FY 2018 Governor’s Recommended Budget

January 24, 2017

Andrew Pallito, Commissioner, Department of Finance & Management

FY 2018 Budget Approach

- Budget instructions were sent to departments in late August
  - Requested that departments propose entire program changes for budgetary savings rather than a percentage decrease
- Finance & Management held preliminary budget meetings in September & October
- Passed budget information to the transition team in November
- Team in the budget office worked with the transition team to build the FY 2018 Governor’s Recommend
- The Secretary of Administration allowed for public comment both on-line and by mail
FY 2018 Budget Approach

• Worked to fund usual business pressures at departments
  • Annualization of the FY 2017 Pay Act
  • Internal Service Fund cost changes
    • All funds: $287K reduction in internal service fund costs
    • Driven by risk management change
      • $2.65M reduction all funds; $1.8M General Fund reduction

FY 2018 Budget Approach

• Funding for Human Services Caseload
  • Medicaid, Long Term Care, Developmental Services, Department for Children and Families
• Funding of the FY 2018 projected Debt Service Obligation
• Funding for the General Fund Transfer to the Education Fund
• Funding State Employee and Teacher Retirement Obligations
**Total Budget**

The Governor’s FY 2018 Unduplicated Budget: $5.8 Billion

<table>
<thead>
<tr>
<th>FY 2018 Total Appropriations (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
</tr>
<tr>
<td>Transportation Fund</td>
</tr>
<tr>
<td>Education Fund</td>
</tr>
<tr>
<td>Special Funds*</td>
</tr>
<tr>
<td>Federal Funds</td>
</tr>
<tr>
<td>Dedicated Funds</td>
</tr>
<tr>
<td>Less GF TSF to EF</td>
</tr>
<tr>
<td>Total Unduplicated Appropriations</td>
</tr>
</tbody>
</table>

*“Special Funds” also include: Fish & Wildlife, Tobacco, next Generation, State Health Care Resources, TIB Funds

**General Fund Sources**

The Governor’s FY 2018 Budget does not increase Taxes or Fees

<table>
<thead>
<tr>
<th>FY 2018 GF Sources (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current law Revenue</td>
</tr>
<tr>
<td>Direct Apps &amp; Reversions</td>
</tr>
<tr>
<td>Tax Modernization Fund</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
</tr>
<tr>
<td>Total Base Revenue</td>
</tr>
<tr>
<td>Less Tax Credits</td>
</tr>
<tr>
<td>Plus NBR</td>
</tr>
<tr>
<td>Total Sources</td>
</tr>
</tbody>
</table>
### General Fund Uses

Base Appropriation Level with FY 2017 Base Appropriation

<table>
<thead>
<tr>
<th>FY 2018 GF Uses (Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Appropriations</td>
<td>1,520.54</td>
</tr>
<tr>
<td>One-time Appropriations</td>
<td>9.91</td>
</tr>
<tr>
<td>Pay Act</td>
<td>11.51</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>1,541.96</strong></td>
</tr>
</tbody>
</table>

### FY 2018 Governor’s Recommended General Fund Budget - $1.54 Billion

- **Education**: 31.58%
- **Medicaid/GC/LTC/State Only**: 22.47%
- **General Government**: 2.52%
- **Debt Service**: 4.96%
- **Property Tax Assistance**: 2.72%
- **Human Services - Not Medicaid**: 12.49%
- **Natural Resources**: 1.52%
- **Other One-Time Non-appropriation**: 1.49%
- **Correction**: 9.26%
### General Fund Uses

#### By Government Function

<table>
<thead>
<tr>
<th>Government Function</th>
<th>(Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>45.52</td>
</tr>
<tr>
<td>Property Tax Assistance</td>
<td>35.03</td>
</tr>
<tr>
<td>Protection</td>
<td>147.75</td>
</tr>
<tr>
<td>Human Services - Not Medicaid</td>
<td>192.63</td>
</tr>
<tr>
<td>Medicaid/GC/LTC/State Only</td>
<td>346.42</td>
</tr>
<tr>
<td>Corrections</td>
<td>142.76</td>
</tr>
<tr>
<td>Labor</td>
<td>3.28</td>
</tr>
<tr>
<td>Education</td>
<td>486.88</td>
</tr>
<tr>
<td>Higher Education</td>
<td>0.27</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>28.03</td>
</tr>
<tr>
<td>Commerce &amp; Community Development</td>
<td>16.49</td>
</tr>
<tr>
<td>Transportation</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>75.49</td>
</tr>
<tr>
<td>One-Times other appropriations</td>
<td>21.42</td>
</tr>
<tr>
<td>Total GF</td>
<td>1,541.96</td>
</tr>
</tbody>
</table>

### General Fund Transfers

#### FY 2018 GF Transfer (Millions)

<table>
<thead>
<tr>
<th>Transfer to Other Funds</th>
<th>(Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Next Generation Fund</td>
<td>3.41</td>
</tr>
<tr>
<td>To ERAF</td>
<td>1.46</td>
</tr>
<tr>
<td>To Environmental Contingency Fund</td>
<td>1.52</td>
</tr>
<tr>
<td>To Tobacco Trust Fund</td>
<td>.25</td>
</tr>
<tr>
<td><strong>Total Transfers to Other Funds</strong></td>
<td><strong>6.63</strong></td>
</tr>
<tr>
<td>To Budget Stabilization Reserve</td>
<td>2.78</td>
</tr>
<tr>
<td>To Federal Contingency &amp; Caseload</td>
<td>22.00</td>
</tr>
<tr>
<td>To 27/53 Reserve</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total Transfers</strong></td>
<td><strong>35.11</strong></td>
</tr>
</tbody>
</table>
Budget Highlights
General Government

• $200K to the Secretary of Administration for PIVOT/LEAN
• $300K to be matched with other funding for Security improvements
• Shift of the Employer Assessment to the Tax Department from the Department of Labor
• Pay Act
  • Adds $1.93M for RFR costs
  • Assumes $2.4M of administrative savings

Budget Highlights
Protection

• Investment in the Criminal Justice system to combat the Opiate Crisis
  • $664K for car cameras and body cameras for Vermont State Police
  • $200K and $120K, respectively for the Defender General and State’s Attorney’s
  • $528 for the Judiciary to recruit Guardian Ad litem, security, and additional docket support.
**Budget Highlights**

**Human Services**
- Fully funds caseload pressures in Medicaid, DS, LTC, etc.
- $1M GF target for administrative savings at the agency
- $1.7M GF reduction in Disproportionate Share payment to hospitals (10%)
- $2.8M savings by having non-subsidized QHP enrollment done directly through insurance carriers
- $3.5M savings from the closure of Southeast State Workcamp in Windsor

**Budget Highlights**

**Labor/Commerce & Community Development**
- Includes state funding for costs associated with paid sick leave
- $200K for downtown and village center tax credits
- $175K for R&D tax credit
- $750K for jobs-marketing fund
- $200K for Vermont trade center
- $400K for small business development center counselors
- $1M additional + $1.5M base appropriation from Property Transfer Tax to VHCB for a housing bond
Budget Highlights
General Fund transfer to the Education Fund

- Fully funds $314.7M statutory transfer
- Adds $86M to the transfer
- Total GF EF transfer of $400.7M

Budget Highlights
Higher Education

- Transfer Base appropriation for Higher Education to the Education Fund
  - $6.5M of Education Fund in additional investments
    - $4M increase for VT State Colleges
    - $1M increase for UVM
    - $1M increase for VSAC
    - $500K for National Guard Scholarships
Budget Highlights
Teacher’s Retirement

- Provides $111M for Teachers retirement and Retired Teachers Health Care ($10.38M increase from FY 2017)
  - $76M of General Fund for the ARC
  - $35M of Education Funds for the retired teachers Health Care and normal retirement contribution

Budget Highlights
Early Education

- $9.6M of Education funds to expand Early Child Education
  - $7.5M to Child Care Financial Assistance Program
  - $1M for Full day pre-K grants
  - $600K Child Care Shared Services Pilot
  - $500K Municipal Child Care Innovation Grants
Budget Highlights

Education Innovation

• $1.6M of Education funds for Education Innovation
  • $500K for Classroom Innovation Grants
  • $500K for Management and Modernization Grants
  • $250K School technology and Connectivity Grants
  • $200 Code Camp Grants
  • $150K Career and technical education

Budget Highlights

Transportation

• Follows statutory JTOC reduction – reduce TF to Public Safety by $900K
• Transportation budget uses current revenues to maintain current services levels
• VTrans expects:
  • to advance more than 100 bridge and culverts in more than 100 communities
  • Perform preventative maintenance on existing structures
  • Improve more than 200 miles of State highways
Budget Highlights
Non-Budgeted Revenue

- Direct App from the NBR: $32m
  - $12m to the Federal & Caseload Reserve
  - $10.125m for onetime IT investments (no longer funded in the Capital Bill)
    - $2.125 for AHS IT
    - $2.2m for Finance & Management Accounting System
    - $5.8m for the Judiciary Case Management System
  - $10m in base direct app

Reserves

- Maintains the statutory 5% reserves in the General Fund, Education Fund, and Transportation Fund
- Reserves $3.7m in the 27/53 reserve created by the General Assembly in 2016 Act 172
  - Total Projected EOY 2018 balance $8.99m
- Adds $22m to the Federal Contingency & Caseload Reserve from the NBR and DVHA Base appropriations
  - Total projected EOY 2018 balance $32m
- Maintains $6.8m balance in the General Fund Balance Reserve