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Jeb Spaulding, Secretary

MEMORANDUM

TO: Secretaries, Deputies and Commissioners
CC: Business Managers
FROM: Jeb Spaulding, Secretary of Administration
DATE: July 24, 2014
RE: FY15 Rescission Plans

Today the Emergency Board reduced the FY 15 available General Fund revenue forecast by \$28.8 million, to meet revised expectations that General Fund revenues will grow 3%, rather than the 4.8% predicted last January. This is an overall 2.1% reduction from prior General Fund expectation and, in the state economists' view, represents a recalibration of base revenues for FY 15 that must be offset, as much as possible, with base expenditure reductions.

Pursuant to state statute, 32 V.S.A. Section 704(b) (1), the Administration will prepare a plan for approval by the Joint Fiscal Committee to reduce appropriations to meet this new revenue growth expectation. The Administration will present its plan to the Joint Fiscal Committee for approval as quickly as possible. Once related revenue changes are factored in, the total reduction that will be necessary is approximately \$31 million.

In anticipation of that plan, we are asking you to implement certain savings measures immediately because we know that difficulty in reducing spending in any given fiscal year is meaningfully eased by quick action. While we are fortunate that our revised revenue forecast still projects moderate growth for the fiscal year, today's reduction from the forecast used to create the recently-passed FY 15 budget means that each of you will have to meet the challenge of lowering spending now, one month into FY 15, in order to meet our commitment to balance spending with revenues this year.

Effective immediately, and until further notice, no employee vacancies may be filled without written authorization from the Secretary of Administration. We also ask that all Secretaries and Commissioners carefully review and limit discretionary spending immediately, and temporarily suspend all management-requested employee/position reclassification actions.

These immediate measures will get us started in meeting the reduced growth target. In addition, you will receive specific spending reduction targets from the Department of Finance and Management later this week, along with instructions and a timeline for presenting a reduction plan for your agency or department. This reduction plan will be subject to approval by the Department of Finance and Management, and once approved and ratified by the Joint Fiscal Committee these plans will guide your spending decisions going forward. You should conduct business immediately with the expectation that your budget reduction target will be approved.

We do not believe that these spending readjustments should require a Reduction in Force action or a renegotiation of the new State employee contract. We have invited the Vermont State Employees Association and Vermont Troopers Association to meet with an Administration team quickly to suggest and discuss mutually acceptable ideas to help reduce spending as needed, with as little disruption as possible to our employees and to the delivery of important services to Vermonters.

The target total reduction that we will ask you to meet will reflect the Governor's commitment to fiscal responsibility, and therefore it will take into account our decision to recommend to the Joint Fiscal Committee that we fully meet our debt service and retirement fund obligations. The Governor also does not support adding to the already-significant property tax burden Vermonters face, and therefore we will recommend that the Joint Fiscal Committee follow state statute by fully funding the General Fund transfer to the Education Fund, as set forth in the FY 15 budget. Taking these decisions into account, the overall target reduction we have set is 4%. We urge you to spread your recommended target reductions as broadly as possible within your agency or department in order to soften the effect on any individual State appropriation or transfer, as we will across all programs and services supported by the General Fund.

Because the Governor is committed to presenting a rescission plan to the Joint Fiscal Committee as quickly as possible, we expect your rescission plan response will be delivered to the Department of Finance and Management by the close of business on Friday, August 1. There will be no flexibility in this deadline. By law, our plan as presented to the Joint Fiscal Committee must include specific program impacts and information describing what the reductions will be applied to, and the effect of the expenditure reduction on the primary purposes of the program for which the appropriation was made. An expenditure reduction plan prepared for approval by the Joint Fiscal Committee shall also indicate how it is designed to minimize any negative effects on the delivery of services to the public, and any unduly disproportionate effect on any single function, program, service, or benefit. This descriptive detail must be submitted to the Department of Finance and Management by August 1 as a WORD document.

The EXCEL spreadsheet you will receive tomorrow will show your Agency/Department's appropriations and the calculated reductions. If you have more than one appropriation in your Agency/Department, you may re-distribute the total amount of the reduction among your various appropriations, with the objective of minimizing its impact. This means we are allowing you the flexibility to strategically consider your organization's needs with respect to carrying out critical missions. I would ask each of you to look at your entire organization and each appropriation and explore all opportunities. Please indicate in which appropriations the reductions should be taken, along with the corresponding reductions in major objects (Personal Services, Operating Expenses, and Grants). The total of reductions in your Agency/Department must equal the assigned amount. By August 1, please return both the WORD document and EXCEL spreadsheet showing where the reductions should be taken, to the following email address: ADM-BUDGET@state.vt.us. I know that the Department of Finance and Management will be communicating with all agencies and departments as you finalize your plans, and I trust that you will reach out to Commissioner Reardon and his team as questions arise.

I thank each of you for the hard work you will bring to this necessary task. I know that Governor Shumlin deeply appreciates your expertise, professionalism, and willingness to serve Vermont.