

WEEKLY REPORTS

Checklist
3/15/2013

Elizabeth Miller/Aly Richards

- ☒ Agency of Commerce and Community Development – Lawrence Miller
- ☒ Department of Labor – Annie Noonan
- ☒ Department of Financial Regulation – Susan Donegan
- ☒ Agency of Education – Armando Vilaseca
- ☒ VT Commission on Lottery – Greg Smith

Louis Porter/Drusilla Roessle

- ☒ Agency of Transportation – Brian Searles
- ☒ Agency of Human Services – Doug Racine

Sue Allen/Leigh Appleby

- ☒ Agency of Agriculture – Chuck Ross
- ☒ Agency of Natural Resources – Deb Markowitz
- ☐ Public Service Department – Chris Recchia

Sarah London/Carolyn Wesley

- ☒ Department of Public Safety – Keith Flynn
- ☒ Agency of Administration – Jeb Spaulding

Susan Spaulding

- ☒ Boards and Commissions

Other

- ☒ Irene Recovery Office
- ☒ Dept. Liquor Control

To: Governor Peter Shumlin
From: Lawrence Miller, Secretary - Agency of Commerce and Community Development
Date: March 15, 2013
Re: Weekly Report

Aging in Place and Life Safety Codes: Held last meeting of working group. With input from the group, the Division of Fire Safety has developed a guidance memo clarifying code requirements for assisted living and residential care facilities. The memo will be presented to Housing Council next week. While more clarity has been achieved, allowing people to age in place while ensuring life and safety protections will inevitably lead to increased construction and staffing costs. Jen is connecting with Keith.

H.239 Landlord Education Program: With information assembled by Arthur, testified on H.239 before the House General, Housing, and Military Affairs Committee. Explained that creating the program envisioned by the bill would cost \$50,000 to \$70,000. DEHCD has neither the staff nor the budget capacity to undertake such an effort. The committee was receptive and is now considering a more modest approach – a guidebook for landlords similar to CVOEO's guidebook for tenants – "Renting in Vermont."

Jen and Lucy discussed a new housing finance model with **the national Homebuilders and Remodelers Association** and the Vermont Housing Finance Agency. This started with GPS' meeting with the CEO of the national homebuilders. Not sure this will be a fit for Vermont but conversations are continuing. To meet the financing threshold we may need to coordinate with other small states if we go forward.

King Arthur Flour – Wilder: The company continues rapid growth, and is now in the planning for a new manufacturing and distribution facility in the Wilder Industrial Park. Issues including housing costs, outmigration, and space are all affecting the company daily. Employment is up to 300 full time with another 200 seasonal hires. Their permits are needed by June in order to keep the project on pace for the building to be completed by November. A new "campus" concept is being designed, utilizing the adjacent Community College of VT for their classroom training. They continue to have major concerns on the "patent troll" issue.

Wall Goldfinger – Randolph: The company is in their new expanded operations in Randolph having come out of the Irene devastation even stronger as a company. Business is very strong, and they are very grateful for the support of the state and the federal programs -- with particular praise for VEDA.

CDBG-Disaster Relief in Downtowns Update: The selection committee chose Arnett and Muldrow as the consultant to bolster the economic recovery of seven flood-affected communities. Arnett and Muldrow is a national firm with substantial experience in disaster recovery and downtown (AKA Main Street) economic development. As the lead firm, they will partner with local Vermont professionals and national experts to individually assess the needs and provide tailored implementation/recovery plans for the communities of Barre, Waterbury, Warren, Waitsfield, Wilmington, Brandon and Brattleboro.

IBM: Beth Demers met with Marion Lawlor and Cathy Fitzgerald at IBM in Essex. The company offered employee training for prospective technicians. Of the 74 employees who were interested in the upgrade training only 34 passed the math prequalification exam. Of the 34 who started the program only 14 have been able to complete the math portion. At the moment IBM is looking to fill approximately 25 technician positions which start at about \$40,000 per year. IBM is currently working with Vermont Technical College to further develop its technician training course and add a math refresher for employees who are interested in starting the program.

Moving tonight, back on 6th floor Monday.

Memorandum

To: Honorable Governor Peter Shumlin

From: Commissioner Annie Noonan

Re: Weekly Report - Week Ending March 15, 2013

Issues of Critical Note: Press release Monday on UI rate: (Reminder: not allowed to be discussed until Monday!!) Rate decreasing from 5.1% to 4.7%. Sequestration: The most 'public' impact of sequestration from VDOL will be the 10.7% cut to Unemployment benefits that will occur with the week ending April 6th, and which will impact claimants' checks starting around April 9th-11th (direct deposit vs. postal delivery). UI Issue for Newspaper Carriers at LCAR: We requested an extension (based upon economic impact study work), and were granted up to June 1st. Senator Flory has introduced a bill making the carriers exempt. Senator Ashe is now asking me for a memo explaining the impact of not instituting our rule. I was advised by Dave Yacavone that VDOL will not keep any Reach Up funding beyond FY14. The first 6 staff members will be cut in mid-April, and I will have to advise the remaining Reach Up workers that their positions are term-limited for FY14. I advised Dave Y. that the percentage-based performance measures in our contract may be difficult to achieve as staff will likely jump ship once they know their job security is limited. VDOL submitted our WETF expenditure report to the legislature next week.

Legislative issues: VDOL's bills: UI Tax Rate for Irene Impacted Business - passed out of Commerce at 8 weeks which will not put us off the mark for retiring the federal loan or delaying positive changes in the UI Schedule. SEA is in Senate Finance. WC - Presumptive bill at second reading today; Debit Card bill in Senate Finance; Wage and Hour: H280 - meeting on Monday to discuss the differing opinion of Labor and Commerce on this bill. Meeting w/ Rep. Keenan and Sen. Westman on VDOL budget issues today (12pm and 3pm). Mat Barewicz testified in House Ed on Vermont Scholars and seemed to help the debate. S.129: WC liens, discontinuance and attorney fees in court. I testified with statistics, primarily, but also noted that the department believes that additional time for claimant's to contest discontinuance is fair, and that we had supported 14 days last year.

Unemployment Comp & Wage: Call Center Stats: For the week ending 03/9/13 we took 2,955 calls. This is a decrease of 353 calls from the week ending 03/2/13. We processed 575 initial and 679 additional claims. This is a decrease of 135 initial claims and a decrease of 234 additional claims from the week ending 03/02/13. 12 claimants exhausted all tiers of benefits with the week ending 03/9/13 compared to 12 claimants who exhausted all tiers of benefits during the week ending 03/3/13. We paid 9,228 claimants during the week ending 03/9/13 compared to 9,050 for the week ending 03/2/13. Mass Claims: 294 were processed for week ending 02/23/13. Bus Companies - 1; Cabot Hosiery - 2; Granite Sheds - 5; Sodexo - 250; Vermont Castings - 36.

Notes from Steering Committee Meeting - From Cindy Robillard, Vermont Department of Labor Based on the employment numbers provided by the developer for each project, Mat Barewicz, LMI Chief with VDOL has applied national staffing trends to project how jobs will breakdown. This has allowed us to have a broad understanding of the needs in each industry sector. Team shared the inventory of training providers related to Hospitality and Tourism. It is a comprehensive list that now needs to be aligned. This process is being replicated in the other 3 sectors. We are attending a conference in Boston on Career Pathways Monday and Tuesday. It was discussed and agreed that the Team will provide a weekly update of activities on Friday of each week and load it onto the NEK Workforce website for the Steering Committee to review. Also, the Team will be participating in a monthly e-newsletter that NVDA is launching. The first edition will go out by the end of March. Make contact with older worker community/Governor's Commission for Successful Aging and Vt Associates. Delay at the Renaissance Block on a Brownfields issue is minor and nearly resolved. Make contact with UVM Extension around Trade Market Analysis. Look into unemployment rate Pre-Jay development and Post. Define the towns that make up the Labor Market Area. Be aware of the need to include cultural awareness in training and recruitment activities. Build on the matrix that DOL developed on funding sources...identify the 2nd level funding sources. Report back from Pathways to Prosperity Conference on the Re-branding of educational opportunities,

getting parental buy-in, who's doing it? And, gaining an understanding of Industry Recognized Credentials and how they fit.

I attended a meeting of the NEK Manufacturing Training Program at LSC. Discussion included how the program has adapted based on employer needs with regard to length of training and curriculum. The regional tech center directors shared their programs and discussion around aligning programs occurred. VSAC and Navigate shared how they can support career awareness around manufacturing with their tools and resources. The group felt it might be time to bring manufacturers back to the table to get current input from them on training needs and engage them in how they can assist in the career awareness/internship activities. I attended Newport Renaissance Corporation meeting. I provided the group an update on the Workforce Development Team's activities. I also made direct contact with Jason Cheney with Trumbull-Nelson Construction. His company is looking to get involved with the work in the NEK and we set up a follow up time to discuss their current projects (one in St. J) and anticipated future hiring needs. NRC Director Trish Sears shared two upcoming events intended to support the community through this development. 1) SBDC is hosting a meeting on adaptability to support current businesses and provide support to them to thrive and grow during the development. 2) NRC has hired a facilitator to do a session titled Community Matters...basically listening and sharing concerns. We are in the process of scheduling meetings with the following: Lamoille County Development Corp, Vt. State Libraries, Vt Interactive TV, New England Culinary Institute, Green Mountain Technical Center, Brian Barth (HR at Jay Peak Resort), Gloria Bruce (NEKTTA) Alex Maclean (general follow up), Pat Elmer (Vt Associates)



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CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Susan L. Donegan, Commissioner, Department of Financial Regulation
Date: March 15, 2013
Re: Weekly Report

Commissioner Susan Donegan and Deputy Commissioner of Banking and Securities Tom Candon attended a two-day Fly-In in Washington, DC, sponsored by the Conference of State Bank Supervisors. They met with various financial services leaders including sessions with Federal Reserve Chairman Ben Bernanke and other Board governors, Senator Elizabeth Warren (D-MA) and staff members from the Federal Deposit Insurance Corp. Topics covered were the vital role that community banks play in the economy as a reliable and local source of credit and financial services, Nationwide Mortgage Licensing System (NMLS) and the inclusion of an individual with state regulatory experience to sit on the FDIC Board, as required by law. The Commissioner and Deputy also met with representatives from Senator Patrick Leahy and Congressman Peter Welch's offices to discuss national banking matters that impact Vermont.

Banking supervisory data for Vermont:

Bank assets under supervision: \$4,144,407

Number of depository institutions with Vermont as primary regulator: 7 (all under \$10 billion in assets with defines them as community banks)

Number of Mortgage Licenses – Company, 222

Number of Mortgage Licenses – Individual, 1,004

Deputy Commissioner of Captive Insurance David Provost, Dan Pettersen, DFR's Director of Financial Examinations, and Dan Towle, Director of Financial Services for the Department of Economic Development, attended Captive Insurance Companies Association International Conference, where they made several good contacts with prospective captive owners. The Deputy Commissioner presented a session entitled "Successful Strategies for the Exploding Small Captive Market" that discussed the proper construction of business plans for small captives including the benefits for private companies that have risk management advantages but may also have the flexibility for other financial strategies.



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**CONFIDENTIAL AND PRIVILEGED: NO SHARING
MEMORANDUM**

TO: Governor Shumlin
FROM: Armando Vilaseca, Secretary
SUBJECT: Agency of Education (AOE)
DATE: March 15, 2013

Poetry Out Loud: On Wednesday I attended the Poetry Out Loud competition. This was a great event with very good turnout and it was nice to see these students in action. We have featured the competition, and its results, on our homepage: <http://education.vermont.gov/>.

VT Spelling Bee Competition: Wednesday Deputy Fischer attended this competition where he served as a judge and assisted in the presentation of awards. This competition is organized by Scripps and sponsored by the Burlington Free Press, Fairpoint Communications, VPA, VT Humanities Council, and the VT-AOE.

Legislative Action: S.130, your Flexible Pathways initiative, has passed out of both Senate Education and Appropriations, and has been discussed on the Senate Floor, with a third reading/floor vote expected next week. The Miscellaneous Education Bill and Technical Corrections Bill (based on Act 98 of 2012 change to Agency and Secretary) were both passed out of the House Education Committee today. The Committee is currently discussing H.270 Prekindergarten education bill, and we expect them to pass out both that and H.242 Vermont Strong Scholars Program bill this afternoon as well.

Safe Schools Initiative: Wednesday AOE staff and I met with Jeff Nolan, lawyer for Dinse, Knapp and McAndrew and members of the Vermont School Crisis Planning team to discuss school safety. Jeff provided us with resources on threat assessment, threat management, risk management, and workplace violence prevention. Jeff has worked to help many of Vermont's higher education institutions develop threat assessment policies, protocols, and training programs, and presented on these issues nationally outside. The debate over the pros and cons of further enhancement of physical security in schools will no doubt continue, but the utilization of best threat assessment practices is something that there was agreement on.

School Safety: We are hopeful to identify some federal funds use to hire a school safety consultant to be our AOE liaison with the VT School Crisis team. I have spoken to a police officer who is retiring soon and has been a leader in the School Resource Officer program in Vermont. He is quite possibly interested in working with us on a contract/temporary basis.

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Greg Smith, Executive Director, VT Lottery
Date: Mar 15, 2013
Re: Weekly Report

Status of Governor's Priorities:

n/a

Legislative Issues/Contacts:

House Appropri. Comm. Spoke with our contact rep (Peter Fagan from Rutland) about some more questions relating to FY14 budget, I am expecting to meet him early next week.
Sen Sears from Senate Appropri cancelled meeting for yesterday but expects to meet in the near future. Let me know if you have concerns.

Press Issues/Releases/Contacts:

n/a

Significant Events/Meetings:

n/a

Evolving Issues:

Working on game change for Lucky for Life planned for Sept 2013, and new game (Gimme 5) planned launch for May 12, 2012.

Summary of Key Agency Department Activity:

A 13 year employee that was just promoted to field sales rep got a DUI and will likely lose his license for 90-180 days. HR is assisting, and his criminal hearing is set for 3/14. He is still out on relief from work until hearing dates – should occur within next 3 weeks.

Executive Director's Commentary:

We begin interviews for new position on Monday 3/18. VLC commission meeting is scheduled for next Wed.

OFFICE OF THE SECRETARY

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Executive Privilege

TO: Governor Peter Shumlin
FROM: Secretary Brian R. Searles
DATE: Friday, March 15, 2013
SUBJECT: VTrans - Confidential Report to the Governor

Sequestration

Details continue to emerge on the effects of Sequestration to transportation and one that will affect Burlington Airport is the furloughing of two ATC shifts per pay period. Not certain how scheduling will be affected but in the past funding problems for FAA have affected the late arriving flights at BTV by diverting them or not starting them to Burlington if landing could not be anticipated by the end of the midnight shift. Of course, those are the same planes that leave in the morning with more than a third of the departing passengers each day from BTV.

Emergency Declaration I-89, MM 73.5 – 74.0

I have signed an emergency declaration for falling ledge at the above location southbound. A three-foot diameter rock fell from $\frac{3}{4}$ of the way up the ledge, landing in the right travel lane. A geological assessment has determined that there is a high likelihood of further rockfall activity. We will begin a scaling project at this site immediately assuming our talks with the Act 250 District Coordinator go well. We have 123 sites that are actively monitored for rockfall hazards and this one was #33 on the list.

Green River Reservoir – Garfield Road

Senator Westman is pushing for funding for this Hyde Park road which goes to a State Park. However, it is a Class 3 town highway for which we have no statutory funding authority. We are exploring whether it makes sense to consider access roads to state parks (and perhaps other state facilities) in some previously undetermined category and have asked the Dept. of Forests and Parks for input. It is hard, however, to consider new funding categories when we have a shortage of funds to begin with. This could end up as a separate piece of the transportation bill in the Senate if history is any indicator.

MTQ-VTrans Cooperation Agreement

We have been awaiting the name of a new Minister for Transport in Quebec in order to get the efforts toward our mutual goals restarted. Now that Sylvain Gaudreault has been named Minister, we are hoping that our Fall, 2013 meeting of the steering committee can

be scheduled soon. Deputy Minister Andre Maloche has advised us that a briefing has been scheduled for Minister Gaudrault about the various projects we are working on and that he will encourage the Minister to attend the next meeting which was originally scheduled for Newport, VT in November but was postponed by the newly elected government.

AASHTO Meeting in July

Just a reminder that we are firming up the agenda for a Vermont-hosted conference of Transportation Maintenance Managers from all over the country (200-400) for July. There is a meeting request in your office and if you are not able to do a welcome, we would like to consider other options. Thanks for considering.

BTV

The North Carolina Senate on Wednesday approved the takeover of the Charlotte International Airport from the City of Charlotte citing a number of problems and an "overwhelming State interest in the success of the airport". An Authority will be created to operate the facility if the bill passes both houses. The matter sounds very similar to discussions currently going on at BTV and given our conversation with former Chair Greco yesterday and the important relationship between the civilian and military sides of the airfield, we should watch carefully what transpires in North Carolina.

NEK Public Transit Audit

The Rural Community Transportation (RCT) Agency, the public transportation provider in the Northeast Kingdom, will be undergoing an audit by a VTrans audit consultant for irregular business practices. We are not sure at this time what the audit will produce but the Executive Director of RCT, Mary Grant, will often reach out to the Legislature when faced with financial or management pressures. This is just a heads up.

VTStrong Weekly Report – 3/12/13

- Total VTStrong Plates Sold – 36,720
- Total Stock of VTStrong Plates at Vendors – 337
- Total Stock of VTStrong Plates at DMV Offices – 1,011
- Current Stock of VTStrong Plates at VCI – 900 (an additional 2,550 for DMV to pay for before adding to our report)
- Current Stock of VTStrong Plates in DMV Stockroom – 972

Privileged and Confidential
Memorandum

To: Peter E. Shumlin, Governor
From: Douglas A. Racine, Secretary of Human Services
Re: AHS Weekly Report
Date: March 15, 2013

Vermont Department of Health (VDH)

National Public Health Week April 1-5: In celebration of National Public Health week, we plan to publicly launch Healthy Vermonters 2020, the State Health Improvement Plan, and our performance dashboard at a media/partner briefing sometime during that week. Together these three channels set our public health goals for the next decade, our strategic direction for the next five, and will track our progress through our public-facing dashboard accessible through our website. We will also tie in the results of the annual County Health Rankings (to be released March 20th), with news releases localized to each of our 12 district offices.

Department of Mental Health (DMH)

Legislation:

S. 128 – This has become a summer study bill to look at Title 18, involuntary hospitalization process. The bill also addresses legal mechanisms by which people can access the secure residential. The two identified routes in will be step down from hospital or corrections for people who are in need of continued treatment and security for mental illness through granting of an order from the court, and under the discretion of the Commissioner of Mental Health. The bill was voted out of Senate Health and Welfare on March 14th.

S. 93 – This bill dealt with notification to law enforcement and town select boards regarding people with mental illness who have committed a violent crime. The bill died in committee.

Brattleboro Retreat CMS Review: Brattleboro Retreat has been cited by the Centers for Medicare and Medicaid Services (CMS) in 3-4 areas: patient rights, quality, and state and federal requirements regarding filing of a complaint. This has not affected funding; it has caused a 90-day review and plan of correction. Interim Commissioner Moulton has spoken to both Rob Simpson and Peter Albert at the Retreat and they will begin addressing these issues immediately.

Show Cause Appearance for Contempt: Interim Commissioner Moulton appeared regarding a case in St. Johnsbury where the Attorney General's (AGs) office had failed to comply with a request to return to criminal court prior to a patient's release. We have instituted a new protocol at DMH to hold court orders in both the Commissioner's office and the AG's office to prevent this from happening in the future. The judge was very gracious and allowed Interim

Commissioner Moulton to speak to the changes we have made. Interim Commissioner Moulton was thanked for making an appearance and was happy not to be held in contempt.

Substance Abuse and Mental Health Services Administration (SAMHSA) Service Members, Veterans, and their Families Policy Academy: Vermont has been asked to identify a team of 11 delegates who will participate in a policy academy, which will occur over a two-day period in Washington D.C. SAMHSA's Service Members, Veterans, and their Families (SMVF) Policy Academy represents an opportunity for states to strengthen their SMVF behavioral health care system.

Press Coverage: Interim Commissioner Moulton has commented this week to the Brattleboro Reformer and Rutland Herald regarding the CMS findings at the Brattleboro Retreat, as well as Emergency Room (ER) waits; and to the Caledonia Record regarding the DMH protocol on criminal cases. Interim Commissioner Moulton also did an interview for WCAX-TV on sheriff transport and supervision in ERs. While concentrating on the positive outcomes of our endeavors in transport and supervision this also acknowledges emergency room waits. This may have been stimulated by hospital or sheriff complaints. We will not know until the entire story runs, which will likely be today.

Department of Disabilities, Aging and Independent Living (DAIL)

Ongoing Issues:

Program of All-Inclusive Care for the Elderly (PACE) follow-up: InterAge /Rutland Mental Health Services has signed a lease with Maples and intends to continue providing Adult Day services previously provided by PACE VT in the same location. This is a good outcome for PACE participants in Rutland.

Emerging issues:

Division of Disability and Aging Services (DDAS) Reconfiguration: We are moving ahead with plans to reconfigure the DDAS into two units; an all-day retreat is planned for March 20th. One desired outcome will be a heightened profile for developmental services and greater accountability. Barring any unforeseen barriers, we'd hope to implement the change no later than May 1st. Community response should be positive or neutral. The two units merged approximately 5 years ago and neither integration nor greater efficiencies were realized.

Sequestration: As anticipated, the impact on senior programs funded through the Older Americans Act will be significant. An example of the impact can be seen in support to congregate nutrition services and home delivered nutrition services. According to the sequestration projections there will be a total reduction of \$156,122, approximately 4.79% of annual support. This cut applied to the last six months or less of FFY13 could result in a 5% - 10% cut in home delivered and congregate meals. A 5% reduction would be 58,115 fewer meals provided. A 10% reduction would be 116,231 fewer meals. We are working with our partner agencies to try to mitigate the impact.

Department of Corrections (DOC)

Press Issues/Releases/Contacts:

Wall Street Journal (WSJ): The WSJ continues to work on a story regarding S.1, a bill that proposes to require judges to consider the approximate financial cost of available sentences prior to issuing a sentence. The story will highlight the success in Vermont in decreasing the use of out of state beds. This story should run within the next few days.

Significant Events/Meetings:

House Corrections and Institutions: The Committee took testimony on a bill to require the DOC to report back next session with a plan to eliminate out of state bed usage within a 3 or 5 year period.

Other:

Former Trooper James Deeghan: Former trooper James Deeghan was picked up by our contracted prisoner transport company and relocated to an Indiana correctional facility. This was a special transport to minimize his exposure to inmates. The Indiana facility is fully briefed on his status as a former state trooper and sensitive nature of his situation.

Rusty Dewees: Rusty Dewees, a Vermont born comedian known as "The Logger", has communicated a desire to perform at Correctional Facilities in Vermont. Mr. Dewees has done a Correctional Facility tour in Vermont in the past. Mr. Dewees has assured that each performance would be a combination of clean entertainment, as well as a portion dedicated to sharing his life story, and providing motivation through comedy.

Volunteer Coordinator Chris Cadorette has spoken with Mr. Dewees regarding the content of the shows and Mr. Dewees has agreed to deliver his comedy in a pro-social and respectful manner. Mr. Dewees added that he is excited for the opportunity to share his performance and to return to the Correctional Facilities again. Volunteer Coordinator Cadorette has also shared this information with other Volunteer Coordinators throughout the state, tasking each with working with their respective Superintendents in choosing a time and date for a performance at their site.

Shows would be approximately 1 hour in length (35 minutes standup comedy and 25 minutes motivational speaking) and Mr. Dewees has indicated a preference to have evening performances when possible. Dates of performances are not set however; Mr. Dewees would like to start in the end of April or beginning of May.

The cost for a show is \$350.00 per site, payable by the inmate Recreation Fund. Additional shows at the same site are \$100.00.

Population:

The DOC is sustaining a detention population which remains at or above the 400 person mark.

This week, the total male population dropped below 1,900 for the first time in several years. This is a result of managing more people in the community as opposed to in correctional facilities. This is presenting us with the opportunity to bring more Vermonters back to VT from Kentucky. Our number out of state individuals stands at 500 this week and will continue to drop for the next few months.

Department for Children and Families (DCF)**Evolving Issues:**

Community Housing Grant Funding: The Economic Services Division (ESD) is proposing increased funding to community housing grants in order to help prevent homelessness and reduce motel use. The funding formula employs a combination of census criteria from previous housing grants and the amount of temporary housing a community has been providing, resulting in a funding percentage. This will bring a more balanced approach allowing communities to better meet consumers' needs.

Crisis Fuel Assistance Update: Demand for Crisis Fuel Assistance at the community action agencies is slowing as the weather warms up. The additional \$900,000 made the 3-week continuation of crisis fuel through Friday March 22 seamless. Assistance to Vermonters is going smoothly. DCF will end "bulk fuel" grants (delivered fuels: oil, kerosene, firewood, etc.) at 4:00 p.m. on Friday, March 22nd. Remaining funds will be used to assist clients with disconnection of metered heat (mostly VTGas and some electric heat). For clients residing in Section 8, public or subsidized housing, the maintenance of utility service is a lease condition. Failure to maintain service is grounds for eviction. To prevent homelessness, the use of crisis funds remaining from the \$900,000 allocation is best invested by ensuring that clients keep their utility service and remain adequately housed. Community Action Agencies and fuel dealers will be advised of this decision on Monday.

Department of Vermont Health Access (DVHA)**Legislative Issues/Contacts:**

Health Benefit Exchange: Commissioner Larson testified in House Ways & Means on March 12th and 13th regarding bill H.107 - An act relating to health insurance, Medicaid, and the Vermont Health Benefit Exchange. The Committee had questions about whether a federal exchange would mitigate the need for Exchange funding. Commissioner Larson provided information about the implications of a switch in State policy and emphatically pointed out that such a change would have a dramatic impact on implementation efforts.

Commissioner Larson also provided information about the budget projects for the Exchange. The committee expressed that it was experiencing “sticker shock” about the cost of the exchange. Outside of the Committee, Janet Ancel made clear that she believes our projections are too high and that we are building an Exchange beyond what is needed.

Significant Events/Meetings:

Plan Design: The Green Mountain Care Board (GMCB) approved the requested plan design changes as mentioned last week. These changes are to bring the actuarial value of the plans in line with the new federal calculator. The plans are now final for 2014, and the health insurance plans are submitting rates to the Department of Financial Regulation on March 25th for review.

Public Forums:

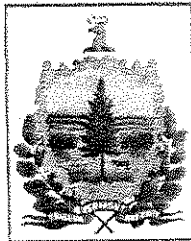
- On March 20th, Lindsey Tucker, DVHA Deputy Commissioner, will facilitate a community forum, co-hosted by the North Country Chamber of Commerce and the Community College of Vermont (CCV), to discuss upcoming reforms to the insurance market with the public and local small businesses. The forum will be held at CCV-Newport from 12:30-2pm.
- On March 21st, Lindsey Tucker, DVHA Deputy Commissioner, will facilitate a community forum at the Charlotte Library from 6:30-8pm. DVHA released a press release on all upcoming forums on March 14th. There is a listing of these events and others online.
- On March 21st, the Vermont Health Connect Outreach Team will host the first Webinar in the Third Thursday Lunchtime series. The Webinar will provide participants with an overview of Vermont Health Connect and the Navigator Program.

Emerging Issues:

Call Center: The cost proposal from the outsourced call center, Maximus, came in dramatically higher than expected. The issue has been identified as a risk to the project. Negotiations are now fast tracked and have been escalated to involve the Commissioner to help resolve by March 25th so there is adequate time to implement contingency plans if necessary. Contingency planning is progressing simultaneously.

Duals Demonstration Financial Model: Wakely Consulting Group delivered its financial model to the State this week. It provided an analysis of the overall financial risk to the state. Overall, the analysis indicates that the revenues and costs of the demonstration could result in a small savings to the state which would get smaller over the three years of the demonstration if the overall savings guaranteed to CMS increase as projected. State staff are reviewing the assumptions in the model and providing feedback to Wakely.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: March 15, 2013

Secretary's Top Issues:

Dr. Haas has received multiple inquiries from veterinarians interested in the state and or federally funded veterinary loan repayment program. The second round of applications for the state-funded program is due by April 15th. Dr. Haas submitted two shortage nominations for VT for the federal Veterinary Medicine Loan Repayment Program, and if approved, applications for that program will be requested within the next 3-4 months.

Cavendish Game Birds experienced a fire in their barn Wednesday morning and lost 20,000 quail and approx. 30 swine. State Vet left them a message expressing the Agency's sympathies and letting them know that we are available should they need assistance with carcass disposal, composting or otherwise.

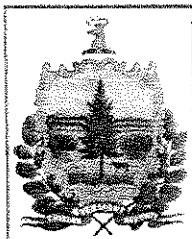
Food Safety Modernization Act internal group at the Agency of Ag released a media advisory regarding the two proposed FSMA rules that encouraged people to comment, contained instructions on how to do so, and informed readers of the Agency's activities regarding the FDA comment request.

In re VT Gas PSB#7970. Legal counsel convened a meeting with counsel for VLT and VHCB to review and discuss the amended filing of proposed route, filed by VT Gas on February 28, 2013. The Agency, VLT, and VHCB are co-holders of easements on a handful of conserved farms that will be impacted by the proposed gas pipeline. The pipeline will also impact un-conserved farmland in active production in Chittenden and Addison Counties. In addition to discussing substantive issues raised by the project, consensus was reached on the procedural path the co-holders will each take in the proceeding; each will prepare and file a Motion to Intervene. Co-holders AAFCM, VLT, and VHCB also recognize that certain interests align with ANR and that AAFCM will take the lead on inter-agency coordination. The VT Gas case is complex litigation and will be time consuming to manage.

In re: NSSEP PSB#7833. Legal counsel participated in the first two of six days of technical hearings on NSSEP's petition for a CPG to construct a bio-mass facility in Springfield. The Agency is presented the written pre-filed testimony and accompanying exhibits of its two witnesses, Tim Schmalz and Henry Marckres. Tim Schmalz also provided live testimony at the request of the hearing officer. The other 4 days of hearing will occur in early April. Due to the number of parties involved, this case is time consuming to manage.

Jim Leland, Director of Ag Resource Management met with ANR field enforcement staff regarding sugarhouses and process wastewater issues. The primary issue has to do with RO (reverse osmosis) water and how it is managed. This will be a larger issue over time as we have more and larger sugaring operations with a need to dispose of large amounts of RO water.

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Chuck Ross, SECRETARY

STATE OF VERMONT
AGENCY OF AGRICULTURE

Confidential and Privileged

TO: Gov. Peter Shumlin
FROM: Chuck Ross, Secretary of Agriculture
RE: Weekly Memo
DATE: March 15, 2013

Status of Governor's Priorities:

Jobs in Agriculture

SALES REPRESENTATIVE -Provisions International, LtdFull-Time-White River Junction, VT
Full-time sales position available with a Vermont-based fine foods purveyor distinguished by its local and imported cheese list. We are looking for an energetic and vibrant person filled with passion and enthusiasm for great food. Experience in sales is not as important as the ability to communicate and share our appreciation for quality ingredients.

Press

Following Senate Ag testimony on March 12th, Dr. Haas was approached by a reporter from WCAX, who requested an interview on S.70, the raw milk bill. The interview covered variability in raw milk regulations from state to state and whether the raw milk issue fits into the local foods movement. He was informed that the Agency of Agriculture's goal is to provide information requested by the legislators so that they have everything they need to develop the policy framework around this issue.

Deputy Secretary Bothfeld was contacted by the Barton Chronicle regarding S.70, the raw milk bill. First questions - was why is the agency against this bill. Corrected the statement, and informed that the agency supports the bill and Agency of Agriculture's goal is to provide information requested by the legislators so that they have everything they need to develop the policy framework around this issue.

Food Safety Modernization Act internal group with the help of Alison released a media advisory regarding the two proposed FSMA rules that encouraged people to comment, contained instructions on how to do so, and informed readers of the Agency's activities regarding the FDA comment request.

Sec Ross joined Governor Shumlin and Northfield farmers from Green Mtn Girls Farm at the Governor's weekly press conference to announce the launch of this year's State of Vermont workplace CSA (Community Supported Agriculture) initiative. Excellent media coverage. Goal to increase participation from last year's 30 employees to over 100 at locations throughout the state.

Legislative Issues

S.70 – raw milk bill

At the request of Senate Ag, Dr. Haas provided testimony on March 12th on S.70. The committee asked for an overview of what regulations exist in other states pertaining to raw milk sales. To meet that request, Dr. Haas reviewed/read summary data from the 2011 NASDA raw milk survey that includes statistics from all 50 states. Additionally, reference was made to the specific rules/policies in other New England states. Rural Vermont presented its 2013 raw milk report during the same hearing. Senator Zuckerman asked for any statistics on human illness linked to raw milk consumption in other states. On March 13th as followup to his request, FSCP

sent him a chart from a FDA resource that reviewed outbreaks in the last two years and highlighted the ones where children were involved. The committee did not ask any other questions about any other related topics, registration or otherwise.

H.50 – pet merchant bill

At the request of House Ag, Dr. Haas was available on March 12 and again on March 14th to answer questions from the committee on H.50, a bill related to pet merchants and animal welfare. The committee continues to discuss this bill, and the more discussion that takes place, the more questions arise. This is the reason that this topic has been discussed in the legislature for more than a decade. It is unclear as to whether the committee will pass the bill out at this point. One substantive draft change that resulted from recent discussion is the removal of the Agency of Agriculture from the list of entities who will be available to inspect dog breeding facilities that are permitted by local municipalities through the kennel permitting system. The Agency is supportive of this amendment and testified to that effect. In general, the Agency is largely supportive of the entire bill based on the fact that it will “clean up” some of the confusing statutory language that contributes to noncompliance with the licensing requirements that currently exist. Further, it will limit the Agency’s dog/cat licensing authority to retail pet stores only and will subject individual dog breeders only to the kennel permitting system implemented and enforced at the local level.

Agency housekeeping bill

At the request of the House Ag committee, Dr. Haas provided testimony on the agency’s “housekeeping bill” on March 12th and informally on March 14th. The committee was supportive of the proposed language and is taking this up as a committee bill. The version of the bill that was reviewed included the following:

1. Adds a definition for itinerant livestock slaughterer as well as for itinerant poultry slaughterer
2. Specifies use of the funding obtained from the sale of the mobile poultry unit
3. Cleans up the Public Warehouse licensing requirements to eliminate duplicate confusing licensing language and duplicate inspection of a single warehouse facility by agency staff.
4. Confirms that itinerant slaughterers are exempt from licensure by the agency
5. Includes language referencing the temperature compensation prohibition for heating fuels
6. Clarifies the definition of “milk”
7. Reinstates in statute the dairy distributors licensing requirement that was accidentally repealed last session.

Additionally, the committee was amenable to the inclusion of a revised definition for “custom slaughterhouse”. The Agency proposed striking the portion of the definition that prohibits a custom slaughterhouse owner from engaging in a retail sale business. The Agency wants to encourage legitimate custom slaughterers in Vermont to meet the need for this type of service and to expand their business into processing and retail sale.

Jim Leland, Director Ag Resource Management Division testified in Senate Institutions relative to the capital bill and Senate Finance relative to the fee bill. Also observed discussion in House Ag regarding compost and its tax status when being used as an agricultural input. Currently compost is not exempt from sales tax.

Capital Bill: Dep Sec LaClair, Ag Resources Mgmt Director Jim Leland and Local Foods Coordinator Abbey Willard testified before Senate Institutions on the Agency’s 5 proposals in the Capital Bill: Ag Fair Grants; Feasibility Study Funds for the Future of the Agency of Ag and DEC Lab; Best Management Practices (BMP’s) and Conservation Reserve Enhancement Program (CREP) – Ag Water Quality Programs; Produce Safety And Market Access Development Grant Program (addressing Federal Food Safety Regs as well as scaling up for Vermont fruit/veggie producers); and the Big E/Eastern States Exposition – request for funds to renovate the roof, electrical wiring and plumbing – working w/BGS).

Fee Bill – Deputy Secretary Bothfeld with Staff support from Director Jim Leland, Tim Schmaltz, Shelley Mehlenbacher, Henry Marckres and Marcey Hodgdon presented the agency’s fee bill requests. Secretary Lawrence Miller addressed the VT Branding Program and the need to strike all on the changes made by the

House Ways and Means Committee. Commerce would like to come back next year with their fee bill request. Ag fee requests were reviewed and a minimum of questions arose from the committee.

Significant Events/Meetings:

Cavendish Game Birds experienced a fire in their barn Wednesday morning and lost 20,000 quail and approx. 30 swine. State Vet left them a message expressing the Agency's sympathies and letting them know that we are available should they need assistance with carcass disposal, composting or otherwise.

Dr. Mehlenbacher provided information the Agency's involvement in animal welfare investigations and animal welfare training to Katharine Celentano from the Governor's office.

The Animal Health (AH) Section attended Bedded Pack Manure Management workshops (some of us in Middlebury, others in Enosburg) hosted by UVM extension and NRCS. It was nice to see attendees from other sections of the Agency. This type of bedding system spans the different divisions as it can have potential animal health or water quality issues if not done properly.

AH worked with DMV inspectors in Springfield, answered questions from field agents, and provided updates to an officer who recently referred an animal import violation to the Agency. AH is very appreciative of the collaborative relationship that is being formed with DMV.

AH accompanied the Rutland County Humane Society on an animal welfare investigation regarding a flock of sheep in Poultney. The complaint appears to be unfounded.

Deputy Secretary Bothfeld spoke at the Brown Bag Lunch series at Ben & Jerry's on milk pricing, the VT Dairy industry and current legislative issues including GE labeling.

Evolving Issues:

Animal Health staff participated in a New England regional conference call to continue to discuss the implementation of the Animal Disease Traceability (ADT) rule. It is likely that Vermont will enter into interstate agreements with NY and other New England states that will result in calves being able to move interstate to slaughter and for feeding with an owner shipper statement rather than the otherwise required Certificate of Veterinary Inspection, as required by the ADT rule. This will ensure that traceability capability is maintained without making interstate movement of calves so cumbersome that business is unsustainable and/or cost prohibitive.

Dr. Haas has received multiple inquiries from veterinarians interested in the state and or federally funded veterinary loan repayment program. The second round of applications for the state-funded program is due by April 15th. Dr. Haas submitted two shortage nominations for VT for the federal Veterinary Medicine Loan Repayment Program, and if approved, applications for that program will be requested within the next 3-4 months.

Summary of Key Agency Department Activity:

Administration

In re: VTC PSB#7965. Legal counsel executed a three-way stipulation with VTC, along with ANR, regarding VTC's pending petition for Certificate of Public Good from the Public Service Board. Agency counsel may need to participate in a hearing if the Board or their staffs have questions about the agreement.

In re: Winn. AAFM#2013-01-02 MI. This administrative enforcement case resolved with an Assurance of Discontinuance that imposes a \$2000.00 penalty, with \$1500.00 suspended to ensure future compliance, for violation of Vermont's laws and regulations administered by the Agency's meat inspection section. The \$500.00 unsuspended portion of the penalty has been paid.

In re VT Gas PSB#7970. Legal counsel convened a meeting with counsel for VLT and VHCB to review and discuss the amended filing of proposed route, filed by VT Gas on February 28, 2013. The Agency, VLT, and VHCB are co-holders of easements on a handful of conserved farms that will be impacted by the proposed gas pipeline. The pipeline will also impact un-conserved farmland in active production in Chittenden and Addison Counties. In addition to discussing substantive issues raised by the project, consensus was reached on the procedural path the co-holders will each take in the proceeding; each will prepare and file a Motion to Intervene. Co-holders AAFM, VLT, and VHCB also recognize that certain interests align with ANR and that AAFM will take the lead on inter-agency coordination. The VT Gas case is complex litigation and will be time consuming to manage.

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In re: Goldberg/Highland Crossing 97-7-12 Vtec. Legal counsel and co-counsel continued to work with the Agency's witnesses (total of 6), in preparing responses to discovery requests served by Appellants and spent considerable time this week (and last) on other trial preparation activities, including researching and drafting a pre-trial motion, and scheduling depositions of Appellants' 10 witnesses. The appeal is de novo.

Agricultural Development

Working Lands Enterprise Board (WLEB)

The WLEB will be meeting on March 19, 2013 to review Enterprise Investment applications with the plan of making funding decisions. There were a total of 190 applications in this investment area with \$2,121,143.00 in request for funds. Below is a breakdown of applicant categories by sector:

TREE FRUIT GROWERS (Apple/Cider/Vineyards) - 17 applications
MEAT - 21 applications
PRODUCE - 37 applications
DAIRY - 16 applications
TREE FARM - 9 applications
MAPLE - 21 applications
FORESTRY & FOREST PRODUCTS - 35 applications
MISCELLANEOUS - 34 applications

Participation in VT Council on Rural Development Community Visit to Manchester

- VAAFM Ag Development staff participated as part of the 'Visiting Team' to Manchester on March 11.
- VAAFM staff provided reflections and insight into assets, challenges, and action opportunities for the Manchester community to improve downtown; working landscape, food & sustainability; arts, recreation & nightlife.

Attended Groundwork conference at VTC on Aligning Education Needs and Resources

- Attended final Groundwork conference at VTC, Randolph, on March 12.
- Expressed interest in seeing inner collegiate collaboration around a local food procurement policy at Vermont colleges and universities.
 - Presumed interest from Green Mountain College, Middlebury College, and VTC.

Food Safety Task Force meeting

- Attended quarterly Food Safety Task Force meeting at UVM Extension, Berlin on March 13.
- Discussed Food Safety Modernization Act (FSMA) and May 3 meeting scheduled between FDA, NEASDA representatives, UVM Extension and Vermont Department of Health staff, produce and processing industry delegates.
 - Secretary Ross is responsible for scheduling this May 3 FSMA meeting with FDA, hosted in CT.
- Our National delegation staff would also like to meet after the May 3 meeting and prior to the May 16 end of public comment period on these 2 FSMA proposed rules. Meeting being proposed for Monday May 6.

VT Farmers Food Center and Rutland community planning meeting

- John Sayles from VT Food Bank and Rutland Mayor Louras called together the Vermont Farmers Food Center (VFFC), RAFFL, VAAFM to join VT Food Bank and City of Rutland with John Ryan, VSJF, as facilitator to discuss the plans for the VFFC buildings located at 251 Main Street, Rutland.
- Site is currently hosting Rutland's winter farmers market and has build-out plans for the VT Food Banks southwest distribution center. Additional buildings are being considered for hosting: commercial kitchen space, aggregated and storage food products, food education events and activities.
- Conversations around collaboration between VFFC and RAFFL, the existing food hub organization in Rutland County were critical to the City and VAAFM.
- A follow up meeting will occur in 2 months to explore progress in partnership conversations.

Food Safety and Animal Health and Consumer Protection

Animal Health Specialist, Jim Cameron attended the Secretary's Listening Session in Morrisville. Last week, Darryl Kuehne attended the one in Poultney.

AHS Jim Cameron continues to be involved in the Fair Capitol Grant program, which takes up an increasing amount of time and requires more attendance at the office. Fortunately, the animal welfare calls are lessening as we move into spring. Jim also updated the USDA on our Cooperative Agreement balances as the fourth quarter ends on March 31st. Due to sequestration, we are unsure of when the next year's agreements will be awarded.

As the new Federal Animal Disease Traceability Rule went into effect on Monday, March 11, all AHS are working with livestock sales and comingling sites to ensure with the new Certificates of Veterinary Inspection, tagging, and official identification recording requirements. The USDA has states that the first few months will consist of education and outreach before they begin enforcement. VAAFM is communicating with accredited veterinarians and licensed livestock dealers regarding the new rules via an number of outlets. There are still many interstate movement specifics that will need to be figured for NE and NY/PA movement. AH is encouraging the placement of official identification prior to movement off of a farm. The agency provides silver metal ear tags free of charge (via USDA) to veterinarians, producers, and livestock dealers.

AHS Darryl Kuehne completed the Compliance and Market Report completed at Addison Co. Commission Sales in East Middlebury Vermont. He also answered many questions from dealers in attendance regarding calf tagging and Certificates of Veterinary Inspection in Vermont and New York.

AH completed the annual inspection of the cat-only TARPS animal shelter in Chester.

Meat Inspection

Program Chief Randy Quenneville met with a pork producer in Bridport looking to start a state inspected pork processing plant by the start of summer

Program Chief Randy Quenneville also met with farm in Richmond looking to start a state inspected poultry slaughter and process operation by the start of summer. They are working with a company that is developing a

"Poultry in a box" slaughter facility. Basically a shipping container that is constructed and delivered to the site, placed on a concrete foundation, hooked up for sewer, water and electric and ready to start operating

Program Chief Randy Quenneville met with farm in Wilmington that has started construction on a combination red meat and poultry slaughter and processing operation to be under state inspection. Will be several months before completion.

Program Chief Randy Quenneville spoke with a farmer in Pawlet to discuss preliminary plans to develop a beef slaughter and processing operation in that area

Program Chief Randy Quenneville spoke with an individual from the Waitsfield area looking to develop a mobile slaughter unit for poultry and small ruminants

Program Chief Randy Quenneville met with custom plant in Glover looking to increase production practices to add custom curing and smoking. They are going forward with their custom slaughter operation as well which was put on hold last fall due to wastewater issues but are waiting for warm weather to make modifications to the existing system.

Agricultural Resource Management

Met with Mosquito Control Districts on March 11 to discuss the format and scope of work for a more formalized grant agreement approach for mosquito control. The meeting covered such items as reimbursable expenses, addition of surveillance as a reimbursable expense, pesticide purchase and storage etc. The meeting was productive and will be followed up by a meeting on March 22nd after district representatives have had a chance to report to their respective boards. We hope to have fully executed agreements by mid April.

We had an initial meeting with DEC Floodplain management staff regarding rules that have been required as part of Act 138 for managing activities within the Special Flood Hazard Area (SFHA). These are areas defined by FEMA and generally regulated by towns via zoning ordinances. Vermont is unique in that towns are expressly prohibited from regulating agricultural activities via zoning ordinances. This places Vermont municipalities in the odd position of being non-compliant with FEMA requirements. Act 138 sought to remedy this by directing DEC to write rules covering the activities that towns cannot. To this end DEC will be coordinating with AAFM to create rules and potentially a general permit that would adequately address agriculture activities within the SFHA to the satisfaction of FEMA.

Met with ANR field enforcement staff regarding sugarhouses and process wastewater issues. The primary issue has to do with RO (reverse osmosis) water and how it is managed. This will be a larger issue over time as we have more and larger sugaring operations with a need to dispose of large amounts of RO water.

Met with representatives of the Golf Course Superintendents Association and Extension to work out requirements for nutrient management on golf courses. This is part of a larger pesticide rulemaking effort and associated revisions to the golf course pesticide permitting program.

Testified in Senate Institutions relative to the capital bill and Senate Finance relative to the fee bill. Also observed discussion in House Ag regarding compost and its tax status when being used as an agricultural input. Currently compost is not exempt from sales tax.

The Agrichemical Toxicologist conducted agrichemical toxicology training via a webinar for Agricultural Medicine: Occupational and Environmental Health for Rural Health Professionals.

Doug Johnstone and David Tremblay are participating in several planning sessions with Homeland Security to determine the Division of Agricultural Resource Management's involvement in the Vermont CATEX - Catastrophic Full-Scale Exercise which will transpire over the course of a few days in March, 2014.

Secretary's Comments

Milton 250 Anniversary Celebration – Milton: Invited to attend community dinner to celebrate Anniversary. Dinner held at Milton Elementary School using their Farm to School Program as the basis of the dinner. Over 200 people attended and dinner put on by students. Gave remarks

Charlie Ross Practicum – UVM: met with student of the class over dinner at UVM. Students are typically legislative interns during the session. Practicum is named and funded in honor of Charlie Ross, father of Chuck Ross.

VTC Higher Education Panel, VTC – spoke of the need for of higher education in Vermont to come together in a collaborative way to create the epicenter for community based food system education.

NOFA/GMO labeling – met with NOFA representatives on GMO labeling. Reviewed the support of the Shumlin administration and the concerns that it be legally defensible, logistically pragmatic and discussed the concerns about litigation in the 2nd Circuit.

Grass Energy/Windsor Prison – participated in discussion with Susan Barlett and representatives from BGS, Ag and DOC about the proposal by RER (Chris Flinn) to install a grass to energy capability at the Windsor and Springfield state buildings. There will be more follow up with Chris Flinn.

Ag Tax Issues/Tax Department: met with Tax Department to review emerging tax issues from Sales tax exemptions on ag service product sales; tax on compost; current use legislation; current use relating to equine facilities. There was support for much of the pending Current Use legislation and agreement that Tax Department must hold the line on compliance.

Vermont Environmental Consortium Conference, Burlington – VEC hosted conference on storm water issue. This conference is a follow up to last year's highly successful conference on agriculture water issues. Ross and Mears open last year's and did the same again. They emphasized progress and cooperation and community wide involvement.

Statewide CSA – Governor's office – participated in press conference on expansion of statewide CSA. Widely and favorably covered by press. Did not include legislative committees which in event – significant oversight. Plan to make up to them with prospective press conference on Working Lands in early May.

PROSPECTIVE EVENTS

Senate Appropriations – will present Agency budget to Senator Appropriations on Friday afternoon

Senator Sanders Climate conference, Montpelier HS, Saturday – Will participate in panel discussion about the impact of climate change on ag and forestry.

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State of Vermont
Agency of Natural Resources

Deborah L. Markowitz
Agency Secretary

Justin G. Johnson
Deputy Secretary

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Deborah Markowitz, Secretary, Agency of Natural Resources
Date: March 15, 2013
Subject: ANR Weekly Report

Governor Level Issues:

Permitting Performance Report: We presented the final version of the SFY12 "PEP" report to the legislature. This report shows how DEC performed relative to our goals for the time it takes to make a permit decision. This year's report represents the period from July 2011 through June 2012, the timeframe when we were disrupted by Irene, and so some programs saw a decline in performance levels. One of our primary goals associated with the business transformation initiative in this year's budget proposal is to get more consistent performance in terms of the time and process for making permit decisions.

Shoreline Protection: We worked over the Town Meeting week break to develop a revised shoreline protection bill for consideration by the House Fish, Wildlife and Water Resources Committee. We coordinated with AAFM and VTrans and worked with legislative counsel. We have also been in contact with committee leadership and House and Senate leadership to talk about thinking about this bill as a 2 year bill so that we can hold some stakeholder meetings over the summer. Both committee chairs would prefer to get it done if possible but recognize that if they face significant roadblocks it will make sense to slow the process down.

Moretown Landfill: As you know we issued our decision not to recertify Moretown Landfill. Overall the press was great (the BFP got a bunch of facts wrong.) We pre-briefed the Lt Governor, legislative leadership, local legislators and the selectboard chair. They all understood and were not surprised, with the exception of the selectboard chair who threw a bit of a fit. We let Phil Scott know and he said he was not surprised – but that he would cool down soon. There will be an appeal. Also, despite what they said in their press release, the program did take into account the improvements they made since the initial notice on December 10th – and we noted that despite their investments (which we welcomed – and which were necessary for them to

comply with the enforcement orders) there continued to be odor problems at the facility. Please let me know if you would like further briefing.

Trout River and Upper Missisquoi River Wild and Scenic River Designations: The Wild and Scenic Rivers designation for the Trout River and the upper Missisquoi River (Enosburg Falls upstream) was approved by voters in these towns: Enosburg, Berkshire, Richford, Montgomery and Troy. Voters in Lowell did not approve the designation. Details of the designation will continue to be worked out in the coming months. These rivers are the first in Vermont to be designated wild and scenic.

Gauging Program: We learned from USGS on Monday that sequestration will potentially affect the stream gauging program. Several gauges in the state are funding through NSIP (the National Streamflow Information Program) and cuts in that program's funds may lead to discontinuance of a gauge in Vermont or New Hampshire. We have indicated to USGS what our priority NSIP gauges are. We are likely to face a loss of 2-3 gauges in SFY 14 unless the state can find additional or alternative funds. Finally, some of the Lake Champlain tributary stream gauges could be under immediate threat of being shut down.

EVERYTHING ELSE:

Legislative Issues/Testimony:

In addition to continued work on our budget and revenue proposals:

Forestry issues - Commissioner Snyder participated in a committee discussion at Senate Natural Resources and Energy on S.100, an act relating to forest integrity. He also spoke with House Committee on Transportation for H.2, an act relating to the Governor's Snowmobile Council – they want to add him to the council.

Groundwater Extraction Fee: The Senate Finance Committee asked DEC staff to testify regarding the impacts of large groundwater withdrawals on Vermont's groundwater quality and supplies. They testified based on our recent report to the legislature on this topic regarding quantities of groundwater withdrawals and our evaluation of environmental impacts.

Climate Cabinet Electric Vehicle (EV) Legislation: Secretary Markowitz convened a special meeting of the Climate Cabinet to brief the members on Electric Vehicle legislation under consideration. Karen Glitman of VEIC provided an overview of the Drive Electric Vermont program, which is the Vermont rebrand of Project Get Ready, which was the topic of an MOU signed by DPS, VTrans and ANR (along with VEIC and Rocky Mountain Institute) last March. VTrans (Sue Minter) has been the lead on the EV issue in legislature. She reported that she has been working (with mixed success) on getting some of these elements into the Transportation

bill. In particular she has gotten some push-back on the EV plates. The Department of Health offered to look into the first-responder safety issue (EV plates would give first responders notice of potential high voltages. There was a discussion regarding whether conventional [non-plug-in]] hybrids should also have these plates). Chris Recchia reported that he believed that the elements of H.231 have been incorporated into the latest draft of the Thermal Efficiency bill (H.216). ANR and VTrans staff will follow up.

Press Issues/Releases:

In addition to the press on the Moretown Landfill decision...

Governor Shumlin Appoints Members to Fish & Wildlife Board: Governor Peter Shumlin has appointed a new member to the Fish & Wildlife Board, and has reappointed two members and the board chair. Theresa Elmer of Northfield, VT has been appointed to represent Washington County, replacing Jeffrey Salvador, whose term has expired. Theresa runs Mountain Deer Taxidermy in Northfield with her husband Rodney Elmer. The couple says that they founded their business based on their personal love of hunting and fishing.

Deer Management Public Hearings: The Fish & Wildlife Department will host the first three of five annual deer management public hearings beginning on March 25. The hearings will cover last year's harvest results and the prospects for the 2013 season. Two more hearings will be held in the northeast and southwest regions of the state in May.

Bottle Redemption and Recycling Report: VPIRG released its own report on the eve of our receiving a draft of a contracted and legislatively required report providing a comparative cost-benefit analysis of various bottle recycling policies. As a result, there has been significant media interest including two interviews on the Mark Johnson show, one by Commissioner Mears and one by our solid waste program lead Cathy Jamieson.

Significant Events/Meetings:

Agriculture and Water Quality Training: In cooperation with AAFM, DEC staff developed a training program for Agricultural water quality practitioners to enhance our ability to fulfill mutual roles and responsibilities about water quality improvements in agricultural settings. Forty people attended from across Vermont from multiple agencies and organizations. This was an excellent meeting, producing an unprecedented opportunity for the entire community of agricultural specialists to interact.

California Zero Emission Vehicle Requirements Meeting: Commissioner Mears attended a meeting in New York with state environmental regulatory officials for California and most of the Northeast states as well as New Jersey, Delaware and Maryland. The purpose of the two day meeting was to develop a shared action plan for implementing the California motor vehicle program which Vermont and the other participating states are implementing. We discussed shared strategies for incentivizing, removing barriers to, and providing the infrastructure to

support zero emission vehicles including battery electric, plug-in hybrid and hydrogen fuel cell electric vehicles.

Invasive and Nuisance Species: Staff participated in a meeting of the ANR Invasive Team where we began to separate invasive and nuisance species into one of four broad categories based upon intensity and type of management. Also had a detailed phone conversation with the N.Y. IMap Invasive coordinator about staffing and funding the VT IMap database given TNC's diminishing role in the invasives arena. Staff also participated in a conference call with VTrans, FPR & DEC to discuss H.317 Pesticide Prohibition in ROWs which would prohibit herbicide use within 50 feet of any water body or ditch.

Drinking Water State Revolving Loan Fund Public Meeting: We conducted a public meeting to present the federal fiscal year 2012 Drinking Water State Revolving Fund Intended Use Plan. The federal FFY12 grant of \$8.975M (unaffected by the current federal budget reductions) together with the state match of \$1.795M and \$10.1M in loan repayments total \$20.87M in available funding for public water system improvements and program support. The draft priority list includes 53 projects with an aggregate need of \$37.1M, of which \$18.7M will be allocated to the 24 highest ranking projects on the list.

Winter Meeting: Governor Shumlin and Commissioner Snyder both addressed the Society of American Foresters winter meeting of the Green Mountain Division in Fairlee on Friday. Other speakers explored green certification and wood supply networks in Vermont, and the links between high deer populations, invasive shrubs and Lyme Disease-bearing ticks. A presentation on agricultural practices to integrate trees into pastures was also featured.

SUMMARY OF KEY DEPARTMENT ACTIVITY

Environmental Conservation

Lower Orange Reservoir: Streamflow Protection, Drinking Water, and Dam Safety staff met with representatives of Barre City to discuss technical issues related to the city's appeal of its Chapter 43 Dam Order for repairs at this reservoir. Barre is going to provide some additional information that we requested. All parties are hopeful that we can resolve the appeal..

TransCanada and FirstLight Hydroelectric Projects: These projects on the Connecticut River are in the early stages of the FERC relicensing process. On March 1, the Agency filed 34 requests for studies with FERC. If approved by FERC, the studies will provide information that will inform the Agency's review as both a state resource agency and the agency that issues the water quality certification. Many of the study requests were developed collaboratively with other agencies, in particular the U.S. Fish and Wildlife Service and resource agencies in New Hampshire and Vermont.

Clearitas Discussion: Drinking Water & Groundwater Protection Division met with EPA, a company called Blue Earth Labs and representatives of Vermonters for a Clean Environment. The discussion related to the use of a product called Clearitas to reduce the production of disinfection by-products in drinking water as an alternative to using chloramine treatment. We determined that Clearitas could be useful in meeting reducing disinfection by-products if there was a buildup of biofilm or scale in the distribution system. If the by-product precursors were dissolved in the water itself, Clearitas would probably not be useful as an alternative to chloramines.

New Stormwater Discharge General Permit: The public comment period for the renewal of General Permit 3-9015 (for New Stormwater Discharges) ended Friday March 1. One set of comments was received from Stratton Area Concerned Citizens. VNRC noted that given the large number of regulations under public review currently they do not have the capacity to review them all, and complained that the 30-day review period is too short.

Fish and Wildlife

Game Species: Staff prepared for and attended Wildlife management Program staff meeting to review moose, deer, and black bear 5-year federal aid grants. Staff also discussed coyote as predator issue, biological data needs for each project, and comprehensive deer management evaluation issues.

Rice Lumber Expansion: Staff provided Act 250 comments on the Rice Lumber expansion. The applicant was able to redesign the project to avoid impacts to a significant natural community and potential bobcat denning habitat. Staff also provided information to David McMath with MD Forestland Consulting on a rare species occurrence in Barton, VT.

Alburgh Chemical Spill: Staff reviewed remediation plan submitted by EPSVT for Alburgh chemical spill. The plan is being challenged by Stantec Corporation who was hired by an insurance agency that represents Kriska Holdings, Ltd., the company responsible for the spill. EPSVT and VT DEC are concerned about rising lake levels and the ability to monitor the site during that period. Stantec seems to think the site will clean itself and the compounds entering the wetland are not very toxic. Stantec is obviously concerned about the remediation costs.

GMP Line Relocation: Staff conducted a site visit to a Worcester area line replacement where deer habitat is involved. My understanding of the project was that it involved a large ROW clearing to relocate a power line adjacent to road. The site visit determined that the project is innocuous. GMP agreed to remove retired line outside of critical deer wintering period.

Stiles Pond: Staff was interviewed by the Caledonian Record about the legality and propriety of fishing on Stiles Pond. Stiles Pond serves as the municipal water supply for St. Johnsbury, and

many anglers have believed that they were not allowed to fish the pond. After the Berlin Pond decision, anglers are becoming emboldened to test the Stiles Pond waters.

Watershed Grant Program: Twelve watershed improvement projects were chosen to receive funding from Vermont's 2013 Watershed Grant Program. A total of 47 applications were received, requesting a total of \$523,300. The 2013 funding available totaled \$120,000, and the size of the individual grants ranged from \$3,500 to \$15,000. Example projects include stream bank plantings, stream habitat restoration, rain gardens, and fish passage improvements at stream barriers, lake water quality sampling, outreach and watershed planning. The Departments of Environmental Conservation and Fish and Wildlife co-administer the program that began in 1998 and has provided over a million dollars to fund over 320 projects. Staff prepared a news release about the 2013 watershed grant awards, and is in the process of preparing the grant agreements for the funded projects

Masters Angler Program: Staff finished the final draft of the 2012 Vermont Master Angler Program annual report. The report will be sent to the Fish Outreach Team for review before being posted on the Master Angler page of the Department's website, along with previous annual reports. <http://www.vtfishandwildlife.com/MasterAngler.cfm>

Forest, Parks and Recreation

Ski Areas: The State Auditor has expressed an interest in the Department's ski area leases. We are coordinating with the Auditor's office and are working to provide information and to answer questions regarding the ski area leases. We will be meeting with Bromley Ski Area next week to review ski lease and related matters.

Joint Resolution Update: The Department submitted its proposed Joint Resolution to the legislature the week prior to Town Meeting with two land transactions: (1) a proposed land exchange with Markowski Excavation in Plymouth involving a portion of Coolidge State Forest, and (2) transfer of a portion of Grand Isle State Park to the Town of Grand Isle for outdoor recreation purposes. We expect the House and Senate Institution Committees will soon invite the Department to testify on the Joint Resolution proposals.

VRPA Quarterly Meeting: Rob Peterson, Parks Regional Manager in Essex, represented State Parks at the Vermont Recreation and Parks Association quarterly meeting. He is going to be on their governor's conference on recreation planning committee.

Seasonal Staff: Interviewing and hiring is in full swing.

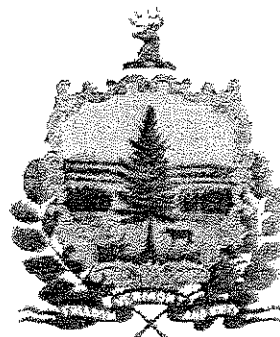
Firewood Lottery: The personal firewood lottery winners have been chosen for 2013. Individuals will be contacted in the coming days by the districts where the lot they will be awarded is located.

Business Office

Budget: Continuing to have meetings with Rep. Bob Helm as he prepares for House Appropriations Big Bill mark-up of ANR's budget section. Sequestration impacts have also been requested and departments are working on these.

ERP: We are hoping to engage business office staff more actively in weekly meetings as the ERP "go-live" date approaches. Major agenda items would include the establishment of Agency-wide policies, procedures and best practices as well as possible "go-live" readiness checklists for various groups.

Memo



TO: Governor Peter Shumlin
FROM: Keith W. Flynn, Commissioner
DATE: March 15, 2013
SUBJECT: Governor's Report

Emergency Management

Issues/Updates:

- a. Continued in-depth follow up with Rep. Fagan (HAC) regarding overall DEMHS structure, reasoning for the Recovery & Mitigation Section positions and funding necessary to apply that effort.
- b. Vermont Department of Health is inquiring of DEMHS on the status of the reimbursement package relating to ambulance services that were sent to New Jersey in the aftermath of Storm Sandy.
- c. Conducted an Orientation for 10 members of the GMP senior team; discussed SEOC operations, ways to possibly integrate information and response management during storm recovery; GMP post-merger and other various shared perspectives.
- d. Hosted a meeting with the Town of Cambridge, NWS, ANR/DEC and VTrans to discuss ice jams, overbank flooding, roadway issues and public risk.

General Information/Other:

- a. Director was deemed eligible for an **Interim Secret** clearance with the Department of Homeland Security.
- b. The DisasterLAN System Administrator participated in an ICS 300 course taught at the Chittenden County Sheriff's Department; is working with Buffalo Computer Graphics to integrate new Agency of Agriculture data that has never been made available before, which BCG is doing this at no cost to Vermont.
- c. Hazardous Material Emergency Planning Grants – A meeting took place with DEMHS staff to discuss the timeline for the 2013 HMEP grant program; It was determined that DEMHS can move grant funds from planning to training and can change the activities for training which will benefit the Vermont Fire Academy.
- d. HMGP approvals to date: 90 property buy-outs; 9 public infrastructure projects approved 10 planning/5% initiative projects approved.

Criminal Justice Services

Marijuana Dispensaries

The Town of Brandon has given approval to open a dispensary in their community. We are still awaiting the \$20,000 first year fee. The following is the story that was aired on channel 3 on 3/11/13.

BRANDON, Vt. -

A proposed marijuana dispensary in Brandon was given the green light by local officials, but neighboring residents are appealing the decision.

The building on Lovers Lane was previously used as a woodworking shop. Rutland County Organics plans to turn the 6,700-square-foot space into a dispensary to serve medical marijuana patients. Although the building has been approved for the new intended use, the decision can be appealed for the next 30 days.

"An interested party would need to submit an appeal to the environmental court within the 30-day appeal period and notify myself, as the Administrative Officer or the Clerk of the DRB. And pay the filing fee for that," said Tina Wiles, the zoning administrator in Brandon.

Based on the phone calls Wiles has received, she says the chance of an appeal is extremely likely

Laboratory Information

A recent article in the Burlington Free Press highlighted the captured and arrest of an armed robber suspect in Burlington. This arrest can be attributed to the good work of the laboratory. The article is below.

Burlington police have arrested a man suspected of robbing the Willard Street Market on Christmas Eve and trying to rob Dot's Market three days later.

With the help of the Vermont Crime Lab, which analyzed fingerprints taken from one of the scenes, investigators identified the suspect as George F. Casey, 33, of Rutland, and arrested him Wednesday, according to police.

In a statement released Wednesday night, police stated that Casey claimed to have, but did not brandish, a weapon at both the Willard Street Market and Dot's Market.

Police imprisoned Casey at the Chittenden Regional Correctional Facility in South Burlington for lack of \$25,000 bail and cited him to appear in Vermont Superior Court in Burlington on suspicion of assault and robbery.

Public Safety Broadband Network – Commission and Grant Application

Lt. Manning and Tracey O'Connell have prepared the grant application for the first round of FirstNet grants to build out a national broadband network. This is a planning grant.

We are awaiting a letter from the Governor's office appointing DPS as the agency point of contact and the Commissioner of Public Safety as the specific point of contact.

State Police

A Troop

FF

- Troops continue work with legislators to bolster precious metals legislation
- Five DUI arrests
- Five Directed Patrols were conducted in active DDACTS areas
- Troops and BCI responded to Plainfield on Friday for a 17 year old female that committed suicide by hanging.

BCI

- Assigned and completed drug case at CRCF / Inmate transported medication into facility
- Assisted Uniform with search warrant in Highgate / Search warrant of burglary suspect
- Assisted Milton PD with blood spatter evidence / Possible stabbing case / Blood suggests strong evidence to refute victim's statements.
- Fourteen year old female, disclosed to a teacher that she was sexually assaulted by her seventeen year old cousin
- Reviewed paperwork sent from Mitchell Police Department in South Dakota regarding an assist with a wire warrant. Perpetrator will be interviewed next week
- Assisted with suicide of 17 year old female (hanging) in Plainfield

B Troop

BCI

- Follow up on Attempted murder case in North Troy
- Follow up on Child pornography case in Barton
- Follow up on Attempted murder case in Lyndon
- Assist to uniform with Burglary case. Working on wire warrant with uniform

C Troop

- Clan Lab in Winooski
- Clan Lab in ST. Albans
- Fatal Fire in Clarendon

- Assault at MVCC inmate vs inmate have been stabbed
- New case – report of 15 year old male receiving exchanging nude photos via text with 21 year old male, investigation continues.
- New sex offense in Castleton. Reported sixteen year old male sexually assaulted 13 year old female. Investigation continues.
- New sex offense in Brandon. Reported twenty year-old male sexually assaulted 14 year-old female approximately one year ago. Male is currently incarcerated in Maine.

Arson

- Clan Lab activation in Winooski
 - Fatal Fire investigation in Clarendon
-



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Jeb Spaulding, Secretary

**PRIVILEGED AND CONFIDENTIAL
MEMORANDUM TO THE GOVERNOR**

TO: Governor Peter Shumlin
FROM: Secretary Jeb Spaulding
DATE: March 15, 2013
SUBJECT: Confidential Report to the Governor

BUILDINGS AND GENERAL RESOURCES

Status of Governor's Priorities:

- Even though capital bill is in mark-up, Governor's priorities remain mostly intact. HCIC is making first run through the Governor's proposed budget and desires to increase major maintenance, protect education and decrease the military.

Legislative Issues/Contacts:

- Met with Reps. Brennan and Marcotte regarding AoT funding for the repair of the Newport boardwalk.
- Met with the Speaker to inform him of administration priorities in HCIC.

Significant Events/Meetings:

- Worked with Susan Bartlett regarding the Windsor/Springfield correctional facilities potato packaging program and the bio-mass boiler project.

Evolving Issues:

- Question involves the recently moved and renovated Vergennes railroad station. Should the SOV be planning an information center presence at the station?

FINANCE AND MANAGEMENT

Issues Update:

ERP Project - Extended Cabinet Meeting Preparation: On Monday, March 18th, the Secretary of Administration, Deputy Secretary Clasen, Commissioner Kate Duffy, Deputy Commissioner Zeller and the ERP Project Directors are sponsoring a presentation, for the Extended Cabinet about the ERP Project and the upcoming May 18th Go-Live. It is critical that executive managers are informed, aware and 100% supportive of this project Go-Live and the many significant changes in human resources, payroll and expense reimbursement processes for all employees, supervisors and managers. Two other meetings will be held over the next 2 weeks: on 3/25/13 for Elected Officers, Judiciary, Legislative leaders and Extended Cabinet members (who may have missed the 3/18 meeting); and, the on 4/1/13 for statewide Business Managers.

FY 2014 Governor's Recommended Budget: Analysts continue to monitor testimony from departments in the Appropriation Committees. This week, Commissioner Reardon sent a letter to House Appropriations Committee Chair Martha Heath concerning a number of requested additions and changes by the Administration in the FY 2014 Budget for issues which arose after the FY 2014 Governor's Budget Recommendations were submitted on January 24, 2013.

HEALTH CARE REFORM

Status of Governor's Priorities:

Premium & Cost-Sharing Subsidies: H.413 is in Ways and Means. The committee is stuck on the cost of the Exchange and the previous policy decisions made by the legislature on designing the Exchange, but has not really talked about the actual financing proposals.

ERISA: Robin has requested a call with US DOL Asst Secretary Phyllis Borzi to discuss options. She also has a preliminary draft of a waiver provision to share with her. They are meeting with IBM on March 25th to discuss this and the claims assessment.

Evolving Issues:

- Financing – Jeb is taking the lead & is up to date.

HUMAN RESOURCES

Legislative Issues/Contacts:

- Commissioner Duffy worked with advocates for S.52, the child care unionization bill, to revise the bill to conform to existing law related to collective bargaining and appeared with the advocates in support of the bill. The committee did not vote the bill out of committee, which was unexpected.
- Commissioner Duffy appeared before Senate Appropriations on S. 59, the direct care support providers' unionization bill. The discussion focused on the fiscal impact, with some limited discussion on issues related to collective bargaining that had not been addressed by Senate

Economic. Senate appropriations voted the bill out with an amendment, providing that the administration will have to absorb any increased costs in connection with collective bargaining that results from S.59. At the request of Senate Appropriations, Commissioner Duffy worked with advocates of S.59 to revise the bill to conform to existing law related to collective bargaining, and appeared before the Senate Economic Committee in support of the bill. The amendment will be made on the floor.

- The Joint Fiscal Office has asked for information regarding the cost impact of all pending health care bills. DHR, working with its providers and consultant is gathering the information. DHR will send the information to the Secretary's office for review prior to submission to JFO.
- Commissioners Reardon and Duffy appeared before House Appropriations to answer questions regarding the Pay Act. The Committee asked what options it might have to appropriate less money than was approved in the Pay Act. Commissioner Duffy explained the parameters of the State Employee Labor Relations Act that limit any such actions at this point. The Committee expressed frustration with respect to the amount of funding required to fund the VTA contract, and the requests for reclassification submitted by the VTA. In response to the Committee's inquiry, Commissioner Duffy explained the purpose of and method to conduct a reclassification. Commissioner Duffy also stated that any increase in pay grade would increase salaries by approximately 5-7%.

Significant Events/Meetings:

- Secretary Spaulding, Treasurer Pearce and staff conferred with Buck Consultants regarding the Employers Group Waiver Program (EGWP) and work done with the Treasurer's Office to implement an EGWP and wrap for the teachers retirement system and the anticipated cost savings. DHR will work internally to assess the EGWP option for the state employee's medical plan and will include a request for EGWP pricing in its next bid, which is imminent. Prior to the bid process, Commissioner Duffy will inform VSEA of the request for information, so they are not surprised or concerned by the request for information.

Evolving Issues:

- Due to likely reductions in federal funding of the Reach Up Program, the Department of Labor will likely have to do a reduction in force for approximately eight positions by the end of this fiscal year. DHR will work with Commissioner Noonan to identify the individuals who would be RIF'd and provide the contractual notices required.
- DHR has received a request for reclassification from entry level Troopers and Senior Troopers at VSP. DHR already received a request for reclassification for Sergeants. With the new request, 292 of 333 VSP positions could be reclassified, with a significant financial impact.
- DHR has completed its analysis of a request for reclassification of all Corrections CSSI positions. It appears at this point that the group will likely be upgraded to a pay grade 23, which results in a 5-7% increase for each employee. At present, there are 156 CSSI positions. This change will mean that the individuals are not eligible for overtime under the collective bargaining agreements, although Fair Labor Standard Acts provisions still apply. Corrections has been advised of the likely determination.

INFORMATION AND INNOVATION

Status of Governor's Priorities:

Healthcare: The HSE Operational Steering Committee (OSC) is working on developing a program-wide staffing plan and preparing recommendation for the Executive Committee (EC) on our immediate staffing requirements. Teams in DVHA, AHS-IT, HSE PMO, DII and at the project level have gone through various steps and numerous meetings/discussions to accumulate the required information to bring specific actionable options forward for review, discussion and action. This portion of the plan is only dealing with the most critical and immediate staffing needs. The OSC will also be outlining the timeline and next steps to complete the broader staffing plan as quickly as possible. Work on governance and contract management continues, but the staffing plan has taken priority due to the immediate need.

Legislative Issues/Contacts:

Commissioner Boes and David Brotzman testified in front of House GovOps regarding a committee bill (no number yet) to move VCGI into DII. This effort is due to the lack of financial viability beyond FY15 of the current VCGI organization. By moving into a state department, VCGI will save enough to be viable for at least the next 5-7 years. As the position of the administration is that no positions are available from the pool, this bill creates 6 new positions for the existing 6 employees of VCGI. The only question that could not be answered during testimony was how the union felt about this move. GovOps plans to consult with the union.

LIBRARIES

Nothing to report.

TAXES

Legislation:

Revenue Proposals: Ways & Means appears to have settled on a search for a ballpark \$20M, although they are not entirely clear what the revenue would be used for. They have spent a good deal of time in well-trodden territory, examining expenditures including sales tax: vending machine goods (\$1.3M JFO estimate), soft drinks (\$3.5M), candy (2.5M), dietary supplements/vitamins (\$1M), clothing over \$110 (\$2.2M) and income tax: capital gains and deductions.

Ironically, while Ways & Means is considering closing expenditures, House Ag had Department staff in to discuss our interpretation of exemptions for ag items, which are generally narrow. The members appeared to accept our explanations, but expressed the desire for legislating broader exemptions.

Within the Department, Deb Brighton is running ideas such as restructuring the EITC and placing some limit on deductions.

Miscellaneous Technical Tax Bill: *Tax Department additional provision to address error on Capital Gain Tax Instructions:* The Department kicked a hornet's nest with practitioners over an error in our

2012 instructions for how to treat qualified dividends. Starting with the 2003 Bush tax cuts (JGTRA), the feds have afforded “qualified” dividends (almost all dividends) preferential capital gains treatment. Vermont specifically decoupled from this federal provision in 2003 session law, although Title 32 was never amended on this point. Our capital gains form has not contemplated inclusion of qualified dividends, and until 2011, our instructions explicitly called qualified dividends ordinary income. Practitioners apparently accepted this without question – qualified dividends are not conventionally considered capital gains. However, an individual taxpayer raised the issue with some staff who came to believe the form was “wrong”. Late in our forms process this year it was decided to insert a special instruction allowing qualified dividends to be added to capital gains. This “change” escaped notice of most big software vendors and practitioners (even though we had flagged it at an advisory board meeting) – they have been filing returns this year without claiming dividends as cap gains. However, about two weeks ago, we started receiving inquiries about whether we *really* meant this change – at which point, we looked closer and realized the instruction was in error (and a potentially greater revenue loss than we had contemplated).

We have informed practitioners of the correction, and we are considering further outreach. We know at least one software package used by smaller practitioners had picked up the change, and we are assessing the need to craft any special remedy. At the very least, we will propose to Senate Finance that the Technical Tax Bill include a provision to amend Title 32 to definitively clarify this issue. Ways & Means already heard testimony, appeared to understand, and to appreciate the wisdom of amending the statute.

H2A Workers: House Ag has had staff in several times to discuss amnesty for H2A workers, who apparently were under the misimpression that they did not have to pay taxes on income earned in Vermont until the IRS started a compliance project last year. We automatically bill based upon IRS assessments, so these workers are swept into our compliance – in fact, it would take some work to even identify them among the non-filer population we are pursuing for payment. We explained to the Committee that to the extent these workers come forward, the Commissioner would exercise discretion to waive penalties and interest; but that in general the Commissioner does not abate taxes for a class of taxpayers (we also have explained this to the Secretary of Ag). An amnesty bill is pending in the Committee.

Current Use: In a meeting with the Secretary of Ag, we discussed the Current Use bill which passed the House. It appears that the coalition is still supportive in general (the penalty structure may be a bit higher than they would prefer). There is still an issue with so-called “parking” – Bill Johnson believes the latest proposal to approach the issue through subdivision is problematic since zoning regs vary widely among towns (perhaps only marginally better than the last two parking provisions which were complete failures).

Zappers: House Judiciary passed a stand-alone bill to criminalize the use of zappers (sophisticated sales suppression devices to evade remittance of sales and use tax). Rep. Lippert would like to pursue some press. The retailers and grocers were generally fine with the provision, as long as it was clear that we were not casting aspersions on our business people.

Listers: House Operations has asked Bill Johnson to testify on a bill to allow towns to abolish their lister positions in favor of hiring an assessor. The lister association may be uncomfortable with this, although VLCT has supported it as a practical necessity. Bill will signal general support.

Income Inequality: Deb Brighton disputes Kavet's methodology on income inequality. At Senate Finance's request, she prepared a more refined analysis. It does not end up in an appreciably different place, but fun for wonks.

Operations:

Tax Season/Data Warehouse: Our Data Warehouse has a module for flagging refunds for fraud review. This was successfully implemented last year, and with some refinement, is operating even better this year – we estimate that over the two years we have stopped over \$300,000 in phony refund requests. For all five modules, the project is operating well, but currently behind in forecast – the Department continues to make adjustments and at this point RSI, the vendor, is on track to leave site in the next two months (the benefits based compensation continues through 2016).

CONFIDENTIAL MEMORANDUM TO GOV. PETER SHUMLIN

From: Susan Spaulding
Date: March 15, 2013
RE: Boards and Commissions Update

Public Service Board: We've had 91 requests for applications and currently have 8 completed applications on file.

District #1 Environmental Commission: Tracy Carris has sent a resume asking to be appointed to the PSB, VEPC, Real Estate Commission or Rail Advisory Council. He did not list the Environmental Commission.

Commission on Women: Replacement for Peg Martin who resigned to take care of her husband who has Alzheimer's.

Connecticut River Watershed: It is a challenge to get people to serve on this board. I will contact David Deen and see if he has come up with any ideas.

State Board of Education:

Human Rights Commission: I will interview the current Chair, Mary Marzec-Gerrior, who is up for reappointment.

Appointments Made March 13 & 14, 2013

Justice of the Peace, Town of Ira:
APPOINTED: Robert Toppin, Ira

Justice of the Peace, Town of Enosburgh:
APPOINTED: Mike Manahan, Enosburg Falls

Unorganized Town of Somerset:
APPOINTED: Jim Olivier, Putney - SUPERVISOR

Unorganized Town of Beul's Gore:
APPOINTED: Jacob Perkinson, Burlington - SUPERVISOR

Barbers & Cosmetologists:
APPOINTED: Randy Peace, Northfield

Environmental Commissions: DISTRICT #6 FRANKLIN & GRAND ISLE COUNTIES:
APPOINTED: Megan Teresa Manahan, St. Albans (Alternate Member)

Community High School of Vermont:
APPOINTED: Patti Komline, Dorset

Vermont Communications Board:

APPOINTED: Kiersten Bourgeois, Colchester

Vermont Housing Council

REAPPOINTED: Kenn Sassorossi, Williston

REAPPOINTED: Brenda Torpy, South Hero

REAPPOINTED: Chris Snyder, South Burlington

REAPPOINTED: Maryllen Griffin, Peacham

Hearing Panels for Professional Public Educators:

APPOINTED: Verna Borden, Pittsfield (Teacher)

State Emergency Response Commission:

DESIGNATED: Christopher Herrick as Chair.

Irene Recovery Situation Report
3/15/2013

IRENE RECOVERY OFFICE

WSOC-VSH

- All but one of 6 Improved and Alternate Project requests to transfer funds from buildings to be demolished to the WSOC rebuilding plan have been submitted to FEMA, with the remaining Alternate Project request for the Ag Lab to be completed next week.
- Approval for asbestos abatement expected within days, scheduled to begin first week of April.
- Continuing to work with FEMA to maximize funding eligibility, as we wait for guidance from FEMA HQ for pilot project under new Sandy legislation.
- Temporary WSOC staff working with BGS to ensure financial management of FEMA funded projects meets closeout and audit requirements.

FEMA PA

- 3,300 project worksheets (PWs) have been written and entered into EMMIE by FEMA of which 3,185 (97%) have been obligated.
- Federal funds obligated to date (based on 90% federal share) remains at \$142.6M; PWs related to Vermont State Hospital and Waterbury State Office Complex are expected to result in additional obligations of \$60-80M.
- Our focus is shifting to closeouts, with 14 large projects closed out in the past week.
- At this time, only two more appeals remain to be sent to Region 1. Region 1 is actively reviewing details of the Wardsboro appeals.
- Debris PWs for Bennington, Woodford, and Rockingham are expected within the week.
- Projects in Andover, Waitsfield, and Windsor have been identified as needing AOT review. Dan Peterson is back from vacation and is serving as our "runner" for files that require review by AOT technical staff.
- We've asked FEMA to clarify when the 2nd Appeal of the Townsend culvert PW was sent to HQ, starting the 90-day decision clock. We believe that there are still around 60 days to go. This is the test case for whether compliance with state stream alteration standards will be funded by FEMA.
- Latest estimate of projected municipal funding gap is down to \$16M (\$7M for codes and standards + \$9M for other issues including debris). We continue working to minimize funding gaps on case-by-case basis.

Individual Recovery

- The Disaster Case Management Program (DCMP) monthly meeting was held, including all Construction and Volunteer Coordinators newly hired with BAA funding, to discuss

next steps for addressing remaining unmet needs, programmatic support from CDBG-DR, and demobilization plan for the Program.

- Bi-weekly Long Term Recovery Committee (LTRC) Chairs call featured partners from the State Hazard Mitigation Office and Department of Environmental Conservation to provide updates to local recovery groups assisting individuals participating in the HMGP buyouts and seeking assistance for stream-bank stabilization and debris removal.

ACCD

- Announced plan for 5 home buyouts deemed ineligible for FEMA funding. ACCD, with assistance from TRORC, will use CDBG -DR funds to cover 75% of buyout cost and work with homeowners on a case-by-case basis to secure other funds. Stratton Foundation has committed \$80,000 for four homes in Jamaica, Vt. VDRF welcomes applications from homeowners for remaining unmet needs. Contacted Towns of Hartford and Jamaica, homeowners and case managers. TRORC meeting with Jamaica Selectboard on next steps March 25. Coordinated announcement and media coverage with Governor's office, Stratton, and VDRF. The homeowners are extremely grateful.
- Reviewed latest draft of Mobile Home Study and provided feedback to consultants. Final draft due to the department on March 22nd.

HMGP

- Current Status of Buyout Properties:

HMGP Approved	90
HMGP Pending	20
Appealing/RFI HMGP Determination	6
HMGP Ineligible	10
Round 4 (Potential)	5
Grand Total	131

Link to Map: <http://www.trorc.org/buyouts.html>

VTRANS

Program Development Division

- **Woodstock BHO 1444(52)** - Alpine Construction is about to pour the remainder of the stem making up the abutment which was damaged as a result of TS Irene. They have shored timber elements of span#1 in anticipation of the completion of the new Abutment#1.

Operations Division

All District Irene Related FHWA ER Sites	This Week
Total sites	688
Total sites complete	424
Total sites under construction	15
Total sites awarded	84
Total sites ready for bid	104
Total sites scoping/design complete	120
Total sites no activity	11
Total sites given to PDD	65
Total sites on hold ROW/ENV	46

Finance and Administration Division

- Transportation System Recovery Expenditures through March 11, 2013:
\$216,738,931.

	Totals	Federal	State	Local
FHWA-ER	\$108,768,717	\$102,711,016	\$3,545,980	\$2,511,721
FEMA - 4022	\$103,398,687	\$99,728,896	\$3,669,791	\$0
FEMA- RREW	\$4,571,527	\$0	\$4,571,527	\$0
	\$216,738,931	\$202,439,913	\$11,787,298	\$2,511,721

CONFIDENTIAL and PRIVILEGED

To: Governor Peter Shumlin
From: Michael J. Hogan, Commissioner of Liquor Control
Date: March 15, 2013
Re: Weekly Report

Status of Governor's Priorities: Break open tickets- Continuing to work with Secretary Spaulding as we talk with all the interested parties. I knew when I proposed this idea that it would be controversial. I also knew that you wouldn't be afraid of a challenge. In the end, I think many people will be surprised at the amount of money that is being spent playing these games of chance. Will keep you informed of any new developments. Thanks for your support.

Legislative Issues/Contacts:

The legislative session has been very busy with multiple bills in both chambers. Fortunately, many of the bills are being compressed into an "omnibus" alcohol bill to expedite things. I don't believe you will find anything that is controversial. Both House and Senate Committees have spent some time on our issues and I am very comfortable with the way things are going.

Press Issues/Releases/Contacts: Nothing here as the initial press inquiries on ticket questions have subsided.

Significant Events/Meetings:

- FYI: Our Liquor Board meets monthly for enforcement hearings.

Evolving Issues:

Other than the Miss Tax bill and the break open tickets, most of the other issues have to do with manufacturing changes for in-state alcohol producers, the fee bill, and some other miss issues.

Summary of Key Department Activity:

Business Side:

- **Major Point of Sale Project Underway:** The Department working with DII is reviewing vendors who have responded to our RFP to replace all our systems in our agency stores and back end office system. It has been the largest project we have ever undertaken in all my years at DLC. The end result will be a more efficient system with more flexibility to market and sell our products throughout the state. It will also interface with the states Vision system.

Regulatory Side:

- **Education Division-** We have three people who have put together one of the best alcohol server training programs in the country. DLC also has an online training program that has been a real help to the business community.
- **Enforcement Division-** Their emphasis has been on establishments that over serve the public. This proactive approach in my opinion has saved many lives.

Commissioner's Commentary: You have a great staff to work with. They are timely, friendly, and have a sense of humor that is needed in our "pressure cooker" environment. Again, thanks for your support. Mike Hogan

