

Campaign for Vermont's Candidates' Forum

Campaign for Vermont (CFV) would be pleased to have your response to the following questions on six critical issue areas facing Vermonters this election season. Questions have been prepared by Campaign for Vermont staff and volunteers and reviewed for substance, fairness, importance and non-partisanship by the following volunteers: Bill Schubart, Neale Lunderville, David Coates and Bill Gilbert. The same questions have been submitted to the top five major party gubernatorial candidates. We ask that you limit your response to any specific question to 400 words. The response deadline is Monday, July 18 and should be emailed to CFV at info@campaignforvermont.org.

CFV will place these questions and your responses on our website with links to our Face Book page. Questions and responses will be sent to our over 5,000 email subscribers. CFV is financially committed to advertizing this forum broadly across social media. On Face Book, there will be a monitored dialogue format for discussion of these issues open to our partners, newsletter followers, the public and your campaign. The discussion will be strictly monitored to assure that the conversation is respectful, devoid of attacks on personality or party affiliation, and focused on issues.

The Vermont State Budget:

Context: Joint Fiscal Office data from fiscal 2011 through 2016 shows state spending from state funds (general, transportation, special, tobacco, health care, and fish and wildlife) grew at near 5 percent annually, from \$1.87 billion to \$2.39 billion. This annual growth rate far exceeds those of Vermont's Gross State Product (1.8 percent), population growth (6/10ths of one percent) and the Consumer Price Index (1.55 percent), for example, for the time frame. Further, state spending in the 2017 "as passed" budget is up 3 percent or \$71.4 million pre-budget adjustment. For fiscal 2016, the budget adjustment increased spending by \$25.8 million over the "as passed" budget. These gaps between state spending and the underlying economy have been closed with numerous tax and fee increases during the above time period.

Question: In just six months should you win election you must submit to the legislature a fiscal 2017 Budget Adjustment and fiscal 2018 Budget. To balance these budgets, do you expect your submissions will require net new revenues and if so, in what programmatic areas? If new revenues are necessary, to what revenue sources would you likely turn? Further, given the bottom of the last recession was seven years ago, do you believe Vermont is fiscally positioned to weather the next recession without major cutbacks in state programs and/or tax increases?

ANSWER:

I believe we need to take a holistic look at both sides of our budget, revenue and spending actions. There are tax loopholes that we must close, such as the sales tax exemption on airplane parts, which would raise \$1 million that could be used to fund critical social service programs that we drastically cut last year in a manner that I believe was draconian and unfairly balanced the budget on the backs of the most vulnerable Vermonters. We should also eliminate the mortgage interest deduction for second and third homes. These are just a few examples of new revenues that I believe would be equitable and would help fund state spending in areas that we should prioritize — healthcare, providing a safety net for the neediest Vermonters, fighting our vast opiate crisis and other key functions of government that we must preserve.

We are not in a sustainable place. We have not transitioned to a new economy or invested in the core infrastructure necessary to build an economy for the future. We also have not looked to models in other states that have done this successfully.

I anticipate the next couple of years as being difficult, particularly as we face a housing crisis and a heroin epidemic. What I believe Vermont is hungry for is a plan.

Having served in the legislature and on the appropriations committee through good times and difficult ones, I know how to balance a budget, but my commitment is to do so without hurting the most vulnerable, while making the investments necessary to build an economy that works for all of Vermont and gets us on a more sustainable trajectory.

Context: No organization is perfectly efficient including our state government.

Question: Using fiscal 2016 as a baseline inclusive of the \$2.39 billion in state dollar spending, the \$1.25 billion in net education fund spending and the \$1.99 billion in federal fund spending, what do you think is a reasonable financial goal for achieving savings in the state budget which can then be reallocated either to maintain or increase services or returned to taxpayers? In which specific areas of state government do you think the greatest opportunities exist for such savings?

ANSWER:

Healthcare costs are rising at an unsustainable rate, and it's having serious consequences for the state budget. The cost of healthcare in the State of Vermont is rising \$650,000 per day. I have a detailed plan for reforming the healthcare system in order to bring down those costs and make sure all Vermonters have access to affordable, high-quality care. Here's are two key parts of my proposal:

We must change the way we pay for healthcare by moving from the current fee for service model to a model that funds public health. The current system incentivizes providers to order more, expensive tests and to fill hospital beds in order to balance their budgets. A model based on positive health outcomes would establish a set budget for providing care to a specific community of people, and would reward outcomes that showed improved public health rather than more frequent visits.

We should implement a system of universal primary care as a first step on the path to universal healthcare. A primary care doctor is a key player in an individual's health care team. They can treat health concerns, including chronic conditions, before they become emergencies, saving money and promoting better health for the individual. They can also serve an important role in coordinating services when a patient does have a health emergency. All Vermonters should have access to a primary care physician, and it's a step that we can take immediately to improve health and save money.

We also spend too much money incarcerating non-violent criminals. By pursuing other strategies for dealing with non-violent criminals, we can get away from the bad practice of engaging private prisons and save resources at the same time. Additionally, we are paying too much for IT services and not strategically using IT enough to deliver state services in a modern,

more efficient way. I'll overhaul the way we use and pay for IT services in order to save money and modernize service delivery.

There are certainly other areas of the budget where we can and should make changes, but the area I believe these are the key areas we can and should begin to address immediately.

Context: As of June 30, 2015 the unfunded actuarial accrued liabilities of the state employee pension fund, the state employees' retirement benefit fund, the teachers' retirement pension fund and the teachers' post retirement benefit fund were \$542.6 million, \$1.093 billion, \$1.175 billion and \$1.003 billion respectively. As of June 30, 2010 the funding ratios for the state employees and teachers' pension funds were 81.2 percent and 66.5 percent respectively, falling to 75.1 percent and 58.6 percent respectively as of June 30, 2015.

Question: What ideas do you currently hold to reverse these declining financial trends in the state employees' and teachers' retirement and benefit funds?

ANSWER

We simply need to start funding our pensions to meet our liability. When I was on the appropriations committee we increased our allocation to try and catch up, but unfortunately since I have been out of state government we have fallen behind again. We need to be responsible in our budgeting to ensure we meet the commitments we have made to our teachers and state employees.

The biggest driver for the increased cost of benefits, however, are the healthcare benefits that now exceed cash benefits and are rising much faster than inflation. Reforming our healthcare system will go a long way in ensuring we can meet our fiduciary obligation. Again, healthcare reform will be absolutely critical to ensuring that our state budget expenditures do not outpace our gross state product.

Act 46 and Property Taxes

Context: In January of this year the legislature's education consultant delivered their report entitled Using the Evidence-Based Method to Identify Adequate Spending Levels for Vermont Schools. The Report cost close to \$300,000. The consultant concluded the following:

"Using data for school year 2014-15, the Vermont EB model estimates an adequate funding level of \$1.56 billion or some \$163.9 million (approximately 10%) less than Vermont school districts spent for PK-12 education that year."

Since 2011, education property taxes, net of income sensitivity, have risen by \$121 million to \$1.039 billion despite a decline in the student count of 3,791.

Question: Do you think Act 46 is the policy and legislative initiative that will finally provide real property tax relief? If not, what further proposals might you present to the legislature upon your inauguration?

ANSWER

I do not believe Act 46 will result in significant property tax relief. By the end of the legislative debate, even the advocates for the legislation acknowledged any cost savings would be minimal.

Declining enrollment is creating challenges, but it is important to remember that despite dramatic decreases in total number of students, the number of special education students has remained the same. With that case mix, the cost of education per pupil will naturally rise if we do right by these students. As we anticipate a new cohort of students who were born with opiates in their systems, this ratio is unlikely to improve.

The decline in student population is also due to the loss of our economic base. If we jump to consolidation, in some cases, it will mean an hour-long commute for kindergartners.

I believe there are other ways we can address these costs without jumping to consolidation, which can cause real problems for our young people. We must do everything in our power to keep our incredible community based schools. The drop in enrollment is not the kids' fault, so we need to make sure the solutions aren't at their expense.

My proposal is to consolidate back end operations. We don't need 60 superintendents for ~80,000 students. Each school system should not be running its own payroll systems or electronic student records. From there, we can look at our schools as a statewide system, develop a system of assisted distance learning and deliver a model for rural education without losing our secret sauce which is community engagement.

We also know that investment in early childhood education and intervention specialists at early grades can drive down special education costs. New social impact bonds are now emerging that could allow us to get ahead of special ed costs and reduce property taxes.

At the end of the day, the area that will make the biggest impact on the bottom line is healthcare costs. Reform to bring overall healthcare costs under control will do the most to get at the overall administrative cost of running our schools, which will also have a positive impact on property taxes.

When it comes to property taxes specifically, we need to also make sure the education fund receives the statutory allocation from the general fund. Balancing the state budget on the back of the property tax is regressive and poor fiscal policy.

More on Matt's position on Act 46 is available at:
<http://www.mattdunne.com/blog/2015/10/23/act-46>

Context: The Education Fund was created as part of Act 60 in 1997. Yet, despite the fact that school districts, not the state, negotiate and sign teachers' contracts which then drive the cost of pension benefits, it is the general fund and not the education fund which covers teachers'

pension benefit costs. In 2012 the general fund contribution was \$51.7 million, then rising at a 14.2 percent annually rate to \$101 million 2017. As a point of comparison, the entire 2017 general fund contribution to higher education is \$84 million, inclusive of a mere \$700 thousand increase over fiscal 2016.

Question: In order to align the teachers' retirement and benefit costs with those who actually negotiate and determine such benefits, could you support transferring the state's current general fund pension and benefit contributions to the Education Fund and as well transfer to the Education Fund the responsibility for covering future costs in this area?

ANSWER:

No. I do not believe this will lead to any greater sense of accountability at the local level when negotiating contracts since there would be no direct relationship between a specific contract negotiation, corresponding pension costs and the local property tax, and such a step will simply increase property taxes in Vermont.

Context: Many believed, including legislators voting favorably, that the Act 46 initiatives to consolidate school districts would allow choice districts to merge with their neighbors and still retain choice for their students. Subsequent to the passage of the law, the State Board of Education, relying on an untested legal opinion of their attorney that such mergers are not constitutional, has adopted the policy that choice districts cannot merge with operating districts when common grade levels are in play unless the choice option is abandoned. In the last session, the legislature refused to allow an amendment to Act 46 to clarify this matter though other lawyers have opined that the Board's attorney's opinion stands on weak legal ground.

Question: Should school choice districts be able to merge with operating districts and still retain choice? Will you support a change to the State Board of Education policy now inhibiting this?

ANSWER:

I think the current structure to allow schools without high schools to tuition works. We must, however, look at the economics of a particular merger and tuitioning arrangements. Instances in Vermont that have allowed for tuitioning while operating a school have lead to undermining the fundamental economics of the operating school and unintentionally led to the closing of that operating school.

Health Care

Context: The transitions in Vermont under Obama Care and Act 48 have been marked by massive cost overruns, failed technology projects, no-bid contracts and mismanaged eligibility determinations , to name a few of the pitfalls. Yet, Vermont has achieved near 97 percent insured coverage during this period, up from 93 percent pre-Obama Care and Act 48 and among the best in the nation. Some Vermonters say stay the course to 100% universal coverage as a top priority with the focus on the Green Mountain Care Board, the establishment of large Accountable Care Organizations and an All-payer funding system. Others say Vermont needs to first fix the operational flaws in the current system before venturing further into the uncharted waters of the further roll-out of Act 48.

Question: What is your view of this duality and where can Vermonters expect your focus to be with regard to health care reform during your first year as Governor?

ANSWER

The implementation of the Vermont Health Connect website was a real failure, and resulted in a loss of trust in the state's ability to make real progress on healthcare reform. I have a plan to turn things around, starting by fixing the website, for once and for all. Given my private and public sector experience running projects very similar to this one, I am uniquely qualified to do this. I have the relationships and technical expertise to bring in the right team and hold them accountable. It's what I've done in the past and one of the very first things I would do as governor.

We do need to move to a system of universal healthcare, and I believe the way to do that is by starting with changing our reimbursement system to funding public health, then moving to universal primary care.

In order to do any of this we need to rebuild trust and that would start with fixing Vermont Health Connect.

More details of my plan are available at www.mattdunne.com/healthcare

Context: Vermont is an aging population, second oldest in the nation. Many Vermonters and their employers have contributed tens of thousands in Medicare taxes to the Medicare system since the inception of the Medicare tax in 1966. Generally, those now eligible for Medicare are happy with it.

Question: Do you support redirecting the Medicare benefits of Vermont's seniors into the proposed all-payer system and if so, how does this benefit Vermont's seniors over the services they now enjoy?

ANSWER

We need to ensure that we have a reimbursement system that funds public health, rather than the current fee for service process. In order to do that, we need all payers to reimburse based on population health. The end result will mean greater investment in preventative healthcare for seniors that are not currently covered including telehealth, clinics based in senior centers and even investment in programs like meals on wheels. Seniors will not see any decline in quality of healthcare provided and will actually be able to enjoy better engagement from their healthcare providers.

Under my plan we would also bulk purchase pharmaceutical drugs in order to lower prices for seniors. These costs are out of control and we need to use our buying power to get better prices.

Context: Under the State's push for health care reform, Vermont's health care system is becoming more concentrated with fewer but larger and more powerful players. Health care providers are being steered into a couple of "accountable care organizations" under the roofs of

UVM Medical and Dartmouth Hitchcock. The Green Mountain Care Board has been established to regulate hospital budgets and approve rate increases. VtDigger reports in May 2016 that Vermont's two exchange health insurers, BC/BS and MVP, have requested approval from the Green Mountain Care Board for 8.2 and 8.8 percent rate increases respectively. These requests are on top of approved increases for 2015 and 2016 of 7.7 and 5.9 percent for BC/BS and 10.9 and 2.4 percent for MVP.

Question: Should Vermonters worry that the State's reform measures are creating concentrated relationships among a handful of large institutions that are becoming "too big to fail", which will ultimately place the financial interests of these institutions over health care affordability and service choices for Vermonters?

ANSWER

The current system we have is broken. I support the increased use of Accountable Care Organizations because we need to treat our rural healthcare more as a system. We should be urging our community health centers, hospitals and care providers to collaborate via accountable care organizations to improve outcomes for patients and reduce costs. We are already seeing the benefits of ACOs across Vermont using technology and coordination among providers such as the partnership between the University of Vermont Medical Center in Burlington and Dartmouth-Hitchcock Medical Center in Hanover to support the Medicare population. Investing in this approach can help save money, improve outcomes, improve communication among providers and patients, and empower Vermonters to take control of their own personal health.

That said, as Governor, I will work to ensure that no institution becomes at risk of being "too big to fail," or putting taxpayer dollars at risk. The Green Mountain Care Board exists to review rate increases and rejecting those requests that are out of line. I would empower the board to be stringent in those reviews so that rates don't unnecessarily rise. Additionally, as we move to a universal primary care model, ACOs and insurance companies will realize savings because health conditions will be treated before they become crises. Additional savings will be captured by moving to a system that incentivises positive health outcomes rather than the current fee for service model.

More details of my healthcare plan are available at www.mattdunne.com/healthcare

Ethics in State Government

Context: The ethics bill, S.184, as originally introduced by Senator Pollina and prompted by Campaign for Vermont had teeth. It created a code of ethics for legislators and executive branch officials and created a fully staffed ethics commission to investigate and adjudicate violations of this code. The bill had strong support and no opposition. However, S.184 as passed out of the Senate Government Operations Committee is what Senator Pollina himself described as "a shadow of its former self." In the end, after two years of deliberations, S.184 went nowhere.

Yet, during this biennium period, issues of sexual misconduct, unseemly real estate agreements, campaign contributions from EB-5 developers, no-bid contracts by the executive branch, and revolving door employment between government and private entities, among others, occurred.

During deliberations on S.184, the following aspects were considered:

Should governors and legislators be required to publicly disclose sources of income and other financial interests?

Should legislators and executive branch employees be prohibited for a transitioning time period from accepting private sector employment with businesses they regulated?

Should Vermont establish an ethics commission, independent of both the executive and legislative branches, to investigate allegations of ethical misconduct?

Question: As Governor, what would your position be on these aspects of S.184 profiled above?

ANSWER

I support sweeping reforms to increase transparency and make public officials accountable to the people they serve. I support increased public disclosure of financial interests, believe we should close the revolving door between public officials and lobbyists and agree that we must establish an ethics commission. More details of my transparency proposals can be found at www.mattdunne.com/transparency

Energy Policy:

Context: The most recent federal Energy Information Administration profile of Vermont's energy consumption (June 16, 2016) shows that Vermont has the lowest consumption of petroleum fuels among the 50 states at 15.9 million barrels, equaling 2/10ths of one percent of the nation's total. Of this total, 21.5 percent is consumed by the residential sector for heating and 58.3 percent for transportation purposes. Of total national carbon dioxide emissions, Vermont is the source of only 1/10th of one percent. In 2013, Vermont's per capita emission of carbon dioxide was third lowest in the nation and trending even lower.

Question: Does our state government's emphasis on the construction of large wind and solar projects make practical sense, especially when the Renewable Energy Credits for such projects are mostly sold? In your administration, what will be the three key energy policy goals and what changes, if any, would you recommend to the Comprehensive Energy Plan (CEP) to address those goals?

ANSWER

I believe we do need to continue down the path to 90% renewables by 2050. We are very fortunate to have the leadership of Mary Powell at Green Mountain Power and our other utility leadership that is leading the nation with the use new technology like batteries. As is clear in my platform, my first goal is to invest in efficiency and the Green Jobs Fund (functioning like an ESCo) will make a larger difference in the efficiency of our apartment buildings. I also believe we should be encouraging more microgrid development to allow communities to own their own renewable production and increase transmission efficiency. Finally, we should continue to explore all kinds of renewable energy development to achieve the goal including harnessing hydro from existing dams that are not currently producing energy, geothermal, wind and solar.

Question: Do you agree neighbors of industrial wind projects in Vermont have legitimate grievances regarding turbine noise, aesthetic and environmental impacts, and loss of peaceful use and enjoyment of their properties? If so, what would you do to ensure their property rights are protected?

ANSWER

I believe strongly that the interest of the community needs to be taken into account when siting renewable energy projects. The most important appointments I will make as governor will be the new chair of the public service board. I will ensure that the chair is someone who will be sensitive to the wide variety of interests and impacts of renewable energy siting.

Question: How will you ensure that the benefits of Vermont's energy transformation policy flow to ordinary Vermonters and their communities and are not disproportionately captured by developers and utilities? What measures would you recommend that give the distribution of these benefits transparency in the eyes of Vermonters? Should taxpayer and ratepayer subsidies, for example, that subsidize energy projects become a component of the state's Tax Expenditure Report similar to those profiled for the Vermont Economic Growth Incentive (VEGI) program?

ANSWER

Transparency is an incredibly important part of this process, and I would work on efforts to create more transparency throughout state government. In addition, we must develop microgrids so people can benefit from energy produced in their local community. Microgrids also provide increased efficiency because keeping locally generated power close to where it is utilized means we don't lose as much energy through transmission.

A cornerstone of our energy proposal is the energy efficiency effort that will benefit people who live in apartment buildings throughout the state of Vermont. While Vermont has led the nation in energy efficiency, we can do much more. The biggest challenges are leased commercial and rental properties where there is typically little incentive to make efficiency improvements. We have the opportunity to create a \$100M Green Jobs Initiative, funded through an energy service company (ESCO) bond that would provide free upfront capital to increase efficiency, provide renewable energy, and install heat pumps across the state to significantly reduce our carbon footprint and make home heating costs more affordable.

We will also work with Vermont Technical College to ensure that we have the workforce to meet the significant need created by this investment. ESCOs have a strong track record; we can make this kind of investment and infuse significant capital into Vermont without affecting the state's balance sheet.

Context: The CEP establishes a goal of weatherizing 80,000 of the state's homes by 2020. This particular goal looks increasingly out of reach. In fact, the primary focus of Efficiency Vermont is electric consumption rather than reductions in fossil fuel consumption. Vermont's weatherization programs are not strong and broadly available, but buried in the Agency of Human Service and require an income test. Further, we lack statewide on-bill financing for energy efficiency and we are not using existing smart meter systems to their fullest extent to aggressively advance efficiency and conservation.

Question: What will you do to prioritize reduced fossil fuel consumption and change current delivery mechanisms, financing systems, and policies to allow us to reach a variety of efficiency goals including, but not limited to, weatherization of more than 80,000 homes within the next five years?

ANSWER

I don't need to tell you that as our planet warms, Vermont will suffer. Our snowfall will become erratic, sugaring seasons inconsistent, and it will be harder to stem the spread of algae as the average temperature of our lakes rise. We must do our part to combat climate change.

I also don't need to tell you that our economy is hurting. Bennington county has seen a 50% increase in the number of people in poverty, and 10% of kids in North Hero Vermont are homeless. Poverty is rising -- contributing to addiction and depression -- and we are at risk of leaving our kids in a much more difficult situation than we had as children growing up.

That's why I'm proposing a Green Jobs Initiative. Here's how it works: using \$100 million of bonded capital, we put people to work across Vermont making multi-unit residential buildings more energy efficient. These buildings are in relative disrepair -- but because utility costs usually get passed on to tenants, there is little motivation to improve them. (Until now.)

Once the buildings become more efficient, tenants will see a large savings in their utility bills. Part of this savings will be diverted to paying down the bonds -- it's that simple. And it's worth reiterating -- there is no need to use the general fund to pay for it.

The Green Jobs Initiative will be a win for tenants who will have more cash in their pockets; win for landlords whose property values will go up; win for our economy as we create jobs across Vermont; and just as importantly, a win for our planet.

This isn't some pie-in-the-sky plan. Vermont's own VEIC is a world leader in proving that efficiency projects like this are both good for the environment, and the economy. And when I was working for Google out of an office in White River Junction, I was part of a team that set up a similar program in New York City. I say, now it's Vermont's turn.

Strategic Planning

Context: The executive and legislative branches of government have not benefited from any formal, data-driven strategic planning since the Snelling Administration. As a result, initiatives from both branches are frequently reactive to past events or failures rather than to predictable changes and trends. "We govern over the stern," as is often stated.

Question: Would you support a cost-efficient State Strategic Planning resource comprised of volunteer non-partisan professionals: economists, demographers, technologists, environmental scientists and other experts to provide context and data to support improved decision-making in both branches of government?

ANSWER

Yes.

Question: Where do you stand on a four-year leadership term for both branches and an extended budget planning cycle with an eye towards supporting a more strategic and less reactive approach to governing and the making of law?

ANSWER

Yes, I support a four-year term for both branches.