 2021

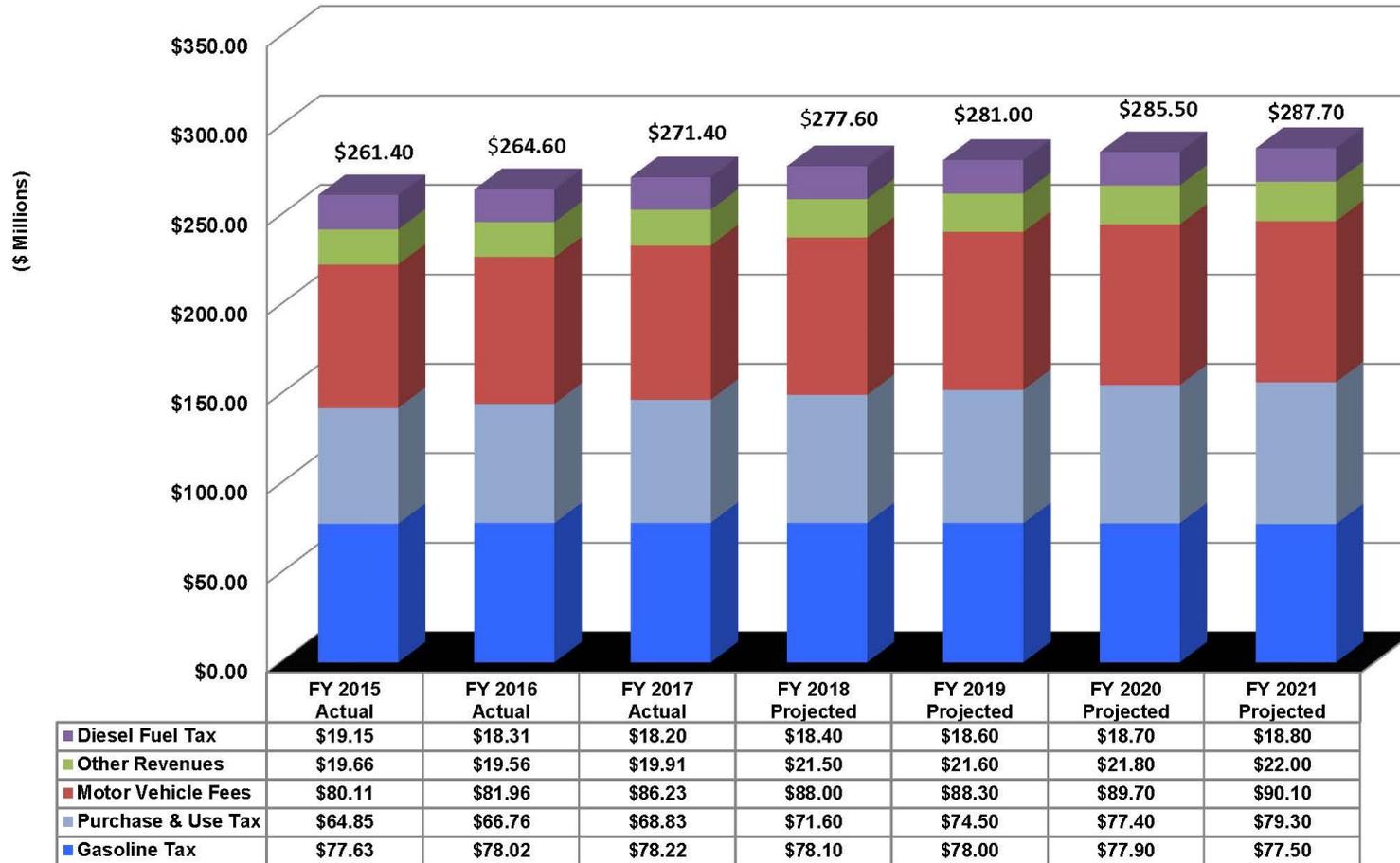
Emergency Board January 18, 2018



Transportation Fund Revenue by Component

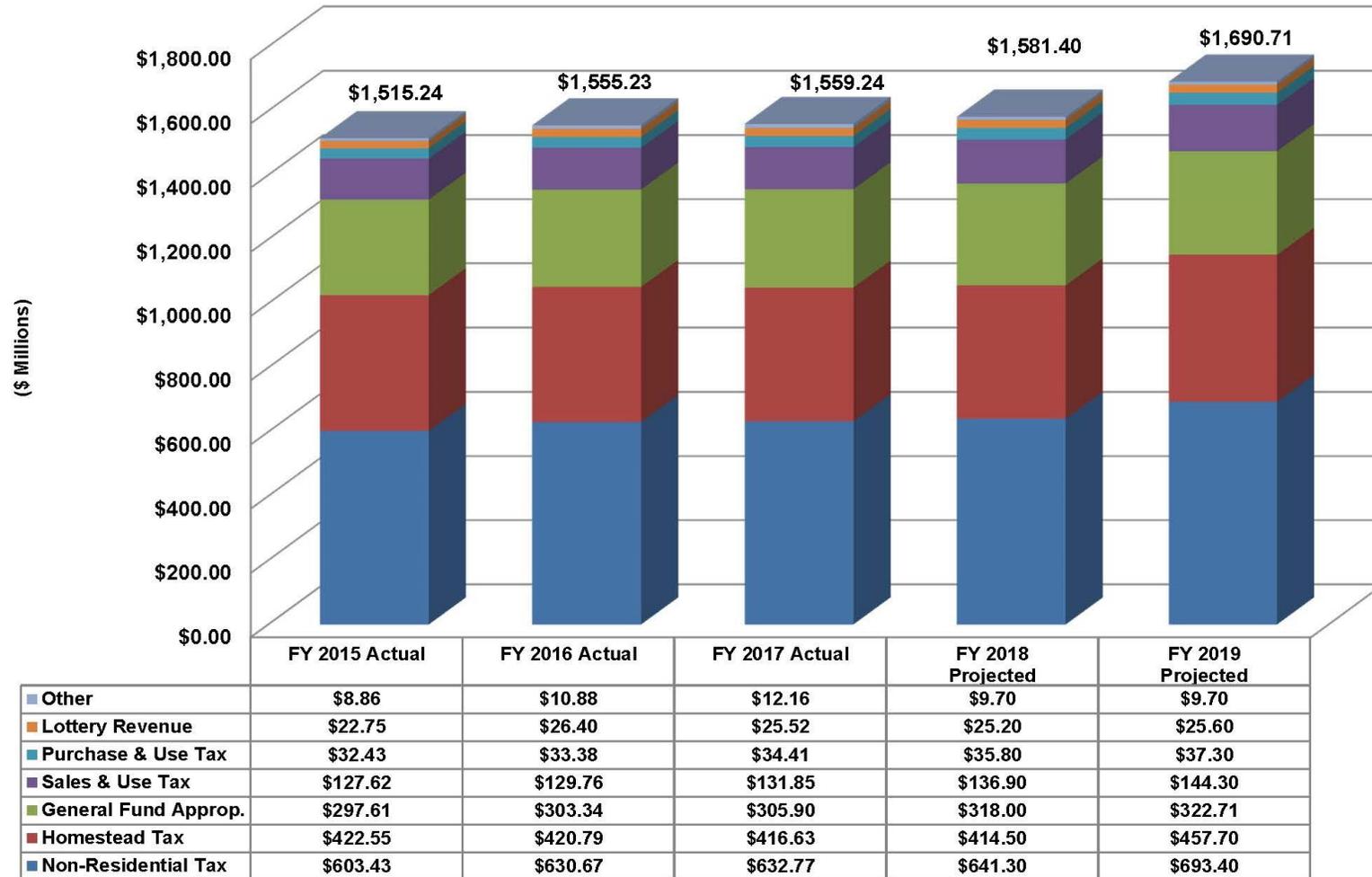
FY 2015 - FY 2021

Emergency Board January 18, 2018



Education Fund Revenue by Component FY 2015 - FY 2019

Emergency Board January 18, 2018



FY2019 BUDGET RECOMMENDATIONS

THE FISCAL YEAR 2019 BUDGET DEVELOPMENT PROCESS/PUBLIC BUDGET PROCESS

In accordance with 32 V.S.A. § 306 (d), the development process for the Governor's Budget Recommendations include public participation and a current services budget.

Public Participation – Public Budget Forums

The Secretary of Administration used an online budget forum to meet the requirements of 32 V.S.A. § 306 (d). Under this section the Governor is required to develop a process for public participation in the development of goals and a general prioritization of spending and revenue initiatives as part of the state's budget.

Using the Department of Finance & Management's public website, the Administration posted an online presentation describing the overall budget and budgeting process, found at the website address below:

<http://finance.vermont.gov/sites/finance/files/FINAL%20FY19%20Budget%20Presentation.pdf>

The Administration invited comments both online and in writing, during a five week period in November and December.

During this time, Finance & Management received 475 comments online (SurveyMonkey) and 74 written comments. Below is a summary of those comments:

28 comments supported the full funding of \$10M for the Parent Child Centers Master Grant

16 comments supported an increase of \$250,000 for the expansion of the HEAT squad

12 comments regarding K-12 education; both in support and against

9 comments supported increased funding for public higher education

1 comment encouraged support of senior citizens

1 comment supported an increase in human services spending; particularly the opioid epidemic and mental health

1 comment supported tax reform

1 comment supported the Working Lands Enterprise

1 comment supported an overhaul of the online survey

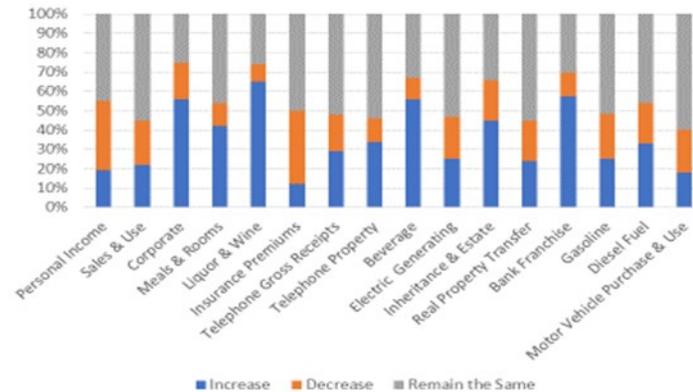
1 comment supported an increase in Vermont game wardens

1 comment was not in support of the meals and rooms tax

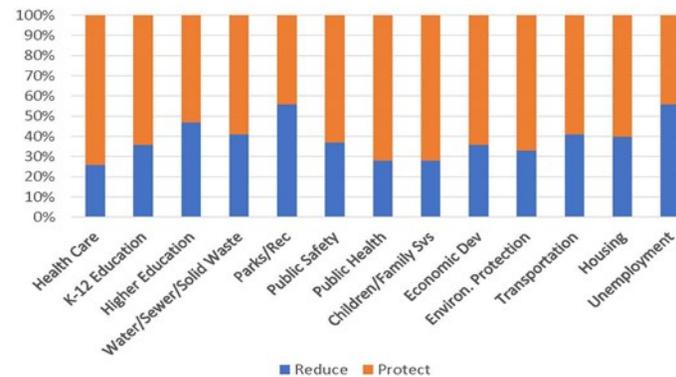
1 comment supported Vermont secession

1 comment was in support of teachers' pensions

Which areas of revenue would you consider reducing, increasing or maintaining at current levels in order to balance the state budget?



Which areas of spending would you consider reducing – and which would you protect in order to balance the state budget?



Current Services Budget (per 32 V.S.A. § 306 (a)(1))

THE FISCAL YEAR 2019 CURRENT SERVICES BUDGET

A current services budget measures how much it would cost the State in an upcoming budget period to deliver the same quantity and quality of services delivered in the current budget period. A current services budget takes into account the impact of factors such as: inflation and other changes in the per-person cost of providing the programs and services; any expected changes in the number of people utilizing those services and benefits due to population growth or other factors; any previously enacted changes that have not been phased in, ongoing formula-based adjustments, and other factors that would require statutory changes to undo; and collective bargaining agreements.

A current services budget does not take into account the impact of factors such as: proposed new policy or policy changes not yet enacted; new programmatic initiatives; and proposed new revenue or tax receipts.

See General Fund Overview on page 18 for additional information.

	FY18 As Passed - Less Rescission & Mgmt Savings	FY 2019 Current Services
GENERAL FUND		
Administration - secretary's office	886,620	886,620
Agency of Digital Services - NEW GF	-	177,615
Finance and management	1,259,041	1,258,956
Human resources	1,927,276	1,940,451
Libraries	2,277,909	2,025,918
Tax	17,919,935	18,686,980
Buildings and general services	1,967,688	1,958,279
Executive office - governor's office	1,658,582	1,658,582
Legislative Branch - all appropriations	14,746,482	15,114,957
Lieutenant governor	238,545	254,551
Auditor of accounts	392,180	390,871
State treasurer	964,136	969,366
State labor relations board	246,610	251,465
VOSHA review board	44,061	44,333
Sub-total Gen'l Gov't - Excl PropTaxAssistance	44,529,065	45,618,944
Homeowner rebate	16,600,000	16,600,000
Renter rebate	3,150,000	3,150,000
Municipal Current Use	15,283,643	15,981,672
Sub-total Property Tax Assistance	35,033,643	35,731,672
Attorney general	4,868,128	5,056,635
Vermont court diversion	2,156,486	2,270,486
Defender general	16,954,883	17,203,935
Judiciary	42,133,260	43,309,694
State's attorneys	11,416,787	11,756,761
Special investigative units	1,999,100	1,999,100
Sheriffs	4,291,184	4,433,362
Public safety	45,649,281	47,551,358
Military	3,936,474	4,056,866
Center for crime victims services	1,264,140	1,264,158
Criminal justice training council	2,294,478	2,355,582
Agriculture, food and markets	8,292,701	8,388,761
Human rights commission	490,229	492,122
Sub-total Protection	145,747,131	150,138,820
AHS - secretary's office (incl RS & HSB)	10,899,980	11,083,443
Secretary's office - Global Commitment	261,459,324	272,567,160
Department of Vermont Health Access	83,812,544	81,680,449
Health	14,096,225	14,674,692
Mental health	4,852,748	6,164,792
Department for children and families	129,000,448	132,514,980
Disabilities, aging and independent living	25,730,132	28,208,183
Corrections	142,829,671	145,229,028
Vermont Veterans Home	6,191,522	6,394,706
Commission on women	370,571	372,962
Retired senior volunteer program	151,096	151,096
Green Mountain Care Board	2,076,352	2,119,482
Sub-total Human Services - incl AHS & other	681,470,613	701,180,973

	FY18 As Passed - Less Rescission & Mgmt Savings	FY 2019 Current Services
GENERAL FUND		
Labor	3,153,735	2,980,386
Education - finance/admin/ed services	9,781,625	9,911,836
Appropriation & transfer to Ed Fund	314,695,753	322,905,813
State teachers' retirement system	75,912,816	92,241,519
Retired teachers health care	27,560,966	31,639,205
Sub-Total General Education	427,951,160	456,698,373
University of Vermont	38,462,876	38,462,876
Vermont public television	1	-
Vermont state colleges	27,300,464	27,300,464
VSC - Supplemental aid	700,000	700,000
Vermont state colleges - allied health	748,314	748,314
Vermont student assistance corporation	19,414,588	19,414,588
New England higher education compact	84,000	84,000
University of Vt - Morgan Horse Farm	1	-
Sub-Total Higher Education	86,710,244	86,710,242
Agency of natural resources - admin	4,109,497	4,149,820
ANR Local property tax assessment	2,071,729	2,111,255
Fish and wildlife	5,039,913	5,260,156
Forests, parks and recreation	7,351,086	7,374,042
Environmental conservation	8,560,138	8,582,788
Natural resources board	606,998	608,163
Sub-Total Natural Resources - incl ANR & NRB	27,739,361	28,086,224
Agency Commerce & Comm Dev - Admin	3,696,869	3,523,916
Economic Development	4,534,127	4,590,054
Housing & Community Development	2,607,555	2,611,491
Tourism and marketing	2,991,225	3,038,789
Vermont council on the arts	675,307	717,735
Vermont symphony orchestra	141,214	141,214
Vermont historical society	996,945	961,426
Vermont humanities council	217,959	217,959
Sub-Total Commerce - incl ACCD & Grants	15,861,201	15,802,584
Debt service	73,989,703	72,860,748
Sub-Total Debt Service	73,989,703	72,860,748
Total Base Appropriations	635,405,404	663,138,557
One-time Appropriations:		
FY 18 Pay Act - all branches (1)	11,510,803	(11,510,803)
FY 19 Pay Act (1)		8,312,303
Other 1-time appropriations (2)	700,000	1,848,516
Sub-total "Other Items"	12,210,803	(1,349,984)
Grand Total General Fund	1,554,396,659	1,594,438,982

Notes:

- (1) FY19 Pay Act reflects State's collective bargaining position as of 1/16/18, and will be included in separate Pay Act legislation. FY18 Pay Act is annualized in departments' FY19 Current Services above, and so should be excluded for comparison.
- (2) Departments' FY19 Current services includes allocated \$5M management savings and \$7M base rescission reductions.
- (3) FY19 One-time appropriations include \$400K Secretary of State elections (every other year) and \$1.4M for statewide reclassifications.

PROGRAM TO IMPROVE VERMONT OUTCOMES TOGETHER (PIVOT) FY 2019 GOVERNOR'S BUDGET RECOMMENDATION

Governor Scott's Executive Order 04-17 established the **Program to Improve Vermont Outcomes Together (PIVOT)**. Governor Scott firmly believes in a system of Continuous Improvement (CI) for programs and processes as a way to modernize state government.

CI is a way of thinking, a commitment to making things better. CI comes with a full diverse toolbox. No idea is a bad idea, regardless of whether an idea eventually works or not. The key to CI is to keep thinking. CI is a system which works from the bottom up.

The system is driven by specific performance indicators which we will use to measure our progress and report to Vermonters so they can hold us accountable for making meaningful gains. These "breakthrough" indicators will prove if Vermont's families, children and communities are doing better. When they are, revenues will increase and state government will have more resources to invest in our strategic priorities. This is the benefit of having a clearly defined strategic plan - a blueprint for growth - and a budget that supports this approach.

2017 RESULTS

Under the leadership of the Chief Performance Officer, PIVOT accomplished a great deal in 2017, its formative year, and has ambitious plans for 2018 and 2019.

Targeted Action Plans (TAPs): On June 20, 2017, forty-four Targeted Action Plans (TAPs) were approved by the Governor. TAPs were developed to have actionable items to implement, beginning in 2017, jump-starting our ability to act on process and results improvements, instead of waiting for training program maturity or completion of the Strategic Plan. A "Dashboard" report on the status of the initial PIVOT TAPs, as of 12/31/17, is available electronically at: http://spotlight.vermont.gov/sites/spotlight/files/Performance/PIVOT/2017_PIVOT_TAP_Update_12.31.17Final.pdf.

Training: A total of 201 employees and 80 extended cabinet members have been trained in-house by the PIVOT Development Team (PDT), since June 19, 2017 (RBA and Lean). Prior to PIVOT, Lean-only training and support was contracted by DEC and AOT at a cost approaching \$300,000 and trained 340 employees and 58 leadership positions from 2013 - 2017. In total, 541 employees and 130 leaders/managers have been trained in some level of continuous improvement methodologies.

Steering Committee: The statewide Steering Committee has been established, consisting of the PDT members, the Chief Data Officer, and one representative from each of the 12 cabinet agencies and independent departments. The Committee will provide governance, project selection advice, dissemination of best practices, training curriculum changes and assistance.

A Green Belt (GB) Practice Network has been established. The network meetings are an opportunity for GBs to support and learn from each other. By sharing experiences, practicing skills, learning new tools, and staying connected, GBs will develop and sustain an infrastructure for continuous improvement to rely on for effective and consistent facilitation.

2018 & 2019 PLANS

- Continue work on 2017 TAPs to completion and establish periodic meetings schedule with Cabinet and PIVOT Leads to review TAP progress; developing future TAPs to add strategic planning.

- Transfer training to Center for Achievement in Public Service (CAPS) workforce development staff; Develop plan to ramp-up training capacity to meet strategic goals; Continue working on the Service Domain, Program and Activities inventory (SPA Matrix).
- Form a chartered Project Team for the new Outcomes-Based Programmatic Budget construct (key goal in AOA-Strategic Plan).
- The final SPA Matrix will be the basis for the new budget construct, eventually allowing for budgeting by organization (as we currently do), by individual Programs, and by Service Domains across Agencies - such as "All Housing Service."
- Finalize the state Strategic Plan and planning process, with annual updates to transcend administrations.
- Future TAPs will be developed from the Strategic Plan and/or the continuous improvement process being built within each agency and departments.
- Form a chartered Project Team for a Dashboard template and Open Data portal expansion, including Dashboards for the Strategic Plan, PIVOT and 2014 Act 186 Outcomes.
- Continue the institutionalization of a Continuous Improvement Culture, including process improvement methodology training (RBA and Lean), driving improvement work strategically, and pairing top-down vision with bottom-up ideas.

We made great progress in 2017, PIVOT's formative year. Our progress to date leaves us well positioned to increase trained employees and engage in projects which will improve results, make processes more efficient, eliminate waste, improve customer service and build programmatic capacity.

GOVERNOR SCOTT'S FISCAL YEAR 2019 KEY BUDGET ITEMS

Governor Scott's Fiscal Year 2019 Key Budget Items

- Supports Fiscal Year 2019 (FY19) General Fund base appropriations of \$1.591 billion, a 2.33% growth rate over the post-rescission Fiscal Year 2018 (FY18) base appropriations.
- Does not raise taxes or fees.
- Supports increased investments in workforce training, housing, small business, mental health, and clean energy.
- Provides tax relief to Vermonters by exempting military pensions from state income tax and phasing out state taxes on Social Security income for low and moderate income households.
- Maintains the General, Transportation and Education Funds (GF, TF, and EF) Budget Stabilization Reserves at statutory levels.
- Fully supports the 27/53 Reserve and maintains the existing balance in the General Fund Balance Reserve.
- Transfers \$72,806,983 to the Human Services Caseload Reserve to provide for a future Medicaid “tail” and other human services related needs, including utilization and changes in federal participation.

Workforce Expansion and Economic Development

Since 2010, Vermont's labor force has been shrinking, on average, by 6 workers each day. Although Vermont's labor force participation rate remains higher than the national average, the total number of workers fails to meet the employment demands of the state. With one of the lowest seasonally-adjusted unemployment rates in the country, Vermont employers face a growing gap between the skills of those available in the labor force and the skills needed to get the job done. We must increase the number of workers in Vermont's labor market.

- \$500,000 in the proposed FY19 Capital Budget Adjustment for competitive grants to be awarded to Adult Technical Education Centers to enable them to purchase training equipment, fit up new space, and expand adult career and technical education across the state. Increasing training programs targeted at our greatest workforce needs will allow workers to step directly into available positions and promote economic growth.
- \$400,000 for the Agency of Commerce and Community Development for the ThinkVermont Growth and Innovation Initiative:
 - \$300,000 for competitive proposals for economic development projects;
 - \$50,000 to develop a small business accelerator initiative;
 - \$25,000 to partner with capital providers to assist entrepreneurs; and
 - \$25,000 to continue to develop the Aerospace sector - supply chain - clusters throughout the state.
- \$3,182,000 in the proposed FY18 Budget Adjustment for the Agency of Commerce and Community Development to ThinkVermont/Move, a measurable and sustainable approach to identify and attract new workers and families, create incentives to lower barriers to relocation and leverage our robust tourism efforts to convert visitors into residents. The funds will help create a gateway portal of information on jobs, school districts, housing, and recreation to reverse the trend of fewer workers, fewer taxpayers and fewer students in our schools. Existing Department of Labor employees will serve as “relocation agents” and be trained to provide all the knowledge someone needs from the moment they first consider making Vermont their home.
- \$100,000 for a public/private partnership to recruit workers to Vermont and help retain our college graduates.

- Within existing resources, greater support and employment counseling will be provided to adults in recovery and to retirement-age Vermonters who want to remain in the workforce.
- \$100,000 to support planning and implementation of a community development program targeting outdoor recreation, in consultation with the Department of Forests, Parks and Recreation.

Affordability

Too many hard-working Vermonters face the same problem the state budget faces - expenses and costs growing faster than income. It's not just taxes. Utility bills, healthcare costs and other necessities make it harder for many Vermonters to get ahead, and too many of them aren't getting by at all. We know this problem is real and we must take steps to provide relief.

- Exempts 100% of military retirement pay from state income tax, joining Vermont to the overwhelming majority of states providing tax relief to those who put themselves in harm's way and devoted their careers to the service of their nation.
- Exempts from state income tax social security payments made to low and moderate income Vermonters under the Social Security Act. Vermont is one of only a handful of states that taxes Social Security benefits the same way they are taxed at the federal level.
- \$125,000 to double the state's investment in VHFA's successful Down Payment Assistance Program, which will maintain the number of families eligible for assistance. Vermont's first-time homebuyers have long struggled to afford a home with the persistent disconnect between high home prices, wages and heavy student and auto debt. Down payment is the most needed form of assistance for most buyers.
- Provides free college tuition to members of our National Guard by increasing last year's appropriation by \$640,000, making a total of \$890,000 available annually for scholarships. These scholarships will enhance the ability of the Vermont National Guard to recruit, will increase post-secondary enrollment in state colleges and universities, and will keep our service-committed individuals in Vermont.
- Last year the Governor and Legislature came together to pass the single largest investment to enhance the construction of new housing for the workforce. The FY19 General Fund budget takes the next step by focusing on revitalizing existing housing stock through a \$625,000 homeowner rehabilitation tax credit pilot program. In many communities the cost to repair and update existing housing stock can exceed the appraised value of the building or an owner's ability to borrow. Without tools or funding to close that gap, property values and quality of life continue to decline in many neighborhoods. Targeted rehabilitation tax credits are a proven strategy to spark new investment needed to increase the value of the grand list.
- The budget increases funding to the State's Historic Tax Credit Program by an additional \$250,000. These tax credits spark revitalization by supporting building and code improvements, and are one of the primary benefits of a downtown and village center designation. The demand for these tax credits continues to outpace current capacity and many worthy projects are undeveloped. Annually, applicants submit well over 30 rehabilitation and renovation project applications to support total investments that exceed \$40 million.

Healthcare, Human Services, and Combatting Opiate Addiction

We must make sure we get the most value out of every dollar we spend to protect the vulnerable. The Agency of Human Services has identified ways to improve operations, find savings and efficiencies, repurpose existing resources and reduce overhead. Their efforts allow us to invest in

new initiatives to tackle some of our toughest challenges - from opioids to mental health - but also to focus on prevention, which will reduce healthcare spending in the long-run.

- \$400,000 in the proposed FY19 General Fund budget and proposed FY18 Budget Adjustment, to expand Street Outreach and Mobile Crisis workers to provide more direct support to individuals in need. Intervening earlier leads to better outcomes.
- \$500,000 to launch two statewide programs focused on prevention: a school-based dental health program, including sealants, to improve the dental health of Vermont children; and a voluntary universal home visit pilot available to new parents in Vermont. This pilot would provide up to 3 home visits by a nurse through 16 weeks after birth. It would also provide sustained and targeted home visits for mothers experiencing substance use disorder.
- \$2,900,000 in the proposed FY19 Capital Budget Adjustment and \$1,500,000 in the FY19 General Fund budget to build and operate a mental health forensic unit. Our emergency rooms have seen a dramatic increase in individuals with mental health issues. While the capacity created will not address all the needs of this population, it will help alleviate some of the pressures while Vermont transitions to a more integrated and comprehensive system of care.
- \$2,000,000 in the proposed FY9 Capital Budget Adjustment for the replacement of the temporary secure residential facility in Middlesex.
- \$500,000 for a child protection initiative within the Department of Children and Families that supports parent-child contact and will help to reduce the backlog of court cases involving children affected by the opioid epidemic.
- A Substance Use Prevention Coordinator established in the Agency of Education, using existing resources, to implement a statewide, comprehensive system for the delivery of school-based primary prevention programs that address opiate, marijuana and other drug use.

Cybersecurity:

The State of Vermont, like other businesses or organizations, faces evolving cyber-security threats. Some of the main threats are viruses, malware, spam, phishing, ransomware, denial of service (DoS) and network intrusion attempts. To combat the rise of cyber threats to the State of Vermont, \$600,000 of internal service funds are proposed to create the VT Security Operations Center (SOC), a proactive initiative developed and coordinated by the Vermont Agency of Digital Services and strategic partners to mitigate cybersecurity risks among state entities. The Vermont SOC will be a trusted hub for information-sharing and analysis on cybersecurity issues in the State of Vermont.

The Environment: Funding Clean Water, Clean Air and Clean Energy

In FY19, we must continue our commitments to funding clean water initiatives, reducing carbon emissions and meeting Vermont's clean energy goal of 90% renewable by 2050. Significant investments are made in the General Fund and Capital Fund budgets.

- \$25,958,048 in the FY19 Capital Budget Adjustment reflecting our second year of commitments to clean water initiatives. This includes \$2,487,836 more than appropriated in the FY18 -FY19 Capital Bill, as enacted.
- \$4,000,000 allocated from the Clean Water Fund to clean water initiatives administered in the Agencies of Natural Resources, Transportation, Agriculture, Food and Markets, Administration, and the Vermont Housing and Conservation Board.
- \$1,800,000 invested from the Volkswagen Settlement Fund to expand the availability of vehicle charging infrastructure in Vermont.

- \$200,000 for woodstove changeouts to improve air quality and reduce air emissions related to woodstoves. This augments the \$100,000 already included in that appropriation to the Department of Environmental Conservation.

Other General Fund Budget Initiatives

- \$434,000 to the Department of Public Safety to increase trooper recruitment classes and \$105,000 to acquire new fingerprint technology.
- \$200,000 of one-time funds to the State’s Attorneys for a new case management system.
- \$400,000 of one-time funds to the Secretary of State for the biennial election cycle.

Education and Education Fund

Education spending: The Education Fund currently expends over \$1.6 billion to educate 76,000 students, a steadily declining enrollment, in an infrastructure designed for 100,000. The Education Fund is comprised of several different revenue sources, which collectively support the school budgets presented to Vermonters during annual meetings in March. Early projections indicate the Education Fund will require \$1.689 billion to reconcile school budgets in FY19.

Local homestead property taxes make up about 27 percent of this total, non-homestead property taxes contribute 41 percent, the General Fund transfer to the Education Fund adds 19 percent, the Sales and Use and Purchase and Use taxes pay 10 percent and all other revenue sources make up the final 2-3 percent of the cost to support school budgets. This does not include General Fund appropriations of over \$120,000,000 to the Vermont Teachers’ Retirement System.

Working with the Legislature on behalf of all Vermonters, we must contain costs to eliminate the current deficit in the Education Fund and achieve savings that will expand over time and prevent costs from growing faster than wages.

Education funding: A statewide funding system that is fully transparent, easily understood, and truly equitable for every child should be developed, one that provides a stronger connection between the impact local spending decisions have on local taxes.

Education planning: School districts and supervisory unions need greater flexibility and better tools to ensure consolidations save money and improve outcomes for children. Working alongside our school boards, superintendents and faculty unions, we should chart a course over the next 5 years that steadily moves us from our current ratio of 1 adult for every 4 students to a new ratio of 1 adult for every 5 students. Much could be achieved with careful attention to natural attrition in the workforce.

The Administration has contributed its ideas to the policy discussions that must be had this Legislative session and looks forward to a positive and constructive dialogue with policymakers and Vermonters.

Cradle to Career: The General Fund budget continues its investment in transforming Vermont’s education system to a “cradle to career” experience that realigns priorities and funding from pre-kindergarten to higher education and nondegree programs. The increased base investments made last year to Vermont State Colleges and the Child Care Financial Assistance Program are maintained while appropriations to National Guard scholarships and Career Technical Education centers have increased.

Transportation

The Transportation budget uses forecasted Transportation Fund (TF) and Transportation Infrastructure Bond (TIB) Fund revenues to fully match estimated expenditures and availability of federal transportation funds. VTrans, the Department of Motor Vehicles, and Town Highway programs are funded to support current service levels within anticipated revenues. VTrans expects to advance more than 120 bridges and culvert projects in more than 90 communities, perform preventive maintenance on numerous additional structures, and improve more than 200 miles of State highways.

The \$612,000,000 FY19 Transportation Budget (\$270,000,000 state funds) will grow Vermont's economy by supporting thousands of jobs, without raising new transportation taxes or fees. It continues to invest in Vermont's pavement and bridge network. Over the past two years the percentage of pavement in very poor condition declined from 14% to 11%, while increased use of Accelerated Bridge Construction has reduced cost. Work continues towards the expansion of Amtrak service to Burlington. FY19 marks the second year of VTrans' program to direct an additional \$13,500,000 to clean water through transportation alternatives, municipal stormwater grants and municipal mitigation assistance.

THE FISCAL YEAR 2019 GENERAL FUND OVERVIEW

FY 2019 General Fund Overview - Excluding Federal Tax Impact

Category	Revenue (\$ millions)	Appropriations & Net Transfers	(Shortfall)/ Surplus
Projected Base Revenue			
Jan. 2018 Emergency Board revenue est. - excluding federal tax impact	\$ 1,538.40		
"Notwithstanding" PTT statutory distribution	\$ 15.13		
Direct Applications & Reversions - prior year base	39.00		
Total Base FY 2019 Revenue	1,592.53		
FY 2019 Budget Needs			
Base Appropriations - FY 2018			
Base rescission items across State Government		1,561.53	
Adjusted base		(7.13)	
		1,554.40	
Base Pressures			
FY 2018 Pay Act one-time		(11.51)	
Annualization of FY 2018 into department budgets		11.76	
Current Use		0.70	
Human Services		11.19	
Education - GF to EF increase		8.21	
VT Teachers Retirement System		16.32	
Teacher Retiree Health		4.08	
Debt Service		(1.10)	
Net other		0.39	
Subtotal: Base Pressures		40.04	
Total (Shortfall)/Surplus	\$ 1,592.53	\$ 1,594.44	\$ (1.90)
Revenue Adjustments			
Reversions	0.52		
Eliminate DFR "smoothing" language	6.08		
Increase DFR base direct application - base	0.50		
Increase Liquor Control base direct application - base	0.75		
Military pension tax exemption	(2.70)		
Social Security income tax exemption	(1.90)		
Housing revitalization pilot project	(0.63)		
VHFA Down Payment Assistance program	(0.13)		
Increase Downtown & Village Center Tax Credit Program	(0.25)		
Subtotal: Revenue Adjustments	2.25		
Appropriation & Transfer Adjustments			
New forensics unit - operational costs		1.50	
AHS Prevention		0.50	
DCF Child Protection		0.50	
Increase National Guard scholarships		0.64	
ThinkVermont initiative		0.40	
Woodstove conversion		0.20	
VOREC pilot		0.10	
Public Safety - increase recruiting and new fingerprint technology		0.54	
AHS policy actions		(16.80)	
Transfer GF to State Health Care Resources Fund (SHCRF)		3.10	
University of Vermont - Medicaid hold-harmless - net impact		0.36	
Vermont Veterans Home - Replace GF with Medicaid - net State impact		(1.00)	
Net - all other changes		3.12	
Subtotal: Appropriation & Transfer Adjustments		(11.22)	
One-Time Adjustments			
Additional AHS Non-budgeted revenue direct application	2.21		
FY 2019 Pay Act		8.31	
College Graduate Placement & Small Business Recruitment		0.10	
Secretary of State - biennial elections		0.40	
State's Attorneys - Case Management System		0.20	
Reclassifications		1.42	
Transfer to Next Generation Special Fund		2.91	
Transfer to Revenue Stabilization		0.45	
Subtotal: One-Time Adjustments	2.21	13.79	
Total: Adjustments	4.46	2.57	1.90
Total General Fund	\$ 1,597.01	\$ 1,597.01	\$0.00

FY 2019 General Fund Overview

The budget process began with the submission of FY 2019 budget requests from agencies and departments. Regular meetings with the Secretary of Administration and the Governor yielded a budget balanced to the projected available revenues and the Governor's targeted growth rate.

The Governor's Budget Recommendations were finalized based on the Consensus Revenue Forecast adopted by the Emergency Board on January 18, 2018, just prior to the Governor's budget address to the General Assembly on January 23, 2018. (The revenues in this chart exclude the impact from the federal tax changes in order to present a cleaner picture of the "moving parts" in the FY 2019 Governor's recommendation and the upcoming potential revision to the federal tax impact). The individual items reflected in the chart are discussed in more detail elsewhere in this document.

TOTAL APPROPRIATIONS HISTORY FY 2015 - FY 2019 (All Funds)

Funding Sources	FY 2015 Final Appropriation	FY 2016 Final Appropriation	FY 2017 Final Appropriation	FY 2018 Gov's Rec Budget Adjustment (a)	FY 2019 Governor's Recommended Budget (b)
General Fund (GF)	1,428,543,926	1,478,505,587	1,539,901,405	1,548,834,746	1,590,553,123
Transportation Fund	255,870,594	267,664,380	269,341,769	274,995,169	282,670,852
Education Fund (EF)	1,514,319,727	1,552,651,046	1,577,895,478	1,629,545,710	1,680,286,771
Special Funds & Other Funds ^(c)	606,170,170	641,008,130	645,972,327	636,122,261	636,310,294
Sub-Total	<u>3,804,904,417</u>	<u>3,939,829,143</u>	<u>4,033,110,979</u>	<u>4,089,497,886</u>	<u>4,189,821,040</u>
Adjust for inter-fund appropriation: GF Transfer to EF	(295,816,793)	(303,343,381)	(305,902,634)	(314,695,753)	(322,705,813)
Total State Funds after EF Transfer	<u>3,509,087,624</u>	<u>3,636,485,762</u>	<u>3,727,208,345</u>	<u>3,774,802,133</u>	<u>3,867,115,227</u>
percent of total	62.84%	64.17%	64.30%	65.07%	65.55%
Federal Funds	1,984,927,906	1,989,510,220	2,027,125,721	1,987,818,346	1,991,409,439
Federal ARRA Funds ^(d)	3,034,523	1,390,158	1,890,808	2,250,146	2,112,486
Total Funds Before Dedicated Dollars	<u>5,497,050,053</u>	<u>5,627,386,140</u>	<u>5,756,224,874</u>	<u>5,764,870,625</u>	<u>5,860,637,152</u>
percent of total	98.45%	99.30%	99.30%	99.38%	99.34%
Dedicated Sources					
Local Match	2,592,411	2,574,285	2,315,416	1,625,777	2,131,800
TIB Bond Proceeds	-	-	-	-	-
Enterprise Funds	11,627,151	12,020,634	12,188,414	12,792,735	14,544,526
Debt Service Obligation Funds	2,502,313	2,504,913	2,501,413	2,503,738	2,504,688
Pension & Private Purpose Trust Funds ^(e)	70,056,243	22,535,714	23,329,301	19,060,784	19,510,695
Sub-Total	<u>86,778,118</u>	<u>39,635,546</u>	<u>40,334,544</u>	<u>35,983,034</u>	<u>38,691,709</u>
Total Funds and Dedicated Sources	<u>5,583,828,171</u>	<u>5,667,021,686</u>	<u>5,796,559,418</u>	<u>5,800,853,659</u>	<u>5,899,328,861</u>
percent of total	100.00%	100.00%	100.00%	100.00%	100.00%
Fund Sources that are duplicated in the					
Internal Service Funds	92,513,655	108,100,634	112,534,703	114,493,951	143,368,161
Interdepartmental Transfer	58,976,708	60,402,840	58,281,449	79,557,807	78,905,615
Global Commitment Fund	1,408,785,998	1,606,909,354	1,557,956,799	1,513,004,644	1,535,619,418
Total	<u>1,560,276,361</u>	<u>1,775,412,828</u>	<u>1,728,772,951</u>	<u>1,707,056,402</u>	<u>1,757,893,194</u>
Memo: Total All Appropriations	<u>7,439,921,325</u>	<u>7,745,777,895</u>	<u>7,831,235,003</u>	<u>7,822,605,814</u>	<u>7,979,927,868</u>

NOTES:

- (a) Governor's FY 2018 Budget Adjustment Recommendation presented to House Appropriations on December 18, 2017.
- (b) Governor's Budget Recommendations presented to the General Assembly on January 23, 2018.
- (c) "Special Funds" also include: Fish & Wildlife, Next Generation, Tobacco, State Health Care Resources, Transportation Infrastructure Bond Funds.
- (d) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).
- (e) Includes Permanent Trust Funds, Pension Funds, Retired Teachers' Health Fund and Private Purpose Trust Funds.

STATE OF VERMONT - FY 2019 GOVERNOR'S BUDGET

Funding Sources	FY 2018 BUDGET GOV. BAA ^(a)	FY 2019 GOVERNOR'S RECOMMENDED BUDGET ^(b)	% Change from BAA	All General Government			Total Human Services		
				General Government	Property Tax Assistance ^(c)	Protection to Persons & Property	Corrections	Non-GC/Medicaid	GC/Medicaid/ LTC Federal & State Only
General Fund (GF)	1,548,834,746	1,590,553,123	2.69%	45,618,944	35,731,672	150,778,820	143,819,404	191,208,956	348,453,950
Transportation Fund	274,995,169	282,670,852	2.79%	3,868,566	-	20,250,000	-	-	-
Education Fund (EF)	1,629,545,710	1,680,286,771	3.11%	-	10,645,021	-	3,268,466	-	-
Special Funds ^(d)	636,122,261	636,310,294	0.03%	5,721,529	8,110,000	87,069,259	1,492,336	73,796,190	340,305,148
Sub-Total	4,089,497,886	4,189,821,040	2.45%	55,209,039	54,486,693	258,098,079	148,580,206	265,005,146	688,759,098
Adjust for inter-fund appropriation: GF Transfer to EF	(314,695,753)	(322,705,813)	2.55%	-	-	-	-	-	-
Total State Funds after EF Transfer	3,774,802,133	3,867,115,227	2.45%	55,209,039	54,486,693	258,098,079	148,580,206	265,005,146	688,759,098
percent of total	65.07%	65.55%		1.43%	1.41%	6.67%	3.84%	6.85%	17.81%
Federal Funds	1,987,818,346	1,991,409,439	0.18%	1,064,162	-	54,930,811	470,962	287,444,957	1,087,125,184
Federal ARRA Funds ^(e)	2,250,146	2,112,486	-6.12%	-	-	1,010,000	-	-	-
Total Funds Before Dedicated Dollars	5,764,870,625	5,860,637,152	1.66%	56,273,201	54,486,693	314,038,890	149,051,168	552,450,103	1,775,884,282
percent of total	99.38%	99.34%		0.96%	0.93%	5.36%	2.54%	9.43%	30.30%
Dedicated Sources									
Local Match	1,625,777	2,131,800	31.12%	-	-	-	-	-	-
Enterprise Funds	12,792,735	14,544,526	13.69%	3,485,365	-	10,408,556	-	-	-
Debt Service Obligation Funds	2,503,738	2,504,688	0.04%	-	-	-	-	-	-
Pension Trust & Private Purpose Trust Funds	19,060,784	19,510,695	2.36%	11,608,038	-	-	-	25,000	-
Sub-Total	35,983,034	38,691,709	7.53%	15,093,403	-	10,408,556	-	25,000	-
Total Funds and Dedicated Sources	5,800,853,659	5,899,328,861	1.70%	71,366,604	54,486,693	324,447,446	149,051,168	552,475,103	1,775,884,282
	100.00%	100.00%		1.21%	0.92%	5.50%	2.53%	9.37%	30.10%
Funds Sources that are duplicated in the									
Internal Service Funds	114,493,951	143,368,161	25.22%	120,710,053	-	-	1,973,584	-	-
Interdepartmental Transfer	79,557,807	78,905,615	-0.82%	6,948,809	-	14,681,856	545,099	16,024,188	24,079,271
Global Commitment Fund	1,513,004,644	1,535,619,418	1.49%	-	-	-	5,387,869	579,164,404	946,660,467
Total	1,707,056,402	1,757,893,194	2.98%	127,658,862	-	14,681,856	7,906,552	595,188,592	970,739,738
Memo: Total All Appropriations	7,822,605,814	7,979,927,868	2.01%	199,025,466	54,486,693	339,129,302	156,957,720	1,147,663,695	2,746,624,020

NOTES (both pages):

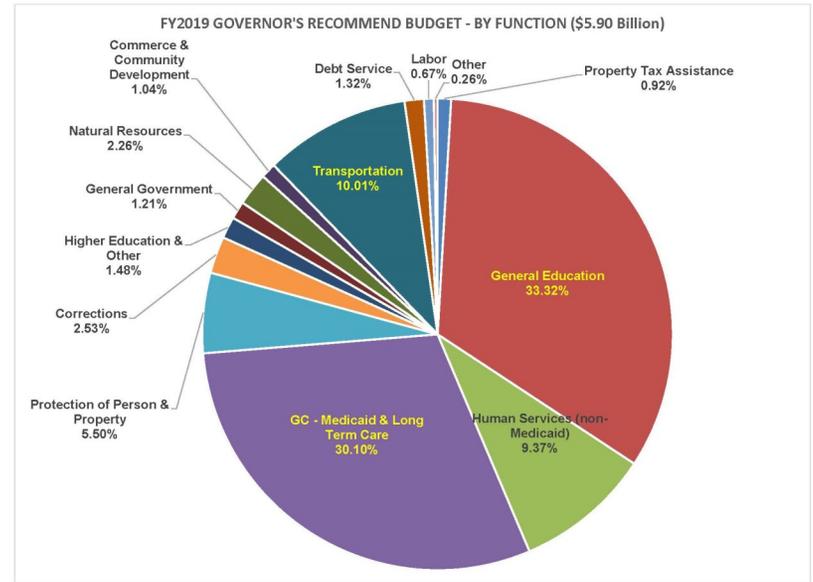
- (a) FY 2018 Budget Adjustment Governor's Recommend was presented to the House Appropriations Committee on December 18, 2017.
- (b) FY 2019 Governor's Budget Recommendation presented to the General Assembly January 23, 2018.
- (c) Includes Homeowner Rebate; Renter Rebate; reappraisal and listing payments; and municipal current use.
- (d) "Special Funds" also include: Fish & Wildlife, Next Generation, Tobacco, State Health Care Resources, and Transportation Infrastructure Bond Funds.
- (e) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).

STATE OF VERMONT - FY 2019 GOVERNOR'S BUDGET

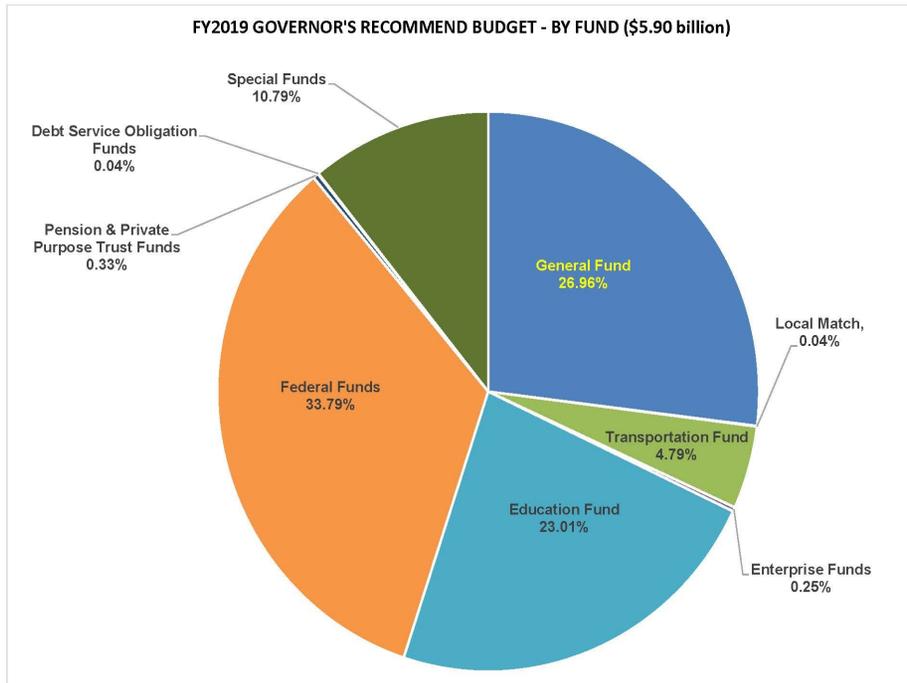
Funding Sources	Labor	General Education	Higher Education & Other	Natural Resources	Commerce & Community Development	Transportation	Debt Service	Other
General Fund (GF)	2,980,386	456,698,373	87,377,242	28,286,224	16,302,584	-	72,860,749	10,435,819
Transportation Fund	-	-	-	-	-	255,072,742	1,629,544	1,850,000
Education Fund (EF)	-	1,666,373,284	-	-	-	-	-	-
Special Funds ^(d)	3,616,477	19,233,479	-	58,476,854	18,557,328	17,021,794	-	2,909,900
Sub-Total	6,596,863	2,142,305,136	87,377,242	86,763,078	34,859,912	272,094,536	74,490,293	15,195,719
Adjust for inter-fund appropriation: GF Transfer to EF	-	(322,705,813)	-	-	-	-	-	-
Total State Funds after EF Transfer	6,596,863	1,819,599,323	87,377,242	86,763,078	34,859,912	272,094,536	74,490,293	15,195,719
percent of total	0.17%	47.05%	2.26%	2.24%	0.90%	7.04%	1.93%	0.39%
Federal Funds	33,222,466	138,281,079	-	46,401,814	25,950,869	316,517,135	-	-
Federal ARRA Funds ^(e)	-	-	-	-	-	-	1,102,486	-
Total Funds Before Dedicated Dollars	39,819,329	1,957,880,402	87,377,242	133,164,892	60,810,781	588,611,671	75,592,779	15,195,719
percent of total	0.68%	33.41%	1.49%	2.27%	1.04%	10.04%	1.29%	0.26%
Dedicated Sources								
Local Match	-	-	-	-	-	2,131,800	-	-
Enterprise Funds	-	-	-	-	650,605	-	-	-
Debt Service Obligation Funds	-	-	-	-	-	-	2,504,688	-
Pension Trust & Private Purpose Trust Funds	-	7,781,379	-	96,278	-	-	-	-
Sub-Total	-	7,781,379	-	96,278	650,605	2,131,800	2,504,688	-
Total Funds and Dedicated Sources	39,819,329	1,965,661,781	87,377,242	133,261,170	61,461,386	590,743,471	78,097,467	15,195,719
	0.67%	33.32%	1.48%	2.26%	1.04%	10.01%	1.32%	0.26%
Funds Sources that are duplicated in the								
Internal Service Funds	-	-	-	-	-	20,684,524	-	-
Interdepartmental Transfer	1,350,000	4,204,714	-	9,907,827	110,751	1,053,100	-	-
Global Commitment Fund	-	260,000	4,146,678	-	-	-	-	-
Total	1,350,000	4,464,714	4,146,678	9,907,827	110,751	21,737,624	-	-
Memo: Total All Appropriations	41,169,329	2,292,832,308	91,523,920	143,168,997	61,572,137	612,481,095	78,097,467	15,195,719

THE FISCAL YEAR 2019 GOVERNOR'S BUDGET RECOMMENDATIONS BY GOVERNMENT FUNCTION AND BY FUND

FY2019 Governor's Budget Recommendations by Government Function



FY 2019 Governor's Budget Recommendations by Fund



FISCAL YEAR 2019 GOVERNOR'S BUDGET RECOMMENDATION
All Funds by Department

Agency/Department/Program	General Fund	Transportation Fund	Special Funds (a)	Education Fund (b)	Subtotal State Funds, Net (b)	Federal Funds	ARRA Funds	Subtotal Before Dedicated Sources	Dedicated Sources (c)	Total Funds and Dedicated Sources	Duplicate Appropriations (d)		FY 2019 Governor's Recommended Total Appropriations
											Global Commitment	ISF, IDT, and ARRA IDT	
GENERAL GOVERNMENT													
Agency of Administration:													
Secretary of Administration	986,620	-	100,000	-	986,620	-	-	986,620	-	986,620	-	1,279,731	2,266,351
Secretary of Administration - Insurance	-	-	-	-	-	-	-	-	-	-	-	1,463,088	1,463,088
Finance & Management	1,258,956	-	-	-	1,258,956	-	-	1,258,956	-	1,258,956	-	3,159,356	4,418,312
Human Resources	1,940,451	-	277,462	-	2,217,913	-	-	2,217,913	-	2,217,913	-	10,987,091	13,205,004
Libraries	2,025,918	-	97,571	-	2,123,489	1,064,162	-	3,187,651	-	3,187,651	-	96,528	3,284,179
Tax	18,686,980	-	1,570,888	-	20,257,868	-	-	20,257,868	-	20,257,868	-	142,566	20,400,434
Buildings and General Services	1,958,279	3,868,566	450,958	-	6,277,803	-	-	6,277,803	26,291	6,304,094	-	38,779,811	45,083,905
Total Agency of Administration	26,757,204	3,868,566	2,498,879	-	33,583,964	1,064,162	-	34,648,126	26,291	34,674,417	-	55,908,171	90,121,273
Executive Office	1,658,582	-	-	-	1,658,582	-	-	1,658,582	-	1,658,582	-	186,500	1,845,082
Legislative Council	4,774,787	-	-	-	4,774,787	-	-	4,774,787	-	4,774,787	-	-	4,774,787
Legislature	7,700,916	-	-	-	7,700,916	-	-	7,700,916	-	7,700,916	-	-	7,700,916
Joint Fiscal Office	1,833,426	-	-	-	1,833,426	-	-	1,833,426	-	1,833,426	-	-	1,833,426
Sergeant at Arms	805,828	-	-	-	805,828	-	-	805,828	-	805,828	-	-	805,828
Lt. Governor	254,551	-	-	-	254,551	-	-	254,551	-	254,551	-	-	254,551
Auditor of Accounts	390,871	-	53,145	-	444,016	-	-	444,016	-	444,016	-	3,058,430	3,502,446
State Treasurer	969,366	-	2,781,017	-	3,750,383	-	-	3,750,383	1,125,701	4,876,084	-	113,662	4,989,746
State Employees/Municipal Retirement Systems	-	-	-	-	-	-	-	-	10,482,337	10,482,337	-	-	10,482,337
Agency of Digital Services	177,615	-	383,700	-	561,315	-	-	561,315	-	561,315	-	68,224,135	68,785,450
Labor Relations Board	251,465	-	-	-	251,465	-	-	251,465	-	251,465	-	2,788	254,253
VOSHA Review Board	44,333	-	6,788	-	51,121	-	-	51,121	-	51,121	-	-	95,454
Homeowner rebate	16,600,000	-	-	-	16,600,000	-	-	16,600,000	-	16,600,000	-	-	16,600,000
Renter rebate	3,150,000	-	-	7,350,000	10,500,000	-	-	10,500,000	-	10,500,000	-	-	10,500,000
Reappraisal and listing payments	-	-	-	3,295,021	3,295,021	-	-	3,295,021	-	3,295,021	-	-	3,295,021
Use Tax Reimbursement - municipal current use	15,981,672	-	-	-	15,981,672	-	-	15,981,672	-	15,981,672	-	-	15,981,672
Ethics Commission	-	-	-	-	-	-	-	-	-	-	-	120,843	120,843
Lottery	-	-	-	-	-	-	-	-	3,459,074	3,459,074	-	-	3,459,074
PILOT/Montpelier Services	-	-	8,070,000	-	8,070,000	-	-	8,070,000	-	8,070,000	-	-	8,070,000
Corrections PILOT	-	-	40,000	-	40,000	-	-	40,000	-	40,000	-	-	40,000
TOTAL GENERAL GOVERNMENT	81,350,616	3,868,566	13,831,529	10,645,021	109,695,732	1,064,162	-	110,759,894	15,093,403	125,853,297	-	127,658,862	253,512,159
percent of total	5.11%	1.37%	2.17%	0.78%	2.84%	0.05%	0.00%	1.89%	39.01%	2.13%	0.00%	57.43%	3.31%
PROTECTION TO PERSONS AND PROPERTY													
Attorney General	5,056,635	-	2,442,967	-	7,499,602	1,220,634	-	8,720,236	-	8,720,236	-	2,943,104	11,663,340
Court Diversion	2,270,486	-	589,997	-	2,870,483	-	-	2,870,483	-	2,870,483	-	-	2,870,483
Defender General	17,203,935	-	589,653	-	17,793,588	-	-	17,793,588	-	17,793,588	-	-	17,793,588
Judiciary	43,308,694	-	3,174,315	-	46,483,009	640,524	-	47,124,533	-	47,124,533	-	2,325,272	49,449,805
State's Attorneys/SIU	13,755,861	-	106,471	-	13,862,332	31,000	-	13,893,332	-	13,893,332	-	2,682,447	16,575,779
Sheriffs	4,433,362	-	-	-	4,433,362	-	-	4,433,362	-	4,433,362	-	-	4,433,362
Public Safety	47,551,358	20,250,000	13,911,143	-	81,712,501	20,109,453	-	101,821,954	-	101,821,954	-	6,020,429	107,842,383
Military	4,696,866	-	200,010	-	4,896,876	20,245,788	-	25,142,664	-	25,142,664	-	-	25,142,664
Center for Crime Victim Services	1,264,158	-	5,341,178	-	6,605,336	6,281,029	-	12,886,365	-	12,886,365	-	-	12,886,365
Criminal Justice Training Council	2,355,582	-	-	-	2,355,582	-	-	2,355,582	-	2,355,582	-	121,155	2,476,737
Agriculture, Food and Markets	8,388,781	-	12,385,665	-	20,774,428	3,810,367	-	24,584,793	-	24,584,793	-	448,149	24,832,942
Dept. of Financial Regulation (formerly BISHCA)	-	-	15,101,746	-	15,101,746	-	-	15,101,746	-	15,101,746	-	-	15,101,746
Secretary of State	-	-	10,453,613	-	10,453,613	1,220,416	-	11,674,029	-	11,674,029	-	75,000	11,749,029
Public Service Department	-	-	13,996,660	-	13,996,660	1,182,983	1,010,000	16,189,643	25,588	16,215,229	-	50,000	16,265,229
Public Service Board	-	-	3,700,815	-	3,700,815	-	-	3,700,815	-	3,700,815	-	-	3,700,815
Enhanced 911 Board	-	-	4,831,183	-	4,831,183	-	-	4,831,183	-	4,831,183	-	-	4,831,183
Human Rights Commission	492,122	-	-	-	492,122	76,114	-	568,236	-	568,236	-	-	568,236
Liquor Control	-	-	233,943	-	233,943	312,503	-	546,346	10,382,970	10,929,316	-	18,300	10,945,616
TOTAL PROTECTION	150,778,820	20,250,000	87,069,259	-	258,098,079	54,930,811	1,010,000	314,038,890	10,408,556	324,447,446	-	14,681,856	339,129,302
percent of total	9.48%	7.16%	13.68%	0.00%	6.67%	2.76%	47.81%	5.36%	26.90%	5.50%	0.00%	6.61%	4.43%

FISCAL YEAR 2019 GOVERNOR'S BUDGET RECOMMENDATION
All Funds by Department

Agency/Department/Program	General Fund	Transportation Fund	Special Funds (a)	Education Fund (b)	Subtotal State Funds, Net (b)	Federal Funds	ARRA Funds	Subtotal Before Dedicated Sources	Dedicated Sources (c)	Total Funds and Dedicated Sources	Duplicate Appropriations (d)		FY 2019 Governor's Recommended Total Appropriations
											Global Commitment	ISF, IDT, and ARRA IDT	
HUMAN SERVICES													
Human Services Agency:													
AHS - Secretary's Office	8,460,492	-	91,017	-	8,551,509	17,323,677	-	25,875,186	-	25,875,186	453,000	11,600,000	37,928,186
AHS - Secretary's Office - Global Commitment	271,905,320	-	336,782,563	-	608,687,883	948,225,047	-	1,556,912,930	-	1,556,912,930	-	16,832,282	1,573,745,212
Human Services Board	425,466	-	-	-	425,466	319,974	-	745,440	-	745,440	-	41,581	787,021
Department of VT Health Access	76,548,630	-	3,522,585	-	80,071,215	138,900,137	-	218,971,352	-	218,971,352	946,660,467	7,246,989	1,172,878,808
Health	14,373,998	-	22,309,267	-	36,683,265	66,756,188	-	103,439,453	25,000	103,464,453	50,191,865	1,165,000	154,821,318
Mental Health	7,671,693	-	434,904	-	8,106,597	8,782,053	-	16,888,650	-	16,888,650	223,556,579	20,000	240,465,229
Department for Children and Families	128,800,361	-	34,677,472	-	163,477,833	154,810,768	-	318,288,601	-	318,288,601	74,776,927	836,323	393,901,851
Disabilities, Aging and Independent Living	24,955,988	-	1,629,370	-	26,585,358	30,956,282	-	57,541,640	-	57,541,640	227,769,836	2,361,284	287,672,760
Corrections	143,819,404	-	1,492,336	3,268,466	148,580,206	470,962	-	149,051,168	-	149,051,168	5,387,869	2,518,683	156,957,720
TOTAL HUMAN SERVICES AGENCY	676,961,352	-	400,939,514	3,268,466	1,081,169,332	1,366,545,088	-	2,447,714,420	25,000	2,447,739,420	1,528,796,543	42,622,142	4,019,158,105
Veterans' Home	3,998,789	-	11,281,346	-	15,280,135	8,426,015	-	23,706,150	-	23,706,150	-	-	23,706,150
Commission on Women	372,962	-	2,500	-	375,462	-	-	375,462	-	375,462	-	-	375,462
RSVP	151,096	-	-	-	151,096	-	-	151,096	-	151,096	-	-	151,096
Green Mountain Care Board	1,998,111	-	3,370,314	-	5,368,425	70,000	-	5,438,425	-	5,438,425	2,416,197	-	7,854,622
TOTAL HUMAN SERVICES	683,482,310	-	415,593,674	3,268,466	1,102,344,450	1,375,041,103	-	2,477,385,553	25,000	2,477,410,553	1,531,212,740	42,622,142	4,051,245,435
percent of total	42.97%	0.00%	65.31%	0.24%	28.51%	69.05%	0.00%	42.27%	0.06%	41.99%	99.71%	19.18%	52.91%
Labor	2,980,386	-	3,616,477	-	6,596,863	33,222,466	-	39,819,329	-	39,819,329	-	1,350,000	41,169,329
TOTAL LABOR	2,980,386	-	3,616,477	-	6,596,863	33,222,466	-	39,819,329	-	39,819,329	-	1,350,000	41,169,329
percent of total	0.19%	0.00%	0.57%	0.00%	0.17%	1.67%	0.00%	0.68%	0.00%	0.67%	0.00%	0.61%	0.54%
GENERAL EDUCATION													
Agency of Education	10,111,836	-	19,233,479	1,658,674,026	1,688,019,341	138,281,079	-	1,826,300,420	-	1,826,300,420	260,000	4,204,714	1,830,765,134
GF Appropriation to Education Fund	322,705,813	-	-	(322,705,813)	-	-	-	-	-	-	-	-	-
Teachers' Retirement	123,880,724	-	-	7,699,258	131,579,982	-	-	131,579,982	7,781,379	139,361,361	-	-	139,361,361
TOTAL GENERAL EDUCATION	456,698,373	-	19,233,479	1,343,667,471	1,819,599,323	138,281,079	-	1,957,880,402	7,781,379	1,965,661,781	260,000	4,204,714	1,970,126,495
percent of total	28.71%	0.00%	3.02%	98.98%	47.05%	6.94%	0.00%	33.41%	20.11%	33.32%	0.02%	1.89%	25.73%
HIGHER EDUCATION AND OTHER													
University of Vermont	39,129,876	-	-	-	39,129,876	-	-	39,129,876	-	39,129,876	3,737,217	-	42,867,093
Vermont Public Television	-	-	-	-	-	-	-	-	-	-	-	-	-
Vermont State Colleges	28,748,778	-	-	-	28,748,778	-	-	28,748,778	-	28,748,778	409,461	-	29,158,239
Vermont Student Assistance Corp.	19,414,588	-	-	-	19,414,588	-	-	19,414,588	-	19,414,588	-	-	19,414,588
N.E. Higher Education Compact	84,000	-	-	-	84,000	-	-	84,000	-	84,000	-	-	84,000
TOTAL HIGHER EDUCATION AND OTHER	87,377,242	-	-	-	87,377,242	-	-	87,377,242	-	87,377,242	4,146,678	-	91,523,920
percent of total	5.49%	0.00%	0.00%	0.00%	2.26%	0.00%	0.00%	1.49%	0.00%	1.48%	0.27%	0.00%	1.20%
NATURAL RESOURCES													
Agency of Natural Resources:													
ANR - Central Office	4,781,637	-	554,112	-	5,335,749	-	-	5,335,749	-	5,335,749	-	516,654	5,852,403
Fish & Wildlife	5,652,621	-	9,701,841	-	15,354,462	8,691,203	-	24,045,665	10,011	24,055,676	-	93,102	24,148,778
Forests, Parks & Recreation	7,728,051	-	13,023,655	-	20,751,706	3,823,632	-	24,575,338	86,267	24,661,605	-	462,323	25,123,928
Environmental Conservation	9,515,752	-	32,665,941	-	42,181,693	33,886,979	-	76,068,672	-	76,068,672	-	8,835,748	84,904,420
Total Agency of Natural Resources	27,678,061	-	55,945,549	-	83,623,610	46,401,814	-	130,025,424	96,278	130,121,702	-	9,907,827	140,029,529
Natural Resources Board	608,163	-	2,531,305	-	3,139,468	-	-	3,139,468	-	3,139,468	-	-	3,139,468
TOTAL NATURAL RESOURCES	28,286,224	-	58,476,854	-	86,763,078	46,401,814	-	133,164,892	96,278	133,261,170	-	9,907,827	143,168,997
percent of total	1.78%	0.00%	9.19%	0.00%	2.24%	2.33%	0.00%	2.27%	0.25%	2.26%	0.00%	4.46%	1.87%

**General Fund Summary
Fiscal Years 2016 - 2020**

(\$ in Millions)*

	Actual FY 2016	Actual FY 2017	Governor Recommended BAA (post Rescission) FY 2018	Governor Recommended Budget FY 2019**	Forecast** FY 2020
Sources					
Current law revenues	1,412.39	1,456.92	1,485.50	1,568.20	1,610.90
VEDA debt forgiveness	-	-	-	-	-
Direct applications, transfers in & reversions	51.67	104.44	67.57	49.08	69.71
Other bills and tax changes	1.50	2.15	1.13	(5.60)	-
Revenue from U.S. Marshalls	-	-	-	-	-
Additional property transfer tax to GF	10.27	10.68	12.51	15.12	17.03
For appropriation from GF reserve	7.93	-	10.38	-	-
Total sources	1,483.77	1,574.19	1,577.09	1,626.80	1,697.63
Uses					
Base appropriations	1,465.62	1,533.36	1,549.32	1,580.12	1,617.41
Budget adjustment and rescission(s)	8.70	(15.12)	(12.70)	-	-
	1,474.33	1,518.24	1,536.62	1,580.12	1,617.41
Net Base Appropriation	1,474.33	1,518.24	1,536.62	1,580.12	1,617.41
Budget adjustment - one time	-	-	-	-	-
Other Bills/Pay Act	4.18	5.56	11.50	8.31	8.31
One-time appropriations	-	16.10	0.70	2.12	-
One-time waterfall and other adjustments	-	-	-	-	-
Total uses	1,478.51	1,539.90	1,548.82	1,590.55	1,625.72
Subtotal operating surplus (deficit)	5.27	34.29	28.27	36.25	71.91
Allocation of surplus - transfers (to)/from other funds					
Transportation fund	-	-	-	-	-
Emergency relief & assistance fund	(0.85)	(2.63)	(0.81)	-	-
Economic development fund	-	-	-	-	-
Next generation fund	(2.99)	(2.91)	(2.91)	(2.91)	(2.91)
Global Commitment Fund	-	-	-	79.85	-
Internal service funds and assorted funds	0.51	(0.22)	(3.66)	(3.10)	-
Total transfers (to) / from other funds	(3.33)	(5.76)	(7.38)	73.84	(2.91)
Reserved in GF (designated)					
Budget Stabilization Reserve	(1.94)	(2.85)	(2.89)	(0.45)	(2.07)
Reserved in GF Balance/Other Reserves	-	(25.67)	(17.99)	(79.85)	-
Total reserved in the GF (designated)	(1.94)	(28.52)	(20.88)	(80.30)	(2.07)
Total allocated	(5.27)	(34.28)	(28.26)	(6.46)	(4.98)
Unallocated operating surplus/(deficit)	0.00	0.01	0.01	29.78	66.93
Stabilization Reserve at statutory level	71.25	73.93	77.00	77.44	79.53
GF Reserves (cumulative)					
Budget Stabilization Reserve	71.25	74.10	77.00	77.45	79.53
Human Services Management Reserve	-	10.00	22.00	94.81	94.81
27/53 Reserve	-	5.29	10.78	17.82	17.82
Bond Premium/Other Short Term Reserves	-	-	-	-	-
GF Balance Reserve	6.80	17.18	7.30	7.30	7.30
Total GF Reserve Balance	78.05	106.57	117.08	197.38	199.45

* Results may not add due to rounding.

** Revenue as adopted by the Vermont Emergency Board on January 18, 2018.

Transportation Fund Summary
Fiscal Years 2016 - 2020
(\$ in Millions)*

	Actual FY 2016	Actual FY 2017	Governor's Recommended BAA FY 2018	Governor's Recommended Budget FY 2019	Forecast FY 2020
Sources					
Current law revenues	264.61	271.19	276.20	281.00	285.50
New revenue	-	-	-	4.00	-
Direct applications, reversions & 1-time revenue	0.03	0.02	-	-	-
For appropriation from TF Carryforward	1.58	-	-	-	-
Total sources	266.22	271.21	276.20	285.00	285.50
Uses					
Base appropriations	263.49	269.40	277.08	282.67	283.22
Budget adjustment, rescissions & excess receipts	1.61	-	(2.08)	-	-
Post budget adjustment change	-	-	-	-	-
One-time appropriations	-	-	-	-	-
Total uses	265.10	269.40	275.00	282.67	283.22
Subtotal operating surplus (deficit)	1.12	1.81	1.20	2.33	2.28
Allocation of surplus					
Transfers (to) / from other funds					
General Fund	-	-	-	-	-
Downtown Fund	(0.42)	(0.42)	(0.42)	(0.42)	(0.42)
Central Garage Fund	(0.16)	(0.70)	(0.20)	(1.32)	(1.32)
VT Recreational Trail Fund	(0.44)	(0.37)	(0.37)	(0.37)	(0.37)
Other Funds	0.15	0.14	-	0.14	0.14
Total transfers (to) / from other funds	(0.88)	(1.35)	(0.99)	(1.97)	(1.97)
Reserved in the TF (designated)					
Budget Stabilization Reserve	(0.24)	(0.46)	(0.21)	(0.36)	(0.31)
Bond Reserve	-	-	-	-	-
Total reserved in the TF (designated)	(0.24)	(0.46)	(0.21)	(0.36)	(0.31)
Total allocated	(1.12)	(1.81)	(1.20)	(2.33)	(2.28)
Unallocated operating surplus(deficit)	0.00	0.00	0.00	0.00	0.00
Stabilization Reserve at statutory level of 5%	12.79	13.26	13.47	13.83	14.13
TF Reserves (cumulative)					
Bond Reserve	-	-	-	-	-
Budget Stabilization Reserve	12.79	13.26	13.47	13.83	14.13
Total TF Reserve Balance	12.79	13.26	13.47	13.83	14.13

*Results may not add due to rounding.

Education Fund Summary
Fiscal Years 2016 - 2019**
(\$ in Millions)*

	Actual FY 2016	Actual FY 2017	Governor's Recommended BAA FY 2018	Projected Budget FY 2019
Sources				
Current law revenues	33.38	34.41	35.80	37.30
Sales & use tax	129.76	131.85	136.90	144.30
Lottery revenue	26.40	25.52	25.20	25.60
Non-residential property tax	630.67	632.77	641.30	693.40
Net Homestead property tax	420.79	416.63	414.50	457.70
Supplemental Property Tax Relief	-	-	-	-
General fund appropriations	303.34	305.90	318.00	322.71
Medicaid reimbursement	9.62	10.60	8.60	8.60
Other Sources (Wind, Solar, Fund Interest, Other)	1.26	1.92	1.10	1.10
Total sources	1,555.23	1,559.60	1,581.40	1,690.71
Uses				
Base appropriations	1,552.70	1,567.53	1,629.54	1,680.29
Appropriation savings	-	-	-	-
Total uses	1,552.70	1,567.53	1,629.54	1,680.29
Subtotal operating surplus/(deficit)	2.53	(7.93)	(48.14)	10.42
Allocation of surplus/(deficit)				
Transfer (to)/from the stabilization reserve	0.56	(0.84)	7.06	(8.60)
Transfer (to)/from continuing appropriations	11.30	1.70	-	(1.82)
Transfer (to)/from unallocated	5.00	7.07	41.08	
Total allocated	16.86	7.93	48.14	(10.42)
Education fund reserves				
Budget stabilization reserve***	32.61	33.46	26.40	35.00
Minimum statutory reserve at 3.5%	22.80	23.40	23.90	24.50
Maximum statutory reserve at 5%	32.61	33.46	34.10	35.00

*Results may not add due to rounding.

** Lottery, Sales and Use tax, and Purchase and Use tax revenues are reflected as adopted by the Vermont Emergency Board on January 18, 2018. The remaining revenue sources and spending plan are taken from the December 2017 consensus process involving the Agency of Education, the JFO, the Vermont Department of Taxes, and the Secretary of Administration.

***Only the Budget stabilization reserve component of the Education Fund balance is reflected in this statement.

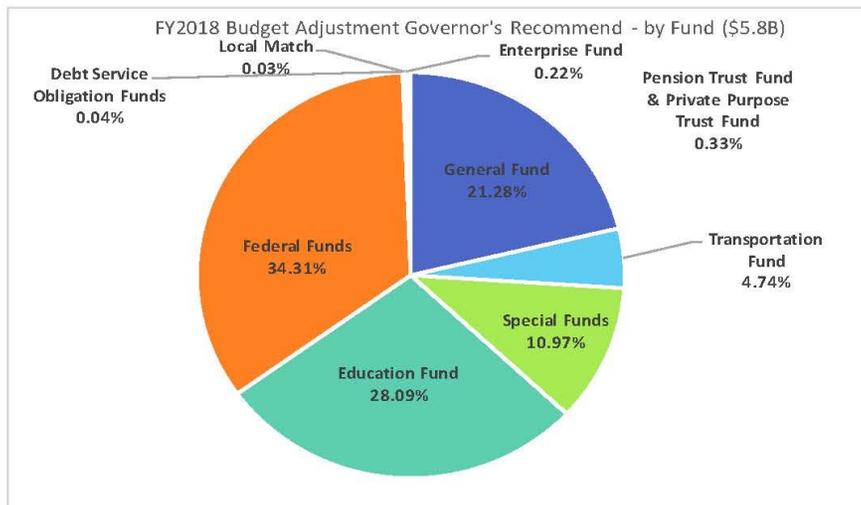
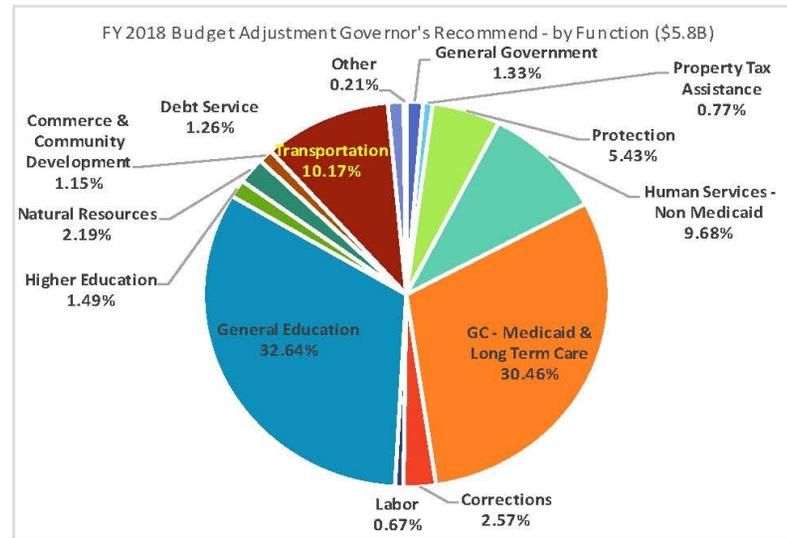
FY 2018 BUDGET ADJUSTMENT RECOMMENDATIONS

FY 2018 GOVERNOR'S RECOMMENDED GENERAL FUND BUDGET ADJUSTMENT SUMMARY

FY 2018 POST- RESCISSION General Fund (GF) Revenue Adjustments (\$ millions)		
Direct Applications	0.01	
Additional unclaimed property from State agencies	0.34	Estimate - one-time additional revenues
Reversions of unspent FY17 appropriations	0.25	
TOTAL POST-RESCISSION NET REVENUE	0.59	More revenue vs. Post Rescission
FY 2018 BAA General Fund (GF) Appropriation Adjustments (\$ millions)		
Homeowners, Renters Rebates, & Current Use	(1.41)	Revised estimates
Agency of Education - study funding	0.30	
Debt Service	(6.17)	Updated debt service estimate.
All AHS	1.24	See separate detail
Vermont Veterans Home	0.45	
Sub-total Net Appropriation Adjustments	(5.60)	Decreased Appropriations vs. FY 2018 Post Rescission
FY 2018 Transfers to/(from) General Fund (GF) (\$ millions)		
Contribute to "27th Pay Period" Reserve	(1.79)	To pre-fund required FY19 payment
Vermont Life	(3.18)	
Transfer to ERAF fund	(0.81)	To fund estimated state share FEMA payments (late FY18 or early FY19)
Transfer to Tobacco Trust Fund	(0.41)	Tobacco Trust Fund has est. \$410K FY19 obligations but zero balance
	-	
Sub-total Net Transfers to/(from) General Fund	(6.19)	Net Transfers from GF
TOTAL NET APPROPRIATION AND TRANSFER ADJUSTMENTS	(0.00)	Net GF

THE FISCAL YEAR 2019 GOVERNOR'S BAA RECOMMENDATIONS BY GOVERNMENT FUNCTION AND BY FUND

**FY 2018 Governor's BAA
Recommendations by Government Function**



**FY 2018 Governor's BAA
Recommendations by Fund**

FISCAL YEAR 2018 GOVERNOR'S RECOMMENDED BUDGET ADJUSTMENT

FUNCTION 2017 Act 85 Sec. #	Appropriation Title	General Fund	Education Fund	Special Funds (Various) ⁽¹⁾	Global Commitment Fund	State Health Care Resources Fund	Federal Funds (includes ARRA)	Other ⁽³⁾ Funds
General Government								
B.137	Homeowner rebate	(760,000.00)						
B.138	Renter rebate	(630,000.00)						
B.140	Municipal current use	(24,334.00)						
Total General Government		(1,414,334.00)	0.00	0.00	0.00	0.00	0.00	0.00
Protection								
Total Protection		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Human Services								
B.300	Human services - agency of human services - secretary's office	(328,399.00)					22,250.00	
B.301	Secretary's office - global commitment	777,501.00		3,088,699.00		(1,726,689.00)	(5,637,537.00)	(1,207,718.00)
B.306	Department of Vermont health access - administration	(2,061,073.00)					(22,758,224.00)	(121,474.00)
B.307	Department of Vermont health access - Medicaid program - global commitment				(7,141,522.00)			
B.308	Department of Vermont health access - Medicaid program - long term care waiver	(240,997.00)			1,178,535.00			
B.310	Department of Vermont health access - Medicaid non-waiver matched	(28,605.00)					4,778,012.00	
B.312	Health - public health	375,000.00						
B.313	Health - alcohol and drug abuse programs							
B.314	Mental health - mental health	262,366.00			3,035,267.00		1,496,561.00	
B.316	Department for children and families - administration & support services	(4,037,332.00)		1,789,542.00	1,835,150.00		333,024.00	
B.317	Department for children and families - family services	242,805.00			(1,119,894.00)		960,091.00	
B.318	Department for children and families - child development	(1,815,154.00)						
B.319	Department for children and families - office of child support	256,788.00					(256,788.00)	
B.321	Department for children and families - general assistance	1,171,000.00					(1,000,000.00)	
B.323	Department for children and families - reach up	1,285,492.00		(790,234.00)	49,177.00		(332,374.00)	
B.324	Department for Children and Families - Home Heating Fuel Assistance/IJHEAP			752,768.00			(752,768.00)	
B.325	Department for children and families - office of economic opportunity	202,627.00			(437,829.00)			
B.326	Department for children and families - OEO weatherization assistance			(2,542,768.00)			2,542,768.00	
B.327	Department for children and families - woodside rehabilitation services	4,973,756.00			(4,973,756.00)			
B.328	Department for children and families - disability determination services	21,520.00			(109,768.00)		54,884.00	
B.333	Disabilities, aging, and independent living - developmental services				1,211,116.00			
B.339	Corrections - correctional services - Out of State Beds	183,960.00						
B.342	Vermont Veterans' Home	449,000.00						
Total Human Services		1,690,255.00	0.00	2,298,007.00	(6,473,523.00)	(1,726,689.00)	(20,550,101.00)	(1,329,192.00)
Labor								
Total Labor		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Education								
B.500	Education - finance and administration	300,000.00		(3,108,001.00)				
B.504.1	Education - Flexible Pathways		650,000.00					
Total Education		300,000.00	650,000.00	(3,108,001.00)	0.00	0.00	0.00	0.00
Higher Education								
Total Higher Education		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Natural Resources								
Total Natural Resources		0.00	0.00	0.00	0.00	0.00	0.00	0.00

FISCAL YEAR 2018 GOVERNOR'S RECOMMENDED BUDGET ADJUSTMENT								
FUNCTION 2017 Act 85 Sec. #	Appropriation Title	General Fund	Education Fund	Special Funds (Various) ⁽¹⁾	Global Commitment Fund	State Health Care Resources Fund	Federal Funds (includes ARRA)	Other ⁽³⁾ Funds
Total Natural Resources		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service								
B.1000	Debt Service	(6,172,161.00)						
Total Debt Services		(6,172,161.00)	0.00	0.00	0.00	0.00	0.00	0.00
One-time and Other Appropriations								
Total One-Time and Other Appropriations		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Appropriation Changes		(5,596,240.00)	650,000.00	(809,994.00)	(6,473,523.00)	(1,726,689.00)	(20,550,101.00)	(1,329,192.00)
(1) Special Funds include: Special, Tobacco, TIB and Fish & Wildlife funds.								
(2) Dedicated funds include: Local Match, TIB Proceeds, Pension & Trust Funds, Retired Teachers Health Fund, and Enterprise Funds.								
(3) Other Funds include: Internal Service Funds and Interdepartmental Transfers.								
FISCAL YEAR 2018 RESCISSION AND MANAGEMENT SAVINGS REQUIRING BAA ADOPTION								
Human Services								
B.301 [MS & R]	Secretary's office - global commitment (Management Savings & Rescission)	(4,513,697.00)						
B.307 [R]	Department of Vermont health access - Medicaid program - global commitment (Rescission)				(25,677,087.00)			
B.309 [R]	Department of Vermont health access - Medicaid program - state only (Rescission)	(1,712,958.00)			(409,694.00)			
B.310 [R]	Department of Vermont health access - Medicaid non-waiver matched (Rescission)	(62,555.00)					(736,949.00)	
B.330 [MS]	Disabilities, aging, and independent living - advocacy and independent living grants (Management Savings)	(300,000.00)			(300,000.00)			
Total Human Services		(6,589,210.00)	0.00	0.00	(26,386,781.00)	0.00	(736,949.00)	0.00

OTHER REQUIRED REPORTS

TAX EXPENDITURE BUDGET REPORT

Tax expenditures are statutory provisions that reduce the amount of revenue collected in order to encourage certain activities or to limit the tax burden on certain types of individuals. By reducing the amount of tax revenues collected by the government, tax expenditures can have the same fiscal impact as direct government expenditures, even though they appear as reductions in taxes.

Tax expenditures, however, differ from direct spending programs in one important respect. Direct appropriations for government programs are evaluated annually during the budget process, and the Legislature must take affirmative action to continue funding. Additionally, direct spending programs are itemized in the budget and are therefore more transparent to the public. Tax expenditures, on the other hand, usually represent permanently foregone revenue and are not evident in the State budget or subject to the same annual review process.

Annual Tax Expenditure Budget reporting is codified under 32 V.S.A. § 306. The schedule for reporting is segregated into the following categories:

- (1) A budget covering tax expenditures related to non-profits and charitable organizations and covering miscellaneous expenditures shall be made by the third Tuesday of the legislative session beginning in January 2012 and every three years thereafter.**
- (2) A budget covering tax expenditures related to economic development, including business, investment, and energy, shall be made by the third Tuesday of the legislative session beginning in January 2013 and every three years thereafter.
- (3) A budget covering tax expenditures made in furtherance of Vermont's human services, including tax expenditures affecting veterans, shall be made by the third Tuesday of the legislative session beginning in January 2014 and every three years thereafter.

Non-Profit & Charitable Organization Tax Expenditure Budget Report (1) By Department				
Tax type	Tax Expenditures and Categories	FY2017 Estimate	FY2018 Estimate	FY2019 Proposed
Individual Income	Qualified Sale of Mobile Home Park Credit	\$50,000	\$50,000	\$50,000
Sales & Use	Admission fees to nonprofit museums	\$1,967,000	\$2,000,000	\$2,033,000
Insurance Premiums	Fraternal Societies	\$87,000	\$90,000	\$93,000
Property Tax	Libraries	\$818,000	\$814,000	\$810,000
Property Tax	Cemeteries	\$614,000	\$619,000	\$624,000
Property Tax	YMCA and YWCA	\$174,000	\$175,000	\$176,000
	Agency of Commerce & Community Development - Subtotal	\$3,710,000	\$3,748,000	\$3,786,000
Sales & Use	Veterinary Supplies	\$2,820,000	\$3,000,000	\$3,180,000
Property Tax	Owned by Agricultural societies	\$508,000	\$511,000	\$515,000
Property Tax	Humane societies	\$114,000	\$115,000	\$117,000
	Agency of Agriculture - Subtotal	\$3,442,000	\$3,626,000	\$3,812,000
Insurance Premiums	Hospital and Medical Service Organizations	\$14,930,000	\$15,150,000	\$15,370,000
Property Tax	Non-Profit Medical Service Corporations	\$149,000	\$150,000	\$152,000
Property Tax	FQHC and RHC	\$423,000	\$423,000	\$424,000
	Agency of Human Services - Subtotal	\$15,502,000	\$15,723,000	\$15,946,000
Motor Vehicle P & U	Trade-In Allowance	\$30,900,000	\$32,180,000	\$33,460,000
	Agency of Transportation - Subtotal	\$30,900,000	\$32,180,000	\$33,460,000
Individual Income	Vermont Higher Education Investment Credit	\$2,413,000	\$2,500,000	\$2,588,000
Property Tax	Vermont State Colleges	\$5,912,000	\$5,975,000	\$6,039,000
Property Tax	University of Vermont	\$12,043,000	\$12,174,000	\$12,305,000
Property Tax	College fraternities and societies	\$203,000	Repealed	Repealed
	Higher Education - Subtotal	\$20,571,000	\$20,649,000	\$20,932,000
Property Tax	Municipalities hosting large power plants	\$1,530,000	\$1,040,000	\$550,000
	Public Service Department - Subtotal	\$1,530,000	\$1,040,000	\$550,000
Sales & Use	Rentals of coin-operated washing facilities	\$1,167,000	\$1,200,000	\$1,233,000
Motor Vehicle P & U	Religious, charitable	\$170,000	\$180,000	\$191,000
Motor Vehicle P & U	Gifts	\$3,229,000	\$3,400,000	\$3,572,000
Motor Vehicle P & U	IRC Sec. 351	\$41,000	\$30,000	\$30,000
Property Tax	Congressionally Chartered Organizations	\$803,000	\$800,000	\$798,000
Property Tax	Public, pious and charitable property	\$50,513,000	\$51,093,000	\$51,674,000
	Tax Department - Subtotal	\$55,923,000	\$56,703,000	\$57,498,000
Individual Income	Vermont Municipal Bond Income	\$2,794,000	\$2,800,000	\$2,806,000
	Treasurer's Office - Subtotal	\$2,794,000	\$2,800,000	\$2,806,000
	GRAND TOTAL	\$134,372,000	\$136,469,000	\$138,790,000

(1) Note: The FY 2019 Tax Expenditure Budget "covers tax expenditures related to nonprofits and charitable organizations and covering miscellaneous expenditures," as prescribed by 2011 Act 45. Act 200 of 2014 on the statutory purposes of tax expenditures amended in the section on the definition of a tax expenditure.

Non-Profit & Charitable Organization Tax Expenditure Budget Report (1) By Type				
Agency/Dept.	Tax Expenditures and Categories	FY2017 Estimate	FY2018 Estimate	FY2019 Proposed
TRE	Vermont Municipal Bond Income	\$2,794,000	\$2,800,000	\$2,806,000
ACCD	Qualified Sale of Mobile Home Park Credit	\$50,000	\$50,000	\$50,000
HED	Vermont Higher Education Investment Credit	\$2,413,000	\$2,500,000	\$2,588,000
	Individual Income Tax Expenditure - Subtotal	\$5,257,000	\$5,350,000	\$5,444,000
AGFM	Veterinary Supplies	\$2,820,000	\$3,000,000	\$3,180,000
TAX	Rentals of coin-operated washing facilities	\$1,167,000	\$1,200,000	\$1,233,000
ACCD	Admission fees to nonprofit museums	\$1,967,000	\$2,000,000	\$2,033,000
	Sales & Use Tax Expenditures - Subtotal	\$5,954,000	\$6,200,000	\$6,446,000
ACCD	Fraternal Societies	\$87,000	\$90,000	\$93,000
AHS	Hospital and Medical Service Organizations	\$14,930,000	\$15,150,000	\$15,370,000
	Insurance Premium Tax Expenditures - Subtotal	\$15,017,000	\$15,240,000	\$15,463,000
TAX	Religious, charitable	\$170,000	\$180,000	\$191,000
TAX	Gifts	\$3,229,000	\$3,400,000	\$3,572,000
TAX	IRC Sec. 351	\$41,000	\$30,000	\$30,000
AOT	Trade-In Allowance	\$30,900,000	\$32,180,000	\$33,460,000
	Motor Vehicle Purchase & Use Expenditures - Subtotal	\$34,340,000	\$35,790,000	\$37,253,000
AHS	Non-Profit Medical Service Corporations	\$149,000	\$150,000	\$152,000
HED	Vermont State Colleges	\$5,912,000	\$5,975,000	\$6,039,000
HED	University of Vermont	\$12,043,000	\$12,174,000	\$12,305,000
ACCD	Libraries	\$818,000	\$814,000	\$810,000
TAX	Congressionally Chartered Organizations	\$803,000	\$800,000	\$798,000
TAX	Public, pious and charitable property	\$50,513,000	\$51,093,000	\$51,674,000
HED	College fraternities and societies	\$203,000	Repealed	Repealed
ACCD	YMCA and YWCA	\$174,000	\$175,000	\$176,000
ACCD	Cemeteries	\$614,000	\$619,000	\$624,000
AGFM	Owned by Agricultural societies	\$508,000	\$511,000	\$515,000
AGFM	Humane societies	\$114,000	\$115,000	\$117,000
AHS	FQHC and RHC	\$423,000	\$423,000	\$424,000
PSD	Municipalities hosting large power plants	\$1,530,000	\$1,040,000	\$550,000
	Property Tax Expenditures - Subtotal	\$73,804,000	\$73,889,000	\$74,184,000
	GRAND TOTAL	\$134,372,000	\$136,469,000	\$138,790,000

(1) Note: The FY 2019 Tax Expenditure Budget "covers tax expenditures related to nonprofits and charitable organizations and covering miscellaneous ex-penditures," as prescribed by 2011 Act 45. Act 200 of 2014 on the statutory purposes of tax expenditures amended in the section on the definition of a tax expenditure.

Retirement Systems: Funding Update

As specified in 32 V.S.A. §311, the following is a report on the financial integrity of the State Employees' and State Teachers' Retirement Systems.

Contribution Levels

VSERS

As a result of the June 30, 2017 actuarial valuation, the actuary for the Vermont State Employees' Retirement System (VSERS) recommended a FY 2019 contribution of \$62,984,742 to the pension plan (VSERS pension) and \$100,187,896 to the Vermont State Employees' Other Post-Employment Benefits (VSERS OPEB) plan.

The State's contribution has been reduced to \$62,059,742 (down \$925,000) based on the Treasurer's estimate of FY 2019 contributions to VSERS by town participants.

The State's contribution to the VSERS OPEB during FY 2019 will be \$36,985,568, which is the Treasurer's November 2017 estimate of VSERS retiree benefit costs on a pay-as-you-go basis.

VSTRS

As a result of the June 30, 2017 actuarial valuation, the actuary for the Vermont State Teachers' Retirement System (VSTRS) recommended a FY 2019 contribution of \$105,640,777 to the pension plan (VSTRS pension) and \$54,658,645 to the Retired Teachers' Health and Medical Benefits (RTHMB) plan.

The FY 2019 VSTRS contribution of \$105,640,777 will be funded by \$92,241,519 of State general funds, \$7,699,258 of State education funds and \$5,700,000 from local education agencies for teacher salaries supported by federal grants. The Treasurer's November 2017 estimate for VSTRS retiree health benefit costs on a pay-as-you-go basis is \$36,747,786. That amount will be contributed to the VSTRS OPEB during FY 2019, using \$31,639,205 of State general funds and \$5,108,581 from the employer annual charge for new teacher health care and from subsidies under the Employee Group Waiver Plan (EGWP) implemented in 2014.

Funding Levels

State statutes define the method of funding the retirement systems, which is assessed and reported by an independent actuary. Based on the actuarial funding calculations and reports, the funded ratios (and resulting unfunded liability) for the VSERS and VSTRS pension systems for the period ended June 30, 2017 are 71.4% (\$717,577,722) and 54.2% (\$1,502,453,387) respectively. The funded ratios (and resulting unfunded liability) for the VSERS OPEB and VSTRS RTHMB plans for the period ended June 30, 2017 are 1.54% (\$1,435,113,042) and -3.08% (\$891,459,018) respectively. The pension plan actuary uses Governmental Accounting Standards Board (GASB) standards to produce separate data (comparable nationally by using a standard actuarial method) for accounting and financial reporting purposes, and not for funding decisions.

[Acknowledgements and Credits](#)

This Executive Summary and the Governor's Recommended Budget were prepared by the dedicated staff in the Budget & Management Division of the Department of Finance & Management with the assistance of agency and department heads, business managers and finance staff across the State. Questions may be addressed to: The Department of Finance & Management, Budget & Management Division at (802) 828-2376.

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Fiscal Year 2019 Executive Budget Summary

is a publication of the
Vermont Department of Finance & Management,
Adam Greshin, Commissioner
Matt Riven, Deputy Commissioner

The purpose of this publication is to inform members of the Vermont Legislature, state and local government officials, and Vermont citizens of the Fiscal Year 2019 Budget Recommendations of Governor Philip B. Scott.

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