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STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

Tuesday, September 13, 2011

Minutes

Members present: Senators Campbell, Cummings, Kitchel, Sears and Snelling; and Representatives Ancel, Heath, and Johnson on conference call.

Other Attendees: Legislative Joint Fiscal Office and Legislative Council staff, and various media, lobbyists, advocacy groups, and members of the public.

The Chair, Senator Ann Cummings, called the meeting to order at 10: 40 a.m. and requested the administration to give an update on the impacts of Tropical Storm Irene.

Overview of Fiscal Issues from Impacts of Tropical Storm Irene:

Jeb Spaulding, Secretary, Agency of Administration, and Brian Searles, Secretary, Agency of Transportation, introduced themselves, and gave an update on the impacts of Tropical Storm Irene. Soon after the storm, the Administration had requested federal assistance, and had received a favorable response. Approximately 1,500 state employees were displaced from the Waterbury state office complex. Estimates on replacing offices or building new ones in a different location were still at the very preliminary stage, and any long-term decisions would require the Legislature's approval. The primary efforts at the complex have been to clean and stabilize the situation.

Senator Kitchel inquired about the status of the state's claim as a self-insurer for insurance reimbursement on state-owned property. Secretary Spaulding answered that preliminary information indicated that the Vermont's insurance included \$25 million in coverage for state-owned public infrastructure, \$7.5 million for the Waterbury Complex, with a \$1 million deductible. The deductible could be matched through the Federal Emergency Management Agency (FEMA) with possible federal/state matches of 75%/25%, to as much as a 90%/10% match. There was an \$80 million threshold for the whole year on public infrastructure, not including transportation infrastructure, but there were potentially some provisions that may allow for more than the \$7.5 million for the Waterbury Complex but that was still in the early stages of exploration.

Secretary Spaulding added that August revenues were strong but there may be revenue impacts, due to Irene. Those impacts could include a slower than normal tourist season due to travel concerns regarding road damage. The administration would be watchful for a revenue change that could require a new consensus forecast in November or December.

Secretary Spaulding stated that the primary damage to state buildings occurred in the Waterbury office complex. The costs associated with just the cleanup for the Waterbury office complex could total \$15 to \$20 million. Some portions of the complex were not as heavily damaged

and will reopen soon. The Department of Public Safety's Waterbury facility would be running normally in about a week or two at its original location.

Secretary Spaulding also commended the state hospital staff that went above and beyond their duties, relocating clients on a Sunday night during the evening of the flood. The relocations were short-term and clients would need to be permanently placed, but that could take as long as two years. Information was being gathered on possible permanent locations and the relevant time lines.

Secretary Spaulding offered that there were concerns on the state's share of the FEMA public assistance matches. There were transportation infrastructure projects (roads, bridges, and buildings) for all counties except Grand Isle in need of funding assistance. Some projects would qualify for insurance claims and then would be eligible for FEMA public assistance aid. The local match from FEMA grants would be about 12.5% but would likely decrease to 5%, if Vermont receives an added FEMA share. Representative Ancel asked if the matching funds increased to the 90/10 match, whether those grants would also include damage from the May 2011 flooding. Secretary Spaulding deferred to Alec Portalupi, State Public Assistance Officer, FEMA, Agency of Transportation. Mr. Portalupi responded that since Vermont has never hit a threshold of damage of this magnitude, it was unknown. However, he opined that it would probably not include the May damage.

Secretary Spaulding stated that the Emergency Board would be hearing proposals later the same day, including an emergency loan program to business and the set-aside of funding for FEMA match. A total amount of \$1.4 million was estimated to allow for up to \$10 million in Vermont Economic Development Authority (VEDA) loans at lower interest rates. Of those funds, \$600,000 was left over from an earlier VEDA farm assistance loan program. Another proposal to the Emergency Board was to transfer \$5 million from the Department of Corrections budget for the general purposes of responding to disaster recovery, and with the expectation of returning those funds through the FY 2012 budget adjustment process. Senator Cummings queried where corrections would get funds if the need arose. James Reardon, Commissioner, Department of Finance and Management, assured the committee that sufficient funds would be available to the Department of Corrections if any unforeseen expense arose.

Representative Ancel inquired about the discussion on the loss of residential property usage and possible abatements. Secretary Spaulding stated that the commissioner of the Department of Taxes was working with other administration staff in discussing options. Representative Ancel suggested that the legislature would need to continue addressing this issue.

Secretary Spaulding confirmed, for Senator Kitchel, that Caledonia County had been approved by FEMA but Vermont was waiting for Lamoille and Orleans Counties to get approval. Senator Cummings asked how small businesses and non-profits could apply for flood relief funds. Secretary Spaulding explained that businesses should apply to the Small Business loan program at the Vermont Economic Development Authority (VEDA) for individual assistance. This was a quick turn-around program with no interest in first year.

Secretary Searles referred to a handout and introduced Leonard LeBlanc, Director of Finance and Administration, Alec Portalupi, Deputy Director of Operations, and State Public

Assistance Officer, FEMA, and Chris Cole, Director of Policy and Planning, the Agency of Transportation. Secretary Searles explained that Tropical Storm Irene had ravaged Vermont 17 days ago while places such as Johnson were still addressing issues from the spring flooding. Secretary Searles continued with background information on the damage Vermont suffered in the first few days post-Irene. A unified command center was established in Montpelier to discover what areas of the state were in need of assistance.

Secretary Searles offered that it would be a race against time to make the 36 places that had state road closures passable before winter. Senator Sears offered that the agency's response to fixing roads had been extraordinary under the circumstances, but he had concerns that paving projects on Interstate 89 continued instead of diverting manpower to flood-ravaged roads. Secretary Searles responded that those construction teams were not usable at this time in the storm-damaged areas until other fixes had been completed, but the agency had pulled some construction project teams off some pre-storm jobs and diverted them to storm-damaged areas as needed. Senator Campbell commended the agency's quick response, and queried if the agency was planning to do outreach to communities on the time line for road completions, such as Route 107. Secretary Searles committed the agency to communicate road rehabilitation plans to the affected communities. Senator Sears added that the non-flood paving projects gave the perception or image to the public that the state was not addressing the critical areas first. Secretary Searles further explained that the Administration decided that dismantling other road projects that were not flood-related would put a further burden on the already prior deficit of road conditions throughout the state. Representative Heath inquired whether there were contract issues if the state were to try and divert contracted companies to different projects. Secretary Searles stated that the state could work around contract issues but it was more an issue of the appropriate types of contract practices.

Representative Heath asked for clarity on whether Vermont was secure in its funds to cover transportation needs from the flood. Secretary Searles pointed to the handout (page 3) that listed the funds available to Vermont for post-Irene damage. He explained that the agency was also working very closely with Vermont's Congressional Delegation on not only waiving the federal assistance cap, but also the 180-day participation rule, which would reduce the grants to an 80/20 match and have extensive ramifications for the transportation fund. Damage to rail was estimated at \$20 to \$24 million, and could also receive FEMA funding. A preliminary estimate of total state transportation system damage was between \$300 and \$500 million. Additional funding pressures may come from town infrastructure that could qualify for funds and need a state match.

Secretary Searles explained that Mr. Cole had been working with the Vermont Planning Commissions in assisting in the collection of data from towns on infrastructure assessments. The most recent preliminary data from the planning commissions were documented on page 1 of the Secretary's handout. Secretary Spaulding warned that the estimates were only preliminary and not indicative of what the total cost would ultimately tally.

In answering Senator Sears' question, Mr. Portalupi explained that the agency had been working on a plan for towns for repair and reimbursement but some towns were moving forward before those plans were finalized. There were concerns that towns without agency plans would not receive reimbursement from FEMA or the agency. Senator Snelling asked if there was a process for

towns to respond to infrastructure issues. Mr. Portalup explained that towns were just notified of agency plans, and a briefing for applicants was held in the last few days.

Senator Kitchel queried if the Administration had identified any expenditures for natural resources costs that may not have funding from FEMA, such as redirecting streams back to their original paths of pre-Irene. Secretary Searles explained that FEMA had responded to some of these types of issues, but there were still some outstanding questions on how some things will be addressed. Mr. Portalupi added that direct damage areas were the easily addressed funding pieces for FEMA, and most of these should occur next week. The debris removal was more challenging to quantify when there was no obvious eminent future threat, but there are other programs through the federal and state government that FEMA and the Agency of Natural Resources will help guide Vermont through to address those issues.

Senator Cummings asked that the Administration continue briefing the committee on any updates of the Irene recovery in future JFC meetings. Senator Campbell requested that the Administration have staff available for the public receiving FEMA assistance that may have questions on the best use of funds to address their situation. Secretary Spaulding offered to contact the home ownership organizations to help answer questions and offer training to folks requesting how to effectively purchase a new home or how to resolve their current housing situation.

Secretary Searles warned that there could be a state cash flow risk if federal funds were delayed. Because of this, the Administration is evaluating whether FY 2012 transportation funds could be redirected to flood damage areas. Representative Heath inquired whether the private contractors assisting with the flood recovery were receiving reimbursement. Secretary Searles replied that the agency had disbursed \$500,000 to private contractors early in the recovery effort. Representative Heath asked if there would be an issue with the timing of reimbursement. Secretary Searles stated that timing was still an issue but there would be a clearer picture after October 1. Representative Heath showed concern for the current conversations in Congress of not fully funding FEMA, and whether Vermont would be affected. Secretary Searles replied that the latest conversations had not included underfunding FEMA, and that the Administration was confident that Vermont would receive all of its grants.

Consideration of FEMA grants and other storm-related grants

Commissioner Reardon stated that Vermont had received an estimated \$8.2 million in grants from FEMA for storm-related recovery efforts with an estimated \$2.8 million in the state match. The grant was based on an initial preliminary estimate of \$11 million, and the Administration was asking the JFC for spending authority for the grant. Commissioner Reardon explained that once the grant [JFO 2522] were accepted, future grants could be disbursed by the Commissioner through the excess receipts process to expedite the flow of funds for recovery efforts. Commissioner Reardon offered to submit a fund report at the next JFC meeting, under a separate line item for recovery grants of the Excess Receipts Report, and thereafter to the fiscal committees during the legislative session.

Representative Heath moved to accept the Governor's approval of JFO 2522, a grant from the Federal Emergency Management Agency to provide disaster assistance for damages caused by Tropical Storm Irene, Senator Snelling seconded the motion. Commissioner Reardon clarified that

the funds were for public assistance for infrastructure. A conversation ensued on the open-endedness of the state match for the grant. Commissioner Reardon strongly recommended that the committee receive updates at its next two meetings on the programmatic and fiscal updates of the Irene recovery grants. The Administration will provide its best fiscal information at the House Committee on Appropriations budget adjustment meetings in December. Representative Heath stated that although the fiscal impact was daunting and discouraging, there was no choice but to match those funds to support Vermont in its recovery. Representative Ancel requested that the Legislature be kept informed of developments on Irene-related recovery grants.

Senator Cummings asked for a vote on the motion. The Committee voted in favor of accepting the motion.

Proposed Temporary Expedited Review Process Relating to Tropical Storm Irene Grants and Gifts.

Michael Obuchowski, Commissioner of the Department of Buildings and General Services, explained the temporary review process for grants and gifts in relation to Tropical Storm Irene and referred to the proposal submitted to the committee. Senator Sears moved to accept the proposed Tropical Storm Irene expedited grant review policy as part of the Joint Fiscal Committee's expedited grant review policy, and Senator Kitchel seconded the motion. The committee accepted the motion.

The Committee adjourned at 11:50 a.m.

Respectfully Submitted,

Theresa Utton-Jerman, Legislative Joint Fiscal Office