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Susanne R. Young, Secretary

March 26, 2021

Honorable Mary Hooper
Chair, House Committee on Appropriations

Vermont State House
109 State Street
Montpelier, VT 05602

Dear Representative Hooper,

I am writing to provide the Administration's feedback to H.315, *An Act Relating to Covid-19 Relief*, as passed by the Senate Committee on Appropriations.

What started as a modest spending bill – about \$62 million in total – to facilitate the State's response to the ongoing health pandemic has become a more complex challenge because of the passage of the *American Rescue Plan Act (ARPA)* on March 11, 2021. This new federal stimulus bill is a \$2.7 billion package of aid to Vermont, some of which is appropriated to federal agencies to administer, and some directly to individuals, state and local government institutions of higher education, and other organizations.

Of this \$2.7 billion in ARPA appropriations, \$1.36 billion is directed to the State for fiscal and local aid. Of that, \$191 million is directed to cities and towns with the remaining money available for the State to expend. Once \$113 million dedicated in ARPA to critical capital improvements is deducted, upon application of the State in the future, there is approximately \$1 billion for the state to expend on eligible uses over nearly four years, or until December 31, 2024.

Eligible uses of the money dedicated to the State Fiscal Recovery Fund in ARPA are quite similar to the restrictions placed on the use of CRF, notably that the money be used in response to the COVID-19 pandemic or its negative economic impacts, including assistance to individuals, small businesses and nonprofits. The most notable difference in eligible use, however, is the addition of eligibility for revenue replacement and investments in water, sewer and broadband infrastructure. Another key difference from the CRF money, is that we have nearly 4 years to invest this money – from March 3, 2021 until December 31, 2024 – giving the State time to make investments that will have the most positive economic impacts.



This means that except for emergency and immediate needs to respond to the pandemic and its economic impacts, the State is able to thoughtfully plan around the best, most economically beneficial uses of this historic onetime investment. There is much opportunity to be thoughtful in our approach to spending this money in a way that benefits Vermont's economic recovery and make our economy stronger and more resilient in the long run. While the Administration shares the Legislature's urgency to put this money to use for the benefit of Vermonters, its use as the principal source of funding for some of the spending initiatives in H.315 is premature and risks squandering very important and more valuable opportunities.

Specifically, the Senate's amendment to H.315 spends about \$69 million of ARPA funds and \$11.3 million in Elementary and Secondary School Emergency Relief Funds (ESSR) appropriated under ARPA for State Educational Agencies for a total of \$80.3 million. This replaces about \$57 million in General Fund and Coronavirus relief funds the committee identified to support the initiatives in the House version of H.315 and includes about \$23.3 million in additional Senate initiatives.

The U.S. Treasury will, as it did with the CARES Act money, issue guidance, and possibly rules, around the eligible uses of the funds. While it was critical to the emergency response last year to take reasonable risks to appropriate funds using our best judgement without clear federal guidance, we are no longer operating in that environment.

The bulk of this money can and should be used for recovery and rebuilding. The decision to use this amount of ARPA money in one bill – before there has been a broader, thoughtful discussion about its best use – is one of preference, not necessity. Just as there was when the Governor's initiatives were introduced, there remains today sufficient General Fund and remaining Coronavirus Relief Funds to fully support the entirety of H.315 as passed by the Senate. Of additional concern with a piecemeal approach is that without a single budget document, these decisions cannot be transparently presented to Vermonters who are relying on us to get the very best value out of every dollar we invest.

Furthermore, the decision to use ARPA funds could delay the deployment of these investments. The House chose not to use the Budget Adjustment Act for the \$10 million in immediate economic recovery grants. It instead created H.315 as a vehicle to use available funds to meet more immediate needs that could not wait until the passage of the Fiscal Year 2022 budget. We have highlighted this concern because it was the primary theme across all the feedback from our agencies and departments impacted through the various initiatives in this bill.

We request that the House Appropriations Committee return H.315 to its original funding sources as it passed the House and return it to reflect its original intent.

Appropriation of ESSR Money:

Section 1a(b), Section 16 (subsections 1-4) and Section 25 should be struck from the bill. We understand the Senate's intention to use the Legislature's appropriations process for the \$1 billion State Fiscal Recovery Fund. That is no different from how we managed the \$1.25 billion in CRF.

The removal of the excess receipts process, however, for the state's set-aside in the ESSR fund that was appropriated by an Act of Congress to the Agency of Education is of great concern. To add an appropriation requirement to these set-asides will impede the implementation of work critical to the welfare of our children who cannot wait for the formal development of the many programs required in H.315, some of which are redundant to ongoing work. H.315 is not the only bill in development by the Legislature that spends the Agency's ESSR set aside. The hands of the Agency are tied by this provision and this policy will prevent the agency from moving quickly to meet the needs of our children - who are not doing okay in the hybrid learning environment.

For example, the Agency of Education, in collaboration with the Agency of Human Services, intends to use ESSR set-aside *immediately* to put contracts and grants in place to support summer enrichment opportunities for Vermont youth to respond to social, emotional, and academic needs brought on by the pandemic. While the H.315 language suggests this is precisely how the Senate proposes to spend some of the ESSR funds, making every education decision subject to this appropriation process impedes our ability to immediately fund afterschool and summer programming that needs to be stood up now.

To avoid missing the window on this critical shared goal, the Administration intends to spend approximately \$2M of ESSR II money in anticipation of ESSR III funds now to help programs expand their capacity for this summer. The need for flexibility with these funds should be apparent and the expertise and judgment of the professionals ought to be respected, not micro-managed. The Agency of Education, which is Vermont's State Educational Agency (SEA), did not have an opportunity to review or provide testimony on the many uses of ESSR included in the Senate proposal of amendment to H.315. We trust the House will hear their concerns and support them in carrying out their statutory obligation to manage this money most appropriately during the pandemic and its recovery.

Section 3, Gap Economic Recovery Grants; Fiscal Year 2021 One-time Appropriation:

These grants were a top priority in the Governor's proposed budget adjustment bill in January. They were then and should now be funded with the General Fund so the relief the program gets to the people who need it, in time. Using ARPA funds complicates the goal of expediency tremendously. It is now late March and surplus General Funds available for these grants have not yet left the State's bank account. The Senate's swap of ARPA funds for General Funds may give the Legislature more discretion later in the session but the delay is harmful to those businesses that are just barely hanging on. We request that you restore General Funds for these grants.

Our secondary concern is the 'red tape' the Senate has put around these grants. It has already slowed this economic relief to businesses with immediate need. H.315 excludes the secondary priority group of grant recipients identified by the Administration – those businesses that have not received enough funding through the Paycheck Protection Program or other federal programs to offset losses caused by this pandemic. These are measurable impacts, quantified through the 2020 tax filings of eligible businesses. Again, the Agency of Commerce and Community Development was not given an opportunity to fully address its concerns with this language to the Committee and requests that the recovery grant language included originally in the Budget Adjustment Act be reinstated by the House.

Section 3a, American Rescue Plan Act of 2021; Future Business Grant Awards:

While excluding secondary priority eligibility, the Senate proposal of amendment then tasks the Agency of Commerce and Community Development with developing a program to support these very excluded businesses with forthcoming ARPA funds. Again, there is an important, urgent need to release General Funds in support of this program as passed the House. The Administration's initial proposal included these entities in the program scope and funding. It has taken two and half months to exclude them in the fine-tuning exercise taken on in Senate Economic Development. How much longer will it take to develop new eligibility criteria and to appropriate money to then include them in a future program unlikely to pass muster before June?

Section 18 and 19, Workforce Upskill Opportunity and Recent High School Graduates; Advancement Opportunity to VSAC, UVM and VSC:

In addition to concerns noted in the Commissioner's technical memo around the lack of clarity in the language as an eligible use, the Vermont State College System is going to receive an additional \$23 million in direct assistance under ARPA, while UVM is going to receive an estimated \$19 million separate and apart from the State Fiscal Recovery Fund appropriation in the Senate version. Again, without knowing the full scope of the needs of higher education and how other ARPA funds may be available to support this effort, inclusion of this appropriation in H. 315 is premature.

We appreciate the ongoing collaboration with your committee in the service of Vermonters and recognize we have still so much to do this session across this bill, the Fiscal Year 2022 budget and the constantly changing state and federal revenue picture. And while this federal relief money and considerable one-time state surpluses are a challenge, they are also a huge opportunity for our state, if we are thoughtful and strategic in making these investments. We know it is our mutual goal to make the most of it.

Thank you for your consideration of these issues.

Sincerely,

Susanne Young
Secretary, Agency of Administration

CC: Senator Rebecca Balint, Senate President Pro Tempore
Senator Jane Kitchel, Chair, Senate Committee on Appropriations
Senator Ann Cummings, Chair, Senate Committee on Finance
Representative Jill Krowinski, Speaker, House of Representatives
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
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