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Adam Greshin, Commissioner

TO: Joint Fiscal Committee
FROM: Adam Greshin
DATE: September 23, 2024
RE: 27/53 Reserve Schedule

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

Upcoming 27/53 Liabilities

The next 53rd week of Medicaid payments is scheduled to occur in FY 2027 and has an estimated General Fund cost of \$15.91M. This estimate was derived by using the FY 2024 Medicaid costs as a starting point and then projecting the FY 2025 – FY 2027 costs based on a growth rate equivalent to the 3-year average Bureau of Labor Statistics' CPI for Medical Care (July 2021 – June 2024), or 2.07%.

The next 27th payroll is scheduled to occur in FY 2033 and has an estimated General Fund cost of \$23.10M. This was derived by using the actual VTHR data imported July 2024, projected annually for FY 2025 salaries in the budget system and applying an assumed 5% inflationary rate for each year through FY 2033.

The attached spreadsheet provides a schedule for transfer to the 27/53 Reserve to ensure funds are available to help meet the future liabilities for the 27th payroll and 53rd week of Medicaid. Based on current estimates and the prior year fund balance, \$3.53M for the 53rd week and \$2.17M for the 27th pay period should be reserved in the fiscal year 2026 budget to meet these future liabilities.

Attachment: 27/53 Reserve Contribution Schedule for Estimated Liabilities



27/53 Reserve Contribution Schedule for Estimated Liabilities

Presented to JFC September 25, 2024 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	15.91	8.85	7.06	2	3.53
27th Pay Period	23.10	5.73	17.37	8	2.17
Total	39.01	14.58	24.43		5.70

53rd Week	Actual 2023	Actual 2024	As Passed 2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior Year Balance	0.73	2.16	5.45	8.85	12.38	-	3.01	6.02	9.03	12.04	15.05
Annual Contribution	1.43	3.29	3.40	3.53	3.53	3.01	3.01	3.01	3.01	3.01	3.01
Total Reserved for the 53rd week	2.16	5.45	8.85	12.38	15.91	3.01	6.02	9.03	12.04	15.05	18.06

Notes: Assumed annual growth rate in Medicaid of 2.07% budget, based on 3 year average (Jul 2021 -Jun 2024) of Bureau of Labor Statistics CPI for Medical Care.

27th Pay Period	Actual 2023	Actual 2024	As Passed 2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior year balance	-	1.59	3.65	5.73	7.90	10.07	12.24	14.42	16.59	18.76	20.93
Annual Contribution	1.59	2.06	2.08	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17
Total Reserved 27th Pay Period	1.59	3.65	5.73	7.90	10.07	12.24	14.42	16.59	18.76	20.93	23.10

Notes: Assumed inflationary growth rate of 5% over the FY2025 projected payroll.

Total Projected Reserve Balance	Actual 2023	Actual 2024	As Passed 2025	2026	2027	2028	2029	2030	2031	2032	2033
Prior year balance	0.73	3.75	9.10	14.58	20.28	10.07	15.25	20.44	25.62	30.80	35.98
53rd Week contribution	1.43	3.29	3.40	3.53	3.53	3.01	3.01	3.01	3.01	3.01	3.01
27th Pay period Contribution	1.59	2.06	2.08	2.17	2.17	2.17	2.17	2.17	2.17	2.17	2.17
Total	3.75	9.10	14.58	20.28	25.98	15.25	20.44	25.62	30.80	35.98	41.16