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Sarah Clark, Secretary

February 27, 2025

Vermont State House
109 State Street
Montpelier, VT 05602

H.141 Committee of Conference
Representative Robin Scheu
Representative Tiffany Bluemle
Representative Trevor Squirrell
Senator Andrew Perchlik
Senator Virginia Lyons
Senator Randolph Brock

Via email

To the Members of the H.141 Committee of Conference:

I write with concerns on H.141 – *An act relating to fiscal year 2025 budget adjustments* – as passed by the Senate.

The Senate-passed BAA expands spending beyond the scope of a typical mid-year adjustment bill. The Administration has consistently had concerns when significant spending decisions are made early and outside the context of the larger budget picture. Given the current uncertainty in the federal budget and the potential for deep funding cuts to critical programs such as Medicaid, we must prioritize fundamental services and core needs to ensure we have the resources to respond to federal action if needed.

When H.141 arrived in Senate Appropriations, I wrote a letter to Chair Perchlik outlining the Administration's major concerns with the bill. I highlighted the \$14 million in additional spending that should be weighed against other priorities in the context of the FY26 budget. This additional spending included a \$1.8 million appropriation to expand the hotel/motel program despite the current program's adherence to the design and parameters negotiated by the General Assembly and the Administration last session. The House's source for all that additional funding – \$14 million of a \$20 million appropriation to the Treasurer originally intended to retire general obligation bonds – is also troubling.

The Senate did not incorporate the Administration's feedback into the Budget Adjustment and increased the House's appropriations by \$1.8 million for municipal grants. This was funded by

reverting the remaining \$6 million of the Treasurer's \$20 million appropriation to retire debt. The Senate also added three new positions to state government – two for the Human Rights Commission and one in the Attorney General's office – that would be more appropriately retrieved from the position pool. Again, these are decisions better made in the overall context of the FY26 budget.

The Administration is also concerned that the Senate struck the language proposed by the Governor and included by the House in Section 54 of the House-passed H.141, which created a temporary reserve to carry forward \$131 million in unallocated revenue to support critical expenditures in FY26. Without this language, the legislature will have to find additional revenue or make reductions to fund investments in property tax relief, education, housing and other vital initiatives included in the Governor's FY26 budget.

To be clear, the Governor will not support the current version of H.141 becoming law. The Administration's proposal made the standard adjustments necessary for current year spending in response to cost pressures, utilization updates and unanticipated events. That is the intent and the practice of the BAA. The additional appropriations proposed by the Legislature should be considered as part of the FY26 budget so they can be weighed against other initiatives competing for scarce dollars and with the federal context in mind.

Spending limited funds before understanding all our needs impedes the Legislature's and Administration's ability to invest taxpayer dollars into the most effective and impactful programs to meet the needs of Vermonters.

The Administration is ready and willing to work with the Legislature to create a budget adjustment that works for all. Let's come to agreement and shift our focus to our shared priorities and the initiatives that will require our full attention in the FY26 budget. Given the uncertainty at the federal level, it is critical that we work together to ensure the operations and funding of state government.

Sincerely,

Sarah Clark
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

