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STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

Wednesday, November 12, 2014

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 9:36 a.m. Senator Kitchel moved to accept the minutes of both August 11-13, 2014 and September 5, 2014, and the Committee approved the motion.

B. Administration’s Updates 1. Taxation and Regulation of Marijuana Report Update

Jeb Spaulding, Secretary, Agency of Administration, and Beau Kilmer, Ph. D, co-Director, RAND Drug Policy Research Center, gave an update on the report. Secretary Spaulding reviewed the statutory charge for the report and the subsequent written request by Senator White to expand the report to other areas, including possible affects to the health and safety of Vermonters from the legalization of marijuana. Because of the expansive request and the limited resources available, the Administration contracted with RAND Corporation to assist with the research and writing of the report from a nonbiased perspective. Funding for the report included $100,000 raised by the RAND Corporation and $20,000 from the State. A series of public hearings were scheduled to be held starting on November 12, 2014. through Vermont Interactive Technologies (VIT), to receive input and suggestions from throughout the State. Secretary Spaulding commented that the information collected by RAND should be helpful to other states discussing this issue.

Mr. Kilmer gave background on the RAND Corporation stating that it was a nonprofit, nonpartisan research organization. RAND has a research staff of about 1,200 from 30 countries working on a variety of policy issues. Mr. Kilmer explained that recent examples of places that RAND had researched the use of marijuana and associated policy were for the White House, the State of Washington, the Netherlands Ministry of Securities and Justice, and the Country of Uruguay.

Mr. Kilmer explained that the main areas researched for the report included the overall landscape of marijuana use in Vermont and how much had been spent on enforcement and regulation. Other areas that the report would focus on included health and safety issues surrounding the legalization of marijuana, the design of the model of how marijuana would be produced and sold, including possible options such as co-ops or home production, different scenarios of how marijuana would be taxed, regulation or advertising of products, and projections of State tax revenues if the drug were legalized. Mr. Kilmer explained that RAND would vet the draft report through its in-house rigorous peer review process before delivering the report to the State in mid-January, 2015.

Mr. Kilmer explained the various state and international policies on the regulation and production of marijuana and how they had affected those market areas. He reminded the Committee that marijuana was still illegal on the federal level but the Department of Justice released a memo in August of 2013 that indicated the federal government would not block the implementation of legalization of marijuana in individual states such as Washington and Colorado as long as they had strong regulation and enforcement policies in place.

Mr. Kilmer suggested that there were nine factors relating to public health and safety that would shape the discussion regarding whether marijuana should be legalized. These discussion factors are the "Nine Ps" and include Production, Profit motive, Promotion, Prevention, Penalties (depending upon the state, 20-25% of the market includes people below the age of 21), Potency (the possible regulation of Tetrahydrocannabinol (THC) and Cannabidiol (CBD)), Purity (regulation of molds, pesticides, or flavors), Price (price sensitivity and tax impact), and Permanency (new regulation could begin as a pilot or have a sunset).

Senator Sears asked how the price affected the black market and how much states set aside for enforcement. Mr. Kilmer responded that by increasing production there would be a downward pressure on prices, which could have the effect of choking out the black market. Senator Sears suggested that if Vermont were to legalize marijuana, it should have information on the costs associated with the enforcement and regulation.

Senator Ashe asked if the report factored in cultural issues such as advertising of the product. Mr. Kilmer responded that those types of decisions would be part of the design of the model adopted for regulation. Secretary Spaulding suggested that the advertising of marijuana could follow the model currently in place for the sale of alcohol. Senator Ashe inquired whether RAND had enough information to assess the current level of production of marijuana in Vermont to get a current picture of the landscape. Mr. Kilmer stated that his team had some insights into Vermont's production through the State's law enforcement and the drug task force, along with other sources, but that the information was incomplete and not accurate enough to give a true estimate.

Representative Sharpe noted that people in Colorado were accessing medical marijuana for personal use through medical cards rather than going through the over-the-counter venue. Mr. Kilmer responded that Colorado overestimated the amount of people that would signup or remain on the medical marijuana program because of the privacy issues involved, but many people chose to apply or keep their medical cards to avoid double taxes on the products. Senator Kitchel suggested that the assumptions and projections within the data should include treatment as a cost to the state. She also asked whether the report would have a review of the expenditures associated with legalization in addition to the projected revenue. Mr. Kilmer stated that there would be reviews of projected costs associated with legalization that included some large up-front costs, but the costs would be difficult to determine.

2. FY2015 Efficiency and Enhancement Savings

James Reardon, Commissioner, Department of Finance & Management, identified areas of reductions within the Executive Branch to achieve $1.5 million in savings mandated in Act 179 of 2014. Areas of possible reduction included efforts to reduce the amount of landline telephones within some departments, to reduce state employee overtime, to find vacancy savings, and to review in-state and out-of-state travel expenses for savings. Commissioner Reardon noted that some agencies and departments had used the savings from reducing landlines in the August 2014 rescission exercise. Agencies and departments would be sent a savings target along with suggested areas for savings that would accompany the FY2016 budget instructions.

Representative Branagan asked if the Administration had considered a reduction in personal services and a corresponding reduction in employee workload. Commissioner Reardon agreed that if a department found savings in personal services, that it then should have good tools to perform its duties more efficiently or to eliminate work. Representative Sharpe mentioned an initiative from the Department of Environmental Conservation that created savings from a single streamlined permitting process. He then asked if there were other areas in State government for that type of concept. Commissioner Reardon responded that he needed time to vet the suggestion with the Chief Performance Officer, but he was aware of the initiative's potential for success.

3. PILOT Positions Report on Employee Impacts

Maribeth Spellman, Commissioner, Department of Human Resources, distributed a report and some data summarizing the positions, and gave an overview of information. Three of the four agencies and departments given authority to use the PILOT positions initiative had requested positions; these included the Agency of Transportation (AOT), the Department of Environmental Conservation (DEC), and the Department for Children and Families (DCF). DCF had the largest request for PILOT positions due to its high case load for caseworkers. Currently, DCF caseworkers have an average of 21 cases each, whereas the national norm was 12, and with the new positions, that number would reduce to about 16 per caseworker.

Commissioner Spellman explained that AOT requested 24 positions, and by doing so, had determined it could reduce its use of consultants and save over $1 million. The DEC had requested 17 positions, with 9 converted from temporary positions. By the creation of the new full-time positions, DEC was able to access additional federal funds of $300k. It was anticipated that the Department of Buildings and General Services (BGS) would also request PILOT positions. Senator Ashe asked for clarification on the benefits of transferring part-time positions to full-time status. Commissioner Spellman explained that there was a value in transitioning employees from temporary to full-time, who were already trained, rather than training new people year-after-year. She gave another example of hiring a consultant that could receive overtime rather than a full-time employee that only received time to be used later (comp time) to complete work tasks.

Representative Heath explained that the concept of the PILOT positions was for a small group of agencies and departments to be allowed to request enough full-time employees instead of temporary staff to accomplish its workload, but in keeping with its existing budget. Those agencies and departments were required to show the Legislature how the new positions were to be funded and what the impacts were to other areas of its budget where funds were transferred. Representative Heath asked how the PILOT agencies and departments were planning on showing the Legislature what the financial implications were for adding the new positions. Senator Ashe commented that there was a third option and that was for agencies and departments to maximize its current full-time staff time to accomplish more work instead of adding additional staff. Senator Kitchel added that agencies and departments could reduce costs by taking on fewer projects. She then commented that there should be flexibility in how agencies and departments respond to the variables that arise during tight fiscal times.

Representative Ancel asked what would happen if there were no longer a need for the extra classified positions, and if there was flexibility in addressing the reduction in positions during fiscal downturns. Commissioner Spellman responded that the only recourse for reducing classified positions was either to use the reduction in force (RIF) mechanism or for a voluntary reassignment to another position. Representative Heath stated she agreed with both Representative Ancel and Senator Kitchel that there should be flexibility with those positions created through the pilot.

4. Vermont Veterans' Home Funding Review

Secretary Spaulding and Commissioner Reardon, reviewed the Vermont Veterans' Home funding status, and Secretary Spaulding explained the report would be officially presented on November 17, 2014. The Administration has been working with the Veterans' Home to find ways to reduce its dependency on the State for funding. Areas for consideration included adjusting staff levels to be more consistent with the Home's census; diversification of the use of the Home's building for additional revenue; and a review of the effectiveness of the Home's marketing plan. The Secretary explained that other sources of revenue were being considered for the Home, such as a small fee on break open tickets or the creation of a special dedicated lottery.

Senator Ashe asked for the average age of residents in the Home. Commissioner Reardon responded that residents were typically admitted at a younger age than general nursing homes. Most people prefer to be at home, which is positive and use places such as the Veterans' Home as an end-of-life facility which results in a higher rate of deaths and causes a constant fluctuation in the census rate. Senator Ashe inquired what was the amount of residents who were independent as opposed to requiring skilled nursing. Commissioner Reardon responded there were ten plus people in the Domiciliary not requiring skilled nursing. Senator Ashe suggested increasing the range of people that would qualify to live at the facility to increase the census. Senator Sears suggested the Home build a stronger relationship and recruit more Veterans through relocating the Veterans' clinic back within its facility.

Representative Sharpe asked if there was still a possibility for a partnership with the State of Massachusetts Veterans' Hospital to share its overflow residents with Vermont. Commissioner Reardon responded that Massachusetts declined to pay for residents outside its state. He stated that one opportunity was for recruiting Veterans' from New York since Vermont was eligible to receive Medicaid for caring for residents of that state. He also suggested reducing the Home's census from 171 to 130 and then converting some of its semi-private rooms to private to increase revenue. Senator Kitchel asked for the current staffing ratio of the Home. Commissioner Reardon stated the current staff ratio was for 150 residents but the census had been on average at 130.

Senator Sears asked for confirmation that there were fewer incidences of staff calling in sick than in the past. The Commissioner confirmed that was correct but added the incidences were still too high. He commented that additional temporary staff would allow the facility to have more flexibility and enable the facility to run more efficiently.

<u>5. – Low Income Heating and Energy Assistance Program (LIHEAP)</u>

Richard Moffi, Fuel, Utility Program Director, Department for Children and Families, gave an update on the LIHEAP program. The current projection for this heating season, 2014/2015 is that there will be 26,000 fuel liability households that will receive an average full season benefit of $792. This is a level funded benefit from the prior year with a slightly lower caseload. Representative Heath inquired about how the modified benefit methodology from Act 50 of 2013 and the lower fuel market prices that we are experiencing this season will impact the client's purchasing power. Mr. Moffi responded that the lower prices allow the clients benefit to purchase more fuel and that the Department is in the process of surveying dealers that are participating in the new Margin-over-Rack pricing to determine how their prices stacked up to other dealers. He stated that once the survey had been completed, he would forward that information to the Committee. The information would include how the Margin-over-Rack impacted recipient's purchasing power. The Chair requested the information be sent to JFO who would forward it to the Committee.

Representative Sharpe asked if the Department were able to quantify how the efforts of the weatherization program benefitted the recipients of the fuel assistance program. Mr. Moffi explained that a report was due to the Legislature in January 2015 that would address how the two programs work together. Representative Sharpe inquired whether the two divisions had resolved their differences regarding how they managed data, with one tracking people and the other tracking addresses, to determine outcomes for the Department. Mr. Moffi responded that coordinating the two data sets to identify clients with the highest consumption will be possible once the old Legacy computer system is updated. Representative Sharpe asked if the Department issues benefits to clients who use more than one fuel source. Mr. Moffi stated that Department based benefits on the main fuel source that is used to heat the client's house, about 30% of the average recipient's seasonal heating bill.

Senator Ashe asked for clarification on who benefits from lower fuel market prices, the State or the client. Mr. Moffi stated that only the recipients benefit. Senator Ashe then inquired if the State contributed less to the program when fuel prices were lower. Mr. Moffi explained that the lower fuel prices allowed the client to have greater purchasing power but that the State received no financial benefit from the lower cost. Senator Kitchel asked whether a goal of the Department was to achieve a more equitable benefit by creating a direct data link from LIHEAP benefits to actual consumption in the new System. Mr. Moffi responded that the Department would propose a new payment structure for the program in January to the Legislature. Representative Heath commented that it was disappointing that the Department had not connected consumption from the fuel program with payments to fuel dealers.

Michael J. Obuchowski, Commissioner, Department of Buildings and General Services, and former Representative of Rockingham, thanked Representative Heath for her 20 years of service as a State representative, and presented her with a State House flag flown in her honor. The Committee then recessed for lunch at 11:45 a.m.

The Committee reconvened at 12:50 p.m., and Commissioner Reardon and Secretary Spaulding thanked Representative Heath for her service and expressed that they would miss her. Senator Kitchel and other Committee members echoed the Administration's sentiments.

C. Administrations Fiscal Updates - 1. Budget and Revenue Update

Secretary Spaulding and Commissioner Reardon gave a budget and revenue update. Secretary Spaulding explained that the FY2015 General Fund revenues were tracking to be $12 million short of targets, but consumption taxes continued to be positive. The shortfall was mostly due to a lag in personal income tax that had been falling behind estimates for several months. The Agency was analyzing the data to discover the culprit for the decrease in the revenue. He opined that the Administration had the authority under 32 V.S.A. § 704 to adjust the current fiscal year by less than 1% of the budget without the approval or process of the Legislature (JFC). He explained that the Agency planned to move forward in the next couple of weeks on a rescission plan but would share the plan for comment with whomever the Committee deemed important to the conversation.

Secretary Spaulding explained that there was a sizable gap between revenue and spending in the FY2016 Budget. Representative Branagan asked if the federal change to the Capital Gains tax might have been the culprit in Vermont's reduced personal income tax revenue. Secretary Spaulding stated that the Administration thought the reduced tax revenue was due to the National Gross Domestic Product (GDP) and the job recovery at the national level being less than anticipated. He added that withholding tax underperformed and income tax changes at the federal level caused reduced revenue to the State in April 2014. The Administration opined the revenue shortfall was part of a larger issue of slower revenue growth and job recovery.

Representative Ancel asked for clarification on the rescission statute (32 V.S.A. § 704), and asked the Administration the total dollar amount for the 1% rescission it anticipated. Commissioner Reardon stated the rescission amount was estimated at $14 million. Senator Kitchel asked when and how the Administration planned to brief the Committee on the rescission plan. Secretary Spaulding stated the Administration was required by the rescission statute to file the proposed plan with the Committee, which would be available to the Committee in a week or two. Representative Ancel asked for JFO to send the rescission statute to the Committee. The Chair stated the Committee would discuss its thoughts at the end of the meeting on how it would like to organize and react to a proposed rescission plan from the Administration.

2. Vermont Campaign Finance Grants

Commissioner Reardon reviewed a memo, sent to the Committee previously by the Secretary of State on the Vermont Campaign Finance Grants, with the Committee. There was a $150k grant expended to one campaign within the FY2015 budget to Dean Corren for his campaign for Lieutenant Governor. Senator Sears asked that if there were unexpended funds from the grant after the campaign, was the candidate or campaign under obligation to return those unexpended funds to the State. Commissioner Reardon stated he would have to research for an answer. Senator Ashe queried if the statute directed the funds to go to the Campaign or to the candidate. Commissioner Reardon responded he would include that in his research and get back to the Committee.

3. Genetically Modified Organisms (GMOs) Defense Fund

Commissioner Reardon summarized a memo he provided to the Committee that gave an update on the GMO Defense Fund. The State collected, since November 3, 2014, a total of $333k in donations to the fund. Since the end of October 2014, the Attorney General's Office had spent about $435K on the GMO litigation.

4. Report on FY 2015 Budget Adjustment Act (BAA) Pressures

Commissioner Reardon distributed a document on the FY2015 BAA pressures and summarized the information. He explained that the Administration's goal was to offset the gap through reducing other areas of the budget. Representative Ancel asked for the amount of Vermont Health Exchange funds that were included in the FY2015 State budget. Commissioner Reardon responded that the estimated operating costs were $5.5 million for a half year, starting January 2015. Medicaid was showing a net increase in caseload, which could be attributed partly to the new Hepatitis C treatment for correctional inmates, and the new Adult FMAP Rate was receiving enhanced federal funding that could offset the Medicaid caseload increase.

Commissioner Reardon explained that there were recipients of Reach Up out of work due to medical reasons that would be reassessed through the medical review contract but there may be upfront costs associated with those reviews. Senator Kitchel asked JFO for a follow-up to Act 179 of 2014 language on the Reach Up medical review contract. The Commissioner stated that the Veterans' Home budget gap could be as much as $1 million which was primarily due to low census. There were some multi-agency and department fit-up costs associated with disabled State employee moves to new locations (St. Albans, White River Junction, and Montpelier). The State employees' health benefit plan increases in its new contract could add $3.5 million to the State budget gap.

5. Report on FY 2016 Budget Development Process and Projected Budget Gap

Commissioner Reardon explained that the Department sent budget instructions out to agencies and departments in September. Within those instructions, agencies and departments were to produce two budgets, a level-funded budget and a budget with a 5% reduction in the current service level. Most agencies and departments responded by October 11 and then met with the Commissioner and his fiscal team. Next week the Department would begin to access the information from the proposed individual's budgets from those subsequent meetings and then create a list of possible budget reduction areas to close the estimated $100 million State budget gap.

Commissioner Reardon distributed a document summarizing the projected FY2016 budget gap. He suggested that information technology should have a base budget for all of State government to make it more sustainable and for better fiscal predictability. Representative Branagan asked for the timing of when the Department and JFO would analyze the shrinking personal income tax revenue. Stephen Klein, Chief Fiscal Officer, Legislative Joint Fiscal Office, responded that both the Legislature's and the Administration's economists were working together to analyze the data and would share preliminary information to the Committee when done. Representative Branagan suggested that the federal change in the Capital Gains tax may be the issue for the personal income tax decline. She then asked if the budget gap could be higher in January if the current estimates were based on July's previous consensus forecast. Commissioner Reardon agreed the budget gap could be greater in January's new consensus forecast.

E. Vermont Strong Scholars Initiative – Organizational and Economic Details Report

Lucy Leriche, Deputy Secretary, Agency of Commerce and Community Development, distributed a preliminary report on the Vermont Strong Scholars Initiatives organizational and economic details, and explained the key decision points formed by the Agency. The Agency thought it financially prudent to delay the program and not offer financial services to students currently enrolled in classes but to begin committing to students enrolling in college for the first time in 2016. The agency listed a limited amount of high demand jobs that would be eligible for awards. The objective of the initiative was to encourage students to select courses of study that had higher pay scales than average and were plentiful in Vermont.

Ms. Leriche explained that administering the new program could prove operationally complex for the Vermont Student Assistance Corporation (VSAC), and, therefore, VSAC has requested some revisions to the legislation. Ms. Leriche summarized a memo from VSAC included in the preliminary report listing proposed legislative changes. Representative Sharpe asked for clarification on potential funding sources for the program. Ms. Leriche responded that one of the potential funding sources identified by the Agency was the Workforce Education Training Fund (WETF). The WETF consisted of flexible General Funds that were administered by the Department of Labor and used primarily for workforce education training initiatives. Representative Sharpe inquired who currently received WETF funds. Ms. Leriche responded that small technical centers received funds through the Next Generation Program along with various other educational training entities.

Senator Ashe asked where the Vermont Strong Scholars Initiative originated. Ms. Leriche stated that the Governor originally proposed the initiative that then morphed to what the Legislature passed in the 2014 session. Senator Ashe inquired if there should be a link to smaller business types that are struggling to find specific skill sets rather than targeting students to choose a certain skill. Ms. Leriche stated the program's concept was to keep Vermont's next generation of children here in Vermont with good paying jobs. Senator Ashe expressed concern for the possibility of creating a subsidy program for businesses that would lessen the benefits companies pay to workers. Representative Sharpe asked that if an award recipient was hired by a business in Vermont but then was moved to another location of the same business outside Vermont, would the recipient still receive the benefits of the award. Ms. Leriche responded that the award recipient would no longer be eligible for the remainder of the award, but the statute was in need of clarification for these types of scenarios.

Senator Kitchel asked for clarification on whether the Agency had requested a deferment from the program's implementation. Ms. Leriche responded that the Agency was requesting a delay for a year of the financial commitment. This would mean that students beginning courses of studies in 2015 could apply for an award. Senator Kitchel asked how the State could better make the connection between students' academic choices and workforce needs. Ms. Leriche suggested that the Department of Labor's efforts to connect Vermont students with Vermont employers through internship opportunities were a way to showcase what workforce skills were in highest demand. Senator Ashe asked if the new University of Vermont (UVM) Science Technology Engineering and Math (STEM) facility had impacted the timing of the program or future funding demands. Ms. Leriche responded that the Agency based its projections on current enrollment in Vermont colleges but it was possible the program could increase applications for grant awards in the future. She added that the estimates were high, and that the reality was there would be many students that would not want to dedicate their work years in Vermont after college graduation.

F. Grants - JFO #2716 – Land Donation

Chris Cole, Transportation Planning Director, and Guy Rouelle, Aviation Program Manager, Agency of Transportation, summarized JFO #2716 grant (Donation of drainage improvements, land, a conservation easement, and right-of-way access, with an estimated value of $425,000, from New England Waste Services of Vermont (NEWSVT) to the Agency of Transportation (AOT) for the Newport State Airport). Mr. Cole explained that the State received $9.8 million from the U.S. Aviation Administration to extend the Newport Airport runway by 1,000 feet. In order for the extension to work, additional easements and drainage improvements were needed to comply with conservation permit rules. The airport's neighbor, Casella Waste Systems, agreed to donate land and improvements to the State to fulfill its requirements for the conservation easement but with the caveat that the State would provide technical assistance in the future with its potential federal aviation permit application to expand its operation in Coventry. Representative Branagan asked why the airport was in need of the extended airstrip. Mr. Cole responded that there was a need to land international flights for new businesses forming from the EB5 program in the Northeast. Senator Kitchel moved to accept grant #2716, and Senator Sears seconded the motion. The Committee approved the motion.

G. Fiscal Office Updates – 1. Basic Needs Budget

Dan Dickerson, Fiscal Analyst, Sara Teachout, Senior Analyst, and Nolan Langweil, Senior Analyst, Joint Fiscal Office, distributed and summarized proposals to change the methodology of the Basic Needs Budget. Senator Kitchel asked if it was known what the overall impact of the new methodologies of Health Care would have on individuals' basic needs. Mr. Langweil responded that it was anticipated that people without employer-sponsored insurance would need a greater subsidy to cover their medical insurance. Representative Sharpe inquired how groceries were factored into the Basic Needs Budget report. Mr. Dickerson responded that there was only one consistently reliable source of data for estimating groceries. Representative Sharpe asked JFO for additional information on the data source used in the report for estimating groceries. Representative Johnson moved to approve the proposals to change the methodology for the Basic Needs Budget report, and the Committee approved the motion.

2. Fiscal Officers' Report

Mr. Klein asked if there were any areas of the Fiscal Officers' report on which the Committee had questions. There were no questions and the Chair moved on to the next agenda item.

3. Medicaid Pressures

Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, explained the process for estimating Medicaid pressures that was presented to the Emergency Board for action. She referred to a document previously handed out by Commissioner Reardon showing a Medicaid gap of $35.8 million. Factors creating the Medicaid shortfall included revenue sources such as reductions in the Tobacco Fund, the State Health Care Resources Fund, and federal Medicaid match, and in addition, projections fell short on actual caseload expenditures. Costs for categories of service are projected out. The estimation group planned to reevaluate its work with the newest data in round two of meetings. Areas of the Medicaid projection not part of the Department of Vermont Health Access budget were from the mental health and developmental services budgets and were based on year-end data trends. There were no assumptions built into the projection on rate increases to providers, Accountable Care Organization payments, or for increased or expanded Blueprint payments. Representative Sharpe asked if the projection showed an increase in utilization. Ms. Barrett responded there was a modest increase in caseload and utilization in the current estimate.

4. Education Fund Outlook Update

Mark Perrault, Senior Analyst, Joint Fiscal Office, gave an update on the Education Fund outlook. The Commissioner of Taxes would announce the FY 2016 education property tax rates, to balance the Education Fund, within the next couple of weeks. The anticipated consensus forecast for education spending was projecting that school districts would spend $3.8% above the previous fiscal year, which was significantly over the inflation rate, assuming implementation of pre-kindergarten. The estimate anticipated a $45 million shortfall if the homestead and nonresidential property tax rates remained at the same rate as the previous fiscal year. The assumption was then that the Commissioner would suggest an increase of 4-5 cents on the property tax rate.

Mr. Perrault announced that for the first time, since 2005, the average homestead property tax rate could exceed the nonresidential rate. Because of this shift, the statute requires the Commissioner to revisit the allocation of the tax burden between the two rates. Representative Sharpe asked for clarification on the starting tax rate on household income for FY 2015 of 1.94% and how it impacted the current estimate. Mr. Perrault stated that because of the provision in statute, the increase to the rate applied to the FY 2016 taxes and allowed the property tax rates to be set one penny lower. Representative Ancel asked what assumption was included in the estimate for the education fund reserve. Mr. Perrault responded 5% was estimated, but the Legislature could lower it to 3.5% which reduced the tax rate by an additional penny. In response to Senator Kitchel's question on whether the statewide grand list would affect the rate for FY 2016, Mr. Perrault explained that the grand list would be returned to the black. Mr. Perrault stated that the FY 2015 BAA would include a $6 million reversion to the FY 2016 budget because property tax revenue came in higher than anticipated.

The Chair asked for a discussion on the issue of process and the authority of the Administration for State budget rescissions. Representative Ancel asked for clarification on the threshold of the Administration's authority under statute for rescissions. Representative Heath added to the query of whether the Administration could rescind in anticipation of a forecast estimate change. Mr. Klein stated the proposed rescission process was unprecedented and believed the statutory intent did not allow for the Administration to rescind without legislative approval. Representative Heath asked for a legal opinion from the Legislative Council if the Administration was within its authority. Mr. Klein agreed there should be legal clarification from Legislative Council.

A discussion ensued on the issue. Senator Sears suggested that contingent on the Legislative Council opinion that the Chair and Vice chair determine if the Committee should convene a meeting to react to a possible proposal from the Administration. The Committee agreed to this suggestion.

Mr. Klein and the Committee thanked Representative Heath for her service. The Committee then adjourned at 3:04 p.m.

Respectfully Submitted,

Theresa Utton-Jerman
Legislative Joint Fiscal Office