

## **Vermont House Ways and Means Committee rejects dental tax. Bill to be voted by full house early next week.**

March 19, 2011

After several very difficult weeks of work the members of the House Ways and Means Committee voted out a Tax Bill **without a dental services** tax late Friday. Over the past three days the dental tax seesawed from being out on Wednesday to being in on Thursday at 1.5% (\$3 million) and in for most of the day on Friday. The shift to 1.5% on Thursday came after the committee leadership was called to the Governor's office and directed to restore the dental services tax.

The final bill shifts proposed revenue from new taxes on dental services and managed care organization to an increase in the tax on tobacco products (27 cents per pack) and an increase in the current tax on major medical claims.

The committee did however include a provision in the final bill language directing the administration to identify and collect data necessary for the legislature to consider spreading the provider tax more broadly next year.

The efforts of VSDS members with the petition and talking with legislators, has had a tremendous impact on the legislative process. But our efforts have only just begun. Please continue distribution of petitions and fax them back to the VSDS office as soon as each page is complete. The issue of a \$6 million dental services tax will continue to be on the table in the Vermont Senate. We will be sending a more complete review of this tax issue following the House vote on the bill this coming week.

Please note that as far as we know the governor still supports a tax on dental services and will push this agenda in the State Senate.

If a member of the House Ways and Means Committee is from your area please contact him/her this weekend and thank them for their efforts. If you have the opportunity to speak with them personally ask about the political process related to the decision to exclude the dental services tax. Committee members are; Rep. Janet Ancel, *Chair*; Rep. Carolyn Branagan, *Vice Chair*; Rep. David Sharpe, *Ranking Member*; Rep. Alison Clarkson, *Clerk*; Rep. James Condon; Rep. Adam Greshin; Rep. William Johnson; Rep. James Masland; Rep. Oliver Olsen; Rep. Rachel Weston; Rep. Jeffrey Wilson

Below are news reports on the tax legislation and on the appropriations bill. This is an extremely difficult year financially and while we are pleased the dental services tax has been rejected for now many difficult decisions have been and will continue to be made affecting the Vermont health care system and health care providers. Following the committee's final vote one legislator commented to me "*The lost opportunity here is the opportunity to raise Medicaid dental reimbursements which I believe could improve the dental health of low income Vermonters. I would be very interested in new initiatives to accomplish that goal.*" The VSDS has consistently suggested a tax on products harmful to health such as soda and cigarettes.

## [Nancy Remsen, Free Press Staff Writer](#)

11:20 PM, Mar. 18, 2011|

MONTPELIER — A 27-cent increase in the tax on cigarettes, a tax on insurance claims, and tax increases for hospitals, nursing homes and home-health-care providers are among the proposals in a \$24 million new tax package approved by the House Ways and Means Committee.

The committee voted 7-1 Friday on the package intended to help make up a \$176 million projected shortfall.

In last-minute deal-making, the panel agreed to eliminate a controversial tax on dentists that would have raised \$3 million, and agreed to give 67 school districts a one-penny break on their tax rate because they met budget-reduction targets set under the Challenges for Change program. The tax break will distribute \$1 million to taxpayers in those districts.

“It is a tough year to raise revenue,” said Ways and Means Chairwoman Janet Ancel, D-Calais. “My committee did a pretty incredible job to come to agreement.” We had a very difficult task,” said Rep. David Sharp, D-Bristol. “There are lots of provisions in this bill I don’t like.” Still, he voted for the bill.

Rep. Oliver Olsen, R-Jamaica, was the lone opponent among the committee members voting late Friday afternoon. Three members were absent. Olsen objected to the taxes on health-care providers and insurance claims, saying the costs will be borne by those with private health insurance.

He also said the committee was forced to increase the school property tax rate by a penny over this year’s rate because of a \$23 million reduction in general tax revenues available to help pay for schools.

The Shumlin administration had proposed raising all \$24 million by taxing health-care providers and managed-care organizations. Ancel said the Ways and Means committee substituted other taxes to reduce the burden on hospitals and to find a simpler tax than the proposed levy on managed-care organizations, which are a creature of insurance companies.

Michael Del Trecco, vice president for finance of the Vermont Association of Hospitals and Health Systems, acknowledged the bill the committee recommended called for \$10 million less from hospitals than the Shumlin administration proposed.

Still, he said the increased assessment coupled with other proposed funding reductions expected in the budget could cost hospitals about \$16 million.

“If our resources are taken away, how do we work on health-care reform in a meaningful way?” Del Trecco asked.

Until late afternoon, Peter Taylor of the Vermont State Dental Society thought dentists would be assessed a provider tax for the first time. The proposed tax revenues — \$6 million under the Shumlin plan and \$3 million under an early version of the Ways and Means bill — were to be used to match federal dollars, and then a portion would be returned to dentists through higher reimbursements for treating Medicaid patients. Dentists weren't going to recoup the full amount they paid, Taylor said.

He also complained, "Dentists were singled out." Assessments weren't proposed for physicians, chiropractors or other medical professionals. In the deal that led to support for the bill, the dental tax disappeared. The bill, however, includes a provision directing the Shumlin administration to collect data that would enable the state to spread the provider tax more broadly.

For Rep. Carolyn Branagan, R-Georgia, the last-minute inclusion of her proposal to give a tax break to taxpayers in 67 school districts was critical to her support for the bill.

"They made cuts they didn't want to make," she said about the school districts that met Department of Education budget targets. "We needed to make the tough decision in here to reward them.

The full House will begin debate on the bill Wednesday.  
Contact Nancy Remsen at 578-5685 or [nremsen@bfp.burlingtonfreepress.com](mailto:nremsen@bfp.burlingtonfreepress.com).

Dental tax story and attached video  
[http://vtdigger.org/2011/03/18/over-4500-oppose-the-tooth-tax/?utm\\_source=VtDigger+Subscribers&utm\\_campaign=90f83ca2d4-RSS\\_EMAIL\\_CAMPAIGN&utm\\_medium=email](http://vtdigger.org/2011/03/18/over-4500-oppose-the-tooth-tax/?utm_source=VtDigger+Subscribers&utm_campaign=90f83ca2d4-RSS_EMAIL_CAMPAIGN&utm_medium=email)

## **House budget cuts on target; committee vote on Monday**

**VTDigger.org**

**By [Anne Galloway](#) on March 19, 2011**

Rep. Martha Heath is chair of the House Appropriations Committee, which is holding two public hearings this week. Photo by Josh Larkin.

Rep. Martha Heath, D-Westford, has performed the budget-balancing miracle for the fourth year running – this time without the benefit of federal stimulus funds.

Heath, the chair of the House Appropriations Committee, worked with the 10 lawmakers on her committee to resolve the final cuts on Friday. The committee took four weeks of testimony and then spent three weeks “marking up,” or rewriting, Gov. Peter Shumlin’s budget proposal.

The House Appropriations Committee gave preliminary approval to budget early Friday evening. The spending bill, which includes about \$80 million in cuts to human services, resolves the state’s \$173 million budget gap for fiscal year 2012. Committee members will vote on the budget bill on Monday afternoon, and the Democrats hope to pass “the big bill” next week.

The big items? Catamount Health will not be rolled in the Vermont Health Access Program; \$8.2 million in Unemployment Insurance fines from the federal government were forgiven this year and next; and Shumlin’s proposed cuts to programs for the elderly, mentally ill and developmentally disabled would be halved, according the House proposal.

“We worked hard to restore some cuts,” Heath said. “Some of us wished we could have done more, but we’re very cognizant of what is happening in Washington, D.C., knowing if we used up our revenue generating capacity now, it wouldn’t be there to help us next year.”

Simultaneously, the House Ways and Means Committee finalized the miscellaneous tax bill, which includes \$28.89 million in taxes on cigarettes, health insurance claims, hospitals, home health and nursing homes.

Heath said it’s vitally important for the state to present a balanced budget, particularly in light of the \$35 million budget gap (difference between projected state revenues and expenditures next year) for fiscal year 2013, and the “black cloud” of likely federal funding cuts to human services programs next year.

The spending proposal mirrors Gov. Peter Shumlin’s budget, though it partially restores some of the deepest cuts to human services programs for the elderly and services to the developmentally disabled and mentally ill.

On Friday, House Appropriations plowed through the most difficult \$10.7 million worth of budget items, and through a careful process of nip and tuck eliminated a little fat here and a little more fat there, all the while attempting to avoid cuts into muscle and bone. This painstaking budget surgery was designed to take some money from an array of programs and leave very few with zero funding.

Here is a rundown of the cuts and revenue adjustments the House Appropriations Committee made:

1. The Vermont Telecommunications Authority will receive \$200,000 in additional funding, instead of \$500,000 more, as recommended by the governor;
2. Shumlin had asked for a \$1.5 million increase in the General Fund budget for the Vermont Housing and Conservation Board; House Approps gave the board \$925,000 instead;

3. The Legislature will take a 5 percent cut in pay for the third year running. This self-sacrificing move saves the state \$90,000;
4. The Agency of Commerce and Community would lose \$300,000 over two years for a project to digitize historic records;
5. A \$25,000 match for farm to school programs was dropped; the jobs bill includes \$75,000 for schools;
6. The governor's proposal for court diversion was cut in half;
7. About \$900,000 in unanticipated revenues from the tobacco settlement fund will be used to restore roughly half of the money that was cut for tobacco cessation programs;
8. The governor hoped to save \$5 million on Catamount Health by rolling the program into the Vermont Health Access Plan, and cutting reimbursements to doctors by 33 percent. House Approps cut Catamount by \$1.8 million. Under the plan, premiums would drop from \$450 per member per month to participants who earn 300 percent of the poverty level paying a \$1,200 deductible;
9. The individual assistance program and respite care for the elderly sustained a 25 percent cut, while the designated agencies, which were originally slated for a 5 percent cut in the governor's budget, saw a 2.5 percent reduction. Respite hours would be cut from 720 hours a year to 540; individual assistants would lose an hour per week;
10. Student assistance professionals would be cut 75 percent.

Heath said the committee had no alternative but to make the cuts.

"I agree with those who say we can't use the stabilization reserve unless there is a plan to replenish it," Heath said.

She said the state's revenue growth rate is slower than anticipated.

"I agree with the Speaker," she said. "We have too many challenges in front of us to use any potential tax capacity.

<http://vtdigger.org/2011/03/19/house-budget-cuts-on-target/>