

PHILIP B. SCOTT
Governor



State of Vermont
OFFICE OF THE GOVERNOR

April 17, 2021

The Honorable BetsyAnn Wrask
Clerk of the Vermont House of Representatives
115 State Street
Montpelier, VT 05633

Dear Ms. Wrask:

Pursuant to Chapter II, Section 11 of the Vermont Constitution, H.315, *An Act Relating to Covid-19 Relief*, will become law without my signature for the reasons stated herein.

H.315 started as a smart spending bill – about \$62 million in total – to fund urgent pandemic needs, including business recovery grants that were a top priority in the budget adjustment proposal I proposed in January. The need was there in January and is still urgent today.

Over the two months it took the Legislature to pass H.315, it evolved into something much larger and more complex.

To the Legislature's credit, the bill includes some valuable relief for Vermonters, including:

- \$47 million for budget initiatives I put forward, including economic aid to businesses, housing to immediately address emergency needs, brownfield remediation and environmental clean-up and VOREC community grants.
- \$5 million for foreclosure prevention.
- \$7.64 million for mental health services, recovery centers, New Americans, refugees and immigrants, and grants to Reach-Up participants.
- Linking to federal income taxes for tax year 2020, which will exempt the first \$10,200 of unemployment insurance income, as well as Paycheck Protection Program forgiven loan funds.

For these reasons, I'm allowing H.315 to become law.

Unfortunately, I cannot sign this bill because it includes policy and spending choices that suggest we have very different opinions about how best to deploy the federal recovery and economic stimulus funding.

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As a result, I want to be clear: I feel *very* strongly that we need to invest federal American Rescue Plan Act (ARPA) money in a truly strategic and fully transparent way, preferably in a single piece of legislation. These investments should be in tangible infrastructure that provide the greatest economic benefits and will truly transform our economy – especially in the parts of the state that need it most. I will not support a piecemeal or diluted approach to the investment of ARPA funds.

We must not squander this unprecedented opportunity to transform the economy of our state. If we work together, we can make historic investments in climate change mitigation, water and sewer infrastructure, universal broad band, housing and more. All these investments, if planned and supported wisely, will be something we can point to as the silver-lining of this pandemic. We must not forgo the opportunity to maximize the benefit of this federal money simply because the federal timing did not align with the traditional legislative calendar or process. That would be profoundly shortsighted.

Similarly, I also feel strongly that the Legislature should reverse its decision to insert, at the last minute, a new and punitive tax liability on federal PPP loans. These forgivable loans were issued to help employers survive this pandemic and preserve jobs. And our businesses have applied for these loans with the understanding they would not be taxed. In addition, Senator Leahy's office has confirmed that these resources were never intended to be taxed. The Legislature should be at their side, helping them up. Not on their back, trying to raise yet more in taxes.

I encourage the Legislature to take these concerns seriously – as they reflect core priorities that I will want to see reflected in the budget and other legislation as we move toward adjournment.

More specifically, rather than act quickly on H.315 with available state funds and federal Coronavirus Relief Funds – and without allowing for a transparent, tangible and transformative approach to investing \$1 billion in federal American Rescue Plan Act (ARPA) funds – the Legislature chose to hastily deploy \$59 million of ARPA funds unnecessarily. The initiatives in H.315 are not bad investments, but they should not be funded with ARPA money. Again, we owe it to Vermonters to spend the ARPA funds in a transparent way, preferably through a single spending bill, so Vermonters can easily understand the investments and can verify that the Legislature is maximizing the value of every penny to strengthen the economy in every county and every community.

In addition to unnecessarily expending ARPA funds, H.315 also spends about \$4 million in Elementary and Secondary School Emergency Relief (ESSER) funds. Congress explicitly appropriated this money to the Vermont Agency of Education. In H.315, the Legislature added their approval as an additional requirement. This will prevent the Agency from moving quickly to meet the needs of our children. The fact is our kids are not doing okay in the hybrid learning environment and they should not have to wait for the Legislature's appropriations process.

The Honorable BetsyAnn Wrask

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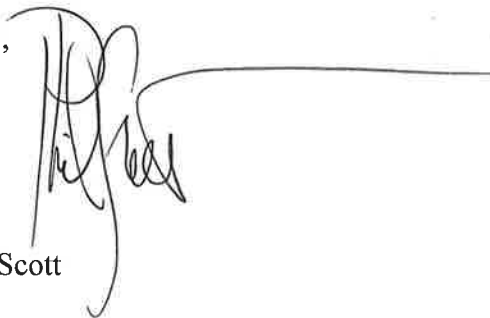
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The need for flexibility should be apparent and the expertise and judgment of the professionals at the Agency ought to be respected, not micro-managed. I intend to use all the tools at my disposal to take advantage of these grants.

Again, I want to underscore how strongly I feel about the need for an agreement between the House, Senate, and the Administration on how to spend ARPA funds. This should come *before* any additional funds are expended. I also want to reiterate that I do not support deploying these funds in a piecemeal fashion across a hodgepodge of bills and programs. These funds are meant to expedite recovery, revitalize our economy, and make a difference in the lives of Vermonters well into the future. They are not to provide short-term, unsustainable band aids for complicated issues or plug ongoing budget holes.

In conclusion, because this bill contains urgently needed funds for Vermonters, I am allowing it to become law. But the Legislature should take note that I will not support any additional, unnecessary, or unwise use of ARPA or ESSER funding. I urge the Legislature to work with me to take a more collaborative, transparent, and strategic approach to allocating the remaining ARPA funds and maximizing the transformative economic benefits of these once-in-a-lifetime funds for Vermonters.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. B. Scott', with a long horizontal line extending to the right.

Philip B. Scott
Governor

PBS/kp