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Agency of Administration

MEMORANDUM

TO:	**Joint Fiscal Committee**
FROM:	**Justin Johnson Secretary of Administration**
	Andrew Pallito, Commissioner of Finance and Management
RE:	**FY 2017 Rescission Plan**
DATE:	**July 21, 2016**

AP for

At the Emergency Board held today, an updated FY 2017 revenue forecast was adopted that is $21.04 million less than the forecast used to construct the FY 2017 budget adopted by the Legislature. Pursuant to 32 V.S.A. § 704(b)(1) the Secretary of Administration hereby submits the following plan to realign expenditures with the reduction in the General Fund Revenue:

- As outlined in the Medicaid report presented to the Emergency Board, expenditures in the Medicaid program came in under projection in FY 2016 by a total of $28 million. The state share of these funds, after encumbrances and Long Term Care reinvestment obligations, is $8.3 million. Additionally, the State-Only Medicaid program came in under budget, mostly due to increased pharmacy rebates in FY 2016. $1.56 million remained in this appropriations after using some of these funds to balance the FY 2016 budget. The $8.3 million and $1.56 million were carried forward into FY 2017 and are available for reversion to the General fund.
- The 53rd week was paid for in FY 2016 using based funds appropriated to the Agency of Human Services. The final total cost of the 53rd was $15.4 million. The state share of this cost was $7 million. Because the 53rd week was a one-time expenditure in FY 2016, these funds will not be needed to cover base expenditures in FY 2017, and appropriations can be reduced accordingly without effecting programs.
- The Emergency Board adopted a higher than budgeted forecast for the State Health Care Resources Fund. This coupled with the cash balance at the end of FY 2016 leaves sufficient funding to cover the general fund shortfall as well as leave funds to be used in the FY 2016 BAA.
- Finally, reconciliation of several small items, such as the property transfer tax, the transfer to the stabilization fund, and direct applications, provide an additional $0.53 million of available funds.

The Administration believes that this proposal is the best way to manage the current revenue downgrade because it uses available resources without negatively programmatic impact. Additionally, this plan keeps the stabilization and balance reserves intact while leaving other resources available for the budget adjustment.

cc: Steve Klein, Chief Fiscal Officer, Joint Fiscal Office
Stephanie Barret, Associate Fiscal Officer, Joint Fiscal Office
Maria Belliveau, Associate Fiscal Officer, Joint Fiscal Office

FY 2017 Governor's Proposed Rescission Plan - Summary	
Adopted Revenue Shortfall	**21.04**
AHS GC Carryforward	8.31
DVHA State Only Carryforward	1.56
State Health Care Resources Fund	3.60
DVHA Trend for 53rd week	7.04
Net Other Changes (PTT Tax, Direct Apps, Stabilization reserve)	0.53
Total	**21.04**
Difference	**-**

Notes

- Neither the Stabilization or the Balance Reserve are used to manage the revenue downgrade
- Leaves a balance in the SHCRF of $3.15M, after accounting for encumbrances
- Transfers the $5.29M appropriated in FY 2017 for the 53rd week to the 27/53 reserve
- Leaves $1.2M appropriation available for LIHEAP or other FY 2017 BAA pressures
- Uses available onetime funds to cover the shortfall
- Uses excess appropriation balances that were used for the 53rd week rather than make