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Adam Greshin, Commissioner

To: Appointing Authorities and Business Managers
From: Adam Greshin, Commissioner of Finance & Management
Date: April 15, 2020
**RE: FY20 Supplemental Budget Adjustment Instructions and Interim Operations
Related to COVID-19**

Vermont's response to COVID-19 is having, and will continue to have, a substantial fiscal impact. Not only are expenditures increasing rapidly as the state works to build medical capacity in anticipation of the expected surge in medical need, but the stay home, stay safe strategy to slow the spread of COVID-19 has curtailed anticipated revenue in support of the FY20 budget. The latest estimates, for example, forecast a \$190 million reduction in revenues over all three major funds (General, Education and Transportation Funds) in FY20, and that does not include our many special funds which also will experience substantial losses. The magnitude and the suddenness of this downturn is unprecedented.

While our revenue picture and federal assistance available to recover are still developing, we know enough to conclude that significant and immediate steps must be taken now to mitigate the impact to the extent possible before the end of the fiscal year.

Supplemental Budget Adjustment

The supplemental budget adjustment will be for extraordinary needs specific to the COVID-19 response effort, and for associated funding changes that cannot be accommodated by administrative means (i.e., appropriation transfers up to \$50K, excess receipts, etc.). Use of the Coronavirus Relief Fund (CRF), to mitigate costs incurred and continually occurring as part of the FY20 COVID-19 response effort, may be considered within the supplemental budget adjustment process for FY20.

- Pending further guidance from the US Treasury, proceeds from the CRF may not supplant existing appropriations, and may only be used for "necessary expenditures incurred due to the public health emergency".
- The CRF should be considered only after other available 100% federal funds sources are projected to be exhausted in FY20.

We must also use the supplemental budget adjustment to address the revenue shortfalls for FY20. **Departments must assume no additional General Fund spending will be available. Current-year upward operating budget pressures must be addressed by redirecting resources within your Agency's or Department's overall existing funding and by truncating discretionary spending in this final quarter of the fiscal year.**

The Department of Finance and Management has identified General Fund and special fund savings opportunities we believe can be applied to the FY20 estimated revenue shortfall. Your budget analysts will be in contact with you regarding appropriations potentially available for this need. All final savings suggestions must cite specific sections of the FY20 Appropriations Act or Budget Adjustment Act that are affected and must include draft language of the changes required.

Submissions must be sent electronically to the Governor, through the Secretary of Administration using the mail folder (ADM.budget@vermont.gov) by **April 23, 2020 using the enclosed budget development form.** Your department's fiscal year 2020 enacted Budget Adjustment must be used as the baseline for appropriations to be adjusted. Responses must be approved by the Commissioner or the exempt head of your Agency, Department or Office.

Interim Operations

As we head into the final months of the fiscal year, I ask each Agency and Department to be as economical as possible in carrying out its core mission while thinking critically about what may be postponed or canceled. This may include functions which, during better financial times, were considered advisable. Specifically:

- All discretionary spending should be curtailed. This includes purchases of goods and services not absolutely critical to a department's or agency's mission, a moratorium on out-of-state travel, supplies and spending on operations, and grants out and/or pass through funding. Anything that is not directly involved with addressing the COVID-19 response must be evaluated critically.
- Every new contract should be viewed through the lens of the state's COVID-19 response. Is it critical to our response effort? Can it be cancelled or postponed until we are on firmer financial footing?
- No new hiring without prior permission from the Secretary of Administration. This includes positions under recruitment as well as new positions contemplated. The Department of Human Resources will issue guidance for this directive.

For context, the House leadership announced recently that it will defer plans to address any legislation requiring new money (not COVID-related), and any controversial topic (also not COVID-related). Their focus will be on maintaining state government while confronting the crisis and considering a supplemental FY20 budget adjustment in mid to late May. Finance & Management will remain focused on understanding the fiscal impacts of the pandemic, as well as reviewing guidance from the federal government around use of current and anticipated federal COVID funds, in order to prepare a considered and thorough proposal for the Legislature's consideration.

The good news is that the state entered this period with a strong wind at our back. Revenues were running above target and our reserves are full. We are in better financial shape than most of our counterparts and we anticipate substantial federal support to help us combat the virus and its impacts. In the interim, we must conserve the resources at our disposal by operating efficiently and thinking critically.

Thank you in advance for your hard work and cooperation in helping Vermont meet the financial challenge of COVID-19. Please reach out to me or a member of the budget team with questions.