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## VLCT LEGISLATIVE ACTION ALERT

**Date:** April 22, 2008  
**To:** Action Alert Distribution List  
**From:** Steven E. Jeffrey  
Executive Director  
**Re:** Senate Appropriations Bill Puts Towns Back to  
Ground Zero

### Action Requested

The Senate is expected to vote on its version of the FY09 state budget on Wednesday. Despite some small but nice gains for municipal priorities in the House-passed version (through some herculean efforts), the Senate version of H.891 returns cities and towns and property taxpayers to the level funding and decreases first proposed by the administration in January. Cities and towns see an 11.8 percent decrease in highway and bridge assistance from that proposed by the House and an 11.4 percent decrease from what they received in FY08.

We understand that the state is facing tough economic times, but when municipal programs are cut, it ends up requiring property tax increases. If the state's revenues are causing this problem and some tax needs to be raised, why is it okay that municipal officials are forced to raise property taxes but state tax increases are off the table?

Local officials ought to focus on two issues in the Senate budget – municipal highway aid and state payments in lieu of taxes (PILOT) for state properties. As the table on page 2 clearly shows, the House passed its version of H.891 with substantially more money available for town bridges and modest increases (for the first time in a long time) in town highway aid, town highway structures, and class 2 town highway rehabilitation. The Senate proposes to return these line items to that recommended by the Governor and, in the case of town bridges, less than his recommendation –despite the increase in costs to towns to maintain their transportation infrastructure, the importance of our transportation system to our economy and the economic stimulus public infrastructure projects create. Tell your Senators to find the money to match the House proposal for funding local transportation programs.

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VLCT Municipal Assistance  
Center

VLCT Property and Casualty  
Intermunicipal Fund, Inc.

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Municipal Funding Priorities in FY 2009 Budget (in millions)						
Budget Line Item	FY08 Final	FY09 Governor's Recommend	FY09 House Approved	FY09 Senate Appropriations Committee	FY09 Senate Approps from FY08 Final	FY09 Senate Approps from House Approved
PILOT – ANR Lands	\$1.57	\$2.01	\$2.01	\$2.01	27.6%	0.0%
PILOT – Corrections Facilities <sup>1</sup>	\$0.04	\$0.04	\$0.04	\$0.04	0.0%	0.0%
PILOT – Montpelier <sup>1</sup>	\$0.18	\$0.18	\$0.18	\$0.18	0.0%	0.0%
PILOT – State Buildings <sup>2</sup>	\$3.50	\$4.20	\$4.50	\$4.50	28.6%	0.0%
Current Use – Municipal	\$8.86	\$9.85	\$9.85	\$9.85	11.2%	0.0%
General Fund Transfer to Education Fund <sup>3,4</sup>	\$293.86	\$291.13	\$291.13	\$291.13	-0.09%	0.0%
Town Bridge Grants <sup>5</sup>	\$22.39	\$17.73	\$21.92	\$16.53	-26.2%	-24.6%
Town Hgwy Aid Program	\$24.98	\$24.98	\$25.54	\$24.98	0.0%	-2.2%
Town Hgwy Aid Program – Class 1 Supplemental	\$0.13	\$0.13	\$0.13	\$0.13	0.0%	0.0%
Town Highway Structures	\$3.49	\$3.49	\$3.57	\$3.49	0.0%	-2.2%
Vt. Local Roads	\$0.38	\$0.38	\$0.38	\$0.38	0.0%	0.0%
Town Highway Public Assistance Grants	\$0.20	\$0.20	\$0.20	\$0.20	0.0%	0.0%
Municipal Mitigation Grant Program	\$2.11	\$2.11	\$2.11	\$2.11	0.0%	0.0%
Class 2 Highway Paving and Rehabilitation <sup>5</sup>	\$6.75	\$5.75	\$6.90	\$5.75	-14.8%	-16.7%
Town Highway Emergency	\$0.75	\$0.00	\$0.00	\$0.31	-58.3%	
Total Local Highway Aid (except Emergency)	\$60.40	\$54.77	\$60.75	\$53.57	-11.4%	-11.8%
<b>Total</b>	<b>\$368.46</b>	<b>\$362.18</b>	<b>\$368.46</b>	<b>\$361.28</b>	<b>-1.9%</b>	<b>-2.0%</b>

1. Senate Appropriations FY09 proposed figures are shifted from being paid from the General Fund to the PILOT for state buildings special fund. This new cost reduces the amount distributed under PILOT – State Buildings below.  
2. FY08 contains \$3.4 million from local option taxes and \$50,000 General Fund plus \$50,000 approved in FY07 budget one-times for FY08 payments. FY09 figures are all from local options and no state monies.  
3. FY08 contains an additional \$7.06 million in one-time General Fund revenue to make up for the transfer shortfall for FY07, along with \$6.6 million in one-time General Fund revenue.  
4. Required to increase by New England economic project cumulative price index for government purchases (16 V.S.A. § 4025(a)(2)).  
5. Includes state and federal aid only, no local match.

Second, as we stated in last week's *Action Alert*, the Senate is proposing to shift the funding for two PILOT payments from the General Fund to the special fund that is funded solely from revenues generated from towns levying local option sales and rooms and meals taxes. These two programs – \$40,000 for towns hosting correctional facilities and \$184,000 for the capitol city of Montpelier – are two long-standing commitments the state has funded for years ... with good reason, given the municipal service demands placed on these host communities by non-property taxing state properties.

The proposal would shift this responsibility from the state to the towns receiving limited reimbursements for hosting other state buildings – the PILOT Special Fund. The law limits the uses of the Fund as follows: *“The fund shall be exclusively for payments required under subchapter 4 of chapter 123 of this title, state payment in lieu of property taxes.”* These payments are in addition to the PILOT program under that subchapter because of the special services demanded by the state institutions hosted. Instead of funding the corrections

communities (Newport, Rutland, South Burlington, Springfield, St. Johnsbury, Swanton, Waterbury and Windsor) and Montpelier from the General Fund as it always has, the Senate now proposes to take it all out of the local option/state buildings PILOT fund. This means that the state PILOT for buildings will be \$224,000 less than what it would have been had they continued to fund these two programs out of General Fund.

The way this is happening is that the legislature's Joint Fiscal Office (JFO) is increasing the estimated revenues local options taxes will be generating for the PILOT fund. (Middlebury adopted it and the JFO had not anticipated this in preparing the budget for the House action.) If the Senate had not shifted these payments to the PILOT fund, PILOT towns would have received \$4,724,000 instead of the \$4,500,000 the House approved and the Senate Appropriations Committee now recommends. There is no question that these figures are higher than that distributed last year, but that is due to several more cities and towns imposing local option taxes on themselves and their businesses during the past year. To see what your town could potentially lose under this proposal go to [http://www.vlct.org/d/advocacy/2008\\_proposed\\_shift.pdf](http://www.vlct.org/d/advocacy/2008_proposed_shift.pdf)

Please ask your Senators to restore General Fund revenues to fund the corrections and Montpelier PILOTs. If that is not possible, then ask them to (once again) allow all cities and towns the ability to adopt local option taxes (only 70 or so cities and towns are authorized now), so that more revenue is available in the PILOT special fund to assume the state's obligations. The Senate on several occasions has voted to allow all cities and towns local option taxing authority but has been stymied in the past by the House. Perhaps with this extra incentive, we can get it passed by both Houses this year.