

Vermont GF Budget Gaps FY09 –FY11 - Actions

THREE YEAR SUMMARY

Total Budget Gap FY09 to FY11 (\$753) million

Solutions

ARRA funds (base) \$401.1 million

Budget reductions and adjustments \$190.2 million

New Revenue & compliance \$ 30.2 million

Reserve funds and redirected funds \$ 61.6 million

Rescission plans (cuts & redirects) \$ 71.2 million

Reduction in filled positions 661 positions (April 2008 to July 2010)

Year by Year Summary Below

FISCAL YEAR 2009

The total budget gap faced in FY09 was **\$143 million** as result of falling revenues through out the fiscal year.

1) The budget included the April 2008 revenue down grade of **\$24.6 million** made three weeks prior to finalizing the budget. The detail of these actions is available at:

[http://www.leg.state.vt.us/jfo/Appropriations/FY%202009%20\\$24.5%20Budget%20Gap%20Solutions.pdf](http://www.leg.state.vt.us/jfo/Appropriations/FY%202009%20$24.5%20Budget%20Gap%20Solutions.pdf) . Action was taken in the budget to begin a process of reduction in personnel through an attrition plan. Raises for exempt employees earning over \$60,000 were forgone.

2) August and December 2008 - two additional revenue downgrades were addressed with rescission plans totaling **\$23.5 and \$19.7 million** respectively. Details of these plans that made reductions and adjustments to program funding are included and available online at:

<http://www.leg.state.vt.us/jfo/Budget%20Rescissions.htm>.

3) February 2009 the Federal Stimulus was passed. The state budget relied on **\$76.3 million** of ARRA funds mostly through federal match enhancement in Medicaid to close the remaining gap in the budget.

FISCAL YEAR 2010

The total budget gap faced in FY10 was **\$343 million** as result of reduced revenues and increased caseload demands.

1) The FY10 budget in the end relied on **\$192.2 million** in ARRA funds

2) Reductions and adjustments embedded in the budget totaled **\$77.7 million**. These cuts included extending 5% pay reductions to exempt employees and continued reduction of state workforce both through attrition, early retirement incentive and reductions in force. Furloughs and court closure days, reimbursement reductions to providers and grant recipients and also reduction in the base GF support for the education fund.

3) Increased revenues from tax changes of **\$21.3 million** and better compliance of **\$4.8 million**.

4) August 2009 rescission of **\$28 million**. www.leg.state.vt.us/jfo/Budget%20Rescissions.htm.

5) Reliance on **\$16 million** of caseload reserve funds and **\$2.7 million** in stabilization funds

FISCAL YEAR 2011

The total budget gap faced in FY11 was **\$267 million** – although the revenue picture began to stabilize reduced available ARRA funds and underlying pressures and obligations resulted in a remaining gap.

- 1) ARRA funds of **\$119.1 million** plus and additional **\$13.3 million** of ARRA clawback funds were relied up
- 2) Additional resources were provided from redirected funds of **\$36 million**, and additional compliance and revenue of **\$1.5 million**.
- 3) Reductions and adjustments embedded in the original budget net to a total of **\$97.5 million** impact on state programs. Detail at www.leg.state.vt.us/jfo/FY%202011%20Appropriations.htm

These include:

- The rollout reductions due to the employee reductions that total over 600 positions;
- Changes to teacher's retirement to reduce funding obligations;
- Savings from a new labor contract that reduced classified pay by 3%.
- Human service and Medicaid reductions;
- Various natural resources, judicial and other program reductions;
- Implementation of the Challenge for Change program

What is Still Ahead

FISCAL YEAR 2012

The projected budget gap range is **\$110 to \$120 million**. Budget pressures significantly above the 3.5% growth assumption may increase these deficit projections. For example, in FY 2012 we will begin to pay on our unemployment compensation loan \$6 million a year. This model assumes \$38.6 m of ARRA funds for education are replaced with GF in 2012. Restoration of the base \$18.4m GF reduction to the Education Fund is also assumed in FY 2012. Available Enhanced FMAP helps FY12 while tobacco settlement revenues may shift costs to the GF.