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Notes from editor (not for publication):

Nice work, Joyce.

HEADLINE ELEMENTS:

####BEGIN HED####

1 House faces grim financial challenges, a key committee
2 chair says

####END HED####

####BEGIN SUBHED####

3 Kornheiser: State legislators will face thorny issues this
4 year and a significant loss of revenue from a slowing economy
5 and 'tremendous instability' in relationship with the federal
6 government

####END SUBHED####

7 TEXT BODY:

####BEGIN TEXT####

8 This year, the Legislature will be concerned with
9 economics, more economics and then, yes, even more
10 economics. As the second half of the Vermont Legislature's 2025-

11 26 biennium began on Jan. 6, this refrain was one everyone's lips:
12 "This will be a hard season."

13 It certainly was on the lips of Rep. Emilie Kornheiser (D-
14 Windham-7), and she should know. As chair of the House Ways
15 and Means Committee and chair of the Joint Fiscal Committee,
16 she has her pulse on the economics of government.

17 Or, as she put it while speaking to a legislators' forum at
18 Brooks Memorial Library a few weeks ago, "I'm able to get a
19 bird's-eye view of everything we do. And these are really hard
20 times for government. They're really hard times for Vermonters
21 and for Americans."

22 Economics is at the heart of the problems.

23 "As someone who loves our community deeply, my focus
24 this session is stability," Kornheiser said. "Keeping each of us safe.
25 Keeping the lights on. Making sure we can pay our bills."

26 Can Vermont pay its bills? Going back a few years,
27 Kornheiser told the Brooks' audience, the U.S. was seeing an
28 economic expansion.

29 "Across the country and in Vermont, we have seen really
30 record economic growth in a lot of ways," Kornheiser said. "That
31 is starting to slow. That's related to the aftermath of the pandemic,
32 responses to inflation, all of those things."

33 Meanwhile, "we had record revenue growth for the state
34 of Vermont, which gave us record opportunities to do things, to
35 make a difference, for Vermonters, to try to fix some of our really
36 long-standing structural problems," she said.

37 That economic growth was not universal.

38 "Economists describe that particular type of economic
39 growth as 'an alligator chart,'" she said. "Some people
40 experience high economic growth, like the top jaw of an
41 alligator. And the rest of us experience low economic growth,
42 like the alligator's bottom jaw."

43 For Vermonters, "things were pretty hard here, even
44 before the current political moment that we're in," Kornheiser
45 continued.

46 “We had a lot of long-standing demographic, structural,
47 cultural problems, and we were really at the breaking point of
48 needing to grapple with them,” she said. “We were starting to
49 grapple with all the revenue that we had available to us.”

50 For many years, Vermont did well in attracting federal
51 dollars, but that was because now-retired U.S. Sen. Patrick Leahy
52 had the political seniority and clout to funnel federal money
53 toward his home state.

54 “We were building programs for the future,” Kornheiser
55 said. “We were building structural change.”

56 The state is looking at potential loss of revenue from the
57 economic slowdown and “because of our connection to federal
58 tax law,” she said. With Vermont income taxes based on federal
59 taxable income, changes in federal income tax policy affect the
60 state’s coffers.

61 Now Vermont is seeing enormous cuts coming from the
62 federal government, and the state is dependent on federal dollars
63 at a time of “tremendous instability in our relationship with the
64 federal government,” she said.

65 “We receive much more money in federal dollars than
66 we send in our federal taxes as a state,” Kornheiser said. “With
67 the Trump administration, particularly, with the budget legislation
68 that passed in the beginning of the summer, there is significantly
69 reduced revenue coming to the state of Vermont.”

70 Drastic changes in Medicaid — the consequences of the
71 One Big Beautiful Bill Act enacted last summer — are going to
72 impact us soon, Kornheiser said.

73 “That has an impact on Vermonters directly,” she said.
74 “They are going to lose their health insurance because they’re not
75 going to be able to fill out their paperwork.”

76 The state also faces “a really significant reduction in
77 revenue,” Kornheiser added. “A large portion of our budget
78 comes from Medicaid dollars that we spend all over the state —
79 to our schools, to community partners, to all those things.”

Vermont is also going to see a big reduction in funding for SNAP (Supplemental Nutrition Assistance Program, known in Vermont as 3SquaresVT and still commonly called “food stamps”).

The state also anticipates losing federal money for climate solutions, “and climate solutions save Vermonters money in addition to helping the wider world,” Kornheiser said.

Right now, she said, “all attributable growth in the economy is coming from a single sector: artificial intelligence.”

AI’s labor growth, revenue growth, and stock market growth will have an impact on only a small subset of the population.

“This makes it a really, really fragile economy,” Kornheiser said. “And that’s important to know, because with so much of what we do in the state, we need to rely on regular revenue, not just one-time revenue, to get stuff done.”

Vermont is now entering a period of scarce economic resources, Kornheiser said.

Some of the things Kornheiser said she will be fighting for this year: separating Vermont’s corporate tax code from the federal code; closing loopholes that federal changes opened up; and “doing my darnedest to prevent our state from becoming even more unfair.”

Also needing to be done, she said: stabilizing systems that Vermonters rely on every day, like food stamps. Making the bureaucracy easier to navigate. Protecting our schools and hospitals. Continuing to work on education reform.

“We owe it to each other to understand what is changing, where the risks are, and how we truly want our state to show up for people,” Kornheiser said.

“Change is coming whether we want it or not,” she added.

113 Kornheiser called on her constituents “to protest and
114 collaborate, to imagine what’s possible and to push back against
115 what’s unacceptable.”

116 “Too many folks in our state are struggling to afford or
117 access health care,” she said. “Immigrants and older Vermonters
118 are scared of what comes next. I’m committed to doing the work
119 with clear eyes and a focus on what’s next.”

120 Every committee in the Legislature will be working in this
121 new environment of economic instability, Kornheiser said. This is
122 why legislators have been calling this new session a hard one.

123 “Each committee is going to be grappling with both this
124 sort of economic instability, reduced economic opportunities,
125 and an obligation — a responsibility for us to do absolutely
126 everything we can to make sure we’re protecting Vermonters,
127 protecting Vermonters’ basic human rights, protecting
128 Vermonters’ economic well being, and making sure that, if the
129 federal government’s coming for us, the state’s doing absolutely
130 everything it can to protect us,” she said.

131 Very few legislators ran for office to “hold the line or
132 keep the status quo,” she said.

133 “They mostly ran because they wanted to make Vermont
134 better,” Kornheiser said. “But most of them now — Republicans,
135 Democrats and independents — need to work to protect the
136 advances Vermont has already made.”

137 She believes that the Windham County state legislative
138 delegation “is deeply committed to that, and I also know that the
139 vast majority of my legislative colleagues are,” she said. “And I
140 would even say that’s mostly true across party lines.”

141 She said that much of this session’s activity will be
142 “fighting to hold the line.”

143 “None of us is willing or interested in going back on the
144 work we’ve done on climate change, on protections for trans
145 folks and queer folk in our community, for basic health,”
146 Kornheiser said. “That’s what we’re all going to be up there

147 fighting for, and we're going to be doing it under some pretty wild
148 circumstances."

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