

PHILIP B. SCOTT  
Governor



State of Vermont  
OFFICE OF THE GOVERNOR

May 15, 2018

The Honorable Mitzi Johnson, Speaker of the House  
The Honorable Tim Ashe, President Pro Tempore  
115 State Street  
Montpelier, VT 05633

Dear Speaker Johnson and Senator Ashe:

I hope this letter finds you well.

Though the news is dominated by the one remaining area where there is not yet agreement, the work of the House, Senate and Administration resulted in some significant successes and progress for Vermonters again this year.

It is in that spirit I write today to begin the discussions necessary to prevent what, in my view, is an unnecessary \$33 million property tax increase on Vermonters; fully fund school budgets approved in March; stabilize property tax rates for future years; and improve the efficiency of our education system, so we have more financial resources to reduce inequality in our schools and expand educational opportunities for our kids from cradle to career. And I believe we can achieve these goals using many of the proposals you've worked on, as well as accomplishing your goal of reducing the unfunded liability in the teachers' retirement fund.

To this end, this note is to let you know I intend to call a special session starting next Wednesday, May 23, 2018 with the goal of concluding on or before Friday, May 25. To ensure an efficient use of time and taxpayer resources, I will not introduce, or call for, legislation not related to resolving the one remaining disagreement. It is my hope you will commit to the same.

We are very close to an agreement. My Administration has, to date, put forward multiple paths in writing and in committee testimony, when invited. While some Committees explored changes in special education and a statewide health benefit, ultimately the only attempts to address the larger challenge of ever-increasing property tax rates were a move by one body to pass a new income tax surcharge and a plan to increase those rates in the other.

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That is why as the end of April approached and a significant increase in unanticipated revenues was projected, I presented you with another plan that, over 5-years, prevents nearly \$200 million in property tax rate growth and generates nearly \$300 million in savings we can reinvest in our children. This plan – which remains on the table – intentionally includes bipartisan legislative proposals approved this year, proposals from our initial January memo, and ideas from the education stakeholder community. The plan also purposely moved away from mandated ratio targets based on the Legislature's tepid response to that idea. I don't believe any of the elements of the plan are new to the Legislature.

Additionally, during the last few days of the session, more ideas were introduced by legislators which I believe are viable.

In total, all these options demonstrate how close we truly are to a bipartisan consensus that prevents rates from increasing, fully funds school budgets and puts our education system and property taxes on a more sustainable trajectory. And, again, we can achieve all of this while meeting your goals for the teachers' retirement fund.

It is my hope we can work together to complete the good work of the Legislature by Friday, May 25 and Vermonters can have the peace of mind of stable property tax rates and a State budget in place for the start of the new fiscal year on July 1.

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As a starting point, I am available at the following times this week (my team has additional flexibility) to iron out an agreement we can bring to the full Legislature in the special session:

- Wednesday, May 16 – 9:00 a.m. – 11:00 a.m.
- Wednesday, May 16 – 4:00 p.m. – 6:00 p.m.
- Thursday, May 17 – 7:00 a.m. – 9:00 a.m.
- Thursday, May 17 – 2:00 p.m. – 4:00 p.m.
- Friday, May 18 – 10:00 a.m. – 12:00 p.m.
- Friday, May 18 – 5:00 p.m. – 7:00 p.m.
- Monday, May 21 – 8:00 a.m. – 10:00 a.m.
- Monday, May 21 – 2:00 p.m. – 4:00 p.m.

I'm hopeful at least three of these times will work for you.

To ensure our discussions, and the special session, are productive and in good faith, I have invited Republican leadership from the House and Senate to participate. I would also welcome any other legislators who you, or they, would like to invite to be present, though it is important

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for my team to know who, specifically, is leading the negotiations on behalf of the Legislature's majority.

I'm also hopeful we will agree to a framework in which they are conducted. Please consider the following:

- Whenever possible, all meetings should be conducted in person.
- Each branch should offer specific and constructive written feedback to each proposal and counterproposal.
- Vermonters have a right to know what ideas are being offered. All our proposals and correspondence with the Legislature will be public documents. We encourage you to adopt the same level of transparency.

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Finally, as was the case last year, the budget and yield bill are intrinsically linked. The appropriations made from the budget to the Education Fund are contingent on the tax rates set by the statewide yields. While I do not expect the level of the appropriation to change this year, I hope we can reduce our current dependence on property taxes by about \$33 million. This will require some combination of different decisions than those made in H.924.

Last year we were able to work together to pass a budget and education financing bill that did not rely on a single new revenue source, including level property tax rates. I am more than confident we can accomplish the same this year. We are managing with about \$160 million more revenue than last year (\$82 million more from organic economic activity; \$34 million in unanticipated funds from the Attorney General's tobacco settlement; and \$44 million in revenue surpluses recently added to the budget). An agreement should easily be reached that fully funds our school budgets and avoids raising tax rates.

When an agreement is reached during next week's special session, we can enact it through an amendment to H.924, *An act relating to making appropriations for support of government* (assuming you've not delivered the bill by then). Alternatively, if you prefer, you can send me H.924 and H.911 forthwith and we can start anew on budget and yield bills in the special session.

I look forward to reaching a conclusion over the next two weeks. I am available to meet beginning as early as tomorrow. Kendal Smith, my director of policy and legislative affairs, will coordinate these meetings on my behalf ([kendal.smith@vermont.gov](mailto:kendal.smith@vermont.gov)).

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Thank you for considering my thoughts on how to proceed. Again, I believe we are closer to an agreement than some think and I look forward to working with you to resolve this one remaining matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "P. Scott", with a long horizontal line extending to the right.

Philip B. Scott  
Governor

PBS/kp

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