

## VBA Legislative Update – Week 4 January 30, 2025

### Governor Delivers Budget Address

On Tuesday, January 28, Governor Scott delivered his annual budget address. The Governor proposed a \$9 billion budget for FY26 which is about a 5% increase over the \$8.6 billion budget he signed into law last year. Although state accounts are strong with better-than-expected revenues — about 4% higher than state economists had projected last year — the urged lawmakers to limit additional spending and avoid any tax increases.

Some highlights of the FY26 budget include:

#### → **Housing and Community Revitalization.**

- \$2 million base funding for the **Manufactured Home Improvement and Repair Program** (MHIR) to help with project costs for owner-occupied manufactured homes.
- \$4 million base funding for the **Vermont Housing Improvement Program (VHIP)** which brings vacant rental units up to code and adds new units to existing buildings.
- \$9.1 million to the **Vermont Bond Bank** for the newly created Vermont Infrastructure Sustainability Fund (VISF) which will support municipal infrastructure projects statewide.
- \$15 million to the **Vermont Housing Finance Agency (VHFA)** Rental Revolving Loan Fund which incentivizes developers for the creation and preservation of rental units for middle income households.
- \$15 million to the **VHFA Middle Income Homeownership Development Program** to support the construction and rehabilitation of affordable housing.
- \$2 million additional base funding to lift the cap on **Downtown and Village Center Tax Credits** from \$3 million annually to \$5 million annually.
- Called for **more Act 250 exemptions** to spur development.

#### → **Assisting Vulnerable Populations and Public Safety Efforts.**

- \$500,000 to build a pilot **Recovery Campus** in the Northeast Kingdom for justice-involved individuals and \$617,850 base funding (\$1.5 million with federal match) to operate the facility.
- \$30.5 million plus \$8 million in existing base funding to continue the **emergency housing (hotel/motel) program** for unhoused individuals and families.
- \$3.4 million base funds for **the Housing Opportunity Program (HOP)** to provide the services associated with emergency shelter beds.
- \$2 million to expand **emergency shelter** bed capacity.
- \$650,000 additional base funding to build on the success of the Newport **pre-trial supervision pilot** by adding one more district office.
- \$300,000 to investigate and begin conversion of the Northeast Regional Correctional Facility into a **treatment-specific facility for incarcerated individuals**.

→ **Education.**

- \$77 million General Fund transfer to the Education Fund to stabilize education tax rates by **eliminating this year's projected property tax increase**. This will provide relief for property owners. Some of this money comes from eliminating the **Universal School Meals** program.

→ **Affordability.**

- \$3.9 million for a full **income tax exemption on military pension** income, removing a major barrier to our veterans remaining in Vermont.
- \$4.5 million to expand the **Child Tax Credit** for income eligible families with children up to age 6. This fully refundable \$1,000 credit is currently available for children up to age 5.
- \$3 million to increase the Vermont percentage of the “childless” **Earned Income Tax Credit** from 38% to 100% of the federal amount. This initiative, fully refundable, would benefit lower income families without children.
- \$2.1 million to increase the **social security income tax exemption** threshold by \$5,000 to \$55,000 for single filers and \$70,000 for joint filers. Vermont is one of the few states that tax social security income, which is a major detriment to attracting and keeping retirees.

→ **Good Government.**

- \$4.4 million General Fund (total of \$10.8 million with federal funds) to bridge the transition away from “fee for service” medical care into a “Global Payment” program (called AHEAD). Another \$300,000 to enhance the Green Mountain Care Board’s regulatory capabilities to ensure it has the resources and knowledge base to oversee our health care reform efforts.
- \$5 million for **Vermont State Colleges**, the last payment in a 5-year commitment to help our state colleges transform into a unified university that provides the education and training to help every Vermonter succeed.
- \$3 million for the **Municipal Technical Assistance Program**, run by the Agency of Administration in partnership with regional planning commissions. This program assists rural communities with high needs but limited capacity to apply for federal and state funds to help with flood recovery or other pressing needs.

## **Headlines of Note**

[Phil Scott unveils \\$9 billion state budget proposal for 2026 focused on affordability](#)

[Lawmakers Introduce Bill to Ban Smartphones in Vermont Schools](#)

[Vermont Officials Still Wary After Trump Cancels Funding Freeze](#)

[Vermonters can carry a gun into their town hall. Is that a good thing?](#)

[Vermont Braces After White House Says Canadian Tariffs to Start](#)

[Capitol Recap: Environmental advocates on defense after governor targets major climate laws](#)

## VBA Bill Report

Last week, the VBA Government Affairs Committee had a robust discussion of [H.51](#). **The GAC continues to welcome feedback from members before they make a recommendation to the Board on whether the VBA should take a position on this bill.** The 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 of malt beverages that operates a brewery in Vermont or anywhere in the United States to apply for a retail shipping license to sell up to 5,000 gallons of malt beverages (about 161 barrels) per year directly to 1<sup>st</sup> or 2<sup>nd</sup> class licensees (bar/restaurant or retail outlet) and deliver the beverages by mail, 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 (about 20logs) are sold to any single 1<sup>st</sup> or 2<sup>nd</sup> class licensee. **Current law applies this provision to wine manufacturers only. This provision is an effort to equalize the laws between wine & beer manufacturers.**

At Friday's GAC meeting, there was general consensus that allowing small brewers to have relatively simple direct access to 1<sup>st</sup> and 2<sup>nd</sup> class licenses without establishing a distribution company would benefit Vermont's small manufacturers and is a good idea.

There was some concern that allowing similar direct access by out-of-state manufacturers could have unintended consequences by flooding the marketplace with new brands. This is exacerbated by the fact that Vermont manufacturers don't have direct shipping access to many states, states whose manufacturers do have access to Vermont's marketplace.

Some members asked whether we could limit this retail shipping licenses to Vermont manufacturers only. Unfortunately, laws that favor in-state businesses over out-of-state businesses are generally considered to be in violation of the [Commerce Clause](#) of the US Constitution.

As a side note, you will see in the bill report below, that we have introduced a [reciprocity bill again](#) this year. The bill was modeled after a similar law in Oregon. Unfortunately, the Oregon law was recently challenged by some Washington brewers that wanted direct-shipping access to Oregon consumers. The case was eventually settled when Oregon agreed to no longer enforce their reciprocity law and to permit out-of-state breweries to self-distribute beer to Oregon retailers. Oregon settled when it became clear that their reciprocity law would be found to be unconstitutional and in direct opposition to the US Supreme Courts holding in [Granholm](#). Consequently, it is unlikely that [H.110](#) will move forward.

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

VBA Bill Report – Week 4 1/31/25			
Bill	Sponsors	Description	Status
<a href="#">H 24</a>	Rep. Anne Donahue	<p>An Act Relating To Requiring Retail Businesses To Accept Cash</p> <p>This bill proposes to prohibit a retail business from refusing to accept cash payment.</p>	<p>Committees: House Commerce and Economic Development</p> <p>Status: Read first time and referred to the Committee on Commerce and Economic Development (01/09/25)</p>
<a href="#">H 45</a>	Rep. Mary-Katherine Stone; Rep. Tiffany Bluemle; Rep. Abbey Duke; Rep. Barbara Rachelson; Rep. Bram Kleppner; Rep. Kate Logan; Rep. Robert Hooper; Rep. Troy Headrick	<p>An Act Relating To Prohibiting Possession Of Firearms On Premises Where Alcohol Is Licensed To Be Served</p> <p>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.</p>	<p>Committees: House Judiciary</p> <p>Status: Read first time and referred to the Committee on Judiciary (01/21/25)</p>
<a href="#">H 51</a>	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 (01/21/25)</p>
<a href="#">H 110</a>	Rep. Lucy Boyden	<p>An Act Relating To A Reciprocity Requirement For Out-of-state Consumer Shipping Licenses</p> <p>This bill proposes to limit the issuance of out-of-state malt beverage consumer shipping licenses to breweries that are located in states that allow Vermont brewers to acquire consumer shipping licenses.</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 (01/28/25)</p>

<a href="#">H 119</a>	Rep. Carolyn Branagan	<p>An Act Relating To The Beverage Container Redemption System</p> <p>This bill proposes to expand the scope of the beverage container redemption system to include cider, hard kombucha, noncarbonated water, and noncarbonated soft drinks. The bill also would increase the deposit for a container from five cents to 10 cents.</p>	<p>Committees: House Environment</p> <p>Status: Read first time and referred to the Committee on Environment (01/29/25)</p>
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