

# Welcome to the Budget House Appropriations Committee

Budget Overview  
January, 2019

# What is the State Budget?

- The State Budget is a plan for the coming fiscal year that authorizes the expenditure of funds for specific purposes.
- The budget includes the spending of funds (much like a budget your household uses) from the following sources:
  - General Funds
  - Transportation Funds
  - Education Funds
  - Federal Funds
  - Medicaid (Global Commitment Funds)
  - Special Funds (many funds such as Clean Water Fund...)
  - Tobacco Funds (Source is Tobacco Master Settlement)
  - Fish and Wildlife Funds
  - Other Misc. Funds

# Where Does the Money Come From?

- **General Fund:** Personal Income taxes, Corporate tax, 75% of Meals and Rooms tax, Liquor tax, Property Transfer tax, and misc. other taxes
- **Transportation Fund:** Gas tax, Automobile Purchase and Use tax, and Federal funds dedicated to transportation projects
- **Education Fund:** 100% of Sales and Use tax, 25% of Meals and Rooms tax, Lottery proceeds. Balance is paid in property taxes
- **Federal Funds:** Various federal grants and funding streams
- **Medicaid Global Commitment Funds:** Vermont has a Federal waiver for most of Medicaid with flexibility and investments that would otherwise not be allowed

# Where Does the Money Come From ?

## continued

- **Special Funds:** Includes several sources of revenue raised for specific purposes (Clean Water fund, VT Dairy Promotion fund, etc.)
- **Fish and Wildlife Fund:** License fees and federal grants dedicated to fish and wildlife purposes
- **Other Misc. Funds:** There are several other funds established for specific purposes including, for example, Enterprise Funds (like VT Life Magazine), and Capital Funds from the issuance of bonds

# What is the Money Spent On?

- General Government
- Protection to Persons and Property
- Human Services
- Labor
- General Education (K-12)
- Higher Education (College, VSAC)
- Natural Resources
- Commerce and Community Development
- Transportation
- Debt Service

# Capital Bill

- **Source:** Funds from General Obligation Bonds
- **Uses:** For acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, assistance to municipalities for construction of water and sewage systems, and local schools.
- **Not Part of Omnibus Appropriation Bill (the budget)**

# Process for Developing Vermont's Omnibus Appropriations Bill

This is the only bill that must pass the Legislature annually

The operating budget is developed each year - the fiscal year runs from July 1 thru June 30

The process of establishing budget is ~9 months prior to the start of the fiscal year

## AGENCY PHASE

SUMMER-FALL

State agencies prepare a budget based on targets provided by the Governor. Targets are based on revenue forecasts, and the economic condition of the State.

## GOV'S PHASE

NOV – JAN

In the Fall the Gov thru F&M conducts meetings w/Depts. The Gov is required to submit a recommended budget to the Legislature for their consideration by 3<sup>rd</sup> week of January.

## HOUSE PHASE

JAN - MAR

Traditionally House Appropriations Committee (HAC) considers the budget (aka the big bill ) first. They take testimony and hold public hearings. This bill typically passes the House in March.

## SENATE PHASE

FEB - APR

The Senate Appropriations Committee (SAC) begins testimony public hearings a few weeks later.. They then consider the House passed bill and pass the bill in late April.

## COMMITTEE OF CONFERENCE AND SUBMISSION TO THE GOVERNOR

MAY – JUNE

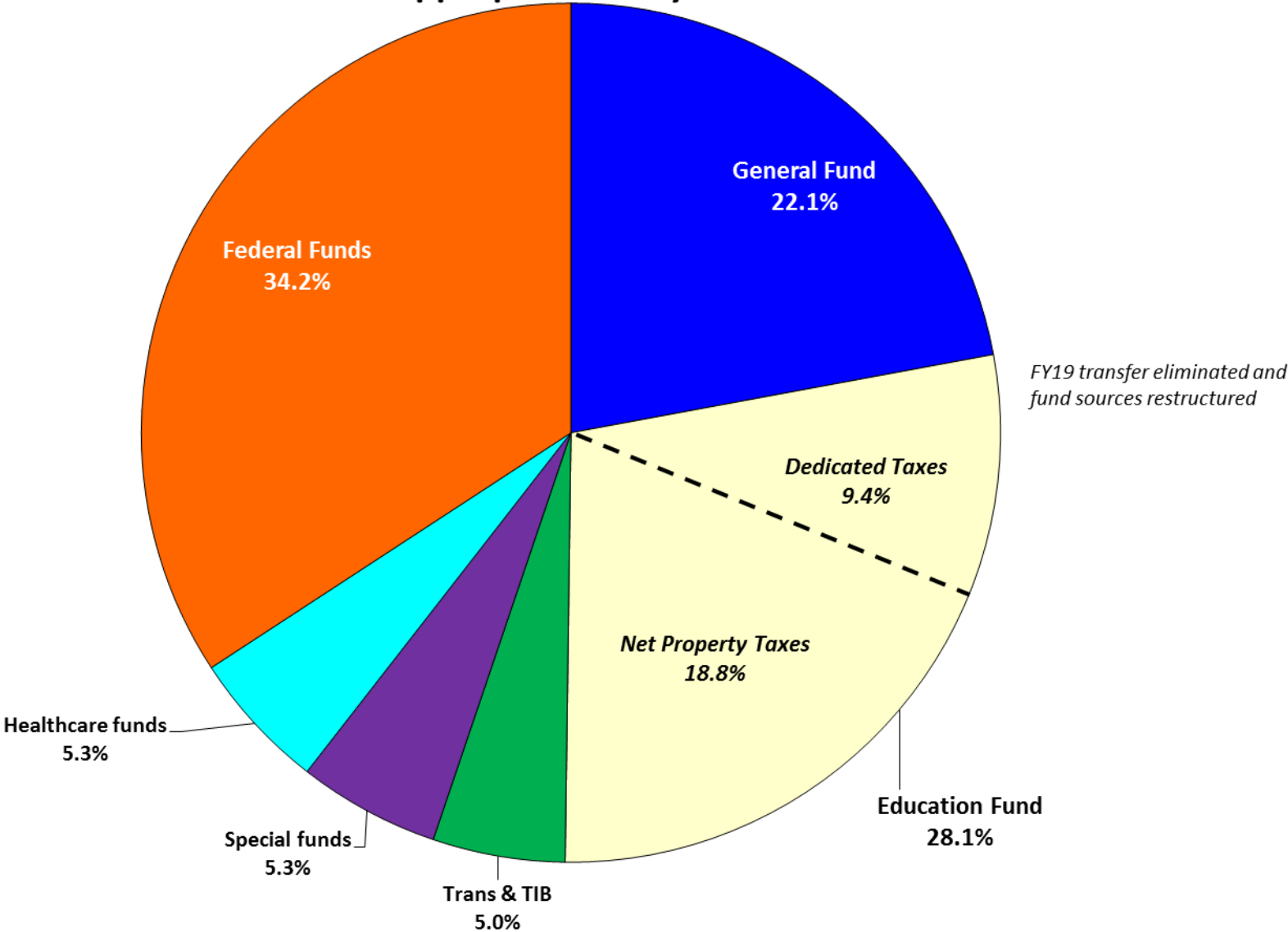
The differences are worked out by representatives from each body. The Gov is definitely a strong voice in these final negotiations. The recommendations are submitted for approval by each body. Once adopted, it is sent to the Gov for approval or veto.

# Basic Budget Information

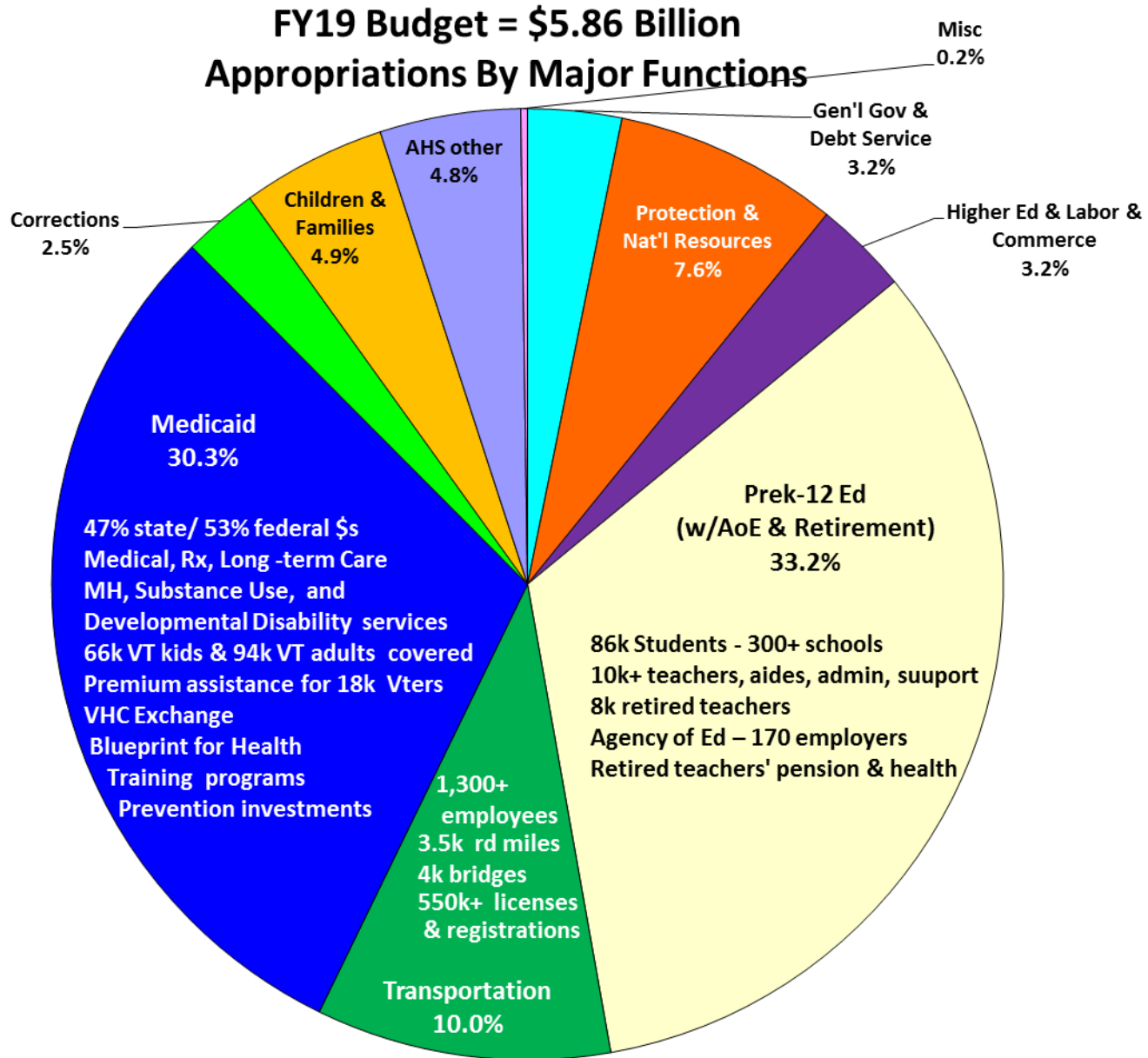
- Total was \$5.0B in FY13 and \$5.86B in FY19
  - Average annual growth 2% since FY13
- GF was 26.9% of total and is now 22.1% in FY19
  - GF and EF relationship was restructured for FY19
  - GF growth adjusted for restructure is 2.5% in FY19
- Federal Funds =34.9% of total w/2.7% avg. growth FY13 – FY18
- Health Care Funds were 5.7% in FY18 and 5.3% in FY19
  - Medicaid is supported by these funds plus GF and FF
- EF – local spending decisions – State fund pressure
- TF – system needs growth – constant revenue challenge?
- Base Federal Funds growth has averaged 2.7% since FY13
- Medicaid is supported by special funds (tobacco and State Health Care Resource Funds), GF, and Federal funds. Health care spending is now 31.6% of total spending
- EF – local spending decisions – State funding pressure
- TF – system needs constant maintenance. Vermont is experiencing declining gas tax revenues due to high efficiency cars



# FY19 Budget = \$5.86 Billion Appropriations By Fund

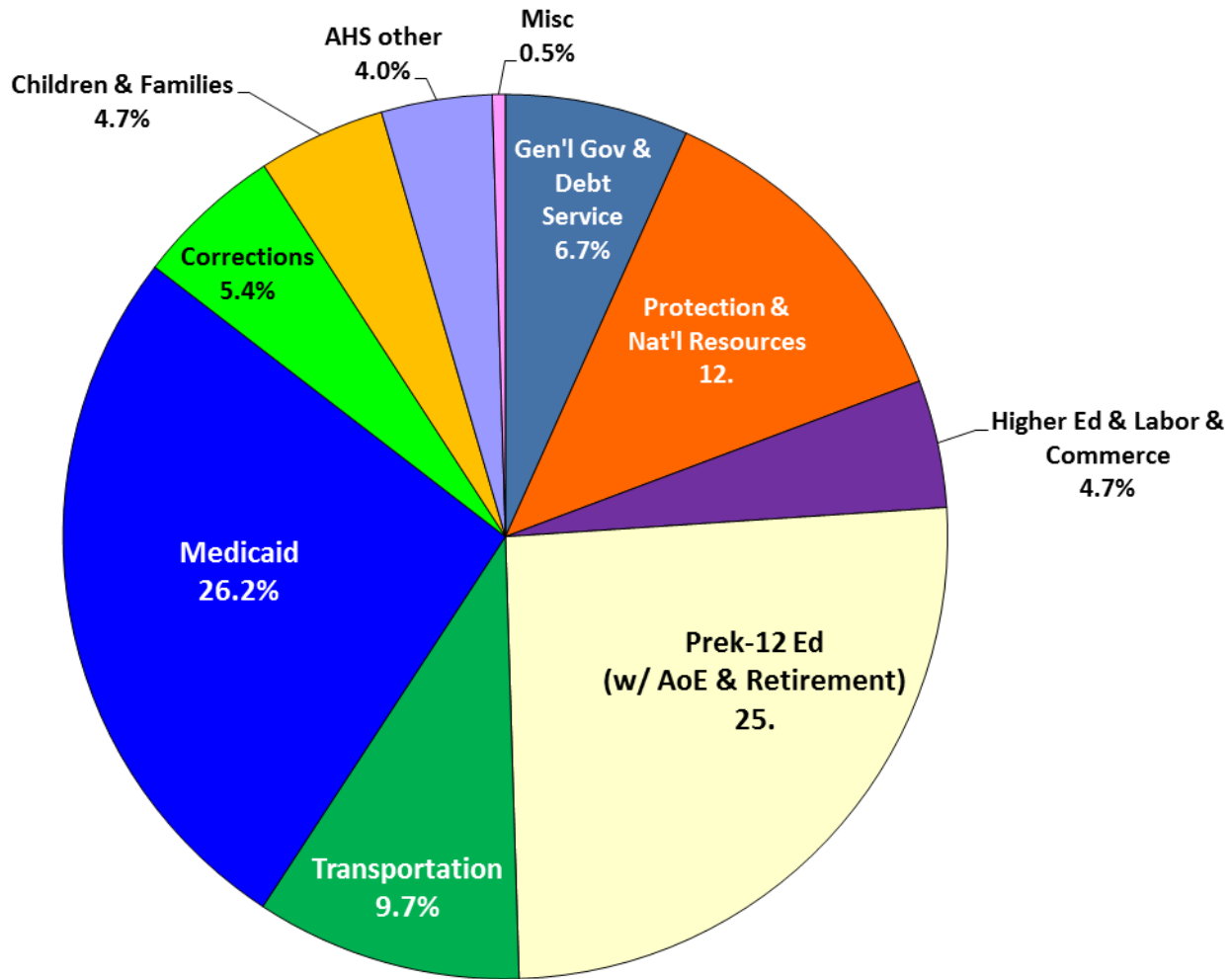


# Where does the money get spent?



# General Fund Budget Uses

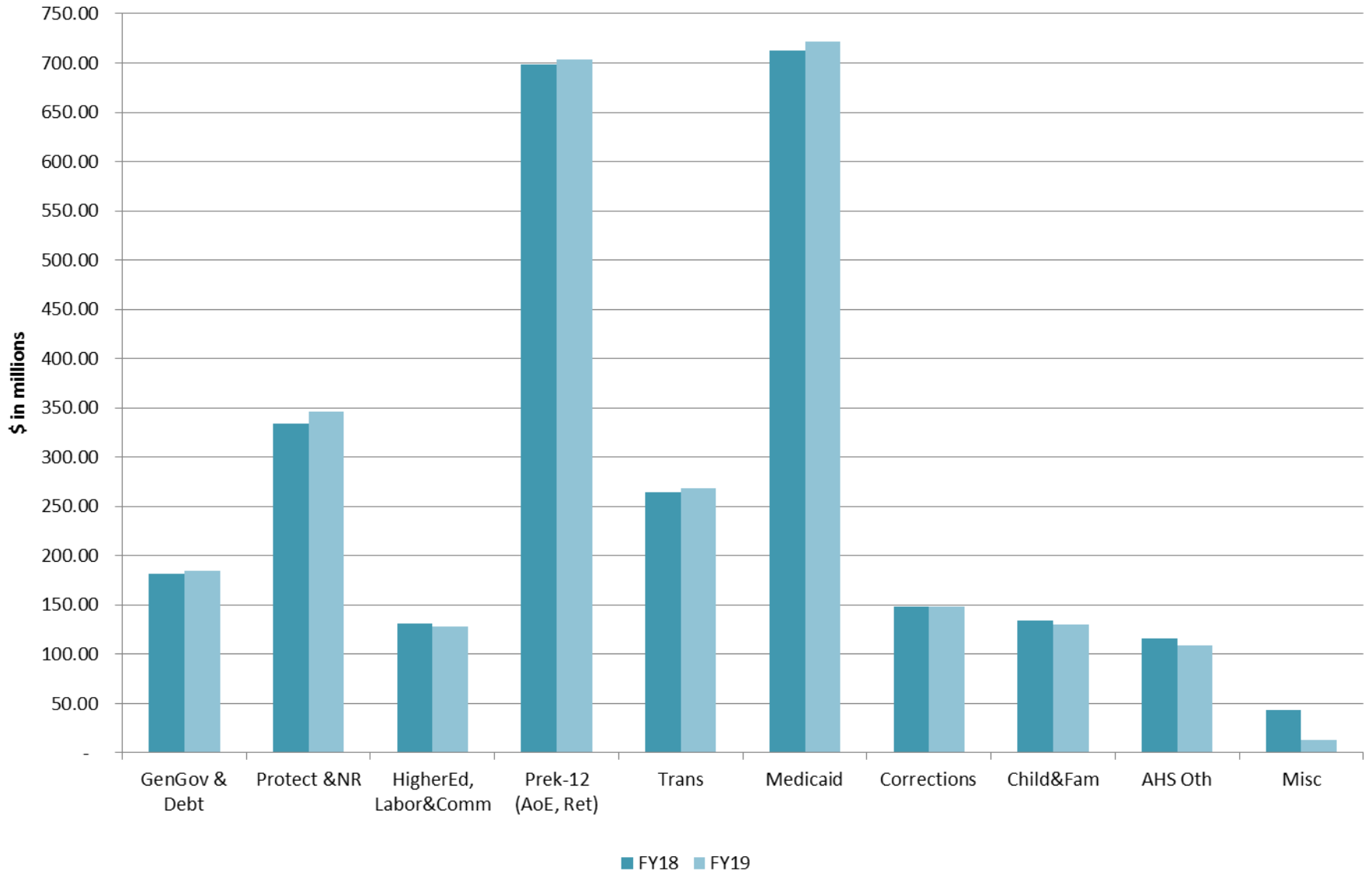
**FY19 Budget = \$2.75 Billion State Funds**  
**Appropriations by Major Function**  
***Excludes Federal Funds and Property Taxes***



# Major State Fund Expenditures in FY 2018

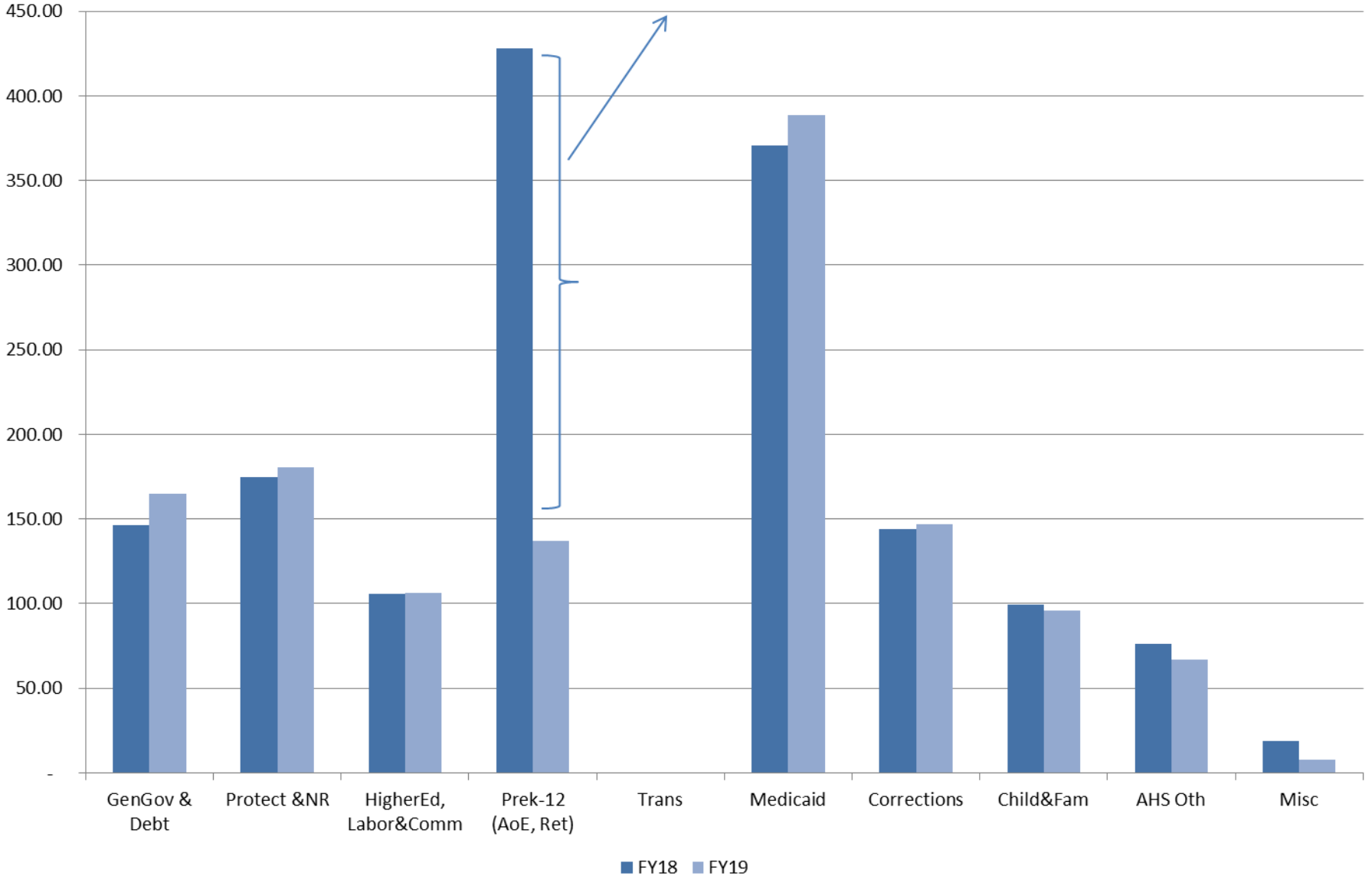
**FY18 Budget = \$2.76 Billion State Funds**

**FY19 Budget = \$2.75 Billion State Funds**



# FY 2019 Issues (July 2018 – June 2019) -

**FY18 GF Budget = \$1.56 Billion**  
**FY19 GF Budget = \$1.29 Billion**

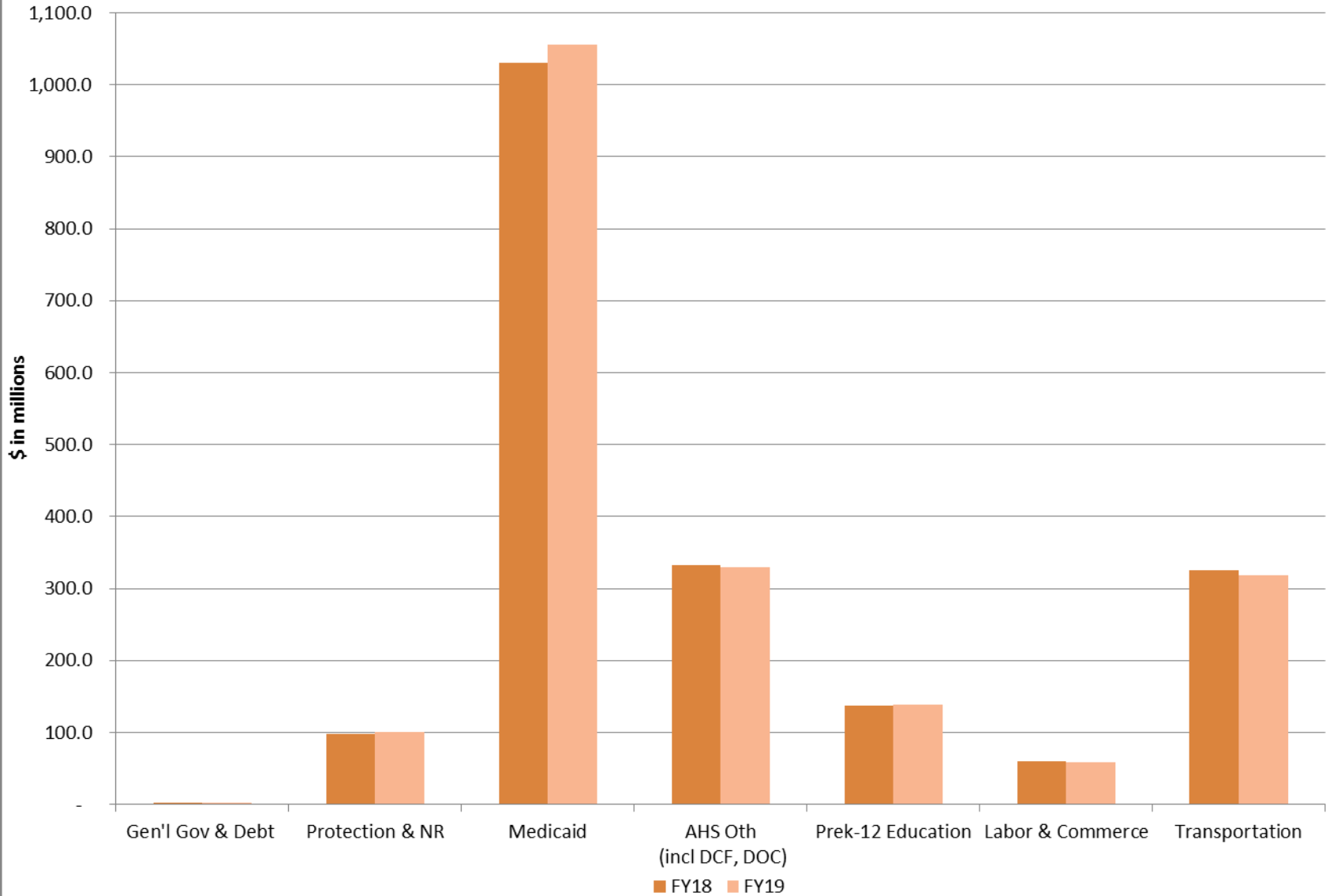


# Good Reserves = Good Bond Rating

- **FY 2019 General Fund Stabilization and rainy day reserves 7.5% of FY 2018 appropriations**
  - Stabilization Reserve \$78.18 Million
  - Rainy Day Fund \$15.9 Million
  - Human Services Caseload Reserve \$100.09 Million
  - 53<sup>rd</sup> week 27<sup>th</sup> pay period \$12.54 Million
  - = **Total \$206.7 Million, or 11.0% of GF and Health Care Resources Fund Appropriations**
- **FY 2019 Transportation Reserves**
  - \$13.8 Million (5% of prior year appropriations)
- **FY 2019 Education Fund Reserve: \$37 Million (5% of prior year net appropriation)**

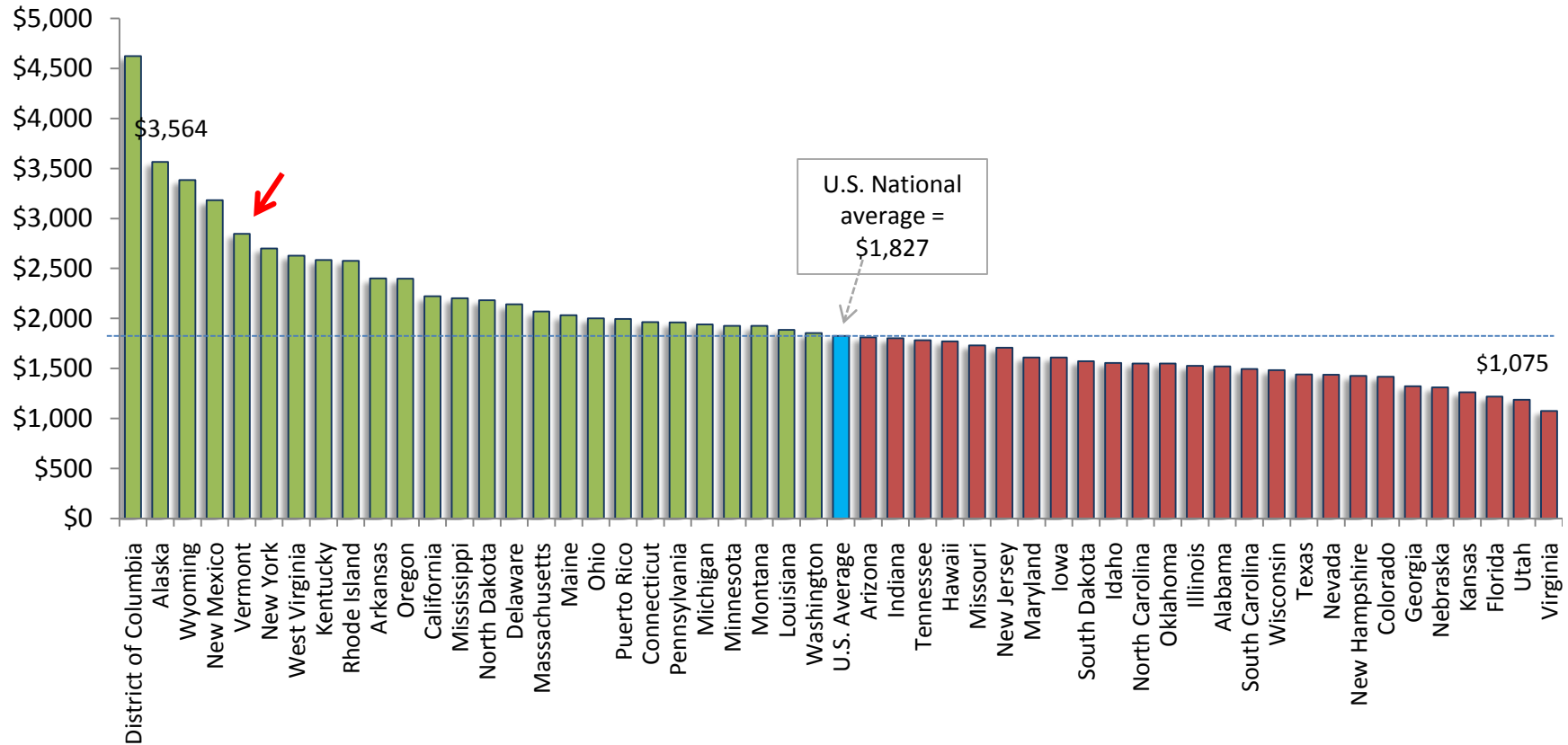
**FY18 Federal Funds Appropriated = \$1.98 Billion**

**FY19 Federal Funds Appropriated = \$2.01 Billion**



# Fed Grants Per Capita Distribution

FFY2015



Source: FFIS Grants Database



