

**State of Vermont**

Department of Finance & Management  
109 State Street, Pavilion Building  
Montpelier, VT 05620-0401

*Agency of Administration*

[phone] 802-828-2376  
[fax] 802-828-2428

## MEMORANDUM

**TO:** Joint Fiscal Committee  
**FROM:** Adam Greshin, Commissioner, Department of Finance & Management  
**RE:** 27/53 Reserve Schedule  
**DATE:** September 30, 2020

**Adam Greshin** Digitally signed by Adam Greshin  
Date: 2020.09.30 11:00:55 -04'00'

Pursuant to 32 V.S.A. § 308e(a)(2), the attached spreadsheet provides the anticipated liability for the next 53<sup>rd</sup> week of Medicaid payments and the next 27<sup>th</sup> state payroll. The 27/53 Reserve was established during the 2016 legislative session to provide an annual process to reserve funds for known future liabilities with the goal of minimizing budgetary impact in the years the liabilities come due.

The next 53<sup>rd</sup> week of Medicaid payments is scheduled to occur in FY 2022 and has an estimated General Fund cost of \$11.58M. This estimate was derived by taking the FY 2020 Medicaid costs and projecting the FY 2022 costs by a growth rate equivalent to the 3-year average Bureau of Labor Statistics' CPI for Medical Care (July 2017 – June 2020), or 2.71%.

The next 27<sup>th</sup> payroll is scheduled to occur in FY 2022 and has an estimated General Fund cost of \$12.45M. This was derived by using the FY 2021 collective bargaining agreement step increases as a starting point and projecting FY 2022 payroll costs using an annual growth rate of 2.25% as specified in the collective bargaining agreement. The analysis controlled for changes in General Fund percentages due to additions of Coronavirus Relief Funds in the FY2021 As Passed budget.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve to ensure funds are available to help meet future liabilities for the 27<sup>th</sup> payroll and 53<sup>rd</sup> week of Medicaid. Based on current estimates and the prior year fund balance, \$1.76M for the 53<sup>rd</sup> week and \$1.98M for the 27<sup>th</sup> pay period should be reserved in fiscal year 2022 to meet these future liabilities.

Pursuant to 32 V.S.A Sec. 308b(c)(2), funds for the 53<sup>rd</sup> payment will be transferred from the Human Services Caseload Reserve depending on the balances and obligations within that fund.



## 27/53 Reserve Contribution Schedule

Presented to JFC September 30, 2020 Per 32 V.S.A. § 308e(a)(2) in millions

Projected Total Contributions	Total Need	Fund Balance	Balance to Allocate	Years until Liability is Due	Annual Deposit
53rd Week	11.58	9.82	1.76	1	1.76
27th Pay Period	12.45	10.47	1.98	1	1.98
<b>Total</b>	<b>24.03</b>	<b>20.30</b>	<b>3.73</b>		<b>3.73</b>

53rd Week	Actual 2017	Actual 2018	Actual 2019	Actual 2020	As Passed 2021	Proposed 2022
Prior Year Balance	-	2.64	4.36	6.12	7.97	9.82
Close Out Deposit	2.64	-	-	-	-	-
Annual Contribution	-	1.72	1.76	1.85	1.85	1.76
<b>Total Reserved for the 53rd week</b>	<b>2.64</b>	<b>4.36</b>	<b>6.12</b>	<b>7.97</b>	<b>9.82</b>	<b>11.58</b>

Notes: In FY 2021, 53rd Week Payment is \$1.85M per H.969 Sec.D102. Pursuant to 32 V.S.A Sec. 308b(c)(2), funds for the 53rd payment will be transferred from the Human Services Caseload Reserve depending on the balances and obligations within that fund. Assumed annual growth rate in Medicaid of 2.71%, based on 3 year average (Jul 2017-Jun 2020) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	Actual 2017	Actual 2018	Actual 2019	Actual 2020	As Passed 2021	Proposed 2022
Prior year balance	-	2.64	6.41	8.29	10.47	10.47
Close Out Deposit	2.64	1.79	-	-	-	-
Annual Contribution	-	1.98	1.88	2.18	* -	1.98
<b>Total Reserved 27th Pay Period</b>	<b>2.64</b>	<b>6.41</b>	<b>8.29</b>	<b>10.47</b>	<b>10.47</b>	<b>12.45</b>

\*Notes: Last 27th Week Payment was made in FY 2020 for FY 2021, per 2020 Act 88 Sec.46. Annual growth rate of 2.25% in FY 2022 based on the collective bargaining agreement. The analysis controlled for changes in General Fund percentages due to additions of Coronavirus Relief Funds in the FY2021 As Passed budget.

Total Projected Reserve Balance	Actual 2017	Actual 2018	Actual 2019	Actual 2020	As Passed 2021	Proposed 2022
Prior year balance	-	5.29	10.78	14.42	18.45	20.30
Closeout Deposit	5.29	1.79	-	-	-	-
53rd Week contribution	-	1.72	1.76	1.85	1.85	1.76
27th Pay period Contribution	-	1.98	1.88	2.18	* -	1.98
<b>Total</b>	<b>5.29</b>	<b>10.78</b>	<b>14.42</b>	<b>18.45</b>	<b>20.30</b>	<b>24.03</b>