# Welcome to the Budget

House Appropriations Committee Budget Overview Maria Blair, Joint Fiscal Office January 2025

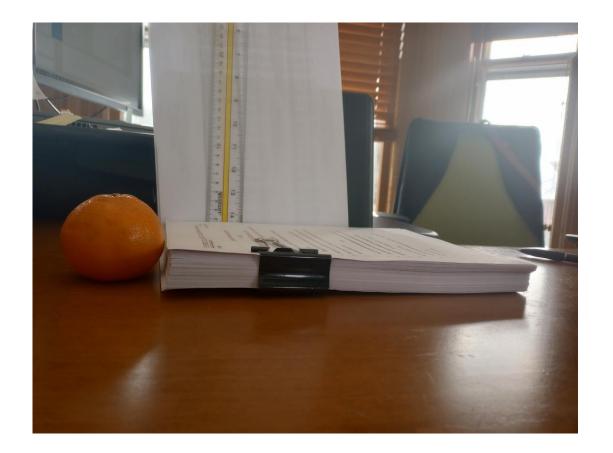


## The Budget is Different From All Other Bills



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## Appropriations Act



- Sometimes called the "Big Bill"
- Execution of the General Assembly's "Power of the Purse"
- Provides all three branches of government with the authority to spend money



## A Must Pass Bill

- The Appropriations Act is how the General Assembly grants spending authority
- Without a budget, government doesn't have the funds to operate





## The Budget Allocates Money, But it is Ultimately a Policy Bill





## You are Looking at the Forest, Not the Trees





## The Budget Must Account for All Potential Costs in All Bills Appropriations Act



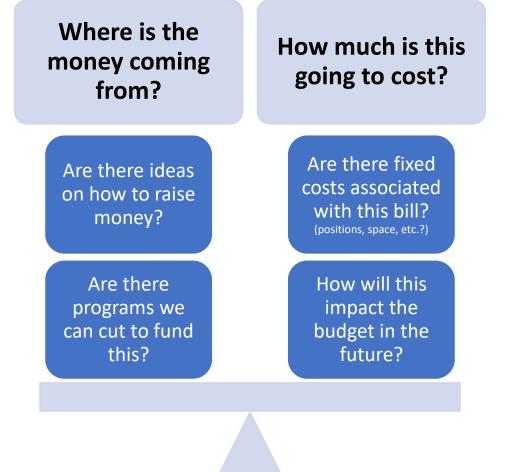
### **Individual Bill**





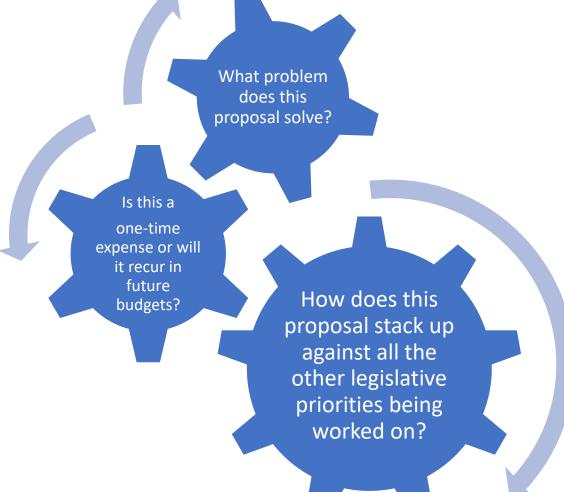
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## Appropriators Must Think About the Below <u>All. Day. Long.</u>





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## The State Budget



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## What is the State Budget?

- The 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 parts of it are adjusted both in the Budget Adjustment Act and in the following year's Big Bill







## **Fiscal Years**

- The State fiscal year is July 1 through June 30
- Today we are in fiscal year 2025
  - The Budget Adjustment will make changes to the fiscal year 2025 budget
- The Big Bill you are going to build is for fiscal year 2026

#### 2025/26 Split Year Calendar

July 2025					August 2025						September 2025								October 2025										
Su	Мо	Tu	We	Th	Fr	Sa	Su	Мо	Tu	We	Th	Fr	Sa		Su	Мо	Tu	We	Th	Fr	Sa		Su	Мо	Tu	We	Th	Fr	Sa
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							31																						
November 2025			December 2025							January 2026								February 2026											
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30																													
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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
- Natural Resources
- Commerce and Community Development
- Transportation
- Debt Service



## The Budget is a Series of Tradeoffs





# Some Challenges

- Unfunded Liabilities
  - Pensions and OPEB for teachers and State employees
- Flood Recovery
- Housing Initiatives
- Homelessness
- Opioid Epidemic
- Caseload and Program Pressures
  - DVHA Medicaid
  - DCF Emergency Housing
  - DAIL Choices for Care

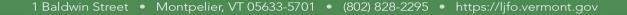
- Education Finance and Property Taxes
- Cost of the State Workforce
- IT Projects
- Federal Match Requirements
- Inflationary pressures
- Climate Change Mitigation and Resilience
- Demographic and Workforce Challenges



## More Sources of Uncertainty

- Economic environment inflation and high-ish interest rates coupled with low unemployment
- Staff turnover, vacancies, and recruiting challenges across State government and beyond
- Other capital needs
- School construction costs
- Judicial system investments
- Health care costs





# **Typical Budget Pressures**

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



# In the Fiscal Year 2025 Budget, the General Assembly Appropriated \$8.7 Billion

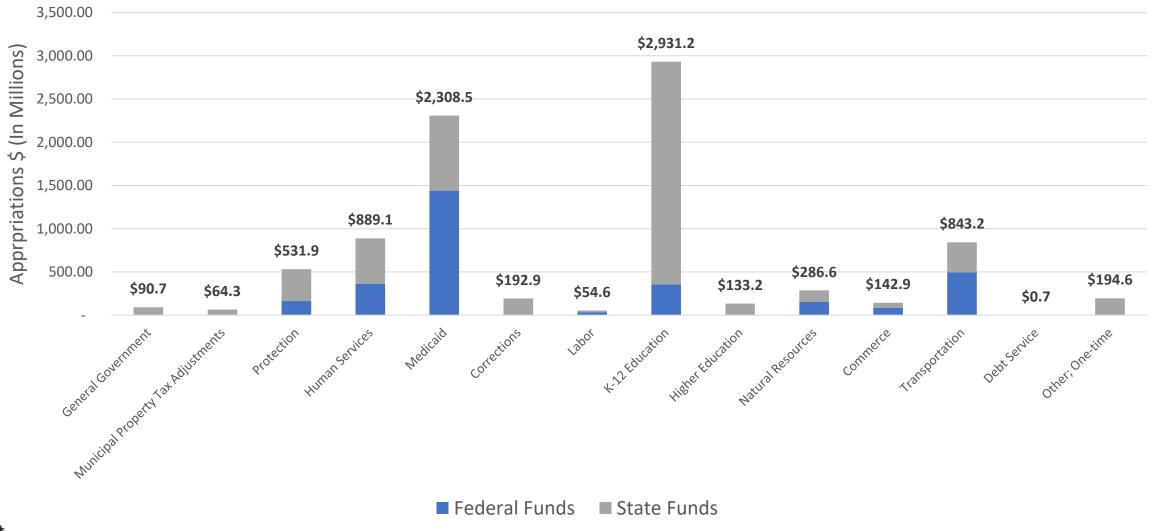




## How All That Money Was Spent



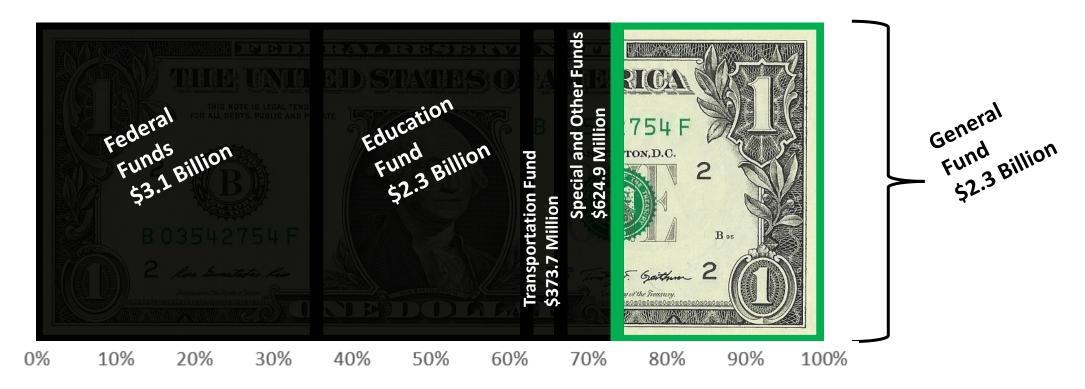
#### FY 2025 Appropriations by Area of Government – \$8.7 Billion (unduplicated)





## Fiscal Year 2025 Appropriations: State vs Federal Funds

## Total Appropriations = \$8.7 Billion





# So, What Did You Buy With \$2.3 Billion General Fund Dollars in Fiscal Year 2025?



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## **One-time Funds in Fiscal Year 2025**



## **One-time = \$182.5\* million**

- One-time funds are nonrecurring revenues or fund balances
  - Includes special fund balances and court settlements
- Generally used to address one-time spending issues or are reserved for future use

\*includes \$114 Million of contingent appropriations made after fiscal year 2024 closeout



# Where Did the One-time Money Go in Fiscal Year 2025?

## **One-time = \$68.5 million**

- \$25.0 million to the Education Fund
- \$16.4 million to General Assistance for housing
- \$11.0 million to the State colleges for bridge funding and tuition assistance
- \$6.1 million transferred to other special funds
- \$10.0 million to about 33 other priorities

### **Contingent List = \$114.0 million**

- \$20.0 million to General Assistance for housing
- \$10.0 million for shelter beds
- \$12.5 million for FEMA match for 2023 floods
- \$12.0 million for the "Pension Plus" payment
- \$23.0 million to 10 other priorities
- Transfers
  - \$17.5 million for IIJA match (ANR and AOT)
  - \$8.0 million to the Child Care Contribution Fund
  - \$11.0 million to 4 other funds and reserves



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https://ljfo.vermont.gov/assets/Uploads/be0ad1dac8/FY\_2025\_H\_883\_FINAL\_Conference\_Committee\_Contingency-v2.pdf

## Base Funds in Fiscal Year 2025

## Base = \$2,263.2 million

- Base funds are included in the official revenue forecast and are expected to recur in future years
- Ideally, base funds support base expenditures (ongoing programs and operations of State government)





# FY 2025 General Fund Appropriations by Function (in millions)





# The Emergency Board Adopted a Revenue Forecast Upgrade in July

- Approximately \$172.0 million in additional forecasted revenue in fiscal year 2025
  - Note that in August, the Emergency Board directed \$14.0 million to help those impacted by flooding
- There will be another forecast on January 22
- There are current-year budgetary challenges

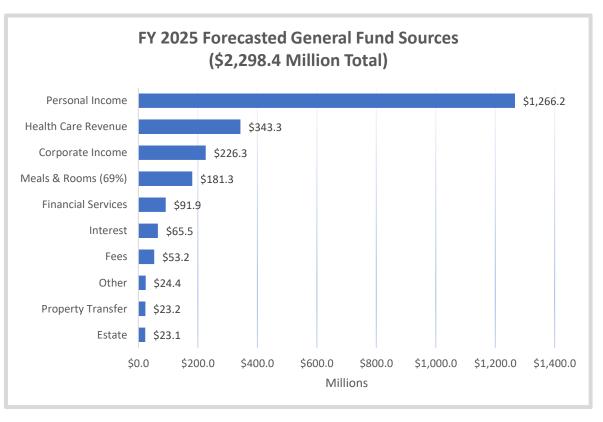




# Where Does the Money Come From?

## **General Fund**

	FY 2025 Forecast Pe	ercentage of
Тах Туре	(In Millions)	Total
Personal Income	\$ 1,266.2	55%
Health Care Revenue*	343.3	15%
Corporate Income	226.3	10%
Meals & Rooms (69% of total)	181.3	8%
Financial Services	91.9	4%
Interest	65.5	3%
Fees	53.2	2%
Other	24.4	1%
Property Transfer Tax	23.2	1%
Estate Tax	23.1	1%
Total	\$ 2,298.4	





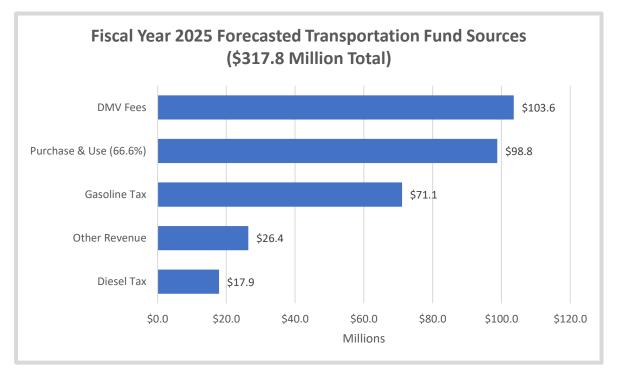
*\*health care revenue includes provider taxes, tobacco product taxes, and claims assessment* 

Based on the July 2024 adopted consensus revenue forecast

## Where Does the Money Come From?

## **Transportation Fund**

Тах Туре	FY 2 Fore (In Mi	cast	Percentage of Total
DMV Fees	\$	103.6	33%
Purchase & Use (2/3 of total)		98.8	31%
Gasoline Tax		71.1	22%
Other Revenue		26.4	8%
Diesel Tax		17.9	6%
Total	\$	317.8	



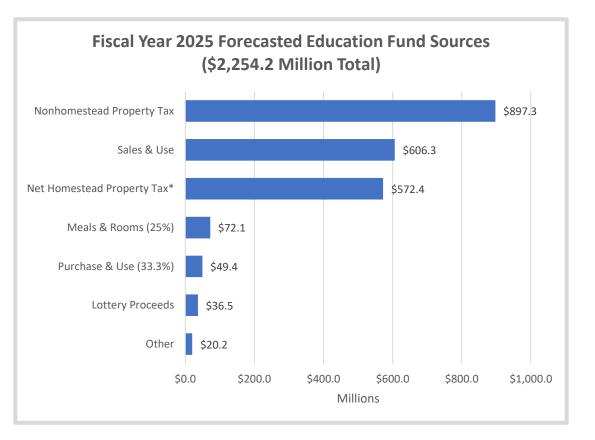
Based on the July 2024 adopted consensus revenue forecast



# Where Does the Money Come From?

## **Education Fund**

Тах Туре	FY 2025 Forecast (In Millions)	Percentage of Total
Nonhomestead Property Tax	\$ 897.3	40%
Sales & Use	606.3	27%
Net Homestead Property Tax	572.4	25%
Meals & Rooms (1/4 of total)	72.1	. 3%
Purchase & Use (1/3 of total)	49.4	2%
Lottery Proceeds	36.5	2%
Other	20.2	2 1%
Total	\$ 2,254.2	





\*net homestead property tax = gross homestead property tax less property tax credit

Based on the July 2024 adopted consensus revenue forecast and adopted education property yields

## Where <u>Else</u> Does the Money Come From?

### • Federal Funds

- Various federal grants and other funding streams
- Global Commitment Fund (duplicative fund)
  - Fund for Medicaid and other related investments
- Special Funds
  - Aggregate of all special funds over 400 funds for specific purposes
- Other Miscellaneous Funds
  - Includes enterprise funds and capital funds from the issuance of bonds



## **Statutory Reserves**

- Not available for discretionary use
- At the close of fiscal year 2024, major fund reserve amounts were:
  - General Fund \$306.6 Million
  - Education Fund \$47.0 Million
  - Transportation Fund \$14.1 Million
- Types of reserves include:
  - Stabilization funds
  - Rainy Day Fund
  - Human Services Caseload Reserve
  - 27/53 Reserve





## Vermont's Budget Process

- The State operating budget is built on an annual basis, appropriating funds for a single fiscal year (July 1 to June 30).
- The budget process begins nine months before the start of the fiscal year it covers.

#### September to October: November to December: Agency Phase Governor's Phase State agencies prepare budgets based on The Governor's team guidance provided by the meets with agencies to Governor. Budget targets discuss their budgets. The are based on the July Governor must submit a budget ("the Big Bill") to consensus revenue forecast, Administration the General Assembly by priorities, and the State's the third week of January, economic condition. takes updated January consensus revenue forecast into account .

#### January to March:

#### House Phase

The House Appropriations Committee (HAC) considers the budget. HAC hears from the Administration, standing committees and holds public hearings. The bill typically passes the House in March.

#### February to April:

#### Senate Phase

The Senate Appropriations Committee (SAC) begins taking testimony and holding hearings a few weeks after HAC. SAC considers the Housepassed bill and typically passes the Senate bill in April.

#### May to June:

#### <u>Committee of</u> <u>Conference and</u> <u>Submission to Governor</u>

Differences are worked out between House and Senate bills. A final bill is passed by both chambers and sent to the Governor for approval or veto.



## **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

