



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

MINUTES

August 27, 2008

Members Present: Senators Bartlett, Cummings, Sears and Snelling, Representatives Obuchowski (on conference call), Bostic, Heath, Smith and Westman.

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

1. CONVENE MEETING AND REVIEW OF FINANCIAL CONTEXT FOR RESCISSIONS:

Senator Susan Bartlett, Chair, called the meeting to order at 9:20 a.m. and referred to the FY 2010 General Fund Outlook and Summary (balance sheet), updated at the request of the Committee by the Joint Fiscal Office (JFO).

Stephen Klein, Chief Fiscal Officer, summarized how the Administration's rescission plan would affect the FY 2010 budget (refer to balance sheet). It is anticipated that the new forecast in November could include more reductions. In addition to economic risks to the state, changes in home mortgage interest deductions from the new federal housing bill (S.3221) pass through may impact revenues. Other reductions for FY 2010 may include changes to direct applications, as current forecast figures may be higher than warranted.

Representative Heath clarified that the balance sheet assumes a FY 2010 level-funded budget, and includes funding of \$7 million to the Pay Act, leaving a deficit of \$15 million. However, if the education and Medicaid fund transfers are included in the balance sheet, the deficit for FY 2010 could be as high as \$35 million.

2. DISCUSSION AND COMMITTEE ACTION ON ADMINISTRATION'S PROPOSED RESCISSION PLAN:

The Chair referred to several inquiries from organizations concerned about what the fiscal impacts of the proposed rescissions would mean to them. She empathized with the organizations on the already overwhelming energy costs they face, but explained that even though Vermont is one of the few states that do not require a balanced budget, from a policy standpoint, a balanced budget is the responsible approach, and therefore, tough decisions need to be made.

Senator Bartlett explained that it is the understanding of the Legislature and Administration that more base reductions are needed, but that larger policy changes would be discussed during the

2009 legislative session. The current proposed reductions are all about buying time until the Legislature reconvenes.

Senator Bartlett explained that both the Legislature's economist and the Administration's economist painted a bleak picture for Vermont's immediate economic future and agreed there could potentially be more reductions before the end of FY 2009. From a legislative perspective, there is agreement that hard decisions need to be made now to start saving as much as possible. Senator Bartlett emphasized that postponing usage of rainy day funds until a more comprehensive conversation in November is a sound fiscal decision. Action on the Administration's proposed rescission plan was strongly encouraged to begin savings and to move forward.

The Chair referred to a motion to not concur with the Governor's proposed rescission plan and instead recommend specific changes. Representative Smith formally read the motion and moved to accept (motion attached). Representative Westman seconded the motion. Representative Heath agreed with the importance of the decision to not use more than \$3 million in Tobacco Settlement Funds to balance the FY 2009 budget.

Senator Sears recognized the hard decisions made and pointed out areas not mentioned in the motion he would continue to sort out, such as where the actual 5% reduction to the Attorney General's office will occur. A conversation with the Attorney General's office made it clear that the Southern Vermont Task Force was not included in the reduction plan, but final decisions on where reductions would occur had not been determined. He suggested that future conversations with the Attorney General, the Administration, Senators Shumlin, Campbell, Mullin, and him would be important in making any budget reduction decisions to that office.

Senator Sears raised a second issue on the clarity of the cuts to the judiciary branch. The Corrections Oversight Committee voiced concern over the elimination of the Sentencing Commission. Assigned tasks to the commission, due on January 15, 2009, were to target areas for saving money, such as the drug laws, and driving while intoxicated (DWI) laws. The Administration and the Joint Fiscal Committee were urged to leave the Sentencing Commission intact until its work was completed. Senator Bartlett thanked Senator Sears for clarifying the importance of those corrections issues.

The Chair explained a provision in the motion on the Assisted Community Care Services (ACCS). ACCS providers did not receive a COLA on the federal level as planned. The Legislature approved an increase through the FY 2009 waterfall for ACCS, but with the new reductions, those providers will receive even less than anticipated. In order to keep the ACCS providers from taking a larger cut than other reduction areas, \$67,000 would be restored by making reductions in other areas.

Representative Smith thanked the Committee for maintaining the increase to the Childcare Subsidy Eligibility Program. The AHS program is chronically behind in updating the federal poverty funding guidelines, and has a positive impact by providing child care to working Vermonters who are around or right above the poverty level.

Senator Snelling commented on the amount of correspondence received on the impact and the efficiency of usage of the regional partnerships, and inquired as to how deliberations of amendments to the Administration reduction proposal were decided. The Chair responded that there were many discussions on the various communications received from all the organizations, and informal conversations and agreements led to the decision that the work of the regional partnership could be delegated to other agencies. Discussions included an emphasis on helping the most vulnerable such as elderly, disabled, and young children, while maintaining a balanced budget. Senator Snelling thanked the Chair for the explanation and stated that it was important to address how the decisions were made in light of the volume of correspondence the Committee received.

Senator Cummings broached the issue of the Reductions in Force (RIFs). She queried whether an explanation was available as to where the RIFs will occur to equip the committee with a better understanding of the impacts on services. The Chair responded that out of the 16 positions, three were within the Agency of Commerce & Community Development (ACCD). The three RIFs from ACCD were from budget reductions during the 2008 session. There are also another 13 potential RIFs in the current Administration's proposed reduction plan, but specifics are not known at this time. It was emphasized that prematurely releasing a list of RIFs before a final rescission plan is adopted may complicate other factors, such as more retirements or new flexibility in federal funding to support those areas affected. Senator Cummings stated that she was not aware of a comprehensive planning process for the RIFs. The Chair offered that a more detailed plan from the Administration has been promised for the next Joint Fiscal Committee meeting.

The Chair asked that the current motion pending be acted upon. The Committee voted unanimously in the affirmative to adopt the motion. A brief recess was announced for the Administration to consider the motion just passed.

3. ADMINISTRATIONS RESPONSE TO MOTION:

James Reardon, Commissioner, Department of Finance & Management, stated that he conferred with the Secretary of Administration, Neale Lunderville, and Secretary of Transportation, David Dill, on the Committee's adopted motion and asked for clarification of whether it was presumed the Committee was in agreement with the \$4 million rescissions to the transportation fund. The Chair stated that was an accurate assumption. Commissioner Reardon handed out three documents detailing a revised rescission plan that reflected the provisions from the Committee's earlier adopted motion.

Commissioner Reardon explained that the Administration was in agreement with maintaining the child care increased eligibility adjustment. New information received last Friday enabled the Administration to agree with the Committee's provision to sustain the appropriation to the ACCS program. The Administration does in fact informally agree with the Committee that not more than \$3 million of the Tobacco Settlement Fund (TSF) would be used for current shortfalls in the budget.

Commissioner Reardon addressed Senator Cummings' specific concerns on the RIFs by first agreeing with the Chair's synopsis and statement of the necessity of keeping RIFs low-key for now, and second, stating the Administration would make every effort to relocate affected employees.

Commissioner Reardon addressed Senator Sears' concerns in regards to the Sentencing Commission, and agreed the Administration does not want to impact drug prosecution adversely. The Committee and the Joint Fiscal Office staff were thanked for their hard work and collaborative efforts. Commissioner Reardon stated there would be impacts to services, but the Administration has tried hard to minimize those impacts.

Representative Smith queried whether the RIFs included exempt positions. Commissioner Reardon responded that the reduction plan would probably not include any exempt positions but it is an ongoing process. Representative Smith stated he wanted to ensure the issue had been properly discussed, due to the high volume of correspondence he received. He asked that the Administration consider exempt positions when reviewing base reductions.

Representative Heath clarified what the base cuts mean to the overall budget, as being actual real cuts. Commissioner Reardon agreed and gave the example of the Vermont Housing & Conservation Board (VHCB) reduction. Representative Heath further stated there were \$11 to \$12 million in base cuts that were actual budget cuts.

Senator Sears announced the Senate Judiciary Committee was in the midst of hearings on corrections issues and is considering the costs involved in the Administration's 23 point plan. He asked the Administration whether the rescission plan would affect the completion of that plan. Commissioner Reardon responded that within the rescission plan, public safety was held harmless, including the Department of Corrections, the State Police and the Special Investigation Units, the Defender General, and the State's Attorneys Office. He agreed there was more work to do in maintaining a balanced budget, but there was no desire to take any steps backwards in those areas.

The Chair handed out the Administration's motion to approve the FY 2009 expenditure reduction plan with further policy statements and fiscal detail (motion attached). A policy statement from the Joint Fiscal Committee on VHCB potential federal funding was also distributed.

Representative Heath moved to adopt the motion, Representative Westman seconded it, and Senator Snelling called the roll, 6-0-2. Representative Obuchowski stated that if he had been at the meeting in person, he would have voted yes. Senator Shumlin was absent.

4. NEXT MEETING AND ADJOURNMENT:

The Chair thanked the Committee and confirmed the next meeting for October 3, 2008. An additional meeting will occur on November 18, 2008, at the time of the Emergency Board Meeting.

The meeting adjourned at approximately 12:00 p.m.

Respectfully,

Theresa Utton-Jerman, Joint Fiscal Office

{attachments}

{MOTION ONE}

MOTION FOR 8/27/08 JOINT FISCAL COMMITTEE ACTION

RE: FY 2009 RESCISSION PLAN AS SUBMITTED AUGUST 22, 2008

Pursuant to 32 V.S.A. Sec 704(f), the Joint Fiscal Committee hereby does not approve the fiscal year 2009 expenditure reduction plan submitted by the Secretary of Administration on August 22, 2008, and recommends the follow amendments be made to the plan:

Sec. 2.223 - No reduction of \$426,329 to the child care eligibility as passed on by the legislature

Sec.2.207and Sec. 2.202 - No reduction of \$165,000 to the Assisted Community Care Services rate within the Medicaid program

To offset these recommended change no more than \$3 million of Tobacco Trust funds shall be transferred to the General Fund

{ADMINISTRATIONS MOTION FOR JOINT FISCAL COMMITTEE}

Keep:FY 2009 rescission plan – draft motion for JFC

DRAFT MOTION FOR 8/27/08 JOINT FISCAL COMMITTEE ACTION RE: FY 2009
RESCISSION PLAN

Pursuant to 32 V.S.A. Sec 704(f), the Joint Fiscal Committee hereby approves the fiscal year 2009 expenditure reduction plan submitted by the Secretary of Administration, consisting of the following parts:

1. Appropriation changes are hereby enacted as presented on the schedule entitled “Fiscal Year 2009 Rescission Plan – Appropriation Changes”. To reflect adjustments to budgets due to general liability and auto liability insurance premium savings, the General Fund operating expense appropriation reduction of \$749,482 shall be implemented in the manner specified in 2008 Act 90 Sec. 75(b).
2. Direct applications and transfers to the General Fund. These direct applications and transfers are approved in fiscal year 2009, pending further approval by the Emergency Board pursuant to 32 V.S.A. Sec. 706(2):
 - a. Direct application: \$243,000 from the Communications and Information Technology Internal Service Fund
 - b. Transfers:
 - \$400,000 from the Next Generation Initiative Fund
 - \$ 2,996,125 from the Tobacco Trust Fund
 - \$ 1,800,000 from the Catamount Fund
3. Reversions to the General Fund. Pursuant to 2008 Act 90 Sec. 82, and authorization by the Legislative Branch regarding Legislative carryforwards, these reversions to the General Fund shall occur in fiscal year 2009:
 - a. Reversions in the Legislative Branch
 - \$408,013 from the following accounts:
 - \$390,000 from the Legislature
 - \$14,000 from the Joint Fiscal Committee
 - \$4,013 from the Sergeant-at-Arms
 - b. Reversion in the Executive Branch
 - \$2,029,705 from Office of Vermont Health Access – Medicaid Program – State Only
4. Transfers to the General Fund (Property Transfer Tax revenues). These amounts shall be transferred to the General Fund in fiscal year 2009 pursuant to 2008 Act 192 Sec. 4.001, and the reduced Special Fund appropriations approved in item 1., above:
 - \$669,163 from the Vt Housing and Conservation Trust Fund
 - \$215,105 from the Municipal and Regional Planning Fund
5. Changes in statutory language needed to implement the approved fiscal year 2009 expenditure reduction plan shall be submitted to the 2009 Session of the General Assembly for approval.