

H.439 - FY 2022 Budget Bill

Highlights of House Appropriations Committee Proposal

Overview: Federal pandemic relief funds makes this another unusual year for the State budget. This bill includes the full base budget for FY2022 that begins on July 1, 2021 and is what enables State government to operate. It includes one-time General Fund spending in both FY 2021 and FY 2022. In addition, this bill establishes a broad spending frame and initial appropriations for the American Recovery Plan Act (ARPA) - Coronavirus State Fiscal Recovery Fund that totals just over \$1 billion. The budget represents a first step towards creating a stronger Vermont for the years ahead.

Vermont's economy is experiencing an unprecedented period. With over \$10 billion of pandemic federal funds flowing into the Vermont economy, the General Fund and the Education Fund have been beneficiaries. As the Federal relief subsides, the amount of state funds is likely to be impacted. The federal funds received by Vermont represents both an opportunity and an area caution as we design spending for the future.

Vermont's Future: ARPA - Coronavirus State Fiscal Recovery Fund Frame:

Sec. B.1100 establishes the spending frame in broad categories:

- \$250,000,000 for investments in the health and wellbeing of families and small businesses to create an equitable, resilient Vermont;
- \$150,000,000 for increasing Broadband access statewide;
- \$100,000,000 for the Clean Water Fund for eligible expenditures in water and sewer infrastructure;
- \$100,000,000 for state information technology systems to increase Vermonters' online access and to improve functions and operations of Vermont's government; and
- \$50,000,000 to address Covid-19's negative economic impacts through workforce training and development;

Unallocated federal funds will be addressed during the remainder of this session and over the next few years.

General Fund Priorities: One-time General Fund resources are used where federal money cannot be applied. Top priorities for these funds reflected in this bill include:

- \$150 million is reserved for pension and retiree health care to address one of this year's significant financial challenges;
- \$50 million is appropriated between FY 2021 and FY 2022 for affordable housing, addressing another of the State's significant challenges;
- \$38 million is reserved for FY 2022 budget adjustment needs and for resources to deal with the uncertainties regarding the use of federal ARPA. This is in addition to maintaining a strong General Fund combined reserve position with reserves of over 12% of General Fund spending.

The Pandemic Response and Recovery:

The following chart shows the impact of recent federal relief funding on the total State budget.

| <i>\$s in millions</i> | FY19 | FY20 | FY21 | FY22 |
|---|------------------|------------------|------------------|------------------|
| Total Budget (unduplicated appropriations) | \$5,958.0 | \$6,330.5 | \$7,362.2 | \$6,985.5 |
| select sources below (remainder of budget is from Education and Special fund sources) | | | | |
| General Fund (state) | \$1,596.5 | \$1,607.3 | \$1,732.5 | \$1,789.8 |
| Federal Funds (all other fed lines) | \$2,025.3 | \$2,090.6 | \$2,170.8 | \$2,241.7 |
| Fed - Coronavirus Relief Funds (CRF)* | \$0.0 | \$185.4 | \$906.1 | \$0.0 |
| Fed - ARPA State Fiscal Recovery | \$0.0 | \$0.0 | \$64.0 | \$264.3 |

* in addition, \$225m of CRF was authorized through JFC grant acceptance

Specific areas of base and One-Time funding of note include the following:

- The Criminal Justice System: \$1.6 million in additional funding for the Criminal Justice System including the Judiciary, the States Attorneys, the Defender General and the Crime Victims Services to meet budgetary needs. In addition is approx. \$900,000 in DMH and DOC for Justice Reinvestment II.
- Higher Education: Provides \$77 million additional funding for Higher Education, including \$5 million of higher base funding and funds for transformation for the Vermont State Colleges, and resources for UVM and VSAC to address pandemic response.
- Homeless Transition: Creates a rapid work group process to develop a plan to transition homeless services from the hotel-based model and reserves \$50 million to fund the service transition.
- Human Service System Support: Provides over \$5 million to support for Adult Day Centers and adds funds to implement a 2% rate increase for Mental Health, Developmental Services providers, Choices for Care, Share Living Providers, and a \$1 per day increase for Adult Community Clinical Services (ACCS) providers.
- Weatherization and Global Warming Mitigation Activities: Provides \$20 million for weatherization services, \$10,000,000 to the Municipal Energy Revolving Fund, and \$10,000,000 to the Clean Energy Development Fund, for a total of \$40 million.
- Back fills several funds that are experiencing shortfalls due to the pandemic or other pressures, including the Environmental Contingency Fund, the Forest Parks Revolving Fund, the Act 250 Permit Fund, the Fire Prevention Special Fund, and the Victim's Compensation Fund.
- Other Bills: Significant funds for economic development, childcare, and broadband are provided in other bills.