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Susanne R. Young, Secretary

March 8, 2021

Honorable Jane Kitchel
Chair, Senate Committee on Appropriations

Vermont State House
109 State Street
Montpelier, VT 05602

Dear Senator Kitchel,

I am writing to provide the Administration's feedback to H.315, *An Act Relating to Covid-19 Relief*, for the Senate Appropriations Committee's consideration, and to also keep lines of communication open as we work together on another federal relief bill that looks like it may pass this week.

Economic Recovery Initiatives:

The Governor's proposal to provide gap economic recovery grants to businesses who were not eligible for other relief programs, such as the Paycheck Protection Act or other federally funded Small Business Administration grant programs, was first introduced in the Administration's proposed FY21 budget adjustment act (BAA) with the goal of getting relief to our struggling small businesses as quickly as possible. The Administration continues to believe that appropriation of these funds now is crucial and hopes the grants will remain in the final version of H.315.

The Administration's proposal to use General Fund dollars was intentional, as there is a lack of clarity in federal guidance as to their eligibility for CRF and uncertainty whether CRF would be available as a funding source. Should these grants be deemed eligible for future CRF under the new federal bill, an accounting change to reflect this can be accomplished retroactively. The most important task at hand is to disburse the grants without additional delay.

Additionally, we are pleased to see the House's urgency to fund the Vermont Outdoor Recreation Economic Collaborative (VOREC) grants and provide the Agency of Natural



Resources with funds for trail maintenance. The snow will melt before long so the sooner we can start work on our recreation trails and the economic sectors surrounding them, the better.

Pensions and Other Postemployment Benefits, Section 14:

The State's unfunded liabilities are not a new challenge, but one that has taken on an immediacy with the \$1.1 billion increase from last year. The State Treasurer must be commended for stepping forward and starting the difficult discussion this session with employees and legislators about the need to develop a comprehensive "four-bucket" plan to lower, and ultimately retire, our unfunded liabilities.

The State Treasurer's January 15 report to the General Assembly outlined the problem and the steps that could be taken to address the growing steep increase in the State's required contributions to the State Employees' Retirement System (VSERS), the Vermont State Teachers' Retirement System (VSTRS) and the Other Post-Employment Benefit (OPEB) plans. The report proposed several options for the General Assembly to consider with respect to the pensions in order to insure solvency in the defined benefit plans, as well as pre-funding plans for the OPEB.

The unfunded liabilities now stand at \$5.7 billion. While the House version of H.315 reserves \$20 million of General Fund to the Teachers' OPEB, it took no action to address the totality of the liabilities. Instead, the House directs the General Assembly to work with the Administration, in collaboration with the Treasurer, to develop a plan by May 30.

This approach by the House is the Administration's primary concern with H.315, because it defers decisions by the General Assembly to a date that falls at the very end, if not after adjournment, of the current session. The Treasurer has already developed a plan that provides several options for the Legislature to consider. The total cost to implement those plans, or through failure to act, and the risks inherent in their underlying assumptions must be understood from a budgetary perspective. Once there is clarity on costs in FY22 and the years to come, meaningful informed decisions can be made soon on the next steps to achieve solutions that are affordable, sustainable and transparent.

Strong and unwavering resolve on the part of legislative leadership to make progress on the liabilities, well before the end of this session, is the only viable path forward to achieving progress. The creation of a committee to develop a plan, when there are already options presented by the Treasurer, not only seems unnecessary, but the bill is silent as to scope and goals of the committee's work. Meeting a challenge of this magnitude will only be successful if led from the highest leadership levels and will be successful with the Speaker, President Pro Tempore, and fiscal committee chairs participating directly in consideration of the options and support of the final resolution. The Administration looks forward to working in cooperation with leadership without the necessity of a committee and without further delay.

American Rescue Plan and Looking Ahead:

As Congress edges closer to passing another stimulus and recovery package, *The American Rescue Plan*, Vermont could receive yet another infusion of over \$1 billion to aid in our



response to, and recovery from, the pandemic. These one-time federal monies are an opportunity to make transformative investments in our systems that will modernize our infrastructure and ultimately establish a stronger fiscal foundation for years to come.

The Governor's proposals for investments of the new federal stimulus money will be introduced once the spending package is passed and the extent of funds and uses are determined. The Administration looks forward to working with the General Assembly to seize this opportunity thoughtfully and invest significant one-time money where we believe there will mutual agreement and that will make a difference, including broadband, affordable housing, clean energy, community revitalization, and government modernization. The agencies and departments are working with the Department of Finance and the Agency of Administration to finalize a thoughtful spending plan on behalf of the Governor.

Thank you for your consideration and we look forward to working with you.

Sincerely,

Susanne Young
Secretary, Agency of Administration

Cc: Senator Rebecca Balint, Senate President Pro Tempore
Representative Jill Krowinski, Speaker, House of Representatives
Senator Ann Cummings, Chair, Senate Committee on Finance
Representative Mary Hooper, Chair, House Committee on Appropriations
Representative Janet Ancel, Chair, House Committee on Ways and Means
Beth Pearce, State Treasurer
Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office
Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office
Adam Greshin, Commissioner, Department of Finance and Management
Governor's Cabinet