

All Legislative Briefing Budget and Federal Funding

December 7, 2022

Maria Belliveau

Sarah Clark



Overview

- Joint Fiscal Office
- Context for the FY 2024 Budget
 - Revenues
 - Spending
 - Sources of Funds
 - How Much Money is Appropriated in FY 2023
 - Developing the FY 2024 Budget
 - Pressures
 - Strategic Investments
- Reserves
- Federal Funds Update – Pandemic and Ongoing



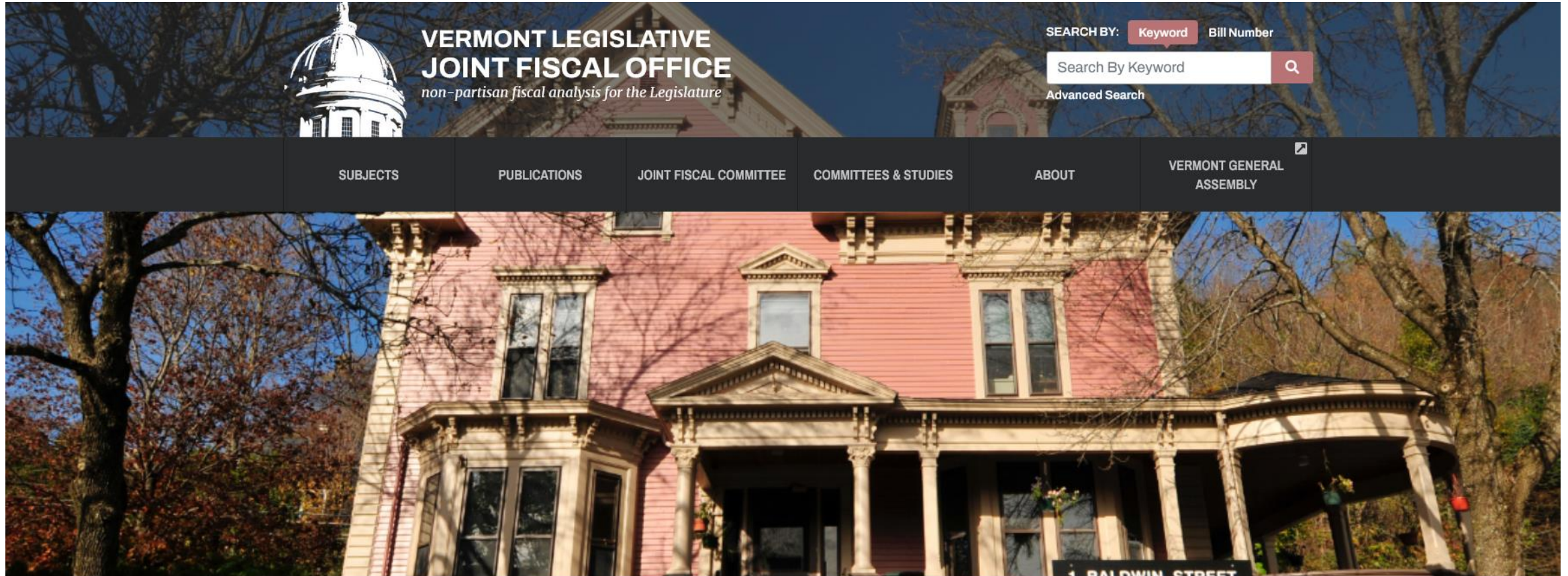
Joint Fiscal Office

- JFO established in 1973 to provide non-partisan fiscal information and analysis
- Statutorily support the “Money Committees,” Transportation, and Institutions Committees
 - Money Committees include:
 - House and Senate Committees on Appropriations (Spending)
 - House Ways and Means Committee (Tax)
 - Senate Finance Committee (Tax)
- We cover Appropriations, Revenue and Tax, Capital Bill – State Bonding, Education Finance, Health Care Finance, Transportation Infrastructure & Financing
- Other areas of fiscal policy and analysis as needed - For example; climate change, childcare, housing
- Governed by the Joint Fiscal Committee (JFC) – 16 staff plus consultants
 - Accepts grants and gifts when the Legislature is not in session



JFO's Online Resources

<https://ljfo.vermont.gov/>



JFO

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://ljfo.vermont.gov>

Where Does the Money Come From?

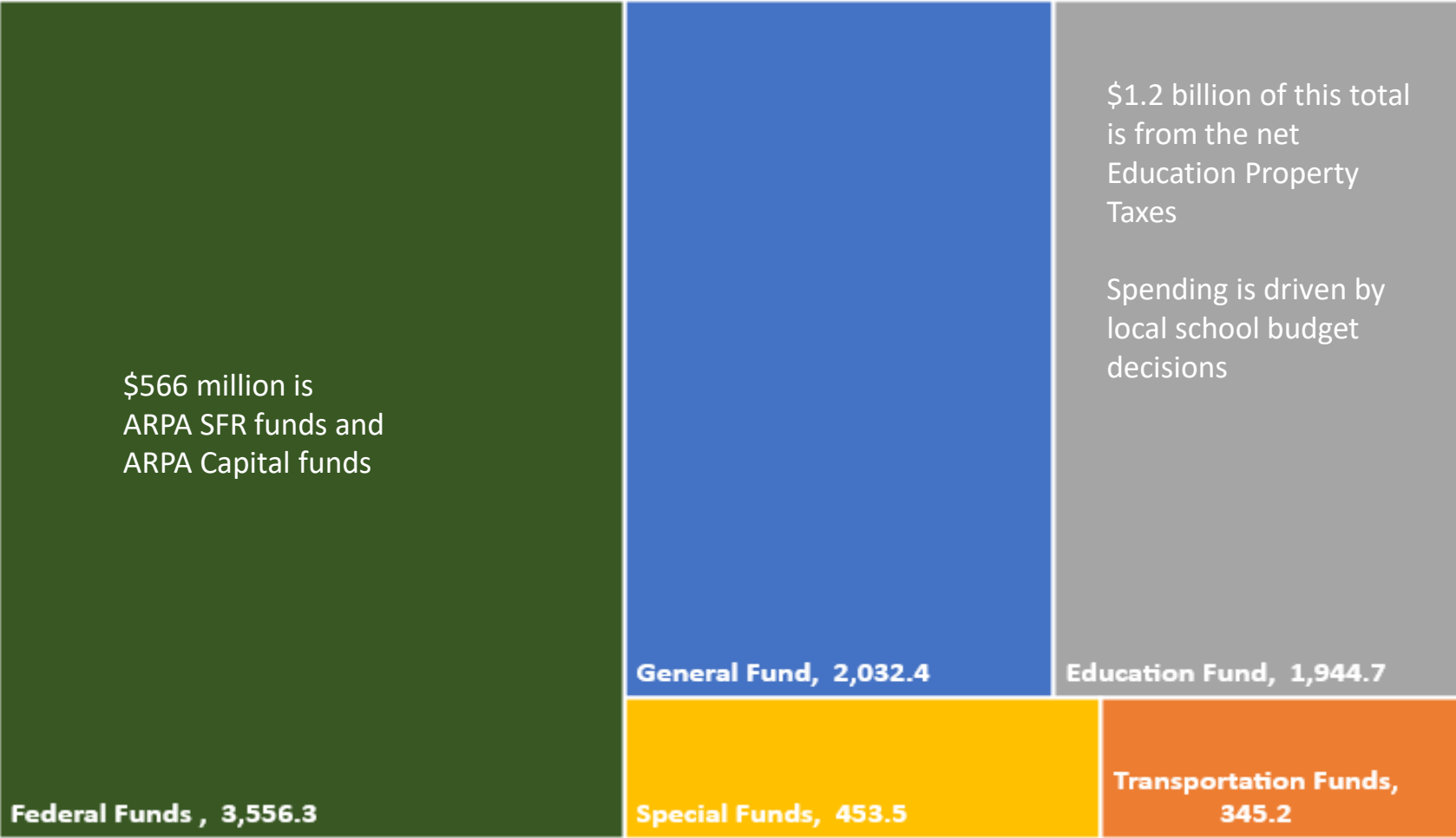
- **General Fund:** Personal Income taxes, Corporate tax, 75% of Meals and Rooms tax, Liquor tax, Property Transfer tax, and misc. other taxes
- **Transportation Fund:** Gas tax, 66.6% of the Automobile Purchase and Use tax, and Federal funds dedicated to transportation projects
- **Education Fund:** 100% of Sales and Use tax, 25% of Meals and Rooms tax, 33.3% of Purchase and Use tax, Lottery proceeds. Balance is paid from Statewide property taxes
- **Federal Funds:** Various federal grants and funding streams
- **Medicaid Global Commitment Funds:** Vermont has a Federal waiver for most of Medicaid with flexibility and investments that would otherwise not be allowed. Revenue here is appropriated from Federal and other funds first.
- **Special Funds:** Includes several sources of revenue raised for specific purposes (Clean Water fund, VT Dairy Promotion fund, etc.) **Fish and Wildlife Fund:** License fees and federal grants dedicated to fish and wildlife purposes. **Other Misc. Funds:** There are several other funds established for specific purposes including, for example, Enterprise Funds, and Capital Funds from the issuance of bonds



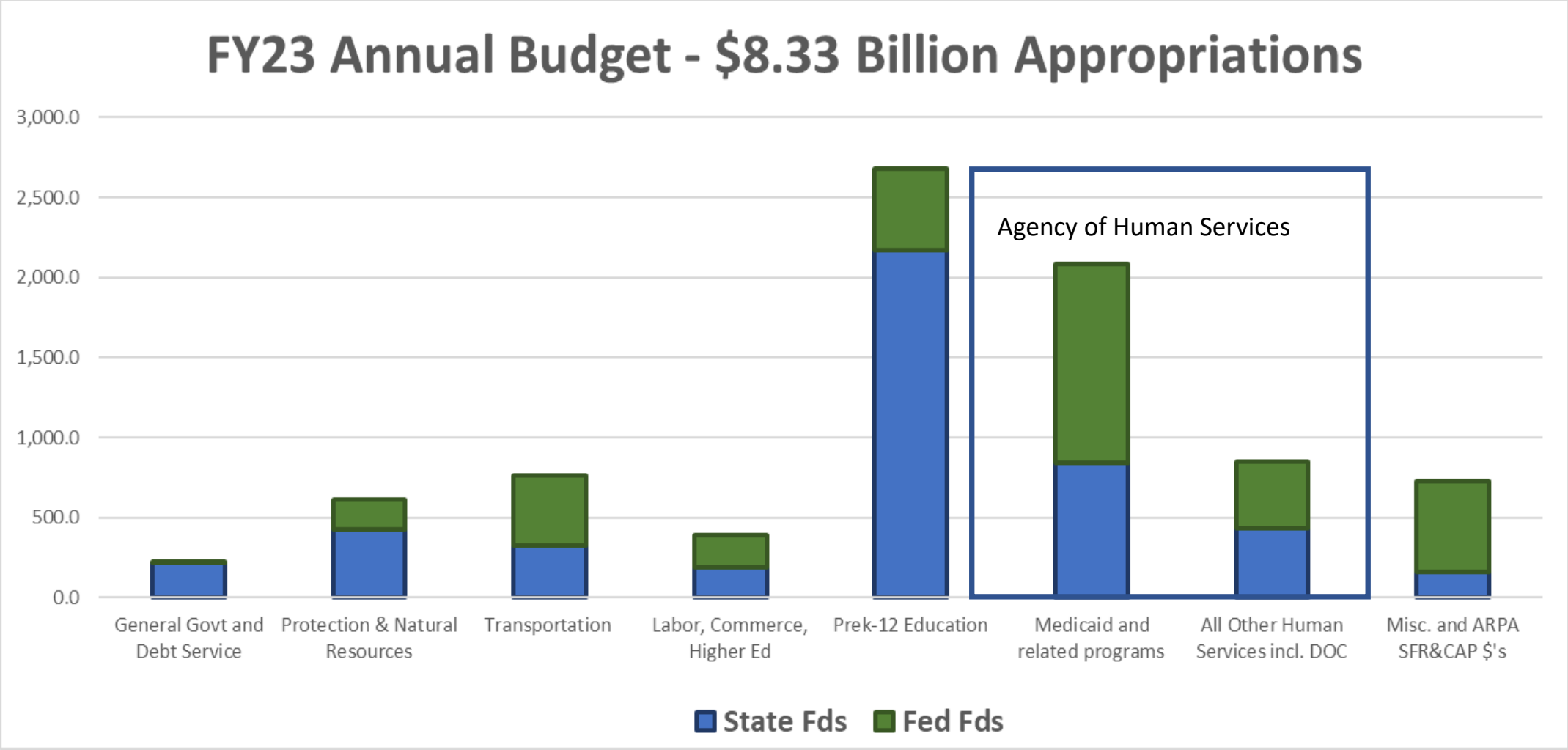
FY23 Operating Budget - \$8.3 Billion (Appropriations)

(Dollars in millions)

■ General Fund ■ Transportation Funds ■ Education Fund ■ Special Funds ■ Federal Funds



Where Does the Money Go? (Dollars in millions)



Where Does the Money Go?

- Another very high-level way to think about the state budget - What does it buy
 - People -about 14% of the total base budget is spend on state employees
 - Space, Computers, Software, and Supplies etc. – about 8% is spent on operating costs
 - The rest goes out to providers and communities to the benefit of Vermonters
 - This includes contractors for our roads, bridges and paving as well as grants to towns for road maintenance
 - This includes grants to Designated Agencies for Mental Health and Developmental Disabilities service and support and payments to Health Care providers for Medicaid patients
 - This includes grants for community and housing development
 - This includes grants to schools for operations and categorical programs



General Fund – Flexible but Obligated

Total FY23 GF Appropriations

\$2,035 M

- Teachers' Retirement/OPEB \$189M
- Medicaid/Global Commitment \$665M
- Corrections \$164M
- Debt Service \$76M

Subtotal

\$1,130M

56% of GF



Base Funds Versus One-Time Funds

- Base funds are included the official revenue forecast and will be part of the revenues available to the state in future years. These are funds that support on-going programs and operations of state government.
- One-time funds are non-recurring revenues or fund balances. These may include special fund balances and court settlements. These funds are generally used to address one-time spending issues or are reserved for future use.



Typical Spending Pressures Facing Vermont

- Pay Act – annualization of salary costs
- State operations, inflation, workforce pressures
- Unfunded liabilities (pensions, OPEB)
- Caseload and program pressures
- Other base needs



Development of the FY 2024 Budget -Pressures

Operating Base Budget

- Emergency/Transitional Housing
- Medicaid
- Corrections operations and costs: court reopening and pandemic easing
- Pensions: annual funding obligations of OPEB and Pension remain a constant challenge
- Tax expenditures (exemptions that reduce revenues)
- Higher Education base funding
- Etc.

Investments (state and federal funds)

- Workforce/Economic Development
- Housing
- Climate change
- Clean Water
- Broadband
- Childcare
- Paid Family Leave
- Higher Education
- Federal match needs
- Etc.



Reserves

- VT has healthy reserves. At the close of FY22 balances were:

	<i>(in millions)</i>	FY19	FY20	FY21	FY22
General Fund					
Unallocated Fund Balance		0.0	0.0	3.6	91.5
Stabilization Reserve		78.2	79.8	81.9	87.1
Rainy Day Fund Reserve		31.6	31.6	80.4	80.4
Human Service Caseload Reserve		100.1	98.2	97.7	97.7
27/53 Payment Reserve		14.4	18.4	20.3	0.0
Pension/OPEB Reserve		0.0	0.0	150.0	0.0
TOTAL GF		224.2	228.1	433.9	356.7
Education Fund					
Unallocated Fund Balance		19.4	0.0	28.7	12.9
Stabilization Reserve		37.0	33.0	38.2	39.3
PCB Reserve		0.0	0.0	0.0	32.0
Pension/OPEB Reserve		0.0	0.0	14.0	0.0
TOTAL EF		56.4	33.0	80.9	84.2
Transportation Fund					
Unallocated Fund Balance		0.0	24.2	28.6	15.3
Stabilization Reserve		13.8	14.1	11.9	13.3
TOTAL TF		13.8	38.3	40.5	28.6



Federal Funds Continue to Evolve

- Small State Minimums
 - Vermont and other small states are big winners per capita
- Federal Limitations on use
 - Targeted for specific purposes
 - Some require state matching funds (e.g. transportation)
- Starting to return to “business as usual” federal funding – increases to existing grant programs, longer timeframes



Federal Funds – Types to Vermont

- COVID-related via various bills including:
 - Families First Coronavirus Response Act
 - CARES Act
 - American Rescue Plan Act
 - Consolidated Appropriations Act
- Infrastructure, Investment & Jobs Act (IIJA)
- Bipartisan Safer Communities Act
- Inflation Reduction Act (IRA) – Climate-related



Vermont - Federal Pandemic-Related Funding – \$10.8B

By Federal Department, Source: FFIS November 30, 2022 (\$ millions)



Blue portions reflect funding from U.S. Treasury.



Act 74 of 2021 **G.100** - Establishing Multiyear Funding Priorities for ARPA and Other State & Fed Funds

(a)(1) ARPA was enacted on March 11, 2021 and includes a \$1.05 billion grant of flexible aid for Vermont to be spent over the next four years. With these funds, and other federal or State funds, the General Assembly recognizes an unprecedented opportunity to invest in Vermont's recovery and long-term future by supporting Vermonters' health and well-being and by strengthening Vermont's communities, businesses, environment, and climate. Between ARPA funds and other federal and State funds, the General Assembly anticipates spending the following amounts over the next three years:

(A) \$250,000,000 for the health, well-being, and recovery of Vermonters; for workforce development; and for business supports;

(B) \$250,000,000 for development of a wide array of housing;

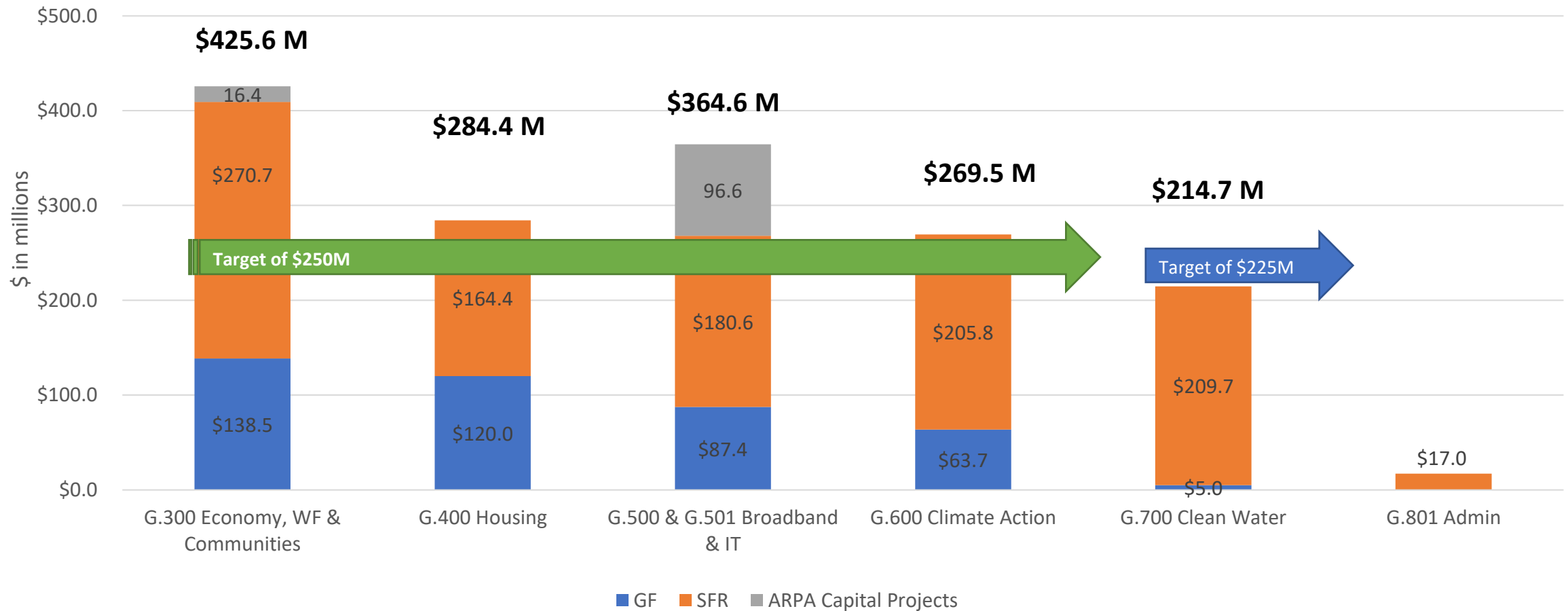
(C) \$250,000,000 for broadband development;

(D) \$250,000,000 for climate change mitigation; and

(E) \$225,000,000 for clean water initiatives.



VT's Appropriated ARPA SFR (\$1B) & CAP (\$113m) plus GF \$415m – thru FY23 As Passed



Upcoming Session

- Fund base with ongoing revenue and strategic investments with one-time funding
- Need to be diligent about the revenue outlook in future years
- Understand and maximize federal funds
- Assess and understand status of investments



Contact

For any questions, please contact us or see our website:

One Baldwin Street,
Montpelier, VT 05633-5301
(802) 828-2295

General Inquires: askjfo@leg.state.vt.us

<https://ljfo.vermont.gov/>

