



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Legislative Management Committee
From: Daniel Dickerson, Joint Fiscal Office
Cc: Legislative Branch Department Heads
Date: November 1, 2021
Subject: Legislative branch budgets – FY22 BAA and FY23 Big Bill

2 V.S.A. §42(a)(1), as established in Act 144, 2020, states that the Joint Legislative Management Committee shall: *“prepare a proposed budget for the Legislative Branch that includes a budget for each legislative office.”*

This memo, and the attached budget numbers, contains 1) the legislative branch budget adjustment act (BAA) request for FY2022 and 2) the proposed legislative branch appropriations for FY2023. These budgets have been prepared by the Joint Fiscal Office in collaboration with legislative branch departments. Budget numbers are shown below.

Legislative Branch FY22 BAA and FY23 Appropriation - Request		
	FY22 Budget Adjustment	FY23 Big Bill
FY22 Legislative Branch appropriations (Act 74)	\$17,184,072	
FY22 BAA request	\$295,000	
FY22 Legislative Branch appropriations w/ BAA	\$17,479,072	
FY23 Legislative Branch appropriation request		\$18,461,755
<i>Dollar Change (FY22 BAA. to FY23)</i>		\$982,683
<i>Percent Change (FY22 BAA to FY23)</i>		5.6%
Legislative Branch reversions - proposed	(\$295,000)	(\$250,000)

The FY22 legislative branch budget adjustment (BAA) request is for \$295,000 between the Joint Fiscal Office budget and the Legislature budget to fund initiatives that were either outlined in Act 74, the FY22 appropriations bill, or authorized by the Joint Fiscal Committee. The budget

adjustment proposal includes a reversion of prior-year carry-forward¹ from the Legislature budget totaling \$295,000, which would cover the cost of the additional funding in FY22.

The growth in legislative budgets from FY22 to FY23 primarily reflects increased costs to provide base services. Over half of budget growth will be driven by annualizing the costs of the most recent pay act, which gave 4.15% salary increases to legislators and staff, annualizing the increase in the state-share rate for defined benefit plans from 21.4% to 25.5%, and building in increased health care premium costs. Other cost drivers include staff transitions that have resulted in higher health care and retirement costs, and in some cases higher salary costs, as well as increased costs for IT service contracts and software licenses and limited increased costs for other operating items.

Overall legislative branch budget growth in FY23 would be at 5.6%. In order to reduce demands on a revenue-challenged General Fund, the legislative branch budget package proposes a \$250,000 reversion to cover some of the new budget growth in FY23.

FY22 Budget Adjustment Requests:

1. **JFO IT project review consultant:** At the direction of the General Assembly, the Joint Fiscal Office (JFO) has engaged with an IT project review consultant since 2015. JFO previously covered the costs of this consultant through capital bill funds tied to discrete IT projects. These projects are no longer being funded through the capital bill. Act 74 directed JFO to fund IT project review work through legislative carry-forward in FY22-23. The BAA request proposes that funding for the \$125,000 cost go into the JFO base budget in FY22 with an offsetting reversion from legislative carryforward funds. The same amounts and process are applied in FY23.
2. **JFO limited-service position funding:** The Joint Fiscal Committee authorized the creation of a limited-service position within JFO at its meeting on September 17, 2021. This position will primarily focus on research and analysis related to the allocation of American Recovery Plan Act (ARPA) dollars over the next few years. JFO has requested \$65,000 of general funding through the BAA in FY22 to cover the cost of the position for a partial year. Full funding of \$105,000 is being requested in the FY23 appropriation request.
3. **Legislature HR position funding:** Act 74 authorized a new human resource associate limited-service position to be established in FY22. This position has been created and hired to provide support to the director of human resources. No funding was provided for the legislature's budget in FY22 to cover these costs. The FY22 BAA request includes \$105,000 in funding for the position.

Budget Pressures:

1. **Pay Act and Benefits changes:** Legislative staff and legislators received 4.15% salary increases in July 2021. Additionally, the state-share cost for employees participating in the defined benefit plan increased from 21.4% to 25.5% in FY22. Finally, health care premiums will increase by 7% on January 1, 2022 and 7% on January 1, 2023, which

¹ A *reversion* is the cancellation of previously granted spending authority. *Carryforward* represents unexpended funds from one year to be used in a subsequent year for the same purpose as originally appropriated.

averages out to a 10.7% increase in FY23. All these increases have been included in the FY23 budget requests as increases needed to maintain base services. Taken alone, the pay act and benefits changes represent two-thirds of branch-wide budget growth from FY22 to FY23.

2. **Internal Service Fund changes:** The budget instructions from the executive branch advised departments to build in 3% increases for all internal service fund costs (i.e. fee-for-space, VISION, worker's compensation, etc.). At 3%, these changes are relatively minor, however the final internal service fund costs will likely be higher. The administration will likely finalize these amounts in December and any adjustments would result in changes to the final budget.
3. **Personnel changes:** Legislative offices have undergone many staffing changes in FY22. In cases where new employees are hired to fill existing positions, the new individuals that have been hired are primarily opting into higher cost benefits packages than previous incumbents. Additionally, some positions are being filled at higher salaries than previously budgeted. Finally, the budgets include the full annualized costs for the new limited-service position in JFO.
4. **Other budget pressures:** Most of the remaining budget pressures are tied to increased costs for information technology (IT) contracts and software licenses tied to current services. The IT department has mitigated some of these increases by reducing new projects, but some new funding is needed in FY23 to cover these costs. The remaining budget pressures can be attributed to minor increases in legislative operating costs.

Reversions:

The legislative branch budget package includes a proposed supplemental FY22 reversion² of \$295,000 from the Legislature to cover the FY22 funding request. An FY23 reversion from legislative offices totaling \$250,000 is also included in the budget package.

Proposed Motions:

FY22 BAA: Move to support the proposed fiscal year 2022 legislative branch budget adjustment appropriations as presented to the Joint Legislative Management Committee on November 1, 2021.

FY23 Budgets: Move to support the proposed fiscal year 2023 legislative branch appropriations as presented to the Joint Legislative Management Committee on November 1, 2021 and require that the Chair and Vice-Chair will be notified of any substantial changes prior to the executive branch budget recommendation to determine whether formal review by the committee is necessary.

² The supplemental FY22 reversion of \$295,000 would be in addition to the \$140,000 reversion from the Legislature in Act 74, sec. D.101(d)

Legislative Branch budgets – department breakdown				
	FY22	FY23	Change	Change
Department	Appropriation³	Request	\$	%
Legislature ⁴	\$8,906,637	\$9,202,565	\$295,928	3.3%
Legislative Counsel	\$3,400,236	\$3,656,402	\$256,166	7.5%
Legislative IT	\$1,591,915	\$1,705,238	\$113,323	7.1%
Joint Fiscal Office	\$2,512,260	\$2,720,358	\$208,098	8.3%
Sgt. At Arms	\$1,068,024	\$1,177,192	\$109,168	10.2%
Total	\$17,479,072	\$18,461,755	\$982,683	5.6%

³ FY22 appropriations for the Legislature and the Joint Fiscal Office include the FY22 BAA supplemental appropriations.

⁴ The Legislature budget includes funding for the General Assembly, House Clerk, Senate Secretary, Leadership positions, Office of Legislative Operations, and the Office of Human Resources.