

Vermont

Federal Policies Have Cost Vermont \$330 Million over the Past Four Years

Federal Policies Affect Vermont Revenue and Spending Levels, 2002-2005

Cost to
Vermont

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$18 million
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$96 million
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$11 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$183 million
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$104 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$83 million)
TOTAL COST (net of fiscal relief), 2002-2005:		\$330 million

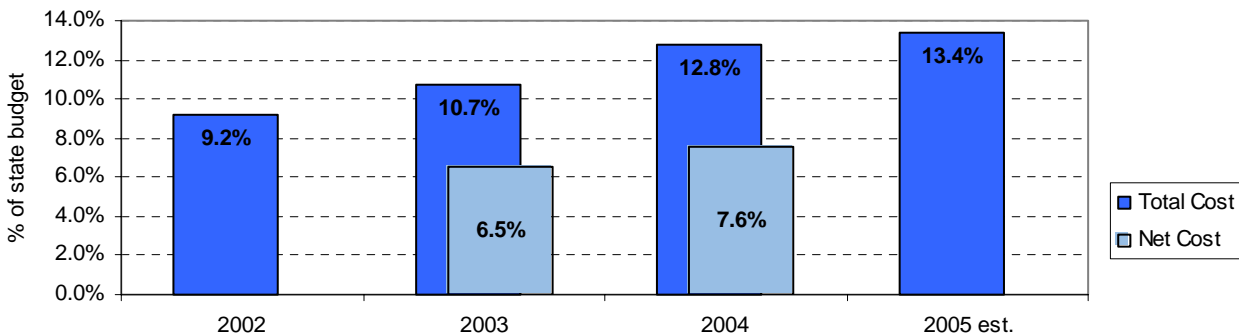
Vermont Has Been More Affected by Federal Policies than Most States

Ranking among 50
states plus D.C.

➤	Total cost as percent of General Fund budget (2002-2005):	11.6%	9th
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	9.2%	14th

Vermont has been affected heavily by federal policy in part because it is among the states most reliant on federal grants. States that are more reliant on federal funds are affected disproportionately by the failure of the federal government to fund mandates and prescription drug costs adequately.

Net Cost of Federal Policy to Vermont as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.