

**State of Vermont**  
**Agency of Administration**  
**Department of Finance & Management**  
Pavilion Office Building  
109 State Street, 5<sup>th</sup> Floor  
Montpelier, VT 05609-0201  
[www.finance.vermont.gov](http://www.finance.vermont.gov)

[phone] 802-828-2376

*Adam Greshin, Commissioner*

**To:** Members of the General Assembly

**From:** Adam Greshin, Commissioner of Finance & Management

**Date:** January 17, 2023

**RE: 2022 Act 185 Sec. E.106(e) Report**

---

Pursuant to 2022 Act 185 Sec. E.106(e), I am pleased to provide this report.

The Department of Finance & Management has applied the following definitions to compile the report:

- “Fees” is defined as charges being defined in statute as fees and appearing on the fee inventory report required by E.106(c). Funding derived from a tax assessment, from federal funding, or from any other revenue source that does not appear on the fee inventory, is not considered in the scope of this report.
- The “programs” considered are limited to those being funded by special funds as defined in 32 V.S.A. § 588. Note the granularity of the reporting of “programs” is limited by the State’s current financial accounting and budgeting systems for revenue and expenses which do not utilize “programs” as an organizational structure.
- The criterion “where the fees do not fully cover the cost of providing the service or regulatory function” is defined by the special fund that supports the program meeting one or more of the following conditions: ending fiscal year 2022 in deficit; ending fiscal year 2022 with a positive balance due to transfer from the General Fund; or projected to end fiscal year 2023 in deficit.

Finance & Management offers several caveats to the report. Compiling a list of programs “...where the fees do not fully cover the cost of providing the service or regulatory function” belies the complexity of the mix of funding sources on which agencies and departments rely (often drawing on a mix of Special, General and Federal Funds to cover program costs). Each of those funding streams experiences year-to-year variability. Furthermore, a single special fund may support, and receive revenue generated by, multiple programs within a division, department or agency, with varying levels of flexibility to redistribute that revenue across programs. Specific examples of complicating factors include the following:



- A Special Fund may support multiple programs (i.e., Fire Safety Special Fund)
- A Special Fund may receive revenue from multiple sources other than fees (i.e., Forest Parks Revolving Fund receives significant revenue from leases in addition to fees)
- A program may draw support from multiple sources, not exclusively from a Special Fund (i.e., CCVS -Victims Advocate program is funded by both the Victims Compensation Special Fund and federal funds)

Also note that multiple contributory factors may be involved in the listed programs “where the fees do not fully cover the cost of providing of the service or regulatory function,” and these factors are not necessarily limited to fee amount, number of fees collected, and base expense inflation. For example, expenses may be extraordinarily high: Secretary of State - Office of Professional Regulation in SFY2021 and SFY2022 is driven by expenses in those years being approximately 40% higher than the SFY2019 and SFY2020 levels, due to factors that include extraordinary expenses related to COVID-19 and IT project costs. As another example, revenues may be extraordinarily low: the inability of cannabis licensing revenue to cover Cannabis Control Board expenses is primarily due to the start time and ramp up of the regulated marketplace, and it will not be clear whether a structural funding deficit exists until the marketplace matures.

**Programs where fees do not cover the cost of providing the service or regulatory function:**

Cannabis Control Board  
 Center for Crime Victims Services – Victims Advocate Program \*  
 Dept. of Public Safety – Fire Safety Division  
 Dept. of Environmental Conservation – Watershed Mgmt. Div. – River Mgmt. Program  
 Streamflow Protection Section  
 Enhanced 911 Board  
 Natural Resources Board – Act 250 Program  
 Secretary of State – Office of Professional Regulation

\* Until SFY2023, the Victims Advocate personal services expense was funded by a combination of the Victims Compensation Special Fund (which is funded by fees) and federal VOCA funds. Declining trends both in sources of funds and not in fees alone contributed to the funding gap that was filled by a General Fund transfer to the Victims Compensation Special Fund in SFY2022. Beginning in SFY2023, the Victims Advocate personal services expense is funded in Sec. B.206.1 with a General Fund appropriation and is no longer dependent on fee revenue.

