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Andrew A. Pallito, Commissioner

To: Secretaries, Commissioner and Business Managers
From: Andrew Pallito, Commissioner, Finance & Management
Date: May 30, 2017
RE: FY 2017 and FY 2018 Budget Update



At the extended cabinet meeting on May 19, Finance & Management presented a high-level overview of the FY 2017 and FY 2018 Budgets. Below is a summary of the information that was presented to the extended cabinet:

FY 2017 Budget Update

Total General Fund revenues collected through the end of April were \$3.55 million below projections. The Administration will continue to monitor May and June receipts closely and to fine tune a plan that assures FY 2017 closes in balance. If this number does not change significantly between now and the close of the fiscal year, Finance & Management should have sufficient options available to close out FY 2017 in balance without affecting agencies' or departments' FY 2017 budgets. If this number changes significantly, we may need to consider other options such as reviewing carry forwards for possible reversion. Finance & Management will contact agencies and departments as necessary.

FY 2018 Budget Update

As part of the "As Passed FY 2018 Budget", the Secretary of Administration is charged with finding \$5 million of Management Savings in the General Fund. The Secretary is currently reviewing areas for reductions to minimize direct impact on agency and department programs, but it is important that agencies and departments start planning to achieve some budgetary savings.

The language as passed by the Legislature instructs the Administration to review the following items to achieve the management savings:

1. The elimination of exempt positions;
2. Savings identified through improved business processes and administrative efficiencies;

3. Administrative or contractual reductions, including savings from improved systems of procurement;
4. Savings in State employee health care cost through increased price awareness;
5. The Agency of Human Services shall review and quantify savings from improved oversight and fiscal controls to prevent fraud and overpayment related to personal care services reimbursed by the departments;
6. Review statewide operating expenses that include:
 - (A) Physical space needs statewide for potential reduction of leased space or divestment of owned real estate where appropriate;
 - (B) Examination of the alignment of the cost control incentives or disincentives in the State's largest internal service fund programs, including fee for space, and innovation and information charges; and
 - (C) Telecommunication services, postage equipment, and other equipment rentals.

Additionally, the Emergency Board will meet in July to adopt an updated consensus revenue forecast for the General, Education and Transportation Funds. This updated forecast will reset the available revenues for FY 2018 in each of those funds.

The "As Passed FY 2018 Budget" is predicated on available General Fund revenues of \$1,517.9 million. It is possible as part of the Emergency Board action, there will be a downgrade in the amount of available General Fund. Therefore, this is further reason to start planning now should we need to find savings in FY 2018. **Agencies and departments should develop cost savings plans for an amount up to a 4% reduction in General Funds. We are asking that your draft plan include scenarios for a 2%, 3% and 4% reduction.**

The Administration recognizes that this exercise occurs simultaneously with the work your staff is doing for the FY 2017 year-end close. However, to maximize savings in FY 2018, Finance and Management will plan meetings with agencies and departments on or around the week of June 19th to discuss savings plans.

Please start the planning process immediately and begin to take whatever steps today to provide maximum flexibility for FY 2018.

Additional communication and instruction will be forthcoming as more information becomes available. In the meantime, if you have any questions please do not hesitate to contact Finance & Management.