

## House Committee on Appropriations

**Friday, January 12, 2024**

*Budget Adjustment Act: Reversions and carry forward walk through*

Hardy Merrill, Deputy Commissioner, Department of Finance & Management

### **Statutory and session law background:**

- **32 V.S.A. § 703: Unexpended appropriations**

The unexpended and unencumbered balances of any sums appropriated by the General Assembly shall, at the end of the fiscal year, unless otherwise specifically provided, revert to the appropriate fund balance. Refunds of expenditures and reimbursements shall be credited to the appropriate fund and to appropriation accounts in the current fiscal year. (Amended 1983, No. 253 (Adj. Sess.), § 249; 1997, No. 66 (Adj. Sess.), § 66, eff. Feb. 20, 1998; 2007, No. 192 (Adj. Sess.), § 6.011.)

- The statutory default is that all unexpended and unencumbered balances of appropriations would automatically revert to the fund balance at the close of the fiscal year. By default, there is no “carry forward” of spending authority.

- **2023 Act 3 Sec. 109. CARRYFORWARD AUTHORITY**

(a) Notwithstanding any other provisions of law and subject to the approval of the Secretary of Administration, General, Transportation, Transportation Infrastructure Bond, Education Fund, Clean Water Fund (21932), and Agricultural Water Quality Fund (21933) appropriations remaining unexpended on June 30, 2023 in the Executive Branch shall be carried forward and shall be designated for expenditure.

(b) Notwithstanding any other provisions of law, General Fund appropriations remaining unexpended on June 30, 2023 in the Legislative and Judicial Branches shall be carried forward and shall be designated for expenditure.

- In recent history, the BAA has included standard language as above, to permit for carry forward spending authority as described above.

### **Operationalizing the Executive Carry Forward Approval Process:**

- **Annual Carry Forward memo from DFM to statewide financial managers at fiscal year end (June 30, 2023 memo from Adam Greshin is attached for Committee):**

- Formal communication of Secretary of Administration’s intent to authorize the carry forward of unused spending authority—with the caveat that the use (expenditure) of this spending authority is subject to approval by Commissioner of F&M.
- Technical instructions for how departments can confirm the amount of carryforward available and when this information will be available (dependent on when year-end close is complete; typically about three weeks into July).

- Request for submission of plans for proposed uses of carry forward spending authority by August 1 to DFM.
  - Plans are reviewed by budget analysts in first half of August; budget analysts meet with DFM leadership second half of August; in late August to early September, DFM presents recommendations to Secretary of Administration.
  - Upon SoA approval, carry forward spending authority is released for expenditure and communicated to departments in early September.
  - Amounts NOT approved for expenditure will inform the reversions proposed in Governor’s Recommended BAA.
- **General criteria for carry forward plan approval:**
    - Plans should be for one-time rather than base expenditures.
    - One-time expenditures that can create efficiencies and/or savings are a preferred use.
    - Completion of projects already initiated is a preferred use.
    - Applying spending authority carried forward from the prior fiscal year, to anticipated Pay Act need in the current fiscal year, is also a preferred use.
    - A proposal for carry forward expenditure must be aligned with the purpose of the appropriation in which the spending authority exists.
      - Example: unused spending authority in DCF–Administration cannot be carried forward for expenditure for DCF – Reach Up.
        - In this example, the spending authority would need to be reverted from DCF-Admin to the General Fund, then appropriated to DCF-Reach Up in the BAA.
      - Example: unused spending authority in DCF-Administration is proposed for the purpose of replacing existing office furniture for staff working in the DCF-Administration division.
        - In this example, the proposed use is allowable as an operating expense of the DCF-Administration appropriation. However, it is unlikely to be approved by DFM, since it is unlikely to create efficiency or savings, and it is not mandatory to maintain operations.
      - Note that one-time appropriations tend to have very specific prescriptive purposes.
- **Budget Adjustment:**
    - In Budget Adjustment, it is common to find a proposed reversion within one appropriation of an agency, to create unallocated spending authority within the fund, that can be proposed for appropriation to a different appropriation within the same agency.
      - This is especially common within the Agency of Human Services, as the largest fiscal component of State government.
      - In FY2024 Governor’s Recommended BAA, \$29 million is proposed for reversion to the General Fund from AHS base appropriations. In the same BAA, \$31 million is proposed for appropriation from the General Fund to AHS base appropriations.