

FY 2016 Executive Budget Summary



Fiscal Year 2016 Executive Budget Recommendations
Peter Shumlin
Governor of Vermont
January 15, 2015



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Dear Members of the General Assembly
and Fellow Vermonters:

It is an honor and a pleasure to present my Fiscal Year (FY) 2016 Budget Recommendations for your consideration. The budget is built on five principles – principles that I hope we can continue to come back to as the legislature discusses my proposals: responsibility, sustainability, value, protection, and balance.

Late in 2014 I had to make one of the most difficult decisions of my public career – to put on hold, for now, my vision of a universal, publicly-financed single payer health plan. But that does not mean we should cease our efforts to secure health care reform for all Vermonters, because the need to fix our unsustainable, unfair, and unaffordable health care system is as great as ever. In this budget, I am proposing some immediate and concrete steps to help.

First, I propose increasing payments to both the community health teams and to the medical homes that are the backbone of Vermont's Blueprint for Health. Through their hard work we have seen savings of about \$550 per person in healthcare costs. My budget increases the community team payments by \$540,000 and medical home payments by \$3.5 million.

Second, this budget includes a plan to address the cost shift to private health insurance premiums caused by low Medicaid provider payments. This hidden tax is a barrier to affordability for people who have health insurance. I plan to invest approxi-

mately \$25 million into payments to health care providers to ensure that we make significant progress in paying our fair share of Medicaid. More than \$30 million is committed to cover newly insured Vermonters, whose coverage would otherwise exacerbate the cost shift. Together these increased payments will significantly reduce the current cost shift.

I propose to pay for this and other important healthcare initiatives with a 0.7% payroll tax. The tax will raise \$41 million at the state level and allow us to draw down an additional \$45 million in new federal dollars – allowing us to reduce the cost shift significantly by reducing the amount needed to be covered by private premiums by \$41 to \$50 million. The proposal will leverage the cost shift reduction for businesses that offer insurance today by asking for a small contribution from all businesses, including those who do not offer insurance.

In a separate policy bill, I also propose to strengthen the Green Mountain Care Board's authority to ensure that we move toward a system that focuses on health care as a public good and moves us to a system that pays for quality of care, not quantity of care. I ensure there is additional oversight over the budget and priorities of the Vermont Information Technology Leaders (VITL) by enhancing the Board's ability to review their budget. In addition, the policy bill creates a focus on the health impacts of state policy by promoting "health in all policies" initiatives.

I have also heard from Vermonters that the amounts they have to pay when seeking services are too high, so I propose \$2 million in this budget to support an increase in Vermont's cost-sharing reduction program. While I include a specific suggestion in the policy bill, I am open to considering other options for increasing affordability.

While reducing health insurance costs for business, we will also continue to encourage new businesses to grow and develop in Vermont. I am proposing to improve the Vermont Economic Growth Incentive by removing the \$1 million cap for special projects outside of Chittenden County, tying the wage require-

ments to regional economic variances, and advancing training dollars earlier than currently allowed.

Controlling the cost of education and addressing the crushing property tax burden on Vermonters across the state will involve legislators, town officials, schools districts and taxpayers all working together. To help in this conversation, the Agency of Education has directed significant resources to collecting and disseminating vital data to schools on how they are performing. This information will help inform schools and school districts as they decide what is best for them. In addition to the required General Fund transfers to the Education Fund, I propose to advance the work of education spending reform by providing \$3 million in the capital budget for incentive funding for school district consolidation projects. With good data, and some capital funds, the right decisions can be made at the local level focusing on quality and reducing cost in our school systems. I will also support changes to current funding that do not create the right incentives, such as eliminating the small schools grant and phantom student payments under most circumstances.

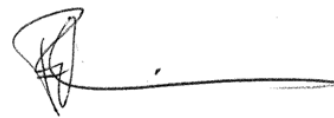
Vermonters everywhere were heartbroken at the terrible stories of child abuse and death in the past year. While the ultimate responsibility for these atrocious crimes remains with the heartless people who carried them out, we know that the Department for Children and Families needs more staff and support to help protect our kids. This budget does not cut funding for child protection and it supports the efforts that we have taken to date to boost social workers and ensure better communications between departments within the Agency of Human Services and others who help protect children.

There is no way to address the \$94 million budget gap we face this year without significant, but strategic cuts. It would be irresponsible to expect Vermonters to pay for this gap, just as it would be to cut indiscriminately to meet our budget challenge. State government has to change the way it does business to meet the new reality of slower growth projected by our economists. My budget proposal includes \$15.0 million in cost reduc-

tions from restructuring, consolidation, and elimination of programs in state government. The savings are complemented by the increased revenue from closing the loophole that allows some tax filers to deduct last year's state and local taxes from this year's income. This measure will bring an additional \$15.5 million in revenue to the state.

We must meet the mission of state government - to provide for the needs of Vermonters and give them every opportunity to succeed - while continuing to do all we can to match our spending with our ability to pay. I look forward to working with all of you, with our dedicated state workforce, and with our communities as we build a firm foundation for Vermont's ongoing prosperity.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Shumlin", with a long horizontal line extending to the right.

Peter Shumlin

Governor

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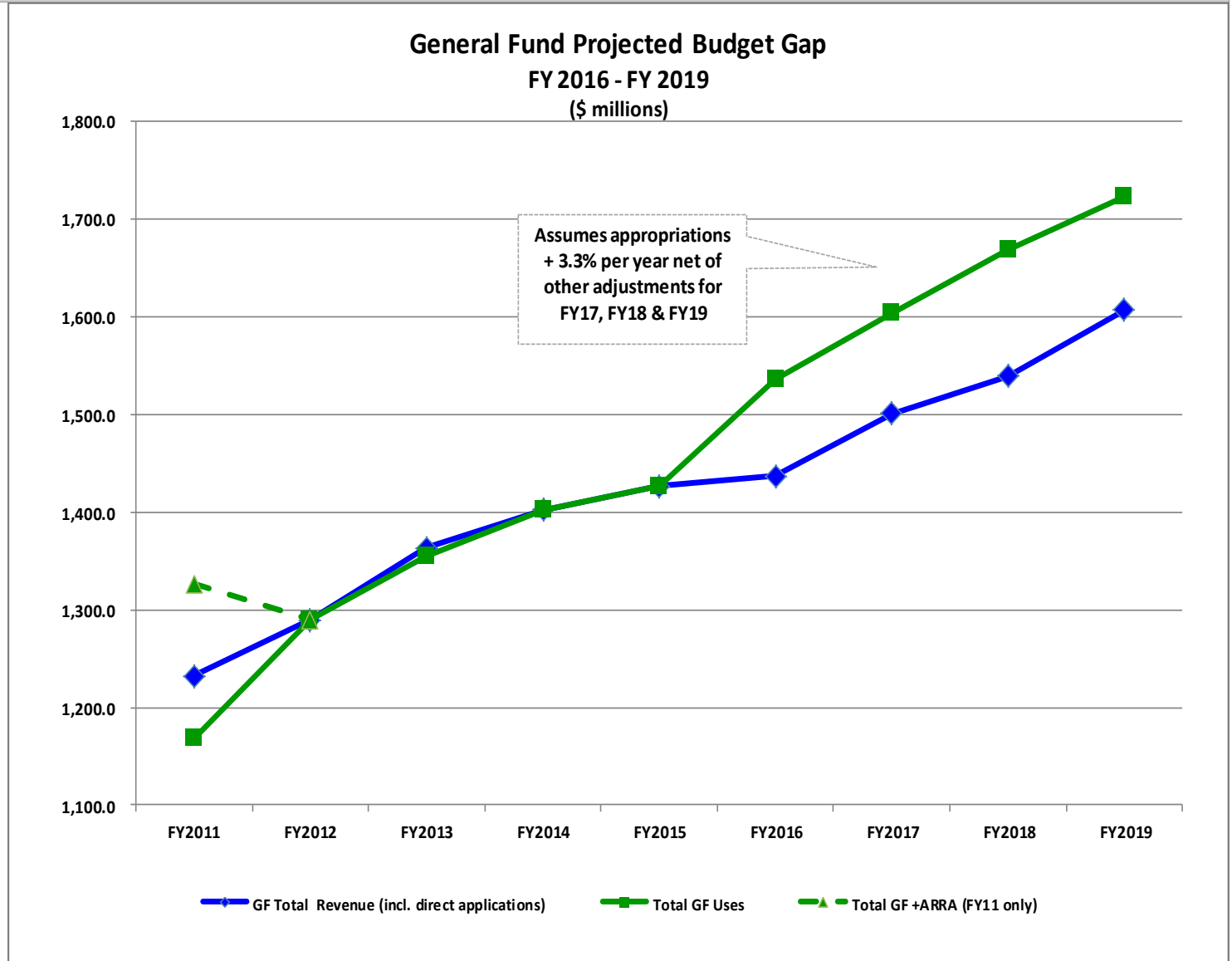
THE STRUCTURAL CHALLENGE - REVENUE AND EXPENDITURE GROWTH MISMATCH

Projected General Fund Budget Gap for FY 2016 - FY 2019

With the end of the Great Recession, General Fund (GF) revenue is growing, year-over-year. The challenge is that the pent up demand for government services and support has and is projected to grow at a higher rate than GF revenue.

The chart at the right illustrates the building budget gap that will occur if we do not match our growth in spending to our growth in GF revenue. Without action, we will continue to experience growing "budget gaps" in the future.

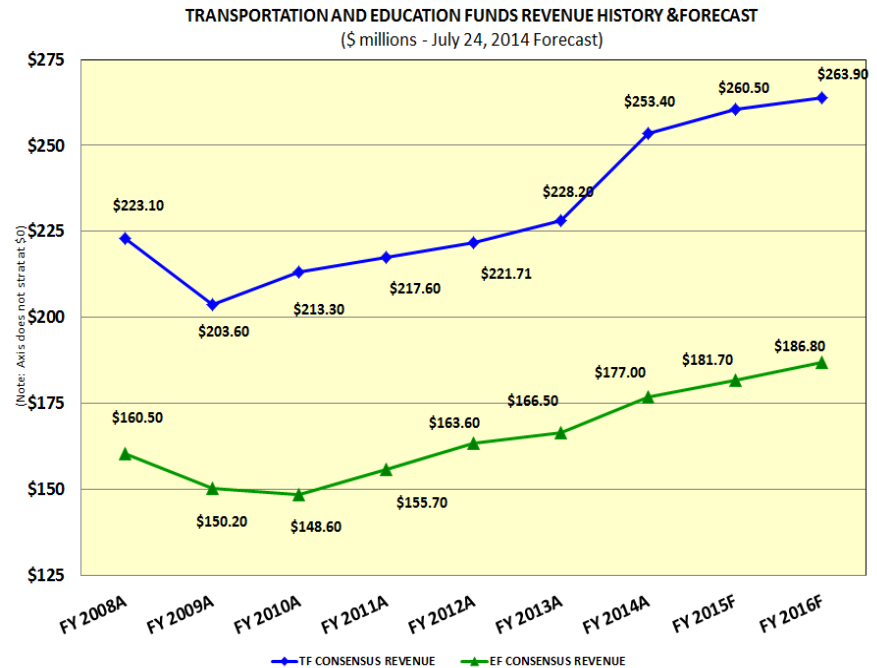
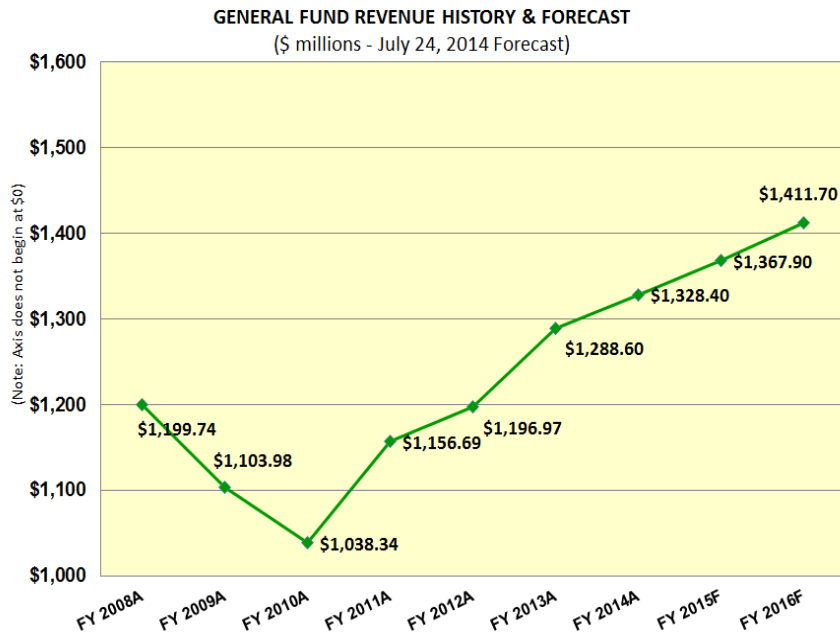
Agencies and Departments have worked hard to mitigate and close the past budget gaps. However, with each passing year, the task of closing GF budget gaps becomes more difficult;



sources of one-time monies become fewer or depleted, and federal funding continues to decline. We must address this structural challenge for FY 2016 and beyond.

CONSENSUS REVENUE HISTORY AND FORECAST

Revenues Below Target; Increased Over Prior Years



On July 24, 2014 the Vermont Emergency Board adopted revised General, Transportation and Education Funds Consensus Revenue Forecasts for the remainder of FY 2015 and for FY 2016, reducing the targets for all three major funds. The General Fund for FY 2015 was projected to be \$1,367.9 million (-\$28.8 million, -2.1%), while FY 2016 was projected at \$1,411.7 million (-\$25.7 million, -1.8%). The Transportation Fund forecasts for the remainder of FY 2015 were projected to be \$260.5 million (-\$2.4 million, -0.9%) and for FY 2016 were projected at \$263.9 million (-\$4.0 million, -1.5%). The Education Fund was projected to be \$181.7 million for FY 2015 (-\$2.5 million, -1.4%) and \$186.8 million for FY 2016 (-\$2.7 million, -1.4%).

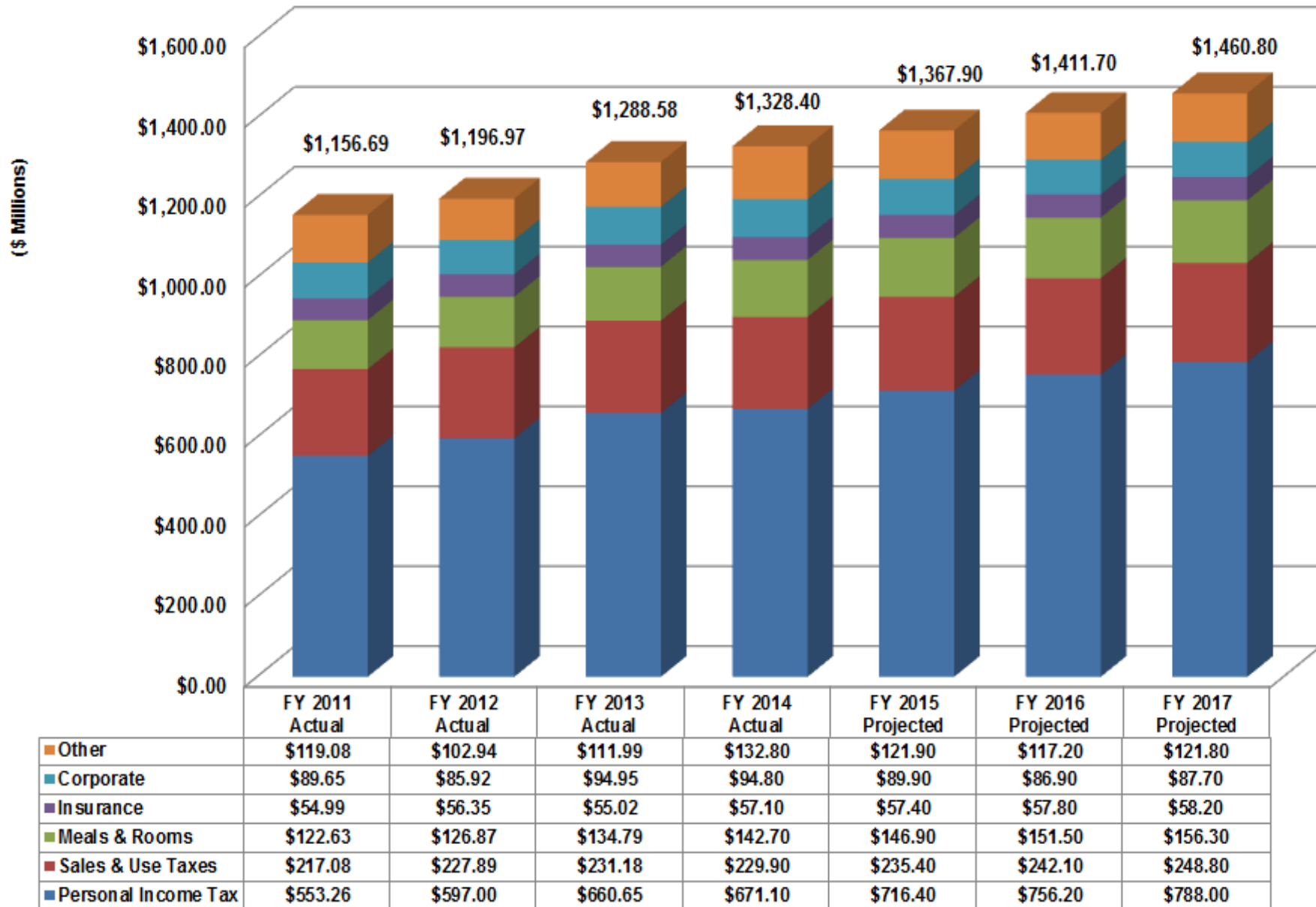
This year, the Governor’s FY 2015 Budget Adjustment and the FY 2016 Budget Recommendations are being submitted in advance of the January 20, 2015 Emergency Board meeting. The Governor has submitted a budget consistent with the July 2014 forecast. Any differences made to the Consensus Revenue Forecast on January 20th, will be addressed during the 2015 legislative process.

The charts above show the Consensus Revenue Forecast history. Charts detailing the Consensus Revenue for General, Transportation and Education Funds by component are on the following pages.

General Fund Revenue by Component

FY 2011 - FY 2017

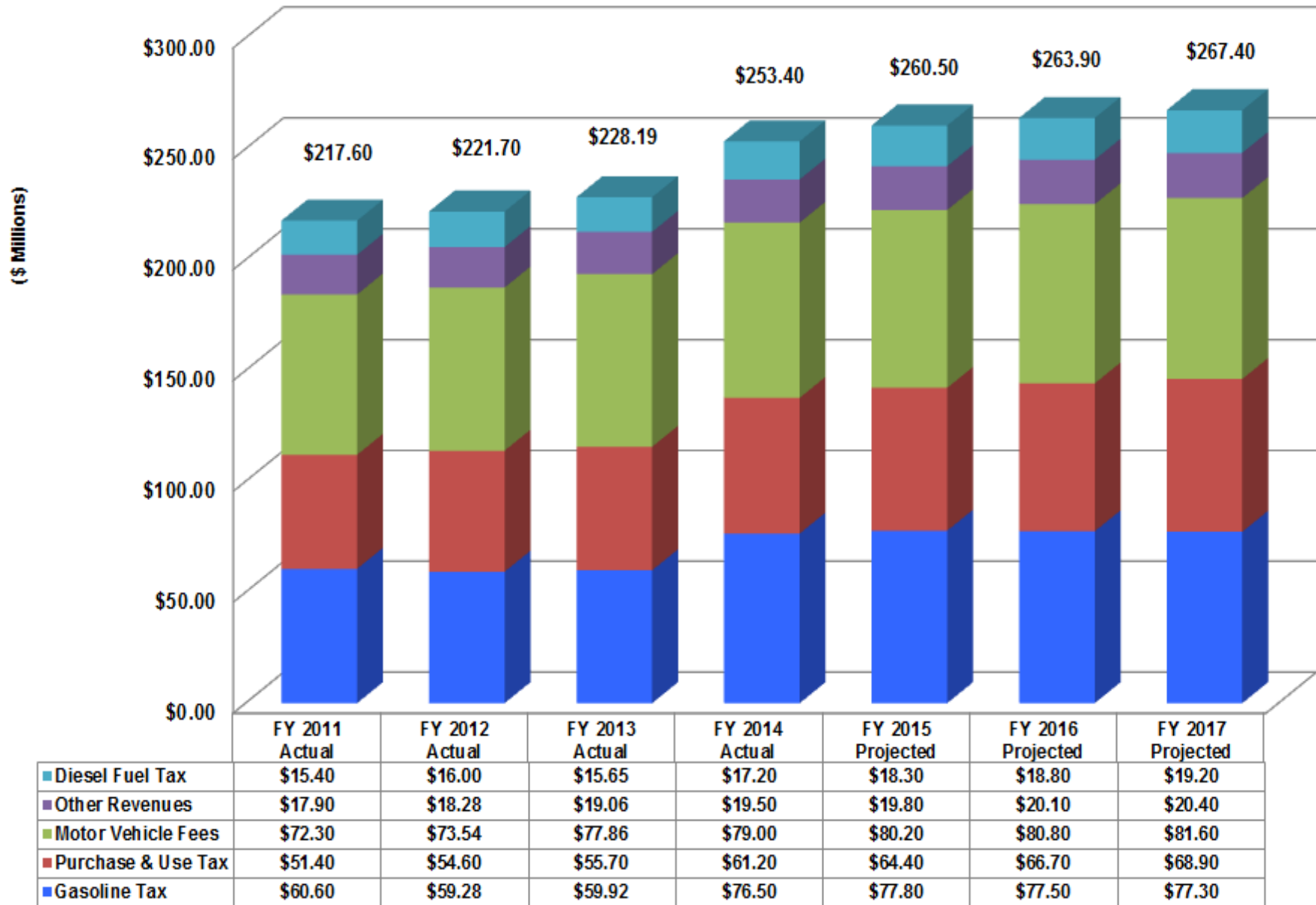
Emergency Board July 24, 2014



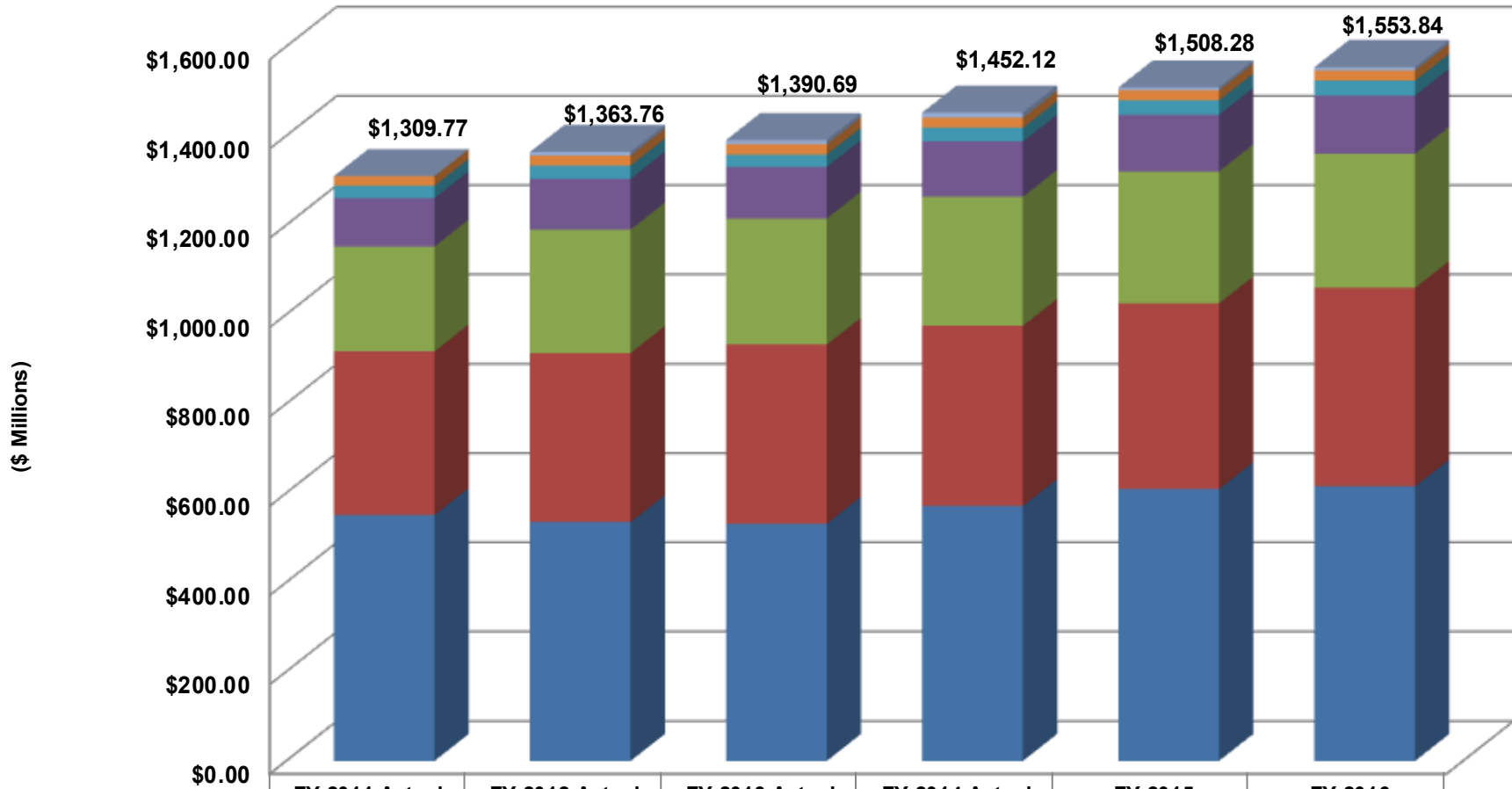
Transportation Fund Revenue by Component

FY 2011 - FY 2017

Emergency Board July 24, 2014



Education Fund Revenue by Component FY 2011 - FY 2016



	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Projected	FY 2016 Projected
Other	\$0.10	\$7.86	\$9.58	\$11.66	\$6.31	\$7.11
Lottery Revenue	\$21.40	\$22.33	\$22.94	\$22.57	\$22.60	\$22.90
Purchase & Use Tax	\$27.80	\$29.70	\$27.85	\$30.61	\$32.20	\$33.40
Sales & Use Tax	\$108.50	\$113.94	\$115.59	\$123.78	\$126.77	\$130.40
General Fund Approp.	\$234.74	\$276.24	\$282.32	\$288.92	\$295.82	\$300.38
Homestead Tax	\$366.20	\$378.45	\$400.88	\$403.62	\$415.71	\$444.50
Non-Residential Tax	\$551.03	\$535.24	\$531.53	\$570.96	\$608.87	\$615.11

FY 2016 BUDGET RECOMMENDATIONS

THE FISCAL YEAR 2016 BUDGET DEVELOPMENT PROCESS

In accordance with 2012 Act 162 § E.100.2 (a) and (b), the development process for the Governor's Budget Recommendations includes public participation and a current services budget.

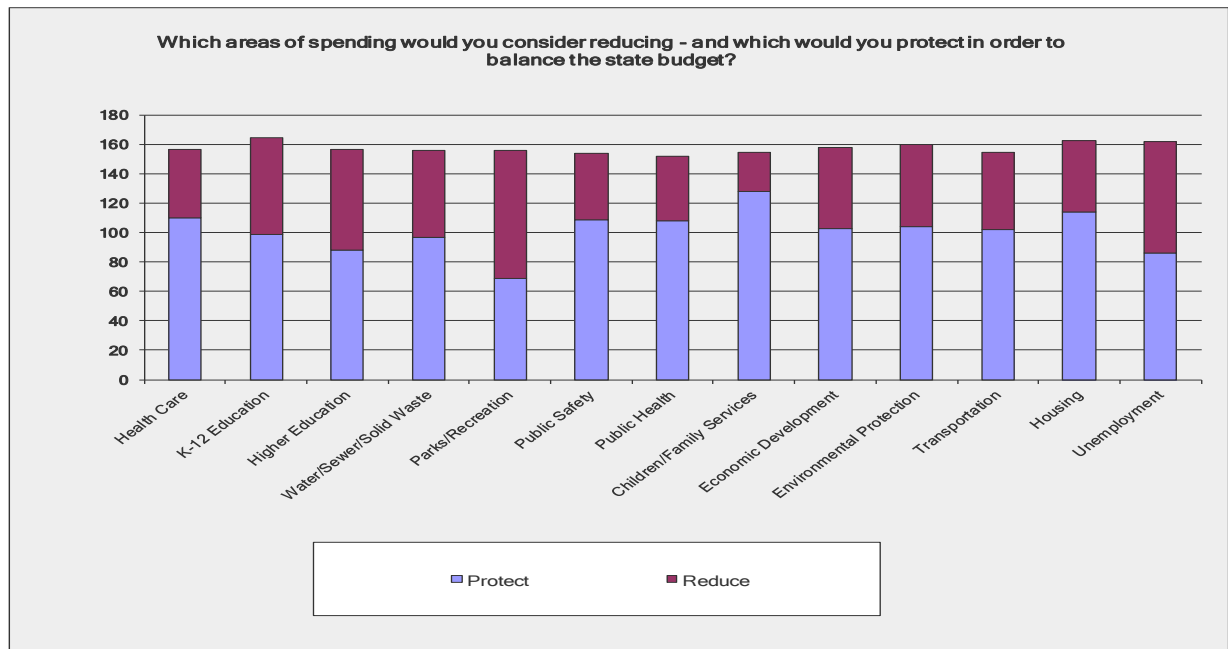
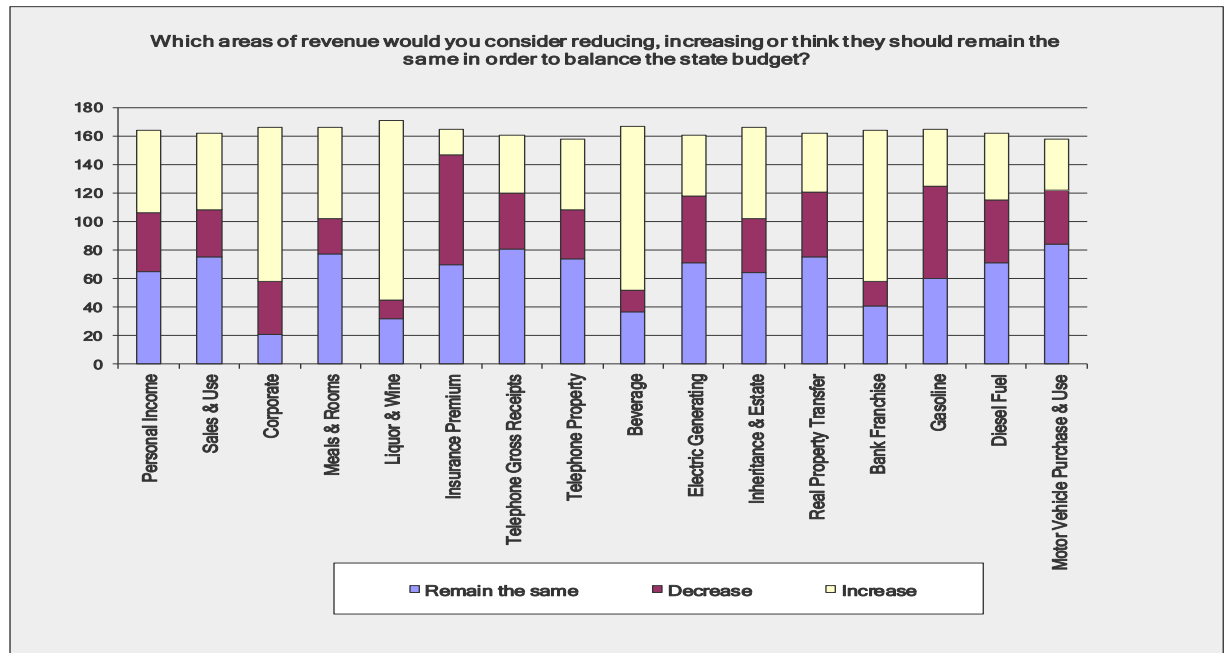
Public Participation - Public Budget Forums (per 2012 Act 162 § E.100.2 (a))

The Secretary of Administration and the Commissioner of Finance & Management held Public Budget Forums on October 14, 2014 and October 28, 2014, utilizing multiple locations around the State via Vermont Interactive Technologies.

The Forums were focused on State Government as follows: 1st session on non-Human Services areas; and 2nd session specifically on Human Services.

Attendance levels were mixed, high at the Human Services forum and low at the non-Human Services forum, but survey participation was up significantly from the prior year. 173 on-line survey responses were received vs. 25 received the prior year. The data does not distinguish whether the 173 responses were from 173 individuals or whether "clusters" received from the same zip codes were multiple responses from the same individuals.

Responses for two of the three survey questions are shown here. Additional survey detail is available at: <http://finance.vermont.gov/news/FY16BudgetForum>.



Current Services Budget (per 2012 Act 162 § E.100.2 (b))

A current services budget measures how much it will cost the State in an upcoming budget period to deliver the same quantity and quality of services being delivered in the current budget period. A current services budget takes into account the impact of factors such as: inflation and other changes in the per-person cost of providing the programs and services; any expected changes in the number of people utilizing those services and benefits due to population growth or other factors; any previously enacted changes that have not been phased in, ongoing formula-based adjustments, and other factors that would require statutory changes to undo; and collective bargaining agreements.

A current services budget does not take into account the impact of factors such as: proposed new policy or policy changes not yet enacted; new programmatic initiatives; and proposed new revenue or tax receipts.

See Deficit Mitigation table on page 17 for additional information.

Current Services Budget Items, included in the Governor’s Budget Recommendations:

- Projected caseload and utilization needs for FY 2016.
- Annualization of FY 2015 Pay Act.
- The statutorily required General Fund Transfer to the Education Fund.
- Actuarially required contributions to the Vermont Teachers and State Employees Retirement System.
- Increased costs related to the operations of the exchange.
- Estimated costs for municipal current use, homeowner and renter rebate.
- Increased costs required for debt service.
- Additional costs to support the Governor’s opiate treatment initiative.

New Initiatives that are not be part of the Current Services Budget:

- Funds to support decreasing the health care provider cost shift, which includes a 0.7% payroll tax.
- A tax change regarding the deductibility of state and local taxes.

Performance Accountability - FY 2016 Governor's Budget Recommendation

Last fiscal year, for the FY 2015 Governor's Budget Recommendations, a Programmatic Performance Measure Budget pilot program began. A total of 11 departments reported on performance measures associated with 13 programs/activities, which were tied to budget dollars. Following the passage in 2014 of Act 186 ("Population-Level Outcomes and Indicators"), the pilot program was expanded for FY 2016 to include 41 programs across 31 departments/units.

The State's Chief Performance Officer is charged with overseeing the estimated 3 to 5 year implementation of this initiative, supported by the Legislative, the Executive Branch, and a number of Vermont non-profit early adopters. The State's roll-out of a Performance Accountability methodology began with the appointment and training of agency and department Performance Accountability Liaisons (PALs) in July 2014.

Annual Progress Reports are due to the General Assembly and various Committees of Jurisdiction each July. Ultimately, the goal is for agencies and departments to have on-line scorecards ("dashboards") showing outcomes/results tied to performance measures and budgets, at the program/activity level, for all major programs/activities.

Details of the programs/measures submitted as part of the FY 2016 Governor's Budget Recommendations and additional information about the Performance Accountability initiative may be found at: http://spotlight.vermont.gov/performance_measures.

FY 2016 Budget Development - Program Performance Measure Module		
Department	Program/Activity Area	# Prog.
Administration - Agency Secretary's Office	State Workers' Compensation Insurance	1
Administration - BGS	Federal Surplus Property	1
Administration - DII	Availability/Uptime of Critical Systems	1
Administration - Finance & Management	Internal Controls Self-Assessment Program	1
Administration - Human Resources	1) Classification Review; 2) State Employee Wellness Program	2
Administration - Libraries	Resource Sharing: Interlibrary Loan Program	1
Administration - Tax	1) Current Use; 2) refund fraud program, and 3) Top 100 compliance program	3
Agriculture	1) Food safety and consumer protection; 2) Working Lands (Agriculture Development)	2
Attorney General	Court diversion	1
Commerce & Community Development	Tourism and marketing	1
Education	1) Adult education and literacy; 2) Tobacco Litigation (youth)	2
Financial Regulations	Insurance	1
Green Mt. Care Board	Health Care Costs	1
Human Services - Children & Families	General assistance	1
Human Services - Corrections	Correctional Services	1
Human Services - Dept. of Vermont Health Access	Vermont Chronic Care Initiative	1
Human Services - Disabilities & Independent Living	TBI home and community based waiver	1
Human Services - Health	ADAP	1
Human Services - Mental Health	Vermont Psychiatric Care Hospital	1
Judiciary	Dispute Resolution	1
Labor	Apprenticeship Program	1
Liquor Control	Enforcement and licensing	1
Natural Resources - Environmental Conservation	Vermont Ecycles Program	1
Natural Resources - Fish & Wildlife	Support & Field Services	1
Natural Resources - Forests, Parks and Recreation	State parks	1
Public Safety	Cannabis Registry	1
Public Service Board	Public Good Requests	1
Public Service Dept.	Consumer Impact	1
Transportation - Motor Vehicles	Motor Vehicles Customer Service	1
Transportation - Vtrans	1) Town highway bridges; 2) Paving Program; 3) Interstate Highway Bridge; 4) Safety & Traffic Operations; 5) Public Transit; 6) Rail Program.	6
Treasurer	Unclaimed property	1
Programs/Activities Included		41

GOVERNOR SHUMLIN'S FISCAL YEAR 2016 KEY BUDGET ITEMS

- ◆ Supports a General Fund (GF) budget of \$1.47 billion. Left unchecked, the projected budget gap of \$94 million in FY 2016 would have reflected a 6.5% increase in GF spending over the FY 2015 As Passed budget. Instead, the FY 2016 budget that I am submitting reflects a 1.9% increase over the FY 2015 As Passed budget due to proposed expense reductions. In addition, due to actions taken as a result of a General Fund revenue downgrade this summer and a potential further downgrade in January, my Administration has already taken steps to further reduce spending by \$34 million in FY 2015 though many of these mid-year adjustments are one-time, compared to this metric, the FY 2016 Governor's Recommended budget reflects an increase in GF spending of 4.4% over the FY 2015 Governor's Recommended Budget Adjustment. However, the total unduplicated appropriation request is \$5.66 billion, an increase of 1.8% over the FY 2015 Governor's Recommended Budget Adjustment.
- ◆ Maintains the General, Transportation and Education Funds (GF, TF and EF) Budget Stabilization Reserves at statutory levels.
- ◆ Funds the statutory General Fund transfer to the Education Fund and the actuarial recommendations for State employees' and teachers' pension plans.
- ◆ Steps down reliance on one-time funds by \$41 million, to \$12 million. The FY 2015 budget relied on \$53 million in one-time funds.
- ◆ Closes a \$94 million FY 2016 General Fund budget gap with a balanced approach of state government restructuring and efficiencies, consolidations and program savings, as well as revenue enhancements created by eliminating the ability to deduct prior year state and local taxes on the current year's state return. Examples of restructuring savings include:
 - ◇ Low Income Home Energy Assistance Program (LIHEAP) reductions – this will eliminate the state subsidy which was implemented in 2014 (\$6 million GF). \$17.5 million of federal funding remains to support this program;
 - ◇ Current Use Program – reducing the amount the State allows for property tax relief on farm buildings from 100% to 70% (\$1.6 million);
 - ◇ State Library restructuring (\$0.5 million);
 - ◇ Vermont Interactive Technologies (VIT) - no longer providing state support (\$0.8 million);
 - ◇ Working Lands – reducing state funds (\$0.7 million);
 - ◇ Personnel or labor cost savings to be directed by the Legislature and accomplished by the Vermont State Employees Association (VSEA) and my Administration (\$5 million);
 - ◇ Consolidation of the Public Safety Answering Points (PSAPs), involving the merger of PSAPs into fewer, more central locations (\$1.7 million); and,
 - ◇ Restructuring of the Community High School of Vermont

by closing the field office locations but continuing to provide services at the Correctional Facilities (\$1.7 million).

- ◆ Continues critical health care reform progress. This budget proposal calls for a 0.7% payroll tax to generate \$41.4 million in revenue which will in turn leverage an additional \$44.5 million in Federal Funds, for investments in a number of initiatives including proposals to continue improving Vermont's health care system. These initiatives include strengthening the efforts of the Green Mountain Care Board, providing for further investments in Vermont's Blueprint for Health, continuing the pursuit of an all-payer waiver and increasing Medicaid reimbursements to Medicare levels to address the cost shift imbalance. Importantly, the investment in fixing the cost shift will be greater than the state sums raised and will be directly applied to lower commercial insurance rates for private payers including businesses.
- ◆ Implements the state's strategic plan to clean up Lake Champlain. My administration will work to implement the Lake Champlain restoration plan submitted to the Environmental Protection Agency (EPA) last spring to protect and restore the state's waters. I propose using increased federal dollars, as well as money from the capital budget, Vermont Housing and Conservation Board (VHCB) and a new dedicated state Clean Water Fund. To strengthen water quality efforts, the Clean Water Fund will raise approximately \$5 million in FY 2016, \$1 million through a fee on agricultural fertilizers to address farm practices, and \$4 to \$6 million from an impact fee to be paid by owners of commercial and industrial parcels within the Lake Champlain watershed. The Clean Water Fund will be structured so that it can serve as a repository for additional federal and private funding

sources.

- ◇ Additionally, the capital budget will include \$6.75 million for technical assistance and direct investment in water quality projects in the Lake Champlain Basin and around the state. This includes \$1.6 million in state matching funds which will leverage \$8.2 million in federal EPA grants for a total of \$9.8 million for low-interest loans to municipalities through the Clean Water State Revolving Fund. The capital budget also increases funding to \$3.75 million for innovative stormwater management projects, and \$1.4 million in funding for the Agency of Agriculture's cost sharing program for livestock fencing and other measures.
- ◆ Continues investment in rebuilding our roads and bridges. Our continued economic growth requires a high functioning transportation system and my budget proposal continues the progress we have made in rebuilding our infrastructure. We have made significant progress in improving the condition of our roads and bridges. In 2008, 36% of our highways were rated in very poor condition; in 2014 this was reduced to 13%. Our investments and innovation in accelerated project delivery for bridges has also yielded positive results. In 2008, 16% of Vermont bridges were deemed as structurally deficient; in 2014 this was reduced to 7%. This budget, while constrained by the reduction of Federal Funds, continues the trend of infrastructure improvement with over \$100 million for both bridge rehabilitation and road paving. This budget also supports the needs of a multimodal transportation system with funding for rail, transit, bicycle and pedestrian facilities, and aviation. It also recognizes the transportation sector's responsibility for addressing water quality

challenges by investing over \$3.2 million in stormwater management activities on state and municipal roads.

- ◆ Continues capital investment in critical public projects. Following the recommendation of the Capital Debt Affordability Advisory Committee, my Capital Appropriation Proposal recommends \$144 million in authorized bonds and \$11.5 million in bond premium, for a total of \$155.5 million over the next two years. Included in this proposal is:
 - ◇ \$17.4 million to complete the rebuilding and restoration of the Waterbury State Office Complex, which is on schedule for a December 2015 completion date;
 - ◇ \$16.5 million for the Agriculture and ANR Lab in Randolph at Vermont Technical College;
 - ◇ \$30.5 million for statewide technology investments at the Agency of Human Services and the Agency of Administration;
 - ◇ \$3 million for state aid for school district consolidation;
 - ◇ \$5.6 million to level fund the Vermont Housing and Conservation Board; and,
 - ◇ \$29.5 million in major maintenance projects for historic sites, Forests, Parks and Recreation facilities and infrastructure, state buildings throughout Vermont and for UVM, the State Colleges and the Military.

The Fiscal Year 2016 General Fund Overview

FY 2016 General Fund Budget - Deficit Mitigation				FY 2016 General Fund Overview
Category	Revenue (\$ millions)	Appropriations & Net Transfers	(Shortfall)/ Surplus	
Projected Revenue				
Current Law Revenue (July 24, 2014 - Emergency Board)	\$ 1,411.70			
Proposed Tax Changes	0.00			
Direct Applications & Reversions	25.00			
Additional Property transfer tax to GF	5.26			
VEDA write-off (estimated)	(0.05)			
Total Available Revenue FY 2016	1,441.91			
FY 2016 Budget Needs				
Base Appropriations + Fund Transfers		1,423.11		
Base Pressures				
Replace AHS FY 2015 one-time funds		12.73		
Human Services - Caseload & Utilization		22.01		
AHS - Exchange (full year state funding)		15.03		
All Other Agency of Human Services		8.27		
Other Human Services (Veterans' Home, GMCB)		3.84		
FY 2015 Annualization of Pay Act and Benefit Changes		22.03		
FY 2015 Pay Act Appropriation		(8.34)		
FY 2016 Pay Act Appropriation		9.81		
Municipal Current Use, Homeowner and Renter Rebate		3.70		
Protection		3.56		
Education - GF to EF increase		7.50		
VT Teachers Retirement System		7.57		
Debt Service		1.94		
ANR		(0.69)		
Labor, Education, Commerce and Community Development		1.24		
Administration and General Government (excluding municipal current use, homeowner and renter rebate)		1.06		
All Other		1.15		
Subtotal: Base Pressures		112.41		
Total (Shortfall)/Surplus	\$ 1,441.91	\$ 1,535.52	\$ (93.61)	
Deficit Mitigation Measures				
Revenue Enhancements				
Revenue from US Marshals		(1.71)		
Tax Changes		(15.50)		
Increase in PTT to General Fund		(2.80)		
Subtotal: Revenue Enhancements		(20.01)		
Base Reductions				
Agency of Human Services net increase in Federal Funds		(2.73)		
Agency of Human Services reductions		(21.76)		
Non-AHS reductions		(22.17)		
Shift to State Health Care Resources Fund		(15.87)		
Transfer to DII		(0.18)		
Subtotal: Base Reductions		(62.71)		
One-Time Adjustments				
Increase in Direct Applications and Reversions		(6.90)		
Transfer from General Fund Balance Reserve		(5.00)		
Budget Stabilization Reserve Increase to meet 5%		1.01		
Subtotal: One-Time Adjustments		(10.89)		
Total: All Deficit Mitigation Measures	0.00	(93.61)	(93.61)	
Grand Total Net of Deficit Mitigation Measures	\$ 1,441.91	\$ 1,441.91	\$0.00	

The budget process began with two Public Budget Forums and the receipt of FY 2016 budget requests from agencies and departments. Regular meetings with the Secretary of Administration and the Governor yielded a budget balanced to the projected available revenues.

In many prior years, the Governor's Budget Recommendations were calculated based on the Consensus Revenue Forecast adopted by the Emergency Board just prior to the Governor's budget address to the General Assembly - normally mid to late January. This year, however, the Governor's Budget Recommendations are being submitted in advance of the January Emergency Board meeting and are therefore based on the July 2014 Consensus Revenue Forecast.

Any increase or decrease in Consensus Revenue Forecast adopted by the Emergency Board will be addressed by the Legislature in consultation with the Administration.

A combination of revenue enhancements, base spending reductions, and increases from special and federal funds, were used to close the \$93.61 million budget gap and bring the GF budget appropriations into balance.

TOTAL APPROPRIATIONS HISTORY FY 2012 - FY 2016 (All Funds)

	FY 2012 Final Appropriation	FY 2013 Final Appropriation	FY 2014 Final Appropriation	FY 2015 Budget Adj. Gov's Rec (a)	FY 2016 Governor's Budget Recommend (b)
Funding Sources					
General Fund (GF)	1,250,039,696	1,323,218,807	1,386,182,592	1,405,940,926	1,467,801,939
Transportation Fund	219,225,399	231,553,454	252,600,945	259,020,594	261,587,895
Education Fund (EF)	1,352,114,573	1,394,947,511	1,464,535,039	1,514,319,727	1,555,850,283
Special Funds & Other Funds ^(c)	569,547,373	599,217,372	599,281,068	606,056,930	669,243,184
Sub-Total	3,390,927,041	3,548,937,144	3,702,599,644	3,785,338,177	3,954,483,301
Adjust for inter-fund appropriation: GF Transfer to EF	(276,240,000)	(282,317,280)	(288,921,564)	(295,816,793)	(300,378,103)
Total State Funds after EF Transfer	3,114,687,041	3,266,619,864	3,413,678,080	3,489,521,384	3,654,105,198
percent of total	63.83%	63.32%	63.36%	62.77%	64.54%
Federal Funds	1,605,015,470	1,778,138,046	1,870,179,874	1,980,024,285	1,966,531,888
Federal ARRA Funds ^(d)	77,748,656	12,937,704	2,633,074	3,034,523	1,390,158
Total Funds Before Dedicated Dollars	4,797,451,167	5,057,695,614	5,286,491,028	5,472,580,192	5,622,027,244
percent of total	98.32%	98.03%	98.13%	98.44%	99.30%
Dedicated Sources					
Local Match	3,465,052	2,919,356	2,183,313	2,592,411	2,574,285
TIB Bond Proceeds	-	10,000,000	10,387,500	-	-
Enterprise Funds	8,720,796	10,317,798	10,239,075	11,627,151	12,183,134
Debt Service Obligation Funds	2,379,684	3,930,966	2,393,683	2,502,313	2,504,913
Pension & Private Purpose Trust Funds ^(e)	67,369,027	74,263,304	75,785,336	70,056,243	22,535,714
Sub-Total	81,934,559	101,431,424	100,988,907	86,778,118	39,798,046
Total Funds and Dedicated Sources	4,879,385,726	5,159,127,038	5,387,479,935	5,559,358,310	5,661,825,290
percent of total	100.00%	100.00%	100.00%	100.00%	100.00%
Fund Sources that are duplicated in the					
Internal Service Funds	77,543,698	77,516,712	90,946,278	92,513,655	110,469,551
Interdepartmental Transfer	43,093,636	45,419,960	53,853,790	61,723,281	65,432,684
Interdepartmental Transfer - ARRA	500,000	-	-	-	-
Global Commitment Fund	1,122,895,691	1,160,136,750	1,254,325,538	1,288,193,966	1,367,283,946
Total	1,244,033,025	1,283,073,422	1,399,125,606	1,442,430,902	1,543,186,181
Memo: Total All Appropriations	6,399,658,751	6,724,517,740	7,075,527,105	7,297,606,005	7,505,389,574

NOTES:

(a) Governor's FY 2015 Budget Adjustment Recommendation submitted to House Appropriations on January 12, 2015. FY 2015 BAA is net of a rescission approved by the Joint Fiscal Committee on August 13, 2014.

(b) Governor's FY 2016 Budget Recommendation submitted to the General Assembly on January 15, 2015.

(c) "Special Funds" also include: Fish & Wildlife, Next Generation, Tobacco, Catamount, State Health Care Resources, Transportation Infrastructure Bond Funds.

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

(e) Includes Permanent trust funds, Pension funds, Retired Teachers' Health Fund and Private purpose trust funds. FY16 pension appropriations were reduced for the pension benefit portion of payments to retired employees (\$31,230,000) and retired teachers (\$30,030,000). These payments from the pension funds are 'demand driven' and continue to be paid.

STATE OF VERMONT - FY 2016 GOVERNOR'S BUDGET RECOMMENDATIONS

Funding Sources	FY 2015 BUDGET ADJ. GOV. RECOMMEND (a)	FY 2016 GOV. RECOMMEND BUDGET (b)	% Change from BAA	All General Government			Total Human Services			
				General Government	Property Tax Assistance (c)	Protection to Persons & Property	Corrections	Non-GC/Medicaid	GC/Medicaid/ LTC Federal & State Only	
General Fund (GF)	1,405,940,926	1,467,801,939	4.40%	42,059,427	35,688,851	132,079,462	147,594,555	167,426,993	342,972,385	
Transportation Fund	259,020,594	261,587,895	0.99%	4,034,714	-	22,750,000	-	-	-	
Education Fund (EF)	1,514,319,727	1,555,850,283	2.74%	-	10,065,000	-	2,065,735	-	-	
Special Funds (d)	606,056,930	669,243,184	10.43%	10,224,361	-	80,362,376	1,370,892	73,845,756	365,373,912	
Sub-Total	3,785,338,177	3,954,483,301	4.47%	56,318,502	45,753,851	235,191,838	151,031,182	241,272,749	708,346,297	
Adjust for inter-fund appropriation: GF Transfer to EF	(295,816,793)	(300,378,103)	1.54%	-	-	-	-	-	-	
Total State Funds after EF Transfer	3,489,521,384	3,654,105,198	4.72%	56,318,502	45,753,851	235,191,838	151,031,182	241,272,749	708,346,297	
percent of total	62.77%	64.54%		1.54%	1.25%	6.44%	4.13%	6.60%	19.38%	
Federal Funds	1,980,024,285	1,966,531,888	-0.68%	1,040,195	-	52,831,535	470,962	343,922,190	1,012,859,439	
Federal ARRA Funds (e)	3,034,523	1,390,158	-54.19%	-	-	238,000	-	-	-	
Total Funds Before Dedicated Dollars	5,472,580,192	5,622,027,244	2.73%	57,358,697	45,753,851	288,261,373	151,502,144	585,194,939	1,721,205,736	
percent of total	98.44%	99.30%		1.02%	0.81%	5.13%	2.69%	10.41%	30.62%	
Dedicated Sources										
Local Match	2,592,411	2,574,285	-0.70%	-	-	-	-	-	-	
Enterprise Funds	11,627,151	12,183,134	4.78%	3,457,763	-	7,856,591	-	-	-	
Debt Service Obligation Funds	2,502,313	2,504,913	0.10%	-	-	-	-	-	-	
Pension Trust & Private Purpose Trust Funds	70,056,243	22,535,714	-67.83%	13,204,896	-	-	-	25,000	-	
Sub-Total	86,778,118	39,798,046	-54.14%	16,662,659	-	7,856,591	-	25,000	-	
Total Funds and Dedicated Sources	5,559,358,310	5,661,825,290	1.84%	74,021,356	45,753,851	296,117,964	151,502,144	585,219,939	1,721,205,736	
	100.00%	100.00%		1.31%	0.81%	5.23%	2.68%	10.34%	30.40%	
Funds Sources that are duplicated in the										
Internal Service Funds	92,513,655	110,469,551	19.41%	88,343,796	-	-	1,816,195	-	-	
Interdepartmental Transfer	61,723,281	65,432,684	6.01%	9,378,798	-	11,454,881	624,799	33,660,688	40,000	
Global Commitment Fund	1,288,193,966	1,367,283,946	6.14%	-	-	90,278	5,419,859	1,356,378,744	1,200	
Total	1,442,430,902	1,543,186,181	6.99%	97,722,594	-	11,545,159	7,860,853	1,390,039,432	41,200	
Memo: Total All Appropriations	7,297,606,005	7,505,389,574	2.85%	171,743,950	45,753,851	307,663,123	159,362,997	1,975,259,371	1,721,246,936	

NOTES (both pages):

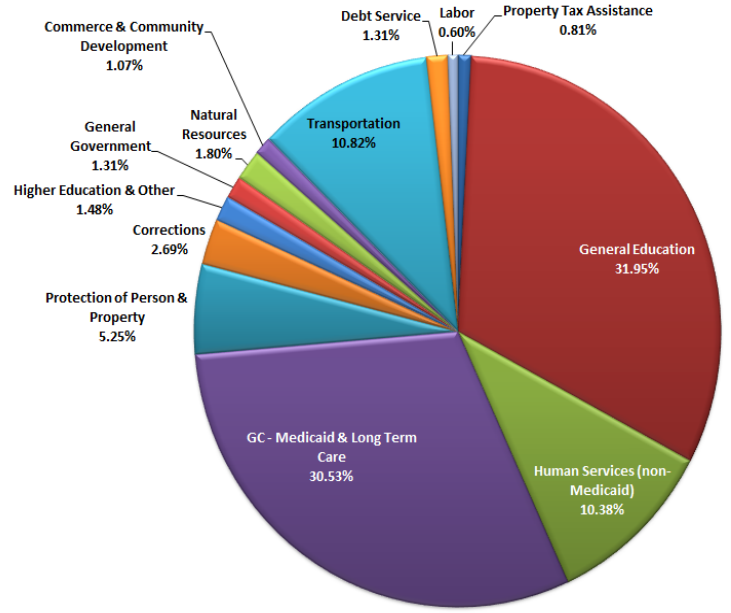
- (a) FY 2015 Budget As Passed in H.885 plus other bills, adjusted by Rescission August 13, 2014, and Governor's budget adjustment recommendations presented to the General Assembly January 12, 2015.
- (b) FY 2016 Governor's Budget Recommendations presented to the General Assembly on January 15, 2015.
- (c) Includes Homeowner rebate; Renter rebate; reappraisal and listing payments; and municipal current use.
- (d) "Special Funds" also include: Fish & Wildlife, Next Generation, Tobacco, State Health Care Resources, and Transportation Infrastructure Bond Funds.
- (e) American Recovery & Reinvestment Act of 2009 (federal stimulus bill).

STATE OF VERMONT - FY 2016 GOVERNOR'S BUDGET RECOMMENDATIONS

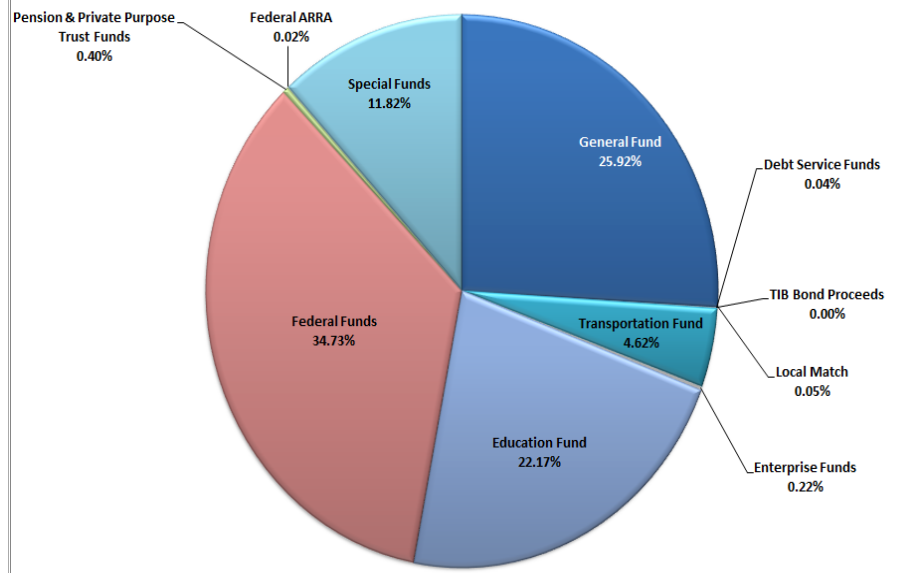
Funding Sources	Labor	General Education	Higher Education & Other	Natural Resources	Commerce & Community Development	Transportation	Debt Service	Other
General Fund (GF)	3,264,327	398,700,141	83,557,926	27,857,349	15,554,783	-	67,337,515	3,708,225
Transportation Fund	-	-	-	-	-	230,856,212	1,946,969	2,000,000
Education Fund (EF)	-	1,543,719,548	-	-	-	-	-	-
Special Funds ^(d)	3,363,869	21,174,267	-	49,306,200	22,736,544	22,063,587	628,420	18,793,000
Sub-Total	6,628,196	1,963,593,956	83,557,926	77,163,549	38,291,327	252,919,799	69,912,904	24,501,225
Adjust for inter-fund appropriation: GF Transfer to EF	-	(300,378,103)	-	-	-	-	-	-
Total State Funds after EF Transfer	6,628,196	1,663,215,853	83,557,926	77,163,549	38,291,327	252,919,799	69,912,904	24,501,225
percent of total	0.18%	45.52%	2.29%	2.11%	1.05%	6.92%	1.91%	0.67%
Federal Funds	26,941,460	128,546,812	-	24,342,993	21,030,940	354,545,362	-	-
Federal ARRA Funds ^(e)	-	-	-	-	-	-	1,152,158	-
Total Funds Before Dedicated Dollars	33,569,656	1,791,762,665	83,557,926	101,506,542	59,322,267	607,465,161	71,065,062	24,501,225
percent of total	0.60%	31.87%	1.49%	1.81%	1.06%	10.81%	1.26%	0.44%
Dedicated Sources								
Local Match	-	-	-	-	-	2,574,285	-	-
Enterprise Funds	-	-	-	-	868,780	-	-	-
Debt Service Obligation Funds	-	-	-	-	-	-	2,504,913	-
Pension Trust & Private Purpose Trust Funds	-	9,304,818	-	1,000	-	-	-	-
Sub-Total	-	9,304,818	-	1,000	868,780	2,574,285	2,504,913	-
Total Funds and Dedicated Sources	33,569,656	1,801,067,483	83,557,926	101,507,542	60,191,047	610,039,446	73,569,975	24,501,225
	0.59%	31.81%	1.48%	1.79%	1.06%	10.77%	1.30%	0.43%
Funds Sources that are duplicated in the								
Internal Service Funds	-	-	-	-	-	20,309,560	-	-
Interdepartmental Transfer	1,156,503	1,265,933	-	7,309,000	412,082	130,000	-	-
Global Commitment Fund	-	938,187	4,455,678	-	-	-	-	-
Total	1,156,503	2,204,120	4,455,678	7,309,000	412,082	20,439,560	-	-
Memo: Total All Appropriations	34,726,159	2,103,649,706	88,013,604	108,816,542	60,603,129	630,479,006	73,569,975	24,501,225

**FY 2016 Governor's Budget
Recommendations, by Government Function**

FY 2016 Governor's Budget Recommendations, by Function (\$5.66 billion)



FY 2016 Governor's Budget Recommendations, by Fund (\$5.66 billion)



**FY 2016 Governor's Budget
Recommendations, by Fund**

General Fund Summary
Fiscal Years 2013 - 2017
(\$ in Millions)*

	Actual FY 2013	Actual FY 2014	Governor's Recommend BAA FY 2015	Governor's Budget Recommend FY 2016	Forecast FY 2017
Sources					
Current law revenues	1,288.58	1,316.70	1,367.90	1,411.70	1,460.80
VEDA debt forgiveness	(0.29)	(0.70)	(0.05)	(0.05)	(0.05)
Direct applications, transfers in & reversions	54.88	69.42	54.28	31.88	30.00
Other bills and tax changes	-	-	0.87	15.50	15.50
Revenue from U.S. Marshalls				1.71	1.71
Additional property transfer tax to GF	1.60	2.81	3.45	8.06	-
For appropriation from GF reserve	-	11.93	5.00	16.98	11.98
Total sources	1,344.77	1,400.16	1,431.45	1,485.78	1,519.94
Uses					
Base appropriations	1,303.83	1,355.73	1,431.66	1,467.80	1,467.80
Budget adjustment and rescission(s)	3.32	18.30	(34.05)	-	-
	1,307.15	1,374.03	1,397.61	1,467.80	1,467.80
Percent +increase+/-decrease-	6.1%	5.1%	1.7%	5.0%	0.0%
Net Base Appropriation	1,307.15	1,374.03	1,397.61	1,467.80	1,467.80
Budget adjustment - one time	(5.15)	-	-	-	-
Other Bills	0.02	0.01	8.34	-	-
One-time appropriations	21.21	12.14	0.50	-	-
One-time waterfall and other adjustments	-	-	-	-	-
Total uses	1,323.22	1,386.18	1,406.45	1,467.80	1,467.80
Percent +increase+/-decrease-		4.8%	1.5%	4.4%	0.0%
Subtotal operating surplus (deficit)	21.55	13.98	25.00	17.98	52.14
Allocation of surplus - transfers (to)/from other funds					
Transportation fund	(4.37)	-	-	-	-
Emergency relief & assistance fund	-	6.50	-	-	-
Economic Development Fund	-	(5.00)	-	-	-
Next generation fund	(4.79)	(3.29)	(3.29)	(3.29)	(3.29)
Human services caseload reserve	18.50	-	-	-	-
Internal service funds and assorted funds	(18.45)	(3.53)	(1.58)	(1.69)	-
Total transfers (to) / from other funds	(9.12)	(5.33)	(4.87)	(4.99)	(3.29)
Reserved in GF (designated)					
Budget Stabilization Reserve	(4.39)	(3.65)	(3.15)	(1.01)	(3.07)
Reserved in GF Surplus/Other Reserves	3.88	-	-	-	-
Reserved in GF Balance/Other Reserves	(11.93)	(5.00)	(16.98)	(11.98)	(45.79)
Total reserved in the GF (designated)	(12.44)	(8.65)	(20.13)	(12.99)	(48.86)
Total allocated	(21.55)	(13.98)	(25.00)	(17.98)	(52.15)
Unallocated operating surplus/(deficit)	0.00	0.00	0.00	(0.00)	(0.02)
Stabilization Reserve at statutory level	62.50	66.16	69.31	70.32	73.39
GF Reserves (cumulative)					
Budget Stabilization Reserve	62.50	66.16	69.31	70.32	73.39
Human Services Caseload Reserve	-	-	-	-	-
Bond Premium/Other Short Term Reserves	-	-	-	-	-
GF Balance Reserve	11.93	5.00	16.98	11.98	45.79
Total GF Reserve Balance	74.43	71.16	86.29	82.30	119.18

* Results may not add due to rounding.

Transportation Fund Summary
Fiscal Years 2013 - 2017
(\$ in Millions)*

	Actual FY 2013	Actual FY 2014	Governor's Recommend BAA FY 2015	Governor's Budget Recommend FY 2016	Forecast FY 2017
Sources					
Current law revenues	228.19	253.38	260.50	263.90	267.40
New revenue	-	-	0.65	-	-
Direct applications, reversions & 1-time revenue	3.61	1.83	-	-	-
For appropriation from TF Carryforward	-	-	-	-	-
Total sources	231.81	255.21	261.15	263.90	267.40
Uses					
Base appropriations	235.31	252.22	260.73	261.59	265.36
Budget adjustment, rescissions & excess receipts	(1.05)	0.38	(1.71)	-	-
Post budget adjustment change	-	-	-	-	-
One-time appropriations	-	-	-	-	-
Total uses	234.26	252.60	259.02	261.59	265.36
Subtotal operating surplus (deficit)	(2.45)	2.61	2.13	2.31	2.04
Allocation of surplus					
Transfers (to) / from other funds					
General Fund	4.37	-	-	-	-
Downtown Fund	(0.38)	(0.38)	(0.38)	(0.42)	(0.42)
Central Garage Fund	(1.12)	(1.12)	(0.37)	(1.12)	(1.12)
VT Recreational Trail Fund	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
Other Funds	-	-	-	-	-
Total transfers (to) / from other funds	2.50	(1.87)	(1.13)	(1.91)	(1.91)
Reserved in the TF (designated)					
Budget Stabilization Reserve	(0.04)	(0.74)	(1.00)	(0.40)	(0.13)
Bond Reserve	-	-	-	-	-
Total reserved in the TF (designated)	(0.04)	(0.74)	(1.00)	(0.40)	(0.13)
Total allocated	2.45	(2.61)	(2.13)	(2.31)	(2.04)
Unallocated operating surplus(deficit)	(0.00)	0.00	0.00	-	(0.00)
Stabilization Reserve at statutory level of 5%	10.81	11.55	12.55	12.95	13.08
TF Reserves (cumulative)					
Bond Reserve	-	-	-	-	-
Budget Stabilization Reserve	10.81	11.55	12.55	12.95	13.08
Total TF Reserve Balance	10.81	11.55	12.55	12.95	13.08

*Results may not add due to rounding.

Education Fund Summary
Fiscal Years 2013 - 2016**
(\$ in Millions)*

	Actual FY 2013	Actual FY 2014	Budget Adjustment FY 2015	Estimate FY 2016
Sources				
Current law revenues	30.52	31.64	32.20	34.40
Sales & use tax	115.59	123.78	126.77	130.40
Lottery revenue	22.94	22.57	22.60	22.90
Non-residential property tax	531.53	570.96	608.88	615.11
Net Homestead property tax	400.88	403.62	415.71	444.55
Supplemental Property Tax Relief	-	4.25	-	-
General fund appropriations	282.32	288.92	295.82	300.38
Medicaid reimbursement	6.90	6.38	6.20	6.00
Interest on fund balance	-	-	0.10	0.10
Total sources	1,390.68	1,452.12	1,508.28	1,553.84
Uses				
Base appropriations	1,387.90	1,461.73	1,514.32	1,555.85
Appropriation savings	-	-	-	-
Total uses	1,387.90	1,461.73	1,514.32	1,555.85
Subtotal operating surplus/(deficit)	2.78	(9.61)	(6.04)	(2.01)
Allocation of surplus/(deficit)				
Transfer to/(from) the stabilization reserve	(0.58)	1.08	(0.54)	-
Transfer to/(from) continuing appropriations	1.79	(1.36)	(5.92)	-
Transfer to/(from) unallocated	1.57	(9.33)	0.42	(2.01)
Total allocated	2.78	(9.61)	(6.04)	(2.01)
Education fund reserves				
Budget stabilization reserve	29.26	30.34	31.30	31.30
Minimum statutory reserve at 3.5%	20.48	21.24	21.90	22.50
Maximum statutory reserve at 5%	29.26	30.34	31.30	32.20

*Results may not add due to rounding.

** Forecast year is not provided as it requires property tax rate changes not available at the time of publication.

FY 2015 BUDGET ADJUSTMENT RECOMMENDATIONS

THE FISCAL YEAR 2015 BUDGET ADJUSTMENT RECOMMENDATION

FY 2015 Governor's Recommended General Fund Budget Adjustment Summary

FY 2015 General Fund (GF) Revenue Adjustments - Post Rescission (\$millions)	
Direct Apps/reversions	0.63
Property Transfer Tax	0.17
TOTAL NET REVENUE CHANGES	0.79 (A)

FY 2015 General Fund (GF) Appropriation Adjustments (\$ millions)	
Homeowners & Renters Rebates	(0.35)
Debt Service	(0.84)
Other General Government	(0.55)
Protection	(0.60)
AHS - Central Office	(1.65)
AHS - Global Commitment	(6.06)
Vermont Health Access	(2.70)
Department of Health	(0.00)
Mental Health	(0.03)
Dept. for Children & Families	(1.62)
Disability & Independent Living	0.37
Corrections	0.09
Vermont Veterans' Home	2.15
Natural Resources	(0.06)
Commerce & Community Development	(0.13)
Sub-total Net Appropriation Adjustments	(12.00) (B)

FY 2015 Transfers to/from General Fund (GF) (millions)	
AHEC	(0.50)
Property Management Fund	0.80
Facilities Operations Fund	(0.10)
Sub-total Net Transfers to/from General Fund	0.20 (C)

FY 2015 Transfers to/from General Fund Reserves (millions)	
GF Budget Stabilization Reserve	12.59
Sub-total Net Transfers to/from GF Reserves	12.59 (D)
TOTAL NET APPROPRIATION AND TRANSFER ADJUSTMENTS	0.79 E=(D+B+C)

NET BAA CHANGE: REVENUE, APPROPRIATIONS AND TRANSFERS:	0.00 (A-E)
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FY 2015 Projected General Fund Reserve Balances (millions)	
GF Balance Reserve	16.98
Human Services Caseload	0.00
GF Budget Stabilization	69.31

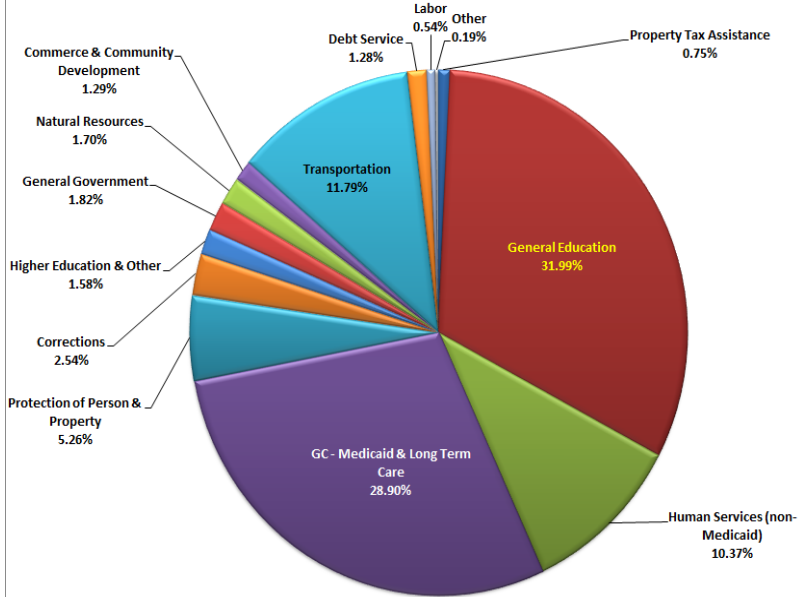
The Governor's FY 2015 Budget Adjustment Recommendation has been submitted. It is based on the reduced Consensus Revenue Forecast, adopted by the Vermont Emergency Board on July 24, 2014. The reduction in the Forecast necessitated a General Fund (GF) rescission of \$22.0 million, approved by the Legislative Joint Fiscal Committee on August 13, 2014.

As of December 2014, the GF revenues are \$11.1 million below the reduced Forecast approved on July 24, 2014.

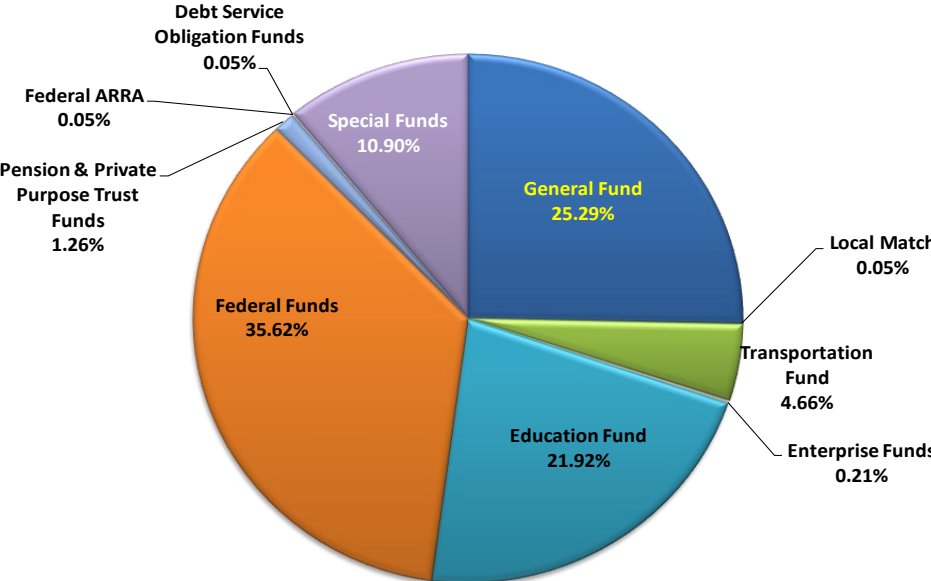
In order to balance FY 2015 General Fund operations and maintain the GF Budget Stabilization Reserve at the statutory level, a \$12.0 million appropriation decrease has been recommended by the Governor.

FY 2015 Governor's Budget Adjustment Recommendations, by Government Function

FY 2015 Governor's Budget Adjustment Recommendation, by Function (\$5.56 billion)



FY 2015 Governor's Budget Adjustment Recommendation by Fund (\$5.56 billion)



FY 2015 Governor's Budget Adjustment Recommendations, by Fund

FISCAL YEAR 2015 BUDGET ADJUSTMENT RECOMMENDED

FUNCTION / Department	Appropriation Title	2014 Act 179 Sec #	General Fund	Transportation Fund	Education Fund	Special Funds (Various) ⁽¹⁾	Global Commitment Fund	State Health Care Resources Fund	Federal Funds	ARRA Funds	Debt Service Obligation Funds	Dedicated Funds ⁽²⁾	Other ⁽³⁾	Combined Funds
	FY 2015 As Appropriated		1,439,992,691	260,731,042	1,513,944,268	346,633,868	1,275,159,688	267,992,899	1,970,359,500	1,398,101	2,502,313	84,425,005	156,919,934	7,320,059,309
	Rescission approved by the Joint Fiscal Committee on 8/13/2014 Transportation Fund rescission		(22,052,507)			(28,021)	(12,708,092)		(13,165,710)			(149,200)	(1,139,045)	(49,242,575)
	FY 2015 Revised Appropriation (post rescissions)		1,417,940,184	259,020,594	1,513,944,268	346,605,847	1,262,451,596	267,992,899	1,952,757,405	1,398,101	2,502,313	84,275,805	155,780,889	7,264,669,901
FY 2015 RECOMMENDED BUDGET APPROPRIATION ADJUSTMENTS :														
GENERAL GOVERNMENT														
Secretary of Administration	Secretary's Office	B.100	(531,924)				895,516						(54,212)	309,380
Executive Office	Executive office - governor's office	B.124	(21,203)											(21,203)
VOSHHA Review Board	VOSHHA	B.136	(356)											(356)
Tax	Homeowner Rebate	B.137	(517,000)											(517,000)
Tax	Renter Rebate	B.138	150,000		350,000									500,000
Tax	Reappraisal & Listing Payments	B.139			25,459									25,459
Tax	Current Use	B.140	15,907											15,907
	TOTAL GENERAL GOVERNMENT		(904,576)	-	375,459	-	895,516	-	-	-	-	-	(54,212)	312,187
PROTECTION														
Attorney General	Attorney General	B.200	40,000											40,000
Defender General	Defender General	B.202	(196,070)											(196,070)
Judiciary	Judiciary	B.204	(224,138)											(224,138)
State's Attorneys	State's Attorneys	B.205	(190,465)											(190,465)
Sheriffs	Sheriffs	B.207	(33,000)											(33,000)
	TOTAL PROTECTION		(603,673)	-	-	-	-	-	-	-	-	-	-	(603,673)
HUMAN SERVICES														
Secretary's Office	Secretary's Office	B.300	(1,452,976)				84,667		379,596				402,423	(586,290)
Secretary's Office	Secretary's Office	B.300	(200,000)											(200,000)
Secretary's Office	Secretary's Office - Global Commitment	B.301	(5,838,304)			1,111,948		(4,559,104)	22,601,227					13,315,767
Secretary's Office	Secretary's Office - Global Commitment	B.301	(220,000)					220,000						-
Department of Vermont Health Access	Administration	B.306	(735)			(2,360,915)	11,609,745		(29,245)				(1,434,970)	7,783,880
Department of Vermont Health Access	Administration	B.306	(25,000)			(84,714)	(1,074,333)							(1,184,047)
Department of Vermont Health Access	Medicaid Program - Global Commitment	B.307					14,715,003							14,715,003
Department of Vermont Health Access	Medicaid Program - Global Commitment	B.307					(1,800,000)							(1,800,000)
Department of Vermont Health Access	Medicaid Program - Long Term Care Waiver	B.308	786,835						4,607,317					5,394,152
Department of Vermont Health Access	Medicaid Program - Long Term Care Waiver	B.308	(391,590)						(508,410)					(900,000)
Department of Vermont Health Access	Medicaid Program - State Only	B.309	(1,184,691)				(4,150,996)							(5,335,687)
Department of Vermont Health Access	Medicaid Program - State Only	B.309	(1,602,619)											(1,602,619)
Department of Vermont Health Access	Medicaid Non-Waiver Matched	B.310	(282,509)						(775,475)					(1,057,984)
Vermont Department of Health	Administration and Support	B.311	(73,967)				170,000							96,033
Vermont Department of Health	Public Health	B.312	43,353				857,238		49,791					950,382
Vermont Department of Health	Public Health	B.312					(225,000)							(225,000)
Vermont Department of Health	Alcohol and Drug Abuse Programs	B.313	26,013				241,819							267,832
Vermont Department of Health	Alcohol and Drug Abuse Programs	B.313					(77,000)							(77,000)
Department of Mental Health	Mental Health	B.314	(25,561)			5,000	5,248,003		814					5,228,256
Department of Mental Health	Mental Health	B.314	(6,448)				(2,262,541)							(2,268,989)
Department for Children and Families	Administration & Support Services	B.316	1,012,462				(1,065,248)		2,080,571				276,705	2,304,490
Department for Children and Families	Family Services	B.317	4,996,450				3,066,912		(3,000,644)					5,062,718
Department for Children and Families	Child Development	B.318	(3,450,000)				(217,062)		3,600,000					(67,062)
Department for Children and Families	Office of Child Support	B.319	35,043						68,024					103,067
Department for Children and Families	General Assistance	B.321	600,000											600,000
Department for Children and Families	Reach-Up	B.323	(1,028,870)				384,000		(245,765)					(890,635)
Department for Children and Families	Reach-Up	B.323	(2,193,973)							1,636,422				(557,551)
Department for Children and Families	LIHEAP	B.324	(615,658)											(615,658)
Department for Children and Families	LIHEAP	B.324	(1,000,000)											(1,000,000)
Department for Children and Families	Woodside	B.327	24,000										42,108	66,108
Department for Children and Families	Disability Determination Services	B.328							321,000					321,000

FISCAL YEAR 2015 BUDGET ADJUSTMENT RECOMMENDED

FUNCTION / Department	Appropriation Title	2014 Act 179 Sec #	General Fund	Transportation Fund	Education Fund	Special Funds (Various) ⁽¹⁾	Global Commitment Fund	State Health Care Resources Fund	Federal Funds	ARRA Funds	Debt Service Obligation Funds	Dedicated Funds ⁽²⁾	Other ⁽³⁾ Funds	Combined Funds
Department of Disabilities, Aging, and Independent Living	Administration and Support	B.329	141,908				39,493		58,579				14,911	254,891
Department of Disabilities, Aging, and Independent Living	Administration and Support	B.329	(124,879)											(124,879)
Department of Disabilities, Aging, and Independent Living	Advocacy & Ind Living Grants	B.330	364,480				158,677						(43,093)	480,064
Department of Disabilities, Aging, and Independent Living	Blind and Visually Impaired	B.331	(5,000)											(5,000)
Department of Disabilities, Aging, and Independent Living	Vocational Rehab	B.332	(10,000)											(10,000)
Department of Disabilities, Aging, and Independent Living	Developmental Services	B.333					1,189,974							1,189,974
Department of Disabilities, Aging, and Independent Living	Developmental Services	B.333					(2,046,497)							(2,046,497)
Department of Corrections	Correctional Services	B.338	87,453											87,453
Vermont Veterans' Home	Vermont Veterans' Home - Care and Support Services	B.342	2,150,367			(2,424,031)			(600,500)					(964,164)
														-
	TOTAL HUMAN SERVICES		2,604,329	-	-	(2,424,031)	(658,353)	0	(631,921)	0	-	-	(28,182)	(1,138,158)
LABOR														
	TOTAL LABOR		0	0	0	0	0	0	0	0	0	0	0	-
EDUCATION														
Education	State-Placed Students	B.503												-
Education	Adjusted Education Payment	B.505												-
	TOTAL EDUCATION		0	0	0	0	0	0	0	0	0	0	0	-
HIGHER EDUCATION														
	TOTAL HIGHER EDUCATION		0	0	0	0	0	0	0	0	0	0	0	-
NATURAL RESOURCES														
ANR - FFR	Slate Parks	B.705	(50,000)			50,000								-
Natural Resources Board	Natural Resources Board	B.713	(12,049)											(12,049)
														-
	TOTAL NATURAL RESOURCES		(62,049)	-	-	50,000	-	-	-	-	-	-	-	(12,049)
COMMERCE & COMMUNITY DEVELOPMENT														
Commerce & Community Dev	Administration	B.800	(41,042)											(41,042)
Commerce & Community Dev	Economic Development	B.801	(51,737)											(51,737)
Commerce & Community Dev	Housing and Community Development	B.802	(31,411)											(31,411)
Commerce & Community Dev	Tourism and Marketing	B.806	(3,306)											(3,306)
														-
	TOTAL COMMERCE & COMMUNITY DEVELOPMENT		(127,496)	-	-	-	-	-	-	-	-	-	-	(127,496)
TRANSPORTATION														
	Transportation - finance and administration	B.900		400,000										400,000
	Transportation - program development	B.903		(260,000)		(500,000)			(3,040,000)					(3,800,000)
	Transportation - maintenance state system	B.905		(400,000)										(400,000)
	Transportation - policy and planning	B.906		260,000					1,040,000					1,300,000
	Transportation - public transit	B.908		(750,000)					750,000					-
	Transportation - central garage	B.909											(747,826)	(747,826)
	Transportation - town highway: state aid for nonfederal disasters	B.917		750,000										750,000
														-
	TOTAL TRANSPORTATION		-	-	-	(500,000)	-	-	(1,250,000)	-	-	-	(747,826)	(2,497,826)
DEBT SERVICE														
Debt Service	Debt Service	B.1000	(837,046)											(837,046)
	TOTAL DEBT SERVICE		(837,046)	-	-	-	-	-	-	-	-	-	-	(837,046)
	TOTAL APPROPRIATION CHANGES (before "words")		(11,999,256)	0	375,459	(4,202,712)	25,742,370	(4,339,104)	27,266,880	1,636,422	0	0	(1,543,954)	32,936,105
OTHER AND ONE-TIME (with \$\$ appropriation changes)														
	TOTAL OTHER AND ONE-TIME		-	-	-	-	-	-	-	-	-	-	-	-
	TOTAL APPROPRIATION CHANGE		(11,999,256)	0	375,459	(4,202,712)	25,742,370	(4,339,104)	27,266,880	1,636,422	0	0	(1,543,954)	32,936,105
	NET FY 2015 APPROPRIATION AFTER BAA (as submitted)		1,405,940,928	259,020,594	1,514,319,727	342,403,135	1,288,193,966	263,653,795	1,980,024,285	3,034,523	2,502,313	84,275,805	154,236,935	7,297,606,006
														(154,236,935)
														(1,288,193,966)
														(295,816,793)
	NET FY 2015 APPROPRIATION AFTER BAA (excluding duplicated appropriations)													5,559,358,312

(1) Special Funds include: Special, Tobacco, TIB and Fish & Wildlife funds.
 (2) Dedicated funds include: Local Match, TIB Proceeds, Pension & Trust Funds, Retired Teachers Health Fund, and Enterprise Funds.
 (3) Other Funds include: Internal Service Funds and Interdepartmental Transfers.

OTHER REQUIRED REPORTS

TAX EXPENDITURE BUDGET REPORT

Tax expenditures are statutory provisions which reduce the amount of revenue that would otherwise be collected in order to encourage certain activities or to limit the tax burden on certain types of individuals. By reducing the amount of tax revenues collected by the government, expenditures can have the same fiscal effects as direct government expenditures, even though they appear as reductions in taxes.

However, tax expenditures differ from direct spending programs in one important respect. Direct appropriations for government programs are evaluated annually during the budget process, and the Legislature must take affirmative action to continue funding. Additionally, direct spending programs are itemized in the budget and are therefore more transparent to the public. Tax expenditures, on the other hand, usually represent permanent foregone revenue and are not evident in the State budget or subject to the same annual review process.

Annual Tax Expenditure Budget reporting is codified under 32 V.S.A. § 306. The schedule for reporting is segregated into the following categories:

- (1) A budget covering tax expenditures related to non-profits and charitable organizations and covering miscellaneous expenditures shall be made by the third Tuesday of the legislative session beginning in January 2012 and every three years thereafter.
- (2) A budget covering tax expenditures related to economic development, including business, investment, and energy, shall be made by the third Tuesday of the legislative session beginning in January 2013 and every three years thereafter.
- (3) A budget covering tax expenditures made in furtherance of Vermont's human services, including tax expenditures affecting veterans, shall be made by the third Tuesday of the legislative session beginning in January 2014 and every three years thereafter.

This year's Tax Expenditure Budget Report covers tax expenditures related to non-profits and charitable organizations and covering miscellaneous expenditures. The budget is shown on the following two charts sorted first by Tax Category and then, by related department.

The Tax Department published complete Tax Expenditure Reports by year at: <http://www.state.vt.us/tax/expenditurereports.shtml>

[Continues next page]

NON-PROFIT & CHARITABLE ORGANIZATION TAX EXPENDITURE BUDGET REPORT ⁽¹⁾ BY TYPE

Agency / Dept.	TAX EXPENDITURE REPORT Object	by Major	FY 2014 Estimated	FY 2015 Estimated	FY 2016 Estimated
TRE	Vermont Municipal Bond Income		3,000,000	3,500,000	3,700,000
ACCD	Qualified Sale of Mobile Home Park Credit		40,000	40,000	40,000
HED	Vermont Higher Education Investment Credit		2,000,000	2,000,000	2,000,000
	Individual Income Tax Expenditure - Sub-Total		5,040,000	5,540,000	5,740,000
AGFM	Veterinary supplies		1,600,000	1,600,000	1,600,000
TAX	Rentals of coin-operated washing facilities		1,400,000	1,400,000	1,400,000
ACCD	Admission fees to nonprofit museums		1,500,000	1,500,000	1,500,000
	Sales & Use Tax Expenditures - Sub-Total		4,500,000	4,500,000	4,500,000
ACCD	Fraternal Societies		80,000	80,000	80,000
AHS	Hospital and Medical Service Organizations		14,200,000	14,900,000	15,700,000
	Insurance Premiums Tax Expenditures - Sub-Total		14,280,000	14,980,000	15,780,000
TAX	Religious, charitable		184,000	207,000	230,000
TAX	Gifts		3,107,000	3,328,500	3,550,000
TAX	IRC Sec. 351		34,000	32,000	30,000
AOT	Trade-In Allowance		27,200,000	28,400,000	29,600,000
	Motor Vehicle Purchase & Use Expenditures - Sub-Total		30,525,000	31,967,500	33,410,000
AHS	Non-Profit Medical Service Corporations		141,000	145,000	149,000
HED	Vermont State Colleges		99,000	102,000	105,000
HED	University of Vermont		10,576,000	10,893,500	11,211,000
ACCD	Libraries		968,000	997,000	1,026,000
TAX	Congressionally Chartered Organizations		599,000	617,000	635,000
TAX	Public, pious and charitable property		50,623,000	52,141,000	53,660,000
HED	College fraternities and societies		177,000	182,000	188,000
AHS/DVOH	YMCA and YWCA		232,000	239,000	246,000
ACCD	Cemeteries		726,000	748,000	770,000
AGFM	Owned by agricultural societies		449,000	462,000	476,000
AGFM	Humane societies		74,000	76,000	78,000
AHS	FQHC and RHC		378,000	389,000	401,000
PSD	Municipalities hosting large power plants		1,071,000	1,160,500	1,250,000
	Property Tax Expenditures - Sub-Total		66,113,000	68,152,000	70,195,000
	GRAND TOTAL		120,458,000	125,139,500	129,625,000

(1) Note: The FY 2016 Expenditure Budget "covers tax expenditures related to nonprofits and charitable organizations and covering miscellaneous expenditures," as prescribed by 2011 Act 45. Act 200 of 2014 on the statutory purposes of tax expenditures amended the section on the definition of a tax expenditure.

NON-PROFIT & CHARITABLE ORGANIZATION TAX EXPENDITURE BUDGET REPORT ⁽¹⁾ BY DEPT.

Agency / Dept.	TAX EXPENDITURE REPORT Object	by Major	FY 2014 Estimated	FY 2015 Estimated	FY 2016 Estimated
ACCD	Qualified Sale of Mobile Home Park Credit		40,000	40,000	40,000
ACCD	Admission fees to nonprofit museums		1,500,000	1,500,000	1,500,000
ACCD	Fraternal Societies		80,000	80,000	80,000
ACCD	Libraries		968,000	997,000	1,026,000
ACCD	Cemeteries		726,000	748,000	770,000
ACCD	YMCA and YWCA		232,000	239,000	246,000
	Agency of Commerce & Community Development - Sub-Total		3,546,000	3,604,000	3,662,000
AGFM	Veterinary supplies		1,600,000	1,600,000	1,600,000
AGFM	Owned by agricultural societies		449,000	462,000	476,000
AGFM	Humane societies		74,000	76,000	78,000
	Agency of Agriculture - Sub-Total		2,123,000	2,138,000	2,154,000
AHS	Hospital and Medical Service Organizations		14,200,000	14,900,000	15,700,000
AHS	Non-Profit Medical Service Corporations		141,000	145,000	149,000
AHS	FQHC and RHC		378,000	389,000	401,000
	Agency of Human Services - Sub-Total		14,719,000	15,434,000	16,250,000
AOT	Trade-In Allowance		27,200,000	28,400,000	29,600,000
	Agency of Transportation - Sub-Total		27,200,000	28,400,000	29,600,000
HED	Vermont Higher Education Investment Credit		2,000,000	2,000,000	2,000,000
HED	Vermont State Colleges		99,000	102,000	105,000
HED	University of Vermont		10,576,000	10,893,500	11,211,000
HED	College fraternities and societies		177,000	182,000	188,000
	Higher Education - Sub-Total		12,852,000	13,177,500	13,504,000
PSD	Municipalities hosting large power plants		1,071,000	1,160,500	1,250,000
	Public Service Department - Sub-Total		1,071,000	1,160,500	1,250,000
TAX	Rentals of coin-operated washing facilities		1,400,000	1,400,000	1,400,000
TAX	Religious, charitable		184,000	207,000	230,000
TAX	Gifts		3,107,000	3,328,500	3,550,000
TAX	IRC Sec. 351		34,000	32,000	30,000
TAX	Congressionally Chartered Organizations		599,000	617,000	635,000
TAX	Public, pious and charitable property		50,623,000	52,141,000	53,660,000
	Tax Department - Sub-Total		55,947,000	57,725,500	59,505,000
TRE	Vermont Municipal Bond Income		3,000,000	3,500,000	3,700,000
	Treasurer's Office - Sub-Total		3,000,000	3,500,000	3,700,000
	GRAND TOTAL		120,458,000	125,139,500	129,625,000

(1) Note: The FY 2016 Expenditure Budget "covers tax expenditures related to nonprofits and charitable organizations and covering miscellaneous expenditures," as prescribed by 2011 Act 45. Act 200 of 2014 on the statutory purposes of tax expenditures amended the section on the definition of a tax expenditure.

RETIREMENT SYSTEMS FINANCIAL INTEGRITY REPORT

Retirement Systems: Funding Update

As specified in 32 V.S.A. §311, the following is a report on the financial integrity of the State Employees' and State Teachers' Retirement Systems.

Contribution Levels

VSERS

As a result of the June 30, 2014 actuarial valuation, the actuary for the Vermont State Employees' Retirement System (VSERS) recommended a FY 2016 contribution of \$46,237,853 to the pension plan (VSERS pension) and \$74,674,203 to the Vermont State Employees' Other Post-Employment Benefits (VSERS OPEB) plan, based on current funding policy.

The actuary's annual required contribution (ARC) to the VSERS pension includes a normal contribution of \$19,138,047 and a contribution of \$27,099,806 toward the unfunded actuarial accrued liability (UAAL). To calculate the State's contribution, the ARC has been reduced by \$821,771 for the Treasurer's estimate of FY 2016 contributions to VSERS by town participants, making the State's net ARC to VSERS \$45,416,082. The State also contributes an amount to prepay the Treasurer's estimate of non-healthcare administrative expenses which for FY 2016 is \$8,824,824. This amount has been reduced for estimated FY 2016 investment manager fees of \$6,938,925, which is commonly not prepaid by other retirement plans. This adjustment results in a FY 2016 State contribution of \$1,885,899 to cover estimated non-healthcare administrative expenses. Added to the net ARC, the State's planned total contribution to the VSERS pension for FY 2016 will be \$47,301,981.

The actuary's ARC to the VSERS OPEB of \$74,674,203 includes a normal contribution of \$43,040,246 and amortization of the OPEB UAAL of \$32,427,250. The actuary estimates that \$793,293 in interest will be earned on expected benefit payments, which reduces the OPEB ARC.

The State's planned contribution to the VSERS OPEB during FY 2016 is \$31,230,000 which is the Treasurer's estimate of VSERS retiree benefit costs. It is anticipated that the VSERS OPEB will also receive subsidies under the Employee Group Waiver Plan (EGWP) which was implemented in 2015. EGWP subsidies are credited to expense, not as an additional contribution.

VSTRS

As a result of the June 30, 2014 actuarial valuation, the actuary for the Vermont State Teachers' Retirement System (VSTRS) recommended a FY 2016 contribution of \$76,102,909 to the pension plan (VSTRS pension) and \$42,641,136 to the Retired Teachers' Health and Medical Benefits (RTHMB) plan, estimated on a non-prefunding basis. The ARC for the VSTRS pension includes a normal contribution of \$10,384,106 and a contribution of \$65,718,803 toward the UAAL. The ARC for the RTHMB includes a normal

contribution of \$20,350,148 and amortization of the UAAL of \$22,801,016. The actuary estimates that \$510,028 in interest will be earned on expected benefit payments, which reduces the OPEB ARC.

The State plans to contribute the full ARC of \$76,102,909 to the VSTRS pension and \$12,576,468 to the RTHMB. Interfund transfers will be made, as needed, to cover RTHMB estimated expenditures of \$30,030,000. It is anticipated that the RTHMB will also receive subsidies under the Employee Group Waiver Plan (EGWP) which was implemented in 2014.

The State Treasurer's Office, the Administration, Legislative leadership, the Vermont-NEA and other partners agreed to and initiated a 10-year plan during the 2014 legislative session to develop long-term sustainable funding for the RTHMB with shared responsibility from a variety of sources. The Plan includes: steadily increasing State funding; loans from the State's general fund for 4 years followed by 5 years of repayments of principal and interest; establishing a separate RTHMB fund (16 V.S.A. §1944b) from which to pay retired teachers health and medical benefits; setting the employee contribution rate 1% percent higher (to 6%) for teachers with less than 5 years of membership service; adding statute directing school administrators to properly charge employer retirement costs and administrative operating expenses applicable to those teachers whose funding is provided from federal grants and to pay that portion of federal reimbursement to VSTRS; and adding statute requiring the employers of teachers that become members of VSTRS on or after July 1, 2015 to pay an annual assessment based on the Actuary's recommendation of the future value of those teachers' health and medical benefits.

Funding Levels

State statutes define the method of funding the retirement systems which is assessed and reported by an independent actuary. The pension plan actuary uses Governmental Accounting Standards Board (GASB) standards to produce data (comparable nationally by using a standard actuarial method) for accounting purposes and not for funding decisions. Since a new standard (GASB No. 67) was issued in 2014, superseding old GASB No. 25, both old and new figures are presented for continuity during the transition.

Based on GASB 25, the former reporting standard, the funded ratios for the VSERS and VSTRS pension systems for the period ending June 30, 2014 are 77.9% and 59.9% respectively. The funded ratios for the VSERS OPEB and the VSTRS RTHMB plans for the period ending June 30, 2014 are 1.7% and 0.0% respectively. GASB 25 uses smoothing to calculate the actuarial value of assets.

GASB 67 uses market as well as other changes to the liability calculation.

Based on GASB 67, the new reporting standard for pensions, effective for June 30, 2014, developed a number called the net pension liability and a funding percentage. The net pension liability for VSERS is \$351,642,081 and the funding percentage is 82.5%. The net pension liability for VSTRS is \$958,436,990 and the funding percentage is 64.02%. GASB 67's pension plan actuarial reports are based on FY 2013 census data rolled forward to FY 2014, taking into account actual benefit and expense payments made during the fiscal year, any benefit and contribution plan changes and the market value of assets on June 30, 2014.

The Administration, State Treasurer's Office, the Legislature and other affected parties continue to work together to develop a multi-year plan to address funding pension plan and retiree liabilities.

Acknowledgements and Credits

This Executive Summary and the Governor's Recommended Budget was prepared by the dedicated staff in the Budget & Management Division of the Department of Finance and Management and with the assistance of agency and department heads, business managers and finance staff across the State. Questions may be addressed to: The Department of Finance & Management, Budget & Management Division at (802) 828-2376.

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



Fiscal Year 2016 Executive Budget Summary

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 2016 Budget Recommendations of Governor Peter Shumlin.

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