## Vermont state budget 101

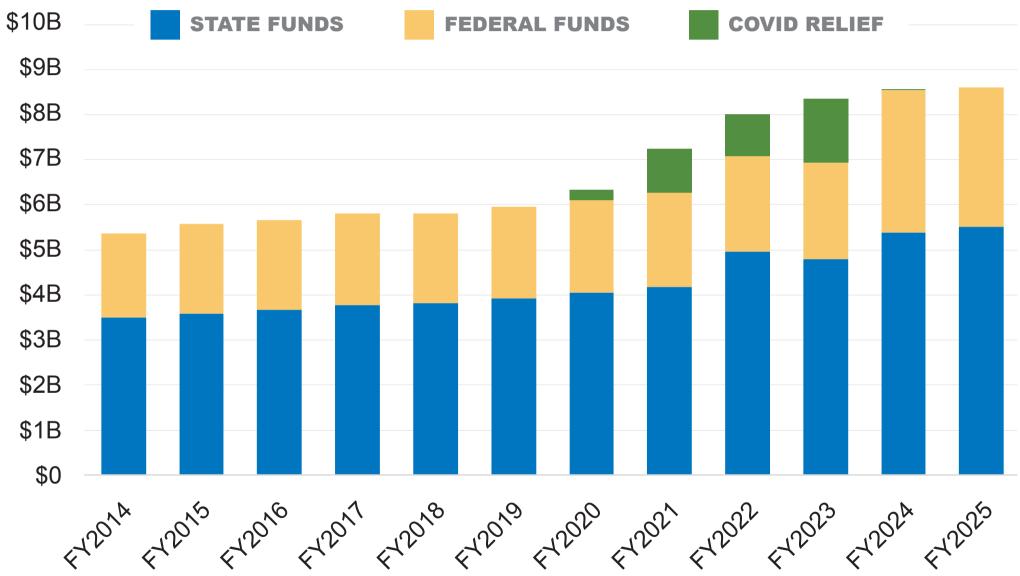


### State budget over time

- The total state budget was \$8.6 billion in FY25
- This was up from \$6 billion prepandemic
- Federal Covid money hit in FY20-**FY23**
- Post-pandemic, Vermont has increases in both baseline federal funds due to infrastructure investments and state funds due to increased economic activity

### **Total state budget has increased since Covid**

Vermont budget appropriations by funding source, in billions, FY2014-FY2025



Data source: Vermont Joint Fiscal Office ©2024 Public Assets Institute

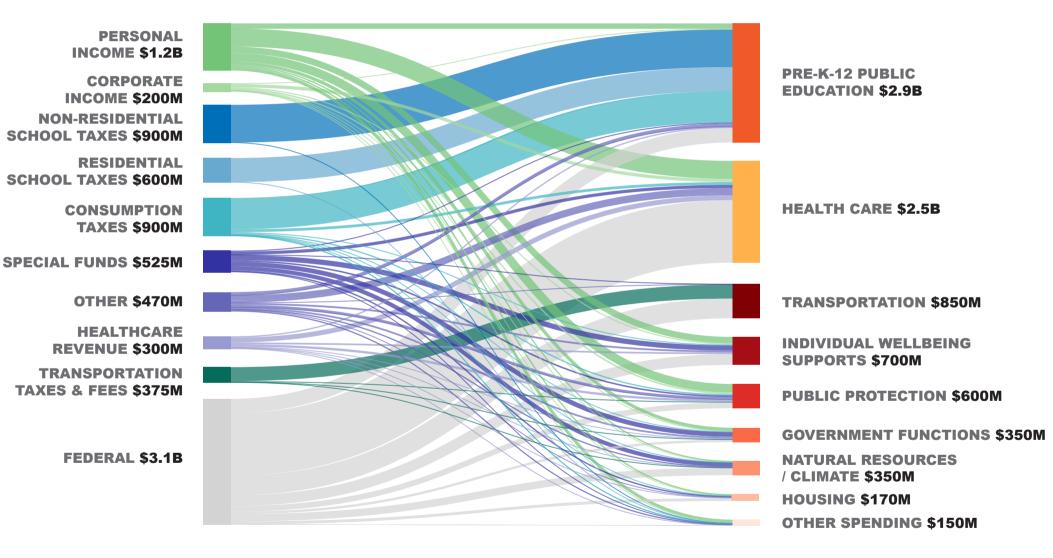


#### The big picture

- The state collects revenue to fund programs and policies to help meet Vermonters' needs
- This is the big picture of the state's revenues and how they are spent
- The federal portion is \$3.1 billion; state \$5.5 billion

### The state budget uses state and federal dollars to help meet Vermonters' needs Vermont state budget by major revenue and

spending categories, FY2025



Data source: Vermont Joint Fiscal Office ©2024 Public Assets Institute



#### **Appropriations**

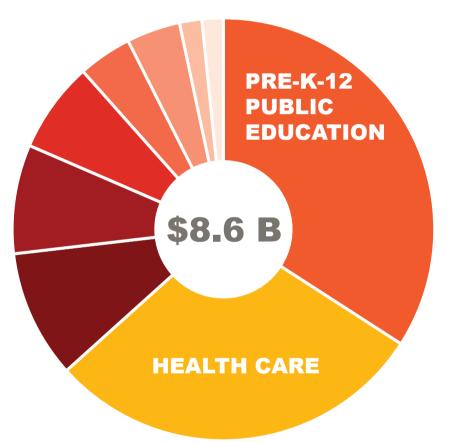
- Public education and healthcare are the biggest things the state does, with each accounting for about a third of the budget
- Public education is paid for with mostly state dollars and healthcare is paid for with mostly federal dollars
- Other investments are a mix of state and federal dollars

# Public education and health care are Vermont's two biggest commitments

Appropriations by major spending category, FY2025



Data source: Vermont Joint Fiscal Office ©2024 Public Assets Institute



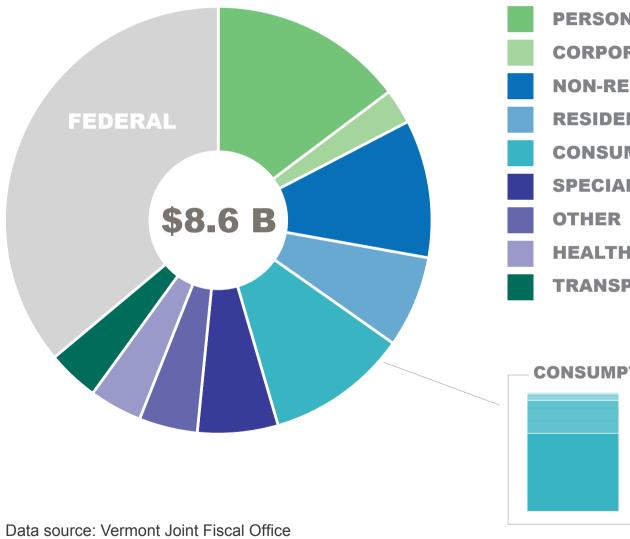


#### **Revenues**

- The state relies on three main taxes: sales/consumption, income and property
- In Vermont, unlike other states, residential school taxes are a mix of income-based and propertybased
- Federal money comes with a specific purpose with some flexibility in how to spend it, while state dollars are a mix of dedicated and general uses

### State income, property and consumption tax in addition to federal dollars fund the programs Vermonters rely on

Revenues by major category, FY2025



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- PERSONAL INCOME
- **CORPORATE INCOME**
- **NON-RESIDENTIAL SCHOOL TAXES**
- **RESIDENTIAL SCHOOL TAXES**
- **CONSUMPTION TAXES**
- **SPECIAL FUNDS**
- HEALTHCARE REVENUE
- **TRANSPORTATION TAXES & FEES**
- **CONSUMPTION TAX BREAKDOWN** 
  - LIQUOR & BEVERAGE \$12M
  - PURCHASE & USE \$49M
  - MEALS & ROOMS \$250M
  - SALES & USE \$600M

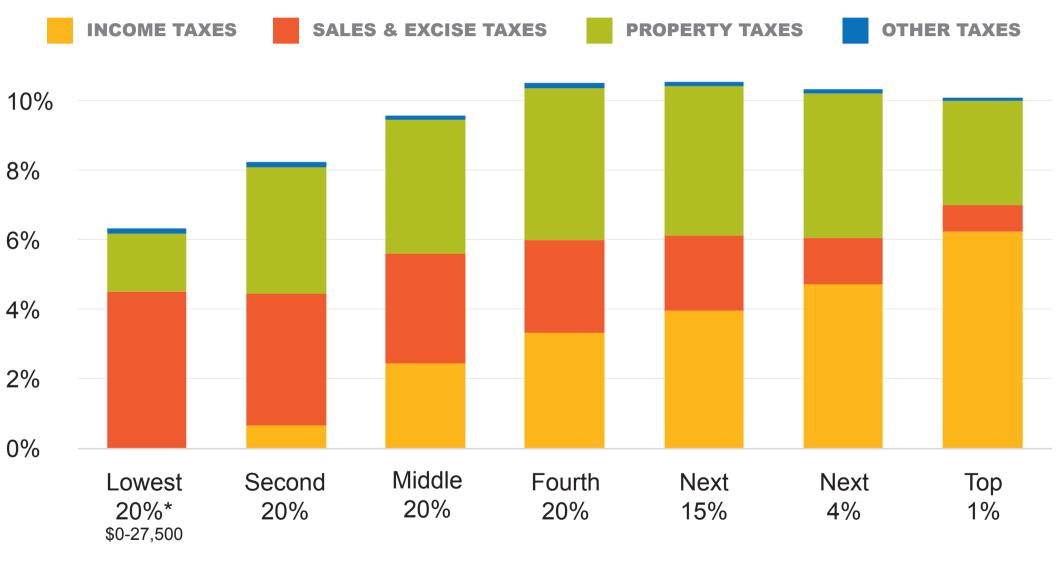


### Who pays

- Vermont is one of the few states where the tax system does not make inequality worse
- The system is mostly progressive but still regressive at the top, meaning the highest-income Vermonters pay a smaller share of their income in taxes than many middle-class Vermonters
- Sales taxes tend to be the most regressive, although Vermont exempts many necessities like food, clothing and prescriptions
- Vermont's income tax is progressive
- Property taxes tend to be regressive but Vermont's is progressive at the low end because of income sensitivity in school taxes

### High-income Vermonters pay a smaller share in taxes than many in the middle Vermont state and local taxes as a share of family

income, by tax and quintile, 2024



\* The lowest 20% receives refundable credits from the income tax, offsetting liabilities for the remaining taxes for a net of 6.3%.

Data source: Institute on Taxation and Economic Policy ©2024 Public Assets Institute



### The budget cycle

- Vermont's budget cycle is based on a July-June fiscal year
- Vermont law requires that the "state budget be designed to address the needs of the people of Vermont in a way that advances human dignity and equity...Spending and revenue policies will . . . recognize every person's need for health, housing, dignified work, education, food, social security, and a healthy environment."
- There are opportunities for resident input in November before the governor prepares their budget and in February/ March while the Legislature is considering it

### **Vermont's Budget Process:** July 1 - June 30

#### MARCH

House makes changes to governor's budget proposal and sends it to the Senate

APRIL

### INPUT from VERMONTERS

#### **FEBRUARY**

Appropriations Committee testimony; Joint House/Senate public hearings with advocates and community voices

#### JANUARY

Review of current-year budget; revenue predictions updated

House Appropriations Committee receives governor's budget

> JANUARY Governor presents budget proposal to Legislature

#### DECEMBER

Governor finalizes budget proposal and prepares speech to the Legislature

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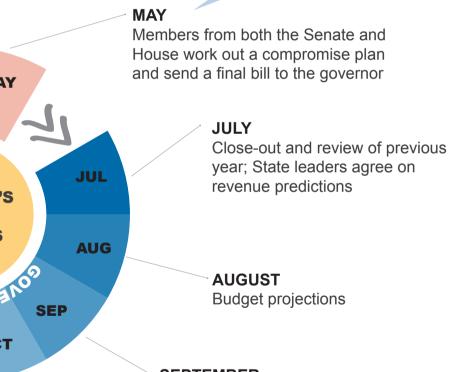
**INPUT** from VERMONTERS

and online survey

#### Governor has three choices:

1. Approve and sign the bill into law 2. Veto the bill, or 3. Allow the bill to become a law without approval (if not signed or vetoed within 10 days)

Senate makes changes to the House proposal and sends it back



year; State leaders agree on revenue predictions

AUGUST Budget projections

#### **SEPTEMBER**

Governor tells state agencies how much they have to spend

#### OCTOBER

Agencies submit proposed budgets

