



STATE OF VERMONT
GENERAL ASSEMBLY
HOUSE COMMITTEE ON ENERGY AND
TECHNOLOGY

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MEMORANDUM

To: Representative Kitty Toll, Chair, House Committee on Appropriations
From: Representative Timothy Briglin, Chair, House Committee on Energy and
Technology
Date: February 27, 2019
Subject: Provisions in the Governor's Proposed FY 2020 State Budget

As requested, the House Committee on Energy and Technology has reviewed the Governor's Recommended FY 2020 State Budget as it pertains to subject matters within our Committee's jurisdiction.

Our recommendations address, in turn, each of the items listed in the "index of budget content for review" that you provided to us on February 8, 2019.

Sec. C.100 contains four proposed FY 2019 one-time General Fund appropriations.

First, there is a \$500,000 appropriation to the Agency of Digital Services (ADS). \$200,000 of this appropriation is for network device upgrades to enhance network safety and \$300,000 of this appropriation is for network assessment.

Recommendation: Our Committee strongly supports this proposal and views it as a priority. This money will support building a strong foundation for cyber security.

Second, there is a \$540,000 appropriation to the Agency of Commerce and Community Development (ACCD) to be granted to the Vermont Economic Development Authority (VEDA) to serve as loan reserves for the Broadband Expansion Loan Program, which will provide start-up capital to alternative broadband providers.

Recommendation: Our Committee supports this proposal and the Broadband Expansion Loan Program, more generally. We are currently working on an Omnibus Telecommunications Committee bill, 19-1206 (Telecom Bill) which proposes to establish the Broadband Expansion Loan Program. The Program would make loans for start-up and expansion that enables Internet service providers to expand broadband availability in unserved and underserved locations. This is a critical issue for many Vermonters. With respect to the \$540,000

appropriation, specifically, our only recommendation is that the appropriation go directly to VEDA rather than through ACCD.

Third, there is a \$500,000 appropriation to the Department of Buildings and General Services (BGS) for the installation electric vehicle charging stations at State facilities and the purchase of fully electric vehicles for the State motor pool.

Recommendation: State government needs to be a leader in conversion to electric vehicles and the Committee supports this \$500,000 appropriation to BGS to further rollout electric vehicles and EV charging infrastructure in the State's motor pool. This appropriation will push state fleet charging infrastructure farther south with stations established in Rutland, Barre, and Springfield.

Fourth, there is a \$500,000 appropriation to the Department for Children and Families (DCF) to supplement weatherization efforts.

Recommendation: Thermal energy for heating buildings accounts for approximately 30 percent of Vermont's energy consumption and is the state's second largest contributor to greenhouse gas emissions. Low-income, rural Vermonters disproportionately bear the economic, environmental, and health burdens of energy inefficient housing.

Our Committee recommends maintaining the existing appropriation and revenue stream for the Home Weatherization Assistance Program (HWAP). Authorization for existing revenues is currently scheduled to sunset on June 30, 2019. This appropriation and revenue stream should remain dedicated to HWAP. The appropriation and revenue sunset should be removed or extended through FY24.

Further, based on Recommendation #1 of the Governor's Climate Action Commission, to double the total number of households weatherized, the Committee recommends increasing weatherization appropriations over the next three years. Increased funding would allow additional activity in HWAP and related Efficiency Vermont programs targeting the 80% to 120% of average median income group, especially in rural, hard-to-serve areas. Programs of particular interest to our Committee include Home Performance with Energy Star; Heat Saver Loan; Efficiency Excellence Network; homeowner DIY program; and 3E Thermal work for apartment housing.

Secs. C.104 and 104.1 contain two, one-time General Fund transfers and the substantive provisions concerning a newly created ThinkVermont Innovation Fund.

First, there is a transfer of **\$955,000** General Fund monies to the Connectivity Fund for the sole purpose of funding grants through the Connectivity Initiative. This program provides funding to Internet service providers to deploy last-mile locations lacking 4/1 Mbps service. The program was established in 2014, is administered by the Department of Public Service (DPS) and is funded through the Vermont Universal Service Fund (VUSF). The Department has indicated that there is no available funding for grants next year.

Second, there is a **\$45,000** appropriation to the ThinkVermont Innovation Fund to fund technical assistance grants for connectivity projects. As further described in Sec. 104.1, this newly created special fund, which would be administered by ACCD, would provide technical assistance grants to “Vermont communities planning broadband projects.”

Recommendation: These proposed fund transfers have been considered by us in the context of our Telecom Bill.

With respect to the **\$955,000** in fund transfers, we recommend allocating the money as follows:

- \$205,000 to the Connectivity Initiative
- \$700,000 to a new DPS grant program
- \$50,000 to fund a DPS study of electric companies providing broadband Internet service

It should be noted that, although we recommend allocating only \$205,000 in General Fund dollars to the Connectivity Initiative, we are working on another proposal in our Telecom Bill which would raise the Universal Service Charge by 0.5 percent. With this rate increase, \$814,000 in new revenue would be available for the Connectivity Initiative, annually. Thus, in FY 2020, there would be \$1,019,000 available for this Initiative.

Regarding our Committee’s proposed \$700,000 allocation to a new DPS grant program, we believe that the feasibility studies and pilot projects the program would fund are essential to assisting rural communities in developing their own broadband solutions.

Likewise, with respect to our Committee’s proposed \$50,000 allocation to DPS to support its assessment of the feasibility of electric companies offering broadband Internet service using distribution and transmission infrastructure, we similarly believe that this approach may present another opportunity to deploy Internet service to high-cost unserved and undeserved areas of the State. This investment of public dollars, we believe, will help to ensure that the State is better prepared to maximize and facilitate any opportunities for broadband deployment using existing infrastructure.

Finally, although we do not support the creation of a new special fund (i.e., the ThinkVermont Innovation Fund), we do support a **\$45,000** General Fund appropriation to the ThinkVermont Innovation Initiative established in 2018 Acts and Resolves No. 197, Sec. 2, for essentially the same purpose identified in the Governor’s Recommended State Budget. Namely, for funding technical assistance grants to Vermont municipalities that are in the planning stages of a broadband project.

We look forward to sharing additional details with you on the above-referenced programs as we finalize our work on the Telecom Bill.

Secs. C.106 and C.107 concern the State's bonding authority related to the proposed Broadband Expansion Loan Program administered by VEDA.

As noted above, the substantive provisions of the proposed Program are contained in our Telecom Bill. The specific proposals here would increase VEDA's bonding authority by \$6,000,000 and decrease the Vermont Telecommunications Authority's (VTA's) bonding authority by \$6,000,000.

Recommendation: We support this proposal. The VTA is currently in a dormant status; however, its bonding capacity remains in statute and is reflected in the State's overall bonding capacity. We agree that giving VEDA increased bonding capacity at this time to support a new Broadband Expansion Loan Program would provide eligible borrowers with much-needed access to capital to enable Internet service providers to expand broadband availability in unserved and underserved locations.

Sec. C.108 concerns the creation of an electric vehicle purchase and lease incentive with contingent funding.

This proposal would allow up to \$1,500,000 of Volkswagen (VW) settlement funds remaining in the AG-Fees & Reimbursements-Court Order fund number 21638 to fund the incentive program, which would be administered by the Agency of Transportation.

Recommendation: With transportation accounting for 43 percent of greenhouse gas emissions in Vermont, our Committee supports increasing the pace of electrification in the transportation sector.

Vermont is the recipient of \$3.6M of a consumer fraud litigation award delegated to the AG Fees and Reimbursements Court Order Fund #21638. This fund is expected to soon receive approximately \$700,000 from similar settlements with Fiat Chrysler and Bosch. Since these settlements were for deceptive claims regarding damage to Vermont's air quality, our Committee recommends an increase in the Governor's recommended \$1.5M for EV purchase incentives to \$4.3M as the most appropriate use of those awards. The proposed program is designed to benefit low- and moderate-income Vermonters in order to ensure that all income levels and all regions of Vermont enjoy the benefits of vehicle electrification as quickly as possible.

Further, with regard to the national VW Settlement Fund, the Committee further recommends authorizing the Department of Environmental Conservation to access the remainder of the \$18.7 million settlement that was not appropriated last year in order to accelerate the pace of EV infrastructure buildout and conversion of heavy-duty vehicles to electricity within the allowed uses stipulated in the settlement and in the FY19 appropriation.

Sec. E.102 concerns extending the preliminary period of the State Energy Management Program for an additional four years. This program is administered by BGS and Efficiency Vermont to deliver energy-efficiency and conservation measures in State

buildings and facilities. This proposal would fund the positions for this program for an additional four years.

Recommendation: The Committee supports the extension of the State Energy Management Program for an additional four years. This program has been a successful, cost-effective partnership between the BGS and Efficiency Vermont. Through the first three years of the program, this program resulted in initial year savings of \$547,000 and will result in over \$4.8 million of savings over the lifetime of the efficiency measures taken. BGS is anticipating an acceleration of these efforts and resulting savings in FY2019 if the Program is extended.

Sec. E.139 concerns an annual appropriation to the Attorney General and the Department of Taxes to fund the litigation expenses of the Department or towns to defend grand list appeals regarding the reappraisal values of hydroelectric plants and other property owned by “Great River Hydro, LLC” (formerly the “TransCanada Northeast project).

This proposal would transfer \$9,000 to the Attorney General and \$70,000 to the Department of Taxes, Division of Property Valuation and Review.

Recommendation: No Recommendation.

Sec. E.233 concerns the allocation of gross receipts revenue collected from regulated utilities.

The gross receipts tax is applied to regulated utilities in Vermont. By statute, the funds raised are allocated to the Public Utility Commission (PUC) (40%) and DPS (60%). The proposal is to redistribute the funds as follows: 35% to the PUC and 65% to DPS.

Recommendation: Our Committee recommends leaving the existing statutory 40/60 percent allocation as is. We do not support the proposed 35/65 redistribution of gross receipts tax revenue proposed here.

That said, providing sustainable funding to support the regulatory activities of the PUC and DPS remains of great concern to us. Earlier this month, our Committee addressed this issue in the context of the FY 2019 Fee Bill. Specifically, we recommended to the House Committee on Ways and Means: (1) an increase in the gross receipts tax rate to .00525 percent for both gas and electric companies; and (2) the imposition of new application fees for energy siting permits under 30 V.S.A. § 248.

Combined, these two measures would raise approximately \$1,080,435 in new revenue in FY 2020 (\$500,000 from the rate increase; \$580,435 from the fees).

While the projections provided by the PUC show a static amount of revenue generated by the new § 248 fees, we remained concerned about the volatility of this revenue source and therefore noted the need for finding a more stable source of revenue going forward. Some possibilities we considered briefly were: (1) an additional increase in the gross receipts tax rate; and (2) expanding application of the gross receipt tax to merchant generators. We were unable to assess the feasibility of the latter option in the time available to us, but we continue to

believe it warrants future examination, and it may offset the need for additional rate increases beyond FY 2020.

Until we are able to look at these alternative funding mechanisms more comprehensively and conclusively, we do not support permanently redistributing existing revenue as proposed in the Governor's Recommended FY 2020 State Budget.

Sec. E.400 concerns the Workers' Compensation Administration Fund, which was created to expend funds relating to the administration of the workers' compensation program.

This proposal would expand the scope of the statutory authority of the Fund to allow the Commissioner of Labor to use State monies in the Fund for IT investments not otherwise covered by federal funds.

Recommendation: No recommendation.

Sec. E.500.1 concerns the requirement to unify the statewide school finance and financial management data system.

This proposal would allow for payments to be made for contracted services to support the implementation of this system.

Recommendation: Our Committee concurs with this proposal and stresses the importance of the completion of this project. The deadline for this project is problematic, but this is an important project that should be prioritized.

- *What is the funding stream?*
- *Incorporate Dan Smith concerns (i.e., removal of legislative oversight)?*

Sec. E.711.1 concerns the administrative costs of the Environmental Contingency Fund.

This proposal would allow the Department of Environmental Conservation to recover costs associated with administering the Environmental Contingency Fund. Currently, the Department is allowed to recoup up to 2 percent annually of the fund for administrative costs, but this would allow up to 6 percent to be recovered.

Recommendation: No recommendation.

This concludes our recommendations. If you have any questions or would like additional information from us, please do not hesitate to reach out, as you deem appropriate.

Please also be aware that our Telecom Bill is still a work in progress. To the extent our recommendations differ from what has been presented here, we will notify you immediately.

Thank you for the opportunity to provide input on these important matters.