



STATE OF VERMONT
GENERAL ASSEMBLY
LEGISLATIVE JOINT FISCAL COMMITTEE

Friday, July 30, 2021

Minutes

Hybrid Meeting: Room 11 and Videoconference

Members present: Representatives Ancel, Briglin, Fagan, Hooper, and Kornheiser and Senators Cummings, Kitchel, and Westman.

Other attendees: Joint Fiscal Office and Administration staff and various viewers in person and on live stream.

The Chair called the meeting to order at 1:03 p.m. Senator Kitchel moved to adopt the minutes of June 22, 2021, and Representative Fagan seconded the motion. The Committee accepted the motion and the minutes.

A. July 2021 Economic Review and Revenue Forecast Update

Tom Kavet, Legislature's Economist, summarized the [July 2021 Economic Review and Revenue Forecast Update](#) explaining that the current forecast for the State was the largest recommended revision to date with one of the most favorable fiscal situations Vermont has seen. There was consensus that there was sustainability for the positive economic forecast over the next two or more fiscal years. The assumptions made in 2020 that presented a bleaker picture of Vermont's economy were calculated with available data with a slower projected speed in which the COVID-19 vaccine would be available to the public. The enormous magnitude of consumer spending, with the additional stimulus checks, was hard to appreciate at the time. Some of those checks were saved by recipients and made it difficult to predict when the money would appear in the economy.

Mr. Kavet stated that it was too early to understand the State inflationary risks and opined that the near-term risks would be higher than assumed in the current forecast. Representative Briglin asked how the State should prepare for inflationary risk. Mr. Kavet responded it was too soon to make good assumptions, but historical lessons from the Great Depression show that fiscal policy should be strong to adapt to big events. There were not the monetary investments that the current pandemic had received from the federal government. In addition, stimulus investments could create asset bubbles as people spend that money. Mr. Kavet suggested that policymakers could ensure there was a robust, defensive capacity in the State's reserves, and to target federal COVID-19 funds for the best return on investment, such as broadband. Additional monitoring of the State's economy to twice a year, quarterly, or even monthly in some sectors, until fiscal matters normalized.

Senator Kitchel commented that the State should continue to use one-time federal funds for one-time expenditures and focus on the State's baseline capacity and avoid unsustainable future spending obligations with unrealistic budgets. Mr. Kavet agreed with Senator Kitchel that the State should not treat the one-time federal COVID-19 funds as permanent revenue.

B. Administration's Fiscal Updates – 1. FY 2021 Preliminary Closeout

Adam Greshin, Commissioner, Department of Finance and Management, explained that the State's budget closeout went smoother than expected with such a large influx of federal funds to the State. He presented the [General Fund Operating Statement](#). The Transportation Fund concluded the fiscal year with a surplus of \$28 million. In 2020, \$24 million was reverted from projects to ensure the fund would not run a deficit. Instead of revenue from commuting workers, there was an influx of consumers buying vehicles. The Commissioner added that there was pending federal reauthorization outstanding that may require a substantial State match for a potential \$60 to \$80 million of federal funds.

Commissioner Greshin explained that State revenues for the Education Fund exceeded projections and allowed for the closing of a \$19 to \$20 million deficit along with an additional \$28 million in surplus, including \$14 million for the potential need to prefund the Other Post-Employment Benefits (OPEB) or retired teacher's health care. There was an additional \$39 million upgrade to the Education Fund for FY 2022 that was announced at the earlier Emergency Board meeting. Outside of the Education Fund, there was additional federal Elementary and Secondary School Emergency Relief Funds (ESSER or EANS) available to schools.

2. General Fund Balance and Fund Transfers, Reversions, Reserves Report

The Commissioner explained that the GF closed with a balance of \$204 million, with the first \$100 million set aside for substituting American Rescue Plan Act (ARPA) funds for one-time GF, leaving \$104 million on the bottom line. Legislation required that any GF surplus would be split between the State employees' OPEB of \$52 million and \$48.4 million to the State's Balance Reserve or Rainy-Day fund. The Rainy-Day fund would have received \$52 million if not for the 5% statutory cap on the fund. There was a balance of \$3.6 million that remained on the bottom line for future appropriation. Currently, there was \$280 million in traditional reserve funds, which is over 17% of last year's base appropriation. This year, the 27/53 reserve \$20 million will be used for its intended purpose to offset the 27th pay period and the 53rd Medicaid week, which both occur in FY 2022. The Commissioner noted that there was an accounts receivable note of \$6.3 million for provider care at the Springfield Hospital that he suggested should be written off as a one-time funding project with additional revenues and offered to suggest other places of one-time funding for surplus funds.

3. Coronavirus Relief Funds (CRF)

Commissioner Greshin reviewed the CRF Economic Stimulus Equity Program Reserves/Reversions [Report](#) and the CRF Eligible Costs and Anticipated General Fund Reversions [Report](#). The Stimulus Equity Program received \$5 million for start-up with \$2 million of one-time GF and \$3 million from the Caseload Reserve Fund. The \$3.6 million not used by the Program will revert to the Caseload Reserve Fund.

The Commissioner reviewed the details of the second CRF report, noting that the starting total of just under \$60 million had \$15 million dedicated to the Utility Arrearage Program, \$2.5 million for the Legislature, \$15 million to the Department of Corrections payroll to free up General Funds, and the remainder of \$30 million had been fully allocated to various departments and agencies for one-time expenditures.

Senator Kitchel commented that the Critical Occupations Tuitions Program within the Vermont State Colleges (VSC) had been quickly oversubscribed in the areas of nursing and mental health. The Senator asked the Commissioner to confirm that the Administration would review and commit funding to the Program in the FY 2022 Budget Adjustment (BAA) for the VSC to meet Program obligations. Commissioner Greshin responded that the Emergency Board members were copied on the Administration's memorandum explaining the request from the VSC and the Administration and wanted to assure the VSC it would support the Colleges in meeting their obligations.

D. Global Commitment and Medicaid – 1. AHS Closeout [Report](#)

Sarah Clark, Chief Financial Officer, reviewed a [presentation](#) on the FY 2021 closeout of AHS and explained that \$66.4 million of GF was not spent in FY 2021 and was available for carryforward in FY 2022. The large surplus of funds was due in part to the influx of federal funds and some underspending from the pandemic. The Agency was requesting to carryforward \$31.4 million of GF to pay its FY 2022 Pay Act obligation and/or Medicaid budget adjustment needs. Ms. Clark highlighted the areas of State government that received large portions of federal funds to address the COVID-19 pandemic. There was some underspending in the Choices for Care program and the Department for Children and Families' (DCF) Child Development Division. The Work Offender Program (VWOP) closed with a \$1.9 million deficit, and the Agency was requesting carryforward to address this gap. The Department of Corrections had a plan to review the Program for sustainability and to address this structural deficit.

2. Global Commitment GF Reversion Status Report

Ms. Clark explained that the Agency reverted \$42.5 million of GF in FY 2021 and \$66 million of GF in FY 2022 as required by Act 74 of 2021. The FY 2021 GF reversion occurred in the Secretary's Central Office Global Commitment budget as well as in the DCF and in the Department of Vermont Health Access (DVHA) budgets. The FY 2022 GF reversion allowed the Agency to leverage the funds under the public health emergency extension through possibly March 2022. Both the FY21 and FY22 GF reversions were associated with the 6.2 percent FMAP bump. Representative Fagan asked for the status of the 1115 Waiver renewal. Ms. Clark explained that the State was still in negotiations with the federal government and waiting for next steps.

3. Medicaid Year-End [Report](#)

Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, summarized the Medicaid year-end report. The State spent \$1.8 billion in Medicaid-related expenses in FY 2021, which was \$74 million less than all funds. However, only \$8 million of GF was unspent and available for reallocation in the next budget cycle. DVHA overspent (prior to other transfers) in its main claims-based Medicaid budget line item. How much of this was due to caseload and how much

was due to utilization changes are still being determined. The three main adult caseload eligibility categories were substantially over the expectation set in January. There is \$6.2 million in the Choices for Care Program that can be reinvested within the Program.

Other AHS Updates – 1. Brattleboro Retreat [Report](#)

Alison Krompf, Deputy Commissioner, Department of Mental Health, summarized the submitted report on the Brattleboro Retreat's action plan. A certificate of occupancy was granted in February of 2021 for a renovation of the facility for 12 new level-one beds. However, due to staffing shortages, the availability of those beds had been delayed. Ms. Krompf added that there was an overall national nurse shortage from the COVID-19 pandemic that had exacerbated the situation for staff recruitment of the Retreat. The Department was receiving weekly updates and working with the Retreat on its staff recruitment challenges, and the facilities goal was September 1 for availability of the new beds, but the Department thought October was more realistic. A positive outcome of the strategic plan exercise had been that the leadership and board of the Retreat had developed a good relationship with staff, which has helped with recruitment efforts and stabilized the workforce of the facility. In responding to the Chair, Ms. Krompf explained that there were other hospitals challenged with unavailable beds from due to staffing shortages.

Ms. Krompf stated a key area of the Retreat's action plan was its financial stabilization through an alternative payment model that was enacted in March and allowed for a more predictable monthly payment system. In responding to the Chair's question, Ms. Krompf stated that the Department was monitoring the Retreat's financials through monthly status updates. Representative Kornheiser asked if the alternative payment model would provide enough financial stability once all the beds were full. Sarah Clark, Chief Financial Officer, Agency of Human Services, responded that the alternative payment model should enable the facility to be sustainable once the census normalized. Senator Kitchel inquired about the estimate of occupancy percentage rate for the State with the assumption of beds that must remain vacant for emergencies. Ms. Krompf explained that hospitals vary depending on acuity level of patients and other factors, but the State was at 100% capacity. She added that the Department completed a needs analysis in 2020 of the most utilized occupancies in the State and was currently reviewing that data.

2. Mental Health/Workforce Issues

Cheryle Wilcox, Interagency Planning Director, Department of Mental Health, explained that a coordinated task force had been implemented to address workforce recruitment and retention staffing issues within the Designated and Specialized Services Agencies. In February, there were 780 vacancies, and more updated information was being gathered by Vermont Care Partners that could show an even higher vacancy rate. The Centers for Medicare and Medicaid Services (CMS) were assisting with information of other states with similar challenges and were providing technical assistance to those agencies. Ms. Wilcox stated that the key takeaways of the task force's study were that staff educational loans were challenging, but the \$1.5 million loan that the State had dedicated for tuition repayment would make a positive impact on workforce issues in that market segment. In addition, it was noted that internships and partnerships with hospitals and other medical facilities could have a positive impact on the staffing shortages if

facilities had a common place to recruit new hires. In addition, there was reimbursement to some interns through the Substance Abuse and Mental Health Services Administration (SAMHSA) grants that allowed a stipend to students. The Task Force was still gathering information and would have more of a complete picture in a few months to better understand what was needed to address the staffing shortage issue.

Senator Kitchel commented that funding for critical occupations was appropriated to the Vermont State Colleges and the University of Vermont, and the Senator asked if the Department or Task Force had conversations with the academia of the colleges for support with education and recruitment efforts for the agencies. Ms. Wilcox responded it was part of the Task Forces plan and that information would be available to the Department soon. She added that the Department was aware of how the compensation of agency staff would impact staffing as Senator Kitchel suggested and it would include that component in its research and assessment of the issue.

3. Status of General Assistance Housing

Sean Brown, Commissioner, Department for Children and Families, explained that the Department was tasked with creating a new eligibility criterion for the General Assistance (GA) Housing program. New housing applicants were subject to the new criteria on June 1, and those applicants already participating in the program as of May 30 were subject to the criteria on July 1. At its peak in April 2021, there were 2,011 households participating in the program with 2,358 adults and 441 children. Those that did not qualify for the program under the new criteria as of July 1 were eligible to receive a one-time essential payment of \$2500, which was distributed to 590 households. The Department was attempting to find those households that are eligible but had not collected a payment yet to ensure they had access to the funds.

The Commissioner explained that the main challenge for the Department was managing in the program in managing the program was hotel capacity. The Department lost a substantial amount of available motel rooms since July 1 and continues to lose additional available rooms weekly as things open up and there was an increase in hospitality bookings. The most acute areas of shelter capacity are in Newport, Middlebury, St. Johnsbury, and Morrisville and then Burlington and Barre. Commissioner Brown expressed concern that as the Department was expanding the program, there would not be enough capacity by the end of October when adverse weather conditions typically began. The Department was strategizing on how to meet the need beyond motels.

Commissioner Brown explained that of the participating motels, there were 76 at the peak in April and then that number fell to 67 and would come with additional restrictions from those businesses as the pressure for tourist bookings increased. The rate for motels had increased to \$100 per night on average from its mid-\$70's rate prior to the pandemic. The Department and State were currently involved in litigation brought by the Vermont Legal Aid (VLA) on a dispute of the new rule for eligibility criteria for GA housing that VLA has expressed that it should be more expansive to include more people. The Department was working toward resolution.

In responding to Representative Kornheiser, the Commissioner stated that some GA recipients were transitioning to permanent housing, or with family and friends, or into shelters as they reopen. She requested information on the numbers of people and where they were transitioning to as they moved off the program, and the Commissioner stated the Department would attempt to extrapolate the data. Senator Westman asked if the information on volume of recipients of the program was updated on a regular basis and available to the Committee. Commissioner Brown agreed to keep the Committee updated on a weekly basis of program fluctuations.

Representative Hooper asked what was happening to the people exiting the program that do not have a housing strategy in place. The Commissioner responded that the Department continued to try and connect and monitor their situations and offer help if needed. There were some households that were camping. The Department was working to help its community partners with funding where supports were needed. The Chair inquired if the Department had aggregate data on the number of people that left the program without a housing strategy. The Commissioner responded the Department would need to work with its community partners to see if it was possible to gather that information. The data inputted at the Department level was proprietary under federal guideline and unavailable to pull out even in aggregate. Representative Hooper clarified that the Legislature was aware of what it did to address housing needs but would like to better understand what the gap was for housing.

The Chair requested to move the Fiscal Officers Report to the last item on the agenda.

E. Update on Homeowner Assistance Fund (HAF) Programs Grant JFO #3052 approved by the JFC on June 22, 2021.

Josh Hanford, Commissioner, Department of Housing and Community Development, summarized a memorandum that gave an update on the Homeowner Assistance Fund (HAF) Grant programs. He noted that the U.S. Department of Treasury had not released guidelines of the program and extended the deadline for applications. The State was not able to submit its application for the funding until rules and guidelines were clear. In the meantime, the Vermont Housing Finance Agency (VHFA) continued to prepare for when the deadline is known. The Department would share the draft plan once completed with the Committee as well as make it available for public comment.

Maura Collins, Executive Director, George Demas, Legal Counsel and Project Manager, Vermont Housing Finance Agency, offered to answer questions from the Committee. In responding to Senator Kitchel's question, Ms. Collins explained that the HAF program had income limitations for applicants, but VHFA could extend grant funding to people at 100% of area median income and in some situations to 150% of area median income. She suggested links within the memo submitted in the draft summary memo for HAF programs information and income limits by county. Ms. Collins added that the income limits were different from the previous mortgage subsidy program, but the limits were included in the statutes and would not change. Commissioner Hanford added that the cap per household was between \$50k and \$60k.

Senator Kitchel asked for an update on the disbursement of funds for the Emergency Rental Assistance Program (ERAP) from the approved [Grant JFO#3034](#). Commissioner Hanford explained the State had spent \$28 million of CARES Act funding thus far on rental arrearages. There were two funding programs for rental assistance: the ERAP and the Vermont Emergency Rental Assistance Program (VRAP) that were both administered by the Vermont Housing Authority and had federal funds of \$210 million and an additional \$152 million not yet accessed. The State had disbursed over \$11 million to date of the \$210 million that was trending toward more current rental payments instead of arrearages and utility payments. Commissioner Hanford explained that as applicants return to work, they may no longer qualify for assistance under the federal restrictions, and the State may not utilize all the funding available for the programs. In responding to Representative Kornheiser's question, the Commissioner stated the program was administering \$1 million a week in rental payments with the assistance of over 400 trained staff along with the vendor administering the call center.

F. Grants – 1. [Grant JFO#3057](#) – Eight (8) limited-service positions within the Office of the Defender General. *These positions have been requested to manage anticipated workload increases stemming from the Judiciary's Pandemic Recovery and Response Plan and will be funded using ARPA dollars appropriated in the 2021 Big Bill.*

Lora Evans, Administrative Services Manager, Office of the Defender General, was available to answer questions. The Committee having no questions, Senator Kitchel moved approval of the limited-service positions under Grant JFO#3057, and Senator Cummings seconded the motion. The Committee approved the motion and the positions under the grant.

2. [Grant JFO #3058](#) – One (1) limited-service position, Administrative Services Coordinator II, within the VT Military Department, Communications Division. *The VT National Guard C4 Division will begin work with the National Guard Bureau Administrative Services to assist in records management at the national level. Local C4 staff will assist in VTARNG records management training, including training to other states. This position will assist with the increased day-to-day workload. This position is fully funded from previous JFO Grant #2948 and is valid through 9/30/2024.*

The Chair asked if there were questions on the Grant. The Committee having no questions, Representative Fagan moved approval of the limited service position under Grant JFO#3058, and Representative Kornheiser seconded the motion. The Committee approved the motion and the grant.

G. Recommendations of the Subcommittee on Fiscal Officer Transition

The Chair reviewed the subcommittee hiring process and transition of the Chief Fiscal Officer (CFO). The Chair commented on the strong leadership of outgoing CFO, Stephen A. Klein of the JFO. The Committee requested to go into Executive Session on a motion by Representative Briglin, seconded by Senator Kitchel, at 3:26 p.m.

The Committee adjourned from Executive Session and reconvened the meeting at 3:48 p.m. Senator Kitchel moved to hire Catherine Benham as the new Chief Fiscal Officer, as recommended by the hiring subcommittee, and Senator Westman seconded the motion. The Chair called for a roll call vote, and the Clerk confirmed an 8-0-2 vote in favor of hiring Catherine Benham.

The Chair asked Ms. Benham if she would accept the position of the Chief Fiscal Officer for the Joint Fiscal Office as offered by the Committee, and Ms. Benham graciously accepted the position.

H. Fiscal Officer's Report

Stephen Klein, outgoing Chief Fiscal Officer, Joint Fiscal Office, explained that there was no new update on the federal funding to counties. He then spoke on a personal privilege to thank the JFO staff, Committee, and the Legislature and its staff for his time at the JFO.

The Chair and Vice Chair thanked Stephen and wished him well in his retirement.

The Committee adjourned at 4:01 p.m. on a motion by Senator Kitchel and seconded by Representative Fagan.

Respectfully submitted,

Theresa Utton-Jerman, Senior Staff Associate
Legislative Joint Fiscal Office

Link to recording: <https://www.youtube.com/watch?v=ISI7CTP33MA>