

# Joint Fiscal Office

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## MEMORANDUM

To: Representative Michael Obuchowski, Chair, Senator Ann Cummings,  
Vice Chair, and Members of the Joint Fiscal Committee

From: Stephen Klein, Chief Fiscal Officer

Date: September 3, 2009

Subject: September 2009 –Fiscal Officers Report

What follows is an update on recent developments – some of which will be part of the September Fiscal Committee meeting.

### 1. FY 2010 Revenues:

- a. FY 2010 – Revenues - preliminary results indicate that August actual collections are closely tracking or slightly below the targets set in July.
  - i. The General Fund is slightly above targets overall. The area of most concern is personal income tax revenues, which have moved from being above targets in July to below in August. September quarterly payments will provide more insight in this area.
  - ii. The Transportation Fund continues to have results that are below targets in most of the tax types. It appears that the negative trend is continuing. These results exclude the new tax based on price, which is directed to a special fund.
  - iii. The Education Fund is essentially on target.

### 2. The Early Retirement Program

- a. As of August 27<sup>th</sup> there were 243 participants remaining in the early retirement program. This is less than the 330 approved by the Joint Fiscal Committee in August and the 325 the administration was counting on to achieve there savings target. Of the 243 participants, 168 retired on September 1<sup>st</sup> and 75 will retire between October and March 1, 2010. At this point we do not know how many and which of the positions will remain unfilled. The legislation called for 1/3 of the positions to remain vacant. The legislature's Sergeant at Arms Office and the Legislative Joint Fiscal Office each have one individual participating in the program. In both cases the positions are being filled, but in keeping with the intent of the replacement provision, they are being filled at salary levels 1/3 below the prior incumbent's pay.
- b. We still do not know if this program is borrowing from those who would have retired anyway. What we do know is that through July of 2009, there

were 222 employees that retired this year. This compares to 300 retirements for the full year in the past few years. If, for the remainder of the year, non-early retirement retirees continue even at half the usual rate, it would appear that the early retirement plan participants represent retirements greater than would otherwise have been expected. We will watch this in the months ahead.

- 3. Medicaid and Global Commitment:** Our Global Commitment Waiver requires the setting of actuarially determined rates for each Medicaid Eligibility Group within the Waiver. These rates are required to be set by October 1<sup>st</sup>. In order to meet that deadline, the administration is planning on submitting the state's rate request September 1, 2009, which provides CMS thirty days for review. The administration and our office continue to review Medicaid caseloads and costs. State health care programs continue to see enrollment gains. It is too early to know whether this portends substantially higher than anticipated costs than projected for FY 2010 and FY 2011. The Agency of Human Services has provided three scenarios. First, is an option that sets the rate roughly equal to the amount budgeted (assuming a level first quarter of FY 2011). The second sets the rates at a level of \$44 million gross funds over the amount budgeted, this would accommodate additional expenses from higher case load and trend, or if additional expenses are not incurred this rate level would build a balance in the Global Commitment Fund. Setting the rates at this level will require the use of the remaining Caseload Reserve for the state match. The third scenario would set the rates at the top end of the range established by the actuary. While this scenario would fully maximize the enhanced FMAP under ARRA, it would require \$38.5 million of additional state funds (\$25 million above the caseload reserve level). Based on discussions with the administration the second scenario, using caseload reserve funds, is the one that will be submitted. If the increased caseload we are experiencing comes with traditional costs per case, this could mean that greater FY 2010 costs roll forward into FY 2011 and beyond which would have substantial budget and deficit implications.
- 4. Global Commitment and Long-Term Care Waiver Renewals:** The Health Access Oversight Committee will be presenting its recommendation to move toward waiver extensions at the Joint Fiscal Committee meeting. These will be proposals for straight extension with minimal changes. The extension period is generally three years, trend rates will be the main area of discussion in the extension negotiations.
- 5. Health Care Reform:** Joint Fiscal Office, Legislative Council, Office of Vermont Health Access, and the Health Care Reform Commission continue to work with our congressional delegation and other states on the federal health care reform effort. As the timeline for federal action has been pushed back, the implications of federal health care reform for Vermont remain uncertain. We are hopeful we will have a better sense of its impact on our budget picture by

November. Updates of our work products are available at the Joint Fiscal Office website <http://www.leg.state.vt.us/jfo/>.

- 6. The Vermont Yankee Relicensing Update:** Arnie Gunderson has begun his monitoring activities and is receiving support and cooperation from the Department of Public Service. His first report to the legislative working group will be in mid- September. We will forward it to the committee upon receipt. The recent NRC statement stressing the state role on decommissioning fund adequacy could have a bearing on our work this upcoming session. Mr. Gunderson has been very involved in this issue with the NRC and the state.
- 7. Summer Studies and Summer Work**
  - a. The Blue Ribbon Tax Commission has held two meetings. It is scheduled to submit a work plan by mid- September. The Joint Fiscal Office, the Department of Taxes and the Legislative Council are all participating in staffing the commission.
  - b. The Government Accountability Committee has identified the Public Strategies Group (PSG) as its preferred bidder to assist the state with restructuring conceptualization. PSG met with legislative leadership, the administration and others at the end of August. The Committee voted to authorize the chair and vice-chair to negotiate a contract with PSG; and these negotiations are underway.
  - c. In addition to biweekly ARRA updates received on behalf of the legislature by Representative Ancel and Senator Kitchel, a conference call open to all legislators was held on August 25th with Economic Stimulus and Recovery Office Chief, Tom Evslin. This call provided legislators with the status of various ARRA efforts around the state. Legislators will be notified of future updates and bi-weekly briefings are posted on the JFO website.
  - d. The Joint Fiscal Committee addendums to the rescissions are on our web site at <http://www.leg.state.vt.us/jfo/Budget%20Rescissions.htm>.
  - e. Follow up meetings on the committee's concerns with choices for care and child care issues will start up in September.
  - f. Meetings on Current Use have been ongoing. Advocates are developing a set of options. Representative Ancel and Senator Snelling have had one conference call with Representative Clarkson and will be working with the discussion participants to develop recommendations for the committee.
- 8. Joint Fiscal Office Updates**
  - a. With Sandra Noyes' retirement we are engaging in some internal staff restructuring. Nathan Lavery will be taking over more traditional business manager functions for the office in addition to his other work.