



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Senator Jane Kitchel, Chair
Representative Emilie Kornheiser, Vice Chair
Senator Ann Cummings
Representative Diane Lanpher
Members of the Joint Fiscal Committee

From: Catherine Benham

Date: July 30, 2024

Subject: July 2024 – Fiscal Officer's Report

Here is an update of recent developments, some of which may also be on the agenda of the Joint Fiscal Committee.

1. Fiscal Year 2024 Revenue Collections:

FY 2024	Total \$ (millions)	\$ above or below forecast (millions)	% above or below forecast
General Fund (GF)	\$2,270.5	\$139.1	+6.5%
Transportation Fund (TF)	\$303.0	\$3.7	+1.2%
Education Fund (EF)	\$746.8	\$0.9	+0.1%

Some of the more specific revenue performance highlights are shown below, organized by fund.

- General Fund (GF)

General Fund FY 2024 Revenue Component Performance		
	<u>Above Forecast</u>	<u>Below Forecast</u>
Personal Income	102.2	-
Corporate Income	-	(2.7)
Meals and Rooms	4.7	-
Property Transfer Tax	0.7	-
Estate Tax	1.5	-

- Transportation Fund (TF)

Transportation Fund FY 2024 Revenue Component Performance		
	<u>Above Forecast</u>	<u>Below Forecast</u>
Purchase and Use	2.1	-
DMV Fees	0.8	-
Gas & Diesel Tax	0.1	-

- Education Fund (EF)

Education Fund FY 2024 Revenue Component Performance		
	<u>Above Forecast</u>	<u>Below Forecast</u>
Sales & Use	-	(1.4)
Meals & Rooms	1.7	-
Lottery	1.1	-
Purchase and Use	1.1	-

2. Unobligated General Fund Contingent Appropriations and transfers to the General Fund Balance Reserve and Pension funds

Fiscal Year 2024 closed out in a manner that allowed for the full funding of the contingent appropriations and transfers in Act 113 (2024) Sec. B.1102(b) totaling over \$114 million. Some of the General Fund appropriations and transfers include:

- \$20 million to the Department for Children and Families for the General Assistance Emergency Housing program;
- \$25 million transfer to the Education fund to reduce the property tax burden on Vermonters in fiscal year 2025;
- \$10 million to the Department for Children and Families' Office of Economic Opportunity to expand shelter bed and permanent supportive housing capacity;

- \$1.3 million to the Department for Children and Families for a grant to the Vermont Foodbank;
- \$8 million transfer to the Child Care Contribution Fund to be available for appropriation to the Department for Children and Families for the Child Care Financial Assistance Program;
- \$6 million to the Department of Housing and Community Development for the Vermont Housing Improvement Program;
- \$3 million transfer to the Dam Safety Revolving Loan Fund established by Act 121 (2024);
- \$12.5 million to the Department of Public Safety for FEMA match; and
- \$5 million to the Agency of Commerce and Community Development for a flood recovery center to administer a grant program for flood impacted businesses.

After fulfilling the reserve requirements, contingent appropriations and transfers, the General Fund had a remaining balance of \$35.5 million. Pursuant to 32 V.S.A. §308c these remaining funds were allocated accordingly:

- \$17.7 million was reserved in the General Fund Balance Reserve (Rainy Day Fund);
- \$8.9 million was transferred to the Vermont State Retirement Fund established by 3 V.S.A. §473; and
- \$8.9 million was transferred to the Postretirement Adjustment Allowance Account established in 16 V.S.A. §1949a.

3. Education Fund Outlook

For fiscal year 2025, Act 183 (2024) set the property yield at \$9,893, the income yield at \$10,110, and the uniform non-homestead property tax rate at \$1.391; these yields and rates are estimated to correspond with an average bill change increase across all three classes by approximately 13.8%. The increase in average tax bills can be attributed to multiple factors including 10.7% year-over-year growth in education spending, performance of non-property tax revenues, and other costs to the Education Fund.

Final Education Fund revenues are lower than previously expected. According to current estimates, \$1.2 million would need to be drawn from the Education Fund Budget Stabilization Reserve in fiscal year 2025 in order to avoid a deficit. As a result, the reserve would have \$45.8 million in it in fiscal year 2025, \$6.5 million below target. Reversions to the Education Fund will likely be made as part of the fiscal year 2025 budget adjustment process, which may counteract the requirement to draw from the reserve.

4. Fiscal Year 2024 Legislative Closeout:

Legislative branch departments, including the Joint Fiscal Office, ended fiscal year 2024 in healthy financial positions. Some surplus funding will be utilized to cover costs associated with the veto session in June.

Funding will be carried forward to cover costs associated with the renovation of 2 Aiken and 4 Aiken. In addition, carried forward funds will be used to cover other one-time expenses associated with the implementation of a new document management system, M-Files, and other projects. Financial staff, department heads, and legislative leadership will prepare the FY26 legislative budget proposal in the coming months.

5. July 2024 Flooding Event

On July 10 and 11, counties across the state experienced significant flooding, leading to the Governor extending Executive Order No. 03-23, the State of Emergency issued in response to the flooding event that occurred one year prior.

The State has requested a damage assessment from the Federal Emergency Management Agency (FEMA) to see if effected counties qualify for a Public Assistance Disaster Declaration. Addison, Caledonia, Chittenden, Essex, Lamoille, Orange, Orleans, and Washington counties will be included in the assessment. The State has also requested that FEMA conduct damage assessments in Caledonia and Washington counties to determine if those counties qualify for an Individual Assistance Disaster Declaration.

Governor Scott also requested that the U.S. Department of Agriculture (USDA) issue a federal disaster declaration, which would provide financial assistance, including low-interest loans, to Vermont farmers. The Vermont Congressional Delegation has echoed Governor Scott's request. The Agency of Agriculture, Food and Markets estimates over \$2.5 million in total losses for farms in the state.

The Joint Fiscal Office will continue to monitor and assess the fiscal impacts of these devastating storms on Vermont.

6. Medicaid Year End Report:

Fiscal year 2024 Medicaid and Medicaid-related estimated expenditures totaled \$2.3 billion, 0.6% above all the funds budgeted amount as passed in Act 87 (2024; the fiscal year 2024 budget adjustment act) and a 5.2% increase in total spending over fiscal year 2023.

Global Commitment Program spending was \$6.2 million (0.6%) below projections, while overall Global Commitment Waiver spending came in \$25 million (1.2%) above projections. This was largely driven by the Department of Disabilities, Aging and Independent Living's (DAIL) Choices for Care Program (CFC). Program spending was higher due to nursing home bed day utilization rates above recent years' levels and continued need for Extraordinary Financial Relief (EFR). Overall program administration was 7%, consistent with fiscal years 2022 and 2023 but 6.3% below what was budgeted in Act 87 (2023).

The Agency of Human Services (AHS) Global Commitment unexpended General Fund balance is \$3.7 million. \$1.1 million will be used as match for encumbered Global Commitment purchase orders within Agency departments, \$0.73 million will be carried

forward for CFC (\$1.7 million gross Global Commitment), and \$1.9 million will be used for anticipated fiscal year 2025 budget adjustment Medicaid Consensus and Global Commitment-funded caseload and utilization needs.

Fiscal year 2024 caseload for all Medicaid eligibility groups tracked very close to projections. Overall enrollment decreased, mainly due to the end of COVID-era Medicaid Continuous Enrollment requirements and the resumption of annual eligibility redeterminations. The General and Childless New Adult Medicaid eligibility categories, which saw the largest enrollment increases under these policies, saw the largest enrollment decreases with the end of them.

7. Joint Fiscal Office Updates:

The Joint Fiscal Office continues to work on a number of projects including research projects on workforce investments, housing investments, migration and demographics, the Reach Up program, and child care in the state. Fiscal staff are also constructing the fiscal year 2026 Yield model, preparing the fiscal year 2026 legislative budget, and updating introductory materials for the new member briefing later this year.

The Joint Fiscal Office has issued a Request for Proposal for revenue forecasting services. The selected vendor will contract with the Joint Fiscal Office to provide source-specific revenue estimates for the General, Transportation, and Education funds. Services would commence on October 1, 2024 and continue for four years. Responses for the Request for Proposal are due by August 16, 2024. The Request for Proposal can be found here: [Request for Proposal for Revenue Forecasting Services](#).

We also seek to hire a fiscal analyst for Education Finance. Vermont's education finance system is complex and there are very few employees with the State that are dedicated to tracking and understanding the issue. The fiscal analyst will allow the Joint Fiscal Office to increase its capacity for analyzing education finance and other education policy changes that impact State and local spending. The position will remain open until filled. Information on the position is available here: [Fiscal Analyst for Education Finance](#).

Hannah Gottschalk, who joined the Joint Fiscal Office as a session-only employee for the 2024 session and worked with the Senate Committee on Appropriations, has accepted a full-time position with Senator Welch. We will recruit for the Senate Appropriations Committee Assistant position later in the fall.

Joyce Manchester, who has been with the Joint Fiscal Office since 2014, will be retiring this fall. She has provided invaluable analyses and testimony for the Vermont General Assembly covering many issues including demographics, labor, energy, climate change, and economics. Joyce has brought a unique set of skills and perspectives influenced by her work experience at the Social Security Administration and the Congressional Budget Office. We are currently discussing how we will fill this position and look forward to working with Joyce for the next few months.