

FY 2024 BUDGET and FY 2023 BUDGET ADJUSTMENT
INSTRUCTIONS SUPPLEMENT
Department of Finance & Management
Budget & Management Division

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A. FY 2024 Budgets

These budget instructions offer guidance in preparing responses to the Governor's budget initiatives for FY 2024. **Departments should provide General Fund budget requests at no more than a 3% increase from your FY 2023 "As Passed" appropriations.**

Summary Responses must be approved by the Agency Secretary and Commissioner or the exempt head of your Department or Office, and **must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder ADM.budget@vermont.gov by October 11, 2022.** (See the "[Budget Development Timetable](#)" at end of this document for a complete list of due dates.) Responses should be submitted on the "[Budget Development Form](#)" – **Attachment B**. This form can be supplemented with a narrative response as appropriate, which must include any major policy initiatives that will be submitted to the appropriate Governor's Office Liaisons.

Please keep in mind that Vermont budgets and controls its financial activities on the cash basis of accounting (in contrast to the State's audited financial statements, which are based on accrual accounting and modified accrual accounting). Your budget submission should reflect the actual entries that are expected to post to VISION during fiscal year 2024. Some departments use accrual accounting in their internal reporting processes, which may result in confusion when referring to prior year actual data displayed on Vantage forms and reports.

1. Funding Levels:

If you require assistance confirming the amounts of your FY 2023 "As Passed" base appropriations and/or your FY 2024 General Fund target amount, please consult your budget analyst.

Special fund spending authority should correspond with available revenues. As always, federal funding should be conservatively estimated, cognizant of current Federal actions and prospects. Please be particularly mindful of any potential reductions to your federal grants. Do not assume federal reductions will be covered with increased General Funds. Please assume these funds will not be replaced unless you can demonstrate they meet a critical State policy goal.

If you expect reduced special funds or federal funds, your budget should reflect a corresponding reduction in associated limited-service positions and administrative expenses.

2. Salaries, Benefits, ISFs, ADS:

a. Cost of Salaries and Vacancy Savings in FY 2024

The Vantage budget system reflects the annualized cost of the step increases that are expected to take place during FY 2023 for classified positions. The salary changes that are expected to take place *during* FY 2024 are handled separately (via Pay Act appropriations) and are not to be included in the FY 2024 budget request.

The salary and benefits budget figures provided by the Vantage Salaries and Benefits Forecasting System (SBFS) represent the sum of all salary and benefit costs for all positions defined within an organization. The budgeting of Vacancy Savings should reflect a best possible estimate of savings (salary and benefit costs combined) resulting from positions in SBFS that are not expected to be filled for part (or all) of FY 2024 (please see section "b" below for guidance on benefit rate assumptions).

If Vacancy Savings budget submissions appear to be inconsistent with your department’s historical trend of savings related to position vacancies, please be prepared to justify your assumptions during budget review.

b. Health care and dental premium costs and other benefit rates:

We will centrally install the benefit rates on the Vantage budget system for FY 2024 benefit calculations. FY24 retirement and benefit rates are not yet determined, but we will work with DHR and the Treasurer’s office to provide these rates as early as possible during the budget development process.

For the initial budget submissions due October 11, 2023:

- **Assume FY2024 health benefit rates to be flat with FY2023 budgeted levels.** If a health benefit increase is established during the budget cycle, General Fund allotments will be provided to offset this pressure to General Fund budgets. Any health benefit increases **will not** need to be absorbed within 3% GF budget increase targets.
- **Assume FY2024 VSERS employer contributions rates to be flat with the FY2023 current levels** of 26.7% for the Defined Benefit plan (please note that this represents an increase from the rate of 25.5% that was budgeted for FY 2023) and 11.75% for the Defined Contribution plan. Please also note that the retirement rate increases from 25.5% to 26.7% for DB, and 11% to 11.75% for DC, **are** to be absorbed within the overall 3% increase for General Fund budgets. Any retirement rate increase above these levels will not need to be absorbed within 3% GF increase targets.

Please clearly identify retirement rate increase as a line item on your “Budget Development Form” – Attachment B.

c. Internal Service Funds (ISFs):

Departments are responsible for budgeting their ISF charges, as listed below. For the purposes of your initial budget submissions, please **assume the gross allocated charge to your department to be flat with FY2023 budgeted levels.** We will send ISF allocations to Departments as early as possible in the budget development process. As such, we will schedule budget meetings first with those departments that manage the State’s ISFs.

General Fund allotments will be provided to General Fund budgets for any increases to ISF rates above FY2023 budgeted levels. Any ISF increases **will not** need to be absorbed within 3% GF budget increases.

ISF:	VISION/Vantage Expense Account Code:	VISION/Vantage Expense Account Name:	ISF department responsible for determining allocation:
Worker’s Compensation Fund	505200	Workers Comp - Ins Premium	AOA-FIN
State Liability Fund	516010	Insurance - General Liability	AOA-FIN

Property and Commercial Insurance Fund	516000	Insurance other than Employee Benefits	AOA-FIN
Facilities Operations Fund (Fee for Space)	515010	Fee for Space Charge	BGS
Communications & Information Technology Fund (CIT)	516685	ADS Allocation Exp	ADS
Human Resources Fund	519006	Human Resources Services	DHR
Financial and Human Resource Information (VISION) Fund	516671	IT Inter Svc Cost-VISION/ISD	DFM

Departments must utilize the correct expense code lines when budgeting their ISF charges which will allow us to verify these costs are fully budgeted state-wide. Please take care to budget the ADS allocation properly relative to the ADS SLA charge (and any new IT initiatives). See further ADS discussion below.

d. ADS Budgeting Guidance:

Pursuant to Executive Order No 06-17, Finance & Management has worked with the Agency of Digital Services to better manage, quantify, and report IT spending in state government. As part of this effort, in the FY24 budget submission, please be sure to align your budget to the account codes specified in Attachment E for all planned IT costs.

3. Budget Review Process and Supporting Materials:

a. Budget Review:

Beginning on October 17, 2022, Finance & Management will meet with every department for an initial review of its budget submission. Finance & Management will contact you to schedule meetings with Commissioner Greshin and his team. Submissions must be approved by your Commissioner or the exempt head of your agency, department, or office.

b. Restructuring and Reductions:

Restructuring and/or reductions to on-going programs may be necessary to achieve the 3% budget increase target. Any combination of proposals may be considered.

Please itemize the restructuring and/or reductions in programs, services, staffing, activities, etc. necessary to meet the FY 2024 targets. A major focus of your additional documentation should be an explanation of the restructuring and/or changes in programs, services, staffing and activities that will be needed to function within assigned FY 2024 funding levels.

c. Vantage Budget System:

Vantage system instructions are available on the Finance & Management website at: <http://finance.vermont.gov/vantage-budget-system>.

Please complete your base budget form, which ties to your Budget Development Form, and move the form to stage 2 prior to your budget meeting with Finance & Management. Additionally, your “Budget Development Form” - Attachment B must tie to your Vantage base budget form by Dept ID, Fund, and Major Object. The base budget form should list general base operating changes that may include, but not be limited to:

- Changes in non-salary operating costs, such as fuel, supplies, equipment, etc.
- Current programmatic caseload or utilization changes.

Programmatic changes and new initiatives, including the inclusion or elimination of additional positions, must be added via a decision item in Vantage. Decision items allow agencies and departments to approach each programmatic change individually without having to modify the base budget form or personnel data. Please move all decision items to stage 2 before budget meetings with the Finance & Management team.

Positions attached to one-time funding sources: The Vantage Salary and Benefits Forecasting System (SBFS) should not contain positions funded via a one-time funding source. The Vantage Admin Team will, to the best of their ability, remove positions attached to a one-time funding source prior to opening Vantage for the start of budget season. If you do find a position attached to a one-time funding source when Vantage opens, please delete that position.

d. Additional Detail:

Along with the “Budget Development Form” - Attachment B, please provide additional detail and backup to your submission. Include information that will help us understand your budget submission, such as assumptions, trends, analysis, and documents addressing the following issues (if needed):

- Upward and downward pressures relative to your department’s FY 2023 adjusted base appropriation (these should be presented as distinct line-item entries in the Budget Development Form)
- Policy issues with a potential budgetary impact
- Other policy areas that will be part of the Department’s legislative strategy
- Reductions needed to meet funding targets
- Priority of restoration and rationale.

Please contact your budget analyst if you need help developing your supplemental material or have questions on what is appropriate to provide.

e. Programmatic Performance Measure Budget:

Please note that only one report is required this year for programmatic performance-measure budgeting (PPMB): (1) Attachment A-2 Programmatic Performance Measure Report (for ALL Departments excluding AHS who may continue to utilize Clear Impact Scorecard)

i. Programmatic Performance Measure Report:

Programmatic Performance Measure Reports are required as part of the budget submission materials, per [32 VSA 307 \(c\)\(1\) & \(2\)](#). Performance Measures (PM) on programs will be reported to Finance and Management during departmental budget meetings, and to the legislative appropriations committees during budget hearings. These Programmatic Performance Measure Reports create a direct linkage between programmatic performance and budget review. Last year, performance measures for over 180 programs, representing much of State government, were included as part of departments’ budget presentations to the legislative appropriations committees.

In a shift from last year, financial data for the FY 2024 budget, FY 2023 budget adjustment and FY 2022 actuals will not be required as part of performance measures reporting, as this information will be pulled directly from the Vantage Budgeting System once budgets are finalized. To facilitate this process, each program reported in Attachment A-2 must be associated with an appropriation level dept ID. This may be a one-to-one match (the program represents the entire appropriation) or a one-to-many match (multiple programs are being reported under one appropriation). Regardless, the financials reported will represent the appropriation and not be broken down by individual program. This provides an opportunity for agencies and departments to report on programs where financial disaggregation may have been difficult in the past.

Our expectation is that agencies and departments will continue to report on programs from previous cycles and are strongly encouraged to refine their existing measures and add additional programs where relevant. All appropriation level department IDs, aside from select one-time appropriations that may not be programmatic in nature, should have at least one program with associated measures being reported. To see which programs were included in last year's report:

https://aoa.vermont.gov/sites/aoa/files/InfoReportReleases/FY2023_PPMB_Report-and-Memo.pdf.

All units must use the Attachment A-2 Programmatic Performance Measure Template, except for units using an alternative means of reporting (such as Clear Impact Scorecard, or others approved by the CPO). Performance measure data should be included in your legislative presentation. We expect your department to provide a draft of their Programmatic Performance Measure Report as part of your materials when they meet with the Finance Commissioner and his team. You are welcome to submit any additional performance measure documentation, charts, etc., but you must submit at least the standard A-2 template. This requirement is intended to stimulate a discussion of the resources currently directed to each program compared to its results.

For ease of reporting, we are prepopulating Attachment A-2's with data from prior submissions. You may access your unit's pre-populated template at:

<https://vermontgov.sharepoint.com/sites/SOV-ContinuousImprovement/PPMB/>.

A blank template is also available at the same location. If you cannot access the SharePoint document library, please reach out to Justin.Kenney@vermont.gov to obtain a copy of your template.

Attachment A-2 is broken out into three main sections: Instructions, Programs and Measures.


Instructions: The Instructions tab provides stepwise instructions for filling out the template. We encourage everyone to read through this tab in detail before starting the process of filling out/updating the data within the template.

Programs: The Programs tab is used to identify and provide information about the programs which are being included in this year's reporting cycle. A program is defined as a set of services or activities aligned and resourced to accomplish a stated outcome or result. Programs exist at many levels within an organizational hierarchy. Each program listed should have a unique name and must include the appropriation level department ID it is linked to, the program purpose and context, a list of the specific services provided by the program and a link to the program's external website (if one exists). When providing this information, please consider that this is intended for an external audience. Don't assume the reader has an in-depth knowledge of your unit and its programs. If you must use acronyms, spell them out the first time they are used.

Measures: The Measures tab is used to link performance measures directly to programs listed on the Programs tab. It is suggested that each program have three to five performance measures that:

- Are directly related to the goals and strategies for the program, with an emphasis on serving the program's customers;
- Include historical data (up to five years) to reflect major trends;
- Include the most current data – preferably from within the last year; and
- Speak to how much the program did (quantity), how well they did it (quality) and whether anyone is better off/what was the impact (results).

As previously mentioned, templates have been prepopulated with information from last year's submission with performance measure values placed within the 2020 and 2021 columns. Units will need to confirm or adjust this information accordingly. When changing data, please be mindful of the link between the Program tab and the Measures tab. If a program name is changed on the Programs tab, it also must be changed on the Measure tab to ensure that data can be appropriately linked together during report preparation.

When reviewing, refining or developing performance measures, units should make sure to include and utilize their appointed Performance Accountability Liaisons. The Office of the Chief Performance Officer is also available to assist with performance measure refinement and development as needed prior to submission. Please contact Justin.Kenney@vermont.gov with questions. You may also reference the  [Performance and Productivity Measure Primer](#).

ii. PPMB Due Dates

Programmatic Performance Measure Report submission(s) are due by October 11, 2022, with budget request submissions but should be sent as a separate email to ADM.Budget@vermont.gov and ADM.ContinuousImprovementTeam@vermont.gov. Please include PPMB in the email header.

Following submission, units should expect to receive feedback on their performance measures from the Chief Performance Office which may result in refinements and revisions. Any changes or updates will need to be completed and submitted to ADM.Budget@Vermont.gov and ADM.ContinuousImprovementTeam@vermont.gov within 5 business days after receipt of the final targets.

f. Policy Impact Assessment

Completion of a Policy Impact Assessment (Attachment C) is required for any new programs or proposals, including any proposals to discontinue or materially change the scope of existing programs. The Policy Impact Assessment document is attached as Attachment C. The Policy Impact Assessment is provided in the form of a fillable PDF document that poses questions regarding the proposal. Some questions are required, and some are optional. Initial review by the Governor's Office requires responding to the questions identified in bold print. Please contact Xusana.Davis@vermont.gov with questions regarding Equity Impact Assessments.

4. Final Budget Submission:

Final decisions for budget targets comprising the FY 2024 Governor’s Recommended Budget are scheduled for communication in early January. Upon receipt of the final target, please finalize Vantage entries, and notify your budget analyst when the entries are complete.

Additional materials must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder ADM.budget@vermont.gov.

5. New positions:

New position requests will be considered as follows:

- New positions may be included as part of a department’s policy initiatives. Requests for new permanent positions to be funded by base budgets *should be submitted as a decision items* (see [Sec. A.3.c](#) above) and should be included in your submissions to Governor’s Office Liaisons (see [Sec. A](#) above). Positions requests also require submission of budget bill language—see [Sec. E](#) for deadline.
- Requests for new limited service positions, the conversion of positions from limited service to permanent, and interagency transfers of positions should be included in your submissions to Governor’s Office Liaisons, and require budget bill language—see [Sec. E](#) for deadline.
- When making a position request, first consider whether reclassification of a vacant position is possible.
- Position requests associated with current service level operations may be submitted to the AoA Position Pool Committee for its consideration and funded at the FY 2023 appropriations level (i.e. level funded for FY 2024).

6. Budget Development Form

Use the blank template “[Budget Development Form](#)” – Attachment B to illustrate changes from your FY 2023 appropriation to your FY 2024 request. Specific expectations for completing this form include:

- Provide distinct line-item entries for upward and downward pressures relative to your FY 2023 base appropriation
- Line-items should be grouped by Major Object including Personal Services, Operating Expenses, and Grants
- For Personal Services changes, provide the following line-item detail, as applicable
 - Annualization of the prior fiscal year’s Pay Act detailed as:
 - Portion attributable to capped federal funds
 - Portion unattributable to capped federal funds
 - Change in fringe benefits
 - Effect of RFRs and Class Actions
 - Vacancy savings
- Line-items associated with the annualization of a BAA request should be labeled as such.

7. Supplemental Vantage Forms

As part of the budget submission, 32 VSA § 307(b) requires detailed information concerning:

- (1) The specific special funds used as receipts in the budget.
- (2) Explanations of interdepartmental transfers, including which department is the source. If your funding is reliant on interdepartmental transfers, be sure to coordinate with the source

department. Do not assume both departments have the same expectations. We recommend establishing a written funding agreement such as a Memorandum of Understanding.

- (3) Budgeted positions.
- (4) Changes in program funding levels and associated policy changes in the requested budget.

In addition, the Legislature regularly requests details of departments' "Grants Out" to Vermont residents and organizations. Vantage is configured to meet these requirements. Departments are responsible for the accuracy of their Vantage entries, and any supplementary, summary, or explanatory information, including the "[Budget Development Form](#)" – [Att. B](#). Documentation on Interdepartmental Transfers Receipts and Federal Receipts are generated by departments from the Vantage system. The Supplemental Interdepartmental Transfers Receipts, Federal Receipts, and Grants Out forms must be completed accurately within Vantage and reconcile to departments' final Governor's Recommendations.

8. Grants, gifts, loans, things of value:

As amended by 2019 Acts and Resolves No. 72, [32 VSA § 5](#) requires that all new grants, gifts, loans, sums of money, or things of value with a value greater than \$15,000 received by the State must be accepted in accordance with the statutory procedure requiring submission to the Joint Fiscal Office through the Governor. ([Form AA-1](#) is the administrative vehicle for this submission.) Including these items in the budget is not a substitute for this process. However, once duly accepted, grants (on-going revenues and expenditures) should be budgeted in subsequent years.

Please note that per [32 VSA § 5](#) items ranging in value from \$1,500 to \$15,000 may be accepted with notice to the Secretary of Administration (via communication to your department's budget analyst). The Department of Finance & Management provides the statutorily required reporting of such items in the quarterly Small Grants Report to the Joint Fiscal Committee.

B. FY 2023 Budget Adjustment:

The budget adjustment process is used to meet extraordinary needs not anticipated in the current budget, and for internal funding changes that cannot be accommodated by administrative means (i.e., appropriation transfers, excess receipts, etc.). Budget adjustment submissions are due October 11, 2022 along with FY2024 budget submissions, and final proposed bill language is due November 10, 2022.

For development of the Governor's recommended FY 2023 Budget Adjustment bill (BAA), we will utilize the July 28, 2022 revenue forecast approved by the Emergency Board. Further adjustments to the FY 2023 Budget Adjustment proposal may be necessary based upon any revisions to the consensus revenue forecast by the Emergency Board at its January 2023 meeting.

The first recourse in solving current-year budget issues is to redirect resources within your agency or department's existing funding. Please bring to our attention any significant issues that will be handled in this way-- identifying the problem and a solution-- and whether Budget Adjustment action (e.g., transfer of funding between appropriations) is required.

Notification of budget adjustment proposals should include a description of the causes of increased or decreased expenditures or receipts, the related actions already taken to contain increased spending, and the proposed remedy. A request should cite all affected sections of the FY 2023 appropriations bill and include draft language of the changes required.

Requests for inclusion in the Budget Adjustment must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder ADM.budget@vermont.gov. Responses must be approved by the Commissioner or the exempt head of your agency, department, or office. Departments should identify BAA items during their budget meetings.

As noted above, new grant receipts (e.g., federal grants) should be submitted for approval per [32 VSA § 5](#). Do not include them in the Budget Adjustment as proposed changes to appropriations.

C. Executive Fee Bill and Fee Report

Sec. E.106 of 2022 Act 185 requires DFM to inventory all existing fees (as of 7/1/22) within State government. As this report is envisioned as including all fees within the State, **all departments are required to submit Fee Report information**. As in previous years, departments may bring forward fee proposals to be included in the Fee Bill and Fee Report. The department must demonstrate a proposed fee increase is critical to program operation and larger statewide goals, including factors such as:

- Programmatic effect of having not increased fees over the last three fiscal cycles
- Implications for the program's operations in the absence of additional special funds going forward
- Integration with the Governor's strategic priorities
- Opportunities to leverage federal matching funds
- Ability to discontinue or to consolidate fees
- Any effect on unit volume resulting from fee increase

Departments will submit all Fee Bill, Fee Report, and other non-Fee Bill governed fees, rates, payments, etc. using the "Fee Form" - Attachment D. Instructions are included with the electronic form. **Completed Fee Forms must be submitted electronically to Secretary of Administration using the mail folder ADM.budget@vermont.gov by October 11, 2022.**

D. Appropriations Bill Narrative

Please closely review any legislative language associated with your appropriations or programs in the FY2023 appropriations bill (Act 185 of 2022) and identify any necessary changes that must be made to implement your department's budget plan as part of the FY 2023 Budget Adjustment and/or the FY 2024 Governor's Recommended Budget language. The best way to communicate these changes is to return a copy of those portions of bill language, marked up for any deletions, additions, or changes. It is your department/agency's responsibility to be aware of language from other bills in prior years which may need modification.

Marked-up narrative portions must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder ADM.budget@vermont.gov by November 10, 2022 for Budget Adjustment language, and by December 20, 2022 for FY24 Governor's Recommended Budget language.

E. FY 2023 Budget Development Timetable

The following set of dates will help in planning tasks in the development of the FY 2024 Budget and the FY 2023 Budget Adjustment. Dates are for planning purposes only and are subject to change; you will be notified of any changes in due dates.

Policy & Budget Development Timeline

Tuesday, October 11:	Initial FY23 BAA submissions, Initial FY24 budget submissions including required attachments due electronically to DFM.
Monday, October 17:	DFM begins meeting with Agencies and Department on FY23 BAA and FY24 budget submissions
Thursday, November 10:	Final FY23 BAA language due to DFM.
Tuesday, November 29:	ISF targets issued to Cabinet by DFM. Actuarially determined Pension contributions due from Treasurer.
Tuesday, December 20:	FY24 Budget Bill language due to DFM.
Thursday, January 5, 2023:	Inaugural Address
January TBD:	DFM communicates final Governor's priorities for General Fund to Cabinet and Departments.
January TBD:	Final budget targets issued by DFM / final FY23 budget submissions entered in Vantage.
No later than Jan. 24, 2023:	Governor's Budget Address