

# Our Commitment to a Stronger Tomorrow



## Fiscal Year 2011 Executive Budget Recommendations

**James H. Douglas**  
**Governor of Vermont**  
**January 19, 2010**

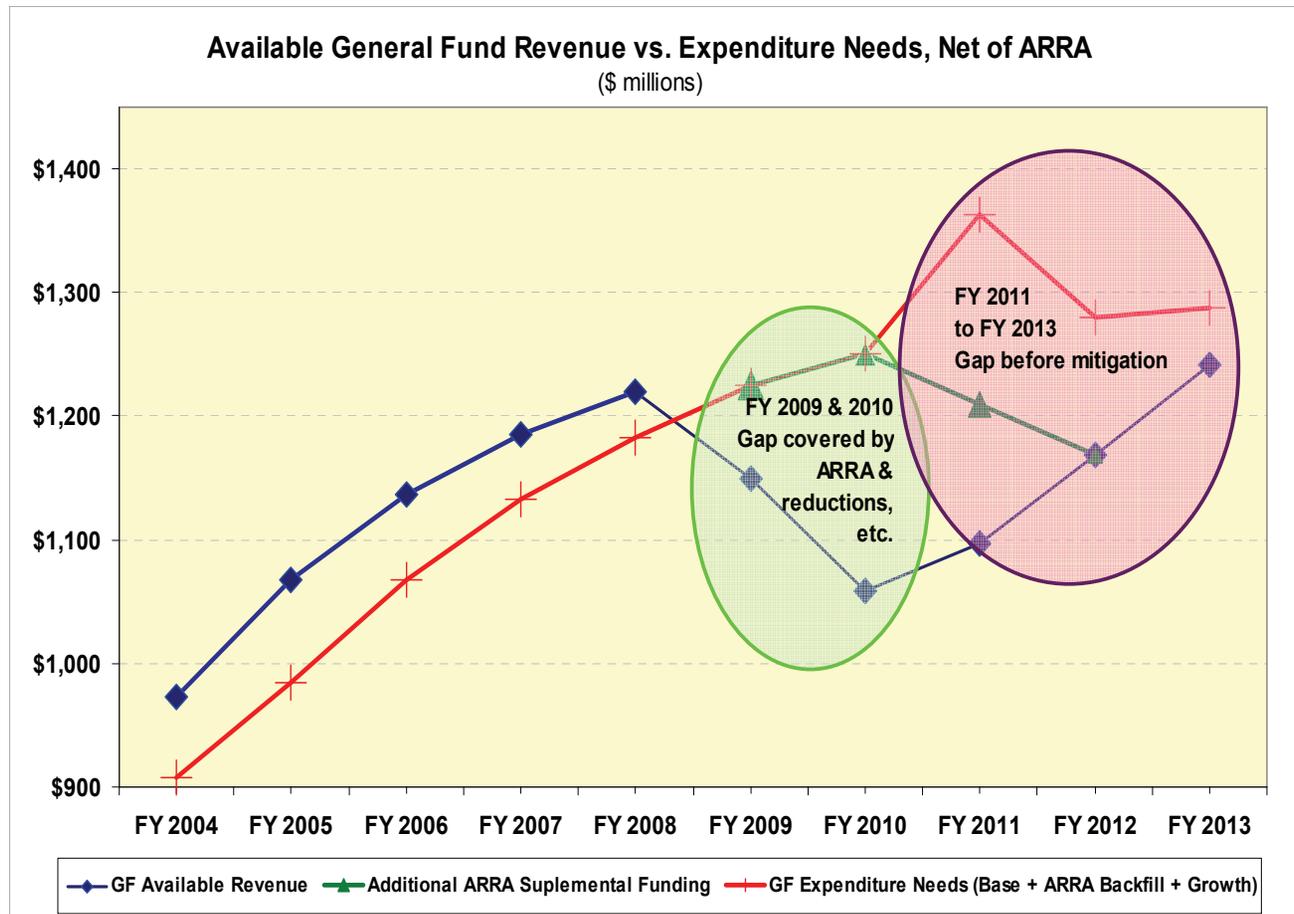
# RESOLVING VERMONT'S FISCAL CHALLENGES FOR FUTURE GENERATIONS

## BASE GENERAL FUND SPENDING MUST BE REALIGNED

### Short Term Federal Stimulus Money Is Not The Long Term Solution

Vermont is faced with fiscal challenges unseen in a generation. Although the economic situation appears to be stabilizing, the recession has impacted Vermont with an unemployment rate at 6.4% and General Fund (GF) revenues reduced below the fiscal year (FY) 2006 level. How we handle these challenges will determine whether we limp out of the recession or create the conditions for a vibrant recovery. One year ago many hoped that the federal stimulus package would fill the budget gaps while being a bridge to better times. In February 2009, Congress passed the American Recovery and Reinvestment Act ("ARRA"). The purpose of the \$787 billion program was to jumpstart the economy, create and retain jobs, and help states with their burgeoning budget gaps, from its inception through December 31, 2010. The program includes: increased federal participation

rates or extended benefits in certain existing programs; defined purpose discretionary grants; and State Fiscal Stabilization Funds (SFSF). The increased and extended programs and SFSF funds effectively provided supplemental funding for General Fund (GF) budget gaps for FY 2009 through the 2nd quarter of FY 2011. The stimulus money was only a partial and temporary response. We must now deal with the loss of more than 40% of the ARRA funds in FY 2011 and the loss of the remainder in FY 2012. The base budget gaps temporarily filled by ARRA require General Funds to backfill, in addition to meeting inflationary increases and beginning to resolve unfunded liabilities. Unmitigated, we face a cumulative GF budget gap for FY 2011 - FY 2012 of more than \$250 million, as shown on the chart to the right.





January 19, 2010

Dear Members of the General Assembly and Fellow Vermonters:

Vermont families and businesses continue to feel the impact of the Great Recession. Many of our friends and neighbors are out of work. Others have had their hours cut and are struggling to make ends meet. This deep economic contraction is the principal reason for the budget gap we must address.

For fiscal year 2011, Vermont faces a \$150 million General Fund shortfall that will require tough, but necessary, decisions throughout state government. The wide chasm between spending pressures and available revenue does not abate in fiscal year 2012 and will demand aggressive action and our full attention for years to come. We must acknowledge the reality before us and rise to meet the challenge together and with resolve.

I was pleased to begin this year's legislative session with an agreement on "Challenges for Change" – a joint plan between my Administration and the Legislature to save \$38 million by redesigning state services to deliver better outcomes. This break from business-as-usual thinking will be an essential part of our success in coming years. Still, we must engage in the next set of decisions necessary to close the remaining \$112 million gap.

Today I present a budget that responsibly closes that remaining shortfall while putting state government on the path to address future fiscal concerns. There will be many difficult

choices, especially in human services, but we must resist the temptation to use reserves and additional one-time federal money as temporary patches – decisions that will only worsen our problems in fiscal year 2012 and beyond.

The state budget must be made sustainable today, while we commit to a stronger tomorrow. We must work diligently to ensure Vermonters have access to essential state services, while resisting new taxes that will aggravate future budget challenges. And we must make smart investments in job creation, technology and higher education, so we can help get Vermonters back to work – strengthening our economy and growing our tax base.

I ask you to take the time to understand the entirety of my budget proposal, because the challenges we face are not solely in the General Fund. We must also bring bold reforms to our education system and stand firm in our support for transportation. A comprehensive fiscal strategy is necessary to address the economic challenges facing Vermont.

I know you appreciate the magnitude of the task before us and I look forward to working with you as we move forward toward a stronger tomorrow.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", written over a circular stamp.

James H. Douglas  
Governor

**FY 2011 General Fund Budget Gap Analysis**

Category	(\$ millions)	Revenue	Appropriations & Net Transfers	(Shortfall)/ Surplus
<b>Projected Revenue</b>				
Current Law Revenue (January 2010 - Emergency Board)		\$ 1,086.60		
Direct Applications & Reversions (recurring)		10.00		
<b>Total Available Revenue FY2011</b>		<b>1,096.60</b>		
<b>Upward Pressures</b>				
<b>Base Appropriations + Transfers (FY10 post-rescission)</b>			<b>1,065.35</b>	
<b>Base Pressures</b>				
VSTRS & VSERS			28.77	
Human Service Caseload & Utilization			42.94	
All Other Human Service			8.73	
Administration, incl. insurance & internal service fund needs			5.29	
Public Safety & other protection			2.79	
Homeowners & Renters Rebate, and Current Use Tax			3.97	
Debt Service			1.45	
<b>Subtotal: Base Pressures</b>			<b>93.94</b>	
<b>All One-Time Pressures</b>			<b>14.11</b>	
<b>Subtotal: One-Time Pressures</b>			<b>14.11</b>	
<b>Loss of Offsetting ARRA Funds (vs. FY 2010)</b>				
Public Safety (SFSF)			4.40	
Long Term Care			11.23	
Global Commitment			55.13	
Department for Children & Families			6.16	
<b>Subtotal: GF ARRA Offset Loss</b>			<b>76.92</b>	
<b>Total Upward Pressures</b>			<b>184.97</b>	
<b>Total (Shortfall)/Surplus</b>		<b>\$ 1,096.60</b>	<b>\$ 1,250.32</b>	<b>\$ (153.72)</b>
<b>Adjustments</b>				
<b>Base (Reductions)/Increases</b>				
Human Services			(53.67)	
Education Fund Reforms			(10.41)	
Pension Reforms			(25.00)	
Tax "Roll back"		(9.90)		
"Challenges" Savings			(37.88)	
Labor Contract			(5.50)	
Natural Resources			(1.36)	
Pay Act			(3.73)	
Judicial Reforms			(1.00)	
Housing Consolidation	5.90			
Higher Education			5.56	
Next Generation Scholarships			1.50	
Vermont Telecom Authority			0.75	
JTOC			3.50	
Homeowners & Renters Rebate			1.47	
Special Education Medicaid	6.89			
Small Claim fees to GF	0.30			
<b>Subtotal: Base Adjustments</b>		<b>3.19</b>	<b>(125.77)</b>	
<b>One-Time Adjustments</b>				
Special Funds (BISHCA - direct app increase)	14.70			
Gross Receipts Weatherization	2.30			
Prior fiscal year carryforward	4.96			
Budget Stabilization Reserve (remains at 5%)			(2.80)	
<b>Subtotal: One-Time Adjustments</b>		<b>21.96</b>	<b>(2.80)</b>	
<b>Total Adjustments</b>		<b>25.15</b>	<b>(128.57)</b>	<b>0.00</b>
<b>Grand Total Net of Adjustments</b>		<b>\$ 1,121.75</b>	<b>\$ 1,121.75</b>	<b>\$ (0.00)</b>

**Fiscal Year 2011 Deficit Mitigation**

For FY 2011, the difference between anticipated revenues and needed appropriations is significant. The current FY 2011 GF Consensus Revenue Forecast plus direct applications, reversions, other revenue adjustments, and a \$4.96 million carryforward result in projected total available revenues of \$1,121.75 million. Without further mitigation, the deficit for FY 2011 is projected to be \$153.72 million.

This deficit is due primarily to growth in Human Services caseload and utilization, Vermont State Employees and Vermont State Teachers' Retirement Systems, other human service increases, increases in homeowners/renters rebates and current use taxes, other inflationary increases across state government, and the loss of \$77 million in ARRA funds previously available to support base GF needs.

For FY 2011, the Governor asked all areas of government to share in sacrifices necessary to bring appropriations to a sustainable level, along with the Challenges for Change initiative, and reforms to Education funding. The Governor's FY 2011 Budget Recommendations present a balanced GF budget for FY 2011.

## Federal Stimulus Impact

Cumulatively, between FY 2009 and FY 2011, of the \$806 million in total estimated ARRA funding, approximately \$382 million is for enhanced federal participation rates for Medicaid and other federal entitlement programs. This effectively allowed the State to trade base General Fund dollars for ARRA funds, enabling a reduction in the amount of state funds necessary to match federal monies. The remaining ARRA receipts target one-time discretionary grants or projects.

The GF base budget gaps for FY 2009 and FY 2010 were ameliorated though a combination of ARRA funds, rescission, labor reductions, and one-time funding from other sources. The amount of ARRA funds available to offset base GF needs begins to decline in FY 2011 with the loss of \$77 million of "base" ARRA funds, and concludes during FY 2012 with the loss of the remaining \$113 million of "base" ARRA funds. These lost ARRA funds create upward pressure on the GF in addition to the annual inflationary upward budget pressures. The following chart summarizes total ARRA receipts used for both GF base expenditures and one-time grants and projects.

### SUMMARY OF FEDERAL STIMULUS FUNDING BY FUNCTION <sup>(1)</sup>

FUNCTION	FY 2009		FY 2010		FY 2011		CUMULATIVE ARRA	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Regular ARRA Funds:</b>								
General Government	-	-	-	0.0%	-	0.0%	-	0.0%
Protection <sup>(a)</sup>	-	-	35,451,349	9.4%	18,539,819	7.4%	53,991,168	6.7%
Human Services	75,916,880	42.6%	166,555,162	44.3%	86,014,634	34.1%	328,486,676	40.7%
Labor	-	-	7,793,753	2.1%	4,571,772	1.8%	12,365,525	1.5%
General Education <sup>(b)</sup>	-	0.0%	-	0.0%	46,719,169	18.5%	46,719,169	5.8%
Higher Education	-	-	-	0.0%	-	0.0%	-	0.0%
Natural Resources	-	-	-	0.0%	1,467,187	0.6%	1,467,187	0.2%
Commerce & Community Development	-	-	1,982,000	0.5%	1,529,195	0.6%	3,511,195	0.4%
Transportation	59,680,000	33.5%	117,197,648	31.2%	54,524,670	21.6%	231,402,318	28.7%
Other:								
Human Service programs	3,414,832	1.9%	-	-	-	-	3,414,832	0.4%
Labor	400,000	0.2%	-	-	-	-	400,000	0.0%
Clean water; and drinking water capital grants	38,933,000	21.8%	-	-	-	-	38,933,000	4.8%
Secretary of Administration - entrepreneurial seed capital	-	-	(2,150,000)	-0.6%	-	-	(2,150,000)	-0.3%
Secretary of Administration - to VEDA for job creation	-	-	3,400,000	0.9%	-	-	3,400,000	0.4%
Secretary of Administration - to VT training program	-	-	200,000	0.0%	-	-	200,000	0.0%
Secretary of Administration - to Tourism	-	-	500,000	0.1%	-	-	500,000	0.1%
<b>State Fiscal Stabilization ARRA Funds <sup>(2)</sup></b>								
SFSF for State Police <sup>(a)</sup>	-	0.0%	6,550,000	1.7%	-	-	6,550,000	0.8%
SFSF for General Education <sup>(b)</sup>	-	0.0%	38,575,036	10.3%	38,575,036	15.5%	77,150,072	9.6%
<b>Total ARRA</b>	<b>178,344,712</b>	<b>100.0%</b>	<b>376,054,948</b>	<b>100.0%</b>	<b>251,941,482</b>	<b>100.0%</b>	<b>806,341,142</b>	<b>100.0%</b>

(1) Appropriations funded through the federal American Recovery & Reinvestment Act of 2009 ("ARRA").

(2) State Financial Stabilization Fund (SFSF) monies, including:

(a) State Police ARRA funding included regular ARRA funds plus \$6.55 million of SFSF funded through an ARRA Interdepartmental transfer.

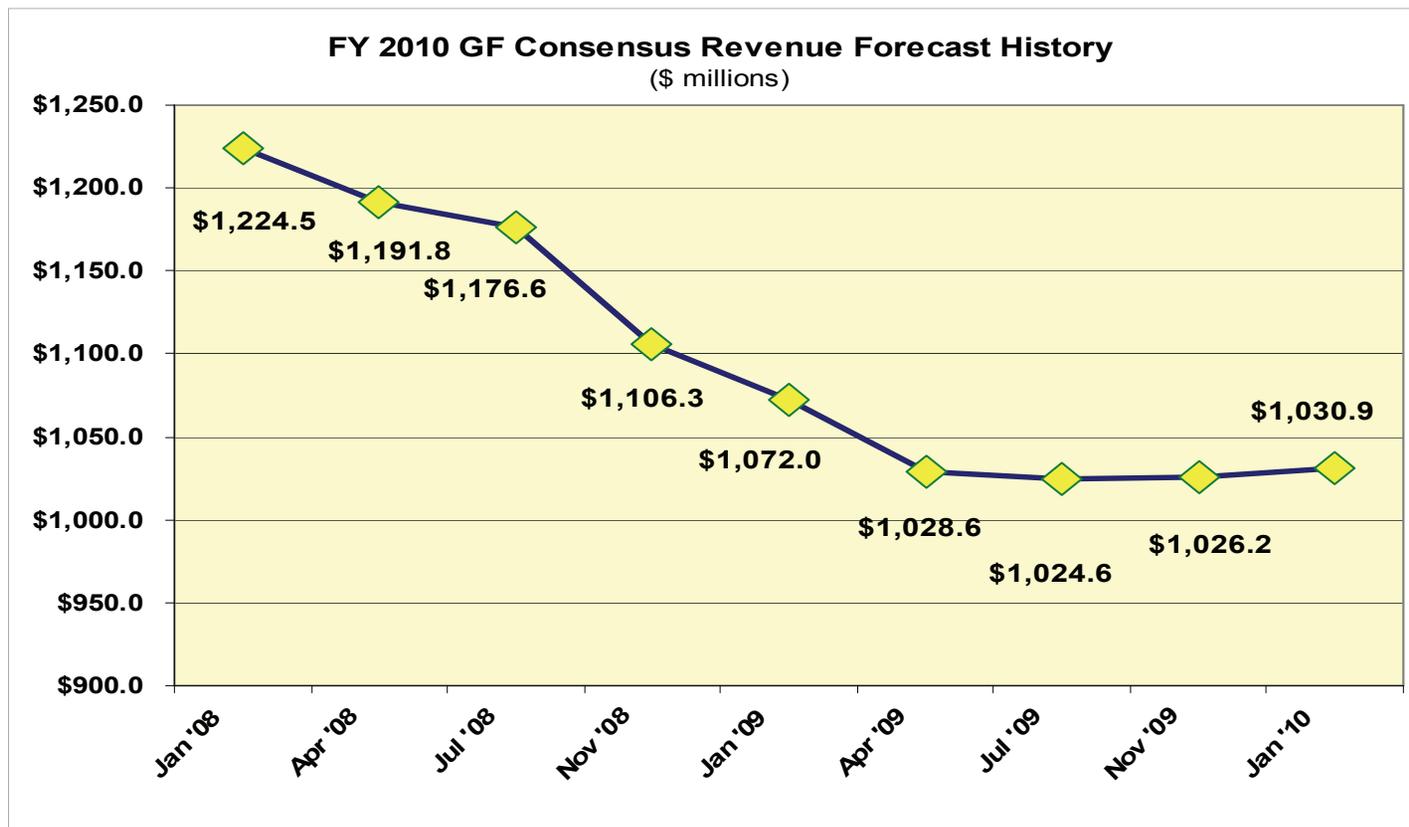
(b) General Education funding included regular ARRA funds plus \$38.57 million each year (FY 10 and FY 11) of SFSF funded through an ARRA Interdepartmental transfer.

## FISCAL YEAR 2010 BUDGET ADJUSTMENTS

### FY 2010 Consensus Revenue Forecast

Due to the downward spiral of the national economy and the long slow recovery ahead, the Emergency Board opted to meet and revise the Consensus Revenue Forecast quarterly during FY 2009 and the first half of FY 2010. Normally, and in accordance with statute, the Emergency Board meets twice a year, in January and July. The FY 2010 revenue forecasts over the last 24 months show the dramatic decline in the General Fund, even though it has stabilized.

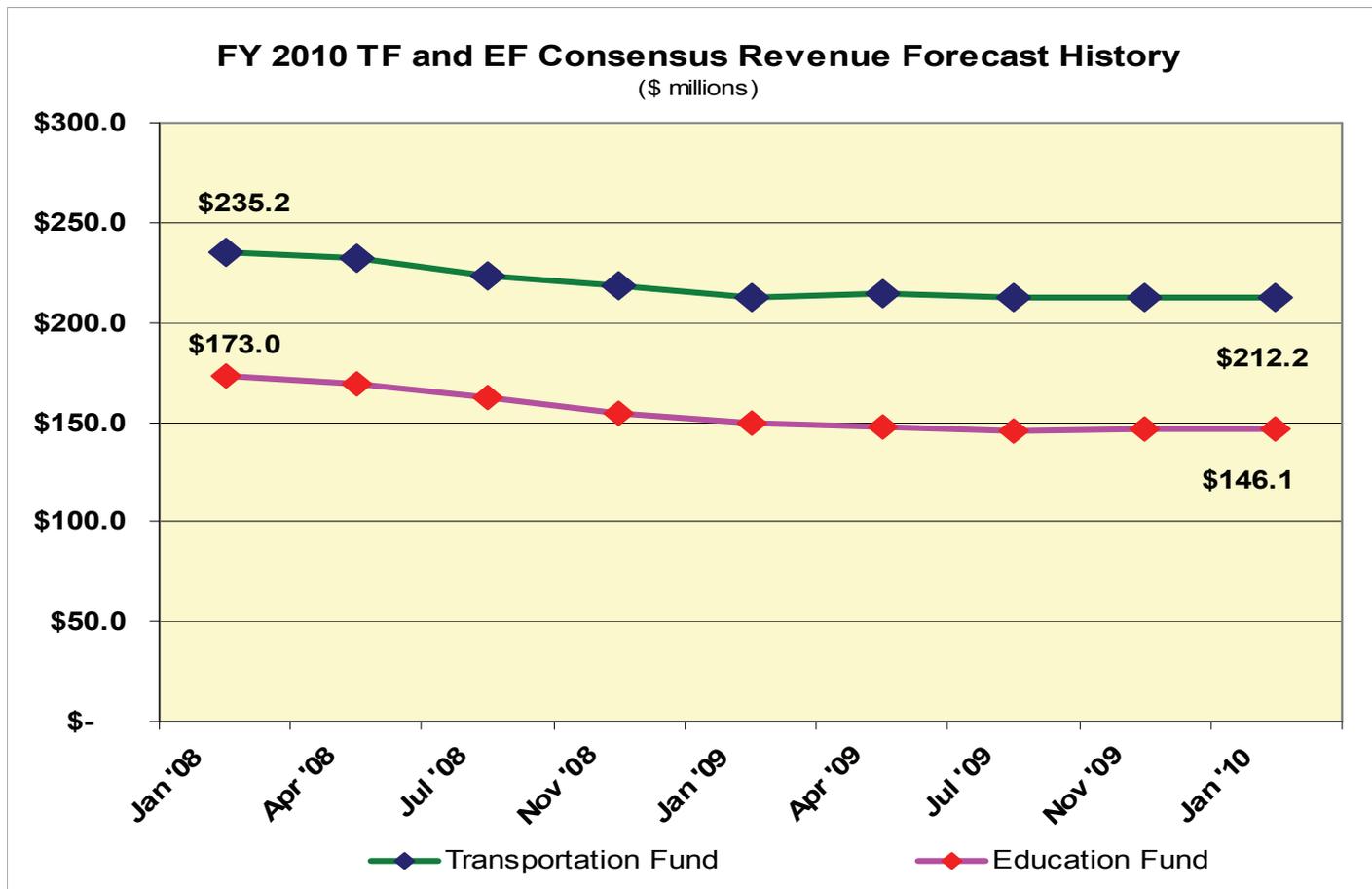
From the initial Consensus Forecast in January 2008 to the most recent forecast in January 2010, the General Fund has declined by \$193.6 million, or -15.8%. \$135.6 million is due to the drop in Personal Income Tax receipts and \$37.5 million is due to the drop in Sales & Use Tax receipts. Together, these two revenue categories account for 89.4% of the total forecast decline over the last 24 months. The history of changes to the FY 2010 Consensus Revenue forecasts over the last two years is shown on the following chart.



The Transportation Fund and Education Fund Consensus Revenue forecasts were also revised quarterly by the Emergency Board over the last 24 months.

From the initial Consensus Forecast in January 2008 to the most recent forecast in January 2010, the Transportation Fund forecast declined \$23.0 million or -9.78%. Half (\$11.5 million) of this decline was due to Motor Vehicle Purchase & Use Tax. The forecasts for Gasoline Tax and Diesel Tax also declined by \$2.8 million and \$3.7 million respectively. Cumulatively, the reduced forecasts in Motor Vehicle Purchase & Use, Gasoline Tax, and Diesel Tax account for 78% of the forecast decline.

The Education Fund Consensus Revenue Forecast declined \$26.9 million (-15.5%) over the same period. The Education Fund saw a downgrade in proportion to the Transportation Fund downgrade in Motor Vehicle Purchase & Use tax receipts.



## Fiscal Year 2010 Recommended Appropriation Adjustment

The Governor's FY 2010 Budget Adjustment Recommendation reflects changes in the General Fund appropriations totaling \$15.03 million, and -\$1.47 million in the Transportation Fund. A summary of the General Fund and Transportation

Fund adjustments are shown in the table below. A more detailed table by appropriation and across all funding sources is shown in the Tables and Chart section.

### Governor's FY 2010 Summary Budget Adjustment Recommendation General and Transportation Fund Appropriations

<b>Appropriations - FY 2010 Budget Adjustment - Major Items: (\$ millions)</b>	<b>General Fund</b>	<b>Transportation Fund</b>
<b>Agency of Human Services (AHS):</b>		
Office of the Secretary - Global Commitment (GC)	10.00	
Department for Children & Families - AABD	0.78	-
Department for Children & Families - General Assistance	0.74	-
Department of Corrections - Out of State Beds	2.64	-
All Other - AHS	(0.46)	-
Sub-total Agency of Human Services	13.71	-
<b>Other Units of Government:</b>		
Administration - Information & Innovation	0.12	-
Treasurer's Office - Retirement Health Insurance	0.97	-
Treasurer's Office - Supplemental Assistance to Survivors Fund	0.03	-
Military - Air Sovereignty Mission	0.03	-
Public Safety - Fire Safety Division	0.60	-
Debt Service	(0.53)	(0.00)
All other Departments	0.10	-
Agency of Transportation	-	(1.47)
Sub-total Other	1.32	(1.47)
<b>Total Appropriation Adjustments</b>	<b>15.03</b>	<b>(1.47)</b>

\* differences due to rounding

## FISCAL YEAR 2011 RECOMMENDATIONS

### FY 2011 Consensus Revenue Projections

On January 13, 2010, the Vermont Emergency Board approved the current consensus revenue estimate for FY 2011 of \$1,086.6 million. This latest revision increased the General Fund revenue forecast by \$4.8 million, up slightly from the previous forecast of \$1,081.8 million in November 2009. The FY 2011 Transportation Fund revenue projection was revised to \$218.0 million from the previous forecast of \$217.8 million in November 2009, an increase of \$0.2 million. The forecast for the non-property tax portion of the FY 2011 Education Fund was also adjusted to \$151.3 million, versus the November 2009 forecast of \$151.7 million, a decrease of \$0.4 million.

The reduction of FY 2011 GF consensus revenues to below FY 2006 levels against expenditure pressure surpassing FY 2010 levels, results in a projected GF budget gap of approximately \$153 million, before mitigation. The

Governor's FY 2011 GF Budget Recommendation includes bold steps and broad government reforms that will close the FY 2011 budget gap without relying on additional federal support beyond the current ARRA program.

Looking ahead to FY 2012 and FY 2013, the state economists forecast revenue increases for the General, Transportation, and Education Funds.

Throughout the entire economic downturn, the Governor has steadfastly resisted calls to draw down the State's budget stabilization reserves. These reserves are intended for use when the state experiences unanticipated and unavoidable deficits near the end of the fiscal year, with no opportunity to put in place reductions necessary to close the gap prior to fiscal year end. The Governor's proposed FY 2011 budget maintains these reserves at their statutory levels.

### Fiscal Year 2011 Revenue Forecasts History

Fund Name	January 2009	April 2009	July 2009	November 2009	January 2010	Jan. 2010 vs. Jan. 2009	
						\$ Change	% Change
General Fund	\$1,124.1 m	\$1,086.7 m	\$1,084.1 m	\$1,081.8 m	\$ 1,086.6 m	-\$ 37.5 m	-3.3%
Transportation Fund	\$ 218.9 m	\$ 211.4 m	\$ 217.9 m	\$ 217.8 m	\$ 218.0 m	-\$ 0.9 m	-0.4%
Education Fund	\$ 155.2 m	\$ 153.4 m	\$ 152.9 m	\$ 151.7 m	\$ 151.3 m	-\$ 3.9 m	-2.5%

## Highlights of Governor Douglas' Fiscal Year 2011 Proposals

### Human Services

Vermont is rightly proud of its strong human services network – a gold standard among states. Through Choices for Care, Catamount Health, the Vermont Blueprint for Health and other innovative health and human services reforms, we've built a solid foundation that is helping vulnerable Vermonters find a path to health, employment and independence.

However, we cannot deny that the sharp growth in the demand for human services in recent years threatens the overall stability of our budget. Nearly one-third of our population receives services from the State. Next year, the Medicaid system alone will serve 172,000 Vermonters. Since FY 2000, overall spending on human services has increased 214%, an annual growth rate of 8%. In that same time period, inflation has only increased 25%.

Even last year, as we struggled to fill a significant budget shortfall, total human service spending grew by \$149 million. Much of that increase was funded through the use of one-time federal recovery money. We must recognize that federal funds will not flow forever, nor should they. Vermont must take responsibility for ensuring the sustainability of its own programs. By starting the difficult process of realigning human service spending within currently available resources now, we will protect needy Vermonters from even more devastating cuts when the federal spigot is inevitably turned off.

The Governor's Recommended Budget is balanced, compassionate and sustainable. Vermonters expect that basic services for the many will be preserved - not just an enhanced benefit for the few. This budget proposes the elimination of some human service programs, appropriation reductions for many others and level funding for most remaining initiatives. At a time when there are difficult reductions across state government, it is essential to evaluate the mis-

sion, efficacy, and structure of human service providers to ensure they are in harmony with our core mission.

Although there is some diminished pressure on the budget due to low national inflationary trends, continued unemployment and reduced earnings have increased the number of Vermonters utilizing Agency of Human Services (AHS) programs. That's why this budget funds increases in caseload throughout AHS to ensure that Vermonters can get the help they need. However, in the face of this growing need, the loss of federal stimulus funding combined with revenue challenges results in difficult reductions in all areas of the budget.

### **Department for Children and Families (DCF)**

There are several upward pressures in the DCF budget. Some are driven by the loss of ARRA dollars; others are driven by continued stress on programs as more Vermonters access services. Programs within DCF are proposed to be decreased in several areas to respond to these fiscal challenges. They include:

- *Provider Rates:* Reimbursement rates will decrease by 3% for most providers within the DCF system, including community programs, residential programs, and foster and adoptive parents.
- *Reduced Services:* Several service areas will absorb reductions. These include reduction of Reach Up Support Services and elimination of Individual Development Accounts.
- *Increased Quality Control and Enforcement:* Several programs show decreased costs associated with enhancing overall quality control and enforcement efforts.

Finally, DCF will be a major player in the restructuring of government programs, working toward greater effectiveness and efficiency, including the modernization of benefits eligibility and the merging of children's services for high risk children and families.

### *Reach Up*

Low income families, who are struggling to enter the workforce, are served by our state's Reach Up Program. The FY 2011 budget has been raised substantially to address the increasing number of families now eligible for the program. To partially fund some of those increased costs, the Governor proposes strategically decreasing the level of some benefits. In each instance, these changes will save state dollars, increase incentives to fully meet work participation rates, and assist families who are working hard to move out of poverty. Three proposed policy changes are:

- Inclusion of \$125 in Social Security Income (SSI) benefits as "family income" in calculating eligibility;
- Removing recipients from the program when they chronically refuse to complete their family development plan or to meet work requirements; and
- Preventing people who don't meet "hardship criteria" from receiving benefits for more than 5 years.

### **Department of Corrections**

In Corrections, the Justice Reinvestment Initiative created through Act 179 of the 2008 Legislative session will continue, including investment in transitional housing, chemical dependency treatment programs, and other evidence based measures to reduce recidivism.

### **Department of Disabilities, Aging and Independent Living (DAIL)**

In coming years, DAIL will focus on working with our many community partners to ensure that scarce resources are targeted to those who most need assistance. For example, the General Fund portion of the Attendant Services Program, which serves individuals with severe and permanent disabilities, will be redesigned to include income and asset requirements.

We are pleased to be able to support Vermont's 39 nursing homes that accept Medicaid payments to continue their important caregiver work by funding inflation in the amount of \$2.8 million.

Over 2,000 Vermonters with developmental disabilities depend on state-supported programs to ensure their health, welfare, safety and to promote full community inclusion. This year we are able to provide nearly \$6.7 million in caseload funding, including almost \$1.8 million for new high school graduates.

In order to preserve our core programs, to the extent possible in these economic times, GF support for numerous smaller programs and services has been reduced or eliminated. For example, funding for the Housing and Supportive Services program has been eliminated and the five Area Agencies on Aging will see a 3% reduction in GF support.

### **Department of Health**

The Vermont Department of Health (VDH) and their public health partners across the state have risen to the challenge of responding to the 2009 H1N1 influenza. Vermont has immunized more than 140,000 people, including over 50,000 doses administered at school clinics. The VDH proposed budget will continue to support public health efforts surround-

ing H1N1 as well as other public health preparedness programs.

Yet, as with all AHS departments, VDH must make some difficult budget decisions in this challenging fiscal environment. In Alcohol and Drug Abuse Programs, while we propose to maintain the current women's residential bed capacity at Valley Vista, it is clear from the service delivery data that the adolescent bed capacity has been consistently underutilized. The proposed budget moves adolescent care services to an "as needed" basis, with a corresponding reduction in the rate of payment.

Reductions in several grants are proposed, including grants to Area Health Education Centers. In addition, other small grants will be eliminated, such as those to the Kidney Association and the Addison Parent Child Center.

### **Department of Mental Health (DMH)**

Substantial progress has been made on issues related to the Vermont State Hospital (VSH). We anticipate that the federal Center for Medicaid and Medicare Services (CMS) will certify VSH by July 1, 2010, reinstating Medicare and Medicaid reimbursement. Recognizing that this facility requires replacement, the FY 2011 capital budget includes funding for the proposed new fifteen (15) bed secure residential facility in Waterbury. The anticipated federal funds supporting the VSH allow \$8 million in GF to be redistributed to other AHS programs.

In our community mental health system we are faced with the economic challenge of providing for our citizens with mental health and substance abuse conditions in a sustainable manner. We have already begun to work with the Designated Agencies to redesign such care in our state, and in collaboration with the Blueprint for Health to enhance these

services. We must continue to improve care, but do so in a fiscally responsible manner that matches our resources.

### **Medicaid and Health Care Reform**

The Office of Vermont Health Access (OVHA) is responsible for the management of Medicaid, the State Children's Health Insurance Program (SCHIP) and other publicly funded health insurance programs in Vermont. OVHA is the largest health insurer in Vermont in terms of dollars spent and the second largest health insurer in terms of covered lives. As of 2009, OVHA is the home of state oversight and coordination of Vermont's expansive Health Care Reform initiatives, which are designed to increase access, improve quality, and contain the cost of health care for all Vermonters. OVHA also now has responsibility for Vermont's health information technology (HIT) strategic planning, coordination and oversight.

Despite challenging financial times, the number of Vermonters lacking health insurance decreased from 9.8% in the fall of 2005 (61,056) to 7.6% (47,286) in the fall of 2008. This low rate of residents lacking health insurance is the second lowest in the nation and remained steady despite increased unemployment. This is due to increased enrollment in state-subsidized health care programs under the *Green Mountain Care* umbrella. The increased enrollment of almost 25,000 Vermonters is a health coverage success that, at the same time, has contributed to the state's budget pressures.

Our fiscal challenges demand that we address the long term sustainability of our publicly-supported health care programs. Although we have benefited from increased federal Medicaid match through ARRA, these increased funds are temporary and slated to expire on December 31, 2010, half way through FY 2011. As such, we must act now to bring these long term costs in line.

A Tiger Team effort helped point to four areas that could provide more efficiency in the use of our limited resources and / or maximize reimbursement potential:

- *Benchmark Vermont's benefit allowances through peer state comparisons with states of similar high standards to Vermont.* By examining the benefit structure of similar states across the country, OVHA has identified several categories of service that may be managed more efficiently through clinical operations changes (e.g., service limitations, prior authorizations, targeted provider reimbursement changes).
- *Maximize access to private insurance through the Health Insurance Premium Payment program (HIPPP).* We will increase our efforts to enable Medicaid beneficiaries to access their employer's insurance without incurring additional costs or forgoing benefits that they would have received through the Medicaid program.
- *Expand the utilization of Vermont's premium based system.* In order to sustain our generous programs for low income Vermonters, we must request that a number of Green Mountain Care program participants contribute through targeted increases in premiums after the Maintenance of Effort (MOE) requirements in ARRA expire on December 31, 2010.

The Governor is strongly committed to continuing support for the premium assistance programs associated with Catamount Health and employer-sponsored insurance. However, in these fiscal times, we must re-evaluate the very generous cost sharing benefits in the existing Catamount Health Plans, and increase the deductible to bring it in line with industry standards.

- *Make Administrative Improvements.* We must

strengthen the relationship between the OVHA Program Integrity (PI) Unit and the Medicaid Fraud and Residential Abuse Unit (MFRAU) in order to better identify and eradicate waste, fraud and abuse.

Similarly, our efforts must be strengthened to ensure that the funds supporting the programs for our beneficiaries are used efficiently and appropriately. For example, reimbursement for pharmaceuticals must reflect the true costs of the drugs and not artificially inflated prices. And we must ensure that transportation services for Medicaid beneficiaries are provided in the most efficient manner possible.

This proposal asks more from providers that have the financial capacity - from targeted rate adjustments for some providers to freezing the hospital provider tax rate in FY 2011. OVHA is committed to working with these providers to reduce administrative burdens that diminish their ability to deliver efficient quality care.

OVHA's Coordination of Benefits (COB) Unit will also continue to successfully focus on ensuring that the appropriate insurer covers the costs of care when an OVHA beneficiary has dual coverage (e.g. Medicare, private insurance); and will pursue casualty or estate recovery of Medicaid costs. In FY 2009, the COB unit recovered \$8.6 million that supports our Green Mountain Care programs and is on track to recover a similar amount in FY 2010.

In combination, all of these efforts will help our programs be sustainable as we transition to any new programs that will emerge under federal health care reform.

#### *Vermont Blueprint for Health*

Recognizing that any truly comprehensive health care reform needs to address quality and cost, we continue to expand

the Vermont Blueprint for Health. Supported by investments in this budget, we will continue to negotiate with insurers for a rapid rollout of the Blueprint to the remaining Vermont communities; our hope is to have the Blueprint in all hospital service areas by 2011 and in all practices across the state by 2012. In the past 18 months, we have launched the Blueprint multi-payer Integrated Medical Home Pilots in three areas of the state that are changing the way care is delivered at the local level and ultimately will slow the growth in health care costs. We also are collaborating with Maine, New Hampshire, Massachusetts and Rhode Island, with support from the Milbank Foundation, to develop a New England wide medical home pilot initiative, and will be applying for a Medicare Demonstration grant to have full Medicare participation in the Blueprint effort.

During 2008 and 2009, we implemented a fee to support HIT for primary care providers and further our statewide health information exchange network and a 340B Pharmacy program to decrease the pharmaceutical cost for Federally Qualified Health Clinic (FQHC) patients. We also began implementation of a multi-payer claims database to increase our understanding of Vermont's health care utilization, expenditures, and performance across all payers and services. We also are participating in a pair of external two-year evaluations to assess the success of our efforts to improve access and affordability for health care coverage.

In addition, OVHA continues to implement initiatives to help improve the quality of health care services for our most vulnerable citizens and also to contain costs of these publicly-supported programs. OVHA's Chronic Care Initiative (CCI) is providing care coordination for beneficiaries with the most significant needs, including those who are taking Buprenorphine. The CCI program is expected to yield a savings of \$6.4 million in FY 2010.

## Education

*"The ever-growing burden of property taxes threatens the financial security of Vermonters and the potential of our employers. Getting a handle on this cost is essential to our economic future."*

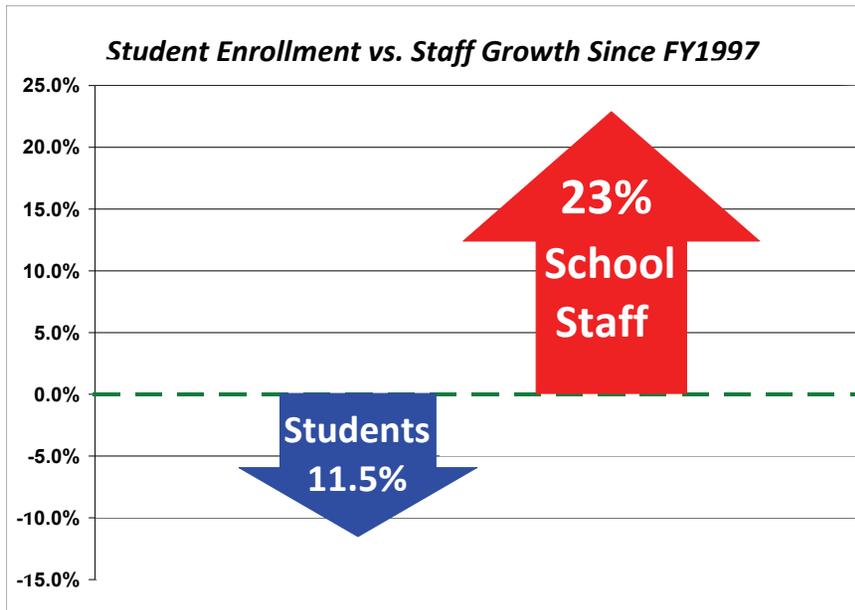
*- Governor Jim Douglas, State of the State Address, Thursday, January 7, 2010*

Vermont's K-12 education system is among the highest staffed per pupil in the United States. According to Department of Education (DOE) statistics, Vermont ranks first in student-to-teacher ratio at 10.8:1. This is 44% higher than the national average of 15.5:1.

However, when it comes to wealth, Vermonters are not in the top tier. Federal statistics show that Vermont ranks 24<sup>th</sup> in personal income per capita at \$34,623, an amount below the national average of \$36,629.

When Act 60 passed the Legislature in 1997, it was clearly understood that low spending school districts would be encouraged to spend more given the improved access to funding through the statewide property taxes. However, since 2005, school spending and property taxes have continued to rapidly grow. In FY 2005, the net residential property tax was \$254.2 million. For FY 2011, it is projected to be \$375.6 million, equaling an annual growth rate of 6.8%. Similarly, the non-residential property tax has grown from \$385.8 million to \$562.8 million, for a 6.5% annual growth rate.

This growth was not driven by more students in the classroom, as the student population actually decreased over this 6-year period from 99,994 to 92,631 or 7.4%. Since 1997, staffing levels have grown by 23%, from 15,555 to 19,145 while the student population has decreased by 11.5% (see chart on next page).



Income sensitivity subsidies are projected to grow to \$167.8 million in FY 2011, an annual increase of 18.5%. Remarkably, this increase of \$26.2 million is larger than the projected \$21.3 million growth in education spending. Basically, income sensitivity transfers the burden of the property tax from eligible beneficiaries to property tax payers who are not eligible, namely non-residential property owners and property owners with household incomes above \$90,000. In 2009, there were over 6,000 Vermonters receiving a property tax subsidy who own homes valued at \$400,000 or more, and of this group, 136 people lived in homes valued at \$1 million or more.

If left unchecked, property tax rates will continue to rise over the next 3 years. Doing nothing is not an option. Three major goals for this legislative session must be:

- Lower property tax rates: Current projections call for a 2 cent increase in both the residential and non-residential property tax rates next year. The combination of these tax increases and dramatically slower growth in the

grand list, result in \$58 million in higher taxes. During this recession, we must seek to lower property tax rates on households and businesses struggling to make ends meet.

- Constrain education spending: As noted above, the core driver behind education spending growth is increased staffing. Pressure needs to be exerted that not only inhibits such increases, but actually results in staffing decreases to affordable levels.
- Rebalance income sensitivity subsidies: The cost of income sensitivity to the Education Fund is growing at exorbitant rates. Through rebalancing the income sensitivity subsidies, not only can the direct costs be diminished, but costs will be tempered indirectly, as more voters will be sensitive to school spending increases.

To achieve the above, the Governor offers the following proposals:

- Property Tax Rates: Rather than increase rates by 2 cents, as currently projected, the Governor proposes to lower both the residential and non-residential rates by 1 cent, from \$.86 to \$.85 and \$1.35 to \$1.34 respectively.
- Income Sensitivity: The Governor proposes to make income sensitivity subsidies more progressive. Currently, all homestead property owners with incomes less than \$90,000 are limited to paying no more than 1.8% of their income as adjusted by their local education spending inflator. Under the Governor's proposal, those earning less than \$60,000 would pay no more than 1.8% of their income times their local inflator. For incomes between \$60,000 and \$75,000, the maximum income percentage would be 2.25% times the local inflator. For incomes from \$75,000 to \$90,000, the maximum income percentage would be 3.5% times the local inflator. Further, the income sensitivity calculation for

all homeowners with incomes below \$90,000 would be based upon the house site value up to \$400,000.

In addition, to provide assistance to those saving to purchase a home, the Governor proposes enhancing the renter rebate benefit by raising the income eligibility cap from \$47,000 to \$54,000. This threshold has not changed since 1995.

- **Efficient Governance:** The State Board and Department of Education have made the “Transformation of Education” a priority with a focus on the governance structure as a key platform on which to build better outcomes for students. In Vermont, we have 290 separate school districts – one for every 312 students – 63 different supervisory bodies and a State Board of Education. That’s a total of 354 different education governing bodies for a state with only 251 towns. It is imperative during this upcoming year that some form of school district consolidation occurs. In addition to the significant savings this would bring from reducing the duplication of administration salaries and operating costs, there are even greater benefits for students. By aligning Vermont’s current districts into larger bodies, students are given greater choice of programs and activities within their region to find their individual path to success.

Further, the Education Fund and property tax payers support two expensive programs that discourage consolidation. The Governor proposes to phase-out the small schools grants over the next two years and the “phantom student” subsidy over the next three years. The latter pays school districts for non-existent students by limiting an annual enrollment decrease to 3.5% even though the actual decrease may be much more. These changes, in addition to those recommended by the joint “Challenges for Change,” can save over \$40 million during the next two years.

- **Reduce Education Costs:**

Health Care Premiums: State employees pay 20% of their healthcare premiums. It is reasonable for teachers to be on par with state employees and cover 20% of their health care costs. As contracts come up for renewal, such a requirement should be incorporated in each contract with local teachers. This commonsense change will save taxpayers about \$15 million over the next three years.

Reduced Staffing Levels: As noted above, Vermont has the lowest overall student-to-teacher ratio at 10.8:1. Vermont needs to set an affordable standard for this key ratio. The Governor recommends a 13:1 statewide ratio as this is far below the national average of 15.5:1 and still among the best in the nation. At a 13:1 ratio, Vermont would be ranked among the top ten states in the nation, just between New Hampshire to our east, New York to our west and well above Massachusetts to our south. This approach will save taxpayers over \$100 million over the next four years.

There are many methods to achieve this standard from statutory position caps at the district or supervisory union level to leveraging retirement by restricting access to the State Teachers’ Retirement system as the “check valve” to ensure a portion of positions vacated due to retirements are not filled. The Administration will work with the Legislature to develop the most appropriate mechanism to accomplish the goal and achieve the savings.

- **School Construction Assistance:** School construction costs properly belong in the Education Fund. These costs have been historically borne by the General Fund in addition to significant increases in the transfer of General Funds to the Education Fund. The Governor proposes that the Education Fund cover \$5 million of

school construction costs each year for the next eight years to fully retire the obligation.

- **Teachers' Retirement:** Like school construction, the cost of the teachers' retirement is supported entirely by the General Fund – this despite being an education expense driven by contract decisions made at the local level. As teachers' pension and post-employment health insurance costs grow, they squeeze out General Fund priorities like human services and public safety. The Governor proposes to phase teachers' retirement costs into the Education Fund over a four-year period beginning in FY 2011, approximately \$10 million next year.

The Governor's proposals for education reform go to the heart of runaway spending. Rather than a 2 cent increase in property tax rates, the Governor's proposals result in a 1 cent decrease. Compared to leaving the system "as is", the Governor's proposals result in \$35 million in lower property taxes in FY 2011 – a welcome break for taxpayers.

### **State Employees' and Teachers' Retirement Changes**

Last year, in response to warnings from the Governor, Treasurer, legislative leaders, and concerned citizens, the General Assembly established the *Commission on the Design and Funding of Retirement and Retiree Health Benefits Plans for State Employees and Teachers* to analyze Vermont State employees' and teachers' pension plans, as well as retiree health benefits. Without significant reforms, the total annual cost of funding the retirement systems will increase from \$73.5 million this year to \$103.5 million in FY 2011, exacerbating an already wide budget gap.

The Commission crafted a series of recommendations to hold down retirement costs to the 3.5% expenditure growth target established by the Joint Fiscal Committee. The Commission's

final proposals include increasing the early and normal retirement age, lengthening the salary compensation period, increasing the maximum benefit, linking the contribution levels for the employer and employee, and adding tiers to qualify for post-employment health insurance premium cost sharing.

Active employees within 5 years of eligibility for early or normal retirement will not be impacted by these recommendations. Also, it is important to note that none of these proposals affect current retirees; as the Commission's report clearly states: "*Under no circumstances, however, do we consider any recommendations of this report to apply to current retirees of either system.*"

The Governor applauds the Commission – and, in particular, the leadership of State Treasurer Jeb Spaulding – for its exceptional work on this difficult challenge. The Governor's budget advances the Commission's recommendation which will save the General Fund approximately \$25 million in FY 2011.

For the Commission's final report, visit:

<http://www.vermonttreasurer.gov>

### **Higher Education**

It is clear that education and training beyond high school is critical for Vermonters and beneficial to the state as a whole. While the long term trend is that incomes are rising for college graduates, real incomes are declining for those with only a high school education. More than two-thirds of Vermont's fastest-growing occupations require postsecondary training, making access to affordable postsecondary education a necessity. Further, college graduates contribute nearly twice as much in federal, state, and local tax payments as high school graduates. For many Vermonters, a need-based financial assistance program is essential to ensure access to affordable postsecondary education options.

Vermont students and families face difficult challenges in paying for education and training beyond high school. In addition to funds for the University of Vermont (UVM) and Vermont State Colleges (VSC), the State also provides funding through the Vermont Student Assistance Corporation (VSAC) for incentive grants and non-degree grants, the Vermont Opportunity Scholarship, and the Vermont Honor Scholarship. All these enable many Vermont students to enroll in postsecondary programs that best meet their educational needs.

For FY 2011, the Governor proposes a base increase of \$5.5 million shared by UVM, VSC, and VSAC. Also, the Governor proposes \$2 million each in capital funds for UVM and VSC for facility upgrades and infrastructure needs.

Next Generation Scholarships also play an important role in encouraging Vermont high school students to continue their education and training. By providing much-needed financial aid to Vermont students who might not otherwise consider college affordable, these scholarships boost students' aspirations, turning their focus toward academic achievement and less on how to pay for college.

Next Generation funding for the non-degree grant program is essential to meeting the needs of Vermonters seeking to acquire, keep, or expand their employment skills. Non-degree grants are the only source of non-loan, need-based financial aid for adult students taking courses at institutions such as vocational/technical centers and trade-specific training schools. This type of grant is unique to Vermont and is particularly useful for working Vermonters.

To make higher education more affordable for young Vermonters, the Governor proposes to restore \$1.5 million to our Next Generation Scholarship Fund.

## **Human Resources**

### *Collective Bargaining*

This past fall, the State of Vermont negotiated a historic collective bargaining agreement with the Vermont States Employees' Association (VSEA) that will govern three of the four major bargaining units of state employees for fiscal years 2011-2012. This agreement, necessitated by an unprecedented economic downturn, will result in a 3% pay reduction for all classified employees in FY 2011, no across-the-board adjustments (commonly referred to as a COLA) in FY 2011 or FY 2012, and a freeze on all step increases for the duration of the contract. The Governor is grateful for the sacrifice made by our state employees; this agreement provides essential savings for state government at a time when every dime matters.

### *DHR Consolidation*

The Governor has approved a statewide consolidation of human resources across the Executive Branch of state government. This consolidation will bring agency and department human resource professionals under the direct management of the Department of Human Resources (DHR) for the first time. Under this new structure, DHR will be well positioned to support state agencies and departments in the administration of its workforce through best management practices. This will promote better HR communications and the consistent application of employment policies, practices and laws, to the benefit of employees and the employer. Skillful and consistent management practices will maximize workforce efficiency, productivity, and job satisfaction, while minimizing potential grievances and legal claims. Simply put, this consolidation will ensure that the State of Vermont maintains its status as the premier employer in the state.

## **Economic Development**

Recognizing the many challenges businesses face during this prolonged downturn, the Governor proposes utilizing discretionary ARRA funds to boost economic development. This proposal includes \$2 million to the Vermont Economic Develop-

ment Authority (VEDA) to provide subsidized lending and credit support to new and existing Vermont businesses, as well as money for telecommunications and agriculture initiatives, noted elsewhere in this document.

In 2008, an independent study estimated that every dollar invested in the Vermont Training Program (VTP) results in \$2.67 in state revenues. In recognition of the program's high rate-of-return and the pressing need for high-wage jobs, the Governor proposes to add \$1 million in funding for the VTP. Adding these funds to the VTP will ensure that 40 employers and 1,800 Vermonters have access to the program this year.

Vermont's natural beauty and outdoor sports are valuable assets that can generate growth and create jobs. Therefore, the Governor's proposal includes an additional \$500,000 for the Department of Tourism and Marketing to promote Vermont as a vacation destination.

The Governor also commits \$1 million to assist businesses impacted by the closure of the Lake Champlain Bridge through a combination of direct grants and low-interest loans.

### *Investing in Affordable Housing*

For FY 2011, the Governor proposes to level fund the transfer of property transfer tax receipts to the Vermont Housing Conservation Board (VHCB) at \$6.1 million. These funds, in addition to other special and federal funds, result in an increase in VHCB funding in FY 2011 to \$23.8 million, or \$3.9 million over the FY 2010 level.

For the longer term, one of the Governor's Tiger Teams took a close look at ways to maintain, and even enhance, investments in affordable housing. Overall, the team found that the state's affordable housing community achieves good work for Vermont families.

However, there is an alphabet soup of statewide affordable

housing entities: VHFA, VHCB, VSHA, HFI, and DEHCD. Among these entities, 130 employees are managed by four separate boards with 37 individual board members, three executive directors, and one commissioner – all costing about \$9 million in personnel expenses.

These publicly funded entities frequently negotiate with each other to channel their separate investments into the same affordable housing project.

Through a redesign process, a 10% savings in the \$9 million staffing costs of statewide entities would free up \$900,000 annually. Savings from redesign would support new investments in affordable housing of over \$20 million. The Governor has asked Commissioner Brooks to convene a meeting of key customers and leaders in our affordable housing community on the numerous opportunities identified by the Tiger Team to enhance our investments in affordable housing.

The full Tiger Team housing report can be found at:

<http://aoa.vermont.gov/>.

### **Taxes**

In recent years, Vermont has made some progress in improving both our corporate and income tax programs. In 2004, the Governor proposed that Vermont move to "unitary combined" reporting for the corporate income tax, thus closing a tax loophole used by large, multi-state corporations. This allowed Vermont in 2006 and 2007 to lower the State's top corporate tax rate from a national rank of 5<sup>th</sup> highest at 9.5% to 13<sup>th</sup> highest, tied with New Hampshire, at 8.5%. Last year, the Governor's efforts to lower the State's personal income tax rates also achieved some success.

However, while lowering income tax rates last year, the Legislature made other changes that increased tax burdens. Changes the Legislature made in the capital gains and estate taxes have swelled the ranks of Vermonters who are looking

at other states – like New Hampshire or Florida – for their new, permanent residences. In addition, the estate tax change was particularly unfair to farmers whose assets are not easily mobile. It is a punitive tax that discourages farmers and small business owners from passing along their life’s work to sons and daughters.

### *Capital Gains Tax*

In the 2009 session, the Legislature enacted changes in the tax treatment of capital gains income, but their plan did not provide protection for anyone under 70. These changes resulted in \$9.3 million in new taxes to support spending increases.

Favorable treatment of capital gains income encourages entrepreneurship and investment, protects the retirement income of seniors, and eases the transfer of small, family-owned businesses from one generation to the next.

Governor Douglas proposes to sunset the capital gains tax changes made by the Legislature last year.

- Effective January 1, 2011, long-term capital gains will again be eligible for the 40% exemption, as they were in tax year 2008.
- The individual income tax rate decreases effective in 2009 and 2010 will remain in effect.

Removing the capital gains exemption could be justified if all the revenues were used to lower tax rates for working Vermonters. However, using a sizable portion of the proceeds to support spending, as the Legislature did, amounts to a tax hike on already over-taxed residents.

### *Estate Tax Reform*

Vermont currently piggybacks on the federal estate tax, with some modifications. Last session the Legislature amended the

Vermont estate tax to block the federal increase in the exclusion amount to \$3.5 million, leaving Vermont’s estate tax with an exclusion of only \$2 million.

The Legislature also intended to block the one-year federal repeal of the estate tax, but changes to law to accomplish this were not precise, leaving the state law ambiguous. Given this confusion, we propose the Legislature clarify its intent to decouple from the underlying federal statute and implement a permanent \$3.5 million estate tax exemption.

The official FY 2011 revenue forecast for the estate tax is \$18.1 million based on the current \$2 million exemption. The Governor’s proposal would save taxpayers \$3.0 million in estate taxes. It’s important to understand that while current federal law sunsets the estate tax for calendar year 2010, it also instituted a new capital gains tax on the sale of estate property upon which the state piggybacks. The proceeds from that new capital gains tax on inheritances are expected to be \$3.0 million for a 12-month period. Therefore, to avoid double taxing inheritances, once with an estate tax and yet again with the capital gains tax, the Legislature must revisit the estate tax and raise the exemption to the Governor’s recommend.

With Vermont’s high marginal income tax rates, there is little justification for taxing the estates of Vermonters who have built their businesses here, or farmers looking to pass on their legacy.

### **Transportation**

During the past seven years we’ve increased our commitment to transportation – catching up after decades of under-funding. Since the Governor first came to office, \$13 million has been returned to the Transportation Fund for use on our roads, bridges and culverts. This budget proposes reducing the raid on the Transportation Fund by another \$3.5 million, directing that money to municipalities across our state through our town

highway program.

For FY 2010, our transportation budget increased \$140 million. Much of this growth is a result of the federal recovery act – an opportunity of which we've made the most by working in a strong bi-partisan fashion. Vermont is a leader in how it spends its transportation stimulus money. As the ARRA program rolled out during the spring and summer of 2009, VTrans was hailed by the national press for being the third best transportation agency in the nation when it came to putting its stimulus money to work quickly.

This budget includes \$14.0 million more in transportation spending versus FY 2010; an increase of \$155 million over the pre-ARRA FY 2009 adjusted budget. VTrans plans to pave 90 miles of Interstate this coming construction season. By November 2010, VTrans will have resurfaced 50% of Vermont's 640 interstate one-lane miles since 2006.

The FY 2010 budget saw paving top \$100 million for the first time ever, while the FY 2011 budget sees bridge funding top \$100 million for the first time. Between this year and next, Vermont will spend more than \$400 million paving its roads and fixing its bridges, funding levels that are unprecedented in the State's history.

Since the establishment of the Governor's *Road to Affordability* program in FY 2007, VTrans has increased spending on preventative maintenance from \$8.1 million annually to \$35.4 million in the proposed FY 2011 budget, a 335% increase.

All this recent attention to bridges and pavement is beginning to show progress. In 2008, 36% of Vermont roads were in very poor condition, while in 2009 the percentage fell to 34%. With about \$100 million expected to be spent this coming construction season, this percentage will continue to drop and be even lower by the end of 2010.

The news is similarly good when it comes to bridges. In 2004,

11.2% of Vermont's Interstate bridges were structurally deficient. Today, just 7% are structurally deficient. Similarly, in 2004, 18.5% of town highway bridges were structurally deficient, while today just 15.9% are structurally deficient.

Not everything is trending in the right direction. The percentage of structurally deficient state highway bridges has increased slightly, from 20% in 2004 to 20.4% today. But with an FY 2011 bridge budget topping \$100 million, VTrans anticipates that the overall positive progress for Vermont's bridges will continue.

Progress also continues to be made with public transportation. Since the Governor took office, Vermont's public transit budget has nearly doubled from \$12.7 million in FY 2003 to \$24.7 million in FY 2011. This increase has resulted in the creation of dozens of new bus routes serving all corners of the state, and has helped reduce Vermont's carbon emissions and greenhouse gases.

### **Capital Infrastructure**

In the Governor's FY 2011 capital budget there is a continued emphasis on, and commitment to, the modernization and sustainability of critical state infrastructure to support the needs of all Vermonters. The Capital Bill provides funding for the development and future construction of the State's Health Laboratory in collaboration with the University of Vermont.

The Governor is also recommending that \$25 million be appropriated to upgrade and rehabilitate buildings and facilities. Major maintenance funding for Buildings and General Services, Forest and Parks, Fish and Wildlife, the Military, the University of Vermont, and Vermont State Colleges will help to better serve hundreds of thousands of Vermonters. This aspect of the Governor's proposal represents immediate investment and will employ thousands of trades people across a wide spectrum of disciplines from both large and small companies and businesses.

Last year, the Legislature appropriated \$31.6 million of ARRA money to be awarded by the Clean Energy Development Board. Of this amount, \$17.1 million remains unobligated to specific projects. The Governor proposes that \$9 million be used to fund state projects that meet the objectives of the Clean Energy Development Fund (CEDF). Using this money on state projects will get the money into the economy quickly and will save taxpayers millions of dollars in operating expenses as well as reduce administrative overhead.

Part of our commitment to a better environment and lower costs in the future is to make State government, itself, a leader in the use of renewable energy. The new state office building in Bennington will use geothermal energy – energy from the ground – for both heating and cooling. Using \$2 million of the \$9 million, the State will save 30,000 gallons of oil, 510,000 kilowatt hours of electricity, and avoid emitting 640 tons of CO2 into the atmosphere – not to mention save \$175,000 for taxpayers each year. This is a very tangible example of how good environmental practice is also good fiscal and economic policy.

Within Vermont State Parks, the Governor proposes spending \$1 million for fiscally sound alternative energy programs, including solar hot water for showers and burning wood pellets.

The remaining \$6 million will fund energy efficiency projects for the State complex in Waterbury. There are \$10 million of backlogged efficiency projects within the complex.

### **Information Technology**

Years ago, buying an airline ticket was a complex and time consuming experience: you went to a travel agent, waited around for someone to see you, the agent made a bunch of phone calls, and finally you got a paper ticket. Then, at the airport, you waited in line to check in and trade your ticket for a boarding pass. Today, you make almost all your travel arrangements on the web including printing your boarding pass.

For those without internet access or needing help, there are kiosks at airports and helpers who stand ready to assist.

It is time for Vermonters to have these same technological advantages when dealing with their state government. Although the State has done a good job automating some transactions, primarily in the Tax Department and the Department of Motor Vehicles, we can and must go further.

Antiquated systems deny state agencies both the information needed to deliver the correct benefits to the right people without gaps or duplication and the information needed to measure outcomes. Better client-focused systems will help us deliver aid more precisely where it's needed at less cost for delivery.

Consider individuals who seek assistance from our Agency of Human Services. Today they must travel to a state office, wait for a person to assist them and then provide detailed information to that person who transfers it to a form. Often they don't know the answers to some of the questions or have not brought in required documentation. Sometimes they've gone to the wrong office because they didn't know which program operated from where. Yet another visit, and doing more "agency time," is needed, taking them away from child care, work, or looking for a job. And then they go home and wait--perhaps for weeks--to find out whether they qualify.

Now imagine a web portal called myvermont.gov. Vermonters seeking any type of state assistance populate one page on this site with their personal information on any available computer – at home, at work, or at their local library. The portal links to all state and federal programs in an orderly and understandable way. If a visit to a state office is still needed, the client will know exactly what information to bring. For those clients who either don't have computer access or who simply want help completing forms, a visit to any State client service office will do. As in the airport, there will be kiosks and helpful state employees to assist them.

To move rapidly toward this future, the Governor proposes \$8 million in the capital bill for technological modernization. This investment will move the State toward a more efficient paperless state government and will reduce the annual amounts the State spends on inefficient procedures. By the end of 2011, no state internal procedures should be dependent on physical paper flow and all new records will be electronic. Almost every transaction between the State and its clients will be available online and through kiosks, although the State will preserve telephone and personal transaction capability as well. The default for outgoing communication from the State will be electronic.

Further, the State will begin the implementation of an electronic purchasing system that will reduce administrative cost and allow for better quotes and lower prices. Small Vermont firms say they cannot afford to produce the documents required by State bids. Allowing online bidding will give these firms the opportunity to compete for state business.

The State will move to modern technologies like server virtualization and cloud computing in order to create greater flexibility and reduce future capital and operating costs for information technology. The State is also consolidating all common functions including email and conferencing across the Executive Branch.

### **e-State Initiative**

Within the next few years, broadband and wireless access across our state will be essential if we hope to have a strong and healthy economy. Vermonters will need these services as part of their daily life: at work for communication, sales and purchasing; and at home for accessing myvermont.gov, e-health, e-education, and for personal use.

The Governor proposes over \$3 million in stimulus money for the Backroads Broadband program to speed Internet adoption

and serve the hardest-to-reach Vermont residences. The capital budget also proposes \$5 million for the Vermont Telecommunications Authority (VTA) to leverage already approved revenue bonding authority and private capital to build “middle-mile” fiber capability to schools, hospitals, and government offices. These funds will also accelerate cell tower build-outs. The recommended \$750,000 operating budget for the VTA will allow quick progress towards accomplishing the e-State initiative.

As high-speed internet becomes ubiquitous, the Vermont Interactive Television network (VIT), which has served us well, will be supplanted. Given its fixed locations and inability to support remote video access from homes and offices, a period of transition is necessary. The Governor proposes to level-fund VIT in FY 2011 but then step down to 50% funding in FY 2012 and zero funding in FY 2013. These funds will be assigned to the Vermont State Colleges to facilitate this transition.

### **Boards and Commissions**

In the course of reviewing every area of state government for opportunities to streamline operations and for efficiencies, one of the Governor’s Tiger Teams made a thorough review of Boards and Commissions. No complete list existed, as they are sprinkled throughout our statutes, and are associated with departments and programs throughout state government. The team found approximately 300 such groups, and surveyed their associated departments as to their level of activity and value to state government operations. Not surprisingly, many have been inactive for years, and some that remain active have questionable value. In addition, there are opportunities for consolidation and cost savings.

In the next few weeks, the Administration will present to the Committees on Government Operations its recommendations to abolish, consolidate or otherwise modify as many as 50 Boards and Commissions. While the direct budgetary savings

are modest, this kind of housekeeping is essential to the continued smooth operation of government.

### **Judiciary**

In 2008, the Commission on Judicial Operations was created by the Legislature to review the current structure of Vermont's court system. The Commission's Report to the Legislature recommended wide-sweeping, but necessary, changes to the current system. The recommended changes will improve access to courts for all Vermonters while saving \$1 million annually.

The Commission recommended several steps to achieve a judicial system that is unified both administratively and financially including consolidation of the court system, a restructuring of the probate courts, elimination of the judicial role of assistant judges, and an increase in the use of technology. The Judiciary has submitted a plan to the Legislature to achieve this needed reorganization and modernization while ensuring all Vermonters have access to our courts. The Governor has included this plan as part of his FY 2011 budget recommendation.

### **Protection**

The Governor's FY 2011 budget continues to honor the State's commitment to protect children and families as we expand the number of Special Investigation Units (SIUs) in Vermont. This budget will increase the number of SIUs from eight (8) units to ten (10) units covering all regions of the State. This will provide the benefit of the program to all Vermonters consistent with the intent of the Administration and Legislature.

The Vermont State Police hired thirteen new troopers in July 2009. These new law enforcement officers have completed training and are now deployed statewide. An additional nine recruits have also been hired and will graduate from the Vermont Police Academy on May 28, 2010. With these additional

troopers our State Police force will be at the highest level during the Governor's tenure.

Maintaining troop levels in the State Police force has allowed staffing of the Drug Task Force to remain steady, a critical component of the State's response to a dramatic increase in heroin distribution during the past several years.

To support our public safety officers, the State has moved forward with a new state-of-the-art forensic laboratory, scheduled for occupancy this coming October. The forensic laboratory also continues to maintain its national accreditation status, and the expanded Emergency Operations Center is scheduled to be in operation in the spring of 2011.

### **Environmental Protection**

The Agency of Natural Resources (ANR) continues to succeed in performing its core mission with a restricted budget. The Agency is effectively making use of alternate funding sources and structural efficiencies. Work will continue to be brought into alignment with available funds, including federal reimbursement.

The Department of Environmental Conservation's Division of Geology is proposed to be transferred to the University of Vermont. The pollution prevention activities of the Environmental Assistance Office will be merged into the Waste Management Division to create the Waste Management and Pollution Prevention Division. Other efficiencies and the prioritization of core functions will allow ANR to continue to protect Vermont's natural resources in these difficult times.

### **Clean and Clear Action Plan**

In 2004, the State of Vermont adopted an aggressive plan for reducing pollution and protecting Vermont's waters statewide, including controlling algae-feeding phosphorus discharges to

Lake Champlain. Since 2004, our Clean and Clear program has supported hundreds of water quality projects from improvements in municipal storm water systems to planting over 7,000 acres of winter rye as a cover crop to reduce spring erosion.

Over the past six months, ANR has revised the implementation plan for the Lake Champlain Phosphorus Total Maximum Daily Load (TMDL). More than 300 Vermonters contributed to this revised plan, which was delivered to the Legislature this past week.

The proposed funding for Clean and Clear in FY 2011 includes \$8 million in state operating and capital funds to support the priorities assigned to the Agencies of Agriculture, Transportation and Natural Resources.

The budget includes a pass-through appropriation for support of the Lake Champlain Citizens' Advisory Committee, which provides input to the General Assembly, the Lake Champlain Basin Program, and ANR on issues related to the management and protection of Lake Champlain.

The Watershed Improvement appropriation provides the funding to support watershed education efforts and projects that protect, restore, or enhance Vermont's watershed resources.

### **Support for Vermont Farmers**

Even in these difficult times, the Governor's recommended budget reflects concern for farmers across Vermont. The Governor proposes:

- \$1 million in ARRA funds to be dedicated to lower borrowing costs for farmers using VEDA's agricultural loan program.
- Financial assistance for farmers to maintain vegetated buffers along waterways, to develop alternative manure

management technologies, and for nutrient management planning.

- \$100,000 for the Farm-to-Plate initiative through the Vermont Sustainable Jobs Fund.
- Support for Vermont agricultural fairs with a state stipend of \$175,000 and capital improvements of \$180,000 through the Capital Bill.

The Governor also proposes to continue with the Vermont Farm to School Network. This network provides statewide leadership, coordination, and advocacy to advance new and existing Farm to School efforts in Vermont classrooms, cafeterias and communities.

By accessing alternate funding sources, the Agency of Agriculture, Food and Markets is able to maintain level funding and align its structure to current needs to fulfill its crucial regulatory, development and policy role for the State.

### Tables and Charts

The following pages contain charts, tables and statistics relating to the FY 2010 Budget Recommended Adjustment and the FY 2011 Governor's Executive Budget Recommendations.

FISCAL YEAR 2010 BUDGET RECOMMENDED ADJUSTMENT

FUNCTION / Department	Appropriation Title	2009 (Spec Sess) Act 1 Section Amended	General Fund	Transportation Fund	Education Fund	Special & Tobacco Funds	Global Commitment Fund	State Health Care Resources Fund	Catamount Fund	Federal Funds	ARRA (1) Funds	Other (2) Funds	Combined Funds
	<b>FY 2010 As Appropriated</b>		<b>1,088,279,019</b>	<b>213,555,681</b>	<b>1,313,626,522</b>	<b>280,719,087</b>	<b>965,735,967</b>	<b>156,955,519</b>	<b>27,208,601</b>	<b>1,456,100,724</b>	<b>373,350,323</b>	<b>216,703,194</b>	<b>6,092,234,637</b>
	Rescission approved by Joint Fiscal Committee 8/18/09		(17,558,157)	-	1,800,000	1,068,343	(5,129,926)	(1,516,973)	-	(3,505,055)	(300,857)	630,430	(24,512,195)
	Adjustments to reductions included in as passed and rescission												
	Alternate Savings Plan (2009 Spec Sess Act 2 Sec 10(d))		4,311,811	-	-	(1,298,861)	(2,644,254)	-	-	(3,995,038)	(292,190)	(1,170,955)	(5,089,487)
	Labor Savings Plan		267,932	(1,713,505)	-	(217,485)	(736,253)	-	-	(945,569)	(81,356)	(778,744)	(4,204,980)
	AHS Grant and Contract Reductions (2009 Spec Sess Act 1 Sec B.1104)		44,695	-	-	10,600	(643,133)	-	-	(378,870)	(71,066)	-	(1,037,774)
	Distribution of Premium Rate Holiday (from Labor Savings Plan)		-	-	-	-	-	-	-	(4,909)	-	-	(4,909)
	<b>FY 2010 Revised Budget (Post Rescission)</b>		<b>1,075,345,300</b>	<b>211,842,176</b>	<b>1,315,426,522</b>	<b>280,281,684</b>	<b>956,582,401</b>	<b>155,438,546</b>	<b>27,208,601</b>	<b>1,447,271,283</b>	<b>372,604,854</b>	<b>215,383,925</b>	<b>6,057,385,292</b>
<b>FY 2010 RECOMMENDED BUDGET APPROPRIATION ADJUSTMENTS</b>													
<b>GENERAL GOVERNMENT</b>													
Information and Innovation	Communications and Information Technology	B.101	120,798	-	-	-	-	-	-	-	-	(254,006)	(133,208)
Information and Innovation	Health Care Information Technology	B.102	-	-	-	(2,547,601)	(339,500)	-	-	-	-	-	(2,887,101)
Finance & Management	Financial Operations	B.104	-	-	-	-	-	-	-	-	-	4,006	4,006
Tax	Administration/collection	B.109	-	-	-	(97,503)	-	-	-	-	-	-	(97,503)
Buildings & General Services	Engineering	B.111	13,502	-	-	-	-	-	-	-	-	-	13,502
Lottery Commission	Lottery Commission	B.143	-	-	-	-	-	-	-	-	-	200,000	200,000
	<b>TOTAL GENERAL GOVERNMENT</b>		<b>134,300</b>	<b>-</b>	<b>-</b>	<b>(2,645,104)</b>	<b>(339,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,000)</b>	<b>(2,900,304)</b>
<b>PROTECTION</b>													
Public safety	State Police	B.209	(122,000)	-	-	-	-	-	-	-	-	-	(122,000)
Public safety	State Police	B.209	(2,150,000)	-	-	-	-	-	-	-	(4,400,000)	6,550,000	-
Public safety	Fire Safety	B.212	122,000	-	-	-	-	-	-	-	-	-	122,000
Public safety	Fire Safety	B.212	600,000	-	-	-	-	-	-	-	-	-	600,000
Military	Military - Air Service Contract	B.216	33,000	-	-	-	-	-	-	-	-	-	33,000
Criminal Justice Training Council	Criminal Justice Training Council	B.221	89,718	-	-	-	-	-	-	-	-	-	89,718
Public Service	Regulation & Energy	B.235	-	-	-	(31,592,500)	-	-	-	-	-	-	(31,592,500)
	<b>TOTAL PROTECTION</b>		<b>(1,427,282)</b>	<b>-</b>	<b>-</b>	<b>(31,592,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,400,000)</b>	<b>6,550,000</b>	<b>(30,869,782)</b>
<b>HUMAN SERVICES</b>													
Secretary's Office	Global Commitment	B.301	12,886,127	-	-	579,460	-	(2,587,084)	(2,812,913)	2,449,006	3,771,061	-	14,285,657
Office of Vermont Health Access	Administration	B.306	-	-	-	2,547,601	339,500	-	-	-	-	-	2,887,101
Office of Vermont Health Access	Medicaid Program - Global Commitment	B.307	-	-	-	-	2,415,420	-	-	-	-	-	2,415,420
Office of Vermont Health Access	Medicaid Program - Long-term Care Waiver	B.308	(1,232,421)	-	-	-	-	-	-	(2,298,457)	(549,043)	-	(4,079,921)
Office of Vermont Health Access	Medicaid Program - State Only	B.309	(2,138,656)	-	-	-	(1,887)	-	3,817,374	-	-	-	1,676,831
Office of Vermont Health Access	Medicaid Non-waiver Matched	B.310	35,885	-	-	-	-	-	-	1,560,226	(1,060,380)	-	535,731
Health	Administration & Support	B.311	(241,918)	-	-	-	(915,379)	-	-	(21,155)	-	-	(1,178,452)
Health	Public Health	B.312	91,765	-	-	-	542,558	-	77,000	(181,892)	-	-	529,431
Health	Alcohol and Drug Abuse Programs	B.313	(20,000)	-	-	-	1,246,634	-	-	-	-	-	1,226,634
Mental Health	Mental Health	B.314	83,391	-	-	-	2,037,286	-	-	203,048	-	-	2,323,725
Mental Health	Vermont State Hospital	B.315	-	-	-	(75,000)	-	-	-	-	-	-	(75,000)
Dept. for Children & Families	Administration & Support Services	B.316	-	-	-	-	75,000	-	-	-	-	-	75,000
Dept. for Children & Families	Family Services	B.317	524,000	-	-	-	(1,553,750)	-	-	144,375	-	-	(885,375)
Dept. for Children & Families	Child Development	B.318	(202,379)	-	-	-	462,087	-	-	-	-	-	259,708
Dept. for Children & Families	Aid to Aged, Blind, and Disabled	B.320	784,800	-	-	-	-	-	-	-	-	-	784,800
Dept. for Children & Families	General Assistance	B.321	744,960	-	-	-	100,000	-	-	-	-	-	844,960
Dept. for Children & Families	Reach Up	B.323	49,745	-	-	1,450,000	-	-	-	(700,000)	2,290,176	-	3,089,921
Disabilities, Aging, & Independent Living	Administration & Support	B.329	-	-	-	-	-	-	-	-	-	50,903	50,903
Disabilities, Aging, & Independent Living	Advocacy & Independent Living	B.330	(300,000)	-	-	-	481,047	-	-	-	-	-	181,047
Disabilities, Aging, & Independent Living	Vocational Rehabilitation	B.332	-	-	-	-	-	-	-	-	(126,720)	-	(126,720)

**FISCAL YEAR 2010 BUDGET RECOMMENDED ADJUSTMENT**

FUNCTION / Department	Appropriation Title	2009 (Spec Sess) Act 1 Section Amended	General Fund	Transportation Fund	Education Fund	Special & Tobacco Funds	Global Commitment Fund	State Health Care Resources Fund	Catamount Fund	Federal Funds	ARRA (1) Funds	Other (2) Funds	Combined Funds
Disabilities, Aging, & Independent Living	Developmental Services	B.333	-	-	-	-	4,291,500	-	-	-	-	-	4,291,500
Disabilities, Aging, & Independent Living	TBI Home & Community Based Waiver	B.334	-	-	-	-	78,000	-	-	-	-	-	78,000
Corrections	Correctional Services-Out-of-State Beds	B.339	2,642,524	-	-	-	-	-	-	-	-	-	2,642,524
<b>TOTAL HUMAN SERVICES</b>			<b>13,707,823</b>	<b>-</b>	<b>-</b>	<b>4,502,061</b>	<b>9,598,016</b>	<b>(2,587,084)</b>	<b>1,081,461</b>	<b>1,155,151</b>	<b>4,325,094</b>	<b>50,903</b>	<b>31,833,425</b>
<b>LABOR</b>													
Labor	Administration	B.400	-	-	-	-	-	-	-	-	(875,000)	-	(875,000)
<b>TOTAL LABOR</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(875,000)</b>	<b>-</b>	<b>(875,000)</b>
<b>EDUCATION</b>													
Education	State - Placed Students	B.503	-	-	(3,300,000)	-	-	-	-	-	-	-	(3,300,000)
Education	Adjusted Education Payment	B.505	-	-	1,350,000	-	-	-	-	-	(38,575,036)	38,575,036	1,350,000
<b>TOTAL EDUCATION</b>			<b>-</b>	<b>-</b>	<b>(1,950,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,575,036)</b>	<b>38,575,036</b>	<b>(1,950,000)</b>
<b>NATURAL RESOURCES</b>													
Environmental Conservation	Air and Waste Management	B.714	-	-	-	750,000	-	-	-	-	-	-	750,000
<b>TOTAL NATURAL RESOURCES</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750,000</b>
<b>COMMERCE AND COMMUNITY DEVELOPMENT</b>													
Housing and Community Affairs	Housing and Community Affairs	B.801	-	-	-	(408,700)	-	-	-	-	-	-	(408,700)
<b>TOTAL COMMERCE &amp; COMMUNITY DEVELOPMENT</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>(408,700)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(408,700)</b>
<b>TRANSPORTATION</b>													
Transportation	Program Development	B.903	-	(1,980,513)	-	-	-	-	-	336,026	-	2,574,559	930,072
Transportation	Town Highway Emergency Fund	B.918	-	520,000	-	-	-	-	-	-	-	-	520,000
<b>TOTAL TRANSPORTATION</b>			<b>-</b>	<b>(1,460,513)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336,026</b>	<b>-</b>	<b>2,574,559</b>	<b>1,450,072</b>
<b>DEBT SERVICE</b>													
Debt Service	Debt Service	B.1000	(52,740)	(4,738)	-	-	-	-	-	-	-	-	(57,478)
Debt Service	Short Term Borrowing	B.1000.1	(476,792)	-	-	-	-	-	-	-	-	-	(476,792)
<b>TOTAL DEBT SERVICE</b>			<b>(529,532)</b>	<b>(4,738)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(534,270)</b>
<b>OTHER (with \$\$ appropriation changes)</b>													
Secretary of Administration	Entrepreneurs' Seed Capital Fund (VEDA)	B.1101(a)(12)	2,150,000	-	-	-	-	-	-	-	(2,150,000)	-	-
Treasurer	State Employees Retirement System	B.1101(a)(13)	965,000	-	-	-	-	-	-	-	-	-	965,000
Military	Survivors of casualties of war on terrorism	B.1101(a)(14)	30,000	-	-	-	-	-	-	-	-	-	30,000
Secretary of Administration	VEDA - Vt Jobs Fund		-	-	-	-	-	-	-	-	-	-	-
Secretary of Administration	Economic Development for job training	B.1101(b)(2)	-	-	-	-	-	-	-	-	-	-	-
Secretary of Administration	Tourism & Marketing	B.1101(b)(3)	-	-	-	-	-	-	-	-	-	-	-
Secretary of Administration	Public Safety - State Police	B.1101(b)(4)	-	-	-	-	-	-	-	-	6,550,000	-	6,550,000
Secretary of Administration	Secretary of administration - secretary's office	B.1101(b)(5)	-	-	-	-	-	-	-	-	38,575,036	-	38,575,036
<b>TOTAL OTHER</b>			<b>3,145,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,975,036</b>	<b>-</b>	<b>46,120,036</b>
<b>TOTAL APPROPRIATION CHANGE</b>			<b>15,030,309</b>	<b>(1,465,251)</b>	<b>(1,950,000)</b>	<b>(29,394,243)</b>	<b>9,258,516</b>	<b>(2,587,084)</b>	<b>1,081,461</b>	<b>1,491,177</b>	<b>3,450,094</b>	<b>47,700,498</b>	<b>42,615,477</b>
<b>FY 2010 APPROPRIATION AFTER BAA RECOMMENDATION</b>			<b>1,090,375,609</b>	<b>210,376,925</b>	<b>1,313,476,522</b>	<b>250,887,441</b>	<b>965,840,917</b>	<b>152,851,462</b>	<b>28,290,062</b>	<b>1,448,762,460</b>	<b>376,054,948</b>	<b>263,084,423</b>	<b>6,100,000,769</b>

(1) Federal American Recovery & Reinvestment Act of 2009 (federal stimulus).

(2) Other Funds include: TIB, Fish & Wildlife, Local Match, Trust Funds, Enterprise Funds, Internal Service Funds, and Interdepartmental Transfers.

**General Fund Summary**  
**Fiscal Years 2008 - 2012**  
(\$ in Millions)

	Actual FY 2008	Actual FY 2009	Governor's Recommended Adjustment FY 2010	Governor's Recommend FY 2011	Forecast FY 2012
<b>Sources</b>					
Current law revenues	1,199.74	1,103.98	1,030.90	1,086.60	1,158.60
VEDA debt forgiveness	-	-	(0.20)	-	-
Direct applications, transfers in & reversions	16.64	37.71	16.77	24.70	10.00
Other bills and tax changes	-	6.12	10.34	(0.41)	(16.91)
Additional property transfer tax to GF	3.15	1.30	5.52	5.90	7.08
For appropriation from GF reserve	10.87	19.13	14.85	4.96	-
<b>Total sources</b>	<b>1,230.39</b>	<b>1,168.24</b>	<b>1,078.17</b>	<b>1,121.75</b>	<b>1,158.77</b>
<b>Uses</b>					
Base appropriations, including ARRA offset	1,162.70	1,286.23	1,264.70	1,220.24	1,151.82
Budget adjustment and rescission(s)	12.08	(27.31)	2.10	-	-
	1,174.78	1,258.92	1,266.80	1,220.24	1,151.82
Percent increase/(decrease)	4.44%	7.16%	0.63%	-3.68%	-5.61%
Less Base ARRA funding	-	(76.33)	(192.27)	(113.29)	-
Base Appropriation Net of ARRA	1,174.78	1,182.59	1,074.53	1,106.95	1,151.82
Budget adjustment - one time	6.14	(42.65)	-	-	-
Other Bills	0.10	1.82	2.56	-	-
One-time appropriations	12.46	2.23	13.28	11.55	-
One-time waterfall and other adjustments	6.79	2.30	-	-	-
<b>Total uses</b>	<b>1,200.27</b>	<b>1,146.29</b>	<b>1,090.38</b>	<b>1,118.50</b>	<b>1,151.82</b>
<b>Subtotal operating surplus (deficit)</b>	<b>30.12</b>	<b>21.95</b>	<b>(12.21)</b>	<b>3.25</b>	<b>6.95</b>
<b>Allocation of surplus - Transfers (to) /from other funds</b>					
Transportation fund	-	-	1.71	-	-
Education fund	4.70	(0.67)	-	-	-
Tobacco settlement fund	-	3.65	-	-	-
Reserve for bond issuance premium	-	-	1.18	-	-
Catamount fund	(3.50)	-	-	-	-
Next generation fund	-	(7.29)	(3.29)	(4.79)	(4.79)
Human services caseload reserve	-	0.96	16.22	-	-
Federal funds (Part "D" refund)	(0.26)	-	-	-	-
Internal service funds and assorted funds	(8.51)	0.78	(1.34)	(1.25)	(0.75)
Total transfers (to) / from other funds	(7.57)	(2.58)	14.47	(6.04)	(5.54)
Reserved in GF (designated)					
Budget Stabilization Reserve	(2.62)	(2.17)	2.70	2.80	(1.41)
Reserved in GF Surplus/Other Reserve	(19.93)	(17.20)	(4.96)	-	-
Total reserved in the GF (designated)	(22.55)	(19.37)	(2.26)	2.80	(1.41)
<b>Total allocated</b>	<b>(30.12)</b>	<b>(21.95)</b>	<b>12.21</b>	<b>(3.25)</b>	<b>(6.95)</b>
<b>Unallocated operating surplus (deficit)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Stabilization Reserve 5% statutory level</b>	<b>57.84</b>	<b>60.01</b>	<b>57.31</b>	<b>54.52</b>	<b>55.93</b>
<b>GF Reserves (cumulative)</b>					
Budget Stabilization Reserve	57.84	60.01	57.31	54.52	55.93
Human Services Caseload Reserve	17.24	16.29	0.07	0.07	0.07
Bond Premium/Other Short Term Reserves	0.95	1.18	-	-	-
Reserved in GF Surplus Reserve	18.98	14.84	4.96	-	-
<b>Total GF Reserve Balance</b>	<b>95.01</b>	<b>92.32</b>	<b>62.34</b>	<b>54.58</b>	<b>55.99</b>

\* Results may not add due to rounding.

**Transportation Fund Summary**  
**Fiscal Years 2008 - 2012**  
(\$ in Millions)

	Actual FY 2008	Actual FY 2009	Governor's Recommended Adjustment FY 2010	Governor's Recommend FY 2011	Forecast FY 2012
<b>Sources</b>					
Current law revenues	223.08	203.69	212.20	218.00	226.60
Proposed fee bill and new revenue	-	0.67	-	(0.07)	(0.07)
Direct applications & reversions	4.80	-	-	-	-
For appropriation from TF Reserve	3.22	0.63	-	-	-
<b>Total sources</b>	<b>231.10</b>	<b>204.99</b>	<b>212.20</b>	<b>217.93</b>	<b>226.53</b>
<b>Uses</b>					
Base appropriations	228.95	198.50	211.74	215.81	224.43
Budget adjustments and rescissions	-	7.17	(1.47)	-	-
One-time approps from prior year	-	-	-	-	-
<b>Total uses</b>	<b>228.95</b>	<b>205.67</b>	<b>210.28</b>	<b>215.81</b>	<b>224.43</b>
<b>Subtotal operating surplus (deficit)</b>	<b>2.15</b>	<b>(0.68)</b>	<b>1.92</b>	<b>2.12</b>	<b>2.10</b>
<b>Allocation of surplus</b>					
Transfers (to) / from other funds					
General Fund	-	-	(1.71)	-	-
Downtown Fund	(0.73)	(0.40)	(0.40)	(0.40)	(0.40)
Central Garage Fund	0.10	1.49	(1.12)	(1.12)	(1.12)
VT Recreational Trail Fund	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
Other Funds	-	0.73	-	-	-
Total transfers (to) / from other funds	(1.00)	1.44	(3.60)	(1.89)	(1.89)
Reserved in the TF (designated)					
Budget Stabilization Reserve	(0.53)	(0.09)	1.01	(0.23)	(0.28)
Bond Reserve	-	(0.67)	0.67	-	-
Reserved in TF Surplus Reserve	(0.62)	-	-	-	-
Total reserved in the TF (designated)	(1.15)	(0.76)	1.68	(0.23)	(0.28)
<b>Total allocated</b>	<b>(2.15)</b>	<b>0.68</b>	<b>(1.92)</b>	<b>(2.12)</b>	<b>(2.17)</b>
<b>Unallocated operating surplus(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Stabilization Reserve up to 5% Statutory Level</b>	<b>11.20</b>	<b>11.29</b>	<b>10.28</b>	<b>10.51</b>	<b>10.79</b>
<b>TF Reserves (cumulative)</b>					
Bond Reserve	-	0.67	-	-	-
Budget Stabilization Reserve	11.20	11.29	10.28	10.51	10.79
Reserved in TF Surplus Reserve	0.62	-	-	-	-
<b>Total TF Reserve Balance</b>	<b>11.82</b>	<b>11.96</b>	<b>10.28</b>	<b>10.51</b>	<b>10.79</b>

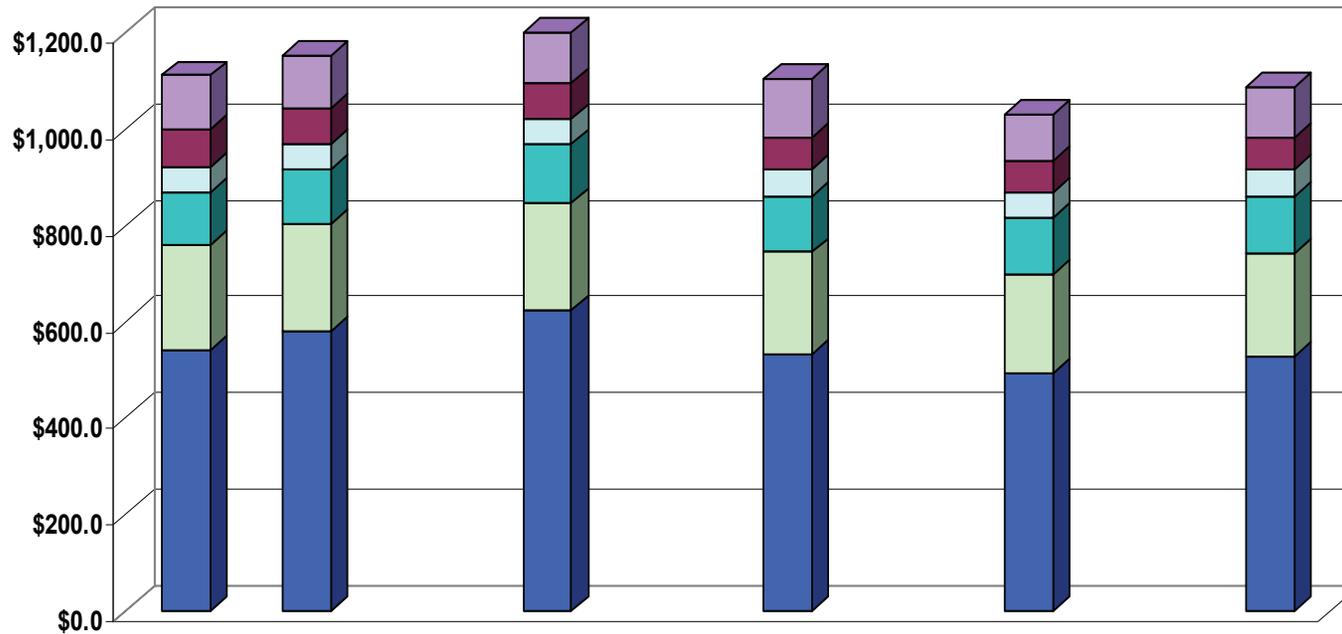
Results may not add due to rounding.

**Education Fund Summary**  
**Fiscal Years 2008 - 2011**  
(\$ in Millions)

	Actual FY 2008	Actual FY 2009	Governor's Recommended Adjustment FY 2010	Governor's Proposed FY 2011
<b>Sources</b>				
Current law revenues	28.29	24.00	24.43	25.13
Sales & use tax	112.80	107.05	103.20	107.00
Lottery revenue	22.71	20.95	20.40	21.00
Non-residential tax	477.48	524.10	558.19	548.83
Homestead Tax	321.43	352.71	347.91	380.24
General fund appropriations	280.20	291.13	240.80	240.80
Medicaid reimbursement	6.45	-	-	-
Direct applications/reversions	-	-	-	-
Interest on fund balance	(1.31)	0.26	0.10	0.20
<b>Total sources</b>	<b>1,248.05</b>	<b>1,320.20</b>	<b>1,295.03</b>	<b>1,323.20</b>
<b>Uses</b>				
Base appropriations <sup>(1)</sup>	1,259.24	1,321.29	1,313.47	1,334.10
Appropriation savings	(3.39)	(2.02)	-	(11.27)
<b>Total uses</b>	<b>1,255.85</b>	<b>1,319.27</b>	<b>1,313.47</b>	<b>1,322.83</b>
<b>Subtotal operating surplus (deficit)</b>	<b>(7.80)</b>	<b>0.93</b>	<b>(18.44)</b>	<b>0.36</b>
<b>Allocation of surplus/(deficit)</b>				
Transfer to/(from) the stabilization reserve	1.15	1.69	(8.32)	0.36
Transfer to/(from) continuing appropriations	1.33	(1.57)	(3.49)	-
Transfer to/(from) unallocated	(10.28)	0.82	(6.64)	-
<b>Total allocated</b>	<b>(7.80)</b>	<b>0.93</b>	<b>(18.44)</b>	<b>0.36</b>
<b>Education fund reserves</b>				
<b>Budget stabilization reserve</b>	<b>29.39</b>	<b>31.08</b>	<b>22.76</b>	<b>23.13</b>
<b>Minimum statutory reserve at 3.5%</b>	<b>20.57</b>	<b>21.76</b>	<b>20.81</b>	<b>20.73</b>
<b>Maximum statutory reserve at 5%</b>	<b>29.39</b>	<b>31.08</b>	<b>29.73</b>	<b>29.61</b>

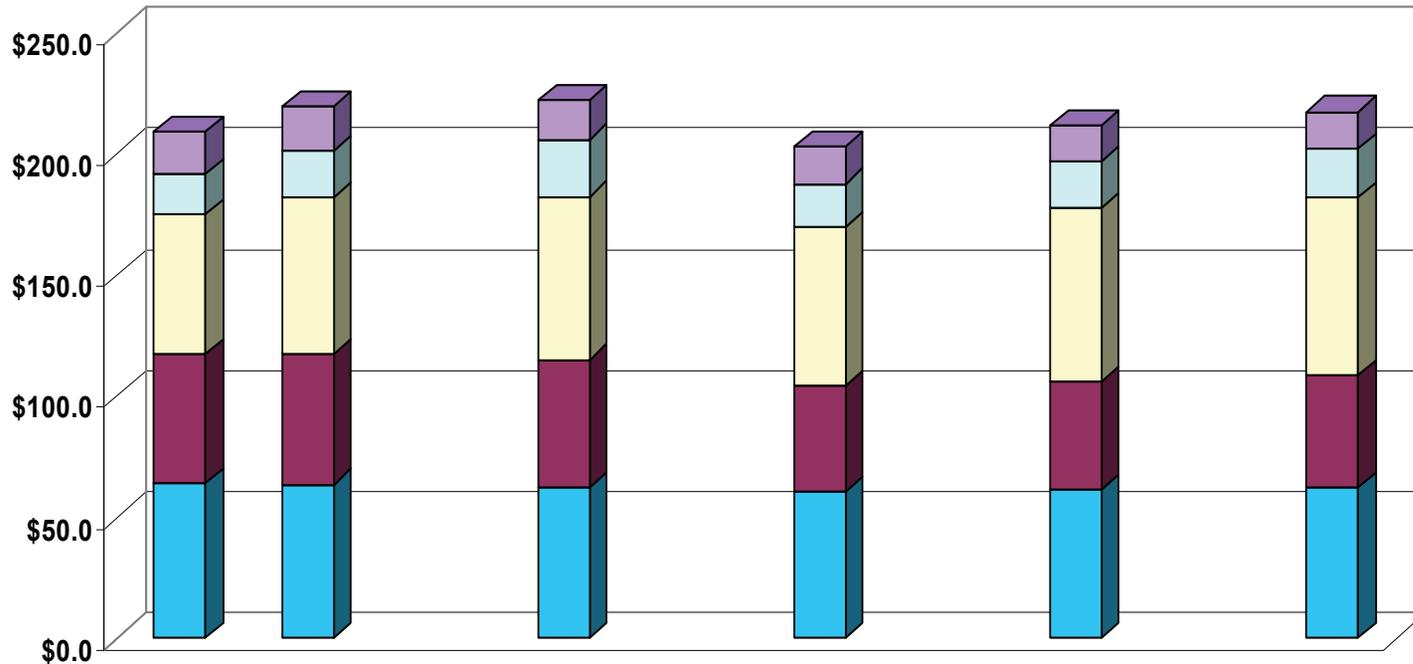
\*Results may not add due to rounding.

## General Fund Revenue by Component FY 2006 to FY 2011



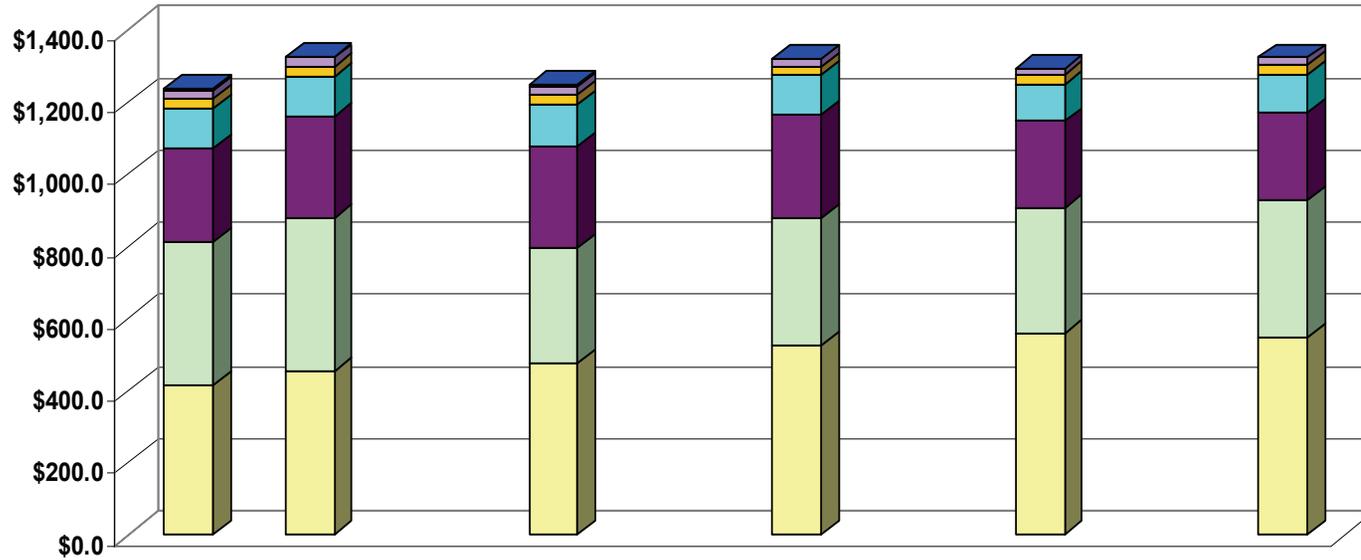
(\$ in Millions)	FY 2006 Actual	FY 2007 Actual	% Change 2006-2007	FY 2008 Actual	% Change 2007 - 2008	FY 2009 Actual	% Change 2008 - 2009	FY 2010 Projected	% Change 20090-2010	FY 2011 Projected	% Change 2010 - 2011
Other	\$ 112.8	\$ 107.1	-5.0%	\$ 101.3	-5.4%	\$ 122.6	21.0%	\$ 97.8	-20.2%	\$ 103.3	5.6%
Corporate	\$ 75.9	\$ 72.8	-4.0%	\$ 74.6	2.4%	\$ 66.2	-11.3%	\$ 63.1	-4.6%	\$ 65.7	4.1%
Insurance	\$ 52.5	\$ 52.9	0.7%	\$ 54.9	3.9%	\$ 53.7	-2.1%	\$ 55.2	2.8%	\$ 56.7	2.7%
Meals and Rooms	\$ 111.8	\$ 114.9	2.8%	\$ 121.1	5.4%	\$ 117.1	-3.3%	\$ 116.4	-0.6%	\$ 120.1	3.2%
Sales and Use Taxes	\$ 216.9	\$ 222.5	2.6%	\$ 225.6	1.4%	\$ 214.1	-5.1%	\$ 206.4	-3.6%	\$ 214.0	3.7%
Personal Income Tax	\$ 542.0	\$ 581.2	7.2%	\$ 622.3	7.1%	\$ 530.3	-14.8%	\$ 492.0	-7.2%	\$ 526.8	7.1%
<b>Total</b>	<b>\$ 1,111.9</b>	<b>\$ 1,151.4</b>	<b>3.5%</b>	<b>\$ 1,199.8</b>	<b>4.2%</b>	<b>\$ 1,104.0</b>	<b>-8.0%</b>	<b>\$ 1,030.9</b>	<b>-6.6%</b>	<b>\$ 1,086.6</b>	<b>5.4%</b>

## Transportation Fund Revenue by Component FY 2006 to FY 2011



(\$ in Millions)	FY 2006 Actual	FY 2007 Actual	% Change 2006-2007	FY 2008 Actual	% Change 2007 - 2008	FY 2009 Actual	% Change 2008 - 2009	FY 2010 Projected	% Change 2009-2010	FY 2011 Projected	% Change 2010 - 2011
Diesel Fuel Tax	\$ 17.7	\$ 18.0	1.6%	\$ 16.6	-7.8%	\$ 15.5	-6.6%	\$ 15.0	-3.2%	\$ 15.6	4.0%
Other Revenues	\$ 17.1	\$ 19.2	12.2%	\$ 23.7	23.3%	\$ 18.0	-24.0%	\$ 19.1	6.1%	\$ 19.8	3.7%
Motor Vehicle Fees	\$ 57.4	\$ 65.4	14.0%	\$ 67.5	3.2%	\$ 65.5	-3.0%	\$ 72.1	10.1%	\$ 74.0	2.6%
Purchase & Use Tax	\$ 53.9	\$ 53.8	-0.3%	\$ 52.7	-2.0%	\$ 44.0	-16.5%	\$ 44.7	1.6%	\$ 46.3	3.6%
Gasoline Tax	\$ 63.8	\$ 63.6	-0.3%	\$ 62.6	-1.6%	\$ 60.6	-3.2%	\$ 61.3	1.2%	\$ 62.3	1.6%
<b>Total</b>	<b>\$ 209.9</b>	<b>\$ 220.0</b>	<b>4.8%</b>	<b>\$ 223.1</b>	<b>1.4%</b>	<b>\$ 203.6</b>	<b>-8.7%</b>	<b>\$ 212.2</b>	<b>4.2%</b>	<b>\$ 218.0</b>	<b>2.7%</b>

## Education Fund Revenue by Component FY 2006 to FY 2011



(\$ in Millions)	FY 2006 Actual	FY 2007 Actual	% Change 2006-2007	FY 2008 Actual	% Change 2007 - 2008	FY 2009 Actual	% Change 2008 - 2009	FY 2010 Projected	% Change 2009-2010	FY 2011 Projected	% Change 2010 - 2011
Other	\$ 6.6	\$ 4.3	-34.9%	\$ 5.2	20.0%	\$ 0.9	-82.0%	\$ 0.1	-85.7%	\$ 0.2	80.5%
Lottery Revenue	\$ 22.8	\$ 23.3	2.2%	\$ 22.7	-2.6%	\$ 21.0	-7.7%	\$ 20.4	-2.6%	\$ 21.0	2.9%
Current Law Revenue	\$ 28.8	\$ 28.8	0.0%	\$ 28.3	-1.8%	\$ 24.0	-15.2%	\$ 24.4	1.8%	\$ 25.1	2.9%
Sales & Use Tax	\$ 108.5	\$ 111.2	2.5%	\$ 112.8	1.4%	\$ 107.1	-5.1%	\$ 103.2	-3.6%	\$ 107.0	3.7%
General Fund Approp.	\$ 259.3	\$ 282.4	8.9%	\$ 280.2	-0.8%	\$ 291.1	3.9%	\$ 240.8	-17.3%	\$ 240.8	0.0%
Homestead Tax	\$ 394.5	\$ 422.5	7.1%	\$ 321.4	-23.9%	\$ 352.7	9.7%	\$ 347.9	-1.4%	\$ 380.2	9.3%
Non-Residential Tax	\$ 418.1	\$ 455.1	8.9%	\$ 477.5	4.9%	\$ 524.1	9.8%	\$ 558.2	6.5%	\$ 548.8	-1.7%
<b>Total</b>	<b>\$ 1,238.6</b>	<b>\$1,327.6</b>	<b>7.2%</b>	<b>\$ 1,248.1</b>	<b>-6.0%</b>	<b>\$ 1,320.9</b>	<b>5.8%</b>	<b>\$ 1,295.1</b>	<b>-2.0%</b>	<b>\$ 1,323.2</b>	<b>2.2%</b>

**STATE OF VERMONT - FY 2010 APPROPRIATIONS - BUDGET ADJUSTMENT RECOMMENDATIONS**

Funding Sources	FY 2009 Final Appropriation	FY 2010 Governor's BAA Recommend (d)	% Change Prior Year	All General Government			Total Human Services		
				General Government	Property Tax Assistance (e)	Protection to Persons & Property	Corrections	Non-Medicaid	Medicaid/LTC Federal & State Only
General Fund (GF)	1,146,278,770	1,090,375,609	-4.88%	38,730,484	27,076,058	88,086,583	127,781,678	146,325,834	167,522,111
Transportation Fund	212,845,156	210,376,925	-1.16%	-	-	28,352,807	-	-	-
Education Fund (EF)	1,321,957,273	1,313,476,522	-0.64%	-	9,403,687	-	-	-	-
Fish & Wildlife	15,426,252	16,355,474	6.02%	-	-	-	-	-	-
Special Funds (b)	436,307,790	447,169,342	2.49%	8,777,196	-	69,746,412	1,732,283	58,310,888	223,939,098
Sub-Total	3,132,815,241	3,077,753,872	-1.76%	47,507,680	36,479,745	186,185,802	129,513,961	204,636,722	391,461,209
Adjust for inter-fund appropriation: GF Transfer to EF	(291,127,800)	(240,803,944)	-17.29%	-	-	-	-	-	-
<b>Total State Funds after EF Transfer</b>	<b>2,841,687,441</b>	<b>2,836,949,928</b>	<b>-0.17%</b>	<b>47,507,680</b>	<b>36,479,745</b>	<b>186,185,802</b>	<b>129,513,961</b>	<b>204,636,722</b>	<b>391,461,209</b>
percent of total	63.99%	59.95%		1.67%	1.29%	6.56%	4.57%	7.21%	13.80%
<b>Federal Funds</b>	<b>1,354,779,066</b>	<b>1,448,762,460</b>	<b>6.94%</b>	<b>841,770</b>	<b>-</b>	<b>46,284,751</b>	<b>584,861</b>	<b>217,423,178</b>	<b>762,448,160</b>
<b>Federal ARRA Funds (c)</b>	<b>178,344,712</b>	<b>376,054,948</b>	<b>110.86%</b>	<b>-</b>	<b>-</b>	<b>35,451,349</b>	<b>-</b>	<b>30,672,439</b>	<b>135,882,723</b>
<b>Total Funds Before Dedicated Dollars</b>	<b>4,374,811,219</b>	<b>4,661,767,336</b>	<b>6.56%</b>	<b>48,349,450</b>	<b>36,479,745</b>	<b>267,921,902</b>	<b>130,098,822</b>	<b>452,732,339</b>	<b>1,289,792,092</b>
percent of total	98.51%	98.52%		1.04%	0.78%	5.75%	2.79%	9.71%	27.67%
<b>Dedicated Sources</b>									
Local Match	2,553,311	2,993,800	17.25%	-	-	-	-	-	-
Enterprise Funds	8,254,019	8,669,664	5.04%	3,016,105	-	4,802,581	-	-	-
Pension Trust & Private Purpose Trust Funds	55,251,374	58,583,801	6.03%	31,002,159	-	-	-	10,000	-
Sub-Total	66,058,704	70,247,265	6.34%	34,018,264	-	4,802,581	-	10,000	-
<b>Total Funds and Dedicated Sources</b>	<b>4,440,869,923</b>	<b>4,732,014,601</b>	<b>6.56%</b>	<b>82,367,714</b>	<b>36,479,745</b>	<b>272,724,483</b>	<b>130,098,822</b>	<b>452,742,339</b>	<b>1,289,792,092</b>
	100.00%	100.00%		1.74%	0.77%	5.76%	2.75%	9.57%	27.26%
<b>Funds Sources that are duplicated in the above appropriations:</b>									
Internal Service Funds	66,118,435	70,929,433	7.28%	52,448,828	-	-	1,632,530	-	-
Interdepartmental Transfer	32,670,160	45,286,838	38.62%	5,933,570	-	9,663,948	3,490,225	13,813,867	362,654
Interdepartmental Transfer - ARRA	-	45,125,036	0.00%	-	-	6,550,000	-	-	-
Global Commitment Fund	900,965,265	965,840,917	7.20%	188,393	-	1,898,824	3,094,144	-	955,215,673
Total	999,753,860	1,127,182,224	12.75%	58,570,791	-	18,112,772	8,216,899	13,813,867	955,578,327
Memo: Total All Appropriations	5,731,751,583	6,100,000,769	6.42%	140,938,505	36,479,745	290,837,255	138,315,721	466,556,206	2,245,370,419

**NOTES** (this page):

(a) 2009 Special Session Act 1, plus other 2009 session and 2009 special session Acts.

(b) Special Funds include Tobacco Fund, Catamount Fund, State Health Care Resources, Next Generation Fund, and Transportation Infrastructure Bond Fund.

(c) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).

(d) Governor's FY 2010 Recommended Budget Adjustments, submitted to the General Assembly on January 19, 2010.

(e) Includes Homeowner rebate; Renter rebate; reappraisal and listing payments; and municipal current use.

**STATE OF VERMONT - FY 2010 APPROPRIATIONS - BUDGET ADJUSTMENT RECOMMENDATIONS**

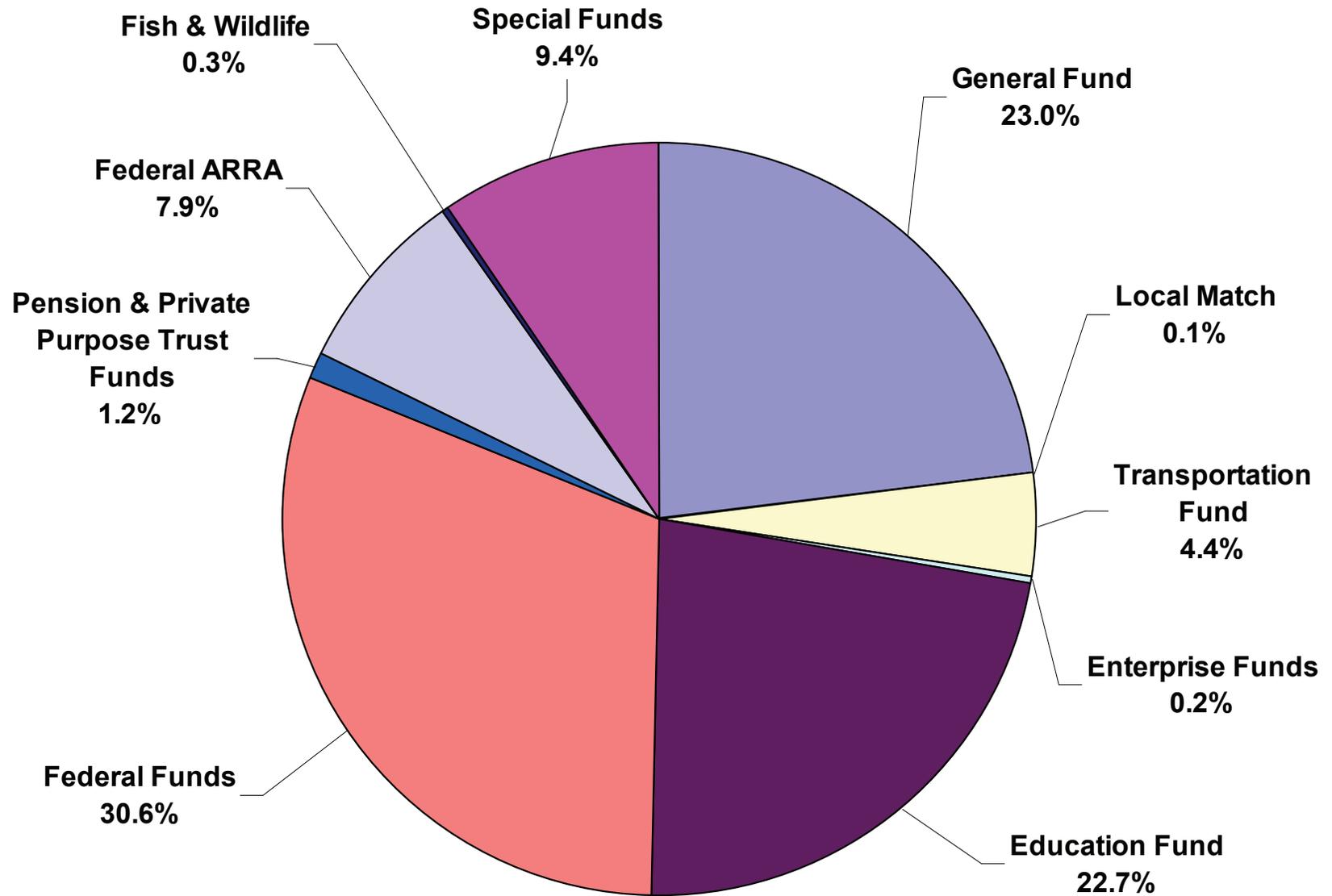
<b>Funding Sources</b>	<b>Labor</b>	<b>General Education</b>	<b>Higher Education &amp; Other</b>	<b>Natural Resources</b>	<b>Commerce &amp; Community Development</b>	<b>Transportation</b>	<b>Debt Service</b>	<b>Other</b>
General Fund (GF)	2,494,633	289,851,627	91,550,748	21,104,000	14,720,095	-	65,391,180	9,740,578
Transportation Fund	-	-	-	-	-	178,418,341	3,555,777	50,000
Education Fund (EF)	-	1,304,072,835	-	-	-	-	-	-
Fish & Wildlife	-	-	-	16,355,474	-	-	-	-
Special Funds <sup>(b)</sup>	3,637,300	17,321,479	3,293,000	28,753,682	12,474,912	15,140,377	2,499,715	1,543,000
Sub-Total	6,131,933	1,611,245,941	94,843,748	66,213,156	27,195,007	193,558,718	71,446,672	11,333,578
Adjust for inter-fund appropriation: GF Transfer to EF		(240,803,944)						
<b>Total State Funds after EF Transfer</b>	<b>6,131,933</b>	<b>1,370,441,997</b>	<b>94,843,748</b>	<b>66,213,156</b>	<b>27,195,007</b>	<b>193,558,718</b>	<b>71,446,672</b>	<b>11,333,578</b>
percent of total	0.22%	48.31%	3.34%	2.33%	0.96%	6.82%	2.52%	0.40%
<b>Federal Funds</b>	<b>21,198,676</b>	<b>121,738,245</b>	<b>-</b>	<b>14,715,898</b>	<b>35,348,231</b>	<b>228,178,690</b>	<b>-</b>	<b>-</b>
<b>Federal ARRA Funds <sup>(c)</sup></b>	<b>7,793,753</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,982,000</b>	<b>117,197,648</b>	<b>-</b>	<b>47,075,036</b>
<b>Total Funds Before Dedicated Dollars</b>	<b>35,124,362</b>	<b>1,492,180,242</b>	<b>94,843,748</b>	<b>80,929,054</b>	<b>64,525,238</b>	<b>538,935,056</b>	<b>71,446,672</b>	<b>58,408,614</b>
percent of total	0.75%	32.01%	2.03%	1.74%	1.38%	11.56%	1.53%	1.25%
<b>Dedicated Sources</b>								
Local Match	-	-	-	-	-	2,993,800	-	-
Enterprise Funds	-	-	-	-	850,978	-	-	-
Pension Trust & Private Purpose Trust Funds	-	27,571,642	-	-	-	-	-	-
Sub-Total	-	27,571,642	-	-	850,978	2,993,800	-	-
<b>Total Funds and Dedicated Sources</b>	<b>35,124,362</b>	<b>1,519,751,884</b>	<b>94,843,748</b>	<b>80,929,054</b>	<b>65,376,216</b>	<b>541,928,856</b>	<b>71,446,672</b>	<b>58,408,614</b>
	0.74%	32.12%	2.00%	1.71%	1.38%	11.45%	1.51%	1.23%
<b>Funds Sources that are duplicated in the above appropriations:</b>								
Internal Service Funds	-	-	-	-	-	16,848,075	-	-
Interdepartmental Transfer	2,403,838	30,466	-	2,178,179	158,998	7,251,093	-	-
Interdepartmental Transfer - ARRA	-	38,575,036	-	-	-	-	-	-
Global Commitment Fund	-	1,032,320	4,411,563	-	-	-	-	-
Total	2,403,838	39,637,822	4,411,563	2,178,179	158,998	24,099,168	-	-
Memo: Total All Appropriations	37,528,200	1,800,193,650	99,255,311	83,107,233	65,535,214	566,028,024	71,446,672	58,408,614

**NOTES** (this page):

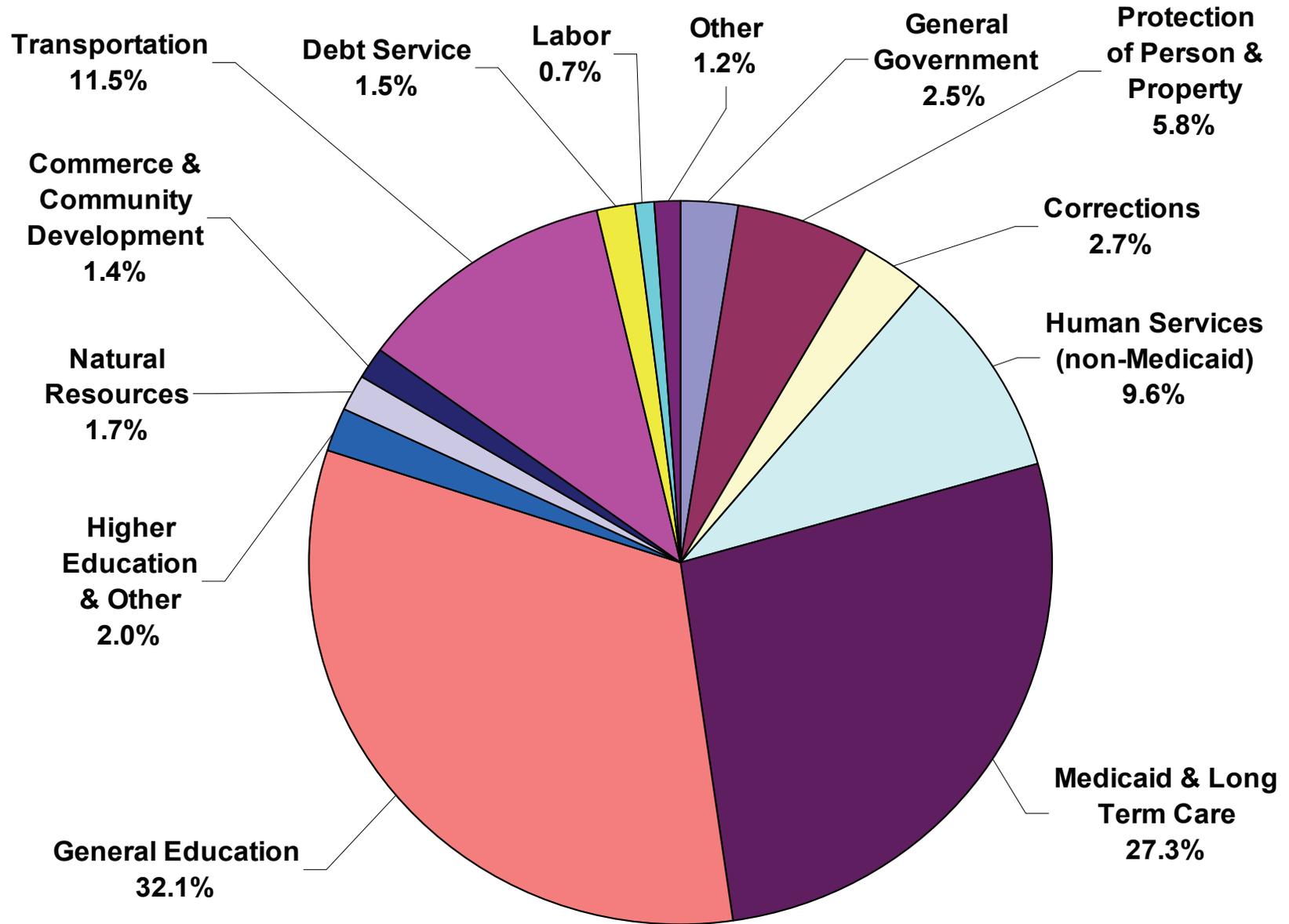
(b) Special Funds include Tobacco Fund, Catamount Fund, State Health Care Resources, Next generation Fund, and Transportation Infrastructure Bond Fund.

(c) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).

**FY 2010 ADJUSTED BUDGET ALL FUNDING SOURCES - by FUND**  
**Total \$4,732,014,601**



**FY 2010 ADJUSTED BUDGET ALL FUNDING SOURCES - by FUNCTION**  
Total \$4,732,014,601



**STATE OF VERMONT - FY 2011 APPROPRIATIONS - GOVERNOR'S BUDGET RECOMMENDATIONS**

Funding Sources	FY 2010 Governor's BAA Recommend (c)	FY 2011 Governor's Recommend (d)	% Change Prior Year	All General Government			Total Human Services		
				General Government	Property Tax Assistance (e)	Protection to Persons & Property	Corrections	Non-Medicaid	Medicaid/LTC Federal & State Only
General Fund (GF)	1,090,375,609	1,118,501,932	2.58%	40,774,787	32,516,653	104,903,583	133,396,480	142,687,027	229,540,533
Transportation Fund	210,376,925	215,809,557	2.58%	-	-	24,852,807	-	-	-
Education Fund (EF)	1,313,476,522	1,322,833,018	0.71%	-	12,762,715	-	-	-	-
Fish & Wildlife	16,355,474	17,113,525	4.63%	-	-	-	-	-	-
Special Funds (a)	447,169,342	455,988,967	1.97%	9,456,078	-	69,188,974	1,961,322	59,827,874	232,324,554
Sub-Total	3,077,753,872	3,130,246,999	1.71%	50,230,865	45,279,368	198,945,364	135,357,802	202,514,901	461,865,087
Adjust for inter-fund appropriation: GF Transfer to EF	(240,803,944)	(240,803,945)	0.00%	-	-	-	-	-	-
<b>Total State Funds after EF Transfer</b>	<b>2,836,949,928</b>	<b>2,889,443,054</b>	<b>1.85%</b>	<b>50,230,865</b>	<b>45,279,368</b>	<b>198,945,364</b>	<b>135,357,802</b>	<b>202,514,901</b>	<b>461,865,087</b>
percent of total	59.95%	60.63%		1.74%	1.57%	6.89%	4.68%	7.01%	15.98%
<b>Federal Funds</b>	<b>1,448,762,460</b>	<b>1,547,314,639</b>	<b>6.80%</b>	<b>955,372</b>	<b>-</b>	<b>57,153,489</b>	<b>170,962</b>	<b>233,377,045</b>	<b>774,650,820</b>
<b>Federal ARRA Funds (b)</b>	<b>376,054,948</b>	<b>251,941,482</b>	<b>-33.00%</b>	<b>-</b>	<b>-</b>	<b>18,539,819</b>	<b>-</b>	<b>16,346,132</b>	<b>69,668,502</b>
<b>Total Funds Before Dedicated Dollars</b>	<b>4,661,767,336</b>	<b>4,688,699,175</b>	<b>0.58%</b>	<b>51,186,237</b>	<b>45,279,368</b>	<b>274,638,672</b>	<b>135,528,764</b>	<b>452,238,078</b>	<b>1,306,184,409</b>
percent of total	98.52%	98.39%		1.09%	0.97%	5.86%	2.89%	9.65%	27.86%
<b>Dedicated Sources</b>									
Local Match	2,993,800	2,193,885	-26.72%	-	-	-	-	-	-
Enterprise Funds	8,669,664	8,677,624	0.09%	2,891,578	-	4,972,629	-	-	-
Pension Trust & Private Purpose Trust Funds	58,583,801	65,916,620		37,673,233	-	-	-	10,000	-
Sub-Total	70,247,265	76,788,129	12.52%	40,564,811	-	4,972,629	-	10,000	-
			9.31%						
<b>Total Funds and Dedicated Sources</b>	<b>4,732,014,601</b>	<b>4,765,487,304</b>	<b>0.71%</b>	<b>91,751,048</b>	<b>45,279,368</b>	<b>279,611,301</b>	<b>135,528,764</b>	<b>452,248,078</b>	<b>1,306,184,409</b>
	100.00%	100.00%		1.93%	0.95%	5.87%	2.84%	9.49%	27.41%
<b>Funds Sources that are duplicated in the above</b>									
Internal Service Funds	70,929,433	70,655,901	-0.39%	51,637,680	-	-	1,540,358	-	-
Interdepartmental Transfer	45,286,838	41,994,828	-7.27%	5,991,990	-	8,833,753	4,056,444	13,746,487	357,667
Interdepartmental Transfer - ARRA	45,125,036	38,575,036	-14.52%	-	-	-	-	-	-
Global Commitment Fund	965,840,917	1,038,660,106	7.54%	195,053	-	1,898,824	3,094,144	-	1,028,007,430
Total	1,127,182,224	1,189,885,871	5.56%	57,824,723	-	10,732,577	8,690,946	13,746,487	1,028,365,097
Memo: Total All Appropriations	6,100,000,769	6,196,177,120	1.58%	149,575,771	45,279,368	290,343,878	144,219,710	465,994,565	2,334,549,506

**NOTES** (this page):

(a) Special Funds include Tobacco Fund, Catamount Fund, State Health Care Resources, Next Generation Fund, and Transportation Infrastructure Bond (TIB) Fund.

(b) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).

(c) Governor's FY 2010 Recommended Budget Adjustments, presented to the General Assembly on January 19, 2010.

(d) Governor's FY 2011 Recommended Budget, presented to the General Assembly on January 19, 2010.

(e) Includes Homeowner rebate; Renter rebate; reappraisal and listing payments; and municipal current use.

**STATE OF VERMONT - FY 2011 APPROPRIATIONS - GOVERNOR'S BUDGET RECOMMENDATIONS**

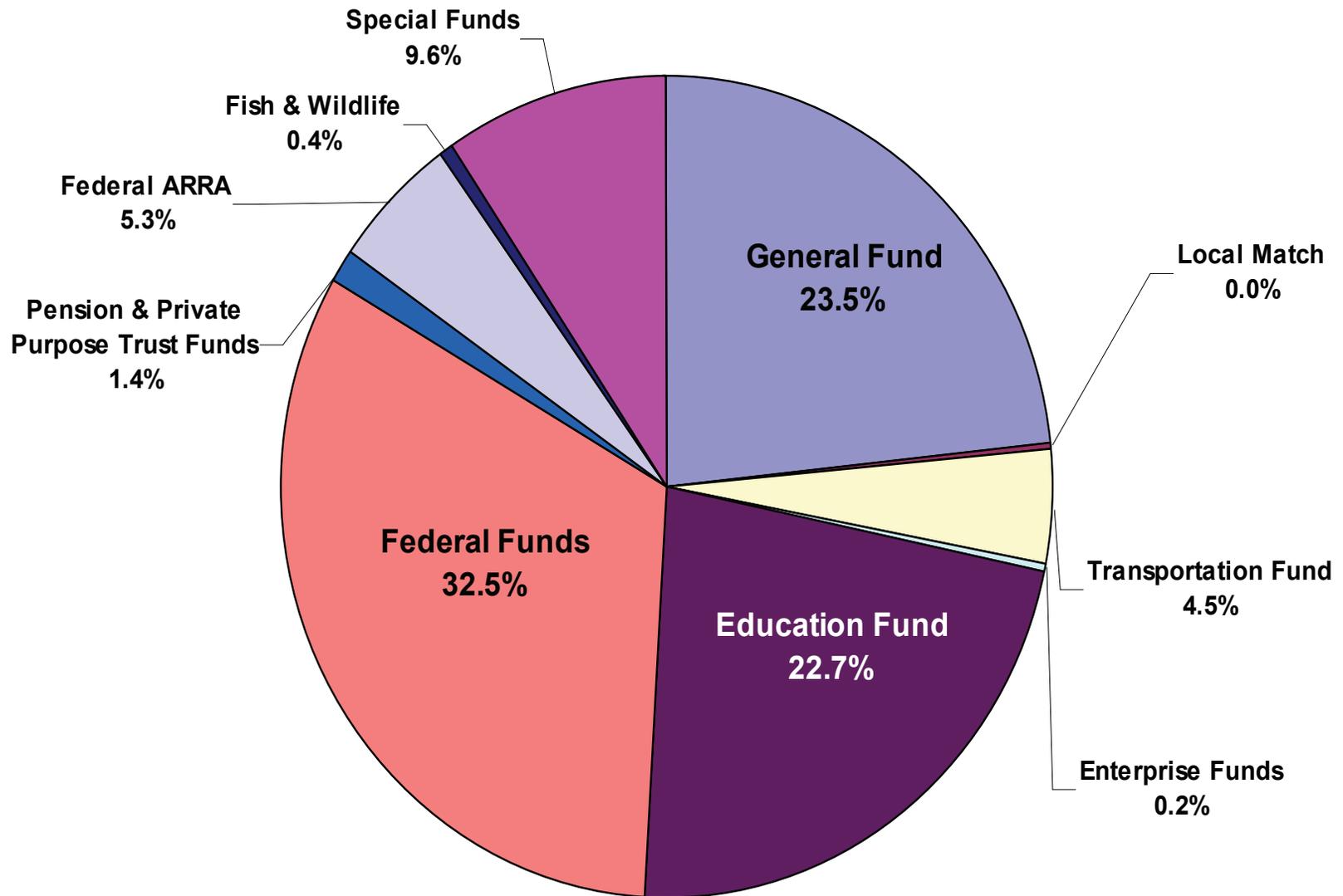
<b>Funding Sources</b>	<b>Labor</b>	<b>General Education</b>	<b>Higher Education &amp; Other</b>	<b>Natural Resources</b>	<b>Commerce &amp; Community Development</b>	<b>Transportation</b>	<b>Debt Service</b>	<b>Other</b>
General Fund (GF)	2,561,430	301,249,932	85,895,267	20,207,475	13,704,312	-	67,372,470	(56,308,017)
Transportation Fund	-	-	-	-	-	185,185,770	3,482,640	2,288,340
Education Fund (EF)	-	1,321,340,303	-	-	-	-	-	(11,270,000)
Fish & Wildlife	-	-	-	17,113,525	-	-	-	-
Special Funds <sup>(a)</sup>	3,765,862	16,728,905	4,793,000	29,196,488	11,163,919	16,555,766	1,026,225	-
Sub-Total	6,327,292	1,639,319,140	90,688,267	66,517,488	24,868,231	201,741,536	71,881,335	(65,289,677)
Adjust for inter-fund appropriation: GF Transfer to EF		(240,803,945)						
<b>Total State Funds after EF Transfer</b>	<b>6,327,292</b>	<b>1,398,515,195</b>	<b>90,688,267</b>	<b>66,517,488</b>	<b>24,868,231</b>	<b>201,741,536</b>	<b>71,881,335</b>	<b>(65,289,677)</b>
percent of total	0.22%	48.40%	3.14%	2.30%	0.86%	6.98%	2.49%	-2.26%
<b>Federal Funds</b>	23,172,655	128,720,522	-	14,659,151	39,026,536	275,428,087	-	-
<b>Federal ARRA Funds <sup>(b)</sup></b>	4,571,772	46,719,169	-	1,467,187	1,529,195	54,524,670	-	38,575,036
<b>Total Funds Before Dedicated Dollars</b>	<b>34,071,719</b>	<b>1,573,954,886</b>	<b>90,688,267</b>	<b>82,643,826</b>	<b>65,423,962</b>	<b>531,694,293</b>	<b>71,881,335</b>	<b>(26,714,641)</b>
percent of total	0.73%	33.57%	1.93%	1.76%	1.40%	11.34%	1.53%	-0.57%
<b>Dedicated Sources</b>								
Local Match	-	-	-	-	-	2,193,885	-	-
Enterprise Funds	-	-	-	-	813,417	-	-	-
Pension Trust & Private Purpose Trust Funds	-	28,233,387	-	-	-	-	-	-
Sub-Total	-	28,233,387	-	-	813,417	2,193,885	-	-
<b>Total Funds and Dedicated Sources</b>	<b>34,071,719</b>	<b>1,602,188,273</b>	<b>90,688,267</b>	<b>82,643,826</b>	<b>66,237,379</b>	<b>533,888,178</b>	<b>71,881,335</b>	<b>(26,714,641)</b>
	0.71%	33.62%	1.90%	1.73%	1.39%	11.20%	1.51%	-0.56%
<b>Funds Sources that are duplicated in the above appropriations:</b>								
Internal Service Funds	-	-	-	-	-	17,477,863	-	-
Interdepartmental Transfer	1,500,001	29,561	-	2,853,275	635,670	3,989,980	-	-
Interdepartmental Transfer - ARRA	-	38,575,036	-	-	-	-	-	-
Global Commitment Fund	-	1,053,092	4,411,563	-	-	-	-	-
Total	1,500,001	39,657,689	4,411,563	2,853,275	635,670	21,467,843	-	-
Memo: Total All Appropriations	35,571,720	1,882,649,907	95,099,830	85,497,101	66,873,049	555,356,021	71,881,335	(26,714,641)

**NOTES** (this page):

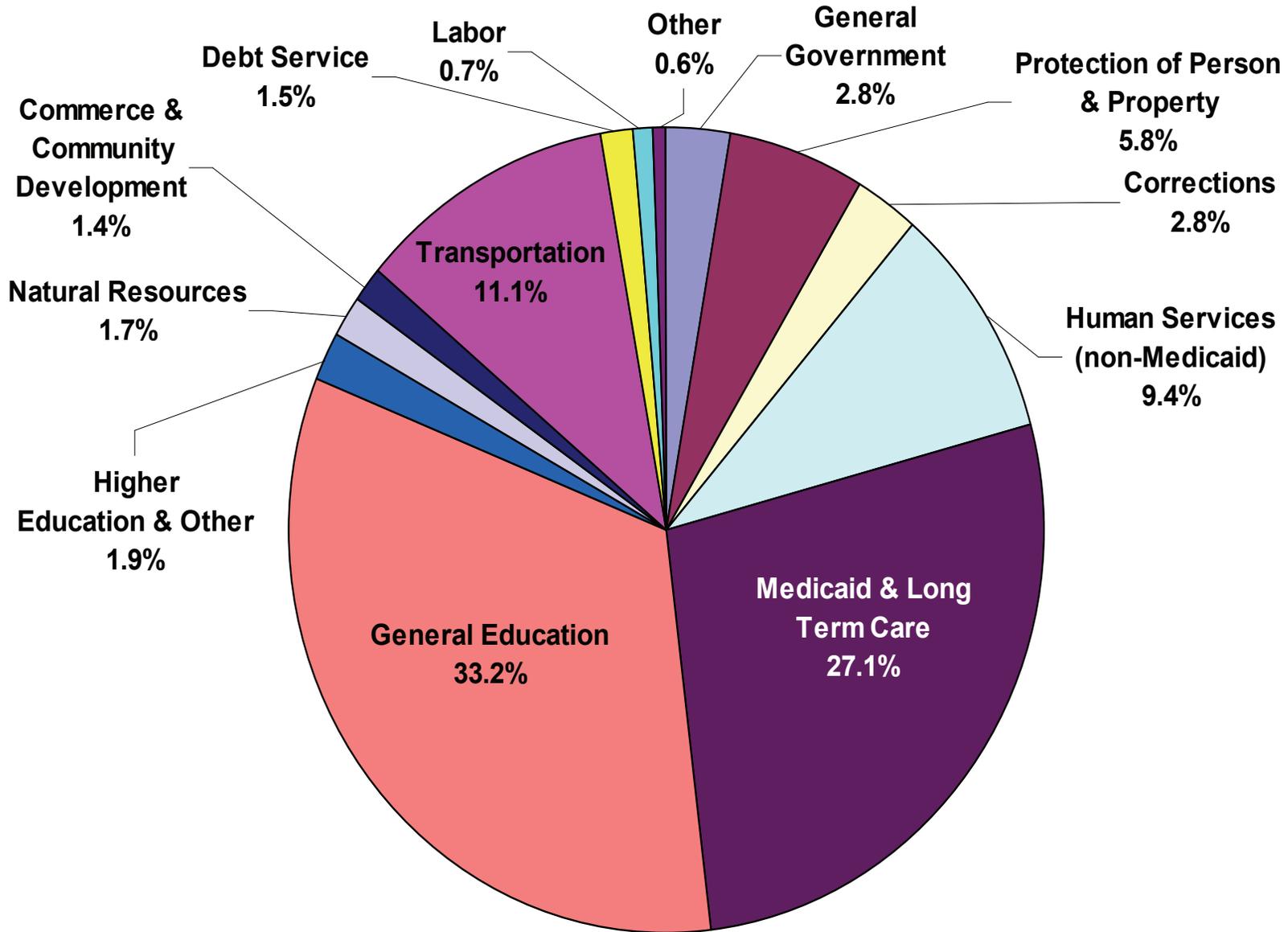
(a) Special Funds include Tobacco Fund, Catamount Fund, State Health Care Resources, Next Generation Fund, and Transportation Infrastructure Bond Fund.

(b) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).

**FY 2011 ADJUSTED BUDGET ALL FUNDING SOURCES - by FUND**  
**\$4,765,487,304**



**FY 2011 ADJUSTED BUDGET ALL FUNDING SOURCES - by FUNCTION**  
**\$4,765,487,304**



**TOTAL APPROPRIATION HISTORY FY 2007 - FY 2011 (All Funds)**

<b>Funding Sources</b>	<b>FY 2007 Final Appropriation</b>	<b>FY 2008 Final Appropriation</b>	<b>FY 2009 Final Appropriation</b>	<b>FY 2010 Recommended Adjustment <sup>(a)</sup></b>	<b>FY 2011 Governor's Recommend <sup>(b)</sup></b>	<b>% Change FY 2011 vs. FY 2010</b>
General Fund (GF)	1,159,981,529	1,200,271,408	1,146,278,770	1,090,375,609	1,118,501,932	2.58%
Transportation Fund	223,986,116	228,952,078	212,845,156	210,376,925	215,809,557	2.58%
Education Fund (EF)	1,307,981,532	1,254,540,148	1,321,957,273	1,313,476,522	1,322,833,018	0.71%
Fish & Wildlife	12,481,014	13,850,694	15,426,252	16,355,474	17,113,525	4.63%
Special Funds & Other Funds <sup>(c)</sup>	381,839,377	427,290,903	436,307,790	447,169,342	455,988,967	1.97%
Sub-Total	3,086,269,568	3,124,905,231	3,132,815,241	3,077,753,872	3,130,246,999	1.71%
Adjust for inter-fund appropriation: GF Transfer to EF	(268,720,000)	(280,200,000)	(291,127,800)	(240,803,944)	(240,803,945)	0.00%
<b>Total State Funds after EF Transfer</b>	<b>2,817,549,568</b>	<b>2,844,705,231</b>	<b>2,841,687,441</b>	<b>2,836,949,928</b>	<b>2,889,443,054</b>	<b>1.85%</b>
percent of total	67.33%	68.35%	63.99%	59.95%	60.63%	
<b>Federal Funds</b>	1,310,517,486	1,257,860,692	1,354,779,066	1,448,762,460	1,547,314,639	6.80%
<b>Federal ARRA Funds <sup>(d)</sup></b>	-	-	178,344,712	376,054,948	251,941,482	-33.00%
<b>Total Funds Before Dedicated Dollars</b>	<b>4,128,067,054</b>	<b>4,102,565,923</b>	<b>4,374,811,219</b>	<b>4,661,767,336</b>	<b>4,688,699,175</b>	<b>0.58%</b>
percent of total	98.64%	98.57%	98.51%	98.52%	98.39%	
<b>Dedicated Sources</b>						
Local Match	3,044,123	2,951,403	2,553,311	2,993,800	2,193,885	-26.72%
Enterprise Funds	7,862,307	8,150,473	8,254,019	8,669,664	8,677,624	0.09%
Pension & Private Purpose Trust Funds	46,020,607	48,594,698	55,251,374	58,583,801	65,916,620	12.52%
Sub-Total	56,927,037	59,696,574	66,058,704	70,247,265	76,788,129	9.31%
<b>Total Funds and Dedicated Sources</b>	<b>4,184,994,091</b>	<b>4,162,262,497</b>	<b>4,440,869,923</b>	<b>4,732,014,601</b>	<b>4,765,487,304</b>	<b>0.71%</b>
percent of total	100.00%	100.00%	100.00%	100.00%	100.00%	
<b>Fund Sources that are duplicated in the above appropriations:</b>						
Internal Service Funds	65,533,719	66,190,616	66,118,435	70,929,433	70,655,901	-0.39%
Interdepartmental Transfer	34,178,601	35,628,944	32,670,160	45,286,838	41,994,828	-7.27%
Interdepartmental Transfer - ARRA	-	-	-	45,125,036	38,575,036	-14.52%
Global Commitment Fund (c)	782,588,332	819,516,803	900,965,265	965,840,917	1,038,660,106	7.54%
Total	882,300,652	921,336,363	999,753,860	1,127,182,224	1,189,885,871	5.56%
<b>Memo: Total All Appropriations</b>	<b>5,336,014,743</b>	<b>5,363,798,860</b>	<b>5,731,751,583</b>	<b>6,100,000,769</b>	<b>6,196,177,120</b>	<b>1.58%</b>

**NOTES:**

(a) Act 1 of the 2009 Special Legislative Session, plus other bills; adjusted for Rescission #1 approved by Joint Fiscal Committee 8/16/09, and the Governor's proposal for additional budget adjustments presented to the General Assembly January 19, 2010.

(b) Governor's Recommended Budget Adjustment for FY 2010 presented to the General Assembly on January 19, 2010.

(c) Includes Tobacco Fund, Catamount Fund, State Health Care Resources, Next Generation Fund, and Transportation Infrastructure Bond (TIB) Fund.

(d) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).

**SELECTED FUNDS - FY 2011 COMBINED BUDGET RECOMMENDATIONS**

**General, Transportation and Special Funds (a)**

Agency/Department/Program	FY 2011 Gov Recommend GF	FY 2011 Gov Recommend TF	FY 2011 Gov Recommend SF + Tob	FY 2011 Recommended Appropriation	FY 2010 Recommended Appropriation
<b>GENERAL GOVERNMENT</b>					
Administration Agency:					
Secretary of Administration	658,760	-	-	658,760	654,403
Information and Innovation	20,911	-	-	20,911	211,847
Finance & Management	882,783	-	-	882,783	806,362
Human Resources	1,689,278	-	280,835	1,970,113	1,989,314
Buildings and General Services	5,207,957	-	50,000	5,257,957	4,586,740
Tax	14,309,315	-	1,167,901	15,477,216	14,384,336
Libraries	2,534,917	-	132,656	2,667,573	2,619,901
Total Agency of Administration	25,303,921	-	1,631,392	26,935,313	25,252,903
GIS	-	-	408,700	408,700	408,700
Auditor of Accounts	399,951	-	53,099	453,050	475,107
State Treasurer	1,130,500	-	1,636,099	2,766,599	2,574,551
Labor Relations Board	194,699	-	2,788	197,487	199,235
Executive Office	1,372,674	-	-	1,372,674	1,362,366
Governor-elect	-	-	-	-	-
VOSHA Review Board	26,583	-	-	26,583	23,604
Use Tax Reimbursement	11,700,000	-	-	11,700,000	10,807,403
Municipal Tax - Homeowner rebate	16,736,859	-	-	16,736,859	13,725,647
Renter Rebate	4,079,794	-	-	4,079,794	2,543,008
Lt. Governor	167,212	-	-	167,212	163,334
Legislature	7,087,268	-	-	7,087,268	6,722,189
Legislative Council	2,282,993	-	-	2,282,993	2,294,319
Legislative Information Technology	894,587	-	-	894,587	882,857
Sergeant at Arms	559,433	-	-	559,433	540,139
Joint Fiscal Office	1,354,966	-	-	1,354,966	1,484,376
PILOT/Montpelier Services	-	-	5,684,000	5,684,000	5,084,000
Corrections PILOT	-	-	40,000	40,000	40,000
<b>TOTAL GENERAL GOVERNMENT</b>	<b>73,291,440</b>	<b>-</b>	<b>9,456,078</b>	<b>82,747,518</b>	<b>74,583,738</b>

**SELECTED FUNDS - FY 2011 COMBINED BUDGET RECOMMENDATIONS**

**General, Transportation and Special Funds (a)**

<b>Agency/Department/Program</b>	<b>FY 2011 Gov Recommend GF</b>	<b>FY 2011 Gov Recommend TF</b>	<b>FY 2011 Gov Recommend SF + Tob</b>	<b>FY 2011 Recommended Appropriation</b>	<b>FY 2010 Recommended Appropriation</b>
<b>PROTECTION TO PERSONS AND PROPERTY</b>					
Attorney General	3,785,911	-	1,515,000	5,300,911	5,093,034
Court Diversion	1,204,776	-	519,997	1,724,773	1,724,784
State's Attorneys/SIU	9,439,940	-	32,775	9,472,715	8,246,477
Center for Crime Victim Services	1,118,448	-	5,424,117	6,542,565	6,320,613
Sheriffs	3,599,330	-	-	3,599,330	3,466,825
Defender General	11,329,341	-	638,552	11,967,893	11,455,548
Military	3,402,624	-	83,529	3,486,153	3,242,549
Criminal Justice Training Council	1,592,462	-	531,285	2,123,747	2,031,637
Liquor Control	-	-	296,306	296,306	296,306
Secretary of State	1,741,157	-	4,834,524	6,575,681	6,392,696
BISHCA	-	-	14,096,063	14,096,063	13,265,022
Public Safety	31,333,355	24,852,807	11,337,855	67,524,017	56,273,680
Agriculture	5,253,396	-	7,132,742	12,386,138	12,050,655
Public Service Department	-	-	12,180,237	12,180,237	13,563,598
Enhanced 911 Board	-	-	4,605,803	4,605,803	5,487,045
Public Service Board	-	-	2,814,863	2,814,863	2,757,926
Judiciary	30,784,588	-	3,145,326	33,929,914	34,245,944
Human Rights Commission	318,255	-	-	318,255	271,463
<b>TOTAL PROTECTION</b>	<b>104,903,583</b>	<b>24,852,807</b>	<b>69,188,974</b>	<b>198,945,364</b>	<b>186,185,802</b>
<b>HUMAN SERVICES</b>					
Human Services Agency:					
AHS - Secretary's Office	4,805,220	-	430,847	5,236,067	5,678,889
AHS - Secretary's Office - Global Commitment	113,337,417	-	49,002,275	162,339,692	116,245,223
Human Services Board	49,713	-	-	49,713	51,331
Corrections	133,396,480	-	1,961,322	135,357,802	129,513,961
Health	11,422,432	-	8,797,825	20,220,257	19,324,212
Mental Health	11,879,457	-	1,656,836	13,536,293	22,718,967
Office of Vt Health Access	117,753,059	-	3,016,174	120,769,233	102,424,185
Department for Children and Families	95,733,623	-	28,820,199	124,553,822	118,206,922
Disabilities, Aging and Independent Living	16,818,721	-	1,128,159	17,946,880	19,347,703
<b>TOTAL HUMAN SERVICES AGENCY</b>	<b>505,196,122</b>	<b>-</b>	<b>94,813,637</b>	<b>600,009,759</b>	<b>533,511,393</b>
Commission on Women	296,822	-	5,000	301,822	290,478
RSVP	131,096	-	-	131,096	131,096
Veterans' Home	-	-	11,615,802	11,615,802	10,931,473
<b>TOTAL HUMAN SERVICES</b>	<b>505,624,040</b>	<b>-</b>	<b>106,434,439</b>	<b>612,058,479</b>	<b>544,864,440</b>

**SELECTED FUNDS - FY 2011 COMBINED BUDGET RECOMMENDATIONS**

**General, Transportation and Special Funds (a)**

<b>Agency/Department/Program</b>	<b>FY 2011 Gov Recommend GF</b>	<b>FY 2011 Gov Recommend TF</b>	<b>FY 2011 Gov Recommend SF + Tob</b>	<b>FY 2011 Recommended Appropriation</b>	<b>FY 2010 Recommended Appropriation</b>
Labor	2,561,430	-	3,371,790	5,933,220	5,737,861
<b>TOTAL EMPLOYMENT &amp; TRAINING / LABOR</b>	<b>2,561,430</b>	<b>-</b>	<b>3,371,790</b>	<b>5,933,220</b>	<b>5,737,861</b>
<b>GENERAL EDUCATION</b>				-	
Department of Education	8,673,388	-	16,728,905	25,402,293	26,141,160
GF Appropriation to Education Fund	240,803,945	-	-	240,803,945	240,803,944
Teachers' Retirement	51,772,599	-	-	51,772,599	40,228,002
<b>TOTAL GENERAL EDUCATION</b>	<b>301,249,932</b>	<b>-</b>	<b>16,728,905</b>	<b>317,978,837</b>	<b>307,173,106</b>
<b>HIGHER EDUCATION AND OTHER</b>				-	
University of Vermont	39,328,123	-	-	39,328,123	36,740,474
Vermont Public Television	547,683	-	-	547,683	547,683
Vermont State Colleges	25,541,180	-	-	25,541,180	23,818,343
Vermont Interactive TV	785,679	-	-	785,679	785,679
Vermont Student Assistance Corp.	19,608,602	-	-	19,608,602	18,363,607
N.E. Higher Education Compact	84,000	-	-	84,000	84,000
<b>TOTAL HIGHER EDUCATION AND OTHER</b>	<b>85,895,267</b>	<b>-</b>	<b>-</b>	<b>85,895,267</b>	<b>80,339,786</b>
<b>TOTAL EDUCATION</b>	<b>387,145,199</b>	<b>-</b>	<b>16,728,905</b>	<b>403,874,104</b>	<b>387,512,892</b>
<b>NATURAL RESOURCES</b>				-	
Agency of Natural Resources:				-	
ANR - Central Office	5,976,498	-	17,797	5,994,295	6,200,091
Environmental Conservation	6,913,638	-	18,012,946	24,926,584	25,510,039
Fish & Wildlife	1,180,253	-	-	1,180,253	1,101,852
Forests, Parks & Recreation	5,370,370	-	9,199,859	14,570,229	14,504,387
Total Agency of Natural Resources	19,440,759	-	27,230,602	46,671,361	47,316,369
Natural Resources Board	766,716	-	1,965,886	2,732,602	2,541,313
<b>TOTAL NATURAL RESOURCES</b>	<b>20,207,475</b>	<b>-</b>	<b>29,196,488</b>	<b>49,403,963</b>	<b>49,857,682</b>
				-	

**SELECTED FUNDS - FY 2011 COMBINED BUDGET RECOMMENDATIONS**

**General, Transportation and Special Funds (a)**

<b>Agency/Department/Program</b>	<b>FY 2011 Gov Recommend GF</b>	<b>FY 2011 Gov Recommend TF</b>	<b>FY 2011 Gov Recommend SF + Tob</b>	<b>FY 2011 Recommended Appropriation</b>	<b>FY 2010 Recommended Appropriation</b>
<b>COMMERCE &amp; COMMUNITY DEVELOPMENT</b>				-	
Agency of Commerce & Comm Development				-	
ACCD - Administration	2,726,075	-	-	2,726,075	2,630,244
Housing & Community Affairs (b)	-	-	-	-	5,181,683
Economic, Housing & Community Development	6,108,660	-	4,551,257	10,659,917	5,023,576
Tourism & Marketing	3,279,810	-	6,000	3,285,810	3,443,075
<b>Total Agency of Commerce &amp; Comm Development</b>	<b>12,114,545</b>	<b>-</b>	<b>4,557,257</b>	<b>16,671,802</b>	<b>16,278,578</b>
Council on the Arts	507,607	-	-	507,607	507,607
Vermont Symphony Orchestra	113,821	-	-	113,821	113,821
VT Historical Society	795,669	-	-	795,669	795,669
Housing & Conservation Trust	-	-	6,606,662	6,606,662	8,326,662
VT Humanities Council	172,670	-	-	172,670	172,670
<b>TOTAL COMMERCE &amp; COMMUNITY DEV.</b>	<b>13,704,312</b>	<b>-</b>	<b>11,163,919</b>	<b>24,868,231</b>	<b>26,195,007</b>
<b>DEBT SERVICE</b>	<b>67,372,470</b>	<b>3,482,640</b>	<b>1,026,225</b>	<b>71,881,335</b>	<b>71,446,672</b>
<b>TRANSPORTATION</b>				-	
Agency of Transportation				-	
AOT Division Appropriations and Programs	-	121,917,530	-	121,917,530	118,344,005
AOT Dept. of Motor Vehicles	-	23,096,730	-	23,096,730	23,040,703
AOT Town Highway Programs	-	40,084,966	-	40,084,966	36,946,742
<b>Total Agency of Transportation</b>	<b>-</b>	<b>185,099,226</b>	<b>-</b>	<b>185,099,226</b>	<b>178,331,450</b>
Transportation Board	-	86,544	-	86,544	86,891
<b>TOTAL TRANSPORTATION</b>	<b>-</b>	<b>185,185,770</b>	<b>-</b>	<b>185,185,770</b>	<b>178,418,341</b>
Pay Act	556,500	-	-	556,500	4,282,138
Other Reductions	(68,416,402)			(68,416,402)	
One-Time Appropriations	11,551,885	2,288,340	-	13,840,225	16,117,402
OTHER	-	-	4,793,000	4,793,000	6,438,000
<b>APPROPRIATION TOTAL</b>	<b>1,118,501,932</b>	<b>215,809,557</b>	<b>251,359,818</b>	<b>1,585,671,307</b>	<b>1,551,639,975</b>

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

(b) Housing, Community Affairs and Economic Development combined in FY 2011.

**SELECTED FUNDS - COMBINED APPROPRIATION HISTORY**

**General, Transportation and Special Funds (a)**

**FY 2007 - FY 2011**

<b>Agency/Department/Program</b>	<b>FY 2007 Final Appropriation</b>	<b>FY 2008 Final Appropriation</b>	<b>FY 2009 Final Appropriation</b>	<b>FY 2010 Recommend Adjusted Appropriation</b>	<b>FY 2011 Recommended Appropriation</b>
<b>GENERAL GOVERNMENT</b>					
Administration Agency:					
Secretary of Administration	984,985	920,232	747,540	654,403	658,760
Information and Innovation	-	736,537	581,624	211,847	20,911
Finance & Management	1,174,751	1,048,822	957,117	806,362	882,783
Human Resources	3,177,942	2,757,841	2,301,741	1,989,314	1,970,113
Buildings and General Services	9,358,802	9,692,596	7,788,598	4,586,740	5,257,957
Tax	14,446,934	14,762,420	14,150,029	14,384,336	15,477,216
Libraries	2,754,540	2,842,165	2,592,618	2,619,901	2,667,573
<b>Total Agency of Administration</b>	<b>31,897,954</b>	<b>32,760,613</b>	<b>29,119,267</b>	<b>25,252,903</b>	<b>26,935,313</b>
GIS	411,685	430,210	408,700	408,700	408,700
Auditor of Accounts	574,336	578,456	541,941	475,107	453,050
State Treasurer	2,343,296	2,686,169	2,588,944	2,574,551	2,766,599
Labor Relations Board	204,362	211,142	189,168	199,235	197,487
Executive Office	1,482,508	1,534,310	1,379,676	1,362,366	1,372,674
Governor-elect	-	-	-	-	-
VOSHA Review Board	19,998	23,327	22,806	23,604	26,583
Use Tax Reimbursement	8,113,944	8,861,267	9,850,000	10,807,403	11,700,000
Property Tax Assistance	2,250,000	-	-	-	-
Municipal Tax - Homeowner rebate	-	11,206,140	12,921,868	13,725,647	16,736,859
Renter Rebate	-	-	2,386,756	2,543,008	4,079,794
Lt. Governor	146,747	155,032	155,113	163,334	167,212
Legislature	7,199,906	6,886,840	7,243,021	6,722,189	7,087,268
Legislative Council	2,005,212	2,125,647	2,264,917	2,294,319	2,282,993
Legislative Information Technology	585,415	623,590	880,407	882,857	894,587
Sergeant at Arms	600,801	617,701	609,445	540,139	559,433
Joint Fiscal Office	1,256,470	1,270,579	1,272,602	1,484,376	1,354,966
PILOT/Montpelier Services	3,484,000	3,634,000	4,684,000	5,084,000	5,684,000
Corrections PILOT	40,000	40,000	40,000	40,000	40,000
<b>TOTAL GENERAL GOVERNMENT</b>	<b>62,616,634</b>	<b>73,645,023</b>	<b>76,558,631</b>	<b>74,583,738</b>	<b>82,747,518</b>

**SELECTED FUNDS - COMBINED APPROPRIATION HISTORY**  
**General, Transportation and Special Funds (a)**  
**FY 2007 - FY 2011**

<b>Agency/Department/Program</b>	<b>FY 2007 Final Appropriation</b>	<b>FY 2008 Final Appropriation</b>	<b>FY 2009 Final Appropriation</b>	<b>FY 2010 Recommend Adjusted Appropriation</b>	<b>FY 2011 Recommended Appropriation</b>
<b>PROTECTION TO PERSONS AND PROPERTY</b>					
Attorney General	5,713,360	6,273,914	5,985,097	5,093,034	5,300,911
Court Diversion	1,604,534	1,604,534	1,724,534	1,724,784	1,724,773
State's Attorneys/SIU	7,976,620	8,623,849	9,085,231	8,246,477	9,472,715
Center for Crime Victim Services	6,001,408	6,777,259	7,329,555	6,320,613	6,542,565
Sheriffs	3,093,503	3,353,439	3,419,208	3,466,825	3,599,330
Defender General	9,543,838	10,079,614	11,147,581	11,455,548	11,967,893
Military	3,270,409	3,381,936	3,460,130	3,242,549	3,486,153
Criminal Justice Training Council	1,845,067	1,914,657	1,897,495	2,031,637	2,123,747
Liquor Control	289,768	289,645	296,306	296,306	296,306
Racing Commission	1,000	1,000	-	-	-
Secretary of State	4,592,792	4,560,941	5,845,205	6,392,696	6,575,681
BISHCA	12,975,828	13,289,105	13,494,796	13,265,022	14,096,063
Public Safety	57,103,194	58,257,595	61,372,203	56,273,680	67,524,017
Agriculture	12,746,380	13,623,719	12,519,984	12,050,655	12,386,138
Public Service Department	9,642,865	10,065,968	10,231,626	13,563,598	12,180,237
Enhanced 911 Board	3,931,601	3,356,610	5,482,486	5,487,045	4,605,803
Public Service Board	2,757,097	2,752,841	2,817,349	2,757,926	2,814,863
Judiciary	30,522,025	33,603,336	33,383,446	34,245,944	33,929,914
Human Rights Commission	285,925	311,382	266,426	271,463	318,255
<b>TOTAL PROTECTION</b>	<b>173,897,214</b>	<b>182,121,344</b>	<b>189,758,658</b>	<b>186,185,802</b>	<b>198,945,364</b>
<b>HUMAN SERVICES</b>					
Human Services Agency:					
AHS - Secretary's Office	4,318,906	4,635,410	4,677,019	5,678,889	5,236,067
AHS - Secretary's Office - Global Commitment	158,692,085	159,795,726	131,527,655	116,245,223	162,339,692
Human Services Board	49,283	50,977	49,178	51,331	49,713
Corrections	111,052,492	117,605,108	126,668,271	129,513,961	135,357,802
Health	42,561,960	18,137,095	18,746,513	19,324,212	20,220,257
Mental Health	-	21,373,099	21,874,430	22,718,967	13,536,293
Office of TV Health Access	121,225,950	132,130,989	113,907,951	102,424,185	120,769,233
Department for Children and Families	98,623,312	121,259,715	120,951,011	118,206,922	124,553,822
Disabilities, Aging and Independent Living	19,631,950	19,867,516	19,999,136	19,347,703	17,946,880
<b>TOTAL HUMAN SERVICES AGENCY</b>	<b>556,155,938</b>	<b>594,855,635</b>	<b>558,401,164</b>	<b>533,511,393</b>	<b>600,009,759</b>
Commission on Women	260,201	267,552	277,177	290,478	301,822
RSVP	131,096	131,096	131,096	131,096	131,096
Veterans' Home	10,193,494	10,466,920	10,672,788	10,931,473	11,615,802
<b>TOTAL HUMAN SERVICES</b>	<b>566,740,729</b>	<b>605,721,203</b>	<b>569,482,225</b>	<b>544,864,440</b>	<b>612,058,479</b>

**SELECTED FUNDS - COMBINED APPROPRIATION HISTORY**

**General, Transportation and Special Funds (a)**

**FY 2007 - FY 2011**

<b>Agency/Department/Program</b>	<b>FY 2007 Final Appropriation</b>	<b>FY 2008 Final Appropriation</b>	<b>FY 2009 Final Appropriation</b>	<b>FY 2010 Recommend Adjusted Appropriation</b>	<b>FY 2011 Recommended Appropriation</b>
Labor	5,220,335	5,280,195	5,291,790	5,737,861	5,933,220
<b>TOTAL EMPLOYMENT &amp; TRAINING / LABOR</b>	<b>5,220,335</b>	<b>5,280,195</b>	<b>5,291,790</b>	<b>5,737,861</b>	<b>5,933,220</b>
<b>GENERAL EDUCATION</b>					
Department of Education	33,658,474	33,219,608	27,865,146	26,141,160	25,402,293
GF Appropriation to Education Fund	268,720,000	280,200,000	291,127,800	240,803,944	240,803,945
Renter Rebate	-	2,277,149	-	-	-
Teachers' Retirement	24,446,729	32,549,097	33,549,097	40,228,002	51,772,599
<b>TOTAL GENERAL EDUCATION</b>	<b>326,825,203</b>	<b>348,245,854</b>	<b>352,542,043</b>	<b>307,173,106</b>	<b>317,978,837</b>
<b>HIGHER EDUCATION AND OTHER</b>					
University of Vermont	36,976,719	38,271,188	36,740,473	36,740,474	39,328,123
Vermont Public Television	596,785	605,737	564,620	547,683	547,683
Vermont State Colleges	23,971,763	24,810,775	23,818,343	23,818,343	25,541,180
Vermont Interactive TV	847,944	858,163	769,119	785,679	785,679
Vermont Student Assistance Corp.	18,481,892	19,128,758	18,363,607	18,363,607	19,608,602
N.E. Higher Education Compact	80,000	84,000	84,000	84,000	84,000
<b>TOTAL HIGHER EDUCATION AND OTHER</b>	<b>80,955,103</b>	<b>83,758,621</b>	<b>80,340,162</b>	<b>80,339,786</b>	<b>85,895,267</b>
<b>TOTAL EDUCATION</b>	<b>407,780,306</b>	<b>432,004,475</b>	<b>432,882,205</b>	<b>387,512,892</b>	<b>403,874,104</b>
<b>NATURAL RESOURCES</b>					
Agency of Natural Resources:					
ANR - Central Office	7,174,286	7,401,861	7,552,887	6,200,091	5,994,295
Environmental Conservation	25,021,910	25,696,307	24,277,732	25,510,039	24,926,584
Fish & Wildlife	2,096,314	2,128,649	1,134,531	1,101,852	1,180,253
Forests, Parks & Recreation	15,244,555	15,595,682	15,299,204	14,504,387	14,570,229
Total Agency of Natural Resources	49,537,065	50,822,499	48,264,354	47,316,369	46,671,361
Natural Resources Board	2,742,438	2,827,318	2,746,988	2,541,313	2,732,602
<b>TOTAL NATURAL RESOURCES</b>	<b>52,279,503</b>	<b>53,649,817</b>	<b>51,011,342</b>	<b>49,857,682</b>	<b>49,403,963</b>

**SELECTED FUNDS - COMBINED APPROPRIATION HISTORY**

**General, Transportation and Special Funds (a)**

**FY 2007 - FY 2011**

<b>Agency/Department/Program</b>	<b>FY 2007 Final Appropriation</b>	<b>FY 2008 Final Appropriation</b>	<b>FY 2009 Final Appropriation</b>	<b>FY 2010 Recommend Adjusted Appropriation</b>	<b>FY 2011 Recommended Appropriation</b>
<b>COMMERCE &amp; COMMUNITY DEVELOPMENT</b>					
Agency of Commerce & Commerce Development					
ACCD - Administration	2,184,996	2,894,771	2,521,630	2,630,244	2,726,075
Housing & Community Affairs	7,266,119	7,191,952	5,372,581	5,181,683	-
Economic, Housing & Community Development	5,699,910	5,729,541	5,524,266	5,023,576	10,659,917
Tourism & Marketing	4,338,938	4,114,213	3,765,688	3,443,075	3,285,810
<b>Total Agency of Commerce &amp; Commerce Development</b>	<b>19,489,963</b>	<b>19,930,477</b>	<b>17,184,165</b>	<b>16,278,578</b>	<b>16,671,802</b>
Council on the Arts	529,618	545,618	507,607	507,607	507,607
Vermont Symphony Orchestra	118,780	122,343	113,821	113,821	113,821
VT Historical Society	733,393	828,342	770,635	795,669	795,669
Housing & Conservation Trust	14,630,883	15,383,258	13,449,095	8,326,662	6,606,662
VT Humanities Council	180,599	185,599	172,670	172,670	172,670
<b>TOTAL COMMERCE &amp; COMMUNITY DEV.</b>	<b>35,683,236</b>	<b>36,995,637</b>	<b>32,197,993</b>	<b>26,195,007</b>	<b>24,868,231</b>
<b>DEBT SERVICE</b>	<b>69,129,965</b>	<b>68,698,029</b>	<b>71,459,051</b>	<b>71,446,672</b>	<b>71,881,335</b>
<b>TRANSPORTATION</b>					
Agency of Transportation					
AOT Division Appropriations and Programs	123,249,032	128,331,583	117,211,319	118,344,005	121,917,530
AOT Dept. of Motor Vehicles	19,315,280	24,588,202	22,196,373	23,040,703	23,096,730
AOT Town Highway Programs	40,740,841	38,359,409	37,866,610	36,946,742	40,084,966
<b>Total Agency of Transportation</b>	<b>183,305,153</b>	<b>191,279,194</b>	<b>177,274,302</b>	<b>178,331,450</b>	<b>185,099,226</b>
Transportation Board	84,600	87,106	89,802	86,891	86,544
<b>TOTAL TRANSPORTATION</b>	<b>183,389,753</b>	<b>191,366,300</b>	<b>177,364,104</b>	<b>178,418,341</b>	<b>185,185,770</b>
Pay Act	5,805,219	1,192,197	2,969,635	4,282,138	556,500
Other Reductions	-	-	-	-	(68,416,402)
One-Time Appropriations	-	-	6,745,000	16,117,402	13,840,225
Other	47,427,402	47,547,442	7,293,000	6,438,000	4,793,000
<b>APPROPRIATION TOTAL</b>	<b>1,609,970,296</b>	<b>1,698,221,662</b>	<b>1,623,013,634</b>	<b>1,551,639,975</b>	<b>1,585,671,307</b>

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

(b) Housing, Community Affairs and Economic Development combined in FY 2011.

## RETIREMENT SYSTEMS FINANCIAL INTEGRITY REPORT

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

### **Contribution Levels**

#### **VSERS**

As a result of the June 30, 2009 actuarial valuation, the actuary for the Vermont State Employees' Retirement System (VSERS) recommended a contribution during fiscal year 2011 of \$41,581,656 to the pension plan (VSERS pension) and \$39,436,550 to the Vermont State Employees' Other Post-Employment Benefits (VSERS OPEB) plan.

The actuary's recommended contribution to the VSERS pension incorporates the recommended normal contribution of \$23,334,122 (5.52% of estimated payroll) plus \$18,247,534 for the annual contribution towards the unfunded actuarial accrued liability (UAAL). To calculate the state's contribution, the actuarial recommendation has been reduced by \$395,625 for the Treasurer's estimate of a FY 2011 contribution by town participants in VSERS, making the state's net contribution for the actuarial recommendation \$41,186,031. The state also contributes an amount to prepay the Treasurer's estimate of non-healthcare administrative expenses which for fiscal year 2011 is \$7,262,903. This amount has been adjusted for two factors: for a reconciliation of actual contributions to actual expenses for the most recently completed fiscal year which allowed a \$1,304,769 reduction for over-contributing in FY 2009 and a reduction for estimated FY 2011 investment fees of \$5,012,095, which is commonly not prepaid in other retirement plans. These reductions result in a state contribution of \$946,039 in FY 2011 to cover anticipated non-healthcare administrative expenses. Added to the net contribution for the actuarial recommendation, the state's planned total contribution to the VSERS pension for FY 2011 will be \$42,132,070.

The actuary's recommended contribution to the VSERS OPEB is \$39,436,550 incorporates the recommended normal contribution of \$15,845,807 plus amortization of the unfunded actuarial liability of \$23,790,743.

The state's planned contribution to the VSERS OPEB during fiscal year 2011 is \$27,000,000 which is the Treasurer's estimate of VSERS retiree health care costs. It is anticipated that VSERS coverage of retiree prescriptions will produce Medicare Part D reimbursements to the system of approximately \$1.8 million which will be deposited into the VSERS OPEB during fiscal year 2011.

#### **VSTRS**

As a result of the June 30, 2009 actuarial valuation, the actuary for the Vermont State Teachers' Retirement System (VSTRS) recommended a contribution during fiscal year 2011 of \$63,501,220 to the pension plan (VSTRS pension) and \$33,805,841 to the Vermont State Teachers' Other Post-Employment Benefits (VSTRS OPEB) plan.

The actuary's recommended contribution to the VSTRS pension incorporates the recommended normal contribution of \$22,828,834 plus \$40,672,386 for the annual contribution towards the unfunded actuarial accrued liability (UAAL). The actuary's recommended contribution to the VSTRS OPEB incorporates the recommended normal contribution of \$11,086,976 plus

amortization of the unfunded actuarial liability of \$22,718,865.

The state plans to achieve full funding at the actuarially recommended contribution level for the VSTRS pension for FY 2011 through a combination of \$51,772,599 in general funds, \$10,408,996 in education funds and an estimated \$1,319,625 of Medicare Part D reimbursement funds. The state does not plan to make a contribution to the VSTRS OPEB during fiscal year 2011. The VSTRS OPEB has no pre-funding and no assets. Payments for retired teachers' health care costs, estimated to be \$20,000,000 in FY 2011 will continue to be paid from the corpus of the VSTRS pension.

### **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, 2008 are 78.9% and 65.4% respectively. The funded ratios for the State Employees' and Teachers' OPEB Funds for the period ending June 30, 2009 are 0.7% and 0.0% respectively. The Administration, Treasurer's Office, Legislature and other affected parties will need to work together to develop a multi-year plan to address funding pension plan and OPEB liabilities. A very productive bi-partisan retirement commission worked to develop some very significant recommendations for consideration and adoption during the 2010 legislative session. The Governor's proposal advances the Commission's recommendations which will save the General Fund approximately \$25 million in FY 2011.

## ***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 & Management 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 would like to thank Agency and Department heads across state government with special thanks to the State's Business Managers and finance staff. Their contribution to the overall success of this presentation of the Governor's budget is greatly appreciated.

Please contact any of the following with any questions regarding this publication at (802) 828-2376:

James Reardon	Commissioner
Susan Zeller	Deputy Commissioner
Otto Trautz	Director of Budget Operations
David Beatty	Analyst - Public Safety, Public Service and Treasurer's Office
Toni Hartrich	Analyst - Protection functions and Agency of Commerce and Community Development
Aaron Brodeur	Analyst - Education, Labor and Agency of Administration; and BDS Administrator
Jason Aronowitz	Analyst - Agencies of Transportation and Natural Resources
Samuel Latour	Executive Assistant
Linda Morse	Administrative Support Coordinator
Harriet Johnson	Principal Assistant, Secretary of Administration's Office

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This publication is available for viewing or printing at the Department of Finance and Management's Website, under "Key Budget Documents" at: [http://finance.vermont.gov/state\\_budget/rec](http://finance.vermont.gov/state_budget/rec)



## **Fiscal Year 2011 Our Commitment to a Stronger Tomorrow**

Fiscal Year 2011 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 2011 Budget  
Recommendations of Governor James H. Douglas.

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