


**State of Vermont**  
Department of Finance & Management  
109 State Street, Pavilion Building  
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*Agency of Administration*

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## MEMORANDUM

**TO:** Joint Fiscal Committee  
**FROM:** Andrew Pallito, Commissioner, Department of Finance & Management  
**RE:** General Fund and Transportation Balance Reserve  
**DATE:** September 15, 2016



In accordance with 32 V.S.A. §308c(d), I hereby report that the balance in the General Fund Balance Reserve is \$6,797,700 and the Transportation Fund Balance Reserve is \$0.00 at June 30, 2016. This balance remains in the Reserves and are available for appropriation, pending legislative action during the 2017 session.

Please contact me if you require additional information.

**CC:** Justin Johnson, Secretary of Administration  
Brad Ferland, Deputy Commissioner, Finance & Management  
Steve Klein, Chief Fiscal Officer, Joint Fiscal Office



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**TO:** Joint Fiscal Committee  
**FROM:** Andrew Pallito, Commissioner, Department of Finance & Management  
**RE:** 27/53 Reserve Schedule  
**DATE:** September 15, 2016



Pursuant to 32 V.S.A. § 308e(a)(2), the attached spreadsheet provides the anticipated liability for the next 53<sup>rd</sup> week of Medicaid payments and the next 27<sup>th</sup> state payroll. The 27/53 Reserve was established during the 2016 legislative session to provide a process to annually reserve funds for known future liabilities to minimize budgetary impact in the years that the liabilities come due. The new statute requires the Commissioner of Finance and Management to present the anticipated future liabilities of the next 27<sup>th</sup> payroll and 53<sup>rd</sup> week of Medicaid and provide a schedule of annual contributions needed to cover the future payments.

The next 27<sup>th</sup> payroll is scheduled to occur in FY 2022, and has an estimated General Fund cost of \$12.7M. This estimate was derived by taking the estimated FY 2017 payroll and projecting the FY 2022 payroll costs assuming an Annual Base Increase (ABI) of 2.25% (the bargained rate for the FY 2018 Contract year) and an average annual step increase of 1.7%, for a total annual growth rate of 3.95%. Annually, for this report, Finance and Management will update projections for the 27<sup>th</sup> payroll based on the current year estimated payroll and known bargained ABI and reforecast the future liability. The ABI used in this projection does not represent the Administration's position in any future contract negotiations. The ABI used is for projection purposes only.

The next 53<sup>rd</sup> week of Medicaid payments is also scheduled to occur in FY 2022, and has an estimated General Fund cost of \$11.21M. This estimate was derived by taking the FY 2017 budgeted Medicaid costs and projecting the FY 2022 costs by a growth rate equivalent to the 3 year average Bureau of Labor Statistics' CPI for Medical care (Aug 2013 – July 2016), or 2.64%. Annually, Finance and Management will update the projections based on the current Medicaid budget and the updated 3 year average Medical CPI.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve to ensure that there are funds available to help meet future liabilities for the 27<sup>th</sup> payroll and 53<sup>rd</sup> week of Medicaid. Based on current estimates the prior year fund balance, \$3.72M should be reserved annually to meet these future liabilities.

Per 32 V.S.A. 308e (b), \$3.72M shall be presented as a budgeted transfer in the FY 2018 Governor's Recommended Budget.



## 27/53 Reserve Contribution Schedule

Presented to JFC September 15, 2016 Per 32 V.S.A. § 308e(a)(2)

Projected Total Contributions	Total Need	Close Out Deposit	Balance to Allocate	Years until Liability is Due	Annual Deposit
53rd Week	11.21	2.645	8.57	5	1.71
27th Pay Period	12.70	2.645	10.06	5	2.01
<b>Total</b>	<b>23.91</b>	<b>5.29</b>	<b>18.62</b>		<b>3.72</b>

53rd Week	2017	2018	2019	2020	2021	2022
Prior year balance	-	2.645	4.36	6.07	7.79	9.50
Annual Contribution	-	1.71	1.71	1.71	1.71	1.71
<b>Total Reserved for the 53rd week</b>	<b>-</b>	<b>4.36</b>	<b>6.07</b>	<b>7.79</b>	<b>9.50</b>	<b>11.21</b>

Notes: Last 53rd Week Payment was made in FY 2016, the state share was \$7.04M, compared to a \$10.3M projection. Assumed annual growth rate in Medicaid of 2.64% from FY 2017 budget, based on 3 year average (Aug 2013-July 2016) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	2017	2018	2019	2020	2021	2022
Prior year balance	-	2.645	4.66	6.67	8.68	10.69
Annual Contribution	-	2.01	2.01	2.01	2.01	2.01
<b>Total Reserved 27th Pay Period</b>	<b>-</b>	<b>4.66</b>	<b>6.67</b>	<b>8.68</b>	<b>10.69</b>	<b>12.70</b>

Notes: Last 27th Payroll Payment was made in FY 2011, the total general fund allocated was \$5.9M. This assumes an annual payroll growth of 3.95%.

Total Projected Reserve Balance	2017	2018	2019	2020	2021	2022
Prior year balance	-	5.29	9.01	12.74	16.46	20.19
Closeout Deposit	5.29	-	-	-	-	-
53rd Week contribution	-	1.71	1.71	1.71	1.71	1.71
27th Pay period Contribution	-	2.01	2.01	2.01	2.01	2.01
<b>Total Reserved 27th Pay Period</b>	<b>5.29</b>	<b>9.01</b>	<b>12.74</b>	<b>16.46</b>	<b>20.19</b>	<b>23.91</b>