

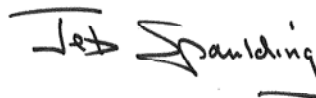
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*Jeb Spaulding, Secretary*

## MEMORANDUM

**TO:** Secretaries, Commissioners, Deputies and Business Managers  
**CC:** Michael Clasen, Jim Reardon, Susan Zeller, and Budget Analysts  
**FROM:** Jeb Spaulding, Secretary of Administration  
**RE:** Fiscal Year 2013 Budget Process  
**DATE:** September 28, 2011



As we enter the formal budget development process this year, I would like to acknowledge the hard work you all have done to accommodate significant revenue declines over the last several years. Together, we have made difficult choices and closed budget gaps in each of the preceding four years. In July of this year, our General Fund revenues for FY 2012 were projected to finally be within sight of the pre-recession levels of fiscal year 2008. Though we have been projecting a budget gap for FY 2013, it has not been projected as large as in prior years. We have every confidence that we will once again rise to the challenge and close that gap without disruptions in the State's ability to provide our core services.

Tropical Storm Irene ("Irene") and continued global economic uncertainty complicate the budget development process this year. Our citizens, including many State employees, our businesses, our municipalities, and our State operations were all severely impacted by Irene. That, combined with extreme volatility in financial markets and low consumer confidence, means we must plan for increased spending pressures in some areas and potentially diminished revenues as well. We must take another very hard look at reducing expenditures throughout State government where at all possible. As difficult as that task may be, Governor Shumlin and I have every confidence in your ability to accomplish it.

The current General Fund (GF) Consensus Revenue Forecast and FY 2013 Budget Gap analysis, which will be prepared jointly by the Department of Finance & Management and the Joint Fiscal Office, is likely to project a GF shortfall for FY 2013 of more than \$50 million, and that does not take into account the State's additional costs associated with Irene.

As we enter the FY 2012 budget adjustment cycle, we do not have firm damage and recovery estimates related to Irene. We do not know how much of our costs will be covered by insurance proceeds or emergency funding from federal agencies. We do not know exactly how this event will affect our revenue forecast.

And yet, we must begin the process of developing a budget proposal for FY 2013 that is within our projected available GF revenue forecast and provides some flexibility to address the impacts from Irene. I am requesting that the FY 2013 baseline be built around a four percent (4%) reduction in GF across state government from FY 2012 GF levels. This challenge requires that we take a critical look at how we



conduct state business, and evaluate the need and efficacy of our programs and services with an eye toward redesign and/or possible elimination.

You will be receiving Finance Commissioner Jim Reardon's detailed budget instructions, including a timetable. As in previous years, your response **must be submitted electronically** to the Governor, through the Secretary of Administration using the mail folder [ADM-BUDGET@state.vt.us](mailto:ADM-BUDGET@state.vt.us). Submissions are due by October 18, 2011, with all additionally requested documentation and information included. Your budget proposal should be consistent with your proposed strategic plan; please include details on how your proposed budget will impact your department's mission and programs.

Please review any and all statutory changes or legislative action required to implement your proposed FY 2013 budget and provide draft language in your response. Your response should also include any current fiscal year budget changes that you would like included in the FY 2012 Budget Adjustment Act (BAA) and how you intend to address the funding of such adjustments.

Thank you in advance for making every effort to respond to budget instructions in a constructive and creative manner. Truly, we are all in this together. Your continued dedicated and unwavering service to the State of Vermont, and that of your managers and staff, is admirable. Our actions will sustain the fiscal health of state government, while also sustaining those Vermonters in need and improving opportunities for our citizens in the years ahead.

