WLR April 14: Looking for LOT Refunds, MTAP Funding Cut, More 3-Acre Debate

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Spending priorities and budget concerns sparked by federal cuts dominated discussions in the State House last week. In this issue of our *Weekly Legislative Report*, we update you on Local Option Tax, the Flood Bill, the funding status of the Municipal Technical Assistance Program (MTAP), 3-Acre Permit reform, and more.

Money Back Not Guaranteed: LOT Towns are Looking for a Refund

It has been months since the Joint Fiscal Office released a brief(opens in a new tab) on the current state of the Payment In Lieu Of Taxes (PILOT) Special Fund, and so far, there has been no action to appropriate a return of the $10.3 million-dollar (and growing) surplus to the towns that generated those revenues through local option taxes (LOT).

We thought that, on the heels of a brutal tax year and a bruising election cycle in 2024, lawmakers would jump at this opportunity to send money back to their home districts without having to tap state coffers. Instead, they have quietly expressed a desire to hold back the surplus for a future appropriations debate.

Last week, the VLCT advocacy team again testified that these monies should be returned, this time to the Senate committees on Finance and Government Operations(opens in a new tab).

The PILOT Special Fund revenues are local revenues, created by a process of local control. In consultation with the current 34 LOT towns, VLCT advocates that the majority of current surplus monies should be returned to the communities that generated the revenues.

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According to the Joint Fiscal Office, the surplus is driven by a growing list of municipalities choosing to add LOT and quickly growing consumption tax receipts, which are up about 44% since the pandemic. At the end of FY24, the fund carried a $10.3M surplus and is likely to generate a nearly $4M surplus in the current fiscal year, which ends in June. On Town Meeting Day 2025, four towns (Ludlow, Marlboro, Montgomery, and Montpelier) all approved new LOTS which are projected to add over $500,000 to the PILOT Special Fund annually, beginning in July.

VLCT agrees that in future years a healthy surplus in the fund should be maintained in order to prorate PILOT payments at 100% to the communities that host tax-free state-owned land and buildings. However, over the last two years an extreme surplus of these local revenues has been piling up. Presently, all 34 LOT communities established this taxing authority through a charter process and most have obligated these revenues to support a range of local initiatives including economic development, facilities, town highways, and to buy down property taxes.

VLCT will keep working for a substantial return of the surplus money to the towns that have contributed, but with the annual appropriations bill on its way out the door our window of opportunity may be closing soon. Please continue to let your Senators know that your municipality expects its over payment of LOT to the PILOT Special Fund to be returned.

MTAP on the Chopping Block

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When the annual appropriations bill, nicknamed the "Big Bill", passed the House(opens in a new tab) in late March, all funding for the Municipal Technical Assistance Program (MTAP) had been eliminated. The Big Bill is now in its final stages of mark-up in the Senate Appropriations committee, and so far, MTAP funding has not been restored.

Over the last week, the VLCT advocacy team joined other technical assistance providers including the Vermont Council on Rural Development, the Preservation Trust of Vermont, the Vermont Housing and Conservation Board, and leaders from some Regional Planning Commissions and got to work making sure that Senators (opens in a new tab)understand the incredible impact MTAP has had for Vermont communities since the program was created in 2023.

MTAP is intended to assist communities that have a high need for state and federal grants but very low capacity for accessing and applying for those sources.

Towns that are automatically eligible for MTAP assistance are above the 50th percentile in the Vermont Community Index (VCI) and select communities that were determined to be significantly impacted by the July 2023 floods such as Barre City, Middlesex, and Johnson. See a list of pre-approved towns by county here(opens in a new tab).

Through MTAP, technical assistance partners have leveraged a relatively small state investment to help municipalities capture millions more in state, federal, and philanthropic grants to complete complex funding stacks. MTAP technical assistance partners assist municipalities with project readiness,

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grant research and application, reporting requirements and compliance, and project management.

VLCT has identified at least $15 million in additional funding captured through MTAP assisted projects, with other grant applications submitted and pending award. Examples of successful MTAP projects that have helped bring new investment to Vermont communities include:

- **North Hero**: The North Hero water system has several million dollars' worth of projects to complete. With VLCT's help, the Town closed its $1.5 million funding gap for its water distribution storage tank project with NRBC Catalyst and CDS grants.

- **Wolcott Village Center**: The Lamoille County Planning Commission (LCPC) assisted Wolcott Village with a project involving the planning, design, and construction of a community wastewater system in Wolcott's Designated Village Center. Construction of this system will improve water quality, support housing retention and development, and expand employment and commercial opportunities in this underserved, rural community. The LCPC also provided technical assistance to complete several grant applications, and the village was awarded $2,390,000 toward a total project cost of $4,717,830 in grants from the Vermont Agency of Commerce and Community Development, the Northern Border Regional Commission (NBRC), and Congressionally Directed Spending.

- **Craftsbury**: The Vermont Housing Conservation Board Rural Economic Development Initiative (VHCB REDI) assisted the Craftsbury Saplings

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Childcare team with developing an action plan for project implementation, navigating the process of procuring an architect, and identifying as well as applying for funding. With VHCB REDI's assistance, the project has secured $1,000,000 in NBRC funds toward construction of a new 7,000-square-foot $5.3 million childcare center.

The innovative and collaborative approach of MTAP allows state agencies, local governments, non-profits, and community groups to work together to equitably deploy precious state funds, capture federal investment, and advance shared priorities in Vermont's most rural and underserved communities.

With an increasingly volatile federal funding environment, this additional capacity provided to small towns is more critical than ever to assist them not only in accessing essential dollars to fund local initiatives but to remain compliant so they can keep them.

Join VLCT's advocacy work by asking your Senators to include a $3 million appropriation to MTAP in the state's FY26 budget.

The 3-Acre Debate Continues

The Senate Committee on Natural Resources and Energy has continued its discussions on H.481, an act relating to stormwater management,(opens in a new tab) related to 3-Acre stormwater management permitting.

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Last Thursday, the VLCT advocacy team provided testimony(opens in a new tab) that articulated the complexity of 3-Acre regulations, which in large part apply to already developed, privately owned parcels. We provided information about the types of treatments required and updated cost projections, which are up to $70,000 - $112,000 per acre.

Total costs for all 677 sites (6,500 acres) is in the ballpark of $700 million. Other than the construction of new water treatment plants, remediation of 3-Acre sites is the most expensive clean water program(opens in a new tab) in terms of dollar per estimated kilogram of total phosphorus load reduced.

The fact is that only 177 of 677 sites have received permits between 2019 and 2025, and serious concerns related to equity, the cost of treatment, and feasibility for developed areas persist. VLCT laid out our request for 3-Acre Permit Reform:

- Allow cost to be a factor in assessing feasibility and/or the engineering for treatment.
- Allow municipalities to separate publicly owned facilities (such as town roads) from private parcels under the permit.
- Remove dispersed residential neighborhoods without common ownership from 3-Acre regulation.
- Only require treatment at the time of redevelopment.
- Protect municipal liability.

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VLCT testimony was followed the next day by members Jay Furr, Richmond Selectboard Chair; Chris Violette, Barre Town Manager; and a slate of affected homeowners. Their compelling testimony illustrated their inability to implement 3-Acre Permit requirements and the financial hardships associated with 3-Acre permitting. We expect H.481 to receive bill mark-up this week and hope to see some commonsense changes.

Take Action

We are entering a critical period of the legislative sessions that includes final mark up on key bills for VLCT including the Flood Bill, both Housing Omnibuses, and the annual Big Bill for FY26 Appropriations. **Now is the time to jump in and help** Josh and Samantha in **VLCT's advocacy work**.

Take action by contacting your local representatives(opens in a new tab) and sharing how these critical bills will help your community:

- **The Flood Bill:** H.397(opens in a new tab), an act relating to miscellaneous amendments to the statutes governing emergency management and flood response, is considered a "must pass" for the session and includes several amendments proposed by VLCT related to municipal finance, as well as a number of reforms targeting support to municipalities to enable the preparation, emergency response, and recovery from flood disasters and other all hazard events. This bill would also raise the LOT withholding formula from 70/30 to 75/25 as drafted.

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- **MTAP Appropriations:** When the annual appropriations bill, nicknamed the "Big Bill", passed the house in late March all funding for the Municipal Assistance Program (MTAP) – despite inclusion in the Governor's budget – had been eliminated. The Big Bill is now in its final stages of mark-up in the Senate Appropriations committee. VLCT is asking for a $3 million appropriation to MTAP in the state's FY26 budget.

- **Legal Trails:** S.4(opens in a new tab), an act relating to maintenance and use of legal trails, would clarify, once and for all, the exclusive authority of municipalities to regulate both the use and the maintenance of legal trails. It is too late for S.4 to make it out as a standalone bill this session, but the Senate Transportation committee(opens in a new tab) could amend the same simple language into the annual Transportation bill. This **clarification could end the uncertainty of nearly 600 miles of legal trails**, precipitated by a landowner's legal challenge in the Town of Tunbridge.

- **Community Housing Infrastructure Program**: The Senate's omnibus housing bill, S.127(opens in a new tab), contains many of the same provisions and affordable housing funding as the House omnibus housing bill(opens in a new tab), with the addition of a transformative new infrastructure financing tool for municipalities called the Community and Housing Infrastructure Program (CHIP). 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 should clear its first House committee of jurisdiction next week (Commerce) and then may

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face its toughest challenge yet in the House Committee on Ways and Means.

Stay Up to Date on VLCT's Ongoing Advocacy Work

- Remember to register for 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).

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