

Welcome to the Budget

Senate Appropriations Committee

Budget Overview

Aimée Pope, Joint Fiscal Office

January 2025



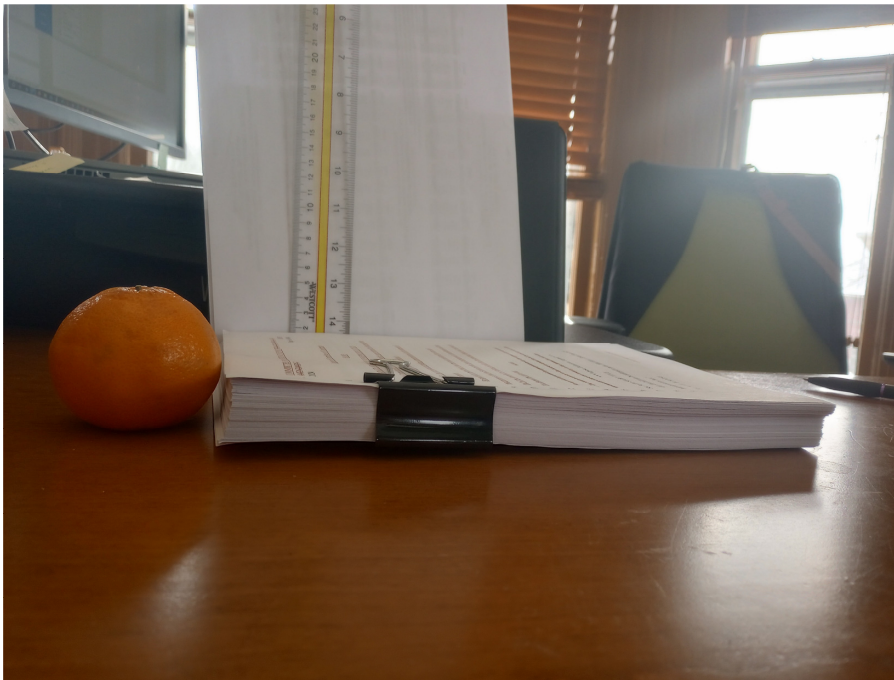
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The Budget is Different From All Other Bills



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

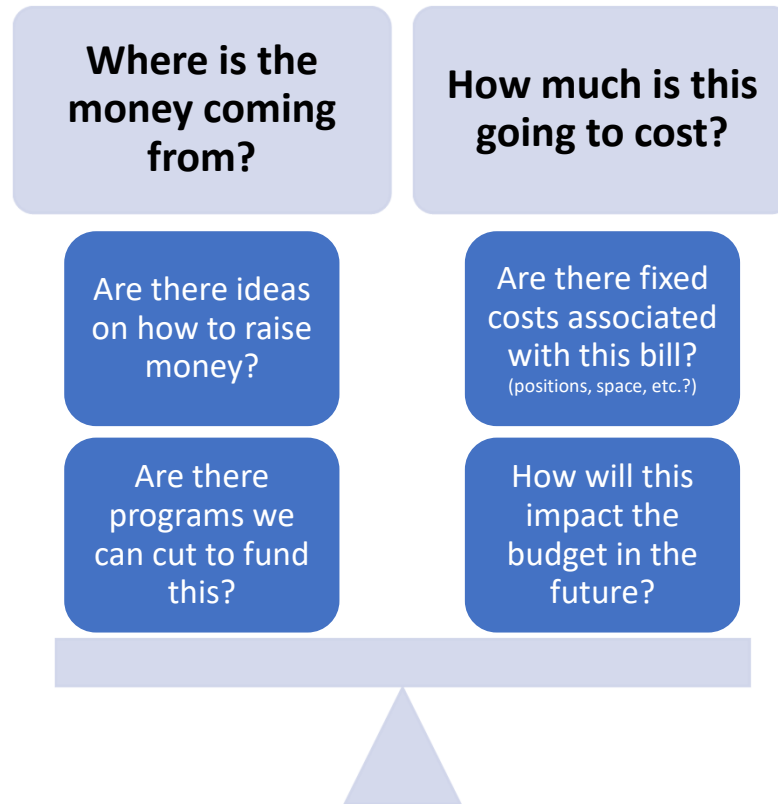
Appropriations Act



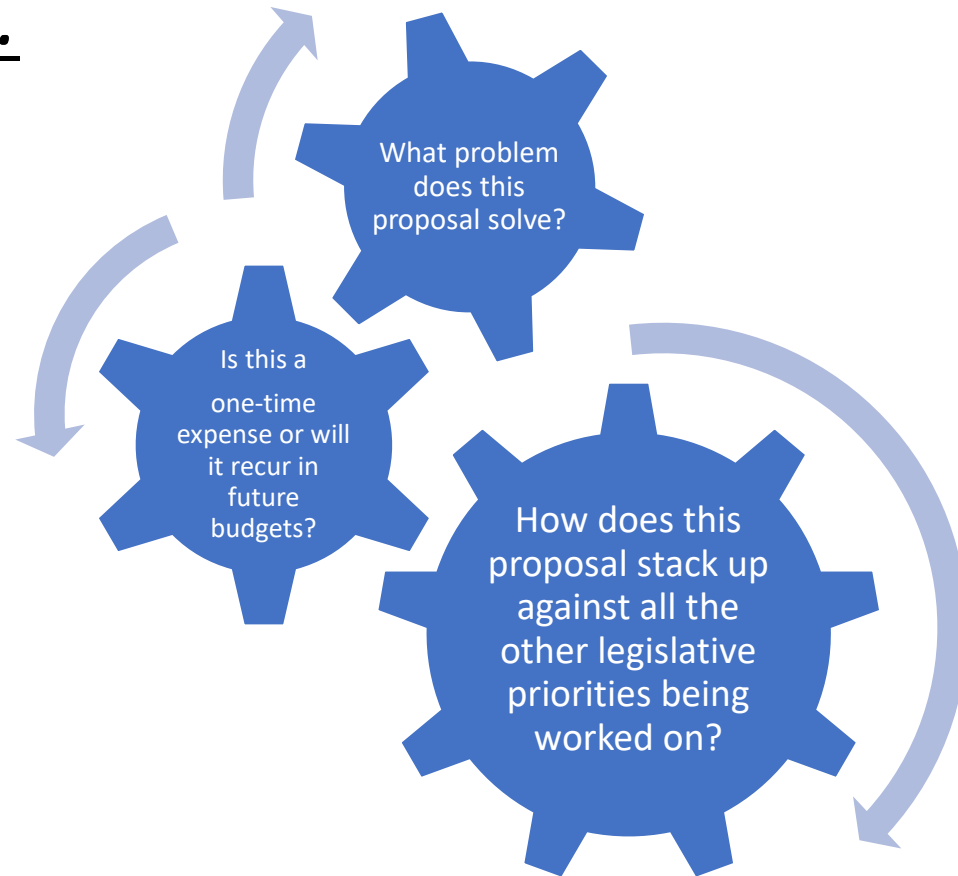
Individual Bill



Appropriators Must Think About the Below All. Day. Long.



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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	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
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November 2025							December 2025							January 2026							February 2026						
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March 2026							April 2026							May 2026							June 2026						
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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



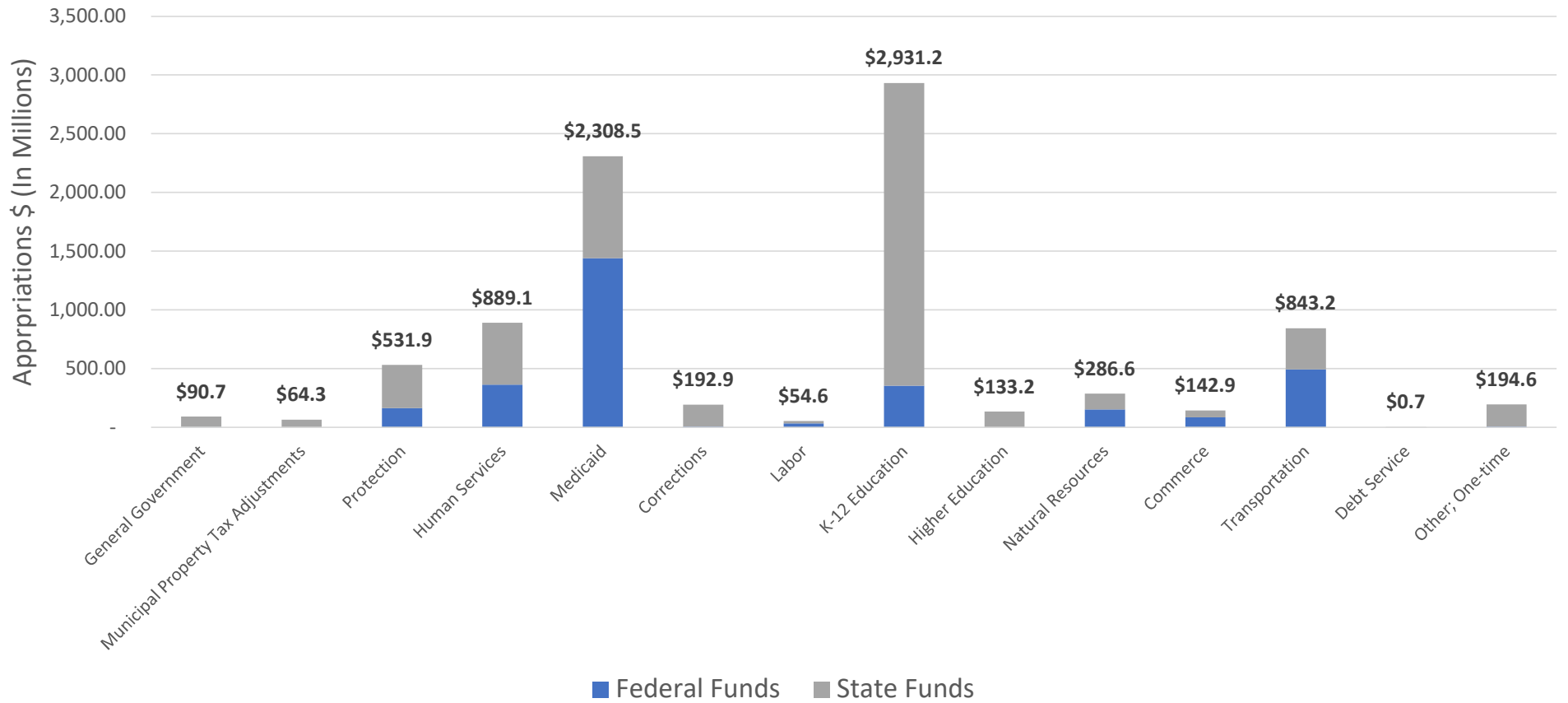
In the Fiscal Year 2025 Budget, the General Assembly Appropriated \$8.7 Billion



How All That Money Was Spent

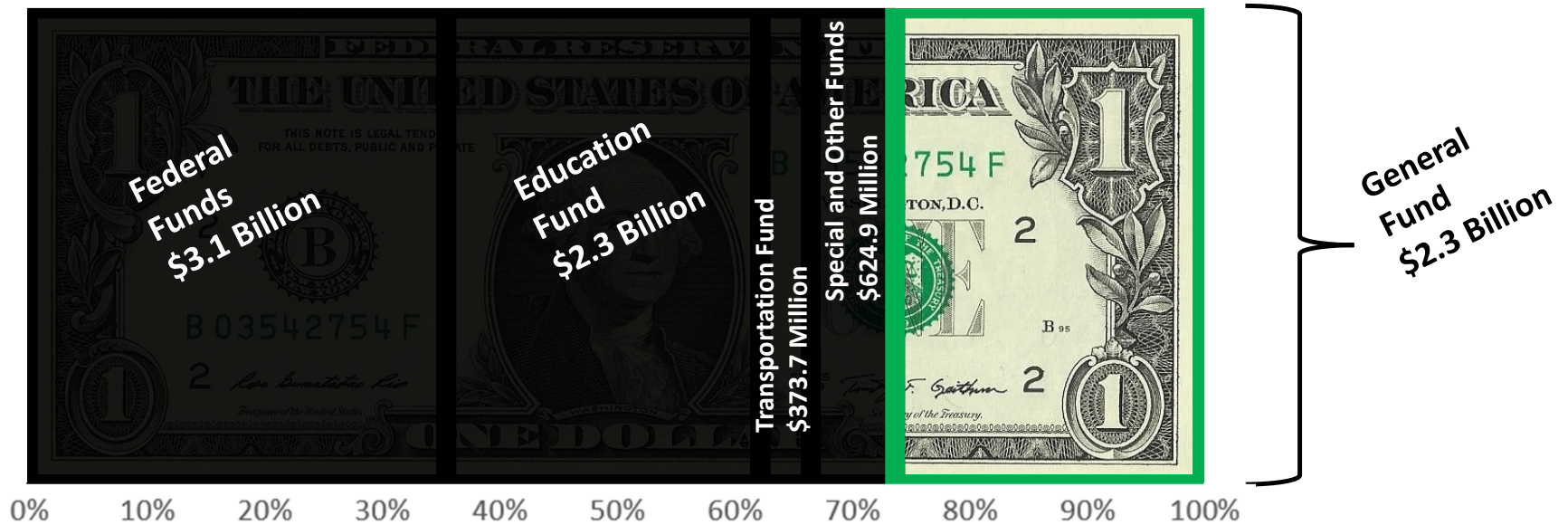


FY 2025 Appropriations by Area of Government – \$8.7 Billion (unduplicated)



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?



One-time Funds in Fiscal Year 2025



One-time = \$182.5* million

- 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

**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 IJJA match (ANR and AOT)
 - \$8.0 million to the Child Care Contribution Fund
 - \$11.0 million to 4 other funds and reserves



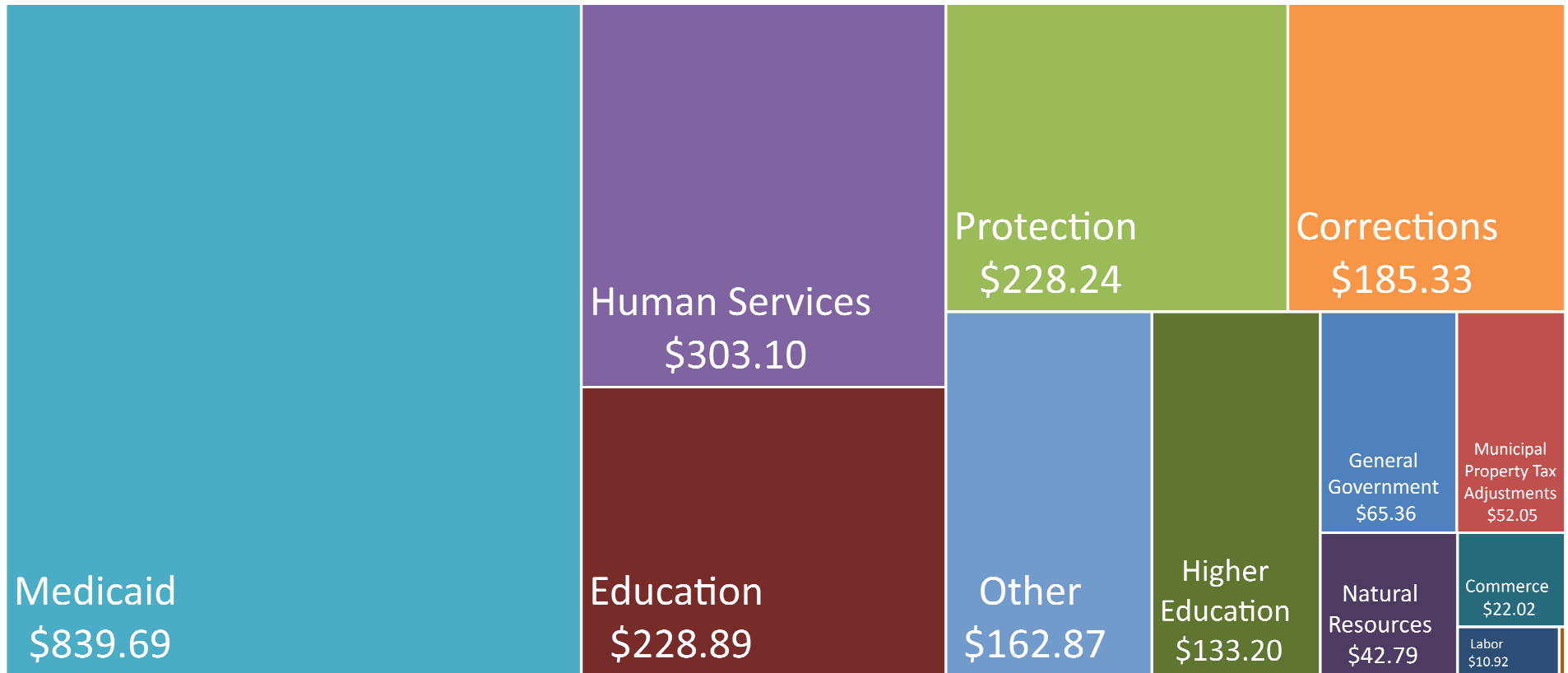
Base Funds in Fiscal Year 2025

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

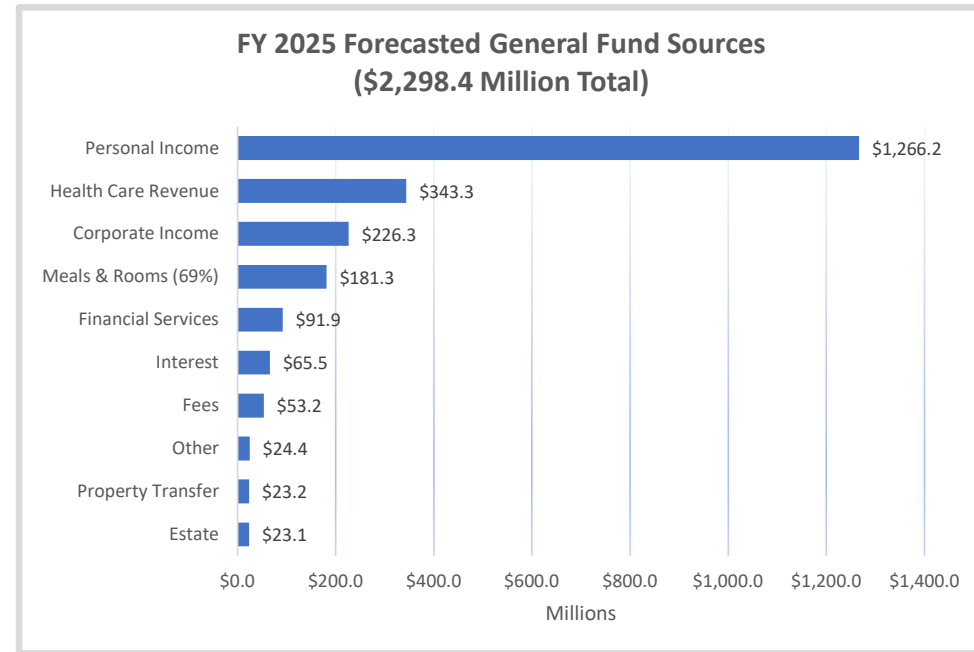
- Approximately \$172.0 million in additional forecasted revenue in fiscal year 2025
 - Note that in August, the Emergency Board directed \$14.0 million to help those impacted by flooding
- There will be another forecast on January 22
- There are current-year budgetary challenges



Where Does the Money Come From?

General Fund

Tax Type	FY 2025 Forecast (In Millions)	Percentage of 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

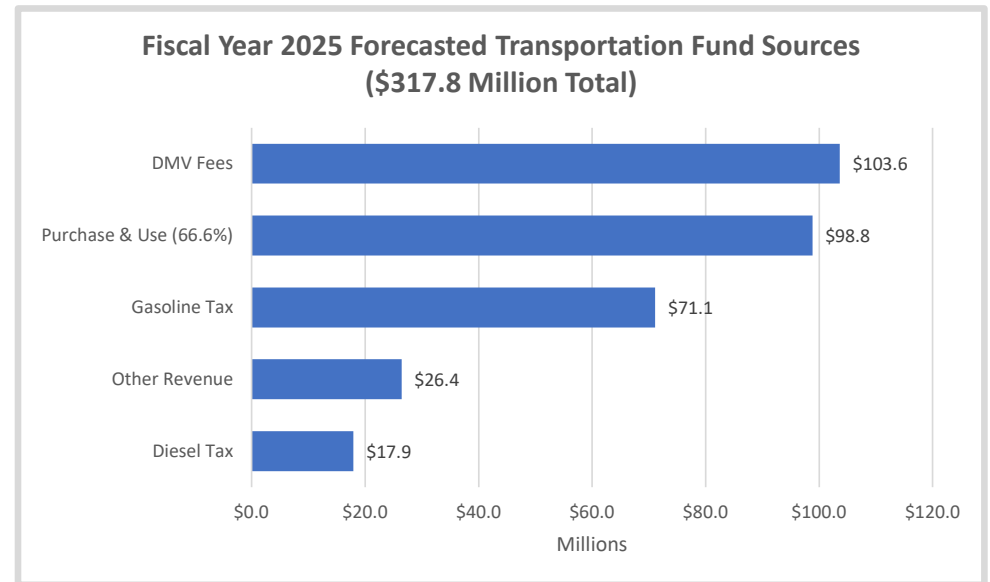
Based on the July 2024 adopted consensus revenue forecast



Where Does the Money Come From?

Transportation Fund

Tax Type	FY 2025 Forecast (In Millions)	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	



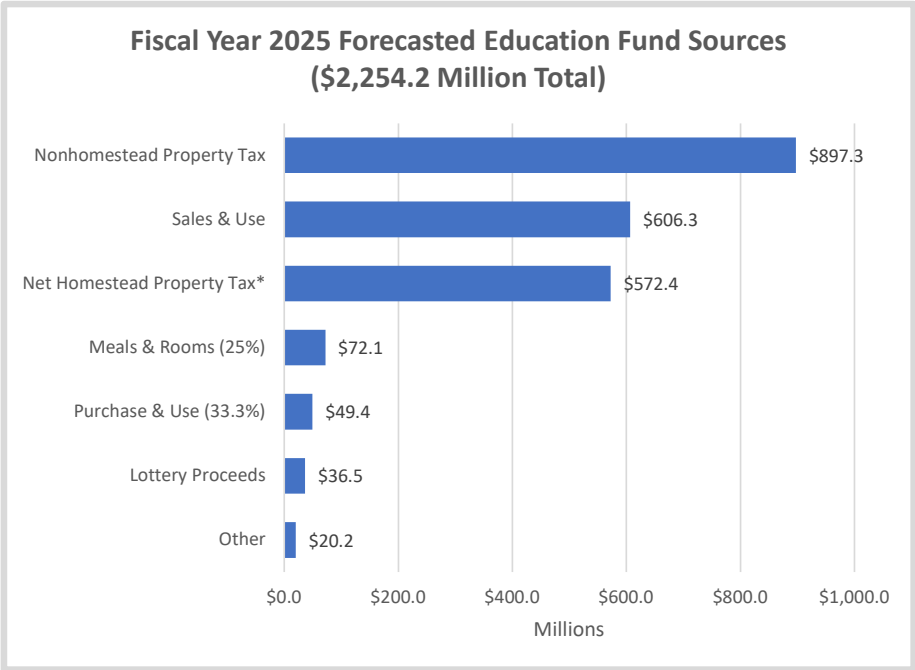
Based on the July 2024 adopted consensus revenue forecast



Where Does the Money Come From?

Education Fund

Tax Type	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	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 Else 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



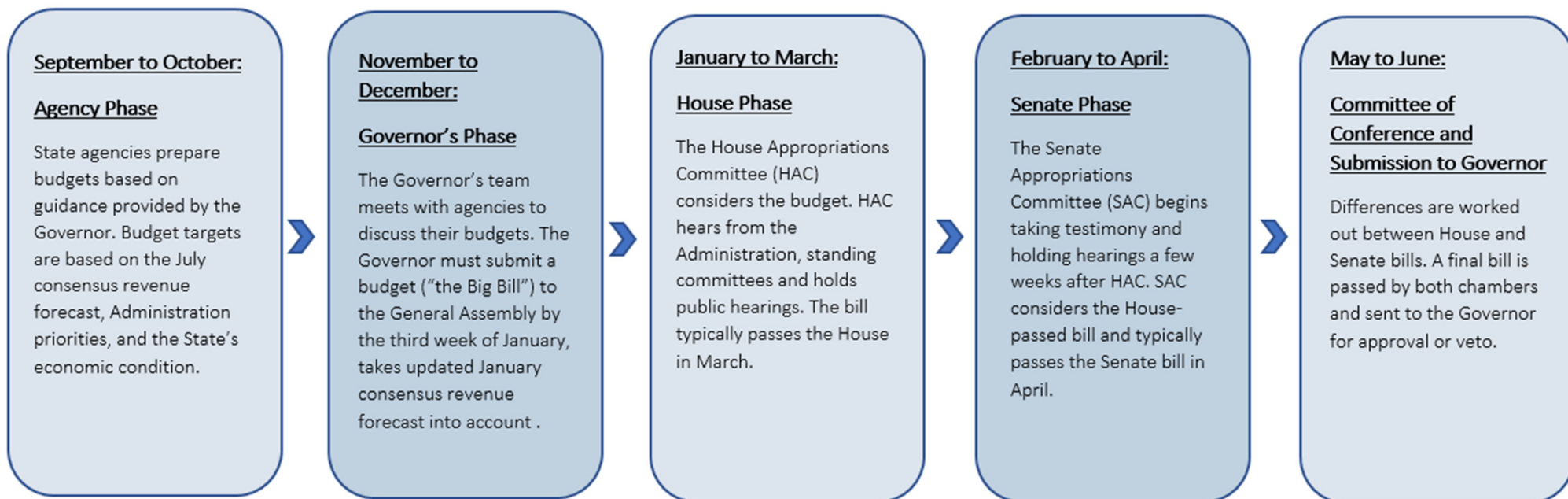
Statutory Reserves

- **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.



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

