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Susanne R. Young, Secretary

TO: Senator Jane Kitchel, Chairperson, Senate Committee on Appropriations
FROM: Susanne Young, Secretary of Administration
DATE: Monday, September 14, 2020
RE: Policy Observations on H.969, *An act relating to making appropriations for the support of government*

The Administration has reviewed H.969, *An act relating to making appropriations for the support of government*. We appreciate the hard work the House has done in a very compressed time frame and the strong collaboration with the Administration. The House budget substantially agrees with the Governor's recommended base spending level and the use of one-time funds to bridge the revenue gap caused by the COVID-19 pandemic. With base revenues falling and needs increasing, now is not the time to make dramatic changes to programs or services to Vermonters.

Many of the Governor's spending initiatives were funded, in whole or in part, in H.969. The House agreed with the Governor's request to direct more money to the maintenance of our roads, to provide for the build out of broadband in rural areas, and to invest in our communities by expanding the downtown and village center tax credits. The House also worked with the Administration to allocate Coronavirus Relief Funds (CRF) to Vermont businesses, especially our retail, lodging and hospitality sectors most impacted by the economic downturn created by the pandemic. Though the Administration appreciates the thoughtful and considered reception the House gave the Governor's proposals, the Governor's recommended budget went beyond the House proposals in the respects outlined below.

Economic Recovery Grants

The Governor's restatement requested \$133 million in CRF to provide additional financial assistance and a temporary lifeline to Vermont businesses which have suffered financial strain because of the public health and safety measures put in place to slow the spread of COVID-19. The Administration appreciates that the House allocated resources to bolster the economy, however the total amount of funding – \$100 million, not including what the Governor proposed to the Joint Fiscal Committee on August 24th – is lower and the priorities are different. In particular, the House budget provides no CRF funding for the \$50 million Buy Local Vermont program. This stimulus is targeted entirely at Vermonters and Vermont businesses. The Agency recently completed a small, \$425,000, pilot of the program and it was successful. The Agency asks the Senate to provide funding for this initiative.



Municipalities

The Administration requested \$8.75 million from the Joint Fiscal Committee on August 24th to support the continuity of safe municipal and business operations this fall and winter. This would have gone directly to our 23 Designated Downtown Organizations, our municipalities, and our village center businesses and non-profits to ensure their viability for visitors – both local and out of state – during the fall and winter months. This statewide granting program will leverage local and philanthropic funds to implement community projects that make Vermont’s downtowns and villages compelling and safe places to visit. Several partners have already reached out and are ready to move forward with us; we just need the match monies to get started. It is not clear how the Legislature is continuing to move the urgent requests made at the most recent Joint Fiscal Committee meeting. We ask the Senate to reconsider this specific request.

Tourism Grants

The House eliminated grants to the Vermont Convention Bureau (\$95,000) and the Vermont Mountain Bike Association (\$26,880). Reducing funds to organizations that promote Vermont at a time when businesses need support conflicts with COVID-19 economic recovery need.

Vermont Relocation Assistance Program (Section B.400)

The House removed \$300,000 from the VRA Program in Department of Labor’s budget. This money was to be used to facilitate and expedite relocation to Vermont. In light of the fact that many people are moving to Vermont, and many more are considering it, this is not the time to eliminate a program specifically designed to help people with the myriad details of relocating their families.

Individual Assistance: Supplemental Unemployment Insurance Benefit and Military Pension Tax Exemption

The Administration appreciates the House’s support of the Governor’s Stimulus Equity Program. The Governor continues to support appropriating an additional \$20 million from the CRF as requested at the August 24th Joint Fiscal Committee meeting. This money would provide an additional \$100 benefit per UI claimant, per week, for up to four weeks, or for as long as the Lost Wage Assistance Program (LWAP) is active, whichever comes first. The first \$300 check from this federal program will arrive next week. Approximately 45,000 individuals filed for benefits in August and support of this additional benefit will put money directly into the pockets of unemployed Vermonters.

As in past years, the Governor’s budget includes a request to exempt military retirement pay from state income taxes, allowing us to join the overwhelming majority of states that provide tax relief to those who devoted their careers, and their lives, in service to their nation. Military retirees bring income and experience to Vermont and quickly contribute to their communities. In addition, they are eligible for various types of veterans’ benefits such as the GI bill, small business loans and VA home loans, all of which add to the tax base. Vermont’s immediate geographical neighbors – New York, New Hampshire and Massachusetts – exempt all military



retirement pay from state tax. The House declined to include this in their budget, however the Administration asks the Senate to reconsider this request.

Public Safety and Mental Health Collaboration (Sections B.314 and E.314.2)

The Agency of Human Services is already working collaboratively with the Department of Public Safety (DPS) on the plan to embed social workers/clinicians in Vermont State Police barracks across the state. The authorization language in Section E.314.2 is unnecessary. Moreover, neither the Agency of Human Services (AHS) nor DPS supports the transfer of funding from DPS to the Department of Mental Health (DMH) for purposes of funding this initiative. The Departments of Mental Health and Public Safety intend to enter into a memorandum of understanding (MOU) to partner in implementation and ongoing quality review. Funding through DPS underscores its commitment to the modernization of public safety as well as significant buy-in on behalf of the law enforcement community to enhance successful implementation. For many years, municipalities, local governments, state agencies, many advocates and law enforcement leaders have supported and urged expansion of this program. The willingness of the law enforcement community to come to the table on reform and modernization, together with the availability of start-up funding in FY 2021 for this program, present an opportunity for bold action that should not be squandered.

Mailed Australian Ballots for Town Meeting (Section B.1115)

The Governor's proposed budget included \$2 million to cover the cost of mailed ballots should Congress provide additional flexibility to spend CRF after December. The House passed language does not require the mailing, but instead leaves the decision to apply the Australian ballot system in the hands of local school boards. Vermont experienced the benefit of mailing ballots to all voters during Vermont's primary and achieved record turnout. There is still great uncertainty around the COVID-19 virus and the availability of a vaccine in the near term. The mailing of Australian ballots this spring should be extended to ensure all eligible voters have the option to vote by mail. The intent of the CRF appropriation in the Governor's budget was to acknowledge the additional cost of mailing ballots to all eligible voters.

Committee Room space for Legislature Committees during the pandemic (Section E.126)

The Administration has worked closely with the Sergeant at Arms and the Joint Fiscal Office to identify meeting space in the capitol complex and elsewhere large enough to accommodate in-person legislative committee work and physical distancing for the first year of the 2021/22 legislative session. The list of space in the House bill goes much further than the need conveyed to the Administration. In particular, the proposed language requests the entire fifth floor of 133 State Street, in addition to the several other spaces identified in the bill. While the fifth floor is currently vacant, fit up for intended occupants is slated to begin in February/March 2021. Losing the use of this entire floor of offices to free up space for a committee room will disrupt the implementation of the current plan to optimize the use of state-owned space and eliminate the need to renew high priced leases in the next two years. BGS will continue to work with the Legislature to identify conference room space that will balance the need for legislative conference rooms with the Administration's goal to save taxpayers' money.



Closure of Woodside Juvenile Rehabilitation Center

Given there is now a path forward on the closure of Woodside and there are currently no youth housed there, AHS requests the language below be added to H.969:

Title 33 Chapter 58: Woodside Juvenile Rehabilitation Center is repealed in its entirety and the facility known as Woodside is permanently closed, effective October 1, 2020.

The Department for Children and Families will continue to provide for the appropriate care and treatment of youth in its custody as required by chapters 51, 52 and 52A of title 33.

DAs/SSAs (Section B.1101.2(a)(7))

AHS does not support the provision of additional CRF funds for DAs/SSAs for training, IT, PPE, and other expenses.

DMH and the Department of Aging and Independent Living have worked to prioritize and expedite timely fiscal support to the DA/SSA network, providing over \$10 million in CRF funding to date. In addition, DMH has the following concerns regarding this proposal:

- A) For costs that are eligible for CRF, there are concerns that the DAs/SSAs have already received funding for the eligible costs
- B) Other proposed costs to cover are likely not eligible for CRF
- C) Lack of alignment with the current Health Care Stabilization Program

AHS suggests that these needs be considered within the context of the current Healthcare Stabilization Package. The process is in place and we have the appropriate evaluation measures to ensure CRF funding eligibility and audit compliance. The next application phase of the Health Care Stabilization Program will align with the next phase of need for DA/SSA partners.

Health Equity & Disparities (Section B.1101.2(a)(10))

This subsection would add \$1 million to the \$500,000 already appropriated for the purpose of addressing the needs of individuals at high risk of adverse outcomes from the COVID-19 pandemic. The Agency supports the intent of this section to address systemic health disparities in an inclusive manner, but is concerned that the limitations on eligible uses for CRF funding combined with the 12/30 deadline for expenditures are inconsistent with the need for sustained, long-term engagement required for results.

Pre-K-12 Education Pandemic Costs: Coronavirus Relief Fund Appropriations (Section B.1111)

Reopening Vermont's schools for in-person learning is one of the Governor's top priorities – if not his top priority– because the health experts in the Administration, as well as those advising schools and school leaders, agree it can be done safely based on Vermont's high viral suppression rate. Children need the structure, routine and certainty as well as the social and emotional development that takes place in classrooms as much as they need the academic instruction.



Inequity in education opportunities existed across districts prior to this pandemic. While the Administration has respected local control and local leadership in working to reopen schools, the Governor supports using Coronavirus Relief Funds (CRF) to cover the costs for reopening schools for in-person learning.

Last spring, the Legislature appropriated \$50 million CRF to cover reopening costs, which included \$29 million in LEA reimbursement. This amount was appropriated to the Agency of Education as the pass-through entity to districts for reimbursable expenses based on an estimate using national data that total reopening costs would be \$490 in additional COVID-related expenses per pupil (or about \$42 million for Vermont's roughly 85,000 kids). The Agency's deadline for the grant application was Sept. 1, 2020 and applications total more than \$70 million. The Agency of Education is reviewing these applications now and will have a more thorough analysis next week. We hope to work with the legislature on an appropriate level of funding based on this analysis.

Conclusion

Overall, while H.969 spends approximately \$5 million more than the Governor's recommended budget, the House does not raise taxes or fees, maintains programs and services vital to Vermonters, and helps bridge the COVID funding gap until our economy returns to its former healthy state.

The Administration looks forward to working with the Senate Appropriations Committee in the same collaborative spirit we enjoyed in the House to meet the challenge of developing a sustainable and responsible budget in the pandemic.

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CC: Senator Tim Ashe, Senate President Pro Tempore
Senator Ann Cummings, Chair, Senate Committee on Finance
Representative Mitzi Johnson, Speaker, House of Representatives
Representative Catherine Toll, Chair, House Committee on Appropriations
Representative Janet Ancel, Chair, House Committee on Ways and Means
Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office
Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office
Adam Greshin, Commissioner, Department of Finance and Management
Governor's Cabinet

