

PHILIP B. SCOTT
Governor



State of Vermont
OFFICE OF THE GOVERNOR

May 17, 2018

The Honorable Tim Ashe
President Pro Tempore
115 State Street
Montpelier, VT 05633

Dear Senator Ashe:

Thank you for your prompt response. I would be happy to meet with you on Monday, as you have suggested. Monday from 9:00 a.m. – 11:00 a.m. or 2:00 p.m. – 4:00 p.m. work for me and I am happy to host in the Ceremonial Office.

To make the meeting representative of the interests of the Legislature as a whole, we will be extending an invitation to the House (as we extended an invitation to you for our meeting with them today), as well as to the minority leadership in both chambers as noted in my previous letter.

While your letter contained many grievances, and I welcome a conversation to go through them more specifically, I offer the following feedback on the specific points you emphasize at the outset of your letter:

- **Special Session** – Unfortunately, a special session is necessary because the Legislature chose to adjourn without exercising its constitutional prerogative to schedule a day to return and address vetoes. However, if we work to resolve our one remaining difference, no more than one session of short duration should be required.

Over the last two years, I could not have been clearer about my unwillingness to raise taxes and fees. I believe Vermonters need a break. That's why I cannot support raising property taxes by \$33 million this year – especially when we have \$160 million more in revenue this year versus last year. So, in case there is any ambiguity on the part of the Senate or House about my position, I will reiterate here: If the Legislature wants to raise taxes this year, it will have to override a veto of the budget and tax bill.

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As has been the case since the start of the legislative session, the Legislature has two options – work together with the Administration to prevent this unnecessary property tax rate increase or take a straight up or down override vote on the veto. There is no reason to start the fiscal year on July 1 without a budget – but that is in the Legislature’s hands.

- **The Fiscal Policy of Raising Property Tax Rates** – I appreciate the Legislature’s support of my Working Family Taxpayer Protection Act proposal and its inclusion in H.911. I would have preferred you passed, as I proposed, the charitable giving incentives without a cap and other elements, but this is an example of an area I am willing to concede to the Legislature.

Your reference to the use of surplus revenues this year indicates a clear misunderstanding of what my proposal achieves, and the fact that every penny I propose to use to prevent the property tax rate increase can be paid back to the General Fund. The savings that will be achieved through the policy and tax mechanisms could additionally be redeployed to address your preference for depositing it into the Vermont State Teachers’ Retirement System.

Although your proposal to use one-time money to pay down the unfunded liability in the teachers’ retirement fund would save a projected \$100 million – you overlook the fact, and Vermonters should understand, that this savings does not materialize *until the year 2038*.

Taxpayers need relief now and my proposal saves taxpayers \$58 million in avoided tax increases this year, and about \$200 million over 5-years, while fully funding school budgets passed in March. The investment of the same money that you propose to use to achieve savings in 20 years, will generate an additional \$270 million in savings that we can invest in our kids and/or lower rates or make additional payments on the retirement debt before 2038.

- **Saving \$100 Million by Paying Down Teachers’ Retirement Obligations vs Long-Term Property Tax Relief** – It is clear you feel strongly about achieving the projected \$100 million in the year 2038. I can fully support this idea – but not at the expense of property tax relief and additional investment in our kids over the next five years. We should do both.

Doing so would combine the 2038 fiscal benefit of your teachers’ retirement proposal with the fiscal benefit of my plan to hold the line on property tax rates and redirect more value to our kids in 2019 - 2023. It would be a win-win.

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Based on the cost containment tools the Legislature has already passed and the apparent savings already being achieved through Act 46, coupled with some additions like a statewide healthcare benefit for school employees, we can still prevent this year's rate hike, keep rates level for several years, payback the General Fund transfer and reinvest it in teachers' retirement. We can find a clear and achievable middle ground on this matter.

Your letter also includes a fundamental misstatement of my proposal to achieve savings through the projected 1,000 retirements and other natural vacancies every year for the next five years. My plan includes the task force approach *you passed* in H.911.

We believe the combination of Act 46, the collaborative approach of a task force, and additional cost containment tools such as a modification of the excess spending threshold OR the much more aggressive change in income sensitivity you voted for in H.911 (though not my preference because of its rapid and aggressive transition back to the pre-2016 adjustment levels for many property taxpayers) will result in improved staff-to-student ratios.

To achieve the projected ratio savings, schools would fill four out of every five naturally occurring vacancies (from retirements, etc.), on average, over the five years. And we'd still have the smallest classrooms and the smallest staff-to-student ratios in the country. We believe this is an achievable and reasonable goal, without a mandate.

- **Public Meetings** – Here is an easy area of agreement. As always, during the special session, we would be very happy to work with standing committees if invited and the dialogue is collaborative. I would also be more than happy to conduct all meetings with legislators on this matter in the plain view of the public. This is a request that you, politely, declined last year when we were negotiating the opportunity to save taxpayers \$26 million each year by moving to a statewide health benefit for school employees. Additionally, for meetings outside the standing committee process to be productive, it is important for my team to know who the Legislature will designate to negotiate on its behalf. As previously noted, we will also ask that the minority be included as well.
- **The Legislature's Role in a Special Session** – It is true that the Legislature determines what it will, and will not, do in a special session called by the Governor. I would note, as have Vermonters, that the Legislature adjourned last weekend explicitly saying its work was done, despite my clear and frequent objections to an unnecessary \$33 million property tax increase.

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I have called this special session to resolve this one, single remaining issue, on which we are very close to agreement. A special session that extends beyond addressing this issue would be an indication the Legislature did not, in fact, consider its work completed when it previously adjourned.

I am hopeful the Legislature will focus on the one matter for which this special session has been called. An efficient resolution is within reach and is necessary.

Lastly, I want to reiterate, that after all the process and positioning leading up to your decision to adjourn sine die, there are, ultimately, only two paths forward: We can work together to avoid this unnecessary tax rate increase and achieve the goals you have for the teachers' retirement fund, or, the Legislature can vote on whether to override or sustain my objections.

The tone, duration and achievements of the special session are in your hands, and the hands of the Speaker, as you contemplate the two options available to resolve my concerns: work together or hold a vote to determine if the Legislature will override or sustain my objection to this property tax increase.

It is my sincere hope you opt to have a productive discussion and reach a resolution. I look forward to seeing you Monday, if not earlier.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Scott", with a long horizontal line extending to the right from the end of the signature.

Philip B. Scott
Governor

PBS/kp

c: Senator Joe Benning
Senator Brian Collamore
Representative Don Turner
Representative Patti McCoy
Representative Rob LaClair