

Needs, Challenges, and Opportunities – Finding Tools to Grow Capacity

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Last spring in Brownington, a roomful of residents was discussing a needed roadway repair when a selectboard member volunteered to write a grant application for the project. She said she'd find time between her job, volunteer activities, and family obligations after dinner one night soon. In Vermont's volunteer-led local democratic system, this solution might seem idyllic. However, leaving volunteer municipal officials to navigate an increasingly complex and highly regulated state and federal grant system has left many towns behind, or worse, left out entirely.

For the first time in my 16 years in community and economic development, it appears the governor and the legislature agree that something must be done to ensure rural communities have the capacity to invest in themselves. During Governor Phil Scott's [inaugural address](#), he said: "This session, if we pay more attention to the individual needs of each community, we can close the gap between regions to give all our towns and villages a brighter future." The next day, he delivered a budget adjustment proposal, a tool usually used to tweak the state's annual budget based on unexpected circumstances, that included a [new \\$3 million program](#) to build capacity in rural communities.

Immediately before the legislative session started, two legislators leading the [Rural Caucus](#), Rep. Laura Sibilia from Dover (the recipient of VLCT's 2022 Legislative Service Award) and Rep. Katherine Sims from Craftsbury, penned an [op-ed](#) that stated their intent to "... develop a statewide system that enables vulnerable, underserved communities to access this funding, engage their communities and bring high-impact projects to life by incentivizing regional collaboration and funding adequate capacity at the local level in our most stressed small towns." Since that op-ed, the legislators have begun drafting legislation to increase funding for regional planning commissions, set aside funding for rural communities, and convene thought leaders (including VLCT) to build recommendations to help towns build capacity.

About the same time I was reading the Sibilia/Sims op-ed, about a half dozen Vermont community and economic development leaders shared a [New York Times op-ed on rural capacity](#) with me. This op-ed's author, Tony Pipa, a Brookings Senior Fellow, criticized the federal government's inability to implement a comprehensive rural policy. Writing about the more than 400 federal programs that rural communities could access, he writes "... navigating that maze and the peculiarities of their applications, reporting and matching requirements is a high bar for anybody, let alone the part-time volunteer elected officials and the bare-bones staffs that make up many local rural governments." To paraphrase one of my favorite community developers, Paul Costello, former director of the Vermont Council on Rural Development, the federal government isn't going to swoop in and solve rural Vermont's problems.

Here at the Vermont League of Cities and Towns, we've been helping communities plan, spend, and report on the more than \$200 million in local American Rescue Plan Act (ARPA) funding that was directly distributed to Vermont municipalities. In December of 2022, with the help of a grant from the Vermont Legislature and the Vermont Agency of Commerce and Community Development, we launched the [Federal Funding Assistance Program](#) to help connect communities to the approximately 400 federal programs funded through the Bipartisan Infrastructure Law and the Inflation Reduction Act, as well as the State's hundreds of millions of ARPA dollars. In the past year, we've fielded more than 3,000 unique inquiries from local officials asking how to leverage local ARPA funds and how to tap into the Bipartisan Infrastructure Law and Inflation Reduction Act. Our central takeaway: our communities need more capacity.

The legislature and governor will debate how best to deliver resources to increase capacity to municipalities in the coming months. VLCT is participating in these conversations featuring regional planning commissions and development corporations, the Vermont Council on Rural Development, and others. I believe any solution must include four pillars critical to the success of any capacity expansion:

- **Investing Directly in Towns:** The complexity of operating a municipality has grown, yet the human and financial capital needed to carry out this work has not. Small towns can't afford administrators, managers, and grant writers. In Vermont, 222 cities and towns use only the municipal property tax to fund their operations. Vermont needs to implement a

type of revenue sharing to augment the municipal property tax to enable our smaller communities to provide enhanced services. All of our neighboring states offer some form of municipal revenue sharing. While Vermont expands its tax base to include cannabis taxes, considers sports betting taxes, and enjoys surplus tax revenues, now is the time to diversify municipal revenue sources to build capacity and support local sustainability.

- **New Financial Capacity for Statewide and Regional Organizations that Support Towns:** Towns need help thinking of, planning for, finding, applying for, and managing state and federal money. Towns like Brownington need the support of their regional planning commission, but the funding for the town's regional planning commission does not adequately recognize the 55 different towns its regional planning commission is also responsible for serving. Vermont has a robust network of technical assistance providers, including VLCT, the Agency of Commerce and Community Development, regional development corporations, and regional planning commissions. They all need more resources to adequately meet their mission of supporting Vermont municipalities.
- **New Approaches to Community-Led Community and Economic Development:** Today's projects require more consensus building, thoughtful engagement, and new funding models. The Federal Reserve Bank of Boston is demonstrating how new approaches to building capacity in eight Vermont communities can change systems and spark economic growth through the [Vermont Working Communities Challenge](#). The Governor is proposing a change to the state's tax increment financing (TIF) program that would enable small towns to harness the power of catalyzed increased tax receipts to pay for a portion of infrastructure projects. And towns are increasingly looking at creative approaches to service delivery such as regionalized dispatching, shared staff (planning and zoning, assessing, administration, etc.), and broadband delivery systems (like the communications union districts).
- **Dedicated Resources to Historically Under-Resourced Towns:** Small, rural towns are under-represented in state grant programs because they don't have the same project development and project implementation staff advocating in their communities. It's hard to fund a project from a community that doesn't apply. The only way to ensure these towns get their fair share of the pie is to dedicate resources to these communities. This means creating rural community set-asides in grant programs, reducing the

pressure to spend money fast, minimizing regulations and requirements, reducing match sizes, and encouraging thoughtful projects from small towns.

Just last week, I found myself at a meeting of the Mad River Valley Planning District – a three-town municipal body made up of selectboard members, planning commission members, and business leaders in Fayston, Waitsfield, and Warren, created in 1985 to secure professional capacity that could focus on development pressures there – where capacity yet again came up. A Waitsfield selectboard member asked the district staff for help managing the implementation of a recently completed feasibility study recommending the construction of a \$23 million wastewater facility. The study did not rely on a selectboard member moonlighting in their free time, nor will the grant writing or project implementation in the future. Instead, proponents of the wastewater facility have access to the Waitsfield town administrator, staff of the planning district, and regional planning commission staff. Yet even Waitsfield, with an operating budget exceeding \$2 million annually, feels constrained in its capacity to accomplish this project.

If we expect local government leaders in small towns such as Waitsfield and Brownington (population just over 1,000 and annual operating budget around \$750,000) to make great things happen for their residents, we need to give them some new tools.

Every town should have the ability to access state and federal resources. Our current tax scheme, support systems, strategies, and grant programs don't meet the challenge.