

State of Vermont

Department of Finance & Management
109 State Street, Pavilion Building
Montpelier, VT 05620-0401

Agency of Administration

[phone] 802-828-2376
[fax] 802-828-2428

MEMORANDUM

TO: Joint Fiscal Committee
FROM: Adam Greshin, Commissioner, Department of Finance &
RE: Management 27/53 Reserve Schedule
DATE: September 13, 2021

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 the liabilities come due.

FY 2022

The next 53rd week of Medicaid payments is scheduled to occur in FY 2022 and has an estimated General Fund cost of \$12.42M. This estimate was derived by taking the FY 2021 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 (July 2018 – June 2021), or 2.85%. Additionally, an assumption of an additional \$2M (\$900K state share) need was added to the estimate based on current weekly run rates, likely higher due to temporarily suspended Medicaid redeterminations.

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 actual VTHR data imported July 2022, projected annually for FY 2022 salaries in the budget system. The analysis controlled for a change in the General Fund percentage to DOC due to the addition of Coronavirus Relief Fund in the FY 2022 As Passed budget.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve to ensure funds are available to meet the FY 2022 future liabilities for the 27th payroll and 53rd week of Medicaid. Based on current estimates and the prior year fund balance, \$0.84M for the 53rd week and \$0.19M for the 27th pay period should be reserved in the fiscal year 2022 Budget Adjustment Act 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.

FY 2033

The following 53rd week of Medicaid payments is scheduled to occur in FY 2033 and has an estimated General Fund cost of \$15.70M. This estimate was derived by taking the FY 2021 Medicaid costs and projecting the FY 2022 – FY 2033 costs by a growth rate equivalent to the 3-year average Bureau of Labor Statistics' CPI for Medical Care (July 2018 – June 2021), or 2.85%.



The following 27th payroll is scheduled to occur in FY 2033 and has an estimated General Fund cost of \$17.50M. This was derived by using the actual VTHR data imported July 2022, projected annually for FY 2022 salaries in the budget system and applying an assumed 3% inflationary rate for each year through FY 2033.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve to ensure funds are available to help meet the FY 2033 future liabilities for the 27th payroll and 53rd week of Medicaid. Based on current estimates and the prior year fund balance, \$1.43M for the 53rd week and \$1.59M for the 27th pay period should be reserved in the fiscal year 2023 budget 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 for the FY 2022 liability

Presented to JFC September 17, 2021 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	BAA Deposit
53rd Week	12.42	11.58	0.84	1	0.84
27th Pay Period	12.64	12.45	0.19	1	0.19
Total	25.06	24.04	1.02		1.03

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	As Passed 2022	Proposed BAA 2022
53rd Week							
Prior Year Balance	-	2.64	4.36	6.12	7.97	9.82	11.58
Close Out Deposit	2.64	-	-	-	-	-	-
Annual Contribution	-	1.72	1.76	1.85	1.85	1.76	0.84
Total Reserved for the 53rd week	2.64	4.36	6.12	7.97	9.82	11.58	12.42

Notes: The FY 2022 53rd Week Payment is \$1.76M per 2021 Act 74 Sec.D.102. 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 2.85% budget, based on 3 year average (Jul 2018-Jun 2021) of Bureau of Labor Statistics CPI for Medical Care. Additional \$900K state share added to need based on current weekly run rates, likely higher due to temporarily suspended Medicaid redeterminations.

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	As Passed 2022	Proposed BAA 2022
27th Pay Period							
Prior year balance	-	2.64	6.41	8.29	10.47	10.47	12.45
Close Out Deposit	2.64	1.79	-	-	-	-	-
Annual Contribution	-	1.98	1.88	2.18	* -	1.98	0.19
Total Reserved 27th Pay Period	2.64	6.41	8.29	10.47	10.47	12.45	12.64

*Notes: The 2021 27th Week Payment was made in FY 2020 for FY 2021, per 2020 Act 88 Sec.46. The FY 2022 27th Pay Period Payment is \$1.98M per 2021 Act 74 Sec.D.102. BAA proposal based on actual VTHR data imported July 2022 and projected annually for FY2022 salaries in the budget system. Change in General Fund percentage to DOC due to addition of Coronavirus Relief Fund in the FY 2022 As Passed budget was controlled for.

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	As Passed 2022	Proposed BAA 2022
Total Projected Reserve Balance							
Prior year balance	-	5.29	10.78	14.42	18.45	20.30	24.04
Closeout Deposit	5.29	1.79	-	-	-	-	-
53rd Week contribution	-	1.72	1.76	1.85	1.85	1.76	0.84
27th Pay period Contribution	-	1.98	1.88	2.18	* -	1.98	0.19
Total	5.29	10.78	14.42	18.45	20.30	24.04	25.07

27/53 Reserve Contribution Schedule for the FY 2033 liability

Presented to JFC September 17, 2021 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	15.70	-	15.70	11	1.43
27th Pay Period	17.50	-	17.50	11	1.59
Total	33.20	-	33.20		3.02

53rd Week	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior Year Balance	-	1.43	2.85	4.28	5.71	7.14	8.56	9.99	11.42	12.84	14.27
Close Out Deposit	-	-	-	-	-	-	-	-	-	-	-
Annual Contribution	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43
Total Reserved for the 53rd week	1.43	2.85	4.28	5.71	7.14	8.56	9.99	11.42	12.84	14.27	15.70

Notes: Assumed annual growth rate in Medicaid of 2.85% budget, based on 3 year average (Jul 2018-Jun 2021) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior year balance	-	1.59	3.18	4.77	6.36	7.95	9.55	11.14	12.73	14.32	15.91
Close Out Deposit	-	-	-	-	-	-	-	-	-	-	-
Annual Contribution	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Total Reserved 27th Pay Period	1.59	3.18	4.77	6.36	7.95	9.55	11.14	12.73	14.32	15.91	17.50

Notes: Assumed inflationary growth rate of 3% over the FY2022 projected payroll.

Total Projected Reserve Balance	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior year balance	-	3.02	6.04	9.05	12.07	15.09	18.11	21.13	24.14	27.16	30.18
Closeout Deposit	-	-	-	-	-	-	-	-	-	-	-
53rd Week contribution	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43	1.43
27th Pay period Contribution	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Total	3.02	6.04	9.05	12.07	15.09	18.11	21.13	24.14	27.16	30.18	33.20