What Governor Scott's Proposed Budget Means for Municipalities

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On January 23, 2024, Governor Scott gave his much-anticipated FY2025 Budget Address(opens in a new tab) to the Vermont General Assembly. During his speech, he repeated themes he also focused on in his State of the State Address(opens in a new tab) including housing, public safety, and affordability. He also stressed fundamentals, sustainability, fixes over funds, and budget growth at a pace Vermonters can afford. A long list of unexpected recent expenses will make the budget tight: FEMA match for flooding, EB-5 settlement fees, continued emergency housing and the Hotel/Motel Program, and state employee pension and overtime payments, to name just a few. In the end, the governor's Proposed FY2025 Budget(opens in a new tab) is $8.6 billion across all funds, including $353 million for Transportation, $2.4 billion for Education, and $2.3 billion for General Fund. His proposed overall General Fund growth is capped at 3.6% over last year's budget which is an historic 13% increase.

What does this mean for municipalities? Can we expect more funding coming our way? Are there new programs that can help communities? Read on for our answers to some of these questions, but remember, this is the ***governor's proposed*** budget: lots of details still need to be addressed, and, most importantly, the legislature will ultimately decide and vote out the budget they prefer.

Education Spending and Property Tax

Governor Scott re-stated what you all know: education property taxes are expected to rise substantially this year. Currently the increase is estimated at 17.3%, a rate many Vermonters can't afford. He provided no specific fixes and admitted that using other state revenue to hold the education tax increases to near 2% as some have suggested would cost about $213 million we don't have. The governor suggested revisiting his education cost containment

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proposals from the past and undoing recent legislation that added new cost pressures – and he even proposed rethinking our entire system. Any solutions implemented to address this year's expected increase will require immediate collaboration at all levels of government.

Public Safety and Safe Communities

"I was wrong." Governor Scott admitted he was wrong in supporting progressive or experimental policies which were made with the best of intentions but have not produced the intended results and may have made some problems worse. He is proposing to change several policies he previously supported and signed into law, such as bail reform, conditions of release, and raising the age of criminal accountability. The proposed reform package seeks to meet the needs of local police, selectboards, health professionals, and community members. The governor wants to shift the discussion to "addressing the rising crime and violence as harm reduction". New funding in the budget dedicated to support public safety includes:

- $539,234 for the Judiciary to hire two additional Superior Judges;
- $1.7 million to make permanent twelve mental health workers in our state police barracks and add eight additional mental health professionals;
- $299,577 to implement a new Animal Cruelty Enforcement Initiative at the Department of Fish and Wildlife, allowing for the hiring of a new warden position and operating expenses;

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- $4.9 million investment of opioid settlement funds to expand staff and hours of operation at existing treatment hubs, help partners such as Vermonters for Criminal Justice Reform and Johnson Health provide transitional housing services, and expand school-based prevention services; and
- $1 million start-up costs for a psychiatric youth inpatient facility at Southwestern Vermont Medical Center.

Housing and Community Development

Governor Scott's budget in many ways scales back the large investments in affordable and workforce housing we have seen over the last few years. The hundreds of millions of dollars is no longer available to build affordable housing at the same level. The governor is essentially saying that we tried to move the needle on housing development by putting more than $400 million directly into building affordable, subsidized housing, but it hasn't yielded the units we need and we can't simply fund our way out of the housing crisis.

The governor is now looking to Act 250 as well as other land-use reforms and incentives to spur housing development, while focusing on some near-term solutions that will reduce the state's ongoing costs for emergency housing and the Hotel/Motel Program. Governor Scott knows everyone agrees on the need to act on our housing crisis and the need to give more families the security and stability of a good home in a vibrant neighborhood, so he has proposed some modest, targeted increases to popular programs like the Downtown and Village Center Tax Credit, Vermont Housing Improvement

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Program, and several new tax incentives. These initiatives support community revitalization and investments for improvement of our aging housing stock, neighborhoods, and underutilized properties. The proposed new housing investments include:

- $2 million in foregone revenue collection to lift the cap on the Downtown and Village Center Tax Credit from $3 million to $5 million annually, and spark more investment in our smaller, more disadvantaged communities.
- $6 million for the Vermont Housing Improvement Program, which provides grants to bring vacant rental units up to code or add new units to existing buildings. This program is cited as the most cost-effective way to bring housing online quickly.
- $2 million for the Manufactured Home Improvement and Repair Program to provide additional assistance to income-eligible mobile home parks and current and prospective manufactured home buyers.
- $400,000 in foregone revenue collection to exempt purchasers of blighted properties from paying the property transfer tax if they invest in the property and put it back into full-time residential use.

- $4 million to expand the Healthy Homes Initiative, which provides direct financial and technical assistance to low-income Vermonters to replace onsite failed or inadequate wastewater and drinking water systems.

Emergency Housing and Homelessness Support

New funding proposed to support emergency housing and homelessness:

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- $8.2 million in the FY24 budget adjustment and $16.5 million in this year's budget to supplement the $7 million base funds in the General Assistance emergency housing program.
- $760,000 Global Commitment funds ($320,408 General Fund) to launch a permanent supportive housing pilot program to provide services to individuals with disabilities to help them transition into safe, stable housing.
- $4 million in the FY24 budget adjustment and $7.2 million in this year's budget to build out the state's emergency shelter bed capacity.

Flood Recovery and Resiliency

One of the central themes of the budget address was the need to make wise investments in infrastructure projects. To do this, Governor Scott wants the legislature to set aside funds early in the budget process to ensure we meet our state match requirements so we can pull down hundreds of millions in federal funds. These funds will help with infrastructure, flood recovery, and flood mitigation. The governor's goal is to "fix things" not just "fund things."

We know many municipal budgets have been strained by the severe storms and flooding, and you are waiting for some relief. New budget proposals that should help municipalities with flood recovery include:

- $6 million in the FY24 budget adjustment and another $5 million in this year's budget to help municipalities meet state match requirements for

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FEMA public assistance for flood recovery,

- $12.5 million to assist municipalities with their state match requirements for FEMA assistance with Flood Hazard Mitigation measures,
- $1 million for the Unsafe Dam Revolving Loan Fund which incentivizes dam owners to act when safety improvements are required, and
- $500,000 to provide state-match for federal funds via the Water Resources Development Act from the U.S. Army Corps of Engineers to evaluate and prioritize future flood measures for the Winooski River.

Transportation Funding

Funding for the Town Highway Program is up 5% from last year's budget. While the governor didn't specifically mention this in his budget address, it's good news for municipalities. We know it's not enough, and that keeping up with road maintenance and transportation network safety costs more than ever. However, it's positive that the Town Highway Program funding reached a new milestone in this budget proposal of $100.6 million and the overall transportation budget is up 6%, exceeding the baseline growth of 3.6% set by Governor Scott.

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