

# Welcome to the Budget

House Appropriations Committee

Budget Overview

January 2023



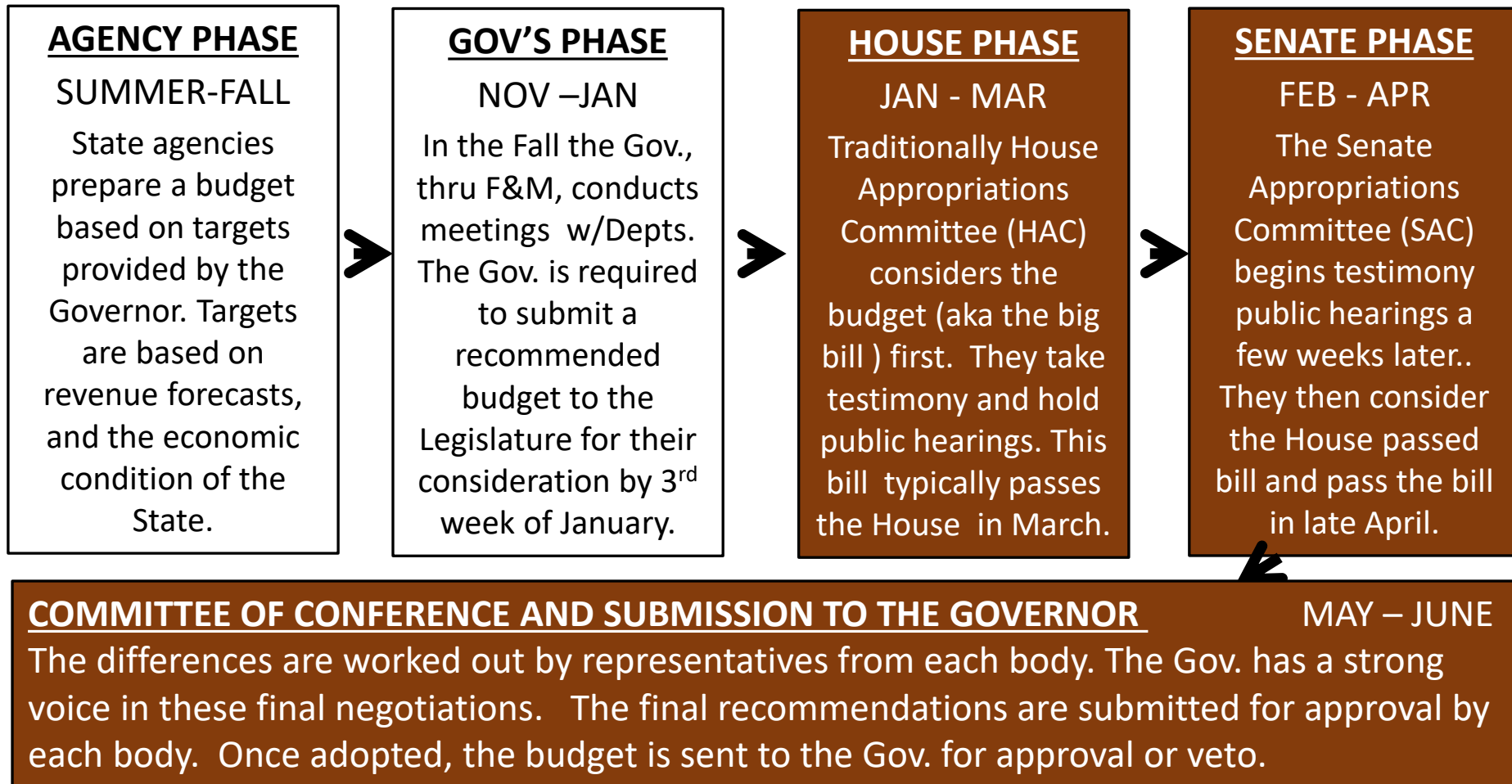
# What is the State Budget?

- The State Budget is a plan for the coming fiscal year that authorizes the expenditure of funds for specific purposes.
- The budget includes the appropriation of funds from available fund sources.
- The budget is not set in stone and parts of it are adjusted both in the Budget Adjustment Bill and in the budget for the following year, the Big Bill.



# Process for Developing Vermont's Omnibus Appropriations Bill

The budget is the only bill that must pass the Legislature each year  
The State budget is developed each year. The fiscal year runs from July 1 thru June 30  
The process of developing the budget begins 9 months prior to the start of the fiscal year



# Where Does the Money Come From?

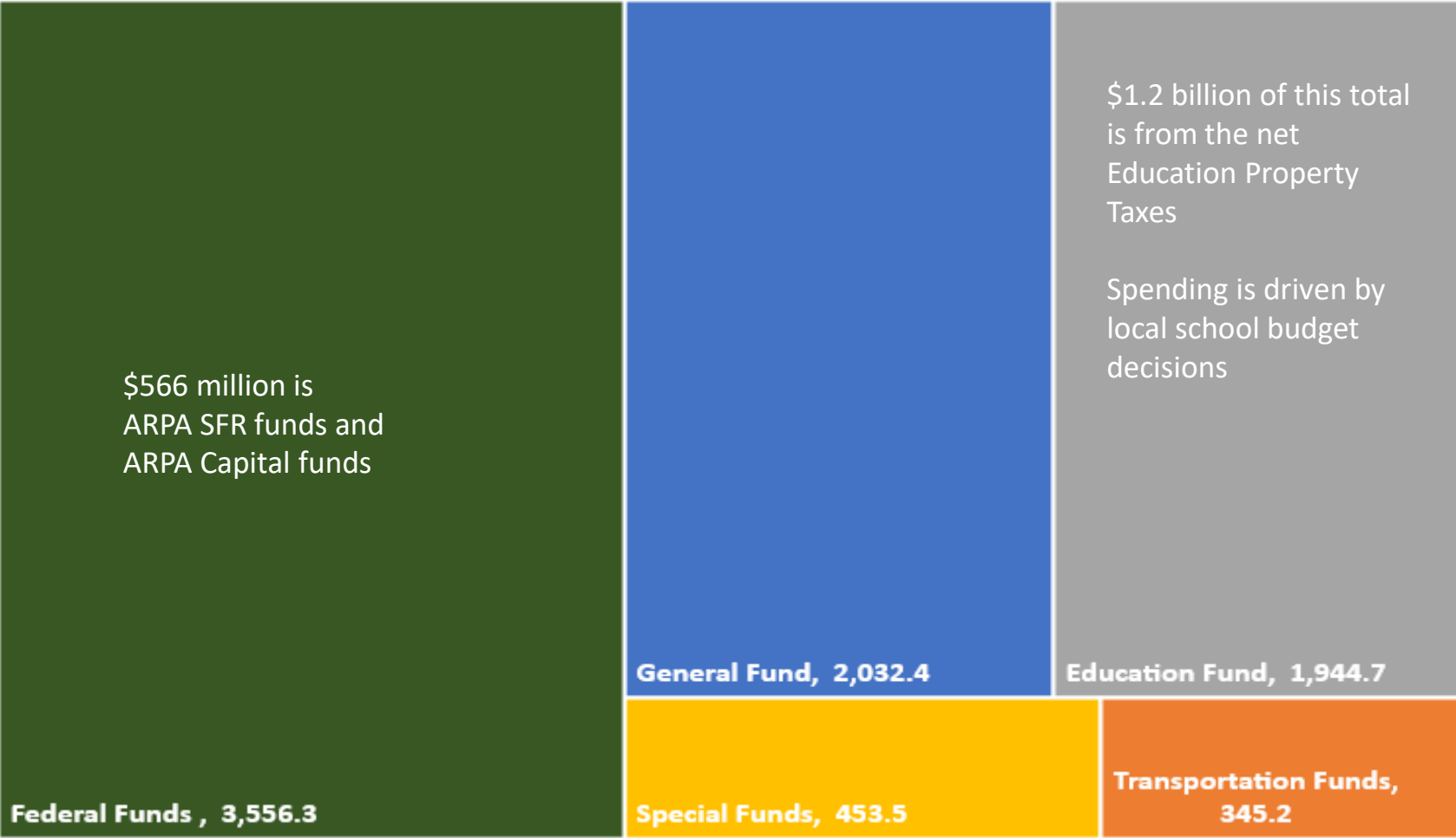
- **General Fund:** Personal Income taxes, Corporate tax, 75% of Meals and Rooms tax, Liquor tax, Property Transfer tax, and misc. other taxes
- **Transportation Fund:** Gas tax, 66.6% of the Automobile Purchase and Use tax, and Federal funds dedicated to transportation projects
- **Education Fund:** 100% of Sales and Use tax, 25% of Meals and Rooms tax, 33.3% of Purchase and Use tax, Lottery proceeds. Balance is paid from Statewide property taxes
- **Federal Funds:** Various federal grants and funding streams
- **Medicaid Global Commitment Funds:** Vermont has a Federal waiver for most of Medicaid with flexibility and investments that would otherwise not be allowed. Revenue here is appropriated from Federal and other funds first.
- **Special Funds:** Includes several sources of revenue raised for specific purposes (Clean Water fund, VT Dairy Promotion fund, etc.) **Fish and Wildlife Fund:** License fees and federal grants dedicated to fish and wildlife purposes. **Other Misc. Funds:** There are several other funds established for specific purposes including, for example, Enterprise Funds, and Capital Funds from the issuance of bonds



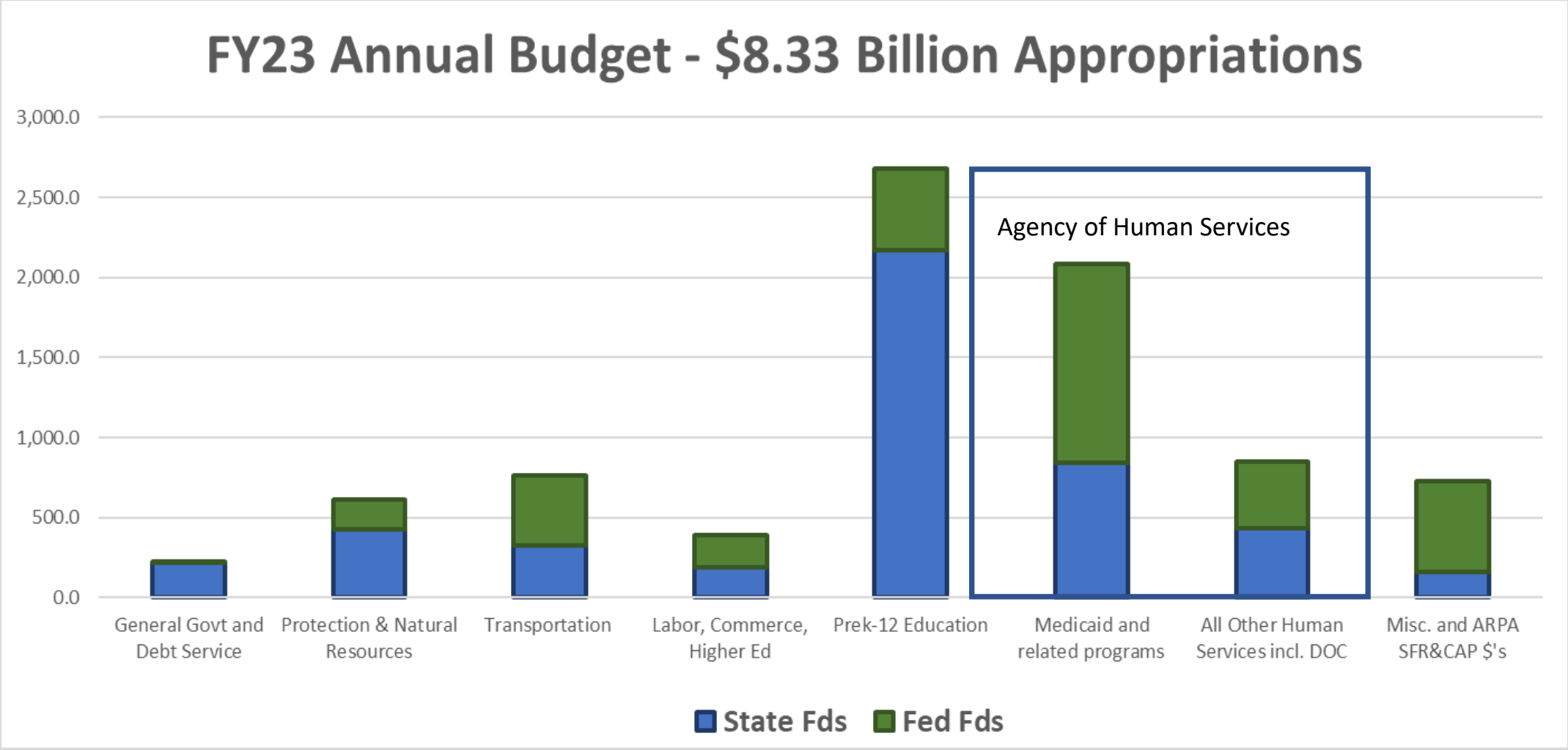
# FY23 Operating Budget - \$8.3 Billion (Appropriations)

(Dollars in millions)

■ General Fund ■ Transportation Funds ■ Education Fund ■ Special Funds ■ Federal Funds



# Where Does the Money Go? (Dollars in millions)



# Where The Money Goes, Another View

- Another very high-level way to think about the state budget - What does it buy
  - People -about 14% of the total base budget is spend on state employees
  - Space, Computers, Software, and Supplies etc. – about 8% is spent on operating costs
  - The rest goes out to providers and communities to the benefit of Vermonters
    - This includes contractors for our roads, bridges and paving as well as grants to towns for road maintenance
    - This includes grants to Designated Agencies for Mental Health and Developmental Disabilities service and support and payments to Health Care providers for Medicaid patients
    - This includes grants for community and housing development
    - This includes grants to schools for operations and categorical programs



# General Fund – Flexible but Obligated

## **Total FY23 GF Appropriations**

**\$2,035 M**

- Teachers' Retirement/OPEB \$189M
- Medicaid/Global Commitment \$665M
- Corrections \$164M
- Debt Service \$76M

## **Subtotal**

**\$1,130M**

**56% of GF**

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# Organization of Budget by Function of Government

- General Government
- Protection to Persons and Property
- Human Services
- Labor
- General Education (K-12)
- Higher Education (College, VSAC)
- Natural Resources
- Commerce and Community Development
- Transportation
- Debt Service



# Base Funds Versus One-Time Funds

- Base funds are included the official revenue forecast and will be part of the revenues available to the state in future years. These are funds that support on-going programs and operations of state government.
- One-time funds are non-recurring revenues or fund balances. These may include special fund balances and court settlements. These funds are generally used to address one-time spending issues or are reserved for future use.



# Typical Spending Pressures Facing Vermont

- Pay Act – annualization of salary costs
- State operations, inflation, workforce pressures
- Unfunded liabilities (pensions, OPEB)
- Caseload and program pressures
- Other base needs



# Development of the FY 2024 Budget -Pressures

## Operating Base Budget

- Emergency/Transitional Housing
- Medicaid
- Corrections operations and costs: court reopening and pandemic easing
- Pensions: annual funding obligations of OPEB and Pension remain a constant challenge
- Tax expenditures (exemptions that reduce revenues)
- Higher Education base funding
- Etc.

## Investments (state and federal funds)

- Workforce/Economic Development
- Housing
- Climate change
- Clean Water
- Broadband
- Childcare
- Paid Family Leave
- Higher Education
- Federal match needs
- Etc.



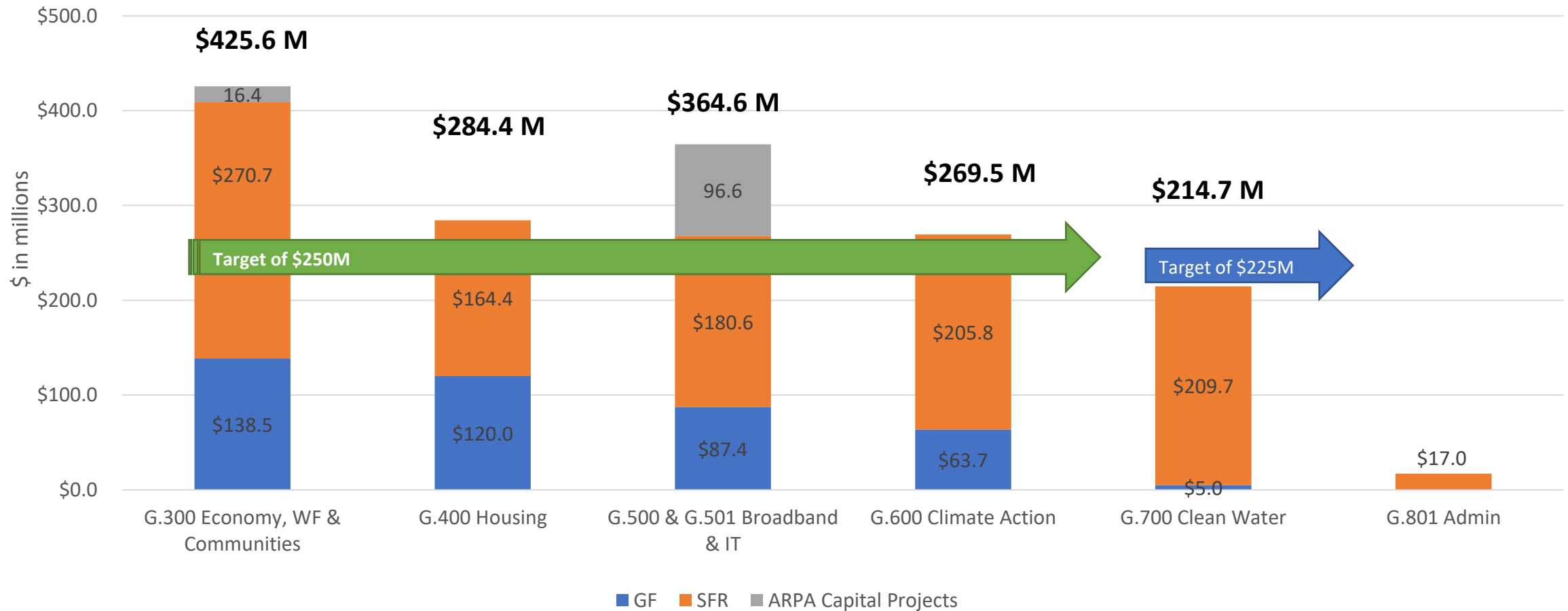
# Reserves

- VT has healthy reserves. At the close of FY22 balances were:

	<i>(in millions)</i>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>General Fund</b>					
Unallocated Fund Balance		0.0	0.0	3.6	91.5
Stabilization Reserve		78.2	79.8	81.9	87.1
Rainy Day Fund Reserve		31.6	31.6	80.4	80.4
Human Service Caseload Reserve		100.1	98.2	97.7	97.7
27/53 Payment Reserve		14.4	18.4	20.3	0.0
Pension/OPEB Reserve		0.0	0.0	150.0	0.0
<b>TOTAL GF</b>		<b>224.2</b>	<b>228.1</b>	<b>433.9</b>	<b>356.7</b>
<b>Education Fund</b>					
Unallocated Fund Balance		19.4	0.0	28.7	12.9
Stabilization Reserve		37.0	33.0	38.2	39.3
PCB Reserve		0.0	0.0	0.0	32.0
Pension/OPEB Reserve		0.0	0.0	14.0	0.0
<b>TOTAL EF</b>		<b>56.4</b>	<b>33.0</b>	<b>80.9</b>	<b>84.2</b>
<b>Transportation Fund</b>					
Unallocated Fund Balance		0.0	24.2	28.6	15.3
Stabilization Reserve		13.8	14.1	11.9	13.3
<b>TOTAL TF</b>		<b>13.8</b>	<b>38.3</b>	<b>40.5</b>	<b>28.6</b>



# VT's Appropriated ARPA SFR (\$1B) & CAP (\$113m) plus GF \$415m – thru FY23 As Passed



# Upcoming Session

- Fund base with ongoing revenue and strategic investments with one-time funding
- Need to be diligent about the revenue outlook in future years
- Understand and maximize federal funds
- Assess and understand status of investments

