

## H.125

### FY 2017 Budget Adjustment Summary – House Recommend

	<u>All Funds</u>	<u>%</u>	<u>State Funds</u>	<u>%</u>	<u>General Fund</u>	<u>%</u>
FY 2016	\$5.630	2.5%	<b>\$2.387</b>	<b>4.0%</b>	\$1.478	3.2%
FY 2017 <i>May</i>	\$5.762	2.4%	<b>\$2.459</b>	<b>3.0%</b>	\$1.549	4.8%
FY 2017 <i>BAA</i>	\$5.748	2.1%	<b>\$2.455</b>	<b>2.8%</b>	\$1.533	3.7%

#### **Overview: Budget Adjustment Context**

The fiscal year 2017 budget adopted last May relied on estimates and projected trends. These estimates are necessary given the timing of our process. The data upon which the initial budget is built are many months prior to the start of the year. The Budget Adjustment process allows the impact of actual experience to be incorporated into the appropriation levels for the year. The Budget Adjustment addresses changes due to two revenue downgrades:

- In the General Fund, downgrades were over \$45 million: \$21 million in July 2016 and \$24.6 million in January 2017.
- The Transportation Fund downgrades were \$6 million: \$2.8 million in July and \$3.2 million in January 2017.

All Funds, State Funds, and General Funds appropriations have declined since the budget as passed in May. The House Appropriations Committee Budget Adjustment focused on FY 2017 funding needs with a goal of leaving policy decisions and strong reserves for FY 2018 and beyond.

The House Appropriations Committee proposed Budget Adjustment includes increased GF pressure of \$9.5 million plus the need to backfill the Environmental Contingency Fund, the Emergency Relief and Assistance Fund, and the Single Audit Revolving Fund by a total of \$1.9 million. These pressures along with the GF revenue downgrade of \$24.6 million adopted last week were covered by the following:

#### **Funding Sources:**

The Budget Adjustment is largely funded through the use of excess State fund balances. The funding comes from several sources:

- \$18 million of Nonbudgeted Revenue (NBR) from federal sources paid to the Agency of Human Services; much of this comes from higher Federal Match in Children's health programs.
- \$7.9 million of fund balances from the Health Care Resources Fund.
- \$4.5 million in additional direct applications and reversions largely from Department of Financial Regulation (DFR) receipts.
- \$2.2 million in Tobacco Settlement Funds.

#### **Reserves:**

- General Fund reserves are full and growing: Due to Legislative and Executive action, currently they are about \$92 million or 6.2% of prior year General Fund spending - a high point in recent years.
- Other reserve-like fund balances and accounts total \$130.6 million, providing another 5.3% of total State funds. This helps put Vermont in a strong position.
- Transportation Fund reserves are at 5% of prior year appropriations.
- The Education Fund reserve is fully funded with \$26.5 of additional fund balances.

## **Key Areas of Spending Pressure**

- Key spending pressures are:
  - \$3.6 million in Payroll-related expenses in the Department for Children and Families due to calculation error and capped federal funds.
  - \$1.6 million in nurses reclassification expense.
  - \$3.5 million for a 2015 BlueCross BlueShield billing reconciliation settlement.
  - \$1.4 million in Veterans Home budget pressures, including nurses reclassification.
  - \$770,000 in funding to assist with the Northern Vermont University merger.
  - \$1.2 million needed for expenses in the Emergency Relief and Assistance Fund.
  - \$500,000 needed for PFOA-related expenses in the Environmental Contingency Fund.

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