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Kristin L. Clouser, Secretary

May 1, 2024

Vermont State House
109 State Street
Montpelier, VT 05602

H.883 Committee of Conference
Senator Jane Kitchel
Senator Andrew Perchlik
Senator Richard Westman
Representative Diane Lanpher
Representative Robin Scheu
Representative Theresa Wood

Via Email

To Members of the H.883 Committee of Conference:

I write with comments on H.883 – *An act relating to making appropriations for the support of government* – as passed by the Senate.

The Administration acknowledges the Senate’s work to improve the bill, notably the addition of several of the Governor’s proposals left out of the House version, and the elimination of the \$5 million in additional vacancy savings needed to get to balance.

The Administration’s chief objections to both the Senate’s and the House’s budgets are the new taxes and higher fees proposed to support the higher spending. This is particularly alarming as we finish our fourth straight year of large General Fund surpluses and booming current law revenue, at a time when household expenses and tax burden continue to far outpace growth in household income. Without legislative action, Vermonters also face a historic increase in their property tax bills this summer, which will coincide with the initiation of a new payroll tax passed by the legislature last year.

At the very least, the streaming tax revenue from S.181 should be removed from the H.883 budget construct as current estimated FY 2024 surpluses and future general fund base revenue growth is predicted to be sufficient to support that level of spending without adding a new tax. The Senate budget assumes \$4.9 million in additional revenue in FY25 from the new streaming tax. The Emergency Board adopted revenue forecast from January 2024, predicts general fund revenue

growth of roughly \$78M from FY 2025 to FY 2026, thus, while using surplus funds in FY25, organic revenue growth in FY26 will sufficiently absorb this amount of base pressure going forward.

While property taxes are traveling in a different vehicle (H.887) the General Fund surplus estimates for the current year present an opportunity to reduce the property tax burden on Vermonters through H.883. Through April 30th, General Fund revenues exceed the consensus forecast by over \$100 million. Surplus revenue, reduced contingent appropriations, a deferred savings plan, a needs based school meal program, education fund reserves and cost containment could be combined to get the FY'25 forecasted property tax increase down to the low single digits.

Reductions in the approximately \$75 million in contingency spending included in the Senate's budget could provide at least \$25 million that should be redirected to reduce property tax rates for Vermonters this year. Any additional surplus revenue should also be directed to the education fund to further reduce the tax burden Vermonters are facing.

However, these budgetary tools *must* be paired with aggressive, meaningful steps in the Yield Bill (H.887) that will restore sustainability to the Education Fund and stabilize property tax increases. If we were to take these steps immediately, we can stabilize education funding and property taxes, restore sustainability to the Education Fund, and return our focus to building the best education system for our children.

By incorporating the proposals described in this memo, this budget would be more responsible and more acceptable to Vermonters. At the very least, the Administration asks the Committee of Conference not to make it worse. Vermonters cannot afford more or higher taxes and fees.

Sincerely,

Kristin Clouser
Secretary of Administration

Cc: Senator Philip Baruth, State Senate, Senate President Pro Tempore
Representative Jill Krowinski, House of Representatives, Speaker
Catherine Benham, Joint Fiscal Office, Chief Fiscal Officer
Emily Byrne, Joint Fiscal Office, Deputy Fiscal Officer
Aimee Pope, Joint Fiscal Office, Associate Fiscal Officer
Adam Greshin, Department of Finance and Management, Commissioner

