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Susanne R. Young, Secretary

February 15, 2019

Honorable Jane Kitchel, Chair
Senate Committee on Appropriations

Honorable Kitty Toll, Chair
House Committee on Appropriations

Vermont State House
Montpelier, VT 05609

Dear Senator Kitchel and Representative Toll:

I write with respect to H.97, *An Act Relating to Fiscal Year 2019 Budget Adjustments*, (BAA), as passed by the Senate on February 13, 2019. First, thank you to both the House and Senate Appropriations Committees for considering the Governor's recommendations in the proposed Budget Adjustment bill and spending time with the many members of the Administration that provided testimony on the need to move quickly on certain issues, such as lead testing, cybersecurity updates, and using a substantial sum of the FY19 surplus to pay off the OPEB loan.

Vermont State Teachers' Medical and Healthcare Benefits: Early agreement between the Treasurer, the Legislature and the Administration to use \$25.5 million of the FY19 surplus to continue to address the challenge of our pension and retiree health plans is reflected in the budget adjustment as passed by both the House and the Senate. The plan retires the outstanding balance of the interfund loan to the Retired Teachers' Health and Medical Benefit Fund (RTHMB); earmarks \$2.4 million of the FY20 RTHMB appropriation toward the first steps in pre-funding that liability; makes an additional payment to the Vermont State Teachers' Retirement System Fund; and dedicates a portion of future budget surpluses to the Vermont State Employees' Post-Employment Benefits Trust Fund. This is a small but critical step toward the long-term goal to achieve prefunded status in all our retirement plans. To meet these obligations in future budgets, we must continue our work together to make further progress to moderate our debt while improving our demographics and growing our economy.

Lead Testing: Recent testing by the State on a pilot basis in 16 schools found elevated lead levels at greater than 15 parts per billion in at least one tap at five schools. To ensure that all Vermont students have access to safe water as soon as possible, the Administration proposed an appropriation of \$1.3 million of one-time FY19 surplus funds be appropriated through the BAA. This appropriation supports the State's efforts to assist schools in testing all taps used for drinking water and food preparation. The Administration appreciates the varying levels of support from the House (\$570K) and the Senate (\$2.4m) to address this issue.

The Administration's proposal assumed that at the EPA public drinking water action level of 15 ppb, 45,000 tests would be performed at a cost of \$20 per test. Should the testing level, or expansion of the program to

additional facilities, occur as contemplated in S.40, *An act relating to testing and remediation of lead in the drinking water of schools and child care facilities*, the program will likely be costlier. The Administration's goal is to begin testing as soon as possible and, in that regard, we believe it is important to have further clarity on the standard the Legislature will use to test for lead, if it is not the current EPA standard, and the potential cost of testing at this higher standard. The Administration and the Legislature share a common goal of safe drinking water in Vermont's schools, and we look forward to finding a swift path forward.

School Safety Grants: Both the House and Senate considered the Administration's proposal to appropriate \$1.5 million of the FY19 one-time surplus to support the current school safety grants program developed last session. This program has provided \$4 million through 50 grants to 239 schools in the last six months to purchase and install safety infrastructure for schools such as interior and exterior door and window locks, public address system upgrades, cameras, communication systems and safety equipment. While disappointed that we will lose time in putting the grant dollars to work upon passage of BAA, the Administration appreciates the Committees' intent to consider additional funding for this program in the Capital Bill.

Woodside Transition Plan: The Administration is prepared to provide a recommendation for the continued operation of Woodside given the loss of federal funding. Determining the appropriate delivery system for the needs of the juveniles at Woodside, which we agree vary in severity and degree, is the first step to determining the capital needs.

DCF – CDD: The Governor's recommended BAA recognized caseload savings of \$2.5 million in the Child Development Division and directed those funds to other initiatives. The Legislature restored this money in the BAA to be used to address the real economic challenge of affordable, high quality child care. Included in the Governor's FY20 recommended budget is a \$7 million plan that continues our work together from the previous biennium to invest in early care and learning. The Governors' FY20 proposal includes similar elements to what is included in the BAA here, reflecting our common interest and goals. The Administration looks forward to the continued conversation on this topic.

Finally, it is heartening that part of the FY19 one-time surplus has been reserved. The Governor's FY20 proposed budget has included several appropriate one-time uses for the surplus in FY19 that the Legislative committees of jurisdiction are now beginning to consider, such as the broadband initiatives, implementation of an associates degree program at regional technical and career centers through Vermont Technical College, expansion of the State fleet to include more electric vehicles and supporting infrastructure, incentives to make electric vehicles available to lower-income Vermonters and additional weatherization funding.

Sincerely,



Susanne R. Young
Secretary of Administration

Cc: Senator Tim Ashe, Senate President Pro Tempore
Senator Ann Cummings, Chair, Senate Committee on Finance
Representative Mitzi Johnson, Speaker, House of Representatives
Representative Janet Ancel, Chair, House Committee on Ways and Means Committee
Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office
Al Gobeille, Secretary, Agency of Human Services
Adam Greshin, Commissioner, Department of Finance and Management