

# Year-end Closeout Language

House Appropriations Committee  
Emily Byrne, Deputy Fiscal Officer, Joint Fiscal Office  
January 23, 2026



The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

# Outline

- Proposed BAA language regarding closeout of the General Fund and the Child Care Contribution Special Fund
  - Current state and why this is necessary
  - What the new language does



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

# Background and Current Closeout Process



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

# Background

- Act 76 (2023) made significant investments in Vermont's child care system and established the Child Care Contribution Special Fund to pay for them
  - The Fund receives money from a Payroll Tax also established by Act 76
- To simplify administration, the Department of Taxes collects the Payroll Tax when it collects Personal Income Tax withholding from employers
  - This means that both taxes are initially deposited into the General Fund
- The Department of Taxes must then, at the end of each quarter, reconcile Personal Income Tax receipts with the Payroll Tax to make sure the correct amount is transferred from the General Fund to the Child Care Contribution Special Fund
- This process works for the first three quarters of the fiscal year but becomes an issue for the fourth quarter and fiscal year-end closeout



# Background (continued)

- Currently, the reconciliation process for the fourth quarter can't be done until November
- Because of this, the Department of Finance and Management can't close the General Fund until November either
  - The reconciliation process has to be completed before General Fund closeout, otherwise any Payroll Tax revenue in the Fund would be subject to statutory and session law closeout provisions
  - Would mean the last quarter of Payroll Tax revenue wouldn't go to the Child Care Contribution Special Fund

# Current Statutory Fiscal Year Closeout Steps

## Step 1: 32 V.S.A § 308

- General Fund Stabilization Reserve – up to 5% of prior year appropriations

## Step 2: 32 V.S.A. § 308c

- Anything remaining on the bottom line:
  - 50% to the General Fund Balance Reserve (Rainy Day Fund)
  - 25% to the Vermont State Retirement Fund
  - 25% to the Postretirement Adjustment Allowance Account



JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

# Fiscal Year 2025 Closeout



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

# Fiscal Year 2025 Closeout

- The Department of Finance and Management, JFO, and the Department of Taxes worked together to estimate the amount of the Payroll Tax that was collected in the fourth quarter of fiscal year 2025
- These funds were then reserved in the General Fund for transfer to the Child Care Contribution Special Fund at the close of fiscal year 2025
- Once the funds were reserved, the Department of Finance and Management could close the General Fund
- Once the General Fund was closed, the funds were unreserved and then transferred to the Child Care Contribution Special Fund



# Fiscal Year 2025 Closeout Steps

## Step 1: 32 V.S.A § 308

- General Fund Stabilization Reserve – up to 5% of prior year appropriations

## Step 2: Act 27 Sec. B.1101

- Contingent transaction list
- Sec. B.1101 of Act 27 (the fiscal year 2026 budget)
- Sec. B.1101 used notwithstanding language to ensure that the contingent transactions were executed before the requirements of 32 V.S.A. 308c – *this must be done any time contingent closeout transactions are made*

## Step 3: 32 V.S.A. § 308c

- Anything remaining on the bottom line:
  - 50% to the General Fund Balance Reserve (Rainy Day Fund)
  - 25% to the Vermont State Retirement Fund
  - 25% to the Postretirement Adjustment Allowance Account



# Proposed BAA Language



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

# Proposed BAA Language

- Codifies the process that was done for the fiscal year 2025 closeout in statute
- Ensures that timely close of the General Fund
- Ensures that the Child Care Contribution Special Fund receives the full amount of money it is due



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

12

(a) Annually, not later than the close of the first week of the new fiscal year, the Department of Taxes and the Joint Fiscal Office shall provide the Department of Finance and Management a consensus estimate of the anticipated fourth quarter receipts from the Child Care Contribution, pursuant to 32 V.S.A chapter 246, for the fiscal year being closed.

(b) As part of the annual fiscal year closeout process, the Commissioner of Finance and Management shall reserve an amount of General Funds equal to the consensus estimate provided in subsection (a) of this section prior to executing the requirements of 32 V.S.A. § 308c.



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

14

(c) Upon completion of the annual fiscal year end General Fund closeout process, the Commissioner of Finance and Management shall immediately unreserve the amount reserved pursuant to subsection (b) of this section.



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

15

*(d) If the amount unreserved pursuant to subsection (c) of this section is determined to be greater than the actual receipts due to the Child Care Contribution Special Fund, then the excess shall immediately be reserved in accordance with 32 V.S.A. §308c.*



**JFO**

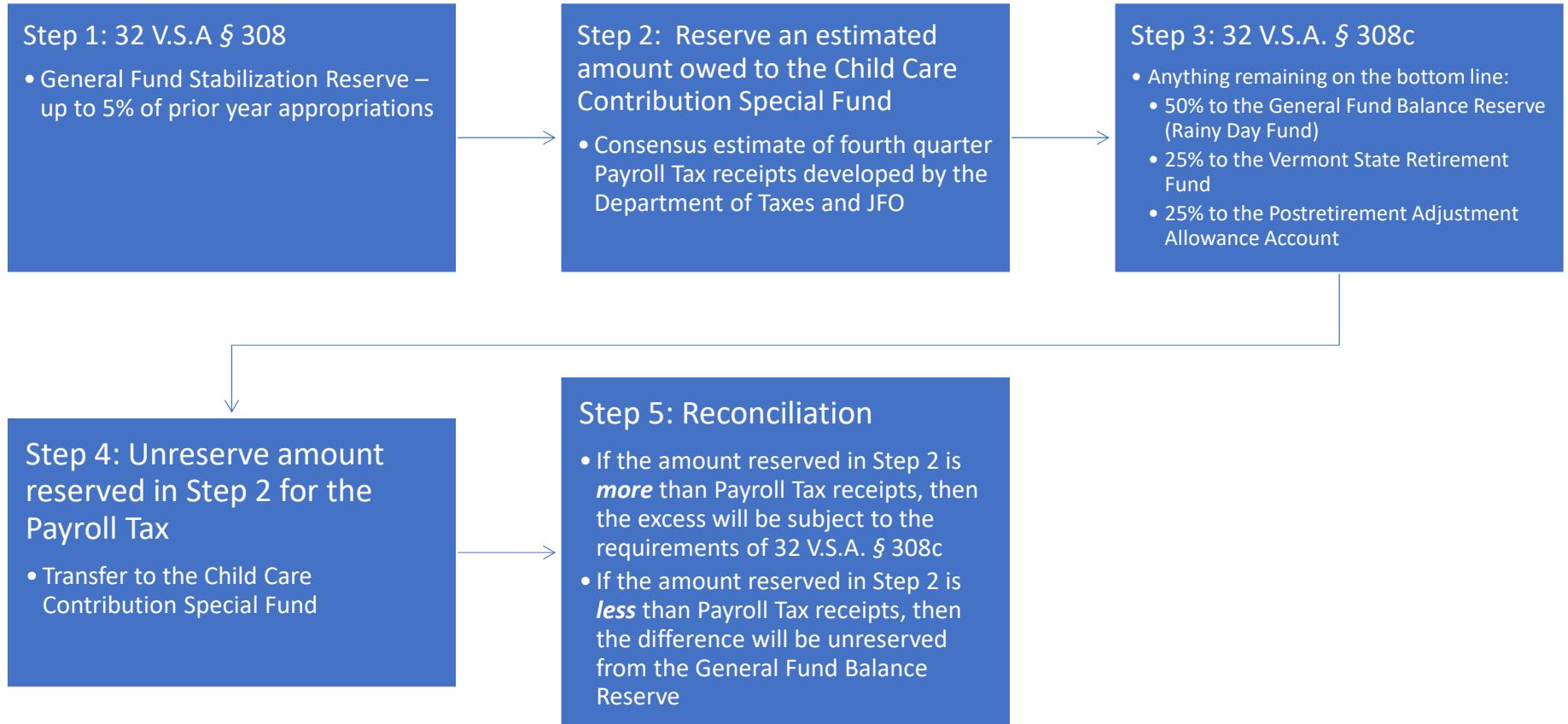
1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

16

(e) If the amount unreserved pursuant to subsection (c) of this section is determined to be less than the actual receipts due the Child Care Contribution Special Fund, then the amount of the deficiency shall immediately be unreserved from the General Fund Balance Reserve established pursuant to 32 V.S.A. §308c.



# Statutory Fiscal Year Closeout Steps – BAA Proposal



# Fiscal Year 2026 Closeout Steps – BAA Proposal

