WLR Jan 19: Financial Outlook, Public Safety, Housing, TIF, and More

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While revenue forecasts improve and the big three (housing, public safety, and affordability) take up most of the oxygen in the state house this week (read more in the *Weekly Legislative Report* below), VLCT is closely following several proposed bills that affect municipal capacity, revenue, and governance. You can read more from VLCT Advocacy about these bills on the **Advocacy Updates: Municipal Capacity, Revenue, and Governance** page.

This week VLCT provided testimony to:

- Senate Natural Resources and Energy Regarding Wetlands, River Corridor, and Dam Management (S. 213)
- House Government Operations Regarding State of Vermont Grant Administration (H. 140)

The content of the Weekly Legislative Report *below is provided by our advocacy partners. For more detail and commentary from VLCT Advocacy staff, visit the* ***Legislative Reports*** *webpage to access our topical Advocacy Updates.*

State Financial Outlook: Clearer Skies? Clear Eyes? Plenty of Surprise

If you haven't been following along, well, things didn't look great for state finances, and they still don't; however, economic forecasting this week paints a slightly better picture. Don't get too optimistic, though! While we might not be hemorrhaging money the way we thought on the revenue side, lawmakers are increasingly more clear-eyed on the sobering prospects that we're spending and need to spend in some critical areas at an alarming rate! *Let's jump into it;*

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The Emergency Board met Thursday to review the 2024 Economic Review and Revenue Forecast.

Here are the big points;

- The Legislature's economist went so far as to say there is *"no recession in the forecast"* and expressed that the economy has "exhibited surprising economic resilience."
- That said, *he's team "soft landing*" and thinks the Fed has been able to slow the economy with interest rates while keeping unemployment low towards their goal of bringing down inflation.
- He explained that between *inflation in essential goods and the housing market woes*, you can understand how others wouldn't feel so optimistic.
- Total revenues for the three major funds forecast closed the first half of FY24 slightly above July projections by 1.7% and $25.2M.
    - The General Fund was above targets by about 3%, driven by robust personal income tax despite lagging corporate tax,
    - The Education Fund is at about 1%, driven by robust consumer spending and better-than-expected cannabis sales, and
    - The Transportation Fund is about 6% below expectations, attributed mostly to a slowdown of vehicle purchases and sky-high prices coming back down to earth post-pandemic.

The state is facing an 18.5% increase in property taxes.

Senate Finance has the goal of limiting that to 10%, however, they will need about $120 million to buy down the rate.

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- This is not a revenue deficit and is instead based on the projected spending every town has before them on March town meeting day.
- In Montpelier, there is agitation that pandemic-era positions funded by one-time increases in ESSER funds are driving costs as schools try to retain them.
- A quick reminder that any increase could be higher for those not income-sensitized and for businesses, and recent per-pupil weighting changes will go into effect this year.
- And another quick reminder that this potential hike doesn't include $6 billion in expected school capital costs over the next decade.
- Oh, and The Education Committees are also still grappling with what to do about PCB remediation in schools, which is not going well…

The House Committee on Appropriations is looking to move the Budget Adjustment Act (BAA).

This is a mid-year true-up of the state budget, out by the end of this week or, at the latest, the beginning of next week to have it on the floor on Thursday or Friday next week. We'll cover that in more detail next week. Once the BAA is done, the work can turn entirely to next year's budget, referred to as the **"big bill."**

The Governor will deliver his budget address next week to a joint assembly of the House and Senate.

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This will be an overview of his budget priorities ahead of his draft budget being released.

- You can expect the Governor to try to hold the line at a 3% growth in spending while still trying to address issues around housing, public safety, and flood recovery.
- The July flood cost the state about $600 million, according to testimony this week. With the prospect of climate change making such disasters worse and more frequent, lawmakers are pushing for a climate change "superfund" for climate adaptation infrastructure funded by fossil fuel companies with emissions between 2000 and 2019.

Housing, Housing, Housing – Little Else Matters if You Don't Address It!

One thing the Legislature's economist highlighted this week, as we covered above, is how the inflationary impact of housing is clouding what would otherwise look like an incredible win in the form of a soft landing by the Fed. Business advocates have long pointed to housing as the limiting factor in the Vermont economy; however, now everyone is saying it because you can't look away.

- The **unhoused population will grow in April** when the remainder of those who are in state temporary housing are set to leave. Burlington's Mayor is looking to push that to July when he believes that they will feasibly connect those individuals with housing.

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    - Meanwhile, the Department of Children and Families is turning away about 60 families a day from shelters in the state due to lack of space.
- At the root of this is that "homelessness is a supply problem," and kudos are due to the Senate Economic Committee continuing its path toward voting out the **Be HOME Act** by early February.
    - If you didn't read about the proposed legislation last week, you should.
    - The Chair told her caucus this week that the bill will include some investments, but they need to get the free stuff done. That means cleaning up the regulatory process.
    - One thing the committee feels is not adequately addressed in the studies from this summer is the **Act 250 appeals** process, and their draft doesn't include action on it. However, their colleagues in the House are very interested and focused on appeals based on committee discussion.
- Meanwhile, the House Committee on Housing and General is sending the wrong message to communities frustrated with homelessness by focusing their limited time on a **Homeless Bill of Rights** that would protect the vaguely defined "activities associated with homelessness."
    - The Burlington Business Association and the Lake Champlain Chamber testified that this is not what is needed at this time, will drive a wedge between members of our communities, and the committee should focus on housing people, not the effects of people being unhoused.
- What would be a productive use of time for the House General Committee would be H.686, which they'll be taking up shortly after this

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update goes out and *puts forward statewide goals for housing creation and to measure progress toward statewide and regional housing targets published in the Statewide Housing Needs Assessment.*
    - Some, will argue for more accountability if the state misses those goals.
- The Housing Committee could also be considering a bill that would create a housing board of appeals H. 647. This act proposes a Housing Board of Appeals to expedite the permitting process for housing development at the municipal level.

Public Safety: Seeking Solutions Amidst Analysis Paralysis

As week three comes to a close, it feels like some momentum has been lost on providing public safety as committees feel more acutely the analysis paralysis we highlighted last week.

- House Judiciary continued hearing testimony on **retail theft legislation**, with all of the factors we covered last week (link) at play. They heard from Malik Mines, an employee of a retailer in Burlington who is now running for City Council in Ward 3, Burlington's Mayor, and Rutland's Mayor. All urged the committee to proceed with this legislation because repeat offenders represent most of the cities' crime.
    - As we covered last week, the Committee is struggling with elements of criminal justice that are in conflict with each other, and there are no easy answers.

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    - The Committee is split down the middle on the retail theft bill, H.534, and they'll likely back off this legislation and focus on other work now that they've taken testimony.
- Meanwhile, their colleagues in the Senate Committee on Judiciary heard testimony on S.209, an act related to prohibiting unserialized firearms and juvenile offenses. The Vermont Department of State's Attorneys and Sheriffs expressed support for the bill, citing concerns about expediency in family court. The committee continued discussion on the Big 12 offenses and potential changes to address issues related to age and court processes.
- The Senate Transportation Committee discussed automated traffic enforcement at red lights this week as a solution to issues around law enforcement's lack of capacity. The Committee will build on previous discussions around speed enforcement in work zones and may start there.

Auditor in Another Two Tiffs Over TIF

State Auditor Doug Hoffer (P) made headlines when, in a rare move, he filed a lawsuit against Attorney General Charity Clark (D), claiming her office failed to provide a legal opinion during an audit related to Burlington's tax increment financing (TIF), which he released this week.

The Lawsuit

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- Hoffer, after completing the audit, insisted on clarifying whether the attorney general is obligated to provide legal opinions upon request because he was unsatisfied with the legal council statute directed him to use.
- As reported by VTDigger, the AG's office responded, "It is legally unsound, has wasted State and court resources, and will be unproductive." The statement went on to say, "the irony of the Auditor insisting on legal advice from the Attorney General while also not accepting her legal decision with which he disagrees is not lost."

The Audit

- Report on Burlington's TIF program, citing "substantial mistakes." Key findings include the city drawing over $4 million more from bond proceeds than approved, a violation of state oversight. The audit also reveals discrepancies in interest cost estimates, prompting the city to contest Hoffer's findings.
- Burlington Mayor Miro Weinberger disputes Hoffer's conclusions, particularly challenging the audit's headline finding on bond premiums. Weinberger accuses Hoffer of an ongoing campaign against the state's TIF program.

When you're a hammer, everything is a nail, and this time, the nails that were struck seem to be the fingernails of two high-level Democrats in yet another chapter in the Auditor's long-held criticism of and campaign against economic development programs.

After Years of Debate, Vermonters Will Soon Have Access to Family Medical Leave

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Governor Phil Scott, in partnership with The Hartford, announced this week that employer enrollment for the Vermont Family and Medical Leave Insurance (FMLI) program starts February 15.

- Eligible employers with two or more employees can enroll starting February 15th and create customized plans tailored to the unique needs of their workforce and business. Look forward to enjoying FMLI benefits starting on July 1.

What You Need to Know

- FMLI benefits provide partial income replacement for various situations, including;
  - caring for a family member with a serious health condition,
  - bonding with a new child,
  - addressing one's own serious health condition,
  - caring for a military service member, or
  - meeting needs related to a family member's covered active military duty or call to active duty.

Key Features of FMLI Plans

- Option to provide combined family and medical leave or standalone family leave insurance.
- Flexible contribution arrangements: fully paid by the employer, split between the employer and employees, or fully paid for by employees as a voluntary benefit.
- Benefit duration options are six to 26 weeks per 12-month period.

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- 60 to 70% wage replacement, with additional options available through underwriting review.

Phases of Implementation

- The initial phase of the program was successfully launched for Vermont State employees in July 2023.
- This announcement is part of the second phase.
- In the final phase, FMLI benefits will be extended to individual workers, self-employed individuals, and employers with fewer than two employees in Vermont. This phase is set to commence in 2025, with benefits starting on July 1, 2025.

Learn More

VLCT hosted a training with The Hartford and officials from the State of Vermont this week to learn more about how FMLI is working for them and what we can expect. **Watch the recording and view materials.**

Employers in Vermont who are interested in exploring the Vermont FMLI program further can collaborate with their employee benefits brokers or visit **fmli.thehartford.com** for detailed information.

Elsewhere In The State House

Hundreds of hours of committee discussion each week culminate into our advocacy update, so not everything makes it into the overall update; however, we often cover what is left on the cutting-room floor here for our

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most dedicated readers.

- Read updates from Week 1, Week 2, and the last session's recap.
- We've been meaning to add it to the laundry list, and it keeps falling off, but in case you missed it, **sports betting, as of the new year, is officially legal and operational in the Green Mountain State.**
- **At the federal level: Congress avoided a shutdown Thursday** by passing a stopgap measure that funds the government until March, despite a last-minute attempt by the Freedom Caucus to add in controversial border provisions. **A bi-partisan tax proposa**l is muscling through early opposition to potentially become the most transformational thing Congress has done since the GOP retook the House. There's a lot to like for businesses, including a remedy for issues with the **R&D Tax credit** and a partial restoration of the **Child Tax Credit** to pandemic-era robustness.
- The House Committee on Commerce heard from the Treasurer on his proposed **baby bonds program** this week.
- *Irony (noun): a state of affairs or an event that seems deliberately contrary to what one expects and is often amusing as a result.* Used in a sentence, "While Vermont Legislature might be on the brink of legalizing sites for people to consume illegal drugs, they'll also soon likely be passing a prohibition on flavored tobacco products in the state."
- Vermont currently leads the country in efforts toward electrification of the transportation sector, according to data shared by officials based on a study conducted by the Natural Resources Defense Council, which compared states based on their charging infrastructure, incentives, and emissions requirements.

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