



STATE OF VERMONT  
GENERAL ASSEMBLY

**House Committee on Appropriations**

DATE: May 27, 2020  
FROM: Rep. Kitty Toll, Chair, House Committee on Appropriations  
TO: All House Committee Chairs  
RE: FY 2021 First Phase/Transition Budget Bill as Proposed by the Administration

The Administration presented its proposed FY2021 budget for the first quarter, July 1, 2020 through September 30, 2020, to the House Appropriations Committee on Tuesday. This proposal provides the State with a budget to start the fiscal year. The budget for the remaining three-quarters of the fiscal year will be addressed during the months of August and September when we will have more information on State revenues, Federal funds, and the effect that the COVID-19 epidemic has had on Vermont.

The General Assembly has been provided with informal weekly updates on revenues from the Joint Fiscal Office, the latest being Tuesday, May 19. The Official Consensus Revenue Forecast will be presented to the Emergency Board in mid-August for adoption. Until that time, there is no official forecast upon which to base the budget, making the process of developing the FY 2021 budget challenging.

The latest informal revenue update can be found in the following links. **FY 2020/21/22 Revenues detail can be found at:** [Revenue Forecast May 19, 2020](#). **Simpler FY 2020/21 charts are available at:** [Summary FY20, FY21 and FY22 Revenue Forecast](#).

The informal revenue update for FY 2021 indicates a general fund reduction, compared to the Official January 2020 forecast, of \$230.5 million, representing a 16.7% decrease. This is a very large decrease in anticipated revenues, necessitating a very hard look at the budget that will be adopted for FY 2021.

[The Governor's Recommended FY 2021 First Phase/Transition Budget](#) includes language in Sec. B.1100 that provides the following:

- A baseline appropriation for most budgets that are supported with General Funds at 23% of the FY 2020 Budget Adjustment (Act 88) level. When considering the entire four quarters of the fiscal year, this amounts to an 8% decrease in funding. There are some exceptions to this funding level including the Vermont Veteran's Home, the Vermont Student Assistance Corporation (VSAC), the Vermont Symphony Orchestra, The

Vermont Historical Society, and the New England Higher Education Compact, and the Military. In addition, Retirement fund and debt service obligations are funded at 100%.

- Education fund budgets are funded at 34% to accommodate the first of the required three payments to school districts.
- The Vermont Agency of Transportation (VTrans) will receive 60% of the FY 2020 appropriation of transportation funds in order to allow projects to move forward during the construction season.
- All budgets with other funding sources, such as federal and special, are funded at 25%.
- Finally, all non-General Funded appropriations for the Agency of Natural Resources will be prorated using a factor of 50% taking into account the seasonal nature of some of the Agency's operations.

Sec. B.1101 provides that modifications to these appropriations can be made by the Emergency Board.

As the Appropriations Committee reviews the Administration's recommendation, we will likely find some omissions, such as the pay increases given to State employees in FY 2020 that are not included in the First Phase/Transition Budget base for FY 2021. Please note that this issue does not affect the FY 2021 Pay Act, that will be addressed separately.

The Administration's proposal provides broad authority to allow for reductions without specific detail. The Appropriations Committee is still reviewing the Administration's proposal and it is certain that we will clearly outline non-programmatic reductions, savings, and other ways to secure General Fund for consideration in August. We have asked Departments and the Joint Fiscal Office to identify places where we can reduce general fund expenditures or replace general funds with CRF without having a negative impact on programs. We will also secure FY 2020 carry forward balances for use when the full year 2021 budget is developed as well as consider holding discretionary grants until we better know our fiscal landscape in August.

Please review the First Phase/Transition Budget as submitted by the Administration with the goal of understanding what these funding levels will mean to the relevant departments and agencies. The Committee has taken testimony from the CFO of AHS and will continue scheduling additional testimony from departments and agencies. You are welcome to monitor the hearings on YouTube. Please be in touch with me or other committee members with comments or concerns by the end of week if possible. If you need more time, please contact me directly.

Thank you for your time and review of the FY 2021 budget materials that are available at this point.