

MEMORANDUM

TO: Joint Fiscal Committee
CC: Justin Johnson, Brad Ferland, Steve Klein, Stephanie Barrett and Theresa Utton;
FROM: Jim Reardon, Commissioner *Deputy Commissioner*
RE: FY 2015 Close-Out - Budget Stabilization Fund Reserves
DATE: September 15, 2015

FINAL CLOSEOUT RESULTS

| FY 2015 General, Transportation, TIB, and Education Fund Revenue Forecast vs. Target | | | | |
|--|------------------|-----------------------------------|--------------------------|---------|
| Major Fund (\$ millions) | FY 2015 Final | FY 2015 Target (Jan. 19, 2015) | FY 2015 Final vs. Target | |
| | | | Amount | Percent |
| General Fund | \$1,375.77 | \$1,357.9 | \$17.87 | 1.32% |
| Transportation Fund | \$ 261.39 | \$ 260.5 | \$0.89 | 0.34% |
| TIB (combined) | \$ 20.2 | \$ 19.4 | \$0.80 | 4.12% |
| Education Fund | \$ 182.9 | \$ 183.3 | -\$0.40 | -0.22% |

| FY 2015 General Fund Closeout Summary | | |
|--|---------------------|---|
| General Fund (\$ millions) | FY 2015 Closeout | Explanation |
| Revenue above forecast | \$17.9 | |
| Other GF Revenue Adjustments | \$ 7.3 | Additional Direct applications plus other adjustments |
| To DCF for LIHEAP | (\$ 5.0) | Per 2015 Act 58 Sec. C.108(a)(1) |
| To AoA to transfer to AHS for FY2015 GC Expenditures | (\$13.0) | Per 2015 Act 58 Sec. C.108(a)(2) |
| To Education Fund | (\$ 1.8) | Per 32 VSA Sec.308c(a)(2) |
| To State Teachers Retirement and Medical Benefits | (\$ 3.6) | Per 32 VSA Sec.308c(a)(3) |
| To GF Balance Reserve | (\$ 1.8) | Per 32 VSA Sec.308c(a) |
| Total Undesignated/Unreserved Funds | \$0.00 | |
| GF Balance Reserve | \$6.80 | Prior year Balance of \$5m plus EOFY2015 transfer |
| GF Budget Stabilization Reserve | \$ 69.31 | At full statutory 5% level. |

| Transportation Fund (\$ millions) | FY 2015 Closeout | Explanation |
|-----------------------------------|---------------------|-----------------------------|
| TF Budget Stabilization Reserve | \$ 12.55 | At full statutory 5% level. |

| Education Fund (\$ millions) | FY 2015 Closeout | Explanation |
|--|---------------------|--------------------------------|
| EF Budget Stabilization Reserve | \$ 32.05 | At maximum statutory 5% level. |
| EF Prior Year Surplus Appropriations & Unreserved/Undesignated Balance | \$ 15.13 | |

| FY 2016 General Fund BAA Pressures | | |
|------------------------------------|---------------------|---|
| Category | Amount (\$millions) | Explanation |
| Medicaid Caseload | ? | Increased caseload and utilization. |
| ERAF | ? | |
| Other AHS Pressures | ? | e.g. Changes in estimates for Clawback, tobacco fund receipts, 53 rd Week, ACO Payment |

FY15 Medicaid Closeout Summary

In order to ensure that spending authority would not be exceeded for the year, AHS asked HP to stop claims processing at the end of the final day for claims processing. As a result, most claims were processed, but a small portion of claims were held. This means that some FY15 claims were processed in FY16. These held claims were then incorporated into the batch for the first claims processing in FY16. The exact amount of these held claims is unknown, but is estimated in the range of \$3.3 to \$4.1 million based on an average amount of weekly claims processed during SFY15.

The total FY15 shortfall in Global Commitment (expend>budget) was \$30.37 million (this would have been higher by the held claims held). This shortfall was covered in FY15 by transfers from other appropriations where some expenses were pushed into FY16; the largest amount of transferred funds was \$25.77 million from DVHA Administration.

Once all GF revenue and transfer receipts were accounted for in mid-July, it was known that the full \$13 million year end General Fund allocation for Medicaid would be available. These funds were appropriated to F&M (not AHS) – first to meet FY15 Medicaid closeout impacts with any remaining held for Medicaid budget adjustment. F&M is requiring a very strong case for the year-end transfers to be restored. The use of these funds to date is summarized below.

| FY 2015 Medicaid Closeout Summary | | |
|--|-------------------------|-------------|
| | Global Commitment Funds | State Funds |
| FY 2015 Short Fall covered by Transfers | -\$30.4 | -\$13.2 |
| Year-End Funds to Medicaid | | \$13.0 |
| Year-End Transfers restored to date | \$ 11.3 | \$5.1 |
| Estimated held Claims (BAA impact) | \$4.1 | \$1.9 |
| Balance Available for other BAA impacts* | | \$6.0 |

* FY16 BAA may include additional impacts from close out transfers as BAA needs are analyzed

FY 2017 Budget Process:

FY 2017 Budget Instructions were sent to departments on August 25th. The Vantage Budget Development system is scheduled to open for use by departments by mid-September. At that time, the Vantage System will have been updated with FY 2015 fiscal year actual financial data and 6/30/2014 employee data.

Presentation of the Governor's FY 2017 Budget Recommendations will be made during the Governor's Budget Address, as yet unscheduled, in January 2016.