

## **Douglas digs in heels on budget**

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April 30, 2010

MONTPELIER — Gov. James Douglas on Thursday stopped just short of threatening to veto one of the several bills that contain tax provisions he doesn't like if lawmakers don't amend them in the remaining week or so of the session.

During his weekly press conference, Douglas decried legislators' plans for changes in property taxes, tobacco taxes and nutritional supplement taxes, as well as possible reductions in the benefits to owners of wood lots and farmland in the current use program. The governor, overridden on a budget veto last year, also objected to legislators declining to revoke estate and capital gains tax increases put in place then, and to a decision not to pass all of a federal manufacturing tax credit on to companies.

Douglas even mentioned legislative plans to raise taxes on heating oil for an oil spill mitigation fund. That change was arguably made necessary to pay for the sales tax holiday of two years ago, which Douglas fought for, although the administration proposed refilling the petroleum account in a different way.

"I have concerns about the direction of the budget process this year," Douglas said.

"I don't issue specific veto threats," the governor said. In response to a question about the veto of the same sex-marriage bill last year, he said he did not issue veto threats "on fiscal matters."

There may not have been an explicit threat, but Douglas made the strength of his objections known, even in this year of unusual civility between legislators and the administration on fiscal matters.

"I have been pretty clear," he said. "We are a highly taxed state."

"Just because I am not standing here pounding on the podium (does not mean) I don't feel very strongly."

One area in which Douglas said he would not object to a tax increase is to fund the struggling unemployment insurance fund. But even there, Douglas said, such a tax on employers would have to be "balanced" with changes in worker benefits to meet his approval. The administration and lawmakers are trying to reach a compromise on the issue.

Senate President Pro Tem Peter Shumlin, a Windham Democrat, said in response to Douglas' statements that lawmakers are committed to completing a difficult budget process without an over-reliance on taxes.

"The speaker and I have worked hard to deliver on our promise of making an additional \$150 million in budget cuts while restraining the pressure to raise broad-based taxes," Shumlin said. "We are on track to keep our promise."

Exactly what the taxes paid by Vermonters will look like coming out of the session remain to be seen. Most of the "money" tax and budget bills were passed by the House and Senate in two different versions and must now be reconciled, and many of the tax provisions objected to by

Douglas are only in one of the versions. In addition, many of those provisions, with the exception of a one-cent increase in the statewide property tax rates passed by the Senate but not the House, are not broad-based taxes, which means they could meet Shumlin's standard even if they do not meet Douglas' approval.

A curious, if comparatively small, one of those tax provisions is a half-cent per gallon increase in the heating oil fee. If ultimately given approval, that would raise roughly \$750,000 for the petroleum cleanup fund, a state account to ensure oil, diesel and gas spills get cleaned up, which is facing its own solvency problems.

The fund is in trouble for a variety of reasons, including an increase in claims, but one reason is money was taken from it to help pay for the sales tax holiday.

The organization of that fund is not simple. The money for the sales tax holiday came out of the petroleum side of the ledger, which is comparatively flush (and will not see a tax increase) compared to the heating oil side. But money from the petroleum side of the account can be used to help pay for heating oil spills, which means if the money had not been used two years ago for the sales tax holiday, it could now be available to aid the heating oil section.

Be that as it may, the more important piece of the equation is where the money to restock the cleanup fund comes from, said Secretary of Administration Neale Lunderville. When the governor outlined his budget in January he proposed using \$750,000 in General Fund money to restore the petroleum cleanup fund to health, which would have been more appropriate than an increase in the tax as is now on the table, Lunderville said.