

FY 2018 Executive Budget Summary



Fiscal Year 2018 Executive Budget Recommendations
Philip B. Scott
Governor of Vermont
January 24, 2017



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Dear Members of the General Assembly and Fellow Vermonters:

It is my pleasure to present my Fiscal Year (FY) 2018 Budget Recommendation for your consideration.

This proposal reflects my vision for Vermont. A vision where we build the best education system in the world, make economic growth the focus of each effort we undertake, and create opportunity for all Vermonters. I am committed to this vision, and believe we can achieve it. If we can find common ground, and listen to the people we are here to serve, we can blaze a new trail for long-term sustainable prosperity.

The biggest obstacle we face to economic sustainability is a shrinking workforce. Since 2010, we've lost an average of 2,300 workers per year from the workforce. The percentage of working-age Vermonters has declined from nearly 29 to 23 percent in only four years. By 2040, the number of working-age people across the country is expected to grow by 15 percent. But Vermont's will drop by more than 10 percent.

A shrinking workforce creates a downward spiral. With fewer workers, we have less revenue, and the state becomes less and less affordable. That makes it harder and harder to rebuild our working-age population. We're already seeing these effects. We must act now, and begin our ascent.

On my first day in office, I established strategic goals to strengthen Vermont's economy; make Vermont more affordable for all; and

protect the most vulnerable. I directed my entire Administration to think about how to apply these priorities in everything they do. And, I invite the Legislature to do the same. Given the scope of our demographic challenges, we must look at every policy and process, and ask ourselves:

- Does it strengthen the economy?
- Does it help Vermonters keep more of what they earn?
- Does it help us protect Vermonters?

My Administration has taken the same approach in this budget. We have looked at every dollar through the lens of my strategic priorities. As I pledged, this budget sets commonsense limits that reflect the changes working families see in their own finances.

Achieving a balanced budget in this current environment will not be easy. We must make some hard choices to overcome our challenges but we must also view this as an opportunity. The limits I've set in this budget will put us on a more sustainable path and invests in building a strong economy to better support our commitments to social justice, the environment, education, affordable healthcare, and more.

My recommended budget does not rely on increasing taxes or fees and makes no program cuts that impact Vermonters in need. It matches one-time spending with one-time revenue to avoid future shortfalls. It fully funds reserve accounts and creates a Federal Contingency and Caseload Reserve Fund, to ensure we can respond to potential changes from Washington, D.C.

This proposed budget invests in economic development; education and training; housing for all Vermonters; and puts a priority on business and community development. It makes important investments in fighting opiate addiction, and cleaning up our impaired waterways. And, it addresses the challenges of funding our education system, while creating greater opportunity for our children. Finally, my budget creates the framework for an effective and productive state government for decades to come.

This budget proposal reflects my education funding reform proposal that realigns priorities and spending in a way that will revitalize Vermont's education system for generations. I propose a \$9.6 million investment in early care and learning, including \$7.5 million to the Child Care Financial Assistance Program. Investments in grants to support early care and learning efforts and full-day pre-kindergarten programs for high poverty kids and that support the shared services systems for child care providers are included. I have also proposed grants to support coding camps and boost Career Technical Education programs that promote more interest in Science, Technology, Engineering and Math, and traditional trades.

If we are going to truly build an education system for all our children, from pre-k through college, we must look at our education spending system with fresh eyes. My recommended FY 2018 budget combines most of our total state spending on education. This funding proposal transfers, for the first time, line items from the General Fund to the Education Fund that are truly costs related to education. These include the higher education appropriations to Vermont State Colleges, the University of Vermont and Vermont Student Assistance Corporation, some early education and pre-k programs, and teachers' retirement and health costs. Vermonters will now have a full view of how much we invest in our children and young adults across the entire education spectrum.

Outside of education, human services is one of the biggest cost drivers for the state. In FY 2018, we are facing significant caseload pressures in some areas. We should be encouraged, however, by a reduced expenditure in Medicaid during FY 2017 – a trend, I believe, will continue into this year.

To restore the fiscal responsibility Vermonters have demanded, restraint on human services' spending is necessary. But I'm proud to recommend a series of reductions that will not affect vulnerable Vermonters and will help fund important investments to combat opiate addiction in our communities.

My budget reflects \$2.8 million in savings that result from direct enrollment for non-Medicaid clients, removing the State as a middleman between health insurance companies and Vermonters who do not qualify for subsidies. It reduces the "Disproportionate Share" appropriation to hospitals by 10 percent—a savings that is the direct result of the decrease in the number of uninsured Vermonters. Adding to these savings, we've realized an additional \$2.1 million in savings through adjusted positions, contracts, and administrative costs across the Agency of Human Services.

Vermont's opiate epidemic is one of the most serious challenges we face. My Administration will address this crisis through education, prevention, enforcement and treatment efforts. It includes nearly \$800,000 of support for the Guardian ad Litem Program, the Judiciary, the State's Attorneys and Public Defenders.

As I have noted, we must attract more businesses and workers to our state. My budget proposes economic development proposals that increase our marketing efforts, support adult learners and trade programs that connect workers with available jobs and provides more housing and home ownership opportunities.

My budget defines a new approach—one that gets our economy moving and growing again. We have an opportunity to achieve great things, but only if we are willing to be bold.

I look forward to working with you on these efforts and to a productive Legislative session.

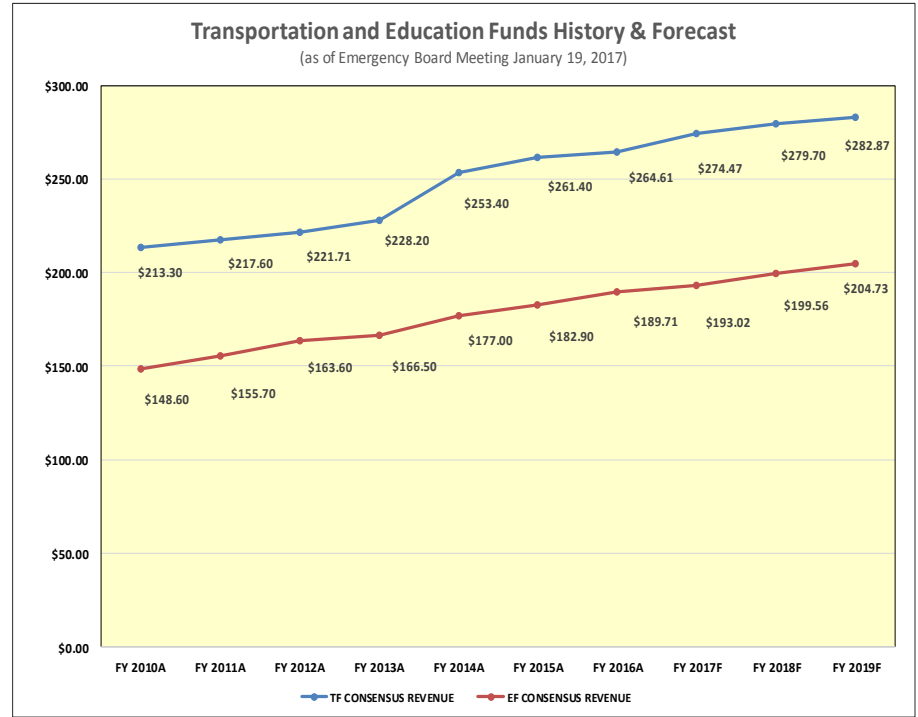
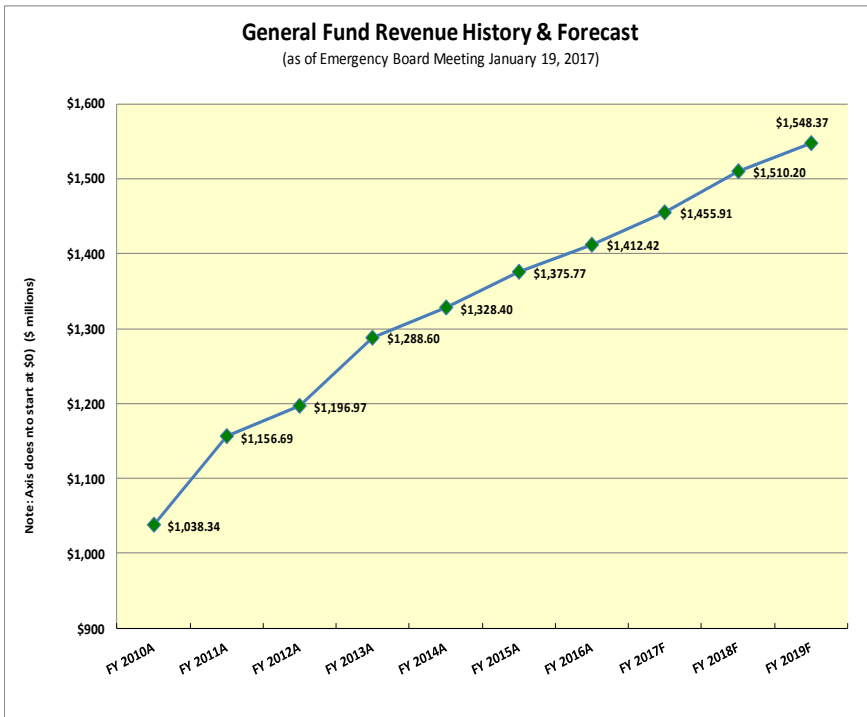
Sincerely,



Philip B. Scott
Governor

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CONSENSUS REVENUE HISTORY AND FORECAST



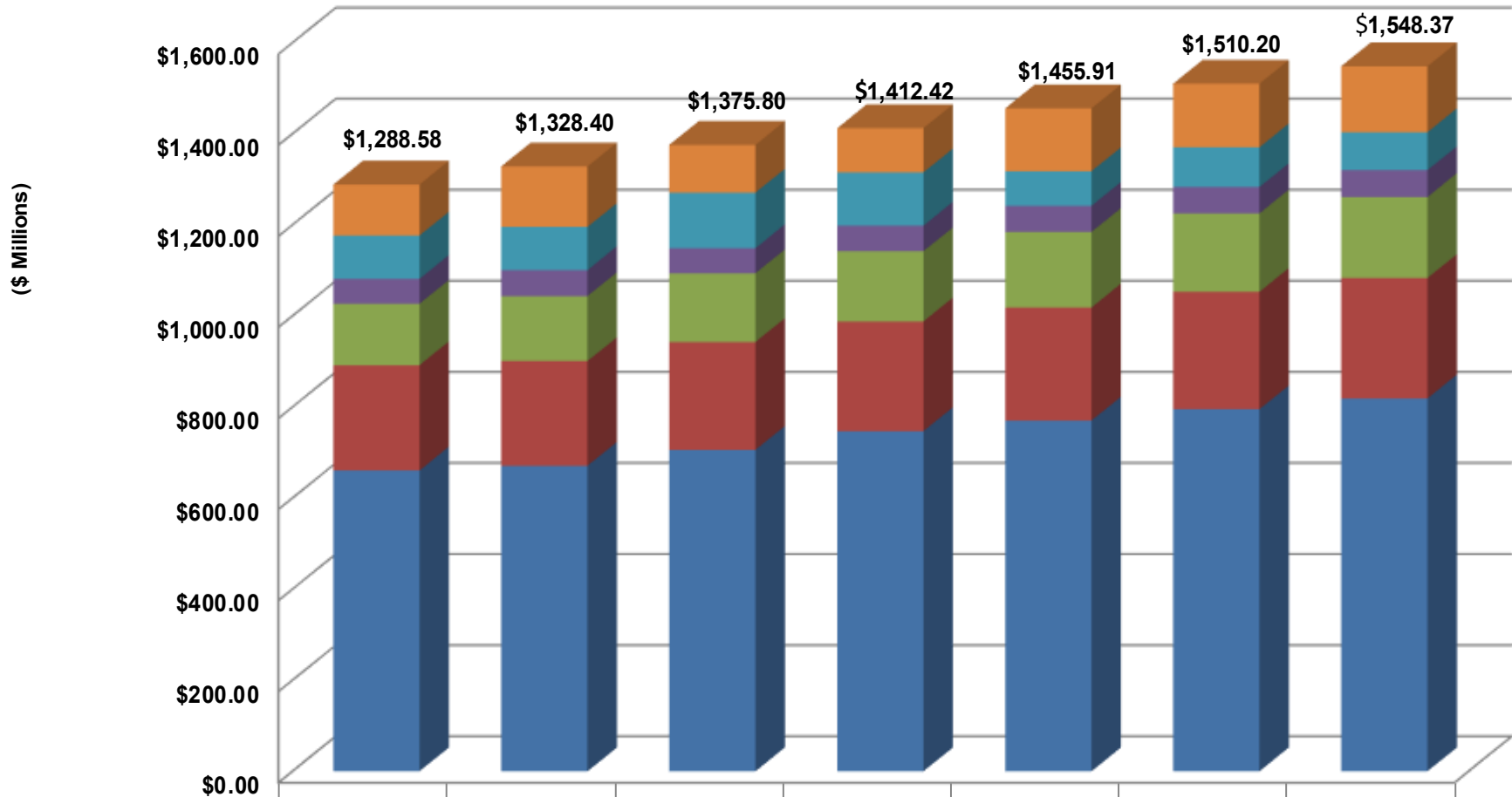
On January 19, 2017, the Vermont Emergency Board adopted revised General, Transportation and Education Fund Consensus Revenue Forecasts for the remainder of FY2017, FY2018 and FY2019.

The General Fund for FY2017 was projected to be \$1,455.9 million (-\$24.6 million, -1.7%) while the FY2018 was projected at \$1,510.2 million (-\$7.7 million, -0.5%). The Transportation Fund forecast for the remainder of FY2017 were projected at \$274.5 million (-\$3.2 million, -1.2 %) and for FY2018 were projected at \$279.7 million (-\$2.3 million, -0.8 %). The Education Fund was projected to be \$193 million for FY2017 (-\$0.4 million, -0.2%) and \$199.6 million for FY2018 (+\$0.7 million, +0.4%).

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 next three pages.

General Fund Revenue by Component FY 2013 - FY 2019

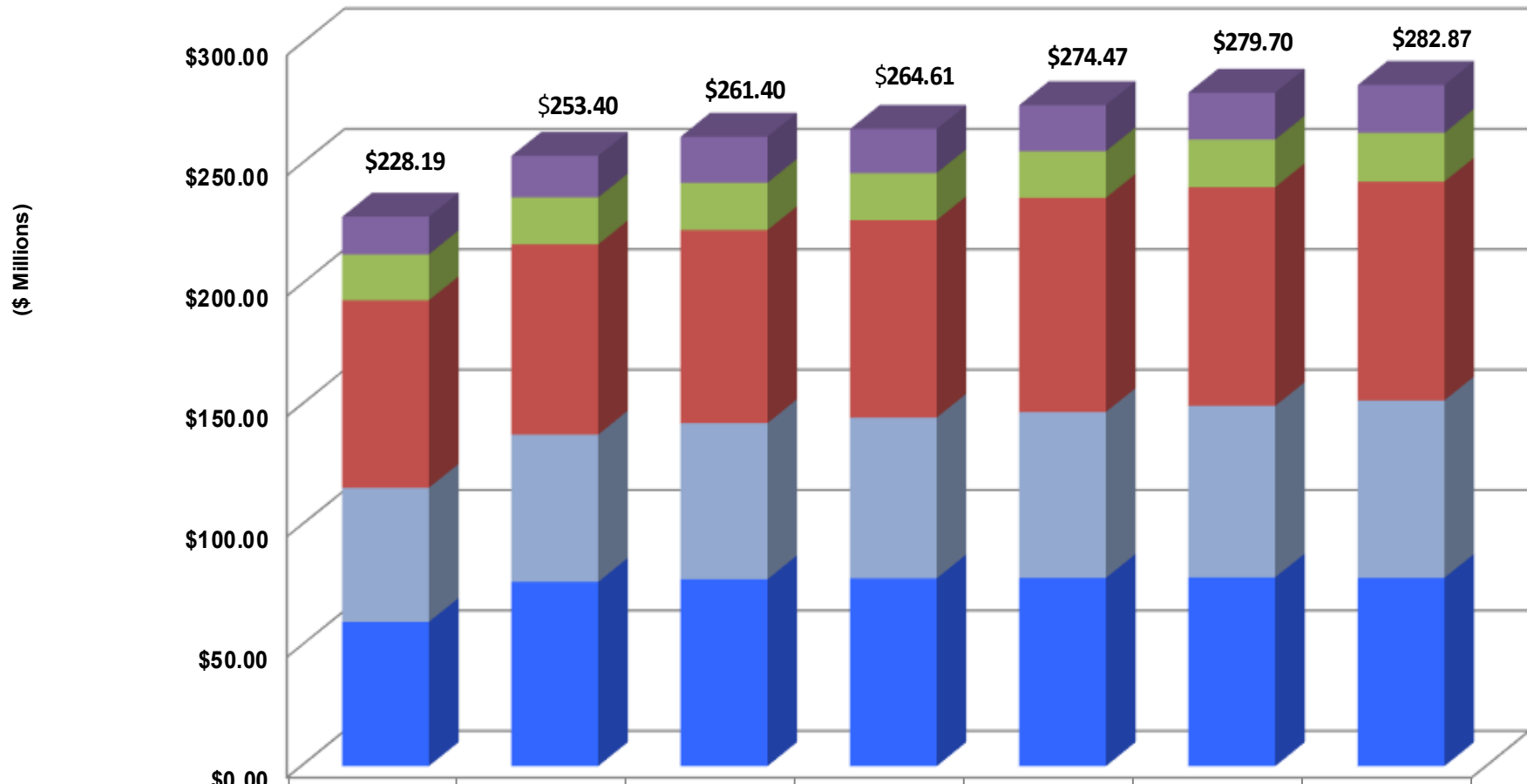
Emergency Board January 19, 2017



	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Other	\$111.99	\$132.80	\$104.89	\$97.07	\$137.84	\$139.68	\$144.72
Corporate	\$94.95	\$94.80	\$121.90	\$116.98	\$76.30	\$87.10	\$83.40
Insurance	\$55.02	\$57.10	\$55.31	\$56.25	\$57.30	\$58.30	\$59.10
Meals & Rooms	\$134.79	\$142.70	\$150.81	\$154.15	\$165.80	\$172.10	\$177.90
Sales & Use Taxes	\$231.18	\$229.90	\$237.00	\$240.99	\$248.37	\$257.79	\$264.55
Personal Income Tax	\$660.65	\$671.10	\$705.89	\$746.99	\$770.30	\$795.20	\$818.70

Transportation Fund Revenue by Component FY 2013 - FY 2019

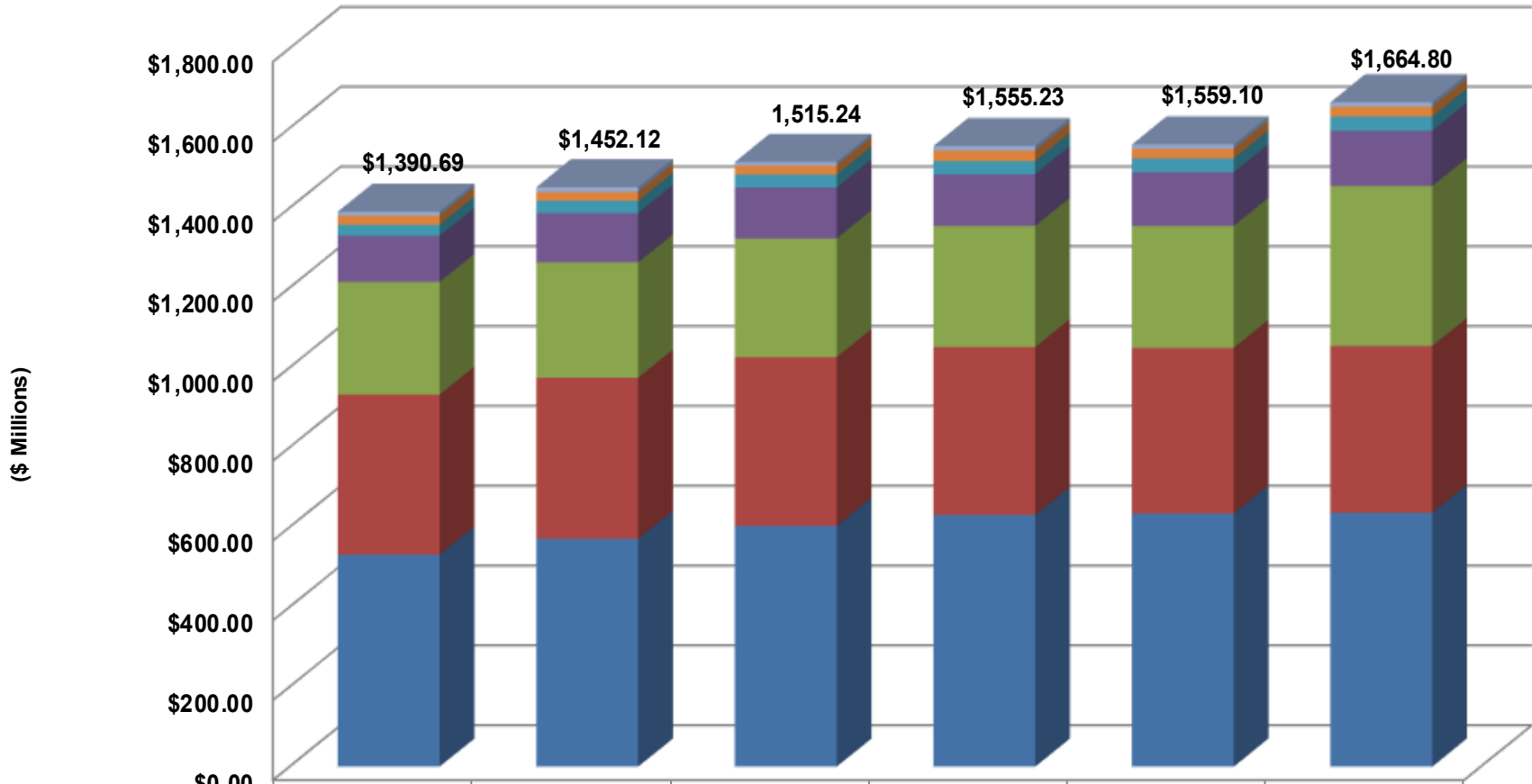
Emergency Board January 19, 2017



	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
■ Diesel Fuel Tax	\$15.65	\$17.20	\$19.15	\$18.31	\$19.10	\$19.50	\$19.90
■ Other Revenues	\$19.06	\$19.50	\$19.66	\$19.56	\$19.30	\$19.80	\$20.20
■ Motor Vehicle Fees	\$77.86	\$79.00	\$80.11	\$81.96	\$89.00	\$90.80	\$90.90
■ Purchase & Use Tax	\$55.70	\$61.20	\$64.85	\$66.76	\$68.87	\$71.20	\$73.67
■ Gasoline Tax	\$59.92	\$76.50	\$77.63	\$78.02	\$78.20	\$78.40	\$78.20

Education Fund Revenue by Component FY 2013 - FY 2018

Emergency Board January 19, 2017



	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Projected	FY 2018 Projected
Other	\$9.58	\$11.66	\$8.86	\$10.88	\$10.70	\$10.80
Lottery Revenue	\$22.94	\$22.57	\$22.75	\$26.40	\$24.20	\$24.80
Purchase & Use Tax	\$27.85	\$30.61	\$32.43	\$33.38	\$34.90	\$35.60
Sales & Use Tax	\$115.59	\$123.78	\$127.62	\$129.76	\$134.10	\$138.80
General Fund Approp.	\$282.32	\$288.92	\$297.61	\$303.34	\$305.90	\$400.70
Homestead Tax	\$400.88	\$403.62	\$422.55	\$420.79	\$414.80	\$417.90
Non-Residential Tax	\$531.53	\$570.96	\$603.43	\$630.67	\$634.50	\$636.20

FY 2018 BUDGET RECOMMENDATIONS

THE FISCAL YEAR 2018 BUDGET DEVELOPMENT PROCESS/PUBLIC BUDGET PROCESS

In accordance with 32 V.S.A. § 306 (d), the development process for the Governor's Budget Recommendations includes public participation and a current services budget.

Public Participation – Public Budget Forums

This year, the Secretary of Administration used an online budget forum to meet the requirements of 32 V.S.A. § 306(d). Under this section, the Governor is required to develop a process for public participation in the development of goals and a general prioritization of spending and revenue initiatives as part of the development of the state's budget.

Using the Department of Finance & Managements public website, the Administration posted an online presentation describing the overall budget and budgeting process, found at the web address below:

http://finance.vermont.gov/sites/finance/files/documents/Budget/Budget_Process/Public_Forum/Public_Public_Budget_Process_Presentation_2018.pdf

and invited comments, both online and in writing, during a two week period in December.

During this time, F&M received 18 comments online and 93 comments in the mail. Below is a summary of those comments:

37 comments supported an increase of \$250,000 for the expansion of the HEAT squad

37 comments supported increased funding for public higher education in Vermont

17 comments supported an increase of \$8m for the Parent Child Centers Master Grant

10 comments for an investment of \$2.5m in the Expanded Learning Opportunities Special Fund

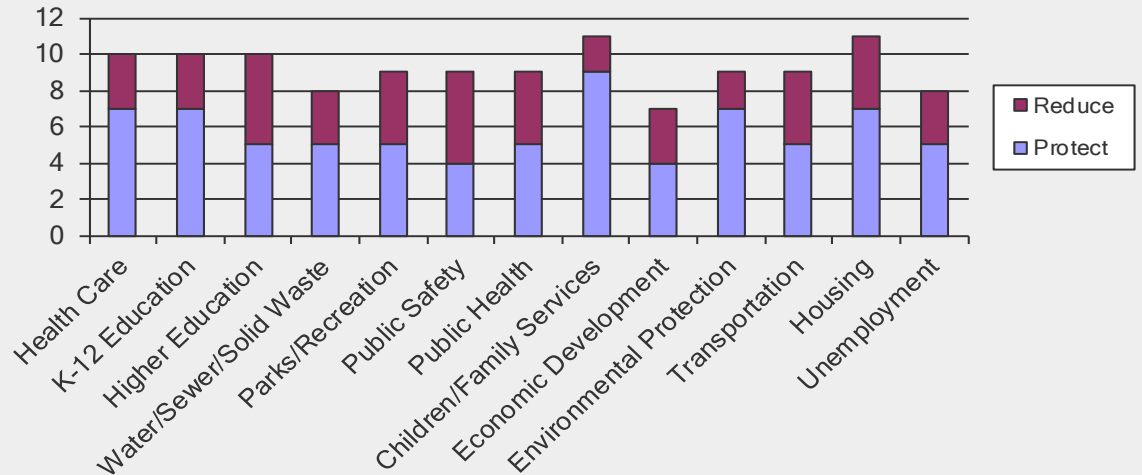
7 comments supported an increase of \$500,000 for the farm-to-school program

2 comments supported Neighbor Works of Northwestern Vermont

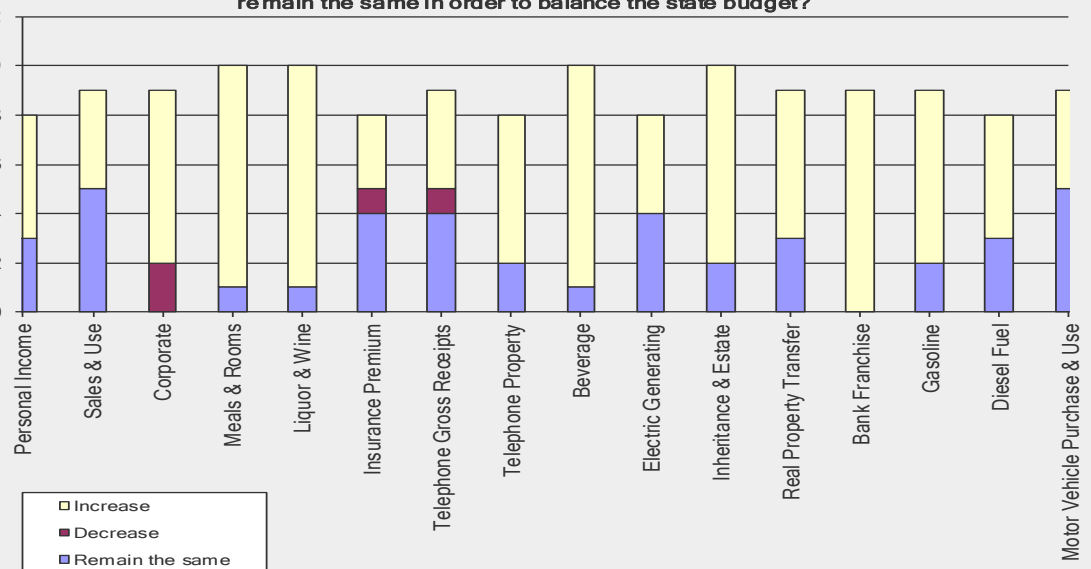
1 comment supported programs generally in the Agency of Human Services

1 comment supported the continuing fight against opiates

Which areas of spending would you consider reducing - and which would you protect in order to balance the state budget?



Which areas of revenue would you consider reducing, increasing or think they should remain the same in order to balance the state budget?



The Fiscal Year 2018 Current Services Budget

Current Services Budget (per 32 V.S.A. § 306(a)(1))

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 General Fund Overview on page 16 for additional information.

General Fund Changes	2017 As passed	2018 Current Services
Secretary of Administration	1,290,708	927,212
Finance and Management	1,133,838	1,157,236
Human resources	1,823,395	1,939,747
Libraries	2,337,163	2,299,975
Tax	16,349,276	16,938,996
BGS	1,887,578	2,249,054
Governor's Office	1,695,176	1,695,176
Legislature	13,773,227	14,759,874
Lieutenant Gov	194,487	238,955
Auditor	418,307	400,371
Treasurer	1,022,452	1,022,452
Labor relations Board	237,743	247,014
VOSHA review board	36,611	44,103
Subtotal General Government	42,199,961	43,920,165
Homeowner rebate	16,200,000	16,600,000
Renter Rebate	3,120,000	3,150,000
Use Tax reimbursement	15,321,776	15,283,643
Subtotal Property Tax Assistance	34,641,776	35,033,643
Attorney General	4,338,420	4,751,409
Court diversion	1,396,486	1,396,486
Defender General	16,446,969	16,765,014
Judiciary	39,433,856	41,314,438
State's Attorneys & SIUs	12,831,871	13,612,929
Sheriffs	4,315,633	4,494,407
Public Safety	44,669,015	47,032,518
Military	4,009,150	4,110,400
Center for Crime Victims services	1,264,140	1,264,140
Criminal Justice training Council	2,317,482	2,263,816
Agriculture	8,403,525	8,765,247
Human rights Commission	455,632	490,527
Subtotal Protection	139,882,179	146,261,331
AHSCO	7,177,697	10,184,501
Global Commitment	324,036,681	268,074,019
DVHA	62,364,283	90,763,866
Health	10,409,114	14,122,958
Mental Health	1,593,826	4,664,021
Children and Families	121,584,308	126,967,970
Disabilities, Aging, Independent Living	21,465,953	26,105,733
Corrections	142,751,358	147,059,781
Vermont Veterans Home	5,923,637	6,665,116
Commission on Women	352,011	370,961
Retired Seniors Volunteer Program	151,096	151,096
Green Mtn Care Board	1,243,276	1,828,759
Subtotal AHS	699,053,240	696,958,781

General Fund Changes	2017 As passed	2018 Current Services
Labor	3,314,311	3,079,835
Education	9,326,652	9,444,307
Transfer to the Education Fund	305,902,634	314,709,920
Teachers Retirement	100,982,160	111,370,403
Subtotal Education	416,211,446	435,524,630
UVM (including horse farm)	38,462,877	38,462,877
PBS	271,103	271,103
State Colleges (including allied health)	25,748,778	25,748,778
VSAC	19,414,588	19,414,588
NE Higher Ed Compact	84,000	84,000
Subtotal Higher Education	83,981,346	83,981,346
ANRCO	6,804,068	6,303,208
Fish & Wildlife	4,987,323	5,120,337
Forests, Parks & Recreation	6,657,488	6,948,332
Environmental Conservation	8,050,322	8,590,360
Natural Resources Board	606,932	607,606
Subtotal ANR	27,106,133	27,569,843
ACCD Admin	3,564,636	3,597,845
Economic Development	4,600,379	4,602,224
Housing and Community Development	2,623,306	2,627,105
Tourism & Marketing	3,074,386	3,075,253
Arts Council	675,307	675,307
Symphony Orchestra	141,214	141,214
Historical Society	954,354	1,026,945
Humanities Council	217,959	217,959
Subtotal Commerce	15,851,541	15,963,852
Subtotal Debt Service	71,119,465	75,489,703
Executive Branch Pay Act	8,220,586	10,119,579
Judicial Branch Pay Act	938,216	1,125,224
Legislative Branch Pay Act	239,000	266,000
Subtotal Pay Act	9,397,802	11,510,803
Subtotal Base Appropriations - Pre Rescission	1,542,759,200	1,575,293,932
Rescission	(10,641,228)	
Subtotal Base Appropriations	1,532,117,972	1,575,293,932
Total Appropriations	1,532,117,972	1,575,293,932

Program to Improve Vermont Outcomes Together - FY 2018 Governor's Budget Recommendation

Governor Scott's Executive Order 04-17 established the **Program to Improve Vermont Outcomes Together (PIVOT)**. Governor Scott firmly believes in employing a system of Continuous Improvement (CI) for programs and processes, as a way to modernize state government.

CI is a way of thinking, a commitment to making things better...a culture. CI comes with a toolbox filled with a number of different tools. No idea is a bad idea...regardless of whether an idea eventually works or not – the key to CI is to keep thinking! CI is a system which works from the bottom up.

A new State Strategic Plan is in process for FY 2019 and will inform the selection of programs and processes for improvement, using tools such as Turn-the Curve and Lean.

In accordance with 3 V.S.A. § 2311, all agencies and departments submitted performance measures as part of their FY 2018 budget submissions.

The FY 2018 Programmatic Performance Measure Budget report may be accessed by visiting Vermont's Financial Transparency Website: http://spotlight.vermont.gov/performance_measures.

GOVERNOR SCOTT'S FISCAL YEAR 2018 KEY BUDGET ITEMS

- Supports FY 2018 General Fund base appropriations of \$1.531 billion, which is level-funded against the FY 2017 post-rescission base appropriations.
- Supports increased investments in classroom innovation, early care and learning, higher education, workforce training, economic development, housing, combating opiate addiction, and cleanup of impaired waterways.
- Provides tax relief to Vermonters by moderating property tax burden, restoring R&D tax credit, and a tax holiday on electric vehicles and energy efficiency products.
- Maintains the General, Transportation and Education Funds (GF, TF, and EF) Budget Stabilization Reserves at statutory levels. Fully supports 27/53 reserve, and funds emergency assistance and environmental contingency funds.
- Maintains the existing balance in the General Fund Balance Reserves at \$6,800,000.
- Adds \$22,000,000 to a Federal Contingency and Caseload Reserve from both the non-budgeted revenues and reduced expenditure in the Medicaid Program at AHS for a total reserve of \$32,000,000.

From Cradle to Career: Educational Transformation

We have an opportunity to re-think the education experience, from early care and learning, to K through 12 education, and beyond. This budget proposes a realignment of priorities and spending that will reshape Vermont's education landscape for generations. The centerpiece of the Governor's recommended FY 2018 budget is transformation of the education fund to one that encapsulates total state spending on education, from pre-kindergarten to higher education and nondegree programs. This funding proposal makes critical investments in early education and higher education, and transfers, for the first time, line items from the General Fund to the education Fund that are truly costs related to education. These include the appropriations to Vermont State Colleges, the University of Vermont, and VSAC, teachers' normal retirement and health costs, plus a new Education Fund appropriation for early education. This plan will give our kids a better chance at success.

- ◆ **Grow Learning Opportunity through Education Innovation: increase of \$1,600,000**
 - Classroom Innovation Grants: This budget proposes \$500,000 for annual Classroom Innovation Grants for educators of early, primary, and secondary education students. These competitive grants will help promote fresh thinking in the classroom.
 - Management and Modernization Grants: This budget proposes \$500,000 in annual grants to assist school boards and school management with training

- opportunities, technology upgrades, and expertise in school efficiency and consolidation, plus assistance with instituting best practices in special education. The Agency of Education will help districts with expert consulting services, like those currently provided by District Management Council, which have already identified successful strategies for doing better with less.
- School Technology and Connectivity Grants: In Vermont, there are 30 schools that have internet speeds less than 25 mbps, which the FCC considers the minimum speed for broadband access. High-speed internet connectivity is required in a modern classroom, and is a precondition for preparing students for the Information Age. This budget proposes \$250,000 in competitive grant funding as part of a multi-year commitment to help schools advance a vision for technology-supported education. Resources can support either the cost of upgrading to higher speed internet access or funding plans to use technology to support better operations or transformational practices. Schools must participate in the FCC's E-Rate program to qualify for funding.
- Code Camp Grants: This budget proposes \$200,000 in code camp grants for elementary and middle school students. Code camps are part of an innovative approach encouraging science, technology, engineering, and mathematics (STEM) education at an early age.
- Career and Technical Education: This budget proposes \$150,000 to fund Agency of Education efforts to boost Career and Technical Education.
- ◆ **Expand Early Education to More Vermont Families: increase of \$9,600,000**

The impact of high quality care in the earliest years provides the greatest return on public investment. Research indicates that 80% of a child's brain develops in the first three years of life and that high quality early care during this period has a positive impact on brain development. At present, 47% of infants and toddlers in Vermont do not have access to regulated child care and 79% do not have access to child care rated at 4 or 5 STARS.

 - Child Care Financial Assistance Program: This budget proposes to increase the Child Care Financial Assistance Program (CCFAP) by \$7,500,000. This proposal increases child care rates for subsidized children under three years old and expands the program to more than 500 low income families who did not previously qualify. The changes will help these families secure high quality care in a competitive market.
 - Full Day Pre-K Grants: This budget proposes \$1,000,000 for competitive grants to promote full day pre-k programs for high poverty kids that provide integrated services and transportation. The program targets partnerships between Head Start and schools and/or providers. Successful proposals optimize resources to expand services and hours, encourage Head Start, and reinvent themselves and work together.

- **Child Care Shared Services Pilot:** This budget proposes \$600,000 in grants to develop shared services systems for child care providers. These systems increase operational efficiencies using centralized shared services, e.g., payroll, bulk purchasing, and staff recruitment.
- **Municipal Child Care Innovation Grants:** This budget proposes \$500,000 in grants to fund a pilot program working with municipal governments. This funding will be a match of municipal dollars to encourage local action, as well as recognizing that different Vermont towns will seek local solutions to address local challenges. Municipal approaches could include, for example, scholarship models designed to make high-quality child care accessible and family participation more consistent, capacity grants to high-quality child care centers designed to expand the number of slots available, or evidence-based home visiting initiatives.
- **1% for Early Care & Learning:** Responsible education reform should include a dedicated revenue source to enhance early care and learning. If the Legislature enacts Governor Scott's proposal to base K12 education funding on the Population Adjusted School Spending (PASS) method, Vermont can dedicate 1% of the the Education Fund to early education and child care. This proposal would take effect in FY 2019 and generate approximately \$16,000,000 for early care and learning.
- ◆ **Increase Base Funding for Higher Education by \$6,500,000**
Vermont's colleges and the University of Vermont are an essential component to expanding the State's workforce, supporting regional economies, and providing upward mobility for Vermonters.
- **Vermont State Colleges:** This budget proposes to increase the VSC base appropriation by \$4,000,000 and grow it annually by inflation through 2021, during which time VSC will keep tuition increases at or below inflationary levels. VSC will continue to build an efficient operation, to strengthen their financial position through effective management, and to continue to deliver the workforce of our future while making access to college more affordable for Vermonters. This appropriation increase will drive the entire VSC system to meet three outcomes critical to Vermont's economy and college affordability for Vermonters: (i) increasing the number of Vermonters earning credentials of value; (ii) improving on-time degree completion; and (iii) increasing the number of Vermont graduates who are first in their families to graduate from college and have modest incomes. The VSCs will distribute the new funds using a formula that rewards each institution's contributions to these outcomes.
- **University of Vermont:** This budget proposes to increase the UVM base appropriation by \$1,000,000 and grow it annually by inflation through 2021. In return, UVM will spend all of the additional funds supporting low-to-middle income Vermont students attending the university.
- **Vermont Student Assistance Corporation:** This budget proposes to increase the VSAC base appropriation by \$1,000,000 and grow it annually by inflation through 2021. In return, VSAC will spend the additional funds on its nondegree program, which is a need-based grant program for adult students

looking to improve their employability through a training program or higher education. VSAC reports that "the average nondegree recipient is 33 years old, female, lives in a household of two with an annual income of \$20,444; this program has stayed focused and committed to unemployed and under-employed Vermonters to choose the training and education path best suited for them."

- **Military Scholarships:** This budget proposes to increase by \$500,000 funding for ongoing scholarships through the Next Generation Fund for Vermont National Guardsmen and women. This scholarships will be for in-state public schools, or in-state private schools that provide tuition support for our troops. VSAC will manage the scholarship program.
- ◆ **Fiscal Year 2018 Education Finance Reform**
- **FY 2018 Property Taxes:** This budget proposes to halt the ever-increasing property tax burden for FY 2018 and hold median property tax bills to their current FY 2017 levels for both homestead and non-homestead payers. Income sensitivity will not be affected.
- **All Education Spending in Education Fund:** This budget proposes to increase the General Fund transfer to the Education Fund by more than \$86,000,000 to over \$400,000,000, as well as moving higher education appropriations to the Education Fund, plus funding early education from the fund.
- **Teacher's Retirement and Health Care:** This budget proposes to move the normal retirement liability and retired teachers' health care to the Education Fund for a total of more than \$35,000,000. These costs will be offset by the savings measures noted below and will not increase the property tax burden on Vermonters.
- **Health Care Cost Sharing:** This budget proposes that all new teachers' contracts include a provision to bring the health care premium cost share to at least 20%. The 20% level is on par with both State employees and most private sector employers in Vermont. This change is estimated to reduce education spending by \$15,000,000 annually. The Agency of Education will propose model language to school districts by February 24, 2017.
- **Level Fund District Education Spending:** For FY 2018, this budget proposes to fund school districts at their FY 2017 district spending levels. A special school budget vote date will be set for Tuesday, May 23, 2017 to allow districts time to adjust to these new levels (four months from the date of the budget speech). School districts can elect to fund up to 5% of additional spending by administering a "local education assessment" on their local education grand list for FY 2018 only.
- **Other FY 2018 Education Fund Items:**
- * The proposed budget for other education spending, such as special education, transportation, technical education, and Flexible Pathways, is funded at levels recommended by the Agency of Education.
- * The proposed budget uses \$5,000,000 in prior-year reversions assumed available based on the historical trend.

◆ **Fiscal Year 2019 Education Finance Reform**

- **Population Adjusted School Spending (PASS):** Starting in FY 2019, this budget proposes to annually adjust school spending to match changes in the student population for the school. If the population of students in a school goes up, the budget can rise by that percentage. If it goes down, the school budget should fall by at least that percentage. For FY 2019, the overall student population is estimated to decline by 1.0%. Starting in calendar year 2018, the Agency of Education shall set PASS targets for each district by April 1st of the prior school year based on best available data.
- **Change to Property Tax Adjustments (PTAs):** As part of FY 2019 changes to education finance, this budget proposes a modest change to individuals with high net worth who currently receive property tax rebates by lowering the total PTA rebate from \$8,000 to \$5,000. The change must be enacted in FY 2018 to take effect for the FY 2019 Education Fund.
- **1% for Early Education & Child Care:** As noted above, enacting the Governor’s proposed education finance changes for FY 2019 will allow the State to direct 1% of the Education Fund to early care and learning.

Economic Development

Governor Scott has made economic development a key component of his vision of making Vermont more affordable. When state government can support the addition of new businesses and new jobs with pro-growth policies, programs, and incentives, more money flows into the state’s economy. The tax burden on each Vermont family and business can thereby be reduced, while still allowing us to provide essential services and support for our most vulnerable citizens. The key economic development budget items offer opportunities for businesses as well as employees.

To start, Governor Scott’s proposed budget includes additional funding to promote Vermont as a jobs destination. Many Vermonters are familiar with the state’s marketing strategy for tourism, in which private-industry partners match state-sponsored funds to augment media buys, sponsorships and other promotional activities. This will also be our strategy for the additional \$750,000 in marketing funds, which will promote Vermont as a place not just to spend a ski weekend with the family, but also an ideal place to start and grow a business. Utilizing this strategy, we will have a total of \$1,500,000 for this campaign.

The proposed budget restores and protects two industry tax credits: the R&D tax credit and the tax credit on airplane parts. The latter credit is scheduled to sunset at the end of this year. Should that happen, Vermont stands to lose many aviation businesses to our neighboring states, all of which offer this credit.

The Governor’s proposal also supports training and technical assistance programs. The proposed \$200,000 in new money for the Vermont Training Fund will be focused specifically on Trades. In addition, Vermonters looking to start or expand small businesses have long benefited from the advice and support of the state’s Small Business Development Centers. The Governor’s budget includes funding for four additional counselors, to be located in underserved areas

outside of Chittenden County.

Similarly, the budget also provides tax incentives for towns to create incubator and coworking spaces through increasing the Downtown & Village Center tax credits by \$200,000. These “maker” and “generator” spaces have worked well in our larger cities of Burlington and Rutland. This funding will encourage the establishment of similar incubator spaces in other towns and villages around the state that don’t currently have these facilities.

Finally, this budget proposes to position the State to help expand housing beyond the traditional definition of “affordable housing,” to include the development of housing stock that is more economically attainable for working Vermonters at all income levels. This proposed budget includes funding to support a \$35,000,000 housing bond to allow the Vermont Housing and Conservation Board to develop this next tier of housing stock over the next two years.

Human Services, Combating Opiate Addiction, and Public Safety

In FY 2018, the State is facing significant caseload pressures within the Agency of Human Services. Despite some progress in the Medicaid caseload, these pressures combine to contribute \$14,900,000 to the overall General Fund budget gap. To restore the fiscal responsibility Vermonters have demanded, restraint on human services’ spending is necessary. This budget will recommend a series of savings measures that will not affect vulnerable Vermonters and will help fund important investments to combat opiate addiction in our communities.

- **Direct Enrollment for Non-Medicaid Clients:** This budget proposes to direct non-Medicaid clients that currently use Vermont Health Connect to direct enroll with the insurance carrier of their choice. This move will save \$2,800,000 in the Department of Vermont Health Access.
- **Reducing Costs in AHS:** This budget reduces administrative costs in the Agency of Human Services by \$1,000,000. Also, the proposed budget increases vacancy savings in AHS by \$1,100,000 and reduces 14 positions at the Agency. Finally, this budget proposes to reduce the Disproportionate Share payment to hospitals by 10%, or \$1,700,000 in General Funds.
- **Closing Windsor Workcamp:** This budget proposes to save \$4,000,000 by the closing of the Southeast State Workcamp in Windsor, as well as enhancing the State’s Electronic Monitoring and Home Detention program to save costs.
- **Addressing Opiate Addiction:** This budget proposes to appropriate nearly \$800,000 to the opiate treatment hub in St. Albans, as well as making \$1,300,000 in investments into the criminal justice system for the opiate crisis and into the Department of Public Safety to increase the safety of our troopers.

Funding Clean Water

The FY 2018 Capital and Transportation budgets commit \$20,000,000 in each of the next two years towards the \$50,000,000 recommended by the State Treasurer to be set aside for clean water initiatives. Additional resources to meet the full \$50,000,000 recommendation will be drawn from the existing Property Transfer Surcharge and other sources.

Transportation

The Transportation budget uses forecasted Transportation Fund (TF) and Transportation Infrastructure Bond (TIB) Fund revenues, and a \$900,000 decrease to TF used by Public Safety, to fully match estimated expenditures and availability of federal transportation funds. VTrans, the Department of Motor Vehicles, and Town Highway programs are funded to support current service levels within existing revenues. VTrans expects to advance more than 100 bridges and culverts in more than 100 communities, perform preventive maintenance on numerous additional structures, and improve more than 200 miles of State highways.

The Fiscal Year 2018 General Fund Overview

FY 2018 General Fund Overview			
Category	Revenue (\$ millions)	Appropriations & Net Transfers	(Shortfall)/ Surplus
Projected Revenue			
Current Law Revenue (January 19, 2017 - Emergency Board)	\$ 1,510.20		
Direct Applications & Reversions	32.69		
Total Available Revenue FY 2017	1,542.89		
FY 2018 Budget Needs			
Base Appropriations		1,544.16	
Base Pressures			
Administration, Legislature, & General Government		3.32	
Municipal Current Use, Homeowner & Renter Rebate		0.39	
Protection & JTOC		2.21	
Judiciary, Attorney General, Defender General, & State's Attorneys'		4.16	
Lost Tobacco Fund		8.28	
Human Services - Caseload & Utilization		14.90	
AHS Payroll and Other increases		4.66	
Other Human Services (Veterans' Home, GMCB, GCOW)		1.78	
Education - GF to EF increase		8.81	
VT Teachers Retirement System		10.39	
Natural Resources		0.92	
Labor, Education, Commerce & Community Development		1.09	
Debt Service		4.37	
27/53 Reserve Transfer		4.05	
FY 2018 Pay Act Appropriation & Projected RFR Costs		13.44	
FY 2017 Net Labor & Administrative Reductions		(8.35)	
Subtotal: Base Pressures		74.41	
Total (Shortfall)/Surplus	\$ 1,542.89	\$ 1,618.57	\$ (75.68)
Revenue Adjustments			
Tax Data Warehouse	0.80		
R&D and Downtown Tax Credits	(0.38)		
Increase in PTT to General Fund	11.63		
Subtotal: Revenue Adjustments	12.06		
Appropriation & Transfer Adjustments			
Protection Investments & National Guard Scholarships		2.00	
Increase Transfer to the Education Fund (EF)		86.01	
Shift Higher Education to the EF		(83.71)	
Transfer Retired Teachers Health Care & Normal Cost to the EF		(35.01)	
Administrative Savings		(3.40)	
Additional SHCRF and Federal Funds		(10.25)	
Enhanced CHIP Match		(18.00)	
VHC and DSH Changes at AHS		(2.97)	
DOC Savings		(5.02)	
Subtotal: Appropriation & Transfer Adjustments		(70.35)	
One-Time Adjustments			
Onetime Direct App from the NBR	22.13		
FY 2017 One time appropriations		(7.75)	
Onetime IT Appropriations		10.13	
Other One time Appropriations		1.25	
Reserve in Caseload Reserve		22.00	
One time Transfers to Other Funds		3.22	
Subtotal: One-Time Adjustments	22.13	28.85	
Total: Adjustments	34.19	(41.50)	75.68
Total General Fund	\$ 1,577.07	\$ 1,577.07	\$0.00

FY 2018 General Fund Overview

The budget process began with the submission of FY 2018 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.

The Governor's Budget Recommendations were finalized based on the Consensus Revenue Forecast adopted by the Emergency Board on January 19, 2017, just prior to the Governor's budget address to the General Assembly on January 24, 2017.

A combination of revenue and expenditure adjustments and increases from special and federal funds were used to bring the GF budget into balance.

TOTAL APPROPRIATIONS HISTORY FY 2014 - FY 2018 (All Funds)

Funding Sources	FY 2014 Final Appropriation	FY 2015 Final Appropriation	FY 2016 Final Appropriation	FY 2017 Gov's Rec Budget Adjustment (a)	FY 2018 Governor's Recommend Budget (b)
General Fund (GF)	1,386,182,592	1,428,543,926	1,478,505,587	1,548,789,203	1,541,960,480
Transportation Fund	252,600,945	255,870,594	267,664,380	275,749,149	277,077,730
Education Fund (EF)	1,464,535,039	1,514,319,727	1,552,651,046	1,577,895,478	1,696,331,911
Special Funds & Other Funds ^(c)	599,281,068	606,170,170	641,008,130	635,774,895	638,398,261
Sub-Total	<u>3,702,599,644</u>	<u>3,804,904,417</u>	<u>3,939,829,143</u>	<u>4,038,208,725</u>	<u>4,153,768,382</u>
Adjust for inter-fund appropriation: GF Transfer to EF	(288,921,564)	(295,816,793)	(303,343,381)	(305,902,634)	(400,720,162)
Total State Funds after EF Transfer	<u>3,413,678,080</u>	<u>3,509,087,624</u>	<u>3,636,485,762</u>	<u>3,732,306,091</u>	<u>3,753,048,220</u>
percent of total	63.36%	62.84%	64.17%	64.40%	64.57%
Federal Funds	1,870,179,874	1,984,927,906	1,989,510,220	2,020,595,109	2,021,118,454
Federal ARRA Funds ^(d)	2,633,074	3,034,523	1,390,158	1,890,772	2,250,146
Total Funds Before Dedicated Dollars	<u>5,286,491,028</u>	<u>5,497,050,053</u>	<u>5,627,386,140</u>	<u>5,754,791,972</u>	<u>5,776,416,820</u>
percent of total	98.13%	98.45%	99.30%	99.30%	99.38%
Dedicated Sources					
Local Match	2,183,313	2,592,411	2,574,285	2,315,416	1,625,777
TIB Bond Proceeds	10,387,500	-	-	-	-
Enterprise Funds	10,239,075	11,627,151	12,020,634	12,208,229	12,892,735
Debt Service Obligation Funds	2,393,683	2,502,313	2,504,913	2,501,413	2,503,738
Pension & Private Purpose Trust Funds ^(e)	75,785,336	70,056,243	22,535,714	23,329,301	19,032,322
Sub-Total	<u>100,988,907</u>	<u>86,778,118</u>	<u>39,635,546</u>	<u>40,354,359</u>	<u>36,054,572</u>
Total Funds and Dedicated Sources	<u>5,387,479,935</u>	<u>5,583,828,171</u>	<u>5,667,021,686</u>	<u>5,795,146,331</u>	<u>5,812,471,392</u>
percent of total	100.00%	100.00%	100.00%	100.00%	100.00%
Fund Sources that are duplicated in the					
Internal Service Funds	90,946,278	92,513,655	108,100,634	112,534,703	114,493,951
Interdepartmental Transfer	53,853,790	58,976,708	60,402,840	58,281,449	80,531,999
Global Commitment Fund	1,254,325,538	1,408,785,998	1,606,909,354	1,545,969,183	1,518,327,804
Total	<u>1,399,125,606</u>	<u>1,560,276,361</u>	<u>1,775,412,828</u>	<u>1,716,785,335</u>	<u>1,713,353,754</u>
Memo: Total All Appropriations	<u>7,075,527,105</u>	<u>7,439,921,325</u>	<u>7,745,777,895</u>	<u>7,817,834,300</u>	<u>7,926,545,308</u>

NOTES:

(a) Governor's FY 2017 Budget Adjustment Recommendation presented to House Appropriations on January 10, 2017.

(b) Governor's Budget Recommendations presented to the General Assembly on January 24, 2017.

(c) "Special Funds" also include: Fish & Wildlife, Next Generation, Tobacco, 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.

STATE OF VERMONT - FY 2018 GOVERNOR'S BUDGET

Funding Sources	FY 2017 BUDGET GOV. BAA ^(a)	FY 2018 GOVERNOR'S RECOMMENDED 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)	1,548,789,203	1,541,960,480	-0.44%	45,518,109	35,033,643	147,749,526	142,759,687	192,628,431	346,418,411
Transportation Fund	275,749,149	277,077,730	0.48%	3,886,230	-	20,250,000	-	-	-
Education Fund (EF)	1,577,895,478	1,696,331,911	7.51%	-	10,775,000	-	3,362,358	-	-
Special Funds ^(d)	635,774,895	638,398,261	0.41%	12,196,605	-	84,767,416	1,533,593	72,889,641	344,609,664
Sub-Total	4,038,208,725	4,153,768,382	2.86%	61,600,944	45,808,643	252,766,942	147,655,638	265,518,072	691,028,075
Adjust for inter-fund appropriation: GF Transfer to EF	(305,902,634)	(400,720,162)	31.00%	-	-	-	-	-	-
Total State Funds after EF Transfer	3,732,306,091	3,753,048,220	0.56%	61,600,944	45,808,643	252,766,942	147,655,638	265,518,072	691,028,075
percent of total	64.40%	64.57%		1.64%	1.22%	6.73%	3.93%	7.07%	18.41%
Federal Funds	2,020,595,109	2,021,118,454	0.03%	820,514	-	53,396,381	470,962	288,938,817	1,117,947,161
Federal ARRA Funds ^(e)	1,890,772	2,250,146	19.01%	-	-	1,120,000	-	-	-
Total Funds Before Dedicated Dollars	5,754,791,972	5,776,416,820	0.38%	62,421,458	45,808,643	307,283,323	148,126,600	554,456,889	1,808,975,236
percent of total	99.30%	99.38%		1.08%	0.79%	5.32%	2.56%	9.60%	31.32%
Dedicated Sources									
Local Match	2,315,416	1,625,777	-29.78%	-	-	-	-	-	-
Enterprise Funds	12,208,229	12,892,735	5.61%	3,460,441	-	8,669,271	-	-	-
Debt Service Obligation Funds	2,501,413	2,503,738	0.09%	-	-	-	-	-	-
Pension Trust & Private Purpose Trust Funds	23,329,301	19,032,322	-18.42%	11,255,483	-	-	-	25,000	-
Sub-Total	40,354,359	36,054,572	-10.66%	14,715,924	-	8,669,271	-	25,000	-
Total Funds and Dedicated Sources	5,795,146,331	5,812,471,392	0.30%	77,137,382	45,808,643	315,952,594	148,126,600	554,481,889	1,808,975,236
	100.00%	100.00%		1.33%	0.79%	5.44%	2.55%	9.54%	31.12%
Funds Sources that are duplicated in the									
Internal Service Funds	112,534,703	114,493,951	1.74%	92,497,479	-	-	1,941,561	-	-
Interdepartmental Transfer	58,281,449	80,531,999	38.18%	6,761,203	-	13,253,305	545,099	19,000,421	25,522,609
Global Commitment Fund	1,545,969,183	1,518,327,804	-1.79%	-	-	-	5,387,869	562,662,344	945,561,913
Total	1,716,785,335	1,713,353,754	-0.20%	99,258,682	-	13,253,305	7,874,529	581,662,765	971,084,522
Memo: Total All Appropriations	7,817,834,300	7,926,545,308	1.39%	176,396,064	45,808,643	329,205,899	156,001,129	1,136,144,654	2,780,059,758

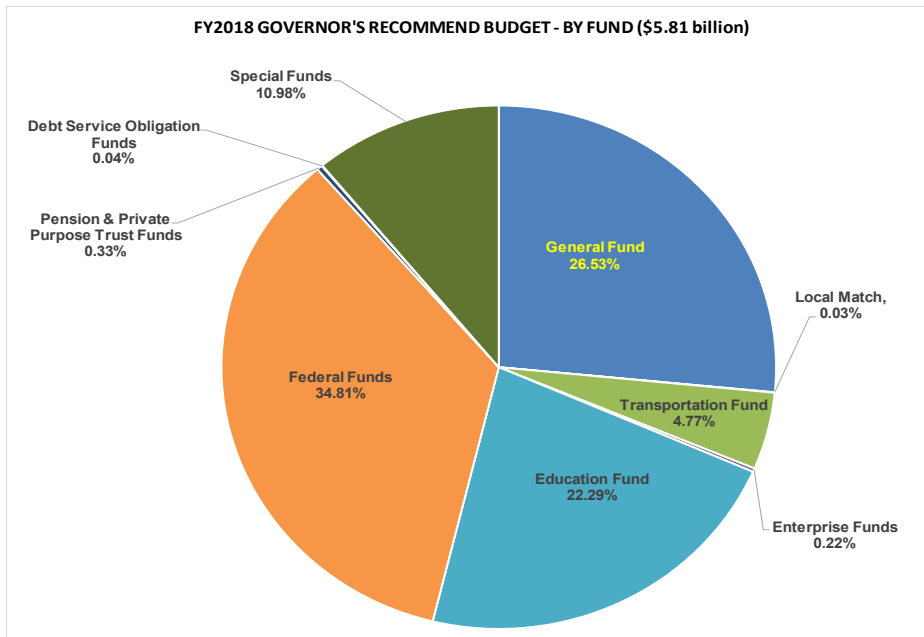
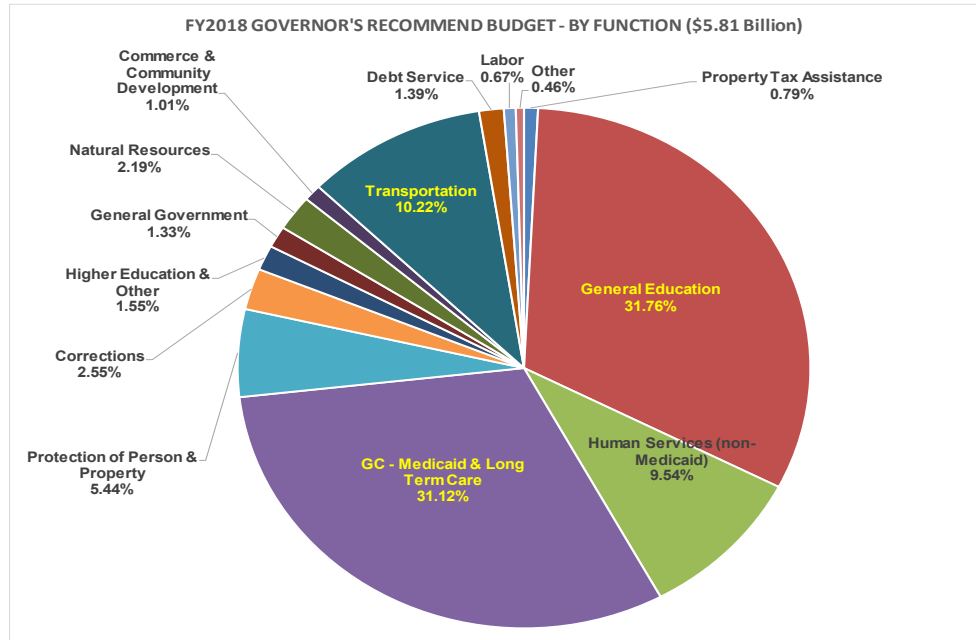
NOTES (both pages):

- (a) FY 2017 Budget Adjustment Governor's Recommend was presented to the House Appropriations Committee on January 10, 2017.
- (b) FY 2018 Governor's Budget Recommendation presented to the General Assembly January 24, 2017.
- (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.

STATE OF VERMONT - FY 2018 GOVERNOR'S BUDGET

Funding Sources	Labor	General Education	Higher Education & Other	Natural Resources	Commerce & Community Development	Transportation	Debt Service	Other
General Fund (GF)	3,282,129	486,878,090	271,104	28,026,319	16,489,525	-	75,489,703	21,415,803
Transportation Fund	-	-	-	-	-	249,382,048	1,709,452	1,850,000
Education Fund (EF)	-	1,592,484,311	89,710,242	-	-	-	-	-
Special Funds ^(d)	3,616,477	22,888,935	-	54,264,873	22,925,845	15,295,312	-	3,409,900
Sub-Total	6,898,606	2,102,251,336	89,981,346	82,291,192	39,415,370	264,677,360	77,199,155	26,675,703
Adjust for inter-fund appropriation: GF Transfer to EF	-	(400,720,162)	-	-	-	-	-	-
Total State Funds after EF Transfer	6,898,606	1,701,531,174	89,981,346	82,291,192	39,415,370	264,677,360	77,199,155	26,675,703
percent of total	0.18%	45.34%	2.40%	2.19%	1.05%	7.05%	2.06%	0.71%
Federal Funds	31,891,593	136,958,720	-	44,673,537	18,451,797	327,568,972	-	-
Federal ARRA Funds ^(e)	-	-	-	-	-	-	1,130,146	-
Total Funds Before Dedicated Dollars	38,790,199	1,838,489,894	89,981,346	126,964,729	57,867,167	592,246,332	78,329,301	26,675,703
percent of total	0.67%	31.83%	1.56%	2.20%	1.00%	10.25%	1.36%	0.46%
Dedicated Sources								
Local Match	-	-	-	-	-	1,625,777	-	-
Enterprise Funds	-	-	-	-	763,023	-	-	-
Debt Service Obligation Funds	-	-	-	-	-	-	2,503,738	-
Pension Trust & Private Purpose Trust Funds	-	7,676,218	-	75,621	-	-	-	-
Sub-Total	-	7,676,218	-	75,621	763,023	1,625,777	2,503,738	-
Total Funds and Dedicated Sources	38,790,199	1,846,166,112	89,981,346	127,040,350	58,630,190	593,872,109	80,833,039	26,675,703
percent of total	0.67%	31.76%	1.55%	2.19%	1.01%	10.22%	1.39%	0.46%
Funds Sources that are duplicated in the								
Internal Service Funds	-	-	-	-	-	20,054,911	-	-
Interdepartmental Transfer	1,708,503	4,608,110	-	7,754,401	284,349	1,093,999	-	-
Global Commitment Fund	-	260,000	4,455,678	-	-	-	-	-
Total	1,708,503	4,868,110	4,455,678	7,754,401	284,349	21,148,910	-	-
Memo: Total All Appropriations	40,498,702	2,251,754,384	94,437,024	134,794,751	58,914,539	615,021,019	80,833,039	26,675,703

**FY 2018 Governor's Budget
Recommendations by Government Function**



**FY 2018 Governor's Budget
Recommendations by Fund**

FISCAL YEAR 2018 GOVERNOR'S BUDGET RECOMMENDATION

All Funds by Department

Agency/Department/Program	General Fund	Transportation Fund	Special Funds (a)	Education Fund (b)	Subtotal State Funds, Net (b)	Federal Funds	ARRA Funds	Subtotal Before Dedicated Sources	Dedicated Sources (c)	Total Funds and Dedicated Sources	Duplicate Appropriations (d)		FY 2017 Governor's Recommend Total Appropriations
											Global Commitment	ISF, IDT, and ARRA IDT	
GENERAL GOVERNMENT													
Agency of Administration:													
Secretary of Administration	1,127,212	-	-	-	1,127,212	-	-	1,127,212	-	1,127,212	-	1,340,979	2,468,191
Secretary of Administration - Insurance	-	-	-	-	-	-	-	-	-	-	-	1,315,904	1,315,904
Information and Innovation	-	-	-	-	-	-	-	-	-	-	-	40,216,256	40,216,256
Finance & Management	1,309,469	-	-	-	1,309,469	-	-	1,309,469	-	1,309,469	-	3,358,189	4,667,658
Human Resources	1,968,777	-	277,462	-	2,246,239	-	-	2,246,239	-	2,246,239	-	10,964,203	13,210,442
Libraries	2,299,975	-	123,998	-	2,423,973	820,514	-	3,244,487	-	3,244,487	-	97,002	3,341,489
Tax	18,075,976	-	1,370,888	-	19,446,864	-	-	19,446,864	-	19,446,864	-	142,566	19,589,430
Buildings and General Services	2,328,755	3,886,230	325,067	-	6,540,052	-	-	6,540,052	38,427	6,578,479	-	38,094,264	44,672,743
Total Agency of Administration	27,110,164	3,886,230	2,097,415	-	33,093,809	820,514	-	33,914,323	38,427	33,952,750	-	95,529,363	129,482,113
Executive Office	1,695,176	-	-	-	1,695,176	-	-	1,695,176	-	1,695,176	-	186,500	1,881,676
Legislative Council	4,678,911	-	-	-	4,678,911	-	-	4,678,911	-	4,678,911	-	-	4,678,911
Legislature	7,581,882	-	-	-	7,581,882	-	-	7,581,882	-	7,581,882	-	-	7,581,882
Joint Fiscal Office	1,757,736	-	-	-	1,757,736	-	-	1,757,736	-	1,757,736	-	-	1,757,736
Sergeant at Arms	741,345	-	-	-	741,345	-	-	741,345	-	741,345	-	-	741,345
Lt. Governor	238,955	-	-	-	238,955	-	-	238,955	-	238,955	-	-	238,955
Auditor of Accounts	400,371	-	53,145	-	453,516	-	-	453,516	-	453,516	-	3,395,164	3,848,680
State Treasurer	1,022,452	-	2,604,257	-	3,626,709	-	-	3,626,709	1,125,701	4,752,410	-	100,765	4,853,175
State Employees/Municipal Retirement Systems	-	-	-	-	-	-	-	-	10,129,782	10,129,782	-	-	10,129,782
Labor Relations Board	247,014	-	6,788	-	253,802	-	-	253,802	-	253,802	-	2,788	256,590
VOSHA Review Board	44,103	-	-	-	44,103	-	-	44,103	-	44,103	-	44,102	88,205
Homeowner rebate	16,600,000	-	-	-	16,600,000	-	-	16,600,000	-	16,600,000	-	-	16,600,000
Renter rebate	3,150,000	-	-	7,350,000	10,500,000	-	-	10,500,000	-	10,500,000	-	-	10,500,000
Reappraisal and listing payments	-	-	-	3,425,000	3,425,000	-	-	3,425,000	-	3,425,000	-	-	3,425,000
Use Tax Reimbursement - municipal current use	15,283,643	-	-	-	15,283,643	-	-	15,283,643	-	15,283,643	-	-	15,283,643
Lottery	-	-	-	-	-	-	-	-	3,422,014	-	-	-	3,422,014
PILOT/Montpelier Services	-	-	7,395,000	-	7,395,000	-	-	7,395,000	-	7,395,000	-	-	7,395,000
Corrections PILOT	-	-	40,000	-	40,000	-	-	40,000	-	40,000	-	-	40,000
TOTAL GENERAL GOVERNMENT	80,551,752	3,886,230	12,196,605	10,775,000	107,409,587	820,514	-	108,230,101	14,715,924	122,946,025	-	99,258,682	222,204,707
percent of total	5.22%	1.40%	1.91%	0.64%	2.86%	0.04%	0.00%	1.87%	40.82%	2.12%	0.00%	50.90%	2.95%
PROTECTION TO PERSONS AND PROPERTY													
Attorney General	4,751,409	-	2,368,596	-	7,120,005	1,113,091	-	8,233,096	-	8,233,096	-	2,557,496	10,790,592
Court Diversion	2,156,486	-	664,047	-	2,820,533	-	-	2,820,533	-	2,820,533	-	-	2,820,533
Defender General	16,965,014	-	589,653	-	17,554,667	-	-	17,554,667	-	17,554,667	-	-	17,554,667
Judiciary	41,716,624	-	2,667,460	-	44,384,084	556,455	-	44,940,539	-	44,940,539	-	2,325,272	47,265,811
State's Attorneys/SIU	13,732,929	-	123,480	-	13,856,409	31,000	-	13,887,409	-	13,887,409	-	2,710,782	16,598,191
Sheriffs	4,494,407	-	-	-	4,494,407	-	-	4,494,407	-	4,494,407	-	-	4,494,407
Public Safety	47,250,295	20,250,000	13,933,880	-	81,434,175	18,779,712	-	100,213,887	-	100,213,887	-	5,119,381	105,333,268
Military	4,110,400	-	185,310	-	4,295,710	19,451,199	-	23,746,909	-	23,746,909	-	-	23,746,909
Center for Crime Victim Services	1,264,140	-	5,132,559	-	6,396,699	7,367,796	-	13,764,495	-	13,764,495	-	-	13,764,495
Criminal Justice Training Council	2,298,555	-	-	-	2,298,555	-	-	2,298,555	-	2,298,555	-	40,386	2,338,941
Agriculture, Food and Markets	8,518,740	-	10,251,246	-	18,769,986	3,273,245	-	22,043,231	-	22,043,231	-	312,058	22,355,289
Dept. of Financial Regulation (formerly BISHCA)	-	-	15,273,723	-	15,273,723	-	-	15,273,723	-	15,273,723	-	71,263	15,344,986
Secretary of State	-	-	11,007,000	-	11,007,000	1,207,000	-	12,214,000	-	12,214,000	-	75,000	12,289,000
Public Service Department	-	-	13,856,417	-	13,856,417	1,234,279	1,120,000	16,210,696	16,573	16,227,269	-	41,667	16,268,936
Public Service Board	-	-	3,647,838	-	3,647,838	-	-	3,647,838	-	3,647,838	-	-	3,647,838
Enhanced 911 Board	-	-	4,842,364	-	4,842,364	-	-	4,842,364	-	4,842,364	-	-	4,842,364
Human Rights Commission	490,527	-	-	-	490,527	70,101	-	560,628	-	560,628	-	-	560,628
Liquor Control	-	-	223,843	-	223,843	312,503	-	536,346	8,652,698	9,189,044	-	-	9,189,044
TOTAL PROTECTION	147,749,526	20,250,000	84,767,416	-	252,766,942	53,396,381	1,120,000	307,283,323	8,669,271	315,952,594	-	13,253,305	329,205,899
percent of total	9.58%	7.31%	13.28%	0.00%	6.73%	2.64%	49.77%	5.32%	24.04%	5.44%	0.00%	6.80%	4.37%

FISCAL YEAR 2018 GOVERNOR'S BUDGET RECOMMENDATION
All Funds by Department

Agency/Department/Program	General Fund	Transportation Fund	Special Funds (a)	Education Fund (b)	Subtotal State Funds, Net (b)	Federal Funds	ARRA Funds	Subtotal Before Dedicated Sources	Dedicated Sources (c)	Total Funds and Dedicated Sources	Duplicate Appropriations (d)		FY 2018 Governor's Recommend Total Appropriations
											Global Commitment	ISF, IDT, and ARRA IDT	
HUMAN SERVICES													
Human Services Agency:													
AHS - Secretary's Office	10,463,915	-	116,017	-	10,579,932	20,218,199	-	30,798,131	-	30,798,131	453,000	12,824,555	44,075,686
AHS - Secretary's Office - Global Commitment	257,366,907	-	341,031,726	-	598,398,633	950,863,885	-	1,549,262,518	-	1,549,262,518	-	18,040,000	1,567,302,518
Human Services Board	409,989	-	-	-	409,989	314,044	-	724,033	-	724,033	-	46,800	770,833
Department of VT Health Access	89,051,504	-	3,577,938	-	92,629,442	167,083,276	-	259,712,718	-	259,712,718	945,561,913	7,482,609	1,212,757,240
Health	14,122,958	-	22,182,947	-	36,305,905	64,661,697	-	100,967,602	25,000	100,992,602	51,225,363	1,019,446	153,237,411
Mental Health	4,664,021	-	434,904	-	5,098,925	6,691,092	-	11,790,017	-	11,790,017	213,893,834	20,000	225,703,851
Department for Children and Families	127,371,061	-	36,178,077	-	163,549,138	158,004,801	-	321,553,939	-	321,553,939	76,560,988	834,879	398,949,806
Disabilities, Aging and Independent Living	26,145,732	-	1,699,370	-	27,845,102	30,645,548	-	58,490,650	-	58,490,650	217,310,655	4,036,671	279,837,976
Corrections	142,759,687	-	1,533,593	3,362,358	147,655,638	470,962	-	148,126,600	-	148,126,600	5,387,869	2,486,660	156,001,129
TOTAL HUMAN SERVICES AGENCY	672,355,774	-	406,754,572	3,362,358	1,082,472,704	1,398,953,504	-	2,481,426,208	25,000	2,481,451,208	1,510,393,622	46,791,620	4,038,636,450
Veterans' Home	6,665,116	-	8,474,443	-	15,139,559	8,176,862	-	23,316,421	-	23,316,421	410,986	-	23,727,407
Commission on Women	371,061	-	-	-	371,061	-	-	371,061	-	371,061	-	-	371,061
RSVP	151,096	-	-	-	151,096	-	-	151,096	-	151,096	-	-	151,096
Green Mountain Care Board	2,263,482	-	3,803,883	-	6,067,365	226,574	-	6,293,939	-	6,293,939	2,807,518	218,070	9,319,527
TOTAL HUMAN SERVICES	681,806,529	-	419,032,898	3,362,358	1,104,201,785	1,407,356,940	-	2,511,558,725	25,000	2,511,583,725	1,513,612,126	47,009,690	4,072,205,541
percent of total	44.22%	0.00%	65.64%	0.20%	29.42%	69.63%	0.00%	43.48%	0.07%	43.21%	99.69%	24.10%	54.11%
Labor	3,282,129	-	3,616,477	-	6,898,606	31,891,593	-	38,790,199	-	38,790,199	-	1,708,503	40,498,702
TOTAL LABOR	3,282,129	-	3,616,477	-	6,898,606	31,891,593	-	38,790,199	-	38,790,199	-	1,708,503	40,498,702
percent of total	0.21%	0.00%	0.57%	0.00%	0.18%	1.58%	0.00%	0.67%	0.00%	0.67%	0.00%	0.88%	0.54%
GENERAL EDUCATION													
Agency of Education	9,794,752	-	22,888,935	1,557,477,084	1,590,160,771	136,958,720	-	1,727,119,491	-	1,727,119,491	260,000	4,608,110	1,731,987,601
GF Appropriation to Education Fund	400,720,162	-	-	(400,720,162)	-	-	-	-	-	-	-	-	-
Teachers' Retirement	76,363,176	-	-	35,007,227	111,370,403	-	-	111,370,403	7,676,218	119,046,621	-	-	119,046,621
TOTAL GENERAL EDUCATION	486,878,090	-	22,888,935	1,191,764,149	1,701,531,174	136,958,720	-	1,838,489,894	7,676,218	1,846,166,112	260,000	4,608,110	1,851,034,222
percent of total	31.58%	0.00%	3.59%	70.26%	45.34%	6.78%	0.00%	31.83%	21.29%	31.76%	0.02%	2.36%	24.60%
HIGHER EDUCATION AND OTHER													
University of Vermont	1	-	-	39,462,876	39,462,877	-	-	39,462,877	-	39,462,877	4,046,217	-	43,509,094
Vermont Public Television	271,103	-	-	-	271,103	-	-	271,103	-	271,103	-	-	271,103
Vermont State Colleges	-	-	-	29,748,778	29,748,778	-	-	29,748,778	-	29,748,778	409,461	-	30,158,239
Vermont Student Assistance Corp.	-	-	-	20,414,588	20,414,588	-	-	20,414,588	-	20,414,588	-	-	20,414,588
N.E. Higher Education Compact	-	-	-	84,000	84,000	-	-	84,000	-	84,000	-	-	84,000
TOTAL HIGHER EDUCATION AND OTHER	271,104	-	-	89,710,242	89,981,346	-	-	89,981,346	-	89,981,346	4,455,678	-	94,437,024
percent of total	0.02%	0.00%	0.00%	5.29%	2.40%	0.00%	0.00%	1.56%	0.00%	1.55%	0.29%	0.00%	1.25%
NATURAL RESOURCES													
Agency of Natural Resources:													
ANR - Central Office	6,303,208	-	554,112	-	6,857,320	15,000	-	6,872,320	-	6,872,320	-	677,228	7,549,548
Fish & Wildlife	5,120,337	-	9,596,176	-	14,716,513	7,865,515	-	22,582,028	1,000	22,583,028	-	127,801	22,710,829
Forests, Parks & Recreation	7,404,808	-	12,174,684	-	19,579,492	3,698,535	-	23,278,027	74,621	23,352,648	-	314,749	23,667,397
Environmental Conservation	8,590,360	-	29,480,857	-	38,071,217	33,094,487	-	71,165,704	-	71,165,704	-	6,634,623	77,800,327
Total Agency of Natural Resources	27,418,713	-	51,805,829	-	79,224,542	44,673,537	-	123,898,079	75,621	123,973,700	-	7,754,401	131,728,101
Natural Resources Board	607,606	-	2,459,044	-	3,066,650	-	-	3,066,650	-	3,066,650	-	-	3,066,650
TOTAL NATURAL RESOURCES	28,026,319	-	54,264,873	-	82,291,192	44,673,537	-	126,964,729	75,621	127,040,350	-	7,754,401	134,794,751
percent of total	1.82%	0.00%	8.50%	0.00%	2.19%	2.21%	0.00%	2.20%	0.21%	2.19%	0.00%	3.98%	1.79%

FISCAL YEAR 2018 GOVERNOR'S BUDGET RECOMMENDATION

All Funds by Department

Agency/Department/Program	General Fund	Transportation Fund	Special Funds (a)	Education Fund (b)	Subtotal State Funds, Net (b)	Federal Funds	ARRA Funds	Subtotal Before Dedicated Sources	Dedicated Sources (c)	Total Funds and Dedicated Sources	Duplicate Appropriations (d)		FY 2017 Governor's Recommend Total Appropriations
											Global Commitment	ISF, IDT, and ARRA IDT	
COMMERCE & COMMUNITY DEVELOPMENT													
Agency of Commerce & Comm Development													
ACCD - Administration	3,707,045	-	4,059,800	-	7,766,845	-	-	7,766,845	-	7,766,845	-	153,226	7,920,071
Economic Development	5,002,224	-	790,950	-	5,793,174	1,557,569	-	7,350,743	-	7,350,743	-	-	7,350,743
Housing & Community Development	2,627,105	-	4,924,648	-	7,551,753	2,105,059	-	9,656,812	-	9,656,812	-	101,123	9,757,935
Tourism & Marketing	3,075,253	-	-	-	3,075,253	-	-	3,075,253	763,023	3,838,276	-	30,000	3,868,276
Total Agency of Commerce & Comm Development	14,411,627	-	9,775,398	-	24,187,025	3,662,628	-	27,849,653	763,023	28,612,676	-	284,349	28,897,025
Council on the Arts	675,307	-	-	-	675,307	-	-	675,307	-	675,307	-	-	675,307
Vermont Symphony Orchestra	149,687	-	-	-	149,687	-	-	149,687	-	149,687	-	-	149,687
VT Historical Society	1,026,945	-	-	-	1,026,945	-	-	1,026,945	-	1,026,945	-	-	1,026,945
Housing & Conservation Trust	-	-	13,150,447	-	13,150,447	14,789,169	-	27,939,616	-	27,939,616	-	-	27,939,616
VT Humanities Council	225,959	-	-	-	225,959	-	-	225,959	-	225,959	-	-	225,959
TOTAL COMMERCE & COMMUNITY DEV.	16,489,525	-	22,925,845	-	39,415,370	18,451,797	-	57,867,167	763,023	58,630,190	-	284,349	58,914,539
percent of total	1.07%	0.00%	3.59%	0.00%	1.05%	0.91%	0.00%	1.00%	2.12%	1.01%	0.00%	0.15%	0.78%
TRANSPORTATION													
Agency of Transportation													
AOT Division Appropriations and Programs	-	177,298,934	11,038,385	-	188,337,319	303,754,923	-	492,092,242	858,413	492,950,655	-	20,563,910	513,514,565
AOT Dept. of Motor Vehicles	-	27,973,478	-	-	27,973,478	1,423,438	-	29,396,916	-	29,396,916	-	105,000	29,501,916
AOT Town Highway, Bridges & Municipal	-	43,875,886	4,256,927	-	48,132,813	22,390,611	-	70,523,424	767,364	71,290,788	-	480,000	71,770,788
Total Agency of Transportation	-	249,148,298	15,295,312	-	264,443,610	327,568,972	-	592,012,582	1,625,777	593,638,359	-	21,148,910	614,787,269
Transportation Board	-	233,750	-	-	233,750	-	-	233,750	-	233,750	-	-	233,750
TOTAL TRANSPORTATION	-	249,382,048	15,295,312	-	264,677,360	327,568,972	-	592,246,332	1,625,777	593,872,109	-	21,148,910	615,021,019
percent of total	0.00%	90.00%	2.40%	0.00%	7.05%	16.21%	0.00%	10.25%	4.51%	10.22%	0.00%	10.84%	8.17%
Debt Service	75,489,703	1,709,452	-	-	77,199,155	-	1,130,146	78,329,301	2,503,738	80,833,039	-	-	80,833,039
DEBT SERVICE	75,489,703	1,709,452	-	-	77,199,155	-	1,130,146	78,329,301	2,503,738	80,833,039	-	-	80,833,039
percent of total	4.90%	0.62%	0.00%	0.00%	2.06%	0.00%	50.23%	1.36%	6.94%	1.39%	0.00%	0.00%	1.07%
Next Generation	-	-	3,409,900	-	3,409,900	-	-	3,409,900	-	3,409,900	-	-	3,409,900
Pay Act	11,510,803	1,850,000	-	-	13,360,803	-	-	13,360,803	-	13,360,803	-	-	13,360,803
RFR Costs	1,930,000	-	-	-	1,930,000	-	-	1,930,000	-	1,930,000	-	-	1,930,000
Management Savings	(3,400,000)	-	-	-	(3,400,000)	-	-	(3,400,000)	-	(3,400,000)	-	-	(3,400,000)
BGS - Security	300,000	-	-	-	300,000	-	-	300,000	-	300,000	-	-	300,000
Economic Development	950,000	-	-	-	950,000	-	-	950,000	-	950,000	-	-	950,000
AHS IT Projects	2,125,000	-	-	-	2,125,000	-	-	2,125,000	-	2,125,000	-	-	2,125,000
Finance & Management IT	2,200,000	-	-	-	2,200,000	-	-	2,200,000	-	2,200,000	-	-	2,200,000
Judiciary IT	5,800,000	-	-	-	5,800,000	-	-	5,800,000	-	5,800,000	-	-	5,800,000
APPROPRIATION TOTAL	1,541,960,480	277,077,730	638,398,261	1,696,331,911	3,753,048,220	2,021,118,454	2,250,146	5,776,416,820	36,054,572	5,812,471,392	1,518,327,804	195,025,950	7,525,825,146
percent of total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
												Add back GF to EF Transfer	400,720,162
												Memo: Total Appropriation including GF to EF Transfer	7,926,545,308

(a) Special Funds also includes: Fish & Wildlife, Next Generation, Tobacco, State Health Care Resources, and Transportation Infrastructure Bond Funds

(b) Adjusted for inter-fund appropriation: GF to EF transfer.

(c) Dedicated sources include: Enterprise, General Obligation Debts Service, TIB Debt Service, Local Match, TIB Bond Proceeds, Pension Trust, Private Purpose Trust, and Permanent Trust Funds.

(d) Global Commitment, Internal Service Funds (ISF), Interdepartmental Transfers (IDT) and ARRA Interdepartmental Transfers (ARRA IDT) are duplicate appropriations and do not represent additional funds.

General Fund Summary Fiscal Years 2015 - 2019

(\$ in Millions)*

	Actual FY 2015	Actual FY 2016	Governor Recommended BAA (post Rescission) FY 2017	Governor Recommended Budget FY 2018	Forecast** FY 2019
Sources					
Current law revenues	1,375.77	1,412.39	1,480.50	1,510.20	1,548.40
VEDA debt forgiveness	(0.14)	-	-	-	-
Direct applications, transfers in & reversions	58.01	51.67	83.63	54.81	25.00
Other bills and tax changes	6.61	1.50	0.80	0.43	-
Revenue from U.S. Marshalls	-	-	-	-	-
Additional property transfer tax to GF	3.52	10.27	10.80	11.63	-
For appropriation from GF reserve	5.00	7.93	-	-	-
Total sources	1,448.75	1,483.77	1,575.73	1,577.07	1,573.40
Uses					
Base appropriations	1,431.80	1,465.62	1,528.07	1,520.54	1,520.54
Budget adjustment and rescission(s)	(34.09)	8.70	(10.64)	-	-
	1,397.71	1,474.33	1,517.43	1,520.54	1,520.54
Percent +increase+/-decrease-	1.7%	5.5%	8.6%	3.1%	0.0%
Net Base Appropriation	1,397.71	1,474.33	1,517.43	1,520.54	1,520.54
Budget adjustment - one time	-	-	11.17	-	-
Other Bills	8.34	4.18	9.40	11.51	-
One-time appropriations	0.50	-	5.50	9.91	-
One-time waterfall and other adjustments	22.00	-	-	-	-
Total uses	1,428.54	1,478.51	1,543.50	1,541.96	1,520.54
Percent +increase+/-decrease-	3.1%	3.5%	8.1%	4.3%	-1.4%
Subtotal operating surplus (deficit)	20.21	5.27	32.23	35.11	52.86
Allocation of surplus - transfers (to)/from other funds					
Transportation fund	-	-	-	-	-
Emergency relief & assistance fund	-	(0.85)	(1.18)	(1.46)	-
Economic development fund	-	-	-	-	-
Next generation fund	(3.29)	(2.99)	(2.91)	(3.41)	(3.41)
Internal service funds and assorted funds	(6.97)	0.51	(0.72)	(1.76)	-
Total transfers (to) / from other funds	(10.26)	(3.33)	(4.81)	(6.63)	(3.41)
Reserved in GF (designated)					
Budget Stabilization Reserve	(3.15)	(1.94)	(2.43)	(2.78)	(0.64)
Reserved in GF Balance/Other Reserves	(6.80)	-	(15.29)	(25.70)	(3.70)
Total reserved in the GF (designated)	(9.95)	(1.94)	(17.72)	(28.48)	(4.34)
Total allocated	(20.21)	(5.27)	(22.53)	(35.11)	(7.75)
Unallocated operating surplus/(deficit)	0.00	0.00	0.00	0.00	(45.11)
Stabilization Reserve at statutory level	69.31	71.25	73.68	73.68	77.10
GF Reserves (cumulative)					
Budget Stabilization Reserve	69.31	71.25	73.68	76.46	77.10
Federal Contingency & Caseload Reserve	-	-	10.00	32.00	32.00
27/53 Reserve	-	-	5.29	8.99	12.69
Bond Premium/Other Short Term Reserves	-	-	-	-	-
GF Balance Reserve	6.80	6.80	6.80	6.80	6.80
Total GF Reserve Balance	76.11	78.05	95.77	124.25	128.59

* Results may not add due to rounding.

** Revenue as adopted by the Vermont Emergency Board on January 19, 2017.

Transportation Fund Summary
Fiscal Years 2015 - 2019
(\$ in Millions)*

	Actual FY 2015	Actual FY 2016	Governor's Recommend BAA FY 2017	Governor's Budget Recommend FY 2018	Forecast FY 2019
Sources					
Current law revenues	261.39	264.61	277.70	279.70	282.90
New revenue	-	-	-	-	-
Direct applications, reversions & 1-time revenue	0.62	0.03	-	-	-
For appropriation from TF Carryforward	-	1.58	-	-	-
Total sources	262.01	266.22	277.70	279.70	282.90
Uses					
Base appropriations	252.72	263.49	277.97	277.08	280.74
Budget adjustment, rescissions & excess receipts	3.15	1.61	(2.22)	-	-
Post budget adjustment change	-	-	-	-	-
One-time appropriations	-	-	-	-	-
Total uses	255.87	265.10	275.75	277.08	280.74
Subtotal operating surplus (deficit)	6.14	1.12	1.95	2.62	2.16
Allocation of surplus					
Transfers (to) / from other funds					
General Fund	-	-	-	-	-
Downtown Fund	(0.38)	(0.42)	(0.42)	(0.42)	(0.42)
Central Garage Fund	(0.37)	(0.16)	(0.70)	(1.30)	(1.30)
VT Recreational Trail Fund	(0.30)	(0.44)	(0.37)	(0.37)	(0.37)
Other Funds	(2.50)	0.15	-	-	-
Total transfers (to) / from other funds	(3.55)	(0.88)	(1.49)	(2.09)	(2.09)
Reserved in the TF (designated)					
Budget Stabilization Reserve	(1.00)	(0.24)	(0.46)	(0.53)	(0.07)
Bond Reserve	-	-	-	-	-
Total reserved in the TF (designated)	(1.00)	(0.24)	(0.46)	(0.53)	(0.07)
Total allocated	(4.56)	(1.12)	(1.95)	(2.62)	(2.16)
Unallocated operating surplus(deficit)	1.58	0.00	0.00	0.00	0.00
Stabilization Reserve at statutory level of 5%	12.55	12.79	13.26	13.79	13.90
TF Reserves (cumulative)					
Bond Reserve	-	-	-	-	-
Budget Stabilization Reserve	12.55	12.79	13.26	13.79	13.85
Total TF Reserve Balance	12.55	12.79	13.26	13.79	13.85

*Results may not add due to rounding.

Education Fund Summary
Fiscal Years 2016 - 2018**
(\$ in Millions)*

	Actual FY 2015	Actual FY 2016	Governor's Recommend BAA FY 2017	Governor's Recommend FY 2018
Sources				
Current law revenues	33.57	33.38	34.90	35.60
Sales & use tax	127.62	129.76	134.10	138.80
Lottery revenue	22.75	26.40	24.20	24.80
Non-residential property tax	603.43	630.67	634.50	636.20
Net Homestead property tax	422.55	420.79	414.80	417.90
Supplemental Property Tax Relief	-	-	2.30	-
General fund appropriations	297.61	303.34	303.60	400.70
Medicaid reimbursement	7.64	9.62	9.60	9.60
Other Sources (Wind, Solar, Fund Interest, Other)	0.08	1.26	1.10	1.20
Total sources	1,515.25	1,555.23	1,559.10	1,664.80
Uses				
Base appropriations	1,499.78	1,552.70	1,576.50	1,696.20
Appropriation savings	-	-	-	-
Total uses	1,499.78	1,552.70	1,576.50	1,696.20
Subtotal operating surplus/(deficit)	15.47	2.53	(17.40)	(31.40)
Allocation of surplus/(deficit)				
Transfer to/(from) the stabilization reserve	1.71	0.56	0.79	0.10
Transfer to/(from) continuing appropriations	8.61	11.30	-	(5.00)
Transfer to/(from) unallocated	5.15	5.00	(21.10)	(26.50)
Total allocated	15.47	16.86	(20.31)	(31.40)
Education fund reserves				
Budget stabilization reserve	32.05	32.61	33.40	33.50
Minimum statutory reserve at 3.5%	22.43	22.80	23.40	23.90
Maximum statutory reserve at 5%	32.05	32.61	33.40	33.50

*Results may not add due to rounding.

FY 2017 BUDGET ADJUSTMENT RECOMMENDATIONS

FY 2017 Governor's Recommended General Fund Budget Adjustment Summary
(\$million)

FY 2017 General Fund Revenue Adjustments	
Additional Direct Apps & Reversions	3.78
Tax Data Warehouse & Property Transfer Tax	(0.19)
Direct App CHIP Match	18.00
Direct App One-time Earned Federal Receipts	10.00
Rescission True Up	(0.02)
Total Net Revenue Changes	31.57 (A)

FY 2017 Transfers to/(from) General Fund	
Emergency Relief and Assistance Fund	(1.18)
Human Services Caseload Reserve	(10.00)
Other funds	(0.72)
Total Net Transfers to/from General Fund	(11.90) (D)
Net Budget Adjustment Changes and Transfer Adjustments	9.70 (C+D)

FY 2017 General Fund Appropriation Adjustments	
General Government	(0.10)
Property tax Assitance	(0.64)
Protection	0.76
Agency of Human Services - Federal Funding Changes	(1.56)
Agency of Human Services - Caseload and Utilization Changes	(3.14)
Agency of Human Services - Personal Services Changes	5.70
Agency of Human Services - Other Changes	6.21
Vermont Veterans' Home and Green Mountain Care board	1.55
Labor	0.19
Education & Higher Education	1.00
Natural Resources	0.15
Operational changes: 2016 Act 172 B. 1103 & 1106	1.05
Contingent Appropriation	(1.20)
Total Net Appropriation Adjustments	9.97 (B)

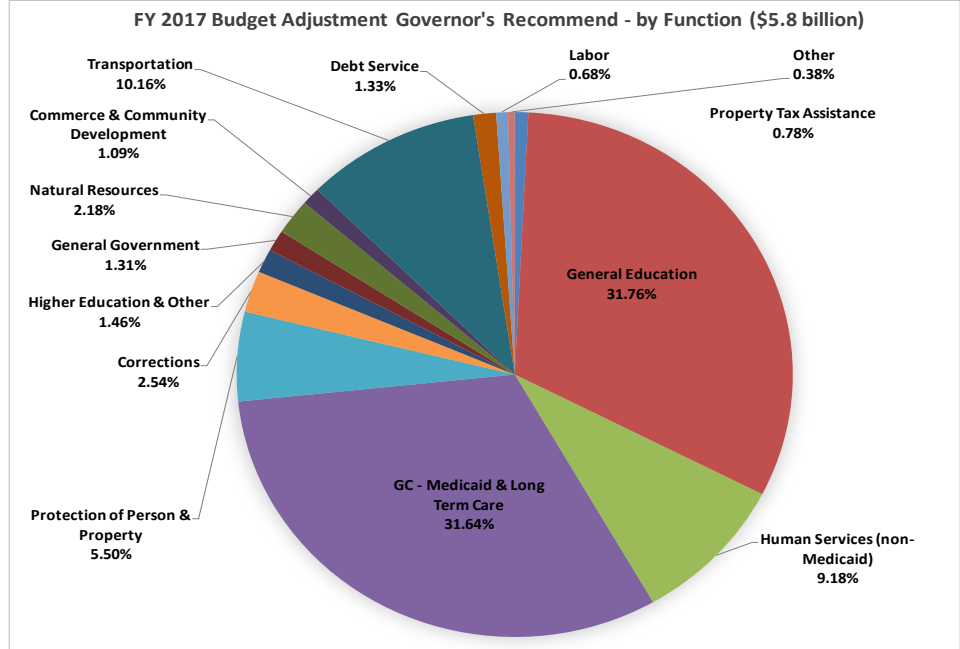
FY 2017 Projected General Fund Reserve Balances (millions)	
General Fund Budget Stabilization Reserve	73.68
General Fund Balance Reserve	6.80
Human Services Caseload Reserve	10.00
Total Reserves	90.48

Net Budget Adjustment Change in Revenue & Appropriations	21.60 C=(A-B)
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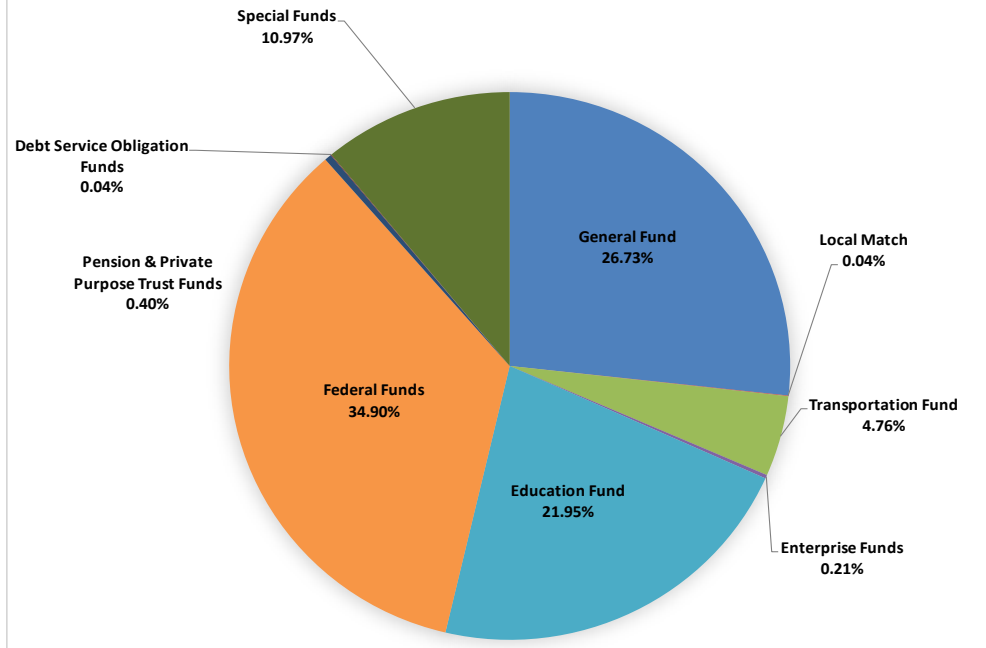
The Governor's FY2017 Budget Adjustment Recommendation was submitted to the House Committee on Appropriations on January 10, 2017. It is based on the Consensus Revenue Forecast adopted by the Emergency Board on July 21, 2016.

A summary of total General Fund budget adjustment need is shown in the table above. Included in the table are projected ending amounts in the General Fund Budget Stabilization Reserve and the General Fund Balance Reserve at June 30, 2017. The \$9.97 million appropriation increase is covered by a combination of increased revenue and transfers from other funds. The Governor's Recommended Budget Adjustment included a balance of \$9.7 million in anticipation of a revenue downgrade at the January 19, 2017 Emergency Board meeting.

FY 2017 Governor's Budget Adjustment Recommendations by Government Function



FY2017 Budget Adjustment Governor's Recommend - by Fund (\$5.8 billion)



FY 2017 Governor's Budget Adjustment Recommendations by Fund

FISCAL YEAR 2017 BUDGET ADJUSTMENT RECOMMENDED

FUNCTION / Department	Appropriation Title	2015 Act 58 Sec #	General Fund	Transportation Fund	Education Fund	Special Funds (Various) ⁽¹⁾	Global Commitment Fund	State Health Care Resources Fund	Federal Funds (includes ARRA)	Debt Service Obligation Funds	Dedicated Funds ⁽²⁾	Other ⁽³⁾ Funds	Combined Funds
	FY 2017 As Appropriated		1,549,461,791	277,972,370	1,575,804,178	345,098,214	1,622,476,656	286,005,627	2,034,710,843	3,653,114	36,637,189	171,782,053	7,903,602,035
FY 2017 RECOMMENDED BUDGET APPROPRIATION ADJUSTMENTS :													
GENERAL GOVERNMENT													
Secretary's Office	Secretary of administration - secretary's office	B. 100	(53,139)										(53,139)
Human Resources	Human resources - operations	B. 108	(51,088)									(162,542)	(213,630)
Executive Office	Executive office - governor's office	B. 124											-
Vermont Occupational Safety & Health Administration	VOSHA review board	B. 136	10,292									10,292	20,584
Tax	Homeowner rebate	B.137	(640,000)										(640,000)
Tax	Renter rebate	B.138	297,150		693,350								990,500
Tax	Municipal current use	B.140	(298,666)										(298,666)
TOTAL GENERAL GOVERNMENT			(735,451.00)	-	693,350.00	-	-	-	-	-	-	(152,250.00)	(194,351)
PROTECTION													
Attorney General	Attorney general	B.200											-
Attorney General	Vermont court diversion	B.201	658,847										658,847
State's attorneys	State's attorneys	B.205	103,112										103,112
Enhanced 9-1-1 Board	Enhanced 9-1-1 Board	B.235				456,778							456,778
Defender General	Liquor control - administration	B.237									39,630		39,630
Public Safety	Liquor control - enforcement and licensing	B.238				72,090							72,090
Military	Liquor control - warehousing and distribution	B.239				59,752					24,426		84,178
TOTAL PROTECTION			761,959.00	-	-	588,620.00	-	-	-	-	64,056.00	-	1,414,635
HUMAN SERVICES													
Secretary's Office	Human services - agency of human services	B.300	812,693				(3,135,483)		929,599				(1,393,191)
Secretary's Office	Secretary's office - global commitment	B.301	(25,863,468)					3,602,452	(45,841,894)				(68,102,910)
Secretary's Office	Rate Setting	B.302	232,454				(464,908)		232,454				-
Secretary's Office	Human Services Board	B.304	92,405				(184,809)		92,404				-
Department of Vermont Health Access	Department of Vermont health access - administration	B.306	16,063,300				(29,232,730)		25,266,834			(982,342)	11,115,062
Department of Vermont Health Access	Department of Vermont health access - Medicaid program - global commitment	B.307					(32,936,638)						(32,936,638)
Department of Vermont Health Access	Department of Vermont health access - Medicaid program - long term care waiver	B.308					3,965,099						3,965,099
Department of Vermont Health Access	Department of Vermont health access - Medicaid program - state only	B.309	4,221,805				1,006,764						5,228,569
Department of Vermont Health Access	Department of Vermont health access - Medicaid non-waiver matched	B.310	90,700						836,018				926,718
Vermont Department of Health	Health - administration and support	B.311	533,400				(1,047,600)		538,200				24,000
Vermont Department of Health	Health - public health	B.312	1,387,410				(4,893,038)		4,597,707				1,092,079
Vermont Department of Health	Health - alcohol and drug abuse programs	B.313	319,328				(899,969)		344,378				(236,263)
Department of Mental Health	Mental health - mental health	B.314	1,535,378				(2,147,190)		1,535,378				923,566
Department for Children and Families	Department for children and families - administration & support services	B.316	3,922,885			(68,631)	(683,396)		(407,166)			(21)	2,763,671
Department for Children and Families	Department for children and families - family services	B.317	2,316,745				380,515		(1,376,554)			(1,288)	1,319,418
Department for Children and Families	Department for children and families - child development	B.318	(1,505,773)				(147,305)		879,393				(773,685)

FISCAL YEAR 2017 BUDGET ADJUSTMENT RECOMMENDED (Con't)

FUNCTION / Department	Appropriation Title	2015 Act 58 Sec #	General Fund	Transportation Fund	Education Fund	Special Funds (Various) ⁽¹⁾	Global Commitment Fund	State Health Care Resources Fund	Federal Funds (Includes ARRA)	Debt Service Obligation Funds	Dedicated Funds ⁽²⁾	Other ⁽³⁾ Funds	Combined Funds
Department for Children and Families	Department for children and families - office of child support	B.319	(89,601)						(336,573)				(426,174)
Department for Children and Families	Department for children and families - general assistance	B.321					(9,650)						(9,650)
Department for Children and Families	Department for children and families - reach up	B.323	(197,964)			(1,698,862)	247,831		(1,016,986)				(2,665,981)
Department for Children and Families	Department for children and families - office of economic opportunity	B.325	37,267						(3,242)				34,025
Department for Children and Families	Department for children and families - OEO weatherization assistance	B.326				(57,972)			228,156				170,184
Department for Children and Families	Department for children and families - woodsides rehabilitation services	B.327	1,504,532				(1,547,915)						(43,383)
Department for Children and Families	Department for children and families - disability determination services	B.328	41,250				(43,626)		(41,568)				(43,944)
Department of Disabilities, Aging, and Independent Living	Disabilities, aging, and independent living - administration & support	B.329	2,099,341				(3,516,134)		2,373,291				956,498
Department of Disabilities, Aging, and Independent Living	Disabilities, aging, and independent living - advocacy and independent living grants	B.330	305,605				(201,040)		116,801				221,366
Department of Disabilities, Aging, and Independent Living	Disabilities, aging, and independent living - developmental services	B.333					(676,251)						(676,251)
Department of Corrections	Corrections - correctional services	B.338	(658,847)										(658,847)
Vermont Veterans' Home	Vermont Veterans' Home	B.342	1,389,927										1,389,927
Green Mountain Care Board	Green Mountain Care Board	B.345	158,000			237,000							395,000
TOTAL HUMAN SERVICES			8,748,772.00	-	-	(1,588,465.00)	(76,167,473.00)	3,602,452.00	(11,053,370.00)	-	-	(983,651.00)	(77,441,735)
LABOR													
	Labor - programs	B.400	192,709										
TOTAL LABOR			192,709	0	0	0	0	0	0	0	0	0	-
EDUCATION													
	Education - finance and administration	B.500	230,000				(340,000)					170,000	60,000
	Education - Flexible Pathways	B.504.1			1,397,950								1,397,950
TOTAL EDUCATION			230,000	0	1,397,950	0	(340,000)	0	0	0	0	170,000	1,457,950
HIGHER EDUCATION													
	Vermont state colleges	B.602	770,000										770,000
TOTAL HIGHER EDUCATION			770,000	0	0	0	0	0	0	0	0	0	770,000
NATURAL RESOURCES													
ANR	Natural Resources - agency of natural resources - administration	B.700	75,000										75,000
ANR	Fish and Wildlife - support and field services	B.702	75,000										75,000
ANR - DEC	Environmental conservation - air and waste management	B.710				2,068,447							2,068,447
TOTAL NATURAL RESOURCES			150,000.00	-	-	2,068,447.00	-	-	-	-	-	-	2,218,447
DEBT SERVICE													
	Debt Service	B.1000	651						(651)				-
TOTAL DEBT SERVICE			651	-	-	-	-	-	(651)	-	-	-	-
TOTAL APPROPRIATION CHANGES (before "words")			10,118,640	-	2,091,300	1,068,602	(76,507,473)	3,602,452	(11,054,021)	-	64,056.00	(965,901)	(71,775,054)
OTHER AND ONE-TIME (with \$\$ appropriation changes)													
	Fiscal Year 2017 Risk Management Savings	B.1103	500,000										500,000
	Secretary of Administration; Fiscal Year 2017 Exempt Personnel Cost Savings and Exempt Positions	B.1106	550,000										550,000
	Fiscal Year 2017 Appropriated Reserve	B.1107	(1,200,000)										(1,200,000)
TOTAL OTHER AND ONE-TIME			(150,000.00)	-	-	-	-	-	-	-	-	-	(150,000)
TOTAL APPROPRIATION CHANGE			9,968,640	-	2,091,300	1,068,602	(76,507,473)	3,602,452	(11,054,021)	-	64,056.00	(965,901)	(71,925,054)
TOTAL FY 2017 APPROPRIATIONS AFTER GOVERNOR'S RECOMMEND BAA			1,559,430,431	277,972,370	1,577,895,478	346,166,816	1,545,969,183	289,608,079	2,023,656,822	3,653,114	36,701,245	170,816,152	7,831,676,981
FY 2017 Adopted Recission			(10,641,228)	(2,223,221.00)					(1,170,941)				(14,035,390)
FY 2017 Total Appropriations			1,548,789,203	275,749,149	1,577,895,478	346,166,816	1,545,969,183	289,608,079	2,022,485,881	3,653,114	36,701,245	170,816,152	7,817,834,300
												Less Other	170,816,152
												Less GC	1,545,969,183
												Less Transfer to EF	305,902,634
NET FY 2017 APPROPRIATION AFTER BAA (excluding duplicated appropriations)													5,795,146,331

(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 that reduce the amount of revenue 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, tax 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 human services 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://tax.vermont.gov/research-and-reports/reports/tax-expenditure-report>

[Continues next page]

Human Services Tax Expenditure Budget Report by Tax Type

Agency/Dept.	Tax Expenditures and Categories	FY2016 Estimate	FY2017 Estimate	FY2018 Proposed
AHS	Credit for Child and Dependent Care	\$1,800,000	\$1,800,000	\$1,800,000
AHS	Credit for Elderly or Disabled	\$5,000	\$5,000	\$5,000
AHS/MIL	Military Pay	\$1,468,000	\$1,484,000	\$1,500,000
AHS/ACCD	Charitable Housing Credit	\$25,000	\$25,000	\$25,000
AHS/ACCD	Affordable Housing Credit	*	*	*
AHS/ACCD	Qualified Sale of Mobile Home Park Credit	*	*	*
AHS	Low Income Child and Dependent Care Credit	\$60,000	\$60,000	\$60,000
AHS/TAX	Earned Income Tax Credit	\$27,100,000	\$27,500,000	\$28,000,000
	Individual Income Tax Expenditure - Subtotal	\$30,458,000	\$30,874,000	\$31,390,000
AHS/TAX	Charitable Housing Credit	\$0	\$0	\$0
AHS/ACCD	Affordable Housing Credit	\$0	\$0	\$0
AHS/ACCD	Qualified Sale of Mobile Home Park Credit	\$0	\$0	\$0
	Corporate Income Tax Expenditures - Subtotal	\$0	\$0	\$0
AHS	Medical Products	\$59,520,000	\$63,043,000	\$66,775,000
AHS	Sales of Food	\$110,842,000	\$113,078,000	\$115,359,000
AHS	Rentals of Coin-Operated Washing Facilities	\$1,100,000	\$1,100,000	\$1,200,000
AHS	Energy Purchases for a Residence	\$47,777,000	\$48,144,000	\$48,513,000
AHS	Clothing and Footwear	\$35,500,000	\$35,700,000	\$36,600,000
	Sales and Use Tax Expenditures - Subtotal	\$254,739,000	\$261,065,000	\$268,447,000
AHS	Grocery-type items furnished for takeout	\$6,400,000	\$6,400,000	\$6,600,000
AHS/AOE	Served on the premises of a school	\$2,000,000	\$2,000,000	\$2,000,000
AHS	Served in hospitals, convalescent, and nursing homes	\$1,000,000	\$1,000,000	\$1,000,000
AHS/AOE	Summer camp for children	Less than \$100,000	Less than \$100,000	Less than \$100,000
	Meals and Rooms Tax Expenditures - Subtotal	\$9,500,000	\$9,500,000	\$9,700,000
AHS/ACCD	Housing Authorities	\$1,743,000	\$1,747,000	\$1,750,000
AHS	Public, Pious, and Charitable Property - Charitable	\$5,950,000	\$6,035,000	\$6,120,000
AHS	Public, Pious, and Charitable Property - College	\$14,410,000	\$14,328,000	\$14,245,000
AHS	Public, Pious, and Charitable Property - Pious	\$12,017,000	\$12,266,000	\$12,514,000
AHS	Public, Pious, and Charitable Property - School	\$5,341,000	\$5,541,000	\$5,741,000
AHS	Public, Pious, and Charitable Property - Hospital	\$12,214,000	\$12,344,000	\$12,473,000
AHS	YMCA and YWCAs	\$173,000	\$174,000	\$175,000
AHS	Cemeteries	\$609,000	\$614,000	\$619,000
AHS	Humane Societies	\$112,000	\$114,000	\$115,000
AHS/MIL	\$10,000 for Veterans	\$388,000	\$401,000	\$414,000
AHS/ACCD	Qualified Housing	\$696,000	\$702,000	\$708,000
	Property Tax Expenditures - Subtotal	\$53,653,000	\$54,266,000	\$54,874,000
AHS/ACCD/TAX	Affordable housing Tax Credit	\$2,210,000	\$2,570,000	\$2,980,000
AHS/TAX	Charitable Housing Credit	\$0	\$0	\$0
	Bank Franchise Tax Expenditures - Subtotal	\$2,210,000	\$2,570,000	\$2,980,000
AHS/ACCD	Affordable Housing Tax Credit	*	*	*
	Insurance Premiums Tax Expenditures - Subtotal	*	*	*
AHS/MIL	Veterans	\$31,000	\$30,000	\$30,000
TAX	Religious, charitable	\$162,000	\$159,000	\$180,000
AHS	Handicap	\$47,000	\$52,000	\$60,000
	Motor Vehicle Purchase & Use Expenditures - Subtotal	\$240,000	\$241,000	\$270,000
	GRAND TOTAL	\$350,800,000	\$358,516,000	\$367,661,000

In accordance with 32 V.S.A. § 306, the FY 2017 Tax Expenditure Budget covers "tax expenditures made in furtherance of Vermont's human services, including tax expenditures affecting veterans. The budget is comprised of those tax expenditures included in the biennial tax expenditure reports. Tax expenditures related to economic development and to non-profits and charitable organizations will be reported in subsequent Executive Budgets, per statute. Information pertaining to fewer than 10 returns has been suppressed by ""*"".

Human Services Tax Expenditure Budget Report by Nexus Agency/Department

Tax type	Tax Expenditures and Categories	FY2016 Estimate	FY2017 Estimate	FY2018 Proposed
Meals & Rooms	Grocery-type items furnished for takeout	\$6,400,000	\$6,400,000	\$6,600,000
Meals & Rooms	Served in hospitals, convalescent, and nursing homes	\$1,000,000	\$1,000,000	\$1,000,000
Motor Vehicle	Handicap	\$47,000	\$52,000	\$60,000
Personal Income	Credit for Child and Dependent Care	\$1,800,000	\$1,800,000	\$1,800,000
Personal Income	Credit for Elderly or Disabled	\$5,000	\$5,000	\$5,000
Personal Income	Low Income Child and Dependent Care Credit	\$60,000	\$60,000	\$60,000
Property	Public, Pious, and Charitable Property - Charitable	\$5,950,000	\$6,035,000	\$6,120,000
Property	Public, Pious, and Charitable Property - College	\$14,410,000	\$14,328,000	\$14,245,000
Property	Public, Pious, and Charitable Property - Pious	\$12,017,000	\$12,266,000	\$12,514,000
Property	Public, Pious, and Charitable Property - School	\$5,341,000	\$5,541,000	\$5,741,000
Property	Public, Pious, and Charitable Property - Hospital	\$12,214,000	\$12,344,000	\$12,473,000
Property	YMCA and YWCAs	\$173,000	\$174,000	\$175,000
Property	Cemeteries	\$609,000	\$614,000	\$619,000
Property	Humane Societies	\$112,000	\$114,000	\$115,000
Sales & Use	Energy Purchases for a Residence	\$47,777,000	\$48,144,000	\$48,513,000
Sales & Use	Clothing and Footwear	\$35,500,000	\$35,700,000	\$36,600,000
Sales & Use	Medical Products	\$59,520,000	\$63,043,000	\$66,775,000
Sales & Use	Sales of Food	\$110,842,000	\$113,078,000	\$115,359,000
Sales & Use	Rentals of Coin-Operated Washing Facilities	\$1,100,000	\$1,100,000	\$1,200,000
	AHS - Subtotal	\$314,877,000	\$321,798,000	\$329,974,000
Corp Income	Affordable Housing Credit	\$0	\$0	\$0
Corp Income	Qualified Sale of Mobile Home Park Credit	\$0	\$0	\$0
Insurance Prem.	Affordable Housing Tax Credit	*	*	*
Personal Income	Charitable Housing Credit	\$25,000	\$25,000	\$25,000
Personal Income	Affordable Housing Credit	*	*	*
Personal Income	Qualified Sale of Mobile Home Park Credit	*	*	*
Property	Housing Authorities	\$1,743,000	\$1,747,000	\$1,750,000
Property	Qualified Housing	\$696,000	\$702,000	\$708,000
	AHS/ACCD - Subtotal	\$2,464,000	\$2,474,000	\$2,483,000
Bank Franchise	Affordable housing Tax Credit	\$2,210,000	\$2,570,000	\$2,980,000
	AHS/ACCD/TAX - Subtotal	\$2,210,000	\$2,570,000	\$2,980,000
Meals & Rooms	Served on the premises of a school	\$2,000,000	\$2,000,000	\$2,000,000
Meals & Rooms	Summer camp for children	Less than \$100,000	Less than \$100,000	Less than \$100,000
	AHS/AOE - Subtotal	\$2,100,000	\$2,100,000	\$2,100,000
Motor Vehicle	Veterans	\$31,000	\$30,000	\$30,000
Personal Income	Military Pay	\$1,468,000	\$1,484,000	\$1,500,000
Property	\$10,000 for Veterans	\$388,000	\$401,000	\$414,000
	AHS/MIL - Subtotal	\$1,887,000	\$1,915,000	\$1,944,000
Bank Franchise	Charitable Housing Credit	\$0	\$0	\$0
Corp Income	Charitable Housing Credit	\$0	\$0	\$0
Personal Income	Earned Income Tax Credit	\$27,100,000	\$27,500,000	\$28,000,000
	AHS/TAX - Subtotal	\$27,100,000	\$27,500,000	\$28,000,000
Motor Vehicle	Religious, charitable	\$162,000	\$159,000	\$180,000
	TAX - Subtotal	\$162,000	\$159,000	\$180,000
	GRAND TOTAL	\$350,800,000	\$358,516,000	\$367,661,000

In accordance with 32 V.S.A. § 306, the FY 2017 Tax Expenditure Budget covers "tax expenditures made in furtherance of Vermont's human services, including tax expenditures affecting veterans. The budget is comprised of those tax expenditures included in the biennial tax expenditure reports. Tax expenditures related to economic development and to non-profits and charitable organizations will be reported in subsequent Executive Budgets, per statute. Information pertaining to fewer than 10 returns has been suppressed by "**".

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, 2016 actuarial valuation, the actuary for the Vermont State Employees' Retirement System (VSERS) recommended a FY 2018 contribution of \$52,065,397 to the pension plan (VSERS pension) and \$74,760,248 to the Vermont State Employees' Other Post-Employment Benefits (VSERS OPEB) plan, based on current funding policy.

The actuary's annual recommended contribution (ARC) to the VSERS pension includes a normal contribution of \$14,037,814 and a contribution of \$38,027,583 toward the Unfunded Actuarial Accrued Liability (UAAL). To calculate the State's contribution, the ARC has been reduced by \$965,000 for the Treasurer's estimate of FY 2018 contributions to VSERS by town participants, making the State's net ARC to VSERS \$51,100,397. The State also contributes an amount to prepay the Treasurer's estimate of non-healthcare administrative expenses, which for FY 2018 is \$2,189,283 and excludes estimated FY 2018 investment manager fees of \$5,214,617. Added to the net ARC, the State's planned total contribution to the VSERS pension for FY 2018 will be \$53,289,680.

The actuary's ARC to the VSERS OPEB of \$74,760,248 includes a normal contribution of \$41,416,315 and amortization of the OPEB UAAL of \$34,279,239. The Actuary estimates that \$935,306 in interest will be earned on expected benefit payments, which is incorporated in the ARC calculation. The State's planned contribution to the VSERS OPEB during FY 2018 is \$36,461,500, which is the Treasurer's estimate of VSERS retiree benefit costs.

VSTRS

As a result of the June 30, 2016 actuarial valuation, the actuary for the Vermont State Teachers' Retirement System (VSTRS) recommended a FY 2018 contribution of \$88,409,437 to the pension plan (VSTRS pension), and \$37,316,779 to the Retired Teachers' Health and Medical Benefits (RTHMB) plan, based on the current funding plan, which is on a pay-as-you-go basis. The ARC for the VSTRS pension includes a normal contribution of \$8,346,261 and a contribution of \$80,063,176 toward the UAAL. The ARC for the RTHMB includes a normal contribution of \$17,656,699 and amortization of the UAAL of \$20,147,753. The Actuary estimates that \$487,673 in interest will be earned on expected benefit payments, which is incorporated in the OPEB ARC calculation.

The State plans to contribute \$84,709,437 directly to the VSTRS pension plan, and estimates additional funding of \$3,700,000 from the school participants, which they receive through federal grant payments.

Of the \$35,475,000 estimated OPEB premium costs for FY 2018, \$26,660,966 will be paid by direct appropriation, with the remainder to be paid by interfund transfers, the employer annual charge for teacher health care, and subsidies under the Employee Group Waiver Plan (EGWP).

Funding Levels

State statutes define the method of funding the retirement systems, which is assessed and reported by an independent actuary. Based on the actuarial funding calculations and reports, the funded ratios for the VSERS and VSTRS pension systems for the period ended June 30, 2016 are 74.6% and 58.3% respectively. The funded ratios for the VSERS OPEB and VSTRS RTHMB plans for the period ended June 30, 2016 are 1.8% and -3.2% respectively. The pension plan actuary uses Governmental Accounting Standards Board (GASB) standards to produce separate data (comparable nationally by using a standard actuarial method) for accounting and financial reporting purposes, and not for funding decisions. GASB No. 67, issued in 2014, is the basis for pension system financial reporting. GASB No. 43 is the basis for postretirement benefit reporting.

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

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: establishment of a separate RTHMB fund (16 V.S.A. §1944b) from which to pay retired teachers health and medical benefits; steadily increasing State funding; setting the employee contribution rate 1% percent higher (to 6%) for teachers with less than 5 years of membership service for the pension system; statute directing school administrators to properly charge federal grants for the employer retirement costs and administrative operating expenses funding teachers and to pay that portion of federal reimbursement to VSTRS; 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; and loans with an estimated interest rate of 2% from the State's general fund for four years followed by repayments of principal and interest for the subsequent five years.

[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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This publication was printed by the Vermont Department of Buildings and General Services Print Shop, Middlesex, VT. An electronic version of this publication is available for viewing or printing at the Department of Finance and Management's website, under "Key Budget Documents" at: <http://finance.vermont.gov/budget>.



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Cover photo: Denis Jaquish



Fiscal Year 2018 Executive Budget Summary

is a publication of the
Vermont Department of Finance and Management,
Andrew Pallito, 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 2018 Budget Recommendations of Governor Philip B. Scott.

This publication is available for viewing or printing at the
Department of Finance and Management's Web Site

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This book was printed on recycled paper by the Vermont Department of Buildings & General Services, Print Shop, Middlesex, VT.