

MEMORANDUM

TO: Joint Fiscal Committee
FROM: Adam Greshin, Commissioner, Department of Finance & Management
RE: 27/53 Reserve Schedule
DATE: September 25, 2018



Pursuant to 32 V.S.A. § 308e(a)(2), the attached spreadsheet provides the anticipated liability for the next 53rd week of Medicaid payments and the next 27th state payroll. The 27/53 Reserve was established during the 2016 legislative session to provide a process to annually reserve funds for known future liabilities to minimize budgetary impact in the years that the liabilities come due.

The next 53rd week of Medicaid payments is also scheduled to occur in FY 2022 and has an estimated General Fund cost of \$11.67M. This estimate was derived by taking the FY 2018 Medicaid costs and projecting the FY 2022 costs by a growth rate equivalent to the 3-year average Bureau of Labor Statistics' CPI for Medical Care (Aug 2015 – July 2018), or 2.9%.

The next 27th payroll is scheduled to occur in FY 2022 and has an estimated General Fund cost of \$12.07M. This was derived by using the FY 2019 budgeted payroll and applying the FY 2019 & FY 2020 collective bargaining agreement across the board (ABI) and step increases and projecting the FY2021 & FY 2022 payroll costs by a growth rate equivalent to the 12-month percent change of Bureau of Labor Statistics' Employment Cost Trends for State and Local Government Compensation (2nd Quarter of 2018), or 2.3%.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve to ensure that there are funds available to help meet future liabilities for the 27th payroll and 53rd week of Medicaid. Based on current estimates and the prior year fund balance, \$3.7M should be reserved annually to meet these future liabilities.

Per 32 V.S.A. 308e (b), \$3.7M shall be presented as a budgeted transfer in the FY 2020 Governor's Recommended Budget.



27/53 Reserve Contribution Schedule

Presented to JFC September 27, 2018 Per 32 V.S.A. § 308e(a)(2) in millions

Projected Total Contributions	Total Need	Fund Balance	Balance to Allocate	Years until Liability is Due	Annual Deposit
53rd Week	11.67	6.12	5.55	3	1.85
27th Pay Period	12.07	6.41	5.65	3	1.88
Total	23.74	12.54	11.20		3.7

53rd Week	Actual 2017	Actual 2018	As Passed 2019	2020	2021	2022
Prior Year Balance	-	2.64	4.36	6.12	7.97	9.82
Close Out Deposit	2.64	-	-	-	-	-
Annual Contribution	-	1.72	1.76	1.85	1.85	1.85
Total Reserved for the 53rd week	2.64	4.36	6.12	7.97	9.82	11.67

Notes: In FY2019 53rd Week Payment is \$1.76M per 2018 Act 11 Sec.D104(a)(1), remaining payments will cover the \$11.67M obligation due in FY2022. Assumed annual growth rate in Medicaid of 2.9% budget, based on 3 year average (Jul 2015-Jun 2018) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	Actual 2017	Actual 2018	*As Passed 2019	2020	2021	2022
Prior year balance	-	2.64	6.41	6.41	8.30	10.18
Close Out Deposit	2.64	1.79	-	-	-	-
Annual Contribution	-	1.98	*-	1.88	1.88	1.88
Total Reserved 27th Pay Period	2.64	6.41	6.41	8.30	10.18	12.07

*Notes: Last 27th Week Payment was made in FY 2018 for FY 2019, per 2018 Act 11, Sec.C.1000(b)(1). Assumed annual growth rate of 2.3% (FY20 assumes 3.25% per CBA), based on the 12 month % change (2nd Quarter of 2018) of Bureau of Labor Statistics Employment Cost Trends for State and Local Government Compensation.

Total Projected Reserve Balance	Actual 2017	Actual 2018	As Passed 2019	2020	2021	2022
Prior year balance	-	5.29	10.78	12.54	16.27	20.01
Closeout Deposit	5.29	1.79	-	-	-	-
53rd Week contribution	-	1.72	1.76	1.85	1.85	1.85
27th Pay period Contribution	-	1.98	*-	1.88	1.88	1.88
Total Reserved 27th Pay Period	5.29	10.78	12.54	16.27	20.01	23.74