



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Members of the Joint Fiscal Committee
 From: Catherine Benham
 Date: September 26, 2023
 Subject: September 2023 – Fiscal Officer's Report

In anticipation of the September 27 meeting, I have prepared an update of recent developments, some of which may also be on the Joint Fiscal Committee meeting agenda.

1. FY 2024 Revenue Collections Year to Date

The three major funds closed above their monthly forecasts in August, putting them all above target year to date. In total, they were above the August target by +\$19.2 million, or +8.7%, and are +13.8 million, or +3.0%, ahead of forecast so far this year. Due to the effects of the July flood and the deadline extension the Department of Taxes put in place to help flood-impacted individuals and businesses, monthly revenue results may not align with monthly forecasts as well as they typically do. Total revenue results will likely align with the forecast beginning in November.

Fund Highlights:

- a. **The General Fund** was +\$14.2 million, or +10.5%, above target for the month of August; year to date it is +\$10.4 million, or +3.7%, above target.
- b. **The Education Fund** was +\$3.9 million, or +6.7%, ahead of forecast in August and is +\$2.8 million, or +2.3%, above target so far this year.
- c. **The Transportation Fund** was +\$1.1 million, or +4.0%, above target in August and is currently +\$0.6 million, or +1.1%, ahead of forecast this year.

FY 2024 Fund Performance vs Official Forecast (in millions)

	Month of August			Year To Date (YTD)		
	Revenue	Revenue vs Target	% Over Target	Revenue	Revenue vs Target	% Over Target
General Fund	\$149.3	+\$14.2	+10.5%	\$293.1	+\$10.4	+3.7%
Education Fund	\$62.7	+\$3.9	+6.7%	\$126.1	+\$2.8	+2.3%
Transportation Fund	\$27.2	+\$1.1	+4.0%	\$49.5	+\$0.6	+1.1%

2. Federal Funding Updates

The Joint Fiscal Office is closely monitoring a potential federal government shutdown due to a lack of a federal fiscal year (FFY) 2024 budget. As of this writing, no FFY 2024 appropriations bills or Continuing Resolution have been enacted that would allow the federal government to maintain operations past September 30.

A total federal government shutdown would interrupt some federal programs, but many critical mandatory programs operate outside of the appropriations process.¹ As a result, funding for these programs is automatically available. These programs include the Children's Health Insurance Program (CHIP) and the mandatory matching portion of the Child Care Development Fund.

Some other critical mandatory federal programs, including Medicaid, Title IV-E Foster Care and Adoption Assistance, and funds for Child Support Enforcement, received an appropriation for the first quarter of FFY 2024 in the FFY 2023 budget as enacted. Several discretionary education programs, including Title 1 grants to local educational agencies, Special Education – Grants to States, and Career and Technical Education state grants, received funding for the 2023-2024 school year in the FFY 2023 budget. Workforce Investment Opportunity Act (WIOA) formula grants are funded for the program year that ends on June 30, 2024.

According to the Governor's administration, short-term recovery work funded with Federal Emergency Management Agency (FEMA) funds will continue in the event of a federal government shutdown. However, formal obligations for permanent work would not be made until there is a federal budget in place. Although emergency response costs would be covered, the costs of permanent repair work are far greater. A shutdown may delay projects until FEMA can make obligations for permanent work again.

In Vermont, when there is a threat of a federal government shutdown, the Commissioner of Finance and Management sends a memorandum to departments and agencies that receive federal funds requesting that they draw down as much federal money as possible prior to September 30. Doing so helps to alleviate potential shortfalls in federal funding for existing programs.

Vermont's unusually strong cash position – roughly \$2 billion – will help shield the state from the worst effects of a shutdown. The Department of Finance and Management can work with the Treasurer's Office to use these funds to maintain critical programs in the absence of a federal budget. Historically, states have been able to seek reimbursement from the federal government for state funds used during a shutdown to backfill federal funds. While there is no guarantee that state funds used for this purpose would be reimbursed, it is likely that they would be.

¹ According to the Federal Funds Information for States' (FFIS) September 14, 2023 budget brief.

3. FEMA Award for July Floods

The State anticipates a FEMA public assistance award of roughly \$80 million. To date, FEMA has distributed nearly \$20 million in individual assistance aid to Vermonters. The Joint Fiscal Office is monitoring the award and will keep the Joint Fiscal Committee informed regarding its timing, amount, and other relevant information.

4. Emergency Board Meetings

The Emergency Board met via Zoom on September 7 and approved a motion to transfer \$750,000 that was appropriated in Act 185 (2022) from the Agency of Transportation to the Department of Forests, Parks and Recreation. The funds were initially appropriated to the Agency of Transportation for a grant to the Vermont Association of Snow Travelers (VAST) for its Equipment Grant-In-Aid program. Funds from this transfer will still be granted to VAST but will support flood-impacted trail repair measures.

On September 21, the Board met to approve a \$1.5 million transfer from the Renter Credit Program to the Department of Housing and Community Development for its Mobile Home Condemnation Project. The maximum FEMA compensation for a condemned manufactured home is \$41,000. After the July flood, State officials learned that FEMA would not automatically disperse the maximum compensation amount as it had following Tropical Storm Irene. Funds from this transfer will be used to bridge the gap between FEMA compensation and the \$41,000 maximum. Only homeowners whose homes are on rented lots will be eligible for the funds.

The Board also approved a request to revise the guidelines of the Business Emergency Gap Assistance Program (BEGAP) that was created in response to the July flood. Initially, businesses that suffered less than \$1 million in flood-related damages were eligible for grants of 20% of net damages, up to \$20,000. The revised guidelines increase the grant amount to 30% of net damages and eliminate the \$20,000 cap. Businesses with damages greater than \$1,000,000 will be eligible for grants of 20% of net damages, up to \$500,000. The program launched with \$20 million. To date, roughly \$6 million of those funds have been committed.

5. Budget Instructions and Legislative Budget

The Department of Finance and Management released budget development guidelines for fiscal year 2025 on August 31. Agencies and departments are asked to limit base spending increases to three percent of fiscal year 2024 General Fund appropriations. However, agencies and departments must absorb all salary, benefit, and Internal Service Fund increases within this three percent target. These increases include 15 percent for health benefits, an estimated three percent for Internal Service Fund charges, the Child Care payroll tax, and Family and Medical Leave Insurance. The Joint Fiscal Office has started preparing the fiscal year 2025 legislative budget.

6. Joint Fiscal Office Updates

- a. The Joint Fiscal Office continues to work on numerous long-term projects and research initiatives. These include modeling of pupil weight changes made by Act 127 (2022), the fiscal year 2024 fee report, a study on potential funding mechanisms for the Universal Service Fund, and the five-year appropriations Web Report.
- b. Committees, Working Groups, and Task Forces
 - i. The Renewable Energy Standard Reform Working Group met twice in September. The Joint Fiscal Office contracted with a facilitator and an economic modeling consultant to assist the Group. At the first meeting, the Group discussed its objectives and received a presentation on the economic modeling. At the second meeting of the Group, members reviewed the statute, discussed the purpose and priorities of a Renewable Energy Standard, and considered the barriers to moving to a 100% Renewable Energy Standard for all electrical utilities by 2030. The Group meets again on October 4.
 - ii. The Basic Needs Budget Technical Advisory Committee, established by Act 54 (2023) met for the first time on September 13. Ellen Kahler, the Executive Director of the Vermont Sustainable Jobs Fund and a member of the Committee, spoke about the history of the Basic Needs Budget. The Office of Legislative Counsel walked the Committee through the enacting legislation and Joint Fiscal Office staff spoke about the purpose of and methodology for the Basic Needs Budget. Tom Kavet and Doug Hoffer, both of whom contributed to the first Basic Needs Budget Report in 1999, also participated in the meeting. At the September 22 meeting, Hoffer offered commentary on the Basic Needs Budget methodology. Joint Fiscal Office staff presented on the demographic assumptions made in the budget and the methodology used for estimating health care costs in it. Per Act 54 (2023), the Committee must study the methodology used for creating the Basic Needs Budget and submit a report with any recommended changes to the committees of jurisdiction on or before November 1. The Committee's next meeting is on October 5.
 - iii. The Joint Transportation Oversight Committee meets on Wednesday, September 27.
 - iv. The Mobile Home Task Force will meet for the first time on Friday, September 29.
 - v. The Joint Legislative Management Committee will meet on Monday, October 2.

c. Staffing

- i. Scott Moore will join the Joint Fiscal Office as the Legislative Finance Manager. Scott has extensive experience in accounting and previously worked with the General Assembly as a Committee Assistant for the Senate Committees on Economic Development, Housing and General Affairs and on Education. We look forward to having Scott on board!
- ii. Aimée Pope has been hired as the Senate Appropriations Senior Fiscal Staff member. Aimée has worked for the State of Vermont for 25 years, including five years as a Senior Budget and Management Analyst with the Department of Finance and Management. Aimée coordinated the Safe Routes to School Program at the Agency of Transportation and most recently served as the Deputy Director of the Department of Human Resources' Classification and Position Management office. Her knowledge of the budgetary process will be invaluable to the Joint Fiscal Office and we look forward to working with her this fall.
- iii. The Joint Fiscal Office will begin recruiting for the seasonal Senate Appropriations Committee Assistant position soon.

7. Notable Dates

- a. The next meeting of the Joint Fiscal Committee will take place on Tuesday, November 7.
- b. The Joint Fiscal Office will host an all-member briefing on Friday, December 1.