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Adam Greshin, Commissioner

TO: Joint Fiscal Committee
FROM: Adam Greshin
DATE: September 11, 2025
RE: 27/53 Reserve Schedule

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 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 53rd week of Medicaid payments is scheduled to occur in FY 2027 and has an estimated General Fund cost of \$16.54M. This estimate was derived by using the FY 2025 Medicaid costs as a starting point and then projecting the FY 2026 – FY 2027 costs based on a growth rate equivalent to the 3-year average Bureau of Labor Statistics' CPI for Medical Care (July 2022 – June 2025), or 2.33%.

The next 27th payroll is scheduled to occur in FY 2033 and has an estimated General Fund cost of \$24.61M. This was derived by using the actual VT HR data imported July 2025, projected annually for FY 2026 salaries in the budget system and applying an assumed 4.6% inflationary rate for each year through FY 2033. This inflationary rate represents the 3-year average growth rate for wages and salaries in the public sector according to the Bureau of Labor Statistics' Employment Cost Index through June 2025.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve. Based on current estimates and the prior year fund balance, \$4.16M for the 53rd week and \$2.39M for the 27th pay period should be reserved in the fiscal year 2027 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, subject to the balances and obligations within that fund.

Attachment: 27/53 Reserve Contribution Schedule for Estimated Liabilities

