

Joint Fiscal Office Update

Key Developments – June 2, 2020

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

1. Revenue Developments

- a. **The updated forecast revision:** Jeff Carr and Tom Kavet are working on a revised forecast based on revenues as of the close of May. We don't expect big differences, but it should show some improvement in Sales tax and Rooms and Meals tax, and potentially a loss in lottery proceeds. We expect that revision late in the first week of June.
- b. The current forecast can be found with links below. FY 2020/21/22 Revenues detail can be found at: [Detailed May 19 forecast](#)
 - i. Simpler FY 2020/21 charts are available at: [Summary FY20, FY21, and FY22 Revenue Forecast](#)
 - ii. That forecast indicates for FY 2020:
 1. General Fund down (\$46) million (not including end-of-the-year direct appropriations from the property transfer tax, which reduce revenues a further \$2.8 million)
 2. Education Fund down (\$55) million
 3. Transportation Fund down (\$42) million
 - iii. **FY 2021 revenues:**
 1. General Fund down (\$230.5) million
 2. Education Fund down (\$100.3) million
 3. Transportation Fund down (\$43.6) million
 - iv. **FY 2022 revenues:** The FY 2022 forecast indicates estimated revenues will modestly rebound. These forecasts are likely to change as better data become available.

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:** Since the money arrived, the State has continued to receive spending guidance with the most recent received on May 28, 2020. This recent one creates more questions on what the funds can be used for. It can be found at [Treasury FAQ May 28](#).
- b. Other guidance documents include:
 - i. The Treasury guidance was received on 4/22: [Treasury Guidance CRF Funds](#).

- ii. A frequently asked questions document also came on 4/22: [Treasury 4/22 CRF FAQ](#).
- iii. A second frequently asked questions came this week on May 5: [Treasury 5/5 CRF FAQ](#)
- iv. The CRF funds can be used for a match to FEMA funding. This decision was made on 5/10. It is referenced and linked right below.

c. **The Scott Administration issued its own guidance document on May 6: [May 6 Exec. Branch Guidance](#).** It has been updated with the FEMA change and that update is at: [Revised Administration guidance May 26](#).

d. **Allocation and Grant Status**

- i. The continued changes to Federal guidance create ongoing uncertainty on the use of funds. The newest guidance created considerable unclarity on the amount that should be reserved for local government (including schools). This guidance uncertainty is coupled with proposals for spending or reserving funds that exceed resources available. The process of allocation is in a critical phase with many determinations likely in the next few weeks.
- ii. Tracking fund allocations can be done at: [Compiled uses of CRF funds](#)
- iii. About \$1 billion is unappropriated and unspent.
 - 1. The Administration submitted a \$450 million outline of a proposal that can be found here: [Gov's proposal](#). Actual language has not yet been submitted.
 - 2. There may also be an additional health care proposal, possibly in the \$300 – \$400 million estimated range.
 - 3. To the extent that funds are reserved to offset revenue losses should that become eligible, this would be \$400 million.
 - 4. We are also receiving a continuous stream of outside requests for funds.
- iv. The Administration will soon have on board a consulting firm to help with federal expenditure tracking. The consulting firm chosen is likely be one used by other states, with expertise in tracking federal expenditures and assisting states with reporting and expense eligibility determinations. As of this writing, there are two finalists for the contract. The Administration hopes to have it awarded in the next week. The materials related to this submission are available under supporting documents at: [Administration proposal May 18](#).
- v. The Joint Fiscal Office and the Office of Legislative Council have issued a short document to help legislators and legislative committees consider what ideas they may have for the use of CRF funding. It can be found at [Guidelines for the use of CRF](#).

3. Other Federal Funds coming to Vermont

- a. The federal funds for Vermont continue to change. This week we received information that there was another \$2+ million coming to higher ed entities for unmet needs. In addition, local housing entities will receive another \$592,000 through HUD supportive housing for disabled persons. A full list of federal resources allocated to date is available here: [JFO List of Federal Funds updated through 5/19](#).
- b. The Administration has a similar document that is available here: [Administration COVID Grant Tracker 5-11-2020](#).

4. Further Federal Response and Stimulus Bills

Further federal response remains uncertain. The approach to this uncertainty will be to draft bills with the ability to take advantage of added resources or flexibility if they become available.

5. General Budget Bills/Appropriations Timeline

- a. H.953, the FY 2020 supplemental budget adjustment bill, has passed the House and Senate and will be sent to the Governor.
Here is a link to H.953, the FY 2020 Budget Adjustment bill: H.953 [House 953 Supplemental BAA](#). A highlights document is available here: [Supplemental BAA highlights](#)
- b. An FY 2021 transition appropriations bill — a three-month bill — is under consideration and is expected to come out of House Appropriations this week. It will contain the authorities and appropriations needed to begin the fiscal year in July and provide limited spending authority until a traditional appropriation “Big Bill” for FY21 is developed in August/September. The Administration’s guidance for this bill is at: [Instructions to departments for 1st quarter bill](#).

6. State Colleges Finances

- a. At the request of Legislative leadership and the Administration, the Joint Fiscal Office contracted with a consultant to provide an independent financial assessment of the Vermont State Colleges System. The contractor, James Page, is a former chancellor of the University of Maine System. He will provide his assessments in early June. The Treasurer is releasing her own report on the cost implications of keeping the colleges open. It will be posted on its release.

7. Broadband

- a. Based on several Legislative requests, the Joint Fiscal Office has contracted with CCG Consulting to look at opportunities to use CRF funding for broadband-related investments as well as thinking through other broadband opportunities and proposals. The federal guidance specifically indicates that facilitating remote work, telemedicine,

and school-related distance learning are eligible uses. Given that the funds need to be expended by December 30, the specific uses are potentially limited.

8. Unemployment Insurance Update

- a.** Initial unemployment insurance claims declined to 1,552 for the week ending May 23, down from 2,199 the previous week. The Vermont Department of Labor paid unemployment benefits to 44,825 Vermonters during the week ending May 23. That number is down from 47,760 benefits paid during the week ending May 16.
- b.** Since March 1, 2020, the Department of Labor has received 99,376 initial unemployment claims. Under both the traditional UI program and the new PUA program, 79,030 claimants have received payments.
- c.** An updated chart showing the history of initial unemployment insurance claims is available at [UI claims May 23](#).