

FY 2026 BUDGET and FY 2025 BUDGET ADJUSTMENT
INSTRUCTIONS SUPPLEMENT
Department of Finance & Management
Budget & Management Division

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Table of Contents	Page
A. FY 2026 Budgets	2
1. Funding Levels:.....	2
2. Salaries, Benefits, ISFs, ADS:.....	2
a. Cost of Salaries and Vacancy Savings in FY 2026.....	2
b. Health care and dental premium costs and other benefit rates:	3
c. Internal Service Funds (ISFs):.....	4
d. ADS Budgeting Guidance:.....	5
3. Budget Review Process and Supporting Materials:	5
a. Budget Review:	5
b. Restructuring and Reductions:	5
c. Vantage Budget System:.....	5
d. Additional Detail:	6
e. Programmatic Performance Measure Reporting:.....	6
Note that earlier this year, the Chief Performance Office and the Office of Racial Equity revised the Impact Assessment tool and the questions therein. A 45-minute informational webinar scheduled for Tuesday, September 10 at 11:00 AM will cover the changes that were made as well as some of the reasoning behind them. Registration is available at this link. Entities without a Vermont.gov address should reach out to Justin.Kenney@vermont.gov to receive the invite.....	12
4. Final Budget Submission:.....	12
5. New positions:.....	12
6. Budget Development Form	13
7. Supplemental Vantage Forms	13
8. Grants, gifts, loans, things of value:.....	14
9. Boards & Commissions: per diem reporting required	14
B. FY 2025 Budget Adjustment:	14
C. Executive Fee Bill and Fee Report	15
D. Appropriations Bill Narrative	15
E. Legislative Testimony Materials	16
F. FY 2026 Budget Development Timetable	17

A. FY 2026 Budgets

These budget instructions offer guidance in preparing responses to the Governor's budget initiatives for FY 2026. **Departments should provide General Fund budget requests at no more than a 3% increase from your FY 2025 "As Passed" appropriations. Tobacco Funds should assume a 0% increase from the prior year.**

Summary Responses must be approved and submitted by the Agency Secretary and Commissioner or the exempt head of your Department or Office, **electronically to the Governor, through the Secretary of Administration using the mail folder ADM.budget@vermont.gov by October 15, 2024.** (See the "[Budget Development Timetable](#)" at end of this document for a complete list of due dates.) Responses should be submitted on the "[Budget Development Form](#)" – Attachment B provided to you by the Department of Finance & Management; *do not use old, outdated Attachment B forms.* **This year, your Budget Analyst will send you Attachment B forms, uniquely created for each appropriation department ID**, that will facilitate improved data validation and aggregation by Finance & Management. This form can be supplemented with a narrative response as appropriate, which must include any major policy initiatives that will be submitted to the appropriate Governor's Office Liaisons. **Attachment B's will be provided no later than Friday, August 30, 2024.**

Please keep in mind that Vermont budgets and controls its financial activities on the cash basis of accounting (in contrast to the State's audited financial statements, which are based on accrual accounting and modified accrual accounting). Your budget submission should reflect the actual entries that are expected to post to VISION during fiscal year 2026. Some departments use accrual accounting in their internal reporting processes, which may result in confusion when referring to prior year actual data displayed on Vantage forms and reports.

1. Funding Levels:

If you require assistance confirming the amounts of your FY 2025 "As Passed" base appropriations and/or your FY 2026 General Fund target amount, please consult your budget analyst. These amounts have also been included on the Attachment B forms provided by the Department of Finance and Management.

Special fund spending authority should correspond with available revenues. Please be prepared to submit your analyses should your Budget Analyst determine that amounts submitted do not correspond with trends arising from the VISION data. As always, federal funding should be conservatively estimated, cognizant of current Federal actions and prospects. Please be particularly mindful of any potential reductions to your federal grants. Do not assume federal reductions will be covered with increased State funds. Please assume these funds will not be replaced until a determination has been made that the project or program supported by the funds meets a critical State policy goal.

If you expect reduced special funds or federal funds, your budget should reflect a corresponding reduction in associated limited-service positions and administrative expenses.

2. Salaries, Benefits, ISFs, ADS:

a. Cost of Salaries and Vacancy Savings in FY 2026

The Vantage budget system reflects the annualized cost of the step increases that are expected to take place during FY 2025 for classified positions. The salary changes that are expected to take place *during* FY 2026 are handled separately (via Pay Act appropriations for General Fund salaries)

and are not to be included in the FY 2026 budget request, with the following exception: **for accurate rate setting, all Internal Service Fund budgets (i.e. Human Resources Fund, BGS Fee-for-Space, etc.) must include projected FY26 salary and benefit increases when calculating their FY26 budgets. This will ensure the charges applied to those Agencies and Departments receiving their services are adequate to cover all necessary annual expenses. These amounts should be recorded using object code 506199 – Other Personal Services.**

The salary and benefits budget figures provided by the Vantage Salaries and Benefits Forecasting System (SBFS) represent the sum of all salary and benefit costs for all positions defined within an organization. The budgeting of Vacancy Savings should reflect a best possible estimate of savings (salary and benefit costs combined) resulting from positions in SBFS that are not expected to be filled for part (or all) of FY 2026 (please see section “b” below for guidance on benefit rate assumptions).

If Vacancy Savings budget submissions appear to be inconsistent with your department’s historical trend of savings related to position vacancies, please be prepared to justify your assumptions during budget review.

b. Health care and dental premium costs and other benefit rates:

We will centrally install the final FY26 benefit rates in the Vantage budget system once they have been determined. **If benefit rates increase subsequent to initial budget submissions, General Fund allotments will be provided to cover any increases for General Fund budgets.**

For the initial budget submissions due October 15, 2024:

- **FY2026 health benefit rates will be equal to the FY2025 budgeted rates.** Be advised, General Fund allotments will be provided to offset future pressures to General Fund budgets. Health benefit increases **are not required** to be absorbed within the 3% increase to General Fund budget targets. Please plan accordingly for any non-General Fund potential November rate revisions once information is provided from the Department of Human Resources.
- **Assume FY2026 VSERS Defined Benefit and Defined Contribution employer rates to be equal to the FY2025 Vantage rates.** Future retirement rate increases **are not required** to be absorbed within the 3% increase to General Fund budget targets. Please plan accordingly for any non-General Fund potential November rate revisions once information is provided from the State Treasurer’s Office.
- **FAMILY MEDICAL LEAVE INSURANCE (FMLI).** This benefit **applies to all State classified and exempt positions except Executive branch elected officials and Judicial branch appointees whose annual salaries are set in statute; General Assembly members; and temporary employees.** It is the responsibility of each Agency/Department to ensure this benefit has been applied to each qualifying position in the Vantage SBFS module.
- **CHILD CARE CONTRIBUTION.** A 0.44% employer contribution is applied to all wages paid to all State positions. It is the responsibility of each Agency/Department to ensure this benefit has been applied to each position in the Vantage SBFS module.

Please clearly identify non-General Fund funding set aside for the benefits and withholdings identified above on the separate line items of the “Budget Development Form” – Attachment B provided to you by the Department of Finance and Management.

c. Internal Service Funds (ISFs):

Departments are responsible for budgeting their ISF charges, as listed below. For the purposes of your initial budget submissions, please **assume the gross allocated charge to your department is equal to your FY2025 budgeted charges**. The Department of Finance and Management will send ISF allocations to Departments as early as possible in the budget development process. As such, we will schedule budget meetings first with those departments that manage the State’s ISFs. The Single Audit Revolving Fund allocations will be provided by the State Auditor’s Office. **Any General Fund variances resulting from the final rates issued at a future date will be covered by the Department of Finance and Management and are NOT included in the 3% budget exercise.**

Please clearly identify funding set aside for internal service fund increases on the separate line items of the “Budget Development Form” – Attachment B provided to you by the Department of Finance and Management.

ISF:	VISION/Vantage Expense Account Code:	VISION/Vantage Expense Account Name:	ISF department responsible for determining allocation:
Worker’s Compensation Fund	505200	Workers Comp - Ins Premium	AOA-FIN
State Liability Fund	516010	Insurance - General Liability	AOA-FIN
Property and Commercial Insurance Fund	516000	Insurance other than Employee Benefits	AOA-FIN
Facilities Operations Fund (Fee for Space)	515010	Fee for Space Charge	BGS
Communications & Information Technology Fund (CIT)	516685	ADS Allocation Exp	ADS
Human Resources Fund	519006	Human Resources Services	DHR
Financial and Human Resource Information (VISION) Fund	516671	IT Inter Svc Cost-VISION/ISD	DFM
Single Audit Revolving Fund	523620	Single Audit Allocation	SAO

Departments must utilize the correct expense code lines when budgeting their ISF charges which will allow us to verify these costs are fully budgeted state-wide. Please take care to budget the ADS allocation properly relative to the ADS SLA charge (and any new IT initiatives). See further ADS discussion below.

Please clearly identify non-General Fund funding set aside for the internal service fund charges identified above on the separate line items of the “Budget Development Form” – Attachment B provided to you by the Department of Finance and Management.

d. ADS Budgeting Guidance:

Pursuant to Executive Order No 06-17, Finance & Management has worked with the Agency of Digital Services to better manage, quantify, and report IT spending in state government. As part of this effort, in the FY26 budget submission, please be sure to align your budget to the account codes specified in Attachment E for all planned IT costs.

3. Budget Review Process and Supporting Materials:

a. Budget Review:

Beginning on October 21, 2024, Finance & Management will meet with departments for an initial review of their budget submissions. Finance & Management will contact you to schedule meetings with Commissioner Greshin and his team. Submissions must be approved by the exempt head of your agency, department, or office.

b. Restructuring and Reductions:

Restructuring and/or reductions to on-going programs may be necessary to achieve the 3% budget increase target. Any combination of proposals may be considered.

Please itemize the restructuring and/or reductions in programs, services, staffing, activities, etc. necessary to meet the FY 2026 targets. A major focus of your additional documentation should be an explanation of the restructuring and/or changes in programs, services, staffing and activities that will be needed to function within assigned FY 2026 funding levels.

Please read the “Instructions” tab on the “Budget Development Form” – Attachment B provided to you by the Department of Finance and Management to assist in this process.

c. Vantage Budget System:

Vantage system instructions are available on the Finance & Management website at: <http://finance.vermont.gov/vantage-budget-system>.

Please complete your base budget form, which ties to your Budget Development Form, and move the form to stage 2 prior to your budget meeting with Finance & Management. Additionally, your “Budget Development Form” - Attachment B must tie to your Vantage base budget form by Dept ID, Fund, and Major Object and is structured to accomplish this objective. The base budget form should list general base operating changes that may include, but not be limited to:

- Changes in non-salary operating costs, such as fuel, supplies, equipment, etc.
- Current programmatic caseload or utilization changes.

Programmatic changes and new initiatives, including the inclusion or elimination of additional positions, must be added via a decision item in Vantage. Decision items allow agencies and departments to approach each programmatic change individually without having to modify the base budget form or personnel data. Please move all decision items to stage 2 before budget meetings with the Finance & Management team. **These changes must be accounted for in the “Base Initiatives” tab of the “Budget Development Form” - Attachment B** provided to you by the Department of Finance and Management.

Positions attached to one-time funding sources: The Vantage Salary and Benefits Forecasting System (SBFS) should not contain positions funded via a one-time funding source. The Vantage

Admin Team will, to the best of their ability, remove positions attached to a one-time funding source prior to opening Vantage for the start of the budget season. If you do find a position attached to a one-time funding source when Vantage opens, please delete that position.

d. Additional Detail:

Along with the “[Budget Development Form](#)” - Attachment B”, please provide additional detail and backup to your submission. Include information that will help us understand your budget submission, such as assumptions, trends, analysis, and documents addressing the following issues (if needed):

- Upward and downward pressures relative to your department’s FY 2025 adjusted base appropriation (these should be presented as distinct line-item entries in the Budget Development Form)
- Policy issues with a potential budgetary impact
- Other policy areas that will be part of the Department’s legislative strategy
- Reductions needed to meet funding targets per the “Instructions” tab of the “[Budget Development Form](#)” - Attachment B
- Priority of restoration and rationale.
- All session law or codified law language necessary to implement your base budget, proposed initiatives and one-time expenditures **using the templates provided by the Department of Finance and Management.**
- An itemized list of all reports and studies which the Agency/Department believes should be repealed.

Please contact your budget analyst if you need help developing your supplemental materials or have questions on what is appropriate to provide.

e. Programmatic Performance Measure Reporting:

Programmatic Performance Measure Reports are required as part of the budget submission materials, per [32 VSA 307 \(c\)\(1\) & \(2\)](#). Please note that only one report is required for programmatic performance-measure budgeting (PPMB): (1) Attachment A-2 Programmatic Performance Measure Report (for ALL Departments excluding AHS who may continue to utilize Clear Impact Scorecard). See below for more information as well as [Annual Performance Measure Reporting \(sharepoint.com\)](#).

Purpose

Collecting and analyzing data on performance measures is essential for an effective budget process for several reasons:

- Informed decision-making: Incorporating performance measures into the budget process allows for a more informed allocation of resources. With performance data, budget decisions can be made based on objective data rather than subjective opinions.
- Accountability and transparency: Reporting on performance measures also ensures that organizational performance is transparent to leadership, the legislature, and the public.
- Stakeholder communication: Performance measures aid in communicating the rationale behind budget decisions to internal and external stakeholders. This transparency fosters trust and understanding among all parties involved.
- Continuous improvement: Performance measures enable organizations to assess the efficiency and effectiveness of their operations. This information can guide decisions to

reallocate resources from underperforming areas to those that deliver better results. Regularly collecting and analyzing performance data also facilitates a culture of continuous improvement. Organizations can identify areas for enhancement, adjust, and track progress over time.

This requirement is intended to stimulate a discussion of the resources currently directed to each program compared to its results. You should consider the following questions when reviewing your programmatic performance measures and recommending a budget for next year.

- How well did each program perform against its established goals and targets during the current year?
- What is the actual impact and value generated by each program's activities?
- How were resources allocated to each program in the current year, and how does this allocation align with the desired outcomes?
- Are there programs that are underperforming or overperforming based on their resource allocation and outcomes?
- Do the performance measures identify any risks or challenges that could impact program success in the coming year?

Performance measures on programs will be reported to Finance and Management during departmental budget meetings and to the legislative appropriations committees during budget hearings. Performance measure data should be included in your legislative presentation. We expect your department to provide a draft Programmatic Performance Measure Report as part of your materials when meeting with the Finance Commissioner and his team. You are welcome to submit any additional performance measure documentation, charts, etc., but you must submit at least the standard A-2 template shared below.

Reporting Process

Each agency is expected to use the following process for reporting performance measures with their budget submission.

2. **Identify all the operational programs within each appropriation:** All appropriation level department IDs (aside from one-time appropriations and select appropriations that are not programmatic in nature) should have at least one program with associated performance measures being reported. A program is defined as a set of services or activities aligned and resourced to accomplish a stated outcome or result. In SFY 2024, only 63% of appropriations were reporting measures, and many appropriations were underreporting operational programs. All operational programs are expected to be included in reporting as a means of showcasing the variety and breadth of work being done under an appropriation. If your agency/department has concerns about meeting this requirement, please reach out to Justin Kenney at justin.kenney@vermont.gov to discuss the best approach forward.
3. **Define and collect performance measure data for each operational program in the appropriation:** Each program should report at least 3-5 performance measures. You are encouraged to include at least one of each of the following types of measures: quantity, quality, and result. You may also include context measures which provide information about volume but do not necessarily speak to performance (e.g., number of applications received).
4. **Compile data into the Attachment A-2 Template:** For ease of reporting, we have pre-populated each agency's Attachment A-2 with programmatic and performance measure data from prior submissions. Agency specific templates should be downloaded from [SOV - Continuous Improvement - PPMB \(sharepoint.com\)](#). The information within will need to be

confirmed and updated accordingly, with new programs and measures being added as necessary. Entities without access to the SharePoint site noted above may request their templates directly from ADM.ContinuousImprovementTeam@vermont.gov. The Agency of Human Services may continue submitting data through Clear Impact Scorecard so long as the information contained therein includes similar elements to those found in Attachment A-2.

Attachment A-2 is broken out into three main sections: Instructions, Programs and Measures.

- Instructions: The Instructions tab provides stepwise instructions for filling out the template. We encourage everyone to read through this tab in detail before starting the process of filling out/updating the data within the template.
- Programs: The Programs tab is used to identify and provide information about the programs which are being included in this year's reporting cycle. A program is defined as a set of services or activities aligned and resourced to accomplish a stated outcome or result. Programs exist at many levels within an organizational hierarchy. Each program listed should have a unique name and must include the appropriation level department ID it is linked to, the program purpose and context, a list of the specific services provided by the program and a link to the program's external website (if one exists). When providing this information, please consider that this is intended for an external audience. Don't assume the reader has an in-depth knowledge of your unit and its programs. If you must use acronyms, spell them out the first time they are used.
- Measures: The Measures tab is used to link performance measures directly to programs listed on the Programs tab. It is suggested that each program have three to five performance measures that:
 - Are directly related to the goals and strategies for the program, with an emphasis on serving the programs customers;
 - Include historical data (up to five years) to reflect major trends;
 - Include the most current data – preferably from within the last year; and
 - Speak to how much the program did (quantity), how well they did it (quality) and whether anyone or anything is better off (results).

For this cycle, two new data elements are being requested for all performance measures aside from those provided for context: 'Polarity' and 'Target'.

- Polarity communicates which directional trend is preferred. A "Higher is Better" polarity indicates that you would like to see the data values "increase" over time, while a "Lower is Better" polarity signifies that you want the data values to "decrease" over time.
 - Target is a numeric field that expresses what you are trying to achieve and what good performance looks like over a given period.
5. **Agency/department leaders review data:** Agency leaders should review the final Attachment A-2 for their organization to ensure that all programs are accurately captured, and the data are appropriate. These leaders will also be expected to speak to their organization's performance during budget meetings with the Agency of Administration, so it is best for them to be involved in the data process early before budget meetings.
6. **Submit Attachment A-2 Templates by October 15, 2024:** Performance measure data are due at the same time as budget request submissions but should be sent as a separate email to

both ADM.Budget@vermont.gov and ADM.ContinuousImprovementTeam@vermont.gov. Please include PPMB in the email header so the Chief Performance Office and Department of Finance and Management can easily locate your submissions.

7. **Edit submission (if needed):** Following submission, programs may receive feedback on their performance measures from the Chief Performance Office which may result in refinements and revisions. Any changes or updates will need to be completed and re-submitted to ADM.Budget@Vermont.gov and ADM.ContinuousImprovementTeam@vermont.gov in a timely fashion as we expect to release the updated performance report in November.
8. **Agency/leaders discuss performance during budget meetings:** Agency leaders will be asked to discuss their organization's performance measures during budget meetings with the Agency of Administration and the Governor's Office, as performance measures should help drive budget decisions.

Annual performance measure reporting should be continuously improved by each agency every year. The process can become more beneficial to leaders and programs over time when they continue to add programs, add measures, and improve data quality. It is also important for programs and agencies to establish ongoing mechanisms for reviewing and updating data on a regular basis in between the budget process.

Additional information, guidance, templates, and resources can be found on the [Annual Performance Measure Reporting SharePoint site](#).

Informational Webinar

A 45-minute informational webinar covering the history of PPMB, best practices for reporting on programs and their performance, what the expectations are for this budget cycle, and how to fill out Attachment A-2 is scheduled for Friday, September 6 at 1:00 PM. Registration is available at [this link](#). Entities without a Vermont.gov address should reach out to Justin.Kenney@vermont.gov to receive the invite.

Performance Measure Development

Performance measures are data used to assess the efficiency, effectiveness, and impact of an organization's activities, programs, or services. These measures provide objective insight that helps organizations evaluate how well they are achieving their goals and objectives. Programs should report performance measures in the following categories: Work Measures and Results Measures.

Work Measures

Work Measures measure the quantity and quality of the inputs, processes, and outputs of a program. The purpose of developing, tracking, and improving Work Measures is to ensure that work is performed efficiently and effectively, using resources wisely and producing high-quality outputs. Below are examples of Work Measures.

Work	General Measures	Specific Examples
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Inputs	Quantity	# received, collected, submitted, placed	# of permit applications received # of calls received
	Quality	% complete, accurate, on time, meeting standards	% of applications received complete and accurate % of datasets received on time
Processes	Quantity	# hours, process steps, decision points, interactions	# of days required to complete process # of approvals required to issue permit # interactions required to resolve issue
	Quality	% meeting standards, errors, issues, defects, delays, satisfied with process	% of grants executed in 30 days or less % of project deliverables met on time % of issues resolved during first interaction % of employees satisfied with permit review process
Outputs	Quantity	# processed, produced, served, maintained, stored, generated, logged, shipped, tested, developed, issued	# of permits issued # of grants executed # of invoices processed # of people trained # of samples tested
	Quality	% customers satisfied	% of customers satisfied with training % of audience satisfied with annual report

Results Measures

Results Measures quantify the short-term, medium-term, and long-term effects of a program's work efforts. Results generally quantify changes in knowledge, attitude, skill, behavior, circumstance of status of program customers. The objective of developing, tracking, and improving Results Measures is to evaluate the effectiveness of work by examining its various impacts on individuals and groups. Below are examples of Results Measures.

Element	Specific Examples
Change in Knowledge	% of attendees who report an increase in knowledge as a result of training % of attendees who report an improved understanding of application process
Change in Attitude	% of employees with greater willingness to actively support DEI efforts

Element	Specific Examples
	% of enrollees with increased awareness of smoking's health risks
Change in Skill	% of attendees who began using Power Automate % of attendees who facilitated continuous improvement projects
Change in Behavior	% of enrollees who quit smoking % of attendees who started recycling
Change in Circumstance	% of participants stably housed % of participants gained employment

When reviewing, refining, or developing performance measures, units should make sure to include and utilize their appointed [Performance Accountability Liaisons \(PALs\)](#).

The Chief Performance Office is also available to assist with performance measure development and refinement as needed prior to submission. Please contact Justin.Kenney@vermont.gov with questions.

Additional Resources

[Developing Performance Measures Training Slides](#)

[Performance Measure Guide](#)

f. Impact Assessments

The primary purpose of the Impact Assessment Tool is to provide a structured approach to understanding and improving the equitable outcomes of our initiatives. By clearly defining problems, approaches, stakeholders, and performance measures, we can ensure that our efforts are data-driven, transparent, and inclusive. This tool helps us to:

- **Identify and Define Problems:** Clearly articulate the specific problems or gaps that our initiatives aim to address, supported by relevant data and evidence, with a focus on disparities affecting marginalized communities.
- **Design and Evaluate Approaches:** Outline and assess the proposed or existing strategies, services, or products to address these problems, ensuring they are culturally appropriate and accessible.
- **Engage and Consider Interested and Impacted Parties:** Identify and involve relevant parties, particularly those from underrepresented or underserved communities, ensuring their perspectives and needs are incorporated into the planning and implementation processes.
- **Measure Performance and Outcomes:** Establish performance measures to track the quantity, quality, and equitable impact of our services, ensuring continuous improvement and accountability.

Completion of an Impact Assessment (Attachment C) is required for any new programs or proposals, including any proposals to discontinue or materially change the scope of existing programs. The Impact Assessment document is attached as Attachment C. The Impact

Assessment is provided in the form of a fillable PDF document that poses 26 questions in the areas of problem definition, approach, interested and impacted parties, delivery, and performance measurement and improvement.

Impact Assessments will be initially reviewed by the Governor's Office with feedback requested from the Chief Performance Office and Office of Racial Equity on an as needed basis. However, please contact Xusana.Davis@vermont.gov or Justin.Kenney@vermont.gov with any questions you may have while completing the assessment.

Note that earlier this year, the Chief Performance Office and the Office of Racial Equity revised the Impact Assessment tool and the questions therein. A 45-minute informational webinar scheduled for Tuesday, September 10 at 11:00 AM will cover the changes that were made as well as some of the reasoning behind them. Registration is available at [this link](#). Entities without a Vermont.gov address should reach out to Justin.Kenney@vermont.gov to receive the invite.

4. Final Budget Submission:

Final decisions for budget targets comprising the FY 2026 Governor's Recommended Budget will be communicated pending final review and approval by the Governor, which typically occurs in late December to early January. Upon receipt of the final target, please finalize Vantage entries, and notify your budget analyst when the entries are complete.

Additional materials, including final "Budget Development Form" – Attachment B's, must be submitted electronically to the Governor through the Secretary of Administration using the mail folder ADM.budget@vermont.gov.

5. New positions:

New position requests will be considered as follows:

- New positions may be included as part of a department's policy initiatives. Requests for new permanent positions to be funded by base budgets *should be submitted as decision items* (see [Sec. A.3.c](#) above) and should be included in your submissions to Governor's Office Liaisons (see [Sec. A](#) above) and your Budget Analyst. Positions requests also require submission of budget bill language—see [Sec. E](#) for deadline.
- Requests for new limited service positions, the conversion of positions from limited service to permanent, and interagency transfers of positions should be included in your submissions to Governor's Office Liaisons and you budget analyst, and require budget bill language—see [Sec. E](#) for deadline.
- When making a position request, first consider whether reclassification of a vacant position is possible.
- Position requests associated with current service level operations may be submitted to the AoA Position Pool Committee for its consideration, along with your assigned Budget Analyst, and funded at the FY 2025 appropriations level (i.e. level funded for FY 2026).
- Please keep in mind that new positions incur derivative increases in operating expenditures and represent future cost increases for fixed costs such as internal service fund charges and insurance costs. These future costs must be absorbed within the targets issued and there should be no expectation of future supplemental funding for derivative and fixed costs associated with additional positions.

6. Budget Development Form

Use the blank template “Budget Development Form” – Attachment B, provided to you by the Department of Finance and Management, to illustrate changes from your FY 2025 appropriation to your FY 2026 request. **Please do not submit outdated templates used in prior years.** Specific expectations for completing this form include:

- Enter data only into the white cells and lines can be inserted or deleted as needed.
- Provide distinct line-item entries for upward and downward pressures relative to your FY 2025 base appropriation
- Line-items must be grouped within the appropriate Major Object Category provided: Personal Services, Operating Expenses, and Grants
- For Personal Services changes, provide the following line-item detail, as applicable
 - Annualization of the prior fiscal year’s Pay Act detailed as:
 - Portion attributable to capped federal funds
 - Portion unattributable to capped federal funds
 - Change in fringe benefits
 - Effect of RFRs and Class Actions
 - Vacancy savings
- Line-items associated with the annualization of a BAA request should be labeled as such.
- Proposed Base Initiatives and/or One-Time Expenditures should be entered onto their appropriate tabs by Major Object Category.
- All reductions to meet the 3% target increase must be entered into the appropriate section by Major Object Category. Restoration of reductions will be based upon the order they are entered.
- Final Attachment B submissions must match the Governor’s Recommended Target – No Exceptions. Restoration of proposed reductions and/or additional funding will be communicated to you once the Governor has had the opportunity to consider all proposals for limited funds.
- Any Base Initiatives or One-Times proposed will be compiled for review by the Governor’s Office and targets adjusted at their discretion.
- Base initiatives and/or One-Time proposals should be accompanied by any necessary implementing language at the time of submission on the template provided to you from the Department of Finance and Management.
- **Base Initiatives and One-Time expenditures must be entered** onto the appropriate tabs of the “Budget Development Form” – Attachment B **using the taxonomy required in the “Instructions” tab** of the excel workbook.

7. Supplemental Vantage Forms

As part of the budget submission, 32 VSA § 307(b) requires detailed information concerning:

- (1) The specific special funds used as receipts in the budget.
- (2) Explanations of interdepartmental transfers, including which department is the source. If your funding is reliant on interdepartmental transfers, be sure to coordinate with the source department. Do not assume both departments have the same expectations. We recommend establishing a written funding agreement such as a Memorandum of Understanding. Remember, receipt of federal funds means receipt of all federal regulatory obligations related to those funds.
- (3) Budgeted positions.
- (4) Changes in program funding levels and associated policy changes in the requested budget.

In addition, the Legislature regularly requests details of departments' "Grants Out" to Vermont residents and organizations. Vantage is configured to meet these requirements. Departments are responsible for the accuracy of their Vantage entries, and any supplementary, summary, or explanatory information, including the "Budget Development Form" – Att. B. Documentation on Interdepartmental Transfers Receipts and Federal Receipts are generated by departments from the Vantage system. The Supplemental Interdepartmental Transfers Receipts, Federal Receipts, and Grants Out forms must be completed accurately within Vantage and reconcile to departments' final Governor's Recommendations.

8. Grants, gifts, loans, things of value:

As amended by 2019 Acts and Resolves No. 72, [32 VSA § 5](#) requires that all new grants, gifts, loans, sums of money, or things of value with a value greater than \$15,000 received by the State must be accepted in accordance with the statutory procedure requiring submission to the Joint Fiscal Office through the Governor. ([Form AA-1](#) is the administrative vehicle for this submission.) Including these items in the budget is not a substitute for this process. However, once duly accepted, grants (on-going revenues and expenditures) should be budgeted in subsequent years.

Please note that per [32 VSA § 5](#) items ranging in value from \$1,500 to \$15,000 may be accepted with notice to the Secretary of Administration (via communication to your department's budget analyst). The Department of Finance & Management provides the statutorily required reporting of such items in the quarterly Small Grants Report to the Joint Fiscal Committee.

9. Boards & Commissions: per diem reporting required

Pursuant to 32 V.S.A. § 1010 Sec. 8(e)(1) requires that the annual budget report of the Governor "*shall contain a separate schedule, by entity, that provides the per diem compensation rate established for the current fiscal year and the per diem rate proposed for the next fiscal year of any per diem that will be increased from its current fiscal year rate. This schedule shall also provide, by entity, the total per diem amounts paid and total expenses reimbursed for all members of the entity in the most recently ended fiscal year.*" Use **Attachment F – Per Diem Compensation** to report the required information for any boards and/or commissions that are supported by your agency or department. Any proposed increases to per diem rates will be considered by the Governor for inclusion in his FY2026 budget recommendation.

Agencies and departments should also be aware of 32 V.S.A. § 1010 Sec. 8(e)(2) which affects annual budget presentations to the Appropriations committees:

"In the annual budget documentation submitted to the House and Senate Committees on Appropriations, any agency or department that administers funds for a board, commission, council, and committee and all other management, policymaking, or advisory bodies, including temporary study commissions, shall provide a list of the entities and the current and projected per diem rate and expense reimbursement for each entity. The agency or department shall include within its annual budget documentation the justification for any current or projected per diem rate that is greater than \$50.00, including the justification for authorizing a per diem rate of greater than \$50.00 for a board, commission, council, or committee created by executive order pursuant to subsection (g) of this section."

B. FY 2025 Budget Adjustment:

The budget adjustment process is used to meet extraordinary needs not anticipated in the current budget, and for internal funding changes that cannot be accommodated by administrative means (i.e., appropriation transfers, excess receipts, etc.). Please restrict Budget Adjustments, monetary

and language, to technical changes only. **Please follow the instructions provided to you by the Department of Finance and Management on the required templates.** New one-time expenditures or policy proposals should be presented as part of the FY26 Budget process. The Governor's Office will review these submissions and determine if any items require advancement through the Budget Adjustment process. Budget adjustment submissions are due October 15, 2024, along with FY2026 budget submissions and preliminary proposed bill language.

For development of the Governor's recommended FY 2025 Budget Adjustment bill (BAA), we will utilize the July 30, 2024 revenue forecast approved by the Emergency Board. Further adjustments to the FY 2025 Budget Adjustment proposal may be necessary based upon any revisions to the consensus revenue forecast by the Emergency Board at its January 2025 meeting.

The first recourse in solving current-year budget issues is to redirect resources within your agency or department's existing funding. Please bring to our attention any significant issues that will be handled in this way-- identifying the problem and a solution-- and whether Budget Adjustment action (e.g., transfer of funding between appropriations) is required.

Notification of budget adjustment proposals should include a description of the causes of increased or decreased expenditures or receipts, the related actions already taken to contain increased spending, and the proposed remedy. A request should cite all affected sections of the FY 2025 appropriations bill and include draft language, with an explanation narrative, of the changes required.

Requests for inclusion in the Budget Adjustment must be submitted electronically, by the exempt head of the state entity, to the Governor, through the Secretary of Administration using the mail folder ADM.budget@vermont.gov. Responses must be approved by the Commissioner or the exempt head of your agency, department, or office. Departments should identify BAA items during their budget meetings.

As noted above, new grant receipts (e.g., federal grants) should be submitted for approval per [32 VSA § 5](#). Do not include them in the Budget Adjustment as proposed changes to appropriations.

C. Executive Fee Bill and Fee Report

2024 Acts and Resolves No. 113, Sec. E.127.1 provides a one-year moratorium on the annual Fee Report and Request required by 32 V.S.A. § 605 for submission to the Legislature with the Governor's budget recommendation. However, the same section requires the Judiciary and all agencies, departments, boards, and offices that receive appropriations in Secs. B.200 through B.299 to prepare a comprehensive fee report to the Joint Fiscal Office for each fee that is in effect in fiscal year 2025. Note that the draft report is due to the Joint Fiscal Office by October 15, 2024. Please refer to 2024 Act 113 Sec. E.127.1(a) for the specific information requested by the Legislature for inclusion in the report.

D. Appropriations Bill Narrative

Please closely review any legislative language associated with your appropriations or programs in the FY2025 appropriations bill (Act 113 of 2024) and identify any necessary changes that must be made to implement your department's budget plan as part of the FY 2025 Budget Adjustment and/or the FY 2026 Governor's Recommended Budget language. The best way to communicate these changes is to return a copy of those portions of bill language on the required templates, marked up for any deletions, additions, or changes with an explanation of what the proposed changes are accomplishing. It is your department/agency's responsibility to be aware of language from other bills in prior years which may need modification.

Marked-up narrative portions must be submitted electronically to the Governor, by the exempt head of the state entity, through the Secretary of Administration using the mail folder ADM.budget@vermont.gov by November 29, 2024 for Budget Adjustment language, and by December 20, 2024 for FY26 Governor's Recommended Budget language.

E. Legislative Testimony Materials

Agencies and Departments must provide copies of all materials to be provided to the General Assembly in support of their budget testimony to their Budget & Management Analyst no later than two business days prior to testimony. These materials will be reviewed by the Analysts and posted to the Department of Finance & Management's website.

F. FY 2026 Budget Development Timetable

The following set of dates will help in planning tasks in the development of the FY 2026 Budget and the FY 2025 Budget Adjustment. Dates are for planning purposes only and are subject to change; you will be notified of any changes in due dates.

Policy & Budget Development Timeline

Tuesday, October 15:	Initial FY25 BAA submissions, Initial FY26 budget submissions including required attachments due electronically to DFM.
Monday, October 21:	DFM begins meeting with Agencies and Department on FY25 BAA and FY26 budget submissions.
Friday, November 29:	Final FY25 BAA language due to DFM.
Friday, December 20:	FY26 Budget Bill language due to DFM.
Friday, January 17:	DFM communicates final Governor's priorities for General Fund to Cabinet and Departments.
Late December/ early January TBD:	Final budget targets issued by DFM / final FY26 budget submissions entered in Vantage.
No later than Jan. 28, 2024:	Governor's Budget Address