



**STATE OF VERMONT**  
GENERAL ASSEMBLY  
HOUSE COMMITTEE ON  
APPROPRIATIONS

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**MEMORANDUM**

To: Rep. Bill Botzow, Chair, House Committee on Commerce and Economic Development

From: Rep. Martha Heath, Chair, House Committee on Appropriations

Date: January 24, 2014

Subject: Review of FY 2015 Budget Provisions

The House Appropriations Committee is in the process of taking testimony on the Governor's fiscal year 2015 proposed budget. There are several new provisions that fall under the jurisdiction of the Committee on Commerce and Economic Development. It would be helpful if your committee could review the provisions and provide recommendations by March 15th.

Please find below the items that I would like your committee to review. Thank you very much for your consideration.

**New Positions Requested in the Budget:**

Sec. E.100 Executive Branch – Position Authorizations

(a) The establishment of the following new permanent positions is authorized in fiscal year 2015 as follows:

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(5) In the Department of Financial Regulation - one (1) classified position – Financial Examiner II.

**EXPLANATION:** An additional Financial Examiner position is needed to respond to a greatly increased number and complexity of banking examinations (811 entities in 2008, 2050 in 2013). In 1995 the Division had ten examiners to examine 395 entities. Today there are nine to examine 2050.

Sec. E.100 Executive Branch – Position Authorizations

(a) The establishment of the following new permanent positions is authorized in fiscal year 2015 as follows:

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(8) In the Department of Economic Development - one (1) classified position – Economic Development Director.

**EXPLANATION:** Will provide additional capacity to diversify business and opportunities within the Captive Insurance Division, and increase revenues from captive insurance companies.

**Language Sections:**

**Sec. B.1100** NEXT GENERATION; APPROPRIATIONS AND TRANSFERS

(a) In fiscal year 2015, \$3,293,000 is appropriated or transferred from the Next Generation Initiative Fund created in 16 V.S.A. § 2887 as prescribed below:

(1) Workforce development. The amount of \$1,377,500 as follows:

(A) Workforce Education and Training Fund (WETF). The amount of \$817,500 is transferred to the Vermont Workforce Education and Training Fund created in 10 V.S.A. § 543 and subsequently appropriated to the Department of Labor for workforce development. Up to seven percent of the funds may be used for administration of the program. Of this amount, \$350,000 shall be allocated for the Vermont Career Internship Program pursuant to 10 V.S.A. § 544.

(B) Adult Technical Education Programs. The amount of \$360,000 is appropriated to the Department of Labor working with the Workforce Development Council. This appropriation is for the purpose of awarding grants to regional technical centers and comprehensive high schools to provide adult technical education, as that term is defined in 16 V.S.A. § 1522, to unemployed and underemployed Vermont adults.

(C) The amount of \$200,000 is appropriated to the Agency of Commerce and Community Development to issue performance grants to the University of Vermont and the Vermont Center for Emerging Technologies for patent development and commercialization of technology and to enhance the development of high technology businesses and Next Generation employment opportunities throughout Vermont.

(2) Loan repayment. The amount of \$330,000 as follows:

(A) Health care loan repayment. The amount of \$300,000 is appropriated to the Agency of Human Services – Global Commitment for the Department of Health to use for health care loan repayment. The department shall use these funds for a grant to the Area Health Education Centers (AHEC) for repayment of commercial or governmental loans for postsecondary health-care-related education or training owed by persons living and working in Vermont in the health care field.

(B) Large animal veterinarians' loan forgiveness. The amount of \$30,000 is appropriated to the Agency of Agriculture, Food and Markets for a loan forgiveness program for large animal veterinarians pursuant to 6 V.S.A. § 20.

(3) Scholarships and grants. The amount of \$1,444,500 as follows:

(A) Nondegree VSAC grants. The amount of \$494,500 is appropriated to the Vermont Student Assistance Corporation. These funds shall be for the purpose of providing nondegree grants to Vermonters to improve job skills and increase overall employability, enabling them to enroll in a postsecondary education or training program, including adult technical education that is not part of a degree or accredited certificate program. A portion of these funds shall be used for grants for indirect educational expenses to students enrolled in training programs. The grants shall not exceed \$3,000 per student. None of these funds shall be used for administrative overhead.

(B) National Guard Educational Assistance. The amount of \$150,000 is appropriated to Military – administration to be transferred to the Vermont Student Assistance Corporation for the National Guard Educational Assistance Program established in 16 V.S.A. § 2856.

(C) Dual enrollment programs. The amount of \$800,000 is appropriated to the Vermont State Colleges for dual enrollment programs. The State Colleges shall develop a voucher program that will allow Vermont students to attend programs at a postsecondary institution other than the state college system when programs at the other institutions are better academically or geographically suited to student need.

(4) Science Technology Engineering and Math (STEM) Incentive. The amount of \$141,000 is appropriated to the Agency of Commerce and Community Development for an incentive payment pursuant to 2011 Acts and Resolves No. 52, Sec. 6.

**EXPLANATION:** The appropriations from the Next Generation Fund are level funded from FY 2014.

**Sec. B.1100.1 DEPARTMENT OF LABOR RECOMMENDATION FOR FISCAL YEAR 2016 NEXT GENERATION FUND DISTRIBUTION**

(a) The Department of Labor, in coordination with the Agency of Commerce and Community Development, the Agency of Human Services, and the Agency of Education, and in consultation with the Workforce Development Council, shall recommend to the Governor no later than November 1, 2014 how \$3,293,000 from the Next Generation Fund should be allocated or appropriated in fiscal year 2016 to provide maximum benefit to workforce development, participation in postsecondary education by underrepresented groups, and support for promising economic sectors in Vermont. The Department of Labor shall actively and publicly promote the availability of these funds to eligible entities that have not previously been funded.

**EXPLANATION:** The same process as was successfully used for prior fiscal years.

**Sec. D.100 APPROPRIATIONS; PROPERTY TRANSFER TAX**

(a) This act contains the following amounts appropriated from special funds that receive revenue from the property transfer tax. Expenditures from these appropriations shall not exceed available revenues.

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(3) The sum of \$3,878,832 is appropriated from the Municipal and Regional Planning Fund. Notwithstanding 24 V.S.A. § 4306(a), amounts above \$3,878,832 from the property transfer tax that are deposited into the Municipal and Regional Planning Fund shall be transferred into the General Fund. The \$3,878,832 shall be allocated as follows:

(A) \$3,009,692 for disbursement to regional planning commissions in a manner consistent with 24 V.S.A. § 4306(b);

(B) \$490,440 for disbursement to municipalities in a manner consistent with 24 V.S.A. § 4306(b);

(C) \$378,700 to the Vermont Center for Geographic Information.

**EXPLANATION:** The PTT appropriation to the Municipal & Regional Planning Fund is \$3,878,832, which shows a nine percent increase to the appropriations to Regional Planning Commissions and Municipal Planning Commissions over FY 2014 funding levels. The appropriation to Geographic Information Systems appropriation is level funded from FY 2014.

**Sec. D.101 FUND TRANSFERS AND RESERVES**

(a) Notwithstanding any other provision of law, the following amounts are transferred from the funds indicated:

(1) from the General Fund to the:

(A) Communications and Information Technology Internal Service Fund established by 22 V.S.A. § 902a: \$635,000.

**EXPLANATION:** This transfer is to fund the grant from DII to the Vermont Telecommunications Authority (VTA) for the purpose of more rapidly improving VTA's infrastructure.

**Sec. E.105** Information and innovation – communications and information technology  
(a) Of this appropriation, \$635,000 is for a grant to the Vermont Telecommunications Authority established in 30 V.S.A. § 8061.

**EXPLANATION:** This grant, reduced by \$100K compared to FY 2014, is intended to help continue VTA's efforts toward extending and improving Vermont's broadband and cellular infrastructure.

**Sec. E.131** VERMONT COMMUNITY LOAN FUND

(a) Notwithstanding 32 V.S.A. § 433, the State Treasurer is authorized to invest up to \$500,000 of short-term operating or restricted funds in the Vermont Community Loan Fund on terms acceptable to the Treasurer and consistent with 32 V.S.A. § 433(b). The provisions of Sec. A. 102(c) of this Act shall not apply to this subsection.

(b) Sec. 6a of No. 80 of the Acts of the 2003 Adj. Sess. (2004) (authority to invest up to \$200,000.00) is repealed.

**EXPLANATION:** This language allows the Treasurer to invest in a community loan fund which is not already approved in 32 VSA Sec 433. The exemption from Sec A.102(c) means that the authorization continues beyond FY 2015. Subsection (b) repeals prior authority at the \$200K level, so that there is no suggestion that the new authorized level is at \$700K.

**Sec. E.234** 30 V.S.A. Sec. 7523 is amended to read:

Sec. 7523. Rate adjusted annually

(a) Annually, after considering the probable expenditures for programs funded pursuant to this chapter, the probable service revenues of the industry and seeking recommendations from the department and in consultation with the Commissioner of Finance and Management, the public service board shall establish a rate of charge to apply during the 12 months beginning on the following September 1. However, the rate so established shall not at any time exceed two percent of retail telecommunications service. The board's decision shall be entered and announced each year before July 15. However, if the general assembly does not enact an authorization amount for E-911 before July 15, the board may defer decision until 30 days after the E-911 authorization is established, and the existing charge rate shall remain in effect until the board establishes a new rate.

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**EXPLANATION:** To include the Commissioner of Finance & Management in the Universal Service Fund (USF) rate setting process, to ensure sufficient cash flow to meet E-911 needs.

**Sec. E.400** 21 V.S.A. § 1314(c) is amended to read:

(c) If an employing unit fails to adequately comply with the provisions of subsection (b) of this section and section 1314a of this title, the Commissioner shall determine the benefit rights of a claimant upon such information as is available. Prompt notice in writing of the determination shall be given to the employing unit. The determination shall be final with respect to a noncomplying employer as to any charges against its experience-rating record for benefits paid to the claimant before the week following the receipt of the employing unit's reply. The

employing unit's experience rating record shall not be relieved of these charges, notwithstanding any other provision of this chapter, ~~unless the amount of benefits is recovered from the claimant,~~ or unless the Commissioner determines that failure to comply was due to unavoidable accident or mistake.

**EXPLANATION:** This language will bring Vermont law into compliance with changed US Department of Labor regulations. Failure to conform to these regulations would result in monetary penalties for the Unemployment Insurance office and its program's recipients.

**Sec. E.400.1** 21 V.S.A. § 1347(c) is amended to read:

(c) The person liable under this section shall repay such amount to the Commissioner for the fund. In addition to the repayment, if the Commissioner finds that a person intentionally misrepresented or failed to disclose a material fact with respect to his or her claim for benefits, the person shall pay an additional penalty of 15 percent of the amount of the overpaid benefits. Any additional penalty amount collected shall be deposited in the fund. Such amount may be collectible by civil action in a Vermont district or superior court, in the name of the Commissioner.

**EXPLANATION:** This language will bring Vermont law into compliance with changed US Department of Labor regulations. Failure to conform to these regulations would result in monetary penalties for the Unemployment Insurance office and its program's recipients.

**Sec. E.801** 8 V.S.A. Sec. 6017(a)(1) is amended to read:

(a)(1) There is hereby created a fund to be known as the Captive Insurance Regulatory and Supervision Fund for the purpose of providing the financial means for the Commissioner of Financial Regulation to administer this chapter, chapter 142, and chapter 142A of this title and for reasonable expenses incurred in promoting the captive insurance industry in Vermont. The transfer of 11 percent of the premium tax under subsection 6014(h) of this title, and all fees and assessments received by the Department pursuant to the administration of these chapters shall be credited to this Fund. Of this amount, not more than ~~two~~ three percent of the premium tax under section 6014 may be ~~transferred to~~ expended by the Agency of Commerce and Community Development, with approval of the Secretary of Administration, for promotional expenses. All fees received by the Department from reinsurers who assume risk solely from captive insurance companies and are subject to the provisions of subsections 3634a(a) through (f) of this title, shall be deposited into the Captive Insurance Regulatory and Supervision Fund. All fines and administrative penalties, however, shall be deposited directly into the General Fund.

**EXPLANATION:** The addition of the new position of Economic Development Director in the Department of Economic Development, which will provide additional capacity to diversify business and opportunities within the Captive Insurance Division, and increase revenues from captive insurance companies, brings expenditures from the Captives Fund in the Economic Development Department above the 2% of the captives premium tax. This funding in the Department of Economic Development is not transferred from the Department of Financial Regulation, Captives program, but is rather expended directly from the Captives Fund.