

TO: Appointing Authorities and Financial Directors
FROM: Adam Greshin, Commissioner
DATE: June 26, 2020
RE: FY 21 Restatement – Gov. Rec. Budget Instructions

The COVID-19 pandemic has had a dramatic, unprecedented impact on Vermont’s fiscal landscape and the state’s budget cycle. The chart below illustrates the magnitude of the potential revenue losses, based on the most recent risk assessment (June 8, 2020):

	FY21 \$	FY21 %	FY22 \$	FY22 %
GF	-\$218.5M	-13.7%	-\$125.5M	-7.8%
EF	-\$74.7M	-13.0%	-\$40.3M	-6.8%
TF	-\$36.1M	-12.6%	-\$15.2M	-5.2%

These figures only reflect the fiscal impact from the state’s largest revenue sources as estimated by the state’s economists. We anticipate additional negative fiscal impacts both from decreases in smaller special funds and from upward expenditure pressures associated with the COVID-19 pandemic and the resulting economic effects.

The Governor is considering a “Quarter One Budget” (H.961) for FY 2021 that allows agencies and departments to effectively carry out their functions for the first quarter of the FY 2021 fiscal year – ending September 30, 2020. In order to put appropriations in place for the full fiscal year, section A.9 of H.961 requires the Governor to submit a Restated FY 2021 budget no later than August 18, 2020. This date is intended to account for an updated estimate from the state’s economists that will incorporate the results of July 15 tax deadlines. **The deadline for submitting an FY21 Restated budget request is July 22nd, 2020 (see timetable below).**

Baseline for development of the FY21 Restatement:

The baseline for development of the FY 21 restated budget recommendation will be the final FY 2021 Governor’s Recommendation. The restated budget will be a full 12-month budget, replacing the “Quarter Budget” upon enactment. Using your FY21 recommended budget should significantly ease your department’s workload by leveraging the work you have already done last fall. Further, your FY21 budget recommendation has already been reviewed by the

Department of Finance and Management and the legislative Appropriations Committees. Any changes you propose for the FY21 restatement will be “upward” or “downward” adjustments to your original FY21 budget recommendation. These changes may be technical in nature; i.e., similar to what your department might propose for a Budget Adjustment Act. Other changes may reflect actions necessary to meet your budget target. We will assume the language submitted for the FY21 recommended budget remains unchanged unless notified differently by your department (see the section titled “Format of Response” below).

Budget targets:

Departments are expected to propose reductions equal to 5% of their FY 2021 General Fund Governor’s recommendation. We expect to utilize a variety of other tools, including statewide policy changes, one-time revenue sources, and other savings opportunities. However, these statewide solutions will not be sufficient to get us to balance. Also note that some obligations – debt service and retirement payments, for example – will be fully funded, which reduces the pool of appropriations from which we can find savings. As noted above, the revenue shortfall continues into FY22; adjustments to the appropriations base must be made in FY21 to prepare for a balanced budget in FY22.

Your budget proposals should be realistic and attainable in FY21, accounting for the timing of a current-year implementation. Please pro-rate any annual savings estimates and take into account any statutory or administrative rule changes, and the impact on any savings.

Internal Service Departments:

Internal service departments are expected to absorb the same 5% reduction as field departments. For simplicity purposes, Budget and Management will reissue to field departments reductions to their gross internal service allocated charges and commensurate reductions to their GF allotments. Reduced GF ISF allotments may be applied toward meeting your department’s total 5% GF reduction. (Please note that this reduction applies only to your allocated charges, not to “bespoke” or other specific arrangements you may have with departments that receive your services.)

Format of Response:

Please use the attached “Budget Development Addendum” (Attachment B) for submission of your FY21 Restatement. The format is similar to the traditional “ups and downs” form, however the starting point (top row) will be your original FY21 budget recommendation. Include with your submission brief policy descriptions that provide additional information as necessary regarding policy-related budget actions.

Please do not resubmit materials already presented to Finance & Management. We have kept that material. If there is subsequent material, for instance, that was shared with the legislature, you may pass that along if necessary. Most importantly, please do not attempt to revise your GovRec “ups and downs.” Consider that document to be locked, and all changes to it are reflected in the Addendum.

The FY21 Governor’s Recommended Budget language will be reintroduced. Otherwise, needed changes to bill language will be due July 31 (see timetable below). Specifically, language submissions must be limited to the following: 1) Language essential to savings proposals included in the FY21 Restatement; 2) Language otherwise necessitated by changes made to the FY21 Governor’s Recommended Budget “baseline”.

Federal Impacts including Corona-virus Relief Fund (CRF):

Federal assistance has been, and will continue to be, a critical component in Vermont’s return to economic health. The precise terms of this aid have been, and will likely continue to be, a matter of some uncertainty. For instance, whether additional aid to states will be made available or whether additional flexibility regarding current CRF funding will be allowed are still unknown. As information becomes available, your budget analyst will be your conduit for information exchange. In the meantime, we offer the following general guidance regarding CRF items:

1. **New CRF initiatives:** No new CRF initiatives should be included in your proposed FY21 Restatement unless explicitly authorized via your contact person in the Governor’s Office and/or the Secretary of Administration. Notify your budget analyst of authorized CRF initiatives. In all other cases, it is assumed that other legislative vehicles have already been available for CRF initiatives.
2. **Adjustments to JFC-approved CRF items:** Please consult with your budget analyst as to whether adjustments to existing CRF items, e.g., those approved by the JFC, should be handled in the FY21 Restatement, or by other means (e.g., excess receipt requests).
3. **Savings associated with CRF offsets:** If your department anticipates General Fund or other fund savings due to the availability of CRF-eligible expenses, please consult with your budget analyst as to whether to reflect those savings in your Addendum. Depending on the nature of those savings, Finance and Management may opt to handle those items on a state-wide basis.

VANTAGE:

Please reference the Attachment A regarding instructions specific to Vantage entry and use of the new RESTATEMENT_FY21 budget entry form. The BASE_BUDGET form will not be used for this FY21 Restatement submission. SBFS, as finalized for the original FY21 Governor’s Recommended budget, will remain unchanged. Although users will have access to the module, *users should not make changes to the module*, and no changes will be included in the final submission. Any proposed changes related to positions should be specifically enumerated in your department’s Budget Development Addendum and included in your VANTAGE submission using the “Other Personal Services” account code.

Vantage Decision Items will not be used in this budget development process. Instead, as outlined above under the section titled, “Format of Response”, policy actions should be separately enumerated in your department’s Budget Development Addendum. VANTAGE supplemental forms will not be used for this submission, either.

FY21 RESTATEMENT TIMETABLE

Calendar Year 2020	Description	Due Date
	FY 2021 Restatement Instructions issued	June 26
	Vantage System Open for department entry	June 26
	Budget Development Addendums due to the Governor submitted electronically to Finance & Management -AND- VANTAGE entry completed	July 22
	Language for the FY21 Restatement	July 31
	Final Restatement Targets for Governor’s Recommendations communicated by Finance & Management	August 12
	Final Restatement changes entered into Vantage	August 13
	FY21 Governor’s Recommended Restatement delivered to Legislature	August 18

Conclusion

We appreciate the incredibly hard work that finance officers have done since the outbreak of COVID-19. We recognize that the next few months will continue to be challenging. We ask for your continued patience and good spirits as we work through this process together. And please stay safe!

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