

Fiscal Issues - January 10, 2017 - Draft

Stephen Klein, JFO

1. The Shumlin Speech: Follow up on Medicaid reserve +/- \$100 million:

- This consists of the Global Commitment Fund balance as of June 30, 2016 totaling of \$86.7m. In the initial 5yr capitated basis of the GC waiver, this reserve built up for the “tail” i.e. claims that would come in after the end of waiver. The program is budgeted on a cash basis but there are “incurred but not reported” (IBNR) expenses. The subsequent waiver renewal/extensions that ran through 12/31/2016 moved back to an actual expense basis. The newest 1/1/2017 waiver remains on an actual expense with a set limit for waiver investments. The need to fund the tail will depend on the overall limit of the current waiver and the terms of any subsequent waiver or successor programs.
- There is a current AHS federal receipts account balance of +/- \$60m. Some of this is in the range of normal fund balances as annually \$1.4 billion in federal receipts come in to the agency. Some of this will be used in the near term for budget adjustment due to changes in Global Commitment waiver investments. \$10 million of these funds will be proposed to be a caseload reserve. Fund balances change with changes in federal match or other elements of the funded programs

2. Governor Scott’s Speech: Questions for the Budget Development process:

- What changes are proposed for education funding - Pre k through Higher Ed?
- How will the fee bill or miscellaneous tax bill be handled? What will this mean for available revenue?
- What, if any spending limits will be proposed?
 - How will they work where government spending is often countercyclical with costs higher in worse economic years?
 - How will measurement be done when most GDP measures are retrospective and budget development is prospective?
- What type of sustainable budgeting will be proposed?

3. Revenue Update - Potential Revenue downgrade in FY 2017 and 2018

- Tracking Through December
 - Relative strength
 - Corporate Revenue refunds is an issue, this impacts corporate estimates
 - Potential for downgrades

4. January Schedule

- Budget Adjustment Bill to HAC January 10, 2017 -- Timing of action on budget adjustment to be determined

- Emergency Board January 19th 2017 - Official Revenue Forecast - Briefings in Committee
- Budget Address January 24, 2017 - Issues
- Other January issues
 - Release of JFO Tax Study Around January 17, 2017
 - Possible Testimony on Health Exchange from SSG same week

5. Federal context

- Budgets that are developed for FY 2018 and beyond will be done in an environment of continued Federal uncertainty
 - Health Care - Waivers and continuance
 - Social Programs and other budget issues
 - Environmental issues and other policy and law changes
- Marcia Howard of FFIS expressed likelihood no real clarity before FFY 2018 budget this summer...Even then picture may remain unclear

6. The Clean Water Initiative

- Estimated need is up to \$67.7 million public and private state fund need.... \$25 million proposal?

7. Longer Term Liabilities – Required per Sec. E.100.9 of Act 172 - List will appear in the budget

8. Process of institutionalizing RBA or other government performance issues