

MEMORANDUM

TO: Joint Fiscal Committee
FROM: Adam Greshin, Commissioner, Department of Finance & Management
RE: 27/53 Reserve Schedule
DATE: September 13, 2017

AMG

Pursuant to 32 V.S.A. § 308e(a)(2), the attached spreadsheet provides the anticipated liability for the next 53rd week of Medicaid payments and the next 27th 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 27th payroll and 53rd week of Medicaid and provide a schedule of annual contributions needed to cover the future payments.

The next 27th payroll is scheduled to occur in FY 2022, and has an estimated General Fund cost of \$11.8M. This estimate was derived by taking the estimated FY 2018 payroll and projecting the FY 2022 payroll costs by a growth rate equivalent to the 12-month percent change of Bureau of Labor Statistics' Employment Cost Trends for State and Local Government Compensation (2nd Quarter of 2017) or 2.6%. Annually, for this report, Finance and Management will update projections for the 27th payroll based on the current year estimated payroll, known bargained ABI and BLS Employment Cost Trends to reforecast the future liability for the years collective bargaining is not in place.

The next 53rd week of Medicaid payments is also scheduled to occur in FY 2022, and has an estimated General Fund cost of \$11.4M. This estimate was derived by taking the FY 2017 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 2014 – July 2017), or 3.08%. 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 27th payroll and 53rd week of Medicaid. Based on current estimates the prior year fund balance, \$3.55M should be reserved annually to meet these future liabilities.

Per 32 V.S.A. 308e (b), \$3.55M shall be presented as a budgeted transfer in the FY 2019 Governor's Recommended Budget.



27/53 Reserve Contribution Schedule

Presented to JFC September 14, 2017 Per 32 V.S.A. § 308e(a)(2) in millions

Projected Total Contributions	Total Need	Fund Balance	Balance to Allocate	Years until Liability is Due	Annual Deposit
53rd Week	11.40	4.37	7.04	4	1.76
27th Pay Period	11.80	4.63	7.18	4	1.79
Total	23.20	8.99	14.21		3.55

53rd Week	Actual 2017	As Passed 2018	2019	2020	2021	2022
Prior Year Balance	-	2.65	4.37	6.12	7.88	9.64
Close Out Deposit	2.65	-	-	-	-	-
Annual Contribution	-	1.72	1.76	1.76	1.76	1.76
Total Reserved for the 53rd week	2.65	4.37	6.12	7.88	9.64	11.40

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 3.08% from FY 2018 budget, based on 3 year average (Aug 2014-July 2017) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	Actual 2017	As Passed 2018	2019	2020	2021	2022
Prior year balance	-	2.65	4.63	6.42	8.21	10.01
Close Out Deposit	2.65	-	-	-	-	-
Annual Contribution	-	1.98	1.79	1.79	1.79	1.79
Total Reserved 27th Pay Period	2.65	4.63	6.42	8.21	10.01	11.80

Notes: Last 27th Payroll Payment was made in FY 2011, the total general fund allocated was \$5.9M. Assumed annual growth rate of 2.6%, based on the 12 month % change (2nd Quarter of 2017) of Bureau of Labor Statistics Employment Cost Trends for State and Local Government Compensation.

Total Projected Reserve Balance	Actual 2017	As Passed 2018	2019	2020	2021	2022
Prior year balance	-	5.29	8.99	12.54	16.10	19.65
Closeout Deposit	5.29	-	-	-	-	-
53rd Week contribution	-	1.72	1.76	1.76	1.76	1.76
27th Pay period Contribution	-	1.98	1.79	1.79	1.79	1.79
Total Reserved 27th Pay Period	5.29	8.99	12.54	16.10	19.65	23.20