

## VBA Legislative Update – Week 2

January 17, 2025

### → Revenue and Economic Update

On Friday, the Vermont Emergency Board met to receive the January 2026 Economic Outlook and Revenue Forecast. The forecast points to a slowing and increasingly uneven economy as we head into FY27. National growth has cooled and is being carried by a relatively narrow set of drivers—most notably heavy investment in AI—while tariffs, tighter immigration policies, and rising inequality are putting pressure on labor markets and everyday consumer spending.

The state economists noted that higher-income households continue to do well, but middle- and lower-income Vermonters are facing higher prices, softer wage growth, and fewer job opportunities.

For Vermont, revenues remain close to prior expectations, but the forecast includes a modest downward adjustment of roughly \$8 million across FY26–FY27, reflecting softer corporate income tax performance and emerging headwinds in discretionary spending.

While this is not a dramatic downgrade, it reinforces the broader message of tighter margins and less fiscal flexibility ahead.

### Major Funds

- **General Fund.** Slightly below expectations (down ~\$8–9M across FY26–FY27) due to volatile corporate taxes, slowing discretionary spending, and longer-term healthcare revenue pressures.
- **Education Fund.** Remains stable and close to forecast with only minor adjustments, showing no major near-term revenue warning signs, though long-term challenges stem from enrollment trends and spending growth.
- **Transportation Fund.** Tracking close to expectations with fuel taxes and fees in a narrow range, but structural long-term erosion from declining fuel tax revenues persists.
- **Healthcare Fund.** Most concerning medium- to long-term due to federal policy changes reducing Hospital Provider Tax revenues, leading to declines that will eventually tighten General Fund budgets despite FY26–FY27 appearing manageable.

### Key Taxes

- **Personal Income Tax (PIT).** Performing slightly above target, boosted by higher-income households and one-time events, though this masks broader inequality and isn't expected to persist across all income groups.
- **Child Care Contribution.** Continues steady growth as dedicated revenues outside the General Fund, but unspent funds remain vulnerable to legislative redirection, as demonstrated last year.

- **Corporate Income Tax.** Weakest and most volatile source, running well below target due to large refunds and uneven payments, contributing heavily to the overall downgrade despite some expected recovery.
- **Sales & Use Tax.** Very close to forecast but with rising risks from weakening consumer sentiment and slower spending, particularly among middle- and lower-income households.
- **Meals & Rooms Tax.** Slightly below target, reflecting softer tourism, discretionary spending, and reduced Canadian visitation.

## Bottom Line

Vermont is not in crisis but has less cushion and flexibility than recent years, with narrow revenue growth, no-one time spending, rising volatility, and emerging structural pressures.

## Housing Market

The January revenue forecast also suggested Vermont's housing market is no longer overheating, but it remains deeply constrained. Home price growth has slowed sharply to about 3% year-over-year, a meaningful improvement from the pandemic peak when prices were rising at nearly 21%, signaling a return toward a more stable and sustainable market. However, this slower growth comes on top of already very high prices, which continue to far outpace income growth and limit affordability. At the same time, housing inventory remains tight as many homeowners are locked into low mortgage rates and are not selling, restricting turnover and supply. While the forecast anticipates that easing interest rates in 2026 could help prices flatten or decline slightly, any relief is expected to be gradual, leaving housing affordability and availability as ongoing structural pressures on Vermont's economy rather than problems that resolve quickly

## Tourism Outlook

Tourism in Vermont is softening, not collapsing, with Meals & Rooms tax revenues running slightly below target as discretionary travel slows. The forecast highlights a sharp decline in Canadian visitation, particularly near the border, and weaker performance in short-term rentals, which is affecting certain regions and Education Fund revenues more than others. Overall, tourism remains active but more uneven and vulnerable to economic pressures, making it a less reliable growth driver in a tighter fiscal environment

## K-Shaped Economy

The state economist noted during the January revenue hearing that Vermont is experiencing the same K-shaped economic pattern seen in other states, where economic conditions diverge sharply across income groups. In Vermont, this means higher-income households and asset owners continue to do relatively well, while many middle- and lower-income Vermonters face higher prices, weaker wage growth, and tighter household budgets—a dynamic also reflected in the forecast's charts showing uneven revenue and spending trends.

## → Update on VBA Issues

- **VBA Priority Legislation.** The VBA's priority bill was introduced last week. [H.672 - An act relating to distribution of malt beverages by licensed manufacturers](#). This bill

would allow malt beverage manufacturers to distribute up to 5000 barrels of malt beverage annually to 1<sup>st</sup> and 2<sup>nd</sup> class establishments.

- The bill will start in the House, the House Government Operations and Military Affairs Committee, and be folded into an omnibus liquor bill.
- The distributors remain *generally* favorable but may be looking to limit the number of barrels or the size of manufacturers that are authorized to self-distribute. The VBA GAC discussed this at our meeting last week. There was general agreement that, if pushed, we could drop to between 2500 - 3000 barrels and still accomplish our goals. The committee reasoned that:
  - One of our arguments is that distributors are not interested in small manufacturers. Once a manufacturer is distributing 2500 barrels a year, they are probably going to be an attractive account for a distributor.
  - Self-distributing more than 3000 barrels would be a major lift for a small manufacturer and probably not sustainable.
- Hearings could begin sometime in the next few weeks.
- Next week we will be sending out an **Action Alert** encouraging all VBA members to contact their House Members to urge passage of this important measure.
  - It will also be a good opportunity to share the [Seven Days](#) article.

- **New Liquor Bills Introduced.** We expect that new bills will continue to be introduced until the end of January.

#### **[H.647 An act relating to vinous beverage manufacturers and fourth-class licenses](#) (same as S.236)**

**Summary:** This bill proposes to increase the amount of malt, wine and spirits beverages that can be served at a tasting room under a 4<sup>th</sup> class license. It also proposes to allow vinous beverage manufacturer the same right as a malt beverage manufacturer to operate two licensed establishments at their manufacturing facility or on land contiguous.

#### **Section 1 — Amendments to Fourth-Class Licenses (7 V.S.A. § 224)**

Increases the allowable **total volume** of alcoholic beverages that may be served for consumption at a tasting room (does not apply to farmers markets) by a licensee.

- at a tasting room and retail shop, not more than:
- an aggregate total of 16 ounces of malt beverages or hard cider;
- an aggregate total of 12 ounces of vinous beverages or ready-to-drink spirits beverages; and
- one-quarter ounce of spirits or fortified wine with a total of two ounces.

#### **Section 2 — Amendments to Manufacturer's or Rectifier's Licenses (7 V.S.A. § 271)**

- Licensed manufacturers of malt beverages **or vinous beverages** may operate **up to two licensed establishments, provided** they are located at or contiguous to the manufacturing facility and are owned/controlled by the manufacturer.

#### **Section 3 — Effective Date**

The act would **take effect on July 1, 2026**

## **H.655—an act relating to alcoholic beverages and the Board of Liquor and Lottery**

**Summary:** This bill proposes a variety of amendments including:

- Changes the term for LL Board members from 2 to 4 years
- Removes the restriction on hours of operation for to-go beverages.
- Removes the requirement that an applicant for a solicitor's license (a permit to sell/solicit alcohol on behalf of another) must pay the required fee by certified check. This eliminates a specific method of payment from the statute.
- Removes the sunset on the recent addition of "retail establishment" to the list of establishments that can host a special venue serving permit.

### → **Headlines of Note**

- [Vermont's top economists say state revenue is steady as tight budget cycle nears](#)
- [Gov. Scott's \\$75 million property tax buydown could become bargaining chip in budget talks](#)
- [New federal funds to help Vermont keep up with rapid changes to child care and Pre-K](#)
- [BlueCross BlueShield's new CEO takes over as insurer faces federal and statewide challenges](#)
- [Barre Residents Criticize School Board Chair's Turning Point Ties](#)
- [In Ad Campaign, Blue Cross Asks Patients to Shop Around](#)
- [Scott administration wants to bring lottery games to your phone](#)

→ **Bill Report.** Please keep in mind that bills introduced in 2025 are still technically alive and can be taken up for consideration. As bills begin to move, the report format will be updated to indicate bills that are moving.

<b>Bill</b>	<b>Sponsors</b>	<b>Description</b>	<b>Status</b>
<a href="#">H 637</a>	Ian Goodnow; Rep. Martin LaLonde	An Act Relating To Operating A Vehicle Under The Influence Of Alcohol Or Other Substances  This bill proposes to make several changes to the laws concerning operating a vehicle under the influence of alcohol or other substances.	Committees: House Judiciary  Status: Read first time and referred to the Committee on Judiciary (01/09/26)
<a href="#">H 647</a>	Rep. Lucy Boyden	An Act Relating To Vinous Beverage Manufacturers And Fourth-class Licenses  This bill proposes to allow the holder of a fourth-class license to serve customers larger total volumes of alcoholic beverages at a tasting room or retail shop operated by the licensee. This bill also proposes to allow manufacturers of vinous beverages to operate not more than two first-class licensed establishments that are located at the licensed manufacturing facility or on property that is owned by the licensee and contiguous with the	Committees: House Government Operations and Military Affairs  Status: Read first time and referred to the Committee on Government Operations and Military Affairs (01/13/26)

		parcel of land on which the licensed manufacturing facility...	
<a href="#"><b>H 655</b></a>	Rep. Lucy Boyden; Rep. Matthew Birong	<p>An Act Relating To Alcoholic Beverages And The Board Of Liquor And Lottery</p> <p>This bill proposes to amend various provisions of Title 7 to change the term length for members of the Board of Liquor and Lottery from three years to four years, eliminate the specific limitation on the hours of sale for licensees who sell alcoholic beverages for off-premises consumption pursuant to 7 V.S.A. § 230, state that special events permits are subject to approval by the local control commissioners in conformance with the definition of "special event permit" in Title 7, eliminate language...</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 (01/13/26)</p>
<a href="#"><b>H 672</b></a>	Rep. Lucy Boyden	<p>An Act Relating To Distribution Of Malt Beverages By Licensed Manufacturers</p> <p>This bill proposes to authorize licensed malt beverage manufacturers to distribute malt beverages directly to the holders of first- or second-class licenses. This bill also proposes to limit the total amount of malt beverages that a licensed manufacturer may distribute directly to licensees on an annual basis.</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 (01/14/26)</p>
<a href="#"><b>S 236</b></a>	Sen. Alison Clarkson; Sen. Richard Westman	<p>An Act Relating To Vinous Beverage Manufacturers And Fourth-class Licenses</p> <p>This bill proposes to allow the holder of a fourth-class license to serve customers larger total volumes of alcoholic beverages at a tasting room or retail shop operated by the licensee. This bill also proposes to allow manufacturers of vinous beverages to operate not more than two first-class licensed establishments that are located at the licensed manufacturing facility or on property that is owned by the licensee and contiguous with the parcel of land on which the licensed manufacturing facility...</p>	<p>Committees: Senate Economic Development, Housing and General Affairs</p> <p>Status: Read 1st time &amp; referred to Committee on Economic Development, Housing and General Affairs (01/09/26)</p>