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HOUSE COMMITTEE ON APPROPRIATIONS

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MEMORANDUM

To: Representative Ancel, Chair, House Committee on Ways & Means

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

Date: January 15, 2019

Subject: Provisions in the Governor's Proposed FY 2019 Budget Adjustment

The House Appropriations Committee has started work on the FY 2019 Governor's proposed budget adjustment and would like to inform you about proposals related to appropriations from the Agency of Education. In addition, there is language related to the transition of the State Health Care Resources and the Education Funds.

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 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. If you would like to respond, it would be helpful if you could do so by the end of the day on Tuesday, January 22, 2019.

The House Appropriations Committee budget reporters are listed by subject area on the attached key or can be found on the Committees webpage under the highlights section. In addition, if you have not already informed Theresa of who your committee liaison/s are for the Budgets, please do so soon to allow for good communications and coordination between the committees. Please let us know if you have questions about the enclosed documents or the information in the following page/s.

Numbers Sections:

B 505 - Includes full funding for fiscal year 2019 projected spending plans for schools; Driver's Education funding; Act 46 funding; Technical FTEs for refunding districts for resident students attending technical centers but who are not enrolled in a public high school.

Note: this section has also been sent to the House Committee on Education.

Language Sections:

Sec. 7a. – 7k. – Transition of State Health Care Resources Fund Revenues to the General Fund
EXPLANATION: EXPLANATION: Sections 7a through 7k are required in order to transition the State Health Care Resources Fund to the General Fund as permitted in the 2018 Acts and Resolves No. 11 (Special Session), Section D.108.

Note: this section has also been sent to the House Committee on Health Care.

Sec. 11 - 2018 Acts and Resolves No. 194, Section 26a(b) is amended to read:

(b) In fiscal years 2019 and 2020, the Clean Energy Development Fund shall transfer from the Clean Energy Development Fund to the ~~General Fund~~ Education Fund the amount of the tax expenditure resulting from the sales tax exemption under 32 V.S.A. § 9741(52) on advanced wood boilers up to a maximum of \$200,000.00 for both fiscal years combined. ~~The Department of Taxes shall deposit 64 percent of the monies transferred from the Clean Energy Development Fund into the General Fund under 32 V.S.A. § 435 and 36 percent of the monies in the Education Fund under 16 V.S.A. § 4025.~~

EXPLANATION: Accomplishes the technical adjustment to Act 194 required by the July 16, 2018 Statement of Legislative Intent due to the changes made to funding sources and uses of the Education Fund via Sections H.8 and H.9 of Act 11.

Sec. 12 16 V.S.A. Section 4026(e) is amended to read:

(e) The enactment of this chapter and other provisions of the Equal Educational Opportunity Act of which it is a part have been premised upon estimates of balances of revenues to be raised and expenditures to be made under the act for such purposes as adjusted education payments, categorical State support grants, provisions for property tax income sensitivity, payments in lieu of taxes, current use value appraisals, tax stabilization agreements, the

stabilization reserve established by this section and for other purposes. If the stabilization reserve established under this section should in any fiscal year be less than ~~3.5~~ 5.0 percent of the prior fiscal year's appropriations from the Education Fund, as defined in subsection (b) of this section, the Joint Fiscal Committee shall review the information provided pursuant to 32 V.S.A. § 5402b and provide the General Assembly its recommendations for change necessary to restore the stabilization reserve to the statutory level provided in subsection (b) of this section.

EXPLANATION: Both the Administration and the Joint Fiscal Office agree that under the Education Fund revenue structure in place effective with Act 11, the appropriate stabilization reserve level should be 5.0%.

Note: this section has also been sent to the House Committee on Education.

Sec. 13 - HOLD HARMLESS; PREKINDERGARTEN EQUALIZED PUPIL COUNT

(a) The Agency of Education shall adjust the long-term membership of a school district under 16 V.S.A. § 4010, which is used in determining the district's equalized pupil count, for a school district that:

(1) in school year 2017-2018 erroneously paid public dollars to a prekindergarten program that was ineligible under 16 V.S.A. § 829 to receive public funds and as a result overreported its average daily membership prekindergarten count for that year to the Agency of Education; and

(2) corrected for this overreporting by correspondingly decreasing its 2017-2018 school year average daily membership prekindergarten count in a subsequent report to the Agency of Education.

(b) The Agency of Education shall adjust the long-term membership of a school district that qualifies under subsection (a) of this section by increasing its average daily membership prekindergarten count for the 2017-2018 school year by the amount it overreported for the 2017-2018 school year.

EXPLANATION: This proposed language would allow districts who erroneously paid PreK funds to a program that was not prequalified to nevertheless count those students in their average daily membership. It is necessary to hold these districts harmless as they had no reason

*to know that a PreK partner program was not prequalified and therefore acted in good faith.
Thank you for your review and consideration.*

Note: this section has also been sent to the House Committee on Education.

Sec. 15 - 2018 Acts and Resolves No. 11 (Special Session), Sec. H.12 is amended to read:

(a) An eligible claimant who owned the homestead on April 1 of the year in which the claim is filed shall be entitled to an adjustment amount determined as follows:

* * *

(5) In no event shall the credit provided for in subdivision (3) or (4) of this subsection exceed the amount of the reduced property tax. The adjustments under subdivisions ~~(3) and (4)~~ of this subsection shall be calculated considering only the tax due on the first \$400,000.00 in equalized house site value.

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EXPLANATION: Sec.H.12 of Act 11 separated the municipal and educational portions of the homeowner rebate program with a focus on the changes being revenue neutral. The requested language change would accomplish revenue neutrality by having the value cap apply only to the Ed. tax credit when determining if the tax credit provided exceeds the reduced tax amount (i.e., separation of municipal and statewide ed tax credit caps).

Thank you for your review and consideration.