

PRELIMINARY AGENDA

Joint Fiscal Committee

July 14, 2000

10:00 a.m.

Room 10, State House

- 10:00 a.m. Call to order
1. Approval of minutes of February 4, February 10, and March 23 (*attachments*)
- 10:05
2. Banking, Insurance, Securities & Health Care Administration (BISHCA) transfer of unencumbered balances (*attachment*)
- 10:15
3. Departmental requests (if any)
- 10:25
4. Education issues
 - a. Prebate update (Tax Department)
 - b. Education Fund implications (Bill Talbott, Education Department)
 - c. Yield update (Bill Talbott)
- 11:15
5. Joint Fiscal Office
 - a. Revenue estimating contract(s)
 - b. Fund updates (*attachment*)
 - c. Chief Fiscal Officer's report, including studies (*attachment*)
- 12:00 p.m. Recess (lunch)
- 1:15
6. Revenues and economic outlook (Secretary of Administration; Joint Fiscal Office)
Preliminary FY 2000 closeout (Secretary of Administration)
- 2:00
7. Future meeting dates (proposed: Thursday, September 14 and Thursday, November 16)
 8. Reports for information (no action required)
 - a. Vermont Fire Service Training Council quarterly report (*attachment*)
 - b. Excess receipts report (*attachment*)
 - c. Federal Energy Regulatory Commission billback report (*attachment*)
- 2:05 Adjournment

MINUTES

JOINT FISCAL COMMITTEE Meeting of July 14, 2000

Senator Spaulding, Chair, called the meeting of the Joint Fiscal Committee to order at 10:10 a.m. in Room 10, State House.

Also present: Senators Ide, Ready and Rivers
Representatives Aswad, Fox, Perry, Steele and Valsangiacomo

Others attending the meeting included staff members of the Joint Fiscal Office, Administration officials and staff, and the general public.

APPROVAL OF MINUTES OF PRIOR MEETINGS:

1. Representative Valsangiacomo moved approval of the minutes of the February 4, February 10, and March 23, 2000 meetings, as submitted. The motion was seconded by Senator Ide and carried.

DEPARTMENT OF BANKING, INSURANCE, SECURITIES AND HEALTH CARE ADMINISTRATION (BISHCA) TRANSFERS:

2. Commissioner Elizabeth Costle presented final figures for fiscal year 2000 receipts available for transfer to the General Fund from BISHCA funds, as follows:

<u>Fund name</u>	<u>Amount</u>
Insurance Regulatory & Supervision	\$1,376,812.66
Captive Insurance Regulatory and Supervision Fund	115,802.22
Securities Regulation and Supervision Fund	<u>2,793,159.97</u>
Total	\$4,285,774.85

After the Chair and the Commissioner gave some background on these transfers, Ms. Costle told the Committee that when the final closeout figures for fiscal year 2000 become firm very soon, there may be some very slight variations in the amounts she provided.

As required by Section 47(2) of Act 66 of 2000 (FY 2000 budget adjustment), Commissioner Costle certified that the transfer of these amounts will not impair the department's ability ". . . in fiscal year 2000 to provide thorough, competent, fair, and effective regulatory services, or maintain accreditation by the National Association of Insurance Commissioners. . . ."

In the course of discussion, Senator Rivers referred to discussions in the Finance Committee concerning rising health care costs and suggested that BISHCA has limited resources to review large certificate of need proposals. She noted, for example,

that Fletcher Allen Health Care (FAHC) has a major proposal pending and wondered whether instead of transferring over four million dollars to the General Fund as proposed, some of those resources should be used to respond to skyrocketing health care costs and certificate of need applications. Ms. Costle acknowledged that the FAHC project is an issue and said her department has discussed how to analyze what the effect on hospital rates will be. She said some money already is earmarked for consultants for that certificate of need; and that BISHCA could present to the next General Assembly a budget adjustment or excess receipts request if the department feels more money is needed for consultants to look at the application.

Senator Ready associated herself with Senator Rivers' comments. She observed that one way to control the tremendous increases in health care costs is through the certificate of need process. She felt that process must be strengthened and hoped a proposal for doing so will be presented in the 2001 legislative session.

Representative Steele, pointing to the substantial receipts in BISHCA funds available for transfer to the General Fund as well as to large surpluses in other areas, strongly took issue with what she recalled as unwillingness on the Commissioner's part to consider health insurance premium rate decreases. As for the certificate of need process, Representative Steele pointed out that projects which Ms. Costle mentioned as being denied were in some of the state's smaller community hospitals, which forces people to go to Burlington; in her opinion, there is reluctance to deny certificates of need at the state's largest facility.

On a motion from Representative Steele, which Representative Aswad seconded, the Committee accepted the certification of the BISHCA Commissioner relating to the transfers of the unencumbered balances in the three funds cited above. The motion passed.

INCOME SENSITIVITY PAYMENTS:

3. At the request of newly-appointed Tax Commissioner Janet Ancel, Robert Gross, tax policy analyst in the Department of Taxes, presented an update on income sensitivity payments in accordance with Act 60, the state's Equal Educational Opportunity Act. Mr. Gross distributed and discussed a summary of the status of prebates as of July 13. Included was a sample letter to taxpayers who have not yet filed their Act 60 property tax reduction form. Later in the meeting Mr. Gross also distributed a notice sent to taxpayers about reconciliation or "true" up of their 1999 income sensitivity payments.

Much of the discussion centered on collection of money from taxpayers who must return some or all of the prebates they received from the state. Representative Fox wondered whether the department can waive the penalties and interest and whether it has flexibility in determining penalties for people with limited resources. Mr. Gross explained that although the department cannot be flexible on interest, it is very flexible on penalties and works carefully with taxpayers who have difficulty paying. In response to Senator Rivers' inquiry, he acknowledged that taxpayers' bills do not inform them about this flexibility.

Senator Rivers maintained it is wrong to expect people to pay penalties with no questions asked, and strongly urged the Administration to consider a blanket waiver of penalties the first year. Commissioner Ancel reinforced Mr. Gross' assertion about the department's intention to be very flexible about penalties; however, she had concerns about a blanket waiver, pointing out that there are circumstances where taxpayers have available income and must be expected to repay the prebate amounts they owe.

Representative Fox thought that there should be a public relations effort to prepare people better about the income sensitivity payment process and to make clear that if a taxpayer does not think he or she should be penalized, the Tax Department will make every effort to make sure the individual is treated fairly.

The Chair hoped that the Administration would consider what kind of improvements might be made in the system and be ready to work with the next General Assembly in this area. Senator Ide agreed, observing that there is a perception that the Tax Department is inaccessible, inflexible, and uncommunicative. He pointed out, for example, that it neither has a toll-free telephone number for taxpayers with questions nor accepts collect calls, and he encouraged the Commissioner to consider installing an 800 number answered by an individual.

Representative Perry echoed Senator Ide's request for a toll-free number with a person to handle the calls. He also asked the Commissioner to summarize for the next Joint Fiscal Committee meeting the Administration's conclusions and recommendations for any administrative or legislative actions that may be indicated to address the problems discussed about the prebate reconciliation process.

Discussion also focused briefly on the uncertainty which surfaced near the end of the 2000 legislative session as to the accuracy of estimates of Act 60 prebate receipts. Senators Spaulding and Ide and Representative Fox all alluded to the dilemma facing the budget conference committee due to the Administration's assertion that these receipts might be substantially lower than projected. Representative Fox suggested that a partial solution to averting a recurrence of that situation would be for the department to open all the mail as it arrives. Former Tax Commissioner Sean Campbell observed that the department tries to open all the mail and deposit checks as quickly as possible, but that the returns need to be actually processed to determine what amount is income tax and how much is income sensitivity, for example. He explained why there was a big shift in receipts that was impossible to predict until all the returns were processed. With fifty percent of income tax returns mailed to the department in the last three days of the tax filing season, he maintained that it is impossible to set up a department that will be able to process those returns within two or three weeks.

EDUCATION DEPARTMENT REPORT ON GUARANTEED YIELD:

4. The Department of Education's Chief Financial Officer, William Talbott, distributed a memorandum to the Committee containing information on guaranteed yield under Act 60. The yield for the approaching school year will be \$40.00 per equalized pupil, and the calculated yield under Act 60 is \$32.22 per equalized pupil. He noted that last year's yield was \$32.23 on the same calculation and discussed the conclusions which can be drawn from that fact. The cost of the FY 2001 \$40 yield to the education

fund will be \$36,028,166, very close to the \$36,000,000 estimate he made to the General Assembly.

Mr. Talbott talked briefly about the impact of fund raising on the education fund. He pointed out that if towns which raised funds to help support their education spending had maintained level budgets without that fund raising, the cost of the \$40 yield in FY 2001 would have been \$12,491,588. The impact on the education fund under those circumstances would be \$23,536,608. The amount of reported donations for FY 2001 is \$11,080,788, compared to a FY 2000 figure of \$7,698,884.

Brief discussion about education funding, donations, and the reasons for increases in school budgets followed Mr. Talbott's report.

JOINT FISCAL OFFICE:

5. a. Education Fund update: Chief Legislative Fiscal Officer Stephen Klein presented and summarized a preliminary update on the education fund, reflecting actual revenue and expenditure data for FY 1999, preliminary FY 2000 figures, estimates for FY 2001 and projections for the subsequent two years. Mr. Klein cautioned that the figures are strictly preliminary, pending completion of the prebate calculation. Among the points he made about the fund were that Lottery receipts are declining substantially, and that income sensitivity savings are beginning to appear. Mr. Klein also stressed that the education fund needs no infusion of general funds to maintain a 5 percent reserve, and that the fund is projected to have a surplus through FY 2003.

b. Revenue estimating contract: Douglas Williams, Deputy Fiscal Officer, advised that Thomas Kavet's two-year contract with the Joint Fiscal Committee for revenue estimating services expires on July 30. The Joint Fiscal Office staff regards Mr. Kavet basically as a sole source provider whose scope of work has expanded significantly beyond General and Transportation fund forecasting. After touching on additional work undertaken by Mr. Kavet, Mr. Williams proposed that the Committee authorize the renewal of his contract for an additional two-year period. He reminded the committee that the revenue estimating contract always includes a no-fault cancellation clause, so that in the next legislative biennium if a newly constituted committee chooses not to utilize Mr. Kavet's contract, it can be cancelled.

Mr. Williams further advised that under the current contract Mr. Kavet is paid \$50.00 per hour. The Fiscal Office proposes increasing that figure to \$55.00 per hour should the Committee choose to engage his services again.

Senator Ide moved to authorize the Joint Fiscal Office to renew Mr. Kavet's contract for a two-year period, at \$55.00 per hour. After discussion in which Committee members highly praised Mr. Kavet's work, Representative Steele moved to amend the motion to increase the reimbursement rate to \$60.00 per hour. Both the Chair and Senator Ide, while complimentary about Mr. Kavet, disagreed with the proposal. The Chair observed that the arrangement has been beneficial to Mr. Kavet, and Senator Ide pointed out that the Committee has entrusted the Fiscal Office with negotiating the contract to the best of its ability. Representative Steele's motion then was adopted by

majority vote, and the amended motion was put to a vote and passed, one member voting in the negative.

Representative Perry asked for a copy of Mr. Kavet's contract.

c. Medicaid spending: The Chief Fiscal Officer introduced Steve Kappel, recently hired fiscal analyst in the area of health care whose employment the Committee authorized at its March 23 meeting.

Mr. Kappel gave a brief synopsis of his memorandum to the Committee on the subject of Medicaid spending and the General Fund, containing a review of historical patterns of Medicaid expenditures in the State and the increased use of the General Fund for these costs; a projection of those patterns forward; and a section on controlling growth. He observed that in the next few years there will be a confluence of two unfortunate trends: the continuing growth in Medicaid expenditures and probably a near leveling of the special monies earmarked for Medicaid expenditures. Because of the latter factor, he foresaw that General Fund expenditures probably will grow faster than Medicaid costs as a whole. If all the assumptions are correct, there will be a growth in General Fund expenditures of approximately 12 percent a year.

On the subject of assumptions, Mr. Kappel talked about the risks inherent in predicting future health care costs and cited uncertainties about Medicaid such as the economy and the long-term influence of budget neutrality and the Medicaid waiver. He explained how the Medicaid waiver is structured and that enrollment is the main adjustment to the amount for each year on which the federal government and the state agree. If state per person costs exceed the negotiated figure, however, the state must bear all the additional per person cost.

Members asked questions about the information presented by Mr. Kappel. Mr. Klein indicated that at the September meeting he hoped to have more information about this subject.

The discussion touched on cost containment, including better scrutiny of hospital certificate of need proposals and the implications for health care costs. Senator Rivers suggested that if Mr. Kappel's memorandum is circulated beyond the Committee, he revise the section on controlling growth in the Medicaid program to reflect that to the degree that overall health care costs rise, they are influenced by such factors as certificate of need approvals. Senator Ready also thought Mr. Kappel should make clearer in the section on controlling growth in Medicaid expenditures that he was not suggesting restrictions on utilization.

Answering an inquiry from Representative Fox, Mr. Kappel said his intention is to issue periodic briefing papers on specific areas of health care. She suggested each one indicate the subject matter and expected date of issuance of the next paper. The Chief Fiscal Officer said these documents can be made available on the Joint Fiscal Office web page.

d. Chief Fiscal Officer's report: Mr. Klein called attention to his written report summarizing ongoing fiscal issues, various projects in which the Fiscal Office staff is involved, and a staff update. Attached to the memorandum were a report on

revenues and spending and a list of summer studies and the staff member(s) assigned to each.

Mr. Klein's report contained the information that Doug Williams will assume some of the responsibilities for the annual capital construction bill heretofore assigned to Ben Huffman, who soon is retiring from the Legislative Council staff. Mr. Williams will develop the spreadsheets and tracking documents, while Donna Savage of the Council will do the drafting. Representative Fox wondered if Mr. Klein has consulted the Ways and Means Committee, which Mr. Williams staffs, while Senator Rivers pointed out that Ms. Savage's drafting duties on other legislation could be conflicted by assigning her capital bill responsibilities, particularly near the end of the legislative session. Mr. Klein indicated he would confer with Chief Legislative Counsel William Russell about ensuring adequate coverage of these committees and meet with affected chairs in the fall.

Representative Fox referred to a section of Mr. Klein's report concerning federal fund changes, in particular cuts in the Social Services Block Grants to states. She proposed that, in addition to the letters written by Vermont's Agency of Human Services and other entities opposing these cuts, a letter be sent to the state's congressional delegation expressing the Joint Fiscal Committee's concerns about the reductions. Mr. Klein promised to draft such a letter. (*Note: The letter, signed by the Committee Chair and Vice Chair, was sent on July 19.*)

Finally, Mr. Klein talked about office staffing, telling the Committee that he will schedule discussion in September on whether to hire someone on a temporary or permanent basis to staff Senate Finance Committee. Furthermore, while a decision has not been made about engaging Veronica Celani again on a consulting basis, he anticipated possibly making an arrangement for her to be available as needed.

The Committee recessed for lunch at 12:20 p.m. and reconvened at 1:25 p.m.

FISCAL YEAR 2000 CLOSOUT FIGURES:

6. Kathleen Hoyt, Secretary of Administration, advised that the closeout figures for FY 2000 will not be available for several days but she summarized revenue performance in recent months. While May revenues were very high, June figures were slightly weaker than expected, particularly in personal income tax receipts. After briefly talking about the volatility of the income tax, she advised that at the of end of June, the Administration calculated General Fund revenues at \$37.6 million beyond the January revenue estimate. General Fund receipts are sufficient to pay for the one-time contingent list specified in the appropriations bill, with approximately \$26 to \$27 million available for school construction. Secretary Hoyt also reported that the Transportation Fund revenue goal was met, and the Education Fund was on target cumulatively for the fiscal year. She promised that when final figures are available they will be furnished to the Committee.

REVENUE REVIEW AND ECONOMIC OUTLOOK:

7. After some general introductory comments from Ms. Hoyt about the economy, Thomas Kavet provided updated information on revenues and the economic outlook in the form of a written report entitled "July 2000 Economic Review and Revenue Forecast Update."

Mr. Kavet reviewed the document, which contained a brief overview of the state's major funds and sections on the U. S. economy, Vermont's economy, and State revenues, with a discussion of specific revenue sources. His presentation was interspersed with questions from Committee members.

In general, Mr. Kavet reported, the economy remains better than anyone anticipated, but it is expected to slow and already is beginning to do so. Unlike experience in recent years where expectations of a slowdown in the robust economy have not materialize, he is of the opinion that the current slowdown will certainly continue, for substantial reasons. Paramount among these are actions of the Federal Reserve Board in raising interest rates and tightening credit, which absolutely impact certain sectors of the economy and in fact already are doing so. He talked in some detail about the goals as well as the risks of an intentional slowdown.

In the context of Mr. Kavet's mention of the fact that Vermont has the highest debt service burden of any state in the Northeast, Representative Perry referred to a graph on page 5 of the report tracking the poverty rate for full-time year-round U. S. workers. He asked whether that information is available just for Vermont. Mr. Kavet was uncertain of obtaining that data for each year but thought it might be possible to do so for five-year periods.

When Mr. Kavet concluded his presentation, there was some discussion of declining net Lottery profits available to the Education Fund, due to reasons cited in the report. Secretary Hoyt said she intends to examine operating expenses related to all the games, including the Tri-State Megabucks, and to come back to the Legislature on this matter, for reasons she outlined. She also felt the Legislature should appropriate Lottery Commission operating funds like other enterprise funds. An example was the very large expenditure recently for new machines, a major purchase on which the Lottery Commission had not consulted the General Assembly. Ms. Hoyt promised to develop recommendations in this area, working with the Lottery Commission.

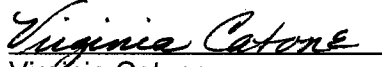
The Chairman referred to Table 1A ("Source General Fund Revenue Forecast Update"), asking what the FY 2001 forecast figure would have been in January 2000. He said he wanted to know how much the revenue forecast has increased. Mr. Kavet estimated the increase at about \$33,000,000, but he promised to provide a specific figure.

FUTURE MEETING DATES:

8. The next meeting was scheduled for Thursday, September 14. A tentative date of Thursday, November 16 also was discussed, and the Chair said a decision on the November date will be made at the September meeting.

The meeting was adjourned at 2:50 p.m.

Attest:


Virginia Catone
Joint Fiscal Office

Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • 802) 828-2295 • Fax: 802) 828-2483

MEMORANDUM

To: Joint Fiscal Committee Members

From: Stephen A. Klein

Date: June 30, 2000

Subject: **BISHCA Year-End Transfers**

Section 47(2) of Act 66 of 2000 (FY 2000 budget adjustment) requires that the unencumbered balances in the insurance, captive insurance, and securities regulatory and supervision funds shall be transferred to the general fund. Approximately \$2,600,000 was the amount estimated in the act to be transferred.

The Commissioner of Banking, Insurance, Securities and Health Care Administration is required to provide to the JFC on or before June 15, 2000 a certification that the transfers will not impair the department's ability in FY 2001 " . . . to provide thorough, competent, fair, and effective regulatory services, or maintain accreditation by the National Association of Insurance Commissioners."

The Sandy Barton, business manager for BISHCA indicates that the final transfer figure is expected to exceed the \$2,600,000 estimate, the precise figure will not be known until fiscal year 2000 close-out is completed. The commissioner will provide an accounting and certification of the amount available for transfer at the July 15 meeting.

Joint Fiscal Office

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MEMORANDUM

To: Jeb Spaulding, Chair, Members of the Joint Fiscal Committee

From: Stephen A. Klein, Fiscal Officer

Date: June 30, 2000

Subject: Fiscal Officer's Report

This memorandum summarizes developments and issues which we will bring to the committee at the July 2000 JFC meeting.

1. Ongoing fiscal issues

a) FY 2000 Revenues: As we close FY 2000, revenues have exceeded estimates. Current projections indicate that excess will be \$35-40 million over the amount anticipated at the close of the session. This would mean that all contingent spending occurs and \$25-30 million in surplus revenues are available for school construction. As you are aware, much of this revenue surge is stock market driven and the revenue estimation process will have to take this into account when determining impacts for FY 2001 and beyond. With this memorandum, I have enclosed a more detailed memo with accompanying charts that Doug Williams prepared on some of the factors and characteristics of the revenue surge and a discussion of the one-time expenditures that the funds are used for.

b) Education Fund Update: At the end of the session, estimates of the cost of income sensitivity gave rise to the concern that the education fund would need additional general fund contributions to maintain its 5% budgetary reserves. A number of contingent appropriations were included in the appropriations bill. Over the past few weeks the income sensitivity costs have declined dramatically as the repayments are counted. At present, due to the lower income sensitivity costs, potential surpluses in education fund revenue receipts, and a reduction in the costs of capital debt expenses, the need for additional general fund from contingency appropriations is not likely. Final numbers will be available at the Fiscal Committee meeting. With the revised revenue and spending forecasts that will be available at that time, however, we anticipate that the education fund should be healthy.

c) Transportation Fund Update: The transportation fund is on target. The major uncertainties in transportation fund revenues will occur due to changes in diesel tax collection and purchase and use collections which will be estimated officially in July but, given that first year estimates are uncertain, could result in some variance.

d) Health Care costs: Steve Kappel has been working with Stephanie and me on estimating future health care costs and their impact on the general fund. A summary of his initial findings is included with this mailing (Item 5b). While we are in a strong revenue position today, the health care cost picture remains a cloud on the horizon, which must be taken into account. Health care spending, like revenues and human service spending, comes under greater pressure if the economy weakens.

e) Federal fund changes: We still do not know the outcome of the federal budget deliberations. The largest area of risk is in the Social Services Block grant program. This is the one area where such reductions are most likely. In Congress both the House and Senate Appropriations have approved Labor-HHS Appropriations bills. The Senate version would reduce SSBG to \$600 million from the present level of \$1.7 billion. The House version would fund SSBG at \$1.7 billion. In both the House and the Senate appropriations bills, the ability of a state to transfer TANF funds to Title XX would be reduced from 10% to 4.25%. While the a reduction in the TANF percentage that could be transferred will reduce flexibility and require re-allocation of federal dollars within AHS, a reduction in SSBG at the Senate proposed level would translate to a \$2.8 million cut to Vermont. Programs currently funded with SSBG include:

- Vermont Legal Aide;
- Parents Assistance Line;
- Child welfare services and mental health treatment for children in SRS custody;
- Child care subsidy;
- Family planning;
- Community-based mental health services for persons with severe mental illness - (impacts our ability to keep the VSH census down)
- Services to adults with developmental disabilities in community-based programs
- Adult day services for elderly and chronically disabled persons.

AHS has written our Congressional delegation opposing these cuts, also working to oppose these cuts are NCSL and the American Public Human Services Association.

2. Education finance related research: The Legislative Council has asked its staff and our staff to prepare a document that explains Act 60 for legislators. While Legislative Council staff will play the lead in this, we will be helping. The ongoing work that we are involved in is primarily data support for the current law. We are also trying to develop modeling platforms which will allow us to do comparisons of competing legislative proposals using the same baseline data. During the off session in an election year we limit our involvement in other projects to those which are existing legislative initiatives. The projects in this category are the impacts of raising the statewide property tax and increasing the block grant, development of modeling capabilities for legislative “split the grand list” proposals, continued work for the bipartisan “gang of ten” proposal and some work on a legislative request related to the Equal Tax Burden (formerly ERS) proposal.

3. Summer Projects:

With the letter of intent work done we are beginning to work on summer assignments and studies. Initial preparation has begun for updating all 36 configurations of the Basic Needs Budgets using the methodology employed for the Livable Income Study of 1999. We are required to do this for the next four years by the livable wage legislation. We have also begun other studies - a list of summer work is attached.

4. Office updates:

a) Staff Updates:

Tom Kavet's contract with our office expires in September of 2000. We need to address a contract extension at the July meeting. Tom has become more of a sole source provider as he is doing much of the population estimates, grand list estimates and other work required for our education balance sheet. He is also involved in a major project to improve our analytical capabilities for income tax analysis. We will bring a contract extension proposal to the committee at the July meeting.

As you may be aware, Ben Huffman is retiring in September. His capital bill work will be divided between Legislative Council and Joint Fiscal with Donna Savage doing the drafting and Doug Williams developing the spreadsheets and tracking documents. Doug Williams will also help with the State House-related interactive television responsibilities called for in the capital bill.

Steve Kappel has started work with our office. In his first week he attended a federally sponsored and paid for conference on health care issues facing families. A one-page memorandum summarizing the conference discussion is attached. He is also looking at health care costs and their impact on the general fund as well as our Medicaid program and its funding. I have asked him to be available to you and to check in with you as to ideas you might have regarding work in this area.

Joint Fiscal Office

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MEMORANDUM

To: Jeb Spaulding, Chair, Members of the Joint Fiscal Committee

From: Stephen A. Klein

Date: June 12, 2000

Subject: Revenues and Spending

As you are aware, there has been considerable news coverage about the May revenues and the Administration's projection of a \$40 million surplus for FY 2000. In the press this has been translated into a \$90 - \$95 million surplus for the FY 2000 fiscal year (Total revenues over base spending only). This memorandum is to provide an understanding of these numbers and their changes from those of the end of the session.

FY 2000

A. The use of non- base FY 2000 revenues

Current law revenue projections for FY 2000 are \$853.5 million including direct applications. Within the FY 2000 budget, the FY 2000 budget adjustment and the FY 2001 big bill, the legislature authorized spending against this revenue estimate including:

- \$798.5 million in base appropriations
- \$ 14.5 million transfer to the education fund
- \$ 35.0 million of non-base one-time spending (See attached chart)
- \$ 5.5 million in transfers to other funds (stabilization, tobacco trust etc.)

For FY2000, any additional surplus that comes in above \$853.5 million was allocated by the legislature. The first \$11.6 million funds a contingent list of one-time items (see attached). These one-time funds will be available after the FY 2000 close-out confirms that the surplus exists. Any remaining surplus funds go toward future school construction needs. If the Governor is correct in his estimate that revenues will exceed the current forecast by \$40 million, it will mean roughly \$28.4 million is reserved for future school construction needs.

B. The nature of this revenue surplus

The main driver of the surplus remains personal income tax revenues. A projected 83% of the excess revenues is in that category. While this has been good for Vermont and its revenue base, it underscores two critical areas of concern: first, the nature of this revenue coming from the volatile paid returns component of the personal income tax; and second, the continued possibility of an economic downturn which could rapidly reduce our revenues.

Personal income tax continues to be an increasing part of the state general fund revenue mix. In FY 1995, when we last did a study of Vermont taxes, personal income made up 37% of the general fund. In FY 2000 current projections indicate personal income tax could represent 49% of general fund revenues. This revenue source is increasingly volatile, and with Vermont's progressive income tax, the revenue is dependent upon a relatively small number of taxpayers in the top income categories – whose income is heavily dependent upon the stock market and other business-related earnings. For example, in 1998, the 3500 taxpayers who had adjusted gross incomes over \$200,000 paid over 25% of Vermont's personal income taxes. In FY 1998, the top 10% of taxpayers, with incomes over \$75,000, paid 52.5% of Vermont income tax.

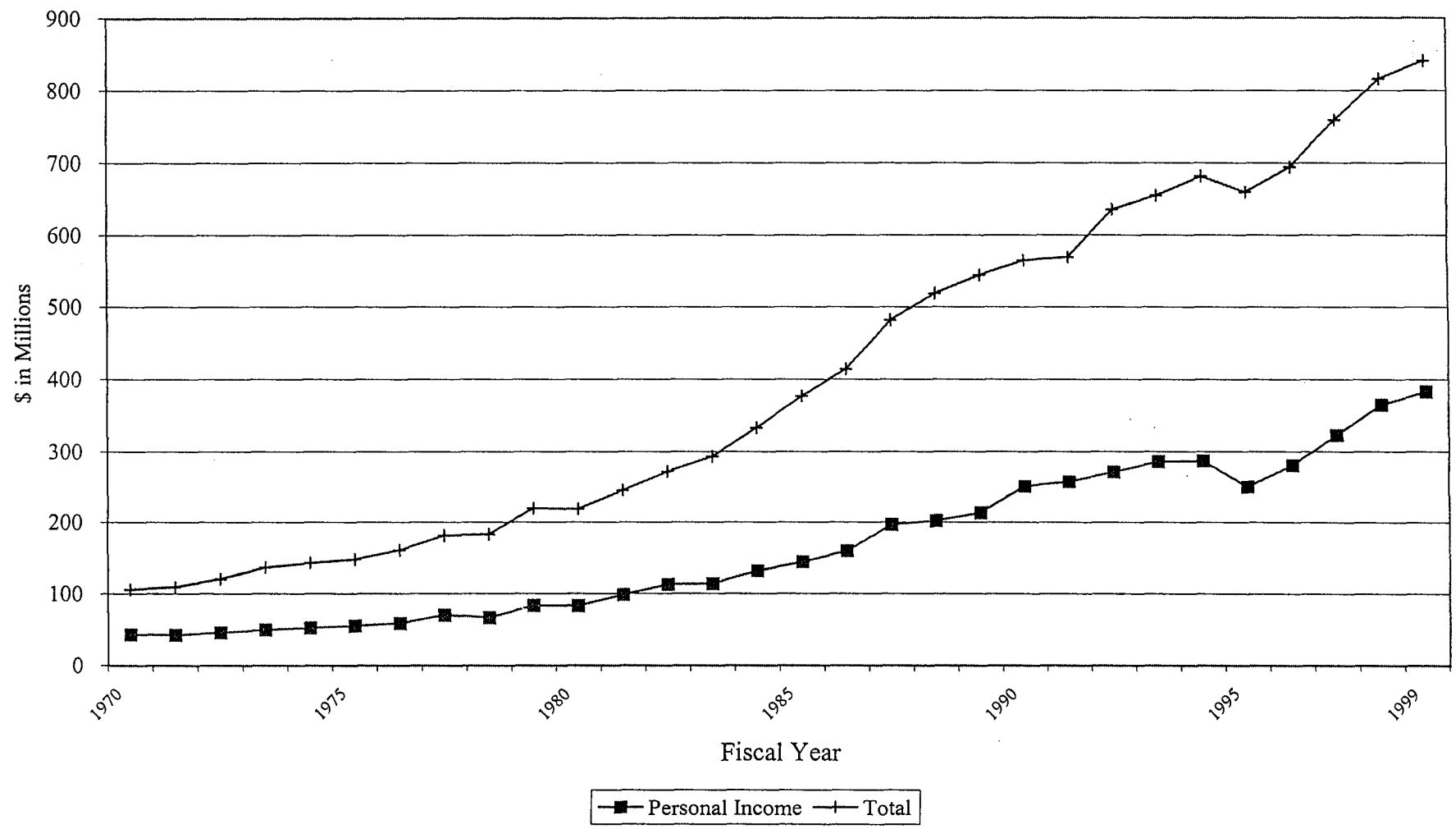
Second, we have been in a long running economic boom. The revenues have surged accordingly, with the concentration of income and volatility discussed above, an economic downturn could have major impacts on our revenues. It is difficult to predict a turnaround. It is even more risky to assume one will not occur. We are currently exploring analysis that would quantify potential downside risks to State revenues from a so-called "hard landing" of the U.S. economy.

FY 2001 and Beyond

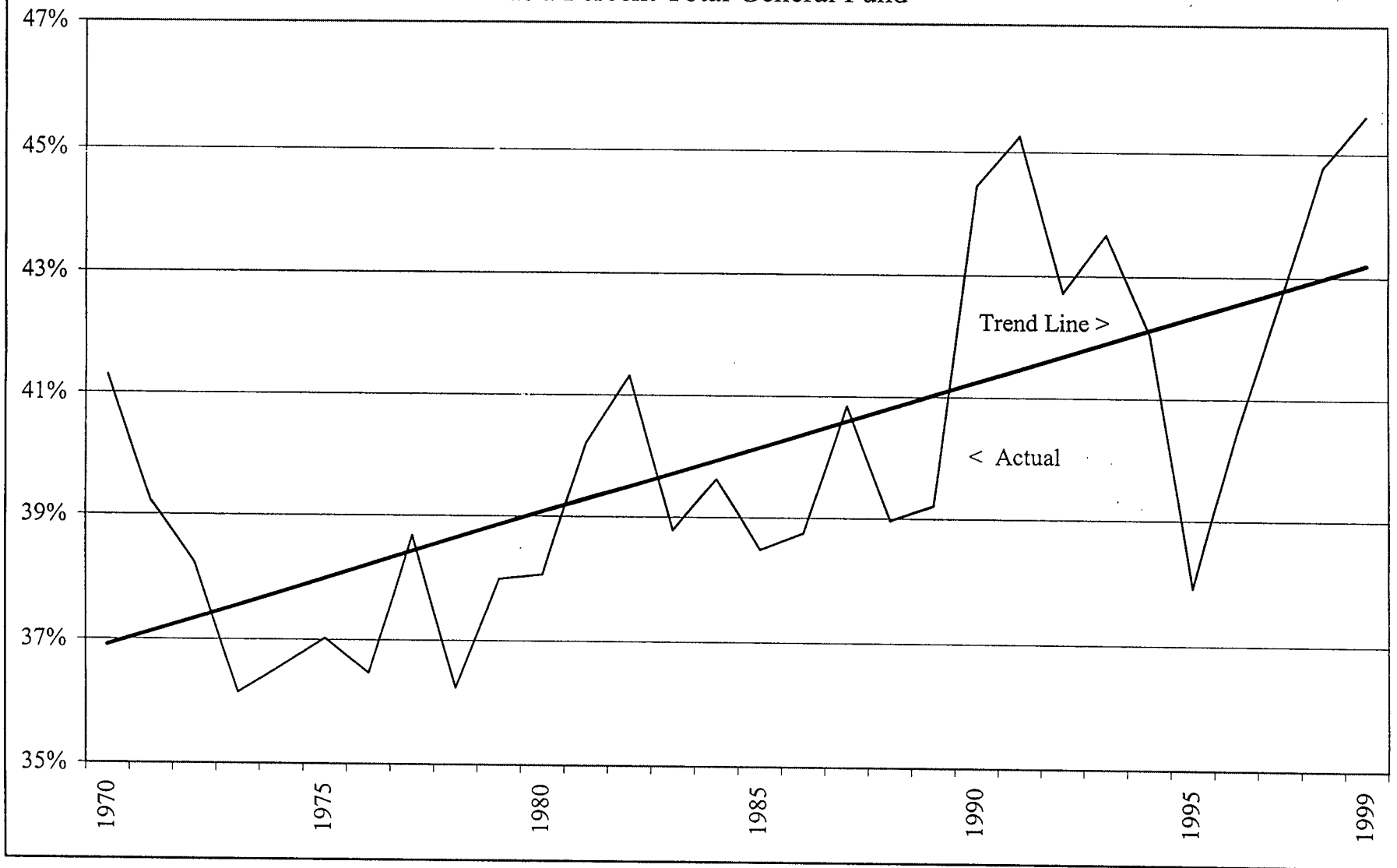
This July, the emergency board will make an official determination of the revenue projected for FY 2001 and FY 2002. FY 2001 should see a large part of the FY 2000 surplus carry forward, due in part to the exceptional near-term strength of the economy and in part to additional "one-time" events currently anticipated, such as the sale of Ben & Jerry's. As the FY 2002 estimate is made, the likelihood of an economic downturn increases, thereby reducing the amount of revenue projected as sustainable.

As the surplus represents the difference between base revenues and base spending, the surplus should decline over time. What is a \$90 million surplus in FY 2000 could drop to a \$20 million surplus or less by FY 2002 depending on revenues, state spending and federal tax changes. With the July official forecast and later, with the development of the Analytic Income Tax database (now funded), we can begin to look at the "sustainable surplus" in a clearer way.

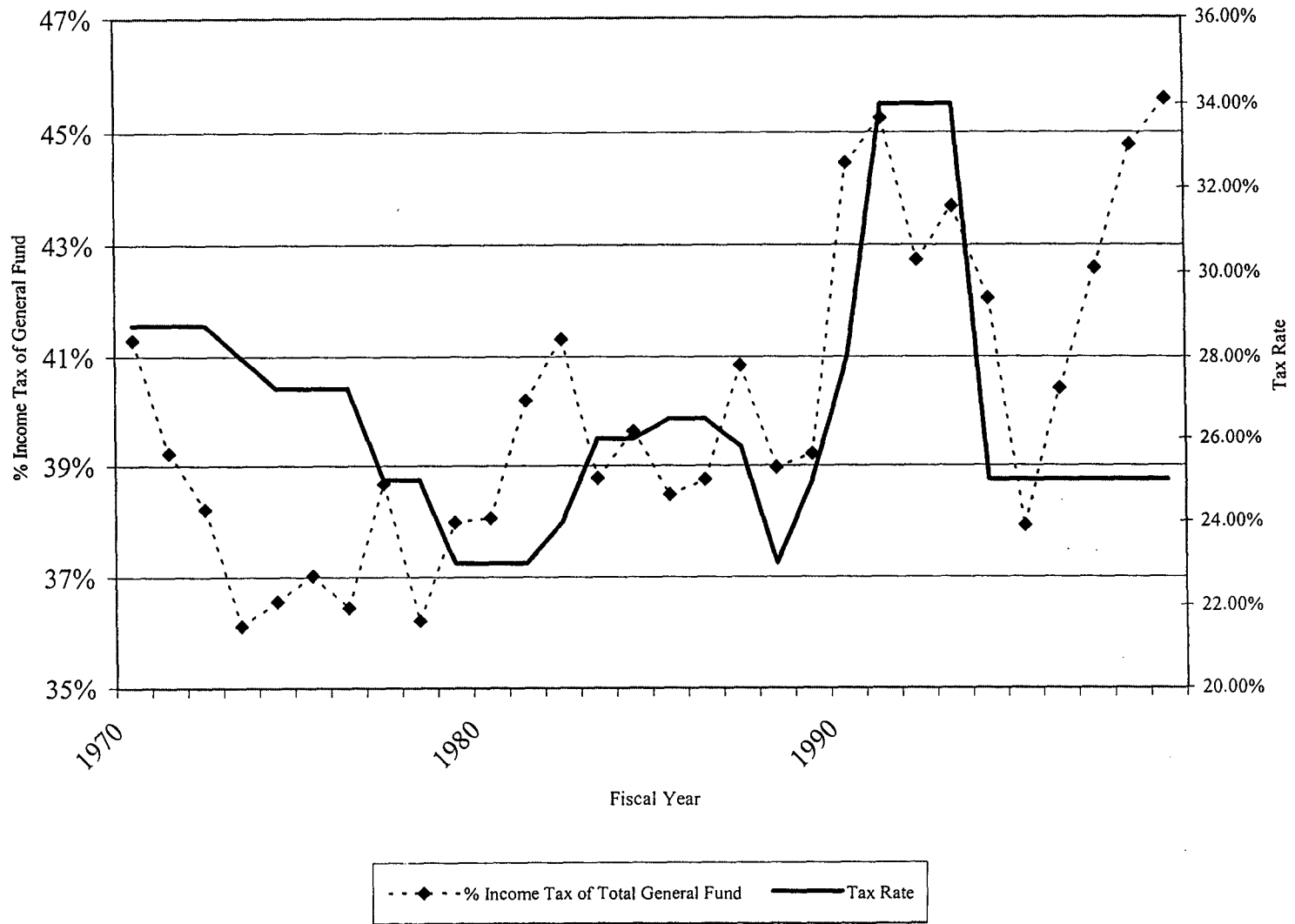
Vermont Personal Income Tax Collections as a Function of Total General Fund Revenue



Vermont Personal Income Tax Collections as a Percent Total General Fund



Vermont Personal Income Tax Collections as a Percent Total General Fund



One-time Spending - Past three years

	FY99	FY00	FY01	TOTAL	
1 Prison	6.00	7.00	4.00	17.00	10.6%
2 Transfer to EF		14.55		14.55	9.1%
3 School Construction	14.13	<i>all surplus</i>	<i>all surplus</i>	14.13	8.8%
4 Vo-Tech Ctr	5.00	4.93	3.00	12.93	8.1%
5 ANR -Related	3.72	1.16	7.45	12.33	7.7%
6 Debt Reduction	2.00	4.00	6.00	12.00	7.5%
7 State IT Needs	6.89	4.13	0.21	11.23	7.0%
8 Housing	6.00	2.10	1.00	9.10	5.7%
9 Higher Ed (endow+directs)	6.75	1.25		8.00	5.0%
10 Champion Land	5.50	0.10		5.60	3.5%
11 27th Pay Period		4.28		4.28	2.7%
12 Vt Mortgage Guarantee	4.20			4.20	2.6%
13 Microwave	2.00	1.00	0.80	3.80	2.4%
14 VEDA	3.50	0.25		3.75	2.3%
15 Travel & Toursim	1.90	1.50		3.40	2.1%
16 Workforce Training		2.50		2.50	1.6%
17 Downtowns	0.20	1.00		1.20	0.8%
18 Disaster relief	0.56	0.39		0.94	0.6%
19 All Other	6.34	11.01	1.67	19.02	11.9%
Total	74.69	61.14	24.13	159.96	
Total GF One-times incl. Contingents	74.69	61.14	24.13	159.96	

state parks, water pollution etc
(\$13M in FY98)
plus 1.15M from MRPF
plus 900k from MRPF

Joint Fiscal Office Study Involvement Draft Listing

1. Vehicle Fine Revenue The JFO shall evaluate the motor vehicle fine revenue distribution process under 13 V.S.A. §7251 and determine whether the distribution formula warrants any modifications. A report shall be submitted to the Senate and House Committees on Transportation, §32, H. 188, Diesel Truck Bill. **Staff: Chris Cole**

2. Transportation Approval Process The JFO shall review the current statutes and administrative processes regarding the transportation project approval process for the purpose of ensuring that process adheres to the transportation capital program and project development plan approved annually by the general assembly....§3, H 853
Transportation Capital bill. **Staff: Chris Cole**

3. Special Education Services Provision Study The Secretary of Administration and the Joint Fiscal office in consultation with the secretary of human services, commissioners of the department of education and the department of employment and training, the Vermont Superintendents' Association, the Vermont School Board Association and other members of the educational community shall study how the agency of human services, the department of education and the department of employment and training should provide special education services for eligible persons under 22 years of age in school or out of school.....and report findings to GA by January 15th 2001.§12, H. 629, Special Education bill. **Staff: Steve Klein & Stephanie Barrett**

4. Capacity and Demand for Child Care and Adult Education Services ; An adult Education System, The JFO and LC shall gather existing data regarding capacity and demand for child care, adult technical education, adult basic education, and Vermont student assistance corporation non-degree grants in order to determine:

1. Their capacity of provide services
2. The demand for these services...
3. The difference between how these services are normally delivered and service delivery modalities that respond to the needs of families on reach up....
4. The gap between capacity and demand
5. Potential costs of increasing capacity to fill the gap by January 2002
§2, H 843, Welfare reform

Staff: Maria Belliveau & Mark Perrault

5. Legislative fiscal office and the department of finance and management, with the assistance of the department of education, the school board association and the superintendents association shall carry out a study to identify the need and recommend strategies to meet the need for affordable **long term term financing of school construction projects. §160(a), H. 862. **Staff: Mark Perrault & Steve Klein****

6. Medicaid cost shifting reporting under §117(b), H. 862. **Staff: Steve Kappel & Stephanie Barrett**

7. **VEPC** information availability to JFO §7, H 671 Misc. Tax Bill. **Staff: Tom Kavet**

8. **Basic Needs Budget Calculations: Joint Fiscal Office** The JFO shall issue a report on or before January 15 of each year until January 15 , 2004that includes a computation of baseline data of the cost of living in Vermont and current wage levels within various sectors of the economy,.....§4 & §6, H837, Livable Wage bill. **Staff: Doug Williams**

9. **Offender work programs** Joint Fiscal Office shall, for fiscal years 2001, 2002 and 2003:

(1) review and analyze any reports and plans required to be submitted by the department of corrections to the legislature or to the offender work programs board under 751b(f) of this title.

(2) review and analyze any reports and recommendations made.....

(3) submit an analysis to the chairs of the senate and house committees on institutions, the commissioner of corrections and the offender work programs board the analysis by the joint fiscal office of these report, plans and recommendations. §XXX H. 850 Capital Construction Bill.

Staff: Maria Belliveau

10. **Civil Union Review Commission** LC and JFO staffing responsibilities, §40 H 847, Civil Union. **Staff: Maria Belliveau**

Other ongoing work:

TANF/ Federal Funds Tracking
Medicaid Line Item Restructure
Provider Reimbursement Issues
Monitoring copays And Premiums
Tobacco Fund Flows
Act 60/EOEA
Remi Model
Defender General Studies
State House technology changes
E-Government developments



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STATE OF VERMONT
JOINT FISCAL COMMITTEE
1 Baldwin Street
Montpelier, Vermont 05633-5701

MEMORANDUM

To: Joint Fiscal Committee
From: Steve Kappel *SK*
Date: June 13, 2000
Subject: Report on "Looking Forward" conference, Minneapolis, June 8-9

This was the last in a series of conferences designed to bring representatives from the legislative and executive branches together to discuss health issues facing families. This session brought together the states that conference sponsors felt had accomplished the most in addressing these issues. Attendees included legislators, legislative staff, and executive branch officials from Hawaii, Indiana, Minnesota, Ohio, Oregon, Rhode Island, Vermont, and Washington.

The conference was co-sponsored by:

- The National Conference of State Legislatures
- The National Governors' Association
- The Maternal and Child Health Bureau (part of the U.S. Dept. of Health and Human Services, provided funding)
- The National Center for Education in Maternal and Child Health

Key themes:

- Health care funding sources will come under increasing pressure in the future. Long term care and pharmaceuticals will be responsible for much of the growth, in part because of the aging of the population.
- Medical care is only a part of health care. Much more needs to be invested in prevention. Benefits need to be redesigned to include more than just acute care. One example that was cited is that most health insurance will pay for treatment of a diabetic coma, but not for supplies to monitor blood sugar (Vermont has already addressed this specific problem).
- Oral health is the forgotten part of the health care system. Small investments in dental care can greatly improve people's lives. Barriers to better oral health include an inadequate number of providers, biases in insurance benefits, and cultural issues.
- The number of people without health insurance continues to rise. Efforts are under way in many states both to identify people who are eligible for programs but haven't enrolled and to take advantage of new opportunities to provide coverage for children who were not previously eligible for Medicaid.

Please let me know if you would like any additional information.



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**STATE OF VERMONT
JOINT FISCAL COMMITTEE**
1 Baldwin Street
Montpelier, Vermont 05633-5701

To: Legislative Joint Fiscal Committee
From: Steven Kappel *SK*
Date: June 26, 2000
Subject: Medicaid Spending and the General Fund

For many years, the growth in Vermont's expenditures on its Medicaid program¹ have exceeded the rate of growth in the General Fund. For the past several years, increases in Medicaid spending have been partially offset by the use of dedicated funds, such as the tobacco tax and tobacco settlement, and provider tax revenues. In the immediate future, Medicaid expenditures are likely to consume an increasing share of the General Fund, substantially reducing the amount available for other new spending.

Historical Expenditures

From 1990 through 2000, total Vermont Medicaid expenditures have more than tripled (an average annual rate of about 13.7 percent). This growth is attributable to two factors: increases in health care costs and an increase in the number of people covered. Enrollment in the program roughly doubled during that period.

During the same period, the General Fund increased 50 percent, an average annual rate of 4.1 percent. However, during this period, dedicated funds played an increasingly important role in financing Medicaid.

In 1990, Vermont funded its entire share of Medicaid costs with General Fund dollars (the Federal Government pays about 60 percent of the cost of the Medicaid program). In 2000, over one-third of Vermont funds came from other sources, such as tobacco taxes, the tobacco settlement, and provider taxes. Use of these sources has attenuated the impact of the growth in Medicaid spending on the general fund. For example, from FY 1997 through FY 2001 (Governor's recommendation), General Fund expenditures on Medicaid grew less than 5 percent per year, while dedicated fund spending nearly tripled.

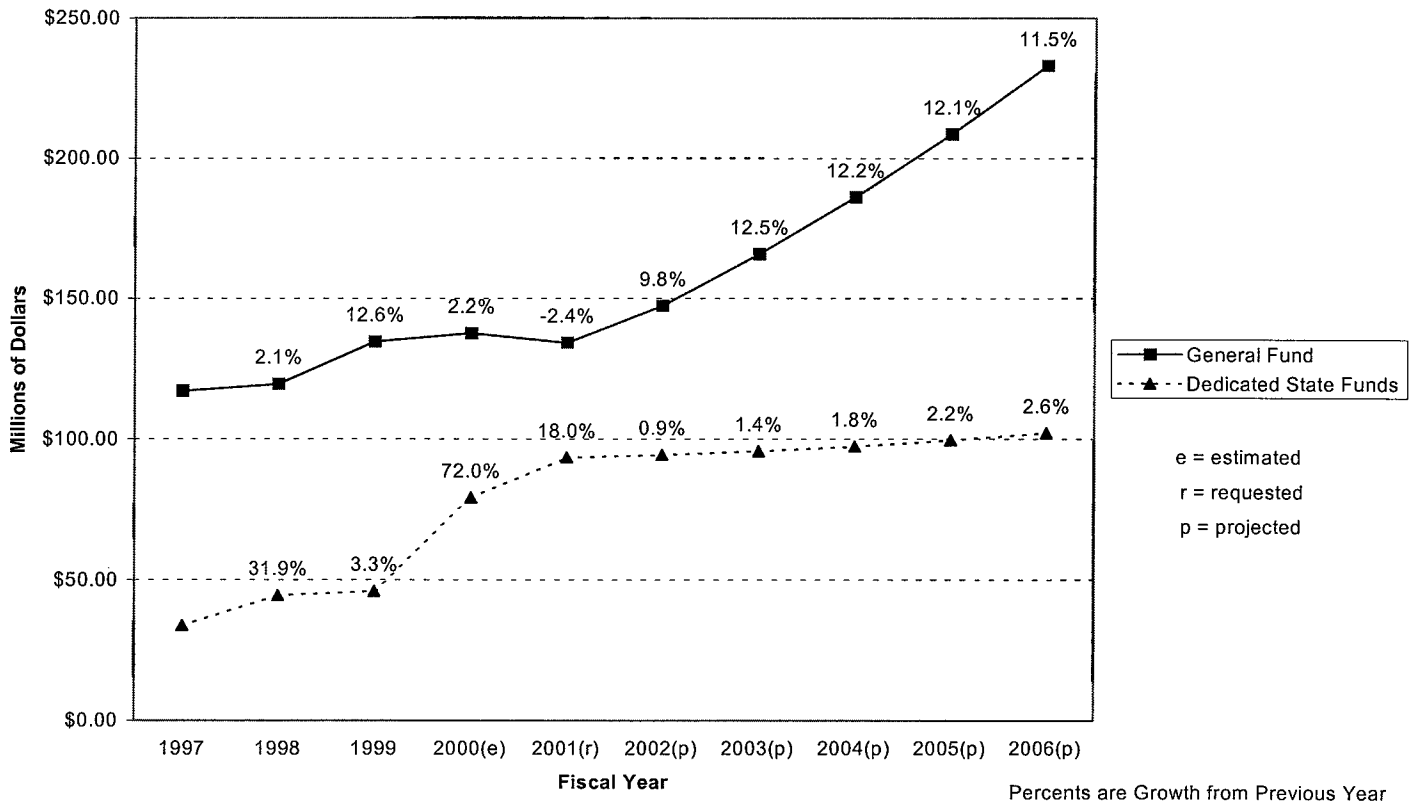
Implications for the Future

Going forward, Vermont faces two related financial issues. The first is that, based on projections from the Office of the Actuary at the Health Care Financing Administration (HCFA – the federal agency responsible for Medicare and Medicaid), Medicaid expenditures will grow about 8 percent per year for the next five years, lower than historical rates, but at least twice the rate of growth in the General Fund.

¹ Medicaid represents over 90% of direct state expenditures on health care. Other expenditures include state employee health benefits and Vscript (100% state funds)

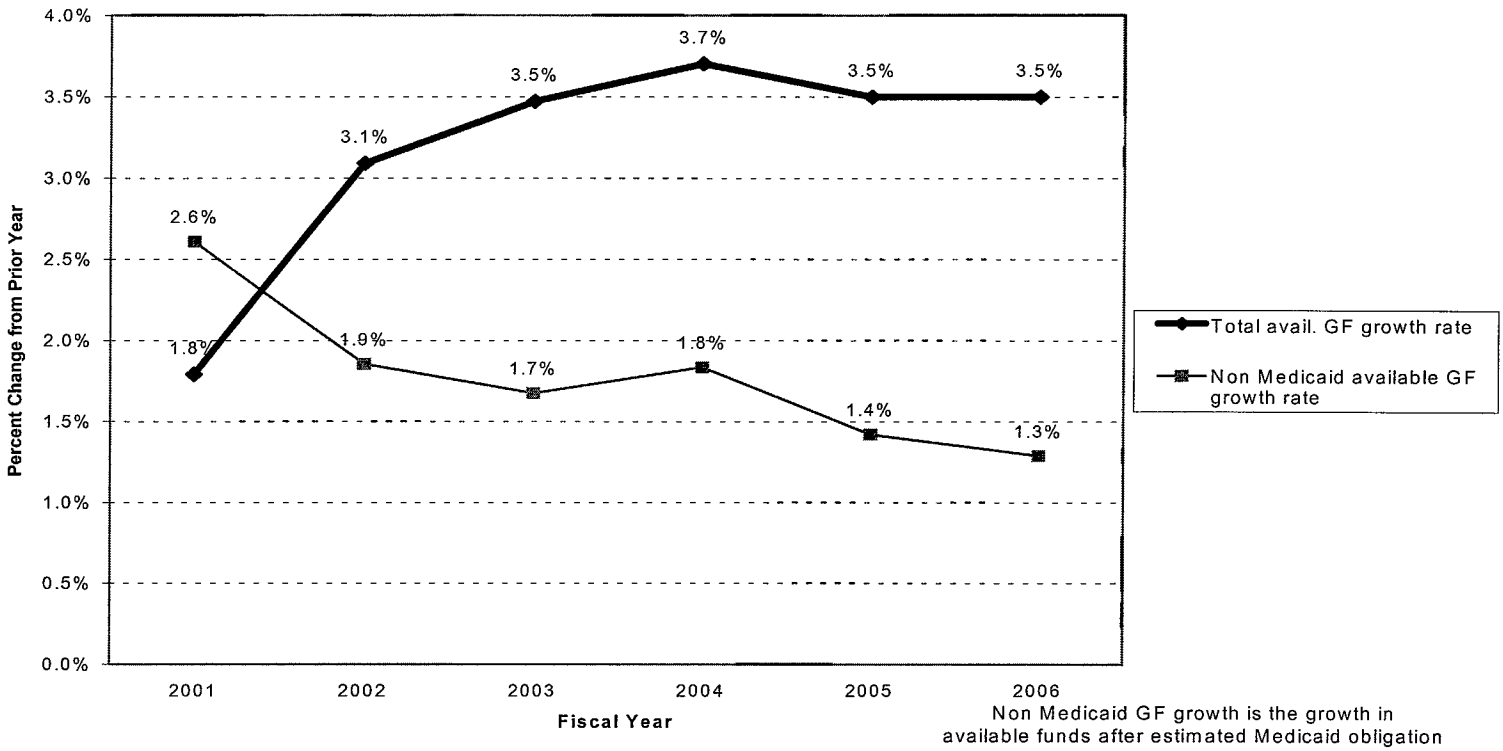
The second is that the amount of funding available from dedicated funds is likely to grow only slightly. While provider tax revenues (about one-third of dedicated funds) may increase at a rate similar to total Medicaid spending, tobacco tax revenues (about one-quarter) are likely to decline and other existing sources, primarily the tobacco settlement, are likely to remain flat. These projections assume a 5 percent annual decline in tobacco tax revenue. Because special funds will only slightly, General Fund expenditures on Medicaid will grow even faster than the program itself.

Vermont Medicaid State Funds by Source, 1997 - 2006



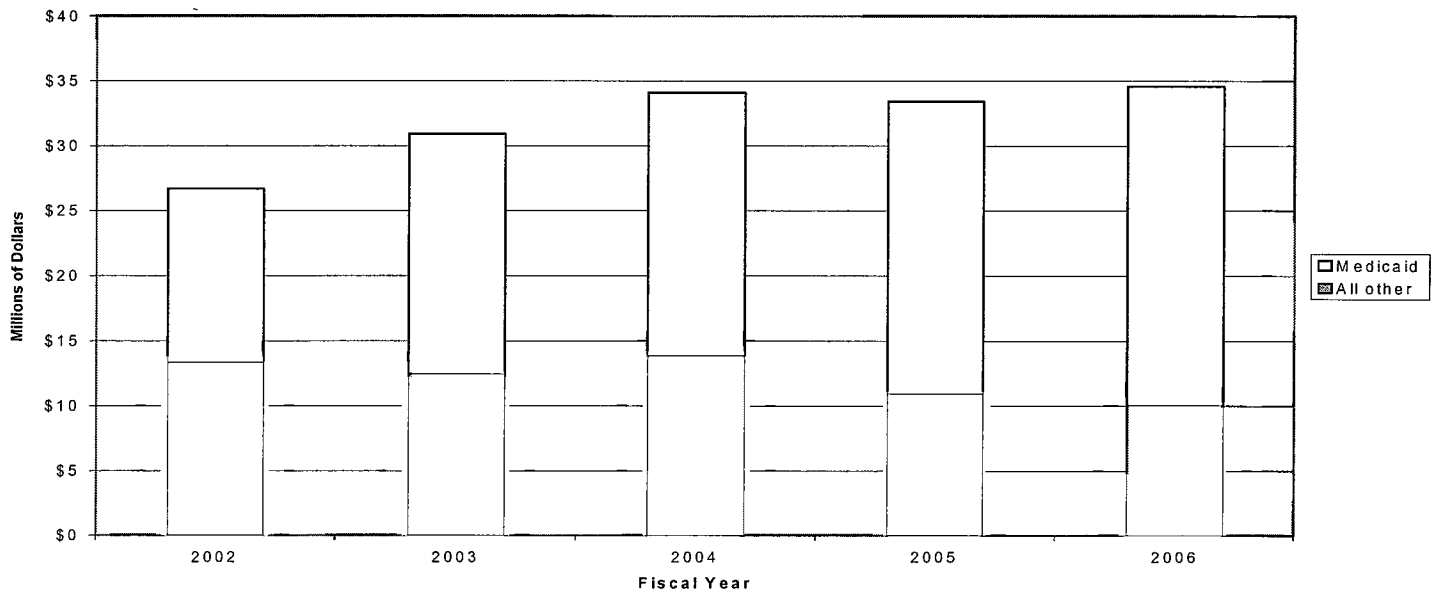
By looking at projections for general fund and Medicaid growth, new general fund money can be estimated net of growth in Medicaid expenditures. This is the money available for the pay act, other general inflation, new programs, etc. In 2001, the non-Medicaid General Fund is projected to grow by just over 2.5 percent from 2000. The rate of increase is projected to decline to under 1.5 percent per year by 2006, even though the total General Fund will increase about 3.5 percent per year.

Vermont General Fund Growth, 2001 - 2006



Another way to examine this is to look at actual dollars available for new spending compared to the prior year. The figure below is based on Administration and JFO estimates. After Medicaid expenditures, the actual amount of new money will be less in 2006 than it was in 2001.

Increase in General Fund from Prior Year, Vermont, 2002 - 2006



All projections in this memo assume that the economy will remain healthy. An economic downturn will reduce revenues, increase Medicaid enrollment, and place substantially more burden on the General Fund.

Controlling Growth

Health care expenditures are determined by two basic factors: the prices of health care services and the number and type of services used (utilization and intensity). For a program such as Medicaid, total costs are also strongly influenced by the number and characteristics of people covered by the program. Opportunities to control Medicaid spending fall into the following areas:

- Program eligibility
- Provider reimbursement
- Reducing utilization
- Program benefits

If costs cannot be controlled, additional sources of revenue will have to be identified.

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STATE OF VERMONT
AGENCY OF ADMINISTRATION

April 11, 2000

Senator Jeb Spaulding
Chair, Joint Fiscal Committee
One Baldwin Street
Montpelier, VT 05633

Dear Senator Spaulding:

As required by 32 VSA Sec. 511, attached is the report of excess receipts approved by the Secretary of Administration for the first three quarters of fiscal year 2000.

Sincerely,

A handwritten signature in black ink that reads "Kathleen C. Hoyt".

Kathleen C. Hoyt
Secretary of Administration

KCH/OT/jb
attachment

EXCESS RECEIPTS APPROVED FOR FY2000: July 1, 1999 - March 31, 2000										
DEPARTMENT	DATE APPROVED	FEDERAL FUNDS	SPECIAL FUNDS	INTERNAL SVC FUNDS	INTERDEPT'L TRANSFERS	OTHER	TOTAL	DEPT TOTAL	SOURCE OF RECEIPTS	PURPOSE
GENERAL GOVERNMENT:										
Sec of Administration - CIO	10/5/99				177,850		177,850		Interdepartmental transfer/Fin & Mgmt, Personnel, DMV, Child Support, AOT	To pay the cost of independent reviews of IT projects.
								177,850		
Buildings & General Services	7/9/99	1,689,966					1,689,966		U.S. Dept of Justice, Violent Offender Incarceration/Truth-In-Sentencing grant.	Construction of Women's Correctional Facility in Waterbury.
	10/5/99		1,000,000				1,000,000		Vermont State Colleges - Capital Improvements	To cover the projects authorized by 1998 Act 148 Sec 26(b).
	10/5/99		3,530,371				3,530,371		Vermont State Colleges - Capital Improvements	To cover the projects authorized by 1997 Act 62 Sec 30(b).
	10/5/99		693,230				693,230		Vermont State Colleges - Capital Improvements	To cover the projects authorized by 1997 Act 62 Sec 30(a).
	10/5/99		976,905				976,905		Vermont State Colleges - Capital Improvements	To cover the projects authorized by 1996 Act 185 Sec 26.
	11/8/99		868,090				868,090		Vermont State Colleges - Capital Improvements	To cover the projects authorized by 1998 Act 148 Sec 26(a).
	12/28/99		545,590				545,590		Anticipated receipts from Insurance Reserve Fund.	To rebuild the Derby garage after fire.
	2/10/00		129,000				129,000		Sale of state land	Operating costs of buildings such as electricity, fuel, insurance, etc.
	2/3/00		50,000				50,000		Welcome Center Brochures	To help meet remaining operating expenses for the balance of the fiscal year.
								9,483,152		
State Treasurer	8/19/99					500,000	500,000		Asset fees from Deferred Compensation	Fees to administer program (Copeland Co.).
								500,000		
Joint Fiscal Office	7/15/99				1,616		1,616		Public Service Board	To cover expenditures for consulting services provided to the Legislature in FY 1999.
	11/9/99		17,775				17,775		Public Service Board	To cover expenditures for consulting services provided to the Legislature in FY 1999.
								19,391		
PROTECTION:										
Attorney General	10/29/99				200,000		200,000		FY 99 Reimbursements from other departments billed and collected in FY 2000.	To pay FY 99 bills.
								200,000		
Crime Victim Services	9/16/99		100,000				100,000		Victims Compensation Fund	To pay a backlog of victim compensation claims which were held at fiscal year end until the receipts for June were transferred to the special fund.
	10/6/99	294,927					294,927		U.S. Dept of Justice, Office of Victims of Crime: Vt Rural Crime Services 2000.	Supplement for demonstration project to improve the range, quality and accessibility of services available to crime victims.
								394,927		
State's Attorneys & Sheriffs	11/16/99	77,000			30,000		107,000		U.S. dept of Justice: Grants to Encourage Arrests (\$77,000); Interdep Transfer from Crime Victim Services: Violence Against Women Act.	Grant funds to Step O.N.E., AWARE, & UMBRELLA to pay costs associated with their victim advocates.
								107,000		

EXCESS RECEIPTS APPROVED FOR FY2000: July 1, 1999 - March 31, 2000										
	DATE	FEDERAL	SPECIAL	INTERNAL	INTERDEPT'L			DEPT		
DEPARTMENT	APPROVED	FUNDS	FUNDS	SVC FUNDS	TRANSFERS	OTHER	TOTAL	TOTAL	SOURCE OF RECEIPTS	PURPOSE
Military	7/12/99	5,122,794					5,122,794		U.S. National Guard Bureau	To construct a new combined support maintenance shop @ Camp Johnson
	10/22/99	14,370					14,370			To lease a storefront for recruiting purposes.
	10/22/99		18,000				18,000		Veterans' Cemetery Contributions	For the Vermont Veterans' Memorial Cemetery to furnish the chapel, buy memorial benches, flag pole markers, etc.
	3/28/00				3,688		3,688		Department of Public Safety	To be used to replace funds spent in support of 2 state active duties this fiscal year.
								5,158,852		
Liquor Control	12/9/99				2,052		2,052		Dept. of Health, Office of Alcohol & Drug Abuse Programs	For the purchase of materials for D.A.R.E. classes.
	12/9/99	104,985					104,985		FDA Contract	For tobacco compliance surveys.
	2/4/00				28,000		28,000		Department of Health	For personal services and operating expenses to carry out alcohol compliance testing state wide.
								135,037		
Agriculture, Food & Markets	10/13/99				4,500		4,500		Vt. Dept. of Health	Grant to "Agriculture in the Classrooms" for agricultural education.
	10/25/99				25,000		25,000		Tourism & Marketing	To pay for Tourism & Marketing portion of the Vt. Pavilion @ Eastern States.
	12/9/99	75,000					75,000		EPA grant	To help buy a \$155,000 Liquid Chromatograph/Mass Spectrometer.
	2/7/00				75,000		75,000		ANR	Grants for the demonstration of Agricultural Best Management Practices.
								179,500		
Dept of Public Service	10/12/99	200,000					200,000		Coalition of Northeastern Governors (CONEG).	Methane demonstration project.
	11/10/99		37,000				37,000		Oil Overcharge Settlement Funds - Stripper Well.	For energy related programs, particularly low-income.
	12/16/99		10,000				10,000		Oil Overcharge Settlement Funds - Stripper Well.	For energy related programs, particularly low-income.
	3/30/00		24,651				24,651		Oil Overcharge Settlement Funds - Exxon.	Energy related programs related to non-profit corps.
								271,651		
HUMAN SERVICES:										
Health	11/29/99				179,167		179,167		Attorney General's office	To try several different approaches to combatting smoking for WIC population.
	3/28/00	332,000					332,000		Cancer Screening Grant & Medicaid Administration Grant	To replace and update major pieces of testing instrumentation & other necessary equip at the Public Health Laboratory.
								511,167		
Social Welfare	2/17/00	25,000					25,000		LIHEAP	For increased operating cost associated w/mandated legislative changes to the Home Heating Assistance Grants program.
	2/17/00	2,690,000					2,690,000		LIHEAP	To fund the Home Heating Assistance program.
	3/20/00	750,000					750,000		LIHEAP	To fund the Home Heating Assistance program.
								3,465,000		
DDMHS	11/16/99	994,000					994,000		Medicaid	For enhancing community mental health providers' management information systems.

EXCESS RECEIPTS APPROVED FOR FY2000: July 1, 1999 - March 31, 2000										
	DATE	FEDERAL	SPECIAL	INTERNAL	INTERDEPT'L			DEPT		
DEPARTMENT	APPROVED	FUNDS	FUNDS	SVC FUNDS	TRANSFERS	OTHER	TOTAL	TOTAL	SOURCE OF RECEIPTS	PURPOSE
	3/8/00					25,000	25,000		Federal carryforward from FY 99.	For enhancing community mental health providers' management information systems.
								1,019,000		
Gov's Commission on Women	10/26/99	57,956					57,956		U.S. Dept of Health & Human Services, Rural Health Outreach	For rural health outreach project.
								57,956		
NATURAL RESOURCES:										
Forests, Parks & Recreation	2/3/00	97,400	218,000				315,400		FEMA, Snowmobile fees	Repairing & maintaining the statewide snowmobile trail system.
								315,400		
COMMERCE:										
Housing & Community Affairs	7/2/99	11,764,887					11,764,887		HUD	For CDBG and Disaster Response Initiative Grants.
								11,764,887		
	7/9/99				210,000		210,000		ISTEA Grant from AOT.	To restore the Highgate Lenticular Arch Bridge for use as a pedestrian crossing and as a State Historic Site.
	9/14/99				47,211		47,211		ISTEA Grant from AOT.	To fund the construction of trails at Mt. Independence State Historic Site.
	10/22/99				200,000		200,000		ISTEA Grant from AOT.	To fund the restoration of the Highgate Truss Bridge.
	10/29/99		80,078				80,078		Donations & grant (per 32 VSA Sec 5(a)(3)).	Receipts will be used for: Mt. Independence "Visions of the Past" exhibit, Assessment of Plymouth Site buildings and collections, and Justin Morrill Site master plan.
	11/5/99	19,075					19,075		ISTEA Grant from AOT.	To fund roadside historic site markers.
	1/12/00		35,000				35,000		ANR Supplemental Environmental Project (SEP) fine	To fund specific Hubbardton Battlefield archaeological projects.
								591,364		
TRANSPORTATION:										
Rail & Air	9/27/99	2,000,000					2,000,000		Federal Aeronautics Administration	Burlington Airport projects.
	10/25/99	2,000,000					2,000,000		Federal Highway Administration	Rutland to Burlington RR project.
	12/10/99	1,200,000					1,200,000		Federal Aeronautics Administration	Burlington Airport projects.
	1/4/00	5,000,000					5,000,000		Federal Transit Administration	Commuter rail project.
								10,200,000		
TOTALS		34,509,360	8,333,690	0	1,184,083	525,000	44,552,134	44,552,134		

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**STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE**

FAX COVER SHEET

TO: Ginny Catone, JFC
FAX NUMBER: 828-2483
FROM: Mary Morrison, Business Manager *Mary*
DATE: June 27, 2000
SUBJECT: FERC Quarterly Report

Total Pages Including Cover Sheet 4

Here's a copy of the FERC Quarterly Report for the period January 1 through March 31, 2000. If you're missing these in the future or if you have any other questions, please call me at 828-4084.

Thanks.

VERMONT DEPARTMENT OF PUBLIC SERVICE

Federal Energy Regulatory Commission (FERC) Billback Report
 Pursuant to 30 V.S.A. Section 20(b)(9)
 January 1, 2000 through March 31, 2000

Contractor: McCarthy, Sweeney & Hartaway, P.C.
 Purpose: Legal representation

Report Prepared: April 4, 2000

Expenditures Billed to Utilities:

Utility Name	FERC Docket #	Amount Billed Back	Total
Barton Village Electric Department, Inc.	ER97-1079 (NEPOOL Restructuring)	5.82	
	97-1715	18.94	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	13.32	
	RM99-2; Order 2000	2.68	
			40.76
Burlington Electric Light Department	ER97-1079 (NEPOOL Restructuring)	117.67	
	97-1715	382.71	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	269.30	
	RM99-2; Order 2000	54.17	
			823.85
Central Vermont Public Service Corporation	ER97-1079 (NEPOOL Restructuring)	867.59	
	97-1715	2,821.87	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	1,985.64	
	RM99-2; Order 2000	399.44	
	ER97-913	4.44	
	ER98-1532	46.25	
	ER00-335	185.00	
ER00-690	92.50		
			6,402.73
Citizens Utilities Company	ER97-1079 (NEPOOL Restructuring)	89.28	
	97-1715	290.38	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	204.33	
	RM99-2; Order 2000	41.10	
			625.09
Enosburg Falls Electric Department	ER97-1079 (NEPOOL Restructuring)	6.84	
	97-1715	22.25	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	15.66	
	RM99-2; Order 2000	3.15	
			47.90
Green Mountain Power Corporation	ER97-1079 (NEPOOL Restructuring)	606.84	
	97-1715	1,973.78	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	1,388.87	
	RM99-2; Order 2000	279.39	
			4,248.88
Hardwick Electric Department	ER97-1079 (NEPOOL Restructuring)	11.74	
	97-1715	38.18	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	26.86	
	RM99-2; Order 2000	5.40	
			82.18
Hyde Park Electric Department	ER97-1079 (NEPOOL Restructuring)	3.28	
	97-1715	10.67	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	7.50	
	RM99-2; Order 2000	1.51	
			22.96
Jacksonville Electric Company	ER97-1079 (NEPOOL Restructuring)	2.14	
	97-1715	6.97	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	4.91	
	RM99-2; Order 2000	0.99	
			15.01

VERMONT DEPARTMENT OF PUBLIC SERVICE

Federal Energy Regulatory Commission (FERC) Billback Report
 Pursuant to 30 V.S.A. Section 20(b)(9)
 January 1, 2000 through March 31, 2000

Contractor: McCarthy, Sweeney & Harkaway, P.C.
 Purpose: Legal representation

Report Prepared: April 4, 2000

Expenditures Billed to Utilities:

Utility Name	FERC Docket #	Amount Billed Back	Total
Johnson Water & Light Department	ER97-1079 (NEPOOL Restructuring)	4.69	32.85
	97-1715	15.26	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	10.74	
	RM99-2; Order 2000	2.16	
Ludlow Electric Light Department	ER97-1079 (NEPOOL Restructuring)	14.34	100.39
	97-1715	46.63	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	32.82	
	RM99-2; Order 2000	6.60	
Lyndonville Electric Department	ER97-1079 (NEPOOL Restructuring)	21.07	147.55
	97-1715	68.55	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	48.23	
	RM99-2; Order 2000	9.70	
Morrisville Water & Light Department	ER97-1079 (NEPOOL Restructuring)	17.04	119.28
	97-1715	55.41	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	38.99	
	RM99-2; Order 2000	7.84	
Northfield Village Electric Department	ER97-1079 (NEPOOL Restructuring)	8.95	62.68
	97-1715	29.12	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	20.49	
	RM99-2; Order 2000	4.12	
Orleans Electric Department	ER97-1079 (NEPOOL Restructuring)	5.80	40.62
	97-1715	18.87	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	13.28	
	RM99-2; Order 2000	2.67	
Readsboro Electric Light Department	ER97-1079 (NEPOOL Restructuring)	0.72	5.03
	97-1715	2.34	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	1.64	
	RM99-2; Order 2000	0.33	
Rochester Electric Light & Power Company	ER97-1079 (NEPOOL Restructuring)	2.53	17.72
	97-1715	8.23	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	5.79	
	RM99-2; Order 2000	1.17	
Stowe Electric Department	ER97-1079 (NEPOOL Restructuring)	19.97	139.81
	97-1715	64.95	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	45.70	
	RM99-2; Order 2000	9.19	

VERMONT DEPARTMENT OF PUBLIC SERVICE

Federal Energy Regulatory Commission (FERC) Billback Report
 Pursuant to 30 V.S.A. Section 20(b)(9)
 January 1, 2000 through March 31, 2000

Contractor: McCarthy, Swecney & Harkaway, P.C.
 Purpose: Legal representation

Report Prepared: April 4, 2000

Expenditures Billed to Utilities:

Utility Name	FERC Docket #	Amount Billed Back	Total
Swanton Village Electric Light Department	ER97-1079 (NEPOOL Restructuring)	21.31	
	97-1715	69.31	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	48.77	
	RM99-2; Order 2000	9.81	149.20
Vermont Electric Cooperative, Inc.	ER97-1079 (NEPOOL Restructuring)	55.19	
	97-1715	179.49	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	126.30	
	RM99-2; Order 2000	25.41	386.39
Vermont Electric Power Company	ER00-979	338.48	338.48
Vermont Marble Power Division	ER97-1079 (NEPOOL Restructuring)	2.62	
	97-1715	8.52	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	6.00	
	RM99-2; Order 2000	1.21	18.35
Vermont Yankee Nuclear Power Corp.	EC99-	46.25	
	EC00-46	3,489.21	3,535.46
Washington Electric Cooperative, Inc.	ER97-1079 (NEPOOL Restructuring)	30.93	
	97-1715	100.61	
	ER99-2335;ER98-3554;ER95-1686;Proj.2000	70.79	
	RM99-2; Order 2000	14.24	216.57
FERC Billbacks 3rd Quarter FY00 (1/1/00-3/31/00)			17,619.74
Prior FY00 Billbacks			33,097.52
FY99 Total Billbacks			221,862.53
FY98 Total Billbacks			133,027.88
FY97 Total Billbacks			139,865.94
TOTAL FERC BILLBACKS			545,473.61

Quarterly Report of the Executive Director to the Vermont Fire Service Training Council
and to the Vermont Fire Service

June 3, 2000

As we move into the 21st Century the Council's growth is continuing.

Fire Service Training is attempting again to preschedule Firefighter I courses for the upcoming year. The cooperation of the fire service is required to achieve advance scheduling of courses. This will allow a published course list of up coming courses and locations. A yearly advance schedule would be to yours, and your firefighters advantage, for planning and to make up missed or needed training. We are also going to offer Challenge and Retest dates several times a year at several locations. Watch for the posting of these testing dates and locations.

As reported previously all courses receiving matching funds will be invoiced at 55% of the course cost starting in August 2000. There will be some changes as the Council has dropped the administrative charges for fire service courses and reduced the estimated instructor mileage, thus lowering the cost of some courses. The new course list of costs and subjects will be out in July. Hazmat courses are still subsidized and there is no fire service cost at present. All courses are available at 100% when matching funds are exhausted as long as we have an instructor available.

The Council Budget request for F/Y 2001 has been approved by the Legislature and is waiting for Governor Dean's signature. The budget was approved at \$845,370.00.

The Council will be presented Firefighter II at its next meeting. Fire Officer I will be offered at least once in F/Y 2001.

The Council did not receive all of the Capital Funds it requested. The request for a Classroom facility at the Pittsford site was recognized and the Commissioner of Buildings has testified that he will request those funds for F/Y 2002. We did request \$100,000.00 for training modules and received \$40,000.00.

The Council will be working on two more portable modules in the coming year with the \$40,000.00 Capital Funds. A SCBA trailer and a Ventilation trailer. The Portable Burn Building will be on line in July. The fire service cost for live burns will be approximately \$1336.00 at 100% and \$735.00 at 55%. The Portable Burn Building would also be available for Thermal Image Camera Training at about \$312.00 at 100% and \$172.00 at 55%.

The instructor respirator-testing program is under way and we hope to complete it by the end of August. The Council is considering making this testing program available to the fire service at a per person fee for the test.

The Pittsford gas fire system bid opening is June 14, 2000. Construction is scheduled to be completed by the end of November. We hope to complete some of the Railroad training area as well.

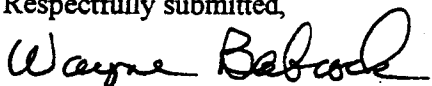
The Council has hired Mr. Brian Wade Sr. as the Training Site Coordinator. We again are advertising for an Information Technology Specialist I.

The Fire Department Breathing Apparatus Grant Program awards have been made. The Department of Buildings and General Services is putting the award brands out to bid at this time. Upon delivery of the Breathing Apparatus the awards will then be distributed. A total of 169 departments made applications for a total of 682 breathing apparatus. There were 76 awarded. A list of those receiving awards is included with this report.

For the second year the Council has been made the steward for the second Breathing Apparatus Grant of \$200,000.00. This grant is identical to last years. We have requested one member from each fire service organization and will hold a committee meeting as soon as we have all the members. The grant process should move quickly this year as last years committee has done all the basic work.

In conclusion the Council requested the Executive Director to review and make a recommendation on providing the 1-800-FIRE-LINE program. For those who do not know what the 1-800-FIRE-LINE program is, it is a program to assist volunteer and call volunteer fire departments in recruiting new members. The program has been reviewed and the following recommendations have been made to the Council. I have recommended the Council implement the 1-800-FIRE-LINE number at the Pittsford office. During the days the office staff would answer the calls. At all other times the calls would be answered by an answering machine. I recommended the Council ask the Vermont State Firefighters Association if they would like to participate. They could be the contact for those Fire Departments that would like to participate. In addition I suggested they could operate the publicity program. The Council asked the VSFA representatives to find out if the VSFA would like to participate and to what degree. If the VSFA does not wish to participate the Council would operate the entire program.

Respectfully submitted,



Wayne Babcock, Executive Director

Vermont Fire Service Training Council
\$200.000 SCBA Grant

SCOTT	#	SURVIVAIR	#	MSA	#	ISI	#
Bakersfield	1	Cabot	1	Addison	1	Hardwick	1
Barton	1	Chittenden	1	Barnett	1		
Beecher Falls	2	Danby / Mt. Tabor	1	Brandon	1		
Bridgewater	2	Franklin	1	Cornwall	1		
Bridport	1	Greensboro	1	Ferrisburgh	1		
Cavendish	1	Ryegate	1	Irasburg	1		
Charleston	1	Thetford	1	N. Bennington	1		
Concord	1	Tunbridge	1	Plymouth	1		
East Burke	1	Vershire	1	Roxbury	1		
East Haven	1	Walden	1	Stamford	1		
Fairfield	1			Stockbridge	1		
Grafton	1			Stratton	1		
Grand Isle	1			Westminster	1		
Halifax	1			Whiting	1		
Huntington	1			Winooski	2		
Ira	1						
Lincoln	1						
Lyndonville	1						
Monkton	1						
Mt. Holly	1						
Newark	2						
Newport	1						
Orwell	1						
Peacham	1						
Peru	1						
Proctor	1						
Proctorsville	1						
Readsboro	1						
Richford	1						
Rockingham	1						
S. Newfane	1						
S. Royalton	1						
Saxtons River	1						
Sharon	1						
Sheffield / Wheelock	1						
Shoreham	1						
Springfield	1						
St. Albans City	1						
Swanton	1						
Tinmouth	1						
Tri Village	1						
Underhill / Jericho	1						
W. Haven	1						
Waterford	1						
Waybridge	1						
West Burke	1						
	49		10		16		1