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Subject: Vermont's Revenues to Grow at 4.8% for Fiscal Year 2017, According to Economists

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Vermont's Revenues to Grow at 4.8% for Fiscal Year 2017, According to Economists

Montpelier – Vermont's revenues grew by 2.3 percent in fiscal year 2016 and Vermont employers added 4,400 jobs in the last year. Today, Legislative and Administration economists said State revenues will grow by 4.8 percent in fiscal year 2017, more slowly than initially forecast.

The revised FY2017 revenue growth rate of 4.8 percent was presented to Gov. Peter Shumlin and Legislators today at a meeting of the Emergency Board. The downgrade means the State is projected to bring in about $21 million less in revenue than anticipated when the FY2017 budget was adopted. Despite that, the Governor announced today that the Administration will not need to enact budget cuts to meet the new target.

"While revenues continue to grow – and have done so every year since I have been Governor – we knew there might be a downgrade when we received disappointing revenue numbers in April," Gov. Shumlin said. "Since then, we have been managing spending closely, with an eye towards a potential downgrade. Now that such news has come, we are in a position where we are able to absorb the lower than expected growth without resorting to budget cuts or tapping into reserve funds."

Vermont's economy continues to show signs of strength. Since January 2011, employers have added over 17,000 jobs, according to the Vermont Department of Labor. Vermont has one of the lowest unemployment rates in America. Personal per capita incomes have grown at or faster than the national average for each of the last five years, something that has never happened before. And Vermont's economy, defined as the Vermont Gross State Product, has grown at 3.1 percent since 2012. That compares with overall state budget growth since 2012 of 3.7 percent.

The Governor announced that the State would introduce to the Joint Fiscal Committee on Monday a plan that would handle the $21.1 million revenue downgrade by:

Using savings from lower than anticipated costs in the Medicaid program of $9.9 million in FY2016, which were carried into FY2017 to address the revenue downgrade. Medicaid is a $1.7 billion program and expenditures for the program in FY2016 were about 1.8 percent less than appropriated.

Using funding from Medicaid that will not repeat in 2017 of $7.0 million – Every five to six years the State must cover an additional 53rd week Medicaid payment. That happened and was paid for in FY2016 but will not be needed in FY2017. Going forward, this anticipated future liability will be covered with a newly established reserve, which currently has a balance of $5.29 million.

Move $3.6 million of Medicaid expenses from the General fund to the State Health Care Resources Fund.

A reconciliation of other items, including the property transfer tax, estimated direct applications and reversions, and the estimated transfer to the stabilization fund make up the remaining $600,000 needed to manage the downgrade.

The plan outlined by the Governor today leaves the General fund stabilization reserve at the statutorily required level, the balance reserve at $6.8 million, and the newly created reserve for next 53rd week of Medicaid payments with a balance of $5.29 million.

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