



**GENERAL ASSEMBLY**  
**STATE OF VERMONT**  
LEGISLATIVE JOINT FISCAL COMMITTEE

Thursday, August 17, 2017

Minutes

Room 11, State House

Members present: Representatives Ancel, Donovan, Fagan, Lippert, and Toll, and Senators Ayer, Cummings, Kitchel, Sears, and Westman.

Other Attendees: Administration, Joint Fiscal Office, and Legislative Council staff, and various media, lobbyists, and advocacy groups.

Representative Janet Ancel, Chair, convened the meeting at 10:05 a.m. and explained the minutes of November 14, 2016, and January 26, 2017 needed reapproval since joint rules did not allow members to move or vote while on speakerphone, which occurred at the previous (July) meeting. Senator Kitchel moved to approve both sets of minutes, and Representative Fagan seconded the motion. The Committee approved the minutes.

The Chair explained how the Committee would proceed with the meeting, and then asked the Joint Fiscal Office to review the FY2018 revenue shortfall.

#### Overview of Shortfall

Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office, reviewed the FY2018 revenue shortfall. He explained that in July, the revenue estimators reduced the forecast for the General Fund by \$28.8 million. Anticipated areas of the reduction were \$16.3 million in Corporate refunds that were delayed in FY2017, and carried over to be FY2018 obligations. Act 85 of 2017 gave authorization to the Emergency Board to offset Corporate obligations through one-time resources. The final amount the Administration would need to submit a rescission plan beyond the Corporate refunds was \$12.6 million. The additional \$100k of reductions was due to the decrease in revenues in the Vermont Housing & Conservation Board from Property Transfer Tax receipts. Mr. Klein added that there was also a \$3.5 million Transportation revenue downgrade.

#### Presentation of the Governor's Proposed FY2018 State Budget Rescission Plan -1. FY2018 Proposed General Fund Rescission Plan

Adam Greshin, Commissioner, Department of Finance & Management, distributed the Administration's proposed rescission plan and reviewed the details with the Committee. He explained that \$4.5 million of the plan would be raised from Medicaid savings. The Medicaid consensus spending forecast group of Administration and JFO staff revised the forecast on August 10 because spending of these funds had reduced, of which the majority of those savings was federal

funds. The Medicaid decrease in spending was due to overall caseload reductions and amounted to \$20 million total savings with \$4.5 million in State savings. Commissioner Greshin explained that after the Medicaid savings, the new General Fund reduction amount became \$8.1 million.

Commissioner Greshin stated that as presented at the July JFC meeting, the Department of Financial Regulation (DFR) explained there was an increase in additional revenue from its balances, predominantly from insurance application renewals and broker-dealer registration fees. The increase in these fees, of \$3.5 million, was anticipated to continue as ongoing revenue and could be used to reduce the revenue downgrade further to \$4.6 million.

Commissioner Greshin stated that legislation in a previous session (2015) had intended better to align billing practices of Medicaid and providers (provider-based billing practices), and moving forward the baseline was reset with hospitals better to align billing. The estimated general funds net savings in FY2018 from this initiative amounted to \$1.6 million. This further reduced the current revenue reductions to \$3 million.

Commissioner Greshin then reviewed the list of reductions in the Department listed on the spreadsheet of the Administration's rescission plan. Senator Ayer asked if the reduction in the Public Utility Commission's (PUC) carryforward of \$150k would affect staffing. Commissioner Greshin responded that he was not aware of issues in the PUC's operations. Senator Kitchel asked for additional information on the State's Attorneys (SA) reduction of one-time money of 179k. Commissioner Greshin responded that the SA, and specifically the Sheriffs, had \$330k in total carryforward of which it asked to use the \$220k in FY2018. The Administration was taking slightly more than the difference of carryforward for its rescission exercise. It was the expectation that the Sheriffs' base budget would come more in line in the future.

Senator Sears stated that he reached out to Senators Becca Balint and Jeannette White and Representative Laura Sibilia on the Brattleboro Development Credit Corporation SEVEDS grant for comment on the rescission. He was informed that the grant was originally designed to assist that area with post-Vermont Yankee closure economic issues and wage losses. Senator Sears further explained that Brattleboro had lost wages in 2016 of \$800k, and he suggested there be some solution in the BAA to address those issues.

Senator Sears expressed concern that the Department of Public Safety was able to find additional funds through base savings and carryforward funds after many discussions between the Legislature and the Department to find funds for the FY2018 budget. He requested further details on the base savings and carryforward. Commissioner Greshin responded they would get precise detail on the funds to the Committee. He then responded to the Chair's Judiciary savings question, that the funds were one-time from higher-than-anticipated vacancy savings. Commissioner Greshin addressed Senator Sears's concerns on the Brattleboro grant, explaining that the grant was never intended to be an ongoing budget item. Senator Sears suggested that if this arose as an issue in BAA, it could be addressed then. Commissioner Greshin distributed the Department of Public Safety's fund details for the Committee to review.

Senator Westman pointed out discussions during the recent legislative session on the \$40k of contract savings in the EB5 program that the Administration requested not be used for the

FY2018 budget due to costs associated with reporting mandates. Commissioner Greshin responded the Agency of Commerce & Community Development (ACCD) confirmed it had the resources for current projects but not for new projects. Senator Westman countered that the information was contrary to testimony within the Senate Appropriations Committee.

Representative Lippert asked for confirmation that the Medicaid forecast revision was a consensus forecast change based on redeterminations and a shift in the federal match, but not a change in access, benefits, or eligibility of Medicaid. Commissioner Greshin agreed the forecast revision would not have an effect on any practices in Medicaid. Representative Lippert requested more detail on the redeterminations, such as the numbers of Vermonters no longer eligible for Medicaid, and where those people are receiving health care from that are no longer eligible. Al Gobeille, Secretary, Agency of Human Services, joined Commissioner Greshin to respond to Representative Lippert's questions on Medicaid eligibility. Secretary Gobeille stated he would submit information in regard to the history of redeterminations at a later time. He explained that the Medicaid consensus forecast was an estimate of Medicaid-eligible groups of Vermonters. While the Medicaid portion of eligible participants was reduced, there were more people moving to the Exchange that were in need of premium assistance and cost sharing.

The Chair reminded the audience that the Committee had set time aside for Agency comments at 11:30 a.m. and public comments at 1:00 p.m.

## 2. FY2018 Proposed Transportation Rescission Plan

Joseph Flynn, Secretary, and Lenny Leblanc, Chief Financial Officer, Agency of Transportation, distributed the Governor's Proposed FY2018 Transportation Reduction Plan. Secretary Flynn explained the Agency had found just over \$2 million in savings, without impact to municipal or highway projects' funding. There was savings found in equipment replacement that included pickup trucks. Currently, vehicles are swapped out at 6.7 years or 130k miles and with the reduction, vehicles would be extended to 7.7 years or 150k miles. The Agency was reassessing whether the size of the fleet could be reduced overall in the future. Senator Westman asked for a list of the ages for each of the vehicles within the Agency fleet, and Secretary Flynn stated he would provide it to JFO staff to share with the Committee. Senator Kitchel asked for confirmation that the Chairs of the standing Transportation Committees has reviewed and approved the Transportation reduction plan. Secretary Flynn confirmed the Chairs had reviewed and approved the plan. He added that the reductions were only to the light duty truck fleet and not the larger orange construction and plow trucks.

Secretary Flynn concluded reviewing the Transportation reduction plan. A discussion on brine ensued with the Secretary explaining that the scrapped brine-making facility would not increase the amount of salt used, and that salt was the cause of cars rusting, not brine. However, a sticky substance was added to the brine to allow the salt to stick to the road, making it work efficiently. Representative Lippert inquired if the electronic billboard signs were paid for through general funds, and Secretary Flynn responded they were paid for through federal funds and some grant funds from Emergency Management.

The Chair asked if any agencies planned to testify on the proposed rescission plan.

John Campbell, Executive Director, and Annie Noonan, Vermont State’s Attorney’s and Sheriffs, Special Investigative Units, testified that the Office had carryforward from FY2017 due to savings from video arraignments. Ms. Noonan explained that there was some concern with the additional carryforward from what was offered to the Administration as a possible issue for information technology and retirement of \$44k. Senator Kitchel stated the Senate Appropriations Committee would review possible BAA issues within the Department during the 2018 session.

The Committee recessed for lunch at 11:21 a.m. and reconvened at 1:00 p.m. for a public hearing on the Administration’s proposed rescission plan. There were no people signed up to testify, therefore, the public hearing was closed and the Committee reconvened its meeting.

The Chair asked Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office to explain the Medicaid trend and how it would be managed going forward in budgets. Senator Westman asked for clarification on how a revised Medicaid consensus plan could be implemented without the Emergency Board’s approval per statute.

Mr. Klein agreed the Emergency Board was statutorily the entity to approve Medicaid consensus forecasts but the language in the rescission plan was more of intent of the Administration’s staff to adjust the forecast and would officially be approved in January 2018 by the Emergency Board. Commissioner Greshin agreed and added that the Administration was asking permission from the Committee to proceed with the new forecast until the Emergency Board approves it in January. Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, explained that there was no statutory Medicaid forecast approval by the Emergency Board in July, and all the information needed to assess the trends had not yet been received. However, the Medicaid forecast group was supportive of the forecast revision. Another evaluation of the Medicaid trends would be assessed in the fall prior to the 2018 session.

Senator Kitchel moved and Senator Ayer seconded that the Joint Fiscal Committee approve the General Fund Expenditure Reduction Plan submitted in accordance with 32 V.S.A. § 704(b)(1). The Committee approved the plan

Senator Westman moved and Senator Ayer seconded that the Joint Fiscal Committee approve the Transportation Fund Expenditure Reduction Plan submitted in accordance with 32 V.S.A. § 704(b)(1).

Committee adjourned at 1:31 p.m.

Respectfully Submitted,

Theresa Utton-Jerman

