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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 13, 2024

Subject: Fiscal Year 2025 Budget Feedback

This memo serves as the House Committee on Ways and Means' response to the fiscal year 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 meet the needs of Vermonters.

The Committee supports the proposed appropriations to the Department of Taxes and the Office of the State Treasurer as well as those to the 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 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 fiscal year 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 fiscal year 2025 without a plan for sustainably closing the transportation funding gap in fiscal year 2026 and beyond. We continue to hope we can partner with the Administration to seek sustainable sources of funding for the Transportation Fund.

Numerous special funds, such as the Domestic and Sexual Violence Special Fund and the Fire Prevention and Building Inspection Special Fund, continue to be under resourced due to declining fee revenue. We would appreciate the Committee on Appropriations' help by flagging these special funds for our attention rather than backfilling them with General Fund transfers.

Governor's Tax Proposals:

The fiscal year 2025 Governor's Recommended Budget reflects the fiscal impact of two proposed changes to tax policy contained in H.719 that would reduce General Fund revenues by \$2.4 million annually:

- The elimination of the \$3 million annual cap on the Downtown and Village Center tax credits (estimated \$2 million in foregone revenue).
- The exemption of certain transfers of blighted properties for principal residential rehabilitation from the property transfer tax (estimated \$400,000 in foregone revenue).

The Committee supports efforts to address Vermont's housing crisis and awaits recommendations from relevant policy committees on whether spending or forgoing revenue is the best way to meet our shared goal of increasing housing supply. The Committee on Ways and Means intends to address broader structural issues with the property transfer tax in a separate piece of legislation that is not expected to result in net General Fund revenue loss.

Governor's Recommended Tax Extensions:

- **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 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 Tax for another five years. However, since the Committee intends to include this extension in its forthcoming Miscellaneous Tax Bill, it need not be included in the Big Bill.

Additional Comments from the Committee:

- **Extensions to the sunset of the Vermont Employment Growth Incentive (VEGI) program.** The Committee continues to work with the Committee on Commerce to understand if the foregone revenue from the VEGI program is the most effective use of the State's fiscal capacity. The Committee 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 the Committee on Appropriations is aware, 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 fiscal year 2025.

Committee Vote:

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