

To: Kitty Toll, Chair, House Appropriations Committee

From: Tom Stevens, Chair, General, Housing and Military Affairs Committee

Date: February 21, 2020

Re: Response to 2021 Budget Memorandum

Thank you for the opportunity to share the thoughts of the General, Housing and Military Affairs Committee with respect to the 2021 Budget. We will also share with you other funding our committee has prioritized in conjunction with policy bills that are under consideration in General, Housing and Military Affairs.

**Sec. E.236 31 VSA Sec. 651**

While appreciating the desire of the Administration to find new revenue, these changes in statute would greatly expand our lottery and would create a new avenue to allow gambling in ways never before allowed in Vermont. Deleting the language recently added to (7) would allow lottery machines of all kinds, specifically “keno” machines. Keno is a lottery-like gambling game which necessitates either stand alone electronic stations or is displayed on video monitors, usually placed next to television sets in bars and restaurants. According to a definition found online, “Players wager by choosing numbers ranging from 1 through (usually) 80. After all players make their wagers, 20 numbers (some variants draw fewer numbers) are drawn at random...with a random number generator.” These draws are usually held every four minutes. A player can bet varying amounts on each game, and payout is determined by how many numbers were chosen (either player selection, or the terminal picking the numbers), the number of matches out of those chosen, and the wager.

Keno exists in some of the states that surround us, but that is no reason to simply allow the games to be placed in bars and restaurants without a deeper study and understanding of the positives and negatives relating to expanding this kind of gambling in Vermont. It is the stated purpose of the DLL to substitute Keno machines for “break open” tickets in first and third class establishments, but it is unclear at this time how many of these establishments offer these tickets, how the proceeds from these games would be used (currently proposed to be used for purposes not necessarily considered in the education fund) and what the impact would be on current vendors of state lottery products.

Adding the language proposed in (8) would allow vendors to sell tickets and have customers use their debit card for a fund transfer. We understand that this may be a cash equivalent, but it raises questions about how cash from sales is currently handled, and how adding this form of electronic payment would complicate the handling of payments from the vendor to the Lottery. Further, allowing an “electronic transfer” means that an individual would be able to gamble from anywhere they are, including on a computer terminal in their home or on their smartphone. This change alone would constitute a large expansion of gambling in Vermont.

Whether or not one believes that gambling should be a business of the state, it is already in a limited form (the Lottery). Vermonters gamble nearly \$140 million a year on the Lottery, and the return to the Education Fund in 2019 was only \$29 million. Eighty percent of this play was for scratch off tickets, and twenty percent was for draw games such as MegaMillions and Power Ball. By allowing electronic transfer of funds for gambling products, we would be allowing

“sports betting.” The US Supreme Court recently allowed certain kinds of sports betting to be considered legal in every state, if the state so chose to allow it. Vermont currently holds the line on most wagering, with some exceptions usually limited to nonprofit organizations, religious organizations, and the like.

GHMA does not believe we should expand gambling without a robust policy conversation, and we do not support the legislative changes proposed in the budget, nor the inclusion of the estimated funding in your budget calculations.

### **Sec. E.321 General Assistance Housing**

Committee heard testimony from Sarah Phillips from Department for Children and Families proposing to end in SFY 2021 the General Assistance (GA) Temp/Emergency Housing (“motel voucher”) program administered by the Economic Services Division and shift to a 100% community- based emergency housing/shelter system supported by homeless assistance grants administered by the Office of Economic Opportunity (OEO).

This has raised concerns from the field about inadequate planning and the committee suggests one additional year of further planning, before (as proposed) one year of transition, and start implementation in the third year. Insurance, reservations, data tracking all have to be built and integrated into the community nonprofits in each of the twelve districts. It also is a policy concern that there will be no back stop if the state transfers this responsibility to nonprofits, abdicating its public obligation and duty to care for the most vulnerable.

While we appreciate the annual discussion about how better to serve the population which is affected by the crises in life that trigger the use of General Assistance Funding for emergency housing vouchers, we cannot support this proposal at this time. GA money is traditionally used for “downstream” emergencies, and not for “upstream” solutions. This tension still exists, and the proposal to use community-based organizations, many of them stretched thin in capacity, without assurances of full funding and full support is “not ready for prime time.”

We have heard some support for this change, but we have heard, louder and clearer, that moving to this kind of system on July 1, 2020, is detrimental to the problems we are trying to solve, and that the timeline is too quick. We are also concerned that without a pilot-type program, or a staggered rollout, that areas of the state may not know how to participate in the reformed program.

The budget process for General Assistance, especially for emergency housing, has always been two-pronged: a lower best estimate is made for the annual budget process, and shortfalls are added during the budget adjustment. By severing the direct ties to the process, there is a fear that the burden of shortfalls will have to be fulfilled by the local organization, and not the agencies formerly involved. This is a leap of faith that is difficult for the committee to make.

We suggest delaying the start of the proposal by one year, or working with the relevant policy committees and the administration to roll out the proposal in a way that is more flexible for the communities directly affected.

### **Sec. D.100 Appropriations; Property Transfer Tax**

As always, we advocate for full funding of the Vermont Housing and Conservation Trust Fund through the statutory share of the property transfer tax. Coupled with the responsibility of paying for housing already built through the recent housing bond with a \$1.5 million debt payment that is part of the annual disbursement with increased need, higher capital costs and

reduced funding, we are falling way short of our commitments to house Vermonters in quality homes that can be built with the money from the trust fund, as well as our commitments to the conservation of our lands and the municipal planning that is needed to make these things happen.

The insufficient assignment of funds this year marks the first time the trust fund has received less than 50% of the statutorily assigned proceeds from the property transfer tax. After 10 years of increasing family homelessness — due primarily to the loss of income from a job loss or the kind of emergency that can severely damage a family — and continuing homelessness for youths, those suffering from trauma and diminished mental health, we have failed to keep up with the need. The organizations that create local solutions need the money from the trust fund to create the leverage they need to build more affordable housing. And when they receive the money, they succeed. Be it in St. Johnsbury, Montpelier, Rutland or Bennington, the money from the Vermont Housing and Conservation Trust Fund is always money that is used effectively and provides the results based accountability we treasure.

GHMA does not support the Governor’s recommend. Nor do we agree with the chronic use of the Capital Budget to help make ends meet. The previous housing bond was issued with the understanding that it would not affect our Capital bonding, and that understanding was incorrect. We request that the Appropriations committee and the administration find a permanent solution to this chronic underfunding by either using one-time funds to fill the gap until a permanent solution is found, and/or a three year process for transitioning from using these dedicated funds for other reasons. One-time funding would be appropriate because the projects funded by the trust fund, be it housing or conservation, are capital projects, not ongoing expenses.

Investment using funds from the property transfer tax can result in an 8:1/10:1 match from other sources. Funds from a bond return far less, and have to be paid back with interest. We do not support another bond until we return full funding to the Vermont Housing and Conservation Fund.

**A note on finding alternative funding to replace the money taken from the PTT and used elsewhere in the General Fund:**

Also, as a reminder, within the portfolio of the GHMA committee lies the Department of Liquor and Lottery. Policy changes made to Title 7, in particular, have led to an increase of nearly 33% in the amount of “profit” returned from the alcohol fund in the last ten years, and proceeds from the Lottery have increased nearly 33% in the last ten years, benefitting the Education Fund. This does not include income derived from cigarette sales, or licenses or fees or the savings that accrue from affordable housing when families and individuals are not stressing the emergency systems we have in place. Nor does it include the tens of millions of dollars the National Guard brings into the state, primarily through federal funding, and the impact these dollars have on local economies.

**Here are the revenues from the increased sale of alcohol and spirits, thanks to statutory changes promulgated by the GHMA committee over the years.**

	Gross Sales	Excise Tax Paid	Sales Tax	General Fund EOY Transfer	Total GF Transferred
FY10	59,693,927	14,920,681	2,796,805	1,316,334	19,033,820
FY11	62,357,092	15,383,788	2,910,642	840,066	19,134,496
FY12	66,979,385	16,571,798	3,295,217	880,066	20,747,082
FY13	70,567,317	16,981,245	3,141,470	1,095,816	21,218,531

FY14	72,464,904	17,533,281	3,281,121	1,135,066	21,949,468
FY15	76,034,643	18,218,138	3,446,112	1,089,266	22,753,516
FY16	77,452,794	18,467,696	3,456,610	1,208,417	23,132,723
FY17	80,143,901	19,024,368	3,581,131	1,063,630	23,669,129
FY18	83,570,864	19,921,595	3,699,168	1,055,000	24,675,763
FY19	86,407,369	21,076,637	3,917,659	1,805,000	26,799,297

**Lottery proceeds to benefit the Education Fund:**

	Net Profit Transferred
FY10	21,571,927
FY11	21,420,144
FY12	22,328,096
FY13	22,935,784
FY14	22,570,354
FY15	22,751,457
FY16	26,403,589
FY17	25,521,647
FY18	27,145,779
FY19	29,470,435

We do not mention these incoming revenues as funding mechanisms that are alternative to the PTT, but simply to show that the policies promulgated by the committee are not neutral and have an economic benefit. Over the last ten years, these annual revenues have totalled hundreds of millions of dollars to both the General Fund and the Education Fund, and those increases, specifically in the Education Fund, have remained with that dedicated fund. Conversely, the gains in the Property Transfer Tax have been “notwithstanding” from their dedicated, statutory requirements of housing, conservation and planning.

The original equations used to disburse the funds from the PTT to the Vermont Housing and Conservation Fund and Municipal Planning were done in a way that would provide support for communities across the state that are faced with the burden of runaway property values, and the loss of housing that is affordable across the middle and lower classes of Vermonters.

We are asking you and your committee to fully fund the statutory appropriation from the Property Transfer Tax to the Vermont Housing and Conservation Fund and for the Municipal Planning Funds. The reason for this request has not changed: this money will add leverage for additional millions of dollars that creates the results we know Vermonters need: more affordable housing, investment in our rural communities, in our downtowns, in our mobile home parks, climate resilience, water quality protection, and more.

The Governor’s FY21 budget includes only \$10.8M in general fund and \$4.6M in the capital bill. This means VHCB will be operating in FY21 with only \$15.4M. This represents a step backwards to funding at FY17 levels.

**National Guard**

We support the continuation of the National Guard Scholarship Program as it continues its initial growth, as well as the language that corrects tuition levels to the appropriate institutions.

## **Requests for appropriations within bills in our committee:**

### **H.739: Improving Rental Housing Health and Safety**

We have been working for more than several years on developing a rental housing health and safety enforcement mechanism, and H.739 is the closest we've come to getting there. Health and safety concerns for renters — 30% of our population — have been unaddressed on a large scale, but have been in some of our bigger towns and cities. Burlington, Barre, Rutland, St. Johnsbury and Brattleboro are among the places that have successful enforcement programs that are driven by a desire to make sure Vermonters are living in safe and healthy homes. These individual programs are funded through fees. In other towns — most of the state — health and safety concerns are usually the purview of a town's health officer, and we have found this system to be inadequate. Health officers are unpaid and, for the most part, undertrained for the responsibility they are assigned. H.739 proposes that enforcement of a complaint-driven program be housed in the Division of Fire Safety, which is supportive of this bill, because they already have a safety-based entree into apartment buildings, and that the program be paid for by per unit fees, which would be collected by the Tax Department. **We support the proposal in the bill for 5 new positions in the Division of Fire Safety, to be paid for by one-time monies in order to stand up the program. As with all DFS funding, it would be paid for in the future with fees or grants, and not be a burden on the General Fund.**

H.739 also contains a request for funding for a HARP-like program to be piloted that will allow municipalities to identify blighted and abandoned single family homes and help new owners restore them, providing affordable housing in areas where it is sorely needed. **We support the proposal in H.739 for this program.**

### **HOP Funding for Rental Arrearages**

Following up on a request from 2019 from Vermont Legal Aid, we support increasing the funding in the HOP Rental Arrearage program. 70% of all evictions are because of rental arrearages, and many of them can be avoided with an average payment of \$2,000. Vermont Legal Aid is working on a program in Franklin County with OEO and the courts that has shown great success. VLA provides limited legal services to those in arrearage, payment programs are determined, landlords are paid back rent, legal fees (sometimes up to \$7,500) are avoided and renters/families are kept in their home. By keeping renters in their home, we avoid a potential homeless situation, a further drain on public resources and the renter is given one more opportunity to stay in their home.

We suggest that the Appropriations Committee use the January 2019 report, "Eviction in Vermont," as the justification for increasing this fund, and consider the benefits of an providing upstream solution to an avoidable problem.

**Please support the requested appropriation.**

### **Sec. E.138 Renter Rebate**

We support the modernization of the renter rebate program and the appropriation intended for it.

### **Pathways/Housing First**

We support the request by Pathways to expand their very successful program to Rutland and Bennington counties. Investment in Pathways over the last 10 years has provided us with reams of information and statistics that prove that their programming saves lives, saves money and is deserving of our support. They currently have funding to work in six counties. The money requested will allow them to provide services to underserved communities.

**Please support the requested appropriation.**

#### **Possible Summer Committees**

- 1) We will be introducing a committee bill soon requesting that a summer committee be formed to determine what the makeup of a Truth and Reconciliation commission would be. This summer committee would be made up primarily of nonlegislators (though there may be a need to have some on the committee).
- 2) We may be introducing language to have a committee study the future of compensation in Vermont — we are moving toward a society where there is a growth in the kinds of legal tender, as well as other considerations for compensation, including medical insurance.