

March 4, 2015

Hello All,

It was good to see many of you at Town Meeting and at the polls Tuesday. Thanks for participating. You make our communities better and I know all our town officials greatly appreciate your support. I would also really like to thank the seniors in Pownal for once again providing great refreshments.

Below is my annual Town Meeting Report that I also distributed at Town Meeting. Please let me know your questions and thoughts as I always look forward to hearing from you.

In another email I will be sending you the annual Sen. Bill Doyle poll as many of you may not have had a chance to pick one up at Town Meeting.

Stay in touch (and stay warm),

Bill

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TOWN MEETING 2015 LEGISLATIVE REPORT

March 1, 2015

Dear Friends,

We have reached the mid-point of the session with much underway in addressing reforms in state government. The leading issues before the legislature that I focus on in this report are education, health care and economic development. In my role as Chair of the Commerce and Economic Development Committee I continue to focus on workforce development, consumer protection, insurance, and job creation legislation. I look forward to seeing you at Town Meeting and hearing your questions, concerns and thoughts. I am truly humbled to serve you, your families, our communities and Vermont as your representative. Thank you for the honor.

Sincerely, —Bill Botzow

The Budget

The House Appropriations Committee received the Governor's proposed budget in January and will bring its changes to the floor of the House in March for consideration. This year the budget is proving to be even more difficult than predicted. A gap of \$94 million, between anticipated revenues and estimated expenditures in the state's General Fund was resolved in the Governor's proposal. Then five days after receiving the Governor's proposed 2016 budget, a revenue downgrade added an additional \$18.6 million problem. The total appropriation to the General Fund is approximately \$1.4 billion. Below, the General Fund expenditures are listed by percentage of the total fund.

27.2% - Public Education

23.0% - Medicaid Related Programs and Services

9.6% - Corrections

8.8% - Protections

8.6% - Children & Families Programs

5.9% - Higher Education

5.2% - General Government

4.6% - Debt Service

7.1% - All other General Fund Appropriations

This year, cuts across state government, efficiencies, consolidation of programs, restructuring parts of state government and additional revenues will all be carefully considered in balancing the FY2016 budget. The House Appropriations Committee is receiving testimony on all areas of the budget. Concerns have been voiced over many of the proposed cuts.

Commerce and Economic Development

Vermont continues to work hard at sustainable economic development doing what it can to make sure the private sector thrives in an increasingly competitive world. We can point to

challenges and to successes. We are steadily emerging from the recession while we maintain our position as a low unemployment state. We have created about 11,000 net new jobs since 2011 even as we see significant churn in the economy. Our tourism sector remains strong and the farm and food economy has rejuvenated as Vermont has added about 200 businesses and 2,000 jobs in the last six years. The number of farms has increased by 5 percent in the past five years and the value of agricultural products by 15 percent. Our brand is strong. Our workforce and quality of life are significant assets and broadband access has improved. Our financial sector is a big contributor to our state as is the renewable energy sector. Vermont is home to extraordinary advanced manufacturing and technology businesses. The Legislature intends to build on these strengths through insurance modernization, a telecomm initiative, improvements to marketing Vermont, and other economic development initiatives. Workforce education and training is critical to address a mismatch between available jobs in Vermont and the skills of workers. We also expect to work on consumer protection bills for businesses and individuals.

Vermont's Insurance Industry

The Department of Financial Regulation (DFR) earns the state over \$100,000,000 at an overhead cost of \$14,000,000. DFR's regulation and licensing of captive insurance alone earns the general fund \$27,000,000 annually and provides over 1400 highly compensated jobs for Vermonters. We are the international "gold standard" in captive insurance regulation. Vermont has over 1000 captives domiciled in state. That makes us the third largest worldwide and the largest nationally. Through modernization and updating of our financial regulations and licensing, DFR maintains our "gold standard." Every year we work to keep our competitive position. This year we passed H. 51 and H. 73. Both bills are part of the National Association of Insurance Commissioners (NAIC) modernization/standardization process.

Vermont's Telecom Needs

Vermont has made significant progress on broadband and wireless coverage. As technology advances, however, yesterday's fast lane is today's breakdown lane. Too many Vermonters live and work in unserved or under-served areas. Vermont needs robust broadband for economic development, health care, public safety and education. The Commerce Committee has passed a telecom bill (H.117) that replaces the Vermont Telecommunications Authority with a Division of Telecommunications and Connectivity in the Department of Public Service. The bill sets criteria for distributing grants and makes sure there is public input in planning, monitoring and advancing Vermont broadband and mobile wireless infrastructure. A Telecommunications &

Connectivity Board will make recommendations to the Commissioner to promote access to affordable broadband.

Updating Vermont's Education System

The House Education Committee has passed a bill updating Vermont's education governance system. The goal is providing students with the core competencies needed for our workforce and citizenship. For over a century, Vermont's education structure has remained largely unchanged. The current system was established in 1892 when 2,500 school districts became 300 town-based districts. Today there are 277 districts, 282 school boards, 340 governing units (including supervisory union boards), 1440 school board members, 320 schools, 62 supervisory unions and districts; and 85,000 students. In 1892 there were 97,000 students. Supervisory unions were formed in 1912 to establish statewide qualifications for teachers and standards for teaching. Today, superintendents manage and coordinate the delivery of education in a supervisory district or supervisory union. Both are responsible for coordinating preK-12 grade education. A supervisory district is governed by a single board and a supervisory union may represent multiple towns and include regional high schools, career technical centers, union high schools, elementary, and supervisory union boards. Supervisory unions have produced cost savings but provide little transparency. By expanding school districts to include supervisory duties and presenting voters with a universal budget, voters would have greater transparency and budgetary oversight.

With the support of local education leaders across the state, House Education unanimously passed bill (H.361) to reform education funding, spending and governance. The proposal aims to improve education quality, promote stability and sustainability, and provide greater equity in student opportunity. The bill maintains a community-supported education system, asserts our deep commitment to public education and makes our structure more affordable by realizing greater economies of scale. Elements of the bill include:

Creating Larger Education Districts - Districts would be required to merge with neighboring districts and share responsibility for pre-k to grade 12 for all students. The State Board of Education may approve alternate configurations so long as the proposal advances specific goals like equitable educational opportunities, stable leadership, the flexible and efficient use of resources, increased student-to-adult ratios, budgetary stability and less volatility for taxpayers, and community engagement. Each integrated education system would have a minimum average daily membership of 1,100 students unless granted a waiver. The SVSU is larger.

Temporarily Cap Local Spending Increases - Districts would not be permitted to increase spending more than 2% until 2019.

Restructure Grants to Small Schools - Keeps small school grants for districts with an average grade size of 20 or fewer students that shows success in meeting educational quality standards, participates in a merger study committee, and that the State Board of Education determines to be eligible annually due to the school's high student-to-staff ratios, lengthy driving times or inhospitable routes to the nearest school(s) with excess capacity.

Require Explicit Ballot Language - School budget warnings and ballots would include specific disclosure of per pupil spending, percent change, and overall budget amount.

Moratorium on Spending: Imposes a moratorium through 2016 on any new legislation that would increase property taxes.

Hold Harmless Provision - Lessens the fiscal protection from rapidly declining enrollment by shortening the permissible period of artificial student count.

Limit Out-of-State Tuition Payments - Except for payments to out-of-state schools that fall into a small category of exceptions (including location in a community bordering Vermont), public tuition would not be paid to schools that aren't located in Vermont.

Universal Integrated Accounting and Data System - Require the Agency of Education to fully implement an integrated system to maintain financial reporting and accounting data and longitudinal student data that are designed to measure and to compare student outcomes, financial costs, and the quality and variety of educational opportunities.

Reform Collective Bargaining Process – Creates a study to eliminate the power of boards to impose contracts and the power of teachers to strike in favor of an alternate dispute resolution process.

Restructure Special Education Funding - Requires the Secretary of Education to propose alternative methods of delivery and payment for special education services.

Seeks to Eliminate the "Lag" in Income-based Calculations and Payment - Asks the Commissioner of Taxes to recommend changes so that income adjustments will be calculated on taxpayer's current year house value, tax rate, and household income.

Joint Legislative Education Oversight Committee - Creates a Joint Legislative Education Oversight Committee consisting of three members from the House and three from the Senate, to monitor, evaluate, research, oversee, and provide a continuing review of matters concerning education policy, education funding, and student outcomes and the intersections of each with corrections, economic development, health care, and human services issues.

Health Care Costs Work Group - Convenes a working group to consider alternatives available to school districts, supervisory unions, and their employees to address the high cost of health care. The working group is required to consider the possibility of transitioning to plans offered through Vermont Health Connect (the Exchange) by 2018.

Propose 2016 Property Tax Rates - Establishes the fiscal year 2016 property tax rates at \$1.535 (non-residential) and \$1.00 (homestead), the base income amount of 1.94 percent, and base education amount at \$9,459.00.

Education Property Tax

Our current tax system requires the state to recommend a base homestead tax rate and base education amount each December. Depending on state education spending, projections and the economic condition of the education fund sources, the base homestead rate is generally adjusted by the legislature. This gives the appearance that the state is increasing or decreasing taxes. The statutorily set base amount is designed to allow per pupil spending to grow annually by the New England Economic Project (NEEP) index without raising tax rates. However, the NEEP index and the Ed Fund sources don't change at the same rate. The NEEP index is based on the purchase of goods and services by state and local government and Ed Fund sources are based on economic conditions. If spending grows when the economic conditions decline, rates need to go up. The current system makes this hard to see. The "Yield Proposal" changes our formula so that rather than announcing a base per pupil spending amount and a base homestead tax rate each year, we announce what a unit of the homestead property tax rate will produce. This better reflects what the economic conditions will allow and the state does not need to change the homestead rate. If districts increase per pupil spending beyond the yield amount, it will be clearer to voters how their budgets impact their local tax rate.

Health Care Update

The House Health Care Committee has undertaken a deep review of the quality, cost, and sustainability of Vermont's health care system. They are focused on whether all Vermonters have access to high quality care, how health care costs and the rate of growth can be reduced, and what steps need to be taken to improve the health of our citizens. It's no surprise that Vermont is repeatedly ranked as the healthiest state, but the committee is pleased to report that:

- More Vermonters are insured than ever before. We have reduced the number of uninsured Vermonters by almost half since 2012 (from 6.8% to 3.7% of the population).
- Almost all of Vermont's children are insured. Only about 1300 children were uninsured in 2014, compared with almost 7000 children in 2005.
- The Green Mountain Care Board (GMCB) has successfully reduced hospital price growth. Hospital budgets have grown by about 3% over the past 2 years, compared to 7% on average between 2003-2013.
- The Green Mountain Care Board also saved Vermonters about \$7 million in private insurance costs by reducing the requested rate increases from insurers.

Ensuring Operational Function and Integrity of the Exchange - The functionality of Vermont's federally mandated health insurance exchange (the "Exchange") has disappointed lawmakers, health care providers, business managers, insurers, and most importantly, participating Vermonters. Despite efforts to improve technology and timely response rates, the Exchange is still not meeting expectations and remains a top concern. The Department of Vermont Health Access (DVHA) reports modest advancements in improving the system.

- Change of Circumstance (CoC) requests will continue to be a challenge until key functionality is delivered late this spring to allow staff to quickly process changes.
- Medically and financially urgent cases continue to receive priority status.
- With the end of open enrollment, DVHA has added capacity to process change requests.
- The support center has started work on 2015 CoCs.
- The Health Access Eligibility Unit is training all eligibility staff to process CoCs.

Recent access to new resources is helping DVHA make meaningful progress on the CoC queue, and provide improved customer service. It's worth noting, however, that requested changes to 2015 health plans, income, or household information will be processed with an effective date determined by federal rules.

Insurance Help, Subsidy Eligibility, and Tax Reporting Support - Vermonters who don't have health insurance and learn about the new federal Shared Responsibility Payment when they file their 2014 taxes now have a chance to avoid paying the full fee next year. Vermonters who are impacted should call Vermont Health Connect's Customer Support Center at 1-855-899-9600 (toll-free) or visit VermontHealthConnect.gov and click 'Start Here'.

If you received financial help buying health insurance, you should have received a tax form 1095-A for your federal return. If you did not receive a 1095-A or the information does not look right, call 1-855-899-9600. More detailed information and FAQs can be found at info.healthconnect.vermont.gov/taxes.

Resources are available online at VermontHealthConnect.gov, including:

- Overview of health plan details and financial help -
<http://info.healthconnect.vermont.gov/healthplans>

- Getting Started, Health Insurance 101 and more -
<http://info.healthconnect.vermont.gov/materials>

- For more specific health plan questions, call the insurers:

- Blue Cross Blue Shield of Vermont: 1-800-247-2583

- MVP Health Care: 1-800-TALK-MVP

- In-Person Assistants are available throughout the state

- Visit <http://info.healthconnect.vermont.gov/find> - or call 1-855-899-9600

The "Cost Shift" - The "cost shift" is a hidden tax on Vermonters who have private health insurance, as well as the medical professionals who provide them care. Medicaid is a health insurance program for low-income citizens jointly funded by the state and federal government. Doctors are reimbursed for Medicaid patient care at less than 60% of their costs for service.

Doctors lose money treating Medicaid patients. To compensate for these Medicaid losses, doctors and hospitals must significantly increase what they charge privately insured patients. This “cost shift” results in higher cost private health insurance for Blue Cross Blue Shield, MVP, and other insurance provider customers. Because of the losses associated with treating Medicaid patients, they have more difficulty finding primary care doctors for treatment making health care access an issue for Medicaid recipients.

The governor has proposed increasing Vermont’s reimbursement rates for Medicaid. For every \$1 Vermont increases Medicaid reimbursement, the federal government contributes \$1.10 of reimbursement. Governor Shumlin has proposed funding this increased reimbursement through a 0.7% payroll tax on employers. He argues that the increased cost of this tax will be made up for through employers’ lower health insurance rates as the “cost shift” is addressed. Concern has been voiced in the legislature that it will be difficult to determine in fact how much health insurance rates *did not* go up through the use of these payroll tax proceeds to address the “cost shift.”

Renewable Energy Standard and Energy Transformation (RESET) Program

Twenty-nine states, including most New England states except for Vermont, have renewable portfolio standards. Renewable portfolio standards require electric utilities to generate renewable energy and sell it to their customers. The market for renewable energy is spread throughout the region using renewable energy credits (RECs) which can be bought and sold by utilities. With its strong renewable energy sector, Vermont has traditionally been an exporter of credits. In 2014 Vermont utilities sold roughly \$50 million of RECS. Vermont needs a renewable portfolio standard now because the viability of our RECs has been in question. If New England states disallow the purchase of Vermont RECs due to the absence of a Vermont renewable portfolio standard, Vermont utilities may suddenly find themselves \$50 million short on revenues. This would result in an immediate 6% increase in electricity rates. The Natural Resources and Energy Committee has proposed H.40 to address the problem by creating a renewable portfolio standard for Vermont. It goes beyond other states’ renewable portfolio standards by creating a new energy transformation tier that will help reduce greenhouse gas emissions and save money on energy bills. These initiatives are known as Vermont’s Renewable Energy Standard and Energy Transformation (RESET) Program.

Supporting the Vermont National Guard

The Legislature voted unanimously on February 19th to reelect Maj. Gen. Steven Cray Adjutant and Inspector General. Over the last two years, Gen. Cray has successfully prepared the nearly 4000 men and women of the Vermont National Guard to respond to the Guard's federal and state missions. The Army Guard maintained the highest levels of readiness, as was recently demonstrated in deployment to assist our neighbors in Massachusetts with their snow emergency. The Army Guard was selected as the only National Guard Brigade to participate in a national level exercise. The Air Guard has participated in numerous training exercises and was honored to become the first Air Guard unit selected to receive the air force's newest aircraft. While national attention has been drawn to sexual assault and sexual harassment within the military, the Vermont National Guard has made measurable efforts to address these issues and worked to improve its culture of dignity and respect. Additionally, the Vermont National Guard is expanding its partnerships at home and abroad. It continues to support an organization for Vermont employers whose employees serve in the Guard. With legislative funding, the Vermont Office of Veterans Affairs provides vital services to veterans seeking benefits through the federal Veterans Administration.

Judiciary Bills

The legislature passed a bill (H.16 signed into law as Act 1) that requires convicted sex offenders to register on the Sex Offender Registry prior to release from a correctional facility. This will enhance victim and community safety. Another bill (H.62) keeps juveniles from being sentenced to life without parole. H.86 guarantees enforcement of child support orders regardless of where a child lives and ensures continued annual federal funding of \$56 million to Vermont's Office of Child Support. S.6 enables the Crime Victims Restitution fund to better serve victims. In the coming weeks, the committee will take up a state False Claims Act that will bring significant funds to the state (H.120). It will also continue deliberations on criminalizing the posting of intimate photos on the Internet without consent (H.105), work on budgetary solutions for the Judicial Branch that do not compromise Vermonters' access to justice, revise Vermont's Home Improvement Fraud Crime law, and address drunk and drugged driving. After Town Meeting, the committee will also turn its attention to S.9, the child protection bill.

Statewide Water Quality

A comprehensive and broad reaching water quality bill is making its way through the House. The bill (H.35) provides standards and regulatory actions that are designed to improve the quality of the waters of the State. Cost-effective strategies have been identified and prioritized and these proactive measures would help the Vermont meet the Federal impending total maximum daily load (TMDL) plan for Lake Champlain. The bill provides for a suite of funding mechanisms to assist municipalities, agricultural operations and businesses in their efforts to improve water quality. The bill's main purpose is to improve the water quality by engaging all sectors, including roads and highways, agricultural operations, developed land and urban areas, treatment plants, and forestlands. All would be required to improve practices and to participate in providing resources to fund and finance a long-term sustained effort. Management of stormwater runoff from all sectors is necessary as well as management of wastewater treatment plant effluent.

Agriculture and Water Quality

Agricultural use of land and water are reported to contribute about 40% of the nutrient pollution to state waters. The Vermont agricultural community recognizes that it has a role to play in the future efforts to reduce nutrient loading and improve water quality in the State, but additional state and federal assistance is necessary to fulfill this role successfully. Although Accepted Agricultural Practice (AAP) rules were adopted in 1995, there is a general lack of awareness of the rules in the "small farm" community. Large and Medium Farm Operations (LFOs & MFOs) are already identified and certified, but we lack accurate data to identify the number of Small Farm Operators. Estimates range from five to seven thousand. A new certification requirement would help bring many more farms into compliance with the AAPs. Defining a "small farm" for purposes of certification is under discussion with the Agency of Agriculture to determine the best definition. The proposed changes to Vermont's water quality laws would require the owners/operators of a small farm to certify that they are in compliance with Accepted Agricultural Practices (AAP). The AAPs would be amended to include a number of best management practices and operational improvements. Owners/operators of regulated farms would participate in water quality training and custom applicators would be certified. The enforcement provisions related to agriculture and water quality have been refined and provide flexibility for the Secretary in responding to violations. Prolonged noncompliance could result in permit/certification revocation, fines, the removal of some livestock, or the loss of Current Use benefits.

Small-Scale Agriculture - After Town Meeting, the Agricultural committee will be working on bills to help small family farms expand their markets and develop viable businesses. Tiered regulations that balance economies of scale, food safety and customer access will help bring more local farm-fresh food to market. H.52, an act relating to exceptions for inspection of poultry slaughtering would raise the limit on the number of birds a farmer can process for retail sale and sale to restaurants. A Raw Milk proposal would look at removing financial and logistical hurdles for small cow and goat dairies. Raw milk sales have been permitted in Vermont for years, but farmers continue to tell us that new rules imposed by the Agency of Agriculture, Food and Markets are preventing them from growing their businesses.

RESOURCES for you or a neighbor

Health Care www.greenmountaincare.org and Health Care Ombudsman 1-800-917-7787

Energy savings www.encyclopedia.com/energy

Food, fuel and life assistance **call 211** or the Benefit Service Center 1-800-479-6151

Utility Issues call Department of Public Service. 1-800-622-4496

Finance Issues (Insurance, Securities Banking) call consumer assistance 1-800-964-1784

Online State Directory of addresses and telephone numbers.

<http://www.vermont.gov/phonebook/index.php?pg=quick>

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