PEOPLE'S BUDGET REPORT

Preliminary Findings

Vermont Workers’ Center

in collaboration with the

National Economic & Social Rights Initiative (NESRI)

December 10, 2010
# TABLE OF CONTENTS

I. The Peoples’ Budget: Introduction to a Project by the Vermont Workers’ Center

1. Why a People’s Budget? 3
2. Methodology and Collaborators 3
3. Human Rights and the State Budget 4
4. Measuring Compliance with Human Rights Standards 5

II. Vermont Fails to Meet People’s Needs: Preliminary Findings 6

1. Changes in Service Provision 6
   a. Housing 7
   b. Food 8
   c. Disability Services 8
   d. Healthcare 9
   e. Education 10
2. Changes in Funding, Staffing, and Operations 10
   a. The Impact of “Modernization” 11
   b. Underfunding and Staff Cuts 11
   c. Wasteful Spending 12
3. Loss of Jobs and Lack of Job Creation 13
   a. Job Losses in the Public and Non-Profit Sectors 13
   b. Lack of Public Job Creation 13
4. Losing Ground in Vermont 14


1. Ensuring Transparency, Accountability, and Participation 16
2. Raising Revenue to Meet Needs 17
3. Using Resources Effectively and Efficiently to Meet Needs 18
4. Implementing Human Rights-based Healthcare Reform 19
5. Next Steps for the People’s Budget Project 20
I. The Peoples’ Budget: Introduction to a Project by the Vermont Workers’ Center

1. Why a People’s Budget?

From the onset of this recession, Vermon ters have shared with the Vermont Workers’ Center the struggle they face to meet their fundamental needs, such as healthcare, housing, education, and food. They told us their stories and made clear how reduced public services and the lack of good jobs were taking a toll on the people of Vermont. In response, we issued a call to Vermont’s governor and legislature proposing that the state’s spending and revenue policies address these rising needs and make them a priority over any other considerations. We called on the Administration to propose a People’s Budget in line with the state’s human rights obligation to meet people’s fundamental needs. We knew that the state had little money to scale up its public services and job creation programs, yet we also knew that this was less a question of how much money there was in the state’s coffers and more a matter of distributing resources more equitably among Vermonters and adopting much needed structural reforms, particularly in the healthcare system. For example, Vermont’s tax system has given preference to wealthier people and our healthcare system is merely a conglomerate of fragmented subsidy programs for the insurance industry.

Yet Vermont’s administration did not heed our call. On the contrary, it proceeded to underfund and under-staff essential public services. As a consequence, Vermon ters now face the recession’s third year with starkly reduced services and job cuts in the public and private sectors. This is not the inevitable by-product of a cyclical economic downturn; it is the result of deliberate budget policies that fail to prioritize the needs and rights of human beings. These policies have been with us since long before the recession—in fact, they contributed to this economic crisis. Unless we change course and develop an approach to state budgeting that prioritizes meeting all people’s needs in an equitable manner, Vermont may find itself on a downward spiral of increasing inequity and impoverishment.

This is why the Vermont Workers’ Center has embarked on a People’s Budget Project, guided by the voices of those working at the frontline of public services and based on human rights principles. This initial report presents a preliminary assessment of how Vermont’s budget policies have impacted public services and jobs, and how this has affected Vermon ters’ abilities to meet their fundamental needs. To undertake such an assessment, which remains a work in progress, the Workers’ Center began by interviewing non-profit service providers, public agencies, and unions. With the first results of our review presented here, we will continue collaborating with service and advocacy organizations to help move the state of Vermont to adopt equitable expenditure and revenue policies that protect our human rights in times of crisis and beyond.

2. Methodology and Collaborators

This report is the result of an ongoing collaboration with many Vermont and national allies, advisers, and partners. The preliminary findings reported here are based on interviews with 17 Vermont organizations working in the fields of housing, education, disability rights, domestic violence, as well as services for children, seniors, and refugees. In our conversations, conducted between September and
November 2010, we asked interviewees about the services they provide, how this service provision has changed over the past couple of years, the funding environment, operational and staffing changes, and the impact of changes on the clients they serve. We supplemented this information with secondary data from various sources, as well as quantitative budget data analyzed for us by experts at the University of Connecticut. The process of reviewing how the state’s budget policies fulfill Vermonters’ needs and rights continues to be accompanied by advice from experts in the Human Rights Budget Group, originally convened by the US Human Rights Network and now facilitated by the National Economic & Social Rights Initiative (NESRI). Members of this group include experts from the University of Connecticut, the University of Massachusetts, Northeastern University, and the International Human Rights Internship Program. In addition, we received valuable advice from Vermont experts, first and foremost from our colleagues at the Public Assets Institute and at the Vermont Center for Independent Living. We thank all of them for their advice on this project.

Special thanks go to all organizations we interviewed:

Champlain Valley Area Office on Aging
Chittenden County Community Action
Coalition of the Homeless
Coalition of Vermont Elders (COVE)
Committee on Temporary Shelter (COTS)
Early Educators United
United Professions of Vermont – AFT
Vermont Affordable Housing Coalition
Vermont Center for Independent Living
Vermont Coalition to End Childhood Hunger
Vermont Council of Developmental and Mental Health Services, Inc
Vermont Developmental Disabilities Council
Vermont Network Against Domestic and Sexual Violence
Vermont Refugee Resettlement
Vermont State Employees Association
Voices for Vermont Children
Vermont NEA

3. Human Rights and the State Budget

The Vermont Workers’ Center’s campaigns for universal healthcare and other fundamental human rights are grounded in the United Nations Universal Declaration of Human Rights, which commits all states to recognize that “everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of . . . lack of livelihood in circumstances beyond his control.” These economic and social rights, based on fundamental human needs, create human rights obligations on the part of our government. Such responsibilities are not invalidated during economic recessions, but are in fact more urgent and crucial as people’s needs increase, especially those of our society's most disadvantaged and vulnerable members. Human rights law requires that governments continue to meet people’s needs in economic downturns.
“States must ensure that domestic policy adjustments, particularly those in fiscal spending, are not taken at the expense of the poor through cutbacks in basic services and social protection mechanisms. Programmes and institutions necessary to respect, protect and fulfil all human rights should also be preserved and endowed with adequate resources. . . . A human rights approach will contribute to making solutions more durable in the medium and long run.” Statement of the High Commissioner for Human Rights, Navanethem Pillay, to the Human Rights Council.

Governments are obligated to use the maximum available resources to provide for our needs during an economic crisis. Unless a government has made every effort to secure those resources, including through new revenue streams, there is no justification for backsliding on its responsibility toward its people. "Where the available resources are demonstrably inadequate, the obligation remains for a State party to ensure the widest possible enjoyment of economic, social and cultural rights under the prevailing circumstances . . . . States parties must protect the most disadvantaged and marginalized members or groups of society."4

4. Measuring Compliance with Human Rights Standards

Everyone in Vermont has certain fundamental human needs, such as healthcare, housing, and education, which must be met in order to live a life in dignity. These essential needs give rise to economic and social rights and to government’s obligation to respect, protect, and fulfill them. The goal of our research has been to examine whether the state government has met its human rights obligations or whether it must change the way it manages the state budget, including expenditure and revenue policies, to yield sufficient resources and spend these according to Vermonters’ needs. To answer this question, we have begun to assess whether the people of Vermont are able to enjoy their social and economic rights or whether the enjoyment of these rights has in fact declined over the past few years. Comprehensive healthcare, adequate housing, quality education, and dignified work are key human rights that everyone should be able to enjoy and that every government should strive to realize more fully over time.

While no one expects a perfect healthcare or education system to materialize immediately, the government is obligated to improve the financing, administration, and delivery of essential services and infrastructure related to these fundamental needs in line with their maximum available resources. Similarly, the government should set a goal of full employment to ensure good jobs for everyone who wants them. In times of economic recession, the resources to achieve these goals may be harder to obtain, but the government remains responsible for doing just that—securing and spending public funds necessary for meeting all fundamental human needs. Vermonters should not have to endure any backsliding—rolling back of essential services and loss of jobs and livelihood—as long as the government can find the means to prevent this. This human rights standard of “non-retrogression” requires the state to do all it can to continue meeting people’s fundamental needs, especially during an economic downturn.

To assess whether the enjoyment of social and economic rights has diminished in Vermont, we refer to the key principles of universality and equity, which apply to all human rights. While economic and social
rights may not yet be fully realized in Vermont or elsewhere, it is important to examine whether the economic crisis has resulted in fewer people being able to meet their needs and enjoy their rights, and whether some people are more negatively affected than others. Has the state of Vermont made the enjoyment of rights more exclusive? Have the state’s policies contributed to shifting a greater burden on already disadvantaged people and thus increased inequity?

The principle of universality means that the state government, as a government of the people, has a responsibility toward every person in Vermont. It has to ensure that everyone’s fundamental needs are met. When resources allocated to essential public services and job creation are not in line with people’s needs, the provision of public services and the availability of jobs are reduced. This may mean fewer and possibly lower quality services for Vermonters, fewer people able to use those services, fewer good jobs, or all of the above. Our research has gathered evidence of insufficiently resourced services and programs, leading to a reduction in the universal enjoyment of healthcare, housing, education, food, social services, and dignified work.

The principle of equity means that the state government must distribute resources according to people’s needs. It must avoid spending public money—for services, infrastructure, tax breaks, benefits, etc.—in a way that increases inequality between the poor and the rich, women and men, people with disabilities and able-bodied people, or any other groups. Instead, the government’s expenditure should primarily benefit those groups struggling to meet their needs. Yet when resources are scarce, services and programs are often reduced without regard for those who would be most affected. In general, low-income people rely more on public services and job creation than wealthy people, so that any reductions in services and job programs are likely to affect them more. Therefore, disadvantaged or vulnerable people may end up bearing the brunt of an economic crisis. Our research has gathered evidence of unfairly distributed resources that result in cuts to services, benefits, and jobs for those most in need, leading to a reduction in the equitable enjoyment of rights for working class and low-income people, children and seniors, people with disabilities, and refugees.

II. Vermont Fails to Meet People’s Needs: Preliminary Findings

1. Changes in Service Provision

Vermonters rely on functioning public services to go about their daily lives. We all use publicly funded necessities such as bridges and schools, courts and health centers, as well as public subsidies for home mortgages and pre-tax employer-sponsored health insurance. People with low or no income and those with special needs, such as very young and very old Vermonters, depend on particular services such as assistance with housing and food, disability services, and childcare. Yet when we talked to public and non-profit organizations providing these essential services, we found that many services and related benefits were under tremendous pressure. We illustrate this struggle of services providers and their beneficiaries here.
**Housing**

As unemployment, evictions, and foreclosures rise, more Vermonters are becoming homeless and the state has the highest rate of homelessness in New England. Vermont has the tightest rental market in the county and faces a shortage of affordable housing. The agencies we interviewed said that the state has not sufficiently invested in reducing barriers for individuals and families to access long-term affordable housing. Our interviewees reported full shelters since summer 2010 and prolonged shelter stays. The Vermont Affordable Housing Coalition described "emergency shelter overflow" in September 2010. Every housing assistance service provider we interviewed expressed the need for long-term affordable rental housing to adequately respond to this homelessness emergency. "To get people out of emergency shelters, we need more funding to increase the availability of affordable rental housing," said Julie Lowell, Advocacy Coordinator and Case Manager at COTS.

For Vermonters hoping for long-term affordable housing, obtaining Section 8 housing assistance vouchers is no longer an option. Many local housing authorities across Vermont had already closed their Section 8 waiting lists when the state did the same in September 2010, acknowledging that around 4,000 applicants would remain on the list. The Vermont State Housing Authority had 3,900 vouchers to distribute to qualified applicants, but with its mandate to distribute 25-50 each month, some applicants will spend years on the waiting list.

Demand for assistance with fuel, a crucial component of adequate housing, has grown markedly since the beginning of the recession. A reported 3,000 additional families sought assistance with heating their homes in 2010 compared to the year before. Yet funding for fuel assistance has not risen to meet this need, endangering many Vermonters in the winter months. While Vermont’s Agency of Human Services raised the income eligibility for fuel assistance to 185% of the federal poverty level in 2010, an increase from the federal standard of 150%, benefits in fuel assistance programs were reduced. Visitors to the Department of Children and Families’ website could read: “As more families participate in the program, the benefits will be smaller. This means that you should plan to pay a bigger portion of your heating costs this coming winter.” When people cannot obtain the fuel assistance they need, their heat service may be shut off. In response, many use electric heaters and run up electric bills, creating the need for further utility assistance, according to Chittenden County Community Action, who participated in our survey. The Department of Children and Families directed people unable to pay their utility bills to contact local community action offices—with phone lines already swamped—and apply for crisis fuel assistance grants or pursue donation-based programs. Funding for crisis grants was limited, however, and voluntary donations had lagged since the recession.

When Vermont’s Agency of Human Services used $1.7 million in federal stimulus money to supplement the General Assistance fund—"the State’s essential safety net program for the most vulnerable, lowest income Vermonters"—federal restrictions prompted a change in eligibility criteria for some of Vermont’s most disadvantaged groups to receive assistance with back rent, security deposits, and short-term rental assistance. "As a result, many vulnerable Vermonters are being turned away and are falling through the cracks." While the 2011 budget retained level-funding for the General Assistance fund, it did not adopt service providers' recommendation to return to state-level eligibility procedures, leaving some Vermont families who relied on GA for assistance without services.
Vermont families who rely on supportive housing services to access and keep housing have experienced a decrease in services. Services that help older people and people with disabilities exit the expensive nursing home care system and access independent or assisted living housing have been cut 2% since 2009 and will be level funded next year, which is seen as unsustainable. Rental subsidies for people with critical mental illnesses were reduced in 2009. According to the Vermont Network Against Domestic and Sexual Violence, cash assistance has “dried up” for domestic and sexual violence victims attempting to leave their housing. This may force them to stay in abusive situations. Just as victims’ needs are growing, state budget cuts are resulting in fewer available services, including emergency shelters, transitional housing, counseling, and childcare.

Food
The number of Vermonters relying on food assistance has almost doubled over the last four years, with 85,500 people now participating in the federal Supplemental Nutrition Assistance Program (SNAP, formerly food stamps). However, interviewees told us that staff cuts at the implementing state agency resulted in depriving many people of the assistance they need. While benefits and eligibility levels were temporarily increased at the beginning of the recession due to federal funding, reductions are pending in 2011 and beyond. Yet even the temporary increase was not enough to meet the growing need: non-profit anti-hunger organizations are “seeing more working poor and extended families, who are not eligible for food stamps.” Moreover, waiting times for food benefits have increased, with some qualified applicants waiting three months for approval, according to our interviews with COTS and the Campaign to End Hunger. Applications have been lost and people made to fill out new ones. "The application for food stamps has become a nightmare," said Julie Lowell at COTS. Since participants have to reapply each year, interviewees reported some cases where their paperwork took so long to process that their benefits were terminated through no fault of their own.

While our own public institutions tend to rely on trucking food into Vermont from thousands of miles away, some schools and communities have developed their own initiatives to increase food safety and the availability of healthy, locally sourced food. For example, the small town of Hardwick, suffering from high unemployment and low wages, created a local sustainable food system based collaboration between farmers and small businesses, which significantly improved food safety and created an estimated 75 to 100 jobs. Steps have been taken by the state food assistance program and some local institutions to cooperate with community-based agriculture initiatives, and these should be expanded to enable every Vermonter to eat affordable, healthy, and locally sourced food.

Disability services
Vermont now serves only 27% of all people with developmental disabilities, according to the Developmental Disabilities Council, which participated in our survey. Access to services has been restricted, so that even eligible people are placed on waiting lists according to priority criteria. All areas of service and supports to individuals were reduced, from respite services to clinical and employment supports and transportation. The quality of programs also suffered, undermining both community supports and people’s self-determination. Transition programs for developmentally disabled and mentally ill people have been either limited or eliminated. Community and residential direct support and job development programs have also been affected by staff cuts, and there are simply not enough...
service providers for the mentally ill. The entire state infrastructure for people with disabilities and seniors has crumbled, interviewees reported. Adult Protective Services has so reduced its staff that cases of elder abuse may not receive appropriate responses. One agency reported that they have limited critical clinical supports services for the elderly. For example, they had to reduce transportation for dialysis to 8 trips a month, although dialysis patients usually have to get treatment 3 times a week. Vermont’s Medicaid-funded long-term care program, Choices for Care, initially reported success in enabling many people to stay in their homes rather than moving into nursing facilities. In 2008, however, the Vermont legislature enacted a cut of $500,000, and waiting lists have returned for “high need” and “moderate need” individuals. Interviewees reported that access to the program has been tightened so that many are no longer eligible and others have had their allotted hours reduced. Homemaker services have been completely eliminated. Medicaid experts point to the risk that “needy individuals [may have been made] vulnerable to state economic conditions and shifting legislative priorities.”

**Healthcare**

Access to healthcare continues to be an acute problem in Vermont, despite incremental reforms. In 2008 the Workers’ Center surveyed around 1,200 Vermonters and found that 6 in 10 Vermonters polled had refrained from getting care because they felt they could not afford it. This affected insured as well as uninsured people, as nearly a third of all Vermonters are underinsured, with deductibles, co-pays, and limited benefits constituting significant barriers to care. This problem has worsened over the past two years, as insurance premiums, deductibles, and co-pays have further increased.

The privately run, publicly subsidized Catamount Health program recently doubled the per person deductible from $250 to $500 per year and increased co-pays. In addition, the state also approved an increase of premium rates of 21% by one of Catamount’s two private carriers, MVP. A single person paying MVP for the full cost of health insurance will be charged $527 a month, which is $113 higher than the Catamount premium charged by Blue Cross. Subsidized MVP policyholders have to pay this differential in full, in addition to their subsidized premium. These changes contribute to further reducing the Catamount’s affordability for low-income Vermonters. While enrollment in the subsidized part of the program has gradually increased since its inception in 2006, participation is below projections and the number of people enrolled started decreasing in May 2010 for the first time. Catamount has fallen far short of meeting the state’s targets for increasing access to health insurance. Many experts agree that because it suffers from the same systemic flaws as other private insurance plans, such as denying claims and charging deductibles and co-pays, it is not well-placed to facilitate access to care for low-income people. While around 12,500 people were enrolled in Catamount in September 2010, of whom more than 10,000 received premium assistance, an estimated 59,000 Vermonters are still without any health insurance at all. Private, market-based health insurance has proven unaffordable for too many Vermonters, even with subsidies.

Over the last six years, the cost of employer-sponsored health insurance increased by 54% for family plans, from $9,483 to $14,558 per year. That means that on average, Vermonters are now paying 19.4% of their household income on insurance premiums, not including deductibles and co-pays. Yet they are getting less for their premium dollars: the number of people who have a plan with a deductible has
increased by 112%. Over two thirds of Vermonters now have a plan with an average deductible of $2,500. This cost explosion is likely to impact Vermonters’ financial and physical health. In 2008, the Workers’ Center survey already found widespread problems with medical debt, with 1 out of 4 Vermonters reporting that they or people they knew were unable to obtain credit because of unpaid medical bills. Such a financial burden impacts aspects of people’s lives beyond health, such as the ability to find or hold down a job and to keep one’s home. In our 2008 report, Julie Winn of COTS said: “Medical debt and sudden medical illness are major causes of homelessness in our community.”

While healthcare costs are increasing for Vermonters, access to doctors is getting more challenging. Over a third of all primary care providers have closed their practice to new patients or have restricted the number of new patients they will serve, as Vermont faces a shortage of primary care providers.

*Education*

Vermont’s schools have also been under severe pressure. The VT-NEA told us in interviews that significant education budget cuts were felt in job losses and led to a demand on every public school in the state to identify budget savings. Teachers are stretched to be at more than one school, affecting scheduling for students. When support staff is cut, this disproportionately affects children with special needs. Learning disabilities can go insufficiently addressed because of a lack of staff time. Class time is reduced, certain subjects gutted, and Advanced Placement classes may no longer be offered. School nurses are required to serve entire districts. The VT-NEA reported that a voluntary consolidation of schools is underway, which will lead to fewer schools, affect traveling time for children, and impose hardships, particularly on students in rural areas and in winter.

Vermont’s higher education system is overwhelmed, underfunded, and increasingly more expensive for students. AFT reported that an increase in class sizes has led to a decrease in the quality of teaching, with multiple choice exams and homework assignments, less interactive classrooms, and a ratio of 60 students to one faculty adviser. Library resources have not adapted to a 40% rise in the student population and are stretched thin. At the same time, in-state tuition has been raised 86% since 2001, and out-of-state tuition has been raised 76%.

Forty thousand Vermont children are currently served by the childcare system. Educators and families know that the safety and quality of early child care impacts how prepared children will be for learning once they enter school. Anna Gebhardt, leader at Vermont Early Educators United and Teacher at Muchkinlad Montessori, Swanton, said: “Child care professionals . . . need to become equal partners with the State of Vermont because we know it’s the only way to make sure children get the care and early education they deserve.” Advocates for working mothers and families have also called on the government to take steps to make high-quality childcare more affordable, including increasing funding in the short-term and ultimately creating a universal, high-quality, and equitable pre-kindergarten system.

2. Changes in Funding, Staffing, and Operations

These documented changes to service delivery in Vermont are based on funding decisions and operational restructuring. They have led to a loss of jobs at public and non-profit agencies. We asked
interviewees about the funding and operations at their organizations and at the state agencies they work with.

**The Impact of “Modernization”**

State funding cuts and operational changes have impacted the ability of the Department of Children & Families (DCF) to deal with increasing demand for food assistance and process the high volume of applications. Agency staff had to be reduced by 7% in the past two years, and remaining employees are frequently shifted around to sites with the highest demand. For example, as our interviewee at the Coalition to End Childhood Hunger explained, when the call center at the applications department is overwhelmed, by calls from applicants on the long waiting list, employees are sent to the call center rather than continuing to process applications, thus actually lengthening the wait times.

Alongside staff cuts, the DCF and other human service agencies had to implement the Administration’s modernization agenda. Yet they were largely unable to keep up with the required technological changes in time to meet their constituencies’ immediate needs. 3SquaresVT, the state’s food assistance program, was conceived as a model for modernizing operations. Promoted in the name of efficiency, modernization has instead delayed application availability, processing, and waiting times. 35-40% of food assistance applicants saw a delay in eligibility determination of 45 to 60 days, even though federal guidelines set the maximum wait time at 30 days.33 Interviewees felt that conducting an overhaul of operations at the same time as needs and applications increased dramatically across the board was “a recipe for disaster.” Moreover, the application process ended up becoming more onerous and cumbersome for some applicants, as each type of benefit application is processed by a different application employee, located not locally but anywhere in the state.34 “Many [Vermonters] will never try to seek help again with disastrous consequences for their health and wellbeing,” said one interviewee.

Operational changes and staff cuts at human services agencies have had a ripple effect throughout the whole system, down to the community level. For example, people with delayed food assistance applications show up at the food shelves, call community agencies, and max out the state call center's lines. We heard much evidence that the entire support services system, publicly and charitably funded, is overloaded.

Changed application and eligibility procedures and reduced staff at some regional service providers have also affected Vermonters’ ability to access housing assistance, with more applicants waiting longer before receiving any support. For example, COTS, which operates emergency shelters for individuals and families, told us that Community Action Agencies are now doing the paperwork for Emergency Assistance Funds but do not actually make decisions on eligibility. Applications are sent elsewhere, further delaying access to services. COTS also said that since there are no longer local welfare workers, calls now go to a call center, where employees may not understand local networks and resources.

**Underfunding and Staff Cuts**

Resources for adequate housing and fuel assistance to meet the increased demand have dried up. The federal government cut the Low Income Home Energy Assistance Program (LIHEAP) by nearly 2 billion dollars in 2010, reducing Vermont’s portion by roughly 40%, or $25.6 million.35 Level funding at this reduced level will continue in 2011. “We’ve never, ever gone into a heating season with this few
resources,” said Tim Searles of the Champlain Office of Economic Opportunity in a September 2010 press article.36

Disability service agencies also reported budget cuts as well as problems with level-funding in times of rising need. According to the Developmental Disabilities Council, around $5 million (3.75%) have been cut from developmental disabilities services in 2008,37 with another $1.5 million cut in 201038 and up to $7.5 million expected under Challenges for Change.39 The department itself states that around 60 jobs have been lost across the 15 non-profit agencies that provide community-based services,40 on top of an estimated 100 jobs eliminated by the 2009 funding cuts. According to the Vermont Council for Developmental and Mental Health Services, community mental health providers took a 4% cut in 2009 and were level funded in 2010. The Development Disabilities Council explained that even “level funding means cuts for individuals due to increases in the cost of care.”41 The service providers we interviewed were worried that further budget cuts under Challenges for Change would exacerbate their funding crisis that has already resulted in decreased treatment hours, staff with less education and training, and led to longer waiting lists for beneficiaries. With increased caseloads and fewer staff, mental health providers reported doing triage with people in crisis.

Vermont’s schools have suffered a 2% cut across the board that equaled about $23 million in 2009. Accounting for inflation and new state curricular mandates, these cuts have actually amounted closer to 5%,42 and if all savings targets are met, they will total $50 million, according to the VT-NEA. Challenges for Change has designated education as one of the biggest cost-saving centers, even though education spending as a percentage of the Vermont economy has remained essentially flat since the early 1990s.43 The mandated cuts range from a few thousand dollars to over $2 million in each school district, one year after local voters agreed to reduce budgets to levels lower than the previous year.44 It has also been proposed to increase the school staffing to students ratio to save $20 million a year, which would result in the loss of approximately 600 jobs.45 Staff cuts at the Department of Education caused the agency to miss out on two 2009 federal grants totaling $450,000 to improve schools’ nutrition services, simply because they lacked the staff to submit applications. Head administrative staff at the Child and Adult Care Food Program was cut that same year, causing delays and closures of programs that supply daily nutritious food to children in schools.46

Higher education receives very little funding in Vermont, compared to other states. According to the AFT, the state ranks 49th or 50th in state support of public higher education. UVM currently receives only 8% of its funding from the state. Faculty jobs in higher education have not kept pace with the rise in student population. Part-time faculty has been cut over the past two years, and long-term faculty growth represents less than half of student body growth. The academic share of the budget has decreased over the past five years, whereas administrative and non-academic services have received a larger portion of funding.47

**Wasteful Spending**

Contrary to other budget areas, healthcare spending has grown dramatically over the last two decades, and is projected to increase by $1 billion from 2009 to 2012.48 Yet this does not mean that Vermont’s healthcare programs are sufficiently funded. On the contrary, expenditures are consistently exceeding
revenues. This has triggered increases in cost-sharing, reduction of benefits, and emergency appropriations. For example, to cover Catamount Health expenses for FY 2011, the legislature had to appropriate an additional $7 million in general fund dollars. The shortfall for FY 2012 is likely to be even larger, confirming serious concerns about the sustainability of the privately-run Catamount program.\textsuperscript{49} In fact, an independent study of Catamount’s administrative expenses concluded that the state could have saved $1 million if it had run the program itself, rather than contracting it out to two private insurance companies.\textsuperscript{50} This example shows that even though the states’ healthcare budget fails to adequately meet Vermonters’ healthcare needs, more funding may not solve the problem. Examined over time, the healthcare budget data reveals the need for structural reform to ensure universal access and stop the hemorrhaging of public funds.

3. Loss of Jobs and Lack of Job Creation

**Job Losses in the Public and Non-Profit Sectors**

A significant number of jobs have been lost in state and non-profit agencies, both reducing the quantity and quality of services delivered and increasing unemployment. Even though some state jobs have been cut through attrition or early retirement, we cannot underestimate the negative effect on the labor market, at times of high needs when services should be staffed appropriately and jobs created. Between 2007 and 2010, the state government lost 697 jobs, according to the Public Assets Institute and VSEA, which amounts to almost 9% of the workforce. According to VSEA, an increase in unemployment claims indicates that some of the same laid off state workers, who once worked to provide benefits for Vermonters, are now applying to receive them. Meanwhile, the legislature voted in May 2010 to reduce unemployment benefits paid out by the state’s Unemployment Trust Fund.\textsuperscript{51}

Job losses in the education system are of particular concern. According to the teachers’ union, each school in Vermont lost about one job, around 300 in total. Many of the support staff were dropped from full-time to part-time and now work one or two additional jobs. Lay-offs have also occurred in the non-profit agencies we interviewed, despite increased demand for their services. Reduced funding has made it impossible for some of them to maintain an appropriate staffing level. This may be comparable to the situation across the country; nationally, 38% of non-profit agencies that provide government funded services had to lay off employees.\textsuperscript{52}

**Lack of Public Job Creation**

Investment in public services would not only help to better meet people's economic and social needs, it would also create good jobs, reduce the demand for cash benefits and support services, and contribute to local economic and workforce development. Cuts to Vermont’s public services have diverted investment from sectors that could have spurred job creation. An analysis by the University of Massachusetts found that long-term investments in public services, such as high-quality universal preschool, would generate over 14 times the number of jobs created by annual incentive programs that seek to attract private corporations.\textsuperscript{53}

Affordable housing construction offers another area of potential job creation combined with widespread public benefits. Yet the Vermont Housing and Conservation Board (VHCB), responsible for affordable
housing construction, has been under-funded for the past nine years because "lawmakers have not followed the statutory funding allocation . . . , which is 50% of the Property Transfer Tax receipts." According to the VHCB, new affordable housing construction could have created 2,500 jobs if the state had followed these funding statutes.

4. Impact on Most Disadvantaged Groups

Disadvantaged and vulnerable groups have suffered most from these cuts in services, benefits, and jobs. This has contributed to an increase in inequity and thus constitutes an unacceptable backsliding of economic and social rights in Vermont.

For example, homelessness has increased, especially amongst seniors. Interviewees reported that they are seeing a growing number of homeless seniors with chronic health conditions. Low-income Vermonters can expect a double hit of lower fuel and food assistance, due to upcoming federal subsidy changes. In the last three years, the Vermont FoodBank has seen a 40% increase in the number of people seeking help from its network of food shelves, meal sites, homeless shelters, and senior centers around the state. In 2008, 23,000 (17.8%) of Vermont’s children lived in food insecure households.

“The choices that families have to make when it comes to meeting their basic needs are heartbreaking. Choosing between heat and food or housing and food are decisions that people just shouldn't have to make,” said Marissa Parisi, executive director of the Vermont Campaign to End Childhood Hunger.

Low-income people have also suffered an increase in the cost of the already expensive Catamount health insurance program, threatening their access to coverage. Poor and low-income people already use less healthcare and are in poorer health than wealthier residents. According to the administrations’ own statistics, 42% of people with incomes less than two and a half times the federal poverty level reported they needed a doctor but did not go due to cost, compared to 9% of wealthier people. 15% of low-income Vermonters have two or more chronic conditions, compared to 7% of higher income people.

Reductions of needed services and barriers to accessing benefits have contributed to increasing poverty, especially amongst children under the age of five. The number of children receiving Reach-Up benefits has decreased by 21% since the beginning of the decade, while more children are now living in poverty. As low-income families and their children experience increasing difficulties meeting their basic needs, inequities are increasing, even in schools. In primary and secondary education, the achievement gap between low-income students and upper income students is increasing.

Disabled people have lost supports that once enabled them to work, as well as clinical services that kept them out of crisis and helped them communicate. According to the Developmental Disabilities Council, “cuts to developmental services result in people not being able to get out in the community, and being subjected to abuse and exploitation.” More and more mentally ill people are “falling through the cracks and ending up in Corrections” said Julie Tessler, Director of the Vermont Council on Mental and Developmental Health.
5. Losing Ground in Vermont

“Vermont’s history, as reflected in its budgets, has been one of making sure people were cared for,” summarized the Public Assets Institute, but it went on to say, “[t]hat commitment to making Vermont a place that works for everybody is not as strongly evident today.” Our preliminary findings confirm that the state can no longer claim the status, within our national landscape, as a state committed to meeting needs and protecting our rights.

Indeed, homelessness and hunger are rising, and Vermont ties with Alabama for the highest increase in food insecurity during the last 10 years. The state’s affordable housing shortage remains unaddressed, even though Vermont had the tightest rental housing market in the country in 2008, with demand for housing exceeding the available, affordable housing stock. Vermont also appears to be falling behind in providing educational equality and opportunities. Fewer than 25% of UMV undergraduate students are Vermont residents, down from 75% in the mid 1980s. This is unsurprising when, as our interviewees reported, in-state tuition levels are among the highest in the country when compared to other state supported colleges. Vermont’s education commissioner predicts that the quality of primary and secondary education in Vermont will suffer if the school budget cuts proposed under Challenges for Change are implemented. According to our interviewees, the state is also backsliding in its historic commitment to people with disabilities. “The State is increasingly moving to subcontracting out services for people without oversight and ratcheting back supports that result in people being warehoused. Its focus is narrowing to a caretaking function that will not offer opportunities for community participation and poses a higher risk of abuse and neglect” said Karen Schwartz, the Executive Director of Vermont Developmental Disabilities Council, who was concerned that policy makers may no longer understand that “people with disabilities have the same right to have choices and be part of the community.”

Perhaps the greatest challenge faced by the state, and one that impacts its ability to address other needs faced by Vermonters, remains its broken healthcare system. Vermonters are burdened with both extraordinarily high costs, personally and at state level, and inadequate access to needed care. Indeed, Vermonters are getting so little value for money that their physical and financial health is at severe risk. Jennifer Henry, Registered Nurse at Fletcher Allen Health Care and President of the nurse’s union, put it this way in the Workers’ Center’s 2008 survey: “Many people who are burdened by soaring healthcare costs may put off a visit to the doctor or a necessary treatment because they feel it is no longer affordable. They can be putting their lives in jeopardy.” Since then, the situation has worsened considerably, with soaring costs in times of decreasing employer health coverage. The Workers’ Center has responded with the Healthcare is a Human Right Campaign, supported by over 95% of Vermonters we surveyed, who believe that it is time for our public policy to recognize healthcare as a human right.

1. Ensuring Transparency, Accountability, and Participation

No matter which rights are at stake, there are some basic principles that must always be part of realizing human rights. Firstly, the people have a right to know how decisions are made and how institutions are run, which means the government must be transparent. Secondly, the people must be able to hold the government accountable. Thirdly, people have a right to participate in how decisions that affect them are made.

Yet we found considerable evidence that Vermont is not meeting these basic human rights principles. In the context of service provision it appears most important that the state may lack the ability to assess either people’s needs or the impact of service changes, as many interviewees stated. This severely reduces the state’s ability to operate in an accountable way. For example, interviewees noted that the down-sizing process at human services agencies has led to the dismantling of parts of the administrative infrastructure charged with measuring the quality and impact of services. The quality control division in the Agency of Human Services is so understaffed that it is unable to review the quality of services, assess the needs of disabled Vermonters and the impact of budget decisions. One interviewee stated that “the state is abdicating its duty to monitor quality of services.” The lack of transparency and provider oversight of critical decisions that impact the delivery of essential programs was attributed to understaffing as well as outsourcing. Accountability suffers as “increasingly most of the funds go to independent contractors who provide and manage all services for people without any regulation,” explained the interviewee.

These basic observations are substantiated by independent studies, which show that Vermont ranks poorly with regard to government transparency and accountability standards. In fact, the Better Government Association’s Integrity Index ranked Vermont 49th out of 50 states for overall integrity based on the strength of state laws “relating to transparency, ethics, and accountability in government.”\textsuperscript{66} Congress.org\textsuperscript{67} asserts that Vermont does not use the internet effectively to service its residents, ranking its legislative website the worst in the United States. Vermont is tied for 47th place for its transparency regarding federal stimulus fund spending,\textsuperscript{68} due to its poor reporting of spending by program areas, spending compared to economic distress, job data, and more. The state received a D+ grade for shortcomings in disclosing the subsidies it gives to private corporations, such as cash grants for corporations to create jobs and loans for businesses to acquire real estate or equipment.\textsuperscript{69} Furthermore, Vermont was given a failing grade for its lack of laws requiring personal financial disclosure statements from legislators.\textsuperscript{70} All of these rankings make clear that the government has not done enough to make government transparent, accessible, and accountable to its people. Vermonters have no user friendly way of finding out how the state is spending or cutting money and whether this is done equitably and effectively. We have faced this challenge in conducting the research for this report.

\begin{itemize}
\item The Vermont Workers’ Center calls for greater transparency, accountability, and participation in our state’s budgeting. Engaging with those most impacted by changes to public services will help ensure that the budget is more accurate and effective in meeting the needs of all Vermonters. If
\end{itemize}
Vermont is to begin a participatory process to create a budget whose revenue and expenditures are functions of what Vermonters actually need, the state must also do a better job of conducting needs assessment and monitoring the impact of different programs, services, and funding changes.

2. Raising Revenue to Meet Needs

To develop a budget based on human rights the state must secure the maximum available resources to ensure that people’s economic and social rights are protected, even in times of economic crisis. Because tax receipts decreased by $170 million since the beginning of the recession, this may require raising additional revenue through a revised tax policy. Tax reform may also be necessary on other human rights grounds, for example when the tax burden falls mainly on low-income residents and therefore contributes to inequities. We consider tax reform in Vermont necessary for both reasons. Firstly, without significant structural reforms, such as healthcare reform, the state appears to lack sufficient resources to meet Vermonters’ needs, unless taxes are increased in some form. The state would be abdicating its duty to the people if it were to discard the possibility of tax increases from the outset. Moreover, from a strictly economic perspective, a large body of evidence exists to show that tax increases generate local economic activity when they serve the purpose of boosting public investment in services for people in need and paying public employees salaries.71

Secondly, Vermont’s tax code, while more progressive than many other states’, disproportionately burdens low and middle income people and therefore fails to meet the human rights standard of equity. For example, state tax liability for individuals with an income of $1 million has declined by 64% since 1968.72 The current mix of sales, property, and income taxes in Vermont increases rather than reduces inequity. The top 5% wealthiest families in Vermont pay an average of 7.5% of their income in state and local taxes, while the poorest 20% pay 8.2%. Middle-income families pay the most taxes: an average of 9.4% of their income.73 This means that Vermont is distributing money upwards to wealthier people, which is unacceptable according to human rights standards. Experts conclude that “[t]here is arguably room for further tax increases targeted to affluent households, which have reaped the lion’s share of gains from economic growth in the last few decades, but continue to face the lowest state and local taxes.”74

Despite this inequity, the Blue Ribbon Tax Commission, set up to reform Vermont’s tax code, has expressed hesitation to raising taxes, while simultaneously proposing a new sales tax on services. Yet Vermont’s existing sales tax is already the most regressive tax on the books, with low-income Vermonters paying 5.3% of their income and the wealthiest only 0.3% of their income.75

Vermont has far from exhausted all available resources to justify a backsliding of human rights. Moreover, successive administrations’ decisions to lower tax rates for the wealthy may have contributed not only to increasing inequity but also to bringing about the current budget crisis.
The Vermont Workers’ Center calls on the government to reform tax policy in a manner that increases equity among Vermonters and raises essential resources for meeting needs and protecting Vermonter’s economic and social rights.

3. Using Resources Effectively and Efficiently to Meet Needs

In 2010 the administration and legislature focused not on raising new revenue but on reducing the cost of its services and operations. This was attempted through the Challenges for Change agenda, a consultant-led initiative that was rushed through the statehouse without meaningful participation by Vermonters. The stated goal of saving money through *efficiency* and *modernization* appealed to legislators who saw the economic crisis mainly as a fiscal crisis, manifest in the growing budget deficit, rather than a human crisis. Policymakers concentrated on managing the money instead of finding solutions for meeting people’s needs.

From a human rights perspective, increasing efficiency can be a valuable way of eliminating wasteful spending and reallocating misspent funds to fill unmet needs. While the architects of Challenges for Change asserted that essential services would not be harmed, they approached efficiency as something isolated from human needs. In fact, just as human services had been the main target for budget cuts, Challenges for Change concentrated "efficiency savings" in many of the services and programs that satisfied Vermonters’ fundamental needs. As we learned in our research, human services agencies were not only hamstrung by staff cuts but also unable to keep up with the required operational changes without delaying, disrupting, or eliminating services for many Vermonters. Not only did the government fail to protect Vermonters from repercussions of the collapse of the private financial, housing and job markets, it failed to protect people from service disruptions and cuts that occurred due to its very own actions.

Efficiency savings that conform to human rights standards are most likely to come from measures that reduce demand for services, increase coherence, effectiveness and responsiveness of operations, and eliminate wasteful spending incurred by outsourcing to middlemen. For example, our interviewees pointed out that it is not the provision but the reduction of services to people with disabilities and elderly people that has contributed to cost increases. As many more people end up in crisis situations without appropriate preventive care and support services, the use of expensive emergency room and inpatient care rises. Such unintended ripple effects are visible in other areas too, for example where service or benefit cuts led to a loss of federal matching funds, or where public sector staff cuts contributed to an increased reliance on support services and benefits.

Advocates have discussed the use of reserves, or the "rainy day fund", in times of crisis. At a moment when people’s enjoyment of their economic and social rights is being diminished, this would seem an appropriate action to ward off backsliding. However, such a reactive measure must be accompanied by a genuine reorganization of the state’s budget priorities according to human rights standards, so that the state reforms revenue and expenditure policies consistent with a people-first approach.
Efficiency savings and reduction of wasteful spending can also be pursued by reforming tax expenditures. Many of such expenditures, such as tax incentives for businesses, are currently distributed inequitably and ineffectively. They shift resources from the public to the private sector without apparent benefit for the people of Vermont. For example, the $400 million Vermont gives annually in tax incentives to private companies has no measurable impact on jobs and economic development. Moreover, the “real harm done by corporate tax incentives and subsidies is that they deplete resources that could be spent on real public investments.” Such investments in public services and infrastructure have been shown to have a greater impact on job creation and economic development than short-term tax incentives to businesses. Moreover, they would obviously contribute directly to meeting people’s needs and realizing their rights.

A large area of wasteful spending could be addressed if Vermont stopped subsidizing private health insurance companies for administering coverage plans for low and moderate income Vermonters, and instead, in the short-term, ran the Catamount program itself. However, the state’s broken healthcare system, with ballooning costs that fail to meet Vermonters’ health needs, will not be remedied by further piecemeal solutions; structural reform is necessary to make healthcare a public good and a human right for every Vermont resident.

4. Implementing Human Rights-Based Healthcare Reform

The Workers’ Center’s Healthcare is a Human Right campaign has shown how Vermonters are deprived of their right to healthcare, as many insured and uninsured people can no longer afford to get the care they need. Yet Vermont is already spending more than the national average on healthcare, and U.S. costs are the highest in the world. Allocating even more public funds cannot be the solution, even if immediate emergency band-aids may be necessary to avert further human suffering. The amount Vermonters spent on healthcare rose from about 10% of the state’s economy to over 17% during the last two decades, and it is projected that spending will increase to $5.9 billion by 2012. Given that the state has been unsuccessful in meeting healthcare needs, and that access to care has in fact deteriorated for many Vermonters, this spending is not in line with human rights obligations and instead points to wasteful management of public resources. This is particularly deplorable as alternative designs for a responsibly financed, universal healthcare system have been submitted to the state. In 2006 the legislature was told that under conservative estimates, a “single payer plan could extend coverage to all non-Medicare eligible residents of the state, and reduce overall state healthcare spending by approximately $51 million.”

In May 2010, the legislature finally passed a healthcare reform law that commits the state to planning and implementing structural reform by 2012, with the objective of making healthcare a public good. The law requires that such reforms be based on human rights principles, and that they use financial resources in a cost-effective and responsible way that benefits Vermonters.

➤ The Vermont Workers’ Center calls on the legislature and the governor to pass legislation for the implementation of a new healthcare system that makes healthcare a public good with universal,
equitable access, and that uses resources in an accountable manner through single-payer, public financing.

5. **Next Steps for the People’s Budget Project**

The People’s Budget Project seeks to engage Vermonters in reviewing the state’s budget decisions and demanding a people-first, human rights based approach to revenue and expenditure policymaking. This requires enhancing our understanding of how the budget works, as well as broadening opportunities for participation in the government’s decision-making processes. We hope that this report can serve as a vehicle for an ongoing discussion that brings people and groups together beyond the specific issues they focus on in their own work.

Our review of Vermont’s budget through a human rights lens is at its earliest stage. With the help of partners and allies we seek to expand our quantitative and qualitative research. Specifically, we aim to develop tools for carrying out human rights budget audits that account for people’s needs and inform impact assessments.

Over the last two years the Vermont Workers’ Center learned that the market-based healthcare system has generated a deep crisis that affects everyone. We also learned that healthcare is not an isolated issue, but intricately connected to our other economic and social rights, such as housing, education, and work with dignity. The obvious next step was to start building solidarity across a range of issues. In the fall of 2010, we organized 15 people’s forums with our allies—the Vermont Center for Independent Living and Vermont Early Educators United—in which we discussed the state of healthcare, childcare and early education, disability rights, and the economy. We began forming joint demands guided by human rights, and put these to political candidates.

We will continue this process of solidarity building with a People’s Movement Assembly at the Statehouse on January 5th, 2011. We expect to send a strong message at the opening of the legislative session that the people of Vermont are claiming their economic and social rights. We will develop a joint agenda for supporting a number of important bills that will be introduced in the next legislative session. To achieve success in the Statehouse, we need a new People’s Movement that can hold the government accountable for realizing our rights.

ENDNOTES


The federal government has regularly taken the position that state governments are responsible for human rights obligations involving issues within the state’s authority (for example, see the federalism understanding issued upon ratification of the International Covenant on Civil and Political Rights, and in the governments’ report for this year’s Universal Period Review).

5 United Way of Vermont, Homeless and At Risk Callers (Dec. 31, 2009).


9 Vermont Affordable Housing Coalition, 2010 State Legislative Priorities, Sept. 2010.


20 Kaiser Commission on the Uninsured, supra note 19.


23 Kaiser Commission on the Uninsured, Hoping for Economic Recovery, Preparing for Health Reform:


29 Vermont Workers’ Center, supra note 21.


37 Cuts include both existing funding and funds to meet new needs; Vermont Agency of Human Services, Department of Disabilities, Aging, and Independent Living, Division of Disability and Aging Services, Developmental Disabilities Services Fiscal Year 2011: 1% Direct Allocation Reduction Summary, http://dail.vermont.gov/challenges-for-change/ddas-reduction-allocation (last visited Dec. 9, 2010).


39 Vermont Agency of Human Services, supra note 38.

40 What you really need to know about developmental services in VT. Vermont Developmental Disabilities Council.


Thompson, supra note 48.

Institute on Taxation and Economic Policy, supra note 73.


Thompson, supra note 53.

Jack Hoffman, Public Assets Institute, Health care is the budget-buster—not education (Jan. 18, 2010), http://publicassets.org/blog/health-care-is-the-budget-buster%E2%80%94not-education/.

State of Vermont, supra note 25.

Thorpe, supra note 22, at 6.