January 12: State of the State, CHIP Launch, Testimony on Housing, Public Records, and more

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The 2026 Legislative Session officially opened at 10 AM on January 6. A year ago, the usual State House crowd was lamenting that "week 1" was more like "month 1" as a large class of freshman legislators took their oaths and new committee chairs took the helm. The vibes could not be more different this time around as lawmakers jump in feet first.

Across the capital, building policy committees are taking up newly introduced legislation and beginning discussions on what will be the session's signature committee bills related to transportation, tax policy, education, and housing.

The VLCT Advocacy team began with four testimonies last week and has five more scheduled for this week. It is already clear that this second half of the biennium will be ripe with opportunity to tackle municipal priorities – that is, as long as the legislature agrees to the governor's one and only priority: education reform. In his State of the State speech, Governor Scott said "I will not sign a budget or an education bill or tax bill that deviates from Act 73 or fails to fix what's broken."

In this *Weekly Legislative Report* we recap the governor's State of the State address, discuss new legislation proposed to modernize Vermont's Public Records Act, review VLCT's upcoming housing priorities, and provide some important updates related to the new Community Housing and Infrastructure Program (CHIP).

State of the State: "Education Transformation is not optional."

Two weeks before his annual Budget address, Governor Scott used his State of the State speech to articulate his singular fiscal and policy priority for the year: education transformation.

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The governor promised forthcoming proposals related to housing, healthcare, energy, and public safety, but dedicated all 35 minutes of the address(opens in a new tab) to the topic of education.

In the late hours of the regular 2025 session, lawmakers passed (and then Scott signed) Act 73(opens in a new tab) – a 147-page bill that would change nearly everything about the funding and oversight of Vermont's public education system, along with non-tangential changes to Vermont's property appraisal and tax systems.

Weeks ago, Act 73 appeared to be coming apart at the seams as the legislatively created redistricting task force chose NOT to recommend new district maps(opens in a new tab). Issued the same day as the long-awaited redistricting report was the annual December 1 tax letter which this year projects a 12% state property tax increase (pending legislative interventions such as the governor's recommended $75 million buy-down of the education fund), teeing up another contentious year of debate.

In his address, Governor Scott not only discussed policy concepts for education transformation such as school closure and mergers, higher graduation standards, and equitable teacher salaries; he also repeatedly, explicitly, defended Act 73 (15 times to be exact). He lambasted rising costs to the education fund, which he says will require "another $200 million, and another double-digit property tax increase that Vermonters can't afford," along with Vermont's falling standardized test scores. Vermont's state property tax rate has risen by 40% over the last five years.

Responses from the Democratic majority within the legislature are mixed. House Education Chair Peter Conlon has said(opens in a new tab) "I think that

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it is going to be very hard to get broad agreement on mandated consolidation." Meanwhile, Senate Pro Tempore Phil Baruth has announced his plan to introduce a bill that would cap district spending.

Over the first week of the legislative session, both chambers' committees of jurisdiction have begun to slog through the library of new reports and studies commissioned by Act 73, including:

- Final Findings and Recommendations(opens in a new tab), Commission on the Future of Public Education in Vermont
- A Map for the Future: The Vermont Regional Education Partnership Model(opens in a new tab), School District Redistricting Task Force
- Report from Act 73 of 2025: Property Tax Classifications Implementation Report(opens in a new tab), Vermont Department of Taxes
- Statewide Systems & School Construction(opens in a new tab), Vermont Agency of Education
- AOE Statewide Graduation Requirements Recommendations(opens in a new tab), Vermont Agency of Education
- Merger Support Progress Report(opens in a new tab), Vermont Agency of Education

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- Special Education Strategic Plan(opens in a new tab), Vermont Agency of Education

- Cooperative Services and Therapeutic School Oversight(opens in a new tab), Vermont Agency of Education

- Transportation Reimbursement Guidelines(opens in a new tab), Vermont Agency of Education

It's only January, but Governor Scott has chosen the singular defining debate of the year, which leaves some political observers wondering... will this be his final showdown?

Regardless, we can expect much committee time and most of the daily oxygen in this session to be spent untangling the finer points of education transformation – and how to pay for it.

Modernizing Vermont's Public Records Act

The number of Public Records Act requests received by municipalities seems to be increasing exponentially, as are the types and volumes of records that municipal officials are obligated to maintain.

Samantha Sheehan testified(opens in a new tab) to the House Committee on Government Operations and Military Affairs last Thursday to recommend modernizing reforms to Vermont's Public Records Act (PRA) that will help

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municipalities comply with the law and ensure transparency while fulfilling a high volume of requests, and to allow municipalities to recuperate the true cost of producing records as required by law.

These recommendations have arisen directly from questions, concerns, and confusion from municipal staff, boards, and commissions attempting to comply with the law and through discussions with VLCT's Municipal Assistance Center attorneys as well private attorneys who advise and defend Vermont municipalities on matters related to the PRA.

VLCT proposes legislative action to:

- Extend the number of days to respond to allow up to 14 business days from receipt of a request.

- Prescribe a clear act of denial for which the requester may appeal. Currently, a failure to comply with the three-business-day response period "shall be deemed to have denied the request or the appeal upon the expiration of the time limit." This allows a requester to escalate an appeal without an affirmative denial by the municipality, often creating needless public costs and liability in the case of a late response.

- Clarify the process of appeal at municipal level. For various forms of municipal government in Vermont, it is rarely obvious which municipal officials may serve as the "head of agency" for the purpose of deciding an appeal.

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- Allow municipalities to recover the true cost of producing records and redaction, regardless of whether the requestor chooses to view or to receive copies of the records.

- Create relief from vexatious requests. Last session, VLCT and this House committee heard from several Vermont municipalities that have been subjected to excessive, abusive, or harassing public records requests that have created excessive public costs and inhibited the ability of town government to function under repeated, voluminous requests. As a solution, VLCT proposes a new protection, similar to the Maine law 1 M.R.S.A. 408-A(4-A), that would create an action for protection from vexatious requests.

The Committee on Government Operations and Military Affairs is expected to continue to hear testimony related to PRA modernization ***and*** to begin drafting a committee bill in the weeks ahead. If you'd like to provide testimony or support for VLCT's ongoing work related to the PRA, email advocacy@vlct.org (opens in a new tab).

VLCT Housing Priorities

For our first testimony of the year(opens in a new tab), VLCT Advocacy was pleased to return to the House Committee on General Affairs and Housing to discuss our 2026 legislative priorities. Samantha and Josh testified for nearly an hour(opens in a new tab), outlining VLCT's recommended legislative

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actions to improve the availability and affordability of housing in Vermont communities.

We shared our concerns with the committee regarding the ongoing process for implementing Act 181 (articulated in our 2026 legislative preview(opens in a new tab)) using sample maps from the Town of Pittsford to demonstrate how the "road rule" and draft Tier 3 rule are creating large swaths of new jurisdictional area that could impact existing homeowners and disincentivize infill development in rural communities across Vermont.

VLCT is joining rural leaders, law makers, and other organizations to **call for a slowdown of Act 181 implementation**. Among the actions we recommended to the committee are:

- Further limit municipal appeals of housing projects within Tier 1 areas.
- Extend temporary Act 250 exemptions.
- Delay implementation of the Road Rule and Tier 3 jurisdiction.
- Eliminate requirements for municipal enforcement of existing Act 250 permits within Tier 1A areas.

VLCT supports a bill planned to be introduced by the Rural Caucus(opens in a new tab) that would address our primary concerns and would also require the Land Use Review Board (LURB) to notify all property owners within a proposed Tier 3 area at least 30 days prior to a public hearing on the Tier 3 Rule.

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Over the course of our testimony, we also dug into recommendations that would **expand municipal tax and regulatory authority** and **accelerate redevelopment of underutilized properties**:

- Allow for new municipal authority to impose taxes and raise fees to regulate short-term rentals.
- Match state property tax relief with municipal stabilization agreements to support infill-scale housing development.
- Accelerate brownfield cleanup and redevelopment.
- Further limit appeals of housing projects within Tier 1 areas.
- Exempt agricultural activity from municipal regulation, except for in Act 250 exempted areas.
- Extend successful Vermont Housing Improvement Program (VHIP) grants for the rehabilitation of rental units.
- Support technical assistance and availability of Municipal Planning Grants.

We will be back before the House Committee on General Affairs and Housing again this week, this time to dive into the zoning and planning process and outline concepts that could support the faster adoption of better local codes to accelerate and improve housing availability, regardless of a community's

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size or local resources.

Transportation Woes

As we highlighted in the December Legislative Preview(opens in a new tab), the Transportation Fund is in serious trouble, and the Senate Transportation Committee got a head start with a pre-session hearing on December 18(opens in a new tab). The committee heard from several witnesses(opens in a new tab) including national experts in transportation funding policy, officials from the Vermont Agency of Transportation and the New Hampshire Department of Transportation, the Vermont Joint Fiscal Office, and four VLCT members. The latter – Ryan Britch, South Royalton Town Administrator; Michael Hogan, Cabot Selectboard Member; Dan Tyler, Brattleboro Public Works Director; and Nicolas Storellicastro, Barre City Manager – provided the committee members with a reality check on the impacts of shrinking transportation funding on municipalities and everyday Vermonters.

From closed bridges requiring lengthy new commutes(opens in a new tab), to paving budgets over 50% below recommended targets(opens in a new tab) and regular road maintenance falling behind(opens in a new tab), municipalities are calling for more transportation funding from the state and new authorities to raise transportation funding locally.

VLCT has made funding to fix the municipal roads and bridges that all Vermonters rely on a top priority for the 2026 legislative session. VLCT recommends legislative actions to:

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- Diversify and increase Transportation Fund revenue sources.
- Direct the full Purchase and Use Tax on motor vehicles to the Transportation Fund.
- Remit a portion of registration fees and excess weight permit fees to the municipality in which the vehicle is registered.
- Fully fund core municipal transportation programs – Town Highway Aid, Town Structures, and Town Bridges – according to need.
- Provide incentives for municipalities to take over state highways that function as main streets.
- Allow VTrans to enter into agreements with municipalities for use of state-owned equipment for small transportation projects.

Representative Molly Burke, (D), Brattleboro, intends to introduce a bill that would create a Local Option Tax for gas sales, and VLCT has joined early conversations around other revenue raising schemes such as an increase in the state's gas tax, ending the purchase and use tax revenue to the education fund, and a new tax on parcel delivery. Our message is clear: whatever proposals to raise transportation revenues are supported by the legislature and the governor will be supported by VLCT. The best time to spend a dollar on transportation infrastructure was yesterday; the second-best time is today.

CHIP is Full Steam Ahead Despite Cold Feet of Some Lawmakers

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On Friday, lawmakers from the House committees on General Affairs and Housing, Commerce, and Ways and Means hosted a joint hearing to learn about the state's progress toward launching the transformative Community Housing and Infrastructure Program (CHIP). The mood in the room was decidedly dour – despite the mounting excitement and enthusiasm for the program(opens in a new tab) developing in communities across the state. In fact, the Vermont Economic Progress Council (VEPC) reported over 250 registrants for their educational webinar(opens in a new tab) series hosted in partnership with the Council of Development Finance Agencies (CDFA).

Throughout the hearing, lawmakers pressed state officials on details related to the so-called "guardrails" drafted into Act 69 which are meant to ensure that CHIP-funded projects will support only primary residences for low- and moderate-income Vermonters, and only in situations where the housing project could not have occurred "but for" the investment of tax increment revenues.

Many observers (present company included) remarked that the tone of the joint hearing lacked the expected celebratory atmosphere, considering that the CHIP pre-application process was officially launched just days before.

CHIP is by most accounts the crown jewel of legislative achievements to support housing and infrastructure. VEPC's Executive Director Jessica Hartleben has called it "a once in a generation opportunity". CHIP will be 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

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next decade, **CHIP will create thousands and thousands of new homes**. Joint Fiscal Office modeling(opens in a new tab) projects that if the program is fully subscribed, it could add at least $600 million to the state's flailing education fund by 2059 **without raising taxes or rates on existing homeowners and renters**.

Testimony from other stakeholders, including VLCT's Josh Hanford(opens in a new tab), made clear that **VEPC had a productive summer developing largely favorable guidelines for the new program** which have received mostly positive reactions from potential users of the new program, including municipal officials, home builders, and non-profit housing developers. That said, we continue to hear about percolating concerns around how CHIP could be used specifically to create home ownership units because of the "primary residence" requirement – an issue VLCT advocacy had raised back in May prior to passage of Act 69. Home builders, finance agencies, and land use attorneys have raised concerns about the "finance-ability" of home ownership units using CHIP for both mortgages and construction loans because of the primary residency requirement. Projects designed for rental units only are not expected to have any issues, as lease agreements can reasonably enforce subletting and short-term rentals.

Minor dramas aside, CHIP is moving full steam ahead. The **final guidelines have been adopted, the pre-application portal is now open, technical assistance programing is underway**, and Vermont could see its first CHIP built homes under construction as soon as this summer.

Important CHIP updates:

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- Final CHIP guidelines(opens in a new tab) were adopted by VEPC in November.

- This week, register for and attend the two informative VEPC & CDFA webinars(opens in a new tab) on January 13 and January 15.

- Register soon for the VLCT webinar Introducing CHIP(opens in a new tab) to be held February 19.

- VEPC has opened the CHIP Interest Form (a pre-application requirement).(opens in a new tab) We suggest previewing it soon.

New Unassigned Fund Balance Authority

One of VLCT's major legislative victories in the 2025 session was the passage of Act 57, also known as "the Flood Bill". The Flood Bill included several actions targeting support to municipalities to enable the preparation for, emergency response to, and recovery from flood disasters and other all-hazard events and changed the Local Option Tax withholding formula from 70% for the local government and 30% for the state to 75/25. It also enacted three new municipal finance authorities which were jointly developed and recommended by VLCT and the Vermont Bond Bank:

- Unassigned Fund Balance

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- Emergency Borrowing; all-hazard event or state emergency

- Denominations; Payments; Interest (level debt service)

VLCT Advocacy was invited back(opens in a new tab) to the Senate Committee on Government Operations to testify on the purpose, governance, and limitations of the new Unassigned Fund Balance authority(opens in a new tab), which became effective July 1, 2025.

Municipal cash flow is uneven, with expenses incurred year-round and revenues collected at specific times. In Vermont, municipal revenue authorities are very limited, and most municipalities rely primarily on the quarterly collection of municipal property taxes.

Maintaining an unassigned fund balance is a prudent fiscal practice recommended by governmental finance organizations and auditors. The Governmental Finance Officers Association (GFOA) says "It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks." A healthy Unassigned Fund Balance:

- Supports stable and predictable tax rates over time.

- Provides flexibility to respond to emergencies, economic downturns, and unforeseen events.

- Ensures sufficient cash flow during periods when revenues are not yet collected.

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- Reduces or eliminates the need for short-term, emergency borrowing and associated interest costs.

- Strengthens credit ratings and lowers interest rates for borrowing. According to Moody's Investors Service, "a fund balance between 15% and 30% of revenues is needed to receive a scorecard value of "Aa."

Town Meeting Day 2026 will be the first opportunity for many municipalities to use this new authority for their fiscal year 2027 budget. VLCT will soon issue a new model Fund Balance Policy with guidance, available to all Vermont municipalities. All members may consult with VLCT's Municipal Operations Support team for questions, concerns, and assistance in establishing an unassigned fund balance and/or adopting a governing policy.

What We're Reading

At the start of every legislative session, several new reports are published by legislative working groups, committees, state agencies and boards, and the non-partisan Joint Fiscal Office. These reports provide the factual and fiscal foundation for much of the State House to debate around new legislative proposals.

Here are some recently released reports we are interested in, as well as some recent reporting from local press related to top issues for local government.

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- VHFA Annual Report, 2025,(opens in a new tab) Vermont Housing Finance Agency

- Strengthening Vermont's Rural Technical Assistance System Recommendation Pursuant to Act 181 of 2024,(opens in a new tab) Department of Housing and Community Development and the Vermont Evaluation of Rural Technical Assistance Steering Committee

- Report from Act 73 of 2025: Property Tax Classification Implementation Report,(opens in a new tab) Vermont Department of Taxes

- Final Findings and Recommendations(opens in a new tab), Commission on the Future of Public Education in Vermont

- Emergency Medical Services Advisory Committee Report,(opens in a new tab) Emergency Medical Services Advisory Committee

- Final Reading: Has Burlington's Special Accountability Court Worked? (opens in a new tab), VTDigger

- Scott Zeros In on Education Reform In State of the State(opens in a new tab), Seven Days

- To Hasten Housing Permits, Lawmakers Consider Moving Appeals Out of a Courtroom(opens in a new tab), Vermont Public

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- Full Text and Video: Gov. Phil Scott's 2026 State of the State Address (opens in a new tab), Vermont Public

- 'A Once-in-a-Generation Opportunity': Housing Infrastructure Program Kicks Off This Month(opens in a new tab), VTDigger

Get Involved

Once the State House doors open on the new session, the **most important key to our success will be your input and participation** in VLCT's advocacy work. Don't forget to register to attend our Advocacy Chats to learn what mid-session progress has been made on the issues that matter most to local government. Also, hear what your municipal colleagues from around the state have to say about the hot topics and share your concerns for the legislature. You can register here to join us on Monday, January 26 at 1 PM(opens in a new tab).

- You can find (and share) this legislative preview, last month's advocacy update, and future reports and alerts on our main Advocacy webpage (opens in a new tab).

- Before you visit the State House, check VLCT's Effective Testimony Guide for Municipal Officials(opens in a new tab) for best practices and answers to frequently asked questions.

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- 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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