May 28: Priority Bills Are On The Ropes as Adjournment Looms

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The 2025 legislative session is officially in overtime. With adjournment likely pushed into early(opens in a new tab) June, the legislature has so far passed 57 bills(opens in a new tab) and Governor Scott has signed 35 into law. In this *Weekly Legislative Report*, we update you on the session's housing policy showdown, Open Meeting Law update, the flood bill, an upcoming opportunity to learn about municipal expenditures for opioid settlement dollars, and more.

CHIP Sails Through the Senate and Limps Along in the House

Last week we reported that the proposed House Ways and Means Amendment to the Community Housing and Infrastructure Program (CHIP) was dead on arrival. Following backlash against the money committees' so-called "guardrails", dueling floor amendments emerged. The first represented a negotiated compromise between the Chairs of the House committees for Commerce, Housing and General, and Ways and Means; the second was an amendment to that amendment developed by the non-partisan 78-member Rural Caucus.

The "Chair's Amendment" was introduced by Ways and Means Committee member Representative Charlie Kimball and left in place the controversial cap, "but for" test, and requirement that CHIP-built projects provide permanent residences "in perpetuity" – but did eliminate location-based eligibility criteria and the duplicative review process with the so called "CHIP Board". The Rural Caucus amendment went a bridge farther toward the Senate's version of the program by eliminating the "but for" test, lowering the ratio of floor area for housing required, and broadening the types of infrastructure allowed to be paid for with tax increment financing.

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As the House's second reading of S.127(opens in a new tab) approached, what ensued was a rush of lobbying, vote whipping, and political theater rarely seen in the chamber, which has long been characterized by a Democratic majority. Actions were suspended, hearings were held, party caucuses were convened, and when the dust settled the floor votes fell along party lines, with the Rural Caucus amendment failing and the Chair's Amendment prevailing.

Amid the temporary breakdown in the House, the Senate acted swiftly to suspend the rules and unanimously passed H.454(opens in a new tab), which is the House's Housing Omnibus with CHIP now added, and the language related to municipal appeals removed.

Now there are two opposing housing bills. Each has passed both chambers, but they contain differing visions of the CHIP program.

A conference committee is expected to convene later this week to reconcile the two bills and forward a final vehicle to the governor for signature. VLCT will continue to push for a few final tweaks to CHIP to ensure this transformative program can reach its full potential. As one VLCT member said, "TIF is great; CHIP is better".

Open Meeting Law Rewrite Passes

Yesterday, the Senate voted to concur with the House changes to S.59, an act relating to amendments to Vermont's Open Meeting Law(opens in a new tab), the bill is now headed to Governor Phil Scott.

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VLCT entered the 2025 session advocating for a long list of technical changes to the recently revised law. Several of our requests were introduced in the early version of the bill as drafted in the Senate Government Operations Committee, and a few more favorable changes were made by the House Committee on Government Operations.

VLCT appreciates the diligent work of each committee and their efforts to clarify Open Meeting Law to allow compliance by local governments. If signed into law, S.59 would:

- Clarify that the undue hardship exemption applies to the "unit of government", meaning the state, city, or town, and not to the public body.

- Clarify that the hybrid requirements apply to State public bodies and eliminates the use of the phrase "non-advisory body".

- Clarify the requirement to record and post recordings of meetings for local public bodies. Recordings must be posted for 30 days following the posting of the meeting of minutes.

- Allow places designated for meeting notices to include public places in neighboring towns.

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- Clarify how “proposed executive sessions” should be warned on posted meeting agendas.

- Add training requirements for members of some State advisory bodies.

- Allow executive sessions for the discussion of cybersecurity and for the discussion of business information relating to interest rates for publicly financed loans set by State bodies and creditors.

- Strengthen the definition of “disorderly conduct” as used in Open Meeting Law to include conduct that:
    - causes an assembly or meeting to terminate prematurely, or
    - consists of numerous and sustained efforts to disrupt an assembly or meeting after being asked to desist.

Flood Bill Rushes Toward Passage

The Senate has also noticed H.397, an act relating to miscellaneous amendments to the statutes governing emergency management and flood response(opens in a new tab), which is expected to pass without controversy and to avoid conference committee before heading to the governor.

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VLCT Advocacy team member Samantha Sheehan told the Senate Finance Committee, “we love the flood bill and hope you pass it.”

H.397 carries several VLCT priorities related to municipal finance authorities which, together, would substantially improve the resiliency of local budgets and flexibility for local legislative bodies in planning for and responding to emergencies and unexpected challenges. If passed, H.397 would:

- Give municipalities the authority to establish an Unassigned Fund Balance.
- Give municipalities the authority to borrow funds for up to five years of debt service in the case of an all-hazards event or a state of emergency.
- Give municipalities the authority to establish level debt service for bonds.
- Change the state withholding formula for local option taxes to 75/25 (from 70/30).

This bill would also:

- Make miscellaneous changes to state emergency planning processes including a requirement to report annually to the legislature.

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- Require the Division of Emergency Management to assist municipalities to acquire river observation and modeling systems and weather alert systems upon request.

- Initiate a needs assessment for the Division of Emergency Management.

- Expand the emergency powers of the governor to include the initiation of dam draw downs, in consultation with the Secretary of the Agency of Natural Resources and when certain criteria are met.

- Create a grand list stabilization program for towns with flood properties, funded by the PILOT Special Fund Surplus.

VLCT appreciates the leadership of freshman lawmaker and bill sponsor Representative Teddy Waszazak of Barre, as well as the work of each Committee on Government Operations, who considered and supported the various amendments proposed by VLCT and our partners at the Vermont Bond Bank.

With (somehow) even more rain in the forecast, municipal officials across Vermont continue to hope for the best and plan for the worst. H.397 will critically improve the ability of local government to respond to disaster, and we urge Governor Scott to sign this year's flood bill into law.

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Local Option Tax Formula Changes, Surplus Continues to Grow

The legislature will be revising the Local Option Tax (LOT) withholding formula upward for the first time since 2005, but without a return of the substantial surplus accrued from local option tax collections.

Up until the bitter end, VLCT and many of our members advocated for the LOT formula to change to 80/20 and to return some of the rapidly growing surplus in the PILOT Special Fund to the municipalities that raised those revenues.

While some legislators were sympathetic, most were unwilling to debate how the surplus could be best expended from state coffers.

In VLCT's final round of testimony to the Senate Committee on Finance(opens in a new tab), Samantha Sheehan used updated projections by the Joint Fiscal Office to demonstrate that the revised formula of 75/25 set by the Flood Bill, minus the FY26 appropriations made in the already signed budget bill, would add to, not reduce, the already more $10 million dollar surplus in the PILOT Special Fund.

VLCT has testified numerous times that the factors driving growing LOT revenues are unlikely to change regardless of the economic uncertainties ahead. LOT revenues are on the upswing because of last year's change to make all municipalities eligible to adopt LOT, without requiring legislative review and approval.

The other factors driving increasing LOT revenues include:

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- The Wayfair Decision – retail tax now applies to all online retail sales in Vermont.

- Legalization of recreational cannabis – retail tax now applies to all cannabis sales.

- The proliferation of short-term rentals.

- General growth in all consumption tax receipts, up over 40% overall post-pandemic.

More towns are adopting LOT, and more goods and services are now taxed by LOT. Even with the favorable change in the formula to 75/25, the surplus of these locally generated revenues sitting in state coffers will only grow. So far, lawmakers have been largely unwilling to talk with us about what to do about it.

We're happy for this interim change and looking forward to coming back next session with more evidence to support a return of LOT dollars to local towns.

Opioid Settlement Funds, State and Local

Among the bills signed into law by Governor Scott is H.218, an act relating to fiscal year 2026 appropriations from the Opioid Abatement Special Fund

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(opens in a new tab).

Revenues to the special fund come from a number of negotiated settlement agreements with pharmaceutical companies and pharmacies understood to be at fault in the national opioid overdose crisis. Recommendations for how the state should spend its share of these settlement monies annually are made by the State Opioid Settlement Advisory Committee (OSAC), which includes seven members appointed by VLCT to represent local interests. The OSAC recommendations for FY26 are available here(opens in a new tab).

The appropriations for FY26 made in H.218 are in line with the committee's recommendations, and include:

- $1.976 million for 26 outreach positions at the Vermont Department of Health, intended to be ongoing
- $76,000 to Vermonters for Criminal Justice Reform for an outreach worker position
- $1.4 million for recovery residences, intended to be ongoing
- $850,000 for syringe services which will be funded annually at not less than the FY26 levels

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- Continued support for the Burlington Overdose Prevention Site through FY28

- $800,000 to the Department of Corrections for contingency management pilot grants, with $35,000 directed to Pathways Vermont

- $32,157 to the Brattleboro Fire Department for community training for the administration of opioid antagonists, CPR, first aid, and Stop the Bleed

- $44,229 directed to the Champlain Housing Trust for a pilot program for wound care and preventative health care in three low-barrier homeless shelters

- $800,000 to the Office of Economic Opportunity for a program using clinical nurses to provide support and harm-reduction services at shelters

- $309,000 to Southeastern Vermont's Project Connectionworks to reduce opioid use disorder and mortality in Windham County

- $50,000 to the Judicial Branch to train judges on issues related to opioid use disorder

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- $200,000 for youth programs at the Basement Teen Center at Kellogg-Hubbard Library, $100,000 for youth programs at Friends for Change Youth Center in Bellows Falls, and $170,000 for screening and treatment programs for youth at Spectrum Services

- $80,000 to Prevent Child Abuse Vermont to provide parenting training and supports for individuals with opioid use disorder

- $850,000 for specialized employment services for individuals with opioid use disorder

- $550,000 to Northeast Kingdom Community Action for peer support specialists

- $150,000 to Connecticut Valley Addiction Services to expand treatment in Windsor County

- $300,000 to the Johnson Health Care Clinic to improve their Managed Medical Response Partnership with Vermonters for Criminal Justice Reform

- $30,000 for an embedded recovery coach at Treatment Associates of Washington County Mental Health

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- $20,824 to Umbrella for integrated services between service providers responding to sexual and domestic violence victims in recovery in northeastern Vermont

Aside from the state's appropriation of these funds, many Vermont municipalities signed on to the settlements directly and have begun to receive discernments intended for local investments in response to the state's opioid crisis.

The Vermont Attorney General's office will host a Town Hall for municipal officials to learn about what they can expect for local disbursements of Opioid Settlement Funds on Monday, June 6 from 1 PM to 2 PM.

This meeting will address questions from towns and cities about the amount of money your municipality will receive in the future as its share of the state's opioids settlements – and the permissible uses of that money. Representatives of VLCT, the Attorney General's Office, and the State Opioid Abatement Fund Committee will walk attendees through how to determine the amount of funds their municipality will receive in each future year, the requirements for tracking the money you receive, and opportunities to consider when making local appropriations for settlement funds.

To register and receive a meeting link, email jill.abrams@vermont.gov (opens in a new tab).

Over/Under on Adjournment?

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The session could conclude this week or next, or maybe the week after that. The critical bills that allow the wheels of state government to turn have already been passed, including the transportation bill, annual appropriations bill, and the yield bill which sets property tax rates.

However, the governor has said he will call the legislature back for as long as it takes to pass an education reform package, and Vermonters have made it clear that they expect to see meaningful action toward building more homes and addressing homelessness. With each of the major policy bills for housing education headed to conference committee, it seems likely that adjournment will hinge on the ability of the House and Senate to agree on the year's big policy bills – which sounds easier than it is. That also means that anything that doesn't beat the education bill to the governor's desk will likely be left on the table.

Stay up to date on the status of VLCT's remaining legislative 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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