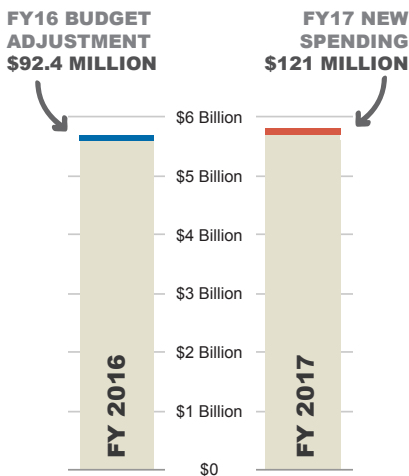


Governor's fiscal 2017 budget proposal

Health care costs account for almost half of the increase from the fiscal 2016 budget passed by the Legislature last spring to Gov. Peter Shumlin's proposed 2017 budget. The governor's total

Governor's proposed budget increases Change in Vermont state budget, FY16 and FY17



Data sources: Vermont Department of Finance and Management; Joint Fiscal Office
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proposed increase is 3.8 percent, or a little more than \$213 million, which includes an adjustment to the current fiscal year's budget and an additional increase for next year, fiscal 2017.

Before the Legislature adjourned last May, it approved \$5.60 billion¹ in total spending for the current fiscal year,

which runs from July 2015 through June 2016. For the next fiscal year, the governor is proposing a budget of \$5.81 billion.

Fiscal 2016 budget adjustment

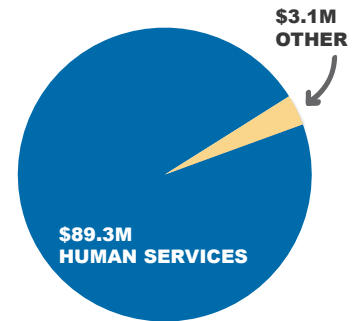
The Legislature typically makes midyear adjustments up or down to the budget it approved the previous spring. The governor has recommended a fiscal 2016 budget adjustment increase of \$92.4 million, or 1.7 percent. New

¹ The governor's budget for fiscal 2017 includes the full annual appropriation for the Clean Water and Drinking Water State Revolving Loan Fund for the first time. To accurately calculate the budget increase from fiscal 2016 to fiscal 2017, the full appropriation for the program this year, which is funded with federal dollars, was included in the budget as passed in May 2015.

federal money funds about two-thirds of the increase; the state's General Fund contributes 15 percent; and the remainder comes from other state sources.

Nearly all of the additional fiscal 2016 spending is to fund increases to Medicaid, the health care program for low-income families and individuals that is jointly supported by the state and the federal government. Primarily because more Vermonters qualified for Medicaid than expected, the governor's proposed budget adjustment is larger than usual this year.

\$92.4 million budget adjustment increase, FY 2016 Governor's proposal



Data sources: Vermont Department of Finance and Management; Joint Fiscal Office
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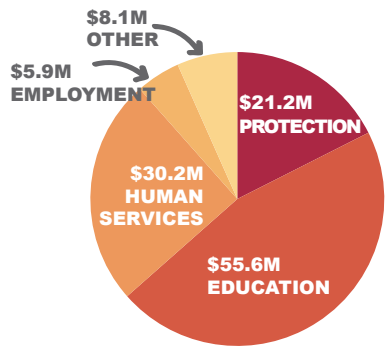
Also included in the budget adjustment is a small amount of new transportation funding (two-thirds federal and one-third from the state Transportation Fund) and other scattered savings and small changes.

Governor's fiscal 2017 budget

For fiscal 2017, the governor proposed an increase of \$121.0 million² over the adjusted budget for this year. Next year's increase is distributed across budget areas and funding sources.

² This includes \$10.3 million for the extra week of Medicaid payments in July 2016 included in the miscellaneous section of the budget.

\$121 million new spending, FY 2017 Governor's proposal



Data sources: Vermont Department of Finance and Management; Joint Fiscal Office
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Of the increase, 18 percent goes to Protection to Persons and Property (the budget category that includes public safety, the courts, Attorney General, and Secretary of State), 25 percent to Human Services, 46 percent to General Education, and 4 percent

to Employment and Training. The increase in Employment and Training is virtually all new federal money. The General Education increase of 3.1 percent is in line with past years and is a mix of General Fund, Education Fund, and federal dollars.

The Human Services budget reflects an increase in Medicaid reimbursement rates, a cost shared by the state and the federal government. A number of programs in Protection to Persons and Property will see increases, including additional federal funding for crime victims' services, for the Army service contract overseeing military facilities in Vermont, and for emergency management. The new Clean Water Initiative is included in Natural Resources and uses revenue from the Clean Water Fund established by Act 64 of 2015.

Revenue changes

The funding for these increases comes from a combination of sources: normal growth resulting from increased economic activity; new taxes and fees; increased federal money; and cost savings. The governor proposes two new revenue sources: an increase to the fee paid by mutual fund providers and a broadening of the health care provider tax to include dentists and independent

doctors. Currently, the provider tax includes hospitals, nursing homes, home health agencies, intermediate care facilities, and pharmacies.

The mutual fund fee increase is projected to bring in \$13.2 million for the General Fund. The health care provider tax expansion is expected to generate \$17.0 million in new state revenue and bring in additional federal funds for the Health Care Resources Fund. As in recent years, the governor recommends diverting property transfer tax revenue from the Housing and Conservation Trust Fund and the Municipal and Regional Planning Fund into the General Fund. For fiscal 2017, that recommendation is \$11.1 million above the statutory allocation. Other increases in federal funding, small upward adjustments in revenue projections, and funds expected to be left over from fiscal 2016 make up the rest of the funding to support the governor's budget.

FY 2016 Governor's Recommended Budget Adjustment (millions)

	Federal	State	Total	Share of Increase
HUMAN SERVICES	\$60.4	\$28.8	\$89.3	96.6%
OTHER	\$2.7	\$0.4	\$3.1	3.4%
TOTAL	\$63.1	\$29.2	\$92.4	

FY 2017 Governor's Recommended Increase (millions)

	Federal	State	Total	Share of Increase
EDUCATION	\$7.7	\$47.9	\$55.6	45.9%
HUMAN SERVICES	\$10.3	\$19.9	\$30.2	25.0%
PROTECTION	\$12.2	\$9.0	\$21.2	17.5%
EMPLOYMENT	\$5.9	\$0.0	\$5.9	4.9%
OTHER	(\$13.8)	\$21.8	\$8.1	6.7%
TOTAL	\$22.3	\$98.7	\$121.0	

Note: Totals may not agree due to rounding.

Data sources: Vermont Department of Finance and Management; Joint Fiscal Office
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This research was funded in part by the Annie E. Casey Foundation. We thank them for their support but acknowledge that the findings presented in this report are those of the Public Assets Institute and do not necessarily reflect the opinions of the Foundation.



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