

Challenges and Opportunities

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As of this writing the committees of both chambers of the Vermont Legislature are conducting their committee work through remote videoconferencing. The full Senate has begun to meet and vote remotely, and the House may begin to meet and vote remotely as a full body soon. What remains to be seen is which bills will be taken up and passed and when.

There are certain bills that HAVE to pass: for instance, the state budget and the bill to set education property tax rates. There are certain bills related to the COVID 19 that SHOULD pass in order to help and support Vermonters. And then there are a large numbers of other bills that are in various stages of passage through both chambers, and it is not clear if they will be taken up again or not.

There are actually two sets of budget issues to address. The state's fiscal year 20 ends June 30th, and there is now a pronounced shortfall of revenue and significant increases in certain kinds of spending for these last few months. It looks as if the Legislature may use accumulated fund reserves to finish this fiscal year in balance as much as possible. But --- this will mean that as we face fiscal year 21 we will have used up our reserves.

We may not even try to do a full year's budget for FY21 due to the profound uncertainty about economic activity, state revenues, and spending needs. While Vermont will receive a significant amount of Federal funds, those funds are dedicated to specific COVID 19 needs, and we will not be able to use them to make up for revenue shortfalls. Therefore we may do a three month FY21 budget in June based on the information we have at that time, and then come back in September to endeavor to finalize the budget for the rest of the fiscal year.

Aside from the budget which allocates tax revenues to spending for operations, there is the spending that is in the state's "Capital Bill." This is the bill in which the Legislature allocates the proceeds of state bond sales: that state borrows money by issuing bonds, and then invests the proceeds in productive assets to serve the people of Vermont: state buildings, facilities at state parks, and so forth. I am concerned that as of now it seems that the Capital Bill allocations are largely the same now as they were before COVID 19. I would have thought that we would have kept a significant chunk of borrowing capacity to meet emergencies, whether needed investments in health care capacity or needed investments in telecommunications.

The unresolved issue of the unfunded pension liabilities looms large over both the regular budget and the Capital Bill. These are obligations to retired state employees and retired teachers that require annual payments to pay down. As a form of debt they make it harder to borrow more, and the required payments make it harder to make room in the budget for needed emergency spending.

I devoutly hope that by September we will have been able to open our economy to all previous activities, although we may need to take precautions against re-emergence of the new virus on an ongoing basis. But we should be prepared for the possibility that we will be in a recession for a while, therefore many Vermonters will need continuing support and some of our economic capacities may have been lost.

Another bill that will likely be taken up will be a bill that sets the education property tax rates. This is a difficult situation since the school budgets already passed increased spending by tens of millions of dollars, but now the tax revenue from state sales tax revenue and the meals and rooms tax revenues that go into the Education Fund may fall significantly during the coming year. This basic situation could result in a large increase in education property tax rates, just at a time when it may be very difficult for Vermont homeowners and Vermont businesses to make the required payments. To make things more difficult for Vermont homeowners, those who qualify for the state property tax adjustment will receive credits against property taxes owed that are based on last year's income – 2019. There will be no reflection in that credit of current decreases in income due to the corona-economy.

So this situation with the Education Fund may mean that Vermonters face higher education property taxes at a time when they cannot pay them. There are many factors involved, and we are facing unprecedented circumstances, but the fact that we have not undertaken the education finance reform that is urgently needed is very unfortunate.

In addition to such “must pass” legislation, the Legislature continues to work on specific COVID-19 related bills. We have already passed bills that make rules for Unemployment Insurance more flexible and allow for modifications in our election processes. Other bills to be taken up include preventing evictions and foreclosures and making it easier to complete certain kinds of legal procedures remotely. We also might delay or defer some program or regulatory changes, for instance, the changes to the Special Education funding system.

But the future of bills that are important to many Vermonters like the reforms of Act 250 or the legalization of commercial cannabis is uncertain. There may not be legislative time or capacity given the “must pass” and COVID specific bills that are most urgent.

Right now the best guess is that when better revenue numbers are available in May the Legislature may meet, whether still remotely or in person, to pass major legislation. Then we may go on recess and meet again in August or September to deal with emergent issues.