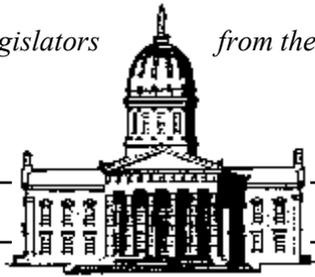

The Fiscal Focus

An update for Vermont Legislators

from the Joint Fiscal Office



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\$28 Million Rescission Update

On Aug. 5th the administration presented a \$28 million rescission plan. This plan closes the \$28 million gap in FY2010 through four main components. First is the application of \$6.88 million in carryforward funds from FY2009 in the revenue shortfall reserve fund. Second is \$10.89 million in program reductions, which includes reductions in pharmacy, long term care, mental health and reach-up funding levels. These reductions were designed to minimize impacts because they reflect actual FY09 experience which came in below budgeted levels or because additional federal funds will be available. The impact statement submitted by the administration is available on www.leg.state.vt.us/jfo. The third area of reduction is a savings target of \$7.4 million in state payroll expenses. The administration plans to negotiate the savings with the VSEA and has stated that additional reductions in force would be the last option for achieving these savings. The final component of the plan is \$2.83 million of other available revenues.

Public Hearing Scheduled - The Joint Fiscal Committee has scheduled a public hearing on the proposed rescissions Tuesday, Aug. 18 at 1:00 pm in Room 11. Interested parties can contact JFO or go to www.leg.state.vt.us/jfo to participate. ❖

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July Revenue Forecast

On July 16th the Emergency Board again downgraded revenue expectations in the general fund (GF) and the education fund (EF). This downgrade follows the revenue reductions in April and is accompanied by an agreement that they will be reviewed again in November. Base transportation funds (TF) were also downgraded but were offset by a larger than expected increase in the transportation infrastructure revenues which were raised separately from the TF.

The reason for this decline in GF revenue is because the recession is both longer and deeper than previous estimations. The economists are not seeing clear signals that the economy has reached a bottom and the negative impacts on employment are expected to continue even as the business cycle may show signs of improvement. Risks in the forecast remain on the downside and even a few months change in economic activity can change the revenue picture. The Emergency Board will update the forecast this fall.

The budgetary impact of the revenue downgrade on the GF is \$28 million after accounting for the change in the property transfer tax and the tax changes passed during the legislative session. This brings Vermont general funds for FY2010 to a revenue level below what was received in FY2005 – five years ago. In a recent meeting with other state's fiscal staff, they indicated generally that revenues had fallen to FY2004-FY2006 levels with two states reporting even greater shortfalls. Florida indicated revenues were at FY2001 levels while Michigan, the worst hit, reported revenues had fallen to FY1988 levels.

Total transportation related revenues increased by

(continued on page 3)

Gov't Accountability Update

The Joint Legislative Government Accountability Committee received responses to a Request for Proposals to help the state identify efficiencies and innovations in the design and functioning of state government. A subcommittee reviewed the proposals and recommended that the General Assembly consider awarding the contract to Public Strategies Group (<http://www.psg.us>); this recommendation was adopted by the full committee. Public Strategies Group will be in Montpelier later this month to meet with the committee, legislative leadership, and administrative representatives to discuss the proposal and the specific nature of any contractual arrangement. ❖

ARRA Update

Pursuant to Sec. D.111 of Act 1 of the 2009 Special Session (the budget bill), Rep. Ancel and Sen. Kitchel have been designated as legislative representatives to the Office of Economic Stimulus and Recovery (ESR). Both are receiving biweekly updates from ESR.

At their suggestion, and in an effort to help legislators understand the opportunities and challenges ARRA presents, ESR director Tom Evslyn will be holding a conference call for all legislators at noon on August 25. Please look for the call-in number and other information about the call in your email. In order to address as many questions as possible, please submit questions in advance to: Joan.Stewart@state.vt.us

Also, the ESR website (<http://recovery.vermont.gov/>) has a variety of useful information. For example, select "Statewide ARRA Projects by Location" from the center of the homepage to view projects in your district. ❖

Federal Health Care Reform

This summer, federal health care reform has taken center stage on Capitol Hill. The scope and nature of a federal initiative makes it imperative that the fiscal and policy interplay between federal reform and existing state efforts is understood and considered. The Joint Fiscal Office, Legislative Council, and the Commission on Health Care Reform, in collaboration with the administration, have been analyzing the potential impacts on Vermont and working closely with Vermont's congressional delegation towards ensuring that Vermont is not adversely affected. Of particularly concern are:

- Maintenance of eligibility requirements, which have a disproportional financial impact on states like Vermont that have expanded coverage through Medicaid waivers and would limit states abilities to react to tough budget times,
- Impacts on states that have engaged in insurance-based reform efforts, including the preemption of state insurance products and limitations on state flexibility to continue to offer products such as Catamount Health, and;
- The possibility of declining federal financial support in the out years of federal reform.

The analysis can be found on the JFO website.

Vermont Legislators and staff have also reached out to other states, such as Massachusetts, Maine, New York, Iowa, and Minnesota, in an effort to coordinate a multi-state dialogue to address common concerns. Although Congress is in recess, Vermont legislators and legislative staff continue to work with the congressional delegation to ensure that Vermont's interests are addressed in federal health care reform. ❖

Dear Vermont Legislator,

This is the first 2009 issue of THE FISCAL FOCUS. This is a nonpartisan update prepared by the joint fiscal office staff to keep legislators informed of events during the off-season. As your staff, we believe it is important for a citizen legislature to be kept abreast of local, state, and federal financial developments while the General Assembly is adjourned. This update is sent to all House and Senate members and posted on our web site.

It is important for us to understand what topics interest you so we can incorporate them into future issues. If you have any comments or suggestions, please let us know.

Joint Fiscal Office Staff

JFC Meetings

July 16, 2009— Actions included:

- Approved a one-year contract extension for Tom Kavet and reviewed other smaller contracts in place for the Joint Fiscal Office.
- Formed a Current Use Subcommittee to work toward a November report on cost savings. The appointees are Representative Janet Ancel and Senator Diane Snelling.
- Reviewed the Education Fund Stabilization Reserve which is projected to be below statutory thresholds for FY2010 – current estimate is 3.3%.
- Heard a report on global commitment indicating that FY2009 expenditures were impacted by lower costs per case but higher participation rates.
- Reviewed preliminary closeout numbers.
- Heard administration's plan to achieve the savings in personnel costs under Sec 10 (d) of Act 2 of the 2009 Special Session. As the plan did not involve position reductions, no action by the committee was required. The plan is available at: www.leg.state.vt.us/jfo/Appropriations
- Reviewed revenue estimates for FY2010 and FY2011.
- Heard preliminary reports on the retirement option and the Mental Health bed feasibility plan (see Aug. 5th JFC meeting description).

Aug. 5, 2009. Actions included:

- Approved a grant of \$45,000 from the Commonwealth Fund to the Health Care Reform Commission for Accountable Care Organization financial modeling.
- Heard a report from the Treasurer on the retirement incentive and approved increasing the limit for the incentive from 300 to 330 to accommodate all applicants to the program. The approval was based on a recommendation by the Treasurer and the Secretary of Administration. The Treasurer's Office currently estimates there will be 285 participants.

- Heard a proposal from the Web Portal Board for fee increases; approved one proposed increase, and postponed action on credit card usage at DMV until the Commissioner of Motor Vehicles and others could provide greater testimony on the proposal.
- Heard an update from Mental Health and the Treasurer on the process to determine the financial feasibility for expanded mental health beds in Rutland.
- Heard a proposal from the Administration on a plan to close the \$28 million budget gap and set a public hearing date of Aug. 18 at 1 pm for comment on the plan. ❖

Revenue Forecast (cont. from pg 1)

\$800,000 compared to the as-passed levels. During the session, the Transportation Infrastructure Bond (TIB) Fund was created and is separate from the Transportation Fund. The TIB revenues are above the amount estimated in May by \$2.8 million while the TF itself is \$2 million below the budgeted level.

The economic analysis can be found on the JFO website: www.leg.state.vt.us/jfo and click on the report titled "July 2009 Forecast". ❖

FY 2009 GF Closeout

The GF ended FY2009 with a surplus of \$6.88 million. This was due to an estate tax settlement. This \$6.88 million will be used to help meet part of the FY2010 rescission needs.

Some other actions taken during the closeout are:

- \$2.1 million transferred to the stabilization reserve as required by statute; the FY2009 reserve balance is \$60 million,
- \$1.5 million transferred to the Higher Education Trust Fund required by statute as result of the estate tax performance,
- \$1.5 million for Next Generation scholarships per Act 2 of the 2009 Special Session. ❖

JOINT FISCAL OFFICE STAFF

CHIEF FISCAL OFFICER

Stephen Klein sklein@leg.state.vt.us

ASSOCIATE FISCAL OFFICERS

Stephanie Barrett sbarrett@leg.state.vt.us

Maria Belliveau mbelliveau@leg.state.vt.us

Catherine Benham cbenham@leg.state.vt.us

FISCAL ANALYSTS

Nolan Langweil nlangweil@leg.state.vt.us

Nathan Lavery nlavery@leg.state.vt.us

Mark Perrault mperrault@leg.state.vt.us

Neil Schickner nschickner@leg.state.vt.us

Sara Teachout steachout@leg.state.vt.us

BUDGET SYSTEM

Richard Reed rreed@leg.state.vt.us

STAFF ASSOCIATES

Rebecca Buck rbuck@leg.state.vt.us

Jeremy Fonte jfonte@leg.state.vt.us

Theresa Utton-Jerman tutton@leg.state.vt.us

BUSINESS MANAGER

Sandra Noyes snoyes@leg.state.vt.us

Legislative Joint Fiscal Office
One Baldwin Street, Montpelier, VT 05633-5701
Tel: (802) 828 - 2295 Fax: (802) - 828-2483
www.leg.state.vt.us

Joint Fiscal Office Update

Sandy Noyes, who has been our business manager, budget processor and all around go-to person in the office, is retiring as part of the retirement incentive program. She has more than 30 years service with the Joint Fiscal Office (JFO). We will all miss her calm demeanor, fun laugh and ability to fix the copier. We will be re-assigning responsibilities in order to fill in for the various tasks she performed. The budget processing work will be transitioned to Jeremy Fonte who has been working with our office on budget system software development. Jeremy is a recent UVM graduate with a computer background and we are still finalizing work arrangements with him. Richard Reed who has been working on budget automation project will continue to work with us on a reduced schedule as the budget automation project moves into implementation.

The administration and JFO have extended for one year a contract with Deb Brighton to do education fund related projection work.

The JFO and the administration share her consulting services. The contract with Arnie Gundersen to work on Entergy Nuclear Vermont Yankee related information gathering has been finalized. ❖



Legislative Joint Fiscal Office

1 Baldwin Street

Montpelier, VT 05633-5701

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