

# Supplemental Background Materials on Unfunded Liabilities

For Senate Finance Committee

1/23/2020

Stephen Klein, Joint Fiscal Committee

**VT STATE TEACHERS RETIREMENT SYSTEM (VSTRS) AND VT STATE EMPLOYEES' RETIREMENT SYSTEM (VSERS)**

Pension: Currently 55.2% funded	
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>1,513,433,335</b>
<b>FY 2020 VSTRS Contribution:</b>	
Actuarial Recommended Contribution (ARC)	
General Fund	113,466,168
Education Fund	6,781,221
Contribution from Federal Grants at the local level	5,950,000
<b>TOTAL VSTRS CONTRIBUTION</b>	<b>126,197,389</b>
FY 2019 Contribution added in Budget Adjustment (H.97)	3,293,817
<b>TOTAL VSTRS CONTRIBUTION - BOARD RECOMMENDATION (Normal \$7,116,765)</b>	<b>129,491,206</b>

<b>Other VSTRS Post-Employment Benefits (OPEB)</b>	
OPEB: Currently not prefunded	
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>973,370,355</b>
<b>FY 2020 OPEB Contribution:</b>	
Actuarial Recommended Contribution (ARC)	
General Fund	31,067,652
Incl. \$5.6M (schools) and Employer Group Waiver Plan (EGWP)* (rebates)	7,087,111
<b>TOTAL VSTRS OPEB CONTRIBUTION</b>	<b>38,154,763</b>
Unpaid Unfunded Accrued Liability	20,097,860
<b>TOTAL VSTRS LIABILITY IN FY 2020</b>	<b>58,252,623</b>
NOTE: Pay Go amount is \$38,154,763; total estimated funding sources in FY 2020 results in an estimated fund balance of \$2,400,000 at the end of the fiscal year (.002%)	

Pension: Currently 70.7% funded	
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>779,804,010</b>
<b>FY 2020 VSERS Contribution:</b>	
Actuarial Recommended Contribution (ARC)	
All Funds	78,037,914
Town Contributions/Colleges (Legacy Members)	906,000
<b>TOTAL VSERS CONTRIBUTION (Normal \$17,587,034)</b>	<b>78,943,914</b>

<b>Other VSERS Post-Employment Benefits (OPEB)</b>	
OPEB: Currently 1.43% prefunded	
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>1,609,886,712</b>
<b>FY 2020 OPEB Contribution:</b>	
Pay-go health care cost estimate	
All Funds	37,185,907
<b>TOTAL VSERS OPEB CONTRIBUTION</b>	<b>37,185,907</b>
Additional Contribution needed to meet ARC (unpaid)	50,618,678
<b>TOTAL VSERS LIABILITY IN FY 2020</b>	<b>87,804,585</b>
NOTE: Pay Go amount is \$37,185,907	

<b>TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>4,876,494,412</b>
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## **FISCAL YEAR 2020 CHILD CARE FUNDING**

The Legislature added the following funds to the FY 2020 budget for the subsidized child care Fee-Scale Program:

\$5,823,714 Base Funds  
\$1,650,000 One-Time Funds for IT Upgrades and workforce incentives  
**\$7,473,714 TOTAL**

**Prior** to the FY 2020 addition, the 2019 base appropriation in Child Care was \$49.7M

### **MARKET PAYMENT RATES:**

In FY 2019 the subsidy rates paid to providers were as follows:

Infant & Toddler rates were @ the 2017 market rate  
Preschool rates were @ the 2009 market rate  
School age rates were @ the 2009 market rate

In FY 2020, after the addition of funds, the subsidy rates paid to providers are as follows:

The Infant & Toddler rates are @ the 2017 market rate  
The Preschool rates are @ the **2014** market rate  
The School age rates are @ the **2014** market rate

### **SUBSIDY RATE SCALE:**

In FY 2019 the subsidy was based upon the 2018 FPL and was as follows:

Client received 100% of subsidy if they were at 100% to 111% of FPL  
Client received 95% of subsidy if they were at 112% to 149% of FPL  
Client received 55% of subsidy if they were at 150% to 194% of FPL  
Client received 15% of subsidy if they were at 195%-300% of FPL  
Client received 0% if they were over 300% FPL

In FY 2020 the subsidy was based upon the 2019 FPL and is as follows:

Client receives 100% of subsidy if they are at 100% to **124%** of FPL  
Client receives 95% of subsidy if they are at **125% to 149%** of FPL  
Client receives **75%** of subsidy if they are at 150% to 199% of FPL  
Client receives **50% of they are at 200% to 299%** of FPL  
Client receives **10% of subsidy if they are at 300%** of FPL  
Client receives 0% of subsidy if they are over 300% of FPL

These changes also included a reconfiguration of the supplemental grants to providers who service a larger share of subsidized children.

## Federal Poverty Levels (FPLs)

**2019**

Household Size	100%	138%	150%	200%	250%	300%	400%	500%	600%	700%	800%
1	\$12,490	\$17,236	\$18,735	\$24,980	\$31,225	\$37,470	\$49,960	\$62,450	\$74,940	\$87,430	\$99,920
2	\$16,910	\$23,336	\$25,365	\$33,820	\$42,275	\$50,730	\$67,640	\$84,550	\$101,460	\$118,370	\$135,280
3	\$21,330	\$29,435	\$31,995	\$42,660	\$53,325	\$63,990	\$85,320	\$106,650	\$127,980	\$149,310	\$170,640
4	\$25,750	\$35,535	\$38,625	\$51,500	\$64,375	\$77,250	\$103,000	\$128,750	\$154,500	\$180,250	\$206,000
5	\$30,170	\$41,635	\$45,255	\$60,340	\$75,425	\$90,510	\$120,680	\$150,850	\$181,020	\$211,190	\$241,360
6	\$34,590	\$47,734	\$51,885	\$69,180	\$86,475	\$103,770	\$138,360	\$172,950	\$207,540	\$242,130	\$276,720
7	\$39,010	\$53,834	\$58,515	\$78,020	\$97,525	\$117,030	\$156,040	\$195,050	\$234,060	\$273,070	\$312,080
8	\$43,430	\$59,933	\$65,145	\$86,860	\$108,575	\$130,290	\$173,720	\$217,150	\$260,580	\$304,010	\$347,440

Note: 2019 FPLs used to calculate many 2020 benefits including Vermont Health Connect Premium Assistance and Cost Sharing Reduction Programs.

**2020**

Household Size	100%	138%	150%	200%	250%	300%	400%	500%	600%	700%	800%
1	\$12,760	\$17,609	\$19,140	\$25,520	\$31,900	\$38,280	\$51,040	\$63,800	\$76,560	\$89,320	\$102,080
2	\$17,240	\$23,791	\$25,860	\$34,480	\$43,100	\$51,720	\$68,960	\$86,200	\$103,440	\$120,680	\$137,920
3	\$21,720	\$29,974	\$32,580	\$43,440	\$54,300	\$65,160	\$86,880	\$108,600	\$130,320	\$152,040	\$173,760
4	\$26,200	\$36,156	\$39,300	\$52,400	\$65,500	\$78,600	\$104,800	\$131,000	\$157,200	\$183,400	\$209,600
5	\$30,680	\$42,338	\$46,020	\$61,360	\$76,700	\$92,040	\$122,720	\$153,400	\$184,080	\$214,760	\$245,440
6	\$35,160	\$48,521	\$52,740	\$70,320	\$87,900	\$105,480	\$140,640	\$175,800	\$210,960	\$246,120	\$281,280
7	\$39,640	\$54,703	\$59,460	\$79,280	\$99,100	\$118,920	\$158,560	\$198,200	\$237,840	\$277,480	\$317,120
8	\$44,120	\$60,886	\$66,180	\$88,240	\$110,300	\$132,360	\$176,480	\$220,600	\$264,720	\$308,840	\$352,960

Notes: Effective January 15, 2020.

For families with more than 8 persons, add \$4,480 for each additional person.

JFO DRAFT

1/22/2020

UPDATED

Source: Office of the Assistant Secretary for Planning and Evaluation (ASPE), U.S. Department of Health & Human Services.

<https://aspe.hhs.gov/poverty-guidelines>

Vermont Housing Conservation Board (VHCB)

Fiscal Year	Revenue Forecast Property Transfer Tax	VHCB Statutory Distribution	Actual Appropriation	Difference	Capital Bill Appropriation	Total State Appropriations	Use of Housing Revenue Bond
2021 Gov	48,200,000	22,393,000	10,804,840	11,588,160	4,600,000	15,404,840	
2020	45,100,000	20,874,000	10,804,840	10,069,160	4,600,000	15,404,840	6,100,000
2019	44,100,000	20,384,000	9,804,840	10,579,160	5,650,000	15,454,840	12,990,000
2018	40,900,000	18,816,000	9,804,840	9,011,160	5,000,000	14,804,840	17,900,000
2017	38,700,000	18,963,000	11,304,840	7,658,160	4,000,000	15,304,840	
2016	35,700,000	17,493,000	9,554,840	7,938,160	4,550,000	14,104,840	
2015	33,622,293	16,474,924	14,954,840	1,520,084		14,954,840	
2014	30,900,000	15,141,000	14,014,000	1,127,000		14,014,000	
2013	28,500,000	13,965,000	13,688,640	276,360		13,688,640	
2012	25,500,000	12,622,500	8,047,500	4,575,000	4,000,000	12,047,500	
2011	23,900,000	11,830,500	6,101,662	5,728,838	5,000,000	11,101,662	
2010	23,800,000	11,781,000	7,101,662	4,679,338	1,000,000	8,101,662	
2009	25,900,000	12,820,500	13,164,095	(343,595)		13,164,095	
2008	34,000,000	16,830,000	15,483,258	1,346,742		15,483,258	
2007	39,300,000	19,453,500	14,763,883	4,689,617		14,763,883	
2006	43,700,000	21,631,500	15,671,180	5,960,320		15,671,180	
2005	45,200,000	22,374,000	12,604,000	9,770,000		12,604,000	
2004	33,951,657	16,806,070	12,604,000	4,202,070		12,604,000	
2003	27,500,000	13,612,500	11,088,000	2,524,500		11,088,000	
2002	25,015,560	12,382,702	11,671,333 **	711,369		11,671,333	
2001	21,400,000	10,593,000	15,093,000 *	(4,500,000)		15,093,000	
2000	20,900,000	10,345,500	9,536,000	809,500		9,536,000	
1999	19,200,000		8,284,741			8,284,741	
1998	15,100,000		5,184,741			5,184,741	
1997	13,700,000		1,034,741			1,034,741	
1996			1,284,741			1,284,741	
							36,990,000

\*In FY 2001 Includes One Time Funds of \$4.5M

\*\*In FY 2002 Includes One-Time funds of \$583,333

NOTE: Starting in FY 2018, the dedication of \$2,500,000 in revenue from the PTT pursuant to 32 V.S.A. Sec. 9610(d) for debt payments on the affordable housing bond (10 V.S.A. Sec. 314) is to be offset by the reduction of \$1,500,000 in the appropriation to the VHCB and \$1,000,000 from the surcharge established by 32 V.S.A. Sec. 9602a. The FY 2018 and 2019 appropriation of \$9,804,840 to VHCB reflects the \$1,500,000 reduction. The affordable housing bond and related PTT and surcharge provisions are repealed after the life of the bond on July 1, 2039. Total housing bond proceeds are \$36.99M used over three years.

One time GF	Appropriations	
FY 1999	5,500,000	Champion land
FY 2000	6,000,000	
FY 2001	4,500,000	
FY 2002	583,333	
FY 2020	500,000	Legacy Cnsv Proj

**UNFUNDED BUDGET PRESSURES**

Draft 1/24/2020

	Annual Need Unfunded	Long Term Total need	COMMENT
<b>TRANSPORTATION INFRASTRUCTURE</b>	233	??	The annual need is estimated to be \$849M. Available funds are \$616M
<b>RETIREMENT SYSTEMS</b>			
Teachers - VSTRS			
Pension		1,554	Represents unfunded actuarial liability as of 6/30/2019
OPEB		1,041	Represents unfunded actuarial liability as of 6/30/2019
State Employees - VSERS			
Pension		815	Represents unfunded actuarial liability as of 6/30/2019
OPEB		1,228	Represents unfunded actuarial liability as of 6/30/2019
<b>Subtotal Retirement</b>		<b>4,638</b>	Represents unfunded actuarial liability as of 6/30/2019
<b>CHILD CARE</b>			
2014 Market rate to 2017	6.1		To determine subsidy rate paid to child care provider
Federal Poverty Level to 2020	0.8		To determine eligibility and subsidy benefit for client
<b>REACH UP</b>			
			To fund at 100% of the Basic Needs Standard based on the current caseload and the standard of need in 2021 prior to any rateable reduction. Currently funded at 49.6% of the basic needs standard determined as of 2008. This was raised in the FY 2020 budget from the 2004 basic needs standard.
End rateable reduction	23.9		
<b>VHCB/RP/MP</b>	16.8		Requirement if formula was followed. Funded with the Property Transfer Tax
<b>INTERNAL SERVICE FUND DEFICITS</b>			
State Liability Insurance		4	To retire internal service fund deficit
Workmans Comp		2.9	Rate increase planned
Copy Center		1	Improving in past years
Postage Fund		3.6	Issue with costs not being included in margin charges and reduced usage; for example postage security
Comm and Info Technology (CIT) Fund		4.56	Mitigation plan in place. The FY 2021 budget incudes \$1.19M towards retiring the deficit. This balance is prior to the FY 2021 budget.
<b>Subtotal Non Transportation</b>	<b>47.637</b>	<b>16.06</b>	
<b>Subtotal Transportation</b>	<b>233</b>		
<b>Total</b>	<b>280.637</b>	<b>4,654.27</b>	