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Susanne R. Young, Secretary

February 1, 2021

Honorable Jane Kitchel
Chair, Senate Committee on Appropriations

Vermont State House
109 State Street
Montpelier, VT 05602

Dear Senator Kitchel,

I write with respect to H.138, *An Act Relating to Fiscal Year 2021 Budget Adjustments*, (BAA), as passed by the House on January 29, 2021.

Compared to the level of disruption to the state budget over the last calendar year due to this global health pandemic, the fiscal year 2021 budget adjustment process has been routine. We appreciate the quick and diligent work of the House to pass this bill. We offer the following observations and recommendations for your committee's consideration.

Economic Recovery Grants:

The Governor's recommended budget adjustment included \$10 million in one-time General Funds for economic recovery grants. These payments will be a lifeline for businesses deemed ineligible for earlier grants according to the rules established by the Vermont General Assembly or by federal rules. The Governor put it best in his address, explaining 'these are small businesses... who need and expect our help right now.'

The GF appropriation of up to \$10 million will ensure businesses who still have ongoing, unmet need and are ineligible for, or have otherwise been closed out of the COVID-19 Paycheck Protection Program or other Small Business Associations grant programs, have access to funds to assist in the continuation of their businesses.



This will help new businesses who were not in operation before February 15, 2020 as well as businesses who do not have 2019 revenue figures to calculate the required revenue loss percentages in the Paycheck Protection Programs.

Please reconsider the House's decision to remove funding for these grants from the Governor's proposal.

Department of Public Safety, 'Use of Force':

The Governor's recommended budget adjustment included one-time general funds to support body cameras for enforcement officers across state government as well as for 'Use of Force' training at the Department of Public Safety. We understand the House would like to wait until a report is published in February to fund these initiatives. However, Act 165 of 2020 stipulates new standards for 'use of force' and 'justified homicide' take effect on July 1, 2021. So, there is a sense of urgency to fund training for better alignment with these new procedures. Furthermore, the Governor believes Vermonters want public safety modernization now, that is more transparent and accountable to the people we serve. These investments are a first step towards these goals.

Vermont State Colleges – source of funds:

The Governor's recommended budget adjustment proposed \$3.6 million in remaining Coronavirus Relief Funds (CRF) to the Vermont State Colleges with an additional, contingent \$1.4 million recommendation. The Vermont State College system has, or will incur, about \$5 million in CRF-eligible expenses by December 2021. The Governor continues to advocate for using CRF funds to support the Vermont State Colleges through the budget adjustment act. While the House-passed budget adjustment appropriates roughly this same amount of CRF to the rental housing arrearage program and to Department of Motor Vehicle expenses, the Administration is confident the balance of unspent CRF will still support this investment.

Consolidated Appropriation Act and Other Federal Funds, Retroactivity:

The Administration supports the intent of the General Assembly outlined in section 44 of the budget adjustment act to use federal funds from sources other than CRF whenever possible so that CRF funds can be dispensed for other uses. However, until there is guidance from the federal government around retroactive use of funds allocated through the Consolidated Appropriations Act – or additional federal funds yet to be determined – it is unclear at this time what could be conveyed in the report. The Administration has worked closely with the Joint Fiscal Office throughout the pandemic in discerning how federal funds can be applied and we anticipate continuing to do so as federal guidance is published and should Congress pass additional relief packages. We request that the Senate consider removing this report requirement.

Governor's Emergency Response Fund:

The House made considerable changes to the language in this section of the Governor's recommended budget adjustment. The original intent was to set aside future CRF, accruing after the passage of the BAA, into an emergency fund to be allocated by the Governor under his authority to distribute funds in direct response to the ongoing health emergency. The Governor can only exercise this authority when health, safety and timing are critical. The Administration respects the House's input; however, setting an arbitrary cap on disbursements of funds and requiring decisions to go through the Joint Fiscal Committee's process constrains the Executive's ability to respond to emergent situations with urgency, which we believe is critical.

With the roll out of the vaccine underway and as it progresses through the next months, we will all have a better sense of the need for continued emergency expenditures. Rather than appropriate CRF beyond the amounts appropriated in this budget adjustment as it becomes available through reversions as we were forced to do last year because of the December 31, 2020 deadline, we have the opportunity together to take a more measured approach by ensuring funds are available for emergency needs. We can assess later in the Spring the best uses of the balance with more clarity from the federal government on eligible uses of other funds and new funds should they become available.

Use of Coronavirus Relief Fund Balances:

The Administration supports the language extending Agencies' and Departments' authority over CRF balances, specifically:

- Sec. 13 and 47: COVID-19 Response, Accelerated Broadband Connectivity Program and COVID-19 Response, Temporary Broadband Subsidy Program (Public Service Department).
 - One detail to note: the \$200 million in funding under the Consolidated Appropriations Act for housing and utility arrearages cannot be applied to broadband and internet utility bills.
- Sec 48: Agency of Commerce and Community Development; Everyone Eats
- Sec. 7: Agency of Human Services; Health Care Provider Stabilization Grants
- Sec. 51 Department for Children and Families; Housing for Households Experiencing Homelessness

Housing and Rental Assistance Set Aside, Consolidated Appropriations Act:

Vermont is set to receive \$200 million under the Consolidated Appropriations Act for direct rental housing assistance payments and utility bill arrearages. The Agency of Administration plans to receive and disburse these funds through the AA-1 grant process. The amount to be allocated to for rental arrearages and then sub-granted to the Vermont State Housing Authority will exceed \$10 million. We appreciate the urgency to get these funds to Vermonters in need. But we do not feel this will expedite the process. In fact, it might slow it down as the AA-1 forms are nearly complete.



Conclusion:

Clearly, there are some points of difference between the Governor's recommended budget and what the House passed. We hope that as you reconcile the work you will see the merit of the Governor's recommendations, especially regarding the economic recovery grants. With that said, we appreciate working with you and your counterparts in the House and look forward to continued collaboration as we quickly move on to next year's budget. Thank you, as always, for your consideration on these details.

Sincerely,

Susanne Young
Secretary, Agency of Administration

CC: Senator Rebecca Balint, Senate President Pro Tempore
Senator Ann Cummings, Chair, Senate Committee on Finance
Representative Jill Krowinski, Speaker, House of Representatives
Representative Mary Hooper, Chair, House Committee on Appropriations
Representative Janet Ancel, Chair, House Committee on Ways and Means
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