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Susanne R. Young, Secretary

April 12, 2017

The Honorable Jane Kitchel, Chair
Senate Appropriations Committee
State House
Montpelier, VT 05609

Dear Senator Kitchel,

This letter provides the Administration's review of H.518, the House-passed Fiscal Year (FY) 2018 Appropriations Bill, and outlines concerns as well as recommendations that may be helpful to the Senate in its review. The Administration appreciates the difficult task completed by the House, and is grateful that the House passed a budget with no new fees or tax increases. However, there are several aspects of the bill that raise specific concerns for the Administration.

Investments in Affordable Housing

The Governor's budget included a provision to redirect part of the current Property Transfer tax for 20 years as payment on a revenue bond. The proceeds from the revenue bond would be directed to the Vermont Housing and Conservation Board to invest in creating new affordable and middle income housing. The House bill did not include a provision for the revenue bond. The Administration urges the Senate to revisit this provision, and include an appropriation for this purpose in the budget.

Closure of Windsor Facility

The Administration supports the amendment offered on the House Floor, during third reading, that proposed to close the Windsor Facility. The State has not kept up with maintenance of the facility and closure will result in additional savings to the State budget.

Changing the policy on electronic monitoring as proposed by the House will not result in the same level of savings as closure and this policy change comes at a time when the terms and conditions of the out-of-state bed contract are not final. To obtain the savings as prescribed in the House budget, the DOC is required to release 100 males from incarceration by July 1. While this Administration is committed to finding savings through efficiencies, it is equally committed to the safety of all Vermonters and our communities.

Therefore, the Administration recommends that the Senate move forward with the closure of the Windsor facility, revisiting the savings on electronic monitoring proposed by the House, and using the net savings towards the additional investments and savings offsets covered later in this memo.

Education Fund Changes:

The Administration encourages the Legislature to adopt language to allow the State to recapture savings from reduced health care premiums by moving school employees into the Consumer Driven Health Plan offered by the Vermont Education Health Initiative, Inc (VEHI). The Governor has consistently advocated for level property tax rates, which these savings will help to achieve. The Administration recommends that the savings, after holding school staff and teachers harmless, be redirected to the General Fund to the Governor's Proposed investments in early care.

Volkswagen Settlement - \$4.2 million

Two weeks ago the Attorney General's office announced that a settlement agreement with Volkswagen was reached, and the State of Vermont will receive \$4.2 million. The Administration recommends to the Senate that \$200,000 be deposited into the General Fund to supplement the State vehicle fleet with electric vehicles and \$4 million of these one-time funds be deposited into the State's Environmental Contingency Fund (ECF) to help manage some of the State's current environmental challenges, including superfund match, PFOA mitigation, and potential needs that may result as we test air quality in state buildings in follow-up to the recent event in the St. Johnsbury building. These funds should be used in lieu of the \$2,020,137 of General Funds that were transferred in FY 2017.

This will leave a total of \$4 million in the ECF, and frees up \$2,020,137 of General Funds to be used for additional investments and savings offsets covered later in this memo.

Vermont Departments of Liquor and Lottery and Information Technology Reform

The Administration requests that the Senate review the proposed savings and revenue opportunities from the merger of the Departments of Liquor and Lottery and IT project management savings estimated to be up to \$2,000,000. This money should be used towards the additional investments and savings offsets covered below.

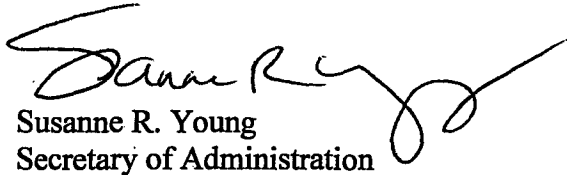
Additional Investments and Savings Offsets

Through the closure of the correctional facility in Windsor, the additional general fund made available by the change in the investment in the Environmental Contingency Fund, and through the consolidation of Liquor and Lottery and information technology reform there will be approximately \$6.5 million general funds available for investments. First, the Governor believes that increasing funding for National Guard scholarships will be beneficial to both the Vermont National Guard and increase access to higher education for Vermonters. The Administration recommends investing up to \$500,000 of available general fund in this program. Second, the Governor's proposal to invest in housing by redirecting \$1,000,000 of the Property Transfer tax will provide the Vermont Housing and Conservation Board with a significant capital investment in affordable and middle income housing. Additionally, the Administration recommends fully funding the \$750,000 in the economic development marketing initiative proposed by the Governor. By using these funds to grow the economy and attract new residents, we can take steps to reverse the disturbing "6-3-1" trend: on average each day Vermont has six fewer workers in our workforce, three fewer children in our schools, and just under one baby born addicted to opiates.

Finally, the Administration recommends that the Senate revisit some of the cuts made by the House, in areas including the Judiciary, Public Safety, Fish and Wildlife, Agriculture, the Vermont Veterans Home, the Attorney General's Office, Human Services and additional non-specific reductions. The original budget, as proposed by the Governor, will allow departments to continue to provide the current level of services. These further cuts, complicated by the federal budget uncertainty, will make it more difficult for State Government to support its core missions without effecting front line workers and delivery of services to vulnerable Vermonters.

The Administration appreciates your consideration of these recommendations and comments and we look forward to working with the Legislature to resolve these policy and budgetary issues.

Sincerely,



Susanne R. Young
Secretary of Administration

cc: Representative Catherine Toll, Chair, House Appropriations Committee
Representative Janet Ancel, Chair, House Ways and Means Committee
Representative Mitzi Johnson, Speaker, House of Representatives
Senator Anne Cummings, Chair, Senate Finance Committee
Senator Tim Ashe, President Pro Tempore, Senate
Steve Klein, Joint Fiscal Office
Andrew Pallito, Commissioner, Finance & Management

