



**State of Vermont**  
**Agency of Administration**  
**Office of the Secretary**  
Pavilion Office Building  
109 State Street, 5<sup>th</sup> Floor  
Montpelier, VT 05609-0201  
[www.aoa.vermont.gov](http://www.aoa.vermont.gov)

[phone] 802-828-3322  
[fax] 802-828-3320

*Susanne R. Young, Secretary*

TO: Mitzi Johnson, Speaker  
CC: Tim Ashe, Senate President Pro Tem  
FROM: Susanne R. Young, Secretary of Administration   
RE: Special Session  
DATE: May 31, 2018

The Administration remains committed to working with the Legislature to find a resolution that avoids an unnecessary tax increase on Vermonters during a time when we have roughly \$160 million more in revenue this year. Additionally, according to our analyst, we may see additional surplus revenue this fiscal year that could enhance our opportunity to make our state more affordable and return money to Vermonters.

With no communication from the Legislature that you have changed course, we are still committed to working within the process that you laid out in our first meeting, which was to take testimony through the committee process and negotiate through some type of conference committee. As we are now two weeks into the special session, it would be helpful to receive affirmation that a conference committee is still in play, and when it will begin to meet. This will ensure that everyone's time is being used as efficiently as possible as we work towards a resolution.

The Governor has been clear he will not accept a property tax rate increase in either the residential or non-residential rates when we have more than sufficient surplus to cover any anticipated increase and a plan on the table to return that surplus to taxpayers over time, while investing savings back into an education system that provides the best quality education to our declining student population.

Regarding your offer to pass a budget that excludes the remaining areas of disagreement – leaving open the opportunity to come to agreement on level tax rates – this is an approach to which the Administration is open.

It is my understanding from your conversation with the Governor on Wednesday, and further clarified in your May 29 Joint Statement, that you would advance a bill that would “exclude any major points of dispute between Governor Scott and the Legislature.” The House-proposed budget in H.13, however, does not accomplish this goal. As it stands, H.13 does not address the \$23.1 million automatic tax increase on non-residential payers, who are primarily Vermonters. By addressing only the homestead yield in H.13, meaningful and good faith conversations on preventing an increase for the non-residential payers cannot occur and you risk looking like your plan in proposing this budget was to allow non-residential rates to automatically increase on July 1.

Assuming you intend to follow through on your commitment to “exclude any major points of dispute” from the budget, there are at least two paths forward at this time.

One way to ensure we simultaneously address both the homestead yield and the non-residential rate is to amend or withstand the non-residential statutory default rate of \$1.59 in current law for FY19 (32 V.S.A. § 5402). Removing the non-residential default rate would take all concern about a government shutdown off the table, while allowing us to meet your stated goal of resolving remaining issues through continued discussions. However, keep in mind that we may need to either amend the budget or place additional language in a tax bill, as the appropriations made from the budget to the Education Fund are contingent on the tax rates set by the statewide yields and these two issues are intrinsically linked.

The other option is to have the non-residential rate revert to the prior fiscal year level as has been proposed with the property dollar equivalent yield and the income dollar equivalent yield in section H.11 of the special session budget.

The Administration is fully committed to preventing rate increases on both homestead and non-residential payers, which includes renters, camp owners, businesses and those who invest in Vermont.

Please let us know what vehicle the House intends to use to remove this area of disagreement.

Thank you for your consideration of this request to work to make the special session as productive for Vermont taxpayers as possible.

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