

State of Vermont

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Department of Finance & Management Transition Issues Update
As of: September 30, 2016

- 1. FY 2018 Consensus Budget Gap:** Work on the FY 2018 budget has begun in earnest in September. The Consensus General Fund (GF) Budget Gap going into the process is approximately \$35 million. This is one of the smaller gaps in recent years and includes funding for Pay Act and a new reserve, the 27th/53rd. Having a FY 2018 Consensus GF Budget Gap, as adopted by both Finance & Management and the Joint Fiscal Office will allow the efforts to close this gap to focus on solutions, rather than disagreeing about the size of the gap. Although this is better than many other states, resolving a gap after the remedial actions and reductions of the last several fiscal years will make closing this gap difficult.
- 2. Oracle/PeopleSoft Financial System Upgrade:** Finance and Management is the responsible party for the VISION system from which all payments and receipts are processed for the State and where appropriations are controlled according to the Appropriations Act. F&M is in the process of issuing an RFP for an upgrade of the VISION system to a new version. We are currently using Version 8.8 and will be upgrading to version 9.2. The VISION system has been in place since 2001 and is a critical component to producing the state's Comprehensive Annual Financial Statements (CAFR).
- 3. State Budget Development System:** The State's Vantage System is used for budgeting across State Government. F&M is in the process of expanding the role of Vantage to replace many of the standalone spreadsheets which accompany the budget documents. These spreadsheets create an additional level of work beyond Vantage and represent significant risk of errors due to duplication. We are also trying to understand the role that Vantage can play in the development of the Capital Bill.
- 4. State Economist Contract:** The current contract for consensus revenue forecasting services, etc., is with Economic and Policy Resources (Jeff Carr), as it has been for many years. Jeff is responsible for providing updated financial forecast data twice a year (January 15 and July 15), working with the Joint Fiscal Office's economist, Tom Kavet, and provides monthly revenue data and calls during which he provides analyzes of the results.
- 5. Comprehensive Annual Financial Statements and corresponding Audits:** After nine consecutive years of an Unqualified Opinion (the highest opinion) and awards for integrity in report from the National Association of State Budget Officers on our annual financial statements, the State is looking at the potential of a downgrade of this opinion. In short, the issue stems from the State's process to re-determine if people on Medicaid are actually eligible for Medicaid services. Originally, the State had a waiver of the requirement to re-determine the Medicaid caseload, but that waiver expired on 2/29/16. The State is currently negotiating with CMS on a process acceptable to KPMG (the auditor) to remove any question about the expenditures incurred on the Medicaid program.
- 6. Capital Construction Bill:** For the first time, the F&M Department has been asked to compile the states FY2018 – FY2019 Governor's Recommended Capital Construction Bill. This has traditionally been completed by the Buildings and General Services Department. This move has occurred to provide F&M a more holistic approach to statewide budgeting.

