



GENERAL ASSEMBLY
STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

Thursday, November 9, 2017

Minutes

Room 10, State House

Members present: Representatives Fagan, Lippert, and Toll, and Senators Ayer, Cummings, Kitchel, Sears, and Westman.

Other Attendees: Administration, Joint Fiscal Office, and Legislative Council staff, and various media, lobbyists, and advocacy groups.

Senator Ann Cummings, presided as Chair and convened the meeting at 10:02 a.m. Senator Kitchel made a motion to approve the minutes of August 17, and September 14, 2017, and Senator Ayer seconded the motion. The Committee approved both sets of minutes.

B. Administration's Fiscal Updates – 1. FY2018 Budget Adjustment Pressures

Adam Greshin, Commissioner, and Matt Riven, Deputy Commissioner, Department of Finance and Management, explained they were completing the FY2019 budget meetings with Departments that impacted decisions on the FY2018 Budget Adjustment (BAA). There were three large issues surfacing in the FY2018 Budget Adjustment (BAA) process. Within the Agency of Human Services (AHS), the Woodside Facility was at great risk of losing its eligibility for Medicaid match from the Center for Medicare and Medicaid Services (CMS), which amounted to a \$2.7 million funding gap in FY2018. However, the Department for Children and Families (DCF) was hopeful it would regain eligibility for federal funding for FY2019. Senator Sears stated there was language in Act 85 of 2017 that required the Administration to notify the Joint Fiscal Committee if funding loss to Woodside was imminent. He expressed concern in regard to the relatively small population at Woodside and the need for General Funds to sustain it.

Mr. Riven called the Committee's attention to additional BAA pressures. In the General Assistance program, there was an estimated pressure of \$1 million for emergency housing. The Veterans' Home had an anticipated need of \$500k to \$750k due to staffing for overtime and temporary nursing services. He reported there were savings within the Management Savings Report attributable to ongoing staffing, but additional ongoing dialogues between the Administration and the Veterans' Home was important to address continual requests for funding shortages. Senator Ayer reflected on how the Legislature had requested the Veterans' Home to come up with a long-term budget plan that included addressing staffing issues through coordination with the Vermont State Employees Association (VSEA).

Commissioner Greshin offered to work with both the Veterans' Home and the Legislature to find ways to address the facilities' funding challenges. Senator Kitchel reflected on a reduction made to the Veterans' Home in the FY2018 budget, and asked for additional information on the drivers for shortages realized in their budgets. Mr. Riven explained the Veterans' Home had indicated that census was up, but there were cost pressures associated with staffing overtime and temporary nurses. Commissioner Greshin agreed that the budget model for the Veterans' Home was unsustainable because the cost of servicing beds was more than the revenue produced from filling beds. Senator Westman added that his local hospital had stopped using traveling nurses due to the high expense involved and suggested the Veterans' Home consider the same tactic. Senator Sears pointed out that another challenge for the Veterans' Home was meeting their client health care demands while staying within federal regulations that had a negative effect on the costs of pharmaceuticals.

Senator Sears read the statutory language, Sec. E.327 of Act 85 of 2017, on the Woodside Facility that explicitly requested the Administration notify the Legislature if the Centers for Medicare and Medicaid Services (CMS) rejected its Medicaid funding. Mr. Riven responded he was unfamiliar with the language but reiterated that Woodside had not yet received official notification that it had lost its federal funding. Senator Sears pressed that the legislation was an attempt to engage Woodside and the Administration in developing a long-term plan to address the issues plaguing the facility. Senator Kitchel offered that Woodside's budget issues were due to low census numbers, and that it might be more advantageous to consider other placement options for the children in Woodside.

2. FY2018 Rescission Technical Change

Commissioner Greshin stated there was a technical change to the Secretary of State's Office (SOS) FY2018 budget that included \$10k that was overstated in the reversions to the General Fund during the FY2018 budget rescission exercise. To compensate for the unintended loss in funds, the Administration suggested a direct application from a special fund to supplant the loss, which the SOS agreed to accept. Representative Fagan moved to approve the correction, and Representative Toll seconded the motion. The Committee approved the technical correction.

3. FY2019 Budget Development Process

Commissioner Greshin explained that his team has had conversations with most departments, with the Department of Public Safety as the remaining budget to review. The departments were asked to level fund their budgets for FY2019 by the Administration, while protecting the most vulnerable population of Vermonters and still allowing for specific initiatives of the Governor. Representative Toll asked for clarification on the Administration's process for including the public in the State's budget exercise, and whether the language in Act 85 of 2017, prescribing public engagement in the budget process, had been helpful. Commissioner Greshin explained that in previous years, the Department had organized in-person budget hearings that were administratively costly but due to low public involvement and the associated cost with staff time in organizing them, the Department had developed an online survey for the FY2018 budget process to collect public comments. They received 25 to 30 responses to the current budget proposal. The same electronic version for collecting comments was implemented for the FY2019 budget process. Commissioner Greshin stated that it was not the intention of the Administration to disengage the public from the budget process but to create ways to involve them in a more meaningful way. Mr.

Riven added that the budget process was very administratively burdensome for the amount of general public that was involved. Senator Kitchel asked whether the process set out in Act 85 for public engagement was working as envisioned by the Legislature, and whether the Administration was successful in gathering public input; how did it disseminate budget information in a way that the general public would understand it; and was the public aware of the process. Senator Westman commented that the Administration should be invested in a public engagement process since it is their process, but there seems to be no consistency. Commissioner Greshin responded that for the FY2019 budget development process it would be done electronically, but he would like to revisit it for future years.

Senator Kitchel stated that the Administration had requested departments to level fund their FY2019 budgets but labor costs and retirement investments for teachers were the biggest contributors to budget spending issues. She asked when the Administration would finalize its negotiations on the State Employees Contract, and when the cost impacts would be available to Legislators. Commissioner Greshin responded that negotiations had occurred but with no resolution. The Administration was now in mediation with the State Employees Union. If unresolved, then conversations would travel to Fact Finding and ultimately to the Vermont Labor Relations Board for final decision. It was the expectation that the State would enter the new calendar year with an agreement between the union and the State.

Senator Ayer asked whether inpatient beds for mental health and surface water quality would be included in the Administrations FY2019 budget proposal. Commissioner Greshin responded that the Administration planned to include those initiatives within its focus for the next budget cycle. Representative Lippert commented that he had been approached on mental health crisis situations and suggested the Administration use those advocacy groups as an additional voice for the public in budget preparation.

4. LIHEAP and Weatherization Report, and Technical Correction

Commissioner Greshin notified the Committee that a swap between LIHEAP and Weatherization did occur as explained in a memo presented from the Administration. In addition, Mr. Greshin explained that a technical correction to LIHEAP funding was needed to address the gap between the State and federal funding timeline. The State received 90% of federal funding for LIHEAP at the beginning of the federal fiscal year – October or November – and the remaining 10% of funds at the end of the federal fiscal year, which often occurred after the end of the State's fiscal year. This created difficulties for the State to close its books without the final payment for LIHEAP. The Administration would suggest language be added in the BAA to allow the Department to receive the 10% funds after the State's fiscal year rather than using the excess receipts process. Senator Kitchel showed concern for setting a precedence of bypassing the Excess Receipts process, and asked that the Administration be prepared when it presented the BAA to the Legislature to answer whether the Excess Receipts process was onerous.

5. Management Savings Report

Commissioner Greshin presented a spreadsheet and memorandum explaining savings that were recouped throughout State government in fulfilling the requested savings mandated by Legislature. There were Workers' Compensation initiatives implemented across State government. The first cleaned up old cases and adjusted for employees no longer within State government along

with generally outdated cases. In the second, best workplace practices were implemented to avoid injuries and claims altogether. He announced that the savings from the Workers' Compensation initiatives were substantial, with an estimated \$1.87 million in possible ongoing General Funds. In addition, there was a surplus within the Workers' Compensation internal service fund.

Mr. Greshin explained other government-wide savings included \$143,225 in the VISION system with additional ongoing savings through better program management practices. There were additional ongoing savings within State travel of \$88,139, with the Department of Corrections held harmless from the travel reductions.

Mr. Greshin reviewed the summary spreadsheet of other individual department savings. Due to the new VTax system, the Department of Taxes would use fewer computer server resources, which created savings in the Department of Information and Innovation. Representative Lippert inquired if the savings were actual savings to the bottom line of the State budget or internal to the Department of Taxes. Mr. Greshin responded the savings were to the bottom line of the budget through decreased costs in both departments.

Commissioner Greshin continued reviewing the spreadsheet of management savings, noting to sources of savings in the Department for Vermont Health Access (DVHA). The Department did not use the additional funding for positions approved by the Legislature for the chronic care initiative because there were 8 existing vacancy positions already funded for this initiative. In addition, DVHA had overstated the estimated costs associated with security service contracts for information technology (IT); the Department found program savings within the Department for Children and Families (DCF) in lower caseload, and in the Low Income Heating and Energy Assessment Program (LIHEAP) with lower and steadier fuel prices than anticipated. Senator Kitchel asked how the federal funds associated with the savings were used as part of the General Fund management savings. Commissioner Greshin explained that the LIHEAP funds were federal funds when received but could be swapped through the Weatherization Program for General Funds if it stays within the 15% of total funds received.

Commissioner Greshin finished the review with the Department of Disabilities, Aging and Independent Living (DDAIL) explaining there were 2 savings components in the attendant care program from underutilization where savings were realized in General and Medicaid funds. Senate Ayer inquired if the attendant care program savings and take-up rate were accurate since constituents had voiced concern on the difficulty of submitting paperwork for the program. Commissioner Greshin agreed to follow-up with the Department on Senator Ayer's constituent concerns.

Senator Kitchel explained her confusion with the way the management savings had materialized since the intent of the exercise was to give the new Administration the opportunity to do things in a more streamlined and efficient manner. She asked that JFO analyze how much out-of-the \$5 million target for the management savings was actually savings from the services and programmatic side and how much was more on the management and administrative side to better understand how the plan would project into ongoing savings. Commissioner Greshin agreed to work with the Legislature on any adjustments. Representative Lippert asked that the Administration send

additional information to the Committee on the current waiting list for the attendant care program, and how many people are on it due to the freezing of enrollment that was legislated previously.

C. Tax Computer System Modernization Fund Report

Kaj Samsom, Commissioner, and Greg Mousley, Deputy Commissioner, Department of Taxes, distributed a report on the Tax Computer System Modernization Fund (CMF). The Commissioner explained that as of November 3, 2017, myVTax was fully installed and working well except for some slight recalibrations and fine tuning. The system was developed through a benefits-based contract with fixed payments to the vendor. The system was trending with advance benefit payments, to the vendor due to the success of the vendor, FAST Enterprises, along with the Departments staff.

Mr. Mousley gave an overview of the CMF report, including background on the CMF system. The CMF system was created in 2007, with the most recent addition of the myVTax software that generates revenue to the State. To date, \$11.6 million of enhanced revenue had been collected by the Department from the CMF system. From that revenue, 80% or \$9.3 million, up to the contract fixed rate, went for vendor payments, and 33% or \$1.8 million went to the State's General Fund from the myVTax system. An amount of \$11.3 million was paid out of the nonbenefit payments part of the CMF system or the previous benefits system before myVTax. This allowed for a discount of \$1.3 million on the costs of the project with \$1.8 million within the benefits-based CMF. From that fund, obligations of \$5.5 million would be paid out to the vendors over the next five years with a General Fund transfer in June 2018 of an estimated \$500k.

Mr. Mousley explained that the Department was in the process now of assessing whether to update its scanning system that has caused billing errors due to the difficulty in reading poor scanned tax returns. Representative Fagan asked about the status of refunds for 2018. Commissioner Samsom responded that the Department was ahead of schedule from the prior year on timely filed, complete refunds. There were a total of paper filed and e-filed returns outstanding and waiting for refunds. Senator Westman showed concern of recent complaints from constituents of tax refund delays. The Commissioner responded there were still issues with the returns, but the Department was working to address them. In addition, there were a few fraud issues and other problems plaguing the Department's response time. Representative Fagan requested testimony in January 2018 of how the new myVTax system would ensure safety of taxpayer's filings after the Equifax breach. Commissioner Samsom stated the Department would work to schedule during its FY2019 budget presentation on the enhanced security of the myVTax system. Representative Toll asked if the interest paid for late refunds was set statutorily. The Commissioner responded it was set by statute at 200 basis points below the interest charged [5% interest rate with 3% refund interest rate] with it accruing 45 days after filing. Senator Kitchel requested information on whether all renter rebates were paid out for the 2017 tax season; a timetable showing the scanning project and the final vendor payments for the CMF system and when the General Fund would receive that additional revenue. Commissioner Samsom stated the CMF project and vendor payments would be completed in two years, and the scanning project would run about 18 months at most.

D. Agency of Human Services Updates/Reports

Al Gobeille, Secretary, Agency of Human Services, gave an update on the Woodside facility's Waiver negotiations to categorize the facility as a primary residential treatment center with

the Center for Medicare and Medicaid Services (CMS) and lower the age to 18. During Waiver negotiations last year, CMS responded it would not continue to fund the facility. Since then, the Agency has worked hard to gain approval to receive Medicaid funding for the facility, which came during this past summer with the stipulation of increasing the age bracket to 21.

Secretary Gobeille stated the Agency was hopeful that CMS would approve the State's request to reduce the age bracket to 18 at the facility. If CMS does accept the State's request on the Waiver, funding would likely be delayed until the next fiscal year until programmatic changes could be made for the Waiver requirements. Ken Schatz, Commissioner, Department for Children and Families clarified the abbreviation PRT - Psychiatric Residential Treatment. Senator Sears expressed concern of the possibility of the Agency utilizing all General Funds to sustain the facility. Cory Gustafson, Commissioner, Department of Vermont Health Access agreed with the Senator's concern but stated the Agency would continue to negotiate with CMS on the age bracket stipulation and the funding.

1. – 2018 Open Enrollment

Secretary Gobeille and Commissioner Gustafson distributed three documents. The Commissioner stated he was confident in the Departments work before the Committee, and introduced Michael Costa, Deputy Commissioner, and Sean Sheehan, Health Care Deputy Director of Operations, Department of Vermont Health Access. Senator Cummings asked if Vermont was seeing the same increased enrollment rate that other states were reporting. Commissioner Gustafson responded that Vermont had relatively low uninsured in comparison to other states; therefore, the Department was not seeing the same large increase in enrollment.

Commissioner Gustafson explained that the Department had been preparing for three months for the 2018 Open Enrollment of Vermont's Health Connect (VHC). The enrollment period for Vermonters to sign up for health insurance through VHC was shorter this year, but included a passive enrollment process for people who were reenrolling in a plan. Senator Sears showed concerns for complaints he received of fewer navigators to assist Vermonters. The Commissioner explained that the reduction of navigators, the increase of certified application counselors, and the reorganization of the remaining staff was addressed in the FY2018 State budget as a way to adjust staff across the State and better address the needs of Vermonters. Mr. Sheehan added that the statewide investment total for navigators was \$40k. Representative Lippert inquired if the Department had been in touch with the State health care advocates on how the change of navigators was working. The Commissioner responded that the Department was continuously in contact with advocates, and then referred to the key component indicators sheet or Dashboard snapshot that showed a reduction in the volume of calls made to advocates from the prior year for assistance or complaints.

2. Seasonal Warming Shelters

Ken Schatz, Commissioner, Department for Children and Families, reviewed a memo with an update of the proposed Barre and Rutland seasonal warming shelters. A grant of \$297,703 was distributed to the Good Samaritan Haven for a total of 33 additional seasonal shelter beds in the Washington County area. The Commissioner stated that the Department was hopeful there would be savings in motel vouchers in the future with the additional shelter beds available.

The Commissioner informed the Committee that Rutland had not been successful in producing seasonal shelter beds in its area as originally planned. Rutland residents requested that their preference would be for a family shelter instead of a warming shelter. The Department would continue to move forward with sending out RFPs for warming shelters in that area because of the anticipated value and need for one located in the Rutland area. However, the Department was able to authorize \$75k from the Housing Opportunity Grant Program for a family shelter in Rutland, and it was working to free up additional \$75k toward the project. Rutland was working toward a total funding package of \$400 - \$500k for its family shelter initiative. Senator Westman commented that the intent for the appropriation toward warming shelters was to take the pressure off of the State budget. The Senator then asked what the bridge was between the grant funding and the associated savings that the Legislature had anticipated from having warming shelters in both Washington and Rutland County. The Commissioner responded there would most likely still be some issues in emergency housing even with the additional supports in Washington County. Senator Westman added that with warming shelters, individuals were given a meal and there was also supervision, as opposed to hotel voucher situations that had neither. He requested the Department follow up with data on trends for the savings and the State's investment on homeless housing initiatives that give a picture of what the Legislature could anticipate as the need for the FY2018 Budget Adjustment proposal.

3. Medicaid Tracking and Pressures (BC/BS reconciliation process)

Michael Costa, Deputy Commissioner, Department of Vermont Health Access, joined Secretary Gobeille in explaining where the State was in its reconciliation process with Blue Cross and Blue Shield of Vermont. Senate Kitchel inquired on the timeframe of the reconciliation. Mr. Costa responded the Department anticipated it would be soon.

4. Medicaid Payment Alignment to Providers

Mr. Costa reviewed the report on Medicaid Payment Alignment to Providers, explaining the Department was tasked with aligning the various Medicaid provider payments through transfers and adjustments. Senator Ayer and Representative Lippert requested additional clarification of the Disproportionate Share Hospital (DSH) payments and information to better understand the issues from the federal and State primary care payments.

5. Mental Health & Vermont Psychiatric Care Hospital

Melissa Bailey, Commissioner, Department of Mental Health, joined Secretary Gobeille to explain issues around mental health and conveyed the Agency's commitment to address them. The Secretary distributed a document and stated that because the State did not have forensics unit, the Vermont Psychiatric Care Hospital had over 50% of its beds taken up by people who were forensic in nature. This created issues with a stagnant turnover of beds within the facility. Commissioner Bailey clarified that people classified as forensics in nature were typically long-term residents who were not able to stand trial, but court ordered to be committed to a psychiatric facility.

6. Designated Agency Funding Increase Distribution & Alignment

Commissioner Bailey distributed two documents and explained that per the Legislature, the Department redistributed the funding between developmental services and mental health within the designated agencies. After the redistribution there was some staff who did not receive the full adjustment. The Department then negotiated between the agencies to redistribute funding again to

even out the allocation of funds. The Secretary clarified that each agency requested a different rate to meet its individual needs but what agencies requested was not consistent with what the Medicaid system would allow because there could be just one rate in the fee-for-service for Mental Health services. Senator Westman asked how long it would be before it would be clear on the process for the redistribution. Commissioner Bailey responded it would be finished within the next couple of weeks. Secretary Gobeille added that the performance grants that AHS writes for the specialized and designated agencies typically take a considerable amount of time to produce so bureaucratically they tend to slog along. The report due by AHS on the outcomes of the rate distribution could not be completed until all the agency grants were completed; therefore, the report could be delayed past the December 15, 2017 deadline. Senator Kitchel recognized the hard work of AHS, and looked forward to closure soon.

E. Designated Agency Response

Julie Tessler, Vermont Council of Developmental & Mental Health Services, and Mary Moulton, Executive Director, Washington County Mental Health Services (WCMHS), distributed a document and Ms. Tessler stated the agencies were appreciative of the overall increase in funding of 2.1%. Ms. Tessler explained that staffing turnovers had decreased and retention and recruitment were improving with the wage increases. The process with the Department of Mental Health and the agencies had been a collaborative process to address redistribution issues. There were still some issues with an across the board wage increase to \$14 an hour related to compression of staff and masters level clinicians. Senator Kitchel stated that the Legislature did not have the anticipated funding to address the compression issue and it was not a perfect fix but it was a major step forward.

Ms. Tessler explained that BC/BS had done some research to show that the agencies spent \$48 million a year for health benefits for its staff, and if it had the State employee benefit package it would need to spend \$60 million a year. Senator Ayer asked if the agencies were able to buy into the State health plan. Ms. Tessler responded that the agencies were not able to afford that at this time.

Ms. Moulton stated the increase in the allocation of funding had been a positive change even with the difficult navigation. There had been over 248 staff under \$14 an hour in wages within the agencies, and the increase was life changing for some of them. The staffing turnover rate had dropped from 19% to 15% and the vacancy rate dropped from 90 to 45 positions. Within WCMHS crisis area, the funding enabled the agency to stabilize its workforce and increase its census population rate. The WCMHS would continue to collect data to show a bigger picture on the outcomes and measures of the State's investment into staffing. Ms. Moulton added that there was still an increase in the volume of patients in hospital emergency rooms that were in need of crisis support, and it was unknown as to the cause of the continual surge in these support services.

F. Grant: JFO #2901 - \$3,987,558 from the U.S. Dept. of Health and Human Services to the VT Dept. of Mental Health. One (1) limited-service position is associated with this request.

Charlie Biss, Director of Child, Adolescent and Family Division, Department of Mental Health, explained the Department was requesting permission to accept a grant for a limited service position from the U.S. Center for Substance Abuse and Mental Health Services (SAMHSA) to develop integration in clinical practices for pediatric and mental health care around the State.

Mr. Biss informed the Committee that there would be two designated areas for the work to begin, in Franklin County, and another in the Windsor and Windham County areas. Once these areas had been established, the initiative would move onto other parts of the State. Senator Ayer inquired what the grant would actually accomplish. Mr. Biss responded that the intent of the grant was for the State to work with the new Federal Qualified Health Centers (FQHC) and designated agencies across the State on behalf of Vermont children, and to ensure there was good coordination among the agencies and the FQHC's for substance use and mental health services. Senator Kitchel asked how the grant funding would be used toward its goal. Mr. Biss responded the funding would flow through the FQHC's for various initiatives to support the grants purpose such as, structural, medical records, and training areas. Senator Kitchel inquired further on how the grant would build upon and complement Vermont's current systems and structures. Mr. Biss responded that the grant would give the State the ability to prop up high needs children not getting adequate Mental Health Care and other services.

Senator Ayer moved to approve the grant, and Senator Westman seconded it. The Committee approved the motion (grant).

The Committee recessed for lunch at 12:15 p.m.

The Committee reconvened at 1:15 p.m.

G. Federal Funds Update

Marcia Howard, Executive Director, Federal Funds Information for States (FFIS), distributed a presentation on the fiscal climate within Congress in resolving budget issues. Budget Control Act was put in place when the debt ceiling was raised in 2011 that was continuing to constrain spending. Congress voted on a continuing resolution to cover budgetary needs until December.

There were unsuccessful attempts to repeal the Affordable Care Act, but currently there was talk of proposing legislation on health care within a tax reform bill. Infrastructure reforms were a major piece in the tax reform discussions. In January, Congress will again discuss whether to increase the national debt ceiling.

Ms. Howard explained from the presentation that Medicaid programs and other discretionary federal funding were the most vulnerable and the biggest areas of concern for States. Non-Medicaid grants had increased but were still relatively flat compared to the upward trajectory of Medicaid funding to States. Due to this increase in spending, Congress enacted a Budget Control Act to further reduce discretionary spending including defense and non-defense areas.

Ms. Howard stated that currently Congress and the President were not able to reach agreement on budget and revenue legislation, causing uncertainty for States. The current budget and revenue bill included various revenue tax bracket changes from 4 to 7. Senator Westman asked if there were any proposals for state and local income and sales tax changes. Ms. Howard responded that the U.S. House of Representatives deleted the State and local deduction on income and sales tax but retained the property tax deduction and added a cap of \$10k in its proposed legislation. She

opined that the U.S. Senate was more likely to eliminate both and propose a higher mortgage interest deduction than the House.

Ms. Howard recapped the areas of disagreement between the U.S. House and Senate, including the Budget Control Act changes, FY2018 Appropriations, reconciliation, tax reform and the Children's Health Insurance Program (CHIP) eligibility offsets. Recently, a continuing resolution was enacted just a few days before the end of the fiscal year, averting a government shutdown. Within the continuing resolution, was an across-the-board reduction in discretionary funding; and on the programmatic side was the suspension of the debt limit until December 8, 2017.

As a point of information, Ms. Howard explained that some federal programs that expire and are not mandatory such as, No Child Left Behind (NCLB) were able to continue as long as there was funding. Mandatory programs such as, CHIP were required to have legislation and funding in place to authorize its continuation. Senator Kitchel showed concern for the State continuing to run the CHIP program with the unknowns of a federal budget agreement. Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, stated that the Administration had testified recently that it would have enough funding to cover State expenditures for CHIP until February 2018.

In closing, Ms. Howard announced that the federal EPA had settled with Volkswagen and states had until December 1, 2017 to notify the U.S. Environmental Protection Agency (EPA) on its intent to access funds within the settlement fund and awarded by formula. Settlement estimates to individual states could be determined by visiting the FFIS website. In addition, the settlement funds could be leveraged through a grant program to match additional federal funds for programs that reduce nitrogen oxide emissions.

H. Fiscal Office Updates – 1. Fiscal Officers Report

Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office, reviewed the highlights of the Fiscal Officers Report including the impending announcement of the First Responder Network Authority (First Net) proposal from the Governor's Office of either AT&T or Spectrum as the winning bidder.

2. Draft Proposed Legislature's Budget Request

Mr. Klein and Dan Dickerson, Fiscal Analyst, Joint Fiscal Office, referred to the proposed Legislature's budget request, attached to the Fiscal Officers report, and explained the growth in the Legislature's budget was due to Pay Act increases, the biggest pressure for the Office was due to contracted staff. A contractor, who was an expert in Act 60 and Act 46 education spending, Deb Brighton, had announced retirement. Due to the loss in this specialized skill set, the transition of a full-time staff to train in this field has increased costs.

Mr. Klein explained the Office was proposing a review of its website and better integration with the Legislature's website. There were additional ongoing costs associated with the Chainbridge tax software model that was previously funded through one-time funds. Senator Kitchel commented that the Chainbridge model contract allowed for the capacity to analyze tax data, making it very valuable to the Legislature. Mr. Klein added that there were concerns the current tax data based on 2015 information would be impacted by possible federal tax changes and also how those changes would influence the use of the Chainbridge model.

3. Grant Process

Mr. Klein explained there had been some interdepartmental grants issues that the Office suggested should be addressed by the Committee at a future meeting. Senator Kitchel questioned what the precedent was and/or implications for these types of grants. The Committee decided to put the discussion of the grants on a 2018 meeting agenda.

4. Education Fund

Mark Perrault, Senior Fiscal Officer, Joint Fiscal Office, distributed two documents that included an outline of the education tax pressures in FY2019 and a packet of information on the Act 46 mergers that was requested in the Committee's previous meeting. The Office and the Department of Education were in the process of coming to a consensus on the FY2019 education tax rates. Preliminary information shows a significant increase from the FY2018 education tax rate under current law of about 8 to 10 cents. A little over half of the increase is due to the use of nonrecurring revenues used in FY2018 to reduce tax rates, and the rest of the increase was from a normal growth rate. In addition, there could be a significant increase in teachers' health insurance in FY2019 ranging from 6% to 17% depending on the plan. This was due to school districts not able to achieve the savings under the assumptions made by the Vermont Education Health Initiative (VHEI).

Mr. Perrault referred to the Act 46 mergers and explained there would be an increase from \$10 million to \$13.5 million in FY2019 for incentives to school districts, and then a subsequent decrease.

The Committee adjourned at 2:45 p.m.

Respectfully Submitted,

Theresa Utton-Jerman
Legislative Joint Fiscal Office