



FY 2018 Governor's Recommended Budget

January 24, 2017

Andrew Pallito, Commissioner, Department of Finance & Management

FY 2018 Budget Approach

- Budget instructions were sent to departments in late August
 - Requested that departments propose entire program changes for budgetary savings rather than a percentage decrease
- Finance & Management held preliminary budget meetings in September & October
- Passed budget information to the transition team in November
- Team in the budget office worked with the transition team to build the FY 2018 Governor's Recommend
- The Secretary of Administration allowed for public comment both on-line and by mail

FY 2018 Budget Approach

- Worked to fund usual business pressures at departments
 - Annualization of the FY 2017 Pay Act
 - Internal Service Fund cost changes
 - All funds: \$287K reduction in internal service fund costs
 - Driven by risk management change
 - \$2.65M reduction all funds; \$1.8M General Fund reduction

FY 2018 Budget Approach

- Funding for Human Services Caseload
 - Medicaid, Long Term Care, Developmental Services, Department for Children and Families
- Funding of the FY 2018 projected Debt Service Obligation
- Funding for the General Fund Transfer to the Education Fund
- Funding State Employee and Teacher Retirement Obligations

Total Budget

The Governor's FY 2018
Unduplicated Budget:
\$5.8 Billion

FY 2018 Total Appropriations (Millions)	
General Fund	1,541.96
Transportation Fund	277.08
Education Fund	1,696.33
Special Funds*	638.40
Federal Funds	2,023.37
Dedicated Funds	36.05
Less GF TSF to EF	(400.72)
Total Unduplicated Appropriations	5,812.47

*"Special Funds" also include: Fish & Wildlife, Tobacco, next Generation, State Health Care Resources, TIB Funds

General Fund Sources

The Governor's FY 2018 Budget does not increase Taxes or Fees

FY 2018 GF Sources (Millions)	
Current law Revenue	1,510.20
Direct Apps & Reversions	34.69
Tax Modernization Fund	0.80
Property Transfer Tax	11.63
Total Base Revenue	1,557.32
Less Tax Credits	(0.38)
Plus NBR	20.13
Total Sources	1,577.07

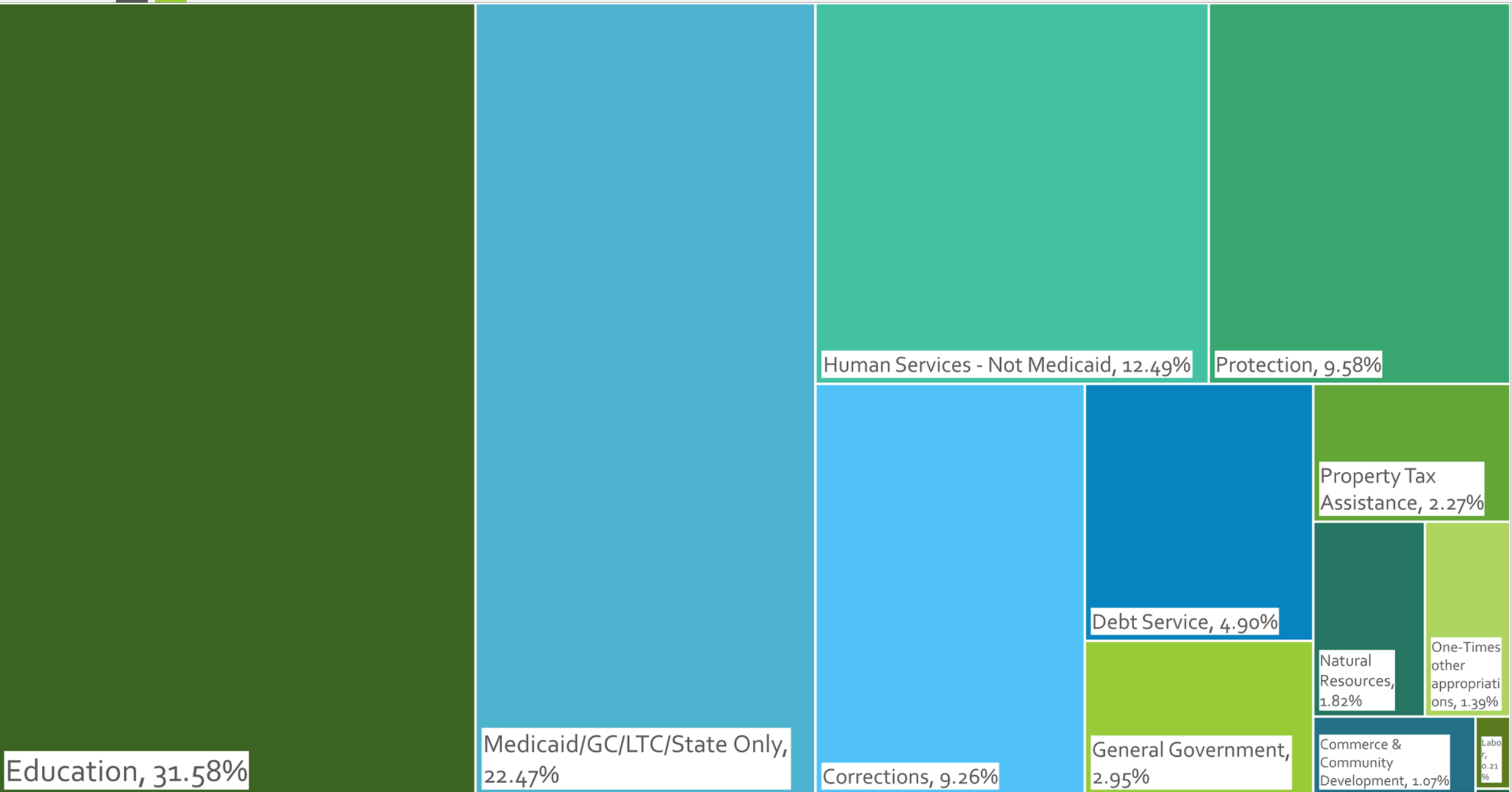


General Fund Uses

Base Appropriation Level with
FY 2017 Base Appropriation

FY 2018 GF Uses (Millions)	
Base Appropriations	1,520.54
One-time Appropriations	9.91
Pay Act	11.51
Total Uses	1,541.96

FY 2018 Governor's Recommended General Fund Budget - \$1.54 Billion



General Fund Uses

By Government Function

Government Function	(Millions)	
General Government	45.52	3%
Property Tax Assistance	35.03	2%
Protection	147.75	10%
Human Services - Not Medicaid	192.63	12%
Medicaid/GC/LTC/State Only	346.42	22%
Corrections	142.76	9%
Labor	3.28	0%
Education	486.88	32%
Higher Education	0.27	0%
Natural Resources	28.03	2%
Commerce & Community Development	16.49	1%
Transportation	-	0%
Debt Service	75.49	5%
One-Times other appropriations	21.42	1%
Total GF	1,541.96	100%



General Fund Transfers

FY 2018 GF Transfer (Millions)	
To Next Generation Fund	3.41
To ERAF	1.46
To Environmental Contingency Fund	1.52
To Tobacco Trust Fund	.25
Total Transfers to Other Funds	6.63
To Budget Stabilization Reserve	2.78
To Federal Contingency & Caseload	22.00
To 27/53 Reserve	3.7
Total Transfers	35.11

Budget Highlights

General Government

- \$200K to the Secretary of Administration for PIVOT/LEAN
- \$300K to be matched with other funding for Security improvements
- Shift of the Employer Assessment to the Tax Department from the Department of Labor
- Pay Act
 - Adds \$1.93M for RFR costs
 - Assumes \$2.4M of administrative savings

Budget Highlights

Protection

- Investment in the Criminal Justice system to combat the Opiate Crisis
 - \$664K for car cameras and body cameras for Vermont State Police
 - \$200K and \$120K, respectively for the Defender General and State's Attorney's
 - \$528 for the Judiciary to recruit Guardian Ad litem, security, and additional docket support.

Budget Highlights Human Services

- Fully funds caseload pressures in Medicaid, DS, LTC, etc.
- \$1M GF target for administrative savings at the agency
- \$1.7M GF reduction in Disproportionate Share payment to hospitals (10%)
- \$2.8M savings by having non-subsidized QHP enrollment done directly through insurance carriers
- \$3.5M savings from the closure of Southeast State Workcamp in Windsor



Budget Highlights

Labor/Commerce & Community Development


- Includes state funding for costs associated with paid sick leave
- \$200K for downtown and village center tax credits
- \$175K for R&D tax credit
- \$750K for jobs-marketing fund
- \$200K for Vermont trade center
- \$400K for small business development center counselors
- \$1M additional +\$1.5M base appropriation from Property Transfer Tax to VHCB for a housing bond



Budget Highlights

General Fund transfer to the Education Fund

- Fully funds \$314.7M statutory transfer
- Adds \$86M to the transfer
- Total GF EF transfer of \$400.7M




Budget Highlights Higher Education

- Transfer Base appropriation for Higher Education to the Education Fund
 - \$6.5M of Education Fund in additional investments
 - \$4M increase for VT State Colleges
 - \$1M increase for UVM
 - \$1M increase for VSAC
 - \$500K for National Guard Scholarships



Budget Highlights Teacher's Retirement

- Provides \$111M for Teachers retirement and Retired Teachers Health Care (\$10.38M increase from FY 2017)
 - \$ 76M of General Fund for the ARC
 - \$35M of Education Funds for the retired teachers Health Care and normal retirement contribution



Budget Highlights Early Education

- \$9.6M of Education funds to expand Early Child Education
 - \$7.5M to Child Care Financial Assistance Program
 - \$1M for Full day pre-K grants
 - \$600K Child Care Shared Services Pilot
 - \$500K Municipal Child Care Innovation Grants



Budget Highlights Education Innovation

- \$1.6M of Education funds for Education Innovation
 - \$500K for Classroom Innovation Grants
 - \$500K for Management and Modernization Grants
 - \$250K School technology and Connectivity Grants
 - \$200 Code Camp Grants
 - \$150K Career and technical education

Budget Highlights Transportation

- Follows statutory JTOC reduction – reduce TF to Public Safety by \$900K
- Transportation budget uses current revenues to maintain current services levels
- VTrans expects:
 - to advance more than 100 bridge and culverts in more than 100 communities
 - Perform preventative maintenance on existing structures
 - Improve more than 200 miles of State highways

Budget Highlights

Non-Budgeted Revenue

- Direct App from the NBR: \$32m
 - \$12M to the Federal & Caseload Reserve
 - \$10.125M for onetime IT investments (no longer funded in the Capital Bill)
 - \$2.125 for AHS IT
 - \$2.2M for Finance & Management Accounting System
 - \$5.8M for the Judiciary Case Management System
 - \$10M in base direct app

Reserves

- Maintains the statutory 5% reserves in the General Fund, Education Fund, and Transportation Fund
- Reserves \$3.7M in the 27/53 reserve created by the General Assembly in 2016 Act 172
 - Total Projected EOY 2018 balance \$8.99M
- Adds \$22M to the Federal Contingency & Caseload Reserve from the NBR and DVHA Base appropriations
 - Total projected EOY 2018 balance \$32M
- Maintains \$6.8M balance in the General Fund Balance Reserve