



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Representative Mary Hooper, Chair
Senator Jane Kitchel, Vice Chair
Representative Janet Ancel
Senator Ann Cummings
Members of the Joint Fiscal Committee

From: Catherine Benham

Date: July 27, 2022

Subject: July 2022 - Fiscal Officer's Report

In anticipation of the July 28 meeting, here is an update of recent developments, some of which may also be on the agenda of the Joint Fiscal Committee.

1. FY 2022 Revenue Collections:

FY2022	Total \$	\$ above (below) forecast	% above (below) forecast
General Fund	\$1,129.5 million	\$ 231.7 million	+12.2 %
Transportation Fund	\$287.8 million	- \$ 8.3 million	-2.8 %
Education Fund	\$676.2 million	\$ 8.6 million	+1.3 %

Some Highlights:

- GF:
 - Personal Income were \$164.3 above forecast
 - Corporate Income were \$44.4 million above forecast
 - Meals and Rooms taxes were \$13.3 million above target
 - Healthcare Revenues were \$9.2 million above target
- TF
 - Purchase and Use were -\$2.8 below forecast
 - DMV fees were -\$2.9 million below target and some of this miss was due to processing and staffing issues in June
 - Gas and diesel tax revenues were below forecast by a combined \$1.0 million
- EF
 - Sales and Use were \$6.5 million above forecast
 - Lottery was below target by -\$1.5 million
 - Purchase and Use was below forecast by- \$1.4 million

2. FY 2022 Medicaid Trend, Enhanced FMAP and Global Commitment Waiver

Overall FY22 Medicaid and Medicaid-related all funds' expenditures totaled \$1.99 billion (see page 6 chart in the document linked below). This is 2% or \$40 million below all funds' budgeted amount through budget adjustment, yet still a 10% increase in total spending over FY21. More details are provided in the [Medicaid Year-end report](#).

Under the Families First Coronavirus Response Act passed in March 2020, states received a temporary increase in their FMAP rate of 6.2% for as long as the federal declaration of a public health emergency is in place. Vermont has been drawing this enhanced funding percentage since the March quarter of 2020 and plans to continue to do so until at least the December quarter of 2022.

In late June, the Scott Administration announced the approval of a new agreement with the Centers for Medicare and Medicaid Services (CMS) to extend the Global Commitment to Health 1115 demonstration project (often referred to as the Global Commitment Waiver). The approval is effective July 1, 2022 through December 31, 2027. Some initial highlights of the agreement include:

- Providing flexibility to adjust provider payment rates without negatively impacting the waiver's spending cap
- Including authority to continue to pay for services and fund programs normally outside of Medicaid, known as investments, that improve public health, reduce the rate of uninsured and/or underinsured, increase access to care, and support the health care delivery system
- Allowing for the use of Medicaid funding to expand access to substance use disorder treatment services
- Allowing a new pilot program that will help people covered by Medicaid to secure and maintain housing.

3. Federal Funding Updates:

Coronavirus Relief Fund (CRF) Spending to Date: As of this date, \$1.25 billion of CRF funds have essentially been fully spent.

American Rescue Plan Act (ARPA) State Fiscal Recovery Funds: All but roughly \$1 million of available SFR funds has been appropriated. \$1,048,210,957 has been appropriated to date. Agencies and departments are working to develop programs and spend the funds in alignment with the authorizing legislation.

Infrastructure Investment and Jobs Act (IIJA) Funds: The federal government continues to develop program guidance. At today's JFC meeting, ANR and AOT are requesting limited-service positions to be funded by IIJA. Future state match continues to be a discussion.

4. Education Fund Outlook:

For FY 2023, Act 178 of 2022 set the property yield at \$13,314, the income yield at \$15,948, and the uniform non-homestead property tax rate at \$1.466; these yields and rates correspond with an average bill change decrease across all three classes by approximately 3.5%. While, on average, tax bills will decrease from FY 2022 to FY 2023, there was an increase in locally voted education spending year over year; this is despite a decline in equalized pupils over the same time period.

In addition to the setting of the yields and nonhomestead rate, Act 178 also set up an additional reserve for PCBs of \$22 million. Furthermore, if, at the close of FY 2022, there were remaining unreserved and undesignated funds, the first \$10 million shall remain as unreserved/unallocated, the next \$10 million shall go to PCB reserve, and any remaining funds shall remain as unreserved/unallocated. After updating sources to reflect the actuals at the close of FY 2022, and after accounting for appropriations and designations for FY 2022 funds, at the close of FY 2022 there remains \$23 million undesignated and unreserved. This means the PCB reserve is filled to \$32 million and \$13 million remains unreserved at the close of FY 2022.

With the forecast's updates to the Education Funds' non-property sources, there is an estimated \$16.8 million unreserved and unallocated for FY23.

5. Legislative Budgets and Other:

Legislative budgets, including the Joint Fiscal Office, ended FY22 in a strong financial position. All legislative branch budgets continue to have substantial carry-forward balances and financial staff will work with department heads and leadership in the coming months to plan for the use of these one-time funds.

To date, \$4,255,233.51 of CRF has been spent across the legislative branch to address COVID-19 disruptions, such as facilitating social distancing and telework, and adopting public health protocols. The final remaining legislative CRF dollars will be used to complete House and Senate chamber sound system updates, hopefully by September.

6. Joint Fiscal Office Updates:

a. The Joint Fiscal Office Biannual Performance Survey – Summary Results:

- i. We had 40 responses or 20% of the members of General Assembly. This is below the number we received two years ago, when we received 57 responses or 37% of the body. Historically, the number of responses has ranged from 57 to 88. For our next survey, we will try to gather more responses.
- ii. JFO's performance was rated highly. The overall rating remained the same from 2020 to 2022 at 4.75 out of 5. There was also a slight decrease in ratings for the questions of quality, clarity,

knowledge, and timeliness. There was a slight increase in the House vs Senate impartiality and in nonpartisanship between parties.

- iii. Several comments on individuals were offered, which will be shared with staff.

- b. Graham Campbell is leaving to take a job in New Zealand. Graham has been an invaluable asset as he mastered revenues, economic analyses, and the legislative process. We will miss him and his good work and wish him the best.

- c. Emily Byrne has been hired to fill this upcoming vacancy as the Associate Fiscal Officer. Emily has ten years of experience in Vermont State Government including at the Department of Finance & Management and Agencies of Education and Natural Resources. She most recently worked at Burlington Electric.

- d. The Fiscal Analyst position is still vacant we will continue to recruit.