

Budget Workshop: The State Budget Process

House Appropriations Committee

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JFO

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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



Topics for today:

- 1 Big Bill basics
- 2 Budgeting with finite resources
- 3 The State budget process and timeline
- 4 Budgeting exercise



Key takeaways from today:

1. The budget process is complex, but knowing some key basics goes a long way.
2. Budgeting is about tradeoffs: money is limited, and choices must be made.
3. The State budget is a plan based on economic and programmatic forecasts.
4. Power over the budget is shared across branches of government. The budget process is a negotiation.



Part 1: Big Bill Basics



The Big Bill is a:

- **Financial plan** for the coming fiscal year
- **Authorization** to expend funds for specific purposes and government operations
- **Guidance document** that puts rules in place around how the State can spend taxpayer dollars
- **Policy document** that reflects the priorities of Vermonters through their elected representatives



The Big Bill is comprised of multiple funds.

- General Fund
- Transportation Fund
- Education Fund
- Federal Funds
- Special Funds
- Global Commitment Fund

Each fund has different revenue streams and purposes.



The Big Bill is the only bill that must pass.

Without it, the government cannot operate.



“Big Bill” = State budget

(Also known as “An act relating to making appropriations for the support of the government”)



The Big Bill is not the only “money bill.”

- Transportation Bill (“the T-Bill”)
 - Building and maintaining transportation infrastructure
- Capital Bill
 - Major construction of State buildings, etc.
- Miscellaneous Tax Bill(s)
- Fee Bill
 - State fees to fund various programs – usually on a three-year cycle
- Pay Act
 - Authorizes spending to support the collective bargaining agreement
- Yield Bill
 - Sets the homestead rate, nonhomestead rate, and income yield for the statewide property tax

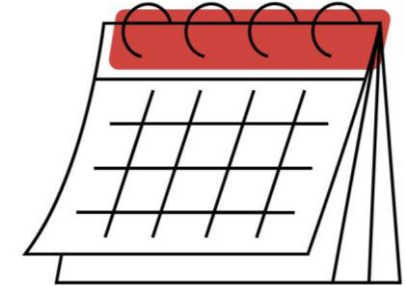


Other useful facts:



The State has its own fiscal year

- Vermont's fiscal year runs from July 1st to June 30th
- Most other states follow the same fiscal calendar
- Can you think of other entities that follow a different fiscal calendar?
 - Federal government: October 1st to September 30th



An appropriation is an authorization to spend funds.

Appropriation = Spending authority



Appropriations may be base or one-time.

Base

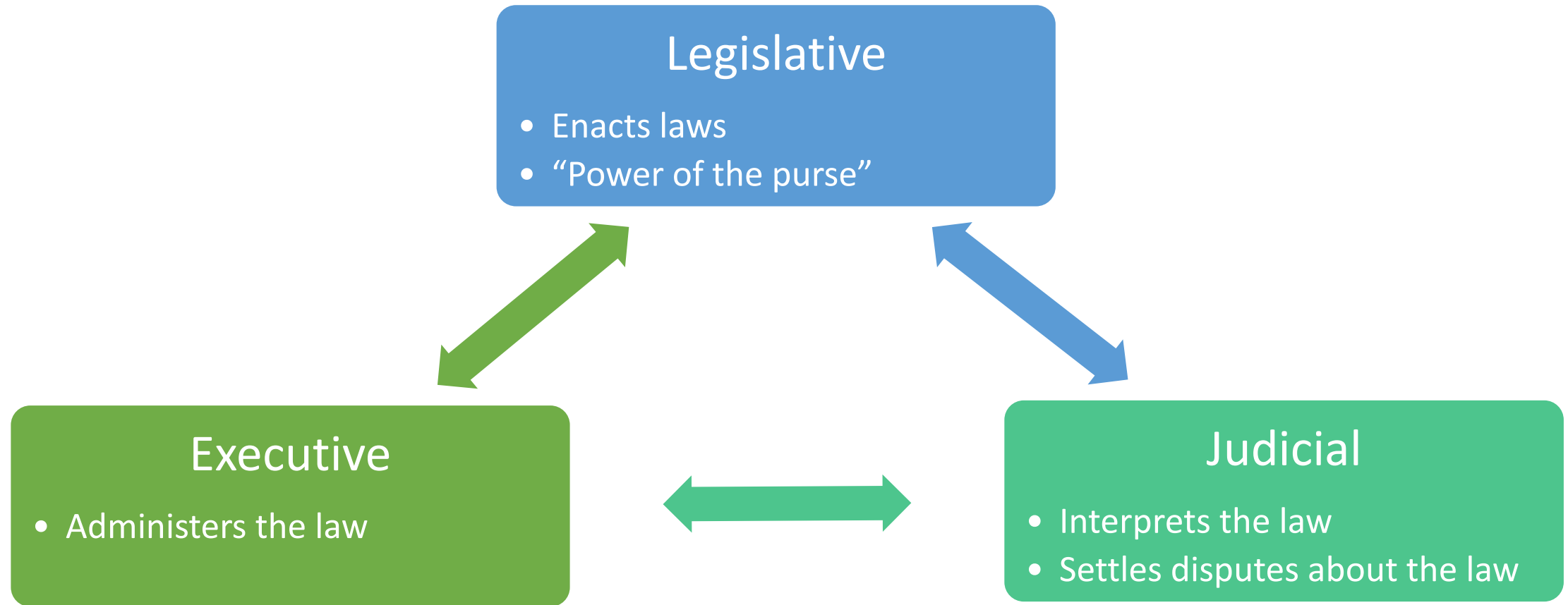
- Base funds are included in the official revenue forecast and are expected to recur in future years
- Ideally, base funds support base expenditures (ongoing programs and operations of State government)

One-time

- One-time funds are non-recurring 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



The State budget plays out across three branches



While Vermont does not have a constitutional balanced budget requirement, it has a strong tradition of passing balanced budgets.

Revenue = Expenses

Note – Vermont is the only state without a statutory or constitutional balanced budget requirement



While Vermont does not have a constitutional balanced budget requirement, it has a strong tradition of passing balanced budgets.

Revenue = Appropriations

Note – Vermont is the only state without a statutory or constitutional balanced budget requirement



Part 2: Budgeting with Finite Resources



Reminder: the Big Bill is comprised of multiple funds.

- General Fund
- Transportation Fund
- Education Fund
- Federal Funds
- Special Funds
- Global Commitment Fund

Each fund has different revenue streams and purposes...

...and the General Fund is used to fund all expenses without a dedicated revenue source.



The General Fund can be used for many things, but much of it is spoken for.

In fiscal year 2026, approximately \$2.5 billion was appropriated from the General Fund.



The General Fund can be used for many things, but much of it is spoken for.

But of this \$2.5 billion...

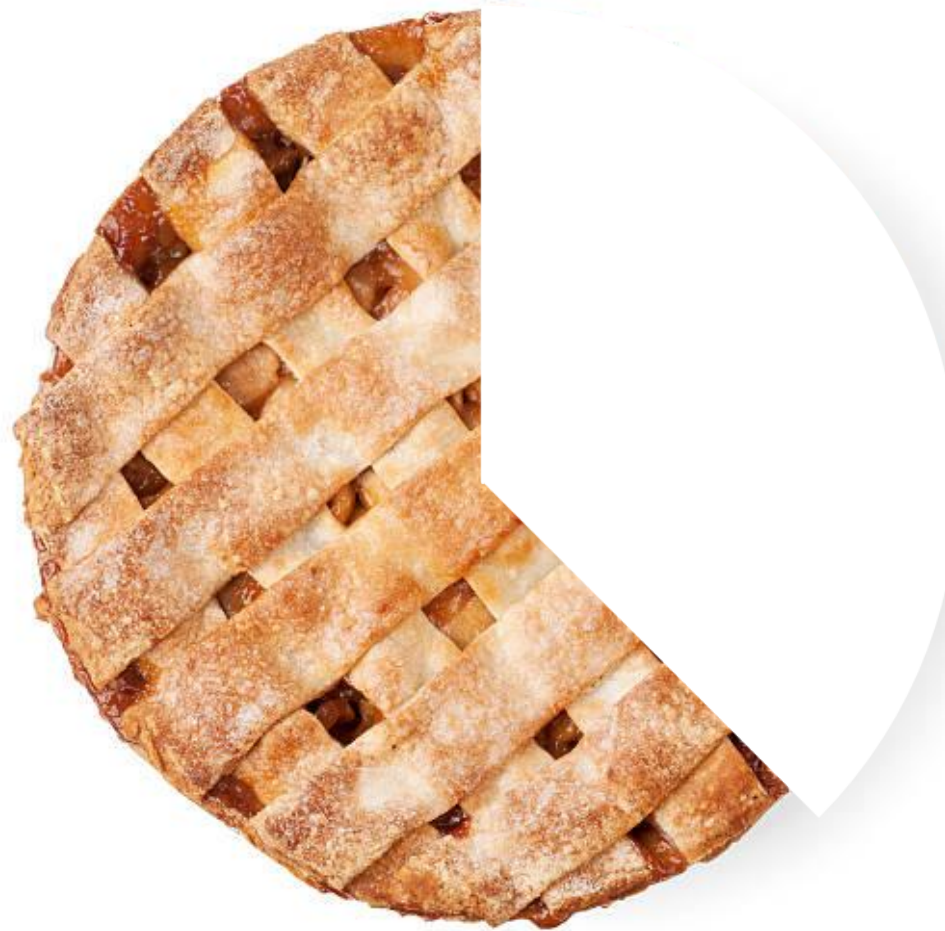
\$224.7M went to Teacher
Retirement/Other Post-
Employment Benefits
(unfunded liabilities)...



The General Fund can be used for many things, but much of it is spoken for.

But of this \$2.5 billion...

\$712.8M went to
Medicaid/Global
Commitment...



The General Fund can be used for many things, but much of it is spoken for.

Part 2: Budgeting with finite
resources

But of this \$2.5 billion...

\$220.6M went to
corrections...



The General Fund can be used for many things, but much of it is spoken for.

Part 2: Budgeting with finite
resources

But of this \$2.5 billion...

...and \$495.4M went to
other human services.



The General Fund can be used for many things, but much of it is spoken for.

Part 2: Budgeting with finite
resources

This leaves \$847.8M
(34% of total General Fund
appropriations) available
for everything else.



The remaining \$847.8 Million is allocated across competing priorities.

Operating Base Budgets

- Required obligations
 - Debt Service, Retirement, Reserve requirements
- Statewide pressures
 - Salary and benefits, internal service funds
- Program pressures
 - Rate increases, caseload
- New needs
 - Expectations
- Unanticipated issues
 - Federal Government

One-time Investments

- Workforce/Economic Development
- Housing
- Climate Change
- Clean Water
- Broadband
- Child Care
- Higher Education
- Federal match needs
- Etc.

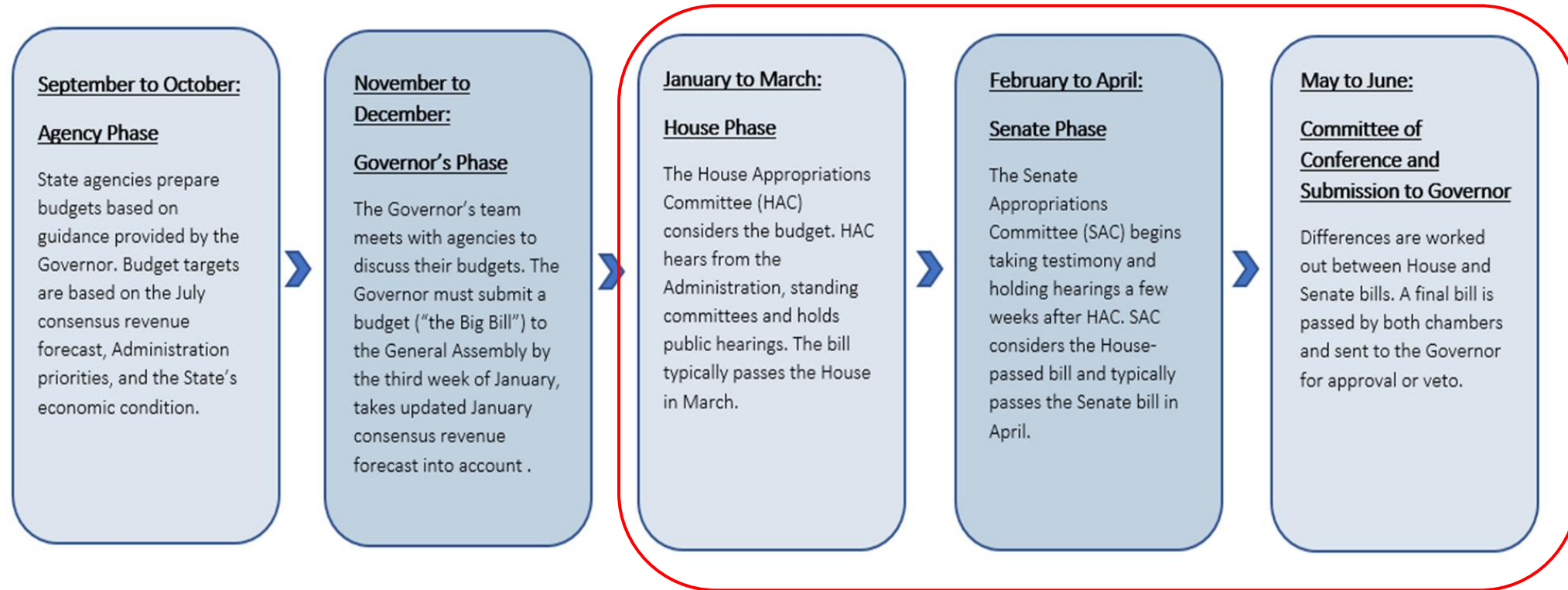


Part 3: The Budget Process and Timeline



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.



Legislature's "power of the purse"



The State Budget Process

The Executive Branch

- Departments and agencies build their budget requests based on a number of inputs:
 - Administration priorities
 - The July revenue forecast
 - The State's economic conditions
- Departments and agencies must consider new and existing responsibilities against available resources
 - Inflationary impacts on base operations
 - Salary and benefit costs
 - Program-specific cost pressures (e.g. evolving priorities, rate increases)



The State Budget Process:

Agency budget development

Agencies generally begin developing their budget proposals in September – *nine months before the budget is enacted.*

- **September:** Initial budget instructions sent to departments. Individual departments begin holding budget development meetings.
- **October – December:**
 - Public input survey circulated to Vermonters
 - Agencies submit initial budgets to the Governor via the Agency of Administration by mid-October.
 - The Division of Finance and Management analyzes budget submissions to ensure compliance and balance the budget.
 - Governor reviews evolving proposals
- **January:** the Governor's recommended budget is finalized and presented to the Legislature



The State Budget Process

The House

- The Budget Bill starts in the House
 - It is a committee bill from the House Appropriations Committee
- The Committee:
 - Takes testimony from State Agencies and Departments
 - Holds joint public hearings with Senate to get additional testimony
 - Gets feedback from policy committees
 - Finishes the bill by mid/late March



The State Budget Process

The Senate

- Once passed by the House, the Senate refers the bill to the Senate Appropriations Committee
- The Committee:
 - Takes testimony from State Agencies and Departments
 - Holds joint public hearings with House to get additional testimony
 - Gets feedback from policy committees
 - Amends the bill as they see fit
 - Finishes the bill by late April



The State Budget Process

Committee of Conference

- Three House Members and Three Senators
- Differences between the House and Senate budget are worked out
 - Only negotiate differences
- Committee considers what the Governor will do with the budget (sign, enact without signature, veto)
- Vote by both chambers is on the conference report, the report cannot be amended



The State Budget Process

The Governor

- Must act on the entire budget
 - Vermont does not have a line-item veto provision
- Can either
 - Sign the bill into law
 - Allow the bill to become law without their signature
 - Veto the bill
- Governor has five business days to act



What Happens When There is a Veto?

- The General Assembly can try to override a veto
- To do so, both chambers need two-third majorities voting to override
 - 20 members of the Senate (if all are present)
 - 100 members of the House (if all are present)
- Vetoed bills cannot be amended



Part 4: Budgeting Exercise



Now it's your turn!



Scenario: You have enough General Fund revenue this year to make \$50 million in one-time appropriations. You may also have an additional \$25 million, up to a total of \$75 million. But, you won't know for sure until the current fiscal year close.

With this information:

- 1. Look at the hypothetical funding requests provided on your handout.**
- 2. Then, make a list of one-time appropriations you know you want to fund with the available \$50 million.**
- 3. Finally, make a list of appropriations would like to make, to the extent that funds are available. The contingent appropriations will be made in the order you list them. (Again, there is no guarantee any of that \$25 million will materialize!)**



Revenue Update!

The Division of Finance and Management has revised its revenue expectations. You now have \$10 million less than anticipated: only \$40 million for all one-time appropriations.

Revisit your list of appropriations. Do you need to adjust any priorities or funding levels? Which appropriations will you make contingent?



Discussion



Conclusions

- The State budget is an exercise in allocating finite resources, and spending is tied to available revenues.
- Power over the budget is divided between the Executive and Legislative branches.
- The priorities of the Governor and the General Assembly are likely to be different, so budgets are a negotiation.



Questions?

- The Joint Fiscal Office is a resource for all things budget-related.
- Joint Fiscal Office website:
<https://ljfo.vermont.gov/>
 - Staff contact information and areas of expertise
 - Compendium of fascinating Vermont fiscal information
 - Organized by subject matter as many topics are relevant across the years

**Join us Friday,
January 23rd for
Workshop 2:
Understanding the
Budget Documents!**

[Link: Workshop Registration](#)



Thank you!

