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P POLITICS

Act 46 incentive buy down latest pitch in faceoff over budget

By **Colin Meyn**

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Rep. Cynthia Browning, D-Arlington. File photo by John Herrick/VTDigger

A group of House members are planning to pitch an amendment to the latest budget proposal that would clear the way for a compromise between legislative leadership and the governor.

Rather than using a \$34 million pool of one-time money to buy down tax rates, as the governor has proposed, Rep. Cynthia Browning, D-Arlington, wants to set aside most of that money for paying off Act 46 tax incentives. Browning says the proposal would keep tax rates stable and relieve an ongoing annual burden on the education fund.

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In order to spur school consolidation, Act 46 included tax incentives for towns that merge districts. The savings come out of the education fund. Because of the way Vermont's statewide property tax system works, other districts make up the difference, driving up tax rates across the state.

The projected cost of the incentives is about \$10 million this year and \$14 million for the next two years. In fiscal year 2023, the projections drop to about \$1

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million.

The Browning amendment, which will be co-sponsored by Rep. Linda Joy Sullivan, D-Dorset, Rep. Kurt Wright, R-Burlington, and possibly Rep. Fred Baser, R-Bristol, would use one-time money from next year's surplus to pay for the incentives. The plan also pays down teacher pensions, which has been a Democratic priority.

According to a copy of the amendment, which was sent to the administration and House leadership on Thursday, \$24.5 million would be transferred to the education fund to replace the revenue that would have been raised in statewide taxes to cover merger incentive costs.

About \$10 million will go toward the Vermont Teachers' Retirement Fund, which is where Democrats originally wanted the entire \$34.5 million to go.

Any remaining surplus would be divided between the general fund, to offset personal income tax or corporate tax refund liabilities, the teachers retirement fund and the education fund.

Browning said she did not expect the amendment to pass on the first try, but hoped the plan would figure into a compromise between the two sides which have remained at odds for weeks.

"I think they know that I have a point," Browning said of House leadership, "but they don't want to go toward the governor too fast or be submitting or whatever, and I get that, but if you really want to avoid a government shutdown you need to move toward the governor."

Browning said the powerful House Appropriations Committee did not like the bill because it did not prioritize teacher pensions, which has been the negotiating priority of the Democrats.

And while Browning appreciates the argument that paying down teacher pensions now will result in savings over 30 years, she said she could not personally support raising taxes in a year when so much surplus revenue is available.

"I think that's just foolish," she said. "Even my mother said 'What? You have extra revenue and you're raising taxes! What?'"

Speaker of the House Mitzi Johnson, D-South Hero, said Browning's amendment could be discussed as part of conversations about property taxes after H.13 is passed.

"Passing H.13 does not get us off the hook — we still have work to do. It simply assures Vermonters, summer visitors and our rating agencies that we will not let our state government shut down, so that we can focus our attention on coming to an agreement on education funding," Johnson said in an emailed response.

House Minority Leader Don Turner, R-Milton, said he had not read the amendment but liked parts of what he has heard about it.

He said the main concern with the current budget proposal was the fact it would increase tax rates if the governor and legislative leaders failed to strike a deal on the use of one-time money by June 30.

That's because in an effort to remove contentious issues from the bulk of the spending bill, there is a \$20 million hole that needs to be filled. The current proposal sets a default property tax level that would effectively increase rates if there's no deal on using one-time money to fill the hole.

"If that was removed we would be way more open to it," Turner said of H.13, the latest budget bill.

He said the GOP might try to add this provision to Browning's amendment, or put forward their own amendment to either set the default rate at this year's level, or eliminate a default altogether in an attempt to keep pressure on both sides to reach a deal, or live with the consequences of an unbalanced budget.

The House GOP also announced a proposal last week that would pay down Act 46 tax incentives with one-time money, but then pay it back over time. It included cost-containment measures on local school districts that remain unpopular with Democrats.

Turner said his caucus was still peddling the proposal as a possible solution, or part of a solution, but has not decided whether to bring it to the House floor on its own.

Rep. Kitty Toll, D-Danville, who chairs the House Appropriations Committee, said she is also putting forward a proposal tomorrow that moves another step closer to the governor.

The budget proposal drafted in her committee earlier this week would have moved excess revenue into the teachers pension fund on July 1 if there was no deal with the governor.

"But to show good faith and to show we are being flexible, my amendment would say that the money would be transferred into the fiscal '19 budget, it keeps it in play a little longer," she said.

Toll said she had reservations about any proposal premised on the possibility of continued deadlock beyond the budget deadline.

"It makes me a little nervous that I'm putting out there that we wouldn't have things sewn up by June 30," she said.

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Colin Meyn is VTDigger's news editor. He spent most of his career in Cambodia, where he was a reporter and editor at English-language newspapers The Cambodia Daily and The Phnom Penh Post, and most recently at Southeast Asia Globe, a regional current affairs magazine. He is a native of Maine and studied journalism at Northwestern University.

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