

1:15 Presentation: Navigating the JFO web site

- Joint Fiscal Office Website:
 - There are two areas that can be clicked on underneath the “Subjects” tab on the JFO website. First; is the “Appropriations and Budget” category. This includes all budget related documents that are not department and agency budgets.

An example of what you will find under Appropriations and Budget includes the FY 2022 Budget and FY 2021 BAA Instructions Supplement issued on 10/19/2020.

<https://ljfo.vermont.gov/assets/Uploads/d409334f0e/FY-2022-Budget-Instructions-Technical-Supplement-v2.pdf>

The budget instructions that were issued on October 19, 2020 offer guidance for departments and agencies when they prepare both their FY 2022 budget requests and their FY 2021 Budget Adjustment request.

Floor Documents: You will also find other summary documents provided by the Administration and/or developed by the Joint Fiscal Office staff regarding the budget. For example, the Floor documents can be found under “Appropriations and Budget”.

- The second category that you can click on under “Subjects” to find budget documents is “Budgets by Departments”. Here you can find all of the budgets received to date from departments, organized by function of government. Please note that we will populate this site as we receive budgets over the course of the first two months, or so, of the session. As departments and agencies are scheduled to testify before House Appropriations, they will submit their documents to the Committee.

2 P.M. Presentation - Review of Debt Service, Internal Service Funds, Capital Debt, Other:

Standard and Poor’s Global Ratings – According to a November 10th, 2020 press release from Treasurer Beth Pearce, the State of Vermont’s AA+ general obligation and AA- moral obligation bond rating remained the same as prior year, but the outlook changed from “stable” to “negative” due to Vermont’s demographics and historic population trends that have not been favorable. In addition, the State’s retirement liabilities have grown despite ongoing reforms and the General Assembly’s sustained efforts to meet or exceed actuarially determined contribution levels. Although the rating has not changed, the negative outlook is a wake-up call that we need to address out demographic changes and pension liabilities.

Standard and Poor's Report:

<https://www.vermonttreasurer.gov/sites/treasurer/files/debt/pdf/2020/2020-11-10%20S%26P%20Rating%20Report.pdf>

Moody's and Fitch Reports:

Vermont was downgraded by Moody's to Aa1 in October 2018 and downgraded by Fitch to AA+ in July 2019. Vermont's recent rating from Moody's Investor's Services and Fitch Ratings affirmed the State's current rating of Aa1 and AA+ respectively.

2020 Capital Debt Affordability and Advisory (CDAAC) Report:

<https://www.vermonttreasurer.gov/sites/treasurer/files/debt/CDAACReports/CDAAC%202020%20Report%20vFINAL.pdf>

In Sec. 1 of Act No. 104 of 2012, the General Assembly expressed its intent to move to a biennial capital budgeting cycle "to accelerate the construction dates of larger projects and thus create jobs for Vermonters sooner than would be possible under a one-year capital budgeting cycle." In response, starting with its 2012 Report, the Committee has formally presented a two-year debt recommendation.

The Committee's two-year debt recommendation for FY 2022 and FY 2023 is \$123,180,000. This is unchanged from the previous biennium's recommendation.

With the passage of 32 V.S.A. § 310 and as amended in 2019, the Administration is required to prepare and revise a ten-year State capital program plan on an annual basis, submitting it for approval by the general assembly. The statute requires the plan to include a list of all recommended projects in the current fiscal year, plus the following nine fiscal years thereafter. The recommendations include an assessment, projection of capital needs, a comprehensive financial assessment, and an estimated cost of deferred infrastructure maintenance in State building and facilities. CDAAC believes that long-term capital planning coupled with projected funding sources will result in a more efficient funding process for State capital projects.

The State's aggregate Long-Term Net Tax-Supported Debt principal amount of debt increased from \$627.8 million, as of June 30, 2019, to \$678.6 million, as of June 30, 2020, an increase of 8.1% due to the State issuing bonds in fiscal year 2020, as well as the inclusion of TIBs. The table below sets forth the sources of the change in net tax-supported debt outstanding from fiscal year 2019 to fiscal year 2020 (in thousands).

Net Tax-Supported Debt as of 6/30/19	\$627,818
G.O. New Money Bonds Issued	\$88,255

G.O. Refunding Bonds Issued	\$39,525
TIBs Inclusion	\$23,440
Less: Retired G.O. Bonds	(\$47,075)
Less: Retired G.O. Refunded Bonds	(\$51,760)
Less: Retired Capital Lease	(\$261)
Less: Retired VHFA Property Transfer Bonds	<u>(\$1,340)</u>
Net Tax-Supported Debt as of 6/30/20	\$678,602

Report on Unfunded Mandates:

<https://ljfo.vermont.gov/assets/Uploads/f8270510cb/FY2021-Report-On-Unfunded-Budget-Pressures.pdf>

Page 5 includes balances projected at the end of FY 2021.

State Liability Insurance Fund – Reduced by \$2.3M in Sec. D.101(b)(4) of Act 154 (FY 2020 Supplemental BAA).

Worker’s Compensation Fund - Reduced by \$2.7M in Sec. D. 101(b)(4) of Act 154 (FY 2020 Supplemental BAA).

Federal Surplus Property Fund – The reason for this \$188,141 deficit is due to the lack of inventory for sale from the federal government that can then sold by the State. Looking at ways to reduce overhead costs.

Copy Center Fund – The deficit is the result of a decline in usage, due to people printing less. The copy center may consider increasing rates. This deficit is likely to have changed due to Covid-19 when the rate of copying has been significantly reduced.

Facilities Operating Fund – The \$714,179 deficit in this fund is due to things that fluctuate each year such as unpredictable factors including weather, building damage, equipment failure, and employee reclassifications.

Communications & Information Technology Fund – FY 2019 was the first year in which all imbedded IT staff and associated operating costs were consolidated into ADS. This deficit will be reduced as accounts receivable billing practices and budgeted rates continue to match operating costs. This is an area where Covid-19 will have impacted the operations.

Postage Fund – The \$3.65M deficit is due to the difference in the rate charged to departments to operate the program as compared to official postage rates, the marginal rate. The marginal rate is not high enough to cover costs. The marginal rate was increased in FY 2020, but it is still not high enough. This is an area that will likely be impacted due to Covid-19 since departments have drastically reduced mail.

Property Management Fund - includes \$12M related to three buildings

- Asa Bloomer Building in in Rutland;
- Zampieri Building in Burlington;
- State Office Building in St. Albans. This building was sold in 2016 and a new lease has been negotiated.

These three buildings were purchased by the Treasurer's Office with a term of 20 years and the leases of the buildings that pay the debt service are over 50 years.

3 P.M. Briefing – Review of Special Funds

<https://ljfo.vermont.gov/assets/Meetings/Joint-Fiscal-Committee/2020-11-20/0401daaad3/FY-2020-Special-Fund-Report.pdf>

Wednesday, January 13 11 a.m.

Review of the Comprehensive Annual Financial Report (CAFR)

Bond Issuance Report:

<https://www.vermonttreasurer.gov/sites/treasurer/files/debt/pdf/2019%20Series%20A%20and%20B%20Official%20Statement.pdf>