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*Adam Greshin, Commissioner*

## MEMORANDUM

TO: Chair Toll and Members of the House Appropriations Committee  
FROM: Adam Greshin  
DATE: January 30, 2018  
RE: Management Savings Enacted Under Act 85, Section B.1102

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It has come to our attention that your committee has questions about how the management savings enacted under Act 85, Section B.1102 are reflected in departments' FY 2019 Governor's Recommended budgets.

As you will recall, the \$5.0M in FY 2018 mandated savings were reported to the Joint Fiscal Committee on November 9, 2017. Please refer to the report submitted at that time provided here: [http://www.leg.state.vt.us/jfo/jfc/2017/2017\\_11\\_09\\_JFC\\_Meeting/Fiscal%20year%202018%20Management%20Savings.pdf](http://www.leg.state.vt.us/jfo/jfc/2017/2017_11_09_JFC_Meeting/Fiscal%20year%202018%20Management%20Savings.pdf). Departments' FY 2018 budgets will be reduced accordingly.

The vast majority of the management savings were base savings and therefore are reflected in departments' FY 2019 budget materials. (See below for an exception.) As such, these management savings reductions were treated as part of departments' FY 2018 "adjusted base." In other words, when their budgets were reviewed by Finance and Management and the Governor's Office, a "level-funded" budget would be one in which the department received the same appropriation as they did in FY 2018 **after** the management savings.

(One exception is the \$39,000 item in the Military Department for veterans' childrens' scholarships; in retrospect, that should not have been a base reduction under the management savings construct and is added back in the Military's FY 2019 Governor's recommendation.)

The management savings items that your committee will most frequently encounter are workers' compensation; VISION charge; and travel reduction. Each is discussed below.

### **Workers' Compensation Charge:**

The Agency of Administration, in consultation with the new third-party administrator, has identified significant savings opportunities in this program, and FY 2018 allocated charges to departments were reduced accordingly. Under the management savings, departments with General Fund appropriations

received proportional reductions to their General Funds because they do not need the General Funds to pay the workers compensation charges. (Non-General Funds departments receive the benefit of lower workers compensation charges, freeing up their special or federal funds to support their programs.)

For FY 2019, reduced workers compensation charges remain in place, and in fact declined slightly further. Thus, as compared to FY 2018 As Passed, departments will have experienced two reductions in General Funds, one for the management savings, and a smaller one as part of the FY 2019 build. Because the underlying workers compensation charges declined accordingly, departments should experience no negative impact. The long-term impact will be driven by departmental experience.

**VISION charge:**

Like Workers Compensation, the VISION program is one in which charges are allocated across State government. Departments supported with General Funds generally receive proportional increases or decreases consistent with changes in the VISION allocation. As with workers compensation, savings were identified as part of the management savings initiative that allowed FY 2018 VISION allocated charges to be reduced, and General Funds appropriations will be reduced accordingly.

For FY 2019, the overall financial position of the VISION fund improved again, by \$300,000, but the Department of Finance and Management elected not to make General Fund appropriation changes, due to the small individual impact on departmental appropriations.

As with workers compensation, departments may have two budget line items for VISION: the FY 2018 management savings impact (now built into their FY 2018 adjusted base), and the FY 2019 change in their VISION allocated charge. (For the latter, they will not receive any change in the General Fund appropriation, but other fund sources could be affected.)

**Travel reduction:**

As part of the management savings, Executive Branch departments received a pro-rated share of a statewide reduction in travel expenses. As with workers' compensation and VISION, that reduction is now part of the departments' FY 2018 adjusted base.

**Other Items:**

The other management savings items are specific to individual departments. Those departments should be prepared to discuss the items with your committee.

If you need further clarification from the Department of Finance and Management, please let us know.