



Rescissions: More Information is Required

By Jack Hoffman

State employees will take the biggest hit if the Legislature accepts the administration's proposal to re-balance the fiscal 2010 budget. Property taxpayers also will pay more if the governor's plan is adopted. And Vermont will give up \$3.5 million in federal funds in order to save half that much in state general funds.¹

The latest budget gap opened last month when economists issued their annual forecast of revenues the state is likely to collect in fiscal 2010, which started July 1. They lowered the April estimate, which the Legislature used when constructing its budget, to \$1,024.6 million—a drop of \$28 million.²

The good news is that the administration is not relying solely on cuts to close the gap (**Table 1**). The state ended fiscal 2009 with a surplus of almost \$6.9 million. That will fill part of the hole. In addition, various agencies and departments have small amounts left over from 2009, so the administration wants to reduce their appropriations for the coming year. The administration also has identified new revenue, including federal matching funds for certain Medicaid expenditures.

The state, however, will also lose some federal revenues, which is especially costly. Administration figures show a \$3.5 million reduction in federal money Vermont receives through a special Medicaid waiver. This program currently has about a 2-1 match, so Vermont will

cut about \$5.1 million in Medicaid services, but only reduce General Fund spending by about \$1.6 million.

Finally, the administration is proposing to reduce General Fund spending by shifting costs onto other funds. The biggest shift would be \$1.8 million onto the Education Fund. In documents presented to the Legislature, the administration said the shift would have no effect on the Education Fund because of some unexpected savings in that account.

However, the shift would have an effect on property taxes, which make up for any money diverted from the Education Fund. The administration's plan would cost property taxpayers \$1.8 million more than they would have paid without the change.

The remaining cost shifts from the General Fund include \$460,000 in engineering costs, which will be paid with borrowed money, and \$95,000 in costs moved to special funds.

No effect?

The Legislature took a balanced approach to balancing the 2010 budget, using a combination of cuts, federal stimulus funds, and a small increase in taxes. The administration's proposal appears to be continuing that approach.

Table 1: August 2009 Rescission Proposal to Close the Latest FY-10 Budget Gap

Proposed General Fund Adjustment	Amount
Cuts, including state workforce reduction	\$9.40 million
FY2009 surplus, program carry-forwards, new federal funds	16.25 million
Shifts from General Fund to other funds, including Education Fund	2.35 million
Total	\$28.00 million

Source: Governor FY2010 Proposed Rescission Plan

In what has become a disturbing trend, however, the administration again has provided little information on how the proposed cuts would affect the delivery of state services or how any negative effects would be mitigated. Without this information, neither legislators nor the public can weigh the options for balancing the budget. Raising taxes is painful, but so are many budget cuts. To choose among cuts, taxes, borrowing, or the use of rainy day funds, Vermonters need to understand the consequences of each.

State law³ requires that budget reduction plans indicate the effect proposed cuts will have “on the primary purposes of the program for which the appropriation was made.” The administration also is supposed to tell the Legislature how it intends to “minimize any negative effects on the delivery of services to the public.”

This is the third time in the last 12 months that the administration has proposed budget rescissions—cuts to the Legislature’s approved budget outside of a legislative session. It follows two rounds of rescissions to the fiscal 2009 budget, in August and December 2008, as well as a budget adjustment that the full Legislature addressed last session.

With each of the rescission proposals, the administration has presented a document describing the “impacts,” but any negative effects tend to be understated or described only in general terms.

For example, the administration wants to cut \$731,372 from the Choices for Care program, which is designed to help Vermonters with disabilities, mostly elderly, stay in their homes and avoid costly nursing home care. The proposed cut eliminates a small carry-forward in the program’s approximately \$200 million budget. The administration said the cut will have “no programmatic impact.” While that may be technically true, it doesn’t explain that the proposed cut is taking money away from a program that is intended to reduce state spending in the long run. It also ignores the fact that there is a waiting list of people who need services but can’t get them. “No programmatic impact” does not mean the money is not needed.

The administration offered no information on the effects of eliminating another 200 or so state employees, either. It’s hard to believe they expect no loss of services to Vermonters; that would suggest this governor has 200 people working for him who aren’t doing anything. We know that programs have been curtailed and things aren’t getting done as a result of earlier layoffs. For instance, the Department of Education missed out on important grant funding last winter because it lacked staff.⁴

Rescissions are sometimes necessary and sometimes in the best interests of Vermonters. That’s why there is a section of state law that outlines how a rescission is to be carried out when needed. To comply with the spirit of the law, any budget reduction plan should describe the work performed by the people whose positions will be eliminated or left vacant. It also should explain what work simply won’t get done and what will be transferred to other employees. That way Vermonters and their elected representatives will have some idea what the proposed budget cuts will cost and be able to weigh them against other alternatives.

The administration’s rescissions cannot go into effect without the approval of the Legislature’s Joint Fiscal Committee. The committee can and should insist that the administration provide a real assessment of the impact of proposed budget cuts on services to Vermonters. Until they have that assessment, which is required by law, the legislators should refuse to give the plan the go-ahead.

ENDNOTE

¹ Governor FY2010 Proposed Rescission Plan, http://finance.vermont.gov/sites/finance/files/pdf/state%20budget/Rescission_Proposal_to_JFC_080509.pdf

² Thomas Kavet, July 2009 Economic Review and Revenue Forecast Update, July 16, 2009.

³ V.S.A. Title 32, Chapter 9, § 704.

⁴ Shay Totten, “Gonna Eat Them Words,” Seven Days, April 15, 2009.

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