

Vermont Community Action Partnership

Vermont Low-Income Weatherization Assistance Programs

April 19, 2016

Senator Tim Ashe, Chair
Senate Finance Committee
State House
Montpelier, VT 05601

Re: Gross Receipts Tax, Weatherization and LIHEAP

Dear Senator Ashe and Finance Committee Members,

Thank you for the opportunity to comment on the proposed increase to the Gross Receipts Tax on fuels.

There is an urgent need for funding for BOTH LIHEAP AND Weatherization in the FY 17 budget. Both LIHEAP beneficiaries and the Low-Income Weatherization Assistance Program could see substantial cuts and will come up short unless the Senate takes decisive action.

Two things need to happen to come close to making them both whole: an increase in the Gross Receipts Tax on fuels (GRT) for Weatherization, as passed by the House, and State dollars appropriated for LIHEAP.

The Current Situation

The State of Vermont needs about \$5M in State funds (1) to cover LIHEAP and Crisis Fuel Benefits for Households from 150% - 200% of the Federal Poverty Level (FPL), and (2) to cover additional LIHEAP administration over the 10% allowed from the federal block grant.

The Governor did not propose any State dollars for either purpose for the current and next fiscal years. Instead, his budget proposes an even swap of 15% of federal LIHEAP funds that can be used for Weatherization purposes with a corresponding amount of State Weatherization dollars to be used for the additional LIHEAP administration and benefits over 150% of FPL, neither of which can be funded from the federal grant.

The 15% that can be utilized is about \$2.8M, leaving a substantial gap in LIHEAP.

For the current fiscal year the Legislature appropriated State contingent dollars for LIHEAP administration and benefits and later also used the authority to swap funds between the two programs for additional LIHEAP benefits and to cover a \$1.2M Weatherization shortfall due to lower GRT revenues from declining fuel prices.

Lower fuel prices are projected to create another \$1.2M shortfall in the FY 17 Weatherization budget. Since 2014, the Vermont Low-Income Weatherization Assistance Program, which is funded predominantly with the Gross Receipt Tax (90%), has lost \$1.8M.

The FY 16 and FY 17 budgets both assume about \$8M in GRT revenues, but the GRT is only projected to raise \$6.8M each year.

In order *just* to level fund Weatherization for FY 17, the Legislature needs to either (1) increase the GRT (which the House did), or (2) utilize some of the 15% in LIHEAP funds allowable for Weatherization (which the House also did), which would leave an even bigger shortfall for LIHEAP.

We ask that the Senate to:

- Cover the Weatherization shortfall and provide a modest budget increase by increasing the Gross Receipts Tax on fuels and changing fuel dealer payments to monthly. In light of the difficulties experienced getting an accurate revenue forecast for the GRT, we request that language be added to the tax bill to include the GRT in the official consensus revenue forecast.
- Utilize the authority to swap \$2.8M between LIHEAP and Weatherization to cover part of the additional LIHEAP administration and benefits over 150% of the Federal Poverty Level.
- Appropriate State dollars to make up the remaining LIHEAP gap. Senate Appropriations appears poised to include a \$1.7M *FY 16* contingent appropriation in its budget, which would fully fund the remaining LIHEAP need. The Emergency Board could also authorize the necessary funds when it meets this fall, as has been done in years past.

For further information, we have attached a brief summary describing the House action on Weatherization and LIHEAP and possible options for the Senate. We previously provided a fact sheet on Weatherization.

Many thanks for your consideration,



Karen Lafayette & Erhard Mahnke



For the Vermont Community Action Partnership &
Vermont's Low-Income Weatherization Assistance Programs