June 2: Legislature Adjourns, For Now

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Unable to find consensus on education transformation, the legislature has entered a 'token session' and will not reconvene again until the veto session, which is already scheduled to begin on June 16. Before gaveling out late Friday night, both chambers passed the most significant investment in municipal infrastructure in state history. In this *Weekly Legislative Report*, we will recap the final, dramatic hours of the regular session and break down the historic housing bill S.127.

Will a 'Token Session' Lead to Real Education Reform?

The final day of the regular session got off to a sluggish start, came to a boiling point, and ended with a fizzle.

The committee of conferees working to reconcile H.454, the education bill, met throughout the day on Friday, before and between periodic floor sessions that lasted late into the night. During this time, each chamber received and passed numerous bills from their committees of conference including for housing, cannabis, agriculture, and prescription drugs.

Things took a turn for the worse in the late afternoon(opens in a new tab) when the three Senate members of the H.454 conference committee introduced what appeared to most onlookers, and importantly to the committee's House members, to be a totally unvetted slate of policy changes that were not included in the Senate's original draft bill, in H.454 as passed by the House, or in the governor's proposals.

At around 10 PM, Senate Pro Tempore Phil Baruth told his chamber that agreement was still on the horizon, and about an hour later he moved to adjourn, pledging to resume deliberations on Saturday morning. Minutes later,

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Speaker of the House Jill Krowinski took a different tack(opens in a new tab) – adjourning officially until Monday morning and messaging that the House would be in a "token session" until June 16.

The committee of House and Senate conferees is expected to continue meeting over the next two weeks to hash out H.454, and brief floor sessions may be held. However, no actions will be taken until the full legislature reconvenes later this month.

Community Housing and Infrastructure Program: the Two Billion Dollar Plan

In the closing hours of the regular session, the Vermont House of Representatives passed by a strong majority of 137-2 and the Vermont Senate passed unanimously bill S.127, an act relating to housing and development (opens in a new tab), which includes the Community Housing and Infrastructure Program (CHIP).

The CHIP proposal as passed represents the most significant investment in municipal infrastructure in state history, allowing up to $200 million per year of tax increment financing annually for ten years to be spent by Vermont communities on infrastructure that will serve a public good and support the development of new housing. Over the next decade, CHIP will enable thousands and thousands of new homes. The Joint Fiscal Office projects it could add at least $380 million to the state's flailing education fund *without raising taxes or rates on existing homeowners and renters*.

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VLCT fought hard throughout the session to make sure that CHIP will enable all types of new housing to be built, for low- and moderate-income families and across both rural and urban areas of all Vermont counties. As one lawmaker said after the floor vote, “this was worth throwing down for.”

Indeed, tensions were high among lawmakers in the week preceding passage of S.127. House and Senate conferees entered the House Committee on Commerce meeting room Tuesday morning, which was standing room only for what became a full week of lively debate.

The Senate had already unanimously passed the underlying CHIP statute twice: first in their bill S.127 and later in the House’s housing omnibus bill, H.479. The program had a much more fraught path through the House, seeing several proposed amendments before representatives eventually passed S.127 with a vote of 100-36. The House added a long list of controversial so-called guardrails, including:

- A “but for” test
- A $40 million per year statewide cap on available increment
- Complex rule making
- A higher required floor area ratio for housing
- Definitions for affordable, moderate, and mixed-income housing and enhanced tax increment for projects under affordability covenants, in perpetuity

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- An unworkable tax increment formula of 60% for market rate developments

- A requirement that municipalities ensure housing be for primary residences only, in perpetuity

- A sunset date of December 31, 2031 for CHIP

- A sunset date of December 31, 2031 for creating any new TIF districts

These changes made by the House left the opposing versions of S.127 miles apart.

The Senate Conference included House Majority Leader Kesha Ram Hinsdale, Senate Economic Development Chair Allison Clarkson, and Senate Finance Member and recent alum of the House Ways and Means Committee Chris Mattos. The Senators entered the meetings with a proposed, narrow compromise and came prepared with a well articulated list of objections to the House's version.

The House Conferees were longtime Commerce Committee Chair Michael Marcotte, the new House General and Housing Committee Chair Marc Mihaly, and Ways and Means Committee member Charlie Kimball. The House conferees began the discussions with a less organized position and struggled to articulate the purpose and intent of their chamber's statutory changes under the expert questioning of Senator Ram Hinsdale – herself an alum of the House Ways and Committee and longtime member and former chair of the Senate Economic Development Committee.

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Over the following days, the House conferees held fast on their requirements of both a "but for" provision and a financing cap but made incremental concessions over more technical components of the bill including "in perpetuity" requirements, the increment retention formulas, rulemaking, and definitions.

Rumor has it that House Democrats met for a late-night caucus on the eve of adjournment, and there numerous champions made it clear that they would not be going home without a real housing bill. Thus, the conferees finally struck a deal late Friday afternoon, and each chamber took up and voted to accept the conference report on either side of the dinner hour.

If signed by Governor Scott, S.127 will forever change Vermont's approach to the financing of public infrastructure and housing. The CHIP program will bring billions of dollars of public investment to communities across the state and facilitate the construction of thousands of new homes of all types. Thanks to its brilliant architecture – and the dogged advocacy of a large coalition of experts, advocates, local leaders, and lawmakers – CHIP will serve communities large and small and drive this historic level of investment while raising new revenues ***without raising taxes***.

VLCT worked hard for this game-changing bill. The coalition of allies working to advance this transformational program is far too long to enumerate, but we extend a special note of gratitude to some of the leaders who helped shepherd S.127 to the finish line, namely the Let's Build Homes network, originating bill sponsor Representative Ashley Bartley of the House General and Housing Committee, Housing Commissioner Alex Farrell and Vermont Economic Progress Council(opens in a new tab) (VEPC) Executive Director Jessica Hartleben, the entire Senate Economic Development Committee

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which was the committee of introduction, and notably Senator Kesha Ram Hinsdale who was an unabashed champion of sound housing policy and the clearest voice for rural communities throughout the conference debate.

CHIP: What Made the Final Cut

The legislature has just passed a bill that, as law, would amount to the greatest total investment in housing in Vermont history, and **they put the implementation of it under the control of local government**.

With vociferous debate all session long, and scant reporting, it would be reasonable to feel totally confused about the status of this highly technical financing program. Here is a high-level overview of what made it into the final statutory language.

Which Municipalities and Projects are Eligible

- All cities and towns are eligible regardless of Act 250 exemption status.
- Any housing or mixed-use project can be eligible as long as it is 60% housing or the development meaningfully addresses the purpose of the program to "encourage the development of new primary residences for households of low and moderate income across both rural and urban areas of all Vermont counties".

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How Much Money is Available

- Market rate developments can use no less than 85% of new municipal tax increment and no more than 75% of education tax increment for a period of up to 20 years to repay the cost of infrastructure.

- Developments that are deemed by VEPC to be affordable – meaning that 15% of the units are affordable for renters up to 80% AMI or for homeowners up to 150% AMI – may use no less than 85% of new municipal tax increment and no more than 85% of education tax increment, also for a period up to 20 years.

- VEPC may approve up to $200 million in aggregate lifetime education property tax increment retention per year for all projects – which amounts to up to $2 billion in state investment over the initial 10-year period of the program.

- Municipalities may commit up to 100% of municipal tax increment retention.

- Debt for the infrastructure investment may be acquired by the municipality, by the developer, or by a third-party "sponsor" that can be an independent agency that meets state lending standards.

What Other Guardrails Exist

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- All market rate projects must meet the "but for" test, demonstrating "whether the infrastructure improvements proposed to serve the housing development site and the proposed housing development **would not have occurred as proposed in the application or would have occurred in a significantly different and less desirable manner** but for the proposed utilization of the incremental tax revenues".

- Affordable developments are exempt from the "but for" requirement.

- In the Infrastructure Agreement, the municipality and developer must provide that any housing unit within the development be offered exclusively as a **primary residence for the period of indebtedness**, and this provision can be satisfied biennially by providing a landlord certificate or homestead declaration.

- The program is set to sunset in 2035, *and there is no TIF sunset included*.

When CHIP Will Be Available:

- VEPC shall issue rules and guidance to the legislature by November 15, 2025.

- VEPC testified that the program should be able to accept applications for approval as soon as January 2026.

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- VEPC is required to approve or deny an application not later than 90 days following a site visit.

- The earliest approvals of developments financed by CHIP could commence as early as May 2026.

Is This Really Happening?

Yes, this is really happening. The Vermont legislature has approved for the first time a project-based tax increment financing tool available to all municipalities. The passage of S.127 was made possible by a unique confluence of political events including historic property tax hikes in 2024, bruising election results for state Democrats that changed chamber majorities and the partisan makeup of key policy committees, the momentum of prior housing bills passed in the previous biennium, a brand new and active statewide pro-housing coalition, a renewed sense of urgency by the Administration, and floundering concurrent legislative efforts toward ambitious health care and education reforms that created the necessary political pressure for lawmakers to deliver on the top priorities of Vermont voters.

In any event, there was a championship window created this year for a home run for housing policy, and VLCT and our larger team of enthusiastic bill champions are claiming victory.

Governor Scott is expected to sign the bill into law – yet it wouldn't hurt to reach out to his office this week(opens in a new tab) to express your support for CHIP.

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Trails Bill Squeaks Through

Just when we thought the saga of legislative debate over municipalities' right to maintain legal trails had concluded, it didn't.

Committee conferees discussing bill S.123, an act relating to miscellaneous changes to laws related to motor vehicles(opens in a new tab), suddenly got cold feet. Although the language relating to municipal legal trails had passed the Senate unanimously in the annual transportation bill and had passed the House unanimously in S.123 just the week before, the transportation conferees began discussing whether they should strike the critical provision to protect over 500 miles of public right-of-way in Vermont's municipal trail network.

Thanks to *another* flurry of advocacy and outreach from trail groups, outdoor enthusiasts, and municipal officials, the committee *again* reversed course.

Conferees elected to make the intent language clarifying the purpose of the existing statute effective immediately, while making the new technical changes that add the explicit authority for municipalities to maintain legal trails effective April 1, 2026.

Other VLCT Priorities the Legislature Passed This Session

At the critical mid-session crossover deadline, VLCT had identified 115 bills introduced for potential municipal impact and had achieved over 20 bill

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introductions or amendments to advance municipal priorities in legislation that was bound for passage.

Since then, 78 bills have been passed and sent to the governor(opens in a new tab). Three have so far been vetoed, two being the failed Budget Adjustment Acts and the other being a proposed Family Support program for the Department of Corrections.(opens in a new tab) To date, Governor Scott has signed 43 bills into law(opens in a new tab).

VLCT 2025 Priorities Awaiting Action by the Governor

- **S.123**(opens in a new tab)**, an act relating to miscellaneous changes to laws related to motor vehicles:** Would protect municipal authority to maintain legal trails.

- **S.127**(opens in a new tab)**, an act relating to housing and housing development:** Would advance numerous priorities in addition to CHIP including continued investment in VHIP and Missing Middle housing, studies for the improvement of brownfield remediation and the regulation of contaminated development soils, and the creation of the Infrastructure Sustainability Fund – a new revolving loan program for municipalities to be administered by the Vermont Bond Bank.

- **S.59**(opens in a new tab)**, an act relating to amendments to Vermont's Open Meeting Law:** Would make miscellaneous technical changes to Open Meeting Law as requested by VLCT.

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- **H.397**(opens in a new tab)**, an act relating to miscellaneous amendments to the statutes governing emergency management and flood response:** Would advance a long list of VLCT priorities including a change in the LOT formula, emergency borrowing authority, level debt service authority, the authority to create and maintain an unassigned fund balance, a municipal grand list stabilization program for flood sale properties, and more.

VLCT Priorities That Have Already Been Signed into Law

- **H.78**(opens in a new tab)**, an act relating to the use of the Australian ballot system in local elections:** The first Act of the year was passed before Town Meeting Day. It made a critical technical change to election law clarifying the ability of municipalities to elect officers by both voice vote and Australian ballot.

- **H.493**(opens in a new tab)**, an act relating to making appropriations for the support of the government:** Makes FY26 appropriations for state government, including to many VLCT priorities that we previously recapped here(opens in a new tab). Notably, the Municipal Technical Assistance Program (MTAP) is not funded in FY26.

- **H.218**(opens in a new tab)**, an act relating to fiscal year 2026 appropriations from the Opioid Abatement Special Fund:** Makes miscellaneous appropriations as recommended by the Opioid Settlement Committee and which we previously recapped here(opens in

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a new tab).

- **H.481**(opens in a new tab)**, an act relating to stormwater management:** Makes incremental changes to 3 Acre permitting, including a new Municipal Stormwater Grant Program and new municipal fee setting authorities. It also creates a study committee on stormwater management and regional stormwater districts.

Opioid Settlement Funds Town Hall

The Vermont Attorney General's office will host a **virtual Town Hall for municipal officials** to learn about what they can expect for local disbursements of Opioid Settlement Funds on **Monday, June 9, 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 they 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).

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What's Next for VLCT Advocacy?

This will be our last *Weekly Legislative Report* for 2025, and we will provide a final Legislative Wrap-Up following the conclusion of the veto session June 16-17. Please join the advocacy team for our session-closing Advocacy Chat on Monday, June 23, at 1PM to discuss the conclusion of the session and to summarize the effects on municipal from all bills passed in 2025.

Keep an eye out for any Legislative Action Alerts as our advocacy team continues to track our final priorities awaiting Governor Scott's approval.

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