



**STATE OF VERMONT**  
GENERAL ASSEMBLY  
LEGISLATIVE JOINT FISCAL COMMITTEE

Friday, September 17, 2021

Minutes

Hybrid Meeting: Room 24 and Videoconference

Members present: Representatives Ancel, Briglin, Fagan, Hooper, and Kornheiser and Senators Cummings, Kitchel, and Westman. [Sears via Videoconference.]

Other attendees: Joint Fiscal Office and Administration staff and various viewers in person and on live stream.

Representative Hooper, Chair, called the meeting to order at 9:31 a.m. Representative Fagan moved to adopt the minutes of July 30, 2021, and Representative Kitchel seconded the motion. The Committee accepted the motion and adopted the minutes.

1. Administrations Fiscal Reports/Updates – a. General Fund and Transportation Fund Balance Reserves [Report](#)

Adam Greshin, Commissioner, Department of Finance & Management, explained the General Fund Balance Reserve year-end balance was \$80.37 million as of June 30, 2021, which was up \$31.5 million in FY 2020. Senator Kitchel clarified that the Reserve was also referred to as the Rainy-Day Fund and was separate from the Stabilization Fund Reserve that was capped at 5% by statute. Commissioner Greshin added that the State had slightly over \$100 million in the Caseload Reserve Fund, \$20 million in the 27/53 Reserve Fund that would be paid out in 2021, and \$150 million in a temporary reserve for State and teacher pension costs. The total amount of State reserve funds was slightly over \$400 million. The Transportation Fund Balance Reserve ended in FY 2021 at \$28.59, which is up slightly above \$4 million in the previous fiscal year. If the State received additional federal funds such as the proposed infrastructure bill, Vermont could use its transportation reserve funds as a State match.

b. 27/53 Reserve [Report](#)

The reserve for the 53<sup>rd</sup> week of Medicaid and 27<sup>th</sup> State payroll is scheduled to meet this obligation by the close of the fiscal year. There is a higher than anticipated Medicaid need due to suspended redeterminations increasing caseload. The newest estimates have the Medicaid portion needing \$850k and the State payroll portion needing \$150k more than the reserved amounts. Senator Kitchel confirmed with the Commissioner that payments to the Reserve were calibrated using an inflator tool for out years and then rerun each year to adjust for fluctuations in Medicaid and State payroll projections. Representative Hooper commented that the Administration did not include the Agency of Transportation's State employees in the estimates because the Agency's employees were paid through transportation funds. However, Chair

Hooper suggested that the transportation fund impact should be considered for inclusion in the future.

The Commissioner addressed item d and then item #2 first before moving back to item #1c: FY 2023 Budget Instructions.

#### 1.d. Coronavirus Relief Funds [Update \(CRF\)](#)

As of September 13, 2021, there was \$1 million of unallocated Coronavirus Relief Funds (CRF) and \$54 million of CRF allocated but not yet spent. Of the \$54 million, \$15 million to the Department of Corrections that was appropriated in Act 74 of 2021, \$16 million to the Department of Public Service for broadband buildout and the ratepayer arrearages, \$10 million to the Agency of Human Services for the provider stabilization fund and the rental assistance program, \$2 million to the Legislature for retrofit of rooms for the 2022 session, and \$3 million to Department of Public Safety as a precautionary measure for any Federal Emergency Management Assistance funds not approved. Chair Hooper asked if there were any concerns of funds not expended in time for the federal deadline of December 31. Commissioner Greshin reassured the Committee there were no major concerns. However, the Administration has had difficulty in encouraging Vermonters to apply for assistance with utility arrearage. The other area of contingency unexpended funds was the Provider Stabilization Fund. The Chair asked that the Administration give a full analysis of all unallocated and unexpended federal funds at the Committee's November 17 meeting. The Commissioner responded to Representative Fagan that remaining CRF could be used to offset costs for COVID-19 boosters if they were approved by the Centers of Disease Control and were available before the December deadline. Senator Kitchel commented that the Adult Days Program had seen a reduction in its revenue stream during the COVID-19 pandemic, and the Senator requested the Commissioner to follow-up with the Committee on available funds to the Program to offset these losses. [*The Commissioner since responded on 9/20/2021: "DAIL received confirmation last week that the Adult Day program is a beneficiary program. As such, DAIL anticipates issuing beneficiary agreements and payments within the next two weeks to the Adult Days."*]

#### 2. [Request to Approve the Change of the Title of a Previously Approved Limited-Service Position from \[June 22, 2021\]\(#\)](#)

Commissioner Greshin explained how the change in title of the position was important to the Administration because of a favorable candidate's credentials that exceeded the current position title. Senator Kitchel moved to eliminate the Staff Attorney II limited-service position within the Department of Economic Development that was authorized on June 22, 2021, as part of the larger American Rescue Plan Act (ARPA)-funded position request package and replace it with a position titled Staff Attorney IV. Representative Fagan seconded the motion, and the Committee unanimously approved it.

#### 1.c. FY 2023 Budget [Instructions](#) and Submission [Guidelines](#), and Fiscal Challenges

Commissioner Greshin explained that the Administration's FY 2023 budget instructions asked agencies and departments to level fund budgets. A pressure for department budgets was the 4% Pay Act increase in their base appropriations. In addition, Internal Service Funds (ISF)

have been frozen for two years, due to the COVID-19 pandemic and State employees working remotely, there are likely to be increases in ISFs. The FY 2022 retirement contribution increases were paid with one-time funds. The Commissioner suggested \$14 million be included in the budget base moving forward to cover the ongoing cost. Due to cost pressures and lien budgets, the Administration advised department's to not exceed a 3% increase in budget requests. However, there would be challenges for departments meeting this goal. All department budget requests were due by Friday, September 24, to the Department of Finance and Management.

### 3. Proposed Use of Child Care Development Block Grant & ARPA Stabilization Grants

Sean Brown, Commissioner, Department for Children and Families (DCF), introduced Miranda Gray, Interim Deputy Commissioner, Child Development Division, and Sarah Truckle, Chief Financial Officer for the Department, and reviewed some staffing changes within the Department. Ms. Gray summarized the legislation that instructed the report and the process for the proposed use of the funds. During the Department's fact finding of public hearings and other collection of information, DCF was made aware of the challenges that daycares were facing with hiring staff and the lag time in processing background checks on applicants within DCF. The Department contracted staff and borrowed two staff from another department to address the backlog of paperwork. Ms. Gray gave the highlights of the proposal and added there was an additional 10% increase in ARPA funds to daycares for each additional criterion met, with up-to an 80% increase in their base funding. Some of these criteria included alternative shift times and infant and toddler care programs. Senator Kitchel expressed concern that once ARPA funds were no longer available, daycares would need to reduce their base funding budget downward, which may prove to be difficult. Commissioner Brown responded that the Department was monitoring Congress on possible additional funding to childcare, but daycares have been reminded the current funds are onetime. Ms. Gray added that the increase was calculated as a per-child credit that increased the base rate of those children that fell within the alternative criteria.

Ms. Gray responded to Representative Kornheiser query that the Department's Child Care Assistance Funding Program (CCAFF) and its Child Care Division do currently prioritize some of the goals for shift differentials and infant and toddler care by using State and federal funding. Representative Kornheiser asked how the Department was planning to initiate the childcare business training. Ms. Gray responded it would be bid out to a contractor, all the discretionary funding areas would need to be procured, and there could be more than one contractor. Representative Kornheiser pointed out that the workforce supports appeared to be similar to the functions of the Children's Integrated Services (CIS) division and asked how the report recommendation was different. Ms. Gray explained it was a more multitiered system that looked for those additional areas to support, including children with special needs. In response to Senator Kitchel, the \$6.93 million funding support, was for both the children's needs and the individual providers to train in responding to children with special needs.

Ms. Gray continued with the report overview. Senator Westman inquired about the timing of the State obligating funds before the federal deadlines. Ms. Gray responded that the \$14.7 million appropriated by the Legislature in the FY 2022 budget for the childcare stabilization grant had to be fully obligated by the end of the current fiscal year. The Department must notify the federal government by December 11, 2021 on the State's ability to obligate 50%

of the funds and in April of 2022 to obligate 100% of the funds. Senator Westman expressed concern that the committees of jurisdiction have not weighed in on the proposal. The Commissioner expressed concern for delaying action to meet federal deadlines. Senator Kitchel asked if part of proposal could move forward and some of the other pieces wait. She noted that the proposal was sent out to the Committee and subject matter committee chairs on September 5. Comments by the Chair of the House Committee on Human Services raised questions on the proposal. Ms. Truckle explained the funding requiring immediate approval from Committee was the \$29.3 million. This would ensure there was enough time for the Department to provide communication to providers on the formulaic eligibility amount in October and allow enough time for providers to plan expenditure in time for federal deadlines in December 2021 and April 2022. The \$18.3 million in discretionary funding had additional time to meet federal deadlines.

The Chair asked if the Department was satisfied that it had received enough input from the public engagement process including those that did not normally engage in hearings or the State or legislative process. Ms. Gray responded that it was a priority of the Department's to continue to reach out to those hard to engage providers, and it was the focus of the limited-service position hired to provide information to all providers through the process. Senator Kitchel confirmed with Ms. Gray that the Department's communication and support to providers was an ongoing commitment. Representative Hooper inquired if the Legislature would have the opportunity to influence change in the plan. Commissioner Brown responded that the Department was always open to feedback from Legislature and the opportunity to incorporate ideas and/or thoughts into the plan.

Senator Kitchel moved to authorize the Child Care Stabilization Program with American Rescue Plan Act (ARPA) funding of \$29.3 million as presented by the Department for Children and Families. Representative Fagan seconded the motion and the Committee accepted it on 9-0-1 roll call with Senator Sears was watching virtually and not able to vote.

Representative Kornheiser moved to approve the \$500,000 for one-time supplemental Special Accommodation Grants from ARPA funds within the Child Care Development Block Grant as presented by the Department for Children and Families. Senator Cummings seconded the motion, and the Committee accepted the motion on a 9-0-1 roll call.

Senator Kitchel moved to approve the \$793,000 of ARPA funding for Transportation Grants from ARPA funds within the Child Care Development Block Grant as presented by the Department for Children and Families. Senator Westman seconded the motion and the Committee accepted it on a 9-0-1 roll call.

Ms. Truckle informed the Committee that the Department would be seeking excess receipts authority in the FY 2022 Budget Adjustment. *[Additional actions on the Child Care Development Block Grant were taken later in the meeting. See below after discussion of 5]*

#### 4. Update on General Assistance Emergency Housing and Transition Vouchers

Commissioner Brown updated the Committee on General Assistance (GA) housing and transition vouchers. The new proposal approved by the Legislature, Sec. E.321 of Act 74 of 2021, was implemented as of July 1. Understandably motel capacity continued to be a challenge

and was anticipated. Households approaching the 84-day maximum benefit under the standard GA rule would receive an essential one-time payment of \$2500. Representative Hooper expressed concern that the State would undoubtedly see a significant exodus of people from the program and an influx of homeless the following week when the 84-day rule was imposed. The COVID-19 Delta variant could exacerbate the situation, making it important to find a solution beyond the essential payments. Commissioner Brown agreed and explained he had similar concerns with the increased constraints on capacity as inclement weather approached. There have been conversations with other housing partners on how to sustain the current shelter capacity as hotels begin to experience the pressures of travelers, contractors, and healthcare workers from other states, and expand capacity long-term.

In responding to Representative Kornheiser and Senator Balint's comments, the Commissioner explained that federal funding was not the issue in providing housing, instead it was entirely about capacity of available shelter. The Department predicted there would be a reduction from 900 current hotel rooms to 650 within the next couple of weeks as businesses move away from the program and begin to serve travelers. Commissioner Brown added that the issue of capacity has always been a problem, especially during ski season which will occur in a few months and will further diminish hotel capacity for the homeless. Representative Hooper encouraged the Department to continue to find a solution to address the issue of people losing housing and the public health concern of people at risk having greater exposure to COVID-19. The Commissioner stated the Department would continue to explore options. The Chair asked that the Department communicate clearly with recipients that essential payments could be used for housing.

6. [Update on Homeowner Assistance Program Fund Grant JFO #3052](#) approved by the JFC on June 22, 2021.

Josh Hanford, Commissioner, Department of Housing & Community Development (DHCD), summarized his memorandum submitted to the Committee. The Agency of Commerce and Community Development was waiting for approval by the U.S. Treasury on its plan for the use of federal funds toward its Homeowner Assistance Program (HAPF). The Department has entered into a grant agreement with the Vermont Housing Finance Agency (VHFA) for administering the program. VHFA has hired a contractor to develop a website and testing of applicants and eligibility had begun. In responding to Senator Kitchel, the Commissioner stated the only funds released in the program were the administration costs to get the program up and running. The U.S. Treasury had not extended permission for releasing payments to recipients for mortgage assistance.

Representative Briglin expressed concern that there may be less people applying for assistance than anticipated and inquired if the funds could be reallocated to another need. Commissioner Hanford responded that the Department expected the funds to be exhausted within 2 ½ to 3 years of the 4 years allowed to expend the funds. The funds could be used for mortgage arrearages, property tax payments and arrearages, and essential home repairs that are a public health risk. Commissioner Hanford confirmed that the funds from the previous mortgage arrearage program of \$10 million had been allocated to applicants.

#### 5. Update on Emergency Rental Assistance Program/VERAP

Commissioner Hanford explained the Emergency Rental Assistance Funding (ERAF) for the Vermont Emergency Rental Assistance Program (VERAP) totaled \$210 million and was launched in April of 2021. Since then, the VERAP administrator, VHFA, has allocated \$25 million in rental assistance, another \$5 million was allocated through DCF for its reach-up program, and \$1.4 million was allocated in utility assistance through the Department of Public Service. The Commissioner stated it was likely there would be funds available for reallocation. In addition, the State has until March 2022 to apply for \$152 million in ERAP II. It may be likely that the Department would need to return to the Committee before January or to the Legislature with a proposal to apply for the ERAP II funds.

Representative Fagan asked what the Department's protocol was for reviewing applications that were deemed ineligible or fraudulent. Kathleen Berk, Executive Director, VHFA, explained the Agency and its contracted vendor for the program have strong quality control protocols for fraud, for those applications that may be wrongly denied as well as a chance for those applicants to appeal the decision. Commissioner Brown added that the Department allocated \$4 million to twenty-one community partners for outreach to eligible Vermonters through the Reach Up program, landlord and tenant remediation services, landlord outreach and education, and funding to the Vermont Legal Aid to applicants. Senator Kitchel suggested that DCF review with the DHCD whether there was a way to provide a supplemental payment to those very low-income Vermonters within the VERAP program like the Supplemental Security Income (SSI) program provides payments.

Ms. Berk confirmed for Senator Kitchel that that tenants in privately owned rental housing were not applying for rental assistance to support their landlords, and the Senator explained that it was important to direct application assistance toward those tenants eligible for the VERAP funding. Commissioner Hanford stated that forty community partners have been included in the wrap around services of the program.

The Chair explained that the Committee inadvertently missed an action item of the Child Care Development Block Grant (item #3). Senator Cummings moved to approve the \$500,000 for business training support for childcare in FY22/23 and \$1.8 million for childcare and after school capacity building activities for FY22/23 from ARPA funds within the Child Care Development Block Grant as presented by the Department for Children and Families. Representative Kornheiser seconded the motion, and the Committee approved the motion with a 9-0-1 roll call. Commissioner Brown stated the Department would provide a memo in the coming weeks on the breakdown of funds allocated and funds authorized by the federal government. This would enable a baseline of those funds available for allocation when the Legislature convenes. The Chair thanked the Commissioner and asked that the memo be shared with the Joint Fiscal Office and the Chairs of the committees with relevant subject matter.

#### 7. Model to Assess the Net Fiscal Impact of [Proposals](#) for the Capital Investment Program (CIP)

Joan Goldstein, Commissioner, Department of Economic Development, summarized the purpose of the proposal, and Kenneth Jones, Economic Research Analyst, Agency of Commerce



and Community Development, summarized the proposal and the development of a model to assess fiscal, economic, and societal impacts of COVID projects in the State. Tom Kavet, Legislature's Economist, added that the economic model within the proposal framework would need to be vetted through a technical review group that included economists. Representative Kornheiser asked if there was a timeline for measuring the societal impacts. Using a hypothetical example of daycares, Mr. Kavet explained that the model may need to be adjusted for beyond the business applicant information, such as additional accounting information of parents' pay scales and how those parents pay for daycare.

Senator Kitchel commented that the proposal was very technical and there was confidence in the people evaluating the process. Representative Ancel asked for clarification on the \$10 million expenditure within the proposal and whether the model would continue after the federal funds were expended. Commissioner Goldstein explained the proposal used 100% ARPA funding that included a federal eligibility test. It was not clear if the model would continue past the expenditure of funds, but the funds must be obligated by December 24. Senator Kitchel clarified there was no commitment by the Senate Appropriations Committee to continue funding beyond the available one-time federal funds. Representative Hooper confirmed the same with the House and added that the two subject matter committees agreed that the proposal accomplished the original concept of the legislation. Representative Ancel expressed concern for the proposal.

Representative Kornheiser asked the implications of postponing the action on the proposal until the Committee November meeting. Commissioner Goldstein responded it would delay the report to the Legislature stated in Act 74 of 2021. Representative Hooper expressed concern for a new program and the fiscal implications to the State in the future. Representative Ancel shared the Chairs concern. Mr. Kavet agreed with the concerns and added that the model was not expected to be a long-term program. The model would need to be recalibrated if it were the intention to continue beyond the proposal timelines.

Senator Cummings moved to approve the new economic, fiscal, and social impact model used to evaluate applications and awards for the Capital Investment Grant Model, as presented. (Exact amount of \$10,580,000 of ARPA funds) Representative Fagan seconded the motion and the Committee continued to discuss the proposal. The Committee passed the motion with a roll call of 9-0-1. Senator Kitchel asked to amend the motion with funding amount and "model" not program, and the Committee agreed. [The motion was corrected].

#### 8. Vermont Employment Growth Incentive Program - a. Cost-Benefit Model [Modification](#)

Megan Sullivan, Executive Director, Vermont Economic Progress Council, explained the reason for the statutory review of the model adjustment, and Kenneth Jones explained the model adjustment. Kavet commented that typically there was an annual model update but due to COVID-19 demands, the update was missed in 2020. He recommended the changes be made to the model as proposed. Mr. Kavet and Jeff Carr, Administrations Economist, explained how the REMI model interacts with Vermont data.

Senator Cummings moved to approve the revised annual update to the VEGI Cost Benefit model as presented by the Vermont Economic Progress Council. Representative Fagan seconded the motion, and the Committee approved the motion on a 9-0-1.

10. Fiscal Officer's Report – a. Report Highlights

Catherine Benham, Chief Fiscal Officer, Joint Fiscal Office, highlighted areas of the report, including the Office working on issue briefs that would be shared with the Legislature when ready. The Office hired Lisa Gauvin of Agilis Technology to replace consultant Dan Smith who retired. Two additional fiscal analysts, Akol Aguek and Patrick Titterton, were hired and planned to start in mid-October. Cross subject training was planned for both new analysts but Mr. Aguek's primary focus would be on Education Finance and Mr. Titterton focus was Revenue.

b. Request for limited-service position

Catherine Benham noted the Office's request for an additional limited-service position to assist the Legislature with federal funding information. If the position was approved, the Office planned to request \$65k in the FY 2022 Budget Adjustment for the current fiscal year cost and the entire cost in the Offices FY 2023 budget request. The Chair explained that she encouraged the Ms. Benham to bring the position request forward considering the amount of federal funding and related projects before the Legislature. Senator Westman asked if the Office had considered fiscal coverage in the areas of the large sums of federal funds for clean water that Vermont could potentially receive in the infrastructure bill that Congress was currently deliberating on. Ms. Benham agreed it was an area to monitor while the State awaited further information on the bill.

Representative Fagan moved to establish a limited-service position in the Joint Fiscal Office to support the General Assembly in its appropriation of unallocated ARPA funds to address the effects of and needs related to the COVID-19 pandemic in Vermont. Senator Westman seconded the motion, and the Committee approved the motion on a 9-0-1 roll call.

The Committee adjourned at 12:35 p.m. on a motion by Senator Kitchel and seconded by Senator Cummings.

Respectfully submitted,

Theresa Utton-Jerman, Senior Staff Associate  
Legislative Joint Fiscal Office

Link to recording: <https://www.youtube.com/watch?v=EkgXGe19oQs>