

**MEMORANDUM**

**TO:** Joint Fiscal Committee  
**FROM:** Hardy Merrill, Deputy Commissioner, Department of Finance & Management  
**RE:** 27/53 Reserve Schedule  
**DATE:** September 26, 2023

**Hardy Merrill**Digitally signed by Hardy Merrill  
Date: 2023.09.26 10:53:58  
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Pursuant to 32 V.S.A. § 308e(a)(2), the attached spreadsheet provides the anticipated liability for the next 53<sup>rd</sup> week of Medicaid payments and the next 27<sup>th</sup> state payroll. The 27/53 Reserve was created during the 2016 legislative session to establish a process to reserve funds for known future liabilities, thereby minimizing budgetary impact in the years the liabilities come due.

**Upcoming 27/53 Liabilities**

The next 53<sup>rd</sup> week of Medicaid payments is scheduled to occur in FY 2027 and has an estimated General Fund cost of \$15.64M. This estimate was derived by using the FY 2023 Medicaid costs as a starting point and then projecting the FY 2024 – FY 2027 costs based on a growth rate equivalent to the 3-year average Bureau of Labor Statistics' CPI for Medical Care (July 2020 – June 2023), or 2.58%.

The next 27<sup>th</sup> payroll is scheduled to occur in FY 2033 and has an estimated General Fund cost of \$22.41M. This was derived by using the actual VTHR data imported July 2023, projected annually for FY 2024 salaries in the budget system and applying an assumed 5% inflationary rate for each year through FY 2033.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve to ensure that there are funds available to help meet the future liabilities for the 27<sup>th</sup> payroll and 53<sup>rd</sup> week of Medicaid. Based on current estimates and the prior year fund balance, \$3.40M for the 53<sup>rd</sup> week and \$2.08M for the 27<sup>th</sup> pay period should be reserved in the fiscal year 2025 budget to meet these future liabilities.

Attachment: 27/53 Reserve Contribution Schedule for Estimated Liabilities



## 27/53 Reserve Contribution Schedule for Estimated Liabilities

Presented to JFC September 27, 2023 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	15.64	5.45	10.19	3	3.40
27th Pay Period	22.41	3.65	18.76	9	2.08
<b>Total</b>	<b>38.05</b>	<b>9.10</b>	<b>28.95</b>		<b>5.48</b>

53rd Week	Actual 2023	As Passed 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior Year Balance	0.73	2.16	5.45	8.84	12.24	-	3.04	6.07	9.11	12.14	15.18
Annual Contribution	1.43	3.29	3.40	3.40	3.40	3.04	3.04	3.04	3.04	3.04	3.04
<b>Total Reserved for the 53rd week</b>	<b>2.16</b>	<b>5.45</b>	<b>8.84</b>	<b>12.24</b>	<b>15.64</b>	<b>3.04</b>	<b>6.07</b>	<b>9.11</b>	<b>12.14</b>	<b>15.18</b>	<b>18.22</b>

Notes: Assumed annual growth rate in Medicaid of 2.58% budget, based on 3 year average (Jul 2020 -Jun 2023) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	Actual 2023	As Passed 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior year balance	-	1.59	3.65	5.74	7.82	9.91	11.99	14.07	16.16	18.24	20.33
Annual Contribution	1.59	2.06	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08
<b>Total Reserved 27th Pay Period</b>	<b>1.59</b>	<b>3.65</b>	<b>5.74</b>	<b>7.82</b>	<b>9.91</b>	<b>11.99</b>	<b>14.07</b>	<b>16.16</b>	<b>18.24</b>	<b>20.33</b>	<b>22.41</b>

Notes: Assumed inflationary growth rate of 5% over the FY2024 projected payroll.

Total Projected Reserve Balance	Actual 2023	As Passed 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior year balance	0.73	3.75	9.10	14.58	20.06	9.91	15.03	20.15	25.27	30.39	35.51
53rd Week contribution	1.43	3.29	3.40	3.40	3.40	3.04	3.04	3.04	3.04	3.04	3.04
27th Pay period Contribution	1.59	2.06	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08
<b>Total</b>	<b>3.75</b>	<b>9.10</b>	<b>14.58</b>	<b>20.06</b>	<b>25.54</b>	<b>15.03</b>	<b>20.15</b>	<b>25.27</b>	<b>30.39</b>	<b>35.51</b>	<b>40.63</b>