WLR March 24: All Aboard the Omnibuses

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

The calendar says it's spring, and the State House is buzzing with bills needing to move. This issue of the ***Weekly Legislative Report*** provides updates on the Senate's omnibus housing bill (S.127(opens in a new tab)), the flood recovery bill (H.397(opens in a new tab)), House budget cuts, and more.

Senate Housing Omnibus Bill Will Cross Over

The Senate Committee on Economic Development, Housing and General Affairs advanced its omnibus housing bill, S.127,(opens in a new tab) early last week. The bill represents weeks of hard work by committee members: hearing from housing advocates, analyzing solutions, and prioritizing funding. The Senate bill contains many of the same provisions and affordable housing funding as the House omnibus housing bill, H.479(opens in a new tab) (about which we reported last week(opens in a new tab)), with the addition of a transformative new infrastructure financing tool for municipalities.

The proposed Community and Housing Infrastructure Program (CHIP) would allow municipalities to fund the water, sewer, and other public infrastructure investments needed to build new housing with the future property tax revenues from that development.

CHIP is modeled after a version of project-based TIF pitched by the Let's Build Homes coalition (called HIT(opens in a new tab)) and has been a top priority for VLCT this session. The VLCT team testified in favor of CHIP(opens in a new tab) before both the Senate Economic Development, Housing and General Affairs and Senate Finance committees last week.

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

Here is a quick rundown of what is included in the 50-page S.127(opens in a new tab):

- **Community and Housing Infrastructure Program (CHIP):** This provision would authorize all municipalities to use tax increment financing to pay for infrastructure to stimulate the development of housing. Projects would have to
- meet certain eligibility criteria for the inclusion of affordable units,
- be otherwise funded and construction ready,
- be in a Tier 1 or Tier 2 area or historical "settlement area" (such as a village center), and
- require a development agreement between the municipality and home builders.

CHIP would have oversight from the Vermont Economic Progress Council (VEPC) and would allow up to 80% of incremental revenue from state education property taxes, with 100% of incremental revenue from municipal taxes, to pay down the infrastructure debt. The original taxable value of the property would continue to provide municipal and state tax revenues – plus 20% of new taxes for the Education Fund.

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

- **Vermont Infrastructure Sustainability Fund**: This new revolving loan fund was proposed by Governor Scott and included in the House omnibus housing bill (H.479). It appropriates $9.1 million to the Vermont Bond Bank to provide capital to municipalities to extend and increase the capacity of water and sewer service and other public infrastructure where the lack of extension is a barrier to housing development.

- **Brownfield investment**: The bill appropriates $4 million for brownfields and makes available an additional $2.5 million of repurposed FY24 funds for brownfield assessment at the Agency of Commerce and Community Development and regional planning commissions around the state. It also calls for a report on recommendations to make the Brownfields Reuse and Liability Limitation Program substantially more efficient and directs the Agency of Natural Resources to prioritize brownfield cleanup on housing development sites.

- **Report on the status of management of development soils (aka "dirty dirt"):** Municipalities and developers have long reported that state regulations for inorganic pollutants in urban soils and the limited options for the disposal of contaminated soils are driving up the cost of critical housing and infrastructure projects. As part of their biennial report to the legislature, the Agency of Natural Resources would include details on the status of the management of development soils in the state, the number of certified categorical solid waste facilities, a summary of how development soils are managed, and an estimated public cost.

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

- **Mobile, manufactured, and prefabricated housing**: The bill includes a new municipal preemption that would require these types of homes to be allowed in any zoning district where year-round single-family housing development is permitted.

- **Tax freeze for accessory dwelling and VHIP units**: An increase in the appraisal value of a property would be exempted from new property taxes for one year if the property has been rehabilitated or improved using a grant or loan from the Vermont Housing Improvement Program (VHIP) or if the property has been improved through the construction of a new accessory dwelling unit.

The bill would also make $46 million in appropriations to various state housing programs and amends some program criteria, including:

- To standardize the grant/loan amounts for the Vermont Housing Improvement Program (VHIP) to $50,000 and additional $20,000 for certain conditions. It appropriates $4 million to the program.

- $2 million to improve mobile home park infrastructure under the Manufactured Home Improvement and Repair Program.

- $500,000 grant to the five NeighborWorks America affiliated Home Ownership Centers for the purpose of providing homebuyer education, financial literacy counseling, and foreclosure prevention programs.

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

- $100,000 to the State Treasurer to implement the Positive Rental Payment Pilot Program (a credit building program for renters).

- $30 million to the Vermont Housing Finance Agency to continue implementation of the Middle-Income Homeownership Development Program and the Rental Housing Revolving Loan Fund.

Now, H.479 will tour the Senate committees and S.127 will tour the House committees. The various appropriations for housing programs are each likely to be peeled off and taken up in the "Big Bill" for all state appropriations.

The House "Flood Bill" Advances, Now with LOT Reform

Last week we reported(opens in a new tab) on the must-pass "Flood Bill" of the session, H.397(opens in a new tab), which had left the House Committee on Government Operations and Military Affairs with three critical municipal finance amendments advocated for by VLCT(opens in a new tab) and our partners at the Vermont Bond Bank. Last week, the bill took a drive-by through the House Ways and Means Committee, where one critical provision was removed and another added.

Level Debt Service provision removed: Current statute requires municipal loans to be level principal, meaning that debt payments start high and decrease yearly as the cost of interest goes down. Municipalities should have the option to structure level debt by amortizing the debt to allow for consistent repayment amounts. VLCT will advocate for this important

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

authority to be added back into the Flood Bill once it receives hearings in the Senate committees for Finance and Government Operations.

Local Option Tax (LOT) withholding formula changed to 75/25: In early March, VLCT testified for our proposal(opens in a new tab) to change the LOT formula to 80/20, given the rapidly accruing surplus in the PILOT Special Fund. The committee advanced this bill with a new 75/25 formula; however, it has not heard testimony regarding the number of towns that adopted new LOTs on Town Meeting Day 2025. We are pleased to have this critical provision advancing before the session deadline and will work for a more robust discussion around the best adjusted withholding rate on the Senate side in the weeks ahead.

Re-Do for Property Valuation and Taxation

Last week, we gave a rundown of the House Ways and Means Committee's iterative work on their Reappraisal committee bill.(opens in a new tab) On a parallel track, the committee has taken up a second committee bill that would create standardized property classes(opens in a new tab) and allow for separate state property tax rates for each parcel type. The committee is expected to see new drafts of each bill early this week and could advance both by Friday. VLCT will continue to track these potentially transformative proposals for undue municipal impacts.

In the current version of the committee's second bill, a parcel with multiple or mixed uses will be classified proportionately according to the areas of primary

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

use. Here is a summary of the proposed eight new property classifications:

Affordable Housing: Residential rental units that are subject to rent restriction under certain provisions of State or federal law.

Residential A and B: A parcel or portion of a parcel that is improved with one or more single- family dwelling units and has an assessed value of less than $1 million would be classified as Residential A. Those parcels with a value above one million dollars would be classified as Residential B.

Apartment: A parcel or portion of a parcel that is improved with one or more dwelling units and occupied by long-term tenants for periods of 11 consecutive months or more.

Commercial: A parcel or portion of a parcel that is used for business activity that does not qualify for classification as Apartment, Residential, or Industrial including timeshares, certain types of lodging, office buildings, and property used primarily for farming.

Resort: A parcel, or portion of parcel that is used as a licensed lodging establishment provided that part of the parcel, or a nearby parcel associated with the lodging establishment, is also used as part of a ski facility, waterpark, amusement park, or golf course. “Resort” shall not mean a parcel that is part of a complex that is primarily used for camping facilities.

Industrial: A parcel or portion of a parcel that is used for the production and fabrication of durable and nondurable goods including manufacturing plants and utilities.

Undeveloped: An undeveloped parcel that includes wooded land, shore lots, residential building lots, unimproved commercial lots, unimproved

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

agricultural land; and a parcel with buildings of little or no value, such as small camps.

Public Use: A parcel or portion of a parcel that qualifies for an exemption from State taxation under Chapter 125.

House Appropriations Committee Slashes VLCT Priorities

In a move sure to generate further discussion on budget priorities, the House Appropriations Committee gutted some of VLCT's favorite programs and most essential government services **in their version of the FY26 state budget**. Here is a summary of our top concerns from the House's recent changes:

Municipal Technical Assistance Program: The House Appropriations Committee **eliminated** the $3M proposed by Governor Scott for the Vermont Agency of Administration's Municipal Technical Assistance Program (MTAP). MTAP is provided with support from VLCT and the state's regional planning commissions and is vital to low-resource communities working on water, sewer, housing, economic development, flood recovery, and other critical infrastructure and community projects.

Infrastructure Sustainability Fund: Reduces the House Committee on General Affairs and Housing recommended appropriation to the Vermont Bond Bank from $15 million to $7.5 million.

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

VHFA Missing Middle Homeownership and Rental Revolving Loan Fund: Reduces the House Committee on General Affairs and Housing recommended appropriation from $20 million to $12.5 million.

Vermont Housing Improvement Program: Moves $4 million from base funding to one-time funding.

Brownfield Revitalization: Eliminates $2 million in new funding.

State Prosecutor's Budgets: The House rejected the funding request of the Department of State's Attorney's and Sheriffs above the governor's recommendation needed to fill a number of critical new and vacant positions. State prosecutors have over 23,500 pending cases(opens in a new tab), and recent crime data reported by the Department of Public Safety and the National Incident-Based Reporting System (NIBRS) shows that certain property crimes in Vermont – including thefts from motor vehicles, thefts of motor vehicles, identify theft, and shoplifting – have each more than doubled from 2018 to 2023. The House has added $1.7 million to the Attorney General's budget for pre-charge diversion programs.

Stay Involved

We are officially in the back half of the session, and this is where things get messy. At any time, a strike-all amendment could eliminate one of our top priorities or introduce a totally new policy to any of the over 115 bills that VLCT is tracking. Your advocacy team is testifying every week to defend our top priorities and to prevent undue hardship on municipalities. There will be

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026

many more opportunities for you to help Josh and Samantha in VLCT's advocacy work. Remember to register and attend our **bi-weekly Advocacy Chats**(opens in a new tab)**,** which are held via Zoom every other Monday at 1 PM.

- You can find (and share) this legislative report and future reports and alerts on our main Advocacy webpage(opens in a new tab).

- To support VLCT's advocacy work; participate in policy development, testimony, and legislative actions; or just learn more, reach out to Josh and Samantha by email at jhanford@vlct.org(opens in a new tab) and ssheehan@vlct.org(opens in a new tab).

Publication Date

03/24/2025

Copyright Vermont League of Cities and Towns
Current as of: 11/18/2026