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GENERAL ASSEMBLY
HOUSE COMMITTEE ON APPROPRIATIONS

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MEMORANDUM

To: Representative Ann Pugh, Chair, House Committee on Human Services

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:

- a requirement to reduce appropriations of \$3.4 million within State government, with \$1 million from Agency of Human Services is in Sec. B.1102;
- language updates to the Federal Contingency & Human Service Caseload Reserve in Sec. C.100;
- an appropriation of \$12,304,840 of property transfer tax revenue to VHCB, that increases the this appropriation \$1 million above FY2017 with \$2.5 million toward the housing bond, in Sec. D.100.
- a requirement to use the first \$2.5 million of the property transfer tax revenue to repay the housing bond for 20 years, in Sec. D.100.1.
- a transfer of \$32,165,542.00 from the AHS Central Office earned federal receipts in Sec. D.101(b);
- General Funds are reserved in the Federal Contingency and Human Services Caseload reserve in Sec. D.104;
- previously withheld Tobacco Settlement funds to be spent in Sec. E.300;
- the movement of the Health Care Advocate contract and updates to accompanying language in Sec. E.300.6;
- funding for the Health Care Advocate in Sec. E.300.7;
- an emergency rule process for compliance of federal HCERA in Sec. E.306;
- an extension for the Drug Utilization Review Board to review the Preferred Drug List in Sec. E.306.1;
- extension for the Eligibility Determination for the VPharm members legislative requirement in Sec. E.307;
- a revision in the language for General Assistance Temporary Housing to reflect a rule change in Sec. E.321;
- language on General Assistance Housing to continue the cold weather exception policy and a change in the rules procedure in Sec. E.321.1;
- annual language in Sec. E.324.1 for expedited crisis fuel assistance, and E.325 for homeless assistance within communities;
- competitive grants for early childhood education in Sec. E.516;
- a summit for substance abuse treatment professionals by the Vermont State Colleges in Sec. E.602.0.2; and
- Sec. F.100 sets a retroactive effective date of March 31, 2017 for Sec. E.602.0.2.

Budget Review Sections

B.1102 MANAGEMENT SAVINGS

(a) The Secretary of Administration shall reduce fiscal year 2018 appropriations and make transfers to the General Fund for a total of \$3,400,000 due to savings generated from, but not limited to:

(1) the eliminate of exempt positions;

(2) savings identified through LEAN business process analysis; and

(3) other administrative or contractual reductions.

(b) Of the savings identified in this section, at least \$1,000,000 will be identified at the Agency of Human Services.

(c) The Secretary shall include the appropriation reductions and transfers in a report to the Joint Fiscal Committee in November 2017.

EXPLANATION: Requires the Secretary of Administration to reduce appropriations in State government through exempt position savings and other administrative reductions. At least \$1M of savings shall come from AHS.

Sec. C.100 32 V.S.A. § 308b, as amended by the General Assembly in 2017 H.125 Sec. 62:
Federal Contingency and Human Services Caseload Reserve

(a) There is created within the General Fund a Federal Contingency and Human Services Caseload Management Reserve. Expenditures from the Reserve shall be subject to an appropriation by the General Assembly or approval by the Emergency Board. Expenditures from the Reserve shall be limited to near term expenditures resulting in actions taken by federal partners or Agency of Human Services caseload-related needs primarily in the Departments for Children and Families; of Health; of Mental Health; of Disabilities, Aging, and Independent Living; of Corrections and of Vermont Health Access.

(b) The Secretary of Administration may transfer to the Federal Contingency and Human Services Caseload Reserve any General Fund carry-forward directly attributable to Agency of Human Services caseload reductions or savings and the effective management of related federal receipts across State government.

EXPLANATION: Update to the Federal Contingency & Human Service Caseload Reserve language to include all programs and agencies in the State of Vermont and Agency of Human Services.

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.

(1) The sum of \$518,000 is appropriated from the Current Use Administration Special Fund to the Department of Taxes for administration of the Use Tax Reimbursement Program.

Notwithstanding 32 V.S.A. § 9610(c), amounts above \$518,000 from the property transfer tax that are deposited into the Current Use Administration Special Fund shall be transferred into the General Fund.

(2) The sum of \$12,304,840 is appropriated from the Vermont Housing and Conservation Trust Fund to the Vermont Housing and Conservation Board. Of this appropriation \$2,500,000 shall be used for the purpose of repayment of a housing bond, the processed of which shall be deposited in the Vermont Housing and Conservation Trust. Notwithstanding 10 V.S.A. § 312, amounts above \$12,304,840 from the property transfer tax that are deposited into the Vermont Housing and Conservation Trust Fund shall be transferred into the General Fund.

(3) The sum of \$3,760,599 is appropriated from the Municipal and Regional Planning Fund. Notwithstanding 24 V.S.A. § 4306(a), amounts above \$3,760,599 from the property transfer tax that are deposited into the Municipal and Regional Planning Fund shall be transferred into the General Fund. The \$3,760,599 shall be allocated as follows:

(A) \$2,924,417 for disbursement to regional planning commissions in a manner consistent with 24 V.S.A. § 4306(b);

(B) \$457,482 for disbursement to municipalities in a manner consistent with 24 V.S.A. § 4306(b);

(C) \$378,700 to the Agency of Commerce and Community Development for the Vermont Center for Geographic Information.

EXPLANATION: The 1/19/2017 consensus FY 2018 revenue forecast of \$41.9m for the Property Transfer Tax (PTT) is being allocated as follows: The Department of Taxes will receive \$518K for property valuation and review administrative costs (including computerization of the current use program). The VHCB will receive \$12,304,840 in PTT revenue to increase funding over FY 2017 by \$1 million. \$2.5M of these funds are directed towards paying the housing bond. The appropriation from the Municipal & Regional Planning Fund is \$3,760,599, which maintains level funding for the appropriations to Regional Planning Commissions and Municipal Planning Commissions from FY 2017 funding levels. The appropriation to Geographic Information Systems is level funded from FY 2017.

Sec. D.100.1 32 V.S.A. § 9610 is added to read:

(d) Prior to distributions of property transfer tax revenues under 10 V.S.A. § 312, 24 V.S.A. § 4306(a), and 32 V.S.A. § 435(b)(10), \$2.5 million of the revenues received from the property transfer tax shall be used for the purpose of repayment of a housing bond the proceeds of which shall be deposited in the Vermont housing and conservation trust fund. Subsection (d) effective July 1, 2019 until July 1, 2038.

EXPLANATION : Requires that the first \$2.5M of PTT revenue be used to repay the housing bond for 20 years. **This is currently under review by the State Treasurer and Bond Council. Additional information may be forthcoming.**

Sec. D.101 FUND TRANSFERS, REVERSIONS, AND RESERVES

(b) Notwithstanding any provisions of law to the contrary, in fiscal year 2018:

(1) The following amounts shall be transferred to the General Fund from the funds indicated:

<u>21550</u>	<u>Land & facilities Trust Fund</u>	<u>429,000.00</u>
<u>21638</u>	<u>AG -Fees & reimbursements -Court order</u>	<u>2,000,000.00</u>
<u>21909</u>	<u>Tax Computer System Modernization</u>	<u>798,808.00</u>
<u>21973</u>	<u>GMCB regulatory and Admin Fund</u>	<u>700,000.00</u>
<u>22005</u>	<u>AHS Central Office earned federal receipts</u>	<u>32,165,542.00</u>
<u>50300</u>	<u>Liquor Control Fund</u>	<u>955,000.00</u>
	<u>Caledonia Fair</u>	<u>5,000.00</u>
	<u>North Country Hospital Loan</u>	<u>24,250.00</u>

EXPLANATION: FY 2018 estimated direct applications to the General Fund.

Sec. D.104 FEDERAL CONTINGENCY AND HUMAN SERVICES CASELOAD RESERVE

(a) The sum of \$22,000,000.00 shall be reserved from General Fund in the Federal Contingency and Human Services Caseload reserve established in 32 V.S.A. § 308b and amended by this Act.

EXPLANATION: Reserves General funds in the Federal Contingency and Human Services Caseload reserve

Sec. E.300 DEPOSIT AND USE OF MASTER SETTLEMENT FUND

(a) Deposit of Master Tobacco Settlement receipts and appropriations of Tobacco Settlement funds in fiscal year 2018 are made, notwithstanding 2013 Acts and Resolves No. 50, Sec. D.104.

EXPLANATION: Same language as FY 2017 (2016 Act 172 Sec. E.300), FY 2016 (2015 Act 58, Sec. E. 300) and FY 2015 (2014 Act 179 Sec. E.300). 2013 Act 50 Sec.D.104 requires the tobacco settlement funds withheld to be deposited in the Tobacco Trust Fund. This section allows the previously withheld Tobacco Settlement funds received in 2017 to be spent rather than deposited into the Trust Fund.

E.300.6 18 V.S.A. § 9602 is amended to read:

(a) The Agency of ~~Administration~~ Human Services shall ~~establish~~ maintain the Office of the Health Care Advocate by contract with any nonprofit organization.

EXPLANATION: Moves the Health Care Advocate contract to AHSCO.

E.300.6 18 V.S.A. § 9607(b)(3) is amended to read:

(3) The Green Mountain Care Board shall administer the bill back authority created in this subsection on behalf of the Agency of ~~Administration~~ Human Services in support of the Agency's contract with the Office of the Health Care Advocate pursuant to section 9602 of this title to carry out the duties set forth in this chapter.

EXPLANATION: Language update in conjunction with the movement of the Health Care Advocate contract to AHS.

Sec. E. 300.7 FUNDING FOR THE OFFICE OF THE HEALTH CARE ADVOCATE

(a) Of the funds appropriated in Sec. B.300 of this act, \$1,407,406 shall be used for the contract with the Office of the Health Care Advocate.

EXPLANATION: Pursuant to 2015 Act 54 Sec 53(c)

Sec. E.306 VERMONT HEALTH BENEFIT EXCHANGE RULES

(a) The Agency of Human Services may adopt rules pursuant to 3 V.S.A. chapter 25 to conform Vermont's rules regarding operation of the Vermont Health Benefit Exchange to federal guidance and regulations implementing the provisions of the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, as amended by the federal Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152. The Agency may use the emergency rules process pursuant to 3 V.S.A. § 844 prior to June 30, 2018, but only in the event that new federal guidance or regulations require Vermont to amend or adopt its rules in a timeframe that cannot be accomplished under the traditional rulemaking process. An emergency rule adopted under these exigent circumstances shall be deemed to meet the standard for the adoption of emergency rules required pursuant to 3 V.S.A. § 844(a).

EXPLANATION: Recurring language. This language was last included in 2016 Act 172 Sec. E.306.3. DVHA is requesting emergency rulemaking authority in FY 2018 for rules that govern

the operation of Vermont Health Connect. This emergency rulemaking authority will ensure that DVHA can comply, in a timely matter, with new federal guidance and regulations of the Patient Protection and Affordable Care Act (ACA). By not following federally mandated rules or dictates in a timely manner, DVHA may be adversely affecting Medicaid beneficiaries' rights and state-federal match possibilities, and creating issues that will compound themselves until such time that DVHA can promulgate a rule. The emergency rulemaking authority that DVHA is requesting is pursuant to process outlined in state law (3 V.S.A. § 844). Emergency rules are in effect for 120 days and go before the Legislative Committee on Administrative Rules (LCAR). When emergency rules expire it is the expectation that DVHA would go through the permanent rulemaking process that includes a robust public comment period.

Sec. E.306.1 33 V.S.A. §1998 (f)(3) is amended to read:

(3) To the extent feasible, the Board shall review all drug classes included in the preferred drug list at least every ~~12~~24 months and may recommend that the Commissioner make additions to or deletions from the preferred drug list.

EXPLANATION: Extends the number of months the Drug Utilization Review Board has to review medications currently on the Preferred Drug List. The board does not have enough resources to review all drugs on the list on an annual basis. This change would not impact the timeliness of review of drugs that are new to the market, have a change to their safety profile or any other clinical reason. It does not impact DVHA's ability to negotiate supplemental rebates on drugs.

Sec. E.307 2013 Acts and Resolves No. 79, Sec. 53(d), as amended by 2014 Acts and Resolves No. 179, Sec. E.307, as amended by 2015 Acts and Resolves No. 58, Sec. E.307, as amended by 2016 Acts and Resolves No. 172, Sec. E.307.3 is further amended to read:

(d) Secs. 31 (Healthy Vermonters) and 32 (VPharm) shall take effect on January 1, 2014, except that the Agency of Human Services may continue to calculate household income under the rules of the Vermont Health Access Plan after that date if the system for calculating modified adjusted gross income for the Healthy Vermonters and VPharm programs is not operational by that date, but no later than December 31, ~~2017~~ 2018.

EXPLANATION: Eligibility Determination for the VPharm members occurs within the legacy eligibility system – ACCESS. DVHA plans to move forward with this legislative requirement; however, it is contingent upon the Integrated Eligibility solution design and implementation. Thus, the Department is requesting an extension to the effective date.

Sec. E.321 COMMUNITY BASED ALTERNATIVES TO GENERAL ASSISTANCE
TEMPORARY HOUSING

(a) For State fiscal year 2018, the Agency of Human Services may continue to fund grants to support the establishment of community based alternatives for temporary housing as part of the effort to reduce the number of individuals temporarily housed by the General Assistance program. The purpose of these community based alternatives is to mitigate poverty and serve applicants more effectively than they are currently being served with General Assistance funds. Eligible activities shall include, among others, the provision of shelter, overflow shelter, case management, transitional housing, deposits, down payments, rental assistance, upstream prevention, and related services that ensure that all Vermonters have access to shelter, housing,

and the services they need to become safely housed. The Agency may award grants to homeless and housing service providers for eligible activities. Where such grants are provided and community based programs are established the General Assistance Rules will not apply. The assistance provided under this section is not an entitlement and may be discontinued when the appropriation has been fully spent.

(b) The community based programs may operate in up to 12 districts designated by the Secretary of Human Services. The Agency shall establish goals and procedures for evaluating the program overall, including performance measures that demonstrate program results, and for each district in which the Agency operates the program, it shall establish procedures for evaluating the district program and its effects.

(c) The Agency shall continue to engage interested parties, including both statewide organizations and local agencies, in the design, implementation, and evaluation of community based alternatives to General Assistance temporary housing.

Explanation: Same provision as last year. This language allows DCF to continue to fund programs and issue grants to serve clients with housing needs. This language has been revised from the previous year to reflect the fact that the grant-funded programs are community-based programs and that, therefore, the General Assistance rules do not apply to these programs.

Sec. E.321.1 GENERAL ASSISTANCE HOUSING

(a) Funds appropriated to the Agency of Human Services in the General Assistance program in fiscal year 2018 may be used for temporary housing in catastrophic situations and for vulnerable populations, as defined in rules adopted by the Agency. The cold weather exception policy issued by the Department for Children and Families' Economic Services Division dated October 25, 2012, and any succeeding amendments to it, shall remain in effect.

EXPLANATION: Same language as 2016 Act 172 Sec. E.321.1. This language authorizes the General Assistance program to continue the cold weather exception policy. This language also ensures that when the cold weather exception policy does not apply, the adopted administrative rules still apply and have the force and effect of law.

Sec. E.324.1 EXPEDITED CRISIS FUEL ASSISTANCE

(a) The Commissioner for Children and Families or designee may authorize crisis fuel assistance to those income-eligible households that have applied for an expedited seasonal fuel benefit but have not yet received it, if the benefit cannot be executed in time to prevent them from running out of fuel. The crisis fuel grants authorized pursuant to this section count toward the one crisis fuel grant allowed per household for the winter heating season pursuant to 33 V.S.A. § 2609(b).

EXPLANATION: This is annual language and allows for expedited basis for eligible recipients so they do not run out of fuel. Counts towards one crisis fuel grant per household.

Sec. E.325 Department for children and families – office of economic opportunity

(a) Of the General Fund appropriation in Sec. B.325 of this act, \$1,092,000 shall be granted to community agencies for homeless assistance by preserving existing services, increasing services, or increasing resources available statewide. These funds may be granted alone or in conjunction with federal Emergency Solutions Grants funds. Grant decisions shall be made with assistance from the Vermont Coalition to End Homelessness.

EXPLANATION: Annual language, included in 2016 Act 172 Sec. E.325.

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.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. 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.