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HOUSE COMMITTEE ON WAYS AND  
MEANS

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**MEMORANDUM**

To: Rep. Ancel, Chair, House Committee on Ways and Means  
From: Rep. Heath, Chair, House Committee on Appropriations  
Date: April 30, 2014  
Subject: Review of Provisions in Senate Passed Budget

The Conference Committee on the budget has been appointed and is in the process of reviewing provisions added by the Senate. It would be very helpful if you could review the sections below and provide me with your feedback by 1 p.m. on Tuesday, May 6th, or earlier if possible. Thank you for your help with these issues.

**Sec. C.106.1 FLOOD-RELATED PAYMENT**

(a) Appropriated from the General Fund to the Agency of Commerce and Community Development for a grant to Latchis Arts Inc. This grant is for payment for qualified expenditures resulting from damage caused by a federally declared disaster in Vermont in 2011 as defined in 32 V.S.A. § 5930bb(d) that would be awarded as a tax credit to an individual:

\$88,000

**THE FOLLOWING LANGUAGE WAS STRUCK BY THE SENATE AND REPLACED WITH A NEW SEC. D.104**

Sec. D.104 32V.S.A. § 308c is amended to read:

**§ 308c. GENERAL FUND AND TRANSPORTATION FUND BALANCE RESERVES**

(a) There is hereby created within the General Fund a General Fund Balance Reserve, also known as the “rainy day reserve.” After satisfying the requirements of section 308 of this title, and after other reserve requirements have been met, any remaining unreserved and undesignated end of fiscal year General Fund surplus shall be reserved in the General Fund Balance Reserve. The General Fund Balance Reserve shall not exceed five percent of the appropriations from the

General Fund for the prior fiscal year without legislative authorization. ~~Monies from this Reserve shall be available for appropriation by the General Assembly.~~

(1) The Emergency Board shall, at the end of each fiscal year 2013, beginning at the end of fiscal year 2015, determine at its July meeting the amount of available general funds that is greater than the amount of forecasted available general funds most recently adopted by the Board for that fiscal year 2013.

(2) Of the amount added to the General Fund Balance Reserve in each fiscal year 2013, to the extent available, ~~one-half~~ one-third of the amount identified in subdivision (1) of this subsection is ~~hereby appropriated~~ shall be transferred in the fiscal year just concluded ~~for deposit in the Supplemental Property Tax Relief Fund established by section 6075 of this title. If the amount added to the General Fund Balance Reserve is insufficient to support both the appropriation in this subdivision and the appropriation in subdivision (3) of this subsection, the appropriation in this subdivision shall take precedence.~~ as follows:

(A) First of the amount in subdivision (2) of this subsection, an amount not to exceed one-third of the increase in the forecasted available General Fund projected for the current fiscal year shall be transferred to the Education Fund and also an equivalent amount shall be added to the base amount used to calculate the General Fund transfer under 16 V.S.A. § 4025(a)(2) for the next fiscal year. For the purposes of this calculation, any increase in the forecasted available General Fund shall be reduced by the total of any legislative action projected to increase General Fund taxes that result in additional revenue in excess of \$1,000,000 over the revenue raised without legislative action in the current fiscal year.

(B) Second, the amount necessary to bring the balance of the Property Tax Relief Fund established under 32 VSA § 6075 up to \$3,000,000 shall be transferred to that Fund.

(C) Any remaining amounts from the allocation in subdivision (2) of this subsection (a) shall be transferred into the Education Fund.

(3) If the amount added to the General Fund Balance Reserve is insufficient to support the transfers in subdivision (2) of this subsection (a) and the appropriation in subdivision (4) of this subsection, the transfers in subdivision (2) shall take precedence.

(4) ~~Of the amount added to the General Fund Balance Reserve in fiscal year 2013, to the extent available, one-quarter of the amount identified in subdivision (1) of this subsection is hereby appropriated in the fiscal year just concluded to the Secretary of Administration to be used only upon Emergency Board action to transfer these funds to appropriations to offset reduced federal funding. Of the amount added to the General Fund Balance Reserve in each fiscal year, to the extent available, one-third of the amount identified in subdivision (1) of this subsection is hereby appropriated in the fiscal year just concluded to the State Teachers' Retirement System for payment of the retired teacher health care obligations.~~

(b) There is hereby created within the Transportation Fund a Transportation Fund Balance Reserve. After satisfying the requirements of section 308a of this title, and after other reserve requirements have been met, any remaining unreserved and undesignated end of fiscal year Transportation Fund surplus shall be reserved in the Transportation Fund Balance Reserve. Monies from this Reserve shall be available for appropriation by the General Assembly.

(c) ~~In any fiscal year, if the General Assembly determines there are insufficient revenues to fund expenditures for the operation of State government at a level the General Assembly finds~~

~~prudent and required, it may specifically appropriate the use of the General Fund and Transportation Fund Balance Reserves to compensate for a reduction of revenues or fund such unforeseen or emergency needs as the General Assembly may determine. Monies from the General Fund Balance Reserve shall be held in the Fund and shall not be available for appropriation by the General Assembly, except:~~

~~(1) As required by subsection (a) of this section.~~

~~(2) After meeting the requirements of subsection (a), the General Assembly may specifically appropriate the use of up to 50 percent of the amounts added in the prior fiscal year from the General Fund Balance Reserve to fund unforeseen or emergency needs.~~

~~(3) If the official State revenue estimates of the Emergency Board for the General Fund, the Transportation Fund, or federal funds determined under section 305a of this title have been reduced by two percent or more from the estimates determined and assumed for purposes of the general appropriations act or budget adjustment act, funds in the General Fund may be appropriated to compensate for a reduction of revenues.~~

(d) Determination of the amounts of the General Fund and Transportation Fund Balance Reserves shall be made by the Commissioner of Finance and Management and reported, along with the amounts appropriated pursuant to subsection (a) of this section, to the legislative Joint Fiscal Committee at its first meeting following September 1 of each year.

**THE FOLLOWING LANGUAGE WAS SUBSTITUTED FOR THE HOUSE PASSED LANGUAGE IN SEC. D. 104**

Sec. D.104 32 V.S.A. § 308c is amended to read:

**§ 308c. GENERAL FUND AND TRANSPORTATION FUND BALANCE RESERVES**

(a) There is hereby created within the General Fund a General Fund Balance Reserve, also known as the “rainy day reserve.” After satisfying the requirements of section 308 of this title, and after other reserve requirements have been met, any remaining unreserved and undesignated end of fiscal year General Fund surplus shall be reserved in the General Fund Balance Reserve. The General Fund Balance Reserve shall not exceed five percent of the appropriations from the General Fund for the prior fiscal year without legislative authorization. ~~Monies from this Reserve shall be available for appropriation by the General Assembly.~~

~~(1) The Emergency Board shall, at the end of fiscal year 2013, determine at its July meeting the amount of available general funds that is greater than the amount of forecasted available general funds most recently adopted by the Board for fiscal year 2013.~~

~~(2) Of the amount added to the General Fund Balance Reserve in fiscal year 2013, to the extent available, one-half of the amount identified in subdivision (1) of this subsection is hereby appropriated in the fiscal year just concluded for deposit in the Supplemental Property Tax Relief Fund established by section 6075 of this title. If the amount added to the General Fund Balance Reserve is insufficient to support both the appropriation in this subdivision and the appropriation in subdivision (3) of this subsection, the appropriation in this subdivision shall take precedence.~~

~~(3) Of the amount added to the General Fund Balance Reserve in fiscal year 2013, to the extent available, one-quarter of the amount identified in subdivision (1) of this subsection is hereby appropriated in the fiscal year just concluded to the Secretary of Administration to be used only upon Emergency Board action to transfer these funds to appropriations to offset reduced federal funding.~~

Of the funds which would otherwise be reserved in the General Fund Balance Reserve under this subsection, 50 percent of any such funds shall be transferred to the Retired Teachers' Health and Medical Benefits Fund established by 16 V.S.A. § 1944(b) to reduce any outstanding balance of any interfund loan authorized by the State Treasurer from the General Fund. Upon joint determination by the Commissioner of Finance and Management and the State Treasurer that there is no longer any outstanding balance, no further transfers in accordance with this subdivision shall occur.

(b) Use of General Fund Balance Reserve:

(1) The General Assembly may specifically appropriate the use of up to 50 percent of the amounts added in the prior fiscal year from the General Fund Balance Reserve to fund unforeseen or emergency needs.

(2) If the official State revenue estimates of the Emergency Board for the General Fund, the Transportation Fund, or federal funds determined under section 305a of this title have been reduced by two percent or more from the estimates determined and assumed for purposes of the general appropriations act or budget adjustment act, funds in the General Fund Balance Reserve may be appropriated to compensate for a reduction of revenues.

(c) There is hereby created within the Transportation Fund a Transportation Fund Balance Reserve. After satisfying the requirements of section 308a of this title, and after other reserve requirements have been met, any remaining unreserved and undesignated end of fiscal year Transportation Fund surplus shall be reserved in the Transportation Fund Balance Reserve. Monies from this Reserve shall be available for appropriation by the General Assembly.

~~(e) In any fiscal year, if the General Assembly determines there are insufficient revenues to fund expenditures for the operation of State government at a level the General Assembly finds prudent and required, it may specifically appropriate the use of the General Fund and Transportation Fund Balance Reserves to compensate for a reduction of revenues or fund such unforeseen or emergency needs as the General Assembly may determine.~~

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Sec. D.105 REPEALS

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(b) 32 V.S.A. § 6075 (supplemental property tax relief fund) is repealed on July 1, 2017.

(c) 2013 Acts and Resolves No. 50, Sec B.1104 (Fiscal Year 2014 Surplus) is repealed.

**THE FOLLOWING LANGUAGE WAS ADDED BY THE SENATE**

Sec. E.505 ADJUSTMENTS TO EDUCATION PAYMENTS

(a) For fiscal years 2014 and 2015 only, the Secretary of Education is authorized upon the request of a district to adjustment any payment authorized under 16 V.S.A. § 4011 or 4028, if the Secretary determines that the following conditions have been met:

(1) The district requesting the adjustment has documented the request to the satisfaction of the Secretary.

(2) The request for an adjustment was made with the Agency within one year of the circumstance necessitating the adjustment.

(3) The adjustment request is not the result of knowing or willful misfeasance on the part of the district or its employees.

- (4) The district has conducted regular audits of its operations.
- (b) Any decision of the Secretary under this section shall be final.