

H.16 Special Session: FY 2019 Budget, Income Tax, and Education Tax Highlights – June 21, 2018 at 8:36 p.m.

	FY 2018 <i>(in millions)</i>	1 yr % Growth	H.924 H.13 H.16 Senate Amendment				<i>H.924 passed</i>	<i>H.924 passed</i>
			FY2019 Budget	1 yr % Growth	<i>1 yr w/o</i> <i>EF rstruc</i>	5 yr % Growth	House <i>1 yr % growth</i>	Senate <i>1 yr % growth</i>
General Fund (GF)	\$1,563.7	1.5%	\$1,294.5	-17.2%	2.5%	-1.4%	2.7%	2.8%
All State Funds	\$2,504.2	2.0%	\$2,206.9	-11.9%	0.5%	-0.3%	1.2%	0.7%
Grand Total (unduplicated)	\$5,811.9	1.0%	\$5,843.0	0.5%	0.9%	2.0%	1.1%	0.9%

PROTECTING VULNERABLE VERMONTERS

- Reverses Administration's proposed cuts to Developmental Services Program, restores \$4.3M total (\$2M GF)
- Reverses Administration's proposed elimination of attendant care services to people with severe disabilities (e.g. quadriplegia, paraplegia, MS)
- Provides a 2% (\$1.8M total) reimbursement increase to community service providers like the visiting nurses that enable elderly or individuals with disabilities to remain in their homes and communities (includes Adult Day, Meals on Wheels, Homemaker, Respite, Companion Services, Choices for Care, Hospice, Personal Care, and Enhanced Residential Care)
- Provides funding for evaluation of PFOA cleanup options for Bennington and blood draw clinics for affected residents
- Funds strategic reform in the adjudication of Child Welfare cases to better protect children and assist families and increases judicial system resources to respond to growing child welfare workloads related to the opioid epidemic
- Reverses Administration's proposed cuts to Primary Care doctors and Community Health Clinics
- Provides funding for Brattleboro Retreat to make capital improvements to add 12 Level 1 mental health beds
- Funds Medication Assisted Treatment for inmates; improves reentry support for inmates
- Provides \$1M in funds for tobacco control programs with special focus on reducing smoking prevalence among pregnant women
- Provides \$200,000 for supportive housing vouchers in mental health

AFFORDABILITY INITIATIVES

- Reverses proposed elimination of loan repayment to make it economically attractive for medical professionals to practice in VT
- Maintains cost sharing assistance for health insurance deductibles and out of pocket costs for 6,100 working families
- Increases child care provider reimbursement for infants and toddlers; maintains grant program to providers with high volume of subsidized children and for infant care; updates income eligibility standards to current Federal Poverty Level
- Increases funding for Individual Development Accounts for low-income workers

New items not in H.911 or H.13 are highlighted in yellow

ECONOMIC AND WORKFORCE DEVELOPMENT

- Adds \$4.3M to increase compensation to mental health clinical and direct service staff at Designated Agencies
- Increases funding to the Vermont Youth Conservation Corps to serve more out-of-school youth
- Provides \$5M to fund an initiative to address the workforce shortage of mental health and substance use disorder treatment professionals
- Funds tuition for National Guard members at UVM, or other public and private colleges.
- Recognizes the financial plight of Vermont's dairy sector by providing interest buy-down assistance on VEDA loans and premium assistance under the new federal Margin Protection Program that will leverage federal funds on 1:3.6 ratio
- Provides funding for the Micro-Business development support program
- Provides \$500,000 to UVM to fund financial assistance to Vermont students pursuing health careers
- Funds the final payment of \$350,000 for the unification of Johnson and Lyndon to create Northern Vermont University
- Increases funding of the Working Lands Program to \$700,000
- Authorizes Treasurer to utilize \$5M revolving State funds to expand weatherization and related home improvement activities
- Assistance and training to Vermont employers to support compliance workplace requirements
- Supports remote worker initiative
- Provides funding for an additional year of State marketing efforts
- Supports Vermont Outdoor Recreation initiative

IMPROVING VERMONT'S FISCAL HEALTH

- **NEW AMOUNT: Provides \$14.1M for Teachers' pension liabilities w/potentially more – interest savings will be 3 times the amount provided**
- Brings \$12 million in to FY19 for potential Corporate and Personal Income Tax liabilities, goes to Teachers' pension or if not needed for refunds
- Pays off the Vermont Life Magazine Enterprise fund deficit and refunds paid subscriptions for a total of \$3.886M
- Strengthens Vermont's fiscal reserves:
 - Statutory 5% reserves full; Caseload Reserve is at \$100.4M; 27/53 Reserve at \$12.5M, Rainy Day Reserve at \$12.5M
 - FY2019 reserves projected at \$203M total approximately 11% of combined GF and State Health Care Resources Fund spending
 - Consolidates disparate reserve funds to improve visibility to rating agencies and usefulness to the State
 - Provides \$9.8M to bring Education Fund reserve to the 5% statutory level in FY 2018 and FY 2019

PERSONAL INCOME AND SOCIAL SECURITY TAX RATES

- Collapses top two income tax brackets and lowers all personal income tax rates by 0.2%
- Creates a Vermont standard deduction equal to \$6,000 for single filers and \$12,000 for married couples
- Creates a Vermont personal exemption equal to \$4,150 per exemption
- Expands the Vermont earned income tax credit from 32% of the Federal EITC to 36%
- Creates a 5% tax credit for the total amount of charitable contributions up to \$20,000 – \$20k contributions = \$1,000 tax credit
- Exempts taxable social security benefits from State income taxes for single filers with less than \$45,000 in adjusted gross income and married filers with less than \$60,000 in adjusted gross income. Phases out the exemption over the next \$10,000 in income.

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EDUCATION FUNDING PROVISIONS

- Dedicates \$20.4M One-Time GF to the EF for FY19 (this is in addition to the \$9.8M already dedicated for reserves in FY18)
- Sets education tax rates for FY2019:

	<u>FY2018</u>	<u>FY2019</u>
Average homestead tax rate	\$1.500	\$1.500
Average tax rate on household income	2.55%	2.49%
Uniform nonresidential tax rate	\$1.535	\$1.580

- Reduces the property tax adjustment (PTA):
 - Lowers the maximum house site value for a full PTA from \$500,000 to \$400,000
 - Lowers the maximum house site value limit for a partial PTA from \$250,000 to \$225,000
- Requires separate presentation of education and municipal property tax bills beginning in FY2020
- Separates the homeowner rebate into its education and municipal property tax components beginning in FY2020
- Modifies the reporting dates for JFO's Tax Increment Financing report
- Establishes statewide bargaining for school employees' health care contract excluding vision and dental and reconstitutes the VEHI Board
- Repeals the GF transfer to the EF in a revenue neutral way:
 - Dedicates to the EF: 100% of Sales & Use Tax and 25% of Rooms & Meals Tax
 - Transfers to the GF: Adult Education, Flexible Pathways, Community High School of VT, and the Renter Rebate
- Establishes a commission to study student/staff ratios
- Makes a technical correction to the parameters for setting education tax rates in the Tax Commissioner's December 1 recommendation
- Use of One-Time funds in FY 2019 will need to be addressed in FY 2020

OTHER

- Modifies the reporting dates for JFO's Tax Increment Financing report
- Establishes Vermont Tax Structure Commission