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January 31, 2019

The Honorable Jane Kitchel, Chair
Senate Committee on Appropriations
Vermont State House – Room 5
Montpelier, VT 05609

Dear Senator Kitchel,

As the Senate commences its markup of H.97, *An Act Relating to Fiscal Year 2019 Budget Adjustments*, (BAA), the following technical issues were identified and should be addressed in the Senate's amendments.

- **Section 63:** The House version changes the Governor's Recommended language, but incorrectly appropriates funds to the Global Commitment fund. The language should be modified as follows:
 - (a) To the extent that the Agency of Human Services and the Department of Finance and Management find the budgeted amount in the Global Commitment appropriations in fiscal year 2019 are not sufficient to cover the one-time costs incurred during fiscal year 2019 specifically attributable to the overlapping timing of Medicaid claims incurred prior to January 1, 2019 and prospective payments made to an Accountable Care Organization (ACO) for approximately 32,000 Medicaid beneficiaries newly attributed to an ACO on or after January 1, 2019, up to \$7,840,000 is unreserved from the Human Services Caseload Reserve and appropriated to the Agency of Human Services' Global Commitment appropriation as state matching general funds in Sec. B.301 of this Act. Fund. There shall be a corresponding appropriation for federal funds in Sec. B.301 of this Act, as required by the concurrent Federal Medical Assistance Percentage rate. The commensurate gross Global Commitment spending authority shall be appropriated as needed to respective departments and may be effectuated among the adjustments to Global Commitment appropriations pursuant to 2018 Special Session Acts and Resolves No. 11, Sec. E.301.2. ~~The Agency and the Department shall provide a report on the findings and the amount appropriated pursuant to this provision to the Joint Fiscal Office and as part of the fiscal year 2019 close out to the Joint Fiscal Committee.~~
- **Sections 88(b)(1-2):** The House version changes the Governor's Recommended treatment of retiring the OPEB interfund loan, and of the additional contribution of \$3.3M to the Vermont

Teachers' Retirement Fund. The language as originally proposed would have correctly recognized the transactions as expenditures in the fiscal year 2019 Comprehensive Annual Financial Report (CAFR), in accordance with generally accepted accounting principles (GAAP). Treating the transactions as transfers will require additional work when preparing the fiscal year 2019 CAFR, and in the case of the OPEB transaction, additional budget bill language. In order to treat the transaction as a transfer, while correctly reporting the retirement of the interfund loan in the fiscal year 2019 CAFR, the following addition to the House's language is needed:

- (1) State Treasurer: \$22,200,000 from the General Fund to the Retired Teachers' Health and Medical Benefits Fund to repay-in-full in fiscal year 2019 the interfund loan obligation authorized by 16 V.S.A. § 1944b(e). This transfer shall be recognized as an additional contribution to the Retired Teachers' Health and Medical Benefits Fund in fiscal year 2019.

Sincerely,



Adam Greshin
Commissioner

cc: Stephen Klein, Chief Fiscal officer, Joint Fiscal Office
Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office.
Matt Riven, Deputy Commissioner, Dept. of Finance & Management
Rich Donahey, Budget Director, Dept. of Finance & Management