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Sent: Thursday, June 4, 2020 10:00 AM
To: SENATE_GOVERNMENT_OPERATIONS <SENATE_GOVERNMENT_OPERATIONS@leg.state.vt.us>
Cc: Anthea DexterCooper <ADexterCooper@leg.state.vt.us>
Subject: S.345; Questions about Highway Funds

Good morning, all:

Yesterday, Sens. Collamore and Pollina asked whether the House amendment to S.345 would allow a municipality such as an incorporated village to shift highway funds in a manner that would have a significant and disproportionate effect on a surrounding town. The example used was the Town of Bennington and its two villages.

First, I would say that it is completely dependent on the unique structure of a town and its villages. Working with Anthea, I think we have come up with two scenarios where a municipality could temporarily “lose out.”

Scenario (1) If the town and village vote a combined highway budget, then there may be a scenario where the town could shift funds from the highway fund to the general fund in a manner that disproportionately impacts a village. In this scenario, road maintenance within the village may be disproportionately impacted.

Scenario (2) If a town uses general funds generated by a tax on residents of both the town and the village to pay for town highway expenditures, but the village does not vote on or pay for the highway fund. In this scenario, a de facto highway tax would be applied to village residents although they did not vote for it. This scenario is not likely to happen. This would only arise if general funds are used to cover a shortfall in highway funds. Although this is authorized within the bill, it is far more likely that the towns will be using highway funds to cover general fund shortfalls.

However, both scenarios are mitigated by the borrowing terms within the amendment. First, under subsection (a), a municipality may only borrow from highway funds approved by the voters of that municipality. This immediately limits the ability for most villages to impact towns. It also protects villages from having their independently managed highway funds invaded by the surrounding town. Second, under subsection (e), any borrowed monies must be repaid to the original fund by the end of calendar year 2021. Subsection (e) also provides that the legislative body may apply interest to the borrowed amount as it deems necessary. Because the money will be repaid by 12/31/2021, any disproportionate impact will be remedied within a relatively short time frame.

Please let me know if you have further questions.

CC: Anthea Dexter-Cooper

Best,

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