May 19: Bumpy Road Ahead for CHIP Housing Bill; Clear Path for Budget, Legal Trails, and Heavy-Duty Truck Transition

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Things are heating up under the golden dome as adjournment looms large. Last week, the "Big Bill" for state appropriations was passed and the year's premier housing proposal hit a roadblock. In this *Weekly Legislative Report*, we update you on the budget, a rollback on the electrification of heavy-duty trucks, legal trails, and more – and make an urgent call to action to support CHIP.

$9.1 Billion State Budget Bill Awaits Governor's Signature

The FY26 Appropriations bill, H.493(opens in a new tab), was passed and delivered to the governor for his signature on May 15. Governor Scott is expected to sign H.493, but always has five days excluding Sundays to sign, veto, or let passed bills become law without his signature.

Usually. the budget bill is controversial and one of the last bills to pass each session, but this year the House, Senate, and Scott administration reached compromise on the budget with time to spare.

The FY26 budget fulfills all statutorily required reserve requirements, meets all pension obligations, stabilizes several special funds, and makes essential investments in public safety, human services, housing, and other major areas. In addition, all fiscal year 2025 budget adjustments were incorporated into H.493.

The FY26 budget is nearly $360 million more than the $8.7 billion FY25 budget and consists of $2.5 billion of general funds, $3.2 billion in federal funds, $2.4 billion in education funds, $360 million in transportation funds, and $691 million in other funds. Notably, **the FY26 budget transfers $77.2 million from the General Fund to the Education Fund to buy down property tax**

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rates and sets aside $4.0 million to support education transformation. Some highlights from the FY26 budget are listed below.

Housing and Infrastructure

- Fully funds the Vermont Housing and Conservation Board (VHCB) at statutory level of $36.9 million
- $5.0 million General Fund to VHCB for additional housing initiatives
- $2.8 million General Fund to VHCB for developmental disability housing initiatives
- $4.0 million to DHCD for the Vermont Housing Improvement Program (VHIP 2.0)
- $2.0 million to the Department of Housing and Community Development (DHCD) for the Manufactured Home Improvement and Repair Program (MHIR)
- $16.1 million for the Vermont Housing Finance Agency (VHFA) Middle-Income Homeownership Development and First-Generation Homebuyer programs and the Rental Revolving Loan Fund
- Provides $29.7 million for the Housing Opportunity Grant Program (HOP) that assists homeless individuals in addition to $3.35 million added to support new shelters opened in fiscal year 2025

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- Maintains $446,253 to address youth homelessness
- Maintains $8.1 million base appropriation for General Assistance Emergency Housing
- $30.5 million General Fund to DCF for General Assistance Emergency Housing
- $2.0 million General Fund to DCF's Office of Economic Opportunity (DCF-OEO) for shelter bed expansion
- Sets aside $10.0 million to support Emergency Housing GA transition in H.91
- $235,000 General Fund to the Department of Disabilities, Aging and Independent Living (DAIL) for HomeShare
- Adds $1.6 million for the Land Access Opportunity Board

Municipalities

- $50,000 to DEC for Municipal Wastewater Connections Database
- Includes additional support for communities impacted by flooding events in 2023 and 2024
- Eliminates all MTAP funding, which had been proposed at $3M

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- $7.5 million for the Vermont Bond Bank Infrastructure Sustainability Fund

- $12.2 million for payment in lieu of taxes (PILOT)

- $1 million for brownfield remediation and redevelopment

Education and Workforce

- Transfers $77.2 million to the Education Fund be used for property tax relief

- Sets aside $4.0 million to support education transformation

- $17.5 million for Universal School Meals

- $9.5 million for environmental contingency fund for polychlorinated biphenyl (PCB) testing and remediation in schools

- Provides a 3% increase to the University of Vermont (UVM), Vermont State Colleges (VSC), and the Vermont Student Assistance Corporation (VSAC)

- Adds $3.8 million to the Judiciary for Tech Fund revenue replacement and $200,000 for security services cost of living adjustment (COLA)

Public Safety and Justice

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- Adds $650,000 to Sheriffs to restore vacancy savings, allowing existing transport deputy positions and one new transport deputy position to be filled

- Adds $650,000 to the State's Attorneys to restore vacancy savings and adds one fiscal and IT staff

- Establishes two new positions at the Human Rights Commission

- $1.1 million to the Agency of Administration for the Truth and Reconciliation Commission

- $600,000 to the Department of Public Safety (DPS) for State match for a cybersecurity grant

- Adds funds to support a new canine trainer at the Criminal Justice Council

- Adds $450,000 for the Urban Search and Rescue Team

- $800,000 to DPS for mobile and portable radio equipment

Food Security and Agriculture

- $500,000 to AAFM for a grant to Vermont Foodbank for the Vermonters Feeding Vermonters program

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- $500,000 to Vermont Local Food for Schools and childcare grants
- $850,000 to DEC for the Concentrated Animal Feeding Operation database project
- $17.5 million for universal school meals

This year's bill also establishes a process to manage moderate reductions to federal funds when the General Assembly is not in session and establishes a contingent appropriations list including resources to help mitigate any changes in available federal funds.

Reference Sites

- The complete line item comparison of FY26 budget to FY25 budget (opens in a new tab)
- All FY26 Budget Documents(opens in a new tab)

CHIP: House General Draft Good, Ways and Means Draft Bad, Debate Could Get Ugly

Momentum behind the illustrious CHIP proposal slowed dramatically last week following passage of the House Committee on Ways and Means amendment(opens in a new tab) to S.127(opens in a new tab) that substantially diminishes the ability of many municipalities and housing developers to use this game-changing program. VLCT summarized the work done by the House

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General and Housing Committee in our May 5 report(opens in a new tab) and the later changes proposed by House Ways and Means in our May 12 report (opens in a new tab).

Representative Charlie Kimball spent last week reporting out on the changes proposed by the money committee, first to the Rural Caucus on Wednesday, then to a joint hearing of two House policy committees Commerce and General and Housing, and finally on Friday to a rare pre-vote convening of the full body at a "caucus of the whole". After much discussion, there is not much to say other than that the vibes are not vibing. The House does not appear to have the votes to support the Ways and Means Committee amendment.

For his part, Governor Scott released a rebuke of that amendment(opens in a new tab) on Wednesday, followed by a more urgent message of encouragement on Friday,(opens in a new tab) saying, "Last session, the Legislature passed 70 bills in three days, so I'm confident there is still time to pass a housing bill that actually helps Vermont, because without action, we will fall further behind."

The bill *was* expected to take a one-day drive-by through the House Appropriations committee and head to the floor for second reading early this week. However, with general discontent among lawmakers, advocates, and the governor, it is now expected that the Appropriatons Committee will retain the bill and soon offer a third compromise amendment to bridge the gap between the policy and money committees' desired changes to the program.

VLCT opposes the House Ways and Means amendment, which would restrict its use in rural communities and for low-resource towns, exacerbate

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geographic inequity, or complicate the municipal processes required to apply for and receive approval for a CHIP financed development. We object to:

- Requiring municipalities to enforce year-round occupancy for the life of the debt service or in perpetuity
- A regional or statewide annual cap on usable increment
- A "Big" TIF sunset
- A "but for" test

VLCT supports the House General and Housing amendment with some improvements:

- **Eliminate location eligibility criteria**. CHIP is a financing tool for building public infrastructure, not a land use regulation. Following months of rapacious debate and testimony, there is no consensus on how best to define location-based eligibility for CHIP that is inclusive of small towns and does not distort prior policy work to encourage smart growth development accomplished by the legislature in Act 47 and Act 181. We advocate allowing local and state land use law to dictate where we build.
- **Support a minimum amount of floor area for housing at or below 51%**. Many advocates and affordable housing providers have testified in favor of minimum housing ratios above 50% for mixed-use developments.

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However, in many rural communities that have zoning, local bylaws limit building height and require first floor commercial space within designated downtowns and villages. A ratio closer to 50/50 would be more feasible within rural downtowns.

- **Use inclusive infrastructure definition.** For all municipalities to use CHIP, it is important to allow tax increment financing for infrastructure that includes alternative water and wastewater systems such as a community well or septic that may be privately owned. Allowing CHIP to be used for more incidental, but equally necessary, improvements such as the extension of fiber and electric utilities will improve the feasibility of housing projects in rural areas and lower the cost of housing for the end users – new renters and homeowners.

The good news is that amid the momentary chaos there is a clear indication of broad, tri-partisan support behind the underlying CHIP proposal. The bad news is that we are running out of time to see the final passage of this transformational housing bill.

Before things get ugly, **take action and make it clear to your local representatives that S.127 and the Community Housing and Infrastructure Program is a must pass bill for 2025**.

Take Action to Support CHIP NOW!

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We need your help in the ensuing end-stage debate over how to right-size CHIP for all Vermont communities. For CHIP to work for our big cities ***and*** our small rural towns, it must be flexible, support all housing types, and be available in a range of residential development areas. VCLT believes that CHIP is the best proposal to spur new housing development because:

- CHIP does not use any state appropriation.
- CHIP does not require an increase in municipal tax rates or municipal water rates to pay for bonds or debts.
- CHIP grows non-property tax state and local revenues by building mixed-use projects, including those that grow the Education Fund like Meals and Rooms Tax and Sales and Use Tax.
- CHIP increases state and local tax capacity long-term by growing the grand list.
- CHIP grows the Education Fund in the short-term with a portion of new tax revenues (currently proposes a range of 20-40% of new taxes into state coffers).

This week, final amendments to CHIP and passage are expected in the House – followed by a likely (lengthy) conference committee to reconcile the House and Senate housing omnibus packages.

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Take Action Now by Contacting Your Local Representatives.

Call, text, email, or meet with your local representatives(opens in a new tab) this week and let them know why you oppose the House Ways and Means Amendment and how CHIP can be improved to help your community improve public infrastructure, build housing, and grow the grand list using the talking points above.

What lawmakers need from you:

- Tell them about potential projects in your area that can become CHIP built housing.
- Help them understand what your community needs for public investment, technical support, and usability of the program.
- Share what you are hearing from voters and constituents who want more housing, bigger grand lists, and lower taxes.
- Remind them that more housing means more students, more revenues, and more opportunities.
- Show them your municipal plans, feasibility studies, public comments, and community visions that call for housing of all types and at the densities appropriate for your town or city.

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Let lawmakers know that we're in this together! State and local government must work together to tackle Vermont's housing shortage.

Legal Trails Roller Coaster Ending on a High

Since February, VLCT along with allied trails groups, outdoor recreation businesses and enthusiasts, and conservation organizations have been fighting for the future of over 500 miles of municipal trails across the state.

Early in the session, Windsor County Senator Alison Clarkson had sponsored bill S.4, an act related to maintenance and use of legal trails(opens in a new tab). Also sponsoring the bill were Senators Becca White, Martine Gulick, Ruth Hardy, Andrew Perchlik, Anne Watson, and David Weeks. S.4 as it was proposed would prevent future challenges by property owners to the use ***and maintenance*** of town trails – like the headline-grabbing suit still unfolding in Tunbridge(opens in a new tab).

When S.4 failed to make the crossover deadline, VLCT provided testimony (opens in a new tab) to the Senate Transportation Committee in April. Senators also heard from the bill's primary opponent – the plaintiff in the Tunbridge case. At the final hour, the Senate Transportation Committee acted to include the legal trails protection in the annual transportation bill for state transportation programs and appropriations.

Things took a turn again in early May, when House members on the conference committee chose to pull the statutory language regarding legal trails before sending the transportation bill to Governor Scott for his signature.

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Hope was not lost, because the House Transportation Committee had retained custody of the Senate's bill S.123, an act relating to miscellaneous changes to laws related to motor vehicles(opens in a new tab). VLCT and other advocates (and the bill's one opponent) resumed testimony in the House Committee throughout last week.(opens in a new tab)

VLCT Staff Attorney Kail Romanoff presented(opens in a new tab) our MAC attorney's position that risks to municipalities and to the future of public access to legal trails would be greater if the legislature chooses not to act. Kail said that without clarification for the municipal authority to maintain trails for their regulated uses, a trail was nothing but "lines on a map".

Finally, lawmakers were compelled to act, and on Friday morning the House Transportation Committee chose to amend the Senate's language into S.123, added explicit intent language that it was their choice to clarify this already existing authority, and passed the bill 11-0.

VLCT appreciates the support and coordination of many other advocates, including the Vermont Trails and Greenways Council(opens in a new tab), the leadership of Transportation

Committee Chairs Senator Richie Westman and Representative Matt Walker, and the originating S.4 champions, Senators Allison Clarkson and Becca White, for their leadership on this critical issue.

S.4 for legal trails is what lobbyists affectionately call a "zombie bill" because it died and found new life many times throughout this session, revived each time by motivated advocates. We are pleased that this critical statutory

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language survives in bill S.123, and we will keep working to ensure that Vermont's proud history of public access to the great outdoors lives on in perpetuity through our hundreds of miles of municipal trails.

Vermont Mayors Want More from H.91 Emergency Shelter Redesign

The legislature is proposing sweeping changes to the state's emergency shelter system and General Assistance Program in bill H.91, an act relating to the Vermont Homeless Emergency Assistance and Responsive Transition to Housing Program(opens in a new tab).

The proposal began in the House Human Services Committee and is nearing passage in the Senate.

The Vermont Mayors Coalition has unanimously responded in a recent letter to lawmakers(opens in a new tab) calling for the Legislature to allocate direct funding assistance to municipalities and strongly advocating for municipal representation on the Regional Advisory Councils which will be tasked with the design and oversight of the new scheme, to be administered regionally by CAP agencies. They also advocated for legislative intent to decrease the threshold for activation of extreme cold weather shelter from -20 degrees to -10 degrees Fahrenheit and emphasized the need for state support for new permanent housing development.

The mayors highlighted the ongoing negative effects of the General Assistance Motel Program on municipal budgets – including fire, police and emergency medical services, libraries, community services, and all frontline

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staff. Local communities are spending significant amounts of local dollars to address strain on staff capacity, create shelters, pay for hazardous waste cleanups, and more.

Pause in Heavy-Duty Truck Requirements Welcome Relief to Cities and Towns

On Wednesday, Governor Scott issued an executive order(opens in a new tab) that effectively delayed regulations that were reducing the availability of snowplows, dump trucks, and other heavy-duty vehicles that municipalities rely on.

Vermont cities and towns plan for years for the purchase of a new truck or specialized heavy-duty equipment, which often cost in the six figures. They then often wait for more than a year for a truck to be delivered, and VLCT members report a lack of inventory and unexpected cost increases due to new emissions requirements.

VLCT Executive Director Ted Brady issued a statement in support of the Executive Order(opens in a new tab), saying:

“Governor Scott’s decision to delay implementation of rules that were increasing the cost and reducing the inventory of the mainstay of municipal road work, the dump truck, is a relief to municipal budgets and Vermonters.”

The current regulations, the Advanced Clean Cars II, Advanced Clean Trucks, and Heavy-Duty Engine and Vehicle Omnibus rules, which require manufacturers to sell an increasing number of zero-emission vehicles, are

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effectively suspended until December 2026. This gives lawmakers another year to reconsider a more feasible transition schedule or for the market to catch up before state enforcement of the rules begins. You can read more about the change in this recent Seven Days article(opens in a new tab).

The End is Near

If the rumors are true, the legislature is a mere 10 days away from adjournment. Critical legislative proposals are on the line for housing, flood recovery(opens in a new tab), and education reform(opens in a new tab), as well as necessary updates VLCT has called for related to municipal finance authorities(opens in a new tab), Open Meeting Law(opens in a new tab), and elections law(opens in a new tab).

With broken supermajorities, a veto session is scheduled for mid-June but is unlikely to function as a re-do opportunity for lawmakers' top priorities as recent veto sessions have. That means a marathon week ahead to find final compromise and pass veto-proof bills that answer voters' calls to action to build housing and lower property taxes.

Stay up to date on the status of VLCT's priorities by reading our weekly legislative reports, action alerts, and testimonies. We will schedule a series of advocacy chats to wrap up the session once the timing becomes clearer.

As always, **please take action** by contacting your local representatives(opens in a new tab) and sharing how VLCT's priority bills will help your community.

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