



Weekly Legislative Report

Inside this issue

- 1 Municipal Emergency
Statewide Education
Borrowing Fund
- 2 Government Operations
- 3 Clean Water Funding in the
Age of COVID-19

Municipal Emergency Statewide Education Borrowing Fund

The June 1 deadline for municipalities to remit Education Fund dollars to the state is fast approaching, but many towns will have less than the required funds on hand to do so. As a result of the tremendous economic dislocation the COVID 19 emergency has caused during the past two months, many taxpayers are not able to pay their property taxes.

VLCT Advocacy has been working diligently with the House Ways and Means, Appropriations, and Government Operations committees as well as the state treasurer to develop a program that would pay the cost of interest a city, town, or village will incur if it has to borrow to cover education property taxes due to the Education Fund or school district in FY20 or FY21. The draft bill would create the Municipal Emergency Statewide Education Borrowing Fund. Cities, towns, and villages could borrow funds from a commercial bank to cover the amount of unpaid education property tax money caused by the pandemic. The state would cover the interest costs associated with the loan.

Payments would be made only if short-term borrowing costs were not included in a municipal budget adopted before March 27; the costs were incurred between March 1 and December 30 of this year; and the borrowing is to manage effects of statewide education property tax deferrals or delinquencies as a result of the COVID 19 pandemic. Borrowing expenses will need to be consistent with requirements of the CARES Act Coronavirus Relief Fund or any other federal aid package that might be forthcoming. The House expects to pass the legislation and send it to the Senate next week. As most towns will have received their last installment of property tax payments by then, the shortfall, interest expenses, and, thus, necessary appropriation to the program can be more accurately estimated by the legislature, VLCT, and State Treasurer Beth Pearce.

As of March 15, according to the state treasurer and the Joint Fiscal Office, education property tax revenue that was paid to towns totaled \$1.011 billion. Education property tax revenues that had *not* yet been paid to towns equaled \$132 million. The \$132 million figure is being steadily reduced as more education property taxes are paid to municipalities in compliance with final installment due dates or deferred due dates. And as those property tax installment due dates pass, the amount of money that will need to be covered via borrowing comes more clearly into focus.

The committees hope to pass a bill in time for towns to use the Municipal Emergency Statewide Education Borrowing Fund to pay the interest costs on loans taken out to cover their Education Fund payments due on June 1. Local officials should remember that the eight-percent penalty for not meeting this obligation remains in place, as does the June 1 deadline for payment.

The COVID 19 pandemic; Governor Scott's emergency order and addenda; the delay in filing income taxes, homestead declarations, and property tax credit claims; the economic downturn felt all across the world; and the resulting shortfalls in property tax payers ability to pay property taxes on time – they have all laid bare the dysfunction of the education property tax system, and further made clear who is left holding the bag when it does not work: the municipality that collects the tax.

The House Ways and Means Committee is considering language to direct the Department of Taxes to develop an implementation plan that would transition billing and collection of the statewide education property tax from municipalities to the department. The department would have to consult with VLCT, the Vermont Municipal Clerks' and Treasurers' Association, the Vermont Bankers Association, and the Association of Vermont Credit Unions, and then report on their findings to the legislature by next January.

As we noted last week, VLCT Advocacy staff wrote to the chairs of the House and Senate Appropriations committees asking for assistance to help cities and towns with unanticipated costs and lost revenues due to COVID 19. The CARES Act does not provide such funds, and guidance from the U.S. Department of Treasury has not been at all helpful. We made it clear to Kitty Toll, chair of House Appropriations, that the legislature simply *has to* understand the scope of distress that local governments and their employees and constituents will face in the next year or more. And Rep. Toll did acknowledge the fact that local governments are reeling and she expressed her hope that additional federal aid would be forthcoming, allowing the legislature to help cities and towns.

Meanwhile, VLCT is participating with communities across the country in the National League of Cities' "Cities [and towns and villages] are Essential" campaign that was launched on Thursday to urge Congress to provide direct aid to local governments – regardless of their size – and to the states.

Resources

- [Appropriations Committee draft bill](#) (May 7, 2020)
- [House Ways and Means Committee draft bill](#) (May 6, 2020)
- [Coronavirus Relief Fund FAQs](#) (May 4, 2020)
- [Joint Fiscal Office COVID-19 Funding Tracker](#)
- [Cities are Essential campaign](#)

Government Operations

Quasi-Judicial Proceedings and BCA Property Inspections. Today, the House Government Operations Committee is scheduled to take up H.948, a bill that makes several small adjustments to municipal laws. The bill would temporarily authorize municipalities to hold municipal quasi-judicial proceedings electronically and not have to designate a physical location for such a proceeding. Additionally, the bill would temporarily remove the requirement in 32 V.S.A. § 4404(c) that a board of civil authority physically inspect a property when they hear appeals from a decision of the board of listers. Both of these changes are necessary in the COVID-19 environment where maintaining social distancing is of utmost importance. The Senate Government Operations Committee generally supports the bill and likely will act quickly to pass it, once they gain possession of it from the House next week, assuming it passes in the House today.

Municipal Charters. The House Government Operations Committee has also been reviewing several new municipal charters from the towns of Williston, Elmore, and Essex, and from St Albans City this week. These

charters are added to the queue of other municipal charters that are still in the committee and have been in a state of limbo. It still is very unclear what action, if any, will be taken on the municipal charters that remain in the legislature's hands. Still, the Senate Government Operations Committee this week expressed support of H.554, a bill that approves the dissolution of the Village of Perkinsville and the merger of the Village with the Town of Weathersfield. That bill has already passed the House and therefore may have a better chance of full passage, since it has already passed through one legislative chamber.

Municipal Tax Rates. This week, House Gov Ops also voted out and the full House passed H.947, a bill that would allow the legislative body of a municipality to adopt a temporary tax rate for the next fiscal year in the event the municipality does not hold an annual or special town meeting in 2020 to adopt a budget.

Resources

- [H.947](#)
- [H.948](#)
- [H.554](#), as passed by House

Clean Water Funding in the Age of COVID-19

This week, Julie Moore, Secretary of the Agency of Natural Resources (ANR), and Emily Byrne, the agency's Management Services Director, testified before the House Appropriations Committee on the FY20 Clean Water Fund. That fund receives funding from three sources: a 0.2 percent clean water surcharge on the property transfer tax, unclaimed bottle deposits, and a portion of the rooms and meals tax dedicated to clean water funding, a change the General Assembly made last year. The FY20 budget (that is, the current fiscal year) has been updated to reflect the underperformance of the property transfer tax and, more significantly, the rooms and meals tax, due to the COVID-19 emergency.

The net effect of these reductions in revenue prompted ANR to reduce its Clean Water Fund budget. Based on the best currently available information, the agency is anticipating a shortfall of about \$885,000 from the original FY20 budget. ANR was largely able to address the initial anticipated shortfall of well over \$2 million by reverting currently unobligated funds originally appropriated to the agencies of Transportation and Commerce and Community Development along with the Department of Environmental Conservation, as well as postponing some projects until FY21 without suffering any detrimental effects. Moore said, "We are going into this with eyes wide open. The FY21 budget is not necessarily going to be any easier for us than the FY20 budget, but this will allow ANR to complete the work that was underway this year without having to ask folks with fully executed grants and contracts to stop work or change their approach."

The Senate Natural Resources and Energy Committee plan to discuss these matters next week. Your Advocacy staff will continue to follow these issues in the legislature as more information emerges.

Resources

- [Clean Water Fund FY20 Supplemental Budget Adjustment Request](#)
- [Impending Effective Dates of Environmental Issues](#)

Remember that you can listen to live committee meetings as the legislature conducts them remotely. Call-in numbers, meeting agendas, and general announcements are listed on the front page of the General Assembly website, <https://legislature.vermont.gov/>.