

The Governor's veto message to the Legislature:

"Pursuant to Chapter II, Section 11 of the Vermont Constitution, I am returning H.107, *An act relating to paid family leave*, without my signature because of my objections described herein:

"Reversing our demographic crisis and the negative economic impacts it is creating across the state, is the only way to ensure we can continue to invest in essential services and shared priorities, such as a more expansive paid family and medical leave program. We must not pass, and I will not support, legislation that worsens the affordability challenges and regional economic inequity in our state.

"I share the goal to provide a program that allows workers time to take care of family and personal health needs, and to bond with new children. That's why my administration has advocated for, and acted on, a voluntary paid family and medical leave plan.

"Our approach is voluntary for employers and employees. It can be accomplished more efficiently, affordably and quickly, without a \$29 million payroll tax that Vermont workers simply should not be burdened with, and without putting the risk of underfunding on taxpayers.

"This voluntary plan is already moving forward. We've come to an agreement with the Vermont State Employees Union to provide state employees with a paid family and medical leave benefit. This allows us to create an 8,500-member base to establish an affordable family and medical leave insurance option for all Vermonters.

"We've issued a request for proposals (RFP) for insurance companies to bid on covering state employees as of July 1, 2020. The successful bidder will also be required to make the coverage available for Vermont employers and individuals at a rate comparable to the state-rate. And, we expect to be able to make it available at least a year before H.107 is projected to provide benefits to Vermonters.

"This approach gives the state flexibility, and we could always add to it, or even make it mandatory in the future if deemed necessary. But we'll have a stronger foundation and tested administrative structure to build on. I truly believe this is an approach that will make this important benefit available to Vermonters more quickly, and is a more economically and fiscally responsible – lower cost – path to getting where the Legislature proposes to go in H.107. Importantly, it doesn't require a \$29 million payroll tax that we all know could grow.

"My objections to H.107 also extend beyond the tax on workers. H.107 creates a cumbersome bureaucracy with the potential for long-term administrative issues and costs for the Departments of Tax (Tax), Labor (VDOL) and Financial Regulation (DFR) – and the program as a whole. No other program in state government is simultaneously administered by three different Departments, as H.107 proposes for this program. And H.107 fails to take into account increased administrative costs at Tax and DFR, and underestimates the costs at VDOL, which will add to pressures on the General Fund.

"For years, Vermonters have made it clear they don't want, nor can they afford, new broad-based taxes. We cannot continue to make the state less affordable for working Vermonters and more difficult for employers to employ them – even for well-intentioned programs like this one. Vermonters can't afford for us to get this wrong, especially at their expense.

“Based on the objections outlined above, I cannot support this legislation and must return it without my signature pursuant to Chapter II, Section 11 of the Vermont Constitution.”

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