



The Vermont Way Forward

A Responsibility for Affordability



Fiscal Year 2008
Executive Budget Recommendations

James H. Douglas
Governor of Vermont
January 23, 2007



Dear Fellow Vermonters:

We can be proud of all that we have accomplished together: a growing economy; a health care plan that is the boldest and most far-reaching in the nation; enhanced college scholarships for our youth; and a growing awareness that making Vermont more affordable is of paramount importance. While we celebrate our successes, we must also recognize that we have much more work to do.

Last year I laid out the principles of my *Affordability Agenda*. This budget reflects those principles. Vermont already ranks as one of the highest taxed states in the nation; we cannot balance the state budget by raising taxes on working Vermonters. I have made sure this budget requires no tax increases, and to ensure that our future expenditures do not outpace our future revenues, I have capped overall budgetary increases in the General Fund at 3.16%. I will also urge lawmakers to cap annual General Fund expenditure increases not only for this budget, but for future budgets as well. I will require state government to become more efficient and effective, and able to respond to changing demands. And I will urge the Legislature to establish a cap on property taxes and limit the growth in education spending. It will require the strength of purpose to work together and listen respectfully, but we must make changes this year to bring relief to Vermont's beleaguered taxpayers.

I have, however, proposed increases in those areas that will strengthen Vermont's economy, help to create more and better paying jobs and protect our environment. I have proposed a substantial investment in making Vermont the nation's first "e-state." I have invested in making Vermont the world center for environmental solutions. I have also funded tax incentives and tax cuts for the use of biofuels and fuel-efficient vehicles.

By working together, we will meet the challenges of today and build a better, more prosperous Vermont.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

James H. Douglas
Governor

FISCAL YEAR 2007 BUDGET ADJUSTMENT

Revenue Projections

The January 16, 2007 consensus forecast of \$1,124.1 million for the State of Vermont fiscal year 2007 General Fund revenues represents a \$1.4 million increase from the July 2006 consensus estimate of \$1,122.7 million at the beginning of the 2007 fiscal year.

The Transportation Fund and the Education Fund were both adjusted as a result of the January 2007 consensus estimate. The fiscal year 2007 Transportation Fund revenue was originally projected at \$219.8 million one year ago. This was before the passage of increases in several motor vehicle fees, which when passed were expected to bring the total Transportation Fund revenues to \$233.9 million. Due to increases in fuel prices, a slowing of new vehicle purchases and other economic events, the consensus forecast revenue was reduced by \$10.5 million in July 2006. The current January 2007 forecast has further reduced the July estimate by \$0.4 million. Lastly, the Education Fund projection was increased by \$0.1 million. The following chart shows how the expectations for fiscal year 2007 have been revised over the past 12 months.

Fiscal Year 2007 Revenue Forecasts			
\$ Millions			
	January 2006	July 2006	January 2007
General Fund	\$1,092.6 m	\$1,122.7 m	\$1,124.1 m
Transportation Fund	\$219.8 m	\$ 223.4 m	\$ 223.0 m
Education Fund ⁽¹⁾	\$162.2 m	\$ 160.9 m	\$ 161.0 m

Fiscal Year 2007 Appropriation Adjustments

The 2007 budget adjustment that the Governor has submitted to the Legislature reflects General Fund appropriation increases totaling approximately \$11.59 million. These upward adjustments are composed mainly of an \$8.9 million reimbursement to the Department of Corrections for funds borrowed to pay emergency assistance to farmers, \$2.49 million to Public Safety, -\$0.04 million for Human Services, and other amounts for various units of government (+\$1.98) offset by two Health Plan rate holidays and lower than expected fiscal year 2007 premium rates (-\$1.74).

The Governor has also submitted fiscal year 2007 budget adjustments for the Transportation Fund totaling appropriation decreases of -\$7.67 million. These adjustments reflect reductions necessitated by the fiscal year 2007 revenue downgrade.

(1) This represents the non-property tax revenues, which in FY 2007 make up 12% of the total Education Fund. Property taxes comprise 67%; the transfer from the General Fund constitutes 20%; and other sources contribute 1%.

Governor's FY 2007 Budget Adjustment Recommendation
General and Transportation Fund Appropriations
(\$ millions)

Appropriations - FY 2007 Budget Adjustment:	General Fund	Transportation Fund
<u>Agency of Human Services:</u>		
Office of the Secretary	\$ 7.30	\$ -
Office of Vermont Health Access	(2.76)	-
Department of Health	(0.17)	-
Department for Children & Families	(5.45)	-
Department of Disabilities, Aging and Independent Living	(0.39)	-
Department of Corrections	1.43	-
Sub-total Agency of Human Services	\$ (0.04)	\$ -
 <u>Other Units of Government:</u>		
General Fund repayment of Emergency Assistance for Farmers borrowed from the Department of Corrections	\$ 8.90	\$ -
Legislature	0.60	-
Health Plan Rate Holidays & Lower Premiums	(1.74)	(1.25)
Department of Public Safety	2.49	-
Education – Adult Education	0.44	-
Other	0.94	-
Transportation	-	(8.66)
Emergency Town Highway Program	-	0.74
Restoration of funds to the Department of Motor Vehicles used for Town Highway Fund		1.50
Sub-total Other	\$ 11.63	\$ (7.67)
Total Appropriation Adjustments	\$ 11.59	\$ (7.67)

Governor Douglas recommends other adjustments to the current fiscal year budget for the Global Commitment Fund and other Special Funds. A detailed listing of recommended budget adjustment appropriations appears on pages 13-15.

FISCAL YEAR 2008:

On January 16, 2007, the Vermont Emergency Board approved the current consensus revenue estimate, raising the projected fiscal year 2008 revenues from the previous forecast made six months earlier. The latest forecast increases projected General Fund revenues in fiscal year 2008 by \$17.4 million to \$1,152.7 million from the July forecast. The fiscal year 2008 Transportation Fund revenue projection was decreased slightly by \$0.1 million to \$232.3 million from the July forecast. The forecast for the Education Fund increased to \$168.5 million, a slight increase of \$0.9 million for fiscal year 2008. Looking ahead to fiscal year 2009, the Consensus Revenue Forecast projects a 3.3% increase in General Fund revenues to \$1,191.0 million and a 2.1% increase in Transportation Fund revenues to \$237.1 million. Increases of 3.3% and 2.1% respectively for the General and Transportation Funds will require a continuation of the disciplined approach to growth in government for fiscal year 2009, as the Governor has demonstrated with his fiscal year 2008 budget recommendations.

The fiscal year 2008 budget required real discipline to develop a balanced budget in the face of moderating revenue growth and the challenges presented by the normal inflationary pressures of government costs. The Governor's fiscal year 2008 budget has kept the growth within the range of normal inflation without reducing programs or services. The Governor continues to believe that we must live within our means and position Vermont to face these challenges now and into the future. Base spending growth (FY 2007 to FY 2008) is proposed at 3.16% for the General Fund and 2.6% for the Transportation Fund.

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

Fiscal Year 2008 Revenue Forecasts			
\$ Millions			
	January 2006	July 2006	January 2007
General Fund	\$1,117.46 m	\$1,135.3 m	\$1,152.7 m
Transportation Fund	\$226.3 m	\$ 232.4 m	\$ 232.3 m
Education Fund ⁽²⁾	\$167.1 m	\$ 167.6 m	\$ 168.5 m

⁽²⁾ This represents the non-property tax revenues, which in FY 2008 make up 12% of the total Education Fund. Property taxes comprise 67%; the transfer from the General Fund constitutes 20%; and other sources contribute 1%.

Highlights of Governor Douglas' Fiscal Year 2008 Proposals

Property Taxes

In the current school fiscal year, most property tax bills went up by well over 7%. In some school districts, property tax bills went up more than 30%. And next year will be no better. Given the current law status of the Education Fund, when tax bills go out starting next July, taxpayers across-the-board will routinely see increased tax burdens of at least 7% or more, or double the rate of inflation, with many others in the high double digits.

At the beginning of the last two legislative sessions, the Governor put before the Legislature almost a dozen proposals to bend the trend of education spending increases. He will once again submit a proposal and urge passage this year. The centerpiece of the proposal is the establishment of a "soft" cap on property taxes by limiting the growth in education spending. While directive, the cap proposal is not harsh. It would sunset in 5 years, once school systems had achieved sustainable growth rates. The cap can be overridden if 60% or more local voters vote to pass their school budget. The cap would apply on either a budgetary basis or on a per-pupil spending basis, so that schools with growing student populations wouldn't be penalized.

More than forty other states have caps on either education spending or property tax growth. Recent experience here in Vermont demonstrates spending caps are effective. The Joint Legislative Education Cost Containment Study Committee reported in 2004 the rate of growth in special education spending since the implementation of a cap has dropped dramatically, from a 15% growth rate in 1998 to below 8%. More recent data from the Department of Education documents that the growth in special education expenditures in fiscal 2006, just last year, had dropped below 6%. It is expected that these growth rates will begin to climb since the cap was removed in the last legislative session.

Higher Education

Critical to *The Vermont Way Forward* is strengthening our institutions of higher learning and making college more affordable for Vermonters. Higher Education must be a centerpiece of our new economy, producing new leaders with new skills and talents to build the Vermont of tomorrow. Recently, the Next Generation Commission made several thoughtful and forward-thinking recommendations. Those recommendations will help transform our educational and job-training networks to prepare Vermonters, young and old alike. The Governor's budget fully funds the \$7 million recommended by the Commission through General Fund revenues. In addition, the Governor's budget increases state appropriations for VSAC, the Vermont State Colleges, and the University of Vermont.

Transportation

Consistent with the Governor's "Affordability Agenda," the Agency of Transportation (VTrans) recently announced a realignment of priorities called "The Road to Affordability." The Governor believes that the preservation and safety of existing transportation assets should be VTrans' highest priority so that these assets do not deteriorate to the point where they require major reconstruction at substantial cost. The primary components of VTrans' Road to Affordability include:

- Realignment of priorities:
 - Focus on traveler safety and preservation of the existing infrastructure.
 - Focus on a practical number of large projects.
 - Realistic timetables for large projects and new roadway segments.
- Rethinking project focus:
 - Require a "back-to-basics" approach by limiting project amenities not related to preservation or environmental protection.
 - Require an innovative-financing approach for new roadway segment projects.
 - Just-in-time delivery of design, right-of-way, and permitting.
- Continued commitment to safety and the environment.
- Employ an asset and performance-management approach:
 - Focus on maintaining overall system.
 - Put limited transportation dollars to work where they do the most good.

In the Governor's fiscal year 2008 budget proposal, there is an emphasis on preserving and maintaining Vermont's existing transportation system and continued commitment to traveler safety. The Governor's budget remains committed to major projects including the Bennington Bypass, Circumferential Highway and the Morrisville Bypass. Setting realistic timetables for these and other large roadway projects will allow funding to increase by more than \$7.6 million for critical preservation activities including culverts, bridge maintenance, ditching and ledge and slope repairs.

In the FY 2008 budget, the Governor continues his effort to decrease reliance by other parts of state government on the Transportation Fund. Governor Douglas proposes to further reduce this burden on the Transportation Fund for FY 2008 by an additional \$561,000.

The federal transportation reauthorization legislation (SAFETEA-LU) significantly increased Vermont's available federal highway funding. To meet the need for additional state transportation funds to match available federal funds, the Administration last year worked closely with the Legislature to enact legislation that provides additional funding for transportation through the following: (1) increases to numerous Department of Motor Vehicle fees, (2) shifted funding for Information Center operating costs from the Transportation Fund to the General Fund, and (3) reduced the amount of transportation funds appropriated to non-transportation purposes (under the JTOC statute). These efforts assure that Vermont is not at risk of turning back federal funds for lack of sufficient matching funds.

Successfully Transitioning Youth

Data indicates that a disproportionate number of foster youth may end up homeless, incarcerated, or involved in substance abuse. Over the past year, several groups have been meeting to plan improvements in the state's foster care system. One group, under the leadership of VSAC, met to work on how to make higher education more accessible to these youth. A second group under the leadership of Chief Justice Reiber has been meeting to discuss how to improve the Court system to make it less likely that youth will age out of the system in the future. Finally, a group was convened under the leadership of the Department for Children and Families to look broadly at how to better support successful transitions to adulthood. The work of all three has been coordinated and a plan has been developed. Some recommendations will not require new funds but others will. The Governor's budget includes funding that will make it possible for youth to continue to be supported in their foster care settings, potentially up to age 21, on a voluntary basis and with the expectation that the youth work or attend an educational or vocational training program. Youth in foster care currently age-out of the system at age 18 or at the time of high school graduation, whichever comes last. This results in many youth who have relied on the state for support suddenly being without any lasting support. Also, the budget includes funding to support foster families in making it more possible for youth in their care to obtain a driver's license just prior to their 18th birthday. It is very difficult to secure and hold a job in our state without the ability to drive. Lastly, funding is provided to assist youth in paying security deposits and other costs associated with obtaining housing.

Health

Catamount Health

To successfully implement the new Catamount Health Plan in October it will be critical to let people know about the new plan and the various premium assistance programs that will be available to them. The Governor's budget commits resources for marketing, outreach and enrollment to ensure that every Vermonter knows their health care options and receives health care coverage. It also contains increased funds to help stabilize the Individual Health Coverage Market so that Vermonters who already have this insurance can afford to keep it.

However, for health care reform to be successful there must be continuing focus on bending the curve on health care inflation. The budget continues funding to implement the Blueprint for Health so that Vermonters with chronic conditions get the right care at the right time. Attention on prevention also is key, so the budget includes funds to pilot the Immunization Program in Act 191 that will enable Vermonters to get 2 new vaccines without worrying about the cost. The goal is to expand to other recommended immunizations in future years.

To address the cost shift that occurs because the Medicaid program cannot afford to pay the full cost of care, the budget increases the rates that Medicaid pays our hospitals and health care providers.

Dental Health

The Governor's fiscal year 2008 budget includes a new and comprehensive package of oral health care initiatives. These initiatives ensure oral health exams for school-age children, and provide for the selection and assignment of a "dental home" for children. Reimbursement rate increases for dentists and for reimbursing Primary Care Physicians for Oral Health Risk Assessments are also included in this package of initiatives, as are initiatives that stabilize the dental workforce, ensure access to necessary preventive services, and initiatives for better use of technology.

Medicaid

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

With the *The Global Commitment to Health* and the *Choices for Care* Medicaid demonstration waivers, effective 10/1/2006, Vermont has the flexibility necessary to administer the State's publicly supported health care programs in a member-centered and fiscally sustainable manner. *The Global Commitment to Health* waiver encompasses the traditional mandatory and optional Medicaid populations. The *Choices for Care* waiver provides long-term care services for the elderly and disabled in both nursing home and home and community based settings. In addition Vermont provides some traditional acute care Medicaid services outside the demonstration waiver to the *Choices for Care* population.

Although Vermont has been successful in reducing the projected \$600 million five-year Medicaid deficit by an estimated 75%, and in fiscal year 2008 there will be no deficit, there is more to do to erase future deficits.

Current Projection of Medicaid Deficit FY07—FY11 (Q1)

	FY07	FY08	FY09	FY10	FY11
Revenues	\$454,986,788	\$473,342,079	\$465,257,437	\$461,814,956	\$117,429,251
Medicaid Costs	445,261,475	481,638,680	504,833,360	545,512,129	146,363,888
Net revenue/(deficit)	9,725,313	(8,296,601)	(39,575,923)	(83,697,173)	(28,934,637)
Carryforward	0	9,725,313	1,428,712	(38,147,211)	(121,844,384)
Year End Balance	9,725,313	1,428,712	(38,147,211)	(121,844,384)	(150,779,021)

Information Technology and Improved Government Services

Strategic Enterprise Initiative

The Governor's Strategic Enterprise Initiative (SEI) continues to focus on the business-process planning and enterprise-wide initiatives to more effectively and efficiently deliver state government services. The Agency of Administration has recently hired a Director of Strategic Change. The Director will assist agencies in their business-process improvement planning, and coordinate new interagency enterprise opportunities, which will eliminate redundancy, create shared services and streamline service delivery.

Currently there are several interagency teams working on enterprise technology projects creating great opportunities for better, faster and more efficient services. The administration has launched projects to develop and implement an enterprise solution in each of these areas: Grants Management; Web Development; Document Management; and Time Reporting. The Web Development project will be online by June 2007; the other projects will be implemented throughout fiscal year 2008 and beyond. In addition to the enterprise technology projects, the Agencies of Natural Resources and Transportation, and the Department for Children and Families are working on improving their business processes in several areas and developing workforce plans that focus on their projected retirement eligibility and training for employees.

Department of Information and Innovation

The Governor, through the SEI process, has designated the Department of Information and Innovation (DII) as the lead department in coordinating enterprise technology projects. DII also serves all of state government as the central oversight and management authority for IT infrastructure, system development and information security. DII recently launched an Enterprise Project Management Office that is charged with the project management of the state's larger enterprise IT projects and ensuring projects are delivered on time and on budget.

The Environment

In his inaugural address, the Governor laid out an environmental vision for Vermont, that first starts with enhancing our already established environmental ethic. In the fiscal year 2008 Governor's budget, approximately \$1.7 million is allocated to pay for the tax incentives in biofuels and reduction of the purchase and use tax for hybrid or fuel efficient vehicles.

The Clean and Clear program is designed to improve and protect water quality in the Lake Champlain basin as well as in other Vermont lakes, rivers, and streams. The Governor's budget includes \$8.6 million of state operating funds and capital investments.

The Department of Buildings and General Services has made a strong commitment to alternative energy sources, installing a wood pellet heating system in the new St. Albans State Police facility and burning biodiesel fuel at the Brattleboro state office building. The Governor's capital bill includes a wind turbine for the Ed Weed Fish Hatchery and completion of a solar project in Middlesex. The state has an existing commitment to install a geothermal heating system at the Vermont Veterans' Home. The fiscal year's capital budget includes \$1 million for the Veterans' Home heating system, allowing the state to leverage further federal dollars for this project.

Vermont's state parks are a great treasure and critical to Vermont's quality of life. Over the last 20 years there has not been sufficient funding appropriated to make the much needed improvements to park infrastructure. The Governor is proposing increases in the capital budget for infrastructure improvements from \$250,000 in fiscal year 2007 to \$800,000 in fiscal year 2008.

Economic Development

Development Programs

The Governor continues to invest in the economy and the growth of high paying jobs through continued and additional support for the highly effective Vermont Training Program and the work done by the Regional Development Corporations with Vermont companies. Under the fiscal year 2008 budget proposal, the Vermont Training Program will again receive a \$400,000 one-time allocation to sustain the program at the fiscal year 2007 budget level. The Regional Development Corporations will again receive a \$75,000 one-time allocation, level with fiscal year 2007, and see their base increase by \$72,000. The funds to support this increase were re-allocated internally from other Agency of Commerce & Community Development (ACCD) resources. ACCD will also make an investment in the Vermont Software Developers Association in the amount of \$50,000 to support organizational and operational activities designed to build a public-private partnership to support the growth of this industry in Vermont.

Eco-Engineering

In the Governor's fiscal year 2008 budget, moneys are appropriated to create, develop and foster Vermont as a world leader in eco-engineering. The budget recommends \$300,000 appropriated to the Agency of Commerce and Community Development to be used by the newly created Environmental Engineering Advisory Council to conduct market research, develop appropriate marketing materials and make direct appeals and provide assistance to engineering firms to locate in Vermont.

Telecommunications

Governor Douglas proposed that by 2010, Vermont become the nation's first true "e-state" - the first state to provide universal cellular and broadband coverage everywhere and anywhere within its borders. The Governor also proposed the creation of the Vermont Telecommunications Authority (VTA). The state can provide the VTA with the state's moral obligation to enable the VTA to borrow up to \$40 million in bonds to back projects in the first year of construction, and possibly more if needed and sustainable. The initial target is to leverage more than \$200 million in private sector investment. Repayment of the borrowing for the project will be based on revenues generated from leasing access to the infrastructure, such as fiber optics networks or space on the towers, or the revenues from services provided over the network. The authority will need operating funds as well. The Governor's budget recommends the amount of \$450,000 to be made available for next year's budget.

Housing

The Governor's fiscal year 2008 budget includes a recommendation for a 4.5% increase - more than the overall General Fund increase - to the Vermont Housing and Conservation Board. The Governor is also proposing the New Neighborhood Initiative. This initiative would allow communities with development and zoning plans to designate specific areas as "new neighborhoods". These designated "new neighborhoods" would be eligible to be tax increment reallocation zones for three years, allowing the municipalities to use the state's education property tax increment from the neighborhood for improvements or project within the larger community.

Protection

Public Safety

In the fiscal year 2008 budget, the Governor provides funding to sustain staffing for the Vermont State Police. Emphasis is placed on ensuring that the State Police can continue a robust program to combat domestic and sexual abuse as well as drug-related crime and highway safety initiatives. This budget reflects the Governor's commitment to support a state-wide interoperable communication system (VCOMM) designed to link all first responders on a daily basis or in the event of a natural or man-made disaster. The budget also provides essential training to several hundred local firefighters, police, and EMS providers across the state.

Public Safety and Health Labs

Included in next fiscal year's capital budget are moneys for the replacement of the Vermont forensic and health labs that are so critical to law enforcement and public health. Last year the state purchased an existing building in which to locate these labs; this year the Governor is proposing \$7.7 million to begin construction on this vital project.

Corrections

The steady year-over-year increases in Vermont's prison population during the past decade (averaging +7.3% per year), have placed financial stress on Vermont's corrections system. To reduce prison overcrowding, the Department of Corrections has increased the use of out-of-state prisoner contract housing while implementing strategies to slow growth. During the past year, Vermont's total prisoner population grew by a somewhat slower 6.2%. The Governor, in cooperation with the Legislature and the rest of the criminal justice system, has taken steps to address the recommendations of the Governor's Commission on Overcrowding. These initiatives include:

- Implementing the new 90-day reintegration furlough rule to assist reentering offenders thereby saving taxpayers the cost of 60 beds per month.
- Expanding innovative electronic monitoring technologies (e.g. blood alcohol monitoring and other methods to verify offender location) to enhance community supervision of offenders who would otherwise be incarcerated.
- Planning for a second work camp for minimum-security prisoners similar to the current facility in St. Johnsbury. Work camp participation helps offenders contribute to society in a tangible way while reducing their required incarceration time.
- Seeking transitional housing beds across the state to help offenders who have completed sentences reintegrate into society.
- Enhancing community justice capacity with Reentry Panels, Pre-charge Diversion, and youth justice activities. Reparative boards have been shown to reduce recidivism compared with traditional probation supervision.
- Reducing caseloads for community supervision, allowing targeted supervision strategies for higher need offenders.
- Expanding drug treatment capacities to divert substance dependent offenders from prison.

Agriculture

This past fall, the Governor and legislative leaders worked together to help the state's farmers, particularly dairy farmers, who were hit by the perfect storm of wet weather, high energy costs, and low milk prices. The Vermont Target Price Program brought dairy farmers \$8.6 million in much needed capital and a morale boost to the entire dairy industry. The Governor's fiscal year 2008 budget continues to make an investment into the total agriculture economy. Overall, the operating budget for the Agency of Agriculture is up a total of 8.2% in state funds.

The Governor's budget focuses on creating opportunities for agriculture. The budget funds a mobile processing unit for poultry and small animals and a second unit for fruits and vegetables. These units will provide economic opportunities for farmers and give healthy food choices to consumers. The agency will continue to provide assistance to our farmstead, artisan, organic and specialty cheese makers. The agency is also writing an action plan focusing on locally raised meat processing.

Farm energy may well be proven to be Vermont's next agricultural product. Animal manure from the state's dairy herd could produce 30 megawatts of electricity if all the manure was to be anaerobically digested, representing a new source of farm income. Research, development and testing of biofuels is underway. The Governor's budget includes \$400,000 in farm energy grants.

The organic dairy industry continues to grow in Vermont with over 120 organic dairies today and an additional 80 in the process of transitioning to certified organic dairies. With an annual 25% increase in the demand for organic dairy products, there is a continued need for organic milk production and Vermont, with over 50% of New England's production, is poised to take advantage of the continued growth. The stable premium price being paid for organic milk is a sound reason for dairy farmers and Vermont to invest in organic farming. In fiscal year 2008 the Governor's budget will continue the investments to assist farmers interested in making this transition.

Human Services

Despite the many pressures on the state's finances, the Governor's proposed human services budget preserves programs on which so many Vermonters depend. The Governor has made it a priority in all his budgets to avoid the devastating cuts to human service programs that other states have made. That doesn't mean that Vermont and the taxpayers have endless resources to fund all programs that are desired, but Vermont is a leader in ensuring its most vulnerable are protected.

In recent years there has been a growing trend toward an ever-expanding waterfall section in the General Fund budget. Working together, the Governor and legislative leaders were successful in virtually eliminating the "deli" section in the capital bill. This year the Governor recommends eliminating the waterfall section of the budget. The Governor recommends that any excess funds at the end of the fiscal year should be earmarked for a reserve account for construction of a new state hospital.

Budget Cap/Tax Pledge

To ensure that future expenditures do not outpace our future revenues, the Governor capped the fiscal year 2008 overall budgetary increases in the General Fund at 3.16% and urges lawmakers to establish statutory caps, not only for this budget, but for future budgets as well. With Vermont ranking as one of the highest taxed states in the nation, the Governor also asks legislators to pledge not to raise taxes.

Fiscal Year 2007 Budget Adjustment Act
Governor's Recommendation
Summary by Appropriation

Agency/Department	Appropriation Name	Sec. of 2006 Act 215 amended					Global Commitment Fund	State Health Care Resources Fund	Combined Funds
			General Fund	Transportation Fund	Education Fund	Special ⁽¹⁾ Funds			
FY 2007 As Appropriated:			\$ 1,135,434,409	\$ 231,652,322	\$ 1,313,422,597	\$ 216,280,328	\$ 766,819,871	\$ 153,932,688	\$ 3,817,542,215
Recommended appropriation adjustments:									
<u>GENERAL GOVERNMENT</u>									
Secretary of Administration	Secretary's office	5	59,715	-	-	-	-	-	59,715
Buildings & General Services	Fee for Space	30	12,223	-	-	-	-	-	12,223
Legislature	Legislature	35	558,534	-	-	-	-	-	558,534
Payments in Lieu of Taxes	Payments in Lieu of Taxes (PILOT)	49	(400,000)	-	-	400,000	-	-	-
Total General Government			230,472	-	-	400,000	-	-	630,472
<u>PROTECTION TO PERSONS AND PROPERTY</u>									
Attorney general	Attorney General	54	390,282	-	-	(390,282)	-	-	-
Court Diversions	Court Diversions	56	(10,061)	-	-	-	-	-	(10,061)
Judiciary	Judiciary	59	-	-	-	143,000	-	-	143,000
Public Safety	Homeland Security	64	-	-	-	(3,500)	-	-	(3,500)
Public Safety	State Police	65	2,435,560	-	-	(191,520)	-	-	2,244,040
Public Safety	Criminal Justice Services	66	51,594	-	-	-	-	-	51,594
Public Safety	Fire Safety	69	-	-	-	565,000	-	-	565,000
Military	Air Service Contract	71	102,570	-	-	-	-	-	102,570
Military	Veterans' Affairs	74	-	-	-	-	-	-	-
Criminal Justice Training Council	Criminal Justice Training Council	76	170,000	-	-	-	-	-	170,000
Agriculture, Food & Markets	Mosquito Control	82	204,750	-	-	-	-	-	204,750
Secretary of State	Secretary of State	89	90,000	-	-	-	-	-	90,000
Enhanced 9-1-1 Board	Enhanced 9-1-1 Board	93	-	-	-	1,453,407	-	-	1,453,407
Total Protection to Persons & Property			3,434,695	-	-	1,576,105	-	-	5,010,800
<u>HUMAN SERVICES</u>									
Agency of Human Services	Secretary's Office	100	-	-	-	-	-	-	-
Agency of Human Services	Secretary's Office - Global Commitment	101	7,303,688	-	-	-	-	2,000,000	9,303,688
Office of Vermont Health Access	Administration	105	386,295	-	-	-	4,583,017	-	4,969,312
Office of Vermont Health Access	Medicaid Program - Global Commitment	107	-	-	-	-	(478,979)	-	(478,979)
Office of Vermont Health Access	Medicaid Program - Non-Global Commitment - Long Term Waiver	109	(1,867,420)	-	-	-	-	-	(1,867,420)
Office of Vermont Health Access	Medicaid Matched non-Waiver Expenses	110	(92,927)	-	-	-	-	-	(92,927)
Office of Vermont Health Access	Medicaid Program - State Only	111	(1,187,984)	-	-	-	(968,367)	-	(2,156,351)
Department of Health	Administration and Support	115	295,000	-	-	-	(760,000)	-	(465,000)
Department of Health	Blueprint for Health	115a	(292,886)	-	-	-	-	-	(292,886)
Department of Health	Health Protection	117	(87,000)	-	-	35,000	87,000	-	35,000
Department of Health	Health Surveillance	118	(1,105,059)	-	-	399,600	1,267,459	-	562,000
Department of Health	Health Improvement	119	1,876,277	-	-	(556,713)	(54,462)	-	1,265,102
Department of Health	Community Public Health	120	(989,044)	-	-	-	1,255,079	-	266,035
Department of Health	Alcohol and Drug Abuse Programs	121	(75,260)	-	-	-	542,031	-	466,771
Department of Health	Mental Health	122	(179,486)	-	-	-	4,063,937	-	3,884,451
Department of Health	Vermont State Hospital	123	389,073	-	-	60,000	-	-	449,073
Department of Health	Medical Practice Board	125	-	-	-	(11,500)	120,000	-	108,500
Children and Families	Administration & Support Services	126	456,740	-	-	-	2,516,380	-	2,973,120
Children and Families	Family Services	128	(11,214,526)	-	-	450,000	6,580,000	-	(4,184,526)
Children and Families	Child Development	129	287,708	-	-	(252,722)	936,922	-	971,908

**Fiscal Year 2007 Budget Adjustment Act
Governor's Recommendation
Summary by Appropriation**

Agency/Department	Appropriation Name	Sec. of 2006 Act 215 amended	General Fund	Transportation Fund	Education Fund	Special ⁽¹⁾ Funds	Global Commitment Fund	State Health Care Resources Fund	Combined Funds
Children and Families	Office of Economic Opportunity	133	(92,954)	-	-	-	-	-	(92,954)
Children and Families	Disability Determination	136	-	-	-	-	-	-	-
Children and Families	Aid to Aged, Blind and Disabled	137	3,765,159	-	-	-	(3,583,503)	-	181,656
Children and Families	General Assistance	138	340,000	-	-	-	(340,000)	-	-
Children and Families	Reach Up	143	19,687	-	-	-	1,947	-	21,634
Children and Families	Home Heating Fuel Assistance/LIHEAP	144	990,769	-	-	-	-	-	990,769
Children and Families	Food Stamp Cash Out	146	-	-	-	-	-	-	-
Disabilities. Aging and Independent Living	Advocacy and Independent Living	150	(162,500)	-	-	-	-	-	(162,500)
Disabilities. Aging and Independent Living	Vocational Rehabilitation	153	(113,500)	-	-	-	-	-	(113,500)
Disabilities. Aging and Independent Living	Developmental Services	155	(119,000)	-	-	-	-	-	(119,000)
Corrections	Correctional Services	159	1,139,160	-	-	-	-	-	1,139,160
Corrections	Correctional Services - Out of state beds	159a	293,889	-	-	-	-	-	293,889
Corrections	Refund Emergency Dairy program Funds		8,900,000	-	-	-	-	-	8,900,000
	Total Human Services		8,863,899	-	-	123,665	15,768,461	2,000,000	26,756,025
LABOR									
Department of Labor	Programs	167	-	-	-	-	-	197,086	197,086
Department of Labor	Administration	168	-	-	-	-	-	49,271	49,271
	Total Labor		-	-	-	-	-	246,357	246,357
EDUCATION									
Department of Education	Education-education services	172	-	-	-	-	-	-	-
Department of Education	Adult education and literacy	176	437,326	-	-	-	-	-	437,326
Department of Tax	Property tax assistance	188	-	-	(5,200,000)	-	-	-	(5,200,000)
	Total Education		437,326	-	(5,200,000)	-	-	-	(4,762,674)
NATURAL RESOURCES									
Department of Environmental Conservation	Air and waste management	213	340,000	-	-	-	-	-	340,000
	Total Natural Resources		340,000	-	-	-	-	-	340,000
COMMERCE AND COMMUNITY DEVELOPMENT									
Housing and Community Affairs	Historic sites - operations	221	30,600	-	-	(14,982)	-	-	15,618
Department of Tourism and Marketing	Tourism and marketing	227	-	-	-	-	-	-	-
	Development		30,600	-	-	(14,982)	-	-	15,618
TRANSPORTATION									
Agency of Transportation	Aviation	238	-	(200,000)	-	-	-	-	(200,000)
Agency of Transportation	Program Development	240	-	(3,057,329)	-	-	-	-	(3,057,329)
Agency of Transportation	Maintenance state system	242	-	(775,000)	-	-	-	-	(775,000)
Agency of Transportation	Rail	244	-	(375,000)	-	-	-	-	(375,000)
Agency of Transportation	Bridge Maintenance	245	-	(280,000)	-	-	-	-	(280,000)
Agency of Transportation	Central garage	247	-	-	-	-	-	-	-
Town Highways	Town highway emergency fund	250	-	738,675	-	-	-	-	738,675
Agency of Transportation	Discretionary spending	259	-	(3,569,924)	-	-	-	-	(3,569,924)
Department of Motor Vehicles	Refund Emergency Town Highway Program		-	1,500,000	-	-	-	-	1,500,000
	Total Transportation		-	(6,018,578)	-	-	-	-	(6,018,578)

Fiscal Year 2007 Budget Adjustment Act
Governor's Recommendation
Summary by Appropriation

Agency/Department	Appropriation Name	Sec. of 2006 Act 215 amended	General Fund	Transportation Fund	Education Fund	Special ⁽¹⁾ Funds	Global Commitment Fund	State Health Care Resources Fund	Combined Funds
<u>DEBT SERVICE</u>									
Debt Service	Debt Service	261	(2,672)	1,816	-	-	-	-	(856)
	Total Debt Service		(2,672)	1,816	-	-	-	-	(856)
<u>OTHER</u>									
Correction of PayAct			-	(400,000)	-	-	-	-	(400,000)
Reduce appropriations for Health Plan rate holidays and lower than expected CY 2007 medical Plan premium rates			(1,743,646)	(1,249,444)	-	-	-	-	(2,993,090)
	Total Other		(1,743,646)	(1,649,444)	-	-	-	-	(3,393,090)
Total recommended FY2007 appropriation adjustment			\$ 11,590,674	\$ (7,666,206)	\$ (5,200,000)	\$ 2,084,788	\$ 15,768,461	\$ 2,246,357	\$ 18,824,074
Net FY 2007 Appropriation after budget adjustment			\$ 1,147,025,083	\$ 223,986,116	\$ 1,308,222,597	\$ 218,365,116	\$ 782,588,332	\$ 156,179,045	\$ 3,836,366,289

⁽¹⁾ Special funds include Tobacco Settlement Fund.

Note: Totals may not add due to rounding

General Fund Summary
Fiscal Years 2005 - 2009
(\$ in Millions)

	Actual FY 2005	Actual FY 2006	Governor Recommends FY 2007	Governor Recommends FY 2008	Forecast FY 2009
Sources					
Current law revenues	1,035.33	1,111.91	1,124.10	1,152.70	1,191.00
Liquidated debt service & bond prem. reserve	-	0.10	-	-	-
Streamline sales tax & other tax credits	-	-	-	(1.69)	-
VEDA debt forgiveness	(2.04)	-	-	-	-
Direct applications, transfers in & reversions	20.65	14.79	20.15	9.84	13.50
Additional property transfer tax to GF	13.77	10.33	7.12	4.43	5.78
Convert AG consumer fund to GF	-	-	-	1.00	-
For approp from GF reserve	15.63	19.64	21.84	11.61	-
Total sources	1,083.34	1,156.77	1,173.21	1,177.89	1,210.28
Uses					
Base appropriations	949.87	1,053.29	1,120.67	1,156.12	1,200.79
Budget adjustment	68.87	6.31	11.59	-	-
Budget adjustment - one time	1.51	16.27	-	-	-
Other bills	-	1.06	-	-	-
One-time appropriations	5.74	11.78	14.76	-	-
One-time waterfall and other adjustments	12.22	24.72	-	12.19	-
Total appropriations	1,038.21	1,113.43	1,147.02	1,168.31	1,200.79
Total uses	1,038.21	1,113.43	1,147.02	1,168.31	1,200.79
Subtotal operating surplus (deficit)	45.13	43.34	26.19	9.58	9.49
Allocation of surplus					
Transfers (to) / from other funds					
Transportation fund	(4.77)	(10.02)	(1.50)	-	-
Reserve for FY2006 bond issuance premium	-	(0.70)	-	-	-
General bond fund	1.71	-	-	-	-
Human services caseload reserve	-	12.30	-	-	-
Health access trust fund	(14.29)	-	-	-	-
Federal funds (Part "D" refund)	-	-	5.93	-	-
Internal service funds	(3.72)	(2.50)	(3.67)	(0.45)	(0.45)
Higher ed trust fund (from estate tax)	-	(5.22)	-	-	-
Assorted funds	(3.14)	(7.81)	(5.00)	(7.00)	(8.00)
Total transfers (to) / from other funds	(24.21)	(13.95)	(4.24)	(7.45)	(8.45)
Reserved in GF (designated)					
Budget Stabilization Reserve	(1.28)	(6.04)	(3.41)	(2.13)	(1.04)
Human Services Caseload Reserve	-	(2.21)	(5.93)	-	-
Reserved in GF Surplus Reserve	(19.64)	(21.14)	(12.61)	-	-
Total reserved in the GF (designated)	(20.92)	(29.39)	(21.95)	(2.13)	(1.04)
Total allocated	(45.13)	(43.34)	(26.19)	(9.58)	(9.49)
Unallocated operating surplus (deficit)	0.00	0.00	(0.00)	(0.00)	0.00
Stabilization Reserve 5% statutory level	45.77	51.81	55.22	57.35	58.39
GF Reserves (cumulative)					
Budget Stabilization Reserve	45.77	51.81	55.22	57.35	58.39
Human Services Caseload Reserve	18.54	8.45	14.38	14.38	14.38
Reserved in GF Surplus Reserve	19.64	21.84	12.61	1.00	1.00
Total GF reserve balances	83.95	82.10	82.21	72.73	73.77

Transportation Fund Summary
Fiscal Years 2005 - 2009
(\$ in Millions)

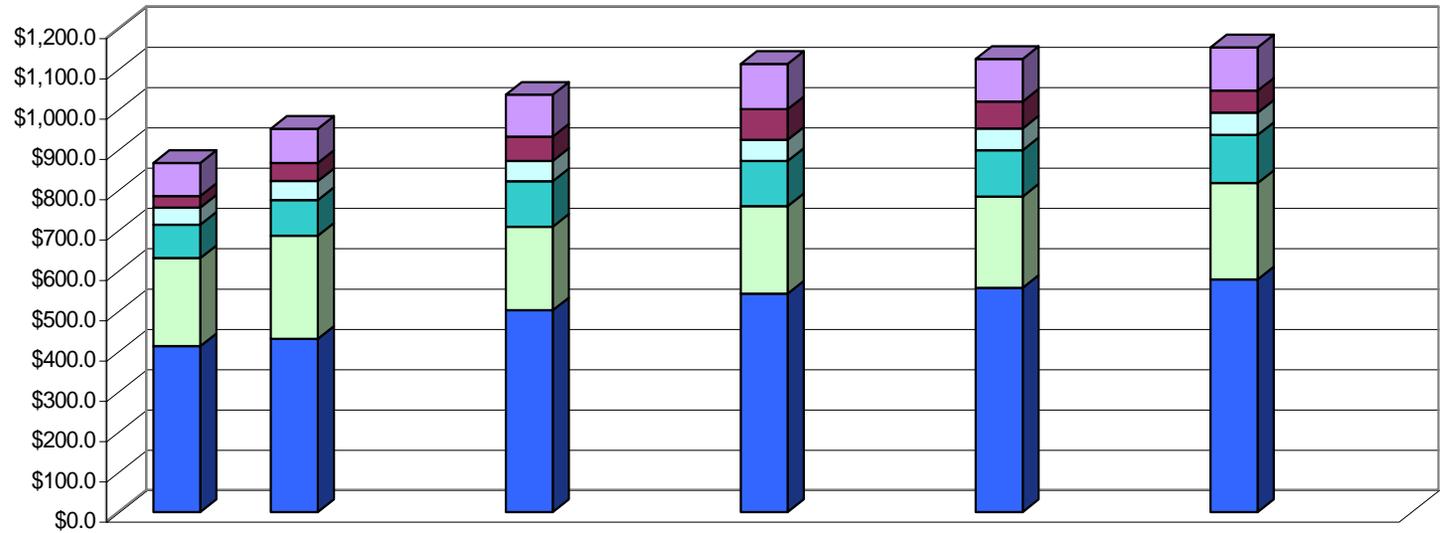
	Actual FY 2005	Actual FY 2006	Governor Recommends FY 2007	Governor Recommends FY 2008	Forecast FY 2009
Sources					
Current law revenues	210.70	209.82	223.00	232.30	237.10
Other Revenue	-	-	-	-	-
Direct applications & reversions	7.33	6.34	1.13	-	-
Federal reimbursements	-	-	-	-	-
Current year sources	<u>218.03</u>	<u>216.16</u>	<u>224.13</u>	<u>232.30</u>	<u>237.10</u>
For approp from TF Reserve	-	-	-	-	-
Prior year unallocated operating surplus	-	-	-	-	-
Total sources	<u>218.03</u>	<u>216.16</u>	<u>224.13</u>	<u>232.30</u>	<u>237.10</u>
Uses					
Base appropriations	220.54	218.82	229.25	229.70	234.74
Budget Adjustment	0.75	-	(7.27)	-	-
Excess Receipts	0.02	-	-	-	-
Rescission	-	-	-	-	-
Pay Act	1.46	1.25	2.00	-	-
Other	-	-	-	-	-
One-time approps from prior year	2.60	-	-	-	-
Total uses	<u>225.37</u>	<u>220.07</u>	<u>223.98</u>	<u>229.70</u>	<u>234.74</u>
Subtotal operating surplus (deficit)	(7.34)	(3.91)	0.15	2.60	2.36
Allocation of surplus					
Transfers (to) / from other funds					
General Fund	4.78	10.02	1.50	-	-
Downtown Fund	(0.80)	(0.80)	(0.80)	(0.80)	(0.80)
Central Garage Fund	2.60	(4.99)	(0.85)	(0.90)	(0.90)
FMIS & Other Funds	1.56	-	-	-	-
VT Recreational Trail Fund	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
Total transfers (to) / from other funds	<u>7.77</u>	<u>3.86</u>	<u>(0.52)</u>	<u>(2.07)</u>	<u>(2.07)</u>
Reserved in the TF (designated)					
Bond Insurance Premium Reserve	0.13	-	-	-	-
Transportation FMS Development Fund	-	-	-	-	-
Budget Stabilization Reserve	(0.56)	0.05	0.37	(0.53)	(0.29)
Reserved in TF Surplus Reserve	-	-	-	-	-
Total reserved in the TF (designated)	<u>(0.43)</u>	<u>0.05</u>	<u>0.37</u>	<u>(0.53)</u>	<u>(0.29)</u>
Total allocated	7.34	3.91	(0.15)	(2.60)	(2.36)
Unallocated operating surplus(deficit)	0.00	0.00	0.00	0.00	(0.00)
Stabilization Reserve 5% Statutory Level	11.10	11.04	10.67	11.20	11.49
TF Reserves (cumulative)					
Bond Insurance Premium Reserve	-	-	-	-	-
Transportation FMS Development Fund	(1.56)	(1.56)	(1.56)	(1.56)	(1.56)
Budget Stabilization Reserve	11.10	11.04	10.67	11.20	11.49
Reserved in TF Surplus Reserve	-	-	-	-	-
Total TF reserve balance	<u>9.54</u>	<u>9.48</u>	<u>9.11</u>	<u>9.64</u>	<u>9.93</u>

Education Fund Summary
Fiscal Years 2005 - 2008
(\$ in Millions)

	Actual FY 2005	Actual FY 2006	Governor Recommends FY 2007	Current Law ⁽¹⁾ Profile FY 2008
Sources				
Current law revenues	29.92	28.78	29.04	30.03
Sales Tax (after FY04)	103.54	108.46	113.10	119.50
Lottery Revenue	20.38	22.88	21.80	22.00
Statewide Property Tax/Non-Resident after FY04	385.82	418.08	455.09	488.72
Local Share Property Tax/Residential after FY04	346.56	394.49	420.97	448.87
General Fund Appropriations	249.30	259.30	268.72	277.21
Medicaid Reimbursement	9.62	7.29	6.30	9.62
Direct Applications/Reversions	-	-	-	-
Interest on Fund Balance	(0.51)	(0.68)	(1.00)	(1.10)
Total sources	1,144.63	1,238.60	1,314.02	1,394.85
Uses				
Base Appropriations	1,154.75	1,237.22	1,310.17	1,394.05
Local Share Payments	-	-	-	-
School Construction Assistance	0.46	0.93	0.38	0.28
Total uses	1,155.21	1,238.15	1,310.55	1,394.33
Subtotal operating surplus (deficit)	(10.58)	0.45	3.47	0.52
Allocation of surplus				
Transfer (to) / from other funds / reserves				
General Fund	-	-	-	-
Total transfers (to) / from other funds	-	-	-	-
Reserved in the EF (designated)	(1.75)	(2.57)	-	-
Budget Stabilization Reserve	(0.14)	(3.89)	(1.46)	(1.42)
Total reserved in the EF (designated)	(1.89)	(6.46)	(1.46)	(1.42)
Total allocated	(1.89)	(6.46)	(1.46)	(1.42)
Unallocated operating surplus (deficit)	(12.47)	(6.01)	2.01	(0.90)
EF Reserves (cumulative)				
Budget Stabilization Reserve	22.90	26.79	28.25	29.67
Total EF reserve balance	22.90	26.79	28.25	29.67

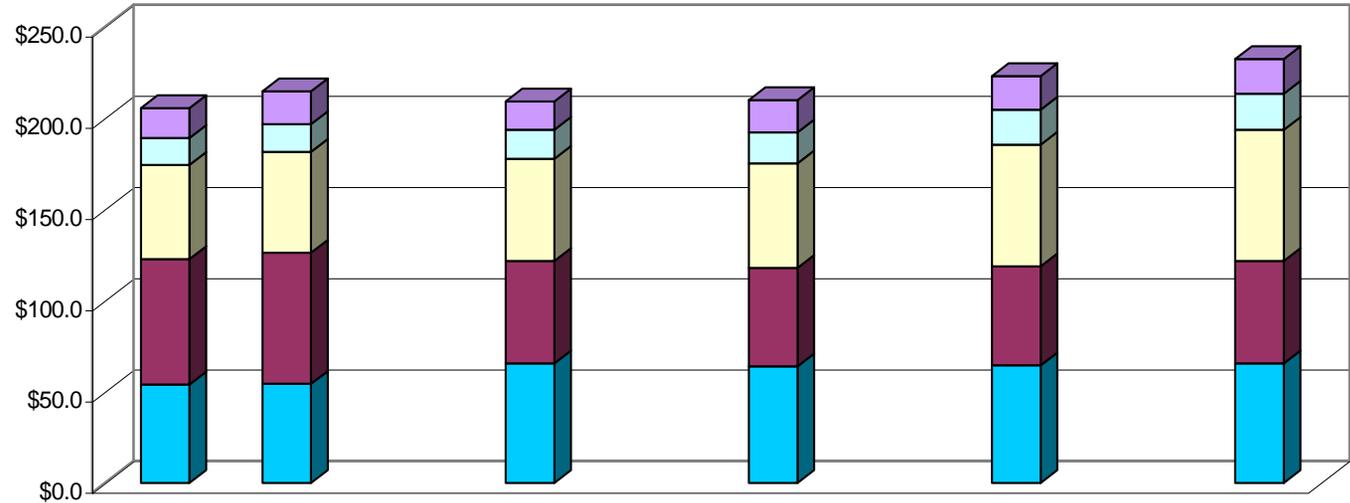
(1) The Current Law Profile does not reflect the Governor's education fund recommendations. Please refer to the Property Tax section above.

General Fund Revenues FY 2003 to 2008



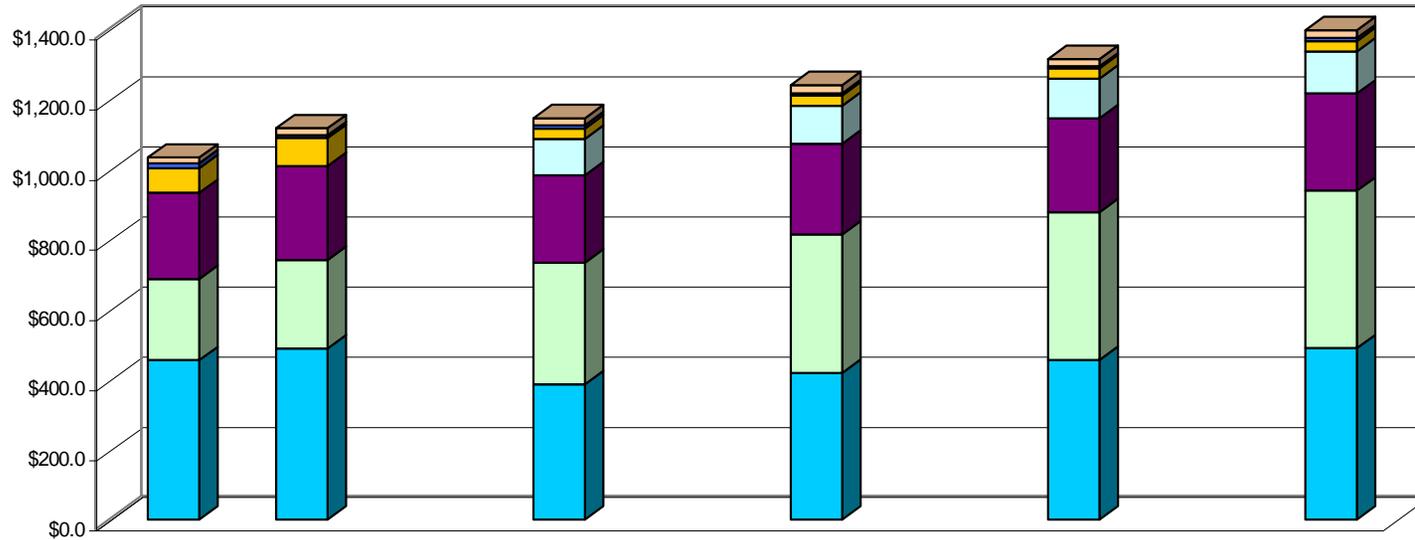
	FY 2003	FY 2004	% Change	FY 2005	% Change	FY 2006	% Change	FY 2007	% Change	FY 2008	% Change
(\$ in Millions)	actual	actual	2003-2004	actual	2004-2005	actual	2005-2006	projected	2006-2007	projected	2007-2008
Other	\$81.9	\$84.4	3.1%	\$103.9	23.1%	\$112.7	8.5%	\$106.0	-5.9%	\$107.4	1.3%
Corporate	\$28.6	\$45.1	57.6%	\$60.4	33.9%	\$75.9	25.7%	\$66.6	-12.3%	\$54.7	-17.9%
Insurance	\$42.5	\$47.0	10.7%	\$50.3	7.0%	\$52.5	4.4%	\$53.8	2.5%	\$55.2	2.6%
Meals and Rooms	\$83.1	\$88.4	6.4%	\$113.0	27.9%	\$111.8	-1.1%	\$115.2	3.0%	\$119.5	3.7%
Sales and Use Taxes	\$218.6	\$255.8	17.0%	\$207.2	-19.0%	\$217.0	4.7%	\$226.1	4.2%	\$239.1	5.7%
Personal Income Tax	\$411.2	\$429.8	4.5%	\$500.5	16.4%	\$542.0	8.3%	\$556.4	2.7%	\$576.8	3.7%
Total	\$865.9	\$950.6	9.8%	\$1,035.3	8.9%	\$1,111.9	7.4%	\$1,124.1	1.1%	\$1,152.7	2.5%

Transportation Fund Revenues FY 2003 to 2008



	FY 2003 actual	FY 2004 actual	% Change 2003-2004	FY 2005 actual	% Change 2004-2005	FY 2006 actual	% Change 2005-2006	FY 2007 projected	% Change 2006-2007	FY 2008 projected	% Change 2007-2008
(\$ in Millions)											
Diesel Fuel Tax	\$16.4	\$18.0	9.8%	\$15.5	-14.0%	\$17.7	14.2%	\$18.5	4.5%	\$19.0	2.7%
Other Revenues	\$14.7	\$15.2	3.3%	\$15.9	4.7%	\$17.0	6.9%	\$19.1	12.4%	\$19.8	3.7%
Motor Vehicle Fees	\$51.6	\$55.2	6.9%	\$56.1	1.7%	\$57.3	2.1%	\$66.7	16.4%	\$71.9	7.8%
Purchase & Use Tax	\$68.7	\$71.9	4.7%	\$56.1	-22.0%	\$53.9	-3.9%	\$54.3	0.7%	\$56.1	3.3%
Gasoline Tax	\$54.0	\$54.3	0.5%	\$65.5	20.7%	\$63.9	-2.4%	\$64.4	0.8%	\$65.5	1.7%
Total	\$205.4	\$214.6	4.5%	\$209.1	-2.5%	\$209.8	0.3%	\$223.0	6.3%	\$232.3	4.2%

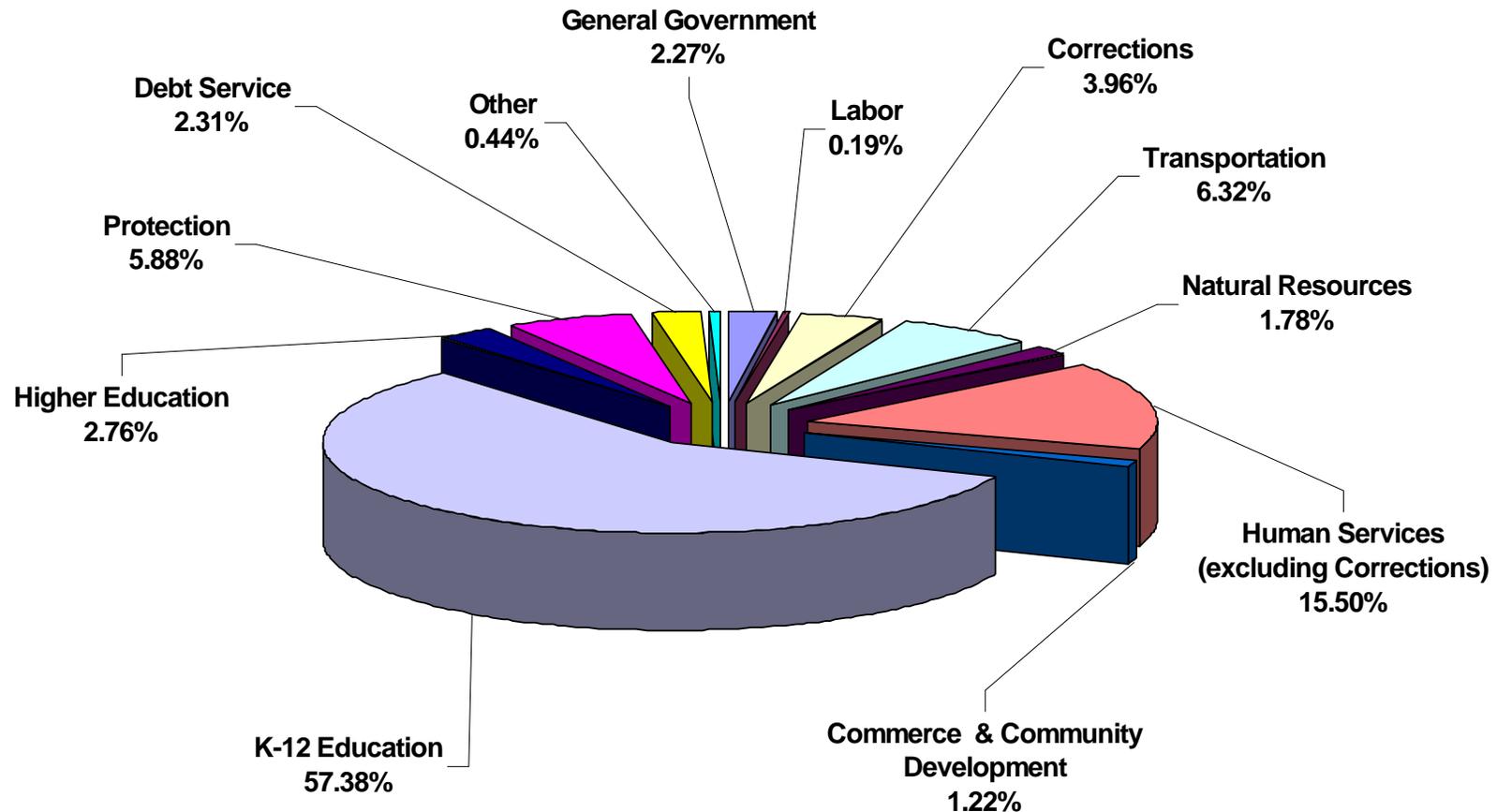
Education Fund Revenues FY 2003 to 2008



(\$ in Millions)	FY 2003 actual	FY 2004 actual	% Change 2002-2003	FY 2005 actual	% Change 2003-2004	FY 2006 actual	% Change 2004-2005	FY 2007 projected	% Change 2005-2006	FY 2008 projected	% Change 2006-2007
Other	\$ 13.8	\$ 8.3	-39.9%	\$ 9.1	9.6%	\$ 6.6	-27.4%	\$ 5.3	-19.8%	\$ 8.5	60.8%
Lottery Revenue	\$ 15.5	\$ 20.3	31.0%	\$ 20.4	0.5%	\$ 22.8	11.8%	\$ 21.8	-4.4%	\$ 22.0	0.9%
Act 60 Splinter Taxes	\$ 70.6	\$ 79.4	12.5%	\$ 29.9	-62.3%	\$ 28.8	-3.7%	\$ 29.0	0.7%	\$ 30.0	3.4%
Sales Tax (after '04)	\$ -	\$ -	-	\$ 103.6	-	\$ 108.5	4.7%	\$ 113.1	4.2%	\$ 119.5	5.7%
General Fund Approp.**	\$ 245.7	\$ 268.4	9.2%	\$ 249.3	-7.1%	\$ 259.3	4.0%	\$ 268.7	3.6%	\$ 277.2	3.2%
Local Share Prop Tax	\$ 231.9	\$ 252.1	8.7%	\$ 346.6	37.5%	\$ 394.5	13.8%	\$ 421.0	6.7%	\$ 448.9	6.6%
Statewide Prop Tax	\$ 454.0	\$ 487.5	7.4%	\$ 385.8	-20.9%	\$ 418.1	8.4%	\$ 455.1	8.9%	\$ 488.7	7.4%
Total	\$ 1,031.5	\$ 1,116.1	8.2%	\$ 1,144.7	2.6%	\$ 1,238.6	8.2%	\$ 1,314.0	14.8%	\$ 1,394.8	12.6%

FY 2008 Appropriations

General, Transportation, Special⁽¹⁾ and Education Funds



(1) Does not include Global Commitment, State Health Care Resources Fund or Catamount Fund.

FISCAL YEAR 2008 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

FISCAL YEAR 2008

Agency/Department/Program	FY 2008 Governor Recommend GF	FY 2008 Governor Recommend TF	FY 2008 Governor Recommend Tobacco & SF	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 2007 Governor Recommend GF,TF,SF,Tob	FY 07-08 % Change
GENERAL GOVERNMENT						
Agency of Administration:						
Secretary of Administration	889,743	0	0	889,743	987,015	-9.86%
Information & Innovation	115,000	0	0	115,000	0	n/d (1)
Finance & Management	1,008,454	0	70,903	1,079,357	1,178,461	-8.41%
Human Resources	2,490,469	0	297,761	2,788,230	3,199,195	-12.85%
Buildings and General Services	9,348,669	0	311,260	9,659,929	9,400,972	2.75%
Tax	14,060,178	0	683,733	14,743,911	14,528,412	1.48%
Libraries	2,506,583	0	298,584	2,805,167	2,765,729	1.43%
Total Agency of Administration	30,419,096	0	1,662,241	32,081,337	32,059,784	0.07%
GIS	0	0	430,210	430,210	411,685	4.50%
Auditor of Accounts	524,568	0	54,431	578,999	576,418	0.45%
State Treasurer	1,130,214	0	1,542,265	2,672,479	2,344,096	14.01% (2)
Labor Relations Board	204,348	0	5,870	210,218	205,609	2.24%
Executive Office	1,526,498	0	0	1,526,498	1,490,119	2.44%
VOSHA Review Board	20,192	0	0	20,192	20,269	-0.38%
Use Tax Reimbursement	8,861,267	0	0	8,861,267	8,113,944	9.21%
Property Tax Assistance	8,783,290	0	0	8,783,290	2,250,000	290.37% (3)
Lt. Governor	154,712	0	0	154,712	147,018	5.23%
Legislature	5,654,008	0	0	5,654,008	6,195,572	-8.74%
Legislative Council	1,944,439	0	0	1,944,439	2,018,089	-3.65%
Legislative Information Technology	621,258	0	0	621,258	588,258	5.61%
Sergeant at Arms	533,371	0	0	533,371	529,572	0.72%
Joint Fiscal Office	1,234,768	0	0	1,234,768	1,231,627	0.26%
PILOT/Montpelier Services	184,000	0	3,100,000	3,284,000	3,284,000	0.00%
Corrections PILOT	40,000	0	0	40,000	40,000	0.00%
TOTAL GENERAL GOVERNMENT	61,836,029	0	6,795,017	68,631,046	61,506,060	11.58%
PROTECTION TO PERSONS AND PROPERTY						
Attorney General	4,530,747	0	1,390,000	5,920,747	5,734,648	3.25%
Court Diversion	1,194,473	0	400,000	1,594,473	1,594,473	0.00%

FISCAL YEAR 2008 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ⁽⁴⁾

FISCAL YEAR 2008

Agency/Department/Program	FY 2008 Governor	FY 2008 Governor	FY 2008 Governor	FY 2008 Governor	FY 2007 Governor	FY 07-08 % Change
	Recommend GF	Recommend TF	Recommend Tobacco & SF	Recommend GF,TF,SF,Tob	Recommend GF,TF,SF,Tob	
State's Attorneys	8,198,299	0	91,097	8,289,396	8,020,809	3.35%
Center for Crime Victim Services	1,125,020	0	4,973,678	6,098,698	6,001,408	1.62%
Sheriffs	3,242,457	0	0	3,242,457	3,114,834	4.10%
Defender General	9,173,240	0	777,731	9,950,971	9,571,523	3.96%
Military	3,388,909	0	0	3,388,909	3,282,214	3.25%
Criminal Justice Training Council	1,385,881	0	510,393	1,896,274	1,847,430	2.64%
Liquor Control	0	0	289,645	289,645	289,768	-0.04%
Racing Commission	1,000	0	0	1,000	1,000	0.00%
Secretary of State	588,801	0	3,972,462	4,561,263	4,596,578	-0.77%
BISHCA	711,000	0	13,200,325	13,911,325	12,978,075	7.19%
Public Safety	12,171,118	34,879,736	10,270,862	57,321,716	57,799,407	-0.83%
Agriculture	6,064,866	0	7,748,075	13,812,941	12,768,752	8.18%
Public Service Department	0	0	9,851,772	9,851,772	9,642,865	2.17%
Enhanced 911 Board	0	0	3,356,610	3,356,610	3,931,601	-14.62% (4)
Public Service Board	0	0	2,826,024	2,826,024	2,757,097	2.50%
Judiciary	30,267,034	0	1,002,772	31,269,806	30,657,024	2.00%
Human Rights Commission	301,850	0	0	301,850	288,006	4.81%
TOTAL PROTECTION	82,344,695	34,879,736	60,661,446	177,885,877	174,877,512	1.72%
HUMAN SERVICES						
Agency of Human Services:						
AHS - Secretary's Office	3,915,515	0	619,538	4,535,053	4,346,448	4.34%
AHS - Secretary's Office - Global Commitment	118,209,256	0	44,886,677	163,095,933	155,163,919	5.11%
Human Services Board	50,063	0	0	50,063	50,247	-0.37%
Corrections	118,217,554	0	1,687,417	119,904,971	111,573,854	7.47%
Health	29,229,846	0	12,969,958	42,199,804	42,710,724	-1.20%
Office of VT Health Access (OVHA)	128,077,901	0	0	128,077,901	122,506,861	4.55%
Children and Families	79,193,409	0	21,731,080	100,924,489	99,265,247	1.67%

FISCAL YEAR 2008 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

FISCAL YEAR 2008

Agency/Department/Program	FY 2008 Governor	FY 2008 Governor	FY 2008 Governor	FY 2008 Governor	FY 2007 Governor	FY 07-08 % Change
	Recommend GF	Recommend TF	Recommend Tobacco & SF	Recommend GF,TF,SF,Tob	Recommend GF,TF,SF,Tob	
Disabilities, Aging and Independent Living	18,278,611	0	1,233,823	19,512,434	19,662,683	-0.76%
Total Agency of Human Services	495,172,155	0	83,128,493	578,300,648	555,279,983	4.15%
Commission on Women	260,890	0	5,000	265,890	261,487	1.68%
RSVP	131,096	0	0	131,096	131,096	0.00%
Veterans' Home	0	0	10,466,920	10,466,920	10,193,494	2.68%
TOTAL HUMAN SERVICES	495,564,141	0	93,600,413	589,164,554	565,866,060	4.12%
EMPLOYMENT & TRAINING / LABOR						
Employment & Training	0	0	0	0	0	n/d
Labor	2,334,195	0	3,306,291	5,640,486	5,226,871	7.91% (5)
TOTAL EMPLOYMENT & TRAINING / LABOR	2,334,195	0	3,306,291	5,640,486	5,226,871	7.91%
GENERAL EDUCATION						
Department of Education	13,866,668	127,483	19,233,189	33,227,340	33,694,482	-1.39%
GF Appropriation to Education Fund	277,211,552	0	0	277,211,552	268,720,000	3.16%
Teachers' Retirement	32,549,097	0	0	32,549,097	29,446,729	10.54%
TOTAL GENERAL EDUCATION	323,627,317	127,483	19,233,189	342,987,989	331,861,211	3.35%
HIGHER EDUCATION AND OTHER						
University of Vermont	38,159,973	0	0	38,159,973	36,976,719	3.20%
Vermont Public Television	596,785	0	0	596,785	596,785	0.00%
Vermont State Colleges	24,738,859	0	0	24,738,859	23,971,763	3.20%
Vermont Interactive TV	847,944	0	0	847,944	847,944	0.00%
Vermont Student Assistance Corp.	19,073,312	0	0	19,073,312	18,481,892	3.20%
N.E. Higher Education Compact	80,000	0	0	80,000	80,000	0.00%
TOTAL HIGHER EDUCATION AND OTHER	83,496,873	0	0	83,496,873	80,955,103	3.14%
TOTAL EDUCATION	407,124,190	127,483	19,233,189	426,484,862	412,816,314	3.31%

FISCAL YEAR 2008 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

FISCAL YEAR 2008

Agency/Department/Program	FY 2008 Governor Recommend GF	FY 2008 Governor Recommend TF	FY 2008 Governor Recommend Tobacco & SF	FY 2008 Governor Recommend GF,TF,SF,Tob	FY 2007 Governor Recommend GF,TF,SF,Tob	FY 07-08 % Change
NATURAL RESOURCES						
Agency of Natural Resources:						
ANR - Central Office	6,368,117	0	1,106,461	7,474,578	7,193,040	3.91%
Environmental Conservation	9,151,263	0	16,540,988	25,692,251	25,067,854	2.49%
Fish & Wildlife	2,131,687	0	0	2,131,687	2,099,779	1.52%
Forests, Parks & Recreation	6,953,996	0	8,675,053	15,629,049	15,281,430	2.27%
Total Agency of Natural Resources	<u>24,605,063</u>	<u>0</u>	<u>26,322,502</u>	<u>50,927,565</u>	<u>49,642,103</u>	<u>2.59%</u>
Natural Resources Board	1,057,827	0	1,774,212	2,832,039	2,748,609	3.04%
TOTAL NATURAL RESOURCES	<u>25,662,890</u>	<u>0</u>	<u>28,096,714</u>	<u>53,759,604</u>	<u>52,390,712</u>	<u>2.61%</u>
COMMERCE & COMMUNITY DEVELOPMENT						
Agency of Commerce & Comm Development:						
ACCD - Administration	2,874,982	0	0	2,874,982	2,193,745	31.05% (6)
Housing & Community Affairs	1,932,624	0	5,211,467	7,144,091	7,075,654	0.97%
Econ Development	5,182,869	0	552,350	5,735,219	5,705,469	0.52%
Tourism & Marketing	4,168,127	0	6,000	4,174,127	4,346,500	-3.97% (7)
Total Agency of Commerce & Comm Development	<u>14,158,602</u>	<u>0</u>	<u>5,769,817</u>	<u>19,928,419</u>	<u>19,321,368</u>	<u>3.14%</u>
Council on the Arts	534,618	0	0	534,618	529,618	0.94%
Vermont Symphony Orchestra	122,343	0	0	122,343	118,780	3.00%
VT Historical Society	849,673	0	0	849,673	733,393	15.86% (8)
Housing & Conservation Trust	0	0	15,383,258	15,383,258	14,630,883	5.14%
VT Humanities Council	185,599	0	0	185,599	180,599	2.77%
TOTAL COMMERCE & COMMUNITY DEV.	<u>15,850,835</u>	<u>0</u>	<u>21,153,075</u>	<u>37,003,910</u>	<u>35,514,641</u>	<u>4.19%</u>

FISCAL YEAR 2008 COMBINED BUDGET RECOMMENDATIONS
General, Transportation and Special Funds ^(a)

FISCAL YEAR 2008

Agency/Department/Program	FY 2008 Governor	FY 2008 Governor	FY 2008 Governor	FY 2008 Governor	FY 2007 Governor	FY 07-08 % Change
	Recommend GF	Recommend TF	Recommend Tobacco & SF	Recommend GF,TF,SF,Tob	Recommend GF,TF,SF,Tob	
DEBT SERVICE	65,402,281	1,994,895	2,495,850	69,893,026	69,129,965	1.10%
TRANSPORTATION						
Agency of Transportation:						
AOT Division Appropriations and Programs	0	129,248,596	0	129,248,596	124,103,905	4.15%
AOT Dept. of Motor Vehicles	0	23,329,029	0	23,329,029	19,617,251	18.92% (9)
AOT Town Highway Programs	0	38,823,771	0	38,823,771	40,268,296	-3.59% (10)
Total Agency of Transportation	0	191,401,396	0	191,401,396	183,989,452	4.03%
Transportation Board	0	87,796	0	87,796	84,600	3.78%
TOTAL TRANSPORTATION	0	191,489,192	0	191,489,192	184,074,052	4.03%
OTHER (Includes One-Time Appropriations)	12,192,685	1,210,258	0	13,402,943	27,974,129	-52.09%
APPROPRIATION TOTAL	1,168,311,941	229,701,564	235,341,995	1,633,355,500	1,589,376,316	2.77%

(a) Does not include Federal Funds, Global Commitment Fund, State Health Care Resources Fund or Interdepartmental transfers.

Footnotes:

(1) Telecommunications funding transferred from Agency of Commerce & Community Development to Department of Information & Innovation - FY 08 budget supports Wireless Project Manager, and the broadband and wireless mapping project.

(2) Funding added for Armed Forces scholarships and Emergency Personnel Survivor Fund.

(3) The Property Tax Assistance and Homeowner Rebate Program are consolidated for FY 2008. The Homeowner Rebate payment that would have been made in FY 2007 was delayed until July 1, 2007 (FY 2008).

(4) Project expense tail-off as upgrade project nears completion.

(5) Increase in Unemployment Compensation Contingency Fund.

(6) Transfer of several agency functions to central office - IT, Grants Management, rent charges; plus the new Ecoengineering Initiative.

(7) Transfer of IT function to central office and elimination of Tourism's fee for space due to their move to National Life Building.

(8) Continuation of multi-year plan to bring funding to 50% General Fund.

(9) Motor vehicle systems modernization costs.

(10) Town Highway Emergency funds were increased in FY 2007 to cover unexpected town flooding expenses; these funds have been reduced to appropriation levels more in line with historical expenditure trends.

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2004 - FY 2008

Agency/Department/Program	FY 2004 Final Appropriation	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Recommended Appropriation	FY 2008 Recommended Appropriation
GENERAL GOVERNMENT					
Agency of Administration:					
Secretary of Administration	433,212	431,502	903,399	987,015	889,743
Information & Innovation	0	0	0	0	115,000
Finance & Management	929,223	882,742	919,343	1,178,461	1,079,357
Human Resources	2,503,619	2,513,861	2,817,134	3,199,195	2,788,230
Buildings and General Services	8,954,094	8,779,161	9,545,372	9,400,972	9,659,929
Tax	13,213,139	13,464,474	13,824,197	14,528,412	14,743,911
Libraries	2,509,490	2,527,481	2,536,482	2,765,729	2,805,167
Total Agency of Administration	28,542,777	28,599,221	30,545,927	32,059,784	32,081,337
GIS	376,992	376,992	393,957	411,685	430,210
Auditor of Accounts	570,481	565,323	577,708	576,418	578,999
State Treasurer	2,527,017	2,315,176	2,405,161	2,344,096	2,672,479
Labor Relations Board	179,818	182,127	195,085	205,609	210,218
Executive Office	1,345,371	1,357,809	1,408,494	1,490,119	1,526,498
VOSHA Review Board	20,150	20,097	19,533	20,269	20,192
Use Tax Reimbursement	5,700,000	6,199,670	6,898,455	8,113,944	8,861,267
Property Tax Assistance	11,469,706	12,200,000	10,716,276	2,250,000	8,783,290
Lt. Governor	118,551	134,647	135,807	147,018	154,712
Legislature	4,952,270	5,432,314	5,747,840	6,195,572	5,654,008
Legislative Council	1,842,400	1,692,117	1,797,567	2,018,089	1,944,439
Legislative Information Technology	0	514,284	558,122	588,258	621,258
Sergeant at Arms	444,845	496,816	496,378	529,572	533,371
Joint Fiscal Office	955,220	966,184	1,107,901	1,231,627	1,234,768
PILOT/Montpelier Services	2,434,000	2,684,000	2,684,000	3,284,000	3,284,000
Corrections PILOT	40,000	40,000	40,000	40,000	40,000
TOTAL GENERAL GOVERNMENT	61,519,598	63,776,777	65,728,211	61,506,060	68,631,046
PROTECTION TO PERSONS AND PROPERTY					
Attorney General	3,865,372	3,924,391	4,261,525	5,734,648	5,920,747
Court Diversion	1,389,041	1,500,071	1,525,071	1,594,473	1,594,473
State's Attorneys	6,750,366	7,090,607	7,276,928	8,020,809	8,289,396
Center for Crime Victim Services	2,009,595	4,363,878	5,297,299	6,001,408	6,098,698
Sheriffs	2,689,580	2,879,048	3,005,069	3,114,834	3,242,457
Defender General	7,820,545	8,618,239	8,915,997	9,571,523	9,950,971
Military	2,829,536	3,100,631	3,054,800	3,282,214	3,388,909
Labor & Industry	5,621,790	5,888,737	2,795,366	0	0

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2004 - FY 2008

Agency/Department/Program	FY 2004 Final Appropriation	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Recommended Appropriation	FY 2008 Recommended Appropriation
Criminal Justice Training Council	1,367,160	1,391,759	1,677,087	1,847,430	1,896,274
Liquor Control	318,973	290,000	289,768	289,768	289,645
Racing Commission	5,000	5,000	5,000	1,000	1,000
Secretary of State	3,995,755	4,471,317	4,268,723	4,596,578	4,561,263
BISHCA	11,054,107	12,258,173	12,243,320	12,978,075	13,911,325
Public Safety	43,848,888	45,975,812	52,287,700	57,799,407	57,321,716
Agriculture	6,059,536	10,879,927	11,994,086	12,768,752	13,812,941
Public Service Department	4,459,443	4,710,976	4,726,250	9,642,865	9,851,772
Enhanced 911 Board	2,417,588	2,417,588	2,417,588	3,931,601	3,356,610
Public Service Board	2,532,516	2,624,677	2,690,294	2,757,097	2,826,024
Judiciary	25,743,890	26,868,195	28,227,710	30,657,024	31,269,806
Human Rights Commission	242,908	273,226	272,541	288,006	301,850
Fire Service Training Council	924,142	983,701	0	0	0
TOTAL PROTECTION	135,945,731	150,515,953	157,232,122	174,877,512	177,885,877
HUMAN SERVICES					
Agency of Human Services:					
AHS - Secretary's Office	6,236,669	5,248,081	5,167,216	4,346,448	4,535,053
AHS - Secretary's Office - Global Commitment	0	0	228,921,613	155,163,919	163,095,933
Human Services Board	121,879	121,082	30,957	50,247	50,063
Corrections	41,090,085	102,320,013	110,355,959	111,573,854	119,904,971
Health	26,688,150	77,434,075	40,710,444	42,710,724	42,199,804
PATH	242,852,108	0	0	0	0
Office of Vt Health Access (OVHA)	0	248,797,665	143,077,243	122,506,861	128,077,901
Approp to Health Access Trust Fund	91,800,857	105,389,252	95,354,989	0	0
State Economic Opportunity Office	6,074,122	0	0	0	0
Office of Child Support	1,568,989	0	0	0	0
Social & Rehabilitation Services	46,940,218	0	0	0	0
Department for Children and Families	0	123,481,846	108,365,133	99,265,247	100,924,489
Developmental & MH Services	70,674,206	0	0	0	0
Aging and Disabilities	17,248,060	0	0	0	0
Aging and Independent Living	0	59,351,264	28,109,540	19,662,683	19,512,434
Total Agency of Human Services	551,295,343	722,143,278	760,093,094	555,279,983	578,300,648

COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2004 - FY 2008

Agency/Department/Program	FY 2004 Final Appropriation	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Recommended Appropriation	FY 2008 Recommended Appropriation
Children's Trust Fund	152,705	170,651	0	0	0
Commission on Women	239,151	236,777	252,744	261,487	265,890
RSVP	123,567	131,096	131,096	131,096	131,096
Veterans' Home	8,442,048	9,824,564	10,404,621	10,193,494	10,466,920
Association for the Blind	24,447	0	0	0	0
TOTAL HUMAN SERVICES	560,277,261	732,506,366	770,881,555	565,866,060	589,164,554
EMPLOYMENT & TRAINING / LABOR					
Employment & Training	1,267,259	1,269,541	2,251,839	0	0
Labor	0	0	0	5,226,871	5,640,486
TOTAL EMPLOYMENT & TRAINING / LABOR	1,267,259	1,269,541	2,251,839	5,226,871	5,640,486
GENERAL EDUCATION					
Department of Education	16,384,121	16,172,896	31,381,989	33,694,482	33,227,340
GF Appropriation to Education Fund	268,400,000	249,300,000	259,300,000	268,720,000	277,211,552
Teachers' Retirement	20,446,282	20,446,282	24,446,282	29,446,729	32,549,097
TOTAL GENERAL EDUCATION	305,230,403	285,919,178	315,128,271	331,861,211	342,987,989
HIGHER EDUCATION AND OTHER					
University of Vermont	36,927,057	37,942,512	36,478,096	36,976,719	38,159,973
Vermont Public Television	563,832	563,832	573,832	596,785	596,785
Vermont State Colleges	22,068,900	22,488,403	23,243,250	23,971,763	24,738,859
Vermont Interactive TV	795,331	795,331	815,331	847,944	847,944
Vermont Student Assistance Corp.	16,683,804	17,167,609	17,771,050	18,481,892	19,073,312
N.E. Higher Education Compact	88,840	88,840	80,000	80,000	80,000
TOTAL HIGHER EDUCATION AND OTHER	77,127,764	79,046,527	78,961,559	80,955,103	83,496,873
TOTAL EDUCATION	382,358,167	364,965,705	394,089,830	412,816,314	426,484,862
NATURAL RESOURCES					
Agency of Natural Resources:					
ANR - Central Office	4,397,287	4,893,450	6,904,054	7,193,040	7,474,578
Environmental Conservation	19,724,976	20,873,398	24,308,448	25,067,854	25,692,251
Fish & Wildlife	0	1,896,009	3,063,518	2,099,779	2,131,687
Forests, Parks & Recreation	13,234,350	14,129,565	13,080,811	15,281,430	15,629,049
Total Agency of Natural Resources	37,356,613	41,792,422	47,356,831	49,642,103	50,927,565

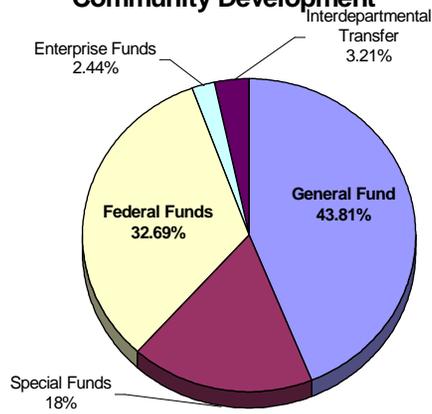
COMBINED FUND APPROPRIATION HISTORY
General, Transportation and Special Funds
FY 2004 - FY 2008

Agency/Department/Program	FY 2004 Final Appropriation	FY 2005 Final Appropriation	FY 2006 Final Appropriation	FY 2007 Recommended Appropriation	FY 2008 Recommended Appropriation
Environmental Board	2,505,104	0	0	0	0
Natural Resources Board	0	2,846,684	2,699,549	2,748,609	2,832,039
Water Resources Board	315,745	0	0	0	0
TOTAL NATURAL RESOURCES	40,177,462	44,639,106	50,056,380	52,390,712	53,759,604
COMMERCE & COMMUNITY DEVELOPMENT					
Agency of Commerce & Comm Development:					
ACCD - Administration	1,852,465	1,874,906	1,932,078	2,193,745	2,874,982
Housing & Community Affairs	6,686,295	6,795,645	6,847,747	7,075,654	7,144,091
Econ Development	4,412,474	5,395,103	5,539,595	5,705,469	5,735,219
Tourism & Marketing	4,957,085	4,678,637	4,191,656	4,346,500	4,174,127
Total Agency of Commerce & Comm Development	17,908,319	18,744,291	18,511,076	19,321,368	19,928,419
Council on the Arts	491,618	519,618	494,618	529,618	534,618
Vermont Symphony Orchestra	101,960	101,960	101,960	118,780	122,343
VT Historical Society	629,874	597,660	630,653	733,393	849,673
Housing & Conservation Trust	13,534,000	13,613,246	14,088,426	14,630,883	15,383,258
VT Humanities Council	130,599	150,599	160,599	180,599	185,599
TOTAL COMMERCE & COMMUNITY DEV.	32,796,370	33,727,374	33,987,332	35,514,641	37,003,910
DEBT SERVICE	70,152,851	67,331,459	67,252,930	69,129,965	69,893,026
TRANSPORTATION					
Agency of Transportation:					
AOT Division Appropriations and Programs	109,800,381	117,577,752	109,743,174	124,103,905	129,248,596
AOT Dept. of Motor Vehicles	17,235,903	19,117,258	20,376,646	19,617,251	23,329,029
AOT Town Highway Programs	37,296,666	40,812,623	37,638,054	40,268,296	38,823,771
Total Agency of Transportation	164,332,950	177,507,633	167,757,874	183,989,452	191,401,396
Transportation Board	130,000	78,400	81,850	84,600	87,796
VT Transportation Authority	6,000	0	0	0	0
TOTAL TRANSPORTATION	164,468,950	177,586,033	167,839,724	184,074,052	191,489,192
OTHER (Includes One-Time Appropriations)	36,922,986	51,226,499	88,914,250	27,974,129	13,402,943
APPROPRIATION TOTAL	1,485,886,635	1,687,544,813	1,798,234,173	1,589,376,316	1,633,355,500

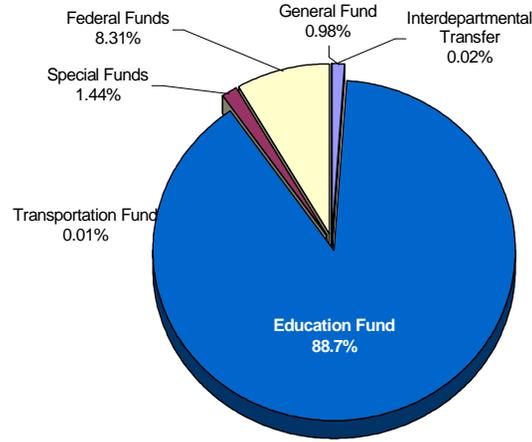
State Funds—Federal Funds Comparison

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

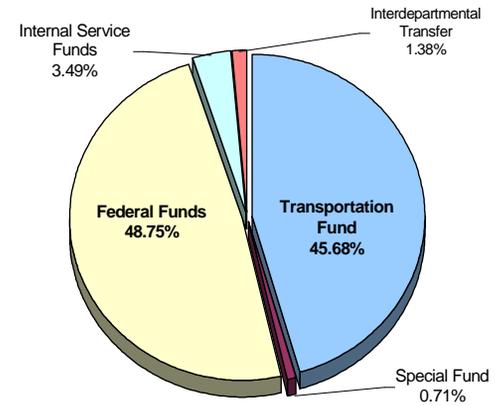
Agency of Commerce and Community Development



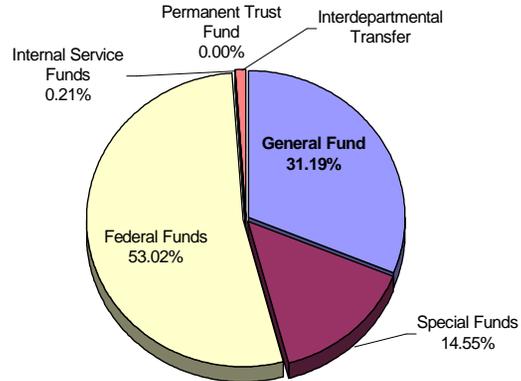
Department of Education



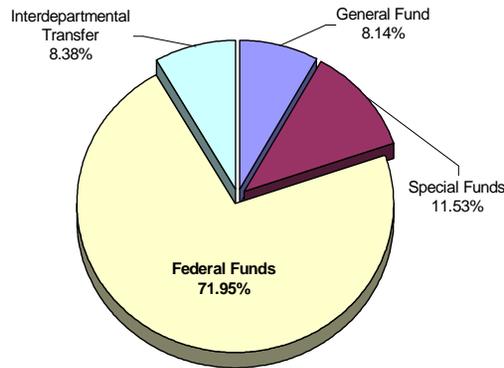
Agency of Transportation



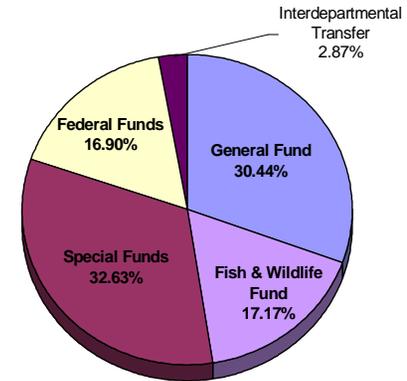
Agency of Human Services



Department of Labor



Agency of Natural Resources



Retirement Systems: Funding Update

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

Contribution Levels

As a result of the June 30, 2006 actuarial valuation, the Vermont State Employees' Retirement Board of Trustees recommended that during FY 2008 the state contribute 6.26% of payroll, estimated administrative expenses, and \$955,693 to liquidate a portion of the unfunded accrued liability. The resulting annual contribution for FY 2008 is \$42,394,932. The Governor's proposed 9.7% contribution rate on covered payroll will provide full funding of the Board's recommendation. An annual reconciliation of estimated and actual administrative expenses for the Vermont State Employees Retirement System (VSERS) has been instituted and was performed for the FY 2006 plan year, completed last summer. The reconciliation proved that \$.8 million had been over-contributed to the VSERS for administrative expenses during FY 2006; the estimate of administrative expenses for the FY 2008 budget has been adjusted for that over-contribution.

The recommended funding for the State Teachers' Retirement System (STRS) for FY 2008, as determined by the State Teachers' Retirement Board's actuary, is \$40,749,097. The FY 2007 contribution is \$37,246,729, a 52.3% increase over FY 2006 and full funding of the actuary's recommended normal contribution and payment on the unfunded liability. The Legislature adopted the Commission on Funding the State Teachers' Retirement System recommendations to use Entry Age Normal actuarial methodology, increase the assumed rate of return for the fund by 0.25% to 8.25%, and to re-amortize the unfunded liability over 30 years. The Governor's recommended funding level for fiscal year 2008 is the \$40,749,097 as recommended by the actuary.

Funding Levels

Based on Governmental Accounting Standards Board Reporting Requirement Number 25 (GASB 25), the funded ratios for the State Employees' and Teachers' Retirement Funds for the period ending June 30, 2006 are 99.3% and 84.6% respectively.

Given the current health of the retirement systems, the Governor's recommendations are consistent with the preservation of their overall financial integrity. The proposed funding levels are not expected to have an adverse impact on the long-term financial health of the respective plans.

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

Conclusion

The Governor is pleased to propose a fiscal year 2008 budget which includes full funding for the Vermont State Employees' Retirement Plan, as well as the full funding required for the Vermont Teachers Retirement System under the revised amortization schedule adopted last year.

Acknowledgements

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

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

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

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

The cover picture was provided by Heather R. Bond of Barre, VT.

This publication is available for viewing or printing at the Department of Finance and Management's Website www.state.vt.us/fin/.



Fiscal Year 2008
The Vermont Way Forward
A Responsibility for Affordability

Fiscal 2008 Executive Budget Recommendations
is a publication of the
Vermont Department of Finance and Management,
James Reardon, Commissioner.

The purpose of this publication is to inform members of the Vermont
Legislature, state and local government officials, and
Vermont citizens of the Fiscal Year 2008 Budget
Recommendations of Governor James H. Douglas.

This publication is available for viewing or printing at the
Department of Finance and Management's Web Site
www.state.vt.us/fin/

This book is printed on recycled paper.