

VBA Legislative Update – Week 3 January 25, 2025

Economists Update Revenue Forecast

Last week, state economists [released their latest revenue forecast](#) and update on the state of the Vermont economy. According to the economists, the Vermont economy is currently performing exceptionally well, exceeding expectations in several areas:

- **Low Unemployment:** Vermont's unemployment rate remains the second-lowest in the nation at 2.4%, with Chittenden County posting the lowest rate at 1.8%.
- **Strong Job Growth:** Vermont has experienced year-over-year nonfarm payroll job growth exceeding the U.S. in 7 of the past 8 months.
- **Construction Boom:** New construction starts in Vermont are up 2% overall, with residential building starts showing particular strength.
- **Revenue Growth:** The state's revenues have been performing well, with some categories exceeding projected targets.

However, potential challenges and uncertainties lie ahead:

- **Federal Policy Impacts:** Incoming economic policies from the new administration, including tariffs and potential impacts on interest rates, could affect future economic growth.
- **Revenue Volatility:** Certain revenue sources, such as those tied to the stock market, are experiencing strong growth but also introduce volatility.
- **E-Cigarette Revenue Decline:** E-cigarette revenue has declined for the first time, impacting overall Cigarette and Tobacco Products revenue.

Specific recommendations include:

- **Closely Monitoring Federal Policies:** The effects of the new administration's economic policies on inflation and interest rates should be monitored.
- **Address Inequality:** Consider policies that address the growing wealth and income inequality to ensure a more inclusive and sustainable economic model.
- **Invest Wisely:** Utilize the remaining federal funds strategically to maximize their impact on Vermont's long-term economic health.
- **Plan for the Future:** Address the state's demographic challenges through initiatives that attract and retain residents, particularly in younger age cohorts.

Vermont can continue its path of economic growth and prosperity by remaining adaptable and responsive to emerging challenges.

Governor Unveils Framework of School Reform Proposal

Last week, the Secretary of Education and the Commissioner of Taxes presented the framework of the Governor's education funding and governance reform proposal. More details will be released next week when the Governor delivers his annual budget address to a joint session of the legislature.

The plan proposes to transition Vermont to a more straightforward school funding mechanism, known as a foundation formula, at the start of the 2026-27 school year. The state would calculate a base amount needed to fund a student's education. Additional funds would be allocated for students who cost more to educate, including those living in poverty and English learners. The administration is still figuring out what that base amount would be and will release the figures in the coming weeks.

Under the foundation formula, there would be a single statewide property tax rate with a discount for income-eligible homeowners. School districts could choose to raise additional funds above what is allocated through the foundation formula. But that amount would be capped to avoid large discrepancies in per-pupil spending between districts,

The second part of the plan calls for consolidating Vermont's 52 supervisory unions and 119 school districts into five regional school districts, starting in the 2027-28 school year. Each district would have one school board.

VPR reporters [put together this easy summary](#) of the highlights of the plan:

School district structure

Current: 119 school districts

Proposed: Five regional school districts

Spending decisions

Current: Local voters decide what to spend and receive that amount from the state education fund. The state must come up with the money through statewide taxes

Proposed: The state decides what's appropriate to spend per student; local voters can raise more money locally

Tax rates

Current: Homestead and non-homestead tax rates; homestead tax rate varies in each community based on local per-pupil spending

Proposed: Single statewide education property tax rate

Education standards

Current: The independent State Board of Education handles rulemaking

Proposed: The Agency of Education, within the governor's administration, handles rulemaking — including standards for "small school eligibility" and minimum and maximum school sizes and class sizes

School closures/consolidation

Current: Local voters or school boards (or both together, depending on the district) decide whether to close a school

Proposed: Schools are assessed “based on financial viability and educational quality.” Failing schools will be “offered options” including sharing resources or merging with other schools

District size

Current: Approximately 180 to 4,100 students

Proposed: Approximately 11,000 to 34,000 students in each regional district

Local governance

Current: School board for each district

Proposed: Five professional (paid) school boards (one for each regional district), plus local School Advisory Councils

School calendar

Current: Local entities set the calendar

Proposed: Single statewide calendar

Curriculum

Current: Each supervisory union sets their own curriculum, aligned with standards from the State Board of Education

Proposed: Statewide standards for a coordinated curriculum

Graduation requirements

Current: Each school district sets its graduation requirements, with state guidance

Proposed: Statewide graduation requirements

Income sensitivity for property taxpayers

Current: Homestead property tax credit based on income

Proposed: Income-eligible homesteads can exempt a portion of their home value from the statewide education property tax

Headlines of Note

[Final Reading: Many repairs to flood-damaged state office buildings are still on hold](#)
[Scott administration unveils education plan with just 5 school districts statewide](#)
[Vermont to get \\$22 million in new Purdue Pharma opioid settlement, if approved by court](#)
[In John Rodgers' Upset Win, Some See a Bright Political Future](#)
[Health Care Bill Would Slash Pay of Hospital Execs](#)
[Feds OK use of Medicaid funds to cover rent for unhoused people](#)

VBA Bill Report

As we reported last week, Reps. Birong and Boyden recently introduced a bill that makes two changes to alcohol laws of interest to the VBA. The bill, [H.51](#), would:

1. Authorize the holder of a fourth-class license to sell the products of not more than eight additional manufacturers or rectifiers. Current law allows the sale of products of not more than 5 additional manufacturers.
2. Authorize a manufacturer malt beverages and operates a brewery in the United States to apply for a retail shipping license to sell up to 5,000 gallons of malt beverages per year directly to first- or second-class licensees and deliver the beverages by common carrier, the manufacturer's own vehicle, or the vehicle of an employee of a manufacturer, provided that the beverages are sold on invoice, and no more than 100 gallons per month are sold to any single first- or second-class licensee.

Next Friday, VBA Government Affairs Committee (GAC) will be consider whether to recommend to the Board that the VBA take a position on this bill. Please forward any comments or concerns to Emma Arian or Matt Wilson.

No hearings are currently scheduled for this or other bills of interest.

Bill	Sponsors	Description	Status
H 24	Rep. Anne Donahue	An Act Relating To Requiring Retail Businesses To Accept Cash This bill proposes to prohibit a retail business from refusing to accept cash payment.	Committees: House Commerce and Economic Development Status: Read first time and referred to the Committee on Commerce and Economic Development (01/09/25)
H 45	Rep. Mary-Katherine Stone; Rep. Tiffany Bluemle; Rep. Abbey Duke; Rep. Barbara Rachelson; Bram Kleppner; Rep. Kate Logan; Rep. Robert Hooper; Rep. Troy Headrick	An Act Relating To Prohibiting Possession Of Firearms On Premises Where Alcohol Is Licensed To Be Served This bill proposes to prohibit possession of firearms on premises where alcohol is licensed to be served and to require that notice of the prohibition be posted at each premises.	Committees: House Government Operations and Military Affairs Status: Read first time and referred to the Committee on Government Operations and Military Affairs (01/17/25)

H 51	Rep. Lucy Boyden; Rep. Matthew Birong	<p>An Act Relating To Miscellaneous Amendments To The Statutes Governing Alcoholic Beverages</p> <p>This bill proposes to: (1) authorize the holder of a fourth-class license to sell its products to not more than eight additional manufacturers or rectifiers; and (2) authorize manufacturers of malt beverages to acquire a retail shipping license and ship malt beverages to first- and second-class licensees.</p>	<p>Committees: House Government Operations and Military Affairs</p> <p>Status: Read first time and referred to the Committee on Government Operations and Military Affairs (01/17/25)</p>
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