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STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

MINUTES

Tuesday, December 16, 2008

Members Present: Senators Bartlett, Cummings, Shumlin on speakerphone, and Snelling.
Representatives Bostic, Heath, Obuchowski, Smith, and Westman.

Others present: Joint Fiscal and Administration staff, some members of the Legislature, various advocacy groups and media.

1. Call to Order and Fiscal Officer's Report:

The Chair called the meeting to order at 2:07 p.m. The Chair explained that the premise of the meeting was to provide the public information on Vermont's financial difficulties and the impacts of the Administration's current proposed FY 2009 rescission plan.

Stephen Klein, Chief Fiscal Officer, provided a handout (exhibit 1) and explained Vermont's revenue drop was due to a series of quarterly downgrades from a national economic downturn. Mr. Klein explained that the projections from the handout are purely hypothetical since there were many factors not yet known.

The Chair stated that it was not out-of-the-range to say that even with significant financial assistance from a federal stimulus package, Vermont could still foresee a \$60 to \$100 million deficit in its FY 2010 budget. Mr. Klein stated that factors for consideration were that federal stimulus packages were generally short-term fixes, and that Vermont was undergoing a mixture of a cyclical problem and a structural problem. The cyclical problem was due to the national economic downturn, and the structural problem was due to revenues not keeping pace with Vermont's financial needs in several budget areas.

Representative Heath stated that another financial unknown is the April 2009 tax return revenues. With the stock market instability and the loss of employment, Vermonters may not pay the amount of capital gains tax as previous years, causing deeper revenue losses to the state. Representative Obuchowski inquired as to the balance of the stabilization reserve. Mr. Klein explained that the general fund stabilization reserve is about \$60 million, or 5% of the budget. The revenue losses have caused the stabilization reserve fund to cover some of the shortfall in the FY 2009 budget, and the hope is to bring the fund back to its 5% statutory level during the FY 2009 budget adjustment and the FY 2010 budget discussions.

Representative Heath commented that there was no need to directly expend stabilization funds as there was a mechanism in place for automatic transfers to the general fund at the end of the year when the budget revenues are not sufficient to cover the appropriated amount. Mr. Klein also pointed out that while FY 2009 cash flows allowed for no short-term borrowing, it was almost assured that Vermont would need to use short-term borrowing for its FY 2010 budget to deal with month-to-month differences between revenue received and spending needs. Every 1% decrease in revenue translates to a \$11-million reduction in the state budget.

2. Fiscal Overview Context

Secretary Lunderville handed out a cover letter (exhibit 2) of introductory remarks on the proposed rescission plan. He recommended that raising additional revenues was not an option but instead encourages work toward reducing spending through restructuring state government. Secretary Lunderville agreed that the federal stimulus package was currently an unknown at this time. Secretary Lunderville explained that the preliminary date for the Governor to give his FY 2010 budget address was January 22, 2009.

Representative Smith confirmed that the Committee had discussed the Administration's entire FY 2009 rescission package, totaling \$37 million, but the Committee foresaw too many large policy ramifications and, instead, gave preliminary support for \$19 million in rescissions. The Chair asked whether the entire proposed \$37 million would be available to the public. Secretary Lunderville offered to work with the Joint Fiscal staff to prepare a document.

3. Presentation of Administration's Proposed FY 2009 Rescission Package

Commissioner Reardon handed out three documents (exhibits 3a., 3b., 3c.) and gave a line-by-line of the proposed rescission plan. Other Administration staff utilized during the presentation were Joan Senecal, Commissioner of the Department of Disabilities, Aging & Independent Living; Michael Hartman, Commissioner of the Department of Mental Health; Dr. Wendy Davis, Commissioner of the Department of Health; John Wood, Secretary of the Agency of Natural Resources; Anson Tebbetts, Deputy Secretary of Agriculture, Food and Markets; and Jim Saudade, Deputy Secretary of the Agency of Commerce & Community Development.

Commissioner Reardon explained two corrections made to documents put forth on the Administrations website. Changes included agriculture, student assistance counselors, and chiropractic. He agreed to communicate with the Judiciary Branch regarding Representative Heath's request for information on the impacts of services when those reductions were released.

Representative Heath pointed out that the impact statements on services for agriculture were not specific. Deputy Secretary Tebbetts explained there were three employee layoffs that included an animal health specialist in the Northeast Kingdom; a research person that worked on milk pricing with the milk commission on a part-time basis and who also worked with the agricultural fairs on stipends; and a lab tester who doubled as an administrative support person. Other reductions included a reduced amount of grants for the nutrient management plans for farms, leaving open a position in the Clean and Clear program, and not filling a pending retirement within the Agency's information technology sector.

Representative Smith showed concern that the proposed rescissions in agriculture be strategically and geographically planned to not cause greater pressures in some areas of Vermont than others. Senator Cummings commented that the impacts on agriculture were actually double because of a cut to the University of Vermont's Extension program.

Representative Heath asked that it be reflected in the narrative that the Agency of Human Services will have a reduction of 10% for Vermont Legal Aid, due to a loss of federal matching funds.

Commissioner Davis clarified for Representative Heath the reduction in the HPV immunization program. Senator Shumlin asked for the rationale of eliminating the HPV to women above 18 years of age. Commissioner Davis explained that women below 19 years of age were more likely to seek medical examinations than women at or above that age, giving a better chance of vaccinating younger women. In addition, women 19-to 26-years-old generally were able to access private insurance to pay for a portion or all of the vaccine. Senator Shumlin questioned that since the vaccine is expensive and already on an income sliding scale, was it possible to increase the co-pay to keep the program in effect for the entire age group rather than eliminate a portion of eligible women. The Chair stated the idea was a good point and worth discussion but implied this is a policy change that the full legislature would need to discuss.

Commissioners Senecal and Hartman joined Commissioner Reardon to give the Department of Mental Health's reduction plan overview. Senator Snelling asked for clarification on rescinded benefits during a client's appeal to a mental health agency. Commissioner Senecal explained that mental health agencies would not be able to achieve reduction goals if benefits had to be paid during sometimes lengthy appeal processes, but if the appeal were upheld, then the benefits would be restored to the client. Representative Heath explained the agreement process with the mental health agencies and its importance.

Senator Snelling questioned what the effect was on the state budget from the loss of federal funding for the state hospital and referred to a letter from Representative Donahue. Commissioner Reardon stated that this component was not in the package of reductions as it was a policy change for the entire legislature to discuss.

The Chair asked Commissioner Reardon and Commissioner Hartman to finish the reduction plan for the Department of Mental Health. The Chair adjourned the meeting at 4:10 p.m. to start a scheduled public hearing on the Administrations proposed FY 2009 rescission plan.

Respectfully Submitted,

Theresa Utton-Jerman, Joint Fiscal Office