



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Members of the Joint Fiscal Committee
 From: Catherine Benham
 Date: September 24, 2024
 Subject: September 2024 – Fiscal Officer's Report

In anticipation of the September 25 meeting, I have prepared an update of recent developments, some of which may also be on the Joint Fiscal Committee meeting agenda.

1. FY 2025 Revenue Collections Year to Date

The General Fund and Transportation Fund were below their monthly targets for August. The Education Fund closed the month slightly above its monthly target. Combined, the three major funds were below the August target by \$4.8 million, or -2%. Cumulatively for the year, the three major funds are ahead of forecast by \$4.5 million, or 0.9%.

Fund Highlights:

- a. **The General Fund** was below target by \$4.2 million, or -2.9%, for the month of August. Year to date it is above target by \$3.3 million, or 1.1%.
- b. **The Education Fund** was ahead of forecast by \$0.1 million, or 0.2%, in August and is above target by \$0.5 million, or 0.4%, so far this year.
- c. **The Transportation Fund** was below target by \$0.7 million, or -2.5%, in August and is currently ahead of forecast by \$0.7 million, or 1.3%, this year.

FY 2025 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	\$144.5	-\$4.2	-2.9%	\$306.9	\$3.3	1.1%
Education Fund	\$61.5	\$0.1	0.2%	\$128.1	\$0.5	0.4%
Transportation Fund	\$27.4	-\$0.7	-2.5%	\$54.4	\$0.7	1.3%

2. FEMA Assistance for July Floods

On August 20, President Biden declared a Major Disaster for the flooding event that occurred from July 9 to July 11. Federal Emergency Management Agency (FEMA) Individual Assistance is available for flood-impacted individuals in Addison, Caledonia, Chittenden, Essex, Lamoille, Orleans, and Washington counties. FEMA Public Assistance is available for those counties as well as for Orange County. As of September 18, FEMA has completed 1,245 inspections and approved over \$4.6 million in Individual Assistance funding. The Small Business Administration has thus far approved \$448,900 in loans to businesses and homeowners affected by the flooding event. No disaster declaration has been issued for the second July flooding event that impacted the Northeast Kingdom on July 30.

3. Emergency Board Meeting

The Emergency Board met via Zoom on August 8 and approved three initiatives to address the impacts of the July floods. The Board approved a motion to transfer \$7 million from the Treasurer's bond retirement appropriation to the Department of Housing and Community Development for the Rapid Response Mobile Home Infill Program. The initial appropriation, made in Act 83 (2022), Sec. 53(b)(5)(B) as amended by Act 185 (2022), Sec. C. 102, was \$20 million. The program is intended to allow for the Department to find and improve mobile home sites for the placement of new mobile homes. As part of this program, the State will leverage its bulk purchasing power to purchase several homes at once. These will then be available for later purchase by new homeowners. As part of the fiscal year 2025 budget adjustment process, the Commissioner of Finance and Management shall present a proposal for replacing the transferred funds and the Secretary of Commerce and Community Development shall report on the status of the program.

The Board approved a motion to transfer a further \$7 million from the Treasurer's bond retirement appropriation to the Department of Economic Development for the Business Emergency Gap Assistance Program first established in response to the flooding event that occurred in July of 2023. The program is designed to provide direct financial assistance to flood-impacted businesses. As with the transfer made for the Rapid Response Mobile Home Infill Program, the Commissioner of Finance and Management shall present a proposal for replacing the transferred funds as part of the fiscal year 2025 budget process.

The final motion was to expand the eligibility of the Emergency Financial Assistance Program for Flood-Impacted Vermonters, a program that was also created in response to last year's floods. The Board approved a motion to expand the program to include the replacement of flood damaged and destroyed appliances and equipment to households impacted by the 2024 flooding events.

4. Budget Instructions and Legislative Budget

The Department of Finance and Management released budget development guidelines for fiscal year 2026 on August 23. Agencies and departments are asked to limit base spending increases to three percent of fiscal year 2025 General Fund appropriations.

Agencies and departments must absorb most increases within this three percent target, including the annualization of Pay Act and any base inflationary pressures. The Department of Finance and Management has asked agencies and departments to assume Internal Service Fund charges and employee benefit rates to be equal to fiscal year 2025 as-passed levels, if these costs increase, the intent is to increase General Fund appropriations over and above the 3% allotment accordingly. The Joint Fiscal Office has started preparing the fiscal year 2025 legislative budget.

5. Joint Fiscal Office Updates

- a. The Joint Fiscal Office continues to work on numerous long-term projects and research initiatives. These include issue briefs on a range of policy topics, the Basic Needs Budget, tracking American Rescue Plan Act Coronavirus State Fiscal Recovery (ARPA-SFR) appropriations, the tax expenditure report, and the five-year appropriations Web Report.
- b. To improve our communications and ensure that we present fiscal issues in as clear and engaging a way as possible, the Joint Fiscal Office contracted with Adam Davidson, co-founder of National Public Radio's "Planet Money" program. Davidson led the Joint Fiscal staff through two storytelling workshops and will be working with the budget team on its presentation for the all-member briefing later this year.
- c. Committees, Working Groups, and Task Forces
 - i. The State Aid for School Construction Working Group meets on Friday, September 27.
 - ii. The Joint Legislative Management Committee meets on Wednesday, October 9.
 - iii. The Joint Legislative Justice Oversight Committee meets on Wednesday, October 16.
- d. Staffing and Requests for Proposals
 - i. The Joint Fiscal Office is hiring for two Fiscal Analyst position. One analyst position will focus primarily on Education Finance while the other position will cover a variety of issues. The Joint Fiscal Office has conducted first and second round interviews with multiple candidates.
 - ii. The Joint Fiscal Office has also started recruiting for the seasonal Senate Appropriations Committee Assistant position.
 - iii. The responses for the request for proposal for revenue forecasting services have been reviewed. Please see the memo included in the meeting materials regarding the contract with the proposed vendor, Kavet, Rockler & Associates.
 - iv. The responses for the request for proposal for energy consulting services are under review. Responses were due on September 20.
 - v. Joyce Manchester will be retiring from the Joint Fiscal Office in October. Coming from the Congressional Budget Office and the Social Security Administration, Joyce brought a wealth of professional expertise to the Joint Fiscal Office. Over the course of her 10 years with the Office, Joyce provided invaluable analysis on a range of issues including demographics, labor, energy, climate change, and economics.

6. Notable Dates

- a. The next meeting of the Joint Fiscal Committee will take place on Wednesday, November 6.
- b. The Joint Fiscal Office will hold a tentative date in December for a Joint Fiscal Committee meeting in the case that a meeting is necessary.
- c. There will be a new member orientation the week of November 18.
- d. The Joint Fiscal Office will host an all-member briefing on Wednesday, December 4.