

February 6, 2023

Honorable Jane Kitchel
Chair, Senate Committee on Appropriations
Vermont State House
109 State Street
Montpelier, VT 05602

Dear Senator Kitchel:

I write with input on H.145 – *An act relating to fiscal year 2023 budget adjustments.*

The Administration appreciates that the House included all recommended adjustments to Act 185 and accepted the Governor’s time-sensitive initiatives which include municipal assistance grants to support access to infrastructure funds, broadband state matching funds, additional funding for VHIP, and money to address the critical need for youth inpatient beds. We look forward to working with the Legislature to put these funds to work immediately upon passage.

The Administration is concerned, however, with House additions to the Governor’s recommended budget adjustment which, in aggregate, add \$89.6 million to General Fund spending (and trigger a \$4.5 million base transfer to the Stabilization Reserve in FY24). While several smaller initiatives from this additional spending may be worthy of consideration in the budget adjustment, of significant concern to the Administration are three sizeable investments, which together exceed \$80M in new, additional spending. These investments are policy decisions that require substantially more time for Legislative review and should be weighed with all other priorities in the FY24 budget. The Administration does not support putting them in budget adjustment.

In particular, we would ask the Senate to remove three additions made by the House:

1. **\$50 million to the Vermont Housing & Conservation Board (VHCB)**

The Governor has worked with the Legislature over the past three years to direct almost \$340 million of federal and state money towards affordable housing construction and rehabilitation, over \$280 million of which went directly to VHCB. While the Administration supports the House’s dedication to housing as a priority this session, this investment is better contemplated and prioritized alongside other proposed housing investments included in the Governor’s FY24 recommended budget, which includes funding for VHCB. The Governor’s FY24 budget directs over \$60 million to address a diverse set of housing needs, which include new tools and programs to help many of the smaller communities and developers, middle income housing shortages, and

organizations and businesses struggling to access housing resources. If the Legislature directs \$50M to VHCB in budget adjustment, it could come at the expense of other diverse and essential housing investments, which policy committees have not yet had time to consider.

2. **\$20.9 million to extend and expand the Pandemic Emergency Housing program**

As a result of federal COVID relief funding, the Department of Children and Families (DCF) provided emergency housing in hotels and motels throughout the pandemic. However, as the Biden Administration has said, the COVID public health emergency is over. The fact is, this system was intended to provide temporary alternatives to multi-family households and congregate living services like shelters and group homes. The Administration has been carefully and deliberately winding down the program to coincide with the end of federal funding as the program is not financially sustainable with state funds. Also, experience with the program shows that it is not an effective long-term solution for these families and is straining public safety resources in communities. Thus, instead of extending this pandemic program, the Governor's recommended budget adjustment funds Community Teams that are working with *every* household in the pandemic program to support their transition into more permanent solutions.

The proposal to expand eligibility back to pandemic levels of assistance and extend the program through June 30th is not only costly, \$20.9 million for an additional three months, it threatens funding for better, longer-term solutions that work to solve the housing challenge. Expanding eligibility criteria will also bring additional households into the program, creating a larger cliff in June.

Please note, however, that the Administration is open to discussing how to better focus budget adjustment funds on the *most vulnerable people* currently in the program. For example, identifying families currently in the pandemic program with children 0-18, households with members 65, and older and those receiving SSI/SSDI - approximately 845 households – and supporting only those households until the end of June would cost approximately \$11M. This approach limits the potential for a larger cliff in June while providing a continued, time-limited benefit for the most vulnerable within the existing pandemic program.

3. **\$9.2 million for organic dairy farmers**

The Administration is acutely aware of the economic challenges facing Vermont's agricultural sector. However, a one-time appropriation to provide bridge funds, to what amounts to 25 percent of the dairy-specific portion of this sector, with no input from the Agency of Agriculture, Food and Markets, or other market participants other than organic dairy, is neither judicious nor sustainable. Additionally, the language in the budget adjustment holds these funds in reserve pending an additional enactment by the Legislature. Given the clear need for additional information and discussion, as well as bicameral action on a plan for how to allocate the funds, the appropriate venue for this conversation would be in the context of the FY24 budget development, not budget adjustment. The Governor's FY24 budget includes \$3 million for Working Lands and another \$10 million for the Commission on the Future of Agricultural Economic Development and

the Administration is happy to consider support for organic dairy farmers as part of this broader discussion.

Again, we appreciate the partnership on many of the Governor's proposed initiatives. But we are deeply concerned that by allocating nearly \$90 million above the Governor's budget adjustment, the House did not consider the impact on the Governor's proposals or Legislative priorities that seek funding in the FY24 budget.

This amount of additional spending is not something the Administration can support without understanding what will be removed to accommodate these additional investments. This is particularly true if the source of funding is Infrastructure Investment and Jobs Act (IIJA), or other, matching funds. In the Governor's budget speech he said, "*Perhaps the most valuable thing we could do with this year's surplus is make sure we get every single penny of the federal funding available to us in the next few years.*" Adding that he "*feel[s] very strongly about this strategy.*"

The Administration looks forward to working with the Senate to craft a budget adjustment that addresses our shared priorities while leaving room for strategic budget investments, maximizing the benefit of this year's significant surpluses for Vermonters.

Sincerely,

Kristin Clouser
Secretary, Agency of Administration

Cc: Representative Diane Lanpher, House Committee on Appropriations, Chair
Senator Philip Baruth, State Senate, Senate President Pro Tempore
Representative Jill Krowinski, House of Representatives, Speaker
Catherine Benham, Joint Fiscal Office, Chief Fiscal Officer
Adam Greshin, Department of Finance and Management, Commissioner