



Special Session Week 6 - June 28, 2018

THE VERMONT STATEHOUSE INSIDER

Weekly politics & analysis
of the issues in Montpelier



ESCAPE FROM MONTPELIER

The 2018 Special Session of the Vermont General Assembly effectively came to an end late Monday night when Governor Phil Scott announced he would let the third iteration of the FY19 budget bill become law without his signature. The House and Senate plan to return to Montpelier on Friday, June 29, and are expected to pass a motion to adjourn *sine die*, which in Latin means “without a day” or indefinitely. This will be one of the latest legislative adjournment dates in state history.

The budget bill, H.16, will be enacted on June 30, one day before the start of the new fiscal year on July 1, narrowly averting a government shutdown.

The final budget bill is a mixed bag in terms of who can claim victory. By letting the budget become law without his signature, Scott has agreed to a 4.5 cent increase in the non-residential property tax rate. This move violates his “no new tax” pledge, and in a statement earlier in the week the governor laid blame for the increase at the feet of legislative leaders saying he had no choice but to allow the bill to become law to avert a government shutdown. This theme will be part of the mantra for the governor and Republican candidates during the upcoming campaign.

Legislative leaders had to make their own share of compromises, including using more “one-time money” to buy down the property tax rates than they would have liked. Democrats have continually said the governor’s desire to use one-time money to pay for ongoing expenses is fiscally irresponsible because it creates a hole in the Education Fund in future years. Both sides will tout the nearly \$30 million in personal income tax cuts that protect Vermonters from unanticipated state income tax hikes that would otherwise kick in due to changes in federal tax laws.

The political twists, turns and drama of the special session in some ways overshadow the policy compromises in the final budget. Democratic leaders will no doubt be emboldened by the outcome and if Governor Scott, Senate President Tim Ashe and Speaker Mitzi Johnson are all re-elected it will be interesting to see if and how the political dynamics have changed next year.

The campaign season will get underway in earnest once the legislature adjourns the special session. This is when the ban on lawmakers and statewide officials receiving campaign contributions from lobbyists and their employers will be lifted. It remains to be seen how the budget standoff will play out with voters during the election. At the beginning of the standoff it was hard to believe many Vermonters were paying attention - what with the June sunshine - but by the end lawmakers from all parties were saying they were hearing from constituents on the impasse. Democrats have fielded far more candidates for the House than the Republicans, and with deep blue concern in Vermont for what is going on in Washington there is a chance the Democrats could return with a supermajority in the House. There will

be a fair amount of committee leadership turnover in the House as well with five long-term chairs retiring.

All said, the 2019 legislative session will surely come with some interesting new dynamics. For now, everyone is ready for some time away from the statehouse. Thanks for following along with us this session and look for some special campaign editions of this newsletter in the fall.

Happy summer!

BUDGET

The final version of the FY2019 budget bill, H.16, is essentially the same as the two previous budget bills that Governor Scott vetoed, H.924 from the regular session and H.13 from the special session. Additionally, H.16 is like H.13 in that not only does it make the appropriations needed to fund state government, it also contains the same provisions from the main tax bill from the regular session, H.911. These provisions are designed to offset the tax increases Vermonters would otherwise experience because of changes made to the federal tax code in December 2017.

However, there are key differences between H.16 and the previous vetoed bills:

- It sets the average residential property tax rate at \$1.500, which is the same as H.13, but lower than the \$1.526 rate set in H.911 during the regular session. By setting the rate at \$1.500, H.13 accomplishes the Governor's goal of there being no increase in the average residential property tax rate from FY2018.
- It sets the average non-residential tax rate at \$1.580, which is one cent lower than the rate established in the previous bills (but still 4.5 cents higher than the rate the Governor wanted).
- It dedicates \$15 million toward paying down teacher retirement obligations - which is what the Democrats were pushing for during the impasse. This is \$900,000 more than the amount dedicated to this purpose in H.13.

- It amends the statute requiring the legislature to annually set two key variables in the education funding formula—the property dollar equivalent yield and the income dollar equivalent yield. These changes mean that unless the legislature determines otherwise those yields are to be the same as in the previous fiscal year.
- It creates a Commission on Public School Employee Health Benefits to determine, on a single statewide basis, the allocation of premium expenses and out of pocket health care costs between school districts and public-school employees. Those allocations will no longer be negotiated on a district by district basis. Instead, they will be determined by a 10-person panel, with five members appointed by the Vermont School Boards Association and five members appointed by labor organizations. A majority of each 5-person group has to agree on the allocations in order for them to be adopted. Significantly, it prohibits teachers from striking or school boards from imposing a contract over the allocation of premium and out-of-pocket costs.

BILLS PASSED BY BOTH CHAMBERS

[H.7](#) - An act relating to creating the Department of Liquor and Lottery and the Board of Liquor and Lottery

- Governor signed on June 19

[H.8](#) - An act relating to boards and commissions

- Governor signed on June 19

[H.9](#) - An act relating to the fair repair of consumer electronic devices

- Governor signed on June 22

[H.10](#) - An act relating to transportation network companies

- Governor signed on June 19

[H.13](#) - An act relating to making appropriations for the support of government

- Governor vetoed on June 14

[H.16](#) - An act relating to making appropriations for the support of government, financing education and vital records.

- Governor indicated that he will allow H.16 to become law without his signature

[S.1](#) - An act relating to co-payment limits for chiropractic care and physical therapy

- Governor signed on June 25

[S.2](#) - An act relating to regulating finance leases for credit card terminals

- Governor signed on June 19

[S.3](#) - An act relating to sexual exploitation of students

- Governor signed on June 19

[S.4](#) - An act relating to miscellaneous judiciary procedures

- Governor signed on June 22

[S.5](#) - An act relating to racial equality in State government

- Delivered to Governor on June 22

[S.6](#) - An act relating to short-term rentals

- Delivered to Governor on June 26