

Fee Report Overview

House Committee on Ways and Means

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JFO

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Outline

1. Why do we have fees?
2. Historical fee process
3. Statutory progress
4. Basic findings of JFO analysis of fee report



Why Do We Have Fees?

- Generally, there is a connection between the cost of services provided and the revenue supporting those services.
 - DMV fees go to the Transportation Fund
 - Hunting Permit Fees go to a Fish and Wildlife Fund
- When these do not line up, appropriations from General Fund may be necessary, which diminishes the connection
 - Act 250 permitting process



Historical Background – Three-Year Rotation

- Consolidated Fee Report goes to Ways and Means, which produces “a consolidated fee bill” per 32 V.S.A §606
- Every three years, a department may present revised fees as part of a legislative fee bill
 - “general government,” “labor,” “general education,” “commerce and community development,” and “transportation” starting in 2011
 - “human services” and “natural resources” starting in 2012
 - “protection to persons and property” starting in 2013
- The last “fee bill” occurred during 2019 session (Act 70 of 2019)
 - Updated Financial Regulation, Judiciary, Sec. of State, and other fees



Historical Background – Three-Year Rotation

Table 1: Comparison of Statutory Timeline and Actual Fee Bill Contents

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General	Some or all fees changed			Years fees reported, not changed			Years fees reported, not changed			Years fees reported, not changed		
Labor	Some or all fees changed			Years fees reported, not changed	Some or all fees changed		Years fees reported, not changed		Some or all fees changed	Years fees reported, not changed		
Commerce	Some or all fees changed		Some or all fees changed	Years fees reported, not changed		Some or all fees changed	Years fees reported, not changed		Some or all fees changed	Years fees reported, not changed		
Education	Some or all fees changed			Years fees reported, not changed	Some or all fees changed	Some or all fees changed	Years fees reported, not changed			Years fees reported, not changed		
Transportation	Years fees reported, not changed	Some or all fees changed		Years fees reported, not changed		Some or all fees changed	Years fees reported, not changed			Years fees reported, not changed		
Human Services		Some or all fees changed			Some or all fees changed			Years fees reported, not changed			Years fees reported, not changed	
Natural Resources		Some or all fees changed			Some or all fees changed	Some or all fees changed		Years fees reported, not changed	Some or all fees changed		Years fees reported, not changed	
Protection	Some or all fees changed	Some or all fees changed	Some or all fees changed	Some or all fees changed	Some or all fees changed	Some or all fees changed	Some or all fees changed		Some or all fees changed			Years fees reported, not changed



Years fees reported



Years fees reported, not changed



Some or all fees changed



Historical Background – Recent Fee Bill Development

- Changes in fees have happened piecemeal in various pieces of legislation and with creation of new programs
- No fee bill since 2019



Historical Background – Recent Fee Report Development

- Two major changes
 - FY22 Budget required Finance and Management to report “what each fee would be if the fee were changed to reflect the level of inflation”
 - Report found that \$22 million in new revenue could have been generated
 - FY23 Budget required Finance and Management to produce fee report that included the following information:
 - Which fund was in a deficit at the end of the most recent fiscal year or is expected to be in deficit
 - Whether general funds were needed in any of the last three years to address a fund deficit or to support the related operating costs of programs supported by the fund
 - Provide a report on or before January 15, 2023 that includes a list of programs by department where the fees do not fully cover the cost of providing the service or regulatory function



Information from Special Fee Report

- Special Fee Report for 2023 Session showed 19 funds in deficit as of end of FY22
- 6 of these funds are expected to also have a deficit in FY23
 - Fire Prevention/Building Inspection Special Fund
 - Enhanced 911 Special Fund*
 - Emergency Relief & Assist Fund*
 - Act 250 Permit Fund
 - Hydroelectric Licensing Fund
 - Public Safety – VAST

*These funds do not receive any fee revenues



Additional Information from Special Fee Report

- The following programs are not supported by current fees
 - Cannabis Control Board
 - Center for Crime Victim Services*
 - Fire Safety Division
 - Streamflow Protection Section of the Department of Environmental Conservation
 - Enhanced 911 Board
 - Act 250 Program
 - Office of Professional Regulation

*Budget structure modified starting in FY23



Initial JFO Thoughts

- Reported data varied by department – two examples to follow in subsequent slides
- If fees had been adjusted, additional revenues would have included:
 - \$22 million figure provided by Dept. of Finance and Management in 2021 based on fees that generate more than \$1 million annually
 - Additional foregone revenues from smaller fees
- Difficult to connect fee revenues with funds in deficit from Special Fee Report



Example - Agriculture

- Fee report from Department of Agriculture contains complete information required by statute
- With the exemption of fees associated with hemp, most fees updated in 2015
- Having fees keep pace with inflation could net up to \$1 million more in fees in addition to projected \$6.4 million in revenues in FY23



Example – Natural Resources

- Fee report contains 419 fees, which makes it more complicated
 - This area includes everything from hunting licenses to ski area lease fees
 - Many of these fees were last changed in 2016 or earlier
 - Preliminarily, having fees keep pace with inflation could net up to \$4 million more in fees in addition to projected \$40 million in revenues in FY23



Considerations When Reviewing Fees

- To catch up with inflation, most fees would have to increase by at least 15% given the length of time since the last fee bill
- Who pays?
 - Capacity of the user that is subject to the fee
- Rate versus base
 - Small increase on a large base will raise more revenue than a large increase on a smaller base
- If the Legislature decides to act, does it want to target funds “in need” or increase a broad set of fees?



Questions?

