



LEGISLATIVE REPORT

Lake Champlain Regional Chamber of Commerce & GBIC

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Legislative Report is a weekly update from the legislative team of the Lake Champlain Regional Chamber of Commerce and GBIC.

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The Challenges for Change report was the topic of discussion throughout the State House this week, as the Senate took floor action on it and the bill transferred over to the House. The Senate approved bill S.286. The bill puts into place a plan for \$38 million in savings from government efficiencies. The bill challenges administrators to implement changes with reduced state funding while maintaining accountability for meeting goals through clear measures of outcome achievement. Many senators expressed concern about the effect of the reductions in spending as they are not specifically identified yet. Agencies and departments charged with rethinking how government works are expected to provide legislators with their initial plans in early April. Legislators received more bad news about the state's fiscal condition with a report that revenues are down by \$5.5 million.

The Governor also proposed savings by stating his intent to abolish 55 state boards and commissions and modify six others in the hope of saving \$700,000 as well as staff time and resources. The House Government Operations Committee will be presenting bill H.760 to repeal many of the same boards. Governor Douglas also called for quick passage of a jobs bill.

The Senate Economic Development Committee, under the leadership of Sen. Vince Illuzzi (R-Essex/Orleans Co.) completed work on their jobs bill this week. Committee members include Chittenden County Senators Tim Ashe (D), Hinda Miller (D) and Doug Racine (D) who all worked hard to advocate for business. The bill puts \$8.67 million in Federal American Recovery and Reinvestment Act (ARRA) funding to work. The bill includes:

- \$1.85 million for seed capital
- \$3 million for broadband infrastructure
- \$1 million for the Vermont Training Program
- \$300,000 for tourism and marketing
- \$1 million to the Vermont Economic Development Authority (VEDA) for farmers
- \$900,000 to VEDA for Addison County businesses affected by the Champlain Bridge closure and the Vermont Jobs Fund
- \$170,000 to increase the cap for the Vermont Downtowns Tax Credit
- \$100,000 for Farm to Plate
- \$50,000 for Farm to Hospital
- \$150,000 for the Burlington Technical Aviation Training Center
- \$50,000 for Community Capital of Vermont for the Job Start Loan Fund
- \$100,000 for the Vermont Film Corporation
- \$1 million to VEDA for the Vermont Jobs Fund

The bill also includes a repeal of the estate tax changes made last year. Effective January 1, 2011, Vermont would exclude estates valued less than \$3.5 million from the tax. After lengthy discussion on how to include a repeal of last year's changes to the capital gains exemption, the Committee ultimately did not include the repeal in the bill because of the revenue implications. Sen. Miller expressed her frustration with not being able to make the change. At the end of last session, the marginal tax rates were lowered and the

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40% exclusion for capital gains income was removed. The change resulted in additional tax revenue to the State. The Senate Economic Development Committee hoped to reinstate the exclusion and return the marginal income tax returns to 2008 levels. However, the action taken last year lowered all of the tax rates and would have required raising taxes on low income Vermonters or raising the top two brackets above 2008 levels in order to make the capital gains change revenue neutral. The Committee did not want to pass a bill with the capital gains change that forced another Committee to deal with a further budget deficit. The Committee also decided to remove the Economic Development Board proposal from the bill and to consider the issue separately due to some questions about who should handle economic development planning for the state.

The Vermont Commission on Higher Education Funding held a press conference to release its report and recommendations aimed at recognizing the value of higher education for Vermonters and the State. The new Compact with the State of Vermont, entitled Higher Expectations for Vermont: The Sixty Percent Solution, proposes increasing the percentage of Vermonters who have earned a two or four-year college degree from 42% to 60% by 2019. Commission Co-Chair Senator Hinda Miller (D-Chittenden Co.) commented that “a well-educated workforce is a prerequisite for job growth and supports entrepreneurial businesses to hire Vermonters.”

Buzz Hoerr, Chair of the Vermont Citizens Advisory Committee (VTCAC) on Lake Champlain’s Future, provided an overview of their work and priorities to various legislative committees. VTCAC endorses the Lake Champlain phosphorous reduction plan (TMDL plan), but Hoerr noted the \$500-\$800 million price tag is a daunting amount of money in a time of dwindling resources. Therefore, the committee believes the highest priority actions must be those “that provide the most immediate reductions in pollutants that affect water quality.” These actions also include supporting sea lamprey and other invasive species control, livestock exclusion from tributaries and the lake through the use of fencing, (H.509), and other best management practices for road construction, buffer zones and agricultural uses.

Bill S.99, which proposes to amend Act 250 to encourage smart growth and discourage sprawl and strip development, was subject to additional testimony in the Senate Natural Resources Committee. Stakeholders support the overall intent of the bill, but questions are being raised about the specific language. While the planning community is generally supportive of the bill, it was pointed out that existing settlements would have to go through a growth center designation process if an expansion were needed. Attorney Peter Van Oot with Downs Rachlin Martin, a former Chair of a District Environmental Commission, also expressed concerns about the language being vague and subject to inconsistent interpretation by district commissions. Sen. Diane Snelling (R-Chittenden Co.) spoke of the need to encourage economic development activities and asked if the right incentives for greater densities were being provided? Van Oot noted Act 250 is working well now and instead of changing criteria, he recommended the revitalization of town and regional planning, the inclusion of positive economic development goals in Act 250 including recognition of where development should occur, and improving criteria 10 which deals with town and regional plan conformance. The Central Vermont Chamber testified about the effect of the bill on housing, with George Malek asking if it would make development outside of growth centers a high-risk enterprise, thereby increasing housing prices.

He advised the committee to focus on and support the core service providers and programs including the state agencies and regional development corporations that do economic development as well as programs such as the Vermont Training Program, Workforce Education and Training Fund, the Vermont Economic Growth Incentive program, and the Vermont Economic Development Authority. He also explained the importance of seed capital funding and support of the entrepreneurial community, the need for better linkages between business and higher education through internships and the realignment of curriculum with business needs. A redeployment of community development block grants to support more economic development projects was also encouraged. When asked what his priority for funding would be, Cioffi said investments in people through workforce training would be the wisest investment.

The House General, Housing and Military Affairs Committee took initial testimony this week on H.382 which mandates paid sick leave for employees. Employers would be required to provide employees one hour of paid leave for every 30 hours worked with a maximum of 56 hours per year.

The Senate Economic Development Committee also worked on their unemployment insurance proposal this week. The draft bill includes several changes from the proposal laid out by the Department of Labor. Namely, it will scale the increase on taxable base wage at a more gradual increase and include a 0.1% tax on employees in order to replenish the fund.

The Fee Bill, H.759 includes a new \$10 license fee on scanners used at retail stores and will require stores with 4 or more scanners to obtain a license. The measure is a compromise as earlier proposals included a larger fee and would also have required retailers with fewer than four scanners to also obtain a license. The Vermont Department of Agriculture’s weights and measures division regulates scanners.

The House Commerce Committee heard from the Vermont Department of Taxes regarding workers’ compensation misclassification. The Tax Department audits companies that they feel may be misclassifying employees as independent contractors. The Tax Department and the Department of Labor have differing views on occasion and the Committee is working to clarify who should be treated as an independent contractor and who is truly an employee. Committee Chair Bill Botzow (D-Pownal) indicated that the Committee will work on misclassification legislation every Tuesday morning.