

ONE BALDWIN STREET
MONTPELIER, VT 05633-5701

SEN. SUSAN BARTLETT, CHAIR
REP. MICHAEL OBUCHOWSKI, VICE-CHAIR
REP. DONALD BOSTIC
SEN. ANN CUMMINGS
REP. MARTHA HEATH



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SEN. RICHARD SEARS, JR.
SEN. PETER SHUMLIN
REP. SHAP SMITH
SEN. DIANE SNELLING, CLERK
REP. RICHARD WESTMAN

STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

MINUTES

August 22, 2008

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

Others attendees included: Joint Fiscal Office staff, Administration officials, various advocacy groups, and members of the media.

1. CONVENE MEETING AND APPROVE MINUTES:

Senator Susan Bartlett, Chair, called the meeting to order at 1:00 p.m. The Committee approved the July 29, 2008 minutes with a motion by Representative Martha Heath and a second by Representative Shap Smith.

2. JOINT FISCAL COMMITTEE/SPECIAL SUBCOMMITTEE – RFP RECOMMENDATION ON PROPOSED CONSULTANT TO PERFORM NUCLEAR ENERGY ANALYSIS (Sec. 5.012.2 of Act 192, 2008):

Stephen Klein, Chief Joint Fiscal Officer, remarked that the subcommittee had authorized negotiations for the contract. Senator Bartlett elaborated on the many talented applicants and applauded the chosen firm, Synapse Energy Economics, Inc. of Cambridge, Massachusetts.

3. ADMINISTRATION PRESENTATION OF FY2009 RESCISSION PROPOSAL:

Michael Smith, outgoing Secretary of Administration, submitted a letter outlining the policy decisions underlying the Administration's proposal of rescissions for balancing the FY 2009 budget.

James Reardon, Commissioner of Department of Finance & Management, gave a line-by-line explanation of the Administration's proposed rescission plan and submitted seven documents to support his testimony: Comparison of Property Transfer Tax Revenues, Rescission Figures by Program, General Fund Rescission Plan Summary, Next Generation History, General Fund Rescission by Department, Rescission Plan (narrative) and Rescission Plan (data).

In responding to Representative Michael Obuchowski's question on a possible snapshot of the FY 2010 forecast, Commissioner Reardon stated that if revenues continue at current

trends, base appropriations or expenditures will be higher than revenues, and further reductions in FY 2010 will be needed. The Chair noted that delaying further action on base reductions in the FY 2009 budget will increase the pressure on the FY 2010 budget.

Josh Slen, Director of the Office of Vermont Health Access (OVHA), explained the five projected reductions in OVHA. Michael Hartman, Commissioner, Department of Mental Health (DMH), was introduced. Senator Sears asked whether there had been a reduction in payments to private providers for mental health services through Medicaid. Representative Heath responded that Director Slen had agreed to provide information on the matter. Senator Bartlett inquired about what changes to services are anticipated in DMH from the absorption of the proposed reductions. Commissioner Hartman replied that the extent was not yet known.

Representative Obuchowski returned to the discussion of impacts on higher education and asked for clarification on sources of reductions. Representative Heath responded that it was figured by a percentage formula, and that the Vermont Student Assistance Corporation (VSAC) reduction could have an impact on available grants to students. She explained that VSAC's intention was to cut off the application date for grantees early, instead of recalling student grants already awarded.

Representative Obuchowski asked whether the Administration had investigated the FY 2010 impacts from the proposed reduction plan. Commissioner Reardon responded that the Administration has started to think about proposed policy changes for the FY 2009 budget adjustment bill. Representative Obuchowski further questioned the possibility of finalizing the FY 2010 budget before the budget adjustment act. Commissioner Reardon offered that both the budget and the budget adjustment could be done simultaneously. Representative Heath reflected on a budget adjustment act that was incorporated into the big bill during a previous session, and offered there were many options. Representative Smith explained that understanding the implications for the FY 2010 budget from the current proposed rescissions would better prepare the Committee to act on the Administration's proposal before them.

4. FY 2009 TRANSPORTATION EXPENDITURE REDUCTION PLAN:

David Dill, incoming Secretary of the Agency of Transportation, explained the proposed reductions to the Agency, and submitted a spreadsheet showing the specifics of the proposed FY 2009 expenditure reduction plan. Mr. Dill pointed out that the town highway programs could be another area of possible belt tightening in FY 2010. In November, the Agency would have a more comprehensive package of fiscal changes for the Committee to consider.

Representative Smith asked the committee whether it could be acknowledged that the current revenue model for the transportation fund is flawed, not only at the state, but at the federal level. He then queried Mr. Dill as to whether the Administration had discussed that issue. Mr. Dill acknowledged the problem and responded that a discussion with the Administration's economist, in terms of the long-term revenue model, had determined expected additional cuts down the road. In terms of federal funds, the State's reauthorization runs out September 2009, and the federal allocation is expected to be less beneficial to Vermont. The Administration is engaged in federal discussions and plans to express Vermont's strong concerns over future funding.

Representative Heath reiterated an earlier comment acknowledging the gas tax may not be a viable source of income for transportation in the future, and she had received correspondence on safety concerns of poor infrastructure at the local level. The Chair submitted a handout showing impacts from the 5% reduction to the Agency.

5. EXPENDITURE REDUCTION PLAN – PROCESS FOR RECOMMENDATIONS:

The Chair asked advocates and interested parties to forward comments or questions on the Administration's proposed reduction plan to the Joint Fiscal Office. The Joint Fiscal Office would forward all correspondence to the Committee for review. She emphasized the need for a speedy decision on the Administration's proposed rescission plan, in light of possible notifications of Reductions in Force (RIFs) so savings can start to have an impact. A more comprehensive conversation about larger policy changes will occur during the 2009 legislative session.

Senator Bartlett offered there may be a conversation on grant reductions to save some funds. It was not understood why the Administration chose not to include those grant reductions in its plan. Committee members suggesting changes to the Administration's proposed reduction plan should consider that area for replenishment of funds.

6. FUTURE MEETING DATES AND DISCUSSION ON RAINY DAY FUNDS:

The Chair declared the next Joint Fiscal Committee meeting will be held on Wednesday, August 27, 2008 at 9:00 a.m, and encouraged advocates to deliver letters or information to the Joint Fiscal Office by Tuesday, August 26, 2008. Information from the meeting would be available on the Joint Fiscal Office website.

Senator Sears stated he received several letters on usage of the rainy day funds and asked the Committee to confirm its position that those funds were off the table for now. The Chair declared that the use of rainy day funds was not an option at this time, after checking for approval from the Committee. She acknowledged the same concerns expressed by Vermonters that it was in fact raining, and the Committee *was* paying attention, but in light of the unknown revenue receipts to support the FY 2009 and FY 2010 budgets, it was important to maintain the stabilization funds. Senator Bartlett was emphatic that, though \$60 million in rainy day funds seemed large, issues such as LIHEAP have not been dealt with, and the resources could be used up quickly.

The Committee also scheduled meetings for October 3, 2008 and November 18, 2008. The November meeting coincides with the Emergency Board meeting.

7. REVIEW AND SIGNATURE OF LIHEAP LETTER; ADJOURN

The final order of business included vote and signatures by Committee members on a letter to Vermont's Congressional Delegation, urging passage of legislation, for a federal allocation for LIHEAP funding. Representative Obuchowski moved to adopt the letter and Representative Heath seconded it; the Committee signed and approved the letter (attached).

The meeting was adjourned at approximately 4:00 p.m.

Respectfully Submitted,

Theresa Utton-Jerman, Joint Fiscal Office

{attachment}

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August 22, 2008

The Honorable Patrick Leahy
United States Senator
Post Office Box 933
Montpelier, Vermont 05601-0933

The Honorable Bernard Sanders
United States Senator
1 Church Street, 2nd floor
Burlington, Vermont 05401

The Honorable Peter Welch
Representative in Congress
30 Main Street, 3rd Floor, Suite 350
Burlington, Vermont 05401

Re: Low Income Home Energy Assistance Program (LIHEAP)

Dear Senator Leahy, Senator Sanders, and Representative Welch:

The Vermont Legislative Joint Fiscal Committee is writing to impress upon you the importance of securing additional federal funds for LIHEAP (Low Income Home Energy Assistance Program) and to brief you on the potential fiscal impacts Vermont faces going into the 2008/2009 heating season. Given Vermont's current fiscal climate we are very concerned about LIHEAP's ability to meet the needs of the tens-of-thousands of Vermonter's who rely on the program.

As you know, prior to the 2005/2006 heating season the LIHEAP program had been entirely funded with federal funds. The federal funds available to the state for the LIHEAP program this coming winter are not yet known. Vermont will receive the basic block grant from the federal government of \$11,612,664, but it is not known how much, if any, supplemental funds will be released.

Last winter, LIHEAP served over 21,000 households. Preliminary estimates are that if heating oil costs \$5 per gallon, the caseload grows by 3%, and the average benefit from the State continues to be set at 60% of the average household's fuel oil bill, the total cost of the LIHEAP program will be \$43,408,809 this winter – a 78% increase. If the cost of

a gallon of heating oil is \$4, the total program is estimated to cost \$35,787,297 – a 46% increase.

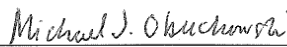
Last heating season, the State contributed general funds in the amount of \$4,898,032 to the program. The State is in a very different situation this year with lagging revenues and intense pressures on the state budget. As you know, legislation was recently defeated in the U.S. Senate that could have resulted in an additional \$7,533,986 in block grant funds and \$13,033,970 in contingent funds, if all were to be released by the president.

We know that you are strong supporters of the LIHEAP program and have been working hard to secure additional funds for Vermont. It is crucial you continue to work hard to secure these funds for the LIHEAP program on behalf of the tens-of-thousands of Vermonter's who will depend upon the program to pay their heating bills and stay warm and healthy this winter.

Respectfully,



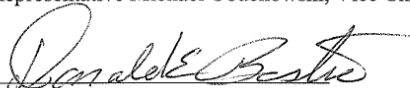
Senator Susan Bartlett, Chair




Representative Michael Obuchowski, Vice Chair



Senator Ann Cummings



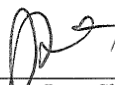
Representative Donald Bostic



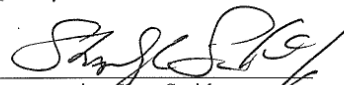
Senator Richard Sears, Jr.



Representative Martha Heath



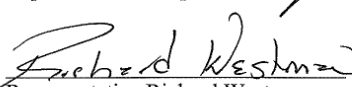
Senator Peter Shumlin



Representative Shap Smith



Senator Diane Snelling



Representative Richard Westman