



STATE OF VERMONT
GENERAL ASSEMBLY
JOINT FISCAL COMMITTEE

Tuesday, September 11, 2013

Minutes

Members present: Representatives Ancel, Branagan, Heath, Johnson, and Sharpe, and Senators Ashe, Kitchel, and Snelling.

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

The Chair, Representative Heath, called the meeting to order at 9:30 a.m. Representative Johnson moved to accept the minutes of July 23, 2013 and August 8, 2013, and Representative Branagan seconded the motion. The Committee approved the motion.

A. Fiscal Officer's Report

Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office (JFO), presented the fiscal officer's report and highlighted key issues. The revenue receipts for the State were on target through July. An issue brief on Vermont Yankee's pending closure and impacts to the State's revenue would be available soon. The estimate of impacts on revenue would depend on when the shutdown occurred and if the company refueled before the closing date. Senator Ashe asked for the general framework of how the transition of the Town of Vernon, where Vermont Yankee was located, would work with how tax adjustments calculated after the plant closed. Sara Teachout, Senior Fiscal Analyst, Joint Fiscal Office, explained that the JFO had begun to research other states in similar situations but had only found that Maine Yankee was taxed by the State after its plant closed.

Mr. Klein introduced Dan Dickerson as a new revenue staff at the Joint Fiscal Office, starting September 23, 2013. He referred to a JFO worksheet appended to the fiscal officer's report that projected a shortfall of Medicaid resources of \$104 million between now and 2018. There would be additional information on this projection at the Committee's November meeting. Representative Heath added that any one year could have more or less revenue than the others. She then asked for a growth chart for past years to estimate the yearly cost to the State because of the shortfall. Representative Ancel asked that the variables between now and 2018 be explained in the estimates for the shortfall.

Mr. Klein explained the agreements in a Memorandum of Understanding (MOU) between the JFO and the Department of Taxes. The first was additional capacity for spreadsheet-based modeling and he anticipated that the JFO would receive 2011 data by payer to enable some analysis. The second was for the JFO consultant, Deb Brighton, to continue to work for both the JFO and as an employee of the Department one day a week. The JFO would be able to use Deb Brighton for analysis and reimburse the Department for part of its cost. Her work would be considered confidential for the JFO. Third, the JFO was communicating with a company that could provide tax modeling assistance, Chainbridge Associates. Representative Sharpe asked for more information on the company. Mr. Klein

responded that Chainbridge Associates had the ability to take actual data or a sample of Vermont federal tax data and create a model that projected the different revenue impacts for the State. It would allow the JFO the capacity to model the data on its own. In responding to Representative Ancel's question, Mr. Klein stated that if we move forward with this approach, it was the expectation that the model would be available for use in 2015.

B. Update on Statutory Purposes for Tax Expenditures

Ms. Teachout referred to a document distributed at the previous JFC meeting and summarized the information. The Chair requested Ms. Teachout give general comments on the purposes. Ms. Teachout explained that she used other states' information along with Vermont legislative history. She distributed an additional document with a recommendation from Tom Little, General Counsel at the Vermont Student Assistance Corporation on the Vermont Higher Education Investment Credit. Ms. Teachout suggested the Office might solicit feedback on the recommendations. The Chair agreed with this suggestion. Representative Ancel commented that the statutory purposes were being discussed in the right venue (before the JFC), and that where possible, the final purposes should be measurable to ensure meaningful work.

C. Bill Back Report on Regulated Entities

Georgia Maheras, Executive Director, Green Mountain Care Board (GMCB), and David Martini, Health Policy Director, Department of Financial Regulation, presented a report on the use of bill back authority. Ms. Maheras summarized that the amount for FY 2013 actual bill back funds from assessments was \$395,117. Representative Sharpe asked how much in bill back funds were still underused. Ms. Maheras replied that the total allowable bill back before expenses would have been approximately \$1.8 million for FY 2013.

Senator Ashe queried if the Administration planned to propose a change to the statute to fix the gap in the bill back and ensure the State was not underbilling and offsetting the difference between the revenue collected and expenses incurred. Ms. Maheras stated that the GMCB was mindful to use its statutory authority to not raise the rate of bill back too quickly because hospitals and insurers may pass the cost on to ratepayers instead of absorbing it. Senator Ashe commented that it would be ideal to have the bill back authority closely mirror what the GMCB agreed was the appropriate amount to bill back. Ms. Maheras agreed that the GMCB would be delighted to have a conversation with the members on an appropriate bill back amount and authority. Representative Sharpe asked that the language on the flexibility to the GMCB, on bill back assessments and authority, be included with the report to the Committee. Representative Ancel requested that the full report be provided at the next Committee meeting. Ms. Maheras stated the GMCB and DFR would return for the next meeting if the Committee so desired.

D. Grant Approval Request – JFO #2640 – Establishment of four limited service positions to manage the appeals process under Vermont's Health Care Exchange.

Jim Giffin, Chief Financial Officer, Agency of Human Services, summarized the grant stating that with the current proposed four limited services positions requested in grant JFO #2640, there were a total of 77 limited service positions in four grants within two years for the Vermont Health Care Exchange. Representative Sharpe asked that of the 77 limited service positions, how many would need to be converted to permanent positions at the end of their contracts in order to sustain the Exchange. Mr. Giffin responded that the Agency was working on that number through the creation of the FY

2015 budget. Representative Sharpe moved to approve the grant and positions, and Representative Johnson seconded the motion. The Committee approved the motion and grant.

E. Developmental Disability Services (DDS) – 1. Methodology

Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, and Emily Byrne, Senior Budget and Financial Analyst, Department of Finance & Management, introduced themselves and distributed the Developmental Disabilities Services Caseload and Utilization Methodology Review report to the Committee. Ms. Barrett explained the report's legislative charge and summarized its contents. As a clarification, she explained that the report was based on a forecasting and methodology review and not a performance review. Ms. Barrett stated that the DDS Waiver made up 96% of the costs for the DDS Program, and that the public safety caseload had a lot more volatility than the regular caseload.

Ms. Byrne explained how the data were analyzed. Representative Ancel asked for clarification on the equity revenue. Ms. Barrett explained that when a shift of people occurred, such as someone who died or moved, the waiver amount was reallocated back into the system to be redistributed and was then considered equity revenue to the program. She added that new consumers and existing consumers with increased needs apply for the funds and the equity revenue was distributed to these new services. Representative Heath clarified further that the Legislature's estimates on how much of the allocation would be available each year became a part of the predicted revenue to offset the expenditures of DDS. Ms. Barrett stated that when projecting outwards, both the current and new need were included in the estimation.

Ms. Barrett concluded the summary with recommendations. She explained that the working group was attempting to finish all the statutory requirements for the methodology report by mid-December, and in advance of the January deadline for recommendations to the Emergency Board on a consensus estimate. Senator Ashe asked what the policy questions would be for the Legislature in January. Representative Heath explained that when the forecast was created, it gave an estimated \$2.5 million budget savings target but if the revised budget projection exceeded that amount, there would need to be rescissions within all the agency budgets, and the reduction in DDS would be the basis for discussions. Ms. Barrett clarified for Representative Sharpe that \$2.5 million was forecasted in July of 2013 as a savings to the FY 2014 budget. The study concluded that the \$2.5 million projection for FY 2013 could be revised or annualized down to \$2.23 million.

2. DDS Work Group Report

Susan Wehry, Commissioner, Department of Disabilities, Aging, and Independent Living, distributed her testimony and the report from the DDS Legislative Work group. She summarized the outcome of the work group's report and recommendations to meet the \$2.5 million savings target set forth by the Legislature. She concluded that even though there were six good recommendations for potential future cost savings to the DDS budget, the work group did not succeed in its charge.

Representative Heath commented that she attended all work group meetings, and was disappointed that there were more ideas costing additional money than ideas to meet the savings target. She added that a housing concept to combine tenants in groups of three had the most potential, but there was a challenge of the limited amount of Section 8 vouchers and the regulations of the program potentially leaving someone without housing. Representative Heath opined that it seemed difficult for people to move forward because most of the participants of the group had a stake in keeping the status quo. She stated that with the program growing at 6-7% annually it seemed unsustainable at its current

trajectory. Representative Johnson added that the program cost about \$170 million yearly, with a substantial amount of State-matched Medicaid funds. Senator Snelling showed her disappointment for the failed attempt of the work group in meeting its legislative charge, but stated she was hopeful that the future work group could solidify some of the ideas from the report to achieve future savings.

Commissioner Wehry responded to Senator Ashe's earlier question on policy choices for the Legislature in 2014. She stated the question should be asked as to whether the current system of care should be changed to a more priority-based system of early intervention. Another policy question was whether to implement a self-imposed housing concept that allowed for three people not of the same family to live together and combine assets. Lastly, there would be a year-long task force that she had confidence would put forth fresh ideas.

F. FY 2014 Accelerated Choices for Care Reinvestment

Commissioner Wehry distributed her written testimony and explained the recommendation for reinvestment savings. Senator Ashe asked if the request of \$210,000.00 was due to losing federal funding of that amount. Commissioner Wehry replied that the bulk of the lost funding was from federal Sequestration. Senator Ashe inquired how the Department identified people that were in need of assistance from the program. Commissioner Wehry responded that the five Area Agencies on Aging conducted risk assessment tests at senior centers on any senior that requested assistance through a standardized assessment tool that determined the level of service needed. Senator Ashe commented that there appeared to be a gap for seniors that were unlikely to seek help or congregate for a meal at a senior center. Representative Johnson commented that the 3 Squares program had a 30% participation rate of seniors for the program and the Vermont Food Bank had only a 10% participation rate. She then asked how the Department could connect and share staffing resources from the 3 Squares program and the Choices for Care program to better serve seniors' nutritional needs. Commissioner Wehry agreed with the Representative that the Department had an objective to meet the same participation rate as 3 Squares but had struggled due in part to many seniors having the mentality that nutrition was a social benefit. The Department had a new initiative underway to entice seniors to utilize the program's benefits through making a direct linkage to nutrition and health by using the resources of the wellness program and the Blueprint team.

Representative Sharpe commented that although he was sympathetic to the needs of seniors' nutrition in the State, he had concerns for backfilling Sequestered funds for the elderly programs and not doing the same for the Head Start program. Commissioner Wehry responded that the Department was not asking to fully backfill all the impacts of the Sequestration but large cuts in nutrition could lead to actual acute and direct health risks for seniors.

Representative Heath commented that there was another Sequestration cut to case management, and she inquired why the Department chose not to recommend backfilling funds to that program. Commissioner Wehry responded that the case management did not have the same immediate consequences as the nutritional programs. In addition, the Department may propose to make the program more robust by connecting case management to other initiatives, such self-neglect as that began the previous year and which had a report due soon for the FY 2013 budget adjustment (BAA) conversation. Representative Heath asked that if the Committee approved the expenditure, what reassurance would the Committee have that there would be a quick turnaround of resources to services. Commissioner Wehry responded that the Department had prepared in advance for a quick release of the grants by organizing the infrastructure and having a pretargeted audience to receive the funds.

Representative Heath showed concern about the waiting lists for the Choices for Care moderate needs group, and she asked if there was anything administratively that could be done to serve those people better before the FY 2013 BAA was enacted. Commissioner Wehry responded that the Department could not require the moving of funds across agencies to address waiting lists. Uncertainties make the concept of moving funds uncomfortable for agencies to implement. Representative Heath asked that because there was an estimated \$6 million in reallocation funds that would be redistributed in the BAA to agencies, could the Department convince the agencies to redistribute the funds voluntarily now to the moderate needs group where there are waiting lists. Commissioner Wehry responded that the Department could have a conversation with the agencies. She recommended that the Department be given more flexibility for future budgets.

Senator Snelling commented that the Legislature may need to set parameters around a target of how many should be served in the moderate needs group if it continues to increase. Commissioner Wehry stated that there were many people on the waiting list that were not Medicaid eligible. She added that the Centers for Medicare and Medicaid (CMS) included a rule that Medicaid-eligible recipients be served first in the Choices for Care program.

Senator Snelling moved to approve DAIL's request for spending authority in the amount of \$210,000.00 to address urgent food insecurity and nutrition needs of seniors, and Representative Johnson seconded the motion. Senator Ashe asked for a list of other competing pressures within Choices for Care that needed funding discussions. Commissioner Wehry responded that elder abuse, transportation, augmenting programs in residential care, and available housing were some of the challenges facing the elderly that would be discussed in the BAA. The Committee accepted the motion.

G. Grant Approvals – 1. JFO#2639 – grant from the U.S. Department of Health and Human to the Vermont Department of Health to strengthen and enhance adolescent and transitional-aged youth treatment services that includes one limited service position.

Ms. Cimaglio distributed a document, and summarized that the grant would allow the Department to work in a focused way through a more evidence-based approach of outcomes. Senator Ashe asked if the grant was a next phase to existing efforts with youth, and what could be expected from the evidence-based outcomes. Ms. Cimaglio responded that there were new programs researched as best practices and the Department chose two programs for the grant process, Seven Challenges and Seeking Safety, in addressing this group of high-risk youth. In responding to Senator Ashe's question, Ms. Cimaglio stated that there were no State funds needed to match the federal grant funding.

Representative Sharpe queried what the role of the limited service position would be within the grant. Ms. Cimaglio responded the position would allow the State to carry out the administrative aspects of the grant. Representative Ancel asked what type of assistance other organizations around the State would receive from this grant. Ms. Cimaglio responded that the four sub-grantees were selected through a competitive grant process, and other organizations not selected but interested in the grant outcomes would receive the results at the end of the process along with training on the new outcomes.

Representative Branagan commented that the outcomes of the grant seemed more administrative-goal-oriented than that of the individual youth level. Ms. Cimaglio replied that the outcomes for the systems level piece of the grant were to support all providers in managing their organizations better. Representative Branagan inquired where the assistance for the systems level support would come from. Ms. Cimaglio responded that the Educational Institute of Maine (AdCare)

was providing the programmatic expertise to the providers. Senator Snelling queried if the Department would be coordinating with current systems in place that were working with this population of youth. Ms. Cimaglio confirmed it was and that two specific agencies would be taking the lead, Washington County Youth Service Bureau and Centerpoint Adolescent Treatment.

2. #JFO 2638 – grant from the U.S. Department of Health and Human Services to the Vermont Department of Health to increase identification, early intervention, and treatment for young adults at risk for substance abuse that includes the establishment of one limited service position.

Ms. Cimaglio distributed a document summarizing the grant and explained that routine medical care would be embedded within alcohol screening to young adults.

Representative Ancel moved to approve both grants JFO#2638 and JFO#2639 and their positions, Representative Branagan seconded the motion. The Committee approved the motion and both grants.

H. Auditor Recommendation on Special Education (SPED) Performance Audit

Doug Hoffer, State Auditor, and Susan Mesner, Deputy State Auditor, distributed documents, and Mr. Hoffer summarized the report and its recommendations. Senator Kitchel commented that the rationale for the SPED audit was for the Legislature to better understand what the outcomes were of past legislation, in deciding the future direction for initiatives with a goal to reduce SPED costs. Representative Sharpe asked why the charts in the report did not show the growth of students. Mr. Hoffer responded that the number of students was flat. Ms. Mesner added that the growth for disabled children covered by the Individuals with Disabilities Education Act (IDEA) during 2000 and 2011, ages 3 to 21 years, was 1.5%. Representative Sharpe asked if the relative growth of students may be larger because of the decrease in overall student population in Vermont. Ms. Mesner stated that was in fact the case, and Mr. Hoffer added that even though student growth was down, expenses during that period rose 98%. Representative Heath added that the severity of the disabilities of children had changed over time.

Senator Kitchel commented that the 2012 Picus report on Vermont's education funding indicated that Vermont was an outlier from other states because of its high utilization of Para-educators. Representative Heath stated there should be a more focused look at the district level, through sampling, to discover similarities with Individualized Education Programs (IEPs). Mr. Hoffer showed concern for the lack of training for paraprofessionals as opposed to licensed SPED teachers, and the increased utilization of them in school districts. He alluded to a pilot project that occurred in a Williston school and offered to deliver a copy to the Committee.

Senator Snelling suggested the Legislature have a conversation with the Agency of Education to follow-up with the Auditor's report findings. Senator Kitchel added that the Auditor's report was the first step toward discovering action steps in reducing SPED costs, but it was too early to make an informed decision. Representative Ancel suggested the narrow questions of what it meant for Vermont to be an outlier in SPED be considered in deciding next steps in the conversation. Representative Branagan inquired where the research from UVM could be found that the Auditor alluded to earlier. Mr. Hoffer responded that he would send the information to the Committee, and agreed with Representative Ancel's suggestion that next steps to the SPED conversation be very narrow.

I. VT Campaign Finance System Development Expenditures Report

Jim Condos, Secretary of State (SOS), and Steve Mattera, Information Technology Supervisor, Secretary of State's Office, distributed and summarized the report to the Committee. Secretary Condos explained that the concept of the initial legislation was for a new system to be built that would house all the different types of campaign data and technology to enable communication between the different programs. The request for proposal (RFP) included a request for either an off-the-shelf technology or a complete development scheme to build a model. Secretary Condos explained that the handout had an error. Under number 4 of the handout, Funds Status, \$40,000.00 had been carried forward from FY 2013 and transferred to the (new) Secretary of State Services Fund. This new fund would be used for the consolidation of all campaign special funds. Senator Ashe asked what the downside was to the different systems not communicating with each other. Secretary Condos responded that it was cumbersome and awkward functionally from both an administrative and user side. He clarified that the term user meant the candidate inputting data and the public or media searching for information.

Senator Kitchel inquired whether the SOS had done research into other states' successful systems to get an estimate of the cost for a Vermont system. Secretary Condos offered to update the Committee at its November meeting. He cautioned that there was a previous report in 2010 that quoted a new system at \$600,000.00 to \$1 million, but nothing recent to gauge a good estimation. He opined that a large portion of the work could be done through federal funds dedicated to this type of work, except the two modules, campaign finance and the lobbyist disclosure, were not allowed under the federal grant. Senator Ashe asked if the campaign finance module would be an additional component to the larger system, and whether the State's share of the cost would be just for the two modules not included in the larger system. Secretary Condos responded that the State's share of the cost was just for the two modules, the campaign finance database and the lobbyist disclosure. Senator Ashe showed concerns for the duplication of data and the issues that have plagued State government's information technology projects. He added that he was aware of a news agency creating a searchable database on the same type of information, and asked what would be different for the user with the new SOS system. Secretary Condos responded that the news agency would need to use the SOS's existing information that was in Portable Document Format (pdf). The SOS's system would be using the original data which should make a more robust and integrated system for the office and for users at all levels.

Senator Snelling inquired if election night reporting of vote counts would be included in the system. Secretary Condos confirmed it was in the planned election administration system. Representative Ancel inquired whether the intention of combining all five of the modules was to better leverage funds. Secretary Condos responded it was not the intent but rather the ability to change the current systems into a single platform system where all the modules (applications) would run from, and would make it more cost-effective. Mr. Mattera agreed with the Secretary that by combining the modules into one platform, the system would be more cost-effective and able to update the appropriate modules simultaneously when information was inputted by legislative members or at the town clerk's level. Representative Sharpe showed concern for State government's expenditures on information technology and less-than-perfect track record with projects. He suggested that the SOS consider collaborating with the media entity creating the similar database to reduce costs. Secretary Condos stated his office had conversations with the aforementioned media entity on its endeavors but not on collaboration. He added that his office had a positive track record of reducing paper and costs, and he was optimistic that the new system would be a success.

J. Administration's Update – 1. Mental Health System Update

Paul Dupree, Commissioner, and Frank Reed, Deputy Commissioner, Department of Mental Health, distributed a document that reflected the historical trends of level one acute care and next level beds in the Vermont mental health system, and summarized the data. The State currently had a total of 35 identified contracts for beds. Senator Kitchel asked for clarification on the issue of capacity and the total number of contracts. Commissioner Dupree stated there were a total of 35 contracts out of the 54 needed, plus the new Middlesex facility had an additional 7 secure residential beds included in the count. There were 6 additional beds that opened in Westford and the 6 beds in Williamstown's Second Spring would remain open for now, plus 4 additional beds in Rutland, and 5 new beds at the Soteria House available after January 2014.

Commissioner Dupree stated that a possible topic of discussion for the Mental Health Oversight Committee (MHOC) could be on whether all 25 beds at the new state hospital facility would be needed. Commissioner Dupree responded to Representative Heath's question that the Second Spring facility in Williamstown would eventually have to go offline due to licensing and capacity issues with the building. Representative Sharpe referred to the estimated number of people that waited for treatment and queried where those people would stay while waiting for a bed to open up for them. Commissioner Dupree responded that they either waited in the emergency rooms of hospitals or in the corrections facilities, depending on whether the judge ordered an inpatient or outpatient evaluation.

Representative Ancel asked what had been the longest wait for a bed. Commissioner Dupree responded that there had been a person who spent 22 days in corrections and another who spent 14 days in an emergency room. Representative Ancel queried if there had ever been pressure to release a person before they were medically ready because of the need for beds. Mr. Reed responded that the Health Access Oversight Committee (HAOC) was reviewing the readmission rates to hospital emergency rooms to determine if patients were returning because their needs were not addressed during their first admission. Commissioner Dupree commented that the hospital's function for acute care was only the stabilization of patients in order to receive rehabilitation and recovery from other sources. He opined that there may need to be better rehabilitation and recovery efforts from the community and from contracted sources. Senator Kitchel asked if the MHOC planned to analyze the data on how often an acute care patient was transferred to a correctional facility instead of a contracted facility for mental health assistance. Commissioner Dupree responded that data showed 2 people were currently in corrections because of a court order but the amount fluctuated from 0 to as high as 5.

Representative Heath asked the Commissioner to return to the Committee at its November meeting to followup on a recommendation for capacity of the State Hospital. Commissioner Dupree confirmed he would return in November. Senator Snelling asked what coordination and early intervention was available to avoid people accessing emergency room care. Commissioner Dupree responded that there were a number of enhancement services that the Department would be reporting on to the General Assembly in January 2014, along with emergency services, in a report due at that time.

2. LIHEAP Update

Richard Moffi, Fuel Assistance Program Chief, Department for Children and Families, distributed a handout and explained that the Department was in the process of implementing two legislatively approved initiatives. The first, establishes an amount that can be charged (margin) for oil, kerosene, and delivered propane above the wholesale price (the rack price). Senator Kitchel asked what

the deadline was for making decisions on setting the benefit level and the total funding for the program. Mr. Moffi responded that November 1, 2013 was the final date to set the benefit for seasonal fuel for the majority of the program's recipients, except for firewood recipients.

Second, Mr. Moffi described the recent implementation of the Green Mountain Power and Vermont Gas discount program. Representative Sharpe asked for an update on the collaboration between LIHEAP and the weatherization program. Mr. Moffi explained that for the first time in 16 years, the refund report and the consumption report came in a digital format that made it easier to interpret the data. By analyzing the data, both the LIHEAP and the weatherization program could target high consumption recipients who would then be put on the list as a priority for weatherization services. Representative Heath reminded the Committee that any recommendations of additional spending for LIHEAP that addressed the federal reductions from Sequestration would go before the Emergency Board for consideration prior to the 2014 legislative session.

K. Interim Budget and Appropriations Adjustment Plan

Brian Searles, Secretary, and Lenny LeBlanc, Director, Finance and Administration, Agency of Transportation, referred to a memorandum from Secretary Spaulding of the Administration, dated September 3, 2013, in which he requested the approval of a rescission plan due to the \$4.1-million downgrade in the FY 2014 July consensus revenue forecast. He then summarized the attached spreadsheet listing the proposed adjustments to the FY 2014 Interim Budget. Representative Sharpe asked what solar projects were not going to be accomplished according to line 14 of the handout. Secretary Searles responded that specific projects had not been identified and may or may not include a solar project but agreed to notify Representative Sharpe if any solar projects were slated for rescission.

Senator Kitchel made a motion to approve the FY 2014 interim budget and appropriation adjustment plan, and Representative Sharpe seconded the motion. The Committee approved the motion.

L. Transportation Grants – 1. JFO#2637 – Federal Emergency Management Agency (FEMA) grant to the Vermont Agency of Transportation for 2013 Flooding.

Secretary Searles summarized the grant, stating it included FEMA funds for 2013 flooding that occurred during June 25 and July 11 of 2013 within five counties of Vermont.

The Chair requested that both grants (JFO #2637 and JFO #2641) be voted on together after hearing the summaries.

2. JFO#2641 – Grant for Western Corridor Rail Rehabilitation

Secretary Searles summarized the grant, stating that it was a federal Tiger 5 grant that was just over \$8.9 million for the western corridor rehabilitation rail project that requires \$2 million in State matched funds. The project has an overall cost of \$18.5 million that included \$2 million in State matched funds. The Project has been spread over two years and will be included in the FY 2015 proposed budget.

Senator Kitchel made a motion to approve both Grants, JFO#2637 and JFO#2641, and Representative Johnson seconded the motion. The Committee accepted the motion and approved both grants.

M. Administration's Fiscal Updates – 1. Funds Status Closeout Report for FY 2013

James Reardon, Commissioner, Department of Finance & Management, distributed a document on revenue versus target and summarized the small differences from the preliminary estimates given at the July 2013 meeting.

2. General Fund and Transportation Fund Balance Reserves

Commissioner Reardon distributed two additional documents and also referred to the handout from the previous agenda item. Representative Sharpe asked if the \$37 million balance in the total prior year Education Fund surplus had been allocated for the FY 2014 budget or was it for FY 2015 budgetary purposes. Mr. Klein responded that a portion of unreserved/undesignated funds may be available for FY 2015 but that it had not yet been estimated. He suggested his office provide the latest Education Fund Outlook information to the Committee at the November meeting, but the final estimate would not be available until the beginning of December when the Secretary of Education announced it.

3. Report on FY 2014 Budget Adjustment (BAA) Pressures

Commissioner Reardon referred to the reverse side of the document from the FY 2013 closeout, for the FY 2014 General Fund BAA pressures and summarized its contents. The Agency of Natural Resources BAA pressure for FY 2013 and FY 2014 was due to an inability to pay its Fee for Space in the Waterbury Complex after workers were dislocated by Tropical Storm Irene and moved to the National Life Building in Montpelier as a permanent residence. In addition, all other State offices that were dislocated by Tropical Storm Irene and moved to permanent locations would no longer be reimbursed through FEMA for Fee for Space as of January 7, 2014.

Commissioner Reardon informed the Committee that it was not possible for the State to backfill all the loss of federal funds from sequestration and warned that budgets should conform to the realities of new budget constraints. Additions not on the handout that may have a BAA impact included the Vermont Veterans' Home, and the State Police. The State Police BAA was due to upgrades and other contract changes, totaling \$1.9 million. The Commissioner stated he would attempt to include the State Police BAA pressure within the State employee pay act resources but as a separate item. Senator Ashe asked specifically what the State Police BAA included. Commissioner Reardon responded the amount was due to an upgrade in salary and wages for a reclassification request that was outside the State contract negotiations, and was approved by the Department of Human Resources prior to the current contract negotiation. A final possible BAA item could be the backfill of funds from a loss of federal funding to the Brattleboro Retreat.

4. Report on FY 2015 Budget Development System & Process

Commissioner Reardon referred to the same set of documents and summarized the information on the FY 2015 budget process. He announced that the budget challenge for FY 2015 could be at least \$55 million, and recommended that the State reduce its reliance on one-time funding for budgetary needs within base budgets.

Senator Kitchel asked that the Commissioner explain the opportunities for public input for the Administration's budget forums. Commissioner Reardon explained that the public forums were scheduled in October through Vermont Interactive Television and information on the forums was located on the Department's website.

The Committee adjourned the meeting at 3:05 p.m. and convened a special meeting that included the Joint Fiscal Committee and the Chairs of the House Committee on Institutions and Corrections, Representative Alice Emmons, and the Senate Committee on Institutions, Senator Peg Flory.

N. 1. Accounting Standards for Engineering Costs – FY 2015 Capital Budget

Commissioner Reardon distributed and summarized a report to the Committee. He stated that a capital asset associated with engineering costs within the Department of Buildings & General Services (BGS) that has a useful life of 20 or more years could be justified as receiving capital funds. He added that a project not meeting those criteria should be funded through operating expenses. There were projects within BGS that fell within those parameters for capital funds but suggested the engineers track their time to get a true cost of a project.

Commissioner Reardon in responding to Representative Heath cautioned the Committee to not predetermine the final recommendation for the report, and instead move forward to track engineer costs and make a decision with the Capital Budget and State Budget when ready. Representative Emmons thanked the Commissioner, and stated that the report would be helpful to her committee to put parameters around capital projects and engineer costs and creating a useful dialogue. Senator Flory agreed.

2. Waterbury Complex Update

Michael Obuchowski, Commissioner, and Michael Stevens, Special Project Administrator, Department of Buildings & General Services, distributed a report that included an update on the Waterbury Complex reconstruction for post-Tropical Storm Irene. He offered to send the Committee a monthly report on notable projects that BGS was engaged in as well as Act 51 of 2013 mandated report on the Irene Recovery efforts. The Commissioner stated that the Waterbury Complex reconstruction project was ontime and within its budget.

Mr. Stevens stated the interior of the Osgood building deconstruction was 50% complete, and once completed. the crew would move to the outside of the building to deconstruct it at the end of September. The Department would have the building debris removed, but materials that could be recycled would be separated out for reuse. Senator Snelling asked if the Department was documenting the deconstruction project for historical purposes. Mr. Stevens confirmed BGS was photographing the project in all of its different stages of the process.

Mr. Stevens stated that there were currently 55 people working on the project. He summarized the bid process for the different aspects of the deconstruction and waste removal, and announced that Casella Construction had received the largest contract, which was for the Osgood building. Senator Ashe asked if the bid process had any special procurement requirements, such as wage rates or use of certain contractors. Mr. Stevens responded that because the grant for the project was partially funded by FEMA, the contracts are required to follow the State bid process with the caveat that the RFP selection process could not use geographical location as a criterion for selecting a contractor. Mr. Stevens in responding to Senator Ashe's other question stated that the Davis-Bacon Act of 1931 did not apply to the selection process but the mean prevailing wage would apply. Senator Ashe then strongly urged the Department to use the mean prevailing wage as criteria for the selection process. Representative Sharpe showed concerns for the companies that did not pay its employees' health care insurance in order to underbid and receive the contract. The result was that employees then ended up

on State public assistance at the taxpayers' expense. He then asked if there was a stipulation in the RFP for health care insurance coverage to employees. Mr. Stevens responded that there was not, and State procurement policies did not require it. Representative Emmons and Senator Flory stated they were pleased with the report and the project process.

3. FEMA Update

Michael Clasen, Deputy Secretary, Agency of Administration, distributed a document and summarized the data. He explained that there was still an estimated \$9.7 million to be identified in the FY 2016 capital budget for project costs. Mr. Clasen commended Vermont's U.S. Congressional Delegation for securing an additional \$25 million in litigation funds toward the project. In responding to Representative Heath, Mr. Clasen stated the hardest work had just begun because of the documentation process of cataloging every detail of the project for FEMA reporting purposes. He stated that the entire project was slated to be completed by the end of 2015, but the paperwork for the federal grants associated with the project would extend for at least a year beyond that.

Representative Emmons asked if the Agency of Agriculture, Food and Markets' and Agency of Natural Resources' lab was included in the estimation. Mr. Clasen explained that Agriculture's lab had a \$12 million placeholder in the \$225 million full project cost, along with a \$3.5 million insurance amount within the revenue side of the project. In addition, he offered that there was \$9 million for the National Life renovation project within the full project cost. Mr. Clasen warned that the data were best guesses from previous estimates, and numbers could change. Representative Emmons inquired if the Legislature finds an alternative for the lab location that does not require a new building, what would the State lose in FEMA funds. Mr. Clasen responded the State would lose approximately \$2.5 million.

Senator Kitchel asked how the 2013 Legislative session estimates compare to the current estimates. Commissioner Obuchowski responded that the original estimate had been \$6 to \$7 million compared to the current \$9 million estimate. Representative Johnson stated that she had a sense of relief of where the State started with Irene Recovery and where it stood now. She thanked the Administration for its work negotiating with FEMA on the costs. Representative Heath added to Representative Johnson's comments on the mammoth work that went into the negotiations with FEMA, and thanked all the different teams of people and the Administration that worked on the Waterbury Complex project.

The Committee adjourned at 3:50 p.m.

Respectfully Submitted,

Theresa Utton-Jerman
Joint Fiscal Office