

Consensus FY 2012 Budget Gap Analysis - August 20, 2010

Joint Fiscal Office and Finance & Management

		<i>in millions</i>	
Revenue		<u>Fiscal Year 2012</u>	
July 2010 Revenue Projection		1,174.0	
Direct Apps Estimate		<u>10.0</u>	
Total Available Revenue		1,184.0	
Appropriations Estimate			
FY11 Base GF Approps		1,088.4	
Add back base ARRA funds		<u>157.0</u>	No ARRA funds are projected for FY 2012
		1,245.4	
Baseline growth assumption		<u>43.6</u>	General budget pressures -caseload, utilization, energy etc
		1,288.9	
Adjustments > base %			
Other Growth	10.0		AHS additional pressure based on preliminary assessment of caseloads
EF transfer restore	18.0		Makes up FY10 base reduction per legislative intent
VSERS - cost growth	2.0		Estimated \$5m gross cost pressure growth - actual numbers available in October
VSTRS - Retiree HC cost	3.0		Change in funding for retiree health care due to changes in fund accounting
VSTRS - OPEB	1.3		Reserve Part D payment (like VSERS) for OPEB not to fund current ARC - Begins to address OPEB issue
Tobacco settlement	6.0		Estimate of amount needed to maintain trust fund balance at FY11 level which is ~\$17m
Unemployment Fund	6.0		First interest payment on UI loans - this may grow in out years
26 year old HC coverage	1.0		Fed Health Care Reform requirement - Est of GF need to cover 26 yr olds in state employee HC system
TF to public safety	<u>2.3</u>		GF needed to meet statutory requirement of reducing public safety Transportation funds
	49.6		
Adjustments < base %			
Challenges for Change	(33.1)		Growth in savings from \$38m in FY11 to \$71m in FY12
EFMAP	<u>(15.0)</u>		FY11 carryforward in Medicaid GCF for FY12 (this is from the \$13.5m allocation of EFMAP)
	(48.1)		
Total Appropriations		1,290.4	
Transfer Estimates			
Next Generation		4.79	Level funded to FY11
Vermont Telecomm Authority		<u>0.75</u>	Base need for FY12
		5.54	
Total Uses		<u>1,296.0</u>	
Budget (Gap) / Surplus		(112.0)	

Notes

Property transfer tax runs at formula in FY12
Higher Education funding at FY11 base amount only
Special Education Medicaid balance back to EF
Weatherization as dedicated
Assumes only federal LIHEAP \$ only
Assumes no surplus/(deficit) from FY11

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ISSUE BRIEF

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FY11 and FY12 Budget Gap Analysis – Comparison to Other States

In January 2010 the budget gap for FY11 was projected at \$267m or approximately 23% of the General Fund. Available ARRA funding reduced this gap to \$154m or 13.5%. This gap was closed by a variety of actions during the FY11 session, a summary of which can be found at <http://www.leg.state.vt.us/fso/Appropriations/General%20Fund%20Budget%20Gaps%20FY09-FY11.pdf>

NCSL has recently released a survey of the states that shows 41 states reported a budget gap during the enactment of their FY 2011 budgets. Twenty-four states reported FY 2011 gaps at 10 percent or more of their general fund budgets. The largest gaps were reported by Nevada (45 percent), New Jersey (28 percent), Arizona (27.2 percent), Maine (26 percent), and North Carolina (25 percent). At least 25 states made assumptions about the extension of the enhanced FMAP, the extent to which additional gaps open up in FY11 will be a function of the degree to which the amount Congress passed is below the amount states expected when they passed their budget.

The current FY12 gap projection for Vermont is in the range of \$112m or just under 9%. While as a percentage this is an improvement from what has been faced in the recent past, the actions taken to close the gaps of the past have included both “low hanging fruit” and very difficult and negotiated reductions as well as redirection of one-time sources from other funds. It becomes more and more difficult to solve the remaining gap.

Vermont is not alone in this regard. The same NCSL survey asked the states to project the budget gaps they foresee for FY12. Thirty-three states forecast gaps in FY 2012, with 30 of them providing estimates. The cumulative tally for FY 2012 gaps is \$72.1 billion. Of the 33 states which reported, 18 states expect to address gaps in excess of 10 percent of their general fund budgets. A number of non-reporting states will have gaps; however, they have yet to make estimates. Among states that reported gaps, more than one-half of the reporting states have bigger gaps than Vermont. The FY12 gaps reported for the New England states are listed below. A copy of this survey can be found under the budget and revenue tab at www.ncsl.org

FY12 Budget Gaps Projected			
Connecticut	17.6%	New York	21.4%
Maine*	?	Rhode Island	10.3%
Massachusetts**	4%	Vermont	9%
New Hampshire*	?		

*Forecast not released yet **FY11 Budget not closed yet