

General Fund Context

Presentation for House Corrections
and Institutions Committee

Joint Fiscal Office

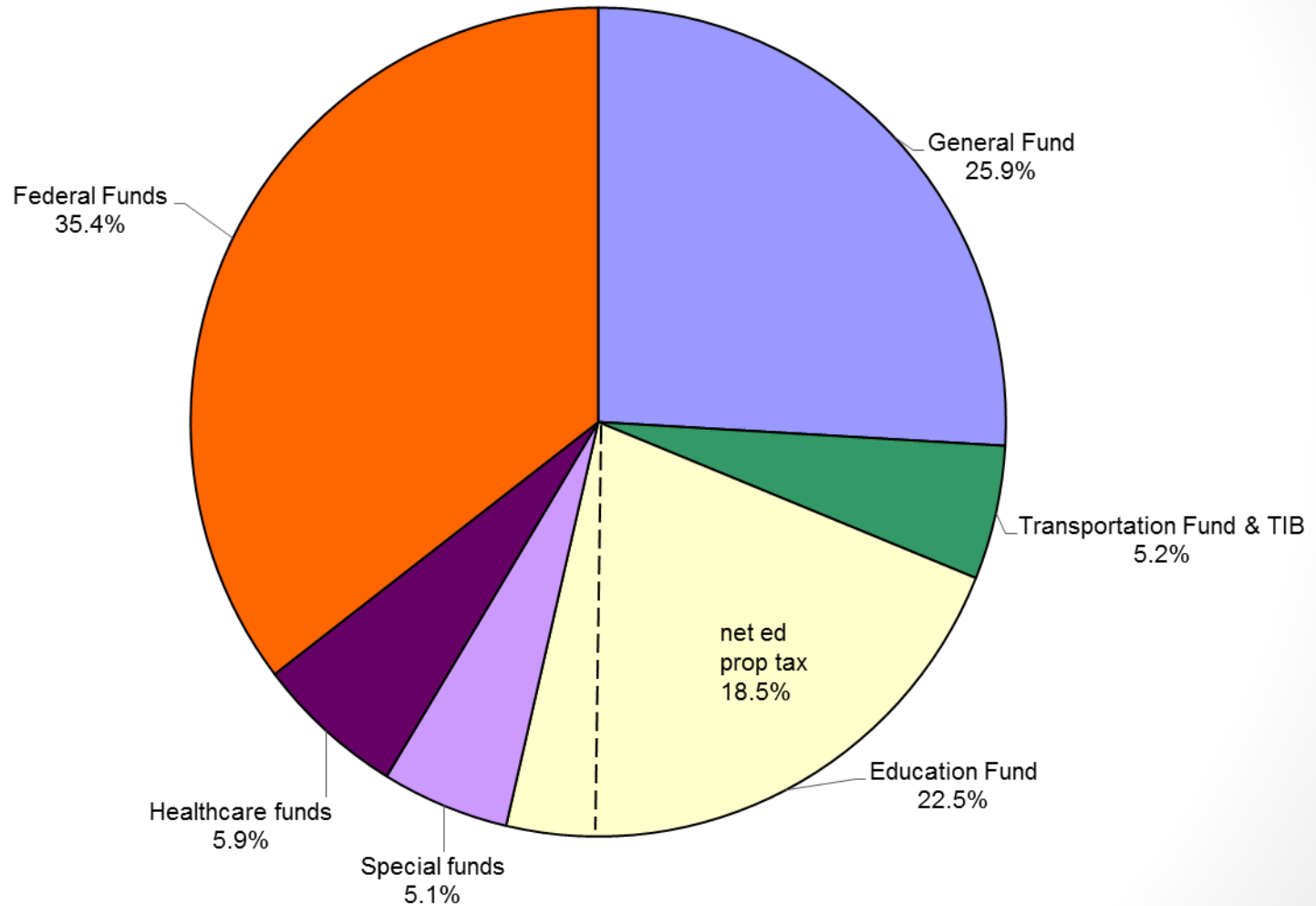
October 25, 2013

Basic Budget Dynamics

- Total was \$4.1B in FY08 now to \$5.2B in FY14
 - Average annual growth 3.6% since FY09
- GF is now 26% of total (down from 30%)
 - GF growth has averaged 3.4% since FY09
- Federal funds now 35% of total (up from 30%)
 - Base FF growth has averaged 6.4% since FY09
- EF – local spending decisions – state fund pressure
- TF – system needs grow – constant revenue challenge

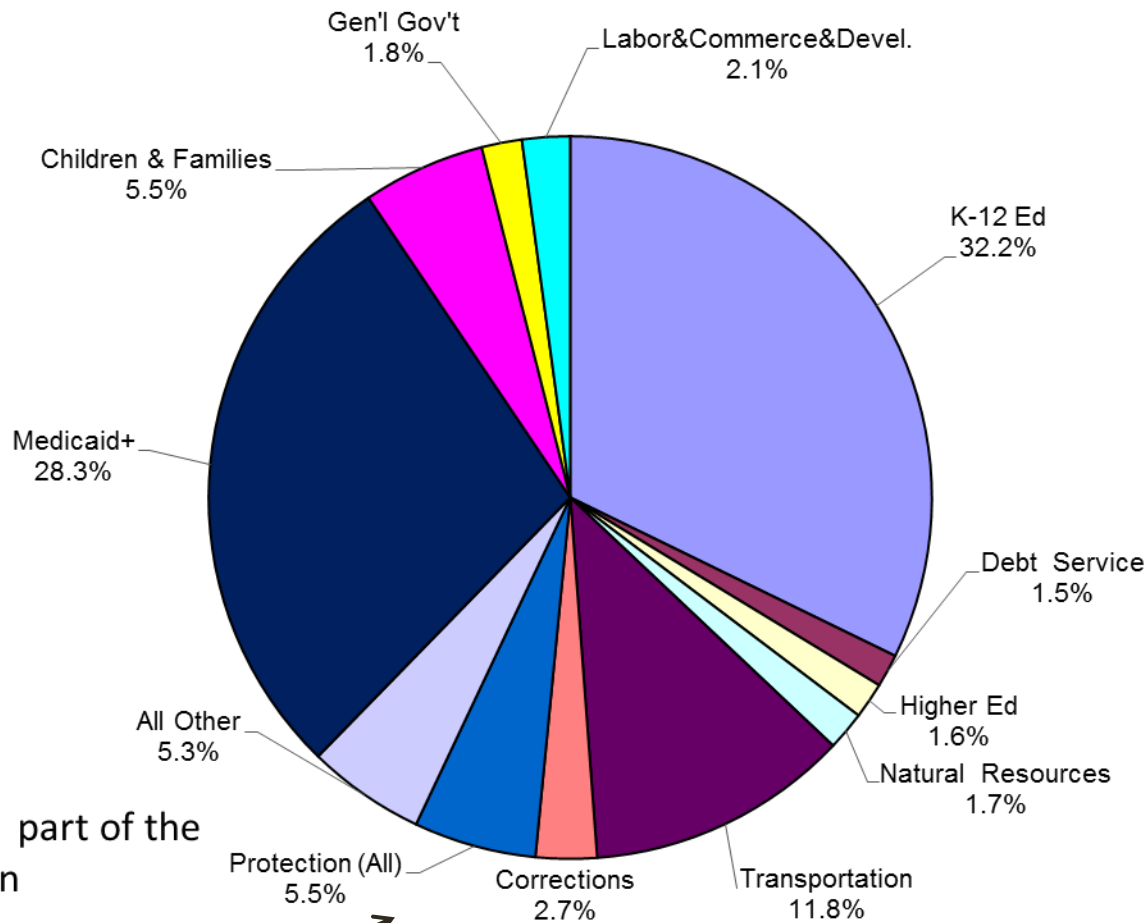
Gross State Product avg. growth 1.3% (projected @ 3% in '14)

FY14 Budget As Passed - All Sources of Funds = \$5.23 Billion Includes Net Ed Property Tax and Federal Funds



FY14 Budget As Passed - All Funds Uses = \$5.23 Billion

Includes Net Ed Property Tax and Federal Funds



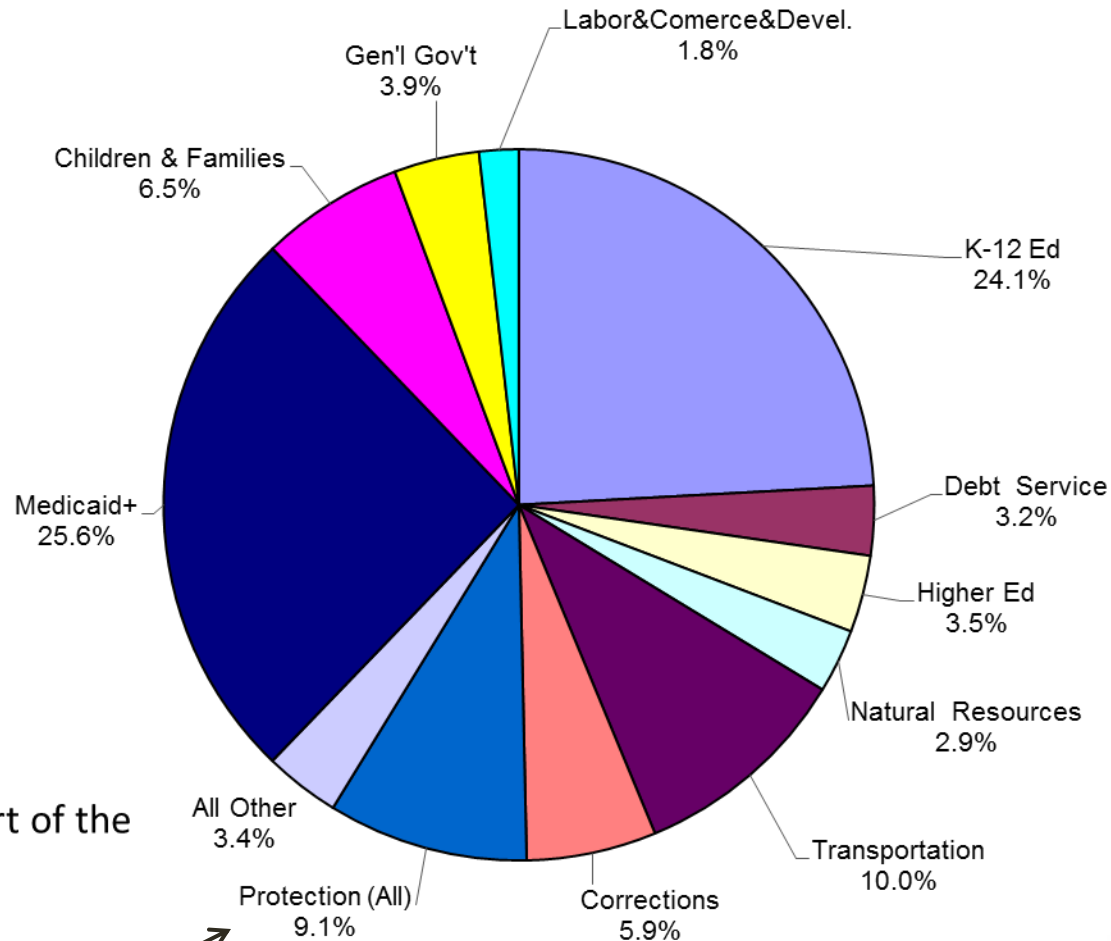
Judiciary budget is part of the Protection Function

<1% of all funds



FY14 Budget As Passed - All State Funds = \$2.4 Billion

Excludes Federal Funds and Net Ed Property Tax

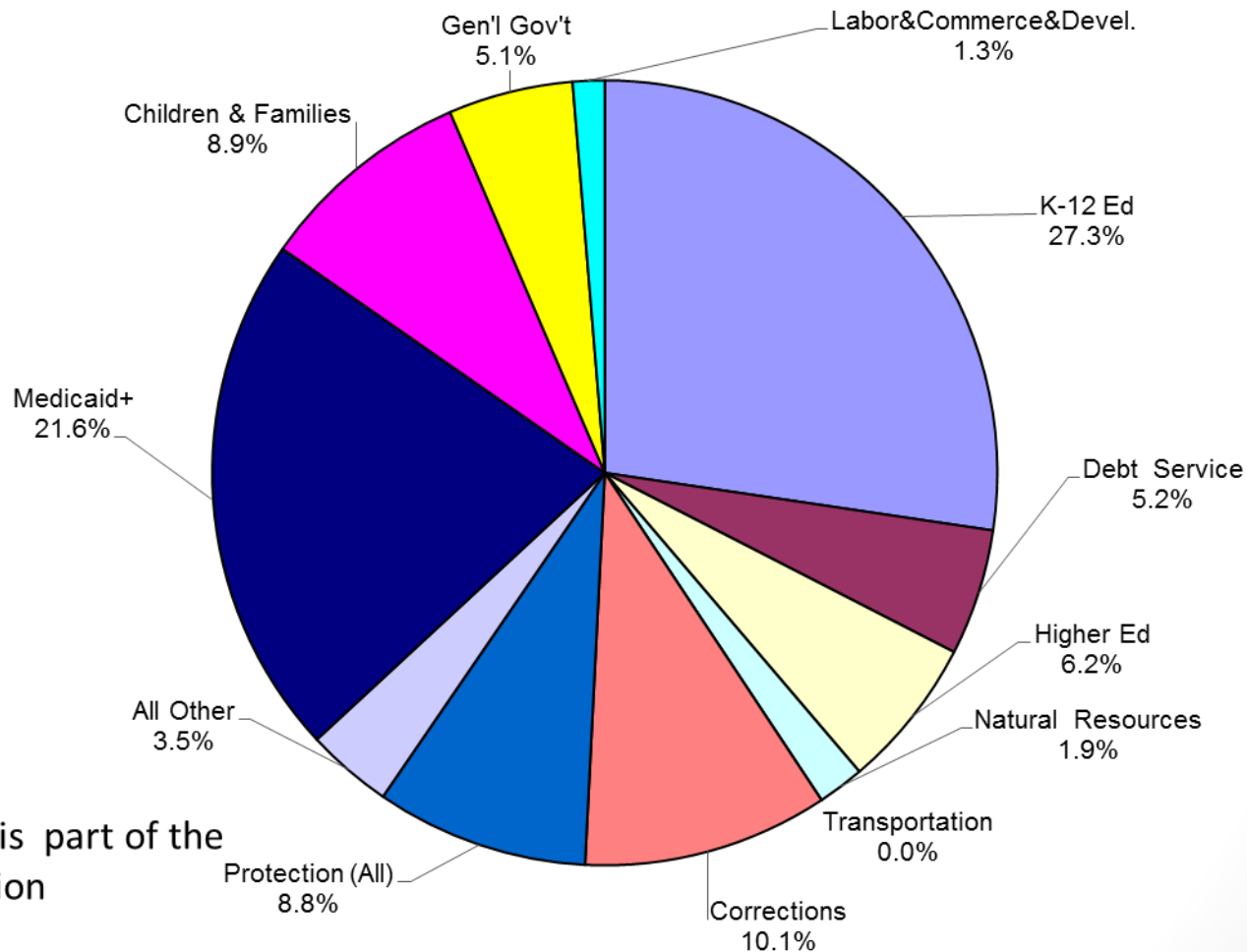


Judiciary budget is part of the Protection Function

1.7% of all state funds
19% of protection



FY14 Budget As Passed - General Fund = \$1.355 Billion



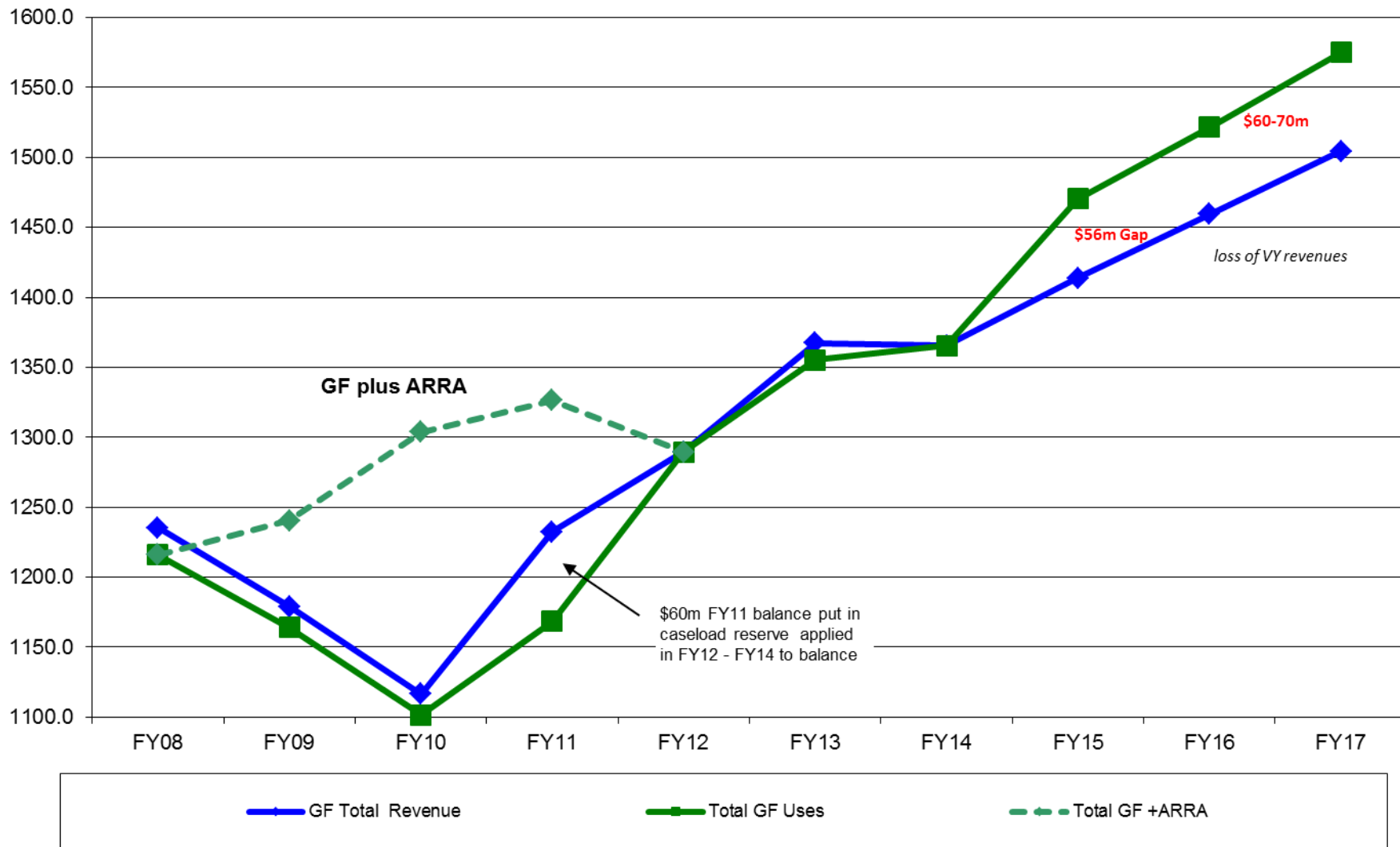
Judiciary budget is part of the Protection Function

2.6% of GF

30% of Protection GF

GF Out Year Picture

July 2013 Revenue - 5-Year Revenue Forecast
 FY14 onetime added - 3.5% Average Annual Growth Rate



Big GF chunks in FY 2014

5 yr growth

• Education Fund	\$289M
• Global Commitment	\$158M
• DVHA LTC/Medicaid	\$135M
• Corrections	\$135M
• Teachers Retirement [16% 5yr GR]	\$72 M
• Debt Service	\$70 M
Subtotal	\$859M 72% of GF

FY 2009 – FY 2014 – GF High Growth Items:

	FY 2014	5 year growth	1 year %
Teachers retirement	\$ 72M	16.4%	12.8%
Correctional Services	\$131M	4.5%	3.3%
Fee for Space	\$ 28M	1.0%	7.3%
Current Use	\$ 13 M	6.6%	6.5%
State Police	\$ 25M	5.1%	18%

[reducing burden on TF]

FY 2015 GF GAP Analysis - Current Services Budget Needs

- **\$55M of one-time resources balanced FY14**
- **Retirement obligations**
- **Pay Act costs - roll out plus new contract**
- **Federal Fund Issues (FMAP 15.9, other)**
- **Other Human Service**
- **Education Finance expectations**
- **Debt Service**
- **Technology Funding - run rate problem \$10 M plus**
- **Build Reserves - \$12 million in rainy day fund - will be used for FY 2014 budget adjustment needs**

FY 2015 GF Growth outliers

- State and Teachers Retirement +/- \$10M
- State Police – reduction of TF
- FMAP Replacement \$15.9M

Other federal issues?

- Veterans Home Pressures
- Fee For Space ?? [Buildings coming on line]?
 - State Hospital coming on line \$ 4 - 13M

[More if Morrisville does not go off line]

- Debt Service \$ 4.0M
- Exchange Funding \$ 8.0 M
- IT investments ??

Focus: Teachers Retirement Health Care -1

- Vermont Teachers retirement system is 60.5% funded. Addressing this is a challenge.
- More so because Vermont pays for retired teachers' health care out of teachers' retirement pension funds.
- The added health care costs create an expense to the system that reduces the value of the contribution to teachers retirement funding and thereby increases the unfunded liability.
- In FY 2014 the GF appropriation was \$71.783M
 - Recommended contributions FY 2015 + 5.5M
 - FY 2014 \$68,352,825 *About \$3.4M extra toward retiree health care*
 - FY 2015 \$73,859,170
 - Retiree Health Care Costs were estimated at \$26.5M of that amount

Focus: Teachers Retirement Health Care - 2

- The cost of teachers retiree health care:

- 2001 \$ 4.1M
- 2003 \$ 6.6M
- 2008 \$15.2M
- 2013 \$22.5M
- 2014 \$26.5M Budgeted

- 2020 projection \$38.3 M
- 2040 projection \$77.4 M
- [Dec 2009 Retirement Commission Report)

Focus: Teachers Retirement Health Care - 3

- This makes gaining ground on the teachers retirement funding level tough
- For contemplation...
 - With the health care reform move from employer funding to state funding. The retirement system stands to lose a major part of this obligation – good for retirement system
 - The reformed health care system would pick up costs
 - If the funding is based on payroll tax, what does this say about the impact of retiree health costs on the state's reform efforts? Likely to be multiple funding sources.

So Why Does Institutions Care About GF Growth Pressures?

- Many General Fund issues and concerns are general legislative concerns – context important
- Institution Committee actions impact General Fund – fee for space, Corrections, cost allocations, debt service
- Shared responsibility items – IT costs, school construction, engineering costs, conservation expenditures, water quality.