Joint Fiscal Office Update

Key Developments – May 12, 2020
Joint Fiscal Staff, Stephen Klein, Chief Fiscal Officer

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

1. Revenue Developments
   a. The next forecast revision: We expect the next forecast revision to be done around May 15/18. The forecasters are waiting to finish a review of end-of-April numbers. Our last major forecast revision remains April 28 with links below.

   b. FY 2020/21 Revenues detail can be found at: Revenue Forecast April 28, 2020; Simpler FY 2020/21 charts are available at: Summary FY 20 and FY 21 revenue estimates

   c. FY 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

   d. FY 2021 revenues and beyond: The estimated revenues for FY 2021 were substantially below those estimated for FY 2020, raising 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 do not account for revenue loss due to nonpayment of local property taxes or State education property taxes, likely 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 remains preliminary and legislative only. The Administration has not been fully participating. The forecast will change as more information becomes available. The preliminary projections will be used for legislative money committees to begin the FY 2021 budgetary process and move toward setting the yield for the Education Fund.

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: Three weeks ago, Vermont received its $1.25 billion in funding from the Coronavirus Relief Fund. Since the monies’ receipt, the State has received three Treasury guidance documents:
      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

c. Grant Status:
   i. The Administration submitted the CRF grant to the Joint Fiscal Committee (JFC) on Sunday, May 3 for formal acceptance of the funds. It was discussed at the JFC meeting on Monday, May 4, and it was formally approved on May 5.
   ii. The JFC adopted a plan to divide these funds into three categories. The plan calls for:
      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. The Administration will report its 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. Final approval documents can be found here: JFC meeting materials 5/5
   iv. The Administration has submitted a list of expenditures for committee approval, and these were discussed and approved on 5/11/20. The materials related to this discussion and approved expenditures can be found here JFC meeting materials 5/11.
   v. Further expenditure of grant funding will likely be in a mix of other bills and the supplemental budget adjustment.

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 5/8/2020. The Administration has a similar document that is available here: Administration COVID Grant Tracker 5-11-2020.

3. Further Federal Response and Stimulus Bills
   At this point, further federal response does not appear likely soon. It might be late May or June before we see it. U.S. Senate leadership and the White House have expressed concern about offering any more stimulus at all. What additional funding might be offered to states is not clear at this time.

4. General Budget Bills/Appropriations Timeline
   a. An FY20 supplemental budget adjustment bill is likely to be voted out of House Appropriations this week on Tuesday or Wednesday, May 12 or 13. It has been assigned bill number H.953.
   
   b. An FY21 first-quarter appropriations bill — a three-month bill — is also being considered, and full development will start up later this week. 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 draft number 20-0973.
   
   c. Here is a link to the Governor’s Proposed FY 2020 Supplemental Budget Adjustment Materials.
5. **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.

b. The State Treasurer is also reviewing State College’s finances. She is focusing on a preliminary review of the financial situation of the institution to guide further action. She and the consultant are working to divide responsibilities and minimize overlap.

6. **Unemployment Insurance Claims**
   
a. Initial unemployment insurance claims declined to 3,875 for the week ending May 2, down from 5,117 the previous week. The Vermont Department of Labor paid unemployment benefits to 60,535 Vermonters during the week ending May 2. That number is down from 76,467 benefits paid during the week ending April 25.

b. The Vermont DOL announced that no Pandemic Unemployment Assistance payments to individuals such as the self-employed or sole proprietors would be issued during the week of May 3 because a system update is underway to enable validating accurate payments to claimants. The next round of payments is currently scheduled for the week of May 10 and will include benefits for both weeks. Claimants were emailed a notification.

c. An updated chart showing the history of initial unemployment insurance claims is available at [Initial UI Claims](#).