All Legislative Briefing
Budget and Federal Funding
December 8, 2021

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Overview

• FY 2022 Review and FY 2023 Budget:
  • Sources of Funding
  • How the Money is Spent
  • Developing the FY 2023 Budget
    • Pressures
    • Strategic Investments
  • Reserves

• Federal Funds Update – Pandemic and Non-Pandemic
FY22 Budget By Fund - $7.3B All Funds
(unduplicated, $ in millions)

ARPA & CRF = $482M

- Federal Funds, $2,798  38%
- General Fund, $1,950  27%
- Education Fund, $1,848  25%
- Special Funds, $407  6%
- TF&TIB, $323  4%
FY22 Budget By Fund - $4.5B State Funds
(unduplicated, $ in millions)
How is the Money Spent?

The FY22 base budget uses $748M in one-time state and federal funds including ARPA.
**Very High Level Budget Frame FY 2022**

(All Funds)

<table>
<thead>
<tr>
<th>Alternate Budget Frame ($billion)</th>
<th>$</th>
<th>%</th>
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<tbody>
<tr>
<td>State Employees Payroll</td>
<td>0.96</td>
<td>13%</td>
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<tr>
<td>Operating Expense (includes debt service and teachers retirement)</td>
<td>0.95</td>
<td>13%</td>
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<tr>
<td>Grants &amp; Contracts</td>
<td>5.42</td>
<td>74%</td>
</tr>
<tr>
<td>FY 2022 Total Operating Budget</td>
<td>7.33</td>
<td>100%</td>
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- Grants & contracts are funds that go out to local communities, organizations and service providers. For example:
  - road construction or state marketing efforts that benefit all or most Vermonters
  - health care and financial support for low income, elderly or disabled Vermonters eligible for various programs
  - technical assistance or services. This also includes some federal funds for Covid-19 relief.
General Fund – Flexible but Obligated

<table>
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<tr>
<th>Total FY22 GF Appropriations</th>
<th>$1,950 M</th>
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<tbody>
<tr>
<td>• Teachers’ Retirement/OPEB</td>
<td>$187M</td>
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<tr>
<td>• Medicaid/Global Commitment</td>
<td>$675M</td>
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<td>• Corrections</td>
<td>$143M</td>
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<td>• Other AHS</td>
<td>$205M</td>
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<td>• Debt Service</td>
<td>$76M</td>
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**Subtotal** | **$1,286M**

66% 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.
Development of the FY 2023 Budget – Revenues – Base and One-time

• There is increased GF base capacity in FY 2023
  • Base revenue in the GF is projected to grow in FY 2023 by 2.7% per July forecast.
    • Subsequent year growth is lowered to 2.2%,
    • Typical spending growth estimated between 3.5%-4.0%
  • Need to be strategic with how to utilize base funding capacity

• There are significant one-time funds available in FY 2022, some of which will carry over to FY 2023
  • ARPA state fiscal relief - $528m remains
  • FY 2022 GF balance up to $188m -some will be used in BAA
  • Critical to invest one-time funds for one-time obligations
Typical Spending Pressures Facing Vermont

• Unfunded liabilities (pensions, OPEB)
• Caseload and program pressures
• State operations, inflation, workforce pressures
• Initiatives TBD
Development of the FY 2023 Budget - Pressures

Operating Base Budget
• 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.

One-Time Investments (state and federal funds)
• Workforce/Economic Development
• Housing
• Climate change
• Clean Water
• Broadband
• Childcare
• Higher Education
• Federal match needs
• Etc.
Reserves - Bright Spot

Building reserves has been one of the areas of great progress – increasing the total “socked away” for the next economic downturn.

- Transportation Fund $13.9M Stabilization Reserve
- General Fund
  - Stabilization Reserve $ 87.1 M
  - Rainy Day Fund $ 80.4 M
  - Human Service Caseload $ 97.7 M
  - GF Total Reserves $265.2 M 13.6% of annual GF

How much is enough?
Federal Funds – Continues 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 – Pandemic Versus Non-Pandemic

• Pandemic-Related – total = $10B
  • Grant = $5B
    • Examples include Coronavirus Relief Fund, State & Local Fiscal Recovery Fund, Emergency Rental Assistance Program
  • Non-grant – direct to recipients = $5B
    • Examples include Paycheck Protection Program (PPP), unemployment compensation, ARPA economic impact payments

• Non-pandemic:
  • Infrastructure Investment & Jobs Act
  • Build Back Better Act – still in process

• More federal funding details available on JFO’s web site.
Vermont - Federal Pandemic-Related Funding – $10B
By Federal Department, Source: FFIS November 30, 2021 ($ millions)

More federal funding details available on JFO’s web site.
Vermont - Federal Pandemic-Related Funding – Grants - $5.0B
By Federal Department, Source: FFIS November 30, 2021 ($ millions)

- Treasury, $3,073
- HHS (provider relief, testing, CC), $790
- Homeland Security, $363
- Education (K - 12, Higher Ed), $595
- Transport... $137
- ... $...
Vermont - Federal Pandemic-Related Funding – Non-Grants (direct) - $5B
By Federal Department, Source: FFIS November 30, 2021 ($ millions)

- SBA (PPP & EIDL Grants/loans), $2,275
- Treasury - Economic Impact, $1,643
- USDA (food assistance), $145
- Labor, $1,270
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
Questions?

Joint Fiscal Office website: [https://ljfo.vermont.gov/](https://ljfo.vermont.gov/)
- Compendium of fascinating Vermont fiscal information
- Organized by subject matter as many topics are relevant across the years
  - Legislative website is organized by biennium – everything is on a two-year cycle