

Thank you Mr. Chair, Committee Members....for allowing me this time to speak with you today.

I begin with one question: Who has the political will to save the middle class?

While Vermont is among one of the states with the least regressive taxes, the fact remains: we allow our wealthier residents to pay much lower effective tax rates than our middle and low income families must pay. So when the wealthiest tax payers get even wealthier, their exploding incomes barely make even a ripple in the state tax collections. While the rest of Vermonters see our incomes stagnate and even decline, there is a devastating effect on state revenue. We are seeing this now. We do not have a problem with our economic growth, we have a revenue problem.

A recent Standard's and Poor's report found that the more income growth goes to the wealthy and incomes stagnate or decline at the bottom, the slower a state's revenue grows. This is evident in our Vermont data. This happens especially if the state relies more heavily on taxes that disproportionately fall on low and middle income households. (Hand-out)

Obtaining our states funding from those with shrinking and stagnant incomes is not a path to a sustainable, growing revenue system. These proposed cuts are also not a path to a sustainable and growing revenue system. In fact, if you do not do something different right now we will be back here again confronting the same giveback demands and cuts to essential public services in the next new budget year.

Shrinking revenues and over reliance on regressive taxes prevent states from investing in the priorities that will improve the prospects of our low and middle income families: infrastructure improvements, adequate healthcare, prevention, education and workforce development. Tax structure that relies on trickle -down theory of economic growth, which has been disproved over and over, balances the budget on the backs of working Vermont families rather than asking those whose have seen economic growth to do more.

If we continue on this path we will fail to improve the wellbeing of most Vermonters and we will not be competitive in the long run. When Vermonters have more money in their pockets over time revenue will rise. The proposed cuts and lack of a will to adequately change our tax policies will do little for our beloved state or its residents in the long run.

We have all heard over and over, we do not have enough wealthy people in Vermont. Our state is small and our wealth is proportionate to our size. We've heard the myth that wealthy people will flee the state. These statements also make the assumption that we are only talking about asking a few wealthy people to pay more. Allow me to clarify:

1. We are talking about the top 5% not just the top 1%.

2. It is a myth that wealthy people will flee. Multiple economists have done studies, many studies, on state taxes and interstate migration. The overwhelming majority of those studies conclude that taxes do not drive interstate moves. There has never been a study that shows any statistically significant difference showing that anyone flees because of taxes. Differences in tax levels among states have little to no effect on whether and where people move, contrary to the claims we hear from elected officials.

For decades people have been moving away from the northeast, the industrial mid-west and the Great Plains to most of the southern states regardless of overall taxes. Studies show that they have moved in large part for employment opportunities, less expensive housing and for many retirees for a warm and snow free climate. Not because of taxes. Besides, you can't take these beautiful mountains and ski slopes with you when you go.

Wealthy people like where they live. They have ties to their communities...they sit on boards, they enroll their children in good schools, and they have nice houses and landscaped yards that they love. They have friends and neighbors. They hold political office. They do not flee because of an increase in taxes, and the insinuation is absurd.

Instead of perpetuating these myths, let's take a good hard look at what is really going on. Let's look at corporations like Walmart and the impact on our Vermont revenue.

In April of 2014 the Americans for Tax Fairness released a report. It showed that in Vermont we have 911 Walmart employees. Walmart in Vermont receives and estimated \$7.2 million dollars in subsidies and tax breaks. The estimated cost of public assistance for our 911 Walmart employees in Vermont is 4 million dollars each year. The average monthly food stamp benefit in Vermont at the time was \$121 dollars a month. Estimated annual Walmart SNAP sales in Vermont are 26 million dollars per year.

In addition we are hearing about S. 138 that gives more tax breaks to corporations...money that would come from our state's general fund and education fund. It would allow some corporations to receive cash incentives from the state to pay employees \$12.81 an hour instead of the current \$14.64 an hour threshold. A move that your economic advisor says will put more Vermonters on public assistance.

Instead of ending state subsidies to multi-billion dollar enterprises like Walmart, the move we see in Vermont is to balance the budget on working Vermonters like Ed Olson. We are asking hard working state employees to fix the revenue problem. Clearly a short term "fix" to a long term problem. Clearly we are in a race to the bottom.

Let me tell you about Ed Olson. Ed Olson is a plow driver for the AOT gets up at 3am and often works 7 days a week so that we can all get to work and school on cleared roads. Ed makes roughly \$17 an hour. The 2.5% cola that the Governor would like Ed to give up would be \$36 a pay check for Ed, and the difference between making or missing a mortgage payment, a utility bill or buying a pair shoes for the kids.

But I did some calculations and with the 18% increase in health care premiums, nearly half of which is directly attributable to the premium holiday used to balance the FY 2014 budget, Ed only stands to make an additional \$13 a pay check. That is a raise of .9%.

So we are ok asking Ed Olson and his family to give back, to not take his cost of living adjustment that we agreed to in our collective bargaining process, an agreement that was made in good faith....we are ok then threatening people like Ed that if he does not give up his cost of living wage that hundreds to state employees will be laid off?

If the current threat holds true, what will the impact of the state's revenue be when hundreds of employees are in fact laid off?

It does not make any sense to me that we would be ok with this, and that we would rather he and his family and thousands like him, take the hit over asking the wealthier among us to contribute more. Or that we will continue to allow corporations like Walmart to profit millions each year on the backs of these hard working Vermonters.

In conclusion I end with the same question that I began with: Who among you has the political will to save the middle class of Vermont?

Thank you for your time here today.