FY 2011

Budget Development Documents

Naming Convention

Tiger Team Reports

VERMONT
Agency of Administration

Mental Health "Tiger Team"
Report on Designated Agencies

Date of Publication: 12/14/2009

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I. Executive Summary

The State of Vermont provides Community Mental Health Services through a collection of 10 Designated Agencies ("DAs") located throughout the state. These agencies are designated by the Commissioner of the Department of Mental Health (DMH) and the Commissioner of the Department of Aging and Independent Living (DAIL) in accordance with the Administrative Rules on Agency Designation to serve three populations, individuals with developmental disabilities, adults with mental illness, and children with, or at risk of, severe emotional disturbance and their families. The majority of funding for each independently owned not-for-profit DA comes from the State whether through a General Fund appropriation, Global Commitment block grant, or Medicaid reimbursement. The quality of the mental health services delivered is not in question as Vermont ranks near the top in most objective measures of mental health support and care. However, in light of the revenue challenges confronting state government, we must ask how the State can deliver essentially the same level and quality of services more affordably by combining services, organizations, and locations. The financial sustainability of the DAs is a concern, but by no means is it a new concern. In 2004 the Legislature directed the Agency of Human Services and Department of Mental Health to contract with a consulting firm, Pacific Health Policy Group, "to review and present options for managing costs and ensuring the financial sustainability of this provider group".

This report was prepared by a cross-departmental team whose members include: Susan A. Zeller – Finance & Management; Heidi Hall – Department of Mental Health; Tori Pesek – Financial operations; David Coriell – Executive Office; and Lori Cayia – Agency of Transportation.

II. Scope

The charge of this study was to profile and analyze key financial indicators and compare the financial health for 10 of Vermont's Designated Agencies (DAs). The analysis compared such items as compound annual growth rates in total expenses, total salaries/benefits, key individual salaries/benefits, cash & cash equivalents, and other ratios and indicators determined to be useful; thereby potentially identifying opportunities for savings, costs containment, or the leveraging of assets. The analysis focused on the period from FY 2005 through FY 2009.

For purposes of this Report, Designated Agencies are defined as the 10 non-profit organizations that provide community mental health services and developmental services for the DMH and DAIL respectively. The DAs do not all provide the same array of services; only seven provide substance abuse services and nine provide developmental services. The mental health component of the DAs has not been analyzed separately, but rather each DA in its entirety; the 1 DA that does not provide mental health services and the 7 smaller Specialized Service Agencies (SSAs) have been excluded from the analysis.

The 10 DAs included in the analysis are: Clara Martin Center (CMC), Counseling Services of Addison County (CSAC), Health Care and Rehabilitation Services of Southeast Vermont (HCRS), Howard Center (HC), Lamoille County Mental Health Services (LCMH), Northeast Kingdom Mental Health Services (NKMH), Northwest Counseling and Support Services (NCSS), Rutland Area Community Services (RMHS), United Counseling Services (UCS), and Washington County Mental Health Services (WCMH).

III. Comparative Data

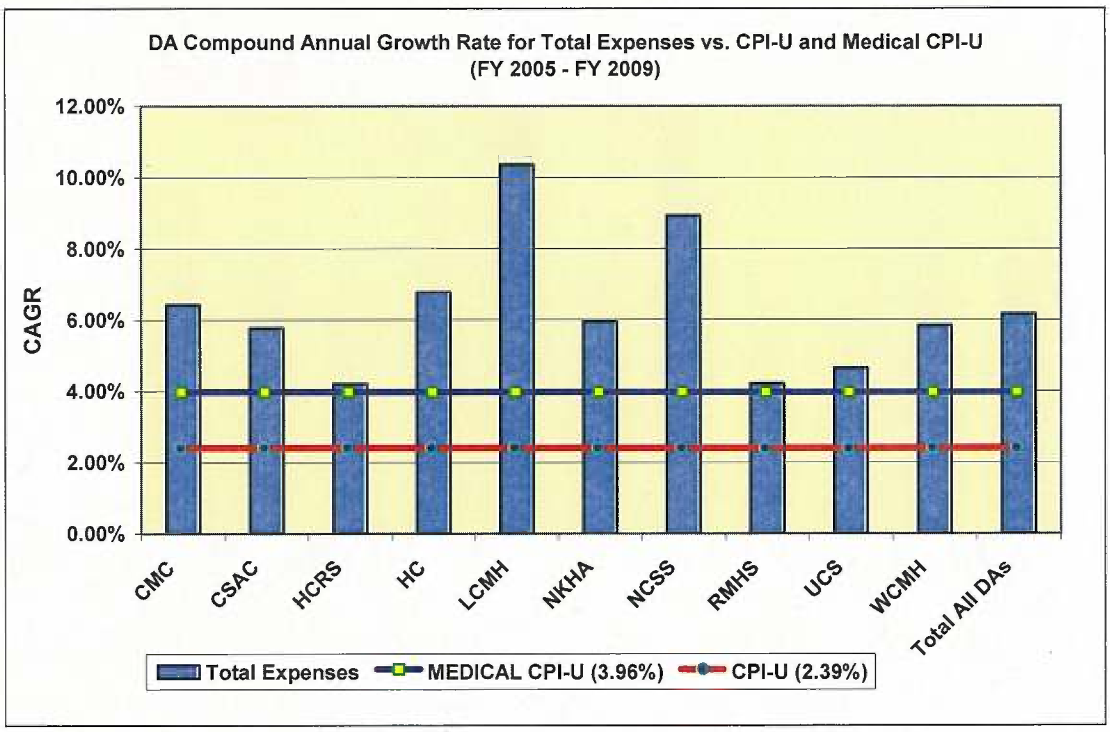
The financial information analyzed was obtained from the DAs audited fiscal year 2005 financial statements (see Appendix for list of audit preparers by DA) and the DAs fiscal 2009 pre-audit submission to the Department of Mental Health. Other information was derived from the DAs submissions for tax years 2004 through 2007 or 2008, whichever was the most recent year available, and submitted on *IRS Form 990 - Return of Organization Exempt from Income Tax*. Expenditure growths were compared to CPI-U and Medical CPI-U:

<u>CPI-U and Medical CPI-U:</u> The Consumer Price Index (CPI), calculated by the US Department of Labor, Bureau of Labor Statistics (BLS), is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The broadest and most comprehensive CPI is called the All Items Consumer Price Index for All Urban Consumers (CPI-U). The CPI represents all goods and services purchased for consumption by the reference population. BLS has classified all expenditure items into more than 200 categories, arranged into eight major groups, one of which is Medical Care (Medical CPI-U) which includes prescription drugs and medical supplies, physicians' services, eyeglasses and eye care, and hospital services. With the expansive growth in the cost of healthcare (estimated to be 7% per year for the next 10 years[1]), comparison to the Medical CPI-U was deemed appropriate.

IV. Financial Analysis

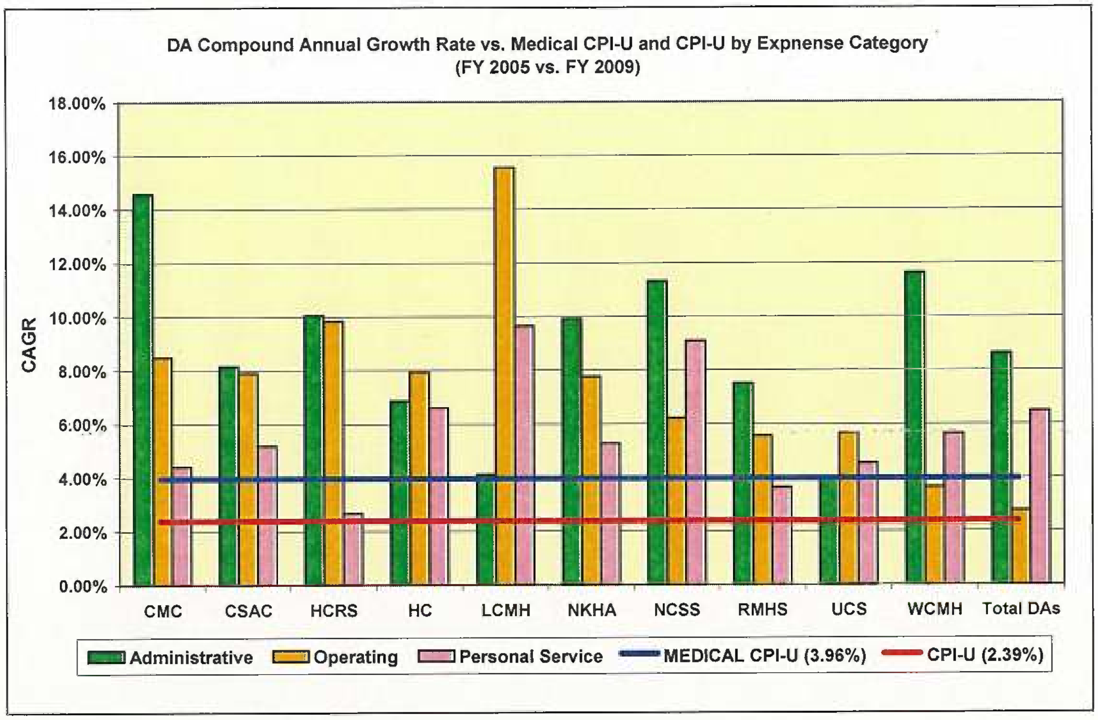
A. TOTAL EXPENSES FY 2005 – FY 2009:

From FY 2005 to FY 2009, the DAs' overall growth rate for total expenses (personal service, administrative costs, and operating expenses – without consideration to new initiatives or caseload growth) far outpaced both CPI-U and Medical CPI-U. The compounded annual growth rate ("CAGR") for all 10 DAs from FY 2005 to FY 2009 was 6.17% versus CPI-U (2.39%) and Medical CPI-U (3.96%) for the same period, as shown in the following chart.



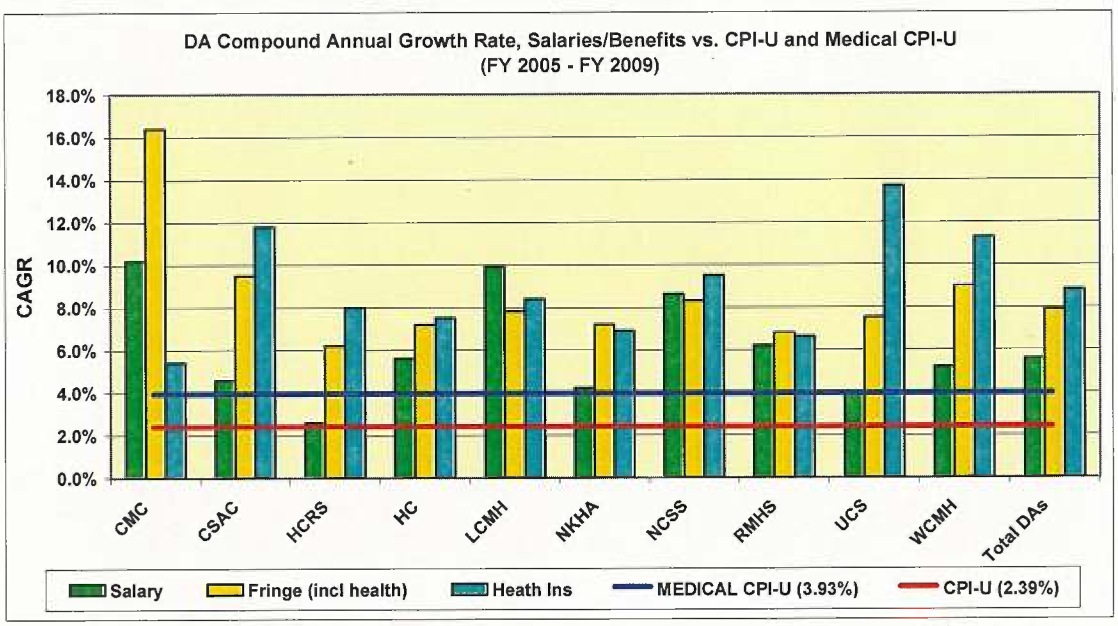
While individual DA compound annual growth rates for the period and by category of expense (personal service, administration, and operating expense) vary, they all exceed CPI-U and most exceed Medical CPI-U.

[1] Article: Expect Growth in Healthcare Sector, James Rickman, May 14, 2009, for State Street Global Advisors http://seekingalpha.com/article/137555-expect-growth-in-healthcare-sector



B. SALARIES AND FRINGE BENEFITS FY 2005 – FY 2009:

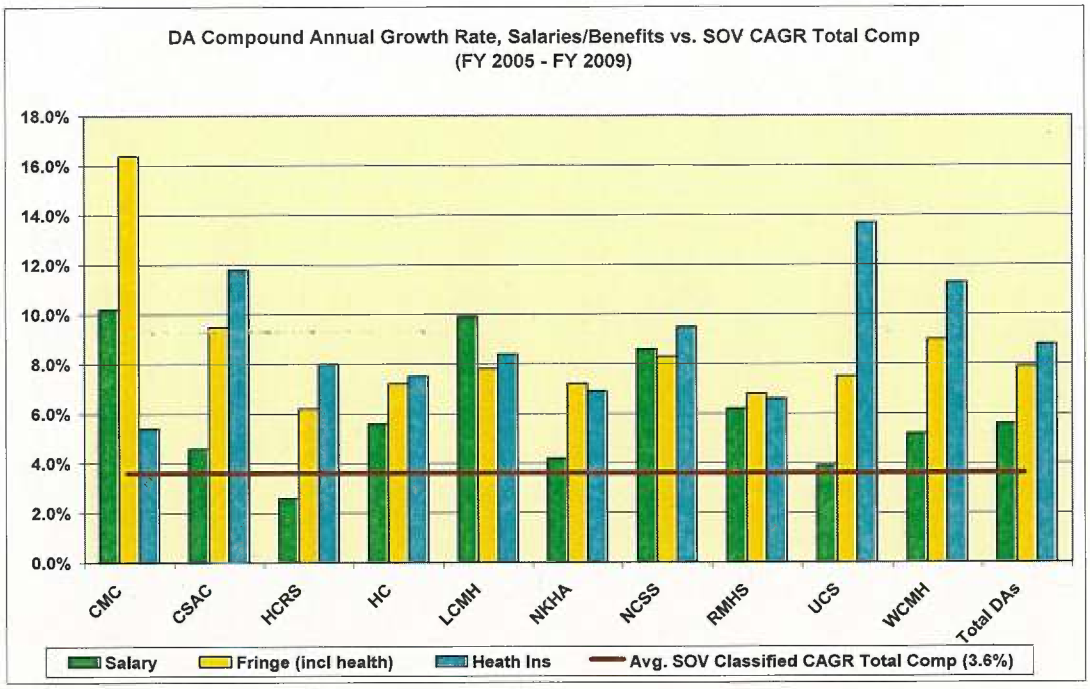
In assessing the individual categories within compensation - Salary, Fringe Benefits including health insurance and health insurance alone – the Total for the 10 DAs, in each category, is in excess of CPI-U and Medical CPI-U. Of the 10 DAs listed, only the salary component for HCRS and UCS fell below Medical CPI-U. These results are based on overall expenditure growth, without consideration of changes in FTEs.



In comparison to the compound annual growth rate for the State of Vermont (SOV) classified employees total compensation during the same period[2], the compound annual growth rate for

[2] Provided by the Vermont Department of Human Resources

DA salary, benefits including health insurance, and health insurance alone exceeds the SOV rate, with few exceptions.



Annually, a list of the salaries and benefits for Officers, Directors, and "Key Employees" is submitted as part of IRS Form 990s (for tax exempt organizations). Of the officers, directors and key employees reported by the DAs, 61 individuals were reported in both the 2004 and 2007 tax year 990 filings. The compound annual growth rate (CAGR) for this group of 61 was 6.65%, which is in line with the CAGR for total compensation overall for the DAs. A summary chart based on these 61 individuals is shown below, with more detailed information shown in Appendix 4.

			Officers, Directors, Key Employees in Both 2004 and 2007							
			2007			2004			2007 vs. 2004	
Designated Agency	Positions	Hours per Week	TOTAL Annual Compensation	Average Annual Compensation	Hourly Rate	TOTAL Annual Compensation	Average Annual Compensation	Hourly Rate	% Increase	CAGR
CSAC	12	480.0	1,089,045	90,754	43.63	907,419	75,618	36.35	20.02%	6.67%
UCS	12	480.0	973,488	81,124	39.00	817,923	68,160	32.77	19.02%	6.34%
CMC	5	200.0	405,664	81,133	39.01	355,633	71,127	34.20	14.07%	4.69%
HC	6	240.0	788,823	131,471	63.21	660,186	110,031	52.90	19.49%	6.50%
LCMH	4	160.0	282,627	70,657	33.97	271,939	67,985	32.68	3.93%	1.31%
NKMH	4	142.5	420,583	105,146	56.76	341,812	85,453	46.13	23.05%	7.68%
NCSS	5	200.0	518602.0	103,720	49.87	430267.0	86,053	41.37	20.53%	6.84%
RMHS	4	156.0	662,005	165,501	81.61	542,521	135,630	66.88	22.02%	7.34%
HCRS	4	152.5	519,406	129,852	65.50	423,843	105,961	53.45	22.55%	7.52%
WCMH	5	198.0	620297.0	124,059	60.25	484653.0	96,931	47.07	27.99%	9.33%
	61	Total	6,280,540	102,960	50.14	5,236,196	85,839	41.80	19.95%	6.65%

Hours/week	2,409
Hours/year	125,268

Source: Federal Form 990 - Part V Comp - Officers and Schedule A - Employees

The 61 individuals were the individuals that were reported for both the 2004 and 2007 tax years. However, there are a total 84 Officers, Directors and Key Employees reported in the 2007 tax year Form 990 submission. Each of the 84 positions was paid an annualized salary (and total compensation) in excess of $50,000 per year. Following is a summary chart detailing the top (highest) individual annual compensation, the total number of individuals receiving salaries (and total compensation) in excess of $50,000 per year, and the cumulative total annual compensation over $50,000 by DA follows.

Officers, Directors, Key Staff Total Compensation 2007 Form 990 (FY 2008)			
Designated Agency	**Top Individual Annual Total Compensation**	**# Over $50,000 Salary and Total Comp***	**Total Annual Compensation Over $50,000**
CSAC	204,817	13	1,154,220
UCS	179,811	14	1,214,537
CMC	116,181	7	541,070
HC	198,967	8	1,021,039
LCMH	111,600	7	544,227
NKMH	118,756	7	651,220
NCSS	173,040	7	798,602
RMHS	263,821	6	916,049
HCRS	164,630	8	987,926
WCMH	174,428	7	809,731
	TOTAL	**84**	**7,484,401**

* All 84 individual salaries are in excess of $50,000, as well as total compensation

Source: Federal Form 990 - Part V Comp - Officers and Schedule A - Employees

For comparison purposes, we recalculated what the total DA salaries from FY 2005 to FY 2009 would have been if the growth had been equal to the CAGR Medical CPI-U (the highest comparative compound annual growth rate used in this report); the savings over the four years on total DA salaries versus actual would have been $22.21 million.

	($ millions)					
Derived 2009 Salaries using Medical CPI-U CAGR	**2005**	**2006**	**2007**	**2008**	**2009**	**Derived Cummulative Savings**
Derived Salary - FY 2005 to FY 2009 using Medical CPI-U (3.96%)	96.69	101.00	105.00	109.00	113.00	
Actual Salary - FY 2005 to FY 2009	96.69	102.11	110.19	117.65	120.26	
Estimated Savings	**$ -**	**$ 1.11**	**$ 5.19**	**$ 8.65**	**$ 7.26**	**$ 22.21**

C. OTHER FINANICAL CONSIDERATIONS FY 2005 – FY 2009:

i. Net Gain Allowed:

In recent years, there have been attempts by the Department of Mental Health to limit gains with consideration to an organization's days of net assets. The question is whether the lack of gain constraint incents the DAs to ensure that they spend as much as necessary so as not to leave more than 3% on the bottom line. This does not suggest that the spending is not legitimate, but if the spending is necessary, or is it slanted toward more costly services. Some examples could include paying over market rent to a related 3rd party, or when a psychiatrist delivers services that may not require a psychiatrist, thereby increasing the cost of that service. The metric presented in the National Ranking section that shows Vermont ranked 5th in the nation in number of psychiatrist per 100,000 people leads us to wonder if that high percentage is a consequence of this policy or of the multiple DA organizations.

ii. Liquidity – Cash on Hand:

The Department of Mental Health has benchmarked 60 days of net assets on hand in an attempt to assure appropriate liquidity. In the past, there were incidents when DAs got into financial trouble and had to be assisted by the State. It is apparent that not all DAs meet the 60 days of net assets goal. In FY 2006, for example, only six of the 10 DAs ended the year with 60 days of net assets. By the end of FY 2008, the same six ended the year with 60 or more days of net assets.

Cash on hand, which is 100% liquid, was also analyzed. Analyzing days of cash on hand for FY 2009 revealed that the Total Cash at year end was $35.8 million or an average of 51 days on hand. Act 147 of the 1998 session established a Developmental and Mental Health Services Risk Pool Special Fund which had a balance of $721,609 as of 6/30/09. Although this fund is now managed solely by and for developmental services, the concept of a risk pool is a valid one. If a solely dedicated Community Mental Health Risk Pool was established and maintained, it seems reasonable that the DAs do not each need to maintain 51+ days on hand. A system-wide Risk Pool in conjunction with 45 days of cash on hand for each DA should provide more than sufficient liquidity. We recalculated the cash on hand for fiscal year end 2009 at 45 days to determine the resulting "savings" that could be invested into the Risk Pool. The calculation revealed a difference of $5.0 million (for 45 days). The same calculation using 30 days of cash on hand results in a difference of $15.2 million.

Derived Difference of Cash on Hand vs. 6/30/09		
	vs. 45 Days	vs. 30 Days
6/30/09 Cash on Hand	$ 35,809,321	$ 35,809,321
Amount Required at "X" days	$ 30,846,596	$ 20,564,398
Delta to 6/30/09	$ 4,962,725	$ 15,244,923

V. National Ranking Comparison

Finding fully comparative national studies was difficult; the studies were either several years old, or did not appear to be "apples to apples". However, we have referenced three national studies in comparing Vermont's standing vs. other states in the particular areas of the studies. Generally, Vermont ranks favorably in quality of mental health care and high on mental health spending. We have also referenced the studies done for the State of Vermont by The Pacific Health Policy Group which were released in September 2007 and March 2008.

A. Kaiser Family Foundation – State Health Facts – Mental Health Spending for FY 2006:

Mental health spending for all 50 states and the District of Columbia were compared for fiscal year 2006. Vermont ranked #42 on total mental health spending, as one would expect since we are a small state. However, Vermont ranked #6 in per capita mental health spending[3 & 4].

B. United Cerebral Palsy - The Case for Inclusion 2009:

The study ranks all 50 States and the District of Columbia on how well they are providing community-based support to Americans with intellectual and developmental disabilities being served by Medicaid. The report uses existing methodology first implemented in 2007. Vermont's ranking has gone from #3 in 2007, to #2 in 2008, and to #1 in 2009.[5]

C. Ranking America's Mental Health - An Analysis of Depression across the States:

The study was released on December 11, 2007 for Mental Health America by Thomson Healthcare[6]. This study looked at incidents of depression and suicide rates, mental health resources (expenditures per capita; 24 hour service availability; Psychiatrists, Psychologists

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[3] http://www.statehealthfacts.org/comparetable.jsp?ind=277&cat=5&sub=149&yr=29&typ=4&sort=a

[4] http://www.statehealthfacts.org/comparetable.jsp?ind=278&cat=5&sub=149&yr=29&typ=4&sort=a

[5] http://www.ucp.org/uploads/Case_For_Inclusion_Report_2007.pdf

[6] http://www.mentalhealthamerica.net/files/Ranking_Americas_Mental_Health.pdf

and socialworkers per 100k population), barriers to treatment, treatment utilization, and socioeconomic characteristics.

Vermont ranked as the 12th healthiest state with respect to depression status; however, Vermont's age adjusted suicide rate was 14.23% or the 38th highest suicide rate.

State Ranking on:	National Rank	National Median	Vermont
Depression Status (age adjusted)	12th	n/a	n/a
Suicide Rates	38th	11.85%	14.23%
Source: Ranking America's Mental Health: An Analysis of Depression Across the States, December 11, 2007, prepared for Mental Health America by Thomson Healthcare (Table B.1)			

The report also analyzed Mental Health Resources by per capita spending, and other metrics per 100,000 in population. As the table below shows Vermont ranked very high on per capita spending (5th), which is consistent with the ranking from the Kaiser Family Foundation Mental Health Spending Report for 2006. Additionally the table also provides metrics per 100,000 in population. Vermont has 3.08 facilities providing 24 hours service (1st vs. national median) for every 1.27 facilities nationally. Vermont also has 2.27 facilities that provide less than 24 hour service (9th nationally) for every 1.32 facilities nationally.

Mental Health Resources Category	National Rank	National Median	Vermont	% of Median
MH Expenditures per Capita	5th	$ 73.56	$ 165.95	225.6%
# Organizations w/24 hr treatment per 100,000 population	1st	1.2698	3.0815	242.7%
# Organizations w/less than 24hr treatment per 100,000 population	9th	1.3195	2.2706	172.1%
Source: Ranking America's Mental Health: An Analysis of Depression Across the States, December 11, 2007, prepared for Mental Health America by Thomson Healthcare (Table B.1)				

The metrics further reveal that the Vermont mental health system relies on significantly more Psychiatrists per 100k of population (5th in the nation) than on Psychologists (38th) or social workers (45th).

Mental Health Resources Category	National Rank	National Median	Vermont	% of Median
Psychiatrists per 100,000 population	5th	10.2248	25.1048	245.5%
Psychologists per 100,000 population	38th	39.5840	24.6380	62.2%
Socialworkers per 100,000 population	45th	157.9770	72.2700	45.7%
Source: Ranking America's Mental Health: An Analysis of Depression Across the States, December 11, 2007, prepared for Mental Health America by Thomson Healthcare (Table B.1)				

D. Financial Sustainability of Vermont Designated Agency Provider System (September 2007) and Designated Agency Reporting and Documentation Requirements (March 2008)

While the purpose of this report was not to make recommendations at the programmatic or clinical level, the most recent studies conducted by The Pacific Health Policy Group in September 2007[7] and March 2008[8] do make several recommendations in regards to costs and structure. We have chosen to highlight the PHG recommendations that offer administrative costs reductions; they are noted below:

- Transition fee-for service Emergency Services to block grant or other guaranteed funding.
- Implement Standardized Individual Care Plans (Across Programs) – rather than clinicians having to complete an individual care plan for each client that identifies needs, treatment goals, and anticipated courses of treatment.
- PHPG recommends that a case rate reimbursement system be implemented for more programs that just Community Rehabilitation and Treatment. (see final recommendation)
- The State should explore options for assisting DAs with reduction in operating expenses, such as permitting DAs to purchase health insurance through the State employees' insurance plan. While we do not know if the VSEA contract would even allow this, it is a reminder that combining costs across DAs is a valid method for cost containment and reduction. (see final recommendation)

VII. Final Comments

- A new Mental Health Risk Pool Fund should be created (the existing DS Risk Pool Fund should be renamed so as not to cause confusion) and funded with savings from the reduction in DA grants. The fund could be fully funded up front or funded over 2 to 3 years.
- Implement the PHPG recommendations listed above (section VI(D) with particular attention paid to the last 2 bullets which are commented on below:
    - Traditional fee-for-service Medicaid is based on the theory that the State will pay for covered services provided to eligible individuals. The State has a responsibility to prevent discrimination against those individuals. It does not have a responsibility to ensure that any particular level of services is available to those individuals if it is not available to those for whom it does not pay. Implementing a case rate system of reimbursement falls in line with what we believe the Global Commitment Waiver requires. Managed care is based on the theory that the State has established standards of availability of services and that the managed care organization with which it contracts to provide services to Medicaid beneficiaries has the capacity to meet those standards. Those requirements for Medicaid managed care programs are specified in 42 CFR Sections 438.206 and 438.207. Under the terms of the Global Commitment Sec 1115 waiver, Vermont has agreed to provide services to its Medicaid beneficiaries through an intergovernmental agreement with the State's managed care organization (MCO), the Vermont Office of Healthcare Access (OVHA). OVHA has an intergovernmental agreement with the Department of Mental Health which is party to a master grant agreement with the Vermont network of designated mental health agencies (DAs). The master grant agreement is the mechanism through which the MCO contracts to provide the State's Medicaid beneficiaries with most mental health services. This arrangement must therefore

[7] http://www.healthvermont.gov/mh/documents/DASustainRpt0907.pdf
[8] http://www.healthvermont.gov/mh/documents/FinalReportDARepRequire..pdf

meet the availability standards of Medicaid managed care as defined in 42 CFR Section 438. Funding the DAs on a fee-for-service does not.

- What savings, efficiencies and service improvements would be gained by consolidating administrative and executive functions across all DAs? What savings, efficiencies and service improvements would be gained by reducing the number of individual silo-based organizations through consolidating into regional groupings, for example from 10 to 6, while leaving local treatment locations in place? Is it necessary for a truly unified statewide community mental health system to have a Medical Director, an Executive Director/CEO, a CFO/Business Manager, etc. at each service location? The State should challenge and perhaps incent the DAs to look at their organizational structure and collaborate on a consolidation of that would at the very least, combine all administrative functions into one related organization at one site. This one unit would then provide administrative services to the individual DAs, removing the need for administrative support at each site, with the possible exception of reception/scheduling services likely needed on-site.

VIII. Appendices

APPENDIX 1

DESIGNATED AGENCY FY 2005 AUDITED FINANCIAL STATEMENTS LIST OF PREPARER AND ISSUE DATE

Designated Agency	Audited Financial Statement Preparer	Issue Date
Clara Martin Center (CMC)	Kittell Branagan & Sargent	August 17, 2005
Counseling Services of Addison County (CSAC)	Kittell Branagan & Sargent	September 26, 2005
Health Care and Rehabilitation Services of Southeast Vermont (HCRS)	Tyler, Simms & St. Sauveur, CPAs, PC	September 2, 2005
Howard Center (HC)	Kittell Branagan & Sargent	September 9, 2005
Lamoille County Mental Health Services (LCMH)	Kittell Branagan & Sargent	August 26, 2005
Northeast Kingdom Mental Health Services (NKMH)	Kittell Branagan & Sargent	August 19, 2005
Northwest Counseling and Support Services (NCSS)	Kittell Branagan & Sargent	September 8, 2005
Rutland Area Community Services (RMHS)	Kittell Branagan & Sargent	August 31, 2005
United Counseling Services (UCS)	Kittell Branagan & Sargent	September 22, 2005
Washington County Mental Health Services (WCMH)	Kittell Branagan & Sargent	September 1, 2005

PROGRAM AND ADMINISTRATIVE COSTS FOR DESIGNATED AGENCIES FY05-FY09 - Part 1 APPENDIX 2

		CMC	CSAC	HCRS	HC	LCMH	NKHS	NCSS	RMHS	UCS	WCMH	ALL DAs
	Chart Group	**2005**	**2005**	**2005**	**2005**	**2005**	**2005**	**2005**	**2005**	**2005**	**2005**	**TOTAL**
Grand Total	Administration	$697,622	$1,259,331	$2,039,082	$4,023,400	$1,220,611	$1,774,125	$1,529,708	$1,941,605	$1,370,979	$2,149,086	$18,005,549
	Operating	$782,627	$1,341,387	$2,502,716	$5,149,242	$1,924,779	$6,786,821	$2,282,309	$1,980,570	$1,743,321	$3,437,296	$27,931,068
	Personal Svcs	$4,119,818	$10,525,610	$18,639,157	$35,489,993	$5,151,403	$11,798,588	$14,471,023	$15,763,584	$8,089,225	$26,900,342	$150,948,743
	Expenses Total	$5,600,067	$13,126,328	$23,180,955	$44,662,635	$8,296,793	$20,359,534	$18,283,040	$19,685,759	$11,203,525	$32,486,724	$196,885,360
ADMIN PERCENT OF TOTAL		12.46%	9.59%	8.80%	9.01%	14.71%	8.71%	8.37%	9.86%	12.24%	6.62%	9.15%
ADMIN PERCENT OF DIRECT		14.23%	10.61%	9.64%	9.90%	17.25%	9.55%	9.13%	10.94%	13.94%	7.08%	10.07%
	Chart Group	**2006**	**2006**	**2006**	**2006**	**2006**	**2006**	**2006**	**2006**	**2006**	**2006**	**TOTAL**
Grand Total	Administration	$1,032,035	$1,385,073	$2,265,476	$4,440,188	$1,271,402	$1,746,973	$1,741,955	$2,041,959	$1,459,829	$2,397,646	$19,782,536
	Operating	$983,556	$1,479,856	$2,614,044	$5,833,019	$1,915,794	$7,019,393	$2,423,097	$2,235,808	$1,872,985	$3,813,459	$30,191,011
	Personal Svcs	$4,555,291	$11,163,795	$18,404,266	$37,957,082	$5,492,460	$11,480,681	$15,247,359	$16,520,732	$8,309,285	$28,909,650	$158,040,601
	Expenses Total	$6,570,882	$14,028,724	$23,283,786	$48,230,289	$8,679,656	$20,247,047	$19,412,411	$20,798,499	$11,642,099	$35,120,755	$208,014,148
ADMIN PERCENT OF TOTAL		15.71%	9.87%	9.73%	9.21%	14.65%	8.63%	8.97%	9.82%	12.54%	6.83%	9.51%
ADMIN PERCENT OF DIRECT		18.63%	10.95%	10.78%	10.14%	17.16%	9.44%	9.86%	10.89%	14.34%	7.33%	10.51%
	Chart Group	**2007**	**2007**	**2007**	**2007**	**2007**	**2007**	**2007**	**2007**	**2007**	**2007**	**TOTAL**
Grand Total	Administration	$1,121,062	$1,460,422	$2,593,397	$4,576,545	$1,240,440	$2,083,920	$1,843,713	$2,305,559	$1,315,629	$3,002,565	$21,543,252
	Operating	$1,135,355	$1,876,361	$2,913,922	$6,185,294	$2,334,954	$2,281,965	$2,500,395	$2,141,766	$1,983,687	$3,938,351	$27,292,050
	Personal Svcs	$5,009,943	$12,320,096	$19,048,354	$40,036,447	$6,507,644	$18,224,036	$16,995,704	$17,259,506	$9,006,358	$30,704,726	$175,112,814
	Expenses Total	$7,266,360	$15,656,879	$24,555,673	$50,798,286	$10,083,038	$22,589,921	$21,339,812	$21,706,831	$12,305,674	$37,645,642	$223,948,116
ADMIN PERCENT OF TOTAL		15.43%	9.33%	10.56%	9.01%	12.30%	9.22%	8.64%	10.62%	10.69%	7.98%	9.62%
ADMIN PERCENT OF DIRECT		18.24%	10.29%	11.81%	9.90%	14.03%	10.16%	9.46%	11.88%	11.97%	8.67%	10.64%
	Chart Group	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**2008**	**TOTAL**
Grand Total	Administration	$1,148,826	$1,660,467	$3,009,271	$5,017,952	$1,508,383	$2,453,466	$2,226,690	$2,494,548	$1,422,090	$3,289,037	$24,230,730
	Operating	$1,239,247	$1,720,179	$3,667,567	$6,962,182	$2,799,329	$2,788,610	$2,583,353	$2,540,211	$2,282,490	$4,171,064	$30,754,232
	Personal Svcs	$4,912,827	$12,453,007	$19,511,591	$43,459,603	$7,011,777	$20,165,294	$19,379,199	$17,345,373	$9,353,713	$32,174,744	$185,767,128
	Expenses Total	$7,300,900	$15,833,653	$26,188,429	$55,439,737	$11,319,489	$25,407,370	$24,189,242	$22,380,132	$13,058,293	$39,634,845	$240,752,090
ADMIN PERCENT OF TOTAL		15.74%	10.49%	11.49%	9.05%	13.33%	9.66%	9.21%	11.15%	10.89%	8.30%	10.06%
ADMIN PERCENT OF DIRECT		18.67%	11.72%	12.98%	9.95%	15.37%	10.69%	10.14%	12.54%	12.22%	9.05%	11.19%
	Chart Group	**2009**	**2009**	**2009**	**2009**	**2009**	**2009**	**2009**	**2009**	**2009**	**2009**	**TOTAL**
Grand Total	Administration	$1,202,136	$1,722,671	$2,989,460	$5,245,324	$1,434,460	$2,588,936	$2,348,037	$2,593,646	$1,599,539	$3,336,144	$25,060,353
	Operating	$1,084,181	$1,817,450	$3,642,982	$6,985,800	$3,431,337	$2,687,482	$2,905,076	$2,458,016	$2,172,150	$3,967,493	$31,151,967
	Personal Svcs	$4,898,685	$12,887,226	$20,710,114	$45,844,878	$7,443,182	$20,383,271	$20,493,663	$18,183,261	$9,662,392	$33,481,178	$193,987,850
	Expenses Total	$7,185,002	$16,427,347	$27,342,556	$58,076,002	$12,308,979	$25,659,689	$25,746,776	$23,234,923	$13,434,081	$40,784,815	$250,200,170
ADMIN PERCENT OF TOTAL		16.73%	10.49%	10.93%	9.03%	11.65%	10.09%	9.12%	11.16%	11.91%	8.18%	10.02%
ADMIN PERCENT OF DIRECT		20.09%	11.72%	12.28%	9.93%	13.19%	11.22%	10.03%	12.57%	13.52%	8.91%	11.13%

PROGRAM AND ADMINISTRATIVE COSTS FOR DESIGNATED AGENCIES FY05-FY09 - Part 2

APPENDIX 2

Expense Totals		2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	TOTAL
Grand Total	Administration	$697,622	$1,259,331	$2,039,082	$4,023,400	$1,220,611	$1,774,125	$1,529,708	$1,941,605	$1,370,979	$2,149,086	$18,005,549
	Operating	$782,627	$1,341,387	$2,502,716	$5,149,242	$1,924,779	$6,786,821	$2,282,309	$1,980,570	$1,743,321	$3,437,296	$27,931,068
	Personal Svcs	$4,119,818	$10,525,610	$18,639,157	$35,489,993	$5,151,403	$11,798,588	$14,471,023	$15,763,584	$8,089,225	$26,900,342	$150,948,743
	Expenses Total	$5,600,067	$13,126,328	$23,180,955	$44,662,635	$8,296,793	$20,359,534	$18,283,040	$19,685,759	$11,203,525	$32,486,724	$196,885,360

Expense Totals		2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	TOTAL
Grand Total	Administration	$1,202,136	$1,722,671	$2,989,460	$5,245,324	$1,434,460	$2,588,936	$2,348,037	$2,593,646	$1,599,539	$3,336,144	$25,060,353
	Operating	$1,084,181	$1,817,450	$3,642,982	$6,985,800	$3,431,337	$2,687,482	$2,905,076	$2,458,016	$2,172,150	$3,967,493	$31,151,967
	Personal Svcs	$4,898,685	$12,887,226	$20,710,114	$45,844,878	$7,443,182	$20,383,271	$20,493,663	$18,183,261	$9,662,392	$33,481,178	$193,987,850
	Expenses Total	$7,185,002	$16,427,347	$27,342,556	$58,076,002	$12,308,979	$25,659,689	$25,746,776	$23,234,923	$13,434,081	$40,784,815	$250,200,170

2009 % MH		CMC	CSAC	HCRS	HC	LCMH	NKHS	NCSS	RMHS	UCS	WCMH	ALL DAs
	Rev	85.3%	56.8%	54.6%	56.0%	61.9%	36.4%	52.0%	33.1%	42.3%	62.8%	100.0%
	Exp	84.4%	57.1%	55.8%	56.2%	61.7%	34.6%	51.3%	32.1%	42.9%	63.4%	50.5%

2005 % by cost center		CMC	CSAC	HCRS	HC	LCMH	NKHS	NCSS	RMHS	UCS	WCMH	ALL DAs
	Admin % of total	12.5%	9.6%	8.8%	9.0%	14.7%	8.7%	8.4%	9.9%	12.2%	6.6%	9.1%
	Operating % of total	14.0%	10.2%	10.8%	11.5%	23.2%	33.3%	12.5%	10.1%	15.6%	10.6%	14.2%
	Personal svc % of t	73.6%	80.2%	80.4%	79.5%	62.1%	58.0%	79.1%	80.1%	72.2%	82.8%	76.7%
	Admin % of direct	14.2%	10.6%	9.6%	9.9%	17.2%	9.5%	9.1%	10.9%	13.9%	7.1%	10.1%

2009 by cost center		CMC	CSAC	HCRS	HC	LCMH	NKHS	NCSS	RMHS	UCS	WCMH	ALL DAs
	Admin % of total	16.7%	10.5%	10.9%	9.0%	11.7%	10.1%	9.1%	11.2%	11.9%	8.2%	10.0%
	Operating % of total	15.1%	11.1%	13.3%	12.0%	27.9%	10.5%	11.3%	10.6%	16.2%	9.7%	12.5%
	Personal svc % of t	68.2%	78.4%	75.7%	78.9%	60.5%	79.4%	79.6%	78.3%	71.9%	82.1%	77.5%
	Admin % of direct	20.1%	11.7%	12.3%	9.9%	13.2%	11.2%	10.0%	12.6%	13.5%	8.9%	11.1%

2005 - 2009 CAGR		CMC	CSAC	HCRS	HC	LCMH	NKHS	NCSS	RMHS	UCS	WCMH	ALL DAs
	Administration	14.6%	8.1%	10.0%	6.9%	4.1%	9.9%	11.3%	7.5%	3.9%	11.6%	8.6%
	Operating	8.5%	7.9%	9.8%	7.9%	15.6%	-20.7%	6.2%	5.5%	5.7%	3.7%	2.8%
	Personal Svcs	4.4%	5.2%	2.7%	6.6%	9.6%	14.6%	9.1%	3.6%	4.5%	5.6%	6.5%
	Expenses Total	6.4%	5.8%	4.2%	6.8%	10.4%	6.0%	8.9%	4.2%	4.6%	5.9%	6.2%

APPENDIX 3

Designated Agency Salary, Fringe In Health Information FY05-FY09

CSAC	FY05	FY06	FY07	FY08	FY09	Total
Salary	6,310,309	6,788,840	7,614,464	7,825,680	7,565,566	36,104,859
Fringe	1,746,244	1,965,284	2,212,017	2,378,626	2,514,022	10,816,193
Health Insurance - included in fringe above	946,720	1,011,393	1,237,427	1,326,009	1,476,441	5,997,990
Fringe % of Salary	27.67%	28.95%	29.05%	30.40%	33.23%	29.96%
Health Insurance % of Fringe	54.21%	51.46%	55.94%	55.75%	58.73%	55.45%
Health Insurance % of Salary	15.00%	14.90%	16.25%	16.94%	19.52%	16.61%
% Salary Increase Over Previous Year		7.05%	10.84%	2.70%	-3.44%	
% Fringe Increase Over Previous Year		11.15%	11.15%	7.00%	5.39%	
% Health Insurance Increase Over Previous Year		6.39%	19.27%	6.68%	10.19%	

CMC	FY05	FY06	FY07	FY08	FY09	Total
Salary	3,091,334	3,533,718	3,967,074	4,004,078	4,559,474	19,155,678
Fringe	829,722	1,085,299	1,210,154	1,205,246	1,522,025	5,852,446
Health Insurance - included in fringe above	253,876	345,099	384,378	318,677	313,015	1,615,044
Fringe % of Salary	26.84%	30.71%	30.50%	30.10%	33.38%	30.55%
Health Insurance % of Fringe	30.60%	31.80%	31.76%	26.44%	20.57%	27.60%
Health Insurance % of Salary	8.21%	9.77%	9.69%	7.96%	6.90%	8.43%
% Salary Increase Over Previous Year		12.52%	10.92%	0.92%	12.15%	
% Fringe Increase Over Previous Year		23.65%	10.32%	-0.41%	20.81%	
% Health Insurance Increase Over Previous Year		26.43%	10.22%	-20.62%	-1.81%	

HCHS	FY05	FY06	FY07	FY08	FY09	Total
Salary	23,477,550	24,943,531	26,965,048	29,232,197	29,232,197	133,850,522
Fringe	7,727,540	8,767,576	8,666,717	9,675,011	10,193,162	45,030,005
Health Insurance - included in fringe above	3,708,046	4,045,332	4,221,059	4,641,257	4,947,444	21,563,139
Fringe % of Salary	32.91%	35.15%	32.14%	33.10%	34.87%	33.64%
Health Insurance % of Fringe	47.98%	46.14%	48.70%	47.97%	48.54%	47.89%
Health Insurance % of Salary	15.79%	16.22%	15.65%	15.88%	16.92%	16.11%
% Salary Increase Over Previous Year		5.88%	7.50%	7.70%	0.00%	
% Fringe Increase Over Previous Year		11.86%	-1.16%	10.42%	5.09%	
% Health Insurance Increase Over Previous Year		8.34%	4.16%	9.05%	6.13%	

HCRS	FY05	FY06	FY07	FY08	FY09	Total
Salary	10,836,048	11,010,868	11,132,041	11,471,583	12,017,146	56,467,686
Fringe	3,626,835	3,842,355	4,017,165	4,140,945	4,610,081	20,237,381
Health Insurance - included in fringe above	2,153,974	2,267,987	2,496,072	2,570,174	2,934,484	12,422,691
Fringe % of Salary	33.47%	34.90%	36.09%	36.10%	38.36%	35.84%
Health Insurance % of Fringe	59.39%	59.03%	62.14%	62.07%	63.65%	61.38%
Health Insurance % of Salary	19.88%	20.60%	22.42%	22.40%	24.42%	22.00%
% Salary Increase Over Previous Year		1.59%	1.09%	2.96%	4.64%	
% Fringe Increase Over Previous Year		5.94%	4.35%	2.99%	10.18%	
% Health Insurance Increase Over Previous Year		5.03%	9.14%	2.88%	12.41%	

LCMH	FY05	FY06	FY07	FY08	FY09	Total
Salary	3,923,102	3,974,334	4,715,017	5,428,539	5,714,851	23,755,843
Fringe	1,440,475	1,538,944	1,733,237	1,973,624	1,942,257	8,628,537
Health Insurance - included in fringe above	1,030,986	1,127,316	1,283,501	1,434,756	1,423,684	6,300,243

Fringe % of Salary	36.72%	38.72%	36.76%	36.36%	38.99%	36.32%
Health Insurance % of Fringe	71.57%	73.25%	74.05%	72.70%	78.80%	73.02%
Health Insurance % of Salary	26.28%	28.36%	27.22%	26.43%	24.91%	26.52%
% Salary Increase Over Previous Year		1.29%	16.71%	15.14%	5.01%	
% Fringe Increase Over Previous Year		16.40%	11.21%	12.18%	-1.61%	
% Health Insurance Increase Over Previous Year		8.55%	12.17%	10.54%	-0.78%	

NKHS	FY05	FY06	FY07	FY08	FY09	Total
Salary	9,569,123	9,968,112	10,786,699	**11,281,232**	11,296,709	52,901,875
Fringe	3,313,111	3,744,239	3,534,663	**4,526,847**	4,378,261	19,497,121
Health Insurance - included in fringe above	1,619,054	1,933,065	1,545,487	**2,426,330**	2,112,231	9,636,167

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% Salary Increase Over Previous Year		[illegible]	[illegible]	[illegible]	[illegible]	
% Fringe Increase Over Previous Year		[illegible]	[illegible]	[illegible]	[illegible]	
% Health Insurance Increase Over Previous Year		[illegible]	[illegible]	[illegible]	[illegible]	

RMHS	FY05	FY06	FY07	FY08	FY09	Total
Salary	**8,415,235**	8,998,106	**9,767**,324	10,110,556	**10,694**,976	47,986,197
Fringe	**2,213,744**	2,423,812	2,730,399	2,836,755	2,878,634	13,083,344
Health Insurance - **included in fringe** above	**1,150,161**	1,162,220	1,425,674	1,672,184	1,484,668	6,894,907

Fringe % of Salary	26.31%	26.94%	27.95%	28.06%	26.92%	27.26%
Health Insurance % of Fringe	51.96%	47.95%	52.21%	58.95%	51.58%	52.70%
Health Insurance % of Salary	13.67%	12.92%	14.60%	16.54%	18.88%	14.37%
% Salary Increase Over Previous Year		6.48%	7.88%	3.39%	5.46%	
% Fringe Increase Over Previous Year		8.67%	11.23%	3.75%	1.45%	
% Health Insurance Increase Over Previous Year		1.04%	18.48%	14.74%	12.68%	

NCSS	FY05	FY06	FY07	FY08	FY09	Total
Salary	8,787,957	9,215,550	9,950,169	11,394,845	12,237,204	51,585,725
Fringe	2,879,313	3,029,218	3,440,193	3,735,635	3,966,664	17,051,023
Health Insurance - included in fringe above	1,506,358	1,580,393	1,799,446	1,966,313	2,169,197	9,021,707
Fringe % of Salary	32.76%	32.87%	34.57%	32.78%	32.41%	33.05%
Health Insurance % of Fringe	52.32%	52.17%	52.31%	52.64%	54.69%	52.91%
Health Insurance % of Salary	17.14%	17.15%	18.08%	17.26%	17.73%	17.49%
% Salary Increase Over Previous Year		4.04%	7.38%	12.66%	6.88%	
% Fringe Increase Over Previous Year		4.95%	11.96%	7.91%	5.82%	
% Health Insurance Increase Over Previous Year		4.68%	12.17%	8.49%	9.35%	

UCS	FY05	FY06	FY07	FY08	FY09	Total
Salary	6,115,673	6,477,783	6,856,022	7,155,473	7,137,370	33,742,322
Fringe	1,155,337	1,291,552	1,425,893	1,483,054	1,542,244	6,898,081
Health Insurance - included in fringe above	326,201	385,081	438,615	505,024	545,826	2,200,747
Fringe % of Salary	18.89%	19.94%	20.80%	20.73%	21.61%	20.44%
Health Insurance % of Fringe	28.23%	29.82%	30.76%	34.05%	35.39%	31.90%
Health Insurance % of Salary	5.33%	5.94%	6.40%	7.06%	7.65%	6.52%
% Salary Increase Over Previous Year		5.92%	5.52%	4.18%	-0.25%	
% Fringe Increase Over Previous Year		10.55%	9.42%	3.85%	3.84%	
% Health Insurance Increase Over Previous Year		15.29%	12.21%	13.15%	7.48%	

WCMH	FY05	FY06	FY07	FY08	FY09	Total
Salary	16,167,069	17,198,057	18,432,272	19,747,990	19,806,363	91,351,751
Fringe	5,055,250	6,109,045	6,280,576	6,565,861	7,124,060	31,134,792
Health Insurance - included in fringe	3,020,795	3,668,674	3,643,536	3,942,887	4,637,474	

above						18,913,366

Fringe % of Salary	31.27%	35.52%	34.07%	33.25%	35.97%	34.08%
Health Insurance % of Fringe	59.76%	60.05%	58.01%	60.05%	65.10%	60.75%
Health Insurance % of Salary	18.68%	21.33%	19.77%	19.97%	23.41%	20.70%
% Salary Increase Over Previous Year		5.99%	6.70%	6.66%	0.29%	
% Fringe Increase Over Previous Year		17.25%	2.73%	4.34%	7.84%	
% Health Insurance Increase Over Previous Year		17.66%	-0.69%	7.59%	14.98%	

Totals	FY05	FY06	FY07	FY08	FY09	Total
Salary	96,693,400	$102,108,900	$ 110,186,129	$ 117,652,173	$120,261,856	$ 46,902,458
Fringe	29,987,571	$ 33,797,324	$ 35,251,015	$ 38,521,603	$ 40,671,409	$ 78,228,923
Health Insurance - included in fringe above	$15,716,172	$ 17,526,560	$ 18,475,194	$ 20,803,609	$ 22,044,465	$ 94,566,000

2009 Delta	FY05	FY06	FY07	FY08
Salary	$23,568,456	$ 18,152,956	$ 10,075,727	$ 2,609,683
Fringe	$10,683,839	$ 6,874,085	$ 5,420,394	$ 2,149,806

Federal Form 990 - Part V Comp - Officers and Schedule A - Employees by Title

APPENDIX 4

			2007					2004				
#	Title	Hrs/week	Compensation	Benefits	Expnenses	TOTAL COMP	Hourly Rate	Compensation	Benefits	Expnenses	TOTAL COMP	Hourly Rate
1	Adv Practice	40.0	69,298	2,021	250	71,569	34.408	59,717	1,792	250	61,759	29.692
1	Adv Practice	40.0	66,870	1,941	250	69,061	33.202	57,902	1,737	250	59,889	28.793
1	Asst Dir.	40.0	73,034	0	0	73,034	35.113	60,586	0	0	60,586	29.128
1	BH Director	40.0	80,000	0	0	80,000	38.462	67,900	0	0	67,900	32.644
1	CEO	37.5	108,531	10,225	0	118,756	60.901	89,831	0	0	89,831	46.067
1	CEO	37.5	129,543	14,729	0	144,272	73.986	128,631	12,459	0	141,090	72.354
1	CFO	40.0	83,956	2,488	250	86,694	41.680	68,602	2,058	250	70,910	34.091
1	CFO	40.0	87,460	0	0	87,460	42.048	76,276	0	0	76,276	36.671
1	CFO	37.5	99,764	9,388	0	109,152	55.975	79,705	0	0	79,705	40.874
1	CFO	40.0	80,000	0	0	80,000	38.462	74,500	0	0	74,500	35.817
1	CFO	37.5	93,190	18,630	0	111,820	57.344	90,041	20,363	0	110,404	56.617
1	CFO	38.0	89,124	13,256	0	102,380	51.812	73,083	0	0	73,083	36.985
1	Child Psych	40.0	128,031	3,193	250	131,474	63.209	130,247	3,907	250	134,404	64.617
1	Childrens DI	40.0	67,357	0	0	67,357	32.383	51,775	14,479	0	66,254	31.853
1	Clinician	40.0	57,921	1,169	250	59,340	28.529	55,654	1,077	250	56,981	27.395
1	Clinician	40.0	70,543	0	0	70,543	33.915	65,628	0	0	65,628	31.552
1	Clinician	40.0	92,080	9,914	0	101,994	49.036	80,773	0	0	80,773	38.833
1	CRT Dir	40.0	77,055	0	0	77,055	37.046	57,662	14,573	0	72,235	34.728
1	Dir Children	40.0	60,933	0	0	60,933	29.295	50,470	0	0	50,470	24.264
1	Dir Er Svcs	40.0	70,699	0	0	70,699	33.990	57,587	0	0	57,587	27.686
1	Dir HR	40.0	69,022	0	0	69,022	33.184	58,045	0	0	58,045	27.906
1	Dir Individ	40.0	94,024	13,766	0	107,790	51.822	91,775	0	0	91,775	44.123
1	Dir Mental Health	37.5	89,389	6,704	0	96,093	49.278	74,735	0	0	74,735	38.326
1	Dir of Devel	40.0	71,431	0	0	71,431	34.342	60,587	0	0	60,587	29.128
1	Dir of HR	40.0	71,162	0	0	71,162	34.213	62,085	0	0	62,085	29.849
1	Dir Outpatient	40.0	74,199	0	0	74,199	35.673	69,188	0	0	69,188	33.263
1	Dir Outpatient	40.0	62,968	0	0	62,968	30.273	51,500	0	0	51,500	24.760
1	Director	40.0	104,871	25,107	0	129,978	62.489	87,446	16,089	0	103,535	49.776
1	Director	40.0	109,148	10,605	0	119,753	57.574	85,486	11,851	0	97,337	46.797
1	Div Dir	40.0	85,906	1,911	250	88,067	42.340	64,815	1,292	250	66,357	31.902
1	Div Dir	40.0	76,840	2,235	250	79,325	38.137	63,364	1,901	250	65,515	31.498
1	Div Dir	40.0	65,189	1,881	250	67,320	32.365	53,105	1,593	250	54,948	26.417
1	Div Dir	40.0	63,166	1,826	250	65,242	31.366	50,541	1,516	250	52,307	25.148
1	Div. Dir.	40.0	106,354	0	0	106,354	51.132	85,486	17,722	0	103,208	49.619
1	Div. Dir.	40.0	102,950	0	0	102,950	49.495	86,212	17,780	0	103,992	49.996

1	DS Director	40.0	72,925	0	0	72,925	35.060	52,898	14,532	0	67,430	32.418
1	DS Director	40.0	80,000	0	0	80,000	38.462	67,900	0	0	67,900	32.644
1	Exec Dir	40.0	101,565	5,943	250	107,758	51.807	82,217	2,467	250	84,934	40.834
1	Exec Dir	40.0	115,574	0	0	115,574	55.564	85,583	0	0	85,583	41.146
1	Exec Dir	40.0	162,343	36,624	0	198,967	95.657	118,750	11,098	0	129,848	62.427
1	Exec Dir	40.0	105,562	0	0	105,562	50.751	80,967	0	0	80,967	38.926
1	Exec Dir	40.0	112,956	20,749	0	133,705	64.281	94,000	0	0	94,000	45.192
1	Exec Dir/CEO	40.0	110,469	5,712	0	116,181	55.856	103,597	0	0	103,597	49.806
1	Finance Dir	40.0	73,829	0	0	73,829	35.495	69,188	0	0	69,188	33.263
1	HR Dir.	37.5	91,342	9,367	0	100,709	51.646	76,541	12,902	0	89,443	45.868
1	HR Director	40.0	65,290	0	0	65,290	31.389	51,117	14,903	0	66,020	31.740
1	Medical Dir	40.0	199,632	4,935	250	204,817	98.470	142,199	4,266	250	146,715	70.536
1	Medical Dir.	40.0	130,821	0	0	130,821	62.895	111,729	10,537	0	122,266	58.782
1	Medical Dir.	40.0	173,040	0	0	173,040	83.192	139,000	0	0	139,000	66.827
1	O/P Clinician	40.0	56,660	1,468	250	58,378	28.066	51,160	1,290	250	52,700	25.337
1	Phys. Asst.	40.0	82,221	0	0	82,221	39.529	60,218	0	0	60,218	28.951
1	Program Dir	40.0	65,888	0	0	65,888	31.677	57,677	0	0	57,677	27.729
1	Program Dir	40.0	64,973	0	0	64,973	31.237	55,998	0	0	55,998	26.922
1	Psychiatrist	40.0	149,035	0	0	149,035	71.651	129,343	0	0	129,343	62.184
1	Psychiatrist	30.0	89,844	6,738	0	96,582	61.912	97,541	0	0	97,541	62.526
1	Psychiatrist	40.0	187,964	0	0	187,964	90.367	159,109	0	0	159,109	76.495
1	Psychiatrist	40.0	144,626	17,979	0	162,605	78.175	73,917	8,989	0	82,906	39.859
1	Psychiatrist	40.0	153,603	20,825	0	174,428	83.860	145,022	0	0	145,022	69.722
1	VP of Clinic	38.0	116,824	0	0	116,824	59.121	79,759	0	0	79,759	40.364
1	VP of Dev Se	38.0	93,396	0	0	93,396	47.265	80,841	0	0	80,841	40.911
1	VP/Psychiatrist	40.0	263,821	0	0	263,821	126.837	222,812	0	0	222,812	107.121
61	**Total / Hourly Rate**		**5,996,211**	**281,329**	**3,000**	**6,280,540**	**50.137**	**5,010,023**	**223,173**	**3,000**	**5,236,196**	**41.800**

Hours/week	**2,409.0**
Hours/year	**125,268.0**

2004 vs. 2007 growth	
Gross % Increase (total comp)	**19.9%**
Compound Annual Growth Rate (CAGR)	**6.65%**

APPENDIX 5

Designated Agencies - Balance Sheet Information

	Clara Martin Center	Counseling Service of Addison County	Health Care and Rehab Services of Southeast Vermont	Howard Center for Human Services	Lamoille County Mental Health Services	Northeast Kingdom Mental Health Services	Northwest Counseling and Support Services	Rutland Area Community Services	United Counseling Services	Washington County Mental Health Services	Total
2005 Balance Sheet											
cash & equiv	762,041	1,249,985	538,912	1,898,289	108,849	1,248,326	2,669,455	2,055,800	1,778,833	1,912,380	14,222,870
current assets	1,290,255	2,505,759	3,375,246	5,885,620	1,263,826	3,307,213	4,588,666	3,846,506	3,001,158	4,128,974	33,193,223
fixed assets	1,272,366	1,628,260	2,659,270	14,533,637	486,018	2,557,980	3,205,591	1,747,348	2,183,799	4,083,301	34,357,570
AP	260,083	641,354	839,931	1,106,867	327,986	476,455	496,700	495,468	392,774	759,298	5,796,916
current liabilities	570,697	1,209,243	2,065,798	5,628,237	633,003	2,428,100	1,426,819	1,517,038	1,149,219	2,939,419	19,567,573
LT liabilities	848,965	1,196,077	1,771,553	5,970,514	215,739	0	2,969,911	943,530	1,240,186	2,696,507	17,852,982
net gain/loss	245,370	303,151	552,378	651,395	324,812	248,380	390,653	297,347	113,401	376,217	3,503,104
2009 Balance Sheet											
cash	1,363,533	2,741,447	1,301,081	8,477,654	1,683,716	3,557,081	2,920,237	3,476,291	2,467,231	7,821,050	35,809,321
current assets	1,854,287	3,841,641	5,669,886	12,506,729	2,580,741	4,871,913	5,835,374	4,251,727	4,767,176	10,816,628	56,996,102
fixed assets	2,361,606	5,450,192	12,610,203	11,524,660	1,577,994	5,044,755	7,522,873	4,925,836	1,817,402	4,836,200	57,671,721
AP	859,925	1,500,840	3,399,943	6,354,684	1,519,997	2,417,655	673,161	880,441	1,889,752	6,209,766	25,706,164
current liabilities	1,295,797	2,098,183	3,643,214	7,320,354	2,147,019	2,708,923	1,934,327	1,608,199	2,265,117	6,466,786	31,487,919
LT liabilities	1,654,890	3,955,411	12,063,650	5,443,269	192,869	2,006,664	6,635,341	3,539,330	1,007,273	3,364,634	39,863,331
net gain/loss	101,888	(19,243)	259,300	0	155,772	260,928	141,276	190,785	198,421	876,250	2,165,377
2005 - 2009 CAGR											
cash	15.7%	21.7%	24.7%	45.4%	98.3%	29.9%	2.3%	14.0%	8.5%	42.2%	26.0%
current assets	9.5%	11.3%	13.8%	20.7%	19.5%	10.2%	6.2%	2.5%	12.3%	27.2%	14.5%
fixed assets	16.7%	35.3%	47.6%	-5.6%	34.2%	18.5%	23.8%	29.6%	-4.5%	4.3%	13.8%
AP	34.8%	23.7%	41.8%	54.8%	46.7%	50.1%	7.9%	15.5%	48.1%	69.1%	45.1%
current liabilities	22.8%	14.8%	15.2%	6.8%	35.7%	2.8%	7.9%	1.5%	18.5%	21.8%	12.6%
LT liabilities	18.2%	34.9%	61.5%	-2.3%	-2.8%		22.3%	39.2%	-5.1%	5.7%	22.2%
net gain/loss	-19.7%		-17.2%	-100.0%	-16.8%	1.2%	-22.5%	-10.5%	15.0%	23.5%	-11.3%
Cash on hand											
days	67.6	59.4	16.9	52.0	48.7	49.4	40.4	53.3	65.4	68.3	51.0
months	2.3	2.0	0.6	1.7	1.6	1.6	1.3	1.8	2.2	2.3	1.7
30 days of cash on hand											
amt required	$ 590,548	$ 1,350,193	$ 2,247,333	$ 4,773,370	$ 1,011,697	$ 2,109,016	$ 2,116,173	$ 1,909,720	$ 1,104,171	$ 3,352,177	$ 20,564,398
delta to actual	$ 772,985	$ 1,391,254	$ (946,252)	$ 3,704,284	$ 672,019	$ 1,448,065	$ 804,064	$ 1,566,571	$ 1,363,060	$ 4,468,873	$ 15,244,923
45 days of cash on hand											
amt required	$ 885,822	$ 2,025,289	$ 3,371,000	$ 7,160,055	$ 1,517,545	$ 3,163,523	$ 3,174,260	$ 2,864,580	$ 1,656,257	$ 5,028,265	$ 30,846,596
delta to actual	$ 477,711	$ 716,158	$ (2,069,919)	$ 1,317,599	$ 166,171	$ 393,558	$ (254,023)	$ 611,711	$ 810,974	$ 2,792,785	$ 4,962,725

APPENDIX 6

Consumer Price Index and Medical Consumer Price Index - 2005 through 2009

Medical CPU-U						
	2005	2006	2007	2008	2009	
Jan	316.8	329.5	343.51	360.459	369.83	
	4.3%	4.0%	4.3%	4.9%	2.6%	
Feb	319.3	332.1	346.458	361.155	372.405	
	4.3%	4.0%	4.3%	4.2%	3.1%	
Mar	320.7	333.8	347.172	363	373.189	
	4.3%	4.1%	4.0%	4.6%	2.8%	
Apr	321.5	334.7	348.225	363.184	374.17	
	4.3%	4.1%	4.0%	4.3%	3.0%	
May	322.2	335.6	349.087	363.396	375.026	
	4.3%	4.2%	4.0%	4.1%	3.2%	
Jun	322.9	336	349.51	363.616	375.093	
	4.2%	4.1%	4.0%	4.0%	3.2%	
Jul	324.1	337	351.643	363.963	375.739	
	4.2%	4.0%	4.3%	3.5%	3.2%	
Aug	323.9	337.7	352.961	364.477	376.537	
	3.9%	4.3%	4.5%	3.3%	3.3%	
Sep	324.6	338.3	353.723	365.036	377.727	
	3.9%	4.2%	4.6%	3.2%	3.5%	
Oct	326.2	339.3	355.653	365.746		
	4.1%	4.0%	4.8%	2.8%		
Nov	328.1	340.1	357.041	366.613		
	4.5%	3.7%	5.0%	2.7%		
Dec	328.4	340.1	357.661	367.133		
	4.3%	3.6%	5.2%	2.6%		
Year	323.2	336.2	351.054	363.982	374.413	9
	4.3%	4.0%	4.4%	3.7%	2.9%	months
				2005-2009	51.213	diff
					3.96%	

Regular CPI-U						
	2005	2006	2007	2008	2009	
Jan	190.7	198.3	202.416	211.08	211.143	
	3.0%	4.0%	2.1%	4.3%	0.0%	
Feb	191.8	198.7	203.499	211.693	212.193	
	3.0%	3.6%	2.4%	4.0%	0.2%	
Mar	193.3	199.8	205.352	213.528	212.709	
	3.1%	3.4%	2.8%	4.0%	-0.4%	
Apr	194.6	201.5	206.686	214.823	213.24	
	3.5%	3.5%	2.6%	3.9%	-0.7%	
May	194.4	202.5	207.949	216.632	213.856	
	2.8%	4.2%	2.7%	4.2%	-1.3%	
Jun	194.5	202.9	208.352	218.815	215.693	
	2.5%	4.3%	2.7%	5.0%	-1.4%	
Jul	195.4	203.5	208.299	219.964	215.351	
	3.2%	4.1%	2.4%	5.6%	-2.1%	
Aug	196.4	203.9	207.917	219.086	215.834	
	3.6%	3.8%	2.0%	5.4%	-1.5%	
Sep	198.8	202.9	208.49	218.783	215.969	
	4.7%	2.1%	2.8%	4.9%	-1.3%	
Oct	199.2	201.8	208.936	216.573		
	4.3%	1.3%	3.5%	3.7%		
Nov	197.6	201.5	210.177	212.425		
	3.5%	2.0%	4.3%	1.1%		
Dec	196.8	201.8	210.036	210.228		
	3.4%	2.5%	4.1%	0.1%		
Year	195.3	201.6	207.342	215.303	213.999	9
	3.4%	3.2%	2.8%	3.8%	-0.6%	months
				2005-2009	18.699	diff
					2.39%	

Source: Buck Consultants
http://www.buckconsultants.com/buckconsultants/Portals/0/documents/publications/newsletters/key_indicators/cpi.pdf

VERMONT

Agency of Administration

EDS/Medicaid Tiger Team

A Path to Medicaid Savings

Prepared December 10, 2009

Executive Summary:

Given the current economic situation in Vermont and around the country, Vermont state government has taken a unique and innovative approach to meeting budgetary shortfalls. Tiger teams, groups of state employees and private partners, have been deployed to key areas of expenditures to identify opportunities for cost savings and reductions. The members of the EDS/Medicaid Team are: Mary Andes, Cheri Bergeron, Sarah Clark, Lori Collins, Linda Leu, Tom McGlenn, Tom Pelham, Tom Sandretto and William Smith.

Due to the complex nature of the Medicaid program, the Tiger Team spent significant time coming up to speed on key aspects of the Vermont's program. In state fiscal year (SFY) 2009, spending in Vermont's Medicaid program grew to $1.057 billion, exclusive of OVHA and EDS administrative costs. This represents an increase of $180 million or an annual growth rate of 6.4%, over federal fiscal year (FFY) 2006 the start of Vermont's Global Commitment program. Much of this increase is due to expansions in Vermont's eligible populations.

The original goal of the EDS/Medicaid Tiger Team was to identify expense reductions or revenue enhancements that save 5% ($50 million) of the $1 billion total spending in FY09. We believe this paper identifies options of this order of magnitude. While substantial and specific amounts of savings have been identified, more importantly the EDS Tiger Team has developed an approach that will help guide Medicaid's programmatic and financial managers towards reaching fundamental fiscal goals and contribute to resolving Vermont's current economic crisis while sustaining as best as possible Vermont's relatively high standing among states in the health care arena.

The Tiger Team identified the following four areas with the potential for significant costs savings or revenue enhancement:

1. **Benchmark Vermont's benefit allowances** through peer state comparisons with states of similar high standards to Vermont. This approach will help avoid eliminating categories of optional beneficiaries and optional services;

2. **Maximize access to private insurance** through the Health Insurance Premium Payment Program and data matching with private insurance companies;

3. **Expand the utilization of Vermont's premium based system** relative to a fair standard of affordability similar to that used for Vermont's affordable housing programs. Further, utilizing data matching opportunities between the Department of Children and Families (DCF) and the Tax Department to streamline income eligibility requirements and validate income eligibility and premium payments;

4. **Strengthen the relationship between the Office of Vermont Health Access (OVHA) Program Integrity Unit and the Medicaid Fraud and Residential Abuse Unit (MFRAU)** for fraud and abuse identification.

This white paper will explore these areas in detail.

Overview – Vermont's Medicaid Services:

Mandatory versus Optional Services and Eligibility Groups:

The Medicaid Tiger Team analyzed the services covered by Vermont's Medicaid program and their associated costs. Vermont has made policy choices over the years to provide levels of support and services to its needy populations. These choices are reflected in the types of services provided by Vermont's Medicaid program.

About 10% of Medicaid spending is defined as mandatory by federal requirements under "traditional Medicaid". Another 30% of spending is for optional services to the mandatory population. The remaining 60% is for services provided to optional or expanded populations.

The following tables illustrate the breakdown in spending between mandatory and optional services and eligibility categories for SFY 2009.

Medicaid Expenditure Categories – SFY 2009 – By Service Type	
Total	1,057,353,040
Mandatory	372,540,644
Optional	684,753,001
Misc or N/A	59,395

Medicaid Expenditure Categories – SFY 2009 – By Eligibility Category	
Total	1,057,353,040
Mandatory	416,519,331
Optional	631,314,521
Misc or N/A	9,519,187

Mandatory Beneficiaries – SFY 2009 – By Service Type	
Total	416,519,331
Mandatory	**104,100,838**
Optional	312,392,135
Misc or N/A	26,358

Clearly, Vermont has chosen to provide both an expanded array of Medicaid services to a broad range of Vermonters with the result that Vermont's Medicaid costs far exceed minimal federal requirements. As a point of comparison, a point for which no one could reasonably argue, if Vermont enrolled only mandatory populations and offered only mandatory services, Vermont's Medicaid expenditures in 2009 would be slightly over $104 million. State choices do affect Medicaid expenditures. According to the Kaiser Family Foundation, in 2007, our neighbor to the east, New Hampshire, had 11% of its population covered by Medicaid while Vermont ranked near the top among states at 26%. In fiscal 2007, New Hampshire spent $1.165 billion or $886 per capita on Medicaid while Vermont spent $904 million, or $1,456 per capita.

Medicaid - Largest Costs Centers by Service Type:

Electronic Data Systems (EDS) is a private contractor providing many services to Vermont's Medicaid program. These services include:

1. Provider services that support provider enrollment and a provider help desk
2. Claims processing
3. Fiscal services – paying claims
4. Technical support services – maintain data systems that track payments

EDS maintains and provided the data used by the Tiger Team in its expenditures analyses.

Of the 49 major service categories enumerated in the EDS Financial Balancing Report (FBR), 19 categories account for 97% of the total expenditures in SFY 2009. The table below profiles service types by expenditure level in SFY 2009. Almost one-third ($329.4M) of spending is associated with mental health services. These areas are highlighted in gray.

Category of Service	SFY 2009 Amount	SFY 2009 % of Total
Home & Community Based Service – Mental Retardation	127,781,563	12.09%
Pharmacy	126,629,051	11.98%
Nursing Home	119,359,100	11.29%
Mental Health Clinic	85,630,882	8.10%
Physician	78,472,246	7.42%
Outpatient	73,799,015	6.98%
D&P Department of Health	69,597,448	6.58%
Inpatient	66,839,572	6.32%
Day Treatment Mental Health Services	46,342,937	4.38%
Home & Community Based Services	46,280,371	4.38%
Disproportionate Hospital Payments	35,648,781	3.37%
Catamount Premiums	32,207,660	3.05%
Assistive Community Care	25,298,424	2.39%
Personal Care Services	20,954,377	1.98%
Dental	19,651,384	1.86%
Physiologist	15,378,598	1.45%
Alcohol and Drug Abuse Families in Recovery	13,070,777	1.24%
Transportation	11,694,573	1.11%
Federally Qualified Health Care Centers	10,280,130	0.97%
TOTAL	1,024,916,889	96.93%

Per Enrollee Spending:

The Medicaid Statistical Information System (MSIS) is maintained by the federal Centers for Medicaid and Medicare.[1] States are required to submit eligibility and claims program data to MSIS. Based on FFY 2007 MSIS data, the most recent available, Vermont ranked nineteenth in spending per Medicaid enrollee relative to other states at an average spending per enrollee of $5,148, less than the average spent per enrollee of all states at $5,562. Given Vermont's high enrollment rate in Medicaid, including children who generally absorb lower levels of healthcare resources per capita than other segments of the population, it is not surprising that Vermont's average spending per enrollee is lower than the national average. Vermont ranks 4th highest at 37.5% of Vermont's children covered by Medicaid versus the national average of 29.2%. Almost all states spend between $4,000 and $6,000 per enrollee per year. It's clear Vermont provides high quality care while spending in the middle of the road per enrollee relative to other states. See Appendix 1 for additional detail on per enrollee spending.

Vermont's Health Care Ranking:

Vermont ranks as the number one healthiest state in the country according to the United Health Foundation.[2] The Foundation looks at four groups of determinants in assessing the overall health of each state. These include:

1. Personal Behaviors
2. Community & Environment
3. Public & Health Policies
4. Clinical Care

Vermont ranks high in this report for a variety of factors including a low prevalence of obesity, high levels of public health funding and a relatively low percentage of children living in poverty. Vermont's full report is included in Appendix 2.

In addition, The Commonwealth Fund's 2009 State Scorecard on Health System Performance ranks Vermont #1 in overall health system performance.[3] This is based on measurements in the following areas: access, prevention and treatment, avoidable hospital use and costs, equity, and healthy lives. See Vermont's report in Appendix 3.

In the United Cerebral Palsy's 2009 Analysis of Medicaid for Americans with Intellectual and Developmental Disabilities, Vermont ranked #1 in performance for the manner in which it serves individuals with intellectual and development disabilities.[4] In this report, for example, Vermont ranks #1 in "waiting list for residential services" because in Vermont there is no waiting list. Vermont ranks 12th and 13th respectively on ID/DD services per $1,000 of income ($5.72) and per capita ($208). The respective national averages are $4.12 and $166. See Appendix 4.

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[1] http://msis.cms.hhs.gov/
[2] http://www.americashealthrankings.org/2009/pdfs/VT.pdf
[3] http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2009/Oct/2009-State-Scorecard.aspx
[4] http://www.ucp.org/medicaid/main.cfm

Given this very favorable health environment context, the sections below detail areas of potential savings within Vermont's Medicaid program and provide OVHA and other AHS divisions that rely on Medicaid with direction to identify more opportunities for analysis in preparation of the FY 2011 budget.

Peer State Comparisons - Re-benchmarking Vermont' Benefit Allowances:

The EDS Tiger Team, working with EDS and OVHA, conducted a limited Medicaid benefit allowances comparison looking first at Vermont and New Hampshire and then taking the results of this comparison and testing them against 4 "peer" states. These peer states include Massachusetts, Rhode Island, Washington and Wisconsin. With the exception of New Hampshire, these peer states were selected because, like Vermont, they rank high in terms of healthiness and have similar percentages of the population on Medicaid. New Hampshire was selected as a starting point since it is our rural neighbor. For details on the peer state list, see Appendix 5.

The goal of this comparison was to explore whether Vermont could avoid the elimination of optional Medicaid services and/or beneficiary groups through restricting benefit allowances to levels found in peer states. For a proof of concept, OVHA worked with New Hampshire Medicaid to compare benefit limits across all services. From this analysis, the Tiger Team focused on the areas where benefit limit differences currently exist between NH and VT. EDS then used these benefit categories and worked with their EDS counterparts in Rhode Island and Massachusetts to determine those states limits. The Tiger Team then used the Kaiser Family Foundation Medicaid Benefits Online database[5] to research the benefits limits for Wisconsin and Washington.

Based on the initial New Hampshire comparison, this analysis revealed relative to New Hampshire there are five potential areas where Vermont Medicaid could establish benefit limitations that could yield savings. These areas are: Emergency Room, X-ray, Occupational, Speech and Physical Therapies, Physician Services and Chiropractic Services. This limited analysis yielded the potential for up to $4 million in savings. The table on the following page contains comparison details.

[5] http://medicaidbenefits.kff.org/index.jsp

Peer State Comparison – Benefit Limits

Service	SFY09 VT Expense	Vermont[6]	Rhode Island[7]	Mass[8] *	New Hampshire[9]	Wisconsin[10]	Washington[11]
Chiropractic	$964,111	10 visits per year	Not covered	20 visits per year	6 visits per year	20 visits for manual manipulation, co-pay of $.50 to $3	Not covered
Dental (Adult)	$19,651,384	$495 limit per year	Covered with limitations	1 visit per provider/per member/per day	Only acute pain or infection	1 visit per year, co-pay of $.50 to $3	Not covered for adults
Emergency Room	$73,799,015 (all outpatient)	No limits	Implementing 12 per year	No limits	12 visits per year - *Potential savings associated with implementing limit is : $358,000/year*	No limits	No limits
Eye Exams	$1,233,700 (optometrist and optician)	1 exam every 2 years	1 exam every 2 years	1 exam per yr (under 21); 1 exam every 2 yrs. (over 21)	1 exam per year		1 exam every 2 years
Eyeglasses (Adult)		Not covered	1 pair every 2 years	only one initial pair of eyeglasses and only if there is a corrective power of at least +.75D sphere or +.50D	1 pair per year	1 pair per year and 1 replacement pair per year if lost or broken, co-pay of $.50 to $3	1 pair every 2 years, except for dev disabled – 1pair every year

6 Research performed by OVHA – direct contact with NH Medicaid.

7 Research performed by EDS – direct contact with RI & MA Medicaid.
8 Research performed by EDS – direct contact with RI & MA Medicaid.
9 Research performed by OVHA – direct contact with NH Medicaid.
10 Research performed by EDS Tiger Team using Kaiser Family Foundation website - http://www.kff.org/about/kcmu.cfm#

11 Research performed by EDS Tiger Team using Kaiser Family Foundation website - http://www.kff.org/about/kcmu.cfm#

Service	SFY09 VT Expense	Vermont[6]	Rhode Island[7]	Mass[8] *	New Hampshire[9]	Wisconsin[10]	Washington[11]
				cylinder			
Eyeglasses (Children)		1 pair every 2 years	Covered (no limit)	Same as adult	1 pair per year		
Hospice	$1,340,126	Limited to 210 days	Limit 210 days unless Medicare prime	Covered	Will be covered in 2010	Covered	Covered
X-Rays		No limits	High tech requires prior authorization	No limits	15 per year - *Potential savings associated with implementing limit is : $3,000,000/year*	No limits	Portable x-ray only in nursing facilities
Maxillofacial Surgery		Most services within $495 dental limit	Covered	1 visit per provider/per member/per day	Non-dental, non-cosmetic procedures		
Occupational, Speech, Physical	$2,322,326	4 months unlimited, with prior approval after 4 months	Covered for children only in either an Early intervention setting, school based setting or Outpatient.	OT and PT – visits 1-20 unlimited, with prior approval visits 21+; ST – visits 1-35 unlimited, with prior approval visits 36+	80 15-minute units per year for all three therapies	OT, PT, ST Up to 30 hours or $1,500 per year for each service	OT - 12 visits per year, PT – 48 units of service per year, ST – 12 visits per year
Podiatry	$246,653	Only non-routine foot care	Covered for categorically needy only	Medically necessary	12 visits per year	1 routine visit per 61 days, co-pay	Only non-routine foot care
Physician Services	$78,472,246	5 visits per month same provider	5 visits per month same provider	1 visit per provider/per member/per day	18 visits per year - *Potential savings associated with implementing limit is : $593,000/year*	Specified surgical procedures require second opinion, 1 nursing facility visit/month	1 inpatient hospital visit/day unless payment is all-inclusive fee, 2 nursing facility visits/month, routine physical exams limited

* MassHealth Standard

For example, for Emergency Room services, Vermont could establish a cap on annual visits. NH currently has a cap of twelve annual visits and RI is moving to establish a similar limit. Vermont could also tighten limits on physician services or occupational, speech and physical therapies.

It is important to understand that in order for Vermont Medicaid to realize savings from benefit limitations, there must be a cap established or a very constrained allowance to exceed a cap. This would be a similar policy to private health insurance companies. A permissive exception process would necessitate staffing and resources that are not available. This process would diminish the potential for savings.

The limited approach profiled above should be expanded by OVHA to identify Medicaid savings as well as other AHS departments that utilize medicaid. OVHA should systematically assess Vermont Medicaid's benefit limits beyond those explored in the limited New Hampshire analysis as well as broaden the analysis to other "peer" states. The Team's limited effort was based on an initial comparison to New Hampshire and serves as an example. OVHA needs to expand the research beyond the service categories covered above to include the full scope of benefits. In stead of eliminating entire service types or eligibility categories, OVHA can focus on limiting the units of service allowed to meet budgetary targets.

Update: Recently, OVHA did expand the peer state analysis to include 10 states. In addition to Rhode Island, Massachusetts, New Hampshire, Wisconsin and Washington, the additional states are Minnesota, New York, Delaware, Arizona, and Pennsylvania. The results of that review are attached and encompass over $22 million in potential general fund savings options. This represents only 47% of total Medicaid spending. It is the portion of spending related to OVHA. (See Appendix 6)

<u>Enhancing Access to Private Insurance:</u>

<u>Health Insurance Premium Payment Program</u>

The EDS Tiger Team, working with DCF and EDS, analyzed the potential for savings by determining if there are Medicaid beneficiaries working more than 20.5 hours per week that have access to private insurance. It is important to note that private insurance companies have historically not been in favor of Medicaid actively pursuing beneficiaries with access to private insurance because of the "cost shift".

Based on the data provided by DCF, there are 1,267 beneficiaries currently enrolled that are employed more than 20.5 hours per week that may be potential candidates for Health Insurance Premium Payment (HIPP) program based on access to private insurance through the employer. Using the annual average Catamount premium cost of $4,324, there are 117 beneficiaries who's year to date Medicaid costs have exceeded the average premium. The potential savings associated with purchasing private insurance based on a premium of $4,324 minus the YTD Medicaid expenditures is ~ $1,045,000.

The actual cost savings per individual would be dependent on the following factors:

1. Cost of Private Health Insurance (premiums can vary depending on plan -- we used the Catamount premium as a basis)

2. Amount of Deductible (Medicaid would be responsible for the deductible)

3. Amount of Coinsurance (Medicaid would be responsible for the coinsurance)

4. Covered Services (if the plan does not cover a service but Medicaid does, then Medicaid would continue to pay for those expenses).

Any of these factors could reduce the overall projected savings. The process would be to evaluate each individual's plan option against the Medicaid expenditures to determine if it is cost beneficial to purchase the premium. OVHA would need to develop a process to implement this program.

Private Insurers – Data Matching:

Per Vermont law, OVHA can request that "an insurer shall provide the agency with the information necessary to determine whether an applicant or recipient of Medicaid under this subchapter is or was covered by the insurer and the nature of the coverage, including the member, subscriber, or policyholder information necessary to determine third party liability and other information required under subsection 9410(h) of Title 18.[12]

OVHA currently has an agreement with United Health that was effective in October 2009. It will pursue similar arrangements with BlueCross BlueShield, CIGNA and MVP. This may move some Medicaid beneficiaries onto their private insurance plans if they are available. This data matching is necessary in order to determine whether Medicaid beneficiaries are enrolled in private insurance that has gone unreported during the eligibility enrollment process.

Expanding the Utilization of Vermont's Premium Based System - Premiums, Income Eligibility, and Data Matching:

According to Vermont law, the Tax Commissioner, when requested by the Commissioner of the Department of Children and Families, shall compare income information provided by applicants or recipients of assistance with state income tax return data.[13] The application for Medicaid services clearly states that the Department of Children and Families will use social security numbers "to exchange information with agencies such as the Social Security Administration, Department of Labor, Internal Revenue Service, or private agencies to verify income, determine eligibility and benefit amounts, and collect claims."[14] However, this potential relationship between DCF and Tax Department income data has not been developed and utilized.

Per a request from the EDS Tiger Team and consistent with statutory provisions, the Tax Department and the Agency of Human Services developed a Memorandum of Understanding to

[12] 33 V.S.A. § 1908. Medicaid; payer of last resort; release of information
13 Vermont statutes - 33 V.S.A. § 112. Banks and agencies to furnish information

[14] http://www.catamounthealth.org/documents/010B-form.pdf

provide DCF income information of health care assistance recipients in order to compare DCF data on a grouped basis to tax department information. There were two goals of this analysis: to study the possibility of simplification of eligibility standards and their comparability with other state collected data, a DCF priority, and to develop statistical profiles of tax and AHS income data to help the team examine premium levels.

This data matching effort was both helpful while also raising areas for additional inquiry. Overall, and somewhat surprising, the comparison of DCF income data with Tax income data did not prove informative, even though the data was pulled from the same populations. For the overall population of records where DCF and Tax social security numbers matched, the R-square was only .35. An R-square of 1 means that knowing one record value allows one to predict the other record value. An R-square of 0 means there is no predictable relationship between record sets. Reasons for this low R-square are probably many, including different measures of income, but certainly a more thorough analysis is necessary to understand how these two systems can be so divergent in profiling the same populations and how they can be better related to simplify the eligibility determination process.

Appendix 7 profiles the 2009 DCF and Tax data. The analysis started with 185,983 social security records from DCF. Excluded from the analysis were 37,704 records for a varied of eligibility related reasons. Of the remaining 148,279 records, 37,421 were "deemed" income eligible for Medicaid services primarily because they met income or other criteria for other Agency of Human Service programs that was equal to or more restrictive than applicable Medicaid criteria. The remaining 110,858 "Verified" records were further matched to address and household information to separate social security numbers associated with primary income responsibilities from those less so. The 60,042 files remaining for this sort are in the column headed "Countable", which attempts to exclude the redundant reporting of the same household income. Additional sorts were performed based upon age as well as the type of Medicaid program enrollment.

To the right of Appendix 7 is comparable Tax Dept. information associated with the DCF provided social security numbers. As can be seen, of the 110,858 "verified" records there were matches to Tax Dept. files 32.6% of the time. For adult files, this match level rose to 57.6%. However, as noted above, even when there were social security matches, the R-Square analysis indicated a relatively weak relationship between the two data sets.

The bottom line of this analysis is that DCF income data for the 60,040 "countable" records indicates that those enrolled in programs requiring a premium have total incomes of about $743 million and those enrolled in non-premium programs have incomes of about $408 million, for a total of $1.15 billion. For fiscal 2009, state accounting records indicate that $17.8 million, or 2.4% of beneficiaries total income, was received as premium income, covering 1.7% of Medicaid expenditures . If the percentage of income were increase to an average of 5%, an additional $19 million in premium income would have been received. Appendix 8 profiles the current percentage of income for Vermont's Medicaid program.

Relative to premium levels, Appendices 9 and 10 may also reveal some valuable information. During the 2003 legislative session, Vermont Medicaid policy shifted from a revenue policy based heavily on co-pays to one based upon premiums. At that time AHS data revealed that the combined value of Medicaid co-pays, premiums and deductibles was about $20.6 million (see Appendix 9). At the time, Catamount Healthcare had not been established. Appendix 10 profiles projected Medicaid premiums at $28.5 million, inclusive of Catamount premiums of $13.9 million. Co-payment levels are projected at $600,000. Thus, absent Catamount premiums, fiscal 2011 premium and co-pay receipts are projected at $15.2 million, or $5 million less than fiscal 2003 AHS projection.

In view of the above, it seems reasonable that 2011 premium and co-pay amounts could at least be restored to fiscal 2002 levels plus a reasonable inflationary factor. At 3% inflation, this amounts to $6.3 million.

Strengthening the Relationship between OVHA Program Integrity and MFRAU:

The final report conducted by the Centers of Medicare and Medicaid Services and issued in August 2009 and entitled the Medicaid Integrity Program Vermont Comprehensive Program Integrity Review found the following vulnerability:

> ***"Not maintaining an effective relationship between the PI Unit and MFRAU.***
>
> Despite positive intent and a good collegial relationship, there was evidence that the PI Unit and MFRAU are not yet working effectively together. The review illustrated that coordination of efforts between the PI Unit and the MFRAU could be improved. For example, since April, monthly scheduled meetings were not held because of competing priorities and work pressures. In addition, the two units do not have clear procedures for assigning or sharing the workload for preliminary and full investigations. Furthermore, few cases are being referred to the MFRAU. In the past year, the MFRAU has only received three referrals from the PI Unit. The MFRAU conveyed that it had not adequately shared ideas with the PI Unit regarding how the two units might collectively focus their attention."15

A recent report from the Office of Management and Budget (Appendix 11) estimates that nationally as much as 9.6% of Medicaid claims can be classified as improper payments.[16] In VT, one of the nation's smaller Medicaid programs, the percentage of claims classified as improper payments is estimated to be much lower. Last year, MFRAU collected about $5 million or 5 tenth of 1% of Vermont Medicaid expenditures, $4 million of which was collected in association with multi-state investigations. In contrast, the State Auditor's Office produced reports in 2006 and 2007 that examined potential improper payments in the pharmacy program and to physicians and institutions. These reports, though somewhat limited in scope, indicate improper payments in the range of 1% to 2%. The State Auditor's reports recommended increased use of data mining in order to better detect improper payments. (Appendices 12 and 13)

[15] Medicaid Integrity Program Vermont Comprehensive Program Integrity Review conducted by the Centers of Medicare and Medicaid Services, August 2009.
[16] Program Integrity Unit and Medicaid Fraud Unit's Business Plan, November 2009.

MFRAU is prohibited by federal regulation from data mining. While MFRAU has a staff of 7 (2 attorneys, 2 investigators, 2 regulation and financial analysts and one support person),MFRAU relies heavily on the PIU and the Office of Inspector General fraud hotline for referral of provider fraud cases. In addition to improper payments as outlined above, MFRAU has aggressively participated in Global Fraud cases. These are multi-state cases that involve large corporations who are accused of committing Medicaid fraud.

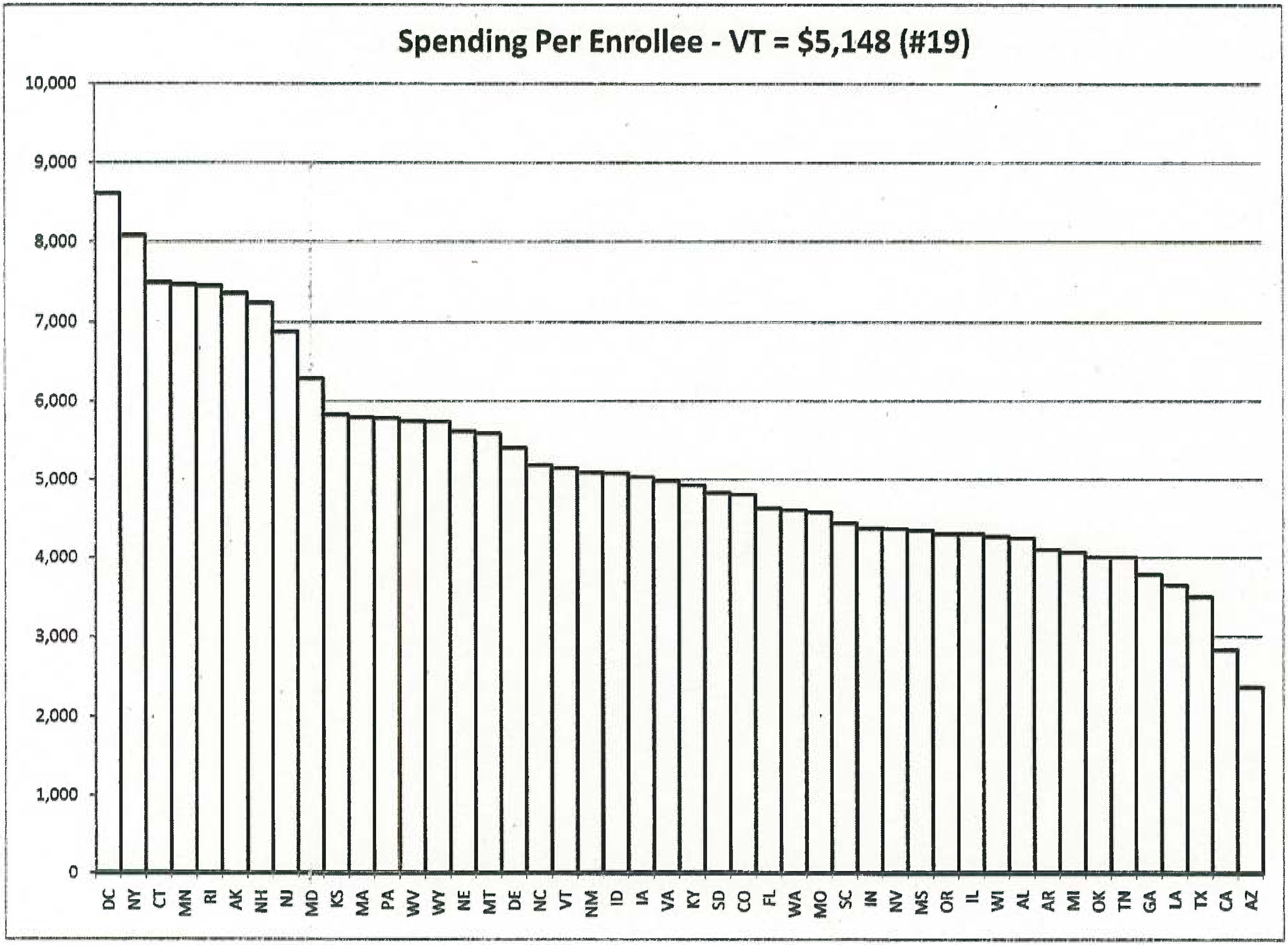
It is crucial that OVHA and MFRAU collaborate and develop a process to identify more cases of Medicaid abuse and fraud. Since CMS issued this report, OVHA and MFRAU have taken steps to improve and formalize this relationship. OVHA reorganized in order to place greater emphasis on the program integrity roll. Both organizations are putting a greater emphasis on identifying potential fraud cases within Vermont's Medicaid program. Attached is a copy of an MOU and Business Plan encouraged by the Tiger Team and agreed to by MFRAU and the PI Unit. (Appendix 14)

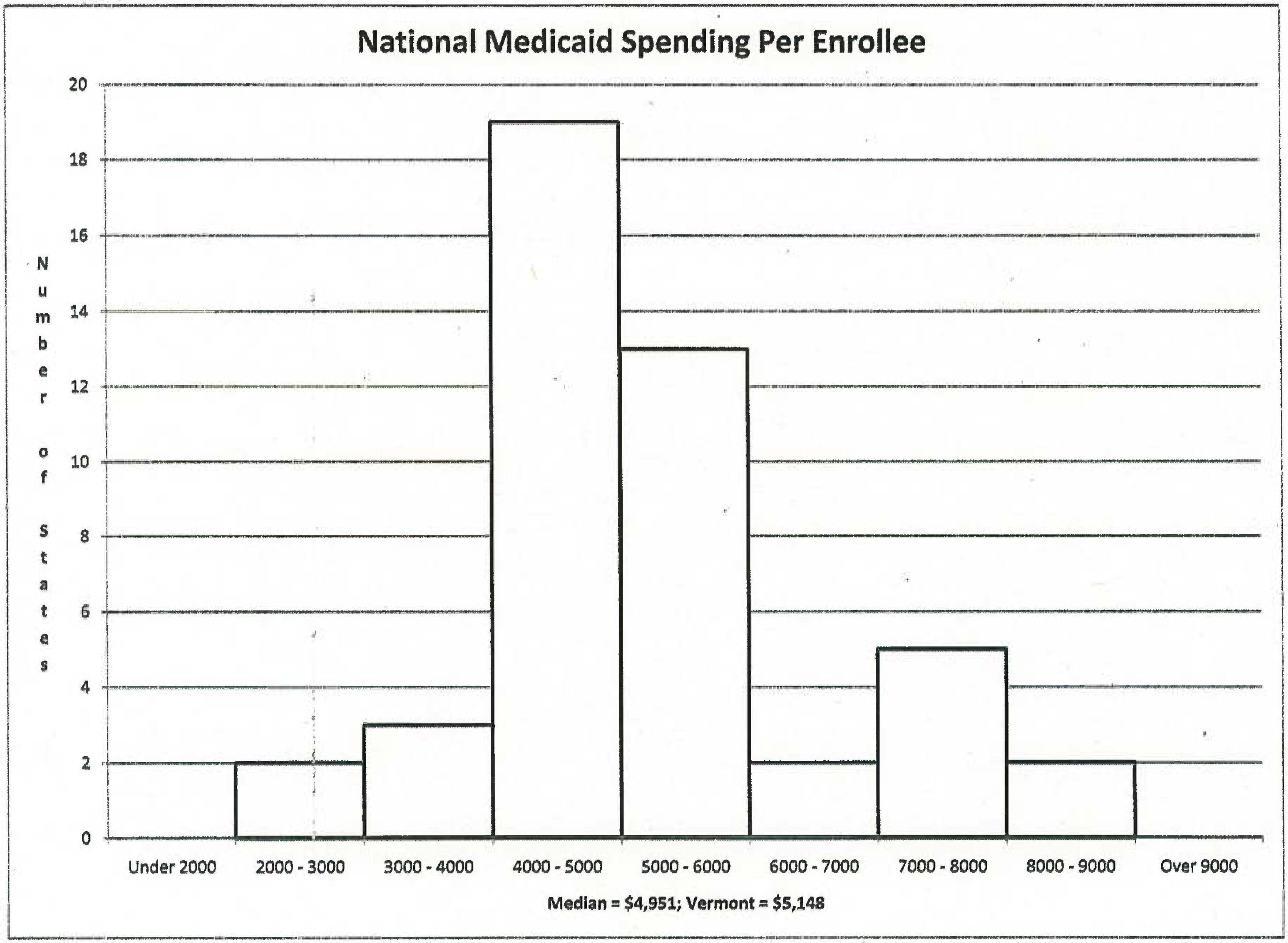
Conclusion:

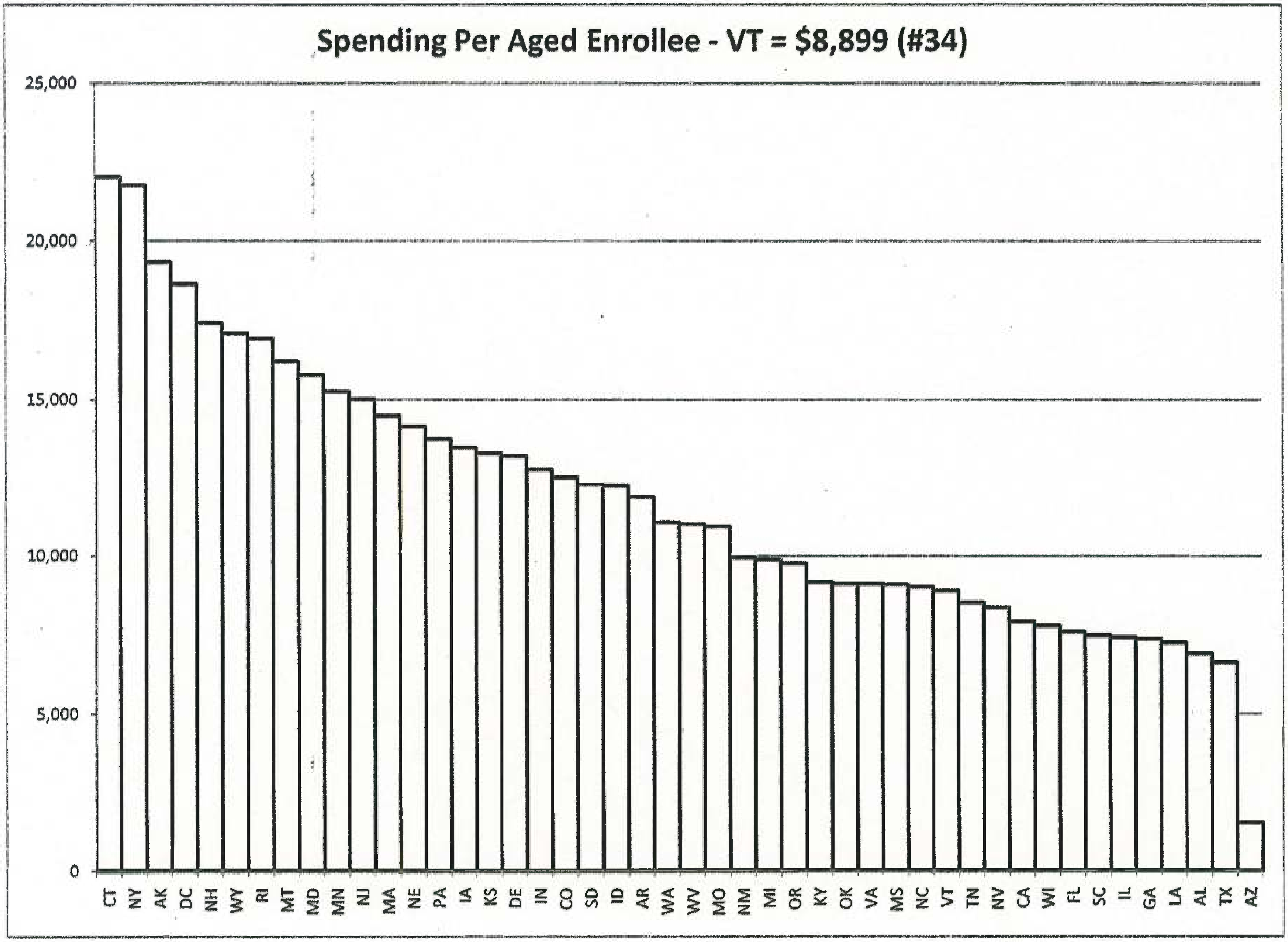
Though complex, Vermont's Medicaid program provides a broad range of services to needy Vermonters. As a state, we are proud of the social network provided to our citizens. In order to establish a healthy fiscal position, it is important to strike a balance between services provided and the cost to provide those services. The EDS Tiger Team has identified options for both the Administration and Legislature totaling over $30 million in general funds as well as developed a framework that will provide AHS and OVHA with the further ability to explore savings opportunities on a comparison basis with other high standard states.

List of Appendices

APPENDIX 1


Spending Per Enrollee - VT = $5,148 (#19)
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
DC NY CT MN RI AK NH NJ MD KS MA PA WV WY NE MT DE NC VT NM ID IA VA KY SD CO FL WA MO SC IN NV MS OR IL WI AL AR MI OK TN GA LA TX CA AZ


National Medicaid Spending Per Enrollee
Number of States
20
18
16
14
12
10
8
6
4
2
0
Under 2000
2000 - 3000
3000 - 4000
4000 - 5000
5000 - 6000
6000 - 7000
7000 - 8000
8000 - 9000
Over 9000
Median = $4,951; Vermont = $5,148


Spending Per Aged Enrollee - VT = $8,899 (#34)
25,000
20,000
15,000
10,000
5,000
0
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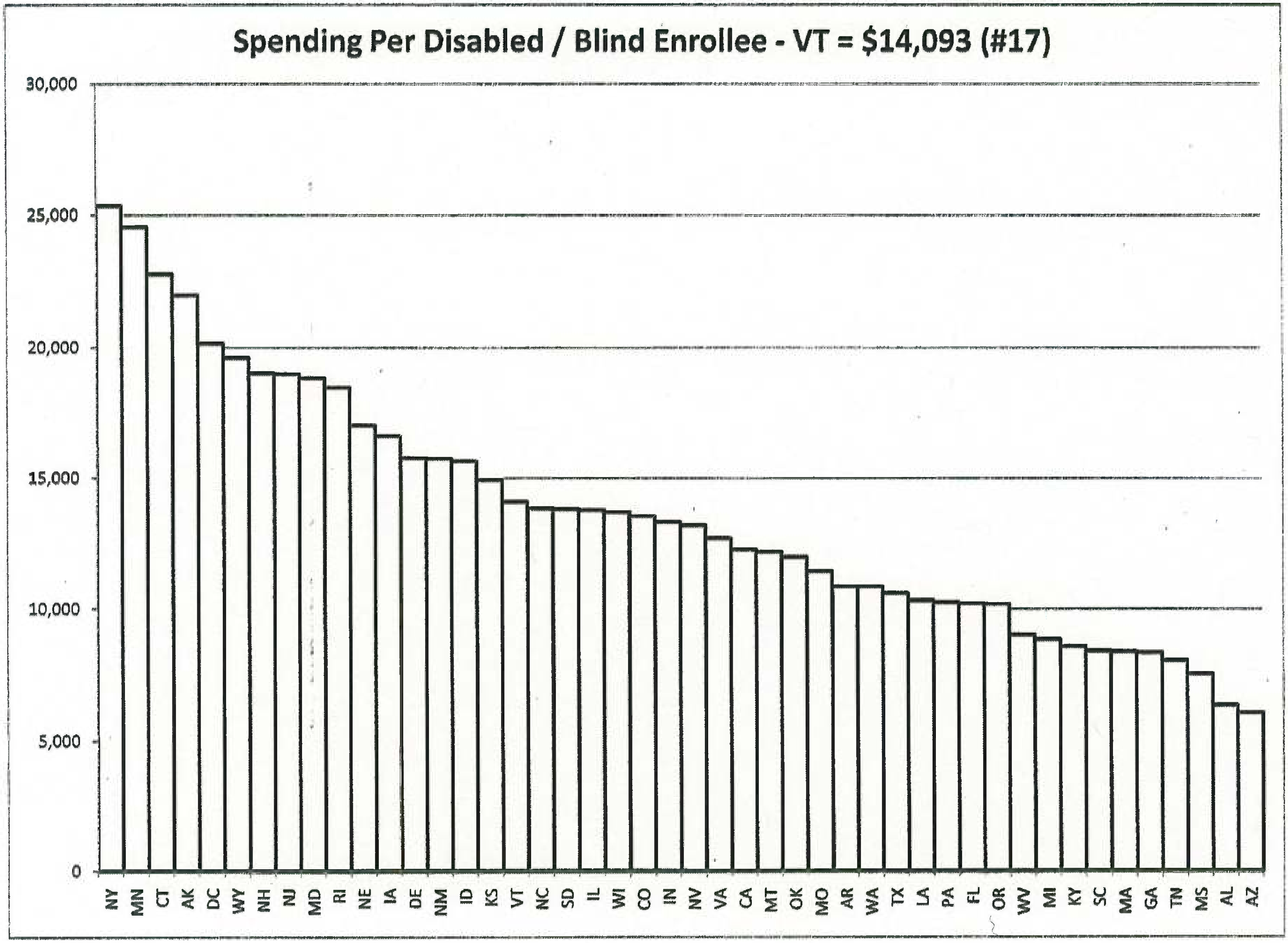
Spending Per Disabled / Blind Enrollee - VT = $14,093 (#17)
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25,000
20,000
15,000
10,000
5,000
0
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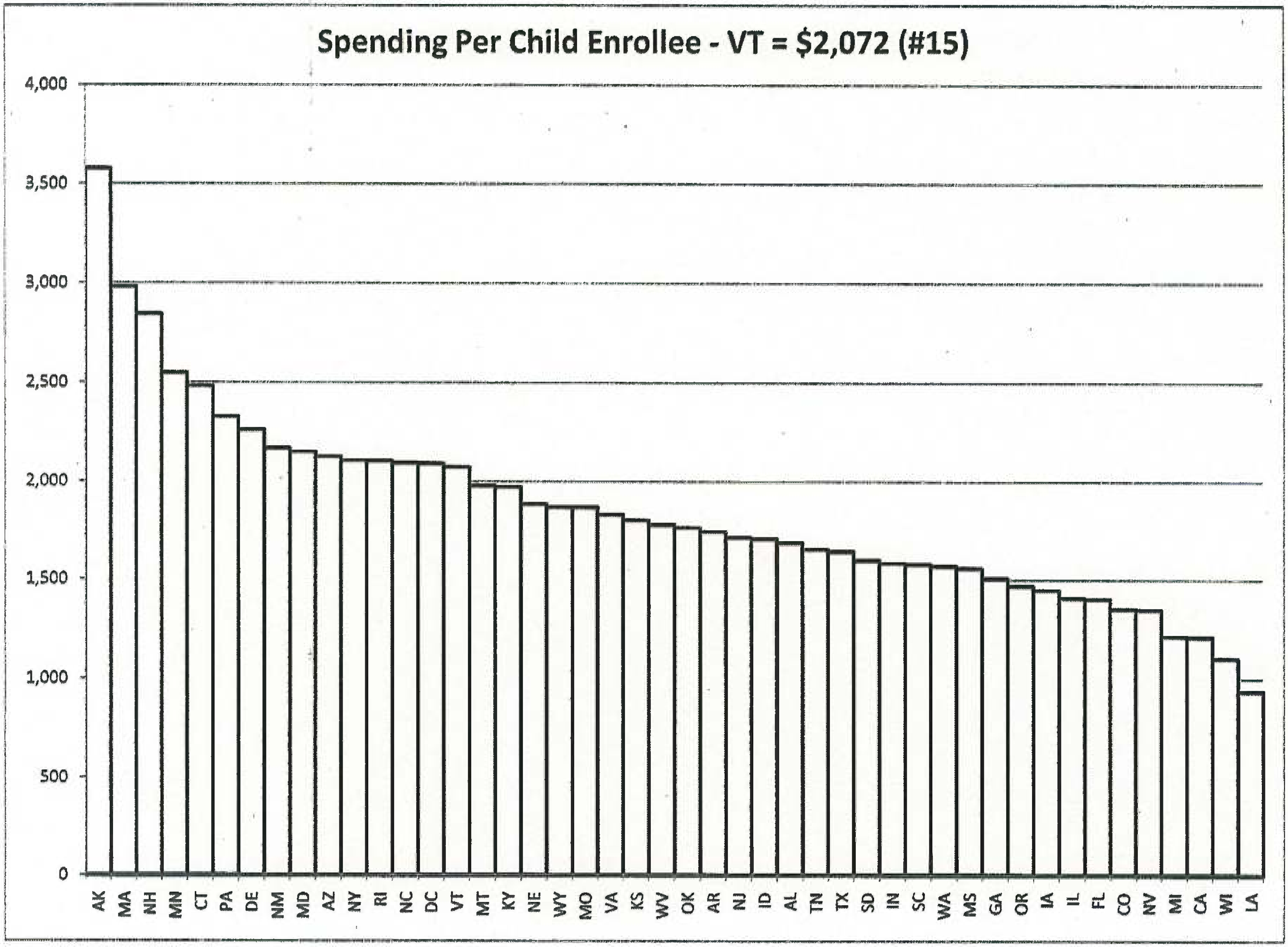
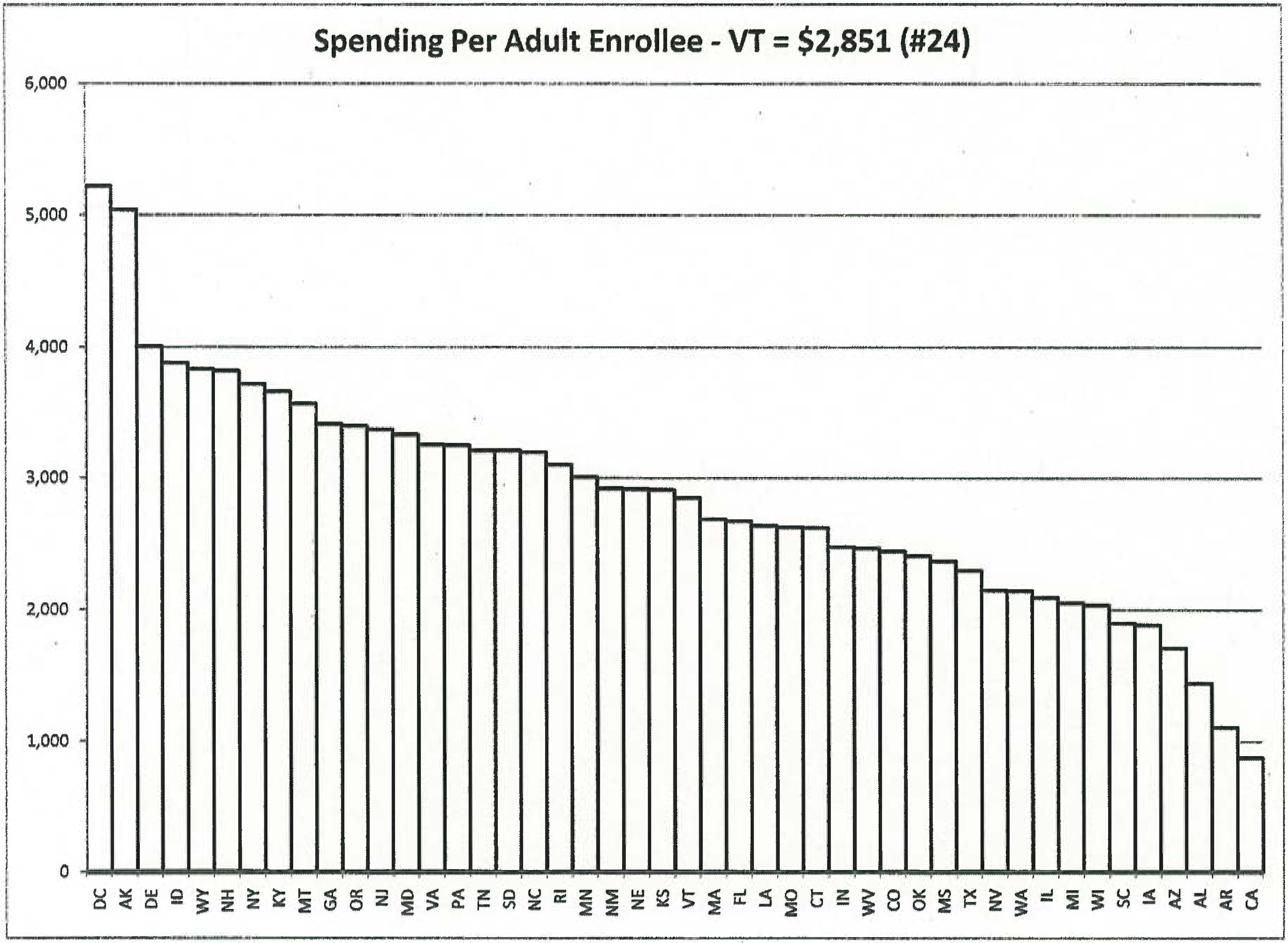

Spending Per Child Enrollee - VT = $2,072 (#15)
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
AK MA NH MN CT PA DE NM MD AZ NY RI NC DC VT MT KY NE WY MO VA KS WV OK AR NJ ID AL TN TX SD IN SC WA MS GA OR IA IL FL CO NV MI CA WI LA


Spending Per Adult Enrollee - VT = $2,851 (#24)
6,000
5,000
4,000
3,000
2,000
1,000
0
DC
AK
DE
ID
WY
NH
NY
KY
MT
GA
OR
NJ
MD
VA
PA
TN
SD
NC
RI
MN
NM
NE
KS
VT
MA
FL
LA
MO
CT
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WV
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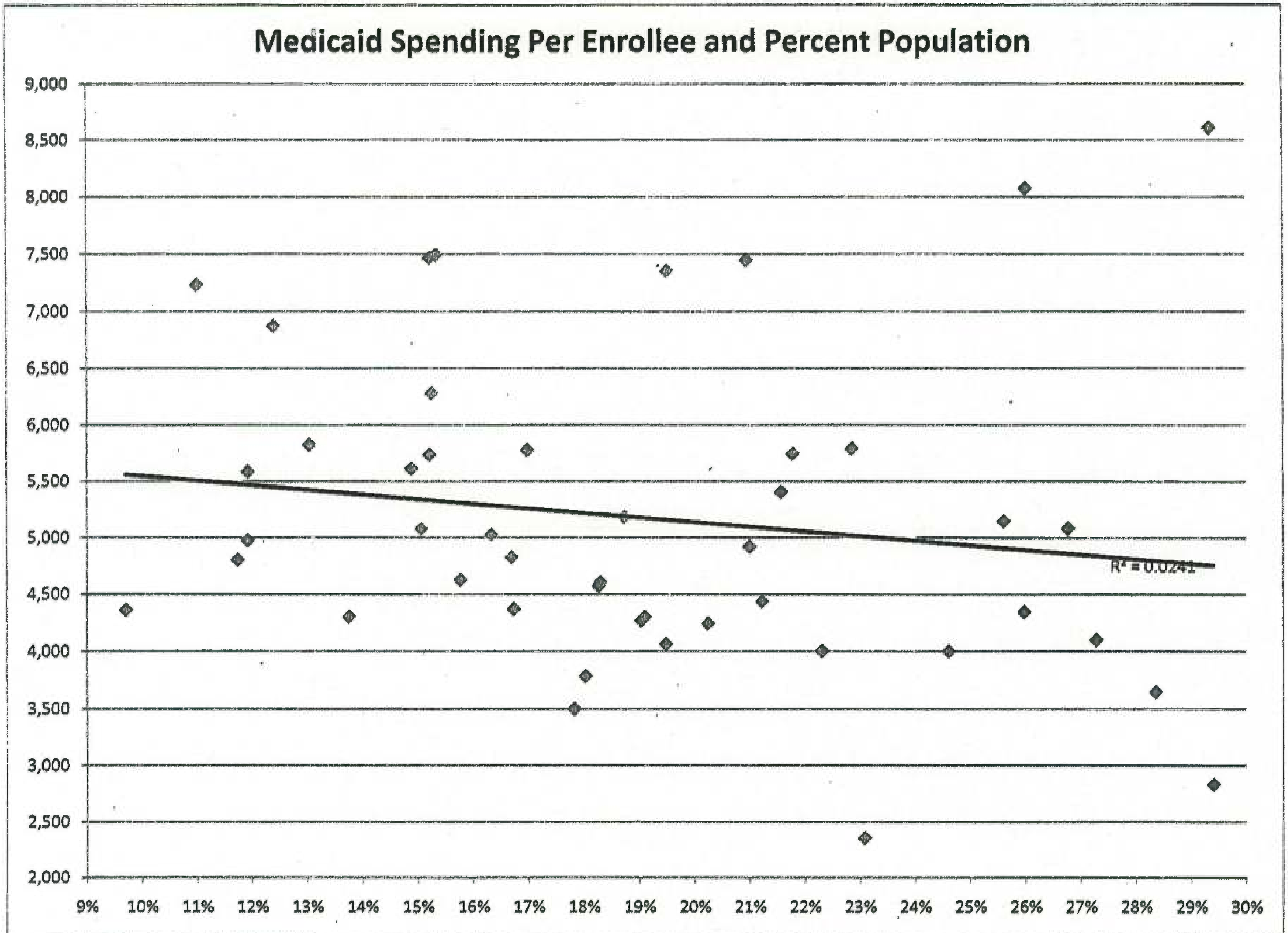
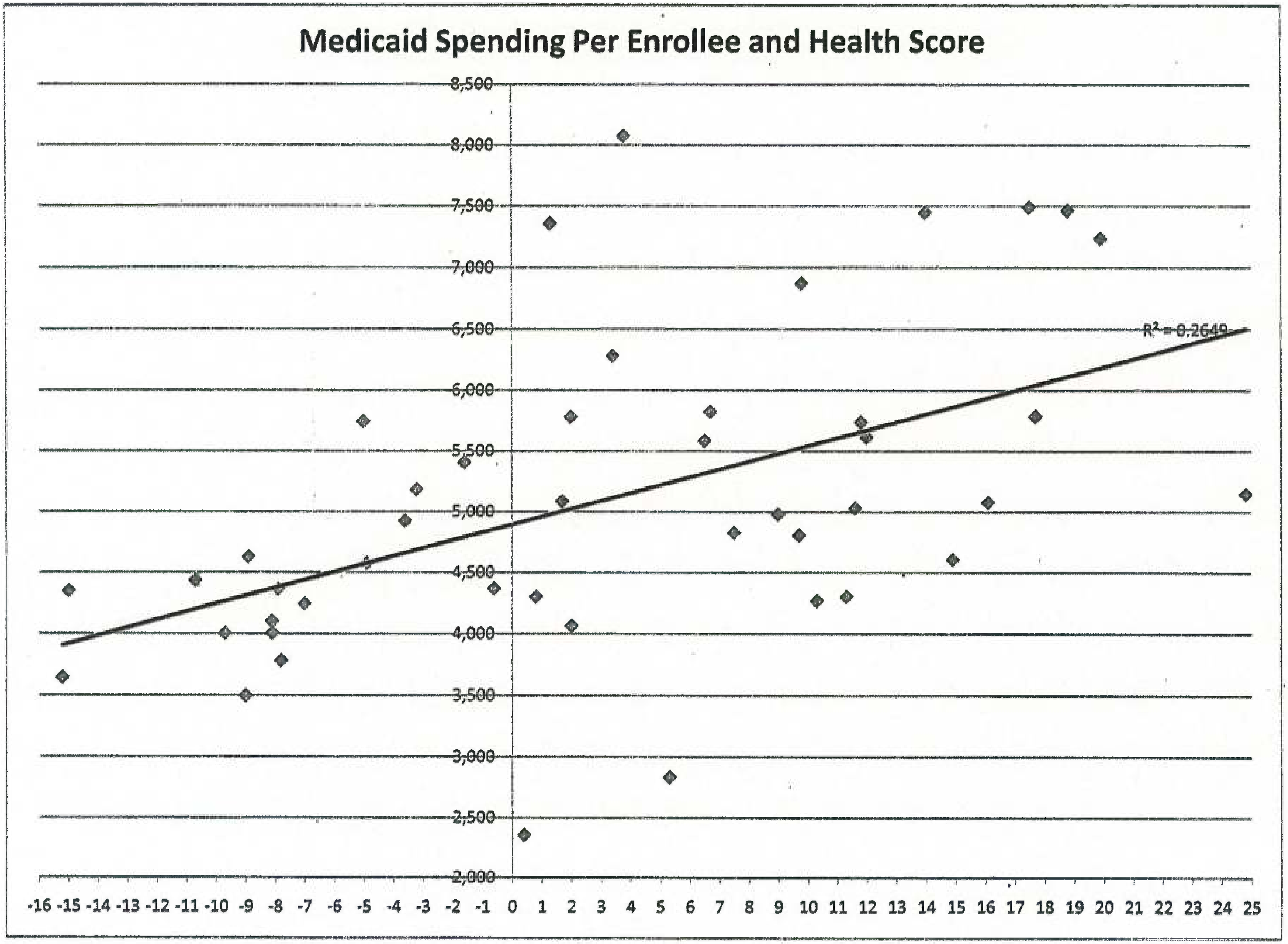
CA


Medicaid Spending Per Enrollee and Percent Population
9,000
8,500
8,000
7,500
7,000
6,500
6,000
5,500
5,000
4,500
4,000
3,500
3,000
2,500
2,000
9%
10%
11%
12%
13%
14%
15%
16%
17%
18%
19%
20%
21%
22%
23%
24%
25%
26%
27%
28%
29%
30%
R^2 = 0.0241


Medicaid Spending Per Enrollee and Health Score
8,500
8,000
7,500
7,000
6,500
6,000
5,500
5,000
4,500
4,000
3,500
3,000
2,500
2,000
$R^2 = 0.2649$
-16 -15 -14 -13 -12 -11 -10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

APPENDIX 2

Ranking: Vermont is 1st this year; it was 4th in 2008.

Strengths: Vermont ranks among the top ten states on 12 of the 22 measures. Strengths include a low percentage of children in poverty at 9.8 percent of persons under age 18, a low prevalence of obesity at 23.2 percent of the population, a high rate of high school graduation with 82.3 percent of incoming ninth graders who graduate within four years and ready availability of primary care physicians with 168.8 primary care physicians per 100,000 population. Vermont ranks higher for health determinants than for health outcomes, indicating that overall healthiness should remain high over time.

Challenges: The primary challenges are a high prevalence of binge drinking at 17.6 percent of the population and moderate immunization coverage with 74.4 percent of children ages 19 to 35 months receiving complete immunizations.

Significant Changes:

- In the past year, the high school graduation rate declined from 86.5 percent to 82.3 percent of incoming ninth graders who graduate within four years.
- In the past five years, the incidence of infectious disease decreased from 8.0 to 4.8 cases per 100,000 population.
- In the past ten years, the rate of deaths from cardiovascular disease decreased from 334.8 to 248.9 deaths per 100,000 population.
- Since 1990, the prevalence of smoking decreased from 30.7 percent to 16.7 percent of the population.

Health Disparities: In Vermont, smoking is more prevalent among Hispanics at 25.4 percent than non-Hispanic whites at 17.0 percent. Mortality rates vary considerably by race and ethnicity in Vermont, with 191.6 deaths per 100,000 population among Hispanics compared to whites, who experience 757.6 deaths per 100,000 population.

State Health Department Web Site:
www.healthvermont.gov

Overall Rank: 1

Change: ▲3

Determinants Rank: 1

Outcomes Rank: 9

Strengths:

- Low percentage of children in poverty
- Low prevalence of obesity
- High rate of high school graduation
- High per capita public health funding

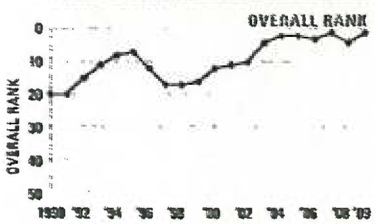
Challenges:

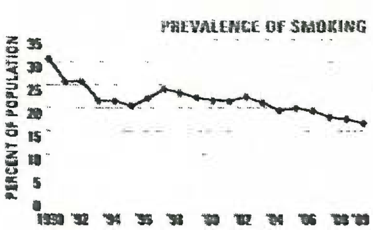
- High prevalence of binge drinking
- Moderate immunization coverage

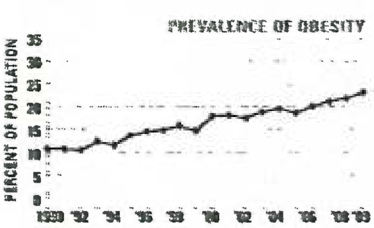
Significant Changes:

- In the past year, the high school graduation rate decreased by 5%
- In the past five years, the incidence of infectious disease declined by 40%
- In the past ten years, the rate of deaths from cardiovascular disease decreased by 26%
- Since 1990, the prevalence of smoking decreased by 46%

ECONOMIC ENVIRONMENT	
Unemployment Rate (Aug 2009)	6.8%
Underemployment Rate (2008)	9.1%
Median Household Income (2008)	$50,706







	2009 VALUE	2009 RANK	NO. 1 STATE
DETERMINANTS — **BEHAVIORS**			
Prevalence of Smoking (Percent of population)	16.7	12	9.3
Prevalence of Binge Drinking (Percent of population)	17.6	37	9.0
Prevalence of Obesity (Percent of population)	23.2	7	19.1
High School Graduation (Percent of incoming ninth graders)	82.3	8	87.5
COMMUNITY & ENVIRONMENT			
Violent Crime (Offenses per 100,000 population)	136	2	118
Occupational Fatalities (Deaths per 100,000 workers)	4.5	17	3.1
Infectious Disease (Cases per 100,000 population)	4.8	5	2.4
Children in Poverty (Percent of persons under age 18)	9.8	4	8.6
Air Pollution (Micrograms of fine particles per cubic meter)	8.1	11	4.8
PUBLIC & HEALTH POLICIES			
Lack of Health Insurance (Percent without health insurance)	10.2	9	5.4
Public Health Funding (Dollars per person)	$203	2	$220
Immunization Coverage (Percent of children ages 19 to 35 months)	74.4	37	85.0
CLINICAL CARE			
Prenatal Care (Percent of pregnant women)*	86.1	—	—
Primary Care Physicians (Number per 100,000 population)	168.8	5	190.0
Preventable Hospitalizations (Number per 1,000 Medicare enrollees)	55.2	7	29.3
ALL DETERMINANTS	0.83	1	0.83
HEALTH OUTCOMES			
Poor Mental Health Days (Days in previous 30 days)	3.4	28	2.2
Poor Physical Health Days (Days in previous 30 days)	3.3	15	2.7
Geographic Disparity (Relative standard deviation)	6.0	4	4.3
Infant Mortality (Deaths per 1,000 live births)	6.1	16	4.8
Cardiovascular Deaths (Deaths per 100,000 population)	248.9	10	212.6
Cancer Deaths (Deaths per 100,000 population)	183.8	12	144.7
Premature Death (Years lost per 100,000 population)	5,977	3	5595
ALL HEALTH OUTCOMES	0.24	9	0.35
OVERALL	1.06	1	1.06

— indicates data not available. *See measure description for full details.

VERMONT

Rankings:	2009 Scorecard	Revised 2007 Scorecard[a]
OVERALL	*1*	*2*
Access	13	12
Prevention & Treatment	3	6
Avoidable Hospital Use & Costs	11	9
Equity[b]	2	2
Healthy Lives	8	10

Number of Indicators for Which State Ranked in:	2009 Scorecard		Revised 2007 Scorecard[a]	
	Count	%	Count	%
Total no. of indicators	*38*	*100%*	*38*	*100%*
Top 5 States	8	21%	14	37%
Top Quartile	22	58%	21	55%
2nd Quartile	10	26%	9	24%
3rd Quartile	5	13%	5	13%
Bottom Quartile	1	3%	3	8%
Bottom 5 States	1	3%	0	0%

Change in Rates	Count	%
Total no. of indicators with trends[c]	35	100%
State Rate Improved ≥5%	14	40%
State Rate Worsened ≥5%	7	20%
Little/No Change in State Rate	14	40%

Dimension and Indicator	2009 Scorecard Year	State Rate	All States Median Rate	Top 5 States Average Rate	Best State Rate	Rank	Revised 2007 Scorecard[a] Year	State Rate	All States Median Rate	Rank	Change in Rate[d] Actual Change in State Rate	Percent Change in State Rate
ACCESS						13				12		
Percent of nonelderly adults (ages 18–64) insured	2007–08	86.5	82.2	89.5	92.8	10	2004–05	85.0	82.4	16	1.5	1.8%
Percent of children (ages 0–17) insured	2007–08	93.4	91.4	95.3	96.8	15	2004–05	95.0	91.5	2	-1.6	-1.7%
Percent of at-risk adults visited a doctor for routine checkup in the past two years	2006–07	84.4	84.1	91.5	93.0	25	1999–2000	87.2	87.0	25	-2.8	-3.2%
Percent of adults without a time in the past year when they needed to see a doctor but could not because of cost	2006–07	89.9	87.5	92.5	93.1	16	2003–04	89.9	87.6	14	0.0	0.0%
PREVENTION & TREATMENT						3				6		
Percent of adults age 50 and older received recommended screening and preventive care	2006	49.3	42.4	50.8	52.5	8	2004	44.4	39.7	12	4.9	11.0%
Percent of adult diabetics received recommended preventive care[e]	2006–07	55.3	44.8	57.1	66.9	2	2003–04	45.5	44.4	20	9.8	21.6%
Percent of children ages 19–35 months received all recommended doses of five key vaccines	2007	79.8	80.1	90.0	93.2	30	2005	81.5	81.6	27	-1.7	-2.1%
Percent of children with both a medical and dental preventive care visit in the past year[f]	2007	79.4	71.0	82.7	85.3	7	2003	70.7	59.2	5	—[f]	—[f]
Percent of children who received needed mental health care in the past year	2007	69.3	63.0	77.5	81.5	13	2003	70.0	61.9	6	-0.7	-1.0%
Percent of hospitalized patients received recommended care for heart attack, heart failure, and pneumonia	2007	94.5	91.6	95.2	95.6	6	2004	88.4	84.4	1	6.2	7.0%
Percent of surgical patients received appropriate care to prevent complications	2007	91.0	85.3	91.3	92.7	3	2004	72.1	70.5	21	18.9	26.2%
Percent of home health patients who get better at walking or moving around	2007	38.8	40.5	46.1	48.2	35	2005	35.8	36.2	32	3.0	8.4%
Percent of adults with a usual source of care	2006–07	86.8	81.6	88.6	89.0	6	2003–04	86.4	81.5	6	0.4	0.5%
Percent of children with a medical home[f]	2007	67.2	60.7	67.5	69.3	3	2003	57.8	47.8	5	—[f]	—[f]
Percent of heart failure patients given written instructions at discharge	2007	82.3	75.1	86.8	91.4	7	2004	54.8	50.6	20	27.5	50.1%
Percent of Medicare patients whose health care provider always listens, explains, shows respect, and spends enough time with them[g]	2007	74.5	74.5	77.7	78.0	24	2003	74.9	68.7	1	-0.4	-0.5%
Percent of Medicare patients giving a best rating for health care received in the past year[g]	2007	61.5	61.1	67.6	69.3	21	2003	71.2	70.2	14	-9.7	-13.6%
Percent of high-risk nursing home residents with pressure sores	2007	9.4	11.5	7.7	7.5	11	2004	15.7	13.2	45	6.3	40.1%
Percent of long-stay nursing home residents who were physically restrained	2007	2.4	4.0	1.7	1.5	15	2004	3.6	6.2	11	1.2	33.4%
Percent of long-stay nursing home residents who have moderate to severe pain	2007	3.6	4.2	2.1	0.9	14	2004	5.8	6.3	20	2.2	37.9%

APPENDIX 3

(cont.)	2009 Scorecard						Revised 2007 Scorecard[a]				Change in Rate[d]	
Dimension and Indicator	Year	State Rate	All States Median Rate	Top 5 States Average Rate	Best State Rate	Rank	Year	State Rate	All States Median Rate	Rank	Actual Change in State Rate	Percent Change in State Rate
POTENTIALLY AVOIDABLE USE OF HOSPITALS & COSTS OF CARE						11				9		
Hospital admissions for pediatric asthma per 100,000 children[h]	2005	50.2	125.5	63.5	46.6	2	2003	64.5	152.6	2	14.3	22.2%
Percent of adult asthmatics with an emergency room or urgent care visit in the past year[i]	2001–04	12.4	16.3	11.8	10.8	5	2001–04	12.4	16.3	5	—[i]	—[i]
Medicare hospital admissions for ambulatory care sensitive conditions per 100,000 beneficiaries	2006–07	4,963	6,291	4,136	3,725	12	2003–04	5,203	6,845	8	239	4.6%
Medicare 30-day hospital readmissions as a percent of admissions	2006–07	14.4	17.5	13.8	12.9	6	2003–04	12.9	17.1	1	-1.5	-11.6%
Percent of long-stay nursing home residents with a hospital admission[j]	2006	11.3	18.7	9.0	6.9	6	2000	9.4	16.6	3	-1.9	-20.2%
Percent of short-stay nursing home residents with hospital readmission within 30 days[j]	2006	14.3	20.8	14.6	13.2	2	2000	14.4	18.2	4	0.1	0.7%
Percent of home health patients with a hospital admission	2007	30.0	28.7	22.0	21.2	31	2004	30.2	26.9	38	0.2	0.7%
Hospital Care Intensity Index, based on inpatient days and inpatient visits among chronically ill Medicare beneficiaries in last two years of life	2005	0.652	0.958	0.556	0.509	9	2003	0.600	0.959	5	-0.052	-8.7%
Total single premium per enrolled employee at private-sector establishments that offer health insurance	2008	4,900	4,380	3,904	3,830	47	2004	4,074	3,706	45	-826	-20.3%
Total Medicare (Parts A & B) reimbursements per enrollee	2006	7,284	7,698	6,027	5,311	17	2003	5,846	6,371	16	-1,438	-24.6%
HEALTHY LIVES						8				10		
Mortality amenable to health care, deaths per 100,000 population	2004–05	68.0	89.9	68.2	63.9	3	2001–02	80.7	95.6	4	12.7	15.7%
Infant mortality, deaths per 1,000 live births	2005	6.5	6.8	5.0	4.5	19	2002	4.4	7.1	2	-2.1	-47.7%
Breast cancer deaths per 100,000 female population	2005	20.4	23.7	19.5	17.7	4	2002	21.4	25.3	4	1.0	4.7%
Colorectal cancer deaths per 100,000 population	2005	17.6	17.8	14.3	13.3	22	2002	22.3	20.0	46	4.7	21.1%
Suicide deaths per 100,000 population	2005	12.2	11.8	6.2	5.5	28	2003	12.9	11.7	34	0.7	5.4%
Percent of nonelderly adults (ages 18–64) limited in any activities because of physical, mental, or emotional problems	2006–07	17.2	17.0	13.5	12.0	28	2003–04	16.6	15.7	33	-0.6	-3.6%
Percent of adults who smoke	2006–07	17.7	20.1	15.1	10.7	12	2003–04	19.7	21.4	11	2.0	10.1%
Percent of children ages 10–17 who are overweight or obese	2007	26.8	30.6	24.7	23.1	9	2003	25.6	29.9	7	-1.2	-4.7%

[a] Some state rates from the 2007 edition have been revised to match methodology used in the 2009 edition.
[b] The equity dimension was ranked based on gaps between the most vulnerable group and the U.S. national average for selected indicators. Refer to state equity profiles for information on changes in the gaps.
[c] Count does not include indicators for which data could not be updated or do not allow assessment of trends.
[d] Change in rate is expressed such that a positive value indicates performance has improved and a negative value indicates performance has worsened.
[e] Data available for 45 states in 2006–07; 47 states in 2003–04.
[f] Data for 2003 and 2007 are not comparable because of changes in survey design.
[g] Data available for 50 states in 2007.
[h] Data available for 35 states in 2005; 33 states in 2003.
[i] Data available for 36 states in 2001–04. Data presented here are used for both past and current ranking.
[j] Data available for 48 states.

Note: Refer to Appendix B in the *State Scorecard* <http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2009/Oct/2009-State-Scorecard.aspx> for indicator descriptions, data sources, and other notes about methodology.

EQUITY PROFILE:
VERMONT

	Equity Rankings		Change in Equity Gaps[a]					
	2009 Scorecard	Revised 2007 Scorecard[b]	Total no. of indicators with trends	Gap narrowed	Gap widened	No change in gap	Gap narrowed & vulnerable group improved	Gap widened & vulnerable group worsened
EQUITY DIMENSION	*2*	*2*	*13*	*4*	*8*	*1*	*4*	*8*
Income	3	5	6	2	3	1	2	3
Insurance Coverage	4	2	4	1	3	0	1	3
Race/Ethnicity	5	3	3	1	2	0	1	2

The equity profile displays gaps in performance for vulnerable populations for selected indicators. An equity gap is defined as the difference between the U.S. national average for a particular indicator and the rate for the state's most vulnerable group by income, insurance coverage, and race/ethnicity. For all equity indicators, lower rates are better; therefore, a positive or negative gap value indicates that the state's most vulnerable group is better or worse than the U.S. average for a particular indicator.

Equity Dimension	2009 Scorecard					Revised 2007 Scorecard[b]					Change in Gap and Vulnerable Group[c]		
Equity Type and Indicator	Year	U.S. average rate	Vulnerable group rate	Gap	Rank	Year	U.S. average rate	Vulnerable group rate	Gap	Rank	Actual change in gap	Actual change in vulnerable group rate	
INCOME					3					5			
Percent uninsured, ages 0–64[d]	2006–07	17.5	20.1	-2.6	4	2004–05	17.1	14.7	2.4	1	-5.0	-5.4	↓
Percent of at-risk adults have not visited a doctor for routine checkup in the past two years	2006–07	15.4	18.9	-3.5	23	1999–2000	13.1	15.5	-2.4	22	-1.2	-3.5	↓
Percent of adults with a time in the past year when they needed to see a doctor but could not because of cost	2006–07	13.4	20.1	-6.7	10	2003–04	13.1	19.8	-6.7	14	0.0	-0.3	
Percent of adults age 50 and older did not receive recommended screening and preventive care	2006	57.7	60.3	-2.6	3	2004	60.3	68.5	-8.2	19	5.6	8.2	↑
Percent of adult diabetics did not receive recommended preventive care[e]	2006–07	55.7	49.2	6.5	3	2003–04	59.0	60.9	-1.8	20	8.3	11.7	↑
Percent of children without both a medical and dental preventive care visit in the past year[f]	2007	28.4	29.9	-1.5	12	2003	41.2	33.7	7.5	1	—[f]	—[f]	—[f]
Percent of adults without a usual source of care	2006–07	20.3	18.5	1.8	4	2003–04	20.7	17.1	3.6	4	-1.8	-1.4	↓
Percent of children without a medical home[f]	2007	42.5	44.6	-2.1	2	2003	53.9	48.9	5.0	2	—[f]	—[f]	—[f]
Percent of adult asthmatics with an emergency room or urgent care visit in the past year[g]	2001–04	17.6	19.2	-1.6	8	2001–04	17.6	19.2	-1.6	8	—[g]	—[g]	—[g]
INSURANCE COVERAGE					4					2			
Percent of at-risk adults have not visited a doctor for routine checkup in the past two years	2006–07	15.4	40.3	-24.9	29	1999–2000	13.1	33.7	-20.6	37	-4.4	-6.7	↓
Percent of adults with a time in the past year when they needed to see a doctor but could not because of cost	2006–07	13.4	39.3	-25.9	22	2003–04	13.1	38.0	-24.8	21	-1.1	-1.4	↓
Percent of adults age 50 and older did not receive recommended screening and preventive care	2006	57.7	66.0	-8.3	5	2004	60.3	68.6	-8.3	9	0.1	2.7	↑
Percent of children without both a medical and dental preventive care visit in the past year[f]	2007	28.4	26.2	2.2	4	2003	41.2	47.7	-6.5	4	—[f]	—[f]	—[f]
Percent of adults without a usual source of care	2006–07	20.3	44.1	-23.8	7	2003–04	20.7	37.1	-16.4	1	-7.4	-7.0	↓
Percent of children without a medical home[f]	2007	42.5	43.2	-0.7	1	2003	53.9	55.2	-1.3	3	—[f]	—[f]	—[f]
RACE/ETHNICITY					5					3			
Percent uninsured, ages 0–64[d]	2006–07	17.5	*	*	*	2004–05	17.1	*	*	*	*	*	*
Percent of at-risk adults have not visited a doctor for routine checkup in the past two years	2006–07	15.4	18.4	-3.0	18	1999–2000	13.1	*	*	*	*	*	*
Percent of adults with a time in the past year when they needed to see a doctor but could not because of cost	2006–07	13.4	26.4	-13.0	40	2003–04	13.1	22.3	-9.2	30	-3.8	-4.1	↓
Percent of adults age 50 and older did not receive recommended screening and preventive care[h]	2006	57.7	55.5	2.2	4	2004	60.3	61.9	-1.6	8	3.8	6.4	↑
Percent of children without both a medical and dental preventive care visit in the past year[f]	2007	28.4	12.2	16.2	1	2003	41.2	31.5	9.7	2	—[f]	—[f]	—[f]
Percent of adults without a usual source of care	2006–07	20.3	30.0	-9.7	14	2003–04	20.7	19.7	1.0	3	-10.7	-10.3	↓
Percent of children without a medical home[f]	2007	42.5	33.6	8.9	2	2003	53.9	42.7	11.2	1	—[f]	—[f]	—[f]
Mortality amenable to health care, deaths per 100,000 population[i]	2004–05	95.6	*	*	*	2001–02	105.2	*	*	*	*	*	*
Infant mortality, deaths per 1,000 live births	2002–04	6.9	*	*	*	2000–02	6.9	*	*	*	*	*	*

EQUITY PROFILE (cont.):

VERMONT

Most Vulnerable Group for This State[j]	By Income		By Race/Ethnicity	
Indicator	2009 Scorecard	Revised 2007 Scorecard[b]	2009 Scorecard	Revised 2007 Scorecard[b]
Percent uninsured, ages 0–64	100-199% FPL	100-199% FPL	*	*
Percent of at-risk adults have not visited a doctor for routine checkup in the past two years	0-200% FPL	0-200% FPL	Other	*
Percent of adults with a time in the past year when they needed to see a doctor but could not because of cost	0-200% FPL	0-200% FPL	Hispanic	Other
Percent of adults age 50 and older did not receive recommended screening and preventive care	0-200% FPL	0-200% FPL	Other	Other
Percent of adult diabetics did not receive recommended preventive care	0-200% FPL	0-200% FPL	—	—
Percent of children without both a medical and dental preventive care visit in the past year	0-99% FPL	100-199% FPL	Multi-Racial	Multi-Racial
Percent of adults without a usual source of care	0-200% FPL	0-200% FPL	Other	Hispanic
Percent of children without a medical home	0-99% FPL	100-199% FPL	Multi-Racial	Multi-Racial
Percent of adult asthmatics with an emergency room or urgent care visit in the past year	0-200% FPL	0-200% FPL	—	—
Mortality amenable to health care, deaths per 100,000 population	—	—	*	*
Infant mortality, deaths per 1,000 live births	—	—	*	*

[a] Count does not include indicators for which data could not be updated or do not allow assessment of trends.

[b] Some state rates from the 2007 edition have been revised to match methodology used in the 2009 edition.

[c] Change in the gap or vulnerable group is expressed such that a positive sign indicates performance has improved and a negative sign indicates performance has worsened.

[d] Data by income available for 50 states. Data by race/ethnicity available for 43 states.

[e] Data by income available for 45 states in 2006–07; 47 states in 2003–04.

[f] Data for 2003 and 2007 are not comparable because of changes in survey design.

[g] Data by income available for 36 states in 2001–04. Data presented here are used for both past and current ranking.

[h] Data by race/ethnicity available for 48 states in 2006; 47 states in 2004.

[i] Data by race/ethnicity available for 44 states in 2004–05; 43 states for 2001–02.

[j] Vulnerable group by insurance is always the uninsured group for all indicators.

* Data could not be updated for this state.

† Denotes equity gap narrowed and vulnerable group rate improved.

↓ Denotes equity gap widened and vulnerable group rate worsened.

Notes: An equity gap is defined as the difference between the U.S. national average for a particular indicator and the rate for the state's most vulnerable group by income, insurance coverage, and race/ethnicity. For all equity indicators, lower rates are better; therefore, a positive or negative gap value indicates that the state's most vulnerable group is better or worse than the U.S. average for a particular indicator. *State Scorecard Data Tables* <http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2009/Oct/2009-State-Scorecard.aspx> display current data by all subgroups. Refer to Appendix B in the *State Scorecard* for indicator descriptions, data sources, and other notes about methodology.

VERMONT: Estimated Impact of Improving State Performance

The *State Scorecard* <http://www.commonwealthfund.org/Content/Publications/Fund-Reports/2009/Oct/2009-State-Scorecard.aspx> enables states to compare their performance with that of other states across key indicators of health system performance. It provides states with achievable targets for improvement by assessing each state's performance compared with the best performance attained by a state. By moving toward benchmark levels of health system performance, states could save lives, improve access to and quality of care, and reduce unnecessary spending.

The table shows the estimated impact if this state's performance improved to the rate of the best-performing state for 11 *Scorecard* indicators. (Refer to this state's individual performance profile to see actual rates.) These examples illustrate only a few important opportunities for improvement. Because some indicators affect the same individuals, these numbers should not be added.

Indicator	If VERMONT improved its performance to the level of the best-performing state for this indicator, then:	
Insured Adults	24,976	more adults (ages 18–64) would be covered by health insurance (public or private), and therefore would be more likely to receive health care when needed.
Insured Children	4,387	more children (ages 0–17) would be covered by health insurance (public or private), and therefore would be more likely to receive health care when needed.
Adult Preventive Care	8,989	more adults (age 50 and older) would receive recommended preventive care, such as colon cancer screenings, mammograms, pap smears, and flu shots at appropriate ages.
Diabetes Care	3,996	more adults (age 18 and older) with diabetes would receive three recommended services (eye exam, foot exam, and hemoglobin A1c test) to help prevent or delay disease complications.
Childhood Vaccinations	1,309	more children (ages 19–35 months) would be up-to-date on all recommended doses of five key vaccines.
Adults with a Usual Source of Care	10,513	more adults (age 18 and older) would have a usual source of care to help ensure that care is coordinated and accessible when needed.
Children with a Medical Home	2,756	more children (ages 0–17) would have a medical home to help ensure that care is coordinated and accessible when needed.
Preventable Hospital Admissions	966 $7,681,307	fewer hospitalizations for ambulatory care sensitive conditions would occur among Medicare beneficiaries (age 65 and older) and dollars would be saved from the reduction in hospitalizations.
Hospital Readmissions	131 $2,092,367	fewer hospital readmissions would occur among Medicare beneficiaries (age 65 and older) and dollars would be saved from the reduction in readmissions.
Hospitalization of Nursing Home Residents	103 $738,969	fewer long-stay nursing home residents would be hospitalized and dollars would be saved from the reduction in hospitalizations.
Mortality Amenable to Health Care	28	fewer premature deaths (before age 75) would occur from causes that are potentially treatable or preventable with timely and appropriate health care.

NOTES: Estimates of improvements in state performance were calculated as follows: for each indicator, the difference between the best-performing state's rate and the subject state's rate was multiplied by the applicable subpopulation of individuals in the subject state. (For the readmissions indicator, the difference in rates was multiplied by the applicable number of Medicare hospitalizations in the subject state.) Medicare cost-savings from reduced hospitalizations were calculated using the average cost of the applicable hospitalizations in the subject state. Calculations do not account for potentially interactive effects of indicators (e.g., insurance coverage increases the likelihood of having a usual source of care and receiving preventive care).

For more information, see *Methodology and Sources Used in State Scorecard Impact Calculations* <http://www.commonwealthfund.org/~/media/Files/Chart%20Maps/2009%20State%20Scorecard/State_Scorecard_Impact_Methodology_final.pdf>

APPENDIX 4

2009 2008 2007 2006

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State Rankings
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Facts About Your State
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The Plan for Inclusion
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2007
2006

Contact Congress

Enter your zip code and let your voice be heard.

Go

2009 Vermont Report

Overall Ranking (among all 50 states and Washington, DC, 1=best): 1

Promoting Independence

***Community-based* Data**	**Value**	**Subrank (1=Best)**	**US Average**	**Source**
Percent of Recipients with ID/DD on HCBS	99.7%	2	83.9%	Research and Training Center on Community Living
Percent of ID/DD Expenditures on HCBS	99.1%	2	62.8%	Research and Training Center on Community Living
Percent of ID/DD Expenditures on non-ICF-MR	99.2%	2	75.7%	Coleman Institute

***Individuals Served by Size of Residence* Data**	**Value**	**Subrank (1=Best)**	**US Average**	**Source**
Percent in own home, family home, family foster care (1-3 residents) and congregate care (1-3 residents)	99.8%	1	76.4%	Research and Training Center on Community Living
Percent in community settings (1-6 residents)	100.0%	1	87.7%	Research and Training Center on Community Living
Percent in Large Settings (16+ residents)	0.0%	1	6.3%	Research and Training Center on Community Living

***Large State Facilities* Data**	**Value**	**Subrank (1=Best)**	**US Average**	**Source**
Percent in Large State Facilities (16+ residents)	0.0%	1	4.0%	Research and Training Center on Community Living
Number of Large State Facilities	0	1	169	Research and Training Center on Community Living
Residents at Large State Facilities	0	1	36,175	Research and Training Center on Community Living

***Waivers that Can Promote Self-Determination* Data**	**Value**	**Subrank (1=Best)**	**US**	**Source**
Independence Plus Waiver			19	Centers for Medicare and Medicaid Services
Other Self-Directed - 1115 or 1915(c) Waiver for ID/DD	Yes		15	PAS Center
Money Follows the Person - Award or Apply			28	Centers for Medicare and Medicaid Services

Quality and Safety

***Quality Assurance* Data**	**Value**	**Subrank (1=Best)**	**US**	**Source**
Council on Quality and Leadership participant			11	Council on Quality and Leadership
National Core Indicators (HSRI) participant	Yes		30	Human Services Research Institute

Noteworthy State QA Initiatives	Yes	13		Quality Mall

Safety Data	Value	Subrank (1=Best)	US Average	Source
Percent of all those served receiving protection from abuse services	2.4%	38	1.1%	Coleman Institute

Keeping Families Together

Family Support Data	Value	Subrank (1=highest)	US	Source
Families Served	1,354	41	428,803	Coleman Institute
Total Spending	$15,819,422	28	$2,305,149,428	Coleman Institute
Spending per Family	$11,683	8	$5,376	Coleman Institute

Promoting Productivity

Medicaid Buy-In Data	Value	Subrank (1=highest)	US	Source
Enacted	Yes		39	Centers for Medicare and Medicaid Services
Enrollment	931	20	79,140	Centers for Medicare and Medicaid Services

Supported or Competitive Employment Data	Value	Subrank (1=Best)	US	Source
Participants	831	33	110,539	Coleman Institute
Spending	$7,212,384	26	$708,872,399	Coleman Institute
Percent of all Individuals Served in Competitive Employment	48%	4	21%	Coleman Institute

Reaching Those in Need

Waiting Lists Data	Value	Subrank (1=Best)	US	Source
Waiting List for Residential Services	0	1	88,349	Research and Training Center on Community Living
Percent Growth in Residential Services Required to Meet Waiting List	0%	1	20%	Research and Training Center on Community Living
Waiting List - ID/DD HCBS - Kaiser	0	1	224,147	Kaiser Family Foundation
Percent Growth in HCBS Services Required to Meet Waiting List	0%	1	46%	Kaiser Family Foundation

Prevalence Data	Value	Subrank (1=highest)	US Average	Source
Percent of Children with Mental Disability	7.3%	3	5.1%	US Census Bureau
Percent of Adults with Mental Disability	5.5%	17	4.8%	US Census Bureau

	Value	Subrank (1=Best)	US Average	Source
Individuals with ID/DD served per 100k of population Data	461	8	304	Coleman Institute

	Value	Subrank (1=Best)	US Average	Source
Ratio of Prevalence to Individuals Served Data	8.4%	14	6.4%	*Calculated*

Serving at a Reasonable Cost

ICF-MR Data	Value	Subrank (1=highest)	US	Source
Total Expenditures	$978,638	50	$12,045,786,632	Research and Training Center on Community Living
Residents	6	50	97,486	Research and Training Center on Community Living
Cost per Resident	$163,106	17	$123,565	Research and Training Center on Community Living

HCBS Data	Value	Subrank (1=Best)	US	Source
Total Expenditures	$109,071,348	39	$20,293,873,572	Research and Training Center on Community Living
Residents	2,151	43	490,343	Research and Training Center on Community Living
Cost per Resident	$50,707	15	$41,387	Research and Training Center on Community Living

Unmatched State ID/DD Funds Data	Value	Subrank (1=Best)	US	Source
Total Expenditures	$17,870,416	50	$17,220,293,554	Coleman Institute
Percent of total ID/DD Spending	14%	48	35%	Coleman Institute

Overall Spending Data	Value	Subrank (1=Best)	US Average	Source
ID/DD Spending per $1,000 personal income	$5.72	12	$4.12	Coleman Institute
ID/DD Spending per capita	$208	13	$166	Coleman Institute

DNF = Did not furnish.

Note: For more information on the actual source of the data presented, please see the printed report *or* sources.

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Appendix 5 - Peer State Analysis

State	Medicaid Enrollment as a % of Total Pop[1]	Health Ranking[2]
Vermont	26%	1
Selected by Tiger Team:		
Massachusetts	19%	3
New Hampshire	11%	5
Rhode Island	19%	10
Washington	19%	11
Wisconsin	18%	12
Selected by OVHA:		
Arizona	23%	27
Delaware	22%	32
Minnesota	15%	6
New York	27%	25
Pennsylvania	17%	28

[1]Kaiser Family Foundation - State Health Facts - 2006. http://www.statehealthfacts.kff.org
[2]United Health Foundation - 2009 rankings. http://www.americashealthrankings.org/

APPENDIX 6: Cost of Services Comparison between Vermont and 10 high-service states						SFY-2009 Expenditures					
Line Number of COS on Financial Balancing Report	Name of Category of Service	Service As Described and Listed on the Kaiser Web Site	Vermont Service Description	Lowest Coverage State	Comparable Component(s) "No" means the service is not covered in the comparable state	VT Actual: Adults Only (Aged 23 +)	VT Actual: Children Only (Aged 23 & Under)	VT Total (Adults & Children)	Savings/ Based on Lowest Coverage Level (ONLY Adults)	GF Equivalent at 35.67%	Notes:
1	Inpatient	Inpatient Hospital Services	Inpatient Hospital Services, including medical services and psychiatric services, are covered. Co-payment of $75 per admission for Medicaid beneficiaries, except fo ANFC-related Medicaid beneficiaries under age 21, pregnant women, and beneficiaries in long-term care facilities (they have no co-pay). No co-payment for VHAP beneficiaries. Prior Approval required for all out-of-state elective hospital admissions (Select border hospitals are designated "in-state") Vermont does not have any psychiatric hospitals**PROPOSED: DRG Validation**	Minnesota (confirmed)	$10,000 annual limit- In the expansion program, MinnesotaCare, there is a $10,000 annual cap on hospital services for parents above 215% of the poverty level. No cap for children or pregnant women. The basis for this is state law, and the 1115 waiver.	50,551,827	35,012,108	85,563,935	-		The lowest cost state is Minnesota, which limits inpatient services for their expansion population of parents above 215% of the FPL. We do not cover beneficiaries in our expansion populations over 215% of the FPL.
		Institutions for Medical Disease	Institutions for Mental Disease (IMD) are only covered for Medicaid beneficiaries aged 21 or younger OR aged 65 or older. All VHAP beneficiaries are covered with a limitation on length of admissions. Coverage is for up t 30 days per episode AND 60 days per calendar year. Vermont has 2 IMDs – VSH & Brattleboro Retreat.	All other states	Do not pay for psychiatric, inpatient claims for adults between the ages of 22 and 65.				2,721,945	970,918	Due to a loop hole, we are covering inpatient, psychiatric hospital claims for adults between 22 and 65 years of age. We calculated the savings if we no longer paid those claims. This would affect the Brattleboro retreat.
[illegible]	Outpatient	Outpatient	Outpatient Services are covered. Co-payment of $3 per admission for Medicaid beneficiaries, except for ANFC-related Medicaid beneficiaries under age 21, pregnant women, and beneficiaries in long-term care facilities (they have no co-pay). No co-payment for VHAP beneficiaries. Some services require a referral, a prior authorization, or both. VT uses OPS; Outpatient Prospective Payment System. Outpatient services include: Ambulatory procedures, Imaging in Hospitals, Injectable Medications, Colonoscopies, Arthroscopy, Appendictimies, Labs done in Hospitals.	New York (not confirmed)	10 outpatient visits/year in combination with other specified providers	[illegible]	12,098,730	[illegible]	5,640,791	[illegible]	OVHA analyzed the savings associated with limiting Outpatient visits to 10 visits/year. So, we calculated the number of people who had more than 10 Outpatient visits in SFY 2009. The largest number of visits by one person was 135. Then, we calculated the average cost per claim per person. Then we determined the savings had we not paid the claims that were numbered 11 through 135.
2	Outpatient	Emergency Room/Out patient	Emergency Room services are covered. Co-payment of $3 per visit for VHAP beneficiaries*. No Prior Approval. **PROPOSED: Limit Emergency Services to 12 Visits per Year**	New York (not confirmed)	10 ER visits per year; does NOT count if admitted to the hospital. If a beneficiary is admitted in conjunction with an ER visit it doesn't count toward the ER visit limit.	11,713,554	6,786,953	18,500,507	301,530	107,556	OVHA Analyzed the savings associated with limited ER visits to 10 visits per year. If adopted, 180 beneficiaries would be affected and 1330 claims would be denied.
3	Physician	Physician Services	Coverage Limits include 5 visits per month to the same provider, per provider type, for office visits. Home Visits are limited to up to 5 visits per month. Nursing Facility visits are limited to up to 1 facility visit/week. Hospital - up to 1 visit per day for acute care, up to 1 visit per diagnosis per month for sub acute care. Excess needs Prior Approval.	New Hampshire (confirmed)	18 ambulatory visits/year	[illegible]	[illegible]	[illegible]	2,338,131	[illegible]	OVHA Analyzed the savings associated with limited physician service visits to 18 visits/year. If adopted, 2,424 beneficiaries would be affected and 32,095 claims would be denied. Note: Physician services includes Maxillofacial surgery.

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4	Pharmacy/Drugs		Brand and Generic drugs for anyone who receives a prescription. 90 day maintenance supply limitation. Co-pays. Co-pays between $1 and $3, depending on program eligibility. No co-pays for Medicaid beneficiaries under age 21, pregnant women, and beneficiaries in long-term care facilities **PROPOSAL: Savings Related to AWP; Adjustment on Drugs Historically Overfunded**	NY Pharmacy Service – prescription drugs including initial prescriptions, refills, OTCs and medical/surgical supplies. Limited to 40 items if the enrollee is under 21, 65 or over, certified blind or disabled, or the single caretaker of a child under 18. Limited to 43 items if enrollee is aged 21-65, not certified blind or disabled, or not a single caretaker of a child under 18	40 Rxs/year	93,428,910	35,105,883	128,534,794	30,220,680	10,779,717	Based on New York being the lowest cost model, we calculated the savings associated with limiting Pharmacy claims to 40/year. Note: Drug savings would be offset by 45-50% by the loss of drug rebates.
8	Dental	Dental (Adult)	$495 limit for Medicaid; not covered for VHAP. Limited services; routine pre-approved; Prior Approval required for most special dental procedures. 3.00$ co-pays for Medicaid/Dr. D for adults 21 and older. OVHA is charged for GA vouchers for pain, bleeding, and infection. OVHA was charged $963,468 for those GA vouchers in SFY 2009.	Delaware (confirmed)	No	4,908,683	14,369,833	19,278,517	4,908,683	1,750,927	The lowest cost option for dental is to eliminate dental services for Adults. Second lowest option is to restrict dental services by procedure. Our secondary option represents the savings if we paid for all dental codes except evaluation.
8	Dental	Dentures	No, Not covered for adults	N/A	N/A				-		
9	Mental Health					238,101	12,589	250,690	-		[illegible]
10	Independent Laboratory	Laboratory Services Outside of Clinic/Hospital:	Yes, covered. Non-specific ("unlisted") codes need Prior Approval. **PROPOSED: Reduce Drug Testing Lab Reimbursement Rate and limit number of urine tests to 8 per month**	New York (unconfirmed)	18 lab tests/year NY				2,049,460	731,042	We computed the savings on restricting lab tests to 18 per year.
10	Independent Laboratory	X-Rays/Radiology.	No limits. Non-specific ("unlisted") codes need Prior Approval. **PROPOSED: Require Prior Authorization for Radiology Services Effective 7/1/10**	New Hampshire (confirmed)	15 diagnostic x-ray services/year	4,632,618	1,498,608	6,131,227	-		We computed the savings on 15 tests per year. There were No claims in this category of service in excess of 15 claims
12	RHC	Rural Health Clinics	Yes, covered with limit of 1 visit/day and 5 visits/month. Excess visits above allowed number need Prior Approval. [per section 3.1-A pg. 1C of the state plan] Cost based payment system.	New York (unconfirmed)	10 clinic visits/year in combination with other specified providers	2,919,841	3,011,654	5,931,494	213,704	76,228	We computed the savings on limiting RHC to 10 visits per year. We are currently at 100% of Medicare for RHC's, so we cannot reduce the rates further.
14	FQHC	Federally Qualified Health Centers	Yes, covered, with coverage limits of 1 visit/day and 5 visits/month. Excess visits above allowed number need Prior Approval. [per section 3.1-A pg. 1C of the state plan] Cost based payment system.	New York (unconfirmed)	10 clinic visits/year in combination with other specified providers	6,770,127	3,323,817	10,093,944	974,048	347,443	Scenarios: 1) Limit FQHC's to 10 visits per year with our current rate on file. Yields$974,047 2) Reduce Cap by 10%, that yields $832,242 3) Reduce Cap by 3%; that yields a savings of $309,291. Note: We currently pay FQHC's at 125% of Medicare.
13	Hospice	Hospice	Yes, covered. No PA.	Rhode Island (confirmed)	210 day maximum coverage	1,527,255	864	1,528,119	-		[illegible] calculate the savings associated with [illegible] e to 210 Days. We haven't done that [illegible]

1 Comparison of Medicaid Benefits between Vermont and Rhode Island, Massachusetts, New Hampshire, Wisconsin, and Washington, [illegible]

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15	Chiropractic	Chiropractic	10 visits per year with prior approval required any visits above 10. Limited to certain procedure codes. Coverage is limited to treatment by means of manipulation of the spine and then only if such treatment is to correct a subluxation of the spine.	Rhode Island (confirmed)	No	787,507	181,310	968,817	787,507	280,904	Our secondary analysis was to limit chiropractic to 6 visits/year. Limiting it to 6 visits a year would affect 628 recipients and 3,221 claims would be denied.
16	Nurse Practitioners	Nurse Practitioner Services	Covered, Yes Fee for service; Prior Authorization same as physicians.	New Hampshire (confirmed)	18 ambulatory visits/year irrespective of setting	385,315	133,608	518,923	0		We ran an analysis on the savings associated with limiting nurse practitioners to18 visits/year. There were No claims in this category of service in excess of 18 visits, so the savings would be zero.
17	Nursing Licensed Nurse	Private Duty Nurse	Private Duty Nursing – only for beneficiaries under age 21 – through DAIL.	Rhode Island (not confirmed)	No	1,092,478	2,029,916	3,122,394	1,092,478	389,687	[illegible] neces[illegible] analy[illegible] this [illegible] DAIL's program
18	Podiatrist	Podiatrist Services	Yes, with limits. Routine foot care not covered. No Prior Approval. Fee for service. [As per section 3.1-A pg. 2e of the State plan]	New Hampshire (not confirmed)	12 visits/year	201,310	47,412	248,722	973	347	We ran analysis to limit podiatry to 12 visits a year. This yielded $973 savings.
19	Psychologist	Psychology Services (i.e.. Therapy services)	Yes, covered. Group therapy limited to no more than three sessions per week; reimbursement is limited to one session per day per group and no more than 10 Prior Authorization patients in a group.	Rhode Island (confirmed)	No	8,238,169	7,169,626	15,407,796	8,238,169	2,938,555	Secondary analysis for Psychologist. Limit it to 20 outpatient visits/year. This would affect 1,119 recipients and 14,364 claims would be denied.
20	Optometrist	Vision care services provided by an optometrist	Covered service	Delaware (confirmed)	Limited to diagnosis and treatment of medical eye problems as permitted by law.	468,639	491,480	960,119	-		We can run an [illegible] would need a [illegible] larger analysis [illegible] completed at t[illegible]
21	Optician	Eye Exams	1 exam every 2 years; Coverage for comprehensive eye exams & interim eye exams are limited to one exam every two years per beneficiary. A repeat comprehensive exam within 24 months requires Prior Authorization. All refraction exams are covered; excess requires Prior Authorization.	Arizona	Eye exams for purposes of refraction are not covered for adults.	663	258,280	258,942	77,562	27,666	Optometrists provide two levels of servic[illegible] medical services (diagnosis) and b) routine eye exams that involve refractions. We ran analysis to not provide refraction services. This would affect 4,540 recipients and result in 4,562 claims being denied.

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21	Optician	Eyeglasses (Adult)	Not covered	N/A	N/A				-		
22	Transportation	Non-Emergency Medical Transportation;	Yes, covered for Medicaid/Dr. D only; not VHAP; Prior Authorization Required.PROPOSED: Procure Transportation Broker; procurement would need to begin in Feb to meet 7/1 start date to achieve savings target.	New Hampshire (confirmed) - this is the only limit that they have on transportation.	N.H. Has no limits except for 24 wheelchair/van trips per year.	8,965,187	1,096,044	10,061,231	2,526,731	901,285	OVHA Analyzed the savings associated adopting the limitations imposed by N.H – unlimited transporation except for a limit of 24 wheelchair/va trips/year.
23	Therapy services, PT, OT, Speech	Occupational Therapy Services;	4 months unlimited, with prior approval after 4 months; PROPOSAL: Limit PT/OT/ST (combined) to 30 Visits per Calendar Year Effective 7/1/10	Options: Massachusetts, New Hampshire, Minnesota, Arizona	Massachusetts limits OT to 20 visits/year	6,712	441,225	447,937	1,130	403	Limit: OT to 20 visits/year
	Therapy services, PT, OT, Speech	Physical Therapy Services	4 months unlimited, with prior approval after 4 months; PROPOSAL: Limit PT/OT/ST (combined) to 30 Visits per Calendar Year Effective 7/1/10	Options: Massachusetts, New Hampshire, Minnesota, Arizona	Massachusetts limits PT to 20 visits/year	1,656,370	3,537	1,659,907	198,408	70,772	Limit: PT to 20 visits/year
23	Therapy services, PT, OT, Speech	Services for Speech, Hearing and Language Disorders	4 months unlimited, with prior approval after 4 months PROPOSAL: Limit PT/OT/ST (combined) to 30 Visits per Calendar Year Effective 7/1/10	Options: Massachusetts, New Hampshire, Minnesota, Arizona	Massachusetts limiits Speech to 35 visits per year.	193,352	63,949	257,301	0		Limit speech to 35 visit/year
24	Prosthetic and orthotic devices	Prosthetic and orthotic devices	Yes, covered. Some items require Prior Authorization; excess requires Prior Authorization.	Wisconsin (confirmed)	Limited to post-surgery care, orthopedic shoes must be attached to brace.	1,006,022	822,185	1,828,208	484,082	172,672	We developed our own option to limit here. We ran an analysis to determine the average payment for these devices; average $454/claim. We then analyzed the effect of capping these claims at $500. That yielded $484,082.
26	Medical Supplies and Durable Medical Equipment	Medical Supplies and Durable Medica Equipment	Yes, covered with prior approvals.For VHAP-Limited, coverage is limited to supplies that are incident to physician services furnished for acute conditions in the office or hospital outpatient setting.	Pennslyvania???	MN: limited to items related to family planning and to medically necessary items for beneficiaries receiving home health care	5,471,493	2,406,614	7,878,107	262,928	93,786	We developed our own option to limit here. We ran an analysis to determine the average payment for these devices; average $312/claim. We then analyzed the effect of capping these claims at $350. That yielded $262,928.

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30	Targeted Case Management		This is a very small OVHA Category of Service that is being re-arranged in the Financial Balancing Report.			6,557	35,089	41,646	-		The [illegible] Targ[illegible] buck[illegible]
40	Ambulance	Ambulance Services	Yes, covered. Prior Authorization to out-of-state hospitals. We did not find any state that restricts or limits the use of Ambulance services more than we currently do.			2,551,379	671,423	3,222,802	-		Yes, [illegible]
37	D & P	OVHA Medicaid	There is no comprable category within the Kaiser database and no comprable other state comparison.			9,495	3,572,847	3,582,342	-		[illegible]
41	Dialysis	OVHA Medicaid	We do not have any indication that any state restricts dialysis services.			1,578,411	11,290	1,589,701	-		[illegible]
	Ambulatory Surgical Center	OVHA Medicaid	There isn't a comparable service category within the Kaiser database of services.			16,592	522	17,114	-		[illegible]
42	Unknown	Civil Unions, PCP Plus Managed Care	This is a category of service used in OVHA's system to capture items that don not easily fall within any of the previous buckets. There isn't a comparable service category within the Kaiser database of services.			143,076	26,810	169,886	-		[illegible]
						300,667,441	160,032,223	460,699,664	60,316,996	22,485,990	
						65.26%	34.74%				

FOOTNOTES:

1. We have only calculated the savings on reducing the service level for adults. For the purposes of this exercise, anyone up to the age of 22 years of age is considered a child. So, people who are 23 years of age and older are considered an adult.
2. We have excluded cross-over claims from the analysis.
3. Data is pulled from the Claims database using "dates of service". [One has to decide which date should be used for pulling data, which roughly falls into two main choices: "dates of service" and "date at which claim was paid, or paid date".] Since most of this analysis involves restricting a service level, by the number of appointments allowed within a given category, the only way to run that analysis is to run it using "dates of service".
4. In short, this is an accrual based look at the claims data base. In contrast, the Financial Balancing Report, or FBR, is a cash look at the claims data base which takes into account all of the cash transactions associated with the claim, in some cases after its gets paid.
5. Includes everything that is paid for through a Claim form (with a 1500 form or a UB form). It does not include things that are not paid for through a claim including Buy In, Clawback, DSH. It also does not include transactions that are processed through Vision, including all of the Third Party Liabilities, Drug Rebates, and Supplemental Drug Rebates
6. The claims data base can change every day. The state of Vermont allow a claim to be paid 2 full years after the date of service.
7. Normally, the convention for "run off" allows for a 6 month window before one considers most claims paid for a period. So, we ran reports for this data on December 7th and December 10th. So, it could be that this claim analysis does not include all of the claims for the month of June

* No co-pays for those under the age of 18

APPENDIX 7

Soc. Sec. Records	185,983
Healthy Vermonters	(5,494)
Provisional ·	(2,353)
Others excluded	
Reminder Letter on eligibility	(6,516)
Unpaid premium	(4,704)
Failed cooperation on eligibility	(3,155)
Initial Premium unpaid	(2,530)
No longer Vt. Resident	(2,424)
Client deceased	(2,236)
Client requested closure	(2,080)
Income exceeds basic living expenses	(1,471)
Client no longer in household	(1,103)
Clients whereabouts unkown	(893)
Client is not an illegal alien and not a US citizen	(866)
Other	(1,879)
Total Other Excluded	(29,857)

tied to other AHS program access doors

No FPL record.

Not included in analysis!!! For how many do we have Tax records?

Very low match and R-square between DCF and Tax

Low match for adults and expansion?? Maybe underreporting to Tax?

				DCF Records				Tax Records			
		Countable	Duplicate Countable	No FPL	No FPL as % of Verified	Zero FPL	+300 FPL	AGI Match	% AGI Match	HHI Match	% of Countable
Records Analyzed	148,279	63,920	39,071	44,589		201	498	43,473	29.3%	18,596	29.1%
Deemed Eligible	37,421	3,878	2,695	30,803		20	25	7,308	19.5%	1,766	45.5%
Verified Eligible	110,858	60,042	36,376	13,786	12%	181	473	36,165	32.6%	16,830	28.0%
18 and Under	43,896	12,387	27,913	3,342	8%	57	197	2,428	5.5%	7	0.1%
Adults	50,055	33,114	6,594	10,058	20%	123	166	28,810	57.6%	10,711	32.3%
Over 65	16,907	14,541	1,869	386	2%	1	110	4,927	29.1%	6,112	42.0%
	110,858	60,042	36,376	13,786	12%	181	473	36,165	32.6%	16,830	28.0%
ansion	72,152	40,095	23,651	8,028	11%	121	257	27,855	38.6%	13,744	34.3%
Mandatory	27,041	12,102	11,820	2,935	11%	53	131	3,541	13.1%	1,556	12.9%
Optional	11,665	7,845	905	2,823	24%	7	85	4,769	40.9%	1,530	19.5%
	110,858	60,042	36,376	13,786	12%	181	473	36,165	32.6%	16,830	

Records Analyzed		60,042	
Premium Payers	<$30,000	25,748	$ 431,013,710
	$30k - $50k	5,271	$ 203,556,530
	> $50k	1,854	$ 108,237,471
		32,873	742,807,711
		5% ='s	$ 37,140,386
	Up To 150%	18,141	$ 270,932,836
	150% - 200%	7,883	$ 198,877,634
	200% - 300%	6,849	$ 272,997,241
		32,873	$ 742,807,711
Non-Premium Payers		27,167	$ 407,866,087
		60,040	$ 1,150,673,798

Incomes > 300% excluded

Keep in mind, this is not the entire populaton

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40	Ambulance	Ambulance Services	Yes, covered. Prior Authorization to out-of-state hospitals. We did not find any state that restricts or limits the use of Ambulance services more than we currently do.			2,551,379	671,423	3,222,802	-		[illegible]
37	D & P	OVHA Medicaid	There is no comprable category within the Kaiser database and no comprable other state comparison.			9,495	3,572,847	3,582,342	-		[illegible]
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	Ambulatory Surgical Center	OVHA Medicaid	There isn't a comparable service category within the Kaiser database of services.			16,592	522	17,114	-		[illegible]
42	Unknown	Civil Unions, PCP Plus Managed Care	This is a category of service used in OVHA's system to capture items that don not easily fall within any of the previous buckets. There isn't a comparable service category within the Kaiser database of services.			143,076	26,810	169,886	-		[illegible]
						300,667,441	160,032,223	460,699,664	60,316,996	22,485,990	
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Appendix 8

Coverage Group	Premium		FPL	Household Size: 1	% of FPL Income	2	% of FPL Income	3	% of FPL Income	$ 4	% of FPL Income
VHAP/VHAP-ESIA	None		50%								
VHAP/VHAP-ESIA	$ 7	per person per month	75%	$ 680	1.03%	$ 915	1.53%	$ 1,150	0.63%	$ 1,385	2.02%
VHAP	$ 25	per person per month	100%	$ 906	2.76%	$ 1,220	4.10%	$ 1,533	4.89%	$ 1,846	5.42%
VHAP	$ 33	per person per month	150%	$ 1,359	2.43%	$ 1,829	3.61%	$ 2,299	4.31%	$ 2,769	4.77%
VHAP - w/dep. Children	$ 49	per person per month	185%	$ 1,676	2.92%	$ 2,256	4.34%	$ 2,836	5.18%	$ 3,415	5.74%
VHAP Pharmacy	$ 17	per person per month	150%	$ 1,359	1.25%	$ 1,829	1.86%	$ 2,299	2.22%	$ 2,769	2.46%
Vscript	$ 23	per person per month	175%	$ 1,586	1.45%	$ 2,134	2.16%	$ 2,682	2.57%	$ 3,231	2.85%
Vscript Expanded	$ 50	per person per month	225%	$ 2,039	2.45%	$ 2,744	3.64%	$ 3,449	4.35%	$ 4,154	4.81%
Vpharm	$ 17	per person per month	150%	$ 1,359	1.25%	$ 1,829	1.86%	$ 2,299	2.22%	$ 2,769	2.46%
VPharm	$ 23	per person per month	175%	$ 1,586	1.45%	$ 2,134	2.16%	$ 2,682	2.57%	$ 3,231	2.85%
VPharm	$ 50	per person per month	225%	$ 2,039	2.45%	$ 2,744	3.64%	$ 3,449	4.35%	$ 4,154	4.81%
Dr. Dynasaur (kids up to 18)	$ -		185%	$ 1,676	0.00%	$ 2,256	0.00%	$ 2,836	0.00%	$ 3,415	0.00%
Dr. Dynasaur (kids up to 18 & pregnant women)	$ 15	per family per month	200%	$ 1,812	0.83%	$ 2,439	0.62%	$ 3,065	0.49%	$ 3,692	0.41%
Dr. Dynasaur (kids up to 18)	$ 15	per family per month	225%	$ 2,039	0.74%	$ 2,744	0.55%	$ 3,449	0.43%	$ 4,154	0.36%
Dr. Dynasaur (kids up to 18)	$ 20	per family per month	300%	$ 2,718	0.74%	$ 3,658	0.55%	$ 4,598	0.43%	$ 5,538	0.36%
Dr. Dynasaur (kids up to 18)(family uninsured)	$ 60	per family per month	300%	$ 2,718	2.21%	$ 3,658	1.64%	$ 4,598	1.30%	$ 5,538	1.08%
Catamount ESIA or CHAP (if no ESI)											
>150 but ≤ 175%	$ 60	per person per month	175%	$ 1,586	3.78%	$ 2,134	5.62%	$ 2,682	6.71%	$ 3,231	7.43%
>175 but ≤ 200%	$ 65	per person per month	200%	$ 1,812	3.59%	$ 2,439	5.33%	$ 3,065	6.36%	$ 3,692	7.04%
>200% but ≤ 225%	$ 110	per person per month	225%	$ 2,039	5.39%	$ 2,744	8.02%	$ 3,449	9.57%	$ 4,154	10.59%
>225% but ≤ 250%	$ 135	per person per month	250%	$ 2,265	5.96%	$ 3,048	8.86%	$ 3,832	10.57%	$ 4,615	11.70%
250% but ≤ 275%	$ 160	per person per month	275%	$ 2,492	6.42%	$ 3,353	9.54%	$ 4,215	11.39%	$ 5,077	12.61%
5% but ≤ 300%	$ 185	per person per month	300%	$ 2,718	6.81%	$ 3,658	10.11%	$ 4,598	12.07%	$ 5,538	13.36%
tamount Health (no premium assistance)		per person per month	330%	$ 2,718	0.00%	$ 3,658	0.00%	$ 4,598	0.00%	$ 5,538	0.00%
Healthy Vermonters (any age)		per person per month	350%	$ 3,171	0.00%	$ 4,268	0.00%	$ 5,364	0.00%	$ 6,461	0.00%
Healthy Vermonters (aged, disabled)		per person per month	400%	$ 3,624	0.00%	$ 4,877	0.00%	$ 6,130	0.00%	$ 7,384	0.00%

Health Program Data - July, 2002 through December,2002

APPENDIX 9	Program Expenditures (6 months)	Average Number of Recipients	Average Income per Recip. (annual)	Cumulative Income (Recipient)	Average Number of Households	Total Income (6 mos)	Average Income per H.H. (annual)	Premiums per Indiv. or H.H. (2)	Total Premiums (6 months)	Co-Payments (6 months)	Deductibles	Premiums % of Income per H.H.	Co-Payments % of Income per H.H. (3)	Cost Sharing % of Income per H.H. (4)
Medicaid	$ 291,504,022	67,448	$ 4,296		40,436	$ 144,863,566	$ 7,165	$ -	$ -	$ 1,724,801	-	0.00%	1.191%	1.19%
Working People with Disabilities 185%-225% Federal Poverty Level (FPL)	$ 11,830,371	455	$ 10,030	$ 4,563,650	454	$ 2,281,800	$ 10,052	$ 120	$ 54,480	$ 46,740	-	2.39%	2.048%	4.44%
Uninsured Working People with Disabilities 225%-300% FPL	$ 603,390	23	$ 31,085	$ 714,955	23	$ 357,482	$ 31,085	$ 144	$ 3,312	$ 2,387	-	0.93%	0.668%	1.59%
Underinsured Working People with Disabilities 225%-300% FPL	$ 424,359	16	$ 38,638	$ 618,208	16	$ 299,442	$ 38,638	$ 300	$ 4,800	$ 1,677	-	1.60%	0.560%	2.16%
Dr Dynasaur Children 185%-225% FPL	$ 18,002,609	20,898	$ 15,920	$ 332,696,160	11,488	$ 166,346,944	$ 28,961	$ 120	$ 2,507,760	$ 653	-	1.51%	0.000%	1.51%
Dr. Dynasaur/ Uninsured Children 225%-300% FPL	$ 2,445,217	3,126	$ 26,587	$ 83,110,962	1,922	$ 41,560,171	$ 43,254	$ 144	$ 450,144	$ 118	-	1.08%	0.000%	1.08%
[illegible]ynasaur/ [illegible]nsured Children [illegible]00% FPL	$ 1,569,996	2,261	$ 24,960	$ 56,434,560	1,180	$ 28,215,667	$ 47,837	$ 300	$ 678,300	$ 20	-	2.40%	0.000%	2.40%
VHAP <185% FPL	$ 1,892,119	2,714	$ 19,669	$ 53,381,666	1,879	$ 26,690,658	$ 28,404	$ 50	$ 135,700	$ 363,129	-	0.51%	1.361%	1.87%
VHAP <150% FPL	$ 8,279,000	8,155	$ 13,753	$ 112,155,715	6,247	$ 56,080,886	$ 17,956	$ 40	$ 326,200	$ 1,366,446	-	0.58%	2.437%	3.02%
VHAP <100% FPL	$ 6,135,889	4,575	$ 10,408	$ 47,616,600	3,523	$ 23,810,030	$ 13,517	$ 15	$ 68,625	$ 936,361	-	0.29%	3.933%	4.22%
VHAP <75% FPL	$ 2,083,368	1,116	$ 5,393	$ 6,018,588	870	$ 3,009,786	$ 6,923	$ 10	$ 11,160	$ 183,307	-	0.37%	6.090%	6.46%
VHAP <50% FPL	$ 10,937,678	6,416	$ 2,305	$ 14,788,880	5,801	$ 7,392,845	$ 2,549	$ -	$ -	$ 962,359	-	0.00%	13.017%	13.02%
VHAP Pharmacy	$ 8,214,444	8,258	$ 10,487	$ 86,601,646	7,185	$ 43,298,035	$ 12,052	$ -	$ -	$ 507,298	-	0.00%	1.172%	1.17%
VScript	$ 2,698,682	3,018	$ 13,354	$ 40,302,372	2,423	$ 20,149,681	$ 16,630	$ -	$ -	$ 292,489	-	0.00%	1.452%	1.45%
Vscript Expanded	$ 828,212	3,303	$ 16,092	$ 53,151,876	2,575	$ 26,576,605	$ 20,639	$ -	$ -	$ 514,309	$ 908,325	0.00%	1.935%	5.35%
	367,449,356	131,782		892,155,838	86,022	446,070,032			4,240,481	5,177,293	908,325	0.95%	1.161%	2.11%
NOTES:	734,898,712									Annualized	20,652,198			

(1) The only deductible is for Expanded Vscript and is $275 per beneficiary per State fiscal year.
The total for the 6-month period is $908,325 and is included in the calculation for "Cost Sharing % of Income."

(2) Premiums for "Working People With Disabilities" are per household. All other premiums are per recipient.

(3) Co-payments are calculated using actual co-payments over the 6-month period and average household income for the six months.

(4) "Cost Sharing % of Income" is calculated by combining total premiums, co-payments and deductibles and dividing by the total income for the six months.

Premiums

APPENDIX 10

Program	% FPL	monthly average value of $ of FPL*	'11 Enroll	'11 Steady State Premium	'11 Steady State Premiums
ABD Adults	PIL	$ 458	13,866	$ [illegible]	$ [illegible]
ABD Dual Eligible Adults	PIL	$ 458	15,536	[redacted]	[illegible]
Choices for Care Adults	PIL	$ 458	4,010	$ [redacted]	$ [illegible]
ANFC Adults	PIL	$ 458	10,786	$ [illegible]	$ [illegible]
			44,197		$ [illegible]
Dr. Dynasaur	0-185%	$ 1,418	54,810	$ [illegible]	$ [illegible]
Dr. Dynasaur	185-225%	$ 3,143	4,592	$ 15.00	$ 516,644
Dr. D *with ins.*	225-300%	$ 4,024	1,282	20.00	$ 192,350
Dr. D *without ins*.	225-300%	$ 4,024	3,966	$ [redacted]	1,784,758
Dr. D Total			64,651		$ [redacted]93,752
VHAP	0-50%	$ 305	12,966	$ [redacted]	$ [illegible]
VHAP	50-75%	$ 763	4,644	$ 7.00	$ 390,081
VHAP	75-100%	$ 1,068	5,382	$ 25.00	$ 1,614,73[illegible]
VHAP	100-150%	$ 1,525	12,380	$ 33.00	$ 4,902,593
VHAP	150-185%	$ 2,043	3,053	[redacted] 49.00	$ 1,795,262
VHAP Total			38,426		8,702,667
VPharm 1 & VHAP Pharmacy	0-150%	$ 915	7,469	[redacted]	$ 1,344,427
VPharm 2 & VScript	150-175%	$ 1,982	2,659	[redacted]	$ 638,248
VPharm 3 & VScript Expanded	175-225%	$ 2,439	2,451	[redacted]	1,470,781
Pharmacy Total			12,580		$ 3,453,456
Catamount Health	0-150%	$ 915	2,132	[redacted] 60.00	$ 1,535,217
Catamount Health	150-175%	$ 1,982	3,032	$ 60.00	2,183,032
Catamount Health	175-200%	$ 2,287	4,133	$ 60.00	$ 2,975,896
Catamount Health	200-225%	$ 2,592	1,531	$ 142.00	$ 2,609,660
Catamount Health	226-250%	$ 2,896	1,137	$ 175.00	$ 2,388,723
Catamount Health	251-275%	$ 3,201	471	$ [redacted]	1,169,915
Catamount Health	276-300%	$ 3,506	355	$ [redacted]	1,017,692
Catamount Total			12,792		[redacted] 13,880,134
Federal				58.03%	$ 15,927,171
GF				41.97%	$ 12,602,838
Total			172,646		$ 28,530,009

Appendix 11

Medicare, Medicaid spent $54 billion too much in 2009, White House says

OMB figures show an increase over 2008, some of which HHS attributes to stricter review.

By CHRIS SILVA, amednews staff. ***Posted Dec. 2.***

Washington -- Improper payments for health care made up a large portion of the $98 billion the federal government spent inappropriately in fiscal 2009. This total was an increase of $26 billion over the previous year, according to a report issued by the White House Office of Management and Budget.

The Nov. 17 report concluded that Medicare fee for service improperly spent $24 billion in fiscal 2009, a rate equivalent to 7.8% of total outlays, and Medicaid improperly spent $18 billion, a rate of 9.6%. Medicare Advantage improperly spent $12 billion in 2009, a rate of 15.4% of total outlays on the private plans.

The Medicare fee-for-service error rate was just 3.6% in 2008.

The Dept. of Health and Human Services attributed some of the stark increase in improper payments to a new, more rigorous method of calculating error rates, in keeping with President Obama's stated commitment to reducing fraud and waste.

"Through a more stringent review of Medicare claims, we've been able to establish a more complete accounting of errors, enabling the Centers for Medicare & Medicaid Services to take more actionable steps to further reduce the error rate and identify abusive or potentially fraudulent actions before they become problems," said HHS Secretary Kathleen Sebelius.

Sebelius also credited a joint fraud and abuse task force formed earlier this year with the Dept. of Justice -- the Health Care Fraud Prevention and Enforcement Action Team -- with improving oversight of Medicare funds.

Some payments for health services are labeled improper because they are deemed to be medically unnecessary or because they lack proper documentation. CMS said it is taking further steps to ensure that physicians submit all required clinical and medical documents to support a claim, that signatures on medical documents are legible and that a claims history no longer can be used to fill in missing treatment documentation. The agency said it also is using data from electronic records to detect vulnerabilities in areas at high risk for fraud, abuse and waste -- such as durable medical equipment and home health services.

APPENDIX 12

Report of the Vermont State Auditor

December 28, 2006

MEDICAID: AUDIT IDENTIFIES $2.2 MILLION IN QUESTIONED PHARMACY CLAIMS

Randolph D. Brock
Vermont State Auditor
RPT. No. 06-04

RANDOLPH D. BROCK
STATE AUDITOR

STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

December 28, 2006

Governor James Douglas
Speaker of the House of Representatives Gaye Symington
President Pro Tempore-elect of the Senate Peter Shumlin
Secretary Cynthia D. LaWare, Agency of Human Services

Dear Colleagues:

The attached report, identifying approximately $2.2 million in potential improper payments, is based on a number of computer analyses of Vermont Medicaid payments to pharmacy providers between January 1, 2004 and December 31, 2005.

The report documents our belief that through aggressive data mining and recovery action on the part of the State, millions of dollars might be saved now and in the future.

The data mining was performed under the direction of our Office by HWT, Inc., of Chicago, a firm with Medicaid claims review experience in 21 states. The analysis was based on proprietary algorithms of HWT, revised to fit applicable Vermont Medicaid policies and regulations, and applied to various categories of approximately 6 million paid pharmacy claims over the audit period submitted by approximately 220 in-state and out-of-state pharmacies. As a result of this analysis, we referred one pharmacy to the Medicaid Fraud & Residential Abuse division of the Attorney General's Office for potential criminal investigation, and additional referrals are possible.

I would like to state clearly that not all of the $2.2 million highlighted will be collected, or "recouped," from providers. We have provided the Office of Vermont Health Access (OVHA) with an electronic file of our results and it is reviewing a large number of questionable claims to determine which ones may be legitimate payments based on rules or special conditions in effect at the time of payment.

Experience in similar cases involving the same algorithms in other states typically results in collection rates in the 50 to 70 percent range. Affected providers should be given the opportunity to submit documentation to support any questioned payments.

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Successful collection by the State of the typical percentage of identified questionable payments would result in a recovery in the range of $1.2 million (see page 9 for summary). It is also important to note that Federal regulations require that, within 60 days of identifying improper payments, the State must reimburse the Centers for Medicare and Medicaid Services (CMS) for the approximately 60 percent of Federal share.

The results indicate to me that data mining of paid claims is a useful tool, in addition to other controls, to detect potential improper payments. Whether conducted internally, or through a contractor, it should be considered by management as a standard practice.

Throughout this effort, we relied on, and appreciate, the cooperation and professionalism of staff at the Office of Vermont Health Access, and staff at Electronic Data Systems Corporation (EDS) in Williston, the State's fiscal agent for the Medicaid program.

Sincerely,

Randolph D. Brock
Vermont State Auditor

cc: Michael Smith, Secretary of Administration
James Reardon, Commissioner of Finance and Management

APPENDIX 13

Report of the Vermont State Auditor

May 8, 2007

MEDICAID

NEEDED SYSTEM IMPROVEMENTS AND QUESTIONED PAYMENTS IDENTIFIED

Thomas M. Salmon, CPA
Vermont State Auditor
RPT. No. 07-08

THOMAS M. SALMON, CPA
STATE AUDITOR

STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

May 8, 2007

Governor James Douglas
Speaker of the House of Representatives Gaye Symington
President Pro Tempore-elect of the Senate Peter Shumlin
Secretary Cynthia D. LaWare, Agency of Human Services

Dear Colleagues:

This is the second report stemming from our review of Vermont's Medicaid program. The attached report identifies system improvements that could be made and approximately $900,000 in potential Medicaid overpayments to physicians and institutions.

The system issues that we found are associated with the edit and audit process used by the claims processing system employed by the State's Medicaid fiscal agent. The edit and audit process is a critical part of assessing the validity of provider claims and, if not implemented properly, can result in improperly paid claims. To its credit, the State's fiscal agent has corrected many of the weaknesses that we brought to its attention and plans on fixing the others. The financial impact of these changes has not been estimated. However, to illustrate the importance of the edit and audit process to payment integrity, for one of the edits that was changed in the course of this review, EDS estimates that it may be able to recoup about $70,000 after finding and analyzing certain claims that should have been rejected by this edit.

The overpayment findings are based on 13 targeted computer analyses of Vermont Medicaid payments to providers that were largely paid in 2004 and 2005. These analyses were performed through a data mining contract with HWT, Inc., of Chicago, a firm with Medicaid claims review experience in 21 states and are based on their proprietary algorithms, adjusted to fit applicable Vermont Medicaid policies and regulations, and applied to selected categories of physician and institutional claims. We have provided the Office of Vermont Health Access (OVHA) with an electronic file detailing each questioned claim. Not all of the dollars highlighted will be collected, or "recouped," from providers. The State may not be able to recoup some of the questioned claims because OVHA has not implemented part of an existing tool that could have identified some of the overpayments or providers could have documentation that supports questioned claims. On the other hand, we believe that it is feasible to recoup a great amount of the estimated overpayments, particularly those that are associated with system problems.

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The results of this audit indicate to me that data mining of paid claims is a useful tool, in conjunction with other controls, to detect potential improper payments. Whether conducted internally, or through a contractor, it should be considered by management as a standard practice. I should also say that, although we found some potentially improper claims as well as claims processing issues, relative to the number of claims that were reviewed, the data mining performed by our contractor did not identify an extremely high amount of potential overpayments. This is good news for the system.

Throughout this effort, we relied on, and appreciate, the cooperation and professionalism of staff at OVHA and the Electronic Data Systems Corporation (EDS) in Williston, the State's fiscal agent for the Medicaid program.

Sincerely,

Thomas M. Salmon CPA

Thomas M. Salmon, CPA
Vermont State Auditor

Appendix 14
Program Integrity Unit and Medicaid Fraud Unit's Business Plan

INTRODUCTION

Two VT agencies share primary responsibility for protecting the integrity of the Medicaid program. The Program Integrity Unit (PIU) of the Office of VT Health Access (OVHA) and the Medicaid Fraud and Residential Abuse Unit (MFRAU) of the Office of the Attorney General are committed to combating provider fraud and abuse in the VT Medicaid program.

It is estimated that nationally, as much as 9.6% of Medicaid claims can be classified as improper payments. In VT, one of the nation's smaller Medicaid programs, the percentage of claims classified as improper payments is estimated to be much lower. The State Auditor's Office produced reports in 2006 and 2007 that examined potential improper payments in the pharmacy program and to physicians and institutions. These reports, though somewhat limited in scope, indicate improper payments in the range of 1% to 2%. The State Auditor's reports recommended increased use of data mining in order to better detect improper payments.

MFRAU is prohibited by federal regulation from data mining. MFRAU therefore relies heavily on the PIU and the Office of Inspector General fraud hotline for referral of provider fraud cases. In addition to improper payments as outlined above, MFRAU has aggressively participated in Global Fraud cases. These are multi-state cases that involve large corporations who are accused of committing Medicaid fraud. The VT Medicaid program has received millions of dollars in recoveries due to improper billing in these types of cases.

This document provides the business and best practices plan intended to increase more substantial monetary recoveries in the coming years.

THE PROGRAM INTEGRITY UNIT

The PIU operates under the Agency of Human Services (AHS) within the Office of VT Health Access (OVHA) and is responsible for the integrity of the VT Medicaid program. The PIU conducts audits and investigations as a result of program referrals, aberrant provider submissions/billing, and data mining. The PIU coordinates their efforts with the Medicaid Fraud and Residential Abuse Unit (MFRAU).

The PIU currently has 4.5 full time staff consisting of the PIU Manager, one PIU operations administrator, one program & operations auditor, one nurse case manager and one health care administrator.

Effective September 1, 2009, the OVHA underwent a complete reorganization to better align services and to better support the VT Medicaid program. As a result, the Program Integrity Unit and the Quality Improvement Unit have merged as one. This reorganization has afforded the PIU with an additional staff member (1/2 FTE) to serve as an analyst to combat fraud, waste and abuse.

THE MEDICAID FRAUD AND RESIDENTIAL ABUSE UNIT

The VT Attorney General's Medicaid Fraud and Residential Abuse Unit (MFRAU) is a state-run program, jointly funded by federal (75%) and state (25%) monies. The Unit became operational in February 1979 to investigate and prosecute healthcare providers who commit fraud against the Medicaid program and to also respond to complaints of abuse, neglect, and exploitation of vulnerable adults in Medicaid-funded facilities and programs.

The Unit is currently staffed with two attorneys, (one Director and one staff attorney), two law enforcement investigators, two analysts and one program technician. The office is currently recruiting a third attorney, who will concentrate on provider fraud, waste and abuse cases.

RECOMMENDATIONS TO INCREASE VERMONT MEDICAID RECOVERIES

Tools to Strengthen Collaboration Between the PIU and MFRAU

Regular meetings between the two entities as well as other state and federal agencies promote the high level of communication that will be necessary to increase the number of referrals and recoveries:

- Monthly meetings are scheduled for PIU and MFRAU staff to discuss potential and current cases.
- The PIU and MFRAU Directors will meet monthly to discuss high level issues and current cases.
- The PIU and MFRAU Directors will meet quarterly with the Commissioner of Finance and Management to discuss recoveries.
- The PIU will conduct bi-annual meetings with the US Attorney's Office, Office of Professional Regulation, Office of Inspector General, and MFRAU to discuss emerging trends in healthcare fraud, waste and abuse and new and improved methods of investigation and compliance.
- The PIU will continue to coordinate and meet regularly with other units within OVHA (e.g., Coordination of Benefits, Clinical unit, Pharmacy unit, Care Coordinators, Transportation unit, Payment and Policy committee).
- The PIU will continue to coordinate program activities and functions with other departments within the Agency of Human Services to ensure consistency in program guidelines and adherence to policy.
- MFRAU will continue to issue press releases for each civil or criminal case and any cost saving or provider education initiatives.
  (This step is intended to educate the public and to deter further abuses.)

Tools To Enhance Medicaid Recoveries

The PIU has several tools and uses a compilation of several key pieces of information to identify and combat fraud, waste and abuse in the VT Medicaid program. The number of referrals reported to the PIU continues to grow, which in turn could result in higher PIU recoveries and improved cost containment due to ongoing provider education, program process improvement plans and monitoring protocol of fraud, waste and abuse.

The following are tools the PIU will utilize to increase referrals and monetary recoveries for both Units:

- **Decision Support System (DSS)/Profiler**
  The Decision Support System (DSS) is a tool that provides the framework for oversight of Medicaid services to ensure they are effective and efficient, adhere to policy, and meet standard of practice and billing compliance. Reports generated by the DSS allow the PIU staff to compare providers with their peers by unique case types. This is a

valuable tool for detecting under and over utilization as well as outliers within. In order to take full advantage of the DSS, the OVHA is currently working with Electronic Data Systems (EDS) to update the DSS with up to date billing codes (CPT, HCPCS and ICD-9). This will maximize the DSS functionality; identify potential overpayments and give our clinical unit additional information regarding the prior approval process. These updates will be complete for CYQ1 2010 data runs.

- **Medicaid Management Information System (MMIS) and ClaimCheck/ClaimReview**
  There are more than 700 various MMIS edits and audits in the MMIS system, which are designed to prevent errors in payment. These edits and audits are pre-payment and are used to analyze claims for clean claims submissions, proper billing, correct coding and adherence to VT Medicaid policy. In addition to the MMIS edits and audits, the OVHA also uses McKesson's ClaimCheck/ClaimReview (CC/CR) software. The CC/CR software is also a pre-payment auditing tool that reflects the American Medical Association guidelines, CMS, specialty society guidelines and industry standards. CC/CR uses a clinical knowledge base to create and ensure clinically valid edits.
- **Ingenix/HWT Post Payment Review**
  The OVHA has also contracted with Ingenix to provide post-payment reviews of claims data. Ingenix has created a Program Integrity database consisting of 7 years of Medicaid medical, pharmacy and institutional data, as well as ancillary data sources. Ingenix employs a rules based algorithmic process of data mining designed to identify specific claims that should not have been paid based upon policy or accepted coding methodologies. The design of the claims data analysis and post payment review is structured to provide robust and efficient reports valuable to OVHA. These reports are designed utilizing an algorithmic approach to data mining focusing on provider types prioritized by OVHA, such as Physician, Pharmacy, Nurse Practitioner, DME and Hospice.

  - The results of these algorithms can be used to identify aberrant billing patterns and outlier providers resulting in:

    a. Identification of subject providers for future audits
    b. Referrals to law enforcement, including the Attorney General's Medicaid Fraud and Residential Abuse Unit
    c. Direct recoupment of overpaid claims from providers
    d. Policy and payment system changes that will result in future savings
    e. Educational opportunities for OVHA and its providers

  - Ingenix also has algorithms designed to identify overpayments by all major provider types. Ingenix will identify overpayments made as a result of inappropriate billing and coding combinations such as mutually exclusive and inclusive, unbundling and duplicative payments. Based upon its experience in other states and its work to date, Ingenix believes that documented savings in excess of $1 million per year should be achievable under this contract. While this number is an estimate, it is an estimate based on current VT Medicaid claims data analysis.

  - The joint efforts of OVHA and Ingenix have produced several analyses implemented on the Medical and Pharmacy data. Examples include:

    a. A review of medical data from November 2006 – November 2008, concentrating on the CMS National Correct Coding Initiative identified 153 providers above a $1,000 threshold that appear to be coding improperly.

b. A historic review of pharmacy claims from 2001 to present identified 175 providers well over $1,000 in potential overpayments in 4 different analyses. These findings will be further refined once a timeframe has been decided and the drug pricing file, co-pay and other pharmacy information that applies to the claims data is available. Incorporating these factors will alter the potential overpayment and will provide more accurate results.

Taking into consideration the caveats mentioned above, and applying a one year timeframe to the results, the potential savings currently generated is over $375,000. This is a conservative estimate based on a 60% recovery/cost avoidance figure without OVHA SME validation and algorithm reiterations applying feedback from SME review. OVHA and Ingenix will refine the current results set; construct additional analyses and are considering a refresh of the data over the next three months.

Resources Used For Investigations and Monitoring

- Business agreements with agencies and departments outside of the OVHA such as the Agency of Transportation for better monitoring of the transportation program within VT Medicaid.
- Claims processing system tools such as MMIS – Medicaid Management Information System and RX Claim – the pharmacy benefit management software.
- ACCESS – The VT Medicaid Beneficiary Eligibility tracking system.
- Routine communication with each department and agency that works with the Medicaid population to maintain consistent communication regarding policies and procedures within their programs.
- Recipient Explanation of Benefits (REOMB) process to verify receipt of billed services.
- Pharmacy Services Review to identify potential abuses of drugs within the system.
- Policy, Pricing and Edit Review to resolve provider and MMIS issues, and coding review for appropriate edits and audits.

Other Programs/Initiatives to Increase Monetary Recoveries

The PIU and MFRAU have been working to implement programs and initiatives to increase referrals and awareness thereby increasing the monetary recoveries for the VT Medicaid program.

Deficit Reduction Act/ Medicaid Integrity Program: The Centers for Medicare & Medicaid Services, Medicaid Integrity Group (CMS-MIG), in accordance with the Deficit Reduction Act has engaged Medicaid Integrity Contractors (MICs) to audit VT Medicaid claims to identify overpayments to individuals or entities that received Federal funds. These MIC audits will begin as early as CYQ1 2010 and will be on-going monthly reviews in which the OVHA will work very closely with the MIC contractors. These audits have the potential to generate additional monetary recoveries in the coming several years by both the PIU and MFRAU; however, the PI unit staff resources will need to be redeployed in order to comply with additional CMS requirements; thus internal data mining efforts and the ability to receive outside referrals will be limited due to the need to respond to CMS.

- **Intermediary Service Organization:** ARIS Solutions is the Intermediary Service Organization that is contracted by the State for consumer directed services. MFRAU and PIU are working on recommendations to ARIS to upgrade their payroll system to allow electronic monitoring of payroll data to help easily identify erroneous payments and fraudulent activity.

- **Operation Timesheet Fraud:** In 2009 MFRAU and the OIG planned a timesheet fraud operation and have actively investigated numerous timesheet fraud cases that are currently being prosecuted by the MFRAU. This operation will shed light on the growing problem of timesheet provider fraud in the Medicaid program. Another goal of this joint initiative is to highlight fraud enforcement efforts with the hope of deterring other personal care attendants from committing similar crimes. Phase I was implemented in CY 2009. Phase II will begin in CY 2010. Overall recoveries are estimated to be $50,000 in CY 2010, with increased cost savings to the program in CY 2011.

- **Training:** The PIU and MFRAU are planning a statewide fraud training for state agencies receiving and distributing Medicaid funds next spring. The purpose of this training will be to generate more referrals and educate other state employees and agencies regarding Medicaid fraud, waste and abuse. PIU staff will attend trainings provided by the Medicaid Integrity Institute that are federally funded. These trainings are essential for new staff and will improve the skills of more experienced staff.

- **Memorandum of Understanding (MOU):** The MOU between OVHA and MFRAU will expire in March 2010. Staff from PIU and MFRAU are currently working to update the MOU and include procedures and protocols such as forms, checklists and investigative tools to improve the referral process.

  This initiative will help streamline the process of referrals, improve communication, determine which cases should be referred to MFRAU and assist with prioritizing the caseload for both Units.

- **Program Integrity Working Group:** Following an example set forth by the Ohio Medicaid Fraud Control Unit and Program Integrity Unit, MFRAU and PIU will implement a working group that works to identify data mining initiatives that can be employed by the PIU to identify aberrant and fraudulent activity. Areas of focus will include: home health, mental health, transportation providers and physician services providers.

  The working group will give MFRAU and PIU a forum to review reports that were generated as a result of the data mining activities performed by the PIU on a monthly basis to help identify abnormalities and possible referrals to MFRAU. As part of this review process the two units will review 3-5 cases each month and identify one "provider case of the month" that will be referred to MFRAU. These reviews will also result in program recommendations for cost savings which will be identified and documented by the two units and will be reviewed by the unit directors for action.

TWO-YEAR CASE SUMMARY AND RECOVERIES

Program Integrity Unit Case Summary		
SFY	**Investigations Received**	**Recoveries**
2008	161	$2,891,984
2009	452	$1,941,178

Medicaid Fraud and Residential Abuse Unit		
SFY	**Investigations Opened**	**Recoveries**
2008	121	$4,426,068
2009	129	$4,690,256

CONCLUSION

Although we cannot put a specific dollar amount on the increase in the monetary recoveries that will result from the above business plan, these tools and initiatives are designed to identify additional areas of potential fraud and to increase referrals to the MFRAU so that maximum recoveries are made for the VT Medicaid program.

VERMONT

Agency of Administration

Affordable Housing Tiger Team

Enhancing Investments in Affordable Housing

Prepared December 10, 2009

Executive Summary

Recognizing current economic realities, a Tiger Team was formed to profile and review key financial data of Vermont's affordable housing delivery system and to suggest and explore opportunities to enhance the efficiency of the system. With this goal in mind, the team reviewed financial data, including audited financial statements and IRS 990 documents, provided by or available for the five state housing entities[1] and twelve non-profit affordable housing organizations.[2] In 2008, the five state housing entities spent $124.5 million and the 12 non-profit organizations over $34 million, with almost $9 million and over $13.9 million respectively expended on personal services. Further, the Team identified $232.6 million in net assets, up from $186.8 million in 2005. Given the complexity of the statewide affordable housing infrastructure, the Team observed that a 10% savings in administrative costs through a redesign of Vermont's affordable housing organizational infrastructure would lead to increased investments in affordable housing. Further, the Team's review identified several areas of recommendation for consideration by the VHCB Board, the Administration and the Legislature for possible cost savings and revenue enhancement opportunities and better leverage of net assets. Leveraging these opportunities could generate $20 million in additional investments in affordable housing as well as secure the repayment of VHCB loans, which in turn can be recycled for additional investments in affordable housing. The members of the Team were: Tayt Brooks-ACCD; Cathy Voyer-AHS; Clayton Clark-Military; David Cohen-AHS; and Mary Morrison-Agriculture.

The State of Vermont Affordable Housing Entities

There are five entities of state government with a primary purpose to serve the affordable housing community. These include the Vermont Housing Finance Agency (VHFA), the Vermont State Housing Authority (VSHA), the Housing Foundation, Inc. (HFI), the Vermont Housing and Conservation Board (VHCB), and the Department of Economic, Housing and Community Development (DEHCD). These five statewide housing entities employ over 130 employees (about the size of the Dept. of Fish and Wildlife) and expended $124.5 million in 2008. The management system for these employees and expenditures entails four separate Boards with 37 individual board members (VHFA – 10; VHCB – 11; VSHA – 7; VCDP – 9), three Executive Directors, a Commissioner and supporting staffs. These entities often collaborate to provide funding to affordable housing projects, especially through Vermont's non-profit affordable housing network, which in turn expended over $34 million in 2008 with over 260 employees.

Generally, VHFA provides low interest mortgage financing for single family homes and federal tax credit enhancement for multi-unit projects; the VSHA manages the State's federally funded Section 8 certificate program in addition to the direct management of affordable housing units

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[1] The five state housing agencies are- the Vermont Housing Finance Agency, the Vermont State Housing Authority, the Housing Foundation, Inc., the Vermont Department of Economic, Housing, and Community Development, and the Vermont Housing and Conservation Board.

[2] The twelve non-profit affordable housing organizations include- Cathedral Square, Champlain Housing Trust, Twin Pines Housing Trust, Rockingham Area Community Land Trust, Rutland County Community Land Trust, Lamoille Housing Partnership, Gilman Housing Trust, Addison County Community Trust, Central Vermont Community Land Trust, Windham Housing Trust (Brattleboro Area Community Trust), Regional Affordable Housing Corp., and Housing Vermont.

through its statewide non-profit Housing Foundation , Inc.; DEHCD provides federal CDBG funds through loans and grants to sponsoring municipalities; and VHCB provides investments of state property transfer tax funds as well as federal Home and Lead program funds, among others, to affordable housing projects as well as investments in land conservation.

To illustrate how these numerous investment silos interact, Attachment A is a copy of the "Promissory Note", the "Mortgage Deed", the "VHCB Housing Subsidy Covenant" and the "Closing, Assumption and Priority Agreement" for the Bianchi-Herbert project in Montpelier. These closing documents as well as two other sets were provided by VHCB as representative project documents. One can see from page 4 of the Closing, Assumption and Priority Agreement that five publicly funded entities (VHCB, VHFA, the City of Montpelier and through the City the DEHCD, and the Central Vt. Community Land Trust, among others, hold 12 separate prioritized interests in the deed to the property.

Because the combined total operating costs of these entities are substantial, cost savings may be found through a re-engineering of the current stove pipe configuration of state funding sources.

State Housing Entity Expenditures
The combined expenditures for the five state entities in 2008 totaled $124,546,225. These expenditures have increased from $106,519,397 million in 2005 for a 5.35% compound annual growth rate. Total expenditures for each entity in 2008 ranged from a high of $50,162,792 for VHFA to a low of $359,116 for DEHCD. Between 2005 and 2008, increases in expenditures ranged from a high of 7.65% for VHFA to a low of -0.27% for DEHCD.

State Housing Entities' Expenditures			
	Expenditures 2005	Expenditures 2008	Compound Annual Growth Rate
VHFA	$ 40,208,626	$ 50,162,792	7.65%
VSHA	$ 38,259,274	$ 43,296,806	4.21%
Housing Foundation	$ 4,777,258	$ 5,512,230	4.89%
VHCB	$ 22,912,231	$ 25,215,281	3.24%
DEHCD	$ 362,008	$ 359,116	-0.27%
Total	$ 106,519,397	$ 124,546,225	5.35%

Source: Annual Audited Financial Statements of Statewide Entities except DEHCD. DEHCD information is the portion of Department's activities dedicated to housing functions.

State Housing Entity Personal Services
Personal services expenses are a subset of the total expenditures referred to above. The five state entities range in size from sixty-seven (67) full time equivalent employees (FTE) at VSHA, inclusive of Housing Foundation Inc., to four (4) at DEHCD. VHFA employed 36 FTE's in 2008 and VHCB 23 for a combined total across all four entities of 130 employees. The combined total for personal services expenditures for the state entities in 2008, which may include service

contracts, totaled $8,998,175 which is a 5.82% compound annual growth rate since 2005. Total personal services expenditures per entity ranged from a high of $3,301,633 for VHFA (a 9.44% annual increase) to a low of $285,475 for HFI (a 7.75% annual increase). In 2008, top executive salaries ranged from $118,756 at VHFA, $117,239 at VSHA, $103,524 at VHCB, and $66,050 at DEHCD. Salaries for each organization's employees, including senior leadership, however, were comparable although slightly higher relative to the salaries of similar positions within the State of Vermont's classified system.

State Housing Entities' Personal Services Expenditures			
	PS Expenditures 2005	PS Expenditures 2008	Compounded Annual Growth Rate
VHFA	$ 2,518,983	$ 3,301,633	9.44%
VSHA	$ 2,753,252	$ 3,080,052	3.81%
Housing Foundation	$ 228,177	$ 285,475	7.75%
VHCB	$ 1,760,294	$ 2,003,459	4.41%
DEHCD	$ 333,470	$ 327,556	-0.59%
Total	$ 7,594,176	$ 8,998,175	5.82%
Source: Annual Audited Financial Statements of Statewide Entities except DEHCD. DEHCD information is the portion of Department's personal services dedicated to housing functions.			

State Housing Entity Revenues

The state entities' combined 2008 revenues total $127,274,363, for a 6.43% annual growth rate since 2005. Total revenues and annual growth rates for each entity range from highs of $ 52,414,391 for VHFA (11.03%) and $43,510,116 for the VSHA (3.77%) to lows of $25,732,185 for VHCB (4.60%) and $ 5,617,671 for the Housing Foundation (1.39% decrease).

State Housing Entities' Total Revenues			
	Total Revenues 2005	Total Revenues 2008	Compounded Annual Growth Rate
VHFA	$ 38,291,171	$ 52,414,391	11.03%
VSHA	$ 38,933,238	$ 43,510,116	3.77%
Housing Foundation	$ 5,859,291	$ 5,617,671	-1.39%
VHCB	$ 22,486,033	$ 25,732,185	4.60%
Total	$ 105,569,733	$ 127,274,363	6.43%
Data from Annual Audited Financial Statements of Statewide Entities.			

State Housing Entity Net Assets
The state entities' combined 2008 net assets totaled nearly one-quarter billion dollars at $232,591,671. Since 2005, net assets have increased from $186,768,205 for a 7.59% annual growth rate. The total net assets for 2008 and associated annual growth rates since 2005 for each entity ranges from highs of $133,668,614 for VHCB (10.67%) and, $84,257,542 (3.32%) for VHFA to lows of $10,222,246 (3.52%) for HFI and $4,443,269 (20.51%) for VSHA. Assets included, among other things, loan receivables, real property, and cash and investments.

State Housing Entities' Net Assets			
	Net Assets 2005	**Net Assets 2008**	**Compounded Annual Growth Rate**
VHFA	$ 76,391,181	$ 84,257,542	3.32%
VSHA	$ 2,538,725	$ 4,443,269	20.51%
Housing Foundation	$ 9,213,709	$ 10,222,246	3.52%
VHCB	$ 98,624,590	$ 133,668,614	10.67%
Total	$ 186,768,205	$ 232,591,671	7.59%
Data from Annual Audited Financial Statements of Statewide Entities.			

Vermont's Non-Profit Affordable Housing Development Community
Beneath the statewide housing entities described above are at least twelve (12) non-profit housing organizations[3] located throughout the state whose primary mission is the development and/or management of publicly funded affordable housing

Non-Profit Expenditures
For 2008, expenditures of these non-profit entities totaled just over $34 million, up from $25.8 million in 2005 for an annual growth rate of 9.7%. Total expenditures and annual growth rates over 2005 levels for each entity in 2008 ranged from a high of $ 7,281,261 for Champlain Housing Trust (4.50%) to a low of $606,383 (14.85%) for the Lamoille Housing Partnership.

[3] The twelve non-profit affordable housing organizations referred to herein include- Cathedral Square, Champlain Housing Trust, Twin Pines Housing Trust, Rockingham Area Community Land Trust, Rutland County Community Land Trust, Lamoille Housing Partnership, Gilman Housing Trust, Addison County Community Trust, Central Vermont Community Land Trust, Windham Housing Trust (Brattleboro Area Community Trust), Regional Affordable Housing Corp., and Housing Vermont.

Affordable Housing Non-Profits' Expenditures			
	Expenditures 2005	Expenditures 2008	Compounded Annual Growth Rate
Champlain Housing Trust/ Burlington Land Trust/Lake Champlain Housing	$ 6,380,124	$ 7,281,261	4.50%
Cathedral Square	$ 5,616,844	$ 6,560,102	5.31%
Housing Vermont	$ 2,017,632	$ 2,698,991	~~10.18%~~
Gilman Housing Trust	$ 2,807,827	$ 2,850,234	0.50%
Central VT Community Land Trust	$ 1,824,403	$ 2,612,902	12.72%
Windham Housing Trust (Brattleboro Area Comm. Trust)	$ 2,047,603	$ 2,459,804	6.30%
Rutland County Community Land Trust	$ 1,039,968	$ 1,843,135	21.02%
Rockingham Area Community Land Trust	$ 1,488,807	$ 3,375,535	31.37%
Addison County Community Trust	$ 1,029,434	$ 1,302,347	8.15%
Regional Affordable HousingCorp.	$ 564,685	$ 1,664,798	43.39%
Twin Pines Housing Trust	$ 540,391	$ 747,643	11.43%
Lamoille Housing Partnership	$ 400,323	$ 606,383	14.85%
Total	$ 25,758,041	$ 34,003,135	9.70%
Data from Annual Audited Financial Statements of 12 Affordable Housing Non-Profits.			

Non-Profit Personal Services Expenditures

Personal services expenses are a subset of the total operating expenditures referred to above. The combined total for personal services expenditures for the non-profit organizations in 2008 totaled $13,923,697, or an 11.3% compounded annual growth increase over 2005 levels. Total personal services expenditures and annual growth rates per entity ranged from a high of $3,978,710 (11.44%) for the Champlain Housing Trust to a low of $173,093 (.25% decrease) for the Lamoille Housing Partnership.

The affordable housing non-profits employ a total of 269 FTEs. The number of FTEs per entity ranges from a high of eighty two (82) at Cathedral Square Corporation to lows of four (4) at Lamoille Housing Partnership and Addison County Community Trust.

Affordable Housing Non-Profits' Personal Services Expenditures				
	PS Expenditures 2005	**PS Expenditures 2008**	**Compounded Annual Growth Rate**	**2008 FTEs**
Champlain Housing Trust/ Burlington Land Trust/Lake Champlain Housing	$2,875,065	$ 3,978,710	11.44%	73
Cathedral Square	$2,745,977	$ 3,644,654	9.90%	82
Housing Vermont	$1,406,716	$ 1,656,279	5.59%	21
Gilman Housing Trust	$ 635,626	$ 749,045	5.63%	16
Central VT Community Land Trust	$ 699,023	$ 1,042,303	14.24%	22
Windham Housing Trust (Brattleboro Area Comm. Trust)	$ 558,074	$ 959,004	19.78%	18
Rutland County Community Land Trust	$ 360,941	$ 550,699	15.12%	-
Rockingham Area Community Land Trust	$ 246,942	$ 517,343	27.96%	14
Addison County Community Trust	$ 231,283	$ 353,358	15.17%	4
Regional Affordable HousingCorp.	-	-		9
Twin Pines Housing Trust	$ 176,231	$ 305,209	20.09%	6
Lamoille Housing Partnership	$ 171,803	$ 173,093	0.25%	4
Total	$10,107,681	$13,929,697	11.28%	269
Personal service costs from Annual Audited Financial Statements and FTEs from the IRS 990's of 12 Affordable Housing Non-Profits.				

Attachment B, a recent staff directory for the Central Vermont Community Land Trust, profiles the types of positions supported by the rents and other revenues of non-profit affordable housing providers.

Top executive salaries, the number of salaries over $50,000 and total salaries over $50,000, all exclusive of fringe benefits, are profiled in the following table.

Affordable Housing Non-Profit Salaries – 2007/2008			
	Top Salary or Compensation	**Number of Salaries over $50,000**	**Total Salaries over $50,000**
Champlain Housing Trust/ Burlington Land Trust/Lake Champlain Housing	$102,000	7	$471,896
Cathedral Square	$96,727	8	$544,074
Housing Vermont	$141,385	5	$474,405
Gilman Housing Trust	$32,500		
Central VT Community Land Trust	$59,876	1	$59,876
Windham Housing Trust (Brattleboro Area Comm. Trust)	$73,970	1	$73,970
Rutland County Community Land Trust	$62,000	1	$62,000
Rockingham Area Community Land Trust	$54,365	1	$54,365
Addison County Community Trust	$66,000	2	$118,000
Regional Affordable HousingCorp.	$54,192	1	$54,192
Twin Pines Housing Trust	$75,213	2	$127,656
Lamoille Housing Partnership	$50,398	1	$50,398
Total	$868,626	30	$2,090,832
Data from most recent 2007/2008 IRS 990 submissions			

Non-Profit Revenues

The combined revenues of the non-profit housing organizations in 2008 total $39,402,868, a compounded annual growth rate of 11.57%. The five non-profit organizations with the highest revenues for 2008 were Champlain Housing Trust at $10,629,885 (4.07%); Cathedral Square at $6,513,822 (6.27%); Rockingham Area Community Land Trust at $4,135,919 (39.53%); Gilman Housing Trust at $3,306,471 (11.64%); and Housing Vermont at $ 2,959,054 (6.75%).

Affordable Housing Non-Profits' Total Revenues			
	Revenues 2005	**Revenues 2008**	**Compounded Annual Growth Rate**
Champlain Housing Trust/ Burlington Land Trust/Lake Champlain Housing	$ 9,431,108	$10,629,885	4.07%
Cathedral Square	$ 5,427,483	$ 6,513,822	6.27%
Housing Vermont	$ 2,432,725	$ 2,959,054	6.75%
Gilman Housing Trust	$ 2,376,174	$ 3,306,471	11.64%
Central VT Community Land Trust	$ 2,116,423	$ 2,613,965	7.29%
Windham Housing Trust (Brattleboro Area Comm. Trust)	$ 1,568,306	$ 2,794,278	21.23%
Rutland County Community Land Trust	$ 868,816	$ 1,621,998	23.13%
Rockingham Area Community Land Trust	$ 1,522,400	$ 4,135,919	39.53%
Addison County Community Trust	$ 932,450	$ 1,337,655	12.78%
Regional Affordable HousingCorp.	$ 785,907	$ 1,798,372	31.78%
Twin Pines Housing Trust	$ 582,366	$ 872,168	14.41%
Lamoille Housing Partnership	$ 329,156	$ 819,281	35.52%
Total	$28,373,314	$39,402,868	11.57%
Data from Annual Audited Financial Statements of 12 Affordable Housing Non-Profits.			

Non-Profit Unit Count

Based on website information and Team calls to non-profits, the number of units per organization range from a low of 139 (Randolph Area Community Development Corp.) to a high of 1,876 (Champlain Housing Trust).Vermont's affordable non-profit network includes Vermont's largest landlords.

Affordable Housing Non-Profits' Total Units	
	Total Units Controlled
Champlain Housing Trust/ Burlington Land Trust/Lake Champlain Housing	1876
Cathedral Square	944
Randolph Area Community Development Corp	139
Gilman Housing Trust	604
Central VT Community Land Trust	491
Windham Housing Trust (Brattleboro Area Comm. Trust)	466
Rockingham Area Community Land Trust	410
Addison County Community Trust	586
Regional Affordable HousingCorp.	211
Twin Pines Housing Trust	212
Lamoille Housing Partnership	209
Total	6148
Source: local non-profit housing group websites and phone interviews.	

Non-Profit Net Assets

The combined net assets of the non-profit housing organizations in 2008 total $81,428,230, a 9.14% annual increase over the 2005 level of $62,635,533. These assets included $11,458,471 in cash and cash equivalents as compared to $8,163,083 in 2005, for an annual growth rate of 11.97%. Some restrictions exist on certain cash holdings. The total net assets and growth rate of each entity range from a high of $30,263,599 (10.73%) for the Champlain Housing Trust to a low of $1,620,006 for Cathedral Square (11.27% decrease).

Affordable Housing Non-Profits' Net Assets			
	Net Assets 2005	Net Assets 2008	Compounded Annual Growth Rate
Champlain Housing Trust/ Burlington Land Trust/Lake Champlain Housing	$ 22,289,249	$ 30,263,599	10.73%
Cathedral Square	$ 2,319,009	$ 1,620,006	-11.27%
Housing Vermont	$ 4,088,256	$ 5,237,496	8.61%
Gilman Housing Trust	$ 7,251,004	$ 9,338,358	8.80%
Central VT Community Land Trust	$ 5,921,525	$ 6,340,306	2.30%
Windham Housing Trust (Brattleboro Area Comm. Trust)	$ 5,125,328	$ 7,213,287	12.07%
Rutland County Community Land Trust	$ 3,155,242	$ 3,164,923	0.10%
Rockingham Area Community Land Trust	$ 4,270,246	$ 4,562,809	2.23%
Addison County Community Trust	$ 2,106,579	$ 2,611,905	7.43%
Regional Affordable HousingCorp.	$ 2,347,699	$ 6,950,685	43.59%
Twin Pines Housing Trust	$ 1,935,788	$ 2,176,017	3.98%
Lamoille Housing Partnership	$ 1,825,608	$ 1,948,839	2.20%
Total	$ 62,635,533	$ 81,428,230	9.14%
Data from Annual Audited Financial Statements of the 12 Affordable Housing Non-Profits.			

Liquidity and Leverage of State Housing Entity Net Assets

The net assets of the VSHA are substantially fixed property and therefore not highly liquid. However, for both VHFA and VHCB, net assets are comprised largely of loan receivables. As a routine practices, VHFA recycles these receivables to generate additional lending capacity for their home ownership programs.

VHCB, however, the state entity with the highest level of loan receivables net of expected loan losses (see chart below), has yet to formally adopt a clear path relative to the management of VHCB's substantial loan receivables. Possibly, the lack of clarity with regard to VHCB's management of receivables is due to the fact that "maturity dates" for the repayment of these receivables have only recently been reached, given the VHCB loan origination dates began in the late 1980's, shortly after the creation of VHCB. However, it appears that VHCB, along with

VHFA which sometimes participates in VHCB loans, have already deferred the repayment of over $8 million loan repayments.

VHCB's Net Loan Receivable

Year	Net Loan Receivable	Average Annual Growth Rate since 2005
2005	$ 77,535,750	
2008	$ 106,237,537	11.1%
2009	$ 114,700,526	10.3%

Data on loans receivable from VHCB's 2005, 2008 and 2009 Audited Financial Statements.

The above receivable is comprised of several revenue sources for the loans. Largest among these, comprising more than 60% of the total is the Vermont Housing and Conservation Trust, funded primarily by state property transfer tax revenues and bond funds. Other revenue sources include federal Home funds and Lead funds, among others.

<u>Areas of Focus to Increase Liquidity and Leverage</u>

As noted earlier, VHCB provided the Team with loan documentation for three affordable housing projects representing the general structure of state financing packages for affordable housing developments. For purposes of illustration, one of these, the 18 unit Bianchi-Herbert loan package is attached in its entirety, (Attachment A) and will be used to profile areas for recommended review and action by the VHCB Board and others to enhance the utility of VHCB's net assets.

First, it's significant to note the complexity of the loan documents relative to the number and nature of public sector investments. In addition to private bank financing of $1,200,000, the Bianchi-Herbert project involved five separate publicly funded entities, sometimes on multiple fronts.

- VHFA – Federal Tax Credits
- VHCB
    - $8,550 Feasibility Grant
    - $6,500 Feasibility Grant
    - $440,000 VHCB Loan
    - $350,000 Home Program loan
    - $24,500 Lead Program loan
- City of Montpelier
    - $52,000 City Housing Trust Fund loan
- City of Montpelier and DEHCD
    - $409,000 VCDP loan
- Central Vermont Community Land Trust
    - $32,775

The administratively complex and overlapping nature of the above public investment structure, and the likely extensive costs in legal fees and taxpayer funded administrative salaries, is an area for possible reform. This area is underscored on Page 4, Section 25 of the Bianchi-Herbert project "Closing, Assumption and Priority Agreement" where title to the project is subject to 12 separate and prioritized interests of the various entities providing funds.

Repayment Provisions and Reserve Accounts

Relative to the VHCB loans, VHCB provided the Team with the Mortgage Deed and Promissory Note, but not for the Home Program or Lead Program loans, although these are referenced in the VHCB loan mortgage and promissory note. It's important to note that both the mortgage deed and promissory note contain no forgiveness or deferment provisions. Any such deferment or forgiveness is the result of subsequent VHCB action to the execution of the mortgage and promissory notes. The promissory note contains the explicit requirement that the "entire unpaid principal balance and all other sums due to (VHCB) under this Note, shall be due and payable in full, without demand, protest, or notice of protest" on the maturity date. Assumingly, the Home Program and Lead Program loans contain the same strict requirements for repayment, the clear expectation and legally binding requirement to the Borrower is that the VHCB loans be repaid.

Further, Section 5 of the VHCB Housing Subsidy Covenant requires that "except where the Owner has paid all Project Costs, as defined in section 6 below, income from the Property shall be used exclusively for Project Costs." Section 6 defines Project Costs as "installments of principal and interest on outstanding debt together with all reasonable operating expenses of the Property, including all required or necessary payment to reserve accounts." Clearly, VHCB's Housing Subsidy Covenant prioritizes payments of principal and interest on outstanding debt.

However, in an 11/09/09 memo to Commissioner Brooks regarding VHCB's view on Section 6, VHCB Executive Director Seelig stated, "In addition, legal counsel confirms that VHCB does not interpret this definition to include reserve funds to repay VHCB loans." Further, Seelig writes that, "The Board understands that our loans may need to be refinanced and deferred. It is and will be the Board's practice to evaluate each project on a case by case basis. To date, the tax credit projects that have reached the end of the tax credit period are listed below. ....In each of these projects the original VHCB deferred loan was deferred for an additional 30 years."

The listed projects included 3 in Burlington, 1 in Montpelier, 1 in Brattleboro, 1 in Middlebury, 1 in Barre and the Whitney Hill Homestead. From a loan inventory provided to the Team by VHCB, the value of the deferred loans appears to be over $8.5 million. The new deferred maturity dates ranged from 2020 to 2039. With such extended dates, the value of these loans for reinvestment in affordable housing projects is severely diminished due to inflation.

A clear and fiducially oriented policy and procedure, consistent with affordable housing objectives, formally adopted by the VHCB Board relative to the management of these assets may offer VHCB a substantial current and future resource for additional investments in affordable housing. A formal policy would also provide greater transparency to the management of this important and substantial asset as opposed to the current "case-by-case" approach noted above and Board Chair empowered decision-making process profiled below.

<u>Revenue Maximization in the Context of Affordability</u>

For the Bianchi-Herbert Project, Sections 7 and 7A detail income qualifications and rent restrictions. Section 7 provides general guidance in these areas for non-Home units while Section 7A provides enhanced guidance for "Home" units, units designated under the federal Home program regulations. Section 7, which applies to the majority of units in the project, states, "For purposes of this Covenant, units are deemed to be affordable where households occupying them pay no more than 30% of Household Income, **at their date of initial occupancy**, for rent." (emphasis added) Household Income is defined as, "**at their date of initial occupancy**, is less than or equal to 80% of Median Income."

In contrast, Section 7A, which applies to a minority of the units in the project, does not contain a provision that limits a definition of affordability to "at their date of initial occupancy". Unlike Section 7, Section 7A contains the following requirement:

> "Owner shall reexamine the income of each household occupying a Home unit **at least annually**. (emphasis added) Owner shall consult with VHCB staff prior to filling vacant Home units. If increases in the incomes of existing tenants occupying Home units results in noncompliance with the income limitations set forth in subsection (b) above, Owner shall take actions satisfactory to VHCB to ensure that the next available Home unit vacancies are filled in accordance with said income limitations until the noncompliance is corrected."

In general, over time, incomes rise. Given the provisions of Section 7 above, incomes in non-Home units can rise with no direct consequence or benefit to the rent paid. After "the date of initial occupancy", as incomes rise, rent payments can fall to below 30% of Household Income, causing the project lost opportunity relative to potential revenues to support project costs, including repayment of VHCB loans.

Rent compliance data provided by VHCB indicates material growth in the cumulative incomes of project occupants. Of the three sets of project documents provided to the Team by VHCB, two were executed in 2007 thus offering only a limited window of time to assess income growth of tenants. However, the 26 unit Stonehill Project in Middlebury was initiated in July, 2005 and the most recent rent compliance monitoring report profiles income changes through September, 2009. The report compiles income information for the "Move-In" date and for the "Re-cert Date". Attachment C is a copy of this compliance report and a profile of income changes by unit. Some units are recorded more than once due to tenant turnover. Cumulatively, over the relatively brief covered period, incomes increased by $126,106 or 21% and at an annual growth rate of 6.58%.

<u>Observations and Recommendations</u>

Savings from State-wide Entity Consolidation: The Team's review indicates that the existence of five separate state-wide entities charged with affordable housing responsibilities creates duplication. Such duplication is evidenced in the overlapping negotiations and contract documents necessary to support a single affordable housing project. Four Boards, 3 Executive Directors, one Commissioner and supporting staffs (legal counsels, financial analysts, etc.) exist to employ and manage 130 people to build affordable housing units resting on a single foundation. This in addition to the staff resources employed at the state-entity non-profit partners. This system obviously works, but can a more simplified system be conceived that puts more direct investment in project construction and operation with less administrative overhead?

The Bianchi-Hebert project is a representative case in point of the inherent duplication of the current system. This multi-agency system requires developers to present their projects and funding requests to at least three taxpayer funded state boards as most affordable housing projects generally incorporate VHFA, VHCB, and DEHCD resources. Additional negotiations and contract documents are often necessary with local taxpayer funded municipal entities. This redundancy adds time and costs to affordable housing projects and could be streamlined if all funding decisions, regardless of the source of funds, were made on a more consolidated basis.

Based on its review and findings, the Team recommends that at least the Executives and Boards of these entities retain a consulting firm to facilitate their consolidation of missions and organizations and to form recommendations to the Administration and the Legislature to streamline the affordable housing funding infrastructure. Certainly, the current structure of four Boards and 4 highly paid CEO's with redundant supporting staffs is not necessary to manage the activities of 130 people. A consolidated entity, assuming no efficiencies, would be about the size of the Dept. of Fish and Wildlife. Given the personnel expenses in 2008 of $8.998 million for just the statewide entities, a savings through consolidation of 10% would save nearly $1 million annually or enough to capitalize $20 million in new affordable housing investments.

Such a redesign would allow for the integration of the current multi-agency system. Integrating the functions of the state housing agencies would assist in streamlining the funding process by providing one stop shopping for affordable housing developers seeking state and/or federal funding for their projects. Having one agency responsible for coordinating the administration of the various state and federal funding programs will also provide consistency in the State's affordable housing finance and development policies and practices.

Enhanced Net Asset Management

The Team found that the majority of under leveraged net assets, over $114 million, are in the control of the VHCB Board. These assets are in the form of loan receivables from local non-profit entities and private partnerships. Generally, the terms of these loans are generous in order to promote affordability, bearing no interest and delayed principle payments. However, loan documents provided the Team stipulate unequivocally the requirement for repayment of the loan to the Trust Fund. However, now that maturity dates for VHCB loans are coming due, the "VHCB Trust Fund" has yet to benefit from the repayment of loans. It appears from VHCB documents, that 8 loans executed in the late 80's or early 90's and valued at over $8 million, some with VHFA participation, have been further deferred for up to an additional 30 years, effectively extending the term to up to 60 years and severely diminishing the economic value of the "loan".

If such deferment is the policy of the VHCB Board and the standard procedure for VHCB loans, the VHCB Board should formally establish a clear Policy and Procedure relative to the expectation that loans be repaid and have such policy properly reflected in VHCB's audited financial statements. In February, 2005, VHCB staff communicated to the Board on this topic after the Heineberg Senior Housing project tax credits expired, the first to do so. VHCB staff wrote:

"Because this is the first tax credit partnership with the VHCB funding to be acquired by a non-profit at the end of the tax credit period, we want to let you know about this transaction and also ask for your approval to modify the terms of the VHCB loan to the development. We would also like to get your permission for staff to deal with similar requests in the future, in consultation with the Board chair." Subsequently, loan terms have been changed with e-mail approvals from the Board chair.

However, assuming the intent is that VHCB loans are truly loans and properly recorded as loan receivables on financial statements, VHCB can take measures to better assure loan repayment. These include:

- Formal adoption by the VHCB board of a policy establishing repayment of the loan as a standard practice but for extraordinary circumstances. Should this not be the policy, VHCB's auditor should be so informed so that the net loans receivable to the Trust Fund can be appropriately valued.
- Formal adoption by the VHCB board that the definition of Project Costs in current and future loan documents, including the current language "**installments of principal and interest on outstanding debt"** incorporates VHCB loans and associated reserves. If VHCB borrowers operate with the explicit or tacit understanding that loans will be forgiven or deferred, then during the original loan term there is little incentive to structure repayment into the operating costs of the project and more incentive to direct project proceeds to other cost centers of the borrower.
- To better insure project revenues rise with incomes to support loan repayments, the formal adoption by the VHCB board of income compliance language for all subsidized units similar to that used for Home units and the elimination of the standard clause "**at their date of initial occupancy".** Requiring annual or periodic income certifications with associated rent adjustments based on established affordability standards offers a fair and reasonable opportunity to raise additional revenue from individuals with expanding incomes who benefit from the state's low and moderate housing funding investments.
- Current VHCB guidelines appropriately direct project owners to fund both "replacement reserves" and "operating reserves", the later to protect the interests of investors. VHCB might establish a policy that at the end of the tax credit period, balances in operating reserves be transferred to the loan repayment reserve.
- VHCB should carefully monitor the expenditure growth of non-profit owners. Growth in personnel costs diminishes the ability to repay VHCB loans. From 2005 through 2008, audited financial statements reveal that cumulative personnel expenditures at VHCB's non-profit partners increased from $10.1 million to $13.9 million for an 11.28% annual rate of increase. Central Vt. Community Land Trust, sponsor of the Bianchi-Herbert project for example, has one of the higher rates of growth supporting 22 positions (see Attachment B) at over $1 million. For example, the minor trimming of personnel expenditures will allow CVCLT to fund a $27,150 annual reserve contribution necessary to repay the VHCB Bianchi-Herbert loans.

Additionally, both VHCB and VHFA might benefit from participation in the Tax Department's Off-set program. VSHA does participate and in fiscal 2009 netted $79,442 from 222 delinquent accounts. This program allows state entities to certify their delinquent accounts to the Tax Department. The Tax Department then off-sets delinquent amounts against tax refunds or property tax adjustments and forwards the proceeds to the state entity. In 2009, 18 state entities benefited by almost $4 million from the off-set program.

LIST OF ATTACHMENTS

Attachment A	Bianchi-Hebert Documents
Attachment B	CVCLT Staff Directory
Attachment C	Stone Hill Project Rent Profile

ATTACHMENT A

PROMISSORY NOTE
(VHCB Loan)

Principal Sum: $440,000 Date: November 29, 2007

For value received, the undersigned, **Central Vermont Community Land Trust, Inc.,** a Vermont nonprofit corporation with an address of 107 North Main Street, Room 16, Barre, Vermont 05641 (the "Borrower"), hereby promises to pay to the order of the **Vermont Housing and Conservation Board,** a public instrumentality of the State of Vermont with an address of 149 State Street, Montpelier, Vermont 05602 (the "Lender"), the Loan, as hereinafter defined, payable at the rate and in the manner herein specified.

The loan evidenced hereby consists of funds in the principal amount of Four Hundred Forty Thousand Dollars ($440,000) (the "Loan"), provided to Borrower by Lender pursuant to VHCB Grant Agreement #2007-011 (the "Grant Agreement"). Borrower intends to use the Loan in connection with certain properties located at 206-208 Barre Street and 21 Hebert Drive, in the City of Montpelier, County of Washington and State of Vermont (the "Property").

This Note is secured by a Mortgage Deed executed on even date herewith (the "Mortgage"). As a condition of the Grant Agreement, Borrower has also executed a VHCB Housing Subsidy Covenant on even or nearly even date herewith (the "Housing Subsidy Covenant"). The Housing Subsidy Covenant and Mortgage are to be recorded in the City of Montpelier Land Records (the "Land Records").

Borrower will convey the Property to the Bianchi-Hebert Limited Partnership, a Vermont limited partnership with an address of c/o Central Vermont Community Land Trust, Inc., 107 North Main Street, Room 16, Barre, Vermont 05641 (the "Partnership"), and the Partnership will operate the Property as a low income housing tax credit project. Lender has consented to said conveyance, subject to the Partnership executing a Closing, Assumption and Priority Agreement (the "Assumption Agreement") for the purpose of evidencing its assumption of the obligations of Borrower under this Note, the Mortgage securing the VHCB loan, the Note evidencing the HOME Program Loan, the Mortgage securing the HOME Program Loan, the Note evidencing the Lead Program Loan, the Mortgage securing the Lead Program Loan and the Housing Subsidy Covenant. The Partnership is also executing a Right of Refusal agreement (the "Right of Refusal") granting to Borrower and Lender successive rights to purchase the Property at the end of the tax credit compliance period. The Assumption Agreement and Right of Refusal are to be executed on even date herewith and recorded in the Land Records.

1. Interest rate. The Loan shall not bear interest.

2. Term; Maturity Date. Unless earlier payable in accordance with this Note or any other document executed in connection herewith, the entire unpaid principal balance and all other sums due to Lender under this Note, shall be due and payable in full, without demand, protest, or notice of protest, on Nov 29, 2037 (the "Maturity Date").

3. Method and Place of Payment. All amounts due hereunder shall be payable in lawful money of the United States of America to Lender at its address set forth above, or at such other place as Lender may designate in writing, as follows:

(a) payments of principal shall be deferred until the Maturity Date; and

(b) a balloon payment of all unpaid principal and any other amounts due hereunder, shall be due and payable on the Maturity Date.

4. Prepayment. Borrower shall have the right to prepay all or any portion of the outstanding balance due under this Note at any time. No prepayment premium will be charged.

5. Application of Payments. Prior to default, all payments received under this Note shall be applied to the reduction of principal. After default, all payments received by Lender in connection with this Note shall be applied as follows: first to the repayment of any sums advanced by Lender to protect the Property as provided in the Mortgage; second, to the payment of Lender's attorney fees and other expenses as provided for in this Note and the Mortgage; and, third, to the reduction of principal.

6. Default; Acceleration. At the option of Lender, this Note and the indebtedness evidenced hereby shall become immediately due and payable without further notice or demand, except as set forth below, and notwithstanding any prior waiver of any breach or default, or other indulgence, upon the occurrence at any time of any one or more of the following events:

(a) default in making any payment of principal or any other charges due hereunder continuing uncured beyond ten (10) days from the date Lender gives written notice to Borrower of such default;

(b) any other violation, breach, or default of or under this Note, the Mortgage, the Housing Subsidy Covenant, or any other document executed in connection with this Note or evidencing or securing any obligation of Borrower to Lender, now existing or hereafter arising in connection herewith, and continuing uncured beyond the applicable grace period or, if no grace period is specified, beyond thirty (30) days from the date Lender gives written notice to Borrower specifying the breach, violation, or default;

(c) any adverse change in the financial condition or other circumstances of Borrower that materially affects the Property;

(d) any material adverse change in the condition or value of the Property, except ordinary wear and tear;

(e) if any representation or warranty made by Borrower in connection with this Note shall, at any time, be materially false or misleading;

(f) if the Mortgage or any other document executed in connection herewith shall cease to provide Lender with the lien, rights, titles, remedies, powers or privileges intended to be created by the terms hereof or the applicability thereof; or

(g) if any part of the obligation of this Note or any document executed in connection herewith shall be disaffirmed by Borrower.

7. Remedies Upon Default. Subject to the provisions of paragraph 9 of this Note, upon any default by Borrower, Lender may:

(a) declare the indebtedness evidenced by this Note and any other indebtedness secured by the Mortgage immediately due and payable; and

(b) pursue any and all remedies provided in this Note, the Mortgage, or otherwise at law, in equity or by statute.

Lender's remedies set forth above are not exclusive of any other available remedy or remedies, but each remedy shall be cumulative and shall be in addition to any other remedy given by this Note and any document executed in connection herewith, whether now existing or hereafter arising. The exercise of any remedy or remedies shall not be an election of remedies. The remedies and rights of Lender may be exercised concurrently, alone, in combination, or in any order that Lender deems appropriate.

8. Payment of Costs of Collection. Borrower further agrees that if this Note is placed in the hands of an attorney for collection or enforcement, or if the debt or obligations of Borrower, or any part thereof, is collected or enforced by an attorney or by legal proceedings of any kind, reasonable attorney fees and all costs and expenses incident to such collection or enforcement shall be added to the amount due under this Note and be collectible as part hereof. Borrower agrees that the award of reasonable attorney fees may exceed 2% of the total amount of principal and costs due under this Note.

9. Nonrecourse Provision. Lender, by its acceptance of this Note and on behalf of itself, its successors and assigns, covenants and agrees that it shall assert no claim against Borrower or its successors and assigns or any partner thereof by reason of any default in the performance of any of the terms, covenants and obligations hereunder or under the Mortgage, shall look solely to the Property for the satisfaction of any and all claims which it has against Borrower hereunder, and shall not seek any deficiency or other judgment against Borrower or its successors or assigns or any partner thereof in the event that the mortgaged Property shall be insufficient to remedy such default.

10. Governing Law. This Note is to be governed by and construed in accordance with the laws of the State of Vermont.

11. Assignment. Lender may freely transfer or assign to any entity any or all of its rights under this Note. Except with the prior written consent of Lender, Borrower may not assign its obligations under this Note to any other entity.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed by its duly authorized agent on this the day and year first above written.

IN THE PRESENCE OF	**Central Vermont Community Land Trust, Inc.**
Carolyn A Shearer	By: ______
Witness	Its Duly Authorized Agent

071990 BK0537PG0227

MORTGAGE DEED
(VHCB Loan)

THIS MORTGAGE is given on this 29th day of November 2007, by **Central Vermont Community Land Trust, Inc.**, a Vermont nonprofit corporation with an address of 107 North Main Street, Room 16, Barre, Vermont 05641 (the "Borrower"), to the **Vermont Housing and Conservation Board**, a public instrumentality of the State of Vermont existing by virtue of 10 V.S.A. §311, with an address of 149 State Street, Montpelier, Vermont 05602 (the "Lender").

WHEREAS, pursuant to VHCB Grant Agreement #2007-011 (the "Grant Agreement"), Lender has agreed to provide a loan to Borrower in the principal amount of up to Four Hundred Forty Thousand Dollars ($440,000) (the "Loan"), the terms and conditions of which are described in a Promissory Note of even date given by Borrower to Lender (the "Note");

WHEREAS, pursuant to the Grant Agreement and as a condition of the Loan, Borrower has agreed to mortgage to Lender those certain lots or parcels of land located at 206-208 Barre Street and 21 Hebert Drive, in the City of Montpelier, County of Washington and State of Vermont, as more particularly described in **Schedule A** attached hereto and incorporated herein by reference, together with all improvements, fixtures, easements and appurtenances now or hereafter located thereon, attached thereto or associated therewith (all of the foregoing is referred to herein as the "Property"); and,

WHEREAS, also pursuant to the Grant Agreement and as a condition of the Loan, Borrower has executed a VHCB Housing Subsidy Covenant covering the Property on even or nearly even date herewith (the "Housing Subsidy Covenant"); the Housing Subsidy Covenant and this Mortgage are to be recorded in the City of Montpelier Land Records (the "Land Records").

NOW, THEREFORE, in consideration of the foregoing, Borrower does hereby mortgage, grant, and convey to Lender, its successors and assigns, with power of sale, the Property.

TO HAVE AND TO HOLD such Property unto Lender and Lender's successors and assigns, to its own use and behoove forever.

TO SECURE to Lender: (a) repayment of the indebtedness evidenced by the Note and all renewals, extensions and modifications of the Note; (b) payment of all other sums advanced hereunder to protect the security of this Mortgage; (c) repayment of all future advances made to Borrower by Lender pursuant to paragraph 2 below; and (d) performance of Borrower's covenants and agreements under the Grant Agreement, the Note, this Mortgage, the Housing Subsidy Covenant, and any other documents related to the Loan and recorded in the Land Records (all of which are hereinafter referred to as "Loan Documents").

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property, that the Property is unencumbered, except for encumbrances of record, and that Borrower will WARRANT AND DEFEND the title to the Property against all lawful claims and demands, except as aforesaid.

BORROWER will convey the Property to the Bianchi-Hebert Limited Partnership, a Vermont limited partnership with an address of c/o Central Vermont Community Land Trust, Inc., 107 North Main Street, Room 16, Barre, Vermont 05641 (the "Partnership"), and the Partnership will operate the Property as a low income housing tax credit project. Lender has consented to said conveyance, subject to the Partnership executing a Closing, Assumption and Priority Agreement (the "Assumption Agreement") for the purpose of evidencing its assumption of the obligations of Borrower under this Mortgage, the Note evidencing the VHCB Loan, the Note evidencing the HOME Program Loan, the Mortgage securing the HOME Program Loan, the Note evidencing the Lead Program Loan, the Mortgage securing the Lead Program Loan and the Housing Subsidy Covenant. The Partnership is also executing a Right of Refusal agreement (the "Right of Refusal") granting to Borrower and Lender successive rights to purchase the Property at the end of the tax credit compliance period. The Assumption Agreement and Right of Refusal are to be executed on even date herewith and recorded in the Land Records.

BORROWER AND LENDER covenant and agree as follows:

1. Payment of Principal. Borrower shall promptly pay when due the principal of the indebtedness evidenced by the Note, and any other indebtedness now or hereafter secured hereby. Unless otherwise provided herein or by applicable law, all payments received hereunder shall be applied in accordance with the provisions of the Note.

2. Future Advances. Upon request of Borrower, Lender may, at its option and prior to discharge of this Mortgage, make future advances to Borrower. All such future advances shall be secured by this Mortgage.

3. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Mortgage, and all leasehold payments or ground rents, if any, by making payment, when due, directly to the payee thereof. Excepting any Superior Mortgages as defined in paragraph 17 hereof, Borrower shall promptly discharge any lien which has priority over this Mortgage unless Borrower: (a) agrees in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender; (b) contests in good faith the lien by or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Mortgage. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Mortgage, Lender may give Borrower a notice identifying the lien and Borrower shall satisfy the lien or take one or more of the actions set forth above within ten (10) days after the date such notice is given.

4. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage", and any other hazards for which Lender may require insurance. Such insurance shall be maintained in the amounts and for the periods that Lender may reasonably require. The insurance carrier providing the insurance shall be chosen by Borrower, subject to Lender's approval, which shall not be unreasonably withheld. All premiums on insurance policies shall be paid by Borrower making payment, when due, directly to the insurance carrier or agent.

All insurance policies and renewals thereof shall be in a form acceptable to Lender and shall include a standard mortgage clause providing that the insurance shall not be canceled or otherwise terminated without at least ten (10) days prior notice to Lender. Upon request, Borrower shall promptly furnish to Lender all renewal notices and receipts for paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of damage to the Property, provided that such restoration or repair is economically feasible and the security of this Mortgage is not thereby reduced or impaired. If such restoration or repair is not economically feasible or if the security of this Mortgage would be reduced or impaired, the insurance proceeds shall be applied to the sums secured by this Mortgage, with any excess paid to Borrower. If Borrower abandons the Property or if Borrower fails to respond to Lender within thirty (30) days from the date notice is given by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to payment of the sums secured by this Mortgage.

If the Property is acquired by Lender pursuant to foreclosure or otherwise, all right, title, and interest of Borrower in and to any insurance policies, and the proceeds thereof resulting from damage to the Property prior to the acquisition, shall pass to Lender to the extent of the sums secured by this Mortgage immediately prior to such acquisition.

5. Preservation and Maintenance of the Property; Leasehold. Borrower shall maintain and keep the Property in good condition and repair and shall not commit waste or permit impairment or deterioration of the Property. If the Property is or includes a leasehold, Borrower shall comply with all provisions of the lease.

6. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substance on or in the Property. The preceding sentence shall not apply to: (i) the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property; or (ii) the presence of any building materials or paint that are now existing and permanently affixed to any improvements currently located on the Property, except to the extent that any Environmental Law now or hereafter requires abatement, control, removal or other treatment of such materials. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is a violation of any Environmental Law. Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private

party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. As used in this paragraph, "Hazardous Substance" means any substances defined as toxic or hazardous materials, substances or waste by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph, "Environmental Law" means federal, state and local laws that relate to health, safety or environmental protection.

7. Inspection. Subject to the rights of tenants under Vermont law, Lender and its agents may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause for the inspection.

8. Protection of Lender's Security. If Borrower fails to perform any of the covenants and agreements contained in this Mortgage or defaults under any mortgage or other instrument to which this Mortgage is subordinated, or any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, impairment as a result of code enforcement, eminent domain, insolvency, condemnation, forfeiture, or insolvency or bankruptcy proceedings involving Borrower or the Property, then Lender, at its option and with notice to Borrower, may make such appearances, disburse such sums and take such actions as Lender deems necessary to protect Lender's interest, including, but not limited to, payment of delinquent taxes or insurance premiums, disbursement of reasonable attorney fees and entry upon the property to make repairs or to secure the same against unauthorized entry and/or the elements. Any amounts disbursed by Lender pursuant to this paragraph shall become additional indebtedness of Borrower secured by this Mortgage. Unless Borrower and Lender agree to other terms of payment, such amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment thereof. Nothing in this paragraph shall require Lender to incur any expense or take any action hereunder.

9. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of either a partial or a total taking, the proceeds shall be applied to the payment of sums secured by this Mortgage with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is given, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to payment of the sums secured by this Mortgage.

10. Borrower Not Released. Borrower hereby waives notice of acceptance of this Mortgage and hereby also waives notice of presentment, demand, nonpayment, or protest with respect to the Note and any other obligation of Borrower secured by this Mortgage. Borrower hereby consents to and waives any defense based upon: (a) the extension or renewal, from time to time, of the time of payment; and (b) a settlement or compromise of any or all claims of Lender against any other person who has guaranteed the Loan or any of Borrower's obligations to Lender. In the event of a default by Borrower under the Notes or the Loan Documents, Lender shall not be required in any respect to proceed first against any other person or against any other collateral held by Lender. Subject to the provisions of paragraph 12, Lender may proceed first against Borrower and the Property under this Mortgage to obtain payment of the sums secured hereby and to enforce any and all other obligations to Lender secured by this Mortgage.

11. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the subsequent exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Mortgage.

12. Nonrecourse Provision. Lender, by its acceptance of this Mortgage, covenants and agrees that it shall assert no claim against Borrower or any of Borrower's successors or assigns or any partner thereof by reason of any default in the performance of any of the terms, covenants and obligations hereunder or under the Notes, shall look solely to the Property for the satisfaction of any and all claims which it has against Borrower hereunder, and shall not seek any deficiency or other judgment against Borrower or any of Borrower's successors or assigns or any partner thereof, in the event that the Property shall be insufficient to remedy such default.

13. Notices. Unless otherwise provided by applicable law, any notice provided for in this Mortgage shall be given by delivering it or mailing it by first class mail to Borrower or Lender, as the case may be, at the respective address as stated herein, or at any other address designated by written notice given in accordance herewith. Any notice provided for in this Mortgage shall be deemed to have been given to Borrower or Lender when given in the manner provided herein.

14. Default; Acceleration. In the event of a default or failure, by action or inaction, by Borrower to perform each and every covenant, agreement and requirement of Borrower under the Loan Documents, or if Borrower shall default under any mortgage or other instrument to which this Mortgage is subordinated, Lender shall give notice to Borrower specifying: (a) the default; (b) the action required to cure the default; (c) a date, not more than thirty (30) days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage and sale of the Property. If the default is not cured in full on or before the date specified in the notice, then Lender, at its option, may require immediate payment in full of all sums secured by this Mortgage without further demand or notice, and may invoke the power of sale and any other remedies permitted by applicable law.

15. Power of Sale. This Mortgage includes a power of sale pursuant to the provisions of 12 V.S.A. §§4531a et. seq. If Lender or Borrower invokes the power of sale, Lender's rights and duties shall be determined according to applicable law governing said power of sale. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorney's fees; (b) to all sums secured by this Mortgage; and (c) any excess to the person or persons legally entitled to it. If it shall be necessary to initiate any legal action to determine the person or persons legally entitled to any excess proceeds of the sale, then Lender's cost of said action shall be deducted from said excess and reimbursed to Lender before its ultimate dispersal.

16. Remedies Cumulative; Lender's Costs and Expenses. All rights and remedies provided to Lender in this Mortgage are distinct and cumulative to any other right or remedy under the Notes or any of the Loan Documents, or afforded by law or equity, and may be exercised concurrently, independently, or successively. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing collection or enforcement of the Notes or Loan Documents including, but not limited to, reasonable attorney's fees, which may include attorney's fees in excess of two percent (2%) of the total amount found by a court to be due if the court finds such excess amount to be reasonable.

17. Superior Mortgages. To the extent that VHCB expressly agrees in writing to subordinate this Mortgage to any other mortgage held by a lender providing financing for the Property, such lender's mortgage shall be a "Superior Mortgage" for the purposes of this paragraph. If Borrower intends to replace or refinance any Superior Mortgage, it may request VHCB to consent to subordinate this Mortgage to any mortgage created subsequent to the date hereof, which consent shall not be unreasonably withheld if Borrower demonstrates that such financing is reasonably necessary to preserve or maintain the physical integrity of the Property, or to preserve the Property as affordable housing in accordance with the Housing Subsidy Covenant. The property shall not be cross collateralized with other property or used as additional collateral for financing involving other property without the prior written consent of VHCB.

18. Assignment of Mortgage; Sale or Transfer of the Property. Lender shall have the right to transfer or assign freely all or any part of its rights under this Mortgage. Borrower, however, shall not sell, convey, transfer, dispose of or further encumber the Property, any part thereof, or any interest therein, or agree to do so, except in accordance with the provisions hereof, without Lender's prior written consent. Consent to one such transaction shall not be deemed to be a waiver of the right to require such consent to future or successive transactions. The entire amount of the debt secured by this mortgage shall immediately become due and owing upon demand by the Lender in the event of a transfer of title to the Property, in whole or in part, to a person or entity that is not an eligible applicant as defined in 10 V.S.A. § 303(4).

19. Successors and Assigns Bound; Captions. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower. The captions and headings of the paragraphs of this Mortgage are for convenience only and are not to be used to interpret or define the provisions hereof.

20. Discharge. Upon payment of all sums secured hereby, this Mortgage shall become null and void and Lender shall discharge this Mortgage without charge to Borrower, except that Borrower shall pay any recordation costs.

21. Enforceability of Housing Subsidy Covenant. Although this Mortgage is given, in part, to secure performance of Borrower's covenants and agreements under the Housing Subsidy Covenant, the Housing Subsidy Covenant is intended to be independently enforceable as provided therein. Nothing in this Mortgage shall be construed to obviate or otherwise negate the ongoing effect and enforceability of the Housing Subsidy Covenant, nor shall the discharge, release, or foreclosure of this Mortgage affect the ongoing effect and enforceability of the Housing Subsidy Covenant.

22. Governing Law; Severability. The laws of the State of Vermont shall govern this Mortgage. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Mortgage and the Note are declared to be severable.

IN WITNESS WHEREOF, Borrower has caused this Mortgage to be executed by its duly authorized agent.

IN THE PRESENCE OF	**Central Vermont Community Land Trust, Inc.**
Carolyn A Greaves	By: ______________________
Witness	Its Duly Authorized Agent

STATE OF VERMONT
COUNTY OF Washington, **SS.**

At Barre, Vermont, on this 29th day of November, 2007, personally appeared Preston Jump, duly authorized agent of **Central Vermont Community Land Trust, Inc.**, and he/~~she~~ acknowledged this instrument, by him/~~her~~ sealed and subscribed, to be his/~~her~~ free act and deed and the free act and deed of Central Vermont Community Land Trust, Inc.

Before me, Carolyn A Greaves
Notary Public
My Commission Expires: February 10, 2011

SCHEDULE A

Parcel #1:

Being a parcel of land with improvements thereon located at 21 Hebert Drive, being all and the same land and premises conveyed to Central Vermont Community Land Trust, Inc. by warranty deed from Blueberry Associates, LLC dated May 2, 2007 and recorded in Book 522 at Page 228 of the Montpelier land records.

Parcel #2:

Being a parcel of land with improvements thereon located at 206-208 Barre Street, being all and the same land and premises conveyed to Central Vermont Community Land Trust, Inc. by warranty deed from FAP Properties XVI, Inc. dated May 1, 2007 and recorded in Book 522 at Page 244 of the Montpelier land records.

VHCB HOUSING SUBSIDY COVENANT

1. **OWNER AND DECLARANT.** The owner and declarant hereunder is **Central Vermont Community Land Trust, Inc.,** a Vermont nonprofit corporation with an address of 107 North Main Street, Room 16, Barre, Vermont 05641 (the "Owner").

2. **AUTHORIZING STATUTE.** This instrument (the "Covenant") is created as a "housing subsidy covenant" within the meaning of 27 V.S.A. §610 (the "Statute"), and shall be construed and interpreted in accordance with the Statute.

3. **PROPERTY DESCRIPTION.** The real properties, to which this Covenant applies and the use of which is hereby restricted, are those certain lots or parcels of land located at 206-208 Barre Street and 21 Hebert Drive, in the City of Montpelier, County of Washington and State of Vermont, as more particularly described in **Schedule A** attached hereto and incorporated herein by reference, together with all improvements now or hereafter located thereon (the "Property"). The Property consists of the land and three (3) buildings with a total of eighteen (18) apartments ("units" or "dwelling units").

4. **AUTHORIZING SUBSIDY.** This Covenant is created as a condition of funding provided to Owner by the **Vermont Housing and Conservation Board** ("VHCB"), a public instrumentality of the State of Vermont existing by virtue of 10 V.S.A. §311, as follows:

(a) a VHCB feasibility grant in the amount of $8,550 pursuant to award #1989-062-542 for pre-development expenses;

(b) a VHCB feasibility grant in the amount of $6,500 pursuant to award #1989-062-543 for pre-development expenses;

(c) a VHCB loan in the amount of up to $440,000 pursuant to Grant Agreement #2007-011 for acquisition, rehabilitation and related costs of the Property;

(d) a HOME Program loan in the amount of up to $350,000 pursuant to HOME Program Grant Agreement #2007-011 for acquisition, rehabilitation and related expenses of the Property; and,

(e) a Lead Program loan in the amount of up to $24,500 pursuant to Lead Program Grant Agreement #1970-000-059 for lead hazard reduction activities on the Property.

This Covenant is also created as a condition of a grant made by the City of Montpelier (the "City") pursuant to agreement #07110-0201/0636(a) between the City and the Vermont Agency of Commerce and Community Development.

4A. MORTGAGE DEEDS; CONVEYANCE TO LIMITED PARTNERSHIP; RIGHT OF REFUSAL. Immediately following the execution of this Covenant, Owner will give three Mortgage Deeds on the Property to VHCB and then convey the Property, subject to this Covenant, the Note evidencing the VHCB Loan, the Mortgage securing the VHCB Loan, the Note evidencing the HOME Program Loan, the Mortgage securing the HOME Program Loan, the Note evidencing the Lead Program Loan, and, the Mortgage securing the Lead Program Loan to Bianchi-Hebert Limited Partnership, a Vermont limited partnership with an address of c/o Central Vermont Community Land Trust, Inc., 107 North Main Street, Room 16, Barre, Vermont 05641 (the "Partnership"). By its execution of this Covenant, the Partnership hereby agrees to assume the obligations of Owner hereunder and to execute, on even date herewith (a) a Closing, Assumption and Priority Agreement; and (b) a Right of Refusal Agreement granting to Owner and VHCB successive rights to purchase the Property at the end of the Tax Credit Compliance Period, as defined in section 6 below. VHCB has consented to the conveyance of the Property to the Partnership, subject to this Covenant, the Mortgage Deeds, and the Right of Refusal. Subject to the provisions of section 8 below, VHCB shall consent to a conveyance of the Property to any of the parties specifically named in the Right of Refusal.

5. RESTRICTIONS. Subject to the terms and conditions hereof, and pursuant to 27 V.S.A. §610(b): (a) the dwelling units situated on the Property shall be used exclusively to provide residential housing; (b) the number and size of bedrooms in the dwelling units shall not be materially changed; (c) the income qualifications for tenants of the dwelling units and the rents to be charged shall be restricted in accordance with sections 7 and 7A below; (d) conveyance of the Property shall be restricted in accordance with section 8 below; and, (e) except where the Owner has paid all Project Costs, as defined in section 6 below, income from the Property shall be used exclusively for Project Costs. Nothing herein shall be construed to prevent the imposition by Owner of such additional restrictions on rents and occupancy as may be required from time to time in order to comply with any applicable governmental requirements.

6. DEFINITIONS. The following terms, as used in this Covenant, shall have the following meanings:

"Household Income" means (i) "annual income" determined in accordance with 24 C.F.R. §813.106 or (ii) annual household income as determined by rules and regulations published by HUD regarding households receiving Section 8 or other rental assistance, whichever is applicable.

"HUD" means the United States Department of Housing and Urban Development.

"Median Income" means the median income for (i) Washington County or (ii) the State of Vermont Nonmetro, whichever is greater, as determined from time to time and published in the Federal Register by HUD, adjusted for family size.

"Project Costs" means installments of principal and interest on outstanding debt together with all reasonable operating expenses of the Property, including all required or necessary payments to reserve accounts.

"Tax Credit Compliance Period" means the period of fifteen (15) years beginning on the date that the Property is placed in service as a low income housing project in accordance with Section 42 of the Internal Revenue Code of 1986, as amended.

7. **INCOME QUALIFICATIONS, RENTS AND AFFORDABILITY.** The following income qualifications, rent restrictions and affordability requirements shall apply to the Property:

(a) Owner shall lease fifteen (15) units on the Property to persons whose Household Income, at their date of initial occupancy, is less than or equal to 80% of Median Income. The annualized rent charged for each such unit shall not exceed 30% of 70% of Median Income for a household consisting of one and one-half persons per bedroom. Initially, the annualized rent charged for five (5) units shall not exceed 30% of 50% of Median Income for a household consisting of one and one-half persons per bedroom, and Owner shall make every reasonable effort to maintain the initial level of affordability on said units.

(b) Owner may continue to lease units on the Property to households occupying them on the date of this Covenant regardless of Household Income.

(c) In addition to the rent ceilings contained in paragraph (a) above, Owner shall make every reasonable effort to ensure that: (i) the annualized rents for all units restricted by this Covenant are "affordable" to the households leasing them; and, (ii) units on the Property are not leased to a person or persons who, at the date of their initial occupancy, must pay more than 51% of Household Income for the annualized rent then applicable to the unit. For purposes of this Covenant, units are deemed to be affordable where households occupying them pay no more than 30% of Household Income, at their date of initial occupancy, for rent. Notwithstanding the affordability requirement contained in section (i) of this paragraph, Owner shall also make every reasonable effort to lease three (3) units on the Property to persons whose Household Income, at their date of initial occupancy, is less than or equal to 30% of Median Income, or to persons with special needs. Upon written request to VHCB, and review and approval of the annual operating budget for the project by VHCB staff, Owner will be presumed to be acting reasonably under this paragraph for the forthcoming year, provided that:

(1) Owner or its agent has assisted eligible persons to apply for a Section 8 certificate or voucher, or other available rental assistance;

(2) occupancy in the unit is an improvement over the household's former living conditions and/or rental situation;

(3) the annualized rent for the unit is at least 10% below the Fair Market Rent applicable to such unit as determined by HUD; and

(4) total rents received from the Property do not materially exceed the amount needed to pay Project Costs.

(c) For the purposes of this section, rent includes the cost of utilities other than telephone and cable television.

(d) Notwithstanding the foregoing provisions of this section, and unless prohibited by another funding source such as the HOME Program, Owner may charge fair market rents, as determined by HUD, for units covered by this Covenant that are occupied by persons receiving a Section 8 certificate or voucher, or other rental assistance.

(e) Notwithstanding the provisions of this section, if total rents received under the restrictions contained herein are insufficient to pay Project Costs, as hereinafter defined, Owner may request VHCB consent to amend this Covenant regarding income qualifications for tenants of the dwelling units and the rents to be charged, provided that total rents received from the Property do not materially exceed the amount needed to pay Project Costs. Such consent shall not be unreasonably withheld by VHCB.

7A. ADDITIONAL HOME PROGRAM RESTRICTIONS. In addition to the other provisions of this Covenant, the HOME units shall be restricted in accordance with 24 C.F.R. §92.252 and all other requirements set forth in Title 24, Part 92 of the Code of Federal Regulations, as amended (the "HOME Program Regulations"). Specifically, but without limiting the provisions of the HOME Program Regulations, the HOME units shall be subject to the restrictions set forth below for a period of ten (10) years beginning after project completion (the "HOME Affordability Period"). **NOTE: To the extent that the HOME Program restrictions are more restrictive than the requirements of section 7 above, the HOME Program restrictions shall control for the duration of the HOME Affordability Period.**

(a) Designation of HOME Units. Six (6) units are designated as HOME units.

(b) Income and Rent Limitations. The following income and rent limitations shall apply to the HOME units:

(1) Owner shall lease at least two (2) of the HOME units to persons whose Household Income is less than or equal to 50% of Median Income, adjusted for family size. The annualized rent charged for each such unit shall not exceed the lesser of (i) the applicable HUD fair market rent, or (ii) 30% of 50% of Median Income for a household consisting of one and one-half persons per bedroom; provided that HUD may establish higher or lower rent ceilings in accordance with the HOME Program Regulations.

(2) Owner shall lease the remaining HOME units to persons whose Household Income is less than or equal to 60% of Median Income, adjusted for family size. The annualized rent charged for each such unit shall not exceed the lesser of (i) the applicable HUD fair market rent, or (ii) 30% of 65% of Median Income for a household consisting of one and one-half persons per bedroom; provided that HUD may establish higher or lower rent ceilings in accordance with the HOME Program Regulations.

(c) Rent Schedule and Utility Allowances. Rents and utility allowances for the HOME units must be reviewed and approved by VHCB annually. VHCB will calculate maximum allowable rents for HOME units based on the HOME Program Regulations and information provided by HUD. In determining the maximum monthly rents that may be charged for each HOME unit, Owner shall subtract a monthly allowance for any utilities and services (excluding telephone and cable television) to be paid by the tenant. Subject to VHCB approval, the maximum monthly rents may change as changes in the applicable gross rent amounts, income adjustments, or monthly allowance for utilities and services warrant. Owner must provide tenants with not less than sixty (60) days notice before implementing any increase in rents.

(d) Tenant Income Certifications. Owner shall verify the income and provide demographic information as required by HUD for each household upon initial occupancy of a HOME unit. Owner shall reexamine the income of each household occupying a HOME unit at least annually. Owner shall consult with VHCB staff prior to filling vacant HOME units. If increases in the incomes of existing tenants occupying HOME units results in noncompliance with the income limitations set forth in subsection (b) above, Owner shall take actions satisfactory to VHCB to ensure that the next available HOME unit vacancies are filled in accordance with said income limitations until the noncompliance is corrected.

8. **CONVEYANCE OF THE PROPERTY.** If Owner at any time intends to sell, transfer, or otherwise convey its interest in the Property, Owner shall deliver to VHCB written notice of such intent, along with the name of the proposed transferee and the terms of the proposed conveyance. Owner shall not convey the Property or any interest therein without the prior written consent of VHCB, which consent shall not be unreasonably withheld if the proposed transferee is an eligible applicant under 10 V.S.A. Chapter 15 to receive funds from VHCB. Owner shall provide copies of the proposed transferee's organizational documents and any other relevant information requested by VHCB. If the proposed transferee is not an eligible applicant under 10 V.S.A. Chapter 15, consent to the conveyance shall be subject to the sole discretion of VHCB. Any consent to a conveyance of the Property shall be subject to the condition that the transferee must either assume the obligations of Owner under this Covenant or enter into a new housing subsidy covenant which has been approved in writing by VHCB.

9. **DURATION.** Unless sooner terminated by reason of the terms and conditions hereof or in accordance with the Statute, this Covenant shall be perpetual and shall run with the Property.

10. **ENFORCEMENT.** This Covenant may be enforced in accordance with its terms by VHCB or, upon assignment of the right of enforcement by instrument duly recorded in the appropriate land records, by any other entity that is an assignee under such recorded assignment and is authorized to enforce the same under the provisions of the Statute. However, at any given time only one entity, which shall be the most recent assignee of record, shall be entitled to enforce the provisions of this Covenant. Owner acknowledges that the Property is impressed with a public interest and that money damages to VHCB in the event of a violation are likely to be difficult or impossible of calculation. Accordingly, but without limitation, this Covenant may be enforced through an equitable decree appropriate to the case,

including a decree of specific performance. No action for enforcement may be brought unless VHCB has first delivered to Owner a written notice of a violation hereof, and such violation has not been remedied or a written plan for remedy reasonably satisfactory to VHCB has not been provided by Owner to VHCB within thirty (30) days after the date of delivery of such notice. In the event that VHCB shall take action to enforce this Covenant, VHCB shall be awarded its costs and expenses incurred in connection with such action, including reasonable attorney fees, from Owner.

11. **MONITORING OF COMPLIANCE.** In the ordinary course of its business of managing the Property, Owner shall maintain documentation sufficient to evidence compliance with the rent and occupancy restrictions hereof, including any tenant income certifications required by HUD. From time to time, upon request of VHCB, Owner shall provide copies of such documentation. However, VHCB shall not be entitled to request such documentation more often than once in any calendar year except in response to a specific complaint of a violation. In addition, Owner shall deliver to VHCB copies of the following: (a) Owner's annual financial statement for the project, together with a list of rents charged for all units on the Property during the period covered thereby, and (b) any notice of default or enforcement proceedings from any holder of a mortgage or any other lien or security interest affecting title to the Property, within thirty (30) days of the date of such notice.

12. **SUPERIOR MORTGAGES.** Except as hereinafter provided or as set forth in the Closing, Assumption and Priority Agreement executed by applicable parties on even or approximate date herewith, the applicability of this Covenant shall not be affected by any mortgages on the Property.

(a) To the extent that VHCB expressly agrees in writing to subordinate this Covenant to a mortgage held by a lender providing financing for the Property, such lender's mortgage shall be a "Superior Mortgage" for the purposes hereinafter set forth.

(b) If Owner intends to replace or refinance any Superior Mortgage, it may request VHCB to consent to subordinate this Covenant to any mortgage created subsequent to the date hereof or not listed above, which consent shall not be unreasonably withheld if Owner demonstrates that such financing is necessary to preserve or maintain the physical integrity of the Property, or to preserve the Property as affordable housing in accordance with this Covenant.

(c) The property shall not be cross collateralized with other property or used as additional collateral for financing involving other property without the prior written consent of VHCB.

(d) This Covenant shall terminate automatically and shall be without further force or effect upon: (i) entry of judgment of foreclosure in favor of the holder of a Superior Mortgage and nonredemption by either Owner or any other party entitled to exercise the right to redeem; or (ii) transfer of Owner's title to the Property, in lieu of foreclosure, to the holder of a Superior Mortgage, provided that VHCB has been given notice of the default, as required by section 11 of this Covenant and notice of Owner's intent to transfer title at least thirty (30) days prior to the date of transfer. However, if any of the parties described in subsection (i) of this paragraph exercise the right to redeem, or if VHCB satisfies the indebtedness secured by the Superior

Mortgage and the holder of the Superior Mortgage assigns the indebtedness and any security it has received with regard to the underlying debt to VHCB, then this Covenant shall remain in full force and effect.

(e) Notwithstanding the foregoing, if at any time following a foreclosure or deed in lieu of foreclosure, but during the original HOME Affordability Period as defined in section 7A of this Covenant, the owner of record before the foreclosure or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the Property, the HOME affordability restrictions shall be revived according to the provisions of section 7A of this Covenant.

13. SUCCESSORS AND ASSIGNS. This Covenant shall be binding upon Owner and its successors in interest. This Covenant shall be enforceable by VHCB, its successors and, in accordance with the provisions hereof, its assigns.

IN WITNESS WHEREOF, Owner and the Partnership have caused this Covenant to be executed by their duly authorized agents on this 29th day of November, 2007.

IN THE PRESENCE OF

Carolyn A Sleaves
Witness

Central Vermont Community Land Trust, Inc.

By: ____________________
Its Duly Authorized Agent

STATE OF VERMONT
COUNTY OF Washington, **SS.**

At Barre, Vermont, on this 29th day of November, 2007, personally appeared Preston Jump, duly authorized agent of **Central Vermont Community Land Trust, Inc.**, and he/~~she~~ acknowledged this instrument, by him/~~her~~ sealed and subscribed, to be his/~~her~~ free act and deed and the free act and deed of Central Vermont Community Land Trust, Inc.

Before me, Carolyn A Sleaves
Notary Public
My Commission Expires: February 10, 2011

BK0537PG0242

IN THE PRESENCE OF

Carolyn A Sheaves
Witness

Bianchi-Hebert Limited Partnership

By: ______________________
Its Duly Authorized Agent

STATE OF VERMONT
COUNTY OF Washington **, SS.**

At Barre, Vermont, on this 29th day of November, 2007, personally appeared Preston Jump, duly authorized agent of **Bianchi-Hebert Limited Partnership,** and he/~~she~~ acknowledged this instrument, by him/~~her~~ sealed and subscribed, to be his/~~her~~ free act and deed and the free act and deed of Bianchi-Hebert Limited Partnership.

Before me, Carolyn A Sheaves
Notary Public
My Commission Expires: February 10, 2011

APPROVED by the **Vermont Housing and Conservation Board:**

10/9/07
Date

____
Duly Authorized Agent

SCHEDULE A

Parcel #1:

Being a parcel of land with improvements thereon located at 21 Hebert Drive, being all and the same land and premises conveyed to Central Vermont Community Land Trust, Inc. by warranty deed from Blueberry Associates, LLC dated May 2, 2007 and recorded in Book 522 at Page 228 of the Montpelier land records.

Parcel #2:

Being a parcel of land with improvements thereon located at 206-208 Barre Street, being all and the same land and premises conveyed to Central Vermont Community Land Trust, Inc. by warranty deed from FAP Properties XVI, Inc. dated May 1, 2007 and recorded in Book 522 at Page 244 of the Montpelier land records.

072002

BK0537PG0303

CLOSING, ASSUMPTION AND PRIORITY AGREEMENT

This Closing, Assumption and Priority Agreement is entered into to be effective as of November 29, 2007 by and among **Bianchi-Hebert Limited Partnership**, a Vermont limited partnership of Barre, Vermont (the "Partnership"); the **Vermont Housing and Conservation Board**, an instrumentality of the State of Vermont created pursuant to 10 V.S.A. § 311 having its principal office in Montpelier, Vermont ("VHCB"); the **Vermont Housing Finance Agency**, a body politic and corporate created pursuant to 10 V.S.A. § 611 having its principal office in Burlington, Vermont ("VHFA"); **Northfield Savings Bank**, a national banking association with an office at 33 South Main Street in Northfield, Vermont (the "Bank"); **Central Vermont Community Land Trust, Inc.**, a Vermont non-profit corporation of Barre, Vermont ("CVCLT"); and the **City of Montpelier**, a Vermont municipality in Washington County, Vermont (the "City"). In consideration of the premises and the agreements hereinafter set forth, the parties contract and agree as follows.

All recording references are to the Montpelier land records.

RECITALS

1. CVCLT acquired title to two parcels of real estate in Montpelier, Vermont (the "Development") in two warranty deeds as follows:

   a. Land and improvements located at 206 Barre Street from FAP Properties XVI, Inc. dated May 1, 2007 and recorded in Book 522 at Page 244; and

   b. Land and improvements located at 21 Hebert Drive from Blueberry Associates, LLC dated May 2, 2007 and recorded in Book 522 at Page 228.

2. On November 29, 2007, VHCB made a $440,000 loan to CVCLT (the "VHCB Loan"), the repayment of which is secured by a mortgage of the Development recorded simultaneously herewith in the Montpelier land records (the "VHCB Mortgage").

3. On November 29, 2007, VHCB made a second loan to CVCLT in the amount of $350,000 (the "HOME Loan"), the repayment of which is secured by a mortgage of the Development recorded simultaneously herewith in the Montpelier land records (the "HOME Mortgage").

4. On November 29, 2007, VHCB made a third loan to CVCLT in the amount of $24,500 (the "VHCB Lead Loan"), the repayment of which is secured by a mortgage of the Development recorded simultaneously herewith in the Montpelier land records (the "VHCB Lead Mortgage").

5. On November 29, 2007, CVCLT also granted to VHCB a Housing Subsidy Covenant that encumbers the Development (the "VHCB Covenant"). The VHCB Covenant imposes certain restrictions on the incomes of the tenants who may occupy a number of the dwelling units in the Development, and limits the rent that may be charged to such tenants. The purpose of the VHCB Covenant is to preserve the dwelling units in the Development so restricted as

perpetually affordable to the tenants of such units, as required by Chapter 15 of Title 10 of the Vermont Statutes Annotated. The consideration for the VHCB Covenant was the VHCB Loan, the HOME Loan, and the VHCB Lead Loan. The VHCB Covenant has been recorded simultaneously herewith in the Montpelier land records.

6. The VHCB Loan, the HOME Loan, and the VHCB Lead Loan are sometimes hereinafter referred to collectively as the VHCB Loans.

7. The notes evidencing the VHCB Loans, the VHCB Mortgage, the HOME Mortgage, and the VHCB Lead Mortgage are sometimes hereinafter referred to collectively as the "VHCB Loan Documents."

8. After CVCLT executed and delivered the VHCB Loan Documents and the VHCB Covenant to VHCB, CVCLT conveyed its title to the Development, so encumbered, to the Partnership by quitclaim deed dated of even date herewith and recorded simultaneously herewith in the Montpelier land records.

9. On November 29, 2007, the Bank loaned $1,200,000 to the Partnership (the "Bank Loan"). The repayment of the debt evidenced by the Bank Loan is secured by a mortgage of and security interest in the Development (the "Bank Mortgage"). The repayment of the Bank Loan is also secured by an Assignment of Leases and Rents in the Development (the "Bank Assignment") that has been recorded simultaneously herewith in the Montpelier land records.

10. On November 29, 2007, CVCLT loaned $32,775 to the Partnership (the "Neighborworks Loan"). The repayment of the debt evidenced by the Neighborworks Loan is secured by a mortgage of and security interest in the Development (the "Neighborworks Mortgage") that has been recorded simultaneously herewith in the Montpelier land records.

11. On November 29, 2007, the City loaned $52,000 to the Partnership (the "City Housing Trust Fund Loan"), the repayment of which will be secured by a mortgage of and security interest in the Development that will be recorded in the Montpelier land records (the "City Housing Trust Fund Mortgage").

12. On November 29, 2007, the City loaned $409,000 to the Partnership (the "VCDP Loan"), the repayment of which will be secured by a mortgage of and security interest in the Development that will be recorded in the Montpelier land records (the "VCDP Mortgage").

13. The VHCB Loans, the Northfield Bank Loan, the Neighborworks Loan, the VCDP Loan and the City Housing Trust Fund Loan are sometimes hereinafter referred to collectively as the "Loans."

14. The VHCB Mortgage, the HOME Mortgage, the VHCB Lead Mortgage, the Northfield Bank Mortgage, the Northfield Bank Assignment, the Neighborworks Mortgage, the VCDP Mortgage, and the City Housing Trust Fund Mortgage are sometimes hereinafter referred to collectively as the "Mortgages."

15. On November 29, 2007, the Partnership granted to VHFA a Vermont Housing Finance Agency Housing Credit (HC) Housing Subsidy Covenant that has been recorded simultaneously herewith in the Montpelier land records (the "Extended Use Commitment").

16. The VHCB Covenant and the Extended Use Commitment are sometimes hereinafter collectively referred to as the "Covenants."

17. On November 29, 2007, the Partnership granted to CVCLT and VHCB successive rights of refusal to purchase the Development (the "Rights of Refusal") by instrument that has been recorded simultaneously herewith in the Montpelier land records.

18. The Loans, the Mortgages, and the Covenants are intended by the parties to be non-recourse liabilities as defined in Treasury Regulation Section 1.752-1(a)(2). The Partnership shall be liable to repay the Loans and to perform and satisfy the terms of all of the Mortgages and the Covenants. However, no partner, general or limited, of the Partnership is to have any personal liability to pay the principal of or the interest on any of the Loans, or to perform and satisfy the terms of any of the Mortgages or the Covenants.

19. VHCB made the VHCB Loans to CVCLT and not to the Partnership because CVCLT is an eligible applicant as defined in 10 V.S.A. § 303(4), and the Partnership is not an eligible applicant as so defined. The proceeds of the VHCB Loans, however, were loaned for an eligible activity as defined in 10 V.S.A. § 303(3), and the Partnership is a necessary entity to carry out the eligible activity.

20. CVCLT has entered into a contract with Kenneth Glines and Sarah Halpine to convey to them an easement on or near the north boundary line of the 206 Barre Street premises for access and parking purposes (the "Barre Street Easement").

COVENANTS AND AGREEMENTS

21. VHCB, VHFA, CVCLT, the City and the Bank acknowledge and agree that the Loans, the Mortgages, and the Covenants are non-recourse liabilities as defined in Treasury Regulation § 1.752-1(a)(2). The Partnership is liable to repay the Loans and to perform and to satisfy the obligations of the Mortgages and the Covenants. However, none of the Partnership's partners, general or limited, has any personal liability to pay the principal of or the interest on any of the Loans or to perform any of the conditions of the Mortgages or the Covenants, and in the event of a default under any one of them the holder's sole remedy is to look to the assets of the Partnership for the satisfaction thereof.

22. Subject to the provisions of Paragraph 21, the Partnership agrees to perform and satisfy all of CVCLT's obligations under each of the VHCB Loan Documents and the VHCB Covenant directly for the benefit of VHCB.

23. The Partnership and CVCLT agree that CVCLT acquired its title to the Development as the agent and nominee of the Partnership solely for the purposes of preventing the sale of the

Development to a third party and consummating the VHCB Loans and encumbering the Development with the VHCB Mortgage, the HOME Mortgage, the VHCB Lead Mortgage, and the VHCB Covenant.

24. CVCLT is hereby released from any and all liability to repay the VHCB Loans to VHCB. However, in order to preserve the original evidences of indebtedness, the VHCB Loans shall remain in effect (as obligations of the Partnership) until they have been repaid by or on behalf of the Partnership.

25. The Partnership, VHCB, VHFA, CVCLT, the City and the Bank agree that notwithstanding the order in which any mortgages, recorded or otherwise, and other instruments may have been or will be executed or recorded, the Partnership's title to the Development is subject to the interests of the several parties hereto in the following order of priority:

FIRST: the Barre Street Easement when it has been granted to Kenneth Glines and Sarah Halpine;

SECOND: the last sentence of paragraph 5 of the Extended Use Commitment which reads: "should the Extended Use Period terminate in this fashion prior to its full term, for a three year period after such termination, no low income tenant may be evicted or his or her tenancy terminated, for other than good cause, nor may the gross rents for low income units be increased beyond that permitted under Section 42";

THIRD: the Bank Mortgage and the Bank Assignment;

FOURTH: the Extended Use Commitment, except the last sentence of paragraph 5 thereof which has first priority among the several interests identified herein;

FIFTH: the VHCB Covenant;

SIXTH: the VHCB Mortgage;

SEVENTH: the VCDP Mortgage;

EIGHTH: the HOME Mortgage;

NINTH: the City Trust Fund Mortgage;

TENTH: the Neighborworks Mortgage;

ELEVENTH: the VHCB Lead Mortgage; and

TWELFTH: the Rights of Refusal.

EXECUTED as of November 29, 2007.

Bianchi-Hebert Limited Partnership
by CVCLT Ventures, Inc.
its general partner

by: ______________________
authorized agent

Central Vermont Community Land Trust, Inc.

by: ______________________
authorized agent

Northfield Savings Bank

by: ______________________
authorized agent

STATE OF VERMONT
WASHINGTON COUNTY, SS

At Barre in said County and State Preston Jump personally appeared and acknowledged that his execution of the foregoing Closing, Assumption and Priority Agreement was his free act and deed and the free acts and deeds of the CVCLT Ventures, Inc., Central Vermont Community Land Trust, Inc. and Bianchi-Hebert Limited Partnership,

before me: Carolyn A Sheares
Notary Public

STATE OF VERMONT
WASHINGTON COUNTY, SS

At Barre in said County and State Alfred J. Flory personally appeared and acknowledged that his/her execution of the foregoing Closing, Assumption and Priority Agreement was his/her free act and deed and the free act and deed of the Northfield Savings Bank,

before me: Carolyn A Sheares
Notary Public

Executed this November 28, 2007.

CITY OF MONTPELIER

By: ______________________
authorized agent

STATE OF VERMONT
WASHINGTON COUNTY, ss.

At Montpelier in said County and State William Fraser, authorized agent of the City of Montpelier personally appeared on November 28, 2007 and acknowledged that her/his execution of the foregoing Closing, Assumption and Priority Agreement was her/his free act and deed and the free act and deed of the City of Montpelier,

before me, ______________________
Notary Public

VERMONT HOUSING AND CONSERVATION BOARD EXECUTION PAGE FOLLOWS

Executed this October 15th, 2007.

Vermont Housing and Conservation Board

by: ______________________
Lawrence W. Mires, authorized agent

STATE OF VERMONT
WASHINGTON COUNTY, ss:

At Montpelier in said County and State Lawrence W. Mires, authorized agent for the Vermont Housing and Conservation Board personally appeared on October 15th, 2007 and acknowledged that his execution of the foregoing Closing, Assumption and Priority Agreement was his free act and deed and the free act and deed of Vermont Housing and Conservation Board,

before me, ______________________
Notary Public

VERMONT HOUSING FINANCE AGENCY
EXECUTION PAGE FOLLOWS

Executed on October 15, 2007.

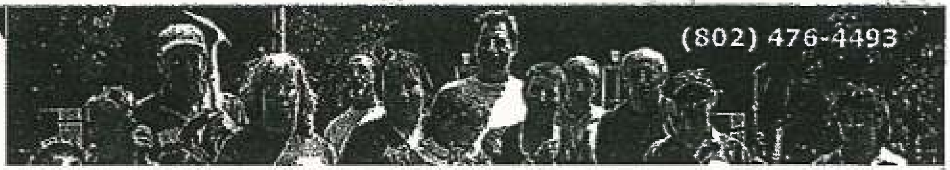
Vermont Housing Finance Agency

by: [signature]
authorized agent

STATE OF VERMONT
CHITTENDEN COUNTY, ss:

At Burlington in said County and State, David S. Adams, authorized agent for the Vermont Housing Finance Agency, personally appeared on October 15, 2007 and acknowledged that his execution of the foregoing Closing, Assumption and Priority Agreement was his free act and deed and the free act and deed of the Vermont Housing Finance Agency,

before me, Renee J. Couture
notary public
my commission expires 2/10/2011.



CENTRAL VERMONT Community LAND TRUST

BUILDING HOMES, BUILDING COMMUNITY, BUILDING TRUST

Rental Properties HomeOwnership Center Real Estate Development

What Are You Looking For?

- Apartments
- Mobile Home Lots
- Homes for Sale
- Green Mountain Loan Fund
- Help!

Our Services
Our Service Area
About CVCLT
Partnerships
Forms
Online Resources
Staff Directory
Careers at CVCLT
Join CVCLT
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NeighborWorks CHARTERED MEMBER

CVCLT Staff Directory

The **Central Vermont Community Land Trust** (CVCLT) is a non-profit community organization. Offices located in downtown Barre at 107 N. Main Street:

- 2nd floor — Main Offices & Orientation/Workshop Training Area
- 3rd floor — The HomeOwnership Center & Real Estate Development

Normal business hours for the main office are Monday through Friday 8:00 am to 4:30 pm.

Contact CVCLT for more information

Executive Director	
Eileen Peltier	Executive Director
Accounting	
Jennifer Allard	Financial Controller
Bonnie Shadroui	Junior Accountant
Special Projects	
Susie Luce	Project Coordinator
Real Estate Development	
Alison Friedkin	Project Manager
HomeOwnership Center	
Chandra Pollard	Director of HomeOwnership Programs
Harry Sanderson	Senior Housing Counselor
April Spinks	Loan Processor
Ginger Brimblecombe	Administrative Assistant
Lori Chatter	AmeriCorps - Post Purchase Specialist
Norm Benoit	Rehab Specialist
Tenant Relations Office	
David Harrington	Director of Tenant Relations
Liz Genge	Property Manager
Amber DeVoss	Resident Services Coordinator
Gabe Epstein	AmeriCorps - Community Involvement
Dawn Torre	Compliance Specialist
Rachel Shatney	Occupancy Specialist
J.C. Myers	Facilities Manager
Nicole Cadorette	Maintenance Coordinator
Jack Leonard	Maintenance Technician
Nate Quinn	Maintenance Technician
Ryan Carpenter	Maintenance Technician
Kris Allen	Maintenance Technician

ATTACHMENT C

Unit #	Move-Income		Recert Income	
101	$	21,085	$	23,850
102	$	25,436	$	25,436
103		17,400	$	17,400
104	$	8,052	$	8,052
105	$	12,200	$	26,518
105	$	34,362	$	34,362
106	$	18,657	$	34,722
107	$	7,627	$	8,952
108	$	13,932	$	8,509
109	$	25,464	$	25,296
110	$	-	$	-
111	$	20,971	$	14,421
112	$	15,883	$	33,696
112	$	23,504	$	23,504
113	$	11,492	$	7,280
201	$	24,632	$	28,764
202	$	8,268	$	8,712
203	$	28,000	$	28,000
204	$	21,718	$	48,250
205	$	16,913	$	20,318
206	$	21,347	$	29,382
207	$	42,696	$	41,585
208	$	24,915	$	24,410
209	$	21,209	$	27,344
210	$	18,055	$	21,601
211	$	17,787	$	17,787
212	$	32,542	$	41,316
212	$	36,986	$	36,986
213	$	27,816	$	58,604
	$	598,949	$	725,057
Increase				21%
Annual Rate				6.58%

VHFA LIHTC COMPLIANCE MONITORING STATUS REPORT

REPORT DATE 10/30/2009 PAGE # Page 1 of 2

FOR YEAR ENDING 9/30/09

PROJECT NAME Stone Hill HLP

OWNER NAME Stone Hill HLP - c/o Housing VT

MGMT AGENT ACCT - Peter Coe

LOCATION 428 Court St, Middlebury, VT 05753

COUNTY Addison

OWNER ADDRESS 123 St. Paul Street
Burlington, VT 05401

MGMT ADDRESS PO BOX 156
Vergennes, VT 05491

OWNER PHONE # (802) 863-8424

MGMT PHONE # (802) 877-3749

ALLOCATION YR(S) 01/01/2005
1ST YR LIHTC CLAIMED

BOND OR ALLOCATED CREDIT

EVENT TYPE: MI = Move In; MO = Move Out; TI = Transfer In; TO = Transfer Out; R = Recertification

SUBSIDY N/A = Not Applicable; RD = Rural Development; PBA = Project Based Assistance (Section 8); TBA = Tenant Based Assistance (Section 8); HOME; HOPWA
UNIT TYPE: TC = Tax Credit Unit (50% or 60%); MKT = Market Unit; MU = Manager's Unit

Addres 428 Court St
Middlebury, VT 05753

BI VT-05-00110
PI 05/31/2006

Tot Units: 26
TC Units: 23

Tot Sq 23,415.00

Applicable Fraction: 88.46

UNIT #	EVENT TYPE	# OF BD	TENANT NAME	INITIAL # IN HSHLD	MOVE-IN DATE	MOVE-IN INCOME	RECERT # IN HSHLD	RECERT DATE(S)	RECERT INCOME	TENANT RENT	UTILITY ALLOW	GROSS RENT	SUB TYPE	UNIT TYPE	MOVE-OUT DATE	SQ FOOT PER UNIT	FT STUDENT Y/N
101	R	2		1	9/24/08	21,085.65	1	9/1/09	23,850.47	725.00	44.00	769.00	N/A	TC		1,020	N
102	MI	2		2	11/21/08	25,436.07	1	11/21/08	25,436.07	700.00	0.00	700.00	N/A	MKT		980	N
103	MI	2		4	12/12/08	17,400.00	4	12/12/08	17,400.00	700.00	44.00	744.00	HOME	TC		1,030	Y
104	R	1		1	2/15/08	8,052.28	1	2/1/09	8,052.28	159.00	29.00	188.00	TBA	TC		790	N
105	MO	2		2	8/18/06	12,200.62	2	8/1/08	26,518.21	700.00	44.00	744.00	TC 60%	TC	07/06/2009	1,005	N
105		2														1,005	
105	MI	2		3	9/1/09	34,362.81	2	9/1/09	34,362.81	700.00	44.00	744.00	N/A	TC		1,005	N
106	R	2		3	7/1/06	18,657.41	3	7/1/09	34,722.00	665.00	44.00	709.00	HOME	TC		1,030	N
107	R	1		1	5/11/07	7,627.68	1	5/1/09	8,952.00	187.00	29.00	216.00	TBA	TC		815	N
108	R	1		1	7/1/06	13,932.14	1	9/1/08	8,509.00	174.00	29.00	203.00	TBA	TC		650	N
109	R	2		2	1/2/07	25,464.10	2	1/1/09	25,296.22	700.00	44.00	744.00	HOME	TC		705	N
110	R	1		1	7/1/06	0.00	1	7/1/09	0.00	725.00	0.00	725.00	N/A	MKT		650	N
111	R	1		1	7/1/06	20,971.24	1	7/1/09	14,421.05	625.00	29.00	654.00	TC 60%	TC		815	N
112	R	1		2	3/14/08	15,883.58	2	3/1/09	33,696.00	625.00	29.00	654.00	TC	TC	04/16/2009	650	N
112	MO	1		2	3/14/08	15,883.58	2	3/1/09	33,696.00	625.00	29.00	654.00	TC	TC	04/16/2009	650	N
112		1														650	
112	MI	1		1	5/1/09	23,504.00	1	5/1/09	23,504.00	625.00	29.00	654.00	N/A	TC		650	N
113	R	[illegible]		5	7/1/06	11,492.00	4	7/1/09	[illegible]80.00	149.00	59.00	208.00	TBA	TC		1,345	N

201	R	1	1	7/1/06	24,362.90	1	7/1/09	28,764.68	625.00	29.00	654.00	TC 60%	TC		650	N
202	R	1	1	9/1/08	8,268.48	1	9/1/09	8,712.00	181.00	29.00	210.00	TBA	TC		705	N
203	R	2	2	8/1/08	28,000.30	2	8/1/09	28,000.02	700.00	44.00	744.00	HOME	TC		1,020	N
204	R	2	1	7/24/06	21,718.46	2	7/1/09	48,250.46	650.00	44.00	694.00	TC 50%	TC		1,030	N
205	R	1	2	8/1/06	16,912.80	1	7/1/09	20,318.88	625.00	29.00	654.00	TC 60%	TC		790	N
206	R	2	4	7/11/08	21,347.34	4	7/1/09	29,382.57	665.00	44.00	709.00	TC 50%	TC		1,005	N
207	R	2	3	9/12/08	42,696.69	3	9/1/09	41,584.86	825.00	0.00	825.00	N/A	MKT		980	N
208	R	1	1	7/1/06	24,914.73	1	7/1/09	24,410.00	625.00	29.00	654.00	TC 60%	TC		650	N
209	R	2	1	8/16/06	21,209.87	1	8/1/09	27,343.78	700.00	44.00	744.00	HOME	TC		980	N
210	R	2	1	7/1/06	18,055.78	1	7/1/09	21,601.18	700.00	44.00	744.00	HOME	TC		980	N
211	MI	1	1	12/1/08	17,787.37	1	11/26/08	17,787.37	370.00	29.00	399.00	TBA	TC		815	N
212	MO	2	2	7/1/06	32,542.50	2	7/1/08	41,316.23	825.00	0.00	825.00	N/A	MKT	04/02/2009	980	N
212		2													980	
212	MI	2	1	7/1/09	36,986.40	1	6/18/09	36,986.40	825.00	0.00	825.00	N/A	TC		980	N
213	R	3	4	7/1/06	27,816.85	4	9/1/09	58,604.03	0.00	59.00	59.00	HOME	TC		1,345	N

FORM PREPARED BY PHONE #

VERMONT

Agency of Administration

BGS Tiger Team
Final Report

September 30, 2009

Steve Cook, ACCD
Kathy Fisher, ACCD
Joe Harris, BGS
Leonard LeBlanc, VTrans
Julie Moore, ANR
Ken Valentine, VTrans

Table of Contents:

List of References

Information Centers:
"A New Service Model"- September 2008 Right-Sizing Report
2004 Survey of U.S. State & Territory Tourism Office Travel Information Center Programs

Fleet:
Attachment D FY2008 High Mileage Drivers sort by miles.xls
FY2009 High Mileage Drivers 08-26-09.xls
Departments Mileage Reimbursement FY03-09 DHR.xls
Agency of Administration Bulletin No. 2.3

Fee for Space:
Special Report to the Joint Fiscal Committee
FY2010 Space Allocation Worksheet-A.xls

Background and Context:

The Department of Buildings and General Services (BGS) provides a number of "internal services" to other agencies within Vermont State Government, including: a print shop, fleet management services, and the operation and maintenance of state-owned buildings through the fee-for-space program. In addition, BGS also provides services directly to the public, including the operation and maintenance of a network of information centers.

The overall purpose of this Tiger Team ("the Team") project is to:

- Evaluate the cost-effectiveness of four cost centers –print shop, fleet management services, information centers, and fee for space – managed by BGS.
- Where appropriate, compare the services provided by these cost centers with what might be delivered by a comparable private sector program or other alternative.
- Identify potential efficiencies within these cost centers that merit further investigation and/or immediate implementation.

The outcomes of this project may be used by the Agency of Administration ("the Agency") to:

- Evaluate the level of service the state can afford relative to these cost centers.
- Adjust the delivery model for services provided.
- Improve state agency utilization of these services.
- Propose any legislative changes needed to implement the Team's recommendations.

Schedule

The timeframe for the work of the Team was relatively short, spanning little more than six weeks. During that time, the Team delivered the following work products to the Agency:

- *August 28th* - progress report delivered
- *September 15th* - technical work completed
- *September 30th* - final report and recommendations delivered
- *early October* - the team is prepared to meet with the Governor and share recommendations

Methodology:

The Team undertook the following activities:

- Received presentations on existing operations from key BGS staff (Ed VonTurkovich, Deb Ferrell, Kevin Moore, Terry Lamos, Tom Sandretto, Robin Orr, and Deb Baslow).
- Gathered information via question and answer documents with key BGS Staff.
- Solicited input from key BGS staff to identify recommendations and opportunities believed to exist within the programs currently.
- Reviewed information regarding other state's frameworks for similar cost centers, to identify best practices and challenges.
- Interviewed select "users" of the services within state government to help identify perceived shortcomings of the existing programs.
- Analysis of reports created and provided by program staff (see "List of References" section for key reports used).

Results and Findings:

The Team offers the following observations:

- None of the programs have glaring inefficiencies, and, by-in-large, they appear efficiently run given their constraints and expectations. BGS directors and management have obviously put significant thought into the way that they manage their programs and continue to challenge themselves to find new efficiencies.
- Visitor counts at different information centers vary widely, and thus so do costs per visitor.
- Significant changes have recently been made and are currently being implemented throughout Vermont's network of information centers, and it is therefore difficult to evaluate current conditions and compare them to other states.
- It is unclear if the state can afford the current level of service that it provides 1) to tenants in state-owned space through the fee for space program and 2) to the traveling public through its network of information centers.
- It is unclear if the Fleet Management model is as appropriate for non-passenger vehicles (e.g., service and seasonal-use vehicles) as it is for cars.
- Restructuring mileage reimbursement could yield significant savings, and create greater incentive to utilize fleet vehicles. Allowing greater flexibility for limited personal use of state vehicles would need to be part and parcel of the restructuring, and would likely

require a methodology to record personal use as a taxable fringe benefit or alternatively require employees to have a regular payroll deduction to compensate the State for personal use.

- Fleet management services and the print shop both suffer from "incomplete implementation" in that it appears potentially significant usage that could be cost-effectively directed through these centers is currently not. Working through managers throughout state government, the Agency should actively recommend, and enforce, the use of these services.
- Although heat and electricity currently account for more than 40% of BGS' annual operating budget, the state is not as well-positioned as it could be to promote conservation, space consolidation and effective measurement for accurate cost allocations in the Fee for Space cost center.
- Opportunities are missing for departments to "manage" their costs by minimizing their space or pursuing other efficiencies. The current fee for space program is unable to pass savings derived by consolidating operations or reducing costs through conservation to individual agencies or departments, rather the savings are spread across all tenants in a particular geographic area.
- The methodology used by the Department of Finance and Management (relying on the Budget Development System to determine the funding sources available) to establish the fee for space allocation for each agency/department does not include sufficient input from the agencies/departments on their ability to find the funding to cover the allocation.
- The print shop appears to contain opportunity to grow its share of the states printing needs. Opportunities to increase the smaller print and assembly runs show the most promise for creating efficiencies and cost savings to departments utilizing the print shop.
- It appears that there is a disconnect between purchasing and the services provided by the print shop, as the print shop is required to respond to print requisitions as any vendor would.

Recommendations:

The Team offers the following recommendations, based on the teams' analysis and meetings with administrators from BGS and review of program documents.

Information Centers:

1. Over the next year, carefully monitor the most recent program changes - the closing of four rest areas and the recent issuance of the pilot project for privatization of information centers at Georgia N/S and Alburg – and evaluate the impact. Encourage future privatization, if savings are significant.

2. Pursue development of a Traveler Information Model at highway exits without rest areas/info centers and/or to provide more services to the traveling public, even in areas with facilities close by.

   - Begin with an assessment of key resources at each exit along I-89/I-91 and other major state highways.
   - Issue an RFP to the key resources identified, inviting them to compete for the privilege of participating in the program. An improved understanding of the resources available at each interchange would then be able to inform future decisions as to whether to close or repair a particular information center in order to meet the needs of the travelling public in the most cost-effective manner. Incentivize the program with enhanced signage directing the traveler to the assigned businesses. Review the annual billing to businesses for existing brown sign placement, to determine impact of new signage.

Fleet:

1. Restructure mileage reimbursement to create stronger financial incentives for staff to utilize fleet vehicles. Potential options include (note: some or all may be bargaining issues):

   - Set the state reimbursement rate equal to the cost of a fleet operated vehicle (currently $0.36) instead of the federal reimbursement rate (currently $0.55) – ***potential savings approximately $1.5 million per year***. Other states employ this technique.
   - Cap the number of reimbursable miles that can be paid to an individual employee over the course of a month or year – potential savings approximately $300K per year;
   - Provide employees a per diem for vehicle use when travelling more than a specified number of miles (for example, for the first 50 miles the employee is reimbursed at $0.55 per mile, with the maximum reimbursement not to exceed $30/day) – potential savings approximately $200K per year;

2. Revise Administrative Bulletin 2.3 in order to allow greater flexibility relative to passengers, limited ancillary use, and reimbursing personal miles. The State's insurance policy currently provides coverage for the casual transportation of employee dependents and limited personal miles; it is Administrative Bulletin 2.3 that prohibits this use. Many employees cite the rigidity of the current policy as a barrier to using a fleet vehicle. Revisions would need to define specific criteria for transporting dependents and allowing for reimbursement of personal miles driven on a fleet vehicle.

3. Clarify and improve the justification and approval process required for getting a fleet SUV or pick-up, in order to "right-size" the vehicles that are currently in the Fleet. There should be clear, consistent process for evaluating the need for what, over time, are significantly more expensive vehicles to operate.

4. Evaluate potential efficiencies/cost-savings that could be derived from:

   - Pursuing a lease-only model, and eliminating the motor pool component of Fleet Management Services;
   - Establishing additional motor pool locations at a site (or sites) in Burlington;
   - Having a third party administer the motor pool. For example, Zipcar recently launched a "FastFleet" program which utilizes technology developed Zipcar's consumer "fleet" for government operations. The program is currently being piloted in the District of Columbia.

Fee for space:

1. Evaluate & improve space utilization.

   - Inventory potentially inefficient use of space by evaluating square feet / employee by Department, or other appropriate metric.
     - Focus first on those tenants whom BGS knows to have ample space yet have recently resisted consolidation.
   - Develop incentives for (or direct) tenants to reduce and/or consolidate space, with a goal of getting staff out of leased space and into state-owned space.
     - Target first those with excess space that could be filled by others looking to vacate leased space (BGS can help identify those tenants).
     - In future budgets, fund fee-for-space based on objective assessments of a Department's space needs (including targets for square feet / employee), not on what those tenants currently occupy.

2. Aggressively pursue energy efficiency.

   - Support ongoing and piloted BGS energy programs; the fee-for space program already provides the mechanism for achieved savings to be reinvested in new energy efficiency improvements.

- Continue to better measure & manage energy usage at individual locations.
  - Continue the installation and monitoring of energy meters at individual locations.
  - Involve tenants in energy usage monitoring and develop incentives to reduce usage (see "tenant committees" below).

3. Develop tenant committees at each cost center for input (e.g. quarterly meetings) on appropriate levels-of-service and other potential efficiencies.

Printshop:

1. Give the print shop the ability to set and adjust print rates, annually, based on paper and service costs.

2. Create a mechanism to directly provide the print shop all state print requisitions rather than requiring the print shop to view and respond to print requisitions as if they were a vendor.

3. Require all business managers and executive assistants attend a brief presentation regarding the use of the print shop to learn about all the services that are offered for large and small print jobs. It appears that the greatest efficiencies associated with the print shop are for smaller jobs (<$3500) that don't go through formal purchasing. The presentation should be required annually for any agencies/departments that exhibit high annual payments for print services to vendors other than the print shop.

4. Lower the ceiling for the requirement of a state department to produce a print bid from $3,500 to $1,000, or less, in order ensure that the print shop is given the opportunity to "see" more of the print requisitions.

5. Have the print shop develop a simplified online tool (for the print jargon illiterate) that allows state employees to quickly and efficiently submit jobs for quotation. If the print shop cannot sufficiently manage the submitted project, staff from the print shop should assist with publicly seeking vendors to complete the project.

VERMONT

Agency of Administration

Energy Policy Considerations for a New Economy
Tiger Team Report

Date of Publication: 01/06/2010

Energy Policy Considerations for a New Economy

"The economic downturn is putting serious stress on the Vermont business community, and we have heard its concerns about how any increase in short-term costs will make the economic environment even more difficult for the business community over the next year. During tough economic times, businesses will have great difficulty making investments on their own even if those investments (such as installing efficiency measures) may save money in the long-term. However, it is hard to appreciate the value of long-term investments when today's bills cannot be paid."

-Public Service Board Docket 6777, ordering a reduction in the amount of the previously-approved increase in the EEU budget for 2003 as a result of an economic downturn in Vermont. (December 30, 2002, Page 25)

I. INTRODUCTION

Beginning in the summer of 2008, global economic forces caused financial distress for many Vermonters. As the end of the year approached, businesses experienced significant loss in revenues that started a chain reaction resulting in reductions in the workforce, decreases in earned income and increased demand on governmental social support programs. Vermont State government experienced dramatic declines in revenues, forcing policy makers to reexamine priorities and expenses in the face of declining state revenues.

As of the date of this report, the state remains entrenched in a recession, far worse than any economic event experienced since World War II. As a small rural state, Vermont is heavily influenced by the economic trends across the nation. Although the state will receive more than $700 million in stimulus funds from the American Recovery and Reinvestment Act of 2009, some consider these funds to be a non-sustainable stop gap measure that will at best result in some new investments, but only delay the inevitable economic and financial "right sizing" of programs and businesses in the state.

The *Tiger Teams* were convened under the direction of the Agency of Administration in the summer of 2009 as a means to more closely examine state programs in high spending areas, and identify areas that could lead to savings for the state. Specifically, Vermont's general fund continues to lag with revenues for fiscal year 2011 projected at levels below those of 2006[1], and while there have been cost savings measures implemented, there remains more work to be done.

1. Agency of Administration

Scope

This whitepaper focuses on energy programs, issues and policies as they relate to the potential for ratepayer and taxpayer ability to pay. Although these are two different groups of people, most Vermonters pay taxes that fund government programs, as well as electric bills through predetermined electric rates that in part also fund government programs. Some believe that any savings, regardless of their impact to taxpayers or ratepayers, were generally considered to be favorable, given the mounting economic pressures on the families and businesses in the state.

Programs Studied

The team created an inventory of energy programs and issues, developed a list of ideas to be studied, and conducted a cost / benefit analysis of each item for this report. This is not intended to be an exhaustive list of an energy issues; rather the approach was to focus on areas of interest that either had large expenditures, or potential duplication, in current services. The following is a list of programs studied by this team:

- All Fuels Efficiency Program
- Clean Energy Development Fund
- Efficiency Vermont / Burlington Electric's Efficiency Program
- Forward Capacity Market
- Regional Greenhouse Gas Emissions program
- Seasonal Fuel Assistance Program
- Tax Incentive Programs
- Weatherization Program

Criteria

While the other *Tiger Teams* were focused on identifying savings from the General Fund, this team was tasked with examining expenses that are considered "ratepayer" dollars, largely because the main area of focus was the electric efficiency utility. Ratepayer dollars are ostensibly paid only by those who receive services and set through rate design, intended to recover the costs of operation of the system and service provided to the ratepayer. Because there has been an increasing transfer of money from the ratepayer to non-regulated programs, it was believed important to examine ratepayer programs sources because of the impact that rates can have on a person's ability to pay.

Areas and programs in the energy sector were then evaluated to determine if there were efficiencies that could be captured to provide ratepayer relief. Savings to ratepayers could come as a result of the elimination of duplication or waste, consolidation of programs, or realignment or priorities in spending during the recession.

II. ELECTRIC EFFICIENCY PROGRAMS

Vermont's electricity consumers purchase electricity from Vermont based regulated utilities. Although one of the smallest states in the nation, Vermont has the highest number of electric utilities (20) as compared to other states, either by population or land mass. Before 2000, Vermont's electric utilities were responsible for providing energy efficiency services to their consumers, but reasonable concerns arose that these utilities were not highly motivated to promote reduced use of electricity. As a result, a specific "Energy Efficiency Utility", or EEU, was created. This organization was recently described by Public Service Department energy specialist Walter Poor in testimony before the Public Service Board:

> *"The current EEU structure in Vermont is a contract mechanism, where the Public Service Board contracts with an entity to administer efficiency services under the title "Efficiency Vermont". This structure is the result of a comprehensive settlement involving many parties which was later approved by the Public Service Board in Docket 5980. The Public Service Board first issued a Request for Proposals to solicit entities interested in providing these services to ratepayers beginning in the year 2000. The initial contract was awarded to Vermont Energy Investment Corporation (VEIC) and was renewed three years later. The PSB issued a second RFP for EEU services to begin in 2006 and VEIC was again awarded the contract; it was renewed for the three years beginning in 2009.*
>
> *The EEU is funded through a separately stated Energy Efficiency Charge (EEC) on electric ratepayers' bills. The amount of the budget for the EEU (and by extension, the EEC necessary to fund that budget) is set by the Public Service Board after opportunity for comment by the Department and other interested parties.*
>
> *The EEU provides efficiency services in a variety of ways to meet the goals of the State as set forth by statute and in the contract, including but not limited to the provision of incentives for efficient technologies, technical assistance, and training and education.*
>
> *The EEU is also required to identify new strategies to acquire all reasonably achievable cost-effective electric efficiency measures. Recently, the Legislature added the provision of energy efficiency services for unregulated fuels to the responsibilities of the EEU.*
>
> *The EEU's performance is measured by standards called "performance indicators" which are currently negotiated by the Public Service Board and the EEU as part of the contract process, with significant input from the Department of Public Service. Indicators include goals for MWh, MW (summer and winter), and Total Resource Benefit savings. If the contractor meets or exceeds the goals, then it is provided an incentive award at the end of the three year contract."*[2]

The electric efficiency budget is funded through revenues (Energy Efficiency Charge) collected from all electric ratepayers in Vermont. These funds are then managed by the Public Service Board which has contracted with Vermont Energy Investment

[2] Docket No. 7466: Testimony filed by Walter Poor on behalf of the Vermont Department of Public Service re: Energy Efficiency Utility Structure. 2009

Corporation, the holder of the Efficiency Vermont contract to implement the programs. The city of Burlington is the lone exception. Their efficiency program is administered by the municipally owned Burlington Electric Department.

Budget

Vermont law requires EEU budgets to be set at a level that would realize "all reasonably available, cost-effective energy efficiency," and sets forth specific objectives for the Public Service Board (Board) to consider when setting EEU budgets.[3] In the most recent budget order filed in August of 2008, the Board stated the following:[4]

> *"In this Order we conclude that additional cost-effective energy efficiency is reasonably available, and therefore we are increasing the EEU budget. This additional investment in cost effective energy efficiency will result in total electric costs to Vermont that are lower than they would otherwise be by providing savings to consumers who install efficiency measures as well as savings to all ratepayers through reduced need for power purchases by utilities, deferred need for system upgrades such as transmission lines, and other statewide savings.*
>
> ***However, through the existing EEU funding mechanism, increased spending on efficiency also raises rates at a time when Vermonters are facing significant economic difficulties, such as increased heating and transportation costs. The energy efficiency charge ("EEC"), although small in relation to total electric charges, is additive in relation to overall rates.***
>
> *Today's decision establishing new EEU budget levels is likely to increase rates (above what they would be at the current budget level) approximately 0.6 percent in both 2010 and 2011. The impact of increasing the charge will be most felt at both ends of the spectrum, by large industrial and commercial users, and by low and middle-income Vermonters who are struggling to heat their homes and commute to their jobs."*

The board also stated in footnote 7 in the order[5]:

> *"We also note that the benefits of energy efficiency investments occur after the investments are made. As a result, increasing the EEU budget in 2009 is not likely to help Vermonters during the 2008-2009 winter season."*

As a result of the order, the Board level funded the 2009 budget of the EEU due to concerns about the impacts of high gasoline and fuel oil prices on consumers. Other aspects of the economy had not yet shown the dramatic downturn that occurred later in 2008.

[3] 30 V.S.A. § 209(d)(4) and (e)(14).
[4] August 29, 2008 PSB EEU budget order, pp. 3
[5] August 29, 2008 PSB EEU budget order, pp. 3, footnote 7

In the absence of specific recommendations to the EEU budget, the board based the 2010 and 2011 budget increases on the Consumer Price Index for All Urban Consumers, as calculated by the U.S. Department of Labor. In the order, the Board found that the CPI-U rose 6.2%. Although the PSB knew the increase was above the historic levels, they applied the increase nonetheless. The assumed 6.2% CPU-I for each of the 2010 and 2011 years resulted in a significant budget increase for electric efficiency, as illustrated in Figure 1.

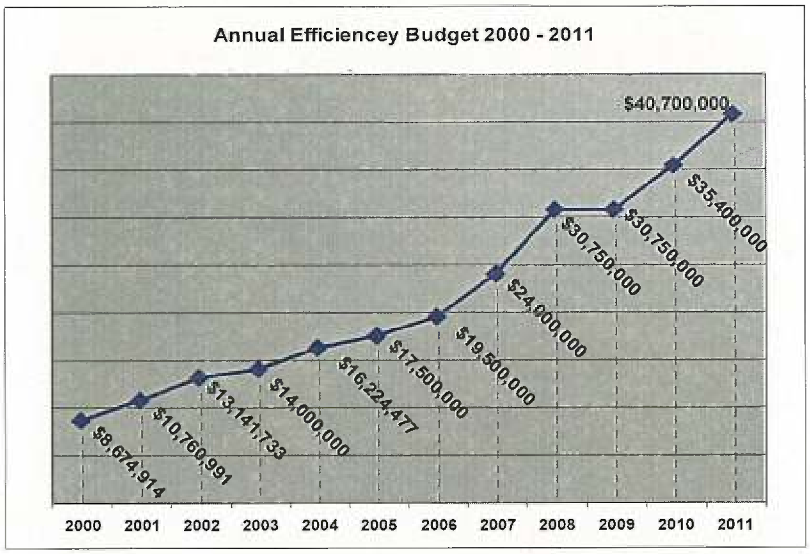

Figure 1 – EEU Budget Trend

In spite of a an economic downturn in 2003, a lagging economy since 2005, a major economic downturn at the end of 2008, and a continuing recession, the budget for Efficiency Vermont continues to grow. In fact, it is expected that by the end of 2011, revenues for Efficiency Vermont will be over 5% of electric revenues for the state.[6]

The revenue trends for Efficiency Vermont show generous increases, especially when compared with indexed changes in other indicators of the Vermont economy.[7] Indeed, current projections for the CPI-U this year are much lower than expected for the 12 month period ending 11/1/2008 of -0.4% and -1.5% for the 12 month period ending 8/1/2009. The PSB imposed budget for EVT is showing a significant deviation from the assumed +6.2% CPI for each of these years respectively.[8]

In Figure 2, the indexed growth of Efficiency Vermont's budget is compared with the indexed changes in the CPI, the Gross State Product, Median Household Income and Utility Disconnections. Several of these indicators are used for a snapshot comparison to demonstrate the economic distress consumers are experiencing during the same timeframe. In this chart, it can be seen that while all growth indicators appear to be

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[6] DPS Historical data and forward numbers from current Board Budget order
[7] Data from St. Louis Fed at http://research.stlouisfed.org/fred2/data/CPIAUCSL.txt

relatively flat; utility disconnections and the Efficiency Vermont budget, however, show significant indexed growth.

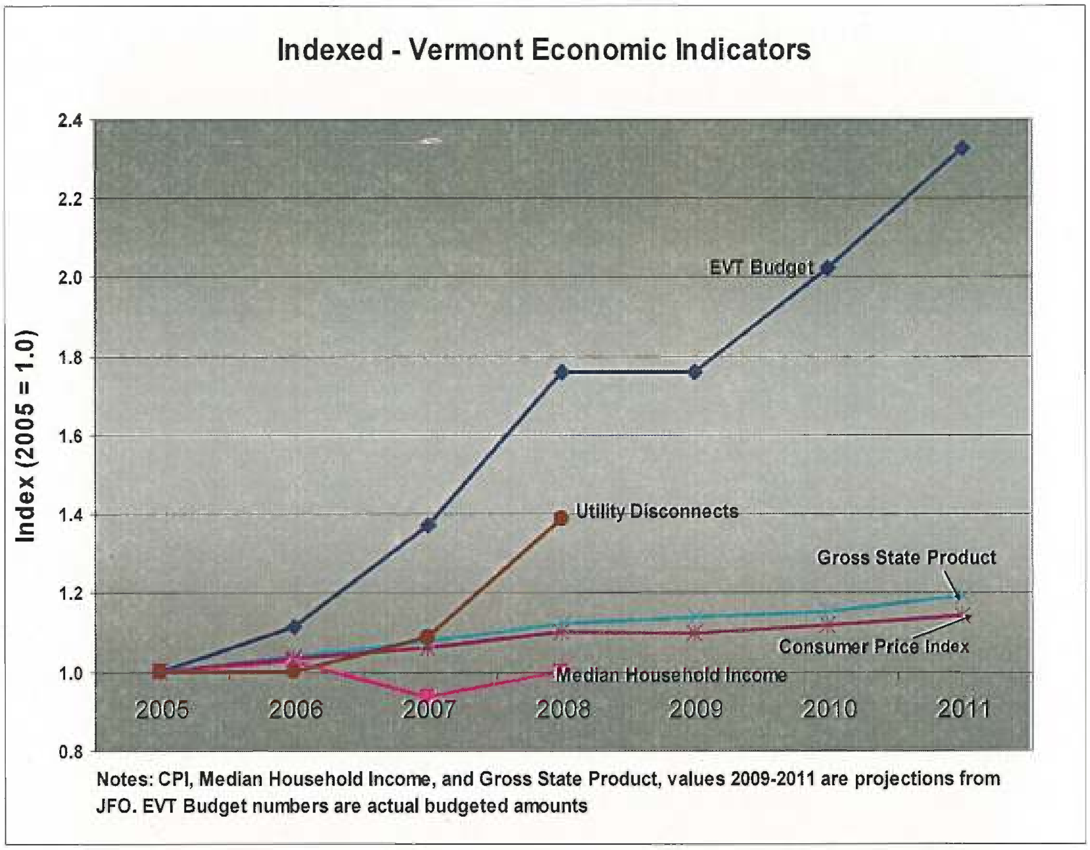

Figure 2 – EEU Indexed Budget Trend

This was an area of extensive debate within the energy Tiger Team. Although the expenditures for Vermont electric energy efficiency programs are high, in fact the highest per capita in the nation[9], the expenditures do save money and pay for themselves over the lifetime of the measures. The policy question remains, "can the ratepayer bear the burden in a distressed economic period?"

Figure 3 presents annual kWh savings by year. It can be seen that since the transition to the energy efficiency utility in 2000, there have been steady increases in savings as a result of efficiency. In the ACEEE Scorecard for 2009, Vermont ranks at or near the top of the list of states with regard to the effectiveness of our energy efficiency programs, including: total incremental savings, program and policy benefits, and utility incentives programs.

[9] ACEEE Scorecard, 2009

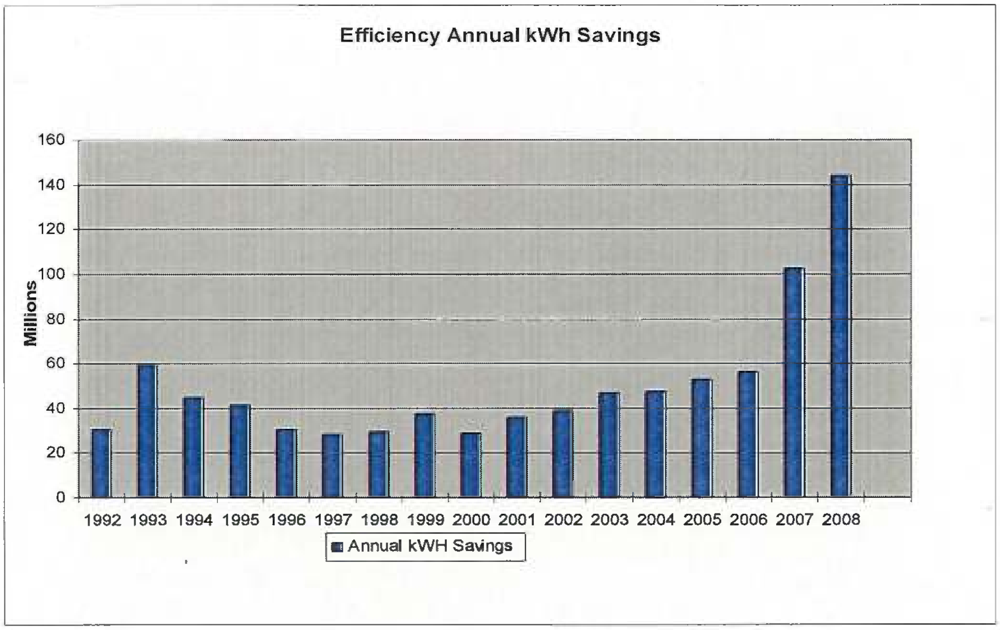

Figure 3 – EEU Annual Savings

Cost Effectiveness

The electric efficiency strategy used by Efficiency Vermont relies on cost effectiveness evaluation as a screening tool, developed in a consensus process before the Board. If a particular efficiency measure is not "screened" as cost effective, it is not eligible for incentives offered through the programs of the EEU, and Efficiency Vermont will not be permitted to claim the savings. Cost effectiveness is determined by comparing the measure's savings against the "avoided costs" based upon a forecast of anticipated wholesale market prices for electricity. A measure is considered to be "cost effective" if its cost does not exceed the value of the wholesale cost savings received over the lifetime of the measure.[10]

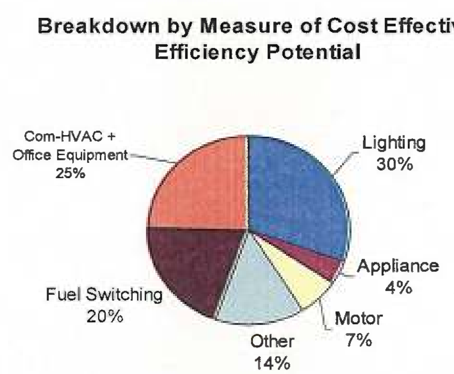

Figure 4 – EEU Measures, by %

[10] Energy Efficiency Potential Study, GDS Associates, January 2007, pp. 7

In 2007, the consulting firm "GDS Associates" completed a study for future electric efficiency. In the study's report, lighting replacement holds the greatest promise for savings, followed closely by the combination of commercial HVAC and office equipment. Figure 4 illustrates the breakdown of cost effective efficiency potential by measure.

In November of 2009, Efficiency Vermont released "Forecast 20: Electricity Savings in Vermont from 20 Years of Continued End-Use Efficiency Investment", Draft 1.0. The report, created as a result of Board order in Docket 7081, produced for principal findings:[11]

> • ***Reductions in electric energy requirements.*** *Continuing an annual investment of approximately $31 million for Efficiency Vermont and the Burlington Electric Department (BED; in constant 2009 dollars) in end-use efficiency improvements through 2027 will reduce Vermont's forecast electric energy requirements by 1,099 GWh / year, or 14.3% of expected 2027 total energy requirements of 7,692 GWh / year.*
>
> • ***Peak demand reductions.*** *These energy savings would result in peak demand reductions of 202 MW in summer and 180 MW in winter, reducing forecast seasonal peak demand in 2027 by 13.8% and 13.7%, respectively.*
>
> • ***Societal net benefits.*** *Nearly two more decades of efficiency investment by Vermont's energy efficiency utilities (EEUs)—with service delivery via BED and Efficiency Vermont—are estimated to result in societal net benefits of $1.239 Billion by 2027.*
>
> • ***Electric system net benefits.*** *After deducting the present worth of portfolio expenditures of $410 million, electric system net benefits are estimated at $976 million.*

It is important to note that this forecast is based on numerous assumptions, including funding at $31 million per year[12].

In the forecast, the reliance on lighting programs (CFL or LED) continues to produce the bulk of savings in the electric efficiency planning process. In the report, a challenge to this strategy emerges because of the program's current reliance on the use of compact florescent lighting (CFL) – no longer an anomaly – will become the mandatory standard in 2012. In the report it is acknowledged that:

> *"The standard spiral CFL is now a readily available product for general residential lighting."*[13]

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[11] Forecast 20, Efficiency Vermont, November 2, 2009, pp. 1
[12] Forecast 20, Efficiency Vermont, November 2, 2009 – assumes 2.6 inflation factor
[13] Forecast 20, Efficiency Vermont, November 2, 2009, pp. 51

As a result of the market transformation and new standards that have occurred around CFL availability, Efficiency Vermont is preparing to adopt new strategies shifting the emphasis to emerging LED technology:[14]

> *"By the end of the forecast period, however, the conclusion of this study is that this situation will be inverted: the majority of Vermont household lighting sockets will contain CFLs, with a significant minority containing LED lamps. Incandescent technology will replace LEDs as a niche application by 2027."*

The Board, agreeing with this assessment, made the following observation in their budget order:[15]

> *"The transformation of the CFL market is a resounding success — one of the goals of the EEU program is to change consumers' standard practices so they become more efficient. The new federal standards will require consumers nationwide to use more efficient versions of certain types of light bulbs, so it will no longer be necessary for the EEU to encourage consumers to use CFLs instead of "typical" 100, 75, 60, and 40-watt bulbs. Vermonters will benefit from this change in practice — the amount of electricity used for lighting will decrease without the need for further intervention in the market for these products by the EEU. Nevertheless, as the standard practice becomes more efficient, there is less remaining potential for energy efficiency until new, even more efficient lighting technologies (such as LEDs) are developed."*

With the second largest measure for potential cost effective savings is equipment, as enumerated in according to the GDS Associates Potential Study 2007, Efficiency Vermont raises an important issue of Federal Standards impacting programs in their Forecast 20:[16]

> *"Nationally, equipment and appliance standards over the study period, compared to the base case are projected to reduce annual energy use by more than 800 gigawatt-hours (GWh), and reduce peak load by 168 gigawatts (GW). Construction codes are projected to reduce the energy use of new buildings by 70 to 80%, compared to the baseline in the same period, Based on historical patterns of development, technology will continue to develop at a rate sufficient to provide incremental energy efficiency opportunities."*

Given the successful penetration of efficiency in a rapidly transforming marketplace and a changed political/regulatory environment at the Federal level, what level of budget electrical surcharge and rate of implementation will be required; simply stated, how much can we spend and how fast do we want to spend it? Furthermore, the team questioned whether the same programs with similar funding that have been successful in

[14] Forecast 20, Efficiency Vermont, November 2, 2009, pp. 2
[15] August 29, 2008 PSB EEU budget order, pp. 15
[16] Forecast 20, Efficiency Vermont, November 2, 2009, pp. 32

accomplishing energy savings through replacing incandescent light bulbs with CFL's are appropriate, given enacted federal legislation that will restrict incandescent light purchases and reduced savings for CFL to LED replacements.

Incentives and Participation

It is important to note that not all ratepayers realize direct savings from the energy efficiency charge they pay because of the means by which Efficiency Vermont uses incentives to implement electric efficiency. Only those that choose and can afford to participate, benefit. Efficiency Vermont and BED do not generally provide 100% incentive for adoption of a measure, nor should they. In the GDS Associates study, the authors point out that the national best practice recommends limiting incentives – in effect, leveraging funds from the participants. This does present a problem, as was identified by the Board in the 2008 budget-setting process.

In their order, the Board noted that as the deployment of electric efficiency increases, the demand decreases, driving rates up. For those people that participate (or can afford the match necessary to participate), they receive the benefits of the investment. Those who do not bear a double burden: the efficiency charge and the increase in rates.[17]

> *"Just as the system-wide benefits of investments in energy efficiency accrue to all customers, all customers also pay some of the costs of those investments — i.e., those costs paid by the EEU. In addition, reduced electricity consumption means that a utility's fixed costs are spread among a smaller kWh and kW base (or at least a kWh and kW base that is growing more slowly), which can put upward pressure on utility rates. Therefore, in order to fully understand the effect of energy efficiency programs on customers, it is necessary to look at the effect those programs have on both the rates paid by customers and customers' total utility bills.*
>
> *Unlike when the Board established the 2006-2008 EEU budgets, no commenter presented a model that analyzed the rate and bill impacts of various budget scenarios. However, at the August 6, 2008, workshop, GMP stated that currently, the EEC represents approximately 3.8 percent of a customer's bill, and that every $10 million increase in the EEU budget is roughly equal to a 1.25 percent rate increase for customers.*
>
> *Using these rough figures, increasing the budget as CLF, VPIRG and WEC have recommended would result in a rate increase of approximately 7 percent, spread over three years. Even if we accepted that the potential was as high as CLF, VPIRG and WEC assert, we are not persuaded that such an increase would be reasonable at the present time. Even though energy efficiency investments reduce Vermont's electric bills below what they otherwise would be, the short-term rate impacts of acquiring this energy efficiency are real."*

[17] August 29, 2008 PSB EEU budget order, pp. 22-23

The Board then commented on the impact to the individual consumer:[18]

> *"We recognize that any individual customer would be likely to experience rate and bill impacts different from the average results. This is because any individual customer's rate impact will depend on the rates actually paid by that customer, which vary depending on utility service territory, customer class, and the specific characteristics of that customer's consumption.* ***In addition, any individual customer's bill impact will be affected by whether the customer participated in any of the EEU's programs. Those who participated will have lowered their electricity consumption, and thereby their utility bills, while those who did not participate will not experience the same bill reductions."***

It is a reasonable inference that those residential consumers that are least likely to participate in the efficiency program are those least capable of paying their share of the efficiency measure – the low income Vermonter who does not qualify for Weatherization. They experience increasing EEU charges yet garner no benefit from participation in the program.

Even with the Weatherization program, it is estimated that between 70,000 and 84,000 households may not receive electric efficiency services. These families fall within a service "dead band", and are also negatively impacted because of the "rate effect". Briefly, the rate effect occurs when electric consumption goes down (for instance, as a result of more efficiency deployment), causing rates to increase (because the system costs are generally fixed). The net result for a non-participant is they pay for efficiency they don't receive, while also having to pay more for higher rates. In effect, this section of the population falls within the "dead band" of the program.

<u>Opportunities</u>

As the EEU evolves, the PSB continues to struggle with what Efficiency Vermont's budget should be, attempting to strike a balance between the need for efficiency and the capacity of a household or business to pay. To help better understand the range of options, the team developed a funding hypothetical for Efficiency Vermont that incorporated three approaches as illustrated in Figure 5:

- **Board recommended funding level**– If the state continues to follow the current budget trajectory there are no EVT charge savings for any ratepayer, and no aggregated charge savings; the budget will result in a **$10M increase** in EEU charges.

- **Funding at the JFO inflation forecast level** – If the EVT budget were tied to the Joint Fiscal Office's CPI, there would be **$8,708,000.00** total EVT charge savings in calendar 2011; residential consumers would save **$7.85** per year; commercial consumers would save **$40.59** per year; because of the way EEU charges are assessed to industrial consumers[19], they would realize no EVT charge savings.

[18] August 29, 2008 PSB EEU budget order, pp 22- 23, footnote 46

[19] However, certain Industrial Consumers can now manage their own EE programs and reduce their charge.

- **Funding at the FY 2010 level** – If EVT budget was held at the 2011 level, there would be **$9,950,000.00** total EVT charge savings in calendar 2011; residential consumers would save **$8.88** per year; commercial consumers would save **$45.91** per year, and industrial consumers would receive **$2,325.99** per year.

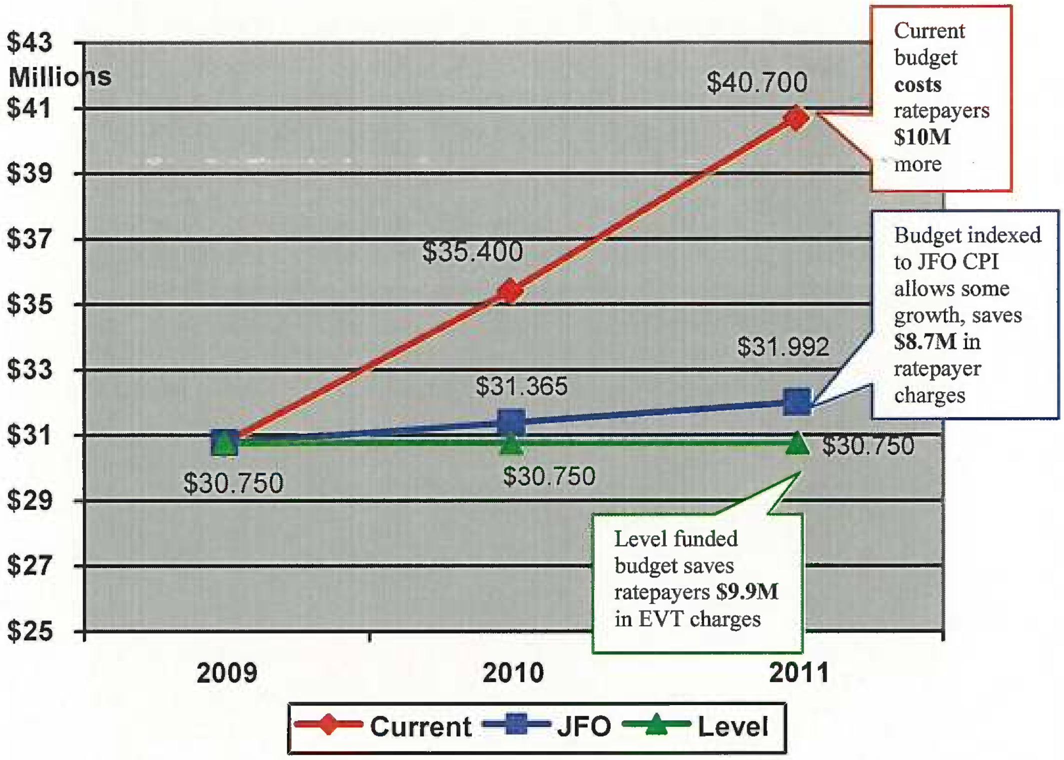


Figure 5 – EVT Budget options

It would not be unprecedented nor prohibited to make changes to the efficiency budget, as the Board has demonstrated in 2002 during a downturn in the economy. The budget was also level-funded in 2009. Clearly the Board anticipated greater CPI pressures due to the budget than actually occurred. Finally, Forecast 20 points out that even setting a budget of $30.7 million results in significant continued efficiency savings.

<u>Policy Question</u>
The core question identified by the team was, **"given the current state of the economy, how much should the electric efficiency budget grow, if at all?"** It was generally accepted that limiting the budget during the downturn would save all ratepayers money on their bills, and that such a change would require Efficiency Vermont to make new decisions, possibly resulting in greater operational efficiencies. The team clearly determined that overall budget resources are limited and all programs need to share in cost cutting measures.

Conversely, the energy team pointed out that the short term savings would sacrifice proven long-term savings *for those ratepayers that can utilize EVT's services* (not all ratepayers can use the services[20]). It was also accepted that slower growth in Efficiency Vermont's budget would result in less job growth at a time when the jobless rate has risen. Additionally, the non-monetary gains that follow from decreasing electricity use, such as reduction in greenhouse gas emissions, will not increase. Planning for Vermont's energy future would be more challenging because of the role that efficiency can play in reducing the need for new generation or transmission. Finally, there were some concerns that Vermont would relinquish some of its leadership positioning on energy efficiency.

Efficiency Vermont – Next Steps

The issue of the Efficiency Utility transitioning from a contract to a fully regulated utility is currently under consideration by the Board. Testimony has been filed and a decision is pending. The PSD strongly supported transition to an "Order of Appointment", whereby Efficiency Vermont would become a full-fledged utility subject to all regulatory requirements. Given the right conditions, PSD believes that the regulatory environment would make Efficiency Vermont more cost effective. Additionally, creating a fully regulated entity would allow for the regulation of other programs in a full Board process, in the event policy makers decide to transfer additional responsibilities to Efficiency Vermont.

III. WEATHERIZATION PROGRAM

Vermont's Weatherization program is managed by the Department of Children and Families (DCF), designed to help low income residents to save fuel and money by improving the energy efficiency of their homes. Funding for weatherization comes from federal and state sources.

Vermont - 2009 Weatherization Income Eligibility Guidelines[21]

	Number of Persons in Household							
County	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Addison	$27,960	$31,980	$36,620	$44,100	$51,580	$59,060	$66,540	$74,020
Bennington	$26,100	$31,980	$36,620	$44,100	$51,580	$59,060	$66,540	$74,020
Caledonia Essex Lamoille Orleans Rutland	$25,800	$29,460	$36,620	$44,100	$51,580	$59,060	$66,540	$74,020
Chittenden Franklin Grand Isle	$31,560	$36,060	$40,560	$45,060	$51,580	$59,060	$66,540	$74,020
Orange	$25,860	$29,580	$36,620	$44,100	$51,580	$59,060	$66,540	$74,020
Washington	$28,500	$32,580	$36,660	$44,100	$51,580	$59,060	$66,540	$74,020
Windham	$25,980	$29,640	$36,620	$44,100	$51,580	$59,060	$66,540	$74,020
Windsor	$26,880	$30,720	$36,620	$44,100	$51,580	$59,060	$66,540	$74,020

[20] August 29, 2008 PSB EEU budget order, pp 22- 23, footnote 46

[21] Source: http://dcf.vermont.gov/oeo/weatherization/income eligibility

The program is available to those Vermonters who have an annual household income of 60% or less of the median income within the state – essentially two times the poverty level. Once a household has been identified, either through direct contact or referral partners in the provider network, the household is placed on an availability list for residential weatherization services, such as insulation. At the time of service, the household residents can also receive CFLs and water savers, to help improve overall efficiency.

It is estimated approximately 27% of Vermont's housing stock (~84,000 single family homes) would be eligible for Weatherization assistance. Unfortunately those that are most in need of the potential savings are those that can least afford to bear the cost of measure implementation.

	SFY 2005	SFY 2006	SFY 2007	SFY 2008	SFY 2009	FY 2010
Units Weatherized[22]	1,352	1,443	1,441	1,383	1,548	1,679

Budget

The budget has seen growth over the past several years, as the state and federal governments' commitment to greater weatherization grows. Increasing the thermal efficiency of a home reduces the level of fuel assistance subsidies, thus alleviating upward pressures on the budget for the fuel assistance program.

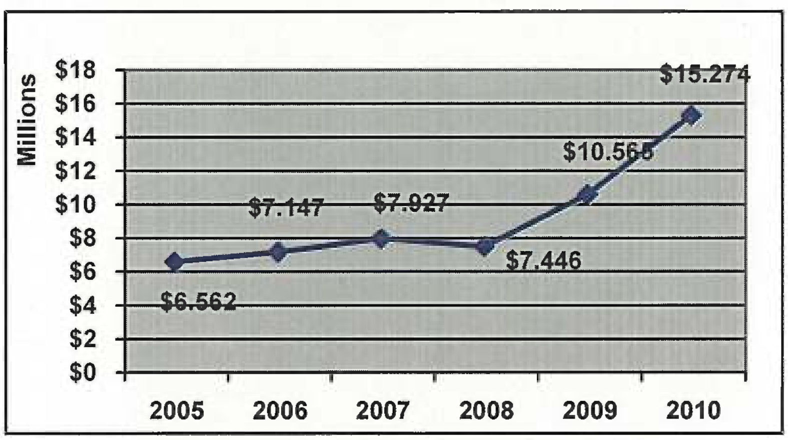


Figure 6 – Weatherization Budget by Year[23]

As the Weatherization program is managed by the state, compensation for the employees is set by the state system. Total administrative costs for the program are as follows:

Personal Services:	$146,087
O/E:	$148,184
Grants:	$9,119,695

[22] Source: Vermont Office of Economic Opportunity

[23] Source: Vermont Office of Economic Opportunity

Opportunities

The team examined the value of transferring the Weatherization program to Efficiency Vermont. This program has a very low cost of operation and overhead, largely because the funds are distributed and managed through the five community action programs in the state. The applicable administrative costs of these entities are not included in the above cost profile. When comparing the state pay levels with the compensation at Efficiency Vermont, they were found to be comparable. Although the upper salary range at Efficiency Vermont was higher, the fringe benefits through the state service were more generous.[24]

The advantages of transferring this program to Efficiency Vermont include: reduction in state workforce; a more centralized focus on low income services and gaps analyses related to low income populations (as identified in the electric efficiency programs above); and the elimination of overlapping programs serving common households, resulting in streamlined services between Efficiency Vermont and the CAP agencies. In the event of the transfer of the program, it is likely that outcomes would become subject to the jurisdiction of the PSB – in effect creating greater accountability and transparency.

Resistance to such a transfer might be that some of the CAP agencies would not support the move to Efficiency Vermont and the diminishment of interaction with the fuel assistance office and the benefits of working in the same building.

IV. Regional Greenhouse Gas Emissions Program

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by ten Northeast and Mid-Atlantic States to limit greenhouse gas emissions. The ten states participating in RGGI continue to implement the first mandatory cap-and-trade program in the United States to reduce greenhouse gas emissions. Revenues from this program come from electric ratepayers who pay rates which include the costs borne by generators to acquire pollution certificates required to offset emissions of CO2. These revenues had been estimated at $3.68 million per year, but recent market trends have resulted in lower than anticipated revenues. Currently, the RGGI funds have been appropriated to Efficiency Vermont for use in non-electric and unregulated fuels efficiency, for all but low income Vermonters.

Regional Greenhouse Gas Emissions – Projected Revenues[25]

Year	Total Revenue	Administration 2%	Net Revenue
2008 and 2009	$3,649,559	$72,991	$3,576,568
2010	$2,540,608	$50,812	$2,489,796
2011 (Q1 and 2 only)	$1,270,304	$25,406	$1,244,898
Grand Total	$7,460,471	$149,209	$7,311,262

[24] Efficiency Vermont's health care plan only cover's the primary employee; the cost for any other family members are the sole responsibility of the employee. Retirement contributions are also lower.
[25] Revised RGGI EEU 2009 - 2011 Estimates, VT EEU Contract Administrator, October 8, 2009

Figure 7 – RGGI Revenues by Year

RGGI Revenues are subject to market changes, based on the valuation of the carbon credits. The current forecast predicts lower than initial revenues.

Figure 8 – RGGI Forecast[26]

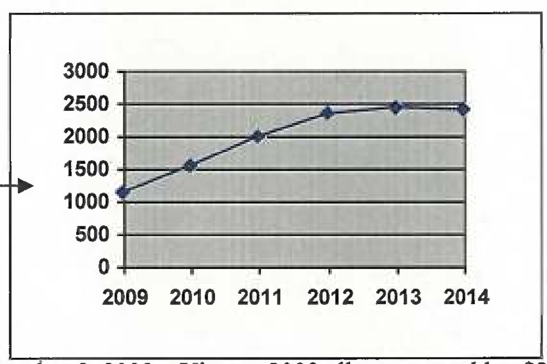
Opportunities

Regional Greenhouse Gas Emissions revenues have significant value for state energy programs. The team examined use of the funds, in combination with forward capacity market funds, to help reduce the obligation to the Weatherization program. The team observed that such redistribution could provide some relief, up to $4 million per year. The primary disadvantage would be a reduction in scale of the overall efficiency efforts in the state, and loss of opportunity through EVT.

V. FORWARD CAPACITY MARKET

With the advent of electric savings through the use of the efficiency utility, and a change in rules with system operators that now recognizes efficiency and demand side management as "generation equivalents", VEIC has been authorized by the Board to "bid in" its efficiency savings to the Forward Capacity Market on behalf of the state. As a result of this marketplace participation, Efficiency Vermont generates revenues in the amount of between $1.15M and $2.4M. The Board has authorized Efficiency Vermont to use these funds to support unregulated, "all fuels" efficiency programs.

Year	Revenues[27]
2009	$1.156m
2010	$1.564m
2011	$2.008m
2012	$2.347m
2013	$2.427m
2014	$2.401m



[26] RGGI Auction held Wednesday, December 2, 2009 – Vintage 2009 allowances sold at $2.05 and 2012 Vintage Allowances sold at $1.86 Source: Regional Greenhouse Gas Initiative, Inc. Press Release December 4, 2009

[27] November 5, 2009 presentation by VEIC to PSB

Opportunities
Forward Capacity Market revenues have significant value for state energy programs. The team examined use of the funds, in combination with RGGI funds, to help support the obligation to the Weatherization program and thus relieve pressure on the general fund. The team observed that such redistribution would provide material relief, up to $4 million per year. The primary disadvantage would be a reduction in scale of the overall efficiency efforts in the state, at least in the near term of the use of RGGI and Forward Capacity funds were redirected on a temporary basis.

VI. All Fuels Efficiency Program

The All Fuels Efficiency Program (AFEP) was created 2007 by the General Assembly. Funded by Forward Capacity Market Funds and Regional Greenhouse Gas Initiative revenues, the purpose of the program is to deploy efficiency measures in the non-electric sector to reduce costs and greenhouse gas emissions.

Initially, the AFEP directed the PSD to release a request for proposal for services from a vendor or vendors, to provide the services. With only a few responses, the department chose the CVCAC partnership to run the program, but before implementation, the legislature intervened and reallocated the funds to Efficiency Vermont with the express language that prevented funds from being used for low income populations.[28]

VII. Seasonal Fuel Assistance Program

Vermont's Seasonal Fuel Assistance Program is funded by federal and state sources and is currently managed by the Department of Children and Families to help low income Vermonters pay for their heating expenses. Sometimes referred to LIHEAP (Low Income Heating Assistance Program), this benefit program currently is also a gateway into the Department of Children and Families, allowing other DCF means of assistance.

Budget
The budget trend for the Seasonal Fuel Assistance Program shows a steady increase over the past several years. It is important to note that in the 2009 fiscal year, the budgeted amount was almost completely funded from federal funds.

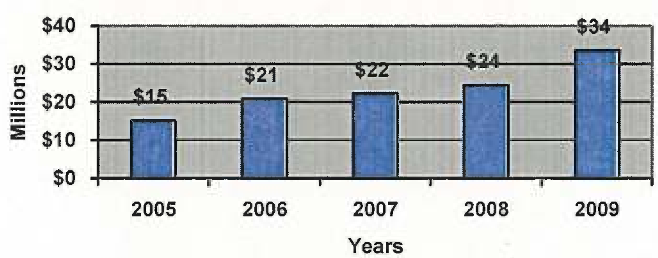


Figure 10 – Fuel Assistance Budget[29]

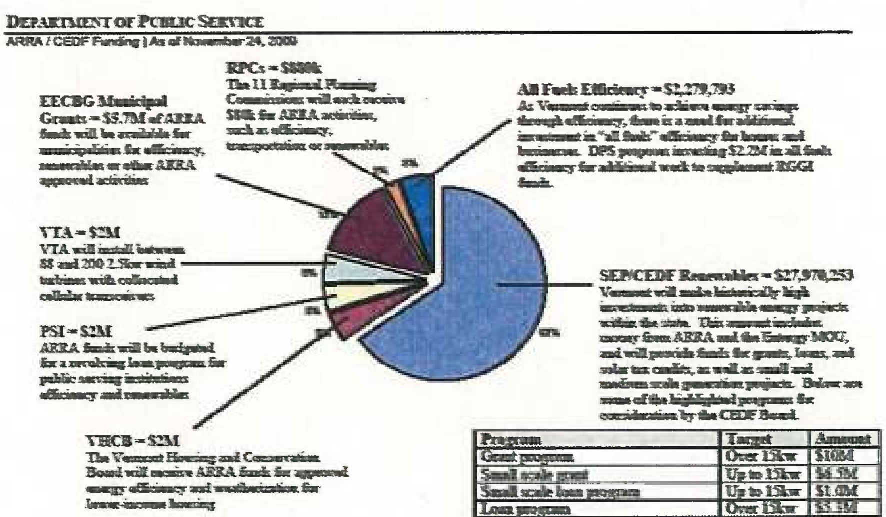
[28] 2009 opinion from the Vermont Attorney General's Office
[29] Weatherization budget information provided by VT Department of Children and Families

Opportunities
Given the nature of the program and current efforts at DCF to rationalize their eligibility system, the team did not believe there was any value added consolidating fuel assistance with any of the other programs. Fuel Assistance does not have a conservation focus and therefore, unlike Weatherization, does not readily fit within Efficiency Vermont. The team suggested that the Fuel Assistance Program be examined to determine how to maximize collaboration with the efficiency program.

VIII. Clean Energy Development Fund (CEDF)

The Vermont Clean Energy Development Fund was created by the General Assembly in 2005 to increase the development and deployment of cost-effective and environmentally sustainable electric power resources – primarily renewable energy resources and combined heat and power technologies. The fund relies on about $5 million in funds from Vermont Yankee, but recently received almost $32 million in federal one-time stimulus funds. The CEDF was initially designed and managed by the Department of Public Service, during which time the CEDF funded 84 projects with $2.7 million of low interest loans and $13.3 million in grants resulting in supporting 9.6 Megawatts of renewable capacity.

In the 2009 legislative session, the general assembly allocated over $30 million in stimulus funds from the American Recovery and Reinvestment Act (ARRA) of 2009 to the CEDF. The general assembly then detached the CEDF from the Department of Public Service and created an independent board of directors responsible for disbursing the funds. The department is currently responsible for limited administrative functions in support of the board of directors. The budget is allocated as follows:



Program	Target	Amount
Grant program	Over 15kw	$10M
Small scale grant	Up to 15kw	$4.5M
Small scale loan program	Up to 15kw	$1.0M
Loan program	Over 15kw	$5.5M
Solar tax credit	30%	$1.0M
Agriculture/economic development	Feasibility	$600K
Village Green Incentives	2 GGZ's	$300K
Anemometry / Wind Mapping	Programs	$175K
Training	Green Jobs	$140K

Opportunities

The team examined savings opportunities that could come from combining the existing CEDF staff with EVT and concluded that there could be minimal administrative efficiencies that could come from a merger with EVT's staff. There was also a belief that moving the CEDF into EVT could provide a clearer focus and a more comprehensive approach to energy strategy in the state.

Positions	**Salary Amount ARRA (including benefits)**	**Salary Amount Post - ARRA (including benefits**
Director	$104,867.00	$109,071.04
*Grant Specialist	$57,718.00	$60,026.72
*Financial Specialist	$55,493.00	N/A
*[30]Consulting Engineer	$75,000.00 (Contract)	N/A
Total annual expenses	$283,087.00	$169,097.76

Figure 12 – CEDF Administrative Budget[31]

A salary comparison between the current state positions within the CEDF and similar positions within Efficiency Vermont revealed relative equivalency. Although the upper salary range at Efficiency Vermont is higher in many cases, the state's fringe benefits were more generous.

Given the comparable salary structure, the team concluded that moving the CEDF might create organizational disruption in the short term and inhibit the distribution of the one-time ARRA funds. A minor concern was the potential for the loss of innovation due to the elimination of the board of directors.

Another consideration was the elimination of the CEDF Board entirely, and the use of existing and future funds to offset the burden on ratepayers from high rates imposed by the legislature in the 2009 session to foster investments on renewable energy production, thus insulating ratepayers from subsidizing renewable energy projects at above-market prices.

Given the legislative initiative to restructure the CEDF, the team did not believe it timely to use CEDF funds to protect ratepayers from the effect on legislatively mandated investments in above-market priced renewable energy.

A final opportunity that was examined was the elimination of the CEDF Board and use of the funds for efficiency and renewable energy projects for state buildings. This proposal sought to leverage CEFF funds with state funds to make state buildings and offices more efficient, while simultaneously reducing taxpayer energy costs. Given the recent history in restructuring the CEDF, the team concluded this would not be supported by advocates,

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[30] ARRA positions

[31] CEDF Budget information provided by VT Department of Public Service

even though the manufacturers, dealers and installers would benefit from more projects in the state. In the final analysis, the team believed that the politics surrounding the CEDF were too much to overcome, even if it meant saving taxpayer money. The team pointed out that while the fund is not designed to develop lowest cost sources, closer attention to the cost effectiveness of its grants will make future decisions more informed.

IX. Tax Incentives Programs

The Vermont Business Solar Tax Credit is aligned with the Federal Investment Tax Credit for solar installations. The credit uses the definitions of federal law to restrict the use of the credit to business installations (i.e. non-residential), to include the credit for use by utilities and to provide no restriction on size of the installation. As with the federal credit, Vermont provides the value of the credit equal to 30% of the cost of installation.

2008 is the first year of the Business Solar Tax Credit. In 2008, federal law was more restrictive and it is expected that the expenditure for Vermont will be $100,000 – $300,000. In 2009, the federal rules were made more permissible while Vermont put restrictions on the use of the state credit. For example, the credit is not available to projects receiving a grant from the Clean Energy Development Fund, and starting in October, the costs of the project supported by any grant are not to be included in the calculation of the Vermont credit. Many of the solar projects receiving the "Standard Offer" price recently established by legislation and approved by the Public Service Board will be eligible for the credit. One estimate of the installation costs for those projects is $60-70 million amounting to a possible tax expenditure liability of $20 million. These funds will be drawn from the Clean Energy Development Fund.

The Vermont Business Solar Tax Credit will sunset on January 1, 2011. However, the tax expenditure associated with the credit will be realized beyond that date because the credit can be carried forward for up to five years.

<u>Opportunities</u>
Because the funding for the solar tax credits comes from the CEDF, and due to the unknown level of demand that will emerge as a result of yet to be completed projects, there appears to be little potential for general fund or ratepayer savings as of the date of this report. Beyond the near term, one concern is the funding liabilities created by the tax credit. If Vermont Yankee is no longer a funding source for the CEDF, how will the tax credit costs be covered?

X. Salary Analysis

When conducting cost savings exercises in these program areas, the team examined information from state agencies and t non-profit organizations that receive public funds for services. The team had discussions around fair compensation rates across the government, non-profit and for-profit spectrum. While the state provided lower compensation in many cases compared to EVT and the CAP agencies, some believed that the nature of the business (energy) warranted a comparison to electric utilities. If such a comparison were conducted with the for-profit electric utilities, EVT would likely be significantly lower. Compared to municipal utilities, the comparisons become more level.

	Efficiency Vermont			State of Vermont Weatherization Program			Community Action Programs As reported in most recent Form I-990		
	Count	Min Salary	Max Salary	Count	Min Salary	Max Salary	Count	Min Salary	Max Salary
Customer Support/Business Development	18	$33,979	$75,728		$33,758	$52,374			
Executive Leadership	7	$83,100	$114,131		$73,736	$116,438	14	$57,990	$175,797
Management	11	$51,230	$93,890	2	$50,232	$78,770			
Marketing	8	$34,125	$59,356		$33,758	$52,374			
Support	25	$27,300	$51,162	8	$27,539	$42,474			
Technical	53	$43,425	$83,767	2	$42,037	$65,666			
		Salary Range (EVT)			Salary Range (State)			Salary Range (CAPS)	
Range	122	$27,300	$114,131	12	$27,539	$116,438	14	$57,990	$175,797
VEIC Administration & Leadership Staff	Count	Minimum Salary	Maximum Salary						
Executive Leadership	3	$107,296	$128,125		$73,736	$116,438			
Accounting/Facilities/IT/HR	20	$32,300	$81,483		$32,094	$49,587			
Administrative Management	3	$78,360	$88,605		$73,736	$116,438			
TOTAL VEIC Administration & Leadership	26								
		Salary Range (VEIC)			Salary Range (State)				
Other Non-EVT Staff	32	$27,300	$128,125		$27,539	$116,438			

The following are observations based the above data:

- Efficiency Vermont's full time equivalent count of executive leadership positions and given the span of control, EVT has a higher number of executives than comparable state organizations. EVT has 7 executives, 11 managers and 53 technical support staff for a total staff of 122.

- In all but one category of positions (executives), EVT has the lowest maximum pay, while the highest CAP agency executive had a maximum compensation package of $175,197.[32]

- State of Vermont compensation had a higher maximum level in only one category: administrative management at $116,438.

- Examination of VEIC pay levels was conducted because VEIC does manage some state programs, albeit through contracts. In the executive category, VEIC's maximum compensation surpasses comparable state employees by almost $12,000.

- The categories that encompass the Weatherization, when compared to the salary range at EVT, are comparable.

[32] The NETO Executive Director made $175,797 reported in the 2007 I-990 filing.

XI. CONSOLIDATION

The team examined the potential to transfer several programs to Efficiency Vermont, to capture potential savings through elimination of duplication; and to enhance mission centricity in the state's energy policy. Currently, Efficiency Vermont is also assuming responsibility for all fuels efficiency.

As discussed above, there is little value in transferring either the Clean Energy Development Fund (CEDF) or the Fuel Assistance Program. The disparity in mission focus and the low savings potential make this an untenable option.

However, there could be a value opportunity to transfer the Weatherization program from the state to Efficiency Vermont. As noted above, there are weaknesses in Efficiency Vermont's business model, especially when serving the low income community. For that income band, incentive programs are not effective simply because lower income people often do not have the disposable funds to participate in efficiency measures. Further, they are adversely affected by both the electric rate surcharge and rate increases due to reduction in statewide energy use. Moving Weatherization to Efficiency Vermont could help change the institutional focus and provide better services for low income people.

Also important is meeting legislative requirement delineated in the all fuels efficiency program statute to unify and consolidate efficiency in order to provide the consumer with "one stop shopping" for resources. Such a proposed transfer of programs would effectively place the fiscal and managerial responsibilities within one organization, and allow a closer partnership with the people in the field – the CAP agencies.

With respect to greater regulatory oversight of the EEU, the team contends that more personnel can support such oversight at lower than current costs. Currently, the PSD spends about $800,000 per year on external contractors to verify savings. Generally these contractors are highly paid. By hiring two employees and using fewer external contracts, the department could reduce the budget by $100,000 per year, and still have funds remaining to contract as necessary and appropriate.

XII. BUDGET AND REVENUE OBSERVATIONS

Energy programs in Vermont are unique from state services in that money spent on efficiency generally produces savings and pays for itself within a short period of time with on-going savings after payback. However, the inherent nature of energy efficiency should not lessen the responsibility to aggressively providing publically funded or subsidized services as efficiently as possible.

- **Transfer Weatherization to EVT** –consideration should be given to transfer of the state's Weatherization program to Efficiency Vermont. Such a transfer could allow for better administration of efficiency services across all income strata.

- **Consolidate RGGI, FCM revenues to reduce general fund spending on efficiency** – The team examined the transfer of the RGGI funds and Forward Capacity revenues to the Weatherization program; reducing the General Fund contribution to Weatherization by a corresponding amount; and saving an estimated $4.68 million per year of general fund monies. The transfer of the Weatherization program to Efficiency Vermont would then enable the recovery of some of the funds through increased efficiencies.

- **Technical staff for PSD** – The PSD should continue to expend monies on external contractors but can reduce such expenditures through up-staffing at the PSD. This would result in greater institutional knowledge, a potential reduction of $100,000 in the measurement and verification budget, while still allowing funds for PSD to work with external contractors as necessary.

- **Affordability Index** – Given the guaranteed nature of payback for energy efficiency measures, the team believed there could be great value in the development of an affordability index to help state policy makers better connect investments in efficiency and renewables with the ability of low and middle income household to provide resources for such investments.

- **Support the Order of Appointment for the EEU** – The team generally considered it positive that, given the size and scope of the Efficiency Vermont budget that their contractual arrangement transition to a formal regulated entity. In that process, the Board and the PSD should increase their efforts to improve accountability.

- **Efficiency Vermont budget** – Members of the team held strong opinions on both sides of the discussion on the affordability of efficiency investments and the savings and benefits garnered to owners and society in general. The remains a need to define the balance between those who fund investments and those who directly benefit from them.

XIII. SMART GRID INITIATIVE

As with all studies, new issues and information come to light which are worthy of consideration but due to resource and time constraints must be tabled for investigation in further studies. Such is the case with this effort.

Late in the tenure of the energy tiger team it was learned that Vermont utilities have been awarded a $69 million Smart Grid grant and will match that to do a $138 million project by the end of 2012. ISO-NE is also investing over $50 million in a fiber backbone connecting Vermont substations.

These “Smart Grid” projects promise to make the Vermont grid “smart” for every consumer and business premise by an overlay of digital technology, the grid promises to operate more efficiently and reliably. It can also accommodate more solar and wind power, which are inconsistent sources of energy requiring close monitoring and response to changes in production. Building the smart grid means adding computer and communications technology to the existing electricity grid

Once that conduit is put in place, consumers can get more detailed energy data and start taking advantage of efficiency incentives, such as charging your plug-in electric vehicle in the middle of the night to get off-peak rates. The next step toward efficiency is what's called demand response. The goal here is to reduce energy consumption at peak times. This is very important to utilities because it's costly and polluting to bring on auxiliary power plants to meet, say, a spike in demand from the air conditioning load on a hot summer day.

Smart grid capabilities mean that peak electrical load – both time of day and dynamic pricing can be accessed directly. These peaks are both significant cost drivers for electrical energy and the source of additional carbon emissions associated with electricity use in Vermont. “Smart Grid “ technology in addition to Federal appliance standards will bring new efficiencies that will impact the level of and rate of funding by rate-payers necessary to support programs.

XIV. Tiger Team Composition

The Tiger Team tasked with examination and analysis of energy programs was composed of the following members:

- Ron Behrns, Director, Economics and Finance, PSD
- Michael Davis, Director of Hospital Regulatory Operations, BISHCA
- Ken Jones, PhD, Policy Analyst, Vermont Department of Taxes
- Michael Kundrath, PhD, Policy Analyst, PSD
- Kenneth McGuckin, Director of Insurance Company Licensing and Chief Insurance Examiner, BISHCA
- Ned Pike, Senior Financial Examiner, Banking Division, BISHCA
- Richard Smith, Deputy Commissioner, PSD (Resigned)
- Stephen Wark, Deputy Commissioner, PSD

VERMONT

Agency of Administration

Boards and Commissions "Tiger Team" Report

Date of Publication: 02/09/2010

The Boards and Commissions Tiger Team was comprised of Otto Trautz, Marty Searight, and Slater Latour. In the course of reviewing every area of state government for opportunities to streamline operations and for efficiencies, we have done a thorough review of boards and commissions. No complete list existed, as they are sprinkled throughout our statutes, and are associated with departments and programs throughout state government. A scan of all statutes and executive orders discovered approximately 300 such groups. (See list, below)

Of this universe of boards and commissions, 16 are under legislative direction, and 5 are associated with the Judicial branch. Another 19 are boards providing advice and guidance to the Office of Professional Regulation in the Secretary of State's office. We did not attempt further evaluation of these groups.

For the remaining 258 Executive branch boards and commissions, we surveyed their associated departments as to their level of activity and value to state government operations. Not surprisingly, many have been inactive for years, and some active ones seem of questionable value. In addition, we found some opportunities for consolidation.

Significant savings would come from the following proposals:

- Repeal of the Vermont Film Corporation (see 10 V.S.A. Chapter 26), which in fiscal year 2010 received a general fund grant of $171,000 from the Agency of Commerce and Community Development. We are not convinced that the Film Corporation is achieving the economic development goals anticipated when it was established.
- Repeal of the Public Oversight Commission (see 18 V.S.A. Sec. 9407). The role of the Public Oversight Commission (POC) in advising the Division of Health Care Administration in the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) is unnecessary in the Certificate of Need (CON) and hospital budgeting process. Between direct operating costs of the POC and costs to BISHCA for staffing and servicing the POC, $80,000 savings are anticipated. This does not include additional savings to the CON applicant.
- Repeal the requirement for BISHCA to contract with the Vermont Program for Quality in Health Care, Inc. (see 18 V.S.A. Sec. 9416), which in effect provides guaranteed funding to that organization. The Vermont Program for Quality in Health Care (VPQHC) is designated in the statute "to implement and maintain a statewide quality assurance system to evaluate and improve the quality of health care services rendered by health care providers of health care facilities", and to carry out various other health care system evaluation and improvement efforts. Some of these efforts are duplicative of other Vermont initiatives with a similar purpose. Other mandated requirements relating to promoting professional accountability (see 26 V.S.A. Sec. 1445) have not been a prominent focus of VPQHC activity. Savings of up to $400,000, which would be passed on to Vermont health care consumers in insurance premiums and hospital rates, are anticipated if BISHCA were allowed, rather than mandated, to contract with

VPQHC for services that are desired and necessary, but which might be secured with less expense if competitively contracted.

Less quantified savings, in the form of associated department staff time and resources, will also derive from abolishing some boards that in our judgment are of marginal value.

We will be presenting our proposal to abolish, consolidate or otherwise modify approximately 60 boards and commissions to the legislative committees on Government Operations. While our budgetary savings so far may be modest, the steps we have taken and recommendations we will make are necessary to trim the list of boards and commissions to those that are active and are of value.

Boards and Commissions - full web list	2/8/10 1:26 PM	
SURVEY OF STATUTORY AND EXECUTIVE ORDER BOARDS AND COMMISSIONS		
Board/Commission	Associated with Agency/Dept	Establishment Cite (Vt Statutes Annotated or Executive Order [when effective])
Municipal Planning Commissions	ACCD	24 VSA § 4321
Regional Planning Commissions	ACCD	24 VSA § 4341
Commission on International Trade and State Sovereignty	ACCD	3 VSA § 23
Historic Preservation Advisory Council	ACCD	22 VSA § 741
Travel & Recreation Council	ACCD	10 VSA § 652
Travel Information Council	ACCD	10 VSA § 484
Vermont Economic Progress Council	ACCD	32 VSA § 5930a
Vt Commission on Native American Affairs	ACCD	1 VSA § 852
Vt Community Development Board	ACCD	10 VSA § 685
Vt Downtown Development Board	ACCD	24 VSA § 2792
Vt Housing Finance Agency	ACCD	10 VSA § 611
Vt State Housing Authority	ACCD	24 VSA § 4005
Commission on the Future of Economic Development	ACCD	10 VSA § 1
Market Vermont Advisory Board	ACCD	3 VSA § 2503
World Trade Office	ACCD	10 VSA § 26
Vt Business Recruitment Partnership	ACCD	10 VSA § 15
Council of Regional Commissions	ACCD	24 VSA § 4305
Commission on Interstate Cooperation	ACCD	1 VSA § 781
Development Cabinet	ACCD	3 VSA § 2293
Vt Small Business Investment Board	ACCD	10 VSA § 673
Vt Film Corporation	ACCD	10 VSA § 644
Vt State Craft Center Overview Commission	ACCD	E.O. 09-09 - to be renumbered - expires 10/31/12 (10/15/09)
State Agencies Designated as Having Programs Affecting Land Use	ACCD	E.O. 10-10 (11/17/88)
State Agencies Designated as Having Programs Affecting Land Use	ACCD	E.O. 10-16 (11/21/91)
Governor's Advisory Commission on Native American Affairs	ACCD	E.O. 22-3 (11/22/90)
Governor's Jobs Cabinet	ACCD	E.O. 3-44 (4/11/03)
Vt Environmental Engineering Advisory Council	ACCD	E.O. 10-34 (4/30/07)
Vt Life Advisory Board	ACCD	E.O. 22-2 (9/16/86)
Lake Champlain Quadricentennial Commission	ACCD	E.O. 22-5 - sunset 6/30/10 (10/16/03)
Vt Housing Council	ACCD	E.O. 33-10 (6/9/95)
Sustainable Jobs Fund Board of Directors	ACCD/VEDA	10 VSA § 328
Interagency Committee on Administrative Rules	Administration	3 VSA § 820
Vt Higher Education Facilities Commission	Administration	16 VSA § 3592
Interactive Television Coordinating Council	Administration	E.O. 16-2 (10/14/94)
Interagency Committee on Rules and Administrative Procedures	Administration	E.O. 3-3 (4/7/78)
University of Vermont - Vermont State Colleges Task Force	Administration	E.O. 16-4 - expires 3/15/10 (3/12/09)
Apple Marketing Board	Agriculture	6 VSA § 252
Vt Agricultural Commodity Marketing Boards	Agriculture	6 VSA § 253a
Vt Milk Commission	Agriculture	6 VSA § 2922
Northeastern Interstate Compact for Dairy Pricing Commission	Agriculture	6 VSA § 1804
Vt Rehabilitation Corporation	Agriculture	10 VSA § 272
Farm Viability Enhancement Advisory Board	Agriculture	6 VSA § 4710(b)
Large Farm Operations Advisory Group	Agriculture	6 VSA § 4853
Pesticide Advisory Council	Agriculture	6 VSA § 1102
Sustainable Agriculture Council	Agriculture	6 VSA § 4701(b)
Vt Dairy Promotion Council	Agriculture	6 VSA § 2971
Vt Breeders' Stake Board	Agriculture	31 VSA § 641
State Natural Resources Conservation Council Supervisory Unions	Agriculture	10 VSA § 802
Agricultural Development Commission	Agriculture	6 VSA § 2961
State Natural Resources Conservation Council	Agriculture	10 VSA § 703
State Natural Resources Conservation Council Board of Adjustment	Agriculture	10 VSA § 732
Vt State Council for Interstate Adult Offender Supervision	AHS	28 VSA § 1354
Parole Board	AHS	28 VSA § 451
Advisory Committee on the Vt Prescription Monitoring System	AHS	18 VSA § 4286 (expires 7/1/12)
Alcohol & Drug Abuse Council	AHS	33 VSA § 703
Birth Information Network Advisory Committee	AHS	18 VSA § 5089
Board of Health	AHS	18 VSA § 101
Children & Family Council for Prevention Programs	AHS	33 VSA § 3302
Commission on Juvenile Justice	AHS	3 VSA § 3085c
Drug Utilization Review Board	AHS	33 VSA § 1998(f)
Governor's Council on Physical Fitness & Sports	AHS	10 VSA § 2605
Human Services Board	AHS	3 VSA § 3090
Local Interagency Teams	AHS	33 VSA § 4303

Board/Commission	Associated with Agency/Dept	Establishment Cite (Vt Statutes Annotated or Executive Order [when effective])
Offenders with Functional Impairment Working Group	AHS	2009 Act 26 Sec 3 (repealed 7/1/12)
Palliative Care and Pain Management Task Force	AHS	2009 Act 25 Sec 18
Statewide Independent Living Council	AHS	29 U.S.C. 701 Rehab Act, Title VII
Commission on Alzheimer's Disease & Related Disorders	AHS	3 VSA § 3085b
Executive Committee Advisory to the Director of the Vt Blueprint For Health	AHS	18 VSA § 702(c)
Medical Care Advisory Committee	AHS	33 VSA § 1901c
Coalition for Healthy Activity, Motivation and Prevention Programs	AHS	18 VSA § 11
CHAMPPS/Fit and Healthy Advisory Council	AHS	18 VSA § 11(6)
Community High School of Vermont Board	AHS	28 VSA § 121
Advisory Board on Children and Adolescents with Severe Emotional Disturbance and Their Families	AHS	33 VSA § 4304a
Advisory Board on the Status and Needs of People with Developmental Disabilities and their Families	AHS	18 VSA § 8733
Vt Developmental Disabilities Council	AHS	E.O. 33-16 (8/14/07)
Dept. of Disabilities, Aging and Independent Living Advisory Board	AHS	33 VSA § 505
Governor's Committee on Employment of People with Disabilities	AHS	21 VSA § 497a
State Rehabilitation Council for the Blind & Visually Impaired	AHS	Public Law 102-569 (Federal)
Reparative Community Boards	AHS	28 VSA § 910a
Board of Medical Practice	AHS	26 VSA § 1351
Advisors to Director of Alcohol and Drug Abuse	AHS	33 VSA § 806
Mental Health Board	AHS	18 VSA § 7301
Opiate Addiction Treatment Advisory Committee	AHS	18 VSA § 4703
Vt Independence Board	AHS	33 VSA § 6103
Committee on Community Health and Wellness Grants	AHS	18 VSA § 104b
Child Care Services Advisory Board	AHS	33 VSA § 308
Offender Work Programs Board	AHS	28 VSA § 761
Home Energy Assistance Task Force	AHS	33 VSA § 2501(c)
Vt Tobacco Evaluation & Review Board	AHS	18 VSA § 9504
Governor's Commission on Healthy Aging	AHS	E.O. 33-13 (3/11/05)
Vt Interagency Council on Homelessness	AHS	E.O. 33-15 - expires 12/31/15 (8/31/06)
Vt Commission on National & Community Service	AHS	E.O. 33-18 (1/23/09)
Building Bright Futures Council	AHS	E.O. 33-19 - expires 6/30/10 (6/27/09)
Drug Utilization Review Board	AHS	E.O. 18-7 (1/26/93)
State Program Standing Committee for Adult Mental Health	AHS	E.O. 18-12 (6/11/99)
Hunger Task Force	AHS	E.O. 18-16 - expires 11/15/09 (2/23/06)
Governor's Children and Youth Cabinet	AHS	E.O. 3-41 - sunset 6/30/10 (2/5/02)
Governor's Commission on Corrections Overcrowding	AHS	E.O. 13-3 (11/17/03)
ICC for Families, Infants & Toddlers	AHS/Education	Public Law 99-457 Part H (Federal)
Natural Gas and Oil Resources Board	ANR	29 VSA § 504
Governor's Snowmobile Advisory Council	ANR	23 VSA § 3216
Brownfield Advisory Committee	ANR	10 VSA § 6656 (repealed 1/1/11)
District Environmental Commissions	ANR	10 VSA § 6026
Advisory Committee on Mercury Pollution	ANR	10 VSA § 7113 (sunset 1/1/15)
Connecticut River Valley Flood Control Commission	ANR	10 VSA § 1153
Petroleum Cleanup Fund Advisory Committee	ANR	10 VSA § 1941(e)
Potable Water and Wastewater Technical Advisory Committee	ANR	10 VSA § 1978(e)
Vt Citizens Advisory Committee on Lake Champlain's Future	ANR	10 VSA § 1960
National Forests Board	ANR	1 VSA § 554
Connecticut River Atlantic Salmon Commission	ANR	10 VSA § 4654
Endangered Species Committee	ANR	10 VSA § 5404
Fish & Wildlife Board	ANR	10 VSA § 4041
Migratory Waterfowl Advisory Committee	ANR	10 VSA § 4277(f)
Northeast Forest Fire Protection Commission	ANR	10 VSA § 2503
New England Interstate Water Pollution Control Commission	ANR	10 VSA § 1372
Champion Lands Citizen Advisory Council	ANR	10 VSA § 6407
Green Mountain Conservation Camp Endowment Fund Committee	ANR	10 VSA § 4049b
Vt Trails and Greenways Council	ANR	10 VSA § 445
Compliance Advisory Panel	ANR	3 VSA § 2873(h)
Forest Resources Advisory Council	ANR	10 VSA § 2223
State Board of Forests, Parks and Recreation	ANR	10 VSA § 2604
Toxics Advisory Board	ANR	3 VSA § 2873(f)

Board/Commission	Associated with Agency/Dept	Establishment Cite (Vt Statutes Annotated or Executive Order [when effective])
Mountaintop Communications Site Technical Committee	ANR	10 VSA § 2606a(b)(2)
Connecticut River Watershed Advisory Commission	ANR	10 VSA § 1193
Water Well Advisory Committee	ANR	10 VSA § 1395b
West Mountain Wildlife Management Area	ANR	E.O. 10-29 (11/1/02)
Climate Change Action Plan for State Government Buildings	ANR	E.O. 10-30 - sunset 7/1/20 (9/16/03)
Transportation Board	AOT	19 VSA § 3
Vt Transportation Enhancement Grant Committee	AOT	19 VSA § 38
Motor Vehicle Arbitration Board	AOT	9 VSA § 4174
Vt Traffic Committee	AOT	19 VSA § 1(22)
Vt Transportation Authority	AOT	29 VSA § 711
Motorcycle Rider Training Program Advisory Committee	AOT	23 VSA § 735
Scenery Preservation Council	AOT	10 VSA § 425
Public Transit Advisory Council	AOT	24 VSA § 5084
Vehicle Equipment Safety Commission	AOT	23 VSA § 1803
Vt Aviation Advisory Council	AOT	E.O. 5-4 (8/5/03)
Vt Rail Advisory Council	AOT	E.O. 5-6 (8/5/03)
Vt Transportation Operations Council	AOT	E.O. 5-5 (8/5/03)
Domestic Violence Fatality Review Commission	Attorney General	15 VSA § 1140
Art Acquisition Fund Advisory Committee	BGS	29 VSA § 47
Capitol Complex Commission	BGS	29 VSA § 182
Human Services and Educational Facilities Grant Advisory Committee	BGS	24 VSA § 5606
Recreational Facilities Grant Program Committee	BGS	24 VSA § 5605
Board of State Buildings	BGS	29 VSA § 156
Vt Clean State Program	BGS/ANR	E.O. 10-31 (4/8/04)
Interstate Product Regulation Commission	BISHCA	8 VSA § 8501
Public Oversight Commission	BISCHA	18 VSA § 9407(a)
Mental Health and Substance Abuse Task Force	BISHCA	8 VSA § 4089b(h)
Vermont Program for Quality in Health Care	BISHCA	18 VSA § 9416
Sexual Assault Nurse Examiner (SANE) Board	Center for Crime Victim Services	33 VSA § 322
Victims Compensation Board	Center for Crime Victim Services	13 VSA § 5352
Vt Council on Domestic Violence	Center for Crime Victim Services	15 VSA § 1171
Vt Victim/Survivor Crime Council	Center for Crime Victim Services	E.O. 13-4 (2/9/07)
Vt Council on Domestic Violence	Center for Crime Victim Services	E.O. 15-8 -expires 7/1/12 (6/29/06)
Vt Commission on Women	Commission on Women	3 VSA § 22
Council on the Arts	Council on the Arts	16 VSA § 111
Criminal Justice Training Council	Criminal Justice Training Council	20 VSA § 2352
Vt Enhanced 911 Board	E-911 Board	30 VSA § 7052
State Board of Education	Education	16 VSA § 161
Advisory Council on Special Education	Education	16 VSA § 2945
Hearing Panels for Professional Public Educators	Education	16 VSA § 1702
Vt Standards Board for Professional Educators	Education	16 VSA § 1693
Comprehensive Health Education Advisory Council	Education	16 VSA § 132
Council on Civics Education	Education	16 VSA § 15
Residential Placement Review Team	Education	16 VSA § 2958
Advisory Council on Wellness	Education	16 VSA § 216(b)
Committee on Administrative Coordination	Finance & Mgmnt	32 VSA § 203
Vt Center for Geographic Information	GIS	10 VSA § 124
Vt Racing Commission	Governor	31 VSA § 602
New England Board of Higher Education	Governor	16 VSA § 2731
Uniform Laws Commission	Governor	2 VSA § 201
Next Generation Commission	Governor	2006 Act 204 Sec 1
Criminal Justice Cabinet	Governor	E.O. 13-1 (7/22/92)
Governor's Council of Environmental Advisors	Governor	E.O. 10-17 (3/18/92)
Emergency Board	Governor/Leg	32 VSA § 131
Vt Housing & Conservation Board	Housing & Conserv Bd	10 VSA § 311
Commission on Higher Education Funding	Higher Ed, Legis, Admin	16 VSA § 2886
Joint Committee on Tax Credits	Vt Housing Finance Agency	E.O. 32-7 (4/2/04)
Human Rights Commission	Human Rights Commission	9 VSA § 4551
Vt Humanities Council	Humanities Council	16 VSA § 126

Board/Commission	Associated with Agency/Dept	Establishment Cite (Vt Statutes Annotated or Executive Order [when effective])
Vt Information Technology Leaders (VITL)	Dept Information & Innovation	18 VSA § 9352
Vt Web Portal Board	Dept Information & Innovation	22 VSA § 952
Technology Advisory Board	Dept Information & Innovation	3 VSA § 2294
Telecommunications Advisory Council	Dept Information & Innovation	E.O. 30-9 - sunset 2/1/11 (11/4/06)
Vt Sentencing Commission	Judiciary	13 VSA § 5451
Judicial Arbitration Panel	Judiciary	12 VSA § 7002
Judicial Nominating Board	Judiciary	4 VSA § 601
Windsor County Youth Court Advisory Board	Judiciary	12 VSA § 7109
Bar Examiners Board	Judiciary	4 VSA § 902
Apprenticeship Council	Labor	21 VSA § 1101
Employment Security Board	Labor	21 VSA § 1302
Passenger Tramway Board	Labor	31 VSA § 703
Workforce Development Council	Labor	10 VSA § 541
Occupational Safety & Health Review Board	Labor	21 VSA § 230
VOSHA Advisory Council	Labor	21 VSA § 229
Youth in Agriculture, Natural Resources, and Food Production Consortium	Labor	21 VSA § 1152
Labor Board Review Panel	Labor	3 VSA § 921(a)(1)
Dept of Labor Advisory Council	Labor	21 VSA § 1306
Vt State Workforce Investment Board	Labor	E.O. 21-6 (2/1/99)
Governor's Workforce Equity & Diversity Council	Labor/Human Resources	E.O. 3-43 (8/20/02)
State Labor Relations Board	Labor Relations Bd	3 VSA § 921
Commission on Health Care Reform	Legislature	2 VSA § 901
Joint Energy Committee	Legislature	2 VSA § 601
Joint Fiscal Committee	Legislature	2 VSA § 501
Joint Legislative Corrections Oversight Committee	Legislature	2 VSA § 801
Joint Legislative Government Accountability Committee	Legislature	2008 Act 206 Sec 5
Joint Transportation Oversight Committee	Legislature	19 VSA § 12b
Legislative Advisory Commission on the State House	Legislature	2 VSA § 651
Legislative Committee on Administrative Rules	Legislature	3 VSA § 817
Legislative Committee on Judicial Rules	Legislature	12 VSA § 3
Legislative Health Access Oversight Committee	Legislature	2 VSA § 851
Legislative Information Technology Committee	Legislature	2 VSA § 751
Mental Health Oversight Committee	Legislature	2004 Act 122 Sec 141c (as amended by 2006 Act 215 Sec 293a, and 2007 Act 65 Sec 124b)
Northeast Legislative Association on Prescription Drug Pricing	Legislature	2 VSA § 951
Rest Area Advisory Committee	Legislature	19 VSA § 12c
Vt Child Poverty Council	Legislature	2007 Act 68 Sec 1
Joint Committee on Judicial Retention	Legislature	4 VSA § 607
Board of Libraries	Libraries	22 VSA § 602
Liquor Control Board	Liquor Control	7 VSA § 101
Vt Lottery Commission	Lottery	31 VSA § 651
Tri-State Lotto Commission	Lottery	31 VSA § 674
Armory Commissioners Board	Military	20 VSA § 541
Vt Veterans' Memorial Cemetery Advisory Board	Military	20 VSA § 1581
Vt National Guard Trust Fund Board	Military	E.O. 20-24 (10/8/99)
Governor's Veterans Advisory Council	Military	E.O. 20-30 (5/13/03)
Natural Resources Board	Natural Resources Bd	10 VSA § 6021
Electricians Licensing Board	Public Safety	26 VSA § 901
Plumbers Examining Board	Public Safety	26 VSA § 2181
Access Board	Public Safety	20 VSA § 2901
Critical Incidents and Post-Traumatic Stress Disorder Committee	Public Safety	3 VSA § 1004a (repealed 3/1/11)
Elevator Safety Review Board	Public Safety	21 VSA § 144
Law Enforcement Advisory Board	Public Safety	24 VSA § 1939
Local Emergency Response Committees	Public Safety	20 VSA § 32
State Emergency Response Commission	Public Safety	20 VSA § 30
State Police Advisory Commission	Public Safety	20 VSA § 1922
Vt Fire Service Training Council	Public Safety	20 VSA § 3152
State HAZMAT Emergency Operations Team	Public Safety	20 VSA § 2681
Vt Communications Board	Public Safety	E.O. 04-08 - to be renumbered - expires 1/31/12 (10/21/08)
Vt Homeland Security Advisory Council	Public Safety	E.O. 20-29 (2/20/03)
Public Service Board	Public Service Bd	30 VSA § 3

Board/Commission	Associated with Agency/Dept	Establishment Cite (Vt Statutes Annotated or Executive Order [when effective])
Nuclear Advisory Panel	Public Service Dept	18 VSA § 1700
Review Board on Retail Sales	Public Service Dept	30 VSA § 212b
Clean Energy Development Board	Public Service Dept	10 VSA § 6523(e)
Texas Low-Level Radioactive Waste Disposal Compact Commission	Public Service Dept	10 VSA § 7062
Vt Public Power Supply Authority	Public Service Dept	30 VSA § 5011
Vt Telecommunications Authority	Public Service Dept	30 VSA § 8061
Outdoor Lighting Advisory Board	Public Service Dept	10 VSA § 591
Vt Hydro-electric Power Authority	Public Service Dept	30 VSA § 8053
West River Basin Energy Authority	Public Service Dept	30 VSA § 6003
VT Equipment Distribution Program Advisory Council	Public Service Dept	30 VSA § 218(e) and PSB Docket 6131
Vt Telecommunications Relay Service Advisory Council	Public Service Dept	30 VSA § 218a(d)
Vt Municipal Land Records Commission	Sec of State	24 VSA § 5403 (repealed 8/31/10)
Legislative Apportionment Board	Sec of State	17 VSA § 1904
Vt State Historical Records Advisory Board	Sec of State	Public Law 93-536 (Federal)
Board of Barbers & Cosmetologists	Sec of State	26 VSA § 275
Board of Chiropractic	Sec of State	26 VSA § 527
Board of Dental Examiners	Sec of State	26 VSA § 761
Board of Funeral Service	Sec of State	26 VSA § 951
Board of Land Surveyors	Sec of State	26 VSA § 2541
Board of Nursing	Sec of State	26 VSA § 1573
Board of Pharmacy	Sec of State	26 VSA § 2031
Board of Private Investigative & Security Services	Sec of State	26 VSA § 3161
Board of Professional Engineering	Sec of State	26 VSA § 1171
Board of Public Accountancy	Sec of State	26 VSA § 51
Board of Radiologic Technology	Sec of State	26 VSA § 2811
Board of Real Estate Appraisers	Sec of State	26 VSA § 3313
State Board of Optometry	Sec of State	26 VSA § 1707
State Veterinary Board	Sec of State	26 VSA § 2411
Vt Board of Architects	Sec of State	26 VSA § 161
Vt Real Estate Commission	Sec of State	26 VSA § 2251
Board of Allied Mental Health Practitioners	Sec of State	26 VSA § 3262a
Board of Psychological Examiners	Sec of State	26 VSA § 3006
Board of Osteopathic Physicians & Surgeons	Sec of State	26 VSA § 1791
Specialized Investigative Units Grants Board	State's Attnys and Sheriffs	24 VSA § 1940(c)
Current Use Advisory Board	Tax	32 VSA § 3753
Valuation Appeal Board	Tax	32 VSA § 5407
Tax Appeal Appraiser	Tax	32 VSA § 4465
Vt Municipal Bond Bank	Treasurer	24 VSA § 4571
Vt Municipal Employees' Retirement System Board	Treasurer	24 VSA § 5062
Teachers' Retirement Board of Trustees	Treasurer	16 VSA § 1942
Vt State Retirement Board	Treasurer	3 VSA § 471
Capital Debt Affordability Advisory Committee	Treasurer	32 VSA § 1001
Emergency Personnel Survivors Benefit Review Board	Treasurer	20 VSA § 3172
Vt Educational & Health Buildings Financing Agency	Treasurer	16 VSA § 3852
Vt Pension Investment Committee	Treasurer	3 VSA § 522
Retired Employees Committee on Insurance	Treasurer	3 VSA § 636
Vt Independent School Finance Authority	Treasurer	24 VSA § 5255
University of Vermont Board of Trustees	UVM	1955 Act 66
Vt Economic Development Authority	VEDA	10 VSA § 213
State Infrastructure Bank Board	VEDA	10 VSA § 280e
Vt Seed Capital Fund Board/Advisors	VEDA	10 VSA § 291
Vt Qualifying Facility Contract Mitigation Authority	VEDA	10 VSA § 173
Vt Agricultural Credit Program Board	VEDA/Agriculture	10 VSA § 374c
Vt Student Assistance Corporation Board of Directors	VSAC	16 VSA § 2831
Vt Historical Society	Vt Historical Society	22 VSA § 281
Vt State Colleges Board of Trustees	Vt State Colleges	16 VSA § 2172
Vt Veterans' Home Board of Trustees	Vt Vets Home	20 VSA § 1713

Boards and Commissions - abolish	2/10/10 3:36 PM				
SURVEY OF STATUTORY AND EXECUTIVE ORDER BOARDS AND COMMISSIONS - propose to abolish or amend					
Board/Commission	Associated with Agency/Dept	Group is currently considered inactive (X)	Secs in Repeal Bill	When created (legislative session)	Purpose / Comments
Market Vermont Advisory Board	ACCD	X	Sec 1, Sec 28(2)(F)	1992	To advise the Agriculture and ACCD Secretaries re: the Market Vermont program, which is now run by the Dept of Economic, Housing and Community Development.
World Trade Office	ACCD	X	Sec 28(4)(B)	1995	To promote foreign trade and business opportunities for Vermont businesses. This group has been replaced by the Vermont Global Trade Office and no longer meets.
Vt Business Recruitment Partnership	ACCD	X	Sec 28(4)(A)	2002	Advisory committee to promote Vermont's business image out of state, and create a unified effort to attract new industry to Vt.
Council of Regional Commissions	ACCD	X	Sec 18, Sec 19, Sec 28(2)(C) & (I), Sec 28(15)(A) & (B) & (C)	1988	To review regional and state agency plans, and to resolve disagreements between and among municipalities and Regional Planning Commissions. This group has been inactive for 10 years.
Commission on Interstate Cooperation	ACCD	X	Sec 28(1), Sec 28(2)(A)	1961	To develop and maintain "friendly contact" and advance cooperation with other states, the federal government and local units of government.
Development Cabinet	ACCD	X	Sec 28(2)(D)	2000	For collaboration and consultation among state agencies and departments, to support economic development and proper land use.
Vt Small Business Investment Board	ACCD	X	Sec 28(4)(G)	1991	The Small Business Investment Board is no longer needed, since the State's investment in the Small Business Investment Company, approved by the Board and licensed by the US Small Business Administration, has been liquidated.
Vt Film Corporation	ACCD		Sec 28(4)(F)	1996	The Vermont Film Corporation receives $171,000 funding through a Department of Tourism and Marketing grant. The Corporation was intended to promote Vermont as a site for commercial film and TV production, and bring about economic development goals. It was intended to become self-sustaining (10 VSA Sec 647) but has failed to do so and has high administrative costs.
Vt Higher Education Facilities Commission	Admin Agency	X	Sec 28(6)	1964	To assist Vermont institutions of higher education to construct learning spaces for growing student enrollments. This commission has been inactive since 1991.
Next Generation Commission	Admin Agency	X	Sec 28(23)	2006	To develop the Next Generation Initiative. Its plan was due to the General Assembly by 12/1/06. This commission fulfilled its statutory purpose and no longer meets.
Vt Breeders' Stake Board	Agriculture	X	Sec 28(19)(A) & (B)	1994	To promote improvement of standard-bred horse breeding in Vermont, and arrange for breeder's stake horse racing events.
Advisors to Director of Alcohol and Drug Abuse	AHS	X	Sec 28(22)(B)	2000	The goals of this advisory group are fulfilled by others operating within AHS. They have not met for more than 6 years.

Board/Commission	Associated with Agency/Dept	Group is currently considered inactive (X)	Secs in Repeal Bill	When created (legislative session)	Purpose / Comments
Board of Mental Health	AHS	X	Sec 28(8), Sec 28(9)(C)	1968	With advice of the Commissioner, make policy for the Department of Mental Health. The statute gives the Board "general jurisdiction" over the mentally ill and retarded. Acting on the Board's recommendation, Executive Order 18-12, dated 6/1/99, disbanded the Board, to be replaced by State Program Standing Committees.
Opiate Addiction Treatment Advisory Committee	AHS	X	Sec 5, Sec 28(9)(B)	2000	With the Dept of Health, to develop comprehensive guidelines for a regional system of opiate addiction treatment. This assignment has been completed.
Vt Independence Board	AHS	X	Sec 28(21)	1982	To plan, implement and encourage independent living of elderly or handicapped Vermonters. The Board has been inactive for over 10 years.
Committee on Community Health and Wellness Grants	AHS	X	Sec 28(9)(A)	2006	To award grants to community health and wellness projects. This group's functions have been integrated with the Vermont Blueprint for Health and the Coalition for Healthy Activity, Motivation, and Prevention Programs (CHAMPPS) (18 VSA Sec 11).
Child Care Advisory Board	AHS		Sec 28(22)(A)	1988	AHS plans to move the advisory functions of this board into the Building Bright Futures Council, established in Executive Order 33-19. There is a statutory proposal to establish a Building Bright Futures Council: see the Sen Gov Ops proposal for a strike-all to S.268 in Sen Cal for 2/2/10.
Offender Work Programs Board	AHS	X	Sec 20, Sec 21, Sec 22, Sec 28(16)	1997	To advise the Commissioner of Corrections on the use of offender labor for the public good. This Board is being combined with the Community High School of Vermont Board.
Compliance Advisory Panel	ANR	X	Sec 28(2)(H)	1993	To advise the Dept of Environmental Conservation on the effectiveness of the small business technical and environmental compliance assistance program. This group has been inactive for 10 years.
Forest Resources Advisory Council	ANR	X	Sec 28(4)(I)	1978	To study, analyze and review forest resources, its conservation and its potential for development and utilization. Have not met as far back as anyone in FPR can recall.
State Board of Forests, Parks and Recreation	ANR	X	Sec 17, Sec 28(5)(B)	1978	To advise the ANR Secretary and FPR Commissioner on all FPR matters. Have not met for at least 20 years.
Toxics Technical Advisory Board	ANR	X	Sec 28(2)(G)	1991	To advise the Office of Pollution Prevention (since re-named) on technical assistence programs. This board has been inactive for 13 years.
Mountaintop Communications Site Technical Committee	ANR		Sec 3, Sec 28(5)(C)	1994	To oversee the management of state-owned mountaintop communications sites.
Connecticut River Watershed Advisory Commission	ANR		Sec 28(4)(H)	1988	To develop cooperation between the states of Vermont and New Hampshire to oversee development within the Connecticut River watershed. The cost of the Commission to ANR is $35,000 annually.

Board/Commission	Associated with Agency/Dept	Group is currently considered inactive (X)	Secs in Repeal Bill	When created (legislative session)	Purpose / Comments
Water Well Advisory Committee	ANR		Sec 28(5)(A)	1996	To advise and assist ANR in formulating policy concerning installing wells, licensing drillers, and groundwater issues.
Motorcycle Rider Training Program Advisory Committee	AOT	X	Sec 28(13)	1990	To assist in the development of and monitor the motorcycle rider training program. This board voluntarily disbanded and has not met since 2001
Scenery Preservation Council	AOT		Sec 15, Sec 25, Sec 26, Sec 28(4)(D)	1966	The Scenery Preservation Council (SPC) was originally created and housed in the State Planning Office. The State Planning Office was eliminated but the SPC remained in Statute. The Council makes recommendations to the Transportation Board regarding designation of roads as a state byway.
Board of State Buildings	BGS	X	Sec 23, Sec 24, Sec 28(17)(A) & (B)	1960	To prepare a land and office building development plan for use and construction on state lands. The Board has been obsolete at least since various related repeals took place in 1988.
Public Oversight Commission	BISCHA		Sec 7, Sec 8, Sec 9, Sec 10, Sec 11, Sec 12, Sec 13, Sec 28(9)(D) & (E)	1992	The Public Oversight Commision (POC) advises the Division of Health Care Administration in BISHCA regarding the Certificate of Need (CON) and hospital budgeting. The POC costs around $80,000 between direct costs and BISHCA staffing and servicing, with additional costs to the CON applicant. BISHCA can well manage the CON and hospital budgeting process without the POC.
Mental Health and Substance Abuse Task Force	BISHCA		Sec 2, Sec 28(3)	2000	Initially established to develop performance quality measures and address oversight issues for commercial insurers that manage mental health and substance abuse care. This purpose has been accomplished. BISHCA has taken greater steps to monitor the relationship between the providers and the carriers. The Task Force is costly in terms of scarce staff resources.
Technology Advisory Board	Dept Information & Innovation	X	Sec 28(2)(E)	2003	To advise the DII Commissioner concerning information technology products and services. This board has been inactive for years and its functions have been integrated into other groups.
Advisory Council on Comprehensive Health Education	Education	X	Sec 28(7)(B)	1978	To assist the Dept Education in planning comprehensive health education in the public schools. Functions to be included with Advisory Council on Wellness. (See 16 VSA Sec 216(b))
Council on Civics Education	Education	X	Sec 28(7)(A)	2006	To assess the status of civics education in Vermont and strengthen civics education opportunities.
Residential Placement Review Team	Education	X	Sec 28(7)(C)	1989	To assist school districts and parents in understanding educational opportunities available to children in residential placements.

Board/Commission	Associated with Agency/Dept	Group is currently considered inactive (X)	Secs in Repeal Bill	When created (legislative session)	Purpose / Comments
Committee on Administrative Coordination	Finance & Mgmnt	X	Sec 28(20)	1960	To make studies of Vermont state administrative organization. This committee has been inactive for at least 30 years.
VOSHA Advisory Council	Labor	X	Sec 28(12)	1972	For advice and assistance in making rules under the VOSHA Code. This Council has been inactive for several years.
Youth in Agriculture, Natural Resources, and Food Production Consortium	Labor	X	Sec 28(11)	2004	For oversight of the development and coordination of programs to connect youths' experiences in agriculture to their in-school learning. The Consortium has been inactive for many years.
Labor Board Review Panel	Labor		Sec 28(2)(B)	2006	The Review Panel submits to the Governor nominees for the State Labor Relations Board. The Department of Labor is prepared to take Labor Board nominations directly from labor and employer groups, rendering the review panel obsolete.
State HAZMAT Emergency Operation Team	Public Safety	X	Sec 28(10)(A) & (B)	1994	The statute directs requests for state assistance or advice regarding HAZMAT incidents to the Emergency Operation Team. This group has never been activated since its creation in the mid 90's to oversee State HAZMAT Team activation. The responsibilities of this group have now been shifted to the DPS Fire Safety Division HAZMAT Team
Outdoor Lighting Advisory Board	Public Service Dept	X	Sec 28(4)(E)	2006	To develop, make available and periodically update outdoor lighting guidelines.
Vt Hydro-electric Power Authority	Public Service Dept	X	Sec 28(18)(B)	2004	This Authority was created to finance, own, operate or manage any interest in hydroelectric power facilities along the Connecticut and Deerfield Rivers located in Vt., New Hampshire and Massachusetts, and sell wholesale energy produced. The Authority has completed its assignment and is no longer active.
West River Basin Energy Authority	Public Service Dept	X	Sec 28(18)(A)	1982	To enable the development of hydroelectric power in the West River Valley, and secure permits from the Federal Energy Regulatory Commission and the Vt Public Service Board. This board has been inactive for several years.
Vt Municipal Land Records Commission	Sec of State		Sec 28(14)(B)	2004	To study managerial and storage issues related to municipal land records. Repeal is supported by the Sec of State and is also proposed 2009 H.331 Sec 11 (as passed by the House). Current law provides for repeal on 8/31/10.
Vt Independent School Finance Authority	Treasurer	X	Sec 28(14)(A)	2000	The bonding for Vermont independent schools this group was created to oversee is handled by the Vermont Educational and Health Buildings Finance Agency. The Independent School Authority no longer serves a purpose.
Vt Qualifying Facility Contract Mitigation Authority	VEDA	X	Sec 28(4)(C)	2002	The power purchase transaction for which the Mitigation Authority was created did not take place. The VQFCMA is no longer needed.

Board/Commission	Associated with Agency/Dept	Group is currently considered inactive (X)	Secs in Repeal Bill	When created (legislative session)	Purpose / Comments
MISCELLANEOUS AMENDMENTS					
Merge Offender Work Programs Board into the Community High School of Vt Board	AHS		Sec 20, Sec 21, Sec 22		The new Community High School of Vermont and Offender Work Programs Board will oversee both the Correctional High School and the Vermont Correctional Industries program, which share the objective of providing education and vocational training for correctional clients.
Advisory Council on Wellness to encompass comprehensive health	Education		Sec 4		Functions of the Advisory Council on Comprehensive Health Education are included with the Advisory Council on Wellness.
Correct name to read Vermont Commission on Native American Affairs			Sec 6		Exec Order 22-3 has been rescinded in favor of the statute establishing the Vermont Commission on Native American Affairs.
Amend contracting provision for Vermont Program for Quality in Health Care	BISHCA		Sec 28(9)(F)		Replace guaranteed funding for VPQHC with the opportunity to contract for needed services. Savings are estimated at up to $400,000.
Department of Labor Advisory Council: change 6 to 4 meetings/year	Labor		Sec 16		Part of an effort to give the Advisory Council a more focused and useful function.
Remove repealed boards from list of boards entitled to per diem (partial list)			Sec 27		Updates list of Boards entitled to per diem. Many Boards and Commissions also have per diem authority in their respective statutory authorizations.
BOARDS/COMMISSIONS CREATED BY EXECUTIVE ORDER RESCINDED IN EXEC ORDER 10-09 12/23/09					
State Agencies Designated as Having Programs Affecting Land Use	E.O. 10-10	Obsolete			
State Agencies Designated as Having Programs Affecting Land Use	E.O. 10-16	Obsolete			
Governor's Advisory Commission on Native American Affairs	E.O. 22-3	Codified			
Governor's Commission on Corrections Overcrowding	E.O. 13-3	Obsolete			
Vt Transportation Operations Council	E.O. 5-5	Duplicative			
Vt Clean State Program	E.O. 10-31	Obsolete			
Vt Victim/Survivor Crime Council	E.O. 13-4	Reorganized			
Vt Council on Domestic Violence	E.O. 15-8	Codified			
Telecommunications Advisory Council	E.O. 30-9	Obsolete			
Vt State Workforce Investment Board	E.O. 21-6	Codified			

Retirement Report

Report of the Commission on the Design and Funding of Retirement and Retiree Health Benefits Plans for State Employees and Teachers

Recommendations to the Governor and the General Assembly

December 2009

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Guiding Principles for a Retirement Plan

Fairness and Sustainability Are Both Essential to Benefit Plans

What Do We Want From Our Retirement Benefit Plan?

- **Recruitment – The benefit plan should act as an incentive for recruiting high quality employees. The plan must be competitive with those in other states and within Vermont.**
- **Retention – The benefit plan should act as an incentive for retaining high-quality employees and maintaining a stable workforce. The plan should also be compatible with changing workforce and demographic trends.**
- **Reward – The benefit plan should provide a solid foundation for retirement security following a career in public service.**
- **Sustainability – The cost of the benefit plan should be sustainable and predictable over the long term.**
- **Affordability – The cost of the benefit plan should be affordable for current and future public employees and other taxpayers.**
- **Fairness – The benefit plan should be fair to workers and other taxpayers.**
- **Equity – The benefit plan should be equitable for all parties.**

"A broad deterioration in funding levels for public sector pensions is adding to fiscal pressure on some state and local governments and could contribute to negative rating actions for select issuers in the next several years."

- Moody's investors Service, November 2009

"Even if financial markets improve, and help retirement trust funds recover, the state fiscal crisis, political, and demographic issues will continue their stress on retirement systems."

- NCSL Fiscal Leaders Seminar, December 2009

"The driving force behind the growing cost of retirement is the fact that the baby boomers will spend more time in retirement than any previous generation. According to the Center for Disease Control, a 65-year-old can now expect to live another 18 years, on average. American seniors are living 50 percent longer than they were in the 1930s, when Social Security set 65 as the benchmark retirement age"

- PBS Frontline Report, May 2006

Table of Contents

Commission Membership

- Jeb Spaulding, State Treasurer and Chair of the Commission
- Terry Macaig, member of the House of Representatives
- Jeanette White, member of the Senate
- Neale Lunderville, Secretary of Administration
- Douglas Wacek, member of the public appointed by the Governor
- David Coates, member of the public appointed by the Speaker of the House and President Pro Tempore of the Senate
- William Talbott, designee of the Commissioner of Education

Executive Summary

The 2009 General Assembly created the Commission on the Design and Funding of Retirement and Retiree Health Benefits Plans for State employees and Teachers to review and report on the design and funding of retirement and retiree health benefit plans for the State employees' and teachers' retirement systems. The Joint Fiscal Committee provided the Commission with a target for the expenditure growth rate of 3.5 percent. Similar efforts are occurring across the country because the costs of maintaining retirement programs have been increasing faster than states' ability to pay for them.

The Legislature, Governor, employees, and taxpayers are all concerned about the affordability and long-term sustainability of the pension and retiree health care plans. Certainly, the serious implosion of the financial markets in 2008 and the first quarter of 2009 is the largest factor in the very large increase in this year's actuarially required contribution, but demographics, workplace trends, and current benefit provisions also play an important role and are adding significant stress on the State's ability to maintain adequate pension plan funding. There are 2,800 more retired teachers and State employees this year than there were in 2003. Pension benefit payouts for State employees and teachers have been increasing by roughly $10-11 million each year in recent years and are now increasing by $15-16 million each and every year. It is not uncommon to have employees begin drawing their pension and retiree health benefits in their early to mid-fifties. With increasing life expectancies, these people may well receive retirement benefits for more years than they had spent in employment with the State or the school districts.

The State's combined actuarially required contribution this year is $73.5 million and, without changes being implemented, will be $103.5 million next year. That is a $32-million one-year increase in a year when the State is facing a budget deficit recently estimated in the $150 million range. Simply put, financial commitments for pension and health benefit programs are growing much faster than the rate of revenue growth or the ability of taxpayers to pay for them.

The Commission looked at ways to address this within the context of a set of guiding principles for our retirement plans, including recruitment and retention of high quality employees, provision of a solid foundation for retirement security, fairness, affordability, and sustainability. The recommendations adopted by the Commission and included in this report are intended to address those considerations. We also recognize that these pension benefits are a significant contributor to Vermont's economic health. When retirees spend their pension benefits to buy products, they create demand for goods and services, resulting in jobs. A recent report by the National Institute on Retirement Security estimated that retiree expenditures stemming from state and local pension benefits supported close to 1,400 jobs in Vermont. The report stated that retirement benefits also have a large multiplier effect, creating additional economic activity. As retirees pay income tax on their benefits, this is an important revenue source for the operation of government. However, these positive economic contributions cannot be maintained if pension benefit cost increases exceed the ability of taxpayers to afford them.

The recommendations made in this report, if adopted, would cut the FY 2011 actuarially required contributions for the State pension system from the actuary's recommendation of $41.6 million to $33.1 million and for the teachers' pension system from $63.5 million to $43.0 million, a combined reduction of $29 million or 28 percent, and would produce significant savings for many years. This also meets the Joint Fiscal Committee's 3.5 percent benchmark. Of the $29 million reduction in the State's FY 2011 contribution, $12 million results from benefit revisions and $17 million comes from increased employee contributions. We have also proposed recommendations to adjust the premium assistance for health coverage for future retirees, recognizing at the same time the need for the State to begin a plan for funding these important future liabilities.

Later in this report we will address what groups of active State and teacher employees would be affected by the various recommendations. *Under no circumstances, however, do we consider any recommendations of this report to apply to current retirees of either system.* These individuals have ended their public service careers with an agreed-upon income benefit.

The recommendations of this Commission, therefore, attempt to strike a balance, recognizing the public policy and economic context in which the current benefit structures operate. We do not make these recommendations lightly and hope that the Legislature and the Governor recognize the urgent need to balance these concerns and create sustainable plans. Change will occur, either by careful long-term planning or by default. We are fast approaching the tipping point where the failure to address the issue now will lead to potentially larger problems later and the need for more draconian steps, failing both the employees and the taxpayers.

While we believe that these recommendations provide a solid course of action, we also recognize that there is a range of options inherent in each, with varying impacts on the overall cost of benefits. We see this report as the foundation of a meaningful dialogue within which varying features can be reviewed and adjusted. The Commission looks forward to working with all interested parties through the coming legislative cycle to meet our mutual goal of a fair, equitable, and sustainable retirement system that provides benefits to the labor force and the state economy.

Key Findings

General

- Funding for retirement benefits, including health care, is among the largest fiscal challenges facing many state governments, including Vermont. Financial commitments for these programs, especially retiree health insurance, are growing much faster than the rate of revenue growth.

- While some of the State's pension costs are paid for through other than the General Fund, a comparison of the required annual contributions to the total General Fund revenues indicates an alarming trend. The State's combined actuarial pension contribution in fiscal year 2008 ($66.3 million) represented about 5 percent of General

Fund revenues ($1.2 billion). The State's combined actuarial pension contribution this year ($71.5 million) represents about 7 percent of the General Fund revenues ($1.0 billion). The State's projected actuarial contribution for fiscal year 2011, assuming no changes, represents about 9.5 percent of the expected General Fund revenues ($1.1 billion). When health care liabilities are added to the total, it is clear that these programs put excessive budgetary pressure on available revenues and are crowding out other important State expenditure items.

- The Joint Fiscal Committee considered the recent performance of a number of indicators that reflect State revenue and spending trends and broader economic trends, including the general fund growth rate and the state and local price index. After considering this information, the Joint Fiscal Committee recommended to the Commission a target of 3.5 percent for the rate of expenditure growth for retirement and health benefits. The current pension fund growth, not including any unfunded liabilities or investment loss, assumes a growth rate of approximately 4.5 percent. Amortization schedules increase at 5 percent. For health, actuarial assumptions vary by year, but all exceed the benchmark. Since no significant prefunding has occurred for VSERS and none at all for VSTRS, significant funding in the order of $47.8 million would be needed just to bring current the annual actuarially required contribution (ARC) for each system, on a prefunded basis. Costs escalate even further without prefunding.

- Investment upturn will not get the state out of this problem. Our actuaries estimate <u>that it will take more than 20 years</u> at our current actuarial investment rate of return of 8.25 percent to get back to fiscal year 2008 funding level. It should be noted that the current assumed rate of return is on the high side when compared to other plans, with close to 75 percent of other plans using a return assumption less than 8.25 percent. Also, keep in mind that the FY 2008 levels were not fully funded (94.1 percent for VSERS and 80.9 percent for VSTRS). It would not be prudent to rely on future market returns above the assumed rate of return to solve the problem.

<u>Pension Benefits</u>

- As noted, the State's combined actuarially required contribution this year is $73.5 million and, absent changes being implemented, will be $105.1 million next year, almost a $32 million one-year increase:

Pension Funding Requirements:	<u>STATE EMPLOYEES</u>	<u>TEACHERS</u>
FY 2010 Annual Actuarial Required Contributions (ARC):	$32 million	$41.5 million
FY 2011Annual Actuarial Required Contributions (ARC):	$41.6 million	$63.5 million
Additional Resources Needed to Fund FY11 Estimated ARC over FY10 Levels:	<u>$9.6 million</u>	<u>$22 million</u>
TOTAL ADDITIONAL RESOURCES NEEDED FOR *<u>BOTH</u>* SYSTEMS:	**$31.6 million**	

- The ARC has been increasing at an unsustainable pace, even before consideration of current economic events. Prior to the market meltdown, the annual actuarially recommended contribution (ARC) (pension only, excluding expenses) for the State system increased 117 percent over a five-year period from FY 2003 to FY 2008. The current ARC recommendation by the actuary, absent any recommendations included in this report, is $41,581,656 for FY 2011 and represents a 328 percent increase compared to FY 2003, even after re-amortization implemented in FY 2010.

- For the teachers' system, the ARC increase from 2003 to 2008 was 46 percent, reduced by re-amortization of the unfunded liability in FY 2007. The ARC increased just over 100 percent from FY 2003 to FY 2006, prior to re-amortization. The current ARC recommendation, absent any recommendations included in this report, will rise to $63,501,209, a 53 percent increase in one year.

- As of the FY 2008 valuation, the State pension system (VSERS) had an unfunded liability of $87.1 million while the Teachers' system had an unfunded liability of $379.5 million. The FY 2009 unfunded liabilities have increased to $326.5 and $727.8 million, respectively, significantly reducing the funding ratio.

Pension Liabilities

UAAL (pension only)	**STATE EMPLOYEES**	**TEACHERS**
As of 6/30/08 Valuation:	$87.1 million	$379.5 million
As of 6/30/09 Valuation:	$326.5 million	$727.8 million
Funding Ratio		
As of 6/30/08 Valuation:	94.1 percent	80.9 percent
As of 6/30/09 Valuation:	78.9 percent	65.4 percent

- There are 2,800 more retired teachers and State employees this year than there were in 2003.

- Due to the aging of the workforce and current retirement age provisions, the rate of growth in retirees has been outpacing the rate of growth in active members. This creates additional stresses, especially given current levels of underfunding, and could impact pension asset allocation in the future as more liquid assets are needed to pay benefits.

- Pension benefit payouts for State employees and teachers have been increasing by roughly $10-11 million each year in recent years and are now increasing by $15-16 million each and every year.

- Five years ago the annual benefit payouts for State employees and teachers totaled $111.6 million; this year the annual payout is projected to be $172 million, and in five years an independent actuary projects the annual benefit payout will be $255.8 million. That will be close to a 50 percent increase from what the annual benefit payout is now.

Health Care Benefits

- Beginning in FY 2008 the Government Accounting Standards Board required the disclosure of other post employment benefits (OPEB) in the State's financial reports. OPEB refers to any post employment benefit other than pensions, although medical is the most significant component.

- Currently the State does not prefund its OPEB benefits, with the exception of a small portion of Medicare D reimbursements from the State Employees' system. The State system is 0.7 percent funded; while the teachers' system is 0 percent. In other words, little or no assets have been set aside for this liability.

- OPEB liabilities are as follows:

Vermont OPEB Liabilities

STATE EMPLOYEES	8.25% (Pre-funding Assumed)	4.25% (Partial Funding Basis)
Unfunded Liability:	$448.5 million	$775 million
ARC for FY 2010:	$37.6 million	$58 million
Pay-As-You-Go Applied to ARC:	$22 million	$22 million
TEACHERS		
Unfunded Liability:	$431.8 million	$872.2 million
ARC for FY 2010:	$32.2 million	$59 million

- Payments for the 80 percent employer share for retiree health insurance premiums are projected to escalate by several million dollars a year.

	VSTRS Retiree Health Payment	VSERS Retiree Health Payment
FY 2008	$15.08 million	$16.37 million
FY 2009	$16.42 million	$17.89 million
FY 2010	$18 million estimated	$22 million estimated

- By 2020 the actuary estimates health care pay-as-you-go payments for teachers will more than double, at $38.3 million, and will reach $77.4 million by 2040. For the State system, the pay-as-you-go payments will reach $46.5 million in 2020 and $73.8 million by 2040.

- The State currently funds a year's premiums in the State Employees' system; expenses are not explicitly funded in the teachers' system, creating further actuarial losses in the pension system from which benefits are paid. Since health care for teachers is paid by the pension fund, IRS limitations will soon force curtailment of benefits if mitigating steps are not taken.

Key Recommendations

The Commission, by a majority vote, recommends the following: (For details, see Commission Votes section of this report.)

CATEGORY: General Framework

RECOMMENDATION ONE

Make **no change** to the following:

- Pension or retiree health benefits for those already retired.
- Pension or retiree health benefits for anyone close to retirement, which the Commission defined as within five years of eligibility for a particular benefit.
- Basic provisions (maximum benefit, multiplier, COLA, etc.) that would make the plans less competitive than the mainstream of other state public systems.

RECOMMENDATION TWO

Do not replace the current defined benefit plan and transition to a defined contribution plan.

RECOMMENDATION THREE

That the Legislature and the Governor continue to fully fund the annual actuarially required contribution (ARC) for the state and teachers' pensions, as calculated after any or all recommendations made below are enacted. Continued discipline in fully funding the ARC is critical to the long-term sustainability of the pension funds.

RECOMMENDATION FOUR

That the Legislature, without delay, develop and implement a structural plan to fund OPEB obligations and set money aside in a material way through a separate, independent funding mechanism.

In addition, the Commission voted not to take a position on shifting the State's payment for the teacher's retirement plan from the General Fund to the Education Fund or local districts.

CATEGORY: Pension Plan Recommendations

RECOMMENDATION FIVE

Revisions to normal and early retirement ages:

State Group F and Teachers' Group C:

- Raise normal retirement age from 62 or 30 years at any age to 65 or rule of 90 (combination of age and years of service) for those more than five years from normal retirement eligibility.

  It should be noted that "five years from normal retirement eligibility" for purposes of these recommendations means the member must be either 5 years or less from normal retirement age for their group plan, or have a minimum of 25 years of service as of the date the retirement legislation is enacted. If a member has begun making a purchase of service that is documented in the system prior to December 31, 2009, the total years of service being purchased may count toward the total years of service as of the effective date of the legislation. No service that is initiated after January 1, 2010 will count toward total creditable service as of the effective date.

  Raise the early retirement age from 55 to 58 for those more than five years from early retirement eligibility. Change the early retirement penalty to full actuarial reduction.

State Group D:

- Raise normal retirement age from age 62 to age 65 for those more than five years from normal retirement eligibility.

State group C:

- Raise the early retirement age to 52 from 50 for those more than five years from early retirement eligibility.

RECOMMENDATION SIX

Lengthening the salary compensation period:

State Group F and Teachers' Group C:

- Use a five-year compensation period instead of a three-year period to calculate benefits for those more than five years from retirement eligibility.

State Group C:

- Use a three-year compensation period instead of a two-year period to calculate benefits for those more than five years from retirement eligibility.

State Group D:

- Use a two-year compensation period instead of final salary to calculate benefits for those more than five years from retirement eligibility.

RECOMMENDATION SEVEN

Increase the maximum benefit from 50 percent to 60 percent of final compensation for State Group F and Teachers' Group C for those more than five years from retirement eligibility.

- This would provide an opportunity for increased benefits to employees who choose to work more than 30 years. Right now most teachers and State employees are capped at their maximum retirement benefit of 50 percent of average final compensation after 30 years of service. With this change, one would receive 60 percent of AFC after 36 years of service.

RECOMMENDATION EIGHT

Revising the contribution rate ratio and rates for employer and employees:
While contribution levels for State employees and teachers have remained constant in recent years, the State's employer share, as a percentage of payroll, is expected to continue escalating. Instead of having a fixed employee contribution rate set in statute, with the State/employer contribution rate floating on an annual basis, the Commission recommends a proportional contribution system between the State and employees/teachers. The Commission chose to recommend a sharing of the total annual contribution, with the State share capped at the 3.5 percent to accommodate the growth target set by the Joint Fiscal Committee. The result, assuming all other recommendations are enacted, is as stated below and compared to the baseline if no recommendations are enacted. A similar rate increase would occur in the other group plans.

Recommended Rate/Risk Sharing Impact

	Employer ARC	Employee Contribution %	State Contribution %
VSERS			
FY 2011 actuarial recommendation, no changes	$41.6 Million	5.10% (Group F)	9.80%
FY 2011 recommendation, changes, 3.5% state increase	$33.1 Million	5.83%	7.84%
VSTRS			
FY 2011 actuarial recommendation, no changes	$63.5 Million	3.40% (Group C)	9.67%
FY 2011 recommendation, changes, 3.5% state increase	$43.0 Million	5.47%	7.32%

Employee contributions in both systems are pre-tax contributions under Section 414(h) employer pick-up provisions and will therefore reduce the member's tax liability while he or she is employed. In contrast, Social Security and Medicare taxes are not considered pre-tax deductions, and therefore are included in the total taxable income when calculating federal and state taxes each pay period. Later in this report, there is a full chart with a number of other rate-sharing models reviewed by the Commission. It is important to remember that rate/risk sharing creates a partnership; employer and employee contributions will rise and fall in tandem. Both parties will have a stake in keeping benefit, administrative, and other costs in check. If investment returns perform very well for an extended period, both parties will enjoy a decrease in contribution levels. The new contribution rates would apply to all State employees and teachers.

CATEGORY: Health Care Recommendations

RECOMMENDATION NINE

The Commission recommends a tiered medical premium co-payment structure based on length of service. Instead of the current straight 80/20 split of retiree health insurance premiums utilized for most retired teachers and State employees (new hires in the State system after July 1, 2008, have a tiered system), a new tiered system would apply to all of those not within five years of eligibility to draw this benefit. In recognition of the fact that the Group C plan of the State employees retirement system is essentially a 20 year plan, the Commission recommends a pro-rated tiered medical premium co-payment for Group C plan members.

The new employer share for the tiered system would be:

40 percent - 10 yrs   60 percent - 20 yrs   80 percent - 30 yrs

Note: Retirees with less than 10 years would have access to group health insurance, but would have to pay the full premium.

RECOMMENDATION TEN

The Commission recommends providing the ability to "recapture" the retiree health benefit to those vested, terminated members with 20 or more years of service when they begin drawing benefits. This opportunity is not currently allowed for general State employees and is allowed for teachers with 10 or more years of service.

Commission Approach & Scope

The Commission, established pursuant to Act 1 of the Special legislative Session of 2009, was given the following charge by the legislature:

> ...to review and report on the design and funding of retirement and retiree health benefit plans for the State employees' and teachers' retirement systems. The commission is charged with making recommendations about plan design, benefit provisions, and appropriate funding sources, along with other recommendations it deems appropriate for consideration, consistent with actuarial and governmental accounting standards, as well as demographic and workforce trends and the long-term sustainability of the benefit programs. The joint fiscal committee may provide benchmark targets reducing the rate of expenditure growth for retirement and retiree health benefits to the commission to guide the development of recommendations.

The Commission was further charged to prepare a report including, but not limited to, the following:

> (1) an evaluation of current benefits structures and contribution characteristics in comparison to other comparable public and private systems;
>
> (2) an estimate of the cost of current and proposed benefits structures on a budgetary, pay-as-you-go basis and full actuarial accrual basis;
>
> (3) a five-year review of benefit expenditure levels as well as employer and employee contribution levels and growth rates and a three-, five- and ten-year projection of these levels and rates;
>
> (4) based on benefit and funding benchmarks, options for providing new benefit structures with the objective of adequate benefits within the established cost containment benchmarks;
>
> (5) funding methods, including contributions from State, municipalities, and employees, to achieve these objectives; and
>
> (6) an evaluation of whether current governance, oversight, and lines of authority are appropriate and consistent with funding objectives.

In completing its work the Commission held nine meetings, including a public hearing conducted through Vermont Interactive Television, attended by approximately 280 individuals, primarily state employees and teachers. Time for public comment was made available at all of its meetings and the Commission heard testimony or comments from staff and/or members of the Vermont National Education Association, the Vermont State Employees' Association, the Vermont League of Cities and Towns, and past and current members of the Vermont State Employees' Retirement System (VSERS) and the Vermont State Teachers' Retirement System (VSTRS).

Early in the process, the Commission agreed to concisely define what Vermont should expect from a retirement plan for both State employees and teachers. A previous study on funding the teachers' system provided a base. After several presentations and considerable discussion, the Commission agreed on a set of guiding principles, as follows:

Guiding Principles for a Retirement Plan

Fairness and Sustainability Are Both Essential to Benefit Plans

What Do We Want From Our Retirement Benefit Plan?

- **Recruitment – The benefit plan should act as an incentive for recruiting high quality employees. The plan must be competitive with those in other states and within Vermont.**
- **Retention – The benefit plan should act as an incentive for retaining high-quality employees and maintaining a stable workforce. The plan should also be compatible with changing workforce and demographic trends.**
- **Reward – The benefit plan should provide a solid foundation for retirement security following a career in public service.**
- **Sustainability – The cost of the benefit plan should be sustainable and predictable over the long term.**
- **Affordability – The cost of the benefit plan should be affordable for current and future public employees and other taxpayers.**
- **Fairness – The benefit plan should be fair to workers and other taxpayers.**
- **Equity – The benefit plan should be equitable for all parties.**

An important theme across these principles is that our retirement systems are a shared responsibility or a partnership among retirees, employees, and the taxpayers.

Treasury staff, working with the State's consulting actuaries, presented data on the current funding status of the plan, preliminary cost projections, budgetary impacts and long-term sustainability issues. Many of the issues are not unique to Vermont, and other State systems are reviewing their alternatives. Staff provided data from a number of sources and trends in other States; the Commission also received testimony and presentations on those initiatives from representatives of some of these States.

In the course of its work, the Commission explored a number of topics, including:

- actuarial valuation studies of the Vermont State and teachers' pension and health care systems;
- a review of the actuarial assumptions used to develop the valuations;
- current funding status of the pension and health care systems;
- anticipated revenue trends for the state and benchmarks funding targets provided by the Joint Fiscal Committee;
- historical overview and pension systems, benefits, and contributions structure;
- comparison of Vermont pension plans to other state retirement plans;
- review of pension models used in other states including defined benefit, defined contribution, and hybrid/combination plan studies;
- review of strategies and actions taken in other states to deal with pension and health care sustainability issues;
- legal questions relating to changes in pension statutes and benefits
- review of the Federal Employees' Retirement System (FERS);
- analysis of eligibility, length of service, benefit formulas, and age of retirement, and employee and employer contributions;
- final average salary (FAS) provisions;
- review of pension obligation bonds as a financing mechanism;
- health care funding issues for the teachers' system and future regulatory concerns;
- governance issues related to any changes in education funding;
- potential use of the education fund as sources for teacher pension and health care; and
- potential cost savings of specific proposals.

Based on the guiding principles and the topics above, a list of preliminary areas of review was developed based on individual Commission member suggestions. These were reviewed by staff and potential fiscal impacts were estimated by the actuary using a "low," "medium," or "high" impact designation. Commission members then reviewed the list to further define areas for consideration.

In its early deliberations the Commission, while recognizing the major funding hurdles undermining the future financial solvency of the plans, sought to define the parameters of action in a manner that preserved fairness to all partners. Early in the process it was determined that recommendations would include <u>no pension and health benefit changes for current retirees</u>. The Commission further defined the population for which their recommendations would apply. The consensus was that new-hires and non-vested members would be included. Opinions concerning the inclusion of active, vested members varied and the majority of the Commission determined that anyone "close to retirement" should not be included as an affected group in any recommendations.

Recognizing that there are legal constraints on making changes to employee retirement benefits, the Commission, pursuant to a public bid process, contracted with Ice Miller, LLC a well respected national law firm with extensive expertise in public employee pension and retiree health care issues to provide advice as to what options for change may and may not be legally defensible. Ice Miller has worked with dozens of states on a range of retirement issues. Their legal advisory report is attached.

In summary, Ice Miller advised there are some changes that would clearly be off limits from a legal/contractual perspective, some that are clearly within limits, and some for which there is uncertainty.

The Ice Miller advisory report stated:
"Courts in states which recognize a constitutional protection of pension and/or retirement benefits have also recognized that benefits may be subject to modifications in limited circumstances. These circumstances include:

(i) Where a disadvantage is offset by an advantage.

(ii) Where a change is reasonable and necessary to preserve the pension system

(iii) Where a change is reasonable and necessary to maintain the integrity of the pension system.

(iv) Where the creator of the plan has reserved the right to amend the plan."

Again, the Ice Miller report clearly states that contractually protected benefits could be modified ("impaired") in the following situations:

a. Where a disadvantage is offset by an advantage.

b. Where the stability or the integrity of the pension system requires the change and the change is reasonable.

c. Where a compelling situation requires unilateral change.

The majority of the Commission believes this report makes a strong case that the stability of the pension system requires change and that the recommended changes will substantially improve the sustainability of the retirement benefit plans. The Commission believes its recommendations are reasonable and necessary to preserve the pension system. We have recommended no changes to those already retired or that are close to retirement. The recommended changes are modest, consistent with existing or contemplated features in other states, and will continue to provide significant retirement security for State employees and teachers.

All new and active employees not within five years of normal retirement, as defined by their group classification (currently age 62 or 30 years of service for Group F in VSERS and Group C in VSTRS) or five years of early retirement (currently age 55 for VSERS Group F and VSTTRS Group C), would be included in the recommended benefit changes. Employee contribution rate changes would apply to all active employees.

While some members expressed an interest in reviewing a defined contribution (DC) or a hybrid cash balance plan option as a recommendation, the Commission voted early on to also exclude that from the scope of possible recommendations.

The Commission, upon refining the scope of possible pension and changes, engaged independent actuaries (Buck Consultants) to develop cost projections and estimate savings on the FY 2011 ARC and subsequent years. These were analyzed over a series of meetings, with the intent of further narrowing in on a set of possible recommendations. The final group of proposals and/or decision points was then voted on by Commission members on 12/15/09.

Overview of the Benefit Systems

Retirement Defined Benefit Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A., Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- general employees who were hired prior to 1984 and did not join the non-contributory system (Group A), with a contribution rate of 5.1 percent of payroll (contributions cease upon attainment of 25 years of creditable service);

- State police, law enforcement positions, and airport firefighters (Group C), with a contribution rate of 6.98 percent of payroll;

- judges (Group D), with a contribution rate of 5.1 percent of payroll;

- terminated vested members of the non-contributory system (Group E); and

- all other general employees (Group F), with a contribution rate of 5.10 percent of payroll.

Effective July 1, 2008, the contribution rate for Group F employees was raised, through legislation enacted in fiscal year 2008, from 3.35 percent to 5.1 percent through June 30, 2019, and 4.85 percent thereafter, due to increases in the cost of living benefit for all Group F employees and other benefit changes described below.

The Vermont State Teachers' Retirement System (VSTRS) (16 V.S.A., Chapter 55) is a cost-sharing public employee defined benefit retirement system. It covers nearly all public day school and nonsectarian private high school teachers and administrators, as well as teachers in schools and teacher training institutions within and supported by the State that are controlled