

My week had a number of highlights. On Tuesday, the Commerce Committee and Transportation Committee trip to our corner of the state made for a special day. My colleagues were impressed to see how people are coming together for better workforce development and economic development. Maintaining and building up our infrastructure is a big part of that.

Another highlight was a visit to the State House on Friday by Teens for Change. This Bennington area group of young adults is a statewide model for supporting young adults. It was great to see a number of Pownal constituents in the group and hear about the good work they are doing connecting to the community. If you would like to learn more you can find them on Facebook at Vtteens4Change. I was struck by the friendly forthright confidence of the group. One of their basic premises is that teens talking to teens can solve problems and restart many good lives. The group is sponsored by Bennington's United Counseling Service

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Here is my weekly list of bills that passed the House last week.

### **H. 356 An act relating to prohibiting littering in or on the waters of the State**

The Fish, Wildlife and Water Resources Committee recommended this bill. It clarifies our laws on solid waste disposal in waterways. The bill says, "Every person shall be responsible for proper disposal of his or her own solid waste. A person shall not throw, dump, deposit, cause, or permit to be thrown, dumped, or deposited any solid waste as defined in 10 V.S.A. § 6602, refuse of whatever nature, or any noxious thing:

(A) in or on the waters of the State, including frozen waters, or on the shores or banks of waters of the State in a manner as to be subject to being washed in the main stream or body of water under normal high water conditions, unless the person has a permit under 10 V.S.A. chapter 47 to discharge waste; or

(B) outside a solid waste management facility certified by the Agency of Natural Resources.

The bill passed on a voice vote.

### **H. 702 An act relating to self-generation and net metering**

By easing peak demands, net metering helps our utilities avoid purchasing costly peak power and constructing expensive transmission infrastructure. This moves our electric consumption away from fossil fuels while saving money for our utilities and ratepayers. The net metering bill leaves our net metering program in place until 2017 when federal solar tax credits expire, but raises the cap on how much of an electric company's portfolio can come from net metered sources. In 2017 we expect a reworking of the program.

Electric companies and citizens like net metering for a number of reasons. Our statewide net metering program has helped electric companies statewide with handling high peak load power costs in the summer and by reducing costs to build transmission lines and facilities to handle peak demands as the power comes from local sources instead of out of state. Ratepayers benefit and consumers who invest in solar appreciate being able to reduce their electric bills. While net metering can apply to other generating sources, this bill focuses on solar. That was emphasized by an amendment from members of the Commerce Committee. The bill passed 136 to 8 on a roll call vote and I voted for the bill.

#### **H. 563 An act relating to captive insurance laws and accreditation standards**

Vermont's Captive Insurance Industry is a leader in the nation and the world. Captive Insurance is basically self-insurance for companies. Vermont was the first and is still the leader because it insists on quality. We are considered the gold standard in the industry and insurance companies want the regulatory oversight we provide. One of the reasons we lead is that every year we update our laws to provide better regulation and stay competitive as more and more states add captive insurance laws to their statutes. While not every state regulates Captive Insurance now most do. This year, as well as making some technical adjustments to our statutes, we added a provision that would allow a company that no longer required a captive but might wish to restart their captive in the future to lower costs by electing dormant status. When they wished to restart, they would be more likely to stay with Vermont rather than relocate to their home state. This Commerce and Economic Development bill also passed on a unanimous voice vote.

#### **H. 609 An act relating to terminating propane service**

The Commerce Committee continued its work on propane service in this bill. Specifically we fixed a problem some customers had with being paid back for gas left in tanks when they switched companies. What happens is that the new company would install their tank and set aside the former company's tank. The former company would pick up their tank but not always pay the former customer for the propane remaining in the tank in a timely fashion. We learned over the summer that one company was exploiting a loophole in the law by saying that they had to have written notice to come pick up the tank. They weren't paying former customers even though they had come to pick up their tank and had full knowledge that they were no longer servicing that customer. This bill fixed that problem by clearly spelling out the process for terminating service.

### **H.735 An act relating to Executive Branch and Judiciary fees**

Every year the Ways and Means Committee looks at approximately one third of the fees collected for government services. This year's bill looked at current use, lottery, marketing the Vermont Logo, mobile home park registration, historic sites, archaeological services, lobbying firms registration, chiropractors, professional engineers, funeral directors, nurse licensing, optometry, real estate brokers and sales persons, storage of unlawful firearms, Supreme and Superior Court fees, probate cases, Judiciary electronic filing fees, and Vermont web portal fees. The adjustments reflect changes in the costs of providing services. While most increase every year a few go down. The bill passed on a voice vote and I voted yes.

### **S. 27 An act relating to respectful language in the Vermont Statutes Annotated**

Last year the Senate worked on a bill cleaning up language in Vermont statutes to reflect generally accepted contemporary terms in referring to distinct populations. The bill passed on a voice vote and I voted yes.

### **H. 373 An act relating to updating and reorganizing Title 33**

Every so often statutes need to be reorganized because of new laws that are passed and put into particular sections of Vermont law. This is similar to making sure your file cabinet is organized, accessible and understandable. Title 33 covers Human Services and contains 79 chapters. Each chapter may contain multiple sections. The title covers subjects such as Children and Families, Vermont Health Access, Reach Up, Special Services for the Blind, Home Heating Fuel, Child Support, Home Care Programs, Traumatic Brain Injury and much more. Here is a link to the Title's list of chapters: <http://www.leg.state.vt.us/statutes/chapters.cfm?Title=33>

This is a heavily used title and making its contents more user friendly is important.

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Here are a few reports from colleagues in other House Committees to help give an idea of some of their work. Many of the issues covered are only in a conversation stage. We will have to see what bills may emerge from this work.

## **WAYS and MEANS by Rep. Keshia Ram**

**Education Property Tax:** W&M is continuing its focus on the education property tax. We are looking at many different ideas that affect spending and property tax rates. These ideas range from minor tinkering to major overhauls of the system. There are very few levers we can pull to change the rate for this year. We are also consulting with leadership on the timing of the House's vote on the tax rate.

**Proposed Education Income Tax (H.164):** Our current education funding system relies partially on the sales tax and heavily on the property tax. H.164 continues a long-term discussion on transitioning to an income tax-based education funding system. This would go beyond our current income sensitivity calculation to place an income tax surcharge on all Vermont residents and maintain a more modest education property tax. W&M is exploring the issues that would arise with this significant change, including the potential double taxation of renters and the costs of making the transition, including a financing gap that could come with switching taxation schemes.

**Health Care Finance:** W&M continues to spend time each week on various aspects of health care finance to identify and prepare for the series of financing decisions we will have to make in 2015, if we follow the proposed timeline. We have heard from members of the Green Mountain Care Board, the Administration, our Legislative Council, including Ken Thorpe, our contracted health care consultant. Our discussions have helped frame the issues, ask the right questions, identify necessary research and data, and refine the timeline for oversight and implementation.

Questions we have explored include:

- What responsibilities and authority fall to the Administration, the Legislature, and the Green Mountain Care Board respectively?
- What data does the Legislature need, independent of other bodies, and how do we ensure our assumptions are comparable?
- How will decisions about the benefits package and populations covered affect the cost of Green Mountain Care?
- How will Green Mountain Care be financed?
- How and when will we determine possible winners and losers?
- What is the overall timeline and how do we ensure we are ready for implementation in 2017?
- What cross-border issues need to be considered, how will that affect financing, and how do we determine a nexus for out-of-state stakeholders and providers?

## **EDUCATION, by Rep. Sarah Buxton**

The House Education committee has started working on a committee bill that would transform the education delivery system in Vermont. Still in early stages, the committee envisions legislation that would revamp governance and create a smaller number of school districts in the state. The aim of our work is to enable more efficient, student-focused systems and expand opportunities to learn throughout the state. In the coming week, the committee will begin to define the scope of the bill, consider immediate and extended timelines for successful implementation, and decide how to incorporate our vision of a 21<sup>st</sup> century education system.

Our committee also reviewed the various factors that are impacting local school budgets and tax rates.

Several statewide conditions presently add stress to the education fund:

1. Housing prices continue to lag, depressing the value of the statewide grand list
2. Federal funds that had helped “soften the blow” of the recession on property tax payers have expired
3. Our proportional general fund transfer amount continues to shrink because rising education spending is outpacing the statutorily set inflation amount
4. Sequestration has eliminated some specific sources of funding that help schools participate in federal and state programs, shifting the cost of those programs to local districts and increasing the education spending in certain districts.
5. At the local level, schools are grappling with fewer students, increased need for support and services for children living in poverty, rising healthcare, fuel, and maintenance costs, and an aging workforce.

Finally, House and Senate Ed held a joint hearing about bullying in schools this week. We will consider legislation next week that would help the Human Rights Commission and members of the Hazing, Harassment, and Bullying Advisory Council continue their important work in training school administrators and officials in identifying and remedying concerns of this nature.

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**Note: Here is information provided by the Joint Fiscal Office on factors driving education costs:**

**Factors contributing to the increase in FY2015 education tax rates**

**Under current law, education tax rates are projected to increase significantly in FY2015. The most important statewide factors driving this increase are summarized below:**

**•A \$19.3 million EF surplus was available in FY2014; however, these one-time funds are no longer available for FY2015. Even if education spending did not increase, school tax rates would have to go up next year to raise an additional \$19 million.**

**•Although the total number of pupils continues to decline, statewide education spending is projected to increase by 3.8% or about \$46.5 million. Other EF uses, primarily the special education reimbursement, are projected to increase total EF spending by an additional \$10 million.**

**•Non-property tax revenues, primarily the GF transfer to the EF, are growing more slowly than school spending even with the addition of \$1.25 million to the GF transfer from the Supplemental Property Tax Relief Fund.**

**•The statewide education grand list is projected to decline for the fourth consecutive year by about 0.4% due to continuing depreciation and a lack of new construction – consequently, tax revenue must be raised from a smaller tax base.**

**•The base education amount will increase to \$9,382 from \$9,151 per pupil. All else equal, this reduces spending-adjusted homestead tax rates and requires higher base homestead and non-homestead *property* tax rates to raise the same amount of tax revenue.**

**•The 1.8% base tax rate on household income will increase for the first time since FY2005 to 1.84%. In previous years, the calculated base tax rate on household income remained below the 1.8% floor, so it did not increase.**

**At the municipal level, other factors may come into play that cause education tax rates to increase at a faster rate than school budgets:**

•Although the statewide grand list is still declining, in individual municipalities property values may be increasing. In that case, the municipality would assume a larger share of the statewide education tax. To account for this, we adjust school tax rates.

•School taxes are based on education spending although it is school budgets that are presented to voters for their approval. Reductions in federal aid, depletion of reserves, and loss of other revenue sources that are deducted from budgets to arrive at education spending may also drive up rates.

•Many districts continue to face declining enrollments. In small districts, even a small reduction in the number of pupils can have a significant impact on education tax rates. Additional special needs students enrolling in small districts may also drive up school tax rates.

Prepared by the Joint Fiscal Office

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### **FISH, WILDLIFE and WATER RESOURCES by Rep. Bob Krebs**

FWWR continues to wrestle with and vet H.586, an act relating to water quality in the state of Vermont. This bill is tied to the EPA's impending TMDL (Total Maximum Daily Load) for Lake Champlain. While this TMDL is a regional issue the bill will impact agricultural and urban stormwater and highway issues on a statewide basis. The committee is striving to prioritize the various policy commitments in the bill and focus on the Best Management Practices that will result in the most efficient positive impacts. Finding funding for all these initiatives is equally as challenging.

FWWR is also taken testimony on H.590. H.442 and the Act 165 report (from last year). All of these are related to dams, dam safety and small hydro. Of the 1150 dams in Vermont 30% have a high or significant hazard potential. H.590 will require registration of all dams under the

jurisdiction of the Department of Environmental Conservation. Registration fees will fund dam safety personnel to inspect dams and to assist in dealing with abandoned dams. The committee assented to continuation of establishing a MOU for expediting the development of small and micro hydro projects. The MOU is between DEC, the Department of Public Safety and Historic Preservation.

### **AGRICULTURE, FOOD and MARKETS by Rep. Teo Zagar**

The committee continues to spend time on three primary topics: compost taxation, water quality and veterinary dentistry. H.542 addresses confusion in the agricultural sector about which material inputs are taxable and which are exempt and proposes a change to fix the double taxation of compost and potting soil in certain situations. We hope to vote out a final version in the coming week. The committee is also taking a look at the draft water quality bill moving through Fish and Wildlife (H.586). The bill proposes substantial expansion of regulations from large and medium farm operations (LFO and MFO) to include small farms. In deliberations with the Agency of Agriculture and stakeholders, we are working through the complexities of how to define SFO's, how to educate them about new regulations, and how any new regulations would be enforced. Next week we are holding hearings in Bridport and St. Albans to open the discussion up to the broader agriculture community. H.347 would require dental operations as defined in the bill that are performed on animals to be conducted only by licensed veterinarians.

Additionally, the committee heard very encouraging news from Congressman Peter Welch at the Farm Show about provisions in the soon-to-be-passed Farm Bill that will be beneficial to Vermont's farmers. Milk prices this year are also predicted to be favorable for our dairy producers. More good news came during updates on the Farm-to-Plate and Working Lands initiatives. Vermont's investment in the working landscape and the people and families who put it to good use is paying dividends – boosting economic development, creating jobs, putting healthier food on tables, and strengthening the Vermont brand.

Stay in touch,

Bill

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