



Week 21 - June 5, 2020

THE VERMONT **STATEHOUSE INSIDER**

Weekly politics & analysis
of the issues in Montpelier



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STORM CLOUDS ALL AROUND

This week started with a strong statement by Governor Scott condemning the killing of George Floyd by Minneapolis police and acknowledging the legitimacy of protests over that killing. The governor stated his view that Floyd's treatment by

police was "barbaric and totally inexcusable" and that "enough is enough" concerning deaths of unarmed black men at the hands of police officers. The governor said Vermont is not immune to systemic racism built into the nation's economic system and social institutions and announced the formation of a [Racial Equity Task Force](#). The task force will look at a number of race related issues such as the disparities in COVID-19 death rates between people of color and white people, the adequacy of hate speech laws and how racial diversity within state government can be better supported. Much of what the governor said on Monday was reiterated in a [joint statement](#) he put out with Attorney General TJ Donovan on Thursday.

While the Floyd killing and subsequent protests dominated the news this week the legislature quietly moved forward with its efforts to fashion a budget for the fiscal year that begins on July 1. On Friday the House gave preliminary approval to a stopgap budget bill, H.961, that will essentially level-fund state government for July, August and September. Once that bill goes through the Senate and gets to the governor's desk, which has to happen in advance of July 1, the legislature will recess until mid-August. When it returns in mid-August it will have the benefit of better revenue projections due to the fact that the April 15 income tax due date was extended until July 15. Using that information it will then develop a budget for the remaining nine months of FY21. It is likely that the nine month budget will reflect significant cuts to state spending.

On top of all of this the legislature intends to develop, by the end of this month, one or more bills that spend the balance of the \$1.25 billion the state received under the federal CARES Act (while some of that money has already been spent most of it is still available). As things stand now under the rules that accompanied the federal dollars the state has to spend the money by the end of this year. Accordingly, there is urgency to the need to figure out how to do that, and to that end the legislature's policy committees have been directed to provide input by next Wednesday, June 10, on how they think the federal money should be spent. On Tuesday a coalition of business owners from the restaurant, agricultural, retail and construction sectors held a press conference urging the Vermont Legislature to move quickly to approve emergency grants for Vermont businesses hit hard by the

economic impacts of COVID-19. They also asked that these grants not be reduced based on a business's prior acceptance of federal aid. It is likely that final legislation will reflect, in some fashion, the governor's proposal that significant portions of the federal money be used to aid businesses, farms and health care providers.

That aid will undoubtedly be welcomed because while the state is reopening, that is occurring slowly. On Friday Governor Scott announced that indoor restaurant dining will be permitted beginning Monday, June 8, but only at 25 percent capacity. In addition, the governor is lifting the requirement that people coming from out-of-state self quarantine for 14 days prior to staying at a Vermont lodging establishment if they come from one of 55 counties in New England or upstate New York that has rates of COVID-19 infection below a specified threshold. Still, lodging establishments can only take in guests at 50 percent of the establishment's capacity.

BROADBAND PROPOSAL

Per the earlier mentioned directive that policy committees provide input on how federal CARES Act dollars should be spent by next Wednesday, the House Energy and Technology Committee released a [draft memo](#) earlier this week proposing that \$100 million be spent to fund broadband deployment solutions and aid electric utilities. In addition to supporting newly formed Communication Union Districts (CUDs) the proposal also includes \$2 million to the state's public access organizations (PEGs), \$1 million to Vermont Public Broadcasting, \$1 million to Vermont Public Radio and \$30 million to the electric distribution utilities to cover their loss of revenue from ratepayers unable to pay their utility bills as a result of economic hardship caused by the COVID-19 emergency. It's not clear how many elements of the proposal meet the guidance from the U.S. Treasury on how the Coronavirus Relief Fund (CRF) dollars can be spent. The legislature has hired a [consultant](#) to review and identify specific activities that could be funded and

implemented within the federal government's conditions of use. The report is due by June 12.

BUDGET AND TAX

On Friday the House gave preliminary approval, by a 142-5 vote, to a state budget bill, H.961, which funds the first quarter of the state's fiscal year that starts in July. Here is a [summary](#) of the bill. In her floor speech, House Appropriation Committee Chair Kitty Toll, D-Danville, described the bill as "unusual" and "intentionally far from complete" because of the lack of solid state revenue projections due to COVID-19. The bill level-funds most state departments' budgets by appropriating 25 percent of last year's annual appropriation to cover the first quarter from July through September. There are some exceptions for areas of state government that need funding front loaded because they incur significant expenses early in the fiscal year. Examples include the Agency of Natural Resources at 50 percent and the Agency of Transportation at 60 percent. The bill punts tough decisions about how to address [projected](#) revenue losses in the General Fund (down \$230.5 million), the Education Fund (down \$100 million) and the Transportation Fund (down \$43.6 million), until August when lawmakers return and will have better revenue estimates to build a budget for the remaining three quarters of fiscal year 2021.

The Senate Finance Committee walked through the Miscellaneous Tax Bill ([H.954](#)) this week. Chair Senator Ann Cummings, D-Washington, noted that this bill will be one of the last bills to leave the committee and could serve as a "Christmas tree" for any last-minute "must-pass" tax provisions. The House-passed bill contains mostly technical amendments to various taxes including the property tax, sales and use tax and income tax. To date the bill has not been controversial because, according to a [fiscal note](#), it actually reduces taxes by approximately \$1 million by lowering the "safe harbor" amount a Vermonter can pay on their income taxes to estimate the use tax for purchases made outside the state or on-line.