

115 STATE STREET
MONTPELIER, VT 05633
TEL: (802) 828-2228
FAX: (802) 828-2424



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House Committee on Ways and Means

MEMORANDUM

To: Representative Diane Lanpher,
Chair, House Committee on Appropriations

From: Representative Emilie Kornheiser,
Chair, House Committee on Ways and Means

Date: March 12, 2024

Subject: Fiscal Year 2025 Budget Feedback

This memo serves as the House Committee on Ways and Means' response to the FY 2025 Governor's Recommended Budget as it relates to taxation and revenue matters.

The Committee expresses its deep appreciation to the House Committee on Appropriations for its difficult work building Vermont's budget. As you know, our Committee's purview is not spending, but rather raising sufficient revenue to meet the budgetary needs of the State. Please continue to communicate your revenue needs to ensure that Vermont has sufficient resources to implement a budget that is responsive and adequate to meeting the needs of Vermonters.

The Committee supports the proposed appropriations to the Tax Department, State Treasurer, homeowner and renter rebate, reappraisal and listing, municipal current use, and PILOT programs. These are in keeping with our policy work over the last few biennia.

The Committee also supports all the proposed inter-fund transfers and accompanying language in the "E" sections, with the following comments on two specific transfers:

- **D.101(a)(1)(E) - \$1.3 million transfer from the General Fund to E-911 Fund.** The Committee supports this transfer. While the Committee is actively working on improving the revenue sustainability of the E-911 program and the Universal Service Fund, these solutions are set to take effect in FY 2026.
- **D.101(a)(5)(A) - \$25 million transfer from Cash for Capital and Essential Investments Fund to the Transportation Fund.** The Committee supports this recommended transfer, which will ensure that Vermont meets its match requirements for

federal funding. However, the Committee is concerned that the Administration proposes to utilize the full \$25 million reserved for this purpose in FY 2025 without a plan for sustainably closing the transportation funding gap in FY 2026 and beyond. We continue to hope we can partner with the Administration to seek sustainable sources of funding for the Transportation Fund.

Vermont continues to encounter other special funds that have not been adequately resourced due to declining fee revenue, such as the Domestic and Sexual Violence Special Fund and the Fire Prevention and Building Inspection Special Fund. We would appreciate the Appropriations Committee's help in flagging these funds for our attention rather than just backfilling them with transfers of General Fund dollars.

Governor's Tax Proposals:

The FY 2025 Governor's Recommended Budget includes two proposed changes to tax policy that would reduce General Fund revenues by \$2.4 million annually:

- Lifting the cap on the Downtown and Village Center tax credits from \$3 million to \$5 million annually (\$2 million of foregone revenue).
- Exempting purchasers of blighted properties from paying the property transfer tax (\$400,000 of foregone revenue).

The Committee supports efforts to address Vermont's housing crisis, and awaits recommendations from the relevant policy committees on whether spending or foregoing revenue are the best ways to meet our shared goal of increasing the supply of housing.

Governor's Recommended Tax Extension:

- **E.306.1 and E.306.2: Health IT Fund and Health Care Claims Tax Sunset Extensions:** The Committee concurs with the Governor's recommendation to extend the sunsets on the Health IT Fund and the Health Care Claims Tax (a portion of which funds the Health IT Fund) for an additional year. However, the Committee intends to include these extensions in its forthcoming Miscellaneous Tax Bill, therefore they need not also be included in the Big Bill.
- **E.324.1: Fuel Tax Extension:** The Fuel Tax, which funds the Home Weatherization Assistance Fund, is currently scheduled to sunset on June 30, 2024. The Committee concurs with the Governor's recommendation to extend the Fuel Tax for another five years. However, since the Committee intends to include this extension in its forthcoming Miscellaneous Tax Bill, it need not also be included in the Big Bill.

Additional Comments from the Committee:

- **Extensions to the Sunset of the VEGI Program:** The Committee continues to work with the Committee on Commerce to understand if the forgone revenue from the VEGI program is the most effective use of State dollars, and anticipates a second extension and further study.

- Education Fund Analytical Capacity: The Committee would support additional staff at the Joint Fiscal Office to provide enhanced analytical capacity for matters related to the Education Fund. As you know, the Education Fund and Vermont's funding formula have been topics of significant discussion this session. Currently, there is only one staff member primarily assigned to this complex work for a fund that is expected to grow to more than \$2.3 billion in FY 2025.

Committee Vote:

Members of the House Committee on Ways and Means appreciate the opportunity to provide feedback on the FY 2025 Governor's Recommended Budget and support the recommendations listed above on a vote of x-x-x.

DRAFT