



# 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)
<b>Total Unduplicated Appropriations</b>	<b>5,812.47</b>

\*"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
<b>Total Base Revenue</b>	<b>1,557.32</b>
Less Tax Credits	(0.38)
Plus NBR	20.13
<b>Total Sources</b>	<b>1,577.07</b>

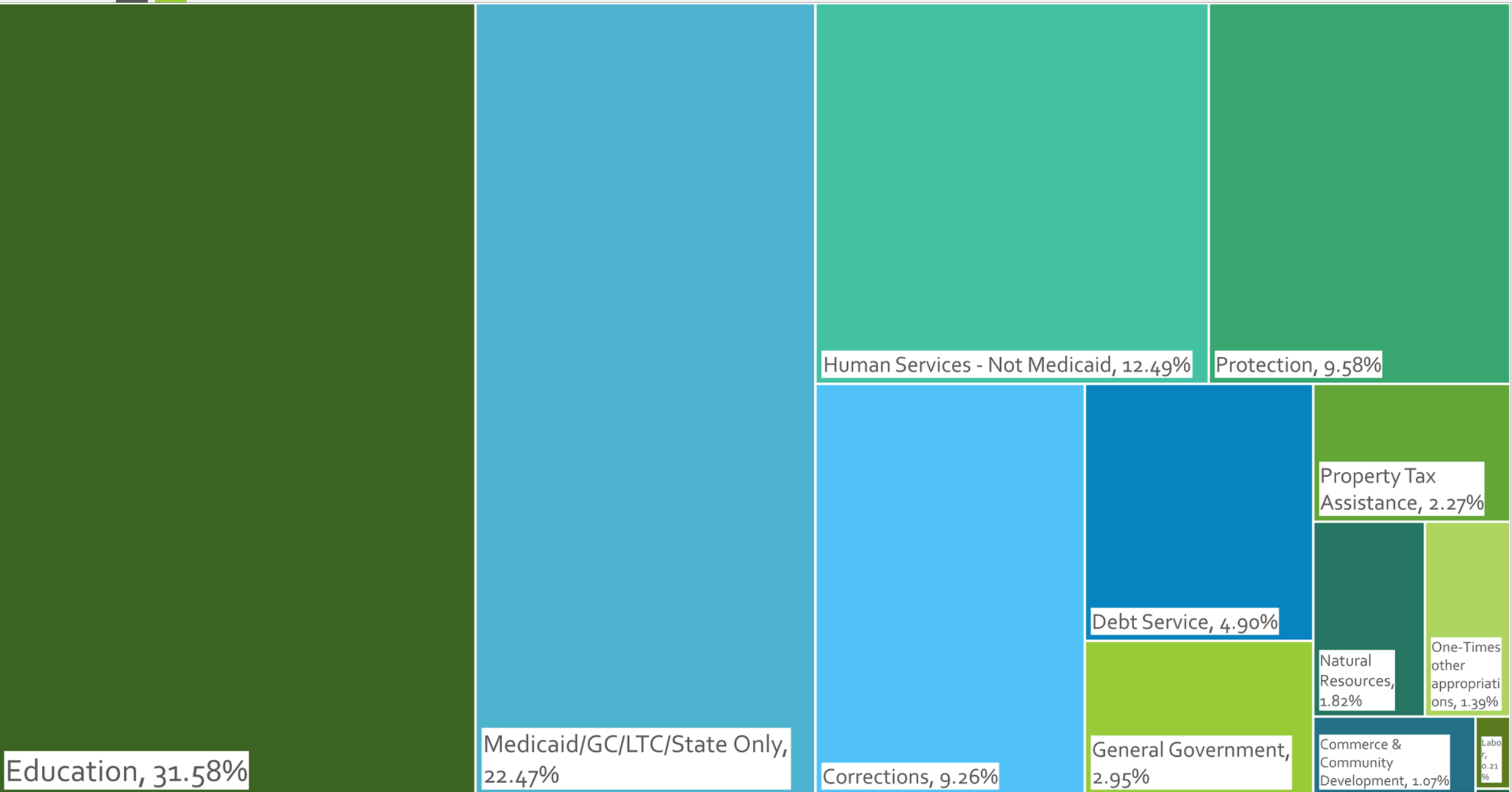


## General Fund Uses

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
<b>Total Uses</b>	<b>1,541.96</b>

# 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%
<b>Total GF</b>	<b>1,541.96</b>	<b>100%</b>



## 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
<b>Total Transfers to Other Funds</b>	<b>6.63</b>
To Budget Stabilization Reserve	2.78
To Federal Contingency & Caseload	22.00
To 27/53 Reserve	3.7
<b>Total Transfers</b>	<b>35.11</b>

# 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