



VERMONT GENERAL ASSEMBLY

# THE FISCAL FOCUS

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An Update from the Joint Fiscal Office

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*The Fiscal Focus newsletter is a nonpartisan update prepared by the Joint Fiscal Office (JFO) to inform legislators on current issues while the General Assembly is not in session. As your staff, we believe it is important for a citizen legislature to be kept informed of local, State, and federal financial developments while the General Assembly is adjourned.*

*It is important for us to hear what topics interest you for future issues. If you have any comments or suggestions, please let us know.*

**Strong September Revenues**

The three major funds closed the month of September \$30.2 million, or 9.6%, higher than the consensus revenue forecast adopted by the Emergency Board in July 2024. Revenues for the month of September were boosted by strong General Fund performance, driven in large part by a one-time corporate income tax event. Year to date, the three major funds are \$34.6 million, or 4.3%, ahead of target as compared to the consensus revenue forecast. A summary of all funds’ performance is below. Details on individual fund performance are on the following page.

FY 2025 Fund Performance vs Official Forecast (in millions)	Month of September			Year to Date (YTD)		
	Revenue	Revenue vs Target	% Over Target	Revenue	Revenue vs Target	% Over Target
General Fund	\$255.5	\$35.1	15.9%	\$562.5	\$38.3	7.3%
Education Fund	\$61.1	-\$5.6	-8.4%	\$189.2	-\$5.1	-2.6%
Transportation Fund	\$28.2	\$0.7	2.6%	\$82.6	\$1.4	1.7%

## September Revenues (continued)

### GENERAL FUND

The General Fund was above target by \$35.1 million, or 15.9%, for the month of September. Overperformance of both the personal and corporate income taxes was the primary driver of the higher than forecasted monthly revenue. A one-time event brought corporate income tax \$26 million ahead of forecast in September. This was primarily caused by higher-than-expected estimated payments from a small number of entities. This one-time event does not change the baseline for forecasted corporate income tax revenues in fiscal year 2025. Increased revenue from withholding was the primary contributor to the strong personal income tax results. For the year, the General Fund is \$38.3 million, or 7.3% ahead of forecast.

### EDUCATION FUND

In September, the Education Fund was below forecast for the month by -\$5.6 million, or -8.4%. For the month, the sales and use tax was below forecast by -\$3.1 million, the meals and rooms tax came in -\$1.1 million under target, and investment income came in -\$1.4 million below forecast. Year to date, the Education Fund is -\$5.1 million, or -2.6%, under target.

### TRANSPORTATION FUND

The Transportation Fund was above target by \$0.7 million, or 2.6% for the month of September due to slightly higher than forecasted revenues for the diesel tax, purchase and use tax, and Department of Motor Vehicle (DMV) fees. Thus far, the Transportation Fund's fiscal year 2025 revenues are ahead of forecast by \$1.4 million, or 1.7%.

## Multiple Major Disasters Declared *FEMA Funds for Floods Funnel In*

For the second year in a row, Vermont suffered from catastrophic flooding in the month of July. Following requests from the Governor and Vermont's congressional delegation, the Biden administration issued major disaster declarations for the two storms that caused significant damage throughout the state. Since July 2023, seven such declarations have been issued.

Federal Emergency Management Agency (FEMA) aid following a major disaster declaration is divided into two main categories: Individual Assistance and Public Assistance. Individual Assistance provides direct financial assistance to households whose primary residence, after insurance reimbursements, was impacted by a disaster. This can include reimbursement for temporary housing, home repairs, and the repair of privately-owned roads and bridges. Public Assistance provides grants to state, tribal, territorial, and local governments, and certain types of private non-profits to repair or replace a building, public works system, equipment, or natural feature. Funds are provided on a cost-sharing basis – typically 75% of costs are

reimbursable through FEMA while the recipient is responsible for the remaining 25% of costs.

The State's Emergency Relief and Assistance Fund (ERAF) provides local governments with 7.5%, 12.5%, or 17.5% of that 25% local match, depending on the mitigation measures a given community has taken. Of 287 towns, 96 are at the 7.5% rate, 105 are at the 12.5% rate, and 86 are at the 17.5% rate. A searchable database of ERAF rates across the state can be found [here](#).

As of October 8, 335 FEMA workers were in Vermont responding to the seven declared disasters. At the Governor's press conference that day, FEMA Federal Coordinating Officer General William Roy stated that the estimated Public Assistance eligible costs for the seven disasters totaled over \$700 million. The vast majority of that is connected to DR-4720, the July 2023 flooding event, with estimated Public Assistance eligible costs of that disaster going beyond \$480 million.

In response to last year's disasters, the General Assembly took action to provide additional relief to communities impacted by the 2023 flooding events. The General Assembly transferred \$17.2 million to ERAF in Section 55 of Act 87 (2024; the fiscal year 2024 budget adjustment act) and directed the Secretary of Administration to increase the State funding match to the highest percentage possible given available funding.

The General Assembly also provided a total of \$6.4 million in local economic damage grants to flood-impacted communities in Section 40 of Act 87 and Section B.1100 of Act 113 (2024; the fiscal year 2025 budget act). As part of the contingent appropriation list in Section B.1102 of Act 113, \$3.5 million was transferred to the Community Resilience and Disaster Mitigation Fund established by Act 143 (2024). Note, save for the funds transferred to the Community Resilience and Disaster Mitigation Fund for the grant program of the same name, these funds are only available to communities impacted by the disasters that occurred in 2023.

The 2024 major disaster declarations for the July 9 to July 11 and July 29 to July 31 events were issued on August 20 and September 26, respectively. Under the declaration for the July 9 to July 11 event, DR-4810, Individual and Public Assistance is available to households and municipalities in Addison, Caledonia,

Chittenden, Essex, Lamoille, Orleans, and Washington counties. Only Public Assistance is also available to municipalities in Orange County. For the July 29 to July 31 event, DR-4826, Caledonia, Essex, and Orleans counties are eligible for Individual and Public Assistance. Public Assistance eligible costs for the two July 2024 disasters are estimated at \$37.5 million. However, it should be noted that this total is a rough estimate; the actual costs are not known at this time.

To date, more than 2,200 households have applied for Individual Assistance. More than \$7.5 million in Individual Assistance has been approved for the two disasters so far. The deadline to apply for Individual Assistance for the July 9 to July 11 event was extended to November 25, 2024. The deadline for the second disaster is the same date. If a household was impacted by both storms, they must submit separate applications for each event.

The Joint Fiscal Office will continue to monitor the status of FEMA Individual and Public Assistance, as well as the status of Small Business Administration loans to flood-impacted businesses and State flood response efforts approved by the Emergency Board at its August 8 meeting (see the article on the Joint Fiscal Committee's September 25 meeting for more information on those programs).

## **Vermont's Demographics in 2023**

### ***Net In-Migration Helped Stave Off Population Decline***

The Joint Fiscal Office recently published the annual update of its issue brief on [Vermont's demographics](#). The brief uses data from the U.S. Census Bureau's American Community Survey, conducted between censuses, to estimate the number of Vermonters by age. The brief's findings are also informed by vital statistics on births and deaths, data on international migration, and Medicare enrollment.

In 2021, Vermont saw an influx of roughly 4,100 people, likely driven by the pandemic. In 2022, though, the state's population grew by approximately 17 people. The population grew by an estimated 354 people in 2023. As of July 1, 2023, relative to July 1, 2020, Vermont had about 4,400 more people overall, an increase of 0.7%.

As has been true since 2021, Vermont continued to

show more domestic in-migration than domestic out-migration in 2023, meaning that more people from other U.S. states moved into Vermont than people from Vermont moved out to live in other states. Since April 1, 2020, about 6,750 net domestic migrants settled in Vermont. Of those domestic migrants, 844 moved to Vermont between July 1, 2022 and July 1, 2023. But net domestic in-migration represents just one part of the story of how Vermont's population is changing.

International migrants make up a second important component of population change in Vermont. Since April 1, 2020, Vermont saw a net international in-migration of 2,750 people. Of those, over 1,300 migrated between July 1, 2022 and July 1, 2023. The third and fourth components of population change are births and deaths. "Natural change" in

## Demographics (continued)

population means births minus deaths. Between July 1, 2022 and July 1, 2023, the “natural change” was -1,804. Over the same time period, net in-migration was 2,156. As mentioned above, this led to an estimated net change in Vermont’s overall population of 354 between July 1, 2020 and July 1, 2023.

Between July 1, 2020 and July 1, 2023, births to Vermont residents were 16,913 and the number of deaths was 22,104. This means the “natural change” in Vermont’s population over that time period was -5,191. In other words, Vermont’s population would have declined by more than 5,000 people if no migration into and out of Vermont had occurred. Instead, the population grew by almost 4,400 people.

The state also had significant changes in the age distribution over this time period. Compared to July 1, 2020, Vermont’s 0 to 17 population decreased by 4,000, or roughly 3%. The share of people ages 55 to

64 decreased by 6,100, or more than 6%. As members of the baby boomer generation aged and moved out of the working age population, the number of Vermonters ages 65 to 79 jumped by 10,800 – a more than 10% increase. The state’s oldest residential population, those 80 years old and up, also saw a 10% increase, with close to 2,600 people entering that cohort.

These changes in demographics will place a heavier burden on the state’s working age population. At the same time, demand for services such as health care will increase. It will be important to consider how these changes will impact revenues and expenses going forward. Without substantial in-migration of working age individuals, the state’s population will continue to age.

The full issue brief on Vermont’s demographics is available [here](#).

## Joint Fiscal Committee Meets Updates on ARPA, Housing, and Flood Recovery

The Joint Fiscal Committee met on September 25 and received updates from the Administration on the status of State funds, housing initiatives, and flood response efforts. The Commissioner of Finance and Management presented on the status of statutory reserves and American Rescue Plan Act State Fiscal Recovery Fund (ARPA-SFR) appropriations. Douglas Farnham, the State’s Chief Recovery Officer, also presented on the latter subject.

The State received over \$1 billion in ARPA-SFR funds from the federal government. Per federal rules, all funds must be fully obligated by December 31, 2024. Any funds that remain unobligated – meaning they were appropriated for a specific purpose but no legally binding commitment to make payments for services has been made – after that date must be returned to the federal government. As of June 30, over \$185 million in ARPA-SFR funds remained unobligated.

To avoid losing out on these funds, Section E.106 of the fiscal year 2025 budget act (Act 113; 2024) directs the Commissioner of Finance and Management to revert any unobligated funds prior to December 31. Reverted

funds would then be used in the following order: \$36 million would go to the Department of Public Safety for Federal Emergency Management Agency (FEMA) match, \$4 million would go to the Agency of Administration in anticipation of an audit of the State’s administration of ARPA-SFR funds, \$30 million would go to the Vermont Housing and Conservation Board for housing initiatives, and \$25 million would go to the Department of Housing and Community Development for a grant to the Vermont Housing Finance Agency to support its programs. The spending authority for any remaining funds would, with the approval of the Joint Fiscal Committee, be transferred to existing ARPA-SFR programs.

At the Committee’s meeting, Farnham testified that the Agency of Administration set a deadline of September 30 for State agencies and departments to obligate ARPA-SFR funds appropriated to them. On October 1, the Agency of Administration began reverting unobligated funds. The Agency’s presentation on ARPA-SFR obligations is available [here](#). The Administration will provide an update on this at the November Joint Fiscal Committee meeting.

The Committee also heard from the Department for Children and Families on the status of the General Assistance Emergency Housing Program. As of September 19, 223 households reached the 80-day cap established by Act 113 and exited the program. The Department estimated that an additional 400 households will reach the 80-day cap by mid-October.

The Committee took testimony from the Department of Housing and Community Development (DHCD) and the Vermont Housing and Conservation Board (VHCB) on the status of initiatives to make additional housing units available. DHCD's Vermont Housing Improvement Program has contributed to the construction or renovation of 445 housing units since 2020 and an additional 356 projects are currently underway. Since the establishment of its Manufactured Home Improvement and Repair Program in 2023, the Department has obligated \$6.7 million to projects that support park improvements, home repairs, and foundation installations. VHCB reported that 152 affordable housing units have turned over since the start of fiscal year 2025. Of those units, 64 are leased to households who experienced homelessness.

The Joint Fiscal Committee also received updates on two actions approved at the August 8 meeting of the Emergency Board; the Board approved two \$7 million transfers from the Treasurer's office to programs designed to address housing needs and flood recovery. The Joint Fiscal Committee first heard from DHCD on the progress of the Rapid Response Mobile Home Unit Infill Program. As of the Committee's meeting, the Department had identified and secured 30 mobile home lots and purchased 30 homes. The program is

## Joint Fiscal Office Updates

The Joint Fiscal Office continues to work on research relating to a wide array of policy issues, including Social Security, workforce and housing issues, education spending, State and local taxes, and benefit programs such as Reach Up. Issue briefs and reports on these subjects and others will be published in the coming months.

In response to policy and financial conversations during the 2023-2024 legislative session regarding the cost of public education and its impact on property taxes in Vermont, the General Assembly

intended to leverage the State's ability to bulk purchase housing units to secure housing for individuals and families to purchase at a later date. The average purchase price of a unit is \$90,000 but can be as low as \$55,000 with homeowner down payment assistance.

The Joint Fiscal Committee also heard from the Department of Economic Development on the Business Emergency Gap Assistance Program (BEGAP), the program the Emergency Board directed the second \$7 million transfer to. As of September 24, the Department reported that it received 111 applications from businesses with an estimated net damage total of \$8.9 million. For those applications, the Department estimates a total award of \$2.2 million. As of September 23, the Department had awarded a total of \$419,278 to 16 applicants.

Finally, the Committee approved a number of grant requests, including a FEMA award of nearly \$2 million to the Department of Public Safety for the repair and replacement of disaster damaged facilities from the January 2024 storm event. The required State match for these funds will necessitate a \$186,000 General Fund transfer to the Emergency Relief and Assistance Fund in the fiscal year 2025 budget adjustment. The Committee also approved a \$1 million grant to the Department of Health from the U.S. Environmental Protection Agency for an ambassador-led Healthy and Energy-Efficient Homes program that is meant to improve the health and well-being of low-income immigrants, refugees, and asylees in Chittenden County.

The Committee next meets on November 6.

commissioned Picus Odden & Associates to update their Evidence-Based Model (EB Model) report.

The aim was to estimate how much Vermont should spend to adequately educate public school students and achieve successful outcomes. This report is now available on the Joint Fiscal Office's website and can be accessed through the following link: [EB Model Report](#). It should be noted that this analysis was performed by independent third-party experts and is neither the work nor advice of the Joint Fiscal Office.

## Joint Fiscal Office Updates (continued)

The State Aid for School Construction Working Group has met four times. At its most recent meeting, the Working Group received testimony from the Joint Fiscal Office, the Office of Legislative Counsel, and the Agency of Education. On or before December 15, 2024, the Working Group shall submit its findings and recommendations in the form of proposed legislation to the General Assembly.

At the September 25 meeting of the Joint Fiscal Committee, the Committee approved the vendor the Joint Fiscal Office had selected for revenue forecasting services. After issuing a Request for Proposal, the Joint Fiscal Office received two bids. The Office reviewed both bids and found that Kavet, Rockler and Associates, which has held the contract for a number of years, provided services that would best suit the needs of the General Assembly. Kavet, Rockler and Associates will provide source-specific revenue estimates for the General, Education, and Transportation funds. Services under the new contract commenced on October 1 and will continue for four years with the option of an extension.

Another Request for Proposal, for energy consulting services, was issued on August 19. The Joint Fiscal Office is looking for one or more consultants who can provide analysis on energy and climate change-related issues. Responses were due on September 20 and are currently under review. Services under the contract would continue for two years.

Joyce Manchester, the Joint Fiscal Office's Senior Economist, retired on October 2 after ten years with the Office. Over the course of her tenure, Joyce provided the Office with an immense amount of expertise and knowledge relating to demographics, labor, energy, economics, and many other subjects. Having come from the Social Security Administration and the Congressional Budget Office, she brought a wealth of experience that benefitted us all. She will continue to perform some work with the Office as a consultant, and we wish her a very happy retirement.

After several rounds of interviews, the Joint Fiscal Office has hired two fiscal analysts. Ezra Holben, a graduate of the University of Mississippi and a

budget analyst with the Department for Children and Families' business office, will focus on education finance. James Duffy will be joining the revenue team to work on a variety of policy issues including energy. James has a Master's in Public Affairs from Princeton University and most recently worked as a coastal resilience program manager with the National Wildlife Federation. Both Ezra and James will start November 4 and we look forward to having them on board.

The Legislative Staff Offices are preparing to host a New Member Orientation after the election. The three-day orientation takes place prior to the start of each biennium and provides an opportunity to introduce new members to how the General Assembly functions.

There will also be an All Member Briefing on December 4 that will serve as a way for new and returning members to receive some updates. At this briefing, the legislative economist will present on the economic outlook and the Joint Fiscal Office will present on the budget.

### Notable Dates

- The Joint Fiscal Committee and the Joint Public Pension Oversight Committee meet on Wednesday, November 6.
- The All Member Briefing takes place on Wednesday, December 4.