CONTENTS

Summary ........................................................................................................................................................................ 2

Sections (a)(1) & (2) ....................................................................................................................................................... 2

(1) Pension Liabilities for the Vermont State Employees’ Retirement System (VSERS) and the Vermont State Teachers’ Retirement System (VSTRS) ...................................................................................................................... 2

(2) Other postemployment benefit [OPEB] liabilities under current law and relevant Government Accounting Standards Board standards for the systems in subdivision (1) of this subsection ........................................ 2

Section (a)(3) ................................................................................................................................................................. 3

(3) child care fee scale funding requirements pursuant to 33 V.S.A. § 3512 to bring total year funding to current market rates and current federal poverty level ........................................................................................................ 3

Section (a)(4) ................................................................................................................................................................. 4

(4) Reach up funding full benefit obligations prior to any rateable reductions made pursuant to 33 v.s.a. 1103(a) which ensure that the expenditures for the programs shall not exceed appropriations ................................. 4

Section (a)(5) ................................................................................................................................................................. 4

(5) Statutory Funding levels from the Property Transfer Tax to the current use administration special fund (32 V.S.A. § 9610(c)), the Vermont housing and conservation fund (10 V.S.A. § 312), and the municipal and regional planning fund (24 V.S.A. § 4306(a)) ........................................................................................................................... 4

Section (a)(6) ................................................................................................................................................................. 5

(6) maintenance of transportation road and bridge infrastructure at current levels ......................................................................................................................................................... 5

Section (a)(7) ................................................................................................................................................................. 6

(7) projected fund liabilities of the funds identified in note iii.B. of the “Notes” section of the most recent Comprehensive Annual Financial Report (CAFR), including workers’ compensation fund, the state liability insurance fund, the medical insurance funds and the dental insurance fund ................................................................................................................... 6

Section (a)(8) ................................................................................................................................................................. 7

(8) a summary of other nonmajor enterprise funds and internal service funds where deficits exist in excess of $1,500,000 including: Vermont life magazine; the copy center fund; the postage fund; the facilities operations fund, and the property management fund ................................................................................................................. 7

Notes on Fund Balances: ............................................................................................................................................... 8
SUMMARY

Act 172 of 2016, Sec. E.100.9 required the Commissioner of Finance and management to prepare a report on the current service obligations of several state liabilities. This report provides a summary of the projected liabilities at the beginning of FY 2019.

SECTIONS (a)(1) & (2)

(1) PENSION LIABILITIES FOR THE VERMONT STATE EMPLOYEES’ RETIREMENT SYSTEM (VSERS) AND THE VERMONT STATE TEACHERS’ RETIREMENT SYSTEM (VSTRS)

(2) OTHER POSTEMPLOYMENT BENEFIT [OPEB] LIABILITIES UNDER CURRENT LAW AND RELEVANT GOVERNMENT ACCOUNTING STANDARDS BOARD STANDARDS FOR THE SYSTEMS IN SUBDIVISION (1) OF THIS SUBSECTION

<table>
<thead>
<tr>
<th>VSERS</th>
<th>VSERS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pension</td>
</tr>
<tr>
<td>Pension</td>
<td>717,577,722</td>
</tr>
<tr>
<td>OPEB</td>
<td>891,459,018</td>
</tr>
</tbody>
</table>

All amounts reflect the Unfunded Actuarial Accrued Liability as of 6/30/2017
SECTION (a)(3)

(3) CHILD CARE FEE SCALE FUNDING REQUIREMENTS PURSUANT TO 33 V.S.A. § 3512 TO BRING TOTAL YEAR FUNDING TO CURRENT MARKET RATES AND CURRENT FEDERAL POVERTY LEVEL

<table>
<thead>
<tr>
<th>Market Rate</th>
<th>Additional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>to 2010 Market Rate</td>
<td>3,802,151</td>
<td>3,802,151</td>
</tr>
<tr>
<td>to 2012 Market Rate</td>
<td>2,863,317</td>
<td>6,665,468</td>
</tr>
<tr>
<td>to 2014 Market Rate</td>
<td>2,658,268</td>
<td>9,323,736</td>
</tr>
<tr>
<td>to 2015 Market Rate</td>
<td>1,609,688</td>
<td>10,933,424</td>
</tr>
<tr>
<td>to 2017 Market Rate</td>
<td>4,687,715</td>
<td>15,621,139</td>
</tr>
</tbody>
</table>

**Current Federal Poverty Level**
- to FY 2018 FPL 375,000

Notes:
- **FPL**
  - The current CCFAP income standard is based on the 2017 FPL.
- **Market Rate History**
  - In January 2010, CCFAP rates were established based on a 2008 Market Rate Survey (MRS).
  - In 2013 the legislature increased all rates by 3%.
  - In 2016 funding was added and used to increase infant rates to reflect the estimated 2009 rates; if a provider’s rate met or exceeded the 2010 MRS after the 2013 increase, they were given a 3% increase.
  - For fiscal year 2018, pursuant to 2017 Acts and Resolves No. 85, Section E.318(a)(1), approximately $300K of funding was added and used to bring the FPL basis up to the 2017 level.
  - The most recent MRS was completed in 2017.
SECTION (a)(4)

(4) REACH UP FUNDING FULL BENEFIT OBLIGATIONS PRIOR TO ANY RATEABLE REDUCTIONS MADE PURSUANT TO 33 V.S.A. 1103(a) WHICH ENSURE THAT THE EXPENDITURES FOR THE PROGRAMS SHALL NOT EXCEED APPROPRIATIONS

Reach up ($ Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligation prior to Ratable Reduction</td>
<td>42.30</td>
</tr>
<tr>
<td>Base appropriation</td>
<td>21.00</td>
</tr>
<tr>
<td>Amount for full funding</td>
<td>21.30</td>
</tr>
</tbody>
</table>

** Based on Caseload in September 2017 and average household benefit information

SECTION (a)(5)

(5) STATUTORY FUNDING LEVELS FROM THE PROPERTY TRANSFER TAX TO THE CURRENT USE ADMINISTRATION SPECIAL FUND (32 V.S.A. § 9610(c)), THE VERMONT HOUSING AND CONSERVATION FUND (10 V.S.A. § 312), AND THE MUNICIPAL AND REGIONAL PLANNING FUND (24 V.S.A. § 4306(a))

Fiscal Year 2019 Property Transfer Tax (PTT) Allocation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTT Revenue - 1/18/2018 Emergency Board Adopted Forecast</td>
<td>44,400,000</td>
</tr>
<tr>
<td>32 V.S.A. § 9610 (c) 1% to Current Use Administration Special Fund</td>
<td>444,000</td>
</tr>
<tr>
<td>Remainder for allocation</td>
<td>43,956,000</td>
</tr>
<tr>
<td>10 V.S.A. § 312 50% to the Vermont Housing &amp; Conservation Board (VHCB)</td>
<td>21,978,000</td>
</tr>
<tr>
<td>32 V.S.A. § 435 (b)(10) 33% to the General Fund</td>
<td>14,505,480</td>
</tr>
<tr>
<td>24 V.S.A. § 4306 (a) 17% to the Municipal &amp; Regional Planning Fund</td>
<td>7,472,520</td>
</tr>
<tr>
<td>70% to Regional Planning Commission</td>
<td>5,230,764</td>
</tr>
<tr>
<td>20% to Municipal Planning Commission</td>
<td>1,494,504</td>
</tr>
<tr>
<td>10% to Geographic Information Services</td>
<td>747,252</td>
</tr>
</tbody>
</table>
(6) MAINTENANCE OF TRANSPORTATION ROAD AND BRIDGE INFRASTRUCTURE AT CURRENT LEVELS

<table>
<thead>
<tr>
<th>Transportation Infrastructure ($ Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Need</td>
<td>849</td>
</tr>
<tr>
<td>Available Funds</td>
<td>582</td>
</tr>
<tr>
<td>Net Unfunded</td>
<td>267</td>
</tr>
</tbody>
</table>

Note: Amounts reflect the cost of maintaining total transportation infrastructure, not just road and bridge repair.
### SECTION (a)(7)


<table>
<thead>
<tr>
<th></th>
<th>State Liability Insurance Fund</th>
<th>Risk Management - All other Funds</th>
<th>Workers Compensation Fund</th>
<th>Medical Insurance Fund</th>
<th>Dental Insurance Fund</th>
<th>Life Insurance Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2016 Starting Balance</strong></td>
<td>198,366</td>
<td>(29,310)</td>
<td>(6,124,109)</td>
<td>(4,291,999)</td>
<td>938,105</td>
<td>686,342</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>3,034,035</td>
<td>2,841,907</td>
<td>12,578,622</td>
<td>180,443,274</td>
<td>6,723,207</td>
<td>1,924,369</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(3,946,072)</td>
<td>(2,835,467)</td>
<td>(5,394,263)</td>
<td>(169,791,510)</td>
<td>(6,520,838)</td>
<td>(2,655,302)</td>
</tr>
<tr>
<td>**Other * **</td>
<td>20,879</td>
<td>-</td>
<td>85,202</td>
<td>24,615</td>
<td>2,679</td>
<td>1,782</td>
</tr>
<tr>
<td><strong>Operating Income (loss)</strong></td>
<td>(891,158)</td>
<td>6,440</td>
<td>7,269,561</td>
<td>10,676,379</td>
<td>205,048</td>
<td>(729,151)</td>
</tr>
<tr>
<td><strong>FY 2017 Starting Balance</strong></td>
<td>(692,792)</td>
<td>(22,870)</td>
<td>1,145,452</td>
<td>6,384,380</td>
<td>1,143,153</td>
<td>(42,809)</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>3,034,001</td>
<td>3,827,227</td>
<td>13,727,134</td>
<td>190,804,322</td>
<td>5,888,524</td>
<td>2,317,619</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(4,552,080)</td>
<td>(3,726,128)</td>
<td>(4,796,485)</td>
<td>(177,650,289)</td>
<td>(6,608,124)</td>
<td>(2,118,806)</td>
</tr>
<tr>
<td>**Other * **</td>
<td>43,417</td>
<td>-</td>
<td>194,645</td>
<td>130,912</td>
<td>3,704</td>
<td>794</td>
</tr>
<tr>
<td><strong>Operating Income (loss)</strong></td>
<td>(1,474,662)</td>
<td>101,099</td>
<td>9,125,294</td>
<td>13,284,945</td>
<td>(715,896)</td>
<td>199,607</td>
</tr>
<tr>
<td><strong>FY2018 Starting Balance</strong></td>
<td>(2,167,454)</td>
<td>78,229</td>
<td>10,272,746</td>
<td>19,669,325</td>
<td>427,257</td>
<td>156,798</td>
</tr>
<tr>
<td><strong>Projected Revenue</strong></td>
<td>3,149,437</td>
<td>3,824,476</td>
<td>7,753,828</td>
<td>195,237,034</td>
<td>6,899,616</td>
<td>2,319,145</td>
</tr>
<tr>
<td><strong>Projected Expenses</strong></td>
<td>(2,844,522)</td>
<td>(3,730,528)</td>
<td>(11,253,623)</td>
<td>(190,066,857)</td>
<td>(6,896,653)</td>
<td>(2,321,645)</td>
</tr>
<tr>
<td>**Other * **</td>
<td>95,111</td>
<td>-</td>
<td>103,757</td>
<td>-</td>
<td>-</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Projected Operating Income (Loss)</strong></td>
<td>400,026</td>
<td>93,948</td>
<td>(3,396,038)</td>
<td>5,170,177</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>FY 2019 Projected Starting Balance</strong></td>
<td>(1,767,428)</td>
<td>172,177</td>
<td>6,874,708</td>
<td>24,839,502</td>
<td>427,257</td>
<td>156,798</td>
</tr>
<tr>
<td><strong>Budgeted Revenue</strong></td>
<td>3,695,150</td>
<td>3,954,520</td>
<td>7,048,301</td>
<td>205,631,945</td>
<td>6,934,775</td>
<td>2,388,794</td>
</tr>
<tr>
<td><strong>Budgeted Expenses</strong></td>
<td>(3,395,297)</td>
<td>(3,954,520)</td>
<td>(11,579,265)</td>
<td>(205,586,790)</td>
<td>(6,931,812)</td>
<td>(2,391,294)</td>
</tr>
<tr>
<td>**Other * **</td>
<td>95,111</td>
<td>-</td>
<td>103,757</td>
<td>-</td>
<td>(2,963)</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Budgeted Operating Income (Loss)</strong></td>
<td>394,964</td>
<td>-</td>
<td>(4,427,207)</td>
<td>45,155</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>FY 2019 Budgeted Ending Balance</strong></td>
<td>(1,372,464)</td>
<td>172,177</td>
<td>2,447,501</td>
<td>24,884,656</td>
<td>427,257</td>
<td>156,798</td>
</tr>
</tbody>
</table>

* Other includes the non-operating revenues, including gain/loss on the disposal of capital assets, and other revenue, expense gains, losses and transfers, including Insurance recoveries, capital contributions, and other transfers in/out.

See notes on page 8
**SECTION (a)(8)**

(8) A SUMMARY OF OTHER NONMAJOR ENTERPRISE FUNDS AND INTERNAL SERVICE FUNDS WHERE DEFICITS EXIST IN EXCESS OF $1,500,000 INCLUDING: VERMONT LIFE MAGAZINE; THE COPY CENTER FUND; THE POSTAGE FUND; THE FACILITIES OPERATIONS FUND, AND THE PROPERTY MANAGEMENT FUND

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,032,116</td>
<td>1,183,076</td>
<td>3,363,011</td>
<td>39,603,540</td>
<td>2,509,537</td>
<td>2,818,374</td>
<td>27,280,879</td>
<td>22,382,550</td>
</tr>
<tr>
<td>Expenses</td>
<td>(3,007,312)</td>
<td>(1,556,820)</td>
<td>(3,332,032)</td>
<td>(41,638,077)</td>
<td>(2,257,146)</td>
<td>(3,088,666)</td>
<td>(26,051,592)</td>
<td>(23,542,395)</td>
</tr>
<tr>
<td>Other *</td>
<td>-</td>
<td>(7,408)</td>
<td>-</td>
<td>(5,493)</td>
<td>(1,057)</td>
<td>-</td>
<td>49,011</td>
<td>(635,500)</td>
</tr>
<tr>
<td>Operating Income (loss)</td>
<td>24,804</td>
<td>(381,152)</td>
<td>30,979</td>
<td>(2,040,030)</td>
<td>251,334</td>
<td>(2,307,292)</td>
<td>1,278,298</td>
<td>(1,795,345)</td>
</tr>
<tr>
<td><strong>FY2017 Starting Balance</strong></td>
<td>(111,663)</td>
<td>(3,221,298)</td>
<td>(301,744)</td>
<td>(2,842,025)</td>
<td>(1,456,841)</td>
<td>(2,637,750)</td>
<td>(1,209,300)</td>
<td>(24,226,542)</td>
</tr>
<tr>
<td>Revenue</td>
<td>403,228</td>
<td>1,226,332</td>
<td>3,168,474</td>
<td>32,392,051</td>
<td>2,608,292</td>
<td>2,779,208</td>
<td>29,659,723</td>
<td>20,779,518</td>
</tr>
<tr>
<td>Expenses</td>
<td>(418,097)</td>
<td>(1,521,100)</td>
<td>(3,124,068)</td>
<td>(33,839,599)</td>
<td>(2,412,283)</td>
<td>(3,120,028)</td>
<td>(29,774,268)</td>
<td>(21,108,928)</td>
</tr>
<tr>
<td>Other *</td>
<td>-</td>
<td>(19,421)</td>
<td>196,169</td>
<td>-</td>
<td>(933)</td>
<td>-</td>
<td>15,979</td>
<td>(339,748)</td>
</tr>
<tr>
<td>Operating Income (loss)</td>
<td>(14,869)</td>
<td>(314,189)</td>
<td>240,575</td>
<td>(1,415,768)</td>
<td>195,613</td>
<td>(340,820)</td>
<td>(98,566)</td>
<td>(669,158)</td>
</tr>
<tr>
<td><strong>FY2018 Starting Balance</strong></td>
<td>(126,532)</td>
<td>(3,535,487)</td>
<td>(61,169)</td>
<td>(4,257,793)</td>
<td>(1,261,228)</td>
<td>(2,978,570)</td>
<td>(1,307,866)</td>
<td>(24,895,700)</td>
</tr>
<tr>
<td>Projected Revenue</td>
<td>32,788</td>
<td>1,407,198</td>
<td>3,821,492</td>
<td>36,879,735</td>
<td>2,370,655</td>
<td>2,794,794</td>
<td>29,363,661</td>
<td>19,929,932</td>
</tr>
<tr>
<td>Projected Expenses</td>
<td>(32,196)</td>
<td>(1,404,703)</td>
<td>(3,737,329)</td>
<td>(36,879,735)</td>
<td>(2,112,096)</td>
<td>(3,093,793)</td>
<td>(29,201,123)</td>
<td>(20,859,391)</td>
</tr>
<tr>
<td>Other *</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,000)</td>
<td>-</td>
<td>-</td>
<td>(382,000)</td>
<td>849,585</td>
</tr>
<tr>
<td>Projected Operating Income (Loss)</td>
<td>592</td>
<td>2,495</td>
<td>84,163</td>
<td>-</td>
<td>257,559</td>
<td>(298,999)</td>
<td>(219,462)</td>
<td>(79,874)</td>
</tr>
<tr>
<td><strong>FY 2019 Projected Starting Balance</strong></td>
<td>(125,940)</td>
<td>(3,532,992)</td>
<td>22,994</td>
<td>(4,257,793)</td>
<td>(1,003,669)</td>
<td>(3,277,569)</td>
<td>(1,527,328)</td>
<td>(24,975,574)</td>
</tr>
<tr>
<td>Budgeted Revenue</td>
<td>1,436,163</td>
<td>1,497,170</td>
<td>3,059,272</td>
<td>64,476,640</td>
<td>2,457,915</td>
<td>2,794,070</td>
<td>29,988,009</td>
<td>20,428,180</td>
</tr>
<tr>
<td>Budgeted Expenses</td>
<td>(1,440,256)</td>
<td>(1,471,160)</td>
<td>(3,058,430)</td>
<td>(64,476,640)</td>
<td>(2,228,478)</td>
<td>(3,083,219)</td>
<td>(29,988,009)</td>
<td>(21,380,876)</td>
</tr>
<tr>
<td>Other *</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,909)</td>
<td>-</td>
<td>-</td>
<td>(518,000)</td>
<td>870,825</td>
</tr>
<tr>
<td>Budgeted Operating Income (Loss)</td>
<td>(4,093)</td>
<td>26,010</td>
<td>842</td>
<td>-</td>
<td>227,528</td>
<td>(289,149)</td>
<td>(518,000)</td>
<td>(81,871)</td>
</tr>
</tbody>
</table>

* Other includes the non-operating revenues, including gain/loss on the disposal of capital assets, and other revenue, expense gains, losses and transfers, including Insurance recoveries, capital contributions, and other transfers in/out.

See notes on page 8
NOTES ON FUND BALANCES:

INSURANCE FUNDS
The projected expenses in the insurance funds are set by an actuary. These projections are used to set rates, but there can be variation from the actual experience and in year to year changes. Best practice is to have some balance of working capital in these funds to weather any changes in the actuarial projections based on expenses that have been incurred but not reported (IBNR) for that fiscal year.

(1) - SINGLE AUDIT FUND
The Single Audit Revolving Fund’s previous deficit position was caused by expense accruals that were billed in subsequent fiscal years. To eliminate this issue, billings now include an estimate for expense accruals.

(2) COMMUNICATION & INFORMATION TECHNOLOGY FUND
The Communications and Information Technology Fund’s deficit is the result of investments from fiscal years 2016 - 2017 in Voice Over Internet Protocol phone system (VOIP) and an enterprise solution for the State’s email and office suite (“0365 Solution”) of products. Prior to fiscal year 2016 certain legacy deficit positions were caused by a combination of billing practices and financing strategies of the State. Beginning in fiscal year 2019 and forward, specific cost centers will be established to more closely match revenue and expenses with an emphasis on revenue strategies that are less variable in nature. In addition, billing will continue for the VOIP and 0365 solution which will be geared toward recapturing the deficit position.

(3) FACILITIES OPERATIONS FUND
The Facilities Operations Fund can experience major fluctuations due to many unpredictable factors (such as weather, building damage, equipment failure) and some predictable factors, such as employee advancements (pay act & reclassifications) which do not adjust the billing rate during the year. Continued investments in energy efficiency, strategic maintenance management, and regular review of all operations should help trend this fund toward surplus.

(4) PROPERTY MANAGEMENT FUND
Much of the Property Management Fund’s deficit is due to two buildings that have been financed over a twenty-year period but whose recovery of costs is fifty years. This part of the deficit should be eliminated gradually over the next thirty years. Additionally, the fund operated with staff and operating costs with no mechanism to bill back these costs. The Administration has added a surcharge to the existing leases to aid in covering the cost associated with the program operations.