

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE-Revised

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S.96 An act relating to the provision of water quality services – As Passed by the General Assembly (Act 76)

Summary

As amended by the Senate Finance Committee, S.96 dedicates recurring Meals and Rooms Tax revenue to the Clean Water Fund (CWF) of \$8.1 million in FY20 and \$11.8 million in FY21.

Together with new revenues in other bills, total new revenues for the CWF will be \$15.6 million in FY20 with total clean water funding set at \$51.3 million. See Appendix.

Fiscal Impact

Under current law, 25% of the meals and rooms tax revenue is dedicated to the Education Fund and 75% is dedicated to the General Fund. The proposal would reduce the allocation to the General Fund and reallocate those revenues to the Clean Water Fund.

Effective October 1, the allocation of Meals and Rooms Tax revenue will be the following:

- 69% General Fund
- 25% Education Fund
- 6% Clean Water Fund

This reallocates \$8.1 million to the CWF in FY20 and \$11.8 million in FY21. The proposal does not contain any new revenues for the General Fund for either fiscal year, resulting in reduced revenues of \$8.1 million and \$11.8 million in FY20 and FY21 respectively. The Senate Finance Committee intends for the Appropriations Conference Committee to adjust the FY20 budget to make up this revenue change.¹

Tables 1 and 2 illustrate the allocation of revenues from the Meals and Rooms tax in FY20 and FY21:

¹ The Consensus Revenue Forecast in July 2019 is likely to contain an upgrade for FY19 through FY21. As such, the revenue impact on the General Fund and the budget could be addressed by this upgrade.

| Table 1: Allocation of Meals and Rooms Revenue in FY20, in millions | | | |
|--|---------------------|-----------------------|-------------------------|
| | General Fund | Education Fund | Clean Water Fund |
| M&R Revenue | \$135.30 | \$47.80 | \$8.10 |

| Table 2: Allocation of Meals and Rooms Revenue in FY21, in millions (2.6% growth over FY20) | | | |
|--|---------------------|-----------------------|-------------------------|
| | General Fund | Education Fund | Clean Water Fund |
| M&R Revenue | \$135.70 | \$49.20 | \$11.80 |

For a comparison of clean water funding proposals between House and Senate, see Appendix.

Appendix

Senate Clean Water funding Summary

Clean Water Funding

S.96 as passed by Senate Finance (May 20, 2019)

(millions of dollars)

Clean Water Fund

New and Existing Revenue for FY2020

Meals & Rooms Tax

- Reallocation to CWF - 6% (S.96) (part year) 8.1
- Online travel agents (H.541, S.96) 0.2

Controlling Interest (H.541) 0.2

Property Transfer Tax

- Surcharge (Act 64 of 2015; Act 208 of 2018) 5.0
- Carryforward 1.1

Unredeemed Deposits (Act 208 of 2018) 1.0 *

Total 15.6 *

Total Clean Water Funding in FY2020

Clean Water Fund 15.6

Capital Bill 12.2

Other Bills** 17.4

Federal - Nonrecurring 6.2

Total 51.3

* Half-year estimate for FY2020; full-year available beginning in FY2021.

** Includes Federal funds.

House Clean Water funding Summary

Clean Water Funding

S.96 as passed by HWM Committee

(millions of dollars)

Clean Water Fund New and Existing Revenue for FY2020

| | |
|---|-------|
| Meals & Rooms Tax | |
| • Reallocation to CWF - 4% (S.96) | 7.6 |
| • Online travel agents (H.541, S.96) | 0.1 |
| Controlling Interest (H.541) | 0.2 |
| Property Transfer Tax | |
| • Surcharge (Act 64 of 2015; Act 208 of 2018) | 5.0 |
| Carryforward | 1.1 |
| Unredeemed Deposits (Act 208 of 2018) | 1.0 * |

Total 15.0 *

Total Clean Water Funding in FY2020

| | |
|------------------------|------|
| Clean Water Fund | 15.0 |
| Capital Bill | 12.2 |
| Other Bills** | 17.4 |
| Federal - Nonrecurring | 6.2 |

Total 50.7

Education Fund

New Non-Property Tax Revenue for FY2020

| | |
|--|-------|
| Sales Tax | |
| • Marketplace facilitators (H.536) | 13.4 |
| • Cloud Computing (S.96) | 6.0 |
| • Veterinary supplies (H.514) | 1.3 |
| Meals & Rooms Tax | |
| • Reduced EF allocation from 25% to 21% (S.96) | (7.6) |
| • Online travel agents (H.541, S.96) | 0.8 |

Total 13.9

* Half-year estimate for FY2020; full-year available beginning in FY2021.

** Includes Federal funds.

