

Building the State Budget

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Learning Objectives

At the end of the session, you will be able to:

- Identify the process by which the Executive Branch develops its proposed State budget
- Describe the role that Federal funding plays in Vermont's budget
- Recognize the nature of limited or one-time sources of funding, and of changes in revenue forecasts
- Describe the process by which the Legislature reviews the Executive branch's proposed budget before adopting the state budget
- Identify key areas of current state public investment

Building the State Budget



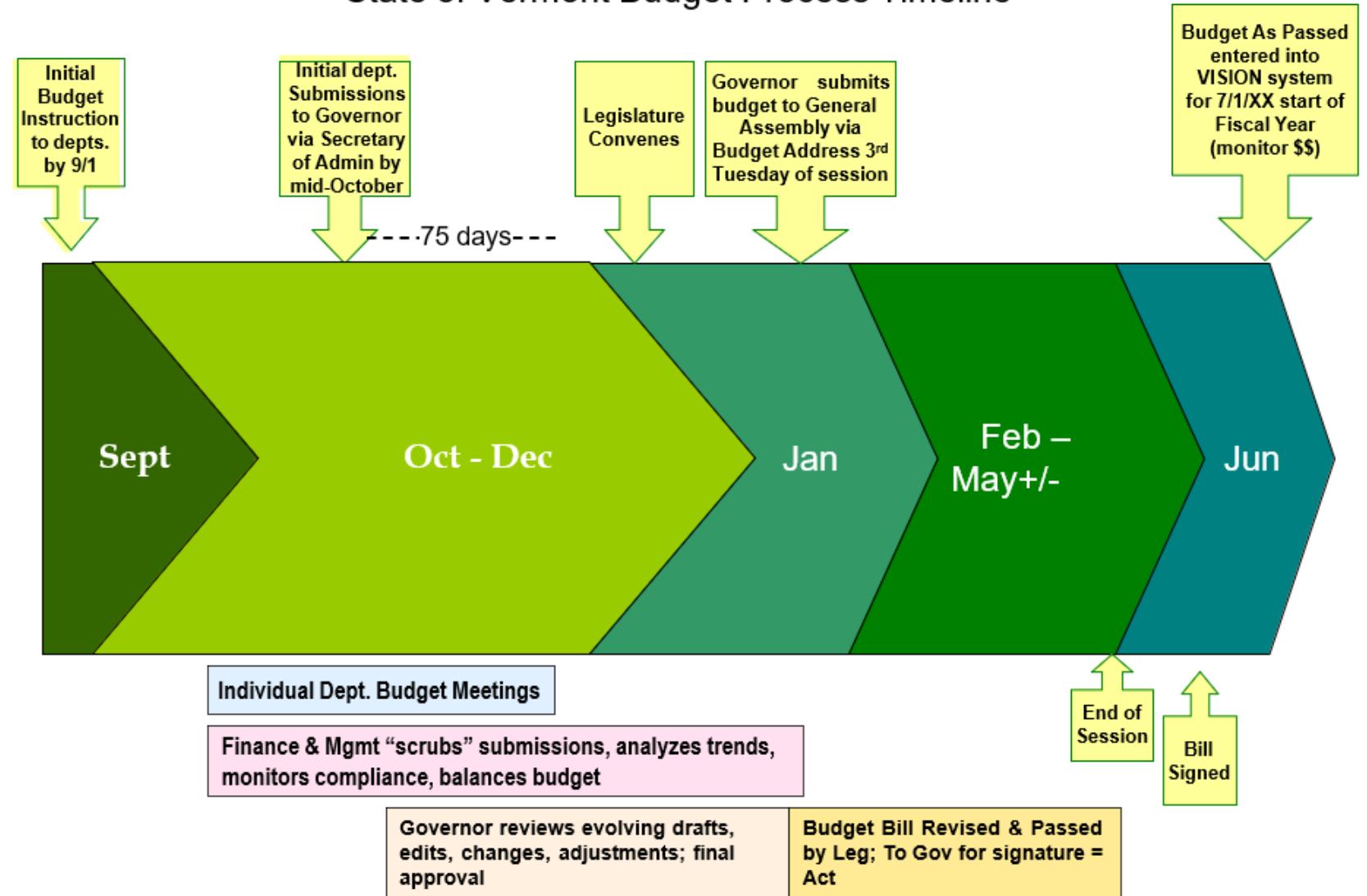
- Executive Branch - Budget Development Process
- Revenue:
 - a. Consensus Forecast
 - b. Role of Federal Funding
 - c. Role of Limited or One-time Sources of Funding
- Legislative Branch – Budget Process
- Key Areas of Current State Public Investment

Overview of Budget Build Cycle

- **July and January** : Revenue Estimates
- **Fall**: Executive Branch creates The Governor's Budget Recommendation
- **January**: Governor Presents his/her Budget to Legislature through the Budget Address
- **Spring**: Legislature uses Governor's Recommended Budget as a starting point, makes adjustments and develops policy
- **Late Spring**: Legislature passes a budget
- **May/June**: Governor signs (or doesn't) the budget

State of Vermont Budget Process Timeline

State of Vermont Budget Process Timeline



Note: prepared for discussion purposes only; actual schedule may differ

Source: Vermont Department of Finance & Management

Who Builds the Operating Budget?

Governor

- Secretary of Administration
- Department of Finance and Management
- Every Agency Secretary and Department Commissioner and financial staff

Legislature

- House Appropriations Committee
- Senate Appropriations Committee
- Committees of Jurisdiction
- Joint Fiscal Office

How to Build a Budget:



- What do I do?
- How much do I need to accomplish my mission?
 - Build by expense
 - Personnel expenses: salaries & benefits
 - Contractual services; IT; office equipment and supplies; overhead costs
- Build by Program
 - What services are we providing?
 - How many people? What?

How to Build a Budget:

- How much \$ do I have to spend?
- General, Education, and Transportation Funds:
 - E-Board Forecast
 - Allocated to departments; determined by the Budget office
- One-time sources
- Federal funds
- Other funds
 - Over 300 special funds
 - Fee Bill
- How much will you collect?



Budget Process – Executive Branch

Step 1 Setting the Scene

July-August

- Analysis of current year revenues, expenditures, and project revenues and expenditures
- Consensus revenue estimate process : Education, General and Transportation Funds

Step 2 Agency/Department Level Work

September-October

- Budget instructions and allocations are issued that reflect fiscal outlook and the Governor's priorities.

Step 3 Budget Office/Department Analysis

November-December

- Role of Agency
- Back and forth with departments
- Land on final state-wide targets
- Departmental allocations

Step 4 Prepare for the Legislature

Late December-Mid January

- Finance Commissioner prepares:
 - Appropriations Act: Words and Numbers
 - Presentation materials
- Governor presents to Legislature

Budget Process – Legislative Branch

Step 5 The House

January - March

- House Appropriations Committee takes testimony from:
 - Secretary of Administration
 - Commissioner of Finance & Management
 - Agency/Department Heads, Financial Staff
 - Advocates
 - Experts
 - Others

Step 5 (cont.) The House

January - March

- Where is the Governor's Budget Bill?
- Changes reflect House Appropriations Committee's priorities
- Approves Budget to go to House of Representatives for vote
- Once House passes bill, it is sent to Senate Appropriations

Step 6 The Senate

March - April

- Senate Appropriations builds off the House Bill
- Senate Appropriations passes bill out of committee and sends to entire Senate for vote

Step 7 Conference Committee

April - May

- Established to work out differences between House and Senate bills.
 - Role of Executive Branch
- Bill goes back to each body to vote until both bodies pass bill
- Bill goes to Governor for signature or veto

Budget Process-Operationalizing

Step 8 Executing the Budget

- The budget is NOT a fixed amount
- Administrative Adjustments
 - Various types
 - But statutory restrictions, especially re: General Fund
- Budget Adjustment Act
 - Legislative changes to the current year budget
 - Major GF transactions
- Rescission: if revenues fall below consensus forecast amount by more than 1%, must present plan to JFC

Step 9 Start Spending Appropriation

- Start of the New Fiscal Year
- July 1 of new fiscal year
 - Budget loaded into VISION financial accounting system
 - Establishes budgetary limits
 - Monitored by Financial Operations
- Controlled at appropriations level
 - Fund and DeptID
 - Not by expense

Step 10 Closeout

- Budget Year End-June 30
- Finalize prior year appropriations
- Start spending new appropriations
- Request to Carry Over General Fund to next year
- Other funds-unused \$ stay in the “bank account”

Assets by Fund (FY23 As-Passed)

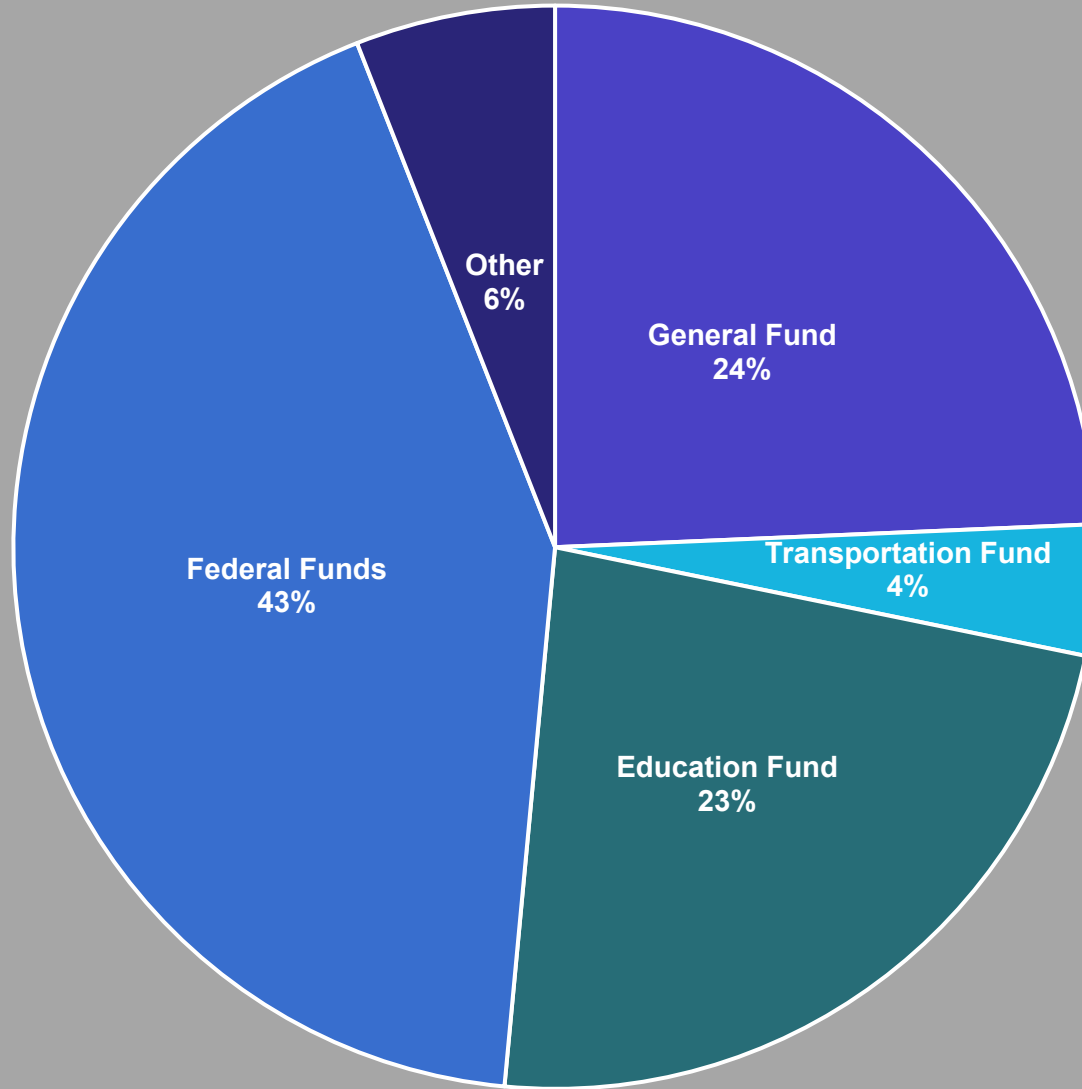
OTHER:

Local Match \$4.6M

Enterprise Funds \$13.6M

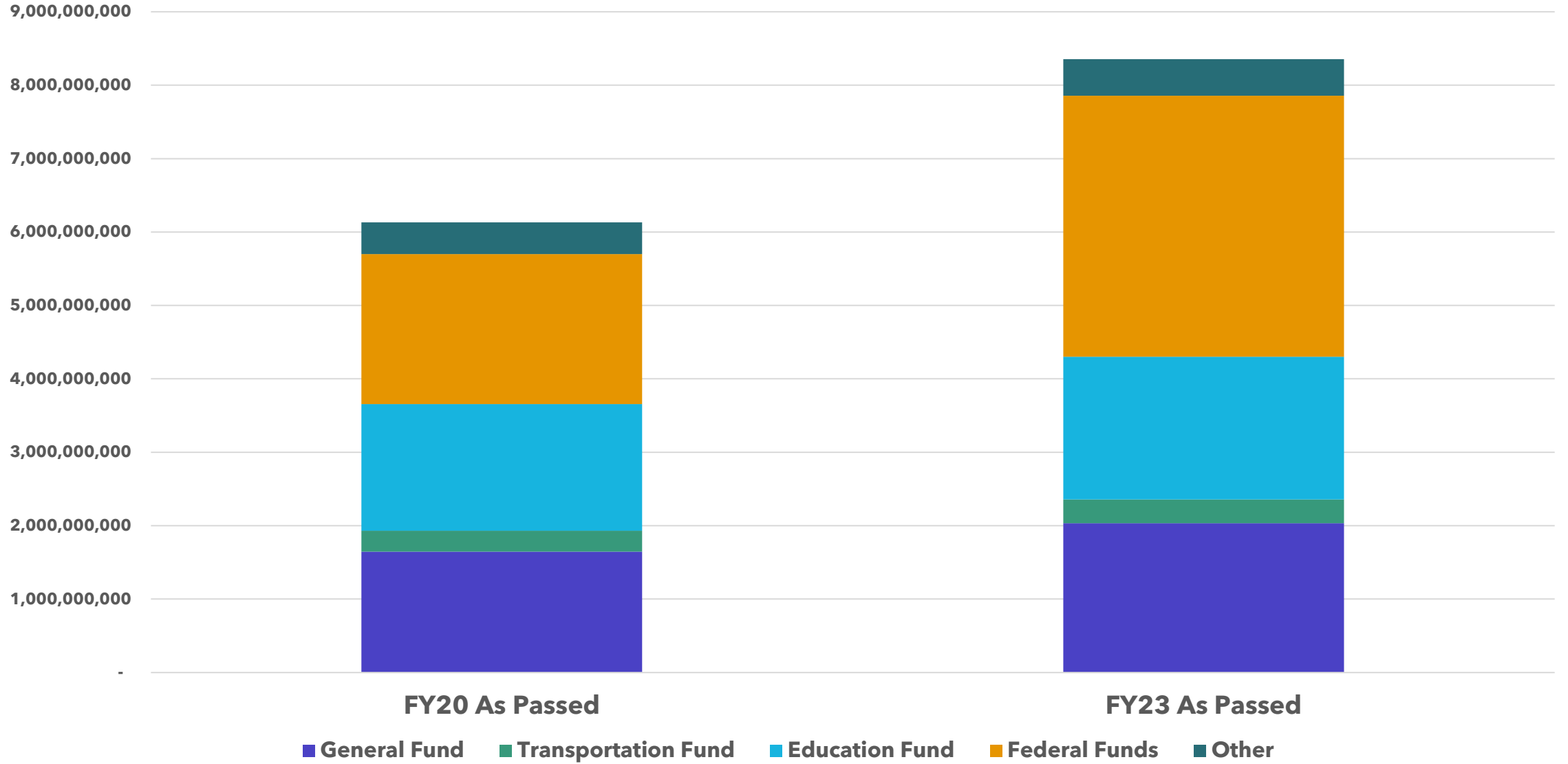
Pension & Private Purp. Trust Funds \$5.7M

Special Funds \$473.8M



\$8.35 Billion

FY20 to FY23 - Assets by Fund



Assets by Fund (FY23 As-Passed) State Funds Only

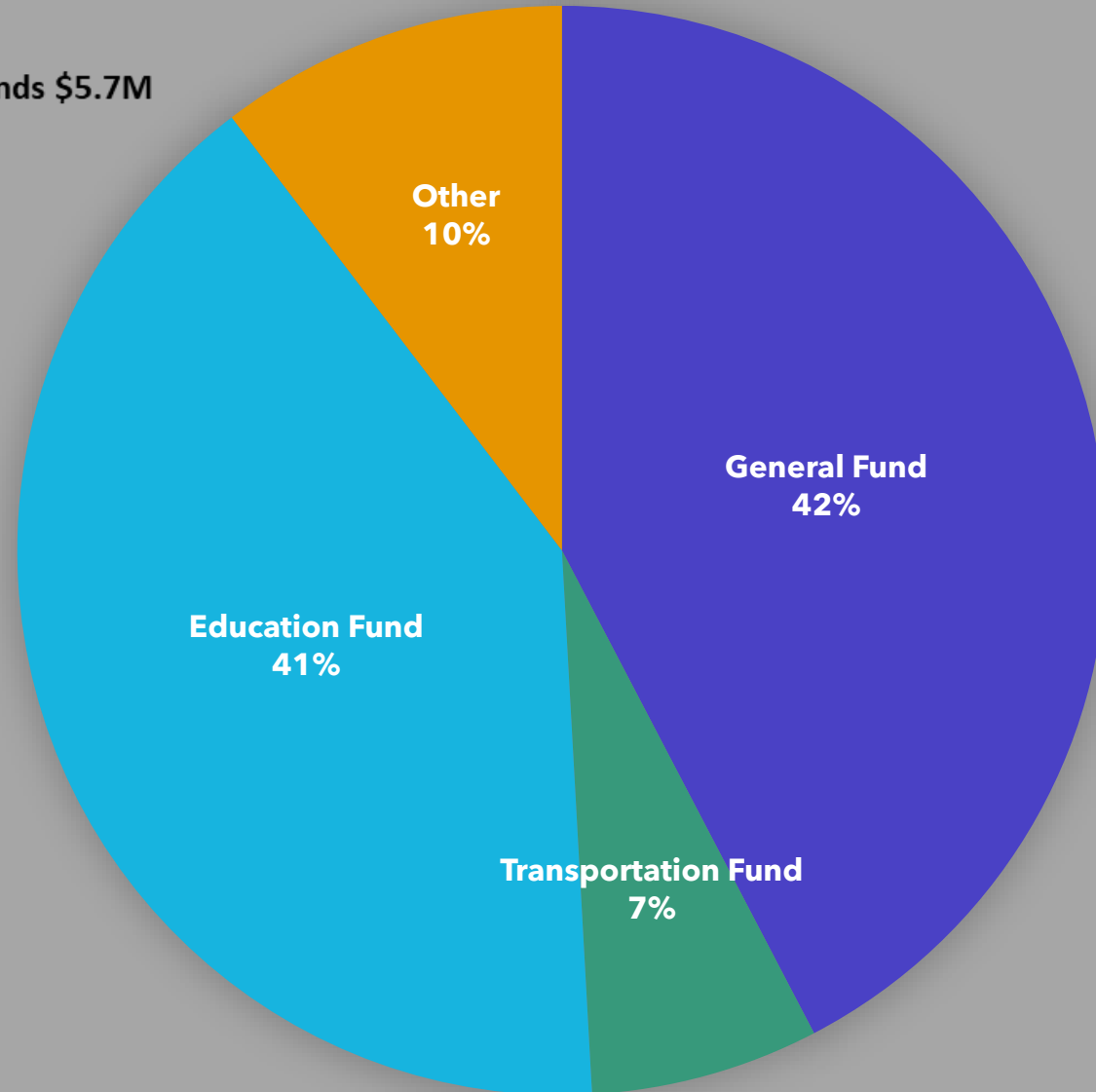
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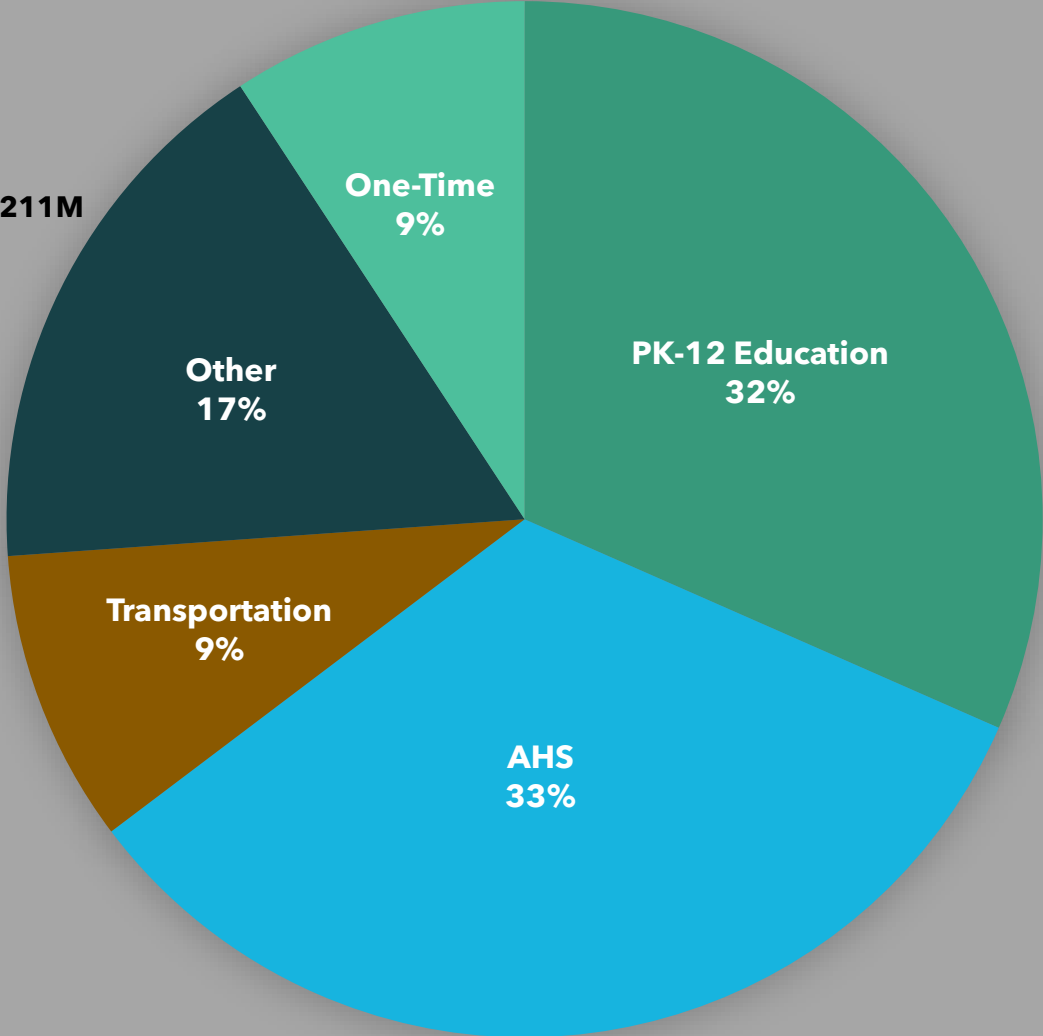


\$4.8 Billion

Expenditures by Function (FY23 As-Passed)

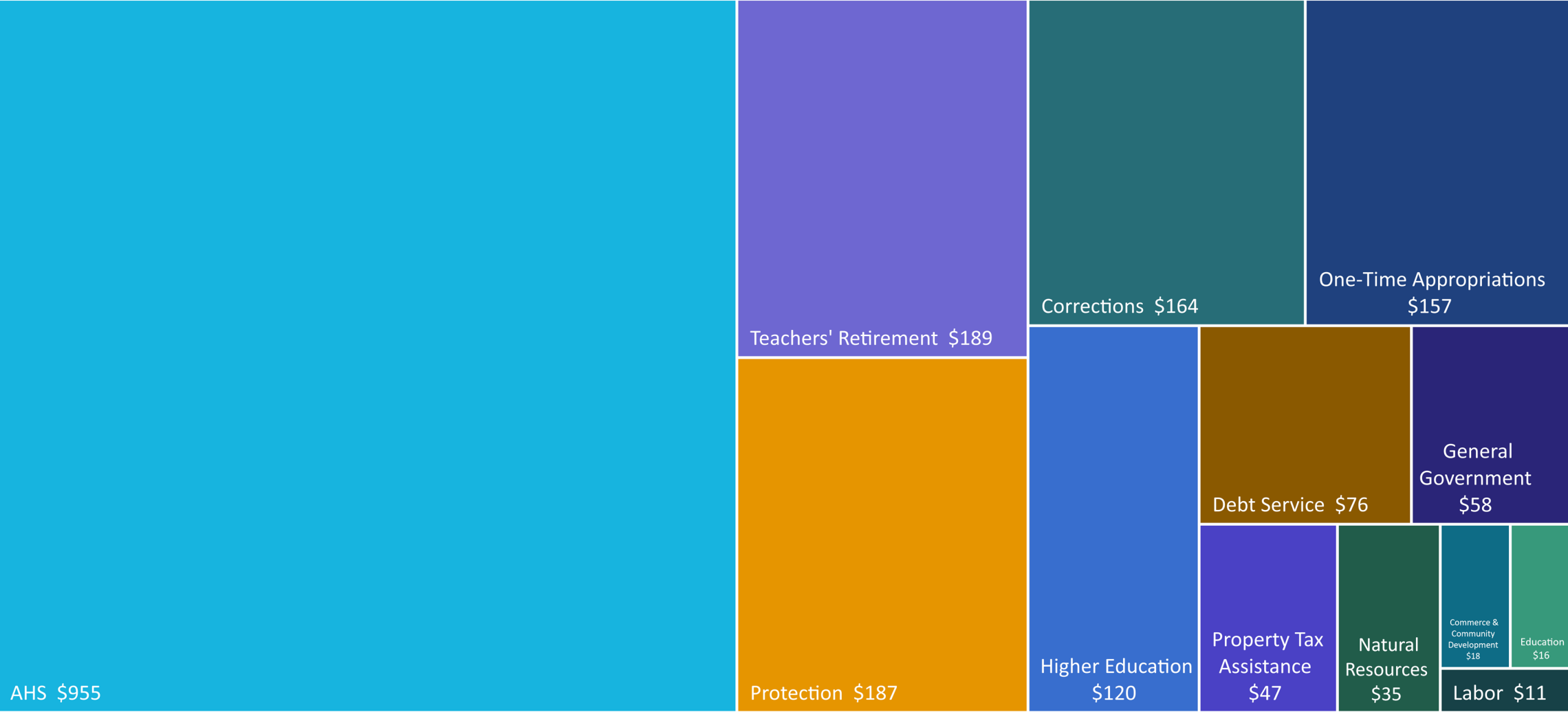
OTHER:

- Property Tax Assistance \$58M
- Protection \$447.4M
- Corrections \$166.2M
- Higher Education \$120M
- General Government \$91.9M
- Natural Resources \$178.1M
- Commerce & Community Development \$211M
- Debt Service \$76.9M



\$8.35 Billion

FY23 As Passed General Fund By Function (\$ millions)



\$2.033
Billion

Act 74 G.100 Establishing Multiyear Funding Priorities for ARPA and Other State & Federal Funds

(a)(1) ARPA was enacted on March 11, 2021 and includes a \$1.05 billion grant of flexible aid for Vermont to be spent over the next four years. With these funds, and other federal or State funds, the General Assembly recognizes an unprecedented opportunity to invest in Vermont's recovery and long-term future by supporting Vermonters' health and well-being and by strengthening Vermont's communities, businesses, environment, and climate. Between ARPA funds and other federal and State funds, the General Assembly anticipates spending the following amounts over the next three years:

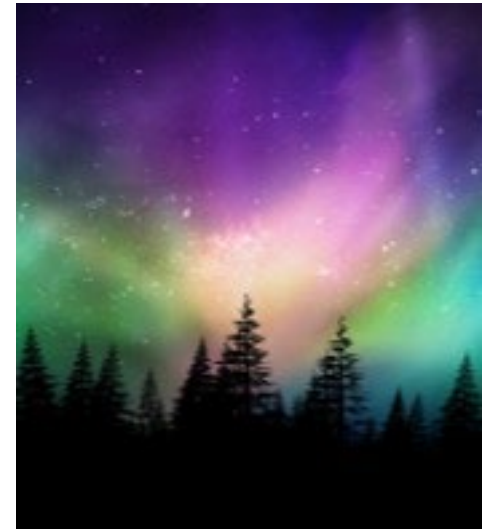
(A) \$250,000,000 for the health, well-being, and recovery of Vermonters; for workforce development; and for business supports;

(B) \$250,000,000 for development of a wide array of housing;

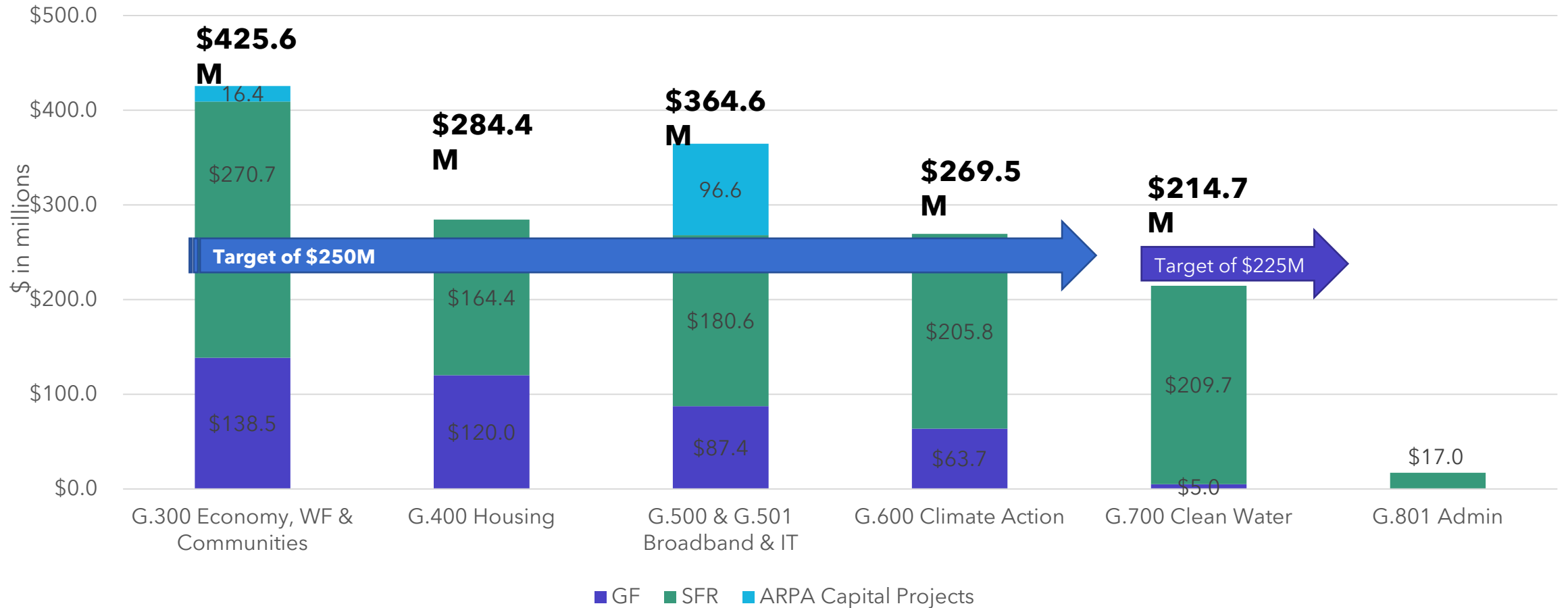
(C) \$250,000,000 for broadband development;

(D) \$250,000,000 for climate change mitigation; and

(E) \$225,000,000 for clean water initiatives.



Vermont's Appropriated ARPA SFR (\$1B), ARPA Capital Projects (\$113M) & GF (\$415M)





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Thank you

