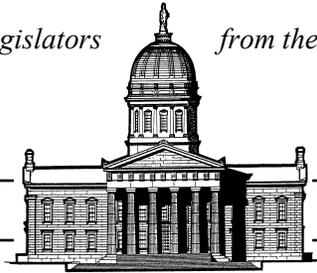


# The Fiscal Focus

An update for Vermont Legislators

from the Joint Fiscal Office



July 2011

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## FY 2011 Closeout

**General Fund:** FY11 GF ended above expectations. Personal income tax collections, corporate income tax, and estate tax accounted for most of the revenue strength. Several of these are one time positive revenue events and are not anticipated to reoccur in out years. After the application of \$11 million of estate tax to the Higher Ed Trust Fund, contingent appropriations of \$3.6 million for Unemployment Insurance (UI), and \$7 million for impacts related to the FFY11 federal budget, there is \$35 million more than expected in all reserves. There is \$61 million in the Human Services Caseload Reserve, however the FY12 budget was already counting on \$29.5 million. For the first time, funds were deposited into the Revenue Shortfall Reserve. Per Sec. E.600.1 of the budget, \$3.88 million was directed to this reserve from the estate tax.

Commissioner Reardon reported to JFC that FY12 budget adjustment needs may be in the \$15-\$20 million range. Potential budget adjustment items include flood/FEMA match funds, litigation costs, unlikely VSH recertification, lower corrections federal bed rental revenue, the

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## July 2011 Revenue Forecast

The Emergency Board met on July 21, 2011 to review the economic outlook with economists Tom Kavet and Jeff Carr and approve the consensus state revenue forecasts. The revenues were adjusted to reflect both policy actions during the last session and changes in the macro economic forecast since the last update in January.

The General Fund and the Education Fund were both adjusted upwards in FY 2012 and FY 2013 while the Transportation Fund had a slight downward adjustment for these years. The projected FY12 GF revenue growth compared to actual FY11 is 2.9%. It is 3.6% in the TF, and 4.3% in the EF for the same period. In FY13 GF revenue is projected to grow 6.4%.

	<b>\$ Change</b>		<b>Total Forecast</b>	
	<b>FY12</b>	<b>FY13</b>	<b>FY12</b>	<b>FY13</b>
<b>GF</b>	7.4	16.2	1,153.50	1,191.30
<b>TF</b>	-1.0	-0.5	217.6	225.5
<b>EF</b>	1.8	2.6	155.9	162.6

The changes reflect the tentative and uneven economic recovery. Real signs of growth include positive real GDP and healthy corporate balance sheets with profits up significantly, especially among larger firms. While the recovery is beginning, there are significant risks such as higher oil prices, recent natural disasters and debt crises. Within Vermont, job growth and the real estate sector remain weak. The [full report](#) can be accessed at the Joint Fiscal Office web page at <http://www.leg.state.vt.us/jfo/> and clicking on the July 2010 Forecast link. ❖

## FY2011 Closeout Cont.

State Troopers labor contract cost, and higher renter rebate claims. In addition, the Commissioner shared likely recommendations for the use of one time funds. These include increasing the GF stabilization reserve over the next few years, investments in IT, and meeting the health care obligations of retirement funds.

Transportation/Transportation Infrastructure Bond Funds: There is some revenue weakness in the TF due to gas prices. June revenues were \$583,000 below target. FY11 revenues ended -\$217,000 or -0.1% off target. Year over year, gasoline and diesel tax revenue was flat while purchase & use tax grew a healthy 10.5%. Full year TIB revenues ended +\$74,500 or +0.4% over. The new July forecast for FY12 marked the TF down \$1.0 million relative to the budget. The TIB forecast was unchanged. The fuel components of the TF are volume based, where in the TIB gas price is the tax basis.

Education Fund: The broad base revenues that are dedicated to the EF came in \$2 million over the January forecast. These funds increase the fund reserve to about 5%. ❖

*Dear Vermont Legislator,*

*This is the first 2011 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.*

*Thank you all for helping us go green. We have been able to greatly reduce the paper and postage associated with the newsletter. Please let us know if you need to change how you receive this publication. As always current and past versions of the newsletter are available at [www.leg.state.vt.us/jfo](http://www.leg.state.vt.us/jfo).*

*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*

## Medicaid Year End Report

The [FY11 Year End Medicaid Report](#) summarizing expenditures and special fund revenues for the Medicaid programs was presented to the Emergency Board in July. The report also includes the budget and summary of major fiscal and policy changes impacting these programs in FY12.

FY11 total program expenditures were below expectations in both Global Commitment (GC) and Choice for Care. The GC fund has an \$80 million year end fund balance; however the FY12 budget anticipated and allocated \$48 million of this surplus, leaving \$31 million unallocated. GC funds are mixed state and federal dollars, the state fund impact of the unallocated total is about \$11 million.

In Long Term Care (LTC), the program ended with \$4.4 million of unexpended GF, most of which was allocated in the FY12 budget. These funds carry forward and provide full funding for Instrumental Activities of Daily Living (IADLs) and respite services in FY12, and allow \$1.3 million of funds to be placed in reserve.

Both the Catamount Fund and the State Health Care Resources Fund ended FY11 in balance. The employer assessment revenue came in higher than estimated. Staff is recommending that these funds be combined for revenue tracking and administrative efficiency. Specific program expenditures and enrollment will continue to be tracked and reported on a monthly basis. ❖

## Health Care Reform Update

On July 21, the Joint Fiscal Committee (JFC) received a health care reform briefing from Robin Lunge who was recently appointed the new Director of Health Care Reform. The following are some highlights of her testimony:

Green Mountain Care (GMC) Board – The state received over 100 applications from applicants wishing to serve on the 5 member GMC board established under Act 48. The nominating committee, also established under Act 48, is in the process of reviewing the application before sending its recommendations to the Governor. While Act 48 specifically says that no board member may begin employment before October 1, 2011, the administration anticipates that all of the board members will be appointed by October 1.

Health Benefit Exchange - The federal government recently released the long-awaited regulations concerning the Health Exchanges passed under the Affordable Care Act of 2009 (ACA). The administration feels there are no “red flags” that interfere with Vermont’s plans concerning Health Benefit Exchanges. The administration has several cross-agency teams reviewing public programs and the private market. The planning consultants hired with federal planning grants have produced a series of work products which will be posted on the [administration health care reform](http://hcr.vermont.gov) web site (<http://hcr.vermont.gov>) which is in the process of being updated. Finally, the administration plans to share its exchange design proposal with stakeholders in August.

Blueprint for Health - The statewide expansion of the Blueprint for Health continues, with 53 participating primary care practices, covering 250,000 patients.

Health Information Technology (HIT) – HIT is an integral part of the states Health Reform efforts. There are several HIT related RFP’s which either have been issued or will soon be issued concerning MMIS (claims systems), VIEWS (eligibility determination) and technology assessment. All of these contracts will be paid for with significant federal matching dollars. An RFP for the MMIS system was issued prior to the enactment of Act 48 and the release of federal regulations. The administration has determined that, given the size and importance of this investment, it is in the best interest of the State to withdraw the existing RFP and re-evaluate the IT strategy in light of Act 48 and new Center for Medicare/Medicaid Services (CMS) guidance on Medicaid Information Technology Architecture. Bidders will be able to submit new proposals under the new RFP. The Center for Medicare and Medicaid Services has been notified and is supportive of this decision. ❖

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## Education Finance Study

Act 45 of 2011, the Miscellaneous Tax Bill called for a review of Act 60/68 to be conducted by an outside consultant and submitted to the Legislature in January, 2012. A Request For Proposal (RFP) was issued in late May resulting in three well qualified proposals.

A special committee made up of the Joint Fiscal Committee and the two Education Committee chairs conducted final interviews and chose Larry Picus and Associates, a well known education finance consultant group from Southern California. Larry Picus teaches education finance at the University of Southern California and consults with a number of states. The team will be in Montpelier the first week in August to begin its research for the project.

The [RFP](#), a list of the other bidders, the [Picus proposal](#), and the contract is available at [http://www.leg.state.vt.us/JFO/education\\_RFP\\_2011.aspx](http://www.leg.state.vt.us/JFO/education_RFP_2011.aspx). ❖

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## JFC Meeting

### July 21, 2011 – Actions Include:

Approved a Vermont Economic Growth Incentive (VEGI) proposal for minor model modifications.

Approved the historic property stabilization program proposal recommended by the chairs of the Institutions Committees and Dept. of Building and General Services. This program creates a fund made up of net proceeds from the sale and/or lease of vacant, underutilized or out of mission historic properties to support maintenance and repairs of remaining properties.

### Heard reports on:

- ◆ FY 2011 GF, TF and EF close out;
- ◆ The new FY12 and FY13 revenue estimates;
- ◆ The collection of taxes on “surplus lines” of insurance, which are insurances sold in VT but not rated.
- ◆ FY11 long term care close out, and the impact on FY12 funding for Instrumental Activities of Daily Living (IADLs) and respite services; and
- ◆ The status of school consolidation and facilitation grants under Act 156 of 2009. ❖



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