

Joint Fiscal Office Update

Key Developments – May 5, 2020
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What follows is an update of key revenue and expenditure developments during the past week.

1. Revenue Developments

a. FY 2020 Revenues: Our revenue expectations were substantially updated on 4/28/2020 and are available at: [Revenue-Forecast-April-28-2020](#)

- i. For now, if deferred taxes are allocated to FY 2020 (the year they were due), the FY 2020 shortfalls from the January estimates are:
 1. General Fund down (\$48) million
 2. Education Fund down (\$54) million
 3. Transportation Fund down (\$44) million
- ii. We expect further changes as the final revenues through April are understood.

b. FY 2021 revenues and beyond: The first projection for FY 2021 revenue impacts has been done as of 4/28/2020. It was presented by the legislative economist Tom Kavet on Wednesday, 4/29/2020. The estimated revenues for FY 2021 are substantially below those estimated for FY 2020, which will raise issues for spending levels in the FY 2021 budget. The declines from forecasts made in January 2020 are: General Fund (18%), Education Fund (12.5%), and Transportation Fund (14.8%). These estimates may understate or overstate impacts and will change as data gathering continues. They do not account for revenue loss due to nonpayment of local property taxes or State education property taxes, which could be an added pressure.

- i. For now, if deferred taxes are allocated to FY 2020 (the year they were due), the FY 2021 shortfalls from the January estimates total (\$433) million and are:
 1. General Fund down (\$266) million
 2. Education Fund down (\$113) million
 3. Transportation Fund down (\$52) million

The 4/28/2020 forecast is preliminary and not yet consensus, as the Administration will not be fully participating until the middle of May. The forecast will change as more information becomes available and we get final April numbers. The preliminary projection will enable legislative money committees to begin the FY 2021 budgetary process and move toward setting the yield for the Education Fund. It is likely that the pandemic will impact revenues through FY 2022, but out-year impacts are not estimated at this point.

2. The Third Stimulus Bill – The CARES Act - Developments with Receipt of Funding

a. The CARES Act contained \$1.25 billion Coronavirus Relief Fund (CRF) monies for Vermont: Two weeks ago, Vermont received its \$1.25 billion in funding from the Coronavirus Relief Fund. The Treasury guidance was received on 4/22: [Treasury](#)

[Guidance CRF Funds](#). A frequently asked questions document is also available: [Treasury CRF FAQ](#).

- i. The Administration submitted a grant form on Sunday May 3 to the Joint Fiscal Committee (JFC) for formal acceptance of the funds. It was discussed at the JFC meeting on Monday, May 4.
 - ii. There is general agreement to having some flexibility to address funds that have already been spent and to ensure that a system is in place that allows meeting immediate, time-sensitive needs. On April 27, the JFC adopted a plan to divide these funds into three categories. The plan can be found here: [Conditions for CRF Funds](#). While this motion was adopted, the Committee also stated that the specific numbers may be adjusted in a future JFC meeting. Generally, the administration's proposal is consistent with the following:
 1. Up to \$75 million allocated for urgent health and safety and emergency needs for immediate use by the Administration. This includes expenditures already made over the past few weeks. They will report their spending to the Legislature.
 2. \$150 million allocated to go through a JFC approval process with the goal of reviewing each allocation within a week or less. The associated documents will be available to all legislators.
 3. \$1.025 billion allocated to go through the normal appropriations process.
 - iii. Action was postponed until Tuesday, May 5, in order to have time for Committee member and legal review. Relevant documents can be found here: [JFC Meeting 2020-05-04](#).
- b.** Health care institutions received additional appropriations from the CARES Act's \$100 billion Provider Relief Fund. To date Vermont providers have been allocated approximately \$145 million, however it appears the Vermont shares may be below what was anticipated.
- i. Tranche 1: \$54.5 million went to 1,011 providers, of which \$34.2 million went to Vermont's 15 hospitals.
 - ii. Tranche 2: \$16 million. At this time, we do not yet know how this was distributed amongst Vermont providers.
 - iii. Tranche 3 (Rural Allocation): \$74.6 million was allocated to 80 Vermont providers, although we do not yet know which providers or how much went to each.

Additionally, Vermont Hospitals have also received \$159 million in advance Medicare payments which are loans that will be 100% recouped by Medicare starting 120 days after receipt.

The Joint Fiscal Office has a web document that links to various Vermont allocations of federal funding and will be updated. A full list of federal resources allocated to date is available here: [Federal COVID-19 funding as of 5/1/2020](#). The Administration has a similar document that is available here: [Administration COVID-Grant-Tracker 5-1-2020](#).

3. Further Federal Response and Stimulus Bills

There are discussions about the next federal bill, which could include funding for state and local government, infrastructure, and election security. However, U.S. Senate leadership and the White House have expressed some concern about offering any more stimulus at all. What additional funding to states or other virus federal response program will not be clear until later in May/June.

4. General Budget Bills/Appropriations Timeline

- a. An FY20 supplemental budget adjustment bill will be developed. We received an Administration proposal on May 6. This “BAA2” also addresses a year-end close-out process and reserve-use. It has been assigned bill number H.972.
- b. An FY21 first-quarter appropriations bill — a three-month bill — will also be developed in May and June. This bill is being referred to as the “skinny start” bill and will contain the authorities and appropriations needed to begin the fiscal year in July and provide limited spending authority until a traditional appropriations Big Bill for FY21 is developed in August/September. It has been assigned bill number H.973.
- c. The [Governor’s Proposed FY 2020 Supplemental Budget Adjustment Materials](#).

5. State College Finances

The State Treasurer is reviewing State College finances. She hopes to have a preliminary review done in the next few weeks. Treasurer Pearce’s team is focusing on a preliminary review of the financial situation of the institution to guide further action. A second, short-term study may be put in place in the coming week to ascertain the amount of money needed to bridge the next fiscal year.

6. Broadband

There is consideration of using a portion of the federal CRF funding to expand broadband in Vermont. Discussions as to how to best utilize these funds are underway, and there may be an effort to hire outside expertise in this area.

7. Unemployment Insurance Claims

Initial unemployment insurance claims declined to 5,117 for the week ending April 25, down from 6,598 the previous week. Those numbers are about 10 times the average level of 607 initial claims during the first 2½ months of 2020. The Vermont Department of Labor paid unemployment benefits to 76,467 Vermonters during the week ending April 25, about 15 times the average number of 5,069 benefits for the first 2½ months of 2020. An updated chart showing the history of initial unemployment insurance claims is available [UI Claims 4/30/2020](#).