


M E M O R A N D U M

To: Senator Jane Kitchel, Chair, Senate Committee on Appropriations
From: Adam Greshin, Commissioner of Finance and Management 
CC: Representative Catherine Toll, Chair, House Committee on Appropriations
Date: April 10, 2019
Re: Technical Observations for H.542

Upon review of H.542, *An Act Relating to Making Appropriations for the Support of Government*, the following technical issues were identified, and I request that they be addressed in the Senate's amendments to H.542. Of particular note, the following sections of H.542 reference legislation not yet enacted and may therefore be problematic if not enacted at the time that H.542 passes both chambers and is presented to the Governor for his consideration: Sec. E.113, Sec. E.126.1, Sec. E.208.1, and Sec. E.300.1.

1. **Sec. B.141 – Lottery Commission:** The Administration's intention was to align this appropriation with those of the Department of Liquor and Lottery under the Protection to Persons and Property function of government. As such, the Administration requests that Sec. B.141 be renumbered as Sec. B.236.2.
2. **Sec. B.300 AHS – Secretary's Office (Legal Aid - \$25,000 GF):** This increase should be in the personal services major object code since it is a contract – not a grant:

<u>Sec. B.300 Human Services - agency of human services - secretary's office</u>		
Personal services	<u>11,152,461</u>	<u>11,177,461</u>
Operating expenses	6,805,654	6,805,654
Grants	<u>2,920,202</u>	<u>2,895,202</u>
Total	20,878,317	20,878,317
Source of funds		
General fund	7,775,309	7,775,309
Special funds	135,517	135,517
Federal funds	11,555,036	11,555,036
Global commitment funds	453,000	453,000
Interdepartmental transfers	<u>959,455</u>	<u>959,455</u>
Total	20,878,317	20,878,317

3. **Sec. B.301 AHS – Secretary’s Office GC:** First, funds for the 12 beds at the Brattleboro Retreat exceed what is needed for the gross increase at DMH of \$2,153,000 (GF need is \$993,179, FF need is \$1,159,821). Second, while the total funds needed for the 2% HCBS increase is correct, the GF and FF split needs to be adjusted (GF need is \$924,394, FF need is \$1,079,496). Third, the Governor’s Recommended budget did not include the decrease in federal funds associated with the reduction in the GMCB’s GC appropriation. Provided below are the necessary adjustments to this appropriation.

<u>Sec.B.301 Secretary's office - global commitment</u>	House As Passed	Tech. Change
Operating expenses	3,150,212	3,150,212
Grants	<u>1,624,438,654</u>	<u>1,623,190,395</u>
Total	<u>1,627,588,866</u>	<u>1,626,340,607</u>
Source of funds		-
General fund	<u>558,773,069</u>	<u>558,773,008</u>
Special funds	34,969,169	34,969,169
Tobacco fund	21,049,373	21,049,373
State health care resources fund	16,915,501	16,915,501
Federal funds	<u>980,513,975</u>	<u>979,265,777</u>
Interdepartmental transfers	<u>15,367,779</u>	<u>15,367,779</u>
Total	<u>1,627,588,866</u>	<u>1,626,340,607</u>

4. **Sec. B.702 – Fish and Wildlife – Support and Field Services:** Technical changes to the following appropriations are required. Respective explanations are provided below.

<u>Sec. B.702 Fish and wildlife - support and field services</u>	House As Passed	Tech. Change
Personal services	<u>17,628,262</u>	<u>17,806,224</u>
Operating expenses	5,704,905	<u>5,476,943</u>
Grants	<u>1,068,313</u>	<u>1,118,313</u>
Total	24,401,480	24,401,480
Source of funds		-
General fund	6,088,870	6,088,870
Special funds	166,892	166,892
Fish and wildlife fund	9,236,567	9,236,567
Federal Funds	8,789,226	8,789,226
Interdepartmental transfers	119,925	119,925
Permanent trust funds	<u>0</u>	<u>0</u>
Total	24,401,480	24,401,480

Note: \$300,000 (\$160,000 GF and \$140,000 SF) was appropriated as Operating Expenses by the House to continue operating the Salisbury Fish Hatchery. However, over half of the cost associated with the Fish Hatchery is personal services, and the technical change here reflects needed changes to Major Objects as suggested by the Fish and Wildlife Department.

5. **Sec. B.800 and B.801 – ACCD:** Technical changes to the following appropriations are required. Respective explanations are provided below for each set of changes.

Sec. B.800 Commerce and community development - agency of commerce and community development - administration

	House As Passed	Tech. Change
Personal services	2,013,794	20,013,794
Operating expenses	1,331,369	1,331,369
Grants	<u>552,627</u>	<u>352,627</u>
Total	<u>3,897,790</u>	<u>3,697,790</u>
-		
Source of funds		
General fund	3,877,790	3,677,790
Interdepartmental transfers	<u>20,000</u>	<u>20,000</u>
Total	<u>3,897,790</u>	<u>3,697,790</u>

Note: Next Gen grants for UVM innovations program and VCET should be in B.801 Economic Development.

Sec. B.801 Economic development

	House As Passed	Tech. Change
Personal services	4,027,032	4,027,032
Operating expenses	1,102,979	1,102,979
Grants	<u>5,011,099</u>	<u>5,211,099</u>
Total	<u>10,141,110</u>	<u>10,341,110</u>
-		
Source of funds		
General fund	4,742,394	4,942,394
Special fund	1,645,350	1,905,350
Federal Fund	3,708,366	3,448,366
Interdepartmental transfers	<u>45,000</u>	<u>45,000</u>
Total	<u>10,141,110</u>	<u>10,341,110</u>

Note: Next Gen grants for UVM innovations program and VCET should be in B.801 Economic Development (\$200K), and the source of funds for NBRC should be reallocated from Federal Funds to Special Funds 21820.

6. **Sections B. 903 and B.915 – Transportation Program Development and Town Highway Class 2 Roadway:** Both appropriations include spending authority for federal FHWA funds by utilizing toll credits that have not yet been authorized by FHWA. While we believe the toll credits are likely to become available, the Senate might consider contingency language in case the actual award is different from the anticipated amount.
7. **Section B.1101(a)(4) – FY20 One-time Appropriations – OEO \$250,000:** OEO’s Weatherization Program was created to serve low-income Vermonters with an AMI between 60-80% pursuant to 33 VSA Sec. 2502. Therefore, while DCF supports adding \$250,000 in funding for low-income Vermonters, if it is the Legislature’s intention to have OEO manage these funds, the associated AMI should fall within 60-80%. If the Legislature instead intends to provide weatherization assistance to moderate income Vermonters with an AMI of 80-120%, Efficiency Vermont should provide those services instead.
8. **Sec. C.110 – Special Fund Appropriation for Tax Computer Systems:** Since Sec. C.109 was struck by the House but included in the BAA, the following technical change is needed:
 - (a) \$10,000,000 is appropriated to the Department of Taxes from the Tax Computer System Modernization Special Fund established pursuant to 2007 Acts and Resolves No. 65, Sec. 282, as amended by 2011 Acts and Resolves No. 63, Sec. C.103, as amended by 2013 Acts and Resolves No. 1, Sec. 65, as amended by 2014 Acts and Resolves No. 95, Sec. 62, as amended by 2018 Acts and Resolves No. 87, Sec. 47, and as amended by 2018 (Sp. Sess.) Acts and Resolves No. 11, Sec. E.111.1, ~~and as further amended by Sec. C.109 of this act.~~ This appropriation shall carry forward through fiscal year 2022.
9. **Sec. E.124(a)(3) – Budget Report:** The Administration suggests that any new requirement for reporting the costs of deferred infrastructure maintenance in State buildings and the State’s transportation system should be included as a part of future Capital Budget submissions. The Capital Budget seems to be a more appropriate vehicle for this request rather than the Operating Budget.
10. **Sec. E.326.1 – Increased Access for Weatherization Services:** This section authorizes Efficiency Vermont to use up to \$250,000 from the Electric Efficiency Fund to pay for thermal and process fuel efficiency for unregulated fuels for Vermonters earning between 60 – 100% of AMI. However, OEO’s Weatherization Program already provides these services to low-income Vermonters whose AMI is between 60-80%. In order to maximize the funding relative to households not currently served by OEO, the range of eligibility should be changed to 80-120% of AMI to address the needs of moderate-income Vermonters.
11. **Sec. E342.1 – Vermont Veterans’ Home Safety and Access Control Upgrades:** While it is within the VVH’s discretion to use earned cost settlement proceeds to cover operational and capital costs, if the Legislature chooses to circumscribe such proceeds, the Administration suggests the changes below. Any remaining balance should be available to the VVH in an unrestricted manner.
 - (a) The Vermont Veterans’ Home is authorized to use \$918,750 in facility funds ~~resulting from the fiscal year 2017 upper limit rate settlement with Medicaid as a 35 percent as State match for its their VA grant~~ to address safety and access control. ~~The remaining \$140,049 balance from the settlement shall be reserved for further use with the approval of the General Assembly.~~

12. **Sec. E.504.2 – Education – Flexible Pathways:** In order to correct the House’s amendments to the High School Completion Services appropriation, and to revise the Governor’s Recommended amount for Early College, the corrections below are required. Additionally, the Agency of Education recommends that the need-based stipends associated with dual enrollment be appropriated directly to VSAC instead of as pass-through grants via the Agency of Education, as the current arrangement creates additional administrative work and grant agreements for the Agency.

(a) Of this appropriation, ~~\$3,026,500~~ \$3,916,000 from the Education Fund shall be distributed to school districts for reimbursement of high school completion services pursuant to 16 V.S.A. § 943(c).

Notwithstanding 16 V.S.A. § 4025(b), of this Education Fund appropriation, the amount of:

(4) \$450,000 is available for the Vermont Academy of Science and Technology and ~~\$1,870,000~~ \$2,148,000 for Early College pursuant to 16 V.S.A. § 946.

13. **Sec. E.711 – Environmental Contingency Fund; Bennington Water Line Extension:** The Administration suggests that if the transfer is to occur in fiscal year 2019 then the language should be included in the C. Section of the Big Bill.

14. **Sec. E.903 – Volkswagen Funds for Electric Vehicle Charging:** Referencing 10 VSA Sec. 554(15) requires funds from the Trust to first transfer to an ANR account prior to being directed toward projects eligible under the VW Trust Agreement. By eliminating the reference to 554(15), ANR will be able to direct the funds directly from the Trust account to the recipient of the funds to implement an eligible project. Being that ANR is the only state entity with the legal authority as a beneficiary to direct the VW Trustee to transfer funds to VTrans to implement an eligible EVSE project, the following change is needed:

(b) The Secretary of Natural Resources ~~shall administer, in his/her capacity as a beneficiary of the Environmental Mitigation Trust monies pursuant to 10 V.S.A. Sec. 554(15) and in administering the Trust monies, shall provide~~ direct the Trustee to transfer \$300,000 to the Agency of Transportation with ~~\$300,000~~ to be used for the installation of electric vehicle charging infrastructure in accordance with the requirements of Appendix D-2.

15. **Next Generation:** Workforce development initiatives, including the Next Generation programs, are key components of the Governor’s strategic goal of growing Vermont’s economy by upskilling the underemployed workforce. The House’s conversion of Next Generation from a special fund to a program within the General Fund has been presented by the House as a technical change meant to provide greater budgeting transparency and simplicity. However, as these are the only State funds allocated specifically to workforce development in VDOL’s budget, our preference is that this remains a special fund to ensure we continue to recognize the importance of this work in the future. The Governor would strongly oppose any reduction in commitment to these programs.