

All Legislative Briefing Budget and Federal Funding

December 8, 2021

Maria Belliveau

Sarah Clark



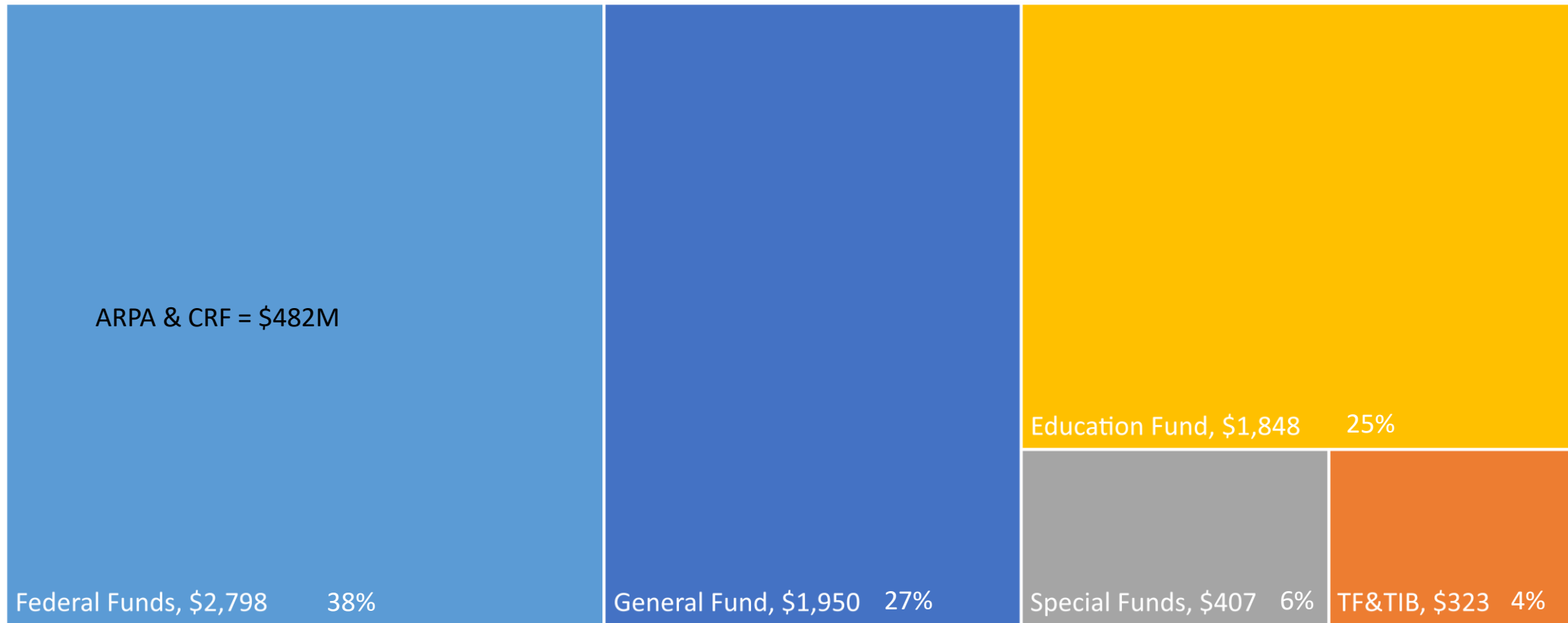
Vermont Legislative
JOINT FISCAL OFFICE

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

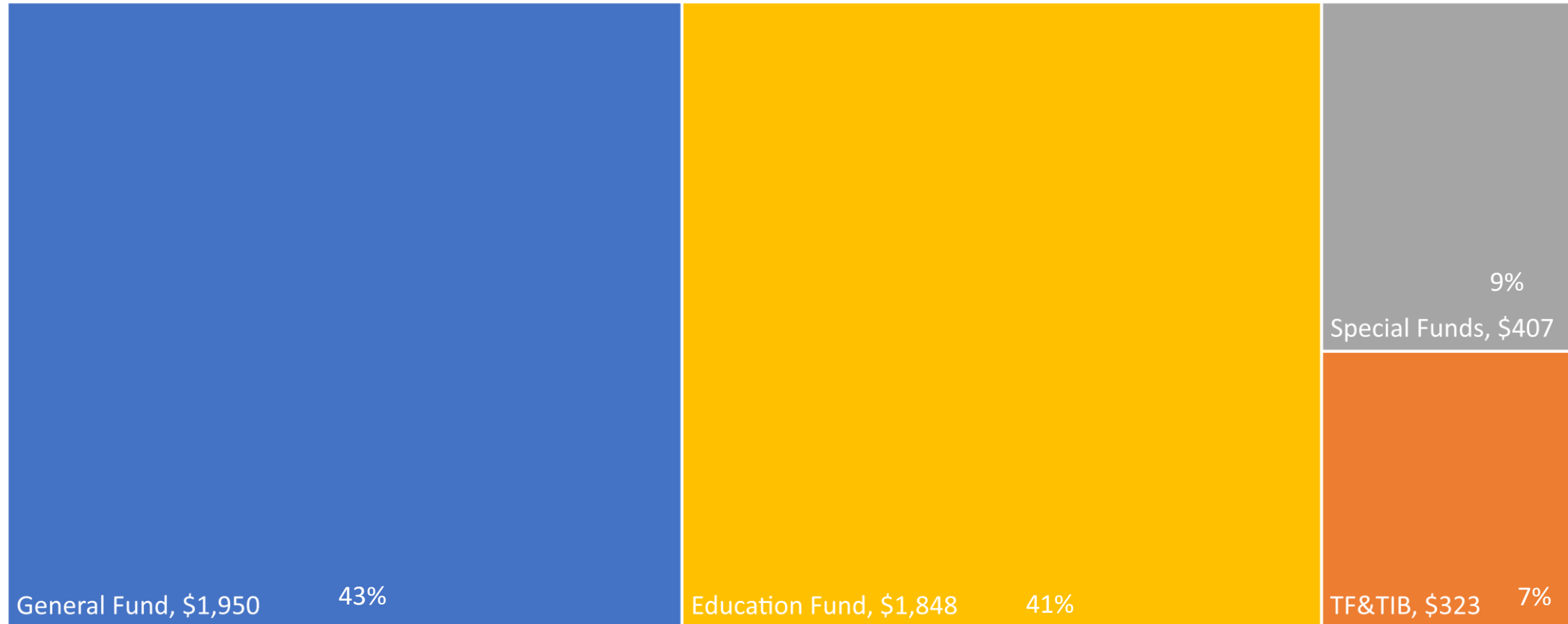
FY22 Budget By Fund - \$7.3B All Funds

(unduplicated, \$ in millions)



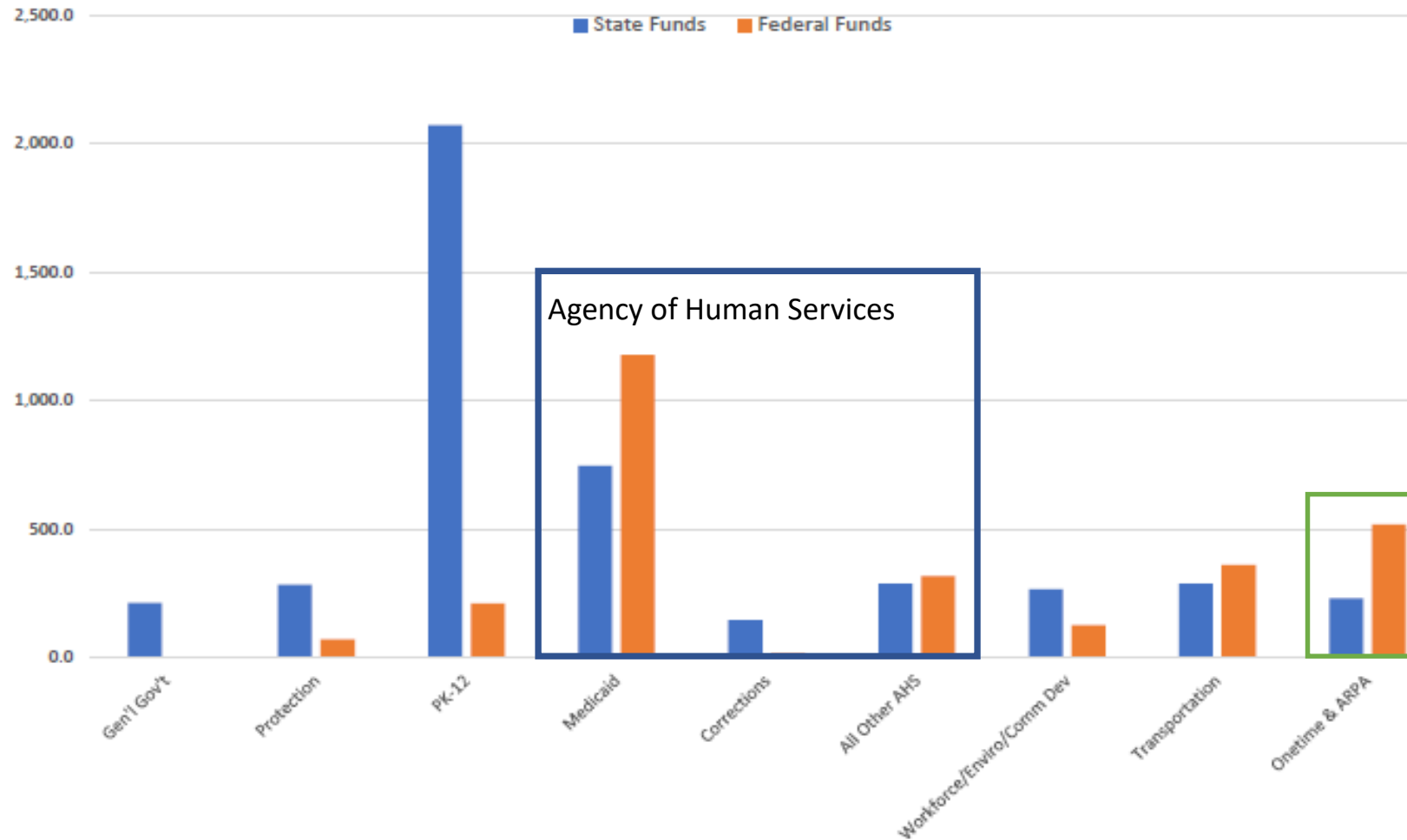
FY22 Budget By Fund - \$4.5B State Funds

(unduplicated, \$ in millions)



How is the Money Spent?

Where \$s Are Spent - FY22 Operating Budget
State Funds \$4.5B v. Federal Funds \$2.8B



The FY22 base budget uses \$748M in one-time state and federal funds including ARPA.

VERY HIGH LEVEL BUDGET FRAME FY 2022 (ALL FUNDS)

Alternate Budget Frame (\$billion)	\$	%
State Employees Payroll	0.96	13%
Operating Expense (includes debt service and teachers retirement)	0.95	13%
Grants & Contracts	5.42	74%
FY 2022 Total Operating Budget	7.33	100%

- 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

Total FY22 GF Appropriations	<u>\$1,950 M</u>
• Teachers' Retirement/OPEB	\$187M
• Medicaid/Global Commitment	\$675M
• Corrections	\$143M
• Other AHS	\$205M
• Debt Service	\$76M
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
 - Stablization 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

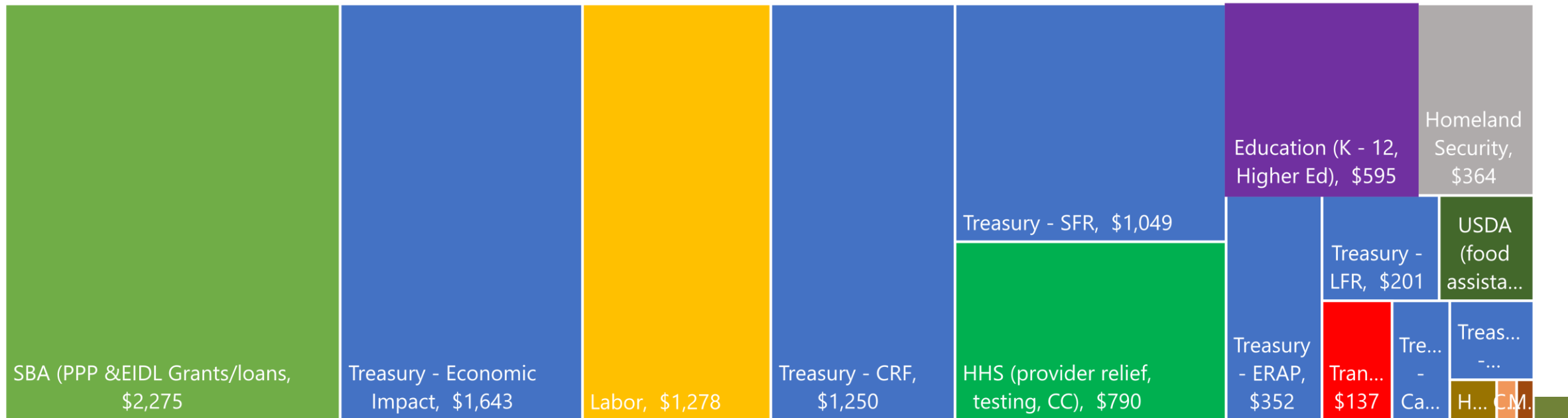
Federal Funds – Pandemic Versus Non-Pandemic

- 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)

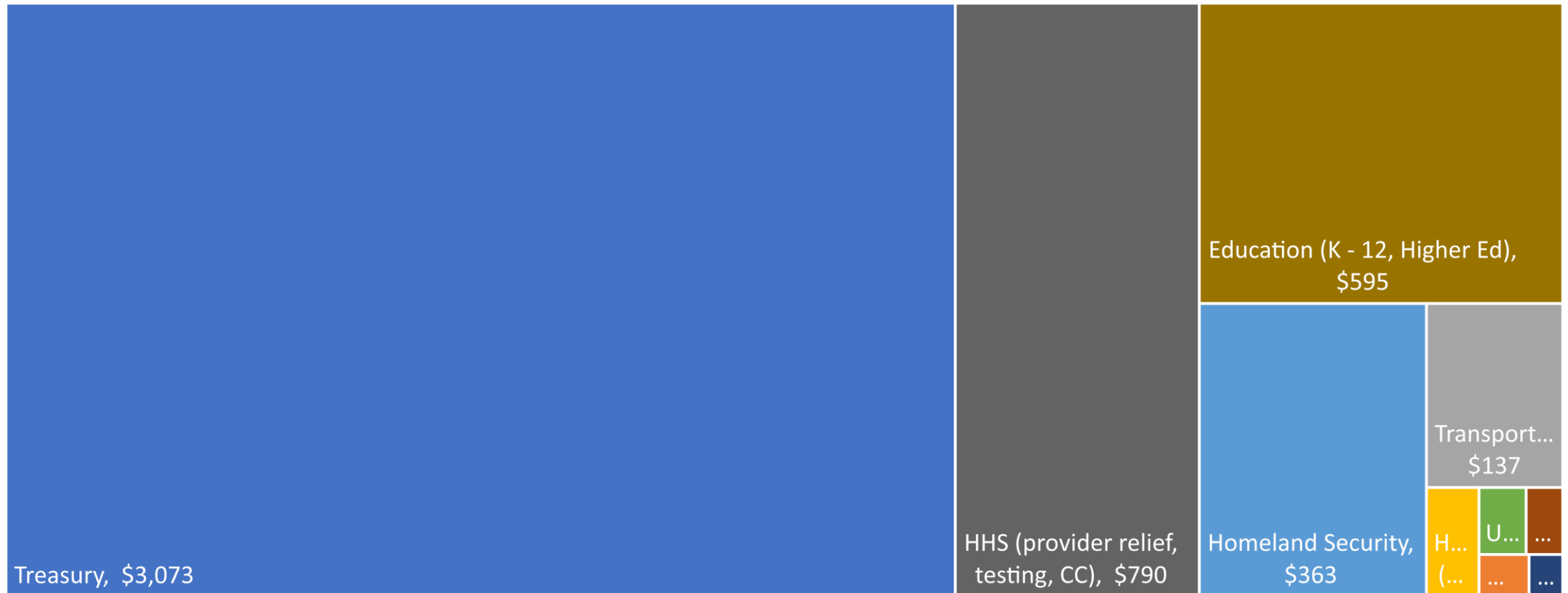
- Treasury - CRF
- Treasury - ERAP
- Treasury - Capital
- Treasury - other
- Treasury - LFR
- Treasury - SFR
- Treasury - Economic Impact
- Misc Depts
- Transportation
- HUD (CDBG, ESP, Rental Assistance)
- Homeland Security
- USDA (food assistance)
- Labor
- Commerce
- HHS (provider relief, testing, CC)
- Education (K - 12, Higher Ed)
- SBA (PPP &EIDL Grants/loans)



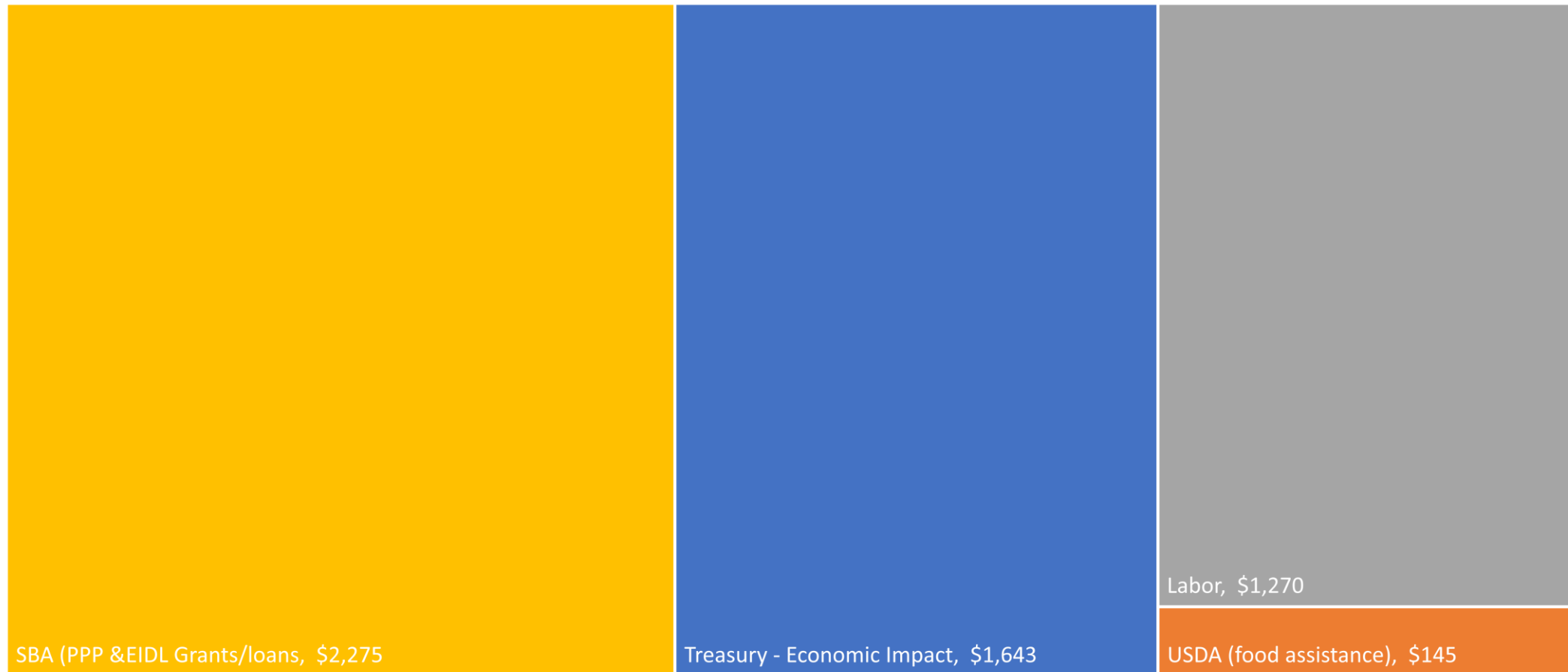
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Vermont - Federal Pandemic-Related Funding – Grants - \$5.0B

By Federal Department, Source: FFIS November 30, 2021 (\$ millions)



Vermont - Federal Pandemic-Related Funding – Non-Grants (direct) - \$5B By Federal Department, Source: FFIS November 30, 2021 (\$ millions)



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/>

- 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