

Distributed  
at 9/15/05  
JFC mtg.  
(Some also  
emailed or  
sent USPS prior  
to mtg.)

## FINAL AGENDA

Joint Fiscal Committee  
September 15, 2005  
10:00 a.m.  
Room 11, State House

- 10:00 a.m. Call to order
1. Approval of minutes of July 14, 2005 meeting
- 10:05 2. Fiscal pressures update [*Commissioner of Finance and Management*]
- 10:20 3. Caseload reserve [*Commissioner of Finance & Management*]
- 10:30 4. Fiscal year 2007 residential and non-residential property tax rates  
[*Joint Fiscal Office*]
- 10:45 5. Fuel assistance update [*Deputy Commissioner, Department of  
Children and Families, Economic Services Division*]
- 11:00 6. Federal transportation funding reauthorization [*Secretary of the Agency  
of Transportation*]
- 12:00 \* Recess for lunch
- 1:15 p.m. 7. Department of Aging and Independent Living – developmental services  
report on meeting requirements of Sec. 138 (b) of Act 71 of 2005  
[*Secretary of Human Services, Commissioner of Finance and  
Management, Commissioner of Aging and Independent Living*]
- 1:25 8. Medicaid costs – 5-year forecast [*Joint Fiscal Office*]
- 1:40 9. Global commitment update [*Director, Office of Vermont Health  
Access*]

\* Lunch recess may be preceded or followed by a brief Special Committee meeting of JFC with Transportation Committee Chairs to consider \$5,000,000 FY 2005 transfer of GF reserve to TF [Act 71 of 2005, Sec. 257]

[over]

- 2:25 10. Legislative health care commission – staffing and studies [*JFO, Legislative Council*]
- 2:35 11. Tax expenditure budgeting [*JFO and Tax Department*]
- 2:45 12. Joint Fiscal Office
- a. Fiscal Officer's report
  - b. Contract renewal: Tom Kavet
- 2:55 13. Fall 2005 meeting dates
- a. September 28 – Global Commitment – Room 11
  - b. November 17 – regularly scheduled meeting – Room 11

Adjournment

Reports for information [no action required]:

1. Transfers made to Vermont Health Access Trust Fund [Act 71 of 2005, Sec. 104c(a)] [*report enclosed*]
2. VISION recurrent error charging rates and charges during prior fiscal year [Act 66 of 2003, Sec. 12(a)] [*report enclosed*]

**Transportation Fund**  
**Options for raising state matching funds for  
Increased federal apportionments**

**I. Raise the gas tax**

- > 1 cent raises approximately \$3.6 million
- > Current breakdown of gas tax

Allocation of Gasoline Taxes and Fees	
Transportation Fund	18.245
Education fund	
DUI Fund	0.380
Fish & Wildlife Fund	0.375
Petroleum Clean Up Fund	1.000
Total	20.000

**II. Inflation adjust the gas tax annually**

- > Would raise approximately \$1.1 million in new revenue per year (using the GDP deflator series).

**III. Combination of I & II - Raise the gas tax and put in place an annual inflation adjustor**

- > Example: Raise the gas tax 2 cents \$7.2 million  
Inflation adjustor – first year \$1.1 million  
Total new revenue – first year \$8.3 million

**IV. Raise the diesel tax**

- > 1 cent raises approximately \$690,000 (currently 26 cents, 25 cents to the TFund and 1 cent to the petroleum cleanup fund).

**V. Inflation adjust the diesel tax annually**

- > Would raise approximately \$210,000 in new revenue per year.

**VI. Inflation adjust all DMV fees to 2005**

- > In H-505 (2002 session), DMV fees were inflation adjusted up to December 2001.
- > Inflation adjusting the fees from Dec 2001 to Jul 2005 would raise approximately \$5.5 million in new revenue (CPI inflation from Dec 2001 – July 2005 = 11.2%).

**VII. Lower JTOC**

**VIII. Motor Vehicle Purchase & Use Tax**

- > Divert a portion of the P&U tax that goes to the Education fund to the Transportation fund.
- > P&U tax to the Ed fund: \$29.7 million FY07, \$30.7 million FY08

Commissioner's Office (802) 241- 2400  
 Fax Number (802) 241-2325

Developmental Services (802) 241-2614  
 Fax Number (802) 241-4224  
 TTY Relay Service 1-800-253-0191



**State of Vermont**  
**Agency of Human Services**  
**Department of Aging and Independent Living**

**Division of Disability and Aging Services**  
 103 South Main Street  
 Waterbury, VT 05671-1601

## MEMORANDUM

**TO:** Joint Fiscal Committee

**FROM:** Michael Smith, Secretary, Agency of Human Services  
 Jim Reardon, Commissioner, Department of Finance and Management

**DATE:** September 8, 2005

**SUBJECT:** Developmental Disabilities Caseload Update – FY 2006

As required in the FY 06 Appropriations Act, we are providing an update on meeting the caseload needs for individuals with developmental disabilities.

Information as of September 1, 2005			
FY 2006 Budgeted Estimate	FY 2006 Actual as of 09/01/05	Average <u>Annual</u> Cost to Caseload	<u>FY 06</u> Average Cost to Caseload
<b>Emergency Caseload</b> 219 people	34 existing people <u>18 new people</u> 52 total people	\$22,590 Gross / \$9,285 GF	\$20,643 Gross / \$8,484 GF
<b>Public Safety</b> 23 people	4 existing people <u>6 new people</u> 10 total people	\$47,196 Gross / \$19,397 GF	\$44,375 Gross / \$18,238 GF
<b>High School Graduates</b> 65 people	22 existing people <u>15 new people</u> 37 total people	\$23,179 Gross / \$9,526 GF	\$22,722 Gross / \$9,339 GF

The annualized care plans for the above 99 individuals for FY 07 (before any potential inflationary increases for providers) equals \$2,504,273. The types of services required by the above individuals include the following: residential supports; community supports; work supports; service coordination/case management; crisis services; clinical services; transportation; and, respite care.

As of September 1, 2005, there were 0 individuals who met the FY 2006 System of Care Plan funding priorities who have been denied services. Additionally, as of June 30, 2005 there are 28 individuals on the Flexible Family Funding waiting list. The Department has allocated \$1,086,890 in Flexible Family funding per concurrence of the legislature and the administration in anticipation

of the Global Commitment. This is \$640,178 more than available general fund to the Department.

Joint Fiscal Committee

Page 2

September 8, 2005

DAIL will need a proportionate amount of these funds through budget adjustment or Global Commitment before June 2006.

Finally, as approved in the FY 2006 budget, developmental services providers received a 3.75% cost of living increase on AHS funded services. At the same time, a 2% reduction in existing consumer budgets was enacted in order to be applied to the caseload needs for FY 2006. Currently we know of no specific impact on any other division or department within the Agency.

Please let us know if there is any additional information you require.

/s

CC: Patrick Flood  
Theresa Wood  
Ira Sollace  
Jim Giffin

## MEMORANDUM

To: Charles Smith, Secretary of Administration

From: Representative Martha Heath, Chair Joint Fiscal Committee  
Senator Susan Bartlett, Vice Chair, Joint Fiscal Committee

Date: September 12, 2005

Subject: Global Commitment Waiver Approval

We appreciate your hard work on the Global Commitment proposal and realize the difficulties that you have been having with finalizing a proposal with the federal government. We also are appreciative of your willingness to provide us with updates in the past month.

Your staff indicated that we would receive the final waiver terms and conditions early last week and then later last week. Now the projected receipt is by Tuesday of this week. The Legislature has done all that it can to facilitate a rapid review as you requested, however if the waiver terms and conditions cannot be delivered to the Joint Fiscal Office by 12:00 noon on Wednesday we regret to say a review of the waiver by September 28<sup>th</sup> will not be possible.

At this point we are extremely concerned at the implications that the waiver timing has for legislative action. Under Section 259(c) of the budget any such waiver "is conditional upon approval by act of the general assembly, or, if the general assembly is not in session and the speaker and senate president pro tempore determine that it will not reconvene within the next 30-day period, by a majority vote of the members of the joint fiscal committee upon recommendation of the health access oversight committee."

As this waiver totally changes the financial structure of Vermont's Medicaid system and changes the entitlement environment for beneficiaries, a *thorough* legislative review is imperative. As you know the questions that the health access oversight committee, the joint fiscal committee and the legislature have been raising to date, fall into four areas:

1. The actual financial terms of the proposal and the likelihood of specific financial outcomes. We have seen proposed spreadsheets but we understand that you are still working with the federal government on final financial terms.
2. The actuarial involvement in the waiver raises a number of uncertainties. We are very interested in how the actuary will develop premium estimates throughout the waiver. We also need to know the relationship between the actuarial certification of premium, the state plan, and what services and populations are actually covered; and how much flexibility there is to provide a different mix of services

from the basis of the actuary's calculations. We also need to know the process by which a new policy initiative such as a coverage expansion or limitation would be included in the waiver and how that would impact the actuary's analysis.

3. How will the determination be made of what makes up "costs not otherwise matchable" (CNOM) that gets included in the premium and is matched? We clearly need to see the terms and conditions to understand this and hear what you think is covered and how you interpret the CNOM parameters.
4. Please describe the workings of the more flexible eligibility determination process that the waiver envisions. We will need to see how the terms and conditions address this issue. Will there be changes to current processes of eligibility determinations for Medicaid services?
5. The MCO structure raises many questions. You have indicated this is a pass through entity which will not change current control of Medicaid programs throughout state government. Is this limited managed care function consistent with what the federal government is proposing? Is the MCO strictly a financial entity or does it impact service delivery? Will CMS be performing a readiness review prior to operation of the MCO which could push us into late October or beyond?
6. What are rights of Vermonters and the specific entitlements that you are proposing to waive and how will current populations be assured that this will not impact their benefits?

In an ideal world the Legislature would be able to review the waiver in a session environment. You have indicated that you would like the waiver to begin October 1, and there are financial implications for any postponement. As you are aware we have contracted for an outside evaluation of the waiver. To give these contractors two weeks to work and to carry out our review and have even a possibility of meeting your proposed start date we need the materials as indicated above.

Again we appreciate your hard work and concern for this critical program.

cc: Michael Smith, Secretary, Agency of Human Services  
Representative Gaye Symington, Speaker of the House  
Senator Peter Welch, President Pro Tempore of the Senate  
Senator Jeanette White, Chair, Health Access Oversight Committee  
Representative Ann Pugh, Vice Chair, Health Access Oversight Committee

# Joint Fiscal Office

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

## MEMORANDUM

To: Joint Fiscal Committee  
From: Stephen A. Klein  
Date: September 12, 2005  
Subject: Additional Materials for Joint Fiscal Committee Meeting

Attached are additional materials for the upcoming (September 15<sup>th</sup>) meeting:

Item #

### 9. Global Commitment Update:

- You should be aware that the afternoon Global Commitment part of the meeting may be longer due to the urgency that this has taken on. The administration is indicating an October 1 start date and we have scheduled an approval/disapproval vote for September 28<sup>th</sup>. While this may be postponed as we have yet to receive formal documents from the administration we need to plan on the review time.
- We have posted on our website the power point which we used for the legislator briefing on September 7<sup>th</sup>. You can access it there. We will have copies available at the meeting.
- At the suggestions of the Chair and Vice Chair of the Joint Fiscal Committee we have signed a contract with Health Management Associates to provide an independent review of the waiver (Contract letter attached). The contract is designed so that if the waiver vote is September 28<sup>th</sup> we will have a finished product at that point. If the waiver is not submitted to us in a timely manner the contract will continue and the work product will be done when the administration submits terms and conditions. This is a \$20,000 to \$25,000 obligation which was not in our budget. The chairs approved the commitment but we will ask the committee for ratification as it may mean a budget adjustment.

### 11. Tax Expenditure Budgeting:

- Enclosed is a report on progress with Tax Expenditure budgeting required by Act 75, Sec. 27 (b) (also enclosed). Susan Mesner of the Tax department will be available for questions.



# HEALTH MANAGEMENT ASSOCIATES

---

September 9, 2005

Stephen Klein, Chief Fiscal Officer  
Joint Fiscal Office  
Vermont Legislature  
1 Baldwin Street, Drawer 33  
Montpelier, Vermont 05633-5701

Dear Stephen:

We appreciate your interest in pursuing discussions on securing the assistance of Health Management Associates (HMA) with activities related to the Legislature's review of a draft section 1115 waiver agreement between the State of Vermont and the Centers for Medicare and Medicaid Services (CMS), including special terms and conditions. As a follow-up to our discussions, we have prepared the following proposal for your review.

## Scope of Services

It is our understanding that the Legislature requires expert consulting assistance with review of financial and programmatic documents related to the waiver. The documents will need to be reviewed and analyzed as soon as they are available, with a quick turnaround time so that the Legislature can be fully informed as to the risks and implications before any agreements are finalized. HMA is prepared to assist by providing the following types of services:

- Full review of all financial and programmatic documents;
- Preparation of a list of questions and clarifications the Legislature may request of CMS and the Department;
- Preparation of a document outlining the advantages and disadvantages, including the financial risks, associated with the waiver as proposed;
- In the event that the waiver is delayed there may be a preliminary deliverable outlining issues and concerns.
- Preparation of a list of recommended revisions to the waiver documents, if needed; and
- Participation as needed in conference calls and briefings with key staff and legislators and at least one onsite presentation.

ONE MICHIGAN AVENUE BUILDING  
120 NORTH WASHINGTON SQUARE  
SUITE 705  
LANSING, MICHIGAN 48933  
TELEPHONE: (517) 482-9236  
FAX: (517) 482-0920

LANSING, MICHIGAN  
CHICAGO, ILLINOIS  
COLUMBUS, OHIO  
INDIANAPOLIS, INDIANA  
WASHINGTON, D.C.  
TALLAHASSEE, FLORIDA

Steve Klein

September 9, 2005

### Staffing

Key staff for this project will be myself and Theresa Sachs. Additional HMA staff with expertise in specific areas may also provide input. Brief biographical descriptions follow:

#### ***Eileen Ellis, Principal***

Eileen Ellis has been a principal with HMA since joining the firm in January 1992. Ms. Ellis is well known for the depth of her knowledge of health care reimbursement and financing, with a special emphasis on Medicaid and indigent health care. She also performs program and trend analyses for major national foundations.

Ms. Ellis has assisted several states and many communities in Michigan in developing new health coverage programs for the uninsured and finding revenues to support these initiatives. Her areas of specialization also include reimbursement methods for HMOs, hospitals, and nursing homes, and strategies to maximize federal financial participation.

Prior to joining HMA, Ms. Ellis held several senior positions in social services and budget agencies of state government. She was a senior Michigan Medicaid official for over six years, and she served as director of Michigan's Medicaid program during 1991.

#### ***Theresa Sachs, Principal***

Ms. Sachs is a nationally known expert on design and financing of Medicaid and SCHIP waiver programs. She has more than 16 years experience in health care, including seven years at the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) where she specialized in Medicaid and the State Children's Health Insurance Program (SCHIP). Prior to joining HMA in 2005, she provided consulting assistance to several states relative to the analysis and development of waiver proposals. Her experience includes policy and budget analysis, legislation, administration, and contract management. She concentrates on policy analysis of health care issues, program development, budget neutrality and policy negotiations, and program implementation. She also conducts focus groups and facilitates multi-faceted work groups.

Ms. Sachs also has experience as a legislative analyst for the U.S. Senate Special Committee on Aging, as a program manager for The National Council on Aging, and as Director of an Area Agency on Aging, where she spearheaded several initiatives aimed at expanding options for elders with disabilities to remain in their own homes.

### Project Schedule

We understand the crucial need for a quick turnaround time for this project. As such, we are available to begin work as soon as the waiver documents are available, and are prepared to meet the two-week timeframe required for the bulk of the work associated with this project.

### Project Fees

HMA proposes to provide the services described above on a time-and-materials basis. Professional services will be billed at an hourly rate of \$275 for principals and \$235 for

Steve Klein

September 9, 2005

senior consultants. Travel time, if needed, will be billed at half the normal hourly rate. In addition, HMA will bill for out-of-pocket expenses for such items as travel, conference calls, printing and duplication.

In order to assure that you are able to exercise appropriate control over project costs, we further propose to establish an overall limit on fees for this project of \$20,000, which includes out-of-pocket expenses. HMA submits invoices monthly for work performed in the previous month. We will be happy to supply you, on a monthly basis, with a detailed accounting of the hours worked.

We recognize that there could be a delay in the receipt of final documents such as the CMS "terms and conditions" that would necessitate an extension of the timeframe for the project and would require that HMA complete both preliminary and final versions of some of the work products. If this occurs, additional funds may be required, but the limit on the fees for the project will not exceed \$25,000.

We would be happy to discuss this proposal with you or to provide you with any additional information you may require.


If this proposal is acceptable, please sign and return a copy of this document.

For Health Management Associates:

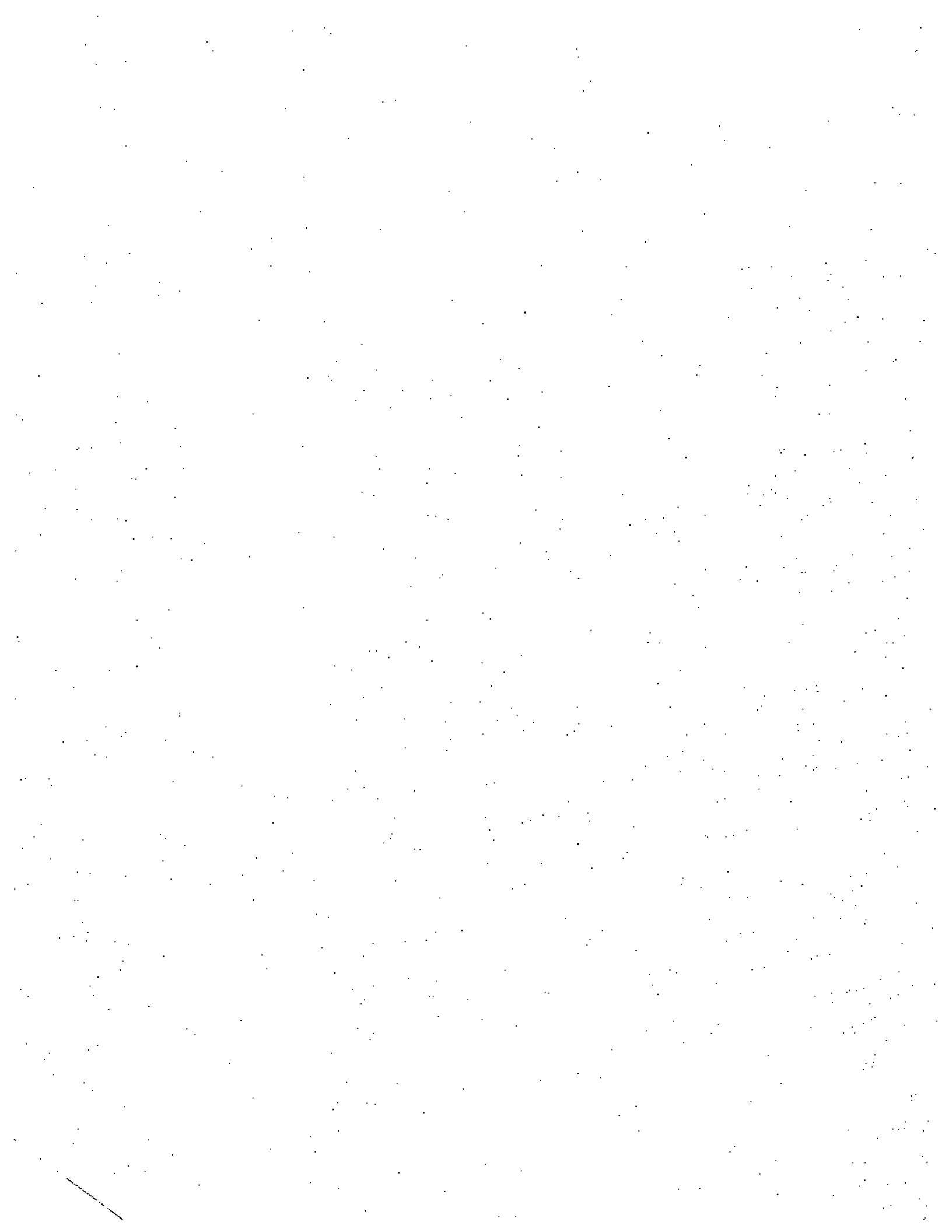
 9-9-05

Eileen Ellis  
Principal

For the Vermont Joint Fiscal Office:

 9-9-05

Stephen Klein, Fiscal Officer



## **Report to Members of the Joint Fiscal Committee On Tax Expenditure Reporting**

September 12, 2005

In accordance with Act 75, Sec. 27 (b), this report identifies tax expenditures for which revenue estimates shall be included in the transition report to be filed with the House Committees on Ways and Means and Appropriations and with the Senate Committees on Finance and Appropriations by January 15, 2006.

Members of the Tax Department and Joint Fiscal Office met during the summer to identify which personal and corporate income tax expenditures would be included in the report. Vermont uses federal taxable income as the tax base, against which expenditures are defined. Therefore, federal adjustments and exemptions that are made prior to the calculation of taxable income will not be included in our tax expenditure report. Likewise, if types of income or businesses are excluded from taxation at the state level due to federal law, i.e., railroad income and U.S. government obligations, they will be noted in the report but not estimated for tax expenditure purposes.

The Department and JFO agreed that all credits, exclusions and exemptions listed on Vermont individual income tax forms IN-111 (Income Tax Return), IN-112 (VT Tax Adjustments and Credits), and IN-119 (VT Tax Credits) would be included in the report with the exception of those income items noted above. All Vermont credits available to corporations will be included and estimates will be made for exemptions allowed under V.S.A. §5811 (3), except where exempt federally or taxed under alternative schemes (e.g., insurance companies, banks).

Act 75, Sec. 27 requires the reporting of tax expenditures for "the most recent fiscal year available." The Department's income processing systems are tied to a calendar (or taxpayer fiscal) year, and the expenditure amount as measured by the calculation of credits on income tax returns does not tie neatly to fiscal year revenue impact. In light of these difficulties, the Department and JFO have agreed that tax expenditures reported under the personal and corporate income tax will be provided for calendar year 2003. The report will mention issues of conversion from calendar year to fiscal year for estimating purposes.

Some initial work has also been done to list sales tax exemptions in anticipation of the transition expenditure report due January 15, 2007. The exemptions have been classified as "sales not covered," "transactions not covered," "organizations not covered," and "definitional and other exclusions from tax." The Department and JFO will jointly agree on a subset of the approximately 75 statutory exemptions to be estimated.

Susan Mesner, Department of Taxes  
Mark Perrault and Sara Teachout, Joint Fiscal Office

100

## Waiver List for Vermont Global Commitment to Health

### Title XIX Waivers

All requirements of the Medicaid program expressed in law, regulation and policy statement, not expressly waived or identified as not applicable in this list, shall apply to the demonstration project beginning October 1, 2005 through September 30, 2010.

1. Statewideness/Uniformity Section 1902(a)(1)  
  
To enable Vermont to provide managed-care plans or certain types of managed care plans, only in certain geographical areas of the State.
  
3. Amount, Duration, Scope of Services Section 1902(a)(10)(B)  
  
To enable Vermont to vary the amount, duration and scope of services offered to various mandatory and optional categories of individuals eligible for Medical assistance under the demonstration.
  
4. Premium Requirements Section 1902(a)(14) insofar as it  
incorporates Section 1916  
  
To permit Vermont to impose premiums in excess of statutory limits for optional and expansion populations as reflected in the special terms and conditions.
  
5. Financial Eligibility Section 1902(a)(10)(C)(i)(III)  
  
To allow the State to use institutional income rules (up to 300% of the SSI payment level) for categorically and medically needy enrollees electing home-based services in lieu of nursing facility or in lieu of other residential care services in licensed settings while allowing resource limits up to \$10,000.
  
6. Financial Responsibility/Deeming Section 1902(a)(17)(D)  
  
To enable the State to use for plan groups and individuals whose eligibility is determined under the more liberal standards and methods, eligibility standards and requirements that differ from those required under Title XIX. The waiver would specifically exempt the State from the limits under section 1902(a)(17)(D) on whose income and resources may be used to determine eligibility unless actually made available and so that family income and resources may be used instead.

To enable the State to disregard quarterly income totaling less than \$20 from the post-eligibility income determination.

7. Spend-Down Section 1902(a)(10)(C)

To enable the State to provide coverage to the Medically needy without offering a spend-down for pregnant women, parents, children ages 0-18, and the disabled, and to offer 1-month spend-downs for people receiving community-based services as an alternative to institutionalization, and non-institutionalized persons who are receiving personal care attendant services at the onset of waivers.

8. Freedom of Choice Section 1902(a)(23)

To enable the State to restrict freedom of choice of provider for the demonstration participants. Participants will be restricted to a single plan and may change providers within the plan.

Some demonstration waiver participants may only have access to the providers participating in those programs, and will not have access to every Medicaid enrolled provider in the state.

9. Retroactive Eligibility Section 1902(a)(34)

To enable the State to waive the requirement to provide medical assistance for up to three months prior to the date that an application for assistance is made for expansion groups.

10. MCO Credentialing Requirements Section 1902(a)(4)

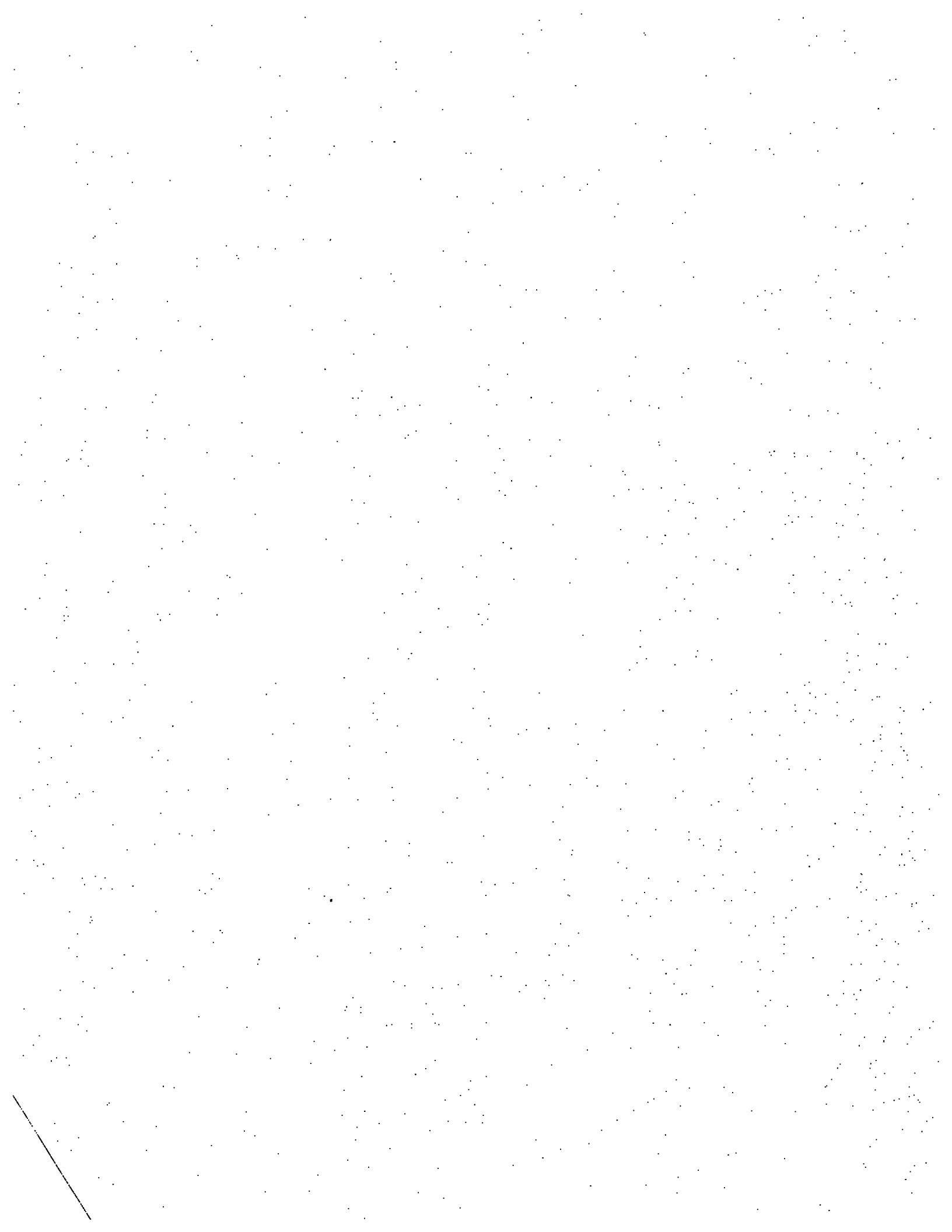
To enable the State to waive the requirement from the provider credentialing requirements applicable to managed care plans under these regulations, since a state agency the Office of Vermont Health Access (OVHA) will serve as the program's Managed Care Organization. OVHA will continue to use its current process for qualifying and enrolling Medicaid participating providers. At a minimum, OVHA shall ensure that all Medicaid participating providers are licensed and/or certified where required, and are acting within the scope of that license and/or certification or federal authority, including federal CLIA requirements. Providers excluded from participation in Federal health care programs under either section 1128 or section 1128A of the Social Security Act are prohibited from participation in the Demonstration Program. Providers may not furnish services that are subject to the Certificate of Need law when a Certificate has not been issued.

**Costs Not Otherwise Matchable**



Under the authority of section 1115(a)(2) of the Act, expenditures made by the State for the items identified below (which are not otherwise included as expenditures under section 1903) shall, for the period of this extension, be regarded as expenditures under the State's Title XIX Plan.

1. Expenditures to provide Global Commitment to Health coverage to individuals, subject to any approved enrollment cap, who would not otherwise be eligible for Medicaid, including expenditures for VHAP, medically needy individuals in families who, under streamlined eligibility procedures and expansions, have incomes which exceed the statutory limit.
2. Expenditures to provide pharmacy benefits to low-income individuals who are elderly or disabled. Expenditures include coverage for individuals who are covered by Medicare, until such time as Medicare Part D coverage replaces the existing pharmacy coverage.
3. Expenditures for additional health care related-services for the demonstration populations.
4. Expenditures for capitation payments provided to managed care organizations which restrict enrollees' rights to disenroll within 90-days of enrollment into a new managed care organization, as designated under Section 1903(m)(2)(A)(vi) and Section 1932(a)(4).
5. Expenditures for capitation payments provided to managed care organizations, which do not meet the contract requirements under Section 1903(m)(2)(a)(xi) as specified under Section 1932(a)(3).



**From:** "Susan Besio" <susanb@wpgate1.ahs.state.vt.us>  
**To:** <mroyale@leg.state.vt.us>, <rlunge@leg.state.vt.us>, <sbarrett@leg.state.vt.us>, <skappel@leg.state.vt.us>, <sklein@leg.state.vt.us>  
**Date:** 9/14/2005 9:58:56 AM  
**Subject:** changes to Terms and Conditions

Stephanie, Steve, Steve, Maria and Robin,

After reviewing the Terms and Conditions yesterday, we discovered several items that we believed were errors in the Terms and Conditions. We have since talked with CMS and they are making the following changes:

1. #29 Enrollment Process. The State agrees to notify demonstration participants regarding eligibility changes to be implemented under the Global Commitment to Health demonstration, including, but not limited to their enrollment into a Section 1115 research and demonstration program. The notification to participants must meet the provisions of 42 CFR 431.210. Participants will be notified no later than 30-days prior to their transition to the Global Commitment to Health demonstration.

This section only applies to notification re: changes in eligibility, so it is being either deleted or revised to reflect that 30 day notification only needs to be sent prior to eligibility changes (none of which are planned at this time).

2. #45 Subject to CMS approval of the source(s) of the non-Federal share of funding, CMS shall provide FFP at the applicable Federal matching rates for the following, subject to the limits described in Section X: .... c) Net medical assistance expenditures made with dates of service during the operation of the Demonstration.

The phrase "dates of service" is being changed to "dates of payment" to be consistent with the remainder of the STCs.

3. The following typographical errors are being corrected:

page 1 AWARDEE line: Vermont Agency of Human Services (replace "for" with "of")

page 1 line 3: Vermont Agency of Human Services (replace "for" with "of")

page 7 line Demonstration Populations. Line 4: delete the comma after "Only"

page 16 line 1 after the table: change "aggress" to "agrees"

page 18, bullet 3: insert the word "and" after "underinsured" and before "Medicaid-eligible"

Susan

Susan W. Besio, Ph.D.  
Director of Planning  
Vermont Agency of Human Services  
susanb@ahs.state.vt.us  
(802) 241-4600

**CC:** <swphpg@msn.com>, <jim.reardon@state.vt.us>, "Allan Merritt"  
<ALLANM@wpgate1.ahs.state.vt.us>, "Ira Sollace" <iras@wpgate1.ahs.state.vt.us>, "Joshua Slen"  
<JoshuaS@wpgate1.ahs.state.vt.us>

**CENTERS FOR MEDICARE & MEDICAID SERVICES  
SPECIAL TERMS AND CONDITIONS**

**NUMBER:** 11-W-00194/1  
**TITLE:** Global Commitment to Health Section 1115 Demonstration  
**AWARDEE:** Vermont Agency for Human Services

**I. PREFACE**

The following are the Special Terms and Conditions (STCs) for Vermont Global Commitment to Health Section 1115(a) Medicaid demonstration (hereinafter "Demonstration"). The parties to this agreement are the Agency for Human Services (State) and the Centers for Medicare & Medicaid Services (CMS). These STCs set forth below and the lists of waivers and expenditure authorities are incorporated in their entirety into the letter approving the Demonstration. The STCs set forth in detail the nature, character, and extent of Federal involvement in the Demonstration and the State's obligations to CMS during the life of the Demonstration. This Demonstration is approved for the five-year period, from October 1, 2005 through September 30, 2010.

The STCs have been arranged into the following subject areas: General Program Requirements; General Reporting Requirements; Eligibility and Enrollment; Benefits and Coverage; Cost Sharing; Delivery Systems; Evaluation; General Financial Requirements under Title XIX; and Monitoring Budget Neutrality.

**II. GENERAL PROGRAM REQUIREMENTS**

1. **Compliance with Federal Non-Discrimination Statutes.** The State agrees that it shall comply with all applicable Federal statutes relating to non-discrimination. These include, but are not limited to, the Americans with Disabilities Act of 1990, Title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.
2. **Compliance with Medicaid Law, Regulation, and Policy.** All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in the award letter of which these terms and conditions are part, shall apply to the Demonstration.
3. **Changes in Law.** The State shall, within the time frame specified in law, come into compliance with any changes in Federal law affecting the Medicaid program that occur after the approval date of this Demonstration.
4. **Impact on Demonstration of Changes in Federal Law, Regulation and Policy**

**Statements.** To the extent that a change in Federal law impacts State Medicaid spending on program components included in the Demonstration, CMS shall incorporate such changes into a modified budget neutrality expenditure cap for the demonstration. The modified budget neutrality expenditure cap would be effective upon implementation of the change in the Federal law. The growth rates for the budget neutrality baseline are not subject to this STC. If mandated changes in the Federal law require State legislation, the changes shall take effect on the day such State legislation becomes effective, or on the last day such legislation was required to be in effect under the law.

5. **State Plan Amendments.** The State shall not be required to submit Title XIX State plan amendments for changes to any populations covered solely through the Demonstration. If a population covered through the State plan is affected by a change to the Demonstration, a conforming amendment to the State plan may be required. Reimbursement of providers by the MCO will not be limited to those described in the State Plan.
6. **Changes Subject to the Demonstration Amendment Process.** The state shall not implement changes to its program that require an amendment without prior approval by CMS as discussed below. Amendments to the Demonstration are not retroactive and FFP may not be available for changes to the Demonstration that have not been approved through the amendment process set forth in paragraph seven, below.

The State has the authority to modify the demonstration program design elements in accordance with the parameters specified below.

**Mandatory State Plan Eligibles.** Eligibility criteria and cost sharing requirements for federally mandated Medicaid eligibility groups must be in compliance with federal statutes and regulations. Reductions in benefits for federally mandated populations (including optional services) must be submitted as an amendment to the demonstration by the process outlined below in item seven. Subject to remaining in compliance with the demonstrations terms and conditions, the State shall submit an amendment to the demonstration to expand covered benefits to include health services not currently covered under the State plan.

### ***Benefits***

The State has the authority to change the benefit package for the non-mandatory eligible population so long as the changes result in no more than a five percent cumulative increase or decrease each year of the total Medicaid expenditures for the corresponding waiver year and comparison year. The following chart indicates the corresponding years:

<b>Waiver Year (WY)</b>	<b>Comparison Year Expenditures</b>
WY 1	2004 Base Year Medicaid Expenditure
WY 2	2005 Total Global Expenditures
WY 3	2006 Total Global Expenditures
WY 4	2007 Total Global Expenditures
WY 5	2008 Total Global Expenditures

The State must offer benefit packages that meet or exceed "Secretary approved coverage" as defined under the HIFA guidelines.

The State shall notify CMS 60 days prior to any such change in the benefit package. After receipt of the written notification CMS officials will notify the State if the request needs to be submitted as a formal amendment to the demonstration. To clarify, the formal amendment process is outlined in item seven below. Upon review, CMS has the right to withhold or disallow federal financial participation (FFP).

If changes to the benefit package for the non-mandatory eligible population would result in more than a five percent increase or decrease of the corresponding year benefit expenditures or would not be equivalent to the "Secretary approved coverage" as defined under the HIFA guidelines then the State will submit an amendment to the demonstration as described by the process outlined in item seven below.

7. **Amendment Process.** Amendment requests must be submitted to CMS for approval no later than 90 days prior to the date of implementation and may not be implemented until approved. Utilizing the standard review process CMS will consult with the federal review team. Amendment requests shall include but not be limited to the following:
  - a) An explanation of the public process used by the State to reach a decision regarding the requested amendment;
  - b) A current assessment of the impact the requested amendment shall have on budget neutrality;
  - c) A detailed description of the amendment, with sufficient supporting documentation; and
  - d) A description of how the evaluation design shall be modified to incorporate this amendment request.
8. **Global Commitment to Health Flexibility:** Vermont's expectation is that changes to the demonstration will occur at the same time of year each year, based on the outcomes of the legislative session. At the end of the legislative session the state shall submit amendments pursuant to item six governed by the process outlined in item seven of this section. Any approved changes shall be reflected in the annual rate setting process for the upcoming year.
9. **Extension of the Demonstration.** If the State intends to extend the Demonstration beyond the period of approval granted under section 1115(a), the requirements in section 1115(e) shall apply. During the six-month period ending one year before the date the Demonstration would otherwise expire, the Chief Executive Officer of the State that is operating the Demonstration may submit to the Secretary of the Department of Health and Human Services (DHHS) a written request to extend the Demonstration for up to three years. If the Secretary fails to respond to the request within six months after the date it is submitted, the request is deemed to have been granted. The extension of a

Demonstration shall be on the same terms and conditions that applied to the Demonstration before it was extended. If an original condition of approval of a Demonstration was that it be budget neutral, the Secretary shall take such steps as may be necessary to ensure that in the extension of the Demonstration, such condition continues.

10. **Demonstration Phase-Out.** The State may suspend or terminate this Demonstration in whole or in part at any time prior to the date of expiration. The State must promptly notify CMS in writing of the reason(s) for the suspension or termination, together with the effective date. In the event the State elects to phase-out the Demonstration, the State shall submit a phase-out plan to CMS at least six months prior to initiating phase-out activities. The State may also submit an extension plan on a timely basis to prevent disenrollment of Demonstration enrollees. Nothing herein shall be construed as preventing the State from submitting a phase-out plan with an implementation deadline shorter than six months when such action is necessitated by emergent circumstances. The phase-out plan and extension plan are subject to CMS approval. If the project is terminated or any relevant waivers suspended by the State, FFP shall be available for only normal closeout costs associated with terminating the demonstration including services and administrative costs of disenrolling participants.
11. **Enrollment Limitation.** During the last six months of the Demonstration, the enrollment of individuals who would not be eligible for Medicaid under the current State plan shall not be permitted unless the waiver is extended by CMS.
12. **CMS Right to Terminate or Suspend.** CMS may suspend or terminate the Demonstration in whole or in part at any time before the date of expiration, whenever it determines, following a hearing at which it has been determined that the State has materially failed to comply with the terms of the project. CMS shall promptly notify the State in writing of the determination and the reasons for the suspension or termination, together with the effective date.
13. **Finding of Non-Compliance.** The State waives none of its rights to challenge CMS's finding that the State materially failed to comply.
14. **Withdrawal of Waiver Authority.** CMS reserves the right to withdraw waivers or expenditure authorities at any time it determines that continuing the waivers or expenditure authorities would no longer be in the public interest. If a waiver or expenditure authority is withdrawn, FFP shall be available for only normal closeout costs associated with terminating the demonstration including services and administrative costs of disenrolling participants.
15. **Adequacy of Infrastructure.** The State shall ensure the availability of adequate resources for implementation and monitoring of the Demonstration, including education, outreach, and enrollment; maintaining eligibility systems; compliance with cost sharing; and reporting on financial and other Demonstration components.
16. **Public Notice and Consultation with Interested Parties.** The State shall continue to



comply with the State Notice Procedures set forth in 59 Fed. Reg. 49249 (1994) when any program changes to the Demonstration are proposed by the State.

17. **Quality Assurance Strategy Plan.** The State must comply with the managed care regulations published at 42 CFR 438.

### III. GENERAL REPORTING REQUIREMENTS

18. **General Financial Requirements.** The State shall comply with all general financial requirements under Title XIX set forth in Section IX, General Reporting Requirements under Title XIX.
19. **Reporting Requirements Relating to Budget Neutrality.** The State shall comply with all reporting requirements for monitoring budget neutrality set forth in Section X, Monitoring Budget Neutrality for the Vermont Global Commitment to Health Demonstration.
20. **Reporting on Participants Receiving Community Rehabilitation and Treatment (CRT) Services.** The State agrees to develop systems to track and report expenditures for CRT Services to participants with severe and persistent mental illness. Expenditures for CRT mental health services will be included under the budget neutrality agreement for the Vermont Global Commitment to Health Section 1115 demonstration.
21. **Encounter Data.** OVHA shall maintain an information system that collects, analyzes, integrates and reports data. The system must provide information on program elements including, but not limited to, service utilization, grievances, appeals and disenrollments for reasons other than loss of Medicaid eligibility. The management information system must collect data on member and provider characteristics, as specified by AHS, and on services as set forth under Section 2.12.1 of the Intergovernmental Agreement. OVHA must collect, retain and report encounter data in accordance with the Demonstration's Terms and Conditions. All collected data must be available to AHS and to CMS upon request. The State shall have contractual provisions in place to impose sanctions on the MCO if accurate data are not submitted in a timely fashion.
22. **Encounter Data Validation Study for New MCOs or PIHPs.** If the State contracts with new MCOs or PIHPs, the State shall conduct a validation study six months after the effective date of the contract to determine completeness and accuracy of encounter data. The initial study shall include validation through a sample of medical records of Demonstration enrollees.
23. **Submission of Encounter Data.** The State shall submit encounter data to the MSIS system as is consistent with Federal law and Section IX of this document. The State must assure that encounter data maintained at the MCO and provider level can be linked with eligibility files maintained at the State.
24. **Monthly Calls.** CMS shall schedule monthly conference calls with the State. The purpose of these calls is to discuss any significant actual or anticipated developments

affecting the Demonstration. Areas to be addressed include, but are not limited to, MCO operations (such as contract amendments and rate certifications), health care delivery, enrollment, quality of care, access, the benefit package, audits, lawsuits, financial reporting and budget neutrality issues, health plan financial performance that is relevant to the Demonstration, progress on evaluations, State legislative developments, and any Demonstration amendments, concept papers or State plan amendments the State is considering submitting. CMS shall update the State on any amendments or concept papers under review as well as federal policies and issues that may affect any aspect of the Demonstration. The State and CMS (both the Project Officer and the Regional Office) shall jointly develop the agenda for the calls.

25. **Quarterly Reports.** The State shall submit progress reports 60 days following the end of each quarter. The intent of these reports is to present the State's analysis and the status of the various operational areas. These quarterly reports shall include:
- a) A discussion of events occurring during the quarter or anticipated to occur in the near future that affect health care delivery, enrollment, quality of care, access, health plan financial performance that is relevant to the Demonstration, the benefit package, and other operational issues.
  - b) Action plans for addressing any policy and administrative issues identified.
  - c) A separate discussion of the State efforts related to the collection and verification of encounter data.
  - d) The quarterly reports will include enrollment data, member month data, budget neutrality monitoring tables in the attached format, etc.
  - e) The state shall report Demonstration program enrollment on a quarterly basis. The format of the report shall be specified by CMS. Average monthly enrollment will be reported for each of the following eligibility groups:
    - a. Mandatory State Plan Adults
    - b. Mandatory State Plan Children
    - c. Optional State Plan Adults
    - d. Optional State Plan Children
    - e. VHAP Expansion Adults
    - f. Pharmacy Program Beneficiaries (non-Duals)
    - g. Other Waiver Expansion Adults
  - f) A discussion of the State's progress toward the demonstration goals.
  - g) A discussion of the State's evaluation activities.
26. **Annual Report.** The State shall submit a draft annual report documenting accomplishments, project status, quantitative and case study findings, utilization data, and policy and administrative difficulties in the operation of the Demonstration. The annual report shall also include a section that identifies how capitated revenue is spent. The State shall submit the draft annual report no later than 120 days after the end of each operational year. Within 30 days of receipt of comments from CMS, a final annual report shall be submitted.

#### **IV. ELIGIBILITY, ENROLLMENT, AND BENEFITS**

27. **Maintenance of Effort.** The State agrees that the eligibility criteria for mandatory eligible individuals fully served under the demonstration shall not change from the base year of the demonstration.

**Demonstration Populations.** Except for the exclusion of participants covered under the Vermont Long Term Care (LTC) Section 1115 demonstration not receiving Community Residential Treatment (CRT) Services, the following populations listed in the tables below shall be covered under the Global Commitment to Health Demonstration. Only, those Vermont LTC beneficiaries receiving CRT services shall overlap with the Global Commitment to Health demonstration beneficiaries. Changes to the following, outside the parameters as outlined in paragraph six, are pursuant to the amendment process as discussed in item six and seven under Section II, General Program Requirements.

#### **Vermont Mandatory Populations and Services**

AID GROUP	SERVICES (SEE LIST BELOW)
<b>Mandatory Categorically Needy</b>	
1 1931 low-income families with children (1902(a)(10)(A)(i)(I)) (1931)	Some Listed
2 Children receiving IV-E payments (IV-E foster care or adoption assistance) (1902(a)(10)(i)(I))	Some Listed
3 Individuals who lose eligibility under 1931 due to employment (1902(a)(10)(A)(i)(I)) (402(a)(37)) (1925)	Some Listed
4 Individuals who lose eligibility under 1931 because of child or spousal support (1902(a)(10)(A)(i)(I))(406(h))	Some Listed
5 Individuals participating in a work supplementation program who would otherwise be eligible under 1931 (1902(a)(10)(A)(i)(I)) (482(e)(6))	Some Listed
6 Individuals receiving SSI cash benefits (does not apply to 209(b) States) (1902(a)(10)(A)(i)(I))	Some Listed
7 Disabled children no longer eligible for SSI benefits because of a change in definition of disability (1902(a)(10)(A)(i)(II))	Some Listed
8 Qualified pregnant women (1902(a)(10)(A)(i)(III)) (1905(n)(1))	Some Listed
9 Qualified children (1902(a)(10)(A)(i)(III)) (1905(n)(2))	Some Listed
10 Poverty level pregnant women (1902(a)(10)(A)(i)(IV)) (1902(l)(1)(A))	Some Listed
11 Poverty level infants (1902(a)(10)(A)(i)(IV)) (1902(l)(1)(B))	Some Listed
12 Qualified family members (1902(a)(10)(A)(i)(V)) (1905(m)(1))	Some Listed
13 Poverty level children under age six (1902(a)(10)(i)(VI)) (1902(l)(1)(C))	Some Listed
14 Poverty level children under age 19, who are born after September 30, 1983 (or, at State option, after any earlier date) (1902(a)(10)(i)(VII)) (1902(l)(1)(D))	Some Listed
15 Disabled individuals whose earnings exceed SSI substantial gainful activity level (1619(a))	Some Listed
16 Disabled individuals whose earnings are too high to receive SSI cash benefits (1619b))	Some Listed
17 Disabled individuals whose earnings are too high to receive SSI cash benefits (1902(a)(10)(i)(II)) (1905(q))	Some Listed
18 Pickle amendment: individuals who would be eligible for SSI if Title II COLAs were deducted from income (section 503 of P.L. 94-566) (1935(a)(5)(E))	Some Listed
19 Disabled widows and widowers (1634(b)) (1935 (a)(2)(C))	Some Listed
20 Disabled adult children (1634(c)) (1935(a)(2)(D))	Some Listed
21 Early widows/widowers (1634(d)) (1935)	Some Listed
22 Individuals who would be eligible for AFDC except for increased OASDI income under P.L. 92-336 (July 1, 1972) (42 CFR 435.114)	Some Listed
23 Individuals receiving mandatory State supplements (42 CFR 435.130)	Some Listed
24 Individuals eligible as essential spouses in December 1973 (42 CFR 435.131)	Some Listed
25 Institutionalized individuals who were eligible in December 1973 (42 CFR 435.132)	Some Listed
26 Blind and disabled individuals eligible in December 1973 (42 CFR 435.133)	Some Listed
27 Individuals who would be eligible except for the increase in OASDI benefits under Pubic Law 92-336 (42 CFR 435.134)	Some Listed
28 Individuals who become eligible for cash assistance as a result of OASDI cost-of-living increases received after April 1977 (42 CFR 435.135)	Some Listed
29 Individuals who would be eligible except for the increase in OASDI benefits under Pubic Law 92-336 (42 CFR 435.134)	Some Listed
30 Individuals who become eligible for cash assistance as a result of OASDI cost-of-living increases received after April 1977 (42 CFR 435.135)	Some Listed

<b>Mandatory Medically Needy</b>	
31 Individuals under 18 who would be mandatorially categorically eligible except for income and resources (1902(a)(10)(C)(ii)(I))	Some Listed
32 Pregnant women who would be categorically eligible except for income and resources (1902(a)(10)(C)(ii)(II))	Some Listed
33 Newborns, except for income and resources would be eligible as categorically needy, for one year as long as mother remains eligible or would if pregnant (1902(a)(10)(C)) (1902(e)(4))	Some Listed
34 Pregnant women who lose eligibility receive 60 days coverage for pregnancy-related and post partum services (1902(a)(10)(C)) (1905)(e)(5))	Some Listed
35 Blind and disabled individuals eligible in December 1973 (42 CFR 435.340)	Some Listed
<b>Mandatory Special Coverage Groups</b>	
36 Newborns deemed eligible for one year as long as mother remains eligible or would remain eligible if pregnant (1902(e)(4))	Some Listed
37 Pregnant women who lose eligibility receive 60 days coverage for pregnancy-related and post partum services (1902(e)(5))	Pregnancy/Post Partum Svcs
38 Pregnant women losing eligibility because of a change in income remain eligible 60 days post partum (1902(a)(10)(A)(i)(IV)) (1902(e)(6))	Some Listed
39 Poverty level infants and children receiving inpatient services who lose eligibility because of age must be covered through an inpatient stay (1902(e)(7))	Some Listed
40 Qualified Medicare Beneficiaries (QMBs) (1902(a)(10)(E)(i) (1905(p)(1))	Part A/B, Coinsurance/Deductb
41 Qualified disabled and working individuals (1902(a)(10)(E)(ii) (1905(s))	Part A
42 Specified Low-Income Medicare Beneficiaries (SLMBs) (1902(a)(10)(E)(iii))	Part B
43 Qualifying individuals (1902(a)(10)(E)(iv)(I))	Part B

**For a complete list of covered services refer to the State Plan. The following are some of the covered services.**

**Covered Services (subject to medical necessity determination)**

- ✓ Ambulance
- ✓ Case management/targeted case management
- ✓ Clinic services (psychotherapy, group therapy, day hospital, chemotherapy, diagnosis and evaluation, emergency care)
- ✓ CMHC
- ✓ Day health rehabilitation
- ✓ Dental (subject to limitations for adults)
- ✓ Developmental Therapy
- ✓ EPSDT services for individuals under 21
- ✓ Extended services for pregnant women for a 60-day post partum
- ✓ Eyeglasses (for children under 21)
- ✓ Family Planning
- ✓ Hi-Tech Nursing
- ✓ Home health for those entitled to NF services
- ✓ Hospice
- ✓ ICF/MR
- ✓ IMD services (age 65 and over)

Final September 13, 2005

- ✓ Inpatient hospital
- ✓ Inpatient psychiatric under 22 years of age
- ✓ Laboratory/X-Ray
- ✓ Licensed Clinical Social Worker
- ✓ Medical and surgical services of a dentist
- ✓ Nurse and lay midwife services
- ✓ Nursing facility
- ✓ Optician
- ✓ Optometry
- ✓ Organ transplants
- ✓ Outpatient hospital
- ✓ Pediatric/Family Nurse Practitioner
- ✓ Personal care for children under 21
- ✓ Physician services
- ✓ PNMI (*child care services, assistive community care services, therapeutic substance abuse treatment*)
- ✓ Podiatry
- ✓ Prescription drugs
- ✓ Preventive/screening/diagnostic services
- ✓ Primary care case management
- ✓ Private duty nursing (EPSDT only)
- ✓ Prosthetic devices
- ✓ Psychologist
- ✓ PT/OT/Speech-Language Therapy
- ✓ Respiratory care
- ✓ RHC/FQHC
- ✓ School-based services (children only)
- ✓ Substance abuse
- ✓ Transportation

**Vermont Optional Populations and Services**

AID GROUP	SERVICES (SEE LIST BELOW)
<i>Optional Categorically Needy</i>	
1 Individuals who are eligible for but not receiving IV-A, SSI or State supplement cash assistance (1902)(a)(10)(A)(ii)(I))	Some Listed
2 Individuals who could be eligible for IV-A cash assistance if State did not subsidize child care (1902(a)(10)(A)(ii)(II))	Some Listed
3 Individuals who are eligible for Title IV-A if State AFDC plan were as broad as allowed (1902(a)(10)(A)(ii)(III))	Some Listed
4 Individuals who would have been eligible for IV-A cash assistance, SSI, or State supplement if not in a medical institution (1902(a)(10)(A)(ii)(IV))	Some Listed
5 <i>Special income level group</i> : individuals who are in a medical institution for at least 30 consecutive days with gross income that does not exceed 300% of the SSI income standard, or state-specified standard (1902(a)(10)(A)(ii)(V))	Some Listed
6 Disabled children no longer eligible for SSI benefits because of a change in definition of disability (1902(a)(10)(A)(i)(II))	Some Listed
7 Individuals who are terminally ill, would be eligible if they were in a medical institution, and will receive hospice care (1902(a)(10)(A)(ii)(VII))	Some Listed
8 Children under 21 (or at State option 20, 19, or 18) who are under State adoption agreements (1902(a)(10)(A)(ii)(VIII))	Some Listed
9 Poverty level pregnant women not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(A))	Some Listed
10 Poverty level infants not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(B))	Some Listed
11 Poverty level children under six years not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(C))	Some Listed
12 poverty level children under 19, who are born after September 30, 1983 not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(D))	Some Listed
13 Individuals receiving only an optional State supp. payment more restrictive than the criteria for an optional State supplement under title XVI (1902(a)(10)(A)(ii)(XI))	Some Listed
14 Katie Beckett children (1902(e)(3))	Some Listed
15 Uninsured women, under 65, who are screened for breast or cervical cancer under CDC program (1902(a)(10)(A)(ii)(XVIII))	Some Listed
16 Individuals receiving HCBS who would only be eligible for Medicaid under the State Plan if they were in a medical institution (1902(a)(10)(A)(ii)(VI))	Some Listed
<i>Optional Medically Needy</i>	
17 All individuals under 21 or at State option 20, 19, or 18 or reasonable classifications who would not be covered under mandatory medically needy group of individuals under 18 (1902(a)(10)(C)) (1905(a)(i))	Some Listed
18 Specified relatives of dependent children who are ineligible as categorically needy (42 CFR 435.301(b)(2)(ii)) (42 CFR 435.310)	Some Listed
19 Aged individuals who are ineligible as categorically needy (42 CFR 435.301(b)(2)(iii)) (42 CFR 435.320) (42 CFR 435.330)	Some Listed
20 Blind individuals who are ineligible as categorically needy but meet the categorically needy definition of blindness (42 CFR 435.301(b)(2)(iv))	Some Listed
21 Disabled individuals who are ineligible as categorically needy that meet the categorically needy definition of blindness (1902(a)(10)(C))	Some Listed

**For a complete list of covered services refer to the State Plan. The following are some of the covered services.**

**Covered Services (subject to medical necessity determination)**

- ✓ Ambulance
- ✓ Case management/targeted case management
- ✓ Clinic services (psychotherapy, group therapy, day hospital, chemotherapy, diagnosis and evaluation, emergency care)
- ✓ CMHC

Final September 13, 2005

- ✓ Day health rehabilitation
- ✓ Dental (subject to limitations for adults)
- ✓ Developmental Therapy
- ✓ EPSDT services for individuals under 21
- ✓ Extended services for pregnant women for a 60-day post partum
- ✓ Eyeglasses (children only)
- ✓ Family Planning
- ✓ Hi-Tech Nursing
- ✓ Home health for those entitled to NF services
- ✓ Hospice
- ✓ ICF/MR
- ✓ IMD services (age 65 and over)
- ✓ Inpatient hospital
- ✓ Inpatient psychiatric
- ✓ Laboratory/X-Ray
- ✓ Licensed Clinical Social Worker
- ✓ Medical and surgical services of a dentist
- ✓ Nurse and lay midwife services
- ✓ Nursing facility
- ✓ Optician
- ✓ Optometry
- ✓ Organ transplants
- ✓ Outpatient hospital
- ✓ Pediatric/Family Nurse Practitioner
- ✓ Personal care (services for children under 21)
- ✓ Physician services
- ✓ PNMI (*child care services, assistive community care services, therapeutic substance abuse treatment*)
- ✓ Podiatry
- ✓ Prescription drugs
- ✓ Preventive/screening/diagnostic services
- ✓ Primary care case management
- ✓ Private duty nursing (EPSDT only)
- ✓ Prosthetic devices
- ✓ Psychologist



- ✓ PT/OT/Speech-Language Therapy
- ✓ Respiratory care
- ✓ RHC/FQHC
- ✓ School-based services (children only)
- ✓ Substance abuse
- ✓ Transportation

**Demonstration Eligible Populations**

AID GROUP	SERVICES
<b>1915c Waivers</b>	
1 TBI (Traumatic Brain Injury)	Crisis/support services, psychological and counseling supports, case management, community supports, habilitation, respite care, supported employment, environmental and assistive technology
2 MI under 22 (Children's Mental Health Waiver)	Service coordination, flexible support, skilled therapy services, environmental safety device
3 MR/DD (Mental Retardation/Developmental Disabilities)	Case management, residential habilitation, day rehabilitation, supported employment, crisis services, clinical intervention, respite
<b>VHAP Waivers</b>	
1 Under-insured children with income between 225 and including 300 percent of FPL	All State Plan Services (see Mandatory/Optional Lists)
2 Adults with children with income between 150 and including 185 percent of the FPL	VHAP-Limited or PCPlus VHAP Benefit Package
3 Adults with income up to and including 150 percent of the FPL	VHAP-Limited or PCPlus VHAP Benefit Package
4 Medicare beneficiaries and individuals with disabilities with income at or below 150 percent of the FPL	Medicaid Prescriptions
5 Medicare beneficiaries and individuals with disabilities with income above 150 percent and less than 175 percent of the FPL	Maintenance Drugs
6 Individuals with persistent mental illness with income up to 150 percent of FPL	Day services, diagnosis and evaluation services, emergency care, psychotherapy, group therapy, chemotherapy, specialized rehabilitative services

**1915c Waivers**

**VHAP Benefit Package: Covered Services (subject to medical necessity determination)**

- ✓ MI under 22 (Children's Mental Health Waiver)      Service coordination, flexible support, skilled therapy services, environmental safety devices
- ✓ MR/DD (Mental Retardation/Developmental Disabilities)
- ✓ CMHC
- ✓ Family Planning
- ✓ Hospice

Final September 13, 2005

- ✓ Inpatient hospital (urgent and emergent admissions)
- ✓ Inpatient psychiatric in an IMD (30 days per episode; 60 days per calendar year)
- ✓ Laboratory/X-Ray
- ✓ Licensed Clinical Social Worker
- ✓ Licensed Marital Counselor/Marriage and Family Therapy
- ✓ Medical and surgical services of a dentist
- ✓ Nurse and lay midwife services
- ✓ Nursing facility (30 days per episode)
- ✓ Organ transplants
- ✓ Outpatient hospital
- ✓ Pediatric/Family Nurse Practitioner
- ✓ Physician services
- ✓ Podiatry
- ✓ Prescription drugs (OTCs for PCPlus VHAP only)
- ✓ Primary care case management (PCPlus VHAP only)
- ✓ Prosthetic devices (PCPlus VHAP only)
- ✓ Psychologist
- ✓ PT/OT/Speech-Language Therapy
- ✓ Respiratory care (PCPlus VHAP only)
- ✓ RHC/FQHC
- ✓ Substance abuse

**28. Optional and Expansion Eligibility Groups Expenditure and Enrollment Cap**

The State is not obligated under this demonstration to extend eligibility to population groups listed above as optional or expansion populations, but may do so. The State must seek approval to modify program eligibility via the waiver amendment process as described in number six and seven of Section II General Program Requirements. Regardless of any extension of eligibility, the State will be limited to federal funding reflected in the budget neutrality requirements set forth in these STCs.

If program eligibility is expanded or reduced, the State must give priority to extension or continuation of eligibility for optional populations prior to extension or continuation of eligibility for expansion groups. In the event of any reduction in eligibility for expansion and optional populations, the State may continue eligibility for all individuals already enrolled in the program. If the State establishes a waiting list for eligibility or services, priority will be given to State plan populations over optional populations and last priority will be given to expansion populations.

29. **Enrollment Process.** The State agrees to notify demonstration participants regarding eligibility changes to be implemented under the Global Commitment to Health demonstration, including, but not limited to their enrollment into a Section 1115 research and demonstration program. The notification to participants must meet the provisions of 42 CFR 431.210. Participants will be notified no later than 30-days prior to their transition to the Global Commitment to Health demonstration.

**VI. COST SHARING**

30. The State agrees to maintain the State Plan co-payments and premium provisions for the mandatory population.

Approved premiums and co-payments will be included in the annual report. Listed below are the approved premium and co-payment requirements by population for demonstration year 1.

Population	Premiums	Deductibles	Co-Payments
Children			
Dr. Dynasaur 100-185% FPL <sup>1</sup>	\$30/month		
Dr. Dynasaur 186-225% FPL	\$30/month		
Underinsured 226-300% FPL	\$40/month		
Population	Premiums	Deductibles	Co-Payments

<sup>1</sup> This does not include Mandatory Medicaid eligibles

Adults			\$25-ER
VHAP 50-75% FPL	\$11/month		
VHAP 76-100% FPL	\$39/month		
VHAP 101-150% FPL	\$50/month		
VHAP 150-185% FPL	\$75/month		

The State agrees that the annual aggregate cost-sharing limits for optional and expansion populations may not exceed five percent of the annual household income.

## VI. DELIVERY SYSTEMS

31. **Health Plans.** The Vermont Agency of Human Services will contract with the Office of Vermont Health Access (OVHA) as a public MCO, on a capitated basis, for the delivery of all Medicaid-eligible services. The OVHA must be authorized by state statute and must adhere to 42 CFR 438.
32. **Limitation of Freedom of Choice.** Freedom of choice shall be limited for the Managed Care entity. However, populations enrolled in the Global Commitment to Health shall have freedom of choice when selecting participating Medicaid MCO providers.
33. **Contracts.** The Agency for Human Services will be responsible for oversight of the public MCO, ensuring its compliance with state and federal statutes, regulations, special terms and conditions, waiver and cost not otherwise matchable authority.

To further clarify the MCO requirements published at 42 CFR 438 the actuary shall not be employed by the state for purposes of certifying actuarially sound rates.

Procurement and the subsequent final contracts developed to implement selective contracting by the State with any provider group shall be subject to CMS Regional Office approval prior to implementation.

In the future, should OVHA contract with a behavioral health organization (BHO) to cover individuals previously served at the Vermont State Hospital (VSH) then the aggregate cap at the time of the BHO implementation would need to be adjusted to reflect the current alternative costs to VSH under the aggregate cap.

34. **Contracting with Federally Qualified Health Centers (FQHCs).** The State shall maintain its existing agreements with FQHCs and Rural Health Centers (RHCs).
35. **Data Sharing.** The MCO as a state agency may share enrollee data with other state agencies if the use or release of such data is for a purpose directly connected with administration of the plan as defined in Federal regulations at 42 CFR 431.302. The MCO is authorized to use or release de-identified data, as defined in Federal privacy regulations, to enable participation in statewide program studies. As a purpose directly connected with plan administration, the MCO is permitted to release enrollee specific

information to providers to enable the provider to seek payment for services rendered under the plan. Any other release of enrollee specific information for a purpose not directly connected with plan administration is prohibited. Whenever, release of enrollee information for a purpose directly connected with plan administration is sought by an outside source consent of the enrollee is required except in an emergency. Release under these conditions is defined in 42 CFR 431.306(d).

## VII. EVALUATION

36. **Submission of Draft Evaluation Design.** The State shall submit to CMS for approval within 120 days from the award of the Demonstration a draft evaluation design. At a minimum, the draft design shall include a discussion of the goals, objectives and specific hypotheses that are being tested, including those that focus specifically on the target population for the Demonstration. The draft design shall discuss the outcome measures that shall be used in evaluating the impact of the demonstration during the period of approval, particularly among the target population. It shall discuss the data sources and sampling methodology for assessing these outcomes. The draft evaluation design must include a detailed analysis plan that describes how the effects of the Demonstration shall be isolated from other initiatives occurring in the State. The draft design shall identify whether the State shall conduct the evaluation, or select an outside contractor for the evaluation.
37. **Final Evaluation Design and Implementation.** CMS shall provide comments on the draft design within 60 days of receipt, and the State shall submit a final design within 60 days of receipt of CMS comments. The State shall implement the evaluation design, and submit to CMS a draft of the evaluation report 120 days after the expiration of the current demonstration period (September 30, 2010). CMS shall provide comments within 60 days of receipt of the report. The State shall submit the final evaluation report for this demonstration period by May 31, 2011.
38. **Cooperation with Federal Evaluators.** Should CMS undertake an evaluation of the Demonstration, the State must fully cooperate with Federal evaluators and their contractors' efforts to conduct an independent federally funded evaluation of the Demonstration.

## VIII. ASSURANCES

Acceptance of the Special Terms and Conditions of Approval constitutes the State's assurance of the following:

39. **Capitated Revenue Expenditures.** Provided that OVHA's contractual obligation to the populations covered under the demonstration is met, any revenue from capitation payments related to the beneficiaries covered under this demonstration may be used for the following purposes:
  - Reduce the rate of uninsured and, or, underinsured in Vermont;

- Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries;
- Provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured Medicaid-eligible individuals in Vermont; and
- Encourage the formation and maintenance of public-private partnerships in health care.

As described in Section III General Reporting Requirements, the State shall include in the Annual report a section on how capitated revenue was spent.

40. **Changes Resulting from Implementation of the Medicare Modernization Act (MMA).** CMS has used trend rates from the President's Budget 2006 that fully account for Part D adjustment for budget neutrality. Federal funds are not available as of January 1, 2006 for drugs covered by the Medicare Prescription Drug Program for any Part D eligible individual or for any cost sharing for such drugs.

## **IX GENERAL FINANCIAL REQUIREMENTS UNDER TITLE XIX**

41. The State shall provide quarterly expenditure reports using the form CMS-64 to report total expenditures for services provided under the Medicaid program, including those provided through the Demonstration under Section 1115 authority. This project is approved for expenditures applicable to services rendered during the Demonstration period. CMS shall provide Federal Financial Participation (FFP) for allowable Demonstration expenditures only as long as they do not exceed the pre-defined limits on the costs incurred as specified in Section X (Monitoring Budget Neutrality for the Demonstration).
42. The following describes the reporting of expenditures subject to the budget neutrality cap:
- a) In order to track expenditures under this Demonstration, Vermont shall report Demonstration expenditures through the Medicaid and State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES), following routine CMS-64 reporting instructions outlined in Section 2500 of the State Medicaid Manual. All expenditures subject to the budget neutrality cap shall be reported on separate Forms CMS-64.9 Waiver and/or 64.9P Waiver, identified by the demonstration project number assigned by CMS (including the project number extension, which indicates the demonstration year in which service or capitation payments were made). Corrections for any incorrectly reported demonstration expenditures for previous demonstration years must be input within three months of the beginning of the Demonstration. For monitoring purposes, cost settlements must be recorded on Line 10.b, in lieu of Lines 9 or 10.C. For any other cost settlements (i.e., those not attributable to this Demonstration), the adjustments should be reported on lines 9 or 10.C, as instructed in the State Medicaid Manual. The term, "expenditures subject to the budget neutrality cap," is defined below in item 42.c.

- b) For each demonstration year at least seven separate Form CMS-64.9 WAIVER and/or 64.9P WAIVER reports must be submitted reporting expenditures subject to the budget neutrality cap. All expenditures subject to the budget neutrality ceiling for demonstration eligibles must be reported. The sum of the expenditures, for all demonstration years reported during the quarter, will represent the expenditures subject to the budget neutrality cap (as defined in 42.c.). The Vermont Global Medicaid eligibility groups (MEGs), for reporting purposes, include the following names and definitions:
- ABD – report expenditures for individuals eligible as aged, blind or disabled under the state plan;
  - ANFC – report the expenditures for all non-ABD children and adults in state plan mandatory and optional categories;
  - Optional Expansions – report all expenditures for individuals eligible as children or adults through optional expansions under VT Global
  - VT Global Expansion - report all expenditures for individuals eligible as non-categorical health care expansions through VT Global (previously VHAP Expansion);
  - Administrative expenditures;
  - VT Global Rx - report all expenditures for individuals eligible as pharmacy-only expansions through VT Global (previously VHAP Rx); and
  - CRT Group - report expenditures for individuals receiving CRT services this includes CRT expenditures for participants with severe, persistent mental illness covered under the Long-Term Care Plan 1115 demonstration.
- c) For purposes of this section, the term “expenditures subject to the budget neutrality cap” shall include all Medicaid expenditures on behalf of the individuals who are enrolled in this Demonstration (as described in 42.b. of this section) and who are receiving the services subject to the budget neutrality cap. All expenditures that are subject to the budget neutrality cap are considered Demonstration expenditures and shall be reported on Forms CMS-64.9 Waiver and/or 64.9P Waiver.
- d) Premiums and other applicable cost sharing contributions from enrollees that are collected by the State from enrollees under the Demonstration shall be reported to CMS on Form CMS-64.9 Waiver, Line 18.E. in order to assure that the Demonstration is properly credited with premium collections.
- e) Administrative costs shall be included in the budget neutrality limit. Vermont will not be at risk for expenditures related to system enhancements including any new procurements related to claims processing, program management and eligibility. All administrative costs shall be identified on the Forms CMS-64.10 Waiver and/or 64.10P Waiver.
- f) All claims for expenditures subject to the budget neutrality cap (including any cost settlements) must be made within two years after the calendar quarter in which the

State made the expenditures. Furthermore, all claims for services during the Demonstration period (including any cost settlements) must be made within two years after the conclusion or termination of the Demonstration. During the latter two-year period, the State must continue to identify separately net expenditures related to dates of service during the operation of the section 1115 Demonstration on the CMS-64 waiver forms in order to properly account for these expenditures in determining budget neutrality.

43. The following describes the reporting of member months subject to the budget neutrality cap:
- a) The term "eligible member/months" refers to the number of months in which persons are eligible to receive services. For example, a person who is eligible for three months contributes three eligible member/months to the total. Two individuals who are eligible for two months each contribute two eligible member months to the total, for a total of four eligible member/months.
  - b) The term "Demonstration eligibles" refers to the following categories of enrollees:
    - ABD – report expenditures for individuals eligible as aged, blind or disabled under the state plan;
    - ANFC – report the expenditures for all non-ABD children and adults in state plan mandatory and optional categories;
    - Optional Expansions – report all expenditures for individuals eligible as children or adults through optional expansions under VT Global
    - VT Global Expansion - report all expenditures for individuals eligible as non-categorical health care expansions through VT Global (previously VHAP Expansion);
    - Administrative expenditures;
    - VT Global Rx - report all expenditures for individuals eligible as pharmacy-only expansions through VT Global (previously VHAP Rx); and
    - CRT Group - report expenditures for individuals receiving CRT services includes CRT expenditures for participants with severe, persistent mental illness covered under the Long-Term Care Plan 1115 demonstration.
  - c) The term "Demonstration eligibles" excludes unqualified aliens, including unqualified aliens from the Compact of Free Association countries.
  - d) For the purpose of monitoring the budget neutrality expenditure cap described in Section X, the State must provide to CMS on a quarterly basis the actual number of eligible member/months for the demonstration eligibles as defined above. This information should be provided to CMS in conjunction with the quarterly progress report referred to in number 25 of Section III. If a quarter overlaps the end of one demonstration year (DY) and the beginning of another, member/months pertaining to the first DY must be distinguished from those pertaining to the second. (Demonstration years are defined as the years beginning on the first day of the demonstration, or the anniversary of that day.)



44. The standard Medicaid funding process shall be used during the Demonstration. Vermont must estimate matchable Medicaid expenditures on the quarterly Form CMS-37. In addition, the estimate of matchable Demonstration expenditures (total computable and Federal share) subject to the budget neutrality cap must be separately reported by quarter for each Federal fiscal year (FFY) on the Form CMS-37.12 for both the Medical Assistance Program (MAP) and Administrative Costs (ADM). CMS shall make Federal funds available based upon the State's estimate, as approved by CMS. Within 30 days after the end of each quarter, the State must submit the Form CMS-64 quarterly Medicaid expenditure report, showing Medicaid expenditures made in the quarter just ended. CMS shall reconcile expenditures reported on the Form CMS-64 with Federal funding previously made available to the State, and include the reconciling adjustment in the finalization of the grant award to the State.
45. Subject to CMS approval of the source(s) of the non-Federal share of funding, CMS shall provide FFP at the applicable Federal matching rates for the following, subject to the limits described in Section X:
  - a) Administrative costs, including those associated with the administration of the Demonstration;
  - b) Net expenditures and prior period adjustments of the Medicaid program that are paid in accordance with the approved State plan;
  - c) Net medical assistance expenditures made with dates of service during the operation of the Demonstration.
46. The State shall certify State/local monies used as matching funds for the Demonstration and shall further certify that such funds shall not be used as matching funds for any other Federal grant or contract, except as permitted by law. All sources of the non-federal share of funding and distribution of monies involving Federal match are subject to CMS approval. Upon review of the sources of the non-Federal share of funding and distribution methodologies of funds under the Demonstration, all funding sources and distribution methodologies deemed unacceptable by CMS shall be addressed within the time frames set by CMS. Any amendments that impact the financial status of the program shall require the State to provide information to CMS regarding all sources of the non-Federal share of funding.
47. The State shall submit its MSIS data electronically to CMS in accordance with CMS requirements and timeliness standards. The State shall ensure, within 120 days of the approval of the Demonstration, that all prior reports are accurate and timely.

## **X MONITORING BUDGET NEUTRALITY FOR THE DEMONSTRATION**

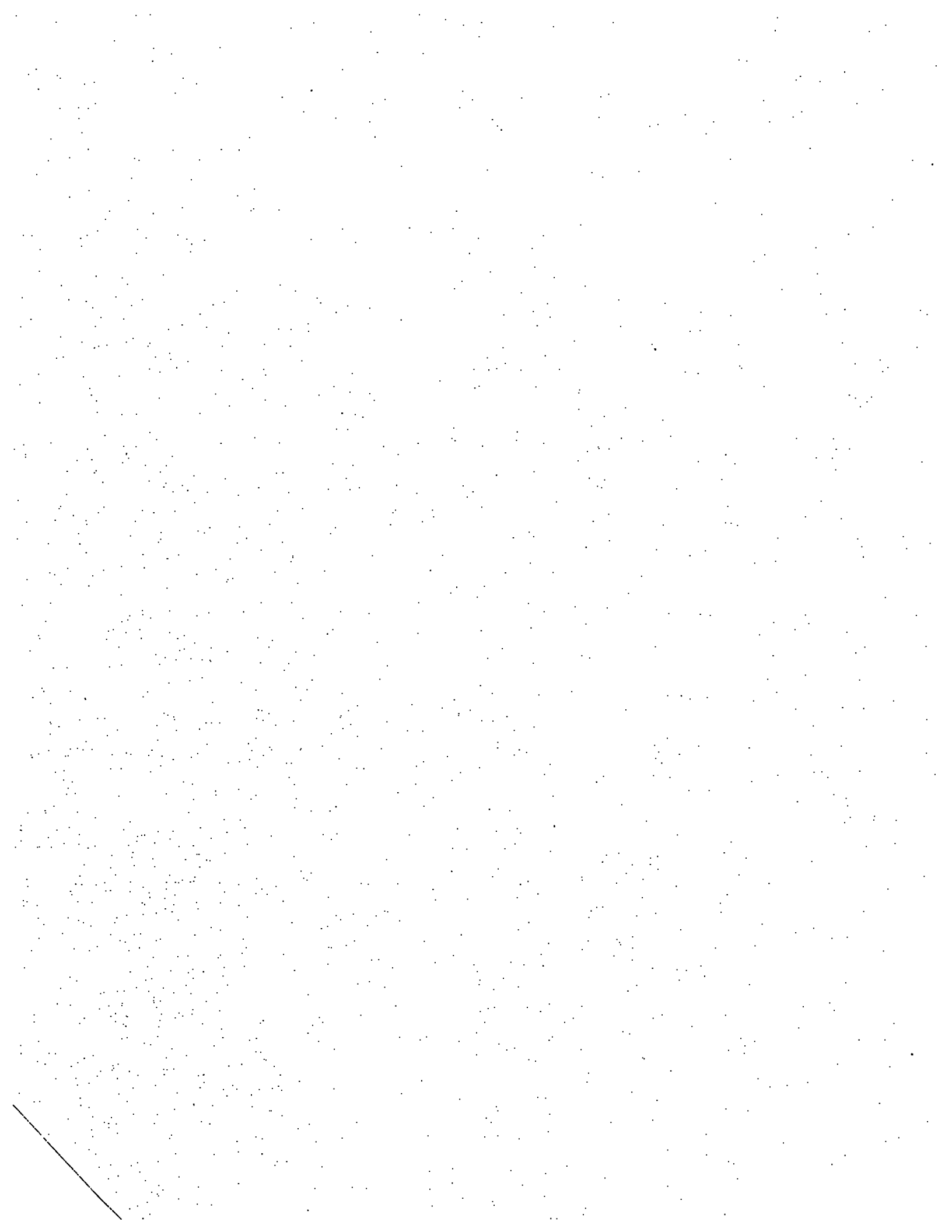
The following describes the method by which budget neutrality will be assured under the demonstration. The demonstration will be subject to a limit on the amount of Federal Title XIX funding that the State may receive on selected Medicaid expenditures during the demonstration

period. The Special Terms and Conditions specify the aggregate financial cap on the amount of Federal Title XIX funding that the State may receive on expenditures subject to the budget neutrality cap as defined in 43.c. of Section IX of this document. The budget neutrality cap will be for the Federal share of the total computable cost of \$4.7 billion for the 5-year demonstration. The cap places the State at risk for enrollment and for Per Participant Per Month (PPPM) cost trends.

48. **Impermissible DSH, Taxes or Donations:** The CMS reserves the right to adjust the budget neutrality ceiling to be consistent with enforcement of impermissible provider payments, health care related taxes, new Federal statutes, or policy interpretations implemented through letters, memoranda or regulations. The CMS reserves the right to make adjustments to the budget neutrality cap if any health care related tax that was in effect during the base year, or provider related donation that occurred during the base year, is determined by CMS to be in violation of the provider donation and health care related tax provisions of 1903(w) of the Social Security Act. Adjustments to annual budget targets will reflect the phase out of impermissible provider payments by law or regulation, where applicable.
49. Vermont shall be subject to a limit on the amount of Federal title XIX funding that the State may receive on selected Medicaid expenditures during the period of approval of the Demonstration. The limit is determined by using a per capita cost method, and budget targets are set on a yearly basis with a cumulative budget limit for the length of the entire Demonstration.
50. Vermont shall be at risk for the per capita cost (as determined by the method described below) for Medicaid eligibles in the seven Medicaid Eligibility Groups (MEGs) under this budget neutrality agreement, and for the number of Medicaid eligibles in each of the groups. By providing Federal Financial Participation for all eligibles in the specified MEGs, Vermont shall be at risk for changing economic conditions that impact enrollment levels. By placing Vermont at risk for the per capita costs for Medicaid eligibles in each of the MEGs under this agreement, CMS assures that Federal Demonstration expenditures do not exceed the level of expenditures that would have occurred had there been no Demonstration.
51. **How the Limit will be Applied:** The limit calculated above will apply to actual expenditures for demonstration, as reported by the State under Section IX. If at the end of the demonstration period the budget neutrality provision has been exceeded, the excess Federal funds will be returned to CMS. There will be no new limit placed on the FFP that the State can claim for expenditures for recipients and program categories not listed. If the demonstration is terminated prior to the 5-year period, the budget neutrality test will be based on the time period through the termination date.
52. **Expenditure Review:** The CMS shall enforce budget neutrality over the life of the demonstration, rather than on an annual basis. However, no later than 6 months after the end of each demonstration year, CMS will calculate an annual expenditure target for the completed year. This amount will be compared with the actual FFP claimed by the State

under budget neutrality. Using the schedule below as a guide, if the State exceeds the cumulative target, they must submit a corrective action plan to CMS for approval. The State will subsequently implement the approved corrective action plan.

<u>Year</u>	<u>Cumulative Target (Total Computable Cost)</u>	<u>Cumulative Target Definition</u>	<u>Percentage</u>
Year 1	\$1,015,000,000	Year 1 budget estimate plus	8 percent
Year 2	\$1,936,000,000	Years 1 and 2 combined budget estimate plus	3 percent
Year 3	\$2,848,000,000	Years 1 through 3 combined budget estimate plus	1 percent
Year 4	\$3,779,000,000	Years 1 through 4 combined budget estimate plus	0.5 percent
Year 5	\$4,700,000,000	Years 1 through 5 combined budget estimate plus	0 percent



**From:** "Susan Besio" <susanb@wpgate1.ahs.state.vt.us>  
**To:** <mroyale@leg.state.vt.us>, <rlunge@leg.state.vt.us>, <sbarrett@leg.state.vt.us>, <skappel@leg.state.vt.us>, <sklein@leg.state.vt.us>  
**Date:** 9/14/2005 9:58:56 AM  
**Subject:** changes to Terms and Conditions

Stephanie, Steve, Steve, Maria and Robin,

After reviewing the Terms and Conditions yesterday, we discovered several items that we believed were errors in the Terms and Conditions. We have since talked with CMS and they are making the following changes:

1. #29 Enrollment Process. The State agrees to notify demonstration participants regarding eligibility changes to be implemented under the Global Commitment to Health demonstration, including, but not limited to their enrollment into a Section 1115 research and demonstration program. The notification to participants must meet the provisions of 42 CFR 431.210. Participants will be notified no later than 30-days prior to their transition to the Global Commitment to Health demonstration.

This section only applies to notification re: changes in eligibility, so it is being either deleted or revised to reflect that 30 day notification only needs to be sent prior to eligibility changes (none of which are planned at this time).

2. #45 Subject to CMS approval of the source(s) of the non-Federal share of funding, CMS shall provide FFP at the applicable Federal matching rates for the following, subject to the limits described in Section X: .... c) Net medical assistance expenditures made with dates of service during the operation of the Demonstration.

The phrase "dates of service" is being changed to "dates of payment" to be consistent with the remainder of the STCs.

3. The following typographical errors are being corrected:

page 1 AWARDEE line: Vermont Agency of Human Services (replace "for" with "of")

page 1 line 3: Vermont Agency of Human Services (replace "for" with "of")

page 7 line Demonstration Populations. Line 4: delete the comma after "Only"

page 16 line 1 after the table: change "aggress" to "agrees"

page 18, bullet 3: insert the word "and" after "underinsured" and before "Medicaid-eligible"

Susan

Susan W. Besio, Ph.D.  
Director of Planning  
Vermont Agency of Human Services  
susanb@ahs.state.vt.us  
(802) 241-4600

**CC:** <swphpg@msn.com>, <jim.reardon@state.vt.us>, "Allan Merritt"  
<ALLANM@wpgate1.ahs.state.vt.us>, "Ira Sollace" <iras@wpgate1.ahs.state.vt.us>, "Joshua Slen"  
<JoshuaS@wpgate1.ahs.state.vt.us>

## **Global Commitment to Health Federal Medicaid Waiver Highlights**

- Vermont is a progressive state with broad coverage and eligibility, consistently high rankings on broad measures of health, and extensive existing waiver initiatives that have proven VT can live within budget constraints. The new Waiver program provides the State of Vermont with increased flexibility to continue these system changes over the next five years.
- In exchange for program flexibility, Vermont is committing to a fixed rate of growth over the five year term of the demonstration. However, the new waiver provides \$500 million in space under the financial ceiling that would allow for future caseload growth or other programmatic pressures.
- The Terms and Conditions contain generous provisions allowing the state of Vermont to reinvest savings in the State's Health Care System. This reinvestment is projected to save Vermont between \$135 and \$165 million over the five year term of the demonstration.
- This Medicaid waiver demonstration program will facilitate improved access to health coverage, increased early intervention, and outcomes associated with focused care coordination in partnership with providers and beneficiaries.
- Bottom line – this proposal will save money, will assist the State in, maintaining our existing health care programs, and will allow Vermont to continue to lead the country on Health Care Issues.
- The Global Commitment along with the separate Long Term Care Waiver will combine to provide the State with broad flexibility in managing the systems of care.

# Global Commitment to Health

## Excerpts from the Terms and Conditions

### Beneficiary Protections:

*“Eligibility criteria and cost sharing requirements for federally mandated Medicaid eligibility groups must be in compliance with federal statutes and regulations. Reductions in benefits for federally mandated populations (including optional services) must be submitted as an amendment to the demonstration...”*

*“The State must offer benefit packages that meet or exceed “Secretary approved coverage” as defined under the HIFA guidelines.”*

*“Vermont’s expectation is that changes to the demonstration will occur at the same time of year each year, based on the outcomes of the legislative session.”*

*“Quality Assurance Strategy Plan. The State must comply with the managed care regulations published at 42 CFR,438.”*

*“The State agrees that the eligibility criteria for mandatory eligible individuals fully served under the demonstration shall not change from the base year of the demonstration.”*

### State Opportunities/Flexibility:

*“Vermont’s expectation is that changes to the demonstration will occur at the same time of year each year, based on the outcomes of the legislative session.”*

*“Capitated Revenue Expenditures. Provided that OVHA’s contractual obligation to the populations covered under the demonstration is met, any revenue from capitation payments related to the beneficiaries covered under this demonstration may be used for the following purposes:*

- *Reduce the rate of uninsured and, or, underinsured in Vermont;*
- *Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries;*
- *Provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured Medicaid-eligible individuals in Vermont; and*
- *Encourage the formation and maintenance of public-private partnerships in health care.”*



# Global Commitment to Health

## Excerpts from the Terms and Conditions

### Beneficiary Protections:

*“Eligibility criteria and cost sharing requirements for federally mandated Medicaid eligibility groups must be in compliance with federal statutes and regulations. Reductions in benefits for federally mandated populations (including optional services) must be submitted as an amendment to the demonstration...”*

*“The State must offer benefit packages that meet or exceed “Secretary approved coverage” as defined under the HIFA guidelines.”*

*“Vermont’s expectation is that changes to the demonstration will occur at the same time of year each year, based on the outcomes of the legislative session.”*

*“Quality Assurance Strategy Plan. The State must comply with the managed care regulations published at 42 CFR 438.”*

*“The State agrees that the eligibility criteria for mandatory eligible individuals fully served under the demonstration shall not change from the base year of the demonstration.”*

### State Opportunities/Flexibility:

*“Vermont’s expectation is that changes to the demonstration will occur at the same time of year each year, based on the outcomes of the legislative session.”*

*“Capitated Revenue Expenditures. Provided that OVHA’s contractual obligation to the populations covered under the demonstration is met, any revenue from capitation payments related to the beneficiaries covered under this demonstration may be used for the following purposes:*

- Reduce the rate of uninsured and, or, underinsured in Vermont;*
- Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries;*
- Provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured Medicaid-eligible individuals in Vermont; and*
- Encourage the formation and maintenance of public-private partnerships in health care.”*

## **Global Commitment to Health Federal Medicaid Waiver Highlights**

- Vermont is a progressive state with broad coverage and eligibility, consistently high rankings on broad measures of health, and extensive existing waiver initiatives that have proven VT can live within budget constraints. The new Waiver program provides the State of Vermont with increased flexibility to continue these system changes over the next five years.
- In exchange for program flexibility, Vermont is committing to a fixed rate of growth over the five year term of the demonstration. However, the new waiver provides \$500 million in space under the financial ceiling that would allow for future caseload growth or other programmatic pressures.
- The Terms and Conditions contain generous provisions allowing the state of Vermont to reinvest savings in the State's Health Care System. This reinvestment is projected to save Vermont between \$135 and \$165 million over the five year term of the demonstration.
- This Medicaid waiver demonstration program will facilitate improved access to health coverage, increased early intervention, and outcomes associated with focused care coordination in partnership with providers and beneficiaries.
- Bottom line – this proposal will save money, will assist the State in maintaining our existing health care programs, and will allow Vermont to continue to lead the country on Health Care Issues.
- The Global Commitment along with the separate Long Term Care Waiver will combine to provide the State with broad flexibility in managing the systems of care.

**CENTERS FOR MEDICARE & MEDICAID SERVICES  
SPECIAL TERMS AND CONDITIONS**

**NUMBER:** 11-W-00194/1

**TITLE:** Global Commitment to Health Section 1115 Demonstration

**AWARDEE:** Vermont Agency for Human Services

**I. PREFACE**

The following are the Special Terms and Conditions (STCs) for Vermont Global Commitment to Health Section 1115(a) Medicaid demonstration (hereinafter "Demonstration"). The parties to this agreement are the Agency for Human Services (State) and the Centers for Medicare & Medicaid Services (CMS). These STCs set forth below and the lists of waivers and expenditure authorities are incorporated in their entirety into the letter approving the Demonstration. The STCs set forth in detail the nature, character, and extent of Federal involvement in the Demonstration and the State's obligations to CMS during the life of the Demonstration. This Demonstration is approved for the five-year period, from October 1, 2005 through September 30, 2010.

The STCs have been arranged into the following subject areas: General Program Requirements; General Reporting Requirements; Eligibility and Enrollment; Benefits and Coverage; Cost Sharing; Delivery Systems; Evaluation; General Financial Requirements under Title XIX; and Monitoring Budget Neutrality.

**II. GENERAL PROGRAM REQUIREMENTS**

1. **Compliance with Federal Non-Discrimination Statutes.** The State agrees that it shall comply with all applicable Federal statutes relating to non-discrimination. These include, but are not limited to, the Americans with Disabilities Act of 1990, Title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.
2. **Compliance with Medicaid Law, Regulation, and Policy.** All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in the award letter of which these terms and conditions are part, shall apply to the Demonstration.
3. **Changes in Law.** The State shall, within the time frame specified in law, come into compliance with any changes in Federal law affecting the Medicaid program that occur after the approval date of this Demonstration.
4. **Impact on Demonstration of Changes in Federal Law, Regulation and Policy**

**Statements.** To the extent that a change in Federal law impacts State Medicaid spending on program components included in the Demonstration, CMS shall incorporate such changes into a modified budget neutrality expenditure cap for the demonstration. The modified budget neutrality expenditure cap would be effective upon implementation of the change in the Federal law. The growth rates for the budget neutrality baseline are not subject to this STC. If mandated changes in the Federal law require State legislation, the changes shall take effect on the day such State legislation becomes effective, or on the last day such legislation was required to be in effect under the law.

5. **State Plan Amendments.** The State shall not be required to submit Title XIX State plan amendments for changes to any populations covered solely through the Demonstration. If a population covered through the State plan is affected by a change to the Demonstration, a conforming amendment to the State plan may be required. Reimbursement of providers by the MCO will not be limited to those described in the State Plan.
6. **Changes Subject to the Demonstration Amendment Process.** The state shall not implement changes to its program that require an amendment without prior approval by CMS as discussed below. Amendments to the Demonstration are not retroactive and FFP may not be available for changes to the Demonstration that have not been approved through the amendment process set forth in paragraph seven, below.

The State has the authority to modify the demonstration program design elements in accordance with the parameters specified below.

**Mandatory State Plan Eligibles.** Eligibility criteria and cost sharing requirements for federally mandated Medicaid eligibility groups must be in compliance with federal statutes and regulations. Reductions in benefits for federally mandated populations (including optional services) must be submitted as an amendment to the demonstration by the process outlined below in item seven. Subject to remaining in compliance with the demonstrations terms and conditions, the State shall submit an amendment to the demonstration to expand covered benefits to include health services not currently covered under the State plan.

***Benefits***

The State has the authority to change the benefit package for the non-mandatory eligible population so long as the changes result in no more than a five percent cumulative increase or decrease each year of the total Medicaid expenditures for the corresponding waiver year and comparison year. The following chart indicates the corresponding years:

Waiver Year (WY)	Comparison Year Expenditures
WY 1	2004 Base Year Medicaid Expenditure
WY 2	2005 Total Global Expenditures
WY 3	2006 Total Global Expenditures
WY 4	2007 Total Global Expenditures
WY 5	2008 Total Global Expenditures

The State must offer benefit packages that meet or exceed "Secretary approved coverage" as defined under the HIFA guidelines.

The State shall notify CMS 60 days prior to any such change in the benefit package. After receipt of the written notification CMS officials will notify the State if the request needs to be submitted as a formal amendment to the demonstration. To clarify, the formal amendment process is outlined in item seven below. Upon review, CMS has the right to withhold or disallow federal financial participation (FFP).

If changes to the benefit package for the non-mandatory eligible population would result in more than a five percent increase or decrease of the corresponding year benefit expenditures or would not be equivalent to the "Secretary approved coverage" as defined under the HIFA guidelines then the State will submit an amendment to the demonstration as described by the process outlined in item seven below.

7. **Amendment Process.** Amendment requests must be submitted to CMS for approval no later than 90 days prior to the date of implementation and may not be implemented until approved. Utilizing the standard review process CMS will consult with the federal review team. Amendment requests shall include but not be limited to the following:
  - a) An explanation of the public process used by the State to reach a decision regarding the requested amendment;
  - b) A current assessment of the impact the requested amendment shall have on budget neutrality;
  - c) A detailed description of the amendment, with sufficient supporting documentation; and
  - d) A description of how the evaluation design shall be modified to incorporate this amendment request.
  
8. **Global Commitment to Health Flexibility:** Vermont's expectation is that changes to the demonstration will occur at the same time of year each year, based on the outcomes of the legislative session. At the end of the legislative session the state shall submit amendments pursuant to item six governed by the process outlined in item seven of this section. Any approved changes shall be reflected in the annual rate setting process for the upcoming year.
  
9. **Extension of the Demonstration.** If the State intends to extend the Demonstration beyond the period of approval granted under section 1115(a), the requirements in section 1115(e) shall apply. During the six-month period ending one year before the date the Demonstration would otherwise expire, the Chief Executive Officer of the State that is operating the Demonstration may submit to the Secretary of the Department of Health and Human Services (DHHS) a written request to extend the Demonstration for up to three years. If the Secretary fails to respond to the request within six months after the date it is submitted, the request is deemed to have been granted. The extension of a

Demonstration shall be on the same terms and conditions that applied to the Demonstration before it was extended. If an original condition of approval of a Demonstration was that it be budget neutral, the Secretary shall take such steps as may be necessary to ensure that in the extension of the Demonstration, such condition continues.

10. **Demonstration Phase-Out.** The State may suspend or terminate this Demonstration in whole or in part at any time prior to the date of expiration. The State must promptly notify CMS in writing of the reason(s) for the suspension or termination, together with the effective date. In the event the State elects to phase-out the Demonstration, the State shall submit a phase-out plan to CMS at least six months prior to initiating phase-out activities. The State may also submit an extension plan on a timely basis to prevent disenrollment of Demonstration enrollees. Nothing herein shall be construed as preventing the State from submitting a phase-out plan with an implementation deadline shorter than six months when such action is necessitated by emergent circumstances. The phase-out plan and extension plan are subject to CMS approval. If the project is terminated or any relevant waivers suspended by the State, FFP shall be available for only normal closeout costs associated with terminating the demonstration including services and administrative costs of disenrolling participants.
11. **Enrollment Limitation.** During the last six months of the Demonstration, the enrollment of individuals who would not be eligible for Medicaid under the current State plan shall not be permitted unless the waiver is extended by CMS.
12. **CMS Right to Terminate or Suspend.** CMS may suspend or terminate the Demonstration in whole or in part at any time before the date of expiration, whenever it determines, following a hearing at which it has been determined that the State has materially failed to comply with the terms of the project. CMS shall promptly notify the State in writing of the determination and the reasons for the suspension or termination, together with the effective date.
13. **Finding of Non-Compliance.** The State waives none of its rights to challenge CMS's finding that the State materially failed to comply.
14. **Withdrawal of Waiver Authority.** CMS reserves the right to withdraw waivers or expenditure authorities at any time it determines that continuing the waivers or expenditure authorities would no longer be in the public interest. If a waiver or expenditure authority is withdrawn, FFP shall be available for only normal closeout costs associated with terminating the demonstration including services and administrative costs of disenrolling participants.
15. **Adequacy of Infrastructure.** The State shall ensure the availability of adequate resources for implementation and monitoring of the Demonstration, including education, outreach, and enrollment; maintaining eligibility systems; compliance with cost sharing; and reporting on financial and other Demonstration components.
16. **Public Notice and Consultation with Interested Parties.** The State shall continue to

comply with the State Notice Procedures set forth in 59 Fed. Reg. 49249 (1994) when any program changes to the Demonstration are proposed by the State.

17. **Quality Assurance Strategy Plan.** The State must comply with the managed care regulations published at 42 CFR 438.

### III. GENERAL REPORTING REQUIREMENTS

18. **General Financial Requirements.** The State shall comply with all general financial requirements under Title XIX set forth in Section IX, General Reporting Requirements under Title XIX.
19. **Reporting Requirements Relating to Budget Neutrality.** The State shall comply with all reporting requirements for monitoring budget neutrality set forth in Section X, Monitoring Budget Neutrality for the Vermont Global Commitment to Health Demonstration.
20. **Reporting on Participants Receiving Community Rehabilitation and Treatment (CRT) Services.** The State agrees to develop systems to track and report expenditures for CRT Services to participants with severe and persistent mental illness. Expenditures for CRT mental health services will be included under the budget neutrality agreement for the Vermont Global Commitment to Health Section 1115 demonstration.
21. **Encounter Data.** OVHA shall maintain an information system that collects, analyzes, integrates and reports data. The system must provide information on program elements including, but not limited to, service utilization, grievances, appeals and disenrollments for reasons other than loss of Medicaid eligibility. The management information system must collect data on member and provider characteristics, as specified by AHS, and on services as set forth under Section 2.12.1 of the Intergovernmental Agreement. OVHA must collect, retain and report encounter data in accordance with the Demonstration's Terms and Conditions. All collected data must be available to AHS and to CMS upon request. The State shall have contractual provisions in place to impose sanctions on the MCO if accurate data are not submitted in a timely fashion.
22. **Encounter Data Validation Study for New MCOs or PIHPs.** If the State contracts with new MCOs or PIHPs, the State shall conduct a validation study six months after the effective date of the contract to determine completeness and accuracy of encounter data. The initial study shall include validation through a sample of medical records of Demonstration enrollees.
23. **Submission of Encounter Data.** The State shall submit encounter data to the MSIS system as is consistent with Federal law and Section IX of this document. The State must assure that encounter data maintained at the MCO and provider level can be linked with eligibility files maintained at the State.
24. **Monthly Calls.** CMS shall schedule monthly conference calls with the State. The purpose of these calls is to discuss any significant actual or anticipated developments

affecting the Demonstration. Areas to be addressed include, but are not limited to, MCO operations (such as contract amendments and rate certifications), health care delivery, enrollment, quality of care, access, the benefit package, audits, lawsuits, financial reporting and budget neutrality issues, health plan financial performance that is relevant to the Demonstration, progress on evaluations, State legislative developments, and any Demonstration amendments, concept papers or State plan amendments the State is considering submitting. CMS shall update the State on any amendments or concept papers under review as well as federal policies and issues that may affect any aspect of the Demonstration. The State and CMS (both the Project Officer and the Regional Office) shall jointly develop the agenda for the calls.

25. **Quarterly Reports.** The State shall submit progress reports 60 days following the end of each quarter. The intent of these reports is to present the State's analysis and the status of the various operational areas. These quarterly reports shall include:
- a) A discussion of events occurring during the quarter or anticipated to occur in the near future that affect health care delivery, enrollment, quality of care, access, health plan financial performance that is relevant to the Demonstration, the benefit package, and other operational issues.
  - b) Action plans for addressing any policy and administrative issues identified.
  - c) A separate discussion of the State efforts related to the collection and verification of encounter data.
  - d) The quarterly reports will include enrollment data, member month data, budget neutrality monitoring tables in the attached format, etc.
  - e) The state shall report Demonstration program enrollment on a quarterly basis. The format of the report shall be specified by CMS. Average monthly enrollment will be reported for each of the following eligibility groups:
    - a. Mandatory State Plan Adults
    - b. Mandatory State Plan Children
    - c. Optional State Plan Adults
    - d. Optional State Plan Children
    - e. VHAP Expansion Adults
    - f. Pharmacy Program Beneficiaries (non-Duals)
    - g. Other Waiver Expansion Adults
  - f) A discussion of the State's progress toward the demonstration goals.
  - g) A discussion of the State's evaluation activities.
26. **Annual Report.** The State shall submit a draft annual report documenting accomplishments, project status, quantitative and case study findings, utilization data, and policy and administrative difficulties in the operation of the Demonstration. The annual report shall also include a section that identifies how capitated revenue is spent. The State shall submit the draft annual report no later than 120 days after the end of each operational year. Within 30 days of receipt of comments from CMS, a final annual report shall be submitted.



#### **IV. ELIGIBILITY, ENROLLMENT, AND BENEFITS**

27. **Maintenance of Effort.** The State agrees that the eligibility criteria for mandatory eligible individuals fully served under the demonstration shall not change from the base year of the demonstration.

**Demonstration Populations.** Except for the exclusion of participants covered under the Vermont Long Term Care (LTC) Section 1115 demonstration not receiving Community Residential Treatment (CRT) Services, the following populations listed in the tables below shall be covered under the Global Commitment to Health Demonstration. Only, those Vermont LTC beneficiaries receiving CRT services shall overlap with the Global Commitment to Health demonstration beneficiaries. Changes to the following, outside the parameters as outlined in paragraph six, are pursuant to the amendment process as discussed in item six and seven under Section II, General Program Requirements.

#### **Vermont Mandatory Populations and Services**

AID GROUP	SERVICES (SEE LIST BELOW)
<b>Mandatory Categorically Needy</b>	
1 1931 low-income families with children (1902(a)(10)(A)(i)(I)) (1931)	Some Listed
2 Children receiving IV-E payments (IV-E foster care or adoption assistance) (1902(a)(10)(i)(I))	Some Listed
3 Individuals who lose eligibility under 1931 due to employment (1902(a)(10)(A)(i)(I)) (402(a)(37)) (1925)	Some Listed
4 Individuals who lose eligibility under 1931 because of child or spousal support (1902(a)(10)(A)(i)(I))(406(h))	Some Listed
5 Individuals participating in a work supplementation program who would otherwise be eligible under 1931 (1902(a)(10)(A)(i)(I)) (482(e)(6))	Some Listed
6 Individuals receiving SSI cash benefits (does not apply to 209(b) States) (1902(a)(10)(A)(i)(I))	Some Listed
7 Disabled children no longer eligible for SSI benefits because of a change in definition of disability (1902(a)(10)(A)(i)(II))	Some Listed
8 Qualified pregnant women (1902(a)(10)(A)(i)(III)) (1905(n)(1))	Some Listed
9 Qualified children (1902(a)(10)(A)(i)(III)) (1905(n)(2))	Some Listed
10 Poverty level pregnant women (1902(a)(10)(A)(i)(IV)) (1902(l)(1)(A))	Some Listed
11 Poverty level infants (1902(a)(10)(A)(i)(IV)) (1902(l)(1)(B))	Some Listed
12 Qualified family members (1902(a)(10)(A)(i)(V)) (1905(m)(1))	Some Listed
13 Poverty level children under age six (1902(a)(10)(i)(VI)) (1902(l)(1)(C))	Some Listed
14 Poverty level children under age 19, who are born after September 30, 1983 (or, at State option, after any earlier date) (1902(a)(10)(i)(VII)) (1902(l)(1)(D))	Some Listed
15 Disabled individuals whose earnings exceed SSI substantial gainful activity level (1619(a))	Some Listed
16 Disabled individuals whose earnings are too high to receive SSI cash benefits (1619b))	Some Listed
17 Disabled individuals whose earnings are too high to receive SSI cash benefits (1902(a)(10)(i)(II)) (1905(q))	Some Listed
18 Pickle amendment: individuals who would be eligible for SSI if Title II COLAs were deducted from income (section 503 of P.L. 94-566) (1935(a)(5)(E))	Some Listed
19 Disabled widows and widowers (1634(b)) (1935 (a)(2)(C))	Some Listed
20 Disabled adult children (1634(c)) (1935(a)(2)(D))	Some Listed
21 Early widows/widowers (1634(d)) (1935)	Some Listed
22 Individuals who would be eligible for AFDC except for increased OASDI income under P.L. 92-336 (July 1, 1972) (42 CFR 435.114)	Some Listed
23 Individuals receiving mandatory State supplements (42 CFR 435.130)	Some Listed
24 Individuals eligible as essential spouses in December 1973 (42 CFR 435.131)	Some Listed
25 Institutionalized individuals who were eligible in December 1973 (42 CFR 435.132)	Some Listed
26 Blind and disabled individuals eligible in December 1973 (42 CFR 435.133)	Some Listed
27 Individuals who would be eligible except for the increase in OASDI benefits under Pubic Law 92-336 (42 CFR 435.134)	Some Listed
28 Individuals who become eligible for cash assistance as a result of OASDI cost-of-living increases received after April 1977 (42 CFR 435.135)	Some Listed
29 Individuals who would be eligible except for the increase in OASDI benefits under Pubic Law 92-336 (42 CFR 435.134)	Some Listed
30 Individuals who become eligible for cash assistance as a result of OASDI cost-of-living increases received after April 1977 (42 CFR 435.135)	Some Listed

<b>Mandatory Medically Needy</b>	
31 Individuals under 18 who would be mandatorially categorically eligible except for income and resources (1902(a)(10)(C)(ii)(I))	Some Listed
32 Pregnant women who would be categorically eligible except for income and resources (1902(a)(10)(C)(ii)(II))	Some Listed
33 Newborns, except for income and resources would be eligible as categorically needy, for one year as long as mother remains eligible or would if pregnant (1902(a)(10)(C)) (1902(e)(4))	Some Listed
34 Pregnant women who lose eligibility receive 60 days coverage for pregnancy-related and post partum services (1902(a)(10)(C)) (1905)(e)(5))	Some Listed
35 Blind and disabled individuals eligible in December 1973 (42 CFR 435.340)	Some Listed
<b>Mandatory Special Coverage Groups</b>	
36 Newborns deemed eligible for one year as long as mother remains eligible or would remain eligible if pregnant (1902(e)(4))	Some Listed
37 Pregnant women who lose eligibility receive 60 days coverage for pregnancy-related and post partum services (1902(e)(5))	Pregnancy/Post Partum Svcs
38 Pregnant women losing eligibility because of a change in income remain eligible 60 days post partum (1902(a)(10)(A)(i)(IV)) (1902(e)(6))	Some Listed
39 Poverty level infants and children receiving inpatient services who lose eligibility because of age must be covered through an inpatient stay (1902(e)(7))	Some Listed
40 Qualified Medicare Beneficiaries (QMBs) (1902(a)(10)(E)(i) (1905(p)(1))	Part A/B, Coinsurance/Deductb
41 Qualified disabled and working individuals (1902(a)(10)(E)(ii) (1905(s))	Part A
42 Specified Low-Income Medicare Beneficiaries (SLMBs) (1902(a)(10)(E)(iii))	Part B
43 Qualifying individuals (1902(a)(10)(E)(iv)(I))	Part B

**For a complete list of covered services refer to the State Plan. The following are some of the covered services.**

**Covered Services (subject to medical necessity determination)**

- ✓ Ambulance
- ✓ Case management/targeted case management
- ✓ Clinic services (psychotherapy, group therapy, day hospital, chemotherapy, diagnosis and evaluation, emergency care)
- ✓ CMHC
- ✓ Day health rehabilitation
- ✓ Dental (subject to limitations for adults)
- ✓ Developmental Therapy
- ✓ EPSDT services for individuals under 21
- ✓ Extended services for pregnant women for a 60-day post partum
- ✓ Eyeglasses (for children under 21)
- ✓ Family Planning
- ✓ Hi-Tech Nursing
- ✓ Home health for those entitled to NF services
- ✓ Hospice
- ✓ ICF/MR
- ✓ IMD services (age 65 and over)

Final September 13, 2005

- ✓ Inpatient hospital
- ✓ Inpatient psychiatric under 22 years of age
- ✓ Laboratory/X-Ray
- ✓ Licensed Clinical Social Worker
- ✓ Medical and surgical services of a dentist
- ✓ Nurse and lay midwife services
- ✓ Nursing facility
- ✓ Optician
- ✓ Optometry
- ✓ Organ transplants
- ✓ Outpatient hospital
- ✓ Pediatric/Family Nurse Practitioner
- ✓ Personal care for children under 21
- ✓ Physician services
- ✓ PNMI (*child care services, assistive community care services, therapeutic substance abuse treatment*)
- ✓ Podiatry
- ✓ Prescription drugs
- ✓ Preventive/screening/diagnostic services
- ✓ Primary care case management
- ✓ Private duty nursing (EPSDT only)
- ✓ Prosthetic devices
- ✓ Psychologist
- ✓ PT/OT/Speech-Language Therapy
- ✓ Respiratory care
- ✓ RHC/FQHC
- ✓ School-based services (children only)
- ✓ Substance abuse
- ✓ Transportation

### Vermont Optional Populations and Services

AID GROUP	SERVICES (SEE LIST BELOW)
<b>Optional Categorically Needy</b>	
1 Individuals who are eligible for but not receiving IV-A, SSI or State supplement cash assistance (1902(a)(10)(A)(ii)(I))	Some Listed
2 Individuals who could be eligible for IV-A cash assistance if State did not subsidize child care (1902(a)(10)(A)(ii)(II))	Some Listed
3 Individuals who are eligible for Title IV-A if State AFDC plan were as broad as allowed (1902(a)(10)(A)(ii)(III))	Some Listed
4 Individuals who would have been eligible for IV-A cash assistance, SSI, or State supplement if not in a medical institution (1902(a)(10)(A)(ii)(IV))	Some Listed
5 <i>Special income level group</i> : individuals who are in a medical institution for at least 30 consecutive days with gross income that does not exceed 300% of the SSI income standard, or state-specified standard (1902(a)(10)(A)(ii)(V))	Some Listed
6 Disabled children no longer eligible for SSI benefits because of a change in definition of disability (1902(a)(10)(A)(i)(II))	Some Listed
7 Individuals who are terminally ill, would be eligible if they were in a medical institution, and will receive hospice care (1902(a)(10)(A)(ii)(VII))	Some Listed
8 Children under 21 (or at State option 20, 19, or 18) who are under State adoption agreements (1902(a)(10)(A)(ii)(VIII))	Some Listed
9 Poverty level pregnant women not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(A))	Some Listed
10 Poverty level infants not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(B))	Some Listed
11 Poverty level children under six years not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(C))	Some Listed
12 poverty level children under 19, who are born after September 30, 1983 not mandatorially eligible (1902(a)(10)(A)(ii)(IX)) (1902(l)(1)(D))	Some Listed
13 Individuals receiving only an optional State supp. payment more restrictive than the criteria for an optional State supplement under title XVI (1902(a)(10)(A)(ii)(XI))	Some Listed
14 Katie Beckett children (1902(e)(3))	Some Listed
15 Uninsured women, under 65, who are screened for breast or cervical cancer under CDC program (1902(a)(10)(A)(ii)(XVIII))	Some Listed
16 Individuals receiving HCBS who would only be eligible for Medicaid under the State Plan if they were in a medical institution (1902(a)(10)(A)(ii)(VI))	Some Listed
<b>Optional Medically Needy</b>	
17 All individuals under 21 or at State option 20, 19, or 18 or reasonable classifications who would not be covered under mandatory medically needy group of individuals under 18 (1902(a)(10)(C)) (1905(a)(i))	Some Listed
18 Specified relatives of dependent children who are ineligible as categorically needy (42 CFR 435.301(b)(2)(ii)) (42 CFR 435.310)	Some Listed
19 Aged individuals who are ineligible as categorically needy (42 CFR 435.301(b)(2)(iii)) (42 CFR 435.320) (42 CFR 435.330)	Some Listed
20 Blind individuals who are ineligible as categorically needy but meet the categorically needy definition of blindness (42 CFR 435.301(b)(2)(iv))	Some Listed
21 Disabled individuals who are ineligible as categorically needy that meet the categorically needy definition of blindness (1902(a)(10)(C))	Some Listed

**For a complete list of covered services refer to the State Plan. The following are some of the covered services.**

**Covered Services (subject to medical necessity determination)**

- ✓ Ambulance
- ✓ Case management/targeted case management
- ✓ Clinic services (psychotherapy, group therapy, day hospital, chemotherapy, diagnosis and evaluation, emergency care)
- ✓ CMHC

Final September 13, 2005

- ✓ Day health rehabilitation
- ✓ Dental (subject to limitations for adults)
- ✓ Developmental Therapy
- ✓ EPSDT services for individuals under 21
- ✓ Extended services for pregnant women for a 60-day post partum
- ✓ Eyeglasses (children only)
- ✓ Family Planning
- ✓ Hi-Tech Nursing
- ✓ Home health for those entitled to NF services
- ✓ Hospice
- ✓ ICF/MR
- ✓ IMD services (age 65 and over)
- ✓ Inpatient hospital
- ✓ Inpatient psychiatric
- ✓ Laboratory/X-Ray
- ✓ Licensed Clinical Social Worker
- ✓ Medical and surgical services of a dentist
- ✓ Nurse and lay midwife services
- ✓ Nursing facility
- ✓ Optician
- ✓ Optometry
- ✓ Organ transplants
- ✓ Outpatient hospital
- ✓ Pediatric/Family Nurse Practitioner
- ✓ Personal care (services for children under 21)
- ✓ Physician services
- ✓ PNMI (*child care services, assistive community care services, therapeutic substance abuse treatment*)
- ✓ Podiatry
- ✓ Prescription drugs
- ✓ Preventive/screening/diagnostic services
- ✓ Primary care case management
- ✓ Private duty nursing (EPSDT only)
- ✓ Prosthetic devices
- ✓ Psychologist

Final September 13, 2005

- ✓ PT/OT/Speech-Language Therapy
- ✓ Respiratory care
- ✓ RHC/FQHC
- ✓ School-based services (children only)
- ✓ Substance abuse
- ✓ Transportation

**Demonstration Eligible Populations**

AID GROUP	SERVICES
<b>1915c Waivers</b>	
1 TBI (Traumatic Brain Injury)	Crisis/support services, psychological and counseling supports, case management, community supports, habilitation, respite care, supported employment, environmental and assistive technology
2 MI under 22 (Children's Mental Health Waiver)	Service coordination, flexible support, skilled therapy services, environmental safety devices
3 MR/DD (Mental Retardation/Developmental Disabilities)	Case management, residential habilitation, day rehabilitation, supported employment, crisis services, clinical intervention, respite
<b>VHAP Waivers</b>	
1 Under-insured children with income between 225 and including 300 percent of FPL	All State Plan Services (see Mandatory/Optional Lists)
2 Adults with children with income between 150 and including 185 percent of the FPL	VHAP-Limited or PCPlus VHAP Benefit Package
3 Adults with income up to and including 150 percent of the FPL	VHAP-Limited or PCPlus VHAP Benefit Package
4 Medicare beneficiaries and individuals with disabilities with income at or below 150 percent of the FPL	Medicaid Prescriptions
5 Medicare beneficiaries and individuals with disabilities with income above 150 percent and less than 175 percent of the FPL	Maintenance Drugs
6 Individuals with persistent mental illness with income up to 150 percent of FPL	Day services, diagnosis and evaluation services, emergency care, psychotherapy, group therapy, chemotherapy, specialized rehabilitative services

**1915c Waivers**

**VHAP Benefit Package: Covered Services (subject to medical necessity determination)**

- ✓ MI under 22 (Children's Mental Health Waiver)      Service coordination, flexible support, skilled therapy services, environmental safety devices
- ✓ MR/DD (Mental Retardation/Developmental Disabilities)
- ✓ CMHC
- ✓ Family Planning
- ✓ Hospice

Final September 13, 2005

- ✓ Inpatient hospital (urgent and emergent admissions)
- ✓ Inpatient psychiatric in an IMD (30 days per episode; 60 days per calendar year)
- ✓ Laboratory/X-Ray
- ✓ Licensed Clinical Social Worker
- ✓ Licensed Marital Counselor/Marriage and Family Therapy
- ✓ Medical and surgical services of a dentist
- ✓ Nurse and lay midwife services
- ✓ Nursing facility (30 days per episode)
- ✓ Organ transplants
- ✓ Outpatient hospital
- ✓ Pediatric/Family Nurse Practitioner
- ✓ Physician services
- ✓ Podiatry
- ✓ Prescription drugs (OTCs for PCPlus VHAP only)
- ✓ Primary care case management (PCPlus VHAP only)
- ✓ Prosthetic devices (PCPlus VHAP only)
- ✓ Psychologist
- ✓ PT/OT/Speech-Language Therapy
- ✓ Respiratory care (PCPlus VHAP only)
- ✓ RHC/FQHC
- ✓ Substance abuse



**28. Optional and Expansion Eligibility Groups Expenditure and Enrollment Cap**

The State is not obligated under this demonstration to extend eligibility to population groups listed above as optional or expansion populations, but may do so. The State must seek approval to modify program eligibility via the waiver amendment process as described in number six and seven of Section II General Program Requirements. Regardless of any extension of eligibility, the State will be limited to federal funding reflected in the budget neutrality requirements set forth in these STCs.

If program eligibility is expanded or reduced, the State must give priority to extension or continuation of eligibility for optional populations prior to extension or continuation of eligibility for expansion groups. In the event of any reduction in eligibility for expansion and optional populations, the State may continue eligibility for all individuals already enrolled in the program. If the State establishes a waiting list for eligibility or services, priority will be given to State plan populations over optional populations and last priority will be given to expansion populations.

- 29. Enrollment Process.** The State agrees to notify demonstration participants regarding eligibility changes to be implemented under the Global Commitment to Health demonstration, including, but not limited to their enrollment into a Section 1115 research and demonstration program. The notification to participants must meet the provisions of 42 CFR 431.210. Participants will be notified no later than 30-days prior to their transition to the Global Commitment to Health demonstration.

**VI. COST SHARING**

- 30.** The State agrees to maintain the State Plan co-payments and premium provisions for the mandatory population.

Approved premiums and co-payments will be included in the annual report. Listed below are the approved premium and co-payment requirements by population for demonstration year 1.

<b>Population</b>	<b>Premiums</b>	<b>Deductibles</b>	<b>Co-Payments</b>
Children			
Dr. Dynasaur 100-185% FPL <sup>1</sup>	\$30/month		
Dr. Dynasaur 186-225% FPL	\$30/month		
Underinsured 226-300% FPL	\$40/month		
<b>Population</b>	<b>Premiums</b>	<b>Deductibles</b>	<b>Co-Payments</b>

<sup>1</sup> This does not include Mandatory Medicaid eligibles

Adults			\$25-ER
VHAP 50-75% FPL	\$11/month		
VHAP 76-100% FPL	\$39/month		
VHAP 101-150% FPL	\$50/month		
VHAP 150-185% FPL	\$75/month		

The State agrees that the annual aggregate cost-sharing limits for optional and expansion populations may not exceed five percent of the annual household income.

## VI. DELIVERY SYSTEMS

31. **Health Plans.** The Vermont Agency of Human Services will contract with the Office of Vermont Health Access (OVHA) as a public MCO, on a capitated basis, for the delivery of all Medicaid-eligible services. The OVHA must be authorized by state statute and must adhere to 42 CFR 438.
32. **Limitation of Freedom of Choice.** Freedom of choice shall be limited for the Managed Care entity. However, populations enrolled in the Global Commitment to Health shall have freedom of choice when selecting participating Medicaid MCO providers.
33. **Contracts.** The Agency for Human Services will be responsible for oversight of the public MCO, ensuring its compliance with state and federal statutes, regulations, special terms and conditions, waiver and cost not otherwise matchable authority.

To further clarify the MCO requirements published at 42 CFR 438 the actuary shall not be employed by the state for purposes of certifying actuarially sound rates.

Procurement and the subsequent final contracts developed to implement selective contracting by the State with any provider group shall be subject to CMS Regional Office approval prior to implementation.

In the future, should OVHA contract with a behavioral health organization (BHO) to cover individuals previously served at the Vermont State Hospital (VSH) then the aggregate cap at the time of the BHO implementation would need to be adjusted to reflect the current alternative costs to VSH under the aggregate cap.

34. **Contracting with Federally Qualified Health Centers (FQHCs).** The State shall maintain its existing agreements with FQHCs and Rural Health Centers (RHCs).
35. **Data Sharing.** The MCO as a state agency may share enrollee data with other state agencies if the use or release of such data is for a purpose directly connected with administration of the plan as defined in Federal regulations at 42 CFR 431.302. The MCO is authorized to use or release de-identified data, as defined in Federal privacy regulations, to enable participation in statewide program studies. As a purpose directly connected with plan administration, the MCO is permitted to release enrollee specific

information to providers to enable the provider to seek payment for services rendered under the plan. Any other release of enrollee specific information for a purpose not directly connected with plan administration is prohibited. Whenever, release of enrollee information for a purpose directly connected with plan administration is sought by an outside source consent of the enrollee is required except in an emergency. Release under these conditions is defined in 42 CFR 431.306(d).

## VII. EVALUATION

36. **Submission of Draft Evaluation Design.** The State shall submit to CMS for approval within 120 days from the award of the Demonstration a draft evaluation design. At a minimum, the draft design shall include a discussion of the goals, objectives and specific hypotheses that are being tested, including those that focus specifically on the target population for the Demonstration. The draft design shall discuss the outcome measures that shall be used in evaluating the impact of the demonstration during the period of approval, particularly among the target population. It shall discuss the data sources and sampling methodology for assessing these outcomes. The draft evaluation design must include a detailed analysis plan that describes how the effects of the Demonstration shall be isolated from other initiatives occurring in the State. The draft design shall identify whether the State shall conduct the evaluation, or select an outside contractor for the evaluation.
37. **Final Evaluation Design and Implementation.** CMS shall provide comments on the draft design within 60 days of receipt, and the State shall submit a final design within 60 days of receipt of CMS comments. The State shall implement the evaluation design, and submit to CMS a draft of the evaluation report 120 days after the expiration of the current demonstration period (September 30, 2010). CMS shall provide comments within 60 days of receipt of the report. The State shall submit the final evaluation report for this demonstration period by May 31, 2011.
38. **Cooperation with Federal Evaluators.** Should CMS undertake an evaluation of the Demonstration, the State must fully cooperate with Federal evaluators and their contractors' efforts to conduct an independent federally funded evaluation of the Demonstration.

## VIII. ASSURANCES

Acceptance of the Special Terms and Conditions of Approval constitutes the State's assurance of the following:

39. **Capitated Revenue Expenditures.** Provided that OVHA's contractual obligation to the populations covered under the demonstration is met, any revenue from capitation payments related to the beneficiaries covered under this demonstration may be used for the following purposes:
  - Reduce the rate of uninsured and, or, underinsured in Vermont;

- Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries;
- Provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured Medicaid-eligible individuals in Vermont; and
- Encourage the formation and maintenance of public-private partnerships in health care.

As described in Section III General Reporting Requirements, the State shall include in the Annual report a section on how capitated revenue was spent.

40. **Changes Resulting from Implementation of the Medicare Modernization Act (MMA).** CMS has used trend rates from the President's Budget 2006 that fully account for Part D adjustment for budget neutrality. Federal funds are not available as of January 1, 2006 for drugs covered by the Medicare Prescription Drug Program for any Part D eligible individual or for any cost sharing for such drugs.

#### **IX GENERAL FINANCIAL REQUIREMENTS UNDER TITLE XIX**

41. The State shall provide quarterly expenditure reports using the form CMS-64 to report total expenditures for services provided under the Medicaid program, including those provided through the Demonstration under Section 1115 authority. This project is approved for expenditures applicable to services rendered during the Demonstration period. CMS shall provide Federal Financial Participation (FFP) for allowable Demonstration expenditures only as long as they do not exceed the pre-defined limits on the costs incurred as specified in Section X (Monitoring Budget Neutrality for the Demonstration).
42. The following describes the reporting of expenditures subject to the budget neutrality cap:
- a) In order to track expenditures under this Demonstration, Vermont shall report Demonstration expenditures through the Medicaid and State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES), following routine CMS-64 reporting instructions outlined in Section 2500 of the State Medicaid Manual. All expenditures subject to the budget neutrality cap shall be reported on separate Forms CMS-64.9 Waiver and/or 64.9P Waiver, identified by the demonstration project number assigned by CMS (including the project number extension, which indicates the demonstration year in which service or capitation payments were made). Corrections for any incorrectly reported demonstration expenditures for previous demonstration years must be input within three months of the beginning of the Demonstration. For monitoring purposes, cost settlements must be recorded on Line 10.b, in lieu of Lines 9 or 10.C. For any other cost settlements (i.e., those not attributable to this Demonstration), the adjustments should be reported on lines 9 or 10.C, as instructed in the State Medicaid Manual. The term, "expenditures subject to the budget neutrality cap," is defined below in item 42.c.

- b) For each demonstration year at least seven separate Form CMS-64.9 WAIVER and/or 64.9P WAIVER reports must be submitted reporting expenditures subject to the budget neutrality cap. All expenditures subject to the budget neutrality ceiling for demonstration eligibles must be reported. The sum of the expenditures, for all demonstration years reported during the quarter, will represent the expenditures subject to the budget neutrality cap (as defined in 42.c.). The Vermont Global Medicaid eligibility groups (MEGs), for reporting purposes, include the following names and definitions:
- ABD – report expenditures for individuals eligible as aged, blind or disabled under the state plan;
  - ANFC – report the expenditures for all non-ABD children and adults in state plan mandatory and optional categories;
  - Optional Expansions – report all expenditures for individuals eligible as children or adults through optional expansions under VT Global
  - VT Global Expansion - report all expenditures for individuals eligible as non-categorical health care expansions through VT Global (previously VHAP Expansion);
  - Administrative expenditures;
  - VT Global Rx - report all expenditures for individuals eligible as pharmacy-only expansions through VT Global (previously VHAP Rx); and
  - CRT Group - report expenditures for individuals receiving CRT services this includes CRT expenditures for participants with severe, persistent mental illness covered under the Long-Term Care Plan 1115 demonstration.
- c) For purposes of this section, the term “expenditures subject to the budget neutrality cap” shall include all Medicaid expenditures on behalf of the individuals who are enrolled in this Demonstration (as described in item 42.b.of this section) and who are receiving the services subject to the budget neutrality cap. All expenditures that are subject to the budget neutrality cap are considered Demonstration expenditures and shall be reported on Forms CMS-64.9 Waiver and/or 64.9P Waiver.
- d) Premiums and other applicable cost sharing contributions from enrollees that are collected by the State from enrollees under the Demonstration shall be reported to CMS on Form CMS-64.9 Waiver, Line 18.E. in order to assure that the Demonstration is properly credited with premium collections.
- e) Administrative costs shall be included in the budget neutrality limit. Vermont will not be at risk for expenditures related to systems enhancements including any new procurements related to claims processing, program management and eligibility. All administrative costs shall be identified on the Forms CMS-64.10 Waiver and/or 64.10P Waiver.
- f) All claims for expenditures subject to the budget neutrality cap (including any cost settlements) must be made within two years after the calendar quarter in which the

State made the expenditures. Furthermore, all claims for services during the Demonstration period (including any cost settlements) must be made within two years after the conclusion or termination of the Demonstration. During the latter two-year period, the State must continue to identify separately net expenditures related to dates of service during the operation of the section 1115 Demonstration on the CMS-64 waiver forms in order to properly account for these expenditures in determining budget neutrality.

43. The following describes the reporting of member months subject to the budget neutrality cap:
- a) The term "eligible member/months" refers to the number of months in which persons are eligible to receive services. For example, a person who is eligible for three months contributes three eligible member/months to the total. Two individuals who are eligible for two months each contribute two eligible member months to the total, for a total of four eligible member/months.
  - b) The term "Demonstration eligibles" refers to the following categories of enrollees:
    - ABD – report expenditures for individuals eligible as aged, blind or disabled under the state plan;
    - ANFC – report the expenditures for all non-ABD children and adults in state plan mandatory and optional categories;
    - Optional Expansions – report all expenditures for individuals eligible as children or adults through optional expansions under VT Global
    - VT Global Expansion - report all expenditures for individuals eligible as non-categorical health care expansions through VT Global (previously VHAP Expansion);
    - Administrative expenditures;
    - VT Global Rx - report all expenditures for individuals eligible as pharmacy-only expansions through VT Global (previously VHAP Rx); and
    - CRT Group - report expenditures for individuals receiving CRT services includes CRT expenditures for participants with severe, persistent mental illness covered under the Long-Term Care Plan 1115 demonstration.
  - c) The term "Demonstration eligibles" excludes unqualified aliens, including unqualified aliens from the Compact of Free Association countries.
  - d) For the purpose of monitoring the budget neutrality expenditure cap described in Section X, the State must provide to CMS on a quarterly basis the actual number of eligible member/months for the demonstration eligibles as defined above. This information should be provided to CMS in conjunction with the quarterly progress report referred to in number 25 of Section III. If a quarter overlaps the end of one demonstration year (DY) and the beginning of another, member/months pertaining to the first DY must be distinguished from those pertaining to the second. (Demonstration years are defined as the years beginning on the first day of the demonstration, or the anniversary of that day.)

44. The standard Medicaid funding process shall be used during the Demonstration. Vermont must estimate matchable Medicaid expenditures on the quarterly Form CMS-37. In addition, the estimate of matchable Demonstration expenditures (total computable and Federal share) subject to the budget neutrality cap must be separately reported by quarter for each Federal fiscal year (FFY) on the Form CMS-37.12 for both the Medical Assistance Program (MAP) and Administrative Costs (ADM). CMS shall make Federal funds available based upon the State's estimate, as approved by CMS. Within 30 days after the end of each quarter, the State must submit the Form CMS-64 quarterly Medicaid expenditure report, showing Medicaid expenditures made in the quarter just ended. CMS shall reconcile expenditures reported on the Form CMS-64 with Federal funding previously made available to the State, and include the reconciling adjustment in the finalization of the grant award to the State.
45. Subject to CMS approval of the source(s) of the non-Federal share of funding, CMS shall provide FFP at the applicable Federal matching rates for the following, subject to the limits described in Section X:
  - a) Administrative costs, including those associated with the administration of the Demonstration;
  - b) Net expenditures and prior period adjustments of the Medicaid program that are paid in accordance with the approved State plan;
  - c) Net medical assistance expenditures made with dates of service during the operation of the Demonstration.
46. The State shall certify State/local monies used as matching funds for the Demonstration and shall further certify that such funds shall not be used as matching funds for any other Federal grant or contract, except as permitted by law. All sources of the non-federal share of funding and distribution of monies involving Federal match are subject to CMS approval. Upon review of the sources of the non-Federal share of funding and distribution methodologies of funds under the Demonstration, all funding sources and distribution methodologies deemed unacceptable by CMS shall be addressed within the time frames set by CMS. Any amendments that impact the financial status of the program shall require the State to provide information to CMS regarding all sources of the non-Federal share of funding.
47. The State shall submit its MSIS data electronically to CMS in accordance with CMS requirements and timeliness standards. The State shall ensure, within 120 days of the approval of the Demonstration, that all prior reports are accurate and timely.

#### **X MONITORING BUDGET NEUTRALITY FOR THE DEMONSTRATION**

The following describes the method by which budget neutrality will be assured under the demonstration. The demonstration will be subject to a limit on the amount of Federal Title XIX funding that the State may receive on selected Medicaid expenditures during the demonstration

period. The Special Terms and Conditions specify the aggregate financial cap on the amount of Federal Title XIX funding that the State may receive on expenditures subject to the budget neutrality cap as defined in 43.c. of Section IX of this document. The budget neutrality cap will be for the Federal share of the total computable cost of \$4.7 billion for the 5-year demonstration. The cap places the State at risk for enrollment and for Per Participant Per Month (PPPM) cost trends.

48. **Impermissible DSH, Taxes or Donations:** The CMS reserves the right to adjust the budget neutrality ceiling to be consistent with enforcement of impermissible provider payments, health care related taxes, new Federal statutes, or policy interpretations implemented through letters, memoranda or regulations. The CMS reserves the right to make adjustments to the budget neutrality cap if any health care related tax that was in effect during the base year, or provider related donation that occurred during the base year, is determined by CMS to be in violation of the provider donation and health care related tax provisions of 1903(w) of the Social Security Act. Adjustments to annual budget targets will reflect the phase out of impermissible provider payments by law or regulation, where applicable.
49. Vermont shall be subject to a limit on the amount of Federal title XIX funding that the State may receive on selected Medicaid expenditures during the period of approval of the Demonstration. The limit is determined by using a per capita cost method, and budget targets are set on a yearly basis with a cumulative budget limit for the length of the entire Demonstration.
50. Vermont shall be at risk for the per capita cost (as determined by the method described below) for Medicaid eligibles in the seven Medicaid Eligibility Groups (MEGs) under this budget neutrality agreement, and for the number of Medicaid eligibles in each of the groups. By providing Federal Financial Participation for all eligibles in the specified MEGs, Vermont shall be at risk for changing economic conditions that impact enrollment levels. By placing Vermont at risk for the per capita costs for Medicaid eligibles in each of the MEGs under this agreement, CMS assures that Federal Demonstration expenditures do not exceed the level of expenditures that would have occurred had there been no Demonstration.
51. **How the Limit will be Applied:** The limit calculated above will apply to actual expenditures for demonstration, as reported by the State under Section IX. If at the end of the demonstration period the budget neutrality provision has been exceeded, the excess Federal funds will be returned to CMS. There will be no new limit placed on the FFP that the State can claim for expenditures for recipients and program categories not listed. If the demonstration is terminated prior to the 5-year period, the budget neutrality test will be based on the time period through the termination date.
52. **Expenditure Review:** The CMS shall enforce budget neutrality over the life of the demonstration, rather than on an annual basis. However, no later than 6 months after the end of each demonstration year, CMS will calculate an annual expenditure target for the completed year. This amount will be compared with the actual FFP claimed by the State



under budget neutrality. Using the schedule below as a guide, if the State exceeds the cumulative target, they must submit a corrective action plan to CMS for approval. The State will subsequently implement the approved corrective action plan.

<u>Year</u>	<u>Cumulative Target</u> (Total Computable Cost)	<u>Cumulative Target</u> <u>Definition</u>	<u>Percentage</u>
Year 1	\$1,015,000,000	Year 1 budget estimate plus	8 percent
Year 2	\$1,936,000,000	Years 1 and 2 combined budget estimate plus	3 percent
Year 3	\$2,848,000,000	Years 1 through 3 combined budget estimate plus	1 percent
Year 4	\$3,779,000,000	Years 1 through 4 combined budget estimate plus	0.5 percent
Year 5	\$4,700,000,000	Years 1 through 5 combined budget estimate plus	0 percent





STATE OF VERMONT  
AGENCY OF ADMINISTRATION

September 12, 2005

Joint Fiscal Committee  
1 Baldwin Street  
Montpelier, VT 05633

Dear Joint Fiscal Committee:

In accordance with 2005 Act 71 Sec. 257, the Secretary of Administration is requesting approval from the Special Committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Committees on Transportation to transfer \$5,000,000.00 in general funds from the Fiscal Year 2005 general fund reserve, established pursuant to 32 V.S.A. Sec. 308c(a), to the transportation fund.

The Secretary of Administration finds that the four conditions in Sec. 257(a)(2) have been met.

The information leading to this finding will be made available to the Special Committee prior to the September 15, 2005 Joint Fiscal Committee meeting.

Sincerely,

A handwritten signature in blue ink, appearing to read "Charles P. Smith".

Charles P. Smith  
Secretary of Administration

## Sec. 257. TRANSPORTATION; CONTINGENCY APPROPRIATION

## AUTHORITY

(a) Subject to approval by a special committee consisting of the legislative joint fiscal committee and the chairs of the house and senate committees on transportation, the secretary of administration is authorized to transfer up to \$5,000,000 in general funds from the general fund surplus reserve, established pursuant to 32 V.S.A. § 308c(a), to the transportation fund, and that amount of transportation funds is appropriated to the agency of transportation. The special committee approval shall be based on the following:

(1) Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act" (SAFETEA) with the result of additional federal funds available for Vermont;

(2) A finding by the secretary of administration and a determination by the special committee that:

(A) The general fund surplus reserve has sufficient funds;

(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006;

(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interests of Vermont; and

(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds.





STATE OF VERMONT

AGENCY OF ADMINISTRATION

September 14, 2005

Joint Fiscal Committee  
1 Baldwin Street  
Montpelier, VT 05633

Dear Joint Fiscal Committee:

In accordance with 2005 Act 71 Sec. 257, the Secretary of Administration is requesting approval from the Special Committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Committees on Transportation to transfer \$5,000,000.00 in general funds from the Fiscal Year 2005 general fund reserve, established pursuant to 32 V.S.A. Sec. 308c(a), to the transportation fund.

Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU) has resulted in additional federal funds becoming available for Vermont.

The Secretary of Administration finds that the four conditions in Sec. 257(a)(2), listed below, have been met:

**Sec. 257 (a)(2)(A) The general fund surplus reserve has sufficient funds:** \$19.64 million of FY05 general fund reserve can be used for FY06 one-time items;

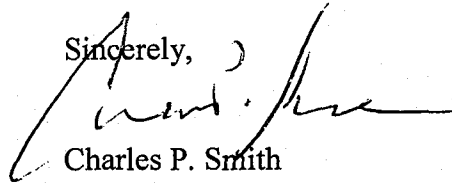
**Sec. 257 (a)(2)(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006:**  
Appropriating additional state funds in the amount of \$5,000,000 for match to transportation projects could allow additional projects to advance in state fiscal year 2006;

**Sec. 257 (a)(2)(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interest of Vermont:** AOT needs to complete the construction contracting process for approximately 40 projects throughout the fall and winter months. This process can take as long as 22 weeks from pre-final plans to contract execution. Please see the attached AOT project list showing project bid dates. Prompt action is needed to ensure that the construction contracting process for these projects can be completed throughout the fall and winter so that work can begin as early in the spring of 2006 as possible;

**Sec. 257 (a)(2)(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds:** We estimate that FY06 general fund reserve will be approximately \$40 million, including the \$19.64 million from FY05. Currently we are tracking several known budget adjustment items which we estimate will total less than \$20 million, including: Medicaid; increased fuel prices impacting LIHEAP; Transportation revenue down turn; and re-classification of positions in Corrections. Department submissions for budget adjustments, including the items noted above, are due to the Secretary's office on September 28, 2005 for review.

The information leading to this finding will be made available to the Special Committee prior to the September 15, 2005 Joint Fiscal Committee meeting.

Sincerely,



Charles P. Smith  
Secretary of Administration

**FY06 PRIORITY PROJECTS NEEDING ADDITIONAL STATE FUNDS BASED ON PASSAGE OF NEW FEDERAL BILL (SAFETEA-LU)**

Program	Project Name	Project Number	Total Est Cost	Additional			Local	Estimated	Projected Bid Date	Earmark	In SFY06 Program?
				Federal	State	SFY06 State					
INTERSTATE BRIDGE	GUILFORD	IM 091-1(33)	\$ 6,100,000	\$ 5,490,000	\$ 610,000	\$ -	\$ 100,000	15-Jan-06	TI	D&E	
INTERSTATE BRIDGE	RICHMOND	IM 089-2(1)	\$ 1,380,000	\$ 1,242,000	\$ 138,000	\$ -	\$ 25,000	15-Mar-06	TI	D&E	
<b>INTERSTATE BRIDGE Total</b>			<b>\$ 7,480,000</b>	<b>\$ 6,732,000</b>	<b>\$ 748,000</b>	<b>\$ -</b>	<b>\$ 125,000</b>				
LTF	NEWFANE	STP WALK(5)	\$ 420,000	\$ 336,000	\$ 42,000	\$ 42,000	\$ 6,890	15-Mar-06	N	FRONT	
LTF	WEST RUTLAND	STP BIKE (43)	\$ 824,000	\$ 659,200	\$ 82,400	\$ 82,400	\$ 33,450	19-Jan-06	N	FRONT	
LTF	WOODSTOCK	STP BIKE (30)	\$ 196,800	\$ 157,440	\$ 19,680	\$ 19,680	\$ 7,400	6-Apr-06	N	FRONT	
LTF	MONTPELIER-BERLIN	STP BIKE(33)	\$ 2,845,000	\$ 2,276,000	\$ 284,500	\$ 284,500	\$ 14,720	7-Mar-07	N	FRONT	
LTF	WINOOSKI	STP 5100(10)	\$ 2,650,000	\$ 2,120,000	\$ 265,000	\$ 265,000	\$ 150,000	N/A	N	FRONT	
LTF	BARRE TOWN	STP BIKE(38)	\$ 1,717,649	\$ 1,374,119	\$ 171,765	\$ 171,765	\$ 99,000	N/A	N	FRONT	
LTF	BRATTLEBORO	STP BIKE(27)	\$ 724,069	\$ 579,255	\$ 72,407	\$ 72,407	\$ 8,920	N/A	N	FRONT	
<b>LTF Total</b>			<b>\$ 9,377,518</b>	<b>\$ 7,502,014</b>	<b>\$ 937,752</b>	<b>\$ 937,752</b>	<b>\$ 320,180</b>				
PAVING	HARTFORD-ROYALTON	STP 2121 (1)S	\$ 3,740,000	\$ 2,992,000	\$ 748,000	\$ -	\$ 374,000	26-Oct-05	N	FRONT	
PAVING	FAYSTON-WAITSFIELD	STP 2406	\$ 400,000	\$ 320,000	\$ 80,000	\$ -	\$ 20,000	4-Jan-06	N	SHELF	
PAVING	WAITSFIELD-MORETOWN	STP 2227	\$ 2,190,000	\$ 1,752,000	\$ 438,000	\$ -	\$ 109,500	4-Jan-06	N	SHELF	
PAVING	GUILFORD-BRATTLEBORO	IM 091-1(51)	\$ 4,030,000	\$ 3,627,000	\$ 403,000	\$ -	\$ 161,200	30-Nov-05	Possible - TI	FRONT	
PAVING	MORGAN-BRIGHTON	STP 2404(1)	\$ 1,420,000	\$ 1,136,000	\$ 284,000	\$ -	\$ 56,800	?	N	D&E	
PAVING	CAMBRIDGE BELVIDERE	STP 2219(1)S	\$ 3,100,000	\$ 2,480,000	\$ 620,000	\$ -	\$ 124,000	15-Feb-06	Waterfall	D&E	
PAVING	COLCHESTER-GEORGIA	IM 089-3(39)	\$ 3,020,000	\$ 2,718,000	\$ 302,000	\$ -	\$ 120,800	16-Nov-05	Possible - TI	FRONT	
PAVING	WALLINGFORD-RUTLAND TOWN	NH 2408	\$ 2,720,000	\$ 2,176,000	\$ 544,000	\$ -	\$ 108,800	14-Dec-05	N	SHELF	
PAVING	COLCHESTER	STP 2307	\$ 570,000	\$ 456,000	\$ 114,000	\$ -	\$ 11,400	15-Mar-06	N	D&E	
PAVING	WINOOSKI	STP 2307	\$ 470,000	\$ 378,000	\$ 94,000	\$ -	\$ 9,400	15-Mar-06	N	D&E	
PAVING	SPRINGFIELD	STP 2405(1)S	\$ 920,000	\$ 736,000	\$ 184,000	\$ -	\$ 92,000	15-Feb-06	N	D&E	
PAVING	ESSEX	NH 2403	\$ 1,560,000	\$ 1,248,000	\$ 312,000	\$ -	\$ 93,600	1-Mar-06	N	SHELF	
PAVING	MARSHFIELD-CABOT	NH 2104	\$ 5,370,000	\$ 4,296,000	\$ 1,074,000	\$ -	\$ 429,600	?	N	FRONT	
PAVING	DANVILLE	NH 2205(1)	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	\$ 64,000		N	D&E	
PAVING	CASTLETON-SUDBURY	STP 2402(1)	\$ 4,380,000	\$ 3,504,000	\$ 876,000	\$ -	\$ 175,200		N	D&E	
<b>PAVING Total</b>			<b>\$ 35,490,000</b>	<b>\$ 29,097,000</b>	<b>\$ 6,393,000</b>	<b>\$ -</b>	<b>\$ 1,950,300</b>				
ROADWAY	SHARON-STRAFFORD	STP 0177(6)	\$ 4,110,600	\$ 3,332,875	\$ 366,665	\$ 411,060	\$ 170,000		N	FRONT	
ROADWAY	NORTH BENNINGTON	STP 9846(1)	\$ 1,625,000	\$ 1,300,000	\$ 162,500	\$ 162,500	\$ 20,000	15-Mar-05	N	FRONT	
ROADWAY	HARTFORD-NEWBURY	IM IR 091-2(6)	\$ 1,625,000	\$ 1,462,500	\$ 162,500	\$ -	\$ 200,000	15-Dec-05	Possible - HP	FRONT	
ROADWAY	LUNENBURG	STP 2301(1)S	\$ 2,450,000	\$ 1,960,000	\$ 245,000	\$ 245,000	\$ 100,000	15-Dec-05	HP	SHELF	
ROADWAY	OLD BENNINGTON	STP 1400(5)S	\$ 925,000	\$ 702,000	\$ 88,000	\$ 135,000	\$ 40,000	15-Jan-06	N	SHELF	
ROADWAY	WATERBURY	FECC-F 013-4(13)	\$ 112,000	\$ 106,400	\$ 3,360	\$ 2,240	\$ 3,360	N/A	N	D&E	
ROADWAY	HIGHGATE-FRANKLIN	STP RS 0301(1)SA	\$ 7,300,000	\$ 5,900,000	\$ 1,400,000	\$ -	\$ 400,000	N/A	N	FRONT	
ROADWAY	CIRC - WILLISTON-ESSEX	NH 033-1 (17)	\$ 1,947,826	\$ 1,558,261	\$ 389,565	\$ -	\$ 389,565	N/A	N	D&E	
ROADWAY	CIRC - WILLISTON-ESSEX	IM 089-2(12)	\$ 852,174	\$ 766,957	\$ 85,217	\$ -	\$ 85,217	N/A	N	D&E	
ROADWAY	CIRC - ESSEX-WILLISTON-EIS	NH 022-1(24)				\$ -	\$ 400,000	N/A	N	FRONT	
ROADWAY	BENNINGTON - SOUTH	NH F019-1(4)				\$ -	\$ 200,000		N	D&E	
<b>ROADWAY Total</b>			<b>\$ 22,642,600</b>	<b>\$ 18,444,992</b>	<b>\$ 3,241,808</b>	<b>\$ 955,800</b>	<b>\$ 2,008,142</b>				
RR X-ING	MANCHESTER	STP 0171(02)	\$ 8,738	\$ 7,864	\$ 874	\$ -	\$ 874	N/A	N	FRONT	
RR X-ING	N. BENNINGTON	STP 1200(4)	\$ 19,374	\$ 17,436	\$ 1,938	\$ -	\$ 1,938	N/A	N	FRONT	
RR X-ING	N. BENNINGTON	STP 2031(10)	\$ 18,763	\$ 16,886	\$ 1,877	\$ -	\$ 1,877	N/A	N	FRONT	
RR X-ING	SHAFTSBURY	STP 2031(11)	\$ 20,671	\$ 18,604	\$ 2,067	\$ -	\$ 2,067	N/A	N	FRONT	
RR X-ING	MANCHESTER	STP 2031(12)	\$ 19,780	\$ 17,802	\$ 1,978	\$ -	\$ 1,978	N/A	N	FRONT	
RR X-ING	ROYALTON	STP 2034(14)	\$ 260,502	\$ 45,000	\$ 5,000	\$ -	\$ 5,000	N/A	N	FRONT	
<b>RR X-ING Total</b>			<b>\$ 347,828</b>	<b>\$ 123,592</b>	<b>\$ 13,734</b>	<b>\$ -</b>	<b>\$ 13,734</b>				
STATE BRIDGE	BUEL'S GORE	ST CULV(1)	\$ 404,500	\$ 323,600	\$ 80,900	\$ -	\$ 30,000	10-Apr-06	N	FRONT	
STATE BRIDGE	LYNDON	BRS 0269(8)S	\$ 1,600,000	\$ 1,260,000	\$ 320,000	\$ -	\$ 100,000	21-Oct-05	Waterfall	D&E	
STATE BRIDGE	READING	BRS 0148(6)S	\$ 1,720,440	\$ 1,376,352	\$ 344,088	\$ -	\$ 40,000	17-Feb-06	DB	D&E	
STATE BRIDGE	DUXBURY	STP 013-4(24)	\$ 170,000	\$ 136,000	\$ 34,000	\$ -	\$ 35,000	10-Oct-05	N	D&E	
STATE BRIDGE	MONTGOMERY	BRF 0283(8)	\$ 1,711,000	\$ 1,368,800	\$ 342,200	\$ -	\$ 40,000	18-Nov-05	N	SHELF	
STATE BRIDGE	FAYSTON	BHF 0200(9)	\$ 1,380,495	\$ 1,104,396	\$ 276,099	\$ -	\$ 30,000	15-Feb-06	N	SHELF	
STATE BRIDGE	LYNDON	BRF 0269(10)	\$ 1,395,000	\$ 1,116,000	\$ 279,000	\$ -	\$ 60,000	17-Feb-06	N	D&E	
STATE BRIDGE	WHITINGHAM	STP ST CULV(6)	\$ 500,000	\$ 400,000	\$ 100,000	\$ -	\$ 20,000	1-Mar-06	N	FRONT	
<b>STATE BRIDGE Total</b>			<b>\$ 13,936,955</b>	<b>\$ 11,149,564</b>	<b>\$ 2,787,391</b>	<b>\$ -</b>	<b>\$ 355,000</b>				
T.H. BRIDGE	WALLINGFORD	BRO 1443(31)	\$ 625,000	\$ 500,000	\$ 62,500	\$ 62,500	\$ 20,000	7-Oct-05	TI	D&E	
T.H. BRIDGE	CLARENDON	BRO 1443(34)	\$ 609,375	\$ 487,500	\$ 60,938	\$ 60,938	\$ 20,000	14-Oct-05	TI	D&E	
T.H. BRIDGE	MORRISVILLE	BRZ 1446(15)	\$ 510,000	\$ 408,000	\$ 51,000	\$ 51,000	\$ 10,000	1-Dec-05	N	D&E	
T.H. BRIDGE	MONTGOMERY	BRO 1448(20)	\$ 610,000	\$ 488,000	\$ 61,000	\$ 61,000	\$ 10,000	4-Nov-05	TI	D&E	
T.H. BRIDGE	SUNDERLAND	BRF 0114(2)	\$ 1,087,247	\$ 869,798	\$ 108,725	\$ 108,725	\$ 20,000	4-Nov-05	TI	D&E	
T.H. BRIDGE	CAVENDISH	BRO 1442(23)	\$ 912,000	\$ 729,600	\$ 91,200	\$ 91,200	\$ 50,000	19-Dec-05	TI	D&E	
T.H. BRIDGE	CHARLESTON	BRO 1449(22)	\$ 437,500	\$ 350,000	\$ 43,750	\$ 43,750	\$ 25,000	2-Jan-06	TI	D&E	
T.H. BRIDGE	GRANVILLE	BRO 1444(34)	\$ 339,000	\$ 271,200	\$ 33,900	\$ 33,900	\$ 5,000	1-Feb-06	TI	D&E	
T.H. BRIDGE	ST. JOHNSBURY	BRO 1447(19)	\$ 1,524,726	\$ 1,219,781	\$ 152,473	\$ 152,473	\$ 5,000	1-Feb-06	TI	D&E	
T.H. BRIDGE	VERSHIRE	BRO 1444(32)	\$ 228,000	\$ 180,800	\$ 22,600	\$ 22,600	\$ 5,000	1-Feb-06	TI	CAND	
<b>T.H. BRIDGE Total</b>			<b>\$ 16,964,201</b>	<b>\$ 13,763,031</b>	<b>\$ 1,600,585</b>	<b>\$ 1,600,585</b>	<b>\$ 170,000</b>				
TRAFFIC OPERATIONS	HARTFORD-NEWBURY	IM 091-2(14)	\$ 1,824,380	\$ 1,299,504	\$ 324,876	\$ -	\$ 180,000	15-Jan-06	N	SHELF	
<b>TRAFFIC OPERATIONS Total</b>			<b>\$ 3,976,063</b>	<b>\$ 3,651,187</b>	<b>\$ 324,876</b>	<b>\$ -</b>	<b>\$ 180,000</b>				
<b>Grand Total</b>			<b>\$ 111,217,165</b>	<b>\$ 91,063,381</b>	<b>\$ 16,449,145</b>	<b>\$ 3,494,137</b>	<b>\$ 5,122,356</b>				







CHARLES P. SMITH, SECRETARY

*JFO # 2225*

STATE OF VERMONT

AGENCY OF ADMINISTRATION

MEMORANDUM

**TO:** Joint Fiscal Committee  
**FROM:** Charlie Smith-Secretary of Administration  
**RE:** National Governors' Association Grant  
**DATE:** September 14, 2005

A handwritten signature in black ink, appearing to read 'Charlie Smith', written over the 'FROM' line of the memorandum.

The National Governors' Association is a bi-partisan organization which, among other things, is working closely with all states on the issues of health care reform and Medicaid reform. The NGA has kindly offered to sponsor, for up to \$10,000, Governor Douglas' summit conference on health care reform which will be held at the Killington Grand Hotel on October 17, 2005. This sponsorship makes it possible for the event, including a box lunch, to be free to the participants.

The agenda for the Governor's conference is not complete at this time, but will feature short presentations by approximately a dozen individuals and organizations who have been working hard on different approaches to reform. It is our hope and intent that the legislative commission will accept an invitation to report on its work. In addition there will be table top discussions with reports at the day's end.

This event will be non-partisan. It is envisioned that around 200 invitees, from diverse organizations and with diverse points of view, will come as conferees and that others may come as observers. All members of the Legislative Health Care Reform Commission will be invited as well as an as yet undetermined number of other legislators with equal representation from both parties.

RECEIVED  
JOINT FISCAL OFFICE

SEP 14 2005

STATE OF VERMONT  
GRANT ACCEPTANCE FORM

JFO #  
2225

DATE: September 14, 2005

DEPARTMENT: Secretary's Office: Agency of Administration

GRANT/DONATION (brief description and purpose): The National Governors' Association is donating \$10,000 in support of a national health care summit to be held in Killington on 10/17/05. The NGA is a bipartisan organization involved in medicaid and health care issues throughout all 50 states. The summit will be a non-partisan event seeking a full range of views on health care reform.

GRANTOR/DONOR: National Governors' Association

GRANT PERIOD: One-time grant to support the summit on 10/17/05.

AMOUNT/VALUE: \$10,000

POSITIONS REQUESTED (LIMITED SERVICE): NONE

ANY ON-GOING, LONG-TERM COSTS TO THE STATE: NONE

COMMENTS:

DEPT. FINANCE AND MANAGEMENT:  
SECRETARY OF ADMINISTRATION:  
SENT TO JOINT FISCAL OFFICE:

(INITIAL) AAB / my  
(INITIAL) Sw  
(DATE) 9/14/05

SEP  
2005

SEP 14 2005



*Mike Huckabee*  
Governor of Arkansas  
Chairman

*Janet Napolitano*  
Governor of Arizona  
Vice Chair

*Raymond C. Scheppach*  
Executive Director

September 13, 2005

Charlie Smith  
Secretary  
Agency of Administration  
109 State Street  
Montpelier, Vermont 05609-0201

Dear Secretary Smith:

We are pleased to provide a sponsorship grant for costs up to \$10,000 to sponsor the Governor's summit conference on health care reform scheduled for October 17, 2005 at the Killington Mountain Resort. As a nonpartisan organization, the National Governors Association (NGA) is actively and deeply involved with all 50 states in considering reforms with health care and Medicaid systems and are pleased to assist with Vermont's efforts.

Upon conclusion of the summit please submit an invoice to the attention Tess Moore at NGA to obtain reimbursement. Please include a summary of the costs to be reimbursed, as well as copies of the original receipts.

Sincerely,

Raymond C. Scheppach

SEP 14 2005

**STATE OF VERMONT**  
**REQUEST FOR GRANT ACCEPTANCE**  
 (use additional sheets as needed)

**FORM AA-1**  
 (Rev. 9-90)

1. **Agency:** Agency of Administration  
 2. **Department:** Secretary of Administration's Office  
 3. **Program:** Governor's Health Care Summit  
 4. **Legal Title of Grant:** Governor's Summit Conference on Health Care Reform  
 5. **Federal Catalog No.:**  
 6. **Grantor and Office Address:** National Governor's Association  
 Hall of the States  
 444 North Capitol Street, Suite 267  
 Washington, DC 20001-1512

7. **Grant Period:** From: Sept. 13, 2004 To: Dec. 31, 2005

8. **Purpose of Grant:** (attach additional sheets if needed)  
 To help support the Governor's Summit Conference on Health Care Reform

9. **Impact on Existing Programs if Grant is not Accepted:**  
 Conference may not occur

10. **Budget Information:**

	(1st State FY) FY 2006	(2nd State FY) FY 2007	(3rd State FY) FY 2008
--	---------------------------	---------------------------	---------------------------

**EXPENDITURES:**

Personal Services	\$	\$	\$
Operating Expenses	\$ 10,000.00	\$	\$
Grants	\$	\$	\$
<b>TOTAL</b>	<b>\$ 10,000.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

**REVENUES:**

<u>State Funds:</u>			
Cash	\$	\$	\$
In-Kind	\$	\$	\$
<u>Federal Funds:</u>			
(Direct Costs)	\$	\$	\$
(Statewide Indirect)	\$	\$	\$
(Department Indirect)	\$	\$	\$
<u>Other Funds:</u>			
(source) Grant	\$ 10,000.00	\$	\$

<b>TOTAL</b>	<b>\$ 10,000.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
--------------	---------------------	----------------	----------------

Appropriation Nos.

Amounts

\$ 10,000.00  
 \$  
 \$

-over-

RECEIVED SEP 1 2005

11. Will grant monies be spent by one or more personal service contracts?

YES  NO

If YES, signature of appointing authority here indicates intent to follow current guidelines on bidding.

X

12a. Please list any requested Limited Service positions:

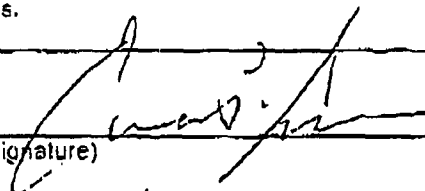
Titles	Number of Positions
TOTAL Positions	0

12b. Equipment and space for those positions:

Is presently available.  
 Can be obtained with available funds.

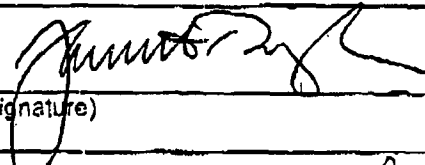
13. Signature of Appointing Authority

I certify that no funds have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant.

 9/14/05  
 (Signature) (Date)  
 Secretary of Administration  
 (Title)

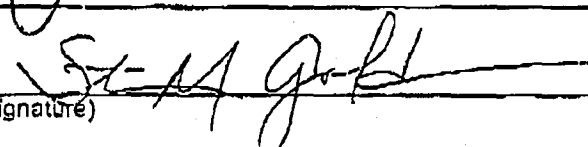
14. Action by Governor:

Approved  
 Rejected

 9/14/05  
 (Signature) (Date)

15. Secretary of Administration:

Request to JFO  
 Information to JFO

 9/14/05  
 (Signature) (Date)

16. Action by Joint Fiscal Committee:

(Dates)

Request to be placed on JFC agenda  
 Approved (not placed on agenda in 30 days)  
 Approved by JFC  
 Rejected by JFC  
 Approved by Legislature

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

(Signature) (Date)

RECEIVED SEP 14 2005

SEP 14 2005 14:43

PAGE.04



STATE OF VERMONT  
AGENCY OF ADMINISTRATION

September 14, 2005

Joint Fiscal Committee  
1 Baldwin Street  
Montpelier, VT 05633

Dear Joint Fiscal Committee:

In accordance with 2005 Act 71 Sec. 257, the Secretary of Administration is requesting approval from the Special Committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Committees on Transportation to transfer \$5,000,000.00 in general funds from the Fiscal Year 2005 general fund reserve, established pursuant to 32 V.S.A. Sec. 308c(a), to the transportation fund.

Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU) has resulted in additional federal funds becoming available for Vermont.

The Secretary of Administration finds that the four conditions in Sec. 257(a)(2), listed below, have been met:

**Sec. 257 (a)(2)(A) The general fund surplus reserve has sufficient funds:** \$19.64 million of FY05 general fund reserve can be used for FY06 one-time items;

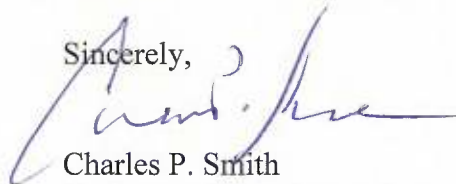
**Sec. 257 (a)(2)(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006:** Appropriating additional state funds in the amount of \$5,000,000 for match to transportation projects could allow additional projects to advance in state fiscal year 2006;

**Sec. 257 (a)(2)(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interest of Vermont:** AOT needs to complete the construction contracting process for approximately 40 projects throughout the fall and winter months. This process can take as long as 22 weeks from pre-final plans to contract execution. Please see the attached AOT project list showing project bid dates. Prompt action is needed to ensure that the construction contracting process for these projects can be completed throughout the fall and winter so that work can begin as early in the spring of 2006 as possible;

**Sec. 257 (a)(2)(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds:** We estimate that FY06 general fund reserve will be approximately \$40 million, including the \$19.64 million from FY05. Currently we are tracking several known budget adjustment items which we estimate will total less than \$20 million, including: Medicaid; increased fuel prices impacting LIHEAP; Transportation revenue down turn; and re-classification of positions in Corrections. Department submissions for budget adjustments, including the items noted above, are due to the Secretary's office on September 28, 2005 for review.

The information leading to this finding will be made available to the Special Committee prior to the September 15, 2005 Joint Fiscal Committee meeting.

Sincerely,



Charles P. Smith  
Secretary of Administration



**FY06 PRIORITY PROJECTS NEEDING ADDITIONAL STATE FUNDS BASED ON PASSAGE OF NEW FEDERAL BILL (SAFETEA-LU)**

Program	Project Name	Project Number	Total Est Cost	Additional SFY06 State			Projected Bid Date	Earmark	In SFY06 Program?	
				Federal	State	Local				Estimated
INTERSTATE BRIDGE	GUILFORD	IM 091-1(33)	\$ 6,100,000	\$ 5,490,000	\$ 610,000	\$ -	\$ 100,000	15-Jan-06	TI	D&E
INTERSTATE BRIDGE	RICHMOND	IM 089-2(1)	\$ 1,380,000	\$ 1,242,000	\$ 138,000	\$ -	\$ 25,000	15-Mar-06	TI	D&E
<b>INTERSTATE BRIDGE Total</b>			<b>\$ 7,480,000</b>	<b>\$ 6,732,000</b>	<b>\$ 748,000</b>	<b>\$ -</b>	<b>\$ 125,000</b>			
LTF	NEWFANE	STP WALK(5)	\$ 420,000	\$ 336,000	\$ 42,000	\$ 42,000	\$ 6,690	15-Mar-06	N	FRONT
LTF	WEST RUTLAND	STP BIKE (43)	\$ 824,000	\$ 659,200	\$ 82,400	\$ 82,400	\$ 33,450	19-Jan-06	N	FRONT
LTF	WOODSTOCK	STP BIKE (30)	\$ 196,800	\$ 157,440	\$ 19,680	\$ 19,680	\$ 7,400	6-Apr-06	N	FRONT
LTF	MONTPELIER-BERLIN	STP BIKE(33)	\$ 2,845,000	\$ 2,276,000	\$ 284,500	\$ 284,500	\$ 14,720	7-Mar-07	N	FRONT
LTF	WINOOSKI	STP 5100(10)	\$ 2,650,000	\$ 2,120,000	\$ 265,000	\$ 265,000	\$ 150,000	N/A	N	FRONT
LTF	BARRE TOWN	STP BIKE(38)	\$ 1,717,649	\$ 1,374,119	\$ 171,765	\$ 171,765	\$ 99,000	N/A	N	FRONT
LTF	BRATTLEBORO	STP BIKE(27)	\$ 724,069	\$ 579,255	\$ 72,407	\$ 72,407	\$ 8,920	N/A	N	FRONT
<b>LTF Total</b>			<b>\$ 9,377,518</b>	<b>\$ 7,502,014</b>	<b>\$ 937,752</b>	<b>\$ 937,752</b>	<b>\$ 320,180</b>			
PAVING	HARTFORD-ROYALTON	STP 2121 (1)S	\$ 3,740,000	\$ 2,992,000	\$ 748,000	\$ -	\$ 374,000	26-Oct-05	N	FRONT
PAVING	FAYSTON-WAITSFIELD	STP 2406	\$ 400,000	\$ 320,000	\$ 80,000	\$ -	\$ 20,000	4-Jan-06	N	SHELF
PAVING	WAITSFIELD-MORETOWN	STP 2227	\$ 2,190,000	\$ 1,752,000	\$ 438,000	\$ -	\$ 109,500	4-Jan-06	N	SHELF
PAVING	GUILFORD-BRATTLEBORO	IM 091-1(51)	\$ 4,030,000	\$ 3,627,000	\$ 403,000	\$ -	\$ 161,200	30-Nov-05	Possible - TI	FRONT
PAVING	MORGAN-BRIGHTON	STP 2404(1)	\$ 1,420,000	\$ 1,136,000	\$ 284,000	\$ -	\$ 56,800	?	N	D&E
PAVING	CAMBRIDGE BELVIDERE	STP 2219(1)S	\$ 3,100,000	\$ 2,480,000	\$ 620,000	\$ -	\$ 124,000	15-Feb-06	Waterfall	D&E
PAVING	COLCHESTER-GEORGIA	IM 089-3(39)	\$ 3,020,000	\$ 2,718,000	\$ 302,000	\$ -	\$ 120,800	16-Nov-05	Possible - TI	FRONT
PAVING	WALLINGFORD-RUTLAND TOWN	NH 2408	\$ 2,720,000	\$ 2,176,000	\$ 544,000	\$ -	\$ 108,800	14-Dec-05	N	SHELF
PAVING	COLCHESTER	STP 2307	\$ 570,000	\$ 456,000	\$ 114,000	\$ -	\$ 11,400	15-Mar-06	N	D&E
PAVING	WINOOSKI	STP 2307	\$ 470,000	\$ 376,000	\$ 94,000	\$ -	\$ 9,400	15-Mar-06	N	D&E
PAVING	SPRINGFIELD	STP 2405(1)S	\$ 920,000	\$ 736,000	\$ 184,000	\$ -	\$ 92,000	15-Feb-06	N	D&E
PAVING	ESSEX	NH 2403	\$ 1,560,000	\$ 1,248,000	\$ 312,000	\$ -	\$ 93,600	1-Mar-06	N	SHELF
PAVING	MARSHFIELD-CABOT	NH 2104	\$ 5,370,000	\$ 4,296,000	\$ 1,074,000	\$ -	\$ 429,600	?	N	FRONT
PAVING	DANVILLE	NH 2205(1)	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	\$ 64,000	N/A	N	D&E
PAVING	CASTLETON-SUDBURY	STP 2402(1)	\$ 4,380,000	\$ 3,504,000	\$ 876,000	\$ -	\$ 175,200	N/A	N	D&E
<b>PAVING Total</b>			<b>\$ 35,490,000</b>	<b>\$ 29,097,000</b>	<b>\$ 6,393,000</b>	<b>\$ -</b>	<b>\$ 1,950,300</b>			
ROADWAY	SHARON-STRAFFORD	STP 0177(6)	\$ 4,110,600	\$ 3,332,875	\$ 366,665	\$ 411,060	\$ 170,000		N	FRONT
ROADWAY	NORTH BENNINGTON	STP 9646(1)	\$ 1,625,000	\$ 1,300,000	\$ 162,500	\$ 162,500	\$ 20,000	15-Mar-05	N	FRONT
ROADWAY	HARTFORD-NEWBURY	IM IR 091-2(6)	\$ 1,625,000	\$ 1,462,500	\$ 162,500	\$ -	\$ 200,000	15-Dec-05	Possible - HP	FRONT
ROADWAY	LUNENBURG	STP 2301(1)S	\$ 2,450,000	\$ 1,960,000	\$ 245,000	\$ 245,000	\$ 100,000	15-Dec-05	HP	SHELF
ROADWAY	OLD BENNINGTON	STP 1400(5)S	\$ 925,000	\$ 702,000	\$ 88,000	\$ 135,000	\$ 40,000	15-Jan-06	N	SHELF
ROADWAY	WATERBURY	FECC-F 013-4(13)	\$ 112,000	\$ 106,400	\$ 3,360	\$ 2,240	\$ 3,360	N/A	N	D&E
ROADWAY	HIGHGATE-FRANKLIN	STP RS 0301(1)SA	\$ 7,300,000	\$ 5,900,000	\$ 1,400,000	\$ -	\$ 400,000	N/A	N	FRONT
ROADWAY	CIRC - WILLISTON-ESSEX	NH 033-1 (17)	\$ 1,947,826	\$ 1,558,261	\$ 389,565	\$ -	\$ 389,565	N/A	N	D&E
ROADWAY	CIRC - WILLISTON-ESSEX	IM 089-2(12)	\$ 852,174	\$ 766,957	\$ 85,217	\$ -	\$ 85,217	N/A	N	D&E
ROADWAY	CIRC - ESSEX-WILLISTON-EIS	NH 022-1(24)				\$ -	\$ 400,000	N/A	N	FRONT
ROADWAY	BENNINGTON - SOUTH	NH F019-1(4)				\$ -	\$ 200,000		N	D&E
<b>ROADWAY Total</b>			<b>\$ 22,642,600</b>	<b>\$ 18,444,992</b>	<b>\$ 3,241,808</b>	<b>\$ 955,800</b>	<b>\$ 2,008,142</b>			
RR X-ING	MANCHESTER	STP 0171(02)	\$ 8,738	\$ 7,864	\$ 874	\$ -	\$ 874	N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 1200(4)	\$ 19,374	\$ 17,436	\$ 1,938	\$ -	\$ 1,938	N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 2031(10)	\$ 18,763	\$ 16,886	\$ 1,877	\$ -	\$ 1,877	N/A	N	FRONT
RR X-ING	SHAFTSBURY	STP 2031(11)	\$ 20,871	\$ 18,604	\$ 2,067	\$ -	\$ 2,067	N/A	N	FRONT
RR X-ING	MANCHESTER	STP 2031(12)	\$ 19,780	\$ 17,802	\$ 1,978	\$ -	\$ 1,978	N/A	N	FRONT
RR X-ING	ROYALTON	STP 2034(14)	\$ 260,502	\$ 45,000	\$ 5,000	\$ -	\$ 5,000	N/A	N	FRONT
<b>RR X-ING Total</b>			<b>\$ 347,828</b>	<b>\$ 123,592</b>	<b>\$ 13,734</b>	<b>\$ -</b>	<b>\$ 13,734</b>			
STATE BRIDGE	BUELS GORE	ST CULV(1)	\$ 404,500	\$ 323,600	\$ 80,900	\$ -	\$ 30,000	10-Apr-06	N	FRONT
STATE BRIDGE	LYNDON	BRS 0269(6)S	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	\$ 100,000	21-Oct-05	Waterfall	D&E
STATE BRIDGE	READING	BRS 0148(6)S	\$ 1,720,440	\$ 1,376,352	\$ 344,088	\$ -	\$ 40,000	17-Feb-06	DB	D&E
STATE BRIDGE	DUXBURY	STP 013-4(24)	\$ 170,000	\$ 136,000	\$ 34,000	\$ -	\$ 35,000	10-Oct-05	N	D&E
STATE BRIDGE	MONTGOMERY	BRF 0283(8)	\$ 1,711,000	\$ 1,368,800	\$ 342,200	\$ -	\$ 40,000	18-Nov-05	N	SHELF
STATE BRIDGE	FAYSTON	BHF 0200(9)	\$ 1,380,495	\$ 1,104,396	\$ 276,099	\$ -	\$ 30,000	15-Feb-06	N	SHELF
STATE BRIDGE	LYNDON	BRF 0269(10)	\$ 1,395,000	\$ 1,116,000	\$ 279,000	\$ -	\$ 60,000	17-Feb-06	N	D&E
STATE BRIDGE	WHITINGHAM	STP ST CULV(6)	\$ 500,000	\$ 400,000	\$ 100,000	\$ -	\$ 20,000	1-Mar-06	N	FRONT
<b>STATE BRIDGE Total</b>			<b>\$ 13,936,955</b>	<b>\$ 11,149,564</b>	<b>\$ 2,787,391</b>	<b>\$ -</b>	<b>\$ 355,000</b>			
T.H. BRIDGE	WALLINGFORD	BRO 1443(31)	\$ 625,000	\$ 500,000	\$ 62,500	\$ 62,500	\$ 20,000	7-Oct-05	TI	D&E
T.H. BRIDGE	CLARENDON	BRO 1443(34)	\$ 609,375	\$ 487,500	\$ 60,938	\$ 60,938	\$ 20,000	14-Oct-05	TI	D&E
T.H. BRIDGE	MORRISVILLE	BRZ 1446(15)	\$ 510,000	\$ 408,000	\$ 51,000	\$ 51,000	\$ 10,000	1-Dec-05	N	D&E
T.H. BRIDGE	MONTGOMERY	BRO 1448(20)	\$ 610,000	\$ 488,000	\$ 61,000	\$ 61,000	\$ 10,000	4-Nov-05	TI	D&E
T.H. BRIDGE	SUNDERLAND	BRF 0114(2)	\$ 1,087,247	\$ 869,798	\$ 108,725	\$ 108,725	\$ 20,000	4-Nov-05	TI	D&E
T.H. BRIDGE	CAVENDISH	BRO 1442(23)	\$ 912,000	\$ 729,600	\$ 91,200	\$ 91,200	\$ 50,000	19-Dec-05	TI	D&E
T.H. BRIDGE	CHARLESTON	BRO 1449(22)	\$ 437,500	\$ 350,000	\$ 43,750	\$ 43,750	\$ 25,000	2-Jan-06	TI	D&E
T.H. BRIDGE	GRANVILLE	BRO 1444(34)	\$ 339,000	\$ 271,200	\$ 33,900	\$ 33,900	\$ 5,000	1-Feb-06	TI	D&E
T.H. BRIDGE	ST. JOHNSBURY	BRO 1447(19)	\$ 1,524,726	\$ 1,219,781	\$ 152,473	\$ 152,473	\$ 5,000	1-Feb-06	TI	D&E
T.H. BRIDGE	VERSHIRE	BRO 1444(32)	\$ 226,000	\$ 180,800	\$ 22,600	\$ 22,600	\$ 5,000	1-Feb-06	TI	CAND
<b>T.H. BRIDGE Total</b>			<b>\$ 16,964,201</b>	<b>\$ 13,763,031</b>	<b>\$ 1,600,585</b>	<b>\$ 1,600,585</b>	<b>\$ 170,000</b>			
TRAFFIC OPERATIONS	HARTFORD-NEWBURY	IM 091-2(14)	\$ 1,624,380	\$ 1,299,504	\$ 324,876	\$ -	\$ 180,000	15-Jan-06	N	SHELF
<b>TRAFFIC OPERATIONS Total</b>			<b>\$ 3,976,063</b>	<b>\$ 3,651,187</b>	<b>\$ 324,876</b>	<b>\$ -</b>	<b>\$ 180,000</b>			
<b>Grand Total</b>			<b>\$ 111,217,165</b>	<b>\$ 91,063,381</b>	<b>\$ 16,449,145</b>	<b>\$ 3,494,137</b>	<b>\$ 5,122,356</b>			

# Joint Fiscal Office

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

## MEMORANDUM

To: Representative Martha Heath, Chair, Members, Joint Fiscal Committee

From: Stephen A. Klein

Date: September 14, 2005

Subject: \$5,000,000 Transfer to the Transportation Fund under §257 of Act 71

Section 257 (a) (2) requires the Special Committee to address four conditions: the availability of reserve funds, the lack of sufficient state match; the time imperative, and the sufficiency of the general fund to meet other budget adjustment needs.

I have reviewed the administration materials on the proposed transfer and have the following comments:

- The General Fund Surplus reserve are consistent with the administration memo;
- The state will have about a \$13 million shortfall in match resources if the new federal funds were to be matched. On top of this the revenue adjustment in July creates an additional \$ 5 million revenue problem for the Transportation Fund. The need for transportation funds is very real.
- The urgency of funding is an area you will need to hear more about from the administration. There is no risk of losing the federal funds if appropriations are not made now but the timing could be an issue in getting projects started.
- The statutory language refers to the general funds being needed for other budget adjustment needs. The language does not call for consideration of FY 2007 shortfalls. It should be noted that the additional surpluses could be very important as we address FY 2007 budget needs.

Overall, based on the statutory language focusing on budget adjustment needs, and assuming there is a time urgency to deal with, I would agree the transfer is appropriate.

# VERMONT TRANSPORTATION FUNDING and SAFETEA-LU

September 10, 2005

Transportation Funding

## Key Points

- SAFETEA-LU
  - Annual apportionments
  - Earmarks
- State Funds Pressures
  - Match for increased federal funding
  - State funds for budget growth pressures
  - State funds for needs gap—available funds vs total needs
    - Current needs gap estimated @ over \$80m
    - Shortfall could grow to \$130m by 2009

September 10, 2005

Transportation Funding

## Federal Highway (FHWA) Funds

- **Annual Apportionments:** Amounts authorized by the bill, not yet appropriated
- **Earmarks:** Amounts designated for specific projects
- **Obligation Limitation:** Amounts available to spend
  - Based on appropriations
  - Historically only about 90% of annual apportionment
  - Earmarks also appear subject to the 90% limitation

September 10, 2005

Transportation Funding

## Estimated FHWA Obligation Limitation



September 10, 2005

Transportation Funding

## FHWA Increased Funds Summary \*

- Annual Formula Obligation Authority: \$5.6m/yr average
  - \$1m additional match needed
- High Priority Projects Earmarks: \$24.8m/yr average
  - \$4.7m additional match needed
- Transportation Improvements Earmarks: \$21.6m/yr average
  - \$4.1m additional match needed
- Bridge Discretionary Earmarks: \$9m/yr average (over 5 years)
  - \$1.7m additional match needed

**Total annual increase of \$61m FHWA per year\***  
**Total ~\$11.5m *additional* state match needed annually**

- Assumes FY2004 as base year for comparison
- Assumes 90% of apportionment amounts become available for obligation

September 10, 2005

Transportation Funding

## Summary of SAFETEA-LU Earmarks

- High Priority Projects - \$137.8m
- Transportation Improvements - \$120m
- Bridge Discretionary - \$50m
- FTA Earmarks - \$4.6m
  - Brattleboro Intermodal Center - \$1m
  - CCTA Bus, Facilities, and Equipment - \$2m
  - Statewide Bus, Facilities, and Equipment - \$1.6m
- Research Earmarks (direct to recipient)
  - UVM - \$17m - National University Transportation Center
  - New England Transportation Institute - \$1m

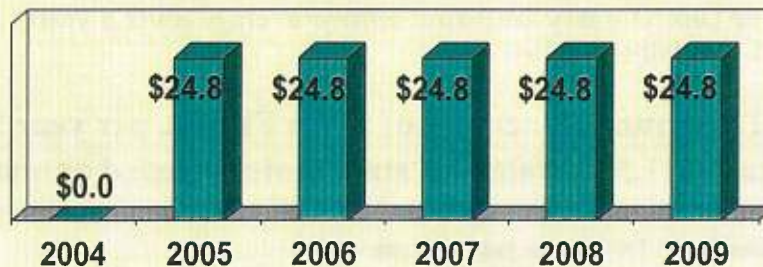
September 10, 2005

Transportation Funding

## High Priority Projects

- \$137.8m total over 5 years (FY05-FY09)
- 30 projects (vs. two in Tea21 - \$21m)
- \$24.8m/yr obligation limitation @ 90%

Estimated Obligation Limit In \$ Millions



September 10, 2005

Transportation Funding

## Example High Priority Projects

- \$5.8m for Lamoille Valley Rail Trail
- \$5m for US2 in Danville
- \$15m for US7 in Brandon-Pittsford
- \$15m for I-91 between Hartford and Derby Line

September 10, 2005

Transportation Funding

## Transportation Improvements

- \$120m total over 5 years (FY05-FY09)
- Total allocations vary each year
  - 10%-2005, 20%-2006, 25%-2007, 25%-2008, 20%-2009
- \$21.6m/yr average obligation limitation @ 90%



September 10, 2005

Transportation Funding

## Example Transportation Improvements

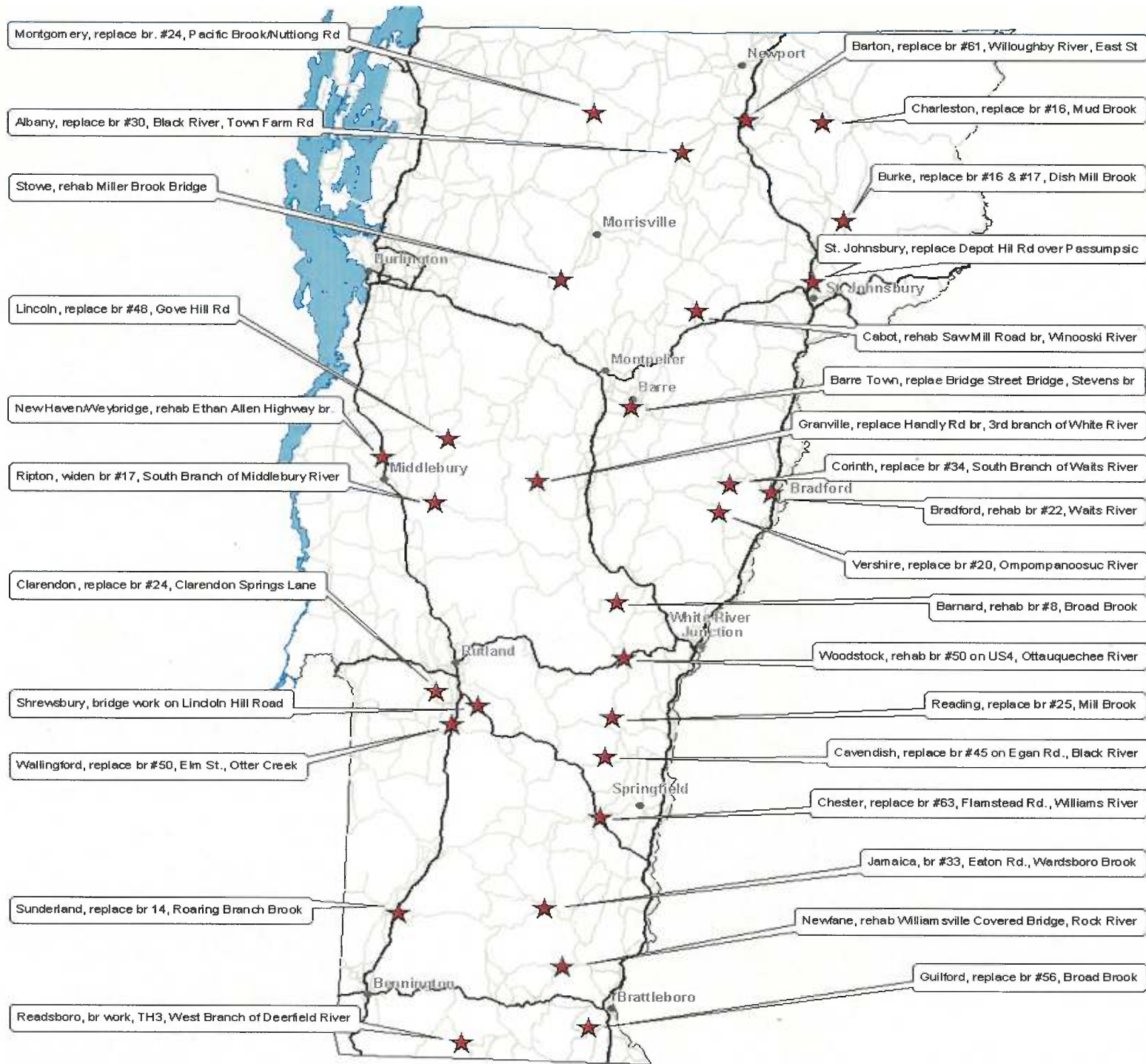
- \$10m for improvements to VT interstates
- \$30m for western corridor rail improvements
- \$6.5m for Bennington welcome center
- \$6.5m for Hartford rest areas
- \$30m for VT small bridges
- \$6.2m for VT covered bridges

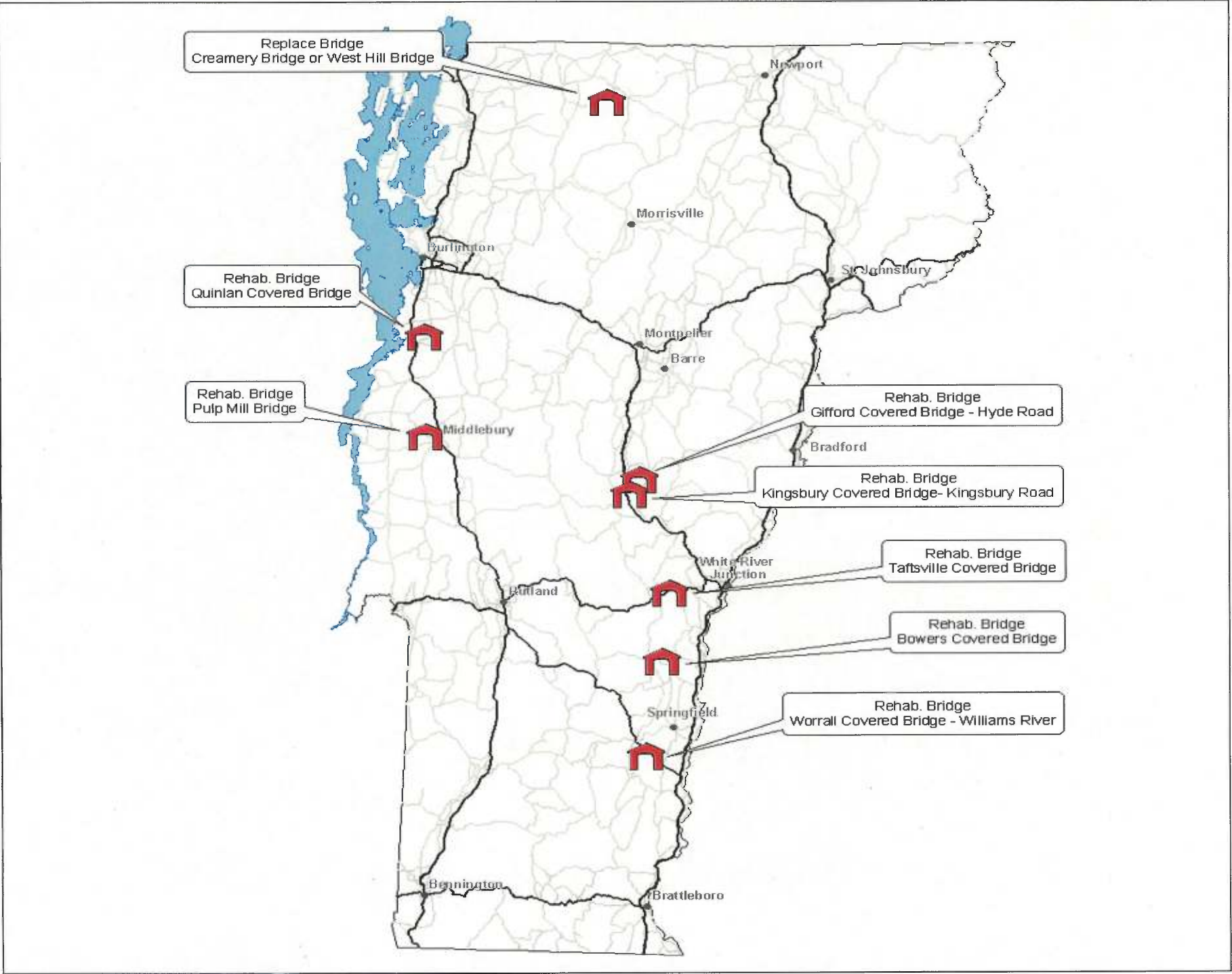
September 10, 2005

Transportation Funding







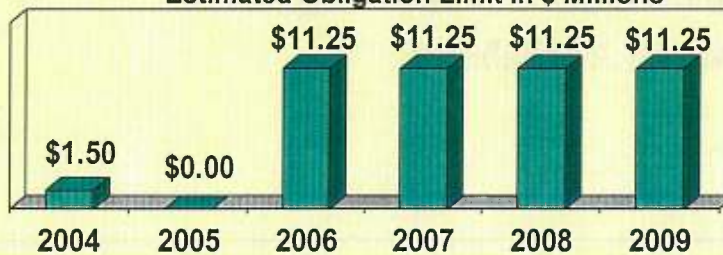




# Bridge Discretionary

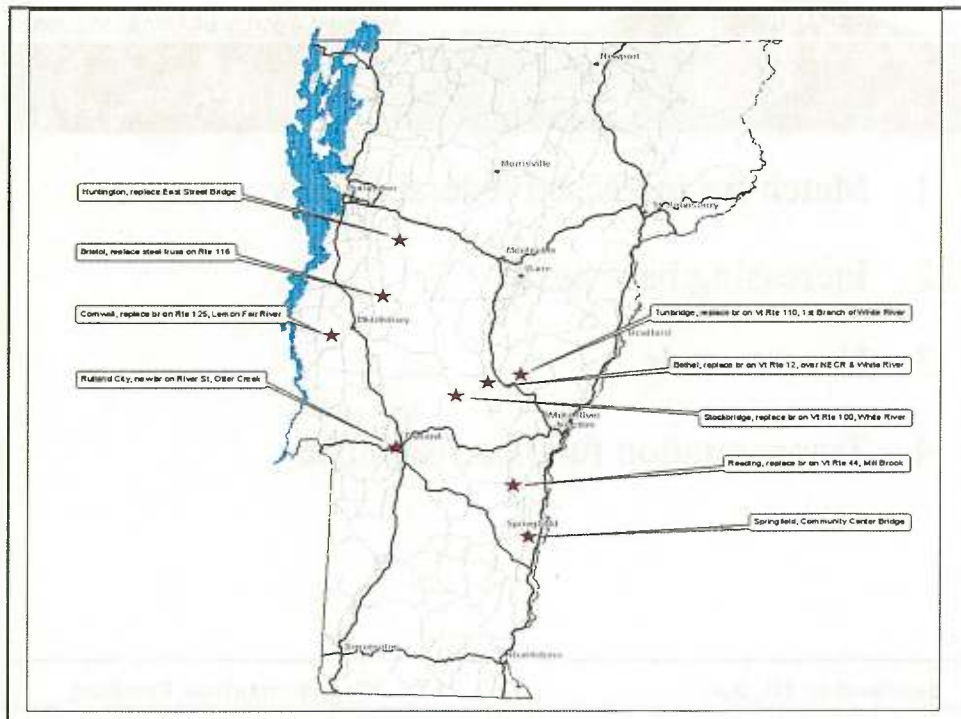
- \$50m total over 4 years (FY06-FY09)
  - \$18m for Missisquoi Bay Bridge
  - \$32m for nine state maintained bridges (includes several Town Highway bridges)
- \$11.25m/yr obligation limitation for FY2006 – FY2009

Estimated Obligation Limit In \$ Millions



September 10, 2005

Transportation Funding



## Key Outstanding Issues

- Actual obligation limitation (historically ~ 90%) still uncertain
- Several earmark projects now have less federal participation than before
- Local participation in matching funds
- State Match Availability

September 10, 2005

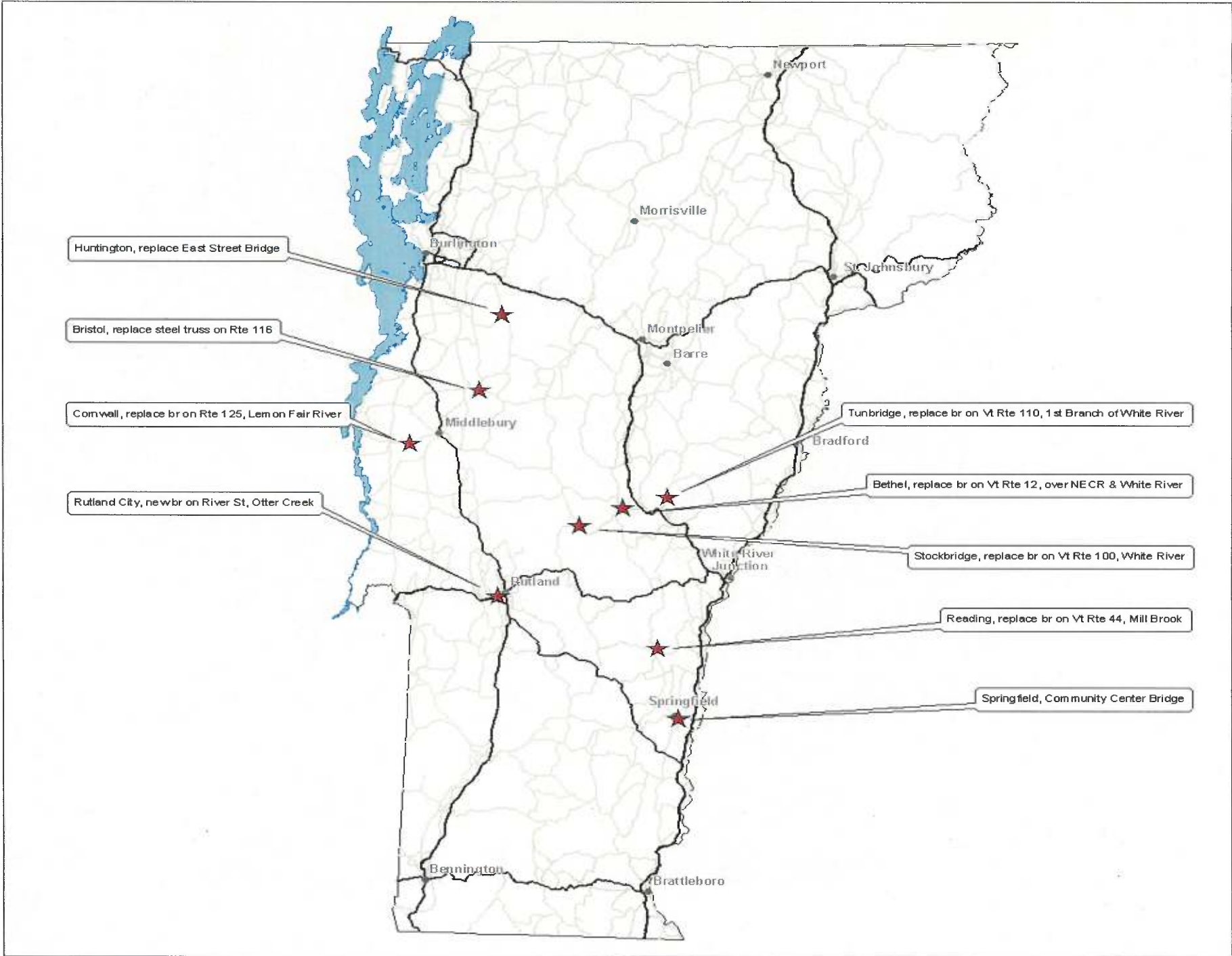
Transportation Funding

## State Funding Challenges

1. Match for increased federal money
2. Increasing base needs
3. Unmet needs
4. Transportation fund performance

September 10, 2005

Transportation Funding



## FY06 Budget Needs

Category	FY06 Budget
Paving	\$42m
Bridges	\$52m
Roadway*	\$54m
Maintenance	\$56m
New Capacity	\$9m
Other	\$129m
New Fed Funds & Required Match	\$25m
<b>Total</b>	<b>\$366m</b>

\* Includes reconstruction/rehabilitation and safety projects-excludes new capacity.

September 10, 2005

Transportation Funding

## FY06 Funding Sources

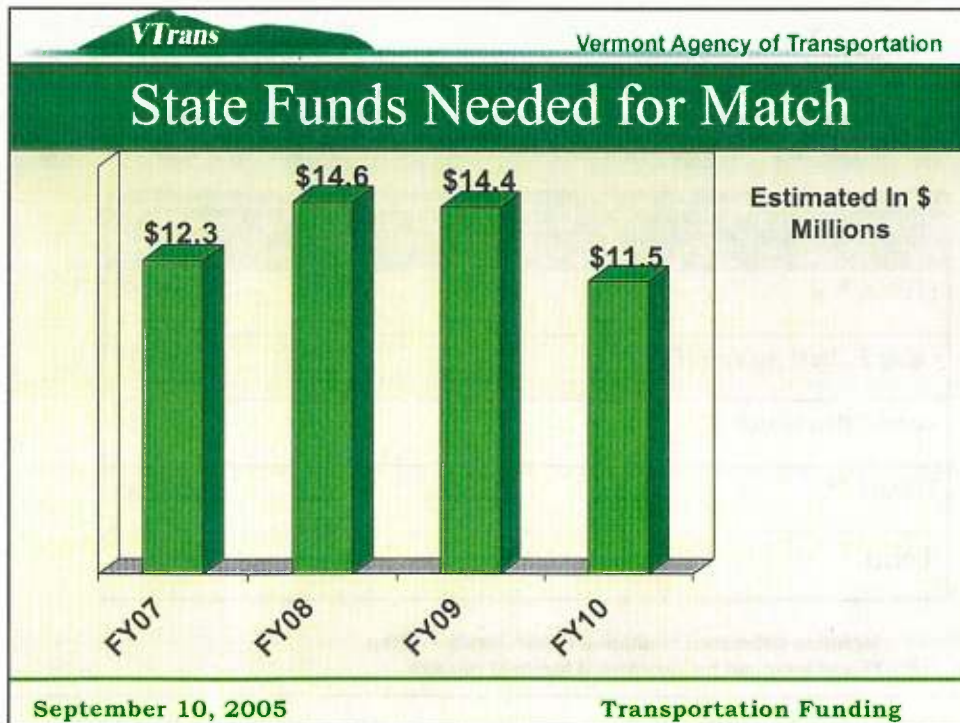
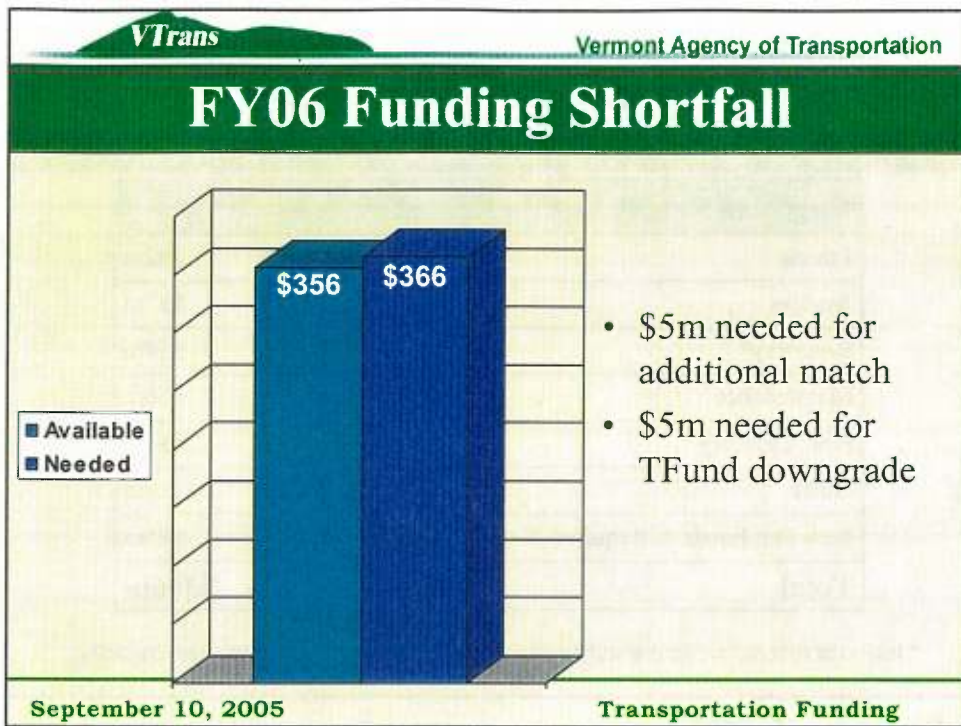
Source	FY06 Funding
FHWA *	\$165
Other Federal Sources: FTA, etc.	\$19
Local/Other Match	\$4
T-Fund **	\$168m
<b>Total</b>	<b>\$356m</b>

\* Includes estimated additional FHWA funds ~ \$20m.

\*\* TFund adjusted for downward forecast revision.

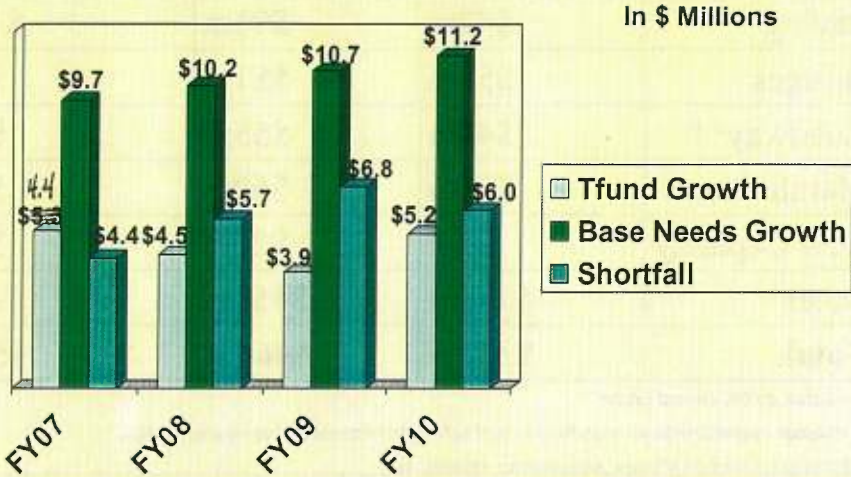
September 10, 2005

Transportation Funding





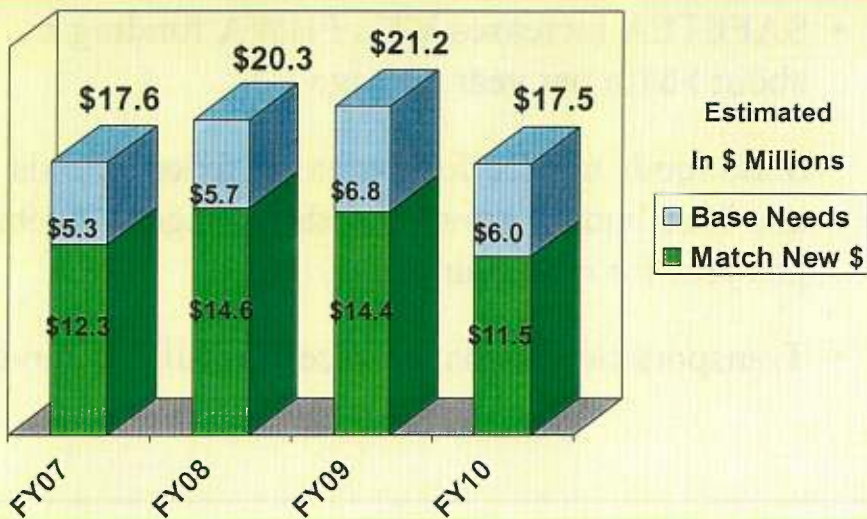
# Transportation Base Needs Growth



September 10, 2005

Transportation Funding

# State Needs for New Match + Base Growth



September 10, 2005

Transportation Funding

<b>VTrans</b>		Vermont Agency of Transportation	
<b>Unmet Needs</b>			
	FY06 Budget	Current Need	FY09 Projected*
Paving	\$42m	\$93m	\$103m
Bridges	\$52m	\$81m	\$89m
Roadway**	\$45m	\$55m	\$61m
Maintenance	\$56m	\$60m	\$66m
New Capacity	\$9m	\$22m	\$43m
Other	\$138m	\$153m	\$169m
<b>Total</b>	<b>\$342m</b>	<b>\$464m</b>	<b>\$531m</b>
* Inflated by 5% annual factor			
** Includes reconstruction/rehabilitation and safety projects-excludes new capacity.			
Estimate based on VTrans' engineering assessment.			
<b>September 10, 2005</b>		<b>Transportation Funding</b>	

<b>VTrans</b>		Vermont Agency of Transportation	
<b>Summary</b>			
<ul style="list-style-type: none"> <li>• SAFETEA increases VT's FHWA funding by about \$61m per year average</li> <li>• State funds needed for increased federal funds and base budget growth needs averages ~ \$19m per year for next four years</li> <li>• Transportation needs far exceed available funds</li> </ul>			
<b>September 10, 2005</b>		<b>Transportation Funding</b>	

**Joint Fiscal Committee**  
**Roll call votes**  
**2005-06**

Meeting date: 9/15/05

Issue: \$10,000 Grant from NGA for GOUS  
Health Conference JFO #2005  
Motion to Approve

MEMBER	YES	NO	ABSTAIN	ABSENT
Sen. Bartlett	✓			
Sen. Cummings	✓			
Rep. Obuchowski		✓		
Rep. Perry	✓			
Sen. Sears	✓			
Rep. Severance	✓			
Sen. Snelling	✓			
Sen. Welch				✓
Rep. Westman	✓			
Rep. Heath, Chair	✓			

## MEMORANDUM

TO: Joint Fiscal Committee

FROM: Mark Perrault, JFO

DATE: September 15, 2005

SUBJECT: Education Tax Rates in FY2007

At current education tax rates, the education fund is projected to have an undesignated fund balance in FY2007 of more than \$27 million. This estimate will be revised again later this fall when additional information becomes available. However, it now appears that it should be possible to set the FY2007 education tax rates three to five cents below this year's tax rates.

An additional five-cent reduction in the education tax rates in FY2007 would lower the statutory tax rates by 13 cents: the base homestead tax rate would drop from \$1.10 to \$0.97 and the uniform non-homestead tax rate would drop from \$1.59 to \$1.46. The base rate for income-sensitized taxpayers would drop from 2% to 1.76% of household income (in proportion to the homestead rate).

Any reduction in education taxes due to lower base tax rates in FY2007 would be in addition to the \$10 million reduction in the homestead tax that was enacted last session as part of Act 38. Act 38 expanded eligibility for income-sensitivity so that taxpayers with household incomes up to \$110,000 will be able to claim at least a partial income-sensitivity adjustment to their homestead tax.

FY2007 would be the third consecutive year since the enactment of Act 68 that education tax rates have been lowered. However, growth in property values and education spending more than offset the impact of the tax rate reductions in FY2006 for many taxpayers. Again, in FY2007, many taxpayers may see their education tax bills rise even though the base education tax rates fall.

The Commissioner of Taxes will recommend an adjustment to the education tax rates for FY2007 to the general assembly on or before December 1<sup>st</sup> after consulting with the department of education, the secretary of administration, and the joint fiscal office.



**PRELIMINARY RESULTS ONLY - SUBJECT TO CHANGE**

**Education Fund Outlook - September Update**

(millions of dollars)

	FY2005	FY2006	FY2007	FY2008	FY2009
<b>Assumptions</b>	Final	Estimated	Projected	Projected	Projected
a Base Homestead Tax Rate	\$1.05	\$1.02	\$1.02 *	\$1.02 *	\$1.02 *
b Uniform Non-Homestead Tax Rate	\$1.54	\$1.51	\$1.51 *	\$1.51 *	\$1.51 *
c Base Rate on Household Income	1.90%	1.85%	1.85% *	1.85% *	1.85% *
d Household Income Limit	\$75,000	\$75,000	\$85,000	\$90,000	\$90,000
e Housesite Value Limit	\$160,000	\$160,000	\$200,000	\$200,000	\$200,000
f Base Education Payment Per Pupil	\$6,800	\$6,975	\$7,169	\$7,376	\$7,594
g Equalized Pupil Count	99,994	98,606	97,718	96,838	95,967
h Education Grand List Growth Rate	9.4%	11.1%	12.2%	9.5%	4.0%
i "Education Spending" Growth Rate	6.3%	6.0%	6.0%	5.0%	5.0%

\* Base statutory tax rates are \$1.10, \$1.59, and 2%, respectively.

**Sources**

1 Homestead Education Tax	346.8	396.9	475.0	545.5	587.0
2 Income-Sensitivity Adjustment	(81.2)	(95.8)	(124.9)	(148.8)	(162.2)
3 Non-Homestead Education Tax	385.6	413.4	451.6	484.6	499.1
4 Purchase & Use Tax	28.0	28.8	29.7	30.7	32.0
5 Sales & Use Tax	103.6	107.8	113.2	117.1	121.1
6 Lottery Receipts	20.4	19.8	19.3	18.7	18.1
7 General Fund Transfer	249.3	259.3	269.6	280.4	291.6
8 Medicaid Reimbursement	9.6	8.6	8.6	8.6	8.6
9 Vermont Yankee Education Tax	1.9	1.9	1.9	1.9	1.9
10 Fund Interest	(0.5)	0.0	0.2	0.2	0.2
<b>11 Total Sources</b>	<b>1,063.5</b>	<b>1,140.7</b>	<b>1,244.2</b>	<b>1,338.9</b>	<b>1,397.4</b>

**Uses**

12 Education Payment	910.4	966.0	1,022.0	1,078.2	1,132.0
13 Adult Education & Literacy	0.4	0.5	-	-	-
14 EEE Block Grant	4.3	4.4	4.5	4.6	4.8
15 Special Education (assumes 9.5% annual growth)	105.3	116.1	127.1	139.2	152.4
16 Homeowner Rebate (EF portion only - 40% of total)	6.8	8.1	9.4	10.1	10.5
17 Renter Rebate (EF portion only - 68% of total)	4.4	4.7	5.0	5.3	5.6
18 Capital Debt	0.5	0.5	0.3	0.2	0.1
19 Small Schools	5.2	5.3	5.4	5.5	5.7
20 State-Placed Students	11.8	12.5	13.4	14.3	15.3
21 Technical Education	9.5	9.8	10.1	10.3	10.6
22 Transportation	13.2	13.5	13.9	14.3	14.7
23 Reappraisal & Listing (\$7 to \$9.80 per parcel in FY06)	2.3	3.2	3.2	3.2	3.2
<b>24 Total Uses</b>	<b>1,074.0</b>	<b>1,144.5</b>	<b>1,214.2</b>	<b>1,285.2</b>	<b>1,354.9</b>

**Fund Balance**

25 <b>Operating Result</b>	<b>(10.5)</b>	<b>(3.8)</b>	<b>30.0</b>	<b>53.7</b>	<b>42.5</b>
26 Prior Year Fund Balance	39.5	28.9	25.1	55.1	108.8
<b>27 Total Fund Balance</b>	<b>28.9</b>	<b>25.1</b>	<b>55.1</b>	<b>108.8</b>	<b>151.3</b>
28 Stabilization Reserve	22.9	25.1	27.6	29.0	30.5
Reserve Percent	5.0%	4.8%	5.0%	5.0%	5.0%
29 Designated Fund Balance	1.8	-	-	-	-
<b>30 Available for reduction in education tax rates</b>	<b>4.3</b>	<b>-</b>	<b>27.5</b>	<b>52.3</b>	<b>68.5</b>
Maximum Reserve @ 5.0%	22.9	26.3	27.6	29.0	30.5
Minimum Reserve @ 3.5%	16.0	18.4	19.3	20.3	21.3



CHARLES P. SMITH, SECRETARY

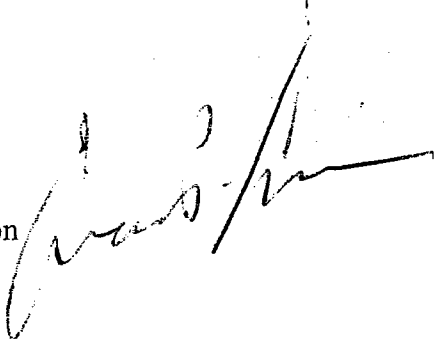
*JFO # 2225*

STATE OF VERMONT

AGENCY OF ADMINISTRATION

MEMORANDUM

**TO:** Joint Fiscal Committee  
**FROM:** Charlie Smith-Secretary of Administration  
**RE:** National Governors' Association Grant  
**DATE:** September 14, 2005



The National Governors' Association is a bi-partisan organization which, among other things, is working closely with all states on the issues of health care reform and Medicaid reform. The NGA has kindly offered to sponsor, for up to \$10,000, Governor Douglas' summit conference on health care reform which will be held at the Killington Grand Hotel on October 17, 2005. This sponsorship makes it possible for the event, including a box lunch, to be free to the participants.

The agenda for the Governor's conference is not complete at this time, but will feature short presentations by approximately a dozen individuals and organizations who have been working hard on different approaches to reform. It is our hope and intent that the legislative commission will accept an invitation to report on its work. In addition there will be table top discussions with reports at the day's end.

This event will be non-partisan. It is envisioned that around 200 invitees, from diverse organizations and with diverse points of view, will come as conferees and that others may come as observers. All members of the Legislative Health Care Reform Commission will be invited as well as an as yet undetermined number of other legislators with equal representation from both parties.

RECEIVED  
JOINT FISCAL OFFICE

SEP 14 2005

STATE OF VERMONT  
GRANT ACCEPTANCE FORM

JFO #  
2225

DATE: September 14, 2005

DEPARTMENT: Secretary's Office: Agency of Administration

GRANT/DONATION (brief description and purpose): The National Governors' Association is donating \$10,000 in support of a national health care summit to be held in Killington on 10/17/05. The NGA is a bipartisan organization involved in medicaid and health care issues throughout all 50 states. The summit will be a non-partisan event seeking a full range of views on health care reform.

GRANTOR/DONOR: National Governors' Association

GRANT PERIOD: One-time grant to support the summit on 10/17/05.

AMOUNT/VALUE: \$10,000

POSITIONS REQUESTED (LIMITED SERVICE): NONE

ANY ON-GOING, LONG-TERM COSTS TO THE STATE: NONE

COMMENTS:

DEPT. FINANCE AND MANAGEMENT:  
SECRETARY OF ADMINISTRATION:  
SENT TO JOINT FISCAL OFFICE:

(INITIAL) AAB / my  
(INITIAL) Sm  
(DATE) 9/14/05

SEP 14 2005

SEP 14 2005





*Mike Huckabee*  
Governor of Arkansas  
Chairman

*Janet Napolitano*  
Governor of Arizona  
Vice Chair

*Raymond C. Scheppach*  
Executive Director

September 13, 2005

Charlie Smith  
Secretary  
Agency of Administration  
109 State Street  
Montpelier, Vermont 05609-0201

Dear Secretary Smith:

We are pleased to provide a sponsorship grant for costs up to \$10,000 to sponsor the Governor's summit conference on health care reform scheduled for October 17, 2005 at the Killington Mountain Resort. As a nonpartisan organization, the National Governors Association (NGA) is actively and deeply involved with all 50 states in considering reforms with health care and Medicaid systems and are pleased to assist with Vermont's efforts.

Upon conclusion of the summit please submit an invoice to the attention Tess Moore at NGA to obtain reimbursement. Please include a summary of the costs to be reimbursed, as well as copies of the original receipts.

Sincerely,

Raymond C. Scheppach

SEP 14 2005

**STATE OF VERMONT**  
**REQUEST FOR GRANT ACCEPTANCE**  
 (use additional sheets as needed)

**FORM AA-1**  
 (Rev. 9-90)

1. **Agency:** Agency of Administration  
 2. **Department:** Secretary of Administration's Office  
 3. **Program:** Governor's Health Care Summit  
 4. **Legal Title of Grant:** Governor's Summit Conference on Health Care Reform  
 5. **Federal Catalog No.:**  
 6. **Grantor and Office Address:** National Governor's Association  
 Hall of the States  
 444 North Capitol Street, Suite 267  
 Washington, DC 20001-1512

7. **Grant Period:** From: Sept. 13, 2005 To: Dec. 31, 2005

8. **Purpose of Grant:** (attach additional sheets if needed)  
 To help support the Governor's Summit Conference on Health Care Reform

9. **Impact on Existing Programs if Grant is not Accepted:**  
 Conference may not occur

10. **Budget Information:**

	(1st State FY) FY 2006	(2nd State FY) FY 2007	(3rd State FY) FY 2008
--	---------------------------	---------------------------	---------------------------

**EXPENDITURES:**

Personal Services	\$	\$	\$
Operating Expenses	\$ 10,000.00	\$	\$
Grants	\$	\$	\$
<b>TOTAL</b>	<b>\$ 10,000.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

**REVENUES:**

State Funds:

Cash	\$	\$	\$
In-Kind	\$	\$	\$

Federal Funds:

(Direct Costs)	\$	\$	\$
(Statewide Indirect)	\$	\$	\$
(Department Indirect)	\$	\$	\$

Other Funds:

(source) Grant	\$ 10,000.00	\$	\$
----------------	--------------	----	----

<b>TOTAL</b>	<b>\$ 10,000.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
--------------	---------------------	----------------	----------------

Appropriation Nos.

Amounts

\$ 10,000.00  
 \$  
 \$

-over-

RECEIVED SEP 14 2005

11. Will grant monies be spent by one or more personal service contracts?

YES  NO

If YES, signature of appointing authority here indicates intent to follow current guidelines on bidding.

X

12a Please list any requested Limited Service positions:

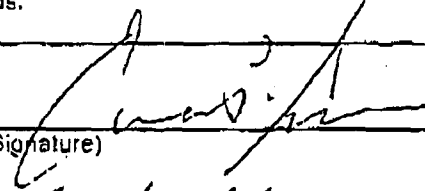
Titles	Number of Positions
TOTAL Positions	0

12b. Equipment and space for those positions:

Is presently available.  
 Can be obtained with available funds.

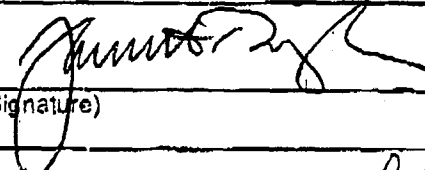
13. Signature of Appointing Authority

I certify that no funds have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant.

 9/14/05  
 (Signature) (Date)  
 Secretary of Administration  
 (Title)

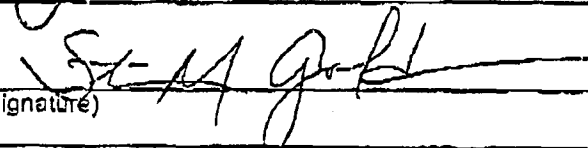
14. Action by Governor:

Approved  
 Rejected

 9/14/05  
 (Signature) (Date)

15. Secretary of Administration:

Request to JFO  
 Information to JFO

 9/14/05  
 (Signature) (Date)

16. Action by Joint Fiscal Committee:

(Dates)

Request to be placed on JFC agenda  
 Approved (not placed on agenda in 30 days)  
 Approved by JFC  
 Rejected by JFC  
 Approved by Legislature

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

(Signature) (Date)

RECEIVED SEP 14 2005

SEP 14 2005 14:43

PAGE.04

# Joint Fiscal Office

---

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

## MEMORANDUM

To: Representative Martha Heath, Chair, Members, Joint Fiscal Committee

From: Stephen A. Klein

Date: September 14, 2005

Subject: \$5,000,000 Transfer to the Transportation Fund under §257 of Act 71

Section 257 (a) (2) requires the Special Committee to address four conditions: the availability of reserve funds, the lack of sufficient state match; the time imperative, and the sufficiency of the general fund to meet other budget adjustment needs.

I have reviewed the administration materials on the proposed transfer and have the following comments:

- The General Fund Surplus reserve are consistent with the administration memo;
- The state will have about a \$13 million shortfall in match resources if the new federal funds were to be matched. On top of this the revenue adjustment in July creates an additional \$ 5 million revenue problem for the Transportation Fund. The need for transportation funds is very real.
- The urgency of funding is an area you will need to hear more about from the administration. There is no risk of losing the federal funds if appropriations are not made now but the timing could be an issue in getting projects started.
- The statutory language refers to the general funds being needed for other budget adjustment needs. The language does not call for consideration of FY 2007 shortfalls. It should be noted that the additional surpluses could be very important as we address FY 2007 budget needs.

Overall, based on the statutory language focusing on budget adjustment needs, and assuming there is a time urgency to deal with, I would agree the transfer is appropriate.

## Sec. 27. TRANSITION REPORTS

(a) The department of taxes shall file with the House Committees on Ways and Means and Appropriations, and with the Senate Committees on Finance and Appropriations reports on the following:

(1) By January 15, 2006, tax expenditures reported under the personal and corporate income tax with the information required by 32 V.S.A. § 312 for the most recent fiscal year available and such other tax expenditures for which the joint fiscal office and the tax department jointly have produced revenue estimates.

(2) By January 15, 2007, tax expenditures reported under the personal and corporate income tax and sales and use tax, with the information required by 32 V.S.A. § 312 for the most recent fiscal year available and such other tax expenditures for which the joint fiscal office and the tax department jointly have produced revenue estimates.

(3) By January 15, 2008, tax expenditures reported under the personal and corporate income tax, sales and use tax, meals and rooms tax, and education property tax, with the information required by 32 V.S.A. § 312 for the most recent fiscal year available and such other tax expenditures for which the joint fiscal office and the tax department jointly have produced revenue estimates.

(b) For each of the joint fiscal committee's September 2005, 2006, and 2007 meetings, the joint fiscal office and the tax department shall file a joint report identifying specific tax expenditures or categories of expenditures in addition to those reported to the tax department for which revenue estimates shall be included in the next report or subsequent reports filed with the legislative committees.

SAFETEA-LU  
TRANSPORTATION REAUTHORIZATION  
EARMARK SUMMARY

Description	Sponsor	Project #	Federal Earmark	Category
Bethel, replace br on Vt Rte 12, over NECR & White River	Jeffords	BRF 0241(33), C/2	\$ 3,900,000	Discretionary
Bristol, replace steel truss br on Rte 116	Jeffords	BRF 021-1(15)	\$ 6,000,000	Discretionary
Cornwall, replace br on Rte 125, Lemon Fair River	Jeffords	BRS 0172(6)	\$ 4,000,000	Discretionary
Huntington, replace East Street Bridge	Jeffords	BRO 1445(29)	\$ 2,500,000	Discretionary
Missisquoi Bay Bridge, finish rebuilding	All	BRF 036-1(1)	\$ 18,000,000	Discretionary
Reading, replace br on Vt Rte 44, Mill Brook	Jeffords	BRS 0148(6)	\$ 2,100,000	Discretionary
Rutland City, new br on River St, Otter Creek	Jeffords		\$ 5,000,000	Discretionary
Springfield, Community Center Bridge	Jeffords		\$ 1,000,000	Discretionary
Stockbridge, replace br on Vt Rte 100, White River	Jeffords	BRF 013-4(21)	\$ 3,000,000	Discretionary
Tunbridge, replace br on Vt Rte 110, 1st Branch of White River	Jeffords	BRS 0169(6)	\$ 4,500,000	Discretionary
			\$ 50,000,000	<b>Discretionary Total</b>
Bellows Falls, improvements to tunnel and track	Jeffords		\$ 2,000,000	High Priority
Bennington Bypass, north leg	Jeffords	NH F 019-1(5)	\$ 20,000,000	High Priority
Berlin, Coordinated Use Facility	Jeffords/Leahy		\$ 2,000,000	High Priority
Brandon/Pittsford, Rte 7 improvements	Jeffords	NH 019-3(49)	\$ 15,000,000	High Priority
Burlington Church Street	Leahy		\$ 6,000,000	High Priority
Burlington Waterfront	Leahy		\$ 3,500,000	High Priority
Burlington, Exit 14E	Leahy	IM 089-3(37)	\$ 4,000,000	High Priority
Charlotte, Rte 7 improvements	Jeffords	FEGC 019-4(20)	\$ 4,000,000	High Priority
Clarendon, creation of roundabout, Rte 7 and 103	Jeffords			High Priority
Colchester Rte 15, Campus Connector Rd.	Leahy	TCSE(7)	\$ 1,000,000	High Priority
ConnectVT	Leahy		\$ 10,000,000	High Priority
Cross Vermont Trail	Sanders		\$ 1,108,800	High Priority
Danville, US Rte 2	Leahy	FEGC 028-3(32)	\$ 5,000,000	High Priority
Derby, I-91	Jeffords/Leahy		\$ 6,000,000	High Priority
Essex Downtown, Vt 15, 2A and 117	Leahy	STP 5300(9)	\$ 1,000,000	High Priority
Hartford, I-91 to Canadian border	Jeffords		\$ 15,000,000	High Priority
Hartford, reconstr and widen US Rte 5	Sanders	RS 0113(40)	\$ 1,200,000	High Priority
Johnson br, VT 15, Main St bridge	Leahy	BRF 030-2(17)S	\$ 3,600,000	High Priority
Johnson, Pearl Street bridge	Leahy	BHO 1448(29)	\$ 1,400,000	High Priority
Lamoille Valley Rail Trail	Sanders		\$ 5,814,789	High Priority
Lunenburg, Richer Rd/US Rte 2	Jeffords	STP 2301(1)	\$ 2,000,000	High Priority
Manchester and Clarendon, 2 roundabouts	Jeffords	STP 0137(17)	\$ 2,500,000	High Priority
Montpelier Downtown Redevelopment	Jeffords/Leahy		\$ 4,000,000	High Priority
Rutland, improvements to US4 and US7	Sanders	STP 019-3(57)	\$ 2,848,000	High Priority
Smuggler's Notch, 2 interpretive centers	Sanders		\$ 868,411	High Priority
South Burlington, US Rte 2/I-89 interchange	Leahy		\$ 3,000,000	High Priority
St. Albans, bypass to route milk truck traffic	Sanders		\$ 960,000	High Priority
St. Albans, improve Federal St.	Jeffords		\$ 1,500,000	High Priority
St. Lawrence/Atlantic RR upgrades in NE Vermont	Jeffords/Leahy		\$ 5,000,000	High Priority
Swanton, design and constr dry span bridge/wildlife	Jeffords/Leahy		\$ 5,000,000	High Priority
Vermont Park/Ride Improvements	Jeffords		\$ 2,500,000	High Priority
			\$ 137,800,000	<b>High Priority Total</b>
Albany, replace br #30, Black River, Town Farm Rd	Jeffords	BRO 1449(23)	\$ 730,000	Trans. Improvement
Alburg, streetscape improvements	Jeffords		\$ 330,000	Trans. Improvement
Barnard, rehab br #8, Broad Brook	Jeffords	BHO 1444(40)	\$ 490,000	Trans. Improvement
Barre Town, replace Bridge Street br., Stevens Branch	Jeffords		\$ 2,000,000	Trans. Improvement
Barton, replace br #61, Willoughby River, East St	Jeffords	BRO 1449(29)	\$ 1,290,000	Trans. Improvement
Bennington Welcome Center	Jeffords		\$ 6,500,000	Trans. Improvement
Bradford, rehab br #22, Waits River	Jeffords	TH3, 9641	\$ 1,130,000	Trans. Improvement
Brattleboro, phase 1 reconst of Main Street	Jeffords		\$ 3,000,000	Trans. Improvement
Burke, replace br #16 & #17, Dish Mill Brook	Jeffords	BRZ 1447(15)	\$ 1,600,000	Trans. Improvement
Cabot, rehab Saw Mill Road br, Winooski River	Jeffords	BRO 1446(27)	\$ 760,000	Trans. Improvement
Cambridge/Johnson, road improvements, Hogback Rd.	Jeffords		\$ 585,000	Trans. Improvement
Cavendish, replace br #45 on Egan Rd., Black River	Jeffords	BRO 1442(23)	\$ 1,140,000	Trans. Improvement
Cedar Creek Vt monument in Virginia	Jeffords		\$ 2,000,000	Trans. Improvement
Champlain Water District, water improvements	Jeffords		\$ 3,000,000	Trans. Improvement
Charleston, replace br #16, Mud Brook	Jeffords	BRO 1449(22)	\$ 650,000	Trans. Improvement
Charlotte, rehab Quinlan Covered Br on Spear St.	Jeffords		\$ 500,000	Trans. Improvement

SAFETEA-LU  
TRANSPORTATION REAUTHORIZATION  
EARMARK SUMMARY

<u>Description</u>	<u>Sponsor</u>	<u>Project #</u>	<u>Federal Earmark</u>	<u>Category</u>
Chester, replace br #63, Flamstead Rd., Williams River	Jeffords	BRO 1442(31)	\$ 810,000	Trans. Improvement
Clarendon, replace br #24, Clarendon Springs Lane	Jeffords	BRO 1443(34)	\$ 730,000	Trans. Improvement
Colchester, Vt Local Roads Program, water pollution	Jeffords		\$ 3,000,000	Trans. Improvement
Corinth, replace br #34, South Branch of Waits River	Jeffords	BRO 1447(22)	\$ 980,000	Trans. Improvement
East Alburg Rail Bridge	Jeffords		\$ 5,000,000	Trans. Improvement
Enosburg Falls, streetscaping and road improvements	Jeffords		\$ 1,000,000	Trans. Improvement
Granville, replace Handly Rd br, 3rd branch of White River	Jeffords	BRO 1444(34)	\$ 500,000	Trans. Improvement
Green Mountain Rail line, improvements to track, br.	Jeffords		\$ 2,500,000	Trans. Improvement
Guilford, replace br #56, Broad Brook	Jeffords	BRO 1442(24)	\$ 890,000	Trans. Improvement
Hardwick, phase 2, multi-use trail	Jeffords		\$ 1,000,000	Trans. Improvement
Hartford, improve n/s rest areas	Jeffords		\$ 6,500,000	Trans. Improvement
Interstate Improvements	Jeffords		\$ 10,000,000	Trans. Improvement
Jamaica, br #33, Eaton Rd., Wardsboro Brook	Jeffords	BRO 1442(27)	\$ 640,000	Trans. Improvement
Jericho, improve Rte 15	Jeffords		\$ 750,000	Trans. Improvement
Lincoln, replace br #48, Gove Hill Rd	Jeffords	BRO 1445(25)	\$ 1,100,000	Trans. Improvement
Middlebury/Weybridge, rehab cov. Br, Pulp Mill	Jeffords		\$ 1,800,000	Trans. Improvement
Montgomery, replace br. #24, Pacific Brook/Nutting Rd.	Jeffords	BRO 1448(20)	\$ 770,000	Trans. Improvement
Montgomery, replace Creamery/West Hill Bridge	Jeffords		\$ 450,000	Trans. Improvement
Morrisville, new sidewalk, school to village	Jeffords		\$ 500,000	Trans. Improvement
New Haven/Weybridge, rehab Ethan Allen Highway br.	Jeffords	BHO BTN 2005(1)	\$ 1,340,000	Trans. Improvement
Newfane, rehab Williamsville Covered Bridge, Rock River	Jeffords	BHF 0106(4)	\$ 1,600,000	Trans. Improvement
Randolph, rehab Gifford Covered Br, Hyde Road	Jeffords		\$ 500,000	Trans. Improvement
Randolph, rehab Kingsbury Covered Br, Kingsbury Rd	Jeffords		\$ 450,000	Trans. Improvement
Reading, replace br #25, Mill Brook	Jeffords	BHO 1444(23)	\$ 680,000	Trans. Improvement
Readsboro, br work, TH3, West Branch of Deerfield River	Jeffords	BHO 1441(25)	\$ 940,000	Trans. Improvement
Ripton, widen br #17, South Branch of Middlebury Riv	Jeffords	FH 010-1(2)	\$ 660,000	Trans. Improvement
Rockingham, rehab Worrall Covered Bridge, Williams Riv	Jeffords		\$ 500,000	Trans. Improvement
Rutland Rail, Middlebury Spur, ABRB track improvements	Jeffords		\$ 30,000,000	Trans. Improvement
Shrewsbury, bridge work on Lincoln Hill Road	Jeffords	TH2, 9358	\$ 600,000	Trans. Improvement
South Burlington, city center project	Jeffords	STP 5200(17)	\$ 5,000,000	Trans. Improvement
South Hero, Island Line South St improvements	Jeffords		\$ 2,000,000	Trans. Improvement
St. Johnsbury, replace Depot Hill Rd br over Passumpsic	Jeffords	BRO 1447(19)	\$ 1,700,000	Trans. Improvement
Stowe, new sidewalks	Jeffords		\$ 835,000	Trans. Improvement
Stowe, rehab Miller Brook Bridge	Jeffords	BHO 1446(30)	\$ 1,000,000	Trans. Improvement
Sunderland, replace br 14, Roaring Branch Brook	Jeffords	BRF 0114(2)	\$ 1,500,000	Trans. Improvement
Vershire, replace br #20, Ompompanoosuc River	Jeffords	BRO 1444(32)	\$ 320,000	Trans. Improvement
Wallingford, replace br #50, Elm St., Otter Creek	Jeffords	BRO 1443(31)	\$ 750,000	Trans. Improvement
West Windsor, rehab Bowers Covered Bridge	Jeffords		\$ 450,000	Trans. Improvement
Woodstock, rehab br #50 on US4, Ottauquechee River	Jeffords	BHF 020-2(32)	\$ 2,700,000	Trans. Improvement
Woodstock, rehab Taftsville Covered Bridge	Jeffords		\$ 1,500,000	Trans. Improvement
Woodstock, VINS, turning lane	Jeffords		\$ 300,000	Trans. Improvement
			\$ 119,950,000	<b>Trans. Imp. Total</b>
Brattleboro, complete transp. center & rehab station	Jeffords		\$ 1,000,000	Transit
CCTA	Jeffords/Leahy		\$ 2,000,000	Transit
Vermont buses, over 4 years '06-'09	Jeffords/Leahy		\$ 1,610,000	Transit
			\$ 4,610,000	<b>Transit Total</b>
			\$ 312,360,000	<b>Grand Total</b>

<b>Transportation Fund - Transfers to General Fund and JTOC Appropriations</b>					
	(1)	(2)	(3)	(4)	
Fiscal Year	Transfer General Fund to T-Fund	Transfer T-Fund to General Fund	Net transfer (1) (2)	JTOC Appropriations	JTOC Pct*
1976	0	250,000	(250,000)		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	1,500,000	0	1,500,000		
1981	6,781,641	0	6,781,641		
1982	0	0	0		
1983	0	0	0		
1984	869,000	0	869,000		
1985	0	869,000	(869,000)		
1986	2,000,000	2,000,000	0		
1987	1,307,324	0	1,307,324		
1988	0	0	0		
1989	0	0	0		
1990	1,650,000	0	1,650,000		
1991	1,350,000	0	1,350,000		
1992	0	0	0	21,229,090	
1993	0	0	0	28,167,261	
1994	0	21,409,195	(21,409,195)	28,562,400	
1995	0	1,500,000	(1,500,000)	34,073,825	22.0%
1996	0	6,650,000	(6,650,000)	37,531,398	23.0%
1997	4,900,000	0	4,900,000	40,043,644	24.0%
1998	1,939,836	0	1,939,836	39,745,857	25.0%
1999	0	143,000	(143,000)	40,116,874	25.0%
2000	0	0	0	40,200,042	24.5%
2001	6,150,000	0	6,150,000	44,053,971	24.5%
2002	15,750,000	0	15,750,000	46,018,564	23.0%
2003	0	6,449,528	(6,449,528)	41,798,572	21.0%
2004	3,408,000	0	3,408,000	43,214,107	20.5%
2005	1,365,000		1,365,000	38,994,125	19.0%
2006					18.0%
<b>Total 1976-05</b>	<b>48,970,801</b>	<b>39,270,723</b>	<b>9,700,078</b>		
<b>Last 10 years</b>	<b>33,512,836</b>	<b>13,242,528</b>	<b>20,270,308</b>	<b>411,717,154</b>	

\*The percentage cap to JTOC appropriations first came into operation in FY-99. The percentage figures prior to FY-99 are just the JTOC appropriations as a rounded percent of total transportation fund appropriations.





STATE OF VERMONT  
AGENCY OF ADMINISTRATION

September 14, 2005

Joint Fiscal Committee  
1 Baldwin Street  
Montpelier, VT 05633

Dear Joint Fiscal Committee:

In accordance with 2005 Act 71 Sec. 257, the Secretary of Administration is requesting approval from the Special Committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Committees on Transportation to transfer \$5,000,000.00 in general funds from the Fiscal Year 2005 general fund reserve, established pursuant to 32 V.S.A. Sec. 308c(a), to the transportation fund.

Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU) has resulted in additional federal funds becoming available for Vermont.

The Secretary of Administration finds that the four conditions in Sec. 257(a)(2), listed below, have been met:

**Sec. 257 (a)(2)(A) The general fund surplus reserve has sufficient funds:** \$19.64 million of FY05 general fund reserve can be used for FY06 one-time items;

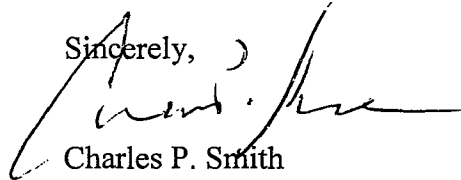
**Sec. 257 (a)(2)(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006:** Appropriating additional state funds in the amount of \$5,000,000 for match to transportation projects could allow additional projects to advance in state fiscal year 2006;

**Sec. 257 (a)(2)(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interest of Vermont:** AOT needs to complete the construction contracting process for approximately 40 projects throughout the fall and winter months. This process can take as long as 22 weeks from pre-final plans to contract execution. Please see the attached AOT project list showing project bid dates. Prompt action is needed to ensure that the construction contracting process for these projects can be completed throughout the fall and winter so that work can begin as early in the spring of 2006 as possible;

**Sec. 257 (a)(2)(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds:** We estimate that FY06 general fund reserve will be approximately \$40 million, including the \$19.64 million from FY05. Currently we are tracking several known budget adjustment items which we estimate will total less than \$20 million, including: Medicaid; increased fuel prices impacting LIHEAP; Transportation revenue down turn; and re-classification of positions in Corrections. Department submissions for budget adjustments, including the items noted above, are due to the Secretary's office on September 28, 2005 for review.

The information leading to this finding will be made available to the Special Committee prior to the September 15, 2005 Joint Fiscal Committee meeting.

Sincerely, )



Charles P. Smith  
Secretary of Administration

**FY06 PRIORITY PROJECTS NEEDING ADDITIONAL STATE FUNDS BASED ON PASSAGE OF NEW FEDERAL BILL (SAFETEA-LU)**

Program	Project Name	Project Number	Total Est Cost	Additional SFY06 State			Projected Bid Date	Earmark	In SFY06 Program?
				Federal	State	Local			
INTERSTATE BRIDGE	GUILFORD	IM 091-1(33)	\$ 6,100,000	\$ 5,490,000	\$ 610,000	\$ -	15-Jan-06	TI	D&E
INTERSTATE BRIDGE	RICHMOND	IM 089-2( )	\$ 1,380,000	\$ 1,242,000	\$ 138,000	\$ -	15-Mar-06	TI	D&E
<b>INTERSTATE BRIDGE Total</b>			<b>\$ 7,480,000</b>	<b>\$ 6,732,000</b>	<b>\$ 748,000</b>	<b>\$ -</b>			
LTF	NEWFANE	STP WALK(5)	\$ 420,000	\$ 336,000	\$ 42,000	\$ 42,000	15-Mar-06	N	FRONT
LTF	WEST RUTLAND	STP BIKE (43)	\$ 824,000	\$ 659,200	\$ 82,400	\$ 82,400	19-Jan-06	N	FRONT
LTF	WOODSTOCK	STP BIKE (30)	\$ 196,800	\$ 157,440	\$ 19,680	\$ 19,680	6-Apr-06	N	FRONT
LTF	MONTPELIER-BERLIN	STP BIKE(33)	\$ 2,845,000	\$ 2,276,000	\$ 284,500	\$ 284,500	7-Mar-07	N	FRONT
LTF	WINOOSKI	STP 5100(10)	\$ 2,650,000	\$ 2,120,000	\$ 265,000	\$ 265,000	N/A	N	FRONT
LTF	BARRE TOWN	STP BIKE(38)	\$ 1,717,649	\$ 1,374,119	\$ 171,765	\$ 171,765	N/A	N	FRONT
LTF	BRATTLEBORO	STP BIKE(27)	\$ 724,069	\$ 579,255	\$ 72,407	\$ 72,407	N/A	N	FRONT
<b>LTF Total</b>			<b>\$ 9,377,518</b>	<b>\$ 7,502,014</b>	<b>\$ 937,752</b>	<b>\$ 937,752</b>			
PAVING	HARTFORD-ROYALTON	STP 2121 (1)S	\$ 3,740,000	\$ 2,992,000	\$ 748,000	\$ -	26-Oct-05	N	FRONT
PAVING	FAYSTON-WAITSFIELD	STP 2406	\$ 400,000	\$ 320,000	\$ 80,000	\$ -	4-Jan-06	N	SHELF
PAVING	WAITSFIELD-MORETOWN	STP 2227	\$ 2,190,000	\$ 1,752,000	\$ 438,000	\$ -	4-Jan-06	N	SHELF
PAVING	GUILFORD-BRATTLEBORO	IM 091-1(51)	\$ 4,030,000	\$ 3,627,000	\$ 403,000	\$ -	30-Nov-05	Possible - TI	FRONT
PAVING	MORGAN-BRIGHTON	STP 2404(1)	\$ 1,420,000	\$ 1,136,000	\$ 284,000	\$ -	?	N	D&E
PAVING	CAMBRIDGE BELVIDERE	STP 2219(1)S	\$ 3,100,000	\$ 2,480,000	\$ 620,000	\$ -	15-Feb-06	Waterfall	D&E
PAVING	COLCHESTER-GEORGIA	IM 089-3(39)	\$ 3,020,000	\$ 2,718,000	\$ 302,000	\$ -	16-Nov-05	Possible - TI	FRONT
PAVING	WALLINGFORD-RUTLAND TOWN	NH 2408	\$ 2,720,000	\$ 2,176,000	\$ 544,000	\$ -	14-Dec-05	N	SHELF
PAVING	COLCHESTER	STP 2307	\$ 570,000	\$ 456,000	\$ 114,000	\$ -	15-Mar-06	N	D&E
PAVING	WINOOSKI	STP 2307	\$ 470,000	\$ 376,000	\$ 94,000	\$ -	15-Mar-06	N	D&E
PAVING	SPRINGFIELD	STP 2405(1)S	\$ 920,000	\$ 736,000	\$ 184,000	\$ -	15-Feb-06	N	D&E
PAVING	ESSEX	NH 2403	\$ 1,560,000	\$ 1,248,000	\$ 312,000	\$ -	1-Mar-06	N	SHELF
PAVING	MARSHFIELD-CABOT	NH 2104	\$ 5,370,000	\$ 4,296,000	\$ 1,074,000	\$ -	?	N	FRONT
PAVING	DANVILLE	NH 2205(1)	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -		N	D&E
PAVING	CASTLETON-SUDBURY	STP 2402(1)	\$ 4,380,000	\$ 3,504,000	\$ 876,000	\$ -		N	D&E
<b>PAVING Total</b>			<b>\$ 35,490,000</b>	<b>\$ 29,097,000</b>	<b>\$ 6,393,000</b>	<b>\$ -</b>			
ROADWAY	SHARON-STRAFFORD	STP 0177(6)	\$ 4,110,600	\$ 3,332,875	\$ 366,665	\$ 411,060		N	FRONT
ROADWAY	NORTH BENNINGTON	STP 9646(1)	\$ 1,625,000	\$ 1,300,000	\$ 162,500	\$ 162,500	15-Mar-05	N	FRONT
ROADWAY	HARTFORD-NEWBURY	IM IR 091-2(6)	\$ 1,625,000	\$ 1,462,500	\$ 162,500	\$ -	15-Dec-05	Possible - HP	FRONT
ROADWAY	LUNENBURG	STP 2301(1)S	\$ 2,450,000	\$ 1,960,000	\$ 245,000	\$ 245,000	15-Dec-05	HP	SHELF
ROADWAY	OLD BENNINGTON	STP 1400(5)S	\$ 925,000	\$ 702,000	\$ 88,000	\$ 135,000	15-Jan-06	N	SHELF
ROADWAY	WATERBURY	FECC-F 013-4(13)	\$ 112,000	\$ 106,400	\$ 3,360	\$ 2,240	N/A	N	D&E
ROADWAY	HIGHGATE-FRANKLIN	STP RS 0301(1)SA	\$ 7,300,000	\$ 5,900,000	\$ 1,400,000	\$ -	N/A	N	FRONT
ROADWAY	CIRC - WILLISTON-ESSEX	NH 033-1 (17)	\$ 1,947,826	\$ 1,558,261	\$ 389,565	\$ -	N/A	N	D&E
ROADWAY	CIRC - WILLISTON-ESSEX	IM 089-2(12)	\$ 852,174	\$ 766,957	\$ 85,217	\$ -	N/A	N	D&E
ROADWAY	CIRC - ESSEX-WILLISTON-EIS	NH 022-1(24)				\$ 400,000	N/A	N	FRONT
ROADWAY	BENNINGTON - SOUTH	NH F019-1(4)				\$ 200,000	N	D&E	
<b>ROADWAY Total</b>			<b>\$ 22,642,600</b>	<b>\$ 18,444,992</b>	<b>\$ 3,241,808</b>	<b>\$ 955,800</b>			
RR X-ING	MANCHESTER	STP 0171(02)	\$ 8,738	\$ 7,864	\$ 874	\$ -	N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 1200(4)	\$ 19,374	\$ 17,436	\$ 1,938	\$ -	N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 2031(10)	\$ 18,763	\$ 16,886	\$ 1,877	\$ -	N/A	N	FRONT
RR X-ING	SHAFTSBURY	STP 2031(11)	\$ 20,671	\$ 18,604	\$ 2,067	\$ -	N/A	N	FRONT
RR X-ING	MANCHESTER	STP 2031(12)	\$ 19,780	\$ 17,802	\$ 1,978	\$ -	N/A	N	FRONT
RR X-ING	ROYALTON	STP 2034(14)	\$ 260,502	\$ 45,000	\$ 5,000	\$ -	N/A	N	FRONT
<b>RR X-ING Total</b>			<b>\$ 347,828</b>	<b>\$ 123,592</b>	<b>\$ 13,734</b>	<b>\$ -</b>			
STATE BRIDGE	BUELS GORE	ST CULV(1)	\$ 404,500	\$ 323,600	\$ 80,900	\$ -	10-Apr-06	N	FRONT
STATE BRIDGE	LYNDON	BRS 0269(8)S	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	21-Oct-05	Waterfall	D&E
STATE BRIDGE	READING	BRS 0148(6)S	\$ 1,720,440	\$ 1,376,352	\$ 344,088	\$ -	17-Feb-06	DB	D&E
STATE BRIDGE	DUXBURY	STP 013-4(24)	\$ 170,000	\$ 136,000	\$ 34,000	\$ -	10-Oct-05	N	D&E
STATE BRIDGE	MONTGOMERY	BRF 0283(8)	\$ 1,711,000	\$ 1,368,800	\$ 342,200	\$ -	18-Nov-05	N	SHELF
STATE BRIDGE	FAYSTON	BHF 0200(9)	\$ 1,380,495	\$ 1,104,396	\$ 276,099	\$ -	15-Feb-06	N	SHELF
STATE BRIDGE	LYNDON	BRF 0269(10)	\$ 1,395,000	\$ 1,116,000	\$ 279,000	\$ -	17-Feb-06	N	D&E
STATE BRIDGE	WHITINGHAM	STP ST CULV(6)	\$ 500,000	\$ 400,000	\$ 100,000	\$ -	1-Mar-06	N	FRONT
<b>STATE BRIDGE Total</b>			<b>\$ 13,936,955</b>	<b>\$ 11,149,564</b>	<b>\$ 2,787,391</b>	<b>\$ -</b>			
T.H. BRIDGE	WALLINGFORD	BRO 1443(31)	\$ 625,000	\$ 500,000	\$ 62,500	\$ 62,500	7-Oct-05	TI	D&E
T.H. BRIDGE	CLARENDON	BRO 1443(34)	\$ 609,375	\$ 487,500	\$ 60,938	\$ 60,938	14-Oct-05	TI	D&E
T.H. BRIDGE	MORRISVILLE	BRZ 1446(15)	\$ 510,000	\$ 408,000	\$ 51,000	\$ 51,000	1-Dec-05	N	D&E
T.H. BRIDGE	MONTGOMERY	BRO 1448(20)	\$ 610,000	\$ 488,000	\$ 61,000	\$ 61,000	4-Nov-05	TI	D&E
T.H. BRIDGE	SUNDERLAND	BRF 0114(2)	\$ 1,087,247	\$ 869,798	\$ 108,725	\$ 108,725	4-Nov-05	TI	D&E
T.H. BRIDGE	CAVENDISH	BRO 1442(23)	\$ 912,000	\$ 729,600	\$ 91,200	\$ 91,200	19-Dec-05	TI	D&E
T.H. BRIDGE	CHARLESTON	BRO 1449(22)	\$ 437,500	\$ 350,000	\$ 43,750	\$ 43,750	2-Jan-06	TI	D&E
T.H. BRIDGE	GRANVILLE	BRO 1444(34)	\$ 339,000	\$ 271,200	\$ 33,900	\$ 33,900	1-Feb-06	TI	D&E
T.H. BRIDGE	ST. JOHNSBURY	BRO 1447(19)	\$ 1,524,726	\$ 1,219,781	\$ 152,473	\$ 152,473	1-Feb-06	TI	D&E
T.H. BRIDGE	VERSHIRE	BRO 1444(32)	\$ 226,000	\$ 180,800	\$ 22,600	\$ 22,600	1-Feb-06	TI	C&D
<b>T.H. BRIDGE Total</b>			<b>\$ 16,964,201</b>	<b>\$ 13,763,031</b>	<b>\$ 1,600,585</b>	<b>\$ 1,600,585</b>			
TRAFFIC OPERATIONS	HARTFORD-NEWBURY	IM 091-2(14)	\$ 1,624,380	\$ 1,299,504	\$ 324,876	\$ -	15-Jan-06	N	SHELF
<b>TRAFFIC OPERATIONS Total</b>			<b>\$ 3,976,063</b>	<b>\$ 3,651,187</b>	<b>\$ 324,876</b>	<b>\$ -</b>			
<b>Grand Total</b>			<b>\$ 111,217,165</b>	<b>\$ 91,063,381</b>	<b>\$ 16,449,145</b>	<b>\$ 3,494,137</b>			

# Joint Fiscal Office

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

## MEMORANDUM

To: Representative Martha Heath, Chair, Members, Joint Fiscal Committee

From: Stephen A. Klein

Date: September 14, 2005

Subject: \$5,000,000 Transfer to the Transportation Fund under §257 of Act 71

Section 257 (a) (2) requires the Special Committee to address four conditions: the availability of reserve funds, the lack of sufficient state match; the time imperative, and the sufficiency of the general fund to meet other budget adjustment needs.

I have reviewed the administration materials on the proposed transfer and have the following comments:

- The General Fund Surplus reserve are consistent with the administration memo;
- The state will have about a \$13 million shortfall in match resources if the new federal funds were to be matched. On top of this the revenue adjustment in July creates an additional \$ 5 million revenue problem for the Transportation Fund. The need for transportation funds is very real.
- The urgency of funding is an area you will need to hear more about from the administration. There is no risk of losing the federal funds if appropriations are not made now but the timing could be an issue in getting projects started.
- The statutory language refers to the general funds being needed for other budget adjustment needs. The language does not call for consideration of FY 2007 shortfalls. It should be noted that the additional surpluses could be very important as we address FY 2007 budget needs.

Overall, based on the statutory language focusing on budget adjustment needs, and assuming there is a time urgency to deal with, I would agree the transfer is appropriate.



STATE OF VERMONT  
AGENCY OF ADMINISTRATION

September 14, 2005

Joint Fiscal Committee  
1 Baldwin Street  
Montpelier, VT 05633

Dear Joint Fiscal Committee:

In accordance with 2005 Act 71 Sec. 257, the Secretary of Administration is requesting approval from the Special Committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Committees on Transportation to transfer \$5,000,000.00 in general funds from the Fiscal Year 2005 general fund reserve, established pursuant to 32 V.S.A. Sec. 308c(a), to the transportation fund.

Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU) has resulted in additional federal funds becoming available for Vermont.

The Secretary of Administration finds that the four conditions in Sec. 257(a)(2), listed below, have been met:

**Sec. 257 (a)(2)(A) The general fund surplus reserve has sufficient funds:** \$19.64 million of FY05 general fund reserve can be used for FY06 one-time items;

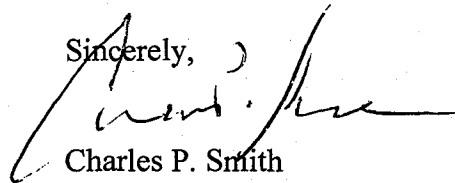
**Sec. 257 (a)(2)(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006:**  
Appropriating additional state funds in the amount of \$5,000,000 for match to transportation projects could allow additional projects to advance in state fiscal year 2006;

**Sec. 257 (a)(2)(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interest of Vermont:** AOT needs to complete the construction contracting process for approximately 40 projects throughout the fall and winter months. This process can take as long as 22 weeks from pre-final plans to contract execution. Please see the attached AOT project list showing project bid dates. Prompt action is needed to ensure that the construction contracting process for these projects can be completed throughout the fall and winter so that work can begin as early in the spring of 2006 as possible;

**Sec. 257 (a)(2)(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds:** We estimate that FY06 general fund reserve will be approximately \$40 million, including the \$19.64 million from FY05. Currently we are tracking several known budget adjustment items which we estimate will total less than \$20 million, including: Medicaid; increased fuel prices impacting LIHEAP; Transportation revenue down turn; and re-classification of positions in Corrections. Department submissions for budget adjustments, including the items noted above, are due to the Secretary's office on September 28, 2005 for review.

The information leading to this finding will be made available to the Special Committee prior to the September 15, 2005 Joint Fiscal Committee meeting.

Sincerely,



Charles P. Smith  
Secretary of Administration

**FY06 PRIORITY PROJECTS NEEDING ADDITIONAL STATE FUNDS BASED ON PASSAGE OF NEW FEDERAL BILL (SAFETEA-LU)**

Program	Project Name	Project Number	Total Est Cost	Federal	State	Local	Additional SFY06 State Estimated	Projected Bid Date	Earmark	In SFY06 Program?
INTERSTATE BRIDGE	GUILFORD	IM 091-1(33)	\$ 6,100,000	\$ 5,490,000	\$ 610,000	\$ -	\$ 100,000	15-Jan-06	TI	D&E
INTERSTATE BRIDGE	RICHMOND	IM 089-2( )	\$ 1,380,000	\$ 1,242,000	\$ 138,000	\$ -	\$ 25,000	15-Mar-06	TI	D&E
<b>INTERSTATE BRIDGE Total</b>			<b>\$ 7,480,000</b>	<b>\$ 6,732,000</b>	<b>\$ 748,000</b>	<b>\$ -</b>	<b>\$ 125,000</b>			
LTF	NEWFANE	STP WALK(6)	\$ 420,000	\$ 338,000	\$ 42,000	\$ -	\$ 6,690	15-Mar-06	N	FRONT
LTF	WEST RUTLAND	STP BIKE (43)	\$ 824,000	\$ 659,200	\$ 82,400	\$ 82,400	\$ 33,450	19-Jan-06	N	FRONT
LTF	WOODSTOCK	STP BIKE (30)	\$ 196,800	\$ 157,440	\$ 19,680	\$ 19,680	\$ 7,400	6-Apr-06	N	FRONT
LTF	MONTPELIER-BERLIN	STP BIKE(33)	\$ 2,845,000	\$ 2,276,000	\$ 284,500	\$ 284,500	\$ 14,720	7-Mar-07	N	FRONT
LTF	WINOOSKI	STP 5100(10)	\$ 2,650,000	\$ 2,120,000	\$ 265,000	\$ 265,000	\$ 150,000	N/A	N	FRONT
LTF	BARRE TOWN	STP BIKE(38)	\$ 1,717,649	\$ 1,374,119	\$ 171,765	\$ 171,765	\$ 99,000	N/A	N	FRONT
LTF	BRATTLEBORO	STP BIKE(27)	\$ 724,069	\$ 579,255	\$ 72,407	\$ 72,407	\$ 8,920	N/A	N	FRONT
<b>LTF Total</b>			<b>\$ 9,377,518</b>	<b>\$ 7,502,014</b>	<b>\$ 937,752</b>	<b>\$ 937,752</b>	<b>\$ 320,180</b>			
PAVING	HARTFORD-ROYALTON	STP 2121 (1)S	\$ 3,740,000	\$ 2,992,000	\$ 748,000	\$ -	\$ 374,000	26-Oct-05	N	FRONT
PAVING	FAYSTON-WAITSFIELD	STP 2406	\$ 400,000	\$ 320,000	\$ 80,000	\$ -	\$ 20,000	4-Jan-06	N	SHELF
PAVING	WAITSFIELD-MORETOWN	STP 2227	\$ 2,190,000	\$ 1,752,000	\$ 438,000	\$ -	\$ 109,500	4-Jan-06	N	SHELF
PAVING	GUILFORD-BRATTLEBORO	IM 091-1(51)	\$ 4,030,000	\$ 3,627,000	\$ 403,000	\$ -	\$ 161,200	30-Nov-05	Possible - TI	FRONT
PAVING	MORGAN-BRIGHTON	STP 2404(1)	\$ 1,420,000	\$ 1,136,000	\$ 284,000	\$ -	\$ 56,800	31-Mar-06	N	D&E
PAVING	CAMBRIDGE BELVIDERE	STP 2219(1)S	\$ 3,100,000	\$ 2,480,000	\$ 620,000	\$ -	\$ 124,000	15-Feb-06	Waterfall	D&E
PAVING	COLCHESTER-GEORGIA	IM 089-3(39)	\$ 3,020,000	\$ 2,718,000	\$ 302,000	\$ -	\$ 120,800	16-Nov-05	Possible - TI	FRONT
PAVING	WALLINGFORD-RUTLAND TOWN	NH 2408	\$ 2,720,000	\$ 2,176,000	\$ 544,000	\$ -	\$ 108,800	14-Dec-05	N	SHELF
PAVING	COLCHESTER	STP 2307	\$ 570,000	\$ 456,000	\$ 114,000	\$ -	\$ 11,400	15-Mar-06	N	D&E
PAVING	WINOOSKI	STP 2307	\$ 470,000	\$ 376,000	\$ 94,000	\$ -	\$ 9,400	15-Mar-06	N	D&E
PAVING	SPRINGFIELD	STP 2405(1)S	\$ 920,000	\$ 736,000	\$ 184,000	\$ -	\$ 92,000	15-Feb-06	N	D&E
PAVING	ESSEX	NH 2403	\$ 1,560,000	\$ 1,248,000	\$ 312,000	\$ -	\$ 93,600	1-Mar-06	N	SHELF
PAVING	MARSHFIELD-CABOT	NH 2104	\$ 5,370,000	\$ 4,296,000	\$ 1,074,000	\$ -	\$ 429,600	18-Nov-05	N	FRONT
PAVING	DANVILLE	NH 2205(1)	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	\$ 64,000	3-Mar-06	N	D&E
PAVING	CASTLETON-SUDBURY	STP 2402(1)	\$ 4,380,000	\$ 3,504,000	\$ 876,000	\$ -	\$ 175,200	15-Feb-06	N	D&E
<b>PAVING Total</b>			<b>\$ 35,490,000</b>	<b>\$ 29,097,000</b>	<b>\$ 6,393,000</b>	<b>\$ -</b>	<b>\$ 1,950,300</b>			
ROADWAY	SHARON-STRAFFORD	STP 0177(6)	\$ 4,110,600	\$ 3,332,875	\$ 366,665	\$ 411,060	\$ 170,000	N/A	N	FRONT
ROADWAY	NORTH BENNINGTON	STP 9646(1)	\$ 1,625,000	\$ 1,300,000	\$ 162,500	\$ 162,500	\$ 20,000	15-Mar-05	N	FRONT
ROADWAY	HARTFORD-NEWBURY	IM IR 091-2(6)	\$ 1,625,000	\$ 1,462,500	\$ 162,500	\$ -	\$ 200,000	15-Dec-05	Possible - HP	FRONT
ROADWAY	LUNENBURG	STP 2301(1)S	\$ 2,450,000	\$ 1,960,000	\$ 245,000	\$ 245,000	\$ 100,000	15-Dec-05	HP	SHELF
ROADWAY	OLD BENNINGTON	STP 1400(5)S	\$ 925,000	\$ 702,000	\$ 88,000	\$ 135,000	\$ 40,000	15-Jan-06	N	SHELF
ROADWAY	WATERBURY	FEGC-F 013-4(13)	\$ 112,000	\$ 106,400	\$ 3,360	\$ 2,240	\$ 3,360	N/A	N	D&E
ROADWAY	HIGHGATE-FRANKLIN	STP RS 0301(1)SA	\$ 7,300,000	\$ 5,900,000	\$ 1,400,000	\$ -	\$ 400,000	N/A	N	FRONT
ROADWAY	CIRC - WILLISTON-ESSEX	NH 033-1 (17)	\$ 1,947,826	\$ 1,558,261	\$ 389,565	\$ -	\$ 389,565	N/A	N	D&E
ROADWAY	CIRC - WILLISTON-ESSEX	IM 089-2(12)	\$ 852,174	\$ 766,957	\$ 85,217	\$ -	\$ 85,217	N/A	N	D&E
ROADWAY	CIRC - ESSEX-WILLISTON-EIS	NH 022-1(24)					\$ 400,000	N/A	N	FRONT
ROADWAY	BENNINGTON - SOUTH	NH F019-1(4)					\$ 200,000	N/A	N	D&E
<b>ROADWAY Total</b>			<b>\$ 22,642,600</b>	<b>\$ 18,444,992</b>	<b>\$ 3,241,808</b>	<b>\$ 955,800</b>	<b>\$ 2,008,142</b>			
RR X-ING	MANCHESTER	STP 0171(02)	\$ 8,738	\$ 7,864	\$ 874	\$ -	\$ 874	N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 1200(4)	\$ 19,374	\$ 17,436	\$ 1,938	\$ -	\$ 1,938	N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 2031(10)	\$ 18,763	\$ 16,886	\$ 1,877	\$ -	\$ 1,877	N/A	N	FRONT
RR X-ING	SHAFTSBURY	STP 2031(11)	\$ 20,671	\$ 18,604	\$ 2,067	\$ -	\$ 2,067	N/A	N	FRONT
RR X-ING	MANCHESTER	STP 2031(12)	\$ 19,780	\$ 17,802	\$ 1,978	\$ -	\$ 1,978	N/A	N	FRONT
RR X-ING	ROYALTON	STP 2034(14)	\$ 260,502	\$ 45,000	\$ 5,000	\$ -	\$ 5,000	N/A	N	FRONT
<b>RR X-ING Total</b>			<b>\$ 347,828</b>	<b>\$ 123,592</b>	<b>\$ 13,734</b>	<b>\$ -</b>	<b>\$ 13,734</b>			
STATE BRIDGE	BUJELS GORE	ST CULV(1)	\$ 404,500	\$ 323,600	\$ 80,900	\$ -	\$ 30,000	10-Apr-06	N	FRONT
STATE BRIDGE	LYNDON	BRS 0269(8)S	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	\$ 100,000	21-Oct-05	Waterfall	D&E
STATE BRIDGE	READING	BRS 0148(6)S	\$ 1,720,440	\$ 1,376,352	\$ 344,088	\$ -	\$ 40,000	17-Feb-06	DB	D&E
STATE BRIDGE	DUXBURY	STP 013-4(24)	\$ 170,000	\$ 136,000	\$ 34,000	\$ -	\$ 35,000	10-Oct-05	N	D&E
STATE BRIDGE	MONTGOMERY	BRF 0283(8)	\$ 1,711,000	\$ 1,368,800	\$ 342,200	\$ -	\$ 40,000	18-Nov-05	N	SHELF
STATE BRIDGE	FAYSTON	BHF 0200(9)	\$ 1,380,495	\$ 1,104,396	\$ 276,099	\$ -	\$ 30,000	15-Feb-06	N	SHELF
STATE BRIDGE	LYNDON	BRF 0269(10)	\$ 1,395,000	\$ 1,116,000	\$ 279,000	\$ -	\$ 60,000	17-Feb-06	N	D&E
STATE BRIDGE	WHITINGHAM	STP ST CULV(6)	\$ 500,000	\$ 400,000	\$ 100,000	\$ -	\$ 20,000	1-Mar-06	N	FRONT
<b>STATE BRIDGE Total</b>			<b>\$ 13,936,955</b>	<b>\$ 11,149,564</b>	<b>\$ 2,787,391</b>	<b>\$ -</b>	<b>\$ 355,000</b>			
T.H. BRIDGE	WALLINGFORD	BRO 1443(31)	\$ 625,000	\$ 500,000	\$ 62,500	\$ 62,500	\$ 20,000	7-Oct-05	TI	D&E
T.H. BRIDGE	CLARENDON	BRO 1443(34)	\$ 609,375	\$ 487,500	\$ 60,938	\$ 60,938	\$ 20,000	14-Oct-05	TI	D&E
T.H. BRIDGE	MORRISVILLE	BRZ 1446(15)	\$ 510,000	\$ 408,000	\$ 51,000	\$ 51,000	\$ 10,000	1-Dec-05	N	D&E
T.H. BRIDGE	MONTGOMERY	BRO 1448(20)	\$ 610,000	\$ 488,000	\$ 61,000	\$ 61,000	\$ 10,000	4-Nov-05	TI	D&E
T.H. BRIDGE	SUNDERLAND	BRF 0114(2)	\$ 1,087,247	\$ 869,798	\$ 108,725	\$ 108,725	\$ 20,000	4-Nov-05	TI	D&E
T.H. BRIDGE	CAVENDISH	BRO 1442(23)	\$ 912,000	\$ 729,600	\$ 91,200	\$ 91,200	\$ 50,000	19-Dec-05	TI	D&E
T.H. BRIDGE	CHARLESTON	BRO 1449(22)	\$ 437,500	\$ 350,000	\$ 43,750	\$ 43,750	\$ 25,000	2-Jan-06	TI	D&E
T.H. BRIDGE	GRANVILLE	BRO 1444(34)	\$ 339,000	\$ 271,200	\$ 33,900	\$ 33,900	\$ 5,000	1-Feb-06	TI	D&E
T.H. BRIDGE	ST. JOHNSBURY	BRO 1447(19)	\$ 1,524,726	\$ 1,219,781	\$ 152,473	\$ 152,473	\$ 5,000	1-Feb-06	TI	D&E
T.H. BRIDGE	VERSHIRE	BRO 1444(32)	\$ 226,000	\$ 180,800	\$ 22,600	\$ 22,600	\$ 5,000	1-Feb-06	TI	CAND
<b>T.H. BRIDGE Total</b>			<b>\$ 16,964,201</b>	<b>\$ 13,763,031</b>	<b>\$ 1,600,585</b>	<b>\$ 1,600,585</b>	<b>\$ 170,000</b>			
TRAFFIC OPERATIONS	HARTFORD-NEWBURY	IM 091-2(14)	\$ 1,624,380	\$ 1,299,504	\$ 324,876	\$ -	\$ 180,000	15-Jan-06	N	SHELF
<b>TRAFFIC OPERATIONS Total</b>			<b>\$ 3,976,063</b>	<b>\$ 3,651,187</b>	<b>\$ 324,876</b>	<b>\$ -</b>	<b>\$ 180,000</b>			
<b>Grand Total</b>			<b>\$ 111,217,165</b>	<b>\$ 91,063,381</b>	<b>\$ 16,449,145</b>	<b>\$ 3,494,137</b>	<b>\$ 5,122,356</b>			



STATE OF VERMONT  
AGENCY OF ADMINISTRATION

September 12, 2005

Joint Fiscal Committee  
1 Baldwin Street  
Montpelier, VT 05633

Dear Joint Fiscal Committee:

In accordance with 2005 Act 71 Sec. 257, the Secretary of Administration is requesting approval from the Special Committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Committees on Transportation to transfer \$5,000,000.00 in general funds from the Fiscal Year 2005 general fund reserve, established pursuant to 32 V.S.A. Sec. 308c(a), to the transportation fund.

The Secretary of Administration finds that the four conditions in Sec. 257(a)(2) have been met.

The information leading to this finding will be made available to the Special Committee prior to the September 15, 2005 Joint Fiscal Committee meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles P. Smith', written over a horizontal line.

Charles P. Smith  
Secretary of Administration





## Sec. 257. TRANSPORTATION; CONTINGENCY APPROPRIATION

## AUTHORITY

(a) Subject to approval by a special committee consisting of the legislative joint fiscal committee and the chairs of the house and senate committees on transportation, the secretary of administration is authorized to transfer up to \$5,000,000 in general funds from the general fund surplus reserve, established pursuant to 32 V.S.A. § 308c(a), to the transportation fund, and that amount of transportation funds is appropriated to the agency of transportation. The special committee approval shall be based on the following:

(1) Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act" (SAFETEA) with the result of additional federal funds available for Vermont;

(2) A finding by the secretary of administration and a determination by the special committee that:

(A) The general fund surplus reserve has sufficient funds;

(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006;

(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interests of Vermont; and

(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds.

<b>Transportation Fund - Transfers to General Fund and JTOC Appropriations</b>					
	(1)	(2)	(3)	(4)	
Fiscal Year	Transfer General Fund to T-Fund	Transfer T-Fund to General Fund	Net transfer (1) - (2)	JTOC Appropriations	JTOC Pct*
1976	0	250,000	(250,000)		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	1,500,000	0	1,500,000		
1981	6,781,641	0	6,781,641		
1982	0	0	0		
1983	0	0	0		
1984	869,000	0	869,000		
1985	0	869,000	(869,000)		
1986	2,000,000	2,000,000	0		
1987	1,307,324	0	1,307,324		
1988	0	0	0		
1989	0	0	0		
1990	1,650,000	0	1,650,000		
1991	1,350,000	0	1,350,000		
1992	0	0	0	21,229,090	
1993	0	0	0	28,167,261	
1994	0	21,409,195	(21,409,195)	28,562,400	
1995	0	1,500,000	(1,500,000)	34,073,825	22.0%
1996	0	6,650,000	(6,650,000)	37,531,398	23.0%
1997	4,900,000	0	4,900,000	40,043,644	24.0%
1998	1,939,836	0	1,939,836	39,745,857	25.0%
1999	0	143,000	(143,000)	40,116,874	25.0%
2000	0	0	0	40,200,042	24.5%
2001	6,150,000	0	6,150,000	44,053,971	24.5%
2002	15,750,000	0	15,750,000	46,018,564	23.0%
2003	0	6,449,528	(6,449,528)	41,798,572	21.0%
2004	3,408,000	0	3,408,000	43,214,107	20.5%
2005	1,365,000		1,365,000	38,994,125	19.0%
2006					18.0%
<b>Total 1976-05</b>	<b>48,970,801</b>	<b>39,270,723</b>	<b>9,700,078</b>		
<b>Last 10 years</b>	<b>33,512,836</b>	<b>13,242,528</b>	<b>20,270,308</b>	<b>411,717,154</b>	

\*The percentage cap to JTOC appropriations first came into operation in FY-99. The percentage figures prior to FY-99 are just the JTOC appropriations as a rounded percent of total transportation fund appropriations.

# VERMONT TRANSPORTATION FUNDING and SAFETEA-LU

September 10, 2005

Transportation Funding

## Key Points

- SAFETEA-LU
  - Annual apportionments
  - Earmarks
- State Funds Pressures
  - Match for increased federal funding
  - State funds for budget growth pressures
  - State funds for needs gap—available funds vs total needs
    - Current needs gap estimated @ over \$80m
    - Shortfall could grow to \$130m by 2009

September 10, 2005

Transportation Funding

## Federal Highway (FHWA) Funds

- **Annual Apportionments:** Amounts authorized by the bill, not yet appropriated
- **Earmarks:** Amounts designated for specific projects
- **Obligation Limitation:** Amounts available to spend
  - Based on appropriations
  - Historically only about 90% of annual apportionment
  - Earmarks also appear subject to the 90% limitation

September 10, 2005

Transportation Funding

## Estimated FHWA Obligation Limitation



September 10, 2005

Transportation Funding

## FHWA Increased Funds Summary \*

- Annual Formula Obligation Authority: \$5.6m/yr average
  - \$1m additional match needed
- High Priority Projects Earmarks: \$24.8m/yr average
  - \$4.7m additional match needed
- Transportation Improvements Earmarks: \$21.6m/yr average
  - \$4.1m additional match needed
- Bridge Discretionary Earmarks: \$9m/yr average (over 5 years)
  - \$1.7m additional match needed

**Total annual increase of \$61m FHWA per year\***  
**Total ~\$11.5m *additional* state match needed annually**

- Assumes FY2004 as base year for comparison
- Assumes 90% of apportionment amounts become available for obligation

September 10, 2005

Transportation Funding

## Summary of SAFETEA-LU Earmarks

- High Priority Projects - \$137.8m
- Transportation Improvements - \$120m
- Bridge Discretionary - \$50m
- FTA Earmarks - \$4.6m
  - Brattleboro Intermodal Center - \$1m
  - CCTA Bus, Facilities, and Equipment - \$2m
  - Statewide Bus, Facilities, and Equipment - \$1.6m
- Research Earmarks (direct to recipient)
  - UVM - \$17m - National University Transportation Center
  - New England Transportation Institute - \$1m

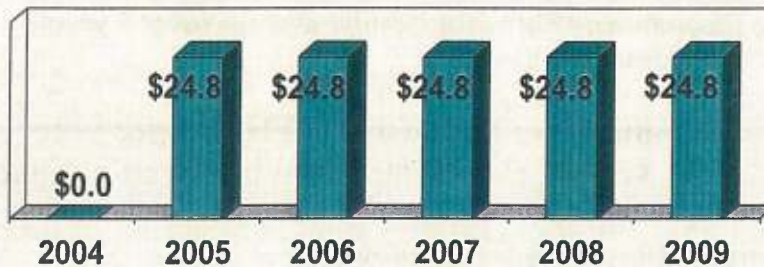
September 10, 2005

Transportation Funding

## High Priority Projects

- \$137.8m total over 5 years (FY05-FY09)
- 30 projects (vs. two in Tea21 - \$21m)
- \$24.8m/yr obligation limitation @ 90%

Estimated Obligation Limit In \$ Millions



September 10, 2005

Transportation Funding

## Example High Priority Projects

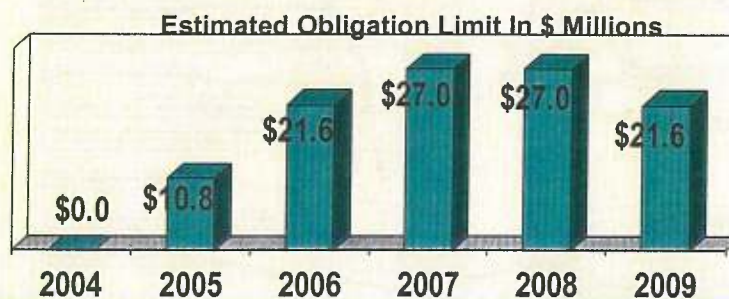
- \$5.8m for Lamoille Valley Rail Trail
- \$5m for US2 in Danville
- \$15m for US7 in Brandon-Pittsford
- \$15m for I-91 between Hartford and Derby Line

September 10, 2005

Transportation Funding

## Transportation Improvements

- \$120m total over 5 years (FY05-FY09)
- Total allocations vary each year
  - 10%-2005, 20%-2006, 25%-2007, 25%-2008, 20%-2009
- \$21.6m/yr average obligation limitation @ 90%



September 10, 2005

Transportation Funding

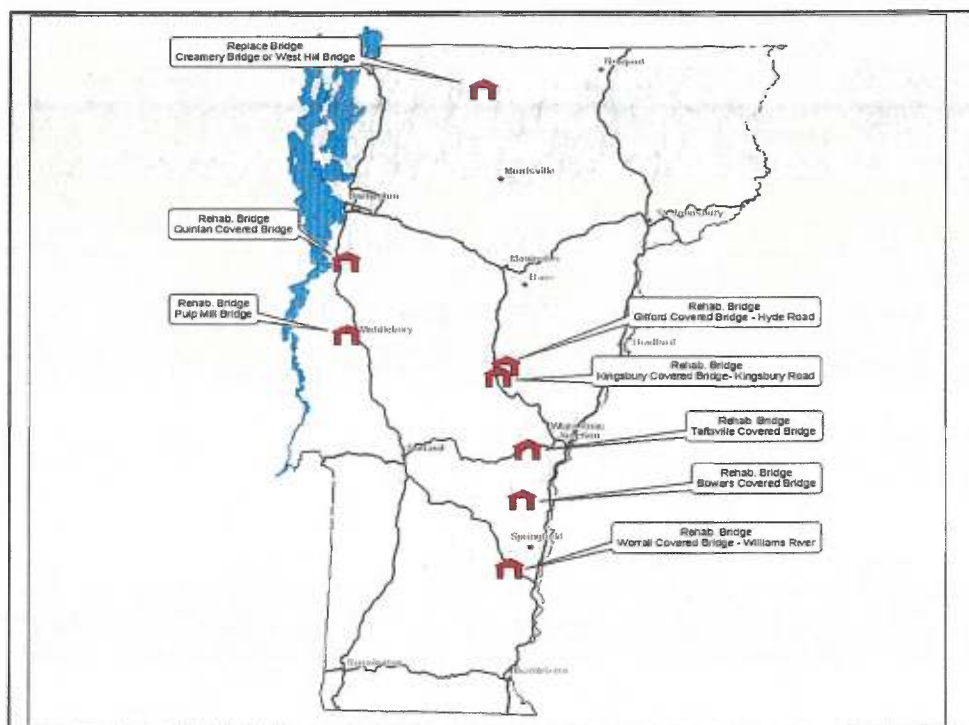
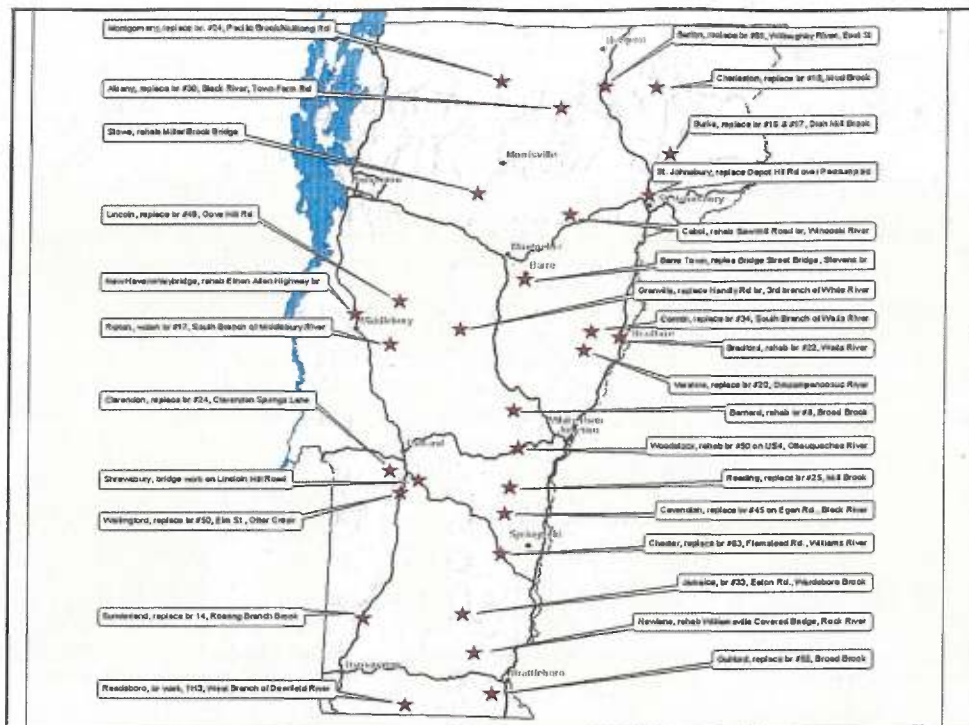
## Example Transportation Improvements

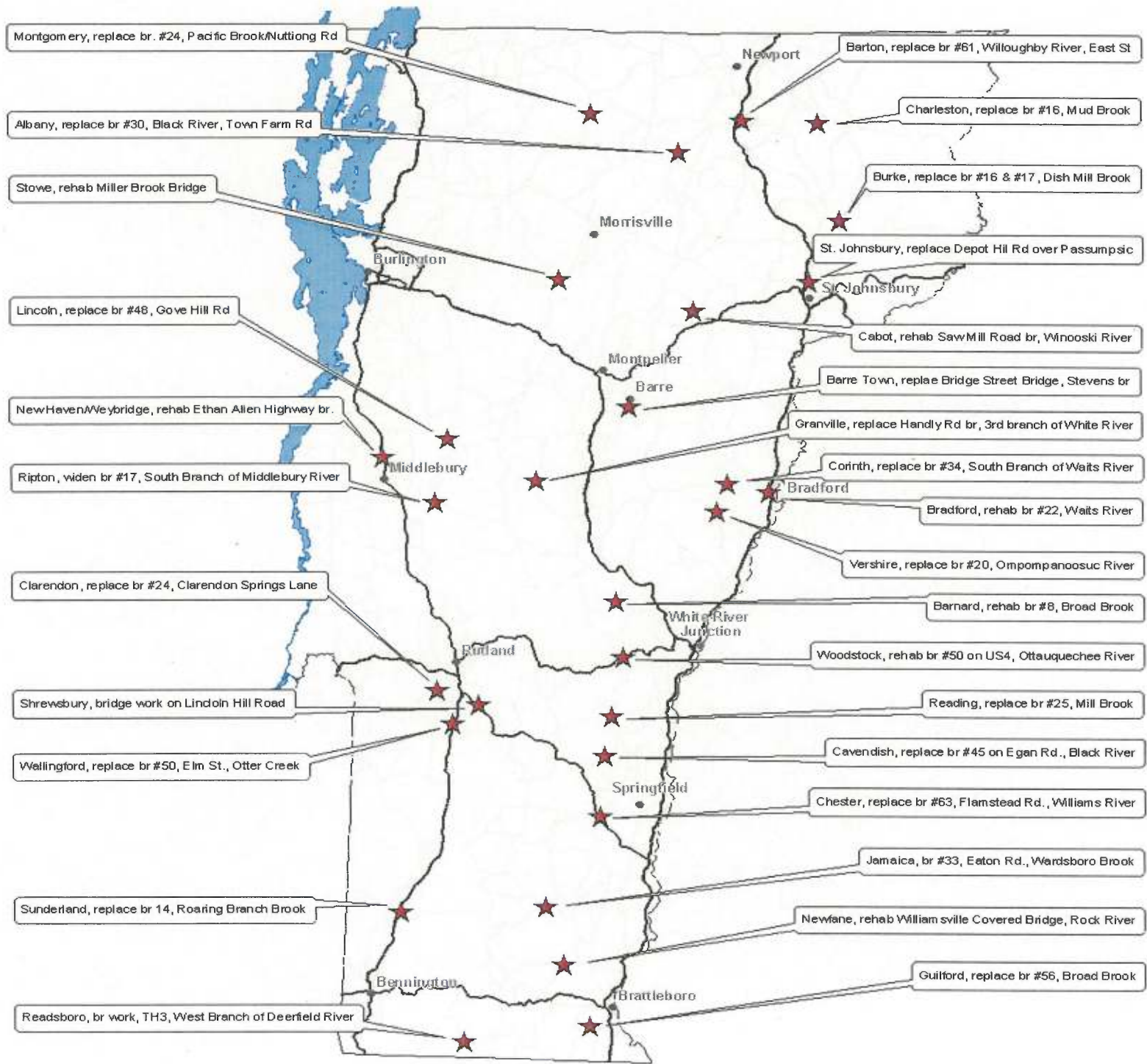
- \$10m for improvements to VT interstates
- \$30m for western corridor rail improvements
- \$6.5m for Bennington welcome center
- \$6.5m for Hartford rest areas
- \$30m for VT small bridges
- \$6.2m for VT covered bridges

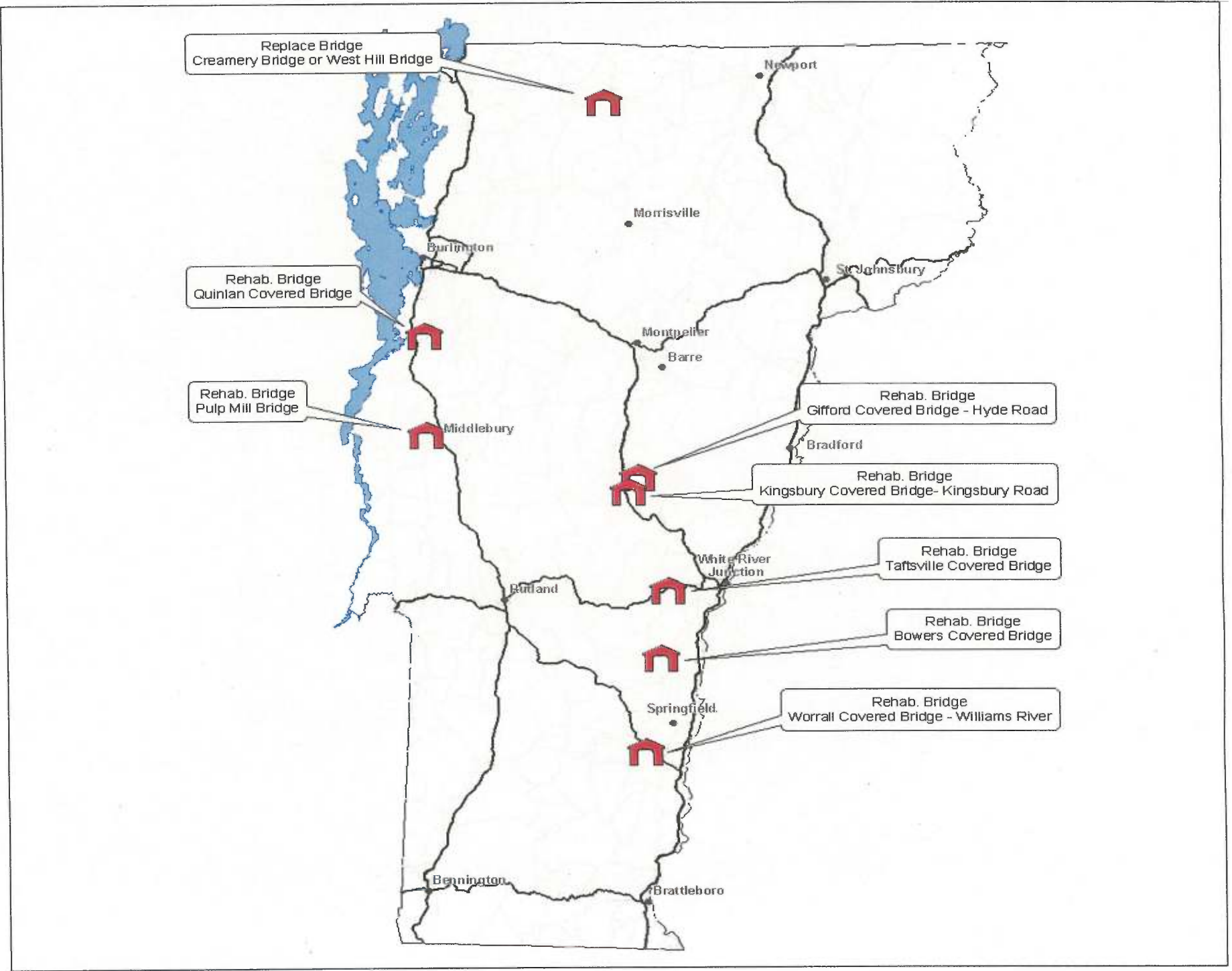
September 10, 2005

Transportation Funding









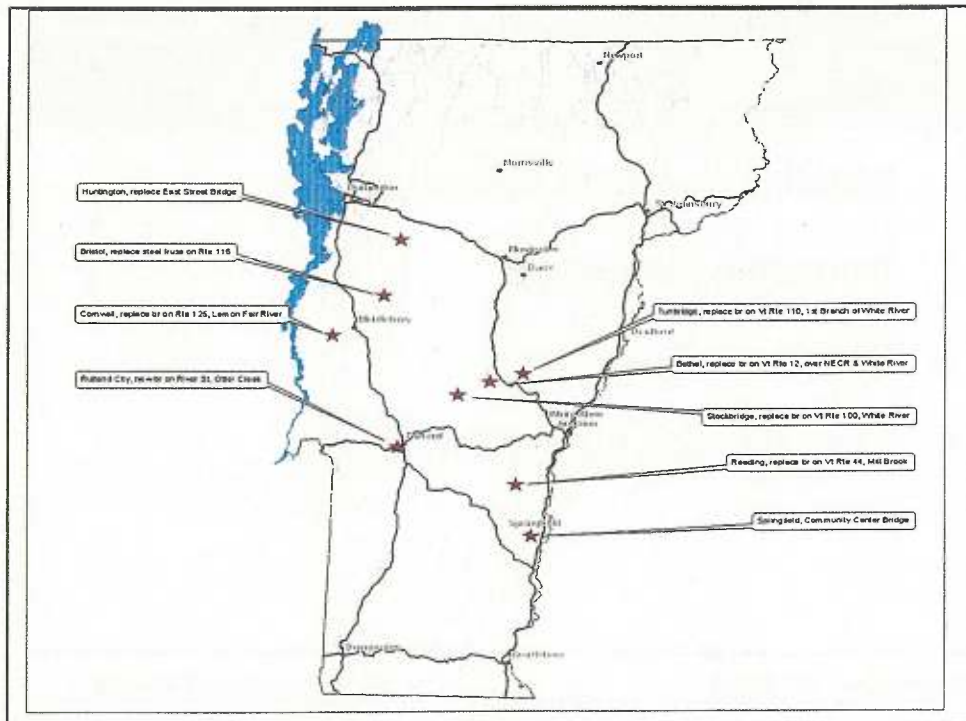
# Bridge Discretionary

- \$50m total over 4 years (FY06-FY09)
  - \$18m for Missisquoi Bay Bridge
  - \$32m for nine state maintained bridges (includes several Town Highway bridges)
- \$11.25m/yr obligation limitation for FY2006 – FY2009



September 10, 2005

Transportation Funding



## Key Outstanding Issues

- Actual obligation limitation (historically ~ 90%) still uncertain
- Several earmark projects now have less federal participation than before
- Local participation in matching funds
- State Match Availability

September 10, 2005

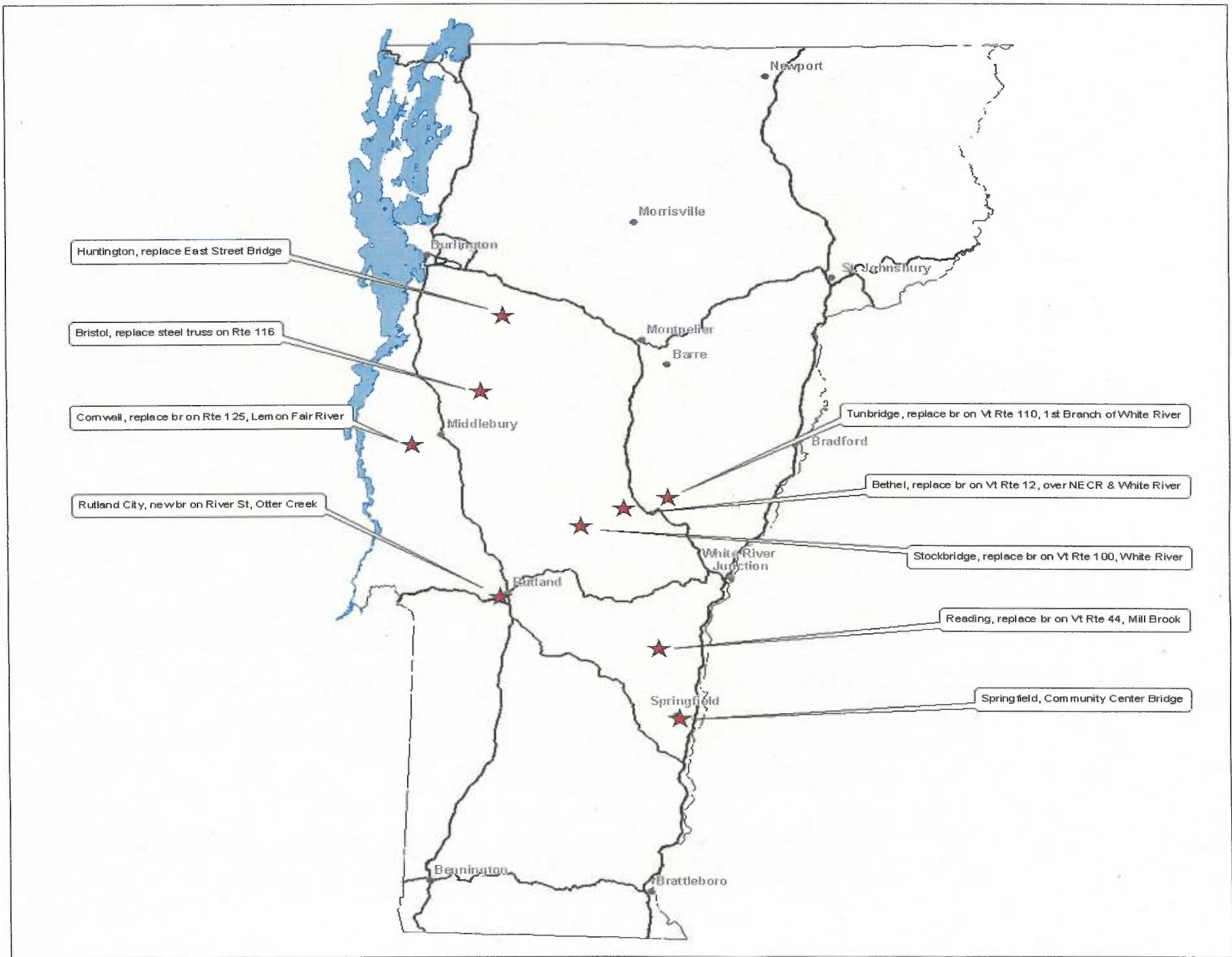
Transportation Funding

## State Funding Challenges

1. Match for increased federal money
2. Increasing base needs
3. Unmet needs
4. Transportation fund performance

September 10, 2005

Transportation Funding





## FY06 Budget Needs

Category	FY06 Budget
Paving	\$42m
Bridges	\$52m
Roadway*	\$54m
Maintenance	\$56m
New Capacity	\$9m
Other	\$129m
New Fed Funds & Required Match	\$25m
<b>Total</b>	<b>\$366m</b>

\* Includes reconstruction/rehabilitation and safety projects-excludes new capacity.

September 10, 2005

Transportation Funding

## FY06 Funding Sources

Source	FY06 Funding
FHWA *	\$165
Other Federal Sources: FTA, etc.	\$19
Local/Other Match	\$4
T-Fund **	\$168m
<b>Total</b>	<b>\$356m</b>

\* Includes estimated additional FHWA funds ~ \$20m.

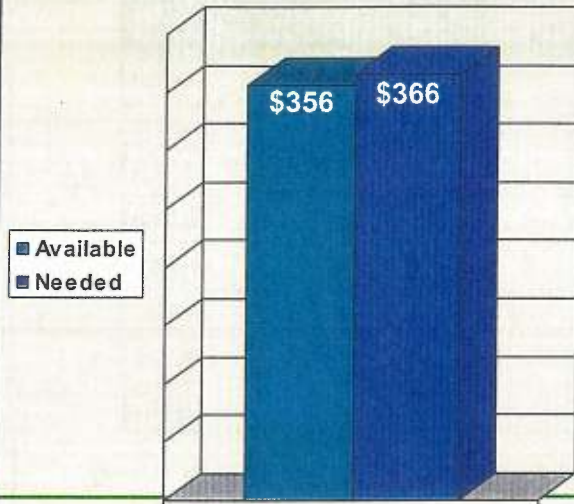
\*\* TFund adjusted for downward forecast revision.

September 10, 2005

Transportation Funding



## FY06 Funding Shortfall



- \$5m needed for additional match
- \$5m needed for TFund downgrade

September 10, 2005

Transportation Funding

## State Funds Needed for Match

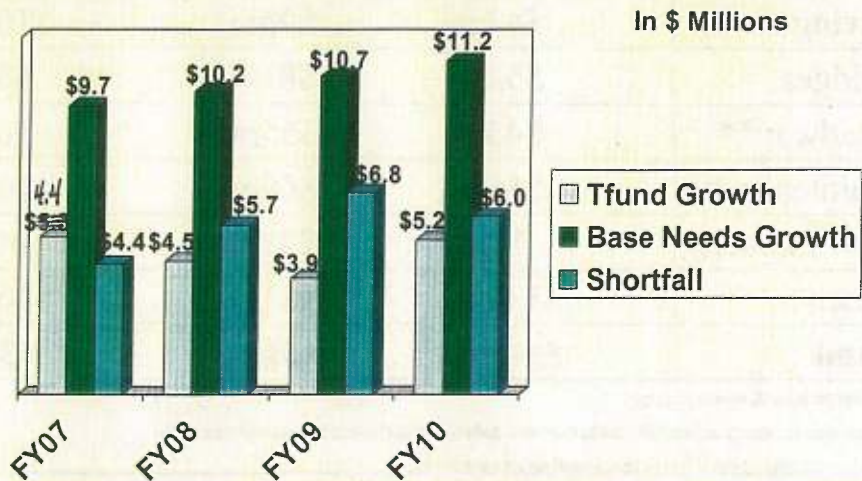


Estimated In \$ Millions

September 10, 2005

Transportation Funding

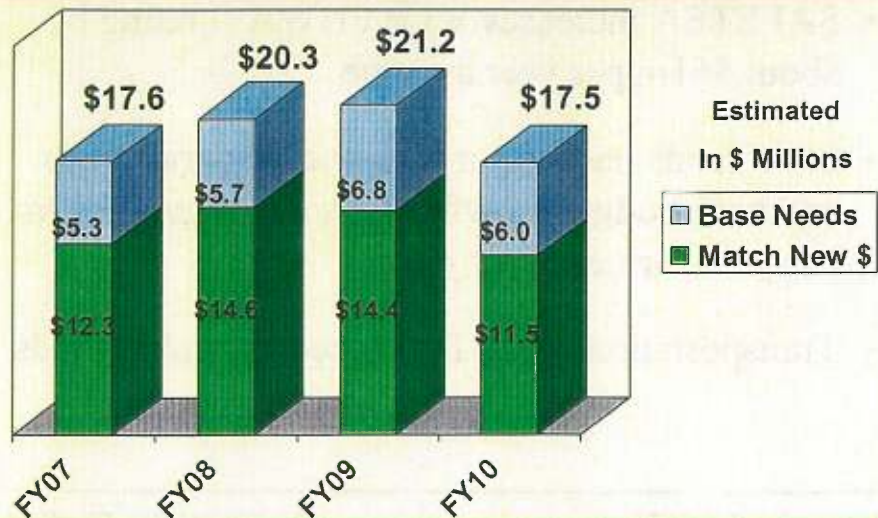
## Transportation Base Needs Growth



September 10, 2005


Transportation Funding


## State Needs for New Match + Base Growth



September 10, 2005

Transportation Funding

		Vermont Agency of Transportation	
<b>Unmet Needs</b>			
	FY06 Budget	Current Need	FY09 Projected*
Paving	\$42m	\$93m	\$103m
Bridges	\$52m	\$81m	\$89m
Roadway**	\$45m	\$55m	\$61m
Maintenance	\$56m	\$60m	\$66m
New Capacity	\$9m	\$22m	\$43m
Other	\$138m	\$153m	\$169m
<b>Total</b>	<b>\$342m</b>	<b>\$464m</b>	<b>\$531m</b>
* Inflated by 5% annual factor			
** Includes reconstruction/rehabilitation and safety projects-excludes new capacity.			
Estimate based on VTrans' engineering assessment.			
<b>September 10, 2005</b>		<b>Transportation Funding</b>	

		Vermont Agency of Transportation	
<b>Summary</b>			
<ul style="list-style-type: none"> <li>• SAFETEA increases VT's FHWA funding by about \$61m per year average</li> <li>• State funds needed for increased federal funds and base budget growth needs averages ~ \$19m per year for next four years</li> <li>• Transportation needs far exceed available funds</li> </ul>			
<b>September 10, 2005</b>		<b>Transportation Funding</b>	

**Transportation Fund**  
**Options for raising state matching funds for  
Increased federal apportionments**

**I. Raise the gas tax**

- > 1 cent raises approximately \$3.6 million
- > Current breakdown of gas tax

Allocation of Gasoline Taxes and Fees	
Transportation Fund	18.245
Education fund	
DUI Fund	0.380
Fish & Wildlife Fund	0.375
Petroleum Clean Up Fund	1.000
Total	20.000

**II. Inflation adjust the gas tax annually**

- > Would raise approximately \$1.1 million in new revenue per year (using the GDP deflator series).

**III. Combination of I & II - Raise the gas tax and put in place an annual inflation adjustor**

- > Example: Raise the gas tax 2 cents      \$7.2 million  
                  Inflation adjustor – first year    \$1.1 million  
                  Total new revenue – first year    \$8.3 million

**IV. Raise the diesel tax**

- > 1 cent raises approximately \$690,000 (currently 26 cents, 25 cents to the TFund and 1 cent to the petroleum cleanup fund).

**V. Inflation adjust the diesel tax annually**

- > Would raise approximately \$210,000 in new revenue per year.

**VI. Inflation adjust all DMV fees to 2005**

- > In H-505 (2002 session), DMV fees were inflation adjusted up to December 2001.
- > Inflation adjusting the fees from Dec 2001 to Jul 2005 would raise approximately \$5.5 million in new revenue (CPI inflation from Dec 2001 – July 2005 = 11.2%).

**VII. Lower JTOC**

**VIII. Motor Vehicle Purchase & Use Tax**

- > Divert a portion of the P&U tax that goes to the Education fund to the Transportation fund.
- > P&U tax to the Ed fund: \$29.7 million FY07, \$30.7 million FY08

## Sec. 257. TRANSPORTATION; CONTINGENCY APPROPRIATION

## AUTHORITY

(a) Subject to approval by a special committee consisting of the legislative joint fiscal committee and the chairs of the house and senate committees on transportation, the secretary of administration is authorized to transfer up to \$5,000,000 in general funds from the general fund surplus reserve, established pursuant to 32 V.S.A. § 308c(a), to the transportation fund, and that amount of transportation funds is appropriated to the agency of transportation. The special committee approval shall be based on the following:

(1) Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act" (SAFETEA) with the result of additional federal funds available for Vermont;

(2) A finding by the secretary of administration and a determination by the special committee that:

(A) The general fund surplus reserve has sufficient funds;

(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006;

(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interests of Vermont; and

(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds.

SAFETEA-LU  
TRANSPORTATION REAUTHORIZATION  
EARMARK SUMMARY

Description	Sponsor	Project #	Federal Earmark	Category
Chester, replace br #63, Flamstead Rd., Williams River	Jeffords	BRO 1442(31)	\$ 810,000	Trans. Improvement
Clarendon, replace br #24, Clarendon Springs Lane	Jeffords	BRO 1443(34)	\$ 730,000	Trans. Improvement
Colchester, Vt Local Roads Program, water pollution	Jeffords		\$ 3,000,000	Trans. Improvement
Corinth, replace br #34, South Branch of Waits River	Jeffords	BRO 1447(22)	\$ 980,000	Trans. Improvement
East Alburg Rail Bridge	Jeffords		\$ 5,000,000	Trans. Improvement
Enosburg Falls, streetscaping and road improvements	Jeffords		\$ 1,000,000	Trans. Improvement
Granville, replace Handy Rd br, 3rd branch of White River	Jeffords	BRO 1444(34)	\$ 500,000	Trans. Improvement
Green Mountain Rail line, improvements to track, br.	Jeffords		\$ 2,500,000	Trans. Improvement
Guilford, replace br #56, Broad Brook	Jeffords	BRO 1442(24)	\$ 890,000	Trans. Improvement
Hardwick, phase 2, multi-use trail	Jeffords		\$ 1,000,000	Trans. Improvement
Hartford, improve n/s rest areas	Jeffords		\$ 6,500,000	Trans. Improvement
Interstate Improvements	Jeffords		\$ 10,000,000	Trans. Improvement
Jamaica, br #33, Eaton Rd., Wardsboro Brook	Jeffords	BRO 1442(27)	\$ 640,000	Trans. Improvement
Jericho, improve Rte 15	Jeffords		\$ 750,000	Trans. Improvement
Lincoln, replace br #48, Gove Hill Rd	Jeffords	BRO 1445(25)	\$ 1,100,000	Trans. Improvement
Middlebury/Weybridge, rehab cov. Br, Pulp Mill	Jeffords		\$ 1,800,000	Trans. Improvement
Montgomery, replace br. #24, Pacific Brook/Nutting Rd.	Jeffords	BRO 1448(20)	\$ 770,000	Trans. Improvement
Montgomery, replace Creamery/West Hill Bridge	Jeffords		\$ 450,000	Trans. Improvement
Morrisville, new sidewalk, school to village	Jeffords		\$ 500,000	Trans. Improvement
New Haven/Weybridge, rehab Ethan Allen Highway br.	Jeffords	BHO BTN 2005(1)	\$ 1,340,000	Trans. Improvement
Newfane, rehab Williamsville Covered Bridge, Rock River	Jeffords	BHF 0106(4)	\$ 1,600,000	Trans. Improvement
Randolph, rehab Gifford Covered Br, Hyde Road	Jeffords		\$ 500,000	Trans. Improvement
Randolph, rehab Kingsbury Covered Br, Kingsbury Rd	Jeffords		\$ 450,000	Trans. Improvement
Reading, replace br #25, Mill Brook	Jeffords	BHO 1444(23)	\$ 680,000	Trans. Improvement
Readsboro, br work, TH3, West Branch of Deerfield River	Jeffords	BHO 1441(25)	\$ 940,000	Trans. Improvement
Ripton, widen br #17, South Branch of Middlebury Riv	Jeffords	FH 010-1(2)	\$ 660,000	Trans. Improvement
Rockingham, rehab Worrall Covered Bridge, Williams Riv	Jeffords		\$ 500,000	Trans. Improvement
Rutland Rail, Middlebury Spur, ABRB track improvements	Jeffords		\$ 30,000,000	Trans. Improvement
Shrewsbury, bridge work on Lincoln Hill Road	Jeffords	TH2, 9358	\$ 600,000	Trans. Improvement
South Burlington, city center project	Jeffords	STP 5200(17)	\$ 5,000,000	Trans. Improvement
South Hero, Island Line South St improvements	Jeffords		\$ 2,000,000	Trans. Improvement
St. Johnsbury, replace Depot Hill Rd br over Passumpsic	Jeffords	BRO 1447(19)	\$ 1,700,000	Trans. Improvement
Stowe, new sidewalks	Jeffords		\$ 835,000	Trans. Improvement
Stowe, rehab Miller Brook Bridge	Jeffords	BHO 1446(30)	\$ 1,000,000	Trans. Improvement
Sunderland, replace br 14, Roaring Branch Brook	Jeffords	BRF 0114(2)	\$ 1,500,000	Trans. Improvement
Vershire, replace br #20, Ompompanoosuc River	Jeffords	BRO 1444(32)	\$ 320,000	Trans. Improvement
Wallingford, replace br #50, Elm St., Otter Creek	Jeffords	BRO 1443(31)	\$ 750,000	Trans. Improvement
West Windsor, rehab Bowers Covered Bridge	Jeffords		\$ 450,000	Trans. Improvement
Woodstock, rehab br #50 on US4, Ottauquechee River	Jeffords	BHF 020-2(32)	\$ 2,700,000	Trans. Improvement
Woodstock, rehab Taftsville Covered Bridge	Jeffords		\$ 1,500,000	Trans. Improvement
Woodstock, VINS, turning lane	Jeffords		\$ 300,000	Trans. Improvement
			\$ 119,950,000	<b>Trans. Imp. Total</b>
Brattleboro, complete transp. center & rehab station	Jeffords		\$ 1,000,000	Transit
CCTA	Jeffords/Leahy		\$ 2,000,000	Transit
Vermont buses, over 4 years '06-'09	Jeffords/Leahy		\$ 1,610,000	Transit
			\$ 4,610,000	<b>Transit Total</b>
			\$ 312,360,000	<b>Grand Total</b>

SAFETEA-LU  
TRANSPORTATION REAUTHORIZATION  
EARMARK SUMMARY

Description	Sponsor	Project #	Federal Earmark	Category
Bethel, replace br on Vt Rte 12, over NECR & White River	Jeffords	BRF 0241(33), C/2	\$ 3,900,000	Discretionary
Bristol, replace steel truss br on Rte 116	Jeffords	BRF 021-1(15)	\$ 6,000,000	Discretionary
Cornwall, replace br on Rte 125, Lemon Fair River	Jeffords	BRS 0172(6)	\$ 4,000,000	Discretionary
Huntington, replace East Street Bridge	Jeffords	BRO 1445(29)	\$ 2,500,000	Discretionary
Missisquoi Bay Bridge, finish rebuilding	All	BRF 036-1(1)	\$ 18,000,000	Discretionary
Reading, replace br on Vt Rte 44, Mill Brook	Jeffords	BRS 0148(6)	\$ 2,100,000	Discretionary
Rutland City, new br on River St, Otter Creek	Jeffords		\$ 5,000,000	Discretionary
Springfield, Community Center Bridge	Jeffords		\$ 1,000,000	Discretionary
Stockbridge, replace br on Vt Rte 100, White River	Jeffords	BRF 013-4(21)	\$ 3,000,000	Discretionary
Tunbridge, replace br on Vt Rte 110, 1st Branch of White River	Jeffords	BRS 0169(6)	\$ 4,500,000	Discretionary
			\$ 50,000,000	<b>Discretionary Total</b>
Bellows Falls, improvements to tunnel and track	Jeffords		\$ 2,000,000	High Priority
Bennington Bypass, north leg	Jeffords	NH F 019-1(5)	\$ 20,000,000	High Priority
Berlin, Coordinated Use Facility	Jeffords/Leahy		\$ 2,000,000	High Priority
Brandon/Pittsford, Rte 7 improvements	Jeffords	NH 019-3(49)	\$ 15,000,000	High Priority
Burlington Church Street	Leahy		\$ 6,000,000	High Priority
Burlington Waterfront	Leahy		\$ 3,500,000	High Priority
Burlington, Exit 14E	Leahy	IM 089-3(37)	\$ 4,000,000	High Priority
Charlotte, Rte 7 improvements	Jeffords	FEGC 019-4(20)	\$ 4,000,000	High Priority
Clarendon, creation of roundabout, Rte 7 and 103	Jeffords			High Priority
Colchester Rte 15, Campus Connector Rd.	Leahy	TCSE(7)	\$ 1,000,000	High Priority
ConnectVT	Leahy		\$ 10,000,000	High Priority
Cross Vermont Trail	Sanders		\$ 1,108,800	High Priority
Danville, US Rte 2	Leahy	FEGC 028-3(32)	\$ 5,000,000	High Priority
Derby, I-91	Jeffords/Leahy		\$ 6,000,000	High Priority
Essex Downtown, Vt 15, 2A and 117	Leahy	STP 5300(9)	\$ 1,000,000	High Priority
Hartford, I-91 to Canadian border	Jeffords		\$ 15,000,000	High Priority
Hartford, reconstr and widen US Rte 5	Sanders	RS 0113(40)	\$ 1,200,000	High Priority
Johnson br , VT 15, Main St bridge	Leahy	BRF 030-2(17)S	\$ 3,600,000	High Priority
Johnson, Pearl Street bridge	Leahy	BHO 1448(29)	\$ 1,400,000	High Priority
Lamoille Valley Rail Trail	Sanders		\$ 5,814,789	High Priority
Lunenburg, Richer Rd/US Rte 2	Jeffords	STP 2301(1)	\$ 2,000,000	High Priority
Manchester and Clarendon, 2 roundabouts	Jeffords	STP 0137(17)	\$ 2,500,000	High Priority
Montpelier Downtown Redevelopment	Jeffords/Leahy		\$ 4,000,000	High Priority
Rutland, improvements to US4 and US7	Sanders	STP 019-3(57)	\$ 2,848,000	High Priority
Smuggler's Notch, 2 interpretive centers	Sanders		\$ 868,411	High Priority
South Burlington, US Rte 2/I-89 interchange	Leahy		\$ 3,000,000	High Priority
St. Albans, bypass to route milk truck traffic	Sanders		\$ 960,000	High Priority
St. Albans, improve Federal St.	Jeffords		\$ 1,500,000	High Priority
St. Lawrence/Atlantic RR upgrades in NE Vermont	Jeffords/Leahy		\$ 5,000,000	High Priority
Swanton, design and constr dry span bridge/wildlife	Jeffords/Leahy		\$ 5,000,000	High Priority
Vermont Park/Ride Improvements	Jeffords		\$ 2,500,000	High Priority
			\$ 137,800,000	<b>High Priority Total</b>
Albany, replace br #30, Black River, Town Farm Rd	Jeffords	BRO 1449(23)	\$ 730,000	Trans. Improvement
Alburg, streetscape improvements	Jeffords		\$ 330,000	Trans. Improvement
Barnard, rehab br #8, Broad Brook	Jeffords	BHO 1444(40)	\$ 490,000	Trans. Improvement
Barre Town, replace Bridge Street br., Stevens Branch	Jeffords		\$ 2,000,000	Trans. Improvement
Barton, replace br #61, Willoughby River, East St	Jeffords	BRO 1449(29)	\$ 1,290,000	Trans. Improvement
Bennington Welcome Center	Jeffords		\$ 6,500,000	Trans. Improvement
Bradford, rehab br #22, Waits River	Jeffords	TH3, 9641	\$ 1,130,000	Trans. Improvement
Brattleboro, phase 1 reconst of Main Street	Jeffords		\$ 3,000,000	Trans. Improvement
Burke, replace br #16 & #17, Dish Mill Brook	Jeffords	BRZ 1447(15)	\$ 1,600,000	Trans. Improvement
Cabot, rehab Saw Mill Road br, Winooski River	Jeffords	BRO 1446(27)	\$ 760,000	Trans. Improvement
Cambridge/Johnson, road improvements, Hogback Rd.	Jeffords		\$ 585,000	Trans. Improvement
Cavendish, replace br #45 on Egan Rd., Black River	Jeffords	BRO 1442(23)	\$ 1,140,000	Trans. Improvement
Cedar Creek Vt monument in Virginia	Jeffords		\$ 2,000,000	Trans. Improvement
Champlain Water District, water improvements	Jeffords		\$ 3,000,000	Trans. Improvement
Charleston, replace br #16, Mud Brook	Jeffords	BRO 1449(22)	\$ 650,000	Trans. Improvement
Charlotte, rehab Quinlan Covered Br on Spear St.	Jeffords		\$ 500,000	Trans. Improvement

**FY06 PRIORITY PROJECTS NEEDING ADDITIONAL STATE FUNDS BASED ON PASSAGE OF NEW FEDERAL BILL (SAFETEA-LU)**

Program	Project Name	Project Number	Total Est Cost	Federal	State	Local	Additional SFY06 State		Projected Bid Date	Earmark	In SFY06 Program?
							Estimated				
INTERSTATE BRIDGE	GUILFORD	IM 091-1(33)	\$ 6,100,000	\$ 5,490,000	\$ 610,000	\$ -	\$ 100,000		15-Jan-06	TI	D&E
INTERSTATE BRIDGE	RICHMOND	IM 089-2( )	\$ 1,380,000	\$ 1,242,000	\$ 138,000	\$ -	\$ 25,000		15-Mar-06	TI	D&E
<b>INTERSTATE BRIDGE Total</b>			<b>\$ 7,480,000</b>	<b>\$ 6,732,000</b>	<b>\$ 748,000</b>	<b>\$ -</b>	<b>\$ 125,000</b>				
LTF	NEWFANE	STP WALK(5)	\$ 420,000	\$ 336,000	\$ 42,000	\$ 42,000	\$ 6,690		15-Mar-06	N	FRONT
LTF	WEST RUTLAND	STP BIKE (43)	\$ 824,000	\$ 659,200	\$ 82,400	\$ 82,400	\$ 33,450		19-Jan-06	N	FRONT
LTF	WOODSTOCK	STP BIKE (30)	\$ 196,800	\$ 157,440	\$ 19,680	\$ 19,680	\$ 7,400		6-Apr-06	N	FRONT
LTF	MONTPELIER-BERLIN	STP BIKE(33)	\$ 2,845,000	\$ 2,276,000	\$ 284,500	\$ 284,500	\$ 14,720		7-Mar-07	N	FRONT
LTF	WINDOOSKI	STP 5100(10)	\$ 2,650,000	\$ 2,120,000	\$ 265,000	\$ 265,000	\$ 150,000		N/A	N	FRONT
LTF	BARRE TOWN	STP BIKE(38)	\$ 1,717,649	\$ 1,374,119	\$ 171,765	\$ 171,765	\$ 99,000		N/A	N	FRONT
LTF	BRATTLEBORO	STP BIKE(27)	\$ 724,069	\$ 579,255	\$ 72,407	\$ 72,407	\$ 8,920		N/A	N	FRONT
<b>LTF Total</b>			<b>\$ 9,377,518</b>	<b>\$ 7,502,014</b>	<b>\$ 937,752</b>	<b>\$ 937,752</b>	<b>\$ 320,180</b>				
PAVING	HARTFORD-ROYALTON	STP 2121 (1)S	\$ 3,740,000	\$ 2,992,000	\$ 748,000	\$ -	\$ 374,000		26-Oct-05	N	FRONT
PAVING	FAYSTON-WAITSFIELD	STP 2406	\$ 400,000	\$ 320,000	\$ 80,000	\$ -	\$ 20,000		4-Jan-06	N	SHELF
PAVING	WAITSFIELD-MORETOWN	STP 2227	\$ 2,190,000	\$ 1,752,000	\$ 438,000	\$ -	\$ 109,500		4-Jan-06	N	SHELF
PAVING	GUILFORD-BRATTLEBORO	IM 091-1(61)	\$ 4,030,000	\$ 3,627,000	\$ 403,000	\$ -	\$ 161,200		30-Nov-05	Possible - TI	FRONT
PAVING	MORGAN-BRIGHTON	STP 2404(1)	\$ 1,420,000	\$ 1,136,000	\$ 284,000	\$ -	\$ 56,800		?	N	D&E
PAVING	CAMBRIDGE BELVIDERE	STP 2219(1)S	\$ 3,100,000	\$ 2,480,000	\$ 620,000	\$ -	\$ 124,000		15-Feb-06	Waterfall	D&E
PAVING	COLCHESTER-GEORGIA	IM 089-3(39)	\$ 3,020,000	\$ 2,718,000	\$ 302,000	\$ -	\$ 120,800		16-Nov-05	Possible - TI	FRONT
PAVING	WALLINGFORD-RUTLAND TOWN	NH 2408	\$ 2,720,000	\$ 2,176,000	\$ 544,000	\$ -	\$ 108,800		14-Dec-05	N	SHELF
PAVING	COLCHESTER	STP 2307	\$ 570,000	\$ 456,000	\$ 114,000	\$ -	\$ 11,400		15-Mar-06	N	D&E
PAVING	WINDOOSKI	STP 2307	\$ 470,000	\$ 376,000	\$ 94,000	\$ -	\$ 9,400		15-Mar-06	N	D&E
PAVING	SPRINGFIELD	STP 2405(1)S	\$ 920,000	\$ 736,000	\$ 184,000	\$ -	\$ 92,000		15-Feb-06	N	D&E
PAVING	ESSEX	NH 2403	\$ 1,560,000	\$ 1,248,000	\$ 312,000	\$ -	\$ 93,600		1-Mar-06	N	SHELF
PAVING	MARSHFIELD-CABOT	NH 2104	\$ 5,370,000	\$ 4,296,000	\$ 1,074,000	\$ -	\$ 429,600		?	N	FRONT
PAVING	DANVILLE	NH 2205(1)	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	\$ 64,000			N	D&E
PAVING	CASTLETON-SUDBURY	STP 2402(1)	\$ 4,380,000	\$ 3,504,000	\$ 876,000	\$ -	\$ 175,200			N	D&E
<b>PAVING Total</b>			<b>\$ 35,490,000</b>	<b>\$ 29,097,000</b>	<b>\$ 6,393,000</b>	<b>\$ -</b>	<b>\$ 1,950,300</b>				
ROADWAY	SHARON-STRAFFORD	STP 0177(6)	\$ 4,110,800	\$ 3,332,875	\$ 366,665	\$ 411,060	\$ 170,000			N	FRONT
ROADWAY	NORTH BENNINGTON	STP 9646(1)	\$ 1,625,000	\$ 1,300,000	\$ 162,500	\$ 162,500	\$ 20,000		15-Mar-05	N	FRONT
ROADWAY	HARTFORD-NEWBURY	IM IR 091-2(6)	\$ 1,625,000	\$ 1,462,500	\$ 162,500	\$ -	\$ 200,000		15-Dec-05	Possible - HP	FRONT
ROADWAY	LUNENBURG	STP 2301(1)S	\$ 2,450,000	\$ 1,960,000	\$ 245,000	\$ 245,000	\$ 100,000		15-Dec-05	HP	SHELF
ROADWAY	OLD BENNINGTON	STP 1400(5)S	\$ 925,000	\$ 702,000	\$ 88,000	\$ 135,000	\$ 40,000		15-Jan-06	N	SHELF
ROADWAY	WATERBURY	FECC-F 013-4(13)	\$ 112,000	\$ 106,400	\$ 3,360	\$ 2,240	\$ 3,360		N/A	N	D&E
ROADWAY	HIGHGATE-FRANKLIN	STP RS 0301(1)SA	\$ 7,300,000	\$ 5,900,000	\$ 1,400,000	\$ -	\$ 400,000		N/A	N	FRONT
ROADWAY	CIRC - WILLISTON-ESSEX	NH 033-1 (17)	\$ 1,947,826	\$ 1,558,261	\$ 389,565	\$ -	\$ 389,565		N/A	N	D&E
ROADWAY	CIRC - WILLISTON-ESSEX	IM 089-2(12)	\$ 852,174	\$ 766,957	\$ 85,217	\$ -	\$ 85,217		N/A	N	D&E
ROADWAY	CIRC - ESSEX-WILLISTON-EIS	NH 022-1(24)					\$ 400,000		N/A	N	FRONT
ROADWAY	BENNINGTON - SOUTH	NH F019-1(4)					\$ 200,000			N	D&E
<b>ROADWAY Total</b>			<b>\$ 22,642,600</b>	<b>\$ 18,444,992</b>	<b>\$ 3,241,808</b>	<b>\$ 955,800</b>	<b>\$ 2,008,142</b>				
RR X-ING	MANCHESTER	STP 0171(02)	\$ 8,738	\$ 7,864	\$ 874	\$ -	\$ 874		N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 1200(4)	\$ 19,374	\$ 17,436	\$ 1,938	\$ -	\$ 1,938		N/A	N	FRONT
RR X-ING	N. BENNINGTON	STP 2031(10)	\$ 18,763	\$ 16,886	\$ 1,877	\$ -	\$ 1,877		N/A	N	FRONT
RR X-ING	SHAFTSBURY	STP 2031(11)	\$ 20,671	\$ 18,604	\$ 2,067	\$ -	\$ 2,067		N/A	N	FRONT
RR X-ING	MANCHESTER	STP 2031(12)	\$ 19,780	\$ 17,802	\$ 1,978	\$ -	\$ 1,978		N/A	N	FRONT
RR X-ING	ROYALTON	STP 2034(14)	\$ 260,502	\$ 45,000	\$ 5,000	\$ -	\$ 5,000		N/A	N	FRONT
<b>RR X-ING Total</b>			<b>\$ 347,828</b>	<b>\$ 123,592</b>	<b>\$ 13,734</b>	<b>\$ -</b>	<b>\$ 13,734</b>				
STATE BRIDGE	BUELS GORE	ST CULV(1)	\$ 404,500	\$ 323,600	\$ 80,900	\$ -	\$ 30,000		10-Apr-06	N	FRONT
STATE BRIDGE	LYNDON	BRS 0269(8)S	\$ 1,600,000	\$ 1,280,000	\$ 320,000	\$ -	\$ 100,000		21-Oct-05	Waterfall	D&E
STATE BRIDGE	READING	BRS 0148(6)S	\$ 1,720,440	\$ 1,376,352	\$ 344,088	\$ -	\$ 40,000		17-Feb-06	DB	D&E
STATE BRIDGE	DUXBURY	STP 013-4(24)	\$ 170,000	\$ 136,000	\$ 34,000	\$ -	\$ 35,000		10-Oct-05	N	D&E
STATE BRIDGE	MONTGOMERY	BRF 0283(8)	\$ 1,711,000	\$ 1,368,800	\$ 342,200	\$ -	\$ 40,000		18-Nov-05	N	SHELF
STATE BRIDGE	FAYSTON	BHF 0200(9)	\$ 1,380,495	\$ 1,104,396	\$ 276,099	\$ -	\$ 30,000		15-Feb-06	N	SHELF
STATE BRIDGE	LYNDON	BRF 0269(10)	\$ 1,395,000	\$ 1,116,000	\$ 279,000	\$ -	\$ 60,000		17-Feb-06	N	D&E
STATE BRIDGE	WHITINGHAM	STP ST CULV(6)	\$ 500,000	\$ 400,000	\$ 100,000	\$ -	\$ 20,000		1-Mar-06	N	FRONT
<b>STATE BRIDGE Total</b>			<b>\$ 13,936,955</b>	<b>\$ 11,149,564</b>	<b>\$ 2,787,391</b>	<b>\$ -</b>	<b>\$ 355,000</b>				
T.H. BRIDGE	WALLINGFORD	BRO 1443(31)	\$ 625,000	\$ 500,000	\$ 62,500	\$ 62,500	\$ 20,000		7-Oct-05	TI	D&E
T.H. BRIDGE	CLARENDON	BRO 1443(34)	\$ 609,375	\$ 487,500	\$ 60,938	\$ 60,938	\$ 20,000		14-Oct-05	TI	D&E
T.H. BRIDGE	MORRISVILLE	BRZ 1446(15)	\$ 510,000	\$ 408,000	\$ 51,000	\$ 51,000	\$ 10,000		1-Dec-05	N	D&E
T.H. BRIDGE	MONTGOMERY	BRO 1448(20)	\$ 610,000	\$ 488,000	\$ 61,000	\$ 61,000	\$ 10,000		4-Nov-05	TI	D&E
T.H. BRIDGE	SUNDERLAND	BRF 0114(2)	\$ 1,087,247	\$ 869,798	\$ 108,725	\$ 108,725	\$ 20,000		4-Nov-05	TI	D&E
T.H. BRIDGE	CAVENDISH	BRO 1442(23)	\$ 912,000	\$ 729,600	\$ 91,200	\$ 91,200	\$ 50,000		19-Dec-05	TI	D&E
T.H. BRIDGE	CHARLESTON	BRO 1449(22)	\$ 437,500	\$ 350,000	\$ 43,750	\$ 43,750	\$ 25,000		2-Jan-06	TI	D&E
T.H. BRIDGE	GRANVILLE	BRO 1444(34)	\$ 339,000	\$ 271,200	\$ 33,900	\$ 33,900	\$ 5,000		1-Feb-06	TI	D&E
T.H. BRIDGE	ST. JOHNSBURY	BRO 1447(19)	\$ 1,524,726	\$ 1,219,781	\$ 152,473	\$ 152,473	\$ 5,000		1-Feb-06	TI	D&E
T.H. BRIDGE	VERSHIRE	BRO 1444(32)	\$ 226,000	\$ 180,800	\$ 22,600	\$ 22,600	\$ 5,000		1-Feb-06	TI	CAND
<b>T.H. BRIDGE Total</b>			<b>\$ 16,964,201</b>	<b>\$ 13,763,031</b>	<b>\$ 1,600,585</b>	<b>\$ 1,600,585</b>	<b>\$ 170,000</b>				
TRAFFIC OPERATIONS	HARTFORD-NEWBURY	IM 091-2(14)	\$ 1,624,380	\$ 1,299,504	\$ 324,876	\$ -	\$ 180,000		15-Jan-06	N	SHELF
<b>TRAFFIC OPERATIONS Total</b>			<b>\$ 3,976,063</b>	<b>\$ 3,651,187</b>	<b>\$ 324,876</b>	<b>\$ -</b>	<b>\$ 180,000</b>				
<b>Grand Total</b>			<b>\$ 111,217,165</b>	<b>\$ 91,063,381</b>	<b>\$ 16,449,145</b>	<b>\$ 3,494,137</b>	<b>\$ 5,122,356</b>				



9/7/05 briefing  
 (9/15/05 mtg)

09/06/04

**DISTRIBUTION LIST**  
**Joint Fiscal Committee Material**

<u>DISTRIBUTION</u>	<u>FULL PACKET</u>	<u>AGENDA &amp; APPROPRIATE ITEM(S)</u>	<u>MINUTES</u>
✓ JFC members	10		10
JFO staff :			
SB, MB, CB, BB, GC, SK, SK	10		10
MP, NS, ST			
Other legislative:			
✓ Speaker Symington	1		
✓ Bill Russell	1		1
✓ Rachel Levin	1		1
		1	
Administration:			
✓ Secretary of Administration	2		
✓ F&M Commissioner	1		1
✓ Otto Trautz	1		1
Brad Ferland			1
✓ Human Resources Commissioner		1	
Rossi Conklin ( @ 110 State Street)			1
Molly Ordway (@ 144 State Street)			1
<del>Raylene Jacobs, VTrans</del>		1	
✓ State Auditor	1		
✓ State Treasurer	1		
Agencies/department(s)		1	On request
✓ Tax (T. Pelham + S. Mcener)		1	
✓ OVHA (J. Sloan)			
✓ AHS (M. Smith)			
✓ DAK (P. Flood)			
✓ <del>DA</del> DCF (B. Forrest)			
✓ Transp. (D. Terrill)			
✓ Commission on Women		1	
✓ VSEA		1	
Extras (press & meeting)	8		
<b>TOTAL</b>	36	Extra agendas	37

## PRELIMINARY AGENDA

**Joint Fiscal Committee  
September 15, 2005  
10:00 a.m.  
Room 11, State House**

- 10:00 a.m. Call to order
1. Approval of minutes of July 14, 2005 meeting *[enclosed]*
- 10:05
2. Fiscal pressures update *[Commissioner of Finance and Management]*
- 10:20
3. Caseload reserve *[Commissioner of Finance & Management]*  
*[report and 32 V.S.A. Ch. 5, §308b(b) excerpt enclosed]*
- 10:30
4. Fiscal year 2007 residential and non-residential property tax rates  
*[Joint Fiscal Office]*
- 10:45
5. Fuel assistance update *[Deputy Commissioner, Department of Children and Families, Economic Services Division]*
- 11:00
6. Federal transportation funding reauthorization *[Secretary of the Agency of Transportation]*
- 12:00 Recess for lunch
- 1:15 p.m.
7. Department of Aging and Independent Living – developmental services report on meeting requirements of Sec. 138 (b) of Act 71 of 2005  
*[Sec. 138 (b) enclosed]* *[Secretary of Human Services, Commissioner of Finance and Management, Commissioner of Aging and Independent Living]*
- 1:40
8. Medicaid costs – 5-year forecast *[Joint Fiscal Office]*
- 1:55
9. Global commitment update *[Director, Office of Vermont Health Access]*
- 2:10
10. Legislative health care commission – staffing and studies *[JFO, Legislative Council]*

*[over]*



- 2:20 11. Tax expenditure budgeting [*JFO and Tax Department*] [*Sec. 27(b), Act 75 of 2005 enclosed; report will be mailed separately or distributed at the meeting*]
- 2:30 13. Joint Fiscal Office
- a. Fiscal Officer's report
  - b. Contract renewal: Tom Kavet
- 2:40 14. Fall 2005 meeting dates
- a. September 28 – Global Commitment – Room 11
  - b. November 17 – regularly scheduled meeting – Room 11

Adjournment

Reports for information [no action required]:

1. Transfers made to Vermont Health Access Trust Fund [Act 71 of 2005, Sec. 104c(a)] [*report enclosed*]
2. VISION recurrent error charging rates and charges during prior fiscal year [Act 66 of 2003, Sec. 12(a)] [*report enclosed*]



## MINUTES

### Joint Fiscal Committee Meeting of July 14, 2005

Representative Martha Heath, Chair, called the meeting of the Joint Fiscal Committee to order at 10:00 a.m. in Room 11, State House.

Also present: Senators Bartlett, Cummings, Sears, Snelling, and Welch  
Representatives Obuchowski, Perry, Severance, and  
Westman

Others attending the meeting included Senator Mazza; Representative Minter; State Treasurer Spaulding; Joint Fiscal Office staff; Administration officials and staff; Chief Legislative Counsel Russell; and representatives of numerous advocacy groups.

#### APPROVAL OF MINUTES:

1. Senator Bartlett moved approval of the minutes of the November 29, 2004 and the February 18, 2005 minutes, as submitted. The motion was seconded and adopted.

#### DUXBURY LAND SALE:

2. Tasha Wallis, Commissioner of State Buildings and General Services (BGS), submitted a new proposal for sale of former State Farm property located in Duxbury. The Committee having withheld at its February meeting approval of the Department's prior submission for sale of this land, BGS again placed the lot in question for sale through a public bidding process that complied with pertinent statutes and enabling legislation.

Bosselait Enterprises, Inc. submitted the high offer, in the amount of \$531,000. After reviewing the bid and determining that it met all the applicable criteria, BGS now recommended that the Committee grant approval for completion of the sale to that firm.

Commissioner Wallis reported that earlier in the week she had met with the Duxbury Selectboard, which unanimously voted to support the sale to Bosselait Enterprises, Inc.

On a motion from Senator Cummings, the Committee voted its approval of the proposed sale.

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

3. Commissioner John Crowley submitted estimated final figures for fiscal year 2005 receipts available for transfer to the General Fund from the Insurance, Captive Insurance and Securities Regulatory and Supervision Funds, as follows:

Because firm final figures were not available at the time of the meeting, the Committee's action permitted adjustments in the amounts after the meeting [see below]. The final figures, adjusted by a total upward transfer of \$19,636.75 per July 18, 2005 letter addressed to the Committee Chair from Commissioner Crowley, are as follows:

<u>Fund name</u>	<u>Amount</u>
Insurance Regulatory and Supervision Fund	\$ 9,339,218.10
Captive Insurance Regulatory and Supervision Fund	244,659.64
Securities Regulation and Supervision Fund	<u>1,959,590.94</u>
Total	\$11,543,468.68

As required in Section 76(a)(2) of Act 76 (fiscal year 2005 budget adjustments) of the 2005 legislative session, the Commissioner certified that the transfer of the unencumbered balances in these funds would not impair BISHCA's ability "...in fiscal year 2006 to provide thorough, competent, fair, and effective regulatory services, or maintain accreditation by the National Association of Insurance Commissioners...."

Representative Perry moved that the Committee accept the Commissioner's certification relating to the transfer of the balances, with the understanding that if the amounts presented at this time were to change slightly, the adjusted figures would be relayed to the Joint Fiscal Office after the meeting and reflected in the minutes. [Note: Those revised figures are shown above.]

**GLOBAL COMMITMENT (MEDICAID):**

4. Joshua Slen, Director of the Office of Vermont Health Access (OVHA), reported on the status of negotiations with the federal Centers for Medicare and Medicaid Services (CMMS) over Vermont's request for a waiver to enable the State to reform its delivery and financing of Medicaid services. The reform effort, which was presented to the General Assembly during the recently-adjourned session, is known as "Global Commitment to Health."

Section 250(c) of Act 71 (Fiscal Year 2006 appropriations) of the 2005 legislative session stipulates that any agreement to transform the existing system of funding Medicaid must be approved by the General Assembly, or if the General Assembly is not in session, by a majority vote of the members of the Joint Fiscal Committee upon recommendation of the Health Access Oversight Committee.

In a written program overview which Mr. Slen distributed to the members, the global commitment reform approach reflects Vermont's goals as: moving "from a reactive, claims processing apparatus to a proactive, care management model;" becoming an active partner in reforming delivery and financing of health care; improving quality of care and controlling Medicaid program costs through enhanced coordination; and providing flexibility to enable the use of state-federal resources more effectively. In exchange for program flexibility, Vermont will agree to a five-year, aggregate Medicaid spending limit. The program design calls for OVHA to operate as a Public Managed Care Organization (MCO) which must comply with federal managed care rules. The Agency of Human Services will be responsible for program monitoring and evaluation.

The focus of Mr. Slen's remarks as well as of the ensuing discussion was the progress and status of the ongoing negotiations with CMS. Responding to Representative Obuchowski's observation that members of the General Assembly had understood the discussions would have concluded by now, Mr. Slen assured the Committee that the fact that negotiations have not yet closed has no negative financial consequences to the State in the current fiscal year.

Members were interested in what the Administration will do to facilitate obtaining this Committee's approval and when to expect a starting date for the waiver to take effect. Mr. Slen assured them that approval is imminent and that the State is prepared to sign a contract to be in place by the end of this month. The capitation rate will have to be certified by an actuary, who will determine the appropriate funding level to adequately support the existing Medicaid program. The certified capitation rate is the amount necessary to support all the Medicaid programs in the State of Vermont, according to the State.

Once the contract is signed, the actuary will have a six-week time period in which to complete its work. He expected by September 15 to have certified rates. A starting date has not yet been determined, although from Vermont's perspective it should be no later than October 1 of this year to enable the State to capture all the money possible for the fiscal year. He suggested that the starting date for the waiver might be the date of approval by the Joint Fiscal Committee, or another date such as the beginning of a month or of a quarter.

The Chair observed that members of the General Assembly have been told since the outset of the Administration's proposing the global commitment approach that they would be partners in the process. She now expressed concern that negotiations will be completed before this Committee knows and understands the details and implications of the new Medicaid funding mechanism, particularly the effect on Vermont's Medicaid population.

Senator Bartlett echoed the Chair's concerns about the Legislature's relative lack of input into the process. She pointed to difficulties experienced



during the session by the Legislature and its staff in trying to understand and analyze details of the complex global commitment concept and its potential effects on Medicaid recipients. In the Senator's opinion, to spend time at this point on details that are still under negotiation would be non-productive.

Representative Perry suggested that a working session of the members would be needed prior to Committee action on an agreement with the federal CMMS.

Senator Sears inquired as to whether the Administration has kept the Joint Fiscal Office staff up to date as talks with CMMS have progressed. Although Mr. Slen responded in the affirmative, there was an indication that the Committee's staff is not fully aware of the details of the most recent proposal. Mr. Slen maintained that the Global Commitment concept has not changed for months, and the Administration's position has been and continues to be that there will not be an agreement unless it is good for Vermont.

Representative Westman asked that the Administration keep the Chairs of the Senate and House Appropriations Committee informed of the progress of negotiations and of general areas where it may have concerns, and that the two Chairs then could decide whether the other Joint Fiscal Committee members should be made aware of them. Mr. Slen gave him that assurance.

As the deliberations drew to a close, the Chair observed that Committee members will not be comfortable with making a decision on this complex subject until they can discuss thoroughly with Mr. Slen the latest changes in the Global Commitment model as compared to what originally was proposed to the Legislature. Other members agreed, and she requested that he not finalize negotiations with CMMS until the Committee is familiar with those modifications.

#### **VERMONT STATE HOSPITAL UPDATE:**

5. Paul Blake, Deputy Commissioner for Mental Health Services, accompanied by Carrie Hathaway, Finance Director for that division of the Health Department, presented a status report on the State Hospital. He distributed a one-page summary of an updated operating plan as of July 12, comparing revised budget proposals and assumptions with the initial budget request outlined in testimony before the House Appropriations Committee on March 17, 2005.

The new operating plan showed an increase of \$819,468 over the initial request, and a variance in need of \$807,177 from the amount appropriated by the General Assembly (including "waterfall" funding) for the current fiscal year.

As set forth in the summary, the assumptions used in developing the revised budget are:

- Hospital remains as a 54-bed facility until 1/1/06
- As of 1/1/06:
  - 16-bed sub-acute facility developed in community;
  - 6-bed secure-residential facility developed in community; and
  - 32-bed facility remaining at the VSH with own management.
  - Retain current staffing levels with some enhancements to nursing coverage.
  - Retention packages offered (including conversion of long-time temps to full time and nursing market factor adjustments).
  - Significant enrichment to psychiatric coverage contract.

Mr. Blake's comments centered on the positive changes for the State Hospital of the new contract for psychiatric services with Fletcher Allen Health Care. In response to the Chair's inquiry, he elaborated on how the arrangement will benefit VSH patients and staff and address the critical issues that have developed at the facility.

#### **REVENUE FORECAST AND ECONOMIC REVIEW:**

6. Tom Kavet, the Committee's economic and revenue consultant, presented his most recent revenue information, also intended for presentation to the Emergency Board on this date. Distributed to the members was a written report entitled "July 2005 Economic Review and Revenue Forecast Update," salient points of which he orally summarized.

Mr. Kavet reported that nothing foreshadowed the kind of strength Vermont experienced in fiscal year 2005 in personal income, corporate, estate and property transfer tax revenues. He estimated an aggregate upgrade of as much as \$40 million in fiscal year 2006 tax receipts over the January 2005 projections, although the Transportation Fund is expected to generate about \$3.5 million less than the earlier estimate. This would have been \$5 million had the Legislature not raised inspection fees. Accounting for very substantial capital gains and other profits is an extraordinary appreciation in real estate values in the state over the past several years, a boom which his report addressed in some depth. He cautioned that the upward direction in revenues is likely to be short lived, foreseeing that the trend in real estate values might continue for five to seven quarters before receding.

On the negative side of the Vermont economy, Mr. Kavet talked about the huge loss of jobs experienced in Vermont in the past four years.

A section of Mr. Kavet's written report addressed the Streamlined Sales Tax Agreement (SSTA), a multi-state effort to simplify and streamline state sales and use taxes to facilitate collection of such taxes from out-of-state vendors. The SSTA will affect revenues in fiscal year 2006 and beyond, although current SSTA revenue estimates are highly uncertain. As the report pointed out, "Revenue

estimates from the initial program participants...vary by a factor of about 9....” Citing that information, Representative Obuchowski observed that when Act 68 was enacted, legislative intent language indicated that once the SSTA is in effect, the sales tax should be reviewed and reduced by one-half of one percent, to 5.5 percent. He wondered whether Mr. Kavet’s forecast includes revenue to accomplish that reduction. Mr. Kavet said no, that his understanding was that such a tax change would not be automatic; and that Vermont’s initial participation would begin in April 2006 and after that a tax change would be considered.

Representative Obuchowski asked if such a reduction would be possible, to which Mr. Kavet replied that at this point it would be premature to say that is possible. He added that by April 2006, six months of hard data will be available from the initial participants, who launch the program on October 1, 2005.

#### **FISCAL YEAR 2005 CLOSEOUT:**

7. James Reardon, Commissioner of Finance and Management, introduced to the Committee the new Deputy Commissioner of Finance and Management, Susan Zeller.

Reporting on the fiscal year 2005 closeout, Mr. Reardon reported that preliminary figures indicate that General Fund revenues exceeded the target figure by about \$54.5 million. After factoring out \$2.4 million of estate tax that by law must be transferred to the Higher Education Trust Fund, the General Fund available surplus is approximately \$52.1 million. The amount of the surplus allows funding of all the items included in the “waterfall” provision of the fiscal year 2006 appropriations act (Section 263), plus a transfer to ensure a fully funded transportation stabilization fund.

The Commissioner discussed higher-than-expected direct applications amounting to approximately \$5 million. He talked about what the Administration regards as a possible flaw in the current law relating to the abandoned property program in the Treasurer’s office that affects transfers of receipts from that source, which may result in as much as a \$2 million transfer back to abandoned property in the current fiscal year to pay for liabilities for which the State already has received money. His office will work with the State Treasurer and the Joint Fiscal Office to develop recommendations on how that law should be changed.

After taking into consideration the designated uses of the surplus which he mentioned, Commissioner Reardon estimated that approximately \$16 million may be available in the General Fund on a one-time basis in the current fiscal year. Final closeout figures are not yet available, and he assured the Committee that as his staff proceeds to final closeout they will fully involve the Joint Fiscal Office in the process and ultimately reach a consensus on the results.

Mr. Reardon mentioned potential fiscal year 2006 budget adjustment issues, including the abandoned property program, substitute care in the Agency of Human Services, Medicaid and the Health Access Trust Fund, the Vermont State Hospital, and State match for potential increases in federal transportation funds. He also made the Committee aware of some ongoing areas of concern, such as the liability in the teachers retirement fund. In closing, he observed that despite fairly robust revenues at the present time, spending pressures continue to outstrip revenues.

Senator Sears cautioned against use of the term "surplus," which he believes gives a false impression given the substantial need for additional funding in a variety of areas, such as the teachers retirement fund.

#### **IN-DEPTH BUDGETING PILOT PROGRAM:**

8. Mr. Reardon referred to Sec. 262 of Act 71, which calls for the Commissioner of Finance and Management to select up to two departments to undergo an in-depth budget review and to submit his choices to the Joint Fiscal Committee at its July meeting. He advised that three departments have been selected to undergo this review, according to guidelines delineated in Sec. 262: Education, Health, and Public Safety.

#### **FUTURE MEETING DATES:**

9. The Committee agreed to meet on Thursday, September 15, and Thursday, November 17. Members are to be contacted if the determination is made to hold a separate meeting on the global commitment issue.

#### **SEPTEMBER AGENDA ITEMS:**

10. Representative Obuchowski asked that the September agenda include the topics of fuel assistance and the staff's best estimate of what fiscal year 2007 residential and non-residential tax rates should be. On the former subject, he explained that with Vermonters' struggles to pay their fuel bills in the face of rising oil prices, it is important for this Committee to monitor the situation regularly and to consider increasing assistance.

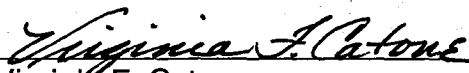
#### **JOINT FISCAL OFFICER'S REPORT:**

11. In addition to the information contained in his July 6 written report which was mailed to the members prior to the meeting, Chief Fiscal Officer Stephen Klein told the Committee that September 30 is the expiration date of Tom Kavet's contract. He recommended not soliciting bids for the work performed by Mr. Kavet, and that he be authorized to renegotiate a contract with Mr. Kavet through 2009. Committee members were amenable to this proposal.

Mr. Klein also advised that, following the practice in recent years, the Fiscal Office staff will receive flat amount salary increases, with those staff members who earn higher salaries to be awarded lower percentage raises than those earning less. The increases range is from 3.2% to 4.5%. Several analysts have been awarded additional raises based on their increased responsibilities.

The meeting was adjourned at 12:15 p.m.

Respectfully submitted:

  
Virginia F. Catone  
Joint Fiscal Office



STATE OF VERMONT  
AGENCY OF ADMINISTRATION

MEMORANDUM

**TO:** Join Fiscal Committee  
**FROM:** Charles P. Smith, Secretary of Administration  
**DATE:** September 2, 2005  
**RE:** Human Services Caseload Reserve

A handwritten signature in blue ink, appearing to read "C. P. Smith", with a large, sweeping flourish above the name.

---

Pursuant to 32 V.S.A. Sec 308b(b), I am reporting that there was no transfer to the Human Services Caseload Reserve as part of the SFY 2005 closeout. The balance of this Reserve at June 30, 2005 is \$18,543,422.



# The Vermont Statutes Online

## Title 32: Taxation and Finance

### *Chapter 5: BUDGET*

#### **32 V.S.A. § 308b. Human services caseload reserve**

##### **§ 308b. Human services caseload reserve**

(a) There is created within the general fund a human services caseload management reserve. Expenditures from the reserve shall be subject to an appropriation by the general assembly or approval by the emergency board. Expenditures from the reserve shall be limited to agency of human services caseload related needs primarily in the departments of prevention, assistance, transition, and health access, social and rehabilitation services, and developmental and mental health services.

(b) The secretary of administration may transfer to the human services caseload reserve any general fund carry-forward directly attributable to aid to needy families with children (ANFC) caseload reductions and the effective management of related federal receipts. A report on the transfer of any such carry-forward to the reserve shall be made to the joint fiscal committee at its first meeting following September 1 of each year.

(c) Beginning in 1999 and each year thereafter, the secretary of human services and the secretary of administration shall jointly present to the general assembly at the time of the governor's annual budget report an initial estimate of carry-forward which would be generated during the current fiscal year for transfer to the human services caseload management reserve. This estimate shall be the maximum amount attributable to ANFC caseload management reductions and the effective management of related federal receipts, as calculated by the secretary of human services. (Added 1997, No. 147 (Adj. Sess.), § 119a, eff. April 29, 1998; amended 1999, No. 147 (Adj. Sess.), § 4.)

---





## Sec. 138. Aging and independent living - developmental services

Grants	103,600,138
Source of funds	
General fund	41,434,699
Special funds	841,980
Federal funds	60,262,628
Interdepartmental transfer	<u>1,060,831</u>
Total	103,600,138

(a) The secretary of the agency of human services and the commissioner of the department of aging and independent living shall ensure the programs funded through this appropriation meet the following requirements:

(1) A minimum of 219 individuals under emergency caseload and a minimum of 23 individuals under public safety shall be funded.

(2) A minimum of 65 new "June graduates" shall be served.

(3) The funding level available to the flexible family funding program shall be at least equal to the amount available to this program in fiscal year 2005, which was \$1,086,890, including any federal match. If federal receipts are gained through the Global Commitment, eligibility for flexible family funding will require eligibility for Medicaid; the department may make exceptions to this on a case-by-case basis. The anticipated waiting list for developmental services will be 31 or fewer, depending on the number of graduates who exit school.

(b) The commissioner of finance and management, the secretary of human services, and the



commissioner of aging and independent living shall report to the joint fiscal committee at its September and November meetings as to the fiscal and program implications of meeting the requirements of subsection (a) of this section. The report shall include a review of the fiscal year 2006 inflationary increase available to the designated provider agencies for developmental services and the impact on any other division or department with the agency.



## Sec. 27. TRANSITION REPORTS

(a) The department of taxes shall file with the House Committees on Ways and Means and Appropriations, and with the Senate Committees on Finance and Appropriations reports on the following:

(1) By January 15, 2006, tax expenditures reported under the personal and corporate income tax with the information required by 32 V.S.A. § 312 for the most recent fiscal year available and such other tax expenditures for which the joint fiscal office and the tax department jointly have produced revenue estimates.

(2) By January 15, 2007, tax expenditures reported under the personal and corporate income tax and sales and use tax, with the information required by 32 V.S.A. § 312 for the most recent fiscal year available and such other tax expenditures for which the joint fiscal office and the tax department jointly have produced revenue estimates.

(3) By January 15, 2008, tax expenditures reported under the personal and corporate income tax, sales and use tax, meals and rooms tax, and education property tax, with the information required by 32 V.S.A. § 312 for the most recent fiscal year available and such other tax expenditures for which the joint fiscal office and the tax department jointly have produced revenue estimates.

(b) For each of the joint fiscal committee's September 2005, 2006, and 2007 meetings, the joint fiscal office and the tax department shall file a joint report identifying specific tax expenditures or categories of expenditures in addition to those reported to the tax department for which revenue estimates shall be included in the next report or subsequent reports filed with the legislative committees.






STATE OF VERMONT  
JOINT FISCAL OFFICE

MEMORANDUM

To: Rep. Martha Heath, Chair  
Members of the Joint Fiscal Committee

From:  Stephen A. Klein, Joint Fiscal Officer

Date: September 6, 2005

Subject: Fiscal Officer's Report

- 1. Fiscal Year 2006 Revenues:** Through the first two months of Fiscal Year 2006 revenues are close to target. The General Fund is down \$1.9 million or 1% to date with weakness in the income tax and the estate tax and strength in the corporate tax. The Transportation Fund is down \$800,000 or 2.3% with weakness in fees and "Other Revenue." The Education Fund is up \$600,000 or 1.6% due to strength in the lottery. The General Fund and the Transportation Fund both did better than expected in August, making inroads into the July shortfalls. September will be a month with more predictive value.
- 2. Projected Education Fund Balance in 2006 and 2007:** At the Joint Fiscal Committee meeting we will update the Education Fund outlook and give a preliminary picture of the FY 2007 potential adjustment in tax rates. These will formally be announced by the Commissioner of Taxes later this fall as the other FY 2007 estimates and FY 2006 changes are finalized. At this point, with improvements in revenue growth due to revised estimates and changes in grand list projections, the fund is likely to be able to support a further reduction from \$1.02 and \$1.51 of \$ .03 - \$.05, respectively.
- 3. 5 Year Medicaid Baseline Projection:**  
In August, the Fiscal Office worked with the Administration to develop consensus projections for the Medicaid revenues and spending of the state. For FY 2006 we currently project a \$4.6 million state fund shortfall. For FY 2007 this shortfall rises to \$76.2 million. This projection includes all State Medicaid supported services (not only the Health Access Trust Fund portion of the program). For FY 2007, the shortfall is after an assumed increase of 4% in base general fund support. These



estimates do not include the Global Commitment proposal. We will be providing further updates on the Medicaid expenditures at the September 15<sup>th</sup> meeting.

**4. Global Commitment Waiver:**

We have scheduled a September 28<sup>th</sup> Special Joint Fiscal Committee meeting due to the likely finalization of the Global Commitment proposal and the statutory need for legislative consideration. The Administration reports that they hope to get the final terms and conditions, late the week of the 5<sup>th</sup>. Federal formal approval will take a few weeks longer. In that the proposal is to be in place on October 1, we need to complete legislative review prior to that date. At the suggestion of the Committee Chair and Vice Chair, Representative Martha Health and Senator Susan Bartlett, we are in contact with an outside firm to evaluate the Administration proposal. Preliminary indications are that the state would receive a monetary benefit from the proposal of \$135 million over five years although numbers have not yet been finalized and the terms and conditions are not complete. We have asked the Administration to do an update at the JFC meeting.

The Administration is beginning the process of analyzing the budget and policy implications of Global Commitment. If approved, the proposed system would change the way we appropriate Medicaid and require new systems of legislative oversight. We will be participating in discussions as this develops.

**5. Health Care Commission update:**

As you are aware, the Health Care Commission has not yet selected a director. In the interim legislative staff are playing key roles in assisting the Commission. Catherine Benham will be acting as lead legislative staff to the Commission as it develops its work plan and its next steps toward hiring staff. Steve Kappel is leading in the RFP development process. A number of extremely well qualified firms responded to the Commission's Request for Information "RFI" process. The potential for quality study work is good.

**6. Other Meeting Updates:**

- ***Fiscal Pressures*** – Finance Commissioner Reardon will be providing the Committee with a preliminary review of budget adjustment fiscal pressures and the closeout balance of the case load reserve based on end of the year transfers.
- ***LIHEAP*** – The Administration will be presenting an update on LIHEAP funding for the winter of 2006. As you can imagine, the preliminary picture is grim. Last year, with state funding in addition to federal funds we were able to meet about 56% of the season's heating needs. This level of support would have been 53% without the state additional support. This year, even assuming \$13.7 million in federal assistance (the same amount received last year from the federal government), we will need \$3 - \$5 million in additional funds to reach last year's percent contribution. Even these estimates are uncertain due to pressures on federal funds and the changing costs of fuel oil.

- ***Federal Transportation Funding*** – Secretary of Transportation Dawn Terrill will provide the committee with an update of Transportation Funds and the need for federal match. With the revenue downgrade of the transportation fund in July and the receipt of new federal funds and specific earmarks, the net shortfall in state funds to meet these two pressures is close to \$18 million. Not all of the earmarks will be state matched but the pressures on the transportation fund are large. The Joint Transportation Oversight Committee (JTOC) will be meeting later in the day following the close of the Joint Fiscal Committee meeting.

In addition, there is language in the appropriations bill which authorizes the Joint Fiscal Committee with the Chairs of the Transportation Committee to transfer up to \$5 million in General Funds to the Transportation Fund to assist with the match need. This transfer is not on the agenda for the meeting on the 15<sup>th</sup> but could be added in the next week. (I have attached the language.)

- ***Developmental services report*** - Pursuant to Sec. 138 (b) of Act 71 of 2005 the Department of Aging and Independent Living will present an update on the developmental services funding.
- ***Tax Expenditure Budgeting*** – The Joint Fiscal Office and the Tax Department have been working on the first tax expenditure budget report due in January. The Tax Department will be presenting an update on this work.

## 7. Joint Fiscal Office Updates:

- ***Budget System Development*** – We have hired Richard Reed who is living in Morrisville to work with us on the legislative budget system development. Mr. Reed will start on October 1, and comes from a long career in IT with Cigna health care in the southeast region of the U. S. He and his wife left Florida to move to Vermont for his eventual retirement home! He is extremely knowledgeable and we are very excited to have him with us for this project.
- ***Kavet Contract Renegotiation*** - Pursuant to the Committee's suggestion Tom Kavet and I have renegotiated a contract through September 30, 2009. At that point we would formally go out for bid. The contract raises the base costs about 7% in the first year as they have been fixed for a two year period and 3.2% a year after that. It increases Tom's hourly billable rate for ad-hoc services from \$90 to \$100/hour. This rate would stay in place throughout the four year period. Also, it has a provision that if we use more than 200 hours in a given contract year the hourly rate will drop to \$80 per hour. The rate will be the same whether Tom Kavet or his associate, Nicholas Rockler, does the work. The financial terms are attached. I will be requesting authorization from the committee to finalize this contract extension.
- ***Fall staffing changes*** – We are playing a substantial role with Global Commitment and a support role to the Health Care Commission and so we are assessing our committee staffing for the coming session. Presently under consideration is moving Stephanie Barrett from daily Senate Appropriations responsibilities to more direct responsibility for Medicaid related budgetary matters. Senate Appropriations would be staffed by a session temporary with

oversight from both Stephanie and Maria. The Medicaid work is likely to be substantial and she has been playing a key role in this. Even if the Administration's Global Commitment Medicaid proposal is approved, we will still face deficits that need be addressed through some combination of funding and program modifications. We will also be restructuring the Medicaid appropriations process. Stephanie will also be overseeing the budget systems development work. This is very preliminary and could be revisited as the other pressures of the legislative work are assessed.

**8. Changes in Executive Branch:**

- The Deputy Commissioner of BISHCA, Paulette Thabault, has left her position. This has yet to be filled.
- Mary Bronson has left her position as legislative liaison at the AHS central office and is now working at DAIL.

## Sec. 257. TRANSPORTATION; CONTINGENCY APPROPRIATION

## AUTHORITY

(a) Subject to approval by a special committee consisting of the legislative joint fiscal committee and the chairs of the house and senate committees on transportation, the secretary of administration is authorized to transfer up to \$5,000,000 in general funds from the general fund surplus reserve, established pursuant to 32 V.S.A. § 308c(a), to the transportation fund, and that amount of transportation funds is appropriated to the agency of transportation. The special committee approval shall be based on the following:

(1) Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act" (SAFETEA) with the result of additional federal funds available for Vermont;

(2) A finding by the secretary of administration and a determination by the special committee that:

(A) The general fund surplus reserve has sufficient funds;

(B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006;

(C) Funding additional projects prior to awaiting the budget adjustment process is in the best interests of Vermont; and

(D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds.

# Joint Fiscal Office

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

## MEMORANDUM

To: Representative Martha Heath, Chair,  
Members, Joint Fiscal Committee

From: Stephen ~~W.~~ A. Klein, Fiscal Officer

Date: September 7, 2005

Subject: Kavet Contract Comparative

### 1. Prior Two Year Contract: Spending and Caps

After a public bid process, we contracted for Tom Kavet's services from October 1, 2003 to September 30, 2005. The contract period was 9 months of FY 2004, all of FY 2005 and the first quarter of FY 2006.

- The two year contract cap was \$165,100
- The estimated expenditures for the 2 yr contract period \$155,000
- Total spent in FY 2004 \$ 79,357
- Total spent in FY 2005 \$ 82,331
- Total spent in FY 2004-5 \$161,687

### 2. The Proposed Contract Cap:

New proposed four year contract has a four year cap of \$372,400. This represents a 7 % increase from FY 2005 spending levels and from the previous contract cap if the cap is annualized with a 3.2% growth rate. The cap could be treated at an average annual cap of \$93,100 or a growing annual cap of:

Year 1	\$ 88,750
Year 2	\$ 91,590
Year 3	\$ 94,521
Year 4	\$ 97,546

### 3. The Proposed Contract Base: A Comparison

The proposed contract includes a base payment for non -ad hoc revenue estimating. This base covers the two annual forecasts and the education fund work that Tom does. The prior two year agreement had a \$52,800 base payment.

This contract essentially raises the base 6.8% the first year and 3-3.2% in subsequent years. See below:

	Year	Base Amount	Growth
Prior Contract	2004	\$52,800	
	2005	\$52,800	0%
Proposed Contract	2006	\$56,400	6.8%
	2007	\$58,200	3.2%
	2008	\$60,000	3.1%
	2009	\$61,800	3.0 %

#### 4. The Proposed Hourly Wage:

The prior contract had a \$90/hour rate for Tom Kavet and a \$50 hour rate for Nick Rockler. The new contract would have a \$100/hour rate for either consultant with the rate dropping to \$80/hour after 200 hours of use. If this was in effect last year the blended rate would have been \$96 about 7% over last year's rate. The new proposed rate stays in place for all four years of the contract:

Old Rate	\$90/hour	Rockler \$50/hour (little used)
New Rate	\$100/hour	First 200 hours
	\$80/hour	Additional hours (with notice if possible)
		Stable for four years of the contract

This contract essentially raises the base 6.8% the first year and 3-3.2% in subsequent years. See below:

	Year	Base Amount	Growth
Prior Contract	2004	\$52,800	
	<u>2005</u>	<u>\$52,800</u>	<u>0%</u>
Proposed Contract	2006	\$56,400	6.8%
	2007	\$58,200	3.2%
	2008	\$60,000	3.1%
	2009	\$61,800	3.0 %

#### 4. The Proposed Hourly Wage:

The prior contract had a \$90/hour rate for Tom Kavet and a \$50 hour rate for Nick Rockler. The new contract would have a \$100/hour rate for either consultant with the rate dropping to \$80/hour after 200 hours of use. If this was in effect last year the blended rate would have been \$96 about 7% over last year's rate. The new proposed rate stays in place for all four years of the contract:

Old Rate	\$90/hour	Rockler \$50/hour (little used)
New Rate	\$100/hour	First 200 hours
	\$80/hour	Additional hours (with notice if possible)
		Stable for four years of the contract

# Joint Fiscal Office

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

## MEMORANDUM

To: Representative Martha Heath, Chair,  
Members, Joint Fiscal Committee

From: Stephen A. Klein, Fiscal Officer

Date: September 7, 2005

Subject: Kavet Contract Comparative

### 1. Prior Two Year Contract: Spending and Caps

After a public bid process, we contracted for Tom Kavet's services from October 1, 2003 to September 30, 2005. The contract period was 9 months of FY 2004, all of FY 2005 and the first quarter of FY 2006.

• The two year contract cap was	\$165,100
• The estimated expenditures for the 2 yr contract period	\$155,000
• Total spent in FY 2004	\$ 79,357
• Total spent in FY 2005	\$ 82,331
• Total spent in FY 2004-5	\$161,687

### 2. The Proposed Contract Cap:

New proposed four year contract has a four year cap of \$372,400. This represents a 7 % increase from FY 2005 spending levels and from the previous contract cap if the cap is annualized with a 3.2% growth rate. The cap could be treated at an average annual cap of \$93,100 or a growing annual cap of:

Year 1	\$ 88,750
Year 2	\$ 91,590
Year 3	\$ 94,521
Year 4	\$ 97,546

### 3. The Proposed Contract Base: A Comparison

The proposed contract includes a base payment for non-ad hoc revenue estimating. This base covers the two annual forecasts and the education fund work that Tom does. The prior two year agreement had a \$52,800 base payment.



103 SOUTH MAIN STREET  
WATERBURY, VERMONT 05671-0204



OFFICE OF THE SECRETARY  
TEL: (802) 241-2220  
FAX: (802) 241-2979

MICHAEL K. SMITH, SECRETARY

STATE OF VERMONT  
AGENCY OF HUMAN SERVICES

MEMORANDUM

**TO:** Joint Fiscal Committee  
**FROM:** Michael K. Smith, Secretary *MKS*  
**DATE:** August 31, 2005  
**SUBJECT:** 2005 Act 71 Sec. 104c(a)

---

Pursuant to 2005 Act 71 Section 104c(a), I am advising you there have been no transfers made from other appropriations of state, federal, and special funds for Medicaid programs and purposes into the Health Access Trust Fund since July 1, 2005 to this date.



STATE OF VERMONT  
DEPARTMENT OF FINANCE AND MANAGEMENT  
MONTPELIER, VERMONT 05609-0401

August 31, 2005

Joint Fiscal Committee  
1 Baldwin Street  
Montpelier, VT 05633

In accordance with 2003 Act 66 Sec. 12, the Commissioner of Finance and Management is authorized to charge departments for recurrent VISION processing errors. Annually, by September 1, the Department of Finance and Management is to report to the Joint Fiscal Committee on rates established and charges made during the prior fiscal year. To date, the Department of Finance and Management has not developed a schedule of charges nor have any charges been made. The level of errors that prompted this language has decreased significantly. Therefore, in FY2005 we did not bill departments for recurrent errors in VISION.

It is our primary goal to eliminate the recurrent errors rather than charge for them. If the recurrent errors continue to decrease in volume as they did in FY2004 and FY2005 the Department of Finance and Management is likely not to develop a process in FY2006 either. Nonetheless, we believe having the latitude to charge departments for the costs of mistakes has had some deterrent effect.

Respectfully,

Handwritten signature of Bradley Ferland, consisting of the letters "BF" and a small "or" below it.

Bradley Ferland  
Director, Financial Operations  
Department of Finance and Management

---

### Memorandum

To: Joint Fiscal Committee

From: Stephen A. Klein

Date: September 1, 2005

Subject: Hold the date for Global Commitment

At the Chairs' suggestion, could you please hold September 28<sup>th</sup> open for a special Joint Fiscal Committee meeting to vote on the Global Commitment proposal?

We have received preliminary numbers and expect to get final draft materials next week. The financing is to start October 1, 2005. For this reason we are tentatively holding September 28<sup>th</sup> for a special Joint Fiscal Committee meeting pursuant to the attached language. We have reserved Room 11 in the State House from 10:00am to 1:30 pm.

# MINUTES

## Joint Fiscal Committee Meeting of September 15, 2005

Representative Martha Heath, Chair, called the meeting of the Joint Fiscal Committee to order at 10:05 a.m. in Room 11, State House.

Present: Senators Bartlett, Cummings, Sears, Snelling and Welch  
Representatives Obuchowski, Perry, Severance and Westman

Others attending the meeting included several members of the Senate and the House of Representatives; State Treasurer Spaulding; Joint Fiscal Office staff; Legislative Council staff; Administration officials and staff; the news media; and representatives of numerous advocacy groups.

### **FISCAL UPDATE:**

1. James Reardon, Commissioner of Finance and Management, provided revenue highlights through August 2005 and summarized some of the fiscal pressures and challenges facing the State during the current fiscal year and beyond.

General Fund receipts are \$1.9 million, or approximately 1.25 percent, below the target revenue for the first two months of FY 2006, although better than expected performance in August reduced the cumulative two-month shortfall resulting from weak July revenues. August receipts in the Transportation Fund similarly helped to balance a weak July performance, but that fund is down \$780,000 from estimated revenues. The Education Fund, on the other hand, exceeded projections for July and August by \$570,000, or close to 2.2 percent. In addition, in the current month the State has received an estate tax payment of \$13 million.

Due to uncertainty as to whether the recent hurricane Katrina disaster in the country's Gulf Coast region has a potential adverse impact on Vermont revenues, Mr. Reardon observed that there is a lot to be cautious about in looking ahead despite the economic activity and recovery experienced in the recent past.

In addition, there are many known and unknown significant budget pressures in FY 2006 and FY 2007, such as in the Medicaid program; increased fuel prices that impact the Low Income Home Energy Assistance Program (LIHEAP); the downturn in Transportation Fund revenues; and reclassification of positions in the Department of Corrections. For this reason, the Department of Finance and Management's fiscal year 2007 budget instructions have asked departments to identify the program ramifications of essentially level funded

budgets, although he pointed out that in reality a "level funded budget" is a misnomer. Mr. Reardon also explained why this year his department has asked for FY 2006 budget adjustment information to be submitted at the same time as initial requests for FY 2007 funding are due.

The Commissioner provided some details on budget adjustment pressures he cited earlier and on approaches under consideration to mitigate expected shortfalls in some of those areas, particularly in home fuel assistance and the Transportation Fund. A minimum of \$8 million more than currently is set aside will be needed to assist low income Vermonters pay their heating bills during the coming winter. To meet those needs, the Administration hopes to receive an additional \$3.2 million in contingency fund relief from the federal government; to transfer \$3.5 million from the weatherization trust fund to the Low Income Home Energy Assistance Program (LIHEAP), which would not adversely impact the activities covered by the trust fund; and to cover the remaining \$1.7 million from the General Fund surplus. Because of the escalating cost of fuel, Mr. Reardon anticipated that additional funds might be required to meet the demand for fuel assistance.

He also talked about some of the areas where the Administration recognizes the need to provide more funding, such as the Teachers Retirement System, higher education, several departments in the Agency of Natural Resources, and State Troopers.

Senator Bartlett asked that budget adjustment and FY 2007 budget submissions reflect the impact of escalating fuel costs. In an exchange with the Senator about the increased pressures in this area, Commissioner Reardon raised the subject of the directive in Act 71 (FY 2006 appropriations bill) to the Secretary of Administration to reduce in-state travel budgets by a total of \$300,000 and to encourage departments instead to use Vermont Interactive Television (VIT) for meetings. Although he is working with the VIT Executive Director, Mr. Reardon was not optimistic about achieving that level of savings through the increased use of VIT, at least in the first year. He noted that drawbacks are changing the culture and the lack of a Montpelier site.

Near the end of his remarks, Mr. Reardon told the Committee he expects that, for the first time in many years, the State's financial audit is expected to be completed by December.

#### **REQUEST TO ACCEPT GRANT FROM NATIONAL GOVERNORS CONFERENCE (NGA) (JFO #1225):**

2. During his presentation, Commissioner Reardon relayed a request from the Administration that the Committee today authorize the acceptance of an NGA grant for up to \$10,000 to sponsor Governor Douglas' summit conference on health care reform to be held at the Killington Grand Hotel on October 17,

2005. NGA sponsorship will make it possible for the event to be free to the participants.

Copies of the grant acceptance forms and accompanying letter from the Secretary of Administration were distributed at this time. Because of time constraints, the Administration chose to present the request at this meeting rather than use the normal grant approval process.

Representative Obuchowski asked that action on the request be delayed until the afternoon, to give the members an opportunity to review it. There were no objections.

At the end of the meeting, the Committee resumed consideration of the grant. Representative Obuchowski wanted to know what percentage of the NGA's total income basis comes from the pharmaceutical industry and other health care interests. Since an answer to his question apparently was not readily available, he indicated he would vote against the motion.

Representative Westman moved approval of the grant. His motion was seconded by Senator Snelling. At Representative Obuchowski's request, the vote was taken by roll. The motion was adopted by a vote of eight (8) to one (1) with Senators Bartlett, Cummings, Sears and Snelling and Representatives Heath, Perry, Severance and Westman (8) voting in favor; and Representative Obuchowski (1) voting in the negative.

Representative Obuchowski asked that the record reflect he voted against the motion for the reason explained prior to the vote.

#### **HUMAN SERVICES CASELOAD RESERVE:**

3. In accordance with 32 V.S.A. Sec. 308b(b) requiring an annual report on the status of the Human Services Caseload Reserve, Commissioner Reardon reported that there was no transfer to the Reserve as part of the State's Fiscal Year 2005 closeout. The balance of the Reserve as of June 30, 2005 is \$18,543,422.

#### **APPROVAL OF MINUTES:**

4. Representative Severance moved approval of the minutes of the July 14, 2005 meeting, as submitted. The motion was seconded and adopted.

#### **RESIDENTIAL AND NON-RESIDENTIAL TAX RATES:**

5. At the request of Representative Obuchowski at the July meeting, Mark Perrault of the Joint Fiscal Office reported briefly as to the staff's estimate of what fiscal year 2007 residential and non-residential tax rates should be.

Mr. Perrault distributed a memorandum on this subject, which he then orally highlighted. He reported that if the \$27 million figure currently projected as

the Education Fund undesignated balance in FY 2007 holds, it should be possible to reduce education tax rates three to five cents for that year. An additional five-cent reduction in the rates would lower the statutory tax rates by thirteen cents, with the base homestead tax rate dropping from \$1.10 to \$0.97 and the uniform non-homestead tax rate decreasing from \$1.59 to \$1.46. The base rate for income-sensitized taxpayers would drop from 2% to 1.76% of household income (in proportion to the homestead rate).

His report made the point that FY 2007 would be the third consecutive year since Act 68 was enacted in which education tax rates have been lowered. The impact of tax rate reductions, however, has been more than offset by growth in property values and education spending. Thus, again in FY 2007 many taxpayers may see an increase in their education tax bills despite the decrease in the base education tax rates.

An adjustment to the education tax rates will be recommended to the General Assembly on or before December 1<sup>st</sup>.

Mr. Perrault's report was followed by questions and brief discussion.

#### **FUEL ASSISTANCE UPDATE:**

6. Also in response to a request by Representative Obuchowski at the prior meeting, Betsy Forrest, Deputy Commissioner, Department of Children and Families, Economic Services Division, outlined the current situation with respect to the fuel assistance program. Also present for the discussion was Pam Dalley, Fuel Assistance Program Chief.

Ms. Forrest told the Committee that there has been an increase in the number of applications for assistance, and that they are still arriving. She cited dollar and percentage increases in the cost of heating oil, kerosene, and propane as compared with last year; gave figures on average fuel assistance payments last year to people who paid for their own heating source; and provided information on the decline in the percentage of total State assistance for heating a three-bedroom home last year compared to ten years ago. To return to the 62 percent level of ten years ago, the State would have to pay an average benefit this year of \$1,364.

The Deputy Commissioner advised of some of the uncertainties confronting the State with respect to the fuel assistance, such as the amount of the federal block grant; whether the federal administration will release all the fuel assistance contingency funds; how many households will be eligible for assistance this year; and whether prices will continue to escalate, stay level, or decline.

Discussion followed Ms. Forrest's report. Representative Obuchowski later asked that the November agenda include another update on fuel assistance.

**FEDERAL TRANSPORTATION FUNDING REAUTHORIZATION:**

7. Dawn Terrill, Secretary of the Agency of Transportation, reported on new federal legislation which will make available substantial new funding for Vermont's transportation needs through federal fiscal year 2009. The name of the federal legislation is "Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU).

Ms. Terrill gave a PowerPoint presentation, also providing the members with the same information and other handouts in written format. (These reports are on file in the Joint Fiscal Office, as is a one-page handout setting forth options for raising state matching funds for increased federal apportionments.)

A salient point of her remarks was that although SAFETEA-LU is expected to increase federal funding of the state's transportation projects by an average of approximately \$61 million per year, it also creates in future years an average of \$19 million in new state dollars to match the federal funding and to address existing pressures on state funds. The Secretary also stressed that a significant portion of the federal money (\$137.8 million) is earmarked for high priority projects which are not necessarily the state's priorities; and that historically as federal transportation bills move through the authorization process only about 90 percent of the annual apportionments end up being released to the state.

Secretary Terrill's presentation was interspersed with questions and comments from Committee members.

At 11:45 a.m., when Ms. Terrill began to discuss projects that would be advanced with the approval of a \$5 million transfer from the state's FY 2005 General Fund reserve to the Transportation Fund, the Chair recessed the meeting to convene a Special Committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Committees on Transportation. (Minutes of that special committee are in a separate document from these minutes.)

.....

The Joint Fiscal Committee meeting reconvened at 1:25 p.m.

**DEPARTMENT OF AGING AND INDEPENDENT LIVING – DEVELOPMENTAL SERVICES REPORT REQUIRED BY ACT 71 OF 2005:**

8. Commissioner Reardon and Theresa Wood, Deputy Secretary of the Department of Aging and Independent Living (DAIL), presented a report required by Sec.138(b) of Act 71 of 2005.



Section 138 mandates that the Secretary of the Agency of Human Services and the DAIL Commissioner ensure that developmental services programs meet certain requirements with respect to the caseload needs for three categories of individuals with developmental disabilities: emergency caseload, public safety, and high school graduates. It further requires a report to the Joint Fiscal Committee at its September and November meetings as to the fiscal and program implications of meeting the foregoing requirements, and "a review of the fiscal year 2006 inflationary increase available to the designated provider agencies for developmental services and the impact on any other division or department with the agency."

The members listened to a recap from Deputy Commissioner Wood of the developmental disabilities caseload update set forth in a September 8 memorandum to the Committee from Secretary of Human Services Michael Smith and Commissioner Reardon. (That memorandum is on file in the Joint Fiscal Office.) Caseload capitation information included the FY 2006 budgeted caseload estimates in the three categories of individuals with developmental disabilities; the actual caseloads as of September 1; the average annual cost of each individual to the caseload; and the fiscal year 1006 average cost to the caseload.

As of September 1, no individual who met the FY 2006 System of Care Plan funding priorities has been denied services. Furthermore, as of June 30, 2005 there were 28 individuals on the Flexible Family funding waiting list. DAIL has allocated \$1,086,890 in Flexible Family funding, with the concurrence of the General Assembly and the Administration in anticipation of funding under the Global Commitment Medicaid reform waiver. That sum is \$640,178 in excess of available General Funds to the department.

Developmental services providers received a 3.75 percent cost of living increase on services funded in the Agency of Human Services, while a 2 percent reduction was effected in existing consumer budgets in order to be applied to the FY 2006 caseload needs.

Ms. Wood and Mr. Reardon answered committee members' questions about the information presented as well as various other aspects of these developmental disabilities programs and caseloads.

#### **MEDICAID COSTS – 5-YEAR FORECASTS:**

9. Steve Kappel of the Joint Fiscal Office distributed and explained two spreadsheets depicting all the State's Medicaid costs for the current year fiscal year through 2010, in terms of both spending and revenue.

Mr. Kappel pointed out that the summary sheet showed a consensus forecast, representing agreement between the Joint Fiscal Office and the Office

of Vermont Health Access, with considerable input from the Department of Finance and Management as well as the Agency of Human Services. He also observed that the figures will change with actual FY 2005 and first quarter FY 2006 numbers, and that the information presented is based entirely on historical assumptions and did not reflect any policy decisions the Legislature might approve.

Mr. Kappel's presentation reflected the fact that while at the time the budget was passed a modest surplus of State funding of Medicaid expenditures was projected, adjustments in assumed spending since the General Assembly adjourned point to a deficit of over \$4.5 million in the current fiscal year. The cumulative two-year deficit in FY 2007 at this point is projected to be nearly \$80 million, while nearly \$440 million is the estimated cumulative figure through FY 2010.

Committee members questioned Mr. Kappel about the large increase in the deficit from the current year to FY 2007. In part it is a reflection of the fact that use of one-time funds has reduced the size of this year's deficit. Asked by Senator Welch about specific components of the \$80 million, Mr. Kappel said he did not yet have sufficient information to enable him to examine the effects of utilization versus reimbursement changes.

As the discussion concluded, Representative Perry indicated he did not want to wait until the Legislature reconvenes to start addressing a deficit that the Global Commitment Medicaid reform waiver, if approved, may only partially address.

#### **GLOBAL COMMITMENT:**

**10. a.** The Committee held a brief conversation via speaker telephone with Theresa Sachs and Eileen Ellis, both principals with the firm of Health Management Associates (HMA). At the behest of the Chair and Vice Chair of the Joint Fiscal Committee, the Fiscal Office contracted with that firm to provide an independent review of financial and programmatic documents related to the proposed Global Commitment.

The purpose of the telephone session, the Chair explained, was to acquaint the members with Ms. Sachs' and Ms. Ellis' experience with Medicaid prior to meeting with them on the afternoon of September 28.

**b.** Joshua Slen, Director of the Office of Vermont Health Access (OVHA), provided the Committee with a broad overview of the Global Commitment documents which were transmitted via electronic mail to the members in the two days preceding the meeting. These included the Center for Medicare & Medicaid Services (CMS) special Terms and Conditions for the Global Commitment waiver program, dated September 13; a listing of the federal Title XIX waivers in connection with this undertaking; a September 14 memorandum from Susan

Besio, AHS Director of Planning, listing a number of changes in the Terms and Conditions; and a highlight sheet excerpting some of the protections and opportunities under the proposal and listing important beneficiaries' guarantees under the new program.

Additional documents were provided by the Joint Fiscal Office, including the written contract proposal from HMA referred to in Item 9.a. above and a September 12 letter to Secretary of Administration Charles Smith from the Chair and Vice Chair outlining concern that the delay in the Committee's receipt of the final waiver terms might impede timely action on the Global Commitment proposal.

In summarizing some of the advantages to Vermont of the program, Mr. Slen pointed out that the waiver provides a total of \$500 million in space, or \$100 million per year, for unforeseen events such as future caseload growth. Another potential benefit he cited is that federal funds might be used to supplant some preventive investments now fully funded by the State dollars. The result could be between \$135 and \$165 million in avoided State expenditures over the five-year term of the waiver.

The \$4.7 billion cap which Vermont will receive over the five-year term of the waiver excludes the State's disproportionate share of hospital payments and other certain other programs which Mr. Slen mentioned. Responding to inquiries from the members, he said that the recently-signed long-term care waiver is a stand-alone program with its own terms and conditions and its own budget neutrality cap.

On the question of timing and additional steps and approvals that need to occur before the waiver becomes operational, he explained that the Secretary of the U. S. Department of Health and Human Services must sign it, which he believed is scheduled for next week; and that once that happens the Joint Fiscal Committee will be asked to approve it, since the General Assembly is not in session, and then the Governor will submit an acceptance letter.

Representative Obuchowski said he understands that associated with other block grants are operational protocols, and he asked if one will be developed with the Global Commitment waiver. Mr. Slen's understanding was that an operational protocol will not be needed, but instead a monthly call will be scheduled between the State officials and its CMS waiver contact, as stipulated in the terms and conditions. Those calls, the requirement for which is set forth in the Terms and Conditions, will substitute for an operational protocol as far as keeping CMS up to date on developments affecting the demonstration program.

Also responding to inquiries from Representative Obuchowski about how the actuaries will operate and what criteria the actuaries will use, Mr. Slen said work is underway on developing actuarial rates. He explained the methodology

being used to do so. He also stated that OVHA has offered the Joint Fiscal Office the opportunity to meet with the actuaries and also to make them available to members of this Committee. Although he did not have a list at the meeting of the data elements being used, he offered to make available all the reports given to the actuaries.

Among other questions on specific aspects of the waiver were some from Representative Perry about what the \$500 million represents and how the State can use that money. Mr. Slen explained that that figure represents the difference between currently projected total State and federal spending on all the programs under the cap, which is \$4.2 billion, and the \$4.7 billion waiver cap. It is the total latitude within which to cover program growth or to pay for additional programs, or the State could utilize it to identify between \$135 million and \$165 million in opportunities to pay for programs which otherwise would not qualify for federal matching funds.

In the course of continuing deliberations, members asked various questions on a wide range of issues around the waiver program, such as what the advantages and benefits to the State and its Medicaid programs will be under the waiver program; how to withdraw from the demonstration project should the State choose to do so, and the ramifications of doing so; provisions for extending it beyond five years; and whether there have been meetings to discuss terms and conditions that have been open to the public and the press.

Much of the discussion centered on how the members can best educate themselves and their constituents about the facts and implications of Global Commitment before the Committee is expected to make a decision on the September 28 meeting scheduled for that purpose. Senator Welch, for example, observed that the implications are profound and that the Committee faces making a decision that he regards as more significant than voting on the State budget. He went on to talk about the enormity of this decision for the people of Vermont and the state's unique position in the nation of assuming a responsibility of this magnitude for its Medicaid programs. The Senator was concerned about the Committee's having to vote on this matter so quickly, without the opportunity to hear testimony from the actuaries and from qualified people other than State officials or to fully brief all members of the Legislature about the ramifications of Global Commitment.

The Chair, agreed that legislators are confronting a lot of unknowns. While there may be answers by September 28, she urged the members to try to obtain those answers prior to that meeting. She also considered it important for someone to maintain an ongoing record of questions for the actuaries. Additionally, she mentioned that she has asked that, if possible, the consultants provide their report in writing prior to their meeting with the Committee on that date.

Senator Bartlett recommended the members' channeling their questions for consultants through the Fiscal Officer. Mr. Klein said that as questions are posed by legislators, the office forwards them to the actuaries.

Senator Welch then said his questions about Global Commitment fall into two categories: (1) empirical questions, for which there will be precise answers, such as, what is the base?; how are adjustments in it made?; and what is the financial bottom line for Vermont under Global Commitment as compared with the status quo?; and (2) the implications of going from an entitlement program to a block grant. He believed there is a lot of risk in the latter because the federal government is trying to shift the financial burden of a number of programs, including Medicaid.

The remaining discussion centered on process in the interval between this meeting and the one on September 28. Senator Welch suggested that the Joint Fiscal Office might circulate via email the Terms and Conditions and ask various organizations experienced with waivers to review them. Mr. Klein advised that the process of posting the documents on the Joint Fiscal Office and Legislative web sites already has begun, and he thought soliciting questions and feedback for the staff's and consultants' consideration might be effected through those sites.

#### **HEALTH CARE COMMISSION:**

11. Mr. Klein reported that the position of Director of the Commission on Health Care Reform established by the 2005 Legislature has not yet been filled. As a result, the group at its next meeting may consider a reduced proposal to hire a staff director and a consultant. Also under reconsideration are the Requests for Proposal (RFP) pertaining to what will actually be studied and how the studies will be structured; for example, whether there will be a short-term component and a longer term one. He mentioned that Steve Kappel is leading in the RFP development process, for the major studies, while Catherine Benham has been designated to coordinate the recruitment of a director and in the meantime is acting as lead legislative staff member to the commission.

When Mr. Klein offered to update the members at their next meeting about developments with the Commission, the Chair asked him instead to send them a memorandum.

#### **TAX EXPENDITURE REPORTING:**

12. Susan Mesner from the Tax Department presented a report required in Section 27 of Act 75 (miscellaneous tax amendments) of the 2005 session. That section mandated the Tax Department to file annual transitional reports with the Finance, Ways and Means, and Appropriations committees in each of the next three years on tax expenditures reported under various major tax categories and other tax expenditures for which it and the Joint Fiscal Office jointly have produced revenue estimates. It further directed the two entities to file joint

reports to this Committee "...identifying specific tax expenditures or categories of expenditures in addition to those reported to the tax department for which revenue estimates shall be included...." in the reports to be filed with the standing committees.

Ms. Mesner highlighted some of the information contained in a written report mailed to Committee members prior to the meeting. *[That report is on file in the Joint Fiscal Office.]* That document summarized points of agreement between the Tax Department and Fiscal Office on which personal and corporate income tax expenditures will be omitted and which will be included in the January 2006 tax expenditure report, and it also touched on initial work to list sales tax exemptions in anticipation of the report due the following year.

Representative Obuchowski asked Ms. Mesner to circulate her written report to the members of the Ways and Means and Finance committees to let them evaluate it and provide feedback.

#### **FISCAL OFFICER'S REPORT:**

**13.** Mr. Klein's referred members to his written report mailed prior to the meeting and sought Committee action on two matters:

**a.** \$20,000 expenditure for Health Management Associates, the consulting firm hired, with the advance approval of the Committee Chair and Vice Chair, to examine the Global Commitment Medicaid waiver reform proposal. This expenditure may require an adjustment in the Joint Fiscal Office budget during the 2006 session.

Senator Sears moved approval of the \$20,000 expenditure. The motion, which was seconded by Senator Cummings, was adopted.

**b.** A decision on renewal of Tom Kavet's contract to provide economic and revenue consulting services. Details on terms of the renegotiated contract were set forth in the Fiscal Officer's report and an attachment thereto. Mr. Klein has renegotiated a contract through September 30, 2009, at which point the Fiscal Office would formally go out for bid.

Essentially, the contract raises base costs about 7 percent in the first year and 3.2 percent a year after that, and it increases the hourly billable rate for Mr. Kavet's and his associate's ad hoc services to \$100 an hour, from \$90. This rate would not change during the four-year period. Among provisions of the new agreement would be that the hourly rate will drop to \$80 per hour if the consultants' services were used more than 200 hours in a given contract year.

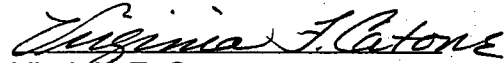
The Committee voted in the affirmative on a motion from Senator Bartlett to authorize the four-year contract renewal with Mr. Kavet under the terms outlined in Mr. Klein's report.

**FUTURE MEETING DATES:**

14. The Committee confirmed the decision to meet day on September 28 to continue consideration of the Global Commitment waiver proposal, and to hold the next regular meeting on November 17.

The meeting was adjourned at 3:45 p.m.

Respectfully submitted:



Virginia F. Catone  
Joint Fiscal Office

## MINUTES

### Special Committee Joint Fiscal Committee Transportation Committee Chairs

Meeting of September 15, 2005

At 11:45 a.m. in Room 11, State House, Representative Martha Heath, Chair, called to order a meeting of a special committee consisting of the Joint Fiscal Committee and the Chairs of the House and Senate Transportation committees.

Also present: Senators Bartlett, Cummings, Sears, Snelling and Welch  
Representatives Obuchowski, Perry, Severance and  
Westman (also Chair of the House Transportation  
Committee)  
Senator Mazza, Chair, Senate Transportation Committee

Others attending the meeting included several members of the Senate and the House of Representatives; Joint Fiscal Office staff; Legislative Council staff; Administration officials and staff; and the news media.

#### **REQUEST TO TRANSFER GENERAL FUNDS TO TRANSPORTATION FUND:**

The special committee met for the purpose of considering a request from the Secretary of Administration to transfer \$5,000,000.00 in general funds from the fiscal year 2005 general fund reserve to the transportation fund. Authority for such a transfer was set forth in Section 257 of Act 71 of 2005 (fiscal year 2006 appropriations), with the following conditions placed on approval:

- (1) Passage of the federal "Safe, Accountable, Flexible, and Efficient Transportation Equity Act" (SAFETEA) with the result of additional federal funds available for Vermont;
- (2) A finding by the Secretary of Administration and a determination by the special committee that:
  - (A) The general fund surplus reserve has sufficient funds;
  - (B) Insufficient state funds have been appropriated for a match to transportation projects that could be done in state fiscal year 2006;
  - (C) Funding additional projects prior to awaiting the budget adjustment process is in the best interests of Vermont; and
  - (D) The general fund budget adjustment needs will be able to be addressed with remaining or other funds.





Special committee members received a letter dated September 14 from Secretary of Administration Charles Smith advising that the four conditions have been met. (The letter, which contained brief information addressing each of the conditions, is on file in the Joint Fiscal Office.)

Dawn Terrill, Secretary of the Agency of Transportation, distributed a sheet listing fiscal year 2006 priority projects that need additional State funds based on passage of the new federal bills and reflecting the estimated amount of State funds required for each. She also provided the Committee with a summary of priority projects and amounts which the new legislation has earmarked.

After discussion with the Secretary primarily on timing, including the importance of approving the \$5,000,000 transfer to advance the time frame so that projects funded this year can start in April, the special committee recessed at 12:20 p.m.

It reconvened at 3:45 p.m., at which time Chief Fiscal Officer Stephen Klein distributed a letter from him to the members making a number of comments on the transfer and conveying his agreement that the transfer is appropriate.

The Committee voted affirmatively on a motion to approve the Secretary of Administration's request to transfer \$5,000,000 from the fiscal year 2005 general fund reserve to the transportation fund.

The meeting was adjourned at 3:55 p.m.

Respectfully submitted:

  
Virginia F. Catone  
Joint Fiscal Office