

PHILIP B. SCOTT  
GOVERNOR



State of Vermont  
OFFICE OF THE GOVERNOR

June 6, 2023

The Honorable BetsyAnn Wrask  
Clerk of the Vermont House of Representatives  
State House  
Montpelier, VT 05633

Dear Ms. Wrask:

Pursuant to Chapter II, Section 11 of the Vermont Constitution, I'm returning H.217, *An act relating to childcare, early education, workers' compensation, and unemployment insurance*, without my signature because of my objections described herein:

Increasing the availability and affordability of childcare has been a priority throughout my time as Governor. In fact, in my first six years in office we doubled our investments in childcare and these appropriations would be substantially higher had previous legislatures supported fully funding my proposals.

I also put forward a plan in 2018 to dedicate tens of millions of dollars in new online sales tax revenue to childcare. If the Legislature had supported this proposal, we would be investing an additional \$62 million this year alone, and much more in future years. And last year we expanded childcare subsidies to 350% of the federal poverty level. To put that in perspective, a four-member household (e.g., two adults and two children) earning \$105,000 per year is currently eligible for subsidies.

Knowing the Legislature and I both wanted to "go big" on childcare this year, I dedicated \$56 million in organic, ongoing base revenue growth to expand eligibility to families making up to 400% of the Federal Poverty Level (FPL). This would put Vermont at the top of the list of the most generous childcare states in the nation, giving households earning up to \$120,000 per year access to support, and helping about 4,000 more kids.

When the Senate and House were at stalemate in May, my team offered legislative leaders another path, expanding subsidies even higher (to 450% of the Federal Poverty Level) and funding a 10 percent increase in provider rates, without relying on new and regressive taxes.

In total this compromise would have covered 6,000 more kids than our existing investment, helping families making up to \$135,000 a year, and definitively establishing Vermont as the state most committed to affordable, accessible childcare for working families.

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Unfortunately, there was no interest. Instead, the Legislature remained determined to raise a new tax. Ultimately landing on a regressive payroll tax that, if you are a lower income Vermonter already receiving free childcare, you will have to pay a tax, with no added benefit to you, so that families with higher incomes get support.

Vermont already has one of the highest tax burdens in the nation. The last thing we should be doing is making it worse. Raising new revenue from taxes and fees should be a last resort, not a first step.

Supporters of raising taxes and fees will always point to the relatively small amount raised for each individual program or service – trying to suggest it is not that much money. But that type of narrow here-and-there thinking adds up, year after year, and has made living in Vermont increasingly unaffordable.

For these reasons, I had to veto this regressive tax plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip B. Scott". The signature is stylized with a large, sweeping initial "P" and a long horizontal line extending to the right.

Philip B. Scott  
Governor

PBS/kp