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HOUSE COMMITTEE ON APPROPRIATIONS

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MEMORANDUM

To: Representative David Sharpe, Chair, House Committee on Education

From: Representative Kitty Toll, Chair, House Committee on Appropriations

Date: February 7, 2017

Subject: Provisions in the Governor's Proposed FY 2018 State Budget

The House Appropriations Committee has started work on the Governor's proposed FY 2018 State Budget bill and would like to inform you about proposals related areas of your subject area. A summary of these areas is listed on page 2 followed by the excerpts from the Administration proposed language.

The House Appropriations Committee welcomes and appreciates your input and would like to give you the opportunity to comment on any of the proposals; however, it is not necessary to respond to all of the proposals unless you have concerns or recommendations. If you do not wish to comment on any of the issues sent to your committee, please send a quick e-mail or note to the Committee through Theresa Utton-Jerman at tutton@leg.state.vt.us or the reporter of the subject area. If you would like to respond, it would be helpful if you could do so by the end of the day on March 1st. As a note, the Committee understands that there may be unanticipated policy changes after the deadline that may require additional discussions and recommendations by policy committees and we encourage those. Please keep the Committee apprised of any updates to earlier recommendations, through the reporter or Chair, as they develop.

There are several House Appropriations Committee budget reporters for these subject areas, please click [here](#) to review the list or go to the highlights section of the committee's webpage. If you have not already done so, please notify Theresa who your committee's budget liaison/s is for coordination and communications between the two committees.

Summary of Budget Review Sections

Language proposals include:

- flexible pathways in the Agency of Education that allows for \$4.12 of Education Funds to be paid directly to school districts for the high school completion program, the dual enrollment program, and to support distance learning, in Sec. E.504.1;
- allows the transfer of Education Funds instead of General Funds to be set by the General Assembly in Sec. E.513;
- a transfer of \$400,720,162 from General Fund to the Education Fund in Sec. E.513.1;
- the allowance of the normal contribution of State teachers' retirement system and the retired teachers health and medical benefits to be funded from the Education Fund in Sec. E.514 and Sec. E.515;
- the appropriation of \$9.6 million to support early childhood education and early learning from the Fund in Sec. E.516;
- an additional appropriations of \$1.6 million to support education innovation grants from the Education Fund in Sec. E.517;
- the State funding to the University of Vermont and the Vermont State Colleges from the Education Funding in Sec. E.600 and E.602;
- an increase in funding (inflater) for the Vermont State Colleges in Sec. E.602.0.1;
- a requirement for the Vermont State Colleges to hold a summit to align higher education and the demand for substance abuse in Sec. E.602.0.2;
- funding to the Vermont State Colleges for supplemental aid from the Education Fund in Sec. E.602.1;
- funding to the Vermont Student Assistance Corporation from the Education Fund in Sec. E.605;
- Sec. F.100(c) makes Sec. E.602.0.2 retroactive from March 31, 2017.

Budget Review Sections

Sec. E.504.1 Education – flexible pathways

(a) Of this appropriation, \$4,120,000 from the Education Fund shall be distributed to school districts for reimbursement of high school completion services pursuant to 16 V.S.A. § 943(c). Notwithstanding 16 V.S.A. § 4025(b), of this Education Fund appropriation, the amount of: (1) \$600,000 is available for dual enrollment programs consistent with 16 V.S.A. § 944(f)(2), and the amount of \$30,000 is available for use pursuant to Sec. E.605.1(a)(2) of this act; and (2) \$100,000 is available to support the Vermont Virtual Learning Collaborative at the River Valley Regional Technical Center School District. (3) \$200,000 is available for secondary school reform grants; and (4) \$450,000 is available for the Vermont Academy of Science Technology and \$1,700,000 for Early College pursuant to 16 V.S.A. § 4011(e).

EXPLANATION: Language ensures that education funds are paid directly to school districts to fund the high school completion program, to help fund the dual enrollment program created in 16 V.S.A Sec 944, and to support distance learning in Vermont schools. The dual-enrollment

funding in this section is a partial appropriation and adds to the amount provided through the Next Generation Fund.

Sec. E.513 16 V.S.A. § 4025(a)(2) is amended to read:

(2) ~~For each fiscal year, the~~ The amount of the general funds appropriated and transferred to the Education Fund shall be \$305,900,000.00, to be increased annually beginning for fiscal year 2018 by the consensus Joint Fiscal Office and Administration determination of the National Income and Product Accounts (NIPA) Implicit Price Deflator for State and Local Government Consumption Expenditures and Gross Investment as reported by the U.S. Department of Commerce, Bureau of Economic Analysis through the fiscal year for which the payment is being determined, plus an additional one-tenth of one percent set annually by the general assembly.

EXPLANATION: Changes the General Fund Transfer to the Education Fund. Eliminates the formula growth and allows the transfer to be set by the General Assembly annually.

Sec. E.513.1 Appropriation and transfer to education

(a) Pursuant to 16 V.S.A. § 4025(a)(2) as amended by Sec. E.513 of this act, there is appropriated in fiscal year 2018 from the General Fund for transfer to the Education Fund the amount of \$400,720,162.

EXPLANATION: Transfer from the General Fund to the Education Fund

Sec. E.514 State teachers' retirement system

(a) In accordance with 16 V.S.A. § 1944(g)(2), the annual contribution to the State Teachers' Retirement System (STRS) shall be \$88,409,437 of which \$84,709,437 shall be the State's contribution and \$3,700,000 shall be contributed from local school systems or educational entities pursuant to 16 V.S.A. § 1944c.

(b) In accordance with 16 V.S.A. § 1944(c)(2), of the annual contribution, \$8,346,261 is the "normal contribution," and \$80,063,176 is the "accrued liability contribution."

(c) Notwithstanding 16 V.S.A. § 4025(b), the normal contribution shall be an appropriation from the Education Fund.

EXPLANATION: Same language as prior years. Allows the normal contribution to be funded with Education funds.

Sec. E.515 Retired teachers' health care and medical benefits

(a) In accordance with 16 V.S.A. § 1944b(b)(2), \$26,660,966 will be contributed to the Retired Teachers' Health and Medical Benefits plan. Notwithstanding 16 V.S.A. § 4025(b), this appropriation shall be from the Education Fund.

EXPLANATION: Same language as prior year. Allows the retired teachers health and medical benefits to be funded with Education funds.

Sec. E.516 Early Education

(a) Of this appropriation, \$9,600,000 from the Education Fund shall be to support early childhood education and early learning. Notwithstanding 16 V.S.A. § 4025(b), of this Education Fund appropriation, the amount of:

(1) \$7,500,000 shall be used for Child Care Financial Assistance Program in the Agency of Human Services.

(2) \$1,000,000 is appropriated to the Secretary of Education to establish grants to promote full day pre-k programs for high poverty kids that provide integrated services and transportation. The grants may target partnerships between Head Start and schools and/or providers.

(A) The Secretary shall establish criteria for these competitive grants, which shall prioritize funding to proposals that:

(i) optimize resources to expand services and hours;

(ii) encourage Head Start;

(iii) employ innovative approaches; and

(iv) collaborate with partner organizations.

(B) These funds may be matched to federal funds, special funds, grants, donations, and private funds.

(3) \$600,000 is appropriated to the Secretary of Education to establish grants to develop shared services systems for child care providers. These systems increase operational efficiencies using centralized shared services, including but not limited to: payroll, bulk purchasing, and staff recruitment. The Secretary shall establish criteria for these competitive grants. These funds may be matched to federal funds, special funds, grants, donations, and private funds.

(4) \$500,000 is appropriated to the Secretary of Education to establish a municipal child care innovation matching grant program for municipal governments to develop innovative child care solutions, including, but not limited to:

(A) scholarship models designed to make high-quality child care accessible and family participation more consistent;

(B) capacity grants to high-quality child care centers designed to expand the number of slots available; and

(C) evidence-based home visiting initiatives.

(D) The Secretary shall establish criteria for these competitive grants. These grants shall be match one-to-one by federal funds, municipal funds, and/or private donations.

EXPLANATION: Allocation of early education funds.

Sec. E.517 Innovation Grants

(a) Of this appropriation, \$1,600,000 from the Education Fund shall be to support education innovation grants. Notwithstanding 16 V.S.A. § 4025(b), of this Education Fund appropriation, the amount of:

(1) \$500,000 is appropriated to the Secretary of Education to establish annual classroom innovation grants for educators teaching students from pre-kindergarten through high school.

The Secretary shall establish criteria for these competitive grants to award and promote innovative thinking in the classroom. These funds may be matched to federal funds, special funds, grants, donations, and private funds.

(2) \$500,000 is appropriated to the Secretary of Education to establish annual management and modernization grants to assist school boards and school management with training opportunities, technology upgrades, and expertise in school efficiency and consolidation, plus assistance with instituting best practices in special education. The Secretary shall establish criteria for these grants to assist districts with expert consulting services, like those currently provided by District Management Council, which have already identified successful strategies for doing better with

less. These funds may be matched to federal funds, special funds, grants, donations, and private funds.

(3) \$250,000 is appropriated to the Secretary of Education to establish school technology and connectivity grants funding to help schools advance a vision for technology-supported education. Resources can support either the cost of upgrading to higher speed internet access or funding plans to use technology to support better operations or transformational practices.

(A)The Secretary shall establish criteria for these competitive grants, which shall include, but not limited to:

(i) school participation in the FCC's E-Rate program; and

(ii) school internet speeds less than 25 mbps,

(B) These funds may be matched to federal funds, special funds, grants, donations, and private funds.

(d) \$200,000 is appropriated to the Secretary of Education to establish code camp grants for elementary and middle school students to encourage science, technology, engineering, and mathematics (STEM) education at an early age. The Secretary shall establish criteria for these grants. These funds may be matched to federal funds, special funds, grants, donations, and private funds.

(e) \$150,000 shall be used to fund Agency of Education efforts to boost Career and Technical Education.

EXPLANATION: Allocation of innovation grant funds.

Sec. E.600 University of Vermont

(a) The Commissioner of Finance and Management shall issue warrants to pay one-twelfth of this appropriation to the University of Vermont on or about the 15th day of each calendar month of the year.

(b) Funding for the University of Vermont shall be provided from the Education Fund notwithstanding 16 V.S.A. § 4025(b).

(1) Of this appropriation, \$380,326 shall be transferred to EPSCoR (Experimental Program to Stimulate Competitive Research) for the purpose of complying with State matching fund requirements necessary for the receipt of available federal or private funds, or both.

(2) Of this appropriation \$1,000,000 shall be used to provide financial assistance to low-middle income Vermont Students.

(c) If Global Commitment fund monies are unavailable, the total grant funding for the University of Vermont shall be maintained through the General Fund or other State funding sources.

(d) The University of Vermont will use the Global Commitment funds appropriated in this section to support Vermont physician training. The University of Vermont prepares students, both Vermonters and out-of-state, and awards approximately 100 medical degrees annually. Graduates of this program, currently representing a significant number of physicians practicing in Vermont, deliver high quality health care services to Medicaid beneficiaries and to the uninsured or underinsured persons, or both, in Vermont and across the nation.

EXPLANATION: Mostly standard language for the University of Vermont. Part (b) – new – allows UVM to receive funding from the education fund and part (b)(1) – new – adds an additional \$1M for financial assistance to Vermont Students.

Sec. E.602 Vermont state colleges

(a) The Commissioner of Finance and Management shall issue warrants to pay one-twelfth of this appropriation to the Vermont State Colleges on or about the 15th day of each calendar month of the year.

(b) Funding for the Vermont State Colleges shall be provided from the Education Fund notwithstanding 16 V.S.A. § 4025(b).

(1) Of this appropriation, \$427,898 shall be transferred to the Vermont Manufacturing Extension Center for the purpose of complying with State matching fund requirements necessary for the receipt of available federal or private funds, or both.

(2) Of this appropriation, \$4,000,000 shall be used to make access to college more affordable for Vermonter and to continue building Vermont's workforce.

EXPLANATION: Mostly standard language for the Vermont State Colleges. Part (b) – new – allows VSC to receive funding from the education fund and part (b)(1) – new – adds an additional \$4M VSC.

Sec. E.602.0.1 ANNUAL APPROPRIATION INCREASE FOR THE VERMONT STATE COLLEGES; REPORT

(a) Beginning in fiscal year 2019, the General Assembly shall annually increase the appropriation for the Vermont State Colleges by the mean of the prior six years of nominal average wage growth in Vermont.

(b) In order to receive this annual increase the Vermont State Colleges shall:

(1) hold student tuition increase at or below the mean of the prior six years of nominal average wage growth in Vermont in fiscal years, 2019, 2020 and 2021;

(2) establish the following performance indicators throughout the Vermont State College System:

(A) increase the number of Vermonters earning credentials of value;

(B) improve on-time degree completion; and

(C) increase the number of first generation Vermont college graduates.

(D) The Vermont State Colleges shall distribute these funds to each state college using a formula based on the performance indicators lists above.

(3) continue to drive efficiency efforts to reduce operating expenses and grow its student population.

(c) The Chancellor of the Vermont State Colleges shall provide report to the General Assembly on or before January 15th of each year. The report shall include:

(1) the current financial performance and outlook for the Colleges;

(2) details on how degree and nondegree programs that align with high-wage, high-growth jobs in Vermont for the decade ahead.

EXPLANATION: This language outlines the annual increase for the Vermont State Colleges and the reporting requirements to continue receiving the appropriation.

Sec. E.602.0.2 VERMONT STATE COLLEGE SUBSTANCE ABUSE TREATMENT PROFESSIONALS SUMMIT

(a) By April 1, 2017 the Vermont State Colleges will convene a summit between substance abuse treatment professionals and Vermont Higher Education institutions to determine ways to increase the number of treatment counselors with coursework starting in fall 2017 semester.

EXPLANATION: Language requiring the Vermont State colleges to hold a summit to determine how to align higher education with the current demand for substance abuse counselors in Vermont.

Sec. E.602.1 Vermont state colleges – Supplemental Aid

(b) Funding for the Vermont State Colleges – Supplemental Aid shall be provided from the Education Fund notwithstanding 16 V.S.A. § 4025(b).

EXPLANATION: Allows the Vermont State Colleges to receive education funds for the supplemental aid program.

Sec. E.605 Vermont student assistance corporation

(a) Funding for the Vermont student assistance corporation shall be provided from the Education fund notwithstanding 16 V.S.A. § 4025(b).

(b) Of this appropriation, \$25,000 is appropriated from the Education Fund to the Vermont Student Assistance Corporation to be deposited into the Trust Fund established in 16 V.S.A. § 2845.

(c) Of this appropriation, \$1,000,000 shall be used to fund the Vermont Student Assistance Corporation non-degree program.

(d) Of the appropriated amount remaining after accounting for subsections (b), (c) and (f) of this section, not less than 93 percent of this appropriation shall be used for direct student aid.

(e) Funds available to the Vermont Student Assistance Corporation pursuant to Sec. E.215(a) of this act shall be used for the purposes of 16 V.S.A. § 2856. Any unexpended funds from this allocation shall carry forward for this purpose.

(f) Of this appropriation, not more than \$200,000 may be used by the Vermont Student Assistance Corporation for a student aspirational pilot initiative to serve one or more high schools.

(g) The Vermont Student Assistance Corporation shall conduct a review of the Non-Degree Grant program utilizing the Results Based Accountability approach. This review shall be submitted to the House and Senate Committees on Appropriations as part of the Vermont Student Assistance Corporation fiscal year 2019 budget submission.

EXPLANATION: Standard language for VSAC. (a) allows VSAC to use education funds; (b) of this section is an appropriation to a trust fund that provides annual grant support to students attending VSC, UVM or a VT independent college that do not have parental support. (c) directs additional \$1M appropriation to the non-degree grant program.

Sec. F.100 EFFECTIVE DATES

(a) This section and Secs. C.100 (Federal Contingency and Human Services Caseload reserve), E.100.2, E.300.3, E.300.4, E.300.5 (transfer Director of Health Care Reform and duties to the Agency of Human Services), and E.300.1 (HIT fund sunset), shall take effect on passage.

(b) Sec. E.111.1 (Employer assessment transfer to the Department of Taxes) and Sec. 400 (repeal of employer assessment requirement from the Department of Labor) shall take effect on January 1, 2018 with the return of the fourth quarter of 2017 being due January 25, 2018.

(c) Sec.E.602.0.2 (summit on substance abuse workforce) shall take effect retroactively on March 31, 2017.

(d) All remaining sections shall take effect on July 1, 2017.

EXPLANATION: Transfer of director of health care reform, change to caseload reserve, effective on passage. Employer assessment move from DOL to Tax effective for the first quarter of receipts in calendar year 2018. Substance abuse summit requirement effective prior to the summit. Remaining sections effective on July 1, 2017.