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Adam Greshin, Commissioner

To: Senator Jane Kitchel, Chairperson, Senate Committee on Appropriations
CC: Representative Kitty Toll, Chairperson, House Committee on Appropriations
From: Adam Greshin, Commissioner of Finance and Management
Date: 5/19/2020
Re: Technical Observations of H.953

Upon review of H.953, *An act relating to fiscal year 2020 supplemental budget adjustments*, I ask that the following revisions be considered.

Under 2 C.F.R. 200 Sec. 200.86, when the Governor attested to receipt of the Coronavirus Relief Fund (CRF) award pursuant to the CARES (Coronavirus Aid, Relief, and Economic Security) Act Public Law 116-136 of 2020, the Executive branch became the recipient of the federal award, and must therefore assure that activities under the federal program are carried out in conformance with the CARES Act and with associated guidance issued by the US Treasury.

Accordingly, the suggested revisions below, specifically numbers 6a(1) and 7, recognize the Legislature's authority to appropriate generally, and to appropriate CRF specifically, while also reflecting the necessary management of CRF expenditures consistent with federal grant recipient requirements.

1. Sec. 5 2019 Acts and Resolves No. 72, Sec. B.301 as amended by 2020 Acts and Resolves No. 88, Sec. 12 is further amended to read:

As originally submitted to the Legislature, the correct funding source for the change in appropriations is Interdepartmental transfers and not Special Funds. Therefore, the following technical change is required:

<u>Sec.B.301 Secretary's office - global commitment</u>	<u>Act 88</u>	<u>Tech. Change</u>
Operating expenses	3,150,212	3,150,212
Grants	<u>1,630,119,013</u>	<u>1,629,912,361</u>
Total	<u>1,633,269,225</u>	<u>1,633,062,573</u>
Source of funds		
General fund	557,208,815	<u>513,632,278</u>
Special funds	34,969,169	34,969,169
Tobacco fund	21,049,373	21,049,373
State health care resources fund	<u>21,101,110</u>	<u>22,601,110</u>
Federal funds	983,572,979	<u>1,015,442,864</u>
Interdepartmental transfers	<u>15,367,779</u>	<u>25,367,779</u>
Total	<u>1,633,269,225</u>	<u>1,633,062,573</u>

2. Sec. 26 CORONAVIRUS PANDEMIC RESPONSE HUMAN SERVICES - FEDERAL FUNDS APPROPRIATION

Please note these estimated expenditures are also included among those in the CRF Spending Plan approved by the Joint Fiscal Committee on May 11, 2020. Therefore, the CRF may be the final funding source for these costs. However, if FEMA funding is used instead at a rate of 75%, there should be a proportional appropriation of General Fund assuming a match rate of 25% included in the Supplemental BAA.

3. Sec. 27. APPROPRIATION USE REPORTING REQUIREMENT

(a) The Agency of Human Service shall report to the Joint Fiscal Committee in August 2020 on the use of the funds appropriated from the AHS Central Office earned federal receipts via Interdepartmental transfers ~~Special Fund~~ appropriated in Sec. 5 of this act by further amending 2019 Acts and Resolves No. 72, Sec. 301.

EXPLANATION: This technical modification correctly attributes the needed appropriation to Interdepartmental transfers. Please also refer to item #1 above.

4. [NEW] Sec. 27a. 2019 Acts and Resolves No. 72, Sec. E. 301 is amended to read:

(c) Up to ~~\$15,400,000~~ \$25,367,779 is transferred from the AHS Federal Receipts Holding Account to the Interdepartmental Transfer Fund consistent with the amount appropriated in Sec. B.301 –Secretary’s Office –global commitment of this act.

EXPLANATION: This technical modification updates the estimated transfer amount to coincide with the Interdepartmental transfers language in items #1 and #3 above.

5. Sec. 30. APPLICATION OF FISCAL YEAR 2020 DEFERRED TAX PAYMENTS COLLECTED IN FISCAL YEAR 2021

(a) To the extent that tax payments that were due to the State in fiscal year 2020 but were deferred as a result of state and federal emergency action taken in response to the Coronavirus Pandemic are received into the General Fund through August 31, 2020, funds from such payments shall be transferred or reserved as follows:

(1) First, to the extent any interfund loan was made from the Coronavirus Relief Fund under the provision of Sec. 29(b) of this act, in an amount to repay the balance of the interfund loan.

(2) Second, in the Human Services Caseload Reserve, in an amount to bring this reserve balance up to \$98,236,983.

(3) Third, in the General Fund Budget Stabilization Reserve, in an amount to bring this reserve balance up to \$81,472,791.

(4) Fourth, in General Fund Balance Reserve (aka Rainy Day Fund), in an amount to bring this reserve balance up to \$31,553,274.

(5) Finally, any additional amounts received from such payments shall remain available in the General Fund for appropriation in fiscal year 2021.

EXPLANATION: This technical modification clarifies that if an interfund loan was made subject to the most recent US Treasury guidance available, repayment required by section 30(a)(1) would be transferred to the Coronavirus Relief Fund.

6. Sec. 34. ONE-TIME CORONAVIRUS RELIEF FUND (CRF) APPROPRIATIONS

(a) The following appropriations are authorized on a one-time basis in fiscal year 2020 from the Coronavirus Relief Fund (CRF) established under the federal Coronavirus Aid, Relief and Economic Security (CARES) Act to address necessary expenditures with respect to the Coronavirus Disease 2019 (COVID-19) public health emergency. These expenditures were not accounted for in the State budget most recently approved as of March 27, 2020 and were incurred during the period that began on March 1, 2020, in accordance with Department of Treasury's April 22, 2020 interpretation of limitations on the permissible use of fund payments. These appropriations shall carry forward to fiscal year 2021 as needed.

Appropriations carried forward to fiscal year 2021 under this section shall revert to the Coronavirus Relief Fund once all eligible costs incurred through 12/30/2020 have been expended.

(1) Joint Fiscal Committee: \$500,000 is appropriated to the ~~Joint Fiscal Committee~~ Secretary of Administration for transfer to appropriation units within the General Assembly upon request of the Joint Fiscal Committee, as necessary to reimburse ~~necessary~~ eligible fiscal 2020 expenditures as approved by the Secretary of Administration. The Joint Fiscal Office shall send a list of approved expenditures and related documentation to the Joint Legislative Management Committee, the Joint Fiscal Committee, and the Commissioner of Finance and Management on or before July 30, 2020.

(2) Legislature: \$750,000 is appropriated to the Legislature for costs incurred beyond the budgeted 18-week legislative session in fiscal year 2020 due to the response to the Coronavirus pandemic, which includes delays and extension to legislative work necessitated in the transition to remote or partially remote work for the Legislature. ~~Any unexpended funds shall carry forward and be applied to similar legislative expenses incurred in fiscal year 2021.~~

(3) Judiciary: \$4,910,500 is appropriated to the Judiciary for costs directly related to impacts from the pandemic. These funds enable Judicial operations to resume in a safe manner, including the support of remote operations, expenditures for hazard pay for public-facing staff, and expenditures to expediently address the backlog of cases resulting from reduced Judicial operations during the pandemic.

(A) The establishment of sixteen (16) exempt limited service positions is authorized, as needed. Given the time frame faced in establishing the pandemic response work, use of temporary positions or contracts may be utilized as an alternative to filling new limited service positions.

(4) The Vermont State Colleges (VSC): \$5,117,792 is ~~appropriated~~ granted to the Vermont State Colleges to cover the cost of rooms and meals refunds provided to students due to campus closures during the spring 2020 semester due to the Coronavirus pandemic. Grant funds remaining unspent after all eligible costs incurred through 12/30/2020 have been expended, shall be returned to the State.

(5) The University of Vermont (UVM): \$5,016,300 is ~~appropriated~~ granted to the University of Vermont to cover the cost of rooms and parking refunds provided to students due to campus closure during the spring 2020 semester due to the Coronavirus pandemic. Grant funds remaining unspent after all eligible costs incurred through 12/30/2020 have been expended, shall be returned to the State.

(6) The Vermont Student Assistance Corporation (VSAC): \$5,100,000 is ~~appropriated~~ granted to the Vermont Student Assistance Corporation for increased tuition grants to students as a result of reduced household income in the 2020 calendar year, as well as increased demand for skills enhancement grants due to the economic impacts of the Coronavirus pandemic. Grant funds remaining unspent after all eligible costs incurred through 12/30/2020 have been expended, shall be returned to the State.

EXPLANATION: These technical changes will: 1) ensure that CRF expenditures are incurred by 12/30/2020 to comport with CARES Act CRF requirements; 2) establish appropriations for expenditures from the CRF allowing for costs to be reviewed by the Secretary of Administration for eligibility and expensed directly within the CRF, thus tracking expenditures for audit purposes (fund transfers do not allow for the direct attribution of eligible expenditures to the CRF); 3) appropriately treat funding of CRF to the VSC, to UVM and to VSAC as subrecipient grants of federal CRF.

7. Sec. 35 FULL COST ACCOUNTING OF CORONAVIRUS PERSONAL SERVICE EXPENSES

(a) The State Treasurer shall make a determination of the impact on State Retirement System actuarial obligations of any personnel expenses, hazard pay, overtime, or other personal services costs that are incurred through December 30, 2020 due to the Coronavirus Pandemic. Upon approval of the Secretary of Administration and is authorized to transfer said amount shall be appropriated and transferred from the Coronavirus Relief Fund to the State Retirement System in fiscal years 2020 or 2021. The State Treasurer shall report the amount transferred under this authority to the Joint Fiscal Committee and the Commissioner of Finance and Management.

EXPLANATION: These technical changes will establish an appropriation for transferring CRF to the State Retirement System for eligible costs. While direct expenditures in the CRF by the State Retirement System are not possible, approval of expenditures by the Secretary of Administration will provide necessary audit documentation for the associated transfer.

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