April 21: Back to Basics – Town Highway and Infrastructure Funding

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It's back to basics this week as lawmakers finalize the Appropriations Bill. VLCT priorities are being considered across both chambers and in multiple committee rooms; in some cases, bills are moving concurrently through committees of jurisdiction. In this *Weekly Legislative Report*, we update you on the debate to use tax increment financing to fund infrastructure work, deliberations on appropriations, the annual Transportation Bill's proposed appropriations and programs, and more.

MTAP Was Out, Then In, Then Out, Now Back

The Budget Bill (a.k.a. The Big Bill) is now in its final stages of mark-up in the Senate Appropriations Committee, and the Municipal Technical Assistance Program (MTAP) has had a wild ride.

Following a flurry of grassroots advocacy over the course of last week, the committee briefly included base general funding, before eliminating it again on Thursday. On Friday, the Senate Economic Development Committee included $3 million for MTAP in their budget requests. Friday afternoon, the Appropriations Commitee drafted in $1 million in funding for MTAP using the Payment In Lieu Of Taxes (PILOT) fund surplus.

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. This excludes many of the top PILOT surplus contributors including Williston, the City of Rutland, South Burlington, Colchester, and Brattleboro. See a list of pre-approved MTAP towns by county here(opens in a new tab).

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If MTAP is funded, even nominally, and even from PILOT, that allows us to continue to advocate for the program in future budget adjustment acts and budgets. VLCT will push for Big Bill language to extend MTAP eligibility to all Local Option Tax (LOT) contributing municipalities, or to move MTAP out of the PILOT obligations and back into the structural budget.

The committee also brought back funding for a new Infrastructure Sustainability Fund at the original $9.1 million proposed by Governor Scott. The fund would be available to support municipal infrastructure and would be operated by the Vermont Bond Bank. The House Committee on Housing and General Affairs had recommended $15 million, while the governor and the Senate Committee on Economic Development had each recommended $9.1 million. VLCT has said the more the merrier – because public infrastructure is foundational to achieving all of our shared goals to create housing, improve water quality, and build flood resilient communities.

The Senate Committe on Appropriations has also revived funding for communities affected in the July 2024 floods(opens in a new tab). $3.8 million in proposed flood block grants, originally included in the FY25 Budget Adjustment Act have been moved to the Big Bill.

VLCT Defends Tax Increment Financing Against Auditor's Attacks

On Wednesday, the VLCT Advocacy Team testified(opens in a new tab) again in favor of the Community Housing and Infrastructure Program (CHIP) in bill S.127(opens in a new tab) – this time to the House Committee on Commerce

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and Economic Development.

VLCT testified behind State Auditor Doug Hoffer, the primary opponent of the transformative CHIP proposal. The Auditor calls CHIP risky and "a radical departure from the current TIF program(opens in a new tab)".

We agree, CHIP is nothing like the current Tax Increment Financing program, which advocates and officials have recently taken to calling "Big TIF". For far too long the opportunity of tax increment financing for public infrastructure has been reserved for only Vermont's largest and best resourced municipalities, and those communities ready and able to commit to decades of ambitious growth. CHIP is a significantly scaled-down program, designed with special considerations for small rural towns, including eligibility criteria beyond Act 250-exempted zones and the ability for developers or a sponsor to acquire the initial infrastructure debt.

As VLCT has testified, CHIP isn't the best plan for financing the public infrastructure we need to support new housing – **it's the only plan**. The current scarcity of housing is driving home valuations higher, and the growing cost of government is landing on too few property taxpayers – making Vermont increasingly unaffordable. Conversely, the current Big TIF and the proposed CHIP will grow our tax base and improve affordability statewide. "The more people we have, the higher our tax base goes up, and we have money to do things we need to do"(opens in a new tab), said Representative Mike Marcotte, R-Newport.

In his testimony, Hoffer called the Education Fund a "piggy bank" for TIF. The truth is that the Current Use Program withholds over $70 million per year in state property taxes from the Education Fund, while worst-case scenario

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analysis(opens in a new tab) shows that Big TIF would divert a maximum of $6.5 million to tax increment financing in FY26 across all of the active TIF districts statewide. Of course, that money doesn't go into thin air – it decreases debts acquired by municipalities that are building critical public infrastructure. In FY26 the TIF districts will add $1.6 million in new revenue to the Education Fund, plus all of the prior taxable valuable on parcels under development. Hoffer's math is not adding up.

And anyway, CHIP is not Big TIF. CHIP is a radical departure – one that **every community can leverage at scale** to realize the new homes that they have envisioned, planned for, and allow in local bylaw.

Annual T-Bill is a Mixed Bag for Cities and Towns

On Friday, the Senate Committee on Transportation voted unanimously to advance the annual Transportation Bill, H.488(opens in a new tab), also known as the T-bill.

After a wild ride, at the finish line the committee added language which would effectively advance bill S.4(opens in a new tab) to protect the ability of municipalities to regulate both the use and maintenance of legal trails. The committee will hear further testimony on the legal trail provision this week, including further analysis from Legislative Counsel. Further amendments may come before the T-bill advances to the Senate floor, but the current provision provides the committee a foothold to continue its work on legal trails while the T-bill heads to the Appropriations Committee.

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Not included in this year's T-bill is adequate or level funding for town highways. The bill still carries the governor's recommended cuts(opens in a new tab):

- 16.6% less for town highway bridges
- 10.2% less for town highway structures
- 2.9% less for Class 2 highways

Meanwhile, Transportation Secretary Flynn reports that costs are up as high as 40%(opens in a new tab) and the State's own paving schedule for FY26 is down 45%(opens in a new tab).

Transportation Fund revenues primarily come from DMV fees, Purchase and Use Tax, and Gas Tax. The Gas Tax has been on a steady decline as more users transition to hybrid and electric vehicles, and last year $49 million of Purchase and Use Tax (one-third of the total) was sent into the Education Fund. While the dickering over education funding reforms continue, there has been too little attention on these critical and declining transportation funds.

Deferred maintenance of the Transportation Fund will have real costs for cities, towns, and Vermonters. Today, one quarter of state-maintained roads are rated "poor" or "very poor". On the current paving schedule, that proportion will inverse in just the next few years and more than half of state roads will fall into disrepair.

The Senate Transportation Committee(opens in a new tab) is expected to discuss the T-bill appropriations for a final time this Friday.

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What We're Reading

Legislative reports provide the factual and fiscal foundation for much of the State House debate concerning new legislative proposals. Here are a few published reports, briefs, and recent reporting on legislative happenings that we are interested in.

- Amid Federal and State Funding Questions, More Vermont Municipalities are Turning to Local Option Taxes(opens in a new tab) – VTDigger
- Tax Increment Financing Program Annual Report Fiscal Year 2024(opens in a new tab) – Vermont Economic Progress Council
- Tracking Changes to Federal Funds in Vermont Under the Trump Administration(opens in a new tab) – Vermont Public
- FAQ for the April 30, 2025 Reporting Deadline for ARPA's State and Local Fiscal Recovery Funds(opens in a new tab) – National League of Cities
- Plan Would Overhaul Vermont's Response to Homelessness, Dissolving Statewide Motel Program(opens in a new tab) – VTDigger
- March 31 Housing Report(opens in a new tab) – Vermont Department of Children and Families

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Take Action

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We are entering a critical period of the legislative session that includes final mark-up on key bills for VLCT including the Flood Bill(opens in a new tab), Senate Housing Omnibus(opens in a new tab), and the annual Big Bill for FY26 Appropriations. **Now is the time to jump in and help 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. 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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