



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

Monday, July 27, 2015

Minutes

Members present: Representatives Ancel, Branagan, Johnson, Lippert, and Sharpe, and Senators Ashe, Ayer, Kitchel, Sears, and Snelling.

Other Attendees: Representative Hooper, Administration, Joint Fiscal Office, and Legislative Council staff, and various media, lobbyists, and advocacy groups.

The Chair, Senator Kitchel, called the meeting to order at 11:30 a.m., and Senator Snelling moved to approve the February 12, 2015, and April 8, 2015 minutes. Representative Sharpe seconded the motion, and the Committee approved.

B. Revenue Update

Tom Kavet, the Legislature's Economist, presented an update on the State's revenue forecast. He stated the current forecast had few changes since the previous one in January 2015. Things he noted were due to legislative changes in taxes and fees during the 2015.

In comparing Vermont's economy to national data, Mr. Kavet pointed out that Vermont was the fourth lowest in the country for unemployment rates. When viewing State data by county, there was still evidence of continued disparity in the Northeast Kingdom. Growth in jobs had occurred most in abutting counties of Chittenden County, such as Franklin and Addison Counties. Even though durable manufacturing (things lasting for more than 3 years, such as appliances) had declined 24% over time, nondurable manufacturing (perishable, such as food products—craft beer) had increased 9%.

Representative Sharpe asked for a break out of local and State government health care workers and teachers from Mr. Kavet. Senator Kitchel stated she had read that "goods production is wealth production," and then asked if there were certain employment sectors directly connected to the generation of wealth and how those tied into past forecasts. Mr. Kavet disagreed with the quoted phrase, and stated that what mattered in wage growth were wage levels of employees and whether the service or goods were exportable and did not compete with the local economy.

Representative Lippert observed that Mr. Kavet's labor chart reflected where someone lived not where the person worked. Mr. Kavet agreed, and stated that he made it a practice to view the information from both perspectives. He continued his summary, explaining that real estate sales were improving which has been used as a leading indicator on the Grand List for economic improvement to the State.

Senator Ashe asked for an update on corporate revenue income changes since the last State forecast in January 2015. Mr. Kavet referred to the chart on page 11 of his presentation and explained that personal financial information from a group of businesses was used to create a corporate revenue forecast. He stated that this type of forecasting was very volatile because one or two businesses could do something that would cause a large change in the State revenue. Senator Ashe commented that the volatility of revenue was a constant issue for the Legislature when making tax policy. Mr. Kavet agreed and advised that it was important for the State to have even larger reserves to address any sudden downturns.

C.1. Administration's Updates – Unencumbered Balances

David Cameron, Business Manager, Department of Financial Regulation, distributed a summary of the FY2015 receipts available to the General Fund from the Insurance and Securities Regulatory Funds in excess of \$24 million, and summarized the information. Senator Ashe asked if there had been any activity from the Vermont Legacy Insurance Management Act (LIMA) signed into law in 2014, and Mr. Cameron responded there had not been. The Chair thanked Mr. Cameron for the positive news on the transfer to the General Fund.

C.2. FY 2015 Contingent General Fund Appropriations Status

James Reardon, Commissioner, Department of Finance and Management, distributed a summary of the FY2015 closeout summary of the State General Fund and reserves. He noted that the summary was a consensus document with the Joint Fiscal Office. He explained there was a \$25 million increase to the General Fund above original projections because of an \$18 million increase in revenue above the January 2015 consensus forecast, and an additional \$7 million in direct applications and reversions that included additional settlements in the Attorney General's Office. He added that the Food Fight Fund had already obtained its target for FY2015 in the first month of the fiscal quarter.

Commissioner Reardon stated that the Department of Financial Regulation had exceeded its FY2015 forecasted receipts by \$4.7 million. Speculation on this increase concerned the continued renewal of licenses for insurance producers signed up during the recession. He continued through the summary, explaining the changes since the previous forecast, and the allocation of the excess General Funds to the contingent appropriations. Senator Kitchel explained to the Committee that the intent of the budget language for the contingent appropriations was to address fiscal pressures for LIHEAP and Medicaid. Medicaid had been

running hot and the same trend was expected into FY2016. Representative Ancel asked if there were Global Commitment Funds available from the \$13 million at the end of 2015, when they would revert. Commissioner Reardon responded the funds would be part of the FY2015 Budget Adjustment discussion. Representative Johnson added that the budget conferees had decided that any unallocated funds at the close of FY2015 would be held for a possible FY2016 Medicaid shortfall, and Commissioner Reardon agreed.

Commissioner Reardon continued with his summary on contingent fund designation according to Act 58 of 2015. He stated that the Department would send its FY2016 budget instructions to departments asking for a plan of how they would use carryforward funds, and to list possible issues with FY2015 closeout.

Representative Johnson asked the Commissioner to review the teacher's health care internal loan fund from the contingency appropriations list. He explained that the initial loan limit, or maximum available to borrow, was \$30 million but with the \$3.6 million contingent allocation to the fund, the limit would then be reduced to \$26.4 million. Additionally, after the contingent allocation, the State would owe \$10 million on the loan. Representative Lippert asked if Global Commitment funds would be expended to the Agency of Administration for FY2016 for Medicaid. Commissioner Reardon responded that the Administration would receive the funds. The Administration would recalibrate the needs of Medicaid after the consensus forecast in January 2016, and readjust through the proposed FY2016 BAA. Representative Ancel stated that she would rather have unallocated General Funds sent to reserves than sit on the bottom line of the BAA.

The Chair recessed the meeting at 1:30 p.m.

The Chair reconvened the meeting at 1:39 p.m., and asked for the next agenda item.

D. Grant Process - JFO#2763 – Web Portal Board Proposal – Standardized Fee for ACH

Michael Clasen, Deputy Secretary, Agency of Administration; Jamie Gage, President and General Manager, Vermont Information Consortium (VIC); and Harry Bell, Director of Web Services, Department of Information and Innovation, explained the fee proposal. Mr. Clasen distributed a current VIC fee services schedule by department in addition to the grant packet. He apologized for the delay in bringing the proposal to the Committee. Senator Kitchel asked for the background for the proposal. Mr. Clasen explained that the fee schedule was an attempt by the Web Portal Board at standardizing the fees. Representative Ancel inquired what the advantage would be to the public for having a standardized fee. Mr. Clasen responded that a set fee would make it easier for people to know what fee they would be paying to the State for a transaction. Senator Kitchel queried what the revenue impact was for the proposal to businesses and others. Mr. Clasen responded that he had not assessed the data to determine the impact. Senator Snelling

queried how the VIC ACH fees compared to industry standards, such as Banks and other institutions using ACH fees for comparability. Mr. Gage responded that it was dependent on volume. VIC did under 5,000 transactions and under \$1 million in fees in the previous year. The 3% proposed standardized fee would not result in significant revenues to VIC but would streamline the current fee structures to allow for easier financial reconciliation.

Representative Branagan showed concern for the fiscal impacts to Vermonters, and suggested the proposal go before the Legislature as a whole in the 2016 session. She added that it was important for the Legislature to understand where the revenue to the fees went and why. Representative Sharpe commented that the proposal should have been vetted during the 2015 session because of its sweeping policy change. Senator Sears requested that all grants held for action on a JFC agenda be sent in paper to the JFC members prior to that meeting and the Committee agreed. He also showed concern for changing the Web Portal Board's fee schedule in a day. Representative Ancel showed concern for the revenue impact to the State, and asked that VIC work with the JFO on a consensus fiscal impact estimate on the fee schedule proposal.

Senator Ashe moved to delay the proposal until the September JFC meeting, and then subsequently withdrew the motion. Representative Sharpe moved that the proposal be held for legislative approval under 32 V.S.A. § 5(a)(2) until the 2016 Legislature reconvenes. Representative Ancel seconded the motion. Senator Sears stated he would oppose the motion, and asked that the proposal be held until the September JFC meeting and further information be supplied to the Committee. Senator Ashe suggested that the Legislature could reassess whether JFC was the place for these types of issues in the future. Senator Ashe suggested the Legislature revisit the statutory language that allowed Web Portal Board fees to move through the JFC grant process. Senator Snelling called the roll. The motion passed with Senator Sears voting no.

E. Fiscal Offices Updates – Fiscal Officers' Report

Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office, highlighted areas of his report including: Tom Kavet's contract, the Joint Fiscal Office's independent analysis of the Vermont Health Connect, the Education Adequacy Study RFP, Information Technology RFP/limited service position, the fiscal offices' temporary move to the State House, and Chainbridge and Remi modeling updates. Senator Ashe requested a list of projects the fiscal office staff was working on for the interim.

E.1. Medicaid Year-End Report

Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, explained that in Medicaid, both caseload and overall program expenditures significantly exceed the budgeted level for the FY2015, with detailed data provided in the FY2015 year-end Medicaid report distributed to both the Emergency Board and the JFC.

Ms. Barrett explained the preliminary potential General Fund budget pressures, as listed in the attachment, AHS Significant Budget Pressures, of the fiscal officers' report. She explained that the FY2015 Medicaid closeout, reencumbering of FY2015 expenses and year-end transfers and the amount FY2015 surplus funds available still needed more work.

Senator Snelling asked about the eligibility groups within Medicaid. Ms. Barrett responded that there were two groups that came in lower than anticipated: underinsured children and Vermont Premium Assistance, but all the other eligibility groups came in higher, and the ones of particular concern were the general and new adults because they were much higher than anticipated.

Representative Lippert inquired as to when there would be more clarity on the Medicaid eligibility groups. Ms. Barrett responded that it would take additional analysis to uncouple the caseload and utilization impacts, but the Medicaid fiscal team would work through the fall to deliver new estimates for adoption by the Emergency Board in January 2016. Commissioner Reardon commented that the Administration may have updated information in time for FY2016 BAA discussions in December 2015. He added that the increase of utilization of Medicaid was not unique to Vermont. Ms. Barrett concluded her summary of the FY2015 Medicaid year-end report.

The Committee confirmed it would meet next on September 15 and at a date, to be determined by e-mail, in November [This was confirmed later as November 13]. The Committee agreed to adjourn on a motion from Senator Sears at 2:53 p.m.

Respectfully Submitted,

Theresa Utton-Jerman
Legislative Joint Fiscal Office