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Adam Greshin, Commissioner

To: **Agency Secretaries, Commissioners and Department Heads**
CC: **Agency and Department Business Offices**
From: **Adam Greshin, Commissioner of Finance and Management**
Date: **May 12, 2020**
RE: **FY21 "Skinny Start" Budget Instructions**

Adam Greshin Digitally signed by Adam Greshin Date: 2020.05.12 17:29:56 -04'00'

The FY21 fiscal impact to the State of Vermont from the COVID-19 pandemic will be significant. The most recent revenue forecast for FY21 anticipates a greater than 10% decline year-over-year in available revenue. With an uncertain end to the state of emergency, and similar uncertainty regarding the timing and strength of the economic recovery, crafting a full-year FY21 budget would not be productive. Based on a consensus approach with the legislature, the Governor will recommend legislation to appropriate funds for the first quarter only of FY21 (July 1 to September 30, 2020), or a "Skinny Start Budget." Subsequently, in August, after receipt of updated FY21 revenue estimates, the Governor will introduce a restated FY21 Appropriations Act recommendation.

The "Skinny Start Budget" will consist of the following two components:

1. **Appropriations:** in language format only; no numbers section; see discussion below.
2. **Operational Language:** Legislative language necessary for departments to implement their budgets (similar to annual budget language).

We expect most departments will be able to comply with the Skinny Start approach with no action on your part. **If your department requires additional actions, please respond to your budget analyst no later than Friday, May 15th.**

Instructions for the restated FY21 Appropriations Act will be issued at a future date.

<u>Guidelines/Instructions</u>

1. **Appropriations:**

Budget analysts shortly will provide your proposed FY21 Q1 "Skinny Start" Governor's recommended appropriation. Please note that while the attached sheet will reflect how your appropriations are populated in VISION, there will not be a "numbers section" in this bill. Rather, departmental appropriations will be governed by the following universal legislative language governing all appropriations:

a. **General Funds:**
   i. **Appropriation = 23% of your department's FY 2020 enacted Budget Adjustment Act (Act 88).**
   ii. Note that this percentage annualizes to a potential 8% year-on-year reduction to your FY21 appropriation. It also does not include the annualization of FY20 Pay Act that normally would have been included in your FY21 appropriation.

b. Federal Funds:
   i. **Appropriation = 25% of your appropriation's FY 2020 enacted Budget Adjustment Act.**

c. **Transportation Funds:**
   i. **Appropriation = 60% of your appropriation's FY 2020 enacted Budget Adjustment Act.**
   ii. Exception: Department of Public Safety JTOC appropriation = 25%.
   iii. Higher appropriation percentage reflects seasonal construction timing.

d. Education Funds:
   i. **Appropriation = 30% of your appropriation's FY 2020 enacted Budget Adjustment Act.**
   ii. Reflects timing of statutory payments to LEAs.

e. Special Funds, Interdepartmental Transfers, Internal Service, Other Funds:
   i. **Appropriation = 25% of your appropriation's FY 2020 enacted Budget Adjustment Act.**
   ii. Note that additional spending pressures in these funds above 25% can be addressed by Excess Receipts Requests, assuming revenues exist or are reasonably anticipated.

Please review your department's spending patterns and consider whether your department can operate within these standardized percentages. The Department of Finance and Management has conducted an analysis of quarterly spending patterns and is available to discuss your department's specific needs and issues. We do not anticipate many department-specific exceptions to the above percentages. **Please contact your budget analyst if you believe the standardized appropriations do not reasonably apply to your department, and be prepared to substantiate your request, as such requests will be viewed as extraordinary.**

2. **Operational Language**:

By May 15th, please submit any legislative language that is necessary to provide legal authority for appropriations in the Skinny Start budget, including annual recurring budget bill language.

Conclusion

The Skinny Start budget seeks to provide immediate appropriation authority to departments to effectively begin FY21, while recognizing the many unknowns ahead: an updated FY21 revenue estimate (with a significant downgrade from the January estimate); additional guidance from the federal government regarding existing federal COVID-19 assistance; and the potential for additional federal assistance.

The two percent Q1 General Fund reduction from a 25% quarterly allotment to 23% annualizes to an 8% General Fund full-year reduction. The actual FY21 recommendation in the Governor’s revised full-year spending plan, however, may be more or less than 8% -- for the reasons noted above. We encourage departments to begin thinking now about how they will manage potential full-year reductions, including working with their partners, vendors, and grantees.

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