

## Joint Fiscal Office Update

### Key Developments – March 30, 2020

What follows is an update of key revenue and expenditure developments during the past week.

#### **1. The Third Stimulus Bill – The CARES Act**

The third federal stimulus bill, known as The CARES Act, passed the House on Friday, March 27 and was signed by the President later that same day.

This \$2 trillion congressional coronavirus relief bill provides considerable aid for Vermont. The bill contains assistance in the form of direct checks for people, low-interest loans for businesses, and a new program for unemployment insurance for self-employed. A full description of its provisions has been prepared by the National Conference of State Legislators and can be found at [NCSL stimulus bill provisions](#).

This write-up will focus on the financial resources that the bill provides to the State and its instrumentalities. These consist of:

- A. **Coronavirus Relief Fund**: This will provide Vermont and its local governments with \$1.25 billion in resources with somewhat strict use parameters. This may come through as a grant, and we need to think about how the legislature plays a role in its expenditure.
- B. **Categorical Aid**: This will go to a number of programs and activities, including the arts, LIHEAP, State Transportation programs, and many others. Details are discussed below. It may come in as “excess receipts,” which means it would not need to be subject to appropriation but rather could go through a normal distribution process using existing procedures.
- C. **Direct Assistance**: This aid will go to Pre-K–12 Education, Higher Education, Hospitals, and other medical centers.

#### **A. The Coronavirus Relief Fund**

The good news with this fund is that Vermont will receive \$1.25 billion of \$150 billion or about 0.8%. This is about four times Vermont’s normal small state set aside. It will be a valuable resource. It should arrive within 30 days of enactment of this relief bill. Some of these funds are to be distributed to local governments, but there is no clear formula.

The bad news is its restrictions. It likely cannot be used to make up for the loss of revenue but is to be used for expenditures that are:

- Incurred due to the public health emergency;
- Not in our base budgets; and
- Incurred between March 1 and December 30, 2020.

There is recapture language if these use restrictions are violated.

These funds will be extremely valuable for many allowable uses, while at the same time the revenue decline in FY 2020 and FY 2021 will still be an issue for the State. In other words, while we will likely have potential resources beyond expectation, we will continue to have a large revenue problem. Both need to be addressed.

Over the next few weeks, several questions will need to be answered. These include:

1. How does the allocation to local governments get determined?
2. How do these general state resources relate to the additional categorical aid elsewhere in the bill, which is also directed to meet COVID-19 related needs?
3. How can we best use these funds in relation to other state and federal funds to maximize value for the State?
4. In addition to meeting the direct needs of COVID-19 at the state level, how can the funds be used to provide other assistance such as health care security to Vermonters or other resources, resources for emergency workers or other assistance and support, or aid to Vermont's businesses?
5. How can these funds leave a stronger Vermont once the pandemic passes?
6. How will decisions get made, and what are the roles of the Legislative and Executive Branches?

Finally, it is important to think through the timing of the expenditures and allocation. We are at the early stages of this pandemic. The issues we face today may pale against needs in a few months. How will these timing and allocation decisions be made?

### **B. Categorical Aid**

The categorical aid is described well in the NCSL document above. Senator Leahy's office also put together a spreadsheet that outlines some of the Vermont-specific allocations for some of this assistance, which can be found at [Leahy Vermont allocations](#). It is not clear whether this aid will be allocated through Executive Branch excess receipts or through an appropriation. These funds are potentially very useful within their targeted areas of support.

### **C. Direct Assistance**

This aid will go to Pre-K–12 and Higher Education entities, Hospitals, and other medical centers. Again, this is extremely valuable assistance, but in some cases it will need to be supplemented with additional aid or accounted for as we allocate resources.

## **2. Other Developments**

- **Further Budget Adjustments**: The Administration has indicated that they are developing another budget adjustment largely to address COVID-19 needs. They are targeting mid-April for consideration.

- Interfund Borrowing: The Treasurer has asked that for this year we allow a longer period in which we can borrow from various funds to meet cash flow needs. With the postponement of income, sales, and rooms and meals tax revenues and some major expenditures needed in May, we need this flexibility to ensure the State's cash position remains healthy.
- The FY 2021 Budget and Education Yield Calculations: The development of the FY 2021 budget has been on hold. We are not able to make even preliminary FY 2021 revenue projections given the uncertainty we face. This also impacts the ability to determine the Education Fund yield, which impacts local education tax rates.
- Other resources for review: The Fiscal Office has assembled a number of resources at its COVID-19 web page located at <https://ljfo.vermont.gov/subjects/covid-19-documents>. We encourage you to check this resource out as you look for guidance on recent developments. The four categories of documents and a sampling of what is posted appear below:
  - JFO Updates and Information
    - [The Federal CARES Act: A Preliminary Overview of Unemployment Benefits and Rebates](#)
    - [Issue Brief: Housing Provisions in Federal CARES Act](#)
    - [Updated Issue Brief: Education Finance Issues Raised by COVID-19](#)
    - [General Fund Reserves in Title 32](#)
  - Administration Updates
    - Adam Greshin  
<https://legislature.vermont.gov/Documents/2020/WorkGroups/Senate%20Finance/Covid%2019%20Response/W~Adam%20Greshin~Situation%20Report~3-27-2020.pdf>
  - Fiscal Notes
    - [H.742 An act relating to grants for emergency medical personnel training; UI sections](#)
    - [H.742 – Vermont's COVID-19 Response Bill, Secs. 1–28, as passed by the Senate. Note: passed by both branches](#)
  - Outside resources
    - [Federal Medical Assistance Percentages Guidance \(FFIS\)](#)
    - [United States Senate - S.3548 Covid-19 Stimulus Bill - Title by Title Summary \(FFIS\)](#)