

# Cash Fund Overview

House Committee on Corrections and Institutions

Emily Byrne, Deputy Fiscal Officer

January 21, 2025



**JFO**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

# Context for the Cash Fund

- Traditionally, Capital Projects have been paid with funds from the issuance of General Obligation (GO) Bonds
  - Capital Projects include the building and maintaining of long-term physical assets
- Using borrowed funds, like GO Bonds, aligns the use of the asset with the financing of the asset through the Debt Service Payment



Source: Waterbury Record; [State Office Complex Transformed](#)



# Debt Service



- When the State issues a bond, it incurs a debt service obligation (typically for 20 years)
- The debt service payment is both the principal and interest on the bond
  - The interest payment is subject to the current economic conditions
  - It is variable over time
  - Payments are typically structured as level principal payments
- The budgeted fiscal year 2025 debt service payment is \$78.24 million
  - Includes a proposed \$5M budget adjustment act item due to the timing of payments



# Pay-Go

- Instead of issuing bonds, and incurring annual debt obligation, former Treasurer Pearce and others began discussing a “Pay-Go” idea for financing capital projects
- “Pay-Go” meaning pay-as-you-go or using General Fund cash for capital projects to save on interest costs



# Cash Fund

- The Cash Fund for Capital and Essential Investments was established in Sec. E.106.1 of Act 185 (the fiscal year 2022 appropriations act)
  - Amended in Sec. C.105 of Act 78 (2023)
- Codified in [32 V.S.A. § 1001b](#)
- [Report](#) prepared by Department of Finance and Management
  - Published January 2023, per Act 185



# Fund Structure

- There are two subaccounts with the Fund
  - Capital Infrastructure subaccount
    - “to defray the costs of future capital expenditures that would otherwise be authorized in the capital construction act and paid for using the State’s general obligation bonding authority and debt service obligations or paid for as a direct associated cost of a capital project”
  - Other Infrastructure, Essential Investments, and Reserves subaccount
    - “to fund essential investments and infrastructure needs, create reserves for these expenditures, and make contingent appropriations for other infrastructure investments as authorized by the general assembly”



# How Does the Cash Fund Receive Revenue?

		Cash Fund Transfers (in millions)
FY 2023	One Time Transfer	25.0
FY 2023	Contingent Transfer	45.9
FY 2024	One Time Transfer subaccount (a)	17.7
FY 2024	One Time Transfer subaccount (b)	49.5
FY 2025	One Time Transfer subaccount (a)	6.7
FY 2025	Contingent Transfer subaccount (b)	12.5

- There is currently no dedicated source of funds to the Cash Fund
  - The General Assembly **may** recommended one-time transfers to the fund
  - The Governor has recommended an annual transfer in the last three budgets, and the General Assembly has concurred with a transfer



# Revenue to the Cash Fund

## Title 32 : Taxation and Finance

### Chapter 013 : Debts and Claims

#### Subchapter 008 : MANAGEMENT OF STATE DEBT

(Cite as: 32 V.S.A. § 1001b)

#### § 1001b. Cash fund for Capital and Essential Investments

##### (b) Fund Accounts.

(1) Capital Infrastructure subaccount. The Capital Infrastructure subaccount may consist of:

(A) transfers made by the General Assembly of four percent or less of the last completed fiscal year's General Fund appropriations, less the amount necessary to fund the State's general obligation debt service in the year for which the transfer is being made, as determined by the State Treasurer and the Commissioner of Finance and Management; and

(B) any interest earned by the subaccount.





# Appropriations from the Cash Fund; Capital Infrastructure Subaccount

- The Capital Infrastructure subaccount is for “traditional” capital fund projects
  - Per 32 V.S.A. § 1001b(c)(1)
    - Tangible capital investments (per Section 309 of Title 32) with an anticipated lifespan of 20 years or more
    - Engineering and architectural costs directly associated with a proposed capital project

FY 2025 Cash Fund Appropriations (in millions)		
(1)	BGS: General Planning	0.22
(2)	BGS: 32 Cherry St Garage	2.30
(3)	BGS: HVAC Steam lines 120 State St.	1.50
(4)	BGS: Washington County Court House Design	0.85
(5)	DPS: Special Teams Facility and Storage	0.85
(6)	DPS: Rutland Field Station	0.85
(7)	VVH: Renovation and design Brandon and Cardinal Units	1.50
(8)	BGS: 133-109 State St. Tunnel waterproofing	0.25
(9)	BGS: HVAC and elevator 111 State St.	0.20
(10)	BGS: McFarland Building	1.00
(11)	DFW: Lake Champlain Fishing Derby	0.03
<b>Total</b>		<b>9.55</b>



# Appropriations from the Cash Fund; Other Infrastructure, Essential Investments, and Reserves Subaccount

- The Other Infrastructure, Essential Investments, and Reserves Subaccount is for “traditional” capital fund projects **AND** other investments
  - Per 32 V.S.A. § 1001b(c)(2)
    - Anything allowed in the Capital Infrastructure Subaccount
    - Any other essential investments and infrastructure needs, including transportation-related projects and capitalization of revolving loan funds
  - State match for Infrastructure Investment and Jobs Act (IIJA)
    - Transportation related projects
    - Water and wastewater related projects



# Cash Fund Appropriations

- Typically, the Governor proposes Cash Fund appropriations as part of the Capital Bill
- The General Assembly has incorporated Cash Fund appropriations into the big bill
- Funds were appropriated from the Cash Fund in the last two big bills
  - Fiscal year 2024 budget – Sec. B.1105 of Act 78 (2023) as amended by Sec. C.114 of Act 113 (2024)
  - Fiscal year 2025 budget – Sec. B.1103 of Act 113 (2024)

