


MEMORANDUM

TO: Joint Fiscal Committee
FROM: Adam Greshin, Commissioner, Department of Finance & Management
RE: 27/53 Reserve Schedule
DATE: September 16, 2019



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 scheduled to occur in FY 2022 and has an estimated General Fund cost of \$11.67M. This estimate was derived by taking the FY 2019 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 2016 – July 2019), or 2.54%.

The next 27th payroll is scheduled to occur in FY 2022 and has an estimated General Fund cost of \$12.64M. This was derived by using the FY 2020 collective bargaining agreement across the board (ABI) and step increases as a starting point projecting FY2021 & FY 2022 payroll costs using 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 2019), or 3.0%.

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, \$1.85M for the 53rd week and \$2.18M for the 27th pay period should be reserved each year in fiscal years 2021 and 2022 to meet these future liabilities.

Pursuant to 32 V.S.A. Sec. 308b(c)(2), funds for the 53rd payment will be transferred from the Human Services Caseload Reserve depending on the balances and obligations within that fund.



27/53 Reserve Contribution Schedule

Presented to JFC September 16, 2019 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	7.97	3.70	2	1.85
27th Pay Period	12.64	8.29	4.35	2	2.18
Total	24.31	16.27	8.05		4.02

53rd Week	Actual 2017	Actual 2018	Actual 2019	As Passed 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 FY 2019 53rd Week Payment is \$1.76M per 2018 Act 11 Sec.D104(a)(1). Pursuant to 32 V.S.A Sec. 308b(c)(2), funds for the 53rd payment will be transferred from the Human Services Caseload Reserve depending on the balances and obligations within that fund. Assumed annual growth rate in Medicaid of 2.54% budget, based on 3 year average (Jul 2016-Jun 2019) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	Actual 2017	Actual 2018	Actual 2019	As Passed 2020	2021	2022
Prior year balance	-	2.64	6.41	8.29	8.29	10.47
Close Out Deposit	2.64	1.79	-	-	-	-
Annual Contribution	-	1.98	1.88	* -	2.18	2.18
Total Reserved 27th Pay Period	2.64	6.41	8.29	8.29	10.47	12.64

*Notes: Last 27th Week Payment was made in FY 2019 for FY 2020, per 2019 Act 6, Sec.59 (a). Assumed annual growth rate of 3% in FY 2021 & FY 2022 based on the 12 month % change (2nd Quarter of 2019) of Bureau of Labor Statistics Employment Cost Trends for State and Local Government Compensation.

Total Projected Reserve Balance	Actual 2017	Actual 2018	Actual 2019	As Passed 2020	2021	2022
Prior year balance	-	5.29	10.78	14.42	16.27	20.29
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	* -	2.18	2.18
Total Reserved 27th Pay Period	5.29	10.78	14.42	16.27	20.29	24.31